Financial Review

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, 2024, and 2023.

This discussion consists of:

- Results of operations
- Business segment information
- Liquidity and capital resources
- Critical accounting estimates
- Principal risks
- Treasury shares
- Going concern
- Subsequent events

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"The Company has a strong balance sheet and significant financial flexibility."

Jens F. Grüner-Hegge, Chief Financial Officer

Results of operations

Below is a summary of SNL's consolidated financial data for November 30, 2024, and 2023:

(in US $ thousands)	For the years ended November 30 2024	2023
Operating revenue	**2,890,625**	2,820,218
Operating expenses	**(1,851,010)**	(1,745,793)
Legal claims provision	**–**	(155,000)
Depreciation and amortisation	**(298,757)**	(292,321)
Gross profit	**740,858**	627,104
Gross margin	**25.6%**	22.2%
Share of profit of joint ventures and associates	**62,758**	62,265
Administrative and general expenses	**(274,087)**	(273,412)
Gain on disposal of assets, net	**7,485**	3,606
Other operating income	**2,821**	3,406
Other operating expense	**(1,305)**	(3,322)
Operating profit	**538,530**	419,647
Operating margin	**18.6%**	14.9%
Non-operating (expense) income:		
Finance expense – finance leases	**(14,177)**	(11,389)
Finance expense – debt and other	**(112,001)**	(108,967)
Finance income	**16,258**	7,742
Foreign currency exchange loss, net	**(4,045)**	(5,289)
Other non-operating income, net	**16,550**	7,690
Profit before income tax	**441,115**	309,434
Income tax expense	**(46,356)**	(12,783)
Net profit	**394,759**	296,651

(in US $ thousands)	For the years ended November 30 2024	2023
Net profit excluding one-time items	**400,759**	411,651
One-time items:		
Impairment of investment in and advances to Higas	**(6,000)**	–
Legal claims provision, net of tax expense	**–**	(115,000)
Net profit	**394,759**	296,651

Consolidated income statement

Net profit of SNL was $394.8 million for 2024, compared with $296.7 million in 2023. Excluding the one-time items described in the table, net profit was $400.8 million, $10.9 million lower than in 2023.

The most significant factors affecting SNL's performance in 2024 were:

- Stolt Tankers reported an operating profit of $390.1 million, an increase of $19.0 million compared to the prior year's operating profit of $371.1 million. Deep-sea results improved, primarily driven by favourable freight rates and lower port charges.
- Stolthaven Terminals reported an operating profit of $110.4 million compared to $105.0 million, as a result of rate escalations on new and existing businesses and strong performance at joint ventures.
- Stolt Tank Containers (STC) reported an operating profit of $59.0 million, down from $117.2 million in 2023, excluding the *MSC Flaminia* provision of $155.0 million. The lower operating profit was primarily due to a reduction in both transportation margins and demurrage revenue, underscoring the weak market conditions.

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- Stolt Sea Farm reported an operating profit of $29.2 million, compared with $24.3 million in 2023. Excluding the fair value on the biological assets in both years, operating profit increased by $9.4 million, with higher average sales prices and sales volumes in turbot and sole.
- Stolt-Nielsen Gas reported an operating loss of $20.5 million in 2024 versus an operating loss of $10.4 million in 2023. The losses in both years were mainly attributable to SNL's share of losses at Avenir LNG Limited (Avenir) and Higas Holdings Limited (Higas).
- Corporate and Other operating loss was $29.6 million, compared to the prior year loss of $32.5 million. Corporate and Other operating loss in both years primarily comprised profit sharing, Director and investor expenses, offset by dividends of certain equity instruments.

Operating revenue

Operating revenue was $2,890.6 million in 2024, which was 2.5% higher than in 2023, mainly due to higher regional fleet revenues at Stolt Tankers.

