

Luxembourg Listing Prospectus dated June 5, 2007



Stena AB (publ)

€102,000,000

5.875% Senior Notes due 2019

Interest payable August 1 and February 1

Issue Price: 98.5%

The notes will mature on February 1, 2019. Interest on the notes will accrue from February 14, 2007, and the first interest payment date will be August 1, 2007.

The notes are not redeemable prior to maturity, except as set forth herein. At any time prior to the maturity of the notes, we may redeem some or all of the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest plus a "make-whole" premium. In addition, we may redeem all of the notes at a price equal to their principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in tax law. If we experience specific kinds of changes of control, we must offer to purchase the notes.

The notes will be general unsecured obligations of Stena AB (publ) and will rank equally with all our existing and future unsecured senior debt.

See "Risk factors" beginning on page 12 for a discussion of certain risks that you should consider in connection with an investment in the notes.

The notes have not been registered under the Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction. We are offering the notes only to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S. We do not intend to register the notes pursuant to an exchange offer under the Securities Act.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes for trading on the Euro MTF Market of that exchange.

Delivery of the notes was made to investors in book-entry form through Euroclear and Clearstream on February 14, 2007.

Joint Book-running Managers

Deutsche Bank

JPMorgan

Citigroup

In making your investment decision, you should rely only on the information contained in this Listing Prospectus. We and the initial purchasers have not authorized any other person to provide you with any information. If you receive any other information, you should not rely on it.

We and the initial purchasers are offering to sell the notes only in places where offers and sales are permitted.

You should not assume that the information contained in this Listing Prospectus is accurate as of any date other than the date on the front cover of this Listing Prospectus.

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Stena AB (publ) is a stock corporation of limited liability incorporated in 1897 under the laws of the Kingdom of Sweden and governed by the Swedish Companies Act. Our principal executive offices are located at Masthuggskajen, SE-405 19 Gothenburg, Sweden, and our telephone number at that address is 46-31-855-000. Our registered office is in the Commune of Gothenburg, Vstra Gotaland County, Sweden. Our website address is <http://www.stena.com>. The information in our website is not part of this Listing Prospectus.

In this Listing Prospectus the terms "we," "us," "our," "Stena," "Stena AB" and the "Company" refer to Stena AB (publ) and its subsidiaries, unless the context requires otherwise, and "initial purchasers" refers to the firms listed on the cover of this Listing Prospectus. The term "Stena Sphere" refers to Stena AB together with Stena Sessan AB ("Sessan"), Stena Metall AB ("Stena Metall") and Concordia Maritime AB (publ) ("Concordia"), which is 52% owned by Sessan.

This Listing Prospectus is a document that we are providing only to prospective purchasers of the notes. You should read this Listing Prospectus before making a decision whether to purchase any notes. You must not:

- use this Listing Prospectus for any other purpose;
- make copies of any part of this Listing Prospectus or give a copy of it to any other person; or
- disclose any information in this Listing Prospectus to any other person.

We have prepared this Listing Prospectus and are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the notes. You may contact us if you need any additional information. By purchasing any notes, you will be deemed to have acknowledged that:

- you have reviewed this Listing Prospectus;
- you have had an opportunity to request any additional information that you need from us; and
- the initial purchasers are not responsible for, and are not making any representations to you concerning, our future performance or the accuracy or completeness of this Listing Prospectus.

We are not providing you with any legal, business, tax or other advice in this Listing Prospectus. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase any of the notes.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or possess this Listing Prospectus. You must also obtain any consents or approvals that you need in order to purchase any of the notes. We and the initial purchasers are not responsible for your compliance with these legal requirements.

We are offering the notes in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The notes have not been recommended by any federal, state or foreign securities authorities and they have not determined that this Listing Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The notes have not been and will not be registered under the Securities Act. The notes are subject to restrictions on resale and transfer as described under “Transfer restrictions.” By purchasing any notes, you will be deemed to have made certain acknowledgements, representations and agreements as described in that section of this Listing Prospectus. You may be required to bear the financial risks of investing in the notes for an indefinite period of time.

In connection with this offering, Deutsche Bank AG, London Branch may over-allot or effect transactions for a limited period of time with a view to supporting the market prices of the notes at a level higher than that which might otherwise prevail. However, Deutsche Bank AG, London Branch is not obligated to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

NOTICE TO ITALIAN INVESTORS

Each Book-running Manager ("Manager") has acknowledged that the offer of the notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") (the Italian Securities and Exchange Commission) pursuant to Italian securities legislation and, accordingly, notes may not be offered, sold or delivered, nor may copies of this document or of any other document relating to the Notes be distributed in the Republic of Italy in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree No. 58 of 24 February 1998 (the "Financial Services Act"), unless an exemption applies. Accordingly, in the Republic of Italy, the notes:

- (a) shall only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended and effected in compliance with the terms and procedures provided therein ("Regulation No. 11522"); or
- (b) shall only be offered or sold in circumstances which are exempted from the rules on solicitations of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, each Manager has acknowledged that any offer, sale or delivery of the notes or distribution of copies of this document or any other document relating to the notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), Regulation No. 11522 and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the EU Directive No. 2003/71 (the "Prospectus Directive"), such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing provisions.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421 B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Service of process and enforcement of civil liabilities

Stena AB is a stock corporation incorporated under the laws of the Kingdom of Sweden. Substantially all of Stena AB's directors and executive officers and the experts named herein are residents of the Kingdom of Sweden. All or a substantial portion of the assets of Stena AB and of such individuals are located outside the United States. It may not be possible for investors to effect service of process within the United States upon Stena AB or such persons with respect to matters arising under the U.S. federal securities laws or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of such laws. Stena AB has been advised by Wistrand Advokatbyrå Göteborg KB, its Swedish counsel, that the United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Furthermore, such counsel has advised that (i) there is doubt whether an original action could be brought in Sweden against Stena AB predicated solely upon the provisions of the U.S. federal securities laws and (ii) actions for enforcement of judgments of U.S. courts against Stena AB are not enforceable in Sweden, either by treaty or in practice, but are accepted on an evidential basis in a Swedish legal action.

Forward-looking statements

This Listing Prospectus includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Some of these statements can be identified as "forward-looking statements" by the use of forward-looking terminology including terms such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "plan," "project," "predict," "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Listing Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- changes in general economic and business conditions;
- changes in laws and regulations;
- changes in currency exchange rates and interest rates;
- risks incident to vessel operations, including discharge of pollutants;
- introduction of competing services or products by other companies;
- changes in trading or travel patterns;
- increases of costs of operations or the inability to meet efficiency or cost reduction objectives;

- changes in our business strategy; and
- other risk factors listed in this Listing Prospectus and in our reports filed with or submitted to the U.S. Securities and Exchange Commission (the “SEC”) from time to time.

We do not intend, and undertake no obligation, to revise the forward-looking statements included in this Listing Prospectus to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those discussed under the heading “Risk factors” in this Listing Prospectus.

Currency of presentation

Stena AB maintains its consolidated financial accounts in Swedish kronor. In this Listing Prospectus, references to “SEK” are to Swedish kronor, references to “US dollars,” “dollars,” “US\$” or “\$” are to US dollars, references to “€” and “euro” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended by the Treaty on the European Union, and references to “DKK” are to Danish kronor. For the convenience of the reader, this Listing Prospectus contains translations of Swedish kronor amounts into US dollars at specified rates. No representation is made that the Swedish kronor amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates. Unless otherwise stated, the translations of Swedish kronor into US dollars have been made at \$1.00 = SEK 7.3127, the noon buying rate in New York City for cable transfers in Swedish kronor as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”) on September 30, 2006. Unless otherwise stated, the translations of other currencies into SEK have been made at the applicable conversion rates as reported by Sveriges Riksbank, the Central Bank of Sweden, on September 30, 2006. No representation is made that these amounts have been, could have been or could be converted into such amounts at the rates indicated or at any other rates.

Exchange rate information

The following table sets forth, for the years and dates indicated, certain information concerning the exchange rates between Swedish kronor and US dollars based on the Noon Buying Rate. The exchange rate information is expressed in Swedish kronor per \$1.00.

Year ended December 31,	Average ¹	High	Low	Period end
2002	9.6571	10.7290	8.6950	8.6950
2003	8.0351	8.7920	7.1950	7.1950
2004	7.3320	7.7725	6.5939	6.6687
2005	7.5200	8.2434	6.6855	7.9370
2006	7.3098	7.9656	6.7674	6.8342
August	—	7.2448	7.1194	7.2428
September	—	7.3450	7.2410	7.3127
October	—	7.4200	7.2111	7.2111
November	—	7.2096	6.8331	6.8331
December	—	6.9204	6.7674	6.8342
2007				
January	—	7.0829	6.7818	6.9653
February	—	7.0839	6.9436	6.9980
March	—	7.0928	6.9622	6.9837
April	—	7.0057	6.6975	6.6975
May	—	6.9376	6.7093	6.9191
June (through June 4)	—	6.9293	6.9161	6.9161

(1) Represents the average of the Noon Buying Rates on the last business day of each full month during the relevant period.

On June 4, 2007, the Noon Buying Rate for the Swedish kronor, expressed as Swedish kronor per US dollar, was \$1.00 = SEK 6.9161.

Updated Information

The table below sets out sections of this Luxembourg Listing Prospectus that are updated in the Issuer's 2006 annual report and first quarter 2007 financial results, included herein as Annex A and B, respectively.

Listing Prospectus Section	Page Reference
Risk Factors	A-12 to A-22 of the 2006 annual report
Selected consolidated financial information and other data	A-9 to A-11 of the 2006 annual report; B-1 to B-6 of the Q1 2007 financial results
Management's discussion and analysis of financial condition and results of operations	A-45 to A-59 of the 2006 annual report; B-7 to B-12 of the Q1 2007 financial results
Business	A-23 to A-45 and A-69 to A-71 of the 2006 annual report
Management	A-59 to A-62 of the 2006 annual report
Principal shareholders	A-62 to A-63 of the 2006 annual report
Certain relationships and related party transactions	A-63 to A-64 of the 2006 annual report
Description of other indebtedness	A-66 to A-69 of the 2006 annual report
Financial statements	A-74 to A-135 of the 2006 annual report; B-13 to B-17 of the Q1 2007 financial results

Glossary

The following are abbreviations and definitions of certain terms commonly used in the shipping industry and this Listing Prospectus.

Aframax tanker. Tankers ranging in size from 80,000 dwt to 120,000 dwt.

Annual survey. The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

Bareboat charter. The rental or lease of an empty ship, without crew, stores or provisions, with the lessee responsible for complete operation and maintenance of the vessel, including crewing.

Charter. The hire of a vessel for a specified period of time or to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty. A vessel is "chartered in" by a lessee and "chartered out" by a lessor.

Classification society. A private self-regulatory organization that has as its purpose the supervision of vessels during their construction and afterward, in respect to their seaworthiness and upkeep, and the placing of vessels in grades or "classes" according to the society's rules for each particular type of vessel.

Contract of affreightment. A contract between a shipowner and a shipper, whereby the shipowner undertakes to carry a cargo over a certain route on specified occasions.

Drillship. A maritime vessel modified to include a drilling rig and special station-keeping equipment. The vessel is typically capable of operating in deep water, or ultra-deep water up to 10,000 or 12,000ft. A drillship must stay relatively stationary on location in the water for extended periods of time. This positioning may be accomplished with multiple anchors, dynamic propulsion (thrusters) or a combination of these. Drillships typically carry larger payloads than semi-submersible drilling rigs.

Drydock. A large basin where fresh/sea water is pumped out to allow a ship to dock in order to carry out cleaning and repairing of those parts of a vessel which are below the water line.

Dwt. Deadweight tonne. A unit of a vessel's capacity, for cargo, fuel oil, stores and crew, measured in metric tonnes of 1,000 kilograms. A vessel's dwt or total deadweight is the total weight the vessel can carry when loaded to a particular load line.

Dynamic positioning (DP). An advanced satellite navigation system that controls thrusters to maintain a vessel's position in most weather without anchors.

Freight unit. Trucks, trailers, containers and railcars.

Gross ton. Unit of 100 cubic feet or 2.831 cubic meters.

High speed vessel (HSS). A ship, usually built from aluminium and often multi-hull, designed to have excellent motion characteristics in heavy seas. HSS vessels operate at speeds of over 30 knots and primarily target the passenger market.

Hull. The shell or body of a ship.

IMO. International Maritime Organization, a United Nations agency that issues international standards for shipping.

Lane meter. The number of useable length meters of lanes for cars, trailers or trucks, except with respect to RoRo vessels that do not carry cars.

Lightering. To put cargo in a lighter to partially discharge a vessel or to reduce her draft. A lighter is a small vessel used to transport cargo from a vessel anchored offshore.

Linkspan. The docking facility for the HSS vessels.

Lloyds Register. British ship classification society.

Newbuilding. A new vessel recently delivered or under construction.

Offhire. The period a vessel is unable to perform the services for which it is immediately required under its contract. Offhire periods, which may be scheduled or unscheduled, include days spent on repairs, drydockings, special surveys, vessel upgrades, initial positioning after the purchase of a vessel and periods awaiting employment.

P&I Insurance. Third party insurance obtained through a mutual association (P&I Club) formed by shipowners to provide protection from large financial loss to one member by contribution towards that loss by all members.

Panamax tanker. Tankers ranging in size from 60,000 dwt to 80,000 dwt.

Pool. A co-operation between two or more parties whereby each party supplies its vessels to the pool and the revenues from the pool are split between the pool members in proportion to the number and characteristics of tankers each delivered to the pool.

Product tanker. Vessels designed to carry a variety of liquid products varying from crude oil to clean and dirty petroleum products, acids and other chemicals. The tanks are coated, this being a requirement of some of the products carried, and the ship may have equipment designed for the loading and unloading of cargoes with a high viscosity.

RoPax vessels. Vessels designed to transport trucks, freight trailers, buses and cars and which also provide cabin accommodations for passengers.

RoRo vessels. Vessels designed primarily to transport freight trailers and a limited number of passengers.

Scrapping. The disposal of old vessel tonnage by way of sale as scrap metal.

Semi-submersible rig. Floating platforms that, by means of a water ballasting system, can be submerged to a predetermined depth so that a substantial portion of the lower hulls, or pontoons, is below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or a computer-controlled thruster system.

Semi-submersible rigs are divided into six generations, which are determined by rig design and the year of delivery of the units. Generally, first generation drilling rigs are drilling rigs that were delivered before 1973, second generation drilling rigs are drilling rigs that were delivered between 1973 and 1981, third generation drilling rigs are drilling rigs that were delivered between 1982 and 1985 and fourth generation drilling rigs are drilling rigs that have been delivered since 1986. Fifth generation drilling rigs are drilling rigs that have been delivered since 1997. Sixth generation drilling rigs are drilling rigs that have been delivered after 2005.

Service speed. The average maximum speed a vessel can reach when utilized on a daily basis.

Shuttle tankers. A tanker, usually with special fittings for mooring, which lifts oil from offshore fields and transports it to a shore side storage or refinery terminal on repeated trips.

Spot market. The market for immediate chartering of a vessel, usually on voyage charters.

Tanker. Ship designed for the carriage of liquid cargoes in bulk with cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined products, liquid chemicals and liquid gas. Tankers load their cargo by gravity from the shore or by shore pumps and discharge using their own pumps.

Time charter. The hire of a vessel for a specified period of time. The lessor provides the ship with crew, stores and provisions, ready in all aspects to load cargo and proceed on a voyage and pays for insurance, repairs and maintenance. The lessee pays for bunkering and all voyage related expenses including canal tolls and port charges.

Utilization rate. The total number of days an offshore drilling rig or vessel is in operation during a given period, divided by the total number of days in the period that the offshore drilling rig or vessel is owned or chartered in.

Variable interest entities (VIEs). Our investments in three companies whose purpose is to make investments, primarily in high yield securities and corporate bank loans.

VLCC. Very large crude carrier—a tanker of 200,000 to 320,000 dwt.

Summary

This summary highlights information contained elsewhere in this Listing Prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. We urge you to read this entire Listing Prospectus carefully, including the "Risk factors" section and our consolidated financial statements and related notes.

Our business

Stena AB is one of the largest privately held companies in Sweden. We own and operate one of the world's largest international passenger and freight ferry services and own and charter drilling rigs, Roll-on/Roll-off vessels and crude oil and petroleum product tankers. In addition, we invest in and manage residential and commercial real estate, principally in Sweden. We also invest in other businesses not related to our traditional lines of business. For the twelve months ended September 30, 2006, we generated revenues of SEK 23.4 billion, including net gain on sale of assets of SEK 3.0 billion. Cash flows from operating activities for the same period, which excludes a net gain on sale of assets of SEK 3.0 billion, were SEK 3.6 billion, with SEK 4.0 billion of cash flows from operating activities for that period generated by our restricted subsidiaries.

Business segments

Ferry operations. We operate 18 routes and 35 vessels in Scandinavia, the United Kingdom and the Republic of Ireland under the "Stena Line" and "Scandlines" brand names. Our ferry operations generate revenues from three principal business activities: (i) travel, which consists primarily of ticket sales for passengers and private cars, package tours and hotel sales; (ii) onboard sales, which consists primarily of retail sales, restaurants, bars, arcades, gaming and, on our Norway–Denmark route, duty and tax free sales; and (iii) freight, which consists primarily of trailer and truck transportation. For the twelve months ended December 31, 2006, we carried a total of 11.4 million passengers, 2.2 million private cars and 1.6 million freight units on our routes. For the twelve months ended September 30, 2006, our ferry operations generated revenues of SEK 9.2 billion and an operating loss of SEK (131) million, including depreciation and amortization expense of SEK 2.1 billion, including impairment charges of SEK 1.3 billion. Ferry operations revenues were generated from travel (35%), onboard sales (18%) and freight/other (47%).

Offshore drilling. We own and operate two third generation and two fifth generation semi-submersible drilling rigs. We believe our excellent safety record, quality of service and fleet provide us with a significant competitive advantage. For the twelve months ended September 30, 2006, including net gain on sale of assets of SEK 1.5 billion, our drilling operations generated revenues of SEK 4.4 billion and operating income of SEK 2.1 billion, including depreciation and amortization expense of SEK 642 million.

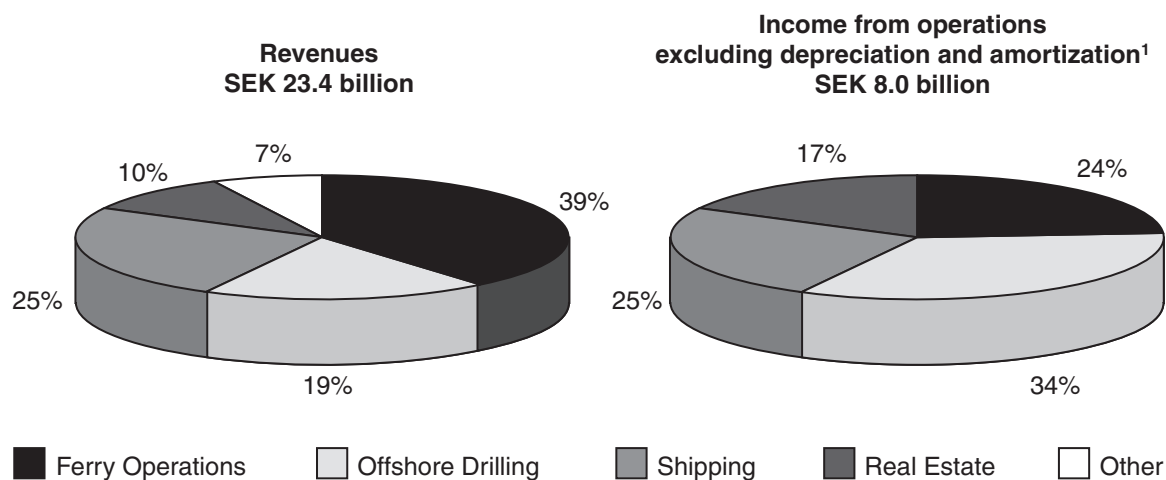
Shipping. Our shipping operations consist of the ownership and chartering of Roll-on/Roll-off vessels and crude oil and petroleum product tankers. To support these activities, we also are engaged in the design, purchase, sale, management and crewing of these vessels. We generally collect charter hire payments monthly in advance in the case of time charters and upon completion with respect to charters on the spot market. For the twelve months ended September 30, 2006, including net gain on sale of assets of SEK 1.1 billion, our shipping operations generated revenues of SEK 5.8 billion and operating income of SEK 1.9 billion, including depreciation and amortization expense of SEK 166 million.

Roll-on/Roll-off vessels. Roll-on/Roll-off vessels permit trucks, freight trailers, buses and cars to drive directly onto and off the ship. As a result, these vessels permit more rapid loading and unloading and do not require cranes or other port facilities associated with traditional cargo handling and container ship operations. Our Roll-on/Roll-off vessel operations are divided into RoPax vessels, which carry trucks, freight trailers, buses and cars and provide accommodations for passengers; RoRo vessels, which carry freight trailers and a limited number of passengers; and car/passenger ferry vessels. Over the five years ended December 31, 2006, our Roll-on/Roll-off fleet size has ranged from six to eight vessels.

Crude oil and petroleum product transportation. We own, charter in and provide commercial management services for crude oil and product tankers. We lease two product tankers pursuant to long-term finance leases and have 50% interests in one crude oil tanker and three shuttle tankers. We have a 50% interest in one additional tanker on order. As of December 31, 2006, we also chartered in 39 Product, Aframax, Panamax and Suezmax tankers.

Real estate. We acquire, refurbish and manage residential and commercial properties. Our properties are located primarily in Sweden. As of December 31, 2006, we owned approximately 350 properties. For the twelve months ended September 30, 2006, including a net gain on sale of assets of SEK 431 million, our real estate business generated revenues of SEK 2.4 billion and operating income of SEK 997 million, including depreciation and amortization expense of SEK 346 million.

The following charts set forth our revenues and income from operations, excluding depreciation and amortization, by business unit, for the twelve months ended September 30, 2006.



⁽¹⁾ Income from operations excluding depreciation and amortization is not a measure in accordance with Swedish GAAP or US GAAP and should not be used as an alternative to cash flows or as a measure of liquidity and should be read in conjunction with the consolidated statements of cash flows contained in our consolidated financial statements included elsewhere herein. A reconciliation of income from operations excluding depreciation and amortization to income from operations, by business area, is presented below:

	Ferry	Shipping	Offshore Drilling	Real Estate	Other	Total
Income from operations	(131)	1,908	2,120	997	(188)	4,706
Depreciation and amortization	2,096	642	166	346	68	3,318
Income from operations before depreciation and amortization	1,965	2,550	2,286	1,343	(120)	8,024

Our strengths

Diversified operations. We operate in the following business areas: ferry operations, offshore drilling, shipping, real estate and other businesses. These operations provide us with a diversified revenue and earnings stream that has served to insulate us from the volatility of any of these businesses individually.

Substantial asset base and cash flow from operating activities. We believe that we own and operate a high-quality fleet of ferries, drilling rigs, Roll-on/Roll-off vessels and crude oil tankers. We also own a substantial portfolio of real estate properties. As of September 30, 2006, the book value of our tangible fixed assets was approximately 1.14 times the amount of our indebtedness. Historically, our assets have generated significant levels of cash flow from operating activities. As our asset base has grown, our cash flow from operating activities has grown from SEK 1.2 billion in the nine months ended September 30, 2005, to SEK 2.4 billion in the nine months ended September 30, 2006, excluding a net gain on sale of assets of SEK 527 million and SEK 2.4 billion in the nine month periods ended September 30, 2005 and 2006, respectively.

High utilization rates. We have achieved high utilization rates for our assets in our shipping and offshore drilling businesses. For the five years ended December 31, 2006, our average utilization rates for Roll-on/Roll-off vessels, crude oil tankers and offshore drilling rigs were approximately 97%, 98% and 84%, respectively.

Proven management team. We have over fifty years of experience in various aspects of the shipping business. Our current senior management team has experience in acquiring assets at attractive prices, operating them efficiently and selling them as favorable opportunities arise. We have redeployed the net proceeds from these asset sales to finance the growth of our business.

Our strategy

Maintain strong financial position. We operate in capital-intensive businesses. We intend to maintain a strong financial position and substantial liquidity that should enable us to continue to access capital to fund our businesses. We financed the expansion of our asset base in part by selectively disposing of assets, enabling us to maintain a strong financial position. We have benefited from strong cash flow as a result of our substantial investment over the last five years and selective asset sales.

Selectively expand our businesses. We continuously monitor the businesses in which we operate and seek to take advantage of opportunities to expand our business. As a result of increasing day-rates in our offshore drilling business, we have orders for three new DrillMAX drillships. We are also expanding our ferry fleet with orders for three new vessels, including two new Super Ferries, and we are increasing capacity on some of our existing vessels through ship extensions.

Recent developments

Order of Third Stena DrillMAX Drillship. In October 2006 the Company ordered a third Stena DrillMAX drillship from the Samsung Heavy Industries ("SHI") shipyard in Korea. The total cost will be approximately \$710 million, of which \$610 million remained to be paid as of December 31, 2006, and delivery is expected in June 2009.

Order of two Super Ferries. In November 2006 the Company entered into a contract with Aker Yards in Germany to build two Super Ferries to be used by Stena Line. These vessels would be the world's largest RoPax vessels, with a length of 240 meters and gross tonnage of 63,000 each. The total cost for both vessels will be approximately €460 million, of which €400 million remained to be paid for both vessels as of December 31, 2006. Deliveries are scheduled for the first and third quarter of 2010. The contract includes options for two additional vessels of the same type.

Completion of offering of 6.125% Senior Notes due 2017. On February 8, 2007, we completed an offering of €300 million of our 6.125% Senior Notes due 2017. The notes contain certain covenants including limitation on indebtedness, limitation on liens on capital markets indebtedness and limitations on mergers, consolidations and sales of assets, and rank *pari passu* with our other outstanding senior notes and will rank *pari passu* with the notes offered hereby. We used a portion of the proceeds of the offering of the notes to purchase our 9⁵/₈% Senior Notes due 2012 in a tender offer and consent solicitation, and we intend to use the remaining proceeds for general corporate purposes.

Tender offer and consent solicitation for 9⁵/₈% Senior Notes due 2012. Pursuant to our tender offer and consent solicitation, we amended the indenture governing our 9⁵/₈% Senior Notes due 2012 to eliminate the principal restrictive covenants, and on February 8, 2007 we purchased approximately \$177 million of our 9⁵/₈% Senior Notes due 2012 representing more than 99% of these outstanding notes. Our tender offer and consent solicitation is currently scheduled to expire on February 27, 2007.

The offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this Listing Prospectus entitled "Description of notes." For purposes of the description of the notes included in this Listing Prospectus, references to the "Company," "Issuer," "us," "we" and "our" refer only to Stena AB (publ) and do not include our subsidiaries.

Issuer Stena AB (publ).

Securities €102 million aggregate principal amount of 5.875% Senior Notes due 2019.

Issue Price 98.5%

Maturity February 1, 2019.

Interest payment dates August 1 and February 1, commencing August 1, 2007.

Make-whole redemption At any time prior to the maturity of the notes, we may redeem some or all of the notes at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest plus a "make-whole" premium.

Optional tax redemption The notes are redeemable, in whole but not in part, at our option, at a price equal to 100% of the principal amount thereof, together with any accrued and unpaid interest to the date of redemption, in the event of a change in tax law requiring the imposition of withholding taxes by the Kingdom of Sweden or by any other jurisdiction in which Stena AB is resident for tax purposes. See "Description of other indebtedness."

Change of control The occurrence of a change of control will require us to offer to purchase from you all or a portion of your notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase.

Ranking The notes will:

- be our general unsecured obligations;
- be effectively junior in right of payment to our secured debt to the extent of the value of the assets securing such debt;
- be structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries, including those under our credit facilities;
- rank equally in right of payment with all our existing and future unsecured unsubordinated debt; and

- be senior to any future senior subordinated or subordinated debt.

Amounts borrowed under our revolving credit facility are obligations of certain of our subsidiaries and are guaranteed by us and certain of our subsidiaries. As of September 30, 2006, on an as adjusted basis after giving effect to this offering, as well as the offering of our 6.125% Senior Notes due 2017 and the repurchase of substantially all of our outstanding 9 $\frac{5}{8}$ % Senior Notes due 2012 pursuant to a tender offer and consent solicitation:

- we had approximately SEK 24.7 billion (\$3.4 billion) of total indebtedness (excluding VIEs), of which approximately SEK 12.0 billion (\$1.6 billion) was the obligation of our restricted subsidiaries; and
- all our outstanding indebtedness was senior indebtedness, SEK 17.9 billion (\$2.4 billion) of which was secured indebtedness to which the notes will be effectively subordinated to the extent the assets are pledged as collateral to the secured debt.

Covenants We will issue the notes under an indenture with Deutsche Trustee Company Limited, as trustee. The indenture will, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur, assume or guarantee additional indebtedness;
- incur liens; and
- consolidate or merge with or into, or sell substantially all our assets to, another person.

These covenants will be subject to a number of important exceptions and qualifications. See "Description of notes."

The indenture will not include restrictions with respect to our ability to pay dividends or make other distributions or purchase or redeem our shares; make investments; sell assets; or enter into transactions with affiliates.

Transfer restrictions The offering of the notes has not been registered under the Securities Act or any other applicable securities laws. The notes are subject to restrictions on transferability and resale. See "Transfer restrictions."

Absence of public market for the notes . . . The notes are a new issue of securities, and there is currently no established trading market for the notes. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice.

Use of proceeds We intend to use the net proceeds of this offering for general corporate purposes.

Listing We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes for trading on the Euro MTF Market of that exchange.

ISIN (Rule 144A Global Notes) XS0287292196

ISIN (Regulation S Global Notes) XS0287290737

Common Code (Rule 144A Global Notes) 028729219

Common Code (Regulation S Global Notes) 028729073

Risk factors

Investing in the notes involves substantial risks. You should carefully consider all the information in this Listing Prospectus prior to investing in the notes. In particular, we urge you to consider carefully the factors set forth under “Risk factors” beginning on page 12 of this Listing Prospectus.

Summary consolidated financial information and other data

The following summary sets forth our consolidated financial information and operating data for the periods indicated. The summary consolidated financial information and other data for the years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements, which have been audited by KPMG Bohlin AB, included elsewhere in this Listing Prospectus. The summary consolidated financial information and other data for the nine months ended September 30, 2005 and 2006 are derived from our unaudited condensed consolidated financial statements included elsewhere in this Listing Prospectus. The summary unaudited consolidated financial information and other information included below for the twelve month period ended September 30, 2006 has been derived by adding the income statement for the nine months ended September 30, 2006 to the income statement for the year ended December 31, 2005 and subtracting the income statement for the nine months ended September 30, 2005. The results for the twelve month period ended September 30, 2006 are not comparable to the results for prior twelve month periods ended December 31. The information set forth below should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations," "Selected consolidated financial information and other data," our audited consolidated financial statements and our unaudited consolidated financial statements and the related notes contained elsewhere in this Listing Prospectus.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in Sweden, referred to as Swedish GAAP, which differs in certain significant respects from generally accepted accounting principles in the United States, referred to as US GAAP. A reconciliation of differences between Swedish GAAP and US GAAP that significantly affect the determination of net income for the three years ended December 31, 2003, 2004 and 2005 and shareholders' equity as of December 31, 2004 and 2005 is set forth in Note 31 to our audited consolidated financial statements. A reconciliation of differences between Swedish GAAP and US GAAP that significantly affect the determination of net income for the nine months ended September 30, 2005 and 2006 and shareholders' equity as of September 30, 2006 is set forth in Note 4 to our unaudited condensed consolidated financial statements.

Restricted Group Data represents the selected unaudited consolidated financial information excluding (i) the property business segment (other than one small property) and (ii) three subsidiaries, Stena Finanzverwaltungs AG, Stena Investment Luxembourg s.à r.l. and Stena Adactum AB ("Adactum"), whose activities consist primarily of investing in securities and in companies outside the Company's traditional lines of business. For purposes of the indenture governing the notes offered hereby, these subsidiaries will be designated unrestricted subsidiaries, and, as a result, will not be bound by the restrictive provisions of the indenture. These subsidiaries have also been designated unrestricted subsidiaries for purposes of the indenture governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017. As of September 30, 2006, these unrestricted subsidiaries had outstanding indebtedness of approximately SEK 19.3 billion (\$2.6 billion), all of which was non-recourse to Stena AB and its restricted subsidiaries; in the case of the real estate subsidiaries, such debt was secured by their real property interests.

(In millions)	Year ended December 31,				Nine months ended September 30,			Twelve months ended September 30,	
	2003	2004	2005	2005	2005	2006	2006	2006	2006
	SEK	SEK	SEK	USD ¹	SEK	SEK	USD ¹	SEK	USD ¹
Consolidated group²									
<i>Income Statement Data</i>									
<i>(Swedish GAAP):</i>									
Total revenues	13,619	16,721	19,619	2,682	14,239	18,066	2,471	23,446	3,206
Direct operating expenses	(9,333)	(10,943)	(12,631)	(1,728)	(9,399)	(10,140)	(1,386)	(13,372)	(1,829)
Selling and administrative expenses	(1,522)	(1,761)	(1,861)	(254)	(1,313)	(1,502)	(205)	(2,050)	(280)
Depreciation and amortization	(1,742)	(1,790)	(2,734)	(375)	(1,314)	(1,898)	(260)	(3,318)	(454)
Income from operations	1,022	2,227	2,393	325	2,213	4,526	620	4,706	644
Share of affiliated companies' result	—	17	21	3	14	24	3	31	4
Dividends received	39	36	79	11	63	77	11	93	13
Gain on securities, net ³	164	1,060	921	126	992	417	57	346	47
Interest income	85	382	567	78	386	593	81	774	106
Interest expense	(824)	(1,135)	(1,395)	(191)	(1,051)	(1,220)	(167)	(1,564)	(214)
Foreign exchange gains (losses), net	27	(107)	(3)	0	26	7	1	(22)	(3)
Other financial income (expense)	(18)	(24)	(121)	(17)	(78)	(105)	(15)	(148)	(20)
Minority interest	2	(77)	(21)	(3)	(18)	(14)	(2)	(17)	(2)
Income before taxes	497	2,379	2,441	332	2,547	4,305	589	4,199	574
Income taxes	13	(20)	(173)	(23)	(75)	(513)	(70)	(611)	(84)
Net income	510	2,359	2,268	309	2,472	3,792	519	3,588	491
<i>Balance Sheet Data</i>									
<i>(Swedish GAAP):</i>									
Cash and marketable securities ⁴	4,568	5,088	9,252	1,266	6,636	6,405	875	6,405	875
Investments in VIEs ⁵	—	4,440	5,753	787	5,230	7,659	1,047	7,659	1,047
Total assets	30,127	46,311	54,812	7,494	51,791	57,628	7,881	57,628	7,881
Debt in VIEs ⁵	—	3,925	4,844	662	4,332	6,693	915	6,693	915
Other debt ⁶	14,826	23,024	26,793	3,663	24,741	22,312	3,051	22,312	3,051
Total debt	14,826	26,949	31,637	4,325	29,073	29,005	3,966	29,005	3,966
Shareholders' equity ⁷	11,470	13,419	15,132	2,069	15,943	18,496	2,529	18,496	2,529
<i>Other Financial Data</i>									
<i>(Swedish GAAP):</i>									
Capital expenditures	(3,148)	(3,343)	(5,152)	(705)	(3,020)	(5,518)	(755)	(7,650)	(1,046)
Cash dividends paid	(60)	(70)	(195)	(27)	(195)	(240)	(33)	(240)	(33)
Cash flow from operating activities	1,790	1,456	2,403	329	1,217	2,367	324	3,553	486
Cash flow from investing activities	(3,556)	(5,331)	(2,948)	(403)	(1,302)	(3,273)	(448)	(4,919)	(673)
Cash flow from financing activities	1,444	4,536	1,850	253	3	(1,716)	(235)	131	18
<i>Consolidated Amounts</i>									
<i>(US GAAP):</i>									
Net income	316	1,852	2,008	274	3,038	3,466	474	2,436	333
Shareholders' equity	10,954	11,982	14,913	2,039	14,913	17,836	2,439	17,836	2,439

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) The Consolidated Group includes from 2004 the Drott business and investments in three companies, which are accounted for as variable interest entities ("VIEs"). The purpose of the VIEs is to make investments, primarily in high yield securities and corporate bank loans.

(3) In 2005, the Group changed its accounting policy to value financial instruments at market value. The accounts for 2003 and 2004 have been restated.

(4) Cash and marketable securities consists of cash and cash equivalents, short-term investments and marketable securities.

(5) Due to changes in Swedish GAAP in 2005, the VIEs are consolidated as subsidiaries. The accounts for 2004 have been restated.

(6) Other debt includes short-term debt, long-term debt and capitalized lease obligations, current and non-current.

(7) Certain pension liabilities, which were previously accounted for as contingent liabilities, have been recorded as pension liabilities in the consolidated balance sheet as of December 31, 2005. The change has been recorded directly against shareholders' equity and deferred tax liabilities, respectively.

(In millions)	Year ended December 31,				Nine months ended September 30,			Twelve months ended September 30,	
	2003	2004	2005	2005	2005	2006	2006	2006	2006
	SEK	SEK	SEK	USD ¹	SEK	SEK	USD ¹	SEK	USD ¹
Restricted group²									
<i>Income Statement Data</i> (Swedish GAAP):									
Total revenues	12,565	15,086	15,813	2,162	11,652	15,340	2,098	19,501	2,667
Direct operating expenses	(8,960)	(9,998)	(10,761)	(1,472)	(8,158)	(8,562)	(1,170)	(11,165)	(1,527)
Selling and administrative expenses ..	(1,448)	(1,653)	(1,586)	(217)	(1,136)	(1,244)	(171)	(1,694)	(232)
Depreciation and amortization	(1,667)	(1,697)	(2,357)	(322)	(1,166)	(1,726)	(236)	(2,917)	(399)
Income from operations	490	1,738	1,109	152	1,192	3,808	521	3,725	509
Interest income	122	168	224	31	159	268	37	333	46
Interest expense	(585)	(751)	(690)	(94)	(535)	(580)	(79)	(735)	(101)
Net income	256	1,695	1,298	177	1,291	3,143	430	3,150	431
<i>Balance Sheet Data</i> (Swedish GAAP):									
Cash and marketable securities ³	—	3,542	5,347	731	3,457	1,601	219	1,601	219
Total assets	—	36,824	33,462	4,576	30,778	33,355	4,561	33,355	4,561
Total debt ⁴	—	17,093	14,800	2,024	12,200	9,665	1,321	9,665	1,321
Shareholders' equity	—	12,965	13,556	1,854	14,441	16,404	2,243	16,404	2,243
<i>Other Data</i> (Swedish GAAP):									
Capital expenditures	(2,860)	(2,901)	(3,176)	(434)	(2,053)	(4,167)	(570)	(5,290)	(723)
Adjusted EBITDA ⁵	2,281	3,546	3,689	504	2,516	4,365	597	5,538	757
Net debt to Adjusted EBITDA ⁶	—	3.8x	2.6x	2.6x	—	—	—	1.5x	1.5x
Adjusted EBITDA to interest expense	3.9x	4.7x	5.3x	5.3x	—	—	—	7.5x	7.5x
Earnings to fixed charges ⁷	1.1x	2.1x	1.8x	1.8x	2.3x	3.5x	3.5x	1.5x	1.5x

(1) Amounts in US dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) Restricted group data represents our consolidated financial data excluding the property business segment (other than one small property) and three subsidiaries, Stena Finanzverwaltungs AG, Stena Investment Luxembourg s.à r.l. and Adactum, whose activities consist primarily of investing in securities and in companies outside the Company's traditional lines of business.

(3) Cash and marketable securities consists of cash and cash equivalents, short-term investments and marketable securities.

(4) Total debt includes short-term debt, long-term debt and capitalized lease obligations, current and noncurrent.

(5) "Adjusted EBITDA" is defined as consolidated operating income plus cash dividends from affiliated companies, interest income, depreciation, amortization and non-cash charges minus aggregate gains on vessel dispositions to the extent such gains exceed 25% of adjusted EBITDA excluding sale of tangible fixed assets. We have included information in this Listing Prospectus relating to Adjusted EBITDA because it conforms with the definition of Consolidated Cash Flow in the indentures governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016, our 6.125% Senior Notes due 2017 and the indenture that will govern the notes offered hereby. Our ability to incur debt pursuant to these indentures is limited by a pro forma calculation of the ratio of Consolidated Cash Flow to Consolidated Interest Expense. Pursuant to these indentures, we may incur additional debt so long as the pro forma ratio of Consolidated Cash Flow to Consolidated Interest Expense exceeds 2.00 to 1.00 for the restricted group subject to certain exceptions as defined in the indentures. Adjusted EBITDA is not a measure in accordance with Swedish GAAP or US GAAP and should not be used as an alternative to cash flows or as a measure of liquidity and should be read in conjunction with the consolidated statements of cash flows contained in our consolidated financial statements included elsewhere herein. The computation of Adjusted EBITDA and a reconciliation to cash flows from operating activities is presented below:

(In millions)	Year ended December 31,				Nine months ended September 30,			Twelve months ended September 30,	
	2003	2004	2005	2005	2005	2006	2006	2006	2006
	SEK	SEK	SEK	USD	SEK	SEK	USD	SEK	USD
Consolidated group									
Income from operations	1,022	2,227	2,393	325	2,213	4,526	620	4,706	644
Interest income	85	382	567	78	386	593	81	774	106
Depreciation and amortization	1,742	1,790	2,734	375	1,314	1,898	260	3,318	454
Minority interest	2	(77)	(21)	(3)	(18)	(14)	(2)	(17)	(3)
Excess gain on vessel disposition	—	—	—	—	—	(1,157)	(158)	(1,157)	(158)
Adjusted EBITDA	2,851	4,322	5,673	775	3,895	5,846	801	7,624	1,043
(Gain)/loss on sale of property, vessels and equipment	(241)	(763)	(1,128)	(154)	(527)	(2,445)	(334)	(3,046)	(417)
Net cash flow from trading securities	11	(605)	(428)	(58)	(729)	666	91	967	132
Interest expense	(824)	(1,135)	(1,395)	(191)	(1,051)	(1,220)	(167)	(1,564)	(214)
Total income taxes, current	(58)	(133)	(88)	(12)	(55)	(19)	(3)	(52)	(9)
Foreign exchange (gains)/losses	27	(107)	(3)	—	26	7	1	(22)	(3)
Other non-cash items	(51)	141	(8)	(1)	(106)	43	6	141	19
Excess gain on vessel disposition	—	—	—	—	—	1,157	158	1,157	158
Changes in working capital	(212)	(210)	(337)	(46)	(380)	(1,399)	(191)	(1,356)	(185)
Other items	287	(54)	117	16	144	(269)	(38)	(296)	(39)
Net cash from operating activities	1,790	1,456	2,403	329	1,217	2,367	324	3,553	486

(In millions)	Year ended December 31,				Nine months ended September 30,			Twelve months ended September 30,	
	2003	2004	2005	2005	2005	2006	2006	2006	2006
	SEK	SEK	SEK	USD	SEK	SEK	USD	SEK	USD
Restricted group									
Income from operations	490	1,738	1,109	152	1,192	3,808	521	3,725	509
Interest income	122	168	224	31	159	268	37	333	45
Depreciation and amortization	1,667	1,697	2,357	322	1,166	1,726	236	2,917	399
Minority interest	2	(57)	(1)	—	(1)	(1)	—	(1)	—
Excess gain on vessel disposition	—	—	—	—	—	(1,436)	(196)	(1,436)	(196)
Adjusted EBITDA	2,281	3,546	3,689	505	2,516	4,365	598	5,538	757
(Gain)/loss on sale of property, vessels and equipment	(114)	(686)	(461)	(63)	(129)	(2,354)	(322)	(2,686)	(367)
Net cash flow from trading securities	11	(605)	86	12	(729)	999	137	1,814	248
Interest expense	(585)	(751)	(690)	(94)	(535)	(580)	(79)	(735)	(101)
Foreign exchange (gains)/losses	36	(107)	(3)	—	26	23	3	(6)	(1)
Other non-cash items	139	9	(117)	(16)	235	(50)	(7)	(402)	(55)
Total income taxes, current	(32)	(98)	—	—	(45)	13	2	58	8
Excess gain on vessel disposition	—	—	—	—	—	1,436	196	1,436	196
Change in working capital	(75)	(403)	(212)	(29)	(203)	(665)	(91)	(674)	(92)
Other items	244	54	92	11	118	(269)	(38)	(295)	(39)
Net cash from operating activities	1,905	959	2,384	326	1,254	2,918	399	4,048	554

(6) Net debt is defined as total debt less cash and cash equivalent, short-term investments and marketable securities.

(7) For purposes of computing the ratio of earnings to fixed charges, earnings consist of profit before tax plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (expensed and capitalized) on all indebtedness, plus a proportion of rental expense deemed to be representative of the interest factor.

Risk factors

Our business, operations and financial condition are subject to various risks. Some of these risks are described below, and you should take these risks into account in evaluating us or any investment decision involving us or in deciding whether to participate in the purchase of the notes offered hereby. This section does not describe all risks applicable to us, our industry or our business and is intended only as a summary of certain material factors.

Risks relating to the notes

Our level of indebtedness could limit cash flow available for our operations and could adversely affect our operations and flexibility.

As of September 30, 2006, after giving effect to this offering, as well as the offering of our 6.125% Senior Notes due 2017 and repurchase of substantially all of our outstanding 9⁵/₈% Senior Notes due 2012 pursuant to our tender offer and consent solicitation, we and our subsidiaries would have had outstanding consolidated indebtedness (excluding VIEs) of SEK 24.7 billion (\$3.4 billion), of which SEK 12.0 billion (\$1.6 billion) was the obligation of our restricted subsidiaries, and our total debt (excluding VIEs) as a percentage of our total capitalization would have been approximately 57%. For the restricted group, our total debt as a percentage of our total capitalization would have been approximately 42%.

Our indebtedness could restrict our operations and make it more difficult for us to fulfill our obligations under the notes. Among other things, our indebtedness may:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions of vessels or other strategic acquisitions and general corporate purposes;
- require us to dedicate all or a substantial portion of our cash flow to service our debt, which will reduce funds available for other business purposes, such as capital expenditures and acquisitions;
- limit our flexibility in planning for or reacting to changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- make it more difficult for us to satisfy our financial obligations, including those relating to the notes, or be able to refinance maturing indebtedness.

Subject to compliance with various financial and other covenants imposed by our revolving credit facility, the agreements governing our other indebtedness and the indenture governing the notes offered hereby, we and our subsidiaries may incur additional indebtedness from time to time, including to finance the purchase or completion of newbuildings and other vessels. As of September 30, 2006, the remaining cost for the RoPax vessel on order from a shipyard in Norway, fully equipped, was approximately €30 million. In March 2006 we entered into an agreement to acquire a newbuilt RoPax vessel from an Italian shipyard. The vessel is expected to be delivered in the second half of 2007. As of September 30, 2006, the remaining cost for the vessel, fully equipped, was approximately €65 million. As of February 9, 2007, the aggregate remaining cost for two DrillMAX drillships on order, fully equipped, was approximately \$750 million, and the remaining cost of extensions of two of our RoRo vessels was €100 million. In October 2006, we ordered a third DrillMax drillship. The total cost of this drillship, fully equipped, is estimated

to be \$710 million. As of February 9, 2007, the remaining unpaid cost of this drillship was approximately \$610 million. In November 2006, we ordered two new RoPax Super Ferries. The total cost of the Super Ferries, fully equipped, is estimated to be €460 million. As of February 9, 2007, the remaining unpaid cost of the Super Ferries was approximately €400 million.

Although certain indebtedness of ours bears a fixed rate of interest, certain other indebtedness of ours bears interest at rates that fluctuate with prevailing interest rates. As a result, our interest expense under such facilities could increase. In addition, future financings we may undertake may also provide for rates that fluctuate with prevailing interest rates, which could increase. We currently hedge a portion of our interest rate exposure. However, there can be no assurance that such debt will be effectively hedged or that we will continue such hedging.

Our incurrence of additional debt could further increase the risks described in this Listing Prospectus and could result in a material adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations under the notes.

Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.

Although there can be no assurances, we believe that the level of borrowings available to us combined with cash from our operations will be sufficient to provide for our cash requirements. To date, we have been able to generate sufficient cash flow from operations, borrowings and refinancings to meet interest and principal payments on our indebtedness. However, our continued ability to satisfy our obligations will depend on our future operating performance and financial results that will be subject, in part, to factors beyond our control, such as interest rates and general economic, financial and business conditions, as well as other factors. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt, including the notes offered hereby;
- obtain additional financing;
- sell certain of our assets or operations;
- reduce or delay capital expenditures; or
- revise or delay our strategic plans.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments, including the indenture governing the notes offered hereby, then in effect.

The covenants in our revolving credit facility, the agreements governing our other indebtedness and the indenture governing the notes impose restrictions on our business.

Our revolving credit facility, the instruments governing our other indebtedness and, to a lesser extent, the indenture governing the notes offered hereby contain a number of covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and to take advantage of business opportunities as they arise. The

restrictions these covenants place on us and our subsidiaries include limitations on our ability and the ability of our restricted subsidiaries to, among other things:

- incur liens and debt or provide guaranties in respect of obligations of any other person;
- issue preferred stock;
- pay dividends or make distributions;
- make redemptions and repurchases of capital stock;
- make loans, investments and capital expenditures;
- prepay, redeem or repurchase debt;
- engage in mergers, consolidations and asset dispositions;
- engage in sale-leaseback transactions and affiliate transactions;
- change our business and issue and sell capital stock of subsidiaries; and
- restrict distributions from subsidiaries.

In addition, our revolving credit facility requires us to maintain a number of financial ratios. If we violate these covenants and are unable to obtain waivers from our lenders, our debt under the revolving credit facility would be in default and could be accelerated by our lenders, which could result in an event of default under the notes offered hereby and the instruments governing our other indebtedness. If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. If our expectations of future operating results are not achieved, or our debt is in default for any reason, our business, financial condition and results of operations would be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the notes offered hereby and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions. See “Description of notes—Certain covenants” and “Description of other indebtedness.”

The notes offered hereby are effectively subordinated to all our secured debt, and if a default occurs, we may not have sufficient funds to fulfill our obligations under the notes.

The notes offered hereby are general senior unsecured obligations that rank equally in right of payment with all our existing and future unsecured and unsubordinated debt, including our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017. The notes offered hereby are effectively subordinated to all our secured debt to the extent of the value of the assets securing that debt. As of September 30, 2006, we had approximately SEK 17.9 billion (\$2.5 billion) of secured indebtedness to which the notes offered hereby would have been effectively subordinated in right of payment.

We may incur additional secured indebtedness.

In addition, the indenture governing the notes offered hereby will, in general, permit us to incur additional secured indebtedness, including in respect of any acquisition, construction or

improvement of assets, and any indebtedness secured by assets that previously secured our indebtedness. Your notes will be effectively junior to any such additional secured indebtedness we may incur. In the event of our bankruptcy, liquidation, reorganization or other winding up of us, the assets that secure our secured indebtedness will be available to pay obligations on the notes offered hereby only after all such secured indebtedness has been repaid in full from such assets. Likewise, because our revolving credit facility is a secured obligation, our failure to comply with the terms of the revolving credit facility would entitle those lenders to foreclose on our assets that serve as collateral. In this event, our secured lenders would be entitled to be repaid in full from the proceeds of the liquidation of those assets before those assets would be available for distribution to other creditors, including holders of the notes. Holders of the notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes offered hereby and potentially with all our other general creditors. In such event, there may not be sufficient assets remaining to pay amounts due on any or all the notes then outstanding.

Because Stena AB is a holding company, repayment of our indebtedness, including the notes offered hereby, is dependent on cash flow generated by our subsidiaries.

Stena AB is a holding company. All our operations are conducted by, and substantially all our assets (including our vessels) are owned by, our subsidiaries. Repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Under the Swedish Companies Act, there are restrictions as to the ability of our subsidiaries to pay us dividends or make loans and advances to us. The indentures governing our 7.5% Senior Notes due 2013 and our 7% Senior Notes due 2016 contain covenants that restrict the ability of our subsidiaries to enter into any agreement limiting distributions and transfers, including dividends. However, the indenture governing our 6.125% Senior Notes due 2017 does not contain, and the indenture that will govern the notes offered hereby will not contain, such a covenant. In addition, our real estate operations and certain of our investment activities are conducted through unrestricted subsidiaries that are not bound by restrictive provisions of the indenture. Accordingly, there can be no assurance that the cash flows or assets of those subsidiaries will be available to us to pay our obligations under the notes.

The notes will be structurally junior to the indebtedness and other liabilities of our subsidiaries.

You will not have any claim as a creditor against our subsidiaries, and all existing and future indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will be structurally senior to the notes. Furthermore, in the event of any bankruptcy, liquidation or reorganization of any of our subsidiaries, the rights of the holders of notes to participate in the assets of such subsidiary will rank behind the claims of that subsidiary's creditors, including trade creditors (except to the extent we have a claim as a creditor of such subsidiary). As a result, the notes are structurally subordinated to the outstanding and other liabilities, including trade payables, of our subsidiaries. As of September 30, 2006, our subsidiaries had approximately SEK 24.6 billion of outstanding indebtedness and other liabilities, excluding intercompany liabilities, all of which was structurally senior to the notes.

In addition, the indenture will, subject to some limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

We conduct substantially all our real estate operations and certain investment activities through subsidiaries that are not subject to certain restrictive provisions in the indenture.

For purposes of the indenture governing the notes offered hereby, as is the case under the indentures governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017, the subsidiaries that conduct our real estate operations (other than one small property) and the subsidiaries that conduct certain investment activities, are designated as unrestricted subsidiaries. As a result, these unrestricted subsidiaries will not be bound by the restrictive provisions of the indenture. As of September 30, 2006, these unrestricted subsidiaries had outstanding indebtedness of approximately SEK 19.3 billion (\$2.6 billion), all of which was non-recourse to Stena AB and its restricted subsidiaries; in the case of the real estate subsidiaries, such debt was secured by their real property interests. Neither we nor any of our restricted subsidiaries have guaranteed payment of any of this indebtedness. There will be no limitation in the indenture on the amount of indebtedness our unrestricted subsidiaries may incur in the future. The indenture requires that any indebtedness of an unrestricted subsidiary incurred after the offering must be non-recourse to Stena AB and its restricted subsidiaries. Nevertheless, there can be no assurance that a creditor of an unrestricted subsidiary could not successfully seek satisfaction from us and our restricted subsidiaries or that, in the event of the bankruptcy of Stena AB or one or more of our unrestricted subsidiaries, a bankruptcy court would not consolidate the assets and debts of us and our restricted subsidiaries with those of the unrestricted subsidiaries. The indenture also provides for designating other of our subsidiaries as unrestricted subsidiaries. See "Description of notes."

We may incur additional indebtedness ranking equal to the notes.

If we incur any additional indebtedness that ranks equally with the notes, including trade payables, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of any proceeds paid to you.

We may be unable to purchase the notes upon a change of control.

Upon a change of control, we would be required to offer to purchase all of the notes offered hereby then outstanding for cash at 101% of the principal amount thereof plus accrued and unpaid interest. If a change of control were to occur, we may not have sufficient funds to pay the change of control purchase price and we may be required to secure third-party financing in order to do so. However, we may not be able to obtain such financing on commercially reasonable terms, or at all. Our future indebtedness may also contain restrictions on our ability to repurchase the notes upon certain events, including transactions that could constitute a change of control under the indenture governing the notes. Our failure following a change of control to make or consummate an offer to purchase the notes would constitute an event of default under the indenture. In such an event, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes may accelerate the maturity of all of the notes. A change of control under the notes includes any transaction that results in any person (other than Sten A. Olsson, his descendents, their spouses and estates and certain trusts included within the definition of "Permitted Shareholder Group") beneficially owning or controlling more than 50% of our voting stock. Additionally, the occurrence of events constituting a change of control with respect to the notes would constitute a change of control under the indentures governing our

7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017 and would require us to make an offer to purchase all outstanding 7.5% Senior Notes due 2013, 7% Senior Notes due 2016 and 6.125% Senior Notes due 2017. The failure to make such purchases would constitute an event of default under the indentures governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017.

The occurrence of events constituting a change of control that is not cured within 90 days would trigger mandatory prepayment of outstanding advances under our revolving credit facility and termination of the facility, unless the lenders under the facility agree otherwise. Because the notes will be structurally subordinated to the borrowings under the revolving credit facility and because the revolving credit facility is secured by 17 of our vessels and four drilling rigs, our ability to repay amounts owing under the notes offered hereby, our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016 and our 6.125% Senior Notes due 2017 in such event may be materially adversely affected. In addition, under our revolving credit facility, a change in control that would give the lending banks a right to require the payment of the outstanding borrowings thereunder in full would occur if any persons (other than Sten A. Olsson, his descendants, their estates or trusts created for their benefit) were to own more than 25% of our outstanding voting stock. As a result, the occurrence of a change in control under the revolving credit facility may not result in a change in control under the notes offered hereby, the 7.5% Senior Notes due 2013, the 7% Senior Notes due 2016 or the 6.125% Senior Notes due 2017. See "Description of notes" and "Description of other indebtedness."

The change of control provisions in the indenture governing the notes offered hereby may not protect you in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control under the indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change in the magnitude required under the definition of change of control in the indenture to trigger our obligation to offer to repurchase the notes. Except as described above, the indenture does not contain provisions that permit the holders of the notes to require us to repurchase or redeem the notes in an event of a takeover, recapitalization or similar transaction.

There is no public market for the notes, and we do not know if a market will ever develop or, if a market does develop, whether it will be sustained.

The notes offered hereby are a new issue of securities, and there is no existing trading market for the notes. Although the initial purchasers have informed us that they intend to make a market in the notes, they have no obligation to do so and may discontinue making a market at any time without notice. Accordingly, we cannot assure you that a market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices you receive when you sell the notes will be favorable.

The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and

- prevailing interest rates.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of these securities. We cannot assure you that the market for the notes will be free from similar disruptions. Any such disruptions could have an adverse effect on holders of the notes.

You may only transfer the notes in the United States in a transaction exempt from the registration requirements of the Securities Act.

We are relying upon an exemption from registration under the Securities Act and applicable state securities laws to offer the notes to investors in the United States. The notes may be transferred or resold in the United States only in a transaction registered under or exempt from the Securities Act and applicable state securities laws.

Risks relating to our business

The ferry industry is highly competitive in areas where we operate.

We compete with other ferry operators and with different providers and forms of transportation, including airlines, other freight carriers and fixed links such as bridges and tunnels. In particular, competition from low cost airlines has increased.

Some of these other forms of transportation are faster and/or less expensive or may be more convenient than ferry service. In the case of competition with other ferry operators, such competition is based on the location of the routes, the rates charged, the quality and reliability of the vessel and the onshore and onboard services provided. The principal effect of this competition is to affect our volumes and limit our ability to increase prices. Some of our competitors may have greater financial resources than us, be owned by governments or benefit from government subsidies. As a result, such competitors may be better able to withstand price competition and price volatility than we are.

Rising fuel prices may adversely affect the profitability of our ferry operations.

Fuel represents a significant cost incurred by us in the operation of our fleet. In addition, HSS vessels consume significantly more fuel than conventional ferries. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. In recent years, prices for fuel have increased substantially and have been volatile. Further or sustained increase in the price of fuel or reductions in supply could increase our operating expenses and have a material adverse effect on our financial condition and results of operations. Road and port blockades in the future, arising from fuel protests or other reasons, may have similar effects resulting in loss of carryings.

We seek to reduce our exposure to adverse changes in fuel prices by entering into hedging transactions. We primarily use swaps and options to hedge our exposure to variations in the price of fuel. However, there can be no assurance that such hedging activities will be successful, and at times our bunker requirements are not fully hedged. Recent increases in fuel prices have required us to take impairment charges with respect to our three HSS 1500 vessels, one of which we have

recently taken out of service because it is unprofitable to operate that vessel on its route at current bunker prices. The depreciation and amortization charges in the nine months ended September 30, 2006 included an impairment charge of SEK 500 million related to the HSS vessels. At the end of 2006 we completed our annual impairment review of long-lived assets. Based on our review, we will take an additional impairment charge of approximately SEK 200 million on our two remaining HSS vessels in service in the fourth quarter of 2006.

In addition, as a substantial portion of our existing bunker hedges will expire in the next two years, if bunker prices remain at current levels or increase, our bunker expenses will be significantly higher in future years.

Our operating results are subject to seasonal fluctuations.

Our ferry operations are highly seasonal, principally because passenger volumes are linked to tourism. The period from June through September is the peak travel season for passengers. As a result, our ferry operations generate a significantly greater portion of their revenues and substantially all of their profits in the second and third quarters and generally report losses in the first and fourth quarters.

The offshore drilling rig market is competitive, and the future demand for our drilling units is unpredictable.

The offshore drilling rig market is highly competitive. All our drilling units, except our drillship ordered in October 2006 for delivery in the second quarter of 2009, are currently under contract, with expiration dates ranging from 2008 to 2011. The level of demand for offshore drilling rigs has historically fluctuated significantly in connection with oil price changes. No assurances can be given with respect to future demand for such rigs or the prices at which they may be contracted after the existing contracts expire.

Drilling contracts generally are awarded on a competitive bid basis with price competition as the primary factor. Some oil companies are seeking to negotiate contracts with a lower day rate and an incentive payment payable only upon achieving specified operating goals. In these cases, in the event of rig equipment failures or if we do not achieve the stated goals, our revenues will be lower. However, contracts for drilling projects are increasingly being negotiated directly between an oil company and its preferred contractor, with suitability of equipment, quality of service, safety and suitability of equipment and price being significant factors in awarding the contract. We cannot predict the timing or extent of any changes in the industry or the future level of demand for our drilling rigs.

Charter rates, utilization levels and values for our vessels and drilling rigs may decrease.

Over the last decade, charter rates, vessel values and the general profitability of the shipping and offshore drilling industries have been volatile. There can be no assurance that charter rates or vessel values in the businesses in which we operate will be stable or increase over time. Vessel values are strongly influenced by charter rates, which in turn are influenced by the number and types of vessels generally available, costs of newbuildings, changes in trading patterns affecting the demand for particular types and sizes of vessels and technological advances in vessel design and propulsion, as well as the level and pattern of global economic growth.

In the case of our RoRo, RoPax and car/passenger ferry vessels, a substantial portion of our vessel utilization has been through long-term charters. As of December 31, 2006, all of the vessels in

our fleet of six owned RoRo and RoPax vessels (including one RoRo vessel in which we have a 49% ownership interest) were under charter, with expiration dates ranging from 2007 to 2012. The large number of RoRo and RoPax newbuildings ordered and delivered in the industry in recent years and the increasing demand for larger vessels have adversely impacted charter rates and the value of older, smaller and slower vessels.

For the five years ended December 31, 2006, our drilling rig utilization rate has averaged approximately 84%. All our drilling units are currently under contract, except our drillship ordered in October 2006 for delivery in the second quarter of 2009, with expiration dates ranging from 2008 to 2011. There can be no assurance that we will be able to enter into future rig charter contracts after our current contracts expire. Our customers may terminate some of our drilling contracts if the drilling unit is destroyed or lost or if drilling operations are suspended for a specified period of time as a result of a breakdown of major equipment or, in some cases, due to other events beyond the control of either party. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations.

For the five years ended December 31, 2006, the utilization for our fleet of chartered in, owned and finance leased tankers has averaged 98%. Although we have long-term time charters in place for five of our six owned and finance leased tankers (including three tankers in which we have a 50% ownership interest), 33 of our 39 chartered in tankers are currently trading on the spot market. There can be no assurance that rates on the spot market will not decline, that charters on the spot market will continue to be available or that dependence on the spot market will not result in generally lower overall utilization and lower profitability. The time charters for our two finance leased tankers expire in 2007 and 2011.

We actively seek new charters in an effort to maintain a high level of vessel and rig utilization. However, we cannot assure you that we will be successful in renewing charter agreements, obtaining charter agreements for our newbuildings or replacing charter agreements for our existing vessels or that future charter rates will enable our vessels to be operated profitably.

Conversions of our vessels and drilling rigs, upgrades or newbuildings may be subject to delays and cost overruns.

From time to time we may undertake to add new capacity through conversions or upgrades to our vessels and drilling rigs or through new construction. These projects are subject to risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following:

- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- unanticipated cost increases;
- weather interferences;
- difficulties in obtaining necessary permits or in meeting permit conditions;
- design and engineering problems;
- failure to meet agreed-upon specifications; and
- bankruptcy or other failures of the shipyard.

The shipping industry is cyclical and subject to a variety of external factors.

Historically, the profitability of the shipping industry has been cyclical. The cyclicity of the shipping industry has been due to changes in the level and pattern of global economic growth and trading and the highly competitive nature of the shipping industry, as well as changes in the supply of and demand for vessel capacity, which impact charter rates and vessel values. The worldwide supply of vessels is influenced by the number of newbuildings and scrappings and government and industry regulation of maritime transportation practices. The overall demand for vessel capacity is influenced by global and regional economic conditions, increases and decreases in industrial and agricultural production, energy consumption, tourism patterns, political changes and armed conflicts, developments in international trade and changes in sea borne and other trading patterns. Because many of the factors influencing the supply of and demand for vessel capacity are unpredictable, the timing, direction and degree of changes in the shipping markets in which we participate, including the RoRo, RoPax, car/passenger ferry and tanker markets, as well as future charter rates and vessel values, are also unpredictable, and we cannot assure you that demand for our services or vessels will increase or even remain stable.

Our international operations expose us to risks and uncertainties arising from international political conflicts, economic conditions and other events that could negatively impact our results of operations.

Our operations are global and are affected by international economic, political and governmental conditions, especially in the countries where we and our subsidiaries are engaged in business or where our vessels operate or are registered.

Economic conditions and fluctuations in currency exchange rates among the countries in which we conduct our ferry operations affect the travel and trade patterns of our customers. We are also subject to governmental and regulatory risks, including taxation, nationalization, inflation and protectionist measures that can affect our ability to operate our current routes or alter our routes. We are further subject to political upheaval risks. For example, passenger, private car and freight traffic on our Scotland—Northern Ireland route has been affected by civil disturbances from time to time in Northern Ireland and may be so affected in the future.

We are also subject to risks pertaining to the Middle East conflict. The tankers owned, chartered in or managed by us trade from time to time in the Arabian Gulf. In the past, political and armed conflicts in this region have included attacks on tankers and other efforts to disrupt shipping in this area. Future political instability or future hostilities in this region could adversely impact our tanker operations and therefore could have a material adverse effect on our operations.

These circumstances may materially adversely affect our trade patterns, operations and results of operations.

Terrorist attacks or acts of war may adversely affect the markets in which we operate, our operations and our profitability.

The occurrence of acts of terrorism and any military response would likely cause instability in financial markets and disruptions in travel and trade patterns. Furthermore, terrorist attacks and military actions may result in reduced demand from our customers for our services. Acts of

terrorism and regional military conflict may subject our worldwide operations to increased risks and, depending on their magnitude, could have a material adverse effect on our business.

We have potential conflicts of interest with our owners that may adversely affect us.

Our owners own other companies and have other business interests. In the past, certain of such companies have engaged in the same business as or in businesses similar to those conducted by us. In the future, due to the availability of funds, restrictions contained in debt or other instruments or for other reasons, our owners may determine to allocate a particular business opportunity, such as the acquisition of a vessel or drilling rig or the construction of a new vessel to such other companies. In addition, our owners may make these investments or engage in these businesses directly. In such event, we would not receive any cash flow or income generated by the investment, and such activities by our owners may result in such other companies or our owners directly competing with us.

In the case of corporate opportunities and conflicts of interest, Swedish corporate law requires our directors to act in our best interests. Our board of directors is advised by Swedish counsel with respect to such matters. Our eight directors and one deputy director include four directors who are neither employees nor officers of Stena AB and three directors, including our deputy director, who are appointed by the trade unions representing our employees.

The loss of the services of our key employees could materially adversely affect our revenues, results of operations and prospects.

We rely, and expect to continue to rely, upon Dan Sten Olsson, our Chief Executive Officer, and Svante Carlsson, our Chief Financial Officer, as well as certain other key employees for the successful pursuit of our activities. The loss of any of their services could have an adverse effect on our operations. We do not maintain life insurance with respect to Messrs. Olsson or Carlsson.

Most of our onboard staff and onshore shipping staff are unionized. Strikes by them may disrupt our services and adversely affect our operations.

The shipping industry in Sweden and other jurisdictions in which we operate is susceptible to industrial action due to the strong influence of maritime trade unions. While we believe that we have good relations with our work force, we cannot assure you that we will not be adversely affected by future industrial action against efforts by our management to reduce labor costs, restrain wage increases or modify work practices.

We are party to separate agreements covering substantially all our employees in our ferry operations in Sweden, the United Kingdom and The Netherlands. Generally, the terms of these agreements are for one to two years or the agreements continue until terminated or renegotiated. In the United Kingdom, we have an agreement with our labor unions for which the pay level is negotiated on an annual basis. We negotiate labor agreements for our offshore drilling operations separately on an annual basis.

Although we have not experienced any major strike or work stoppage in the last ten years, there can be no assurance that we will in the future be able to favorably negotiate the terms and conditions of such labor agreements or that strikes or disruptions will not occur in the future as a result of the failure to negotiate such terms or otherwise.

Currency fluctuations may have a material adverse effect on our financial statements and/or our operating margins.

Although we report our results of operations in Swedish kronor, we earn a substantial portion of revenues and incur a substantial portion of expenses in other currencies, principally US dollars, British pounds, euro and Norwegian kroner. In particular, we incur significant expenses in US dollars for fuel and for expenses in our tanker operations, and as of September 30, 2006, approximately \$749 million of our debt was denominated in US dollars, excluding the debt pertaining to our VIEs. Fluctuations in the exchange rates between the US dollar and other currencies could have a material effect on the amount of funds denominated in other currencies needed by us to satisfy our US dollar-denominated obligations. In addition, a substantial portion of our assets and liabilities are denominated in currencies other than the Swedish kronor. As a result, these assets and liabilities will also be impacted by changes in the exchange rate between the Swedish kronor and such other currencies. Our financial results as reported in Swedish kronor in the past have been and in the future are expected to be significantly affected by changes in the exchange rate between the Swedish kronor and such other currencies. We seek to manage our foreign currency exposure by using forward exchange contracts. We also hedge certain of our currency exchange exposures with borrowings denominated in the same currency as the investment. However, there can be no assurance that such hedging will be successful, and foreign exchange fluctuations may have a material adverse effect on our financial statements and/or our operating margins.

We utilize various financial instruments, including hedging arrangements, to manage financial risks, which may not be successful.

We have traditionally used various financial instruments as part of an overall risk management policy to seek to reduce our exposure to interest rate and foreign currency exchange fluctuations. To manage our interest rate risks, we utilize swaps, forward rate agreements, interest rate futures, options and interest rate collars. To manage our foreign currency exchange rate exposure, we utilize forward foreign currency exchange contracts, foreign currency options and currency swaps. We also hedge certain of our currency exchange exposures with borrowings denominated in the same currency as the investment. However, there can be no assurance that we will continue such hedging or that such hedging will be successful in mitigating the risk that interest rate fluctuations will have an adverse effect on our financial statements and/or operating results.

By utilizing hedging instruments, we potentially forego benefits that might result from fluctuations in currency exchange rates, declines in short-term interest rates and declines in oil prices. Additionally, we are exposed to credit risk in the event of the failure of counterparties to meet their obligations under these arrangements. The theoretical risk is the cost of replacement at current market prices of these transactions in the event of defaults by counterparties.

Although we believe the possibility of non-performance by counterparties is remote (given that we maintain a policy of entering into such arrangements only with highly rated institutions), the impact of such a default may have an adverse effect on our result of operations.

We maintain an investment portfolio of equity and debt securities, and market fluctuations may have a material effect on our financial statements and our financial results.

As of September 30, 2006, the fair value of our marketable securities and short-term investments amounted to SEK 5.4 billion, as compared to SEK 5.5 billion as of December 31, 2005. Our equity investments currently include both publicly traded and private companies. The debt securities currently held by us are primarily bank floating rate notes and high yield government and corporate bonds from emerging markets. We have also invested in three VIEs; which we consolidate, whose purpose is to make investments, primarily in high yield securities and bank loans. As of September 30, 2006, total assets of the VIEs amounted to SEK 7.7 billion, which was partly financed by bank debt of the VIEs and US dollar denominated notes issued by the VIEs in an aggregate amount of SEK 6.7 billion (which is non-recourse to Stena). We seek to maintain a diversified investment portfolio to balance our exposure to various risks. However, investments are subject to various risks and fluctuations and are highly volatile and, as a result, there can be no assurance that our investment activities will be profitable.

Compliance with safety, environmental and other governmental requirements may adversely affect our operations.

The shipping industry in general, and our business and the operation of our vessels in particular, are affected by a variety of governmental regulations in the form of numerous international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such vessels operate, as well as in the country or countries in which such vessels are registered. These regulations include, but are not limited to:

- the United States Oil Pollution Act of 1990 (OPA) with respect to strict liability for the discharge of oil and other materials into the environment, the issuance of certificates of financial responsibility for vessels trading in United States waters and requiring that newly constructed tankers that trade in United States waters be constructed with double hulls;
- the International Convention on Civil Liability for Oil Pollution Damage of 1969 and the protocol of 1992 (CLC) entered into by certain countries (other than the United States) relating to strict liability and limitation of liability of the shipowner for pollution damage caused by the discharge of persistent oil;
- International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) with respect to strict technical and operational requirements for tankers, including an enhanced inspection regime and the requirement that all new tankers are built with double hulls;
- the International Maritime Organization International Convention for the Safety of Life at Sea of 1974 (SOLAS) with respect to crew and passenger safety, certain safety regulations concerning car/passenger ferry and RoPax vessels and a subsequent chapter, as revised in 2000, with respect to the construction and operation of high speed craft, such as the HSS ferries, as well as recently adopted mandatory security provisions for ships engaged in international voyages and mandatory compliance with the new International Ship and Port Facility Security Code (ISPS code) and the International Safety Management (ISM) Code, which sets out guidelines for the safe operation of ships;
- the International Convention on Load Lines of 1966 with respect to the safeguarding of life and property through limitations on load capability for vessels on international voyages;

- the International Convention Relating to the Carriage of Passengers and their Luggage by Sea (the Athens Convention), which by its recent protocol has significantly increased the limits of liability of carriers and has introduced a strict liability regime with limited defenses; and
- the U.S. Marine Transportation Security Act of 2002 with respect to vessel security.

In order to maintain compliance with existing and future laws, treaties and international agreements, we incur, and expect to continue to incur, substantial costs in meeting maintenance and inspection requirements, developing and implementing emergency preparedness procedures, and obtaining insurance coverage or other required evidence of financial ability sufficient to address pollution incidents.

Additional laws and regulations, both international and national, may be adopted as a result of oil spills from single-hull tankers and due to heightened security concerns, which could limit our ability to do business or increase our cost of doing business and have a material adverse effect on our operations. In addition, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. In the event of war or national emergency, our vessels may be subject to requisition by the government of the flag flown by the vessel without any guarantee of compensation for lost profits.

We believe our vessels are maintained in good condition in compliance with present regulatory requirements, are operated in compliance with applicable safety/environmental laws and regulations and are insured against usual risks for such amounts as our management deems appropriate. The vessels' operating certificates and licenses are renewed periodically during each vessel's required annual survey. However, government regulation of vessels, particularly in the areas of safety and environmental impact may change in the future and require us to incur significant capital expenditure on our vessels to keep them in compliance.

Catastrophic loss and other liabilities of our business could adversely affect our results of operations.

The operation of any oceangoing vessel carries with it an inherent risk of catastrophic maritime disaster, mechanical failure, collision and loss of or damage to cargo.

Additionally, in the course of operating vessels, marine disasters such as oil spills and other environmental mishaps, cargo loss or damage, business interruption due to political or other developments, as well as maritime disasters not involving us, labor disputes, strikes and adverse weather conditions could result in loss of revenues, liabilities or increased costs, personal injury, loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Damage arising from such occurrences may result in lawsuits asserting large claims. In addition, offshore drilling operations are subject to many of the same risks as shipping, including risks relating to the environment and possible catastrophic loss or liability, and are subject to the usual hazards inherent in drilling for oil and gas offshore, such as blowouts, reservoir damage, loss of well control, punchthroughs, craterings or fires.

Although we maintain insurance that we believe is consistent with industry norms against certain of these risks, including loss of life, there can be no assurance that such insurance would be sufficient to cover the cost of damages suffered by us or the loss of income resulting from a

vessel being removed from operation. We also cannot assure you that a claim will be paid or that we will be able to obtain insurance at reasonable rates in the future. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we obtain insurance coverage for tort liability. Our payment of these calls could result in significant expenses to us which would reduce our profits or cause losses.

In the event that such claims were assessed against us, all our assets could be subject to attachment and other judicial process.

We cannot assure you that a judgment of a United States court for liabilities under United States securities laws would be enforceable in Sweden, or that an original action can be brought in Sweden against us for liabilities under United States securities laws.

We are a Swedish company, all our directors and officers are residents of Sweden and elsewhere outside the United States and most of our assets and the assets of our directors and officers are located outside the United States. As a result, it may be difficult for you to:

- effect service of process within the United States upon us or our directors and officers, or
- enforce judgments obtained in United States courts against us or our directors and officers based upon the civil liability provisions of the United States federal securities laws.

We have been advised by our Swedish counsel, Wistrand Advokatbyrå Göteborg KB, that:

- a judgment of a United States court would not be enforceable in Sweden against us or our directors and officers, but would be accepted on an evidential basis in a Swedish legal action, and
- there is doubt whether an original action could be brought in Sweden against us or our directors and officers to enforce liabilities based solely upon the United States federal securities laws.

Use of proceeds

The proceeds from the offering of the notes will be €100,470,000, before deducting commissions and expenses related to this offering, which are estimated to be approximately €1.2 million. We intend to use the net proceeds of approximately €99,270,000 from this offering for general corporate purposes.

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2006, and on an as adjusted basis to give effect to this offering, as well as the offering of our 6.125% Senior Notes due 2017 and repurchase of substantially all of our outstanding 9 $\frac{5}{8}$ % Senior Notes due 2012 pursuant to a tender offer and consent solicitation, and on an actual basis as of December 31, 2006. You should read the adjusted capitalization data set forth in the table below in conjunction with "Use of proceeds," "Selected consolidated financial information and other data," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and the related notes appearing elsewhere in this Listing Prospectus. Other than as disclosed herein, in the 2006 Form 20-F included herein as Annex A, and in the Q1 2007 financial results, included herein as Annex B, there has been no significant change in our capitalization since September 30, 2006 and December 31, 2006.

(in millions)	As of September 30, 2006			As of December 31, 2006	
	Actual	As adjusted	As adjusted	Actual	Actual
	SEK	SEK	USD ¹	SEK	USD (unaudited) ²
Cash and marketable securities	6,405	8,773 ^{9,10,11}	1,200	9,148	1,338
Short-term debt ³ :					
Credit facilities	580	580	79	642	94
Capitalized lease obligations	39	39	5	38	6
Total short-term debt	619	619	84	680	100
Revolving credit facility ⁴	867	867	119	2,656	294
Other long-term debt:					
Secured debt ⁵	14,998	14,998	2,051	15,771	2,402
9 $\frac{5}{8}$ % Senior Notes due 2012 ⁶	1,296	2 ⁹	—	1,211	177
7.5% Senior Notes due 2013	1,280	1,280	175	1,196	175
7% Senior Notes due 2016	1,829	1,829	250	1,709	250
6.125% Senior Notes due 2017	—	2,780 ¹⁰	380	—	—
Notes offered hereby	—	945 ¹¹	129	—	—
Capitalized lease obligations	1,423	1,423	195	1,246	182
Total debt ^{7,8}	22,312	24,743	3,384	24,469	3,580
Shareholders' equity	18,496	18,496	2,529	18,587	2,720
Total capitalization and short-term debt	40,808	43,239	5,913	43,056	6,300

- (1) As adjusted amounts have been translated into US dollars, solely for convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.
- (2) Solely for the convenience of the reader, the financial information as of December 31, 2006 has been translated from Swedish kroner (SEK) into United States dollars (\$) using the December 31, 2006 Noon Buying Rate of \$1.00 = SEK 6.8342.
- (3) Includes the current portion of long-term debt.
- (4) As of September 30, 2006, availability under the revolving credit facility was \$866 million, and as of December 31, 2006, it was \$598 million.
- (5) Secured debt primarily consists of debt incurred by unrestricted subsidiaries, of which SEK 12,219 million as of September 30 and SEK 12,338 million as of December 31, 2006 is secured by real estate.

- (6) As of December 31, 2006, these are accounted for as short-term debt.
- (7) Out of the total debt, approximately SEK 19.3 billion (\$2.6 billion) as of September 30 and SEK 12,875 million as of December 31, 2006 was the obligation of our unrestricted subsidiaries.
- (8) The unaudited condensed consolidated financial statements as of September 30, 2006 include debt within the VIEs of SEK 6,693 million and investments within the VIEs of SEK 7,659 million. As of December 31, 2006, the debt within the VIEs was SEK 6,302 million, and investments within the VIEs were SEK 7,341 million. The debt and investments within the VIEs is not included in this table. See Note 12 to our Audited Consolidated Financial Statements.
- (9) Reflects the purchase pursuant to our tender offer and consent solicitation of \$177 million of our outstanding 9½% Senior Notes due 2012, representing 99.87% of the outstanding notes. As of February 8, 2007, approximately \$230,000 principal amount of these notes remained outstanding. Solely for the convenience of the reader, amounts paid for these notes and for estimated fees and expenses in connection with our tender offer and consent solicitation have been translated from US dollars into SEK at an exchange rate of \$1.00 = SEK 7.3127.
- (10) The net cash proceeds of the notes have been translated from euro into SEK, solely for the convenience of the reader, at an exchange rate of €1= SEK 9.2665, and assume €4 million in fees and expenses associated with the offering of these notes.
- (11) Indebtedness represented by the notes offered hereby (€102 million) and the expected net cash proceeds of the notes (approximately €99 million) are translated from euro into SEK, solely for the convenience of the reader, at an exchange rate of €1= SEK 9.2665. The expected net cash proceeds assume €1.2 million in fees and expenses associated with this offering.

Selected consolidated financial information and other data

In the following table, we provide you with our selected consolidated financial information and other financial data at the dates and for the periods indicated. The selected consolidated financial information and other financial data for the years in the five-year period ended December 31, 2005 has been derived from our audited consolidated financial statements. The selected condensed consolidated financial information for the nine month periods ended September 30, 2005 and 2006 has been derived from our unaudited condensed consolidated financial statements. The interim financial information is unaudited, but reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim periods presented. Results of our operations for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

Our consolidated financial statements are prepared in accordance with Swedish GAAP, which differs in certain significant respects from US GAAP. A reconciliation of differences between Swedish GAAP and US GAAP that significantly affect the determination of net income for the years ended December 31, 2003, 2004 and 2005 and shareholders' equity as of December 31, 2004 and 2005 is set forth in Note 31 to our audited consolidated financial statements included elsewhere in this Listing Prospectus. A reconciliation of differences between Swedish GAAP and US GAAP that significantly affect the determination of net income for the nine months ended September 30, 2005 and 2006 and stockholders equity as of September 30, 2006 is set forth in Note 4 to our unaudited condensed consolidated financial statements included elsewhere in this Listing Prospectus.

(In millions)	Year ended December 31,						Nine months ended September 30,		
	2001	2002	2003	2004	2005	2005	2005	2006	2006
	SEK	SEK	SEK	SEK	SEK	USD ¹	SEK	SEK	USD ¹
Consolidated group²									
<i>Income Statement Data</i> (Swedish GAAP):									
Total revenues	13,104	13,425	13,619	16,721	19,619	2,682	14,239	18,066	2,471
Direct operating expenses	(8,829)	(9,020)	(9,333)	(10,943)	(12,631)	(1,728)	(9,399)	(10,140)	(1,386)
Selling and administrative expenses	(1,421)	(1,468)	(1,522)	(1,761)	(1,861)	(254)	(1,313)	(1,502)	(205)
Depreciation and amortization	(1,605)	(1,764)	(1,742)	(1,790)	(2,734)	(375)	(1,314)	(1,898)	(260)
Total operating expenses	(11,837)	(12,252)	(12,597)	(14,494)	(17,226)	(2,357)	(12,026)	(13,540)	(1,851)
Income from operations	1,267	1,173	1,022	2,227	2,393	325	2,213	4,526	620
Share of affiliated companies' results	131	51	—	17	21	3	14	24	3
Dividends received	5	15	39	36	79	11	63	77	11
Gain (loss) on securities, net	107	(77)	164	1,060	921	126	992	417	57
Gain on sale of affiliated company	—	601	—	—	—	—	—	—	—
Interest income	120	212	85	382	567	78	386	593	81
Interest expense	(913)	(1,036)	(824)	(1,135)	(1,395)	(191)	(1,051)	(1,220)	(167)
Foreign exchange gains (losses), net	(74)	29	27	(107)	(3)	0	26	7	1
Other financial income (expense), net	158	32	(18)	(24)	(121)	(17)	(78)	(105)	(15)
Total financial income and expense	(597)	(224)	(527)	212	48	7	338	(231)	(32)
Minority interest	4	1	2	(77)	(21)	(3)	(18)	(14)	(2)
Income before taxes	805	1,001	497	2,379	2,441	332	2,547	4,305	589
Income taxes	605	30	13	(20)	(173)	(23)	(75)	(513)	(70)
Net income	1,410	1,031	510	2,359	2,268	309	2,472	3,792	519
<i>Balance Sheet Data</i> (Swedish GAAP):									
Cash and marketable securities ³	3,635	3,499	4,568	5,088	9,252	1,266	6,636	6,405	875
Investment in VIEs ⁴	—	—	—	4,440	5,753	787	5,230	7,659	1,047
Total assets	35,062	30,664	30,127	46,311	54,812	7,494	51,791	57,628	7,881
Debt in VIEs ⁴	—	—	—	3,925	4,844	662	4,332	6,693	915
Other debt ⁵	19,028	14,756	14,826	23,024	26,793	3,667	24,741	22,312	3,051
Total debt	19,028	14,756	14,826	26,949	31,637	4,325	29,073	29,005	3,966
Shareholders' equity ⁶	11,110	11,589	11,470	13,419	15,132	2,069	15,943	18,496	2,529
<i>Other Financial Data</i> (Swedish GAAP):									
Capital expenditures	(3,875)	(2,359)	(3,148)	(3,343)	(5,152)	(705)	(3,020)	(5,518)	(755)
Cash dividends paid	(50)	(50)	(60)	(70)	(195)	(27)	(195)	(240)	(33)
Cash dividends received ⁷	—	52	—	—	—	—	—	—	—
Cash flow from operating activities	1,026	2,143	1,790	1,456	2,403	329	1,217	2,367	324
Cash flow from investing activities	(1,998)	936	(3,556)	(5,331)	(2,948)	(403)	(1,302)	(3,273)	(448)
Cash flow from financing activities	2,014	(3,164)	1,444	4,536	1,850	253	3	(1,716)	(235)
Earnings to fixed charges ⁸	1.4x	1.7x	1.4x	2.4x	2.1x	2.1x	2.5x	3.1x	3.1x
<i>Consolidated Amounts</i> (US GAAP):									
Net income	942	1,413	316	1,852	2,008	274	3,038	3,466	474
Shareholders' equity	10,352	10,671	10,954	11,982	14,913	2,039	14,913	17,836	2,439
Earnings to fixed charges ⁸	1.0x	2.0x	1.2x	2.1x	1.9x	1.9x	2.9x	2.9x	2.9x

(1) Amounts in US dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) The Consolidated Group includes from 2004 the Drott business and investments in three companies in which are accounted for as VIEs. The purpose of the VIEs is to make investments, primarily in high yield securities and corporate bank loans. In 2005 the Group changed its accounting policy to value financial instruments at market value. The accounts for 2003 and 2004 have been restated.

(3) Cash and marketable securities consists of cash and cash equivalents, short-term investments and marketable securities.

(4) Due to changes in Swedish GAAP in 2005, the VIEs are consolidated as subsidiaries. The accounts for 2004 have been restated.

(5) Other debt includes short-term debt, long-term debt and capitalized lease obligations, current and noncurrent.

(6) Certain pension liabilities, which were previously accounted for as contingent liabilities, have been recorded as pension liabilities in the consolidated balance sheet as of December 31, 2005. The change has been recorded directly against shareholders' equity and deferred tax liabilities in the 2005 accounts, respectively. See also "Pension obligations" on page 50.

(7) Cash dividends received excludes dividends received on investments held for trading purposes, but includes dividends from strategic investments. Cash dividends received in 2002 relates to P&O Stena Line, which was sold in April 2002.

(8) For purposes of computing the ratio of earnings to fixed charges, earnings consist of profit before tax plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (expensed and capitalized) on all indebtedness, plus a proportion of rental expense deemed to be representative of the interest factor.

Restricted group data

Restricted Group Data represents the selected consolidated financial information excluding (i) the property business segment (other than one small property) and (ii) three subsidiaries, Stena Finanzverwaltungs AG, Stena Investment Luxembourg s.à r.l. and Adactum, whose activities consist primarily of investing in securities and in companies outside the Company's traditional lines of business. For purposes of the indenture governing the notes offered hereby, these subsidiaries through which the property operations are conducted (other than the one small property), together with Stena Finanzverwaltungs AG, Stena Investment Luxembourg s.à r.l. and Adactum, will be designated unrestricted subsidiaries, and, as a result, will not be bound by the restrictive provisions of the indenture. The following data is unaudited.

(In millions)	Year ended December 31,			Nine months ended September 30,		
	2004	2005	2005	2005	2006	2006
	SEK	SEK	USD ¹	SEK	SEK	USD ¹
Restricted group						
<i>Income Statement Data</i> (Swedish GAAP):						
Total revenues	15,086	15,813	2,162	11,652	15,340	2,098
Direct operating expenses	(9,998)	(10,761)	(1,472)	(8,158)	(8,562)	(1,170)
Selling and administrative expenses	(1,653)	(1,586)	(217)	(1,136)	(1,244)	(171)
Depreciation and amortization	(1,697)	(2,357)	(322)	(1,166)	(1,726)	(236)
Income from operations	1,738	1,109	152	1,192	3,808	521
Interest income	168	224	31	159	268	37
Interest expense	(751)	(690)	(94)	(535)	(580)	(79)
Net income	1,695	1,298	177	1,291	3,143	430
<i>Balance Sheet Data</i> (Swedish GAAP):						
Cash and marketable securities ²	3,542	5,347	731	3,457	1,601	219
Total assets	36,824	33,462	4,576	30,778	33,355	4,561
Total debt ³	17,093	14,800	2,024	12,200	9,665	1,321
Shareholders equity	12,965	13,556	1,854	14,441	16,404	2,243
<i>Other Data</i> (Swedish GAAP):						
Capital expenditures	(2,901)	(3,176)	(434)	(2,053)	(4,167)	(570)
Adjusted EBITDA ⁴	3,546	3,689	504	2,516	4,365	597

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) Cash and marketable securities consists of cash and cash equivalents, short-term investments and marketable securities.

(3) Total debt includes short-term debt, long-term debt and capitalized lease obligations, current and non current.

(4) "Adjusted EBITDA" is defined as consolidated operating income plus cash dividends from affiliated companies, interest income, depreciation, amortization and non-cash charges minus aggregate gains on vessel dispositions to the extent such gains exceed 25% of adjusted EBITDA excluding sale of tangible fixed assets. We have included information in this Listing Prospectus relating to Adjusted EBITDA because it conforms with the definition of Consolidated Cash Flow in the indentures governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016, our 6.125% Senior Notes due 2017 and the indenture that will govern the notes offered hereby. Our ability to incur debt pursuant to these indentures is limited by a pro forma calculation of the ratio of Consolidated Cash Flow to Consolidated Interest Expense. Pursuant to these indentures, we may incur additional debt so long as the pro forma ratio of Consolidated Cash Flow to Consolidated Interest Expense exceeds 2.00 to 1.00 for the restricted group subject to certain exceptions as defined in the indentures. Adjusted EBITDA is not a measure in accordance with Swedish GAAP or US GAAP and should not be used as an alternative to cash flows or as a measure of liquidity and should be read in conjunction with the consolidated statements of cash flows contained in our consolidated financial statements included elsewhere herein. The computation of Adjusted EBITDA and a reconciliation to cash flows from operating activities is presented on pages 10 and 11.

Management's discussion and analysis of financial condition and results of operations

General

The following discussion and analysis should be read in conjunction with the "Selected consolidated financial information and other data" and our audited consolidated financial statements, our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Listing Prospectus. Our consolidated financial statements have been prepared in accordance with Swedish GAAP, which differs in certain significant respects from US GAAP. For a discussion of the significant differences between Swedish GAAP and US GAAP and a reconciliation of net income and stockholders equity from Swedish GAAP to US GAAP, see Note 31 to our audited consolidated financial statements and Note 4 to our unaudited condensed consolidated financial statements.

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

Currency effects

Our revenues and expenses are significantly affected, as reported in Swedish kronor (SEK), by fluctuations in currency exchange rates, primarily relative to the US dollar, the British pound, Norwegian kronor and the euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to the extent possible, revenue and expenses in the same currency. In addition, we enter into certain derivative financial instruments. Revenues in our ferry operations are mainly generated in SEK, British pounds, euro, Norwegian kronor and Danish kronor.

In addition, our assets and liabilities as reported in SEK are significantly affected by fluctuations in currency exchange rates. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by hedging certain of the currency exchange exposures with borrowings denominated in the same currency as the investment. In addition, we enter into certain derivative financial instruments. Although we seek to hedge the net effects of such fluctuations, such fluctuations nonetheless have an impact on our reported assets and liabilities.

Significant events

Ferry operations

In the third quarter of 2004 we ordered two RoPax vessels from a shipyard in Norway for use by Stena Line. The newbuilding process is managed by our RoRo division. The first of these vessels was delivered in August 2006, and the second vessel is expected to be delivered in the summer of 2007.

In November 2006, we entered into a contract with Aker Yards in Germany to build two Super Ferries to be used by Stena Line. The total investment is approximately €460 million, of which

€400 million remains to be paid as of December 31, 2006. Deliveries are scheduled for the first and third quarter of 2010. The contract includes options for two additional vessels of the same type.

The depreciation and amortization charges in the nine months ended September 30, 2006, included an impairment charge of SEK 500 million related to the HSS vessels. At the end of 2006 we completed our annual impairment review of long-lived assets. Based on our review, we will take an additional impairment charge of approximately SEK 200 million on our HSS vessels in the fourth quarter of 2006.

Shipping

Roll-on/Roll-off vessel operations

In March 2006 we entered into an agreement to acquire a newbuilt RoPax vessel from the Visentini shipyard in Italy. The vessel is expected to be delivered in May 2007.

Crude oil and petroleum product transportation

In November 2004 we sold our 75% interest in two of our new Panamax tankers and two of our new product tankers to Arlington Tankers, Ltd ("Arlington"). The sale price for the two product tankers and our interests in the Panamax tankers was \$169 million in cash and 690,421 common shares of Arlington. In connection with the sale, we agreed to time charter the four tankers from Arlington for a period of five years with options to extend each charter for three additional years in extension terms of one year each. We subsequently agreed with Arlington to adjust the initial charter periods from five years to four years for one Panamax tanker and one product tanker and from five years to six years for the second Panamax tanker and second product tanker.

Two Panamax tankers were delivered from the shipyard in February 2006 and June 2006, respectively. Both vessels were sold to a third party upon delivery from the shipyard and are chartered back to us from the new owner for a period of 30 months.

Our owned ice-class Aframax tanker was sold to a joint venture company with Neste Oil, in which we have a 50% interest, in August 2006. The vessel is on time charter to Neste Oil for a period of ten years.

Two product tankers were sold to Arlington and delivered in January 2006. The vessels were chartered back to us for a period of three years with options for an additional 4.5 years.

Offshore drilling

In August 2005, we ordered a drillship, *Stena DrillMAX*, from the SHI shipyard in Korea for delivery at the end of 2007. The total investment is expected to be approximately \$600 million. 80% of our investment in this vessel is financed by a combination of Export Credit Agency financings, bank financing and mezzanine debt.

In March 2006, the Company ordered a second *Stena DrillMAX* drillship from the SHI shipyard in Korea. The total investment is expected to be approximately \$630 million, with expected delivery in mid-2008. In October 2006, we entered into financing arrangements for this drillship structured in the same way as the financing for the first drillship.

In May 2006, the Company sold the drilling rig *Stena Dee* to the Norwegian company Songa Offshore for a net consideration of \$267.3 million. The rig was chartered back to us for a period to end no later than 2008 to complete its present charter contract with Norsk Hydro.

In October 2006, the Company ordered a third Stena DrillMAX drillship from the SHI shipyard in Korea. The total investment is expected to be approximately \$710 million with expected delivery in June 2009. We are currently arranging financing similar to the financing for the first two DrillMAXes for 80% of the total investment.

Real estate

In 2004, we invested in the shares of the public company Drott AB (publ) and subsequently made a tender offer to the shareholders of Drott to acquire all outstanding shares at a price of SEK 150 per share. As of August 10, 2004, we consolidated Drott as a subsidiary. As of December 31, 2006, we own 100% of Drott's outstanding shares through our unrestricted subsidiary Stena Fastigheter AB and our total investment in Drott was approximately SEK 3.2 billion.

In 2005, we purchased and sold a large number of properties, mainly in Sweden. Properties were sold for a total price of SEK 3.9 billion. Total investments in properties were SEK 1.9 billion, of which SEK 1.6 billion related to properties acquired.

In the nine months ended September 30, 2006, we acquired properties for approximately SEK 1.0 billion, mainly in Gothenburg, Stockholm and the Netherlands. Properties were sold for approximately SEK 333 million.

Other businesses

In April 2004, our subsidiary Adactum acquired the Swedish chain store S-Invest AB ("Blomsterlandet"), a garden center and flower business, for SEK 172 million, of which SEK 26 million is to be paid in 2009.

In June 2005, Adactum acquired Envac Centralsug AB ("Envac"), a company in the automated waste collection business that develops and sells underground network systems for the transportation of municipal and commercial waste. The cost of the acquisition was approximately SEK 577 million. Envac operates in 16 countries and had sales in 2004 and 2005 of SEK 727 million and SEK 785 million, respectively.

Results of operations by business segment

	Year ended December 31,			Nine months ended September 30,	
	2003	2004	2005	2005	2006
	(SEK millions) (audited)			(SEK millions) (unaudited)	
Business Segment Data					
Revenues:					
Ferry operations	8,597	9,024	9,045	7,213	7,357
Net gain on sale of vessels	50	11	—	—	—
Total Ferry operations	8,647	9,035	9,045	7,213	7,357
Drilling	1,601	1,429	1,871	1,266	2,300
Net gain on sale of vessels	—	—	—	—	1,480
Total drilling	1,601	1,429	1,871	1,266	3,780
Shipping: Roll-on/Roll-off vessels	298	383	458	327	287
Net gain on sale of vessels	64	273	191	—	214
Total Roll-on/Roll-off vessels	362	656	649	327	501
Crude oil tankers	1,826	2,994	3,804	2,598	2,930
Net gain on sale of vessels	—	372	124	—	604
Total crude oil tankers	1,826	3,366	3,928	2,598	3,534
Other shipping	118	115	143	97	106
Total Shipping	2,306	4,137	4,720	3,022	4,141
Property: Operations	932	1,357	1,882	1,425	1,475
Net gain on sale of properties	126	110	813	524	142
Total Property	1,058	1,467	2,695	1,949	1,617
Other	7	653	1,288	789	1,171
Total	13,619	16,721	19,619	14,239	18,066
Income (Loss) from Operations:					
Ferry operations	397	587	758	787	1,163
Impairment charges	—	(52)	(765)	—	(500)
Net gain on sale of vessels	50	11	—	—	—
Total Ferry operations	447	546	(7)	787	663
Drilling	(33)	(227)	(2)	(108)	534
Net gain on sale of vessels	—	—	—	—	1,480
Total drilling	(33)	(227)	(2)	(108)	2,014
Shipping: Roll-on/Roll-off vessels	(47)	62	104	75	59
Net gain on sale of vessels	64	273	191	—	214
Total Roll-on/Roll-off vessels	17	335	295	75	273
Crude oil tankers	198	780	742	437	386
Net gain on sale of vessels	—	372	124	—	604
Total crude oil tankers	198	1,152	866	437	990
Other shipping	3	(13)	(7)	(10)	(7)
Total Shipping	218	1,474	1,154	502	1,256
Property operations	399	520	759	616	603
Impairment charges	—	(21)	(180)	—	—
Net gain on sale of property	126	110	813	524	142
Total Property	525	609	1,392	1,140	745
Other	(135)	(175)	(144)	(108)	(152)
Total	1,022	2,227	2,393	2,213	4,526
Depreciation & Amortization:					
Ferry operations	811	864	1,578	604	1,122
Drilling	694	575	590	425	477
Shipping: Roll-on/Roll-off vessels	121	100	124	94	80
Crude oil tankers	27	58	41	27	30
Other shipping	6	7	11	8	9
Total Shipping	154	165	176	129	119
Property	77	153	337	121	130
Other	6	33	53	35	50
Total	1,742	1,790	2,734	1,314	1,898

Comparison of the nine months ended September 30, 2006 to the nine months ended September 30, 2005

Currency effects

In the nine months ended September 30, 2006, approximately 35% of our total expenses were incurred in US dollars and approximately 30% were incurred in SEK. During the same period, approximately 40% of our total revenues were generated in US dollars and approximately 30% were generated in SEK. The exchange rates used for consolidation purposes for income statement items are as follows:

Average rates	Nine-month periods ended September 30,		Change
	2005 (SEK)	2006 (SEK)	
US\$	7.31	7.47	2%
British pound	13.46	13.58	1%
Euro	9.22	9.29	1%

The exchange rates used for consolidation purposes for assets and liabilities are as follows:

Closing rates	December 31, 2005	September 30, 2006	Change
	(SEK)	(SEK)	
US\$	7.9525	7.3125	(8)%
British pound	13.7325	13.6650	—
Euro	9.4300	9.2665	(2)%

Revenues

Total revenues increased SEK 3,827 million, or 27%, in the nine months ended September 30, 2006 to SEK 18,066 million from SEK 14,239 million in the nine months ended September 30, 2005, mainly as a result of gains on sale of vessels and increased operating revenues in almost all business segments, partly offset by decreased gains on sale of properties.

Ferry operations. Ferry revenues are primarily generated from ticket sales, freight haulage and onboard spending. Revenues from ferry operations increased SEK 144 million in the nine months ended September 30, 2006 to SEK 7,357 million as compared to SEK 7,213 million in the nine months ended September 30, 2005, mainly due to higher revenues from the freight and travel business, partly offset by reduced revenues from onboard sales due to lower volumes of passengers.

Drilling. Drilling revenues consist of charter hires for the drilling rigs. Revenues from drilling operations increased SEK 1,034 million, or 82%, in the nine months ended September 30, 2006 to SEK 2,300 million from SEK 1,266 million in the nine months ended September 30, 2005, mainly due to new contracts at higher day rates for *Stena Tay* and *Stena Clyde*, each of which also had offhire periods in the nine months ended September 2005. The change in day rates reflects new charter contracts and the market conditions in effect at the time such contracts were entered into in the particular geographic area.

Net gain on sale of vessels, Drilling. In the nine months ended September 30, 2006, gains of SEK 1,480 million were recorded on the sale of the drilling rig *Stena Dee*. In the nine months ended September 30, 2005, no vessel sales were made.

Shipping. Shipping revenues primarily represent charter hires for owned and chartered-in vessels and management fees for vessels managed by the Company. Revenues from shipping operations increased SEK 301 million, or 10%, in the nine months ended September 30, 2006 to SEK 3,323 million as compared to SEK 3,022 million in the nine months ended September 30, 2005.

