Financial Review

Jens F. Grüner-Hegge

Chief Financial Officer

Management's Discussion of Operating Performance

This section discusses SNL's operating results and financial condition for the years ended November 30, 2020 and 2019. 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, 2020 and 2019:

	For the years ended November 30,	
(in thousands)	**2020**	2019
Operating Revenue	**$ 1,955,136**	$ 2,032,069
Operating Expenses	**(1,308,904)**	(1,413,439)
Depreciation and amortisation	**(292,262)**	(254,108)
Impairment of assets	**(12,394)**	(5,500)
Gross Profit	**341,576**	359,022
Gross margin	**17.5%**	17.7%
Share of profit of joint ventures and associates	**32,437**	23,176
Administrative and general expenses	**(187,679)**	(204,233)
Reversal of impairment on joint venture loan	**3,557**	–
(Loss) gain on disposal of assets, net	**(794)**	2,407
Other operating income	**1,640**	2,354
Other operating expense	**(810)**	(806)
Operating Profit	**189,927**	181,920
Operating margin	**9.7%**	9.0%
Non-operating income (expense):		
Finance expense – finance leases	**(9,478)**	–
Finance expense – debt and other	**(129,884)**	(139,316)
Finance income	**3,695**	3,133
Foreign currency exchange loss, net	**(5,258)**	(2,385)
Other non-operating (expense) income, net	**(1,525)**	1,081
Profit before Income Tax	**47,477**	44,433
Income tax expense	**(8,321)**	(18,534)
Profit from Continuing Operations	**39,156**	25,899
Loss from Discontinued Operations	**(13,788)**	(6,838)
Net Profit	**$ 25,368**	$ 19,061
Attributable to:		
Equity holders of SNL	**$ 26,295**	$ 21,043
Non-controlling interests	**(927)**	(1,982)
	$ 25,368	$ 19,061

	For the years ended November 30,	
(in thousands)	**2020**	2019
Profit before one-time items	**$ 47,993**	$ 31,374
One-time items:		
Impairment of assets	**(12,394)**	(5,500)
Terminal one-time items	**–**	(2,382)
Reversal of impairment on joint venture loan	**3,557**	–
Tax effect on the above one-time items	**–**	2,407
Profit from Continuing Operations	**$ 39,156**	$ 25,899

Consolidated Income Statement

2020 was the first year that SNL reported its financial results according to IFRS 16. Profit from continuing operations of SNL was $39.2 million for 2020, compared with $25.9 million in 2019. Excluding the one-time items described in the table on the previous page, profit from continuing operations was $48.0 million for 2020, compared with $31.4 million in 2019, or a $16.6 million improvement. The most significant factors affecting SNL's performance in 2020 were:

- Stolt Tankers reported an operating profit of $84.6 million, an increase of $27.9 million or 49.2% compared to the prior year operating profit of $56.7 million. The decrease in operating revenues, excluding bunker fuel surcharge, amounted to $9.5 million and was primarily due to lower regional freight revenue as a result of a weak spot market in Northwest Europe. Bunker fuel costs, net of bunker rebates, were $20.5 million lower owing to the decrease of bunker prices, and port costs were $10.3 million lower as a result of fewer operating days, canal transits and port calls. Partially offsetting the lower operating expenses was an increase in variable time-charter hire expense to deep sea Pool Members as a result of the improved earnings, and a decrease in bunker hedge results.
- Stolthaven Terminals reported an operating profit of $68.8 million compared to $69.0 million in 2019, despite a reduction in revenue.
- Stolt Tank Containers reported an operating profit of $51.2 million, down from $56.1 million in 2019, a decrease of $4.9 million or 8.8%. The decrease was largely due to a reduction in transportation margins as a result of competitive market conditions. Partially offsetting these were increases in demurrage revenue as well as a reduction in Administrative and General costs due to cost savings measures taken during the Covid-19-related lockdowns.
- Stolt Sea Farm reported an operating loss of $8.4 million, compared with an operating profit of $7.7 million in 2019. The decrease in the operating profit was attributable to the impact of the Covid-19 pandemic, which reduced both sales volumes and sales prices. 2020 results also included a $1.8 million impairment on construction assets in Iceland, a $1.4 million impairment of frozen turbot stock and an increase in the fair value loss of $1.1 million.
- Stolt-Nielsen Gas reported an operating loss of $4.0 million in 2020 versus a loss of $4.1 million in 2019. The losses in both years were mainly attributable to the Group's share of costs related to the development of various small-scale LNG projects.
- Corporate and Other operating loss was $2.3 million, compared to the prior year loss of $3.5 million.
- SNL concluded its sale of the Caviar division in 2020 and recorded a loss from discontinued operations of $13.8 million. The sale generated cash proceeds, net of expenses, of $3.5 million and resulted in a loss of $9.1 million.