Stolt Tankers' revenue increased by $93.1 million, mainly due to $111.3 million increase from full-year inclusion of the Stolt NYK Asia Pacific Services Inc. pool (SNAPS pool) which commenced in October 2023 as a result of Stolt Tankers managing the SNAPS pool. The SNAPS pool operates in East and Southeast Asia markets. The revenues are offset in operating expenses. In addition, the Caribbean coastal fleet increased by $30.4 million due to increased operating days and demurrage. The regional revenue increases were partially offset by $41.4 million lower deep-sea operating revenue. Lower freight revenue of approximately $20.0 million resulted from 13.5% less volume, mostly due to longer voyages related to the transit restrictions in the Red Sea, which was partially offset by a 10.6% increase in average freight rates. Demurrage revenue and bunker surcharge revenue were also lower than in the prior year.

Stolthaven Terminals' revenue increased by $8.2 million compared to 2023, an increase of 2.7%. This increase was primarily due to higher storage revenue at the majority of the terminals as a result of rate escalations, despite a drop in utilisation.

Stolt Tank Containers' (STC) revenue decreased by $47.4 million, or 6.8%, in 2024 largely due to a decrease in demurrage and ancillary revenues and the decrease in partial shipments from the prior year.

Stolt Sea Farm's (SSF) operating revenue was $126.8 million in 2024, increasing by $16.0 million, or 14.4%, which was a result of turbot sales prices increasing by 14.3% and sales volumes by 0.7%; and by sole sales prices increasing by 8.8% and sales volumes by 4.5%.

Gross profit

SNL's gross profit decreased by $41.2 million or 5.3%, excluding the prior year $155.0 million *MSC Flaminia* provision in STC. The decrease is due to the normalisation of supply chains in STC.

Stolt Tankers' gross profit increased by $13.8 million in 2024, to $437.5 million. The deep-sea gross margin increased by $8.8 million as a result of a reduction in port charges and time charter expenses which more than offset the reduction in deep-sea revenue. The regional fleets increased by $5.0 million as a result of the improvement in operating days in the Caribbean fleet.

Gross profit for Stolthaven Terminals was $133.4 million in 2024, compared with $128.6 million in 2023, an increase of $4.8 million. Gross profit increased due to the impact of higher operating revenue in 2024, although it was partly offset by higher personnel, maintenance and facility costs.

STC saw a decrease in gross profit of $59.6 million, excluding the prior year *MSC Flaminia* provision of $155.0 million. This decrease is the result of supply chains normalising, bringing margins, demurrage and ancillary revenue down while ocean freight and other costs increased with the higher number of shipments.

SSF's gross profit increased by $6.9 million to $41.8 million from $34.9 million in 2023. Excluding the fair value of biological assets, gross profit increased $11.5 million in 2024 as a result of the higher average sales prices from turbot and sole together with higher volumes sold.

Share of profit of joint ventures and associates

SNL's share of the profits from non-consolidated joint ventures and associates in 2024 was $62.8 million, up from $62.3 million in 2023.

Stolt Tankers' share of profit from joint ventures increased by $6.4 million to $50.6 million, notably owing to the effect of improved deep-sea markets at the two deep-sea joint ventures, NYK Stolt Tankers S.A. and Hassel Shipping 4 AS.

Stolt-Nielsen Gas' share of losses in Avenir and Higas was $19.0 million in 2024, compared to $9.9 million in 2023. This was the result of the challenging LNG market and a $6.0 million impairment of investment in and advance to Higas.

Administrative and general expenses

Administrative and general expenses were $274.1 million in 2024, up from $273.4 million in 2023, an increase of $0.7 million. This was largely due to normal inflationary salary increases, higher information services costs and the effect of the strengthening dollar, partially offset by lower profit-sharing expenses.

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Gain on disposal of assets, net
SNL recorded a net gain on disposal of assets of $7.5 million in 2024, compared with a gain of $3.6 million in 2023. In 2024, the gain included amounts related to the sale of the *Stolt Facto*, *Stolt Sisto* and *Stolt Cormorant*. In 2023, the gain included amounts related to the sale of the *Stolt Guillemot*.

Other operating income and other operating expense
Other operating income was $2.8 million in 2024, compared with $3.4 million in 2023. Other operating expense was $1.3 million in 2024, compared with $3.3 million in 2023.

