Financial Review

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Management's Discussion of Operating Performance

This section discusses Stolt-Nielsen Limited's (SNL) operating results and financial condition for the years ended November 30, 2021 and 2020. 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

Results of Operations

Below is a summary of SNL's consolidated financial data for November 30, 2021 and 2020:

	For the years ended November 30,	
(in thousands)	**2021**	2020
Operating Revenue	**$ 2,181,082**	$ 1,955,136
Operating expenses	**(1,459,706)**	(1,308,904)
Depreciation and amortisation	**(295,459)**	(292,262)
Impairment of assets	**(10,000)**	(12,394)
Gross Profit	**415,917**	341,576
Gross margin	**19.1%**	17.5%
Share of profit of joint ventures and associates	**39,470**	32,437
Administrative and general expenses	**(220,464)**	(187,679)
Reversal of impairment on joint venture loan	**–**	3,557
Loss on disposal of assets, net	**(3,010)**	(794)
Other operating income	**2,218**	1,640
Other operating expense	**(436)**	(810)
Operating Profit	**233,695**	189,927
Operating margin	**10.7%**	9.7%
Non-operating income (expense):		
Finance expense – finance leases	**(11,072)**	(9,478)
Finance expense – debt and other	**(116,212)**	(129,884)
Finance income	**2,375**	3,695
Foreign currency exchange loss, net	**(2,673)**	(5,258)
Other non-operating expense, net	**(2,902)**	(1,525)
Profit from continuing operations before income tax	**103,211**	47,477
Income tax expense	**(24,405)**	(8,321)
Profit from Continuing Operations	**78,806**	39,156
Loss from discontinued operations	**–**	(13,788)
Net Profit	**$ 78,806**	$ 25,368
Attributable to:		
Equity holders of SNL	**$ 78,806**	$ 26,295
Non-controlling interests	**–**	(927)
	$ 78,806	$ 25,368

	For the years ended November 30,	
(in thousands)	2021	2020
Profit before one-time items	**$ 89,306**	$ 47,993
One-time items:		
Impairment of assets	**(10,000)**	(12,394)
Distribution from insurance company	**12,500**	–
Reversal of impairment on joint venture loan	**–**	3,557
Stolt Groenland loss, net of insurance settlement	**(13,000)**	–
Profit from Continuing Operations	**$ 78,806**	$ 39,156

Consolidated Income Statement

Profit from continuing operations of SNL was $78.8 million for 2021, compared with $39.2 million in 2020. Excluding the one-time items described in the table on the previous page, profit from continuing operations was $89.3 million for 2021, compared with $48.0 million in 2020, or a $41.3 million improvement. The most significant factors affecting SNL’s performance in 2021 were:

- Stolt Tankers reported an operating profit of $68.8 million, a decrease of $15.8 million or 18.7% compared to the prior year operating profit of $84.6 million. Higher variable time charter expenses, ship owning costs and loss on sale of assets more than offset the improvement in deep-sea freight and demurrage revenue.
- Stolthaven Terminals reported an operating profit of $62.3 million compared to $68.8 million in 2020 primarily as a result of higher operating and administrative and general expenses.
- Stolt Tank Containers (STC) reported an operating profit of $81.6 million, up from $51.2 million in 2020, an increase of $30.4 million or 59.4%. The increase was largely the result of an increase in transportation margins due to tight capacity, increases in demurrage from logistical bottlenecks and customers holding on to tanks longer, and higher ancillary revenues.
- Stolt Sea Farm reported an operating profit of $24.4 million, compared with an operating loss of $8.4 million in 2020, a $32.8 million improvement. Excluding the fair value on the biological assets in both years, operating profit increased by $10.4 million. This was due to the higher turbot and sole prices and sales volumes as 2020 had been significantly impacted by Covid-19 and as the new sole farms in Spain and Portugal had a full year of operations.
- Stolt-Nielsen Gas reported an operating profit of $2.1 million in 2021 versus a loss of $4.0 million in 2020. The profit was largely due to a $3.2 million gain on a land sale. Excluding this gain, the losses in both years were mainly attributable to the Group’s share of losses related to the development of various small-scale LNG projects at Avenir LNG.
- Corporate and Other operating loss was $5.5 million, compared to the prior year loss of $2.3 million.
- SNL concluded its sale of the Caviar division in 2020 and recorded a loss from discontinued operations of $13.8 million in that year.

Operating revenue

Operating revenue was $2,181.1 million in 2021, which was 11.6% higher than in 2020, mainly owing to higher freight rates at Stolt Tank Containers, higher bunker surcharge revenue at Stolt Tankers and higher volumes sold and sales prices for turbot and sole at Stolt Sea Farm.