Operating revenue

Operating revenue was $1,955.1 million in 2020, which was 3.8% lower than in 2019, mainly owing to lower bunker surcharge revenues at Stolt Tankers, lower turbot sales volumes and prices at Stolt Sea Farm, lower revenues at the Singapore and Australia terminals and lower incremental billings and freight rates at Stolt Tank Containers.

Stolt Tankers' revenue decreased by $34.8 million, owing to a $25.3 million reduction in bunker surcharge revenue, $3.4 million less demurrage revenue and a $3.6 million decrease in freight revenue. The lower bunker surcharge revenue was owing to a decrease of bunker prices between the years. The freight revenue decreased mainly owing to a weak deep-sea performance in the first quarter as well as a weak regional spot market in Northwestern Europe.

Stolthaven Terminals' revenue decreased by $12.3 million compared to 2019, a decrease of 4.9%. This decrease was due to lower operating revenue in Australia and Singapore, sale of the rail business and the Altona terminal in 2019 and lower operating revenue in Santos because of weakening of the Brazilian real. The impact was only partly offset by an increase in the average utilisation rate to 92.4% in 2020 from 90.9% in 2019.

Stolt Tank Containers' revenue decreased by $7.9 million, or 1.5%, in 2020 largely as the impact of reduced freight rates partially offset by a 1.9% increase in shipments and increased demurrage revenue of $3.5 million.

Stolt Sea Farm's operating revenue decreased by $20.5 million, or 20.5%, in 2020 as a result of lower volumes sold and lower sales prices for turbot and sole.

Gross profit

SNL's gross profit decreased by $17.4 million or 4.9% to $341.6 million in 2020 compared to the prior year, reflecting lower turbot sales volumes and prices at Stolt Sea Farm, impairment of goodwill at Stolthaven Terminals and lower margins at Stolt Tank Containers, partially offset by lower bunker and other costs at Stolt Tankers.

Stolt Tankers' gross profit increased by $18.4 million in 2020, to $156.7 million, owing to a decrease in net bunker costs driven by the fall in bunker prices in the spring of 2020 as a result of Covid-19 and lower port cost caused by fewer operating days, canal transits and port calls. This was partially offset by higher variable time-charter hire expenses to deep sea pool participants, less demurrage revenue and lower bunker hedge results.

Gross profit for Stolthaven Terminals was $79.1 million in 2020, compared with $87.5 million in 2019, a decrease of $8.4 million. Excluding one-time adjustments discussed in the Terminals section below, gross profit decreased by $5.3 million from the impact of lower revenue in Singapore, Australia and Brazil, which was only partly offset by lower operating expenses.

Stolt Tank Containers saw a decrease in gross profit of $4.7 million to $117.4 million as a result of lower margins per shipment between the years.

Stolt Sea Farm's gross profit decreased by $16.7 million to a gross loss of $3.3 million, owing to lower sales volumes and lower sales prices as a result of the Covid-19 pandemic. 2020 also included a $1.8 million impairment of CIP assets in Iceland and a $1.4 million impairment on frozen turbot stock.

Share of profit of joint ventures and associates

SNL's share of the profits from non-consolidated joint ventures and associates in 2020 was $32.4 million, up from $23.2 million in 2019.

Stolt Tankers' share of profit from joint ventures increased by $7.7 million to $10.9 million. The equity pickups from the deep-sea joint ventures NYK Stolt Tankers S.A. and Hassel Shipping 4 improved owing to higher revenue and lower interest expense. Performance of the South East Asian joint venture Stolt NYK Asia Pacific Services improved owing primarily to reduced asset impairments.

