

Interim report January 1 –June 30, 1999

Stena Line is an international transport and travel service company and one of the world's largest ferry operators. The route network comprises 12 strategically located routes in Scandinavia and around the UK. In addition the Company has interests in three ferry routes through its ownership in P&O Stena Line and its collaboration with another ferry operator.

On March 10, 1998, Stena Line's English Channel routes were transferred to P&O Stena Line Ltd., a jointly-owned company in which Stena Line has a 40% proprietary share. As a consequence, the results of the operations for the first six months of 1998 and 1999 are not fully comparable. In order to facilitate the comparison, comments to the results are given both excluding and including the English Channel operations.

Highlights for the first six months, 1999

- Revenue, excluding the English Channel operations, rose 6% or SEK 196 million from SEK 3,199 million to SEK 3,395 million.
- Income from operations, including the English Channel operations, improved from a loss of SEK 305 million to a gain of SEK 26 million.
- The result before income taxes improved from a loss of SEK 530 million to a loss of SEK 233 million for the first six months. The result for the last 12-month period amounts to a loss of SEK 27 million.
- EBITDA, excluding English Channel operations, rose 54 % from SEK 171 million to SEK 264 million.
- Excluding the English Channel operations and the closed down Halmstad – Grenaa route, the number of passengers and freight units increased by 2% while the number of private cars increased by 3%.
- The average ticket fares rose by 3% in Scandinavia and 16% in the UK. Freight rates increased by 2% in Scandinavia and by 9% in the UK.
- The abolition of tax and duty free sales was definitely confirmed in the beginning of June.

Results of Operations, excluding the English Channel, *April-June 1999*

Revenue

The Company's revenue rose by SEK 173 million or 9%, to SEK 2,094 million compared to SEK 1,921 million for the same period in 1998. Exchange rate fluctuations had a positive impact of SEK 54 million.

Revenue in Scandinavia increased to SEK 1,001 million compared to SEK 964 million in the same period in 1998, despite the closure of the Halmstad-Grenaa route in the first quarter of 1999. Revenue in the UK increased to SEK 1,093 million compared to SEK 957 million in 1998. Revenue in Scandinavia and in the UK was positively impacted due to uninterrupted service in both regions.

Freight/Port revenue increased by 17% to SEK 511 million from SEK 436 million, due to increases in both volumes and rates in the UK.

Onboard revenue increased by 14% to SEK 777 million from SEK 681 million, due to increased onboard spending per passenger in the months prior to the abolition of tax and duty free sales within the EU.

Passenger revenue remained unchanged at SEK 806 million compared to SEK 804 million in 1998.

Operating expenses

Operating expenses increased by SEK 123 million or by 7% to SEK 1,772 million compared to SEK 1,649 million in 1998, mainly due to higher charter hires. Exchange rate fluctuations had a negative impact of SEK 48 million.

EBITDA

EBITDA improved by SEK 40 million to SEK 334 million compared to SEK 294 million in the second quarter of 1998.

Income from operations

Income from operations totaled SEK 181 million compared to SEK 136 million in 1998.

Results of Operations, excluding the English Channel, *January-June 1999*

Revenue

The Company's revenue increased by SEK 196 million to SEK 3,395 million compared to SEK 3,199 million in 1998. Exchange rate fluctuations had a positive impact of SEK 59 million. Revenue in Scandinavia increased by SEK 19 million to SEK 1,712 compared to SEK 1,693 million in 1998, despite the closure of the Halmstad-Grenaa route in the first quarter of 1999 and the planned removal of two multipurpose vessels from service for six weeks each on the Goteborg – Kiel route. Revenue in the UK increased from SEK 1,506 million to SEK 1,683 million.

Freight/Ports revenue increased by SEK 75 million to SEK 975 million compared to SEK 900 million in 1998. Freight rates in Scandinavia and the UK increased by 2% and 9%, respectively, while total freight volumes remained unchanged at 348, 4 thousand.

