



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 917 531 811
Organisasjonsform: Aksjeselskap
Foretaksnavn: JO CHEMICAL TANKERS AS
Forretningsadresse: Grev Wedels plass 7
0151 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 30.11.2017

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Christian Fredrik Mathiesen
Dato for fastsettelse av årsregnskapet: 08.06.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 08.09.2019



Resultatregnskap

| Beløp i: USD | Note | 2017 | 2016 |
|--|------|--------------------|---------------|
| RESULTATREGNSKAP | | | |
| Kostnader | | | |
| Annen driftskostnad | 2 | 113 490 | 956 |
| Sum kostnader | | 113 490 | 956 |
| Driftsresultat | | -113 490 | -956 |
| Finansinntekter og finanskostnader | | | |
| Renteinntekt fra foretak i samme konsern | | 4 645 507 | 79 167 |
| Annen finansinntekt | 4 | 29 492 679 | 28 |
| Sum finansinntekter | | 34 138 186 | 79 195 |
| Nedskrivning av finansielle eiendeler | 4 | 14 873 266 | |
| Rentekostnad til foretak i samme konsern | | 2 264 927 | 83 917 |
| Annen finanskostnad | | 5 747 | 56 |
| Sum finanskostnader | | 17 143 940 | 83 973 |
| Netto finans | | 16 994 246 | -4 778 |
| Ordinært resultat før skattekostnad | | 16 880 756 | -5 734 |
| Skattekostnad på ordinært resultat | 6 | 1 841 945 | -3 099 |
| Ordinært resultat etter skattekostnad | | 15 038 811 | -2 635 |
| Årsresultat | | 15 038 811 | -2 635 |
| Overføringer og disponeringer | | | |
| Udekket tap | 7 | | 2 635 |
| Overføring til/fra annen egenkapital | 7 | -15 038 811 | |
| Sum overføringer og disponeringer | | -15 038 811 | 2 635 |



Balanse

| Beløp i: USD | Note | 2017 | 2016 |
|---|------|--------------------|--------------------|
| BALANSE - EIENDELER | | | |
| Anleggsmidler | | | |
| Immaterielle eiendeler | | | |
| Utsatt skattefordel | 6 | | 3 099 |
| Sum immaterielle eiendeler | | | 3 099 |
| Finansielle anleggsmidler | | | |
| Investering i datterselskap | 4 | 32 549 334 | 235 643 131 |
| Lån til tilknyttet selskap og felles kontrollert virksomhet | 5 | 291 519 188 | 9 579 167 |
| Investeringer i aksjer og andeler | 4 | 52 211 472 | 52 211 472 |
| Andre fordringer | | 248 640 | |
| Sum finansielle anleggsmidler | | 376 528 634 | 297 433 770 |
| Sum anleggsmidler | | 376 528 634 | 297 436 869 |
| Omløpsmidler | | | |
| Varer | | | |
| Fordringer | | | |
| Andre fordringer | 5 | | 14 140 318 |
| Sum fordringer | | | 14 140 318 |
| Bankinnskudd, kontanter og lignende | | | |
| Bankinnskudd, kontanter og lignende | 3 | 103 759 | 1 902 |
| Sum bankinnskudd, kontanter og lignende | | 103 759 | 1 902 |
| Sum omløpsmidler | | 103 759 | 14 142 220 |
| SUM EIENDELER | | 376 632 393 | 311 579 089 |
| BALANSE - EGENKAPITAL OG GJELD | | | |
| Egenkapital | | | |
| Innskutt egenkapital | | | |
| Aksjekapital | | 7 276 | 7 276 |



Balanse

| Beløp i: USD | Note | 2017 | 2016 |
|-----------------------------------|-------------|--------------------|--------------------|
| Overkurs | | 287 712 619 | 287 712 619 |
| Sum innskutt egenkapital | | 287 719 895 | 287 719 895 |
| Opptjent egenkapital | | | |
| Annen egenkapital | 7 | 15 035 515 | |
| Udekket tap | 7 | | 3 296 |
| Sum opptjent egenkapital | | 15 035 515 | -3 296 |
| Sum egenkapital | | 302 755 410 | 287 716 599 |
| Gjeld | | | |
| Langsiktig gjeld | | | |
| Annen langsiktig gjeld | | | |
| Øvrig langsiktig gjeld | 5 | 69 714 266 | 23 724 235 |
| Sum annen langsiktig gjeld | | 69 714 266 | 23 724 235 |
| Sum langsiktig gjeld | | 69 714 266 | 23 724 235 |
| Kortsiktig gjeld | | | |
| Leverandørgjeld | 5 | 18 250 | 138 255 |
| Betalbar skatt | 6 | 1 234 840 | |
| Annen kortsiktig gjeld | 5 | 2 909 627 | |
| Sum kortsiktig gjeld | | 4 162 717 | 138 255 |
| Sum gjeld | | 73 876 983 | 23 862 490 |
| SUM EGENKAPITAL OG GJELD | | 376 632 393 | 311 579 089 |



Change in Financial statement year end from 31 December to 30 November

This Financial Statement is for the financial year ended 30 November 2017. Comparable amounts are from the year ended 31 December 2016. The Company has amended the financial year end from 31 December to 30 November in 2016, in order to adapt to the financial year in Stolt-Nielsen Group after acquisition in 2016.



Skattedirektoratet

| | | |
|--|--------------------------------------|------------------------------|
| Saksbehandler Torstein Kinden Helleland | Deres dato 02.05.2017 | Vår dato 09.06.2017 |
| Telefon 22078139 | Deres referanse Daniel Brandsæter | Vår referanse 2016/395398 |

ERNST & YOUNG AS
Postboks 6163
5892 BERGEN

Fritak for konsernregnskapsplikt og tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev 2. mai 2017 hvor det søkes om fritak fra plikten til å utarbeide konsernregnskap og tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for selskaper i Stolt-Nielsen konsernet.

Konsernregnskap

Det søkes om fritak fra plikten til å utarbeide konsernregnskap for **JO Chemical Tankers AS**, org.nr. 917 531 811.

JO Chemical Tankers AS med datterselskaper, og morselskapet Stolt-Nielsen Acquisition Holdings Ltd, inngår i konsernet til Stolt-Nielsen M.S. Ltd, registrert i London, Storbritannia. Stolt-Nielsen M.S. Ltd utarbeider konsernregnskap som omfatter underkonsernet JO Chemical Tankers AS etter IFRS.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for JO Chemical Tankers AS. Det forutsettes at Stolt-Nielsen M.S. Ltd utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr. 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



Årsregnskap og årsberetning på engelsk språk

Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

| | |
|-------------------------------|----------------------------|
| JO Chemical Tankers AS | org.nr. 917 531 811 |
| Shipping 1 AS | org.nr. 998 170 605 |
| Skibs AS Hassel | org.nr. 989 478 524 |
| JO Tankers AS | org.nr. 933 233 901 |

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

JO Chemical Tankers AS med datterselskaper er eid av Stolt-Nielsen Acquisition Holdings Ltd som igjen er eid av Stolt-Nielsen M.S. Ltd, registrert i London. Storbritannia JO Chemical Tankers AS er nystiftet og morselskap til de øvrige selskapene. De øvrige selskapene hadde tidligere dispensasjon til å benytte engelsk språk, men søker nå på nytt på bakgrunn av endret eierforhold. Selskapene driver med rederivirksomhet. Dette er en internasjonal bransje og alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk. Arbeidsspråket er engelsk og all intern rapportering skjer på dette språket. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper



vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “informative regnskaper for ulike grupper av regnskapsbrukere”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene er direkte og indirekte eiet av et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråket er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



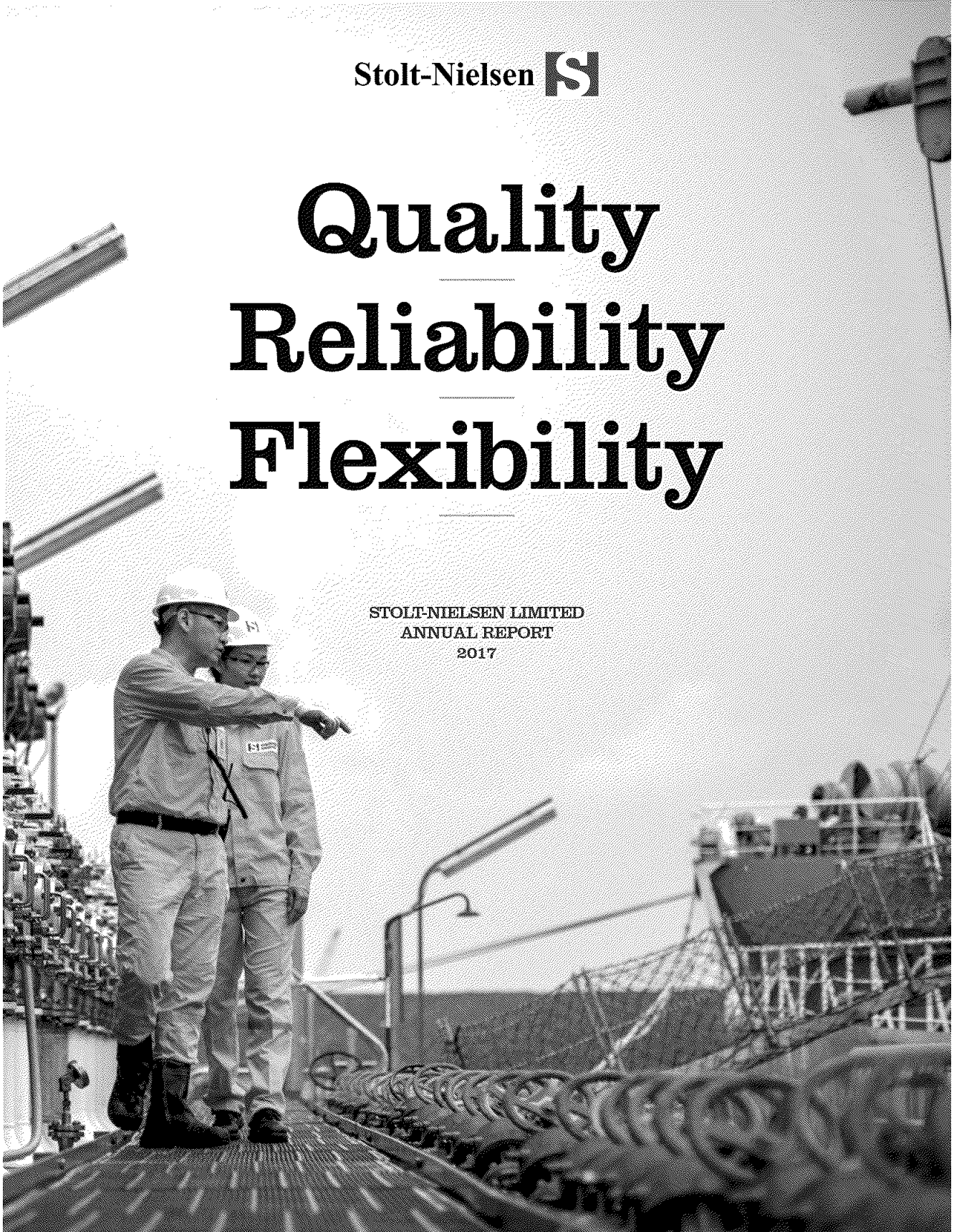
Stolt-Nielsen 

Quality

Reliability

Flexibility

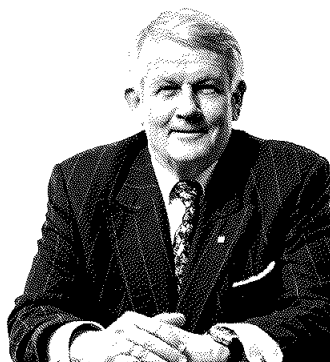
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FINANCIAL REVIEW

Financial Review



Jan Chr. Engelhardtson
Chief Financial Officer

RESULTS OF OPERATIONS

Below is a summary of SNL's consolidated financial data for November 30, 2017 and 2016:

| (in thousands) | For the years ended | |
|--|---------------------|-------------------|
| | November 30, 2017 | November 30, 2016 |
| Operating Revenue | \$ 1,997,090 | \$ 1,879,905 |
| Operating expenses | (1,329,223) | (1,241,320) |
| Depreciation and amortisation | (264,497) | (234,071) |
| Impairment of plant, property and equipment | (15,300) | - |
| Gross Profit | 388,070 | 404,514 |
| <i>Gross margin</i> | 19.4% | 21.5% |
| Share of profit of joint ventures and associates | 17,588 | 33,599 |
| Administrative and general expenses | (216,529) | (207,226) |
| US retiree healthcare plan curtailment gain | 3,931 | - |
| US pension plan settlement gain | - | 3,769 |
| Loss on disposal of assets, net | (515) | (137) |
| Other operating income | 2,675 | 1,109 |
| Other operating expense | (851) | (3,790) |
| Operating Profit | 194,369 | 231,838 |
| <i>Operating margin</i> | 9.7% | 12.3% |
| Non-operating income (expense): | | |
| Finance expense | (133,943) | (106,134) |
| Finance income | 3,732 | 2,518 |
| Foreign currency exchange loss, net | (2,774) | (1,568) |
| Other non-operating income, net | 972 | 2,290 |
| Profit before Income Tax | 62,356 | 128,944 |
| Income tax expense | (12,239) | (15,707) |
| Net Profit | \$ 50,117 | \$ 113,237 |
| Attributable to: | | |
| Equity holders of SNL | 50,313 | 113,145 |
| Non-controlling interests | (196) | 92 |
| | \$ 50,117 | \$ 113,237 |

MANAGEMENT'S DISCUSSION OF OPERATING PERFORMANCE

This section discusses SNL's operating results and financial condition for the years ended November 30, 2017 and 2016. 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.

| (in thousands) | For the years ended | |
|---|---------------------|-------------------|
| | November 30, 2017 | November 30, 2016 |
| Net profit before one-time items | \$ 63,417 | \$ 119,386 |
| One-time items: | | |
| US pension plan settlement gain | - | 5,642 |
| US retiree healthcare plan curtailment gain | 7,171 | - |
| Terminal one-time items (see Terminals section below) | (9,855) | (6,193) |
| Impairment of assets in Stolt Bitumen | (8,404) | (4,200) |
| Acquisition costs for Jo Tankers | (400) | (2,200) |
| Restructuring charges for Tankers | (2,158) | - |
| Write-down of investment and advances in Stolt LNGaz Ltd. | - | (1,319) |
| Tax effect on the above one-time items | 346 | 2,121 |
| Net Profit | \$ 50,117 | \$ 113,237 |



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CONSOLIDATED INCOME STATEMENTS

Net profit of SNL was \$50.1 million for 2017, compared with \$113.2 million in 2016. Excluding the one-time items described in the table above, net profit was \$63.4 million for 2017, compared with \$119.4 million in 2016, or a \$56.0 million reduction. The most significant factors affecting SNL's performance in 2017 were:

- Stolt Tankers reported an operating profit of \$111.0 million, a 20% decline compared to prior year operating profit of \$138.4 million. The acquisition of Jo Tankers (JoT) in November 2016 had a positive impact that was offset by the effect of higher bunker prices and lower average freight rates for the deep-sea fleet as the market softened during the second half of the year.
- Stolthaven Terminals reported an operating profit of \$54.2 million compared to \$53.0 million in 2016. Excluding the one-time negative adjustments of \$9.9 million in 2017 and \$6.2 million in 2016, as discussed in the Terminals section, operating profit increased by \$4.8 million in 2017. The increase in operating profit was mainly due to an increase in storage capacity, higher throughput volume and a higher share of profit from joint ventures and associates, partly offset by a decrease in the average utilisation rate, higher operating expenses and higher depreciation as a result of adding extra capacity.
- Stolt Tank Containers reported an operating profit of \$54.5 million, up from \$48.2 million in 2016, an increase of 13% or \$6.3 million. The increase was largely due to improved utilisation, with shipments increasing by 5.5%, as well as improved freight rates in most regions. This was partially offset by higher depreciation of \$3.8 million due to a change in tank container salvage values as well as new capital expenditures.
- Stolt Sea Farm reported an operating profit of \$3.5 million, compared with an operating profit of \$14.1 million in 2016. The decrease in the operating profit was attributable to the adjustment for fair value of inventories, which had no impact on the operating profit in 2017, compared with a \$7.6 million positive impact in 2016, as well as lower sales volumes of caviar.
- Corporate and Other operating loss was \$28.8 million, compared to the prior year loss of \$21.8 million. Excluding one-time items detailed in the Corporate and Other section, Corporate and Other operating profit decreased by \$11.0 million. The majority of this decrease was due to a decline in SNL's share of profits in Avance Gas Holding Limited (AGHL), which decreased by \$10.4 million due to the sharp decline in the LPG market in 2016, which had a full-year impact in 2017, as well as lower operating results at Stolt Bitumen.

Operating Revenue

Operating revenue was \$1,997.1 million in 2017, which was \$117.2 million, or 6.2%, higher than 2016, mainly due to higher freight revenues in Tankers from more trading days and lower bunker surcharge rebates, and shipment increases at Stolt Tank Containers. This was partially offset by a significant reduction in trading at Stolt Bitumen.

Stolt Tankers' revenue increased by \$97.6 million, due to \$48.3 million in higher freight revenue and \$42.9 million lower bunker surcharge rebates. The freight revenue increase was mainly due to 20.5% more operating days

in deep-sea resulting from the acquisition of Jo Tankers (JoT) in November 2016 and the delivery of newbuildings during 2017. This increase in days more than offset a decrease in freight rates during 2017 which declined by 12.5% from the prior year. The lower bunker surcharge rebates were due to the increase in bunker prices during the year.

Stolthaven Terminals' revenue increased by \$8.0 million compared to 2016, an increase of 3.4%. The improvement reflected an increase in average storage capacity, as well as higher throughput volume, partly offset by a decrease in the average utilisation rate to 87.9% in 2017 from 90.2% in 2016.

Stolt Tank Containers' revenue increased by \$37.0 million in 2017 mainly due to a 5.5% increase in shipments. Also impacting revenues were higher freight rates as the market showed signs of improvement combined with increased activities at Stolt-owned depots.

Stolt Sea Farm's operating revenue increased by \$7.4 million in 2017 from the prior year mainly due to additional volumes of turbot sold on consignment and owned turbot.

Corporate and Other operating revenue decreased as Stolt Bitumen stopped the trading of bitumen in 2017.

Gross Profit

SNL's gross profit decreased by 4.1% or \$16.4 million to \$388.1 million in 2017 compared to the prior year, reflecting market conditions at Stolt Tankers, reduced fair value gains on inventory at Stolt Sea Farm and the write-down of a bitumen ship at Stolt Bitumen and of the assets at Stolthaven New Zealand, partially offset by increased gross profit at Stolt Tank Containers.

Stolt Tankers' gross profit decreased by \$8.2 million in 2017 to \$194.6 million. The acquisition of Jo Tankers had a positive impact, but this was more than offset by the effect of lower average freight rates in deep-sea that reflected a soft market worldwide and the effect of higher bunker prices on operating expenses.

Gross profit for Stolthaven Terminals was \$75.8 million in 2017, compared with \$77.1 million, a decrease of \$1.3 million. Excluding one-time adjustments discussed in the Terminals section below, gross profit increased by \$2.3 million from the impact of higher revenue partially offset by higher operating expenses and higher depreciation as a result of new capacity.

Stolt Tank Containers saw an increase in gross profit of \$9.2 million from the prior year due in large part to increased shipments and improved market conditions. This was partially offset by an increase in the repositioning of empty tank containers as well as increased depreciation expense, primarily due to a change in the salvage value of tank containers.

Stolt Sea Farm's gross profit decreased by \$9.8 million as there was no fair value adjustment for inventories in 2017 compared to a gain of \$7.6 million in 2016, together with lower caviar volumes sold.

Corporate and Other included Stolt Bitumen, which reported a \$9.6 million reduction in gross profit as a result of decreased trading of bitumen and impairment of property, plant and equipment of \$6.9 million and accounts receivable of \$1.5 million.



Share of Profit of Joint Ventures and Associates

SNL's share of the profits from non-consolidated joint ventures and associates in 2017 was \$17.6 million, down from \$33.6 million in 2016.

Stolt Tankers' share of profit from joint ventures decreased by \$6.0 million to \$7.4 million. This was primarily caused by a decrease in profits of the deep-sea joint ventures NYK Stolt Tankers S.A. and Gulf Stolt Tankers DMCCO. In addition, Gulf Stolt DMCCO was also impacted by an off-hire of one of its ships in the first half of 2017 and by the reduction in operating days due to the sale of two ships to its shareholders in June 2017.

Stolthaven Terminals' share of profit from joint ventures and associates increased by \$0.8 million. The improvement reflected higher equity income from the joint venture with Oiltanking in Antwerp, which was partly a result of the release of environmental accruals and higher equity income in Ulsan, South Korea due to capacity expansion. This was offset by lower results and impairments at other joint ventures.

Stolt Tank Containers' share of profit from joint ventures decreased by \$0.3 million in joint-venture depots in the UAE, Japan and South Korea.

Corporate and Other's share of profit in joint ventures and associates decreased by \$10.4 million, as a result of losses on the investment in AGHL.

Administrative and General Expenses

Administrative and General Expenses were \$216.5 million in 2017, up from \$207.2 million in 2016, an increase of \$9.3 million. This was primarily due to regular salary increases, additional employees and \$2.2 million in higher advisory costs relating to SNL's reorganisation, offset by lower profit-sharing expenses.

US Retiree Healthcare Plan Curtailment Gain

During the year ended November 30, 2017, the Group made changes to the US retiree medical plan which came into effect from January 1, 2018 which removes coverage for certain employees and provides fixed dollar stipends to other participants in place of company-paid medical benefits.

These changes reduced the liabilities by \$7.2 million and this amount was recognised as a one-time gain on November 30, 2017. Of this total amount, \$3.3 million of this gain has been reflected in Operating Expenses and \$3.9 million in Administrative and General Expenses.

US Pension Plan Settlement Gain

In November 2016, the Group recognised a one-time settlement gain of \$3.5 million for the terminated vested cash out for certain participants of the frozen defined benefit scheme in the United States. In addition, the Group also recognised a one-off gain of \$2.1 million for the US post-retirement healthcare plan. The expense for this plan was less than estimated at the beginning of 2016 due to favourable claims experience and plan changes through increased retiree contributions, deductibles, out-of-pocket maximums and co-payments of this total amount of \$5.6 million, \$3.8 million was shown under Administrative and General Expenses and \$1.8 million is included within Operating Expenses.

Loss on Disposal of Assets, Net

SNL recorded a net loss on disposal of assets of \$0.5 million in 2017 and \$0.1 million in 2016.

Other Operating Income and Other Operating Expense

Other operating income was \$2.7 million in 2017, compared to \$1.1 million in 2016. In 2017, additional income was recognised in relation to insurance receipts.

Other operating expense was \$0.9 million in 2017, compared to \$3.8 million in 2016. The decrease of \$3.0 million was due to the impairment of receivables from Stolt Bitumen customers and advances to a joint venture in 2016.

Finance Expense

Finance (interest) expense was \$133.9 million in 2017, up from \$106.1 million in 2016, due to higher indebtedness and an increase in the average interest rate over the prior year. Additional debt outstanding related to the JoT acquisition and the newbuildings.

Finance Income

Finance income was higher by \$1.2 million in 2017, compared with 2016.