Financial Review *continued*

Stolthaven Terminals' share of profit from joint ventures and associates increased by $3.2 million to $26.1 million. The increase mainly reflected the impact from capacity expansion at the joint venture terminal in Westport, Malaysia, a higher utilisation rate at the joint venture terminal in Tianjin, China and higher throughput at the joint venture jetty in Tianjin, China.

Administrative and general expenses

Administrative and general expenses were $187.7 million in 2020, down from $204.2 million in 2019, a decrease of $16.5 million. This was 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.

Reversal of impairment on joint venture loan

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

(Loss) gain on disposal of assets, net

SNL recorded a net loss on disposal of assets of $0.8 million in 2020 compared with a gain of $2.4 million in 2019.

Other operating income and other operating expense

Other operating income was $1.6 million in 2020, compared to $2.4 million in 2019.

Other operating expense was $0.8 million in both 2020 and 2019.

Finance expense

Finance expense was $139.4 million in 2020, slightly up from $139.3 million in 2019. Interest on debt decreased by $9.4 million, owing to lower interest rates and lower outstanding debt balances. Interest on leases was $9.5 million, owing to the implementation of IFRS 16, Leases, on December 1, 2019.

Finance income

Finance income was $3.7 million in 2020, up by $0.6 million compared with 2019. The increase was due to short-term investing of excess funds in 2020.

Foreign currency exchange loss

In 2020, SNL had a foreign currency exchange loss of $5.3 million, compared with a $2.4 million loss in 2019. This was due to the continued strength of the USD and its effect on intercompany advances with non-USD subsidiaries.

Other non-operating (expense) income, net

Non-operating expense was $1.5 million in 2020 compared with a non-operating income of $1.1 million in 2019.

Income tax expense

Income tax expense was $8.3 million in 2020, compared to $18.5 million in 2019. The reduction in income tax expense was due to the loss before taxes in Stolt Sea Farm and lower Stolthaven Terminals earnings. There were also several adjustments of deferred taxes in 2020.

Loss from discontinued operations attributable to SNL shareholders

Loss from discontinued operations attributable to SNL shareholders was $13.8 million in 2020 versus $6.8 million in 2019. The Group completed the sale of the caviar business in October 2020. The sale generated cash proceeds net of expenses of $3.5 million and resulted in a loss of $9.1 million. Excluding the loss on sale, the loss from the caviar operations was $4.7 million in 2020 compared to $6.8 million in 2019. This lower loss was due to a $0.7 million increase in the fair value adjustment between the two periods.

Non-controlling interest

During 2020, SNL acquired the 25% interest in Sterling Caviar from the minority shareholder. As November 30, 2020, SNL owns 100% of all its material consolidated subsidiaries.

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, such as Stolt Bitumen Services, which are not reportable as separate business segments.

	For the years ended November 30,			
(in thousands)		**2020**		2019
Operating revenue:				
Stolt Tankers	**$**	**1,113,095**	$	1,147,885
Stolthaven Terminals		**238,527**		250,830
Stolt Tank Containers		**520,631**		528,568
Stolt Sea Farm		**79,747**		100,284
Corporate and Other		**3,136**		4,502
Total	**$**	**1,955,136**	$	2,032,069
Operating profit:				
Stolt Tankers	**$**	**84,643**	$	56,713
Stolthaven Terminals		**68,794**		68,956
Stolt Tank Containers		**51,188**		56,136
Stolt Sea Farm		**(8,350)**		7,716
Stolt-Nielsen Gas		**(4,015)**		(4,126)
Corporate and Other		**(2,333)**		(3,475)
Total	**$**	**189,927**	$	181,920

Stolt Tankers

Operating revenue

Operating revenue decreased by $34.8 million in 2020 from 2019, with deep-sea revenue decreasing by $25.5 million and regional revenues by $9.3 million.

Deep-sea freight revenue was flat as a 1.7% increase in average freight rates almost fully offset a 2.4% decrease in cargo carried. The increase of average freight rates was caused by renewals of Contracts of Affreightment (COA) at higher rates and cargo mix effects. Rates on spot business, which contributed approximately 30% of total deep-sea freight revenue, increased by 3.6%. Decrease in cargo volume carried was in line with a 2.1% reduction in the deep-sea fleet operating days. Lower operating days were due to scheduling issues in the first quarter of the year, off-hire of one ship for extensive repairs after an incident in 2019, the recycling of one ship and the redelivery of one time-chartered ship in 2020. Deep-sea bunker surcharge revenue decreased by $21.3 million due to lower bunker prices compared to the prior year, while demurrage revenue decreased by $3.6 million due to less time spent in port.

