16/17

ANNUAL REPORT

THE STENA METALL GROUP

STENA

2016/2017

THE YEAR IN BRIEF

- The Group's improved earnings are the result of continuous improvements. This methodology is currently applied throughout the Group and is constantly evolving.
- In a year of more stable economic conditions, the Stena Metall Group continued to strengthen the market position of all its businesses.
- With more advanced recycling processes, we are extracting cleaner raw materials to meet the increasing demands of customers and legislators.
- The first stages of the Stena Nordic Recycling Center, the most advanced recycling facility in the Nordic countries, are now in full production.
- Several digital solutions were launched during the year, and we have an exciting pipeline of digital projects.
- The Group's proven business model, based on focused business acumen and close contact with customers, has remained essential.

FIVE YEAR SUMMARY

SEK million	**2016/2017**	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Net sales	**22,354**	16,404	19,733	20,626	25,404	35,193
EBITDA	**1,374**	987	1,174	774	699	1,154
Operating profit	**750**	472	658	180	–50	426
Shareholders' equity	**5,135**	4,750	4,585	4,225	4,173	4,432
Equity/assets ratio, %	**37.5**	39.2	36.5	36.2	33.4	34.4
Average number of employees	**3,365**	3,152	3,224	3,335	3,595	3,831

The figures for 2016/2017, 2015/2016, 2014/2015 and 2013/2014 are calculated in accordance with the International Financial Reporting Standards. Earlier years have not been restated and are reported according to previous accounting principles.

Cover photo: Stena Nordic Recycling Center is the platform of the Stena Metall Group's infrastructure for industrial recycling. The new processes maximize recycling and ensure that as much material as possible can be reused as raw material by industries around the world.

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750

THE STENA METALL GROUP'S OPERATING INCOME FOR THE FINANCIAL YEAR 2016/2017 WAS SEK 750 MILLION.

With top-notch service and a wide product range, Stena Stål makes more possible for its customers. The company, like most of the Stena Metall Group, delivered a higher profit for the financial year.

Chief executive officer's comment

The financial year has been characterized by stable market conditions. By maintaining financial discipline and constant operational improvement, the Stena Metall Group has continued to strengthen its market position in all its operations. Earnings before tax amounted to 596 MSEK.

Compared with the challenging market conditions of recent times, the 2016/2017 financial year was characterized by greater stability. Higher raw material prices and lower price volatility created, despite a weakened dollar, better opportunities for the majority of the Stena Metall Group's business areas. Our overall business acumen provides a strong foundation and by maintaining financial discipline and through constant operational improvement across the Group, we have continued to strengthen our market positions. Improved market conditions lead to greater opportunities when an organization is prepared to take them. I am pleased with the efforts we have made during the year.

Stena Recycling is showing good profit growth in all its home markets, while consolidating its position as the Nordic countries' leading recycler.

Newly acquired IL Recycling has been integrated into Stena Recycling in Sweden and Poland and we are continuing to invest in production solutions that increase recycling rates. The combination of a strong local presence and ever improving customer-specific solutions creates long-term value, not just for ourselves but also for our customers and partners.

There are still major challenges in the producer-led electronics recycling market in Europe. This is partly due to a major pricing imbalance between manufacturers and recyclers and partly because the majority (about 65%) of European electronic waste handling remains outside the legal systems. Stena Technoworld has further consolidated its position as a market leading recycler during the year. At the Stena Nordic Recycling Center, Stena Technoworld has invested in an advanced electronics processing facility that significantly increases recycling rates.

Stena Aluminum is continuing to invest in improving productivity and process development, as part of its quality-oriented improvement work. The result is in line with the previous financial year.

It is very satisfying to follow the progress of Stena Stål. An improved result, in combination with a greater market share, is due to improved business acumen that makes more possible. (See the film Stena Stål – Makes more possible.)

Stena Components has further consolidated its market position and developed its offering during the year.

In a sometimes challenging bunker market, Stena Oil has once again demonstrated that the combination of business acumen and quality assured deliveries creates good value for both our customers and ourselves.

During the year, Stena Metall Finans has taken a more careful view of market developments, taking lower risks, which has resulted in slightly lower results. In its internal banking role, further steps have been taken to develop new cash management solutions for the Group. Work on balancing risk has continued to be an important factor that positively contributes to financial discipline.

An important part of the Group's ongoing improvement work are the "lean-inspired" programs - Stena Way of Production (SWOP), Stena Way of Branches (SWOB) and Stena Way of Sales (SWOS). This methodology is now applied throughout the Group and is continually being developed. The link between this and our safety work is strong. Our investment in a safer Stena continues, under the premise that all accidents can be prevented. We also know that safer working environments lead to more efficient, high quality production.

The year saw the inauguration of the Stena Nordic Recycling Center (SNRC), the Nordic countries most modern recycling facility. With the first three process stages in full production, we will continue to invest in new recycling solutions. The SNRC is the hub of the Group's industrial recycling infrastructure. It also includes the other processing facilities in our domestic markets - an excellent example being the Grenaa Recycling Center in Denmark, which was opened during the year.

The SNRC has increased material recycling by 30 percent in the time it has been operational. Among other achievements, this has led us to becoming one of the first recyclers in the world to meet the 95 percent recycling rate specified in the EU's end-of-life vehicle directive.

In collaboration with universities and technical colleges, we are seeking solutions that will meet future recycling challenges. Two

WE HAVE CONTINUED TO STRENGTHEN THE MARKET POSITION OF ALL OUR OPERATIONS"

ANDERS JANSSON

current areas of research are plastic and lithium-ion batteries. We are a leading plastics recycler, though due to the complexity of the material, we continue to participate in a number of research projects that are seeking new solutions. There is a great need to recycle lithium-ion batteries safely and efficiently, not least in the automotive industry. We are working to develop a comprehensive and safe solution that reuses and recycles their content in a sustainable way.

Stena Metal International, the Group's sales organization, bases its business on long-term customer relationships within the global steel and metal industries. Through ever more advanced recycling processes, we extract purer raw materials, meeting the growing demands of customers and legislation. Different forms of collaboration allow us to optimize the flow of material through the value chain, from collection and processing, all the way to the end customer.

Common to all the Group's activities is a focus on new digital solutions. For example, Stena Stål introduced an e-commerce solution during the year, which provides customers with the widest range of products online. Stena Recycling launched a customer portal in several markets, based on a new technical platform that is designed to expand the functions it can offer in the future. The portal supports the development and monitoring of customers' businesses.

The exciting pipeline of digital projects is a very pleasing development. Many of them are designed to improve the availability of our products and services, as well as creating benefits for our customers. Digitalization also streamlines our internal production flow.

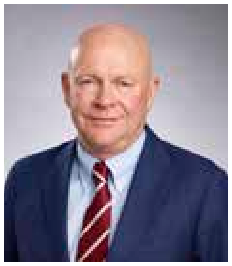
As our recycling operations establish stronger market positions, higher demands are made on value creation, both in our own operations and our business partnerships. With Stena Resource Management, we conduct projects in collaboration with our customers, identifying new opportunities across the entire value chain.

Creating value for customers, society and partners is the core of our business. In the progression towards a more sustainable society, there are even greater opportunities for the Group's combined expertise, products and services. Read more about our work in the Stena Metall Group's first sustainability report, which will be published in November 2017.

The competence of our employees is a critical factor in the Group's continued positive development. The commitment and business acumen they have shown in the past year is impressive. Having the right people with the right skills is a prerequisite for success, and we are more committed than ever to developing our skills, with particular focus on quality, safety, product and material knowledge and leadership.

While overall market conditions are relatively stable, we have recently seen some major price fluctuations. Price swings and periodic market uncertainty are recurring challenges that we must face. With continued financial discipline, we will focus on the factors that we have the power to control - there is no part of the Group that cannot be improved.

Considering the relatively positive market conditions, I expect improved results in the current financial year.



Göteborg, October 2017

Anders Jansson

Directors' Report

The Board of Directors and the President of Stena Metall Aktiebolag, corporate identity number 556138-8371, with its registered address in Göteborg, Sweden, herewith present the report for the financial year September 1, 2016 to August 31, 2017.

ABOUT STENA METALL

The Stena Metall Group has operations in eight business areas spread across more than 200 locations in ten countries. The recycling business is a leader with highly developed logistical solutions, industrial processing and a growing range of services related to waste management and recycling.

The Group also includes production of recycled aluminium, supply of steel products and precision-cut industrial components, financial operations and international trading in ferrous and non-ferrous metals and oil. At the end of the financial year 2016/2017 the Group had operations in Sweden, Norway, Denmark, Finland, Poland, Switzerland, Malta, Germany, Italy and the U.S.

The financial year was characterized by greater stability compared with the challenging market conditions of recent years. Despite a weaker US dollar, higher commodity prices and longer periods of lower price volatility created better opportunities for the majority of the Stena Metall Group's business areas.

The Group's "lean"-inspired programs are currently being applied throughout the Group and are constantly evolving.

MARKET

Recycling

Stena Recycling has recycling operations in Sweden, Norway, Denmark, Finland and Poland.

Stena Recycling saw good earnings growth in all its home markets and consolidated its position as the leading recycler in the Nordic region. During the year the newly acquired IL Recycling was integrated in Stena Recycling (Sweden and Poland). At the same time continuous investments are being made in new production solutions to further improve recycling rates.

The business area's sales amounted to SEK 12,402.4 million (9,285.3) with operating profit of SEK 647.3 million (325.3).

Trading

The Stena Metall Group trades scrap metal, pig iron, hot briquetted iron and finished steel products. Stena Metal Inc. serves as a link between raw material suppliers and buyers around the world.

The business area's sales amounted to SEK 828.2 million (238.0) with an operating loss of SEK 1.8 million, against a year-earlier operating loss of SEK 4.9 million.

Electronics recycling

Stena is one of Europe's leading electronics recyclers, with facilities in six countries. There are still major challenges for Europe's electronics recycling market, where producers bear responsibility for WEEE, partly due to the big pricing imbalance between producers and recyclers, and partly because most European electronics waste is still managed outside the legal systems. Stena Technoworld further consolidated its position during the year as a leading recycler in its markets and invested in a new processing facility for better material yields.

The business area's sales amounted to SEK 1,003.5 million (876.9) with an operating loss of SEK 64.0 million, compared with a year-earlier loss of SEK 46.0 million.

Aluminium

Stena Aluminium is the leading producer of recycled aluminium in the Nordic region. Stena Aluminium continues to invest in productivity- and quality-improving process development as part of its quality-oriented improvement work.

Operating profit amounted to SEK 42.2 million (49.5). Sales amounted to SEK 1,264.1 million (1,191.7).

Steel

Stena Stål has facilities in Sweden and Norway and offers a wide range of steel products as well as slitting and cutting to length of sheet and strip steel from coils. With structured improvements and stronger business acumen, Stena Stål has strengthened its market shares and improved profit.

The business area's sales and operating profit amounted to SEK 2,188.9 million (1,618.6) and SEK 93.4 million (36.6), respectively.

Components

Stena Components manufactures flame-cut and CNC-processed steel products for industry. During the year Stena Components further consolidated its market position and refined its offering.

The business area's sales amounted to SEK 216.0 million (212.2) with an operating loss of SEK 13.3 million, compared with a year-earlier loss of SEK 28.5 million.

Oil
Stena Oil is Scandinavia's leading supplier of bunker oil and marine waste solutions for ships in Skagerak, Kattegatt and the North Sea region.

In a periodically challenging bunker market Stena Oil has shown that the combination of business acumen and a quality-assured product creates value for its business and customers.

Sales amounted to SEK 4,449.6 million (2,971.9) with operating profit of SEK 48.7 million (40.1).

Finance operations
Stena Metall Finans manages investment operations and internal banking for the Group from Göteborg and Zug, Switzerland. During the financial year Stena Metall Finans maintained a more cautious view of the market with lower risk taking, which resulted in a lower profit than before.

Operating profit amounted to SEK 37,4 million (129.7).

Changes in the Group's composition
Havgalleskären AB was acquired. This company purchased the vessel Mecklenburg-Vorpommern during the financial year. Stena Metall's Polish subsidiary, Stena Recycling Sp. z o.o., acquired First Recycling Sp. z o.o. and its subsidiary First Recycling Poznan Sp. z o.o.

Environmental information
The majority of the Group's operations – 156 facilities – is subject to environmental notification or permit requirements according to the Environmental Code.

The biggest environmental impacts from these operations are noise and soil, air and water emissions from handling and processing incoming material. All companies have appointed individuals with responsibility for safety and environmental work. Employees continuously receive environmental, fire safety and other safety training in accordance with company-specific training plans and programs.

Personnel
The average number of employees during the financial year was 3,365 (3,152). All Group companies are working in four strategic areas to ensure modern, positive organizational development.

A number of initiatives were launched during the year with the aim of increasing diversity and gender equality in our workplaces, including through new recruiting and talent management strategies. A collaboration has been formed with the Massachusetts Institute of Technology in the US with a focus on recruiting issues.

The integration of IL Recycling in Sweden and First Recycling in Poland has been a challenge for the entire Group's HR resources with a focus on culture and behavior. This will remain a priority in the year ahead.

Research and development
The Group conducts a number of environmental technology projects, some on its own and others in cooperation with institutes of technology, universities, public authorities, organizations and other businesses. During the year a total of around SEK 33 million (25) was invested in research and development.

Accounting principles
The same accounting principles and methods of computation have been used as in the previous year's annual report. The Group's accounting principles can be found on pages 16-21.

In its operations, the Group is exposed to a number of financial risks: market risk, counterparty risk and liquidity risk. The Group's risk exposure and management of these risks are explained in Note 26.

Material risks and uncertainties
The Stena Metall Group is exposed to a number of risk factors outside its control, wholly or in part, but which can affect the Group's profit and working capital. Demand for and purchases of the company's products are dependent on activity in the ironworking, paper, construction, transportation and manufacturing sectors as well as the private market. The company monitors market trends so that it can quickly adapt to current conditions.

Sales and profit
The Group's sales amounted to SEK 22,354.2 million (16,404.1), an increase of 36.3 percent compared with the previous financial year. The Parent Company's sales were SEK 154.7 million (131.6), of which intra-Group transactions accounted for SEK 149.5 million (127.6).

The Group's profit for the year and comprehensive income amounted to SEK 422.9 million (266.0) and SEK 413.5 million (221.8), respectively. The Parent Company's profit for the year, which is equal to its comprehensive income, was SEK 6.7 million (82.3).

Future outlook
Despite a more stable market at present, the Group expects to periodically live with market turmoil and major price movements. With a continued focus on internal improvements and steady financial discipline, the Stena Metall Group is well prepared to address this situation in the best way.

Parent Company
The Parent Company's operations primarily consist of leasing properties to Group companies and supplying certain Group-wide functions such as internal audit and accounting.

Proposed distribution of earnings
The Board of Directors proposes that the unappropriated earnings in the Parent Company, amounting to SEK 2,875,097,719, be distributed as follows:

- To the shareholders, a dividend of SEK 476.92 per share, totaling SEK 62,000,000, of which SEK 5,000,000 to the Sten A, Olsson Foundation for Research and Culture
- To be carried forward, SEK 2,813,097,719

Cruise ships have become a growing customer group for Stena Oil in recent years. The image was taken in connection with the bunkering of the cruise ship Navigator of the Seas in Copenhagen in June 2017.

