

Chief Executive Officer's Statement



Positive results during a volatile year

“We maintained our focus and set the course for a positive year.”

There was considerable global uncertainty as we began our financial year, and, like 2020, 2021 will be remembered for the impact of Covid-19. In addition to the pandemic, we experienced two other notable one-off events: the six-day Suez Canal closure, which disrupted global supply chains, and the Houston freeze, which affected customers' operations. I am proud of how we maintained our focus and set the course for a positive year despite these challenges.

We began 2021 with a strong balance sheet, a solid asset base and a market-leading platform. This placed us in a strong position not only to withstand the considerable disruption caused by Covid-19 restrictions, but also to operate and prosper under challenging operating environments. Our success is fostered by our people, our culture, our diverse business portfolio and our ability to quickly adapt.

Financial performance

The Group's 2021 results were underpinned by the strong performance and market conditions at Stolt Tank Containers, supported by steady progress at Stolthaven Terminals and an impressive turnaround at Stolt Sea Farm and our joint ventures continued to make a steady contribution to our financial performance. However, we failed to see the market improvement we had hoped for at Stolt Tankers as the segment was affected by weakening spot rates.

The Group reported a net profit of \$78.8 million with earnings per share of \$1.47, compared with \$25.4 million and \$0.43 in 2020. Efforts to manage our capital expenditure resulted in a \$66.6 million year-on-year reduction in debt, including lease liabilities, to \$2,436.1 million and positive free cash flow (cash from operations less cash used in investing activities) of \$143.2 million. Shareholders' equity was \$1,472.9 million at year end, compared with \$1,418.6 million a year ago.

Stolt Tankers' (ST) operating revenue increased to \$1,165.6 million from \$1,113.1 million in 2020. Operating profit was \$68.8 million, down from \$84.6 million last year. Profits were held down by lower spot rates and deep-sea volumes as swing tonnage from a historically weak product tanker market moved into chemicals. ST remains focused on driving transformation through our *Going Further* initiative, and has continued to invest in people and innovation, optimising processes and driving cost efficiencies.

Stolthaven Terminals' (SHVN) results were in line with expectations. Full-year operating revenue increased slightly to \$243.6 million from \$238.5 million in 2020. Operating profit was \$62.3 million, down from \$68.8 million due to higher operating and administrative and general costs. Utilisation improved over the year, which we anticipate will result in higher rates. Performance was bolstered by favourable storage market conditions in the US. However, weaker conditions in Asia Pacific and Australia affected overall results.

Stolt Tank Containers' (STC) revenue increased to \$662.4 million, from \$520.6 million in 2020, with operating profit of \$81.6 million, up from \$51.2 million. STC continued to set new shipment records, and consequently fleet utilisation rose to 71.6% from 67.8%. Markets remained strong, with rising freight rates and higher demurrage revenue compensating for costly inefficiencies in global supply chains. Although tight ocean liner capacity, truck driver shortages and port congestion created a challenging operating environment, we managed to improve our margin per shipment.

At Stolt Sea Farm (SSF), we expanded our geographical markets for turbot, resulting in record sales of 8,100 tonnes, an increase of 6.5% compared with last year, and at a higher average price. We also saw robust demand for both turbot and sole during the traditionally strong summer season, which led to higher sales volumes and solid price increases. Full-year revenue rose to \$108.6 million, compared with \$79.7 million in 2020. Operating profit increased to \$24.4 million, up from a loss of \$8.4 million the previous year, in part due to a significant positive swing in the fair-value accounting for inventory. Excluding the impact of the fair-value adjustment, SSF's full-year operating profit was \$7.1 million, compared with a loss of \$3.4 million in 2020.

Stolt-Nielsen Gas (SNG) holds our investments in liquefied natural gas (LNG) logistics, with 47.2% ownership in Avenir LNG Ltd and 2.5% in both Golar LNG Ltd and Cool Company Ltd. Avenir's strategy is to source, ship, store, distribute and sell LNG to small-scale, stranded communities that do not have access to a natural gas grid. In 2021, Avenir reached a milestone in its development and now has assets operating across Asia Pacific, Europe and the Americas. Its terminal in Sardinia opened in August, three ships were delivered during the year and one was delivered in January 2022. *Avenir Allegiance*, which was delivered in December 2021, was subsequently sold to Chinese buyers at a gain. Two vessels are employed under charter arrangements with Petronas and New Fortress Energy, and two ships have entered service to supply Avenir's own customers.

Dividends and employee incentive plans

In November, we were able to raise our dividend and signal our intention to provide increasing returns to shareholders over the coming years. On November 3, 2021, the Board approved an interim dividend of \$0.50 per Common Share, payable on December 2, 2021 to shareholders of record as of November 9, 2021. A final dividend of \$0.50 per Common Share was recommended by the Board on February 24, 2022, subject to the approval of shareholders at the Company's Annual General Meeting on April 21, 2022.

On October 6, 2021, Stolt-Nielsen cancelled 5,610,000 Common Shares and 1,402,500 Founder's Shares, which the Company previously held as Treasury Shares. These were subsequently available for re-issue. Following the share cancellation, the Company holds 5,000,000 Common Shares and 1,250,000 Founder's Shares in treasury, equal to 8.54% of issued Common and Founder's Shares.