Foreign Currency Exchange Loss

In 2017 SNL had a foreign exchange loss of \$2.8 million, compared with a \$1.6 million loss in 2016.

Other Non-Operating Income, Net

Non-operating income of \$1.0 million in 2017 compared unfavourably with non-operating income of \$2.3 million in 2016. Dividends from Golar were \$0.5 million in 2017, compared to \$1.3 million in 2016.

Income Tax Expense

Income tax expense was \$3.5 million lower in 2017 than in 2016, mainly due to a lower tax charge on lower profits, particularly in the Sea Farm and Terminals divisions, partially offset by the tax charge on the US healthcare plan gain.

Non-controlling Interest

Non-controlling interest mainly relates to an external minority shareholder interest of 25% in Sterling Caviar.


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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 and Stolt-Nielsen Gas, which are not reportable under other segments.

| (in thousands) | Year ended | |
|---------------------------|---------------------|---------------------|
| | November 30, 2017 | November 30, 2016 |
| Operating revenue: | | |
| Stolt Tankers | \$ 1,158,466 | \$ 1,060,861 |
| Stolthaven Terminals | 242,738 | 234,712 |
| Stolt Tank Containers | 512,745 | 475,704 |
| Stolt Sea Farm | 72,744 | 65,382 |
| Corporate and Other | 10,397 | 43,246 |
| Total | \$ 1,997,090 | \$ 1,879,905 |
| Operating profit: | | |
| Stolt Tankers | \$ 110,973 | \$ 138,364 |
| Stolthaven Terminals | 54,181 | 53,009 |
| Stolt Tank Containers | 54,492 | 48,193 |
| Stolt Sea Farm | 3,530 | 14,069 |
| Corporate and Other | (28,807) | (21,797) |
| Total | \$ 194,369 | \$ 231,838 |

STOLT TANKERS
Operating Revenue

Operating revenue increased by \$97.6 million in 2017 from 2016, with deep-sea revenue increasing by \$103.1 million and regional revenues falling by \$5.5 million. Deep-sea freight and demurrage revenue increased by \$61.0 million, while bunker surcharge rebates to customers decreased by \$38.1 million, the latter reflecting a higher average bunker price during the year.

Deep-sea freight revenues were higher due to a 20.5% increase in operating days as a result of the acquisition of JoT in November 2016 and the delivery of five newbuildings in late 2016 and throughout 2017. Cargo carried increased by 19.6% during 2017 compared to the prior year with utilisation falling by only 0.6%. However, a decrease in the average freight rates by 12.5% due to a softer market partially offset these increases. Spot rates decreased by 18.3% while the percentage of spot cargo carried increased by 7.9% between the two years. Further, in the latter half of the year, revenues were adversely affected by approximately \$7.0 million by Hurricane Harvey, which caused disruption to operations for several months.

Regional fleet revenue decreased by \$5.5 million, reflecting less cargo carried in the European coastal fleet due to the sale of several ships in the autumn of 2016, partly offset by more cargo carried by the European barging fleet because of a healthy barging market and by lower bunker surcharge rebates.

The average Sailed-In Time-Charter Index¹ for 2017 was 0.65, compared with 0.77 for 2016.

1. The Stolt Tankers Joint Service Sailed-in Time-Charter index is an indexed measurement of the performance of the market in which the Joint Service operates. The sailed-in rate per operating day, also referred to as the time-charter equivalent rate, is a measure frequently used by shipping companies, which subtracts from a ship's operating revenue the variable costs associated with a voyage, primarily commissions, sublets, transshipments, port costs, and bunker fuel. The index has been set at 1.00 in the first quarter of 1996 and has been adjusted to exclude the impact of bunker hedge results, changes to the average ship size in the fleet and for the average inflation rate from 1996 onwards.

As of November 30, 2017, Stolt Tankers owned and/or operated 155 ships and barges, representing 2.89 million deadweight tonnes (dwt), higher than 2.66 million dwt at the end of 2016 due to the delivery of newbuildings in Stolt Tankers and Hassel Shipping 4 A.S.

| | Number of ships | Millions of dwt | % of STJS net earnings for the year ended November 30, 2017 |
|--|-----------------|-----------------|---|
| Stolt Tankers Joint Service (STJS): | | | |
| Stolt-Nielsen Limited (55 owned) | 59 | 1.97 | 81% |
| NYK Stolt Tanker S.A. | 5 | 0.15 | 8% |
| Hassel Shipping 4 A.S. | 7 | 0.23 | 7% |
| Gulf Stolt Tankers DMCCO | — | — | 4%* |
| | 71 | 2.35 | 100% |
| Time-chartered ships | 2 | 0.09 | |
| Total Stolt Tankers Joint Service | 73 | 2.44 | |
| Ships in regional services (29 owned) | 82 | 0.45 | |
| Total | 155 | 2.89 | |

* Before the sale of ships in June and November 2017.

Operating Profit

Operating profit decreased by \$27.4 million, to \$111.0 million in 2017 from \$138.4 million in 2016. As discussed above, revenues increased by \$97.6 million, but higher operating and administrative and general expenses and lower joint venture income more than offset this increase.

Operating expenses increased by \$77.4 million, with \$66.0 million of the increase the result of higher bunker costs. The average price of IFO consumed in 2017 increased to approximately \$314 per tonne from \$216 per tonne in 2016. Bunker hedges entered into by SNL in early 2016 and in mid-2017 resulted in gains of \$13.5 million for the year, which was \$6.1 million higher than in 2016. Other voyage costs, such as port charges, were higher during 2017 in line with the increased number of operating days.

The acquisition of Jo Tankers included six ships that were formerly time-chartered by Stolt Tankers. This, as well as the delivery of five newbuildings in late 2016 and throughout 2017, was the primary cause of the increase in depreciation of \$28.4 million. This also caused time charter expenses to decrease by \$26.4 million and led to an increase of \$25.1 million in ship owning costs and higher administrative and general expenses.

Stolt Tankers' share of profit from joint ventures decreased by \$6.0 million to \$7.4 million. This was primarily caused by a decrease in profits of the deep-sea joint ventures, NYK Stolt Tankers S.A. and Gulf Stolt Tankers DMCCO. Gulf Stolt DMCCO was impacted by lower results in the deep-sea fleet as well as the off-hire of one of its ships in the first half of 2017. Stolt Tankers and Gulf Navigation Holdings PJSC each acquired one of the joint venture's ships in June 2017 and another in November 2017 as the joint venture is in the process of being dissolved.



STOLTHAVEN TERMINALS

Operating Revenue

Stolthaven Terminals' revenue increased to \$242.7 million in 2017 from \$234.7 million in 2016. This increase of 3.4% was mainly due to an increase in overall storage capacity by 2.9% and higher throughput, partly offset by a decrease in the average utilisation rate to 87.9% in 2017 from 90.2% in 2016. The decrease in the average utilisation rate was mainly due to a lower average leased capacity in Singapore.

Total available average capacity at the consolidated terminals increased to 1,721,951 cubic metres in 2017 from 1,672,628 cubic metres in 2016, as a result of new capacity in Singapore, Dagenham and Moerdijk. Product handled increased to 15.0 million cubic metres in 2017 from 13.6 million cubic metres in 2016.

Operating Profit

Operating profit increased by 2.2% to \$54.2 million in 2017 from \$53.0 million in 2016. There were the following one-time items:

| (in thousands) | For the Years Ended | |
|--|---------------------|-------------------|
| | November 30, 2017 | November 30, 2016 |
| Terminal operating profit before one-time items | \$ 64,036 | \$ 59,202 |
| One-time items: | | |
| Impairment of plant and equipment in New Zealand | (8,400) | - |
| Accelerated depreciation of assets | (1,455) | (2,070) |
| Accelerated depreciation of tank assets in Houston due to loss of a customer | - | (871) |
| Impairment of operational software | - | (3,252) |
| Terminal operating profit | \$ 54,181 | \$ 53,009 |

The increase of \$4.8 million before the one-time items was mainly due to an increase in revenue as discussed above, partly offset by higher operating expenses and higher depreciation.

Operating expenses increased to \$111.8 million in 2017 from \$100.1 million in 2016. This was due to higher personnel costs in Houston from the higher use of temporary labour after Hurricane Harvey and the absence of a healthcare insurance benefit recognised in 2016.

Excluding one-time items noted above, depreciation and amortisation expense increased by \$2.4 million. This increase was mainly due to additional capacity in Singapore, Dagenham and Moerdijk.

Share of profit of Stolthaven Terminals' joint ventures and associates increased by \$0.8 million, excluding the one-time item mentioned above. Share of profit in the joint venture with Oiltanking in Antwerp increased by \$1.2 million as a result of lower expenses while in Ulsan, South Korea, income increased due to capacity expansion. This was offset by losses at an associate.

STOLT TANK CONTAINERS (STC)

Operating Revenue

Stolt Tank Containers' revenue rose to \$512.7 million in 2017 from \$475.7 million in 2016, an increase of 7.8%. This was primarily due to increased utilisation combined with an increase in transportation rates as market conditions improved and freight costs increased. Revenue also increased due to higher activity at Stolt-owned depots. This was offset slightly by a reduction in demurrage revenue of \$1.0 million.

In 2017, STC handled 126,785 tank container shipments, compared with 120,210 shipments in 2016, which represents a 5.5% increase. Average utilisation increased to 72.5% in 2017, from 68.5% in 2016. The fleet increased slightly to 35,396 tank containers at the end of 2017 compared to 34,564 tank containers at the end of 2016, due to the leasing of additional units.

STC's rates in most major markets increased because of the effects of improved market conditions combined with the additional recovery of ocean freight and trucking costs, as well as a slight decrease in intra-regional shipments, which have lower transportation rates. STC's rates were also impacted by the strong US dollar.

Operating Profit

Stolt Tank Containers' operating profit increased to \$54.5 million in 2017 from \$48.2 million in 2016. This reflects a \$6.3 million increase in operating profit, with operating margins increasing to 10.6% in 2017 from 10.1% in 2016. The increase in operating margin was primarily due to better market conditions. This was partially offset by an increase in depreciation as a result of the change in salvage value of tank containers and additional investments in depots.



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STOLT SEA FARM (SSF)

Operating Revenue

Stolt Sea Farm's revenue increased by \$7.4 million, or 11.3%, to \$72.7 million in 2017 from \$65.4 million in 2016, primarily due to the new traded turbot volumes. Turbot prices were down by 4.0% on average for the year while owned turbot volumes were up 6.9% from 2016 to reach a record of 5,394 tonnes plus 666 tonnes of turbot sold on consignment. Sole volumes increased by 9.3%, as a consequence of production improvements. Caviar volumes decreased in 2017, while prices improved by 20.5% compared with 2016 as SSF continued to shift its caviar strategy to direct sales.

Operating Profit

Stolt Sea Farm reported an operating profit of \$3.5 million in 2017 compared to an operating profit of \$14.1 million in 2016, a year-over-year decrease of \$10.6 million. Of the total change, \$7.6 million was due to a nil fair market value adjustment on the biological assets in 2017 compared to a \$7.6 million positive impact in 2016. A decrease of \$2.2 million was the result of lower caviar volumes sold, with \$0.6 million variance coming from higher administrative and general expenses.

CORPORATE AND OTHER

Corporate and Other operating loss was \$28.8 million, compared with the prior year loss of \$21.8 million. There were the following one-time items:

| (in thousands) | For the Years Ended | |
|---|---------------------|--------------------|
| | November 30, 2017 | November 30, 2016 |
| Corporate and Other operating profit before one-time items | \$ (25,113) | \$ (14,078) |
| One-time items: | | |
| US retiree healthcare plan curtailment gain | 7,171 | - |
| Acquisition costs of JoT | (400) | (2,200) |
| SNL reorganisation costs | (2,061) | - |
| Impairment of assets at Stolt Bitumen | (8,404) | (4,200) |
| Write-down of investment and advance in Stolt LNGaz Ltd. | - | (1,319) |
| Corporate and other operating loss | \$ (28,807) | \$ (21,797) |

Excluding these one-time items, Corporate and Other operating loss increased by \$11.0 million. The majority of this was due to SNL's share of losses in AGHL increasing by \$10.4 million, reflecting the continued decline in the LPG market in the current year, offset by a reduction in costs related to the profit share plan.

LIQUIDITY AND CAPITAL RESOURCES

| (in thousands) | 2017 | 2016 |
|---|---------------------|---------------------|
| Summary Cash Flows | | |
| Net cash provided by operating activities: | | |
| Net profit | \$ 50,117 | \$ 113,237 |
| Depreciation, impairment and amortisation | 279,797 | 234,071 |
| Share of profit of joint ventures and associates | (17,588) | (33,599) |
| Loss on disposal of assets | 515 | 137 |
| Finance expense, net of income | 130,211 | 103,616 |
| Income tax expense | 12,239 | 15,707 |
| Other adjustments to reconcile net profit to net cash from operating activities | (3,710) | (14,435) |
| Changes in working capital assets and liabilities | (10,528) | (1,788) |
| Contributions to defined benefit pension plans | (3,368) | (2,274) |
| Dividends from joint ventures and associates | 23,232 | 28,604 |
| Other, net | (344) | 2,758 |
| Cash generated from operations | 460,573 | 446,034 |
| Net interest paid, including debt issuance costs | (127,551) | (116,449) |
| Income taxes paid | (8,255) | (7,805) |
| Net cash from operating activities | \$ 324,767 | \$ 321,780 |
| Cash flows from investing activities: | | |
| Capital expenditures | (360,372) | (289,039) |
| Purchase of intangibles | (3,576) | (2,081) |
| Deposits for newbuildings | (14,592) | (36,475) |
| Sale of marketable securities | 11,507 | - |
| Purchase of Golar shares | - | (3,513) |
| Business acquisitions | (24,026) | (249,669) |
| Investment in and advances to joint ventures and associates | (14,387) | (3,812) |
| Proceeds from sale of ships and other assets | 16,329 | 32,033 |
| Other | (594) | (108) |
| Net cash used in investing activities | \$ (389,711) | \$ (552,664) |
| Net cash used for financing activities: | | |
| (Decrease) increase of uncommitted credit lines | (8,100) | 8,100 |
| Repayment of long-term debt and finance lease obligations | (718,458) | (644,746) |
| Proceeds from issuance of long-term debt | 817,316 | 942,596 |
| Principal payments on capital leases | (100) | (96) |
| Purchase of Treasury shares | - | (1,715) |
| Dividends paid | (55,022) | (55,096) |
| Net cash provided by financing activities | \$ 35,636 | \$ 249,043 |
| Effect of exchange rate changes on cash | (5,168) | (2,920) |
| Net (decrease) increase in cash and cash equivalents | \$ (34,476) | \$ 15,239 |



Net Cash Provided by Operating Activities

In 2017, SNL generated cash from operations of \$324.8 million, compared with \$321.8 million in 2016. The increase in cash generated from operations was due to an improvement in operations at Stolt Tank Containers and Stolthaven Terminals, partially offset by reduced dividends from joint ventures, higher interest payments and increased working capital requirements.

Net Cash Used for Investing Activities

Cash used in investing activities was \$389.7 million in 2017, compared with \$552.7 million in 2016.

The most significant uses of cash for investing during 2017 were:

- capital expenditures of \$360.4 million, which were \$71.4 million higher than in 2016.
- deposits of \$14.6 million for newbuildings, which were \$21.9 million lower than in 2016.
- final payment for the business acquisition of JoT for \$21.0 million and \$3.0 million other smaller acquisitions, compared to the \$249.7 million paid in 2016.
- equity contributions and advances to the Company's joint ventures and associates of \$14.4 million, an increase of \$10.6 million compared to 2016.

Offsetting the uses of cash were proceeds from the sale of ships and other assets of \$16.3 million, compared with \$32.0 million in 2016, and the sale of marketable securities for \$11.5 million.

Capital expenditures by business are summarised below:

| (in thousands) | For the years ended | |
|-----------------------|---------------------|-------------------|
| | November 30, 2017 | November 30, 2016 |
| Stolt Tankers | \$ 263,343 | \$ 148,054 |
| Stolthaven Terminals | 82,292 | 101,833 |
| Stolt Tank Containers | 8,422 | 31,787 |
| Stolt Sea Farm | 4,025 | 3,421 |
| Corporate and Other | 2,290 | 3,944 |
| Total SNL | \$ 360,372 | \$ 289,039 |

SNL spent \$360.4 million on property, plant and equipment. Cash spent during the year primarily reflected:

- \$79.7 million on capital expenditures for terminals;
- \$8.4 million on the acquisition of tank containers and construction of depots;
- final payments on delivery of the *Stolt Sincerity*, *Stolt Integrity*, *Stolt Tenacity* and *Stolt Loyalty* of \$196.1 million;
- \$32.1 million for the purchase of two ships: *Stolt Sisto* and *Stolt Facto* from the joint venture Gulf Stolt Tankers DMCCO; and
- \$18.7 million for drydocking of ships.

Net Cash Provided by Financing Activities

Net cash provided by financing activities totalled \$35.6 million in 2017, compared with \$249.0 million in 2016.

The significant cash sources from 2017 financing activities were net proceeds of long-term debt issuances of \$817.3 million, compared with \$942.6 million in 2016. The 2017 debt issuances included:

- \$200.0 million from the \$275.0 million term loan facility closed in November 2016 in connection with the acquisition of JoT.
- \$219.6 million on its second to fifth tranches under the \$291.8 million term loan for the purchases of the newbuildings *Stolt Sincerity*, *Stolt Integrity*, *Stolt Tenacity* and *Stolt Loyalty*.
- \$202.4 million (SGD 280.0 million) secured amortising term loan facility for the refinancing of the Stolthaven Singapore terminal.
- \$175.0 million senior unsecured five-year bonds carrying a fixed coupon rate of 6.375%.

The principal uses of cash for financing activities in 2017 were:

- \$55.0 million in dividend payments, compared to \$55.1 million in 2016.
- \$718.5 million in repayment of long-term debt and capital leases, compared with \$644.7 million in 2016.
- \$8.1 million repayment on uncommitted credit lines.

INDEBTEDNESS

SNL's total consolidated debt was \$2,503.3 million as of November 30, 2017 and \$2,388.4 million on November 30, 2016, as set forth in the table below:

| (in thousands) | 2017 | 2016 |
|--|---------------------|---------------------|
| Long-term debt (including current portion) | \$ 2,282,293 | \$ 2,040,338 |
| Committed revolver, included in long-term debt | 221,000 | 340,000 |
| Uncommitted short-term bank loans | – | 8,100 |
| Total debt on consolidated financial statements | 2,503,293 | 2,388,438 |
| Available unused facilities: | | |
| Committed revolver | 400,200 | 310,000 |
| Collateralised share pledge facility | 49,000 | – |
| Uncommitted short-term bank loans | 65,000 | 85,000 |
| Total unused facilities | 514,200 | 395,000 |
| Total debt and unused facilities | \$ 3,017,493 | \$ 2,783,438 |

Long-term debt in the table above excludes debt issuance costs of \$33.6 million and \$36.2 million as of November 30, 2017 and 2016, respectively.



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Short-Term Debt

Short-term debt consists of debt obligations to banks under uncommitted lines of credit and bank overdraft facilities. Amounts borrowed pursuant to these facilities bear an interest rate of 1.8% for both the years ended November 30, 2017 and 2016. SNL classifies its committed revolving credit agreement and collateralised share pledge facility as long-term debt, as there is no expectation of settlement within 12 months. As of November 30, 2017, the available committed revolver amounted to \$400.2 million and collateralised share pledge facility was \$49.0 million. Future availability is dependent on the amount of available collateral. Collateral values vary with fluctuations in ship prices. In addition, SNL has access to \$65.0 million of uncommitted lines and overdraft facilities, which are unused. These can be withdrawn by the banks on short notice.

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 \$551.8 million unsecured bond financing denominated in NOK (\$688.8 million or NOK 4,574 million before 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 was \$2,469.7 million and \$2,345.1 million as of November 30, 2017 and 2016, respectively, as set forth below:

| (in thousands) | 2017 | 2016 |
|--------------------------|--------------|--------------|
| Long-term debt | \$ 2,469,712 | \$ 2,345,125 |
| Less: Current maturities | (432,568) | (548,874) |
| | \$ 2,037,144 | \$ 1,796,251 |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

| (in thousands) | 2017 | 2016 |
|---|--------------|--------------|
| Decrease (increase) in cash and cash equivalents for the year | \$ 34,476 | \$ (15,239) |
| Cash inflow from increase in debt | 817,316 | 950,696 |
| Cash outflow from repayments of debt and finance leases | (726,658) | (644,842) |
| Change in net debt resulting from cash flows | 125,134 | 290,615 |
| Assumption of JoT debt upon acquisition of JoT | – | 189,753 |
| Currency movements | 23,122 | 117,529 |
| Debt issuance costs and other movements | 2,707 | (11,242) |
| Movement in net debt in the year | 150,963 | 586,655 |
| Opening net debt | 2,260,441 | 1,673,786 |
| Closing net debt | \$ 2,411,404 | \$ 2,260,441 |

During 2017, 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 negative working capital by extending tight credit terms to customers, by 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, investment in shares and tank containers 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, investments and other assets of \$16.3 million in 2017, compared to \$32.0 million in 2016.

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, 2017, shareholders' equity increased by \$95.2 million from November 30, 2016. This was primarily due to a net profit of \$50.1 million and change in other comprehensive income from cash-flow hedges, foreign currency and pension remeasurement of \$86.3 million, partially offset by the declared dividends of \$41.3 million. While tangible net worth increased, the increase in debt discussed in the previous pages resulted in the debt to tangible net worth ratio rising to 1.55 at November 30, 2017 from 1.49 at November 30, 2016. This is below the 2.00 threshold included as a debt covenant in most of SNL's debt agreements.

As of November 30, 2017, SNL directly owned 86 ships and barges, including two bitumen ships, having a total net book value of \$2,018.0 million. Of the 86 total ships and barges, six ships and seven barges with a total net book value of \$50.9 million were unencumbered, while 73 ships with a total net book value of \$1,967.1 million were collateralised against total credit facilities of \$1,376.3 million, of which \$967.3 million was drawn down at year end. As of November 30, 2017, SNL also owned 7,471 tank containers that were unencumbered and 19,185 that were collateralising secured borrowings of \$260.1 million. SNL tank containers have a total net book value of \$313.6 million.

In addition, as of November 30, 2017, SNL had 15 wholly owned terminals. The 100% owned Singapore terminal has secured bank loans with \$198.8 million remaining at November 30, 2017 and the Australasia terminals have secured a bank loan with \$73.6 million outstanding. The Houston terminal has a secured loan with \$250.0 million outstanding. As of November 30, 2017, SNL owned four terminals (New Orleans, Santos, Dagenham and Moerdijk) that were unencumbered, with a total net book value of \$340.0 million, compared with \$325.6 million in November 30, 2016.



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 operating leases, committed capital expenditures and the retained and contingent interests discussed below.

Operating Leases

SNL's operating lease commitments were \$334.4 million at November 30, 2017, compared with \$321.7 million at November 30, 2016. As of November 30, 2017, SNL was obligated to make payments under long-term operating lease agreements for tankers, terminal facilities, tank containers, barges, 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.

Time Charter of Ships

In the past SNL entered into agreements with various Japanese ship owners for time charters of nine ships with stainless steel tanks. Over the years SNL has purchased seven of these ships and redelivered one ship. The remaining time charter was for an initial period of 96 months and includes options for SNL to extend the agreement for up to six additional years, of which a first option to extend by two years (until July 2018) has currently been executed. SNL also has the option to purchase this ship at predetermined prices at any time after six years from the delivery of the ship.

