Financial Review

Financial Review

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Results of operations

Below is a summary of SNL's consolidated financial data for November 30, 2023, and 2022:

(in thousands)	For the years ended November 30, 2023	2022
Operating Revenue	**$ 2,820,218**	$ 2,771,843
Operating expenses	**(1,745,793)**	(1,851,608)
Legal claims provision	**(155,000)**	–
Depreciation and amortisation	**(292,321)**	(282,123)
Gross Profit	**627,104**	638,112
Gross margin	**22.2%**	23.0%
Share of profit of joint ventures and associates	**62,265**	53,963
Administrative and general expenses	**(273,412)**	(249,022)
Gain on disposal of assets, net	**3,606**	5,562
Other operating income	**3,406**	4,132
Other operating expense	**(3,322)**	(5,215)
Operating Profit	**419,647**	447,532
Operating margin	**14.9%**	16.1%
Non-operating income (expense):		
Finance expense – finance leases	**(11,389)**	(10,451)
Finance expense – debt and other	**(108,967)**	(112,188)
Loss on early extinguishment of debt	**–**	(11,149)
Finance income	**7,742**	3,979
Foreign currency exchange loss, net	**(5,289)**	(9,151)
Other non-operating income, net	**7,690**	347
Profit before income tax	**309,434**	308,919
Income tax expense	**(12,783)**	(28,064)
Net Profit	**$ 296,651**	$ 280,855

(in thousands)	For the years ended November 30, 2023	2022
Net profit excluding one-time items	**$ 411,651**	$ 292,004
One-time items:		
Legal claims provision, net of tax expense	**(115,000)**	–
Loss on early extinguishment of debt	**–**	(11,149)
Net Profit	**$ 296,651**	$ 280,855

Consolidated income statement

Net profit of SNL was $296.7 million for 2023, compared with $280.9 million in 2022. Excluding the one-time items described in the table, net profit was $411.7 million for 2023, compared with $292.0 million in 2022, or a $119.7 million improvement. The most significant factors affecting SNL's performance in 2023 were:

- Stolt Tankers reported an operating profit of $371.1 million, an increase of $166.0 million compared to the prior year's operating profit of $205.1 million. Deep-sea and regional fleets results improved, primarily driven by favourable freight rates and higher volume.
- Stolthaven Terminals reported an operating profit of $105.0 million compared to $89.2 million as a result of rate escalations on new and existing businesses and an increase in ancillary services.
- Stolt Tank Containers (STC) reported an operating loss of $37.8 million, primarily due to the *MSC Flaminia* provision of $155.0 million. Excluding this, operating profit would have been $117.2 million, down from $172.7 million in 2022, a decrease of $55.5 million. The lower operating profit was primarily due to the reduction in transportation rates with the reductions in ocean and inland freight costs as the worldwide supply chain congestion eased with the increase in ocean carrier capacity.
- Stolt Sea Farm reported an operating profit of $24.3 million, compared with an operating profit of $19.5 million in 2022. Excluding the fair value on the biological assets in both years, operating profit decreased by $0.1 million, with lower average sales price for turbot partially offset by higher sales prices in sole and an increase in volumes in both species.
- Stolt-Nielsen Gas reported an operating loss of $10.4 million in 2023 versus a loss of $3.0 million in 2022. The losses in both years were mainly the result of SNL's share of losses at Avenir LNG Limited (Avenir).
- Corporate and Other operating loss was $32.5 million, compared to the prior year loss of $36.0 million. Corporate and Other operating loss primarily comprises profit sharing, director and investor expenses and dividends of certain equity instruments.

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, 2023, and 2022. This discussion consists of:

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

Operating revenue

Operating revenue was $2,820.2 million in 2023, which was 1.7% higher than in 2022, mainly owing to higher deep-sea freight revenue at Stolt Tankers.

Stolt Tankers' revenue increased by $212.7 million, mainly due to $218.7 million higher deep-sea freight revenue from an increase of average freight rates by 17.6% and 2.9% higher volumes. Freight revenue was partially offset by a decrease in deep-sea bunker surcharge revenue of $61.6 million. The lower bunker surcharge revenue was caused by a 20% decrease in bunker prices from last year.

