



## Stolt-Nielsen Limited Investor Presentation

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

**Jens F. Grüner-Hegge** – *Chief Financial Officer*

**Julian Villar** – *Head of Corporate Finance*

June 2020

**Stolt-Nielsen** 

- Introduction to Stolt-Nielsen
- COVID-19 update
- Commitment to ESG
- Stolt-Nielsen Limited
  - Stolt Tankers
  - Stolthaven Terminals
  - Stolt Tank Containers
  - Stolt Sea Farm
  - Stolt-Nielsen Gas
- Financials
- Q&A



# Forward-Looking Statements

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Included in this presentation are various “forward-looking statements”, including statements regarding the intent, opinion, belief or current expectations of the Company or its management with respect to, among other things, (i) goals and strategies, (ii) plans for new development, (iii) marketing plans, the Company’s target market, (iv) evaluation of the Company’s markets, competition and competitive positions, and (v) trends which may be expressed or implied by financial or other information or statements contained herein. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other facts that may cause the actual results, performance and outcomes to be materially different for any future results, performance or outcomes expressed or implied by such forward-looking statements. These factors include in particular, but are not limited to, the matters described in the section “Principal Risks” (p. 41 et seq.) in the most recent annual report available at [www.stolt-nielsen.com](http://www.stolt-nielsen.com).



# Stolt-Nielsen



# SNL at a glance *World's leading liquid chemical product logistics provider*

## THREE LOGISTICS BUSINESSES

## AQUACULTURE

## INVESTMENTS

### Stolt Tankers



- Leading global provider of transportation services for bulk-liquid chemicals, edible oils, acids, biofuels and CPP

#### Key Highlights

**70** deep-sea parcel tankers  
**85** coastal and inland tankers  
**3m** total deadweight tonnes

### Stolthaven Terminals



- Global provider of storage services for bulk-liquid chemicals, edible oils, acids, biofuels and CPP products

#### Key Highlights

**4.9m** m3 total storage capacity (including JVs)  
**13** wholly owned terminals  
**4** joint-venture terminals

### Stolt Tank Containers



- One of the world's leading providers of door-to-door transportation services for bulk-liquid chemicals and food-grade products

#### Key Highlights

**40,500+** tank containers in the fleet  
**130,000** shipments  
**22** depots and hubs

### Stolt Sea Farm

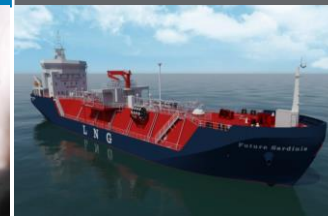


- Leading aquaculture company focused on the production of premium fish species
- 15 land-based, high-tech farms across six countries

#### Key Highlights

**8,500 tonnes** of turbot sales  
**3,000 tonnes** of current and planned sole capacity

### Stolt-Nielsen Gas

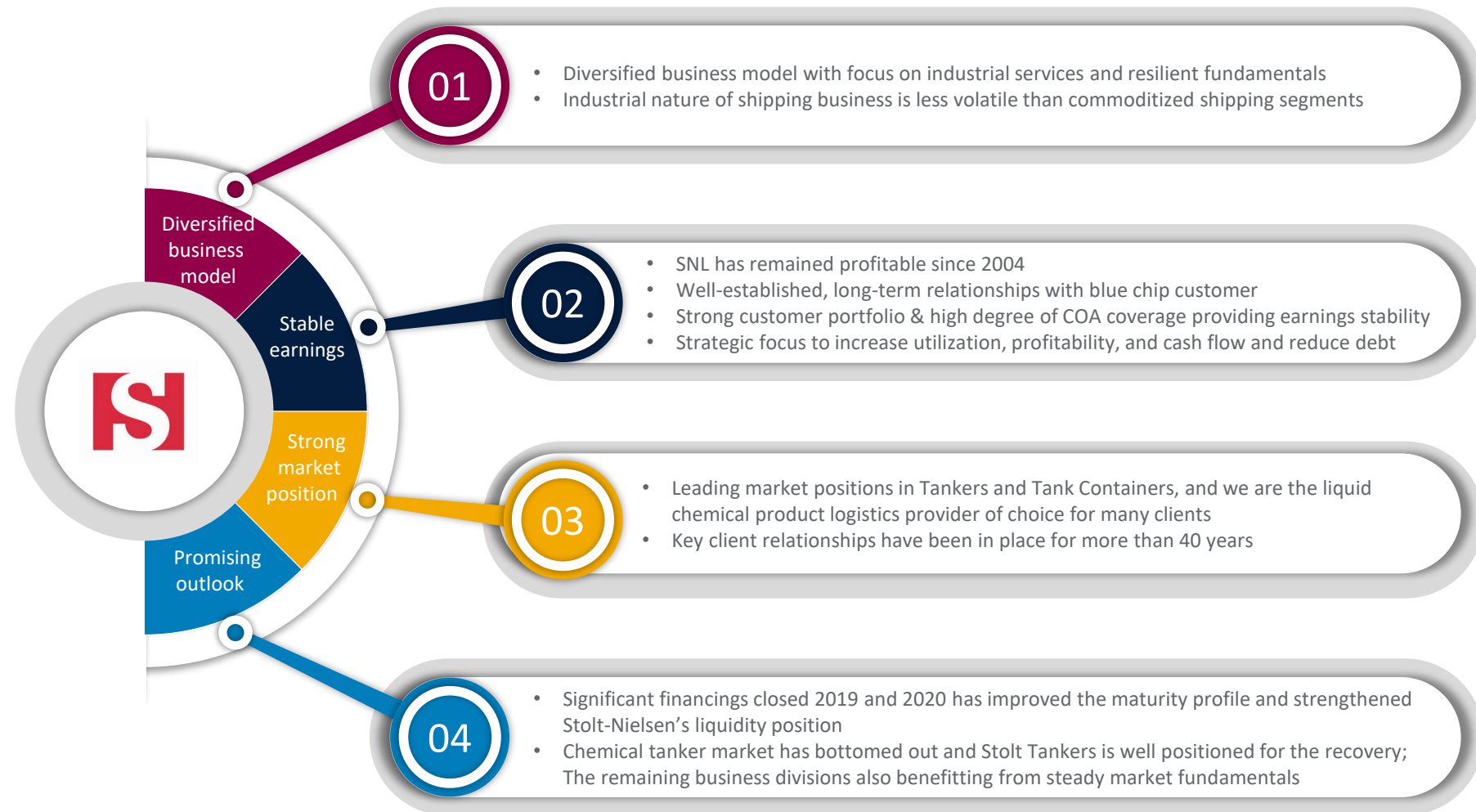


- Stolt-Nielsen invests in opportunities in LPG and LNG shipping and distribution

#### Key Highlights

**45%** ownership of Avenir LNG  
**2.3%** ownership of Golar LNG

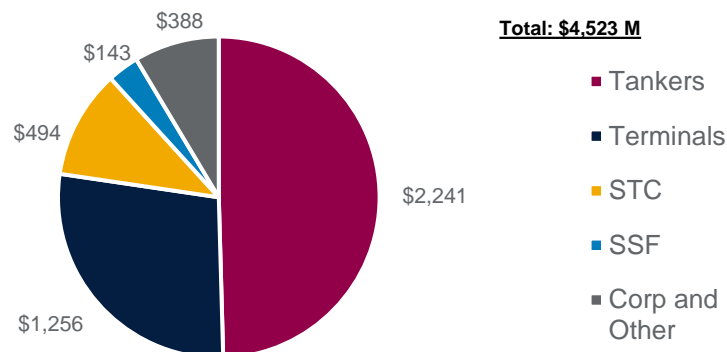
# SNL – Credit highlights



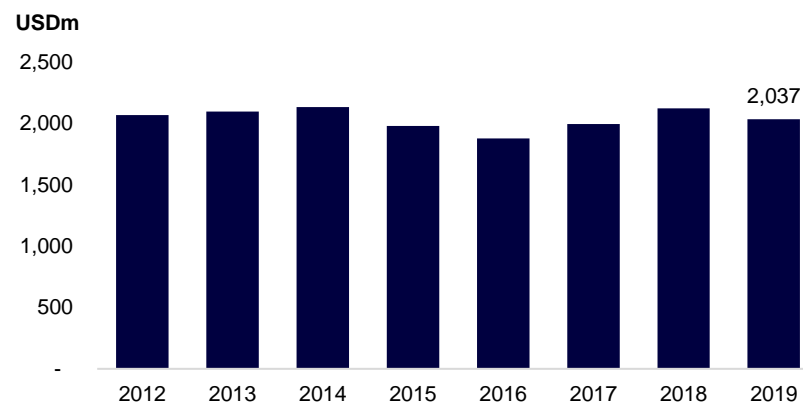
# SNL – Diversified & stable earnings profile