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 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, 2017, SNL's other purchase obligations were not material. The following summarises SNL's significant contractual obligations as of November 30, 2017, including those reported on the Company's consolidated balance sheet and others that are not:

| (in thousands) | Total | Less than 1 yr. | 2-3 yrs. | 4-5 yrs. | More than 5 yrs. |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|
| Contractual cash obligations: | | | | | |
| Long-term debt, including committed revolver (1) | \$ 2,503,152 | \$ 438,923 | \$ 591,145 | \$ 889,687 | \$ 583,397 |
| Finance leases | 140 | 106 | 34 | – | – |
| Operating leases | 334,385 | 87,833 | 102,740 | 42,098 | 101,714 |
| Committed capital expenditures | 113,687 | 40,042 | 73,645 | – | – |
| Long-term fixed rate debt interest payments | 221,101 | 44,663 | 78,116 | 66,180 | 32,142 |
| Long-term variable rate debt interest payments (2) | 294,365 | 80,779 | 114,440 | 59,119 | 40,027 |
| Derivative financial liabilities (2) | 181,633 | 62,187 | 58,556 | 60,378 | 512 |
| Pension and post-retirement benefit obligations (3) | 1,034 | 1,034 | – | – | – |
| Total contractual cash obligations: | \$ 3,649,497 | \$ 755,567 | \$ 1,018,676 | \$ 1,117,462 | \$ 757,792 |

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, 2017. 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 due 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:

- Business combination
- Voyage revenue and costs;
- Depreciation and residual values;
- Impairment review;
- Goodwill impairment testing;
- Investments in joint ventures and associates;
- Biological assets; and,
- Pension and other post-retirement benefits.

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 70.8% of Stolt Tankers' STJS revenue in 2017 was derived from COA. During that same time period, approximately 96.8% of the revenue earned under COA was under contracts that included provisions intended to pass through fluctuations in fuel prices to customers. 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 included in COA or through financial instruments. In December 2015, Stolt Tankers entered into a swap programme in order to hedge a significant part of the uncovered portion of the estimated bunker consumption according to the budget for the period up to December 2017. In June 2017 Stolt Tankers added hedges for the uncovered portion of the estimated bunker consumption through the next 24 months (third quarter of 2017 until second quarter of 2019). In 2017 this programme yielded \$7.4 million in realised gains (offsetting bunker price increases since the start of the swap programme) and \$6.1 million in unrealised gains (mark-to-market of the remaining outstanding swaps).

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 until rates can be increased, in periods of rising freight costs.

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, and availability of newbuildings 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.

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. SNL has two 7,500 cbm LNG carrier newbuilding contracts in place with delivery expected in 2019. In addition, SNL expects two tanker newbuildings to be delivered to its joint ventures, Hassel Shipping 4 A.S and NYK Stolt Tankers, S.A., in the first quarter of 2018.

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 major projects at its wholly owned and joint venture terminals. The development of terminal operations and jetties involves significant up-front 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.

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. Sturgeon and the caviar they produce are fair valued at the point of 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 nil in operating profit, compared with a \$7.6 million increase in 2016. 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 in US dollars, while a significant portion of their operating expenses is incurred in other currencies, primarily the euro, the Norwegian kroner, the Singapore dollar, Japanese yen 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 2017, the US dollar depreciated by 12.5% against the euro, causing a decrease in profit margins. This risk was partially mitigated through SNL's foreign currency hedging programme. SNL's policy is to hedge approximately 50% to 80% of the Company's expected future foreign currency exposure.

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.

Treasury Shares

At November 30, 2017, SNL held 2,188,941 treasury shares. See Note 28 in the consolidated financial statements and Note 11 in the Unconsolidated Stolt-Nielsen Limited Audited Financial Statements 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 35 in the consolidated financial statements for significant events occurring after November 30, 2017.



FINANCIAL STATEMENTS

Independent auditors' report to the members of Stolt-Nielsen Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Stolt-Nielsen Limited's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 November 2017 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Consolidated Financial Statements, which comprise: the Consolidated and Company Income Statements for the year ended 30 November 2017, the Consolidated and Company Statements of Comprehensive Income for the year ended 30 November 2017, the Consolidated and Company Balance Sheets as of 30 November 2017, the Consolidated and Company Statement of Changes in Shareholders' Equity for the year ended 30 November 2017, the Consolidated and Company Statements of Cash Flows for the year ended 30 November 2017 and the Notes to the Consolidated and Company Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

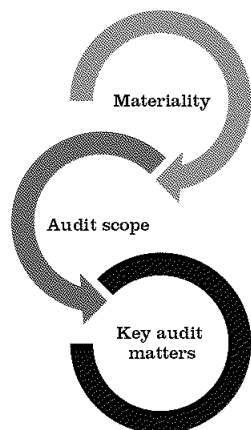
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: \$20 million, based on 1% of revenue.
- Overall materiality for the Stolt-Nielsen Limited company: \$19 million, based on 1% of total assets.
- Full scope audit of Stolt Tankers and Stolt Tank Containers, the largest trading divisions of the group.
- Full scope audit of the Australasia and Singapore Terminal divisions;
- Specified procedures over certain financial statement line items for Sea Farm Spain, Sea Farm Iceland, certain other Stoltthaven terminals and the shared service centre in Manila;
- Audit of certain financial statement line items across the group entities and audit of the group consolidation.
- Overall, our audit covered 88% of the revenue generated by the group.
- Impairment of assets (Group)
- Voyage revenue recognition (Stolt Tankers)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.



Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Impairment of assets (Group)

The value of the Stolt Tankers fleet on the Balance Sheet is material and we have identified a significant audit risk that the carrying value of the assets may not be recoverable.

Impairment indicators were considered present during the fourth quarter of the financial year as the carrying value of the assets on the Group Balance Sheet was higher than the market capitalisation of the Stolt-Nielsen Limited group.

In addition to the Tankers fleet, we have also identified other areas of the business where the assets held on the balance sheet may not be recoverable. The Group's terminals in New Zealand and assets relating to the bitumen business were impaired during the fourth quarter of 2017.

We also focussed on this area due to the significant judgement inherent in the impairment review itself and the fact that any changes in the assumptions would have a direct impact on the impairment assessment.

Voyage revenue recognition (Stolt Tankers)

Recognition of the group's revenue is inherently complex due to the differing revenue streams in each division. However, we have assessed that due to the complexity of the revenue recognition policies for Stolt Tankers, the revenue in this division carries a higher risk of fraud as it is more judgemental in nature.

The Tankers business applies a percentage of completion method, using an estimated pro-rated per day value for voyages in progress at the balance sheet date.

There is an inherent level of estimation uncertainty around the estimated revenue and costs and the percentage completion at the year end.

We performed a detailed audit of the impairment assessment performed by management in accordance with IAS 36 – Impairment of assets. This included:

- Assessing the methodology applied in determining the value in use and checking the integrity and mathematical accuracy of the models.
- Challenging the key assumptions used in the cash flow forecasts with reference to historical trading performance, market expectations and strategic initiatives. This included testing the accuracy of historical budgets and assessing the appropriateness of the future residual values.
- Assessing the long term growth rates and discount rates applied in the impairment review, comparing the rates used to external data and involving our valuations experts where appropriate, and
- Completing sensitivity analysis on key assumptions to consider the extent to which a change in those assumptions (either collectively or individually) would be required for the assets to be impaired, in particular, the assumptions around cost escalation rates, bunker price curves and inflation growth rates.

In addition, we assessed the adequacy of the impairment related disclosures.

In conclusion, Stolt Tankers did not have an impairment loss based on their value in use and we were comfortable with the assumptions and methodologies used.

Impairments were booked by management in relation to the New Zealand terminals and assets relating to the Bitumen business.

We have performed the following procedures:

- Assessed the methodology for producing and reviewing the value of revenue recognised at the year end,
- Tested key controls across the revenue cycle, including those over key systems, automated calculations and manual processes,
- Compared the estimated percentage completion at the year end to the actual percentages post year end,
- Agreed a sample of revenue recorded throughout the year to cash receipts,
- Performed subsequent receipts testing for a sample of revenue transactions recorded pre year end,
- Tested post year end credit notes to assess the accuracy of the year end position,
- Tested the voyage revenue cut off by agreeing a sample of revenue accruals and revenue items recorded pre year-end to supporting documentation.
- Tested a targeted sample of aged voyage accounting items on the balance sheet to assess recoverability of associated assets; and

Based on the work performed, we did not identify any material error or fraud.

There are no key audit matters in relation to the audit of the parent company financial statements.



FINANCIAL STATEMENTS · CONTINUED

Independent auditors' report to the members of Stolt-Nielsen Limited

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industries in which the group operates.

Stolt-Nielsen Limited has five significant divisions that operate globally; Stolt Tankers which operates chemical tankers for the transportation of bulk-liquid chemicals, oils, acids and clean petroleum products; Stolthaven Terminals which provides storage for bulk-liquid chemicals, oils, acids and clean petroleum products; Stolt Tank Containers which provides transportation for bulk-liquid chemicals and food-grade products; Stolt Sea Farm which operates farms producing premium fish species; Corporate and Other, which includes Stolt Bitumen Services (which distributes Bitumen in South East Asia) and Stolt-Nielsen Gas (which focuses mainly on the development of LNG supply chains). The group also has a number of subsidiaries, joint ventures and associates, including those within the significant divisions mentioned. The group also operates a shared service centre in Manila.

Our scoping considerations for the group audit were based both on financial significance and risk.

Using audit teams based in Rotterdam, Houston and Manila, we have performed full scope audits of Stolt Tankers and Stolt Tank Containers, due to the financial significance of these components.

For Stolthaven Terminals two territories have been audited to full scope, being Australasia and Singapore.

For Stolt Sea Farm specified procedures have been performed over certain material financial statement line items in Stolt Sea Farm Spain and Sea Farm Iceland, each by our local teams in these territories.

Certain procedures have also been performed at a group level in London over the carrying value of the group's assets held in Stolt Bitumen Services and the group's investment in Stolt LNGaz, Avance Gas and Golar, as well as additional items such as cash and payroll to gain coverage over these financial statement line items as a whole across the group.

Procedures are performed on certain processes performed at the shared service centre in Manila to the extent that those processes feed into the financial information of in-scope components as noted above. At group level, work is performed over centralised functions such as tax, treasury and pensions, as well as the consolidation.

In conducting our audit we have worked closely with our audit teams in each significant component and around the world. We have also visited our team in Rotterdam as part of the year end audit process.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|--|---|---|
| Overall materiality | \$20 million (2016: \$18.7m) | \$19 million (2016: \$13.6m) |
| How we determined it | 1% of revenue. | 1% of total assets. |
| Rationale for benchmark applied | Based on the benchmarks used in the annual report, revenue is the primary measure generally used by the shareholders in assessing the performance of the group. | We believe that total assets is the primary measure used by the shareholders in assessing the performance of this entity. |

For each component in scope for our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components (excluding the parent company materiality which is noted above) was between \$0.25m and \$16 million. Certain components were audited to a local statutory audit materiality that was also less than our overall allocated group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.5 million where those impacted the group income statement (2016: \$0.5 million) and for those misstatements impacting the company only, \$0.5 million (2016: \$0.5 million), as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Consolidated Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Responsibility Statement set out on page 135, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

David Beer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

March 2, 2018



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited Consolidated Income Statement

| (in thousands, except per share data) | Notes | For the years ended November 30, | |
|--|-------|----------------------------------|-------------------|
| | | 2017 | 2016 |
| Operating Revenue | 3, 4 | \$ 1,997,090 | \$ 1,879,905 |
| Operating Expenses | 5 | (1,593,720) | (1,475,391) |
| Impairment of plant, property and equipment | 15 | (15,300) | – |
| Gross Profit | | 388,070 | 404,514 |
| Share of profit of joint ventures and associates | 16 | 17,588 | 33,599 |
| Administrative and general expenses | 5 | (216,529) | (207,226) |
| US pension settlement gain | 25 | – | 3,769 |
| US retiree healthcare curtailment gain | 25 | 3,931 | – |
| Loss on disposal of assets, net | 7 | (515) | (137) |
| Other operating income | | 2,675 | 1,109 |
| Other operating expense | 5 | (851) | (3,790) |
| Operating Profit | | 194,369 | 231,838 |
| Non-Operating Income (Expense): | | | |
| Finance expense | 8 | (133,943) | (106,134) |
| Finance income | 8 | 3,732 | 2,518 |
| Foreign currency exchange loss, net | | (2,774) | (1,568) |
| Other non-operating income, net | | 972 | 2,290 |
| Profit before Income Tax | | 62,356 | 128,944 |
| Income tax expense | 9 | (12,239) | (15,707) |
| Net Profit | | \$ 50,117 | \$ 113,237 |
| Attributable to: | | | |
| Equity holders of SNL | | 50,313 | 113,145 |
| Non-controlling interests | | (196) | 92 |
| | | \$ 50,117 | \$ 113,237 |
| Earnings per Share: | | | |
| Net profit attributable to SNL shareholders | | | |
| Basic | 31 | \$ 0.81 | \$ 2.05 |
| Diluted | 31 | \$ 0.81 | \$ 2.05 |

Notes 1 to 35 are an integral part of these consolidated financial statements.



DIRECTORS' REPORT

FINANCIAL STATEMENTS

STOLT-NIELSEN LIMITED
ANNUAL ACCOUNTS

OTHER INFORMATION

Stolt-Nielsen Limited Consolidated Statement of Comprehensive Income

| (in thousands) | Notes | For the years ended November 30, | |
|--|-------|----------------------------------|-------------------|
| | | 2017 | 2016 |
| Net profit for the year | | \$ 50,117 | \$ 113,237 |
| Other comprehensive income (expense): | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain (loss) on pension schemes | 25 | 5,875 | (7,665) |
| Actuarial gain (loss) on pension scheme of joint venture | 16 | 427 | (824) |
| Deferred tax adjustment on post-employment benefit obligations | 9 | 1,263 | 541 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Net loss on cash flow hedges | 32 | (23,637) | (114,231) |
| Reclassification of cash flow hedges to income statement | 32 | 35,237 | 137,968 |
| Net gain on cash flow hedge held by joint ventures and associates | 16 | 769 | 2,599 |
| Deferred tax adjustment on cash flow hedges | 9 | 179 | (3) |
| Exchange differences arising on translation of foreign operations | | 43,992 | (6,758) |
| Deferred tax on translation of foreign operations | 9 | (10) | (883) |
| Exchange differences arising on translation of joint ventures and associates | 16 | 22,161 | (6,293) |
| Change in value of investment in equity instruments | 17 | 722 | (6,297) |
| Net income (loss) recognised as other comprehensive income (expense) | | 86,978 | (1,846) |
| Total comprehensive income | | \$ 137,095 | \$ 111,391 |
| Attributable to: | | | |
| Equity holders of SNL | | \$ 137,291 | \$ 111,299 |
| Non-controlling interests | | (196) | 92 |
| Total comprehensive income for the year | | \$ 137,095 | \$ 111,391 |

Notes 1 to 35 are an integral part of these consolidated financial statements.



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited
Consolidated Balance Sheet

| (in thousands) | Notes | As at November 30, | |
|--|-------|---------------------|---------------------|
| | | 2017 | 2016 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 10 | \$ 58,308 | \$ 92,784 |
| Marketable securities | 17 | – | 11,399 |
| Restricted cash | 10 | 98 | 87 |
| Receivables, net | 11 | 241,115 | 201,634 |
| Inventories, net | 12 | 8,851 | 5,940 |
| Biological assets | 13 | 45,696 | 44,027 |
| Prepaid expenses | | 66,699 | 52,987 |
| Derivative financial instruments | 32 | 9,025 | 5,670 |
| Taxes receivable | | 7,648 | 1,759 |
| Assets held for sale | 15,16 | 2,275 | 1,559 |
| Other current assets | | 44,150 | 49,085 |
| Total Current Assets | | 483,865 | 466,931 |
| Property, plant and equipment | 15 | 3,440,609 | 3,195,556 |
| Investments in and advances to joint ventures and associates | 16 | 531,930 | 536,654 |
| Investment in equity instruments | 17 | 57,570 | 56,848 |
| Deferred tax assets | 9 | 13,699 | 14,653 |
| Intangible assets and goodwill | 18 | 51,635 | 47,739 |
| Employee benefit assets | 25 | 5,498 | 3,796 |
| Derivative financial instruments | 32 | 4,742 | 1,426 |
| Deposit for newbuildings | 15 | 7,297 | 80,200 |
| Other assets | | 18,014 | 17,415 |
| Total Non-Current Assets | | 4,130,994 | 3,954,287 |
| Total Assets | | \$ 4,614,859 | \$ 4,421,218 |



DIRECTORS' REPORT

FINANCIAL STATEMENTS

STOLT-NIELSEN LIMITED
ANNUAL ACCOUNTS

OTHER INFORMATION

| (in thousands) | Notes | As at November 30, | |
|---|-------|---------------------|---------------------|
| | | 2017 | 2016 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Short-term bank loans | 22 | \$ — | \$ 8,100 |
| Current maturities of long-term debt and finance leases | 23 | 432,568 | 548,874 |
| Accounts payable | 19 | 89,891 | 71,732 |
| Accrued voyage expenses | | 53,356 | 53,199 |
| Dividend payable | 28 | 13,814 | 27,550 |
| Accrued expenses | | 183,253 | 188,128 |
| Provisions | 20 | 2,529 | 2,292 |
| Income tax payable | 9 | 10,691 | 8,130 |
| Derivative financial instruments | 32 | 60,871 | 18,001 |
| Other current liabilities | | 37,299 | 26,703 |
| Total Current Liabilities | | 884,272 | 952,709 |
| Long-term debt and finance leases | 23 | 2,037,144 | 1,796,251 |
| Deferred tax liabilities | 9 | 66,411 | 60,964 |
| Employee benefit liabilities | 25 | 39,638 | 49,634 |
| Derivative financial instruments | 32 | 99,175 | 167,639 |
| Long-term provisions | 20 | 2,367 | 3,575 |
| Other liabilities | | 7,023 | 6,858 |
| Total Non-Current Liabilities | | 2,251,758 | 2,084,921 |
| Total Liabilities | | 3,136,030 | 3,037,630 |
| Shareholders' Equity | | | |
| | 28 | | |
| Founder's shares | | 16 | 16 |
| Common shares | | 64,134 | 64,134 |
| Paid-in surplus | | 150,108 | 150,108 |
| Retained earnings | | 1,483,143 | 1,466,551 |
| Other components of equity | | (169,889) | (249,302) |
| | | 1,527,512 | 1,431,507 |
| Less—Treasury shares | | (51,486) | (51,486) |
| Equity Attributable to Equity Holders of SNL | | 1,476,026 | 1,380,021 |
| Non-controlling interests | | 2,803 | 3,567 |
| Total Shareholders' Equity | | 1,478,829 | 1,383,588 |
| Total Liabilities and Shareholders' Equity | | \$ 4,614,859 | \$ 4,421,218 |

Notes 1 to 35 are an integral part of these consolidated financial statements.



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited Consolidated Statement of Changes in Shareholders' Equity

| (in thousands) | Common Shares | Founder's Shares | Paid-in Surplus | Treasury Shares | Retained Earnings | Foreign Currency (a) | Hedging (a) | Fair Value (a) | Attributable to Equity Holders of SNL | Non-Controlling Interests | Total |
|--|---------------|------------------|-----------------|-----------------|-------------------|----------------------|-------------|----------------|---------------------------------------|---------------------------|--------------|
| Balance, November 30, 2015 | \$ 64,134 | \$ 16 | \$ 314,754 | \$ (214,416) | \$ 1,416,395 | \$ (158,854) | \$ (56,311) | \$ (40,239) | \$ 1,325,479 | \$ 3,757 | \$ 1,329,236 |
| Comprehensive income (loss) | | | | | | | | | | | |
| Net profit | - | - | - | - | 113,145 | - | - | - | 113,145 | 92 | 113,237 |
| Other comprehensive income (loss) | | | | | | | | | | | |
| Translation adjustments, net | - | - | - | - | - | (13,934) | - | - | (13,934) | - | (13,934) |
| Remeasurement of post-employment benefit obligations, net of tax | - | - | - | - | (7,948) | - | - | - | (7,948) | - | (7,948) |
| Change in value of investment in equity instruments | - | - | - | - | - | - | - | (6,297) | (6,297) | - | (6,297) |
| Net income on cash flow hedges | - | - | - | - | - | - | 26,333 | - | 26,333 | - | 26,333 |
| Total other comprehensive (loss) income | - | - | - | - | (7,948) | (13,934) | 26,333 | (6,297) | (1,846) | - | (1,846) |
| Total comprehensive income (loss) | - | - | - | - | 105,197 | (13,934) | 26,333 | (6,297) | 111,299 | 92 | 111,391 |
| Transactions with shareholders | | | | | | | | | | | |
| Purchase of 167,000 treasury shares | - | - | - | (1,716) | - | - | - | - | (1,716) | - | (1,716) |
| Transfer of treasury shares | - | - | (164,646) | 164,646 | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | - | (282) | (282) |
| Cash dividends paid-\$1.00 per Common share (b) | - | - | - | - | (54,964) | - | - | - | (54,964) | - | (54,964) |
| Cash dividends paid-\$0.005 per Founder's share (b) | - | - | - | - | (77) | - | - | - | (77) | - | (77) |
| Total transactions with shareholders | - | - | (164,646) | 162,930 | (55,041) | - | - | - | (56,757) | (282) | (57,039) |
| Balance, November 30, 2016 | \$ 64,134 | \$ 16 | \$ 150,108 | \$ (51,486) | \$ 1,466,551 | \$ (172,788) | \$ (29,978) | \$ (46,536) | \$ 1,380,021 | \$ 3,567 | \$ 1,383,588 |
| Comprehensive income (loss) | | | | | | | | | | | |
| Net profit (loss) | - | - | - | - | 50,313 | - | - | - | 50,313 | (196) | 50,117 |
| Other comprehensive income (loss) | | | | | | | | | | | |
| Translation adjustments, net | - | - | - | - | - | 66,143 | - | - | 66,143 | - | 66,143 |
| Remeasurement of post-employment benefit obligations, net of tax | - | - | - | - | 7,565 | - | - | - | 7,565 | - | 7,565 |
| Change in value of investment in equity instruments | - | - | - | - | - | - | - | 722 | 722 | - | 722 |
| Net income on cash flow hedges | - | - | - | - | - | - | 12,548 | - | 12,548 | - | 12,548 |
| Total other comprehensive income | - | - | - | - | 7,565 | 66,143 | 12,548 | 722 | 86,978 | - | 86,978 |
| Total comprehensive income (loss) | - | - | - | - | 57,878 | 66,143 | 12,548 | 722 | 137,291 | (196) | 137,095 |
| Transactions with shareholders | | | | | | | | | | | |
| Purchase of non-controlling interest | - | - | - | - | - | - | - | - | - | (568) | (568) |
| Cash dividends paid-\$0.75 per Common share (c) | - | - | - | - | (41,209) | - | - | - | (41,209) | - | (41,209) |
| Cash dividends paid-\$0.005 per Founder's share (c) | - | - | - | - | (77) | - | - | - | (77) | - | (77) |
| Total transactions with shareholders | - | - | - | - | (41,286) | - | - | - | (41,286) | (568) | (41,854) |
| Balance, November 30, 2017 | \$ 64,134 | \$ 16 | \$ 150,108 | \$ (51,486) | \$ 1,483,143 | \$ (106,645) | \$ (17,430) | \$ (46,814) | \$ 1,476,026 | \$ 2,803 | \$ 1,478,829 |

(a) Other components of equity on the balance sheet of \$169.9 million and \$249.3 million at November 30, 2017 and 2016, respectively, are composed of Foreign currency, Hedging and Fair value.
(b) The \$55.0 million is the 2015 final and 2016 interim dividend for common shares and \$0.1 million for Founder's shares.
(c) The \$41.2 million is the 2016 final and 2017 interim dividend for common shares and \$0.1 million for Founder's shares.