Stolt-Nielsen compensates its employees through salaries, short-term profit-sharing and long-term performance incentive plans, comprising cash rewards and benefits. In early 2021, our incentive plans made payments of \$6.65 million.

Performing while transforming

The pandemic highlighted the benefits of our business transformation strategy, particularly our investments in technology and digitalisation. It is no small achievement that our teams kept all systems running smoothly, enabling us to maintain contact with colleagues and customers. Our digital modernisation programmes are moving full steam ahead, including investments in cutting-edge technology to reduce emissions across our fleet and terminals, as well as additional field automation to boost safety, sustainability and process efficiencies. These investments not only help us provide better services, but by evolving into a more data-driven company, they also enable innovations that will ensure we remain the leader in our markets and benefit our people, customers and other stakeholders.

People are an important element of our ongoing transformation, and changes to our leadership team will help position the Company for long-term success. After 22 years, Michael W. Kramer has stepped down as President of Stolt Tank Containers and will now focus his deep industry knowledge on marketing efforts for our three logistics businesses. Michael is succeeded by Hans Augustejjn, who joined Stolt Tankers in 2019. Our Board of Directors also welcomed Janet Ashdown as a new Director. Janet brings significant experience of managing complex supply chain operations at BP and has a strong interest in the energy transition and the broader environmental, social and governance (ESG) agenda.

Making a valuable difference

Many of our colleagues have experienced Covid-19 first-hand, and life under lockdown has meant more challenges and anxiety for everyone. I want to pay tribute to all our colleagues who have kept our ships moving, our depots, terminals and farms running, and vital products flowing around the world. They are our own heroes, working exceptionally hard every day. I'd also particularly like to thank Mark Martecchini, former President of Stolt Tankers, who is leaving us in April 2022 after 38 years. His efforts over many decades have contributed greatly to our success.

Once again, this year our seafarers demonstrated remarkable resilience and flexibility as scheduling and crew changes were affected by Covid-related restrictions. The health and wellbeing of staff are key priorities, you can read more about how we are supporting our people on pages 33-34. Stolt Tankers continued its accelerated vaccination programme for crew members. To date, we have vaccinated over 90% of our seafarers and started a booster programme.

An important lesson from the pandemic is that global cooperation and concerted action are not only possible, but are essential to addressing the challenges of our time. We strive to deliver long-term value for our stakeholders and society at large by contributing to those United Nations Strategic Development Goals where we can make a difference. This includes continuing to promote diversity and inclusion and care for our employees, contractors and communities. It also includes ongoing management of our environmental impact as we work towards the targets set last year for reducing our carbon footprint. In 2021,

we undertook environmental data benchmarking, completed our materiality assessment, and began our Task Force on Climate-related Financial Disclosures (TCFD) assessment.

A compelling investment proposition

Our strong balance sheet and diverse business portfolio places Stolt-Nielsen in a strong position to capitalise on current and future opportunities, and we see tremendous potential in providing customers with the high-quality services and products we are known for. We remain focused on our bottom line – on executing our strategy while operating safely, reliably and sustainably.

We continue to build resilience in the balance sheet and reduce debt amid a backdrop of global uncertainty and rising inflation. At the same time, we are transforming to create greater value from our assets and investments over the long term. As part of this, we are becoming more diversified, more agile and better integrated across our business. These economies of scale help us maximise value creation in rapidly evolving markets – and enable us to leverage synergies and drive continuous improvement in operational performance. The strength of our business model was clear this year, with profit reaching \$79 million even without an improvement in the chemical tankers market.

A positive outlook

I remain positive about the future of all our businesses. The development of the Stolt Tankers fleet – adding ships through new buildings, acquiring competitors and purchasing modern second-hand ships at attractive prices – means we are well positioned to capitalise on the pending recovery. Should conditions for an IPO of Stolt Tankers be right in the coming years, we are ready to act quickly.

We are in a similarly strong position at Stolthaven Terminals and Stolt Tank Containers, where we have invested in additional capacity, our market-leading platforms, our people and digitalisation. Stolt Sea Farm's new land-based recirculation farms for sole production in Cerro, Spain and Tocha, Portugal underpin our long-term growth strategy for meeting increasing market demand in a sustainable, cost-efficient manner. In all our investments, we are focused on delivering a growing, long-term and sustainable cash flow to our shareholders.

2022 and beyond

In January 2022, I announced my intention to step down as Chief Executive Officer. I will continue as CEO and as a Director on the Board until the appointment process for a successor has taken place and a smooth transition period is completed. The intention is for me to assume the role of Chairman of the Board, subject to shareholder approval, once my replacement is found. I joined Stolt-Nielsen in 1990 and have been CEO since 2000. It has been a great pleasure and honour to work with so many remarkable people over the years and I have enjoyed it tremendously. However, I feel that now is the right time to step aside and let a fresh pair of hands take the Company forward. I plan to maintain my close ties and contribute to the success of Stolt-Nielsen for many more years.

Niels G. Stolt-Nielsen



Chief Executive Officer
Stolt-Nielsen Limited
March 14, 2022