Finance expense
Finance expense was $126.2 million in 2024, up from $120.4 million in 2023. Interest on debt increased by $3.0 million, owing to higher interest rates on SNL debt. Interest on leases was $14.2 million, compared with $11.4 million in 2023.

Finance income
Finance income was $16.3 million in 2024, up by $8.5 million compared with 2023.

Foreign currency exchange loss, net
In 2024, SNL had a foreign currency exchange loss of $4.0 million, compared with a $5.3 million loss in 2023. The 2024 loss was mainly due to the effect of the strengthening of the US dollar against the NOK, JPY and CNY on intercompany loans, as well as realised and unrealised foreign exchange hedging losses.

Other non-operating income, net
Non-operating income was $16.6 million in 2024, compared with $7.7 million in 2023 due to higher dividend income from equity instruments.

Income tax expense
Income tax expense was $46.4 million in 2024, compared to $12.8 million in 2023. The income tax expense was significantly lower in 2023 owing to the tax benefit relating to the legal claims provision.

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 US $ thousands)	**2024**	2023
Operating revenue		
Stolt Tankers	**1,802,914**	1,709,839
Stolthaven Terminals	**308,048**	299,815
Stolt Tank Containers	**652,121**	699,504
Stolt Sea Farm	**126,789**	110,831
Corporate and Other	**753**	229
Total	**2,890,625**	2,820,218
Operating profit (loss)		
Stolt Tankers	**390,082**	371,076
Stolthaven Terminals	**110,354**	104,968
Stolt Tank Containers	**58,988**	(37,831)
Stolt Sea Farm	**29,179**	24,352
Stolt-Nielsen Gas	**(20,492)**	(10,396)
Corporate and Other	**(29,581)**	(32,522)
Total	**538,530**	419,647

Stolt Tankers

Operating revenue
Operating revenue increased by $93.1 million in 2024 versus 2023, with deep-sea revenue decreasing by $43.2 million and regional revenues increasing by $136.3 million.

Deep-sea revenue decreased from a combination of lower freight, demurrage and bunker surcharge revenue. Deep-sea freight revenue decreased approximately $20.0 million as a result of a 13.5% reduction in volume. Stolt Tankers experienced restricted transit in the Panama Canal and the Red Sea through much of the year, resulting in longer voyages. In addition, Tufton Shipping withdrew its eight ships at the end of 2023. Partially offsetting this was a 10.6% increase in average freight rates between the periods, mainly driven by a 16.9% increase in the rates on contracts of affreightment (COA) business, which contributed approximately 49% of total deep-sea freight revenue. Bunker surcharge revenue decreased by $9.8 million due to more spot revenue and demurrage revenue decreased by $10.9 million mainly due to less time in port.

Regional fleet revenue increased by $136.3 million, mainly driven by the SNAPS pool ($111.3 million) and the Caribbean coastal fleet ($30.4 million). As discussed above, as Stolt Tankers manages the SNAPS pool, all revenues are now included in the Stolt Tanker results with an offset in operating expenses. The increase in the Caribbean coastal fleet was influenced by 24.4% more operating days and higher demurrage revenue.

The time charter equivalent revenue (revenue less trading expenses) per operating day for the deep-sea fleet for 2024 was $31,574 versus $29,621 in 2023, an increase of 6.6%.

As of November 30, 2024, Stolt Tankers owned and/or operated 162 ships and barges, representing 3.05 million deadweight tonnes (dwt), compared to 162 ships and barges and 3.00 million dwt at the end of 2023.