Stena Technoworld further consolidated its position during the year as a leading recycler in its markets. Copper is one of the metals extracted from used electronics with the help of advanced, environmentally correct recycling processes.

GROUP

INCOME STATEMENT

September 1–August 31, SEK million	Note	2016/2017	2015/2016
Net sales	2	22,354.2	16,404.1
Cost of goods sold	4.27	−20,500.9	−15,111.3
GROSS PROFIT		**1,853.3**	**1,292.8**
Sales expenses	4,27	−378.3	−341.9
Administrative expenses	3,4,27	−942.0	−776.5
Other operating income	5	219.8	298.4
Other operating expenses	5	−3.2	−0.8
OPERATING PROFIT	2	**749.6**	**472.0**
Income from investments in associated companies	6	3.7	0.7
Net interest income	6	−179.2	−186.1
Other financial income and expenses	6	21.9	18.2
PROFIT BEFORE TAX		**596.0**	**304.8**
Taxes	7	−173.1	−38.8
PROFIT FOR THE YEAR		**422.9**	**266.0**
OTHER COMPREHENSIVE INCOME			
Items that can later be reclassified to profit or loss:			
Change in value of available-for-sale financial assets		3.8	−38.7
Change in value of hedging reserve		−0.2	3.1
Translation difference in subsidiaries outside Sweden		−12.8	−1.1
Revaluation hedge of net investment		0.5	−6.3
Items that will not be reclassified to profit or loss:			
Translation of provision for pensions and similar obligations		−0.7	−1.2
TOTAL COMPREHENSIVE INCOME		**413.5**	**221.8**
Profit/loss for the year is attributable to:			
Parent Company's shareholders		423.2	266.0
Non-controlling interests		−0.3	—
PROFIT FOR THE YEAR		**422.9**	**266.0**
Total comprehensive income is attributable to:			
Parent Company's shareholders		413.8	221.8
Non-controlling interests		−0.3	—
TOTAL COMPREHENSIVE INCOME		**413.5**	**221.8**

GROUP

BALANCE SHEET

ASSETS

August 31, SEK million	Note	2017	2016
Fixed assets			
Intangible fixed assets			
Goodwill	8	526.6	528.2
Trademarks and customer relationships	8	402.4	0.2
IT investments	8	51.5	31.7
TOTAL INTANGIBLE FIXED ASSETS		**980.5**	**560.1**
Tangible fixed assets			
Buildings	9	996.9	925.8
Land and other real estate	9	792.1	702.4
Plant and machinery	9,23	3,263.9	2,261.0
Equipment	9,23	27.5	23.6
Construction in progress	9	142.9	436.5
TOTAL TANGIBLE FIXED ASSETS		**5,223.3**	**4,349.3**
Financial fixed assets			
Shares and participations in associated companies	10	12.7	9.8
Other long-term securities	11	375.6	342.0
Deferred tax assets	18	486.8	531.3
Other long-term receivables	12	23.8	29.8
TOTAL FINANCIAL FIXED ASSETS		**898.9**	**912.9**
TOTAL FIXED ASSETS		**7,102.7**	**5,822.4**
Current assets			
Inventories	13	1,627.3	1,150.1
Short-term receivables			
Accounts receivable	14	1,915.3	1,632.8
Current tax assets		43.0	41.1
Other receivables	14	406.5	340.8
Prepaid expenses and accrued income	14	564.6	431.5
TOTAL SHORT-TERM RECEIVABLES		**2,929.4**	**2,446.2**
Short-term securities		1,162.0	1,136.4
Liquid assets	15	878.6	1,550.6
TOTAL CURRENT ASSETS		**6,597.3**	**6,283.3**
TOTAL ASSETS		**13,700.0**	**12,105.7**

SHAREHOLDERS' EQUITY AND LIABILITIES

August 31, SEK million	Note	2017	2016
Shareholders' equity			
Share capital		13.0	13.0
Reserves	16	87.2	95.9
Retained earnings		4,611.6	4,375.0
Profit for the year		422.9	266.0
Non-controlling interests	16	0.2	0.5
TOTAL SHAREHOLDERS' EQUITY		**5,134.9**	**4,750.4**
Long-term liabilities			
Pensions and similar obligations	17	13.5	13.8
Deferred tax liabilities	18	390.5	286.5
Other provisions	19	616.0	496.6
Bond loans	20	2,800.0	3,606.9
Loans from credit institutions	21	654.9	315.0
Other liabilities	21	21.1	34.5
TOTAL LONG-TERM LIABILITIES		**4,496.0**	**4,753.3**
Current liabilities			
Bond loans	20	806.3	—
Loans from credit institutions	22	121.6	40.6
Accounts payable		1,489.6	1,256.4
Current tax liabilities		15.9	31.2
Other liabilities	22	344.2	267.5
Accrued expenses and prepaid income	22	1,291.5	1,006.3
TOTAL CURRENT LIABILITIES		**4,069.1**	**2,602.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**13,700.0**	**12,105.7**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to Parent Company's shareholders					
	Share capital	Reserves	Retained earnings including profit for the year	Total	Non-controlling interests	Total shareholders' equity
OPENING BALANCE AT SEPTEMBER 1, 2015	13.0	138.9	4,425.8	4,577.7	7.0	4,584.7
Profit for the year			266.0	266.0		266.0
Change in fair value reserve for the year		−38.7		−38.7		−38.7
Change in hedging reserve for the year		3.1		3.1		3.1
Change in translation reserve for the year		−1.1		−1.1		−1.1
Change in hedge of net investment for the year		−6.3		−6.3		−6.3
Restatement of provisions for pensions			−1.2	−1.2		−1.2
Other comprehensive income for the year		−43.0	−1.2	−44.2		−44.2
Share dividend			−46.5	−46.5		−46.5
Divestment of subsidiaries			−3.1	−3.1	−6.5	−9.6
CLOSING BALANCE AT AUGUST 31, 2016	**13.0**	**95.9**	**4,641.0**	**4,749.9**	**0.5**	**4,750.4**
Profit for the year			423.2	423.2	−0.3	422.9
Change in fair value reserve for the year		3.8		3.8		3.8
Change in hedging reserve for the year		−0.2		−0.2		−0.2
Change in translation reserve for the year		−12.8		−12.8		−12.8
Change in in hedge of net investment for the year		0.5		0.5		0.5
Restatement of provisions for pensions			−0.7	−0.7		−0.7
Other comprehensive income for the year		−8.7	−0.7	−9.4		−9.4
Share dividend			−29.0	−29.0		−29.0
CLOSING BALANCE AT AUGUST 31, 2017	**13.0**	**87.2**	**5,034.5**	**5,134.7**	**0.2**	**5,134.9**

GROUP

STATEMENT OF CASH FLOWS

September 1–August 31, SEK million	Note	2016/2017	2015/2016
Operating activities			
Profit before tax		596.0	304.8
Adjustments for non-cash items		727.7	449.4
		1,323.7	**754.2**
Taxes paid		–24.0	–22.8
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**1,299.7**	**731.4**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		–470.0	156.8
Increase (–)/decrease (+) in short-term receivables		–457.7	50.4
Increase (+)/decrease (–) in current liabilities		467.0	160.5
CASH FLOW FROM OPERATING ACTIVITIES		**839.0**	**1,099.1**
Investing activities			
Acquisition of subsidiaries and asset purchases		–454.5	–38.0
Sale of subsidiaries		7.7	98.3
Acquisition of intangible fixed assets		–25.4	–32.2
Acquisition of tangible fixed assets		–1,310.8	–674.8
Sale of tangible fixed assets		35.8	40.9
Acquisition of financial assets		–59.2	–430.0
Sale of financial assets		8.7	9.5
CASH FLOW FROM INVESTING ACTIVITIES		**–1,797.7**	**–1,026.3**
CASH FLOW AFTER INVESTMENTS		**–958.7**	**72.8**
Financing activities			
Loan proceeds		358.4	2.211.6
Amortization of loan liabilities		–43.6	–2.785.0
Share dividend		–29.0	–46.5
CASH FLOW FROM FINANCING ACTIVITIES		**285.8**	**–619.9**
CASH FLOW FOR THE YEAR		**–672.9**	**–547.1**
Liquid assets at September 1		1,550.6	2,095.6
Translation difference in liquid assets		0.9	2.1
LIQUID ASSETS AT AUGUST 31	25	**878.6**	**1,550.6**
Supplemental disclosure to statement of cash flows			
Adjustments for non-cash items. etc.			
Income from investments in associated companies		–3.7	–0.7
Depreciation and impairment of assets		624.1	515.2
Unrealized translation differences		–3.6	2.8
Capital gain/loss on sale of tangible and financial fixed assets		1.9	–15.2
Capital gain/loss on sale of subsidiaries		–7.5	–5.3
Change in fair value of available-for-sale assets		3.7	–38.7
Change in provisions		113.1	–1.2
Other non-cash items		–0.3	–7.5
TOTAL		**727.7**	**449,4**

ACCOUNTING AND VALUATION PRINCIPLES

Stena Metall AB (the Parent Company) and its subsidiaries (together the Stena Metall Group) is a recycling company that collects, processes and recycles all types of waste. The Group also includes production of recycled aluminum, supply of steel products, financial operations and international trading in ferrous and non-ferrous metals and oil.

The Parent Company is a Swedish limited liability company with its registered address in Göteborg. The address of the head office is Stena Metall AB, Box 4088, SE-400 40 Göteborg, Sweden.

On October 25, 2017 this annual report and the consolidated financial statements were approved by the Board of Directors for publication.

The annual report is prepared in millions of Swedish kronor (SEK million), unless indicated otherwise. Figures in parentheses refer to the previous year.

Basis for preparation of the financial statements

The consolidated financial statements for the Stena Metall Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, recommendation RFR1 Supplementary Accounting Regulations for Groups and the Annual Accounts Act.

Fixed assets, long-term liabilities and provisions essentially consist of only the amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities essentially consist of only the amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

Assets and liabilities are recognized at cost, except for certain financial assets and liabilities which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives, financial assets classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

The Parent Company's financial statements are prepared according to the same accounting principles as for the Group with the exceptions described in the section "The Parent Company's accounting principles."

Preparation of the financial reports in compliance with IFRS requires the use of a number of key estimates for accounting purposes. Moreover, management is required to make certain assessments in the application of the Group's accounting principles; see Note 1.

Revisions to the accounting principles and disclosures

New standards and interpretations that have not yet been applied by the Group

When preparing this annual report, a number of standards and interpretations has been published but not yet entered into force and are applicable to the Group. Following is an assessment of the effects we believe these standards will have on the published financial statements:

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014, replacing the portions of IAS 39 that dealt with classification and measurement of financial instruments, impairment of financial instruments and hedge accounting. There will be three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It is important to point out that equity instruments, in accordance with IFRS 9, may under no circumstances be measured at cost, regardless of whether an instrument is listed or not. IFRS 9 also introduces a new model to calculate loan loss reserves based on anticipated rather than actual losses. For financial liabilities there is no change in classification and measurement except in cases when a liability is recognized at fair value through profit or loss based on the fair value alternative. Changes in value attributable to changes in own credit risk are then recognized in other comprehensive income. The latter classification will not have any effect on Stena Metall. IFRS 9 lowers the requirements to apply hedge accounting by replacing the 80-125 criteria with a requirement that there be an economic relationship between the hedging instrument and the hedged asset and that the hedge ratio be the same one used in risk management. The Group intends to apply the new standard not later than the financial year beginning September 1, 2018.

Stena Metall applies hedge accounting to a very limited extent, so in this case IFRS 9 will not have any effect. Holdings of financial instruments essentially consist of accounts receivable and investments in various forms of equity instruments, either in the form of shares or various forms of funds. The interest-bearing instruments that are held will continue to be measured at amortized cost. In the case of its holding of interest-bearing financial instruments, Stena Metall consistently applies a business model where the instruments in question are held to obtain a steady flow of interest and repayments. As a result, they are measured at amortized cost. All holdings meet the criteria required to be recognized at amortized cost. Stena Metall has previously classified its holdings of equity instruments as available-for-sale financial instruments and therefore recognized changes in value in other comprehensive income, and in connection with sales reversed the cumulative changes in value through profit or loss. The company is currently considering whether to measure equity instruments at fair value through profit or loss or through other comprehensive income. There is essentially no trading in these instruments, so there is a choice in this case. No decision has been made yet. Receivables recognized in the balance sheet consist almost exclusively of accounts receivable. The company currently applies an incurred loss model in accordance with IAS 39, which means that a credit risk reserve is recognized when a customer is in arrears. The size of the credit risk reserve is very limited in relation to the size of the recognized receivables. Historical outcomes, i.e., the size of actual written-off receivables, indicate a low level of actual losses in relation to allocated reserves. Because of this, implementation of a model that takes the anticipated loss into account will not result in a major change in the value of the credit risk reserve even if it is based to a greater extent on historical outcomes. It is uncertain at present whether implementation of IFRS 9 will increase or decrease the credit risk reserve. Work is currently underway to identify the size of the change.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and replaces all previously issued standards and interpretations involving revenue recognition (IAS 11 Construction Contracts and IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Barter Transactions Involving Advertising Services). IFRS 15 enters into force on January 1, 2018 and Stena Metall will apply it as of the financial year beginning September 1, 2018. An evaluation of the effects of IFRS 15 is underway. Implementation of IFRS 15 will result in changes in supplemental disclosures, but will otherwise have a limited effect since the business primarily involves the supply of various forms of goods. The ultimate effect is expected to be limited compared with current rules in terms of the size of Group's revenue and profit. The contracts essentially include a single performance obligation, and the revenue will be recognized when the risk passes to the customer, which happens when the goods are transferred or received in accordance with the contractual terms. Certain contracts with customers contain return protection, volume discounts or other types of floating price mechanisms. This usually means that the recognized revenue is lower or will be lower initially, since discounts will be given on future purchases. In certain parts of the company that work with raw materials, contracts containing volume clauses are fairly standardized. The volume of services provided to customers is limited in relation to the value of goods delivered. Establishment of new routines and descriptions to gather the information needed to prepare supplemental disclosures will continue during the year.

IFRS 16 will replace IAS 17 Leases and the interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leases, with few exceptions, to be recognized in the balance sheet. This is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time has a liability to pay for this right. The recognition for the lessor will essentially remain unchanged. The standard is applicable for financial years beginning on or after January 1, 2019. Stena Metall will apply IFRS 16 as of the financial year beginning September 1, 2019 and will apply a modified transition method.

No other IFRS or IFRIC interpretations that have not yet entered into force are expected to have a significant effect on the Group.

Consolidated financial statements

The Group's financial accounts comprise the Parent Company, Stena Metall AB, and all companies in which the Parent Company at the end of the financial year directly or indirectly owns more than 50% of the voting rights or otherwise exercises control. Companies acquired during the year have been included in the consolidated financial statements as of the date when control transferred to the Group. Companies divested during the year are excluded from the consolidated financial statements as of the date when control ceases. Intra-Group receivables and liabilities as well as transactions between Group companies and internal gains are eliminated upon consolidation. Intra-Group transactions, balance sheet items and unrealized gains and losses on transactions between Group companies are eliminated. The accounting principles for subsidiaries have been revised where necessary to guarantee consistent application of the Group's accounting principles.