Stolt Tankers’ revenue increased by $52.5 million, mainly due to a $36.8 million increase in deep-sea bunker surcharge revenue and $9.9 million higher deep-sea freight revenue. The higher bunker surcharge revenue was caused by the 25.5% increase in bunker prices compared to last year. Deep-sea freight revenue increased mainly due to a higher number of ships in the deep-sea fleet and 1.3% higher average freight rate.

Stolthaven Terminals’ revenue increased by $5.1 million compared to 2020, an increase of 2.1%. This increase was primarily due to higher operating revenue in New Orleans, Singapore and Dagenham, partially offset by a decrease in the average utilisation rate to 90.9% in 2021 from 92.4% in 2020.

Stolt Tank Containers’ revenue increased by $141.8 million, or 27.2%, in 2021 largely due to the impact of increased freight rates and an 8.4% increase in shipments combined with increased demurrage and ancillary revenues of $19.3 million.

Stolt Sea Farm’s operating revenue increased by $28.8 million, or 36.1%, in 2021 as a result of higher volumes sold and higher sales prices for turbot and sole .

Gross profit

SNL’s gross profit increased by $74.3 million or 21.8% to $415.9 million in 2021 compared to the prior year, reflecting higher transportation margins at Stolt Tank Containers and higher volumes sold and stronger price recovery for turbot and sole at Stolt Sea Farm.

Stolt Tankers’ gross profit decreased by $0.2 million in 2021, to $156.5 million, as the increase in revenues was offset by $32.3 million higher bunker costs, more variable time charter hire expenses and an increase in ship management costs.

Gross profit for Stolthaven Terminals was $78.1 million in 2021, compared with $79.1 million in 2020, a decrease of $1.0 million. Gross profit decreased from the impact of higher personnel, utilities and maintenance costs, partially offset by higher operating revenue.

Stolt Tank Containers saw an increase in gross profit of $36.4 million to $153.8 million as a result of increased shipments and improved margins per shipment between the years.

Stolt Sea Farm’s gross profit increased by $35.7 million to $32.4 million from a loss of $3.3 million, as a result of a strong market demand in the second half of the year that allowed higher sales volumes and higher sales prices, as well as higher fair value on biological assets.

Share of profit of joint ventures and associates

SNL’s share of the profits from non-consolidated joint ventures and associates in 2021 was $39.5 million, up from $32.4 million in 2020.

Stolt Tankers’ share of profit from joint ventures decreased by $1.8 million to $9.1 million while Stolthaven Terminals’ share of profit increased by $3.8 million to $29.9 million. See the Business Segment Information section for further discussion. The Group’s investment in Avenir also improved by $3.1 million as ships were delivered in 2020 and 2021.

Administrative and general expenses

Administrative and general expenses were $220.5 million in 2021, up from $187.7 million in 2020, an increase of $32.8 million. This was largely due to preventive measures taken during 2020 to counteract the potential effects on liquidity of Covid-19. Measures included a Company-wide hiring freeze, travel ban and reduction in the use of consultants, which have since been relaxed. In addition, profit sharing and long-term incentive expenses were higher in the current year due to improved earnings.

Reversal of impairment on joint venture loan

The Group impaired a long-term advance to Tianjin Lingang Stolthaven Terminal Co by $3.6 million in 2018 based on review of its credit risk. Since 2018, the terminal’s results have improved. Therefore, the impairment was reversed in 2020.

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(Loss) gain on disposal of assets, net

SNL recorded a net loss on disposal of assets of $3.0 million in 2021 compared with a loss of $0.8 million in 2020. In 2021, it included a $13.0 million loss on the derecognition of the *Stolt Groenland*, net of insurance, partially offset by the gain on sale of three ships and land in Canada.

Other operating income and other operating expense

Other operating income was $2.2 million in 2021, compared with $1.6 million in 2020.

Other operating expense was $0.4 million in 2021, compared with $0.8 million in 2020.

Finance expense

Finance expense was $127.3 million in 2021, down from $139.4 million in 2020. Interest on debt decreased by $13.7 million, owing to lower interest rates and lower outstanding debt balances. Interest on leases was $11.1 million, compared with $9.5 million in 2020 due to the renewal of several large tanker time charter agreements and additional tank container leases.

Finance income

Finance income was $2.4 million in 2021, down by $1.3 million compared with 2020. The decrease was due to short-term investing of excess funds in 2020 as additional liquidity was secured to counter possible negative effects of Covid-19.

Foreign currency exchange loss

In 2021, SNL had a foreign currency exchange loss of $2.7 million, compared with a $5.3 million loss in 2020. In 2021, the loss was primarily the result of foreign exchange derivative losses while in 2020 it was due to the effect of the weakening of EUR, ISK and GBP on intercompany advances with non-USD subsidiaries.