*Stable and predictable revenues, EBITDA and asset base over the last decade*

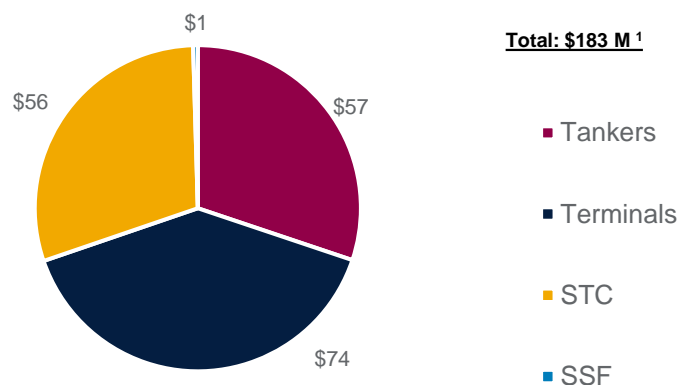
Assets – 2019



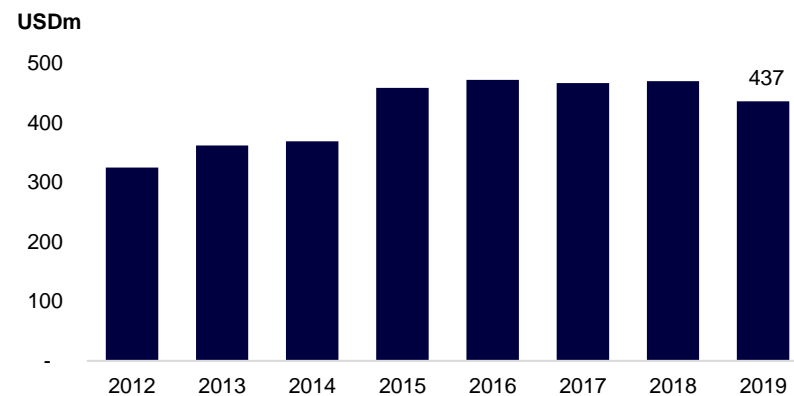
Operating Revenue



Operating Profits – 2019



EBITDA<sup>2</sup>

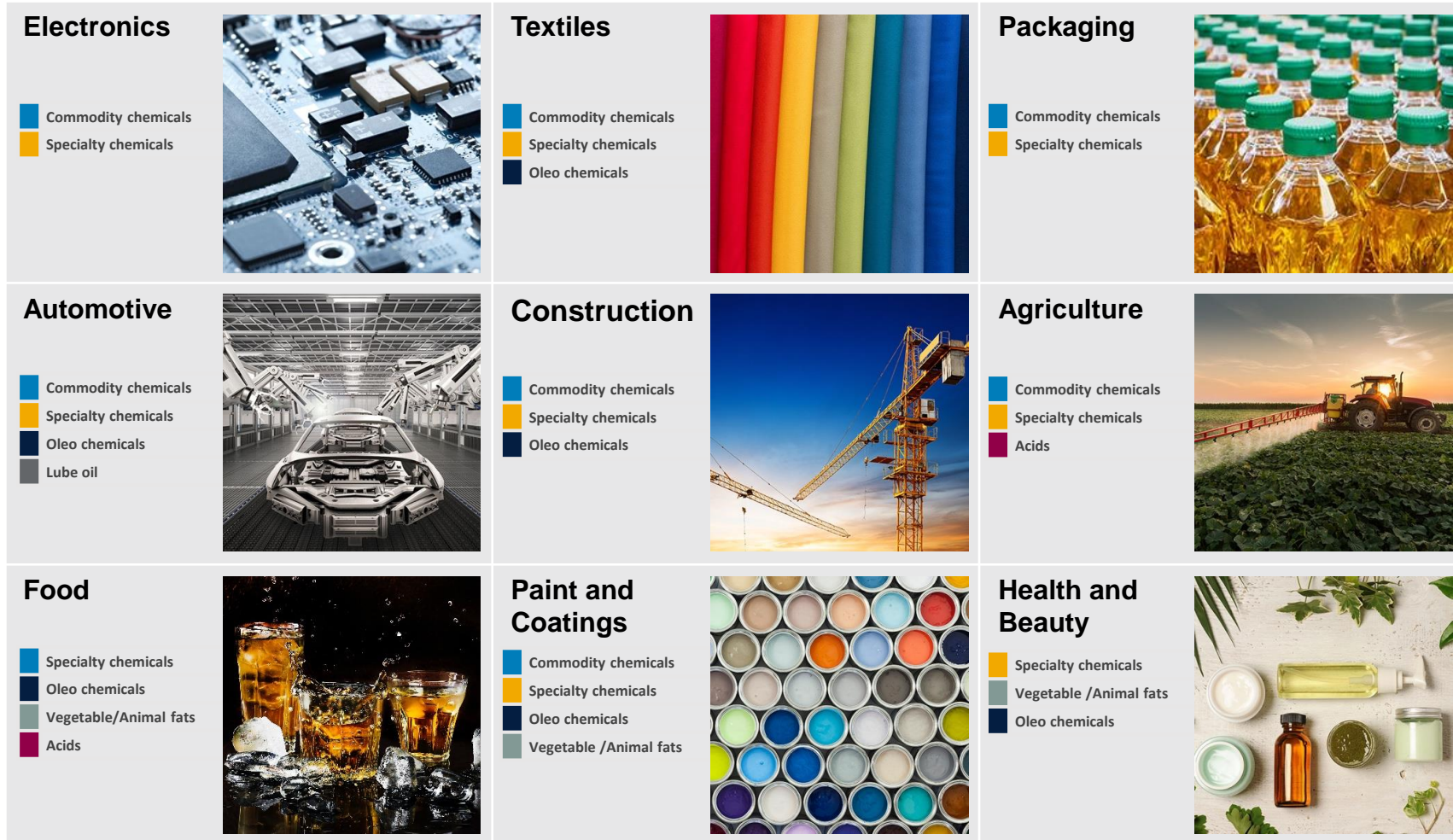


Note: (1) Excluding Corporate and SNG; (2) Before FV of assets and other one-time assets; All FY2019 numbers are unaudited throughout the presentation



# Markets we serve – products we carry







*Global GPD growth adjusted for a trade flow multiplier serves as a proxy for demand growth*