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	Number of ships	Millions of dwt	% of STJS net earnings for the year ended November 30, 2024
Stolt Tankers Joint Service (STJS):			
Stolt Tankers Limited (54 owned ships)	61	1.97	74%
NYK Stolt Tankers S.A.	9	0.27	12%
Hassel Shipping 4 AS	8	0.26	12%
SFL Corporation	1	0.03	–
CMB Tech Netherlands	2	0.05	2%
Total STJS	81	2.58	100%
Ships in wholly owned regional services (18 owned ships)	47	0.21	
Ships in joint venture regional services (31 owned by joint ventures)	34	0.26	
Total	162	3.05	

Operating profit

Operating profit increased by $19.0 million, to $390.1 million in 2024 from $371.1 million in 2023. This was as a result of the $93.1 million increase in revenues discussed above and a $6.4 million increase in share of profit from joint ventures and associates, partially offset by increases in operating expenses.

Operating expenses increased by $76.7 million. As mentioned above, the revenue of the SNAPS pool was completely offset through operating expenses. Excluding the $111.3 million of SNAPS pool expenses, operating expenses decreased by $34.6 million. Deep-sea port charges decreased by $43.9 million due to a decrease in volume between the years and restrictions in the Panama and Suez Canals for most of the year. Deep-sea time charter expenses also decreased by $15.1 million due to the Tufton ships being redelivered from the Joint Service. Offsetting this was $24.3 million higher time charter and other expenses in the Caribbean coastal fleet from the increase in operating days.

Bunker expenses for deep sea were $5.2 million lower as a result of fewer operating days. The average price of very low sulphur fuel (VLSF) and intermediate fuel oil (IFO) consumed in 2024 was $593 per tonne, up 0.4% from $591 per tonne in 2023. Ship management costs were $9.6 million or 4.2% higher than prior year mainly due to increased costs for manning and maintenance and repairs.

Stolt Tankers' share of profit from joint ventures increased by $6.4 million to $50.6 million, most notably owing to NYK Stolt Tankers S.A. and Hassel Shipping 4 AS benefitting from the improved deep-sea markets.

Stolthaven Terminals

Operating revenue

Stolthaven Terminals' revenue increased by $8.2 million to $308.0 million in 2024, from $299.8 million in 2023. Storage rental revenue increased by 2.1%, as a result of higher average rental rates, despite a decrease in the average utilisation rate to 90.8% in 2024, down from 96.7%. The decrease in utilisation was related to the Company's long-term optimisation project. Ancillary revenue such as utilities and dock revenue also increased by $3.9 million.

Total available average capacity at the wholly owned terminals increased to 1,747,547 cubic metres in 2024 from 1,723,720 cubic metres in 2023. This increase in capacity was as a result of expansions in Dagenham, UK and New Zealand. Product handled increased slightly to 14.4 million metric tonnes in 2024 from 14.2 million metric tonnes in 2023.

Operating profit

Operating profit increased by $5.4 million to $110.4 million in 2024, from $105.0 million in 2023. The revenue increase of $8.2 million in 2024 discussed above was partly offset by higher expenses.

Operating expenses increased by $3.1 million and administrative and general expenses by $2.5 million from 2023. These increases were driven by normal inflationary personnel costs, as well as higher maintenance and facility costs.

Stolthaven Terminals' share of profit of joint ventures and associates increased by $3.2 million, due to additional capacity, high utilisation and improved rates at all joint venture terminals.

Stolt Tank Containers

Operating revenue

STC's revenue decreased to $652.1 million in 2024 from $699.5 million in 2023, a decrease of $47.4 million or 6.8%. This was primarily due to the impact of $34.8 million lower demurrage and ancillary revenues; this was a result of the previous bottlenecks in the supply chain being cleared. The remaining decrease was due to the revenue impact of partial shipments between the two years. The impact of higher completed shipments on transportation revenue was largely offset by lower freight rates.

In 2024, STC handled 154,721 tank container shipments, compared to 142,522 shipments in 2023, which represents an 8.6% increase in volumes and reflects a focus on growing market share in 2024. Average monthly utilisation was 63.9%

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in 2024, consistent with 2023. STC's fleet increased by 0.9% to 51,407 tank containers at the end of 2024, compared to 50,928 tank containers at the end of 2023.