Other non-operating expense, net

Non-operating expense was $2.9 million in 2021 compared with a non-operating expense of $1.5 million in 2020.

Income tax expense

Income tax expense was $24.4 million in 2021, compared to $8.3 million in 2020. The increase in income tax expense was due to taxes on the return to profit in Stolt Sea Farm, the write-off of deferred tax assets at the New Orleans terminal, increased deferred tax in the UK owing to an income tax rate increase and adjustments made for uncertain tax provisions.

Loss from discontinued operations attributable to SNL shareholders

Loss from discontinued operations attributable to SNL shareholders was $13.8 million in 2020. The Group completed the sale of the Caviar business in October 2020.

Non-controlling interest

During 2020, SNL acquired the 25% interest in Sterling Caviar from the minority shareholder.

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)	**2021**	2020
Operating revenue:		
Stolt Tankers	**$ 1,165,617**	$ 1,113,095
Stolthaven Terminals	**243,592**	238,527
Stolt Tank Containers	**662,443**	520,631
Stolt Sea Farm	**108,568**	79,747
Corporate and Other	**862**	3,136
Total	**$ 2,181,082**	$ 1,955,136
Operating profit:		
Stolt Tankers	**$ 68,817**	$ 84,643
Stolthaven Terminals	**62,259**	68,794
Stolt Tank Containers	**81,597**	51,188
Stolt Sea Farm	**24,440**	(8,350)
Stolt-Nielsen Gas	**2,096**	(4,015)
Corporate and Other	**(5,514)**	(2,333)
Total	**$ 233,695**	$ 189,927

Stolt Tankers

Operating revenue

Operating revenue increased by $52.5 million in 2021, with deep-sea revenue increasing by $55.2 million and regional revenues decreasing by $2.7 million.

Deep-sea revenue increased from a combination of higher bunker surcharge, freight and demurrage revenue. Bunker surcharge revenue increased by $36.8 million due to 25.5% higher bunker prices compared to the prior year. Deep-sea freight revenue increased by $9.9 million as operating days were up 7.9% due to the acquisition of three ships acquired from Chemical Transportation Group (CTG) in the first quarter of 2021 and Tufton Investments joining the Stolt Tankers Joint Services (STJS) with six ships. The effect was partially offset as cargo volume carried decreased by 0.6%, reflecting the pressure of swing tonnage moving in from a historically low medium-range product tanker market. Average freight rates increased by 1.3% between the periods. While Contracts of Affreightment (COA) rates increased due to renewals and cargo mix, the rates on spot business, which contributed approximately 32.5% of total deep-sea freight revenue, decreased by 5.4%. Demurrage revenue increased by $5.9 million due to more waiting time spent in port.

Regional fleet revenue decreased by $2.7 million because the European coastal ships were time chartered into the joint venture with Essberger Tankers as of January 1, 2021, reducing revenues to the time charter equivalent pool pay-out. Partially offsetting this were improved revenues in the Caribbean coastal and European barging fleets.

The average Sailed-In Time-Charter Index for the deep-sea fleet for 2021 was 0.52, compared with 0.57 for 2020, a decrease of 8.8%. The sailed-in revenue (revenue less trading expenses) for 2021 was $18,524 versus $19,941 in 2020, a decrease of 7.1%.

As of November 30, 2021, Stolt Tankers owned and/or operated 158 ships and barges, representing 2.93 million deadweight tons (dwt), compared to 153 ships and barges and 2.78 million dwt at the end of 2020.

	Number of ships	Millions of dwt	% of STJS net earnings for the year ended November 30, 2021
Stolt Tankers Joint Service (STJS):			
Stolt Tankers Limited (52 owned)	55	1.85	75%
NYK Stolt Tankers S.A.	8	0.24	10%
Hassel Shipping 4 AS	8	0.26	10%
Tufton Investment	6	0.13	5%
Total Stolt Tankers Joint Service	**77**	**2.48**	100%
Ships in owned regional services (25 owned)	61	0.28	
Ships in joint venture regional services (all owned by joint ventures)	20	0.17	
Total	**158**	**2.93**	

Operating profit

Operating profit decreased by $15.8 million, to $68.8 million in 2021 from $84.6 million in 2020. The $52.5 million increase in revenue was more than offset by an increase in operating expenses, a higher loss on sale of assets and lower share of profit from joint ventures.

Operating expenses increased by $56.6 million, with $32.3 million of the increase being the result of higher bunker costs. The average price of very low sulphur fuel (VLSF) and intermediate fuel oil (IFO) consumed in 2021 was $465 per ton, up 25.5% from $370 per ton in 2020. Variable time charter hire expenses increased by $23.3 million, partly due to the entry of Tufton ships into the STJS and NYK Stolt Tankers S.A. entering two additional ships into the STJS. Ship management costs were $8.3 million or 4.2% higher than prior year mainly due to the acquisition of three ships in the first quarter of 2021 and to higher manning cost caused by Covid-19. Partially offsetting this was a $12.5 million capital refund from an insurance underwriting club which was accrued at November 30, 2021.