Revenues from chartering out Roll-on/Roll-off vessels decreased SEK 40 million to SEK 287 million, a decrease of 12%, mainly due to the sale of the RoPax vessels *Pride of Aquitaine* in October 2005 and *Svealand* in April 2006, partly offset by higher charter hire received for the *Stena Challenger* and *Mont Ventoux*.

Revenues from crude oil tankers increased SEK 332 million, or 13%, in the nine months ended September 30, 2006 to SEK 2,930 million as compared to SEK 2,598 million in the nine months ended September 30, 2005, mainly due to higher charter rates in the spot market. In the nine months ended September 30, 2006, the Company operated an average of 43 tankers (chartered in or owned), compared to an average of 42 tankers in the nine months ended September 30, 2005.

Net gain on sale of vessels, Shipping. In the nine months ended September 30, 2006, gains of SEK 818 million were recorded on the sales of the RoPax vessel *Svealand* and the tanker vessels *Stena Contest*, *Stena Concept*, *Stena Compass*, *Stena Compassion* and *Stena Arctica*. In the nine months ended September 30, 2005, no vessel sales were made.

Property. Property revenues consist of rents for properties owned and management fees for properties managed by the Company. Revenues from property operations increased SEK 50 million, or 4%, in the nine months ended September 30, 2006 to SEK 1,475 million as compared to SEK 1,425 million in the nine months ended September 30, 2005, mainly related to an increased number of properties and increased rents.

Net gain on sale of properties. In the nine months ended September 30, 2006, gains of SEK 142 million were recorded on the sale of properties. In the nine months ended September 30, 2005, gains of SEK 524 million were recorded.

Other. Other revenues in the nine months ended September 30, 2006 were SEK 1,171 million, which included SEK 614 million related to the garden center and flower business Blomsterlandet and SEK 555 million related to Envac. Other revenues in the nine months ended September 30, 2005 were SEK 789 million, which included SEK 538 million related to Blomsterlandet and SEK 239 million to Envac.

Direct operating expenses

Total direct operating expenses increased SEK 741 million in the nine months ended September 30, 2006 to SEK 10,140 million as compared to SEK 9,399 million in the nine months ended September 30, 2005, or 8%, mainly as a result of increased operating expenses in all operations except for the ferry operations.

Ferry operations. Direct operating expenses for ferry operations consist principally of personnel costs, costs of goods sold on the vessels, fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs are of a fixed nature and do not vary as a result of changes in the seasonal requirements. Direct operating expenses for ferry operations decreased SEK 275 million, or 5%, in the nine months ended September 30, 2006 to SEK 4,885 million as compared to SEK 5,160 million in the nine months ended September 30, 2005, mainly due to decreased costs of goods sold on vessels, commissions and package tour costs, partly offset by higher personnel costs. Direct operating expenses for ferry operations for the nine months ended September 30, 2006 were 66% of revenues, as compared to 72% for the nine months ended September 30, 2005.

Drilling. Direct operating expenses for drilling consist primarily of personnel costs, fuel costs, insurance, maintenance and catering costs. Direct operating expenses from drilling operations increased SEK 318 million, or 39%, in the nine months ended September 30, 2006 to SEK 1,142 million as compared to SEK 824 million in the nine months ended September 30, 2005. The increase is mainly due to higher expenses for *Stena Tay* and *Stena Clyde*, related to their new contracts in Nigeria and Australia, respectively. Direct operating expenses from drilling operations for the nine months ended September 30, 2006 were 50% of drilling revenues, as compared to 65% for the nine months ended September 30, 2005.

Shipping. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs. Direct operating expenses from shipping operations increased SEK 368 million, or 17%, in the nine months ended September 30, 2006 to SEK 2,532 million as compared to SEK 2,164 million in the nine months ended September 30, 2005.

Direct operating expenses with respect to Roll-on/Roll-off vessels decreased by SEK 12 million, or 9%, in the nine months ended September 30, 2006 to SEK 115 million as compared to SEK 127 million in the nine months ended September 30, 2005. Direct operating expenses for Roll-on/Roll-off vessels for the nine months ended September 30, 2006 were 40% of revenues, as compared to 39% for the nine months ended September 30, 2005.

Direct operating expenses for crude oil tankers include time-charter costs, which normally are fixed for periods between six months and up to five years in advance, while revenues in the spot market vary with each voyage. Direct operating expenses associated with crude oil tankers increased SEK 379 million, or 19%, in the nine months ended September 30, 2006 to SEK 2,411 million as compared to SEK 2,032 million in the nine months ended September 30, 2005, mainly due to increased expenses resulting from higher market rates for chartered in vessels and bunker fuel costs. Direct operating expenses for crude oil operations for the nine months ended September 30, 2006 were 82% of revenues, as compared to 78% for the nine months ended September 30, 2005.

Property. Property expenses consist primarily of maintenance, heating and personnel costs. Direct operating expenses from property operations increased SEK 52 million, or 9%, in the nine months ended September 30, 2006 to SEK 628 million as compared to SEK 576 million in the nine months ended September 30, 2005, mainly related to maintenance and heating costs. Direct operating expenses from property operations in the nine months ended September 30, 2006 were 43% of property revenues, as compared to 40% for the nine months ended September 30, 2005.

Other. Other direct operating expenses in the nine months ended September 30, 2006 were SEK 953 million, which includes SEK 555 million related to Blomsterlandet and SEK 397 million related to Envac. Other direct operating expenses for the nine months ended September 30, 2005 were SEK 675 million, which includes SEK 496 million related to Blomsterlandet and SEK 174 million related to Envac.

Selling and administrative expenses

Selling and administrative expenses increased SEK 189 million, or 14%, in the nine months ended September 30, 2006 to SEK 1,502 million as compared to SEK 1,313 million in the nine months ended September 30, 2005, mainly due to expenses in connection with the acquisition of Envac together with increased personnel costs. The increase is also related to costs of SEK 52 million relating to the acquisition bid for the German/Danish ferry company Scandlines.

Depreciation and amortization

Depreciation and amortization charges increased SEK 584 million in the nine months ended September 30, 2006 to SEK 1,898 million as compared to SEK 1,314 million in the nine months ended September 30, 2005, of which SEK 500 million related to impairment charges for HSS vessels. The remaining increase mainly resulted from increased depreciation on drilling rigs after further investments in late 2005, together with depreciation for new vessels delivered and increased property holdings, partly offset by the effect of the sale of tankers, RoPax vessels and the drilling rig *Stena Dee*.

Share of affiliated companies' results

Share of affiliated companies' results in the nine months ended September 30, 2006 refers to the Company's portion of the results of Wilh. Sonessons AB (publ) and Ballingslov AB (publ). Share of affiliated companies' results in the nine months ended September 30, 2005 refers to the Company's portion of the results of Wilh. Sonessons AB (publ) only.

Financial income and expense, net

Financial income and expense, net decreased by SEK 569 million in the nine months ended September 30, 2006 to SEK (231) million as compared to SEK 338 million in the nine months ended September 30, 2005.

Net gain on securities in the nine months ended September 30, 2006 was SEK 417 million, including net realized results on marketable debt and equity securities and in VIEs as well as net unrealized results. Unrealized results for certain long-term investments, including the investments in the VIEs, are recorded directly to shareholders' equity. Net gain on securities in the nine months ended September 30, 2005 amounted to SEK 992 million.

Interest income in the nine months ended September 30, 2006 increased SEK 207 million to SEK 593 million as compared to SEK 386 million in the nine months ended September 30, 2005. This includes interest income related to the investments in VIEs, which increased SEK 173 million to SEK 430 million from SEK 257 million, partly as the result of the investment in late 2005 in a new VIE.

Interest expense for the nine months ended September 30, 2006 increased by SEK 169 million to SEK (1,220) million as compared to SEK (1,051) million for the nine months ended September 30, 2005. This includes interest expense for the debt in VIEs, which increased by SEK 111 million to SEK (351) million from SEK (240) million, partly as a result of the investment in the new VIE.

In the nine months ended September 30, 2006, the Company had foreign exchange gains (losses), net of SEK 7 million, consisting of losses of SEK (3) million from currency trading and gains of SEK 10 million from translation differences. In the nine months ended September 30, 2005, the Company had foreign exchange gains (losses), net of SEK 26 million, all related to translation differences.

Other financial income (expense) of SEK (105) million for the nine months ended September 30, 2006 included SEK (32) million related to amortization of deferred financing charges for senior notes, the revolving credit facility, bank loans, capital lease obligations and investments in VIEs. Other financial income (expense) of SEK (78) million for the nine months ended September 30, 2005 included SEK (21) million related to amortization of deferred finance charges.

Income taxes

Income taxes for the nine months ended September 30, 2006 were SEK (513) million, consisting of current taxes of SEK (19) million and deferred taxes of SEK (494) million. Income taxes for the nine months ended September 30, 2005 were SEK (75) million, consisting of current taxes of SEK (55) million and deferred taxes of SEK (20) million. The provision for income taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Comparison of the year ended December 31, 2005 to the year ended December 31, 2004

Currency effects

For the year ended December 31, 2005, approximately 30% of our total revenues were generated in US dollars and approximately 35% were generated in SEK. During the same period, approximately 35% of our total expenses were incurred in US dollars and approximately 30% were incurred in SEK. The exchange rates used for consolidation purposes for income statement items are as follows:

Average rates	January-December 2004	January-December 2005	Change
US \$	7.4960	7.4775	—
British pounds	13.4560	13.5782	1%
Euro	9.1268	9.2849	2%

The exchange rates used for consolidation purposes for assets and liabilities are as follows:

Closing rates	December 31, 2004	December 31, 2005	Change
US \$	6.6125	7.9525	20%
British pounds	12.7100	13.7325	8%
Euro	9.0070	9.4300	5%

Revenues

Total revenues increased SEK 2,898 million, or 17%, in the year ended December 31, 2005 to SEK 19,619 million as compared to SEK 16,721 million in the year ended December 31, 2004, as a result of increased revenues in all business areas.

Ferry operations. Revenues from ferry operations increased SEK 21 million in the year ended December 31, 2005 to SEK 9,045 million as compared to SEK 9,024 million in the year ended

December 31, 2004, due to increased volumes in the freight business, partly related to the acquisition of the Fleetwood-Larne ferry operation on the Irish Sea, acquired from P&O in April 2004, and partly offset by decreased volumes in passengers, cars and onboard sales.

Net gain on sale of vessels, Ferry operations. In the year ended December 31, 2005, no vessel sales were made. In the year ended December 31, 2004 a gain of SEK 11 million was recorded on the sale of *Stena Gothica*.

Drilling. Revenues from drilling operations increased SEK 442 million, or 31%, in the year ended December 31, 2005 to SEK 1,871 million as compared to SEK 1,429 million in the year ended December 31, 2004, mainly due to new contracts at higher dayrates for *Stena Dee* and *Stena Spey*, which had offhire periods in the year ended December 31, 2004, partly offset by lower revenues for *Stena Tay* due to an offhire period in 2005 to install new equipment. The change in dayrates reflects new charter contracts and the market conditions in effect at the time such contracts were entered into in the particular geographic area.

Shipping. Revenues from shipping operations increased SEK 913 million, or 26%, in the year ended December 31, 2005 to SEK 4,405 million as compared to SEK 3,492 million in the year ended December 31, 2004. Revenues from chartering out Roll-on/Roll-off vessels increased SEK 75 million to SEK 458 million as compared to SEK 383 million, or 20%, mainly due to charter hire received for *Linda Rosa/Mont Ventoux*, which was delivered in January 2005, and charter hire received for *Stena Challenger*, which was chartered in from January 2005. Revenues from crude oil tankers increased SEK 810 million, or 27%, in the year ended December 31, 2005 to SEK 3,804 million as compared to SEK 2,994 million in the year ended December 31, 2004, mainly due to charter hire received for the additional tankers chartered in and charter hire received for the six tanker newbuildings delivered between January 2004 and April 2005. In the year ended December 31, 2005, 39 tankers were operated (chartered or owned), compared to 33 tankers in the year ended December 31, 2004.

Net gain on sale of vessels, Shipping. In the year ended December 31, 2005, gains of SEK 191 million were recorded on the sale of the RoRo vessel *Pride of Aquitaine* and SEK 124 million on the crude oil tanker *Stena Antarctica*. In the year ended December 31, 2004, gains of SEK 273 million were recorded on the sale of the RoRo vessels *Chieftain*, *Stena Timer* and *Stena Tender* and the RoPax vessels *Stena Traveller* and *European Envoy* and gains of SEK 372 million on the sale of four crude oil tankers to Arlington.

Property. Revenues from property operations increased SEK 525 million, or 39%, in the year ended December 31, 2005 to SEK 1,882 million as compared to SEK 1,357 million in the year ended December 31, 2004, due to the acquisition in August 2004 of Drott, which had revenues for the year ended December 31, 2005 of SEK 952 million, as compared to SEK 428 million for the year ended December 31, 2004.

Net gain on sale of properties. In the year ended December 31, 2005, gains of SEK 813 million were recorded on the sale of properties, which were mainly properties that had been owned by Drott. In the year ended December 31, 2004, gains of SEK 110 million were recorded.

Other. Other revenues in the year ended December 31, 2005 were SEK 1,288 million, which includes SEK 747 million related to Blomsterlandet and SEK 523 million related to Envac. Other revenues in the year ended December 31, 2004 were SEK 653 million, which related almost entirely to Blomsterlandet.

Direct operating expenses

Total direct operating expenses increased SEK 1,688 million in the year ended December 31, 2005 to SEK 12,631 million as compared to SEK 10,943 million in the year ended December 31, 2004, or 15%, as a result of increased operating expenses in all operations except for ferry operations and the RoRo business.

Ferry operations. Direct operating expenses for ferry operations decreased SEK 142 million, or 2%, in the year ended December 31, 2005 to SEK 6,565 million as compared to SEK 6,707 million in the year ended December 31, 2004, mainly due to decreased expenses for costs of goods sold on the vessels and package tour costs together with lower charter and redundancy costs, partly offset by higher personnel costs. Direct operating expenses for ferry operations for the year ended December 31, 2005 were 73% of revenues, as compared to 74% for the year ended December 31, 2004.

Drilling. Direct operating expenses from drilling operations increased SEK 166 million, or 18%, in the year ended December 31, 2005 to SEK 1,112 million as compared to SEK 946 million in the year ended December 31, 2004, mainly due to increased expenses for *Stena Dee*, which was offhire in 2004, and partly due to increased personnel costs in Norway for *Stena Don*. Direct operating expenses from drilling operations for the year ended December 31, 2005 were 59% of drilling revenues, as compared to 66% for the year ended December 31, 2004.

Shipping. Direct operating expenses from shipping operations increased SEK 854 million, or 39%, in the year ended December 31, 2005 to SEK 3,066 million as compared to SEK 2,212 million in the year ended December 31, 2004. Direct operating expenses with respect to Roll-on/Roll-off vessels decreased by SEK 2 million in the year ended December 31, 2005 to SEK 187 million, as compared to SEK 189 million in the year ended December 31, 2004, mainly due to reduced charterhire for the *Svealand*, which previously was chartered in but was acquired by us in June 2004, and the sale of the RoRo vessels *Stena Tender* and *Stena Timer* in June 2004, partly offset by increased expenses for *Linda Rosa/Mont Ventoux* and *Stena Challenger*. Direct operating expenses associated with crude oil tankers increased SEK 855 million, or 42%, to SEK 2,871 million as compared to SEK 2,016 million, mainly due to increased expenses resulting from a larger fleet and increased market rates for chartered vessels. Direct operating expenses for crude oil operations for the year ended December 31, 2005 were 75% of revenues, as compared to 67% for the year ended December 31, 2004.

Property. Direct operating expenses from property operations increased SEK 301 million, or 59%, in the year ended December 31, 2005 to SEK 810 million as compared to SEK 509 million in the year ended December 31, 2004, mainly due to the acquisition in August 2004 of Drott, which had direct operating expenses for the year ended December 31, 2005 of SEK 433 million as compared to SEK 131 million for the year ended December 31, 2004. Total direct operating expenses from property operations in the year ended December 31, 2005 were 43% of property revenues, as compared to 38% for the year ended December 31, 2004.

Other. Other direct operating expenses in the year ended December 31, 2005 were SEK 1,078 million, which includes SEK 693 million related to Blomsterlandet and SEK 375 million related to Envac. Other direct operating expenses in the year ended December 31, 2004 were SEK 569 million, which related almost entirely to Blomsterlandet.

Selling and administrative expenses

Selling and administrative expenses increased SEK 100 million, or 6%, in the year ended December 31, 2005 to SEK 1,861 million as compared to SEK 1,761 million in the year ended

December 31, 2004, mainly related to increased expenses in the drilling and shipping areas due to increased business activities and the acquisition of Envac. Total selling and administrative expenses in the year ended December 31, 2005 were 10% of total revenues, as compared to 11% for the year ended December 31, 2004.

Depreciation and amortization

Depreciation and amortization charges increased SEK 944 million, or 53%, in the year ended December 31, 2005 to SEK 2,734 million as compared to SEK 1,790 million in the year ended December 31, 2004, mainly due to impairment charges related to HSS vessels of SEK 765 million and impairment charges for real estate of SEK 180 million together with depreciation for Drott and Envac. Depreciation and amortization charges in the year ended December 31, 2004 included impairment charges related to a hotel in the ferry operations business segment of SEK 52 million and a building in the property segment of SEK 21 million.

Share of affiliated companies' results

Share of affiliated companies' results in the year ended December 31, 2005 refers to our portion of the results of Wilh. Sonessons AB (publ) and Ballingslöv AB (publ). Share of affiliated companies' results in the year ended December 31, 2004 refers to our portion of Drott's results in the period from May 13 to August 10, 2004, after which Drott was consolidated as a subsidiary, together with our portion of the results of Wilh. Sonessons AB (publ).

Financial income and expense, net

Financial income and expense, net decreased by SEK 164 million in the year ended December 31, 2005 to SEK 48 million as compared to SEK 212 million in the year ended December 31, 2004.

Net gain (loss) on securities in the year ended December 31, 2005 was SEK 921 million, of which SEK 211 million related to realized gains on marketable debt and equity securities and SEK 710 million related to unrealized gains and losses. Net gain (loss) on securities in the year ended December 31, 2004 amounted to SEK 1,060 million, of which SEK 218 million related to realized gains on the sale of shares in the property company Faberge AB, SEK 484 million related to the sale of shares in Song Networks and SEK 131 million related to other realized gains on securities and SEK 227 million related to unrealized gains and losses.

Interest income in the year ended December 31, 2005 increased SEK 185 million to SEK 567 million as compared to SEK 382 million in the year ended December 31, 2004, mainly related to increased interest income in our investments in VIEs.

Interest expense for the year ended December 31, 2005 increased SEK 260 million to SEK (1,395) million as compared to SEK (1,135) million for the year ended December 31, 2004, mainly related to interest expense in the newly acquired companies Drott and Envac as well as interest expense for those acquisitions as such, together with interest expense in our investments in VIEs.

During the year ended December 31, 2005, foreign exchange gains (losses), net amounted to SEK (3) million, consisting of gains of SEK 22 million from currency trading and losses of SEK (25) million from translation differences. In the year ended December 31, 2004, the Company had foreign exchange gains (losses), net of SEK (107) million, of which SEK 8 million were from currency trading and SEK (115) million were from translation differences.

Other financial income (expense) of SEK (121) million for the year ended December 31, 2005 included SEK (57) million related to amortization of deferred financing charges for senior notes,

the revolving credit facility, bank loans, capital lease obligations and investments in VIEs. Other financial income (expense) of SEK (24) million for the year ended December 31, 2004 included SEK (82) million related to amortization of deferred finance charges and SEK 100 million relating to amortization of the excess of SEK 658 million of the acquisition price of the Stena Line 10 $\frac{5}{8}$ % Senior Notes due 2008 acquired in late 2000 over their redemption price.

Income taxes

Income taxes for the year ended December 31, 2005 were SEK (173) million, consisting of current taxes of SEK (88) million and deferred taxes of SEK (85) million. Income taxes for the year ended December 31, 2004 were SEK (20) million, consisting of current taxes of SEK (133) million and deferred taxes of SEK 113 million. The provision for taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Comparison of the year ended December 31, 2004 to December 31, 2003

Currency effects

For the year ended December 31, 2004, approximately 30% of our total revenues were generated in US dollars and approximately 30% were generated in SEK. In addition, for the year ended December 31, 2004, approximately 30% of our total expenses were incurred in US dollars and approximately 30% were incurred in SEK. The exchange rates as used for consolidation purposes for income statement items are as follows:

Average rates	January-December 2003	January-December 2004	Change
US \$	8.0894	7.4960	(7)%
British pounds	13.1946	13.4560	2%
Euro	9.1250	9.1268	—

The exchange rates used for consolidation purposes for assets and liabilities are as follows:

Closing rates	December 31, 2003	December 31, 2004	Change
US \$	7.2750	6.6125	(9)%
British pounds	12.9125	12.7100	(2)%
Euro	9.0940	9.0070	(1)%

Revenues

Total revenues increased SEK 3,102 million, or 23%, in the year ended December 31, 2004 to SEK 16,721 million from SEK 13,619 million in the year ended December 31, 2003, primarily as a result of increased revenues in the crude oil tanker segment, the newly acquired garden center and flower business and the consolidation in August 2004 of Drott, partly offset by reduced revenues from drilling operations. Revenues in the year ended December 31, 2004 were adversely affected by the increase of the average exchange rate of the SEK with respect to the US dollar, partly offset by the decrease of the SEK with respect to the British pound.

Ferry operations. Revenues from ferry operations increased SEK 427 million, or 5%, in the year ended December 31, 2004 to SEK 9,024 million from SEK 8,597 million in the year ended December 31, 2003, due to increased volumes in the freight business, in particular from the new route Fleetwood-Larne and the weakening of the SEK against the British pound.

Net gain on sale of vessels, Ferry operations. In the year ended December 31, 2004, gains of SEK 11 million were recorded on the sale of the *Stena Gothica*. In the year ended December 31, 2003, gains of SEK 50 million were recorded on the sale of the RoRo vessels *Stena Freighter* and *Stena Carrier*.

Drilling. Revenues from drilling operations decreased SEK 172 million, or 11%, in the year ended December 31, 2004 to SEK 1,429 million from SEK 1,601 million in the year ended December 31, 2003, mainly due to the increase of the SEK with respect to the US dollar, the offhire in the first half of 2004 of the *Stena Dee* and two months for the *Stena Spey* together with reduced dayrate for the *Stena Tay*, partly offset by increased revenues for the *Stena Clyde* due to a short offhire period in the year ended December 31, 2003.

Shipping. Revenues from shipping operations increased SEK 1,250 million, or 56%, in the year ended December 31, 2004 to SEK 3,492 million from SEK 2,242 million in the year ended December 31, 2003. Revenues from chartering out Roll-on/Roll-off vessels increased SEK 85 million to SEK 383 million from SEK 298 million, or 29%, principally due to the deliveries of *Stena Forecaster* in June 2003 and *Stena Forerunner* in October 2003 together with the newly chartered-in vessels *Vasaland* and *Svealand* in April 2003 (purchased in May 2004), partly offset by the increase of the SEK with respect to the US dollar. Revenues from crude oil tankers increased SEK 1,168 million, or 64%, in the year ended December 31, 2004 to SEK 2,994 million from SEK 1,826 million in the year ended December 31, 2003, mainly due to increased dayrates, deliveries of new tankers and additional tankers chartered in, partly offset by the increase of the SEK with respect to the US dollar.

Net gain on sale of vessels, Shipping. In the year ended December 31, 2004, we recorded gains of SEK 273 million on the sale of the RoRo vessels *Chieftain*, *Stena Timer* and *Stena Tender* and the RoPax vessels *Stena Traveller* and *Envoy* and gains of SEK 372 million on the sale of four crude oil tankers to Arlington Tankers Ltd. In the year ended December 31, 2003, we recorded gains of SEK 64 million on the sale of the RoPax vessel *Stena Britannica* and the RoRo vessel *Vasaland*.

Property. Property revenues consist of rents for properties owned and management fees for properties managed. Revenues from property operations increased SEK 425 million, or 46%, in the year ended December 31, 2004 to SEK 1,357 million from SEK 932 million in the year ended December 31, 2003. The Drott company is included as of August 10, 2004 and had revenues up to end of December 31, 2004 of SEK 428 million.

Net gain (loss) on sale of properties. In the year ended December 31, 2004, gains of SEK 110 million were recorded on the sale of properties, out of which SEK 33 million related to sales of properties that had been owned by Drott. In the year ended December 31 2003, gains of SEK 126 million were recorded on the sale of properties.

Other. Other revenues in the year ended December 31, 2004 of SEK 653 million relate almost entirely to the garden center and flower business, acquired as of January 1, 2004.

Direct operating expenses

Total direct operating expenses increased SEK 1,610 million, or 17%, in the year ended December 31, 2004 to SEK 10,943 million from SEK 9,333 million in the year ended December 31, 2003, mainly as a result of costs in the newly acquired garden center and flower business, increased operating expenses in the crude oil tanker segment, the acquisitions as of August 10, 2004 of Drott and the effects to the ferry operations of the decrease of the SEK with respect to the British pound, offset partly by the increase of the SEK with respect to the US dollar.

Ferry operations. Direct operating expenses for ferry operations increased SEK 264 million, or 4%, in the year ended December 31, 2004 to SEK 6,707 million from SEK 6,443 million in the year ended December 31, 2003, mainly due to the new route Fleetwood-Larne and the decrease of the SEK with respect to the British pound. Direct operating expenses for ferry operations for the year ended December 31, 2004 were 74% of revenues, as compared to 75% for the year ended December 31, 2003.

Drilling. Direct operating expenses from drilling operations increased SEK 136 million, or 17%, in the year ended December 31, 2004 to SEK 946 million from SEK 810 million in the year ended December 31, 2003, mainly due to increased costs for repair and maintenance for the *Stena Tay*, increased personnel costs for the *Stena Don*, mainly relating to prior periods, and the amortization of deferred costs for the *Stena Don* with respect to the Statoil settlement in late 2003, partly offset by the increase of the SEK with respect to the US dollar. Direct operating expenses from drilling operations for the year ended December 31, 2004 were 66% of drilling revenues as compared to 51% for the year ended December 31, 2003, partly reflecting decreased revenues due to the offhire in the first half of 2004 of the *Stena Dee*.

Shipping. Direct operating expenses from shipping operations increased SEK 514 million, or 30%, in the year ended December 31, 2004 to SEK 2,212 million from SEK 1,698 million in the year ended December 31, 2003. Direct operating expenses with respect to Roll-on/Roll-off Vessels increased by SEK 2 million, or 1%, in the year ended December 31, 2004 to SEK 189 million from SEK 187 million in the year ended December 31, 2003, mainly due to the newly chartered-in vessels *Vasaland* and *Svealand* in April 2003 (purchased in May 2004) and the delivery of *Stena Forecaster* in June 2003 and *Stena Forerunner* in October 2003, partly offset by reduced costs for *Stena Tender* and *Stena Timer*, sold in June 2004. Direct operating expenses associated with crude oil tankers increased SEK 514 million, or 34%, to SEK 2,016 million from SEK 1,502 million, mainly due to increased costs resulting from a larger fleet, including deliveries of new tankers in the first quarter of 2004, and higher rates for chartered in the vessels, partly offset by an increase of the SEK with respect to the US dollar. Direct operating expenses for crude oil operations for the year ended December 31, 2004 were 67% of revenues, as compared to 82% for the year ended December 31, 2003.

Property. Direct operating expenses from property operations increased SEK 127 million, or 33%, in the year ended December 31, 2004 to SEK 509 million from SEK 382 million in the year ended December 31, 2003. The Drott company is included as of August 10, 2004 and had direct operating expenses up to end of December 31, 2004 of SEK 131 million. Direct operating expenses from property operations in the year ended December 31, 2004 were 38% of property revenues, as compared to 41% for the year ended December 31.

Other. Other direct operating expenses in the year ended December 31, 2004 of SEK 569 million relate entirely to the garden center and flower business, acquired as of January 1, 2004.

Selling and administrative expenses

Selling and administrative expenses increased by SEK 239 million, or 16%, in the year ended December 31, 2004 to SEK 1,761 million from SEK 1,522 million in the year ended December 31, 2003, mainly due to additional pension costs, increased expenses in the crude oil and property segments, costs in the garden center and flower business, acquired as of January 1, 2004 and costs in Drott, included as of August 10, 2004.

Depreciation and amortization

Depreciation and amortization charges increased by SEK 48 million, or 3%, in the year ended December 31, 2004 to SEK 1,790 million from SEK 1,742 million in the year ended December 31, 2003, mainly due to exceptional depreciation on impairment of a hotel in the ferry operations business segment of SEK 52 million and a building in the property segment of SEK 21 million. Net of these exceptional items, depreciation and amortization charges decreased SEK 25 million, or 1%, in the year ended December 31, 2004 to SEK 1,717 million, due to the change in estimated useful lives as described above and the increase of the SEK with respect to the US dollar, in particular for the drilling rigs which are denominated in US dollars, partly offset by increased depreciation in the ferry operations and the crude oil tanker segment due to the delivery of new vessels and to depreciation related to the property company Drott, included as of August 10, 2004 and the garden center and flower business, acquired as of January 1, 2004.

Share of affiliated companies' result

Share of affiliated companies' results in the year ended December 31, 2004 refer to our portion of Drott's results in the period from May 13 to August 10, 2004, after which Drott was consolidated as a subsidiary, together with our portion of the results of Wilh. Sonesson AB (publ).

Financial income and expense, net

Financial income and expense, net improved by SEK 739 million in the year ended December 31, 2004 to SEK 212 million from SEK (527) million in the year ended December 31, 2003.

Net gain (loss) on securities in the year ended December 31, 2004 amounted to SEK 1,060 million, of which SEK 218 million related to realized gains on the sale of shares in the property company Fabege AB, SEK 484 million related to the sale of shares in Song Networks, SEK 131 million related to other realized gains on securities and SEK 227 million related to net unrealized gains and losses. Net gain (loss) on securities in the year ended December 31, 2003 was SEK 164 million.

Interest income in the year ended December 31, 2004 increased SEK 297 million to SEK 382 million from SEK 85 million for the year ended December 31, 2003, mainly related to interest income in our investments in VIEs.

Interest expense for the year ended December 31, 2004 increased SEK 311 million to SEK (1,135) million from SEK (824) million for the year ended December 31, 2003. Interest expense for the year ended December 31, 2004 include in total SEK (155) million of interest expense in our investments in VIEs, SEK (132) million of interest expense in the property company Drott, consolidated as a subsidiary from August 10, 2004, together with interest expense of SEK (80) million related to borrowings under the revolving credit facility to finance the acquisition of shares in Drott. Net of the VIEs and the Drott acquisition, interest expense for the year ended December 31, 2004 amounted to SEK (768) million, a decrease of SEK 56 million compared to the year ended December 31, 2003. This decrease related mainly to the increase of the SEK with respect to the US dollar and a decline in interest rates generally, partly offset by increased borrowings as a consequence of investments in vessels, other properties than the Drott acquisition and the garden center and flower business.

During the year ended December 31, 2004, the Company had foreign exchange losses, net of SEK (107) million out of which gains of SEK 8 million related to gains from currency trading and losses of SEK (115) million related to translation differences. In the year ended December 31, 2003, the

Company had foreign exchange gains, net of SEK 27 million consisting of gains of SEK 10 million from currency trading and gains of SEK 17 million from translation differences.

Other financial income (expense) of SEK (24) million for the year ended December 31, 2004 includes SEK 100 million relating to the amortization of the excess of SEK 658 million of the acquisition price of the Stena Line 10 $\frac{5}{8}$ % Senior Notes due 2008 acquired in late 2000 over their redemption price and SEK (51) million related to our investments in VIEs. The remaining other financial income (expense) for the year ended December 31, 2004 was SEK (73) million, including bank fees and the amortization of deferred financing charges for the 9 $\frac{5}{8}$ % Senior Notes due 2012, the 7 $\frac{1}{2}$ % Senior Notes due 2013, the 7% Senior Notes due 2016, the revolving credit facility, bank loans and capital lease obligations. Other financial income (expense) of SEK (18) million for the year ended December 31, 2003 included SEK 120 million of released provisions relating to the excess value for Stena Line Senior Notes and SEK (138) million of bank fees and deferred finance charges, including the remaining balance of the deferred costs for the 1995 Senior Notes, which were fully repaid in January 2003.

Income taxes

Income taxes for the year ended December 31, 2004 were SEK (20) million, consisting of current taxes of SEK (133) million and deferred taxes of SEK 113 million. Income taxes for the year ended December 31, 2003 were SEK 13 million, consisting of net current taxes of SEK (58) million and deferred taxes of SEK 71 million. The provision for taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Liquidity and capital resources

Our liquidity requirements principally relate to servicing debt, financing the purchase of vessels and other assets and funding working capital. We have in prior years met our liquidity requirements with cash on hand, cash flows from operations, borrowings under various credit facilities and financing and refinancing arrangements. As of September 30, 2006, we had total cash and marketable securities of SEK 6,405 million as compared with SEK 9,252 million at December 31, 2005.

For the nine months ended September 30, 2006, cash flows provided by operating activities amounted to SEK 2,367 million as compared to SEK 1,217 million in the nine months ended September 30, 2005. For the nine months ended September 30, 2006, cash flows used in investing activities amounted to SEK (3,273) million, including SEK (5,518) million related to capital expenditures. For the nine months ended September 30, 2005, cash flows used in investing activities amounted to SEK (1,302) million. Capital expenditures during the nine months ended September 30, 2005 were SEK (3,020) million. Cash flows used in financing activities for the nine months ended September 30, 2006 amounted to SEK (1,716) million, mainly relating to increased investments. For the nine months ended September 30, 2005, cash flows provided by financing activities amounted to SEK 3 million.

Cash flows provided by operating activities increased to SEK 2,403 million in 2005 from SEK 1,456 million in 2004. Cash flows used in investing activities in 2005 amounted to SEK (2,948) million including capital expenditure of SEK (5,152) million and purchase of subsidiaries of SEK (518) million. Cash flows used in investing activities in 2004 amounted to SEK (5,331) million, including capital expenditures of SEK (3,343) million and purchase of subsidiaries of SEK (3,917) million, mainly related to Drott. Total investments in vessel newbuildings on order as of December 31, 2005 were SEK 1,280 million as compared to SEK 501 million at December 31, 2004. Cash flows

provided by financing activities in 2005 amounted to SEK 1,850 million. In 2004, cash flows provided by financing activities amounted to SEK 4,536 million.

Cash flows provided by operating activities decreased to SEK 1,456 million in 2004 from SEK 1,790 million in 2003. Cash flows used in investing activities in 2004 amounted to SEK (5,331) million including capital expenditure of SEK (3,343) million and purchase of subsidiaries of SEK (3,917) million, mainly Drott. Cash flows used in investing activities in 2003 amounted to SEK (3,556) million, including capital expenditures of SEK (3,148) million. Total investments in vessel newbuildings on order as of December 31, 2004 were SEK 501 million as compared to SEK 589 million at December 31, 2003. Cash flows provided by financing activities in 2004 amounted to SEK 4,536 million. Borrowings from the issuance of new debt and bank facilities in 2004 were SEK 5,822 million. We used SEK 2,017 million of this amount to repay the principal amount of existing debt. In 2003, cash flows provided by financing activities amounted to SEK 1,444 million.

Total construction in progress as of September 30, 2006 was SEK 3,342 million as compared to SEK 1,280 million at December 31, 2005. The remaining capital expenditure commitment for newbuildings on order as of September 30, 2006 include two drillships and one RoPax vessel and amounted to SEK 5,814 million, of which SEK 757 million is due during 2006, SEK 2,861 million of which is due during 2007 and the remainder of which is due in 2008. We plan to finance the unpaid balance, together with additional expenses and financing costs, through cash from operations, the existing revolving credit facility, capital lease agreements, new bank loans or other financing arrangements.

Total interest bearing debt as of September 30, 2006 was SEK 22,312 million, excluding the debt in the VIEs, as compared with SEK 26,793 million at December 31, 2005. Interest bearing debt in the VIEs as of September 30, 2006 was SEK 6,693 million as compared with SEK 4,844 million at December 31, 2005. Total debt decreased partly due to the strengthening of the closing rate of the SEK against the US dollar and to a lesser extent the euro. As of September 30, 2006, \$134 million was utilized under a \$1 billion revolving credit facility, of which \$15 million was used for the issuing of bank guarantees. As of December 31, 2005, a total of \$859 million was utilized under this facility, of which \$10 million was used for issuing of bank guarantees. We have repurchased all of the \$200 million 9⁵/₈% Senior Notes due 2012, except for approximately \$230,000 principal amount, including approximately \$177 million repurchased pursuant to our tender offer and consent solicitation that is currently scheduled to expire on February 27, 2007. On February 8, 2007, we completed an offering of €300 million of our 6.125% Senior Notes due 2017.

We believe that, based on current levels of operating performance and anticipated market conditions, our cash flow from operations, together with other available sources of funds, including refinancings, will be adequate to make required payments of principal and interest on our debt, including the notes offered hereby, to permit proposed capital expenditures, including newbuildings and other vessel acquisitions, and to fund anticipated working capital requirements.

We have included information in this Listing Prospectus with respect to Adjusted EBITDA because it conforms with the definition of Consolidated Cash Flow in the indentures governing our 7.5% Senior Notes due 2013, our 7% Senior Notes due 2016, our 6.125% Senior Notes due 2017 and the notes offered hereby. Our ability to incur debt pursuant to those indentures and the indenture governing the notes offered hereby is limited by a pro forma calculation of the ratio of Consolidated Cash Flow to Consolidated Interest Expense. Under the terms of such indentures and the indenture governing the notes offered hereby we may incur additional debt

so long as the pro forma ratio of Consolidated Cash Flow to Consolidated Interest Expense exceeds 2.00 to 1.00 for the restricted group, subject to certain exceptions as defined in those indentures and the indenture governing the notes offered hereby.

Long-term financial obligations and other commercial commitments

Our long-term financial obligations as of December 31, 2005 were as follows:

(SEK million)	Payments due by period					
	Total	Less than one year	1-3 years	4-5 Years	More than 5 years	Not specified
Long-term debt, including current maturities	25,428	834	1,296	854	21,609	835
Debt in VIEs	4,844	—	—	—	4,844	—
Capital leases	1,365	40	81	83	1,161	—
Operating leases	8,766	2,765	3,140	1,295	1,566	—
Purchase obligations	4,442	2,768	1,674	—	—	—
Other non-current liabilities	286	—	186	30	70	—
Total	45,131	6,407	6,377	2,262	29,250	835

Our commercial commitments are listed in Note 25 of our audited consolidated financial statements and relate mainly to purchase obligations for newbuildings.

Off Balance Sheet Arrangements

One of our subsidiaries and Teekay Nordic Holdings Incorporated (“Teekay”) have each guaranteed the performance by one of the Stena/Teekay joint ventures of its obligations under a charter agreement with Esso Norway. Our liability under this guarantee is limited to 50% of any claim caused by the non-performance of the joint venture. We and Teekay have also guaranteed the repayment by the other Stena/Teekay joint venture of a loan from a group of banks. Our liability under this loan is limited to 50% of the amount outstanding under the loan agreement, including interest, charges, expenses and damages. As of September 30, 2006, the outstanding total loan amount was \$38.5 million.

Pension obligations

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans, in which the obligations remain with us. Costs and obligations at the end of a period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. Our obligations under defined benefits plans relate mainly to subsidiaries in our UK operations. In 2004, certain pension liabilities for employees with the UK ferry operations were accounted for as contingent liabilities. In 2005, new information was released for these pension plans and the associated liability was recorded in our balance sheet. As of September 30, 2006, our provisions for pensions amounted to SEK 1.8 billion. As a result of new information brought to our attention at the end of 2006, we reviewed our provision for pensions in our 2006 accounts. On the basis of this review, we will take a charge to equity of approximately SEK 500 million in the fourth quarter of 2006.

Application of critical accounting policies

Our consolidated financial statements are prepared in accordance with Swedish GAAP, which differ in certain significant respects from US GAAP. The principal differences between Swedish GAAP and US GAAP are further discussed in Note 31 to our audited consolidated financial statements and Note 4 to our unaudited consolidated financial statements.

The preparation of our Consolidated Financial Statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and provisions at the date of the financial statements and the reported amounts of sales and expenses during the periods presented. The accounting principles applied by us that are deemed to be critical are discussed below:

Vessels lives and impairment. Our vessels represent our most significant assets, and we state them at cost less accumulated depreciation. Depreciation of vessels, which includes depreciation of vessels under capital leases, is computed using the straight-line method over estimated service lives of 10 to 25 years. Significant vessel improvement costs are capitalized as additions to the vessel rather than being expensed as a repair and maintenance activity. Should certain factors or circumstances cause us to revise our estimate of vessel service lives, depreciation expense could be materially lower or higher. If circumstances cause us to change our assumptions in making determinations as to whether vessel improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense.

Impairment of long-lived assets. We review long-lived assets used in our business and investments in affiliated companies on an annual basis for impairment, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. An impaired asset is written down to its estimated fair value if the decline is deemed to be permanent. We estimate fair value based on independent appraisals, sales price negotiations, active markets if available and projected future cash flows discounted at a rate determined by management to be commensurate with our business risk. The estimation of fair value using these methods is subject to numerous uncertainties that require our significant judgment when making assumptions of revenues, operating costs, selling and administrative expenses, interest rates and general economic business conditions, among other factors.

Financial instruments. Under Swedish GAAP, we apply hedge accounting for all transactions that are economically hedged. Such transactions are hedged on-balance sheet or off-balance sheet by transactions with matching principal or notional amounts, interest rates and currencies, such that our exposure to changes in net values of such transactions due to movements in interest or exchange rates is hedged. Under US GAAP, our hedging relationships do not qualify for hedge accounting. Therefore, the application of US GAAP accounting standards increases the volatility of reported earnings under US GAAP. Our goal is that certain assets, liabilities and designated derivatives will be designated to qualify for hedge accounting in the future and thereby reduce this volatility. The fair market values for our derivative financial instruments are generally determined based on quoted market prices or market quotes for the same or similar financial instruments.

Fair market valuations of financial instruments. Marketable securities including long-term bonds and equities are valued at market, whereby the current year unrealized results are included in the income statement as gain (loss) on securities, except for certain strategic holdings, where the result is booked directly to stockholders' equity.

Investments in other noncurrent securities are recorded at cost. Available information is used to review the carrying value. A portfolio of similar assets is written down to its estimated fair value if the decrease in value is deemed to be permanent. Previously recorded write-downs are reversed when no longer appropriate.

Reconciliation of Swedish GAAP to US GAAP

The differences in net income and stockholders' equity between Swedish GAAP and US GAAP result primarily from differing accounting treatments for disposal of assets, depreciation of properties, investments in securities, financial instruments, purchase accounting, pensions and other items. See Note 31 of the notes to our audited consolidated financial statements and Note 4 of the notes to our unaudited consolidated financial statements for a reconciliation of net income and shareholders' equity from Swedish GAAP to US GAAP and a discussion of such differences.

Net income determined in accordance with US GAAP was SEK 3,038 million and SEK 3,466 million in the nine month period ended September 30, 2005 and 2006, respectively, as compared to SEK 2,472 million and SEK 3,792 million of net income determined under Swedish GAAP for the nine month period ended September 30, 2005 and 2006, respectively.

Net income determined in accordance with US GAAP was SEK 316 million in 2003, SEK 1,852 million in 2004 and SEK 2,008 million in 2005 as compared to SEK 510 million, SEK 2,359 million and SEK 2,268 million of net income determined under Swedish GAAP for the years ended December 31, 2003, 2004 and 2005, respectively.

Shareholders' equity determined in accordance with US GAAP was SEK 14,913 million and SEK 17,836 million as of September 30, 2005 and 2006, respectively. Under Swedish GAAP, shareholders equity was SEK 15,943 million and 18,496 million as of September 30, 2005 and 2006, respectively.

Shareholders' equity determined in accordance with US GAAP would have been SEK 11,982 million and SEK 14,913 million at December 31, 2004 and 2005, respectively. Under Swedish GAAP, shareholders' equity was SEK 13,419 and SEK 15,132 million as of December 31, 2004 and 2005, respectively.

Quantitative and qualitative disclosures about market risk

In the course of our operations, we are exposed to various types of market risks. Our primary market risks are foreign exchange risks, interest rate risks, oil price risks, equity price risks and trading risks. We seek to manage our exposure to adverse changes in foreign currency exchange rates, interest rates and oil prices through the use of various derivative financial instruments. We conduct monitoring and control of these risks continuously in each company as well as centrally. Our positions are monitored using a variety of techniques, such as market value and sensitivity analyses. All our financial transactions are carried out through the central finance functions located in Sweden, Luxembourg, Switzerland and the Netherlands, which conduct their operations within established risk mandates and limits. The information presented below should be read in conjunction with Note 26 to our consolidated financial statements.

Foreign exchange risks

We are exposed to the risk of fluctuations in foreign currency exchange rates due to the international nature and scope of our operations. Our currency risk is related to changes in contracted and projected flows of payments denominated in currencies other than the functional currency (transaction exposure), to the translation of our monetary assets and liabilities that are

denominated in such currencies (translation exposure), to the translation of net assets of foreign subsidiaries (equity exposure) and financial trading activities. The objective of our foreign exchange risk management program is to seek to manage the risk of adverse foreign exchange movements on our income and financial position.

Transaction exposure

Our revenues and expenses, as reported in Swedish kronor, are significantly affected by fluctuations in currency exchange rates, primarily in relation to the US dollar and, to a lesser extent, the British pound, the euro and the Norwegian kronor. When the Swedish kronor appreciates against other currencies, our revenues and expenses as reported in Swedish kronor may decrease and when the Swedish kronor declines against other currencies, our revenues and expenses as reported in Swedish kronor may increase. Future changes in exchange rates may also impact our reported revenues and expenses.

We use forward exchange contracts to seek to hedge against the risk of adverse movements in currency exchange rates of future payment flows from firm commitments such as charter vessel contracts. Contracts related to hedging of anticipated sales and purchases of foreign currency normally do not exceed 12 months.

Translation exposure

Our policy is to hedge our translation exposure risk primarily on our net exposures by currency. Our management regularly reviews our assets and liabilities that are denominated in foreign currency and determines the net amount that is subject to risk of adverse foreign currency fluctuations.

We seek to manage our exposure from the risk of adverse foreign currency fluctuations arising from certain assets and liabilities denominated in foreign currencies. Group companies operate in local currencies or in US dollars. Our financial exposure is managed through us generally maintaining loans and investments in the same currency. In companies with loans and investments in foreign currencies, hedging is carried out in accordance with our financial policy. We primarily use forward exchange contracts and currency swaps and, to a lesser extent, purchased foreign currency options to manage our foreign currency translation exposure.

After taking into account hedging instruments as above, we recorded net translation exchange gains/(losses) of SEK (115) million and SEK (25) million for the financial years ended December 31, 2004 and 2005, respectively. This equals 0.2% and 0.05% of total assets of SEK 46,311 million and SEK 54,812 million as of December 31, 2004 and 2005, respectively.

Equity exposure

When we prepare our consolidated financial statements, the net assets of our foreign subsidiaries and part of affiliated companies are translated to Swedish kronor at the exchange rate in effect on the date of the balance sheet. To the extent that the currency exposure from the net assets of certain foreign subsidiaries is hedged, we use foreign exchange contracts. We record translation differences arising from net assets of foreign subsidiaries directly to stockholders' equity.

The book value of our net assets of foreign subsidiaries, as of December 31, 2004 and 2005, was approximately SEK 9.4 billion and SEK 9.6 billion, respectively. The net assets are expressed mainly in Swedish kronor, euro, British pounds and US dollars. A 1% change in the value of the Swedish kronor against each of the functional currencies of our foreign subsidiaries would affect our shareholders' equity as of December 31, 2005 by SEK 96 million. In 2005, our shareholders'

equity increased by SEK 442 million due to exchange rate differences (see also Note 18 to our audited consolidated financial statements).

Bunker fuel exposure

Our expenses are also significantly affected by fluctuations in price of bunker fuel oil used for propulsion, primarily in our ferry operations.

We use fixed price swaps and, to a lesser extent, option contracts to seek to hedge against the risk of adverse movements in the price of oil. Contracts related to hedging of bunker fuels normally extend to 12 to 18 months but can be for terms of up to three years based on management's assessment of acceptable risk levels and future oil prices (see also Note 27 in our audited consolidated financial statements).

Financial trading activities

We also from time to time buy and sell certain types of derivative financial instruments with the objective of generating profits based on short-term differences in price. We refer to such financial instruments that are not used in our program of interest rate and foreign currency risk management as 'trading' for purposes of this Listing Prospectus. All trading instruments are subject to market risk; that is, the risk that future changes in market conditions may make an instrument less valuable. We are a party to a variety of interest rate and foreign currency contracts in our trading activities.

We recorded net gains from currency and interest rate trading activities of SEK 8 million and SEK 22 million for the financial years ended December 31, 2004 and 2005, respectively.

Interest rate risks

We use several types of financial instruments to seek to manage our interest rate risk, such as interest rate swaps, futures, options and collars. The extent of our use of these financial instruments is determined by reference to the net exposure of our debt that is subject to interest rate risk and management's views regarding future interest rates. We use such financial instruments to seek to achieve a desired interest rate on our interest-bearing liabilities. For example, all our interest rate swaps convert floating rate debt to a fixed rate of interest, and for those instruments changes in interest rates may affect the value of the interest rate swaps. However, interest expense in our income statement is recorded at the fixed interest rate swap agreement and, accordingly, is not affected by the change in interest rates.

At the end of 2005, our interest-bearing assets, consisting mainly of cash and cash equivalents and marketable securities, were to a large extent invested in interest-bearing securities with short maturities. Before any effects of hedging contracts, our interest bearing debt consisted of approximately 55% floating rate borrowings and 45% fixed rate bond loans and other property loans. The floating rate borrowings are normally fixed for a period of three to six months. A number of financial instruments were in place as of September 30, 2006 to manage these interest rate risks, including interest rate swaps to effectively convert floating rate borrowings to fixed rate borrowings.

Equity price risk

At September 30, 2006, the fair value of our marketable securities and short-term investments amounted to SEK 5.4 billion. The potential change in fair value resulting from a hypothetical 1% change of prices would be SEK 54 million. Under current GAAP, movements in fair value of these investments will result in an immediate change to our financial statements.

Business

Overview

Stena AB is one of the largest privately held companies in Sweden. We own and operate one of the world's largest international passenger and freight ferry services and own and charter drilling rigs, Roll-on/Roll-off vessels and crude oil and petroleum product tankers. In addition, we invest in and manage residential and commercial real estate, principally in Sweden. We also invest in other businesses not related to our traditional lines of business. For the nine months ended September 30, 2006, we generated revenues of SEK 18.1 billion including net gain on sale of assets of 2.4 billion. Cash flows from operating activities for the same period, which excludes net gain from sale of assets of 2.4 billion, were SEK 2.4 billion, with SEK 2.9 billion of cash flows from operating activities for that period generated by our restricted group, which, for purposes of the indenture governing the notes, includes all our businesses other than substantially all our real estate business and certain investment activities. For the twelve months ended September 30, 2006, we generated revenues of SEK 23.4 billion, including net gain on sale of assets of SEK 3.0 billion. Cash flows from operating activities for the same period, which excludes a net gain on sale of assets of SEK 3.0 billion, were SEK 3.6 billion, with SEK 4.0 billion of cash flows from operating activities for that period generated by our restricted subsidiaries.

Ferry operations

We operate 18 routes with a fleet of 35 vessels in Scandinavia and the United Kingdom under the "Stena Line" and "Scandlines" brand names. Our ferry operations generate revenues from three principal business activities: (i) travel, which consists primarily of ticket sales for passengers and private cars, package tours and hotel sales; (ii) onboard sales, which consists primarily of retail sales, restaurants, bars, arcades, gaming and, on our Norway-Denmark route, duty and tax free sales; and (iii) freight, which consists primarily of trailer and truck transportation. For the twelve months ended December 31, 2006, we carried a total of 11.4 million passengers, 2.2 million private cars and 1.6 million freight units on our routes. For the nine months ended September 30, 2006, our ferry operations generated revenues of SEK 7.4 billion and operating income of SEK 663 million, including impairment charges for our HSS vessels of SEK 500 million due to high oil prices. Total depreciation and amortization expense (including impairment charges) amounted to SEK 1.1 billion for the nine month period ended September 30, 2006. Ferry operation revenues were generated from travel revenues (35%), onboard sales (18%) and freight/other (47%).

Pursuant to a tax subsidy system in Sweden, our ferry operations receive a subsidy equal to all social security costs and income taxes payable by the employers on behalf of employees who work onboard Swedish-flagged vessels. The amount of this subsidy was approximately SEK 312 million for the nine month period ended September 30, 2006.

Business activities

We generate revenue from our ferry operations from three principal business activities: travel, onboard sales and freight. The following table sets forth the revenue for each of our business areas for the three years ended December 31, 2005 and nine-month periods ended September 30, 2005 and 2006.

(SEK in millions)	Year Ended December 31,			Nine months ended September 30,	
	2003	2004	2005	2005	2006
Travel	3,242	3,240	3,139	2,605	2,692
Onboard sales	2,144	2,120	1,828	1,598	1,416
Freight/other	3,211	3,664	4,078	3,010	3,249
Total revenues	8,597	9,024	9,045	7,213	7,357

Set forth below is certain operating data for our ferry operations for the years ended December 31, 2004, 2005 and 2006.

Volumes (in millions)	Year Ended December 31,		
	2004	2005	2006
Number of passengers	12.5	11.5	11.4
Private cars	2.4	2.2	2.2
Freight units	1.4	1.5	1.6

Route network

We currently operate 18 routes in Scandinavia and the United Kingdom. Our routes are geographically well positioned and generally located in high traffic areas.



Sweden-Denmark. We operate ferry services on three routes. We estimate that we had an approximate 24%, 15% and 39% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Sweden and Denmark for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Denmark routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Gothenburg-Fredrikshavn	1,947	1,597	1,569	397	342	330	170	161	166
Varberg-Grena	124	170	170	29	39	42	21	40	39
Helsingborg-Helsingör ¹	4,240	4,009	3,933	756	711	693	138	137	142

(1) Represents only 50% of volume on this route. This route is operated in partnership with Scandlines Danmark A/S.

Sweden-Germany. We operate a ferry service on five routes, including two routes operated in cooperation with Scandlines Deutschland GmbH. We estimate that we had an approximate 43%, 46% and 27% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Sweden and Germany for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Germany routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Göteborg-Kiel	476	474	487	92	94	93	34	35	35
Göteborg-Travemünde	3	4	4	—	—	—	78	82	89
Trelleborg-Sassnitz ¹	354	330	331	81	79	79	18	18	18
Trelleborg-Rostock ¹	157	166	164	26	27	25	59	67	70
Trelleborg-Travemünde ²	46	35	28	—	—	—	51	54	44

(1) Represents only 50% of the volumes on these routes. These routes are operated under a pooling arrangement with Scandlines Deutschland GmbH.

(2) In April 2005, one of the two RoPax vessels was redelivered to its owner. To make up for this lost capacity, Stena Line entered into an agreement with a third party to buy deck-space on such party's ships for our customers.

Norway-Denmark. We operate a ferry service on one route. We estimate that we had an approximate 10%, 6% and 8% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Norway and Denmark/Germany for the nine month period ended September 30, 2006. Because Norway is not part of the European Union, we continue to offer duty and tax free retail sales on this route.

The following table sets forth the volumes of passengers, private cars and freight units on our Norway-Denmark route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Oslo-Fredrikshavn	592	487	488	61	52	49	15	16	16

Sweden-Poland. We operate a ferry service on one route. We estimate that we had an approximate 41%, 31% and 32% share of the passengers, private cars and freight units volume, respectively, transported on Roll-on/Roll-off vessels between Sweden and Poland for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Poland route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Karlskrona-Gdynia ¹	420	361	413	65	72	74	62	73	87

(1) The *Stena Baltica*, which operates on this route, was rebuilt during spring 2005 to increase car-deck capacity.

Wales/England-Republic of Ireland. We operate ferry services on three routes. We estimate that we had an approximate 56%, 55% and 27% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Wales or England and the Republic of Ireland for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Wales/England-Republic of Ireland routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Fishguard-Rosslare	614	589	584	153	142	139	45	52	57
Holyhead-Dun Laoghaire	888	850	760	191	184	170	36	38	24
Holyhead-Dublin	354	343	426	62	60	78	115	136	152

Scotland/England-Northern Ireland. We operate a ferry service on two routes. We estimate that we had an approximate 56%, 52% and 37% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Scotland/England and Northern Ireland for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on these routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Stranraer-Belfast	1,321	1,236	1,212	268	260	261	128	125	125
Fleetwood-Larne ⁽¹⁾	50	62	58	9	9	8	95	134	138

(1) We commenced operations on the Fleetwood-Larne route in April 2004.

England-The Netherlands. We operate ferry services on three routes. We estimate that we had an approximate 31%, 34% and 18% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between England and The Netherlands for the nine month period ended September 30, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on this route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Harwich-Hook of Holland ¹	849	738	736	196	160	153	155	161	165
Killingholme-Hook of Holland	26	26	32	—	—	—	57	58	61
Harwich-Rotterdam	34	39	37	—	—	—	129	135	130

(1) Includes one HSS vessel that was taken out of service in January 2007 (estimated 200,000 net passenger volume reduction based on 2006 volumes).

Ferry fleet

As of December 31, 2006, our ferry fleet consisted of 35 vessels. The table below sets forth certain information about our ferries as of December 31, 2006.

Ferry fleet						
Type of vessel	Number of vessels	Average age (years)	Average lane meters	Average capacity (passengers)	Average capacity (berths)	
HSS Vessels ¹	4	10	800	1,350	—	
Conventional Fast Ferry	1	10	740	620	—	
Day Ferries	3	15	903	1,508	21	
Night Ferries	2	23	1,320	1,750	1,600	
RoRo Vessels	2	2	2,715	12	12	
RoPax Vessels	23	21	1,853	622	400	

(1) Includes one HSS vessel that was taken out of service in January 2007.

Newbuildings. In the third quarter of 2004 we ordered two RoPax vessels. The first vessel was delivered in August 2006, and the second vessel is to be delivered in the summer of 2007. In November 2006 we ordered two RoPax "Super Ferry" vessels of 5,500 lane meters, the world's largest in route traffic. The first is scheduled for delivery in the beginning of 2010 and the second during the second half of 2010.

Conventional, day and night ferries. Our fleet of conventional day and night ferries is designed to transport a combination of cars, trucks, freight trailers and passengers. This type of ferry comes in two different designs, the day ferry and the night ferry. Night ferries provide cabin accommodation for passengers.

HSS vessels. We currently operate two HSS 1500s and one HSS 900. We own another HSS 1500 vessel that was taken out of service in January 2007 due to an increase in fuel prices and a decline in passenger traffic volumes. HSS vessels are designed to travel with significantly less vertical motion than other fast ferries at service speeds of up to 40 knots. The HSS 1500 is currently the largest high speed ferry in service in the world and has the capacity to carry significant numbers of trucks, freight trailers, cars and buses and up to 1,500 passengers. The HSS 900 can carry up to 900 passengers and 210 cars or a combination of cars and buses.

RoRo vessels. The RoRo vessel is designed primarily to transport freight trailers and a limited number of passengers, primarily truck drivers.

RoPax vessels. RoPax vessels are designed to transport trucks, freight trailers, buses and cars and also provide accommodation for passengers. RoPax vessels are flexible and can adapt their capacity in line with seasonal variations in freight and passenger traffic. During the peak passenger season, the RoPax vessel acts as a ferry for passengers and cars and, during the low season, we operate this type of vessel as a freight ferry.

Sales and marketing

Passengers and cars. Our travel service targets our marketing efforts to three groups: individual travelers, bus operators and business travelers. The travel products and services we offer consist of day trips, package trips (ferry ticket plus shore based arrangements), cruises (ferry tickets used primarily for onboard activities) and transport (ferry ticket plus a vehicle transport). We also offer conference services and other business related services to our business travel customers.

Our sales organization is divided into national sales offices in each of the countries where we have ferry operations and is responsible for sales and reservations, sales training and route coordination. Telephone reservations are centralized at one call center in each country. Products are sold directly to consumers and through travel agents with whom we maintain various arrangements, including direct booking access. Individual customer bookings can also be made by telephone, internet, e-mail, mail, fax and directly at each of our ferry terminals.

Freight. Our freight sales organization is divided into four sales regions. The freight organization provides sales, marketing and reservation services to customers and coordinates freight services for customers seeking transportation across more than one route. Freight operations are handled by sales representatives in each country where we operate, as well as independent sales agents in other European countries.

Other properties

Ports. We own two ports: Holyhead and Stranraer, located in England and Scotland, respectively. We also own land along the quay in Hook of Holland, The Netherlands, enabling us to control our port area at Hook of Holland. In addition, we own 50% of the capital stock of a company that owns the ports of Fishguard and Rosslare, and we operate the port of Fishguard in Wales. In October 2003 we entered into an agreement with P&O relating to, among other things, the acquisition of a 50% ownership interest in P&O's port in Cairnryan in Scotland. The completion of the acquisition is conditioned upon, among other things, finalizing construction designs for the redevelopment of the port, negotiating construction contracts related thereto, obtaining financing on satisfactory terms and obtaining necessary permits from Scottish planning and environmental authorities. In the case of our other routes, we use port facilities owned by third parties and pay applicable port and harbor fees.

Hotels. We sold one of our two owned hotels in Denmark in July 2005. The remaining hotel is marketed as part of tour packages. We have an agreement with Scandic Hotels to operate the hotel. Scandic Hotels also work with us in relation to the marketing of the hotel.

Offshore drilling

We own and operate two third generation and two fifth generation semi-submersible drilling rigs. We sold *Stena Dee* (renamed *Songa Dee*), a fourth generation rig on May 2, 2006 to Songa Offshore ASA and bareboat-charter the rig to enable us to fulfill our contract with Norsk Hydro. We believe our quality of service, excellent safety record and fleet provide us with a significant competitive advantage. For the nine months ended September 30, 2006 our drilling operations generated revenues of SEK 3.8 billion, including a net gain on sale of assets of SEK 1.5 billion, and operating income of SEK 534 million, excluding net gain on sale of assets, including depreciation and amortization expense of SEK 477 million.

The table below sets forth selected information with respect to our drilling rigs as of December 31, 2006.

Drilling rig fleet

Drilling Rig	Generation	Year Built	Maximum Water Depth (Ft.)	Class
Owned				
<i>Stena Clyde</i>	3rd	1976	1,650	DnV
<i>Stena Spey</i>	3rd	1983	1,500	DnV
<i>Stena Tay</i>	5th	1999	7,500	DnV
<i>Stena Don</i>	5th	2001	1,600	DnV
Chartered				
<i>Songa Dee</i> (formerly <i>Stena Dee</i>)	4th	1984	1,500	DnV

Our headquarters is in Aberdeen, Scotland with a sub-office in Bergen, Norway. We also have base offices in Australia, Norway, Nigeria and Houston. All of the drilling rigs are equipped to drill high pressure wells. As of December 31, 2006, the average age of our fleet was approximately 18 years.

The table below sets forth the average utilization rates for our drilling rigs for each of the past five years.

Rig utilization

	2002	2003	2004	2005	2006
Total vessel days available	1,825	1,825	1,830	1,825	1,825
Vessel days utilized	1,578	1,337	1,457	1,591	1,683
Vessel utilization (percentage)	86.5	73.3	79.6	87.2	92.2
Offhire days planned	37	132	83	126	102
Offhire days planned (percentage)	2.0	7.2	4.5	6.9	5.6
Unutilized days	210	356	290	108	40
Unutilized days (percentage)	11.5	19.5	15.9	5.9	2.2
Average daily rates	134,628	144,472	130,619	154,451	241,433

The table below sets forth selected information with respect to our drilling contracts as of December 31, 2006.

Rig	Customer	Expected Contract Expiration Date
<i>Stena Clyde</i>	Peak	March 2007
	Apache	March 2008 (plus six-month option)
<i>Stena Spey</i>	Chevron	June 2009/2010 ⁽¹⁾
<i>Songa Dee</i>	Norsk Hydro	July 2008 (plus six-month option)
<i>Stena Tay</i>	Total	January 2010 (plus one-year option)
<i>Stena Don</i>	Statoil ASA	December 2009 (plus one-year option)

(1) 2 or 3 Years Firm from June 2007.

The contracts for our drilling rigs typically provide for compensation on a "day rate" basis, under which we receive a fixed fee for each day that the rig is operating under contract. Under day rate contracts, we pay the operating expenses of the rig, including wages and the costs of incidental supplies. At December 31, 2006, the daily charter rates for our drilling rigs were as follows: *Stena Clyde*: \$170,000; *Stena Spey*: \$142,000; *Stena Tay*: \$425,000 to \$475,000 depending on the incentive earned; *Stena Don*: \$430,000; *Songa Dee*: \$158,500.

Newbuildings. In August 2005 we entered into a contract with SHI, Korea, for the construction of an ultra deepwater dynamically positioned drillship (*Stena DrillMAX*), which is scheduled for delivery in December 2007. We exercised an option in March 2006 for a second DrillMAX drillship for delivery in June 2008, and in October 2006 we exercised an option for a third DrillMAX drillship for delivery in July 2009. Our DrillMAX drillships can move more quickly between drilling locations than semi-submersible rigs and include a second derrick that enable them to perform exploration and development work more efficiently.

Financing is in place for 80% of the total investment for the first two drillships by way of a combination of Export Credit Agency financings, bank financing and mezzanine debt. We are currently arranging similar financing for 80% of the total investment for the third drillship.

We have a contract with Repsol for the first DrillMAX drillship for four years firm with a one year option at day rates of \$450,000 to \$500,000 depending on the incentive earned, and a contract with Chevron for our second drillship for a minimum of three years firm, with options up to eight years at agreed day rates ranging from \$515,000 for three years to \$422,000 for eight years. The length of contract will be declared prior to commencement.

Competition. The offshore drilling rig market is highly cyclical and competitive, reflecting the historic oversupply of offshore drilling rigs and the ability of operators to move rigs from areas of low utilization and low day rates to areas of greater activity and relatively higher day rates. Although drilling contracts are generally awarded on a competitive bid basis with price competition as the primary factor, contracts for drilling projects are also being negotiated directly between an oil company and its preferred contractor with suitability of equipment, quality of service safety, and price being significant factors in awarding contracts.

Shipping

Our shipping operations consist of the ownership and chartering of Roll-on/Roll-off vessels and crude oil and petroleum product tankers. To support these activities, we are also engaged in the design, purchase, sale, management and crewing of these vessels. We generally collect charter hire payments monthly in advance in the case of time charters and upon completion with respect to charters on the spot market. For the nine months ended September 30, 2006, our shipping operations generated revenues of SEK 4.1 billion including net gain on sale of assets of SEK 818 million, operating income of SEK 438 million, excluding net gain on sale of assets, and had depreciation and amortization expense of SEK 119 million.

Roll-on/roll-off vessel operations

Roll-on/Roll-off vessels permit trucks, freight trailers, buses, cars, and, to a certain extent, containers on chassis to drive directly onto and off the ship. Our Roll-on/Roll-off vessel operations are divided into RoPax vessels, which carry trucks, freight trailers, buses and cars and provide accommodations for passengers; RoRo vessels, which carry predominantly freight trailers only and limited number of passengers; and car/passenger ferry vessels.

Over the past five years, our RoRo and RoPax fleet size ranged from six to eight vessels. As of December 31, 2006, we owned six RoRo vessels. We also have a 49% ownership in one RoRo vessel.

For the five years ended December 31, 2006, our average Roll-on/Roll-off vessel utilization rate was approximately 97% (excluding planned offhire days). The table below sets forth information with respect to the utilization of our Roll-on/Roll-off vessels, including the vessels chartered to Stena Line, during the last five years.

Roll-on/Roll-off vessel utilization

	Year ended December 31,				
	2002	2003	2004	2005	2006
Total vessel days available ¹	2,348	3,059	3,250	3,886	3,099
Vessel days utilized ²	2,272	2,948	3,188	3,758	3,077
Vessel utilization (percentage) ²	96.8	96.4	98.1	96.7	99.3
Offhire days ³	7	43	47	109	29
Offhire days (percentage)	0.3	1.4	1.4	2.8	0.4
Unutilized days	69	68	15	19	15
Unutilized days (percentage)	2.9	2.2	0.5	0.5	0.5

(1) Total vessel days are determined by aggregating the number of days in each year we owned, chartered in or leased such vessels.

(2) In the case of bareboat charters, the vessel is deemed to be utilized during the entire time the vessel is on charter.

(3) Due to planned dry-dockings and damage.

The customers for our Roll-on/Roll-off vessels consist primarily of operators in the international freight and passenger transportation business. Because we frequently purchase and sell our Roll-on/Roll-off vessels, and because our customers charter specific vessels to suit their particular needs, our customer base varies with changes in our fleet.

Chartering activities. Our strategy is to charter our Roll-on/Roll-off vessels on either long-term time charters or bareboat charters. We seek operationally experienced and financially stable customers to charter our Roll-on/Roll-off vessels. In the case of time charters, we provide the crew, technical management and insurance coverage. In the case of bareboat charters, the charterer provides the fuel, crew, insurance and daily maintenance of the vessel. Bareboat charters also provide us with the right to inspect our vessels on a periodic basis.

The tables below set forth information about existing chartering arrangements in place with respect to our Roll-on/Roll-off vessels as of December 31, 2006.

RoRo vessels

Vessel	Type of charter	Current charter expiration date
<i>Stena Shipper</i>	Time	February 2007
<i>Stena Forwarder</i>	Time	February 2012
<i>Stena Foreteller</i>	Time	May 2011
<i>Stena Forecaster</i>	Time	September 2012
<i>Stena Forerunner</i>	Time	October 2012
<i>Mont Ventoux</i>	Time	November 2007
<i>RoRo Gothica</i> ¹	Time	October 2007

(1) In October 2004, the *Stena Gothica* was sold to a company in which Stena hold 49% of the shares and re-named *RoRo Gothica*.

RoPax vessels

Vessel	Type of charter	Current charter expiration date
<i>Stena Challenger</i> ¹	Bareboat	June 2010

(1) Chartered in vessel.

Fleet management. We order new vessels to be built, purchase existing vessels, charter vessels in, charter vessels out and sell vessels. Sales of our vessels are an integral part of our business and have provided a significant portion of our shipping revenue in past years. The market for vessel sales is highly competitive and there can be no assurance that we will be able to realize gains from the sale of vessels in the future.

The table below sets forth for each of the years indicated information with respect to our purchases and sales of Roll-on/Roll-off vessels and the income recognized from such sales.

Roll-on/roll-off vessel sales and purchases

	2002	2003	2004	2005	2006
Fleet as of January 1	7	8	8	8	8
Newbuildings delivered	1	2	1	—	1
Vessels purchased	—	1	3	1	1
Vessels sold	1	3	4	1	1
Fleet as of December 31,	8	8 ¹	8	8	7
Net gain on sale of vessels (SEK in millions)	—	64	273	191	213

(1) Stena Line delivered the *Stena Gothica* to the Roll-on/Roll-off operations in the beginning of 2004.

Newbuilding program. Newbuildings ordered for Stena's ferry operations are managed by the RoRo division. We have a contract for the purchase of two additional RoPax vessels which we ordered in 2005. However, as a result of the builder's delay in performance, we have not made any payment for these vessels and we do not expect that this contract will be fulfilled. Accordingly, where we disclose amounts payable by us for newbuildings in this Listing Prospectus we do not include these two vessels.

Recent acquisitions and sales. In March 2006, we entered into an agreement to acquire a newbuilt RoPax vessel from the Visentini shipyard in Italy. The vessel is expected to be delivered in May 2007. In April 2006 we sold the RoPax vessel *Svealand*.

Competition. The Roll-on/Roll-off vessel chartering business is very competitive. Competition among companies that charter out Roll-on/Roll-off vessels depends on several factors, such as the availability of suitable vessels, charter rates, customer service and the quality of the vessels. The large number of newbuildings ordered and delivered in the industry in recent years has significantly increased competition in our Roll-on/Roll-off vessel operations and adversely impacted charter rates and the value of older, smaller and slower vessels. Some companies may decide that it is more economical to purchase rather than charter vessels, thereby decreasing demand for our chartering operations. From time to time we sell vessels to such operators. Our competitors include other ship owners and ferry line service operators who may from time to time have an unemployed vessel.

Crude oil and petroleum product transportation

We own, charter in and provide commercial management services for crude oil and product tankers. As of December 31, 2006, we lease two product tankers pursuant to long-term finance leases and have 50% interests in one crude oil tanker and three shuttle tankers. We have a 50% interest in one additional shuttle tanker on order. All our owned and finance leased tankers are double hulled. As of December 31, 2006, we also chartered in 39 Product, Aframax, Panamax and Suezmax tankers.

As of December 31, 2006, the average period of the charter contracts for the 39 chartered in tankers was 22 months. Of these 39 tankers, six were chartered out at an average period of 17 months. The other 33 tankers are currently trading on the spot market.

Our customers are generally large international oil companies, members of the Organization of Petroleum Exporting Countries and shipping companies. Our major customers include Chevron Corporation, the Royal Dutch/Shell Group of Companies, ConocoPhillips, BP plc, Neste Oil and Total.

We have an allocation agreement with Concordia, pursuant to which Concordia may elect to participate fully or partially in crude oil and petroleum product tanker and bulk cargo vessel opportunities identified by us.

The table below sets forth certain information with respect to our owned and financed leased tankers as of December 31, 2006.

Owned and finance leased tankers

Tankers	Year Delivered	Type	DWT
<i>Stena Caribbean</i> ¹	2002	Product	10,000
<i>Stena Calypso</i> ¹	2002	Product	10,000
<i>Stena Arctica</i> ²	2005	Ice Aframax	117,000
<i>Nordic Rio</i> ³	2004	Shuttle	152,000
<i>Stena Alexita</i> ³	1998	Shuttle	128,000
<i>Stena Natalita</i> ³	2001	Shuttle	108,000

(1) Tankers held pursuant to a long-term finance lease.

(2) Our interest is through 50/50 joint venture with Neste Oil Oyj.

(3) Our interest in these tankers is through two 50/50 joint ventures with TeeKay.

The table below sets forth certain information with respect to our tanker sales and purchases on an annual basis for the past five years.

Tankers sales and purchases

	2002	2003	2004	2005	2006
Fleet as of January 1	3 ²	4 ²	4 ²	5 ³	8 ³
Newbuildings delivered	2		5 ¹	4	2
Vessels sold	1		4	1	5 ¹
Fleet as of December 31	4 ²	4 ²	5 ³	8 ³	6 ⁴

(1) Includes one vessel in which we have a 50% interest

(2) Includes two vessels in which we have a 50% interest

(3) Includes three vessels in which we have a 50% interest

(4) Includes four vessels in which we have a 50% interest

The table below sets forth certain information with respect to our tanker charters as of December 31, 2006.

Charters for owned and finance leased tankers

Tanker	Type of Charter	Current charter expiration date
<i>Stena Caribbean</i>	Time	July 2011
<i>Stena Calypso</i>	Time	November 2007
<i>Stena Arctica</i>	Time	December 2016
<i>Nordic Rio</i>	Bareboat	July 2017
<i>Stena Alexita</i>	Time	November 2008
<i>Stena Natalita</i>	Time	April 2008

In addition, we have entered into 10-year charter agreements with Argo Shipping International Corp. for *Stena Atlantica* and *Stena Antarctica*, two ice-class Aframax tankers that are chartered in on a long-term bareboat charter by us. The charter term commenced on the delivery of the vessels from the shipyard during 2006.

Recent acquisitions and sales. Two Panamax tankers were delivered from the shipyard in February 2006 and June 2006, respectively. Both vessels were sold to a third party upon delivery from the shipyard and are chartered back to us from the new owner for a period of 30 months.

Our owned ice-class Aframax tanker was sold to a Joint Venture company with Neste Oil, in which we have a 50% interest, in August 2006. The vessel is on time charter to Neste Oil for a period of ten years.

Two product tankers were sold to Arlington and delivered to the new owners in January 2006. The vessels were chartered back to us from the new owner for a period of three years with options for an additional 4.5 years.

Chartering activities. As of December 31, 2006, 33 of our 39 chartered in tankers were chartered out on the spot market. The spot market refers to a segment of the shipping market where contracts are made for single voyages. Under our contracts of affreightment, we provide transportation services for crude oil and clean oil products using designated vessels for approximately twelve months over specified routes. Under a charter on the spot market or under contracts of affreightment, the person chartering out the vessel provides the crew, captain, insurance and daily maintenance as well as bunker, harbor dues, channel fees and any other costs in connection with the voyage. As of December 31, 2006, the total volume of contracts of affreightment amounts to 15-20 voyages per month of 30,000 – 40,000 dwt each. As of December 31, 2006, six of our chartered in tankers are on time charter contracts for periods between one month and ten years.

From October 1, 2006 until December 31, 2006, spot market rates have ranged from \$28,000 to \$73,000 per day for Aframax tankers, \$22,000 to \$37,000 per day for Panamax tankers, \$18,000 to \$31,000 per day for Product tankers and \$28,000 to \$92,000 for Suezmax tankers. Spot market rates as of Dec 31, 2006 were \$67,000 for Aframax tankers, \$37,000 for Panamax tankers, \$31,000 for Product tankers and \$73,000 for Suezmax tankers.

In March 2005, we entered into a Suezmax pooling agreement with Sonangol Shipping (Sonangol Shipping Girassol Ltd, Sonangol Shipping Luanda Ltd, Sonangol Shipping Kizomba Ltd) in Angola. The revenues from the pool will be split between the pool members in proportion to the number of tankers each delivered to the pool. The pool has been in operation since July 2005.

For the five years ended December 31, 2006, our average tanker utilization rate was approximately 98%. The table below sets forth certain information relating to the utilization of our owned and chartered in tankers for the last five years.

Tanker utilization

	Year ended December 31,				
	2002	2003	2004	2005	2006
Total tanker days available ¹	5,572	7,165	10,026	14,083	15,851
Tanker days utilized	5,486	7,047	9,666	13,853	15,520
Tanker utilization (percentage)	98.4	98.4	96.4	98.4	97.9
Offhire days ²	86	118	360	230	331
Offhire days (percentage)	1.6	1.6	3.6	1.6	2.1

(1) Total tanker days is determined by aggregating the number of days in each year we owned, chartered in or leased such tankers.

(2) Due to scheduled and unscheduled dry-dockings and damage.

There can be no assurance that our tankers that trade on the spot market will continue to be employed or that rates obtained by us will cover costs associated with the operation of such tankers.

Commercial management services. We provide commercial management services for Concordia and Sessan and to other third parties. Commercial management includes arranging charters, fuel, documentation and port services, revenue collection and accounting services.

Competition. International sea borne crude tanker and product tanker transportation services are provided by two main types of operators: major oil company captive fleets (both private and state owned) and independent ship owner fleets. Many of our customers also operate their own tankers and use such tankers not only to transport their own oil, but also to transport oil for third party charterers in direct competition with operators in the tanker charter market. Chartering tankers is highly competitive and is based upon price, location, vessel quality, size, condition and acceptability of the tanker and its manager to charterers.

Arlington. In November 2004 we sold two Product tankers and our 75% interests in two Panamax tankers to Arlington, a newly formed public company organized with Concordia. The purchase price for the two Product tankers and our interests in the Panamax tankers was approximately \$169 million in cash and 690,421 common shares of Arlington, which represent approximately 4.5% of the total outstanding shares of Arlington. The common shares of Arlington trade on the New York Stock Exchange under the symbol ATB. In connection with this sale, we agreed to time charter the four tankers from Arlington for a period of five years with options to extend each charter for three additional years in extension terms of one year each. Under each charter, we pay a fixed charter rate which increases over the term of the charters. We also pay an additional amount equal to 50% of the amount by which the time charter revenue we earn from the operation of these vessels, less certain expenses, exceeds the charterhire we pay to Arlington or 50% of the amount by which agreed-upon spot market rates for vessels of these types exceed the rates we pay under our time charters for these vessels, depending on our use of the vessels.

We also agreed with Arlington, in certain circumstances at Arlington's option, to take over the remaining terms of the time charters of two V-Max VLCC tankers that Concordia sold to Arlington concurrently with the sale of tankers, after the end of the third year and prior to commencement of the fourth year of such charters. These vessels are currently time chartered to

Concordia for five years, plus an option to extend each charter for three additional years in one year extension terms. Under the agreement, we would pay the same time charter rate (which includes the additional hire referred to above) as is currently provided in Concordia's time charters with Arlington. Our subsidiary, Northern Marine Management, has agreed to manage all six of Arlington's tankers during the terms of the charters for a fixed daily fee per vessel that increases 5% annually.

We sold two additional Product tankers to Arlington in January 2006. In connection with this sale, we agreed to time charter both vessels from Arlington for a period of three years with options to extend each charter for 54 additional months in extension terms of 30 months and thereafter one year each. Under each charter, we pay a fixed charter rate that increases over the term of the charters. Northern Marine Management has agreed to manage all six of Arlington's tankers during the terms of the charters for a fixed daily fee per vessel that increases 5% annually.

We also agreed with Arlington to adjust the charter periods for the vessels sold in 2004, from five years each, to four years for two of the vessels and six years for the other two vessels.

Ship management

As part of our ongoing commitment to maintaining a high quality fleet and efficient operations, we own and operate a ship management company, Northern Marine Management, which provides ship management services from offices in Glasgow, Scotland, Houston, Singapore and India. Ship management includes crewing, inventory control, maintenance and technical management. As of December 31, 2006, Northern Marine Management provided services for vessels through approximately 5,500 seafarers for us, Concordia, Chevron, Technip and several other third parties.

Technical developments and patents

Stena Teknik, our technical division, provides design, construction and other marine technology support to our shipping and offshore drilling activities. We hold several patent registrations and applications in the United States and abroad to establish and protect our proprietary rights in the shipbuilding design industry. These patent registrations and applications relate primarily to the design and construction of the HSS ferries.

Real estate

General. We are involved in the acquisition, selling, constructing, refurbishment and management of residential and commercial properties. In the nine months ended September 30, 2006, our real estate operations, including net gain on sale of properties of SEK 142 million, generated revenues of SEK 1.6 billion, and operating income of SEK 603 million, which include depreciation and amortization expenses of SEK 130 million. Substantially all our real estate operations are conducted through our unrestricted subsidiaries. As of December 31, 2006, our real estate portfolio consists of two segments: 302 leasehold and freehold properties in Sweden and 47 freehold and leasehold properties located in The Netherlands, Germany, Luxembourg and France. A substantial majority (89%) of our rental income comes from our properties in Sweden; the majority of our remaining rental income is from properties located in The Netherlands. Our real estate portfolio is managed from offices located in Gothenburg, Malmö, Stockholm, Uppsala,

Umeå, Halmstad, Amsterdam and Sophia Antipolis in France. We also manage real property owned by the Olsson family. As of December 31, 2006, our management estimates, based on external and internal valuations, that the market value of properties owned by our real estate operations was approximately SEK 22 billion.

Each of our real estate subsidiaries finances its acquisitions of real property with individual mortgages from various commercial and mortgage banks.

Swedish properties. Our real estate portfolio in Sweden as of December 31, 2006 consisted of 302 residential and commercial properties totaling approximately 1,940,000 square meters.

In 2006, we invested SEK 960 million in new properties and improvements to existing properties. As of December 31, 2006, our residential properties consisted primarily of multi-family rental properties (approximately 21,000 units) that, in terms of square meters, comprise approximately 76% of our properties in Sweden or approximately 1,469,000 square meters. Our commercial properties in Sweden consist mainly of office buildings and warehouse properties and comprise the remaining 24% of our property portfolio in Sweden or approximately 471,000 square meters. The occupancy rate for our Swedish properties based on square meters as of December 31, 2005 and December 31, 2006 was 98%.

Of our Swedish properties, 41 are leased pursuant to long-term ground leases from local governments. These leases typically run for a 60 year period with a right of renewal every 40 years. Rent is renegotiated after the first 20 years and every 10 years thereafter. In practice the leases are indefinite.

Other. As of December 31, 2006, our other properties consisted of 47 commercial properties, 40 of which were located in The Netherlands. The remaining properties are located in Germany, Luxembourg and southern France. Our non-Swedish properties total approximately 194,000 square meters. The occupancy rates for our non-Swedish properties, based on square meters, as of December 31, 2005 and December 31, 2006 were 89% and 88%, respectively. Stena Realty B.V. also invests indirectly in real estate. It holds a 10.50% stake in the Acre Fund, which is majority owned by Schiphol Airport. The Acre Fund owns approximately 195,000 square meters of office and warehouse space at the Schiphol Airport. Stena Realty BV also owns a 9% stake in the Stockholm Stock market quoted company Ruric which develops and invests in real estate in St. Petersburg Russia.

During 2006 we committed to invest SEK 140 million in a fund managed by ING that will develop residential complexes in China.

Property management. In Sweden, we also manage property owned by the Olsson family. We receive a fee for these services equal to 4% of the rents collected with respect to such properties. For each of the years ended December 31, 2005 and December 31, 2006, such fees aggregated SEK 13 million.

Other businesses

General. Through our unrestricted subsidiary Adactum, we invest in new businesses outside our traditional lines of business. Adactum acts as a private investment company and makes long-term investments in listed companies as well as private companies. In April 2004, Adactum acquired Blomsterlandet and in June 2005, Adactum acquired Envac. Both Blomsterlandet and Envac are

fully consolidated. In December 2005, we entered into a contract to acquire five wind power systems (windmills). Operation of the windmills commenced in January 2007.

Investment activities

We maintain an investment portfolio of marketable securities and other short-term investments. As of September 30, 2006, the fair value of these investments amounted to SEK 5.4 billion, as compared to SEK 5.5 billion as of December 31, 2005. Our equity investments currently include both publicly traded and private companies. The debt securities currently held by us are primarily bank floating rate notes and bonds.

We have also invested in three VIEs, whose purpose is to invest primarily in high yield securities and corporate bank loans. Due to changes in Swedish GAAP in 2005, these VIEs are consolidated as subsidiaries. As of September 30, 2006, total assets of these VIEs amounted to SEK 7.7 billion, which partly was financed by bank debt in the VIEs of SEK 6.7 billion.

In addition to our hedging arrangements, we actively trade in currencies and to a lesser extent in interest rates. As of September 30, 2006, the notional amounts of such instruments were SEK 484 million as compared to SEK 657 million as of December 31, 2005.

Results from our portfolio of debt and equity securities, VIEs and our currency and interest rate trading activities for the years ended December 31, 2005, 2004 and 2003 were a gain of SEK 943 million, a gain of SEK 1,068 million and a gain of SEK 174 million, respectively. For the nine months ended September 30, 2006, we had a gain from our investment portfolio of SEK 417 million. We seek to maintain an investment portfolio that is well diversified with regards to asset classes and geographical markets to balance our exposure to various risks. Investments are subject to various risks, currency rates are highly volatile and, as a result, there can be no assurance that our investment activities will be profitable.

Our current policies regarding our investments include limits on leverage, limits on percentage of debt securities and certain types of equity securities in our portfolio and limits on the transaction amounts by any single trader. In the case of certain of our investments, various agreements governing our indebtedness provide that if the value of our investment decreases below an established minimum level, the lender has the right to liquidate the investment.

Classification of vessels

The hull and machinery of each of our vessels have been certified as being "in class" by its respective classification society: American Bureau of Shipping, Det Norske Veritas or Lloyds Register of Shipping. A classification society certifies that a vessel has been built and maintained in accordance with the rules of the society and is in compliance with applicable rules and regulations of the country of registry and the international conventions to which that country is a party.

The aggregate appraised value of our Roll-on/Roll-off vessels (including those used in our ferry operations), crude oil tankers and drilling rigs as of June 30, 2006 was SEK 19.4 billion, as compared with the net book value as of June 30, 2006 of SEK 11.4 billion. These appraisals were performed by independent ship appraisers who received customary fees for such services. Our

vessel values generally fluctuate over time, and there can be no assurance that we would be able to sell our vessels for their appraised values.

Risk of loss and insurance

General. Our business is subject to a number of risks, including mechanical failure of our vessels, collisions, property loss or damage, cargo loss or damage and business interruption due to political circumstances in foreign countries, international hostilities, terrorism or labor strikes. The operation of any ocean-going vessel or drilling rig is also subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and other liabilities arising from owning and chartering out vessels or drilling rigs in international trade. Environmental legislation enacted in the United States, which imposes virtually unlimited liability upon owners, operators and bareboat charterers trading in the U.S. market for certain oil pollution accidents in the United States, has made liability insurance for trading in the U.S. market more expensive and has caused insurers to consider reducing available liability coverage.

We maintain insurance coverage in amounts consistent with industry practice. Our insurance coverage is maintained with underwriters in the insurance markets mainly in Sweden, Norway, the United Kingdom and the United States.

Hull and machinery insurance. We maintain hull and machinery insurance, which covers the risk of damage to, or total or constructive loss of, a vessel as well as damage to third parties caused by direct contact with an insured vessel. This insurance also covers claims arising from collision with other vessels and salvage, towing, and other related costs. Constructive total loss occurs when the vessel is so damaged due to a casualty that the repair costs amount to at least 80% of the insured value of the vessel. We also maintain war risks insurance, which insures the risk of damage and total or constructive total loss of an insured vessel directly caused by certain warlike situations such as military use of weapons or terrorist activities. Coverage for areas designated from time to time as war zones may be excluded or additional premiums may be required with respect to voyages in such zones. We maintain coverage for the full value of each vessel, the value of which is updated at least annually.

We maintain civil and war risk hull and machinery insurance in respect of all Roll-on/Roll-off vessels, tankers and drilling rigs owned by us and vessels bareboat chartered in or leased by us pursuant to a long-term finance lease. The bareboat charterer of a vessel is responsible for obtaining adequate hull and machinery insurance. We obtain "innocent owner insurance" to insure against the risk that the bareboat charterer's hull and machinery insurance, war risk insurance and protection and indemnity insurance are not valid due to any act or omission of the charterer.

Loss of hire insurance. We maintain loss of hire insurance to insure against a loss of income due to damage to the hull or machinery of any Roll-on/Roll-off vessels and tankers owned by us. Our drilling rigs are covered by loss of hire insurance, and vessels used in our ferry operations have loss of hire insurance at the option of the applicable route director.

Protection and indemnity insurance. We maintain P&I insurance coverage for our shipping activities, which includes coverage against legal liability and other related expenses incurred due to the injury or death of crew, passengers and other third parties, loss or damage to cargo, damage to third party property, or pollution arising from oil or other substance. Our P&I insurance coverage is arranged through four P&I mutual insurance clubs in Sweden, Norway and

the United Kingdom. As a member of the club, we may be required to pay additional premiums in arrears. Our total premium is based on our own claims record, the total claims record of the members of the club and the aggregate claims record of all clubs that are members of the international association of P&I Clubs and the clubs' costs for reinsurance.

We maintain P&I insurance in respect of all Roll-on/Roll-off vessels, tankers and drilling rigs owned, chartered in or leased pursuant to a long-term finance lease, except for vessels bareboat chartered out. The charterer of a vessel we bareboat charter-out is responsible for obtaining adequate P&I insurance. We obtain "subsidiary P&I insurance" for vessels bareboat chartered by companies not affiliated with us in order to insure the owner of a vessel bareboat chartered out against claims.

Since February 20, 1996, the maximum exposure of all P&I clubs for liabilities to third parties has been capped at an amount based on a formula specified in the International Convention on Liability for Maritime Claims of 1976. Oil pollution coverage is also limited. Coverage for damages arising from oil pollution for vessels that are owned and bareboat chartered in is limited to \$1 billion per vessel per incident. Coverage for our drilling rigs for damages arising from pollution is limited to \$150 million per incident, except that coverage for the *Stena Clyde* is limited to \$100 million per incident. We believe we have adequate oil pollution coverage.

Our fleet of tankers is used to transport crude oil and petroleum products. The operation of these vessels, as well as our drilling rigs, could potentially result in an oil spill for which we could be liable. The Roll-on/Roll-off vessels owned and chartered out by us do not transport crude oil or petroleum products, but do carry significant quantities of diesel oil and other heavy oil used for fuel that, if spilled, would cause pollution and liability. In addition, vessels owned and chartered out by us could be involved in a collision with a tanker causing a spill of the tanker's cargo for which we could be liable. See "Regulation."

Claims experience. We have experienced some immaterial property losses over the past five years. These losses were all covered by insurance and none of these incidents resulted in a material loss or liability for us. In February 2004 one of our ferries was involved in a collision with another vessel. Insurance covered the damages to the vessel but not the loss of business, which was partly transferred to other routes.

Adequacy of insurance. We believe that our current insurance coverage provides adequate protection against the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage, consistent with industry practice. However, there can be no assurance that all risks are adequately insured against, that any particular claim will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Consistent with industry practice, our insurance policies are subject to commercially reasonable deductibles.

Regulation

General

The shipping industry in general, and our business and the operation of our vessels and drilling rigs in particular, are subject to and affected by a variety of governmental regulations including numerous international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such vessels and drilling rigs are

registered and operate. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such revised conventions, laws and regulations or the impact thereof on the resale price or useful life of our vessels and drilling rigs. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Subject to the discussion below and to the fact that these kinds of permits, licenses and certificates required for the operation of the vessels and drilling rigs owned or operated by us will depend upon a number of factors, we believe that we have been and will be able to obtain all permits, licenses and certificates material to the conduct of our operations. We believe that the increased environmental and quality concerns of insurance underwriters, regulatory bodies and charterers will result in greater inspection and safety requirements on all vessels.

Environmental

We are subject to the laws of various jurisdictions and international conventions regarding the discharge of materials into the environment. The most onerous of such regulations in the United States are the Oil Pollution Act of 1990, or OPA '90 and the Comprehensive Environmental Response Compensation and Liability Act, or CERCLA.

OPA '90. OPA '90 establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA '90 affects all owners and operators whose vessels trade in the United States or its territories or possessions or whose vessels operate in United States waters, which include the United States territorial area and the two hundred nautical mile exclusive economic zone of the United States.

Under OPA '90, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all oil spill containment and clean-up costs and other damages arising from oil spills pertaining to their vessels. OPA '90 limits the liability of responsible parties to the greater of \$1,200 per gross ton or \$10 million per tanker. These limits of liability do not apply if the incident was proximately caused by a violation of applicable United States Federal safety, construction or operating regulations or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the oil removal activities.

In order to ensure that the responsible parties will meet the minimum liability amount imposed by OPA '90, responsible parties must establish evidence of financial responsibility to pay. Certificates of financial responsibility have been obtained for all our owned or bareboat chartered vessels that trade in U.S. waters. We believe that if the need arises, certificates of financial responsibility for our other vessels could be obtained promptly. Guarantees from Shoreline Mutual (Bermuda) Limited and Arvak Ltd. are the primary vehicles through which we have satisfied the requirements under OPA '90.

Owners, bareboat charterers or operators of tankers operating in United States waters are required to file vessel response plans with the Coast Guard, and their tankers are required to be operated in compliance with their Coast Guard approved plans. Such response plans must, among other things, (i) address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge," (ii) describe crew training and drills and (iii) identify a qualified individual

with full authority to implement removal actions. We have filed vessel response plans with the Coast Guard for the tankers owned or bareboat chartered by us that trade in United States waters and have received approval for all of such tankers to operate in United States waters.

Under OPA '90, with certain limited exceptions, all newly built or converted tankers operating in United States waters must be built with double-hulls, and existing vessels which do not comply with the double-hull requirement must be phased out over a 25-year period (1990-2015) based on size, age and place of discharge, unless retrofitted with double-hulls. Notwithstanding the phase-out period, OPA '90 currently permits existing single-hull tankers to operate until the year 2015 if their operations within United States waters are limited to discharging at the Louisiana Off-Shore Oil Platform, or off-loading by means of lightering activities within authorized lightering zones more than 60 miles offshore. All our new buildings are compliant with OPA '90.

OPA '90 expressly provides that individual states are entitled to enforce their own pollution liability laws, even if inconsistent with or imposing greater liability than OPA '90. There is no uniform liability scheme among the states. Some states have OPA '90-like schemes for limiting liability to various amounts and some rely on common law fault-based remedies, while others impose strict and unlimited liability on an owner or operator. Some states have also established their own requirements for financial responsibility.

CERCLA. CERCLA applies to discharges of hazardous substances (other than oil), whether on land or at sea. CERCLA applies to owners and operators of vessels and provides for cleanup, removal and natural resource damages. CERCLA's liability regime is similar to that of OPA '90. We believe that we are in substantial compliance with OPA, CERCLA and all other applicable state and federal regulations applying to the waters of the United States and the ports where our vessels call.

IMO. The International Maritime Organization (IMO), an agency of the United Nations, is responsible for measures to improve international shipping and to prevent pollution from ships. The IMO has developed international treaties and conventions to regulate the international shipping industry which now apply to over 98% of the world's shipping. The most important of these are mentioned below.

CLC. Many countries other than the United States have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969 and Protocol of 1992 (CLC). Under the CLC, a tanker's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by a discharge of persistent oil, such as crude oil, fuel oil, heavy diesel oil and lubricating oil, subject to certain complete defenses, including pollution damage resulting from an act of war, caused by a third party, or caused by the negligence or wrongful act of a government responsible for the maintenance of lights or other navigational aids. Liability is currently limited to between approximately \$915 and \$930 per gross ton plus \$6.5 million for the first 5,000 gross tons, an amount that is subject to periodic adjustment. The right to limited liability is forfeited only where pollution damage is caused by the owner's personal act or omission committed with intent to cause such damage or recklessly and with knowledge that the damage would result. Tankers trading in the territorial waters of contracting states must provide evidence of insurance covering the maximum amount for which the owner is strictly liable. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern and liability is imposed on the basis of fault or in a manner similar to the CLC.

MARPOL 73/78. Annex 1 of the International Convention for the Prevention of Pollution from Ships 1973 and Protocol 1978 deals with the prevention of pollution from oil. The Convention provides stringent construction and operating standards to prevent the release of oil into the environment. Under the requirements of the Convention, all new oil tankers built since 1996 are required to have double hulls. MARPOL 73/78 was modified following the Erika and Prestige incidents on the West Coast of Europe in 1999 and 2002, respectively. In 2002, new amendments came in to force to Annex 1 of the Convention which set a global timetable for the accelerated phase out of single hull tankers. These new regulations identify two categories of single hull tankers which are principally distinguished on the basis of whether they have protectively located segregated ballast tanks or not. Vessels fall into these categories if they are over 20,000 tons deadweight carrying heavy oil and over 30,000 tons deadweight carrying other oils. Category 3 tankers are tankers above 5,000 tons but below the tonnage of category 1 and category 2 tankers. These older single hull tankers must undergo a Condition Assessment Scheme (CAS) survey which apply to category 1 vessels continuing to trade up to 2005 and to category 2 vessels trading after 2010. However, these amendments have been overtaken by the 2003 MARPOL amendments which came into force on 5 April 2005. These amendments accelerate the final phasing out of category 1 tankers to 2005 and category 2 and 3 tankers to 2010, although depending on the age of the ship, these dates can be earlier.

All our owned and finance leased tankers are double hulled vessels and all our tankers are fully compliant with MARPOL Annex 1 Rules. This Convention has further annexes including Annex 2 Control of Pollution by Noxious Liquid Substances, Annex 4 Prevention of Pollution by Sewage and Annex 6, Prevention of Air Pollution from Ships. All our vessels are fully compliant with all requirements of the MARPOL Convention and amendments.

Annex VI entered into force on 19 May 2005. This new annex sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. The sulphur content of fuel oil is limited to 4.5% m/m globally. The annex also contains provisions allowing for special SOx Emission Control Areas (SECAS) to be established with more stringent controls on sulphur emissions. In these areas, the sulphur content of fuel oil used onboard ships must not exceed 1.5% m/m. Annex VI also sets limits on emissions of nitrogen oxides (NOx) from diesel engines and prohibits deliberate emissions of ozone depleting substances, which include halons and chlorofluorocarbons (CFCs). The Annex also prohibits the incineration onboard ship of certain products, such as contaminated packaging materials and polychlorinated biphenyls (PCBs). Our fleet is in compliance with these new requirements.

EU Directive 2005/33/EC amends the Directive 1999/32/EC as regards the sulphur content of marine fuels and entered into force July 6, 2005. The 2005/33/EC Directive to a great extent mirrors the Marpol Annex VI regulation on sulphur oxide emissions and sulphur emission control areas and was originally drafted as a means to speed up the ratification of Marpol Annex VI in compliance with the amended EU Directive.

ICLL. The International Convention on Load Lines of 1966 (ICLL), which entered into force on July 21, 1968, establishes principles and rules concerning the limits to which ships may be loaded for international voyages. The provisions take into account the potential for hazards in different maritime regions and seasonal operating conditions, and designate how, where and when assigned load lines are to be marked on each ship. Generally, the ICLL applies to all ships that are greater than 24 meters (79 feet) in length (for ships built since 1966) or greater than 150 tons gross, unless otherwise exempted by the terms of the Convention. Currently each of our ferries,

freight vessels, and petroleum tankers, to which the ICLL is applicable, are operating under an International Load Line Certificate demonstrating that the vessel has been surveyed and marked in accordance with the ILCC within the past five years.

SOLAS. The International Convention for the Safety of Life at Sea (SOLAS) 1974 establishes basic safety standards for the construction and operation of merchant ships engaged on international voyages (including our Roll-on/Roll-off vessels and tankers). SOLAS has been ratified by more than 90 countries. SOLAS '74 provides safety standards for construction, machinery and electrical installations, life-saving appliances, radiotelegraphy and radiotelephony, navigation and the carriage of dangerous goods. SOLAS '74 puts the primary responsibility for compliance on the flag state, but there are provisions which recognize certain rights and obligations of countries where the ships call.

The SOLAS convention of 1990 (SOLAS '90) was adopted in 1990 to set new stability criteria for passenger carrying vessels. RoPax and car/passenger ferry vessels constructed after April 29, 1990 must be built to meet these and other requirements. RoPax and car/passenger ferry vessels that were constructed prior to April 29, 1990 were permitted to be retrofitted to comply with these SOLAS '90 regulations in stages. In accordance with the IMO SOLAS conference held in November 1995, all such vessels must be in full compliance with SOLAS '90.

At the 1995 SOLAS Conference, several amendments to SOLAS and IMO resolutions were adopted concerning RoRo passenger vessel stability, arrangements of bow doors, operations, communications, lifesaving and search and rescue. In particular, Resolution No. 14, also known as the Stockholm Agreement, allows for regional agreements to establish specific stability requirements for RoPax and car/passenger ferry vessels. These regulations also require vessels to fulfill the SOLAS '90 damage stability standard, which had applied to all RoRo passenger ships built since 1990 and was extended to existing ships in accordance with an agreed phase-in program. All our RoPax and car/passenger ferry vessels are currently in full compliance with SOLAS '90 as well as the Stockholm Agreement.

Amendments to SOLAS '74 establish greater fire safety standards for existing RoPax and multi-purpose ferry vessels and newbuildings. Our owned vessels are in full compliance with these fire and safety regulations.

Further amendments adopted to SOLAS '74 in 2000 and 2002 stipulate, among other things, the fitting of an Automatic Identification System (AIS) and a Voyage Data Recorder (VDR) for ships engaged on international voyages. Additional security provisions adopted under SOLAS in December 2002 include mandatory compliance with the new International Ship and Port Facility Security Code (ISPS Code). Our operations are fully compliant with these requirements.

In May 1994, the International Code of Safety for High Speed Craft was added to SOLAS' 74, and entered into force under tacit acceptance as Chapter X of the Convention on January 1, 1996. These regulations mandate a variety of safety measures including requirements pertaining to structural stability and fire prevention. The rapid pace of development in this sector of shipping led to additional revisions of the Code of Safety for High Speed Craft in 2000, which entered into force on July 1, 2002. High Speed Craft to which these regulations apply are required to obtain a safety certificate and a permit to operate. Our HSS ferries have been designed to be in compliance with these regulations and we have obtained applicable permits and certifications during operation of these vessels.

