

Business Review *continued*



Stolt Sea Farm Diversification, innovation and agility underpinned resilience



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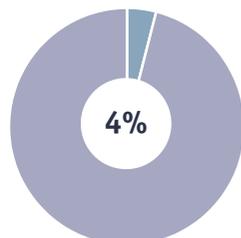
Performance

(US \$ millions)	2020	2019 ¹	2018
Operating Revenue	80	100	98
Operating Profit	(8)	8	13

1. Restated to show caviar operations as discontinued.

Percentage of group total

of total revenue



Stolt Sea Farm (SSF) is a pioneer in land-based aquaculture whose mission is to ensure future generations continue to enjoy wonderful seafood. The business has a firm focus on sustainable growth, building partnerships with customers and communities – while adhering to high animal welfare and environmental protection standards.

We are known for our innovation and disruptive technologies, including highly specialised custom-designed facilities. Thanks to decades of research and development, we are the only aquaculture company that can consistently produce the highest-quality turbot and sole in commercial volumes.

Fish is widely accepted to be one of the most sustainable sources of animal protein and several of our farms are located on natural marine reserves, demonstrating the rigorous attention we pay to ensuring our business operations have a positive environmental impact.

SSF products feature on restaurant, hotel and foodservice menus as well as supermarket shelves, in more than 30 countries. Our annual production capacity totals a remarkable 5,700 tonnes of turbot and 1,570 tonnes of sole across 14 farms.

2020 review

SSF was the SNL business most affected by Covid-19, as widespread lockdowns decimated the restaurant and hospitality sectors. Full-year revenue was \$79.7 million, down from \$100.3 million in 2019. Excluding the impact of fair value adjustments, SSF’s full-year operating loss was \$3.4 million, compared to an operating profit of \$11.6 million in 2019. However, throughout the year, SSF rose to the challenges presented by difficult conditions. Our resilience showcased the breadth and depth of talent within the business and reinforced the strength of our diversification strategy.

In 2020, everyone at SSF went above and beyond to maintain high standards of quality, safety and efficiency. Operations continued seamlessly thanks to the commitment and creativity of all staff. For example, our Stolt-Nielsen colleagues globally procured facemasks for our workers in Spain, which experienced a national PPE shortage in the spring. People transitioned smoothly to home working. And on-site personnel quickly implemented new safety guidelines (see page 28 for more on people and pages 19 and 21 for more on safety). We therefore showed remarkable agility in responding to market changes.

2020 demonstrated the strength of SSF’s diversification strategy. With our range of products and customers, we quickly shifted away from hotels and restaurants to retail. Previously, 65% of sales were to wholesale customers. Early in the pandemic, we shifted 65% to retail. Our approach included freezing stock and adapting production to smaller sizes, as we quickly expanded our Value Added Product (VAP) offering. We were therefore able to drive sales in core Southern European markets where SSF has a strong retail position, helping offset reduced demand from hospitality and foodservice. In 2020, VAP sales grew 20%, and we hired a dedicated UK-based sales manager for frozen turbot to support continued retail growth.

Our new sole farms in Spain and Portugal came online ahead of schedule. Cervo, Spain commenced operations in early 2020, and started harvesting the first fish two months early – first-year production exceeded expectations for growth, feed conversion ratio and average weight. Tocha, Portugal also hit the ground running, introducing juveniles in December 2020. To distribute our new sole production capacity, we decided to expand our current packing facility in Spain. We also progressed with operational improvements in Iceland. These have improved juvenile quality and led to better growth, which will drive results in 2021.

These cutting-edge facilities are the result of more than 20 years of research and investment into the development of efficient and sustainable sole farming. Our land-based recirculation farms offer control, safety, reliability and sustainability that is not available with other farming methods. We are proud to say that we are the pioneers in designing, building and operating this technology to the benefit of our customers, our shareholders and the health and wellbeing of the fish. To help us focus resource on more profitable and higher-potential opportunities in sole and turbot, we divested the SSF caviar business towards the end of 2020.

At the beginning of the pandemic, we stopped most capital expenditure projects to preserve our cash position and focus resources. Once the situation stabilised, we proceeded with key initiatives, including business intelligence (BI), data analytics and CRM implementation. We also launched the AquacultureTech acceleration platform in partnership with Kaleido. AquacultureTech is now helping drive innovation, automation and digitisation at SSF and more widely in the industry.

After investing significantly in research, we started industrial trials of new feed formulas with lower fishmeal and fish oil content. This reinforces our leadership position when it comes to preserving scarce natural resources. Read more about our environmental initiatives on pages 24-26.

2021 outlook

We expect to see both sole and turbot markets bounce back in the second half of 2021, and we will continue to harness our strengthening position in VAP and retail as wholesale and hospitality sectors recover.

In January 2021, SSF announced a possible IPO, and planning will continue during the year.

Our innovation and digitalisation projects will proceed as we use our technology leadership to control costs and maximise value from data. 2021 efforts will focus on data analysis and business intelligence-powered tools as we build on the foundation we developed in 2019 and 2020.

Jordi Trias

President
Stolt Sea Farm