Included in the $5.7 million loss on sale of assets was a $13.0 million loss on the derecognition of the *Stolt Groenland*, net of insurance. Partially offsetting this loss were gains recorded on the sale of three ships.

Stolt Tankers' share of profit from joint ventures decreased by $1.8 million to $9.1 million. The equity pickup from NYK Stolt Tankers S.A. decreased due to three dry-dockings during the year while the South East Asian joint venture Stolt NYK Asia Pacific Services provided lower earnings as a result of fewer operating days. The Chinese joint venture Shanghai SC-Stolt Shipping Ltd had a strong year whereas in 2020 Covid-19 impacted it heavily at the beginning of the year.

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Stolthaven Terminals

Operating revenue

Stolthaven Terminals' revenue increased to $243.6 million in 2021 from $238.5 million in 2020. This increase of $5.1 million or 2.1% was mainly due to higher operating revenue in New Orleans, Singapore and Dagenham, which was partially offset by the lower revenue from Santos due to the weakening of the Brazilian real, operations ceasing in Wynyard and a decrease in the average utilisation rate to 90.9% in 2021 from 92.4% in 2020. The decrease in the average utilisation rate was mainly due to a lower average leased capacity in Houston, only partly offset by a higher average leased capacity in New Orleans and Australia.

Total available average capacity at the wholly-owned terminals increased slightly to 1,745,680 cubic metres in 2021 from 1,732,747 cubic metres in 2020. The addition of new capacity in New Orleans in 2020 and 2021 was partially offset by capacity taken out of service in Wynyard due to the exit at the end of its land lease in 2020. Product handled decreased to 13.3 million metric tons in 2021 from 13.7 million metric tons in 2020.

Operating profit

Operating profit decreased by $6.5 million to $62.3 million in 2021 from $68.8 million in 2020. There were the following one-time items:

	For the years ended November 30,	
(in thousands)	**2021**	2020
Terminal operating profit before one-time items	**$ 72,259**	$ 77,631
One-time items:		
Asset impairment in Australia	**(10,000)**	–
Goodwill impairment in Australia	**–**	(12,394)
Reversal of impairment of joint venture loan	**–**	3,557
Terminal operating profit	**$ 62,259**	$ 68,794

The operating profit before one-time items decreased by $5.4 million. The revenue increase of $5.1 million, discussed above, and $3.8 million higher share of joint venture income was more than offset by higher operating and administrative and general expenses.

Operating expenses increased by $4.7 million to $93.1 million in 2021 from $88.4 million in 2020. This increase was driven by higher personnel and utility costs at almost all terminals as well as higher maintenance costs in New Orleans caused by Hurricane Ida and the 2021 decommissioning cost for Wynyard. Administrative and general expenses increased by $6.3 million primarily because of higher personnel and project costs. Both operating and administrative and general personnel costs in 2020 were low due to Covid-19 cost-saving initiatives, government assistance in Singapore and $1.1 million of pension credits in the US.

Share of profit of Stolthaven Terminals' joint ventures and associates increased by $3.8 million. In general, the increase was due to the weakening of the US dollar from the prior year. In addition, it was the result of an income tax incentive for energy efficiency investments at the joint venture terminal in Antwerp, Belgium; a higher leased capacity and lower finance expense at the joint venture terminal in Ulsan, Korea; and a higher utilisation rate at the joint venture terminal in Tianjin, China.

Stolt Tank Containers (STC)

Operating revenue

Stolt Tank Containers' revenue increased to $662.4 million in 2021 from $520.6 million in 2020, an increase of $141.8 million or 27.2%. This was primarily due to the impact of increases in freight rates due to tight container ship capacity and a shortage of truck drivers contributing to world-wide supply chain congestion. Also improving revenue were an 8.4% increase in shipments and increased demurrage and ancillary revenues of $19.3 million, respectively.

In 2021, STC handled 140,395 tank container shipments, compared with 129,476 shipments in 2020, which represents a 8.4% increase. Average utilisation increased to 71.6% in 2021, from 67.8% in 2020. The fleet increased by 8.7% to 43,342 tank containers at the end of 2021 compared to 39,874 tank containers at the end of 2020.

STC's rates in most major markets increased because of strong market conditions combined with higher freight costs which caused a shortage of both ship and trucking capacity as well as a challenging logistics market. STC's rates were also impacted by changing trade patterns as a result of Covid-19 lockdowns around the world throughout 2021.