Notes 1 to 35 are an integral part of these consolidated financial statements.



DIRECTORS' REPORT

FINANCIAL STATEMENTS

STOLT-NIELSEN LIMITED
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OTHER INFORMATION

Stolt-Nielsen Limited Consolidated Statement of Cash Flows

| (in thousands) | Notes | For the years ended November 30, | |
|--|-------|----------------------------------|------------------|
| | | 2017 | 2016 |
| Cash generated from operations | 33 | \$ 460,573 | \$ 446,034 |
| Interest paid | | (124,592) | (101,844) |
| Interest received | | 2,278 | 1,229 |
| Debt issuance costs | | (5,237) | (15,834) |
| Income taxes paid | | (8,255) | (7,805) |
| Net cash generated from operating activities | | 324,767 | 321,780 |
| Cash flows from investing activities: | | | |
| Capital expenditures | | (360,372) | (289,039) |
| Purchase of intangible assets | 18 | (3,576) | (2,081) |
| Business acquisitions, net of cash acquired | 34 | (24,026) | (240,169) |
| Cash flow sales of marketable securities | | 11,507 | - |
| Pre-acquisition advance to J.O. Invest A.S. | 34 | - | (9,500) |
| Purchase of Golar LNG Limited shares | 17 | - | (3,513) |
| Deposit for newbuildings | | (14,592) | (36,475) |
| Proceeds from sales of ships and other assets | | 16,329 | 32,033 |
| Acquisition of non-controlling interest | | (1,311) | - |
| Investment in joint ventures and associates | 16 | - | (11,896) |
| (Advances to) repayments of advances to joint ventures and associates, net | | (14,387) | 8,084 |
| Other investing activities, net | | 717 | (108) |
| Net cash used in investing activities | | (389,711) | (552,664) |
| Cash flows from financing activities: | | | |
| (Decrease) increase in short-term bank loans, net | 22 | (8,100) | 8,100 |
| Proceeds from issuance of long-term debt | 23 | 817,316 | 942,596 |
| Repayment of long-term debt | 23 | (718,458) | (644,746) |
| Finance lease payments | 23 | (100) | (96) |
| Purchase of treasury shares | 28 | - | (1,715) |
| Dividends paid | 28 | (55,022) | (55,096) |
| Net cash provided by financing activities | | 35,636 | 249,043 |
| Effect of exchange rate changes on cash | | (5,168) | (2,920) |
| Net (decrease) increase in cash and cash equivalents | | (34,476) | 15,239 |
| Cash and cash equivalents at beginning of year | | 92,784 | 77,545 |
| Cash and cash equivalents at end of year | | \$ 58,308 | \$ 92,784 |

Notes 1 to 35 are an integral part of these consolidated financial statements.



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Stolt-Nielsen Limited (the 'Company' or 'SNL') and its subsidiaries (collectively, the 'Group') is engaged in the business of transporting liquids which includes the tankers, tank containers and terminals divisions. The transportation business covers the worldwide transport, storage and distribution of bulk liquid chemicals, edible oils, acids and other specialty liquids.

The Group is also engaged in the seafood business, which is carried out through Stolt Sea Farm ('SSF'), and produces, processes and markets turbot, sturgeon, caviar and sole. Furthermore, the Group has investments in the gas industry through its 8.61% share in Avance Gas Holding Ltd ('AGHL') which has Liquefied Petroleum Gas ('LPG') carriers and a 2.3% holding of Golar LNG Limited ('Golar'). Golar is an independent owner and operator of liquid nitrogen gas ('LNG') carriers.

The Company is listed on the Oslo Stock Exchange under the ticker symbol SNI and is registered in Bermuda (Registration Number EC 44330).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union ('IFRSs') and interpretations issued by the IFRS Interpretations Committee.

The consolidated financial statements are prepared and published according to the provisions of the Bermudian Company law.

The presentation currency used in these consolidated financial statements is the US dollar. The functional currency of the Company is the US dollar.

Management is of the opinion that the Group's cash flows from operations and available credit facilities will continue to provide the cash necessary to satisfy the Group's working capital requirements and capital expenditures, as well as to make scheduled debt repayments, remain in compliance with the Group's financial covenants and satisfy the Group's other financial commitments for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Separate financial statements of the Parent Company, Stolt-Nielsen Limited, are included.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments, financial instruments measured at fair value through other comprehensive income or fair value through profit and loss, defined benefit plan assets and biological assets, all of which are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs of disposal.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where either a parent entity is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Foreign currency

(i) Foreign currency transactions

The individual financial statements of all Group companies are presented in the functional currency of the primary economic environment in which the subsidiaries and equity method investees operate.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Foreign exchange differences arising on retranslation are recognised in the income statement, except for those differences arising from hedging and monetary balances with foreign operations where settlement is not planned and unlikely to occur which are recorded in other comprehensive income. Differences related to hedging of operating expenses are also recorded in operating expenses.

(ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates the foreign exchange rates at the dates of the transactions. The differences are recorded in other comprehensive income.



Other Significant Accounting Policies

Accounting policies for individual balance sheet and income statement accounts are included in the respective footnotes.

New standards

The following pronouncements, issued by the International Accounting Standard Board ('IASB'), are not yet effective:

The IASB has issued a new standard for the recognition of revenue, IFRS 15, Revenue from Contracts with Customers ('IFRS 15'). This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers voyage accounting and recognition of revenue over time. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Currently revenue is recognised when the risks and rewards of ownership transfer to the buyer. IFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption and will be applicable to the Group for the year ending November 30, 2019. The Group evaluated the impact of IFRS 15 and while it largely complies with the principles of IFRS 15, there may be areas where the timing of revenue recognition will be modified to reflect the point in time where transfer of control occurs. At this stage the impact of the transition to IFRS 15 is not expected to be material to the Consolidated Financial Statements.

IFRS 16, Leases ('IFRS 16') requires lessees to recognise assets and liabilities for most leases as 'right to use' assets. The implementation date for the Group is for the year ending November 30, 2020. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. IFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings before interest, taxes, depreciation and amortisation ('EBITDA') will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

These changes will result in an increase in lease assets and financial liabilities since all leases will be reported on the balance sheet, with the exception of short-term leases and leases of low-value assets. IFRS 16 will have a material impact on the financial statements of the Group due to the nature, number and complexity of lease contracts to which the Group is expected to be committed at the end of November 30, 2020, the transition date for the Group.

Other than IFRS 16, the Group does not expect there to be a material impact on its Consolidated Financial Statements from these standards, apart from additional disclosures in the financial statements.

Accounting policies that became effective during the year

There were no new or amendments to standards during 2017 which had a material effect on the Consolidated Financial Statements for the Group.

Critical accounting judgements and key sources of estimation uncertainty

In connection with the preparation of the consolidated financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgements to ensure that the financial statements are presented fairly and in accordance with IFRS and Bermudian Company law, applied on a consistent basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the change affects both as per IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Critical accounting estimates and judgements are those that have a significant risk of having a material impact on the consolidated financial statements. Management believes the following areas are the significant judgements and estimates used in the preparation of the Consolidated Financial Statements:



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited
Notes to the Consolidated Financial Statements
continued

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|--|---|--|
| BUSINESS COMBINATION | | |
| <p>In accordance with IFRS 3 – Business Combinations, the Group allocates the purchase price of an acquired business to its identifiable assets and liabilities and contingent liabilities assumed based on estimated fair values.</p> <p>The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill.</p> <p>The Group uses all available information to estimate fair values. In the case of significant transactions, the Group engages external appraisal firms to assist in the fair value determination of significant assets or liabilities. The Group adjusts the Preliminary Purchase Price allocation, as necessary, up to one year after the acquisition date as more information is obtained regarding asset valuations and liabilities assumed.</p> | <p>The purchase price allocation methodology contains uncertainties because it requires management to make assumptions and to apply judgement to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities based upon a combination of quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses.</p> <p>Unanticipated events or circumstances may occur which could affect the accuracy of the fair value estimates, including assumptions regarding industry economic factors and business strategies.</p> | <p>During 2016, the Group completed the acquisition of Jo Tankers ('JoT') for an enterprise value of \$575.0 million. See Note 34.</p> <p>If the discount rate used in the determination of fair value was increased by 1%, the value of the net assets acquired would decrease by \$33.8 million and goodwill would increase by the same amount. If the discount rate was decreased by 1%, the fair value of net assets acquired would increase by \$38.0 million resulting in a negative goodwill of \$32.3 million.</p> <p>A 1% increase in Sailed-In Rate would increase the value of the net assets acquired by \$11.2 million and result in a small negative goodwill of \$5.5 million. A reduction in the Sailed-In Rate by 1% would reduce the value of the net assets acquired by \$11.2 million with a goodwill of \$16.8 million.</p> |

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|---|--|--|
| VOYAGE REVENUE AND COSTS | | |
| <p>The Group generates a majority of its revenues through its tanker segment from the transportation of liquids by sea and inland water under contracts of affreightment or through contracts on the spot market. Tankers follow the percentage of completion method with operating revenue and expenses recognised on each voyage leg. When computing the voyage revenue and costs, this recognition is first based on 'budgeted voyage legs' that are reviewed and updated annually. After the voyage legs have begun they are updated for actual results and the latest updated estimates.</p> | <p>In applying the percentage of completion method, the revenues and expenses for voyages still in progress at the end of the reporting period are estimated and prorated over the period of the voyage leg. A voyage comprises one or more 'voyage legs'. For each voyage leg, estimates are made of revenue and related costs based on available actual information, current market parameters such as fuel cost and customer contract portfolios, and relevant historical data such as port costs.</p> <p>Revenue and cost estimates are updated continually through the voyage to account for changes in voyage patterns, to include the most up-to-date data and to finalise revenues and expenses.</p> | <p>The accrued voyage and prepaid voyage expense accounts are used to adjust revenues billed and vendor invoices received to the appropriate amounts to be recognised based on the percentage of completion method of accounting. Management does not believe there would be a material change if the percentage of completion method was based upon criteria other than voyage legs. However, if actual results are not consistent with estimates or assumptions, revenues or costs may be over or under-stated.</p> <p>At November 30, 2017 and 2016, the accrued voyage expense account was \$53.4 million and \$53.2 million, respectively, in which \$29.1 million and \$26.4 million related to the deferral of revenues.</p> <p>Prepaid expenses included \$18.4 million and \$10.3 million of prepaid invoices for voyages in progress applicable to periods subsequent to November 30, 2017 and 2016, respectively.</p> |



CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical Accounting Judgement

Sources of Estimation Uncertainty

Effect if Actual Results Differ from Assumptions

DEPRECIATION AND RESIDUAL VALUE

Ships, barges, tank containers and terminals are depreciated on a straight-line basis over their estimated useful lives, after reducing for the estimated residual value.

Estimated useful lives are based on past experience, expected future performance and management's estimate of the period over which the asset will provide economic benefit.

For ships and barges, residual values are estimated based on the steel price, the estimated light displacement tonnage of the fleet and current trends in the price of recycling of ships. For the majority of the fleet, the steel price used is the average steel price for the last three years. For ships expected to be recycled in the near term, the steel price at the previous year end date is used.

The evaluation of residual values and estimated useful lives for tank containers is based on the steel price of different grades of steel.

In the case of terminals, the lives of terminal can range up to 40 years and the prices of steel and construction costs can vary across different terminals. If there is a material change in the estimated life of the terminal or price of steel then the estimates are revised.

Both estimated useful lives and the residual values are evaluated annually and the effect of any change is considered as a revision of accounting estimates and the effect is reflected in the future depreciation charge.

The key judgements and estimates involved for depreciation and residual values are:

- In the case of ships, estimated useful lives of the components of the ships which range from an estimated 25 to 33 years. However, actual lives of the components of parcel tankers or barges may be different depending on many factors such as quality of maintenance and repair and the type of product carried by the ships or barges and this may result in a shorter or longer life.
- In the case of tank containers, the estimated useful life ranges between 10 to 20 years depending on the supplier and the quality of steel used.
- Residual values are difficult to estimate given the long lives of ships, barges and tank containers, the uncertainty as to future economic conditions and the price of steel, which is considered as the main determinant of the residual price.

If the estimated economic useful life has to be revised, an impairment loss or additional depreciation expense could result in future periods.

A decrease in the useful life of the ship, barge or tank container or fall in the residual value would have the effect of increasing the annual depreciation charge and potentially resulting in an impairment loss.

If the residual value is over estimated, it would reduce the annual depreciation and overstate the value of the assets.

See Note 15 for further details.



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited Notes to the Consolidated Financial Statements continued

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical Accounting Judgement

Sources of Estimation Uncertainty

Effect if Actual Results Differ from Assumptions

Impairment Review

Chemical Tankers and Barges

Chemical Tankers and Barges ('Tankers') are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the fleet exceeds the recoverable amount. The impairment review also includes capital work in progress relating to any newbuildings. As of November 30, 2017, the carrying amount of the Group was more than its market capitalisation. The Tanker ships are tested for impairment on a cash-generating unit ('CGU') basis. The CGUs identified are the (1) deep-sea fleet plus interdependent regional fleets, (2) regional fleets and (3) European barges, as those are the lowest levels in which the cash flows are independent of other CGUs. Where they are integral to the CGU, leased ships are incorporated into the impairment testing.

Management measures the recoverable amount of these assets by comparing their carrying amount to the higher of their fair value less costs of disposal ('FVLCD') or value in use ('VIU').

VIU calculations prepared for impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. The calculation is based upon the future cash flows over the remaining useful lives of the ships. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters including management's expectations of:

- Future growth rates based on trends in industrial production.
- Supply-demand balance of chemical tankers.
- Sailed-In Rates per operating day (a profit measure of operating revenue less variable voyage expenses including bunker costs, on existing and future contracts and the spot market).

Bitumen Ships

Due to the weaker bitumen business and the decline in trading results of the two bitumen ships, an impairment test was performed.

The Group used Fair Value Less Cost of Disposal ('FVLCD') to determine the recoverable amount of \$22.7 million. FVLCD was based on broker values from independent ship brokers.

As a result of this analysis, the Group recognised an impairment charge of \$5.4 million for the year ended November 30, 2017 for one of the bitumen ships.

The carrying values of the ships in the Tanker fleet may not represent their fair market value at any point in time since the short-term market prices of second-hand ships tend to fluctuate with changes in freight rates and the cost of newbuildings. Both charter rates and newbuilding costs tend to be cyclical in nature.

In order to assess impairment, we used projections in the approved budget and five-year plan as the basis for the cash flows used to calculate VIU. Based on management judgement and past experience, the following key assumptions were used in the VIU calculations:

- Pre-tax discount rate of 7.4% based on the weighted average cost of capital ('WACC'), which reflects specific risks relating to CGUs.
- The assumptions for the Sailed-In Rates growth during the projection period from 2018 to 2022 for the deep-sea fleet (adjusted for capacity changes) is an average of 4.6% and for the Regional fleets is 3.3%.
- A slow recovery in the chemical tanker market is expected to start in 2019 after the industry's newbuilding deliveries have been absorbed by the market.

The growth rate used in perpetuity beyond the projection period is 2% which does not exceed the long-term average inflation rate for the Tankers industry.

The impact of changes in the key assumptions used in the VIU calculations is described below.

An increase of 0.5% in the discount rate used in the present value calculation would not result in an impairment of the deep-sea ships or any of the wholly-owned regional fleets.

A 0.5% increase in the discount rate would result in one of the Group's regional joint ventures having an impairment of \$2.0 million.

A projected 5% decrease in the deep-sea tanker Sailed-In Rates would not result in an impairment in any of the wholly-owned fleets. One of the regional joint ventures would show an impairment of \$5.4 million in this scenario with permanently depressed rates.

Independent broker valuations for ships are based on the following:

- Market information gathered through the network of buyers, sellers and brokers for providing ship valuations.
- Prices of newbuildings of similar ships.
- Economic environment in which the ships operate.

Bitumen ships are a special type of ship and there are not many open market transactions, particularly during recent years. Accordingly, the fair value may not be representative of a price achieved between a 'willing buyer' and 'willing seller'.

Given the range of uncertainties, the Group reduced the broker values by an additional \$0.6 million for the two ships to \$22.7 million. If the broker values were lower by 5% or \$1.1 million, the impairment would be higher by the same amount.



CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|--|--|---|
| <p>Terminals</p> <p>For the Terminals segment, the Group evaluated the New Zealand terminals for impairment because of the expiry of certain key leases in 2022 and 2028. The Group considered the New Zealand terminals to be a cash-generating unit. The recoverable amount of \$13.6 million for this CGU was based on VIU. The VIU was calculated based on net present values of the projected cash flows over the next five years based on management's budget and five-year plan.</p> <p>Calculating VIU required a number of assumptions to be made in respect of highly uncertain matters including management's expectations of:</p> <ul style="list-style-type: none"> • Future customer contracts. • Customer rates on existing and future contracts and the spot market. • Expected utilisation rates and throughput volumes. <p>As a result of this impairment analysis, the Group booked an impairment of \$8.4 million before taxes for the New Zealand terminals for the year ended November 30, 2017.</p> | <p>The main source of estimation uncertainty is the application of the discount rate and future cash flows.</p> <p>Based on management judgement and past experience, the following key assumptions were used in the projections:</p> <ul style="list-style-type: none"> • A pre-tax discount rate of 10.1% was applied. • Operating revenues and expenses are expected to increase by 2% during the projection period. • Cash flows for other smaller terminals in New Zealand beyond the five-year period have been extrapolated using a 2.0% growth rate. | <p>The impact of changes in the key assumptions used in the VIU calculations is described below. An increase of 1% in the discount rate used would result in an additional impairment of \$14.0 million.</p> <p>A 10% decrease in projected revenue would result in an additional impairment of \$8.3 million.</p> |
| <p>AGHL</p> <p>The Group owns 8.61% of AGHL which engaged in the transportation of LPG. The investment remains an Investment in an Associate as a result of continued participation by the Group's management on the AGHL Board.</p> <p>The fair value of the Group's investment in AGHL was \$12.9 million at November 30, 2017 based on the closing price on the Oslo Børs. The investment carrying value is \$29.9 million at November 30, 2017.</p> <p>An impairment review was performed on the Group's investment in AGHL. The Group used VIU to determine the recoverable amount. The VIU was based on a discounted cash flow analysis on the dividends to be received on the AGHL investment starting from 2018 to the end of the Very Large Gas Carriers' (VLGCs) lives.</p> | <p>In order to assess impairment, we used projections in the approved budget and five-year plan as the basis for the cash flows used to calculate VIU. The VIU is based on the dividends from cash flows calculated using the below assumptions:</p> <ul style="list-style-type: none"> • A pre-tax discount rate of 8.1% based on the WACC, which reflects specific risks relating to CGUs. • Sailed-In Rates based on historical trends. • Utilisation rates based on historical waiting days. • A 1% increase in operating expenses and a 2% increase in administrative and general expenses. | <p>A 0.5% increase in discount rate would result in an impairment of \$1.7 million.</p> <p>A 10% increase in Operating Costs would result in an impairment of \$3.0 million.</p> <p>A 10% increase in revenues either through higher capacity utilisation or rate increases, would increase the VIU by \$8.7 million.</p> |



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CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|---|--|--|
| GOODWILL IMPAIRMENT TESTING | | |
| <p>The Group does not have any indefinite lived intangible assets other than goodwill.</p> <p>Tankers</p> <p>In 2016, goodwill of \$5.7 million was recognised in the Tankers segment in relation to the acquisition of JoT. An impairment review of Tankers did not indicate that this goodwill was impaired.</p> <p>In order to calculate VIU, the Group uses projections from the approved budgets and five-year plans as the basis for the cash flows which are then discounted to calculate value in use.</p> <p>Tank Containers</p> <p>Goodwill of \$16.8 million is allocated to the Tank Container CGU. The total carrying value of the CGU, including the goodwill, is \$529.3 million. The recoverable amount for the Tank Container segment was based on FVLCD. Goodwill is allocated to the Tank Container segment which is the smallest identifiable group of assets (i.e. the tank container fleet) that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. FVLCD was based on a discounted cash flow basis using the approved projections in the five-year plan.</p> <p>Terminals</p> <p>For the Terminals segment, the goodwill relates to the acquisition of Marstel Holdings Pty Limited (now Stolthaven Australasia Pty Ltd). See further discussion in Note 18. Goodwill of \$12.0 million allocated to Australia was tested for impairment as the New Zealand goodwill was fully impaired in prior years.</p> <p>The impairment test was based on the discounted cash flows based on the budget and five-year plan.</p> <p>The recoverable amount for the Australia Terminals business was based on VIU.</p> <p>Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters including management's expectations of:</p> <ul style="list-style-type: none"> • Future escalation of price and cost increases. • Customer rates on existing and future contracts and the spot market. • Expected utilisation rates and throughput volumes. | <p>See Tankers Impairment Review for key sources of estimation uncertainty.</p> <p>Tank Containers</p> <p>The main source of estimation uncertainty is the application of the discount rate and future cash flows.</p> <p>Based on management judgement and past experience, the following key assumptions were used in the calculation of FVLCD:</p> <ul style="list-style-type: none"> • Pre-tax discount rate of 6% based on the WACC for the risks specific to the tank container business. • Future growth rates based on trends in industrial production. The growth rate used in perpetuity beyond the projection period is 2.0%. • Future escalation of price and cost increases obtained from shipping and transportation carriers. • Extent of capital expenditures from Tank Containers and competition. • Future demand and supply. <p>Terminals</p> <p>The main source of estimation uncertainty is the application of the discount rate and future cash flows.</p> <p>Based on management judgement and past experience, the following key assumptions were used in the projections:</p> <ul style="list-style-type: none"> • Pre-tax discount rate based on the WACC was 9.2% in Australia. • The annual growth rate for revenues and costs in the initial five-year period was 2.0%. These rates have also been used in perpetuity in line with long-term inflation expectations. | <p>If the judgement applied in determining the recoverable amount of goodwill is incorrect or the fact pattern on which it is based changes, this could result in impairments being reflected in the consolidated financial statements.</p> <p>Tankers</p> <p>Based on our work relating to impairment of tankers, the Group concluded the goodwill of \$5.7 million relating to tankers was not impaired.</p> <p>Tank Containers</p> <p>In the case of Tank Containers, the headroom based on the fair value less cost of disposal was more than twice the current segment value.</p> <p>See Note 18 for further details related to goodwill.</p> <p>Terminals</p> <p>For the Australia CGU, an increase of 1% in the discount rate used in the present value calculation would not result in an impairment.</p> |



CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|-------------------------------|-----------------------------------|--|
|-------------------------------|-----------------------------------|--|

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The consolidated financial statements include the Group's results and all other entities in which the Group has control, except where the control over the operations is limited by significant participating interests held by another investor in such operations.

Where the Group does not have control, either because of significant participating interests by other parties or presence of only significant influence or where there is joint control over an entity, the entity is accounted for using the equity method.

