Financial Review

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Management's Discussion of Operating Performance

This section discusses Stolt-Nielsen Limited's (SNL) operating results and financial condition for the years ended November 30, 2022 and 2021. This discussion consists of:

- Results of Operations
- Business Segment Information
- Liquidity and Capital Resources
- Critical Accounting Estimates
- Principal Risks
- Treasury Shares
- Going Concern
- Audit Tender Process and
- Subsequent Events

Results of Operations

Below is a summary of SNL's consolidated financial data for November 30, 2022 and 2021:

	For the years ended November 30	
(in thousands)	**2022**	2021
Operating Revenue	**$ 2,771,843**	$ 2,181,082
Operating expenses	**(1,851,608)**	(1,459,706)
Depreciation and amortisation	**(282,123)**	(295,459)
Impairment of assets	**–**	(10,000)
Gross Profit	**638,112**	415,917
Gross margin	**23.0%**	19.1%
Share of profit of joint ventures and associates	**53,963**	39,470
Administrative and general expenses	**(249,022)**	(220,464)
Gain (loss) on disposal of assets, net	**5,562**	(3,010)
Other operating income	**4,132**	2,218
Other operating expense	**(5,215)**	(436)
Operating Profit	**447,532**	233,695
Operating margin	**16.1%**	10.7%
Non-operating income (expense):		
Finance expense – finance leases	**(10,451)**	(11,072)
Finance expense – debt and other	**(112,188)**	(116,212)
Loss on early extinguishment of debt	**(11,149)**	–
Finance income	**3,979**	2,375
Foreign currency exchange loss, net	**(9,151)**	(2,673)
Other non-operating income (expense), net	**347**	(2,902)
Profit before income tax	**308,919**	103,211
Income tax expense	**(28,064)**	(24,405)
Net Profit	**$ 280,855**	$ 78,806

	For the years ended November 30,	
(in thousands)	**2022**	2021
Profit before one-time items	**$ 292,004**	$ 89,306
One-time items:		
Impairment of assets	**–**	(10,000)
Distribution from insurance company	**–**	12,500
Loss on early extinguishment of debt	**(11,149)**	–
Stolt Groenland loss, net of insurance settlement	**–**	(13,000)
Net Profit	**$ 280,855**	$ 78,806

Consolidated Income Statement

Net profit of SNL was $280.9 million for 2022, compared with $78.8 million in 2021. Excluding the one-time items described in the table on the previous page, net profit was $292.0 million for 2022, compared with $89.3 million in 2021, or a $202.7 million improvement. The most significant factors affecting SNL's performance in 2022 were:

- Stolt Tankers reported an operating profit of $205.1 million, an increase of $136.3 million compared to the prior year operating profit of $68.8 million. Deep-sea and regional fleets results improved, driven by an increase in operating days, higher spot rates and other favourable market developments.
- Stolthaven Terminals reported an operating profit of $89.2 million compared to $62.3 million as a result of improved utilisation and a $10.0 million impairment of the Australia terminal assets in 2021.
- Stolt Tank Containers (STC) reported an operating profit of $172.7 million, up from $81.6 million in 2021, an increase of $91.1 million. The higher operating profit was the result of an increase in transportation margins due to tight carrier capacity and an increase in demurrage.
- Stolt Sea Farm reported an operating profit of $19.5 million, compared with $24.4 million in 2021, a decrease of $4.9 million. Excluding the fair value on the biological assets in both years, operating profit increased by $13.5 million, driven by the higher volumes sold from its own farm-raised turbot and sole, together with the higher average sales prices obtained for both species. Fair value brought a $1.0 million negative impact in 2022 from turbot price decreases in November anticipating Christmas seasonality, while 2021 had a $17.4 million positive impact in fair value due to the recovery from the Covid-19 pandemic.
- Stolt-Nielsen Gas reported an operating loss of $3.0 million in 2022 versus a profit of $2.1 million in 2021. The profit in 2021 was largely due to a $3.2 million gain on a land sale. Excluding this gain, the losses in both years were mainly attributable to the Group's share of losses related to the development of various small-scale LNG projects at Avenir LNG.
- Corporate and Other operating loss was $36.0 million, compared to the prior year loss of $5.5 million. The increased loss was mainly due to additional costs related to profit sharing and long-term incentive plans as a result of the higher profit in 2022.

Operating revenue

Operating revenue was $2,771.8 million in 2022, which was 27.1% higher than in 2021, mainly owing to higher deep-sea freight and bunker surcharge revenue at Stolt Tankers and higher transportation rates and demurrage revenue at Stolt Tank Containers.

Stolt Tankers' revenue increased by $331.5 million, mainly due to $181.8 million higher deep-sea freight revenue primarily from additional average number of ships operated between the two years, a 50.5% increase in spot rates causing average rates to increase by 17.7% and an $80.0 million increase in deep-sea bunker surcharge revenue. The higher bunker surcharge revenue was caused by the 50.0% increase in bunker prices compared to last year.

Stolthaven Terminals' revenue increased by $32.6 million compared to 2021, an increase of 13.4%. This increase was primarily due to higher operating revenue in Houston and New Orleans, US, as a result of rate escalations and improved utilisation. Average utilisation rates for all terminals increased, with the average for owned terminals increasing to 97.4% in 2022 from 90.9% in 2021.

Stolt Tank Containers' revenue increased by $232.2 million, or 35.1%, in 2022 largely due to the impact of increased ocean freight rates as well as increased demurrage and ancillary revenues of $71.3 million. This was offset partially by lower shipment levels between the years as space on ships was constrained.