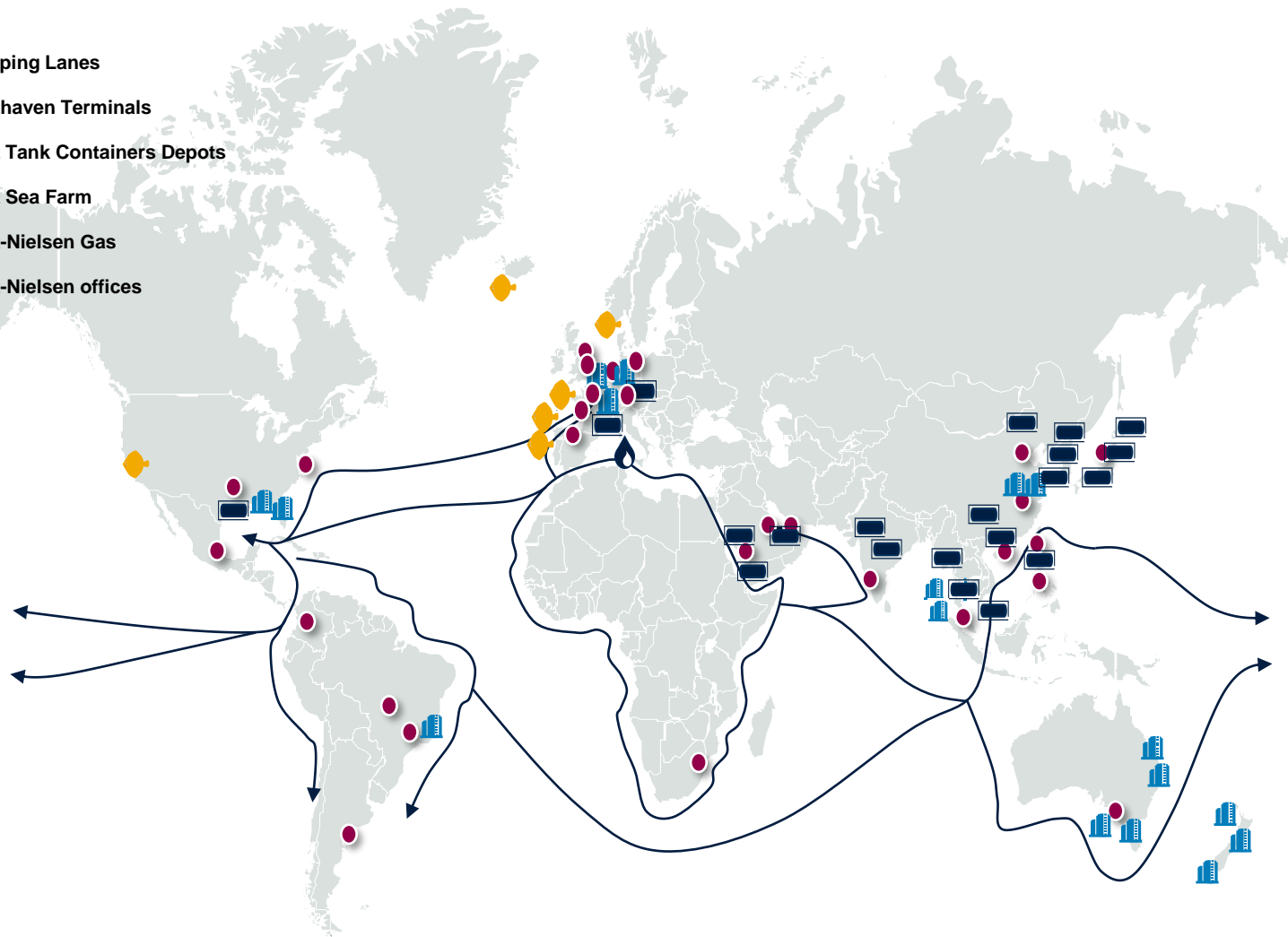




# Global footprint

Key

-  Shipping Lanes
-  Stolthaven Terminals
-  Stolt Tank Containers Depots
-  Stolt Sea Farm
-  Stolt-Nielsen Gas
-  Stolt-Nielsen offices



# COVID-19

Stable underlying operations during  
COVID-19



# Stable underlying operations during COVID-19



## Tankers

- COA renewals following the positive trend seen earlier this year
- Minimal operational delays
- Spot market and COA demand remains stable. MR market remains stable at \$15,000/day
- Crew changes have been challenging as borders remain closed and flights limited



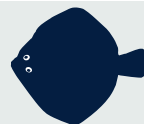
## Terminals

- High utilisation globally, throughput slightly down
- Most contracts are fixed storage contracts but some revenue is linked to throughput/additional services
- Refined products Contango has resulted in increased storage demand
- All terminals impacted by “stay at home” regulations able to achieve critical infrastructure approval



## Tank Containers

- Strong and reliable technological platform allows us to continue serving our customers
- Healthy demand, but pressure on rates.
- Changing in trade flows: Record number of shipments in March but some weakness seen in May and June; Europe and US are slowing down and Middle East is holding up but with potential weakness
- All markets still operational.



## Sea Farm

- First quarter sales volume dropped 60% across all markets as restaurants and hotels closed. Volume has since mostly recovered but at lower prices
- Positive recovery seen in May, and we expect similar trend in June.
- Slowing biomass growth as planned in 1Q
- Secured business continuity plans for all key supplies: feed, oxygen, vaccines, and logistical support

# Covid19: Well prepared for what may come

In February 2020, the group had \$750m in unencumbered assets

Goal: Preservation of cash

## 2020 Cash Flow Savings

### *Actions taken:*

- Dividend cancelled
- T&E/training
- Reduction of Board fees and Senior Management salaries
- Professional fees / Contractors



\$21m

- Capex: All businesses have conducted a thorough review and cancelled or postponed all non-essential projects



\$62m

## Financing Target: \$250m

### *Status and Initiatives:*

- \$519m in available liquidity end 1Q20
- \$65m financing secured by two terminals: agreed Term Sheet
- In advanced discussions with key relationship banks on new term facility secured by share in JV Terminals to repay March 2021 bond with cash
- Top-up financing on existing levered terminal: additional borrowing of ~\$40m to be finalised after summer

***We continue to identify and expand action list with additional measures to improve liquidity and reduce costs***



# Commitment to ESG

*“Discrimination in any form is wholly unacceptable to me and I believe that to remain silent is to be complicit.*

*Our Company culture has always been rooted in the way we treat each other. We promote a diverse, inclusive and safe environment and our Equal Opportunities Policy ensures that we recruit and develop employees who are best-suited to the requirements of the job.*

*On reflection, there is more that I could have done, more that we can all do. Change won't happen overnight, but I am committed to promote further diversification and inclusiveness. I will ensure that we follow up on what we say we will do. Being actively anti-racist and anti-discriminatory is the only way forward. ”*

June 8<sup>th</sup>, 2020

Niels G. Stolt-Nielsen, CEO of Stolt-Nielsen



# Building a sustainable business

We require our businesses to operate responsibly with a relentless focus on safety, efficiency and excellence. This focus shapes everything we do, from systems and processes to the way we manage and drive the environmental performance of all assets.



# Our sustainability commitment



- Recycle ships in accordance to Hong Kong Convention and EU Ship Recycling Regulations
- DNV GL certified inventory of hazardous materials for recycling
- Founding member of the SRTI, a one stop shop for publishing information on ship recycling against a set of predefined disclosure criteria
- 100% compliant with Ballast Water Convention D-2 by 2024
- Reduction of single-use plastics
- Weather routing saved 2,698 tonnes fuel in 2019
- Slashed Zero programme supports goal of zero harm for people and the environment

## Accreditations

- ISO 9001 (Quality Management)
- ISO 14001 (Environmental Management)
- 86 ships awarded CSA Certificate of Environmental Achievement



- All terminals meet the EU Seveso III Directive standard
- Singapore: 500 solar panels = 140Mwh electricity
  - Santos, Brazil 36% reduction of water volume used since 2016
  - Recovery systems to limit / remove VOC emissions
  - Ideation platform to drive improvements in sustainability, efficiency and improve safety
  - Wastewater treatment improvements = less residual waste
  - PACEA system prevents 98% of emissions from tanks

## Accreditations

- Recently awarded 94% in its Together for Sustainability (TfS) audit, Moerdijk



- Compliance with: VGM (Verified Gross Mass), IMDG (International Maritime Dangerous Goods), ADR (European Agreement Concerning the International Carriage of Dangerous Goods by Road), 49CFR (US Dangerous Goods Carriage), CT-Pat and AEO (Authorised Economic Operator).
- CDI-MPC and SQAS audits
- 300 tonnes CO<sup>2</sup> annual reduction
- Eco-alternative to flexi-bags: one tank saves equivalent of 7,000 single-use plastic bags. 90% of each tanks' materials recycled
- Wastewater treatment Plants = less residual waste to landfill

## Accreditations

- ISO 9001 (Quality Management)
- ISO 22000 (Food Safety Management)



- Farmed seafood reduces depletion of risk wild stocks.
- Installing solar panels at Cervo, Spain to generate 5% farm's total energy
- Future vertical farm designs will minimise overall environmental footprint
- Water pump maintenance and efficiency reduce energy consumption
- Returned sea water as clean, or cleaner than when it is extracted
- Recirculation and energy technology reduces overall water consumption

## Accreditations

- ISO 9001 (Quality Management)
- ISO 14001 (Environmental Management)
- IFS International Food Standard

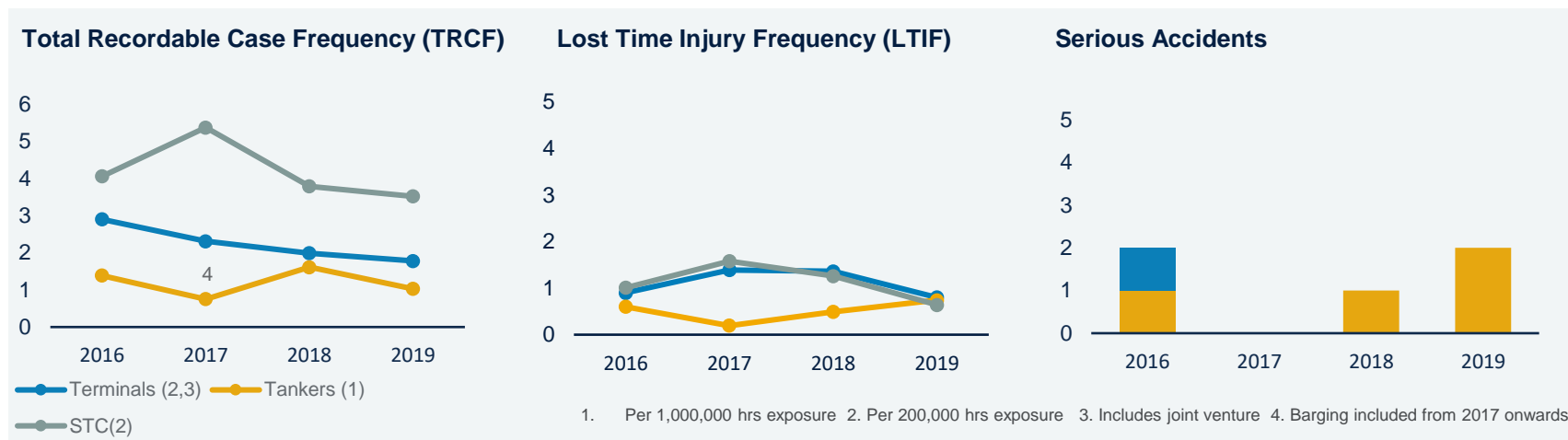
## Our contribution to the UN SDGs

The UN Sustainable Development Goals (SDGs) provide a framework for governments, businesses and individuals to work to, creating a better future for both people and the planet. We have identified three SDGs where Stolt-Nielsen can help.