Regional fleet revenue decreased by $9.3 million, reflecting lower freight revenue due to a weak spot market in Northwest Europe and lower bunker surcharge revenue.

The average Sailed-In Time-Charter Index for 2020 was 0.57, compared with 0.53 for 2019, an increase of 7.5%.

As of November 30, 2020, Stolt Tankers owned and/or operated 153 ships and barges, representing 2.78 million deadweight tons (dwt), compared to 2.82 million dwt at the end of 2019.

	Number of ships	Millions of dwt	% of STJS net earnings for the year ended November 30, 2020
Stolt Tankers Joint Service (STJS):			
Stolt Tankers Limited (52 owned)	55	1.87	81%
NYK Stolt Tanker S.A.	6	0.19	8%
Hassel Shipping 4 AS	8	0.26	11%
Total Stolt Tankers Joint Service	**69**	**2.32**	100%
Ships in owned regional services (26 owned)	61	0.26	
Ships in joint venture regional services (21 owned by joint ventures)	23	0.20	
Total	**153**	**2.78**	

Operating profit

Operating profit increased by $27.9 million, to $84.6 million in 2020 from $56.7 million in 2019. The $34.8 million reduction in revenue was more than offset by a decrease in bunker costs, port expenses and ship management costs and increase in share of profit from joint ventures.

Operating expenses decreased by $73.2 million, with $45.7 million of the decrease being the result of lower bunker costs. The average price of very low sulphur fuel (VLSF) and intermediate fuel oil (IFO) consumed in 2020 was $370 per ton, down 9% from $408 per ton in 2019. The requirement to use the more expensive VLSF began on January 1, 2020. The implementation of IFRS 16, Leases, led to a decrease of $22.6 million in operating expenses (shift from operating expenses to depreciation and interest expense). Port charges decreased by $10.3 million in line with the lower number of operating days, fewer canal transits and port calls. Partially offsetting these above decreases, were $9.1 million of higher time-charter expenses as the STJS variable time-charter costs increased in line with the improved results. Also, bunker hedges resulted in losses of $2.6 million for 2020 versus gains of $1.4 million in 2019.

Depreciation expense increased by $20.1 million owing to the impact of the implementation of IFRS 16, Leases. Ship management costs were $4.2 million or 2% lower than prior year mainly due to savings on manning costs and consumables, more than offsetting cost increases related to crew changes driven by the pandemic.

Stolt Tankers' share of profit from joint ventures increased by $7.7 million to $10.9 million. The equity pickups from the deep-sea joint ventures NYK Stolt Tankers S.A. and Hassel Shipping 4 improved due to higher deep-sea revenue and lower interest expenses. Profit at the South East Asian joint venture, Stolt NYK Asia Pacific Services, improved due to the non-recurrence of 2019 asset impairments.

Financial Review *continued*

Stolthaven Terminals

Operating revenue

Stolthaven Terminals' revenue decreased to $238.5 million in 2020 from $250.8 million in 2019. This decrease of $12.3 million or 4.9% was mainly due to lower operating revenue in Australia and Singapore and the weakening of the Brazilian real in Santos. Partly offsetting this was an increase in the average utilisation rate to 92.4% in 2020 from 90.9% in 2019. The increase in the average utilisation rate was mainly due to a higher average leased capacity in Newcastle, only partly offset by a lower average leased capacity in Singapore.

Total available average capacity at the wholly-owned terminals increased slightly to 1,732,747 cubic metres in 2020 from 1,723,040 cubic metres in 2019. The addition of new capacity in New Orleans in 2019 and 2020 and the full-year availability of capacity added in Santos in 2019 was partially offset by capacity taken out of service in Wynyard due to the planned exit at the end of its land lease. Product handled decreased to 13.7 million metric tons in 2020 from 14.4 million metric tons in 2019.