Operating profit

Stolt Tank Containers reported an operating profit of $81.6 million, up from $51.2 million in 2020, an increase of $30.4 million or 59.4%. The increase was largely due to the revenue increase discussed above. Partially offsetting this were increases in ocean and inland freight costs as the result of higher rates charged plus the increased number of shipments. Administrative and general costs were also higher due to additional resources needed to service the business at higher shipment levels, especially considering the challenging market conditions.

Stolt Sea Farm (SSF)

Operating revenue

Stolt Sea Farm's revenue increased by $28.8 million, or 36.1%, to $108.6 million in 2021 from $79.7 million in 2020, due to a strong demand in the second half of the year together with the additional volumes from the two new sole farms in Spain and Portugal. Turbot volumes increased by 6.5% while turbot prices increased by 17.5%. Sole volumes increased by 82.7% while sole prices increased by 3.3%.

Operating profit

Stolt Sea Farm reported an operating profit including fair value gain on biological assets of $24.4 million in 2021 compared to an operating loss of $8.4 million in 2020, a year-on-year increase of $32.8 million. Excluding the fair value gain on biological assets of $17.4 million in 2021 and loss of $5.0 million in 2020, operating profit increased by $10.4 million. This was due to the higher revenue partially offset by higher operating expenses as a result of the increase in sales volume. The increase in the fair market value on the biological assets was mainly a result of the higher turbot and sole prices and the increase in the sole volume.

Stolt-Nielsen Gas (SNG)

Stolt-Nielsen Gas is an investment arm of SNL focusing on the liquefied natural gas (LNG) segment with holdings in Avenir LNG Ltd and Golar LNG Ltd. Avenir's results are reported as a joint venture, while changes in the share price of the Golar investment are reported as Other Comprehensive Income. Stolt-Nielsen Gas reported an operating profit of $2.1 million in 2021 versus a loss of $4.0 million in 2020. The profit was due to a gain on the disposal of land in Canada, while the underlying losses in both years were mainly attributable to SNL's share of the start-up and administrative and general costs at Avenir LNG.

Corporate and Other

Corporate and Other operating loss was $5.5 million, compared with the prior year loss of $2.3 million. The loss increased by $3.2 million, primarily due to higher profit sharing in the current year as a result of higher profits.

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Liquidity and Capital Resources

(in thousands)	For the years ended November 30, 2021	2020
Summary Cash Flows		
Net cash provided by operating activities:		
Net profit	**$ 78,806**	$ 25,368
Loss from discontinued operations	**–**	13,788
Profit from continuing operations	**78,806**	39,156
Depreciation, impairment and amortisation	**305,459**	304,656
Share of profit of joint ventures and associates	**(39,470)**	(32,437)
Finance expense, net of income	**124,909**	135,667
Income tax expense	**24,405**	8,321
Fair value adjustment on biological assets	**(17,379)**	4,985
Other adjustments to reconcile net profit to net cash from operating activities	**7,716**	2,279
Changes in working capital assets and liabilities	**(60,225)**	16,303
Dividends from joint ventures and associates	**22,869**	15,440
Other, net	**1,326**	(1,095)
Cash generated from operations	**448,416**	493,275
Net interest paid, including debt issuance costs	**(121,786)**	(131,694)
Income taxes paid	**(2,803)**	(5,212)
Net cash generated from operating activities – continuing activities	**$ 323,827**	$ 356,369
Net cash used in operating activities – discontinued activities	**$ –**	$ (3,589)
Cash flows from investing activities:		
Capital expenditures	**(185,486)**	(140,748)
Purchase of intangible assets	**(4,688)**	(4,752)
Investment in joint venture and associate	**(21,173)**	(15,000)
Proceeds from sales of assets	**29,741**	14,567
Other	**1,005**	4,323
Net cash used in investing activities – continuing operations	**$ (180,601)**	$ (141,610)
Net cash provided by investing activities – discontinued operations	**$ –**	$ 3,456
Net cash used for financing activities:		
Increase in short-term bank loans	**40,000**	–
Repayment of long-term debt	**(312,827)**	(396,016)
Proceeds from issuance of long-term debt	**141,950**	288,530
Principal payments on leases	**(43,432)**	(39,754)
Dividends paid	**(26,829)**	(13,465)
Net cash used in financing activities	**$ (201,138)**	$ (160,705)
Effect of exchange rate changes on cash	**(5,987)**	(2,305)
Net (decrease) increase in cash and cash equivalents	**$ (63,899)**	$ 51,616

Net cash provided by operating activities

In 2021, SNL generated cash from continuing operations of $323.8 million, compared with $356.4 million in 2020. The decrease in cash generated from operations was owing to higher net working capital as a result of increased activity and a year end insurance receivable, partially offset by higher EBITDA at STC and Stolt Sea Farm and lower interest payments.