Onboard revenue increased by SEK 87 million to SEK 1,236 million compared to SEK 1,149 million in 1998 due to the increase in onboard spending per person in the months prior to the abolition of tax and duty free sales. Onboard spending per passenger increased by 8% and 14% in Scandinavia and the UK, respectively.

Passenger revenue increased by SEK 34 million to SEK 1,184 million compared to SEK 1,150 million in 1998. Average passenger ticket fares increased by 3% and 16% in Scandinavia and the UK, respectively. The increase in the UK area is due to a combination of increased prices and a change in passenger mix in order to compensate for the loss of tax and duty free sales. Total passenger volumes

remained at 4.2 million and total private car volumes decreased to 732 thousand, a decrease of 1% compared to 1998.

The average rates increased in all market areas with the exception of the Sweden-Poland route, where the increase in volumes, 44% for passengers and 6% for freight, more than compensated for the decline in rates.

Operating expenses

Operating expenses increased by SEK 88 million to SEK 3,157 million compared to SEK 3,069 million in 1998, mainly due to higher charter hires. Exchange rate fluctuations had a negative impact of SEK 53 million.

EBITDA

EBITDA increased by SEK 93 million to SEK 264 million, compared to SEK 171 million in 1998.

Depreciation and amortization

Depreciation and amortization rose by SEK 19 million to SEK 291 million compared to SEK 272 million in 1998.

Income/loss from operations

The income from operations improved by SEK 92 million to –SEK 49 million compared to –SEK 141 million last year.

Results of Operations, including the English Channel, January-June 1999

Revenue

Revenue fell by SEK 24 million to SEK 3,395 million compared to SEK 3,419 million in 1998 due to the transfer of the English Channel operations to P&O Stena Line in March 1998.

Operating expenses

Operating expenses decreased by SEK 184 million to SEK 3,157 million compared to SEK 3,341 million in 1998, due to the transfer of the English Channel operations to P&O Stena Line. Restructuring charges relating to the closure of the Halmstad – Grenaa route were all charged in 1998.

EBITDA

EBITDA increased by SEK 185 million to SEK 264 million compared to SEK 79 million in 1998.

Income/loss from associated companies

The income from associated companies amounted to SEK 79 million compared to a loss of SEK 62 million in 1998. This improvement is attributable to the positive performance of P&O Stena Line. P&O Stena Line made a profit before restructuring expenses of GBP 30 million in the first six months of 1999. Due to the closure of the Newhaven – Dieppe route in January 1999, P&O Stena Line incurred a GBP 10.8 million restructuring charge.

Depreciation and amortization

Depreciation and amortization fell by SEK 29 million to SEK 291 million compared to SEK 320 million in 1998.

Income from operations

Income from operations totaled SEK 26 million, an improvement of SEK 331 million from a loss of SEK 305 million in 1998.

Financial income and expense – net

Financial income and expense, net, totaled –SEK 259 million compared to –SEK 225 million in 1998. The increase is explained by a higher weighted average interest rate.

Income/loss before income taxes

The loss before income taxes was SEK 233 million compared to a loss of SEK 530 million in 1998.

Income taxes

A deferred tax benefit of SEK 47 million has been added to the net loss for the first six month period of 1999, compared to a deferred tax benefit of SEK 92 million in 1998.

Net loss for the period

Net loss for the first six months of 1999 totaled SEK 186 million compared to a loss of SEK 438 million in the first six months of 1998.

Financial position

(Comparisons are to December 31, 1998, unless otherwise indicated)

The Company's Balance Sheet total decreased slightly to SEK 10,389 million at the period's end from SEK 10,513 million at December 31, 1998. The Company's interest-bearing net debt decreased to SEK 6,176 million from SEK 6,208 million at December 31, 1998.

The total available cash and cash equivalents, including committed, unutilized credit facilities, were SEK 1,330 million compared to SEK 1,503 million at December 31, 1998. The equity to assets ratio remained unchanged at 22% compared to the end of June 1998, while the net debt/equity ratio increased to 2.7 times from 2.6 times at the end of June last year.

The multiple EBITDA to interest expense was 1.8 for the last 12 months, compared to 1.5 for the 1998 full year.