# Safety is our Priority

- Safety for people and the environment is our number-one priority with our goal of zero harm always in mind.
- This commitment is supported by ongoing efforts to:
  - Create a deeper, hands-on awareness of safety issues at the highest levels of management
  - Ensure that resources are provided to support our commitment to safety, including training programmes
  - Provide additional assurance of rigorous compliance in a constantly expanding and increasingly complex regulatory environment
  - Drive the implementation of safety processes and reporting that leverage both SNL's existing experience and ongoing developments in safety





# Stolt Tankers



# Stolt Tankers



	Operating Revenue	EBITDA	Operating Profit	Operating Days Deep Sea
<b>1Q20</b>	<b>\$280.7m</b>	<b>\$49.5m</b>	<b>\$4.7m</b>	<b>6,018</b>
	+2%	-8%	-68%	0%
<b>4Q19</b>	\$274.8m	\$53.5m	\$14.6m	6,047

## Overview

- Stolt Tankers (“ST”) is the leading operator of sophisticated deep-sea and regional chemical tankers in the world
- The fleet of deep-sea tankers is fully integrated with regional fleets in Europe, Asia and the Caribbean, as well as inland barging services in Europe and the US Gulf, giving customers access to key hubs and markets around the world
- The size and reach of the fleet, with 70 deep-sea parcel tankers and 85 coastal and inland tankers, provides unparalleled options to meet the often-changing needs of customer’s global supply chains
- ST is able to leverage its industry-leading global scale and assets, while working collaboratively with its customers and Stolthaven Terminals to offer value-added solutions to enhance bulk-liquid supply-chain efficiency
- Market conditions have been challenging in recent years for ST, with oversupply of tonnage driven by a significant in newbuilding deliveries keeping spot rates low Orderbook now at a record lows.
- ST continues to focus on increasing efficiency, managing costs and delivering superior service to customers

## Key Focus Areas

### Quality

Our customers rely on us to assure that their products are delivered safely, without impacting people or the environment

### Reliability

Our customers rely on us to deliver their product on spec and on time, 24/7, 365 days a year

### Flexibility

Our scale, frequency and global coverage allows us to manage the challenge of port congestion and ever-changing customer schedules

# Chemical Tanker Market

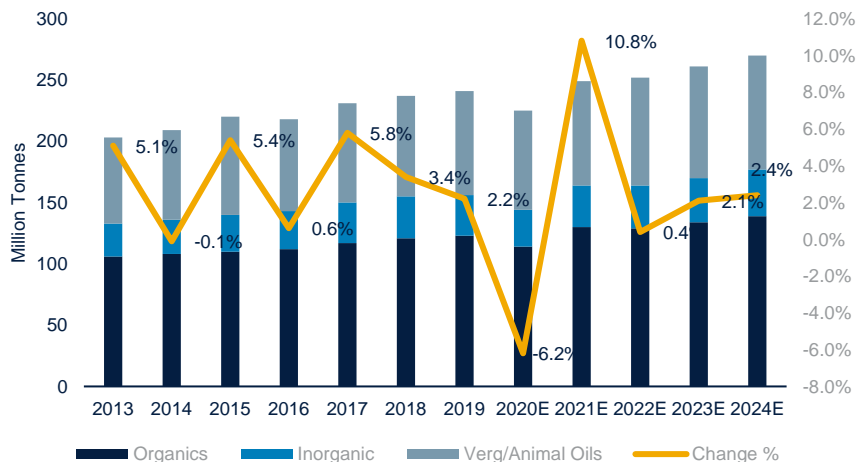


## Demand

- World imports and exports of specialties expected to decrease by 4.3% and 2.9%, respectively. Africa and Latin America, excluding Mexico, are the only two regions projected to import more specialties in 2020 than in 2019, up 0.7% and 1.8%, respectively. The Middle East is the sole region that will see its specialties exports increase in 2020, by 0.4%. \*
- As per April, global chemical production shrank by 7% compared with December 2019. Supply chain interruptions occur due to national lockdowns and production limitations. \*\*
- Global specialty chemical production shrank by 17% as per April compared with December 2019. \*\*

Source : \*IHS Markit \*\* BCG – May 2020 report

## Demand – Seaborne Chemicals

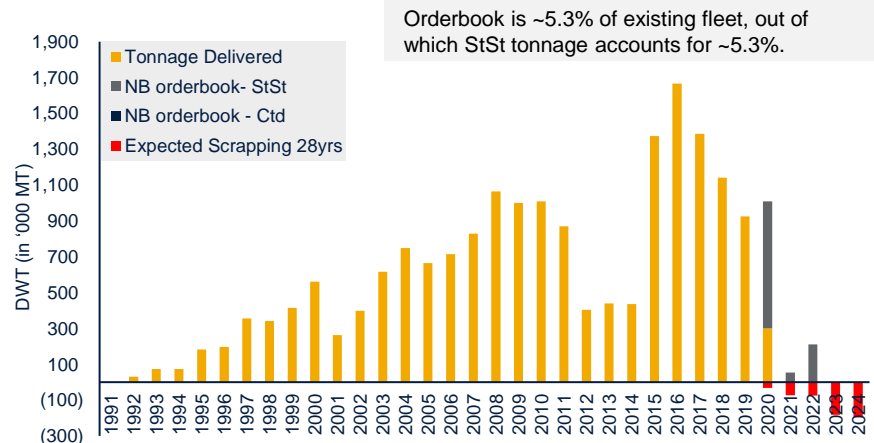


Source: Drewry Maritime – May Report

## Supply

- Orderbook of 5.3%, or 0.9m DWT from 2020 to 2024, down from 6.7% in 4Q.
- 0.9m DWT expected recycling from 2020 to 2024.
- Core chemical deep-sea fleet growth will drop significantly from 2020 to 2021
- Covid19 Outbreak is causing delays in newbuilding deliveries
- Due to the uncertainty around fuel propulsion, CO2 emissions, ESG, etc., it will be more challenging to order new ships

## Chemical Tanker Orderbook (1Q20)



# Stolthaven Terminals





# Stolthaven Terminals



	Operating Revenue	EBITDA	Operating Profit	Utilisation <i>Wholly owned terminals</i>
<b>1Q20</b>	<b>\$61.7m</b>	<b>\$33.4m</b>	<b>\$18.9m</b>	<b>90.5%</b>
	0%	-3%	+62%	+1%
<b>4Q19</b>	<b>\$61.7m</b>	<b>\$34.6m</b>	<b>\$11.7m</b>	<b>89.4%</b>

## Overview

- Stolthaven Terminals (“Stolthaven”) global network of 17 bulk-liquid terminals provides storage and distribution services for chemicals, clean petroleum products, gas, vegetable oils, biofuels and oleochemicals in key markets and hubs worldwide
- Results were driven by stable market conditions and Stolthaven’s focus on improving utilization, combined with ongoing initiatives to create a more customer-centric and service-oriented business to improve long term performance and profitability, customer satisfaction and service.
- While Tankers freight rates and volume levels may be low during an economic downturn, inventories at terminals may be high during such times
- Terminals are key for the trade of bulk liquids as they serve as storage and as linking points between maritime and land-based transportation
- Customers select ports because of location, maritime access, landside connectivity, and value-added services on site

