

Business Review



Stolt Tankers

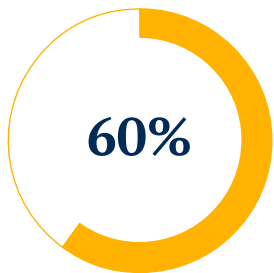


Performance

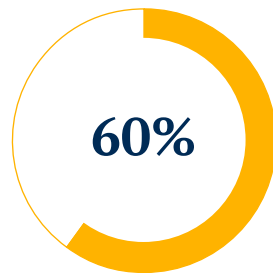
(US \$ millions)	2023	2022	2021
Operating revenue	1,710	1,497	1,166
Operating profit	371	205	69

Percentage of group total

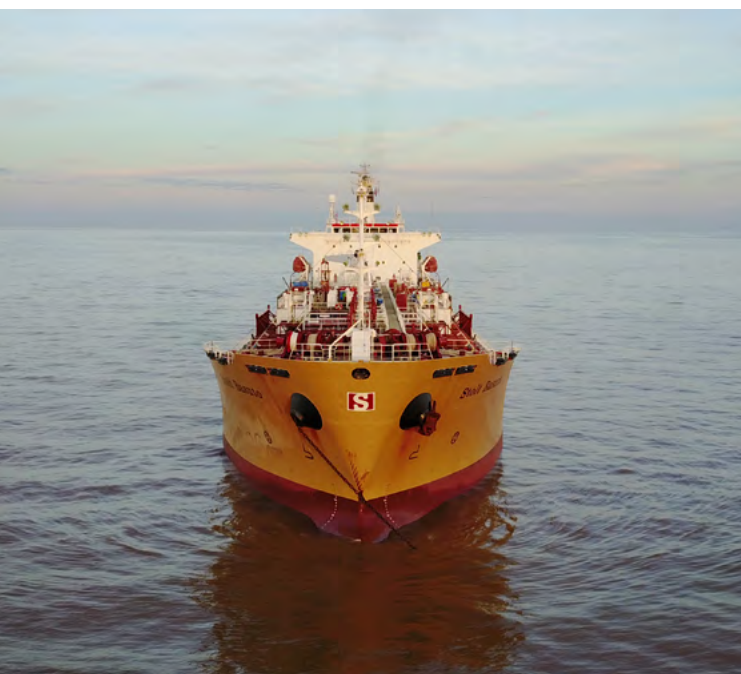
of total operating revenue



of total operating profit¹



1. Excluding Stolt-Nielsen Gas, Corporate and Other loss of \$42.9 million and MSC *Flaminia* legal provision of \$155.0 million.



Markets

- Stolt Tankers provides safe, reliable, high-quality and flexible transportation services to the world's leading manufacturers and consumers of chemicals, edible oils, acids and other bulk liquids.
- We have the world's largest fleet of parcel tankers and are the only company in our market that has both deep-sea and regional capabilities. Our global deep-sea fleet and integrated regional capabilities in Europe, Asia Pacific, the Caribbean, the US and Latin America provide supply chain efficiencies and added value for our customers.

Strategy

Stolt Tankers' strategy is focused on creating the world's most efficient bulk liquid shipping platform and providing efficient and sustainable services to our customers. Through our best-in-class platform, our ambition is to achieve a sustainable return on capital employed (ROCE) through the cycle, which will enable us to increase our market share longer term.

Working collaboratively with customers and our sister divisions, Stolthaven Terminals (SHVN) and Stolt Tank Containers (STC), we offer solutions that enhance efficiencies in the bulk-liquid supply chain.

2023 in review

2023 was marked by record high profits for Stolt Tankers. The conflict in Ukraine continued to affect the global supply chain across all products that we carry, keeping swing tonnage out of the chemical trades. Stolt Tankers was well positioned for this increase in demand. Our fleet size enabled us to further increase efficiencies and renew contracts on much-improved rates and terms.