Business combinations and goodwill

The acquisition method is used for recognition of the Group's business combinations. The purchase price of the acquisition of a subsidiary consists of transferred assets, liabilities and contingent liabilities at fair value on the acquisition date. The purchase price also includes the fair value on the acquisition date of contingent consideration. Subsequent changes in the fair value of contingent consideration are recognized in accordance with IAS 39 either in the income statement or in other comprehensive income.

If the purchase price exceeds the market value of identified assets, liabilities and contingent liabilities, the difference is recognized as goodwill. If the purchase price is less than the fair value of the acquired company's net assets, the difference is recognized directly through profit or loss. Acquisition-related costs are expensed when they arise.

Changes in the ownership of a subsidiary without a change in control

Transactions with holders without control that do not lead to a loss of control are recognized as equity transactions. This type of acquisition is reported as a share of the acquired net assets, i.e., the difference between the fair value of the purchase price paid and the actual acquired share of the carrying amount of the subsidiary's net assets, in shareholders' equity. As a result, no goodwill arises from this type of transaction.

Associated companies

Associated companies or companies in which the Group exercises significant influence but nor control, which generally applies to shareholdings with between 20% and 50% of the votes. Holdings in associated companies are recognized according to the equity method, whereby the instrument is initially measured at cost and its carrying amount subsequently increases or decreases along with the Group's share of the associated company's profit or loss after the acquisition. The carrying amount also includes goodwill identified upon acquisition. When the Group's share of an associated company's losses is equal to or exceeds its holding in the associated company, the Group will not recognize any further losses unless it has assumed legal or informal obligations or made payments on the associated company's behalf.

In the consolidated financial statements, the shares are recognized under "Shares and participations in associated companies"; see Note 10. The Group's share of its associated companies' profit is recognized in the consolidated income statement on the line "Income from investments in associated companies" within net financial income/expense; see Note 6.

Translation of foreign currency

Translation of foreign operations

The Parents Company's functional currency and reporting currency, as well as the Group's reporting currency, is Swedish kronor (SEK). All foreign subsidiaries report in their functional currency, i.e., the currency used in the company's economic environment. Upon consolidation all balance sheet items have been translated to SEK using the balance sheet date rates. Income statement items have been translated using average exchange rates. All translation differences that arise are transferred directly to the Group's shareholders' equity and included in other comprehensive income.

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated at the balance sheet date rate. Exchange rate gains and losses that arise through restatements are recognized in the income statement. The exception is when the transactions constitute hedges that meet the requirement for hedge accounting of net investments, in which case the gains/losses are recognized in other comprehensive income. Non-monetary assets and liabilities recognized at historical cost are translated at transaction date exchange rates.

Exchange rate gains and losses attributable to loans and liquid assets are recognized in the income statement as financial income or expenses. Other exchange rate gains and losses are recognized in operating profit.

Segment reporting

Operating segments are reported in a way that complies with the internal reporting to the chief operating decision-maker, i.e., the function responsible for distributing resources and evaluating the operating segments' results. In the Group this function has been identified as Stena Metall AB's Board of Directors, which makes strategic decisions.

The Group's segments, its business areas, comply with internal governance and reporting, which serve as the basis for identifying significant risks and the varying returns from these businesses and are based on the various business models for the Group's end customers. The segments are responsible for operating profits and the assets used in their businesses.

Sales between segments are made on fair market terms and at market prices. The Stena Metall Group's business areas, and hence its segments, are as follows:

- Recycling
- Aluminium
- Electronics Recycling
- Oil
- Steel
- Components
- Trading
- Finance

Intangible fixed assets

Goodwill

Goodwill arises in the acquisition of subsidiaries and refers to the amount by which the purchase price exceeds Stena Metall's share of the acquired subsidiary's identifiable net assets at the date of the acquisition. Goodwill is tested for impairment annually or more often if events or changes in conditions indicate the possibility of diminished value. Any impairment is immediately expensed. In impairment testing, goodwill is distributed by cash-generating unit. The distribution is made across cash-generating units that are expected to benefit from synergies from the acquisition. Every unit which goodwill has been distributed to corresponds to the lowest level in the Group at which the goodwill in question is monitored through internal governance. Goodwill is monitored by cash-generating unit.

IT investments

Acquired software is capitalized on the basis of acquisition and implementation expenses. The expense is written off on a straight-line basis over an estimated useful life of 5 years. The useful life is reassessed annually.

Tangible fixed assets

Tangible fixed assets are recognized as assets in the balance sheet when it is likely that future economic benefits associated with the holding will be passed on to the Group and the cost of the asset can be reliably estimated. Tangible fixed assets are recognized it cost less depreciation and impairment. Cost includes expenditures directly attributable to the acquisition of the asset.

Incremental expenses are added to the carrying amount or recognized as a separate asset, depending on which is most suitable. The carrying amount of a replaced portion is eliminated from the balance sheet. All other forms of repairs and maintenance are expensed in the period in which they arise.

The branch network is considered part of production and its costs are included in their entirety in cost of goods sold. As a result, all depreciation of fixed assets in the branch network is recognized as cost of goods sold. Other equipment relates collectively to sales and administrative expenses.

The cost of construction in progress is estimated on the same basis as acquired assets. An asset is reclassified once it can be put to use.

Each part of a tangible fixed asset whose cost is significant in relation to the asset's aggregate cost is depreciated separately. Land is not depreciated. Other assets are depreciated according to plan on a straight-line basis over there estimated useful life as follows:

Plant and machinery and equipment are depreciated over 5–20 years, buildings over 15–80 years and land improvements over 5–30 years.

The assets' residual values and useful lives are tested at the end of each reporting period and adjusted as needed. An asset's carrying amount is immediately written down to its net realizable value if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on the disposable of a tangible fixed asset consist of the difference between the sales proceeds and carrying amount and are recognized in other operating income and other operating expenses in the income statement.

Impairment of non-financial fixed assets

Intangible assets with an indefinite useful life (goodwill) are not amortized and instead are tested annually for impairment. Assets that are amortized are tested for impairment whenever events or changes in conditions indicate that the carrying amount perhaps is not recoverable. The impairment corresponds to the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less sales expenses and its estimated value in use.

For goodwill testing purposes, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating units). For assets (other than goodwill) that have previously been impaired, a test is conducted on each balance sheet date to determine whether a reversal is needed.

Fixed assets held for sale

Fixed assets are classified as assets held for sale when their carrying amounts will primarily be recovered through a sales transaction and a sale is considered highly likely. They are recognized at the lower of their carrying amount and fair value less selling expenses.

Financial instruments

Classification

The Group classifies its financial assets and liabilities in the following categories: Financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets at fair value through profit or loss

Financial assets belonging to this category are measured and recognized on a continuous basis at fair value through profit or loss.

The category is divided into two main sub-categories: 1) holdings for trading, and 2) those which the Group has chosen to classify in this category (fair value option). Financial assets held for trading consist of financial assets acquired primarily to be sold in the short term as well as derivatives. Financial assets categorized using the fair value option are applied based on how the instruments are managed, and their results are evaluated through a fair value measurement in accordance with the Group's investment strategy. Internally, the Group monitors and reports these assets based on their fair values and feels that this measurement gives readers of the annual report the most relevant information. Both categories are presented in the balance sheet under short-term investments, while changes in fair value are recognized in the income statement on the line other operating income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets with the exception of items maturing more than 12 months after the balance sheet date, which are classified as long-term. The Group's "loans and receivables" are included in other receivables and accounts receivable in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are identified as sellable or have not been classified in any other category. They are included in fixed assets if the intent is not to sell them within 12 months of the conclusion of the reporting period. The Group's available-for-sale financial assets consist of the item long-term securities in the balance sheet.

Other financial liabilities

The Group's long-term and short-term loans from credit institutions as well as bond loans, other long-term securities, accounts payable and the portion of other short-term liabilities that refers to financial instruments are classified as other financial liabilities.

Recognition and measurement

Purchases and sales of financial assets are recognized on the transaction date, i.e., the date when the Group commits to buying or selling the asset. Financial instruments are initially recognized at fair value plus transaction costs for all financial instruments not measured at fair value through profit or loss. For financial assets appraised in accordance to fair value, transaction costs are accounted for in the income statement. Financial assets are derecognized from the balance sheet when the right to retain cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership. Financial liabilities are derecognized from the balance sheet when the obligation in the contract has been fulfilled or otherwise discharged.

Financial assets and liabilities are offset only when there is a legal right to set off the recognized amounts and an intention to settle them with a net amount or to simultaneously realize the asset and settle the liability.

Financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets are recognized after acquisition at fair value. Loans and receivables as well as other financial liabilities are recognized after acquisition at amortized cost. Credit insurance has been obtained on a large part of the Group's accounts receivable.

Changes in the market value of financial assets at fair value through profit or loss are recognized in the income statement on the lines other operating income or operating expenses. Changes in the fair value of other long-term securities classified as available-for-sale financial assets are recognized in other comprehensive income.

Impairment of financial instruments
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. With respect to available-for-sale financial assets, a significant or prolonged decrease in the fair value of an instrument to a level below its acquisition value, is a proof of a needed impairment. If there is such evidence for available-for-sale financial assets, the cumulative loss – calculated as the difference between cost and current fair value less any previous impairment recognized through profit or loss – is reversed from other comprehensive income and recognized in the income statement. Impairment of equity instruments previously recognized through the income statement is not reversed through the income statement.

Derivatives and hedges
Derivatives are financial instruments recognized in the balance sheet on the transaction date and measured at fair value, both initially and in subsequent revaluations. The Group uses several different derivatives to minimize currency risks from financial flows as well as assets and liabilities. Moreover, various fixed income instruments are used to ensure an appropriate interest-rate level. The gain or loss that arises from the revaluation of fixed income instruments is recognized in the income statement in net financial income/expense. The results for other derivatives is included in cost of goods sold.

The fair value of a derivative is classified as a financial fixed asset or long-term liability when the remaining maturity of the hedged item is longer than 12 months and as a current asset or short-term liability when the remaining maturity of the hedged item is less than 12 months. Exchange rate differences from the revaluation of foreign currency funding designed to hedge foreign assets are posted directly to the Group's shareholders' equity and offset against the translation differences in such foreign net assets.

For a description of the Group's financial risks, see Note 26 to the consolidated financial statements.

Inventories
Inventories have been measured at the lower of cost and net realizable value on the balance sheet date. Net realizable value refers to the estimated selling price of the goods less sales expenses. With this method obsolescence is taken into account. The measurement is made in accordance with the FIFU principle or using weighted average prices.

Accounts receivable
Accounts receivable are financial instruments consisting of amounts that will be paid by customers for goods and services sold in the normal course of business. If payment is expected within one year or less, they are classified as current assets. If not, they are classified as fixed assets.

Accounts receivable are initially recognized at fair value and subsequently at amortized cost applying the effective interest method, less any provisions for depreciated value.

Liquid assets
Liquid assets are financial instruments and comprise, in the balance sheet and the statement of cash flows, cash and bank balances with a maturity of not more than three months from the acquisition date.

Accounts payable
Accounts payable are financial instruments and refer to obligations to pay for goods and services that have been acquired in the normal course of business from suppliers. Accounts payable are classified as current liabilities if they mature within one year. If not, they are recognized as long-term liabilities.

Accounts payable are initially recognized at fair value and subsequently at amortized cost applying the effective interest method.

Funding
Loans from credit institutions and bond loans are initially recognized at nominal value. Funding is subsequently recognized at amortized cost and any difference between the amount received and the repayment amount is recognized in the income statement distributed over the loan period. Funding is classified as a current liability unless the Group has an unconditional right to postpone payment of the liability for at least 12 months after the conclusion of the reporting period.

Provisions
A provision is recognized in the balance sheet when there is a formal or informal obligation resulting from an event that has occurred and it is likely that an outflow of resources will be needed to settle the obligation and a reliable estimate of the amount can be made. Provisions are based on the best estimate of the amount required to settle the existing obligation on the balance sheet date.

Current and deferred tax
The tax expense for the period consists of current tax and deferred tax. The current tax expense is calculated on the basis of the tax regulations that on the balance sheet to date have been enacted or substantively enacted in the countries where the Parent Company and its subsidiaries operate and generate taxable revenue.

Deferred tax is recognized according to the balance sheet method on temporary differences that arise between the tax value of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax is calculated applying the tax rates that have been enacted or announced as of the balance sheet date and which are expected to apply when the deferred tax asset in question is realized or the deferred tax liability is settled. Deferred tax assets on tax loss carryforwards are recognized to the extent it is likely that future taxable profits will be available to offset the carryforwards.

Employee benefits
Post-employment compensation such as pensions is dispersed in large part through periodic payments to independent authorities or institutions, which thereby assume the obligations to employees,

i.e., through defined contribution plans. The Group's result is charged with expenses as benefits are vested. Certain pension entitlements are secured through company-owned endowment insurance.

The remainder is fulfilled through defined benefit plans, where the obligations are retained by the Stena Metall Group. Defined benefit plans are used in Norway and Poland. For defined benefit plans, the company's costs and the value of outstanding obligations as of the balance sheet date are estimated with the help of actuarial calculations designed to determine the present value of outstanding obligations. See also Note 17.

The Group also has defined benefit pension obligations through insurance with Alecta. This pension plan is recognized as a defined benefit plan.

Borrowing costs

Borrowing costs attributable to so-called qualified assets are capitalized as part of the asset's acquisition cost. A qualified asset is an asset that by definition takes considerable time to finish. Borrowing costs are capitalized on loans that are specific to the qualified asset.

All other borrowing costs are expensed when they arise.

Revenue recognition

Revenue comprises the fair value of what has been or will be received for goods and services sold in the Group's operations. Revenue is reported exluding value-added tax, returns and discounts after eliminating intra-Group sales.

The Group recognizes revenue when the amount can be reliably measured, which means it is likely that future economic benefits will accrue to the company and special criteria have been met for each of the Group's operations. Revenue cannot be reliably measured until all obligations connected with the sale have been met or expired. The Group bases its estimates on historical outcomes and takes into consideration the type of customer, type of transaction and special circumstances in each case.

The Group's revenue from its recycling, aluminum, steel, component, oil and trading businesses is attributable to the sale of goods and services as well as the lease of equipment such as containers. Sales of goods are recognized upon delivery to the customer, in accordance with the delivery terms. Revenue from service assignments is recognized when the services are rendered. In cases where the Group has rendered a service and payment has been received before the material has been processed as agreed to by the customer, the revenue is recognized as a liability until the service is rendered.

Capital gains and losses from financing activities are recognized net as other operating income/operating expenses.

Interest income is recognized over its maturity applying the effective interest method.

Dividends are recognized in net financial income/expense when the right to the proceeds is obtained.

Leasing

A lease where a significant portion of the risks and benefits of ownership are retained by the lessor is classified as an operating lease, which means that the lease fee is recognized on a straight-line basis over the lease term. A lease where the economic risks and benefits associated with ownership essentially are transferred to the lessee is defined as a finance lease. Assets leased according to a finance lease are recognized as fixed assets in the consolidated balance sheet and amortized over the shorter of the asset's useful life and the lease term. The obligation to pay future lease fees is recognized as other long- and short-term borrowing. Lease payments are recognized as interest and amortization of the liabilities.