Operating profit

Operating profit decreased by $0.2 million to $68.8 million in 2020 from $69.0 million in 2019. There were the following one-time items:

	For the years ended November 30,			
(in thousands)		**2020**		2019
Terminal operating profit before one-time items	**$**	**77,631**	$	76,838
One-time items:				
Goodwill impairment in Australia		(12,394)		–
Reversal of impairment of joint venture loan		3,557		–
Gain on disposal of Rail business and Altona terminal		–		1,366
Impairment of plant and equipment in Australasia		–		(7,794)
Accelerated depreciation in Wynyard, New Zealand		–		(1,454)
Terminal operating profit	**$**	**68,794**	$	68,956

The operating profit before one-time items increased by $0.8 million. The revenue decrease of $12.3 million discussed above was more than offset by $8.3 million of lower operating expenses, $3.6 million of lower administrative and general expenses and $3.2 million higher share of joint venture income.

Operating expenses decreased by $8.3 million to $88.4 million in 2020 from $96.7 million in 2019 as the result of the sale of the Rail business and the Altona terminal in 2019, government assistance in Singapore related to Covid-19 in 2020 and the impact of Covid-19 cost-saving initiatives in 2020. Implementation of IFRS 16 also resulted in a decrease of approximately $4.3 million (shift to depreciation and interest).

Administrative and general expenses decreased by $3.6 million also due to Covid-19 cost-savings initiatives and government assistance in Singapore. There was also $1.1 million of pension credits in 2020.

Share of profit of Stolthaven Terminals' joint ventures and associates increased by $3.2 million because of the impact from a capacity expansion at the joint venture terminal in Westport, Malaysia, a higher utilization rate at the joint venture terminal in Tianjin, China and higher throughput at the joint venture jetty in Tianjin, China.

Stolt Tank Containers (STC)

Operating revenue

Stolt Tank Containers' revenue fell to $520.6 million in 2020 from $528.6 million in 2019, a decrease of $8.0 million or 1.5%. This was primarily due to the impact of reduced freight rates and the $4.2 million incremental billing in 2019 for costs incurred in previous periods. This was partially offset by a 1.9% increase in shipments and increased demurrage revenue of $3.5 million.

In 2020, STC handled 129,476 tank container shipments, compared with 127,033 shipments in 2019, which represents a 1.9% increase. Average utilisation remained flat at 67.8% in 2020, from 67.7% in 2019. The fleet decreased by 1.6% to 39,874 tank containers at the end of 2020 compared to 40,513 tank containers at the end of 2019.

STC's rates in most major markets decreased because of weaker market conditions combined with lower freight costs and an increase in lower-priced, shorter intra-regional shipments. STC's rates were also impacted by changing trade patterns as a result of Covid-19 lockdowns around the world throughout 2020.

Operating profit

Stolt Tank Containers reported an operating profit of $51.2 million, down from $56.1 million in 2019, a decrease of $4.9 million or 8.8%. The decrease was largely due to the revenue decrease discussed above. Partially offsetting these were a reduction in Administrative and general costs due to cost-savings measures taken during the Covid-19-related lockdowns and implementation of IFRS 16 also resulted in a decrease of approximately $2.6 million (shift to depreciation and interest).

Stolt Sea Farm (SSF)

Operating revenue

Stolt Sea Farm's revenue decreased by $20.5 million, or 20.5%, to $79.7 million in 2020 from $100.3 million in 2019, due to Covid-19-related reduction in demand for turbot from SSF's customers within the hotel, restaurant and caterers segments. Turbot volumes sold were 7,607 tonnes at an average price of EUR 7.60 per kilogram versus 8,314 tonnes sold in 2019 at an average price of EUR 8.86 per kilogram. Sole volumes decreased by 16.5% while sole prices decreased by 3.9%.

Operating profit

Stolt Sea Farm reported an operating loss of $8.4 million in 2020 compared to an operating profit of $7.7 million in 2019, a year-on-year decrease of $16.1 million. The decrease in the operating profit was primarily attributable to the impact of the Covid-19 pandemic discussed, together with a $1.8 million impairment on construction assets in Iceland due to a delay in expansion of the farm to its full capacity and a $1.4 million impairment on frozen turbot stock in 2020. Further, SSF recorded a $5.0 million fair market value loss on the biological assets in 2020 compared to $3.9 million fair market value loss in 2019.

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 loss of $4.0 million in 2020 versus a loss of $4.1 million in 2019. The losses in both years were mainly attributable to costs related to the development of various small-scale LNG projects.