Our drilling units are designed and constructed to meet all applicable rules and regulations for operation world-wide. Three of them are designed to operate in the harsh environment of the North Sea British sector, including the *Stena Don* and *Songa Dee*, which are also designed to operate in the North Sea Norwegian sector environment.

Norway has the most demanding rules and regulations in the world. In order to work on the Norwegian Continental Shelf, the *Stena Don* has been fully certified to meet the regulations of the Norwegian Petroleum Directorate (NPD). The *Stena Don* also meets all the regulations of the Norwegian Maritime Directorate (NMD) for “marine” equipment, systems and arrangement and is also in compliance with all relevant regulations for operation on the British Continental Shelf. The *Stena Don* is classed with Det Norske Veritas and has all applicable class notations, including class notations for dynamic positioning and drilling systems.

Finally, all our ships and our management companies comply with Chapter IX of the SOLAS Convention entitled Management for the Safe Operation of Ships. This made the International Safety Management Code (ISM Code) mandatory and establishes safety management objectives which are to:

- provide for safe practices in ship operation in a safe working environment;
- establish safeguards against all identified risks; and
- continuously improve safety management skills of personnel, including preparing for emergencies.

The code requires a Safety Management System (SMS) to be established by the shipowner or manager who has responsibility for operating the ship and which establishes a policy for achieving the objectives. This includes providing the necessary resources and shore based support and a designated person ashore having direct access to the highest level of management. The code is documented and compiled in a safety management manual which is kept onboard the ship. Our vessels and management companies all are compliant with this Code and are audited regularly to ensure that this remains the case.

Athens Convention. The International Convention relating to the Carriage of Passengers and their Luggage by Sea (PAL) 1974 has governed the liability of carriers for damage suffered by passengers carried on a seagoing vessel. The regime makes the carrier strictly liable for damage or loss suffered by a passenger if the incident causing the damage occurred during the carriage and was due to the fault or neglect of the carrier. However, the carrier may limit his liability unless the carrier acted with intent to cause such damage or recklessly and with knowledge that such damage would probably result.

The original convention and the limits have been substantially altered and increased by the 2002 Protocol to the Convention. The carrier is now strictly liable for the death or personal injury to a passenger with limited defenses if the carrier can prove that the incident resulted from an act of war, hostilities, civil war, insurrection or a natural phenomena of an exceptional inevitable and irresistible character or thoroughly caused by an act of omission done with intent to cause the incident by a third party. However, if the incident occurred as a result of the fault or neglect of the carrier then the limit is increased from approximately US \$360,000 per passenger on each distinct occasion to approximately US \$580,000 per passenger, provided that if the carrier is responsible for an act or omission with intent to cause damage or recklessly and with knowledge that damage would result, then the right to the limit is lost. A scheme of compulsory insurance has been introduced by the Convention to ensure that the carrier can meet these potential liabilities.

HNS Convention. The International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances (HNS) 1996 is likely to come into force in the medium term. The liability aspects of the Convention are based on the CLC by establishing a regime of strict liability and the registered shipowner's right to limit liability. However, the HNS goes further than the CLC in that it covers not only pollution damage but also the risks of fire and explosion including loss of life or personal injury as well as loss or damage to property. HNS substances include oil, liquefied gases and other dangerous, hazardous or harmful materials. The present limits of liability are between US \$500 and US \$2,000 per gross ton though it is likely that these limits will increase once the Convention is ratified and comes into force.

Employees

The chart below sets forth the average number of employees in each of our principal business areas for the three years ended December 31, 2005.

	2003	2004	2005
Ferry operations	5,623	5,324	5,540
Drilling	533	590	649
Shipping	419	577	569
Property operations	118	267	264
Other	57	387	656
Total.	6,750	7,145	7,678

For 2004, "Other" in the table above includes 327 persons employed in Blomsterlandet. For 2005, "Other" in the table above includes 403 persons employed in Blomsterlandet and 183 persons employed in Envac. In addition to the employees referred to above, Northern Marine employed 4,172 persons in 2005 in external ship management services, as compared to 3,053 persons in 2004 and 1,942 persons in 2003.

We have good relations with our work force and the labor unions representing our employees.

Legal proceedings

We are a party to various routine legal proceedings arising in the ordinary course of business. Such claims are generally covered by insurance, subject to customary deductibles. We do not believe that any liabilities that may result from such legal proceedings will, in the aggregate, have a material adverse effect on our financial condition or results of operations.

Subsidiaries

The following is a list of our significant subsidiaries, all of which are wholly owned as of December 31, 2006:

Name of Company	Domicile	Percentage Owned
Stena Bulk AB	Sweden	100
AB Stena Finans	Sweden	100
Stena Fastigheter AB	Sweden	100
Bostads AB Drott	Sweden	100
Stena Line Scandinavia AB	Sweden	100
Stena Adactum AB	Sweden	100
Stena Don AB	Sweden	100
Stena International SARL	Luxembourg	100
Stena Line Holland BV	The Netherlands	100
Stena Line Ltd	United Kingdom	100
Stena Drilling (Holdings) Ltd	United Kingdom	100
Stena Switzerland AG	Switzerland	100
Stena Maritime AG	Switzerland	100
Stena Finanzverwaltungs AG	Switzerland	100
Stena Tay (Hungary) Kft	Hungary	100

Management

Directors and executive officers

Under the Swedish Companies Act of 2005, our board of directors has ultimate responsibility for our organization and the management of our affairs. Our articles of association provide for a board of directors elected by our stockholders of not fewer than three nor more than nine directors and not more than three deputy directors. Swedish law provides for the appointment of additional directors by the unions representing our employees. All directors, other than union appointees, are elected by resolution of a general meeting of stockholders. The term of office of a director is one year, but a director may serve any number of consecutive terms. Directors may be removed from office by a general meeting of stockholders at any time, and vacancies on the board, except when filled by a deputy director, may only be filled by stockholder resolution. Each year, one director is elected chairman of the board by resolution of a meeting of the board of directors. Deputy directors may attend the board meetings, but may only vote in place of a director who is absent.

The following table sets forth the name, year of birth and position of each of our directors and executive officers as of December 31, 2006.

Name	Year born	Title
Lennart Jeansson	1941	Chairman of the Board of Directors
Dan Sten Olsson	1947	Chief Executive Officer and Director ¹
Svante Carlsson	1948	Chief Financial Officer, Executive Vice President and Director
Jan Carlstein	1938	Director
Bengt Olof Eriksson . . .	1937	Director
Stefan Lindskog	1951	Director
Jörgen Lorén	1961	Director (Employee Representative)
Jens Ole Hansen	1951	Director (Employee Representative)
Anna-Lena Myhr	1944	Deputy Director (Employee Representative)

(1) For details of Mr. Dan Sten Olsson's share ownership, see Principal Shareholders.

Certain biographical information about each of our directors and executive officers and certain other key employees of Stena AB is set forth below.

Lennart Jeansson was appointed chairman of the board of Stena AB in 2000. Mr. Jeansson also serves as a director on the board of Stena Metall. Mr. Jeansson is chairman of the boards of BIL Sweden and the Volvo Pensionsstiftelse and deputy chairman of Sixth Swedish National Pension Fund. He also serves as director of Volvo Lastvagnar AB, Volvo Construction Equipment, Svenskt Näringsliv and Orkla ASA.

Dan Sten Olsson has served as chief executive officer and a director of Stena AB since 1983. Mr. Olsson also serves as member or chairman of the board of a majority of the significant companies in the Stena Sphere. Mr. Olsson is also Chairman of the Board of the Swedish Ship Owner's Association. Mr. Olsson has been employed by Stena AB since 1972.

Svante Carlsson has served as chief financial officer since 1984, Executive Vice President of Stena AB since 1989 and a director of Stena AB since 1984. Mr. Carlsson also serves as a member of the board of directors of many other companies in the Stena Sphere. He has been employed by Stena AB since 1975.

Jan Carlstein has served as a director of Stena AB since late 1999 and managing director of Stena Metall from 1975 to August 31, 1999. Mr. Carlstein also serves as a member of the board of directors of Stena Metall.

Bengt Olof Eriksson has served as a director of Stena AB since May 1997 and served as Managing Director of Stena Fastigheter, a subsidiary of Stena AB, from 1981 to 1997. Mr. Eriksson also served as a member of the board of directors of Stena Fastigheter from June 1997 to June 2006.

Stefan Lindskog has served as a director of Stena AB since 1988. Mr. Lindskog is a partner of Wistrand Advokatbyrå Stockholm KB and is also a member of the board of directors of Stena Metall.

Jörgen Lorén has served as a director of Stena AB, representing Stena AB employees affiliated with the Swedish Ship Officers' Association, since 2006. Mr. Lorén is a Master Mariner and has been employed in our ferry operations since 1985.

Jens Ole Hansen has served as a director of Stena AB, representing Stena AB employees affiliated with the Swedish Seamen's Union, since 1992. Mr. Hansen is a boatswain and has been employed in our ferry operations since 1974.

Anna-Lena Myhr has served as a deputy director of Stena AB, representing Stena AB employees affiliated with the Swedish Union of Commercial Employees, since 1999. Ms. Myhr is a salary clerk and has been employed in our ferry operations since 1973.

Other key employees

Christel Armstrong Darvik (born 1953) has served as managing director of Stena Fastigheter since October 1, 2006. She is a member of the board of directors of Specialfastigheter Sverige AB. Mrs. Armstrong Darvik has been employed in the Stena Sphere since 2006.

Gunnar Blomdahl (born 1955) has served as managing director of Stena Line Holding B.V. since January 2003. He has held a number of senior management positions at Stena Line since 1997, including as Area Director in charge of Stena Line's Irish Sea operations from 2001 to 2003 and, prior to that, as head of the Sweden-Germany route and sales and marketing director for Stena Line's Scandinavian operations.

Claes Davidsson (born 1950) has served as director of Ship Management and HR since 2003. Mr. Davidsson also serves as chairman of Northern Marine Management Ltd in Glasgow, Scotland and of Austen Maritime PTE Ltd., Singapore. Mr. Davidsson has been employed in the Stena Sphere since 1983.

John Helgesson (born 1945) has served as managing director of Stena Fastigheter since June 1, 1997 and as a director of Stena Fastigheter since 1997. Mr. Helgesson also serves as a director of the Swedish Property Owner's Association and the Scandinavian International Property Association. Mr. Helgesson resigned as managing director of Stena Fastigheter in October 2006 and now serves as chairman of Stena Realty and vice chairman of Stena Fastigheter AB.

Staffan Hultgren (born 1961) has served as chief controller of Stena AB since July 2004. Mr. Hultgren also serves on the board of directors of many of our companies. Mr. Hultgren has been employed in the Stena Sphere since 2004.

Kenneth MacLeod (born 1943) has served as managing director of Northern Marine since 1991. Mr. MacLeod also serves as a member of the board of directors of Swecal Ltd, one of our subsidiaries, and several other companies. Mr. MacLeod has been employed in the Stena Sphere since 1983.

Harry Robertsson (born 1956) has served as technical director of Stena Rederi since 1999. Mr. Robertsson is a Naval Architect M.Sc. and has worked in the technical department of Stena Rederi since 1996. From 1984 to 1996 he has held positions in a shipyard and in marine consultancy firms.

Ulf Ryder (born 1952) has served as managing director of Stena Bulk since 1983 and as a director of Stena Bulk since 1982. Mr. Ryder also serves as a member of the board of directors of Northern Marine. Mr. Ryder has been employed in the Stena Sphere since 1982. In May 2006 Mr. Ryder was appointed deputy managing director of Stena Rederi.

Christer Schoug (born 1956) has served as shipping coordinator in Stena Rederi since 2005 and since May 2006 as director and managing director of Stena RoRo AB and deputy managing director of Stena Rederi. Mr. Schoug also serves as vice chairman of Northern Marine Management in Glasgow, Scotland. Mr. Schoug has been employed in the Stena Sphere since 1995.

Martin Svalstedt (born 1963) has served as managing director of Adactum since 2002. Mr. Svalstedt also serves as chairman of Gislaved Folie AB, S-Invest Trading AB and Willh. Sonesson AB, and as board member in Gunnebo AB, Ballingslöv International AB, Envac Centralsug AB and Adactum.

Tom Welo (born 1947) has served as managing director of Stena Drilling Ltd. since October 1995. Mr. Welo has a Master of Science in Naval Architecture and Marine Engineering.

Compensation of directors

For the year ended December 31, 2005, the aggregate compensation paid by Stena AB to its directors (a total of nine persons) amounted to approximately SEK 12 million.

Options

No options exist to purchase securities from us.

Principal shareholders

All of the issued and outstanding voting shares of Stena AB were owned as follows as of December 31, 2006:

Name of beneficial owner	Number of shares	Percentage ownership
Dan Sten Olsson	25,500	51.0%
Madeleine Olsson Eriksson	12,250	24.5%
Stefan Sten Olsson Holding Ltd	12,250	24.5%

The holders listed above have sole voting and investment power over the shares beneficially owned by them. Dan Sten Olsson and Madeleine Olsson Eriksson are brother and sister.

Dan Sten Olsson is the only officer or director of Stena AB who owns any voting shares of Stena AB. All shares of Stena AB have the same voting rights.

Our articles of association contain a restriction on the transfer of our shares. Pursuant to the articles, a person who was not previously a shareholder and to whom shares have been transferred (except in the case of a transfer of shares through inheritance, will or gift to lineal descendants of Sten A. Olsson and his wife Birgit Olsson) is obligated to offer such shares to the other shareholders. If any person other than the current shareholders of Stena AB as of December 30, 1993 or lineal descendants of Sten A. Olsson and Birgit Olsson acquires 48% or more of the voting power of Stena AB, then the remaining shareholders have the right to put all or a part of their shares to such shareholder at a price equal to the highest price per share paid by such shareholder. Under the articles, a vote of at least 75% of shares represented at the annual general meeting of our shareholders is required to amend this put provision. In addition, under the Swedish Companies Act, shareholder resolutions in the ordinary course of business require the vote of a majority of shares voting thereon, and extraordinary items (including amendments to the articles other than the amendment to the put option described above) require support by shareholders holding at least two-thirds of the votes cast as well as two-thirds of all shares present or represented at the shareholders meeting. Holders of at least 10% of the outstanding shares have the right to require us to pay dividends within certain statutory parameters.

Certain relationships and related party transactions

Related party transactions

We have entered into certain transactions with other companies in the Stena Sphere, which includes the companies wholly owned by the Sten Allan Olsson family in Sweden, Sessan and Stena Metall and their subsidiaries. Another significant company within the Stena Sphere is Concordia, which is 52% owned by Sessan. Shares in Concordia are listed on the Stockholm Stock Exchange. The significant transactions between the Company and its affiliates are described below.

Concordia

Concordia and the Company, through Stena Bulk AB ("Stena Bulk"), a wholly owned subsidiary of the Company, are parties to an allocation agreement (the "Allocation Agreement") pursuant to which Concordia may elect to participate 100%, 50% or 0% in business opportunities identified by Stena Bulk relating to the chartering of crude oil tankers. No 50% agreements were made in 2004, 2005 or 2006.

We provide certain services to Concordia, such as administration, marketing, insurance and technical support for Concordia's owned and chartered vessels, including administration of jointly chartered vessels, office services for Concordia's personnel and certain financial and other services. We earned fees equal to SEK 19 million, SEK 17 million and SEK 13 million in 2003, 2004 and 2005, respectively, for these services.

Concordia, through its subsidiary Universe Tankships Ltd, has provided ship management services to us. We paid fees equal to SEK 2 million and SEK 3 million in 2003 and 2004, respectively, for these services. In August 2004, we acquired Universe Tankships Ltd from Concordia at market price.

Sessan

Since June 1999 we have served as the business manager for Sessan for its 50% participation in a Norwegian partnership that owns the shuttle tanker *Stena Sirita*, which is chartered pursuant to a 10-year contract to ESSO Norway. In 2003, we also became the business manager for Sessan for its 50% participation in the shuttle tanker *Stena Spirit* that is chartered pursuant to a 15-year contract to Petrobras in Brazil. We earned total fees of SEK 1 million in each of the years 2003, 2004 and 2005 for these services.

In 2001 and 2002, Sessan acquired all the shares in the shipping company HH Ferries in the south of Sweden. The acquisition was partly financed by an interest-bearing credit facility from us. As of December 31, 2005, DKK 211 million was outstanding under this facility, the same as of December 31, 2004. As of September 30, 2006, the loan was repaid.

In December 2002 we sold to Sessan the remaining 50% of the RoPax vessel *Stena Jutlandica*. Sessan acquired the first 50% of this vessel from us in 1996. The vessel is chartered back as an operating lease, for which we paid charterhire of SEK 61 million for each of the years 2003, 2004 and 2005, respectively.

Sessan has invested in shares in the Swedish company Meda AB ("Meda"). In 2005, a new share issue in Meda was guaranteed by us. In connection with the new issue, we purchased shares in Meda. Sessan had an option to buy these shares at a price of 10% above the price paid by us, which they exercised.

Stena Metall

We purchase a substantial part of our bunker fuel from Stena Metall. Such purchases aggregated SEK 749 million, SEK 726 million and SEK 1,127 million in 2003, 2004 and 2005, respectively.

In connection with the delivery in March 2004 of the RoRo vessel *Stena Freighter*, the vessel was sold to Stena Metall and chartered back on a long-term operating lease. We paid charterhire to Stena Metall for this vessel of SEK 18 million and SEK 22 million in 2004 and 2005, respectively. In May 2004, we also chartered the RoRo vessel *Stena Nordica* from Stena Metall and paid charterhire of SEK 28 million and SEK 41 million in 2004 and 2005, respectively.

We provide management and other services to Stena Metall. We received SEK 1 million in each of the years 2003, 2004 and 2005 for these services.

Olsson family

We rent office space from members of the Olsson family. In 2003, 2004 and 2005, we paid SEK 28 million, SEK 28 million and SEK 29 million, respectively, in respect of such properties.

We manage certain properties owned by members of the Olsson family. In 2003, 2004 and 2005, members of the Olsson family paid us SEK 10 million, SEK 11 million and SEK 13 million, respectively, for such management services.

We have agreed to pay Sten A. Olsson and Dan Sten Olsson an annual indexed retirement benefit for life.

In 2004, we acquired properties in Sweden that were subsequently sold to the Olsson family at a value of SEK 587 million. This transaction did not result in any net gain or loss in our consolidated accounts.

Description of notes

The Company will issue the Notes under the Indenture (the "Indenture") between itself and Deutsche Trustee Company Limited as trustee (the "Trustee") dated February 14, 2007. The Indenture is unlimited in aggregate principal amount, although the issuance of notes in this offering will be limited to €102 million. We may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes other than issue date, issue price and the first interest payment date (the "Additional Notes"). We will only be permitted to issue such Additional Notes if at the time of such issuance, we are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes that we are currently offering and will vote on all matters with the holders of the Notes.

This description of notes is intended to be an overview of the material provisions of the Notes and the Indenture and the rights of holders of the Notes. Since this description of notes is only a summary, you should refer to the Indenture for a complete description of the obligations of the Company and your rights.

You will find the definitions of capitalized terms used in this description under the heading "Certain definitions." For purposes of this description, references to "the Company," "we," "our" and "us" refer only to Stena AB (publ) and not to its subsidiaries. Certain defined terms used in this description but not defined herein have the meanings assigned to them in the Indenture.

General

The Notes

The Notes:

- are general unsecured, senior obligations of the Company;
- are limited to an aggregate principal amount of €102 million, subject to our ability to issue Additional Notes;
- mature on February 1, 2019 at the principal amount, plus accrued and unpaid interest to the maturity date;
- will be issued in minimum denominations of €50,000 and integral multiples of €1,000 in excess thereof;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form; and
- rank equally in right of payment to any future senior Indebtedness of the Company.

Interest

Interest on the Notes will compound semi-annually and:

- accrue at the rate of 5.875% per annum;
- accrue from the date of original issuance or, if interest has already been paid, from the most recent interest payment date;
- be payable in cash semi-annually in arrears on August 1 and February 1, commencing on August 1, 2007;
- be payable to the holders of record on the July 15 and January 15 immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payments on the notes; paying agent and registrar

We will pay principal of, premium, if any, and interest on the Notes at the office or agency designated by the Company in London, England, except that we may, at our option, pay interest on the Notes by check mailed to holders of the Notes at their registered address as it appears in the Registrar's books. In addition, we shall maintain an office or agency in the Grand Duchy of Luxembourg, where global Notes may be presented for registration of transfer or for exchange. We have initially designated the corporate trust office of the Trustee in London, England to act as our Paying Agent and Registrar. In addition, the Company appointed Deutsche Bank Luxembourg S.A. as Registrar, Principal Paying Agent, and Transfer Agent in Luxembourg. We may, however, change the Paying Agent or Registrar without prior notice to the holders of the Notes, and the Company or any of its Restricted Subsidiaries may act as Paying Agent or Registrar, provided that, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the Company will appoint a person in The Grand Duchy of Luxembourg who is reasonably acceptable to the Trustee as an additional Principal Paying Agent for the Notes.

We will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of or held by the Common Depositary or its nominee in immediately available funds to the Common Depositary or its nominee, as the case may be, as the registered holder of such global Note.

Prescription

Claims against the Company for payment of principal shall become void unless presentment for payment is made within a period of ten years from the applicable original date of payment therefor. Claims against the Company for payment of interest shall become void unless presentment for payment is made within a period of five years from the applicable original date of payment therefor.

Transfer and exchange

A holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Company, the Trustee or the Registrar for any registration of transfer or exchange of Notes, but the Company may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered holder of a Note will be treated as the owner of it for all purposes.

Make-whole redemption

The Notes may be redeemed, in whole or in part, at any time at the option of the Company upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and unpaid interest, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

For purposes of this make-whole redemption, “Applicable Premium” means, with respect to any Note on the applicable redemption date, the greater of:

- (1) 1.0% of the then outstanding principal amount of such Note and
- (2) the excess (to the extent positive) of:
 - (a) the present value at such redemption date of (i) the principal amount of such Note plus (ii) all required interest payments due on such Note to and including February 1, 2019 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points, over
 - (b) the then-outstanding principal amount of such Note.

For purposes of this make-whole redemption, “Bund Rate” means the yield-to-maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith) most nearly equal to the period from the redemption date to February 1, 2019; *provided, however*, that if the period from the redemption date to February 1, 2019 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to February 1, 2019 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Optional tax redemption

The Notes may be redeemed at the option of the Company, in whole but not in part, upon not less than 30 nor more than 60 days’ notice given as provided in the Indenture, at any time at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws or any regulations or ruling promulgated thereunder of the jurisdiction (or of any political subdivision or taxing authority thereof or therein) in which the Company is resident for tax purposes or any change in the official application or interpretation of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which such jurisdiction (or such political subdivision or tax authority) is a party (a “Change in Tax Law”), which becomes effective on or after the date of the Indenture, the Company is or would be required on the next succeeding Interest Payment Date to pay additional amounts with respect to the Notes as described under “Payment of additional amounts,” and the payment of such additional amounts cannot be avoided by the use of any reasonable measures available to the Company.

For tax purposes, the Company believes that it is not currently resident in any jurisdiction other than the Kingdom of Sweden.

The Notes may also be redeemed at the option of the Company, in whole but not in part, upon not less than 30 nor more than 60 days’ notice given as provided in the Indenture at any time at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed

for redemption if the Person formed by a consolidation or amalgamation of the Company or into which the Company is merged or to which the Company conveys, transfers or leases its properties and assets substantially as an entirety, or that succeeds to all of the Company's rights and obligations under the Notes and the Indenture pursuant to any scheme of arrangement or other transaction, is required, as a consequence of such consolidation, amalgamation, merger, conveyance, transfer, lease scheme of arrangement or other transaction or as a consequence of a Change in Tax Law occurring after the date of such consolidation, amalgamation, merger, conveyance, transfer, lease, scheme of arrangement or other transaction, is or would be required on the next succeeding Interest Payment Date to pay additional amounts (as described under "Payment of additional amounts" below) in respect of any tax, assessment or governmental charge imposed on any Holder.

The Company will also pay, or make available for payment, to Holders on the redemption date any additional amounts (as described under "Payment of additional amounts" below) resulting from the payment of such redemption price.

The Revolving Credit Facilities restrict the ability of the Company to optionally redeem the Notes (whether in the event of a Change in Tax Law or otherwise). See "Description of other indebtedness."

Payment of additional amounts

All payments made by the Company on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is then required by law. If any deduction or withholding for any present or future taxes, duties, assessments or other governmental charges of (1) the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Company is organized or otherwise considered, resident for tax purposes or (2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"), shall at any time be required by such jurisdiction (or any such political subdivision or taxing authority) in respect of any amounts to be paid by the Company under the Notes, the Company will pay to each Holder of a Note as additional interest, such additional amounts as may be necessary in order that the net amounts paid to such Holder of such Note, after such deduction or withholding, shall be equal to the amount such Holder would have received in respect of such payment in the absence of such withholding or deduction; *provided, however*, the Company shall not be required to make any payment of additional amounts for or on account of:

- (i) Any tax, assessment or other governmental charge which would not have been imposed but for (a) the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in the Relevant Taxing Jurisdiction) other than by the mere ownership or holding of such Note or enforcement of rights thereunder or the receipt of payments in respect thereof or (b) the presentation of a Note (where presentation is required) for payment on a date more than 30 days after (x) the date on which such payment became due and payable or (y) the date on which payment thereof is duly provided for,

whichever occurs later (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented during such 30 day period);

- (ii) Any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (iii) Any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of (or in respect of) principal of, premium, if any, or any interest on, Notes;
- (iv) Any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply by the Holder or the beneficial owner of the Note with a request of the Company addressed to the Holder (a) to provide information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or (b) to make and deliver any declaration or other similar claim (other than a claim for refund of a tax, assessment or other governmental charge withheld by the Company) or satisfy any information or reporting requirements, which, in the case of (a) or (b), is required or imposed by a statute, treaty, regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge;
- (v) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced to conform to, these Directives;
- (vi) any tax, assessment or other governmental charge that could have been avoided by the presentation (where presentation is required) by or on behalf of a holder of the relevant Note to another Paying Agent in a member state of the European Union; or
- (vii) Any combination of items (i), (ii), (iii), (iv), (v) and (vi) above;

nor shall additional amounts be paid with respect to any payment of the principal of, or any premium or interest on, any Note to any Holder who is a fiduciary or partnership or limited liability company or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership, limited liability company or beneficial owner who would not have been entitled to such additional amounts had it been the Holder of such Note.

At least 10 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay additional amounts arises shortly before or after the 10th day prior to such date, in which case it shall be promptly thereafter), if the Company will be obligated to pay additional amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such additional amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such additional amounts to holders on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters.

The Indenture will further provide that, if the Company conducts business in any jurisdiction (an "Additional Taxing Jurisdiction") other than a Relevant Taxing Jurisdiction and, as a result, is

required by the law of such Additional Taxing Jurisdiction to deduct or withhold any amount on account of taxes imposed by such Additional Taxing Jurisdiction from payments under the Notes, as the case may be, which would not have been required to be so deducted or withheld but for such conduct of business in such Additional Taxing Jurisdiction, the additional amounts provision described above shall be considered to apply to such holders as if references in such provision to taxes included taxes imposed by way of deduction or withholding by any such Additional Taxing Jurisdiction (or any political subdivision thereof or taxing authority therein).

Wherever in the Indenture, the Notes or this description of the Notes there are mentioned, in any context:

- (1) the payment of principal,
- (2) purchase prices in connection with a purchase of Notes,
- (3) interest, or
- (4) any other amount payable on or with respect to the Notes,

such reference shall be deemed to include payment of additional amounts as described under this heading to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor to a Company is organized or any political subdivision or taxing authority or agency thereof or therein.

Under Swedish law as applied and interpreted on the date of this Listing Prospectus and as more fully described in "Certain tax considerations—Swedish taxation":

- (i) The Company generally is not required to pay withholding tax in respect of the Notes held by non-residents of Sweden;
- (ii) Non-resident Holders of Notes generally will not be subject to estate duty or inheritance tax in respect of the Notes in Sweden; and
- (iii) A non-resident Holder of Notes who sells the Notes generally will not be subject to Swedish capital gains tax.

Ranking

The Notes will be general unsecured obligations of the Company that rank senior in right of payment to all existing and future Indebtedness that is expressly subordinated in right of payment to the Notes. The Notes will rank equally in right of payment with all existing and future liabilities of the Company that are not so subordinated and will be effectively subordinated to all of our secured Indebtedness and liabilities of our Subsidiaries.

Change of control

If a Change of Control occurs, each holder will have the right to require the Company to repurchase all or any part (equal to €50,000 or an integral multiple of €1,000 in excess thereof) of such holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the "Change of Control Payment").

Within 30 days following any Change of Control, the Company will mail a notice (the "Change of Control Offer") to each holder, with a copy to the Trustee, stating:

- (1) that a Change of Control has occurred and that such holder has the right to require the Company to purchase such holder's Notes at a purchase price in cash equal to the Change of Control Payment;
- (2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date"); and
- (3) the procedures determined by the Company, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes (in minimum denominations of €50,000 or integral multiples of €1,000 in excess thereof) properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes so tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly mail to each holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a minimum principal amount of €50,000 or an integral multiple €1,000 in excess thereof.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender pursuant to the Change of Control Offer.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply, to the extent applicable, with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue of the conflict.

The Company's ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of the events that constitute a Change of Control also would likely trigger the obligation to repay all amounts outstanding under the Company's existing revolving credit facility. In addition, certain events that may constitute a change of control under that revolving credit facility and trigger repayment of the revolving credit facility would not constitute a Change of Control under the Indenture. Future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repaid upon the occurrence of change of control events that may or may not correspond to the definition of Change of Control under the Indenture. Moreover, the exercise by the holders of their right to require the Company to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the holders upon a repurchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of the Company's existing revolving credit facility do, and future Indebtedness may, limit the Company's ability to prepay Notes before their scheduled maturity. Consequently, the Company may be unable to fulfill its repurchase obligations if holders of Notes exercise their repurchase rights following a Change of Control, resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under the revolving credit facility.

Certain covenants

Effectiveness of covenants

Following the first day:

- (a) the Notes have an Investment Grade Rating from both of the Ratings Agencies; and
- (b) no Event of Default has occurred and is continuing under the Indenture;

the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the subheadings "—Limitation on indebtedness" and "—Merger and consolidation" (collectively, the "Suspended Covenants"). If at any time the Notes' credit rating is downgraded from an Investment Grade Rating by any Rating Agency, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain Investment Grade Rating (in which event the Suspended Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade Rating); *provided, however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture or the Notes with respect to the Suspended Covenants based on, and none of the Company shall bear any liability for, any actions taken or events occurring after the Notes attain Investment Grade Rating and before any reinstatement of such Suspended Covenants as provided above, or any actions taken at any time pursuant to any contractual obligation arising prior to such reinstatement, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period.

Limitation on indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; *provided, however*, that the Company may Incur Indebtedness, and any Restricted Subsidiary may Incur Indebtedness other than Capital Markets Indebtedness that is not Permitted Capital Markets Indebtedness, if on the date thereof:

- (1) the Consolidated Coverage Ratio for the Company and its Restricted Subsidiaries is at least 2.00 to 1.00; and
- (2) no Default or Event of Default will have occurred or be continuing or would occur as a consequence of Incurring the Indebtedness or transactions relating to such Incurrence.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness of the Company or any Restricted Subsidiary (including, without limitation, Indebtedness incurred pursuant to guarantees made by Subsidiaries in respect of Credit Facilities) Incurred under this clause (1) pursuant to one or more Credit Facilities in an aggregate amount at any time outstanding up to U.S.\$1.5 billion;
- (2) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any other Restricted Subsidiary; *provided, however*,
 - (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being owed to a Person other than the Company or a Restricted Subsidiary of the Company; and
 - (b) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Subsidiary, as the case may be.
- (3) Indebtedness represented by the Notes issued on the Issue Date;
- (4) Refinancing Indebtedness Incurred with respect to any Indebtedness permitted to be incurred under the first paragraph hereof, any Existing Indebtedness or any Indebtedness permitted to be Incurred under clause (3), this clause (4), clause (5), and clause (7) hereof;
- (5) Indebtedness of a Person Incurred and outstanding on the date on which such Person was acquired by, or merged into, the Company or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Person is acquired by the Company, the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5);

- (6) Indebtedness under any interest rate swap, foreign currency hedge, exchange or similar agreements to the extent entered into to hedge any other Indebtedness permitted under the Indenture or otherwise entered into in the ordinary course of business;
- (7) Indebtedness (whether or not secured) Incurred to finance the replacement of a Vessel owned or leased under a Capitalized Lease Obligation by the Company or any Subsidiary of the Company secured by a Lien of the type described under clause (4) of the definition of "Permitted Liens" upon a total loss, destruction, condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to or use of such Vessel (*provided* that such loss, destruction, condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to or use of such Vessel was covered by insurance or resulted in the payment of compensation or similar payments to such Person) (collectively, a "Total Loss") in an aggregate amount up to the "Ready for Sea Cost" for such replacement Vessel less all compensation, damages and other payments (including insurance proceeds other than in respect of business interruption insurance, protection and indemnity insurance or other third-party liability insurance) received from any Person in connection with the Total Loss in excess of amounts actually used to repay Indebtedness secured by the Vessel subject to the Total Loss;
- (8) Indebtedness of any Restricted Subsidiary pursuant to a Guarantee of Indebtedness of the Company; *provided* that if such Indebtedness of the Company is Capital Markets Indebtedness, either (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture evidencing its Guarantee of payments of the Notes, on a ranking in right of payment at least equal to such Guarantee or (b) such Capital Markets Indebtedness is Permitted Capital Markets Indebtedness;
- (9) Indebtedness Incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business;
- (10) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided, however*, that such Indebtedness is extinguished within five business days of Incurrence; and
- (11) in addition to the items referred to in clauses (1) through (10) above, Indebtedness of the Company and its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed €150 million at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, may classify such item of Indebtedness on the date of Incurrence in part as one such type of Indebtedness and in part as any one or more other type of Indebtedness and may later re-classify all or a portion of such item of Indebtedness in any manner that complies with this covenant and only be required to include the amount and type of such re-classified Indebtedness as the type of Indebtedness to which it is re-classified;

- (2) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit are Incurred pursuant to a Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this “—Limitation on indebtedness” covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Limitation on liens on capital markets indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of Subsidiaries), whether owned on the Issue Date or acquired after that date, which Lien is securing any Capital Markets Indebtedness, unless contemporaneously with the Incurrence of such Lien effective provision is made to secure the Indebtedness due under the Indenture and the Notes equally and ratably with the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

Reports to holders

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

- (a) within 120 days after the end of the Company's fiscal year, annual reports, in a level of detail that is comparable in all material respects to that included in the Listing Prospectus, containing, to the extent applicable, the following information: (i) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (iii) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (iv) a description of material risk factors and material recent developments; (v) earnings before interest, taxes, depreciation and amortization; (vi) capital expenditures; and (vii) depreciation and amortization;
- (b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company, quarterly financial statements of the Company containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter and year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (ii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; and (iii) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and
- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, and such Unrestricted Subsidiaries individually or in the aggregate would, if they were a Restricted Subsidiary, constitute a Significant Subsidiary, then the quarterly and annual financial information required by (a) and (b) above will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All the financial statements shall be prepared in accordance with GAAP on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements or information for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Listing Prospectus or any reconciliation of GAAP to United States or other generally accepted accounting principles.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website or otherwise provide substantially comparable public availability of such report.

So long as any of the Notes remain "restricted securities" within the meaning of Rule 501 under the Securities Act and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will make available to any prospective purchaser of the Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the U.S. Securities Act. The Company will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Euro MTF of the Luxembourg Stock Exchange and the rules of that exchange so require. In addition, so long as any of the Notes are listed on the Euro MTF and the rules of that exchange so require, notices to holders will be published in a leading newspaper having a general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Merger and consolidation

The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, or enter in any scheme of arrangement or other transaction pursuant to which a Holding Company succeeds to all or substantially all of the Company's assets and liabilities, *unless*:

- (1) the resulting, surviving or transferee Person or such Holding Company, as the case may be, (the "Successor Company") will be a corporation organized and existing under the laws of the Kingdom of Sweden, any other member state of the European Union, or of the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Company) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

- (3) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the “—Limitation on indebtedness” covenant; and
- (4) the Company shall have delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The predecessor Company will be released from its obligations under the Indenture and the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all its assets, the predecessor Company will not be released from the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

Notwithstanding the preceding clause (3), (x) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (y) the Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction to realize tax benefits; *provided that*, in the case of a Restricted Subsidiary that merges into the Company, the Company will not be required to comply with the preceding clause (4).

Events of default

Each of the following is an Event of Default:

- (1) default in any payment of interest on any Note when due, continued for 30 days;
- (2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Company to comply with its obligations under “Certain covenants—Merger and consolidation;”
- (4) failure by the Company to comply for 30 days after notice as provided below with any of its obligations under the covenants described under “Change of control” above or under the covenants described under “Certain covenants” above (in each case, other than (a) a failure to purchase Notes which constitutes an Event of Default under clause (2) above, (b) a failure to comply with “Certain covenants—Merger and consolidation” which constitutes an Event of Default under clause (3) above or (c) a failure to comply with “Certain covenants—Reports to holders” which constitutes an Event of Default under clause (5) below);

- (5) failure by the Company to comply for 60 days after notice as provided below with its other agreements contained in the Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries, other than Indebtedness owed to the Company or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("payment default"); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates to €30 million or more;

- (7) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions"); or
- (8) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30 million (net of any amounts that a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days after the date on which the right to appeal has expired (the "judgment default provision").

However, a default under clauses (4) and (5) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified in clauses (4) and (5) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "Events of default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Company or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 20 Business Days after the declaration of acceleration with respect thereto and if (1) the annulment of the

acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes *unless*:

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each holder notice of the Default within 90 days after it occurs. Except in

the case of a Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that is continuing. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain continuing Defaults, their status and what action the Company is taking or proposing to take in respect thereof.

Amendments and waivers

Subject to certain exceptions, the Indenture and the Notes may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past Default or compliance with any provisions may be waived, either retrospectively or prospectively, with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of each holder of an outstanding Note affected, no amendment, supplement or waiver may, among other things:

- (1) reduce the amount of Notes whose holders must consent to an amendment;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed or repurchased as described above under "Make-Whole Redemption," "Optional Tax Redemption" or "Change of control," whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (except amendments to the definitions of "Change of control" and "Permitted Holder");
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any holder to receive payment of principal, premium, if any, and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes; or
- (7) make any change in the amendment provisions which require each holder's consent or in the waiver provisions.

Notwithstanding the foregoing, without the consent of any holder, the Company, the Trustee, the Principal Paying Agent, the Registrar, Luxembourg Transfer and Paying Agent may amend the Indenture and the Notes to:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) provide for the assumption by a successor corporation of the obligations of the Company under the Indenture;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f)

of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f) (2) (B) of the Code);

- (4) add Guarantees with respect to the Notes;
- (5) secure the Notes;
- (6) add to the covenants of the Company for the benefit of the holders or surrender any right or power conferred upon the Company;
- (7) make any change that does not adversely affect the rights of any holder;
- (8) provide for the appointment of a successor trustee; *provided* that the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture; or
- (9) conform the text of the Indenture or the Notes to any provision of this "Description of notes" to the extent that such provision in this "Description of notes" is intended to be a verbatim recitation of a provision of the Indenture or the Notes.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment or supplement. It is sufficient if such consent approves the substance of the proposed amendment or supplement. A consent to any amendment, supplement or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment or supplement under the Indenture becomes effective, the Company is required to mail to the holders a notice briefly describing such amendment or supplement. However, the failure to give such notice to all the holders, or any defect in the notice will not impair or affect the validity of the amendment or supplement.

Defeasance

The Company at any time may terminate all its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Company at any time may terminate its obligations described under "Change of control" and under the covenants described under "Certain covenants" (other than "Merger and consolidation"), the operation of the cross-default upon a payment default and cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries and the judgment default provision described under "Events of default" above and the limitations contained in clause (3) under "Certain covenants—Merger and consolidation" above ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Company exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (4), (5), (6), (7) (with respect only to Subsidiaries), or (8) under "Events of default" above or because of the failure of the Company to comply with clause (3) under "Certain covenants—Merger and consolidation" above.

In order to exercise either defeasance option, the Company must irrevocably deposit in trust (the “defeasance trust”) with the Trustee money or Government Obligations for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. Federal income tax law.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Notes, the Indenture for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the United States federal securities laws and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

Concerning the trustee

Deutsche Trustee Company Limited is the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent with regard to the Notes.

The Trustee may resign at any time by so notifying the Company in writing; *provided, however*, that the Indenture and the Notes shall remain valid notwithstanding a material conflict of interest of the Trustee. The holders of a majority in principal amount of the outstanding Notes may remove the Trustee by so providing not less than 30 days’ written notice to the Company and the Trustee or such Agent, as the case may be, in writing and may appoint a successor Trustee or Agent with the Company’s consent. A resignation or removal of the Trustee or any Agent and an appointment of a successor Trustee or Agent, as the case may be, shall become effective only upon the successor Trustee’s or Agent’s acceptance of appointment. The Company may remove the Trustee upon no less than 30 days’ written notice if:

- (1) the Trustee or Agent, as the case may be, is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee or Agent, as the case may be, under any Bankruptcy Law;
- (2) a receiver or other public officer takes charge of the Trustee or Agent, as the case may be, or its respective property; or
- (3) the Trustee or Agent, as the case may be, becomes incapable of acting with respect to its duties under the Indenture.

Governing law

The Indenture provides that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. In addition, the Indenture provides that the Company

irrevocably submits to the jurisdiction of any Federal or State court in the City, County and State of New York, United States of America, in any suit or proceeding based on or arising under the Notes or the Indenture.

Certain definitions

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Average Life” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

“Board of Directors” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, Stockholm, London or Luxembourg are authorized or required by law to close.

“Capital Markets Indebtedness” means bonds, notes, debentures or other securities representing Indebtedness for borrowed money that is held by persons other than the Company or a Restricted Subsidiary and is, as of its date of issue, of the kind customarily quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other generally recognized securities market (whether or not initially distributed by way of a private placement) and Guarantees of such Indebtedness but, for the avoidance of doubt, excluding any Indebtedness that, as determined in the reasonable judgment of the Board of Directors of the Company, is in the nature of a loan from a bank or other lender, whether or not such Indebtedness is traded, singly or in combination with other Indebtedness, in a market.

“Capital Stock” of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligation” of any Person means (i) the obligation to pay rent or other payment amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such Person which is, or is required to be, classified and accounted for as a capitalized lease or a liability on the face of a balance sheet of such Person in accordance with GAAP or (ii) the obligation to pay interest, principal, rent or other payment amounts under a financing arrangement pursuant to a Sale and Leaseback Transaction of real or personal property of such Person which is, or is required to be, classified and accounted for as a “financing” or “financing obligation-sale leaseback” or other liability on the face of a balance sheet of such Person in accordance with GAAP. The Stated Maturity of any such obligation or

arrangement shall be the date of the last scheduled payment of rent or any other amount due under such lease or financing arrangement prior to the first date upon which such lease or financing arrangement may be terminated by the lessee or obligor without payment of a penalty.

“Change of Control” means each and every issue, sale or other disposition of shares of Capital Stock of the Company (including, without limitation, pursuant to a merger or consolidation permitted under the Indenture) which results in any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (other than (A) the Permitted Shareholder Group or (B) a person or group of related persons which, at the time of such sale or disposition, consists of or is under the general control and direction of the Permitted Shareholder Group or any member or members thereof) beneficially owning or controlling, directly or indirectly, more than 50% (by number of votes) of the Voting Stock of the Company.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Common Stock” means with respect to any Person, any and all shares, interest or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person’s common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

“Consolidated Cash Flow” of any Person means for any period (i)(a) the Consolidated Operating Income for such period increased by the sum of (without duplication) (x) dividends or other distributions actually paid in cash or cash equivalents to such Person by any other Person who is not a Subsidiary of such Person, but only to the extent such dividends or other distributions are paid in respect of securities classified under “investments in affiliated companies” on the balance sheet of such Person, plus (y) consolidated interest income earned by such Person during such period plus (z) to the extent deducted from consolidated revenues in determining Consolidated Operating Income for such period and without duplication, consolidated depreciation and amortization expenses included in the income statement of such Person for such period and other consolidated non-cash charges included in the income statement of such Person for such period, minus (b) the aggregate gain on the disposition of a Vessel or Vessels included in Consolidated Operating Income for such period, plus (ii) the aggregate gain on the disposition of a Vessel or Vessels for such period, but only to the extent such amount does not exceed 25% of the amount calculated pursuant to clause (i) above.

“Consolidated Coverage Ratio” of any Person means as of any date of determination the ratio of (i) Consolidated Cash Flow of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are in existence to (ii) the sum of (a) Consolidated Interest Expense of such Person for such period, plus (b) the annual interest expense (including the amortization of debt discount) with respect to any Indebtedness proposed to be Incurred by such Person or its Subsidiaries, plus (c) the annual interest expense, (including the amortization of debt discount) with respect to any other Indebtedness Incurred by such Person or its Subsidiaries since the end of such period to the extent not included in clause (ii)(a) minus (d) Consolidated Interest Expense of such Person to the extent included in clause (ii)(a) with respect to any Indebtedness that will no longer be outstanding as a result of the Incurrence of the Indebtedness proposed to be Incurred; provided that in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness bearing a floating interest rate shall be computed on a pro forma basis as if the rate in effect on the date of computation had been the applicable rate for the entire period; and provided further that, in

the event such Person or its Subsidiaries has made dispositions of assets or acquisitions of assets not in the ordinary course of business or of any Vessel (including acquisitions of other Persons or Vessels by merger, consolidation or purchase of Capital Stock) during or after such period, such computation shall be made on a pro forma basis as if the dispositions or acquisitions had taken place on the first day of such period. In the case of the Post-Delivery Financing of a Vessel or Vessels (or the financing of the acquisition of a Single-Purpose Vessel-Ownning Subsidiary) by the Company or any of its Subsidiaries, the computation of Consolidated Cash Flow for purposes of calculating the Consolidated Coverage Ratio shall be increased by (x) the pro forma annual earnings (losses) for such period pursuant to any binding charter, lease or like arrangement which will be applicable to any such Vessel (including a Vessel owned by any such Single-Purpose Vessel-Ownning Subsidiary) for at least one year after the date of delivery of such Vessel to the Company or any of its Subsidiaries or (y) with respect to any such Vessel not subject to such an arrangement, the earnings (losses) for such period of the most comparable Vessel of the Company or any of its Subsidiaries (as determined in the reasonable judgment of the Board of Directors of the Company), or, if the Company or any of its Subsidiaries do not have a comparable Vessel, based on industry average earnings for comparable Vessels (as determined in the reasonable judgment of the Board of Directors of the Company) during such period. For purposes of this definition, whenever pro forma effect is to be given to any calculation under this definition, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company.

“Consolidated Interest Expense” for any Person means for any period the consolidated interest expense included in a consolidated income statement (without deduction of interest income) of such Person for such period calculated on a consolidated basis in accordance with GAAP, including, without limitation or duplication (or, to the extent not so included, with the addition of): (i) the amortization of debt discounts; (ii) any commissions, discounts and other fees and charges with respect to letters of credit, bankers’ acceptances, payment guarantees or similar facilities; (iii) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements; (iv) Preferred Stock dividends declared and payable in cash; (v) the interest portion of Capitalized Lease Obligations and other deferred payment obligations; (vi) interest actually paid in respect of any guarantee of Indebtedness or other obligation of any other Person (other than a consolidated Subsidiary of such Person); and (vii) all non-cash interest payments.

“Consolidated Operating Income” of any Person means for any period the income from operations of such Person for such period determined on a consolidated basis in accordance with GAAP, less gains on the disposition of a Vessel or Vessels pursuant to a deferred payment obligation (whether by way of a promissory note or installment receivable or otherwise), plus the portion of such gain allocable to such period (based on the life of such deferred payment obligation) to the extent payments in respect of such deferred payment obligation are actually received by such Person during such period.

“Consolidation” or “consolidation” means, with respect to any Person, the consolidation of the accounts of such Person and each of its Subsidiaries if and to the extent the accounts of such Person and each of its Subsidiaries would normally be consolidated with those of such Person, all in accordance with GAAP. The term “Consolidated” or “consolidated” shall have a similar meaning. With respect to the Company or any of its Subsidiaries, the accounts of any Unrestricted Subsidiary shall not be included in any such consolidation, even if the inclusion of such accounts would be required by GAAP.

“Construction Financing” means Indebtedness Incurred by the Company or any Subsidiary of the Company to finance any progress or other similar payments required prior to the delivery of the subject Vessel or Vessels under any Vessel Construction Contract.

“Credit Facility” means, with respect to the Company or any Restricted Subsidiary, one or more debt facilities or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit (in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time, including through Capital Markets Indebtedness or otherwise).

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (excluding a call for redemption or declaration of accelerated maturity by such Person):

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) of the Stated Maturity of the Notes and (b) the date on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further* that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Company may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Company with the provisions of the Indenture described under the captions “Change of control.”

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Existing Indebtedness” of any Person means Indebtedness (including lease facilities) existing on the Issue Date, less (i) principal payments actually made by or on behalf of such Person on any term Indebtedness or lease facility under any agreement governing such Existing Indebtedness (other than principal payments made in connection with or pursuant to a refinancing of such Existing Indebtedness agreement) and (ii) any amounts by which any revolving credit facility commitment under any Existing Indebtedness agreement is permanently reduced (so long as and to the extent that any required payments in connection therewith are actually made).

Notwithstanding the foregoing, Existing Indebtedness shall not include any Indebtedness of the Company or a Restricted Subsidiary existing on the Issue Date and described under clauses (1), (2), (6), (7), (8), (9), (10) and (11) of the second paragraph of the covenant described under the caption “—Limitation on indebtedness.”

“GAAP” means generally accepted accounting principles in the Kingdom of Sweden as in effect from time to time. All ratios and computations based on GAAP contained in the Indenture will be computed in conformity with GAAP. At any time after the Issue Date, the Company may elect to apply International Financial Reporting Standards (“IFRS”) in lieu of GAAP and, upon any such election, references in the Indenture to GAAP shall thereafter be construed to mean IFRS, as in effect (except as otherwise provided in the indenture) from time to time, provided that any such election, once made, shall be irrevocable.

“Government Obligations” means direct non-callable and non-redeemable obligations (in each case, with respect to the issuer thereof) of any member state of the European Union that is a member of the European Union as of the date of the indenture (including, in each case, any agency or instrumentality thereof) payment of which is secured by the full faith and credit of the applicable member state.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of agreement to keep-well, or to purchase assets, goods, securities or services to assure the payment of such Indebtedness, to take-or-pay, to maintain financial statement conditions or otherwise); or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“holder” means a Person in whose name a Note is registered on the Registrar’s books.

“Holding Company” means a Person (other than a natural person) of which the Company is or becomes a direct or indirect Subsidiary after the Issue Date; *provided* that the primary purpose of such Person is to serve as a direct or indirect holding company of the Issuer.

“Incur” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence,” “Incurred,” “Incurable” and “Incurring” shall have meanings correlative to the foregoing); provided that a change in GAAP that results in an obligation of such Person that exists at such time becoming Indebtedness shall not be deemed an Incurrence of such Indebtedness. Indebtedness of the Company or any Subsidiary of the Company in respect of the Post-Delivery Financing of Vessels shall be deemed to have been “Incurred” in the full amount of such Post-Delivery Financing only on the date the Company (or such Subsidiary) enters into a binding credit or lease commitment in good faith with a lender (or group of lenders) or

lessor with respect to such financing. No Indebtedness shall be deemed to have been "Incurred" solely by reason of the Company or any Subsidiary of the Company entering into a Vessel Construction Contract. No Indebtedness shall be deemed to have been "Incurred" solely by reason of the transfer (including, without limitation, by way of novation or assignment and assumption) of Indebtedness secured by a Vessel from a Subsidiary of the Company to another Subsidiary of the Company in connection with the transfer of such Vessel from the former to the latter (including, without limitation, a transfer effected for the purpose of reflagging such Vessel), provided that such transfer is permitted pursuant to the provisions of clause (5) of the definition of "Permitted Liens."

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations Incurred in connection with the acquisition by such Person of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances, payment guarantees or similar facilities issued for the account of such Person, other than bonds, letters of credit, payment guarantees or other similar obligations required by governmental or regulatory agencies in connection with Vessels owned by or businesses conducted by the Company or any of its Subsidiaries, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services acquired by such Person (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are not being contested in good faith), (v) the maximum fixed redemption or repurchase price of Disqualified Stock of such person at the time of determination; (v) every Capitalized Lease Obligation of such Person, (vi) every net obligation under interest rate swap, foreign currency hedge, exchange or similar agreements of such Person and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise, provided that Guarantees made by any Person shall not be deemed "Indebtedness" to the extent (x) that the Indebtedness so guaranteed would be classified and accounted for as Indebtedness on the consolidated balance sheet of such Person or (y) that both such Person and the Person whose obligation is being Guaranteed are Subsidiaries of the Company, and provided further that payment obligations of a Person pursuant to a charter or operating lease which does not constitute a Capitalized Lease Obligation shall not be deemed "Indebtedness," and provided further that reimbursement obligations of any Person with respect to facilities in respect of letters of credit, bankers' acceptances or payment guarantees issued for the account of such Person, and obligations of such Person in respect of loan facilities the proceeds of which are used for cash collateral (and refinancings thereof so long as after giving effect thereto the Primary Debt (as hereafter defined) continues to be cash collateralized to the same extent), shall not be deemed "Indebtedness" to the extent that any such facility (or the proceeds thereof) is used to fully and irrevocably secure, guarantee or defease the payment of Indebtedness of such Person or any of its Subsidiaries (including, without limitation, debt under the Capitalized Lease Obligation) which is Incurred in connection with the financing of a Vessel or group of Vessels and which is otherwise permitted to be Incurred under the Indenture ("Primary Debt").

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit

(including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's Investors Service, Inc. and BBB- (or the equivalent) by Standard & Poor's Ratings Group, Inc., in each case, with a stable or better outlook.

"Issue Date" means February 14, 2007.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), other than any easement not materially impairing usefulness or marketability.

"Non-Recourse Debt" means Indebtedness of a Person:

- (1) as to which neither the Company nor any Restricted Subsidiary (a) provides any Guarantee or (b) is directly or indirectly liable (as a guarantor or otherwise);
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and
- (3) the explicit terms of which provide there is no recourse against any of the assets of the Company or its Restricted Subsidiaries, except that Standard Securitization Undertakings shall not be considered recourse.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary of the Company. Officer of any Subsidiary Guarantor has a correlative meaning.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer, an Assistant Secretary, the Financial Manager or the Controller of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Permitted Capital Markets Indebtedness" means Capital Markets Indebtedness that is (x) Incurred or Guaranteed by a Restricted Subsidiary, or (y) secured by a Lien or Liens on assets or properties of the Company or any of its Restricted Subsidiaries, or (z) Incurred or Guaranteed by a Restricted Subsidiary and secured by a Lien or Liens on assets or properties of the Company or any of its Restricted Subsidiaries, provided that the aggregate amount of outstanding Indebtedness of the Company and its Restricted Subsidiaries on the date of determination that is Incurred, Guaranteed by a Restricted Subsidiary or secured by a Lien or Liens on assets or properties of the Company or any of its Restricted Subsidiaries (or a combination thereof), after giving effect to such Capital Markets Indebtedness, does not exceed the sum of (i) \$1.5 billion,

plus (ii) the excess of the total noncurrent assets of the Company and its Restricted Subsidiaries on the date of Incurrence of such Capital Markets Indebtedness over such total noncurrent assets as of December 31, 2006, plus (iii) Refinancing Indebtedness Incurred pursuant to clause (4) of the covenant described under “—Limitation on Indebtedness” above other than Capital Markets Indebtedness Incurred to refinance unsecured Indebtedness pursuant to such clause (4).

“Permitted Liens” means, with respect to any Person:

- (1) Liens existing on the Issue Date;
- (2) Liens on Capital Markets Indebtedness of a Person at the time such Person becomes a Restricted Subsidiary; *provided, however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further, however*, that any such Lien may not extend to any other property owned by the Company or any Restricted Subsidiary;
- (3) Liens securing the Notes;
- (4) Liens for the purpose of securing Indebtedness represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Indebtedness Incurred, to finance all or any part of the purchase price or cost of acquisition, construction or improvement of assets or property provided that:
 - (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property so acquired, constructed or improved; and
 - (b) such Liens are created within 270 days of construction, acquisition or improvement of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto and Related Collateral;
- (5) Liens securing Refinancing Indebtedness Incurred to refinance, refund, replace, amend, extend or modify, as a whole or in part, Indebtedness that was previously so secured as permitted under the terms of the Notes and the Indenture, *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, replacements, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;
- (6) Liens securing Permitted Capital Markets Indebtedness; and
- (7) Liens securing Indebtedness that is to be refinanced by Refinancing Indebtedness permitted to be Incurred under the terms of the Notes and the Indenture, provided that the assets subject to such Liens are limited to the cash proceeds of such Refinancing Indebtedness and any defeasance trust or similar fund acquired with such cash proceeds.

“Permitted Shareholder Group” means (1) Sten Allan Olsson, (2) the descendants of Sten Allan Olsson, (3) a husband or wife or former husband or wife or widower or widow of any of the persons named in clauses (1) and (2), (4) the estates or legal representatives of the persons named in clauses (1), (2) and (3), and (5) trusts (whether arising under settlement, declaration of

trust or instrument by whomsoever or wheresoever made or under a testamentary disposition or on an intestacy) under which no immediate beneficial interest in the property which is the subject of such trust is for the time being vested in any person other than the persons named in clauses (1), (2) (3) and (4); provided, however, that for purposes of this definition a step-child, adopted child or illegitimate child of any person shall be deemed to be a lineal descendant of such person and of the lineal ancestors of that person.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“Post-Delivery Financing” means Indebtedness Incurred by the Company or any Subsidiary of the Company to finance the total Ready for Sea Cost of a Vessel or group of Vessels. “Post-Delivery Financing” shall include the amount of any Construction Financing with respect to any Vessel or group of Vessels, but only to the extent that fully committed Post-Delivery Financing for such Vessel or group of Vessels has been arranged at such time.

“Preferred Stock,” as applied to the Capital Stock of any Person, means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

“Rating Agencies” means Standard & Poor’s Ratings Group, Inc. and Moody’s Investors Service, Inc. or if Standard & Poor’s Ratings Group, Inc. or Moody’s Investors Service, Inc. or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company (as certified by a resolution of the Board of Directors) which shall be substituted for Standard & Poor’s Ratings Group, Inc. or Moody’s Investors Service, Inc. or both, as the case may be.

“Ready for Sea Cost” means, with respect to a Vessel or Vessels to be acquired or leased (pursuant to a Capitalized Lease Obligation) by the Company or any Subsidiary of the Company, the aggregate amount of all expenditures Incurred to acquire or construct and bring such Vessel or Vessels to the condition and location necessary for its or their intended use which would be classified and accounted for as “property, plant and equipment” in accordance with GAAP.

“Refinancing Indebtedness” means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, “refinance,” “refinances,” and “refinanced” shall each have a correlative meaning) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided, however*, that:

- (1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity later than the Stated Maturity of the Notes;

- (2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced; and
- (3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and fees Incurred in connection therewith); *provided* that in the case of the refinancing of the Post-Delivery Financing of a Vessel within 270 days after the acquisition or delivery of such Vessel pursuant to a Capitalized Lease Obligation, such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than 100% of the Ready for Sea Cost of such Vessel, plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Refinancing Indebtedness or the amount of any premium reasonably determined by the Company as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the expenses of the Company or any of its Subsidiaries Incurred in connection with such refinancing.

"Related Collateral" means, with respect to a Vessel, (i) any insurance policies on such Vessel, (ii) any requisition compensation payable in respect of any compulsory acquisition thereof, (iii) any earnings derived from the use or operation thereof and/or any earnings account with respect to such earnings, and (iv) any charters, operating leases, licenses and related agreements entered into in respect of the Vessel and any security or guarantee in respect of the relevant charterer's or lessee's obligations under any relevant charter, operating lease, license or related agreement, (v) any cash collateral account established with respect to such Vessel pursuant to the financing arrangements with respect thereto, (vi) any inter-company loan or facility agreements relating to the financing of the acquisition of, and/or the leasing arrangements (pursuant to Capitalized Lease Obligations) with respect to, such Vessel, (vii) any building or conversion contracts relating to such Vessel and any security or guarantee in respect of the builder's obligations under such contracts, (viii) any interest rate swap, foreign currency hedge, exchange or similar agreement incurred in connection with the financing of such Vessel and required to be assigned by the lender and (ix) any security interest in, or agreement or assignment relating to, any of the foregoing or any mortgage in respect of such Vessel.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale and Leaseback Transaction" of any Person means an arrangement with any lessor, lender, obligee or investor or to which such lessor, lender, obligee or investor is a party providing for the leasing or renting by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person more than 270 days after the acquisition thereof or, if later, the delivery or commencement of operation thereof, to such lessor, lender, obligee or investor or to any Person to whom funds have been or are to be advanced by such lessor, lender, obligee or investor on the security of such property or asset. The Stated Maturity of such arrangement shall be the date of the last scheduled payment of rent or any other amount due

under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Significant Subsidiary” means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of consolidated revenues of the Company or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of the Company.

“Single-Purpose Vessel-Ownning Subsidiary” means a Subsidiary of the Company the sole purpose of which is to own or lease (pursuant to a Capitalized Lease Obligation) one (but not more than one) Vessel.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“Subsidiary” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a direct or indirect Subsidiary of the Company.

“Unrestricted Subsidiary” means:

- (1) the following Subsidiaries of the Company: Stena Fastigheter AB, Stena Realty BV, Stena Adactum AB, Stena Investment Luxembourg s.à r.l. and Stena Finanzverwaltungs AG;
- (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Company in the manner provided below; and
- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;
- (2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt, except to the extent that the Company or a Restricted Subsidiary to which recourse may be sought in respect of such Indebtedness would be permitted to Incur such Indebtedness under the provisions of the covenant described under the caption "Limitation on indebtedness";
- (3) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Company and its Subsidiaries; and
- (4) such Subsidiary is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (other than obligations that the Company or such Restricted Subsidiaries would be permitted to Incur under the provisions of the covenant described under the caption "Limitation on indebtedness"):
 - (a) to subscribe for additional Capital Stock of such Person; or
 - (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Company could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the "Certain covenants—Limitation on indebtedness" covenant on a pro forma basis taking into account such designation.

"Vessel Construction Contract" means any contract for the construction (or construction and acquisition) or conversion of a Vessel or Vessels entered into by the Company or any Subsidiary of the Company.

"Vessels" means the shipping vessels whose primary purpose is the maritime transportation of cargo and/or passengers or which are otherwise engaged or used in any business activities of the Company and its Subsidiaries (including, without limitation, semi-submersible and other drilling rigs and drillships) and which are owned by and registered (or to be owned by and registered) in the name of the Company or any of its Subsidiaries or operated by the Company or any of its Subsidiaries pursuant to a lease or other operating agreement constituting a Capitalized Lease Obligation, in each case together with all related equipment and any additions or improvements.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors, managers or trustees, as applicable.

“Wholly-Owned Subsidiary” means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

Description of other indebtedness

As of September 30, 2006, on an adjusted basis after giving effect to this offering, as well as the issuance of our 6.125% Senior Notes due 2017 and the repurchase of substantially all of our outstanding 9⁵/₈% Senior Notes due 2012 pursuant to our tender offer and consent solicitation, we would have had total debt of approximately SEK 24.7 billion (\$3.4 billion), including approximately SEK 17.9 billion (\$2.4 billion) of secured debt. Total debt would have represented approximately 47% of our total assets (in each case, excluding VIEs) of SEK 52.3 billion (\$7.2 billion) as of such date. Furthermore, the restricted group would have had total debt of approximately SEK 12.0 billion (\$1.6 billion) and approximately SEK 5.3 billion (\$0.7 billion) of secured debt.

Restricted group debt

Revolving credit facility. On December 8, 2004, Stena Holland BV (formerly Stena International B.V.) and Stena (Switzerland) AG ("SSAG") entered into a \$1 billion secured revolving credit facility with a syndicate of financial institutions, for which J.P. Morgan plc, Svenska Handelsbanken AB (publ), Nordea Bank AB (publ), Citigroup Global Markets Limited, DnB NOR Bank ASA and HSBC Bank plc act as lead arrangers and Svenska Handelsbanken AB (publ.) acts as facility agent. The revolving credit facility was made available for the purposes of refinancing Stena Holland BV's existing debt, including the 2002 and 2001 revolving credit facilities together with certain other vessel financings, and to provide financing for general corporate purposes. Stena Holland BV's and SSAG's obligations under the revolving credit facility are guaranteed by Stena AB and certain of its subsidiaries.

The final maturity of the revolving credit facility is January 28, 2013. Borrowings under the revolving credit facility bear interest at a rate equal to the aggregate of LIBOR plus an applicable margin, which ranges from 0.60% to 0.725% depending on the level of utilization of the facility. Interest is payable at the end of the interest period of each advance, although if an advance has a term of more than six months, interest is payable at six-month intervals. The facility gives the option to drawdown advances for periods of one, two, three or six months, or for other periods with the consent of the lenders. Commitment fees and guarantee indemnity fees will be based on the level of utilization of the facility.

The obligations of Stena Holland BV and SSAG under the revolving credit facility are secured by, among other things, first priority security interests on Stena Shipper, Stena Spey, Stena Clyde, Stena Tay, Stena Saga, Stena Nautica, Stena Don, Stena Forwarder, Stena Baltica, Stena Carisma (and its linkspans), Stena Danica, Stena Discovery, Stena Europe, Stena Forecaster, Stena Forerunner, Stena Foreteller, Stena Germanica, Stena Scandinavica, Stena Scanrail, Stena Searider, Stena Seatrader and the Holyhead and Stranraer ports. In the event that an asset securing the revolving credit facility is sold or declared a total loss, availability under the revolving credit facility will, unless appropriate replacement collateral is provided within 270 days, be reduced by the lesser of net sale or net loss proceeds and the amount required to bring the security value of the remaining collateral (net of any debt secured by a prior mortgage therein) to 140% of the facility amount.

The revolving credit facility imposes various financial and operating covenants upon us and certain of our subsidiaries. Among other things, the principal financial covenants (i) require us to maintain current assets and committed undrawn facilities in an amount greater than or equal to 125% of consolidated current liabilities, (ii) require us and our subsidiaries to maintain minimum cash and

cash equivalents of not less than \$50 million, (iii) require our net debt to be no greater than 65% of the capitalisation, and (iv) require us to maintain ownership of the security parties that, at the date of execution of the credit facility agreement, are members of the Stena AB group.

As of September 30, 2006, the amount of indebtedness under the revolving credit facility was \$119 million and \$15 million used in connection with guarantees and letters of credit. As of December 31, 2005, a total of \$859 million was utilized under this facility, of which \$10 million was used for issuing of bank guarantees.

9⁵/₈% Senior Notes, 7¹/₂% Senior Notes, 7% Senior Notes and 6.125% Senior Notes. As of September 30, 2006, we had \$177 million principal amount of 9⁵/₈% Senior Notes due 2012 outstanding, \$175 million principal amount of 7¹/₂% Senior Notes due 2013 outstanding and \$250 million principal amount of 7% Senior Notes due 2016 outstanding. Pursuant to a tender offer and consent solicitation for our 9⁵/₈% Senior Notes due 2012, we amended the indenture governing those notes to eliminate the principal restrictive covenants and we repurchased more than 99% of the outstanding principal amount of these notes. The 7¹/₂% Senior Notes, issued in November 2003, mature on November 1, 2013, and interest is payable semi-annually on May 1 and November 1 of each year. The 7¹/₂% Senior Notes are redeemable at our option, in whole or in part, at any time on or after November 1, 2008. The 7% Senior Notes, issued in November 2004, mature on December 1, 2016, and interest is payable semi-annually on June 1 and December 1 of each year. The 7% Senior Notes are redeemable at our option, in whole or in part, at any time on or after December 1, 2009. The indentures governing the 7¹/₂% Senior Notes due 2013 and 7% Senior Notes due 2016 contain certain covenants with respect to, among others, limitations on consolidated and subsidiary debt and preferred stock, limitations on restricted payments and investments, limitations on restrictions concerning distributions and transfers by subsidiaries, limitations on liens and guarantees, limitations on business activities and limitations on mergers, consolidations and certain sales and purchases of assets. The 6.125% Senior Notes, issued in February 2007, mature on February 1, 2017 and interest is payable semi-annually on February 1 and August 1 of each year. The 6.125% Senior Notes are redeemable at our option, in whole or in part, at any time. The indenture governing the 6.125% Senior Notes due 2017 contains certain covenants with respect to limitations on consolidated and subsidiary debt and preferred stock, limitations on liens on capital markets indebtedness and limitations on mergers, consolidations and certain sales of assets.

These notes are unsecured obligations of Stena AB and rank *pari passu* in right of payment with Stena AB's other unsubordinated indebtedness. Since Stena AB is a holding company and all our operations are conducted through our subsidiaries, the notes are structurally subordinated to all existing and future liabilities (including trade payables) of the subsidiaries, including those under the revolving credit facility.

Other debt

Adactum secured bank facility. On October 16, 2003 Adactum entered into a SEK 500 million secured revolving credit facility with Svenska Handelsbanken AB (publ) and Nordea Bank Sweden AB (publ). The facility was made available for the purposes of refinancing Adactum's debts that were incurred to purchase marketable Swedish securities and to finance or refinance Adactum's future purchases of marketable Swedish securities. The facility matured on October 16, 2006. It bore interest at a rate based on the Stockholm Interbank Offered Rate plus an applicable margin of 1.25%. As of September 30, 2006, SEK 160 million was utilized.

Effective October 16, 2006, Adactum entered into a new secured revolving credit facility with Svenska Handelsbanken AB (publ) and Nordea Bank Sweden AB (publ) with a total principle amount of SEK 450 million. The facility matures on October 16, 2009. It bears interest at a rate based on Stockholm Interbank Offered Rates plus an applicable margin of 0.75%. Stena Adactum may select an interest period of one, three, six or twelve months every time it borrows funds under the facility. Interest is payable at the end of the relevant interest period. The facility includes a cross-default provision that provides that an event of default occurs if we, Adactum or any present or future subsidiary of Stena AB fail to pay our respective indebtedness when due in respect of such debt that exceeds \$15 million.

Property-related debt. As of September 30, 2006, we have bank facilities and mortgage loans secured by the real estate, buildings and land in our real estate business segment of approximately SEK 12.2 billion that are denominated in SEK and euro, with maturities from 2008 through 2024.

Other. As of September 30, 2006, we were obligated with respect to the guarantees of lease obligations and certain loans used to finance the acquisition of vessels and other assets in the aggregate amount of approximately SEK 4.6 billion. These are denominated in US dollars, British pounds, euro and SEK.

Debt in VIEs

We have investment in three VIEs: Canyon Capital CDO-2002, Canyon Capital CLO-2004 and Canyon Capital CLO-2006. The assets and liabilities of the VIEs are consolidated in our financial statements, although the debt of the VIEs is non-recourse to Stena.

As of December 31, 2005, Canyon Capital CDO-2002 Ltd and Canyon Capital CLO-2004 Ltd had issued senior secured notes to fund their portfolio investments in the US high yield bond and corporate loan markets. The remaining funding for the VIEs has been provided by the Company and other investors as subordinated secured notes and preferred share capital. In addition, a third entity, Canyon Capital CLO-2006 Ltd, was created in August 2006 and has invested primarily in the US corporate loan market. The total outstanding debt for all three VIEs as of December 31, 2005 amounted to SEK 4,844 million, as compared with SEK 3,925 million as of December 31, 2004. As of September 30, 2006, the outstanding debt was SEK 6,693 million.

Canyon Capital CDO-2002 Ltd issued senior secured notes maturing in May 2014, consisting of \$222 million Class A notes, \$11.1 million Class B notes and \$11.2 million Class C notes. The Class A and B notes bear interest at a variable interest rate of Libor plus a margin of 0.60% and 3.75%, respectively, and the Class C notes bear a fixed interest rate of 12.88%. Interest is payable semiannually. Canyon Capital CLO-2004 Ltd issued notes maturing in October 2016, consisting of \$200 million Class A1 notes, \$68.5 million Class A2 notes, \$36 million Class B notes, \$29 million Class C notes and \$16 million Class D senior secured notes. The Class A, B, and C notes bear interest at a variable interest rate of Libor plus a margin of 0.37%, 1.25% and 2.50%, respectively, and the Class D notes bear a fixed interest rate of 12.88%. Canyon Capital CLO-2006 Ltd has issued senior secured notes maturing in August 2020, consisting of \$256 million Class A notes, \$15.2 million Class B notes, \$22.8 million Class C notes, \$22.8 million Class D notes and 13.3 million Class E notes. The notes bear interest at a variable rate of LIBOR plus a margin of 0.25-0.27% for Class A notes and 0.42%, 0.70%, 1.60% and 3.75% for Class B, C, D and E notes, respectively. Interest is payable semi-annually. All notes are secured by the underlying securities held by each VIE.

Transfer restrictions

The notes offered hereby are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgments, representations to and agreements with us and the initial purchasers:

- (i) You acknowledge that:
 - the notes have not been registered under the Securities Act or any other securities laws and the notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (iv) below.
- (ii) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:
 - you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
 - you are not a person in the United States (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a person in the United States, and you are purchasing notes in an offshore transaction in accordance with Regulation S.
- (iii) You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the notes, other than the information contained in this Listing Prospectus. You represent that you are relying only on this Listing Prospectus in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.
- (iv) You represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. If you are a qualified institutional buyer who is in the United States in reliance on Rule 144A, you agree on your own behalf and on behalf of any investor account for which you are purchasing notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:
 - (a) to us;

- (b) under a registration statement that has been declared effective under the Securities Act;
- (c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;
- (d) through offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act;
- (e) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of notes of €250,000; or
- (f) under any other available exemption from the registration requirements of the Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control.

(v) You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is two years after the later of the closing date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the "Resale Restriction Period"), and will not apply after the Resale Restriction Period ends;
- if a holder of notes proposes to resell or transfer notes under clause (iv) (e) above before the Resale Restriction Period ends, the seller must deliver to us and the trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the notes not for distribution in violation of the Securities Act;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes before the Resale Restriction Period ends under clauses (iv) (d), (e) and (f) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee; and
- each Rule 144A note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION

DATE") THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF €250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

- (vi) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have been made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Book-entry; delivery and form

The global notes

The notes will be issued in the form of several registered notes in global form, without interest coupons (the “global notes”), as follows:

- notes sold to qualified institutional buyers under Rule 144A will be represented by the Rule 144A global note; and
- notes sold in offshore transactions to persons outside the United States in reliance on Regulation S will be represented by the Regulation S global note.

Upon issuance, each of the global notes will be deposited with a common depository for Euroclear and Clearstream.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with Euroclear or Clearstream (“participants”) or persons who hold interests through participants. We expect that under procedures established by Euroclear and Clearstream:

- upon deposit of each global note with the common depository, Euroclear and Clearstream will credit portions of the principal amount of the global note to the accounts of the participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by Euroclear and Clearstream and their participants.

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under “Transfer restrictions.”

Exchanges among the global notes

Beneficial interests in one global note may generally be exchanged for interests in another global note. Depending on to which global note the transfer is being made, the Trustee may require the seller to provide certain written certifications in the form provided in the indenture.

A beneficial interest in a global note that is transferred to a person who takes delivery through another global note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-entry procedures for the global notes

All interests in the global notes will be subject to the operations and procedures of Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

We understand the following with respect to Euroclear and Clearstream:

- Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants;
- Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing;
- Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and
- Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and Clearstream participant, either directly or indirectly.

So long as the notes are outstanding in global form and the common depositary for Euroclear and Clearstream is the registered owner of a global note, the common depositary will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of Euroclear and Clearstream to exercise any rights of a holder of notes under the indentures (and, if the investor is not a participant in Euroclear or Clearstream, on the procedures of the participant or indirect participant through which the investor owns its interest). Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account a beneficial interest in the global notes is credited and only in respect of the portion of the aggregate principal amount of notes for which the participant or participants has or have given direction.

Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the global notes. However, if there is an event of default under the indentures, each of Euroclear and Clearstream reserves the right to exchange the global notes for registered notes in physical, certificated form, and to distribute those certificated notes to its participants as provided below.

Payments of principal, premium (if any) and interest with respect to the notes represented by a global note will be made by us in euro to the trustee, which will pay such amounts to the common depositary for Euroclear and Clearstream, as the registered holder of the global note.

The common depositary will, in turn, distribute those payments to Euroclear and Clearstream according to the respective principal amounts of the global notes held by each of them on behalf of their respective participants, and Euroclear and Clearstream will distribute the payments received from the common depositary to their participants in accordance with their respective procedures.

Neither we nor the trustee nor the common depositary will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by Euroclear, Clearstream or any of their participants or indirect participants, or for maintaining, supervising or reviewing any records of Euroclear, Clearstream or any participant or indirect participant relating to those interests.

Payments by participants and indirect participants of Euroclear and Clearstream to the owners of beneficial interests in a global note will be the responsibility of those participants or indirect participants.

Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications relating to the notes through Clearstream and/or Euroclear on days when those systems are open for business. Those systems may not be open for business on certain days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be complications in connection with completing transactions through Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer a beneficial interest in a global note or to receive or make a payment or delivery of such an interest on a particular day may find that the transaction will not be performed until the next business day in Brussels (if the investor holds its interest through Euroclear) or in Luxembourg (if the investor holds its interest through Clearstream).

In the event that the notes represented by a global note (or any portion thereof) are redeemed, Euroclear or Clearstream, as applicable, will redeem an equal amount of the beneficial interests in that global note from the amount received by it in respect of the redemption of the global note. The redemption price payable in connection with the redemption of the beneficial interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of the global note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on any other basis that they deem fair and appropriate; provided that no beneficial interests of less than €1,000 principal amount may be redeemed in part.

Euroclear and Clearstream are not obligated to perform any of the above procedures and may discontinue or change these procedures at any time. Neither we nor the trustee nor the common depositary will have any responsibility for the performance by Euroclear or Clearstream or their participants or indirect participants of the obligations under the rules and procedures governing their operations.

Certificated notes

Notes in physical, certificated form will be issued and delivered to each person that Euroclear or Clearstream identifies as a beneficial owner of the related notes only if:

- Euroclear or Clearstream notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- an event of default under the indenture has occurred and is continuing, and the owner of a beneficial interest in a global note requests such exchange in writing delivered through either Euroclear or Clearstream;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indenture should occur.

Certain tax considerations

The following summary of the principal Swedish and United States federal income tax consequences of acquisition, ownership and disposition of the notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Listing Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Listing Prospectus, and of any actual changes in applicable tax laws after such date.

Swedish taxation

The following summary generally outlines certain Swedish tax consequences to holders of the notes who are neither citizens nor tax residents of Sweden.

Under Swedish law, payments of principal or interest to the holder of any note will not be subject to Swedish income tax, unless such holder (1) is a tax resident of Sweden, (2) carries on trade or business in Sweden where the payments of principal or interest are attributable to a permanent establishment or (3) is an estate which is liable to pay tax in Sweden. Inheritance and gift tax was abolished in Sweden as of January 1, 2005.

Swedish law does not impose withholding tax on payments of principal or interest to the holder of any note except on payments of interest to a holder who is either an individual with tax residence in Sweden or an estate of a deceased individual resident in Sweden at the time of his death. Stena AB is obliged to notify holders of notes outside Sweden and the Swedish tax authorities of payments of interest made to physical persons. Stena AB is obliged to notify the Swedish tax authorities of payments exceeding SEK 150,000 made to holders who are either a natural person, an estate or a legal entity.

Under Swedish law, capital gains on the disposition of notes will not be subject to Swedish income tax unless a holder is a tax resident of Sweden, holds the notes as assets involved in a trade or business in Sweden or is a Swedish estate. Natural persons not resident in Sweden are subject to Swedish net wealth tax only on immovable property situated in Sweden but not with respect to the notes.

United States federal income taxation

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED

UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a description of the principal United States federal income tax consequences that may be relevant to a U.S. Holder (as defined below) with respect to the acquisition, ownership and disposition of the notes. This description addresses only the United States federal income tax considerations of Holders that are initial purchasers of the notes pursuant to the offering and that will hold the notes as capital assets.

This summary does not address all aspects of United States federal income taxation which may be relevant to investors in light of their particular circumstances, or to investors subject to special treatment under United States federal income tax law (including, for example, banks or other financial institutions, insurance companies, tax-exempt entities, dealers or traders in securities or currencies, regulated investment companies, real estate investment trusts, grantor trusts, partnerships or other pass-through entities for United States federal income tax purposes, traders in securities that have elected the mark-to-market method of accounting, persons that acquire notes as part of a synthetic security, straddle, hedge, conversion transaction or other integrated investment, persons that own (directly or indirectly) 10% or more, by voting power or value, of Stena AB, persons whose functional currency is not the United States dollar, persons that received the notes as compensation for the performance of services, and certain former citizens or long-term residents of the United States). In addition, this summary does not address any aspect of United States federal estate and gift or alternative minimum tax consequences, or any foreign, state or local tax considerations. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed Treasury Regulations promulgated thereunder, judicial and administrative interpretations thereof, the tax convention between the United States and Sweden, in each case as in effect and available on the date hereof and all of which are subject to change, possibly on a retroactive basis, which could affect the tax consequences described below.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of a note that is (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust (x) if a United States court is able to exercise primary supervision over the administration of such trust and one more United States persons have the authority to control all substantial decisions of such trust or (y) if such trust validly elects to be treated as a United States person for United States federal income tax purposes.

A "Non-U.S. Holder" is a beneficial owner of a note that is not a partnership and is not a U.S. Holder. For the United States federal income tax consequences to a holder that is a Non-U.S. Holder, see the discussion below under "—Non-U.S. Holders."

If a partnership (or an entity treated as a partnership for United States federal income tax purposes) holds notes, the United States federal income tax treatment of a partner in such

partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisors as to its tax consequences.

Prospective holders should consult their own tax advisors with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning or disposing of the notes in light of their particular circumstances.

U.S. Holders

Payments of interest. Payments of interest on a note generally will be included in the income of a U.S. Holder as ordinary interest income in accordance with the U.S. Holder's method of accounting for United States federal income tax purposes.

A U.S. Holder that uses the cash basis method of accounting will be required to include in income the United States dollar value of the amount received, determined by translating the foreign currency received at the "spot rate" for such foreign currency on the date such payment is received regardless of whether the payment is in fact converted into United States dollars. Generally, no exchange gain or loss will be recognized with respect to the receipt of such payment, but a U.S. Holder may have exchange gain or loss when the holder disposes of the foreign currency.

A U.S. Holder that uses the accrual method of accounting may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, the U.S. Holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, the U.S. Holder may elect to translate interest income at the spot rate on (i) the last day of the accrual period, (ii) the last day of the taxable year if the accrual period straddles the U.S. Holder's taxable year, or (iii) the date the interest payment is received if such date is within five days of the end of the accrual period. If the U.S. Holder makes the election, the U.S. Holder must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service ("IRS"). Upon receipt of an interest payment on such note (including, upon the sale of a note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), a U.S. Holder will recognize gain or loss in an amount equal to the difference between the United States dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received) and the United States dollar value of the interest income the holder previously included in income with respect to such payment.

If any foreign taxes are withheld with respect to interest payments on the notes, a U.S. Holder would be required to include in income any additional amounts (as described under "Description of notes—Payment of additional amounts" in this Listing Prospectus) paid and any tax withheld from the interest payment, notwithstanding that such withheld tax is not in fact received by such U.S. Holder. A U.S. Holder may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all foreign taxes for a particular year). Such interest income (including foreign taxes withheld from the interest payments and any additional amounts) on a note generally will be considered foreign source income and, for purposes of certain limitations imposed on the United States foreign tax credit, generally will be considered passive income. The calculation of foreign tax credits or deductions and the timing thereof for United States federal income tax purposes

involves the application of complex rules that depend upon a U.S. Holder's particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the creditability or deductibility of such taxes.

Sale, exchange, retirement or disposition of notes. A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange, retirement or other disposition (collectively, a "disposition") of a note in an amount equal to the difference, if any, between the amount realized from such disposition (less any amounts attributable to accrued interest, which will be taxable as ordinary interest income unless such interest has already been taken into account by such U.S. Holder) and such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's initial tax basis in the note generally will be the holder's United States dollar cost. If the note was purchased with foreign currency, the U.S. Holder's cost generally will be the United States dollar value of the foreign currency amount paid for such foreign currency note determined at the time of such purchase. If the note is sold, exchanged or retired for an amount denominated in foreign currency, then the amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange or retirement. If the U.S. Holder is a cash method taxpayer and the foreign currency notes are traded on an established securities market, foreign currency paid or received is translated into United States dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of foreign currency notes traded on an established securities market, provided that the election is applied consistently.

Subject to the foreign currency rules discussed below, U.S. Holders will be eligible for preferential capital gains rates if the notes are held in excess of one year. The deductibility of capital losses is subject to certain limitations. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of notes generally will be treated as United States source income or loss for United States foreign tax credit purposes. Consequently, a U.S. Holder may not be able to claim a credit for any Swedish tax imposed upon a disposition of a note unless the U.S. Holder has other low-taxed income from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules.

Exchange gain or loss with respect to foreign currency. A U.S. Holder's tax basis in the foreign currency received as interest on the notes will be the United States dollar value thereof at the spot rate in effect on the date the foreign currency is received. The U.S. Holder's tax basis in foreign currency received on the sale, exchange or retirement of a foreign currency note will be equal to the United States dollar value of the foreign currency, determined at the time of the sale, exchange or retirement. As discussed above, if the foreign currency notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the United States dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Accordingly, a U.S. Holder's basis in the foreign currency received would be equal to the spot rate of exchange on the settlement date.

Any gain or loss recognized by a U.S. Holder on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

Reportable transactions. Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain

circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. Prospective investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Non-U.S. Holders

Subject to the discussion below regarding information reporting and backup withholding, an investment in the notes by non-U.S. Holders will generally not give rise to any United States federal income or withholding tax consequences, unless (i) the interest received on, or any gain recognized on the disposition of, the notes by such holders is treated as effectively connected with the conduct of a trade or business in the United States or (ii) in the case of gains recognized by an individual, such individual is present in the United States for 183 days or more and certain other conditions are met. Non-U.S. Holders are urged to consult their tax advisors as to their exemption from backup withholding and the procedure for obtaining such an exemption.

Information reporting and backup withholding

Information reporting will generally apply to payments of principal and interest on a note and to the proceeds of the disposition of a note by U.S. Holders other than certain exempt recipients (such as corporations). In addition, backup withholding may apply to such payments if the U.S. Holder fails to provide its taxpayer identification number which, in the case of an individual, is his or her social security number, a certification of exempt status or otherwise fails to comply with applicable backup withholding requirements or if the U.S. Holder fails to report in full dividend and interest income. A U.S. Holder that does not provide such U.S. Holder's correct taxpayer identification number may be subject to penalties imposed by the IRS. A non-U.S. Holder may, in certain circumstances, be required to comply with certain information and identification procedures establishing that it is not a United States person to avoid information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder's United States federal income tax liability, provided that the requisite procedures are followed and certain information is provided to the IRS.

Plan of distribution

Subject to the terms and conditions in the purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the entire principal amount of the notes.

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from us, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all the notes if any of them are purchased.

The initial purchasers initially propose to offer the notes for resale at the issue price that appears on the cover of this Listing Prospectus. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, we have agreed that:

- We will not offer or sell any of our long-term debt securities (other than the notes) for a period of 60 days after the date of this Listing Prospectus without the prior consent of the initial purchasers.
- We will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The notes have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- The notes may not be offered or sold within the United States or to persons in the United States except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.
- During the initial distribution of the notes, it will offer or sell notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, with respect to notes initially sold pursuant to Regulation S until 40 days after the commencement of the offering of the notes, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

In the purchase agreement, each initial purchaser has represented and agreed that:

- (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell the notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us; and

- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The notes are a new issue of securities, and there is currently no established trading market for the notes. In addition, the notes are subject to certain restrictions on resale and transfer as described under “Transfer restrictions.” The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, a trading market for the notes may not develop, that you may be unable to sell your notes at a particular time or the prices that you receive when you sell your notes may be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, Deutsche Bank AG, London Branch may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If Deutsche Bank AG, London Branch engages in stabilizing or syndicate covering transactions, it may discontinue them at any time.

The initial purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services from time to time for us and our affiliates. J.P. Morgan and Citigroup Global Markets are arrangers and J.P. Morgan Chase Bank, N.A. and Citibank, N.A. are lenders under our \$1 billion revolving credit facility. In addition, an affiliate of Deutsche Bank AG, London Branch will act as trustee under the indenture.

Legal matters

Certain legal matters in connection with the offering of the notes will be passed on for us by Skadden, Arps, Slate, Meagher & Flom (UK) LLP, London, United Kingdom, as to matters of U.S. federal and New York law, and by Wistrand Advokatbyrå Göteborg KB, Gothenburg, Sweden, as to certain matters of Swedish law. Certain other legal matters will be passed on for the initial purchasers by Simpson Thacher & Bartlett LLP, London, United Kingdom. Stefan Lindskog, one of our directors and a director of Stena Metall, and Anne-Marie Pouteaux, permanent secretary to our board of directors and a director of Stena Bulk, are each members of Wistrand Advokatbyrå Göteborg KB.

Independent auditors

The consolidated financial statements of Stena AB as of December 31, 2005 and December 31, 2004 and for each of the four years ending December 31, 2003, 2004, 2005 and 2006 included in this Listing Prospectus have been audited by KPMG Bohlins AB, independent registered public accountants, as indicated in their report appearing herein.

Where you can find more information

We currently file with the SEC, on a voluntary basis, reports and other information meeting the reporting requirements of the Exchange Act applicable to a foreign private issuer. As a foreign private issuer, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Our reports and other information may be obtained from or viewed at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington D.C. 20549 and at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. For more information on the operation of the Public Reference Room, call the SEC in the United States at 1-800-SEC-0330. The SEC also maintains a website that contains reports and other information regarding registrants. The address of this website is www.sec.gov.

We intend to furnish to the holders of the notes annual reports containing audited financial statements examined by our independent auditors, and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information. Such annual audited financial statements, which will include a report thereon by our independent auditors, will be prepared in accordance with Swedish GAAP or, if we so elect, International Financial Reporting Standards.

For so long as any of the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such notes or to any prospective purchaser of such notes designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

General and listing information

Authorization

The creation and issue of the Notes has been authorized by a resolution of the Board of Directors of the Company dated 12 February 2007.

Clearing codes

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the following clearance codes:

ISIN (Rule 144A Global Notes):	XS0287292196
ISIN (Regulation S Global Notes):	XS0287290737
Common Code (Rule 144A Global Notes):	028729219
Common Code (Regulation S Global Notes):	028729073

No material change

Save as described herein, there has been no material adverse change in the financial position or prospects of the Company since December 31, 2006.

No governmental, legal or arbitration proceedings

Save as disclosed herein, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the twelve months before the date of this Listing Prospectus that may have or have had in the recent past significant effects on the Company's financial position or profitability.

Documents

For so long as any of the Notes are outstanding, copies of the following documents may be obtained, free of charge, during normal business hours at the office of the Luxembourg Paying Agent:

- (a) the most recently published consolidated audited annual financial statements of the Company;
- (b) the most recently published unaudited interim consolidated financial statements of the Company;
- (c) the Articles of Association of the Issuer; and
- (d) the Indenture.

The Company does not publish non-consolidated interim financial statements.

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Report of Independent Registered Public Accounting Firm

The Board of Directors, Stena AB (publ)

We have audited the consolidated balance sheets of Stena AB (publ) and subsidiaries as of December 31, 2004 and 2005, and the related consolidated statements of income and cash flows for each of the years in the three year period ended December 31, 2005 and the related consolidated statements of changes in stockholders' equity for each of the years in the two year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stena AB (publ) and subsidiaries as of December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2005 in conformity with generally accepted accounting principles in Sweden.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2005, Stena AB (publ) retroactively adopted a new accounting principle for financial instruments and investment securities whereby these instruments are valued at market value. Furthermore, effective January 1, 2005, Stena AB (publ) decided to retroactively fully consolidate two variable interest entities ("VIEs").

Generally accepted accounting principles in Sweden vary in certain significant respects from generally accepted accounting principles in the United States. Information relating to the nature and effect of such differences is summarized in Note 31 to the consolidated financial statements.

Gothenburg, Sweden

April 25, 2006, except for note 31 and note 32
for which the date is June 28, 2006

/s/ Thord Elmersson

Thord Elmersson Authorized Public Accountant
KPMG Bohlins AB

Stena AB (publ) consolidated financial statements

Consolidated income statements for each of the years in the three-year period ended December 31, 2005

(In millions)	Note	2003 SEK	2004 SEK	2005 SEK	2005 USD (unaudited- Note 1)
<i>Revenues</i>					
Ferry operations					
Sales		8,597	9,024	9,045	1,237
Net gain on sale of vessels	3	50	11		
Total ferry operations		8,647	9,035	9,045	1,237
Drilling		1,601	1,429	1,871	256
Shipping					
Operations		2,242	3,492	4,405	602
Net gain on sale of vessels	3	64	645	315	43
Total shipping		2,306	4,137	4,720	645
Property					
Operations		932	1,357	1,882	257
Net gain on sale of properties	3	126	110	813	111
Total property		1,058	1,467	2,695	368
Other		7	653	1,288	176
Total revenues	2	13,619	16,721	19,619	2,682
<i>Direct operating expenses:</i>					
Ferry operations		(6,443)	(6,707)	(6,565)	(898)
Drilling		(810)	(946)	(1,112)	(152)
Shipping		(1,698)	(2,212)	(3,066)	(420)
Property		(382)	(509)	(810)	(111)
Other			(569)	(1,078)	(147)
Total direct operating expenses		(9,333)	(10,943)	(12,631)	(1,728)
Selling and administrative expenses	4	(1,522)	(1,761)	(1,861)	(254)
Depreciation and amortization	2	(1,742)	(1,790)	(2,734)	(375)
Total operating expenses		(12,597)	(14,494)	(17,226)	(2,357)
Income from operations		1,022	2,227	2,393	325
Share of affiliated companies' results	5		17	21	3
<i>Financial income and expense</i>					
Dividends received		39	36	79	11
Gain (loss) on securities, net	6	164	1,060	921	126
Interest income		85	382	567	78
Interest expense		(824)	(1,135)	(1,395)	(191)
Foreign exchange gains (losses), net	7	27	(107)	(3)	0
Other financial income (expense), net	8	(18)	(24)	(121)	(17)
Total financial income and expense		(527)	212	48	7
Minority interest	3,12	2	(77)	(21)	(3)
Income before taxes		497	2,379	2,441	332
Income taxes	9	13	(20)	(173)	(23)
Net income		510	2,359	2,268	309

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

Stena AB (publ) consolidated financial statements

Consolidated balance sheets as of December 31, 2004 and 2005

(In millions)	Note	2004 SEK	2005 SEK	2005 USD (unaudited- Note 1)
ASSETS				
<i>Noncurrent assets:</i>				
Intangible assets	10	410	806	110
Tangible fixed assets:	11			
Vessels		12,747	13,585	1,858
Construction in progress		501	1,280	175
Equipment		587	626	86
Property		18,699	17,275	2,361
Total tangible fixed assets		32,534	32,766	4,480
<i>Financial fixed assets:</i>				
Investment in affiliated companies	5	120	332	45
Investment in VIEs	12	4,440	5,753	787
Marketable securities	13	1,375	3,295	451
Other noncurrent assets	14	910	1,440	197
Total financial fixed assets		6,845	10,820	1,480
Total noncurrent assets		39,789	44,392	6,070
<i>Current assets:</i>				
Inventories		226	325	44
Short-term receivables				
Trade debtors	15	953	2,092	286
Other receivables	15	764	1,156	157
Prepaid expenses and accrued income	15	866	890	122
Total short-term receivables		2,583	4,138	565
Short-term investments	16	1,333	2,213	303
Cash and cash equivalents	17	2,380	3,744	512
Total current assets		6,522	10,420	1,424
Total assets		46,311	54,812	7,494
STOCKHOLDERS' EQUITY AND LIABILITIES				
<i>Stockholders' equity:</i>	18			
Capital stock		5	5	1
Restricted reserves		763	926	127
Retained earnings		10,292	11,933	1,631
Net income		2,359	2,268	310
Total stockholders' equity		13,419	15,132	2,069
Minority interest	12	113	131	18
<i>Provisions:</i>	19			
Deferred income taxes		2,179	1,517	207
Pension liabilities		399	1,882	257
Other provisions			46	6
Total provisions		2,578	3,445	470
<i>Noncurrent liabilities:</i>				
Long-term debt	20	17,421	19,773	2,705
Debt in VIEs	20	3,925	4,844	662
Senior Notes	21	4,088	4,821	659
Capitalized lease obligations	22	1,259	1,325	181
Other noncurrent liabilities	23	143	286	39
Total noncurrent liabilities		26,836	31,049	4,246
<i>Current liabilities:</i>				
Short-term debt	20	218	834	114
Capitalized lease obligations	22	38	40	5
Trade accounts payable		503	902	123
Income tax payable		120	198	27
Other		482	533	73
Accrued costs and prepaid income	24	2,004	2,548	349
Total current liabilities		3,365	5,055	691
Total stockholders' equity and liabilities		46,311	54,812	7,494
Pledged assets	25	33,483	36,411	4,979
Commitments and contingent liabilities	25	3,904	2,233	305

Stena AB (publ) consolidated financial statements

Consolidated statements of changes in stockholders' equity

(SEK in millions)	Capital stock	Restricted reserves	Unrestricted reserves	Total
Balance as of December 31, 2003	5	583	11,407	11,995
Change of accounting principles in 2004			(257)	(257)
Dividend paid			(70)	(70)
Transfer to charitable trust			(10)	(10)
Revaluation of financial instruments			(387)	(387)
Transfers between reserves		201	(201)	
Exchange differences		(21)	(190)	(211)
Total changes in equity before net income		180	(1,115)	(935)
Net income			2,359	2,359
Balance as of December 31, 2004	5	763	12,651	13,419
Dividend paid			(195)	(195)
Transfer to charitable trust			(30)	(30)
Change of accounting principles for pensions			(1,075)	(1,075)
Revaluation of financial instruments			303	303
Transfers between reserves		96	(96)	
Exchange differences		67	375	442
Total changes in equity before net income		163	(718)	(555)
Net income			2,268	2,268
Balance as of December 31, 2005	5	926	14,201	15,132

Stena AB (publ) consolidated financial statements

Consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2005

(In millions)	Note	2003 SEK	2004 SEK	2005 SEK	2005 USD (unaudited- Note 1)
<i>Net cash flows from operating activities:</i>					
Net income		510	2,359	2,268	309
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Depreciation and amortization	2	1,742	1,790	2,734	375
Share of affiliated companies' results			(17)	(21)	(3)
(Gain)/loss on sale of tangible fixed assets	3	(241)	(763)	(1,128)	(154)
(Gain)/loss on securities, net		(164)	(1,060)	(921)	(126)
Unrealized foreign exchange (gains)/losses		268	(144)	138	19
Deferred income taxes	9	(71)	(113)	85	11
Minority interests		(2)	78	21	3
Other non cash items		(51)	141	(8)	(1)
Net cash flows from trading securities		11	(605)	(428)	(58)
Cash flow from operations before changes in working capital		2,002	1,666	2,740	375
<i>Changes in working capital:</i>					
Receivables		542	2	(821)	(112)
Prepaid expenses and accrued income		(36)	(311)	43	6
Inventories		(1)	(43)	(52)	(7)
Trade accounts payable		(101)	33	219	30
Accrued costs and prepaid income		36	(15)	246	34
Income tax payable		(38)	52	55	7
Other current liabilities		(614)	72	(27)	(4)
Net cash provided by operating activities		1,790	1,456	2,403	329
<i>Net cash flows from investing activities:</i>					
Purchase of intangible assets			(174)	(78)	(11)
Cash proceeds from sale of tangible fixed assets	3	1,179	2,565	4,570	625
Capital expenditure on tangible fixed assets	2	(3,148)	(3,343)	(5,152)	(705)
Purchase of subsidiary, net of cash acquired	26		(3,917)	(518)	(70)
Proceeds from sale of subsidiary	26		587		
Investments in affiliated companies				(67)	(9)
Proceeds from sale of securities		1,377	6,108	4,227	578
Purchase of securities		(2,741)	(7,008)	(5,777)	(790)
Increase of noncurrent assets		(231)	(255)	(130)	(18)
Decrease of noncurrent assets			18	14	2
Other investing activities		8	88	(37)	(5)
Net cash (used in)/provided by investing activities		(3,556)	(5,331)	(2,948)	(403)
<i>Net cash flows from financing activities:</i>					
Proceeds from issuance of debt		2,260	5,822	1,277	175
Principal payments on debt		(4,502)	(2,017)	(1,549)	(211)
Net change in borrowings on line-of-credit agreements		1,416	1,401	2,287	312
Proceeds from new capitalized lease obligations		1,167			
Principal payments on capitalized lease obligations		(64)	(42)	(41)	(6)
Net change in restricted cash accounts		1,695	(51)	23	3
Dividends paid		(60)	(70)	(195)	(27)
Other financing activities		(468)	(507)	48	7
Net cash provided by/(used in) financing activities		1,444	4,536	1,850	253
Effect of exchange rate changes on cash and cash equivalents		(60)	1	59	8
Net change in cash and cash equivalents		(382)	662	1,364	187
Cash and cash equivalents at beginning of year		2,100	1,718	2,380	325
Cash and cash equivalents at end of year		1,718	2,380	3,744	512

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

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements

Note 1 Summary of Significant Accounting Principles

These consolidated financial statements present the financial position and results of operations of Stena AB (publ) and consolidated subsidiaries (the "Company") and are prepared in accordance with generally accepted accounting principles in Sweden ("Swedish GAAP").

Solely for the convenience of the reader, the 2005 financial statements have been translated from Swedish kronor (SEK) into United States dollars (\$) using the September 30, 2006 Noon Buying Rate of the Federal Reserve Bank of New York of \$1.00 = SEK 7.3127.

New accounting principles in 2005

Swedish GAAP changed for valuation of financial instruments in 2004 to allow not only accounting at cost but also, as an alternative, at market. In order to present the accounts in a true and fair view, the Company has decided to introduce accounting at market in the 2005 accounts. Unrealized results on shares, bonds etc are included in the income statement, except for certain strategic investments, which are revalued directly against stockholders' equity. The accounts for previous years have been restated.

Certain pension liabilities for employees within the UK ferry operations of the Company were accounted for as contingent liabilities in 2004 due to the lack of information on the portion of the liability attributable to the Company. New information was released for these pension plans in 2005. As of October 1, 2005, the liabilities have therefore been recorded as pension liabilities in the balance sheet. The change has been recorded directly against stockholders' equity and deferred tax liabilities, respectively.

Due to a change in Swedish GAAP as of January 1, 2005, the Company has consolidated in full two US financial investments in variable interest entities ("VIEs"), that in 2004 were consolidated according to the equity method. The accounts for 2004 have been restated. See also note 12 and 18.

Basis of consolidation

The consolidated financial statements include Stena AB and all subsidiaries, defined as companies in which Stena AB, directly or indirectly, owns shares representing more than 50% of the voting rights or in another way has a controlling influence. Intercompany transactions are eliminated on consolidation. Acquisitions are accounted for in accordance with the acquisition accounting method, whereby any excess values are allocated to the underlying assets up to market value and any further excess value is accounted for as goodwill. These allocations can be adjusted in arrears to reflect the conditions at the time of acquisitions. Such adjustments are to be introduced without delay but no later than in the financial year following the acquisition.

Foreign exchange

Assets and liabilities of foreign subsidiaries are translated at year end exchange rates and income statement items are translated at average exchange rates prevailing during the year. Exchange differences arising on the translation of financial statements of foreign subsidiaries are taken directly to stockholders' equity.