Operating profit

STC's operating profit decreased by $58.2 million, excluding the impact of a provision in the prior year for *MSC Flaminia* of $155.0 million. The decline in operating profit was driven by the revenue decline discussed above, and an increase in freight and other operating costs of $18.5 million, as a result of the higher number of shipments. Depreciation expense was $3.7 million higher driven by the addition of new tanks.

Stolt Sea Farm

Operating revenue

SSF's revenue increased by $16.0 million, or 14.4%, to $126.8 million in 2024 from $110.8 million in 2023, due to higher sales prices and sales volumes for both species. Turbot sales volumes increased by 0.7% while prices increased by 14.3%. Sole volumes increased by 4.5% and prices increased by 8.8%.

Operating profit

SSF reported an operating profit including fair value gain (loss) on biological assets of $29.2 million in 2024, compared to an operating profit of $24.4 million in 2023, a year-on-year increase of $4.8 million. Excluding the fair value loss on biological assets of $0.7 million in 2024 and gain of $3.9 million in 2023, the increase in operating profit between the two periods was $9.4 million. The operating profit increase comes from the increased revenues from higher sales prices and higher sales volumes in both species.

The decrease in the fair market value on the biological assets was the result of lower turbot sale prices at the end of November 2024 due to promotional discounts.

Stolt-Nielsen Gas

Stolt-Nielsen Gas is an investment arm of SNL focusing on the LNG segment with holdings in Avenir, Higas and Golar LNG Limited (Golar). At 30 November, 2024, the results of both Avenir and Higas were reported as joint ventures, while changes in the share price of the Golar investments were reported as Other comprehensive income. Stolt-Nielsen Gas reported an operating loss of $20.5 million in 2024 versus a loss of $10.4 million in 2023. The underlying losses in both years were mainly attributable to SNL's share of Avenir and Higas which included a $6.0 million impairment of investment in and advance to Higas in 2024. See Note 33 to the Financial Statements for discussion on the acquisition of a 48.8% share of Avenir, subsequent to November 30, 2024.

Corporate and Other

Corporate and Other operating loss was $29.6 million, compared with the prior year loss of $32.5 million.

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Liquidity and capital resources

(in US $ thousands)	For the years ended November 30 2024	2023
Summary cash flows		
Net cash provided by operating activities:		
Net profit	**394,759**	296,651
Depreciation and amortisation	**298,757**	292,321
Share of profit of joint ventures and associates	**(62,758)**	(62,265)
Finance expense, net of income	**109,984**	112,614
Income tax expense	**46,356**	12,783
Fair value loss (gain) on biological assets	**699**	(3,914)
Other adjustments to reconcile net profit to net cash from operating activities	**(6,695)**	(5,899)
Changes in working capital assets and liabilities	**784**	157,901
Dividends from joint ventures and associates	**53,808**	43,832
Insurance proceeds related to *MSC Flaminia* lawsuit	**–**	133,000
Payment of the *MSC Flaminia* provision	**(290,000)**	–
Other, net	**(1,815)**	(2,681)
Cash generated from operations	**543,879**	974,343
Net interest paid, including debt issuance costs	**(110,526)**	(106,265)
Income taxes paid	**(21,740)**	(13,682)
Net cash generated from operating activities	**411,613**	854,396
Cash flows from investing activities:		
Capital expenditures	**(229,537)**	(259,438)
Purchase of intangible assets	**(6,593)**	(8,538)
Deposits on newbuildings	**(41,328)**	–
Investment in joint ventures and associates	**(14,520)**	(18,175)
Proceeds from sales of assets	**64,745**	6,333
(Purchase) sale of shares in equity instruments	**(35,600)**	11,798
(Advances to) repayments of advances to joint ventures, net	**(59,108)**	14,595
Other	**811**	(7,727)
Net cash used in investing activities	**(321,130)**	(261,152)

(in US $ thousands)	For the years ended November 30 2024	2023
Net cash used for financing activities:		
Repayment of long-term debt	**(519,643)**	(461,745)
Proceeds from issuance of long-term debt	**518,326**	333,840
Principal payments on leases	**(64,130)**	(54,495)
Dividends paid	**(133,876)**	(120,495)
Net cash used in financing activities	**(199,323)**	(302,895)
Effect of exchange rate changes on cash	**(2,937)**	4,025
Net (decrease) increase in cash and cash equivalents	**(111,777)**	294,374

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Net cash provided by operating activities

In 2024, SNL generated cash from operating activities of $411.6 million, compared with $854.4 million in 2023. This decrease was mostly due to a $290.0 million payment related to the *MSC Flaminia* claim, compared with $133.0 million received from insurance underwriters in relation to the same claim in the prior year.