Stolt Sea Farm's operating revenue was $102.7 million in 2022, decreasing by $5.9 million, or 5.4%, which was a result of phasing out the traded turbot business. Partially offsetting this, sales volumes and average prices increased on its own farm-raised turbot and sole.

Gross profit

SNL's gross profit increased by $222.2 million or 53.4% to $638.1 million in 2022 compared to the prior year, reflecting the higher revenues in Stolt Tankers and Stolt Tank Containers.

Stolt Tankers' gross profit increased by $104.3 million in 2022, to $260.8 million, as the increase in revenues was significant enough to cover $135.7 million higher bunker costs and more variable time charter hire expenses.

Gross profit for Stolthaven Terminals was $107.9 million in 2022, compared with $78.1 million in 2021, an increase of $29.8 million. Gross profit increased from the impact of higher operating revenue in 2022 and the impairment of the Australian terminal of $10.0 million in 2021.

Stolt Tank Containers saw an increase in gross profit of $90.0 million to $243.8 million as a result of the higher revenue partially offset by higher ocean freight and ancillary costs,

Stolt Sea Farm's gross profit decreased by $4.1 million to $28.3 million from $32.4 million in 2021. Excluding the fair value of biological assets, gross profit increased $14.3 million in 2022 as a result of the higher volumes sold from its own farm-raised turbot and sole, together with the higher average sales prices and stable operating expenses obtained in both species.

Share of profit of joint ventures and associates

SNL's share of the profits from non-consolidated joint ventures and associates in 2022 was $54.0 million, up from $39.5 million in 2021.

Stolt Tankers' share of profit from joint ventures increased by $20.9 million to $30.0 million notably owing to NYK Stolt Tankers S.A. and Hassel Shipping 4 AS from the improved deep-sea spot markets and Stolt NYK Asia Pacific Services Inc. (SNAPS) from a strong regional performance.

Administrative and general expenses

Administrative and general expenses were $249.0 million in 2022, up from $220.5 million in 2021, an increase of $28.5 million. This was largely due to expenses for profit sharing and long-term incentive expenses being higher in the current year due to SNL's improved earnings.

Gain (loss) on disposal of assets, net

SNL recorded a net gain on disposal of assets of $5.6 million in 2022 compared with a loss of $3.0 million in 2021. In 2022, the gain included amounts related to the sale of the *Stolt Shearwater* and the recycling of the *Stolt Groenland*. In 2021, the loss included a $13.0 million loss on the derecognition of the *Stolt Groenland*, net of insurance, partially offset by the gain on sale of three ships and land in Canada.

Other operating income and other operating expense

Other operating income was $4.1 million in 2022, compared with $2.2 million in 2021.

Other operating expense was $5.2 million in 2022, compared with $0.4 million in 2021.

Finance expense

Finance expense was $122.6 million in 2022, down from $127.3 million in 2021. Interest on debt decreased by $4.0 million, owing to lower outstanding debt balances. Interest on leases was $10.5 million, compared with $11.1 million in 2021.

Loss on early extinguishment of debt

SNL recorded an accelerated recognition of deferred financing costs and fees of $11.1 million related to the early repayment of the loan with Export-Import Bank of China and Standard Chartered Bank. The debt was refinanced as part of a sustainability-linked agreement of which $180.9 million was drawn down to fully repay the above loan.

Finance income

Finance income was $4.0 million in 2022, up by $1.6 million compared with 2021.

Foreign currency exchange loss

In 2022, SNL had a foreign currency exchange loss of $9.2 million, compared with a $2.7 million loss in 2021. The 2022 loss was mainly due to the strengthening of the USD against the BRL, ARS and ISK as well as additional hedging losses.

Other non-operating income, net

Non-operating income was $0.3 million in 2022 compared with a non-operating expense of $2.9 million in 2021.

Income tax expense

Income tax expense was $28.1 million in 2022, compared to $24.4 million in 2021. The increase in income tax expense was the result of strong performances of all divisions.

Business Segment Information

This section summarises the operating performance for each of SNL's principal business segments. The Corporate and Other category includes corporate-related expenses and all other operations which are not reportable as separate business segments.

	For the years ended November 30,	
(in thousands)	**2022**	2021
Operating revenue:		
Stolt Tankers	**$ 1,497,108**	$ 1,165,617
Stolthaven Terminals	**276,177**	243,592
Stolt Tank Containers	**894,647**	662,443
Stolt Sea Farm	**102,688**	108,568
Corporate and Other	**1,223**	862
Total	**$ 2,771,843**	$ 2,181,082
Operating profit:		
Stolt Tankers	**$ 205,124**	$ 68,817
Stolthaven Terminals	**89,208**	62,259
Stolt Tank Containers	**172,728**	81,597
Stolt Sea Farm	**19,544**	24,440
Stolt-Nielsen Gas	**(3,028)**	2,096
Corporate and Other	**(36,044)**	(5,514)
Total	**$ 447,532**	$ 233,695

Stolt Tankers

Operating revenue

Operating revenue increased by $331.5 million in 2022 versus 2021, with deep-sea revenue increasing by $288.5 million and regional revenues increasing by $43.0 million.

Deep-sea revenue increased from a combination of higher freight, bunker surcharge and demurrage revenue. Deep-sea freight revenue increased by $181.8 million as total operating days were up 6.7% due to the prior and current year's net acquisition of ships and full-year effect of the inclusion of Tufton Investments (Tufton) ships in the Stolt Tankers Joint Service (STJS) in 2021. Average freight rates also increased by 17.7% between the periods, mainly driven by a 50.5% increase in the rates on spot business, which contributed approximately 45% of total deep-sea freight revenue. Bunker surcharge revenue increased by $80.0 million due to 50.0% higher bunker prices compared to the prior year. Demurrage revenue increased by $15.2 million due to more waiting time spent in port and an increase in spot demurrage rates.