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Assets and liabilities in foreign currency in a legal entity are translated at year end exchange rates. Any resulting exchange differences on bank loans etc are accounted for as financial income/expense while any differences from cash paid or received in foreign currencies are included in the operating result.

The following exchange rates have been used for consolidation purposes:

	Average rates			Closing rates		
	2004	2005	%	2004	2005	%
USD	7.4960	7.4775	—	6.6125	7.9525	20%
GBP	13.4560	13.5782	1%	12.7100	13.7325	8%
€	9.1268	9.2849	2%	9.0070	9.4300	5%

Investment in associated companies

The equity method of accounting is used for companies in which the Company owns shares representing between 20% and up to a maximum of 50% of the voting rights and/or has a significant influence. The Company records its proportionate share of the net income (loss) of these associated companies' results in the consolidated income statement as Share of affiliated companies' results or in Direct operating expenses. Dividends received are recorded as a reduction of the carrying value.

Estimates and concentrations

The preparation of financial statements in accordance with Swedish GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from such best estimates.

The Company operates in the shipping and offshore drilling industries which historically have been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. In addition, the Company's ferry operations are highly seasonal. Each of the aforementioned factors are important considerations associated with the Company's determination of the carrying amount of owned vessels. The Company seeks to mitigate the effect of such factors by various means such as by obtaining long-term charter contracts.

Revenue recognition

The Company's shipping and drilling revenues are derived from charter contracts. Revenue is recognized evenly within the charter period. Provision is made in advance for any on-going loss contracts. Revenues from the Company's ferry operations consist of ticket sales, onboard sales and freight revenues and are recognized in the period services are rendered. Rental income from

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

the Company's real estate operations is derived from leases and is recognized on a straight line basis over the life of the leases. All revenues are accounted for when the economic benefit can be accurately calculated net after any discounts. Sale of vessels and properties are accounted for at delivery, when all main risks and benefits are transferred to the buyer. Net gain (loss) on sale of vessels and properties are included as a component of revenues.

Construction contracts regarding projects for external parties are accounted for according to the percentage of completion method, i.e. to include a portion of expected results. Any expected losses are expensed.

Dividends on shares are accounted for when received in cash and are included in the financial net in the income statement.

Depreciation and amortization

Tangible fixed assets are depreciated over their total estimated economic useful lives using the straight-line method from the date when the asset is ready for use and over the following periods:

Vessels:

Drilling rigs	10-20 years
Crude oil tankers	20 years
RoRo vessels	20 years
RoPax vessels	20 years
HSS vessels and other fast ferries	20 years
Ferries	25 years

Other tangible fixed assets:

Buildings for own use	50 years
Equipment	3-5 years

Properties included in the Company's real estate operations are depreciated at 1% annually based upon acquisition values.

Intangible assets are normally amortized over 5 years but up to 20 years in cases where the economic life is estimated accordingly. This relates to investments in ferry routes and trademarks, that are entered into on a long-term basis, and to special purpose-built software systems, that based on experience have a useful life exceeding 5 years. 20 years relate to amortization of certain goodwill on acquisition only.

Interest expense

Interest expense is accounted for in the period to which it relates. Interest expense related to construction of vessel newbuildings is capitalized as part of the cost of investment. Direct costs for raising new loans or credit facilities are capitalized and amortized over the life of the underlying credit.

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Financial instruments

To qualify for deferral hedge accounting of unrealized gains and losses on financial instruments, such instruments must be designated and effective as a hedge of an underlying asset or liability or firm commitment or anticipatory transaction. Management reviews the correlation and effectiveness of financial instruments on a periodic basis. Financial instruments that do not meet the criteria for hedge accounting treatment are marked-to-market. As of 2005, unrealized results are recognized in the income statement except for certain long-term investments, for which the unrealized results are recorded directly to stockholders' equity. It is the Company's policy that terms and contractual maturities of financial instruments which are designed to hedge interest rate and foreign currency exposures correspond to the terms, and where appropriate, the maturities of the underlying hedged transactions.

Results from all types of financial derivative instruments, with the exception of those used for financial trading purposes, are either recorded as an adjustment of the value of the underlying asset or liability or as an adjustment of the revenue or expense of such item and in such period the financial instrument is intended to hedge.

Realized gains and losses that result from the early termination of financial instruments are deferred and included in (i) the determination of the carrying value of the underlying asset or liability in the consolidated balance sheet or (ii) the income statement when the anticipated transaction actually occurs. If an underlying asset or liability is sold or settled, any related financial instrument is then marked-to-market and the resulting unrealized gain or loss is recorded as part of the gain or loss on sale or settlement of the underlying item.

Premiums paid for the purchase of foreign currency and interest rate options are recorded as a prepaid expense in the consolidated balance sheet and are amortized as an adjustment of the underlying revenue or expense over the term of the agreement.

Foreign exchange risk management

Equity exposure—Exchange rate differences arising from the translation of financial statements of foreign subsidiaries are taken directly to stockholders' equity. Exchange differences from borrowings in foreign currency or forward contracts designated as a hedge of such exposure are taken directly to stockholders' equity to match the exchange difference of the related net investment in the foreign subsidiary.

Translation exposure—Monetary assets and liabilities denominated in foreign currencies arising in the normal course of business are translated at the year end exchange rates and any foreign exchange rate forwards, currency swaps or options contracts used as hedges of such items are equally marked to market at the same rate and the results thereto are recorded as an adjustment of the value of the underlying asset or liability. Any premiums or discounts from foreign exchange or swap contracts are recognized as an adjustment of the Company's net interest expense.

Transaction exposure—Realized results from foreign exchange forward contracts or from currency option contracts, including premiums paid or received, that are used to hedge firm

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

commitments or anticipated transactions in foreign currency are deferred and recognized as an adjustment of such transaction when it actually occurs. Any premiums or discounts from foreign exchange or currency swap contracts are included in the operating result.

Interest rate risk management

Interest rate derivative instruments such as interest rate forward contracts, swaps or options are used to hedge future interest payments. The interest receivable and interest payable under the terms of any interest rate derivative contracts are accrued and recorded as an adjustment to the interest expense of the underlying debt obligation.

The Company accounts for the amounts due from or payable to the counterparties of such instruments on an accrual basis at each reporting date based on amounts computed by reference to the respective contracts. Generally, the maturity dates of the hedged debt extends beyond the contractual term of the hedge contracts. Accrual accounting is used over the contractual life of interest rate swaps or options that are used in connection with the Company's overall program of interest rate management as long as such hedge contracts are considered effective in managing the Company's interest rate risk.

Bunker fuel risk management

The Company has exposure to the price of bunker fuels used for the operation of its vessels and uses forward contracts and options to hedge its oil price risk. Hedges are regularly taken out to match the underlying cost of physical bunker fuel supplies. Results from such hedge contracts are deferred and recognized as an adjustment of such cost when it actually occurs.

Taxes

Taxes are divided into current taxes and deferred taxes. Deferred income taxes include the tax effect of unutilized tax losses calculated at current tax rates and other temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred tax assets are recognized to the extent that it is more likely than not that an asset will be realized.

Accounting for subsidies

Subsidies received in connection with the acquisition of vessels and properties are deducted from the cost of the investment while subsidies related to operations reduce the corresponding costs. Subsidies are recognized in the accounts when they can be properly estimated.

Intangible assets

Goodwill in connection with the acquisition of companies and investments in special administrative software are included as intangible fixed assets and accounted for at cost less accumulated amortization. Internally generated direct costs in connection with such investments are recorded as cost.

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Tangible fixed assets

Tangible fixed assets are included in the balance sheet when the economic benefit to the Company can be established and the cost can be properly calculated.

Property, vessels and equipment are recorded at cost less accumulated depreciation. Additional depreciation is recorded on impairment, if deemed to be permanent. Repair and maintenance costs are expensed as incurred. Dry-docking costs for vessels are capitalized and amortized over the time until the next dry-docking. Dry-docking costs for ferries are capitalized as prepaid expenses and amortized as direct operating expenses due to their annual nature, while dry-docking costs for other vessels are capitalized as cost of the vessel and depreciated.

On-going projects include advance payments made as well as other direct and indirect project costs including capitalized interest costs, using the Company's current available rate of borrowing for the applicable project. All other interest costs are expensed in the income statement.

Properties are split into real estate and buildings. Buildings refer to buildings for use by the Company in its own business.

Impairment of tangible fixed assets and intangible assets

The carrying values of tangible fixed assets and intangible assets are reviewed on an on-going basis. For vessels, the Company uses appraisals carried out by independent international brokers for such reviews. For properties, estimates are based on internal and external valuations. If a review indicates that the carrying value of an asset may not be recoverable, discounted cash flows based upon current interest rates and future expected earnings are used as primary indicators of potential impairment. Assets having a direct joint income, e.g. a ferry route, is the smallest cash generating unit used. If, on the balance sheet date, an asset has been impaired, the recoverable amount of the asset is estimated. The asset is written down to its estimated fair value. A similar approach is used for intangible assets.

Leasing

When the Company enters into a lease or other similar arrangement which includes taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a capital lease. Such leased assets are classified in the balance sheet as tangible fixed assets. The present value of the future minimum lease payments is recorded as a capital lease obligation. The assets are depreciated according to plan while rent payments are apportioned between the interest element which is charged to operations and the capital element that is recorded as a reduction of the capital lease obligation.

Other leased assets are recorded as operating leases. The lease charges for such leases are expensed in the period to which they relate.

Financial fixed assets

Marketable securities including long-term bonds and equities are valued at market, whereby the current year unrealized results are included in the income statement as gain (loss) on securities, except for certain strategic holdings, where the result is booked directly to stockholders' equity.

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Investments in other noncurrent securities are recorded at cost. Available information is used to review the carrying value. A portfolio of similar assets is written down to its estimated fair value if the decrease in value is deemed to be permanent. Previously recorded write-downs are reversed when no longer appropriate.

Inventories

Inventories are carried at the lower of cost (FIFO) or market value after any obsolescence. Inventories mainly include bunker fuel, spare parts and merchandise for sale on-board as well as products for bars and restaurants on ferries.

Receivables

Trade debtors and other receivables are recorded at cost after reduction for doubtful receivables. Receivables due after more than 12 months are recorded as noncurrent.

Construction contracts regarding projects for external parties are accounted for as accrued income using the percentage of completion method.

Short-term investments

Short-term investments include marketable debt and equity securities and restricted cash blocked for guarantees and other obligations. Valuation is carried at market. Gains and losses are included in the income statement as gain (loss) on securities.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Provisions for pensions

Post-employment benefits, such as pensions and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans, which means that the obligations remain within the Company. Costs and the obligations at the end of the period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis.

The amount recognized in the balance sheet is the net total of the present value of the obligations and the fair value of plan assets as either a provision or a long-term financial asset. In those circumstances when a surplus in a plan can not be fully used, only the portion of the surplus that the enterprise can recover through decreased future contributions or repayments is recognized. Set-off of a surplus in a plan against a deficit in another plan is only allowed if an enterprise has the right to use a surplus in a plan to settle a deficit in another plan, or if the obligations are to be settled on a net basis.

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The pension cost and the pension obligation for defined benefit pension plans is calculated annually by independent actuaries. The obligation consists of the present value of expected future payments. The most important actuarial assumptions are stated in note 19.

Actuarial gains and losses may result upon determination of the present value of the defined benefit obligation and the fair value of plan assets. These result either from differences between the actual return and expected returns, or changes in assumptions. The portion of the accumulated actuarial gains and losses at the end of the prior year that exceeds 10% of the larger of the present value of the defined benefit obligation and the fair value of plan assets is recognized in the result over the expected average remaining service period of the employees participating in the plan. The accounting principle described above is only applied in the consolidated financial statements. The parent company and subsidiaries report defined benefit pension plans in accordance with local rules and guidelines in their respective countries.

Senior notes and bank debt

Nominal amounts are recorded as debt in the balance sheet. Debt due within 12 months is included as current debt and remaining debt as noncurrent. Direct costs for raising new debt are deferred and amortized over the length of the credit.

Any prepayment of debt reduces the nominal amount as recorded. Premiums or discounts are recorded in the income statement.

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Note 2 Segment Information

The Company is active internationally, primarily in the areas of ferry operations, drilling, shipping, property and finance. Ferry operations are performed through Stena Line in the Scandinavian, the North Sea and the Irish Sea areas and through Scandlines in Öresund and the south of the Baltic Sea. Drilling includes the ownership and operation of a fleet of semi-submersible drilling rigs and is operated from Aberdeen in Scotland. Shipping includes the ownership and chartering of Roll-on/Roll-off vessels and crude oil tankers. To support these activities, the Company is also engaged in the management and crewing as well as the design and rebuilding of such vessels. The property operations relate to investments in residential and commercial real estate, principally in Sweden but partly also in The Netherlands, France and Germany. Other business activities include financial activities and investments in other business areas through the unit Stena Adactum, as well as non-allocated central administration costs. A primary measure of profitability for all these segments is income from operations. There are no significant transactions between the operating segments.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Income from operations by segment:</i>			
Ferry operations	397	587	813
Impairment charges		(52)	(765)
Additional operating expenses			(55)
Net gain on sale of vessels	50	11	
Total ferry operations	447	546	(7)
Drilling	(33)	(227)	(2)
Shipping: Roll-on/Roll-off vessels	(47)	62	104
Net gain on sale of vessels	64	273	191
Total	17	335	295
Crude oil tankers	198	780	742
Net gain on sale of vessels		372	124
Total	198	1,152	866
Other shipping	3	(13)	(7)
Total shipping	218	1,474	1,154
Property: Operations	399	520	759
Impairment charges		(21)	(180)
Net gain on sale of properties	126	110	813
Total property	525	609	1,392
Other	(135)	(175)	(144)
Income from operations	1,022	2,227	2,393

As a consequence of the high oil prices in 2005, impairment charges of SEK 765 million were recorded with respect to the HSS vessels together with direct operating expenses of SEK 55 million. In 2005, impairment charges for real estate of SEK 180 million were also recorded. In

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Notes to consolidated financial statements — continued

2004, impairment charges for real estate of SEK 21 million and of buildings in the ferry operations of SEK 52 million were recorded. All impairment charges are accounted for as depreciation.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Depreciation and amortization by segment:</i>			
Ferry operations	811	864	1,578
Drilling	694	575	590
Shipping: Roll-on/Roll-off vessels	121	100	124
Crude oil tankers	27	58	41
Other shipping	6	7	11
Total shipping	154	165	176
Property	77	153	337
Other	6	33	53
Total	1,742	1,790	2,734

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Depreciation and amortization expense consists of the following components:</i>			
Vessels	1,513	1,364	2,084
Equipment	65	90	173
Property	162	294	393
Total tangible fixed assets	1,740	1,748	2,650
Intangible assets	2	42	84
Total	1,742	1,790	2,734

Depreciation and amortization expense includes amortization of assets under capitalized leases amounting to SEK 176 million, SEK 91 million and SEK 90 million for the years ended December 31, 2003, 2004, and 2005, respectively.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Capital expenditure by segment:</i>			
Ferry operations	1,577	721	409
Drilling	358	515	1,197
Shipping: Roll-on/Roll-off vessels	542	616	474
Crude oil tankers	361	1,005	1,067
Other shipping	8	5	24
Total shipping	911	1,626	1,565
Property	288	459	1,889
Other	14	22	92
Total	3,148	3,343	5,152

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Notes to consolidated financial statements — continued

(SEK in millions)	Year ended December 31,	
	2004	2005
<i>Total assets by segment:</i>		
Ferry operations	9,978	9,645
Drilling	5,146	6,959
Shipping: Roll-on/Roll-off vessels	1,692	1,995
Crude oil tankers	1,173	2,365
Other shipping	202	273
Total shipping	3,067	4,633
Property	17,375	16,023
Other	10,745	17,552
Total	46,311	54,812

Geographic information:

The Company's shipping operations include the ownership and chartering of vessels as well as the operation and management of crude oil tankers and are performed throughout the world. Accordingly, such revenues and assets are not presented on a country by country basis. The ferry operations and the property operations are conducted in Scandinavia and the rest of Europe. The Company's drilling operations are conducted in the Norwegian sector (Scandinavia) and the UK sector (Europe, other) of the North Sea as well as other markets. The Company's US investments in VIEs are included in Other markets.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Revenues:</i>			
Scandinavia	7,387	8,839	10,816
Europe, other	3,124	3,068	3,321
Other markets	802	677	762
Shipping	2,306	4,137	4,720
Total	13,619	16,721	19,619

(SEK in millions)	Year ended December 31,	
	2004	2005
<i>Total assets:</i>		
Scandinavia	26,339	28,062
Europe, other	9,739	7,362
Other markets	7,771	11,885
Shipping operations	2,462	7,503
Total	46,311	54,812

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Note 3 Sale of tangible fixed assets

(SEK in millions)		Year ended December 31,		
		2003	2004	2005
Vessels	Cash proceeds from sale of vessels	735	2,069	863
	Net book value of vessels sold	(621)	(1,413)	(548)
	Net gain on sale of vessels	114	656	315
Equipment	Cash proceeds from sale of equipment	3	1	3
	Net book value of equipment sold	(2)	(4)	(3)
	Net gain (loss) on sale of equipment	1	(3)	
Property	Cash proceeds from sale of property	441	495	3,629
	Net book value of property sold	(315)	(385)	(2,816)
	Net gain on sale of property	126	110	813
Total	Cash proceeds from sale of vessels, equipment and property	1,179	2,565	4,495
	Net book value of assets sold	(938)	(1,802)	(3,367)
	Total gain	241	763	1,128

The net gain on sale of vessels in 2004 includes 100% of the results from the sale of two vessels, each owned by companies that are 25% owned by the joint venture partner Fram Shipping. Fram Shipping's share of the gain is included in the income statement as minority interest.

Net gain (loss) on sale of equipment is included in operating expenses.

Total cash proceeds include sales costs of SEK 75 million, which is not included in the consolidated statement of cash flow for 2005.

Note 4 Selling and Administrative Expenses

For the year ended December 31, 2005, selling and administrative expenses include SEK 231 million relating to administration expenses. Selling expenses include costs for doubtful receivables of SEK 14 million. For the year ended December 31, 2004, selling and administrative expenses included SEK 226 million of administration expenses and selling expenses included costs for doubtful receivables of SEK 8 million.

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Fees and other remuneration to auditors and advisors are set forth below. Audit fees include audit of the financial statements, the accounts and the administration by the Board of Directors and the Managing Director, other activities that the auditor is required to perform and advice that the auditor may give based on the results of the audit.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>KPMG</i>			
Audit fees	21	16	25
Audit related fees	6	2	2
Tax fees	11	13	18
Other	2	6	6
<i>Other auditors</i>			
Tax fees	5	8	10
Other		1	5
Total	45	46	66

Note 5 Affiliated Companies

Investments in affiliated companies relate to major strategic investments. Results from other associated companies, having a more direct link to normal operations, are included in direct operating expenses. See note 13.

Bostads AB Drott ("Drott") was acquired throughout 2004 and was accounted for as an affiliated company for the period from mid-May to mid-August 2004. For this period, the Company's share of results amounted to SEK 19 million, which was included as additional investment in real estate. In the middle of August 2004, more than 50% of the shares of Drott had been acquired by the Company and Drott was consolidated as a subsidiary.

In 2004, the Company purchased more than 20% of the shares of the Swedish listed company Wilh. Sonessons AB (publ), which therefore is accounted for as an affiliated company. As of December 31, 2005, the investment represents 23.2% of the capital and 26.7% of the votes. The market value of the investment as of December 31, 2005 was SEK 247 million. The Company's share of results amounted to SEK 3 million.

In June 2005, the Company purchased additional shares of the Swedish listed company Ballingslöv AB (publ) and it is now accounted for as an affiliated company. As of December 31, 2005, the investment represents 22.5% of the capital and the votes. The market value of the investment as of December 31, 2005 was SEK 386 million. The Company's share of results amounted to SEK 18 million.

The investments in Sonessons and Ballingslöv are pledged as security for bank debt. The results of these companies are reported with a three month time lag.

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Note 6 Gain (loss) on securities, net

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
<i>Investment in VIEs</i>			
Total net gain (loss)		104	26
<i>Marketable securities</i>			
Proceeds	1,377	4,239	421
Gross gains	248	1,144	342
Gross losses	(113)	(307)	(19)
Total net gain (loss)	135	837	323
<i>Short-term investments</i>			
Proceeds	2,808	4,504	8,396
Gross gains	74	176	671
Gross losses	(45)	(57)	(99)
Total net gain (loss)	29	119	572
Total net gain (loss) on securities	164	1,060	921

As of January 1, 2005, financial instruments are valued at market. Unrealized results on shares, bonds etc are included in the income statement, except for certain strategic investments, which are revalued directly against stockholders' equity. See note 1 new accounting principles. The accounts for previous years have been restated.

Note 7 Foreign Exchange Gains (Losses)

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Currency trading activities, net	10	8	22
Translation differences	17	(115)	(25)
Total	27	(107)	(3)

Foreign exchange gains (losses) consist of gains and losses incurred in connection with the Company's foreign currency trading activities (see note 27) and gains and losses arising from the translation of amounts in foreign currencies and transactions denominated in foreign currencies.

Note 8 Other Financial Income (Expense)

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Amortization of deferred financing costs	(50)	(82)	(57)
Bank charges	(21)	(12)	(13)
Release of reserve for ferry operations	120	100	
Other items	(67)	(30)	(51)
Total	(18)	(24)	(121)

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Deferred financing costs include costs for Senior Notes, revolving credit facilities, finance leases etc. See note 14. All of these costs are amortized over the life of the borrowings.

In 2005, full consolidation of the investments in VIEs has been made. See note 1, new accounting principles, and note 12. In 2004, consolidation was based upon the equity method, whereby the Company's part of the result was accounted for only.

The reserve for ferry operations relates to the excess of the carrying value of the Stena Line \$300 million Senior Notes over their redemption price in late 2000. This excess value was released from 2001 to 2004.

Note 9 Income Taxes

Income before taxes was distributed geographically as follows:

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Sweden	57	580	1,167
Rest of the world	440	1,782	1,253
Share of affiliated companies' results		17	21
Total income before taxes	497	2,379	2,441
(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Current:			
For the period, Sweden	(8)	(19)	(11)
Adjustments previous years, Sweden		(6)	
For the period, Rest of the world	(56)	(114)	(85)
Adjustments previous years, Rest of the world	6	6	8
Total current tax	(58)	(133)	(88)
Deferred:			
For the period, Sweden	31	(393)	202
Adjustments previous years, Sweden	(12)	(56)	(58)
For the period, Rest of the world	(12)	101	(54)
Adjustments previous years, Rest of the world	64	461	(175)
Total deferred tax	71	113	(85)
Total income taxes	13	(20)	(173)

Cash paid for taxes in 2005 was SEK 74 million, as compared to SEK 32 million in 2004.

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The principal reasons for the difference between the statutory tax rate in Sweden and the effective tax rate are set forth below:

(Percentages)	Year ended December 31,		
	2003	2004	2005
Statutory income tax rate	28	28	28
Differences in foreign tax rates	(36)	(5)	(2)
Taxes related to previous years	(2)	(6)	(2)
Losses not currently utilized	12	4	7
Expenses not deductible	7	3	6
Nontaxable income	(11)	(6)	(15)
Utilization of tax loss carryforwards	(2)	(1)	(3)
Restructuring		(17)	(24)
Share of affiliated companies' results	(4)	(1)	5
Other	5	2	7
Effective income tax rate	(3)	1	7

Restructuring in 2005 refer to effects of changes in the legal structure for the drilling operations. Restructuring in 2004 refers to changes in the legal structure outside of Sweden, which made it possible to release previously deferred tax liabilities included above as Adjustments previous years, Rest of the world.

Note 10 Intangible Fixed Assets

(SEK in millions)	Goodwill	Other intangible assets	Total
Acquisition cost at the beginning of year	183	392	575
Purchase of company	390		390
Additions		78	78
Disposals		(32)	(32)
Translation differences	3	4	7
Acquisition cost at the end of year	576	442	1,018
Accumulated amortization at the beginning of year	(18)	(147)	(165)
Disposals		32	32
Translation differences		5	5
Current year amortization	(33)	(51)	(84)
Accumulated amortization at the end of year	(51)	(161)	(212)
Net book value at the beginning of year	165	245	410
Net book value at the end of year	525	281	806

Goodwill regarding purchase of company refers to the acquisition of Envac and is amortized over 20 years. Goodwill regarding the flower business Blomsterlandet is amortized over 10 years. Goodwill related to the acquisition of ferry routes in the Irish Sea is amortized over 7 years. Other intangible fixed assets include an on-line reservation system in the ferry operations, which is also amortized over 7 years.

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Note 11 Tangible Fixed Assets

The movements during the year ended December 31, 2005 are as follows:

(SEK in millions)	Vessels	Construction in progress	Equipment	Property	Total
Acquisition cost at the beginning of year . . .	18,622	501	598	19,476	39,197
Adjustment of acquisition value				(524)	(524)
Purchase of company			9		9
Other additions	2,070	963	150	1,969	5,152
Disposals	(735)		(85)	(2,977)	(3,797)
Transfers	304	(304)	38	(38)	
Translation differences	1,964	120	94	408	2,586
Acquisition cost at the end of year	22,225	1,280	804	18,314	42,623
whereof capitalized interest	711	40		21	772
Accumulated depreciation at the beginning of year	(5,875)		(11)	(777)	(6,663)
Disposals	187		82	161	430
Translation differences	(868)		(54)	(52)	(974)
Transfers			(22)	22	
Current year depreciation	(2,084)		(173)	(393)	(2,650)
Accumulated depreciation at the end of year	(8,640)		(178)	(1,039)	(9,857)
Net book value at the beginning of year . . .	12,747	501	587	18,699	32,534
Net book value at the end of year	13,585	1,280	626	17,275	32,766

The insured value of the whole vessel fleet as of December 31, 2005 was SEK 21,612 million, to be compared to SEK 16,068 million as of December 31, 2004.

As of December 31, 2005, Construction in progress included five newbuildings. The Company has ordered two Panamax tankers from China for delivery in 2006. Two RoRo vessels have been ordered from a shipyard in Norway for delivery also in 2006. Finally, a drillship is under construction in Korea for delivery at the end of 2007. In total, the contract amount with the shipyards amounts to SEK 5,663 million. Yard payments of SEK 1,221 million, interest expense of SEK 40 million and other capitalized costs of SEK 19 million are included in Construction in progress as of December 31, 2005. The amount of interest capitalized on construction in progress was SEK 15 million, SEK 14 million and SEK 34 million for the years ended December 31, 2003, 2004 and 2005, respectively. Additionally, SEK 1 million was capitalized on real estate newbuildings.

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Accumulated depreciation for vessels include revaluations as follows:

MSEK	Write-ups vessels	Write-downs properties	Total
Accumulated depreciation at the beginning of year	15	(39) (73)	(97)
Translation differences	3		3
Depreciation on write-ups and write-downs from previous years	(3)	5	2
Current year depreciation		(765) (180)	(945)
Accumulated depreciation at the end of year	15	(799) (253)	(1,037)

Property is specified as follows:

(SEK in millions)	Real estate	Buildings and land	Total
Acquisition cost at the beginning of year	17,802	1,674	19,476
Adjustment of acquisition value	(524)		(524)
Other additions	1,889	80	1,969
Disposals	(2,919)	(58)	(2,977)
Transfers		(38)	(38)
Translation differences	267	141	408
Acquisition cost at the end of year	16,515	1,799	18,314
Accumulated depreciation at the beginning of year	(475)	(302)	(777)
Disposals	122	39	161
Transfers		22	22
Translation differences	(11)	(41)	(52)
Current year depreciation	(335)	(58)	(393)
Accumulated depreciation at the end of year	(699)	(340)	(1,039)
Net book value at the beginning of year	17,327	1,372	18,699
Net book value at the end of year	15,816	1,459	17,275

Real estate relates to the commercial properties operated by the business area Stena Fastigheter. The total estimated market value for the real estate as of December 31, 2005 exceeds the net book value. Out of the net book value as of December 31, 2005 for real estate, SEK 14,152 million relates to Swedish properties, of which land was SEK 563 million. The tax assessment value for these properties amounted to SEK 13,027 million, out of which land was SEK 4,687 million. Out of the net book value as of December 31, 2004, SEK 15,602 million related to Swedish properties, of which land was SEK 2,164 million. The tax assessment value for these properties last year amounted to SEK 11,685 million, out of which land was SEK 4,166 million.

Buildings and land represent the group's assets used in its business including office buildings, ferry terminals etc.

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Note 12 Investment in VIEs

Since late 2002, the Company has invested in variable interest entities through the US company Canyon Capital. The VIEs have taken up bank loans and invested in various corporate loans and high yield bonds in the US capital market. The bank loans are secured by the purchased securities. As of 2005, Swedish GAAP has changed so that full consolidation of these VIEs has been necessary. The financial statements for 2004 have been restated accordingly. The full consolidation means that total income and cost together with total assets and liabilities are included in the Company's accounts. The minority share of the results is deducted in the income statement while the minority part of total equity is shown as a liability in the balance sheet. In 2004 the equity method of consolidation was used, whereby the Company's part of the results of the VIEs was accounted for in the income statement and the net investment as financial fixed assets in the balance sheet. See note 13 and 14.

Investments in a Collateral Debt Obligation ("CDO") and a Collateral Loan Obligation ("CLO") began in December 2002 and August 2003, respectively. The VIEs were in full operation at the end of 2003 and in June 2004, respectively. Another CLO was set up in October 2005, but is not yet in full operation. The minority shares amount to 13.7%, 15.4% and 5%, respectively.

The full consolidation of the VIEs as of December 31, 2005 has had the following impact:

(SEK in millions)	
Interest income	396
Interest expense	(199)
Other financial income and expense	(35)
Minority interest	(19)
Net income	143
Investment in VIEs	5,753
Short-term investments	316
Other assets	144
Total assets	6,213
Retained earnings	694
Net income	143
Total stockholders' equity	837
Minority interest	124
Debt in VIEs	4,844
Other debt	408
Total liabilities	5,252
Total stockholders' equity and liabilities	6,213

Short-term investments refer to cash and cash equivalents in the VIEs. This cash is not available to the Company and is therefore included as restricted cash.

Debt in VIEs refers to bank debt. These loans are secured by the underlying securities without any additional recourse to the Company.

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The underlying bank loans and bonds in the VIEs are recorded at market. Together with other strategic investments, unrealized gains and losses are recorded directly to stockholders' equity. See note 13.

Note 13 Marketable Securities

(SEK in millions)	Bonds	Strategic equity shares	Total
Opening balance	893	646	1,539
Valuation at market	12	272	284
Reclassification of investments in VIEs	(448)		(448)
Investment at the beginning of year	457	918	1,375
Additions	578	1,019	1,597
Disposals	(240)	(49)	(289)
Reclassification		(16)	(16)
Revaluation of financial instruments	13	462	475
Translation differences	44	109	153
Investment at the end of year	852	2,443	3,295

As of January 1, 2005, financial instruments are valued at market. In 2005, full consolidation of investments in VIEs has been made, that in 2004 partly were accounted for as marketable securities. See note 1, new accounting principles, and note 12 and 14. The accounts for previous years have been restated.

Shares with a book value of SEK 706 million as of December 31, 2005 have been pledged as security for bank debt. As of December 31, 2004, shares with a book value of SEK 755 million were pledged as security for bank debt.

Reclassification refers to shares in Arlington Tankers, that were included as short-term investments in 2004, and shares in Ballingslöv, that in 2005 have been accounted for as an affiliated company following further purchases of shares.

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Strategic equity shares include long-term investments in listed shares as follows:

(SEK in millions)	No. of shares	Book value
<i>Held by parent company</i>		
Bioinvent	2,240,000	27
Vitrolife	110,000	3
Total		30
<i>Strategic investments</i>		
Gunnebo AB	5,751,320	451
Gunnebo Industrier AB	1,191,327	140
Oriflame	500,000	115
Meda AB	4,545,270	300
Arlington Tankers Ltd	690,421	118
<i>Other investments</i>		
Lukoil RUS	131,000	62
Lukoil ADR	1,131,000	527
Neste Oil	343,000	77
Vallourec	27,800	122
Nat Oilwell	170,000	85
Rowan Inc	244,300	69
Schlumberger	90,000	69
Sberbank	4,850	51
HSBC Growth Fund		156
Jardine	470,000	39
Other		32
Total listed shares		2,443

Note 14 Other Noncurrent Assets

Other Noncurrent Assets

(SEK in millions)	Deferred tax assets	Other receivables	Shares	Deferred costs	Total
At the beginning of year	15	233	709	151	1,108
Reclassification of investments in VIEs			(275)	77	(198)
Investment at the beginning of year	15	233	434	228	910
Additions		39	161	150	350
Disposals	(15)	(30)	(4)		(49)
Revaluation			(5)		(5)
Amortization through the income statement ...				(57)	(57)
Re-classification	249	(5)		(31)	213
Translation differences		40	14	24	78
At the end of year	249	277	600	314	1,440

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Notes to consolidated financial statements — continued

In 2004, investments in VIEs were partly accounted for as other noncurrent assets but are now specified separately. See note 1 change of accounting principles and notes 12 and 13. The financial statements for 2004 have been restated accordingly.

Deferred tax assets relate to unutilized tax losses carried forward. Reclassification of deferred tax assets refers to netting against deferred tax liabilities. See note 19.

Other receivables as of December 31, 2005 include a loan to a related party of SEK 10 million.

Shares include investments in non-listed shares and associated companies.

Deferred costs include financing costs for Senior Notes, revolving credit facilities and capitalized lease obligations. All of these costs are amortized over the life of the borrowings.

Shares are specified as follows:

(SEK in millions)	No. of shares	Book value
<i>Held by parent company:</i>		
Alligator	1,004,445	21
Alligator, convertibles	708,889	3
Amplus	883,818	100
Prostalund	913,954	34
Ram one	113,292	108
Univits	3,088,670	2
		268
<i>Held by subsidiaries:</i>		
	% held	
Örgryte Bostads AB & Co KB	Sweden	3
Partrederiet SUST I DA	Norway 50%	54
Partrederiet SUST III DA	Norway 50%	62
Teekay Stena Storage A/S (USS)	Norway 50%	
Stena Teekay Shuttle Tanker Ltd (SUST)	Cayman Islands 50%	
Austen Maritime Services Pte Ltd	Singapore 50%	5
Schiphol Real Estate CV	Holland	173
Chase Private Equity Fund	Cayman Islands	28
RoRo Partners Ltd	Bermuda 49%	
Nordic Rio LLC	Marshall Islands 50%	7
Other shares		
Total non listed shares		600

Companies held between 20% and 50% are accounted for as other associated companies. The share of these companies' results is included in direct operating expenses. See note 5.

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Note 15 Short-term receivables

(SEK in millions)	As of December 31,	
	2004	2005
Trade debtors	953	2,092
Related parties (Note 29)	260	270
Other receivables	504	886
Total	764	1,156
Prepaid expenses	317	497
Accrued income	549	393
Total	866	890
Total short-term receivables	2,583	4,138

The total allowance for doubtful trade receivables was SEK 26 million as of December 31, 2004 and SEK 52 million as of December 31, 2005.

Note 16 Short-term Investments

(SEK in millions)	As of December 31,	
	2004	2005
Marketable debt and equity securities	1,008	1,856
Restricted cash	325	357
Total	1,333	2,213

Starting in 2005, marketable debt and equity securities are valued at market. See note 1 new accounting principles. The accounts for 2004 have been restated accordingly, thereby increasing the book value of marketable debt and equity securities by SEK 89 million. Certain marketable debt and equity securities amounting to SEK 819 million as of December 31, 2004 and SEK 1,179 million as of December 31, 2005 have been pledged as security for bank debt. See Note 25.

Restricted cash as of December 31, 2005 includes SEK 315 million of cash and cash equivalents in the VIEs, which is not available to the Company. As of December 31, 2004 such restricted cash amounted to SEK 249 million. Other restricted cash represents bank accounts that have been pledged to cover various long-term liabilities and commitments of the Company.

Note 17 Cash and Cash Equivalents

(SEK in millions)	As of December 31,	
	2004	2005
Cash	589	877
Short-term deposits	1,791	2,867
Total	2,380	3,744

Short-term deposits are defined as bank deposits that have original maturities of up to three months.

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Note 18 Stockholders' Equity

The authorized share capital of Stena AB consists of 200,000 ordinary shares with a par value of SEK 100 of which 50,000 shares have been issued and fully paid.

The changes in stockholders' equity for the period December 31, 2002 to December 31, 2005 are as follows:

(SEK in millions)	Capital stock	Restricted reserves	Unrestricted reserves	Net income	Total
Balance as of December 31, 2002	5	626	9,927	1,031	11,589
Change of accounting principles for financial instruments				34	34
Opening balance as of January 1, 2003	5	626	9,927	1,065	11,623
Allocation of last year's result			1,065	(1,065)	
Dividend paid			(60)		(60)
Transfer to charitable trust			(5)		(5)
Revaluation of financial instruments			500		500
Transfers between reserves		(11)	11		
Exchange differences		(32)	(541)		(573)
Net income				510	510
Balance as of December 31, 2003	5	583	10,897	510	11,995
Allocation of last year's result			510	(510)	
Change of accounting principles in 2004			(257)		(257)
Dividend paid			(70)		(70)
Transfer to charitable trust			(10)		(10)
Revaluation of financial instruments			(387)		(387)
Transfers between reserves		201	(201)		
Exchange differences		(21)	(190)		(211)
Net income				2,359	2,359
Balance as of December 31, 2004	5	763	10,292	2,359	13,419
Allocation of last year's result			2,359	(2,359)	
Dividend paid			(195)		(195)
Transfer to charitable trust			(30)		(30)
Change of accounting principles for pensions			(1,075)		(1,075)
Revaluation of financial instruments			303		303
Transfers between reserves		96	(96)		
Exchange differences		67	375		442
Net income				2,268	2,268
Balance as of December 31, 2005	5	926	11,933	2,268	15,132

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Restricted reserves include the equity part of untaxed reserves (net of applicable deferred taxes) and legal reserves.

Change of accounting principles in 2005 refers to valuation of financial instruments at market, full consolidation of investments in VIEs and accounting for certain pension liabilities, see note 1. Revaluation of financial instruments at market have been made as of December 31, 2002 after which the financial statements of 2003 and 2004 have been restated. Accounting for pension liabilities have been made as of October 1, 2005. See note 19. Change of accounting principles in 2004 refers to pension accounting and equity accounting of VIEs.

The board of directors of the Company has proposed that the stockholders approve at the forthcoming stockholders' meeting in 2006 a dividend of SEK 215 million and a transfer of SEK 25 million to the Sten A. Olsson Foundation for Culture and Science, established in October 1996 to make contributions to art and science projects. Since 1996, the Stena Sphere has contributed SEK 160 million to the foundation and further support to this charitable trust is anticipated when needed.

The exchange differences relate to the impact of fluctuations of foreign currencies, in particular €, GBP and USD. See note 1. As of December 31, 2005, accumulated exchange differences since January 1, 2002 amount to SEK (842) million. As of December 31, 2004, accumulated exchange differences since January 1, 2002 amounted to SEK (1,284) million.

Note 19 Provisions

(SEK in millions)	Deferred income taxes	Provisions for pensions	Other provisions	Total
Opening balance	2,097	399		2,496
Change of accounting principles for financial instruments	82			82
Opening balance as of January 1, 2005	2,179	399		2,578
Change of accounting principles for pensions	(461)	1,536		1,075
Provisions in companies acquired			46	46
Adjustment of acquisition value	(524)			(524)
Reclassification	249			249
Payment of pension fees and benefit paid		(136)		(136)
Other provisions		(14)		(14)
Changes in noncurrent assets		23		23
Transfers through income statement	85	50		135
Exchange differences	(11)	24		13
Closing balance	1,517	1,882	46	3,445

Provisions for pensions have increased in connection with a change in accounting principles related to a pension scheme in the United Kingdom. See note 1 and below. Deferred taxes related to this as well as to the introduction of new accounting principles for financial

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instruments have adjusted the opening balance for deferred taxes while changes in the year are included in the income statement. Other provisions relate to companies acquired by Stena Adactum.

The net deferred tax liability of the Company consists of the following:

(SEK in millions)	As of December 31,	
	2004	2005
Deferred tax liabilities:		
Tangible fixed assets	2,632	2,092
Financial fixed assets	68	206
Provisions	78	
Other	114	91
Total deferred tax liabilities	2,892	2,389
Deferred tax assets:		
Tangible fixed assets	90	136
Tax loss carryforwards	1,647	1,182
Financial fixed assets	144	77
Provisions	164	306
Less deferred tax assets not recognized	(1,317)	(580)
Total deferred tax assets recognized	728	1,121
Net deferred tax liability	2,164	1,268
Out of which:		
Deferred tax assets (note 14)	15	249
Deferred tax liabilities	2,179	1,517

Deferred taxes have been calculated net on a country basis. Net deferred tax assets are shown as Other noncurrent assets. Deferred taxes have not been provided on the undistributed earnings of subsidiaries because such earnings are not taxed or expected to be remitted in the foreseeable future.

The Company's tax loss carryforwards are as follows:

(SEK in millions)	As of December 31,	
	2004	2005
Sweden	1,655	1,989
Rest of the world	3,967	2,707
Total	5,622	4,696

Most tax loss carryforwards can be carried forward indefinitely. Tax loss carryforwards of SEK 354 million expire between 2006 and 2011.

Provisions for pensions and other provisions

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations

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and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans; that is, the obligations remain within the Company. Costs and obligations at the end of a period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. Defined benefits plans relate mainly to subsidiaries in the UK operations. Other large-scale defined benefit plans apply for salaried employees in Sweden (mainly through the Swedish PRI pension plan) and employees in The Netherlands.

Provisions for pensions have increased in connection with a change in accounting principles related to pensions in the United Kingdom. In 2004, these funds were reported as contingent liabilities. See note 1 new accounting principles.

The following tables disclose information about defined benefit plans. The information refers to assumptions applied for actuarial calculations, periodical costs and the value of obligations and plan assets at year-end. The tables also include a reconciliation of obligations and plan assets during the year and the difference between fair values and carrying amounts reported on the balance sheet date.

	Sweden		Great Britain		Other Europe	
	2004	2005	2004	2005	2004	2005
Assumptions applied for actuarial calculations %						
Discount rate	5.00	3.50	4.75	5.00	5.25	4.25
Expected return on plan assets	—	—	4.25	7.50	7.10	4.50
Expected salary increases	3.00	3.25	3.50	3.75	3.75	3.85
Pension costs (SEK in millions)						Total
Current service costs						53
Interest costs						149
Expected return on plan assets						(154)
Actuarial gains and losses						2
Pension costs for defined benefit plans						50
Pension costs for defined contribution plans						231
Total pension costs						281

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Provision for pensions, net (SEK in millions)	Sweden	Great Britain	Other Europe	Total
Closing balance, December 31, 2004	104	295	(12)	387
Change of accounting principles	(1)	1,536	1	1,536
Opening balance, October 1, 2005	103	1,831	(11)	1,923
Current service costs	5	41	7	53
Interest costs	9	135	5	149
Expected return on plan assets	(5)	(144)	(5)	(154)
Actuarial gains and losses	1	1		2
Exchange differences		23	1	24
Payment of pension fees from the company	(7)	(90)	(6)	(103)
Benefit paid	(3)	(29)	(1)	(33)
Other provisions	(13)	(1)		(14)
Provisions for pensions, net, December 31, 2005	90	1,767	(10)	1,847
Obligations in defined benefit plans	126	9,125	135	9,386
Fair value of plan assets	(36)	(7,729)	(135)	(7,900)
Net obligation before adjustments	90	1,396		1,486
Unrecognized (gains) and losses		371	(10)	361
Provision for pensions, net, December 31, 2005	90	1,767	(10)	1,847
whereof reported as				
Other non-current assets	(25)		(10)	(35)
Provision for pensions	115	1,767		1,882

Plan assets consist of equities (54%), bonds (38%) and other assets (8%).

Note 20 Bank Debt

(SEK in millions)	2004 Total	2005 Current	2005 Noncurrent	2005 Total
Property loans	11,749	138	11,073	11,211
Other loans	1,301	267	1,381	1,648
Revolving credit facilities	4,143		6,753	6,753
Other utilized bank credit lines	446	429	566	995
	17,639	834	19,773	20,607

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Repayment of bank debt:

(SEK in millions)	Property loans	Other loans	Total
2006	138	696	834
2007	144	269	413
2008	399	484	883
2009	160	109	269
2010	477	108	585
2011 and thereafter	9,677	7,111	16,788
Not specified	216	619	835
Total	11,211	9,396	20,607

Property loans consist principally of bank mortgage loans on real estate, buildings and land in the Company's real estate business segment. These loans are denominated in SEK and € and with maturities through 2011 and beyond. Other loans consist of long-term bank loans used to finance the acquisition of vessels and other assets. They are denominated in USD, GBP, € and SEK and with maturities through 2011 and beyond.

Since December 2004, the Company has a revolving credit facility of \$1 billion. The facility was renegotiated in January 2006 and extended to January 2013. Obligations under the facility are secured mainly by mortgages on certain vessels and rigs. Borrowings under the facility bear interest at a rate based on LIBOR plus an applicable margin based on the utilization of the facility. The facility imposes certain covenants regarding levels of working capital, cash and cash equivalents and interest coverage ratio. As of December 31, 2005, the utilized portion of the facility was \$859 million, of which \$849 million was actually drawn and \$10 million used for issuing of bank guarantees. As of December 31, 2004, the utilized portion of the facility was \$638 million, of which \$627 million was actually drawn and \$11 million used for issuing of bank guarantees. As of December 31, 2005 the Company had SEK 700 million in other unutilized, mainly uncommitted overdraft facilities and other similar lines of credit, as compared to SEK 859 million as of December 31, 2004.

"Not specified" includes borrowings and utilized credit lines for properties and vessels that have formal repayment dates in 2006. These loans have been classified as long-term because it is the intention of the Company to refinance these loans on a long-term basis.

Regarding pledged assets, see note 25.

Note 21 Senior Notes

Since 1995, the Company is partly financed by Senior Notes issued in the US. The notes issued in 1995 and 1997 were redeemed in 2003. In November 2002, the Company issued \$200 million of notes at an interest rate of 9.625% with maturity on December 1, 2012. As of December 31, 2005, the Company had repurchased approximately \$17.7 million aggregate principal amount of these notes, of which \$5.6 million as purchased in 2005. In December 2003, the Company issued \$175 million of notes at an interest rate of 7.5% with maturity on November 1, 2013. In November

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2004, the Company issued \$250 million of notes at an interest rate of 7.0% with maturity on December 1, 2016. As of December 31, 2005, total Senior Notes amounted to \$607 million. As of December 31, 2004, total Senior Notes amounted to \$613 million.

The Senior Notes are unsecured obligations of Stena AB and rank pari passu in right of payment with the Company's other unsubordinated indebtedness and senior in right of payment to all subordinated indebtedness of the Company. The Senior Notes indentures contain certain covenants with respect to, among others, the following matters: (i) limitations on consolidated and subsidiary debt and preferred stock; (ii) limitations on restricted payments and investments; (iii) limitations on restrictions concerning transfers and distributions by subsidiaries, limitations on certain asset distributions and other items.

Note 22 Leases

Company as lessee:

The operating lease obligations include chartering of crude oil tankers on a timecharter basis, chartering of ferries principally on a bareboat basis, as well as obligations related to rentals of properties and ports.

Rental expense for operating leases were as follows:

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Rental expense	1,358	1,807	2,619

Two RoPax vessels and two tankers are leased under capital leases. The gross amount of vessels under capital leases as of December 31, 2004 and 2005 amounted to SEK 1,680 million and SEK 1,832 million, respectively. The net book value related to these capital leases amounted to SEK 1,508 million as of December 31, 2004 and SEK 1,550 million as of December 31, 2005.

As of December 31, 2005 the future minimum lease commitments under noncancellable operating leases and capital leases were as follows:

(SEK in millions)	Operating leases	Capital leases
2006	2,765	40
2007	1,897	40
2008	1,243	41
2009	753	41
2010	542	42
2011 and thereafter	1,566	1,161
Total minimum lease commitments	8,766	1,365

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Company as lessor:

The Company leases properties and certain vessels to third parties under operating leases. The cost, accumulated depreciation and net book value of these assets held for lease as of December 31, 2005 was as follows:

(SEK in millions)	Cost	Accumulated depreciation	Net book value
Vessels	12,979	4,876	8,103
Real estate	17,044	699	16,345
Total	30,023	5,575	24,448

As of December 31, 2005 the future minimum rentals to be received under noncancellable operating leases were as follows:

(SEK in millions)	Vessels	Real estate	Total
2006	3,323	837	4,160
2007	1,922	527	2,449
2008	1,418	362	1,780
2009	1,418	212	1,630
2010	291	138	429
2011 and thereafter	892	119	1,011
Total minimum lease rentals	9,264	2,195	11,459

The amounts in the table above exclude amounts from the Company's portfolio of residential rental properties since those lease agreements are generally cancellable within three months.

Note 23 Other Noncurrent Liabilities

(SEK in millions)	As of December 31,	
	2004	2005
Prepaid income	56	52
Other liabilities	87	234
Total	143	286

Prepaid income as of December 31, 2005 includes SEK 41 million relating to the net proceeds of a financial charter agreement entered into in 1997/1998 and which is amortized over the remaining charter period. As of December 31, 2004, these net proceeds amounted to SEK 44 million.

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Repayment of noncurrent liabilities is required according to the following schedule:

(SEK in millions)	1-3 years	3-5 years	More than 5 years	Total
Prepaid income	16	11	25	52
Other liabilities	170	19	45	234
Total	186	30	70	286

Note 24 Accrued Costs and Prepaid Income

(SEK in millions)	As of December 31,	
	2004	2005
Accrued costs	1,703	2,188
Prepaid income	301	360
Total	2,004	2,548

Note 25 Pledged Assets, Commitments and Contingent Liabilities

Pledged assets

The following assets have been pledged as securities for bank debt:

(SEK in millions)	As of December 31,	
	2004	2005
Mortgages on vessels	13,648	14,472
Mortgages on properties	13,689	13,535
Chattel mortgages	10	412
Investment in affiliated companies	122	302
Marketable securities	755	706
Short-term investments	819	1,179
Reservation of title		52
Total assets pledged for normal bank debt	29,043	30,658
Investment in VIEs	4,440	5,753
Total assets pledged for bank debt	33,483	36,411
Normal bank debt and capitalized lease obligations	18,936	21,972
Debt in VIEs	3,925	4,844
Total bank debt and capitalized lease obligations	22,861	26,816

In addition, certain insurance policies have also been pledged to cover various liabilities and commitments.

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Commitments

Future minimum lease commitments relating to operating leases of vessels, ports etc amount to SEK 2,765 million for 2006 and SEK 6,001 million from 2007. See note 22.

As of December 31, 2005, a total of five vessels are included as newbuildings under Construction in progress. See note 11. The total contract amount for these vessels amounts to SEK 5,663 million. Yard payments of SEK 1,221 million have been made in respect of these contracts.

Contingent liabilities

(SEK in millions)	As of December 31,	
	2004	2005
Guarantees	2,559	2,074
Pension liabilities	1,166	
Other contingent liabilities	179	159
Total	3,904	2,233

Guarantees mainly refer to newbuilding projects and capital leases.

Certain pension liabilities for employees on board vessels in UK ferry operations were accounted for as contingent liabilities in 2004. New information was released for these defined benefit plans in 2005. As of October 1, 2005, these liabilities have therefore been recorded as pension liabilities in the balance sheet. See note 1, new accounting principles.

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Note 26 Consolidated statements of cash flows

Purchase of subsidiaries

(SEK in millions)	As of December 31,	
	2004	2005
<i>Assets and liabilities acquired:</i>		
Intangible assets	121	390
Tangible fixed assets	11,226	9
Financial fixed assets	10	5
Inventories	75	49
Current receivables	345	344
Cash and cash equivalents	18	59
Total assets	11,795	856
Provisions	1,564	5
Long-term debt	58	3
Current liabilities	6,774	260
Total provisions and liabilities	8,396	268
Minority interest	25	1
Total consideration	3,374	587
Less: Provision	(26)	(10)
Purchase price paid	3,348	577
Less: Cash acquired	(18)	(59)
Reduction of cash and cash equivalents	3,330	518

In 2004, companies were acquired and subsequently sold at a value of SEK 587 million. This has not affected the balance sheet and is therefore not included above.

Cash payments

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Interest	840	1,053	1,430

Note 27 Financial Instruments and Risk Management

The Company has operations and assets in a number of countries in and outside of Europe. Consequently, the Company's profits and revenues are affected, when measured in SEK, by fluctuations in currency exchange rates, primarily relative to the US dollar, the Euro and the British pound sterling. When the SEK appreciates against other currencies, the Company's profit from foreign operations, reported in SEK, may decrease. Likewise, when the SEK declines against other currencies, the Company's profit from foreign operations reported in SEK may increase. The Company also has exposure to market risks from changes in interest rates. Certain financial

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instruments are used by the Company to manage these foreign currency and interest rate risks as summarized below. The Company also maintains trading positions in a variety of financial instruments unrelated to its risk management activities which are also discussed below.

Notional Amounts and Credit Exposure

The notional amounts of derivative financial instruments presented in this Note represent face or contractual amounts and are therefore not a measure of the exposure of the Company through its use of such financial instruments. The actual amounts exchanged are calculated on the basis of the notional amounts and the other terms of the financial instruments which relate to interest rates, exchange rates, oil prices, security prices, or financial and other indexes.

The Company is exposed to credit related losses in the event that counterparties to the derivative financial instruments do not perform according to the terms of the contract. In the opinion of management, the counterparties to the financial instruments are creditworthy financial institutions and other parties and the Company does not expect any significant loss to result from nonperformance. The Company, in the normal course of business, does not demand collateral. The credit exposure of interest rate and foreign exchange contracts is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting arrangements.

Interest Rate Risk Management

The Group uses various financial instruments to manage its interest rate risk as summarized in the table below:

(SEK in millions)	As of December 31,			
	2004 Notional Amount	2004 Credit Exposure	2005 Notional Amount	2005 Credit Exposure
Interest rate swaps	4,548	—	6,412	58
Interest rate options	2,684	2	1,541	5
Total	7,232	2	7,953	63

The extent of the utilization of interest rate products is determined by reference to the Company's net exposure of its debt subject to interest rate risk and management's views regarding future interest rates. The Company uses interest rate instruments in order to achieve a desired interest rate and risk profile on a portfolio of debt. The interest rate contracts as of December 31, 2005 are part of an interest rate hedge strategy whereby the Company hedges the loan portfolio related to its assets. These contracts run on a consecutive basis to hedge the loan portfolio for a period of between 1 and 5 years. The amount of the loan portfolio hedged was SEK 12,183 million as of December 31, 2005. The borrowings in this debt portfolio are denominated primarily in USD, € and SEK and have maturity dates ranging from 2006 to 2011 and onwards. As of December 31, 2005, the interest rates ranged from 2.00% to 9.63%.

Interest rate swap agreements allow the Company to synthetically adjust floating rate receivables or borrowings into fixed rates or vice versa. Under the interest rate swaps, an agreement is made

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with a counterparty to exchange, at specified intervals, the difference between fixed rate and floating rate interest, (such as the London, Stockholm or Amsterdam Inter-bank Offered Rate or LIBOR, STIBOR and AIBOR respectively), calculated by reference to an agreed notional principal amount.

The Company uses interest rate swaps in order to achieve a desired interest rate on a portfolio of debt. The contractual terms of the interest rate swaps are determined by the management based upon assessment of several factors such as the prediction of future interest rates, the maturity and currency of the underlying debt portfolio, the cost of the interest rate swap and other factors.

The Company also uses interest rate options to reduce the impact of changes in interest rates on its net interest rate exposure. Interest rate futures are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Interest rate options grant the purchaser, for a premium payment, the right to either purchase from or sell to the writer a financial instrument under agreed terms. The writer of the option receives a premium for bearing the risk of adverse interest rate movements. Interest rate options are used when the rates available to the Company under swap agreements are too high relative to management's views of the level of future interest rates.

The Company has used interest rates swaps and interest rate options to hedge a portion of interest rate risk on debt financing real estate properties and vessels. The following tables summarize the Company's interest rate swaps and options:

Interest rate swaps

As of December 31, 2004:	Notional amount SEK in millions	Currency	Receive rate/ Strike rate	Pay rate	Strike rate %	Maturity
	700	SEK	3 month STIBOR		4.6	June 2006
	418	€	6 month EURIBOR	6 month EURIBOR+168 bp		August 2005-September 2009
	102	€	5.52	6 month EURIBOR+1.19 bp		December 2012
	573	GBP	3 month LIBOR	5.5 first 7 years		January 2028
	441	GBP	3 month LIBOR	3 month LIBOR ¹⁾		May 2028
	661	USD	3 month LIBOR	2.83 - KO 6.5		June 2008
	992	USD	3 month LIBOR	3.005 -3.09 Knock Out at 6.5		September 2008
	661	USD	9.63	3 month LIBOR+4.9925%		December 2012
Total	4,548					

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As of December 31, 2005:	Notional amount SEK in millions	Currency	Receive rate	Pay rate	Strike rate %	Maturity
	700	SEK	3 month STIBOR		4.6	June 2006
	371	€	6 month EURIBOR	6 month EURIBOR+168 bp		August 2005-September 2009
	106	€	5.52	6 month EURIBOR+1.19 bp		December 2012
	604	GBP	3 month LIBOR	5.5 first 7 years		January 2028
	448	GBP	3 month LIBOR	3 month LIBOR ¹⁾		May 2028
	795	USD	3 month LIBOR	2.83 - KO 6.5		June 2008
	1,193	USD	3 month LIBOR	3.005 -3.09 Knock Out at 6.5		September 2008
	795	USD	9.63	3 month LIBOR+4.9925%		December 2012
	200	SEK	1.72	3.25		November 2010
	1,200	SEK	1.70-1.72	3.23-3.63		November 2015
Total	6,412					

1) Swap to convert cashflows of the underlying lease obligations to an annuity profile.

Interest rate options

As of December 31, 2004:	Notional amount SEK in millions	Currency	Receive rate	Pay rate %	Maturity
	1,800	SEK	3 month STIBOR	5.60-5.75	October 2005-June 2006
	135	€	6 month EURIBOR	5.75	September 2005
	342	€	6 month EURIBOR	5.5	September 2008
	90	€	3.25	6 month EURIBOR	December 2009
	317	USD	3 month LIBOR	payrate 5.0	February 2005-June 2005
Total	2,684				

As of December 31, 2005:	Notional amount SEK in millions	Currency	Receive rate	Pay rate	Strike rate %	Maturity
	700	SEK	3 month STIBOR		5.60	June 2006
	94	€	6 month EURIBOR		3.25	March 2010
	371	€	6 month EURIBOR		5.5	September 2008
	376	€	3.25	6 month EURIBOR		January-October 2010
Total	1,541					

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The following tables are a summary by major currency of the portfolio of debt in respect of which the Company utilizes interest rate swaps and options:

As of December 31, 2004:	Currency	Amount (SEK in millions)	Maturity	Interest rates %
	SEK	2,519	September 2005 - October 2005	2.46-6.39
	€	1,415	September 2005 - May 2028	2.15-5.52
	USD	5,357	January 2005 - December 2012	3.14-9.63
	GBP	575	January 2028	6.29
Total		9,866		

As of December 31, 2005:	Currency	Amount (SEK in millions)	Maturity	Interest rates %
	SEK	1,402	January 2006 - June 2006	2.00-4.325
	€	1,907	January 2006 - May 2028	1.45-2.84
	USD	8,271	January 2005 - December 2012	4.89-9.63
	GBP	604	January 2028	6.04
Total		12,184		

In addition to interest instruments as above, the VIEs investing in different securities, see note 12, have also entered into certain hedging instruments. To reduce the potential negative effects from changes in the USD interest rate level on the value of the underlying bond portfolios, interest rate swaps have been entered into at a volume equal to the underlying fixed rate bonds.

The following table summarizes interest rate swaps entered into for this purpose:

As of December 31, 2005:	Currency	Amount (SEK in millions)	Receive rate	Pay rate %	Maturity
swap	USD	1,455	6m Libor	4.85	May 2010
swap	USD	318	3m Libor	5.03	October 2015

The same contracts were also outstanding as of December 31, 2004.

Foreign Currency Risk Management

The Company is exposed to the risk of fluctuations in foreign currency exchange rates due to the international nature and scope of its operations. A substantial portion of the Company's revenues and expenses are denominated in US dollars. The Company's foreign currency risk arises from:

- fluctuations in exchange rates on the value of the Company's sales and purchases in foreign currencies (transaction exposure)

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- certain financial assets and liabilities when converting such balances to each company's functional currency (translation exposure)
- the Company's investment in foreign subsidiaries' net assets (equity exposure)

The Company's policy is to hedge a substantial part of its transaction exposure from future cash flows from firm commitments such as charter vessel contracts as well as anticipated bunker fuel payment obligations. All realized and unrealized gains and losses of hedges of transaction exposures are deferred and recognized in the period the hedged cash flows are received. Management also regularly reviews the Company's assets and liabilities which are denominated in foreign currencies and determines the net amount that is subject to risk of adverse foreign currency fluctuations. The Company's policy is to hedge its translation risk on its net exposures, using foreign exchange contracts.

The Company primarily uses forward exchange contracts and, to a lesser extent, purchased currency options and currency swaps to manage its foreign currency risk.

The following table presents the notional amounts and credit exposure of financial instruments used for foreign currency risk management as of December 31 each year:

(SEK in millions)	2004 Notional amount	2004 Credit exposure	2005 Notional amount	2005 Credit Exposure
Foreign exchange forward contracts	6,734	—	8,896	59
Foreign exchange options	1,436	96	2,094	86

The following table summarizes by major currency the contractual net amounts of the Company's forward exchange and option contracts in Swedish kronor. Foreign currency amounts are translated at rates current at the reporting date. The 'buy' amounts represent Swedish kronor equivalent of commitments or options to purchase foreign currencies, and the 'sell' amounts represent the Swedish kronor equivalent of commitments or options to sell foreign currencies. The forward exchange contracts and currency swaps described in the table below are used by the Company (i) to manage its foreign currency transaction and translation risk with respect to future cash flows from firm charter vessel contracts and anticipated payments for bunker fuels and (ii) to manage its translation risk from net financial assets and liabilities in foreign currencies. The cash flows from the charter vessel contracts are denominated primarily in USD, euro and GBP whereas payments for bunker fuels are denominated in USD. The Company's borrowings are primarily funded in USD but hedged to the desired effective borrowing currency.

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(SEK in millions)	2004 Buy	2004 Sell	2005 Buy	2005 Sell
USD	1,907	—	—	1,416
NOK	424	282	512	480
SEK	—	3,052	—	1,919
DKK	—	378	—	384
€	2,956	723	4,767	564
GBP	54	906	469	934
JPY	—	—	—	27
OTH	—	—	119	143
Total	5,341	5,341	5,867	5,867

Fuel risk management

The Company seeks to reduce its risk from changes in the price of bunker fuel, primarily related to the Ferry operations, through a combination of swaps and options. The vessels of the ferry division have an annual consumption of bunker of 350,000 tons of fueloil and 225,000 tons of gasoil. These amounts summarize to an annual volume of about 4 millions barrels. A substantial part of this is hedged on a consecutive basis. All contracts are settled monthly with volume corresponding to the underlying consumption. The following table presents the notional amounts and credit exposure of financial instruments used for fuel risk management as of December 31 each year.

(SEK in millions)	2004 Notional amount	2004 Credit exposure	2005 Notional amount	2005 Credit Exposure
Bunker fuel swaps	3,857	684	1,604	1,822
Bunker fuel options	39	62	389	—

Freight rate management

The Company seeks to reduce its risk from changes in the price of tanker freight rates through the use of Freight Forward Agreements. The Company enters into hedge contracts for a portion of the expected freight volume for a period of up to 12 months. The following table presents the notional amounts and credit exposure of financial instruments used for freight rate management as of December 31 each year:

(SEK in millions)	2004 Notional amount	2004 Credit exposure	2005 Notional amount	2005 Credit Exposure
OTC traded swaps	33	2	10	—

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Trading activities

The Company also buys and sells certain types of derivative financial instruments with the objective of generating profits based on short-term differences in price. Such financial instruments that are not used in the Company's program of interest rate and foreign currency risk management are referred to as 'trading' for purposes of this disclosure. All trading instruments are subject to the market risk; that future changes in market conditions may reduce the value of an investment. The Company is a party to a variety of interest rate and foreign currency contracts in its trading activities. A summary of the results of the Company's trading activities on derivative financial instruments is shown below.

(SEK in millions)	2004 Net gains (losses)	2004 Notional amount	2005 Net gains (losses)	2005 Notional amount
Forward exchange contracts	(1)	—	1	169
Currency options written	9	—	19	159
Currency options bought	—	33	(5)	80
Interest swaps	—	—	7	249
Total currency trading	8	33	22	657

Quoted market prices are used as the fair values of financial instruments used or held for trading purposes. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models or quoted prices for financial instruments with similar characteristics.

Concentrations of credit risk

Credit risk represents the accounting loss that would be recognized at each reporting date if counterparties to contracts failed to perform as agreed. Concentrations of credit risk, whether on or off balance sheet, arise from financial instruments for groups of customers or counterparties when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions or other conditions. The Company does not have a significant exposure to any individual customer or counterparty or significant concentrations of credit risk except in the case of positive value relating to the commodity contracts. In these cases the counterparty risk is reduced by received cash collaterals.

Fair value of financial instruments

FASB Statement No. 107, 'Disclosures about Fair Value of Financial Instruments,' requires the disclosure of estimated fair values for all financial instruments, both on- and off-balance sheet, for which it is practicable to estimate fair value. The Company has used a variety of methods and assumptions, which were based on market conditions and risks existing at the time, to estimate the fair value of the Company's financial instruments as of December 31, 2004 and 2005. For certain instruments, including cash and cash equivalents, accounts payable and accruals, and

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short-term debt, it was assumed that the carrying amount approximated fair value due to the short maturity of those instruments. Quoted market prices or dealer quotes for the same or similar financial instruments were used to estimate the fair value for marketable securities, long-term investments and long-term debt. Other techniques, such as estimated discounted cash flows or replacement cost have been used to determine fair value for the remaining financial instruments. The estimated fair value of the Company's off-balance sheet financial instruments are primarily based on settlement values. These values represent the estimated amount that would be received or paid in the event of termination of the contract taking into consideration the current interest rates, the credit worthiness of the counterparties, and current foreign currency exchange rates.

(SEK in millions)	2004 Carrying value	2004 Fair value	2005 Carrying value	2005 Fair value
<i>Liabilities</i>				
Senior Notes	4,088	4,254	4,821	4,776
<i>Derivative financial instruments Held for trading purposes</i>	—	—	—	(2)
<i>Held for purposes other than trading:</i>				
Interest rate risk management:	(40)	(40)	63	63
Foreign currency risk management:	19	19	145	145
Bunker risk management:	—	746	—	1,822

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Note 28 Personnel

The following table presents the average number of employees of the Company.

	2004 Total	No. of females	2005 Total	No. of females
<i>Parent Company:</i>				
Board, CEO, Executive vice president	3		3	
Other employees	10	3	10	3
Subsidiaries in Sweden	3,429	1,366	3,788	1,602
Total Sweden	3,442	1,369	3,801	1,605
<i>Subsidiaries outside of Sweden:</i>				
Great Britain	1,621	491	1,612	459
The Netherlands	728	137	743	131
Denmark	188	122	170	109
Ireland	100	33	95	36
Norway	73	39	90	49
Poland	46	31	47	32
Switzerland	5	1	4	1
Spain			71	16
Russia	2		4	1
China			20	2
Singapore			6	1
Korea			13	1
United States	22	5	23	6
India	35	12	70	36
Other	4		16	3
Shipborne employees	879	5	893	6
Total outside of Sweden	3,703	876	3,877	889
Total group	7,145	2,245	7,678	2,494

Shipborne employees refers to drilling and shipping activities, which are performed world wide. For Ferry operations (Stena Line), such persons have been allocated by country. The total number of shipborne employees in Stena Line in 2005 was 3,508 as compared to 3,528 in 2004.

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The following tables present the wages, salaries and other remuneration of the employees of the Company.

	2004			2005		
(SEK in millions)	Board and CEO	Other Employees	Total	Board and CEO	Other employees	Total
Parent Company	6	11	17	7	18	25
Subsidiaries in Sweden	33	886	919	30	1,014	1,044
Total Sweden	39	897	936	37	1,032	1,069
<i>Subsidiaries outside of Sweden:</i>						
Great Britain	18	522	540	19	558	577
The Netherlands	5	243	248	8	254	262
Denmark	1	66	67	2	68	70
Ireland		34	34		34	34
Norway		28	28	1	40	41
Poland	1	6	7		6	6
Switzerland	4	6	10	9	2	11
Spain				1	21	22
Russia		3	3		5	5
China					5	5
Singapore				1	1	2
Korea					3	3
United States	3	27	30	3	24	27
India		1	1		3	3
Other		4	4		11	11
Shipborne employees		376	376		461	461
Total outside of Sweden	32	1,316	1,348	44	1,496	1,540
Total group	71	2,213	2,284	81	2,528	2,609

Total personnel costs		2004			2005	
(SEK in millions)	Parent company	Subsidiaries	Total	Parent company	Subsidiaries	Total
Wages, salaries and other remuneration	17	2,267	2,284	24	2,584	2,608
Pension costs	5	298	303	12	269	281
Other social charges	7	297	304	10	371	381
Total	29	2,862	2,891	46	3,224	3,270

For Swedish-flagged vessels employed in international shipping activities, the Company has received a subsidy equal to all social security costs and income taxes payable by the employers on behalf of employees working on board such vessels. The amount of this subsidy in 2005 was SEK 424 million, out of which SEK 402 million relates to ferry operations. In 2004, the amount of the subsidy was SEK 420 million, out of which SEK 406 million relates to ferry operations. The amounts received have reduced personnel costs.

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Remuneration of chief executives

Salaries of SEK 10 million were paid to the Chief Executive Officer and the Executive Vice President in 2005 and SEK 9 million in 2004. The corresponding pension charges amounted to SEK 5 million in 2005 and SEK 3 million in 2004. The Chief Executive Officer and the Executive Vice President have retirement conditions allowing retirement from 60 years of age with a salary of 65% of the salary then in effect. The period of notice of termination for the Company is 12 and 24 months, respectively. Severance pay amounts to a maximum of 24 months salary. The board members of Stena AB were paid SEK 0.158 million in 2005, out of which SEK 0.030 million was paid to the Chairman of the board and SEK 0.015 million was paid to each of the Chief Executive Officer and the Executive Vice President. In 2004, the board members of Stena AB were paid SEK 0.150 million, out of which SEK 0.030 million was paid to the Chairman of the board and SEK 0.015 million was paid to each of the Chief Executive Officer and the Executive Vice President.

Note 29 Related Party Transactions

The Company has entered into certain transactions with other companies in the Stena Sphere, which includes the companies wholly owned by the Sten Allan Olsson family in Sweden, Stena Sessan AB ("Sessan") and Stena Metall AB ("Stena Metall") and their subsidiaries. Another significant company within the Stena Sphere is Concordia Maritime AB ("Concordia") which is 52% owned by Sessan. Shares in Concordia are listed on the Stockholm Stock Exchange. The significant transactions between the Company and its affiliates are described below.

Concordia

Concordia and the Company, through Stena Bulk AB ("Stena Bulk"), a wholly owned subsidiary of the Company, are parties to an allocation agreement (the "Allocation Agreement") pursuant to which Concordia may elect to participate 100%, 50% or 0% in business opportunities identified by Stena Bulk relating to the chartering of crude oil tankers. No 50% agreements were made in 2004 or 2005. The net outcome of the agreement including results on forward contracts was a loss of SEK 5 million in 2003, a loss of SEK 1 million in 2004 and a loss of SEK 1 million in 2005.

The Company provides certain services to Concordia such as administration, marketing, insurance and technical support for Concordia's owned and chartered vessels, including administration of jointly chartered vessels, office and office services for Concordia's personnel and certain financial and other services. The Company earned fees equal to SEK 19 million, SEK 17 million and SEK 13 million in 2003, 2004 and 2005, respectively, for these services.

Concordia has, through its subsidiary Universe Tankships Ltd, provided ship management services to the Company. The Company paid fees equal to SEK 2 million and SEK 3 million in 2003 and 2004, respectively, for these services. In August 2004, the Company acquired Universe Tankships Ltd from Concordia at market price.

Sessan

Since June 1999, the Company has served as the business manager for Sessan for its 50% participation in a Norwegian partnership that owns the shuttle tanker *Stena Sirita* that is

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chartered pursuant to a 10-year contract to ESSO Norway. In 2003, the Company also became the business manager for Sessan for its 50% participation in the shuttle tanker *Stena Spirit* that is chartered pursuant to a 15-year contract to Petrobras in Brazil. The Company earned total fees of SEK 1 million in each of the years 2003, 2004 and 2005 for these services.

In 2001 and 2002, Sessan acquired all the shares in the shipping company HH Ferries in the south of Sweden. The acquisition was partly financed by an interest bearing credit facility from the Company. As of December 31, 2005, DKK 211 million was outstanding under this facility, the same as of December 31, 2004.

In December 2002, the Company sold to Sessan the remaining 50% of the RoPax vessel *Stena Jutlandica*. Sessan acquired the first 50% of this vessel from the Company in 1996. The vessel is chartered back as an operating lease, for which the Company paid charterhires of SEK 61 million for each of the years 2003, 2004 and 2005, respectively.

In 2003, the Company granted an interest bearing loan of SEK 10 million to Sessan to finance the acquisition of shares in an unrelated company. This loan was still outstanding as of December 31, 2005.

Sessan has invested in shares in the Swedish company Meda AB ("Meda"). In 2005, a new share issue in Meda was guaranteed by the Company. In connection with the new issue, the Company purchased shares in Meda (see note 13). Sessan has the option to buy these shares at a price of 10% above the price paid by the Company.

Stena Metall

The Company purchases a substantial part of its bunker fuel from Stena Metall. Such purchases aggregated SEK 749 million, SEK 726 million and SEK 1,127 million in 2003, 2004 and 2005, respectively.

In connection with the delivery from the shipyard in March 2004 of the RoRo vessel *Stena Freighter*, the vessel was sold to Stena Metall and chartered back on a long-term operating lease. The Company paid charterhire to Stena Metall for this vessel of SEK 18 million and SEK 22 million in 2004 and 2005, respectively. In May 2004, the Company also chartered the RoRo vessel *Stena Nordica* from Stena Metall and paid charterhire of SEK 28 million and SEK 41 million in 2004 and 2005, respectively.

The Company provides management and other services to Stena Metall. The Company received SEK 1 million in each of the years 2003, 2004 and 2005 for these services.

Olsson family

The Company rents office space from members of the Olsson family. In 2003, 2004 and 2005, the Company paid SEK 28 million, SEK 28 million and SEK 29 million, respectively, in respect of such properties.

The Company manages certain properties owned by members of the Olsson family. In 2003, 2004 and 2005, members of the Olsson family paid the Company SEK 10 million, SEK 11 million and SEK 13 million, respectively, for such management services.

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The Company has agreed to pay Sten A. Olsson and Dan Sten Olsson an annual indexed retirement benefit for life.

In 2004, the Company acquired properties in Sweden, that were subsequently sold to the Olsson family at a value of SEK 587 million. This transaction had no influence on the consolidated accounts for the Company.

Arlington

In November 2004, the Company sold four tankers to Arlington Tankers Ltd ("Arlington"), a newly formed US public company. At the same time Concordia sold two VLCC tankers to Arlington. The purchase was partly paid with shares in Arlington representing an ownership of approximately 5% for the Company and 10% for Concordia. In connection with the sale, the Company agreed to charter the four sold tankers from Arlington for periods between four and six years. In addition to the contractual charterhire there is also a profitsharing arrangement in place meaning that the Company will pay 50% of the trading result above the charterhire calculated in accordance with agreed criteria.

Note 30 Subsequent Events

The two product tankers Stena Contest and Stena Concept which were delivered from the shipyard in the spring 2005 were sold to Arlington in January 2006. An agreement to sell two tanker newbuildings under construction at the Dalian shipyard in China were made in late 2005. Delivery to the new owner, a greek shipping company, was made of the Stena Compass in February 2006, while delivery of the Stena Compassion was made in June 2006.

In February 2006 the Company entered into a Memorandum of Agreement to sell and bareboat-charter back *Stena Dee* with Songa Offshore ASA. The sale was completed in May 2006. The bareboat charter will enable *Stena Dee* to fulfill its contract with Norsk Hydro.

In March 2006 the Company exercised its option with Samsung Heavy Industries in Korea for the construction of a second deepwater dynamically positioned drillship for delivery in June 2008. At the end of March 2006, a five year leasing agreement was signed for the Stena DrillMAX, the first drillship ordered in 2005.

In March 2006 an agreement was signed to sell the RoPax vessel *Svealand* to DFDS. The sale was completed at the end of April 2006. An agreement was also signed with the Italian shipyard Visentini to acquire a RoPax vessel under construction at its delivery in 2007.

In the three months ended March 31, 2006, properties were acquired at an amount of approximately SEK 700 million, mainly in Gothenburg and Stockholm. Properties were sold at an amount of approximately SEK 400 million.

Note 31 US GAAP Information

The accompanying consolidated financial statements have been prepared in accordance with Swedish GAAP which differs in certain significant respects from US GAAP. The following is a

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summary of the adjustments to net income and stockholders' equity that would have been required if US GAAP had been applied instead of Swedish GAAP in the preparation of the consolidated financial statements.

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Net income under Swedish GAAP	510	2,359	2,268
Adjustments to reconcile to US GAAP:			
Disposal of assets ^(a)	5	(365)	80
Depreciation of properties ^(b)	(54)	(109)	(34)
Investments in securities ^(c)	(97)	(76)	(388)
Investment subsidies ^(d)	2	16	—
Financial instruments ^(e)	33	549	1,295
Purchase accounting Stena Line ^(f)	(86)	(67)	34
Business combinations ^(g)	—	15	33
Pensions ^(h)	16	(42)	(1,533)
Deferred costs ⁽ⁱ⁾	(48)	15	15
Capital lease transaction ^(j)	(28)	(492)	73
Investments in VIEs ^(k)	—	132	—
Others	24	15	16
Tax effect of US GAAP adjustments	39	(98)	149
Net income under US GAAP	316	1,852	2,008

(SEK in millions)	As of December 31,	
	2004	2005
Stockholders' equity under Swedish GAAP	13,419	15,132
Adjustments to reconcile to US GAAP:		
Disposal of assets ^(a)	(450)	(370)
Depreciation of properties ^(b)	(481)	(515)
Investments in securities ^(c)	—	—
Investment subsidies ^(d)	—	—
Financial instruments ^(e)	674	1,822
Purchase accounting Stena Line ^(f)	(364)	(330)
Business combinations ^(g)	15	48
Pensions ^(h)	(343)	(71)
Deferred costs ⁽ⁱ⁾	(28)	(13)
Capital lease transaction ^(j)	(839)	(766)
Investments in VIEs ^(k)	112	—
Others	(59)	(56)
Tax effect of cumulative US GAAP adjustments	326	32
Stockholders' equity under US GAAP	11,982	14,913

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Those differences which have a material effect on consolidated net income and stockholders' equity are described as follows:

- (a) Disposal of assets—Disposed assets may have different carrying values under US GAAP resulting in a different gain or loss on disposal than under Swedish GAAP. After consolidation of Stena Line as of October 31, 2000, this includes gains on sales of certain vessels to Stena Line in 1988 to 1995, which under Swedish GAAP have been eliminated to the extent of the Company's 46% investment. For US GAAP purposes, the Company eliminates all of such gains. A disposal of an asset resulting in a gain in accordance with Swedish GAAP may not qualify as a sale under US GAAP but as a sale-lease back transaction. A gain is deferred under Swedish GAAP when there is a sale-lease back transaction where the lease is determined to be a finance lease, but the gain is recognized if the lease is determined to be an operating lease. Under US GAAP the gain is also deferred when the lease is determined to be an operating lease. The gain is deferred over the life of the lease. For US GAAP purposes, the gain recognized on the Company's sale of tankers to Arlington Tankers Ltd in the amount of SEK 316 million for the year ended December 31, 2004 has been deferred and is being amortized over five years, the life of the lease.
- (b) Depreciation of properties—Under Swedish GAAP, properties in the Company's real estate operations are depreciated at 1%. Under US GAAP, all properties are depreciated over their estimated useful lives. For US GAAP purposes, depreciation for the real estate properties is based on periods of 50 years.
- (c) Investments in securities—Under Swedish GAAP, the Company changed the accounting principles for the valuation of financial instruments at market in 2005. The accounts for 2003 and 2004 have been restated. Changes in the market value of certain marketable securities are revalued through the income statement. Under US GAAP, changes in the market value of these investments are classified as 'available for sale' securities and are recorded as a separate component of equity, net of applicable deferred taxes.
- (d) Investment subsidies—Under Swedish GAAP, government investment subsidies related to the financing of vessels are recorded as income upon receipt of cash. Under US GAAP, investment subsidies are netted against the cost of the vessel effectively reducing depreciation expense over the economic useful life of the vessel. The Company sold the vessel during 2004 and the remaining adjustment to US GAAP was accounted for as an additional gain on sale of vessels during 2004.
- (e) Financial instruments—Under Swedish GAAP, the Company changed the accounting principles for the valuation of financial instruments at market in 2005 and the result is recorded as a separate component in the equity. The accounts for 2003 and 2004 have been restated. Unrealized gains and losses on forward exchange contracts and foreign currency options which hedge future bunker fuel risks are deferred and recognized only when realized. Under US GAAP, unrealized gains and losses on such contracts which do not qualify for hedge accounting treatment would be recognized as income or loss when they occur. Management has concluded that none of the Groups' hedges of financial exposure qualify for hedge accounting under US GAAP. In accordance with US GAAP, all outstanding

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derivative instruments are therefore valued at fair value. The gains and losses that thereby arise are included when calculating income.

- (f) Purchase accounting Stena Line—For US GAAP purposes, the acquisition of the additional 12% of Stena Line in October 2000 should be accounted for as a step acquisition. Thus, for US GAAP purposes, the Company's carrying value of its prior 46% interest in Stena Line does not change; that is, carryover basis is used for that portion of the investment in Stena Line. Under step acquisition accounting, the additional 12% tranche of Stena Line acquired in 2000 would be recorded at fair value based upon the purchase price paid for shares of Stena Line of SEK 8 per share. The increase in depreciation expense amounted to SEK 11 million, SEK 11 million and SEK 11 million for the years ended December 31, 2003, 2004 and 2005, respectively. In connection with the Company's offer for shares of Stena Line, the Company also agreed to repurchase the outstanding Senior Notes of Stena Line for 80% of their redemption value. The difference between the book value of those Senior Notes and the reacquisition price paid by the Company was SEK 658 million. The price paid by the Company to acquire the Senior Notes is deemed to be the fair value of the notes due to the proximity of the two transactions. The excess of the carrying value of these notes over their fair value represents negative goodwill resulting from the acquisition of Stena Line by the Company. Under Swedish GAAP, such negative goodwill has been amortized into income over four years. However, For US GAAP purposes, the excess of the fair value of an acquired business over its purchase price (i.e., negative goodwill) is applied as a reduction of the carrying value of acquired long-lived assets. The reduction of the carrying value of the acquired Stena Line long-lived assets results in a lower depreciation expense for US GAAP purposes on the Stena Line long-lived assets, primarily vessels, as compared to Swedish GAAP. The reduction in depreciation expense amounted to SEK 45 million, SEK 45 million and SEK 45 million for the years ended December 31, 2003, 2004 and 2005, respectively.
- (g) Business combinations—Accounting of acquisitions of certain subsidiaries under Swedish GAAP differs from US GAAP. The difference is attributable primarily to reporting and amortization of goodwill. In accordance with SFAS 142 "Goodwill and Other Intangible Assets", goodwill and other intangible assets with indefinite useful lives should not be amortized but rather evaluated for impairment annually. Accordingly, the amortization of goodwill reported under Swedish GAAP has been reversed in the determination of net income and Stockholders' equity under US GAAP. Furthermore, impairment tests have been performed for existing goodwill. No impairment loss has been recognized as a result of these tests.
- (h) Pensions—The Company has certain Swedish and British pension arrangements that are not multiemployer or non-participating insurance arrangements funded through payments to a separate pension foundation. Effective in 2004, provisions for employee benefits in the consolidated financial statements of the Company are accounted for in accordance with RR29 Employee Benefits, which conforms in all significant respects with IAS 19 Employee Benefits. See further Note 1 and Note 19. In accordance with US GAAP, pension benefits should be accounted and disclosed for in accordance with SFAS No. 87 "Employers Accounting for Pensions" and SFAS No. 132 "Employers Disclosure about Pensions and Other

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Post-retirement Benefits.” The differences between the accounting principles used by the Company (Swedish GAAP) and US GAAP pertain to different transition dates, and recognition of past service cost and minimum liability adjustments. Certain pension liabilities for employees within the UK ferry operations of the company were previously accounted for as contingent liabilities due to the lack of information on the portion of the liability attributable to the Company. New information was released for this pension scheme in 2005 and the portion of the liability and assets attributable to the Company have been recorded in the consolidated balance sheet. Under Swedish GAAP, the change has been recorded directly against stockholders’ equity and deferred tax liabilities, respectively. From October 1, 2005 the pension scheme will be accounted for as a multiple-employer plan. For U.S. GAAP purposes, the change in 2005 is viewed as the withdrawal from a multi-employer plan and the establishment of a multiple-employer plan with the unfunded benefit obligation of SEK 1,536 million as of October 1, 2005 (SEK 1,075 million, net of tax) being recognized immediately in net income.

- (i) **Deferred costs**—The Company was party to litigation regarding a claim by Statoil, the charterer of the Stena Don, pertaining to the delivery of the rig. The Company had initiated a lawsuit against Statoil in May 2003 in relation to the use and payment for additional variable deckload, insurance payments and certain matters in relation to the dayrates and use of certain equipment. In October 2003, the Company reached a settlement with Statoil. The settlement resulted in the resolution of amounts that had been previously invoiced by the Company but had not been paid by Statoil. The Company also agreed to withdraw its legal claims against Statoil. Under Swedish GAAP, costs that are related to long-term contracts of long-lived assets may be capitalized and amortized over the life of the related contract if the costs are related to the maintenance of the contract and can be recovered from the cash flow of the contract. For US GAAP purpose, the costs incurred as a result of amounts that were not recoverable in the ultimate settlement with Statoil must be expensed.
- (j) **Capital lease transaction**—Since 1996, the Company has leased certain vessels from two special purpose leasing entities. The leases were each accounted for as capital leases and accordingly, the Company recorded an asset and a corresponding lease obligation on its balance sheet for both Swedish and US GAAP. In December 2003, the Company acquired the special purpose leasing entities for consideration of GBP 7 million. The leasing entities acquired by the Company had existing bank indebtedness of GBP 105 million which pursuant to the share purchase agreements the Company was obliged to procure repayment, and a deferred tax liability of GBP 45 million. The Company immediately paid the bank indebtedness. Also in December 2003, the Company transferred the vessels to a wholly owned subsidiary which, pursuant to existing law, increased the tax basis of the vessels and reduced the associated deferred tax liability. Accordingly, for US GAAP purposes, the deferred tax liability at December 31, 2003, has been reduced in accordance with the provisions of the relevant tax law in effect at that date. The effect of the reduction of the deferred tax liability is recorded as an adjustment to the carrying value of the vessel for US GAAP purposes which creates a book basis difference in the vessel when compared to Swedish GAAP. The reduction of the carrying value of the vessels will result in lower

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

depreciation expense for US GAAP purposes as compared to Swedish GAAP. Under Swedish GAAP the benefit from the resolvment of the deferred tax liability is recorded as an income tax benefit in 2004. In addition, approximately SEK 28 million of costs associated with the establishment of the post-acquisition structure were capitalized for Swedish GAAP in 2003. Under US GAAP, such costs are considered to be period costs and are expensed as incurred. These costs have been expensed under Swedish GAAP during 2004 and thereby reversing the adjustment under US GAAP.

- (k) Investment in VIEs—The company changed the Swedish GAAP accounting principle for consolidation of VIEs in 2005. VIEs are consolidated now for Swedish as well as for US GAAP. The accounts for 2004 have been restated. The difference in 2004 net income was due to the change in accounting principles under Swedish GAAP that allowed the transition to be recorded as a cumulative effect in shareholders equity and under US GAAP to be recorded in net income. The Company choose not to restate the unrealized portion of the gain in securities in Swedish GAAP. This adjustment was made in prior year's for US GAAP purposes.

The condensed consolidated financial statements under US GAAP are presented as follows:

Income statement—US GAAP (SEK in millions)	Year ended December 31,		
	2003	2004	2005
Total revenues	13,379	15,955	18,491
Net gain sale of vessels	119	291	395
Net gain sale of property	146	113	935
Direct operating expenses	(9,196)	(10,447)	(11,525)
Selling and administrative expenses	(1,506)	(1,803)	(3,393)
Depreciation and amortization	(1,771)	(1,769)	(2,738)
Total operating expenses	(12,473)	(14,019)	(17,656)
Income from operations	1,171	2,340	2,165
Share of affiliated companies' results		17	21
Interest income	85	382	567
Interest expense	(824)	(1,135)	(1,395)
Other financial items	(157)	1,015	695
Total financial income and expense	(896)	262	(133)
Minority interest	2	(57)	(21)
Income taxes	39	(710)	(24)
Net income	316	1,852	2,008

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Balance sheet—US GAAP (SEK in millions)	As of December 31,	
	2004	2005
Intangible fixed assets	410	806
Tangible fixed assets	30,943	31,372
Marketable securities	1,375	3,284
Investment in VIEs	4,552	5,753
Other noncurrent assets	1,517	3,594
Total noncurrent assets	38,797	44,809
Short-term investments	1,333	2,213
Cash and cash equivalents	2,380	3,744
Other current assets	2,809	4,463
Total current assets	6,522	10,420
Total assets	45,319	55,229
Total stockholders' equity	11,982	14,913
Minority Interest	114	131
Deferred income taxes	1,853	1,485
Pension liabilities	742	1,953
Other provisions	0	46
Long-term debt	20,718	29,928
Other noncurrent liabilities	570	883
Total noncurrent liabilities	21,288	30,811
Short-term debt	6,231	1,709
Other current liabilities	3,109	4,181
Total current liabilities	9,340	5,890
Total stockholders' equity and liabilities	45,319	55,229

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Note 32 Additional US GAAP Disclosures

Certain disclosures and financial statement classifications required under US GAAP and the US Securities and Exchange Commission rules and regulations would be different from the amounts disclosed on a Swedish GAAP basis. The following information is presented on a US GAAP basis for US GAAP presentation purposes.

(a) Income taxes

The net deferred tax liability of the Company computed on a US GAAP basis consists of the following:

(SEK in millions)	As of December 31,	
	2004	2005
Deferred tax liabilities:		
Property, vessels and equipment	2,632	2,091
Investments	159	666
Provisions	78	—
Other	90	88
Total deferred tax liabilities	2,959	2,845
Deferred tax assets:		
Property, vessels and equipment	266	327
Tax loss carryforwards	1,647	1,182
Investments	144	599
Provisions	463	77
Other	—	—
Total deferred tax assets	2,520	2,185
Less deferred tax assets not recognized	(1,317)	(581)
Net deferred tax assets	1,203	1,604
Net deferred tax liability under US GAAP	1,756	1,241
Out of which:		
Deferred tax assets	97	244
Deferred tax liabilities	1,853	1,485
Net deferred tax liability	1,756	1,241

The valuation allowance (deferred tax assets not recognized) was SEK 1,007 million as of January 1, 2003. The valuation allowance increased/(decreased) by SEK (463) million, SEK 773 million and SEK (736) million during the years ending December 31, 2003, 2004 and 2005, respectively.

The determination of the amount of unrecognized deferred tax liability in respect of the cumulative amount of undistributed earnings of subsidiaries that would be taxed on remittance is not practicable.

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

(b) Long-term debt

For Swedish GAAP purposes, certain borrowings have been classified as long-term because the Company intends to refinance those borrowings on a long-term basis. See Note 20. Those borrowings which amount to SEK 5,975 million and SEK 835 million at December 31, 2004 and 2005 respectively would be classified as short-term in a US GAAP consolidated balance sheet.

(c) Net gain on sale of vessels and property

For Swedish GAAP purposes net gain on sale of vessels and property are included as a component of revenues. For US GAAP purposes these net gains would be excluded from revenues and included as a separate component of income from operations.

(d) Comprehensive income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income generally encompasses all changes in stockholders equity (except those arising from transactions with the owners) and includes net income, net unrealized capital gains or losses on available for sale securities and foreign currency translation adjustments. Comprehensive income in accordance with US GAAP was as follows:

	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2003		(1,332)
Net income	316	
Available for sale securities	51	51
Minimum liability, pensions	88	88
Foreign currency translation adjustment	(607)	(607)
Comprehensive income 2003	(152)	
Balance as of December 31, 2003		(1,800)
Net income	1,852	
Available for sale securities	99	99
Minimum liability, pensions	82	82
Foreign currency translation adjustment	(210)	(210)
Comprehensive income 2004	1,823	
Balance as of December 31, 2004		(1,829)
Net income	2,008	
Available for sale securities	116	116
Minimum liability, pensions	326	326
Foreign currency translation adjustment	441	441
Comprehensive income 2005	2,891	
Balance as of December 31, 2005		(946)

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

Available for sale securities are presented net of tax of SEK (18) million, SEK (27) million and SEK 2 million for 2003, 2004 and 2005, respectively.

(e) Pensions

Pension cost, on the defined benefit plans, calculated in accordance with US GAAP includes the following:

(SEK in millions)	Year ended December 31,		
	2003	2004	2005
Service cost	42	41	53
Interest cost	119	133	149
Change in pension plans	—	—	1,536
Expected return on plan assets	(117)	(143)	(199)
Net amortization and deferral	44	42	122
Net periodic pension cost	88	73	1,661

The changes in benefit obligation are as follows:

(SEK in millions)	As of December 31,	
	2004	2005
Benefit obligation at beginning of year	2,323	2,488
Service cost	41	53
Interest cost	133	149
Actuarial gain (loss)	121	126
Change in pension plans	—	6,598
Benefit paid	(99)	(33)
Translation difference	(31)	472
Benefit obligation at end of year	2,488	9,853
Additional minimum liability	461	—
Amounts recognized in the consolidated balance sheets as accrued pension liability	2,949	9,853

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

The change in fair value of plan assets are as follows:

(SEK in millions)	As of December 31,	
	2004	2005
Assets at beginning of year	1,917	2,105
Actual return on plan assets	270	199
Company contributions	46	62
Members contributions	5	4
Change in pension plans	—	5,062
Benefits paid	(100)	(33)
Actuarial gain (loss)	—	320
Other	(33)	181
Assets at end of year	2,105	7,900

Minimum liability:

(SEK in millions)	As of December 31,	
	2004	2005
Accumulated benefit obligation	2,217	—
Fair value of plan assets	(1,999)	—
Unfunded accumulated benefit obligation	218	—
Net amount recognized in consolidated balance sheets	243	—
Additional minimum liability	461	—
Unrecognized prior service cost	(135)	—
Adjustment to stockholders' equity	326	—

Assumptions used in the calculation of pension obligations are as follows:

	2003	2004	2005
Weighted discount rate	5.4-5.5%	5.25%	4.25-5.00%
Expected long-term rate of return on assets	6.7%	7.1%	4.50-7.50%
Rates of increase in compensation levels	3.75%	3.75%	3.25-3.85%

(f) Recently issued U.S. accounting standards

In December 2004, the FASB issued SFAS 153, "Exchanges of Nonmonetary Assets—an Amendment of APB Opinion No. 29." APB Opinion No. 29 provided an exception to the basic fair value measurement principle for exchanges of similar productive assets. That exception required that some nonmonetary exchanges, although commercially substantive, be recorded on a carryover basis. SFAS 153 eliminates the exception to fair value measurement for exchanges of similar productive assets and replaces it with a general exception to fair value measurement for exchange transactions that do not have commercial substance—that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. SFAS 153 is effective for nonmonetary asset exchanges occurring after December 31, 2005.

Stena AB (publ) consolidated financial statements

Notes to consolidated financial statements — continued

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments." SFAS No. 155 amends SFAS No. 133 and SFAS No. 140, and allows financial instruments that have embedded derivatives that otherwise would require bifurcation from the host to be accounted for as a whole, if the holder irrevocably elects to account for the whole instrument on a fair value basis. Subsequent changes in the fair value of the instrument would be recognized in earnings. The standard also:

- Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133;
- Establishes a requirement to evaluate interests in securitized financial assets to determine whether interests are freestanding derivatives or are hybrid financial instruments that contain an embedded derivative requiring bifurcation;
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives;
- Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest (that is itself a derivative financial instrument).

SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The Company is currently evaluating the impact adoption of SFAS No. 155 will have on its financial position and results of operations.

Stena AB and consolidated subsidiaries
Unaudited condensed consolidated income statements for
the nine months ended September 30, 2005 and 2006

	Nine month periods ended		
	September 30, 2005	September 30, 2006	
	SEK (in millions)	SEK	\$
Revenues:			
Ferry operations	7,213	7,357	1,006
Drilling	1,266	2,300	315
Net gain on sale of vessels	—	1,480	202
Total drilling	1,266	3,780	517
Shipping	3,022	3,323	454
Net gain on sale of vessels	—	818	112
Total shipping	3,022	4,141	566
Property	1,425	1,475	202
Net gain on sale of properties	524	142	19
Total property	1,949	1,617	221
Other	789	1,171	161
Total revenues	14,239	18,066	2,471
Direct operating expenses:			
Ferry operations	(5,160)	(4,885)	(668)
Drilling	(824)	(1,142)	(156)
Shipping	(2,164)	(2,532)	(346)
Property	(576)	(628)	(86)
Other	(675)	(953)	(130)
Total direct operating expenses	(9,399)	(10,140)	(1,386)
Selling and administrative expenses	(1,313)	(1,502)	(205)
Depreciation and amortization	(1,314)	(1,898)	(260)
Total operating expenses	(12,026)	(13,540)	(1,851)
Income from operations	2,213	4,526	620
Share of affiliated companies' results	14	24	3
Financial income and expense:			
Dividends received	63	77	11
Gain (loss) on securities, net	992	417	57
Interest income	386	593	81
Interest expense	(1,051)	(1,220)	(167)
Foreign exchange gains (losses), net	26	7	1
Other financial income (expense), net	(78)	(105)	(15)
Total financial income and expense	338	(231)	(32)
Minority interest	(18)	(14)	(2)
Income before taxes	2,547	4,305	589
Income taxes	(75)	(513)	(70)
Net income	2,472	3,792	519

Stena AB and consolidated subsidiaries
Unaudited condensed consolidated balance sheets as of
December 31, 2005 and September 30, 2006

	December 31, 2005	September 30, 2006	
	SEK	SEK	\$
	(in millions)		
ASSETS			
<i>Noncurrent assets:</i>			
Intangible assets	806	780	107
Tangible fixed assets:			
Vessels	13,585	10,938	1,496
Construction in progress	1,280	3,342	457
Equipment	626	772	106
Property	17,275	17,932	2,452
Total tangible fixed assets	32,766	32,984	4,511
Financial fixed assets:			
Investment in affiliated companies	332	395	54
Investments in VIEs	5,753	7,659	1,047
Marketable securities	3,295	3,526	482
Other assets	1,440	2,531	346
Total financial fixed assets	10,820	14,111	1,929
Total noncurrent assets	44,392	47,875	6,547
<i>Current assets:</i>			
Inventories	325	370	51
Trade debtors	2,092	2,110	289
Other receivables	1,156	2,976	407
Prepaid expenses and accrued income	890	1,418	194
Short-term investments	2,213	1,868	255
Cash and cash equivalents	3,744	1,011	138
Total current assets	10,420	9,753	1,334
Total assets	54,812	57,628	7,881
STOCKHOLDERS' EQUITY AND LIABILITIES			
<i>Stockholders' equity:</i>			
Capital stock	5	5	1
Reserves	15,127	18,491	2,528
Total stockholders' equity	15,132	18,496	2,529
Minority interests	131	143	20
<i>Provisions:</i>			
Deferred income taxes	1,517	2,026	277
Pension liabilities	1,882	1,791	245
Other provisions	46	1,041	142
Total provisions	3,445	4,858	664
<i>Noncurrent liabilities:</i>			
Long-term debt	19,773	15,865	2,170
Debt in VIEs	4,844	6,693	915
Senior notes	4,821	4,405	602
Capitalized lease obligations	1,325	1,423	195
Other noncurrent liabilities	286	479	66
Total noncurrent liabilities	31,049	28,865	3,948
<i>Current liabilities:</i>			
Short-term debt	834	580	79
Capitalized lease obligations	40	39	5
Trade accounts payable	902	1,058	145
Income tax payable	198	202	28
Other	533	553	76
Accrued costs and prepaid income	2,548	2,834	387
Total current liabilities	5,055	5,266	720
Total stockholders' equity and liabilities	54,812	57,628	7,881

Stena AB and consolidated subsidiaries

Unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2005 and 2006

	Nine month periods ended		
	September 30, 2005	September 30, 2006	
	SEK	SEK	\$
	(in millions)		
Net cash flows from operating activities:			
Net income	2,472	3,792	519
Adjustments to reconcile net income to net cash provided by in operating activities:			
Depreciation and amortization	1,314	1,898	260
Share of affiliated companies' results	(14)	(24)	(3)
Gain on sale of property, vessels and equipment	(527)	(2,445)	(335)
Gain on securities, net	(992)	(417)	(57)
Unrealized foreign exchange (gains) losses	141	(255)	(35)
Deferred income taxes	20	494	68
Minority interest	18	14	2
Other non cash items	(106)	43	6
Net cash flows from trading securities	(729)	666	91
Changes in assets and liabilities:			
Receivables	(411)	(1,869)	(255)
Prepaid expenses and accrued income	(305)	(560)	(77)
Inventories	(68)	(46)	(6)
Trade accounts payable	95	174	24
Accrued costs and prepaid income	222	464	63
Income tax payable	12	8	1
Other current liabilities	75	430	58
Net cash provided by operating activities	1,217	2,367	324
Net cash flows from investing activities:			
Purchase of intangible assets	(44)	(48)	(6)
Cash proceeds from sale of property, vessels and equipment	2,717	4,789	655
Capital expenditure on property, vessels and equipment	(3,020)	(5,518)	(755)
Purchase of subsidiaries, net of cash acquired	(518)	—	—
Investment in affiliated companies	(66)	(49)	(7)
Proceeds from sale of securities	341	5,239	716
Purchase of securities	(798)	(7,759)	(1,061)
Other investing activities	86	73	10
Net cash used in investing activities	(1,302)	(3,273)	(448)
Net cash flows from financing activities:			
Proceeds from issuance of debt	961	5,186	709
Principal payments on debt	(1,283)	(560)	(77)
Net change in borrowings on line-of-credit agreements	490	(5,846)	(799)
New capitalized lease obligations	—	157	21
Principal payments on capital lease obligations	(30)	(30)	(4)
Net change in restricted cash accounts	27	(280)	(38)
Dividends paid	(195)	(240)	(33)
Other financing activities	33	(103)	(14)
Net cash provided by/(used in) financing activities	3	(1,716)	(235)
Effect of exchange rate changes on cash and cash equivalents	14	(111)	(15)
Net change in cash and cash equivalents	(68)	(2,733)	(374)
Cash and cash equivalents at beginning of period	2,380	3,744	512
Cash and cash equivalents at end of period	2,312	1,011	138

Stena AB and consolidated subsidiaries

Notes to unaudited condensed consolidated financial statements

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements present the financial position and results of operations of Stena AB (publ) and its subsidiaries ("the Company") and have been prepared in accordance with Swedish GAAP.

The interim financial information included in the condensed consolidated financial statements is unaudited but reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Interim results for the three months and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated income statements for the three and nine months ended September 30, 2005 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2005 have been restated for new accounting principles adopted in December 2005, referring to valuation of financial instruments to market values and full consolidation of two financial investments in VIEs.