Net cash used in investing activities

Net cash used in investing activities was $321.1 million in 2024, compared with $261.2 million in 2023. The most significant uses of cash for investing during 2024 were:

i. Capital expenditures of $229.5 million, $29.9 million lower than in 2023.

ii. Deposits of $41.3 million on six 38,000 dwt stainless steel parcel tankers.

iii. Purchase of computer software of $6.6 million.

iv. Purchase of equity shares in Odfjell SE for $35.6 million.

v. Investment of $14.5 million in joint ventures, Stolthaven Revivegen Kaohsiung Co., Ltd. (Taiwan) and Ceyhan Terminal Himzetleri Anonim Sirketu (Turkey).

vi. Net advances to joint ventures of $59.1 million.

Offsetting the uses of cash were proceeds from the sale of ships and other assets of $64.7 million.

Cash capital expenditures by business are summarised below:

	For the years ended November 30	
(in US $ thousands)	**2024**	2023
Stolt Tankers	**75,365**	102,920
Stolthaven Terminals	**89,260**	71,967
Stolt Tank Containers	**39,845**	64,972
Stolt Sea Farm	**14,455**	17,449
Corporate and Other	**10,612**	2,130
Total	**229,537**	259,438

Cash spent during the year ended November 30, 2024 primarily reflected:

i. $45.6 million on tanker projects

ii. $29.7 million on drydocking of ships

iii. $89.3 million on terminal expansion and maintenance projects

iv. $39.8 million on the purchase of tank containers and construction at depots

v. $14.5 million on Stolt Sea Farm capital expenditures.

Net cash used in financing activities

Net cash outflow from financing activities totalled $199.3 million in 2024, compared with $302.9 million in 2023.

The significant cash sources from 2024 financing activities were $518.3 million of debt issuances, compared with $333.8 million in 2023. The 2024 debt issuances mainly comprised:

i. $30.5 million cash received on an additional issue of NOK bonds, maturing in September 2028.

ii. $37.5 million four-and-half year loan agreement with Nordea Bank Abp, secured by two second-hand ships purchased in 2023.

iii. $450.0 million in seven-year and ten-year notes in the US private placement market. The notes are secured by US-based assets.

The principal uses of cash for financing activities in 2024 were:

i. $519.6 million in repayment of long-term debt, compared with $461.7 million in 2023.

ii. $64.1 million of principal payments on lease liabilities, compared with $54.5 million in 2023.

iii. $133.9 million in dividend payments, compared with $120.5 million in 2023.

Indebtedness

SNL's total consolidated debt, excluding debt issuance costs, was $2,204.5 million as of November 30, 2024 and $2,091.7 million as of November 30, 2023, as set out in the table below.

(in US $ thousands)	**2024**	2023
Long-term debt (including current portion)	**1,860,497**	1,853,465
Long-term lease liabilities (including current maturities)	**344,011**	238,207
Total debt on Consolidated Financial Statements	**2,204,508**	2,091,672
Available unused facilities:		
Committed revolving credit line	**418,227**	294,588
Total debt and unused facilities	**2,622,735**	2,470,260

Long-term debt in the table above excludes debt issuance costs of $17.7 million and $16.9 million as of November 30, 2024 and 2023, respectively.

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Short-term debt

Short-term debt consists of debt obligations to banks under uncommitted lines of credit and bank overdraft facilities that can be withdrawn by the banks on short notice.