Contingent liabilities

When an obligation does not meet the criteria for recognition in the balance sheet, it can be considered a contingent liability. A contingent liability is recognized when a potential obligation arises due to events that have occurred or whose occurrence is confirmed only by one or more uncertain future events or where there is an obligation where an outflow of resources is unlikely or an adequate temporary estimate of the amount cannot be made.

Parent Company's accounting principles

The Parent Company applies the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR2 Reporting by Legal Entities. The Parent Company essentially applies the principles for consolidated financial statements described above. Deviations between the Parent Company's and the Group's principles are the result of limits on opportunities to apply IFRS in the Parent Company due to the Annual Accounts Act and in certain cases tax regulations. The most significant differences between the Group's and the Parent Company's accounting principles are indicated below.

Shares and subsidiaries are recognized at acquisition cost less any impairment.

The Parent Company classifies shareholders' equity in accordance with the rules of the Annual Accounts Act, divided between restricted and unrestricted shareholders' equity.

GROUP

NOTES

1 | ESTIMATES AND ASSUMPTIONS IN THE FINANCIAL STATEMENTS

Estimates and assumptions are evaluated on an ongoing basis and based on historical experience and other factors, including expectations of future events that are considered reasonable under current conditions. The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result will, by definition, rarely correspond to actual results. Estimates and assumptions that entail a significant risk of material adjustment in the carrying amounts of assets and liabilities in the financial year are summarized below.

Goodwill impairment testing
Each year the Group tests goodwill for impairment, in accordance with the Group's accounting principles. Recoverable amounts for cash-generating units are determined by calculating value in use. For these calculations certain estimates must be made. See Note 8.

Measurement of tax loss carryforwards
Each year the Group tests deferred assets from tax loss carryforwards for impairment. In addition, the Group evaluates whether it is appropriate to capitalize new deferred tax assets from the year's tax loss carryforwards. Deferred tax assets are recognized only for tax loss carryforwards that are likely to be offset against future taxable profits and against taxable temporary differences. Stena Metall has recognized deferred tax assets for the tax loss carryforwards in Sweden, since it is considered likely that these tax loss carryforwards can be offset against future profits.

Tax loss carryforwards for which a deferred tax asset has not been booked amount to 292.6 (269.6) as of August 31, 2017.

Provisions
In general, a provision is recognized when an obligation has arisen as a result of a past event, where it is likely that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. The provision represents the best estimate of what is required to settle the existing obligation on the balance sheet date. Since there is uncertainty in estimates of future events beyond the Group's control, actual outcomes may deviate significantly.

When an obligation does not meet the criteria to be recognized in the balance sheet, it can be considered a contingent liability and disclosed. These obligations stem from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not completely within the Group's control. Contingent liabilities also include existing obligations where an outflow of resources is not likely or a sufficiently reliable estimate of the amount cannot be made.

2 | SEGMENT REPORTING

NET SALES

By business area	2016/2017	2015/2016
Recycling	12,402.4	9,285.3
Aluminium	1,264.1	1,191.7
Electronics Recycling	1,003.5	876.9
Oil	4,449.6	2,971.9
Steel	2,188.9	1,618.6
Components	216.0	212.2
Trading	828.2	238.0
Other	1.5	9.5
TOTAL	**22,354.2**	**16,404.1**
By geographical market		
Europe	18,871.9	14,761.9
Rest of world	3,482.3	1,642.2
TOTAL	**22,354.2**	**16,404.1**
By significant revenue source		
Goods	20,023.3	14,592.1
Services	2,330.9	1,812.0
TOTAL	**22,354.2**	**16,404.1**

Excise duties of 0.6 (0.3) are included in sales.

OPERATING PROFIT

By business area	2016/2017	2015/2016
Recycling	647.3	325.3
Aluminium	42.2	49.5
Electronics Recycling	−64.0	−46.0
Oil	48.7	40.1
Steel	93.4	36.6
Components	−13.3	−28.5
Trading	−1.8	−4.9
Finance	37.4	129.7
Other	−40.3	−29.8
TOTAL	**749.6**	**472.0**
By geographical market		
Europe	751.4	474.9
Rest of world	−1.8	−2.9
TOTAL	**749.6**	**472.0**

Net exchange rate differences recognized in operating profit amount to 10.7 (6.9).

3 | FEES TO AUDITORS

PwC	2016/2017	2015/2016
Audit assignments	9.7	8.3
Audit work in excess of audit assignment	0.8	0.3
Tax advice	0.4	0.9
Other	0.3	1.2
TOTAL	**11.2**	**10.7**

Other		
Audit assignments	0.1	0.3
Tax advice	1.1	0.5
Other	0.9	—
TOTAL	**2.1**	**0.8**

Audit assignments refer to the review of the annual report and accounts and the administration by the Board of Directors and the President. Also included are other duties that are the responsibility of the company's auditors as well as consulting or other assistance resulting from observations during such reviews or the implementation of such other duties. All other work is considered other services.

4 | DEPRECIATION/AMORTIZATION AND IMPAIRMENT

Depreciation/amortization according to plan and impairment losses by item	2016/2017	2015/2016
Cost of goods sold	−579.8	−503.7
Sales expenses	−32.6	−5.0
Administrative expenses	−11.7	−6.5
TOTAL	**−624.1**	**−515.2**

Depreciation/amortization and impairment losses according to plan by asset		
Goodwill	−4.2	—
Trademarks and customer relationships	−27.9	−1.3
IT investments	−6.9	−0.5
Buildings	−72.0	−73.9
Land improvements	−15.0	−10.0
Plant and machinery	−488.9	−420.8
Equipment	−9.2	−8.7
TOTAL	**−624.1**	**−515.2**

5 | OTHER OPERATING INCOME AND OPERATING EXPENSES

OTHER OPERATING INCOME	2016/2017	2015/2016
Business area Finance	64.9	160.9
Lease income from vessels. net	128.3	100.2
Result on sale of tangible fixed assets. net	—	15.5
Grants received	1.6	2.4
Rental income	18.4	16.3
Other	6.6	3.1
TOTAL	**219.8**	**298.4**

The Finance business area refers to the net of the finance operations' trading in financial instruments.

Grants received refer to R&D projects and this year primarily refer to EU grants in the area of end-of-life vehicles (ELV). In the previous year grants were received, for example, for recycling of next-generation lithium ion batteries as well as projects aimed at recycling neodymium magnets. The Group's German subsidiary has received grants to develop new technology to recycle refrigerators.

OTHER OPERATING EXPENSES	2016/2017	2015/2016
Result on sale of tangible fixed assets, net	−2.0	—
Other	−1.2	−0.8
TOTAL	**−3.2**	**−0.8**

6 | NET FINANCIAL INCOME/EXPENSE

INCOME FROM INVESTMENTS IN ASSOCIATED COMPANIES	2016/2017	2015/2016
Returpapperscentralen i Uppsala HB	3.1	0.2
Other	0.6	0.5
TOTAL	**3.7**	**0.7**

NET INTEREST EXPENSE		
Interest income	18.2	15.6
Interest expenses	−183.1	−188.3
Borrowing costs	−14.3	−13.4
TOTAL	**179.2**	**−186.1**

OTHER FINANCIAL INCOME AND EXPENSES		
Change in value interest rate swaps	16.1	18.2
Capital gains/losses	7.8	4.0
Exchange rate differences	−6.7	−2.4
Other	4.7	−1.6
TOTAL	**21.9**	**18.2**

7 | TAXES

	2016/2017	2015/2016
Current tax	−24.0	−29.6
Deferred tax	−149.1	−9.2
TOTAL	**−173.1**	**−38.8**

Current tax		
Current tax for the period	−23.1	−29.3
Adjustment of previous years' tax	−0.9	−0.3
TOTAL	**−24.0**	**−29.6**

Deferred tax		
Related to temporary differences	−142.4	−20.4
Related to tax loss carryforwards	0.6	1.7
Adjustment of previous years' tax	−7.3	9.5
TOTAL	**−149.1**	**−9.2**

Deferred tax related to temporary differences primarily refers to accelerated depreciation of tangible fixed assets. See Note 18.

Reconciliation of reported tax charge	2016/2017	2015/2016
Profit before tax	596.0	304.8
Tax according to Parent Company's current tax rate 22.0%	−131.1	−67.1
Effect of other tax rates for foreign subsidiaries	11.3	30.3
Effect of revised tax rates	—	0.5
Non-deductible expenses	−14.9	−16.7
Tax-exempt revenue	46.8	11.2
Unused tax loss carryforwards	18.2	20.2
Unreported tax assets on net loss for the year	−33.0	−35.7
Deferred tax	−69.1	20.6
Tax attributable to previous years	−1.0	9.3
Other	−0.3	−11.4
RECOGNIZED TAX CHARGE	**−173.1**	**−38.8**

8 | INTANGIBLE FIXED ASSETS

ACQUISITION COST	Goodwill	Trademarks and customer relationships	IT investments	Total
Opening balance, Sep. 1, 2015	1,261.8	—	10.8	1,272.6
Acquisitions for the year	—	—	32.2	32.2
Translation differences	3.9	—	–0,6	3.3
CLOSING BALANCE, AUG. 31, 2016	**1,265.7**	—	**42.4**	**1,308.1**
Acquired companies	3.5	430.3	0.8	434.6
Acquisitions for the year	—	—	26.6	26.6
Impairment losses for the year	–4.2	—	—	–4.2
Translation differences	–2.3		—	–2.3
CLOSING BALANCE, AUG. 31, 2017	**1,262.7**	**430.3**	**69.8**	**1,762.8**
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
Opening balance, Sep. 1, 2015	–735.2	—	–8.7	–743.9
Amortization for the year	—	—	–1.8	–1.8
Translation differences	–2.3	—	—	–2.3
CLOSING BALANCE, AUG. 31, 2016	**–737.5**	—	**–10.5**	**–748.0**
Acquired companies	—	—	–0.7	–0.7
Amortization for the year	—	–27.9	–6.9	–34.8
Translation differences	1.4	—	–0.2	1.2
CLOSING BALANCE, AUG. 31, 2017	**–736.1**	**–27.9**	**–18.3**	**–782.3**
NET CARRYING VALUE, AUG. 31, 2016	**528.2**	**—**	**31.9**	**560.1**
NET CARRYING VALUE, AUG. 31, 2017	**526.6**	**402.4**	**51.5**	**980.5**

Goodwill impairment testing

Goodwill is tested annually for impairment rather than amortized on an annual basis. Amortization of other intangible assets and fixed assets is based on their estimated useful lives. But these assets are also tested for impairment beyond their scheduled amortization. Estimated impairment losses are based on management's expectations with regard to future profits and cash flow.

Goodwill associated with cash flow generating units and other intangible assets is tested annually for impairment. These analyses and estimates to identify possible impairment losses are conducted annually and when there are indications of impairment.

Impairment losses are recognized through income statement. A goodwill impairment is never reversed.

Estimated recoverable values for cash flow generating units are based on management's five-year projections of free cash flow, which in turn are the result of projected sales, operating profit after depreciation/amortization, changes in working capital and reinvestments.

Each cash flow generating unit issues specific five-year projections based on management's best estimates and knowledge of various market conditions. So-called terminal value is based on perpetuity growth – estimated individually for each cash flow generating unit – of 1.5–3.0% and is calculated in accordance with Gordon's growth model.

In calculating the recoverable value of the cash generating units and assets in 2016/2017, a discount factor (WACC – weighted average cost of capital) of 5.3% –8.0% after tax has been used (5.1%–7.4%) and 6.9%–10.4% before tax (6.7%–9.2%).

These estimates showed no impairment need for the cash flow generating units.

9 | TANGIBLE FIXED ASSETS

	Buildings	Land and other real estate	Plant and machinery	Equipment	Construction in progress	Total
ACQUISITION COST						
Opening balance, Sep. 1, 2015	2,049.2	736.9	7,332.9	181.9	267.5	10,568.4
Acquired companies	12.4	6.6	—	1.1	—	20.1
Divested companies	−14.7	—	−487.5	—	—	−502.2
Acquisitions for the year	5.1	15.0	250.7	10.2	393.8	674.8
Reclassification	−96.6	129.8	191.5	0.1	−224.8	—
Sales and disposals	−28.0	−6.2	−297.5	−10.1	−0.1	−341.9
Translation differences	−5.6	1.9	−11.3	−0.1	0.1	−15.0
CLOSING BALANCE, AUG. 31, 2016	**1,921.8**	**884.0**	**6,978.8**	**183.1**	**436.5**	**10,404.2**
Acquired companies	9.6	10.7	276.6	—	0.4	297.3
Acquisitions for the year	42.6	19.0	847.8	6.9	394.5	1,310.8
Reclassification	98.8	75.2	494.7	19.9	−688.6	—
Sales and disposals	−51.2	−2.6	−216.0	−18.4	−0.6	−288.8
Translation differences	2.1	0.5	−85.5	−0.8	0.7	−83.0
CLOSING BALANCE, AUG. 31, 2017	**2,023.7**	**986.8**	**8,296.4**	**190.7**	**142.9**	**11,640.5**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Opening balance, Sep. 1, 2015	−1,012.2	−105.2	−4,669.6	−159.9		−5,946.9
Acquired companies	—	—	—	−0.5		−0.5
Divested companies	—	—	71.7	—		71.7
Reclassification	53.5	−64.7	11.2	—		—
Sales and disposals	24.2	0.1	285.2	9.4		318.9
Depreciation for the year	−70.0	−9.9	−415.5	−8.7		−504.1
Impairment losses for the year	−3.9	−0.1	−5.3	—		−9.3
Translation differences	12.4	−1.8	4.5	0.2		15.3
CLOSING BALANCE, AUG. 31, 2016	**−996.0**	**−181.6**	**−4,717.8**	**−159.5**		**−6,054.9**
Acquired companies	−4.7	—	−103.2	—		−107.9
Reclassification	−1.4	0.6	14.1	−13.3		—
Sales and disposals	49.0	1.6	182.3	18.2		251.1
Depreciation for the year	−64.6	−15.0	−479.7	−9.2		−568.5
Impairment losses for the year	−7.4	−0.3	−9.2	—		−16.9
Translation differences	−1.7	—	81.0	0.6		79.9
CLOSING BALANCE, AUG. 31, 2017	**−1,026.8**	**−194.7**	**−5,032.5**	**−163.2**		**−6,417.2**
NET CARRYING VALUE, AUG. 31, 2016	**925.8**	**702.4**	**2,261.0**	**23.6**	**436.5**	**4,349.3**
NET CARRYING VALUE, AUG. 31, 2017	**996.9**	**792.1**	**3,263.9**	**27.5**	**142.9**	**5,223.3**

10 | SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Indirectly owned	Shareholders' equity interest/voting rights, %	AUG. 31, 2017	AUG. 31, 2016
Returpapperscentralen i Uppsala HB, 916513-9313, Uppsala	50.0	5.6	5.0
Kärltvätt i norr AB, 556748-5908, Köpmanholmen	40.0	2.0	—
Jern og Metallomsetning AS, Norge	50.0	4.1	3.9
Mørlandsmoen Bilopphugging AS, Norge	33.3	1.0	0.9
TOTAL		**12.7**	**9.8**

Accumulated acquisition cost		
Net carrying value, opening balance	9.8	12.0
Acquired companies	2.0	—
Share of profit for the year	3.7	0.7
Distribution/withdrawal from partnerships	–2.7	–3.0
Translation difference	–0.1	0.1
NET CARRYING VALUE, CLOSING BALANCE	**12.7**	**9.8**

11 | OTHER LONG-TERM SECURITIES

	AUG. 31, 2017	AUG. 31, 2016
EQT	343.5	330.7
Grosvenor	28.0	—
Aloe	—	8.0
Övriga	4.1	3.3
TOTAL	**375.6**	**342.0**

For a specification of the year's change, see Note 26 on page 40.