Regional fleet revenue increased by $43.0 million mainly driven by a $23.9 million increase on the Caribbean coastal fleet influenced by improved spot rates, bunker surcharge revenue and more operating days.

The sailed-in revenue (revenue less trading expenses) per operating day for the deep-sea fleet for 2022 was $22,804 versus $18,524 in 2021, an increase of 23.1%.

As of November 30, 2022, Stolt Tankers owned and/or operated 165 ships and barges, representing 3.05 million deadweight tonnes (dwt), compared to 158 ships and barges and 2.93 million dwt at the end of 2021.

	Number of ships	Millions of dwt	% of STJS net earnings for the year ended November 30, 2022
Stolt Tankers Joint Service:			
Stolt Tankers Limited (55 owned ships)	58	1.91	71%
NYK Stolt Tankers S.A.	9	0.27	11%
Hassel Shipping 4 AS	8	0.26	12%
Tufton Investment	8	0.17	6%
Total Stolt Tankers Joint Service	83	2.61	100%
Ships in wholly-owned regional services (23 owned ships)	61	0.27	
Ships in joint venture regional services (20 owned by joint ventures)	21	0.17	
Total	165	3.05	

Operating profit

Operating profit increased by $136.3 million, to $205.1 million in 2022 from $68.8 million in 2021. This was a result of the $331.5 million increase in revenues discussed above and $20.9 million increase in share of profit in joint ventures and associates being partially offset by increases in operating expenses.

Operating expenses increased by $244.1 million, with $135.7 million of the increase being the result of higher bunker costs. The average price of very low sulphur fuel (VLSF) and intermediate fuel oil (IFO) consumed in 2022 was $728 per tonne, up 56.6% from $465 per tonne in 2021. Variable time charter hire expenses increased by $76.4 million, driven by the full-year effect of the inclusion of Tufton in the STJS and the stronger results of the STJS. Ship management costs were $7.7 million or 3.7% higher than prior year mainly due to the higher number of ships owned during the year.

Stolt Tankers' share of profit from joint ventures increased by $20.9 million to $30.0 million where all joint ventures improved their results, most notably the two deep-sea joint ventures due to additional number of operating days and improved rates and SNAPS, which benefited from improved rates.

Stolthaven Terminals

Operating revenue

Stolthaven Terminals' revenue increased to $276.2 million in 2022 from $243.6 million in 2021. This increase of $32.6 million or 13.4% was mainly due to higher operating revenue in the US, Brazil, Singapore and Australia and an increase in the average utilisation rate to 97.4% in 2022 from 90.9% in 2021.

Total available average capacity at the wholly-owned terminals decreased to 1,724,619 cubic metres in 2022 from 1,745,680 cubic metres in 2021. This decrease in capacity was a result of the sale of the Port Alma terminal. Product handled increased to 14.1 million tonnes in 2022 from 13.3 million tonnes in 2021.

Operating profit

Operating profit increased by $26.9 million to $89.2 million in 2022 from $62.3 million in 2021. The revenue increase of $32.6 million in 2022, discussed above, and the $10.0 million one-time impairment of Australia property, plant and equipment in 2021 was partly offset by higher operating expenses and a lower share of joint venture equity income.

Operating expenses increased by $12.4 million to $105.5 million in 2022 from $93.1 million in 2021. This increase was driven by higher personnel and utility costs at almost all terminals, higher property taxes and costs associated with higher railcar activities in Houston, US and the recognition of an environmental provision in Moerdijk, the Netherlands as well as the cost related to an unplanned jetty outage.

Share of profit of Stolthaven Terminals' joint ventures and associates decreased by $4.8 million. The decrease was due to the lower margin and throughput and loss on disposal of assets at the joint venture in Antwerp, Belgium as well as the weakening of the Euro and the South Korean Won against the US dollar.

Stolt Tank Containers (STC)

Operating revenue

Stolt Tank Containers’ revenue increased to $894.6 million in 2022 from $662.4 million in 2021, an increase of $232.2 million or 35.1%. This was primarily due to the impact of increased freight rates as a result of tight container ship capacity and a shortage of truck drivers contributing to world-wide supply chain congestion. STC’s rates were also impacted by changing trade patterns as a result of Covid-19 lockdowns in China during 2022. Further improving revenue was an increase in demurrage and ancillary revenues totalling $71.3 million due to further bottlenecks throughout the supply chain.

In 2022, STC handled 129,574 tank container shipments, compared with 140,395 shipments in 2021, which represents a 7.7% decrease as a result of shipping constraints and congestion discussed above. Average utilisation decreased slightly to 69.0% in 2022, from 71.6% in 2021. The owned and operated fleet increased by 8.4% to 46,994 tank containers at the end of 2022 compared to 43,342 tank containers at the end of 2021.

Operating profit

Stolt Tank Containers reported an operating profit of $172.7 million, up from $81.6 million in 2021, an increase of $91.1 million or 111.7%. The increase was largely due to the revenue increase discussed above. Partially offsetting this were increases in ocean and inland freight costs as the result of higher rates charged and impact of higher fuel costs.

Stolt Sea Farm (SSF)

Operating revenue

Stolt Sea Farm’s revenue decreased by $5.9 million, or 5.4%, to $102.7 million in 2022 from $108.6 million in 2021 due to its traded turbot business being phased out. Partially offsetting this were higher volumes sold and higher average sales prices on its own farm-raised turbot and sole. The farm-raised turbot volume increased by 23.0% while prices increased by 13.8% between the periods. Sole volumes increased by 45.6% and prices increased by 19.1%.