Net cash used in investing activities

Net cash used in investing activities from continuing operations was $180.6 million in 2021, compared with $141.6 million in 2020.

The most significant uses of cash for investing during 2021 were:

i. capital expenditures of $185.5 million, $44.7 million higher than in 2020

ii. purchase of computer software of $4.7 million

iii. purchase of shares in Golar LNG Ltd for $3.0 million in 2021

iv. investment of $21.0 million in Avenir LNG Ltd.

Offsetting the uses of cash were proceeds from the sale of ships and other assets of $29.7 million, compared with $14.6 million in 2020.

Cash capital expenditures by business are summarised below:

	For the years ended November 30	
(in thousands)	**2021**	2020
Stolt Tankers	**$ 119,584**	$ 68,114
Stolthaven Terminals	**43,650**	59,281
Stolt Tank Containers	**13,745**	7,768
Stolt Sea Farm	**7,698**	5,195
Corporate and Other	**809**	390
Total	**$ 185,486**	$ 140,748

During the year ended November 30, 2021, the Group spent $185.5 million on property, plant and equipment. Cash spent during the period primarily reflected:

i. $103.1 million on tanker projects, including amounts related to the purchase of three second-hand 26,000 dwt ships, deposits for a barge newbuilding, costs for life extensions of ships and safety, environmental and regulatory assets

ii. $18.2 million on drydocking of ships

iii. $43.7 million on terminals expansion and maintenance projects

iv. $13.7 million on the purchase of tank containers and construction at depots

v. $7.7 million on Stolt Sea Farm capital expenditures

Net cash used in financing activities

Net cash outflow from financing activities totalled $201.1 million in 2021, compared with $160.7 million in 2020.

The significant cash sources from 2021 financing activities were $40.0 million of incremental borrowing on the revolving credit facility and uncommitted credit lines, and net proceeds from long-term debt issuances of $142.0 million, compared with $288.5 million in 2020.

The 2021 debt issuances comprised:

i. $77.0 million floating-rate facility with CMB Financial Leasing Co. Ltd. including the three newly acquired CTG ships

ii. $65.0 million fixed-rate term loan facility with KFW IPEX-BANK GMBH, using Stolthaven Dagenham and Stolthaven Moerdijk terminals as collateral

The principal uses of cash for financing activities in 2021 were:

i. $312.8 million in repayment of long-term debt, compared with $396.0 million in 2020

ii. $43.4 million of principal payments on lease liabilities, compared with $39.8 million in 2020

iii. $26.8 million in dividend payments, compared with $13.5 million in 2020

Indebtedness

SNL's total consolidated debt, excluding debt issuance costs, was $2,460.3 million as of November 30, 2021 and $2,530.7 million as of November 30, 2020, as set out in the table below.

(in thousands)	**2021**	2020
Short-term bank loans	**$ 40,000**	$ –
Long-term debt (including current portion)	**2,209,803**	2,337,198
Long-term lease liabilities (including current maturities)	**210,450**	193,515
Total debt on Consolidated Financial Statements	**2,460,253**	2,530,713
Available unused facilities:		
Committed revolving credit line	**309,883**	258,100
Uncommitted short-term bank lines of credit	**45,000**	65,000
Total unused facilities	**354,883**	323,100
Total debt and unused facilities	**$ 2,815,136**	$ 2,853,813

Long-term debt in the table above excludes debt issuance costs of $24.2 million and $28.1 million as of November 30, 2021 and 2020, respectively.

Short-term debt

Short-term debt consists of debt obligations to banks under uncommitted lines of credit and bank overdraft facilities which can be withdrawn by the banks on short notice. SNL had access to $65.0 million of such facilities, of which $45.0 million was unused during the year ended November 30, 2021.

During 2020 and 2021, SNL also had two committed revolving credit lines of which $20.0 million was outstanding on the Secured Reducing Multi-Currency Revolving Loan Facility ("Secured RCF") at November 30, 2021. The collateralised share pledge facility was terminated in December 2020 and replaced with a new $100.0 million credit line with DNB (UK) Limited and Swedbank AB. As of November 30, 2021, the amount available under the two committed revolving credit lines amounted to $309.9 million. Future availability of the Secured RCF is dependent on the amount of available collateral which varies with fluctuations in ship values.

Amounts borrowed pursuant to these facilities bore an average interest rate of 2.6% for the year ended November 30, 2021.