Corporate and Other

Corporate and Other operating loss was $2.3 million, compared with the prior year loss of $3.5 million. The loss decreased by $1.2 million, primarily due to reversal of accruals no longer required and lower professional fees partially offset by increased insurance expenses.

Liquidity and Capital Resources

(in thousands)	For the years ended November 30, 2020	2019
Summary Cash Flows		
Net cash provided by operating activities:		
Net profit	**$ 25,368**	$ 19,061
Loss from discontinued operations	**13,788**	6,838
Profit from continuing operations	**39,156**	25,899
Depreciation, impairment and amortisation	**304,656**	259,608
Share of profit of joint ventures and associates	**(32,437)**	(23,176)
Finance expense, net of income	**135,667**	136,183
Income tax expense	**8,321**	18,534
Fair value adjustment on biological assets	**4,985**	3,906
Other adjustments to reconcile net profit to net cash from operating activities	**2,279**	6,625
Changes in working capital assets and liabilities	**16,303**	(7,296)
Dividends from joint ventures and associates	**15,440**	15,902
Other, net	**(1,095)**	(5,194)
Cash generated from operations	**493,275**	430,991
Net interest paid, including debt issuance costs	**(131,694)**	(141,387)
Income taxes paid	**(5,212)**	(10,226)
Net cash generated from operating activities – continuing activities	**$ 356,369**	$ 279,378
Net cash used in operating activities – discontinued activities	**$ (3,589)**	$ (1,655)
Cash flows from investing activities:		
Capital expenditures	**(140,748)**	(155,805)
Purchase of intangibles	**(4,752)**	(7,284)
Sale of marketable securities	**–**	25,904
Investment in joint venture	**(15,000)**	(382)
Proceeds from sale of assets	**14,567**	12,482
Other	**4,323**	2,682
Net cash used in investing activities – continuing operations	**$ (141,610)**	$ (122,403)
Net cash provided by (used) in investing activities – discontinued operations	**$ 3,456**	$ (492)
Net cash used for financing activities:		
Repayment of long-term debt	**(396,016)**	(916,060)
Proceeds from issuance of long-term debt	**288,530**	868,815
Principal payments on leases	**(39,754)**	–
Dividends paid	**(13,465)**	(26,929)
Other	**–**	(3,347)
Net cash used in financing activities	**$ (160,705)**	$ (77,521)
Effect of exchange rate changes on cash	**(2,305)**	(5,685)
Net increase in cash and cash equivalents	**$ 51,616**	$ 71,622

Financial Review *continued*

Net cash provided by operating activities

In 2020, SNL generated cash from continuing operations of $356.4 million, compared with $279.4 million in 2019. The increase in cash generated from operations was owing to higher EBITDA at tankers and STC as well as lower interest payments, debt issuance costs and income tax payments. There were also improved net working capital inflows.

Net cash used in investing activities

Net cash used in investing activities from continuing operations was $141.6 million in 2020, compared with $122.4 million in 2019.

The most significant uses of cash for investing during 2020 were:

i. capital expenditures of $140.7 million, $15.1 million lower than in 2019,

ii. purchase of computer software of $4.8 million

iii. investment of $15.0 million in Avenir LNG Ltd.

Offsetting the uses of cash were proceeds from the sale of ships and other assets of $14.6 million, compared with $12.5 million in 2019. Shares in Avance Gas Holding Ltd (AGHL) were sold for $25.9 million in 2019.

Cash capital expenditures by business are summarised below:

	For the years ended November 30	
(in thousands)	**2020**	2019
Stolt Tankers	**$ 68,114**	$ 61,156
Stolthaven Terminals	**59,281**	70,376
Stolt Tank Containers	**7,768**	5,679
Stolt Sea Farm	**5,195**	17,570
Corporate and Other	**390**	1,024
Total	**$ 140,748**	$ 155,805

During the year ended November 30, 2020, the Group spent $140.7 million on property, plant and equipment. Cash spent during the period primarily reflected:

i. $46.0 million on tanker projects, including deposits on the purchase of second-hand 26,000 dwt ships, costs for life extensions, safety, environmental and regulatory assets,

ii. $22.1 million on drydocking of ships,

iii. $59.3 million on terminals expansion and maintenance projects,

iv. $7.8 million on the purchase of tank containers and construction at depots, and

v. $5.2 million on Stolt Sea Farm capital expenditures, primarily for new sole farms in Cervo, Spain and Tocha, Portugal.