Operating profit

Stolt Sea Farm reported an operating profit including fair value loss on biological assets of $19.5 million in 2022 compared to an operating profit of $24.4 million in 2021, a year-on-year decrease of $4.9 million. Excluding the fair value loss on biological assets of $1.0 million in 2022 and gain of $17.4 million in 2021, operating profit increased by $13.5 million. This operating profit increase was due to the higher volumes sold of its own farm-raised turbot and sole, together with the higher average sales prices obtained on both species. The decrease in the fair market value of the biological assets was the result of the large turbot price increase in 2021 due to the recovery of the market from the Covid-19 pandemic.

Stolt-Nielsen Gas (SNG)

Stolt-Nielsen Gas is an investment arm of SNL focusing on the liquefied natural gas (LNG) segment with holdings in Avenir LNG Limited (Avenir), Golar LNG Limited (Golar) and Cool Company Limited (CoolCo). Avenir’s results are reported as a joint venture, while changes in the share price of the Golar and CoolCo investments are reported as Other Comprehensive Income. Stolt-Nielsen Gas reported an operating loss of $3.0 million in 2022 versus a profit of $2.1 million in 2022. The prior year profit was due to a gain on the disposal of land in Canada, while the underlying losses in both years were mainly attributable to SNL’s share of Avenir.

Corporate and Other

Corporate and Other operating loss was $36.0 million, compared with the prior year loss of $5.5 million. The loss increased by $30.5 million, primarily due to higher profit sharing and long-term incentive plan costs in the current year as a result of higher profits.

Liquidity and Capital Resources

(in thousands)		For the years ended November 30, 2022		2021
Summary Cash Flows				
Net cash provided by operating activities:				
Net profit	**$**	**280,855**	$	78,806
Depreciation, impairment and amortisation		**282,123**		305,459
Share of profit of joint ventures and associates		**(53,963)**		(39,470)
Finance expense, net of income		**129,809**		124,909
Income tax expense		**28,064**		24,405
Fair value loss (gain) on biological assets		**974**		(17,379)
Other adjustments to reconcile net profit to net cash from operating activities		**(3,151)**		7,716
Changes in working capital assets and liabilities		**59,101**		(60,225)
Dividends from joint ventures and associates		**41,060**		22,869
Other, net		**(3,447)**		1,326
Cash generated from operations		**761,425**		448,416
Net interest paid, including debt issuance costs		**(124,943)**		(121,786)
Income taxes paid		**(16,673)**		(2,803)
Net cash generated from operating activities	**$**	**619,809**	$	323,827
Cash flows from investing activities:				
Capital expenditures		**(199,429)**		(185,486)
Purchase of intangible assets		**(3,959)**		(4,688)
Investment in joint venture and associate		**(14,314)**		(21,173)
Proceeds from sales of assets		**7,934**		29,741
Purchase of shares in equity instruments		**(37,291)**		(3,000)
Other		**2,120**		4,005
Net cash used in investing activities	**$**	**(244,939)**	$	(180,601)
Net cash used for financing activities:				
(Decrease) increase in short-term bank loans		**(40,000)**		40,000
Repayment of long-term debt		**(684,741)**		(312,827)
Proceeds from issuance of long-term debt		**484,533**		141,950
Principal payments on leases		**(51,210)**		(43,432)
Dividends paid		**(53,591)**		(26,829)
Net cash used in financing activities	**$**	**(345,009)**	$	(201,138)
Effect of exchange rate changes on cash		**(1,588)**		(5,987)
Net increase (decrease) in cash and cash equivalents	**$**	**28,273**	$	(63,899)

Net cash provided by operating activities

In 2022, SNL generated cash of $619.8 million, compared with $323.8 million in 2021. The increase in cash generated from operations was owing to increased EBITDA as a result of improved performance in Stolt Tankers and STC and improved net working capital inflows.

Net cash used in investing activities

Net cash used in investing activities was $244.9 million in 2022, compared with $180.6 million in 2021. The most significant uses of cash for investing during 2022 were:

i. capital expenditures of $199.4 million, $13.9 million higher than in 2021
ii. purchase of computer software of $4.0 million
iii. net purchase of shares in CoolCo for $9.4 million
iv. purchase of shares in Odfjell SE for $20.7 million
v. purchase of shares in The Kingfish Company for $7.4 million
vi. investment of $13.2 million in a new terminal joint venture, Stolthaven Revivegen Kaohsiung Co., Ltd. in Taiwan

Offsetting the uses of cash were proceeds from the sale of ships and other assets of $7.9 million, compared with $29.7 million in 2021.

Cash capital expenditures by business are summarised below:

	For the years ended November 30	
(in thousands)	**2022**	2021
Stolt Tankers	**$ 94,885**	$ 119,584
Stolthaven Terminals	**69,015**	43,650
Stolt Tank Containers	**27,968**	13,745
Stolt Sea Farm	**5,471**	7,698
Corporate and Other	**2,090**	809
Total	**$ 199,429**	$ 185,486

During the year ended November 30, 2022, the Group spent $199.4 million on property, plant and equipment. Cash spent during the period primarily reflected:

i. $76.3 million on tanker projects, including amounts related to the purchase of two second-hand 33,600 dwt ships and deposits for a barge newbuilding
ii. $18.6 million on drydocking of ships
iii. $69.0 million on terminals expansion and maintenance projects
iv. $28.0 million on the purchase of tank containers and construction at depots
v. $5.5 million on Stolt Sea Farm capital expenditures

Net cash used in financing activities

Net cash outflow from financing activities totalled $345.0 million in 2022, compared with $201.1 million in 2021.