12 | OTHER LONG-TERM RECEIVABLES

	AUG. 31, 2017	AUG. 31, 2016
Interest-bearing receivables	21.6	26.8
Derivatives	—	0.8
Other	2.2	2.2
TOTAL	**23.8**	**29.8**

Net carrying value, opening balance	29.8	31.8
Additional receivables	0.1	7.1
Settled receivables	–6.1	–9.1
NET CARRYING VALUE, CLOSING BALANCE	**23.8**	**29.8**

Receivables related to endowment insurance have been offset against corresponding long-term liabilities.

13 | INVENTORIES

	AUG. 31, 2017	AUG. 31, 2016
Raw materials	1,126.2	852.0
Finished products	501.1	298.1
TOTAL	**1,627.3**	**1,150.1**

Obsolescence was expensed in the amount of 4.7 (6.1) during the year and at year-end the obsolescence reserve amounted to 10.5 (15.2).

14 | SHORT-TERM RECEIVABLES

ACCOUNTS RECEIVABLE	AUG. 31, 2017	AUG. 31, 2016
Accounts receivable have been classified based on maturity		
Not overdue	1,817.7	1,515.1
Overdue up to 30 days	71.0	87.1
Overdue more than 30 days	26.6	30.6
TOTAL	**1,915.3**	**1,632.8**

OTHER SHORT-TERM RECEIVABLES		
Value-added tax	212.5	149.1
Tax account	32.7	38.3
Derivatives	24.4	4.7
Advance payments to suppliers	2.5	24.7
Interest-bearing receivables	7.1	4.8
Other	127.3	119.2
TOTAL	**406.5**	**340.8**

PREPAID EXPENSES AND ACCRUED INCOME		
Prepaid overhead	94.3	112.7
Goods delivered not invoiced	395.0	220.2
Other accrued income	75.3	98.6
TOTAL	**564.6**	**431.5**

15 | LIQUID ASSETS

	AUG. 31, 2017	AUG. 31, 2016
Cash and bank balances	876.8	1,548.6
Bank deposits	1.8	2.0
TOTAL	**878.6**	**1,550.6**

16 | SHAREHOLDERS' EQUITY

SPECIFICATION OF RESERVES	Fair value reserve	Hedging reserve	Translation reserve	Revaluation reserve	Total
Reserves, opening balance at Sep. 1, 2015	**57.8**	**–4.3**	**6.4**	**79.0**	**138.9**
Change in fair value reserve for the year	–38.7	—	—	—	–38.7
Change in hedging reserve for the year	—	3.1	—	—	3.1
Change in translation reserve for the year	—	—	–1.1	—	–1.1
Change in hedge of net investment for the year	—	—	—	–6.3	–6.3
Reserves, closing balance at Aug. 31, 2016	**19.1**	**–1.2**	**5.3**	**72.7**	**95.9**
Change in fair value reserve for the year	3.8				3.8
Change in hedging reserve for the year		–0.2			–0.2
Change in translation reserve for the year			–12.8		–12.8
Change in hedge of net investment for the year				0.5	0.5
Reserves, closing balance at Aug. 31, 2017	**22.9**	**–1.4**	**–7.5**	**73.2**	**87.2**

NOTE 16 SHAREHOLDERS' EQUITY, CONT.

Fair value reserve

The reserve comprises gains and losses that arise in the valuation of available-for-sale financial assets.

Hedging reserve

The reserve contains the fair value of certain derivatives at the time of transition to IFRS. This value decreases in pace with the derivative's remaining maturity.

Translation reserve

Exchange rate differences attributable to the translation of the Group's foreign subsidiaries' functional currencies to SEK are accumulated in the translation reserve.

Revaluation reserve

The reserve comprises the revaluation of loans raised to hedge net investments in subsidiaries.

NON-CONTROLLING INTERESTS

Refers to the minority interests in Repur AB (25%) -0,6 (–) and Bilretur ABC AB (49%) 0.8 (0.5).

17 | PENSIONS AND SIMILAR OBLIGATIONS

	AUG. 31, 2017	AUG. 31, 2016
Net carrying value, opening balance	13.8	14.8
Actuarial gain/loss	1.0	0.1
Utilized during the period	–1.3	–1.0
Translation differences. etc.	—	–0.1
NET CARRYING VALUE, CLOSING BALANCE	**13.5**	**13.8**

Defined benefit pension plans

Defined benefit pension plans primarily comprise retirement pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of salary or a specific annual amount. Retirement pensions are vested based on number of years of employment. The employee must be a member of the plan for a certain number of years to be entitled to a full retirement pension. Defined benefit plans are primarily used in Norway. These plans relate in their entirety to former employees, because of which no new contributions have been made. The pension liability for defined benefit plans amounts to 13.5 (13.8). For actuarial calculations in Norway a discount rate of 2.3% (2.7%) has been applied and salary increases have been estimated at 2.5% (2.5%), which together with pension disbursements of 1.3 (1.0) is the reason for the decrease in the pension liability.

Defined contribution pension plans

The plans primarily comprise retirement pension, disability pension and survivor's pension. The premiums are paid over the course of the year by each Group company to various insurance companies. The size of the premiums is based on the salary. Pension costs for the period are included in the income statement in the amount of 146.1 (134.9).

A majority of Swedish Group companies meet their retirement and disability pension obligations for salaried employees through insurance from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer defined benefit plan. For the financial year the Group has not had access to sufficient information to allow it to report these plans as defined benefit, since Alecta currently cannot provide specific defined benefit amounts for those included in the plan. Pension plans backed by insurance from Alecta are therefore reported as a defined contribution plan. The annual fees for pension insurance obtained from Alecta amount to 60.8 (52.7).

18 | DEFERRED TAXES

DEFERRED TAX ASSETS	AUG. 31, 2017	AUG. 31, 2016
Net carrying value, opening balance	531.3	518.8
Additional receivables	22.7	30.4
Settled receivables	−67.8	−18.3
Acquired/divested companies	0.7	—
Translation differences	−0.1	0.4
NET CARRYING VALUE, CLOSING BALANCE	**486.8**	**531.3**

Deferred tax assets related to tax loss carryforwards that have not been recognized in the income statement and balance sheet amount to 292.6 (269.6). Finland and Poland have time limits on the use of tax loss carryforwards.

DEFERRED TAX LIABILITIES	AUG. 31, 2017	AUG. 31, 2016
Net carrying value, opening balance	286.5	255.4
Provisions during the period	108.5	43.3
Utilized during the period	−4.6	−15.4
Acquired/divested companies	—	3.5
Translation differences	0.1	−0.3
NET CARRYING VALUE, CLOSING BALANCE	**390.5**	**286.5**

DEFERRED TAX ASSETS/TAX LIABILITIES BY BALANCE SHEET ITEM	AUG. 31, 2017	AUG. 31, 2016
Tangible assets	−303.6	−205.2
Inventories	10.4	4.2
Receivables	27.3	85.8
Pension provisions	2.8	3.2
Other provisions	60.5	51.8
Liabilities	−22.0	−13.3
Tax loss carryforwards	320.9	318.2
Other	—	0.1
TOTAL	**96.3**	**244.8**

19 | OTHER PROVISIONS

The large part of other provisions consists of future remediation costs for contaminated soil, 454.7 (417.1). Unsecured pension obligations (endowment insurance) have been offset against corresponding long-term receivables.

	AUG. 31, 2017	AUG. 31, 2016
Net carrying value, opening balance	496.6	494.1
Provisions during the period	103.7	33.1
Utilized during the period	15.5	–29.8
Translation differences	0.2	–0.8
NET CARRYING VALUE, CLOSING BALANCE	**616.0**	**496.6**

The provisions are primarily expected to be paid after more than 12 months. Certain Group companies conduct operations on land which has or may have been contaminated. Through environmental insurance, the Stena Metall Group has transferred the risk to remediate contaminated soil to an insurance company. The insurance company's obligation applies as long as the insurance premium is paid. Since the insurance company reinsures part of the risk with an insurance company owned by the Group, the estimated liability for all companies in the Group is recognized in the consolidated financial statements. The insurance covers estimated remediation costs, assuming the most likely outcome, for all the Group's operating locations. The premium is paid annually and reported under the heading Cost of goods sold.

20 | BOND LOANS

The loans are issued by AB Stena Metall Finans (publ) and guaranteed by the Parent Company. The loans carry variable rates of interest. All bond loans use the 3-month NIBOR or STIBOR as a base rate.

Bond loan	Remaining maturity	Margin		AUG. 31, 2017	AUG. 31, 2016
SE0005249323 2013–2018	1 year	3.65		500.0	500.0
NO0010682370 2013–2018	1 year	3.50	NOK 300	306.3	306.9
NO0010736895 2015–2019	2 years	2.85		500.0	500.0
SE0007158373 2015–2020	3 years	3.00		100.0	100.0
NO0010752710 2015–2020	3 years	3.50		1,000.0	1,000.0
NO0010764095 2016–2022	5 years	4.35		600.0	600.0
SE0008373831 2016–2021	4 years	4.05		400.0	400.0
NO0010766157 2016–2022	5 years	4.35		200.0	200.0
TOTAL				**3,606.3**	**3,606.9**

21 | LONG-TERM LIABILITIES

LONG-TERM LOANS FROM CREDIT INSTITUTIONS	AUG. 31, 2017	AUG. 31, 2016
Leasing liabilities	51.7	4.9
Other liabilities	603.2	310.1
TOTAL	**654.9**	**315.0**

The Group has credit commitments of 1,000.0 (1,000.0), of which 1,000.0 (1,000.0) has not been utilized. The agreements contain financial covenants.

OTHER LONG-TERM LIABILITIES		
Derivatives	1.8	25.5
Other	19.3	9.0
TOTAL	**21.1**	**34.5**

22 | CURRENT LIABILITIES

SHORT-TERM LOANS FROM CREDIT INSTITUTIONS	AUG. 31, 2017	AUG. 31, 2016
Utilized bank overdraft facilities	—	25.3
Leasing liabilities	32.4	3.7
Other loans	89.2	11.6
TOTAL	**121.6**	**40.6**

The Group has credit commitments of 650.0 (688.0), of which 650.0 (662.7) has not been utilized. The agreements contain financial covenants.

OTHER CURRENT LIABILITIES		
Employee salaries and withholding taxes	88.7	66.3
Value-added tax	71.7	65.2
Derivatives	16.5	16.4
Excised taxes	11.0	6.5
Advance payments from customers	7.0	7.5
Property tax	5.2	1.5
Other	144.1	104.1
TOTAL	**344.2**	**267.5**

ACCRUED EXPENSES AND PREPAID INCOME		
Accrued cost of goods sold	491.4	275.3
Accrued salaries and payroll overhead	412.4	314.0
Incineration and sludge reserve	90.8	79.4
Waste disposal costs	21.4	24.0
Interest	14.8	11.1
Other accrued expenses	240.3	301.3
Prepaid income	20.4	1.2
TOTAL	**1,291.5**	**1,006.3**

23 | LEASING

Group as lessee

Finance leases

The Group's finance leases comprise plant and machinery as well as company cars. There are no subleases. The acquisition cost as of the balance sheet date was 194.9 (39.7), while the net carrying value was 83.9 (8.2).

Future minimum lease fees as of the balance sheet date amounted to:	AUG. 31, 2017	AUG. 31, 2016
Within one year	24.0	6.3
Between 1 and 5 years	28.5	2.6
More than five years	—	—
TOTAL MINIMUM LEASE FEES	**52.5**	**8.9**
Present value of finance lease liabilities		
Within one year	22.7	5.4
Between 1 and 5 years	28.3	2.3
More than five years	—	—
TOTAL	**51.0**	**7.7**

NOTE **23** LEASING, CONT.

Operating leases
Operating leases primarily relate to time chartered vessels and vessels leased on a bareboat basis. Properties are leased as well. The year's cost for operating leases amounted to 281.9 (192.6) and consists of minimum lease fees.

Future minimum lease fees as of the balance sheet date amounted to:	AUG. 31, 2017	AUG. 31, 2016
Within one year	180.7	141.3
Between 1 and 5 years	316.8	325.8
More than five years	130.3	129.7
TOTAL MINIMUM LEASE FEES	**627.8**	**596.8**

Group as lessor

The year's income for operating leases amounted to 131.9 (104.4) and largely consists of charter income from two vessels, one of which was acquired during the financial year.

Future minimum lease income as of the balance sheet date amounted to:	AUG. 31, 2017	AUG. 31, 2016
Within one year	161.7	98.8
Between 1 and 5 years	402.2	272.6
More than five years	1.8	—
TOTAL MINIMUM LEASE INCOME	**565.7**	**371.4**

24 | ASSETS PLEDGED AND CONTINGENT LIABILITIES

	AUG. 31, 2017	AUG. 31, 2016
Assets pledged to credit institutions		
Vessels	681.5	310.0
Tangible fixed assets. lease financing	84.1	8.5
TOTAL	**765.6**	**318.5**
Assets pledged for other liabilities		
Liquid assets	0.9	0.9
Other	7.1	4.8
TOTAL	**8.0**	**5.7**
TOTAL ASSETS PLEDGED	**773.6**	**324.2**
Contingent liabilities		
Sureties	204.5	204.5
Guarantees and other contingent liabilities	386.7	404.2
Remaining commitments private equity funds	420.4	392.3
Obligations for partnerships	12.0	10.3
TOTAL CONTINGENT LIABILITIES	**1,023.6**	**1,011.3**

25 | CASH FLOW AND ACQUISITIONS

In the statement of cash flows the effects of acquired and divested subsidiaries and business units have been excluded from other changes in the balance sheet. The sum of payments for these acquisitions/divestments after deducting liquid assets in the acquired/divested units is reported on a separate line in the statement of cash flows. The effect of changes in exchange rates on the translation of foreign Group companies is also excluded, since it does not affect cash flow.

Liquid assets consist of cash, bank balances and other money market instruments with an original term of less than three months.

Interest paid amounted to –150.3 (-188.4) and interest received to 14.9 (12.5). Dividends received amounted to 14.1 (4.2).

Following are the changes in the Group's composition during the year: Havgalleskären AB was acquired. This company purchased the vessel Mecklenburg Vorpommern during the financial year. In Poland First Recycling Sp. z o.o. and its subsidiary First Recycling Poznan Sp. z o.o. were acquired. First Recycling Sp. z o.o. was then merged with Stena Sp. z o.o.

In Denmark the electronics business, Stena Technoworld A/S, was merged with Stena Recycling A/S.

Four dormant partnerships were deregistered.

26 | FINANCIAL INSTRUMENTS/RISKS

The note below describes the Group's financial instruments. The accounting principles for financial instruments are described on pages 16-21 and financial risk management later in this note.