Stolthaven Terminals' revenue increased by $23.6 million compared to 2022, an increase of 8.6%. This increase was primarily due to higher operating revenue at all terminals as a result of rate escalations and an increase in ancillary services.

Stolt Tank Containers' revenue decreased by $195.1 million, or 21.8%, in 2023 largely due to transportation rates returning to normalised levels as ocean freight costs declined. Also impacting revenue was a decrease in demurrage and ancillary revenues of $19.6 million. This was offset by 10.0% higher shipment levels between the years as space on container ships opened up in 2023.

Stolt Sea Farm's operating revenue was $110.8 million in 2023, increasing by $8.1 million, or 7.9%, which was a result of sole sales prices increasing by 18.0% and sales volumes by 15.4%.

Gross profit

SNL's gross profit increased by $166.0 million or 1.7%, excluding the $155.0 *MSC Flaminia* provision in Stolt Tank Container. The increase is due to improved rates in Stolt Tankers.

Stolt Tankers' gross profit increased by $162.9 million in 2023, to $423.7 million, as the increase in revenues and lower bunker costs were significant enough to cover higher variable time charter hire expenses ($62.5 million) and port charges ($20.3 million).

Gross profit for Stolthaven Terminals was $128.6 million in 2023, compared with $107.9 million in 2022, an increase of $20.7 million. Gross profit increased from the impact of higher operating revenue in 2023 while operating expenses remained stable.

Stolt Tank Containers saw a decrease in gross profit of $50.3 million, excluding the *MSC Flaminia* provision of $155.0 million. This decrease is the result of supply chains normalising, bringing margins, demurrage and ancillary revenues down to normalised levels.

Stolt Sea Farm's gross profit increased by $6.6 million to $34.9 million from $28.3 million in 2022. Excluding the fair value of biological assets, gross profit increased $1.7 million in 2023 as a result of the higher average sales prices from sole together with higher volumes sold from its own farm-raised turbot and sole. Partially offsetting the higher sales were higher labour, feed and energy costs due to inflationary pressures.

Share of profit of joint ventures and associates

SNL's share of the profits from non-consolidated joint ventures and associates in 2023 was $62.3 million, up from $54.0 million in 2022.

Stolt Tankers' share of profit from joint ventures increased by $14.2 million to $44.2 million notably owing to the two deep-sea joint ventures, NYK Stolt Tankers S.A. and Hassel Shipping 4 AS, from the improved deep-sea markets.

Stolt-Nielsen Gas' share of losses in Avenir was $9.9 million in 2023 compared to $2.6 million in 2022. This is the result of the challenging LNG market.

Administrative and general expenses

Administrative and general expenses were $273.4 million in 2023, up from $249.0 million in 2022, an increase of $24.4 million. This was largely due to normal inflationary salary increases and higher profit sharing and long-term incentive plan costs as a result of the improvement in results.

Gain on disposal of assets, net

SNL recorded a net gain on disposal of assets of $3.6 million in 2023 compared with a gain of $5.6 million in 2022. In 2023, the gain included amounts related to the sale of the *Stolt Guillemot*. In 2022, the gain included amounts related to the sale of the *Stolt Shearwater* and the recycling of the *Stolt Groenland*.

Other operating income and other operating expense

Other operating income was $3.4 million in 2023, compared with $4.1 million in 2022.

Other operating expense was $3.3 million in 2023, compared with $5.2 million in 2022.

Finance expense

Finance expense was $120.4 million in 2023, down from $122.6 million in 2022. Interest on debt decreased by $3.2 million, owing to lower outstanding debt balances. Interest on leases was $11.4 million, compared with $10.5 million in 2022.

Loss on early extinguishment of debt

In 2022, 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 $7.7 million in 2023, up by $3.8 million compared with 2022.

Foreign currency exchange loss

In 2023, SNL had a foreign currency exchange loss of $5.3 million, compared with a $9.2 million loss in 2022. The 2023 loss was mainly due to the strengthening of the US dollar against the BRL, NOK and ARS as well as higher realised and unrealised foreign exchange hedging losses.