During 2024, SNL also had three committed revolving credit lines, totalling $418.2 million. These were a sustainability-linked revolving credit facility (RCF) secured by 17 ships for $168.2 million, a $100.0 million credit line with DNB (UK) Limited secured by SNL's investment in Advario Stolthaven Antwerp, NV (Secured RCF facility) and a $150.0 million revolving credit facility with Danske Bank A/S, Nordea Bank Abp, DNB (UK) Ltd, Swedbank AB and Skandinaviska Enskilda Banken AB secured by Stolt Sea Farm SA shares.

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 SSF, as well as $137.4 million unsecured bond financing denominated in NOK ($142.9 million after considering the effect of the cross-currency interest rate swaps). It does not include the off-balance-sheet arrangements discussed below. SNL's long-term debt (including debt issuance costs) was $1,842.8 million and $1,836.6 million as of November 30, 2024 and 2023, respectively, as set out below:

(in US $ thousands)	2024	2023
Long-term debt	**1,842,772**	1,836,601
Less: Current maturities	**(195,645)**	(255,109)
	1,647,127	1,581,492

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, 2024, SNL had long-term lease liabilities for ships, terminal facilities and machinery, 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 US $ thousands)	2024	2023
Decrease (increase) in cash and cash equivalents for the year	**111,777**	(294,374)
Cash inflow from increase in debt	**518,326**	333,840
Cash outflow from repayments of debt	**(519,643)**	(461,745)
Cash outflow from leases	**(64,130)**	(54,495)
Change in net debt resulting from cash flows	**46,330**	(476,774)
Lease liabilities capitalised, net of retirements	**171,660**	67,938
Currency movements	**5,537**	(2,463)
Debt issuance costs and other movements	**225**	1,370
Movement in net debt in the year	**223,752**	(409,929)
Opening net debt	**1,628,293**	2,038,222
Closing net debt	**1,852,045**	1,628,293

During 2024, 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 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 STC, a normal business operating cycle prevails with balanced credit terms. For SSF, 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 $64.7 million in 2024, compared to $6.3 million in 2023.

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, 2024, debt and lease liabilities increased by $112.0 million. Tangible net worth increased by $246.9 million from November 30, 2023. This was primarily due to net profit of $394.8 million partially offset by declared dividends of $147.3 million. The debt to tangible net worth ratio was 0.94 at November 30, 2024, an improvement from 1.00 at November 30, 2023. This is below the 2.25 threshold included as a debt covenant in most of SNL's debt agreements.

Financial Review continued

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 section 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 $4.3 million at November 30, 2024, compared with $4.7 million at November 30, 2023.

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, 2024, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2024, including those reported on the Company's consolidated balance sheet and others that are not:

(in US $ thousands)	Total	Less than 1 yr	2-3 yrs	4-5 yrs	More than 5 yrs
Contractual cash obligations:					
Long-term debt[1]	1,860,497	200,446	506,426	605,365	548,260
Long-term fixed rate debt interest payments	417,766	84,445	143,819	100,787	88,715
Long-term variable rate debt interest payments[2]	64,649	18,595	27,130	13,774	5,150
Lease principal payments	344,011	58,581	83,169	51,368	150,893
Lease interest payments	135,287	17,267	26,459	18,551	73,010
Operating leases	4,285	2,939	976	370	–
Committed capital expenditures	655,294	284,364	283,126	87,804	–
Derivative financial liabilities[2]	14,240	1,616	6,688	5,489	447
Pension and post-retirement benefit obligations[3]	1,838	1,838	–	–	–
Total contractual cash obligations:	3,497,867	670,091	1,077,793	883,508	866,475

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, 2024. 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 where assumptions have been made about the future, together with management judgements and estimates. Such areas could experience significantly different outcomes should these assumptions, judgements and estimates differ from actual results. The key areas where estimates and judgements have significant impact are:

- Voyage revenue and costs
- Depreciation and residual values
- Review of impairment triggers
- Investments in joint ventures and associates

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

Financial Review continued

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.