Control exists where either parent entity is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

There are a number of areas where significant judgement is exercised to establish whether an entity needs to be consolidated or reported under the equity method of accounting. In order to establish whether an entity is a consolidated subsidiary, a joint venture or an associate, key areas of judgement include:

- Qualitative analysis of an entity including review of, among other factors, its capital structure, contractual terms, key decisions requiring unanimous approval, related party relationships and design of the entity.
- Rights of partners regarding significant business decisions, including disposals and acquisitions of assets.
- Board and management representation.
- Potential voting rights.
- Ability to make financing decisions.
- Approval of operating and capital budget and contractual rights of other shareholders.

The exercise of judgement on these areas determines whether a particular entity is consolidated as a subsidiary or accounted for under the equity method.

If the judgement applied in determining the accounting treatment of an entity is incorrect or the fact pattern on which it is based changes, such entities may need to be consolidated or result in unexpected losses being reflected on the consolidated financial statements.

For example, it is possible that an investment is accounted for as a joint venture or associate using the equity method despite having an ownership interest exceeding 50% where it does not exercise direct or indirect control over the investee. To the extent that the Group is deemed to control these entities, the entities would have to be consolidated. This would affect the balance sheet, income statement, statement of cash flows and debt covenants.

See Note 16 for further details.

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|-------------------------------|-----------------------------------|--|
|-------------------------------|-----------------------------------|--|

BIOLOGICAL ASSETS

The carrying value of biological assets as at November 30, 2017 was \$45.7 million. Of this amount \$36.0 million related to turbot and sole, and \$9.7 million related to sturgeon for caviar.

All mature turbot weighing more than 300 grams, mature sole weighing more than 200 grams and mature sturgeon weighing more than 3 kilos are held at fair value less costs to sell, which includes costs of packaging and logistics. Gains and losses from changes in fair value are recognised in operating expenses in the income statement. Fair value is based upon achieved prices for harvested and marketed fish, reduced for packaging costs and freight costs.

Determination of fair value requires significant judgement which includes the:

- Market price at the balance sheet date which is often volatile and cyclical.
- Volume of future biomass and its size distribution.
- Average weight of mature biomass.
- Estimated current mortality.
- Future costs of production.
- Future mortality during harvesting and quality of the fish.

The Group's net earnings can fluctuate due to the fair value adjustments on the biological assets at each balance sheet date.

A change in assumptions, such as market price, can have a significant change on the valuation. For example, based upon November 30, 2017 turbot volumes, a change in the price of \$1 per kilo would have an impact on the turbot valuation of \$4.7 million.

See Note 13 for further details.



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CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

| Critical Accounting Judgement | Sources of Estimation Uncertainty | Effect if Actual Results Differ from Assumptions |
|--|---|---|
| PENSIONS AND OTHER POST-RETIREMENT BENEFITS | | |
| <p>The Group sponsors defined benefit pension plans and a supplemental executive retirement plan covering eligible employees. Net periodic pension costs and accumulated benefit obligations are determined in accordance with IAS 19R, Employee Benefits, using a number of assumptions including the discount rate, the rate of compensation increases, retirement ages and mortality rates. These assumptions have a significant impact on the amounts reported. The Group's pension cost consists of service costs and interest costs.</p> <p>The Group also provides post-retirement benefits to eligible retired employees and their spouses. The post-retirement programme provides limited healthcare benefits. This plan is not funded.</p> | <p>Management considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analyses of current market conditions and input from actuaries and other consultants.</p> <p>Costs of the programmes are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.</p> | <p>A 0.25%-point increase in the discount rate assumption for the defined benefit obligation would result in a decrease of \$7.7 million and a 0.25% decrease in discount rate assumption would result in an increase of \$8.2 million in the defined benefit obligation.</p> <p>The effect of a 1% change in the assumed healthcare cost trends on the accumulated post-retirement benefit obligation at the end of 2017 would result in a change of approximately \$1.8 million.</p> <p>If more than one of these assumptions were changed simultaneously, the cumulative impact would not necessarily be the same as if only one assumption were changed in isolation.</p> <p>See Note 25 for further details.</p> |

3. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Group has four reportable segments, which are Tankers, Tank Containers, Terminals and Stolt Sea Farm. The nature of these segments is described in Note 1. These reportable segments were determined based on the nature of the products and services offered. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Executive Management has been identified as the chief operating decision-makers as they direct the allocation of resources to operating segments based on the operating profit (loss) and cash flows of each respective segment.

The 'Corporate and Other' category includes Stolt Bitumen, the Group's investment in AGHL and Golar, corporate-related items and the results of other insignificant operations not reportable under other segments.

The basis of measurement and accounting policies of the reportable segments are the same as those described in Note 2. Inter-segment sales and transfers are not significant and have been eliminated and not included in the following table. Indirect costs and assets have been apportioned between the segments of the Group on the basis of corresponding direct costs and assets. Interest and income taxes are not allocated.



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The following tables show the summarised financial information, in US thousand dollars, for each reportable segment and the underlying operating segments:

| For the year ended November 30, 2017 | Tankers | Terminals | Tank Containers | Stolt Sea Farm | Corporate and Other (a) | Total |
|--|--------------|------------|--------------------|-------------------|----------------------------|--------------|
| Operating revenue | \$ 1,158,466 | \$ 242,738 | \$ 512,745 | \$ 72,744 | \$ 10,397 | \$ 1,997,090 |
| Depreciation and amortisation including drydocking and impairments (b) | (169,726) | (63,592) | (27,824) | (6,103) | (12,552) | (279,797) |
| Share of profit (loss) of joint ventures and associates | 7,405 | 19,657 | 1,191 | – | (10,665) | 17,588 |
| Operating profit (loss) | 110,973 | 54,181 | 54,492 | 3,530 | (28,807) | 194,369 |
| Finance expense | | | | | | (133,943) |
| Finance income | | | | | | 3,732 |
| Profit before income tax | | | | | | 62,356 |
| Income tax expense | | | | | | (12,239) |
| Net profit | | | | | | 50,117 |
| Balance Sheet | | | | | | |
| Capital expenditures (c) | 311,959 | 81,345 | 9,600 | 5,377 | 15,166 | 423,447 |
| Investments in and advances to joint ventures and associates | 235,680 | 242,153 | 23,148 | – | 30,949 | 531,930 |
| Intangible assets and goodwill | 7,892 | 16,339 | 17,620 | 284 | 9,500 | 51,635 |
| Segment assets | 2,469,911 | 1,267,717 | 530,172 | 136,012 | 211,047 | 4,614,859 |

| For the year ended November 30, 2016 | Tankers | Terminals | Tank Containers | Stolt Sea Farm | Corporate and Other (a) | Total |
|--|--------------|------------|--------------------|-------------------|----------------------------|--------------|
| Operating revenue | \$ 1,060,861 | \$ 234,712 | \$ 475,704 | \$ 65,382 | \$ 43,246 | \$ 1,879,905 |
| Depreciation and amortisation including drydocking and impairments | (141,356) | (57,575) | (24,000) | (5,579) | (5,561) | (234,071) |
| Share of profit (loss) of joint ventures and associates | 13,395 | 18,867 | 1,527 | – | (190) | 33,599 |
| Operating profit (loss) | 138,364 | 53,009 | 48,193 | 14,069 | (21,797) | 231,838 |
| Finance expense | | | | | | (106,134) |
| Finance income | | | | | | 2,518 |
| Profit before income tax | | | | | | 128,944 |
| Income tax expense | | | | | | (15,707) |
| Net profit | | | | | | 113,237 |
| Balance Sheet | | | | | | |
| Capital expenditures (c) | 543,623 | 93,104 | 27,586 | 3,295 | 27,852 | 695,460 |
| Investments in and advances to joint ventures and associates | 259,664 | 213,024 | 15,850 | – | 48,116 | 536,654 |
| Intangible assets and goodwill | 5,690 | 16,447 | 15,695 | 223 | 9,684 | 47,739 |
| Segment assets | 2,329,564 | 1,186,351 | 529,306 | 122,989 | 253,008 | 4,421,218 |

(a) Corporate and Others include Stolt-Nielsen Gas and Stolt Bitumen.

(b) Includes impairment losses of \$15.3 million of impairment losses relating to New Zealand Terminals and a Bitumen Ship. See Note 15.

(c) Capital expenditures include additions to property, plant and equipment, ship deposits and intangible assets other than goodwill including additions resulting from acquisitions through business combinations.



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Stolt-Nielsen Limited Notes to the Consolidated Financial Statements continued

The following table sets out operating revenue by country for the reportable segments. Tankers, Tank Containers and Terminals operating revenue is allocated on the basis of the country in which the cargo is loaded. Tankers and Tank Containers operate in a significant number of countries. Revenues from specific foreign countries which contribute significantly to total operating revenue are disclosed separately. SSF operating revenue is allocated on the basis of the country in which the sale is generated.

| (in thousands) | For the years ended November 30, | |
|---------------------------|----------------------------------|--------------|
| | 2017 | 2016 |
| Operating Revenue: | | |
| Tankers: | | |
| US | \$ 423,105 | \$ 417,563 |
| South America | 26,536 | 33,672 |
| The Netherlands | 96,504 | 74,984 |
| Belgium | 72,143 | 58,289 |
| Other Europe | 102,680 | 104,992 |
| South Korea | 65,124 | 55,638 |
| Malaysia | 46,936 | 42,580 |
| Other Asia | 106,988 | 90,551 |
| Middle East | 121,030 | 98,408 |
| Africa | 96,894 | 83,622 |
| Other | 526 | 562 |
| | \$ 1,158,466 | \$ 1,060,861 |
| Terminals: | | |
| US | \$ 117,495 | \$ 113,889 |
| Singapore | 39,801 | 44,023 |
| Australia and New Zealand | 31,282 | 32,045 |
| Brazil | 26,645 | 19,189 |
| United Kingdom | 15,200 | 15,831 |
| The Netherlands | 12,315 | 9,735 |
| | \$ 242,738 | \$ 234,712 |
| Tank Containers: | | |
| US | \$ 104,797 | \$ 99,796 |
| South America | 27,911 | 27,210 |
| France | 45,273 | 39,178 |
| The Netherlands | 32,322 | 31,099 |
| Italy | 19,449 | 18,401 |
| Germany | 17,510 | 18,240 |
| Other Europe | 25,604 | 24,691 |
| Singapore | 55,593 | 47,866 |
| Japan | 19,106 | 21,458 |
| China | 81,088 | 76,876 |
| Other Asia | 42,900 | 35,487 |
| India | 15,425 | 12,756 |
| Middle East | 13,141 | 12,710 |
| Other | 12,626 | 9,936 |
| | \$ 512,745 | \$ 475,704 |
| Stolt Sea Farm: | | |
| US | 6,640 | 7,982 |
| United Kingdom | 1,179 | 1,388 |
| Norway | 1,193 | 842 |
| Spain | 30,656 | 26,791 |
| France | 7,597 | 7,557 |
| Italy | 15,099 | 12,741 |
| Iceland | 39 | 34 |
| Other Europe | 10,097 | 7,711 |
| Other | 244 | 336 |
| | \$ 72,744 | \$ 65,382 |



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There were no customers of Tankers, Tank Containers, Terminals or SSF segments that accounted for more than 10% of the consolidated operating revenue for the years ended November 30, 2017 and 2016.

The following table sets out non-current assets excluding long-term deferred income tax assets and long-term pension assets by country for the reportable segments. Non-current assets include property, plant and equipment, intangible assets, investments in and advances to joint ventures and associates and certain other non-current assets.

Non-current assets by country are only reportable for the Terminals and Sea Farm operations. Tanker and Tank Container operations operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. The total net book value of non-current assets for Tankers amounted to \$2,264.2 million and \$2,288.0 million for the years ended November 30, 2017 and 2016, respectively, and for Tank Containers amounted to \$412.9 million and \$424.0 million, for the years ended November 30, 2017 and 2016, respectively.

| (in thousands) | As of November 30, | |
|----------------------------|--------------------|--------------|
| | 2017 | 2016 |
| Non-current Assets: | | |
| Terminals: | | |
| US | \$ 376,906 | \$ 345,444 |
| Brazil | 45,830 | 44,517 |
| South Korea | 89,649 | 74,572 |
| United Kingdom | 81,767 | 74,695 |
| Belgium | 102,502 | 88,954 |
| The Netherlands | 68,859 | 61,538 |
| China | 39,406 | 37,147 |
| Australia and New Zealand | 156,381 | 155,529 |
| Singapore | 234,608 | 232,864 |
| Other | 10,655 | 12,754 |
| | \$ 1,206,563 | \$ 1,128,014 |
| Stolt Sea Farm: | | |
| US | \$ 4,503 | \$ 4,467 |
| Norway | 512 | 510 |
| Portugal | 1,592 | 1,208 |
| Iceland | 21,958 | 21,235 |
| Spain | 34,403 | 31,050 |
| France | 2,834 | 2,929 |
| | \$ 65,802 | \$ 61,399 |

The Group has no material revenues or non-current assets in Bermuda, its country of domicile.

4. OPERATING REVENUE

Accounting policy

Operating revenue includes the gross inflows of economic benefits received or receivable by the Group and represents the amounts receivable for goods and services provided in the normal course of business, net of discounts and sales taxes.

(i) Tankers

Freight revenue, including bunker surcharge and other revenues, is recognised using the percentage of completion method, based upon an estimate on a pro-rated per day basis for the results of voyages in progress at the balance sheet date. Other revenue from services such as demurrage is recognised upon completion.

The Group operates the Stolt Tankers Joint Service (the 'Joint Service'), an arrangement in which the Group acts as the principal for the delivery of services and provides the coordinated marketing, operation, and administration of deep-sea intercontinental parcel tankers owned or chartered by the Group. As the Group acts as the principal in the arrangement, all revenue relating to the Joint Service is recognised on a gross basis in the income statement. Certain ships that are not owned by the Group are time chartered under operating leases by the Group from participants in the Joint Service. The time charter expense is calculated based upon the combined operating revenue of the ships which participate in the Joint Service less combined voyage expenses, overhead costs, and commissions to outside brokers and upon each ship's cargo capacity, its number of operating days during the period, and its assigned earnings factor.



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(ii) Tank Containers

Revenue from logistics services using tank containers is recognised based on the percentage of time and effort required for each shipment at the period end. This recognises the greater significance of specific acts in the successful completion of the contract obligation. Revenue from services such as demurrage and other ancillary services is recognised upon completion of such services.

(iii) Terminals

Revenue for terminal operations primarily consists of rental income from the utilisation of storage tanks by customers and other ancillary terminal services provided, with the majority of rental income earned under annual contracts. These contracts generally provide for fixed rates for the use of the storage tanks and/or the throughput of products through the terminal facility. Revenue is also earned under short-term agreements contracted at spot rates. Revenue is recognised over the time period of usage or as services are provided.

(iv) SSF

SSF recognises revenue based on the terms of sale. Where the terms of sale are free on board, revenue is recognised on dispatch of products to customers. Revenue is recognised on delivery of products to customers, where the terms of sale are cost, insurance and freight and delivered duty paid. The amount recorded as revenue includes all amounts recognised according to the terms of sale, including shipping and handling costs billed to customers, and after deductions for claims or returns of goods, rebates and allowances against the price of goods.

An analysis of the Group's revenue for the year (excluding finance income – see Note 8) is as follows:

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|--------------|
| | 2017 | 2016 |
| Revenue from the rendering of services | \$ 1,922,790 | \$ 1,779,824 |
| Revenue from the sale of goods | 74,300 | 100,081 |
| | \$ 1,997,090 | \$ 1,879,905 |

5. OPERATING EXPENSES

Accounting policy

(i) Tankers

Tankers operating expenses include costs directly associated with the operation and maintenance of the parcel tankers. These types of costs include time charter costs, bunker fuel costs, port costs, manning costs (for example, ship personnel and benefits), depreciation expense, sublet costs, repairs and maintenance of tankers, commission expenses, barging and transshipments costs, canal transit costs, insurance premiums and other ship owning expenses (for example, agency fees, provisions, ship supplies, cleaning, cargo survey costs and foreign exchange hedging costs).

(ii) Tank Containers

Operating expenses of Tank Containers consist of costs directly associated with the operation and maintenance of the tank containers. These types of costs include ocean and inland freight charges, short-term tank rental expenses, cleaning and survey costs, additional costs (services purchased and charged through to customers), maintenance and repair costs, storage costs, insurance premiums, depreciation expense and other operating expenses (for example, depot expenses, agency fees and refurbishing costs).

(iii) Terminals

Operating expenses of Terminals consist of costs directly associated with the operation and maintenance of the terminals. These types of costs include labour and employee benefit costs, depreciation expense, utilities, rail car hire expenses, real estate taxes for sites, maintenance and repair costs, regulatory expenses, disposal costs, storage costs and other operating expenses (for example, insurance, survey costs, cleaning, line haul, rail costs and tank car hire costs).

(iv) SSF

SSF operating expenses include production cost of goods sold ('PCOGS'), which are costs incurred for the production of juvenile fish and the subsequent growing of juvenile fish into adult fish ready for market. These PCOGS include costs to produce eggs for fertilisation, on-site labour/personnel costs, feed costs, energy costs, contract grower fees, repairs and maintenance costs, oxygen costs, and veterinary fees. Other costs included within operating expenses are costs of fish purchased from third parties, freight costs to customers, all primary and secondary processing and packaging costs, distribution and handling costs, storage, import duties, inventory write downs, mortality losses and fair value movements.



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Operating expenses comprised the following:

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|---------------------|
| | 2017 | 2016 |
| Bunker fuel costs | \$ 214,980 | \$ 142,814 |
| Depreciation and amortisation | 264,497 | 234,071 |
| Charter and lease expenses | 182,959 | 211,792 |
| Ocean and inland freight charges | 190,878 | 176,436 |
| Employee benefit expenses | 177,077 | 162,215 |
| Port charges | 141,502 | 126,875 |
| Maintenance and repairs | 65,798 | 62,343 |
| Bitumen purchases and expenses | 3,266 | 33,516 |
| Ship supplies and provisions | 43,182 | 39,559 |
| Expenses related to Biological assets * | 44,363 | 38,924 |
| Insurance | 35,169 | 33,176 |
| Cleaning costs | 34,380 | 31,868 |
| Facilities and utilities | 28,534 | 27,073 |
| Storage and other tank container move related costs | 26,688 | 24,560 |
| Repositioning of tank containers | 23,881 | 22,483 |
| Tank container ancillary billable costs | 26,913 | 24,558 |
| Commissions | 25,395 | 21,703 |
| Sublet expenses | 13,739 | 22,239 |
| Rail expenses | 13,554 | 11,846 |
| Voyage costs | 13,357 | 6,355 |
| Barging and transshipments | 9,770 | 13,111 |
| Foreign exchange loss | 197 | 164 |
| Biological assets market valuation adjustment | (17) | (7,590) |
| Bunker hedge gain (Note 32) | (13,524) | (7,444) |
| Other expenses | 27,182 | 22,744 |
| Total operating expenses | \$ 1,593,720 | \$ 1,475,391 |

* Including \$14.1 million and \$13.5 million of employee benefit expenses for the years ended November 30, 2017 and 2016, respectively.



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An analysis of administrative and general expenses is as follows:

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|-------------------|
| | 2017 | 2016 |
| Employee benefit expenses | \$ 158,719 | \$ 157,067 |
| Information systems | 16,034 | 13,766 |
| Other professional fees | 9,882 | 8,201 |
| Travel and entertainment expenses | 6,848 | 6,530 |
| Office lease expenses | 6,370 | 6,009 |
| Office expenses | 5,847 | 5,376 |
| Investor relations and publicity | 2,352 | 1,609 |
| Legal fees | 4,444 | 3,719 |
| Communication expenses | 1,695 | 1,640 |
| Bank non-interest fees | 1,590 | 1,474 |
| Other | 2,748 | 1,835 |
| Total administrative and general expenses | \$ 216,529 | \$ 207,226 |

Other operating expenses were \$0.9 million and \$3.8 million for the years ended November 30, 2017 and 2016, respectively. In 2016, the Group recorded the impairment of receivables of customers of Stolt Bitumen and wrote down advances to a joint venture by \$1.3 million. See Note 16 for further details.

An analysis of employee benefit expenses included in operating expenses and administrative and general expenses is as follows:

| (in thousands, except employee data) | For the years ended November 30, | |
|---|----------------------------------|-------------------|
| | 2017 | 2016 |
| Salaries | \$ 260,191 | \$ 232,770 |
| Social security expenses | 18,306 | 17,657 |
| Pension expenses for defined contribution plans (Note 25) | 19,016 | 16,852 |
| Profit sharing and long-term incentive programmes | 8,744 | 14,384 |
| Travel and relocation | 10,838 | 10,413 |
| Insurance | 10,966 | 9,770 |
| Training | 7,468 | 7,212 |
| Temporary and contract employees | 7,110 | 7,416 |
| Pension expenses for defined benefit plans and post-retirement benefit plan (Note 25) | 4,192 | 1,968 |
| Expatriate expenses | 1,742 | 1,808 |
| Other benefits | 1,277 | 12,534 |
| Total employee benefit expenses | \$ 349,850 | \$ 332,784 |

Average number of employees:

| | | |
|--|--------------|--------------|
| Tankers* | 4,791 | 4,244 |
| Tank Containers | 750 | 771 |
| Terminals | 568 | 575 |
| Sea Farm | 398 | 395 |
| Other | 74 | 76 |
| Total average number of employees | 6,581 | 6,061 |

* Including seafarers working on joint venture or third-party managed ships.



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6. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|-----------------|
| | 2017 | 2016 |
| Fees payable to the Group auditors and associates for the audit of the consolidated and stand-alone financial statements | \$ 2,928 | \$ 2,790 |
| Fees payable to the Group auditors and associates for other services as detailed below* | 554 | 732 |
| Total fees | \$ 3,482 | \$ 3,522 |
| Tax services | 75 | 224 |
| Quarterly reviews | 100 | 100 |
| Other | 379* | 408* |
| Total non-audit fees | \$ 554* | \$ 732* |

The audit and non-audit fees relate to PricewaterhouseCoopers LLP and their associate firms.

* Includes \$191,000 (2016: \$186,000) relating to services to the Group's associates and joint ventures.

7. LOSS ON DISPOSAL OF ASSETS, NET

Loss on disposal of assets, net, comprised the following:

| (in thousands) | For the years ended November 30, | |
|----------------------------------|----------------------------------|-----------------|
| | 2017 | 2016 |
| Loss on sale of ships | \$ (468) | \$ (3,301) |
| Gain on sale on emission credits | – | 3,255 |
| Gain on sale of tank containers | 74 | 1 |
| Loss on sale of other assets | (121) | (92) |
| | \$ (515) | \$ (137) |

During 2017, Tankers recorded a net loss of \$0.5 million on the recycling of the *Stolt Hill* and *Stolt Vinland* and sale of the *Stolt Dipper* and *Stolt Kite*. Terminals reported a net loss of \$0.3 million for the sale of other assets.

During 2016, Tankers recorded a net loss of \$3.3 million on the recycling of the *Stolt Helluland*, *Stolt Aquamarine*, *Stolt Topaz*, *Stolt Emerald* and *Stolt Jade* and sale of the *Stolt Kestrel*, *Stolt Puffin* and *Stolt Petrel* and net gain of \$3.3 million on the sale of emission credits. Terminals reported a net loss of \$0.4 million for the sale of other assets. A gain of \$0.8 million was recorded for the sale of property and land in the United States.



