

Business Review continued



Stolt Tank Containers

A strong first half in 2018 preceded a second-half slowdown



“STC’s strategy is to achieve competitive advantage by leveraging our scale, assets and unrivalled technology to deliver superior customer service at lower cost.”

Michael W. Kramer
President
Stolt Tank Containers

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’s global fleet is the industry’s largest, with more than 39,000 chemical and food-grade tanks, plus specialty tanks for aggressive or high purity products, compressed gases and cryogenic cargoes.

STC’s unrivalled fleet is complemented by the division’s global network of 21 owned and joint-venture depots. This network – unique in the industry – gives STC direct control over the handling, cleaning and maintenance of its tanks. This ensures that the tanks and our cargo handling operations are consistently subject to STC’s stringent operating standards for quality, reliability and safety for people and the environment worldwide.

STC’s global scale and assets, customer services, and operational efficiencies enable STC to deliver capital-efficient solutions that help minimise costs and increase supply-chain efficiency for its customers.

HIGHLIGHTS FOR 2018

Full-year revenue rose to \$551 million, with operating income increasing to \$71 million, driven mainly by increased shipments, higher demurrage billing, and lower repositioning costs. Total shipments were up 1.8% on the year, with a 14% increase in food-grade shipments. During 2018, STC successfully reduced the weighted

average lease rate on its leased fleet, resulting in savings of nearly \$7,000 per day. Fleet utilisation, however, slipped to 72.1%, from 72.5% in 2017, reflecting the impact of second-half market weakness and an increase in STC’s fleet size.

During the year, STC continued to execute against its long-term strategy focused on enhancing competitive advantage through the implementation of new technologies and the expertise of our people, while delivering added value to customers.

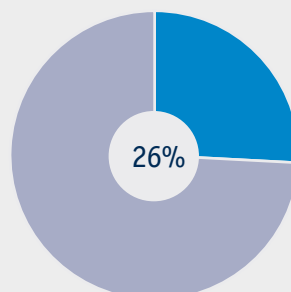
While the number of depots in STC’s global network held steady at 21 in 2018 – after adding new facilities in Thailand and Italy in 2017 – substantial progress was made on STC’s three joint-venture depots in Saudi Arabia. At the Dammam depot, capacity was quadrupled, while adding both a new cleaning system and a state-of-the-art wastewater treatment facility. At the Jubail depot – the largest depot in STC’s network at 50,000 square meters – the first phase of planned construction was completed, with room to expand to a total of 105,000 square meters. The Dammam and Jubail facilities will both be commissioned at the start of 2019. Jeddah, the third facility, will also be upgraded with modern equipment.

Performance

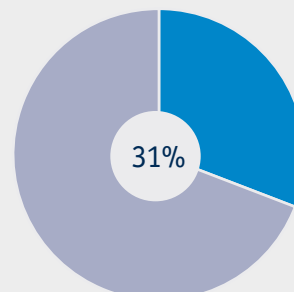
(US \$ millions)	2018	2017	2016
Operating Revenue	551	513	476
Operating Profit	71	54	48

Percentage of group total

of total revenue



of total operating profit*



* Excludes Corporate and other \$40 million loss



STC's safety performance in 2018 was stronger than the previous year. Increased process and sustainability scores were achieved for all ISO certifications and SQAS assessments conducted during the year. No major incidents were recorded and STC continued to enhance safety training and to further improve protection practices and capabilities across its global depot network (see pages 19-20).

As part of its continuous pursuit of enhanced operational efficiency and customer service, STC continued to deploy new technologies and processes in 2018. Over the past two years, STC has escalated its use of technology to reduce costs and enable staff to focus on value-added operations and service. During 2018, STC also continued to make enhancements to mySTCtanks.com, the online tool that allows STC customers to better manage their tanks, reduce costs and drive supply-chain improvements. mySTCtanks has an increasing number of regular users.

OUTLOOK

After a strong first half, market conditions softened in the second-half of 2018, which took many in the industry by surprise. That said, while the ultimate impact of ongoing political turmoil, possible trade wars and volatility in petroleum prices remains to be seen, the long-term fundamentals of the tank-container business remain strong. Stolt Tank Containers' strategy remains unchanged: continue to focus



on delivering superior customer service at the lowest cost by leveraging STC's global scale, by utilising technology to drive continuous improvements in operational efficiency, and by operating in a manner that is safe for people and the environment.

Michael W. Kramer
President
Stolt Tank Containers

39,000 tank containers in the fleet
130,000 shipments
21 depots and hubs

Markets

Users and manufacturers of chemicals and food-grade bulk liquids, who demand reliability, safety and quality, delivered efficiently and cost effectively.

Strategy

Strengthen STC's competitive advantages and value-added services in all markets, while continuing to scale and expand into new geographic markets in Asia, the Middle East, India and South America.

Outlook

Sustained long-term growth driven by market expansion opportunities and the ongoing acceptance of tank containers as one of the most efficient and safest modes of door-to-door transportation for bulk-liquid cargoes.