## Joint Ventures Results

		1Q20	4Q19
Equity Income	▼	<b>\$5.6m</b>	\$5.9m
Utilisation	▲	<b>94.4%</b>	93.9%

- Equity income from JVs decreased due to timing of maintenance in South Korea

# Stolt Tank Containers



# Stolt Tank Containers



	Operating Revenue	EBITDA	Operating Profit	Utilisation
<b>1Q20</b>	<b>\$129.4m</b>	<b>\$16.5m</b>	<b>\$6.7m</b>	<b>68.5%</b>
	-3.0%	-26.8%	-57.2%	+1.5%
<b>4Q19</b>	<b>\$133.4m</b>	<b>\$22.6m</b>	<b>\$15.7m</b>	<b>67.5%</b>

## Overview

- Stolt Tank Containers (“STC”) is a leading provider of logistics and transportation services for door-to-door shipments of both bulk-liquid chemicals and food-grade products
- STC has the industries’ largest fleet with more than 40,500 chemical and food-grade tanks, plus specialty tanks for aggressive or high purity products, compressed gases and cryogenic cargoes
- Reliable technological platform which allows full integration with customers and suppliers across the supply chain.
- STC’s unrivaled fleet is complimented by the division’s global network of 21 owned and joint venture depots, which provides STC direct control over the handling and maintenance of its tanks
- This ensures that the tanks and cargo handling operations are consistently subject to STC’s stringent operating standards for quality, reliability and safety for people and the environment
- The global scale and assets, customer service and operational efficiencies enable STC to deliver capital-efficient solutions that help minimize costs and increase supply-chain efficiency for its customers

**40,500**

Tank containers in the fleet

**21**

Wholly owned and joint-venture depots

**25**

Offices worldwide

+PLATFROM IS THE BEST -----



# Stolt Sea Farm





# Stolt Sea Farm highlights



	Operating Revenue	EBITDA*	Operating Loss
<b>1Q20</b>	<b>\$25.8m</b>	<b>\$2.9m</b>	<b>(\$9.8m)</b>
	- 3.2%	+21%	
<b>4Q19</b>	\$26.6m	\$2.4m	\$1.7m

\*EBITDA before fair value of biological assets

## Overview

Stolt Sea Farm has a team of around **300 people** across **15 farms** and **three hatcheries**.

The company is the world's leading producer of turbot, **commercializing 5,700 tonnes** per year.

Stolt Sea Farm produces **850 tonnes** of the finest sole per year.

Working to sell loss-making caviar business farms producing **500 tonnes of sturgeon** and **10 tonnes of caviar**. Expected loss on sale of \$9m, but positive cash transaction.



**Three product lines:** Prodemar™ Turbot, Prodemar™ King Sole™ and Sterling™ Caviar

# Financials



SNI09 Investor Presentation

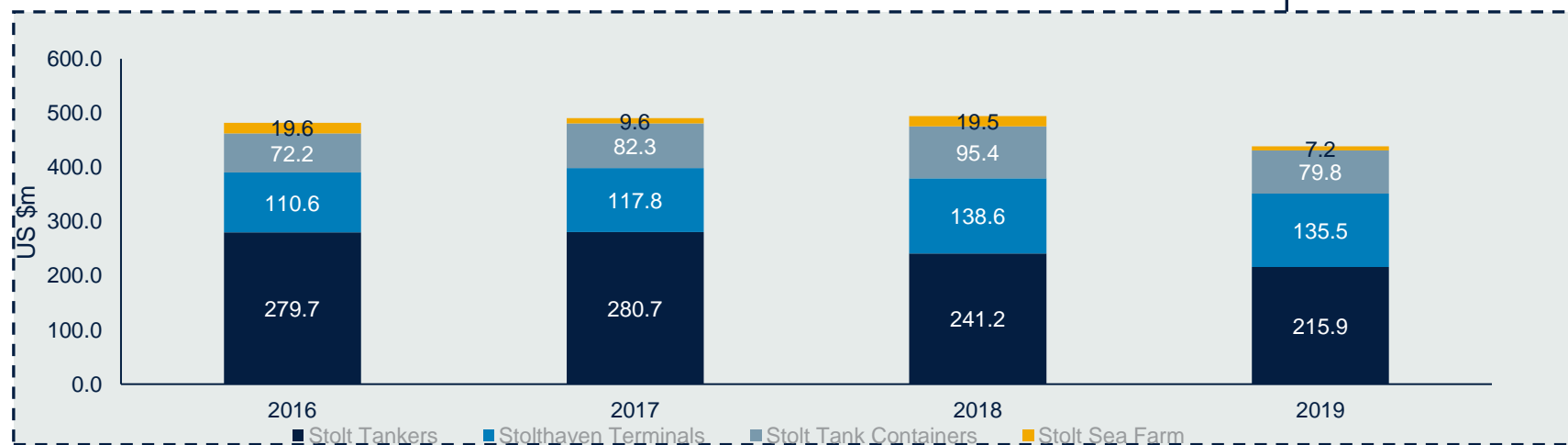


# SNL Net Profit

US \$ Million	2016	2017	2018	2019	1Q20
<b>Operating Profit (as reported)</b>	<b>\$231.8</b>	<b>\$194.4</b>	<b>\$187.1</b>	<b>\$175.1</b>	<b>\$16.0</b>
Net Interest Expense	(103.6)	(130.2)	(135.2)	(136.2)	(35.0)
FX gain / (loss), net	(1.6)	(2.8)	(5.0)	(2.4)	(0.8)
Income tax	(15.7)	(12.2)	7.7	(18.5)	(1.2)
Other	2.3	1.0	(0.6)	1.1	-
<b>Net Profit</b>	<b>\$113.2</b>	<b>\$50.2</b>	<b>\$54.0</b>	<b>\$19.1</b>	<b>-\$20.2</b>
Attributable to equity holders of SNL	113.1	50.3	54.9	21.0	(20.0)
Attributable to non-controlling interests	0.1	(0.2)	(0.9)	(2.0)	(0.3)
<b>Net Profit</b>	<b>\$113.2</b>	<b>\$50.1</b>	<b>\$54.0</b>	<b>\$19.1</b>	<b>-\$20.3</b>

<b>EBITDA a)</b>	<b>\$461.3</b>	<b>\$468.9</b>	<b>\$470.2</b>	<b>\$436.5</b>	<b>\$99.6</b>
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a) EBITDA before fair value of biological assets, insurance reimbursements and other one-time, non-cash items.



# SNL Balance Sheet

<i>US \$millions</i>	<b>Feb 29 2020</b>
Cash and cash equivalents	191
Receivables	227
Other current assets	156
<b>Total current assets</b>	<b>575</b>
Property, plant and equipment, deposits	3,284
Investment in and advances to JV and shares	572
Other non-current assets	296
<b>Total non-current assets</b>	<b>4,151</b>
<b>Total assets</b>	<b>\$4,726</b>
Current maturity of LT debt and ST loans	278
Accounts payable and accrued expenses	312
Other current liabilities	90
<b>Total current liabilities</b>	<b>680</b>
LT debt and finance leases	2,307
Other non-current liabilities	410
<b>Total non-current liabilities</b>	<b>2,717</b>
<b>Total liabilities</b>	<b>\$3,397</b>
<b>Shareholders equity</b>	<b>\$1,330</b>
<b>Total liabilities and SH equity</b>	<b>\$4,726</b>

<i>US \$millions (Except ratios)</i>	<b>Feb 29 2020</b>
Debt	\$2,585
Tangible Net Worth (TNW)	\$1,581
Debt:TNW	1.64:1
EBITDA / Interest expense	3.09:1
Average Interest	4.96%
<b>Cash</b>	<b>\$191</b>
<b>Available committed credit lines</b>	<b>\$328</b>

■ **Net Debt to EBITDA: 5.75**

Note: EBITDA and Interest expense based on four rolling quarters.