Other non-operating income, net

Non-operating income was $7.7 million in 2023 compared with a non-operating income of $0.3 million in 2022.

Income tax expense

Income tax expense was $12.8 million in 2023, compared to $28.1 million in 2022. The decrease in income tax expense was the result of the legal claims provision in Stolt Tank Containers, partially offset by increased profits in other business segments.

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)	**2023**	2022
Operating revenue:		
Stolt Tankers	**$ 1,709,839**	$ 1,497,108
Stolthaven Terminals	**299,815**	276,177
Stolt Tank Containers	**699,504**	894,647
Stolt Sea Farm	**110,831**	102,688
Corporate and Other	**229**	1,223
Total	**$ 2,820,218**	$ 2,771,843
Operating profit:		
Stolt Tankers	**$ 371,076**	$ 205,124
Stolthaven Terminals	**104,968**	89,208
Stolt Tank Containers	**(37,831)**	172,728
Stolt Sea Farm	**24,336**	19,544
Stolt-Nielsen Gas	**(10,396)**	(3,028)
Corporate and Other	**(32,506)**	(36,044)
Total	**$ 419,647**	$ 447,532

Stolt Tankers

Operating revenue

Operating revenue increased by $212.7 million in 2023 versus 2022, with deep-sea revenue increasing by $182.9 million and regional revenues increasing by $29.8 million.

Deep-sea revenue increased from a combination of higher freight and demurrage revenue partially offset by lower bunker surcharge revenue. Deep-sea freight revenue increased by $218.7 million as average freight rates increased by 17.6% between the periods, mainly driven by a 26.3% increase in the rates on COA business, which contributed approximately 51% of total deep-sea freight revenue. Volume also increased by 2.9%. Bunker surcharge revenue decreased by $61.6 million due to 18.8% lower bunker prices and more spot contracts. Demurrage revenue increased by $20.6 million mainly due to increased rates and improved terms.

Regional fleet revenue increased by $29.8 million mainly driven by a $13.8 million increase on the Caribbean coastal fleet influenced by improved spot rates and more operating days and $11.8 million from the new Stolt NYK Asia Pacific Services Inc. (SNAPS) Pool which commenced in October.

The time-charter equivalent revenue (revenue less trading expenses) per operating day for the deep-sea fleet for 2023 was $29,621 versus $22,804 in 2022, an increase of 29.9%.

As of November 30, 2023, Stolt Tankers owned and/or operated 162 ships and barges, representing 3.00 million deadweight tons (dwt), compared to 165 ships and barges and 3.05 million dwt at the end of 2022.

	Number of ships	Millions of dwt	% of STJS net earnings for the year ended November 30, 2023
Stolt Tankers Joint Service (STJS):			
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	11%
Tufton Investment[1]	1	0.03	6%
CMB Tech Netherlands	2	0.05	1%
Total Stolt Tankers Joint Service	78	2.52	100%
Ships in wholly-owned regional services (26 owned ships)	62	0.28	
Ships in joint venture regional services (20 owned by joint ventures)	22	0.19	
Total	162	3.00	

1. Tufton Investments, which previously had seven ships in the STJS, began exiting in the fourth quarter of 2023.

Operating profit

Operating profit increased by $166.0 million, to $371.1 million in 2023 from $205.1 million in 2022. This was a result of the $212.7 million increase in revenues discussed above and $14.2 million increase in share of profit in joint ventures and associates partially offset by increases in operating expenses.

Operating expenses increased by $49.8 million as a result of more variable time charter hire expenses ($62.5 million) and higher port charges ($20.3 million), partially offset by lower bunker expenses ($44.5 million). Variable time charter hire expenses increased due to stronger results of the STJS. The average price of very low sulphur fuel (VLSF) and intermediate fuel oil (IFO) consumed in 2023 was $591 per tonne, down 18.8% from $728 per tonne in 2022. Ship management costs were $10.4 million or 4.8% 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 $14.2 million to $44.2 million where all joint ventures improved their results, most notably NYK Stolt Tankers S.A. and Hassel Shipping 4 AS from the improved deep-sea markets and SNAPS from a strong regional performance.