Capital expenditures

Capital expenditures, for the period, totaled SEK 165 million compared to SEK 77 million in the same period of 1998. During the first quarter of 1999, the two multipurpose vessels Stena Germanica and Stena Scandinavica, which operate on the route between Goteborg and Kiel, were converted to increase freight capacity reflecting demand on this route and to meet new safety legislation.

Stockholders' equity

Stockholders' equity decreased during the period by SEK 232 million to SEK 2,304 million from SEK 2,536 million in 1998. Exchange rate fluctuations have decreased stockholders' equity by SEK 46 million, and the loss for the period, after taxes, has reduced stockholders' equity by SEK 186 million.

Fleet and route network

At the period's end, Stena Line's fleet consisted of 25 ferries. Of these, 13 were owned by Stena Line, 3 were leased and 9 were chartered. In March 1999, the Stena Prince, which operated on the Varberg-Grenaa route, was sold at a price of USD 2.3 million which was equal to book value.

On January 31, 1999, the Halmstad-Grenaa route was closed. Currently, the Company's route network includes 12 ferry routes in Scandinavia and around the UK, including a lift-on/lift-off container route.

In June, Stena Line announced the decision to charter two new Ropax vessels on the Harwich-Hook of Holland route. The vessels are being built in Spain and will be delivered by the end of next year.

Staff

The average number of employees at Stena Line was 6,124 compared to 7,681 at the end of June 1998. On January 31, 1999, service on the Halmstad-Grenaa route was discontinued and 99 employees were made redundant. In February 1999, 660 employees were given notice to leave the company on September 1 1999, due to the planned operational changes on the Scandinavian routes as a result of the abolition of tax and duty free sales.

Y2k

Stena Line initiated a project in 1997 to identify and resolve any problems that could arise within the Company's computer systems as a result of the Y2k problem. The upgrading of the infrastructure and the technical systems is running according to plan and the securing of the business systems has been completed.

Transactions with the Stena Sphere

In June 1999, Stena Line decided to charter two new Ropax vessels from the Stena Sphere, beginning at the end of 2000. Other transactions with the Stena Sphere continue to correspond to the account given in the 1998 Annual Report.

Stena Line AB, the Parent Company

A restructuring of the Swedish business has taken place in 1999. As from January 1, 1999, the business in the subsidiary Stena Line Scandinavia AB will be operated solely by Stena Line AB. The Parent Company's revenue for the period was SEK 2,151 million compared to SEK 363 million in 1998 and the income/loss before income taxes was -SEK 148 million, compared to SEK 310 million in 1998. Gross investment totaled SEK 140 million compared to SEK 38 million in 1998. Cash and cash equivalents totaled SEK 122 million compared to SEK 28 million at the end of June 1998.

Abolition of tax and duty free sales within the EU

Tax and duty free sales disappeared within the EU on July 1, 1999. Although the decision to abolish tax and duty free sales was adopted several years ago, detailed new rules within the EU was formed only weeks before July 1. As a consequence Stena Line had little time to prepare a detailed retail offer onboard and to agree procedures and local rules with the local authorities. The retail supply chain needed to be adapted to reflect the final outcome of the new conditions, leading to late deliveries and in some cases shortages of goods onboard. These circumstances had a negative effect on retail sales during the first weeks of July.

The impact of the abolition of tax and duty free sales on Stena Line is still uncertain, as the peak season is under way in a large part of the operation. During July, however, there was a decline in onboard sales across all routes concerned. A certain fall in passenger volumes has been seen in July, while the number of private cars remained unchanged and the freight volumes rose. Stena Line expects that higher ticket fares and freight rates in combination with the refocusing of the Scandinavian business will partially compensate for the loss of tax and duty free sales.

Preliminary volume trend July 1999, compared to last year, excluding Halmstad – Grenaa and the English Channel operation

	Volume change, per cent		
	Passengers	Private cars	Freight units
Scandinavia	-6%	2%	7%
The UK	-7%	-4%	0%
Total	-7%	0%	3%

Audit

This Report has not been reviewed by the Company's Auditors.