The significant cash sources from 2022 financing activities were $484.5 million, compared with $142.0 million in 2021. The 2022 debt issuances mainly comprised:

i. $180.9 million term loan to refinance a previous loan as part of a new $415.0 million sustainability-linked secured loan agreement of which the remainder is a new revolving credit line.
ii. $127.6 million fixed-rate borrowing agreement with ING Bank N.V., using a group of tank containers as collateral
iii. $110.0 million fixed-rate borrowing agreement with ING Bank N.V., using a group of tank containers as collateral
iv. $66.0 million top-up of a term loan with Danish Ship Finance A/S

The principal uses of cash for financing activities in 2022 were:

i. $684.7 million in repayment of long-term debt, compared with $312.8 million in 2021
ii. $51.2 million of principal payments on lease liabilities, compared with $43.4 million in 2021
iii. $53.6 million in dividend payments, compared with $26.8 million in 2021
iv. $40.0 million repayment of the revolving credit facility

Indebtedness

SNL's total consolidated debt, excluding debt issuance costs, was $2,207.8 million as of November 30, 2022 and $2,460.3 million as of November 30, 2021, as set out in the table below.

(in thousands)	**2022**	2021
Short-term bank loans	**$ –**	$ 40,000
Long-term debt (including current portion)	**1,984,221**	2,209,803
Long-term lease liabilities (including current maturities)	**223,584**	210,450
Total debt on Consolidated Financial Statements	**2,207,805**	2,460,253
Available unused facilities:		
Committed revolving credit line	**320,950**	309,883
Uncommitted short-term bank lines of credit	**25,000**	45,000
Total unused facilities	**345,950**	354,883
Total debt and unused facilities	**$ 2,553,755**	$ 2,815,136

Long-term debt in the table above excludes debt issuance costs of $17.4 million and $24.2 million as of November 30, 2022 and 2021, respectively.

Short-term debt

Short-term debt consists of debt obligations to banks under uncommitted lines of credit and bank overdraft facilities which can be withdrawn by the banks on short notice. SNL had access to $25.0 million of such facilities, which were unused during the year ended November 30, 2022.

During 2021 and 2022, SNL also had two committed revolving credit lines. The $209.9 million Secured Multicurrency Revolving Loan Facility ("Secured RCF") was terminated in February 2022 and replaced with a $234.1 million sustainability-linked revolving credit facility with 14 banks and led by Nordea Bank Abp, Danske Bank A/S and DNB (UK) Limited. In addition, STL had a $100.0 million credit line with DNB (UK) Limited and Swedbank AB. As of November 30, 2022, the amount available under the two committed revolving credit lines amounted to $320.9 million.

Amounts borrowed pursuant to the Secured RCF facility and the RCF bore an average interest rate of 2.6% and 5.3%, respectively, for the year ended November 30, 2022.

Long-term debt

Long-term debt consists of debt collateralised by mortgages on SNL's ships, tank containers and terminals and unsecured bank loans at Stolt Sea Farm as well as $259.2 million unsecured bond financing denominated in NOK (NOK 2,550 million after removing the effect of the cross-currency interest rate swaps and debt issuance costs). It does not include the off-balance sheet arrangements discussed below. SNL's long-term debt (including debt issuance costs) was $1,966.8 million and $2,185.6 million as of November 30, 2022 and 2021, respectively, as set out below:

(in thousands)	2022	2021
Long-term debt	**$ 1,966,779**	$ 2,185,644
Less: Current maturities	**(288,958)**	(490,502)
	$ 1,677,821	$ 1,695,142

Long-term lease liabilities

IFRS 16, Leases (IFRS 16), requires all but immaterial or short-term leases to be recorded on the balance sheet. As of November 30, 2022, SNL had long-term lease liabilities for ships, terminal facilities, tank containers, barges, land, permits, computer and office equipment and offices. Certain of the leases contain clauses requiring payments in excess of the base amounts to cover operating expenses related to the leased assets. Such payments are expensed in the period of payment.

Reconciliation of Net Cash Flows to Movement in Net Debt

SNL had the following changes in net debt, which is defined as short-term loans, long-term debt and lease liabilities, less cash and cash equivalents.

(in thousands)	2022	2021
(Increase) decrease in cash and cash equivalents for the year	**$ (28,273)**	$ 63,899
Cash inflow from increase in debt	**484,533**	181,950
Cash outflow from repayments of debt	**(724,741)**	(312,827)
Cash outflow from finance leases	**(51,210)**	(43,432)
Change in net debt resulting from cash flows	**(319,691)**	(110,410)
Lease liabilities capitalised, net of retirements	**70,200**	63,591
Currency movements	**(31,790)**	38,255
Debt issuance costs and other movements	**7,277**	5,901
Movement in net debt in the year	**(274,004)**	(2,663)
Opening net debt	**2,312,226**	2,314,889
Closing net debt	**$ 2,038,222**	$ 2,312,226

During 2022, SNL met its liquidity needs through a combination of cash generated from operations, borrowings from commercial banks and other financial institutions and proceeds from the sale of assets.

Generally, Stolt Tankers was able to operate with a minimum of working capital by extending tight credit terms to customers, keeping accounts receivable to a minimum, and by obtaining standard credit terms of 30 to 90 days from most suppliers.

For Stolthaven Terminals and Stolt Tank Containers, a normal business operating cycle prevails with balanced credit terms. For Stolt Sea Farm, the production cycle for various farmed fish species is several months to years, requiring a normal level of working capital to finance inventory.

