

Business Review (continued)



Stolt Sea Farm Impressive turnaround and a strong foundation for growth



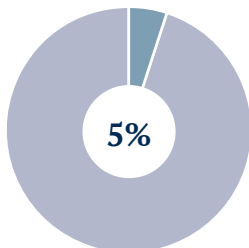
“We set a new record for annual sole output, had our best month for turbot output and achieved our highest-ever revenue for a single month.”

Performance

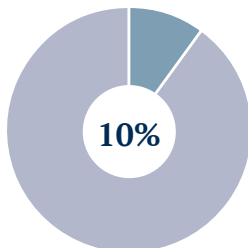
(US \$ millions)	2021	2020	2019
Operating revenue	108	80	100
Operating profit	24	(8)	8

Percentage of Group total

of total revenue



of total operating profit¹



1. Excludes Corporate and Other loss of \$5 million.

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

Fish is widely accepted to be one of the most sustainable sources of animal protein. We pay rigorous attention to ensuring our operations have a positive environmental impact and two of our 14 farms are located on legally protected natural marine reserves.

We are known for our innovation and pioneering 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 sole and turbot in commercial volumes. 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 1,570 tonnes of sole and 5,700 tonnes of turbot.

2021 review

Our 2021 achievements reflect our flexibility and resilience – characteristics shown by everyone at SSF during the year. The pandemic continued to have an impact, notably at the beginning and end of the year as Covid-19 variants prompted additional government restrictions. The entire market was affected by Omicron’s negative effect on demand, with consumption and prices impacted for all species and products, not just sole and turbot.

Despite this backdrop, SSF had a remarkable turnaround from 2020, with full-year revenue of \$108.6 million (compared with \$79.7 million in 2020) and operating profit of \$24.4 million (compared with an operating loss of \$8.4 million in 2020). This performance was driven by a boom in demand as hospitality re-opened, with record-high average prices for sole and turbot during the traditionally strong summer season. Our people demonstrated impressive agility in these fluctuating conditions, adapting production volumes, driving sales and delivering the quality and efficiency SSF is known for.

Our two new land-based recirculation aquaculture system (RAS) farms in Cervo, Spain and Tocha, Portugal had their first full year of sole production and exceeded expectations for biomass growth. We have now initiated scoping activities for three more RAS farms. Expansion works for our packing facility in Spain were completed in record time, and the improvements have made it a much better place to work while boosting efficiency. Operational improvements in Iceland progressed and had positive results; in 2022, we will consolidate these changes and increase production.

Turbot performance also rebounded in 2021, demonstrating the success of our investments in facilities and husbandry. Stocks recovered following a pandemic-driven biomass reduction in 2020, and we achieved high productivity despite inflation affecting feed and energy costs.

SSF has long been a pioneer when it comes to sustainability in aquaculture. 2021 was our first full year of industrial trials for new feed formulas with lower fishmeal and fish oil content. The trials were successful, putting the business on track to achieve its 2030 environmental target of reducing fish products in our feed by 65% for sole and 50% for turbot (relative to 2020 levels). Read more about our environmental initiatives on pages 27-31.

SSF's diversification strategy also continued. We achieved a careful balance of our existing product mix to drive sales as conditions changed. In 2020 and into the first quarter of 2021, we responded to the shutting of hospitality by shifting 65% of sales to retail. From the second quarter, as hospitality reopened, we shifted back to foodservice to meet booming demand.

Overall, in 2021, 70% of sales came from foodservice and 30% from retail, reflecting pre-Covid-19 dynamics. Our Value-Added Products (VAPs) such as pre-packaged fillets, remain key to our diversified offering, and in 2021 helped broaden our retail customer base as we sold the frozen stock inventoried in 2020. We also began developing a robust VAP strategy to develop this segment and transition to a more consumer-oriented company in the most efficient, profitable and sustainable way.

2021 was a year of transition at SSF as we progressed our *Going Further* business transformation initiative. We laid key foundations for our next growth phase, from scouting sites for new farms to designing new facilities and planning construction of new hatcheries and broodstock areas. We also reorganised and expanded the SSF sales team, bringing in a new Chief Commercial Officer and establishing processes and skills that will accelerate our entry into new markets.

During the year we also completed strategy and planning work for SSF's digital transformation initiative, one of the most ambitious projects on our agenda. This will help us make more insight-led decisions, boost operational efficiency, improve the employee experience and offer more value to customers. Efforts included working with external consultants to determine our approach and prioritise projects for future implementation.

2022 outlook

2022 is a major milestone for SSF as we celebrate our 50-year anniversary. The business has evolved into a true aquaculture pioneer, reflecting the vision and dedication of many people over the years. We will mark our half-century with a series of events involving our people, partners, customers and local communities.

We anticipate prices remaining high in 2022, for both sole and turbot, with SSF achieving solid production volumes that allow us to capitalise on demand. SSF's business and digital transformation initiatives will enter new phases as we proceed with projects that enhance decision-making, productivity and cost-efficiency. We will continue planning for three new RAS farms and for enhancements to our Spanish packing facility, which will meet operational requirements for greater VAP production. In 2022, we will also continue to focus on our product and species diversification strategy.

Jordi Trias

President
Stolt Sea Farm