Financial reports

The 1999 Stena Line reporting year includes the following:

- Interim report for January – September, to be presented on Tuesday, November 16.

Goteborg, August 26, 1999

Stena Line AB

Bo Severed

President and CEO

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Consolidated Income Statements

Consolidated Income Statements

	6 months			12 months		3 months	
	January-June		Full year	July 98- June 99		April-June	
SEK million	1999	1998	1997	1998		1999	1998
Revenue	3,395	3,419	4,267	7,770	7,746	2,094	1,921
Operating expenses	-3,157	-3,341	-4,059	-7,013	-6,829	-1,772	-1,649
Net loss on sale of vessels and ports	0	0	-49	0	0	0	0
Restructuring expenses	0	-1	-22	-79	-78	0	2
Income/losses from ass companies	79 ¹⁾	-62 ¹⁾	3	88	229	129	-60
Income before depreciation	317	15	140	766	1,068	451	214
Depreciation and amortization	-291	-320	-401	-614	-585	-145	-139
Income/loss from operations	26	-305	-261	152	483	306	75
Financial income	1	15	11	23	9	-1	6
Financial expense	-260	-240	-285	-499	-519	-120	-121
Financial income and expense, net	-259	-225	-274	-476	-510	-121	-115
Income/loss before income taxes	-233	-530	-535	-324	-27	185	-40
Income taxes	47	92	122	21	-24	-66	21
Net income/loss	-186	-438	-413	-303	-51	119	-19

Taxes are calculated according to the full tax method (includes both deferred and current taxes)

- 1) SEK 75 million and -64 million for 1999 and 1998 respectively of which is attributable to P&O Stena Line, comprising of Stena Line's share of P&O Stena Line's income/loss before taxes and after goodwill amortization. In the first six months of 1999, SEK 3 million was received as a cash dividend from Stena Tor Line HB.

Consolidated Income Statements excluding English Channel Operations 1)

SEK million	January - June		April - June	
	1999	1998	1999	1998
Revenue	3,395	3,199	2,094	1,921
Operating expenses 2)	-3,157	-3,069	-1,772	-1,649
Restructuring expenses	0	-1	0	2
Income/loss from associated companies 3)	4	2	4	1
Income before depreciation	242	131	326	275
Depreciation and amortization	-291	-272	-145	-139
Income from operations	-49	-141	181	136
EBITDA 4)	264	171	334	294

- 1) The Consolidated Income Statements excluding the English Channel operations for 1999 and 1998, exclude the results of the Company's English Channel operations that were contributed to P&O Stena Line on March 10, 1998 as well as the Company's actual 40% interest in the income of P&O Stena Line during such periods.
- 2) Includes non-cash charges of SEK 22 million and 24 million for the first six months of 1999 and 1998 respectively. The corresponding amounts for the second quarter were SEK 12 million and 11 million respectively.
- 3) In the first six months of 1999, SEK 3 million was received as a cash dividend from Stena Tor Line HB.
- 4) Interest income as used in the EBITDA calculation is not affected by the exclusion of the English Channel operations.

Income/loss before income taxes, reported by quarter

SEK million	1999	1998	1997	1996
First quarter	-418	-490	-492	-502
Second quarter	185	-40	-43	-54
January - June	-233	-530	-535	-556
Third quarter	-	415	637	309
Fourth quarter	-	-209	49	-197

Full year	-	-324	151	-444
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Consolidated Balance Sheets

SEK million	June 30 1999	June 30 1998	June 30 1997	Dec 31 1998
Assets				
Vessels	3,892	4,063	6,211	4,026
Other fixed assets	5,062	4,820	4,878	5,216
Current receivables, stock-in-trade etc.	1,212	1,593	1,884	1,119
Cash and cash equivalents	223	252	544	152
Total assets	10,389	10,728	13,517	10,513
Stockholders' equity, provisions and liabilities				
Stockholders' equity	2,304	2,341	2,224	2,536
Convertible Subordinated Debentures	558	558	558	558
Provisions				
Non-interest bearing	257	316	264	364
Interest bearing	58	52	45	54
Long term liabilities				
Interest bearing	5,733	5,390	6,750	5,516
Current liabilities				
Non-interest bearing	1,364	1,698	2,284	1,191
Interest bearing	115	373	1,392	294
Total stockholders' equity, provisions and liabilities	10,389	10,728	13,517	10,513