Net cash used in financing activities

Net cash outflow from financing activities totalled $160.7 million in 2020, compared with $77.5 million in 2019.

The significant cash sources from 2020 financing activities were net proceeds of long-term debt issuances of $288.5 million, compared with $868.8 million in 2019. The 2020 debt issuances comprised:

i. $273.7 million equivalent of NOK bonds, and

ii. $14.8 million of additional debt raised by Stolt Sea Farm.

The principal uses of cash for financing activities in 2020 were:

i. $396.0 million in repayment of long-term debt, compared with $916.1 million in 2019,

ii. $39.8 million of principal payments on lease liabilities, and

iii. $13.5 million in dividend payments, compared with $26.9 million in 2019.

Indebtedness

SNL's total consolidated debt, excluding debt issuance costs, was $2,530.7 million as of November 30, 2020 and $2,377.5 million on November 30, 2019, as set forth in the table below. The increase was due to the implementation of IFRS-16, Leases.

(in thousands)	**2020**	2019
Long-term debt (including current portion)	**$ 2,337,198**	$ 2,377,488
Long-term lease liabilities (including current maturities)	**193,515**	–
Total debt on Consolidated Financial Statements	**2,530,713**	2,377,488
Available unused facilities:		
Committed revolving credit line	**258,100**	303,000
Collateralised share pledge facility	**–**	40,000
Uncommitted short-term bank lines of credit	**65,000**	45,000
Total unused facilities	**323,100**	388,000
Total debt and unused facilities	**$ 2,853,813**	$ 2,765,488

Long-term debt in the table above excludes debt issuance costs of $28.1 million and $32.0 million as of November 30, 2020 and 2019, 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, which were unused during the year ended November 30, 2020. Amounts borrowed pursuant to these facilities bore an average interest rate of 4.1% for the year ended November 30, 2019.

During 2019 and 2020, SNL also had a committed revolving credit line and a collateralised share pledge facility. As of November 30, 2020, the amount available under the committed revolving credit line amounted to $258.1 million. Future availability of the committed revolving credit line is dependent on the amount of available collateral which varies with fluctuations in ship values. The collateralised share pledge facility was closed on November 20, 2020, as it was no longer considered a requirement for the Group.

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 $391.0 million unsecured bond financing denominated in NOK ($427.2 million or NOK 3,478 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 $2,309.1 million and $2,345.5 million as of November 30, 2020 and 2019, respectively, as set forth below:

(in thousands)		2020		2019
Long-term debt	$	**2,309,141**	$	2,345,526
Less: Current maturities		**(255,805)**		(287,006)
	$	**2,053,336**	$	2,058,520

Long-term lease liabilities
SNL implemented IFRS 16, Leases (IFRS 16), effective December 1, 2019. This required all but immaterial or short-term leases to be recorded on the balance sheet. See Note 2 in the Consolidated Financial Statements for more information on the effect of IFRS 16. As of November 30, 2020, 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)		2020		2019
Increase in cash and cash equivalents for the year	$	**(51,616)**	$	(71,622)
Cash inflow from increase in debt		**288,530**		868,815
Cash outflow from repayments of debt		**(396,016)**		(916,060)
Cash outflow from finance leases		**(39,754)**		–
Change in net debt resulting from cash flows		**(198,856)**		(118,867)
Lease liabilities capitalised		**226,400**		–
Currency movements		**71,510**		(5,482)
Debt issuance costs and other movements		**6,460**		6,022
Movement in net debt in the year		**105,514**		(118,327)
Opening net debt		**2,209,375**		2,327,702
Closing net debt	$	**2,314,889**	$	2,209,375

During 2020, 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 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, marketable securities, investments in associates and other assets of $14.6 million in 2020, compared to $39.1 million in 2019.