Financial instrument by category

	Financial instruments at fair value through profit or loss						
August 31, 2017	Fair value option	Held for trading purposes 1)	Available-for-sale financial instruments	Financial receivables	Financial liabilities	Total book value	Total fair value
Assets							
Other long-term securities			375.6			375.6	375.6
Other long-term receivables				23.8		23.8	23.8
Accounts receivable				1,915.3		1,915.3	1,915.3
Derivatives included in other receivables		24.4				24.4	24.4
Short-term securities	1,031.3	130.7				1,162.0	1,162.0
TOTAL ASSETS	**1,031.3**	**155.1**	**375.6**	**1,939.1**		**3,501.1**	**3,501.1**
Liabilities							
Bond loans					3,606.3	3,606.3	3,747.4
Loans from credit institutions					776.5	776.5	776.5
Accounts payable					1,489.6	1,489.6	1,489.6
Derivatives included in other liabilities		18.3				18.3	18.3
TOTAL LIABILITIES		**18.3**			**5,872.4**	**5,890.7**	**6,031.8**

NOTE 26 FINANCIAL INSTRUMENTS/RISKS, CONT.

August 31, 2016	Fair value option	Held for trading purposes 1)	Available-for-sale financial instruments	Financial receivables	Financial liabilities	Total book value	Total fair value
Assets							
Other long-term securities			342.0			342.0	342.0
Other long-term receivables				29.0		29.0	29.0
Accounts receivable				1,632.8		1,632.8	1,632.8
Derivatives included in other receivables		5.5				5.5	5.5
Short-term securities	934.6	201.8				1,136.4	1,136.4
TOTAL ASSETS	**934.6**	**207.3**	**342.0**	**1,661.8**		**3,145.7**	**3,145.7**
Liabilities							
Bond loans					3,606.9	3,606.9	3,651.1
Loans from credit institutions					355.6	355.6	355.6
Accounts payable					1,256.4	1,256.4	1,256.4
Derivatives included in other liabilities		42.0				42.0	42.0
TOTAL LIABILITIES		**42.0**			**5,218.9**	**5,260.9**	**5,305.1**

[1] Held for trading purposes includes derivatives held for hedging purposes but not included in hedge accounting among other liabilities/receivables, 6.1 (-36.5).

Financial risk factors

Through its operations, the Group is exposed to a number of financial risks: market risk (currency risk, interest rate risk in fair value, interest rate risk in cash flow and price risk), counterparty risks and liquidity risk. The Group's overarching risk management focuses on the unpredictability of financial markets and strives to minimize potentially unfavorable impacts on the Group's financial results over time. The Group uses derivatives to hedge certain risk exposures.

Risk management is overseen by Executive Management according to the policies set by the Board of Directors. The Group's finance company identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. The Board of Directors prepares written policies for overarching risk management as well as for specific areas such as currency risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus liquidity.

The Group's risk exposures and how they are managed are described below.

Market risk

Currency risk

The Group operates internationally and is exposed to currency risks from various currency exposures. Currency risk arises through future business transactions, recognized assets and liabilities, and net investments in foreign operations.

Translation differences from net investments:

Translation differences from exposure of net assets in foreign subsidiaries are transferred directly to the Group's shareholders' equity.

The book value of the net assets in foreign currency in the Group's subsidiaries amounted to SEK 512.5 million (407.9) on August 31, 2017. These net assets are primarily denominated in DKK, corresponding to SEK 438.1 million (382.9). A change of 1% in the value of SEK against DKK as of August 31, 2017 would affect shareholders' equity by 4.4 (3.8).

See also the section "Hedging of net investment in foreign operations" further down in this note.

Translation differences from balance sheet exposure:

Executive Management has introduced a policy that requires Group companies to manage currency risk arising in their functional currency. To manage the currency risk from recognized assets and liabilities, Group companies use forward contracts obtained through the Group's finance company.

Monetary assets and liabilities in foreign currency that arise as a result of the company's operations are revalued at the balance sheet date rates. Derivatives used to hedge the value of these balance sheet items, such as currency swaps, forward exchange contracts or currency option contracts, are measured at fair value, which includes a revaluation to balance sheet date rates. The change in the fair value is recognized in exchange rate differences in the consolidated income statement, where the translation of the monetary assets and liabilities in foreign currency is also recognized.

The Group has an exposure in its external funding, part of which is denominated in a currency other than the functional currency. Because the Group's finance company has investments in financial instruments in currencies other than the functional currency, they are hedged through forward contracts. The Board of Directors has given the company a limited option of making investments without currency hedging. On August 31, 2017 all external funding made in a currency other than the functional currency and all investments in financial instruments in foreign currency were hedged through FX derivatives. The translation exposure in other financial receivables and liabilities is considered minor, since these items are essentially denominated in the individual Group companies' functional currencies.

NOTE 26 FINANCIAL INSTRUMENTS/RISKS, CONT.

Translation differences from transaction exposure:
Executive Management has introduced a policy that requires Group companies to manage currency risk arising in their functional currency. To manage the currency risk from future business transactions, Group companies use forward contracts obtained through the Group's finance company.

The Group has chosen not to apply hedge accounting to the forward exchange contracts it has entered into, because of which the market value of these contracts is recognized continuously through profit or loss.

The following table shows the Group's forward contracts as per the balance sheet date.

Forward contracts, nominal amounts, SEK million	Bought	Sold
DKK	128.0	
EUR		75.8
NOK	5.7	
PLN	10.9	
SEK	380.9	
USD		449.7

Interest rate risk associated with cash flows and fair values

Since the Group does not have any significant interest-bearing assets, consolidated revenue and cash flow from operating activities are essentially unaffected by changes in market interest rates. The Group's interest rate risk arises through long-term funding. Floating rate funding exposes the Group to interest rate risk associated with cash flows, which is partly neutralized by floating rate cash reserves. Fixed rate funding exposes the Group to interest rate risk associated with fair value.

The Group usually obtains long-term loans with floating rates. The Group partly manages the interest rate risk associated with cash flows by using interest rate swaps essentially to convert the funding from a floating to a fixed rate.

In an interest rate swap the Group agrees with other parties, at predetermined intervals (usually four times a year), to swap the difference between the interest amount according to the fixed rate contract and the floating rate amount, based on contracted nominal amounts. The Group has chosen not to apply hedge accounting to interest rate swaps, because of which their revaluation effect is recognized in the net financial income/expense. Taking into account the interest rate swaps it holds, 538.3 (1,078.6) of the Group's interest-bearing liabilities carries a fixed interest rate and 3,844.6 (2,883.9) a floating rate. As of August 31, 2017 the rate on the swaps' fixed leg ranged between 1.32% and 2.98% (1.37% and 2.98%). The most important floating rates are STIBOR and NIBOR.

If the interest rate were to change by +/-1 %, the Group would be charged with 38.4 (28.8) higher/lower interest expenses, all other variables being constant.

Price risk

The Group maintains an inventory of processed and unprocessed material. The processed material is sold on the market at the current market price. The throughput time from the purchase of the material until it is processed and sold varies. During this time the market price of the material may change, because of which the Group has a price risk in inventory. The price of certain products can be hedged through derivatives, while others cannot be hedged. Ferrous is one such product that cannot be hedged.

On August 31, 2017 the Group had a ferrous stock of SEK 568 million (254), of which SEK 397 million (169) had been sold but not delivered. If the market price of the ferrous had risen/fallen by 10% in relation to current market prices as of August 31, 2017, all other variables being constant, the market value of the ferrous stock as of August 31, 2017 would have been 17.1 (8.5) higher/lower as of August 31, 2017, adjusted for the portions of the stock that had already been sold. This change would affect the margin on the sale of these products correspondingly.

The Group's finance operations trade financial instruments that are overwhelmingly traded on active markets and where valuations are based on quoted market prices. The types of holdings the Group had on August 31, 2017 can be divided into four portfolios: private equity, hedge funds, strategic equity portfolios and trading portfolios. The Group's strategy is that the various portfolios behave differently under different market conditions and thereby contribute to diversification, whereby the stock market correlation is lower than with a pure stock market exposure. Put simply, we cut off the tops and bottoms compared with the equity markets.

On August 31, 2017 the Group had 1,162.0 (1,136.4) in short-term securities and 375.6 (342.0) in long-term securities. If the market in general had risen/fallen by 10% on August 31, all other variables being constant, profit for the year would have been 116.2 (113.6) higher/lower and other comprehensive income would have been 37.6 (34.2) higher/lower since all securities are measured at market price.

Counterparty risk

Credit risks arise in the Group's operating activities in the form of accounts receivable and advance payments to suppliers. The Group has a credit policy adopted by the Board of Directors, in addition to which each company has a credit instruction. The basic principle is that all counterparties must be highly solvent. Customers can be divided into three different categories: those that can be credit insured, those who can provide satisfactory collateral in the form of advance payments, and those who, after an analysis, can be granted an open line of credit.

Counterparty risk also arises through liquid assets, derivatives and balances with banks and financial institutions. All financial instruments and liquidity are traded with counterparties that are considered to be creditworthy and where the terms and settlement routines are well documented. Normally, no collateral is pledged by either party.

Financial derivatives that are included in ISDA agreements and subject to netting are shown in the table below.

The maximum exposure for credit risk at the end of the reporting period is the fair value of the derivatives recognized as assets in the balance sheet.

August 31, 2017	Financial assets/liabilities gross	Netted balances	Amount recognized in balance sheet	Financial instruments covered by netting agreements but not recognized net	Financial instruments, net amount
Derivatives financial assets	24.4	0	24.4	11.1	13.3
Derivatives financial liabilities	–18.3	0	–18.3	–11.1	–7.2
TOTAL	**6.1**	**0**	**6.1**	**0**	**6.1**

NOTE 26 FINANCIAL INSTRUMENTS/RISKS, CONT.

Liquidity risk

Cash flow projections are prepared by the Group's operating companies and aggregated by the Group. The Group's finance company carefully monitors rolling projections of the Group's liquidity reserve to ensure that the Group has sufficient cash reserves to meet its operating needs at the same time that it continuously maintains sufficient untapped credit facilities, so that the Group does not exceed the lending limits or terms of any of its loan facilities. The terms (covenants) that the Group has with its credit facility counterparties are that net debt in relation to EBITDA may not exceed 3.8 and that EBITDA in relation to net interest expense may not fall short of 3.4.

All liquidity in the Group is managed by the Group's finance company. The finance company places surplus liquidity in interest-bearing clearing accounts, fixed term deposits, money market instruments and marketable securities, depending on which instrument has a suitable maturity or sufficient liquidity as determined by the above-mentioned projections.

On the balance sheet date the Group had liquid assets of 878.6 (1,550.6) and unused credit facilities of 1,650.0 (1,662.7).

The table below analyzes the Group's financial liabilities by the remaining time on the balance sheet date until their contractual maturity. The amounts shown in the table are contractual, undiscounted cash flows. Interest has been calculated based on the current floating market rate.

August 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bond loans	930.5	94.7	2,958.4	
Loans from credit institutions	216.2	189.0	387.9	
Accounts payable	1,489.6			
Derivatives	16.5		1.8	
TOTAL	**2,652.8**	**283.7**	**3,348.1**	

August 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bond loans	131.5	922.9	2,218.8	821.1
Loans from credit institutions	106.5	94.4	143.8	
Accounts payable	1,256.4			
Derivatives	34.8	9.0		
TOTAL	**1,529.2**	**1,026.3**	**2,362.6**	**821,1**

Financial instruments at fair value

For a comparison between the book value and fair value of the Group's financial instruments, refer to the first table in this note. That table includes the Group's financial liabilities at amortized cost in the balance sheet as of August 31, 2017 where fair value disclosure is required, as well as financial assets and liabilities at fair value in the balance sheet.

The table below shows financial instruments at fair value based on classification in the fair value hierarchy.

August 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Derivatives		24.4		**24.4**
- Short-term securities	418.1	743.9		**1.162.0**
Available-for-sale financial assets			375.6	**375.6**
TOTAL ASSETS	**418.1**	**768.3**	**375.6**	**1.562.0**
Financial liabilities at fair value through profit or loss				
- Derivatives		18.3		**18.3**
TOTAL LIABILITIES		**18.3**		**18.3**

NOTE 26 FINANCIAL INSTRUMENTS/RISKS, CONT.

August 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Derivatives		5.5		**5.5**
- Short-term securities	404.8	731.6		**1,136.4**
Available-for-sale financial assets			342.0	**342.0**
TOTAL ASSETS	**404.8**	**737.1**	**342.0**	**1,483.9**
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives		42.0		**42.0**
TOTAL LIABILITIES		**42.0**		**42.0**

The various levels are defined as follows:
Financial instruments on level 1.

The fair value of financial instruments traded on an active market is based on quoted market prices on the balance sheet date. A market is considered active if quoted prices from an exchange, broker, industry group, price setting service or regulatory agency are readily and regularly accessible, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the Group's financial assets is the current buy rate. These instruments are included on level 1.

Financial instruments on level 2.

The fair value of financial instruments not traded on an active market (e.g., OTC derivatives) is determined with the help of valuation techniques. Available market information is used as far as possible, whereas company-specific information is used as little as possible. If all the significant inputs required for a fair value measurement of an instrument are observable, the instrument is included on level 2. Short-term securities on level 2 refer to holdings in equity funds where the fair value measurement is based on quoted prices on markets that are not considered active.

Specific valuation techniques used to measure financial instruments include:

- Fair value of interest rate swaps is estimated as the present value of projected future cash flows based on observable yield curves.
- Fair value of forward exchange contracts is determined using forward rates on the balance sheet date, where the resulting value is discounted to present value.

Note that all fair values determined with the help of valuation techniques are classified on level 2. There were no transfers between level 1 and level 2 during the year.

Financial instruments on level 3.

In cases where one or more significant inputs in the fair value measurement are not based on observable market information, the instrument in question is classified on level 3. There were no transfers to or from level 3 during the year.

The table below shows the changes in instruments on level 3:

Specification of financial instruments on level 3	AUG. 31, 2017	AUG. 31, 2016
Opening balance	342.0	345.8
Total unrealized gain/loss		
– Currency effects recognized through the income statement	–11.1	–4.4
– Recognized through other comprehensive income	3.8	–38.7
Impairment through the income statement	–6.9	–26.8
Purchase proceeds	158.3	187.5
Sales proceeds	–133.9	–257.8
Management fee	16.7	12.6
Realized results recognized through the income statement	6.7	123.8
CLOSING BALANCE	**375.6**	**342.0**

NOTE **26** FINANCIAL INSTRUMENTS/RISKS, CONT.

The components on level 3 of the fair value hierarchy consist of investments in unquoted private equity funds. Fair value is determined based on the net asset value of the fund, which is measured by each fund manager in accordance with generally accepted practice, the International Private Equity and Venture Capital Guidelines (IPEV).

The table below summarizes the contractual net values of the Group's forward exchange and swap contracts. Nominal amounts are gross amounts.