Summary of Consolidated Statements of Cash Flows

SEK million	Jan-Jun 1999	Jan-Jun 1998
<i>Cash flow from operations</i>		
Net income/loss	-186	-438
Adjustments for non-cash items		
Income/loss from associated companies	-76	66
Depreciation	291	320
Deferred income tax benefit	-47	-92
Unrealized exchange losses/gains	11	7
Other non-cash items	7	0
Changes in working capital	62	-67
Cash flow from operations	62	-204
<i>Investing activities</i>		
Proceeds from sale of fixed assets	12	-19
Investment in fixed assets	-165	-75
Increase in long-term loans	-6	-464
Cash flow used in investing activities	-159	-558
<i>Financing activities</i>		
Proceeds from borrowings	440	4 620
Payments on borrowings	-274	-4 305
Cash flows provided by financing activities	166	315
Effect of foreign exchange on cash and cash equivalents	2	-24
Net change in cash and cash equivalents	71	-471
Beginning balance of cash and cash equivalents	152	723
Cash and cash equivalents at end of period	223	252

Volumes, in thousands, January – June

Route	Passengers			Private cars 1)			Freight units 2)		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sweden - Denmark									
Goteborg - Frederikshavn	1,266	1,208	1,167	202	199	201	78.4	83.6	75.4
Varberg - Grenaa	147	111	139	30	22	27	12.6	7.1	9.3
Stena Line total in area	1,413	1,319	1,306	232	221	228	91.0	90.7	84.7
Sweden - Germany									
Goteborg - Kiel	297	400	447	41	51	53	17.0	18.1	18.1
Goteborg - Travemunde	-	-	-	-	-	-	30.6	32.3	39.3
Stena Line total in area	297	400	447	41	51	53	47.6	50.4	57.4
Sweden - Denmark/Germany									
Stena Line total in area	1,710	1,719	1,753	273	272	281	138.6	141.1	142.1
<i>Stena Line's market share (%) 3)</i>	19%	21%	22%	17%	19%	22%	22%	25%	27%
Norway - Denmark									
Stena Line total in area	244	241	253	26	27	28	8.0	7.4	7.5
<i>Stena Line's market share (%)</i>	14%	15%	15%	13%	12%	12%	17%	13%	15%
Poland - Sweden									
Stena Line total in area	104	72	69	11	10	9	8.3	7.9	5.1
<i>Stena Line's market share (%)</i>	36%	26%	27%	22%	18%	19%	18%	18%	13%
Total Scandinavia	2,058	2,032	2,075	310	309	318	154.9	156.4	154.7
Holland - England									
Stena Line total in area	436	425	508	98	78	77	57.1	55.0	58.8
<i>Stena Line's market share (%)</i>	30%	30%	33%	33%	28%	27%	10%	9%	9%
Wales - Republic of Ireland									
Fishguard - Rosslare	343	327	325	76	76	66	17.2	17.2	18.5
Holyhead - Dun Laoghaire	645	737	682	113	133	112	20.9	21.3	17.7
Holyhead - Dublin	91	60	36	20	11	4	27.0	25.4	21.6
Stena Line total in area	1,079	1,124	1,043	209	220	182	65.1	63.9	57.8
Scotland - Northern Ireland									
Stena Line total in area	641	551	609	114	106	111	69.4	63.0	70.5
Irish Sea									
Stena Line total in area	1,720	1,675	1,652	323	326	293	134.5	126.9	128.3
<i>Stena Line's market share (%)</i>	55%	56%	58%	50%	51%	52%	19%	21%	24%
Total United Kingdom	2,156	2,100	2,160	421	404	370	191.6	181.9	187.1
Total Scandinavia and UK	4,214	4,132	4,235	731	713	688	346.5	338.3	341.8
Halmstad-Grenaa 4)	5	112	138	1	24	31	1.9	11.4	12.2
Total excl English Channel	4,219	4,244	4,373	732	737	719	348.4	349.7	354.0
English Channel	-	496	2,908	-	83	474	-	55.9	200.2
Total Stena Line routes	4,219	4,740	7,281	732	820	1,193	348.4	405.6	554.2
Harwich - Zeebrugge 5)	-	-	-	-	-	-	16.2	15.4	17.4

N.B. All numbers are rounded to the nearest 1,000 (passengers and private cars) or 100 (freight).