Ships, terminals, tank containers and investments in equity instruments can be an important source of liquidity, as these assets can be used to secure debt or can be sold and, if needed, leased back. SNL realised proceeds from the sale of ships and other assets of $7.9 million in 2022, compared to $29.7 million in 2021.

SNL's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. SNL monitors capital on the basis of the ratio of debt to tangible net worth (shareholders' equity less intangible assets, non-controlling interests and other components of equity). During the year ended November 30, 2022, debt and lease liabilities decreased by $245.7 million. Tangible net worth increased by $205.3 million from November 30, 2021. This was primarily due to net profit of $280.9 million partially offset by declared dividends of $80.4 million. The debt to tangible net worth ratio was 1.16 at November 30, 2022 from 1.44 at November 30, 2021. This is below the 2.25 threshold included as a debt covenant in most of SNL's debt agreements.

Off-Balance Sheet Arrangements

In addition to the obligations recorded on SNL's consolidated balance sheets, certain commitments that will result in future cash outlays are not recorded on the Company's consolidated balance sheets. In addition to long-term debt interest payments, these off-balance sheet arrangements consist of immaterial or short-term leases, committed capital expenditures and the retained and contingent interests discussed in the Significant Contractual Obligations table below.

Leases

In accordance with IFRS 16, all leases other than those that are immaterial or less than one year are capitalised. Future commitments for short-term or immaterial leases were $3.4 million at November 30, 2022, compared with $3.2 million at November 30, 2021.

Significant Contractual Obligations

SNL has various contractual obligations, some of which are required to be recorded as liabilities in the Consolidated Financial Statements. SNL's operating leases, committed capital expenditures, long-term debt and lease liability interest payments and other executory contracts are not required to be recognised as liabilities on the Company's consolidated balance sheets. As of November 30, 2022, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2022, including those reported on the Company's consolidated balance sheet and others that are not:

(in thousands)	Total	Less than 1 yr	2-3 yrs.	4-5 yrs.	More than 5 yrs.
Contractual cash obligations:					
Long-term debt[1]	$ 1,984,221	$ 293,109	$ 817,069	$ 450,480	$ 423,563
Lease principal payments	223,584	49,017	67,454	24,653	82,460
Lease interest payments	104,626	9,806	13,684	9,181	71,955
Operating leases	3,402	2,214	967	221	–
Committed capital expenditures	66,565	55,628	10,937	–	–
Long-term fixed rate debt interest payments	228,672	73,379	81,351	49,360	24,582
Long-term variable rate debt interest payments[2]	99,581	22,903	36,188	23,530	16,960
Derivative financial liabilities[2]	8,463	2,240	6,223	–	–
Pension and post-retirement benefit obligations[3]	2,043	2,043	–	–	–
Total contractual cash obligations:	$ 2,721,157	$ 510,339	$ 1,033,873	$ 557,425	$ 619,520

1. Excludes debt-issuance cost.
2. Long-term variable rate debt interest payments and derivative financial liabilities are based on the rates in effect at November 30, 2022. Derivative financial liabilities are based on undiscounted cash flows.
3. Pension and post-retirement benefits contributions – SNL includes these amounts based on current estimates of contributions to the pension plans that may be required. The Company has not disclosed possible payments beyond the next 12 months owing to the significant difficulty in forecasting these amounts with any accuracy.

Financial Risk Management

SNL is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on SNL's financial performance. This is covered in more detail in the annual Financial Statements.

Critical Accounting Estimates and Judgements

In the preparation of SNL's Financial Statements, there are a number of areas involving management judgements and estimates as well as assumptions about the future. Such areas could experience significantly different outcomes should these assumptions, judgements and estimates differ from actual results. The key areas where estimates and judgements make significant differences are:

- Voyage revenue and costs
- Depreciation and residual values
- Review of impairment triggers
- Investments in joint ventures and associates
- Insurance claims receivable and provisions
- Pension and other post-retirement benefits
- Right-of-use assets and lease liabilities

To obtain a better understanding of SNL's detailed accounting policies in these areas, please see Note 2 to the Financial Statements.

Principal Risks

Each business segment considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties for the next financial year are discussed below.

Bunker fuel and freight costs

Bunker fuel constitutes one of the major operating costs of the tanker fleet and price changes can have a material impact on SNL's results. Although efforts are made to reduce the impact of price changes by passing bunker fuel costs through to customers or through the Company's bunker hedging programme, a significant portion is incurred solely by the Company. Approximately 64% of Stolt Tankers' STJS sales volume in 2022 was derived from COA. Approximately 99% of these COA had provisions to pass through fluctuations in fuel prices to customers. As a result the expected cover from COA equals approximately 63% of the total deep-sea bunker price exposure.

The profitability of the remaining Stolt Tankers' STJS revenue earned under COA and all spot revenue was directly impacted by changes in fuel prices, subject to the Company's hedging programme. In addition, the bunker surcharge clauses can result in the Company providing customers with rebates in periods of lower bunker prices. SNL's policy is to hedge a minimum of 50% of expected bunker purchases within the next 12 months, either through bunker surcharge clauses included in COA or through financial instruments.

Ships are required to use marine fuels with a sulphur content of no more than 0.50% against the previous limit of 3.50%. Stolt Tankers is taking a multifaceted approach to low-sulphur fuel. Thirteen vessels have been fitted with wet hybrid scrubbers in order to reduce sulphur emission, of which three are still to be certified.

The rest of the Stolt Tankers fleet has switched to Marine Gas Oil or alternative fuels, depending on availability, usability and cost efficiency.