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8. FINANCE EXPENSES AND INCOME

Accounting policy

(i) Finance expenses

Finance expenses are recognised in the income statement as they accrue, using the effective interest method.

For finance leases, lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Finance Income

Finance income is recognised in the income statement as it accrues, using the effective interest method.

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|------------|
| | 2017 | 2016 |
| Finance expense | | |
| Interest on loans | \$ 110,523 | \$ 83,453 |
| Realised loss on interest rate swaps (Note 32) | 19,743 | 20,757 |
| Commitment fees | 3,462 | 4,300 |
| Interest on obligations under finance leases | 8 | 11 |
| Other interest expense | 4,436 | 4,809 |
| Total interest expense | 138,172 | 113,330 |
| Less interest capitalised to property, plant and equipment | (4,229) | (7,196) |
| | \$ 133,943 | \$ 106,134 |
| Finance income | | |
| Interest from joint ventures | \$ 2,155 | \$ 1,294 |
| Bank deposits interest | 1,388 | 964 |
| Other | 189 | 260 |
| | \$ 3,732 | \$ 2,518 |

The average interest rate used to capitalise the interest to property, plant and equipment was on average 5.38% and 5.25% for 2017 and 2016, respectively.

9. INCOME TAX EXPENSE

Accounting policy

Income tax represents the sum of current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the sum of tax payable in respect of the taxable profit for the current year and any adjustment to tax payable in respect of previous years. Taxable income differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used in the calculation of taxable income. The following temporary differences are not provided for: the initial recognition of goodwill for which no tax deduction is available; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and joint ventures if it is probable that the temporary difference will not reverse in the foreseeable future and the Group can control the reversal. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and recognised only to the extent that it is probable that sufficient future taxable income will be available to allow the asset to be utilised based on Board approved budgets and up-to-date expectations of future trading. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off. Current tax assets are set off against current tax liabilities when they relate to income taxes levied by the same taxation authority. The Group intends to settle its current tax assets and liabilities on a net basis. The Company is incorporated in Bermuda which is a non-taxable jurisdiction.



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The following tables present the components of the income tax expense for the years ended November 30, 2017 and 2016:

| (in thousands) | For the years ended November 30, | |
|---------------------------------------|----------------------------------|-----------|
| | 2017 | 2016 |
| Current income tax expense | \$ 5,539 | \$ 9,593 |
| Adjustments in respect of prior years | (853) | (147) |
| | 4,686 | 9,446 |
| Deferred income tax expense | 9,794 | 6,216 |
| Adjustments in respect of prior years | (2,241) | 45 |
| | 7,553 | 6,261 |
| Total income tax expense | \$ 12,239 | \$ 15,707 |

The following reconciles the actual income tax expense to income taxes computed at the Bermuda statutory tax rate of nil:

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|------------|
| | 2017 | 2016 |
| Profit before income tax expense | \$ 62,356 | \$ 128,944 |
| Tax at the Bermuda statutory tax rate | - | - |
| Differences between the Bermuda and other tax rates | 45,018 | 26,149 |
| Non-taxable income and disallowed expenses | (32,095) | (12,069) |
| Changes in the recognition of tax losses | 2,287 | 1,624 |
| Adjustments in respect of prior years | (3,094) | (102) |
| Other differences, net | 123 | 105 |
| Total income tax expense | \$ 12,239 | \$ 15,707 |

Substantially all of the Group's international shipping operations are carried out in subsidiaries incorporated in the Netherlands, which imposes income tax on a fixed profit calculated by reference to the deadweight tonnage of the ships in the fleet rather than on the operating profits of the business. Based on the calculation, the Group incurred tax in the Netherlands of \$0.5 million for the years ended November 30, 2017 and 2016.

The following are the major deferred tax (liabilities) assets recognised and the movement thereon:

| | Accelerated tax depreciation | Retirement benefit obligations | Tax losses | Derivatives | Other | Total |
|--|------------------------------|--------------------------------|------------|-------------|----------|-------------|
| Balance, December 1, 2015 | \$ (82,292) | \$ 15,083 | \$ 25,882 | \$ - | \$ 1,900 | \$ (39,427) |
| (Charge) credit to income statement | (8,394) | (1,323) | 3,447 | - | 9 | (6,261) |
| Credit (charge) to Other comprehensive income | - | 541 | - | - | (886) | (345) |
| Arising on acquisitions, disposals and reorganisations | 59 | 79 | - | - | 144 | 282 |
| Exchange differences | (504) | (200) | (78) | - | 222 | (560) |
| Balance, November 30, 2016 | \$ (91,131) | \$ 14,180 | \$ 29,251 | \$ - | \$ 1,389 | \$ (46,311) |
| Credit (charge) to income statement | 1,044 | (2,520) | (5,720) | - | (357) | (7,553) |
| Credit (charge) to Other comprehensive income | - | 1,263 | - | 179 | (10) | 1,432 |
| Arising on acquisitions, disposals and reorganisations | (59) | (79) | - | - | (158) | (296) |
| Exchange differences | (674) | 56 | 948 | - | (314) | 16 |
| Balance, November 30, 2017 | \$ (90,820) | \$ 12,900 | \$ 24,479 | \$ 179 | \$ 550 | \$ (52,712) |



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Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| (in thousands) | As of November 30, | |
|--------------------------|--------------------|-------------|
| | 2017 | 2016 |
| Deferred tax liabilities | \$ (66,411) | \$ (60,964) |
| Deferred tax assets | 13,699 | 14,653 |
| | \$ (52,712) | \$ (46,311) |

As of November 30, 2017, the Group has unused national corporate tax losses of \$71.0 million (2016: \$90.7 million) and unused regional tax losses of \$80.0 million (2016: \$85.0 million as adjusted for state tax rates) available for offset against future profits. A deferred tax asset of \$7.8 million at November 30, 2017 (2016: \$5.3 million) has not been recognised in respect of losses carried forward at the balance sheet date, in Group companies where profits are not forecast in the foreseeable future.

Deferred income tax liabilities of \$12.6 million at November 30, 2017 (2016: \$71.5 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are considered permanently reinvested. Unremitted earnings totalled \$1.6 billion at November 30, 2017 (2016: \$1.5 billion).

Please see Note 35 of these financial statements in relation to the impact of the recently enacted US Tax Cuts and Jobs Act.

10. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Accounting policy

Cash and cash equivalents comprise cash balances and short-term time deposits of less than three months, which are subject to an insignificant risk of changes in value.

| (in thousands) | As of November 30, | |
|---------------------------|--------------------|-----------|
| | 2017 | 2016 |
| Cash deposit | \$ 51,421 | \$ 81,812 |
| Short-term time deposits | 6,887 | 10,972 |
| Cash and cash equivalents | \$ 58,308 | \$ 92,784 |
| Restricted cash | \$ 98 | \$ 87 |

Cash and cash equivalents comprise cash and short-term time deposits held by the Group. No cash or cash equivalents were placed as collateral at November 30, 2017 and 2016.

Included in other current assets were \$8.6 million and \$15.6 million of cash collateral relating to the cross-currency interest rate swaps and interest rate swaps which were held by certain financial institutions at November 30, 2017 and 2016, respectively.



11. RECEIVABLES, NET

Accounting policy

Accounts receivable are initially valued at their fair value and subsequently at amortised cost. Accounts receivable are subject to value adjustments where their recovery is compromised. The provision is calculated as the difference between the accounts receivable carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. These adjustments are not continued if the reasons for which the adjustments were made have ceased to apply. Subsequent recoveries of receivables previously written off are recorded as a reduction in operating expenses.

| (in thousands) | As of November 30, | |
|---|--------------------|------------|
| | 2017 | 2016 |
| Customer trade receivables | \$ 222,200 | \$ 201,835 |
| Accrued revenue | 26,192 | 13,939 |
| Insurance | 2,697 | 1,185 |
| Other | 6,071 | 3,031 |
| | 257,160 | 219,990 |
| Allowance for doubtful accounts on customer receivables | (16,045) | (18,356) |
| | \$ 241,115 | \$ 201,634 |

Customer trade receivables, net of allowance for doubtful accounts, were \$206.2 million and \$183.5 million as of November 30, 2017 and 2016, respectively. See Note 21 for an analysis of the credit risk of receivables.

12. INVENTORIES, NET

Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets to inventory is the fair value less costs to sell at the date of harvest.

Inventories as of November 30, 2017 and 2016 consisted of the following:

| November 30, 2017 (in thousands) | Terminals | SSF | Bitumen | Other | Total |
|----------------------------------|-----------|----------|---------|----------|----------|
| Raw materials | \$ 235 | \$ 388 | \$ 52 | \$ - | \$ 675 |
| Consumables | 1,012 | - | 3 | 1,333 | 2,348 |
| Finished goods | - | 5,828 | - | - | 5,828 |
| | \$ 1,247 | \$ 6,216 | \$ 55 | \$ 1,333 | \$ 8,851 |

| November 30, 2016 (in thousands) | Terminals | SSF | Bitumen | Other | Total |
|----------------------------------|-----------|----------|---------|----------|----------|
| Raw materials | \$ 171 | \$ 317 | \$ 54 | \$ 5 | \$ 547 |
| Consumables | 728 | - | 3 | 1,259 | 1,990 |
| Finished goods | - | 2,528 | 875 | - | 3,403 |
| | \$ 899 | \$ 2,845 | \$ 932 | \$ 1,264 | \$ 5,940 |

The cost of inventory included in operating expenses in 2017 and 2016 was \$44.4 million and \$38.9 million for Stolt Sea Farm and \$3.3 million and \$33.5 million for Bitumen, respectively. Bitumen finished goods inventory consists of bitumen acquired for future sale. Bunkers of \$14.1 million and \$12.1 million were included in prepaid expenses at November 30, 2017 and 2016, respectively.



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13. BIOLOGICAL ASSETS

Accounting policy

Biological assets primarily comprise turbot, sole and sturgeon, which include fish with and without an active market for sale ('mature' and 'juvenile' fish), which are farmed by the Group.

(i) Turbot and Sole

Turbot is considered as 'mature' when it weighs more than 300 grams, while juvenile turbot weighs less than 300 grams. Sole is considered mature at 200 grams. All mature turbot and sole are held at fair value less costs to sell and costs related to packaging. Gains and losses from changes in fair value are recognised in the income statement. Fair value is determined on the basis of quoted prices in the principal market for the fish, where such information is available. The fair value adjustment on biological assets has no cash impact and does not affect the result of operations before unrealised fair value adjustments.

Juvenile turbot and sole are carried at cost less provision for impairment as management does not believe that reliable fair values exist. This approach is used to measure juvenile turbot and sole for the following reasons:

- There is no active market for juvenile turbot or sole.
- A non-active market price based upon discounted cash flows requires a number of variables and assumptions which historically cannot be reliably determined. Key variables and assumptions for turbot and sole include mortality rate, time to maturity, rate of growth and market price at the point of harvest. Given the specific circumstances for juvenile assets, any assumptions are subjective.
- The extent of these uncertainties also results in difficulty in determining the appropriate discount rate.

A fair value adjustment is made at the point when previously juvenile turbot and sole is considered to mature. These fair value adjustments are recognised in the income statement.

After harvest, the produce from harvest is treated as inventory and the fair value at the point of harvest is treated as the cost of the inventory.

(ii) Sturgeon

Sturgeon are 'mature' when they reach 3 kilos per fish. The fair value of mature sturgeon is estimated at market value less costs to sell and costs related to packaging estimated based on the meat price of sturgeon and its weight.

Sturgeon and caviar that the sturgeon produces are fair valued at the point of harvest. After harvest, the caviar produced from harvest is treated as inventory and the fair value at the point of harvest is treated as the cost of the inventory. The fair value adjustment on biological assets has no cash impact and does not affect the result of operations before unrealised fair value adjustments.

There is no active market for juvenile sturgeon. They are therefore carried at cost less provision for impairment for the same reasons as those stated above for the juvenile turbot and sole.

Biological assets in the Balance Sheet

| (in thousands) | As of November 30, | | | |
|-----------------|--------------------|--------|----|--------|
| | | 2017 | | 2016 |
| Turbot and sole | \$ | 35,977 | \$ | 34,884 |
| Sturgeon | | 9,719 | | 9,143 |
| | \$ | 45,696 | \$ | 44,027 |

Biological assets are the work in process: live turbot, sturgeon and sole in the process of production. The biological assets are transferred to inventory after being harvested.



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Reconciliation of changes in book value of turbot and sole

| (in thousands) | As of November 30, | |
|---|--------------------|-----------|
| | 2017 | 2016 |
| Balance at December 1, | \$ 34,884 | \$ 27,441 |
| Increases due to production and purchases | 43,449 | 37,713 |
| (Loss) gain from change in fair value | (1,620) | 8,337 |
| Effect of changes in foreign currency rates | 3,526 | 294 |
| Decreases due to mortalities | (1,477) | (1,394) |
| Transfer to inventory | (42,785) | (37,507) |
| Balance at November 30, | \$ 35,977 | \$ 34,884 |

Reconciliation of changes in book value of sturgeon

| (in thousands) | As of November 30, | |
|---|--------------------|----------|
| | 2017 | 2016 |
| Balance at December 1, | \$ 9,143 | \$ 8,053 |
| Increases due to production and purchases | 5,671 | 5,468 |
| Gain (loss) from change in fair value | 1,637 | (747) |
| Decreases due to mortalities | (1,082) | (789) |
| Transfer to inventory | (5,650) | (2,842) |
| Balance at November 30, | \$ 9,719 | \$ 9,143 |

Fair value adjustments on biological assets in the income statement

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|----------|
| | 2017 | 2016 |
| Work in process, turbot and sole | \$ (1,620) | \$ 8,337 |
| Work in process, sturgeon | 1,637 | (747) |
| Total fair value adjustment recognised in the income statement | \$ 17 | \$ 7,590 |

Value of biological assets at fair value

| (in thousands) | As of November 30, | |
|---|--------------------|-----------|
| | 2017 | 2016 |
| Work in process, turbot and sole | \$ 32,702 | \$ 31,286 |
| Work in process, sturgeon | 9,534 | 9,007 |
| Total assets held at fair value included in the balance sheet | \$ 42,236 | \$ 40,293 |

Volumes of biomass (in tonnes)

| (in thousands) | As of November 30, | |
|---|--------------------|-------|
| | 2017 | 2016 |
| Volume of biomass harvested during the year (live weight) | 6,334 | 5,926 |
| Volume of biomass in the water at year-end (live weight) | 4,638 | 4,752 |

Value of juvenile biological assets at cost

| (in thousands) | As of November 30, | |
|---|--------------------|----------|
| | 2017 | 2016 |
| Turbot and sole | \$ 3,275 | \$ 3,598 |
| Sturgeon | 185 | 136 |
| Total assets held at cost included in the balance sheet | \$ 3,460 | \$ 3,734 |

The income statement impact relating to the change in carrying value when juvenile assets have reached maturity is immaterial for the years ended November 30, 2017 and 2016.

The Group is exposed to risks arising from fluctuations in the price of turbot, sole and caviar and monitors the effect of price changes on profitability.

For valuation method disclosures see Note 32.



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14. RELATED PARTY TRANSACTIONS

The Group is controlled and ultimately controlled by trusts for the benefit of the Stolt-Nielsen family. There are no other transactions between the Group and the Stolt-Nielsen family, other than those described below.

Employee and officer loans and advances

Included in 'Other current assets' are loans and advances to employees and officers of the Group of \$0.5 million and \$0.4 million as of November 30, 2017 and 2016, respectively. In addition, included in 'Other assets' are loans and advances to employees and officers of the Group of \$0.5 million at November 30, 2017 and 2016. Such loans and advances primarily represent secured housing loans that have been provided to key employees in connection with their relocation, along with advances for travel and other costs. Of the total loans and advances, \$0.5 million were interest bearing, with interest rates ranging from 6.0% to 7.0% as of November 30, 2017 and 2016. Interest received was less than \$0.1 million for both 2017 and 2016.

Board of Directors and key management compensation

Key management includes the Executive Officers and Presidents of the Group's major businesses. Total compensation and benefits of the Board of Directors and the key management were as follows:

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|----------|
| | 2017 | 2016 |
| Board fees | \$ 721 | \$ 561 |
| Salary and benefits | 4,410 | 4,138 |
| Profit sharing | 682 | 1,367 |
| Long-term incentives | 925 | 502 |
| Pension cost | 916 | 983 |
| Total compensation and benefits | \$ 7,654 | \$ 7,551 |
| Average number of key managers included | 8 | 8 |

At the end of 2017 the Board of Directors consisted of six members.

A member of the Board of Directors has a partial ownership of a company which supplies provisions for the Group. The amount paid to the company by the Group in 2017 and 2016 was nil and \$0.2 million, respectively.

Transactions with joint ventures and associates

The consolidated balance sheets include the following items related to transactions with the Group:

| (in thousands) | As of November 30, | |
|----------------------------|--------------------|----------|
| | 2017 | 2016 |
| Joint ventures: | | |
| Amounts due from the Group | \$ 15,639 | \$ 6,817 |
| Amounts due to the Group | 70,063 | 56,081 |

Included within Amounts due to the Group are \$11.0 million and \$2.7 million as of November 30, 2017 and 2016, respectively, for trade receivables from joint ventures and associates. These amounts are reflected in the consolidated balance sheets as Other current assets. The remaining amounts due to the Group are included in Investments in and advances to joint ventures and associates. Amounts due from the Group are included in Other current liabilities in the consolidated balance sheets.

Short-term advances are non-interest bearing. The long-term advance to NYK Stolt Tankers S.A. ('NYK Stolt') of \$31.2 million bears interest at six-month LIBOR plus 1%. The Group had also advanced \$27.9 million to other joint ventures and associates at November 30, 2017. Interest on these range from 4.5% to 6.6% in 2017 and 1.5% to 6.6% in 2016. Interest received in cash for 2017 and 2016 was \$0.7 million and \$0.6 million, respectively.



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The joint ventures and associates include the following items related to transactions with the Group:

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|-----------|
| | 2017 | 2016 |
| Joint Ventures | | |
| Charter hire revenue* | \$ 91,690 | \$ 82,786 |
| Tank container cleaning station revenue | 3,679 | 2,738 |
| Other revenue | 647 | 1,240 |
| Charter hire expense | 38,930 | 30,214 |
| Management and other expenses | 8,862 | 7,592 |
| Freight and joint service commission expense | 3,154 | 3,156 |
| Finance expense | 3,139 | 1,294 |
| Other expense | 1,960 | 1,503 |
| Associates | | |
| Tank container cleaning station revenue | \$ 3,572 | \$ 4,058 |
| Other revenue | 80 | 795 |

* The charter hire revenues are amounts distributed to NYK Stolt, Hassel Shipping 4 A.S. and Gulf Stolt Tankers DMCCO, joint ventures of the Group, for shares in the Joint Service's revenue.

The Group has a 24.99% interest in Norterminal A.S. which is a company working on storage projects in northern Norway. The remaining 75.01% of Norterminal A.S. is controlled by S-N Terminal A.S., a company wholly owned by one of SNL's directors. The Group's investment in Norterminal A.S. was \$2.0 million and \$5.3 million as of November 30, 2017 and 2016, respectively.

15. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use. The cost of ships includes the contract price, pre-delivery costs incurred during the construction of newbuildings, borrowing costs and any material expenses incurred upon acquisition such as initial repairs, improvements and delivery expenses to prepare the ships for their initial voyage.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases and are included within property, plant and equipment. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Leased assets acquired by way of finance leasing are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included as a finance lease obligation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated. Property, plant and equipment are depreciated to a residual value which reflects management's estimate of scrap value or otherwise recoverable value at the end of the estimated useful life of the asset. Residual values and economic lives are reviewed annually.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant leases.

(iii) Impairment of tangible and intangible assets with finite useful lives

Tangible assets and intangible assets with finite lives are tested for impairment if there are indications of impairment. The carrying amounts of the Group's tangible and finite-lived intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Ship newbuildings and other assets under construction are tested for impairment when there is an indication of impairment.



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FVCLD is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants. FVCLD is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion projects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate rate to arrive at a net present value of the asset.

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss, other than for goodwill, is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

The estimated useful lives are as follows:

| | Years |
|--|----------|
| Tankers | |
| Parcel tankers and barges | 25 to 33 |
| Buildings | 40 |
| Other assets | 5 to 40 |
| Terminals | |
| Terminal tanks and structures | 3 to 60 |
| Other support equipment and other assets | 3 to 45 |
| Buildings | 3 to 60 |
| Stolt Tank Containers | |
| Tank containers | 10 to 20 |
| Buildings | 40 to 50 |
| Other operating equipment | 3 to 10 |
| SSF | |
| Transportation equipment | 3 to 10 |
| Operating equipment and other assets | 3 to 20 |
| Buildings | 15 to 68 |
| Bitumen | |
| Bitumen tankers | 25 |
| Tanks and structures | 5 to 20 |

(iv) Subsequent costs – drydocking costs

Generally, ships drydock every five years. After a ship is 15 years old a shipping society classification intermediate survey is performed between the second and third year of the five-year drydocking period. The Group capitalises a substantial portion of the costs incurred during drydocking, including the survey costs, and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey based upon the estimated life of each component of the drydocking. The Group expenses costs related to routine repairs and maintenance incurred during drydocking that do not improve or extend the useful lives of the ships. If the drydock results in an extension of the life of a ship, then the estimated useful life of the ship is changed accordingly.

(v) Disposals

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.