Safety risk

Stolt Tankers, Stolthaven Terminals and Stolt Tank Containers are engaged in the worldwide transportation, storage and distribution of bulk liquid chemicals, edible oils, acids and other speciality chemicals, some of which are hazardous if not handled correctly. If a major safety risk materialises, such as a collision or explosion, which has occurred in the past, this could result in injuries, loss of life, environmental harm, disruption of business activities, loss or suspension of permits or loss of license to operate. Accordingly, this could have a material adverse effect on our earnings, cash flows and financial condition. 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 has put policies and procedures in place to ensure safe transport, operations and equipment care. SNL has also tailored training programmes for emergency response plans and employees regularly review and test such 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 Company's ships, terminals, depots, farms and offices.

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 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 and the ship attacks in the Red Sea.

There has also been a rise of nationalism and protectionism leading to tariffs and sanctions which could disrupt trade lanes. The US-China relationship could potentially influence sourcing patterns and tariff costs.

For an effective and competitive global chemical shipping business, managing geopolitical risk is a strategic imperative. Cross-border expansion 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.

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 extreme 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 change, 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 may make SNL assets prematurely obsolete, increase expenses or require costly investments. For example, the EU Emissions Trading System (ETS) started in 2024 for shipping and requires the purchase of EU allowances equivalent to its carbon emissions which has driven an increase in operating expenses. SNL has included wording in its COAs that allow for the recovery of these costs from its customers. SNL is using its expertise and strong industry relationships to investigate and explore new technologies to enable the move towards a low-carbon future.

Financial Review continued

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 speciality liquids that comprise the majority of the products 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 clean petroleum products 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. In general, Stolt Tankers maintains a relatively high percentage of contract business. 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 oversupply 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.

Cyber risk

There is a risk that an external third party could gain unauthorised access to SNL's information technology systems for the purpose of financial gain, industrial espionage, sabotage or terrorism.

SNL has virus, spam and malware protection, an isolated environment for its business applications, firewalls and other network and data centre protection and an identity management system. As with all companies, these security measures are still vulnerable to third-party security breaches, employee error, malfeasance, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or customers to disclose user names, passwords or other sensitive information, which may in turn be used to access SNL's information technology systems.

SNL devotes significant resources to network security, data encryption and other security measures to protect its systems and data, but these security measures cannot provide absolute security. To the extent SNL might experience a breach of its systems and be unable to protect sensitive data or physical assets, such a breach could negatively impact SNL's financial position.

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 original ship specifications
- Shortages of, or delays in the receipt of, necessary equipment or construction materials, such as steel, as a result of tariffs or other events
- A company involved with the newbuilding is sanctioned by a nation state.

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 payments or downpayments 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.

Financial Review continued

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.

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 half of Stolt Tankers' STJS revenue in 2024 was derived from contracts of affreightment (COA). Approximately all of these COA had provisions to pass through fluctuations in fuel prices to customers. As a result, the expected cover from COA equals approximately half of the total deep-sea bunker price exposure.

The profitability of 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, through either 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 emissions and, of these, 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 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 changes in 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.

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 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.

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 onboard our ships or at one of our terminals could impact the 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 widespread and long-lasting disease of the coronavirus type.

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, Singapore dollar, Japanese yen, Philippines peso and 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 2024 the US dollar weakened by approximately 0.6% against the euro, causing a decrease in profit margins. SNL's foreign currency hedging policy is to hedge between 50% and 80% of the Company's expected foreign currency operating exposures over the next 12 months.

Financing risk

SNL's businesses are capital-intensive and, to the extent the Company does not generate sufficient cash from operations, the Company 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 Company'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.

SNL 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 Company 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.

Financial Review continued

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 $0.7 million in operating profit, compared with a $3.9 million gain in 2023. 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.

Treasury shares

At November 30, 2024 and 2023, 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.

Subsequent events

See Note 33 to the Consolidated Financial Statements for significant events occurring after November 30, 2024.

Udo Lange
Chief Executive Officer
Stolt-Nielsen Limited

Jens F. Grüner-Hegge
Chief Financial Officer
Stolt-Nielsen Limited
March 13, 2025