Stolthaven Terminals

Operating revenue

Stolthaven Terminals' revenue increased by $23.6 million to $299.8 million in 2023 from $276.2 million in 2022. Average storage rates increased by 9.5% which more than offset the effect of a decrease in the average utilisation rate to 96.7% in 2023 from 97.4%. Ancillary revenue, such as nitrogen and rail revenue, also increased by $4.6 million.

Total available average capacity at the wholly owned terminals decreased to 1,723,720 cubic metres in 2023 from 1,724,619 cubic metres in 2022. This decrease in capacity was a result of recalibration of capacity in Dagenham, UK, where the impact was only partly offset by commissioning one new tank in New Zealand. Product handled increased slightly to 14.2 million tonnes in 2023 from 14.1 million tonnes in 2022.

Operating profit

Operating profit increased by $15.8 million to $105.0 million in 2023 from $89.2 million in 2022. The revenue increase of $23.6 million in 2023, discussed above, was partly offset by higher expenses.

Operating expenses increased by $1.6 million and administrative and general expenses by $3.5 million from 2022. These increases were driven by normal inflationary personnel costs, higher regulatory costs and movements in environmental provisions.

Share of profit of Stolthaven Terminals' joint ventures and associates increased by $0.8 million. The increase was due to additional capacity, high utilisation and improved rates at our Asian joint venture terminals.

Stolt Tank Containers

Operating revenue

Stolt Tank Containers' revenue decreased to $699.5 million in 2023 from $894.6 million in 2022, a decrease of $195.1 million or 21.8%. This was primarily due to the impact of decreased freight rates as the supply chain congestion eased and ocean freight costs decreased. Also reducing revenue was a decrease in demurrage and ancillary revenues totalling $19.6 million which was a result of the previous bottlenecks in the supply chain being cleared.

In 2023, STC handled 142,522 tank container shipments, compared to 129,574 shipments in 2022, which represents a 10.0% increase in volumes due mainly to the easing of supply chain congestion. Average monthly utilisation was 63.9% in 2023, down from 69.0% in 2022, due to shorter length of moves. STC's fleet increased by 8.4% to 50,928 tank containers at the end of 2023 compared to 46,994 tank containers at the end of 2022.

Operating profit

Stolt Tank Containers operating profit decreased by $55.6 million, excluding the $155.0 million *MSC Flaminia* provision. Ocean freight and other move-related costs decreased by $151.1 partially offsetting the $195.1 million revenue decline. Depreciation expense was also $6.3 million higher due to the acquisition of additional tank containers during the year.

Stolt Sea Farm

Operating revenue

Stolt Sea Farm's revenue increased by $8.1 million, or 7.9%, to $110.8 million in 2023 from $102.7 million in 2022 due to increasing sole sales prices and higher sales volumes for both species. Turbot sales volume increased by 2.5% while prices decreased by 3.8% between the periods. Sole volumes increased by 15.4% and prices increased by 18.0%.

Operating profit

Stolt Sea Farm reported an operating profit including fair value gain (loss) on biological assets of $24.3 million in 2023 compared to an operating profit of $19.5 million in 2022, a year-on-year increase of $4.8 million. Excluding the fair value gain on biological assets of $3.9 million in 2023 and loss of $1.0 million in 2022, the decrease in operating profit between the two periods was $0.1 million. The revenue increase was offset by higher operating expenses due to increased sole volume sold and higher labour, feed, administrative and general expenses and energy costs due to inflationary pressures.

The increase in the fair market value on the biological assets was the result of higher turbot and sole sale prices in November 2023 due to limited availability and high demand.

Stolt-Nielsen Gas

Stolt-Nielsen Gas is an investment arm of SNL focusing on the LNG segment with holdings in Avenir and Golar LNG Limited (Golar). Avenir's results are reported as a joint venture, while changes in the share price of the Golar investments are reported as Other Comprehensive Income. Stolt-Nielsen Gas reported an operating loss of $10.4 million in 2023 versus a loss of $3.0 million in 2022. The underlying losses in both years were mainly attributable to SNL's share of Avenir.

Corporate and Other

Corporate and Other operating loss was $32.5 million, compared with the prior year loss of $36.0 million. The reduction of the loss between years was due to dividends received in certain equity instruments held by SNL.