<i>US \$millions (Except ratios)</i>	<b>Feb 29 2020</b>
Debt Covenants (Excluding IFRS16 Effect)	
Debt	\$2,401
Tangible Net Worth (TNW)	\$1,581
Debt:TNW	1.52:1
EBITDA / Interest expense	2.92:1



# SNL Cash Flow

<i>US \$ Million</i>	2016	2017	2018	2019	1Q20
<b>Net cash generated by operating activities</b>	<b>\$319</b>	<b>\$325</b>	<b>\$328</b>	<b>\$278</b>	<b>\$61</b>
Capital expenditures and intangible assets	(291)	(364)	(149)	(164)	(40)
Amounts from/(advances to) affiliates	8	(14)	(6)	2	2
Sale of assets	32	16	12	38	1
Newbuilding deposits	(35)	(15)	(7)	-	-
Business acquisition	(250)	(24)	-	-	-
Investment in Avenir LNG	-	-	(18)	-	-
Other	(17)	11	1	1	(1)
<b>Net cash used in investing activities</b>	<b>(\$553)</b>	<b>(\$390)</b>	<b>(\$168)</b>	<b>(\$122)</b>	<b>(\$38)</b>
Increase / (decrease) in short-term bank loans	-	-	-	-	-
Proceeds from issuance of long term debt	602	817	151	869	142
Increase / (decrease) in revolver	348	(8)	119	-	-
Repayment of long-term debt	(645)	(718)	(374)	(916)	(93)
Dividend, purchase of treasury shares and other	(57)	(55)	(43)	(31)	(13)
<b>Net cash used in financing activities</b>	<b>\$248</b>	<b>\$36</b>	<b>(\$147)</b>	<b>(\$79)</b>	<b>35</b>
Effect of exchange rates	-	(6)	(7)	(6)	(3)
<b>Total Cash Flow</b>	<b>\$14</b>	<b>(\$35)</b>	<b>\$6</b>	<b>\$72</b>	<b>\$55</b>
Cash and cash equivalents at beginning of period	\$77	\$93	\$58	\$65	\$136
<b>Cash and cash equivalents at end of period</b>	<b>\$93</b>	<b>\$58</b>	<b>\$65</b>	<b>\$136</b>	<b>\$191</b>

## PRIORITIES

Cash Preservation

Reduce Debt

Review Capex

Reduce Opex



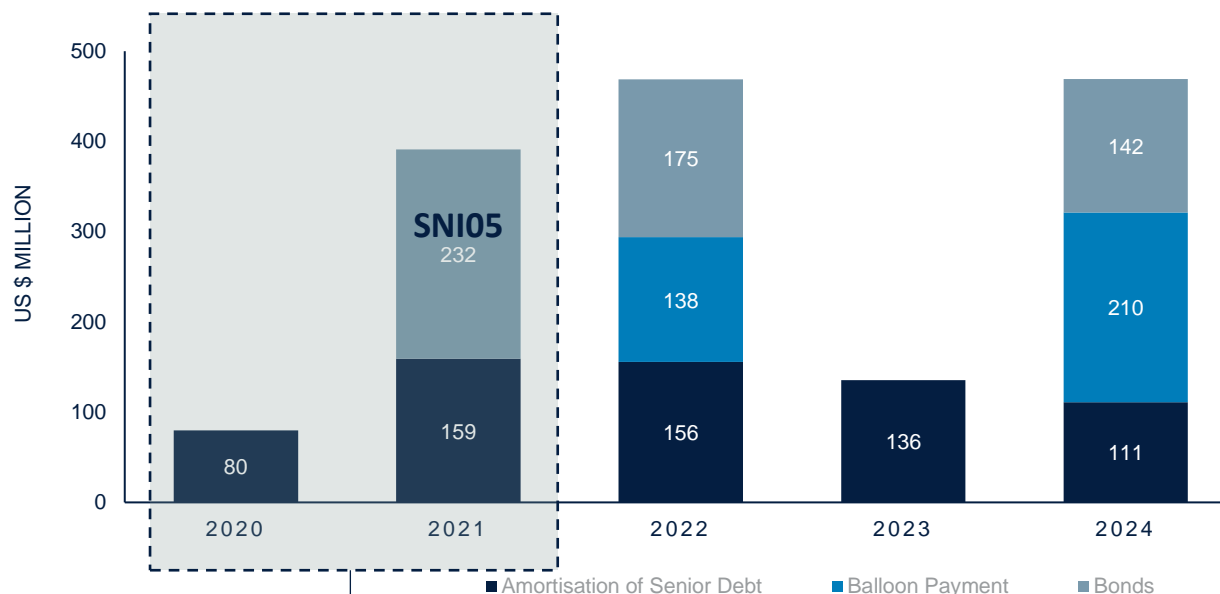
# Capital expenditures programme

As part of our strategy to preserve cash, the Group has identified \$62m that could be postponed or cancelled in 2020

<i>Figures in USD \$ Million</i>	Actuals			Projections				
	1Q20	Covid-19 Reductions	Remaining	2021	2022	2023	2024	Total
Stolt Tankers	\$9	\$13	\$34	\$20	\$5	\$7	\$5	\$72
Stolthaven Terminals	14	30	67	42	31	32	30	203
Stolt Tank Containers	3	-	10	3	-	-	-	13
Stolt Sea Farm	5	9	1	12	7	7	7	34
Stolt-Nielsen Gas	0	-	23	13	-	-	-	36
SNL Corporate & Other	2	9	21		-	-	-	21
<b>Total</b>	<b>\$33</b>	<b>\$62</b>	<b>\$156</b>	<b>\$77</b>	<b>\$43</b>	<b>\$46</b>	<b>\$41</b>	<b>\$377</b>

Stolt Tankers capex excludes drydocking (\$7.2m) YTD and M&R expenses (\$10m) in 1Q20.

# Financing and debt maturity profile

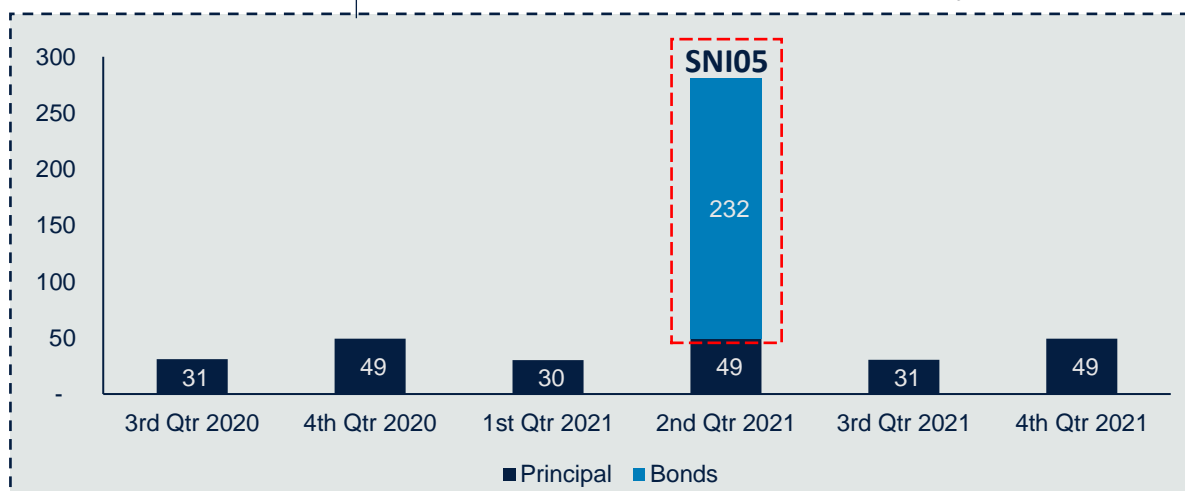


## Maturities

2022: \$138m consists of 2 sale & LBs

2024: \$210m consists of:

- Terminal facility (\$102m)
- Tanker facility (\$89m)



## Financial Strategy

Improve interest cost overall

Extend maturities

Diversification of funding and products

Coronavirus: Preserve cash

# Key messages

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- Over \$500m in liquidity at end of 1Q20
- Early action taken to enhance liquidity and reduce cost in all businesses
- Downside action plan established with further Opex savings identified
- Unencumbered assets available for further financings – discussions with banks well under way with identified potential of almost \$400m
- Ample room under our bank covenants
- Strong support from core bank group
- Strong and motivated organisation
- Prepared to take advantage of opportunities that may arise



# Risk Factors



# Risk Factors

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Investing in bonds and other securities issued by Stolt-Nielsen Limited (the "Company", and together with its subsidiaries, the "Group") involves inherent risks.

As the Company is the parent company of the Group, and primarily a holding company, the risk factors for the Group are deemed to be equivalent for the purpose of this Presentation.

Prospective investors should consider, among other things, the risk factors set out in this Presentation, before making an investment decision. The risks and uncertainties described in this Presentation are risks of which the Company is aware and that the Company considers to be material to its business. If any of these risks were to occur, the Company's business, financial position, operating results or cash flows could be materially adversely affected, and the Company could be unable to pay interest, principal or other amounts on or in connection with the Bonds. Prospective investors should also read the detailed information set out in the Company's Annual Report for 2018, as well as its interim reports for 2019, and reach their own views prior to making any investment decision.

An investment in the Bonds is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

## 1.1 Industry and market risks of the Group

### 1.1.1 Cyclical and volatile tankers industry

The Group operates in the tanker industry, which is particularly cyclical and volatile and which in turn may lead to reductions and volatility in freight rates, volumes and ship values. The volatility may furthermore lead to reduced cash flows and reduced debt service ability, and values may fall to levels below acceptable financial leverage levels. Should some or all of these risk factors materialize, this may have a material adverse impact on the Group.