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|---|----------------------|------------|---------------------------------------|-----------------|---------------------|------------------------|--------------------------|--------------|
| (In thousands) | Land | Buildings | Ships and Barges | Tank Containers | Plant and Equipment | Leasehold Improvements | Construction In Progress | Total |
| Cost | | | | | | | | |
| Balance at December 1, 2015 | \$ 59,925 | \$ 114,001 | \$ 2,771,201 | \$ 524,753 | \$ 1,107,102 | \$ 15,791 | \$ 105,492 | \$ 4,698,265 |
| Additions | 5 | 10,309 | 158,711 | 18,219 | 11,167 | 546 | 98,626 | 297,583 |
| Disposals | (20) | (504) | (293,310) | (24,194) | (13,453) | (2,208) | (2,354) | (336,043) |
| Jo Tankers acquisition | - | 30 | 380,104 | - | 293 | 95 | - | 380,522 |
| Net foreign exchange differences | (2,012) | 1,472 | 368 | (414) | 4,061 | (480) | (4,556) | (1,561) |
| Transfers | - | 5,369 | 4,164 | (5) | 58,876 | - | (68,404) | - |
| Transfer to held for sale asset | - | - | (18,548) | - | - | - | - | (18,548) |
| Reclasses and other | - | (82) | 709 | - | 68 | (64) | 159 | 790 |
| Balance at November 30, 2016 | \$ 57,898 | \$ 130,595 | \$ 3,003,399 | \$ 518,359 | \$ 1,168,114 | \$ 13,680 | \$ 128,963 | \$ 5,021,008 |
| Additions | 5,214 | 3,105 | 310,649 | 3,447 | 12,426 | 1,114 | 156,576 | 492,531 |
| Disposals | - | (33) | (115,608) | (10,811) | (9,160) | (777) | (833) | (137,222) |
| Net foreign exchange differences | 3,399 | 10,188 | 6,402 | (15) | 34,115 | (84) | 9,254 | 63,259 |
| Transfers | - | 635 | 90,101 | (5) | 70,034 | (586) | (160,179) | - |
| Reclasses and other | - | 10 | (1,496) | 10 | (683) | (28) | 231 | (1,956) |
| Balance at November 30, 2017 | \$ 66,511 | \$ 144,500 | \$ 3,293,447 | \$ 510,985 | \$ 1,274,846 | \$ 13,319 | \$ 134,012 | \$ 5,437,620 |
| (in thousands) | Land | Buildings | Ships and Barges | Tank Containers | Plant and Equipment | Leasehold Improvements | Construction In Progress | Total |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at December 1, 2015 | \$ - | \$ 30,730 | \$ 1,343,810 | \$ 182,260 | \$ 348,046 | \$ 8,188 | \$ - | \$ 1,913,034 |
| Depreciation expense * | - | 5,018 | 142,300 | 19,946 | 62,708 | 871 | - | 230,843 |
| Disposals | - | (497) | (265,322) | (20,638) | (15,287) | (2,206) | - | (303,950) |
| Transfer to held for sale asset | - | - | (16,989) | - | - | - | - | (16,989) |
| Net foreign exchange differences | - | 3 | (11) | (155) | 2,646 | (127) | - | 2,356 |
| Transfers | - | 3,203 | - | - | (3,834) | 631 | - | - |
| Reclasses and other | - | 243 | (43) | 5 | (53) | 6 | - | 158 |
| Balance at November 30, 2016 | \$ - | \$ 38,700 | \$ 1,203,745 | \$ 181,418 | \$ 394,226 | \$ 7,363 | \$ - | \$ 1,825,452 |
| Depreciation expense | - | 7,029 | 170,155 | 24,253 | 58,893 | 811 | - | 261,141 |
| Impairments | - | - | 5,400 | - | 9,900 | - | - | 15,300 |
| Disposals | - | (26) | (104,452) | (8,408) | (9,150) | (746) | - | (122,782) |
| Net foreign exchange differences | - | 4,847 | 3,963 | 164 | 7,941 | 200 | - | 17,115 |
| Transfers | - | 17 | - | - | 577 | (594) | - | - |
| Reclasses and other | - | (161) | 71 | (5) | 808 | 72 | - | 785 |
| Balance at November 30, 2017 | \$ - | \$ 50,406 | \$ 1,278,882 | \$ 197,422 | \$ 463,195 | \$ 7,106 | \$ - | \$ 1,997,011 |
| Property, plant and equipment, net book value: | | | | | | | | |
| At November 30, 2016 | \$ 57,898 | \$ 91,895 | \$ 1,799,654 | \$ 336,941 | \$ 773,888 | \$ 6,317 | \$ 128,963 | \$ 3,195,556 |
| At November 30, 2017 | \$ 66,511 | \$ 94,094 | \$ 2,014,565 | \$ 313,563 | \$ 811,651 | \$ 6,213 | \$ 134,012 | \$ 3,440,609 |

* \$0.2 million of the depreciation charge has been capitalised within inventory for the year ended November 30, 2016.

The net book value of assets under finance leases was \$0.4 million at both November 30, 2017 and 2016. Assets under finance leases consist of tank containers.

Due to a change in steel prices, residual values of fully owned ships reduced by approximately \$28.9 million for fully owned vessels and \$4.6 million for the Group's share in joint venture ships. This resulted in additional depreciation of \$4.6 million during the year ended November 30, 2017.

In the case of tank containers, the residual values also declined and resulted in an additional depreciation charge of \$3.8 million during the year ended November 30, 2017.

For the year ended November 30, 2017, the Group paid deposits of \$7.3 million for a tankers newbuilding which was delivered during 2017 and \$7.3 million for two gas newbuildings.



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Upon the delivery of four newbuildings in 2017, \$87.5 million of previous deposits were transferred to property, plant and equipment.

Proceeds of \$16.3 million were received in 2017 from the sale or recycling of four ships and retirement of tank containers and other assets.

Certain property, plant and equipment have been pledged as security on loans. See Note 22 for additional details.

Plant and equipment principally includes assets of the Terminal and Sea Farm businesses.

Impairment of Non-Current Assets

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. During the fourth quarter, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment. As a result, the Group performed its annual impairment test in the quarter ended November 30, 2017.

With the exception of the impairments discussed below, the Group believes that currently there are no reasonably possible changes in any of the assumptions, which would lead to an impairment for any CGUs not impaired during the year.

New Zealand Terminals

The Group treated the New Zealand terminals as a cash-generating unit. The recoverable amount of \$13.6 million for this CGU was based on Value in Use ("VIU"). The VIU was determined using the projected cash flows over the next five years. The main trigger for impairment is the expiry of the lease for its largest site in Auckland in 2022 which would result in decreasing revenue for its services. A pre-tax discount rate of 10.1% (November 30, 2016: 9.7%) was applied. Cash flows for other smaller terminals in New Zealand beyond the five-year period have been extrapolated using a 2.0% growth rate (November 30, 2016: 2.0%).

As a result of the impairment analysis, the Group booked an impairment of \$8.4 million before taxes for the New Zealand terminals for the year ended November 30, 2017. The impairment charge is recorded in the income statement.

Bitumen Ships

The Group used Fair Value Less Cost of Disposal ("FVLCD") to determine the recoverable amount of bitumen ships. FVLCD is based on broker values from independent ship brokers. As a result of this analysis, the Group recognised an impairment charge of \$5.4 million for the year ended November 30, 2017. The impairment charge is recorded in the income statement. The Bitumen division's assets are reflected under Corporate and Other Business Segment.

Bitumen Terminal, Vietnam

The bitumen terminal in Vietnam was impaired because VIU was lower than the carrying value by \$1.5 million. This impairment charge was recorded in the income statement and reflected within the Corporate and Other Business Segment.

16. INVESTMENTS IN AND ADVANCES TO JOINT VENTURES AND ASSOCIATES

Accounting policy

(i) Associates

Associates are those entities over which the Group is in a position to exercise significant influence, but does not control or jointly control the entities' financial and operating policies. Significant influence is exercised generally through direct or indirect ownership of 20% to 50% of the voting rights. Such investment in associates are recorded in the consolidated financial statements using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income of associates based on the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases.

Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Materiality of an associate to the Group is determined based on the Group's investment in the associate, the associate's contribution to the net profit of the Group as well as the strategic importance of the associate's operations to the Group.

(ii) Joint Ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint control requires unanimous consent of the parties sharing control in the decision making on relevant activities. The consolidated financial statements include the Group's share of the total comprehensive income of joint ventures based on the equity method of accounting, from the date that joint control commences until the date that joint control ceases. Where necessary, adjustments are made to the financial statements of joint ventures to bring the accounting policies used into line with those used by the Group.

Materiality of a joint venture to the Group is determined based on the Group's investment in the joint venture, the joint venture's contribution to the net profit of the Group as well as the strategic importance of the joint venture's operations to the Group.


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Investments in and advances to joint ventures and associates, which are all accounted for using the equity method of accounting, consisted of the following:

| (in thousands) | Geographic Location | 2017 % Shares | 2017 % Voting Rights | As of November 30, | |
|---|---------------------|---------------|----------------------|--------------------|-------------------|
| | | | | 2017 | 2016 |
| Joint Ventures: | | | | | |
| Tankers material joint ventures: | | | | | |
| NYK Stolt Tankers S.A. | Japan | 50 | 50 | \$ 52,200 | \$ 53,810 |
| Stolt NYK Asia Pacific Services Inc. | Singapore | 50 | 50 | 29,871 | 31,331 |
| NYK Stolt Shipholding Inc. | Singapore | 50 | 50 | 40,861 | 39,003 |
| Shanghai Sinochem-Stolt Shipping Ltd | China | 49 | 50 | 36,527 | 36,538 |
| Gulf Stolt Tankers DMCCO ¹ | UAE | 50 | 50 | – | 39,959 |
| Hassel Shipping 4 AS | Norway | 50 | 50 | 69,988 | 57,077 |
| Tankers non-material joint ventures: | | | | | |
| SIA LAPA, Ltd | Latvia | 70 | 50 | 698 | 975 |
| Brovig SS II Indre Selskap | Norway | 50 | 50 | 5,373 | 5,090 |
| Shanghai New Xing Yang Marine Services Co. Ltd | China | 40 | 40 | 163 | 164 |
| | | | | 235,681 | 263,947 |
| Terminals material joint ventures: | | | | | |
| Oiltanking Stolthaven Antwerp, NV | Belgium | 50 | 50 | 102,442 | 88,553 |
| Jeong-IL Stolthaven Ulsan Co. Ltd | South Korea | 50 | 50 | 89,650 | 74,572 |
| Tianjin Lingang Stolthaven Terminal Co. | China | 65 | 50 | 23,235 | 22,524 |
| Tianjin Lingang Stolthaven Jetty Company | China | 40 | 50 | 16,171 | 14,622 |
| Terminals non-material joint venture: | | | | | |
| Stolthaven (Westport) Sdn. Bhd. | Malaysia | 49 | 50 | 8,653 | 7,498 |
| | | | | 240,151 | 207,769 |
| Tank Containers non-material joint ventures: | | | | | |
| Hyp Woon Stolt Transportation Services Co. Ltd | South Korea | 50 | 50 | 2,768 | 2,640 |
| Kanoo Tank Services Ltd. | Saudi Arabia | 60 | 60 | 8,775 | 6,362 |
| Infrastructure Logistic Systems Ltd | India | 50 | 50 | 3,502 | 3,044 |
| Vado Tank Cleaning SRL | Italy | 50 | 50 | 2,229 | 801 |
| Laem Chabang Tank Service Co. Ltd. | Thailand | 49 | 49 | 941 | 928 |
| FSTS CO., Ltd | Thailand | 49 | 49 | 550 | 555 |
| Joint Tank Services FZCO | UAE | 40 | 40 | 2,958 | 3,285 |
| | | | | 21,723 | 17,615 |
| Corporate and Others non-material joint ventures: | | | | | |
| Stolt LNGaz Ltd | Bermuda | 33 | 50 | – | 1,231 |
| Subtotal | | | | 497,555 | 490,562 |
| Associates: | | | | | |
| Material associate: | | | | | |
| Avance Gas Holding Ltd. | Bermuda | 9 | 9 | 29,958 | 38,317 |
| Non-material associates: | | | | | |
| N.C. Stolt Transportation Services Co. Ltd | Japan | 50 | 50 | 1,054 | 1,130 |
| Seaweed Energy Solutions AS | Norway | 25 | 25 | 6 | 4 |
| PT Stolt Berkah Mulia Mandiri | Indonesia | 49 | 49 | 986 | 996 |
| Norterminal A.S. | Norway | 25 | 25 | 2,001 | 5,255 |
| N.C. Stolt Chuyko Transportation Services Co. Ltd | Japan | 35 | 35 | 370 | 390 |
| Subtotal | | | | 34,375 | 46,092 |
| | | | | \$ 531,930 | \$ 536,654 |



FINANCIAL STATEMENTS · CONTINUED

Stolt-Nielsen Limited
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| (in thousands) | Joint Ventures | | Associates | | Total |
|---|----------------|----------------|------------|---------------|-------------------|
| Balance, December 1, 2015 | \$ | 434,587 | \$ | 42,288 | \$ 476,875 |
| Share of profit of joint ventures and associates | | 31,820 | | 1,779 | 33,599 |
| Dividends | | (26,174) | | (2,430) | (28,604) |
| Hassel Shipping 4 AS acquisition (preliminary) | | 47,577 | | - | 47,577 |
| Contributions | | 5,721 | | 6,175 | 11,896 |
| Net foreign exchange differences | | (6,880) | | (221) | (7,101) |
| Pre-acquisition advance to Hassel Shipping 4 AS | | 9,500 | | - | 9,500 |
| Repayment of advances to joint ventures and associates, net | | (8,084) | | - | (8,084) |
| Write off of advance | | (1,324) | | - | (1,324) |
| Net loss on pension schemes held by joint venture | | (824) | | - | (824) |
| Net gain (loss) on cash flow hedges held by a joint venture and associate | | 3,999 | | (1,400) | 2,599 |
| Other | | 644 | | (99) | 545 |
| Balance, November 30, 2016 | \$ | 490,562 | \$ | 46,092 | \$ 536,654 |
| Share of profit (loss) of joint ventures and associates | | 30,366 | | (12,778) | 17,588 |
| Dividends | | (23,196) | | (36) | (23,232) |
| Net foreign exchange differences | | 22,111 | | 50 | 22,161 |
| Transfer to Held for Sale Assets | | (39,818) | | - | (39,818) |
| Advances to joint ventures and associates, net | | 14,387 | | - | 14,387 |
| Net gain on pension schemes held by joint venture | | 427 | | - | 427 |
| Net (loss) gain on cash flow hedges held by joint ventures and an associate | | (400) | | 1,169 | 769 |
| Other | | 3,116 | | (122) | 2,994 |
| Balance, November 30, 2017 | \$ | 497,555 | \$ | 34,375 | \$ 531,930 |



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Summarised financial information of material joint ventures

Summarised financial information of the Group's material joint ventures representing 100% of the respective amounts included in the individual joint ventures' financial statements is as follows as of and for the years ended November 30, 2017 and 2016:

| (in thousands) | NYK Stolt Tankers S.A. | | Stolt NYK Asia Pacific Services Inc | | NYK Stolt Shipholding Inc. | | Shanghai-Sinochem Stolt Shipping Ltd | | Gulf Stolt Tankers DMCCO ¹ | |
|--|---------------------------|-----------|--|-----------|-------------------------------|-----------|---|------------|--|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cash and cash equivalents | \$ 17,054 | \$ 21,620 | \$ 11,555 | \$ 16,164 | \$ 5,087 | \$ 4,571 | \$ 7,026 | \$ 4,726 | \$ 2,748 | \$ 8,749 |
| Current assets, other than cash | 31,465 | 23,279 | 11,677 | 9,474 | 1,059 | 1,250 | 5,645 | 5,564 | 2,083 | 5,209 |
| Current assets | 48,519 | 44,899 | 23,232 | 25,638 | 6,146 | 5,821 | 12,671 | 10,290 | 4,831 | 13,958 |
| Non-current assets | 115,282 | 125,222 | 42,394 | 42,300 | 234,754 | 212,677 | 76,647 | 77,044 | - | 146,445 |
| Total Assets | 163,801 | 170,121 | 65,626 | 67,938 | 240,900 | 218,498 | 89,318 | 87,334 | 4,831 | 160,403 |
| Financial liabilities, other than accounts payable | - | 5,448 | - | - | 9,664 | 13,551 | 4,828 | 2,106 | 439 | 77,000 |
| Other current liabilities | 759 | 1,719 | 5,884 | 5,277 | 9,723 | 8,720 | 4,271 | 3,040 | 48 | 1,003 |
| Current liabilities | 759 | 7,167 | 5,884 | 5,277 | 19,387 | 22,271 | 9,099 | 5,146 | 487 | 78,003 |
| Financial liabilities | 121,161 | 120,806 | - | - | 139,791 | 118,221 | 5,674 | 7,621 | - | 19,493 |
| Total non-current liabilities | 121,161 | 120,806 | - | - | 139,791 | 118,221 | 5,674 | 7,621 | - | 19,493 |
| Net Assets | \$ 41,881 | \$ 42,148 | \$ 59,742 | \$ 62,661 | \$ 81,722 | \$ 78,006 | \$ 74,545 | \$ 74,567 | \$ 4,344 | \$ 62,907 |
| Selected Income Statement Information | | | | | | | | | | |
| Operating revenue | \$ 40,187 | \$ 46,779 | \$ 85,694 | \$ 70,686 | \$ 49,102 | \$ 37,973 | \$ 34,320 | \$ 31,806 | \$ 21,989 | \$ 35,051 |
| Depreciation and amortisation | 15,426 | 13,511 | - | - | 15,149 | 11,672 | 5,563 | 5,494 | 6,230 | 7,929 |
| Finance income | - | - | 938 | 642 | 22 | 10 | - | 339 | - | - |
| Finance expense | 3,500 | 3,007 | - | - | 2,579 | 1,336 | 484 | 278 | 3,886 | 4,753 |
| (Loss) profit before taxes | (268) | 9,071 | 2,079 | 5,095 | 4,690 | 2,780 | 4,000 | 4,646 | (505) | 6,763 |
| Income tax expense | - | - | - | - | - | - | 661 | 1,198 | - | - |
| Net (loss) profit | (268) | 9,071 | 2,079 | 5,095 | 4,690 | 2,780 | 3,339 | 3,448 | (505) | 6,763 |
| Other comprehensive (loss) income | - | - | - | - | (974) | 7,998 | 3,117 | (6,791) | - | - |
| Total comprehensive (loss) income | \$ (268) | \$ 9,071 | \$ 2,079 | \$ 5,095 | \$ 3,716 | \$ 10,778 | \$ 6,456 | \$ (3,343) | \$ (505) | \$ 6,763 |
| Dividends received | \$ - | \$ - | \$ 2,500 | \$ 1,000 | \$ - | \$ - | \$ 3,174 | \$ 8,163 | \$ 1,510 | \$ - |

1 The carrying value of Gulf Stolt Tankers DMCCO is classified as an asset held for sale at November 30, 2017 and is not included within investments in joint ventures and associates.

Long-term financial liabilities for NYK Stolt Tankers S.A. included shareholder loans of \$62.5 million and \$65.4 million for the years ended November 30, 2017 and 2016, respectively. For Gulf Stolt Tankers DMCCO, all shareholder loans had been offset by amounts owed for the acquisition of the joint venture's ships by November 30, 2017. At November 30, 2016, \$19.5 million was included in long-term financial liabilities. Also, \$42.0 million of the financial liabilities included in NYK Stolt Shipholding Inc. related to notes payable to Stolt NYK Asia Pacific Services Inc. at both November 30, 2017 and 2016.



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| (in thousands) | Hassel Shipping 4 AS | | Oiltanking Stolthaven Antwerp, NV | | Jeong-IL Stolthaven Ulsan Co. Ltd | | Tianjin Lingang Stolthaven Terminal Co. | | Tianjin Lingang Stolthaven Jetty Company | |
|---|-------------------------|-----------|---|------------|--------------------------------------|------------|---|-----------|--|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cash and cash equivalents | \$ 18,420 | \$ 7,491 | \$ 3,232 | \$ 8,214 | \$ 4,519 | \$ 1,831 | \$ 466 | \$ 1,246 | \$ 6,661 | \$ 6,831 |
| Current assets, other than cash | 7,778 | 2,198 | 17,494 | 18,943 | 13,108 | 12,030 | 139 | 1,360 | 2,203 | 10,206 |
| Current assets | 26,198 | 9,689 | 20,726 | 27,157 | 17,627 | 13,861 | 605 | 2,606 | 8,864 | 17,037 |
| Non-current assets | 342,490 | 166,343 | 413,488 | 378,153 | 364,739 | 306,589 | 51,204 | 50,137 | 31,900 | 24,985 |
| Total Assets | 368,688 | 176,032 | 434,214 | 405,310 | 382,366 | 320,450 | 51,809 | 52,743 | 40,764 | 42,022 |
| Financial liabilities, other than accounts payable | 9,664 | - | - | - | 12,328 | 117,144 | 1,316 | 1,863 | - | - |
| Other current liabilities | 5,955 | 1,166 | 102,837 | 96,827 | 63,746 | 8,222 | 2,286 | 4,348 | 5,219 | 4,787 |
| Current liabilities | 15,619 | 1,166 | 102,837 | 96,827 | 76,074 | 125,366 | 3,602 | 6,211 | 5,219 | 4,787 |
| Financial liabilities | 239,533 | 65,450 | 165,855 | 166,465 | 122,934 | 45,064 | 15,928 | 11,880 | - | - |
| Non-current liabilities | 18,480 | 20,830 | 626 | 1,335 | 13,590 | 10,410 | - | - | - | - |
| Total non-current liabilities | 258,013 | 86,280 | 166,481 | 167,800 | 136,524 | 55,474 | 15,928 | 11,880 | - | - |
| Net Assets | \$ 95,056 | \$ 88,586 | \$ 164,896 | \$ 140,683 | \$ 169,768 | \$ 139,610 | \$ 32,279 | \$ 34,652 | \$ 35,545 | \$ 37,235 |

Selected Income Statement Information

| | | | | | | | | | | |
|-----------------------------------|-----------|------|------------|------------|-----------|-----------|------------|------------|----------|----------|
| Operating revenue | \$ 34,663 | \$ - | \$ 107,021 | \$ 107,176 | \$ 74,986 | \$ 69,107 | \$ 3,567 | \$ 133 | \$ 9,002 | \$ 8,291 |
| Depreciation and amortisation | 7,816 | - | 28,547 | 28,195 | 8,341 | 7,823 | 3,102 | 3,201 | 1,566 | 1,621 |
| Interest income | 49 | - | 7 | - | - | - | - | - | 34 | 60 |
| Interest expense | 7,059 | - | 8,111 | 9,266 | 4,556 | 4,633 | 934 | 745 | - | - |
| Profit (loss) before taxes | 5,366 | - | 32,918 | 25,196 | 30,595 | 27,898 | (3,978) | (6,378) | 4,441 | 3,608 |
| Income tax expense (benefit) | - | - | 10,360 | 6,066 | 6,694 | 5,863 | (224) | (1,460) | 1,051 | 456 |
| Net profit (loss) | 5,366 | - | 22,558 | 19,130 | 23,901 | 22,035 | (3,754) | (4,918) | 3,390 | 3,152 |
| Other comprehensive income (loss) | 1,104 | - | 22,182 | (694) | 12,127 | (2,550) | 1,381 | (2,604) | 1,375 | (2,890) |
| Total comprehensive income (loss) | \$ 6,470 | \$ - | \$ 44,740 | \$ 18,436 | \$ 36,028 | \$ 19,485 | \$ (2,373) | \$ (7,522) | \$ 4,765 | \$ 262 |
| Dividends received | \$ - | \$ - | \$ 9,782 | \$ 12,223 | \$ 2,936 | \$ 2,293 | \$ - | \$ - | \$ 2,310 | \$ 2,216 |

Hassel Shipping 4 AS includes \$38.9 million and \$19.0 million of shareholders loans at November 30, 2017 and November 30, 2016 respectively.

Tianjin Lingang Stolthaven Terminal Co. has \$3.5 million of shareholder loans at November 30, 2017.

Tianjin Lingang Stolthaven Jetty Company has \$4.9 million of shareholder loans at November 30, 2017.

The above joint ventures are private companies and there are no quoted market prices available for their shares.

Description of the nature of activities of the material joint ventures

NYK Stolt Tankers is a joint venture with NYK Line which owns five parcel tankers which participate in the Joint Service. The Group performs marketing, operational, administration and ship owning services for NYK Stolt Tankers' fleet in the deep-sea intercontinental market. The Group considers the investment in NYK Stolt Tankers to be strategic as it provides sophisticated tonnage to the Joint Service.

Stolt NYK Asia Pacific Services Inc ('SNAPS') is a joint venture with NYK Line which operates 13 ships in the East Asia and Southeast Asia areas, with the tankers marketed by the Group's offices in these regions. NYK Stolt Shipholding Inc ('NSSH') is the ship-owning joint venture and owns 12 of the ships operated by SNAPS. The investments in SNAPS and NSSH are considered to be strategic to the Group by serving the East Asia and Southeast Asia markets and supporting customers of the Joint Service.