Liquidity and capital resources

(in thousands)	For the years ended November 30, 2023	2022
Summary Cash Flows		
Net cash provided by operating activities:		
Net profit	**$ 296,651**	$ 280,855
Depreciation and amortisation	**292,321**	282,123
Share of profit of joint ventures and associates	**(62,265)**	(53,963)
Finance expense, net of income	**112,614**	129,809
Income tax expense	**12,783**	28,064
Fair value (gain) loss on biological assets	**(3,914)**	974
Other adjustments to reconcile net profit to net cash from operating activities	**(5,899)**	(3,151)
Changes in working capital assets and liabilities	**157,901**	59,101
Dividends from joint ventures and associates	**43,832**	41,060
Insurance proceeds related to *MSC Flaminia* lawsuit	**133,000**	–
Other, net	**(2,681)**	(3,447)
Cash generated from operations	**974,343**	761,425
Net interest paid, including debt issuance costs	**(106,265)**	(124,943)
Income taxes paid	**(13,682)**	(16,673)
Net cash generated from operating activities	**$ 854,396**	$ 619,809
Cash flows from investing activities:		
Capital expenditures	**(259,438)**	(199,429)
Purchase of intangible assets	**(8,538)**	(3,959)
Investment in joint venture and associate	**(18,175)**	(14,314)
Proceeds from sales of assets	**6,333**	7,934
Sale (purchase) of shares in equity instruments	**11,798**	(37,291)
Repayment of advances to joint ventures and associates, net	**14,595**	1,700
Other	**(7,727)**	420
Net cash used in investing activities	**$ (261,152)**	$ (244,939)
Net cash used for financing activities:		
Decrease in short-term bank loans	**–**	(40,000)
Repayment of long-term debt	**(461,745)**	(684,741)
Proceeds from issuance of long-term debt	**333,840**	484,533
Principal payments on leases	**(54,495)**	(51,210)
Dividends paid	**(120,495)**	(53,591)
Net cash used in financing activities	**$ (302,895)**	$ (345,009)
Effect of exchange rate changes on cash	**4,025**	(1,588)
Net increase in cash and cash equivalents	**$ 294,374**	$ 28,273

Net cash provided by operating activities

In 2023, SNL generated cash from operating activities of $854.4 million, compared with $619.8 million in 2022. This increase was due to $133.0 million received from insurance underwriters related to the *MSC Flaminia* provision as well as to the improved performance in tankers and improved net working capital inflows.

Net cash used in investing activities

Net cash used in investing activities was $261.2 million in 2023, compared with $244.9 million in 2022. The most significant uses of cash for investing during 2023 were:

i. capital expenditures of $259.4 million, $60.0 million higher than in 2022.

ii. purchase of computer software of $8.5 million.

iii. investment of $18.2 million in joint ventures, NYK Stolt Tankers S.A, Stolthaven Revivegen Kaohsiung Co., Ltd. (Taiwan) and Ceyhan Terminal Himzetleri Anonim Sirketu (Turkey).

Offsetting the uses of cash were repayments of advances from joint ventures of $14.6 million and proceeds from the sale of ships and other assets for $6.3 million and disposal of shares in Cool Company Limited for $11.8 million.

Cash capital expenditures by business are summarised below:

	For the years ended November 30	
(in thousands)	**2023**	2022
Stolt Tankers	**$ 102,920**	$ 94,885
Stolthaven Terminals	**71,967**	69,015
Stolt Tank Containers	**64,972**	27,968
Stolt Sea Farm	**17,449**	5,471
Corporate and Other	**2,130**	2,090
Total	**$ 259,438**	$ 199,429

Cash spent during the year ended November 30, 2023 primarily reflected:

i. $72.6 million on tanker projects, including amounts related to the purchase of two second-hand ships.

ii. $30.3 million on drydocking of ships.

iii. $72.0 million on terminals expansion and maintenance projects.

iv. $65.0 million on the purchase of tank containers and construction at depots.

v. $17.4 million on Stolt Sea Farm capital expenditures.

Net cash used in financing activities

Net cash outflow from financing activities totalled $302.7 million in 2023, compared with $345.0 million in 2022.