### 1.1.2 Bunker fuel and freight costs

Bunker fuel constitutes one of the major operating costs of the tanker fleet. Increasing fuel prices can have a material impact on the results of the Group.

### 1.1.3 Piracy risk

Piracy remains a serious and costly issue for companies operating in the tanker segment, such as the Group, and in recent years piracy attacks on vessels have been a real threat in certain regions. If a ship is held hostage, this can lead to crew becoming injured or even fatalities and could lead to loss or damage to the vessel. Any such incident may also have a material adverse impact on the Group.

# Risk Factors

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## 1.1.4 Terminal Projects Risk

Stolthaven Terminals has entered into a joint venture in China and obtained ownership over a network of 8 terminals in Australia and New Zealand (Australasia) to build and expand chemical and oil products terminals. The development of terminal operations and jetties involves significant up-front investments in infrastructure and there are certain risks inherent in such developments, including political, regulatory, currency exchange, liquidity, financial and contractual risks, which in turn may lead to increase costs and loss of revenue.

## 1.1.5 Stolt Tank Containers

For Stolt Tank Containers B.V. ("Stolt Tanks Containers"), the impact of increased ocean freight costs due to tight capacity on container ships in certain markets (such as the U.S.) and increased fuel prices has resulted in downward pressure on margins. In those instances, cost increases are passed on to customers when possible but given quoted rate validity periods to customers, there is a negative effect on margins until rates can be increased. In addition, the reduced availability of space on container ships in the current year has resulted in delays to shipments of cargo for customers and consequently a loss of revenue.

## 1.1.6 Value of biological assets at Stolt Sea Farm

All mature turbot and sole are held at fair value less costs to sell and costs related to harvest. Sturgeon and the caviar that the sturgeon produces are fair valued at the point of harvest. A fair-value adjustment is also made at the point when previously juvenile turbot and sole are considered to become mature, which typically occurs when the fish reach a specified weight. Fair value is determined on the basis of market prices, and gains and losses from changes in fair value are recognized in the income statement.

The fair value of these assets fluctuates significantly based upon the seasonality, competition, market conditions and existing supply. There is a risk that future fair-value adjustments could negatively impact the revenues of the Group.

## 1.1.7 Oversupply of biomass relating to Stolt Sea Farm

Turbot and Caviar are both products which are sold in niche markets and benefit from high prices and margins due to the limited volume offered in the market. Any oversupply of these products, either from wild catch or from other aquaculture producers, could negatively affect the price and significantly reduce the margins in these markets, which may lead to reduction in the revenue of the Group.

# Risk Factors

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## 1.1.8 Regulatory risk

The Group operates in a number of different jurisdictions and is subject to and affected by various types of governmental regulations and standards of industry associations related to the protection of human health and the environment. Any changes in government regulation can have a significant impact on production costs and on the Group's ability to compete effectively in the regulated markets.

While environmental damage and pollution insurance is maintained, more stringent environmental regulations may result in significant fines and penalties for non-compliance, and increased costs for, or the lack of availability of, insurance against the risks of environmental damage or pollution. The U.S. Oil Pollution Act of 1990 may impose virtually unlimited liability upon ship owners, operators, and certain charterers for certain oil pollution accidents in the U.S., which has made liability insurance more expensive. Because the insurance is provided by mutual insurance companies and supported by other shipping companies, the Group is subject to funding requirements and coverage shortfalls in the event claims exceed available funds and reinsurance as well as premiums increase based on prior loss experiences. Any such shortfalls could have a material adverse impact on the Group.

The Group's operations involve the use, storage and disposal of chemicals and other hazardous materials and wastes. They are subject to applicable federal, state, local and foreign health, safety and environmental laws relating to the protection of human health and the environment, including those governing discharges of pollutants into the air and water, the generation, management and disposal of hazardous materials and wastes and the clean-up of contaminated sites. In addition, some environmental laws, such as the Comprehensive Environmental Response Compensation and Liability Act, similar state statutes and common laws, can impose liability for the entire clean-up of contaminated sites or for third-party claims for property damage and personal injury, regardless of whether the current owner or operator owned or operated the site at the time of the release of contaminants or the legality of the original disposal activities.

Stolt Sea Farm is subject to the laws and regulations of the individual countries, including the U.S., Spain, Portugal, Norway, Iceland and France, in which their operations are situated, which strictly regulate various aspects of their operations. The hatcheries, on growing sites, and slaughteries are regulated by state environmental laws and laws regarding treatment of, and protection from, fish diseases and pollution. A more strict application of environmental laws may affect Stolt Sea Farm operations delaying its new projects and delaying the renewals of its permits on the existing sites.



# Risk Factors

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## 1.1.9 Political and geopolitical risk

The Group has international operations, and its business, financial condition and results of operations may be adversely affected by changing economic, political and government conditions in the countries and regions where the Group's ships and tank containers are employed, and terminals are located.

## 1.1.10 Market and global economic risk

The operations of the Group may be adversely affected by downturns in the general economic and market conditions in the countries and regions to and from which the Group transports cargos. For example, any significant and extended downturns in the U.S. or in the Asia Pacific region could have a negative effect on the Group's business, financial condition and results of operations.

## 1.2 Risks related to the Group's business

### 1.2.1 Contracts of affreightment risk

To partially mitigate the volatile and cyclical tanker industry, Stolt Tankers actively manages the mix of business between contracts of affreightment ("COA") and spot. COA business tends to be less volatile than spot business in terms of both rate and volume. In general, Stolt Tankers maintains a relatively high percentage of contract business. Management endeavours to increase the contract percentage and lengthen contract duration during periods of uncertainty or when management determines that market conditions are likely to deteriorate. However, this can result in lower revenues than what is obtainable in the spot market when freight rates are rising, and lower prices have been locked in. In addition, COA rates are usually renewed annually, in periods of falling rates, the mitigation may only be short term.

### 1.2.2 Safety risk

The operations of parcel tankers, gas carriers, tank containers and storage facilities carry an inherent risk of personal injury or death, damage to or loss of property and business interruptions. These risks are exacerbated because a significant portion of the cargo transported and stored involves hazardous chemicals. Although customary levels of insurance for liability arising from operations have been obtained, including loss of damage to third party property, death or injury to employees or third parties and statutory workers' compensation protection, there can be no assurance that the amount of insurance carried is sufficient to protect the companies of the Group fully in all events and that any claim will be paid or that adequate insurance coverage at commercially reasonable rates can be procured in the future. A successful liability claim for which the Group is underinsured or uninsured could have a material adverse effect on the Group.

# Risk Factors

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## 1.2.3 Environmental risk

The Group's operations involve the use, storage and disposal of chemicals and other hazardous materials and wastes, all of which could pose a potential threat to the environment if not handled properly. There are many rules and regulations surrounding shipping and the handling of hazardous materials, which are all aimed at ensuring safer operations and better preparedness in the event of spills and accidents.

## 1.2.4 Risks that construction of ships (newbuildings) is not completed

The Group is typically required to pay substantial sums as progress payments during construction of a newbuilding, without deriving any revenue from the ship until after its delivery. While refund guarantees from financial institutions can be entered into with respect to such progress payments, in the event the newbuildings are not delivered by the shipyard or accepted by Stolt Tankers, there is potential risk that a portion or all such refund guarantees cannot be collected, causing a loss of the monies advanced to the shipyards for such progress payments.

## 1.2.6 Risk of diseases at Stolt Sea Farm

Stolt Sea Farm may be adversely affected by natural conditions such as pollution, disease and parasites. Stolt Sea Farm uses farm management to control the impact of pollution and disease. If these precautions are not successful, Stolt Sea Farm could suffer losses to its fish stock, thereby reducing its revenues and resulting in possible losses.

## 1.2.7 Emerging market countries

Instability in the emerging market countries in which the Group operates could have a negative effect on the operations of the Company in those countries (China, South America, South Africa, etc.). The risk profile of the Company will therefore encompass the risks involved in each of the countries, industries or businesses that each of the Company's subsidiaries operates in.

## 1.2.8 Legal proceedings

The Company and its subsidiaries are a party to various legal proceedings. The Company is not able to determine whether a negative outcome in the described legal proceedings is probable, and therefore unable to estimate a range of possible losses. It is possible that the outcomes of any or all of these proceedings could have a material adverse effect on the Company's financial condition, cash flows or results of operation.