The firm market, together with our ongoing focus on managing costs resulted in an operating profit of \$371.1 million compared to \$205.1 million in 2022. Operating expenses were closely managed as part of our ongoing commercial optimisation and cost-reduction initiatives.

2023 was also an active year for investing in our assets. In March 2023, we acquired two modern 15,000 deadweight tonne parcel tankers for our inter-Caribbean pool. Together with our customer BASF, in May we successfully launched the *Stolt Ludwigshafen*, setting a new standard for low-water capable barges on the River Rhine. We also added six 26,000 deadweight tonne chemical newbuildings to our fleet through long-term time charter and pooling agreements with CMB in

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June. In November, with our partners NYK and ENEOS Ocean, we launched the Stolt NYK Asia Pacific Services (SNAPS) tanker pool. These additional ships solidified our leading market position and enabled us to fully benefit from the strong market fundamentals.

The other target we set for ourselves in 2023 was a newbuilding order to give us a more standardised, interchangeable and efficient fleet. In December, we reached an agreement with the Wuhu Shipyard to build six 38,000 deadweight tonne stainless steel parcel tankers for delivery from 2027 onwards.

Safety remains our top priority – we cannot run our business successfully without doing everything we can to protect our people and our planet. We continue to focus on reducing our lost-time incident frequency (LTIF), and our 2023 performance of 0.45 is in line with the shipping industry average. Read more on page 42.

We have expanded our successful *Slashed Zero* programme to include sustainability alongside its core focus on safety. As a result, we hold an EcoVadis gold certification. An industry and customer recognised standard in ESG. The strong market required our ships to increase speed and consume more fuel, and ships being rerouted away from the Panama and Suez canals increased sailing times, therefore our Scope 1 emissions increased. However, our Annual Efficiency Ratio (AER) decreased to 10.73, compared with 10.91 in 2022. Read more on page 48.

None of our 2023 successes could have been achieved without the dedication and professionalism of our team. I am immensely thankful to them for everything they do for our customers and stakeholders. Their relentless focus on continuous improvement (CI) means that we are all working towards doing everything ‘just a little’ better, each day. These efforts involve living our *Winning Culture* and continuous learning to become the most efficient and effective platform in the bulk-liquid shipping industry – one that enables suppliers and customers to work with our teams across the globe to optimise the supply chain. Our continuous improvement programme is unique to our business, not only have we introduced Lean Six Sigma principles to our office-based teams, our CI@sea programme also brings Lean Six Sigma to our ships. As a result of all these continued efforts, employee engagement is at a record high, increasing to 87%, putting us in the top tier across all companies.

Outlook

This year’s results and progress in our business transformation give me confidence that we are on the right path to achieve sustainable growth. We will continue our focus on value pricing, digital transformation, streamlining systems, innovating sustainably and further integrating with customers’ operations. By working closely with customers, we will be able to create a world-class digital supply chain through the Stolt Tankers ship-to-customer platform. We are looking into new opportunities to collaborate with SHVN and STC, which we believe will have a positive impact on our performance in 2024. We are also exploring ways to enhance our daily service delivery, as defined in our value proposition to our customers.

We are optimistic that we will enjoy similarly strong market fundamentals in 2024. The effects of the war in Ukraine on energy markets are expected to linger. Disruptions in the Panama Canal and Red Sea are stretching tanker supply. The adjacent MR product tanker market is still healthy and is keeping swing tonnage out of the chemical tanker segment. Most importantly, the orderbook for chemical tankers remains within range of all-time lows. As a result of these factors, the supply and demand outlook for 2024 is favourable. While we are encouraged by our expectations for a healthy market backdrop in the coming months, we are simultaneously increasing our focus on optimising our cost structure and operating efficiencies to be more effective at serving our customers and delivering value to our shareholders.

We will also push forward with our ambitions to be kinder to the planet by reducing our CO₂ footprint and improving life below water. Finally, in everything we do, we will work to remain an employer of choice by providing a fun, safe, diverse, and inclusive workplace for all our employees.

Lucas Vos

President
Stolt Tankers