1. Including caravans and car trailers.
2. The term freight units refers to trucks, trailers, containers and railway carriages.
3. Stena Line's market share also includes the closed Halmstad – Grenaa route.
4. The route Halmstad-Grenaa was closed down January 31, 1999.
5. The freight route Harwich - Zeebrugge operates lo/lo container traffic (lift-on/lift-off). The volumes are not included in the total.

Revenue, divided by market and business area, January – June

SEK million	Business area Travel			Business area Onboard			Business area Freight			Business area Port		
Market area	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997
Scandinavia	493	501	485	800	764	750	419	428	432	-	-	-
Share of tot revenue, %	15%	15%	11%	24%	22%	18%	12%	12%	10%	-	-	-
UK excl English Channel	691	649	673	436	385	381	511	442	441	44	30	57
Share of tot revenue, %	20%	19%	16%	13%	11%	9%	15%	13%	11%	1%	1%	1%
English Channel	-	27	186	-	100	532	-	92	329	-	1	1
Share of tot revenue, %	-	1%	4%	-	3%	12%	-	3%	8%	-	0%	0%
Total	1,184	1,177	1,344	1,236	1,249	1,663	931	962	1,202	44	31	58

Key ratios 1)	Basic				Assuming dilution			
	June 30			Dec 31	June 30			Dec 31
	1999	1998	1997	1998	1999	1998	1997	1998
Adjusted stockholders' equity, SEK million	2,862	2,899	2,782	3,094	2,862	2,899	2,782	3,094
Equity/assets ratio, %	22	22	16	24	27	27	21	29
Net debt/equity ratio, multiple	2.7	2.6	3.7	2.5	2.0	1.9	2.7	1.8
Return on capital employed, %	6	7	1	2	6	7	1	2
Return on stockholders' equity, %	-2	2	-15	-11	-1	3	-11	-9
Operating margin, %	6.2	6.9	0.9	2.0	6.2	6.9	0.9	2.0
Net margin, %	-0.4	1.8	-4.5	-4.2	0.1	2.2	-4.0	-3.7
EBITDA	896	1,351	934	711	896	1,351	934	711
EBITDA/interest expense, multiple	1.8	2.7	1.8	1.5	1.9	3.0	2.0	1.6
Cash flow, SEK million	232	466	477	-80	260	494	505	-52

1. Rate of return and margins, together with EBITDA, EBITDA/interest multiple and Cash flow, refer to the previous 12 month period. The same definitions have been used as in the 1998 Annual Report.

Share data 1)	Basic					Assuming dilution				
	June 30 1999	June 30 1998	June 30 1997	Full year 1998	July 98-June 99	June 30 1999	June 30 1998	June 30 1997	Full year 1998	July 98-June 99
No. Shares, thousands	61,471	61,471	61,471	61,471	61,471	73,867	73,867	73,867	73,867	73,867
Market price, closing date, SEK	9.00	24.50	37.50	11.00	9.00	9.00	24.50	37.50	11.00	9.00
Profit/loss after tax, SEK	-3.00	-7.10	-6.70	-4.90	-0.80	-2.30	-5.70	-5.40	-3.70	-0.30
Cash flow, SEK	3.80	7.60	7.80	-1.30	3.80	3.50	6.70	6.80	-0.70	3.50
Stockholders' equity, SEK	37.50	38.10	36.20	41.30	37.50	38.70	39.20	37.70	41.90	38.70

1. Profit/loss per share, and cash flow per share are based on the average number of shares. Cash flow per share refers to the previous 12 month period.