The vast majority of the COA now include adapted bunker surcharge clauses to cover the higher fuel prices.

For Stolt Tank Containers, the impact of increased freight costs due to tight capacity on container ships in select markets, additional surcharges, and fluctuations in fuel prices can result in downward pressure on margins. Cost increases are passed on to customers when possible. Given quoted rate validity periods to customers, there is a negative impact on margins in periods of rising freight costs until rates can be increased.

Tanker and tank container industry risk

The tanker industry is cyclical and volatile, which may lead to reductions and/or volatility in freight rates, volumes and ship values. Fluctuations in the rates that Stolt Tankers can charge result from changes in the supply and demand for ship capacity and changes in the supply and demand for the products carried, particularly the bulk liquids, chemicals, edible oils, acids and other specialty liquids that are the majority of the products that the Company transports. Factors influencing demand include supply for products shipped, economic growth, environmental development and the distances that products are moved by sea. Factors influencing supply include the number of new ships and recycling of old ships, changes in regulations, the strength of the clean petroleum product tanker markets and availability of capacity at shipyards.

Stolt Tankers mitigates these risks by actively managing the mix of business between COA and spot and utilises various tools to increase fleet flexibility and decrease risk. Contract business tends to be less volatile in terms of both rates and volumes than spot 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, while they reduce the contract percentage and shorten the contract duration when prices are strengthening and ship supply tightens. Stolt Tankers also actively manages its charter periods to allow a certain number of ships to be redelivered on short notice. Within the owned fleet, Stolt Tankers endeavours to maintain a balanced age profile. Through this technique, fleet size can be managed by early retirement of older ships when demand is soft and life extension of ships during periods of higher demand.

The tank container industry is also cyclical and volatile, which may lead to reductions and/or volatility in freight rates and shipment volumes. Fluctuations in the rates that Stolt Tank Containers can charge its customers result from new competition attempting to aggressively grow market share combined with an over-supply of tank containers in the market. Stolt Tank Containers mitigates this risk by actively managing customer relationships and pricing as well as maintaining a balance of owned and leased tanks. Fleet size can easily be managed by the on-hire and off-hire of leased tanks.

Climate change risk

SNL may incur substantial costs as a result of changes in weather patterns due to climate change. Increases in the frequency, severity or duration of severe weather events such as hurricanes, typhoons or other severe weather events could result in asset loss, injuries, lost earnings, difficulty in obtaining insurance and higher costs. Changes in sea water temperature can adversely impact growth rates of fish, harm the fish and lead to losses of fish. To counteract future climate changes, there have been increasingly stringent regulations, such as the requirement to use low sulphur fuels, and violations can lead to significant fines and penalties. Future regulations could result in making SNL assets prematurely obsolete or require costly investments. We are also monitoring regulations, such as the EU Emissions Trading System, which – with inclusion of shipping starting in 2024 – will require the purchase of EU allowances equivalent to its carbon emissions. This will drive an increase in the Company's operating expenses and could impact the profitability and cash flow of the Group unless offset by higher revenue. In order to mitigate the cost increase, SNL is including wording in its COAs that either would allow for the recovery of these costs from its customers, or in the absence of such, would allow cancellation of the contracts if no amicable solution is found for the recovery of the added cost. In addition, SNL continues in its efforts to reduce bunker consumption and thereby reduce the anticipated cost of the EU Emissions Trading System regulation.

SNL's assets and procedures are designed to avoid contaminations, spills, leaks, fires and explosions, with safety equipment installed to minimise the impact of such incidents. SNL employees regularly review and test emergency response plans through safety drills, partnering with local incident response services and regulatory agencies. Drills involve the safe evacuation of the workforce, visitors and all other parties from the ships, terminals, depots, farms and offices. SNL is also using its expertise and strong industry relationships to investigate and explore new technologies to enable the move towards a low-carbon future.

Newbuilding risk

SNL spends substantial sums during the construction of parcel tanker newbuildings without earning revenue and without assurance that ships will be completed on time or at all.

The risks with respect to newbuildings arise because SNL is typically required to pay substantial amounts as progress payments during construction of a newbuilding but does not derive any revenue from the ship until after its delivery. SNL's receipt of newbuildings could be delayed temporarily or indefinitely because of:

- Quality or engineering problems
- Work stoppages or other labour disturbances at the shipyard
- Bankruptcy or another financial crisis of the shipbuilder
- A backlog of orders at the shipyard
- SNL requests for changes to the original ship specifications
- Shortages of, or delays in, the receipt of necessary equipment or construction materials, such as steel

If the delivery of a ship is materially delayed, this could adversely affect the business and its results of operations, cash flow and financial condition. SNL manages these risks by agreeing to industry standard provisions dealing with compensation for delays and rights to terminate the newbuilding contract. Any progress or down payments made by the Company under the newbuilding contracts are secured by refund guarantees issued by commercial banks or government institutions to cover the repayment obligation by the shipyards in case of a yard default.

Political and geopolitical risk

SNL 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 SNL's ships and tank containers are employed, and terminals are located.

SNL is also exposed to geopolitical risks where territorial and other disputes between countries could lead to the outbreak of war or the existence of international hostilities that could damage the world economy, adversely affect the availability of, and demand for, petroleum and chemical products and adversely affect SNL's ability to operate ships, terminals or tank containers. Moreover, SNL operates in a sector of the economy that is likely to be adversely affected by the impact of political instability, terrorist or other attacks and war or international hostilities, for example, the invasion of Ukraine by Russia.

