

Business Review



Stolt Tankers

Strong culture and leading platform drive sustainable results



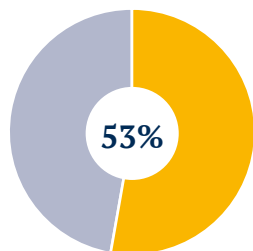
“We reduced year-on-year fuel consumption by 5%, supporting our commitment to being an efficient, sustainable business.”

Performance

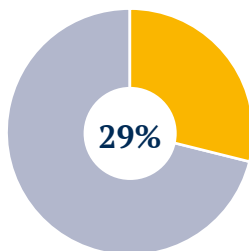
(US \$ millions)	2021	2020	2019
Operating revenue	1,166	1,113	1,148
Operating profit	69	85	57

Percentage of Group total

of total revenue



of total operating profit¹



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

Stolt Tankers (ST) provides safe, reliable and high-quality transportation services for bulk-liquid chemicals, edible oils, acids and clean petroleum products. We are the world’s leading operator of deep sea and regional chemical tankers, with a 158-strong fleet totalling three million deadweight tonnes. Our global deep-sea fleet is supported by regional chemical tanker and barging services in Europe, Asia Pacific, the Caribbean and the Gulf of Mexico.

2021 review

2021 was characterised by challenging conditions, and Stolt Tankers demonstrated its ability to adapt and deliver despite market volatility.

Operating revenue reached \$1,165.6 million, a 4.7% year-on-year increase from 2020. Operating profit was \$68.8 million, down 18.7% from 2020. First-half results were affected by the freeze in Houston, US, which led to the shutdown of customers’ production facilities. Covid-related port closures and curtailed oil supplies throughout the year also impacted performance. Although increased bunker costs were offset by bunker surcharges passed through to customers, ST was affected by weakening spot rates as medium range (MR) ships moved into chemical trade lanes.

Our resilience and continued achievements were rooted in several factors. Customers are at the heart of everything we do, and those relationships remained strong thanks to our dedicated people, winning culture and ongoing innovation. Volumes remained robust, with our agility enabling us to balance contracts of affreightment (COAs) with spot business as conditions shifted. Key renewals and contracts were completed, and we are developing a new customer portal that puts ST at the cutting-edge of the digital experience in shipping.

During the year we focused on capitalising on our leading platform and managing capital expenditure while increasing net tonnage to support fluctuating supply and demand. Five ships bought from Chemical Transportation Group (CTG) in 2020, joined the Stolt Tankers Joint Service (STJS) in the first quarter. E&S Tankers – our joint venture with John T Essberger Group – exceeded expectations, with synergies driving an additional \$1 million of savings above initial projections. Our innovative pool approach attracted interest from Tufton Investment Limited, and we entered into an agreement for seven of its chemical tankers to join the STJS.

This year, we recycled *Stolt Spruce* and *Stolt Selje* at substantial book gains amid high steel prices, and sold *Stolt Transporter* and the joint venture ship *Stolt Botan*. We agreed a settlement with the underwriters for the *Stolt Groenland*, resulting in a net write-off of \$13 million.

Our *Going Further* business transformation initiative delivered ongoing benefits as we continued investing in people and innovation, optimising processes and driving cost efficiencies. Most notably, we reduced bunker consumption by 5% year-on-year, generating both cost and carbon savings.

Our people demonstrated remarkable commitment in challenging conditions, with both onshore staff and seafarers affected by new Covid-19 variants that impacted schedules and our ability to complete crew changes. To enhance employee engagement and development, we implemented new training, mentorship and digital learning programmes (see page 34). We also bolstered our safety culture through our ongoing *Slashed Zero* programme with initiatives such as the *Stolt Unbreakable Life Saving Rules*, which you can read more about on pages 21-23. We recognise that safety is an industry-wide issue, and we launched a joint initiative with Odfjell Tankers to share learnings and best practices.

Sustainability was another focus area in 2021 as we made good progress towards reducing carbon intensity by 50% (relative to 2008 levels) by 2030. We achieved our targeted reduction in our Annual Efficiency Ratio (AER), which decreased by 3.3% during the year thanks to our efforts to optimise operational processes and technology (read more on page 28).

Industry cooperation is critical to meeting challenges around zero-carbon shipping, and we continued to champion collaboration in this area. We joined the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, seconding staff to joint decarbonisation projects. We are also spearheading industry discussions regarding the introduction of shipping into the European Union Emissions Trading System (ETS), including how carbon taxation can be fairly distributed across the supply chain. Another innovative collaboration, this year was with our customer, BASF, which involved ST helping to design and build a new inland tanker that can operate at extremely low water levels on the river Rhine. This innovative tanker is setting a new standard for cargo transport at a time when water levels are becoming more unpredictable.

2022 outlook

Despite recent volatility, the fundamentals of the chemical and clean petroleum product markets remain strong. They are poised to improve in the second half of 2022, although uncertainty remains due to potential new Covid-19 variants and the uneven global recovery of all industries. We will further develop our fleet while preserving our financial strength, consolidate our competitive position and benefit from expected increases in spot markets as activity normalises and oil supplies increase.

In 2022, we will maintain our focus on fostering a winning culture, achieving cost and process efficiencies, accelerating digitalisation and becoming a more data-driven organisation. This will help us deliver next-generation customer service, network savings and carbon reductions – as well as attract and retain the best talent.

Lucas Vos

President
Stolt Tankers