Assets	Nominal amount 2017	Fair value 2017	Nominal amount 2016	Fair value 2016
Interest risk management				
Interest swap contracts				
positive position	—	—	—	—
negative position	538.3	–7.8	1,078.6	–25.5
Currency risk management				
Currency swap contracts				
positive position	2,362.4	6.1	—	—
negative position	767.0	–2.6	3,163.1	–9.7
Forward exchange contracts				
positive position	721.8	12.2	257.4	2.6
negative position	337.5	–3.9	423.5	–3.8
Oil risk management				
Oil futures				
positiv position	18.7	1.4	3.2	1.0
negative position	19.1	–1.1	—	—
Metal risk management				
Metal futures				
positive position	—	—	12.4	0.6
negative position	17.8	–1.8	—	—
Propane price risk management				
Propane futures				
positive position	6.0	2.8	16.6	1.2
negative position	3.4	–0.2	—	—
Share price risk management				
Options/futures				
positive position	7.5	1.8	0.3	0.1
negative position	91.3	–1.0	100.0	–3.0

NOTE 26 FINANCIAL INSTRUMENTS/RISKS, CONT.

Hedge accounting

Hedging of net investment in foreign operations
Through the Group's finance company, the Parent Company has funding in NOK amounting to NOK 370.0 million (NOK 370.0 million), which is identified as a hedge of the net investment the Group's subsidiary in Norway. The exchange rate gain on the translation of the funding to SEK amounts to 0.7 (-13.2) for the year and is recognized in other comprehensive income.

Hedging of exchange rate risk in available-for-sale investments
A portion of the Group's financial investments classified as available-for-sale investments is denominated in a currency other than SEK. These investments are revalued on a continuous basis to market value through other comprehensive income. The Group continuously hedges all currency risk in these investments by entering into currency swaps, which are revalued on a continuous basis through profit or loss. To eliminate fluctuations that otherwise would arise in the income statement, the Group has chosen to apply hedge accounting (fair value hedging) to these investments with respect to currency risk, because of which the change in the market value of these investments in terms of currency is also recognized through profit or loss. During the year -11.1 (-4.4) was recognized through profit or loss for such changes in market value.

27 | PERSONNEL

	2016/2017		2015/2016	
Average number of employees	Total	Of whom men	Total	Of whom men
Parent Company				
Sweden	25	11	23	10
Subsidiaries				
Sweden	1,969	1,557	1,785	1,435
Denmark	348	268	329	253
Norway	262	221	263	219
Finland	116	80	121	90
Germany	84	69	99	88
Switzerland	2	1	2	1
Italy	133	119	134	125
Poland	424	331	394	254
USA	2	2	2	2
GROUP TOTAL	**3,365**	**2,659**	**3,152**	**2,477**

The average number of employees has been calculated based on the company's paid working hours during the year in relation to the normal number of annual working hours in the company. The Boards of Directors of the Group and the Parent Company consist exclusively of men. Of Stena Metall's senior executives, 0 percent is women.

NOTE 27 PERSONNEL, CONT.

Salaries, remuneration and social insurance contributions	2016/2017 Salaries and other remuneration	2016/2017 Social insurance contributions (of which pensions)	2015/2016 Salaries and other remuneration	2015/2016 Social insurance contributions (of which pensions)
Parent Company	44.7	28.0 (10.8)	40.6	23.6 (8.9)
Subsidiaries	1,560.1	510.0 (151.7)	1,371.9	455.8 (142.0)
GROUP TOTAL	**1,604.7**	**538.0 (162.5)**	**1,412.5**	**479.4 (150.9)**

Salaries and other remuneration	2016/2017 Parent Company	2016/2017 Subsidiaries	2015/2016 Parent Company	2015/2016 Subsidiaries
Board and President				
Salaries	12.0	39.1	12.2	36.1
Bonuses	3.6	10.3	3.6	12.9
Other employees				
Salaries	27.4	1,454.3	20.9	1,281.3
Bonuses	1.7	56.4	3.9	41.6
GROUP TOTAL	**44.7**	**1,560.1**	**40.6**	**1,371.9**

Salaries and other remuneration paid to the Parent Company's President and Board of Directors amounted to 15.5 (12.6) during the year. Corresponding pension costs amount to 3.6 (3.6), while outstanding pension obligations total 77.1 (69.4).
An agreement has been reached with the President entitling him to 24 months' severance pay.

The Stena Metall Group is covered by the collectively negotiated ITP plan (a Swedish pension plan), including an alternative ITP pension for salaried employees with salaries exceeding ten times the price base amount. The alternative ITP applies the alternative Alecta premium, with the exception of senior executives in Executive Management positions, where the premium is 30 percent of pensionable salary.

28 | RELATED PARTY INFORMATION

Transactions between Stena Metall AB and its subsidiaries, which are related parties to Stena Metall AB, have been eliminated in the Group and are not reported in this note.

Stena AB

During the financial year Stena Metall's subsidiary Stena Recycling Sp. z o.o. and Stena Recycling AB acquired the operations of IL Recycling from Stena AB. The purchase price, based on independent appraisals, amounted to 476.9.

Stena Metall's subsidiary Stena Oil AB sells bunker oil for ships to the Stena AB Group. The value of these sales during the financial year amounted to 1,517.2 (1,295.2).

The Stena AB Group performs certain services for Stena Metall, for which 1.3 (3.1) has been paid.

Stena Rederi AB has been paid 8.0 (7.8) for the Stena Metall Group's portion of shared IT-costs. In addition, 16.1 (0.2) has been paid to Stena Fastigheter AB for rents and property management.

Stena Metall owns two vessels, one of which was acquired during the financial year for 579.0 based on independent appraisals. The vessels were chartered to Stena Line for 128.3 (100.2).

Olsson family

Stena Metall rents offices from the Olsson family. Rents paid amounted to 13.5 (12.3).

All transactions with related parties are carried out on market terms.

29 | EVENTS AFTER THE CONCLUSION OF THE FINANCIAL YEAR

No significant events have occurred after the balance sheet date.

During the year IL Recycling was integrated in Stena Recycling in Sweden and Poland.

INCOME STATEMENT

September 1–August 31, SEK million	Note	2016/2017	2015/2016
Net sales	3	154.7	131.6
Cost of goods sold	5	–54.3	–48.5
GROSS PROFIT		**100.4**	**83.1**
Sales expenses		–4.1	–3.1
Administrative expenses	4, 5, 17, 20	–143.5	–109.5
Other operating income and expenses	6	1.5	3.3
OPERATING PROFIT/LOSS		**–45.7**	**–26.2**
Income from investments in Group companies	7	10.0	81.8
Interest income and similar credits	7	0.3	11.6
Interest expenses and similar charges	7	–25.5	–27.4
PROFIT/LOSS AFTER FINANCIAL ITEMS		**–60.9**	**39.8**
Appropriations	8	65.8	40.5
PROFIT BEFORE TAX		**4.9**	**80.3**
Taxes	9	1.8	2.0
PROFIT FOR THE YEAR		**6.7**	**82.3**

Since the Parent Company has no items recognized as other comprehensive income, total comprehensive income is equal to profit for the year.

PARENT COMPANY

BALANCE SHEET

August 31, SEK million	Note	2017	2016
ASSETS			
Fixed assets			
Tangible fixed assets			
Buildings	10	316,6	268.3
Land and other real estate	10	354.2	289.5
Plant and machinery	10	9.4	4.4
Equipment	10	0.7	0.7
Construction in progress	10	81.0	109.6
TOTAL TANGIBLE FIXED ASSETS		**761.9**	**672.5**
Financial fixed assets			
Receivables from Group companies		425.2	423.2
Shares and participations in Group companies	11	1,400.0	1,395.7
Other long-term securities		3.0	3.0
Deferred tax assets	12	31.4	29.7
TOTAL FINANCIAL FIXED ASSETS		**1,859.6**	**1,851.6**
TOTAL FIXED ASSETS		**2,621.5**	**2,524.1**
Current assets			
Short-term receivables			
Accounts receivable		0.1	0.5
Receivables from Group companies		1,190.3	1,382.0
Current tax assets		8.6	3,8
Other receivables		18.2	18.2
Prepaid expenses and accrued income	13	1.9	3.1
TOTAL SHORT-TERM RECEIVABLES		**1,219.1**	**1,407.6**
Cash and bank balances		**—**	**0.8**
TOTAL CURRENT ASSETS		**1,219.1**	**1,408.4**
TOTAL ASSETS		**3,840.6**	**3,932.5**

August 31, SEK million	Note	2017	2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		13.0	13.0
Restricted reserves		2.6	2.6
TOTAL RESTRICTED SHAREHOLDERS' EQUITY		**15.6**	**15.6**
Unrestricted shareholders' equity			
Unrestricted reserves		2,868.4	2,815.1
Profit for the year		6.7	82.3
TOTAL UNRESTRICTED SHAREHOLDERS' EQUITY		**2,875.1**	**2,897.4**
TOTAL SHAREHOLDERS' EQUITY		**2,890.7**	**2,913.0**
UNTAXED RESERVES	14	**5.8**	**4.8**
Provisions			
Provisions for deferred taxes		0.8	0.9
Other provisions	15	23.3	22.1
TOTAL PROVISIONS		**24.1**	**23.0**
Long-term liabilities			
Loans from Group companies		823.5	824.7
Other liabilities		—	0.1
TOTAL LONG-TERM LIABILITIES		**823.5**	**824.8**
Current liabilities			
Accounts payable		26.8	13.5
Loans from Group companies		5.0	112.7
Other liabilities		23.8	15.1
Accrued expenses and prepaid income	16	40.9	25.6
TOTAL CURRENT LIABILITIES		**96.5**	**166.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,840.6**	**3,932.5**

PARENT COMPANY

STATEMENT OF CASH FLOWS

September 1–August 31, SEK million	Note	2016/2017	2015/2016
Operating activities			
Profit/loss after financial items		–60.9	39.8
Adjustments for non-cash items		171.7	44.9
		110.8	84.7
Taxes paid		–4.7	–0.3
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**106.1**	**84.4**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in short-term receivables		220.7	–112.7
Increase (+)/decrease (–) in current liabilities		–75.5	61.2
CASH FLOW FROM OPERATING ACTIVITIES		**251.3**	**32.9**
Investing activities			
Acquisition of subsidiaries		–4.3	–8.9
Sale of subsidiaries		—	122.5
Shareholder contribution paid		–130.0	—
Acquisition of tangible fixed assets		–175.1	–129.9
Sale of tangible fixed assets		52.3	32.7
Loans to Group companies		–2.0	–36.7
Acquisition of financial assets		–2.1	–0.5
CASH FLOW FROM INVESTING ACTIVITIES		**–261.2**	**–20.8**
Financing activities			
Loans from Group companies		–1.2	29.4
Amortization of debt		—	–85.3
Group contributions received		39.3	90.2
Share dividend		–29.0	–46.5
CASH FLOW FROM FINANCING ACTIVITIES		**9.1**	**–12.2**
Cash flow for the year		–0.8	–0.1
Liquid assets at September 1		0.8	0.9
LIQUID ASSETS AT AUGUST 31		**0.0**	**0.8**
Supplemental disclosure to statement of cash flows	19		
Adjustments for non-cash items, etc.			
Depreciation and impairment of assets		162.2	23.6
Capital gain/loss on sale of tangible fixed assets		–1.5	19.4
Change in provisions		3.4	1.9
Reclassifications		7.6	—
TOTAL		**171.7**	**44.9**

PARENT COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Restricted reserves	Unrestricted reserves	Profit	Total shareholders' equity
Opening balance, September 1, 2015	13.0	2.6	2,728.0	133.6	2,877.2
Transfer of previous year's profit			133.6	−133.6	
Dividend			−46.5		−46.5
Profit for the year				82.3	82.3
CLOSING BALANCE, AUGUST 31, 2016	**13.0**	**2.6**	**2,815.1**	**82.3**	**2,913.0**
Transfer of previous year's profit			82.3	−82.3	
Dividend			−29.0		−29.0
Profit for the year				6.7	6.7
CLOSING BALANCE, AUGUST 31, 2017	**13.0**	**2.6**	**2,868.4**	**6.7**	**2,890.7**

The number of shares in Stena Metall AB is 130,000.

PARENT COMPANY

NOTES

1 | ESTIMATES AND ASSUMPTIONS IN THE FINANCIAL STATEMENTS

Estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under current conditions. The description in the accounting and valuation principles on pages 16-21 with respect to the fair value of derivatives or other financial instruments and with respect to the impairment of available-for-sale financial assets is also applicable to the Parent Company.

2 | FINANCIAL RISK MANAGEMENT

The Group applies uniform risk management to all its units. Consequently, the description in the Group's Note 26 is in all material respects applicable to the Parent Company.

3 | NET SALES

Net sales primarily refer to rental income from properties leased to subsidiaries, which is attributable in its entirety to Sweden, as well as the provision of certain shared Group services; 5.1 (4.0) refers to income from properties leased to outside tenants.

4 | FEES TO AUDITORS

	2016/2017	2015/2016
PwC		
Audit fees	2.9	2.9
Tax advice	—	0.3
Other assignments	0.3	1.0
TOTAL	**3.2**	**4.2**

Audit assignments refer to the review of the annual report and accounts and the administration by the Board of Directors and the President. Also included are other duties that are the responsibility of the company's auditors as well as consulting or other assistance resulting from observations during such reviews or the implementation of such other duties. All other work is considered other services.

5 | DEPRECIATION AND IMPAIRMENT

	2016/2017	2015/2016
Depreciation according to plan by item		
Cost of goods sold	–27.0	–23.2
Administrative expenses	–0.2	–0.3
TOTAL	**–27.2**	**–23.5**
Depreciation according to plan by asset		
Buildings	–20.3	–18.6
Land improvements	–5.6	–3.7
Plant and machinery	–1.1	–0.9
Equipment	–0.2	–0.3
TOTAL	**–27.2**	**–23.5**

6 | OTHER OPERATING INCOME AND EXPENSES

Primarily refers to capital gains on the sale of buildings and land.