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Long-term debt

Long-term debt consists of debt collateralised by mortgages on SNL's ships, tank containers and terminals, unsecured bank loans at Stolt Sea Farm, $175.0 million of unsecured bonds denominated in US dollars as well as the $282.3 million unsecured bond financing denominated in NOK (NOK 2,550 million after removing 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 $2,185.6 million and $2,309.1 million as of November 30, 2021 and 2020, respectively, as set out below:

(in thousands)	2021	2020
Long-term debt	**$ 2,185,644**	$ 2,309,141
Less: Current maturities	**(490,502)**	(255,805)
	$ 1,695,142	$ 2,053,336

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, 2021, SNL had long-term lease liabilities for ships, terminal facilities, tank containers, barges, land, permits, computer and office equipment and offices. Certain of the leases contain clauses requiring payments in excess of the base amounts to cover operating expenses related to the leased assets. Such payments are expensed in the period of payment.

Reconciliation of Net Cash Flows to Movement in Net Debt

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

(in thousands)	2021	2020
Decrease (increase) in cash and cash equivalents for the year	**$ 63,899**	$ (51,616)
Cash inflow from increase in debt	**181,950**	288,530
Cash outflow from repayments of debt	**(312,827)**	(396,016)
Cash outflow from finance leases	**(43,432)**	(39,754)
Change in net debt resulting from cash flows	**(110,410)**	(198,856)
Lease liabilities capitalised, net of retirements	**63,591**	226,400
Currency movements	**38,255**	71,510
Debt issuance costs and other movements	**5,901**	6,460
Movement in net debt in the year	**(2,663)**	105,514
Opening net debt	**2,314,889**	2,209,375
Closing net debt	**$ 2,312,226**	$ 2,314,889

During 2021, SNL met its liquidity needs through a combination of cash generated from operations, borrowings from commercial banks, issuance of bonds 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 $29.7 million in 2021, compared to $14.6 million in 2020.

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, 2021, debt and lease liabilities decreased by $66.6 million. Excluding lease liabilities, debt decreased by $83.5 million. Tangible net worth increased by $54.8 million from November 30, 2020. This was primarily due to net profit of $78.8 million and actuarial gains on defined benefit pension schemes of $14.3 million, partially offset by declared dividends of $40.2 million. The debt to tangible net worth ratio was 1.44 at November 30, 2021 from 1.53 at November 30, 2020. This is below the 2.25 threshold included as a debt covenant in most of SNL's debt agreements.

Off-Balance Sheet Arrangements

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

Leases

In accordance with IFRS 16, all leases other than those that are immaterial or less than one year are capitalised. Future commitments for short-term or immaterial leases were $3.2 million at November 30, 2021, compared with $4.0 million at November 30, 2020.

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, 2021, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2021, including those reported on the Company's consolidated balance sheet and others that are not:

(in thousands)	Total	Less than 1 yr	1-3 yrs.	4-5 yrs.	More than 5 yrs.
Contractual cash obligations:					
Short-term bank loans	$ 40,000	$ 40,000	$ –	$ –	$ –
Long-term debt[1]	2,209,803	497,384	733,980	551,125	427,314
Lease principal payments	210,450	43,473	72,499	25, 831	68,647
Lease interest payments	97,855	9,257	12,522	7,725	68,351
Operating leases	3,217	1,916	1,014	287	–
Committed capital expenditures	75,687	65,933	9,754	–	–
Long-term fixed rate debt interest payments	248,966	76,987	102,975	43,424	25,580
Long-term variable rate debt interest payments[2]	59,011	12,292	20,469	14,517	11,733
Derivative financial liabilities[2]	15,031	7,626	4,851	2,162	392
Pension and post-retirement benefit obligations[3]	3,871	3,871	–	–	–
Total contractual cash obligations:	$ 2,963,891	$ 758,739	$ 958,064	$ 645,071	$ 602,017

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, 2021. 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

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
- Impairment of Australia Terminals' assets
- Investments in joint ventures and associates
- Insurance claims receivable and provisions
- Pension and other post-retirement benefits
- Right-of-use assets and lease liabilities

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

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.

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 66% of Stolt Tankers' STJS revenue in 2021 was derived from COA. Approximately 91% of these COA had provisions to pass through fluctuations in fuel prices to customers. As a result the expected cover from COA equals approximately 61% of the total deep-sea bunker price exposure. The profitability of the remaining Stolt Tankers' STJS revenue earned under COA and all spot revenue was directly impacted by changes in fuel prices, subject to the Company's hedging programme. In addition, the bunker surcharge clauses can result in the Company providing customers with rebates in periods of lower bunker prices. SNL's policy is to hedge a minimum of 50% of expected bunker purchases within the next 12 months, through either bunker surcharges clauses included in COA or through financial instruments.

In December 2020, this programme yielded $0.1 million in unrealised and realised losses (offset by bunker price decreases since the start of the hedge programme). The hedge programme ended in December 2020.

On January 1, 2020, the International Maritime Organization (IMO) implemented a new regulation to reduce the amount of sulphur oxide. Ships are now 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. Certain of the deep-sea newbuildings delivered in the past two years (including to joint ventures) have been fitted with wet hybrid scrubbers in order to reduce sulphur emission. The rest of the Stolt Tankers fleet has switched to Marine Gas Oil or alternative fuels, depending on availability, usability and cost efficiency.