For an effective and competitive global chemical shipping business, managing geopolitical risk is a strategic imperative. Cross-border expansion to facilitate corporate growth is a significant contributor to growth. In some cases, cargoes are located in – or destined for – troubled or developing markets where considerable cultural, infrastructure, security or technology challenges must be met. At the same time, economic and population growth, especially in Asia, is creating new demand for petroleum and chemical products. Sufficient supply must be in place with supporting infrastructure and distribution to meet demand in these high growth markets.

Project development risks

Stolthaven Terminals is working on various projects at its wholly owned and joint venture terminals. The development of terminal operations and jetties involves significant upfront investment in infrastructure and there are risks inherent in such developments, including political, regulatory, currency exchange, liquidity, financial, contractual and structural risks. The occurrence of one or more of these risk factors could delay the project and result in increased project costs. Different countries carry varying degrees of risk depending on social, cultural, political and financial development and stability. Efforts are made to mitigate these risks by employing local country and regional representatives to act as liaisons with local authorities and to devise appropriate mitigating actions.

Stolt Sea Farm biological asset inventory price risk

All mature turbot and sole are held at fair value less costs of sale and costs related to 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 recognised in the income statement.

The fair value of these assets fluctuates significantly based upon the season, competition, market conditions and existing supply. The fair-value adjustment recognised in the current year was a loss of $1.0 million in operating profit, compared with a $17.4 million gain in 2021. Fair value adjustments have a direct impact on SNL's income statement and there is a risk that the fair value adjustment recognised in a year could negatively impact SNL's income statement.

Currency risk

Most of the revenue earned by Stolt Tankers and Stolt Tank Containers is denominated in US dollars, whilst a significant portion of the divisions' operating expenses is incurred in other currencies, primarily the euro, the Singapore dollar, Japanese yen, Philippines peso and the British pound. When there is a mismatch between revenue and expense currencies, any depreciation of the revenue currency relative to the expense currency will decrease profit margins.

On average in 2022, the US dollar has strengthened by approximately 8.2% against the euro, causing an increase in profit margins. SNL's foreign currency hedging policy is to hedge between 50% to 80% of the Company's expected foreign currency operating exposures over the next 12 months.

Cyber risk

SNL relies on information technology (IT) systems in all of the businesses and is dependent on contractors supporting the delivery of information technology services. Given SNL's dependence on IT systems, a successful cyber-security attack could cause significant harm to SNL and negatively impact SNL's cash flow and financial position as well as result in a loss of productivity, intellectual property, regulatory fines and reputational damage.

To mitigate the risk of a cyber-attack, SNL continually measures, reviews and strives to improve its cyber-security capabilities. SNL has implemented preventive, protective and detective technologies and controls, including response and recovery capabilities, while adhering to industry best practices. SNL also requires training and has prepared awareness campaigns for staff. Risks are detected by actively monitoring SNL's information systems and applying lessons learned from security incidents. To limit the duration and impact of a cyber incident, SNL has implemented and tested response and recovery procedures to recover and restore business processes and services. When external companies provide SNL with critical IT services, security is managed through contractual clauses and supplier assurance reports. In addition, remote support by third-parties is closely monitored with restricted access and time limitations.

Disease outbreaks and pandemic risks

SNL's operations are global in nature and rely on a significant number of operational staff and third-party suppliers to run smoothly. As has been evidenced by the recent Covid-19 pandemic, disease outbreaks can put significant restrictions on the movement of people and their ability to get to their place of work as well as restrictions on the operations of our assets. Although SNL's ship operations continued mostly uninterrupted, there was a delay in the performance of shore-side support operations and a delay in transferring crew to and from the ships. Tank containers are dependent on SNL container depots for cleaning and pre-load preparations, and the depots are reliant on their employees being able to come to work, and third-party truckers and rail lines being able to transport the containers. Stolt Sea Farm's sales suffered as demand for turbot decreased drastically during lockdown since a large percentage of its sales are to the hotel, restaurant and catering sectors.

If the movement of people and transport operations are restricted, this could limit SNL's ability to meet commitments to customers and could impact financial results. Likewise, any outbreak on-board our ships or at one of our terminals could impact operations of individual assets. The severity of the impact of such disruptions would depend on the spread and duration of the disease. To the extent possible, business continuity plans have been updated and implemented to mitigate any negative impact on the businesses from a wide-spread and long-lasting disease of the coronavirus type.

Financing risk

The Group's businesses are capital intensive and, to the extent the Group does not generate sufficient cash from operations, the Group may need to raise additional funds through public or private debt to fund capital expenditures and to refinance maturing debt instruments. Adequate sources of capital may not be available when needed or may not be available at favourable terms. The Group's ability to obtain financing is dependent on various factors, such as financial market conditions for unsecured debt and financial institutions' appetite for secured ship, tank container or terminal financing.

The Group has a diversified debt structure and has access to a wide range of funding sources from banks, leasing companies and the Nordic bond market. The Group also maintains significant availability under its committed credit facilities, as well as cash on hand, to mitigate the risk of short-term interruptions to the financial markets.

Treasury Shares

At November 30, 2022 and 2021, SNL held 5,000,000 Treasury Shares. See Note 30 to the Financial Statements.

Going Concern

The annual Financial Statements have been prepared under the going concern assumption.

Audit Tender Process

In 2022, SNL went through a tender process for Independent Auditors and PricewaterhouseCoopers LLP was reappointed.

Subsequent Events

See Note 33 to the Consolidated Financial Statements for significant events occurring after November 30, 2022.

Niels G. Stolt-Nielsen
Chief Executive Officer
Stolt-Nielsen Limited

Jens F. Grüner-Hegge
Chief Financial Officer
Stolt-Nielsen Limited

March 15, 2023