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). At November 30, 2020, debt and lease liabilities increased by $157.1 million, primarily due to the capitalisation of the lease liabilities of $226.4 million. Excluding lease liabilities, debt decreased by $36.4 million. Tangible net worth increased by $33.3 million from November 30, 2019. This was primarily due to net profit of $26.3 million and actuarial gains on defined benefit pension schemes of $10.4 million, partially offset by declared dividends of $13.4 million. The debt to tangible net worth ratio was 1.53 at November 30, 2020 from 1.47 at November 30, 2019 due to the implementation of IFRS 16. This is below the 2.00 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 below.

Leases
SNL adopted IFRS 16 during the year ended November 30, 2020. This means that all leases other than those that are immaterial or less than one year are now capitalised. Future commitments for short-term or immaterial leases were $4.0 million at November 30, 2020, while operating lease commitments were $301.2 million at November 30, 2019.

Financial Review *continued*

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 liabilities. 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, 2020, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2020, 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:					
Long-term debt, including committed revolver[1]	$ 2,337,198	$ 262,144	$ 845,012	$ 721,371	$ 508,671
Lease principal payments	193,515	35,640	58,650	36,653	62,572
Lease interest payments	91,531	8,714	12,616	7,897	62,304
Committed capital expenditures	167,447	162,637	4,810	–	–
Long-term fixed rate debt interest payments	345,324	92,842	143,154	67,209	42,119
Long-term variable rate debt interest payments[2]	60,187	12,649	20,965	14,787	11,786
Derivative financial liabilities[2]	82,294	61,793	15,559	2,538	2,404
Pension and post-retirement benefit obligations[3]	506	506	–	–	–
Total contractual cash obligations:	$ 3,278,002	$ 636,925	$ 1,100,766	$ 850,455	$ 689,856

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, 2020. 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;
- Impairment review;
- 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 included in the Annual Report.

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 70% of Stolt Tankers' STJS revenue in 2020 was derived from COA. Approximately 97% of these COA had provisions to pass through fluctuations in fuel prices to customers. As a result the expected cover from COA equals approximately 68% 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 January 2019, Stolt Tankers added hedges for the uncovered portion of the estimated bunker consumption through December 2019. In March 2020, Stolt Tankers again added hedges for the uncovered portion through December 2020.

In 2020 this programme yielded $2.6 million in realised losses (offset by bunker price decreases since the start of the hedge programme) and $0.3 million in unrealised gains (mark to market of the remaining outstanding hedges). The hedge programme ended in December 2020.

On January 1, 2020, the International Maritime Organisation (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 to a compliant level and there is the potential to expand this depending on operating experience. 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 includes 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 this risk 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 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.

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 the ships, terminals, depots, farms and offices. SNL is also using its expertise and strong industry relationships to investigate and explore new technologies to meet the move towards a low-carbon future.

Financial Review *continued*

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 have commitments in respect of these newbuildings, of which $71.8 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; or
- 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, it could adversely affect the business, 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 the 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, war or international hostilities.

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

Project development risks

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

Stolt Sea Farm biological asset inventory price risk

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

The fair value of these assets fluctuates significantly based upon the season, competition, market conditions and existing supply. The fair-value adjustment recognised in the current year was a loss of $5.0 million in operating profit, compared with a $3.9 million loss in 2019. 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 2020, the US dollar has weakened by approximately 2% 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 twelve months.

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 subject 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 into disclosing 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 was to experience a breach of its systems and was unable to protect sensitive data, 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 Coronavirus outbreak, 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 the 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 as a large percent of their sales are to the hotel, restaurant and catering sectors.

Where the movement of people and transport operations have been restricted, this could limit SNL's ability to meet commitments to customers and could impact financial results. Likewise, any outbreak onboard our ships or at one of our terminals could impact operations of individual assets. The severity of the impact of such disruptions depend on the spread and duration of the disease. Furthermore, the reduction in economic activity following the coronavirus outbreak 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 as well as financial institutions appetite for secured ship, tank container or terminal financing.

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

Treasury Shares

At November 30, 2020, SNL held 10,610,000 treasury shares. See Note 30 in the consolidated financial statements and Note 14 in the Unconsolidated Stolt-Nielsen Limited Audited Financial Statements that are included as Appendix 1 of the consolidated 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, 2020.

Niels G. Stolt-Nielsen

Chief Executive Officer
Stolt-Nielsen Limited

Jens F. Grüner-Hegge

Chief Financial Officer
Stolt-Nielsen Limited

March 12, 2021