Solely for the convenience of the reader, the condensed financial statements for the most recent period have been translated into US dollars (\$) using the noon buying rate on September 30, 2006 of \$1 = SEK 7.3127.

Note 2 Segment Information

(SEK in millions)	Three month periods ended September 30,		Nine month periods ended September 30,	
	2005	2006	2005	2006
<i>Income from operations:</i>				
Ferry operations	690	303	787	663
Drilling	(34)	188	(108)	534
Net gain on sale of vessels	—	—	—	1,480
Total drilling	(34)	188	(108)	2,014
Shipping: Roll-on/Roll-off vessels	24	9	75	59
Crude oil tankers	63	149	437	386
Other shipping	(3)	(2)	(10)	(7)
Net gain on sale of vessels	—	86	—	818
Total shipping	84	242	502	1,256
Property	217	231	616	603
Net gain on sale of properties	254	18	524	142
Total property	471	249	1,140	745
Other	(37)	(96)	(108)	(152)
Total	1,174	886	2,213	4,526

Stena AB and consolidated subsidiaries

Notes to unaudited condensed consolidated financial statements — continued

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2005	2006	2005	2006
<i>Depreciation and amortization:</i>				
Ferry operations	208	710	604	1,122
Drilling	150	152	425	477
Shipping: Roll-on/Roll-off vessels	33	26	94	80
Crude oil tankers	12	9	27	30
Other shipping	3	3	8	9
Total shipping	48	38	129	119
Property	38	46	121	130
Other	15	17	35	50
Total	459	963	1,314	1,898
			Nine month periods ended September 30,	
			2005	2006
<i>Capital expenditures:</i>				
Ferry operations			322	323
Drilling			875	3,138
Shipping: Roll-on/Roll-off vessels			268	344
Crude oil tankers			566	355
Other shipping			15	6
Total shipping			849	705
Property			943	1,323
Other			31	29
Total			3,020	5,518

Note 3 Stockholders' Equity

Restricted reserves include both untaxed reserves (net of deferred taxes) and legal reserves. The legal reserves amounts to SEK 217 million and are not available for distribution as they are required to be held to meet statutory requirements in Sweden and other countries where group companies operate. The untaxed reserves may be distributed as dividends upon payment of the related taxes.

Stena AB and consolidated subsidiaries

Notes to unaudited condensed consolidated financial statements — continued

The changes in stockholders' equity for the period December 31, 2005 to September 30, 2006 are as follows:

	Capital stock	Restricted reserves	Unrestricted reserves	Total stockholders' equity
Balance at December 31, 2005	5	926	14,201	15,132
Transfers between reserves	—	14	(14)	—
Dividend paid	—	—	(215)	(215)
Transfer to charitable trust	—	—	(25)	(25)
Revaluation of financial instruments	—	—	39	39
Foreign currency translation adjustments	—	27	(442)	(415)
Other	—	—	188	188
Net income	—	—	3,792	3,792
Balance at September 30, 2006	5	967	17,524	18,496

Note 4 US GAAP Information

The accompanying condensed consolidated financial statements have been prepared in accordance with Swedish GAAP which differs in certain significant respects from US GAAP. A description of differences between Swedish GAAP and US GAAP which significantly affect the determination of net income and stockholders' equity of the Company is set forth in Note 31 to the Consolidated Financial Statements included in the Company's Annual Report on Form 20-F. The following is a summary of the adjustments to net income and stockholders' equity that would have been required if US GAAP had been applied instead of Swedish GAAP in the preparation of the condensed consolidated financial statements.

(SEK in millions)	Nine month periods ended September 30,	
	2005	2006
Net income under Swedish GAAP	2,472	3,792
Adjustments to reconcile to US GAAP:		
Disposal of assets	61	(365)
Depreciation of properties	(24)	(86)
Investments in securities	(888)	40
Financial instruments	1,482	(629)
Purchase accounting Stena Line	26	102
Business combinations	19	27
Pensions	(5)	1
Deferred costs	11	11
Capital lease transactions	55	555
Others	12	33
Tax effect of US GAAP adjustments	(183)	(15)
Net income under US GAAP	3,038	3,466

Stena AB and consolidated subsidiaries

Notes to unaudited condensed consolidated financial statements — continued

	As of Dec 31, 2005	As of Sept 30, 2006
Stockholders' equity under Swedish GAAP	15,132	18,496
Adjustments to reconcile to US GAAP:		
Disposal of assets	(370)	(734)
Depreciation of properties	(515)	(601)
Financial instruments	1,822	1,098
Purchase accounting Stena Line	(330)	(228)
Business combinations	48	75
Pensions	(71)	(70)
Deferred costs	(13)	(2)
Capital lease transactions	(766)	(211)
Others	(56)	(23)
Tax effect of US GAAP adjustments	32	36
Stockholders' equity under US GAAP	14,913	17,836

Capital lease transactions

Under Swedish GAAP, the Company has recorded an impairment charge of SEK 500 million during the three months ended September 30, 2006 related to the HSS vessels. The impairment charge is included in depreciation and amortization in the accompanying condensed consolidated income statements. For US GAAP purposes, the impairment charge is reversed as the fair values of the HSS vessels exceed their carrying values.

Comprehensive income

The Company has adopted Statement of Financial Accounting ("SFAS") No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income generally encompasses all changes in stockholders' equity (except those arising from transactions with the owners) and includes net income, net unrealized gains or losses on available for sale securities and foreign currency translation adjustments. Comprehensive income in accordance with US GAAP for the nine month periods ended September 30, 2005 and 2006 was SEK 4,114 million and SEK 2,999 million, respectively.

Note 5 Subsequent Event Information

HSS impairment charge

The depreciation and amortization charges in the nine months ended September 30, 2006 included an impairment charge of SEK 500 million related to the HSS vessels. At the end of 2006 we completed our annual impairment review of long-lived assets. Based on our review, we will take an additional impairment charge of approximately SEK 200 million on our HSS vessels in the fourth quarter of 2006.

Stena AB and consolidated subsidiaries Notes to unaudited condensed consolidated financial statements — continued

Pension obligations

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans, in which the obligations remain with us. Costs and obligations at the end of a period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. Our obligations under defined benefits plans relate mainly to subsidiaries in our UK operations. In 2004, certain pension liabilities for employees with the UK ferry operations were accounted for as contingent liabilities. In 2005, new information was released for these pension plans and the associated liability was recorded in our balance sheet. As of September 30, 2006 our provisions for pensions amounted to SEK 1.8 billion. As a result of new information brought to our attention at the end of 2006, we reviewed our provision for pensions in our 2006 accounts. On the basis of this review, we will take a charge to equity of approximately SEK 500 million for the fourth quarter of 2006.

Senior Notes

On February 8, 2007, we completed an offering of €300 million of our 6.125% Senior Notes due 2017. The notes contain certain covenants including limitation on indebtedness, limitation on liens on capital markets indebtedness and limitations on mergers, consolidations and sales of assets, and rank *pari passu* with our other outstanding senior notes and will rank *pari passu* with the notes offered hereby. We used a portion of the proceeds of the offering of the notes to purchase our 9 $\frac{5}{8}$ % Senior Notes due 2012 and we intend to use the remaining proceeds for general corporate purposes.

Tender offer and consent solicitation

Pursuant to our tender offer and consent solicitation, we amended the indenture governing our 9 $\frac{5}{8}$ % Senior Notes due 2012 to eliminate the principal restrictive covenants, and on February 8, 2007 we purchased approximately \$177 million of our 9 $\frac{5}{8}$ % Senior Notes due 2012 representing more than 99% of these outstanding notes. Our tender offer and consent solicitation is currently scheduled to expire on February 27, 2007.

Stena AB and consolidated subsidiaries
Supplemental unaudited consolidated income statements
for each of the years in the three-year period ended
December 31, 2005

	2003	2004	2005	2005
	SEK	SEK	SEK	\$ ¹
	(in millions)			
RESTRICTED GROUP				
INCOME STATEMENT DATA (SWEDISH GAAP):				
Revenues from operations	12,451	14,397	15,352	2,099
Net gain on sale of vessels	114	656	316	43
Net gain on sale of properties	—	33	145	20
Total revenues	12,565	15,086	15,813	2,162
Direct operating expenses	(8,960)	(9,996)	(10,761)	(1,472)
Selling and administrative expenses	(1,448)	(1,653)	(1,586)	(217)
Depreciation and amortization	(1,667)	(1,697)	(2,357)	(322)
Total operating expenses	(12,075)	(13,348)	(14,704)	(2,011)
Income from operations	490	1,738	1,109	152
Share of affiliated companies' results	—	19	—	—
Interest income	122	168	224	31
Interest expense	(585)	(751)	(690)	(94)
Other financial items ⁽²⁾	133	343	658	90
Total financial income and expense	(330)	(240)	192	26
Minority interest	2	(57)	(1)	0
Income before taxes	162	1,460	1,300	178
Net income	256	1,695	1,298	177

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) Other financial items refer to financial income (expense) including dividends received, gain (loss) on securities, foreign exchange gains (losses) and other financial income (expense). In order to present the accounts in a true and fair view, we decided to introduce in 2005 valuation of financial instruments at market. The accounts for 2003 and 2004 have been restated.

Stena AB and consolidated subsidiaries
Supplemental unaudited consolidated balance sheets as of
December 31, 2004 and 2005

	2004	2005	2005
	SEK	SEK	\$1
	(in millions)		
RESTRICTED GROUP			
BALANCE SHEET DATA (SWEDISH GAAP):			
Intangible fixed assets	278	307	42
Tangible fixed assets	26,146	17,007	2,326
Marketable securities	155	370	51
Other noncurrent assets	3,928	5,385	736
Total noncurrent assets	30,507	23,069	3,155
Short-term investments	1,083	1,369	187
Cash and cash equivalents	2,304	3,608	493
Other current assets	2,930	5,416	741
Total current assets	6,317	10,393	1,421
Total assets	36,824	33,462	4,576
Total stockholders' equity ⁽²⁾	12,965	13,556	1,854
Deferred income taxes	1,939	247	34
Other provisions	399	1,876	257
Long-term debt	17,020	14,120	1,931
Other noncurrent liabilities	88	91	12
Total noncurrent liabilities	17,108	14,211	1,943
Short-term debt	73	680	93
Other current liabilities	4,340	2,892	395
Total current liabilities	4,413	3,572	488
Total stockholders' equity and liabilities	36,824	33,462	4,576

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

(2) Certain pension liabilities, which were previously accounted for as contingent liabilities, have been recorded as pension liabilities in the consolidated balance sheet as of December 31, 2005. The change has been recorded directly against stockholders' equity and deferred tax liabilities, respectively.

Stena AB and consolidated subsidiaries

Supplemental unaudited consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2005

	2003	2004	2005	2005
	SEK	SEK (in millions)	SEK	\$ ¹
RESTRICTED GROUP				
CONSOLIDATED STATEMENT OF CASH FLOW :				
Net income	256	1,695	1,298	177
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,667	1,697	2,357	322
Share of affiliated companies' results	—	(19)	—	—
(Gain)/loss on sale of property, vessels and equipment	(114)	(686)	(461)	(63)
(Gain)/loss on securities, net	(108)	(293)	(682)	(93)
Unrealized foreign exchange (gains) losses	257	(160)	112	15
Deferred income taxes	(126)	(333)	2	0
Minority interest	(2)	57	1	0
Other non cash items	139	9	(117)	(16)
Net cash flows from trading securities	11	(605)	86	12
Changes in working capital	(75)	(403)	(212)	(28)
Net cash provided by/(used in) operating activities	1,905	959	2,384	326
Net cash flows from investing activities:				
Purchase of intangible assets	—	(162)	(78)	(11)
Cash proceeds from sale of property, vessels and equipment	738	2,403	1,406	192
Capital expenditure on property, vessels and equipment	(2,860)	(2,901)	(3,176)	(434)
Purchase of subsidiary net of cash acquired	—	(3,183)	(756)	(103)
Sale of subsidiary	—	—	325	44
Proceeds from sale of securities	869	2,951	591	81
Purchase of securities	(707)	(1,236)	(456)	(62)
Increase of non-current assets	(190)	(111)	(130)	(18)
Decrease of non-current assets	—	18	14	2
Other investing activities	(151)	132	32	4
Net cash used in investing activities	(2,301)	(2,089)	(2,228)	(305)
Net cash flows from financing activities:				
Proceeds from issuance of debt	1,795	2,171	148	20
Principal payments on debt	(4,273)	(1,735)	(222)	(30)
Net change in borrowings on line-of-credit agreements	1,242	1,675	3,243	443
New capitalized lease obligations	1,167	—	—	—
Principal payments capital lease obligations	(64)	(42)	(41)	(6)
Net change in restricted cash accounts	1,695	(10)	37	5
Intercompany accounts	(811)	65	(1,634)	(223)
Dividends paid	(60)	(70)	(195)	(27)
Other financing activities	(493)	(244)	(245)	(33)
Net cash provided by financing activities	198	1,810	1,091	149
Effect of exchange rate changes on cash and cash equivalents	(59)	1	57	8
Net change in cash and cash equivalents	(257)	681	1,304	178
Cash and cash equivalents at beginning of year	1,880	1,623	2,304	315
Cash and cash equivalents at end of year	1,623	2,304	3,608	493

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 7.3127, the Noon Buying Rate on September 30, 2006.

Restricted group
Supplemental unaudited condensed consolidated
income statements for the nine months ended
September 30, 2005 and 2006

	Nine month periods ended		
	September 30, 2005	September 30, 2006	
	SEK (in millions)	SEK	\$
Revenues:			
Ferry operations	7,213	7,357	1,006
Drilling	1,266	2,300	315
Net gain on sale of vessels	—	1,480	202
Total drilling	1,266	3,780	517
Shipping	3,022	3,323	454
Net gain on sale of vessels	—	818	112
Total shipping	3,022	4,141	566
Property	24	6	1
Net gain on sale of properties	126	56	8
Total property	150	62	9
Other	1	—	—
Total revenues	11,652	15,340	2,098
Direct operating expenses:			
Ferry operations	(5,160)	(4,885)	(668)
Drilling	(824)	(1,142)	(156)
Shipping	(2,164)	(2,532)	(346)
Property	(9)	(3)	—
Other	(1)	—	—
Total direct operating expenses	(8,158)	(8,562)	(1,170)
Selling and administrative expenses	(1,136)	(1,244)	(171)
Depreciation and amortization	(1,166)	(1,726)	(236)
Total operating expenses	(10,460)	(11,532)	(1,577)
Income from operations	1,192	3,808	521
Financial income and expense:			
Dividends received	24	24	3
Gain (loss) on securities, net	744	103	14
Interest income	159	268	37
Interest expense	(535)	(580)	(79)
Foreign exchange gains (losses), net	26	23	3
Other financial income (expense), net	(29)	(41)	(6)
Total financial income and expense	389	(203)	(28)
Minority interest	(1)	(1)	—
Income before taxes	1,580	3,604	493
Income taxes	(289)	(461)	(63)
Net income	1,291	3,143	430

Restricted group

Supplemental unaudited condensed consolidated balance sheets as of December 31, 2005 and September 30, 2006

	December 31, 2005	September 30, 2006	
	SEK	SEK	\$
	(in millions)		
ASSETS			
<i>Noncurrent assets:</i>			
Intangible assets	307	309	42
Tangible fixed assets:			
Vessels	13,585	10,938	1,496
Construction in progress	1,280	3,342	457
Equipment	568	696	95
Property	1,574	1,355	185
Total tangible fixed assets	17,007	16,331	2,233
Financial fixed assets:			
Marketable securities	370	432	59
Intercompany accounts, noncurrent	1,826	3,737	511
Other assets	3,559	4,830	661
Total financial fixed assets	5,755	8,999	1,231
Total noncurrent assets	23,069	25,639	3,506
<i>Current assets:</i>			
Inventories	229	259	35
Trade debtors	1,714	1,732	237
Other receivables	1,004	2,063	282
Intercompany accounts, current	1,882	1,399	191
Prepaid expenses and accrued income	587	1,094	150
Short-term investments	1,369	636	87
Cash and cash equivalents	3,608	533	73
Total current assets	10,393	7,716	1,055
Total assets	33,462	33,355	4,561
STOCKHOLDERS' EQUITY AND LIABILITIES			
<i>Stockholders' equity:</i>			
Capital stock	5	5	1
Reserves	13,551	16,399	2,242
Total stockholders' equity	13,556	16,404	2,243
<i>Provisions:</i>			
Deferred income taxes	247	732	100
Pension provisions	1,876	1,770	242
Other provisions	—	996	136
Total provisions	2,123	3,498	478
<i>Noncurrent liabilities:</i>			
Long-term debt	7,974	3,299	451
Senior notes	4,821	4,405	602
Capitalized lease obligations	1,325	1,423	195
Other noncurrent liabilities	91	445	61
Total noncurrent liabilities	14,211	9,572	1,309
<i>Current liabilities:</i>			
Short-term debt	640	499	68
Capitalized lease obligations	40	39	5
Trade accounts payable	507	694	95
Income tax payable	139	142	19
Other payables	407	400	55
Intercompany accounts, current	53	49	7
Accrued costs and prepaid income	1,786	2,058	282
Total current liabilities	3,572	3,881	531
Total stockholders' equity and liabilities	33,462	33,355	4,561

Restricted group

Supplemental unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2005 and 2006

	Nine month periods ended		
	September 30, 2005	September 30, 2006	
	SEK (in millions)	SEK	\$
Net cash flows from operating activities:			
Net income	1,291	3,143	430
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,166	1,726	236
Gain on sale of property, vessels and equipment	(129)	(2,354)	(322)
Gain on securities, net	(744)	(103)	(14)
Unrealized foreign exchange (gains) losses	122	(253)	(35)
Deferred income taxes	244	474	65
Minority interest	1	1	—
Other non cash items	235	(50)	(7)
Net cash flows from trading securities	(729)	999	137
Changes in working capital	(203)	(665)	(91)
Net cash provided by operating activities	1,254	2,918	399
Net cash flows from investing activities:			
Purchase of intangible assets	(44)	(48)	(6)
Cash proceeds from sale of property, vessels and equipment	353	4,463	610
Capital expenditure on property, vessels and equipment	(2,053)	(4,167)	(570)
Purchase of subsidiaries, net of cash acquired	(756)	—	—
Sale of subsidiaries	325	—	—
Proceeds from sale of securities	81	52	7
Purchase of securities	(100)	(123)	(17)
Other investing activities	(30)	81	11
Net cash provided by/(used in) investing activities	(2,224)	258	35
Net cash flows from financing activities:			
Proceeds from issuance of debt	147	1,338	183
Principal payments on debt	(775)	(205)	(28)
Net change in borrowings on line-of-credit agreements	1,272	(5,999)	(820)
New capitalized lease obligation	—	157	21
Principal payments on capital lease obligations	(31)	(30)	(4)
Net change in restricted cash accounts	27	(165)	(23)
Intercompany accounts	(648)	(863)	(118)
Dividends paid	(195)	(240)	(33)
Other financing activities	39	(135)	(18)
Net cash used in financing activities	(164)	(6,142)	(840)
Effect of exchange rate changes on cash and cash equivalents	13	(109)	(15)
Net change in cash and cash equivalents	(1,121)	(3,075)	(421)
Cash and cash equivalents at beginning of period	2,304	3,608	494
Cash and cash equivalents at end of period	1,183	533	73

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
OR
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report
For the transition period from to

Commission file number 33-99284

STENA AB (publ)

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

Kingdom of Sweden

(Jurisdiction of incorporation or organization)

Masthuggskajen, SE-405 19 Gothenburg, Sweden

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

None
(Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
9.625% Senior Notes due 2012, 7.5% Senior Notes due 2013 and 7% Senior Notes due 2016
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

50,000 ordinary shares, par value SEK 100 per share
(as of December 31, 2006)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer. See definition of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☒

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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Introduction

Unless otherwise indicated, all references in this Annual Report to “we,” “us,” “our,” and similar terms, as well as references to the “Company,” refer to Stena AB (publ) (“Stena AB”) and its subsidiaries.

Forward-looking Information

This Annual Report includes statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Some of these statements can be identified as “forward-looking statements” by the use of forward-looking terminology including terms such as “anticipate,” “should,” “likely,” “foresee,” “believe,” “estimate,” “expect,” “intend,” “continue,” “could,” “may,” “plan,” “project,” “predict,” “will” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, changes in general economic and business conditions; changes in laws and regulations; changes in currency exchange rates and interest rates; risks incident to vessel operations, including discharge of pollutants; introduction of competing services or products by other companies; changes in trading or travel patterns; increases of costs of operations or the inability to meet efficiency or cost reduction objectives; changes in our business strategy; and various other factors listed in this Annual Report and in our reports filed with the Securities and Exchange Commission (the “SEC”) from time to time. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. We do not intend, nor assume any obligation, to revise these forward-looking statements to reflect any future events or circumstances.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

The following selected consolidated financial information should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements and the notes thereto included elsewhere herein. The selected consolidated financial information for each of the years in the five-year period ended December 31, 2006 has been derived from the audited financial statements. The Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in Sweden (“Swedish GAAP”), which differs, in certain significant respects, from generally accepted accounting principles in the United States (“US GAAP”). Reconciliation of such differences which significantly affect the determination of stockholders’ equity as of December 31, 2005 and 2006 and net income for the years ended December 31, 2004, 2005 and 2006 is set forth in Note 31 to our Consolidated Financial Statements.

Currency of Presentation

Stena AB maintains its Consolidated Financial Statements in Swedish kronor. In this Annual Report, references to "SEK" are to Swedish kronor, references to "US dollars," "dollars," "US\$" or "\$" are to US dollars, references to "EUR", "euro" or "€" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended by the Treaty on European Union, references to "DKK" are to Danish Kronor, references to "NOK" are to Norwegian Kronor and references to "pounds sterling", "GBP" or "£" are to British pounds. For the convenience of the reader, this Annual Report contains translations of Swedish kronor amounts into US dollars at specified rates. No representation is made that the Swedish kronor amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates. Unless otherwise stated, the translations of Swedish kronor into US dollars have been made at \$1.00 = SEK 6.8342, the noon buying rate in New York City for cable transfers in Swedish kronor as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on December 31, 2006. Unless otherwise stated, the translations of other currencies into SEK have been made at the applicable conversion rates as reported by Sveriges Riksbank, the Central Bank of Sweden, on December 31, 2006. No representation is made that these amounts have been, could have been or could be converted into such amounts at the rates indicated or at any other rates.

GLOSSARY

The following are abbreviations and definitions of certain terms used in this Annual Report on Form 20-F.

Aframax tanker. Tankers ranging in size from 80,000 dwt to 120,000 dwt.

Annual survey. The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

Bareboat charter. The rental or lease of an empty ship, without crew, stores or provisions, with the lessee responsible for complete operation and maintenance of the vessel, including crewing.

Charter. The hire of a vessel for a specified period of time or to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty. A vessel is "chartered in" by a lessee and "chartered out" by a lessor.

Classification society. A private self-regulatory organization that has as its purpose the supervision of vessels during their construction and afterward, in respect to their seaworthiness and upkeep, and the placing of vessels in grades or "classes" according to the society's rules for each particular type of vessel.

Contract of affreightment. A contract between a shipowner and a shipper, whereby the shipowner undertakes to carry a cargo over a certain route on specified occasions.

Drillship. A maritime vessel modified to include a drilling rig and special station-keeping equipment. The vessel is typically capable of operating in deep water, or ultra-deep water up to 10,000 or 12,000ft. A drillship must stay relatively stationary on location in the water for extended periods of time. This positioning may be accomplished with multiple anchors, dynamic propulsion (thrusters) or a combination of these. Drillships typically carry larger payloads than semi-submersible drilling rigs.

Drydock. A large basin where fresh/sea water is pumped out to allow a ship to dock in order to carry out cleaning and repairing of those parts of a vessel which are below the water line.

Dwt. Deadweight tonne. A unit of a vessel's capacity, for cargo, fuel oil, stores and crew, measured in metric tonnes of 1,000 kilograms. A vessel's dwt or total deadweight is the total weight the vessel can carry when loaded to a particular load line.

Dynamic positioning (DP). An advanced satellite navigation system that controls thrusters to maintain a vessel's position in most weather without anchors.

Freight unit. Trucks, trailers, containers and railcars.

Gross ton. Unit of 100 cubic feet or 2.831 cubic meters.

High speed vessel (HSS). A ship, usually built from aluminium and often multi-hull, designed to have excellent motion characteristics in heavy seas. HSS vessels operate at speeds of over 30 knots and primarily target the passenger market.

Hull. The shell or body of a ship.

IMO. International Maritime Organization, a United Nations agency that issues international standards for shipping.

Lane meter. The number of useable length meters of lanes for cars, trailers or trucks, except with respect to RoRo vessels that do not carry cars.

Lightering. To put cargo in a lighter to partially discharge a vessel or to reduce her draft. A lighter is a small vessel used to transport cargo from a vessel anchored offshore.

Linkspan. The docking facility for the HSS vessels.

Lloyds Register. British ship classification society.

Newbuilding. A new vessel recently delivered or under construction.

Offhire. The period an offshore drilling rig or vessel is unable to perform the services for which it is immediately required under its contract. Offhire periods, which may be scheduled or unscheduled, include days spent on repairs, drydockings, special surveys, vessel upgrades, initial positioning after the purchase of a vessel and periods awaiting employment.

P&I Insurance. Third party insurance obtained through a mutual association (P&I Club) formed by shipowners to provide protection from large financial loss to one member by contribution towards that loss by all members.

Panamax tanker. Tankers ranging in size from 60,000 dwt to 80,000 dwt.

Pool. A co-operation between two or more parties whereby each party supplies its vessels to the pool and the revenues from the pool are split between the pool members in proportion to the number and characteristics of tankers each delivered to the pool.

Product tanker. Vessels designed to carry a variety of liquid products varying from crude oil to clean and dirty petroleum products, acids and other chemicals. The tanks are coated, this being a requirement of some of the products carried, and the ship may have equipment designed for the loading and unloading of cargoes with a high viscosity.

RoPax vessels. Vessels designed to transport trucks, freight trailers, buses and cars and which also provide cabin accommodations for passengers.

RoRo vessels. Vessels designed primarily to transport freight trailers and a limited number of passengers.

Scrapping. The disposal of old vessel tonnage by way of sale as scrap metal.

Semi-submersible rig. Floating platforms that, by means of a water ballasting system, can be submerged to a predetermined depth so that a substantial portion of the lower hulls, or pontoons, is below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or a computer-controlled thruster system.

Semi-submersible rigs are divided into six generations, which are determined by rig design and the year of delivery of the units. Generally, first generation drilling rigs are drilling rigs that were delivered before 1973, second generation drilling rigs are drilling rigs that were delivered

between 1973 and 1981, third generation drilling rigs are drilling rigs that were delivered between 1982 and 1985 and fourth generation drilling rigs are drilling rigs that have been delivered since 1986. Fifth generation drilling rigs are drilling rigs that have been delivered since 1997. Sixth generation drilling rigs are drilling rigs that have been delivered after 2005.

Service speed. The average maximum speed a vessel can reach when utilized on a daily basis.

Shuttle tankers. A tanker, usually with special fittings for mooring, which lifts oil from offshore fields and transports it to a shore side storage or refinery terminal on repeated trips.

Spot market. The market for immediate chartering of a vessel, usually on voyage charters.

Tanker. Ship designed for the carriage of liquid cargoes in bulk with cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined products, liquid chemicals and liquid gas. Tankers load their cargo by gravity from the shore or by shore pumps and discharge using their own pumps.

Time charter. The hire of a vessel for a specified period of time. The lessor provides the ship with crew, stores and provisions, ready in all aspects to load cargo and proceed on a voyage and pays for insurance, repairs and maintenance. The lessee pays for bunkering and all voyage related expenses including canal tolls and port charges.

Utilization rate. The total number of days an offshore drilling rig or vessel is in operation during a given period, divided by the total number of days in the period that the offshore drilling rig or vessel is owned or chartered in.

Variable interest entities (VIEs). Our investments in companies whose purpose is to make investments, primarily in high yield securities and corporate bank loans.

VLCC. Very large crude carrier — a tanker of 200,000 to 320,000 dwt.

SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,					
	2002 SEK	2003 SEK	2004 SEK	2005 SEK	2006 SEK	2006 USD ⁽¹⁾
(in millions)						
CONSOLIDATED GROUP⁽²⁾						
INCOME STATEMENT DATA (SWEDISH GAAP):						
Total revenues	13,425	13,619	16,721	19,619	22,895	3,350
Direct operating expenses	(9,020)	(9,333)	(10,943)	(12,631)	(13,547)	(1,982)
Selling and administrative expenses	(1,468)	(1,522)	(1,761)	(1,861)	(2,127)	(311)
Depreciation and amortization	(1,764)	(1,742)	(1,790)	(2,734)	(2,634)	(386)
Total operating expenses	(12,252)	(12,597)	(14,494)	(17,226)	(18,308)	(2,679)
Income from operations	1,173	1,022	2,227	2,393	4,587	671
Share of affiliated companies' result	51	—	17	21	27	4
Gain on sale of affiliated company	601	—	—	—	—	—
Interest income	212	85	382	567	737	108
Interest expense	(1,036)	(824)	(1,135)	(1,395)	(1,649)	(241)
Other financial items ⁽³⁾	(1)	212	965	876	1,027	150
Minority interest	1	2	(77)	(21)	(23)	(3)
Income before taxes	1,001	497	2,379	2,441	4,707	689
Net income	1,031	510	2,359	2,268	4,339	635
BALANCE SHEET DATA (SWEDISH GAAP):						
Cash and marketable securities ⁽⁴⁾	3,499	4,568	5,088	9,252	9,148	1,338
Investments in VIEs ⁽⁵⁾	—	—	4,440	5,753	7,341	1,074
Total assets	30,664	30,127	46,311	54,812	60,417	8,840
Debt in VIEs ⁽⁵⁾	—	—	3,925	4,844	6,302	922
Other debt ⁽⁶⁾	14,756	14,826	23,024	26,793	24,469	3,580
Stockholders' equity ⁽⁷⁾	11,589	11,470	13,419	15,132	18,587	2,720
OTHER FINANCIAL DATA (SWEDISH GAAP):						
Capital expenditures	(2,359)	(3,148)	(3,343)	(5,152)	(8,148)	(1,192)
Cash dividends paid	(50)	(60)	(70)	(195)	(215)	(32)
Cash flow from operating activities	2,143	1,790	1,456	2,403	3,567	522
Cash flow from investing activities	936	(3,556)	(5,331)	(2,948)	(7,287)	(1,066)
Cash flow from financing activities	(3,164)	1,444	4,536	1,850	1,092	159
CONSOLIDATED AMOUNTS (US GAAP):						
Income from operations	1,106	1,171	2,340	2,165	3,635	532
Net income	1,413	316	1,852	2,008	3,016	441
Total assets	30,401	30,761	45,319	55,229	60,282	8,821
Stockholders' equity	10,671	10,954	11,982	14,913	17,551	2,568

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 6.8342, the noon buying rate on December 31, 2006.

(2) The Consolidated Group includes from 2004 the Bostads AB Drott group ("Drott") and investments in variable interest entities ("VIEs").

(3) Other financial items refer to financial income (expense) including dividends received, gain (loss) on securities, foreign exchange gains (losses) and other financial income (expense). In 2005 we changed our accounting policy to value financial instruments at market value. The accounts for 2003 and 2004 have been restated.

(4) Cash and marketable securities consists of cash and cash equivalents, short-term investments and marketable securities.

(5) As of December 2006 we had invested in three VIEs, whose purpose is to invest primarily in high yield securities and corporate bank loans. Due to changes in Swedish GAAP in 2005, these VIEs are consolidated as subsidiaries. The accounts for 2004 have been restated.

(6) Other debt includes short-term debt, long-term debt and capitalized lease obligations, current and non-current.

(7) Certain pension liabilities, which were previously accounted for as contingent liabilities, have been recorded as pension liabilities in the consolidated balance sheet as of December 31, 2005 and as of December 31, 2006. The change has been recorded directly against shareholders' equity and deferred tax liabilities, respectively.

Restricted Group Data as of December 31, 2006

We issued \$200 million 9.625% Senior Notes due 2012 in November, 2002, \$175 million 7.5% Senior Notes due 2013 in December, 2003 and \$250 million 7% Senior Notes due 2016 in November, 2004. In 2004, 2005 and 2006 we repurchased \$12 million, \$6 million and \$5 million principal amount of the 9.625% Senior Notes due 2012, respectively. For the year ended December 31, 2006 Restricted Group Data represents our selected consolidated financial information, excluding the real estate operations (other than one small property) and three subsidiaries, Stena Finanzverwaltungs AG, Stena Investment Luxembourg SARL and Stena Adactum AB, whose activities consist primarily of investing in securities and in companies outside our traditional lines of business. Our real estate operations are conducted through various subsidiaries. For purposes of the indentures under which these senior notes were issued, the subsidiaries through which the property operations are conducted (other than the three small properties), together with Stena Finanzverwaltungs AG, Stena Investment Luxembourg SARL and Stena Adactum AB, are designated unrestricted subsidiaries and, as a result, are not bound by the restrictive provisions of these indentures.

In February 2007, we purchased approximately \$177 million of our 9.625% senior notes due 2012 pursuant to a tender offer and consent solicitation. Also in February 2007, we completed an offering of €300 million of 6.125% senior notes due 2017 and €102 million of 5.875% senior notes due 2019. For purposes of the indentures pursuant to which these notes were issued, the subsidiaries mentioned above are also designated as unrestricted subsidiaries and, as a result, are not bound by the provisions of these indentures. As of the date of this Annual Report, we are seeking consents from the holders of our senior notes due 2013 and 2016 to amend the indentures relating to these notes. Such amendments require the consent of the holders of a majority in principal amount of each of such senior notes.

SELECTED RESTRICTED GROUP FINANCIAL DATA

The following information is presented solely for the purpose of additional analysis for investors of our results of operations and financial condition.

	YEAR ENDED DECEMBER 31,			
	2004	2005	2006	2006 ⁽¹⁾
	SEK	SEK (in millions)	SEK	USD
RESTRICTED GROUP				
INCOME STATEMENT DATA (SWEDISH GAAP):				
Revenues from operations	14,397	15,352	16,731	2,448
Net gain on sale of vessel	656	316	2,313	338
Net gain on sale of properties	33	145	63	9
Total revenues	15,086	15,813	19,107	2,795
Direct operating expenses	(9,998)	(10,761)	(11,289)	(1,652)
Selling and administrative expenses	(1,653)	(1,586)	(1,776)	(260)
Depreciation and amortization	(1,697)	(2,357)	(2,401)	(351)
Total operating expenses	(13,348)	(14,704)	(15,455)	(2,263)
Income from operations	1,738	1,109	3,641	532
Share of affiliated companies' results	19	—	—	—
Interest income	168	224	292	43
Interest expense	(751)	(690)	(753)	(110)
Other financial items ⁽²⁾	343	658	371	54
Total financial income and expense	(240)	192	(90)	(13)
Minority interest	(57)	(1)	(2)	0
Income before taxes	1,460	1,300	3,549	519
Net income	1,695	1,298	3,332	487

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 6.8342, the noon buying rate on December 31, 2006.

(2) Other financial items refer to financial income (expense) including dividends received, gain (loss) on securities, foreign exchange gains (losses) and other financial income (expense). In 2005 we changed our accounting policy to value financial instruments at market value. The accounts for 2004 have been restated.

	YEAR ENDED DECEMBER 31,		
	2005	2006	2006 ⁽¹⁾
	SEK	SEK (in millions)	USD
RESTRICTED GROUP			
BALANCE SHEET DATA (SWEDISH GAAP):			
Intangible fixed assets	307	222	32
Tangible fixed assets	17,007	17,569	2,571
Marketable securities	370	456	67
Other noncurrent assets	<u>5,285</u>	<u>11,396</u>	<u>1,668</u>
Total noncurrent assets	23,069	29,643	4,338
Short-term investments	1,369	1,243	182
Cash and cash equivalents	3,608	657	96
Other current assets	<u>5,416</u>	<u>3,885</u>	<u>568</u>
Total current assets	10,393	5,785	846
Total assets	33,462	35,428	5,184
Total stockholders' equity	13,556	15,689	2,296
Deferred income taxes	247	420	61
Other provisions	1,876	3,822	559
Long-term debt	14,120	9,796	1,433
Other noncurrent liabilities	<u>91</u>	<u>881</u>	<u>129</u>
Total noncurrent liabilities	14,211	10,677	1,562
Short-term debt	680	1,798	263
Other current liabilities	<u>2,892</u>	<u>3,022</u>	<u>443</u>
Total current liabilities	3,572	4,820	706
Total stockholders' equity and liabilities	33,462	35,428	5,184

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 6.8342, the noon buying rate on December 31, 2006.

	2004	2005	2006	2006
	SEK	SEK	SEK	USD ⁽¹⁾
		(in millions)		
RESTRICTED GROUP				
CONSOLIDATED STATEMENT OF CASH FLOW:				
Net income	1,695	1,298	3,332	488
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,697	2,357	2,401	351
Share of affiliated companies' results	(19)	—	—	—
(Gain)/loss on sale of property, vessels and equipment	(686)	(461)	(2,376)	(348)
(Gain)/loss on securities, net	(293)	(682)	(289)	(42)
Unrealized foreign exchange (gains) losses.	(160)	112	(124)	(18)
Deferred income taxes	(333)	2	49	7
Minority interest	57	1	2	0
Other non cash items	9	(117)	(311)	(46)
Net cash flows from trading securities.	(605)	86	645	95
Changes in working capital	(403)	(212)	299	44
Net cash provided by/(used in) operating activities	959	2,384	3,628	531
Net cash flows from investing activities:				
Purchase of intangible assets	(162)	(78)	(20)	(3)
Cash proceeds from sale of property, vessels and equipment	2,403	1,406	4,585	671
Capital expenditure on property, vessels and equipment	(2,901)	(3,176)	(6,367)	(932)
Purchase of subsidiary net of cash acquired	(3,183)	(756)	3	0
Sale of subsidiary.	—	325	—	—
Proceeds from sale of securities	2,951	591	6	1
Purchase of securities	(1,236)	(456)	(94)	(14)
Increase of non-current assets	(111)	(130)	(148)	(22)
Decrease of non-current assets.	18	14	12	2
Other investing activities	132	32	32	5
Net cash used in investing activities.	(2,089)	(2,228)	(1,992)	(292)
Net cash flows from financing activities:				
Proceeds from issuance of debt	2,171	148	2,220	325
Principal payments on debt	(1,735)	(222)	(245)	(36)
Net change in borrowings on line-of-credit agreements	1,675	3,243	(4,024)	(589)
Principal payments capital lease obligations.	(42)	(41)	(39)	(6)
Net change in restricted cash accounts	(10)	37	(382)	(56)
Intercompany accounts	65	(1,634)	(1,553)	(227)
Dividends paid	(70)	(195)	(215)	(31)
Other financing activities	(244)	(245)	(122)	(18)
Net cash provided by financing activities	1,810	1,091	(4,360)	(638)
Effect of exchange rate changes on cash and cash equivalents.	1	57	(228)	(33)
Net change in cash and cash equivalents.	681	1,304	(2,952)	(432)
Cash and cash equivalents at beginning of year.	1,623	2,304	3,609	528
Cash and cash equivalents at end of year	2,304	3,608	657	96

(1) Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 6.8342, the noon buying rate on December 31, 2006.

Exchange Rate Information

The following table sets forth, for the years and dates indicated, certain information concerning the exchange rates between Swedish kronor and US dollars based on the Noon Buying Rate. The exchange rate information is expressed in Swedish kronor per US \$1.00.

YEAR ENDED DECEMBER 31,	AVERAGE ⁽¹⁾	HIGH	LOW
2002	9.6571	10.7290	8.6950
2003	8.0351	8.7920	7.1950
2004	7.3320	7.7725	6.5939
2005	7.5200	8.2434	6.6855
2006	7.3098	7.9656	6,7674
November 2006	—	7.2754	6.8609
December 2006	—	6.9204	6.7674
January 2007	—	7.0829	6.7818
February 2007	—	7.1177	6.9140
March 2007	—	7.1345	6.9285
April 2007	—	7.0272	6.6756

(1) Represents the average of the Noon Buying Rates on the last business day of each full month during the relevant period.

On April 30, 2007, the Noon Buying Rate for the Swedish kronor, expressed as Swedish kronor per U.S. dollar, was \$1.00 = SEK 6.6934.

Risk Factors

We are subject to various risks resulting from changing economic, political, social, industry and business and financial conditions. These risks are described below:

Our level of indebtedness could limit cash flow available for our operations and could adversely affect our operations and flexibility.

As of December 31, 2006, we had outstanding consolidated indebtedness (excluding VIEs) of SEK 24.5 billion (\$3.6 billion), of which SEK 12.9 billion (\$1.9 billion) was the obligation of unrestricted subsidiaries (as defined in the indentures governing our indebtedness). Our total debt (excluding VIEs) as a percentage of our total capitalization was approximately 57%. For the restricted group, the debt as a percentage of total capitalization was approximately 43%.

Our indebtedness could restrict our operations and make it more difficult for us to fulfill our obligations under the notes. Among other things, our indebtedness may:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions of vessels or other strategic acquisitions and general corporate purposes;
- require us to dedicate all or a substantial portion of our cash flow to service our debt, which will reduce funds available for other business purposes, such as capital expenditures and acquisitions;
- limit our flexibility in planning for or reacting to changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- make it more difficult for us to satisfy our financial obligations, including those relating to the notes, or be able to refinance maturing indebtedness.

Subject to compliance with various financial and other covenants imposed by our revolving credit facility, the agreements governing our other indebtedness and the indentures governing

our senior notes, we and our subsidiaries may incur additional indebtedness from time to time, including to finance the purchase or completion of newbuildings and other vessels. As of March 31, 2007, the total remaining cost for our newbuilding program was \$1.4 billion plus €561 million. The remaining cost for the RoPax vessel on order from a shipyard in Norway, fully equipped, was approximately €30 million. In March 2006, we entered into an agreement to acquire a newbuilt RoPax vessel from an Italian shipyard with expected delivery in May 2007. As of March 31, 2007, the remaining cost for the vessel, fully equipped, was approximately €65 million. As of March 31, 2007, the remaining unpaid cost of two RoPax super ferries we ordered from a shipyard in Germany in November 2006 was approximately €400 million. As of March 31, 2007, the aggregate remaining cost for our three DrillMAX drillships on order from a shipyard in Korea, fully equipped, was approximately \$1.4 billion, and the remaining cost of extension of the second of two of our RoPax vessels was €66 million. The first of our RoPax vessels being extended was redelivered to us in March 2007 at a cost of €42 million.

Although certain indebtedness of ours bears a fixed rate of interest, certain other indebtedness of ours bears interest at rates that fluctuate with prevailing interest rates. As a result, our interest expense under such facilities could increase. In addition, future financings we may undertake may also provide for rates that fluctuate with prevailing interest rates, which could increase. We currently hedge a portion of our interest rate exposure. However, there can be no assurance that such debt will be effectively hedged or that we will continue such hedging.

Our incurrence of additional debt could further increase the risks described in this Annual Report and could result in a material adverse effect on our business, financial condition and results of operations.

Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.

Although there can be no assurances, we believe that the level of borrowings available to us combined with cash from our operations will be sufficient to provide for our cash requirements. To date, we have been able to generate sufficient cash flow from operations, borrowings and refinancing to meet interest and principal payments on our indebtedness. However, our continued ability to satisfy our obligations will depend on our future operating performance and financial results that will be subject, in part, to factors beyond our control, such as interest rates and general economic, financial and business conditions, as well as other factors. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt;
- obtain additional financing;
- sell certain of our assets or operations;
- reduce or delay capital expenditures; or
- revise or delay our strategic plans.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments then in effect.

The covenants in our revolving credit facilities, the agreements governing our other indebtedness and the Indentures governing our notes impose restrictions on our business.

Our revolving credit facilities, the indentures governing our senior notes due 2013 and 2016 and the instruments governing certain of our other indebtedness contain a number of covenants imposing significant restrictions on our business. These restrictions may affect our ability to

operate our business and to take advantage of business opportunities as they arise. The restrictions these covenants place on us include limitations on our ability and the ability of our restricted subsidiaries to, among other things:

- incur liens and debt or provide guarantees in respect of obligations of any other person;
- issue preferred stock;
- pay dividends or make distributions;
- make redemptions and repurchases of capital stock;
- make loans, investments and capital expenditures;
- prepay, redeem or repurchase debt;
- engage in mergers, consolidations and asset dispositions;
- engage in sale-leaseback transactions and affiliate transactions;
- change our business and issue and sell capital stock of subsidiaries; and
- restrict distributions from subsidiaries.

The indentures governing our senior notes due 2017 and 2019 also contain covenants with respect to, among other things, limitations on consolidated and subsidiary debt and limitations on liens in respect of capital market indebtedness.

In addition, our revolving credit facilities and other loans require us to maintain a number of financial ratios. If we violate these covenants and are unable to obtain waivers from our lenders, our debt under the revolving credit facilities would be in default and could be accelerated by our lenders. If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. If our expectations of future operating results are not achieved, or our debt is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of our notes and may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions.

Because Stena AB is a holding company, repayment of our indebtedness is dependent on cash flow generated by our subsidiaries.

Stena AB is a holding company. All of our operations are conducted by, and substantially all of our assets (including our vessels) are owned by, our subsidiaries. Repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Under the Swedish Companies Act, there are restrictions as to the ability of our subsidiaries to pay us dividends or make loans and advances to us. The indentures governing our senior notes due 2013 and 2016 contain covenants that restrict the ability of our subsidiaries to enter into any agreement limiting distributions and transfers, including dividends; the indentures governing our senior notes due 2017 and 2019 do not contain these covenants. However, our real estate operations and certain of our investment activities are conducted through unrestricted subsidiaries which are not bound by restrictive provisions of these indentures and there can be no assurance that the cash flows or assets of those subsidiaries will be available to us to pay our obligations under our senior notes.

We conduct our real estate operations and certain investment activities through subsidiaries that are not subject to certain restrictive provisions in the Indentures.

Our real estate operations and certain investment activities are conducted through various subsidiaries. For purposes of the indentures governing our senior notes, the subsidiaries that conduct our real estate operations (other than one small property) and the subsidiaries that

conduct certain investment activities are designated as unrestricted subsidiaries. As a result, these unrestricted subsidiaries are not bound by the restrictive provisions of our indentures. As of December 31, 2006, these unrestricted subsidiaries had outstanding indebtedness (including VIEs) of approximately SEK 19.2 billion (\$2.8 billion), all of which was non-recourse to Stena AB and its restricted subsidiaries; in the case of the real estate subsidiaries, such debt was secured by their real property interests. Neither we nor any of our restricted subsidiaries have guaranteed payment of any of this indebtedness. There is no limitation in the indentures on the amount of indebtedness our unrestricted subsidiaries may incur in the future. The indentures require that any indebtedness of an unrestricted subsidiary must be non-recourse to Stena AB and its restricted subsidiaries. Nevertheless, there can be no assurance that a creditor of an unrestricted subsidiary could not successfully seek satisfaction from us and our restricted subsidiaries or that, in the event of the bankruptcy of Stena AB or one or more of our unrestricted subsidiaries, a bankruptcy court would not consolidate the assets and debts of us and our restricted subsidiaries with those of the unrestricted subsidiaries. The indentures governing our senior notes due 2013 and 2016 contain certain limitations on our ability to make investments in unrestricted subsidiaries.

In addition, because the covenant of the indentures governing our senior notes due 2013 and 2016 prohibiting, subject to certain limitations, the creation of limitations on the ability of our subsidiaries to pay dividends does not apply to the unrestricted subsidiaries and because our real estate investments are subject to significant indebtedness, there can be no assurance that the cash flows or assets of unrestricted subsidiaries will be available to us to pay our obligations under any of our indebtedness. All our indentures also provide for designating other of our subsidiaries as unrestricted subsidiaries.

The ferry industry is highly competitive in areas where we operate.

We compete with other ferry operators and with different providers and forms of transportation, including airlines, other freight carriers and fixed links such as bridges and tunnels. In particular, competition from low cost airlines has increased.

Some of these other forms of transportation are faster and/or less expensive or may be more convenient than ferry service. In the case of competition with other ferry operators, such competition is based on the location of the routes, the rates charged, the quality and reliability of the vessel and the onshore and onboard services provided. The principal effect of this competition is to affect our volumes and limit our ability to increase prices. Some of our competitors may have greater financial resources than us, be owned by governments or benefit from government subsidies. As a result, such competitors may be better able to withstand price competition and price volatility than we are.

Rising fuel prices may adversely affect the profitability of our ferry operations.

Fuel represents a significant cost incurred by us in the operation of our fleet. In addition, HSS vessels consume significantly more fuel than conventional ferries. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. In recent years, prices for fuel have increased substantially and have been volatile. Further or sustained increase in the price of fuel or reductions in supply could increase our operating expenses and have a material adverse effect on our financial condition and results of operations. Road and port blockades in the future, arising from fuel protests or other reasons, may have similar effects resulting in loss of carryings.

We seek to reduce our exposure to adverse changes in fuel prices by entering into hedging transactions. We primarily use swaps and options to hedge our exposure to variations in the price of fuel. However, there can be no assurance that such hedging activities will be successful, and at times our bunker fuel requirements are not fully hedged. Increases in fuel prices have required us

to take impairment charges with respect to our three HSS 1500 vessels, one of which was taken out of service in January 2007 because it is unprofitable to operate that vessel on its route at current bunker fuel prices. The depreciation and amortization charges in the year ended December 31, 2006 included an impairment charge of SEK 710 million and SEK 765 million in the year ended December 31, 2005 related to the HSS vessels.

In addition, as a substantial portion of our existing bunker hedges will expire in the next two years, if bunker prices remain at current levels or increase, our bunker expenses will be significantly higher in future years.

Our operating results are subject to seasonal fluctuations.

Our ferry operations are highly seasonal, principally because passenger volumes are linked to tourism. The period from June through September is the peak travel season for passengers. As a result, our ferry operations generate a significantly greater portion of their revenues and substantially all of their profits in the second and third quarters and generally report losses in the first and fourth quarters.

The offshore drilling rig market is competitive, and the future demand for our drilling units is unpredictable.

The offshore drilling rig market is highly competitive. All our drilling units, except our drillship ordered in October 2006 for delivery in the second quarter of 2009, are currently under contract, with expiration dates ranging from 2008 to 2011. The level of demand for offshore drilling rigs has historically fluctuated significantly in connection with oil price changes. No assurances can be given with respect to future demand for such rigs or the prices at which they may be contracted after the existing contracts expire.

Drilling contracts generally are awarded on a competitive bid basis with price competition as the primary factor. Some oil companies are seeking to negotiate contracts with a lower day rate and an incentive payment payable only upon achieving specified operating goals. In these cases, in the event of rig equipment failures or if we do not achieve the stated goals, our revenues will be lower. However, contracts for drilling projects are increasingly being negotiated directly between an oil company and its preferred contractor, with suitability of equipment, quality of service, safety and suitability of equipment and price being significant factors in awarding the contract. We cannot predict the timing or extent of any changes in the industry or the future level of demand for our drilling rigs.

Charter rates, utilization levels and values for our vessels and drilling rigs may decrease.

Over the last decade, charter rates, vessel values and the general profitability of the shipping and offshore drilling industries have been volatile. There can be no assurance that charter rates or vessel values in the businesses in which we operate will be stable or increase over time. Vessel values are strongly influenced by charter rates, which in turn are influenced by the number and types of vessels generally available, costs of newbuildings, changes in trading patterns affecting the demand for particular types and sizes of vessels and technological advances in vessel design and propulsion, as well as the level and pattern of global economic growth.

In the case of our RoRo, RoPax and car/passenger ferry vessels, a substantial portion of our vessel utilization has been through long-term charters. For the five years ended December 31, 2006, the RoRo vessels have averaged a utilization rate of approximately 97%. As of December 31, 2006, all of the vessels in our fleet of seven owned RoRo and RoPax vessels (including one RoRo vessel in which we have a 49% ownership interest) were under charter, with expiration dates ranging from 2007 to 2012. The large number of RoRo and RoPax newbuildings ordered and delivered in the industry in recent years and the increasing demand for larger vessels have adversely impacted charter rates and the value of older, smaller and slower vessels.

For the five years ended December 31, 2006, our drilling rig utilization rate has averaged approximately 84%. All our drilling units are currently under contract, except our drillship

ordered in October 2006 for delivery in the second quarter of 2009, with expiration dates ranging from 2008 to 2011. There can be no assurance that we will be able to enter into future rig charter contracts after our current contracts expire. Our customers may terminate some of our drilling contracts if the drilling unit is destroyed or lost or if drilling operations are suspended for a specified period of time as a result of a breakdown of major equipment or, in some cases, due to other events beyond the control of either party. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations.

For the five years ended December 31, 2006, the utilization for our fleet of chartered in, owned and finance leased tankers has averaged approximately 98%. Although we have long-term time charters in place for five of our six owned and finance leased tankers (including three tankers in which we have a 50% ownership interest), 29 of our 34 chartered in tankers were trading on the spot market as of March 31, 2007. There can be no assurance that rates on the spot market will not decline, that charters on the spot market will continue to be available or that dependence on the spot market will not result in generally lower overall utilization and lower profitability. The time charters for our two finance leased tankers expire in 2007 and 2011.

We actively seek new charters in an effort to maintain a high level of vessel and rig utilization. However, we cannot assure you that we will be successful in renewing charter agreements, obtaining charter agreements for our newbuildings or replacing charter agreements for our existing vessels or that future charter rates will enable our vessels to be operated profitably.

Conversions of our vessels and drilling rigs, upgrades or newbuildings may be subject to delays and cost overruns.

From time to time we may undertake to add new capacity through conversions or upgrades to our vessels and drilling rigs or through new construction. These projects are subject to risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following:

- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- unanticipated cost increases;
- weather interferences;
- difficulties in obtaining necessary permits or in meeting permit conditions;
- design and engineering problems;
- failure to meet agreed-upon specifications; and
- bankruptcy or other failures of the shipyard.

The shipping industry is cyclical and subject to a variety of external factors.

Historically, the profitability of the shipping industry has been cyclical. The cyclicity of the shipping industry has been due to changes in the level and pattern of global economic growth and trading and the highly competitive nature of the shipping industry, as well as changes in the supply of and demand for vessel capacity, which impact charter rates and vessel values. The worldwide supply of vessels is influenced by the number of newbuildings and scrappings and government and industry regulation of maritime transportation practices. The overall demand for vessel capacity is influenced by global and regional economic conditions, increases and decreases in industrial and agricultural production, energy consumption, tourism patterns, political changes and armed conflicts, developments in international trade and changes in sea borne and other trading patterns. Because many of the factors influencing the supply of and demand for vessel capacity are unpredictable, the timing, direction and degree of changes in the

shipping markets in which we participate, including the RoRo, RoPax, car/passenger ferry and tanker markets, as well as future charter rates and vessel values, are also unpredictable, and we cannot assure you that demand for our services or vessels will increase or even remain stable.

Our international operations expose us to risks and uncertainties arising from international political conflicts, economic conditions and other events that could negatively impact our results of operations.

Our operations are global and are affected by international economic, political and governmental conditions, especially in the countries where we and our subsidiaries are engaged in business or where our vessels operate or are registered.

Economic conditions and fluctuations in currency exchange rates among the countries in which we conduct our ferry operations affect the travel and trade patterns of our customers. We are also subject to governmental and regulatory risks, including taxation, nationalization, inflation and protectionist measures that can affect our ability to operate our current routes or alter our routes. We are further subject to political upheaval risks.

We are subject to risks pertaining to the Middle East conflict. The tankers owned, chartered in or managed by us trade from time to time in the Arabian Gulf. In the past, political and armed conflicts in this region have included attacks on tankers and other efforts to disrupt shipping in this area. Future political instability or future hostilities in this region could adversely impact our tanker operations and therefore could have a material adverse effect on our operations.

These circumstances may materially adversely affect our trade patterns, operations and results of operations.

Terrorist attacks or acts of war may adversely affect the markets in which we operate, our operations and our profitability.

The occurrence of acts of terrorism and any military response would likely cause instability in financial markets and disruptions in travel and trade patterns. Furthermore, terrorist attacks and military actions may result in reduced demand from our customers for our services. Acts of terrorism and regional military conflict may subject our worldwide operations to increased risks and, depending on their magnitude, could have a material adverse effect on our business.

We have potential conflicts of interest with our owners that may adversely affect us.

Our owners own other companies and have other business interests. In the past, certain of such companies have engaged in the same business as or in businesses similar to those conducted by us. In the future, due to the availability of funds, restrictions contained in debt or other instruments or for other reasons, our owners may determine to allocate a particular business opportunity, such as the acquisition of a vessel or drilling rig or the construction of a new vessel to such other companies. In addition, our owners may make these investments or engage in these businesses directly. In such event, we would not receive any cash flow or income generated by the investment, and such activities by our owners may result in such other companies or our owners directly competing with us.

In the case of corporate opportunities and conflicts of interest, Swedish corporate law requires our directors to act in our best interests. Our board of directors is advised by Swedish counsel with respect to such matters. Our eight directors and one deputy director include four directors who are neither employees nor officers of Stena AB and three directors, including our deputy director, who are appointed by the trade unions representing our employees.

The loss of the services of our key employees could materially adversely affect our revenues, results of operations and prospects.

We rely, and expect to continue to rely, upon Dan Sten Olsson, our Chief Executive Officer, and Svante Carlsson, our Chief Financial Officer, as well as certain other key employees for the

successful pursuit of our activities. The loss of any of their services could have an adverse effect on our operations. We do not maintain life insurance with respect to Messrs. Olsson or Carlsson.

Most of our onboard staff and onshore shipping staff are unionized. Strikes by them may disrupt our services and adversely affect our operations.

The shipping industry in Sweden and other jurisdictions in which we operate are susceptible to industrial action due to the strong influence of maritime trade unions. While we believe that we have good relations with our work force, we cannot assure you that we will not be adversely affected by future industrial action against efforts by our management to reduce labor costs, restrain wage increases or modify work practices.

We are party to separate agreements covering substantially all our employees in our ferry operations in Sweden, the United Kingdom and The Netherlands. Generally, the terms of these agreements are for one to two years or the agreements continue until terminated or renegotiated. In the United Kingdom, we have an agreement with our labor unions for which the pay level is negotiated on an annual basis. We negotiate labor agreements for our offshore drilling operations separately on an annual basis.

Although we have not experienced any major strike or work stoppage in the last ten years, there can be no assurance that we will in the future be able to favorably negotiate the terms and conditions of such labor agreements or that strikes or disruptions will not occur in the future as a result of the failure to negotiate such terms or otherwise.

Currency fluctuations may have a material adverse effect on our financial statements and/or our operating margins.

Although we report our results of operations in Swedish kronor, we earn a substantial portion of revenues and incur a substantial portion of expenses in other currencies, principally US dollars, British pounds, euro and Norwegian kroner. In particular, we incur significant expenses in US dollars for fuel and for expenses in our tanker operations, and as of December 31, 2006, approximately \$1.1 billion of our debt was denominated in US dollars, excluding the debt pertaining to our VIEs. Fluctuations in the exchange rates between the US dollar and other currencies could have a material effect on the amount of funds denominated in other currencies needed by us to satisfy our US dollar-denominated obligations. In addition, a substantial portion of our assets and liabilities are denominated in currencies other than the Swedish kronor. As a result, these assets and liabilities will also be impacted by changes in the exchange rate between the Swedish kronor and such other currencies. Our financial results as reported in Swedish kronor in the past have been and in the future are expected to be significantly affected by changes in the exchange rate between the Swedish kronor and such other currencies. We seek to manage our foreign currency exposure by using forward exchange contracts. We also hedge certain of our currency exchange exposures with borrowings denominated in the same currency as the investment. However, there can be no assurance that such hedging will be successful, and foreign exchange fluctuations may have a material adverse effect on our financial statements and/or our operating margins.

We utilize various financial instruments, including hedging arrangements, to manage financial risks, which may not be successful.

We have traditionally used various financial instruments as part of an overall risk management policy to seek to reduce our exposure to interest rate and foreign currency exchange fluctuations. To manage our interest rate risks, we utilize swaps, forward rate agreements, interest rate futures, options and interest rate collars. To manage our foreign currency exchange rate exposure, we utilize forward foreign currency exchange contracts, foreign currency options and currency swaps. We also hedge certain of our currency exchange exposures with borrowings denominated in the same currency as the investment. However, there can be no assurance that we will continue such hedging or that such hedging will be successful in

mitigating the risk that interest rate fluctuations will have an adverse effect on our financial statements and/or operating results.

By utilizing hedging instruments, we potentially forego benefits that might result from fluctuations in currency exchange rates, declines in short-term interest rates and declines in oil prices. Additionally, we are exposed to credit risk in the event of the failure of counterparties to meet their obligations under these arrangements. The theoretical risk is the cost of replacement at current market prices of these transactions in the event of defaults by counterparties.

Although we believe the possibility of non-performance by counterparties is remote (given that we maintain a policy of entering into such arrangements only with highly rated institutions), the impact of such a default may have an adverse effect on our result of operations.

We maintain an investment portfolio of equity and debt securities, and market fluctuations may have a material effect on our financial statements and our financial results.

As of December 31, 2006, the fair value of our marketable securities and short-term investments (including restricted cash of SEK 882 million) amounted to SEK 8.3 billion, as compared to SEK 5.5 billion (including restricted cash of SEK 357 million) as of December 31, 2005. Our investments in equities include both publicly traded and private companies. The debt securities currently held by us are primarily bank floating rate notes and high yield government and corporate bonds from emerging markets. We have also invested in VIEs; which we consolidate, whose purpose is to make investments, primarily in high yield securities and bank loans. As of December 31, 2006, we had investments in three VIEs who's total assets amounted to SEK 8.1 billion, which was financed by US dollar denominated notes issued by the VIEs in an aggregate amount of SEK 6.3 billion (which is non-recourse to Stena). In early 2007, we invested in a new, fourth VIE. We seek to maintain a diversified investment portfolio to balance our exposure to various risks. However, investments are subject to various risks and fluctuations and are highly volatile and, as a result, there can be no assurance that our investment activities will be profitable.

Compliance with safety, environmental and other governmental requirements may adversely affect our operations.

The shipping industry in general, and our business and the operation of our vessels in particular, are affected by a variety of governmental regulations in the form of numerous international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such vessels operate, as well as in the country or countries in which such vessels are registered. These regulations include, but are not limited to:

- the United States Oil Pollution Act of 1990 (OPA) with respect to strict liability for the discharge of oil and other materials into the environment, the issuance of certificates of financial responsibility for vessels trading in United States waters and requiring that newly constructed tankers that trade in United States waters be constructed with double hulls;
- the International Convention on Civil Liability for Oil Pollution Damage of 1969 and the protocol of 1992 (CLC) entered into by certain countries (other than the United States) relating to strict liability and limitation of liability of the shipowner for pollution damage caused by the discharge of persistent oil;
- International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) with respect to strict technical and operational requirements for tankers, including an enhanced inspection regime and the requirement that all new tankers are built with double hulls;
- the International Maritime Organization International Convention for the Safety of Life at Sea of 1974 (SOLAS) with respect to crew and passenger safety, certain safety

regulations concerning car/passenger ferry and RoPax vessels and a subsequent chapter, as revised in 2000, with respect to the construction and operation of high speed craft, such as the HSS ferries, as well as recently adopted mandatory security provisions for ships engaged in international voyages and mandatory compliance with the new International Ship and Port Facility Security Code (ISPS code) and the International Safety Management (ISM) Code, which sets out guidelines for the safe operation of ships;

- the International Convention on Load Lines of 1966 with respect to the safeguarding of life and property through limitations on load capability for vessels on international voyages;
- the International Convention Relating to the Carriage of Passengers and their Luggage by Sea (the Athens Convention), which by its recent protocol has significantly increased the limits of liability of carriers and has introduced a strict liability regime with limited defenses; and
- the U.S. Marine Transportation Security Act of 2002 with respect to vessel security.

In order to maintain compliance with existing and future laws, treaties and international agreements, we incur, and expect to continue to incur, substantial costs in meeting maintenance and inspection requirements, developing and implementing emergency preparedness procedures, and obtaining insurance coverage or other required evidence of financial ability sufficient to address pollution incidents.

Additional laws and regulations, both international and national, may be adopted as a result of oil spills from single-hull tankers and due to heightened security concerns, which could limit our ability to do business or increase our cost of doing business and have a material adverse effect on our operations. In addition, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. In the event of war or national emergency, our vessels may be subject to requisition by the government of the flag flown by the vessel without any guarantee of compensation for lost profits.

We believe our vessels are maintained in good condition in compliance with present regulatory requirements, are operated in compliance with applicable safety/environmental laws and regulations and are insured against usual risks for such amounts as our management deems appropriate. The vessels' operating certificates and licenses are renewed periodically during each vessel's required annual survey. However, government regulation of vessels, particularly in the areas of safety and environmental impact may change in the future and require us to incur significant capital expenditure on our vessels to keep them in compliance.

Catastrophic loss and other liabilities of our business could adversely affect our results of operations.

The operation of any oceangoing vessel carries with it an inherent risk of catastrophic maritime disaster, mechanical failure, collision and loss of or damage to cargo.

Additionally, in the course of operating vessels, marine disasters such as oil spills and other environmental mishaps, cargo loss or damage, business interruption due to political or other developments, as well as maritime disasters not involving us, labor disputes, strikes and adverse weather conditions could result in loss of revenues, liabilities or increased costs, personal injury, loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Damage arising from such occurrences may result in lawsuits asserting large claims. In addition, offshore drilling operations are subject to many of the same risks as shipping, including risks relating to the environment and possible catastrophic loss or liability, and are subject to the usual hazards inherent in drilling for oil and gas offshore, such as blowouts, reservoir damage, loss of well control, punchthroughs, craterings or fires.

Although we maintain insurance that we believe is consistent with industry norms against certain of these risks, including loss of life, there can be no assurance that such insurance would

be sufficient to cover the cost of damages suffered by us or the loss of income resulting from a vessel being removed from operation. We also cannot assure you that a claim will be paid or that we will be able to obtain insurance at reasonable rates in the future. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we obtain insurance coverage for tort liability. Our payment of these calls could result in significant expenses to us which would reduce our profits or cause losses.

In the event that such claims were assessed against us, all our assets could be subject to attachment and other judicial process.

We cannot assure you that a judgment of a United States court for liabilities under United States securities laws would be enforceable in Sweden, or that an original action can be brought in Sweden against us for liabilities under United States securities laws.

We are a Swedish company, all our directors and officers are residents of Sweden and elsewhere outside the United States and most of our assets and the assets of our directors and officers are located outside the United States. As a result, it may be difficult for you to:

- effect service of process within the United States upon us or our directors and officers, or
- enforce judgments obtained in United States courts against us or our directors and officers based upon the civil liability provisions of the United States federal securities laws.

We have been advised by our Swedish counsel, Wistrand Advokatbyrå Göteborg KB, that:

- a judgment of a United States court would not be enforceable in Sweden against us or our directors and officers, but would be accepted on an evidential basis in a Swedish legal action, and
- there is doubt whether an original action could be brought in Sweden against us or our directors and officers to enforce liabilities based solely upon the United States federal securities laws.

Item 4. Information on the Company

History and Development of the Company

Stena AB was incorporated as a stock corporation of limited liability in 1897 under the laws of the Kingdom of Sweden. Stena AB was acquired by the Sten A. Olsson family in 1967 to serve as a holding company for certain of the family's businesses. Our principal corporate offices are located at Masthuggskajen, SE-405 19 Gothenburg, Sweden and our telephone number at that address is 46-31-855000.

We are one of the largest privately held companies in Sweden. We are owned by certain members of the Olsson family including Dan Sten Olsson, our Chief Executive Officer. The Olsson family has been involved in various aspects of the shipping business since 1946 and we are a leading participant in the worldwide shipping industry. In addition, in order to capitalize on our experience and knowledge of the shipping industry, we have expanded our activities to include other operations related to shipping.

We, together with Stena Sessan AB ("Sessan") and Stena Metall AB ("Stena Metall"), which are also owned by Dan Sten Olsson and other members of the Sten A. Olsson family, and Concordia Maritime AB ("Concordia"), which is 52% owned by Sessan, comprise the "Stena Sphere" of companies. The Stena Sphere of companies is engaged in shipping, ferry operations, offshore drilling, metal and paper recycling, sales of bunker fuel, real estate, financial activities and industrial operations.

We own and operate one of the world's largest international passenger and freight ferry services and own and charter drilling rigs, Roll-on/Roll-off vessels and crude oil and petroleum product tankers. We also invest in and manage residential and commercial real estate, principally in Sweden and The Netherlands. For the year ended December 31, 2006, we generated revenues of SEK 22.9 billion including net gains on sale of assets of SEK 2.5 billion. Cash flows from operating activities for the same period were SEK 3.6 billion.

Since January 1, 2004, our principal capital expenditures and divestitures have consisted of the purchase and sale of vessels, the purchase and sale of real property and the acquisition of other companies. From January 1, 2004 through December 31, 2006, we have invested approximately SEK 12.0 billion for the purchase of vessels, SEK 4.2 billion for the purchase of real estate and SEK 3.8 billion for the acquisitions of the Drott, Blomsterlandet and Envac Centralsug AB ("Envac") companies. During the same period, we have sold vessels for total consideration of SEK 7.3 billion and real estate for total consideration of SEK 4.8 billion. As of the date of this Annual Report, April 30, 2007, our capital expenditures in progress consist of three drillships under construction in Korea, one RoPax vessel under construction in Norway, two SuperFerries under construction in Germany, one newbuilt RoPax vessel that we have entered into an agreement to buy from an Italian shipyard and the lengthening of one of our RoPax vessels. We expect that the substantial portion of the purchase price of our newbuildings will be financed by the existing revolving credit facility, new capital lease agreements, new bank loans or other financing arrangements.

Business Overview

Ferry Operations

We operate 18 routes with a fleet of 34 vessels (excluding the HSS vessel *Stena Discovery* that was taken out of service in January 2007) in Scandinavia and the United Kingdom under the "Stena Line" and "Scandlines" brand names. Our ferry operations generate revenues from three principal business activities: (i) travel, which consists primarily of ticket sales for passengers and private cars, package tours and hotel sales; (ii) onboard sales, which consists primarily of retail sales, restaurants, bars, arcades, gaming and, on our Norway-Denmark route, duty and tax free sales; and (iii) freight, which consists primarily of trailer and truck transportation. For the year

ended December 31, 2006, we carried a total of 11.4 million passengers, 2.2 million private cars and 1.6 million freight units on our routes. For the year ended December 31, 2006, our ferry operations generated revenues of SEK 9.4 billion and operating income of SEK 393 million, including impairment charges for our HSS vessels of SEK 710 million due to high oil prices. Total depreciation and amortization expense (including impairment charges) amounted to SEK 1.6 billion for the year ended December 31, 2006. Ferry operation revenues were generated from travel revenues (35%), onboard sales (19%) and freight/other (46%).

Pursuant to a tax subsidy system in Sweden, our ferry operations receive a subsidy equal to all social security costs and income taxes payable by the employers on behalf of employees who work onboard Swedish-flagged vessels. The amount of this subsidy was SEK 412 million for year ended December 31, 2006.

Business Activities

We generate revenue from our ferry operations from three principal business activities: travel, onboard sales and freight. The following table sets forth the revenue for each of our business areas for the three years ended December 31, 2004, 2005 and 2006.

(SEK in millions)	Year Ended December 31,		
	2004	2005	2006
Travel	3,240	3,139	3,248
Onboard sales	2,120	1,828	1,795
Freight/other	3,664	4,078	4,370
Total revenues	9,024	9,045	9,413

Set forth below is certain operating data for our ferry operations for the years ended December 31, 2004, 2005 and 2006.

Volumes (in millions)	Year Ended December 31,		
	2004	2005	2006
Number of passengers	12.5	11.5	11.4
Private cars	2.4	2.2	2.2
Freight units	1.4	1.5	1.6

Route Network

We currently operate 18 routes in Scandinavia and the United Kingdom. Our routes are geographically well positioned and generally located in high traffic areas.

Sweden-Denmark. We operate ferry services on three routes. We estimate that we had an approximate 23%, 14% and 39% share of the volume of passengers, private cars and freight units, respectively, transported between Sweden and Denmark for the year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Denmark routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Gothenburg-Fredrikshavn	1,947	1,597	1,569	397	342	330	170	161	166
Varberg-Grena	124	170	170	29	39	42	21	40	39
Helsingborg-Helsingör ⁽¹⁾	4,240	4,009	3,933	756	711	693	138	137	142

(1) Represents only 50% of volume on this route. This route is operated in partnership with Scandlines Danmark A/S.

Sweden-Germany. We operate ferry service on five routes, including two routes operated in cooperation with Scandlines Deutschland GmbH. We estimate that we had an approximate 43%, 47% and 27% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Sweden and Germany for the year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Germany routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Göteborg-Kiel.....	476	474	487	92	94	93	34	35	35
Göteborg-Travemünde.....	3	4	4	—	—	—	78	82	89
Trelleborg-Sassnitz ⁽¹⁾	354	330	331	81	79	79	18	18	18
Trelleborg-Rostock ⁽¹⁾	157	166	164	26	27	25	59	67	70
Trelleborg-Travemünde ⁽²⁾	46	35	28	—	—	—	51	54	44

(1) Represents only 50% of the volumes on these routes. These routes are operated under a pooling arrangement with Scandlines Deutschland GmbH.

(2) In April 2005, one of the two RoPax vessels was redelivered to its owner. To make up for this lost capacity, Stena Line entered into an agreement with a third party to buy deck-space on such party's ships for our customers.

Norway-Denmark. We operate ferry service on one route. We estimate that we had an approximate 10%, 6% and 8% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Norway and Denmark/Germany for the year ended December 31, 2006. Because Norway is not part of the European Union, we continue to offer duty and tax free retail sales on this route.

The following table sets forth the volumes of passengers, private cars and freight units on our Norway-Denmark route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Oslo-Fredrikshavn.....	592	487	488	61	52	49	15	16	16

Sweden-Poland. We operate ferry service on one route. We estimate that we had an approximate 41%, 30% and 31% share of the passengers, private cars and freight units volume, respectively, transported on Roll-on/Roll-off vessels between Sweden and Poland for the year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Sweden-Poland route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Karlskrona-Gdynia ⁽¹⁾	420	361	413	65	72	74	62	73	87

(1) *Stena Baltica*, which operates on this route, was rebuilt during spring 2005 to increase car-deck capacity.

Wales/England-Republic of Ireland. We operate ferry services on three routes. We estimate that we had an approximate 55%, 54% and 27% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Wales or England and the Republic of Ireland for the year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on our Wales/England-Republic of Ireland routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Fishguard-Rosslare	614	589	584	153	142	139	45	52	57
Holyhead-Dun Laoghaire	888	850	760	191	184	170	36	38	24
Holyhead-Dublin ⁽¹⁾	354	343	426	62	60	78	115	136	152

(1) A second vessel was added to the route Holyhead-Dublin in October 2006.

Scotland/England-Northern Ireland. We operate ferry services on two routes. We estimate that we had an approximate 56%, 53% and 37% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between Scotland/England and Northern Ireland for the year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on these routes for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Stranraer-Belfast	1,321	1,236	1,212	268	260	261	128	125	125
Fleetwood-Larne ⁽¹⁾	50	62	58	9	9	8	95	134	138

(1) We commenced operations on the Fleetwood-Larne route in April 2004.

England-The Netherlands. We operate ferry services on three routes. We estimate that we had an approximate 31%, 33% and 19% share of the volume of passengers, private cars and freight units, respectively, transported on Roll-on/Roll-off vessels between England and The Netherlands for year ended December 31, 2006.

The following table sets forth the volumes of passengers, private cars and freight units on this route for the last three years.

(In Thousands)	Passengers			Private cars			Freight units		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Harwich-Hook of Holland ⁽¹⁾	849	738	736	196	160	153	155	161	165
Killingholme-Hook of Holland ⁽²⁾	26	26	32	—	—	—	57	58	61
Harwich-Rotterdam	34	39	37	—	—	—	129	135	130

(1) In January 2007, one HSS vessel was taken out of service and during the first half year 2007 the two ropaxes on the route will be extended to 4,100 lm each.

(2) In August 2006, a newly built Ropax vessel replaced one of the existing vessels on the route.

Ferry Fleet

As of March 31, 2007 our ferry fleet consisted of 35 vessels including one HSS vessel taken out of operation in January 2007. The table below sets forth certain information about our ferries as of March 31, 2007.

Ferry Fleet

Type of vessel	Number of vessels	Average age (years)
HSS Vessels	4	11
Conventional Fast Ferry	1	11
Day Ferries	3	16
Night Ferries	2	24
RoRo Vessels	2	3
RoPax Vessels	23	22

Newbuildings. In the third quarter of 2004 we ordered two RoPax vessels. The first vessel was delivered in August 2006, and the second vessel is scheduled for delivery in May 2007. In November 2006 we ordered two RoPax "super ferry" vessels of 5,500 lane meters, the world's largest in route traffic. The first is scheduled for delivery in the beginning of 2010 and the second during the second half of 2010.

Conventional, day and night ferries. Our fleet of conventional day and night ferries is designed to transport a combination of cars, trucks, freight trailers and passengers. This type of ferry comes in two different designs, the day ferry and the night ferry. Night ferries provide cabin accommodation for passengers.

HSS vessels. We currently operate two HSS 1500s and one HSS 900. We own another HSS 1500 vessel which was taken out of service in January 2007 due to an increase in fuel prices and a decline in passenger traffic volumes. HSS vessels are designed to travel with significantly less vertical motion than other fast ferries at service speeds of up to 40 knots. The HSS 1500 is currently the largest high speed ferry in service in the world and has the capacity to carry significant numbers of trucks, freight trailers, cars and buses and up to 1,500 passengers. The HSS 900 can carry up to 900 passengers and 210 cars or a combination of cars and buses.

RoRo vessels. The RoRo vessel is designed primarily to transport freight trailers and a limited number of passengers, primarily truck drivers.

RoPax vessels. RoPax vessels are designed to transport trucks, freight trailers, buses and cars and also provide accommodation for passengers. RoPax vessels are flexible and can adapt their capacity in line with seasonal variations in freight and passenger traffic. During the peak passenger season, the RoPax vessel acts as a ferry for passengers and cars and, during the low season, we operate this type of vessel as a freight ferry.

Sales and Marketing

Passengers and cars. Our travel service targets our marketing efforts to three groups: individual travelers, bus operators and business travelers. The travel products and services we offer consist of day trips, package trips (ferry ticket plus shore based arrangements), cruises (ferry tickets used primarily for onboard activities) and transport (ferry ticket including a vehicle transport). We also offer conference services and other business related services to our business travel customers.

Our sales organization is divided into national sales offices in each of the countries where we have ferry operations and is responsible for sales and reservations, sales training and route coordination. Telephone reservations are centralized at one call center in each country. Products are sold directly to consumers and through travel agents with whom we maintain various arrangements, including direct booking access. Individual customer bookings can also be made by telephone, internet, e-mail, mail, fax and directly at each of our ferry terminals.

Freight. Our freight sales organization is divided into four sales regions. The freight organization provides sales, marketing and reservation services to customers and coordinates freight services for customers seeking transportation across more than one route. Freight operations are handled by sales representatives in each country where we operate, as well as independent sales agents in other European countries.

Other Properties

Ports. We own two ports: Holyhead and Stranraer, located in England and Scotland, respectively. We also own land along the quay in Hook of Holland, The Netherlands, enabling us to control our port area at Hook of Holland. In addition, we own 50% of the capital stock of a company owning the ports of Fishguard and Rosslare, and we operate the port of Fishguard in Wales. In October 2003, we entered into an agreement with P&O relating to, among other things, the acquisition of a 50% ownership interest in P&O's port in Cairnryan in Scotland. The completion of the acquisition is conditioned upon, among other things, finalizing construction designs for the redevelopment of the port, negotiating construction contracts related thereto, obtaining financing on satisfactory terms and obtaining necessary permits from Scottish planning and environmental authorities. In the case of our other routes, we use port facilities owned by third parties and pay applicable port and harbor fees.

Hotels. In July 2005, we sold one of our two owned hotels in Denmark. The remaining hotel is marketed as part of tour packages. We have an agreement with Scandic Hotels to operate the hotel, Scandic Hotels also work with us in relation to the marketing of the hotel.

Offshore Drilling

We own and operate two third generation and two fifth generation semi-submersible drilling rigs. We sold *Stena Dee* (renamed *Songa Dee*), a fourth generation rig, on May 2, 2006 to Songa Offshore ASA and currently bareboat-charter the rig to enable us to fulfill our contract with Norsk Hydro. We believe our quality of service, excellent safety record and fleet provide us with a significant competitive advantage. For the year ended December 31, 2006, our drilling operations generated, including a net gain on sale of assets of SEK 1.5 billion, revenues of SEK 4.5 billion, operating income of SEK 2.3 billion, and had depreciation and amortization expenses of SEK 633 million.

The table below sets forth selected information with respect to our drilling rigs as of March 31, 2007.

Drilling Rig Fleet

Drilling Rig	Generation	Year Built	Maximum Water Depth (Ft.)	Class
Owned				
<i>Stena Clyde</i>	3rd	1976	1,650	DnV
<i>Stena Spey</i>	3rd	1983	1,500	DnV
<i>Stena Tay</i>	5th	1999	7,500	DnV
<i>Stena Don</i>	5th	2001	1,600	DnV
Chartered				
<i>Songa Dee</i> (formerly <i>Stena Dee</i>)	4th	1984	1,500	DnV

Our headquarters is in Aberdeen, Scotland with a sub-office in Bergen, Norway. We also have base offices in Australia, Norway, Nigeria and Houston. All of the drilling rigs are equipped to drill high pressure wells. As of December 31, 2006, the average age of our fleet was approximately 18 years.

The table below sets forth the average utilization rates for our drilling rigs for each of the past five years.

Rig Utilization

	2002	2003	2004	2005	2006
Total vessel days available	1,825	1,825	1,830	1,825	1,825
Vessel days utilized	1,578	1,337	1,457	1,591	1,683
Vessel utilization (percentage)	86.5	73.3	79.6	87.2	92.2
Offhire days planned	37	132	83	126	102
Offhire days planned (percentage)	2.0	7.2	4.5	6.9	5.6
Unutilized days	210	356	290	108	40
Unutilized days (percentage)	11.5	19.5	15.9	5.9	2.2
Average daily rates	135,000	144,000	131,000	154,000	241,000

The table below sets forth selected information with respect to our drilling contracts as of March 31, 2007.

Rig	Customer	Expected Contract Expiration Date
<i>Stena Clyde</i>	Peak	May 2007
	Apache	May 2008 (plus six-month option)
<i>Stena Spey</i>	Chevron	June 2009/2010 ⁽¹⁾
<i>Songa Dee</i>	Norsk Hydro	July 2008 (plus six-month option)
<i>Stena Tay</i>	Total	January 2010 (plus one-year option)
<i>Stena Don</i>	Statoil ASA	December 2009 (plus one-year option)

(1) 2 or 3 Years Firm from June 2007.

The contracts for our drilling rigs typically provide for compensation on a "day rate" basis, under which we receive a fixed fee for each day that the rig is operating under contract. Under day rate contracts, we pay the operating expenses of the rig, including wages and the costs of incidental supplies. As at March 31, 2007, the daily charter rates for our drilling rigs were as follows: *Stena Clyde*: \$170,000; *Stena Spey*: \$146,000; *Stena Tay*: \$425,000 to \$475,000 depending on the incentive earned; *Stena Don*: \$431,000; *Songa Dee*: \$171,000.

Newbuildings. In August 2005 we entered into a contract with Samsung Heavy Industries (SHI), Korea, for the construction of an ultra deepwater dynamically positioned drillship (*Stena DrillMAX*), which is scheduled for delivery in December 2007. We exercised an option in March 2006 for a second DrillMAX vessel for delivery in June 2008, and in October 2006 we exercised an option for a third DrillMAX vessel for delivery in June 2009. Our DrillMAX vessels can move more quickly between drilling locations than semi-submersible rigs and include a second derrick that enable them to perform exploration and development work more efficiently.

As of March 31, 2007 financing is in place for 80% of the total investment for all three drillships by way of a combination of Export Credit Agency financings, bank financing and mezzanine debt.

We have a contract with Repsol for the first DrillMAX vessel for four years firm with a one year option at day rates of \$450,000 to \$500,000, depending on the incentive earned, and a contract with Chevron for our second drillship for a minimum of three years firm, with options up to eight years at agreed day rates ranging from \$515,000 for three years to \$422,000 for eight years. The length of contract will be declared prior to commencement.

Competition. The offshore drilling rig market is highly cyclical and competitive, reflecting the historic oversupply of offshore drilling rigs and the ability of operators to move rigs from areas of low utilization and low day rates to areas of greater activity and relatively higher day rates. Although drilling contracts are generally awarded on a competitive bid basis with price competition as the primary factor, contracts for drilling projects are also being negotiated directly between an oil company and its preferred contractor with suitability of equipment, quality of service safety, and price being significant factors in awarding contracts.

Shipping

Our shipping operations consist of the ownership and chartering of Roll-on/Roll-off vessels and crude oil and petroleum product tankers. To support these activities, we are also engaged in the design, purchase, sale, management and crewing of these vessels. We generally collect charter hire payments monthly in advance in the case of time charters and upon completion with respect to charters on the spot market. For the year ended December 31, 2006, our shipping operations generated, including net gain on sale of assets of SEK 830 million, revenues of SEK 5.1 billion, operating income of SEK 1.2 billion, and had depreciation and amortization expenses of SEK 145 million.

Roll-on/Roll-off Vessel Operations

Roll-on/Roll-off vessels permit trucks, freight trailers, buses, cars, and, to a certain extent, containers on chassis to drive directly onto and off the ship. Our Roll-on/Roll-off vessel operations are divided into RoPax vessels, which carry trucks, freight trailers, buses and cars and provide accommodations for passengers; RoRo vessels, which carry predominantly freight trailers only and limited number of passengers; and car/passenger ferry vessels.

Over the past five years, our RoRo and RoPax fleet size ranged from six to eight vessels. As of March 31, 2007, we owned six RoRo vessels. We also had a 49% ownership in one RoRo vessel.

For the five years ended December 31, 2006, our average Roll-on/Roll-off vessel utilization rate was approximately 97%. The table below sets forth information with respect to the utilization of our Roll-on/Roll-off vessels, including the vessels chartered to Stena Line, during the last five years.

Roll-on/Roll-off Vessel Utilization

	Year ended December 31,				
	2002	2003	2004	2005	2006
Total vessel days available ⁽¹⁾	2,348	3,059	3,250	3,886	3,135
Vessel days utilized ⁽²⁾	2,272	2,948	3,188	3,758	3,070
Vessel utilization (percentage) ⁽²⁾	96.8	96.4	98.1	96.7	97.9
Offhire days ⁽³⁾	7	43	47	109	50
Offhire days (percentage)	0.3	1.4	1.4	2.8	1.6
Unutilized days	69	68	15	19	15
Unutilized days (percentage)	2.9	2.2	0.5	0.5	0.5

(1) Total vessel days are determined by aggregating the number of days in each year we owned, chartered in or leased such vessels.

(2) In the case of bareboat charters, the vessel is deemed to be utilized during the entire time the vessel is on charter.

(3) Due to planned dry-dockings and damage.

The customers for our Roll-on/Roll-off vessels consist primarily of operators in the international freight and passenger transportation business. Because we frequently purchase and sell our Roll-on/Roll-off vessels, and because our customers charter specific vessels to suit their particular needs, our customer base varies with changes in our fleet.

Chartering activities. Our strategy is to charter our Roll-on/Roll-off vessels on either long-term time charters or bareboat charters. We seek operationally experienced and financially stable customers to charter our Roll-on/Roll-off vessels. In the case of time charters, we provide the crew, technical management and insurance coverage. In the case of bareboat charters, the charterer provides the fuel, crew, insurance and daily maintenance of the vessel. Bareboat charters also provide us with the right to inspect our vessels on a periodic basis.

The tables below set forth information about existing chartering arrangements in place with respect to our Roll-on/Roll-off vessels as of March 31, 2007.

RoRo Vessels

Vessel	Type of charter	Current charter expiration date
<i>Stena Shipper</i>	Time	February 2008
<i>Stena Forwarder</i>	Time	February 2012
<i>Stena Foreteller</i>	Time	May 2011
<i>Stena Forecaster</i>	Time	September 2012
<i>Stena Forerunner</i>	Time	October 2012
<i>Mont Ventoux</i>	Time	November 2007
<i>RoRo Gothica</i> ⁽¹⁾	Time	October 2007

(1) In October 2004, *Stena Gothica* was sold to a company in which Stena hold 49% of the shares and re-named *RoRo Gothica*.

RoPax Vessels

Vessel	Type of charter	Current charter expiration date
<i>Stena Challenger</i> ⁽¹⁾	Bareboat	June 2010

(1) Chartered in vessel.

Fleet management. We order new vessels to be built, purchase existing vessels, charter vessels in, charter vessels out and sell vessels. Sales of our vessels are an integral part of our business and have provided a significant portion of our shipping revenue in past years. The market for vessel sales is highly competitive and there can be no assurance that we will be able to realize gains from the sale of vessels in the future.

The table below sets forth certain information with respect to our purchases and sales of Roll-on/Roll-off vessels and the net gain from such sales for the past five years. We do not include in the table any transfers of Roll-on/Roll-off vessels from our Roll-on/Roll-off vessel operations to our ferry operations.

Roll-on/Roll-off Vessel Sales and Purchases

	2002	2003	2004	2005	2006
Fleet as of January 1	7	8	8	8	8
Newbuildings delivered	1	2			
Vessels purchased		1	2	1	
Vessels sold		3	3	1	1
Transfer from Ferry Operations			1		
Fleet as of December 31,	8	8	8	8	7
Net gain on sale of vessels (SEK in millions)	—	64	273	191	213

Newbuilding program. Newbuildings ordered for Stena's ferry operations are managed by the RoRo division. We have a contract for the purchase of two additional RoPax vessels which we ordered in 2005. However, as a result of the builder's delay in performance, we have not made any payment for these vessels and we do not expect that this contract will be fulfilled. Accordingly, where we disclose amounts payable by us for newbuildings in this Annual Report we do not include these two vessels.

Recent acquisitions and sales. In March 2006, we entered into an agreement to acquire a newbuilt RoPax vessel from the Visentini shipyard in Italy. The vessel is expected to be delivered in May 2007. In April 2006 we sold the RoPax vessel *Svealand*.

Competition. The Roll-on/Roll-off vessel chartering business is very competitive. Competition among companies that charter out Roll-on/Roll-off vessels depends on several factors, such as the availability of suitable vessels, charter rates, customer service and the quality of the vessels. The large number of newbuildings ordered and delivered in the industry in recent years has significantly increased competition in our Roll-on/Roll-off vessel operations and adversely impacted charter rates and the value of older, smaller and slower vessels. Some companies may decide that it is more economical to purchase rather than charter vessels, thereby decreasing demand for our chartering operations. From time to time we sell vessels to such operators. Our competitors include other ship owners and ferry line service operators who may from time to time have an unemployed vessel.

Crude Oil and Petroleum Product Transportation

We own, charter in and provide commercial management services for crude oil and product tankers. As of March 31, 2007, we lease two product tankers pursuant to long-term finance leases and have 50% interests in one crude oil tanker and three shuttle tankers. All our owned and finance leased tankers are double hulled. As of March 31, 2007, we also chartered in 34 Product, Aframax, Panamax and Suezmax tankers.

As of March 31, 2007, the average period of the charter contracts for the 34 chartered in tankers was 23 months. Of these 34 tankers, five were chartered out at an average period of 21 months. The other 29 tankers are currently trading on the spot market.

Our customers are generally large international oil companies, members of the Organization of Petroleum Exporting Countries and shipping companies. Our major customers include Chevron Corporation, the Royal Dutch/Shell Group of Companies, ConocoPhillips, BP plc, Neste Oil and Total.

We have an allocation agreement with Concordia, pursuant to which Concordia may elect to participate fully or partially in crude oil and petroleum product tanker and bulk cargo vessel opportunities identified by us.

The table below sets forth certain information with respect to our owned and financed leased tankers as of March 31, 2007.

Owned and Finance Leased Tankers

Tankers	Year Delivered	Type	DWT
<i>Stena Caribbean</i> ⁽¹⁾	2002	Product	10,000
<i>Stena Calypso</i> ⁽¹⁾	2002	Product	10,000
<i>Stena Arctica</i> ⁽²⁾	2005	Ice Aframax	117,000
<i>Nordic Rio</i> ⁽³⁾	2004	Shuttle	152,000
<i>Stena Alexita</i> ⁽³⁾	1998	Shuttle	128,000
<i>Stena Natalita</i> ⁽³⁾	2001	Shuttle	108,000

(1) Tankers held pursuant to a long-term finance lease.

(2) Our interest is through 50/50 joint venture with Neste Oil Oyj.

(3) Our interest in these tankers is through two 50/50 joint ventures with TeeKay.

The table below sets forth certain information with respect to our tanker sales and purchases on an annual basis for the past five years.

Tankers Sales and Purchases

	2002	2003	2004	2005	2006
Fleet as of January 1	3 ⁽²⁾	4 ⁽²⁾	4 ⁽²⁾	5 ⁽³⁾	8 ⁽³⁾
Newbuildings delivered	2		5 ⁽¹⁾	4	2
Vessels sold	1		4	1	5 ⁽¹⁾
Fleet as of December 31	4 ⁽²⁾	4 ⁽²⁾	5 ⁽³⁾	8 ⁽³⁾	6 ⁽⁴⁾

(1) Includes one vessel in which we have a 50% interest

(2) Includes two vessels in which we have a 50% interest

(3) Includes three vessels in which we have a 50% interest

(4) Includes four vessels in which we have a 50% interest

The table below sets forth certain information with respect to our tanker charters as of March 31, 2007.

Charters for Owned and Finance Leased Tankers

Tanker	Type of Charter	Current charter expiration date
<i>Stena Caribbean</i>	Time	July 2011
<i>Stena Calypso</i>	Time	November 2007
<i>Stena Arctica</i>	Time	December 2016
<i>Nordic Rio</i>	Bareboat	July 2017
<i>Stena Alexita</i>	Time	November 2008
<i>Stena Natalita</i>	Time	March 2009

In addition, we have entered into 10-year charter agreements with Argo Shipping International Corp. for *Stena Atlantica* and *Stena Antarctica*, two ice-class Aframax tankers that are chartered in on a long-term bareboat charter by us. The charter term commenced on the delivery of the vessels from the shipyard during 2006.

Recent acquisitions and sales. Two Panamax tankers were delivered from the shipyard in February 2006 and June 2006, respectively. Both vessels were sold to a third party upon delivery from the shipyard and are chartered back to us from the new owner for a period of 30 months.

Our owned ice-class Aframax tanker was sold to a Joint Venture company with Neste Oil, in which we have a 50% interest, in August 2006. The vessel is on time charter to Neste Oil for a period of ten years.

Two product tankers were sold to Arlington and delivered to the new owners in January 2006. The vessels were chartered back to us from the new owner for a period of three years with options for an additional 4.5 years.

Chartering activities. As of March 31, 2007, 29 of our 34 chartered in tankers were chartered out on the spot market. The spot market refers to a segment of the shipping market where contracts are made for single voyages. Under our contracts of affreightment, we provide transportation services for crude oil and clean oil products using designated vessels for approximately twelve months over specified routes. Under a charter on the spot market or under contracts of affreightment, the party chartering out the vessel provides the crew, captain, insurance and daily maintenance as well as bunker, harbor dues, channel fees and any other costs in connection with the voyage. As of March 31, 2007, the total volume of contracts of affreightment amounted to 15-20 voyages per month of 30,000 – 40,000 dwt each. As of March 31, 2007, five of our chartered in tankers were on time charter contracts for periods between 5 months and ten years.

From January 1, 2007 until March 31, 2007, spot market rates have ranged from \$31,000 to \$53,000 per day for Aframax tankers, \$31,000 to \$44,000 per day for Panamax tankers, \$25,000 to \$32,000 per day for Product tankers and \$34,000 to \$107,000 for Suezmax tankers. Spot market rates as of March 31, 2007 were \$52,000 for Aframax tankers, \$33,000 for Panamax tankers, \$32,000 for Product tankers and \$107,000 for Suezmax tankers.

In March 2005, we entered into a Suezmax pooling agreement with Sonangol Shipping (Sonangol Shipping Girassol Ltd, Sonangol Shipping Luanda Ltd, Sonangol Shipping Kizomba Ltd) in Angola. The revenues from the pool will be split between the pool members in proportion to the number of tankers each delivered to the pool. The pool has been in operation since July 2005.

For the five years ended December 31, 2006, our average tanker utilization rate was approximately 98%. The table below sets forth certain information relating to the utilization of our owned and chartered in tankers for the last five years.

Tanker Utilization

	Year ended December 31,				
	2002	2003	2004	2005	2006
Total tanker days available ⁽¹⁾	5,572	7,165	10,026	14,083	15,851
Tanker days utilized	5,486	7,047	9,666	13,853	15,520
Tanker utilization (percentage)	98.4	98.4	96.4	98.4	97.9
Offhire days ⁽²⁾	86	118	360	230	331
Offhire days (percentage)	1.6	1.6	3.6	1.6	2.1

(1) Total tanker days is determined by aggregating the number of days in each year we owned, chartered in or leased such tankers.

(2) Due to scheduled and unscheduled dry-dockings and damage.

There can be no assurance that our tankers that trade on the spot market will continue to be employed or that rates obtained by us will cover costs associated with the operation of such tankers.

Commercial management services. We provide commercial management services for Concordia and Sessan and to other third parties. Commercial management includes arranging charters, fuel, documentation and port services, revenue collection and accounting services.

Competition. International sea borne crude tanker and product tanker transportation services are provided by two main types of operators: major oil company captive fleets (both private and state owned) and independent ship owner fleets. Many of our customers also operate their own tankers and use such tankers not only to transport their own oil, but also to transport oil for third party charterers in direct competition with operators in the tanker charter market. Chartering tankers is highly competitive and is based upon price, location, vessel quality, size, condition and acceptability of the tanker and its manager to charterers.

Arlington. In November 2004 we sold two Product tankers and our 75% interests in two Panamax tankers to Arlington Tankers Ltd. ("Arlington"), a public company organized with Concordia. The purchase price for the two Product tankers and our interests in the Panamax tankers was approximately \$169 million in cash and 690,421 common shares of Arlington, which represent approximately 4.5% of the total outstanding shares of Arlington. The common shares of Arlington trade on the New York Stock Exchange under the symbol ATB. In connection with this sale, we agreed to time charter the four tankers from Arlington for a period of five years with options to extend each charter for three additional years in extension terms of one year each. Under each charter, we pay a fixed charter rate which increases over the term of the charters. We also pay an additional amount equal to 50% of the amount by which the time charter revenue we earn from the operation of these vessels, less certain expenses, exceeds the charterhire we pay to Arlington or 50% of the amount by which agreed-upon spot market rates for vessels of these types exceed the rates we pay under our time charters for these vessels, depending on our use of the vessels.

We also agreed with Arlington, in certain circumstances at Arlington's option, to take over the remaining terms of the time charters of two V-Max VLCC tankers that Concordia sold to Arlington concurrently with the sale of tankers, after the end of the third year and prior to commencement of the fourth year of such charters. These vessels are currently time chartered to Concordia for five years, plus an option to extend each charter for three additional years in one year extension terms. Under the agreement, we would pay the same time charter rate (which includes the additional hire referred to above) as is currently provided in Concordia's time charters with Arlington. Our subsidiary, Northern Marine Management, has agreed to manage all six of Arlington's tankers during the terms of the charters for a fixed daily fee per vessel that increases 5% annually.

We sold two additional Product tankers to Arlington in January 2006. In connection with this sale, we agreed to time charter both vessels from Arlington for a period of three years with options to extend each charter for 54 additional months in extension terms of 30 months and thereafter one year each. Under each charter, we pay a fixed charter rate that increases over the term of the charters. Northern Marine Management has agreed to manage all six of Arlington's tankers during the terms of the charters for a fixed daily fee per vessel that increases 5% annually.

We also agreed with Arlington to adjust the charter periods for the vessels sold in 2004, from five years each, to four years for two of the vessels and six years for the other two vessels.

As of March 31, 2007 we owned approximately 4.9% of Arlington's outstanding shares. This amount does not include the approximate 9.9% of Arlington's outstanding shares owned by Concordia.

Ship management

As part of our ongoing commitment to maintaining a high quality fleet and efficient operations, we own and operate a ship management company, Northern Marine Management, which provides ship management services from offices in Glasgow, Scotland, Houston, Singapore and India. Ship management includes crewing, inventory control, maintenance and technical management.

As of December 31, 2006, Northern Marine Management provided services for approximately 100 vessels through approximately 5,500 seafarers for us, Concordia, Chevron, Technip and several other third parties.

Technical developments & patents

Stena Teknik, our technical division, provides design, construction and other marine technology support to our shipping and offshore drilling activities. We hold several patent registrations and applications in the United States and abroad to establish and protect our

proprietary rights in the shipbuilding design industry. These patent registrations and applications relate primarily to the design and construction of the HSS ferries.

Real estate

General. We are involved in the acquisition, selling, constructing, refurbishment and management of residential and commercial properties. For 2006, our real estate operations, including net gain on sale of properties of SEK 194 million, generated revenues of SEK 2.2 billion, and operating income of SEK 952 million, which include depreciation and amortization expenses of SEK 174 million. Substantially all our real estate operations are conducted through our unrestricted subsidiaries. As of March 31, 2007, our real estate portfolio consisted of two segments: 286 leasehold and freehold properties in Sweden and 47 freehold and leasehold properties located in The Netherlands, Germany, Luxembourg and France. A substantial majority (89%) of our rental income comes from our properties in Sweden; the majority of our remaining rental income is from properties located in The Netherlands. Our real estate portfolio is managed from offices located in Gothenburg, Malmo, Stockholm, Uppsala, Umea, Halmstad, Amsterdam and Sophia Antipolis in France. We also manage real property owned by the Olsson family. As of December 31, 2006, our management estimates, based on external and internal valuations, that the market value of properties owned by our real estate operations was approximately SEK 22 billion.

Each of our real estate subsidiaries finances its acquisitions of real property with individual mortgages from various commercial and mortgage banks.

Swedish properties. Our real estate portfolio in Sweden as of March 31, 2007 consisted of 286 residential and commercial properties totaling approximately 1,870,000 square meters.

In 2006, we invested SEK 960 million in new properties and improvements to existing properties. As of March 31, 2007, our residential properties consisted primarily of multi-family rental properties (approximately 21,000 units) that, in terms of square meters, comprise approximately 79% of our properties in Sweden or approximately 1,469,000 square meters. Our commercial properties in Sweden consist mainly of office buildings and warehouse properties and comprise the remaining 21% of our property portfolio in Sweden or approximately 401,000 square meters. The occupancy rate for our Swedish properties based on square meters as of December 31, 2005 and December 31, 2006 was 98%.

Of our Swedish properties, 41 are leased pursuant to long-term ground leases from local governments. These leases typically run for a 60 year period with a right of renewal every 40 years. Rent is renegotiated after the first 20 years and every 10 years thereafter. In practice the leases are indefinite.

Other. As of March 31, 2007, our other properties consisted of 47 commercial properties, 40 of which were located in The Netherlands. The remaining properties are located in Germany, Luxembourg and southern France. Our non-Swedish properties total approximately 194,000 square meters. The occupancy rates for our non-Swedish properties, based on square meters, as of December 31, 2005 and December 31, 2006 were 89% and 88%, respectively. Stena Realty B.V. also invests indirectly in real estate. It holds a 10.50% stake in the Acre Fund, which is majority owned by Schiphol Airport. The Acre Fund owns approximately 195,000 square meters of office and warehouse space at the Schiphol Airport. Stena Realty BV also owned as at December 31, 2006 a 9% stake in the Stockholm Stock market quoted company Ruric which develops and invests in real estate in St. Petersburg Russia. Our shareholding in Ruric was sold in March 2007.