The significant cash sources from 2023 financing activities were $333.8 million of debt issuances, compared with $484.5 million in 2022. The 2023 debt issuances mainly comprised:

i. $112.4 million on a placement of senior unsecured five-year NOK bonds, maturing in September 2028.

ii. $208.4 million refinancing of the Stolthaven Singapore facility with a term loan. The agreement is with DBS Bank Ltd., ING Bank N.V., KfW IPEX-Bank GmbH and Oversea-Chinese Banking Corporation Limited.

iii. $14.3 million from the financing of *Stolt Ludwigshafen*, a newbuilding chemical tanker/barge. The agreement is with KfW IPEX-Bank GmbH.

The principal uses of cash for financing activities in 2023 were:

i. $461.7 million in repayment of long-term debt, compared with $684.8 million in 2022.

ii. $54.5 million of principal payments on lease liabilities, compared with $51.2 million in 2022.

iii. $120.5 million in dividend payments, compared with $53.6 million in 2022.

Indebtedness

SNL's total consolidated debt, excluding debt issuance costs, was $2,091.7 million as of November 30, 2023 and $2,207.8 million as of November 30, 2022, as set out in the table below.

(in thousands)		2023		2022
Long-term debt (including current portion)	$	**1,853,465**	$	1,984,221
Long-term lease liabilities (including current maturities)		**238,207**		223,584
Total debt on Consolidated Financial Statements		**2,091,672**		2,207,805
Available unused facilities:				
Committed revolving credit line		**294,588**		320,950
Uncommitted short-term bank lines of credit		**84,000**		25,000
Total unused facilities		**378,588**		345,950
Total debt and unused facilities	$	**2,470,260**	$	2,553,755

Long-term debt in the table above excludes debt issuance costs of $16.9 million and $17.4 million as of November 30, 2023 and 2022, respectively.

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. SNL had access to $84.0 million of such facilities, which were unused during the year ended November 30, 2023.

During 2022 and 2023, SNL also had two committed revolving credit lines, totalling $294.6 million. These were a sustainability-linked revolving credit facility (RCF) secured by 19 ships for $194.6 million and a $100.0 million credit line with DNB (UK) Limited secured by SNL's investment in Advario Stolthaven Antwerp, NV (Secured RCF facility).

Both the Secured RCF facility and the RCF were unused during the year ended November 30, 2023.

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 $193.9 million unsecured bond financing denominated in NOK ($180.5 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 $1,836.6 million and $1,966.8 million as of November 30, 2023 and 2022, respectively, as set out below:

(in thousands)		2023		2022
Long-term debt	$	**1,836,601**	$	1,966,779
Less: Current maturities		**(255,109)**		(288,958)
	$	**1,581,492**	$	1,677,821

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, 2023, 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. Cash and cash equivalents include $133.0 million received from insurance underwriters to be used to partially settle the *MSC Flaminia* provision in 2024.

(in thousands)	2023	2022
(Increase) decrease in cash and cash equivalents for the year	**$ (294,374)**	$ (28,273)
Cash inflow from increase in debt	**333,840**	484,533
Cash outflow from repayments of debt	**(461,745)**	(724,781)
Cash outflow from finance leases	**(54,495)**	(51,210)
Change in net debt resulting from cash flows	**(476,774)**	(319,731)
Lease liabilities capitalised, net of retirements	**67,938**	70,137
Currency movements	**(2,463)**	(31,728)
Debt issuance costs and other movements	**1,370**	7,318
Movement in net debt in the year	**(409,929)**	(274,004)
Opening net debt	**2,038,222**	2,312,226
Closing net debt	**$ 1,628,293**	$ 2,038,222

During 2023, 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 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 $6.3 million in 2023, compared to $7.9 million in 2022.

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, 2023, debt and lease liabilities decreased by $115.6 million. Tangible net worth increased by $175.6 million from November 30, 2022. This was primarily due to net profit of $296.7 million partially offset by declared dividends of $120.5 million. The debt to tangible net worth ratio was 1.00 at November 30, 2023, an improvement from 1.16 at November 30, 2022. 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 $4.7 million at November 30, 2023, compared with $3.4 million at November 30, 2022.