Provisions are made to cover the expected outcome of the proceedings to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcomes of these and other cases are subject to uncertainties and resulting liabilities may exceed booked provisions.

# Risk Factors

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## 1.2.9 The Group faces a risk of counterparty default

A significant downturn in the business or financial condition of a key customer or group of customers exposes the Group to the risk of default on contractual agreements and trade receivables, which could have a material negative impact on its financial condition, operational results and/or cash flows.

## 1.3 Financial risks of the Group

### 1.3.1 Funding availability risk

Due to the capital-intensive nature of the industries in which the Group operates, it is dependent on steady access to funding. Part of this funding comes from its ongoing cash from operations. However, as operating cash flow fluctuates with the markets in which the Group operates, and the investments in fixed assets often happen in stages rather than being evenly spread, the Group is also dependent on external funding from the financial debt markets. To a great extent access to external financing is dependent on the Group's overall financial performance including its cash flow, balance sheet, expected future return on investments, and the risk perception of the industries in which the Group operates at any given time.

### 1.3.2 Currency risk

Most of the Stolt Tankers and Stolt Tank Container revenue is earned in U.S. dollars while a significant portion of their operating expenses is incurred in other currencies, primarily the Euro, the Norwegian kroner, the Singapore dollar and the British pound.

### 1.3.3 Global financial markets risk

Global financial markets can be highly volatile resulting in shorter or longer periods of reduced liquidity in the equity markets as well as the credit markets. The Group is from time to time dependent on external financing of its assets and its operations, at which time it needs to obtain bank financing or be able to issue bonds or other debt capital instruments. Volatility in the global credit markets could cause tightness in available liquidity and hence limit the amount of financing the Company is able to obtain.

### 1.3.4 The Bonds are structurally subordinated to liabilities of Company's subsidiaries

The Bonds are structurally subordinated to liabilities of Company's subsidiaries. The Bonds are subject to credit risk relating to the Group's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position.

# Risk Factors

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Generally, creditors under indebtedness and trade creditors of the Company's subsidiaries will be entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Company, as a direct or indirect shareholder. Accordingly, in an enforcement scenario, creditors of the Company's subsidiaries will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiaries before the Company, as a director or indirect shareholder, will be entitled to receive any distribution.

## 1.3.5 The Company is dependent on its subsidiaries and may not have sufficient funds to service the Bonds

The Company's ability to pay any amounts due on the Bonds is dependent on the financial performance of its subsidiaries and will depend upon the level of distributions, interest payments and loan repayments, if any, received from its operating subsidiaries, any amounts received on disposals of assets and equity holdings and the level of cash balances. Certain of the Group's operating subsidiaries may be subject to restrictions on their ability to make distributions and loans, including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with other shareholders of such subsidiaries (if applicable) or associated undertakings. If the Company is unable to generate sufficient distributions from its subsidiaries, it will be forced to adopt an alternative strategy that may include actions such as reducing capital expenditures, selling assets, restructuring or refinancing indebtedness or seeking a new capital injection. The Company cannot assure investors that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make the required payments under the Bond issue or to repay the Bonds at maturity.

## 1.3.6 Tax risk due to future changes in tax laws in Bermuda

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of its shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, be applicable to the Company or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by it in Bermuda.

# Risk Factors

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## 1.4 Risks related to the Bonds

### 1.4.1 The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds.

### 1.4.2 Risk of being unable to pay interest or repay the Bonds

The Group's ability to generate cash flow from operations and to make scheduled payments on and repay its indebtedness, including the Bonds, will depend on the future financial performance of the Group, in particular the Group's ability to generate cash flow from its operations. The future performance of the Group will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled. Defaults by, or the insolvency of, certain subsidiaries of the Group could result in the obligation of the Group to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations or cause cross-defaults on certain borrowings of the Group. There can be no assurance that the Group and its assets would be protected from any actions by the creditors of any subsidiary of the Group, whether under bankruptcy law, by contract or otherwise.

Should the Group not be able to generate sufficient cash flow from its operations, the Group may not be able to pay interest on the Bonds or to repay the Bonds at maturity.

### 1.4.3 The market value of the Bonds may fluctuate

The market value of the Bonds may decrease or fluctuate significantly and may not always reflect the creditworthiness of the Company. A number of factors outside the Group's control may impact its performance and the price of the Bonds. The most significant of these factors are: a change in market sentiment regarding the Bonds or the Group, the annual yield as compared to yields on other financial instruments; and the stability of the markets and regions in which the Group operates. Changes in market sentiment regarding the Group may be due to changes to the Group's profit estimates, the publication of research reports by analysts, and changes in general market conditions. If any of these factors actually occurs, it could have a material and adverse effect on the pricing of the Bonds.



# Risk Factors

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## 1.4.4 Change of control - the Company's ability to redeem the Bonds with cash may be limited

Upon the occurrence of a change of control event, each individual bondholder shall have a right of pre-payment of the Bonds as set out in the Bond Agreement. However, it is possible that the Company may not have sufficient funds to make the required redemption of Bonds, resulting in an event of default under the Bond Agreement.

## 1.4.5 Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in NOK. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than NOK. These include the risk that exchange rates may significantly change (including changes due to devaluation of NOK or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to NOK would decrease (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## 1.4.6 Terms of Bond Agreement may be amended or waived

The terms and conditions of the Bond Agreement allows for modification of the Bonds or waivers or authorizations of breaches and substitution of the Company which, in certain circumstances, may be affected without the consent of bondholders

The Bond Agreement contains provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority. Certain significant modifications may be made following approval of a quorum of one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Bonds for the time being outstanding, including modifying the date of maturity of the Bonds or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds. The Bond Trustee may, without the consent of the bondholders, agree to certain modifications of the Bond Agreement and other finance documents which, in the opinion of the Bond Trustee, are proper to make.

# Risk Factors

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## 1.4.7 Secondary market in the Bonds and liquidity risk

The Bonds may have no established trading market when issued, and one may never develop. Furthermore, as the Company is relying upon exemptions from registration requirements in the placement of the Bonds, the Bonds may only be transferred in a transaction registered under or exempt from registration or prospectus requirements in the future. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Group cannot assure investors as to the future liquidity of the Bonds.

Lack of liquidity in the secondary market may adversely affect the market value of the Bonds.

## 1.4.8 Settlement risk

There is a risk that the settlement of trades in the Bonds in the secondary market will not take place as agreed. The settlement risk consists of the failure by the buyer to pay for Bonds or the failure by the seller to deliver Bonds.

## 1.4.9 Redemption of Bonds

The Bonds may be subject to optional redemption by the Company, which may have a material and adverse effect on the value of the Bonds

Pursuant to the Bond Agreement, the Bonds are subject to optional redemption by the Company at their outstanding principal amount, plus accrued and unpaid interest to the date of redemption, plus a premium calculated in accordance with the terms and conditions of the Bond Agreement. This is likely to limit the market value of the Bonds. It may not be possible for bondholders to reinvest proceeds at an effective interest rate as high as the interest rate on the Bonds.

Mandatory prepayment events may lead to a prepayment of the Bonds in circumstances where an investor may not be able to reinvest the prepayment proceeds at an equivalent rate of interest

In accordance with the terms and conditions of the Bond Agreement, the Bonds are subject to mandatory prepayment by the Company on the occurrence of certain specified events. Following any early redemption after the occurrence of a mandatory prepayment event, it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds.

## 1.4.10 Prospective investors may not be able to recover in civil proceedings for U.S. securities laws violations

The Company is incorporated under Bermuda law, all of the members of the Company's senior management and all members of the Company's board of directors currently reside outside the United States and all of its assets are currently located outside the United States. As a result, prospective investors may be unable to effect service of process within the United States, or to recover on judgments of U.S. courts in any civil proceedings under the U.S. federal securities laws.

# Risk Factors

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1.4.10 Risks related to the coronavirus and COVID-19 The World Health Organisation declared the novel coronavirus SARS-CoV-2 and the consequential COVID-19 disease a global pandemic in March 2020. The spread of COVID-19 has resulted in a rapid deterioration of the political, socio-economic and financial situation globally and this may consequently have a negative impact on the Company's business. As countries seek to recover, some of the more lasting economic, environmental, societal and technological challenges and opportunities are only beginning to become visible. The Company continues to closely monitor the impact which COVID-19 outbreaks globally could have on the markets in which it operates and more broadly on global trade, supply chains and the macro-economic outlook. While the evolution, duration and potential impact of COVID-19 are uncertain at this stage, the Company considers that it could have a material adverse effect on several aspects of its operations and financial condition, both directly and indirectly with respect to the macro-economic consequences thereof, and both independently and in conjunction with the respective risk factors set out herein.