7 | NET FINANCIAL INCOME/EXPENSE

INCOME FROM INVESTMENTS IN ASSOCIATED COMPANIES	2016/2017	2015/2016
Dividends from Group companies	145.0	102.3
Writedown of shares in Group companies	–135.0	—
Loss on sale of Group companies	—	–20.5
TOTAL	**10.0**	**81.8**

INTEREST INCOME AND SIMILAR CREDITS		
Interest income, external	–	0.1
Exchange rate gains	0.3	11.5
Other financial income	—	—
TOTAL	**0.3**	**11.6**

INTEREST EXPENSES AND SIMILAR CHARGES		
Interest expenses, external	–0.1	–0.1
Interest expenses, Group companies	–25.3	–26.8
Exchange rate losses	–0.1	–0.5
TOTAL	**–25.5**	**–27.4**

8 | APPROPRIATIONS

	2016/2017	2015/2016
Group contributions	66.8	38.9
Provision for/Reversal of accumulated accelerated depreciation	–1.0	1.6
TOTAL	**65.8**	**40.5**

9 | TAXES

	2016/2017	2015/2016
Current tax	—	–0.3
Deferred tax	1.8	2.3
TOTAL	**1.8**	**2.0**
Current tax is distributed as follows:		
Adjustment of previous year's tax	—	–0.3
TOTAL	**—**	**–0.3**
Reconciliation of reported tax charge/tax claim		
Profit before tax	4.9	80.3
Tax according to current tax rate 22%	–1.1	–17.7
Non-deductible expenses	–31.9	–6.2
Tax-exempt revenue	33.0	23.9
Adjustment of previous year's tax	—	–0.3
Change in deferred tax	1.8	2.3
REPORTED TAX CLAIM/CHARGE	**1.8**	**2.0**

10 | TANGIBLE FIXED ASSETS

	Buildings	Land and other real estate	Plant and machinery	Equipment	Construction in progress	Total
Acquisition cost, opening balance, Sep. 1, 2016	514.5	332.8	23.2	59.1	109.6	1,039.2
Acquisitions for the year	0.2	0.1	0.5	0.2	166.5	167.5
Reclassification	68.8	70.7	5.6	—	–145.1	—
Sales and disposals	–3.0	–1.8	–0.4	–12.7	–50,0	–67.9
ACQUISITION COST, CLOSING BALANCE, AUG. 31, 2017	580.5	401.8	28.9	46.6	81.0	1,138.8
Accumulated depreciation, opening balance, Sep. 1, 2016	–246.2	–43.3	–18.8	–58.4	—	–366.7
Sales and disposals	2.6	1.3	0.4	12.7	—	17.0
Depreciation for the year	–20.3	–5.6	–1.1	–0.2	—	–27.2
ACCUMULATED DEPRECIATION, CLOSING BALANCE, AUG. 31, 2017	–263.9	–47.6	–19.5	–45.9	—	376.9
Residual value according to plan	316.6	354.2	9.4	0.7	81.0	761.9
Accelerated depreciation	–1.4	—	–3.9	–0.5	—	–5.8
NET CARRYING VALUE, AUG. 31, 2017	315.2	354.2	5.5	0.2	81.0	756.1

NOTE 10 TANGIBLE FIXED ASSETS, CONT.

	Buildings	Land and other real estate	Plant and machinery	Equipment	Construction in progress	Total
Acquisition cost, opening balance, Sep. 1, 2015	483.4	326.9	37.3	64.6	36.2	948.4
Acquisitions from Group companies	5.6	—	—	−0.2	—	5.4
Acquisitions for the year	1.8	—	0.9	0.1	121.5	124.2
Reclassification	26.8	6.4	−12.1	—	−21.1	—
Sales and disposals	−3.1	−0.5	−2.9	−5.4	−27.0	−38.9
ACQUISITION COST, CLOSING BALANCE, AUG. 31, 2016	514.5	332.8	23.2	59.1	109.6	1.039.2
Accumulated depreciation, opening balance, Sep. 1, 2015	−217.2	−39.6	−30.1	−63.6		−350.5
Reclassification	−11.8	—	11.8	—		—
Sales and disposals	1.4	—	0.4	5.5		7.3
Depreciation for the year	−18.6	−3.7	−0.9	−0.3		−23.5
ACCUMULATED DEPRECIATION, CLOSING BALANCE, AUG. 31, 2016	−246.2	−43.3	−18.8	−58.4		−366.7
Residual value according to plan	268.3	289.5	4.4	0.7	109.6	672.5
Accelerated depreciation	−1.5	—	−2.6	−0.7		−4.8
NET CARRYING VALUE, AUG. 31, 2016	266.8	289.5	1.8	—	109.6	667.7

11 | SHARES AND PARTICIPATIONS IN GROUP COMPANIES

The holdings of shares and participations of the Parent Company and the Group are specified on pages 54–55.

12 | DEFERRED TAXES

	AUG. 31, 2017	AUG. 31, 2016
Net carrying value, opening balance	29.7	27.5
Provisions during the period	1.7	2.2
NET CARRYING VALUE, CLOSING BALANCE	**31.4**	**29.7**

13 | PREPAID EXPENSES AND ACCRUED INCOME

	AUG. 31, 2017	AUG. 31, 2016
Accrued salary and payroll expenses	0.7	0.6
Prepaid rents	0.9	0.9
Other prepaid expenses and accrued income	0.3	1.6
TOTAL	**1.9**	**3.1**

14 | UNTAXED RESERVES

	Opening balance	Allocation/dissolution for the year	Net carrying value
Accelerated depreciation:			
Buildings	1.5	−0.1	1.4
Plant and machinery	2.6	1.3	3.9
Equipment	0.7	−0.2	0.5
TOTAL	**4.8**	**1.0**	**5.8**

Of the untaxed reserves, 1.3 (1.1) refers to deferred tax.

15 | OTHER PROVISIONS

Unsecured pension obligations (endowment insurance) have been offset against corresponding long-term receivables. Other provisions subsequently consist of provisions for payroll taxes on the endowment insurance liability.

16 | ACCRUED EXPENSES AND PREPAID INCOME

	AUG. 31, 2017	AUG. 31, 2016
Accrued salaries	19.9	12.4
Accrued social insurance contributions	7.1	5.3
Other	13.9	7.9
TOTAL	**40.9**	**25.6**

17 | LEASING

The year's leasing expense for assets held via operating leases, including leases on premises, amounts to 12.1 (10.7).

Future minimum lease fees as of the balance sheet date amounted to:	AUG. 31, 2017	AUG. 31, 2016
Within one year	12.4	11.3
Between 1 and 5 years	48.3	44.4
More than five years	12.1	11.1
TOTAL	**72.8**	**66.8**

18 | CONTINGENT LIABILITIES

	AUG. 31, 2017	AUG. 31, 2016
Sureties for subsidiaries	6,427.7	6,305.5
Other sureties	107.0	106.0
TOTAL	**6,534.7**	**6,411.5**

19 | CASH FLOW

External interest received and paid amounted to - (0.1) and - (0.1), respectively.

20 | PERSONNEL

For information on the average number of employees, salaries, other compensation and social insurance contributions for employees, see Note 27 to the consolidated financial statements.

21 | PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors' proposed distribution of the Parent Company's earnings is reported on page 56.

SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Shares in Swedish Group companies	Corp. ID number	Registered office	Holding, %	Net carrying value SEK 000 8/31/17	Net carrying value SEK 000 8/31/16
Stena Fragmentering AB	556012-5691	GÖTEBORG	100	250,528	250,528
Stena Aluminium AB	556039-3075	ÄLMHULT	100	71,400	71,400
Stena Technoworld AB	556443-2184	GÖTEBORG	100	90,005	90,005
Stena Recycling AB	556132-1752	GÖTEBORG	100	45,325	45,325
Stena Regalia AB	556236-0841	GÖTEBORG	100	30,050	30,050
Stena Stål AB	556077-5925	GÖTEBORG	100	20,500	20,500
Stena Miljöteknik AB	556139-0922	GÖTEBORG	100	12,200	12,200
Fastighets AB B:staden 15:1	559049-5247	GÖTEBORG	100	9,928	9,928
Förmasten AB	556308-1396	GÖTEBORG	100	7,570	7,570
Stena Metal International AB	556732-2895	GÖTEBORG	100	5,000	5,000
Adactum AB	556628-8246	GÖTEBORG	100	5,000	5,000
Stilleryd 8:12 AB	559119-9400	STOCKHOLM	100	4,227	—
Stena Oil AB	556236-0288	GÖTEBORG	100	2,350	2,350
AB Stena Metall Finans	556008-2561	GÖTEBORG	100	1,200	1,200
Stena Recycling International AB	556732-2903	GÖTEBORG	100	10,100	10,100
Stena Resurs 1 AB	556732-2887	GÖTEBORG	100	100	100
Stena Components AB	559069-9210	NYBRO	100	50	—
KB Pinnen i Göteborg	916835-1493	GÖTEBORG	50	—	—
Stena Vinga HB	969730-1118	GÖTEBORG	50	—	—
Stena Fiskhamnen HB	969730-2959	GÖTEBORG	50	—	—
SUBTOTAL				**565,533**	**561,256**
Shares in foreign Group companies					
Stena Recycling AS		NORWAY	100	782,660	782,660
Stena Recycling Oy		FINLAND	100	41,452	41,452
Stena Metal Inc.		USA	100	10,315	10,315
SUBTOTAL				**834,427**	**834,427**
TOTAL				**1,399.960**	**1,395.683**

Group companies' holdings of shares and participations	Corp. ID number	Registered office	Holding, %
Stena Fragmentering AB			
SMG Glava AB	556610-2231	GÖTEBORG	100
Rossholmen AB	556554-8269	GÖTEBORG	100
Dannholmen AB	556867-2918	GÖTEBORG	100
Stena Recycling A/S		DENMARK	100
Stena Recycling Sp. z o.o.		POLAND	100
LLC Property & Logistics		RUSSIA	100
Stena Recycling AB			
Bilretur ABC AB	556814-7457	GÖTEBORG	51

Group companies' holdings of shares and participations	Corp. ID number	Registered office	Holding, %
Stena Regalia AB			
Wockatz & Co i Göteborg AB	556155–3974	GÖTEBORG	100
Förmasten AB			
KB Pinnen i Göteborg	916835–1493	GÖTEBORG	50
Adactum AB			
Repur AB	556732–2911	GÖTEBORG	75
AB Stena Metall Finans			
Juteskären AB	556914–3786	GÖTEBORG	100
Havgalleskären AB	559054–3285	GÖTEBORG	100
Träteskären AB	559089–0116	GÖTEBORG	100
Stena Oil Shipping AB	559103–9630	GÖTEBORG	100
Sten Met Insurance AG		SWITZERLAND	100
Stena Metall Holding Limited		MALTA	100
Stena Vinga HB	969730–1118	GÖTEBORG	50
Stena Fiskhamnen HB	969730–2959	GÖTEBORG	50
Stena Metall Holding Limited			
Stena Metall Limited		MALTA	100
Stena Stål AB			
Gujab Invest AB	556490–0933	GÖTEBORG	100
Stena Stål Moss AS		NORWAY	100
Gujab Invest AB			
Gujab AB	556346–7074	GÖTEBORG	100
Stena Components AB			
Stena Components Molkom AB	556065–0359	KARLSTAD	100
Stena Components Nybro AB	556179–4628	NYBRO	100
Stena Technoworld AB			
Stena Nera AB	556719–5465	GÖTEBORG	100
Stena Metall Holding GmbH		GERMANY	100
STENA Technoworld International GmbH		AUSTRIA	100
Stena Metall Holding srl		ITALY	100
Stena Metall Holding GmbH			
Stena Technoworld GmbH		GERMANY	100
Stena Metall Holding srl			
Stena Technoworld srl		ITALY	100
Stena Recycling A/S			
Stena Recycling GmbH		GERMANY	100
Stena Recycling Sp. z o.o.			
First Recycling Poznan Sp. z o.o.		POLAND	100

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the unappropriated earnings in the Parent Company at the disposal of the Annual General Meeting (SEK):

Retained earnings	2.868.410.916
Profit for the year	6.686.803
UNRESTRICTED SHAREHOLDERS' EQUITY	**2.875.097.719**
be distributed as follows:	
To the shareholders, a dividend of SEK 476.92 per share, of which SEK 5,000,000 to the Sten A. Olsson Foundation for Research and Culture	62.000.000
To be carried forward	2.813.097.719
TOTAL	**2.875.097.719**

The proposed dividend reduces the company's equity/assets ratio to 74.9 percent. The equity/assets ratio is adequate given that the company continues to operate profitably. Liquidity in the company is similarly considered adequate.

In the opinion of the Board of Directors, the proposed dividend does not prevent the company from fulfilling its obligations in either the short or long term, or from making the necessary investments. Consequently, the proposed dividend can be defended given the stipulations of the Swedish Companies Act, chapter 17, section 3, paragraphs 2–3 (the prudence rule).

Göteborg, October 25, 2017

Dan Sten Olsson
Chairman

Sten Jakobsson

Lennart Jeansson

Mårten Hulterström

M Johan Widerberg

Per Kaufmann

Gustav A Eriksson

Anders Jansson
President and CEO

Tonny Fogelqvist
Employee representative

Peter Ernström
Employee representative

My auditor's report was submitted on October 25, 2017

Johan Rippe
Authorized Public Accountant

Auditor's report

TO THE ANNUAL GENERAL MEETING OF STENA METALL AB,
CORPORATE IDENTITY NO. 556138-8371

Report on the annual report and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated financial statements of Stena Metall AB for the financial year September 1, 2016 – August 31, 2017. The Company's annual accounts and consolidated financial statements are included on pages 7–56 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 August 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of August 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, with respect to the consolidated financial statements, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the President are responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for auditing the annual accounts and consolidated financial statements can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have audited the administration of the Board of Directors and the President of Stena Metall AB for the financial year September 1, 2016 – August 31, 2017 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organization and the administration of the Company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for auditing the administration can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Göteborg, October 25, 2017
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

SWEDEN

Stena Metall AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenametall.com

AB Stena Metall Finans (publ)
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenametall.com

Stena Metal International AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenametalinternational.com

Stena Oil AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenaoil.com

Stena Recycling AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenarecycling.se

Stena Recycling International AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00

Stena Stål AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenastal.se

Stena Technoworld AB
Box 4088
SE-400 40 Göteborg
Phone +46 10-445 00 00
www.stenatechnoworld.se

Visiting address Göteborg:
Fiskhamnsgatan 8B
SE-414 58 Göteborg

Stena Aluminium AB
Box 44
SE-343 21 Älmhult
Phone +46 10-445 95 00
www.stenaaluminium.se

Visiting address:
Gotthards gata 5
SE-343 36 Älmhult

Stena Components AB
Box 827
SE-382 28 Nybro
Phone +46 481-442 00
www.stenacomponents.se

Visiting address:
Madesjövägen 19
SE-382 45 Nybro

DENMARK

Stena Recycling A/S
Banemarksvej 40
DK-2605 Brøndby
Denmark
Phone +45 56 67 95 50
www.stenarecycling.dk

NORWAY

Stena Recycling AS
Postboks 1723
NO-3998 Porsgrunn
Norway
Phone +47 91 24 79 33
www.stenarecycling.no

Visiting address:
Dokkveien 8
NO-3920 Porsgrunn

Stena Stål Moss AS
Årvollskogen 79
NO-1529 Moss
Norway
Phone +47 69 23 54 00
www.stenastal.no

FINLAND

Stena Recycling Oy
Äyritie 8 C
FI-01510 Vantaa
Finland
Phone +358 10 802 323
www.stenarecycling.fi

POLAND

Stena Recycling Sp. z o.o.
Al. Krakowska 271
02-133 Warszawa
Poland
Phone +48 22 520 27 00
www.stenarecycling.pl

GERMANY

Stena Technoworld GmbH
Langenhorner Chaussee 40
D-22335 Hamburg
Germany
Phone +49 402 800 670
www.stenatechnoworld.de

ITALY

Stena Technoworld srl
Via Santa Maria in Campo 2
I-20873 Cavenago di Brianza (MB)
Italy
Phone +39 02 95335374
www.stenatechnoworld.it

SWITZERLAND

Stena Metall Limited,
Zug branch
Bahnhofplatz
CH-6300 Zug
Switzerland
Phone +41 417 28 81 21
www.stenametall.com

USA

Stena Metal Inc.
200 Pequot Avenue, Suite 101
Southport, CT
06890 USA
Phone +1 475 888 9005
www.stenametal.com

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Produced by the Stena Metall Group.

Society is facing major challenges to sustainably manage plastic waste. The Stena Metall Group has a leading position in the area and a number of projects underway to develop sustainable recycling solutions for various types of plastics.