During 2006 we committed to invest SEK 140 million in a fund managed by ING that will develop residential complexes in China.

Property management. In Sweden, we also manage property owned by the Olsson family. We receive a fee for these services equal to 4% of the rents collected with respect to such properties. For each of the years ended December 31, 2005 and December 31, 2006, such fees aggregated SEK 13 million.

Other businesses

General. Through our unrestricted subsidiary Stena Adactum ("Adactum"), we invest in new businesses outside our traditional lines of business. For the year ended December 31, 2006, the Adactum operations, generated revenues of SEK 1.7 billion, which includes SEK 836 million related to the garden center and flower business "Blomsterlandet" and SEK 853 million related to Envac, and operating loss of SEK (0.2) million, which include depreciation and amortization expenses of SEK 69 million. Adactum makes long-term investments in listed companies as well as private companies. In April 2004, Adactum acquired Blomsterlandet and in June 2005, Adactum acquired Envac. Both Blomsterlandet and Envac are fully consolidated. In December 2005, we entered into a contract through Adactum to acquire five wind power systems (windmills). Operation of the windmills commenced in early 2007.

Investment activities

We maintain an investment portfolio of marketable securities and other short-term investments. As of December 31, 2006, the fair value of these investments (including restricted cash of SEK 882 million) amounted to SEK 8.3 billion, as compared to SEK 5.5 billion (including restricted cash of SEK 357 million) as of December 31, 2005. Our equity investments currently include both publicly traded and private companies. The debt securities currently held by us are primarily bank floating rate notes and bonds.

We have also invested in VIEs, whose purpose is to invest primarily in high yield securities and corporate bank loans. Due to changes in Swedish GAAP in 2005, these VIEs are consolidated as subsidiaries. As of December 31, 2006, we had invested in three VIEs who's total assets amounted to SEK 8.1 billion, which partly was financed by US dollar denominated notes issued by the VIEs in an aggregated amount of SEK 6.3 billion. In early 2007, we invested in a new, fourth VIE.

In addition to our hedging arrangements, we actively trade in currencies and to a lesser extent in interest rates. As of December 31, 2006, the notional amounts of such instruments were SEK 47 million as compared to SEK 657 million as of December 31, 2005.

The net gain on our portfolio of debt and equity securities and investment in VIEs together with dividends received and the results from our currency and interest rate trading activities, for the years ended December 31, 2004, 2005 and 2006, amounted to a gain of SEK 1.1 billion, a gain of SEK 1.0 billion and a gain of SEK 1.1 billion, respectively. We seek to maintain an investment portfolio that is well diversified with regards to asset classes and geographical markets to balance our exposure to various risks and have established a series of procedures and limits we believe are designed to manage the risks of these activities on a day-to-day basis. Investments are subject to various risks, currency rates are highly volatile and, as a result, there can be no assurance that our investment activities will be profitable.

Our current policies regarding our investments include limits on leverage, limits on percentage of debt securities and certain types of equity securities in our portfolio and limits on the transaction amounts by any single trader. In the case of certain of our investments, various agreements governing our indebtedness provide that if the value of our investment decreases below an established minimum level, the lender has the right to liquidate the investment.

Classification of vessels

The hull and machinery of each of our vessels have been certified as being "in class" by its respective classification society: American Bureau of Shipping, Det Norske Veritas or Lloyd's Register of Shipping. A classification society certifies that a vessel has been built and maintained in accordance with the rules of the society and is in compliance with applicable rules and regulations of the country of registry and the international conventions of which that country is a member.

The aggregate appraised value of our Roll-on/Roll-off vessels (including those used in our ferry operations), crude oil tankers and drilling rigs as of December 31, 2006, was approximately

SEK 21 billion as compared with the net book value as of December 31, 2006 of SEK 10.3 billion. These appraisals were performed by independent ship appraisers who received customary fees for such services. Our vessel values generally fluctuate over time and there can be no assurance that we would be able to sell our vessels for their appraised values.

Risk of loss and insurance

General. Our business is subject to a number of risks, including mechanical failure of our vessels, collisions, property loss or damage, cargo loss or damage and business interruption due to political circumstances in foreign countries, international hostilities, terrorism or labor strikes. The operation of any ocean-going vessel or drilling rig is also subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and other liabilities arising from owning and chartering out vessels or drilling rigs in international trade. Environmental legislation enacted in the United States, which imposes virtually unlimited liability upon owners, operators and bareboat charterers trading in the U.S. market for certain oil pollution accidents in the United States, has made liability insurance for trading in the U.S. market more expensive and has caused insurers to consider reducing available liability coverage.

We maintain insurance coverage in amounts consistent with industry practice. Our insurance coverage is maintained with underwriters in the insurance markets mainly in Sweden, Norway, the United Kingdom and the United States.

Hull and machinery insurance. We maintain hull and machinery insurance, which covers the risk of damage to, or total or constructive loss of, a vessel as well as damage to third parties caused by direct contact with an insured vessel. This insurance also covers claims arising from collision with other vessels and salvage, towing, and other related costs. Constructive total loss occurs when the vessel is so damaged due to a casualty that the repair costs amount to at least 80% of the insured value of the vessel. We also maintain war risks insurance, which insures the risk of damage and total or constructive total loss of an insured vessel directly caused by certain warlike situations such as military use of weapons or terrorist activities. Coverage for areas designated from time to time as war zones may be excluded or additional premiums may be required with respect to voyages in such zones. We maintain coverage for the full value of each vessel, the value of which is updated at least annually.

We maintain civil and war risk hull and machinery insurance in respect of all Roll-on/Roll-off vessels, tankers and drilling rigs owned by us and vessels bareboat chartered in or leased by us pursuant to a long-term finance lease. The bareboat charterer of a vessel is responsible for obtaining adequate hull and machinery insurance. We obtain "innocent owner insurance" to insure against the risk that the bareboat charterer's hull and machinery insurance, war risk insurance and protection and indemnity insurance are not valid due to any act or omission of the charterer.

Loss of hire insurance. We maintain loss of hire insurance to insure against a loss of income due to damage to the hull or machinery of any Roll-on/Roll-off vessels and tankers owned by us. Our drilling rigs are covered by loss of hire insurance, and vessels used in our ferry operations have loss of hire insurance at the option of the applicable route director.

Protection and indemnity insurance. We maintain P&I insurance coverage for our shipping activities, which includes coverage against legal liability and other related expenses incurred due to the injury or death of crew, passengers and other third parties, loss or damage to cargo, damage to third party property, or pollution arising from oil or other substance. Our P&I insurance coverage is arranged through four P&I mutual insurance clubs in Sweden, Norway and the United Kingdom. As a member of the club, we may be required to pay additional premiums in arrears. Our total premium is based on our own claims record, the total claims record of the members of the club and the aggregate claims record of all clubs that are members of the international association of P&I Clubs and the clubs' costs for reinsurance.

We maintain P&I insurance in respect of all Roll-on/Roll-off vessels, tankers and drilling rigs owned, chartered in or leased pursuant to a long-term finance lease, except for vessels bareboat

chartered out. The charterer of a vessel we bareboat charter-out is responsible for obtaining adequate P&I insurance. We obtain "subsidiary P&I insurance" for vessels bareboat chartered by companies not affiliated with us in order to insure the owner of a vessel bareboat chartered out against claims.

Since February 20, 1996, the maximum exposure of all P&I clubs for liabilities to third parties has been capped at an amount based on a formula specified in the International Convention on Liability for Maritime Claims of 1976. Oil pollution coverage is also limited. Coverage for damages arising from oil pollution for vessels that are owned and bareboat chartered in is limited to \$1 billion per vessel per incident. Coverage for our drilling rigs for damages arising from pollution is limited to \$150 million per incident, except that coverage for *Stena Clyde* is limited to \$100 million per incident. We believe we have adequate oil pollution coverage.

Our fleet of tankers is used to transport crude oil and petroleum products. The operation of these vessels, as well as our drilling rigs, could potentially result in an oil spill for which we could be liable. The Roll-on/Roll-off vessels owned and chartered out by us do not transport crude oil or petroleum products, but do carry significant quantities of diesel oil and other heavy oil used for fuel that, if spilled, would cause pollution and liability. In addition, vessels owned and chartered out by us could be involved in a collision with a tanker causing a spill of the tanker's cargo for which we could be liable. See "Regulation."

Claims experience. We have experienced some immaterial property losses over the past five years. These losses were all covered by insurance and none of these incidents resulted in a material loss or liability for us. In February 2004 one of our ferries was involved in a collision with another vessel. Insurance covered the damages to the vessel but not the loss of business, which was partly transferred to other routes.

Adequacy of insurance. We believe that our current insurance coverage provides adequate protection against the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage, consistent with industry practice. However, there can be no assurance that all risks are adequately insured against, that any particular claim will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. Consistent with industry practice, our insurance policies are subject to commercially reasonable deductibles.

Significant Subsidiaries

The following table sets forth significant subsidiaries owned, directly or indirectly as of December 31, 2006:

Name of Company	Domicile	Percentage Owned
Stena Bulk AB	Sweden	100
AB Stena Finans	Sweden	100
Stena Fastigheter AB.....	Sweden	100
Bostads AB Drott	Sweden	100
Stena Line Scandinavia AB.....	Sweden	100
Stena Adactum AB.....	Sweden	100
Stena Don AB	Sweden	100
Stena International SARL.....	Luxembourg	100
Stena Line Holland BV	The Netherlands	100
Stena Line Ltd.....	United Kingdom	100
Stena Drilling (Holdings) Ltd.....	United Kingdom	100
Stena Switzerland AG.....	Switzerland	100
Stena Maritime AG	Switzerland	100
Stena Finanzverwaltungs AG	Switzerland	100
Stena Tay (Hungary) Kft.....	Hungary	100

Regulation

General

The shipping industry in general, and our business and the operation of our vessels and drilling rigs in particular, are subject to and affected by a variety of governmental regulations including numerous international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which such vessels and drilling rigs are registered and operate. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such revised conventions, laws and regulations or the impact thereof on the resale price or useful life of our vessels and drilling rigs. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Subject to the discussion below and to the fact that these kinds of permits, licenses and certificates required for the operation of the vessels and drilling rigs owned or operated by us will depend upon a number of factors, we believe that we have been and will be able to obtain all permits, licenses and certificates material to the conduct of our operations. We believe that the increased environmental and quality concerns of insurance underwriters, regulatory bodies and charterers will result in greater inspection and safety requirements on all vessels.

Environmental

We are subject to the laws of various jurisdictions and international conventions regarding the discharge of materials into the environment. The most onerous of such regulations in the United States are the Oil Pollution Act of 1990, or OPA '90 and the Comprehensive Environmental Response Compensation and Liability Act, or CERCLA.

OPA '90. OPA '90 establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA '90 affects all owners and operators whose vessels trade in the United States or its territories or possessions or whose vessels operate in United States waters, which include the United States territorial area and the two hundred nautical mile exclusive economic zone of the United States.

Under OPA '90, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission

of a third party, an act of God or an act of war) for all oil spill containment and clean-up costs and other damages arising from oil spills pertaining to their vessels. OPA '90 limits the liability of responsible parties to the greater of \$1,200 per gross ton or \$10 million per tanker. These limits of liability do not apply if the incident was proximately caused by a violation of applicable United States Federal safety, construction or operating regulations or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the oil removal activities.

In order to ensure that the responsible parties will meet the minimum liability amount imposed by OPA '90, responsible parties must establish evidence of financial responsibility to pay. Certificates of financial responsibility have been obtained for all our owned or bareboat chartered vessels that trade in U.S. waters. We believe that if the need arises, certificates of financial responsibility for our other vessels could be obtained promptly. Guarantees from Shoreline Mutual (Bermuda) Limited and Arvak Ltd. are the primary vehicles through which we have satisfied the requirements under OPA '90.

Owners, bareboat charterers or operators of tankers operating in United States waters are required to file vessel response plans with the Coast Guard, and their tankers are required to be operated in compliance with their Coast Guard approved plans. Such response plans must, among other things, (i) address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge," (ii) describe crew training and drills and (iii) identify a qualified individual with full authority to implement removal actions. We have filed vessel response plans with the Coast Guard for the tankers owned or bareboat chartered by us that trade in United States waters and have received approval for all of such tankers to operate in United States waters.

Under OPA '90, with certain limited exceptions, all newly built or converted tankers operating in United States waters must be built with double-hulls, and existing vessels which do not comply with the double-hull requirement must be phased out over a 25-year period (1990-2015) based on size, age and place of discharge, unless retrofitted with double-hulls. Notwithstanding the phase-out period, OPA '90 currently permits existing single-hull tankers to operate until the year 2015 if their operations within United States waters are limited to discharging at the Louisiana Off-Shore Oil Platform, or off-loading by means of lightering activities within authorized lightering zones more than 60 miles offshore. All our new buildings are compliant with OPA '90.

OPA '90 expressly provides that individual states are entitled to enforce their own pollution liability laws, even if inconsistent with or imposing greater liability than OPA '90. There is no uniform liability scheme among the states. Some states have OPA '90-like schemes for limiting liability to various amounts and some rely on common law fault-based remedies, while others impose strict and unlimited liability on an owner or operator. Some states have also established their own requirements for financial responsibility.

CERCLA. CERCLA applies to discharges of hazardous substances (other than oil), whether on land or at sea. CERCLA applies to owners and operators of vessels and provides for cleanup, removal and natural resource damages. CERCLA's liability regime is similar to that of OPA '90. We believe that we are in substantial compliance with OPA, CERCLA and all other applicable state and federal regulations applying to the waters of the United States and the ports where our vessels call.

IMO. The International Maritime Organization (IMO), an agency of the United Nations, is responsible for measures to improve international shipping and to prevent pollution from ships. The IMO has developed international treaties and conventions to regulate the international shipping industry which now apply to over 98% of the world's shipping. The most important of these are mentioned below.

CLC. Many countries other than the United States have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil

Pollution Damage of 1969 and Protocol of 1992 (CLC). Under the CLC, a tanker's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by a discharge of persistent oil, such as crude oil, fuel oil, heavy diesel oil and lubricating oil, subject to certain complete defenses, including pollution damage resulting from an act of war, caused by a third party, or caused by the negligence or wrongful act of a government responsible for the maintenance of lights or other navigational aids. Liability is currently limited to between approximately \$915 and \$930 per gross ton plus \$6.5 million for the first 5,000 gross tons, an amount that is subject to periodic adjustment. The right to limited liability is forfeited only where pollution damage is caused by the owner's personal act or omission committed with intent to cause such damage or recklessly and with knowledge that the damage would result. Tankers trading in the territorial waters of contracting states must provide evidence of insurance covering the maximum amount for which the owner is strictly liable. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern and liability is imposed on the basis of fault or in a manner similar to the CLC.

MARPOL 73/78. Annex 1 of the International Convention for the Prevention of Pollution from Ships 1973 and Protocol 1978 deals with the prevention of pollution from oil. The Convention provides stringent construction and operating standards to prevent the release of oil into the environment. Under the requirements of the Convention, all new oil tankers built since 1996 are required to have double hulls. MARPOL 73/78 was modified following the Erika and Prestige incidents on the West Coast of Europe in 1999 and 2002, respectively. In 2002, new amendments came in to force to Annex 1 of the Convention which set a global timetable for the accelerated phase out of single hull tankers. These new regulations identify two categories of single hull tankers which are principally distinguished on the basis of whether they have protectively located segregated ballast tanks or not. Vessels fall into these categories if they are over 20,000 tons deadweight carrying heavy oil and over 30,000 tons deadweight carrying other oils. Category 3 tankers are tankers above 5,000 tons but below the tonnage of category 1 and category 2 tankers. These older single hull tankers must undergo a Condition Assessment Scheme (CAS) survey which apply to category 1 vessels continuing to trade up to 2005 and to category 2 vessels trading after 2010. However, these amendments have been overtaken by the 2003 MARPOL amendments which came into force on 5 April 2005. These amendments accelerate the final phasing out of category 1 tankers to 2005 and category 2 and 3 tankers to 2010, although depending on the age of the ship, these dates can be earlier.

All our owned and finance leased tankers are double hulled vessels and all our tankers are fully compliant with MARPOL Annex 1 Rules. This Convention has further annexes including Annex 2 Control of Pollution by Noxious Liquid Substances, Annex 4 Prevention of Pollution by Sewage and Annex 6, Prevention of Air Pollution from Ships. All our vessels are fully compliant with all requirements of the MARPOL Convention and amendments.

Annex VI entered into force on 19 May 2005. This new annex sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. The sulphur content of fuel oil is limited to 4.5% m/m globally. The annex also contains provisions allowing for special SO_x Emission Control Areas (SECAS) to be established with more stringent controls on sulphur emissions. In these areas, the sulphur content of fuel oil used onboard ships must not exceed 1.5% m/m. Annex VI also sets limits on emissions of nitrogen oxides (NO_x) from diesel engines and prohibits deliberate emissions of ozone depleting substances, which include halons and chlorofluorocarbons (CFCs). The Annex also prohibits the incineration onboard ship of certain products, such as contaminated packaging materials and polychlorinated biphenyls (PCBs). Our fleet is in compliance with these new requirements.

EU Directive 2005/33/EC amends the Directive 1999/32/EC as regards the sulphur content of marine fuels and entered into force July 6, 2005. The 2005/33/EC Directive to a great extent mirrors the Marpol Annex VI regulation on sulphur oxide emissions and sulphur emission control areas and was originally drafted as a means to speed up the ratification of Marpol Annex VI in compliance with the amended EU Directive.

ICLL. The International Convention on Load Lines of 1966 (ICLL), which entered into force on July 21, 1968, establishes principles and rules concerning the limits to which ships may be loaded for international voyages. The provisions take into account the potential for hazards in different maritime regions and seasonal operating conditions, and designate how, where and when assigned load lines are to be marked on each ship. Generally, the ICLL applies to all ships that are greater than 24 meters (79 feet) in length (for ships built since 1966) or greater than 150 tons gross, unless otherwise exempted by the terms of the Convention. Currently each of our ferries, freight vessels, and petroleum tankers, to which the ICLL is applicable, are operating under an International Load Line Certificate demonstrating that the vessel has been surveyed and marked in accordance with the ILCC within the past five years.

SOLAS. The International Convention for the Safety of Life at Sea (SOLAS) 1974 establishes basic safety standards for the construction and operation of merchant ships engaged on international voyages (including our Roll-on/Roll-off vessels and tankers). SOLAS has been ratified by more than 90 countries. SOLAS '74 provides safety standards for construction, machinery and electrical installations, life-saving appliances, radiotelegraphy and radiotelephony, navigation and the carriage of dangerous goods. SOLAS '74 puts the primary responsibility for compliance on the flag state, but there are provisions which recognize certain rights and obligations of countries where the ships call.

The SOLAS convention of 1990 (SOLAS '90) was adopted in 1990 to set new stability criteria for passenger carrying vessels. RoPax and car/passenger ferry vessels constructed after April 29, 1990 must be built to meet these and other requirements. RoPax and car/passenger ferry vessels that were constructed prior to April 29, 1990 were permitted to be retrofitted to comply with these SOLAS '90 regulations in stages. In accordance with the IMO SOLAS conference held in November 1995, all such vessels must be in full compliance with SOLAS '90.

At the 1995 SOLAS Conference, several amendments to SOLAS and IMO resolutions were adopted concerning RoRo passenger vessel stability, arrangements of bow doors, operations, communications, lifesaving and search and rescue. In particular, Resolution No. 14, also known as the Stockholm Agreement, allows for regional agreements to establish specific stability requirements for RoPax and car/passenger ferry vessels. These regulations also require vessels to fulfill the SOLAS '90 damage stability standard, which had applied to all RoRo passenger ships built since 1990 and was extended to existing ships in accordance with an agreed phase-in program. All our RoPax and car/passenger ferry vessels are currently in full compliance with SOLAS '90 as well as the Stockholm Agreement.

Amendments to SOLAS '74 establish greater fire safety standards for existing RoPax and multi-purpose ferry vessels and newbuildings. Our owned vessels are in full compliance with these fire and safety regulations.

Further amendments adopted to SOLAS '74 in 2000 and 2002 stipulate, among other things, the fitting of an Automatic Identification System (AIS) and a Voyage Data Recorder (VDR) for ships engaged on international voyages. Additional security provisions adopted under SOLAS in December 2002 include mandatory compliance with the new International Ship and Port Facility Security Code (ISPS Code). Our operations are fully compliant with these requirements.

In May 1994, the International Code of Safety for High Speed Craft was added to SOLAS' 74, and entered into force under tacit acceptance as Chapter X of the Convention on January 1, 1996. These regulations mandate a variety of safety measures including requirements pertaining to structural stability and fire prevention. The rapid pace of development in this sector of shipping led to additional revisions of the Code of Safety for High Speed Craft in 2000, which entered into force on July 1, 2002. High Speed Craft to which these regulations apply are required to obtain a safety certificate and a permit to operate. Our HSS ferries have been designed to be in compliance with these regulations and we have obtained applicable permits and certifications during operation of these vessels.

Our drilling units are designed and constructed to meet all applicable rules and regulations for operation world-wide. Three of them are designed to operate in the harsh environment of

the North Sea British sector, including *Stena Don* and *Songa Dee*, which are also designed to operate in the North Sea Norwegian sector environment.

Norway has the most demanding rules and regulations in the world. In order to work on the Norwegian Continental Shelf, *Stena Don* has been fully certified to meet the regulations of the Norwegian Petroleum Directorate (NPD). *Stena Don* also meets all the regulations of the Norwegian Maritime Directorate (NMD) for “marine” equipment, systems and arrangement and is also in compliance with all relevant regulations for operation on the British Continental Shelf. *Stena Don* is classed with Det Norske Veritas and has all applicable class notations, including class notations for dynamic positioning and drilling systems.

Finally, all our ships and our management companies comply with Chapter IX of the SOLAS Convention entitled Management for the Safe Operation of Ships. This made the International Safety Management Code (ISM Code) mandatory and establishes safety management objectives which are to:

- provide for safe practices in ship operation in a safe working environment;
- establish safeguards against all identified risks; and
- continuously improve safety management skills of personnel, including preparing for emergencies.

The code requires a Safety Management System (SMS) to be established by the shipowner or manager who has responsibility for operating the ship and which establishes a policy for achieving the objectives. This includes providing the necessary resources and shore based support and a designated person ashore having direct access to the highest level of management. The code is documented and compiled in a safety management manual which is kept onboard the ship. Our vessels and management companies all are compliant with this Code and are audited regularly to ensure that this remains the case.

Athens Convention. The International Convention relating to the Carriage of Passengers and their Luggage by Sea (PAL) 1974 has governed the liability of carriers for damage suffered by passengers carried on a seagoing vessel. The regime makes the carrier strictly liable for damage or loss suffered by a passenger if the incident causing the damage occurred during the carriage and was due to the fault or neglect of the carrier. However, the carrier may limit his liability unless the carrier acted with intent to cause such damage or recklessly and with knowledge that such damage would probably result.

The original convention and the limits have been substantially altered and increased by the 2002 Protocol to the Convention. The carrier is now strictly liable for the death or personal injury to a passenger with limited defenses if the carrier can prove that the incident resulted from an act of war, hostilities, civil war, insurrection or a natural phenomena of an exceptional inevitable and irresistible character or thoroughly caused by an act of omission done with intent to cause the incident by a third party. However, if the incident occurred as a result of the fault or neglect of the carrier then the limit is increased from approximately US \$360,000 per passenger on each distinct occasion to approximately US \$580,000 per passenger, provided that if the carrier is responsible for an act or omission with intent to cause damage or recklessly and with knowledge that damage would result, then the right to the limit is lost. A scheme of compulsory insurance has been introduced by the Convention to ensure that the carrier can meet these potential liabilities.

HNS Convention. The International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances (HNS) 1996 is likely to come into force in the medium term. The liability aspects of the Convention are based on the CLC by establishing a regime of strict liability and the registered shipowner’s right to limit liability. However, the HNS goes further than the CLC in that it covers not only pollution damage but also the risks of fire and explosion including loss of life or personal injury as well as loss or damage to property. HNS substances include oil, liquefied gases and other dangerous, hazardous or harmful

materials. The present limits of liability are between US \$500 and US \$2,000 per gross ton though it is likely that these limits will increase once the Convention is ratified and comes into force.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

General

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" section of Item 3 and our Consolidated Financial Statements and the Notes thereto. The Consolidated Financial Statements have been prepared in accordance with Swedish GAAP which differs in certain significant respects from US GAAP. For a discussion of the significant differences between Swedish GAAP and US GAAP and a reconciliation of net income and stockholders' equity from Swedish GAAP to US GAAP, see Note 31 to the Consolidated Financial Statements.

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

Significant events

Ferry Operations

In the third quarter of 2004 we ordered two RoPax vessels from a shipyard in Norway for use by Stena Line. The newbuilding process is managed by our RoRo division. The first of these vessels was delivered in August 2006 and commenced operations on our Killingholme – Hoek van Holland route as *Stena Trader*. The second vessel is expected to be delivered in May 2007.

In November 2006, we entered into a contract with Aker Yards in Germany to build two Super Ferries to be used by Stena Line. The total investment is approximately €460 million, of which €400 million remains to be paid as of December 31, 2006. Deliveries are scheduled for the first and third quarter of 2010. The contract includes options for two additional vessels of the same type.

The depreciation and amortization charges in the year ended December 31, 2006, included an impairment charge of SEK 710 million related to the HSS vessels.

Shipping

Roll-on/Roll-off vessel operations. In March 2006, we entered into an agreement to acquire a newbuilt RoPax vessel from the Visentini shipyard in Italy. The vessel is expected to be delivered in May 2007. In April 2006, we sold the RoPax vessel *Svealand*.

Crude oil and petroleum product transportation. In addition to the four tankers sold to Arlington in 2004, we sold two additional product tankers to Arlington which were delivered in January 2006. The vessels were chartered back to us for a period of three years with options for an additional 4.5 years.

Two Panamax tankers were delivered from the shipyard in February 2006 and June 2006, respectively. Both vessels were sold to a third party upon delivery from the shipyard and are chartered back to us from the new owner for a period of 30 months.

Our owned ice-class Aframax tanker was sold to a joint venture company with Neste Oil, in which we have a 50% interest, in August 2006. The vessel is on time charter to Neste Oil for a period of ten years.

Offshore drilling

In August 2005, we ordered a drillship, *Stena DrillMAX*, from the SHI shipyard in Korea for delivery at the end of 2007. The total investment is expected to be approximately \$600 million. 80% of our investment in this vessel is financed by a combination of Export Credit Agency financings, bank financing and mezzanine debt.

In March 2006, the Company ordered a second *Stena DrillMAX* vessel from the SHI shipyard in Korea. The total investment is expected to be approximately \$630 million, with delivery scheduled for mid-2008. In October 2006, we entered into financing arrangements for this drillship structured in the same way as the financing for the first drillship.

In May 2006, the Company sold the drilling rig *Stena Dee* to the Norwegian company Songa Offshore for a net consideration of \$267.3 million. The rig was chartered back to us for a period to end no later than 2008 to complete its present charter contract with Norsk Hydro.

In October 2006, the Company ordered a third *Stena DrillMAX* vessel from the SHI shipyard in Korea. The total investment is expected to be approximately \$710 million with delivery in June 2009. In March 2007, we entered into financing arrangements for this drillship structured similarly to the financing for the first two *DrillMAX* vessels for 80% of the total investment.

Real estate

In the year ended December 31, 2006, we acquired properties for approximately SEK 1.6 billion, mainly in Gothenburg, Stockholm and the Netherlands. During the same period properties were sold for approximately SEK 674 million.

Other businesses

In April 2004, our subsidiary Adactum acquired the Swedish chain store S-Invest AB ("Blomsterlandet"), a garden center and flower business for SEK 172 million, of which SEK 26 million is to be paid in 2009.

In June 2005, Adactum acquired Envac Centralsug AB ("Envac"), a company in the automated waste collection business that develops and sells underground network systems for the transportation of municipal and commercial waste. The cost of the acquisition was approximately SEK 577 million. Envac operates in 16 countries and had sales in 2005 and 2006 of SEK 785 million and SEK 853 million, respectively.

Financial activities

In February 2007, we purchased approximately \$177 million of our 9.625% senior notes due 2012 pursuant to a tender offer and consent solicitation. Also in February 2007, we completed an offering of €300 million of 6.125% senior notes due 2017 and €102 million of 5.875% senior notes due 2019. As of the date of this Annual Report, we are seeking consents from the holders of our senior notes due 2013 and 2016 to amend the indentures relating to these notes. Such amendments require the consent of the holders of a majority in principal amount of each of such senior notes.

Results of Operations

	Year ended December 31,		
	2004	2005	2006
	(SEK in millions)		
CONSOLIDATED GROUP			
Income Statement Data (Swedish GAAP):			
Total revenues	16,721	19,619	22,895
Direct operating expenses	(10,943)	(12,631)	(13,547)
Selling and administrative expenses	(1,761)	(1,861)	(2,127)
Depreciation and amortization	(1,790)	(2,734)	(2,634)
Income from operations.	2,227	2,393	4,587
BUSINESS SEGMENT DATA			
Revenues:			
Ferry operations	9,024	9,045	9,413
Net gain (loss) on sale of vessels.	11	—	—
Total Ferry operations.	9,035	9,045	9,413
Drilling operations.	1,429	1,871	3,027
Net gain on sale of vessels	—	—	1,483
Total Drilling operations	1,429	1,871	4,510
Shipping Roll-on/Roll-off vessels	383	458	373
Net gain on sale of vessels	273	191	219
Total Roll-on/Roll-off vessels	656	649	592
Crude Oil tankers	2,994	3,804	3,764
Net gain on sale of vessels	372	124	611
Total crude oil tankers.	3,566	3,928	4,375
Other Shipping	115	143	146
Total Shipping	4,137	4,720	5,113
Property operations.	1,357	1,882	1,970
Net gain on sale of properties	110	813	194
Total Property	1,467	2,695	2,164
Other	653	1,288	1,695
Total	16,721	19,619	22,895
Income (Loss) from Operations:			
Ferry operations	535	(7)	393
Net gain (loss) on sale of vessels.	11	—	—
Total Ferry operations.	546	(7)	393
Drilling operations.	(227)	(2)	774
Net gain on sale of vessels	—	—	1,483
Total Drilling operations	(227)	(2)	2,257
Shipping: Roll-on/Roll-off vessels	62	104	89
Net gain on sale of vessels	273	191	219
Total Roll-on/Roll-off vessels	335	295	308
Crude oil tankers.	780	742	284
Net gain on sale of vessels	372	124	611
Total crude oil tankers.	1,152	866	895
Other shipping	(13)	(7)	(8)
Total Shipping	1,474	1,154	1,195
Property operations.	499	579	758
Net gain on sale of property	110	813	194
Total Property	609	1,392	952
Other	(175)	(144)	(210)
Total	2,227	2,393	4,587
Depreciation & Amortization:			
Ferry operations	864	1,578	1,613
Drilling	575	590	633
Shipping: Roll-on/Roll-off vessels	100	124	99
Crude oil tankers.	58	41	34
Other shipping	7	11	12
Total Shipping	165	176	145
Property	153	337	174
Other	33	53	69
Total	1,790	2,734	2,634

Comparison of the year ended December 31, 2006 to the year ended December 31, 2005

Currency effects

Our revenues and expenses are significantly affected, as reported in Swedish kronor (SEK), by fluctuations in currency exchange rates, primarily relative to the US dollar, the British pound and the Euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to the extent possible, revenue and expenses in the same currency. In addition, we enter into certain derivative financial instruments. Revenues in our ferry operations are mainly generated in SEK, British pounds, Euro, Norwegian kronor and Danish kronor. Approximately 40% of our total revenues are generated in US dollars and approximately 30% of are generated in SEK. Approximately 35% of our total expenses are incurred in US dollars and approximately 30% are incurred in SEK. Although we seek to hedge the net effects of such fluctuations, the reported gross revenues and expenses are influenced by changes in currency exchange rates. The exchange rates as used for consolidation purposes are as follows:

Average rates	January-December 2005	January-December 2006	Change
US \$	7.4775	7.3766	(1)%
British pounds	13.5782	13.5752	0%
Euro	9.2849	9.2549	0%

Closing rates	December 31, 2005	December 31, 2006	Change
US \$	7.9525	6.8725	(14)%
British pounds	13.7325	13.4875	(2)%
Euro	9.4300	9.0500	(4)%

Revenues

Total revenues increased SEK 3,276 million, or 17%, in the year ended December 31, 2006 to SEK 22,895 million from SEK 19,619 million in the year ended December 31, 2005, mainly as a result of gains on sale of vessels and increased operating revenues in almost all business segments, partly offset by decreased gains on sale of properties.

Ferry operations. Ferry revenues are primarily generated from ticket sales, freight haulage and on board sales. Revenues from ferry operations increased SEK 368 million, or 4%, in the year ended December 31, 2006 to SEK 9,413 million from SEK 9,045 million in the year ended December 31, 2005, due to increased volumes in the freight business activity, partly offset by decreased volumes in passengers, cars and onboard sales.

Offshore Drilling. Drilling revenues consist of charter hires for our drilling rigs. Revenues from drilling operations increased SEK 1,156 million, or 62%, in the year ended December 31, 2006 to SEK 3,027 million from SEK 1,871 million in the year ended December 31, 2005, mainly due to new contracts at higher day rates for *Stena Tay* and *Stena Clyde*, as well as higher utilization rates across the fleet. The change in dayrates reflects new charter contracts and the market conditions in effect at the time a charter is made in the particular geographic area.

Net Gain on Sale of Vessels, Drilling. In the year ended December 31, 2006 gains of SEK 1,483 million were recorded on the sale of the drilling rig *Stena Dee*. In the year ended December 31, 2005, no vessel sales were made.

Shipping. Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by the Company. Revenues from shipping operations decreased SEK 122 million, or 3%, in the year ended December 31, 2006 to SEK 4,283 million from SEK 4,405 million in the year ended December 31, 2005.

Revenues from chartering out Roll-on/Roll-off vessels decreased SEK 85 million, or 19%, to SEK 373 million from SEK 458 million mainly due to the sale of the RoPax vessels *Pride of Aquitaine* in October 2005, *Svealand* in April 2006, and the redelivery of *Vasaland* in April 2006, partly offset by higher charter hire received for *Stena Challenger* and *Mont Ventoux*.

Revenues from crude oil tankers decreased SEK 40 million, or 1%, to SEK 3,764 million from SEK 3,804 million. In the year ended December 31, 2006, 42 tankers were operated (chartered or owned), compared to 39 tankers in the year ended December 31, 2005.

Net Gain on Sale of Vessels, Shipping. In the year ended December 31, 2006, gains of SEK 830 million were recorded on the sale of the RoPax vessel *Svealand* and the tanker vessels *Stena Contest*, *Stena Concept*, *Stena Compass*, *Stena Compassion* and *Stena Arctica*. In the year ended December 31, 2005, gains of SEK 315 million were recorded on the sale of the RoRo vessel *Pride of Aquitaine* and on the crude oil tanker *Stena Antarctica*.

Property. Property revenues consist of rents for properties owned and management fees for properties managed by us. Revenues from property operations increased SEK 88 million, or 5%, in the year ended December 31, 2006 to SEK 1,970 million from SEK 1,882 million in the year ended December 31, 2005, mainly related to increased number of properties and increased rents.

Net Gain on Sale of Properties. In the year ended December 31, 2006, gains of SEK 194 million were recorded on the sale of properties. In the year ended December 31, 2005, gains of SEK 813 million were recorded, mainly related to properties acquired in the purchase of Drott.

Other. Other revenues in the year ended December 31, 2006 were SEK 1,695 million, which includes SEK 836 million related to the garden center and flower business "Blomsterlandet" and SEK 853 million related to Envac, a company in the automated waste collection business acquired in May 2005. Other revenues in the year ended December 31, 2005 were SEK 1,288 million which includes SEK 747 million related to the garden center and flower business "Blomsterlandet" and SEK 523 million related to Envac.

Direct operating expenses

Total direct operating expenses increased SEK 916 million in the year ended December 31, 2006 to SEK 13,547 million from SEK 12,631 million in the year ended December 31, 2005, or 7%, as a result of increased operating expenses in all operations except for the Ferry Operations and the RoRo business.

Ferry operations. Direct operating expenses for ferry operations consist principally of personnel costs, costs of goods sold on the vessels, fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs are of a fixed nature and do not vary as a result of changes in our seasonal requirements. Direct operating expenses for ferry operations decreased SEK 166 million, or 3%, in the year ended December 31, 2006 to SEK 6,399 million from SEK 6,565 million in the year ended December 31, 2005, mainly due to decreased personnel related costs. The decrease is also due to an impairment charge related to the HSS vessels of SEK 55 million, recorded in the year ended December 2005. Direct operating expenses for ferry operations for the year ended December 31, 2006 was 68% of revenues, as compared to 73% for the year ended December 31, 2005.

Offshore Drilling. Direct operating expenses for drilling consist primarily of personnel costs, insurance, maintenance and catering costs. Direct operating expenses from drilling operations increased SEK 331 million, or 30%, in the year ended December 31, 2006 to SEK 1,443 million from SEK 1,112 million in the year ended December 31, 2005. The increase is mainly due to higher expenses for *Stena Tay* and *Stena Clyde*, related to their new contracts in the US Gulf of Mexico/Nigeria and Australia, respectively. Direct operating expenses from drilling operations for the year ended December 31, 2006 were 48% of drilling revenues as compared to 59% for the year ended December 31, 2005.

Shipping. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs. Direct operating expenses

from shipping operations increased SEK 371 million, or 12%, in the year ended December 31, 2006 to SEK 3,437 million from SEK 3,066 million in the year ended December 31, 2005.

Direct operating expenses with respect to Roll-on/Roll-off vessels decreased SEK 34 million, or 18%, in the year ended December 31, 2006 to SEK 153 million from SEK 187 million in the year ended December 31, 2005, mainly due to the sale of the RoPax vessel *Svealand* in April 2006 and the redelivery of *Vasaland* in April 2006. Direct operating expenses for Roll-on/Roll-off vessels for the year ended December 31, 2006 were 41% of revenues, the same as for the year ended December 31, 2005.

Direct operating expenses associated with crude oil tankers increased SEK 405 million, or 14%, in the year ended December 31, 2006 to SEK 3,276 million from SEK 2,871 million, mainly due to increased expenses resulting from higher market rates for chartered in vessels and bunker fuel costs. Direct operating expenses for crude oil operations for the year ended December 31, 2006 were 87% of revenues, as compared to 75% for the year ended December 31, 2005. Direct operating expenses for crude oil tankers include time-charter costs, which are fixed for periods between 6 months and up to 10 years in advance, while revenues in the spot market vary with each voyage.

Property. Property expenses consist primarily of maintenance, heating and personnel costs. Direct operating expenses from property operations increased SEK 76 million, or 9%, in the year ended December 31, 2006 to SEK 886 million from SEK 810 million in the year ended December 31, 2005, mainly related to an increased number of properties and increased heating costs. Total direct operating expenses from property operations in the year ended December 31, 2006 were 45% of property revenues, as compared to 43% for the year ended December 31, 2005.

Other. Other direct operating expenses in the year ended December 31, 2006 were SEK 1,382 million, which includes SEK 761 million related to the garden center and flower business "Blomsterlandet" and SEK 615 million related to Envac, a company in the automated waste collection business acquired in May 2005. Other direct operating expenses in the year ended December 31, 2005 were SEK 1,078 million, which includes SEK 693 million related to the garden center and flower business "Blomsterlandet" and SEK 375 million related to Envac.

Selling and administrative expenses

Selling and administrative expenses increased SEK 266 million, or 14%, in the year ended December 31, 2006 to SEK 2,127 million from SEK 1,861 million in the year ended December 31, 2005, mainly due to expenses in Envac, acquired in May 2005, together with increased personnel costs. The increase is also related to costs of SEK 52 million referring to the acquisition bid of the German/Danish Company Scandlines. Total selling and administrative expenses in the year ended December 31, 2006 were 9% of total revenues, as compared to 10% for the year ended December 31, 2005.

Depreciation and amortization

Depreciation and amortization charges decreased SEK 100 million, or 4%, in the year ended December 31, 2006 to SEK 2,634 million from SEK 2,734 million in the year ended December 31, 2005. Depreciation and amortization charges in the year ended December 31, 2006 includes impairment charges related to the HSS vessels of SEK 710 million. Depreciation and amortization charges in the year ended December 31, 2005 included impairment charges related to the HSS vessels of SEK 765 million and impairment charges for real estate of SEK 180 million. The decrease in total depreciation and amortization is mainly due to decreased impairment charges.

Share of affiliated companies' results

Share of affiliated companies' results in the year ended December 31, 2006 and December 31, 2005 refers to our portion of the results of Midelfart Sonesson AB (publ) and Ballingslöv AB (publ).

Financial income and expense, net

Financial income and expense, net increased by SEK 68 million in the year ended December 31, 2006 to SEK 116 million from SEK 48 million in the year ended December 31, 2005.

Net gain (loss) on securities in the year ended December 31, 2006 was SEK 982 million, of which SEK 532 million related to realized gains on marketable debt and equity securities and SEK 450 million related to unrealized gains and losses. Net gain (loss) on securities in the year ended December 31, 2005 amounted to SEK 921 million, of which SEK 211 million related to realized gains on marketable debt and equity securities and SEK 710 million related to unrealized gains and losses.

Interest income in the year ended December 31, 2006 increased SEK 170 million to SEK 737 million from SEK 567 million in the year ended December 31, 2005, mainly related to increased interest income in our investments in VIEs.

Interest expense for the year ended December 31, 2006 increased SEK 254 million to SEK (1,649) million from SEK (1,395) million for the year ended December 31, 2005. This includes interest expense for the debt in VIEs, which increased SEK 143 million to SEK (342) million from SEK (199) million, partly as a result of the investment in the VIEs. Other interest expense increased SEK 111 million to SEK (1,307) million from SEK (1,196) million.

During the year ended December 31, 2006, foreign exchange gains (losses), net amounted to SEK 110 million, of which gains of SEK 7 million from currency trading and gains of SEK 103 million from translation differences. In the year ended December 31, 2005, foreign exchange gains (losses), net amounted to SEK (3) million, of which gains of SEK 22 million from currency trading and losses of SEK (25) million from translation differences.

Other financial income (expense) of SEK (167) million for the year ended December 31, 2006 includes SEK (45) million related to amortization of the deferred financing charges for senior notes, the \$1 billion revolving credit facility, bank loans, capital lease obligations and investments in VIEs. Other financial income (expense) of SEK (121) million for the year ended December 31, 2005 includes SEK (57) million related to amortization of deferred finance charges.

Income taxes

Income taxes for the year ended December 31, 2006 were SEK (368) million, consisting of current taxes of SEK (299) million and deferred taxes of SEK (69) million. The effective tax rate in 2006 was approximately 8%. Income taxes for the year ended December 31, 2005 were SEK (173) million, consisting of current taxes of SEK (88) million and deferred taxes of SEK (85) million. The effective tax rate in 2005 was approximately 7%. The provision for taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Comparison of the year ended December 31, 2005 to the year ended December 31, 2004

Currency effects

Our revenues and expenses are significantly affected, as reported in Swedish kronor (SEK), by fluctuations in currency exchange rates, primarily relative to the US dollar, the British pound and the Euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to the extent possible, revenue and expenses in the same currency. In addition, we enter into certain derivative financial instruments. Revenues in our ferry operations are mainly generated in SEK, British pounds, Euro, Norwegian kronor and Danish kronor. Approximately 30% of our total revenues are generated in US dollars and approximately 35% of are generated in SEK. Approximately 35% of our total expenses are incurred in US dollars and approximately 30% are incurred in SEK. Although we seek to hedge the net effects of such fluctuations, the reported gross revenues and expenses are influenced by changes in currency exchange rates. The exchange rates as used for consolidation purposes are as follows:

Average rates	January-December 2004	January-December 2005	Change
US \$	7.4960	7.4775	0%
British pounds	13.4560	13.5782	1%
Euro	9.1268	9.2849	2%

Closing rates	December 31, 2004	December 31, 2005	Change
US \$	6.6125	7.9525	20%
British pounds	12.7100	13.7325	8%
Euro	9.0070	9.4300	5%

Revenues

Total revenues increased SEK 2,898 million, or 17%, in the year ended December 31, 2005 to SEK 19,619 million from SEK 16,721 million in the year ended December 31, 2004, as a result of increased revenues in all business areas.

Ferry operations. Ferry revenues are primarily generated from ticket sales, freight haulage and on board spending. Revenues from ferry operations increased SEK 21 million in the year ended December 31, 2005 to SEK 9,045 million from SEK 9,024 million in the year ended December 31, 2004, due to increased volumes in the freight business activity, partly related to the acquisition of the Fleetwood-Larne ferry operation on the Irish Sea acquired from P&O in April 2004, partly offset by decreased volumes in passengers, cars and onboard sales.

Net Gain on Sale of Vessels, Ferry Operations. In the year ended December 31, 2005, no vessel sales were made. In the year ended December 31, 2004 gains of SEK 11 million were recorded on the sale of the Stena Gothica.

Drilling. Drilling revenues consist of charter hires for our drilling rigs. Revenues from drilling operations increased SEK 442 million, or 31%, in the year ended December 31, 2005 to SEK 1,871 million from SEK 1,429 million in the year ended December 31, 2004, mainly due to new contracts at higher dayrates for the *Stena Dee* and the *Stena Spey*, which had offhire periods in the year ended December 31, 2004, partly offset by lower revenues for the *Stena Tay* due to an offhire period in 2005 to install new equipment. The change in dayrates reflects new charter contracts and the market conditions in effect at the time a charter is made in the particular geographic area.

Shipping. Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by us. Revenues from shipping operations increased SEK 913 million, or 26%, in the year ended December 31, 2005 to SEK 4,405 million

from SEK 3,492 million in the year ended December 31, 2004. Revenues from chartering out Roll-on/Roll-off vessels increased SEK 75 million to SEK 458 million from SEK 383 million, or 20%, mainly due to charter hire received for the *Linda Rosa/Mont Ventoux* which was delivered in January 2005 and charter hire received for the *Stena Challenger* which was chartered in from January 2005. Revenues from crude oil tankers increased SEK 810 million, or 27%, in the year ended December 31, 2005 to SEK 3,804 million from SEK 2,994 million in the year ended December 31, 2004, mainly due to charter hire received for the additional tankers chartered in and charter hire received for the six tanker newbuildings delivered in the period January 2004 to April 2005. In the year ended December 31, 2005, 39 tankers were operated (chartered or owned), compared to 33 tankers in the year ended December 31, 2004.

Net Gain on Sale of Vessels, Shipping. In the year ended December 31, 2005, gains of SEK 191 million were recorded on the sale of the RoRo vessel *Pride of Aquitaine* and SEK 124 million on the crude oil tanker *Stena Antarctica*. In the year ended December 31, 2004, gains of SEK 273 million were recorded on the sale of the RoRo vessels *Chieftain*, *Stena Timer* and *Stena Tender* and the RoPax vessels *Stena Traveller* and *European Envoy* and gains of SEK 372 million on the sale of four crude oil tankers to Arlington.

Property. Property revenues consist of rents for properties owned and management fees for properties managed by us. Revenues from property operations increased SEK 525 million, or 39%, in the year ended December 31, 2005 to SEK 1,882 million from SEK 1,357 million in the year ended December 31, 2004, due to the acquisition in August 2004 of Drott, which had revenues for the year ended December 31, 2005 of SEK 952 million as compared to SEK 428 million for the year ended December 31, 2004.

Net Gain on Sale of Properties. In the year ended December 31, 2005, gains of SEK 813 million were recorded on the sale of properties. Properties sold mainly relate to Drott. In the year ended December 31, 2004, gains of SEK 110 million were recorded.

Other. Other revenues in the year ended December 31, 2005 were SEK 1,288 million, which includes SEK 747 million related to the garden center and flower business "Blomsterlandet" and SEK 523 million related to Envac, a company in the automated waste collection business acquired in May 2005. Other revenues in the year ended December 31, 2004 were SEK 653 million, which relate almost entirely to Blomsterlandet.

Direct operating expenses

Total direct operating expenses increased SEK 1,688 million in the year ended December 31, 2005 to SEK 12,631 million from SEK 10,943 million in the year ended December 31, 2004, or 15%, as a result of increased operating expenses in all operations except for the Ferry Operations and the RoRo business.

Ferry operations. Direct operating expenses for ferry operations consist principally of personnel costs, costs of goods sold on the vessels, fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs are of a fixed nature and do not vary as a result of changes in our seasonal requirements. Direct operating expenses for ferry operations decreased SEK 142 million, or (2%), in the year ended December 31, 2005 to SEK 6,565 million from SEK 6,707 million in the year ended December 31, 2004, mainly due to decreased expenses for costs of goods sold on the vessels and package tour costs together with lower charter and redundancy costs, partly offset by higher personnel costs. Direct operating expenses for ferry operations for the year ended December 31, 2005 was 73% of revenues, as compared to 74% for the year ended December 31, 2004.

Drilling. Direct operating expenses for drilling consist primarily of personnel costs, fuel costs, insurance, maintenance and catering costs. Direct operating expenses from drilling operations increased SEK 166 million, or 18%, in the year ended December 31, 2005 to SEK 1,112 million from SEK 946 million in the year ended December 31, 2004, mainly due to increased

expenses for the *Stena Dee*, which was offhire in 2004, and partly due to increased personnel costs in Norway for the *Stena Don*. Direct operating expenses from drilling operations for the year ended December 31, 2005 were 59% of drilling revenues as compared to 66% for the year ended December 31, 2004.

Shipping. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs. Direct operating expenses from shipping operations increased SEK 854 million, or 39%, in the year ended December 31, 2005 to SEK 3,066 million from SEK 2,212 million in the year ended December 31, 2004. Direct operating expenses with respect to Roll-on/Roll-off vessels decreased by SEK 2 million in the year ended December 31, 2005 to SEK 187 million from SEK 189 million in the year ended December 31, 2004, mainly due to reduced charterhire for the *Svealand*, which previously was chartered in but acquired by us in June 2004, and the sale of the RoRo vessels *Stena Tender* and *Stena Timer* in June 2004, partly offset by increased expenses for the *Linda Rosa/Mont Ventoux* and the *Stena Challenger*. Direct operating expenses associated with crude oil tankers increased SEK 855 million, or 42%, to SEK 2,871 million from SEK 2,016 million, mainly due to increased expenses resulting from a larger fleet and increased market rates for chartered in vessels. Direct operating expenses for crude oil operations for the year ended December 31, 2005 were 75% of revenues, as compared to 67% for the year ended December 31, 2004. Direct operating expenses for crude oil tankers include time-charter costs, which normally are fixed for periods between 6 months and up to 5 years in advance, while revenues in the spot market vary with each voyage.

Property. Property expenses consist primarily of maintenance, heating and personnel costs. Direct operating expenses from property operations increased SEK 301 million, or 59%, in the year ended December 31, 2005 to SEK 810 million from SEK 509 million in the year ended December 31, 2004, mainly due to the acquisition in August 2004 of Drott, which had direct operating expenses for the year ended December 31, 2005 of SEK 433 million as compared to SEK 131 million for the year ended December 31, 2004. Total direct operating expenses from property operations in the year ended December 31, 2005 were 43% of property revenues, as compared to 38% for the year ended December 31, 2004.

Other. Other direct operating expenses in the year ended December 31, 2005 were SEK 1,078 million, which includes SEK 693 million related to the garden center and flower business "Blomsterlandet" and SEK 375 million related to Envac, a company in the automated waste collection business acquired in May 2005. Other direct operating expenses in the year ended December 31, 2004 were SEK 569 million which relates almost entirely to Blomsterlandet.

Selling and administrative expenses

Selling and administrative expenses increased SEK 100 million, or 6%, in the year ended December 31, 2005 to SEK 1,861 million from SEK 1,761 million in the year ended December 31, 2004, mainly due to increased expenses in the drilling and shipping areas due to increased business activities and the acquisition of Envac. Total selling and administrative expenses in the year ended December 31, 2005 were 10% of total revenues, as compared to 11% for the year ended December 31, 2004.

Depreciation and amortization

Depreciation and amortization charges increased SEK 944 million, or 53%, in the year ended December 31, 2005 to SEK 2,734 million from SEK 1,790 million in the year ended December 31, 2004, mainly due to impairment charges related to the HSS vessels of SEK 765 million and impairment charges for real estate of SEK 180 million together with depreciation for Drott and Envac. Depreciation and amortization charges in the year ended December 31, 2004 included impairment charges related to a hotel in the ferry operations of SEK 52 million and a building in the property segment of SEK 21 million.

Share of affiliated companies' results

Share of affiliated companies' results in the year ended December 31, 2005 refer to our portion of the results of Wilh. Sonessons AB (publ) and Ballingslöv AB (publ). Share of affiliated companies' results in the year ended December 31, 2004 refer to our portion of Drott's results in the period from May 13 to August 10, 2004, after which Drott is consolidated as a subsidiary, together with our portion of the results of Wilh. Sonessons AB (publ).

Financial income and expense, net

Financial income and expense, net decreased by SEK 164 million in the year ended December 31, 2005 to SEK 48 million from SEK 212 million in the year ended December 31, 2004.

Net gain (loss) on securities in the year ended December 31, 2005 was SEK 921 million, of which SEK 211 million related to realized gains on marketable debt and equity securities and SEK 710 million related to unrealized gains and losses. Net gain (loss) on securities in the year ended December 31, 2004 amounted to SEK 1,060 million, of which SEK 218 million related to realized gains on the sale of shares in the property company Faberge AB, SEK 484 million related to the sale of shares in Song Networks and SEK 131 million related to other realized gains on securities and SEK 227 million related to unrealized gains and losses.

Interest income in the year ended December 31, 2005 increased SEK 185 million to SEK 567 million from SEK 382 million in the year ended December 31, 2004, mainly related to increased interest income in our investments in VIEs.

Interest expense for the year ended December 31, 2005 increased SEK 260 million to SEK (1,395) million from SEK (1,135) million for the year ended December 31, 2004, mainly related to interest expense in the newly acquired companies Drott and Envac as well as interest expense for those acquisitions as such, together with interest expense in our investments in VIEs.

During the year ended December 31, 2005, foreign exchange gains (losses), net amounted to SEK (3) million, of which gains of SEK 22 million from currency trading and losses of SEK (25) million from translation differences. In the year ended December 31, 2004, the Company had foreign exchange gains (losses), net of SEK (107) million, of which SEK 8 million from currency trading and SEK (115) million from translation differences.

Other financial income (expense) of SEK (121) million for the year ended December 31, 2005 includes SEK (57) million related to amortization of the deferred financing charges for senior notes, the \$1 billion revolving credit facility, bank loans, capital lease obligations and investments in VIEs. Other financial income (expense) of SEK (24) million for the year ended December 31, 2004 includes SEK (82) million related to amortization of deferred finance charges and SEK 100 million relating to amortization of the excess of SEK 658 million of the acquisition price of the Stena Line 10.625% Senior Notes due 2008 acquired in late 2000 over their redemption price.

Income taxes

Income taxes for the year ended December 31, 2005 were SEK (173) million, consisting of current taxes of SEK (88) million and deferred taxes of SEK (85) million. Income taxes for the year ended December 31, 2004 were SEK (20) million, consisting of current taxes of SEK (133) million and deferred taxes of SEK 113 million. The provision for taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Liquidity and capital resources

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

As of December 31, 2006, we had total cash and marketable securities of SEK 9,148 million as compared with SEK 9,252 million at December 31, 2005. We have also invested in VIEs, whose purpose is to invest primarily in high yield securities and corporate bank loans. Due to changes in Swedish GAAP in 2005, these VIEs are consolidated as subsidiaries. As of December 31, 2006, we had invested in three VIEs who's total assets amounted to SEK 8,073 million compared to SEK 6,213 million as of December 31, 2005.

Cash flows provided by operating activities increased to SEK 3,567 million in 2006 from SEK 2,403 million in 2005. Cash flows used in investing activities in 2006 amounted to SEK (7,287) million including capital expenditure of SEK (8,148) million. Cash flows used in investing activities in 2005 amounted to SEK (2,948) million including capital expenditure of SEK (5,152) million and purchase of subsidiaries of SEK (518) million. Cash flows provided by financing activities in 2006 amounted to SEK 1,092 million as compared with SEK 1,850 million in 2005.

Total interest bearing debt as of December 31, 2006 was SEK 24,469 million excluding the debt in the VIEs as compared with SEK 26,793 million at December 31, 2005. Interest bearing debt in the VIEs as of December 31, 2006 was SEK 6,302 million as compared with SEK 4,844 million at December 31, 2005. Total debt decreased partly due to the strengthening of the closing rate of the SEK against the US dollar and to a lesser extent versus the Euro. As of December 31, 2006, \$402 million was utilized under the \$1 billion revolving credit facility, of which \$16 million was used for issuing of bank guarantees. As of December 31, 2005, a total of \$859 million was outstanding under this facility, of which \$10 million was used for issuing of bank guarantees. See "Description of other indebtedness" for further description of our credit facilities.

Our remaining capital expenditure commitment for newbuildings on order as of December 31, 2006 was SEK 12,423 million (\$1,818 million), of which SEK 5,378 million (\$787 million) is due within the next twelve months, SEK 3,863 million (\$565 million) is due during 2008 and SEK 3,182 million (\$466 million) is due in 2009 and thereafter. The Company plans to finance the unpaid balance, together with additional expenses and financing costs, through cash from operations, existing revolving credit facility, capital lease agreements, new bank loans or other financing arrangements; financing for 63 % of the unpaid balance has already been arranged.

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

Long-Term Financial Obligations and Other Contractual Obligations

Our long-term financial obligations as of December 31, 2006 were as follows:

	Payments due by period					
	Total	Less than one year	1-3 years	4-5 years	More than 5 years	Not specified
	(SEK million)					
Long-term debt, including current maturities.....	23,185	1,853	1,397	764	16,286	2,885
Debt in VIEs.....	6,302		395	1,216	4,691	
Capital leases.....	1,284	38	77	82	1,087	
Operating leases.....	7,191	2,319	2,279	1,334	1,259	
Purchase obligations.....	12,713	5,668	7,045			
Other non-current liabilities.....	932		771	34	127	
Total.....	51,607	9,878	11,964	3,430	23,450	2,885

Our commercial commitments are listed in Note 25 of our consolidated financial statements and relate mainly to purchase obligations for newbuildings.

Off Balance Sheet Arrangements

One of our subsidiaries and Ugland have each guaranteed the performance by one of the Stena/Ugland joint ventures of its obligations under a charter agreement with Esso Norway. Our liability under this guarantee is limited to 50% of any claim caused by the non-performance of the joint venture. We and Ugland have also guaranteed the repayment by the other Stena/Ugland joint venture of a loan from a group of banks. Our liability under this loan is limited to 50% of the amount outstanding under the loan agreement, including interest, charges, expenses and damages. As of December 31, 2006, the outstanding total loan amount was \$37 million.

Application of Critical Accounting Policies

Our Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in Sweden (Swedish GAAP), which differ in certain significant respects from generally accepted accounting principles in the United States (US GAAP). The principal differences between Swedish GAAP and US GAAP are further discussed in Note 31 to our Consolidated Financial Statements.

The preparation of our Consolidated Financial Statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and provisions at the date of the financial statements and the reported amounts of sales and expenses during the periods presented. The accounting principles applied by us that are deemed to be critical are discussed below:

Vessels lives and impairment. Our vessels represent our most significant assets and we state them at cost less accumulated depreciation. Depreciation of vessels, which includes depreciation of vessels under capital leases, is computed using the straight-line method over estimated service lives of 10 to 25 years. Significant vessel improvement costs are capitalized as additions to the vessel rather than being expensed as a repair and maintenance activity. Should certain factors or circumstances cause us to revise our estimate of vessel service lives, depreciation expense could be materially lower or higher. If circumstances cause us to change our assumptions in making determinations as to whether vessel improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense.

Impairment of long-lived assets. We review long lived assets used in our business and investments in affiliated companies on an annual basis for impairment, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. An impaired asset is written down to its estimated fair value if the decline is deemed to be permanent. We estimate fair value based on independent appraisals, sales price negotiations, active markets if available and projected future cash flows discounted at a rate determined by management to be commensurate with our business risk. The estimation of fair value using these methods is subject to numerous uncertainties which require our significant judgment when making assumptions of revenues, operating costs, selling and administrative expenses, interest rates and general economic business conditions, among other factors.

Financial instruments. Under Swedish GAAP, we apply hedge accounting for all transactions that are economically hedged. Such transactions are hedged on-balance sheet or off-balance sheet by transactions with matching principal or notional amounts, interest rates and currencies, such that our exposure to changes in net values of such transactions due to movements in interest or exchange rates is hedged.

The fair market values for our derivative financial instruments are generally determined based on quoted market prices or market quotes for the same or similar financial instruments.

Recent US GAAP accounting pronouncements

In June 2006, FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109" (FIN 48) was issued. FIN 48 requires tax benefits from

an uncertain position to be recognised if it is 'more likely than not' that the position is sustainable, based on its technical merits. The interpretation also requires qualitative and quantitative disclosures, including discussion of reasonably possible changes that might occur in recognised tax benefits over the next 12 months, a description of open tax years by major jurisdiction, and a roll-forward of all unrecognised tax benefits. FIN 48 first applies for the Company from January 1, 2007. The Company is currently assessing the impact of adopting FIN 48.

In February 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") 155 "Accounting for Certain Hybrid Financial Instruments" (SFAS 155). SFAS 155 provides entities with relief from having to separately determine the fair value of an embedded derivative that would otherwise have to be bifurcated from its host contract in accordance with SFAS 133. SFAS 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value in its entirety, with changes in fair value recognised in earnings. Additionally, SFAS 155 requires that interest in securitised financial assets be evaluated to identify whether they are freestanding derivatives or hybrid financial instruments containing an embedded derivative that requires bifurcation (previously these were exempt from SFAS 133). SFAS 155 is effective for all financial instruments acquired, issued or subject to a re-measurement event occurring after the beginning of an entity's first fiscal year that begins after 15 September 2006. The Company is currently assessing the impact of adopting SFAS 155.

In September 2006, the FASB issued SFAS 157 "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The statement emphasizes that fair value is a market-based measurement and not an entity-specific measurement. It also establishes a fair value hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value." SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of adoption of this on the Company's financial condition, results of operation or liquidity.

In September 2006, the FASB issued SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," an amendment of FASB Statements No. 87, 88, 106 and 132(R). SFAS 158 requires employers to recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status. Secondly, it requires employers to measure the plans assets and obligations that determine its funded status as of the end of the fiscal year. Lastly, employers are required to recognize changes in the funded status of a defined benefit postretirement plan in the year that the changes occur with the changes reported in comprehensive income. During 2006, the Company adopted the recognition and disclosure provisions of SFAS 158, which resulted in a SEK 312 million decrease in accumulated other comprehensive income and shareholders equity, a SEK 445 million increase in accrued pension liability, and a SEK 133 million decrease in deferred income taxes. The Company will adopt the measurement date provisions of SFAS 158 for the fiscal year ended December 31, 2008.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ("SFAS 159") which permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. The following balance sheet items are within the scope of SFAS 159:

- Recognized financial assets and financial liabilities unless a special exception applies
- Firm commitments that would otherwise not be recognized at inception and that involve only financial instruments
- Non-financial insurance contracts

- Host financial instruments resulting from separation of an embedded non-financial derivative instrument from a non-financial hybrid instrument

SFAS 159 will be effective for fiscal years beginning after November 2007 with early adoption possible but subject to certain requirements. The Company is currently assessing the impact of adopting SFAS 159.

Reconciliation of Swedish GAAP to US GAAP

The differences in net income and stockholders' equity between Swedish GAAP and US GAAP result primarily from differing accounting treatments for disposal of assets, depreciation of properties, investments in securities, financial instruments, purchase accounting, pensions and other items. See Note 31 of the notes to our Consolidated Financial Statements for a reconciliation of net income and stockholders' equity from Swedish GAAP to US GAAP and a discussion of such differences.

Net income determined in accordance with US GAAP would have been SEK 1,852 million in 2004, SEK 2,008 million in 2005 and SEK 3,016 million in 2006 as compared to SEK 2,359 million, SEK 2,268 million and SEK 4,339 million of net income determined under Swedish GAAP for the years ended December 31, 2004, 2005 and 2006, respectively.

Stockholders' equity determined in accordance with US GAAP would have been SEK 14,913 million and SEK 17,551 million at December 31, 2005 and 2006, respectively. Under Swedish GAAP, stockholders' equity was SEK 15,132 and SEK 18,587 million at December 31, 2005 and 2006, respectively.

Item 6. Directors, Senior Management and Employees

Under the Swedish Companies Act of 2005, our board of directors has ultimate responsibility for our organization and the management of our affairs. Our articles of association provide for a board of directors elected by our stockholders of not fewer than three nor more than nine directors and not more than three deputy directors. Swedish law provides for the appointment of additional directors by the unions representing our employees. All directors, other than union appointees, are elected by resolution of a general meeting of stockholders. The term of office of a director is one year, but a director may serve any number of consecutive terms. Directors may be removed from office by a general meeting of stockholders at any time, and vacancies on the board, except when filled by a deputy director, may only be filled by stockholder resolution. Each year, one director is elected chairman of the board by resolution of a meeting of the board of directors. Deputy directors may attend the board meetings, but may only vote in place of a director who is absent.

The following table sets forth the name, year of birth and position of each of our directors and executive officers as of March 31, 2007.

Name	Year born	Title
Lennart Jeansson	1941	Chairman of the Board of Directors
Dan Sten Olsson	1947	Chief Executive Officer and Director ⁽¹⁾
Svante Carlsson	1948	Chief Financial Officer, Executive Vice President and Director
Jan Carlstein	1938	Director
Bengt Olof Eriksson . . .	1937	Director
Stefan Lindskog	1951	Director
Jörgen Lorén	1961	Director (Employee Representative)
Jens Ole Hansen	1951	Director (Employee Representative)
Anna-Lena Myhr	1944	Deputy Director (Employee Representative)

(1) For details of Mr. Dan Sten Olsson's share ownership, see Item 7.

Certain biographical information about each of our directors and executive officers and certain other key employees of Stena AB is set forth below.

Lennart Jeansson was appointed chairman of the board of Stena AB in 2000. Mr. Jeansson also serves as a director on the board of Stena Metall. Mr. Jeansson is chairman of the boards of BIL Sweden and the Volvo Pensionsstiftelse and deputy chairman of Sixth Swedish National Pension Fund. He also serves as director of Volvo Lastvagnar AB, Volvo Construction Equipment, Svenskt Näringslov and Orkla ASA.

Dan Sten Olsson has served as chief executive officer and a director of Stena AB since 1983. Mr. Olsson also serves as member or chairman of the board of a majority of the significant companies in the Stena Sphere. Mr. Olsson is also Chairman of the Board of the Swedish Ship Owner's Association. Mr. Olsson has been employed by Stena AB since 1972.

Svante Carlsson has served as chief financial officer since 1984, Executive Vice President of Stena AB since 1989 and a director of Stena AB since 1984. Mr. Carlsson also serves as a member of the board of directors of many other companies in the Stena Sphere. He has been employed by Stena AB since 1975.

Jan Carlstein has served as a director of Stena AB since late 1999 and managing director of Stena Metall from 1975 to August 31, 1999. Mr. Carlstein also serves as a member of the board of directors of Stena Metall.

Bengt Olof Eriksson has served as a director of Stena AB since May 1997 and served as Managing Director of Stena Fastigheter, a subsidiary of Stena AB, from 1981 to 1997. Mr. Eriksson also served as a member of the board of directors of Stena Fastigheter from June 1997 to June 2006.

Stefan Lindskog has served as a director of Stena AB since 1988. Mr. Lindskog is a partner of Wistrand Advokatbyrå Stockholm KB and is also a member of the board of directors of Stena Metall.

Jörgen Lorén has served as a director of Stena AB, representing Stena AB employees affiliated with the Swedish Ship Officers' Association, since 2006. Mr. Lorén is a Master Mariner and has been employed in our ferry operations since 1985.

Jens Ole Hansen has served as a director of Stena AB, representing Stena AB employees affiliated with the Swedish Seamen's Union, since 1992. Mr. Hansen is a boatswain and has been employed in our ferry operations since 1974.

Anna-Lena Myhr has served as a deputy director of Stena AB, representing Stena AB employees affiliated with the Swedish Union of Commercial Employees, since 1999. Ms. Myhr is a salary clerk and has been employed in our ferry operations since 1973.

Other Key Employees

Christel Armstrong Darvik (born 1953) has served as managing director of Stena Fastigheter since October 1, 2006. She is a member of the board of directors of Specialfastigheter Sverige AB. Mrs. Armstrong Darvik has been employed in the Stena Sphere since 2006.

Gunnar Blomdahl (born 1955) has served as managing director of Stena Line Holding B.V. since January 2003. He has held a number of senior management positions at Stena Line since 1997, including as Area Director in charge of Stena Line's Irish Sea operations from 2001 to 2003 and, prior to that, as head of the Sweden-Germany route and sales and marketing director for Stena Line's Scandinavian operations.

Claes Davidsson (born 1950) has served as director of Ship Management and HR since 2003. Mr. Davidsson also serves as chairman of Northern Marine Management Ltd in Glasgow, Scotland and of Austen Maritime PTE Ltd., Singapore. Mr. Davidsson has been employed in the Stena Sphere since 1983.

John Helgesson (born 1945) has served as managing director of Stena Fastigheter since June 1, 1997 and as a director of Stena Fastigheter since 1997. Mr. Helgesson also serves as a

director of the Swedish Property Owner's Association and the Scandinavian International Property Association. Mr. Helgesson resigned as managing director of Stena Fastigheter in October 2006 and now serves as chairman of Stena Realty and vice chairman of Stena Fastigheter AB.

Staffan Hultgren (born 1961) has served as chief controller of Stena AB since July 2004. Mr. Hultgren also serves on the board of directors of many of our companies. Mr. Hultgren has been employed in the Stena Sphere since 2004.

Kenneth MacLeod (born 1943) has served as managing director of Northern Marine since 1991. Mr. MacLeod also serves as a member of the board of directors of Swecal Ltd, one of our subsidiaries, and several other companies. Mr. MacLeod has been employed in the Stena Sphere since 1983.

Harry Robertsson (born 1956) has served as technical director of Stena Rederi since 1999. Mr. Robertsson is a Naval Architect M.Sc. and has worked in the technical department of Stena Rederi since 1996. From 1984 to 1996 he has held positions in a shipyard and in marine consultancy firms.

Ulf Ryder (born 1952) has served as managing director of Stena Bulk since 1983 and as a director of Stena Bulk since 1982. Mr. Ryder also serves as a member of the board of directors of Northern Marine. Mr. Ryder has been employed in the Stena Sphere since 1982. In May 2006 Mr. Ryder was appointed deputy managing director of Stena Rederi.

Christer Schoug (born 1956) has served as shipping coordinator in Stena Rederi since 2005 and since May 2006 as director and managing director of Stena RoRo AB and deputy managing director of Stena Rederi. Mr. Schoug also serves as vice chairman of Northern Marine Management in Glasgow, Scotland. Mr. Schoug has been employed in the Stena Sphere since 1995.

Martin Svalstedt (born 1963) has served as managing director of Adactum since 2002. Mr. Svalstedt also serves as chairman of Gislaved Folie AB, S-Invest Trading AB and Midelfart Sonesson AB, and as board member in Gunnebo AB, Ballingslöv International AB, Envac Centralsug AB and Adactum.

Tom Welo (born 1947) has served as managing director of Stena Drilling Ltd. since October 1995. Mr. Welo has a Master of Science in Naval Architecture and Marine Engineering.

Compensation of Directors

For the year ended December 31, 2006, the aggregate compensation paid by the Stena AB to its directors (a total of nine persons) amounted to approximately SEK 12 million. For the year ended December 31, 2005, the aggregate compensation paid by the Stena AB to its directors amounted to approximately SEK 12 million.

Audit Committee

Following a decision by the board on December 20, 2006, an audit committee was established. At the same time the board approved the charter for the audit committee.

Lennart Jeansson (chairman of the board of Stena AB), Jan Carlstein (member of the board of Stena AB), Staffan Hultgren (chief controller for Stena AB) and Anne-Marie Pouteaux (outside counsel to the Company and company secretary in Stena AB) are members of the audit committee. Mr. Lennart Jeansson acts as chairman of the audit committee.

Pursuant to the charter, the overall objectives and responsibilities of the audit committee are to assist the board in fulfilling its oversight responsibility relating to the Company's accounting matters, the system of internal controls, the management's monitoring and controlling of business risks, corporate governance activity and legal and regulatory requirements to the extent applicable to financial matters.

The audit committee is appointed by and can be removed by the board of directors and shall have at least three meetings per year.

Employees

The chart below sets forth the average number of employees in each of our principal business areas.

	2004	2005	2006
Ferry Operations	5,324	5,540	5,564
Drilling	590	649	665
Shipping	577	569	626
Property Operations	267	264	283
Other	387	656	907
Total	7,145	7,678	8,045

For 2004, "Other" in the table above includes 327 persons employed in "Blomsterlandet" which was acquired in 2004. For 2005, "Other" in the table above includes 403 persons employed in "Blomsterlandet" and 183 persons employed in "Envac" which was acquired in 2005. For 2006, "Other" in the table above includes 439 employed in "Blomsterlandet" and 388 persons employed in "Envac". In addition to the employees referred to above, Northern Marine Management employed 4,475 persons in 2006 in external ship management services, as compared to 4,172 persons in 2005 and 3,053 persons in 2004.

We have good relations with our work force and the labor unions representing them.

Options

No options exist to purchase securities from us.

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

All of the issued and outstanding voting shares of Stena AB were owned as follows as of March 31, 2007:

Name of beneficial owner	Number of shares	Percentage ownership
Dan Sten Olsson	25,500	51.0%
Madeleine Olsson Eriksson	12,250	24.5%
Stefan Sten Olsson Holding Ltd	12,250	24.5%

The holders listed above have sole voting and investment power over the shares beneficially owned by them. Dan Sten Olsson and Madeleine Olsson Eriksson are brother and sister.

Dan Sten Olsson is the only officer or director of Stena AB who owns any voting shares of Stena AB. All shares of Stena AB have the same voting rights.

Our articles of association contain a restriction on the transfer of our shares. Pursuant to the articles, a person who was not previously a shareholder and to whom shares have been transferred (except in the case of a transfer of shares through inheritance, will or gift to lineal descendants of Sten A. Olsson and his wife Birgit Olsson) is obligated to offer such shares to the other shareholders. If any person other than the current shareholders of Stena AB as of December 30, 1993 or lineal descendants of Sten A. Olsson and Birgit Olsson acquires 48% or more of the voting power of Stena AB, then the remaining shareholders have the right to put all or a part of their shares to such shareholder at a price equal to the highest price per share paid

by such shareholder. Under the articles, a vote of at least 75% of shares represented at the annual general meeting of our shareholders is required to amend this put provision. In addition, under the Swedish Companies Act, shareholder resolutions in the ordinary course of business require the vote of a majority of shares voting thereon, and extraordinary items (including amendments to the articles other than the amendment to the put option described above) require support by shareholders holding at least two-thirds of the votes cast as well as two-thirds of all shares present or represented at the shareholders meeting. Holders of at least 10% of the outstanding shares have the right to require us to pay dividends within certain statutory parameters.

Related Party Transactions

We have entered into various transactions with other companies in the Stena Sphere, which includes the companies wholly owned by the Sten Allan Olsson family in Sweden, Stena Sessan AB ("Sessan") and Stena Metall AB ("Stena Metall") and their subsidiaries. Another significant company within the Stena Sphere is Concordia Maritime AB ("Concordia") which is 52% owned by Sessan. Shares in Concordia are listed on the Stockholm Stock Exchange. The significant transactions between the Company and its affiliates are described below.

Concordia

Concordia and the Company through Stena Bulk AB ("Stena Bulk"), a wholly owned subsidiary of the Company, are parties to an allocation agreement (the "Allocation Agreement") pursuant to which Concordia may elect to participate 100%, 50% or 0% in business opportunities identified by Stena Bulk relating to the chartering of crude oil tankers. No agreements were made in 2005 or 2006. The net outcome of the agreement including results on forward contracts was a loss of SEK 1 million in 2004 and a loss of SEK 1 million in 2005 and SEK 0 million in 2006.

We provide certain services to Concordia such as administration, marketing, insurance and technical support for Concordia's owned and chartered vessels, including administration of jointly chartered vessels, office and office services for Concordia's personnel and certain financial and other services. We earned fees equal to SEK 17 million, SEK 13 million and SEK 25 million in 2004, 2005 and 2006 respectively, for these services.

Sessan

Since June 1999, we have served as the business manager for Sessan for its 50% participation in a Norwegian partnership that owns the shuttle tanker *Stena Sirita* that is chartered pursuant to a 10-year contract to ESSO Norway. In 2003, the Company also became the business manager for Sessan for its 50% participation in the shuttle tanker *Stena Spirit* that is chartered pursuant to a 15-year contract to Petrobras in Brazil. We earned total fees of SEK 1 million in each of the years 2004, 2005 and 2006 for these services.

In 2001 and 2002, Sessan acquired all shares in the shipping company HH Ferries in the south of Sweden. The acquisition was partly financed by an interest bearing credit facility from us. As of December 31, 2006, DKK 213 million was outstanding under this facility as compared to DKK 211 million as of December 31, 2005.

In December 2002, we sold to Sessan the remaining 50% of the RoPax vessel *Stena Jutlandica*. Sessan acquired the first 50% of this vessel from us in 1996. The vessel is chartered back as an operating lease, for which we paid charterhire of SEK 61 million for each of the years 2004 and 2005 and SEK 59 million for 2006.

Sessan has invested in shares in the company Meda AB ("Meda"). In 2005, a new share issue in Meda was guaranteed by the Company. In connection with the new issue, the Company purchased shares in Meda. Sessan had the option to buy these shares at a price of 10% above the price paid by the Company. This option was exercised in 2006.

In 2003 we granted an interest bearing loan of SEK 10 million to Sessan to finance the acquisition of shares in an unrelated company. During the year, Stena acquired shares in Ballingslöv at a market value of SEK 35 million from Sessan. At the same time the loan of SEK 10 million was repaid.

Stena Metall

We purchase a substantial part of our bunker fuel from Stena Metall. Such purchases aggregated SEK 726 million, SEK 1,127 million and SEK 1,840 million in 2004, 2005 and 2006, respectively.

We paid charterhire for vessels to Stena Metall equal to SEK 46 million in 2004 and SEK 63 million each of the years 2005 and 2006.

We provide management and other services to Stena Metall. We received SEK 1 million in each of the years 2004, 2005 and 2006 for these services.

Olsson Family

We rent office space from members of the Olsson family. In 2004, 2005 and 2006, we paid SEK 28 million, SEK 29 million and SEK 32 million, respectively, in respect of such properties.

We manage certain properties owned by members of the Olsson family. In 2004, 2005 and 2006, members of the Olsson family paid us SEK 11 million, SEK 13 million and SEK 12 million, respectively, for such management services.

We have agreed to pay Sten A. Olsson and Dan Sten Olsson an annual indexed retirement benefit for life.

In 2004, we acquired properties in Sweden, that were subsequently sold to the Olsson family at a value of SEK 587 million. This transaction had no impact on our consolidated accounts.

In 2005, the Company sold a property to the family of SEK 96 million. The sale was made at market price.

In 2006, we acquired shares in Gunnebo and Gunnebo Industrier at a market value of SEK 18 million from the family.

Item 8. Financial Information

Consolidated Financial Statements

See "Item 18. Financial Statements" and pages F-1 through F-59.

Legal Proceedings

We are a party to various routine legal proceedings arising in the ordinary course of business. Such claims are generally covered by insurance, subject to customary deductibles. We do not believe that any liabilities that may result from such legal proceedings will, in the aggregate, have a material adverse effect on our financial condition or results of operations.

Dividends

We paid a cash dividend of SEK 70 million, SEK 195 million and SEK 215 million for the years ended December 31, 2004, 2005 and 2006, respectively. The dividends are made out of unrestricted earnings in the stockholders equity and paid out the year after the respective financial year.

Item 9. The Offer and Listing

Not applicable.

Item 10. Additional Information

Organization

We are a stock corporation of limited liability organized under the laws of the Kingdom of Sweden and governed by the Swedish Companies Act. Our registered office is in the Commune of Gothenburg, Västra Götaland County, Sweden. We are entered in the Swedish Company Register under number 556001-0802.

Articles of Association

Our Articles of Association in Swedish, together with an English translation have been filed as Exhibit 1.1 to this Annual Report. Section 3 of our Articles of Association states that the object of Stena AB is to conduct shipping operations, ship brokerage and the chartering of vessels as well as trading in ships, metals and scrap iron, the operating of recreational and leisure facilities and other activities consistent with such operations, owning and administering fixed property and owning shares or participating in operating companies that own and administer real or moveable property. Additionally, we may engage in the research and marketing of medical and pharmaceutical products as well as activities consistent with such objectives.

Directors

Under the Swedish Companies Act, a director may not participate in matters regarding agreements between the director and Stena AB and agreements between third parties if the director has a material interest in the matter which conflicts with the interest of Stena AB. In addition, if a director represents, either individually or together with any other person, a legal entity, such director may not participate in discussions with respect to agreements between Stena AB and such legal entity. However, a director's recusal is not required in instances where the company is entirely owned, directly or indirectly, by the director or where the transaction giving rise to the potential conflict of interest involves the company and another entity that is part of a related group of the company.

A director may not vote in matters affecting his or any member of the board of directors' compensation for work related to the board of directors. Compensation related to a director's position as a board member may only be approved by shareholders at a general meeting. With respect to the powers of directors, Swedish law provides that the board of directors represents Stena AB and is therefore authorized to undertake obligations on our behalf. Decisions on for example major borrowings shall thus be taken by the board of directors. The execution of such decisions has been entrusted by the board of directors to the joint exercise of two directors. Neither our Articles of Association nor Swedish law affect a director's retirement or non-retirement based on the age of the director. Additionally, directors are not required to own shares in us in order to qualify as directors of us.

Shareholder Rights

We have only one class of shares. Each share is entitled to one vote per share. There are no cumulative voting rights. Every shareholder is entitled to receive a pro rata share of any dividends declared based on the number of shares owned. If we are liquidated, the proceeds thereof will first be paid to our creditors. Any remaining amount will be distributed among the shareholders, pro rata to the number of shares held by each shareholder. The Articles of Association do not contain any provisions relating to the establishment of a sinking fund nor do they contain any provisions that discriminate against any existing or future shareholder as a result of such shareholder owning a substantial number of our shares.

In order to change the rights of shareholders, our Articles of Association must be amended. Under the Swedish Companies Act, shareholder resolutions in the ordinary course of business require the vote of a majority of shares voting thereon, and extraordinary items (including

amendments to the Articles other than the amendment to the put option described below) require support by shareholders holding at least two-thirds of the votes cast as well as two-thirds of all shares present or represented at the shareholders meeting. Holders of at least 10% of the outstanding shares have the right to require us to pay dividends within certain statutory parameters.

General Meetings

Our Articles require an ordinary general meeting once a year within six months after the end of the fiscal year. Notice to convene the annual general meeting shall be given by announcement in Post-och Inrikes Tidningar and in Svenska Dagbladet or another national newspaper no earlier than six weeks and at the latest four weeks prior to the meeting. The agenda of the annual general meeting includes, among other things, the election of chairman of the meeting; preparation and confirmation of the electoral register; presentation of the annual financial report, auditors' report and, if applicable, the consolidated financial report and the consolidated auditors' report; and election of the board of directors, auditors and deputy director. Anyone entitled to vote, or such person's representative, may participate and vote at the meeting.

Ownership and Transfer Restrictions

There are no limitations under Swedish law or in our Articles on the right of persons who are not citizens or residents of Sweden to own or vote our stock. However, our Articles of Association contain a restriction on the transfer of our shares. Pursuant to the Articles, a person who was not previously a shareholder and to whom shares have been transferred (except in the case of a transfer of shares through inheritance, will or gift to lineal descendants of Sten A. Olsson and his wife Birgit Olsson) is obligated to offer such shares to the other shareholders. If any person other than the current shareholders of Stena AB as of December 30, 1993 or lineal descendants of Sten A. Olsson and Birgit Olsson acquires 48% or more of the voting power of Stena AB, then the remaining shareholders have the right to put all or a part of their shares to such shareholder at a price equal to the highest price per share paid by such shareholder. Under the Articles, a vote of at least 75% of shares represented at the annual general meeting of our shareholders is required to amend this put provision.

Change in Control

There are no provisions in our Articles that would have an effect of delaying, deferring, or preventing any change in control of us and that would only operate with respect to a merger, acquisition or corporate restructuring involving us or any of our subsidiaries.

Disclosure of Shareholdings

Our Articles of Association do not require shareholders to disclose their shareholdings in us.

Material Financial Contracts

Revolving credit facility. On December 8, 2004, Stena Holland BV (formerly Stena International B.V.) and Stena (Switzerland) AG ("SSAG") entered into a \$1 billion secured revolving credit facility with a syndicate of financial institutions, for which J.P. Morgan plc, Svenska Handelsbanken AB (publ), Nordea Bank AB (publ), Citigroup Global Markets Limited, DnB NOR Bank ASA and HSBC Bank plc act as lead arrangers and Svenska Handelsbanken AB (publ) acts as facility agent. The revolving credit facility was made available for the purposes of refinancing Stena Holland BV's existing debt, including the 2002 and 2001 revolving credit facilities together with certain other vessel financings, and to provide financing for general corporate purposes. Stena Holland BV's and SSAG's obligations under the revolving credit facility are guaranteed by Stena AB and certain of its subsidiaries.

The final maturity of the revolving credit facility is January 28, 2013. Borrowings under the revolving credit facility bear interest at a rate equal to the aggregate of LIBOR plus an applicable

margin, which ranges from 0.60% to 0.725% depending on the level of utilization of the facility. Interest is payable at the end of the interest period of each advance, although if an advance has a term of more than six months, interest is payable at six-month intervals. The facility gives the option to drawdown advances for periods of one, two, three or six months, or for other periods with the consent of the lenders. Commitment fees and guarantee indemnity fees will be based on the level of utilization of the facility.

The obligations of Stena Holland BV and SSAG under the revolving credit facility are secured by, among other things, first priority security interests on Stena Shipper, Stena Spey, Stena Clyde, Stena Tay, Stena Saga, Stena Nautica, Stena Don, Stena Forwarder, Stena Baltica, Stena Carisma (and its linkspans), Stena Danica, Stena Discovery, Stena Europe, Stena Forecaster, Stena Forerunner, Stena Foreteller, Stena Germanica, Stena Scandinavica, Stena Scanrail, Stena Searider, Stena Seatrader and the Holyhead and Stranraer ports. In the event that an asset securing the revolving credit facility is sold or declared a total loss, availability under the revolving credit facility will, unless appropriate replacement collateral is provided within 270 days, be reduced by the lesser of net sale or net loss proceeds and the amount required to bring the security value of the remaining collateral (net of any debt secured by a prior mortgage therein) to 140% of the facility amount.

The revolving credit facility imposes various financial and operating covenants upon us and certain of our subsidiaries. Among other things, the principal financial covenants (i) require us to maintain current assets and committed undrawn facilities in an amount greater than or equal to 125% of consolidated current liabilities, (ii) require us and our subsidiaries to maintain minimum cash and cash equivalents of not less than \$50 million, (iii) require our net debt to be no greater than 65% of the capitalisation, and (iv) require us to maintain ownership of the security parties that, at the date of execution of the credit facility agreement, are members of the Stena AB group.

As of December 31, 2006, the amount of indebtedness under the revolving credit facility was \$386 million and \$16 million used in connection with guarantees and letters of credit. As of December 31, 2005, a total of \$859 million was utilized under this facility, of which \$10 million was used for issuing of bank guarantees.

Adactum secured bank facility. On October 16, 2006, Adactum entered into a new secured revolving credit facility with Svenska Handelsbanken AB (publ) and Nordea Bank Sweden AB (publ) with a total principle amount of SEK 450 million. The facility matures on October 16, 2009. It bears interest at a rate based on Stockholm Interbank Offered Rates plus an applicable margin of 0.75%. Stena Adactum may select an interest period of one, three, six or twelve months every time it borrows funds under the facility. Interest is payable at the end of the relevant interest period. The facility includes a cross-default provision that provides that an event of default occurs if we, Adactum or any present or future subsidiary of Stena AB fail to pay our respective indebtedness when due in respect of such debt that exceeds \$15 million. As of December 31, 2006, SEK 160 million was utilized.

Debt in VIE's. As of December 31, 2006 we had investment in three VIEs: Canyon Capital CDO-2002, Canyon Capital CLO-2004 and Canyon Capital CLO-2006. In early 2007, we invested in a new, fourth VIE. The assets and liabilities of the VIEs are consolidated in our financial statements, although the debt of the VIEs is non-recourse to Stena.

As of December 31, 2006, Canyon Capital CDO-2002 Ltd, Canyon Capital CLO-2004 Ltd and Canyon Capital CLO-2006 Ltd (created in August 2006), had issued senior secured notes to fund their portfolio investments in the US high yield bond and corporate loan markets. The total outstanding debt for all three VIEs as of December 31, 2006 amounted to SEK 6,302 million, as compared with SEK 4,844 million as of December 31, 2005. The remaining funding for the VIEs has been provided by the Company and other investors as subordinated notes and preferred share capital.

Canyon Capital CDO-2002 Ltd issued senior secured notes maturing in May 2014, consisting of \$222 million Class A notes, \$11.1 million Class B notes and \$11.2 million Class C notes. The Class

A and B notes bear interest at a variable interest rate of Libor, plus a margin of 0.60% and 3.75%, respectively, and the Class C notes bear a fixed interest rate of 12.88%. Interest is payable semiannually. Canyon Capital CLO-2004 Ltd issued notes maturing in October 2016, consisting of \$200 million Class A1 notes, \$68.5 million Class A2 notes, \$36 million Class B notes, \$29 million Class C notes and \$16 million Class D senior secured notes. The Class A, B, and C notes bear interest at a variable interest rate of Libor, plus a margin of 0.37%, 1.25% and 2.50%, respectively, and the Class D notes bear a fixed interest rate of 12.88%. Canyon Capital CLO-2006 Ltd issued senior secured notes maturing in August 2020, consisting of \$266 million Class A notes, \$15.2 million Class B notes, \$22.8 million Class C notes, \$22.8 million Class D notes and 13.3 million Class E notes. The notes bear interest at a variable rate of LIBOR plus a margin of 0.25-0.27% for Class A notes and 0.42%, 0.70%, 1.60% and 3.75% for Class B, C, D and E notes, respectively. Interest is payable semi-annually. All notes are secured by the underlying securities held by each VIE.

9.625% Senior Notes, 7.5% Senior Notes and 7% Senior Notes. As of December 31, 2006, we had \$177 million principal amount of 9.625% senior notes due 2012 outstanding, \$175 million principal amount of 7.5% senior notes due 2013 outstanding and \$250 million principal amount of 7% senior notes due 2016 outstanding. In February 2007, we purchased approximately \$177 million of our 9.625% senior notes due 2012 pursuant to a tender offer and consent solicitation, representing approximately 99% of these outstanding senior notes. The 7.5% senior notes, issued in November 2003, mature on November 1, 2013, and interest is payable semi-annually on May 1 and November 1 of each year. The 7.5% senior notes are redeemable at our option, in whole or in part, at any time on or after November 1, 2008. The 7% senior notes, issued in November 2004, mature on December 1, 2016, and interest is payable semi-annually on June 1 and December 1 of each year. The 7% senior notes are redeemable at our option, in whole or in part, at any time on or after December 1, 2009. The indentures governing these senior notes contain certain covenants with respect to, among others, limitations on consolidated and subsidiary debt and preferred stock, limitations on restricted payments and investments, limitations on restrictions concerning distributions and transfers by subsidiaries, limitations on liens and guarantees, limitations on business activities and limitations on mergers, consolidations and certain sales and purchases of assets. The notes are unsecured obligations of Stena AB and rank *pari passu* in right of payment with Stena AB's other unsubordinated indebtedness. Since Stena AB is a holding company and all our operations are conducted through our subsidiaries, the notes are structurally subordinated to all existing and future liabilities (including trade payables) of the subsidiaries, including those under the revolving credit facility.

6.125% Senior Notes and 5.875% Senior Notes. On February 8, 2007, we completed an offering of €300 million of our 6.125% senior notes due 2017 and on February 14, 2007, we completed an offering of €102 million of our 5.875% senior notes due 2019. Interest is payable semi-annually on February 1 and August 1 of each year. The indentures governing the notes contain certain covenants with respect to, among others, limitations on consolidated and subsidiary indebtedness and limitations on liens on capital markets indebtedness. The notes are unsecured obligations of Stena AB and rank *pari passu* in right of payment with Stena AB's other unsubordinated indebtedness. Since Stena AB is a holding company and all our operations are conducted through our subsidiaries, the notes are structurally subordinated to all existing and future liabilities (including trade payables) of the subsidiaries, including those under the revolving credit facility.

Consent solicitation for senior notes due 2013 and 2016. As of the date of this Annual Report, we are seeking consents from the holders of our senior notes due 2013 and 2016 to amend the indentures relating to these notes to conform the covenants in these notes. Such amendments require the consent of the holders of a majority in principal amount of each of such senior notes.

Change of control

The 2004 revolving credit facility as well as certain vessel financings provide that the failure of immediate members of the Olsson family or their legal representatives to own at least 75% of the voting equity in Stena AB, which failure is not cured within 90 to 120 days, triggers a mandatory prepayment of all outstanding advances and the termination of the facility unless all the lenders under such facility agree otherwise. Also, if Stena AB ceases to own, directly or indirectly, 100% of the equity in Stena International Sarl and/or SSAG, then all amounts outstanding under the 2004 revolving credit facility become immediately payable on demand, and upon such demand the facility terminate. In addition, the SEK 450 million Stena Adactum facility will become payable on demand if Stena AB ceases to own, directly or indirectly, 100% of the equity in Stena Adactum.

The indentures governing all of our senior notes require Stena AB to make an offer to purchase all notes outstanding under such Indenture at 101% of their principal amount if shareholders ultimately controlled by the Olsson family do not directly or indirectly beneficially own or control at least 50% of the voting equity in Stena AB.

Other

Property-related debt. As of December 31, 2006, we have bank mortgage loans on the real estate, buildings and land in our real estate business segment of approximately SEK 12.3 billion that are denominated in SEK and EUR with maturities from 2008 through 2024.

Other. As of December 31, 2006, we were obligated with respect to lease obligations and certain loans used to finance the acquisition of vessels and other assets in the aggregate amount of approximately SEK 4.5 billion. These are denominated in US dollars, British pounds and euros.

Exchange Controls and Other Limitations Affecting Security Holders

None.

Taxation

Not Applicable.

Documents on Display

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, applicable to a foreign private issuer. In accordance with these requirements, we file reports and other information with the SEC. These materials, including the Annual Report and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a web site that contains reports and other information regarding issuers that file electronically with the SEC. The web site address is <http://www.sec.gov>. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 202-551-8090.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

In the course of our operations, we are exposed to various types of market risks. Our primary market risks are foreign exchange risks, interest rate risks, oil price risks, equity price risks and trading risks. We seek to manage our exposure to adverse changes in foreign currency exchange rates, interest rates and oil prices through the use of various derivative financial instruments. We conduct monitoring and control of these risks continuously in each company as well as centrally. Our positions are monitored using a variety of techniques, such as market value and sensitivity analyses. All our financial transactions are carried out through the central finance functions located in Sweden, Luxembourg, Switzerland and the Netherlands, which conduct their operations within established risk mandates and limits. The information presented below should be read in conjunction with Note 27 to our consolidated financial statements.

Foreign Exchange Risks

We are exposed to the risk of fluctuations in foreign currency exchange rates due to the international nature and scope of our operations. Our currency risk is related to changes in contracted and projected flows of payments denominated in currencies other than the functional currency (transaction exposure), to the translation of our monetary assets and liabilities that are denominated in such currencies (translation exposure), to the translation of net assets of foreign subsidiaries (equity exposure) and financial trading activities. The objective of our foreign exchange risk management program is to seek to manage the risk of adverse foreign exchange movements on our income and financial position.

Transaction Exposure

Our revenues and expenses, as reported in Swedish kronor, are significantly affected by fluctuations in currency exchange rates, primarily in relation to the US dollar and, to a lesser extent, the British pound, the Euro and the Norwegian kronor. When the Swedish kronor appreciates against other currencies, our revenues and expenses as reported in Swedish kronor may decrease and when the Swedish kronor declines against other currencies, our revenues and expenses as reported in Swedish kronor may increase. Future changes in exchange rates may also impact our reported revenues and expenses.

We use forward exchange contracts to seek to hedge against the risk of adverse movements in currency exchange rates of future payment flows from firm commitments such as charter vessel contracts. Contracts related to hedging of anticipated sales and purchases of foreign currency normally do not exceed 12 months.

Translation Exposure

Our policy is to hedge our translation exposure risk primarily on our net exposures by currency. Our management regularly reviews our assets and liabilities that are denominated in foreign currency and determines the net amount that is subject to risk of adverse foreign currency fluctuations.

We seek to manage our exposure from the risk of adverse foreign currency fluctuations arising from certain assets and liabilities denominated in foreign currencies. Group companies operate in local currencies or in US dollars. Our financial exposure is managed through us generally maintaining loans and investments in the same currency. In companies with loans and investments in foreign currencies, hedging is carried out in accordance with our financial policy. We primarily use forward exchange contracts and currency swaps and, to a lesser extent, purchased foreign currency options to manage our foreign currency translation exposure.

After taking into account hedging instruments as above, we recorded net translation exchange gains/(losses) of SEK (25) million and SEK 102 million for the financial years ended December 31, 2005 and 2006, respectively. This equals 0.05% and 0.2 % of total assets of SEK 54,812 million and SEK 60,417 million as of December 31, 2005 and 2006, respectively.

Equity Exposure

When we prepare our consolidated financial statements, the net assets of our foreign subsidiaries and part of affiliated companies are translated to Swedish kronor at the exchange rate in effect on the date of the balance sheet. To the extent that the currency exposure from the net assets of certain foreign subsidiaries is hedged, we use foreign exchange contracts. We record translation differences arising from net assets of foreign subsidiaries directly to stockholders' equity.

The book value of our net assets of foreign subsidiaries, as of December 31, 2005 and 2006, was approximately SEK 9.6 billion and SEK 12.8 billion, respectively. The net assets are expressed mainly in Swedish kronor, Euro, British pounds and US dollars. A 1% change in the value of the

Swedish kronor against each of the functional currencies of our foreign subsidiaries would affect our shareholders' equity as of December 31, 2006 by SEK 128 million. In 2006, our shareholders' equity decreased by SEK 858 million due to exchange rate differences (see also Note 18 to our audited consolidated financial statements).

Bunker Fuel Exposure

Our expenses are also significantly affected by fluctuations in price of bunker fuel oil used for propulsion, primarily in our ferry operations.

We use fixed price swaps and, to a lesser extent, option contracts to seek to hedge against the risk of adverse movements in the price of oil. Contracts related to hedging of bunker fuels normally extend to 12 to 18 months but can be for terms of up to three years based on management's assessment of acceptable risk levels and future oil prices (see also Note 27 in our audited consolidated financial statements).

Financial Trading Activities

We also from time to time buy and sell certain types of derivative financial instruments with the objective of generating profits based on short-term differences in price. We refer to such financial instruments that are not used in our program of interest rate and foreign currency risk management as 'trading' for purposes of this Annual Report. All trading instruments are subject to market risk; that is, the risk that future changes in market conditions may make an instrument less valuable. We are a party to a variety of interest rate and foreign currency contracts in our trading activities.

We recorded net gains from currency and interest rate trading activities of SEK 22 million and SEK 7 million for the financial years ended December 31, 2005 and 2006, respectively.

Interest Rate Risks

We use several types of financial instruments to seek to manage our interest rate risk, such as interest rate swaps, futures, options and collars. The extent of our use of these financial instruments is determined by reference to the net exposure of our debt that is subject to interest rate risk and management's views regarding future interest rates. We use such financial instruments to seek to achieve a desired interest rate on our interest-bearing liabilities. For example, all our interest rate swaps convert floating rate debt to a fixed rate of interest, and for those instruments changes in interest rates may affect the value of the interest rate swaps. However, interest expense in our income statement is recorded at the fixed interest rate swap agreement and, accordingly, is not affected by the change in interest rates.

At the end of 2006, our interest-bearing assets, consisting mainly of cash and cash equivalents and marketable securities, were to a large extent invested in interest-bearing securities with short maturities. Before any effects of hedging contracts, our interest bearing debt consisted of approximately 55% floating rate borrowings and 45% fixed rate bond loans and other property loans. The floating rate borrowings are normally fixed for a period of three to six months. A number of financial instruments were in place as of December 31, 2006 to manage these interest rate risks, including interest rate swaps to effectively convert floating rate borrowings to fixed rate borrowings.

Equity Price Risk

At December 31, 2006, the fair value of our marketable securities and short-term investments (excluding restricted cash) amounted to SEK 7.4 billion. The potential change in fair value resulting from a hypothetical 1% change of prices would be SEK 74 million. Under current GAAP, movements in fair value of these investments will result in an immediate change to our financial statements.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Evaluation of Controls and Procedures. An evaluation of our disclosure controls and procedures was conducted as of December 31, 2006 (the "Evaluation Date") under the supervision of our Chief Executive Officer and Chief Financial Officer.

Limitations on Effectiveness of Controls. Our Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Effectiveness of Disclosure Controls. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date and subject to the limitations discussed above, our disclosure controls and procedures are effective.

Changes in Internal Controls. Since the Evaluation Date, there were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

On April 25, 2007, our Board of Directors determined that Staffan Hultgren qualifies as an "audit committee financial expert" within the meaning of Item 16A of Form 20-F. Mr. Hultgren is our chief controller and is therefore not "independent".

Item 16B. Code of Ethics

On April 23, 2004, our Board of Directors adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Controller and Chief Accounting Officer. A copy of the Code of Ethics is filed as an exhibit to the Annual Report filed June 14, 2004.

Item 16C. Principal Accountant Fees and Services**Fees and Services**

Aggregate fees for professional services rendered by auditors and advisors for the years ended December 31, 2005 and 2006 were:

	2005	2006
KPMG:		
Audit fees	25	23
Audit related fees	2	1
Tax fees	18	17
All other fees	6	2
Total KPMG	51	43
Other auditors		
Tax fees	10	16
All other fees	5	4
Grand total	66	63

The audit fees for the years ended December 31, 2005 and 2006 were for professional services rendered for the annual audits of our Consolidated Financial Statements, statutory audits required by Sweden and foreign jurisdictions, quarterly reviews, issuance of consents and the review of documents filed with the Securities and Exchange Commission. The audit related fees for the years ended December 31, 2005 and 2006 include fees for supporting guidelines concerning accounting practices and standards.

Tax fees for the years ended December 31, 2005 and 2006 were for services performed in connection with income tax compliance, consulting and tax research services and assistance with tax audits.

The all other fees category for the year ended December 31, 2005 and 2006 includes fees primarily related to other general consulting.

Pre-Approval Policies

Our Board of Directors has adopted policies and procedures for the approval of audit and non-audit services rendered by our independent auditors, KPMG Bohlins AB ("KPMG"). The policies and procedures require that any non-audit related services performed for the Company by KPMG shall be pre-approved by the Board of Directors. Under the policy, at the beginning of each year, the Board of Directors reviews a list of audit and non-audit related services that are subject to general pre-approval, determines limits of estimated fees per project for general pre-approval and the limits of estimated fees for interim pre-approval by a designated member of the Board. All services not within the pre-approved limits require pre-approval by the Board of Directors at their regular Board meetings except if circumstances require, interim pre-approval may be obtained from the designated Board member. The designated Board member is required to report any interim pre-approvals to the entire Board at the next scheduled Board meeting.

During 2006, none of the audit-related fees, tax fees or all other fees paid by us to KPMG were approved pursuant to the de minimis exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not Applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The following financial statements and schedules, together with the reports of KPMG thereon, are filed as part of this Annual Report.

