

## Chief Executive Officer's Review

2022 was a year when several factors came together, enabling us to fire on all cylinders for the first time since the Covid-19 pandemic. Yes, the market turned in our favour, but, more importantly, our diligent unwavering focus over many years on delivering on our strategy is now showing results. It is the outcome of thousands of small decisions made by a well-functioning organisation delivering operational excellence in all that we do.

In Q1 2022 Stolt-Nielsen posted its strongest results since 2008. This trend continued throughout the year. Our 2022 net profit was \$280.9 million, compared with \$78.8 million in 2021. Stolt-Nielsen's cash flow from operations increased from \$323.8 million in 2021 to \$619.8 million in 2022. Earnings per share were \$5.25 in 2022, compared with \$1.47 in 2021. Net debt reduced from \$2,312.2 million in 2021 to \$2,038.2 million at the end of 2022, bringing net debt to tangible net worth down to 1.08 compared to 1.37 in 2021. Shareholders' equity was \$1,721.7 million at year-end, compared with \$1,472.9 million a year ago.

Stolt Tankers' operating revenue ended the year at \$1,497.1 million, up from \$1,165.6 million in 2021. There was also a significant increase in operating profit to \$205.1 million from \$68.8 million last year. The long-awaited turnaround in the chemical tanker market finally arrived in 2022. A historically low newbuilding orderbook for chemical tankers combined with the continued exit of older tonnage from the market meant it was just a matter of time before the market turned. The war in Ukraine affected trade flows, causing a pick-up in tonne miles in the product tanker markets, resulting in fewer of these ships operating in the chemical market. During the year, we continued to acquire attractively priced second-hand tonnage. We now have a record-size fleet for Stolt Tankers as we enter what we believe will be an attractive market through 2026.

Results at Stolthaven Terminals held steady in line with expectations. Full-year operating revenue increased to \$276.2 million from \$243.6 million in 2021. Operating profit was \$89.2 million, up from \$62.3 million due to greater storage and throughput revenue following increased utilisation at our wholly-owned terminals. Product and chemical manufacturers and other stakeholders generally secure additional storage capacity in turbulent times, so we expect strong utilisation and firming rates in 2023.

This year's star performer was Stolt Tank Containers. Operating revenue increased to \$894.6 million from \$662.4 million in 2021, with operating profit of \$172.7 million, up from \$81.6 million. Fleet utilisation fell slightly to 69.0% from 71.6%. Markets remained strong, with rising freight rates and higher demurrage revenue compensating for costly global supply chain inefficiencies. Although tight ocean liner capacity eased towards the end of the year, truck driver shortages and port congestion created a challenging operating environment. We improved our margin per shipment thanks to our ability to keep customer cargoes moving. This year's results showcased our operational excellence,



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reliability, flexibility and quality. Our customers came to us not because of the price we charged, but because we were able to provide reliable services during extremely operationally challenging times. In 2023, congestion will likely ease, leading to increased supply and pressure on margins.

Stolt Sea Farm sold a record 6,108 tonnes of its own turbot, with total sales of 6,645 tonnes. Sales volumes showed an 18.0% decrease compared to 2021 due to the phase-out of traded product sales. Steady demand throughout the year for both turbot and sole allowed for solid price increases for both species. Full-year operating revenue fell to \$102.7 million, compared with \$108.6 million in 2021, again due to the phase-out of traded sales. Operating profit was \$19.5 million, down from \$24.4 million the previous year, as 2021 benefited from a significant gain on the fair-value evaluation of biomass of \$17.4 million compared with a fair-value loss of \$1.0 million in 2022, with underlying operating results improving steadily throughout the year.

Stolt-Nielsen holds strategic investments in companies where we believe we can contribute as a minority shareholder using our expertise in shipping, storage, distribution and landbased aquaculture. At November 30, 2022 we held the following positions: 47.2% in Avenir LNG, 2.5% in Golar LNG, 8.3% in Odfjell SE, 1.8% in Cool Company Limited, 8.3% in The Kingfisher Company and 9.8% in Ganesh Benzoplast. These investments had a total value of \$217.8 million.

### Dividends

In November, Stolt-Nielsen raised its dividend on the back of its strong financial performance, delivering against our strategy to provide increasing returns to shareholders. The Board approved an interim dividend of \$1.00 per Common Share payable on December 8, 2022, to shareholders of record as of November 24, 2022. On February 23, 2023, the Board recommended a final dividend of \$1.25 per Common Share, subject to shareholder approval at the company's Annual General Meeting on April 20, 2023. Increased dividend payments reflect our strengthening cash flow and confidence in our future performance.

### Rising to challenges

Stolt-Nielsen makes a valuable contribution to modern life – transporting, storing and producing the ingredients that help people stay healthy, clothed, fed and in touch. This is hugely motivational for our 6,800 employees. They are some of the industry's best and brightest and are passionate about making a difference through collaboration and innovation. Our strong performance is testament to their commitment, and I would like to thank them for their dedication, resilience and enthusiasm.

We are very mindful of how the cost-of-living crisis affects our people, in terms of finances and mental wellbeing. During 2022, we launched a mental health awareness campaign, including several bespoke modules for seafarers. In 2022, we made additional, mid-year adjustments to salaries in some regions where we saw a rapid increase in inflation. Stolt-Nielsen compensates its employees through salaries, short-term profit-sharing and long-term performance incentive plans comprising cash rewards and benefits.

### Collaborating to lead the energy transition

Our overall sustainability strategy focuses on what is achievable today and what must be innovated for the future. We continued to reduce our emissions by installing fuel-saving technologies and received external recognition for our efforts. However, the technology for a net-zero maritime industry simply doesn't exist – it is unlikely to be viable in the short term and is not something we can achieve alone. Therefore, we continued to build partnerships with suppliers, customers and other industry leaders to develop solutions for the future, in areas including zero-carbon shipping, green energy, water conservation and sustainable fish feed formulations.

A greener future for everyone will come at a significant financial cost to industry. By working with our customers, we can understand their needs and profitably provide low-carbon products and services to meet them.

### Investing for the future

In all our businesses, we continue to focus on investments that will deliver long-term, sustainable cash flow to our shareholders. I am enthusiastic about how we are successfully growing and transforming our company, actively positioning ourselves towards the future while delivering short-term results.

### Looking ahead

In January 2022, I announced I would step down as Chief Executive Officer with the intention of assuming the role of Chairman of the Board, subject to shareholder approval, once my replacement was found. The transition was always going to take time, and the search for my successor is ongoing. The focus remains on finding the right person however long it takes, and in the meantime I will remain in my role as Chief Executive Officer.

In the coming year, the war in Ukraine will continue to affect energy supplies and prices, particularly in Europe. I also expect it will be some time before inflation is under control, and this, combined with high interest rates, could still cause a global recession. We are monitoring the potential impact of these factors on our businesses. We remain focused on debt reduction to strengthen the balance sheet.

Experience tells me our business will be highly resilient and adaptable, even during any potential global recession. Our diverse portfolio gives me confidence that Stolt-Nielsen is solidly positioned for the future. We should be realistic about the scale of the challenges that lie ahead, but we should also be optimistic about our ability to overcome them.



**Niels G. Stolt-Nielsen**  
Chief Executive Officer  
Stolt-Nielsen Limited

March 15, 2023