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, 2023, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2023, 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]	$ 1,853,465	$ 258,889	$ 669,539	$ 529,957	$ 395,080
Long-term fixed rate debt interest payments	274,332	68,822	117,714	66,563	21,233
Long-term variable rate debt interest payments[2]	94,344	24,582	37,152	22,098	10,512
Lease principal payments	238,207	55,456	68,490	31,978	82,283
Lease interest payments	105,933	10,958	14,857	9,733	70,385
Operating leases	4,696	3,801	726	169	–
Committed capital expenditures	41,505	41,505	–	–	–
Derivative financial liabilities[2]	21,643	11,732	5,427	3,489	995
Pension and post-retirement benefit obligations[3]	1,944	1,944	–	–	–
Total contractual cash obligations:	$ 2,636,069	$ 477,689	$ 913,905	$ 663,987	$ 580,488

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, 2023. 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, 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 make significant differences are:

- Voyage revenue and costs
- Depreciation and residual values
- Review of impairment triggers
- Investments in joint ventures and associates
- Claims provisions
- 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 51% of Stolt Tankers' STJS revenue in 2023 was derived from 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 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 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.

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 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.

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, low water levels or other severe weather events could result in asset loss, injuries, lost earnings, longer transit times, 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, increase expenses or require costly investments. For example, the EU Emissions Trading System started in 2024 for shipping and requires the purchase of EU allowances equivalent to its carbon emissions. Beginning January 1, 2024, SNL has begun to acquire EU allowances derivatives to offset 40% of carbon emissions used. This cost will drive an increase in the Company's operating expenses and could impact the profitability and cash flow of the Company unless offset by higher revenue. In order to mitigate the cost increase, SNL has included 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 is using its expertise and strong industry relationships to investigate and explore new technologies to enable the move towards a low-carbon future.

Safety risk

Stolt Tankers, Stolthaven and Stolt Tank Containers are engaged in the worldwide transportation, storage and distribution of bulk liquid chemicals, edible oils, acids and other specialty chemicals, some of which are hazardous if not handled correctly. 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.

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 or final cost increases, 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 and the ship attacks in the Red Sea.

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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 gain of $3.9 million in operating profit, compared with a $1.0 million loss in 2022. 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 2023, the US dollar has weakened by approximately 4.6% 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.

Cyber risk

Our ongoing commitment to digitising our business processes and our digital transformation, coupled with our growing reliance on information technology (IT) systems for our operations, means we rely on secure, cost-effective, and robust IT services.

Our IT and cyber risk profile is influenced by several factors. These include the ever-increasing threat to cyber security, characterised by high volumes of attacks and sophisticated cyber actors that threaten to intentionally harm our systems. These cyber actors target organisations by making bank account changes, intercepting invoice payments and carrying out identity fraud to extract money. Ransomware attacks on corporations are also on the rise. These have the potential to cause breaches and disruptions of our critical IT services.

Our cyber security programme is based on proactively identifying risks and risk assessments. We have integrated cyber security capabilities into our IT systems, which are further safeguarded by various technologies and controls for protection, detection and response. Our processes include identification and assessment capabilities aligned with industry best practices to measure and improve our cyber security capabilities. In addition, out external IT service providers are assessed and selected on their cyber security maturity through formal supplier assurance reports and contractual clauses.

We actively monitor identified threats so that we can assess the potential risk and have processes in place so that we can respond effectively to resolve and investigate any security incidents. Additional risk control measures are also in place to facilitate recovery in the event of cyber risks. These include business continuity management and disaster recovery plans that are regularly reviewed and updated.

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 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

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.

Treasury shares

At November 30, 2023 and 2022, SNL held 5,000,000 Treasury Shares. See Note 30 in the Financial Statements.

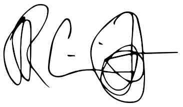
Going concern

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

Subsequent events

See Note 33 in the Consolidated Financial Statements for significant events occurring after November 30, 2023.

Udo Lange
Chief Executive Officer Stolt-Nielsen Limited



Jens F. Grüner-Hegge
Chief Financial Officer Stolt-Nielsen Limited
March 14, 2024