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Other Schedules have been omitted because the required information is not applicable or is included in our Consolidated Financial Statements.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report.

Exhibit Number

1.1	Articles of Association of the Company in Swedish, together with an English translation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-4 (file number 333-102110) filed with the SEC on December 20, 2002 (the "2002 Registration Statement")).*
2.1	Indenture dated as of November 27, 2002 between the Registrant and JPMorgan Chase Bank, as trustee, relating to the Company's 9.625% Senior Notes due 2012 (incorporated by reference to Exhibit 4.1 to the 2002 Registration Statement).*
2.2	Indenture dated as of December 2, 2003 between the Company and JPMorgan Chase Bank, as trustee, relating to the Company's 7.5% Senior Notes due 2013 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-4 (file number 333-111353) filed with the SEC on December 19, 2003 (the "2003 Registration Statement")).*

- 2.3 Indenture dated as of November 23, 2004 between the Company and JPMorgan Chase Bank, N.A., as trustee relating to the Company's 7 % Senior Notes due 2016 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-4 (file number 333-121464) filed with the SEC on December 20, 2004 (the "2004 Registration Statement")). *
- 2.4 Indenture dated as of February 8, 2007 between the Company and Deutsche Bank AG, as trustee relating to the Company's 6.125% Senior Notes due 2017 **
- 2.5 Indenture dated as of February 14, 2007 between the Company and Deutsche Bank AG, as trustee relating to the Company's 5.875% Senior Notes due 2019 **
- 4.1 Facility Agreement dated December 8, 2004, between Stena International BV and Stena (Switzerland) AG as Borrowers and Citigroup Global Markets Ltd., DnB NOR Bank ASA, HSBC Bank Plc, J.P. Morgan Plc, Nordea Bank Sverige AB publ, and Svenska Handelsbanken AB publ.*
- 4.2 Registration Rights Agreement, dated November 27, 2002, between the Company, J.P. Morgan Securities Inc., ABN AMRO Incorporated, Deutsche Bank Securities Inc. and Salomon Smith Barney Inc. (incorporated by reference to Exhibit 4.3 to the 2002 Registration Statement).*
- 4.3 Registration Rights Agreement, dated December 2, 2003, between the Company, J.P. Morgan Securities Inc., ABN AMRO Bank N.V., Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 4.3 to the 2003 Registration Statement).*
- 4.4 Registration Rights Agreement, dated November 23, 2004 between the Company and J.P.Morgan Securities Inc. and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 4.3 to the 2004 Registration Statement).*
- 8 List of Subsidiaries of the Company.**
- 11. Code of Ethics relating to the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer of Stena AB (publ) (incorporated by reference to Exhibit 11 to the Company's annual report on Form 20-F filed with the SEC on June 14, 2004.)*
- 12.1 Certification of Dan Sten Olsson, Chief Executive Officer of Stena AB, dated April 30, 2007.**
- 12.2 Certification of Svante Carlsson, Chief Financial Officer of Stena AB, dated April 30, 2007.**
- 13.1 Certification of Chief Executive Officer and Chief Financial Officer of the Company pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Previously filed with the SEC and incorporated herein by reference.

** Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date: April 30, 2007

STENA AB (publ)

By: /s/ Dan Sten Olsson

Name: Dan Sten Olsson

Title: Chief Executive Officer

By: /s/ Svante Carlsson

Name: Svante Carlsson

Title: Chief Financial Officer

FINAL

Consolidated Financial Statements

Stena AB (publ)

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Report of Independent Registered Public Accounting Firm

The Board of Directors,
Stena AB (publ)

We have audited the consolidated balance sheets of Stena AB (publ) and subsidiaries as of December 31, 2005 and 2006, and the related consolidated statements of income and cash flows for each of the years in the three year period ended December 31, 2006 and the related consolidated statements of changes in stockholders equity for each of the years in the two year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stena AB (publ) and subsidiaries as of December 31, 2005 and 2006, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2006 in conformity with generally accepted accounting principles in Sweden.

Generally accepted accounting principles in Sweden vary in certain significant respects from generally accepted accounting principles in the United States. Information relating to the nature and effect of such differences is summarized in Note 31 to the consolidated financial statements.

Gothenburg, Sweden
April 25, 2007
KPMG Bohlins AB

Thord Elmersson
Authorized Public Accountant

Consolidated Income Statements

Years ended December 31, 2004, 2005 and 2006

(In millions)	Note	2004 SEK	2005 SEK	2006 SEK	2006 USD (unaudited- Note 1)
<i>Revenues:</i>					
Ferry					
Operations		9,024	9,045	9,413	1,377
Net gain on sale of vessels	3	11			
Total ferry operations		9,035	9,045	9,413	1,377
Drilling					
Operations		1,429	1,871	3,027	443
Net gain on sale of vessels	3			1,483	217
Total drilling		1,429	1,871	4,510	660
Shipping					
Operations		3,492	4,405	4,283	627
Net gain on sale of vessels	3	645	315	830	121
Total shipping		4,137	4,720	5,113	748
Property					
Operations		1,357	1,882	1,970	288
Net gain on sale of properties	3	110	813	194	29
Total property		1,467	2,695	2,164	317
Other		653	1,288	1,695	248
Total revenues	2	16,721	19,619	22,895	3,350
<i>Direct operating expenses:</i>					
Ferry operations		(6,707)	(6,565)	(6,399)	(936)
Drilling		(946)	(1,112)	(1,443)	(211)
Shipping		(2,212)	(3,066)	(3,437)	(503)
Property		(509)	(810)	(886)	(130)
Other		(569)	(1,078)	(1,382)	(202)
Total direct operating expenses		(10,943)	(12,631)	(13,547)	(1,982)
Selling and administrative expenses	4	(1,761)	(1,861)	(2,127)	(311)
Depreciation and amortization	2	(1,790)	(2,734)	(2,634)	(386)
Total operating expenses		(14,494)	(17,226)	(18,308)	(2,679)
Income from operations	2	2,227	2,393	4,587	671
Share of affiliated companies' results	5	17	21	27	4
<i>Financial income and expense:</i>					
Dividends received		36	79	103	15
Gain (loss) on securities, net	6	1,060	921	982	144
Interest income		382	567	737	108
Interest expense		(1,135)	(1,395)	(1,649)	(241)
Foreign exchange gains (losses), net	7	(107)	(3)	110	16
Other financial income (expense), net	8	(24)	(121)	(167)	(25)
Total financial income and expense		212	48	116	17
Minority interest	3,12	(77)	(21)	(23)	(3)
Income before taxes		2,379	2,441	4,707	689
Income taxes	9	(20)	(173)	(368)	(54)
Net income		2,359	2,268	4,339	635

Consolidated Balance Sheets December 31, 2005 and 2006

	December 31			
(In millions)	Note	2005 SEK	2006 SEK	2006 USD (unaudited- Note 1)
ASSETS				
<i>Noncurrent assets:</i>				
Intangible assets	10	806	688	101
<i>Tangible fixed assets:</i>	11			
Vessels		13,585	10,277	1,504
Construction in progress		1,280	5,658	828
Equipment		626	628	92
Property		17,275	17,948	2,626
Total tangible fixed assets		32,766	34,511	5,050
<i>Financial fixed assets:</i>				
Investment in affiliated companies	5	332	397	58
Investment in VIEs	12	5,753	7,341	1,074
Marketable securities	13	3,295	5,802	849
Other noncurrent assets	14	1,440	3,520	515
Total financial fixed assets		10,820	17,060	2,496
Total noncurrent assets		44,392	52,259	7,647
<i>Current assets:</i>				
Inventories		325	317	46
Short-term receivables				
Trade debtors	15	2,092	2,007	294
Other receivables	15	1,156	1,617	237
Prepaid expenses and accrued income	15	890	871	127
Total short-term receivables		4,138	4,495	658
Short-term investments	16	2,213	2,462	360
Cash and cash equivalents	17	3,744	884	129
Total current assets		10,420	8,158	1,193
Total assets	2	54,812	60,417	8,840
STOCKHOLDERS' EQUITY AND LIABILITIES				
<i>Stockholders' equity:</i>				
Capital stock	18	5	5	1
Reserves		926	842	123
Retained earnings		11,933	13,401	1,961
Net income		2,268	4,339	635
Total stockholders' equity		15,132	18,587	2,720
Minority interest	12	131	162	24
<i>Provisions:</i>				
Deferred income taxes	19	1,517	1,709	250
Pension liabilities		1,882	2,205	323
Other provisions		46	1,668	244
Total provisions		3,445	5,582	817

December 31				
(In millions)	Note	2005 SEK	2006 SEK	2006 USD (unaudited- Note 1)
<i>Noncurrent liabilities:</i>				
Long-term debt	20	19,773	18,427	2,696
Debt in VIEs	12	4,844	6,302	922
Senior Notes	21	4,821	2,905	425
Capitalized lease obligations	22	1,325	1,246	182
Other noncurrent liabilities	23	286	932	136
Total noncurrent liabilities		31,049	29,812	4,361
<i>Current liabilities:</i>				
Short-term debt	20	834	642	94
Senior Notes	21		1,211	177
Capitalized lease obligations	22	40	38	6
Trade accounts payable		902	1,036	152
Income tax payable	9	198	166	24
Other current liabilities		533	424	62
Accrued costs and prepaid income	24	2,548	2,757	403
Total current liabilities		5,055	6,274	918
Total stockholders' equity and liabilities		54,812	60,417	8,840

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2005 and 2006

(SEK in millions)	Capital stock	Restricted reserves	Unrestricted reserves	Total
Balance as of December 31, 2004.....	5	763	12,651	13,419
Dividend paid			(195)	(195)
Transfer to charitable trust			(30)	(30)
Change of accounting principles for pensions ..			(1,075)	(1,075)
Revaluation of financial instruments.....			303	303
Transfers between reserves		96	(96)	
Exchange differences.....		67	375	442
Total changes in equity before net income		163	(718)	(555)
Net income.....			2,268	2,268
Balance as of December 31, 2005.....	5	926	14,201	15,132
Dividend paid			(215)	(215)
Transfer to charitable trust			(25)	(25)
Reclassifications			177	177
Change of accounting principles for pensions ..			(349)	(349)
Revaluation of financial instruments.....			386	386
Transfers between reserves		(82)	82	
Exchange differences.....		(2)	(856)	(858)
Total changes in equity before net income		(84)	(800)	(884)
Net income.....			4,339	4,339
Balance as of December 31, 2006.....	5	842	17,740	18,587

Consolidated Statements of Cash Flows

Years ended December 31, 2004, 2005 and 2006

(In millions)	Note	2004 SEK	2005 SEK	2006 SEK	2006 USD (unaudited- Note 1)
<i>Net cash flows from operating activities:</i>					
Net income		2,359	2,268	4,339	635
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Depreciation and amortization	2	1,790	2,734	2,634	386
Share of affiliated companies' results		(17)	(21)	(27)	(4)
(Gain)/loss on sale of tangible fixed assets ..	3	(763)	(1,128)	(2,512)	(368)
(Gain)/loss on securities, net		(1,060)	(921)	(982)	(144)
Unrealized foreign exchange (gains)/losses ..		(144)	138	(142)	(21)
Deferred income taxes	9	(113)	85	69	10
Minority interests		78	21	23	3
Other non cash items		141	(8)	(332)	(49)
Net cash flows from trading securities		(605)	(428)	229	34
Cash flow from operations before changes in working capital		1,666	2,740	3,299	482
<i>Changes in working capital:</i>					
Receivables		2	(821)	(589)	(86)
Prepaid expenses and accrued income		(311)	43	(17)	(2)
Inventories		(43)	(52)	6	1
Trade accounts payable		33	219	167	25
Accrued costs and prepaid income		(15)	246	398	58
Income tax payable		52	55	(11)	(2)
Other current liabilities		72	(27)	314	46
Net cash provided by operating activities ..		1,456	2,403	3,567	522
<i>Net cash flows from investing activities:</i>					
Purchase of intangible assets		(174)	(78)	(21)	(3)
Cash proceeds from sale of tangible fixed assets	3	2,565	4,570	5,023	735
Capital expenditure on tangible fixed assets	2	(3,343)	(5,152)	(8,148)	(1,192)
Purchase of subsidiary, net of cash acquired	26	(3,917)	(518)		
Proceeds from sale of subsidiary	26	587			
Investments in affiliated companies			(67)	(49)	(7)
Proceeds from sale of securities		6,108	4,227	7,043	1,031
Purchase of securities		(7,008)	(5,777)	(10,968)	(1,605)
Increase of noncurrent assets		(255)	(130)	(148)	(22)
Decrease of noncurrent assets		18	14	12	2
Other investing activities		88	(37)	(31)	(5)
Net cash used in investing activities		(5,331)	(2,948)	(7,287)	(1,066)
<i>Net cash flows from financing activities:</i>					
Proceeds from issuance of debt		5,822	1,277	6,076	889
Principal payments on debt		(2,017)	(1,549)	(404)	(59)

(In millions)	Note	2004 SEK	2005 SEK	2006 SEK	2006 USD (unaudited- Note 1)
Net change in borrowings on line-of-credit agreements.....		1,401	2,287	(3,842)	(562)
Principal payments on capitalized lease obligations		(42)	(41)	(39)	(6)
Net change in restricted cash accounts		(51)	23	(610)	(89)
Dividends paid		(70)	(195)	(215)	(32)
Other financing activities		(507)	48	126	18
Net cash provided by financing activities...		4,536	1,850	1,092	159
Effect of exchange rate changes on cash and cash equivalents		1	59	(232)	(34)
Net change in cash and cash equivalents...		662	1,364	(2,860)	(419)
Cash and cash equivalents at beginning of year.....		1,718	2,380	3,744	548
Cash and cash equivalents at end of year ..		2,380	3,744	884	129

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

Note 1 Summary of Significant Accounting Principles

The consolidated financial statements present the financial position and results of operations of Stena AB (publ) and consolidated subsidiaries (the "Company") and are prepared in accordance with generally accepted accounting principles in Sweden (Swedish GAAP).

Solely for the convenience of the reader, the 2006 financial statements have been translated from Swedish kronor (SEK) into United States dollars (\$) using the December 31, 2006 Noon Buying Rate of the Federal Reserve Bank of New York of \$1.00 = SEK 6.8342.

Basis of consolidation

The consolidated financial statements include Stena AB and all subsidiaries, defined as companies in which Stena AB, directly or indirectly, owns shares representing more than 50% of the voting rights or in another way has a controlling influence. Intercompany transactions are eliminated on consolidation. Acquisitions are accounted for in accordance with the acquisition accounting method, whereby any excess values are allocated to the under-lying assets up to market value and any further excess value is accounted for as goodwill. These allocations can be adjusted in arrears to reflect the conditions at the time of acquisitions. Such adjustments are to be introduced without delay but no later than in the financial year following the acquisition.

Foreign exchange

Assets and liabilities of foreign subsidiaries are translated at year end exchange rates and income statement items are translated at average exchange rates prevailing during the year, except for sale of vessels, which are translated at the average exchange rate for the quarter in which the vessel is delivered. Exchange differences arising on the translation of financial statements of foreign subsidiaries are taken directly to stockholders' equity.

Assets and liabilities in foreign currency in a legal entity are translated at year end exchange rates. Any resulting exchange differences on bank loans etc are accounted for as financial income/expense while any differences from cash paid or received in foreign currencies are included in the operating result.

The following exchange rates have been used for consolidation purposes:

	Average rates			Closing rates		
	2005	2006	%	2005	2006	%
USD	7.4775	7.3766	(1%)	7.9525	6.8725	(14%)
GBP	13.5782	13.5752	0%	13.7325	13.4875	(2%)
EUR	9.2849	9.2549	0%	9.4300	9.0500	(4%)

Investment in associated companies

The equity method of accounting is used for companies in which the Company owns shares representing between 20% and up to a maximum of 50% of the voting rights and/or has a significant influence. The Company records its proportionate share of the net income (loss) of these associated companies' results in the consolidated income statement as Share of affiliated companies' results or in Direct operating expenses. Investments in affiliated companies that relates to major strategic investments are recorded as Share of affiliated companies' results. Results from other associated companies, having a more direct link to normal operations, are included in direct operating expenses. Dividends received are recorded as a reduction of the carrying value.

Estimates and concentrations

The preparation of financial statements in accordance with Swedish GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at

Note 1 Summary of Significant Accounting Principles — continued

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such best estimates.

The Company operates in the shipping and offshore drilling industries which historically have been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. In addition, the Company's ferry operations are highly seasonal. Each of these factors are important considerations associated with the Company's determination of the carrying amount of owned vessels. The Company seeks to mitigate the effect of such factors by various means such as by obtaining long-term charter contracts.

Revenue recognition

The Company's shipping and drilling revenues are derived from charter contracts. Revenue is recognized evenly within the charter period. Provision is made in advance for any on-going loss contracts. Revenues from the Company's ferry operations consist of ticket sales, onboard sales and freight revenues and are recognized in the period services are rendered. Rental income from the Company's real estate operations is derived from leases and is recognized on a straight line basis over the life of the leases. All revenues are accounted for when the economic benefit can be accurately calculated net after any discounts. Sale of vessels and properties are accounted for at delivery, when all main risks and benefits are transferred to the buyer. Net gain (loss) on sale of vessels and properties are included as a component of revenues.

Construction contracts regarding projects for external parties are accounted for according to the percentage of completion method, i.e. to include a portion of expected results. Any expected losses are expensed.

Sale of goods is accounted for at the time of delivery to the customer according to the terms of sale.

Dividends on shares are accounted for when received in cash and are included in financial income and expense in the income statement.

Depreciation and amortization

Tangible fixed assets are depreciated over their total estimated economic useful lives using the straight-line method from the date when the asset is ready for use and over the following periods:

Vessels	
Drilling rigs	10-20 years
Crude oil tankers	20 years
RoRo vessels	20 years
RoPax vessels	20 years
HSS vessels and other fast ferries	10-20 years
Other ferries	25 years
Other tangible fixed assets:	
Buildings for own use	50 years
Equipment	3-5 years

Properties included in the Company's real estate operations are depreciated at 1% annually based upon acquisition values.

Note 1 Summary of Significant Accounting Principles — continued

Intangible assets are normally amortized over 5 years but over up to 20 years in cases where the economic life is estimated accordingly. This relates to investments in ferry routes and trademarks, that are entered into on a long term basis, and to special purpose-built software systems, that based on experience have a useful life exceeding 5 years.

Financial expenses

Financial expenses is accounted for in the the period to which it relates. Financial expenses related to construction of vessel newbuildings is capitalized as part of the cost of investment. Direct costs for raising new loans or credit facilities are capitalized and amortized over the life of the underlying credit.

Financial instruments

To qualify for deferral hedge accounting of unrealized gains and losses on financial instruments, such instruments must be designated and effective as a hedge of an underlying asset or liability or firm commitment or anticipatory transaction. Management reviews the correlation and effectiveness of financial instruments on a periodic basis. Financial instruments that do not meet the criteria for hedge accounting treatment are marked-to-market. Unrealized results are recognized in the income statement except for certain long-term investments, for which the unrealized results are recorded directly to stockholders' equity. It is the Company's policy that terms and contractual maturities of financial instruments which are designed to hedge interest rate and foreign currency exposures correspond to the terms, and where appropriate, the maturities of the underlying hedged transactions.

Results from all types of financial derivative instruments, with the exception of those used for financial trading purposes, are either recorded as an adjustment of the value of the underlying asset or liability or as an adjustment of the revenue or expense of such item and in such period the financial instrument is intended to hedge.

Realized gains and losses that result from the early termination of financial instruments are deferred and included in (i) the determination of the carrying value of the underlying asset or liability in the consolidated balance sheet or (ii) the income statement when the anticipated transaction actually occurs. If an underlying asset or liability is sold or settled, any related financial instrument is then marked-to-market and the resulting unrealized gain or loss is recorded as part of the gain or loss on sale or settlement of the underlying item.

Premiums paid for the purchase of foreign currency and interest rate options are recorded as a prepaid expense in the consolidated balance sheet and are amortized as an adjustment of the underlying revenue or expense over the term of the agreement.

Foreign exchange risk management

Equity exposure

Exchange rate differences arising from the translation of financial statements of foreign subsidiaries are taken directly to stockholders' equity. Exchange differences from borrowings in foreign currency or forward contracts designated as a hedge of such exposure are taken directly to stockholders' equity to match the exchange difference of the related net investment in the foreign subsidiary. Any premiums or discounts from foreign exchange or swap contracts are recognized as an adjustment of the Company's net interest expense.

Translation exposure

Monetary assets and liabilities denominated in foreign currencies arising in the normal course of business are translated at the year end exchange rates and any foreign exchange rate forwards,

Note 1 Summary of Significant Accounting Principles — continued

currency swaps or options contracts used as hedges of such items are equally marked to market at the same rate and the results thereto are recorded as an adjustment of the value of the underlying asset or liability. Any premiums or discounts from foreign exchange or swap contracts are recognized as an adjustment of the Company's net interest expense.

Transaction exposure

Realized results from foreign exchange forward contracts or from currency option contracts, including premiums paid or received, that are used to hedge firm commitments or anticipated transactions in foreign currency are deferred and recognized as an adjustment of such transaction when it actually occurs. Any premiums or discounts from foreign exchange or currency swap contracts are included in the operating result.

Interest rate risk management

Interest rate derivative instruments such as interest rate forward contracts, swaps or options are used to hedge future interest payments. The interest receivable and interest payable under the terms of any interest rate derivative contracts are accrued and recorded as an adjustment to the interest expense of the underlying debt obligation.

The Company accounts for the amounts due from or payable to the counterparties of such instruments on an accrual basis at each reporting date based on amounts computed by reference to the respective contracts. Generally, the maturity dates of the hedged debt extends beyond the contractual term of the hedge contracts. Accrual accounting is used over the contractual life of interest rate swaps or options that are used in connection with the Company's overall program of interest rate management as long as such hedge contracts are considered effective in managing the Company's interest rate risk.

Bunker fuel risk management

The Company has exposure to the price of bunker fuels used for the operation of its vessels and uses forward contracts and options to hedge its oil price risk. Hedges are regularly taken out to match the underlying cost of physical bunker fuel supplies. Results from such hedge contracts are deferred and recognized as an adjustment of such cost when it actually occurs.

Taxes

Taxes are divided into current taxes and deferred taxes. Deferred income taxes include the tax effect of unutilized tax losses calculated at current tax rates and other temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred tax assets are recognized to the extent that it is more likely than not that an asset will be realized.

Accounting for subsidies

Subsidies received in connection with the acquisition of vessels and properties are deducted from the cost of the investment while subsidies related to operations reduce the corresponding costs. Subsidies are recognized in the accounts when they can be properly estimated.

Intangible assets

Goodwill in connection with the acquisition of companies and investments in special administrative software are included as intangible fixed assets and accounted for at cost less accumulated amortization. Internally generated direct costs in connection with such investments are recorded as cost.

Note 1 Summary of Significant Accounting Principles — continued

Tangible fixed assets

Tangible fixed assets are included in the balance sheet when the economic benefit to the Company can be established and the cost can be properly calculated.

Property, vessels and equipment are recorded at cost less accumulated depreciation. Additional depreciation is recorded on impairment, if deemed to be permanent. Repair and maintenance costs are expensed as incurred. Dry-docking costs for vessels are capitalized and amortized over the time until the next dry-docking. Dry-docking costs for ferries are capitalized as prepaid expenses and amortized as direct operating expenses due to their annual nature, while dry-docking costs for other vessels are capitalized as cost of the vessel and depreciated.

On-going projects include advance payments made as well as other direct and indirect project costs including capitalized financial expenses, using the Company's current available rate of borrowing for the applicable project. All other interest costs are expensed in the income statement.

Properties are split into real estate and buildings. Buildings and port terminals refer to buildings for use by the Company in its own business.

Impairment of tangible fixed assets and intangible assets

The carrying values of tangible fixed assets and intangible assets are reviewed on an on-going basis. For vessels, the Company uses appraisals carried out by independent international vessel brokers for such reviews. For properties, estimates are based on internal or external valuations. If a review indicates that the carrying value of an asset may not be recoverable, discounted cash flows based upon estimated capital expenses and future expected earnings are used as primary indicators of potential impairment. Assets having a direct joint income, e.g a ferry route, is the smallest cash generating unit used. If, on the balance sheet date, an asset has been impaired, the recoverable amount of the asset is estimated. The asset is written down to its estimated fair value. A similar approach is used for intangible assets.

Leasing

When the Company enters into a lease or other similar arrangement which includes taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a capital lease. Such leased assets are classified in the balance sheet as tangible fixed assets. The present value of the future minimum lease payments is recorded as a capital lease obligation. The assets are depreciated according to plan while rent payments are apportioned between the interest element which is charged to operations and the capital element that is recorded as a reduction of the capital lease obligation.

Other leased assets are recorded as operating leases. The lease charges for such leases are expensed in the period to which they relate.

Financial fixed assets

Marketable securities including long-term bonds and equities are valued at market, whereby the current year unrealized results are included in the income statement as gain (loss) on securities, except for certain strategic holdings, where the result is booked directly to stockholders' equity.

Investments in other noncurrent securities are recorded at cost. Available information is used to review the carrying value. A portfolio of similar assets is written down to its estimated fair value if the decrease in value is deemed to be permanent. Previously recorded write-downs are reversed when no longer appropriate.

Inventories

Inventories are carried at the lower of cost (FIFO) or market value after any obsolescence. Inventories mainly include bunker fuel, spare parts and merchandise for sale on-board as well as products for bars and restaurants on ferries.

Note 1 Summary of Significant Accounting Principles — continued

Receivables

Trade debtors and other receivables are recorded at cost after reduction for doubtful receivables. Receivables due after more than 12 months are recorded as noncurrent.

Construction contracts regarding projects for external parties are accounted for as accrued income using the percentage of completion method.

Short-term investments

Short-term investments include marketable debt and equity securities and restricted cash blocked for guarantees and other obligations. Valuation is carried at market. Gains and losses are included in the income statement as gain (loss) on securities.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Provisions for pensions

In accordance with the Swedish accounting standard RR 29 Employee Benefits, defined benefit plans are accounted for by the use of consistent principles.

Post-employment benefits, such as pensions and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans, which means that the obligations remain within the Company. Costs and the obligations at the end of the period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis.

The amount recognised in the balance sheet is the net total of the present value of the obligations and the fair value of plan assets as either a provision or a long-term financial asset. In those circumstances when a surplus in a plan can not be fully used, only the portion of the surplus that the enterprise can recover through decreased future contributions or repayments is recognised. Set-off of a surplus in a plan against a deficit in another plan is only allowed if an enterprise has the right to use a surplus in a plan to settle a deficit in another plan, or if the obligations are to be settled on a net basis.

The pension cost and the pension obligation for defined benefit pension plans is calculated annually by independent actuaries. The obligation consists of the present value of expected future payments. The most important actuarial assumptions are stated in note 19.

Actuarial gains and losses may result upon determination of the present value of the defined benefit obligation and the fair value of plan assets. These result either from differences between the actual return and expected returns, or changes in assumptions. The portion of the accumulated actuarial gains and losses at the end of the prior year, that exceeds 10% of the larger of the present value of the defined benefit obligation and the fair value of plan assets is recognised in the result over the expected average remaining service period of the employees participating in the plan. The accounting principle described above is only applied in the consolidated financial statements. The parent company and subsidiaries report defined benefit pension plans in accordance with local rules and guidelines in the respective country.

The Company participates in different multi-employer plans in Great Britain. One of the plans has been accounted for as defined contribution plan but new information about this scheme makes it possible to account this as a defined benefit plan. The change has been treated according to RR 5 and URA 44 as a change in accounting principle as from October 1, 2006.

Note 1 Summary of Significant Accounting Principles — continued

Senior notes and bank debt

Nominal amounts are recorded as debt in the balance sheet. Debt due within 12 months is included as current debt and remaining debt as noncurrent. Direct costs for raising new debt are deferred and amortized over the length of the credit.

Any prepayment of debt reduces the nominal amount as recorded. Premiums or discounts are recorded in the income statement.

Note 2 Segment Information

The Company is active internationally, primarily in the areas of ferry operations, drilling, shipping, property and finance. Ferry operations are performed through Stena Line in the Scandinavian, the North Sea and the Irish Sea areas and through Scandlines in Öresund and the south of the Baltic Sea. Drilling includes the ownership and operation of a fleet of semi-submersible drilling rigs and is operated from Aberdeen in Scotland. Shipping includes the ownership and chartering of Roll-on/Roll-off vessels and crude oil tankers. To support these activities, the Company is also engaged in the management and crewing as well as the design and rebuilding of such vessels. The property operations relate to investments in residential and commercial real estate, principally in Sweden but partly also in The Netherlands, France, Luxembourg and Germany. Other business activities include financial activities and investments in other business areas through the unit Stena Adactum, as well as non-allocated central administration costs. A primary measure of profitability for all these segments is income from operations. There are no significant transactions between the operating segments.

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Income from operations by segment:</i>			
Ferry Operations	587	813	1,103
Impairment charges	(52)	(765)	(710)
Additional operating expenses		(55)	
Net gain on sale of vessels	11		
Total ferry operations	546	(7)	393
Drilling	(227)	(2)	774
Net gain on sale of vessels			1,483
Total Drilling	(227)	(2)	2,257
Shipping:			
Roll-on/Roll-off vessels	62	104	89
Net gain on sale of vessels	273	191	219
Total	335	295	308
Crude oil tankers	780	742	284
Net gain on sale of vessels	372	124	611
Total	1,152	866	895
Other shipping	(13)	(7)	(8)
Total shipping	1,474	1,154	1,195
Property:			
Operations	520	759	758
Impairment charges	(21)	(180)	
Net gain on sale of properties	110	813	194
Total property	609	1,392	952
Other	(175)	(144)	(210)
Income from operations	2,227	2,393	4,587

As a consequence of the high oil prices, impairment charges related to the HSS vessels were recorded of SEK 710 million in 2006 and SEK 765 million in 2005. In 2005, additional direct operating costs related to the HSS vessels of SEK 55 million and impairment charges for real estate for SEK 180 million were also recorded. In 2004, impairment charges for real estate of SEK 21 million and of buildings in the ferry operations of SEK 52 million were recorded. All impairment charges are accounted for as depreciation.

Note 2 Segment Information — continued

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Depreciation and amortization by segment:</i>			
Ferry operations	864	1,578	1,613
Drilling	575	590	633
Shipping: Roll-on/Roll-off vessels	100	124	99
Crude oil tankers	58	41	34
Other shipping	7	11	12
Total shipping	165	176	145
Property	153	337	174
Other	33	53	69
Total	1,790	2,734	2,634

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Depreciation and amortization expense consists of the following components:</i>			
Vessels	1,364	2,084	2,121
Equipment	90	173	137
Property	294	393	234
Total tangible fixed assets	1,748	2,650	2,492
Intangible assets	42	84	142
Total	1,790	2,734	2,634

Depreciation and amortization expense includes amortization of assets under capitalized leases amounting to SEK 91 million, SEK 90 million and SEK 92 million for the years ended December 31, 2004, 2005, and 2006, respectively.

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Capital expenditure by segment:</i>			
Ferry operations	721	409	1,438
Drilling	515	1,197	4,519
Shipping: Roll-on/Roll-off vessels	616	474	32
Crude oil tankers	1,005	1,067	353
Other shipping	5	24	104
Total shipping	1,626	1,565	489
Property	459	1,889	1,625
Other	22	92	77
Total	3,343	5,152	8,148

Note 2 Segment Information — continued

Capital expenditures in 2006 for property includes SEK 230 million related to ongoing newbuilding projects for real estate. See note 11.

(SEK in millions)	Year ended December 31,	
	2005	2006
<i>Total assets by segment:</i>		
Ferry operations	9,645	8,933
Drilling	6,959	11,336
Shipping: Roll-on/Roll-off vessels	1,995	2,386
Crude oil tankers	2,365	983
Other shipping	273	79
Total shipping	4,633	3,448
Property	16,023	17,118
Other	17,552	19,582
Total	54,812	60,417

Geographic information:

The Company's shipping operations include the ownership and chartering of vessels as well as the operation and management of crude oil tankers and are performed throughout the world. Accordingly, such revenues and assets are not presented on a country by country basis. The ferry operations and the property operations are conducted in Scandinavia and the rest of Europe. The Company's drilling operations are conducted in the Norwegian sector (Scandinavia) and the UK sector (Europe, other) of the North Sea as well as in the Far East and other markets. The Company's investments in VIEs are included in Other markets.

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Revenues:</i>			
Scandinavia	6,806	8,509	8,390
Europe, other	5,101	5,628	7,499
Other markets	677	762	2,177
Shipping	4,137	4,720	4,829
Total	16,721	19,619	22,895

(SEK in millions)	Year ended December 31,	
	2005	2006
<i>Total assets:</i>		
Scandinavia	28,062	22,717
Europe, other	7,362	16,275
Other markets	11,885	18,752
Shipping operations	7,503	2,673
Total	54,812	60,417

Note 3 Sale of tangible fixed assets

(SEK in millions)		Year ended December 31,		
		2004	2005	2006
Vessels	Cash proceeds from sale of vessels	2,069	863	4,335
	Net book value of vessels sold	(1,413)	(548)	(2,022)
	Net gain on sale of vessels	656	315	2,313
Equipment	Cash proceeds from sale of equipment . . .	1	3	6
	Net book value of equipment sold	(4)	(3)	(5)
	Net gain (loss) on sale of equipment	(3)		1
Real Estate	Cash proceeds from sale of properties . . .	495	3,629	674
	Net book value of properties sold	(385)	(2,816)	(480)
	Net gain on sale of properties	110	813	194
Buildings	Cash proceeds from sale of buildings . . .			6
	Net book value of buildings sold			(2)
	Net gain on sale of buildings			4
Total	Cash proceeds from sale of vessels, equipment and property	2,565	4,495	5,021
	Net book value of assets sold	(1,802)	(3,367)	(2,509)
	Total gain	763	1,128	2,512

The net gain on sale of vessels in 2004 includes 100% of the results from the sale of two vessels, each owned by companies that are 25% owned by the joint venture partner Fram Shipping. Fram Shipping's share of the gain is included in the income statement as minority interest.

Net gain (loss) on sale of equipment and buildings is included in direct operating expenses.

Total cash proceeds include sales costs of SEK 75 million and SEK 2 million, which is not included in the consolidated statement of cash flow for 2005 and 2006, respectively.

Note 4 Selling and administrative expenses

For the year ended December 31, 2006, selling and administrative expenses include SEK 300 million relating to central administration expenses. Selling expenses include costs for doubtful receivables of SEK 24 million. For the year ended December 31, 2005, selling and administrative expenses included SEK 231 million of central administration expenses and selling expenses included costs for doubtful receivables of SEK 14 million.

(SEK in millions)		Year ended December 31,		
		2004	2005	2006
KPMG				
Audit fees		16	25	23
Audit related fees		2	2	1
Tax consultancy fees		13	18	17
Other		6	6	2
Other auditors				
Tax consultancy fees		8	10	16
Other		1	5	4
Total		46	66	63

Note 5 Affiliated companies

Investments in affiliated companies relate to major strategic investments. Results from other associated companies, having a more direct link to normal operations, are included in direct operating expenses. See note 14.

In 2004, the Company invested in more than 20% in the Swedish listed company Midelfart Sonesson AB (publ) (the name was changed from Wilh. Sonessons AB in 2006), which therefore is accounted for as an affiliated company. As of December 31, 2006, the investment represents 22.7% of the capital and 26.4% of the votes. As of December 31, 2005 the investment represented 23.2 % and 26.7% of the votes. The market value of the investment as of December 31, 2006 was SEK 243 million. As of December 2005 the market value was SEK 247 million. The Company's share of results amounted to SEK 0 million in 2006 and SEK 3 million in 2005.

In June 2005, the Company invested in further shares of the Swedish listed company Ballingslöv AB (publ), which therefore is accounted for as an affiliated company. As of December 31, 2006, the investment represents 25.0 % of the capital and the votes. As of December 31, 2005 the investment represented 22.5 %. The market value of the investment as of December 31, 2006 and 2005 was SEK 545 million and SEK 386 respectively. The Company's share of results as per December 31, 2006 and 2005 amounted to SEK 27 million and SEK 18 million respectively.

The investments in Sonesson and Ballingslöv are pledged as security for bank debt. The results of these companies are reported with a three month time lag.

Note 6 Gain (loss) on securities, net

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
<i>Investment in VIEs</i>			
Total net gain (loss)	104	26	3
<i>Marketable securities</i>			
Proceeds	4,239	421	2,125
Gross gains	1,144	342	915
Gross losses	(307)	(19)	(121)
Total net gain (loss)	837	323	794
<i>Short-term investments</i>			
Proceeds	4,504	8,396	6,648
Gross gains	176	671	467
Gross losses	(57)	(99)	(282)
Total net gain (loss)	119	572	185
Total net gain (loss) on securities	1,060	921	982

Note 7 Foreign Exchange Gains (Losses)

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Currency trading activities, net	8	22	7
Translation differences	(115)	(25)	103
Total	(107)	(3)	110

Foreign exchange gains (losses) consist of gains and losses incurred in connection with the Company's foreign currency trading activities (see Note 27) and gains and losses arising from the translation of amounts in foreign currencies and transactions denominated in foreign currencies.

Note 8 Other Financial Income (Expense)

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Amortization of deferred financing costs	(82)	(57)	(45)
Bank charges	(12)	(13)	(15)
Release of reserve for ferry operations	100		
Other items	(30)	(51)	(107)
Total	(24)	(121)	(167)

Deferred financing costs include costs for the issuances of Senior Notes, revolving credit facilities, finance leases etc. See note 14. All of these costs are amortized over the life of the borrowings.

The reserve for ferry operations relates to the excess of the carrying value of the Stena Line \$300 million Senior Notes over their redemption price in late 2000. This excess value was released from 2001 to 2004.

Note 9 Income Taxes

Income before taxes was distributed geographically as follows:

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Sweden.....	580	1,167	2,288
Rest of the world.....	1,782	1,253	2,392
Share of affiliated companies' results.....	17	21	27
Total income before taxes.....	2,379	2,441	4,707

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Current:			
For the period, Sweden.....	(19)	(11)	(54)
Adjustments previous years, Sweden.....	(6)		
For the period, Rest of the world.....	(114)	(85)	(308)
Adjustments previous years, Rest of the world.....	6	8	63
Total current tax.....	(133)	(88)	(299)
Deferred:			
For the period, Sweden.....	(393)	202	11
Adjustments previous years, Sweden.....	(56)	(58)	79
For the period, Rest of the world.....	101	(54)	(199)
Adjustments previous years, Rest of the world.....	461	(175)	40
Total deferred tax.....	113	(85)	(69)
Total income taxes.....	(20)	(173)	(368)

Cash paid for taxes in 2006 was SEK 92 million, as compared to SEK 74 million in 2005.

The reconciliation of the difference between the statutory tax rate in Sweden and the effective tax rate are set forth below:

(Percentages)	Year ended December 31,		
	2004	2005	2006
Statutory income tax rate.....	28	28	28
Differences in foreign tax rates.....	(5)	(2)	(6)
Taxes related to previous years.....	(6)	(2)	(1)
Losses not currently utilized.....	4	7	4
Expenses not deductible.....	3	6	2
Nontaxable income.....	(6)	(15)	(9)
Utilization of tax loss carryforwards.....	(1)	(3)	(3)
Restructuring.....	(17)	(24)	(7)
Share of affiliated companies' results.....	(1)	5	
Other.....	2	7	
Effective income tax rate.....	1	7	8

The principle reason why the effective income tax rate is lower than the statutory income tax rate is that international shipping activities and results from sales of shares are tax exempt in many countries.

Note 10 Intangible fixed assets

(SEK in millions)	Goodwill	Other intangible assets	Total
Acquisition cost at the beginning of year	576	442	1,018
Purchase of company	5		5
Additions		21	21
Translation differences	(1)	(1)	(2)
Acquisition cost at the end of year	580	462	1,042
Accumulated amortization at the beginning of year	(51)	(161)	(212)
Current year amortization	(41)	(101)	(142)
Accumulated amortization at the end of year	(92)	(262)	(354)
Net book value at the beginning of year	525	281	806
Net book value at the end of year	488	200	688

Goodwill related to ferry operations and the acquisition of ferry routes in the Irish Sea is amortized over 7 years. Goodwill related to Blomsterlandet and Envac is amortized over 10 and 20 years, respectively. Investments in other intangible fixed assets include an on-line reservation system in the ferry operations, which is amortized over 7 years. Remaining intangible assets are amortized over 5 years.

Note 11 Tangible fixed assets

The movements during the year ended December 31, 2006 are as follows:

(SEK in millions)	Vessels	Construction in progress	Equipment	Property	Total
Acquisition cost at the beginning of year	22,225	1,280	804	18,314	42,623
Other additions	976	5,489	158	1,525	8,148
Disposals	(2,955)		(41)	(523)	(3,519)
Transfers	700	(703)	94	(91)	
Translation differences	(1,603)	(408)	(70)	(150)	(2,231)
Acquisition cost at the end of year	19,343	5,658	945	19,075	45,021
whereof capitalized interest	625	226		20	871
Accumulated depreciation at the beginning of year	(8,640)		(178)	(1,039)	(9,857)
Disposals	933		36	41	1,010
Translation differences	762		41	26	829
Transfers			(79)	79	
Current year depreciation	(2,121)		(137)	(234)	(2,492)
Accumulated depreciation at the end of year	(9,066)		(317)	(1,127)	(10,510)
Net book value at the beginning of year	13,585	1,280	626	17,275	32,766
Net book value at the end of year	10,277	5,658	628	17,948	34,511

The insured value of the whole vessel fleet as of December 31, 2006 was SEK 19,227 million, as compared to SEK 21,612 million as of December 31, 2005.

As of December 31, 2006, Construction in progress included six newbuildings: one RoRo-vessel under construction in Norway for delivery in 2007; three drillships under construction in Korea for delivery in 2007, 2008 and 2009; and two RoPax ships ordered from a shipyard in Germany for

Note 11 Tangible fixed assets — continued

delivery in 2010. Construction in progress also included rebuilding of two RoPax-vessels ("extension program") and the construction of real estate in Stockholm. In total, the contract amounted with the shipyards amounts to SEK 17,162 million. Yard payments of SEK 5,146 million, real estate projects of SEK 229 million, capitalized interest of SEK 226 million and other capitalized costs of SEK 57 million are included in Construction in progress as of December 31, 2006.

The amount of interest capitalized on construction in progress was SEK 14 million, SEK 34 million and SEK 239 million for the years ended December 31, 2004, 2005 and 2006, respectively. Additionally, SEK 1 million was capitalized on real estate newbuildings for 2005. No capitalization was made in 2006.

Write-ups of vessels were made in 1996 against corresponding write-downs of other vessels. As of December 31, 2005, total write-ups were SEK 15 million, all related to the drilling rig Stena Dee. After the sale of this rig in 2006, the remaining write-ups were expensed.

Property is specified as follows:

(SEK in millions)	Real estate	Buildings and land	Total
Acquisition cost at the beginning of year	16,515	1,799	18,314
Other additions	1,395	130	1,525
Disposals	(503)	(20)	(523)
Transfers	(91)		(91)
Translation differences	(102)	(48)	(150)
Acquisition cost at the end of year	17,214	1,861	19,075
Accumulated depreciation at the beginning of year	(699)	(340)	(1,039)
Disposals	23	18	41
Transfers	79		79
Translation differences	6	20	26
Current year depreciation	(170)	(64)	(234)
Accumulated depreciation at the end of year	(761)	(366)	(1,127)
Net book value at the beginning of year	15,816	1,459	17,275
Net book value at the end of year	16,453	1,495	17,948

Real estate relates to the commercial properties operated by the business unit Stena Fastigheter. The total estimated market value for the real estate as of December 31, 2006 exceeds the net book value. Out of the net book value as of December 31, 2006 for real estate, SEK 14,217 million relates to Swedish properties, of which land represents SEK 1,350 million. The tax assessment value for these properties amounted to SEK 11,478 million, of which land represents SEK 4,035 million. Land represents SEK 1,275 million of the net book value as of December 31, 2005 of SEK 14,152 million related to Swedish properties. The tax assessment value for these properties last year amounted to SEK 11,183 million, out of which land SEK 3,969 million.

Buildings and land represent the group's assets used in its business including office buildings, ferry terminals etc.

Note 12 Investment in VIEs

Since late 2002, the Company has invested in variable interest entities ("VIEs"). The VIEs have invested in different debt securities, including high yield bonds. The VIEs have issued debt securities which are secured by their assets. As of 2005, Swedish GAAP has changed the way in which the VIEs are consolidated. The minority share of the results is deducted in the income statement while the minority part of total equity is shown as a liability in the balance sheet.

Note 12 Investment in VIEs — continued

The consolidation of the VIEs has had the following impact:

(SEK in millions)	2005	2006
Financial income and expense	162	145
Minority interest	(19)	(19)
Net income	143	126
Investment in VIEs	5,753	7,341
Short-term investments	316	486
Other assets	144	246
Total assets	6,213	8,073
Retained earnings	694	968
Net income	143	126
Total stockholders' equity	837	1,094
Minority interest	124	152
Debt of VIEs	4,844	6,302
Other debt	408	525
Total liabilities	5,252	6,827
Total stockholders' equity and liabilities	6,213	8,073

Short-term investments refer to cash and cash equivalents in the VIEs. This cash is not available to the Company and is therefore included as restricted cash.

Debt of VIEs refers to secured notes issued by the VIEs and secured bank loans borrowed by the VIEs. These obligations are secured by pledges of the VIEs assets and are not guaranteed by the Company.

The underlying equities and bonds in the VIEs are recorded at market. Together with other strategic investments, unrealized gains and losses are recorded directly to stockholders' equity. See note 13.

Note 13 Marketable securities

(SEK in millions)	Bonds	Strategic equity shares	Total
Opening balance	852	2,443	3,295
Additions		3,473	3,473
Disposals	(164)	(1,759)	(1,923)
Reclassification	(639)	745	106
Revaluation of financial instruments		1,134	1,134
Translation differences	(49)	(234)	(283)
Investment at the end of year		5,802	5,802

Financial instruments are valued at market.

As of December 31, 2006 shares with a book value of SEK 1,025 million have been pledged as security for bank debt. As of December 31, 2005, shares with a book value of SEK 706 million were pledged as security for bank debt.

Reclassification refers to transfer from noncurrent to short-term regarding bonds and from short-term to noncurrent regarding shares.

Note 13 Marketable securities — continued

Strategic equity shares include long-term investments in listed shares as follows:

(SEK in millions)	No. of shares	Book value
<i>Held by parent company</i>		
Bioinvent	2,240,000	24
Vitrolife	110,000	4
Total		28
<i>Strategic investments</i>		
Gunnebo	8,001,320	644
Gunnebo Industrier	1,191,324	240
Oriflame	500,000	141
Arlington Tankers	690,421	111
<i>Other investments</i>		
Lukoil	382,000	232
Sandvik	4,383,800	436
Dogus Otomotive	1,979,629	55
Vyksa Metallurgical plant	9,507	91
Chelyabinsk Pipe	3,118,194	71
Explorer Financial Fund	20,500	114
Schibsted	842,400	206
Assa Abloy	1,200,400	179
Vestas Wind Systems	1,235,400	358
Munters	112,000	36
Lindab	2,800,000	365
Toyota Motor	137,000	63
Expro	3,293,594	393
H&M B	400,000	138
Alstom	141,000	131
Volvo A	807,600	392
Orkla	280,000	108
H&M (Bonds)	170,000,000	316
Ruric	416,242	145
HSBC Growth Fund	3,269,831	200
Vallourec	139,000	165
Schlumberger	180,000	79
Sberbank	4,850	114
Sistema	290,000	64
Other		187
Total listed shares		5,802

Note 14 Other noncurrent assets

Other Noncurrent Assets

(SEK in millions)	Deferred tax assets	Other receivables	Shares	Deferred costs	Total
At the beginning of year	249	277	600	314	1,440
Additions		1,763	133	270	2,166
Disposals	(22)	(38)		(167)	(227)
Revaluation through the income statement...		(6)	29	(45)	(22)
Reclassification	158	3	20		181
Translation differences	(6)	(6)	(28)	22	(18)
At the end of year	379	1,993	754	394	3,520

Deferred tax assets relate to unutilized tax losses carried forward. Reclassifications include netting against deferred tax liabilities. See note 19.

Other receivables as of December 31, 2006 include receivables related to sales of subsidiaries amounting to SEK 1,548 million. The purchase price has been determined but there have not been any payments during 2006. Other receivables as of December 31, 2005 include a loan to a related party of SEK 10 million. The loan has been repaid during 2006.

Shares include investments in non-listed shares and associated companies.

Deferred costs include financing costs for Senior Notes, revolving credit facilities and capitalized lease obligations. All of these costs are amortized over the life of the borrowings.

Note 14 Other noncurrent assets — continued

Shares are specified as follows:

(SEK in millions)	No. of shares or % held	Book value
<i>Held by parent company:</i>		
Alligator	1,510,470	29
Amplus	895,719	121
Prostalund	2,741,862	39
Ram one	117,565	131
Örgryte Idrottssällskap	1,000,000	10
Health Invest	500,000	55
Univits	3,088,670	2
		387
<i>Held by subsidiaries:</i>		
Örgryte Bostads AB & Co KB	Sweden	3
Partrederiet SUST I DA	Norway	50% 33
Partrederiet SUST III DA	Norway	50% 49
Ugland Stena Storage A/S (USS)	Norway	50%
Schiphol Real Estate CV	Holland	540 167
Stena Ugland Shuttle Tanker Ltd (SUST)	Cayman Islands	50%
Chase Private Equity Fund	Cayman Islands	3,634,257 24
Glacia Limited	Bermuda	50% 54
RoRo Partners Ltd	Bermuda	49%
Austen Maritime Services Pte Ltd	Singapore	50% 8
China Opportunity Fund	China	5.71% 18
EQT China	China	4.72% 2
Nordic Rio LLC	Marshall Islands	50% 9
Total non listed shares		754

Companies held between 20% and 50%, and that are not strategic, are accounted for as other associated companies. The share of these companies' results is included in direct operating expenses. See note 5.

Note 15 Short-term receivables

(SEK in millions)	As of December 31,	
	2005	2006
Trade debtors	2,092	2,007
Related parties (Note 29)	270	259
Other short-term receivables	886	1,358
Total other receivables	1,156	1,617
Prepaid expenses	497	321
Accrued income	393	550
Total	890	871
Total short-term receivables	4,138	4,495

Note 15 Short-term receivables — continued

The total allowance for doubtful trade receivables was SEK 52 million as of December 31, 2005 and SEK 46 million as of December 31, 2006.

Note 16 Short-term investments

(SEK in millions)	As of December 31,	
	2005	2006
Marketable debt and equity securities.....	1,856	1,580
Restricted cash	357	882
Total.....	2,213	2,462

Certain marketable debt and equity securities amounting to SEK 192 million at December 31, 2005 and SEK 547 million at December 31, 2006 have been pledged as security for bank debt. See Note 25.

Restricted cash as of December 31, 2006 includes SEK 486 million of cash and cash equivalents in the VIEs, which is not available to the Company. As of December 31, 2005 such restricted cash amounted to SEK 315 million. Other restricted cash represents bank accounts that have been pledged to cover various long-term liabilities and commitments of the Company.

Note 17 Cash and cash equivalents

(SEK in millions)	As of December 31,	
	2005	2006
Cash.....	877	752
Short term deposits	2,867	132
Total.....	3,744	884

Short-term deposits are defined as bank deposits that have original maturities of up to three months.

Note 18 Stockholders' equity

The authorized share capital of Stena AB consists of 200,000 ordinary shares with a par value of SEK 100 of which 50,000 shares have been issued and fully paid.

The changes in stockholders' equity for the period December 31, 2003 to December 31, 2006 are as follows:

(SEK in millions)	Capital stock	Restricted reserves	Unrestricted reserves	Net income	Total
Balance as of December 31, 2003.....	5	583	10,897	510	11,995
Allocation of last year's result.....			510	(510)	
Change of accounting principles in 2004 .			(257)		(257)
Dividend paid			(70)		(70)
Transfer to charitable trust			(10)		(10)
Revaluation of financial instruments.....			(387)		(387)
Transfers between reserves		201	(201)		
Exchange differences.....		(21)	(190)		(211)
Net income.....				2,359	2,359
Balance as of December 31, 2004.....	5	763	10,292	2,359	13,419
Allocation of last year's result.....			2,359	(2,359)	
Dividend paid			(195)		(195)
Transfer to charitable trust			(30)		(30)
Change of accounting principles for pensions			(1,075)		(1,075)
Revaluation of financial instruments.....			303		303
Transfers between reserves		96	(96)		
Exchange differences.....		67	375		442
Net income.....				2,268	2,268
Balance as of December 31, 2005.....	5	926	11,933	2,268	15,132
Allocation of last year's result.....			2,268	(2,268)	
Dividend paid			(215)		(215)
Transfer to charitable trust			(25)		(25)
Reclassification			177		177
Revaluation of financial instruments.....			386		386
Change of accounting principles for pensions			(349)		(349)
Transfers between reserves		(82)	82		
Exchange differences.....		(2)	(856)		(858)
Net income.....				4,339	4,339
Balance as of December 31, 2006.....	5	842	13,401	4,339	18,587

Restricted reserves include the equity part of untaxed reserves (net of applicable deferred taxes) and legal reserves.

Reclassification refers to investments in VIEs.

Regarding pensions see note 19.

The board of directors of the Company has proposed that the stockholders approve at the forth-coming stockholders' meeting in 2007 a dividend of SEK 550 million and a transfer of SEK 55 million to the Sten A. Olsson Foundation for Culture and Science, established in October 1996

Note 18 Stockholders' equity — continued

to make contributions to art and science projects. Since 1996, the Stena Sphere has contributed SEK 195 million to the foundation and further support to this charitable trust is anticipated when needed.

The exchange differences relate to the impact of fluctuations of foreign currencies, in particular EUR, GBP and USD. See note 1. As of December 31, 2006, accumulated exchange differences since January 1, 2002 amounted to SEK (1,700) million. As of December 31, 2005, accumulated exchange differences since January 1, 2002 amounted to SEK (842) million.

The accumulated revaluation of financial instruments as per December 31, 2006 amounts to SEK 901 million and as per 31 December 2005 to SEK 515 million.

Note 19 Provisions

(SEK in millions)	Deferred income taxes	Provisions for pensions	Other provisions	Total
Opening balance	1,517	1,882	46	3,445
Changes in accounting principle for pensions.....	(148)	498		350
Reclassification	158			158
Payment of pension fees and benefit paid		(167)		(167)
Other provisions	(60)	(12)	1,625	1,553
Changes in non-current assets.....		21		21
Transfers through income statement	243	15	(3)	255
Exchange differences.....	(1)	(32)		(33)
Closing balance.....	1,709	2,205	1,668	5,582

Provisions for pensions have increased in connection with change in accounting principles related to Great Britain. See below. Deferred taxes related to this as well as to the introduction of new accounting principles for financial instruments have adjusted the opening balance for deferred taxes while changes in the year are included in the income statement. The increase in other provisions relate to provisions for income related to the financing of the drillships Stena DrillMax I and II. The provisions will be dissolved during the time of the future leasing periods.

The reclassification refers to net accounting against deferred tax assets. See note 14.

The net deferred tax liability of the Company consists of the following:

(SEK in millions)	As of December 31,	
	2005	2006
<i>Deferred tax liabilities:</i>		
Tangible fixed assets	2,092	2,124
Financial fixed assets.....	206	388
ta bort rad		
Other.....	91	261
Total deferred tax liabilities	2,389	2,773
<i>Deferred tax assets:</i>		
Tangible fixed assets	136	481
Tax loss carryforwards.....	1,182	815
Financial fixed assets.....	77	623
Provisions.....	306	40
Other.....		122
Less deferred tax assets not recognized.....	(580)	(638)
Total deferred tax assets recognized.....	1,121	1,443
Net deferred tax liability	1,268	1,330
Out of which:		
Deferred tax assets (Note 14)	249	379
Deferred tax liabilities	1,517	1,709

Note 19 Provisions — continued

Deferred taxes have been calculated net on a country basis. Net deferred tax assets are shown as Other noncurrent assets.

The Company's tax loss carryforwards are as follows:

(SEK in millions)	As of December 31,	
	2005	2006
Sweden	1,989	1,248
Rest of the world	2,707	1,973
Total	4,696	3,221

Most tax loss carryforwards can be carried forward indefinitely. Tax loss carryforwards of SEK 275 million expire between 2007 and 2012.

Provisions for pensions and other provisions

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans; that is, the obligations remain within the Company. Costs and obligations at the end of a period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. Defined benefits plans relate mainly to subsidiaries in the UK operations. Other large-scale defined benefit plans apply for salaried employees in Sweden (mainly through the Swedish PRI pension plan) and employees in The Netherlands.

The Company participates in different multi-employer plans in Great Britain. One of the plans has been accounted for as defined contribution plan but new information about this scheme makes it possible to account this as a defined benefit plan. The change has been treated according to RR 5 and URA 44 as a change in accounting principle as from October 1, 2006.

The following tables disclose information about defined benefit plans. The information refers to assumptions applied for actuarial calculations, periodical costs and the value of obligations and plan assets at year-end. The tables also include a reconciliation of obligations and plan assets during the year and the difference between fair values and carrying amounts reported on the balance sheet date.

Assumptions applied for actuarial calculations %	Sweden		Great Britain		Other Europe	
	2005	2006	2005	2006	2005	2006
Discount rate	3.50	3.90	5.00	5.20	4.25	3.75
Expected return on plan assets	—	—	7.50	7.50	4.50	4.50
Expected salary increases	3.25	3.00	3.75	3.95	3.85	3.50

Note 19 Provisions — continued

Pension costs (SEK in millions)	2005	2006
Current service costs	53	45
Interest costs	149	502
Expected return on plan assets	(154)	(533)
Actuarial gains and losses	2	1
Pension costs for defined benefit plans	50	15
Pension costs for defined contribution plans	231	237
Total pension costs	281	252

Obligations for pensions, net (SEK in millions)	Sweden	Great Britain	Other Europe	Total
Obligations, January 1, 2005	104	295	(12)	387
Change in accounting principles	(1)	1,536	1	1,536
Balance sheet, net, January 1, 2005	103	1,831	(11)	1,923
Current service costs	5	41	7	53
Interest costs	9	135	5	149
Expected return on plan assets	(5)	(144)	(5)	(154)
Actuarial gains and losses	1	1		2
Exchange differences		23	1	24
Payment of pension fees from the company	(7)	(90)	(6)	(103)
Benefits paid	(3)	(29)	(1)	(33)
Other provisions	(13)	(1)		(14)
Obligations for pensions, net, December 31, 2005	90	1,767	(10)	1,847
Change in accounting principles		498		498
Balance sheet, net, October 1, 2006	90	2,265	(10)	2,345
Current service costs	7	32	6	45
Interest costs	9	487	6	502
Expected return on plan assets	(7)	(520)	(6)	(533)
Actuarial gains and losses		1		1
Exchange differences		(30)	(1)	(31)
Payment of pension fees from the company	(7)	(151)		(158)
Benefits paid	(3)		(6)	(9)
Other provisions	(1)	(1)	(11)	(13)
Obligations for pensions, net, December 31, 2006	88	2,083	(22)	2,149

Note 19 Provisions — continued

Provisions for pensions (SEK in millions)	Sweden	Great Britain	Other Europe	Total
Net provisions for pensions, January 1, 2005	104	295	(12)	387
Current value of funded obligations.....	126	9,125	135	9,386
Fair value of plan assets	(36)	(7,729)	(135)	(7,900)
Provisions, net.....	90	1,396		1,486
Unrecognized actuarial gains and losses		371	(10)	361
Net provisions for pensions, December 31, 2005	90	1,767	(10)	1,847
Current value of funded obligations.....	227	12,448	131	12,806
Fair value of plan assets	(193)	(10,723)	(132)	(11,048)
Provisions, net.....	34	1,725	(1)	1,758
Unrecognized actuarial gains and losses	54	358	(21)	391
Net provisions for pensions, December 31, 2006	88	2,083	(22)	2,149
whereof reported as				
Other non-current assets	(34)		(22)	(56)
Provisions for pensions	122	2,083		2,205

Note 20 Bank debt

(SEK in millions)	2005 Total	2006 Current	2006 Noncurrent	2006 Total
Property loans	11,211	38	12,300	12,338
Other loans	1,648	311	3,280	3,591
Revolving credit facilities	6,753		2,656	2,656
Other utilized bank credit lines	995	293	191	484
	20,607	642	18,427	19,069

Repayment of bank debt:

(SEK in millions)	Property loans	Other loans	Total
2007	38	604	642
2008	375	485	860
2009	273	264	537
2010	391	191	582
2011	41	141	182
2012 and thereafter	11,182	2,199	13,381
Not specified	38	2,847	2,885
Total	12,338	6,731	19,069

Property loans consists principally of bank mortgage loans on real estate, buildings and land in the Company's real estate business segment. These loans are denominated in SEK and EUR and with maturities through 2012 and beyond. Other loans consists of long term bank loans used to finance the acquisition of vessels and other assets. They are denominated in USD, GBP, EUR and SEK and with maturities through 2012 and beyond.

The Company has a revolving credit facility of \$1 billion. The facility was renegotiated in January 2006 and expires in January 2013. Obligations under the facility are secured mainly by mortgages on certain vessels and rigs. Borrowings under the facility bear interest at a rate based on LIBOR plus an applicable margin based on the utilization of the facility. The facility imposes certain covenants regarding levels of working capital, cash and cash equivalents and interest coverage ratio. As of December 31, 2006, the utilized portion of the facility was \$402 million, of which \$386 million was actually drawn and \$16 million used for issuing of bank guarantees. As of December 31, 2005, the utilized portion of the facility was \$859 million, of which \$849 million

Note 20 Bank debt — continued

was actually drawn and \$10 million used for issuing of bank guarantees. As of December 31, 2006 the Company had SEK 1 416 million in other unutilized, mainly uncommitted overdraft facilities and other similar lines of credit, as compared to SEK 700 million as of December 31, 2005.

“Not specified” includes borrowings and utilized credit lines for properties and vessels that have formal repayment dates in 2007. These loans have been classified as long-term because it is the intention of the Company to refinance these loans on a long-term basis. “Not specified” also includes the utilized portion of the Revolving Credit Facility of \$1 billion.

Regarding assets pledged, see note 25.

Note 21 Senior notes

In November 2002, the Company issued \$200 million of notes at an interest rate of 9.625% with maturity on December 1, 2012. As of December 31, 2006, the Company had repurchased approximately \$22.7 million of these notes.

In December 2003, the Company issued \$175 million of notes at an interest rate of 7.5% with maturity on November 1, 2013. In November 2004, the Company issued \$250 million of notes at an interest rate of 7.0% with maturity on December 1, 2016. As of December 31, 2006, total Senior Notes amounted to \$602 million. As of December 31, 2005, total Senior Notes amounted to \$607 million.

In February 2007, the Company issued European Senior Notes through an offering of €300 million of notes at an interest rate of 6.125% due February 1, 2017. At the same time the remaining 9.625% Senior Notes due 2012 of \$177 million were repurchased. Another offering was issued in February 2007 of € 102 million of notes at an interest of 5.875% and issue price 98.5%, due on February 1, 2019.

The Senior Notes are unsecured obligations of Stena AB and rank pari passu in right of payment with the Company's other unsubordinated indebtedness and senior in right of payment to all subordinated indebtedness of the Company. The indentures for Senior Notes due 2012 and 2013 contain certain covenants with respect to, among others, the following matters: (i) limitations on consolidated and subsidiary debt and preferred stock; (ii) limitations on restricted payments, investments and liens; (iii) limitations on restrictions concerning transfers and sales by subsidiaries, limitations on certain asset distributions and other items. The indentures for the Senior Notes due 2017 and 2019 contain certain covenants with respect to, among other matters: (i) limitations on consolidated and subsidiary debt and (ii) limitations on liens in respect of capital markets indebtedness.

Note 22 Leases

Company as lessee:

The operating lease obligations include chartering of crude oil tankers on a timecharter basis, chartering of ferries principally on a bareboat basis, as well as obligations related to rentals of properties and ports.

Rental expense for operating leases were as follows:

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Rental expense	1,807	2,619	2,980

Two RoPax vessels and two tankers are leased under capital leases. The gross amount of vessels under capital leases as of December 31, 2005 and 2006 amounted to SEK 1,832 million and SEK 1,756 million, respectively. The net book value related to these capital leases amounted to SEK 1 550 million as of December 31, 2005 and SEK 1,393 million as of December 31, 2006.

Note 22 Leases — continued

As of December 31, 2006 the future minimum lease commitments under noncancellable operating leases and capital leases were as follows:

(SEK in millions)	Operating leases	Capital leases
2007	2,319	38
2008	1,366	38
2009	913	39
2010	703	40
2011	631	42
2012 and thereafter	1,259	1,087
Total minimum lease commitments	7,191	1,284

Company as lessor:

The Company leases properties and certain vessels to third parties under operating leases. The cost, accumulated depreciation and net book value of these assets held for lease as of December 31, 2006 was as follows:

(SEK in millions)	Cost	Accumulated depreciation	Net book value
Vessels	9,529	4,032	5,497
Real estate	17,214	761	16,453
Total	26,743	4,793	21,950

As of December 31, 2006 the future minimum rentals to be received under noncancellable operating leases were as follows:

(SEK in millions)	Vessels	Real estate	Total
2007	4,341	662	5,003
2008	3,896	516	4,412
2009	2,988	269	3,257
2010	544	175	719
2011	352	131	483
2012 and thereafter	494	173	667
Total minimum lease rentals	12,615	1,926	14,541

In addition to the minimum lease rentals as above, the Company has entered into lease agreements for the *Stena Drillmax I* and the *Stena DrillMax II*, currently under construction.

The amounts in the table above exclude amounts from the Company's portfolio of residential rental properties since those lease agreements are generally cancelable within three months.

Note 23 Other noncurrent liabilities

(SEK in millions)	As of December 31,	
	2005	2006
Prepaid income	52	113
Other liabilities	234	819
Total	286	932

Prepaid income as of December 31, 2006 includes SEK 34 million relating to the net proceeds of a financial charter agreement entered into in 1997/1998 and which is amortized over the remaining charter period. As of December 31, 2005, these net proceeds amounted to SEK 41 million.

Note 23 Other noncurrent liabilities — continued

Other noncurrent liabilities include a net debt amount to SEK 690 million regarding capital leases for the drillships *Stena DrillMax I* and *II*.

Repayment of noncurrent liabilities is required according to the following schedule:

(SEK in millions)	1-3 years	3-5 years	More than 5 years	Total
Prepaid income	20	20	73	113
Other liabilities	751	14	54	819
Total	771	34	127	932

Note 24 Accrued costs and prepaid income

(SEK in millions)	As of December 31,	
	2005	2006
Accrued costs	2,188	2,210
Prepaid income	360	547
Total	2,548	2,757

Note 25 Pledged assets, commitments and contingent liabilities

Pledged assets

The following assets have been pledged as securities for bank debt:

(SEK in millions)	As of December 31,	
	2005	2006
Mortgages on vessels	14,472	10,046
Mortgages on properties	13,535	14,202
Chattel mortgages	14	137
Investment in affiliated companies	302	352
Marketable securities	706	1,025
Trade debtors	398	344
Short term investments	192	547
Reservation of title	52	52
Total assets pledged for normal bank debt	29,671	26,705
Investment in VIEs	5,753	7,341
Total assets pledged for bank debt	35,424	34,046
Normal bank debt and capitalized lease obligations	21,972	20,353
Debt in VIEs	4,844	6,302
Total bank debt and capitalized lease obligations	26,816	26,655

Commitments

Future minimum lease commitments relating to operating leases of vessels, ports etc amount to SEK 2,319 million for 2007 and SEK 4,872 million from 2008. See Note 22.

As of December 31, 2006, a total of seven vessels were on order from different shipyards. Two vessels were being rebuilt (extension program). The total contract amount for these vessels

Note 25 Pledged assets, commitments and contingent liabilities — continued

amounts to SEK 17,569 million. Yard payments of SEK 5,146 million have been made in respect of these contracts. In addition, the Company has made commitments regarding financial investments at an amount of SEK 290 million.

Contingent liabilities

(SEK in millions)	As of December 31,	
	2005	2006
Guarantees	2,074	1,209
Other contingent liabilities	159	16
Total	2,233	1,225

Guarantees include mainly newbuilding projects in associated companies and guarantee commitments for equipment delivered.

Note 26 Consolidated statements of cash flows

Purchase of subsidiaries

	As of December 31,		
(SEK in millions)	2004	2005	2006
<i>Assets and liabilities acquired:</i>			
Intangible assets.....	121	390	
Tangible fixed assets.....	11.226	9	
Financial fixed assets.....	10	5	
Inventories.....	75	49	
Current receivables.....	345	344	
Cash and cash equivalents.....	18	59	
Total assets.....	11.795	856	
Provisions.....	1.564	5	
Long-term debt.....	58	3	
Current liabilities.....	6.774	260	
Total provisions and liabilities.....	8.396	268	
Minority interest.....	25	1	
Total consideration.....	3.374	587	
Less: Provision.....	(26)	(10)	
Purchase price paid.....	3.348	577	
Less: Cash acquired.....	(18)	(59)	
Reduction of cash and cash equivalents.....	3.330	518	

In 2004, companies were acquired and subsequently sold at a value of SEK 587 million. This has not affected the balance sheet and is therefore not included above.

In 2006, no subsidiaries were purchased.

Cash payments

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Interest	1,053	1,430	1,845

Note 27 Financial instruments and risk management

The Company has operations and assets in a number of countries in and outside of Europe. Consequently, the Company's profits and revenues are affected, when measured in SEK, by fluctuations in currency exchange rates, primarily relative to the US dollar, the Euro and the British pound sterling. When the SEK appreciates against other currencies, the Company's profit from foreign operations, reported in SEK, may decrease. Likewise, when the SEK declines against other currencies, the Company's profit from foreign operations reported in SEK may increase. The Company also has exposure to market risks from changes in interest rates. Certain financial instruments are used by the Company to manage these foreign currency and interest rate risks as summarized below. The Company also maintains trading positions in a variety of financial instruments unrelated to its risk management activities which are also discussed below.

Notional Amounts and Credit Exposure

The notional amounts of derivative financial instruments presented in this Note represent face or contractual amounts and are therefore not a measure of the exposure of the Company through its use of such financial instruments. The actual amounts exchanged are calculated on the basis of the notional amounts and the other terms of the financial instruments which relate to interest rates, exchange rates, oil prices, securities prices, or financial and other indexes.

The Company is exposed to credit related losses in the event that counterparties to the derivative financial instruments do not perform according to the terms of the contract. In the opinion of management, the counterparties to the financial instruments are creditworthy financial institutions and other parties and the Company does not expect any significant loss to result from nonperformance. The Company, in the normal course of business, does not demand collateral. The credit exposure of interest rate and foreign exchange contracts is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting arrangements.

Interest Rate Risk Management

The Group uses various financial instruments to manage its interest rate risk as summarized in the table below:

(SEK in millions)	As of December 31,			
	2005 Notional Amount	2005 Credit Exposure	2006 Notional Amount	2006 Credit Exposure
Interest rate swaps	6,412	58	7,700	19
Interest rate options	1,541	5	4,258	76
Total	7,953	63	11,958	95

The extent of the utilization of interest rate products is determined by reference to the Company's net exposure of its debt subject to interest rate risk and management's views regarding future interest rates. The Company uses interest rate instruments to seek to achieve a desired interest rate and risk profile on a portfolio of debt. The interest rate contracts as of December 31, 2006 are part of an interest rate hedge strategy whereby the Company hedges the loan portfolio related to its assets. These contracts run on a consecutive basis to hedge the loan portfolio for a period of between 1 and 5 years. The amount of the loan portfolio hedged was SEK 12,929 million as of December 31, 2006. The borrowings in this debt portfolio are denominated primarily in USD, EUR and SEK and have maturity dates ranging from 2007 to 2012 and onwards. As of December 31, 2006, the interest rates ranged from 3.48% to 9.63%.

Interest rate swap agreements allow the Company to synthetically adjust floating rate receivables or borrowings into fixed rates or vice versa. Under the interest rate swaps, an agreement is made with a counterparty to exchange, at specified intervals, the difference between fixed rate and

Note 27 Financial instruments and risk management — continued

floating rate interest, (such as the London, Stockholm or Amsterdam Inter-bank Offered Rate or LIBOR, STIBOR and AIBOR respectively), calculated by reference to an agreed notional principal amount.

The Company uses interest rate swaps to seek to achieve a desired interest rate on a portfolio of debt. The contractual terms of the interest rate swaps are determined by the management based upon assessment of several factors such as the prediction of future interest rates, the maturity and currency of the underlying debt portfolio, the cost of the interest rate swap and other factors.

The Company also uses interest rate options to reduce the impact of changes in interest rates on its net interest rate exposure. Interest rate futures are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Interest rate options grant the purchaser, for a premium payment, the right to either purchase from or sell to the writer a financial instrument under agreed terms. The writer of the option receives a premium for bearing the risk of adverse interest rate movements. Interest rate options are used when the rates available to the Company under swap agreements are too high relative to management's views of the level of future interest rates.

The Company has used interest rates swaps and interest rate options to hedge a portion of interest rate risk on debt financing real estate properties. The following tables summarize the Company's interest rate swaps and options:

Interest rate swaps

December 31, 2005:	Notional amount (SEK in millions)	Currency	Receive rate	Pay rate %	Length of contract
	700	SEK	3 month STIBOR	4.6	June 2006
	371	EUR	6 month EURIBOR	6 month EURIBOR+168 bp	August 2005-September 2009
	106	EUR	5.52	6 month EURIBOR+1.19 bp	December 2012
	604	GBP	3 month LIBOR	5.5 first 7 years	January 2028
	448	GBP	3 month LIBOR	3 month LIBOR -0.14	May 2028
	795	USD	3 month LIBOR	2.83 – KO 6.5	June 2008
	1,193	USD	3 month LIBOR	3.005 -3.09 Knock Out at 6.5	September 2008
	795	USD	9.63	3 month LIBOR+4.9925	December 2012
	200	SEK	1.72	3.25	November 2010
	1,200	SEK	1.70-1.72	3.23-3.63	November 2015
Total	6,412				

December 31, 2006:	Notional amount (SEK in millions)	Currency	Receive rate	Pay rate %	Length of contract
	1,400	SEK	3.03-3.05%	3.23-3.63	November 2015
	306	EUR	6m Euribor	6m Euribor+1.68	September 2009
	96	EUR	5.52%	6m Euribor+1.19	December 2012
	289	EUR	6m Euribor	3.83-3.92	October 2013
	453	EUR	6m Euribor	4.133	December 2014
	593	GBP	3m Libor	5.5	January 2011
	440	GBP	3m Libor	3 month LIBOR -0.14	May 2028
	1,718	USD	3m Libor	2.83 – max 6.5	September 2008
	687	USD	9.63%	3m Libor+5.0	December 2012
	1,718	USD	7%	4.75+(BMA) *	December 2016
Total	7,700				

* BMA = Indexed return based on the interest difference between LIBOR and US municipality bonds

Note 27 Financial instruments and risk management — continued

Interest rate options

As of December 31, 2005:	Notional amount (SEK in millions)	Currency	Receive rate	Pay rate %	Length of contract
	700	SEK	3 month STIBOR	5.60	June 2006
	94	EUR	6 month EURIBOR	3.25	March 2010
	371	EUR	6 month EURIBOR	5.5	September 2008
	376	EUR	3.25	6 month EURIBOR	January-October 2010
Total	1,541				

As of December 31, 2006:	Notional amount (SEK in millions)	Currency	Receive rate	Pay rate Strike rate %	Length of contract
	3,500	SEK	3m Stibor	4.0	November 2011
	91	EUR	6m Euribor	3.25	March 2010
	305	EUR	6m Euribor	strike 5,50	September 2008
	362	EUR	3.25%	6m Euribor	October 2010
Total	4,258				

The following tables are a summary by major currency of the portfolio of debt in respect of which the Company utilizes interest rate swaps and options:

As of December 31, 2005:	Currency	Amount (SEK in millions)	Maturity	Interest rates %
	SEK	1,402	January 2006 - June 2006	2.00-4.325
	EUR	1,907	January 2006 - May 2028	1.45-2.84
	USD	8,271	January 2006 - December 2012	4.89-9.63
	GBP	604	January 2028	6.04
Total		12,184		

As of December 31, 2006:	Currency	Amount (SEK in millions)	Maturity	Interest rates %
	SEK	3,560	January 2007 - June 2007	3.48-7.75
	EUR	2,112	January 2007 - May 2028	3.90-5.52
	USD	6,680	January 2007 - December 2012	5.92-9.63
	GBP	592	January 2028	5.32
Total		12,944		

In addition to interest instruments as above, the VIEs investing in different debt securities, see note 12, have also entered into certain hedging instruments. To reduce the potential negative effects on the actual values of these entities, interest swaps have been entered into at a volume similar to the underlying fixed rate bonds.

Note 27 Financial instruments and risk management — continued

The following table summarizes interest rate swaps entered into for this purpose:

As of December 31, 2006:	Currency	Amount (SEK in millions)	Receive rate	Pay rate %	Length of contract
swap	USD	1,260	6m Libor	4.85	May 2010
swap	USD	275	3m Libor	5.03	October 2015

The same contracts were also outstanding as of December 31, 2005.

Foreign Currency Risk Management

The Company is exposed to the risk of fluctuations in foreign currency exchange rates due to the international nature and scope of its operations. A substantial portion of the Company's revenues and expenses are denominated in US dollars. The Company's foreign currency risk arises from (i) fluctuations in exchange rates on the value of the Company's sales and purchases in foreign currencies (transaction exposure), (ii) certain financial assets and liabilities (translation exposure when converting such balances to each company's functional currency) and (iii) the Company's investment in foreign subsidiaries' net assets (equity exposure). The Company's policy is to hedge a substantial part of its transaction exposure from future cash flows from firm commitments such as charter vessel contracts as well as anticipated bunker fuel payment obligations. All realized and unrealized gains and losses of hedges of transaction exposures are deferred and recognized in the period the hedged cash flows are received. Management also regularly reviews the Company's assets and liabilities that are denominated in foreign currencies and determines the net amount that is subject to risk of adverse foreign currency fluctuations. The Company's policy is to hedge its translation risk on its net exposures, using foreign exchange contracts.

The Company primarily uses forward exchange contracts and, to a lesser extent, purchased currency options and currency swaps to manage its foreign currency risk.

The following table presents the notional amounts and credit exposure of financial instruments used for foreign currency risk management as of December 31 each year:

(SEK in millions)	2005 Notional amount	2005 Credit exposure	2006 Notional amount	2006 Credit Exposure
Foreign exchange forward contracts.....	8,896	59	12,246	195
Foreign exchange options	2,094	86	6,155	

The following table summarizes by major currency the contractual net amounts of the Company's forward exchange and option contracts in Swedish kronor. Foreign currency amounts are translated at rates current at the reporting date. The 'buy' amounts represent Swedish kronor equivalent of commitments or options to purchase foreign currencies, and the 'sell' amounts represent the Swedish kronor equivalent of commitments or options to sell foreign currencies. The forward exchange contracts and currency swaps described in the table below are used by the Company (i) to manage its foreign currency transaction and translation risk with respect to future cash flows from firm charter vessel contracts and anticipated payments for bunker fuels and (ii) to manage its translation risk from net financial assets and liabilities in foreign currencies. The cash flows from the charter vessel contracts are denominated primarily in USD, EUR and GBP whereas payments for bunker fuels are denominated in USD. The Company's borrowings are primarily funded in USD but hedged to the desired effective borrowing currency.

Note 27 Financial instruments and risk management — continued

(SEK in millions)	2005 Buy	2005 Sell	2006 Buy	2006 Sell
USD		1,416	1,606	187
NOK	512	480	181	487
SEK		1,919		2,952
DKK		384		640
EUR	4,767	564	3,824	118
GBP	469	934	176	1,239
JPY		27		51
OTH	119	143	30	143
Total	5,867	5,867	5,817	5,817

Fuel Risk Management

The Company seeks to reduce its risk from changes in the price of bunker fuel, primarily related to the Ferry operations, through a combination of swaps and options. The vessels of the ferry division have an annual consumption of bunker of 350,000 tons of fueloil and 130,000 tons of gasoil. These amounts summarize to an annual volume of about 3.5 millions barrels. A substantial part of this is hedged on a consecutive basis. All contracts are settled monthly with volume corresponding to the underlying consumption. The following table presents the notional amounts and credit exposure of financial instruments used for fuel risk management as of December 31 each year.

(SEK in millions)	2005 Notional amount	2005 Credit exposure	2006 Notional amount	2006 Credit Exposure
Bunker fuel swaps	1,604	1,822	765	771
Bunker fuel options	389			

Freight Rate Management

The Company seeks to reduce its risk from changes in the price of tanker freight rates through the use of Freight Forward Agreements (FFA's). The Company enters into hedge contracts for a portion of the expected freight volume for a period of up to 12 months. The following table presents the notional amounts and credit exposure of financial instruments used for freight rate management as of December 31 each year:

(SEK in millions)	2005 Notional amount	2005 Credit exposure	2006 Notional amount	2006 Credit Exposure
OTC traded swaps	10		60	

Trading Activities

The Company also buys and sells certain types of derivative financial instruments with the objective of generating profits based on short-term differences in price. Such financial instruments that are not used in the Company's program of interest rate and foreign currency risk management are referred to as 'trading' for purposes of this disclosure. All trading instruments are subject to the market risk, including that future changes in market conditions may reduce the value of an investment. The Company is a party to a variety of interest rate and foreign currency contracts in its trading activities. A summary of the results of the Company's trading activities on derivative financial instruments is shown below.

Note 27 Financial instruments and risk management — continued

(SEK in millions)	2005 Net gain/ (loss)	2005 Notional amount	2006 Net gain/ (loss)	2006 Notional amount
Forward exchange contracts	1	169	(4)	47
Currency options written	19	159	20	
Currency options bought	(5)	80	(4)	
Interest swaps	7	249	(5)	
Total trading	22	657	7	47

Quoted market prices are used as the fair values of financial instruments used or held for trading purposes. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models or quoted prices for financial instruments with similar characteristics.

Concentrations of Credit Risk

Credit risk represents the accounting loss that would be recognized at each reporting date if counterparties to contracts failed to perform as agreed. Concentrations of credit risk, whether on or off balance sheet, arise from financial instruments for groups of customers or counterparties when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions or other conditions. The Company does not have a significant exposure to any individual customer or counterparty or significant concentrations of credit risk.

Fair value of Financial Instruments

FASB Statement No. 107, 'Disclosures about Fair Value of Financial Instruments,' requires the disclosure of estimated fair values for all financial instruments, both on- and off-balance sheet, for which it is practicable to estimate fair value. The Company has used a variety of methods and assumptions, which were based on market conditions and risks existing at the time, to estimate the fair value of the Company's financial instruments as of December 31, 2005 and 2006. For certain instruments, including cash and cash equivalents, accounts payable and accruals, and short term debt, it was assumed that the carrying amount approximated fair value due to the short maturity of those instruments. Quoted market prices or dealer quotes for the same or similar financial instruments were used to estimate the fair value for marketable securities, long-term investments and long term debt. Other techniques, such as estimated discounted cash flows or replacement cost have been used to determine fair value for the remaining financial instruments. The estimated fair value of the Company's off-balance sheet financial instruments are primarily based on settlement values. These values represent the estimated amount that would be received or paid in the event of termination of the contract taking into consideration the current interest rates, the credit worthiness of the counterparties and current foreign currency exchange rates.

(SEK in millions)	2005 Carrying value	2005 Fair value	2006 Carrying value	2006 Fair value
<i>Liabilities</i>				
Senior Notes	4,821	4,776	4,116	4,241
<i>Derivative financial instruments Held for trading purposes</i>		(2)		
Held for purposes other than trading:				
Interest rate risk management:	63	63	95	95
Foreign currency risk management:	145	145	182	182
Bunker risk management		1,822		771

Note 28 Personnel

The following table presents the average number of employees of the Company.

	2005 Total	No. of females	2006 Total	No. of females
<i>Parent Company:</i>				
Board, CEO, Executive vice president	3		3	
Other employees	10	3	15	6
Subsidiaries in Sweden	3,788	1,602	3,856	1,601
Total Sweden	3,801	1,605	3,874	1,607
<i>Subsidiaries outside of Sweden:</i>				
Great Britain	1,612	459	1,671	457
The Netherlands	743	131	758	121
Denmark	170	109	178	113
Ireland	95	36	93	36
Norway	90	49	99	50
Poland	47	32	49	32
Switzerland	4	1	6	1
Spain	71	16	134	28
Portugal			6	3
France			4	1
Luxembourg			2	
Russia	4	1	3	1
China	20	2	52	11
Singapore	6	1	18	4
Korea	13	1	29	4
United States	23	6	22	6
India	70	36	68	38
United Arab Emirates			14	4
Other	16	3	15	2
Shipborne employees	893	6	950	10
Total outside of Sweden	3,877	889	4,171	922
Total group	7,678	2,494	8,045	2,529

Shipborne employees refers to drilling and shipping activities, which are performed world wide. For Ferry operations (Stena Line), such persons have been allocated by country. The total number of shipborne employees in Stena Line in 2006 was 3,471 as compared to 3,508 in 2005.

Note 28 Personnel — continued

The following tables presents the wages, salaries and other remuneration of the employees of the Company.

(SEK in millions)	2005			2006		
	Board and CEO	Other employees	Total	Board and CEO	Other employees	Total
Parent Company	7	18	25	8	22	30
Subsidiaries in Sweden	30	1,014	1044	34	1,071	1105
Total Sweden	37	1,032	1069	42	1,093	1135
<i>Subsidiaries outside of Sweden:</i>						
Great Britain	19	558	577	18	609	627
The Netherlands	8	254	262	8	258	266
Denmark	2	68	70	2	71	73
Ireland		34	34		35	35
Norway	1	40	41	1	46	47
Poland		6	6	1	8	9
Switzerland	9	2	11	9	2	11
Spain	1	21	22	2	40	42
Portugal					2	2
France					2	2
Luxembourg				1	1	2
Russia		5	5		11	11
China		5	5	2	10	12
Singapore	1	1	2	1	10	11
Korea		3	3	2	7	9
United States	3	24	27	2	30	32
India		3	3		3	3
United Arab Emirates				1	4	5
Other		11	11		10	10
Shipborne employees		461	461		510	510
Total outside of Sweden	44	1,496	1,540	50	1,669	1,719
Total group	81	2,528	2,609	92	2,762	2,854

(SEK in millions)	2005			2006		
	Parent company	Subsidiaries	Total	Parent company	Subsidiaries	Total
Wages, salaries and other remuneration	24	2,585	2,609	30	2,824	2,854
Pension costs	12	269	281	4	248	252
Other social charges	10	370	380	11	378	389
Total	46	3,224	3,270	45	3,450	3,495

For Swedish-flagged vessels employed in international shipping activities, the Company has received a subsidy equal to all social security costs and income taxes payable by the employers on behalf of employees who work on board such vessels. The amount of this subsidy in 2006 was SEK 443 million, out of which SEK 412 million related to the ferry operations. In 2005, the amount of the subsidy was SEK 424 million, out of which SEK 402 million related to the ferry operations. The amounts received have reduced personnel costs.

Note 28 Personnel — continued

Remuneration of Chief Executives

Salaries of SEK 9 million were paid to the Chief Executive Officer and the Executive Vice President in 2006 and SEK 10 million in 2005. The corresponding pension charges amounted to SEK 6 million in 2006 and SEK 5 million in 2005. The Chief Executive Officer and the Executive Vice President have retirement conditions allowing retirement from 60 years of age with a salary of 65% of the salary then valid. The period of notice for the Company is 12 and 24 months, respectively. Severance pay amounts to a maximum of 24 months salary. The board members of Stena AB were paid SEK 200,000 in 2006, out of which SEK 40,000 was paid to the Chairman of the Board and SEK 20,000 was paid to each of the Chief Executive Officer and the Executive Vice President. In 2005, the board members of Stena AB were paid SEK 158,000, out of which SEK 30,000 was paid to the Chairman of the Board and SEK 15,000 was paid to each of the Chief Executive Officer and the Executive Vice President. The Chairman of the Board has invoiced SEK 375,000 and SEK 350,000 for consultations for the years 2006 and 2005, respectively.

Note 29 Related Party Transactions

The Company has entered into various transactions with other companies in the Stena Sphere, which includes the companies wholly owned by the Sten Allan Olsson family in Sweden, Stena Sessan AB ("Sessan") and Stena Metall AB ("Stena Metall") and their subsidiaries. Another significant company within the Stena Sphere is Concordia Maritime AB ("Concordia") which is 52% owned by Sessan. Shares in Concordia are listed on the Stockholm Stock Exchange. The significant transactions between the Company and its affiliates are described below.

Concordia

Concordia and the Company through Stena Bulk AB ("Stena Bulk"), a wholly owned subsidiary of the Company, are parties to an allocation agreement (the "Allocation Agreement") pursuant to which Concordia may elect to participate 100%, 50% or 0% in business opportunities identified by Stena Bulk relating to the chartering of crude oil tankers. No agreements were made in 2005 or 2006. The net outcome of the agreement including results on forward contracts was a loss of SEK 1 million in 2004, a loss of SEK 1 million in 2005 and SEK 0 million in 2006.

The Company provides certain services to Concordia such as administration, marketing, insurance and technical support for Concordia's owned and chartered vessels, including administration of jointly chartered vessels, office and office services for Concordia's personnel and certain financial and other services. The Company earned fees equal to SEK 17 million, SEK 13 million and SEK 25 million in 2004, 2005 and 2006 respectively, for these services.

Sessan

Since June 1999, the Company has served as the business manager for Sessan for its 50% participation in a Norwegian partnership that owns the shuttle tanker Stena Sirta that is chartered pursuant to a 10-year contract to ESSO Norway. In 2003, the Company also became the business manager for Sessan for its 50% participation in the shuttle tanker Stena Spirit that is chartered pursuant to a 15-year contract to Petrobras in Brazil. The Company earned total fees of SEK 1 million in each of the years 2004, 2005 and 2006 for these services.

In 2001 and 2002, Sessan acquired all shares in the shipping company HH Ferries in the south of Sweden. The acquisition was partly financed by an interest bearing credit facility from the Company. As of December 31, 2006, DKK 213 million was outstanding under this facility, as compared to DKK 211 million as of December 31, 2005.

In December 2002, the Company sold to Sessan the remaining 50% of the RoPax vessel Stena Jutlandica. Sessan acquired the first 50% of this vessel from the Company in 1996. The vessel is chartered back as an operating lease, for which the Company paid charterhire of SEK 61 million for each of the years 2004 and 2005 and SEK 59 million for 2006.

Note 29 Related Party Transactions — continued

Sessan has invested in shares in the Swedish company Meda AB ("Meda"). In 2005, a new share issue in Meda was guaranteed by the Company. In connection with the new issue, the Company purchased shares in Meda. Sessan had the option to buy these shares at a price of 10% above the price paid by the Company. This option was utilized during 2006.

In 2003, the Company granted an interest bearing loan of SEK 10 million to Sessan to finance the acquisition of shares in an unrelated company. During the year, the Company acquired shares in Ballingslöv at a market value of SEK 35 million from Sessan. At the same time the loan of SEK 10 million was repaid.

Stena Metall

The Company purchases a substantial part of its bunker fuel from Stena Metall. Such purchases aggregated SEK 726 million, SEK 1,127 million and SEK 1,840 million in 2004, 2005 and 2006, respectively.

The Company paid charterhire for vessels to Stena Metall at an amount of SEK 46 million in 2004 and of SEK 63 million each of the years 2005 and 2006.

The Company provides management and other services to Stena Metall. The Company received SEK 1 million in each of the years 2004, 2005 and 2006 for these services.

Olsson Family

The Company rents office space from members of the Olsson family. In 2004, 2005 and 2006, the Company paid SEK 28 million, SEK 29 million and SEK 32 million, respectively, in respect of such properties.

The Company manages certain properties owned by members of the Olsson family. In 2004, 2005 and 2006, members of the Olsson family paid the Company SEK 11 million, SEK 13 million and SEK 12 million, respectively, for such management services.

The Company has agreed to pay Sten A. Olsson and Dan Sten Olsson an annual indexed retirement benefit for life.

In 2004, the Company acquired properties in Sweden, that were subsequently sold to the Olsson family at a value of SEK 587 million. This transaction had no impact on the consolidated accounts for the Company.

In 2005, the Company sold a property to the family of SEK 96 million. The sale was made at market price.

During the year, the Company acquired shares in Gunnebo and Gunnebo Industrier at a market value of SEK 18 million from the family.

Note 30 Subsequent events

On February 8, 2007, the Company completed an offering of €300 million of the 6.125% Senior Notes due 2017. The Company used a portion of the proceeds of the offering of the notes to repurchase approximately \$177 million of the 9½% Senior Notes due 2012 in a tender offer and consent solicitation.

Pursuant to our tender offer and consent solicitation, the Company amended the indenture governing our 9½% Senior Notes due 2012 to eliminate the principal restrictive covenants.

On February 14, 2007, the Company completed an offering of €102 million of our 5.875% Senior Notes due 2019.

In March 2007, the Company commenced a solicitations of consents from the holders of the Senior Notes due 2013 and 2016.

Note 30 Subsequent events — continued

In March 2007 the Company entered into financing arrangements for the third drillship on order, structured similarly to the financings of the first two drillMAX vessels.

Note 31 US GAAP Information

The accompanying consolidated financial statements have been prepared in accordance with Swedish GAAP which differs in certain significant respects from US GAAP. The following is a summary of the adjustments to net income and stockholders' equity that would have been required if US GAAP had been applied instead of Swedish GAAP in the preparation of the consolidated financial statements.

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Net income under Swedish GAAP	2,359	2,268	4,339
Adjustments to reconcile to US GAAP:			
Disposal of assets ^(a)	(365)	80	(295)
Depreciation of properties ^(b)	(109)	(34)	(153)
Investments in securities ^(c)	(76)	(388)	(503)
Investment subsidies ^(d)	16	—	—
Financial instruments ^(e)	549	1,295	(1,011)
Purchase accounting Stena Line ^(f)	(67)	34	111
Business combinations ^(g)	15	33	35
Pensions ^(h)	(42)	(1,533)	(494)
Deferred costs ⁽ⁱ⁾	15	15	13
Capital lease transaction ^(j)	(492)	73	766
Investments in VIEs ^(k)	132	—	—
Others	15	16	36
Tax effect of US GAAP adjustments	(98)	149	172
Net income under US GAAP	1,852	2,008	3,016

(SEK in millions)	As of December 31,	
	2005	2006
Stockholders' equity under Swedish GAAP	15,132	18,587
Adjustments to reconcile to US GAAP:		
Disposal of assets ^(a)	(370)	(664)
Depreciation of properties ^(b)	(515)	(668)
Financial instruments ^(e)	1,822	771
Purchase accounting Stena Line ^(f)	(330)	(219)
Business combinations ^(g)	48	83
Pensions ^(h)	(71)	(512)
Deferred costs ⁽ⁱ⁾	(13)	—
Capital lease transaction ^(j)	(766)	—
Others	(56)	(20)
Tax effect of cumulative US GAAP adjustments	32	193
Stockholders' equity under US GAAP	14,913	17,551

Those differences which have a material effect on consolidated net income and stockholders' equity are described as follows:

- (a) Disposal of assets – Disposed assets may have different carrying values under US GAAP resulting in a different gain or loss on disposal than under Swedish GAAP. After consolidation

Note 31 US GAAP Information — continued

of Stena Line as of October 31, 2000, this includes gains on sales of certain vessels to Stena Line in 1988 to 1995, which under Swedish GAAP have been eliminated to the extent of the Company's 46% investment. For US GAAP purposes, the Company eliminates all of such gains. A disposal of an asset resulting in a gain in accordance with Swedish GAAP may not qualify as a sale under US GAAP but as a sale-lease back transaction. A gain is deferred under Swedish GAAP when there is a sale-lease back transaction where the lease is determined to be a finance lease, but the gain is recognized if the lease is determined to be an operating lease. Under US GAAP the gain is also deferred when the lease is determined to be an operating lease. The gain is deferred over the life of the lease. For US GAAP purposes, the gain recognized on the Company's sale of tankers to Arlington Tankers Ltd is the amount of SEK 316 million for the year ended December 31, 2004 has been deferred and is being amortized over five years, the life of the lease. In 2006 Stena Contest, Stena Concept, Stena Compass och Stena Compassion were sold and the gain on the sale- and leaseback will be released over the charter periods until 2008. The gains amounted to SEK 108, 106, 161 and 157 millions, respectively.

- (b) Depreciation of properties – Under Swedish GAAP, properties in the Company's real estate operations are depreciated at 1%. Under US GAAP, all properties are depreciated over their estimated useful lives. For US GAAP purposes, depreciation for the real estate properties is based on periods of 50 years.
- (c) Investments in securities – Under Swedish GAAP, the Company changed the accounting principles 2005 for the valuation of financial instruments at market. The accounts for 2004 have been restated. Changes in the market value of certain marketable securities are revalued through the income statement. Under US GAAP, changes in the market value of these investments are classified as 'available for sale' securities and are recorded as a separate component of equity, net of applicable deferred taxes.
- (d) Investment subsidies – Under Swedish GAAP, government investment subsidies related to the financing of vessels are recorded as income upon receipt of cash. Under US GAAP, investment subsidies are netted against the cost of the vessel effectively reducing depreciation expense over the economic useful life of the vessel. The Company sold the vessel during 2004 and the remaining adjustment to US GAAP was accounted for as an additional gain on sale of vessels during 2004.
- (e) Financial instruments – Under Swedish GAAP, the Company changed the accounting principles 2005 for the valuation of financial instruments at market and the result is recorded as a separate component in the equity. The accounts for 2004 have been restated. Unrealized gains and losses on forward exchange contracts and foreign currency options which hedge future bunker fuel risks are deferred and recognized only when realized. Under US GAAP, unrealized gains and losses on such contracts which do not qualify for hedge accounting treatment would be recognized as income or loss when they occur. Management has concluded that none of the Groups' hedges of financial exposure qualify for hedge accounting under US GAAP during 2006. In accordance with US GAAP, all outstanding derivative instruments are therefore valued at fair value. The gains and losses that thereby arise are included when calculating income.
- (f) Purchase accounting Stena Line – For US GAAP purposes, the acquisition of the additional 12% of Stena Line in October 2000 should be accounted for as a step acquisition. Thus, for US GAAP purposes, the Company's carrying value of its prior 46% interest in Stena Line does not change; that is, carryover basis is used for that portion of the investment in Stena Line. Under step acquisition accounting, the additional 12% tranche of Stena Line acquired in 2000 would be recorded at fair value based upon the purchase price paid for shares of Stena Line of SEK 8 per share. The increase in depreciation expense amounted to SEK 11 million, SEK 11 million

Note 31 US GAAP Information — continued

and SEK 11 million for the years ended December 31, 2004, 2005 and 2006, respectively. In connection with the Company's offer for shares of Stena Line, the Company also agreed to repurchase the outstanding Senior Notes of Stena Line for 80% of their redemption value. The difference between the book value of those Senior Notes and the reacquisition price paid by the Company was SEK 658 million. The price paid by the Company to acquire the Senior Notes is deemed to be the fair value of the notes due to the proximity of the two transactions. The excess of the carrying value of these notes over their fair value represents negative goodwill resulting from the acquisition of Stena Line by the Company. Under Swedish GAAP, such negative goodwill has been amortized into income over four years. However, For US GAAP purposes, the excess of the fair value of an acquired business over its purchase price (i.e., negative goodwill) is applied as a reduction of the carrying value of acquired long-lived assets. The reduction of the carrying value of the acquired Stena Line long-lived assets results in a lower depreciation expense for US GAAP purposes on the Stena Line long-lived assets, primarily vessels, as compared to Swedish GAAP. The reduction in depreciation expense amounted to SEK 45 million for each of the years ended December 31, 2004, 2005 and 2006, respectively.

- (g) Business combinations – Accounting of acquisitions of certain subsidiaries under Swedish GAAP differs from US GAAP. The difference is attributable primarily to reporting and amortization of goodwill. In accordance with SFAS 142 "Goodwill and Other Intangible Assets", goodwill and other intangible assets with indefinite useful lives should not be amortized but rather evaluated for impairment annually. Accordingly, the amortization of goodwill reported under Swedish GAAP has been reversed in the determination of Net income and Shareholders' equity under US GAAP. Furthermore, impairment tests have been performed for existing goodwill. No impairment loss has been recognized as a result of these tests.
- (h) Pensions – The Company has certain Swedish and British pension arrangements that are not multiemployer or non-participating insurance arrangements funded through payments to a separate pension foundation. Effective in 2004, provisions for employee benefits in the consolidated statements of the Company are accounted for in accordance with RR29 Employee Benefits, which conforms in all significant respects with IAS 19 Employee Benefits. See further Note 1 and Note 19. In accordance with US GAAP, pension benefits should be accounted and disclosed for in accordance with SFAS No. 87 "Employers Accounting for Pensions" and SFAS No. 132 "Employers Disclosure about Pensions and Other Post-retirement Benefits." The differences between the accounting principles used by the Company (Swedish GAAP) and US GAAP pertain to different transition dates, and recognition of past service cost and minimum liability adjustments. Certain pension liabilities for employees within the UK ferry operations of the company were previously accounted for as contingent liabilities due to the lack of information on the portion of the liability attributable to the Company. New information was released for this pension scheme in 2005 and the portion of the liability attributable to the Company has been recorded as pension liabilities in the consolidated balance sheet. Under Swedish GAAP, the change has been recorded directly against stockholders' equity and deferred tax liabilities, respectively. From October 1, 2005 the pension scheme will be accounted for as a multiple-employer plan. For U.S. GAAP purposes, the change in 2005 is viewed as the withdrawal from a multi-employer plan and the establishment of a multiple-employer plan with the unfunded benefit obligation of SEK 1,536 million as of October 1, 2005 being recognized, net of tax SEK 1,075 million, immediately in net income. Certain pension liabilities for employees within the UK ferry operations of the company were previously accounted for as contingent liabilities due to the lack of information on the portion of the liability attributable to the Company. New information was released for this pension scheme in 2006 and the portion of the liability attributable to

Note 31 US GAAP Information — continued

the Company has been recorded as pension liabilities in the consolidated balance sheet. Under Swedish GAAP, the change has been recorded directly against stockholders' equity and deferred tax liabilities, respectively. From October 1, 2006 the pension scheme will be accounted for as a multiple-employer plan. For U.S. GAAP purposes, the change in 2006 is viewed as the withdrawal from a multi-employer plan and the establishment of a multiple-employer plan with the unfunded benefit obligation of SEK 498 million as of October 1, 2006 being recognized, net of tax SEK 349, immediately in net income. SFAS 158 "Employers' accounting for defined benefit pension and other postretirement plans" was issued by the FASB in September 2006. Statement SFAS 158 requires an employer to recognize the funded status of pension and other postretirement benefit plans (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The adoption of SFAS 158 resulted in a charge to equity reported in accordance with US GAAP with SEK 312 million. This Statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position for fiscal years ending after December 15, 2008, with limited exceptions. Stena is in the process of evaluating their processes and the changes required to meet these requirements.