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

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

Tanker and tank container industry risk

The tanker industry is cyclical and volatile, which may lead to reductions and/or volatility in freight rates, volumes and ship values. Fluctuations in the rates that Stolt Tankers can charge result from changes in the supply and demand for ship capacity and changes in the supply and demand for the products carried, particularly the bulk liquids, chemicals, edible oils, acids and other specialty liquids that are the majority of the products that the Company transports. Factors influencing demand include supply for products shipped, economic growth, environmental development and the distances that products are moved by sea. Factors influencing supply include the number of new ships and recycling of old ships, changes in regulations, the strength of the clean petroleum 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 over-supply of tank containers in the market. Stolt Tank Containers mitigates this risk by actively managing customer relationships and pricing as well as maintaining a balance of owned and leased tanks. Fleet size can easily be managed by the on-hire and off-hire of leased tanks.

Climate change risk

SNL may incur substantial costs as a result of changes in weather patterns due to climate change. Increases in the frequency, severity or duration of severe weather events such as hurricanes, typhoons or other severe weather events could result in asset loss, injuries, lost earnings, difficulty in obtaining insurance and higher costs. Changes in sea water temperature can adversely impact growth rates of fish, harm the fish and lead to losses of fish. To counteract future climate changes, there have been increasingly stringent regulations, such as the requirement to use low sulphur fuels, and violations can lead to significant fines and penalties. Future regulations could result in making SNL assets prematurely obsolete or require costly investments. We are also monitoring new regulations, such as the EU Emissions Trading System, which starting in 2023 will require the purchase of carbon-offset credits. This will drive an increase in the Company's operating expenses and could impact the profitability and cash flow of the Group unless offset by higher revenue. In order to mitigate the cost increase, SNL is including wording in its COAs that 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 cost of the EU Emissions Trading System regulation.

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

Newbuilding risk

SNL spends substantial sums during the construction of parcel tanker newbuildings without earning revenue and without assurance that ships will be completed on time or at all. Avenir LNG has commitments in respect of these newbuildings, of which $34.9 million is with recourse to SNL.

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 other financial crisis of the shipbuilder
- A backlog of orders at the shipyard
- SNL requests for changes to the original ship specifications
- Shortages of, or delays in, the receipt of necessary equipment or construction materials, such as steel

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

Political and geopolitical risk

SNL has international operations, and its business, financial condition and results of operations may be adversely affected by changing economic, political and government conditions in the countries and regions where SNL's ships and tank containers are employed, and terminals are located.

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

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

Project development risks

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

Stolt Sea Farm biological asset inventory price risk

All mature turbot and sole are held at fair value less costs of sale and costs related to harvest. A fair-value adjustment is also made at the point when previously juvenile turbot and sole are considered to become mature, which typically occurs when the fish reach a specified weight. Fair value is determined on the basis of market prices, and gains and losses from changes in fair value are recognised in the income statement.

The fair value of these assets fluctuates significantly based upon the season, competition, market conditions and existing supply. The fair-value adjustment recognised in the current year was a gain of $17.4 million in operating profit, compared with a $5.0 million loss in 2020. 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 Norwegian kroner, 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 2021, the US dollar has weakened by approximately 5% against the euro, causing a decrease in profit margins. SNL's foreign currency hedging policy is to hedge between 50% to 80% of the Company's expected foreign currency operating exposures over the next 12 months.

Financial Review *(continued)*

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.

Disease outbreaks and pandemic risks

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

If the movement of people and transport operations are restricted, this could limit SNL's ability to meet commitments to customers and could impact financial results. Likewise, any outbreak on-board our ships or at one of our terminals could impact operations of individual assets. The severity of the impact of such disruptions would depend on the spread and duration of the disease. Furthermore, the reduction in economic activity following Covid-19 will result in reduced movements of goods, which could have a direct impact on the demand for SNL services, and could result in reduced utilisation and lower revenue. To the extent possible, business continuity plans have been updated and implemented to mitigate any negative impact on the businesses from a wide-spread and long-lasting disease of the coronavirus type.

Financing risk

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

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

Treasury Shares

On October 6, 2021, the Group cancelled 5,610,000 Common Shares and 1,402,500 Founder's Shares. At November 30, 2021, 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 34 in the Consolidated Financial Statements for significant events occurring after November 30, 2021.

N.G. Stolt-Nielsen

Niels G. Stolt-Nielsen
Chief Executive Officer

Stolt-Nielsen Limited

Jens F. Grüner-Hegge
Chief Financial Officer

Stolt-Nielsen Limited

March 14, 2022