- (i) Deferred costs – The Company was party to litigation regarding a claim by Statoil, the charterer of the Stena Don, pertaining to the delivery of the rig. The Company had initiated a lawsuit against Statoil in May 2003 in relation to the use and payment for additional variable deckload, insurance payments and certain matters in relation to the dayrates and use of certain equipment. In October 2003, the Company reached a settlement with Statoil. The settlement resulted in the resolution of amounts that had been previously invoiced by the Company but had not been paid by Statoil. The Company also agreed to withdraw its legal claims against Statoil. Under Swedish GAAP, costs that are related to long-term contracts of long-lived assets may be capitalized and amortized over the life of the related contract if the costs are related to the maintenance of the contract and can be recovered from the cash flow of the contract. For US GAAP purpose, the costs incurred as a result of amounts that were not recoverable in the ultimate settlement with Statoil must be expensed. As per 31 December, 2006 the total provision has been released.
- (j) Capital lease transaction – Since 1996, the Company has leased certain vessels from two special purpose leasing entities. The leases were each accounted for as capital leases and accordingly, the Company recorded an asset and a corresponding lease obligation on its balance sheet for both Swedish and US GAAP. In December 2003, the Company acquired the special purpose leasing entities for consideration of GBP 7 million. The leasing entities acquired by the Company had existing bank indebtedness of GBP 105 million which pursuant to the share purchase agreements the Company was obliged to procure repayment, and a deferred tax liability of GBP 45 million. The Company immediately paid the bank indebtedness. Also in December 2003, the Company transferred the vessels to a wholly owned subsidiary which, pursuant to existing law, increased the tax basis of the vessels and reduced the associated deferred tax liability. Accordingly, for US GAAP purposes, the deferred tax liability at December 31, 2003, has been reduced in accordance with the provisions of the relevant tax law in effect at that date. The effect of the reduction of the deferred tax liability is recorded as an adjustment to the carrying value of the vessel for US GAAP purposes which creates a book basis difference in the vessel when compared to Swedish GAAP. The reduction of the carrying value of the vessels will result in lower depreciation expense for US GAAP purposes as compared to Swedish GAAP. Under Swedish GAAP the benefit from the resolvment of the deferred tax liability is recorded as an income tax benefit in 2004. In addition, approximately SEK 28 million of costs associated with the

Note 31 US GAAP Information — continued

establishment of the post-acquisition structure were capitalized for Swedish GAAP in 2003. Under US GAAP, such costs are considered to be period costs and are expensed as incurred. These costs have been expensed under Swedish GAAP during 2004 and thereby reversing the adjustment under US GAAP.

During 2006 the HSS vessels have been written-down in Swedish GAAP and under US GAAP these write-downs were reversed since there is no longer a book value difference. The total write-down in accordance with US GAAP has been released.

(k) Investment in VIEs

The company changed the Swedish GAAP accounting principle for consolidation of VIE's in 2005. VIE's are consolidated now for Swedish as well as for US GAAP in 2005. The difference in 2004 net income was due to the change in accounting principles under Swedish GAAP that allowed the transition to be recorded as a cumulative effect in shareholders equity and under US GAAP to be recorded in net income. The Company choose not to restate the unrealized portion of the gain in securities in Swedish GAAP. This adjustment was made in prior year's for US GAAP purposes.

The condensed consolidated financial statements under US GAAP are presented as follows:

Income statement – US GAAP (SEK in millions)	Year ended December 31,		
	2004	2005	2006
Total revenues	15,955	18,491	20,388
Net gain sale of vessels	291	395	2,018
Net gain sale of property	113	935	194
Direct operating expenses	(10,447)	(11,525)	(14,469)
Selling and administrative expenses	(1,803)	(3,393)	(2,621)
Depreciation and amortization	(1,769)	(2,738)	(1,875)
Total operating expenses	(14,019)	(17,656)	(18,965)
Income from operations	2,340	2,165	3,635
Share of affiliated companies' results	17	21	27
Interest income	382	567	738
Interest expense	(1135)	(1,395)	(1,649)
Other financial items	1,015	695	484
Total financial income and expense	262	(133)	(427)
Minority Interest	(57)	(21)	(23)
Income taxes	(710)	(24)	(196)
Taxes			
Net income	1,852	2,008	3,016

Note 31 US GAAP Information — continued

Balance sheet – US GAAP (SEK in millions)	As of December 31,	
	2005	2006
Intangible fixed assets	806	688
Tangible fixed assets	31,372	33,616
Marketable securities	3,284	5,791
Investment in VIE's	5,753	7,341
Other noncurrent assets	3,594	4,688
Total noncurrent assets	44,809	52,124
Short-term investments	2,213	2,462
Cash and cash equivalents	3,744	884
Other current assets	4,463	4,812
Total current assets	10,420	8,158
Total assets	55,229	60,282
Total stockholders' equity	14,913	17,551
Minority Interest	131	162
Deferred income taxes	1,485	1,516
Pension liabilities	1,953	2,718
Other provisions	46	1,667
Long-term debt	29,928	25,995
Other noncurrent liabilities	883	1,515
Total noncurrent liabilities	30,811	27,510
Short-term debt	1,709	4,776
Other current liabilities	4,181	4,382
Total current liabilities	5,890	9,158
Total stockholders' equity and liabilities	55,229	60,282

Note 32 Additional US GAAP Disclosures

Certain disclosures and financial statement classifications required under US GAAP and the US Securities and Exchange Commission rules and regulations would be different from the amounts disclosed on a Swedish GAAP basis. The following information is presented on a US GAAP basis for US GAAP presentation purposes.

(a) Income Taxes

The net deferred tax liability of the Company computed on a US GAAP basis consists of the following:

(SEK in millions)	As of December 31,	
	2005	2006
Deferred tax liabilities:		
Property, vessels and equipment	2,091	2,124
Investments	666	580
Other	88	261
Total deferred tax liabilities	2,845	2,966
Deferred tax assets:		
Property, vessels and equipment	327	710
Tax loss carryforwards	1,182	815
Investments	599	647
Provisions	77	173
Other	—	122
Total deferred tax assets	2,185	2,334
Less deferred tax assets not recognized	(581)	(638)
Net deferred tax assets	1,604	1,829
Net deferred tax liability under US GAAP	1,241	1,137
<i>Out of which</i>		
Deferred tax assets	244	379
Deferred tax liability	1,485	1,516
Net deferred tax liability	1,241	1,137

The valuation increased/(decreased) by SEK 773 million, SEK (736) million and SEK 57 million during the years ending December 31, 2004, 2005 and 2006, respectively.

The determination of the amount of unrecognized deferred tax liability in respect of the cumulative amount of undistributed earnings of subsidiaries that would be taxed on remittance is not practicable.

(b) Long-term Debt

For Swedish GAAP purposes, certain borrowings that have formal repayment dates in 2006 have been classified as long-term because the Company intends to refinance those borrowings on a long-term basis. See Note 20. Those borrowings which amount to SEK 835 million and SEK 2,885 million at December 31, 2005 and 2006 respectively would be classified as short-term in a US GAAP consolidated balance sheet.

(c) Net gain on sale of vessels and property

For Swedish GAAP purposes net gain on sale of vessels and property are included as a component of revenues. For US GAAP purposes these net gains would be excluded from revenues and included as a separate component of income from operations.

(d) Comprehensive Income

The Company has adopted Statement of Financial Accounting ("SFAS") No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and presentation of

Note 32 Additional US GAAP Disclosures — continued

comprehensive income and its components in a full set of financial statements. Comprehensive income generally encompasses all changes in stockholders' equity (except those arising from transactions with the owners) and includes net income (loss), net unrealized capital gains or losses and available for sale securities and foreign currency translation adjustments. Comprehensive income in accordance with US GAAP was as follows:

	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2003		(1,800)
Net income	1,852	
Available for sale securities	99	99
Minimum liability, pensions	82	82
Foreign currency translation adjustment	(210)	(210)
Comprehensive income 2004	1,823	
Balance as of December 31, 2004		(1,829)
Net income	2,008	
Available for sale securities	116	116
Minimum liability, pensions	326	326
Foreign currency translation adjustment	441	441
Comprehensive income 2005	2,891	
Balance as of December 31, 2005		(946)
Net income	3,016	
Adoption of SFAS 158, pensions		(312)
Available for sale securities	498	498
Foreign currency translation adjustment	(887)	(887)
Comprehensive income 2006	2,627	
Balances as of December 31, 2006		(1,647)

The tax effect in comprehensive income was SEK (25) million, SEK (29) million and SEK (144) million in 2004, 2005 and 2006, respectively.

(e) Pensions

Pension cost, on the defined benefit plans, calculated in accordance with US GAAP includes the following:

(SEK in millions)	Year ended December 31,		
	2004	2005	2006
Service cost	41	53	45
Interest cost	133	149	502
Change in pension plans	—	1,536	498
Expected return on plan assets	(143)	(199)	(533)
Net amortization and deferral	42	122	(66)
Net periodic pension cost	73	1,661	446

Note 32 Additional US GAAP Disclosures — continued

The changes in benefit obligation are as follows:

(SEK in millions)	As of December 31,	
	2005	2006
Benefit obligation at beginning of year	2,488	9,364
Service cost	53	45
Interest cost	149	502
Actuarial gain (loss)	126	(54)
Change in pension plans	6,598	3,284
Benefit paid	(33)	(9)
Translation difference	(17)	66
Benefit obligation at end of year	9,364	13,198
Funded status	(9,364)	(13,198)
Additional minimum liability	—	—
Amounts recognized in the consolidated balance sheets as accrued pension liability	9,364	13,198

The change in fair value of plan assets are as follows:

(SEK in millions)	As of December 31,	
	2005	2006
Assets at beginning of year	2,105	8,006
Actual return on plan assets	199	603
Company contributions	62	97
Members contributions	4	4
Change in pension plans	5,062	2,786
Benefits paid	(33)	(167)
Actuarial gain (loss)	426	(391)
Other	181	111
Assets at end of year	8,006	11,049

Assumptions used in the calculation of pension obligations are as follows:

	2004	2005	2006
Weighted discount rate	5.25%	4.25-5.00%	3.90%-5.20%
Expected long-term rate of return on assets	7.1%	4.50-7.50%	7.50%
Rates of increase in compensation levels	3.75%	3.25-3.85%	3.00-3.95%

(f) Recent issued U.S. accounting standards

In June 2006, FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109" (FIN 48) was issued. FIN 48 requires tax benefits from an uncertain position to be recognised if it is 'more likely than not' that the position is sustainable, based on its technical merits. The interpretation also requires qualitative and quantitative disclosures, including discussion of reasonably possible changes that might occur in recognised tax benefits over the next 12 months, a description of open tax years by major jurisdiction, and a roll-forward of all unrecognised tax benefits. FIN 48 first applies for the Company from January 1, 2007. The Company is currently assessing the impact of adopting FIN 48.

Note 32 Additional US GAAP Disclosures — continued

In February 2006, the FASB issued Statement of Financial Accounting Standard No. 155 'Accounting for Certain Hybrid Financial Instruments' (SFAS 155). SFAS 155 provides entities with relief from having to separately determine the fair value of an embedded derivative that would otherwise have to be bifurcated from its host contract in accordance with SFAS 133. SFAS 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value in its entirety, with changes in fair value recognised in earnings. Additionally, SFAS 155 requires that interest in securitised financial assets be evaluated to identify whether they are freestanding derivatives or hybrid financial instruments containing an embedded derivative that requires bifurcation (previously these were exempt from SFAS 133). SFAS 155 is effective for all financial instruments acquired, issued or subject to a re-measurement event occurring after the beginning of an entity's first fiscal year that begins after 15 September 2006. The Company is currently assessing the impact of adopting SFAS 155.

In September 2006, the FASB issued SFAS 157 "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The statement emphasizes that fair value is a market-based measurement and not an entity-specific measurement. It also establishes a fair value hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value." SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of adoption of this on the Company's financial condition, results of operation or liquidity.

In September 2006, the FASB issued SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," an amendment of FASB Statements No. 87, 88, 106 and 132(R). SFAS 158 requires employers to recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status. Secondly, it requires employers to measure the plans assets and obligations that determine its funded status as of the end of the fiscal year. Lastly, employers are required to recognize changes in the funded status of a defined benefit postretirement plan in the year that the changes occur with the changes reported in comprehensive income. During 2006, the Company adopted the recognition and disclosure provisions of SFAS 158, which resulted in a SEK 312 million decrease in accumulated other comprehensive income and shareholders equity, a SEK 445 million increase in accrued pension liability, and a SEK 133 million decrease in deferred income taxes. The Company will adopt the measurement date provisions of SFAS 158 for the fiscal year ended December 31, 2008.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ("SFAS 159") which permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. The following balance sheet items are within the scope of SFAS 159:

- Recognized financial assets and financial liabilities unless a special exception applies
- Firm commitments that would otherwise not be recognized at inception and that involve only financial instruments
- Non-financial insurance contracts
- Host financial instruments resulting from separation of an embedded non-financial derivative instrument from a non-financial hybrid instrument

SFAS 159 will be effective for fiscal years beginning after November 2007 with early adoption possible but subject to certain requirements. The Company is currently assessing the impact of adopting SFAS 159.

Report of Independent Registered Public Accounting Firm on Schedules

The Board of Directors
Stena AB (publ)

Under date of April 25, 2007, we reported on the consolidated balance sheets of Stena AB (publ) and subsidiaries as of December 31, 2005 and 2006, and the related consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2006, and the related statement of changes in stockholders' equity for each of the years in the two year period ended December 31, 2006, as contained in the Annual Report on Form 20-F for the year 2006. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audit.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Gothenburg, Sweden
April 25, 2007
KPMG Bohlins AB

Thord Elmersson
Authorized Public Accountant

Stena AB and Consolidated Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2004, 2005 and 2006

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Companies acquired</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
			(SEK in thousands)		
Allowance for Doubtful Accounts:					
December 31, 2004.....	20,825	8,841		(3,656)	26,010
December 31, 2005.....	26,010	17,342	19,626	(10,746)	52,232
December 31, 2006.....	52,232	22,198		(28,012)	46,418

Notes:

Additions includes foreign currency translation effect

Stena AB and Consolidated Subsidiaries
Property Cost and Accumulated Depreciation
December 31, 2006
(SEK in millions)

Notes:

(1) Gross amount at which carried at end of the year:

	Year ended December 31,		
	2004	2005	2006
	(SEK in millions)		
Balance at beginning of year	8,158	19,476	18,314
Additions:			
Purchase of companies	11,298	(524)	0
Additions	490	1,969	1,525
Foreign currency effect	(51)	408	(150)
	19,895	21,329	19,689
Deductions:			
Disposals	423	2,977	523
Transfers	(4)	38	91
	419	3,015	614
Balance at end of year	19,476	18,314	19,075

(2) Accumulated depreciation:

	Year ended December 31,		
	2004	2005	2006
	(SEK in millions)		
Balance at beginning of year	533	777	1,039
Depreciation charged	294	393	234
Properties sold	(38)	(161)	(41)
Transfers		(22)	(79)
Foreign currency effect	(12)	52	(26)
	777	1,039	1,127
Net book value	18,699	17,275	17,948

Stena AB and Consolidated Subsidiaries
Property and Accumulated Depreciation
December 31, 2006

Description Property data	Encumbrances (Mortgages) TSEK	Initial cost to company TSEK	Costs capitalised TSEK	Total [1] TSEK	Accumulated Depreciation [2] TSEK	Net book value
SFAB, enclosure no 1.....	2,639,545	3,137,624	664,109	3,801,733	(276,738)	3,524,995
SFNAB, enclosure no 2.....	716,211	517,435	22,622	540,057	(49,473)	490,584
SFSAB, enclosure no 3.....	742,495	932,354	36,784	969,138	(47,586)	921,552
SFHKB, enclosure no 4.....	369,250	351,345	48,631	399,976	(16,095)	383,881
SFFAB group, enclosure no 5 ..	5,553,983	8,604,222		8,604,222	(210,328)	8,393,894
Total Stena Fastigheter group.	10,021,484	13,542,980	772,146	14,315,126	(600,220)	13,714,906
SRBV, enclosure no 6	1,757,627	1,975,410	57,891	2,033,302	(131,805)	1,901,496
SPBV, enclosure no 7	449,337	775,749	89,468	865,217	(29,759)	835,458
Total Stena Realty group.....	2,206,964	2,751,159	147,360	2,898,519	(161,565)	2,736,954
Total real estate.....	12,228,447	16,294,139	919,506	17,213,645	(761,785)	16,451,860
Stena Line, enclosure no 8		1,531,081	11,772	1,542,853	(343,246)	1,199,608
Adactum, enclosure no 9.....		229,404		229,404	(6,014)	223,390
NMM, Glasgow		59,034		59,034	(9,232)	49,802
Stena Drilling, Aberdeen		13,236		13,236	(6,886)	6,350
Scan-Port, Germany		15,059		15,059		15,059
Euro-Port, Denmark		1,266		1,266		1,266
Total buildings and land.....		1,849,080	11,772	1,860,852	(365,378)	1,495,475
Total		18,143,219	931,278	19,074,497	(1,127,162)	17,947,335

SCHEDULE III

Property and Accumulated Depreciation
December 31, 2006

Description	Encumbrances	Initial cost to company	Costs capitalised	Total	Accumulated Depreciation	Date of construction	Date acquired	Life on which depreciation is computed
	(Mortgages)	Buildings and land						
Property data	TSEK	TSEK	Improvements TSEK	TSEK	TSEK			
Järnbrott 126:4	33,699	3,071	2,888	5,959	(78)	1961	01/01/81	100 years
Kallebäck 7:8	10,505	4,042	497	4,539	(316)	1964	01/01/81	100 years
Högsbo 8:9	4,690	3,793	9,775	13,568	(2,824)	1971	01/01/81	100 years
Kallebäck 12:4	9,000	4,740	585	5,325	(378)	1960	31/12/83	100 years
Kvillebäcken 12:2 ...	9,200	18,600	3,396	21,996	(2,147)	1961	30/09/84	100 years
Biskopsgården 46:4 .	16,680	13,305	14,020	27,325	(3,059)	1968/73	31/12/85	100 years
Stampen 26:2	97,500	58,549	5,786	64,335	(6,073)	1988	01/01/94	100 years
Järnbrott 164:22	39,000	26,771	649	27,420	(2,915)	1966	01/02/94	100 years
Sannegården 15:4 ..	9,759	0	10,913	10,913	(1,124)	1973	01/01/83	100 years
Sannegården 15:5 ..	18,750	23,450	− 14,068	9,382	(194)	1973	01/01/83	100 years
Sannegården 22:19 .	3,115	0	2,400	2,400	(241)	1973	01/01/83	100 years
Partille 3:234-5	0	96	1	97	0		01/01/83	100 years
Askim 70:4-6	120,000	159,164	4,922	164,086	(8,779)	1968/98	01/01/00	100 years
Askim 70:1	0	1	0	1	0	1968/98	01/01/00	100 years
Askim 59:38	0	1,000	56	1,056	(72)	1968/98	01/01/00	100 years
Kardemumman 1-2 .	15,000	17,306	335	17,641	(837)	1990	01/07/00	100 years
Ugglum 14:15	4,000	5,835	2,686	8,521	(786)	1982	01/04/88	100 years
Linkärven 6	0	10,484	− 5,038	5,446	(949)	1990	01/04/90	100 years
Järnbrott 144:5	8,625	3,887	263	4,150	(212)	1963	01/08/83	100 years
Kallebäck 4:1	36,950	4,708	2,711	7,419	(136)	1963	01/08/83	100 years
Kärä 78:3	16,420	8,444	7,950	16,394	(1,792)	1973	01/04/86	100 years
Kobbegården 257:3 .	28,500	7,990	1,584	9,574	(361)	1970	01/08/81	100 years
Kobbegården 257:1 .	30,000	16,426	3,091	19,517	(2,039)	1970	01/08/81	100 years
Kobbegården 257:2 .	25,000	− 1,124	0	− 1,124	1,162	1970	01/08/81	100 years

SCHEDULE III
enclosure 1

Property and Accumulated Depreciation
December 31, 2006

Description	Encum- brances	Initial cost to company	Costs capitalised	Total	Accumulated Depreciation	Date of con- struction	Date acquired	Life on which depreciation is computed
	(Mortgages)	Buildings and land	Improvements		TSEK			
Property data	TSEK	TSEK	TSEK	TSEK	TSEK			
Askim 70:2	27,181	26,435	0	26,435	(2,546)	1968	01/08/81	100 years
Askim 70:3	48,195	- 7,387	6,145	- 1,242	1,284	1968	01/08/81	100 years
Kobbegården 6:139.	0	7,225	11,345	18,570	(1,805)	1974	01/03/86	100 years
Högsbo 8:10	550	5,207	- 56	5,151	(225)	1960	01/01/90	100 years
Gullbergsvass 5:121 .	78,000	88,227	15,309	103,536	(11,844)	1988	01/04/94	100 years
Kobbegården 6:3 ...	195,000	146,028	34,235	180,263	(14,078)	1970	12/97	100 years
Helasingör 10	39,500	5,350	3,816	9,166	(441)	1964	01/05/81	100 years
Kockum 20	8,996	2,030	1,516	3,546	19	1960	01/05/81	100 years
Kockum 21/22	23,700	4,543	2,907	7,450	(377)	1962	01/01/82	100 years
Bjurö 9	4,500	4,781	8,770	13,551	(1,339)	1964	11/82	100 years
Järnet 2	4,050	15,041	4,795	19,836	(14,166)	1991	12/83	100 years
Bilden 10	21,000	2,773	17,231	20,004	(2,048)	1963	04/84	100 years
Almen 20	24,375	3,309	9,303	12,612	(737)	1966	05/81	100 years
Frans Suell 14	135,000	45,932	149,056	194,988	(20,118)	1906/36	02/91	100 years
Frans Suell 8	0	23,170	- 23,170	0	0	1900/79	02/94	100 years
Frans Suell 10	0	24,000	- 24,000	0	0	1900/79	02/95	100 years
Brudbuketten 6	0	6,698	3,197	9,895	(795)	1991	05/92	100 years
Solbacken 22	10,475	7,418	3,711	11,129	(967)	1964	05/92	100 years
Flygfältet 3	3,940	4,566	2,493	7,059	(695)	1960/70	05/95	100 years

SCHEDULE III
enclosure 1

Property and Accumulated Depreciation
December 31, 2006

Description	Encum- brances	Initial cost to company	Costs capitalised		Total	Accumulated Depreciation	Date of con- struction	Date acquired	Life on which depreciation is computed
			Buildings and land	Improvements					
Property data	(Mortgages)		TSEK	TSEK	TSEK	TSEK			
Pilåkern 1	83,700	14,549		21,487	36,036	(2,251)	1959	05/81	100 years
Pilåkern 2	125	269		1,399	1,668	(93)	1960/70	05/81	100 years
Almen 16	5,400	3,383		-1,101	2,282	(6)	1961	05/81	100 years
Leonard 1	194,000	202,039		64,012	266,051	(18,226)	1970	11/00	100 years
Abel 14	80,000	142,313		15,326	157,639	(9,764)	1973	11/00	100 years
Abel 15	45,000	0			0	0	1973	11/00	100 years
Korpen 39	9,000	14,631		776	15,407	(658)	1960/70	01/99	100 years
Laboratorn 4	16,800	29,251		867	30,118	(1,446)	1960/70	01/99	100 years
Professorn 12	11,900	20,663		1,573	22,236	(1,201)	1960/70	01/99	100 years
Frukten 9	790	6,445		0	6,445	(249)	1960/70	01/99	100 years
Flygfältet 8	0	-187		3,067	2,880	(2)	1961	07/87	100 years
Flygfältet 2	0	4,950		-2,987	1,963	(652)	1961	07/87	100 years
Flygfältet 7	6,000	7,468		0	7,468	(423)	1989	08/00	100 years
Hilleröd 12	5,250	2,202		536	2,738	(180)	1962	01/81	100 years
Nyborg 22	32,000	8,070		1,798	9,868	(539)	1968	08/82	100 years
Solbacken 13	2,700	4,386		4,204	8,590	(1,063)	1965	06/86	100 years
Bronsyxan 16	0	14,281		4,258	18,539	(1,711)	1975	10/87	100 years
Hymnen 1	22,400	10,278		14,797	25,075	(2,367)	1960/70	05/94	100 years
Kantaten 1	42,000	12,618		20,151	32,769	(2,601)	1960/70	05/94	100 years
Kantaten 2	33,600	8,600		15,298	23,898	(2,044)	1960/70	05/94	100 years
Kantaten 3	37,800	13,142		17,601	30,743	(2,907)	1960/70	05/94	100 years
Kantaten 6	27,300	11,313		16,057	27,370	(2,350)	1960/70	05/94	100 years

SCHEDULE III
enclosure 1

**Property and Accumulated Depreciation
December 31, 2006**

Description	Encum- brances	Initial cost to company	Costs capitalised	Total	Accumulated Depreciation	Date of con- struction	Date acquired	Life on which depreciation is computed
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>	<u>Improvements</u>		<u>TSEK</u>			
	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>		<u>TSEK</u>			
Docenten 6	13,500	10,039	10,193	20,232	(1,987)	1960/70	01/97	100 years
Laboratorn 2	20,700	13,550	12,375	25,925	(2,405)	1960/70	01/97	100 years
Professorn 9	19,400	14,272	11,467	25,739	(2,570)	1960/70	01/97	100 years
Professorn 11	21,800	18,486	10,353	28,839	(2,845)	1960/70	01/97	100 years
Laboratorn 3	21,800	18,811	12,274	31,085	(2,989)	1960/70	01/97	100 years
Altona 20 & 21	113,000	92,661	77,785	170,446	(30,985)	1966	09/98	100 years
Pontus 20	97,225	127,844	1,619	129,463	(6,775)	1935	04/01	100 years
Sporren 4	49,000	85,995	513	86,508	(45,370)	1958	04/01	100 years
Luggude 8	20,000	27,500	0	27,500	(1,244)	1967	04/01	100 years
Hämplingen 15	12,750	17,015	399	17,414	(1,051)	1964	04/01	100 years
Utanverket 13	48,750	70,107	629	70,736	(3,579)	1958	04/01	100 years
Kolga 6	55,000	75,428	2,989	78,417	(3,704)	1935	04/01	100 years
Ryttmästaren 17	0	32,874	0	32,874	(1,165)	1970	02/04	100 years
Fältspaten 1	60,000	83,032	0	83,032	(3,025)	1982	02/04	100 years
Masthugget 712:30 .		17,000	0	17,000	(1,232)		2005	100 years
Ongoing project		- 21,988	33,601	11,613	(116)		2005	100 years
Other		447	2,073	2,520	303		2005	100 years
Other			4,452	4,452	(45)		2005	100 years
Hjälten 3	124,000	193,705		193,705	(1,997)		2005	100 years
Hjälmen 3	81,200	60,415	1,446	61,861	(631)		2005	100 years
Gropen 2	26,400	28,690		28,690	(297)		2005	100 years
Grottan 16	14,400	9,855	820	10,675	(110)		2005	100 years
Gnistan 13	12,800	8,927		8,927	(92)		2005	100 years
Gästgivaren 3	11,200	10,220		10,220	(105)		2005	100 years
Halmstad 6:4 mfl ...	0	188		188	(2)		2005	100 years
Gårdsten 58:1		546,000		546,000	(5,005)		2006	100 years
Tynnered 13:2		260,000		260,000	(1,950)		2006	100 years
Total SFAB	2,639,545	3,137,624	664,109	3,801,733	(276,738)			

SCHEDULE III
enclosure 1

Property and Accumulated Depreciation
December 31, 2006

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
Property data	(Mortgages)	Buildings and land	Improvements		TSEK			
	TSEK	TSEK	TSEK		TSEK			
Erstavik 26: 8	20,800	16,032	688	16,720	(1,650)	1971-75	12/96	100 years
Erstavik 26: 9	21,078	17,149	700	17,849	(1,744)	1971-75	12/96	100 years
Erstavik 26: 10	20,500	16,552	785	17,337	(1,717)	1971-75	12/96	100 years
Erstavik 26: 11	47,500	32,632	1,010	33,642	(3,169)	1971-75	12/96	100 years
Erstavik 26: 12	44,900	31,121	164	31,285	(2,832)	1971-75	12/96	100 years
Erstavik 26: 13	42,100	27,907	430	28,337	(2,568)	1971-75	12/96	100 years
Erstavik 26: 14	37,200	24,969	160	25,129	(2,276)	1971-75	12/96	100 years
Erstavik 26: 15	36,208	24,594	97	24,691	(2,238)	1971-75	12/96	100 years
Erstavik 26: 16	36,700	24,541	138	24,679	(2,236)	1971-75	12/96	100 years
Erstavik 26: 17	36,800	25,221	631	25,852	(2,318)	1971-75	12/96	100 years
Erstavik 26: 18	41,200	30,169	105	30,274	(2,744)	1971-75	12/96	100 years
Erstavik 26: 20	7,000	4,311	81	4,392	(402)	1971-75	12/96	100 years
Erstavik 26: 28	14,700	16,128	627	16,755	(1,644)	1971-75	12/96	100 years
Erstavik 26: 29	15,225	16,264	678	16,942	(1,661)	1971-75	12/96	100 years
Erstavik 26: 30	14,800	16,212	878	17,090	(1,722)	1971-75	12/96	100 years
Erstavik 26: 109	40,600	27,675	206	27,881	(2,527)	1971-75	12/96	100 years
Erstavik 26: 110	40,800	28,578	627	29,205	(2,703)	1971-75	12/96	100 years
Erstavik 26: 111	37,600	24,571	163	24,734	(2,239)	1971-75	12/96	100 years
Erstavik 26: 113	38,900	26,058	116	26,174	(2,371)	1971-75	12/96	100 years
Erstavik 26: 115	38,900	26,618	167	26,785	(2,425)	1971-75	12/96	100 years
Erstavik 26: 117	41,500	27,035	180	27,215	(2,462)	1971-75	12/96	100 years
Erstavik 26: 118	41,200	26,924	158	27,082	(2,450)	1971-75	12/96	100 years
Erstavik 26: 434		6,174	3,197	9,371	(1,375)	1971-75	12/96	100 years
Erstavik 26: 488		0		0	0	1971-75	12/96	100 years
Ongoing projects			10,636	10,636	0			
TOTAL SFNAB	716,211	517,435	22,622	540,057	(49,473)			

SCHEDULE III
enclosure 2

Property and Accumulated Depreciation
December 31, 2006

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
Property data	(Mortgages)	Buildings and land	Improvements		TSEK			
	TSEK	TSEK	TSEK		TSEK			
Blackebergs Gård 1	41,475	20,920	3,545	24,465	(1,028)	1902	04/00	100 years
Hägern Större 16	350,000	400,516	1,982	402,498	(25,623)	1990	04/00	100 years
Tempelriddareorden 1	17,500	26,144	90	26,234	(1,333)	1964	12/01	100 years
Tempelriddareorden 2	12,110	17,482	70	17,552	(893)	1964	12/01	100 years
Tempelriddareorden 3	32,900	49,556	163	49,719	(2,528)	1964	12/01	100 years
Tempelriddareorden 4	26,600	38,642	74	38,716	(1,967)	1964	12/01	100 years
Tempelriddareorden 6	12,950	19,326	69	19,395	(986)	1964	12/01	100 years
Tempelriddareorden 7	32,900	48,879	146	49,025	(2,492)	1964	12/01	100 years
Tempelriddareorden 8	16,450	25,177	82	25,259	(1,284)	1964	12/01	100 years
Tempelriddareorden 9	19,950	31,505	52	31,557	(1,604)	1964	12/01	100 years
Söderbymalm 3:468	177,910	155,000	28,147	183,147	(7,604)	1964	12/02	100 years
Gröna rutan 1	1,750	3,218	8	3,226	(164)	1964	12/01	100 years
Skansen 18	0	95,989		95,989	(80)		09/05	100 years
Ongoing projects			2,356	2,356	0			
TOTAL SFSAB	742,495	932,354	36,784	969,138	(47,586)			

SCHEDULE III
enclosure 3

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
Property data	(Mortgages)	Buildings and land	Improvements		TSEK			
	TSEK	TSEK	TSEK		TSEK			
Haninge Söderbymalm 6:9	15,000	13,390	253	13,643	(538)	1955	07/01	100 years
Haninge Söderbymalm 6:10 ...	28,000	24,720	2,682	27,402	(1,092)	1956	07/01	100 years
Haninge Söderbymalm 3:328 ..	9,000	9,270	1,657	10,927	(426)	1956	07/01	100 years
Haninge Söderbymalm 3:329 ..	10,000	11,330	2,035	13,365	(516)	1956	07/01	100 years
Haninge Söderbymalm 3:333 ..	9,000	9,270	933	10,203	(407)	1957	07/01	100 years
Haninge Söderbymalm 3:372 ..	9,000	10,300	1,667	11,967	(474)	1964	07/01	100 years
Haninge Söderbymalm 3:337 ..	49,250	44,290	7,182	51,472	(2,083)	1964	07/01	100 years
Haninge Söderbymalm 9:1	29,000	29,870	4,949	34,819	(1,388)	1964	07/01	104 years
Haninge Söderbymalm 9:2	26,000	28,840	4,886	33,726	(1,345)	1964	07/01	105 years
Haninge Söderbymalm 6:13 ...	10,500	14,573	2,554	17,127	(671)	1964	07/01	100 years
Haninge Söderbymalm 6:14 ...	33,750	26,030	4,430	30,460	(1,233)	1964	07/01	100 years
Haninge Söderbymalm 6:15 ...	18,250	15,624	2,449	18,073	(722)	1962	07/01	100 years
Haninge Söderbymalm 6:16 ...	6,000	8,331	1,235	9,566	(379)	1962	07/01	100 years
Haninge Söderbymalm 7:16 ...	56,500	47,694	8,057	55,751	(2,196)	1963	07/01	100 years
Haninge Söderbymalm 3:395 ..	14,750	13,523	2,175	15,698	(630)	1967	07/01	100 years
Haninge Söderbymalm 3:476 ..	45,250	44,290	1,094	45,384	(1,995)	1985	07/01	100 years
Ongoing projects.....			393	393	0			
Total SFHKB.....	369,250	351,345	48,631	399,976	(16,095)			

SCHEDULE III
enclosure 4

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>				
	TSEK	TSEK	TSEK			
Höken 56, 57, Malmö . . .	78,370	117,740	(5,921)	1984	2004	100 years
Jerusalem 69, 70 Malmö . .	38,250	74,515	(2,839)	1966	2004	100 years
Möllebacken 23, Malmö . .	81,106	121,751	(6,227)	1983	2004	100 years
Stralsund 33, Malmö	90,102	137,777	(4,401)	1974	2004	100 years
Björnen 4, Malmö	25,715	39,531	(1,047)	1986	2004	100 years
Gabriel 9, Malmö	74,573	114,590	(3,085)	1985	2004	100 years
Mården 3, Malmö	56,361	86,656	(2,282)	1988	2004	100 years
Axel 33, Malmö	177,181	272,258	(7,333)	1988	2004	100 years
Bornholm 6, Malmö	77,337	119,012	(3,026)	1975	2004	100 years
Granen 14, Malmö	28,293	39,878	(4,759)	1979	2004	100 years
Fretten 11, 13 Malmö	88,167	134,199	(4,925)	1979	2004	100 years
Nötskrikan 17, Malmö . . .	43,669	65,776	(3,129)	1900	2004	100 years
Jägaren 1, Nöbb. 2:15	12,981	15,174	(4,097)	1980	2004	100 years
Jägaren 2-3, villebrådet 1 Lund	94,843	129,526	(11,327)	1973	2004	100 years
Kilen 18, Lund	108,976	152,156	(9,694)	1990	2004	100 years
Kilen 19, Lund	66,385	93,919	(7,401)	1992	2004	100 years
Cedern 17	99,240	46,797	(2,725)	1970	2004	100 years
Danzig 22	15,975	25,728	(1,193)	1961	2004	100 years
Elefanten 41	72,000	101,906	(8,527)	1989	2004	100 years
Hermosdal 2	21,675	31,335	(1,815)	1963	2004	100 years
Lars 4	14,790	27,652	(1,257)	1958	2004	100 years
Mjödöt 11	75,225	101,424	(7,569)	1968	2004	100 years
Stacken 11	21,420	30,191	(1,712)	1960	2004	100 years
Vårdkasen 2	11,050	15,173	(976)	1968	2004	100 years
Hörby Häggenäs 9:62	0	220	(3)	Other	2004	100 years

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>				
	TSEK	TSEK	TSEK			
Tolered 129:25 mfl.	80,750	210,513	(16,789)	1960	2004	100 years
Järnbrott 117:5 mfl.	282,200	378,930	(33,354)	1962	2004	100 years
Kortedala 92:5 mfl.	70,550	106,420	(21,418)	1958	2004	100 years
Kortedala 105:5	41,752	60,488	(4,458)	1957	2004	100 years
Kortedala 105:3 mfl.	157,998	231,214	(14,564)	1956	2004	100 years
Johanneberg 39:15	140,269	205,620	(5,500)	1981	2004	100 years
Backa 7:12 mfl.	142,450	181,734	(5,112)	1965	2004	100 years
Backa 886:694-695.	0	328	(4)	Other	2004	100 years
Tynnered.	557,600	711,904	(27,762)	1967	2004	100 years
Prästhult 1:6	0	210	(2)	Land	2004	100 years
Tolered.	183,600	250,250	(23,194)	1960	2004	100 years
Jursta 3:5 och Jursta 3:6 ..	0	22,969	(257)	Other	2004	100 years
Jursta 3:6.	0	34	(0)	Other	2004	100 years
Kungsängen 7:6, Uppsala.	32,400	52,644	(11,210)	1961	2004	100 years
Luthagen 80:1, Uppsala ..	125,600	206,620	(17,588)	1991	2004	100 years
N Kvarngärdet, Uppsala ..	204,000	287,312	(18,965)	1963	2004	100 years
Brahehus 1, Malmö.	59,450	107,148	(8,503)	1957	2004	100 years
Holmen 1, Malmö.	90,400	137,316	(14,329)	1982	2004	100 years
Stora Björnen 11.	7,604	12,017	(328)	Other	2004	100 years
Vittran 1.	57,000	81,605	(2,259)	Other	2004	100 years
Lantbon 15.	1,500	30,120	(834)	Other	2004	100 years
Handlaren 24.	22,262	28,097	(766)	Other	2004	100 years
Båtsmannen 1-2.	12,590	19,873	(531)	Other	2004	100 years
Geväret 3-5 & 7.	18,407	21,905	(594)	Other	2004	100 years
Gärdet 16 & 18.	7,712	8,532	(230)	Other	2004	100 years
Ingenjören 6.	7,129	9,210	(250)	Other	2004	100 years
Laxen 23.	3,456	4,362	(117)	Other	2004	100 years
Nämndemannen 1.	4,113	5,524	(148)	Other	2004	100 years
Tegen 2-4.	14,473	17,351	(471)	Other	2004	100 years
Täfteå 10:202.	0	8,617	(240)	Other	2004	100 years
Aspgården 19.	13,300	19,667	(525)	Other	2004	100 years

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>				
	TSEK	TSEK	TSEK			
Flyttfågeln 2	56,600	81,608	(2,135)	Other	2004	100 years
Hygget 1.....	31,100	35,000	(13,181)	Other	2004	100 years
Jägaren 4.....	7,000	3,717	(98)	Other	2004	100 years
Jägaren 5.....	16,400	27,380	(723)	Other	2004	100 years
Järven 18.....	10,000	7,834	(207)	Other	2004	100 years
Järven 19.....	10,300	22,000	(6,510)	Other	2004	100 years
Krukan 15.....	23,000	28,574	(859)	Other	2004	100 years
Leoparden 2.....	12,100	11,778	(317)	Other	2004	100 years
Leoparden 4.....	10,300	19,214	(520)	Other	2004	100 years
Spetsen 15.....	5,700	7,953	(209)	Other	2004	100 years
Spetsen 16.....	10,300	14,136	(375)	Other	2004	100 years
Tranan 2-3.....	11,500	20,048	(509)	Other	2004	100 years
Masen 9.....	1,516	18,356	(487)	Other	2004	100 years
Sofiehem 2:156.....	19,000	9,541	(232)	Other	2004	100 years
Flyttfågeln 11.....	20,000	27,835	(445)	Other	2004	100 years
Hygget 75.....	5,000	16,899	(271)	1951	2004	100 years
Martallen, Sthlm.....	7,826	27,838	(1,117)	1931	2004	100 years
Källsmora 1:92 (ryttarfastighet).....	0	349	(5)	1929	2004	100 years
Wahrenberg 11.....	155,200	218,275	(17,549)	1939	2004	100 years
Sjukhuset 3.....	222,510	275,664	(28,868)	1950	2004	100 years
Tornet 10-12.....	81,940	118,381	(19,069)	1969	2004	100 years
Vale 9.....	20,000	40,582	(4,666)	1961	2004	100 years
Odinslund 6.....	62,900	80,980	(5,915)	1925	2004	100 years
Danderyd 3:95.....	0	1,887	(1,624)	1965	2004	100 years
Dalkarlshugget 2.....	127,500	175,181	(4,421)	1967	2004	100 years
Rosenbrödet 1.....	0	21,626	(554)	1963	2004	100 years
Smörrutan 1.....	26,500	34,209	(882)	1964	2004	100 years
Wienerbrödet 1.....	79,500	110,742	(2,892)	1907	2004	100 years
Wienerkransen 3.....	52,105	78,292	(1,978)	1889	2004	100 years
Wienerkransen 1.....	0	37,399	(1,014)	1888	2004	100 years
Stativet 4.....	138,000	256,736	(13,832)	1942	2004	100 years

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
Property data	(Mortgages)	Buildings and land				
	TSEK	TSEK	TSEK			
Jakobsberg 2:1164	36,000	53,053	(6,277)	1989	2004	100 years
Järvakrogen 2	9,500	15,159	(377)	Other	2004	100 years
Sikreno 8	6,205	4,121	(109)	1924	2004	100 years
Stockshem 10	0	77,037	(15,345)	1903	2004	100 years
Skansen 18	0	632,965	(6,330)	1970	2005	100 years
Täckeråker 1:8, 1:9, 2:11 ..	85	1,539	(37)	1991	2004	100 years
Täckeråker 2:14	36	4,548	(57)	Other	2004	100 years
Pelaren – Uppdelad i						
Pylonen 1 och Tornet 1 .	0	45,514	(455)	2005	2004	100 years
Näsbyark 73:5	0	345	(3)	1990	2004	100 years
Sfären 1-9, Solna	235,000	278,350	(108,088)	1938	2004	100 years
Tvålfvingan 5	0	195,624	(36,737)	1973	2004	100 years
Autopiloten 5,9,						
Stockholm	21,996	26,427	(20,567)	Other	2004	100 years
Stockhem 11	76,415	74,563	(67,496)	Other	2004	100 years
Wahrenberg 9-10	132,700	194,527	(132,568)	Other	2004	100 years
Other.		285,170	25,004			
Elim on consolidation						
Dec 31, 2004		(628,152)	628,152			
Total SFFAB	5,553,983	8,604,222	(210,328)			

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>	<u>Improvements</u>		<u>TSEK</u>			
	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>			
Archimedeslaan	66,745	98,907	0	98,907	(1,644)	1996	03/06	100 years
Atoomweg	77,097	81,889	6	81,896	(5,446)	1979	07/02	100 years
Brain Park 30	49,253	55,995	3,396	59,391	(987)	1988	05/04	100 years
Brain Park 80	22,090	17,850	1,416	19,266	(4,976)	1989	11/89	100 years
Brain Park 120	34,925	24,650	5,810	30,460	(7,017)	1989	11/89	100 years
Breguetlaan	30,161	37,123	0	37,123	(369)	1992	04/06	100 years
Cessnalaan	32,139	47,625	0	47,625	(749)	1997	01/006	100 years
Eisenhowerlaan	21,088	30,169	199	30,369	(2,420)	1979	01/02	100 years
Haspelslaan	51,296	72,758	415	73,172	(2,343)	1986	07/01	100 years
Otto Heldringstraat	76,509	45,358	715	46,074	(3,876)	1990	01/90	100 years
Hogehilweg 6	48,335	59,493	0	59,493	(663)	1986	07/06	100 years
Keizersgracht	33,897	37,211	5,089	42,300	(3,634)	1750	10/88	100 years
Kiotoweg	49,208	53,109	— 839	52,270	(4,269)	2002	08/02	100 years
Koninginnegracht 10	24,233	16,955	11,443	28,398	(1,534)	1984	06/98	100 years
Koninginnegracht 12	33,835	27,734	10,893	38,626	(1,550)	1984	06/98	100 years
Koninginnegracht 13	26,100	30,403	17	30,420	(1,556)	1990	12/97	100 years
Koninginnegracht 14	34,679	49,422	0	49,422	(1,556)	1994	09/01	100 years
Koninginnegracht 23	22,352	32,190	0	32,190	(2,552)	1971	01/02	100 years
Lichtenauerlaan	44,094	50,476	1,165	51,641	(2,665)	1997	03/04	100 years
Max Euwelaan	50,548	55,739	3,461	59,200	(2,782)	1988	05/04	100 years
Markthalle	46,272	82,525	— 2,537	79,988	(37,155)	1987	12/87	100 years
Nacap	25,158	29,789	1,661	31,449	(2,728)	1989	07/89	100 years
Nacap01	95,025	103,773	14	103,787	(2,189)	1989	11/05	100 years
New York, Lijnden, 2 ihop . .	68,014	75,441	198	75,639	(1,959)	2001	12/01	100 years
Nieuwezijds Kolk	60,274	68,602	42	68,645	(1,809)	1996	04/05	100 years
Park Voorn	43,996	55,704	0	55,704	(5,179)	1989	10/89	100 years
Park Voorn 9	16,956	25,126	0	25,126	(319)	1989	02/06	100 years
Paviljoensgracht	60,358	67,965	952	68,917	(2,773)	1981	12/99	100 years

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and land</u>	<u>Improvements</u>		<u>TSEK</u>			
	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>			
San Francisco, Lijnden	7,857	22,649	- 14,303	8,346	(613)	2002	03/02	100years
Scheveningseweg.	38,975	39,730	4,630	44,361	(1,962)	1988	04/04	100years
Schipolweg	104,075	66,802	24	66,826	(5,202)	1986	12/02	100years
Stadhouderskade.	68,557	74,093	6,113	80,207	(4,263)	1928	10/96	100years
Rooseveltweg	35,596	38,931	1,609	40,540	(2,325)	1995	06/03	100years
Rooseveltweg 11	47,299	58,218	0	58,218	(327)	2002	08/06	100 years
Veraartlaan.	22,787	24,164	1,950	26,114	(1,102)	1978	08/99	100 years
Volmerlaan	95,441	41,959	14,295	56,254	(4,130)	1978	02/90	100 years
Westblaak	0	67,887	0	67,887	(42)	1976	12/06	100 years
Wilhelminalaan	50,286	59,330	57	59,387	(3,448)	1979	05/97	100 years
Zeestraat.	42,118	47,666	0	47,666	(1,690)	1982	10/00	100 years
	0	0	0	0	0			
Elim on consolidation								
Dec 31, 2004	0	0		0	0			
Total SRBV	1,757,627	1,975,410	57,891	2,033,302	(131,805)			

SCHEDULE III
enclosure 5

Property and Accumulated Depreciation
December 31, 2006

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
Property data	(Mortgages)		Improvements					
	TSEK	TSEK	TSEK	TSEK	TSEK			
Hogehilweg	45,250	69,353	4,561	73,914	(2,019)	1986	09/05	100 years
Rue Brasseur, Luxembourg . .	158,909	155,697	— 4,035	151,662	(15,943)	1992	04/92	100 years
Sophia Antipolis, Nice	14,359	15,509	3,341	18,851	(2,055)	1989	03/90	100 years
Schiesstrasse, Duesseldorf . .	59,922	70,820	8,826	79,646	(4,063)	1990	06/89	100 years
WTC Sophia Antipolis.	93,338	74,631	69,235	143,866	(7,155)	1990	12/00	100 years
Font de l'orme.	29,594	28,061	7,495	35,556	(504)	1989	09/03	100 years
Les Deux Arcs.	93,215	123,282	45	123,327	(38)	2003	12/04	100 years
Marco Polo	176,475	238,397	0	238,397	(1)	2003	12/06	100 years
Total SPBV	449,337	775,749	89,468	865,217	(29,759)			

SCHEDULE III
enclosure 5

**Property and Accumulated Depreciation
December 31, 2006**

<u>Description</u>	<u>Encumbrances</u>	<u>Initial cost to company</u>	<u>Costs capitalised</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Date of construction</u>	<u>Date acquired</u>	<u>Life on which depreciation is computed</u>
	<u>(Mortgages)</u>	<u>Buildings and land</u>	<u>Improvements</u>					
<u>Property data</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>	<u>TSEK</u>			
Hotel Fredrikshavn.		269,633		269,633	(174,162)			50 years
Hotel Grenå.		0		0	0			50 years
Other buildings, Denmark . .		79,293		79,293	(66,362)			50 years
Port of Stranraer		160,465		160,465	(53,714)			20 years
Port of Holyhead		1,122,521	10,428	1,132,949	(333,376)			20 years
Port of Fishguard.		232,122		232,122	(91,854)			20 years
Other		0	1,344	1,344	(1,252)			20 years
Hook of Holland		53,874		53,874	(37,693)			20 years
Port of Helsingborg		57,579		57,579	(46,096)			20 years
Port of Gothenburg		36,608		36,608	(19,750)			20 years
Elim on consolidation								
Oct 31, 2000		(387,919)		(387,919)	387,919			
Elim on consolidation								
Dec 31, 2002.		(54,000)		(54,000)	54,000			
Other		(39,094)		(39,094)	39,094			
Total Stena Line.		1,531,081	11,772	1,542,853	(343,246)			

SCHEDULE III
enclosure 5

Property and Accumulated Depreciation
December 31, 2006

<u>Description</u>	<u>Encumbrances</u>	<u>Total</u>	<u>Accumulated</u>	<u>Date of</u>	<u>Date</u>	<u>Life on</u>
<u>Property data</u>	<u>(Mortgages)</u>	<u>Buildings and</u>	<u>Depreciation</u>	<u>construction</u>	<u>acquired</u>	<u>which</u>
	<u>TSEK</u>	<u>land</u>	<u>TSEK</u>			<u>depreciation</u>
Backa 170:2	29,400	26,593	(2,296)			50 years
Olskroken 35:5	12,500	9,488	(1,374)			50 years
Strand Norum 33:4	8,250	12,350	(706)			50 years
Ryda 9:13	600	2,471	(181)			50 years
Galeasen 1	4,000	6,010	(632)			50 years
Umeå Tolvångsgården 4	0	6,189	(56)			30 years
Stockholm Hjässan 18	0	8,500	0			30 years
Nacka Sicklaön 349:5	0	3,825	0			30 years
Arendal Rud 2:6 (ofri grund, pantsett arrendekontrakt)	0	8,459	(985)			50 years
Valsätra 1:12 (ofri grund, pantsett arrendekontrakt)	0	16,302	(439)			30 years
Investment in rented property.	0	9,437	1,276			10-20 years
Surplus value Olskroken	0	1,501	(240)			50 years
Energy		117,596	0			20 years
Envac		683	(381)			20 years
Total Adactum	54,750	229,404	(6,014)			

SCHEDULE III
enclosure 5

STENA AB
Subsidiary List
As of December 31, 2006

Exhibit 8

	<u>Jurisdiction of Incorporation or Organization</u>
AB PEGUN	Sweden
AB STENA FINANS	Sweden
ÅDRA KVARN I STOCKHOLM AB	Sweden
AFRAMAX II LTD	Bermuda
AKROFY INVESTMENT BV	The Netherlands
AVAC INC	USA
BACKA 110 KB	Sweden
BLOMSTERAFFÄREN VÄXTHUSET I LOCKRYD AB	Sweden
BLOMSTERLANDET ARENDAL AB	Sweden
BLOMSTERLANDET I GÖTEBORG AB	Sweden
BLOMSTERLANDET I HALMSTAD AB	Sweden
BLOMSTERLANDET I JÖNKÖPING AB	Sweden
BLOMSTERLANDET I LINKÖPING AB	Sweden
BLOMSTERLANDET I NORRKÖPING AB	Sweden
BLOMSTERLANDET I NORRLAND AB	Sweden
BLOMSTERLANDET I PARTILLE AB	Sweden
BLOMSTERLANDET I SKÖVDE AB	Sweden
BLOMSTERLANDET I SMÅLAND AB	Sweden
BLOMSTERLANDET I STOCKHOLM AB	Sweden
BLOMSTERLANDET I VARBERG AB	Sweden
BLOMSTERLANDET I VÄNERSBORG AB	Sweden
BLOMSTERLANDET I VÄXJÖ AB	Sweden
BLOMSTERLANDET MÄLARDALEN AB	Sweden
BLOMSTERLANDET SYD AB	Sweden
BOSTADS AB DROTT	Sweden
BOVAC SYSTEMS AB	Sweden
BRONSYXAN 16 KB	Sweden
BÎRO SCANDINAVIA BV	The Netherlands
CANYON CAPITAL CDO-2002 LTD	Cayman Island
CANYON CAPITAL CLO-2004 LTD	Cayman Island
CANYON CAPITAL CLO-2006 LTD	Cayman Island
CANYON CAPITAL CLO-2007 LTD	Cayman Island
DATAVÄGEN 2 KB	Sweden
DAVID 19, 20 & 29 KB	Sweden
DROTT FASTIGHETER I KARLSKRONA HB	Sweden
DROTT GUSTAF HB	Sweden
DROTT VÄSTBERGA HOLDING KB	Sweden
DROTT VÄSTBERGA KB	Sweden
ENVAC (M) BHD	Malaysia
ENVAC ASIA HOLDING LTD	China
ENVAC CENTRALSUG AB	Sweden
ENVAC CENTRALSUG CO LTD	South Korea
ENVAC DANMARK A/S	Denmark
ENVAC DEUTCHLAND GmbH	Germany

ENVAC ENVIRONMENT TECHNOLOGY (BEIJING) CO LTD	China
ENVAC ENVIRONMENT TECHNOLOGY CO LTD	China
ENVAC FAR EAST LTD	China
ENVAC IBERIA SA	Spain
ENVAC MIDDLE EAST FZE	United Arab Emirates
ENVAC NORGE AS	Norway
ENVAC SCANDINAVIA AB	Sweden
ENVAC SINGAPORE PTE LTD	Singapore
ENVAC UK LTD	Great Britain
EUROPORT A/S	Denmark
EVAEM PROBE BV	The Netherlands
FASTIGHETS AB 7035 I STOCKHOLM	Sweden
FASTIGHETS AB MAJÄNG	Sweden
FASTIGHETS AB MALMÖHUS	Sweden
FASTIGHETS AB NIMBO	Sweden
FASTIGHETS AB RÖNNEBO	Sweden
FASTIGHETS AB SKANSEN	Sweden
FASTIGHETS AB TRIBUNE	Sweden
FASTIGHETSBOLAGET BARDUNEN HB	Sweden
FASTIGHETSBOLAGET TY-RED AB	Sweden
FLATÅS BYGGNADS AB	Sweden
FREEHAVEN LTD	Bermuda
GLOBAL NAVIGATION LTD	Bermuda
GRUBBS HANDELSTRÄDGÅRD AB	Sweden
GUANGZHOU ENVAC ENVIRONMENT CO LTD	China
GULLBERGSSVASS 511 KB	Sweden
HERMODSDAL FASTIGHETER KB	Sweden
HILLER D 12 KB	Sweden
HOULDER MARINE SERVICES (HONG KONG) LTD	Hong-Kong
HUMMER AMSTERDAM BV	The Netherlands
HÄR D BLOMMOR AB	Sweden
H GANÄS 38:47 KB	Sweden
INGELSTAD 8 KB	Sweden
INVICTA MARINE MANNING LTD	Great Britain
KLARA OFFICE CENTER KB	Sweden
LINDÄNGEN FASTIGHETER KB	Sweden
LINKÄRVEN 6 KB	Sweden
LUND FÄLTSPATEN 1 KB	Sweden
L VGÄRDET BUSINESS AB	Sweden
L VGÄRDET BUSINESS KB	Sweden
L VGÄRDET RESIDENTIAL AB	Sweden
L VGÄRDET RESIDENTIAL KB	Sweden
MAGNINGVEST AB	Sweden
MALM PARKERINGSHUS AB	Sweden
MARKTHALLE WINKELS HOLDING BV	The Netherlands
MARKTHALLEN GMBH	Germany
MERIDIEN SHIPPING SERVICES PTE LTD	Singapore
MONTEBELLO 3 I STOCKHOLM KB	Sweden
MOVAC AB	Sweden

MİNDELHEIMERWEG BV	The Netherlands
NEDERGÅRDEN 21 KB	Sweden
NEDERGÅRDEN 22, 23 KB	Sweden
NORTHERN MARINE MANAGEMENT BULK AB	Sweden
NORTHERN MARINE MANAGEMENT RORO AB	Sweden
NORTHERN MARINE MANAGEMENT USA LLC	USA
NORTHERN MARINE MANAGEMENT (INDIA) PRIVATE LTD	India
NORTHERN MARINE MANAGEMENT LTD	Great Britain
NORTHERN MARINE MANAGEMENT SWEDEN AB	Sweden
NORTHERN MARINE MANNING SERVICES LTD	Great Britain
NORTHERN OCEANICS LTD	Great Britain
NYBORG 22 KB	Sweden
OCEANSPIRIT LTD	Bermuda
OPTIBAG SYSTEMS AB	Sweden
PANISLAND LTD	Bermuda
PANOCEAN LTD	Bermuda
PANVICTORY LTD	Bermuda
PANVISION LTD	Bermuda
PILEGÅRDEN 2 & 3 KB	Sweden
PREMISUS FASTIGHETS AB	Sweden
ROXEN GMBH	Germany
R RTÅNGEN 10 HB	Sweden
SAIL2SAVE BV	The Netherlands
SCANDLINES AB	Sweden
SCANDLINES SVERIGE AB	Sweden
SCAN-PORT GMBH HAFENANLAGEN	Germany
SCHIESSTRASSE KG	Germany
S-INVEST BUTIKS AB	Sweden
S-INVEST FASTIGHETS AB	Sweden
S-INVEST FASTIGHETS KB I G TEBORG	Sweden
S-INVEST FASTIGHETS KB I KARLSTAD	Sweden
S-INVEST FASTIGHETS KB I STENUNGSUND	Sweden
S-INVEST FASTIGHETS KB I STOCKHOLM	Sweden
S-INVEST FASTIGHETS KB I SVERIGE	Sweden
S-INVEST FASTIGHETS KB I UMEÅ	Sweden
S-INVEST FASTIGHETS KB I UPPSALA	Sweden
S-INVEST FASTIGHETS KB I VÄNERSBORG	Sweden
S-INVEST FASTIGHETS KB PÅ BACKAPLAN	Sweden
S-INVEST TRADING AB	Sweden
SKARPNÄCKS JUBILEUMSBOSTÄDER HB	Sweden
SKYE HOLDINGS LTD	Bermuda
SOLBACKEN 13 KB	Sweden
STENA (SWITZERLAND) AG	Switzerland
STENA (UK) LTD	Great Britain
STENA ADACTUM AB	Sweden
STENA AIRPORT REAL ESTATE BV	The Netherlands
STENA ASIAN PROPERTY INVESTMENTS BV	The Netherlands
STENA BERMUDA LINE LTD	Bermuda
STENA BIOT SARL	France
STENA BOSTADS AB	Sweden

STENA BULK AB	Sweden
STENA BULK AG	Switzerland
STENA BULK HOLDINGS LTD	Great Britain
STENA BULK LLC	United States
STENA BULK LTD	Great Britain
STENA BUREAUX SARL	France
STENA CYPRUS HOLDING LTD	Cyprus
STENA DEE A/S	Norway
STENA DON A/S	Norway
STENA DON AB	Sweden
STENA DON BV	The Netherlands
STENA DON CYPRUS LTD	Cyprus
STENA DON LTD	Bermuda
STENA DRILLING (AUSTRALIA) PTY LTD	Australia
STENA DRILLING A/S	Norway
STENA DRILLING HOLDINGS LTD	Great Britain
STENA DRILLING HR LTD	Great Britain
STENA DRILLING LTD	Great Britain
STENA DRILLING PTE LTD	Singapore
STENA DRILLMAX I LTD	Bermuda
STENA DRILLMAX II LTD	Bermuda
STENA EXPLORER LTD	The Netherlands
STENA FASTIGHETER 1 EXPLOATERINGS AB	Sweden
STENA FASTIGHETER 2 EXPLOATERINGS AB	Sweden
STENA FASTIGHETER 3 EXPLOATERING AB	Sweden
STENA FASTIGHETER AB	Sweden
STENA FASTIGHETER G TEBORG AB	Sweden
STENA FASTIGHETER HALMSTAD AB	Sweden
STENA FASTIGHETER HANINGE KB	Sweden
STENA FASTIGHETER L VGÄRDET	Sweden
STENA FASTIGHETER MALMHÄU. AB	Sweden
STENA FASTIGHETER MALM AB	Sweden
STENA FASTIGHETER NACKA AB	Sweden
STENA FASTIGHETER RAGNE AB	Sweden
STENA FASTIGHETER SLOTTSTADEN AB	Sweden
STENA FASTIGHETER SLÄTTA DAMM AB	Sweden
STENA FASTIGHETER SMYCKEPARKEN AB	Sweden
STENA FASTIGHETER STOCKHOLM AB	Sweden
STENA FASTIGHETER STOCKSUNDET AB	Sweden
STENA FASTIGHETER SYD AB	Sweden
STENA FASTIGHETER TYNNERED AB	Sweden
STENA FASTIGHETER UMEÅ AB	Sweden
STENA FASTIGHETER UPPSALA AB	Sweden
STENA FASTIGHETER VÄST AB	Sweden
STENA FASTIGHETER ST AB	Sweden
STENA FASTIGHETSF RVALTNING AB	Sweden
STENA FERRIES LTD	Great Britain
STENA FINANCE (UK) LTD	Great Britain
STENA FINANCE BV	The Netherlands
STENA FINANZVERWALTUNGS AG	Switzerland

STENA FLORIDA LINE LTD	Bermuda
STENA FORTH LTD	Bermuda
STENA HOLLAND BV	The Netherlands
STENA HSD LTD	Great Britain
STENA HSS I AG	Switzerland
STENA HSS II AG	Switzerland
STENA INSURANCE AG	Switzerland
STENA INTERNATIONAL SARL	Luxembourg
STENA INVESTMENT LTD	Bermuda
STENA INVESTMENT LUXEMBOURG SARL	Luxembourg
STENA JURA LTD	Jersey, UK
STENA KOG-FASTIGHETER KB	Sweden
STENA LES DEUX ARTS SARL	France
STENA LINE (IRISH SEA) LTD	Great Britain
STENA LINE (NORTH SEA) LTD	Great Britain
STENA LINE (UK) LTD	Great Britain
STENA LINE (UK) OPERATIONS FINANCE LTD	Great Britain
STENA LINE BV	The Netherlands
STENA LINE CAIRNRYAN LTD	Great Britain
STENA LINE DENMARK A/S	Denmark
STENA LINE DISTRIBUTION (HOLDINGS) LTD	Great Britain
STENA LINE DISTRIBUTION LTD	Great Britain
STENA LINE FERRIES BV	The Netherlands
STENA LINE HOLDING BV	The Netherlands
STENA LINE HOLIDAYS LTD	Great Britain
STENA LINE IT SERVICES AB	Sweden
STENA LINE IT SERVICES LTD	Great Britain
STENA LINE LTD	Great Britain
STENA LINE MANNING SERVICES LTD	Great Britain
STENA LINE NOMINEES LTD	Great Britain
STENA LINE NORGE A/S	Norway
STENA LINE NORTH SEA PTE LTD	Singapore
STENA LINE POLSKA SP	Poland
STENA LINE PORTS LTD	Great Britain
STENA LINE PTE LTD	Singapore
STENA LINE SCANDINAVIA AB	Sweden
STENA LINE SCOTLAND LTD	Great Britain
STENA LINE SERVICES ApS	Denmark
STENA LINE SHIPHOLDING BV	The Netherlands
STENA LINE SHIPS BV	The Netherlands
STENA LINE STEVEDORING HOLLAND BV	The Netherlands
STENA LINE SWEDEN AB	Sweden
STENA LINE TREASURY AB	Sweden
STENA MANAGEMENT B.V.	The Netherlands
STENA MARITIME (FRANCE) SAS	France
STENA MARITIME AG	Switzerland
STENA MP SARL	France
STENA NORTH SEA LTD LTD	Great Britain
STENA PHT SARL	France
STENA PROPERTY BV	The Netherlands

STENA PROPERTY SA	Luxembourg
STENA REALTY BV	The Netherlands
STENA REDERI AB	Sweden
STENA REEDEREI GMBH	Germany
STENA RENEWABLE ENERGY AB	Sweden
STENA RIG CHARTERING LTD	Great Britain
STENA ROPAX LTD	Great Britain
STENA RORO AB	Sweden
STENA SUBSEA LEASING LTD	Great Britain
STENA TANKER MANAGEMENT LTD	Bermuda
STENA TAY CYPRUS LTD	Cyprus
STENA TAY (HUNGARY) KFT	Hungary
STENA TAY HUNGARY BRANCH	Luxembourg
STENA TREASURY B.V.	The Netherlands
STENA TRUST BV	The Netherlands
STENA USA PROPERTY INVESTMENTS BV	The Netherlands
STENA VITAE LTD	Great Britain
STENA VOYAGER LTD	The Netherlands
STENLOYAL LTD	Great Britain
SUNDSSERVICE AB	Sweden
SWEDISH CALEDONIAN MARINE MANAGEMENT LTD	Great Britain
TRITEC MARINE CONSULTANT LTD	Great Britain
TYNNERED KB	Sweden
UGGLUM 14 KB	Sweden
VEGABYGGEN 6 KB	Sweden
VERHAK GRUNDSTÜCKSVRWALTUNGS GMBH	Germany
VERHAK GRUNDSTÜCKSVRWALTUNGS GMBH & CO	The Netherlands
VERHUISTAEC BV	The Netherlands
VIKING MARINE MANAGEMENT PTE LTD	Singapore
WAHRENBORG 10 HB	Sweden

CERTIFICATIONS

I, Dan Sten Olsson, certify that:

1. I have reviewed this annual report on Form 20-F of Stena AB (publ) (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (c) Disclosed in this report any changes in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2007

/s/ Dan Sten Olsson

Name: Dan Sten Olsson

Title: Chief Executive Officer

CERTIFICATIONS

I, Svante Carlsson, certify that:

1. I have reviewed this annual report on Form 20-F of Stena AB (publ) (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (c) Disclosed in this report any changes in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2007

/s/ Svante Carlsson
 Name: Svante Carlsson
 Title: Chief Financial Officer

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of Stena AB (publ) (the "Company") for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dan Sten Olsson, as Chief Executive Officer of the Company, and Svante Carlsson, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dan Sten Olsson
Name: Dan Sten Olsson
Title: Chief Executive Officer
Date: April 30, 2007

/s/ Svante Carlsson
Name: Svante Carlsson
Title: Chief Financial Officer
Date: April 30, 2007

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Stena AB and Consolidated Subsidiaries

**Condensed Consolidated Income Statements (unaudited) for the Three Month Periods
Ended March 31, 2006 and March 31, 2007**

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	SEK	SEK	\$
	(in millions)		
Revenues:			
Ferry operations	1,738	1,810	259
Drilling	688	918	131
Shipping.....	1,230	1,023	146
Net gain on sale of vessels	<u>373</u>	<u>--</u>	<u>--</u>
Total shipping.....	1,603	1,023	146
Property	480	494	71
Net gain on sale of properties	<u>55</u>	<u>89</u>	<u>13</u>
Total property	535	583	84
Other	<u>299</u>	<u>411</u>	<u>59</u>
Total revenues	<u>4,863</u>	<u>4,745</u>	<u>679</u>
Direct operating expenses:			
Ferry operations	(1,332)	(1,382)	(198)
Drilling	(342)	(411)	(59)
Shipping.....	(896)	(817)	(117)
Property	(247)	(227)	(32)
Other	<u>(268)</u>	<u>(364)</u>	<u>(52)</u>
Total direct operating expenses	<u>(3,085)</u>	<u>(3,201)</u>	<u>(458)</u>
Selling and administrative expenses	(441)	(508)	(72)
Depreciation and amortization	<u>(474)</u>	<u>(417)</u>	<u>(60)</u>
Total operating expenses	<u>(4,000)</u>	<u>(4,126)</u>	<u>(590)</u>
Income from operations	<u>863</u>	<u>619</u>	<u>89</u>
Share of affiliated companies results	10	2	0
Financial income and expense:			
Dividends received	12	10	1
Gain (loss) on securities, net.....	553	336	48
Interest income	175	277	40
Interest expense	(387)	(441)	(63)
Foreign exchange gains (losses), net	1	24	4
Other financial income (expense), net	<u>(32)</u>	<u>(138)</u>	<u>(20)</u>
Total financial income and expense	<u>322</u>	<u>68</u>	<u>10</u>
Minority interests.....	(1)	(4)	(1)
Income before taxes.....	1,194	685	98
Income taxes	<u>(132)</u>	<u>(17)</u>	<u>(2)</u>
Net income.....	<u>1,062</u>	<u>668</u>	<u>96</u>

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

Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheets (unaudited)

	December 31, 2006	March 31, 2007	
	SEK	SEK	\$
	(in millions)		
ASSETS			
Noncurrent assets:			
Intangible assets	688	682	98
Tangible fixed assets:			
Vessels	10,277	10,535	1,509
Construction in progress	5,658	6,497	930
Equipment	628	659	94
Property	17,948	18,107	2,593
Total tangible fixed assets	34,511	35,798	5,126
Financial fixed assets:			
Investment in affiliated companies	397	459	66
Investment in VIEs	7,341	8,376	1,199
Marketable securities	5,802	7,021	1,005
Other assets	3,520	4,673	669
Total financial fixed assets	17,060	20,529	2,939
Total noncurrent assets	52,259	57,009	8,163
Current assets:			
Inventories	317	344	49
Trade debtors	2,007	2,423	347
Other receivables	1,617	1,674	240
Prepaid expenses and accrued income	871	1,190	171
Short-term investments	2,462	2,766	396
Cash and cash equivalents	884	1,315	188
Total current assets	8,158	9,712	1,391
Total assets	60,417	66,721	9,554
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity:			
Capital stock	5	5	1
Reserves	18,582	19,669	2,816
Total stockholders' equity	18,587	19,674	2,817
Minority interests	162	168	24
Provisions:			
Deferred income taxes	1,709	1,866	267
Pension liabilities	2,205	2,096	300
Other provisions	1,668	2,570	368
Total provisions	5,582	6,532	935
Noncurrent liabilities:			
Long-term debt	18,427	18,254	2,614
Debt in VIEs	6,302	6,943	994
Senior notes	2,905	6,725	963
Capitalized lease obligations	1,246	1,171	168
Other noncurrent liabilities	932	1,105	158
Total noncurrent liabilities	29,812	34,198	4,897
Current liabilities:			
Short-term debt	642	954	137
Senior notes	1,211	-	-
Capitalized lease obligations	38	39	6
Trade accounts payable	1,036	1,002	143
Income tax payable	166	157	22
Other	424	585	84
Accrued costs and prepaid income	2,757	3,412	489
Total current liabilities	6,274	6,149	881
Total stockholders' equity and liabilities	60,417	66,721	9,554
The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.			

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Stena AB and Consolidated Subsidiaries

Condensed Consolidated Statements of Cash Flow (unaudited)

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	SEK	SEK	\$
	(in millions)		
<i>Net cash flows from operating activities:</i>			
Net income	1,062	668	96
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	474	417	60
Gain on sale of property, vessels and equipment	(434)	(89)	(13)
Gain on securities, net	(553)	(336)	(48)
Unrealized foreign exchange (gains) losses	(94)	(31)	(4)
Deferred income taxes	100	(16)	(2)
Minority interests	1	4	1
Other non cash items	(60)	(205)	(29)
Net cash flows from trading securities	715	(21)	(3)
Share of result from associated companies	(10)	(2)	0
Changes in assets and liabilities:			
Receivables	(220)	(439)	(63)
Prepaid expenses and accrued income	(382)	(313)	(45)
Inventories	(39)	(26)	(4)
Trade accounts payable	(21)	(43)	(6)
Accrued costs and prepaid income	269	875	124
Income tax payable	(46)	(11)	(2)
Other current liabilities	<u>(107)</u>	<u>355</u>	<u>50</u>
Net cash provided by operating activities	<u>655</u>	<u>787</u>	<u>112</u>
<i>Net cash flows from investing activities:</i>			
Purchase of intangible assets	--	(15)	(2)
Cash proceeds from sale of property, vessels and equipment	1,446	363	52
Capital expenditure on property, vessels and equipment	(2,527)	(1,593)	(228)
Investment in affiliated companies	--	(66)	(9)
Proceeds from sale of securities	1,564	1,919	274
Purchase of securities	(1,880)	(3,376)	(484)
Other investing activities	<u>(3,576)</u>	<u>33</u>	<u>5</u>
Net cash used in investing activities	<u>(4,973)</u>	<u>(2,735)</u>	<u>(392)</u>
<i>Net cash flows from financing activities:</i>			
Proceeds from issuance of debt	1,233	5,041	722
Principal payments on debt	(844)	(1,502)	(215)
Net change in borrowings on line-of-credit agreements	(281)	(719)	(103)
New capitalized lease obligations	3,735	--	--
Principal payments on capital lease obligations	(9)	(10)	(1)
Net change in restricted cash accounts	(76)	(213)	(31)
Other financing activities	<u>(9)</u>	<u>(153)</u>	<u>(22)</u>
Net cash provided by financing activities	<u>3,749</u>	<u>2,444</u>	<u>350</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(45)</u>	<u>(65)</u>	<u>(9)</u>
Net change in cash and cash equivalents	(614)	431	61
Cash and cash equivalents at beginning of period	<u>3,744</u>	<u>884</u>	<u>127</u>
Cash and cash equivalents at end of period	<u>3,130</u>	<u>1,315</u>	<u>188</u>

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

Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of presentation

The accompanying condensed consolidated financial statements present the financial position and results of operations of Stena AB (publ) and its subsidiaries (the "Company") and have been prepared in accordance with Swedish GAAP.

The interim financial information included in the condensed consolidated financial statements is unaudited but reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Interim results for the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year.

Solely for the convenience of the reader, the condensed financial statements for the most recent period have been translated into US dollars (\$) using the noon buying rate on March 31, 2007 of \$1 = SEK 6.9837.

Note 2 Segment information

	Three month periods ended March 31,	
	<u>2006</u>	<u>2007</u>
<i>Income from operations:</i>		
Ferry operations.....	(22)	10
Drilling	127	320
Shipping: Roll-on/Roll-off vessels	28	14
Crude oil tankers	196	85
Other shipping	(5)	(5)
Net gain on sale of vessels	<u>373</u>	<u>-</u>
Total shipping.....	592	94
Property	165	181
Net gain on sale of properties	<u>55</u>	<u>89</u>
Total property	220	270
Other	<u>(54)</u>	<u>(75)</u>
Total.....	<u>863</u>	<u>619</u>
	Three month periods ended March 31,	
	<u>2006</u>	<u>2007</u>
<i>Depreciation and amortization:</i>		
Ferry operations.....	204	196
Drilling	172	126
Shipping: Roll-on/Roll-off vessels	28	23
Crude oil tankers.....	11	4
Other shipping	<u>3</u>	<u>4</u>
Total shipping.....	42	31
Property	40	45
Other	<u>16</u>	<u>19</u>
Total.....	<u>474</u>	<u>417</u>

Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

	Three month periods ended March 31,	
	<u>2006</u>	<u>2007</u>
<i>Capital expenditures:</i>		
Ferry operations.....	134	586
Drilling	1,349	778
Shipping: Roll-on/Roll-off vessels	79	82
Crude oil tankers.....	198	0
Other shipping	<u>3</u>	<u>2</u>
Total shipping.....	280	84
Property	750	104
Other	<u>14</u>	<u>41</u>
Total.....	<u>2,527</u>	<u>1,593</u>

Note 3 Stockholders' Equity

Restricted reserves include both untaxed reserves (net of deferred taxes) and legal reserves. The legal reserves of SEK 208 million are not available for distribution as they are required to be held to meet statutory requirements in Sweden and other countries where group companies operate. The untaxed reserves may be distributed as dividends upon payment of the related taxes.

The changes in stockholders' equity for the period December 31, 2006 to March 31, 2007 are as follows:

	<u>Capital stock</u>	<u>Restricted reserves</u>	<u>Unrestricted reserves</u>	<u>Total stockholders' equity</u>
	(SEK in millions)			
Balance at December 31, 2006	5	842	17,740	18,587
Transfers between reserves.....	--	(104)	104	--
Revaluation of financial instruments	--	--	110	110
Foreign currency translation adjustments	--	12	297	309
Net income	--	--	<u>668</u>	<u>668</u>
Balance at March 31, 2007	<u>5</u>	<u>750</u>	<u>18,919</u>	<u>19,674</u>

Note 4 US GAAP Information

The accompanying condensed consolidated financial statements have been prepared in accordance with Swedish GAAP which differs in certain significant respects from US GAAP. A description of differences between Swedish GAAP and US GAAP which significantly affect the determination of net income and stockholders' equity of the Company is set forth in Note 31 to the Consolidated Financial Statements included in the Company's Annual Report on Form 20-F. The following is a summary of the adjustments to net income and stockholders' equity that would have been required if US GAAP had been applied instead of Swedish GAAP in the preparation of the condensed consolidated financial statements.

Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 4 US GAAP Information, continued

(SEK in millions)	Three month periods ended March 31,	
	<u>2006</u>	<u>2007</u>
Net income under Swedish GAAP	1,062	668
Adjustments to reconcile to US GAAP:		
Disposal of assets	(332)	69
Depreciation of properties	(40)	17
Investments in securities	(310)	(191)
Financial instruments	(74)	(133)
Purchase accounting Stena Line	9	9
Business combinations	10	5
Pensions	--	9
Deferred costs	4	--
Capital lease transactions	18	--
Others	4	3
Tax effect of US GAAP adjustments	<u>48</u>	<u>30</u>
Net income under US GAAP	<u>399</u>	<u>486</u>
	<u>As of</u>	<u>As of</u>
	<u>Dec 31,</u>	<u>March 31,</u>
	<u>2006</u>	<u>2007</u>
Stockholders' equity under Swedish GAAP	18,587	19,674
Adjustments to reconcile to US GAAP:		
Disposal of assets	(664)	(596)
Depreciation of properties	(668)	(651)
Financial instruments	771	730
Purchase accounting Stena Line	(219)	(211)
Business combinations	83	88
Pensions	(512)	(503)
Others	(20)	(17)
Tax effect of US GAAP adjustments	<u>193</u>	<u>196</u>
Stockholders' equity under US GAAP	<u>17,551</u>	<u>18,710</u>

Comprehensive income

The Company has adopted Statement of Financial Accounting ("SFAS") No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income generally encompasses all changes in stockholders' equity (except those arising from transactions with the owners) and includes net income, net unrealized gains or losses on available for sale securities and foreign currency translation adjustments. Comprehensive income in accordance with US GAAP for the three month periods ended March 31, 2006 and 2007 was SEK 618 million and SEK 1,159 million, respectively.

Stena AB and Consolidated Subsidiaries

OPERATING AND FINANCIAL REVIEW

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

Highlights of the first three months of 2007

In February, 2007, the Company completed an offering of €300 million of 6.125% Senior Notes due 2017. The Company used a portion of the proceeds of this offering to repurchase approximately \$177 million of the 9%% Senior Notes due 2012 in a tender offer and consent solicitation. Pursuant to the tender offer and consent solicitation, the Company amended the indenture governing the 9%% Senior Notes due 2012 to eliminate the principal restrictive covenants.

On February 14, 2007, the Company completed an offering of €102 million of 5.875% Senior Notes due 2019.

In March 2007, the Company commenced a solicitation of consents from the holders of the Senior Notes due 2013 and 2016 to amend the indentures relating to these notes. Such amendments require the consent of the holders of a majority in principal amount of each of such senior notes.

In March 2007, the Company entered into financing arrangements for the third drillship on order, structured similarly to the financings of the first two drillMAX vessels.

In March 2007, the *Stena Britannica* was taken back into the Company's ferry operations after lengthening. The *Stena Hollandica*, which has also been lengthened, is expected to be delivered in the second quarter of 2007.

In the first quarter of 2007, the shares in Oriflame and Ruric were sold with realized profits of SEK 60 million and SEK 53 million, respectively.

In the three months ended March 31, 2007 properties were sold for approximately SEK 362 million.

SUBSEQUENT EVENTS

On May 14, 2007 the Company took delivery of the newbuilt Ropax vessel *Stena Ausonia*, renamed *BORJA*, on a three year charter from the Italian shipyard Visentini. Stena has exercised an option to acquire the vessel after the end of the three year charter.

Stena AB and Consolidated Subsidiaries

Currency effects

The Company's revenues and expenses are significantly affected, as reported in Swedish kronor (SEK), by fluctuations in currency exchange rates, primarily relative to the US dollar, the British pound and the Euro. The Company seeks to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to the extent possible, revenue and expenses in the same currency. In addition, the Company enters into certain derivative financial instruments. Revenues in the ferry operations are mainly generated in SEK, British pounds, Euro, Norwegian kronor and Danish kronor. Approximately 40% of the Company's total revenues are generated in US dollars and approximately 30% are generated in SEK. Also, approximately 35% of the Company's total expenses are incurred in US dollars and approximately 30% are incurred in SEK. Although the Company seeks to hedge the net effects of such fluctuations, the reported gross revenues and expenses are influenced by changes in the currency rates. The exchange rates as used for consolidation purposes are as follows:

<i>Average rates:</i>	<u>Jan-Mar</u> <u>2006</u>	<u>Jan-Mar</u> <u>2007</u>	<u>Change</u>
US \$	7.78	7.01	(10 %)
British pound	13.63	13.70	1 %
Euro	9.35	9.19	(2 %)
 <i>Closing rates:</i>	 <u>As of</u> <u>Dec 31,</u> <u>2006</u>	 <u>As of</u> <u>March 31,</u> <u>2007</u>	 <u>Change</u>
US \$	6.8725	6.9829	2 %
British pound	13.4875	13.7468	2 %
Euro	9.0500	9.3410	3 %

Stena AB and Consolidated Subsidiaries

THREE MONTHS ENDED MARCH 31, 2007 COMPARED TO THREE MONTHS ENDED MARCH 31, 2006

Revenues

Total revenues decreased SEK 118 million, or 2%, in the three months ended March 31, 2007 to SEK 4,745 million from SEK 4,863 million in the three months ended March 31, 2006, as a result of decreased revenues in Shipping Operations and vessel sales during 2006, together with the effect of the weakening of the US dollar against the SEK and, to a lesser extent, the euro. Revenues in Drilling, Other, Ferry and Property operations increased in the period.

Ferry operations. Ferry revenues are primarily generated from ticket sales, freight haulage and on board spending. Revenues from ferry operations increased SEK 72 million, or 4%, in the three months ended March 31, 2007 to SEK 1,810 million from SEK 1,738 million in the three months ended March 31, 2006, as a result of increased volumes in all business segments.

Drilling. Drilling revenues consist of charter hires for our drilling rigs. Revenues from drilling operations increased SEK 230 million, or 33%, in the three months ended March 31, 2007 to SEK 918 million from SEK 688 million in the three months ended March 31, 2006, mainly due to new contracts at higher day rates for the *Stena Don* and the *Stena Tay*, partly offset by the weakening of the US dollar against the SEK. The change in day rates reflects new charter contracts and the market conditions in effect at the time a charter is made in the particular geographic area.

Shipping. Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by us. Revenues from shipping operations decreased SEK 207 million, or 17%, in the three months ended March 31, 2007 to SEK 1,023 million from SEK 1,230 million in the three months ended March 31, 2006.

Revenues from chartering out Roll-on/Roll-off vessels decreased SEK 24 million, or 22%, in the three months ended March 31, 2007 to SEK 87 million from SEK 111 million, in the three months ended March 31, 2006, mainly due to the sale of the RoPax vessel *Svealand* in April 2006 and the redelivery of *Vasaland* in April 2006.

Revenues from crude oil tankers decreased SEK 187 million, or 17%, in the three months ended March 31, 2007 to SEK 899 million from SEK 1,086 million in the three months ended March 31, 2006, mainly due to lower charter rates in the spot market, together with the weakening of the US dollar with respect to the SEK. In the three months ended March 31, 2007, the Company operated an average of 42 tankers (chartered in or owned), compared to an average of 41 tankers in the three months ended March 31, 2006.

Net Gain on Sale of Vessels, Shipping. In the three months ended March 31, 2007, no vessel sales were made. In the three months ended March 31, 2006 gains of SEK 373 million were recorded on the sale of the tanker vessels *Stena Contest*, *Stena Concept* and *Stena Compass*.

Property. Property revenues consist of rents for properties owned and management fees for properties managed by the Company. Revenues from property operations increased SEK 14 million, or 3%, in the three months ended March 31, 2007 to SEK 494 million from SEK 480 million in the three months ended March 31, 2006, mainly due to an increased number of properties and increased rents.

Net Gain on Sale of Properties. In the three months ended March 31, 2007, gains of SEK 89 million were recorded on the sale of properties. In the three months ended March 31, 2006, gains of SEK 55 million were recorded.

Other. Other revenues in the three months ended March 31, 2007 were SEK 411 million, which includes SEK 192 million related to the garden center and flower business "*Blomsterlandet*" and SEK 212 million related to "*Envac*", a company in the automated waste collection business. Other revenues in the three months ended March 31, 2006 were SEK 299 million, which includes SEK 153 million related to "*Blomsterlandet*" and SEK 145 million related to "*Envac*".

Stena AB and Consolidated Subsidiaries

Direct operating expenses

Total direct operating expenses increased SEK 116 million in the three months ended March 31, 2007 to SEK 3,201 million from SEK 3,085 million in the three months ended March 31, 2006, or 4%, as a result of increased operating expenses in all operations except for the shipping and property business.

Ferry operations. Direct operating expenses for ferry operations consist principally of personnel costs, costs of goods sold on the vessels, bunker fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs are of a fixed nature and do not vary as a result of changes in our seasonal requirements. Direct operating expenses for ferry operations increased SEK 50 million, or 4 %, in the three months ended March 31, 2007 to SEK 1,382 million from SEK 1,332 million in the three months ended March 31, 2006, mainly due to increased expenses for bunker and personnel. Direct operating expenses for ferry operations for the three months ended March 31, 2007 was 76% of revenues, as compared to 77% for the three months ended March 31, 2006.

Drilling. Direct operating expenses for drilling consist primarily of personnel costs, fuel costs, insurance, maintenance and catering costs. Direct operating expenses from drilling operations increased SEK 69 million, or 20%, in the three months ended March 31, 2007 to SEK 411 million from SEK 342 million in the three months ended March 31, 2006, mainly due to increased personnel expenses for the rigs and external charter hire expenses for the rig *Stena Dee*, partly offset by the weakening of the US dollar against the SEK . Direct operating expenses from drilling operations for the three months ended March 31, 2007 were 45% of drilling revenues, as compared to 50% for the three months ended March 31, 2006.

Shipping. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs. Direct operating expenses from shipping operations decreased SEK 79 million, or 9% in the three months ended March 31, 2007 to SEK 817 million from SEK 896 million in the three months ended March 31, 2006.

Direct operating expenses with respect to Roll-on/Roll-off vessels decreased by SEK 7 million, or 15%, in the three months ended March 31, 2007 to SEK 41 million from SEK 48 million in the three months ended March 31, 2006, mainly due to the sale of the RoPax vessel *Svealand* in April 2006 and the redelivery of *Vasaland* in April 2006. Direct operating expenses for Roll-on/Roll-off vessels for the three months ended March 31, 2007 were 47% of revenues, as compared to 43% for the three months ended March 31, 2006.

Direct operating expenses associated with crude oil tankers decreased SEK 72 million, or 9%, in the three months ended March 31, 2007 to SEK 774 million from SEK 846 million in the three months ended March 31, 2006, mainly due to the weakening of the US dollar with respect to the SEK. Direct operating expenses for crude oil operations for the three months ended March 31, 2007 were 86% of revenues, as compared to 78% for the three months ended March 31, 2006. Direct operating expenses for crude oil tankers include time-charter costs, which normally are fixed for periods between 6 months and up to 5 years in advance, while revenues in the spot market vary with each voyage.

Property. Property expenses consist primarily of maintenance, heating and personnel costs. Direct operating expenses from property operations decreased SEK 20 million, or 8%, in the three months ended March 31, 2007 to SEK 227 million from SEK 247 million in the three months ended March 31, 2006, mainly due to lower energy prices, which affect costs for heating and other running expenses. Direct operating expenses from property operations in the three months ended March 31, 2007 were 46% of property revenues, as compared to 51% for the three months ended March 31, 2006.

Other. Other direct operating expenses in the three month March 31, 2007 were SEK 364 million, which includes SEK 190 million related to the garden center and flower business "*Blomsterlandet*" and SEK 162 million related to "*Envac*", a company in the automated waste collection business. Other direct operating expenses in the three month ended March 31, 2006 were SEK 268 million includes SEK 156 million related to "*Blomsterlandet*" and SEK 112 million related to "*Envac*".

Selling and administrative expenses

Selling and administrative expenses increased SEK 67 million, or 15%, in the three months ended March 31, 2007 to SEK 508 million from SEK 441 million in the three months ended March 31, 2006, mainly due to increased personnel and consultancy costs, together with increased business activity in new markets and business areas.

Stena AB and Consolidated Subsidiaries

Depreciation and amortization

Depreciation and amortization charges decreased SEK 57 million, or 12%, in the three months ended March 31, 2007 to SEK 417 million from SEK 474 million in the three months ended March 31, 2006, mainly as an effect of the write-down of HSS vessels in December 2006. Depreciation amortization charges also decreased as a result of the sale of the drilling rig *Stena Dee*, an extension of the useful life of the drilling rig *Stena Don* of five years, sales of tankers and RoPax vessels and the weakening of the US dollar with respect to the SEK, which primarily impacted depreciation charges on drilling rigs which are denominated in US dollars. The depreciation and amortization charges increased in the property segment mainly due to increased property holdings.

Share of affiliated companies' results

Share of affiliated companies' results in the three months ended March 31, 2007 and 2006 refer to the Company's portion of the results of Midelfart Sonessons AB (publ) and Ballingslöv AB (publ). Stena acquired additional shares in these companies. As of March 31, 2007 the Company's ownership in the capital of Midelfart Sonessons AB (publ) had increased to 22.94% and the ownership of the capital in Ballingslöv AB (publ) had increased to 25.6%. As of December 31, 2006 the ownership in the share of capital of these companies was 22.7% and 25.0%, respectively.

Financial income and expense, net

Financial income and expense, net decreased by SEK 254 million in the three months ended March 31, 2007 to SEK 68 million from SEK 322 million in the three months ended March 31, 2006.

Net gain (loss) on securities in the three months ended March 31, 2007 was SEK 336 million, of which SEK 151 million related to net realized gains on marketable debt and equity securities and investments in Variable Interest Entities (VIEs) and SEK 185 million related to net unrealized gains. Net gain (loss) on securities in the three months ended March 31, 2006 amounted to SEK 553 million, of which SEK 282 million related to net realized gains and SEK 271 million related to net unrealized gains.

Interest income in the three months ended March 31, 2007 increased SEK 102 million to SEK 277 million from SEK 175 million in the three months ended March 31, 2006. Interest income related to the investments in VIEs increased SEK 34 million to SEK 153 million from SEK 119 million, partly as the result of the investment in a new VIE.

Interest expense for the three months ended March 31, 2007 increased SEK 54 million to SEK (441) million from SEK (387) million for the three months ended March 31, 2006 due to the issuance of the new Senior Notes in February, 2007 partly affected by the purchase of the Senior Notes due 2012. Interest expense for the investments in VIEs increased SEK 30 million to SEK (95) million from SEK (65) million as a result of the investment in a new VIE.

During the three months ended March 31, 2007, the Company had foreign exchange gains, net of SEK 24 million. In the three months ended March 31, 2006, the Company had foreign exchange gains, net of SEK 1 million. In both years, the foreign exchange gains relate to gains from currency trading.

Other financial income (expense) of SEK (138) million for the three months ended March 31, 2007 includes expenses of SEK (97) million for the repurchase of the 9 5/8 % Senior Notes due 2012, SEK (20) million related to amortization of the deferred financing charges for senior notes, the \$1 billion revolving credit facility, bank loans, capital lease obligations and investments in VIEs. Other financial income (expense) of SEK (32) million for the three months ended March 31, 2006 includes SEK (11) million related to amortization of deferred finance charges.

Income taxes

Income taxes for the three months ended March 31, 2007 were SEK (17) million, consisting of current taxes of SEK (33) million and deferred taxes of SEK 16 million. Income taxes for the three months ended March 31, 2006 were SEK (132) million, consisting of current taxes of SEK (32) million and deferred taxes of SEK (100) million. The provision for taxes is based upon the applicable tax rates in the various jurisdictions where revenues are generated.

Stena AB and Consolidated Subsidiaries

Liquidity and Capital Resources

The liquidity requirements of the Company principally relate to servicing of debt, financing the purchase of vessels and other assets and funding working capital. The Company has in prior years met its liquidity requirements with cash on hand, cash flows from operations, borrowings under various credit facilities and refinancing arrangements. As of March 31, 2007, the Company had total cash and marketable securities of SEK 11,102 million as compared with SEK 9,148 million at December 31, 2006. The Company has also invested in four VIEs, whose purpose is to invest primarily in high yield securities and corporate bank loans. Due to changes in Swedish GAAP in 2005 these VIEs are consolidated as subsidiaries. As of March 31, 2007, total assets of these VIEs amounted to SEK 8,376 million and as of December 31, 2006, total assets of these VIEs amounted to SEK 7,341 million.

For the three months ended March 31, 2007, cash flows provided by operating activities amounted to SEK 787 million as compared to SEK 655 million in the first three months ended March 31, 2006. For the three months ended March 31, 2007, cash flows used in investing activities amounted to SEK (2,735) million, including SEK (1,593) million related to capital expenditures. For the three months ended March 31, 2006, cash flows used in investing activities amounted to SEK (4,973) million. Capital expenditures during the three months ended March 31, 2006 were SEK (2,527) million. Cash flows provided by financing activities for the three months ended March 31, 2007 amounted to SEK 2,444 million, mainly relating to the new Senior Notes due 2017 and the Senior Notes due 2019 sold in February. For the three months ended March 31, 2006, cash flows used in financing activities amounted to SEK (3,749) million.

Total construction in progress as of March 31, 2007 was SEK 6,497 million as compared to SEK 5,648 million at December 31, 2006. The remaining capital expenditure commitment for newbuildings on order as of March 31, 2007 was SEK 10,780 million, of which SEK 4,385 million is due during 2007, SEK 3,139 million is due during 2008 and the rest is due in 2009. The Company plans to finance the unpaid balance, together with additional expenses and financing costs, through cash from operations, existing revolving credit facilities, new capital lease agreements, new bank loans or other financing arrangements.

Total interest bearing debt as of March 31, 2007 was SEK 27,143 million, excluding the debt in the VIEs as compared with SEK 24,469 million at December 31, 2006. Interest bearing debt in the VIEs as of March 31, 2007 was SEK 6,943 million as compared with SEK 6,302 million at December 31, 2006. Total debt increased mainly due to Senior Notes issued in February 2007 partly offset by repurchase of the senior notes due 2012 and the strengthening of the closing rate of the SEK against the US dollar. As of March 31, 2007, \$303 million was utilized under the \$1 billion revolving credit facility, of which \$15 million was used for issuing of bank guarantees. As of December 31, 2006, a total of \$402 million was outstanding under this facility, of which \$16 million was used for issuing of bank guarantees.

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

Stena AB and Consolidated Subsidiaries

OTHER FINANCIAL INFORMATION – RESTRICTED GROUP

We issued \$200 million 9.625% Senior Notes due 2012 in November 2002, \$175 million 7.5% Senior Notes due 2013 in December 2003 and \$250 million 7% Senior Notes due 2016 in November 2004. In 2004, 2005 and 2006 we repurchased \$12 million, \$6 million and \$ 5 million principal amount of the 9.625% Senior Notes due 2012, respectively. For the year ended December 31, 2006 Restricted Group Data represents our selected consolidated financial information, excluding the real estate operations (other than one small property) and three subsidiaries, Stena Finanzverwaltungs AG, Stena Investment Luxembourg SARL and Stena Adactum AB, whose activities consist primarily of investing in securities and in companies outside our traditional lines of business. Our real estate operations are conducted through various subsidiaries. For purposes of the indentures under which these senior notes were issued, the subsidiaries through which the property operations are conducted (other than the one small property), together with Stena Finanzverwaltungs AG, Stena Investment Luxembourg SARL and Stena Adactum AB, are designated unrestricted subsidiaries and, as a result, are not bound by the restrictive provisions of these indentures.

In February 2007, we purchased approximately \$177 million of our 9.625% senior notes due 2012 pursuant to a tender offer and consent solicitation. Also in February 2007, we completed an offering of €300 million of 6.125% senior notes due 2017 and an offering of €102 million of 5.875% senior notes due 2019. For purposes of the indentures pursuant to which these notes were issued, the subsidiaries mentioned above are also designated as unrestricted subsidiaries and, as a result, are not bound by the provisions of these indentures. As of the date of this report, we are seeking consents from the holders of our senior notes due 2013 and 2016 to amend the indentures relating to these notes. Such amendments require the consent of the holders of a majority in principal amount of each of such senior notes.

The following information is presented solely for the purpose of additional analysis for investors of the Company's results of operations and financial condition.

Amounts in U.S. dollars have been translated, solely for the convenience of the reader, at an exchange rate of \$1.00 = SEK 6.9837, the noon buying rate on March 31, 2007.

Stena AB and Consolidated Subsidiaries

Condensed Consolidated Income Statements – Restricted group

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	(unaudited)		
	SEK	SEK	\$
	(in millions)		
Revenues:			
Ferry operations.....	1,738	1,810	259
Drilling	688	918	132
Shipping.....	1,230	1,023	147
Net gain on sale of vessels.....	<u>373</u>	=	=
Total shipping.....	1,603	1,023	147
Property	3	1	0
Net gain on sale of properties.....	<u>40</u>	=	=
Total property.....	43	1	0
Other.....	<u>=</u>	<u>2</u>	<u>0</u>
Total revenues	<u>4,072</u>	<u>3,754</u>	<u>538</u>
Direct operating expenses:			
Ferry operations.....	(1,332)	(1,382)	(198)
Drilling	(342)	(411)	(59)
Shipping.....	(896)	(817)	(117)
Property	<u>(2)</u>	<u>(1)</u>	<u>0</u>
Total direct operating expenses	<u>(2,572)</u>	<u>(2,611)</u>	<u>(374)</u>
Selling and administrative expenses.....	(377)	(407)	(58)
Depreciation and amortization.....	<u>(421)</u>	<u>(355)</u>	<u>(51)</u>
Total operating expenses	<u>(3,370)</u>	<u>(3,373)</u>	<u>(483)</u>
Income from operations.....	<u>702</u>	<u>381</u>	<u>55</u>
Financial income and expense:			
Dividends received.....	4	3	0
Gain (loss) on securities, net.....	230	41	6
Interest income	88	190	27
Interest expense	(188)	(194)	(28)
Foreign exchange gains (losses), net.....	--	24	3
Other financial income (expense), net.....	<u>(14)</u>	<u>(115)</u>	<u>(16)</u>
Total financial income and expense	<u>120</u>	<u>(53)</u>	<u>(8)</u>
Income before taxes.....	822	330	47
Income taxes.....	<u>(106)</u>	<u>37</u>	<u>6</u>
Net income	716	367	53

Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheets – Restricted Group

	December 31, 2006	March 31, 2007 (unaudited)	
	SEK	SEK	\$
	(in millions)		
ASSETS			
Noncurrent assets:			
Intangible assets	222	224	32
Tangible fixed assets:			
Vessels	10,277	10,535	1,509
Construction in progress	5,428	6,496	930
Equipment	545	568	81
Property	1,319	1,331	191
Total tangible fixed assets	17,569	18,930	2,711
Financial fixed assets:			
Marketable securities	456	618	88
Intercompany accounts, noncurrent	5,629	6,061	868
Other assets	5,989	6,948	995
Total noncurrent assets	29,643	32,781	4,694
Current assets:			
Inventories	199	204	29
Trade debtors	1,642	1,998	286
Other receivables	1,364	1,381	198
Intercompany accounts, current	89	171	25
Prepaid expenses and accrued income	591	897	128
Short-term investments	1,243	1,597	229
Cash and cash equivalents	657	795	114
Total current assets	5,785	7,043	1,009
Total assets	35,428	39,824	5,703
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity:			
Capital stock	5	5	1
Reserves	15,684	16,373	2,344
Total stockholders' equity	15,689	16,378	2,345
Provisions:			
Deferred income taxes	420	386	55
Other provisions	3,822	4,579	656
Total provisions	4,242	4,965	711
Noncurrent liabilities:			
Long-term debt	5,645	5,620	805
Senior notes	2,905	6,725	963
Capitalized lease obligations	1,246	1,171	168
Other noncurrent liabilities	881	1,055	151
Total noncurrent liabilities	10,677	14,571	2,087
Current liabilities:			
Short-term debt	549	552	79
Senior notes	1,211	--	--
Capitalized lease obligations	38	39	6
Trade accounts payable	660	565	81
Income tax payable	88	98	14
Other	325	489	70
Intercompany balances, current	2	60	8
Accrued costs and prepaid income	1,947	2,107	302
Total current liabilities	4,820	3,910	560
Total stockholders' equity and liabilities	35,428	39,824	5,703

Stena AB and Consolidated Subsidiaries

Condensed Consolidated Statements of Cash Flow – Restricted Group

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	(unaudited)		
	SEK	SEK	\$
	(in millions)		
<i>Net cash flows from operating activities:</i>			
Net income	716	367	53
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	421	355	51
Gain on sale of property, vessels and equipment	(418)	-	-
Gain on securities, net	(230)	(41)	(6)
Unrealized foreign exchange (gains) losses	(63)	(34)	(5)
Deferred income taxes	91	(64)	(9)
Other non cash items	(62)	(189)	(28)
Net cash flows from trading securities	569	(195)	(28)
Changes in working capital	<u>(386)</u>	<u>2</u>	<u>0</u>
Net cash provided by operating activities	<u>638</u>	<u>201</u>	<u>28</u>
<i>Net cash flows from investing activities:</i>			
Cash proceeds from sale of property, vessels and equipment	1,302	1	0
Capital expenditure on property, vessels and equipment	(1,773)	(1,450)	(208)
Proceeds from sale of securities	53	-	-
Purchase of securities	(93)	(123)	(18)
Other investing activities	<u>(3,528)</u>	<u>32</u>	<u>6</u>
Net cash used in investing activities	<u>(4,039)</u>	<u>(1,540)</u>	<u>(220)</u>
<i>Net cash flows from financing activities:</i>			
Proceeds from issuance of debt	-	4,795	687
Principal payments on debt	(775)	(1,881)	(269)
Net change in borrowings on line-of-credit agreements	(498)	(702)	(101)
New capitalized lease obligation	3,735	-	-
Principal payments on capital lease obligations	(10)	(10)	(1)
Net change in restricted cash accounts	(108)	(108)	(16)
Intercompany accounts	434	(377)	(54)
Other financing activities	<u>(24)</u>	<u>(155)</u>	<u>(22)</u>
Net cash provided by financing activities	<u>2,754</u>	<u>1,562</u>	<u>224</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(45)</u>	<u>(85)</u>	<u>(12)</u>
Net change in cash and cash equivalents	(718)	138	20
Cash and cash equivalents at beginning of period	<u>3,608</u>	<u>657</u>	<u>94</u>
Cash and cash equivalents at end of period	<u>2,916</u>	<u>795</u>	<u>114</u>

Stena AB and Consolidated Subsidiaries

Other data – Restricted Group

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	SEK	SEK	\$
	(in millions)		
OTHER DATA:			
Adjusted EBITDA.....	1,211	926	133

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

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

	Three month periods ended		
	March 31, 2006	March 31, 2007	
	SEK	SEK	\$
	(in millions)		
Income from operations	702	381	55
Adjustments:			
Interest income	88	190	27
Depreciation and amortization	421	355	51
Adjusted EBITDA.....	1,211	926	133
Adjustments:			
Gain on sale of vessels	(418)	--	--
Net cash flows from trading securities	569	(195)	(28)
Interest expense	(188)	(194)	(28)
Unrealized foreign exchange (gains) losses	(63)	(34)	(5)
Other non cash items	(62)	(189)	(28)
Changes in working capital	(386)	2	0
Other items	(25)	(115)	(16)
Net cash provided by operating activities	638	201	28

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