Hassel Shipping 4 AS is a 50% joint venture with J.O. Invest AS for the joint ownership and operation of eight 33,000 dwt, stainless steel, chemical tankers ordered from New Times Shipbuilding Co. Ltd. ('New Times Shipbuilding') in China. Seven ships have been delivered with the remaining one delivered on January 11, 2018. The ships are expected to be operated through the Joint Service. This joint venture was acquired as a part of the JoT acquisition and is considered to be strategic as it provides sophisticated tonnage to the Joint Service.

Shanghai Sinochem-Stolt Shipping Ltd is a joint venture with Sinochem Shipping Co., Ltd to operate chemical tankers in the Chinese coast cabotage market. As of November 30, 2017, the joint venture operated 11 ships.

Gulf Stolt Tankers DMCCO ('GST') is a joint venture with Gulf Navigation Holding PJSC which is now in the process of liquidation and classified as held for sale since it has sold all its ships during 2017. On June 21, 2017, GST concluded the sale of the first two of the four ships, *Stolt Sisto* and *Stolt Gulf Mishref*, to Stolt-Nielsen Indian Ocean and Middle East Service Ltd and Gulf Navigation Holdings PJSC, respectively. On November 29, 2017, GST concluded the sale of its last two ships, *Stolt Facto* and *Stolt Gulf Mirdif*, to Stolt Facto BV and Gulf Navigation Holdings PJSC, respectively. The sales were concluded at current book value of the ships on the transaction dates, and the consideration was settled partly in cash sufficient to pay off the mortgage on each ship and partly in



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the form of a promissory note payable by each shareholder to GST. Following this transaction, GST has settled the bank loans in full and has no further financial indebtedness or fixed assets. The payable for the ships has been netted against the investment and shareholder loans and the net amount of \$2.3 million is being shown as an asset held for sale at November 30, 2017. The joint venture will be dissolved in 2018.

| (in thousands) | Assets Held for Sale | |
|--|----------------------|----------|
| | 2017 | 2016 |
| Balance, December 1, 2016 | \$ | – |
| Transfer from investments in and advances to joint ventures and associates | | 39,818 |
| Payable to GST for ships | | (37,543) |
| Balance, November 30, 2017 | \$ | 2,275 |

Oiltanking Stolthaven Antwerp, NV ("OTSA") is a 50% owned joint venture with Oiltanking GMBH and has a terminal facility in Antwerp, Belgium which provides independent tank terminal services in the Port of Antwerp for bulk liquid products, animal and vegetable oils and gas and other products. The investment in OTSA is considered to be strategic to the Group as it is integral to the Group's ability to provide an efficient ship-terminal interface.

Jeong-IL Stolthaven Ulsan Co. Ltd (JSTP) is a 50% owned joint venture that owns a terminal facility in Ulsan, South Korea which provides independent tank terminal services for primarily clean petroleum and chemical products. The Group considers its investment in JSTP to be strategic as it is integral in the Group's ability to provide an efficient ship-terminal interface.

Tianjin Lingang Stolthaven Terminal Co., a 65% owned joint venture with the Lingang Harbor Affairs Company ("LHAC"), owns a terminal facility in Tianjin, China. It is considered to be a joint venture as all significant decisions are made unanimously. The Terminal joint venture was temporarily closed, as were several other terminals, after an explosion in the port of Tianjin in August 2015. The terminal is currently operational, following the reinstatement of its licence to operate from the Chinese government during 2016.

Tianjin Lingang Stolthaven Jetty Company, a 40% owned joint venture with LHAC, owns and operates a jetty and docks in Tianjin, China. It is considered to be a joint venture as all significant decisions are made unanimously.

Summarised financial information of material associate

Summarised financial information of the Group's material associate, AGHL, representing 100% of the respective amounts included in AGHL's financial statements is as follows:

| (in thousands) | As of December 31, | | | |
|-------------------------------|--------------------|---------|------|-----------|
| | 2017 | | 2016 | |
| Current assets | \$ | 86,795 | \$ | 171,660 |
| Non-current assets | | 823,645 | | 861,048 |
| Total assets | | 910,440 | | 1,032,708 |
| Current liabilities | | 34,539 | | 31,888 |
| Total non-current liabilities | | 471,969 | | 543,861 |
| Net assets | \$ | 403,932 | \$ | 456,959 |

Selected Income Statement Information

| | | | | |
|-----------------------------------|----|----------|----|----------|
| Operating revenue | \$ | 110,910 | \$ | 143,915 |
| Loss before taxes | | (54,695) | | (68,040) |
| Income tax expense | | (55) | | (117) |
| Net loss | | (54,750) | | (68,157) |
| Other comprehensive profit (loss) | | 1,424 | | (1,240) |
| Total comprehensive loss | \$ | (53,326) | \$ | (69,397) |
| Dividends received | \$ | – | \$ | 7,580 |

The financial information for AGHL is for the twelve-month period December 31, 2017 and 2016 and income statement data for the year ended December 31, 2017 and 2016 as reported in the AGHL Condensed Consolidated Interim Financial Statements. AGHL is listed on the Oslo Børs and information for the twelve-month period to November 30, 2017 and 2016 is not practically possible to obtain since such information may constitute selective disclosure of inside information.

At both November 30, 2017 and 2016, the Group owned 8.61% of AGHL shares, after acquiring 3.0 million shares for \$6.2 million in October 2016.



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The fair value of the Group's investment in AGHL was \$12.9 million and \$11.6 million at November 30, 2017 and 2016, respectively, based on the closing price on the Oslo Børs.

The investment remains an Investment in an Associate as a result of continued participation by the Group's management on the AGHL Board.

Reconciliation of Summarised Financial Information

| (in thousands) | NYK Stolt Tankers S.A. | | Stolt NYK Asia Pacific Services Inc | | NYK Stolt Shipholding Inc. | | Shanghai-Sinochem Stolt Shipping Ltd | | Gulf Stolt Tankers DMCCO | |
|---|------------------------|-----------|-------------------------------------|-----------|----------------------------|-----------|--------------------------------------|-----------|--------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net Assets: | | | | | | | | | | |
| Balance, December 1 | \$ 42,148 | \$ 33,077 | \$ 62,661 | \$ 59,566 | \$ 78,006 | \$ 67,228 | \$ 74,567 | \$ 94,569 | \$ 62,907 | \$ 56,144 |
| (Loss) profit for the year | (268) | 9,071 | 2,079 | 5,095 | 4,690 | 2,780 | 3,339 | 3,448 | (505) | 6,763 |
| Dividends | - | - | (5,000) | (2,000) | - | - | (6,478) | (16,659) | (2,210) | - |
| Other comprehensive (loss) gain | - | - | - | - | (974) | 7,998 | 3,117 | (6,791) | - | - |
| Balance, November 30 | 41,881 | 42,148 | 59,742 | 62,661 | 81,722 | 78,006 | 74,545 | 74,567 | 60,192 | 62,907 |
| Percentage owned | 50% | 50% | 50% | 50% | 50% | 50% | 49% | 49% | 50% | 50% |
| Interest in joint venture | 20,940 | 21,074 | 29,871 | 31,331 | 40,861 | 39,003 | 36,527 | 36,538 | 30,096 | 31,454 |
| Transfer to asset held for sale | - | - | - | - | - | - | - | - | (39,818) | - |
| Adjustment for disproportionate distribution | - | - | - | - | - | - | - | - | (405) | - |
| Deferred profits on sale of ships to joint venture by the Group | - | - | - | - | - | - | - | - | - | (1,240) |
| Advances | 31,260 | 32,735 | - | - | - | - | - | - | 10,127 | 9,746 |
| Investment in and advances to joint ventures | \$ 52,200 | \$ 53,809 | \$ 29,871 | \$ 31,331 | \$ 40,861 | \$ 39,003 | \$ 36,527 | \$ 36,538 | \$ - | \$ 39,960 |

| (in thousands) | Hassel Shipping 4 AS | | Oiltanking Stolthaven Antwerp, NV | | Jeong-IL Stolthaven Ulsan Co. Ltd | | Tianjin Lingang Stolthaven Terminal Co. | | Tianjin Lingang Stolthaven Jetty Company | |
|--|----------------------|-----------|-----------------------------------|------------|-----------------------------------|------------|---|-----------|--|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net Assets: | | | | | | | | | | |
| Balance, December 1 | \$ 88,586 | \$ - | \$ 139,720 | \$ 145,730 | \$ 139,612 | \$ 124,619 | \$ 34,652 | \$ 42,174 | \$ 36,555 | \$ 41,833 |
| Profit (loss) for the year | 5,366 | - | 22,558 | 19,130 | 23,901 | 22,035 | (3,754) | (4,918) | 3,390 | 3,152 |
| Dividends | - | - | (19,564) | (24,446) | (5,872) | (4,586) | - | - | (5,775) | (5,540) |
| Equity upon JoT acquisition | - | 88,586 | - | - | - | - | - | - | - | - |
| Other comprehensive gain (loss) | 1,104 | - | 22,182 | (694) | 12,127 | (2,456) | 1,381 | (2,604) | 1,375 | (2,890) |
| Balance, November 30 | 95,056 | 88,586 | 164,896 | 139,720 | 169,768 | 139,612 | 32,279 | 34,652 | 35,545 | 36,555 |
| Percentage owned | 50% | 50% | 50% | 50% | 50% | 50% | 65% | 65% | 40% | 40% |
| Interest in joint venture | 47,528 | 44,293 | 82,448 | 69,860 | 84,884 | 69,806 | 20,980 | 22,524 | 14,219 | 14,622 |
| Advances | 19,427 | 9,500 | - | - | - | - | 2,255 | - | 1,952 | - |
| Purchase adjustment to property | 3,033 | 3,284 | 3,961 | 4,440 | - | - | - | - | - | - |
| Goodwill | - | - | 16,033 | 14,253 | 4,766 | 4,766 | - | - | - | - |
| Investment in and advances to joint ventures | \$ 69,988 | \$ 57,077 | \$ 102,442 | \$ 88,553 | \$ 89,650 | \$ 74,572 | \$ 23,235 | \$ 22,524 | \$ 16,171 | \$ 14,622 |

| (in thousands) | Avance Gas Holdings Ltd | |
|---|-------------------------|------------|
| | 2017 | 2016 |
| Net Assets: | | |
| Balance, December 1 | \$ 456,959 | \$ 499,945 |
| Loss for the year | (54,750) | (68,157) |
| Dividends | - | (32,686) |
| Issuance of shares | - | 58,742 |
| Other comprehensive income (loss) and other | 1,723 | (885) |
| Balance, December 31 | 403,932 | 456,959 |
| Percentage owned at December 31 | 8.61% | 8.61% |
| Investment in material affiliate at December 31 | \$ 34,779 | \$ 39,344 |



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Summarised Financial Information for Non-Material Joint Ventures and Associates

In aggregate, the Group's investment in and advances to non-material joint ventures were \$36.6 million and \$32.6 million and in the non-material associates were \$4.4 million and \$7.8 million for the years ended November 30, 2017 and 2016, respectively. The below summarises the financial information of the non-material joint ventures and associates:

| (in thousands) | For the years ended November 30, | |
|-----------------------------------|----------------------------------|----------|
| | 2017 | 2016 |
| Joint Ventures | | |
| Profit before taxes | \$ 1,295 | \$ 3,467 |
| Income tax expense | 826 | 723 |
| Net profit | 469 | 2,744 |
| Other comprehensive income | 1,522 | 298 |
| Total comprehensive income | \$ 1,991 | \$ 3,042 |
| Associates | | |
| (Loss) Profit before taxes | \$ (2,400) | \$ 2,461 |
| Income tax expense | 12 | 317 |
| Net (loss) profit | (2,412) | 2,144 |
| Other comprehensive income | 293 | 183 |
| Total comprehensive (loss) income | \$ (2,119) | \$ 2,327 |

Commitments

The Group has no commitments to joint ventures as of November 30, 2017. Capital commitments in joint ventures are in Note 26.

See Note 14 for amounts due from and to the Group from joint ventures and associates.

17. MARKETABLE SECURITIES AND INVESTMENTS IN EQUITY INSTRUMENTS

Accounting policy

Investments in equity instruments which are designated as fair value through other comprehensive income ('FVTOCI') are carried at their fair value and re-measured each period. Movements in the carrying amount are taken through other comprehensive income. Upon disposal of these equity investments, any balance within other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

Debt instruments that do not meet the criteria to be classified as amortised cost or FVTOCI are measured at fair value through profit or loss ('FVTPL'). They are initially recognised at fair value and re-measured each period with movements in the carrying amount recognised. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other non-operating income/expense in the period in which it arises. Interest income from these financial assets is included in the finance income.

Debt instruments held at FVTPL

Marketable securities of \$11.4 million at November 30, 2016 comprised a bond portfolio acquired with JoT. The bond portfolio was sold in February 2017 for \$11.5 million.

Equity investments designated at FVTOCI

The Group acquired 2.2 million equity shares of Golar for \$99.9 million through open-market purchases during the second quarter of 2015, representing an ownership interest of 2.3% of Golar. Another 149,500 shares were purchased for \$3.5 million in November 2016. This investment is designated as FVTOCI as this is a strategic investment for the Group as opposed to an investment held for trading.

A cumulative negative adjustment of \$45.8 million (\$0.7 million positive adjustment related to the year ended November 30, 2017) has been recognised in other comprehensive income since initial recognition due to a reduction in the share price of Golar. The share price of Golar was \$24.71 and \$24.40 as at November 30, 2017 and 2016, respectively. Based on these market prices, the value of this investment is \$57.6 million at November 30, 2017 (2016: \$56.8 million). Dividends of \$0.5 million and \$1.3 million were received for the years ended November 30, 2017 and 2016, respectively.



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18. INTANGIBLE ASSETS AND GOODWILL

Accounting policy

Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. Goodwill arising on acquisition represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, or more frequently when there is an indication that the cash-generating unit is impaired. With respect to associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the associate or joint venture.

Goodwill is tested for impairment on an annual basis for each cash-generating unit to which the goodwill is allocated. When goodwill is monitored at the level of a group of CGUs, it is tested for impairment at that level. The Group's goodwill relates to the Tankers, Tank Containers and Terminals segments.

In the case of bargain purchases, the excess of net assets acquired over the fair value of the consideration paid arising on an acquisition is recognised in other operating income in the income statement in the period in which the acquisition is completed.

With the exception of goodwill, the Group does not have any intangible assets with indefinite useful lives.

Other intangible assets with finite lives that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation of customer contracts is charged to operating revenue over the life of the contracts based on the underlying cash flows. Other finite-lived intangibles are charged to the income statement under operating expenses over the estimated useful lives of the intangible assets on a straight-line basis. The trademark intangible is being amortised over a 10-year life while the customer relations and contract intangibles are amortised from two to fourteen years and computer software is amortised over an average life of three to ten years.

See Note 15 for the accounting policy for the impairment of intangible assets with finite lives.

Intangible assets are shown below:

| (in thousands) | Goodwill | Trademark | Customer Relations/ Contracts | Computer Software | Other | Total |
|-----------------------------------|-----------|-----------|----------------------------------|-------------------|--------|------------|
| Cost: | | | | | | |
| Balance, December 1, 2015 | \$ 31,438 | \$ 1,379 | \$ 14,267 | \$ 41,717 | \$ 829 | \$ 89,630 |
| Additions | – | – | – | 2,075 | 6 | 2,081 |
| Jo Tankers acquisition | 5,690 | – | – | – | – | 5,690 |
| Disposals | – | – | – | (394) | (294) | (688) |
| Net foreign exchange differences | 696 | 2 | (1,104) | 38 | (13) | (381) |
| Balance, November 30, 2016 | \$ 37,824 | \$ 1,381 | \$ 13,163 | \$ 43,436 | \$ 528 | \$ 96,332 |
| Additions | – | – | – | 3,576 | – | 3,576 |
| Acquisition | 121 | – | – | 239 | – | 360 |
| Net foreign exchange differences | 1,838 | 171 | 1,258 | 3,460 | 102 | 6,829 |
| Balance, November 30, 2017 | \$ 39,783 | \$ 1,552 | \$ 14,421 | \$ 50,711 | \$ 630 | \$ 107,097 |
| Accumulated amortisation: | | | | | | |
| Balance, December 1, 2015 | \$ 4,606 | \$ 1,083 | \$ 9,342 | \$ 30,520 | \$ 236 | \$ 45,787 |
| Charge for the year | – | 138 | 660 | 2,422 | 8 | 3,228 |
| Disposal | – | – | – | (394) | – | (394) |
| Net foreign exchange differences | 363 | (92) | (287) | (25) | 13 | (28) |
| Balance, November 30, 2016 | \$ 4,969 | \$ 1,129 | \$ 9,715 | \$ 32,523 | \$ 257 | \$ 48,593 |
| Charge for the year | – | 155 | 614 | 2,606 | (19) | 3,356 |
| Net foreign exchange differences | (175) | 139 | 1,191 | 2,310 | 48 | 3,513 |
| Balance, November 30, 2017 | \$ 4,794 | \$ 1,423 | \$ 11,520 | \$ 37,439 | \$ 286 | \$ 55,462 |
| Net book value: | | | | | | |
| At November 30, 2016 | \$ 32,855 | \$ 252 | \$ 3,448 | \$ 10,913 | \$ 271 | \$ 47,739 |
| At November 30, 2017 | \$ 34,989 | \$ 129 | \$ 2,901 | \$ 13,272 | \$ 344 | \$ 51,635 |

All intangible assets other than goodwill were subject to amortisation as of November 30, 2017 and 2016.

During the year ended November 30, 2017, the Group spent \$3.6 million on intangible assets, mainly on the acquisition of computer software.



At November 30, 2017, goodwill primarily consisted of \$5.2 million for goodwill on the JoT acquisition, \$16.8 million related to a prior year business combination in the Tank Container segment and \$12.8 million related to the Marstel business combination in the Terminals segment.

Revaluation for foreign exchange differences for goodwill and other intangibles amounted to a gain of \$3.3 million in the same period.

The Tankers, Tank Container and Terminals segment goodwill has been tested for impairment as of November 30, 2017 and 2016. See Note 2 for further discussion of the method of testing for impairment of goodwill.

The trademark intangible is being amortised over a 10-year life for which there are two years remaining while the customer relations and contracts intangibles are amortised from two to fourteen years and have one to eight years remaining. Computer software is amortised over an average life of three to ten years for which there is an average of less than one to ten years remaining.

19. ACCOUNTS PAYABLE

Accounting policy

Accounts payable are initially valued at their fair value and subsequently at amortised cost.

| (in thousands) | As of November 30, | |
|---------------------------------|--------------------|-----------|
| | 2017 | 2016 |
| Trade payables | \$ 78,757 | \$ 61,023 |
| Withholding and value added tax | 5,057 | 5,496 |
| Agent payables | 5,894 | 4,626 |
| In-transit payments | 49 | 2 |
| Other | 134 | 585 |
| | \$ 89,891 | \$ 71,732 |

20. PROVISIONS

Accounting policy

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money.

When a contract becomes onerous, the present obligation under the contract is recognised as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the Consolidated Income Statements.

The present value of the recognised obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development or normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the useful life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognises a gain or loss on settlement.

A provision is established for obligations under lease agreements to dismantle and/or restore leased property to its original condition.

Short-term Provisions

| (in thousands) | Insurance Provisions | Perth Amboy Environmental Provision | Restructuring | Total |
|-------------------------------------|----------------------|-------------------------------------|---------------|----------|
| Balance at December 1, 2016 | \$ 1,014 | \$ 641 | \$ 637 | \$ 2,292 |
| Additional provisions recognised | 1,357 | 622 | – | 1,979 |
| Reductions arising from payments | (877) | (406) | (459) | (1,742) |
| Balance at November 30, 2017 | \$ 1,494 | \$ 857 | \$ 178 | \$ 2,529 |

Insurance provisions represent claims made against the Group by external parties and are for insurance company deductibles or for claims which are below insurance company deductibles. The provision charge is recognised in the income statement in operating expenses, primarily. The balance is expected to be paid in 2018.

In 2013, the Group sold land in Perth Amboy, New Jersey. The sales price included an obligation to remediate for certain environmental matters at the site. The provision is based on the expected future costs to remediate the land.

A restructuring reserve was established in relation to the closure of an office in Norwalk, Connecticut and the move of the functions to the Houston, Texas office. The remaining liability represents deferred severance payments.



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Long-term Provisions

| (in thousands) | Environmental Provision | Asset Retirement Obligations | Total |
|-------------------------------------|-------------------------|------------------------------|-----------------|
| Balance at December 1, 2016 | \$ 1,879 | \$ 1,696 | \$ 3,575 |
| Reduction arising from the payments | (1,053) | – | (1,053) |
| Net foreign exchange differences | 12 | (167) | (155) |
| Balance at November 30, 2017 | \$ 838 | \$ 1,529 | \$ 2,367 |

The environmental provision relates to ground water and soil disposal remediation costs necessary to remedy various contamination risks identified in Stolthaven Terminals. The provision is based on the present value of the expected costs to remediate the land. The majority of the provision relates to Stolthaven Dagenham. As part of the Stolthaven Dagenham Limited redevelopment programme, pollution remediation of existing groundwater contamination aimed at reducing potential offsite migration is being undertaken. A pilot programme related to the prevention of potential offsite migration of the existing ground water contamination was completed in January 2014 in certain sections of the Terminal site using an active barrier and was successful. The technology was used in June 2015 to remediate a source area within the groundwater at one location of the site. Further measures have been implemented in 2016 including the construction of passive collection wells to reduce source material within the site and also near to the northern boundary to monitor and capture any possible migrating products. Following the commissioning of ongoing expansion projects, an assessment will be conducted to measure the remaining pollution. The implementation of a full-scale barrier will be considered at that time as well as the need of further remediation works. The expected future ground water contamination and soil disposal remediation costs are currently estimated to be \$1.5 million and should be completed by 2020. Due to the age of the site and certain tanks, ongoing maintenance (e.g. soil and groundwater monitoring) is expected to continue following completion of the remediation works. Further contamination, for which liabilities can, at this point, not be assessed, may materialise following the future decommissioning of older tanks and civil roadways.

The asset retirement obligations relate to an obligation to dismantle and/or restore leased property to its pre-leased condition for several of the Stolthaven terminals in New Zealand. The liability is expected to be paid upon the expiration of the leases from 2022. It is not expected that these leases will be renewed; therefore, the future obligations have been estimated based on the present value of the expected future costs to dismantle the terminal and/or restore the leased property in accordance with the lease contracts.

21. FINANCIAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's 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. The Group's activities expose it to a variety of financial risks such as market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a Central Treasury department under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

| Risk | Exposure arising from | Measurement | Management |
|---------------------------------------|--|----------------------------------|--|
| Market risk – foreign exchange | Future commercial transactions | Cash flow forecasting | Forward foreign exchange contracts and cross-currency interest rate swaps |
| | Recognised financial assets and liabilities not denominated in US Dollars | Sensitivity analysis | |
| Market risk – interest rate | Long-term borrowings at variable rates | Sensitivity analysis | Interest rate swaps |
| Credit risk | Cash and cash equivalents, trade receivables, derivative financial instruments, available-for-sale debt instruments and held-to-maturity investments | Aging analysis Credit ratings | Diversification of bank deposits, credit limits and letters of credit Investment guidelines for available-for-sale and held-to-maturity investments |
| | Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts Availability of committed credit lines and borrowing facilities |



Market risk

The Group is exposed to market risk, including changes in interest rates, currency exchange rates, price risk and bunker fuel costs. To manage the volatility relating to these exposures, the Group enters into derivative transactions in accordance with Group policies. The financial impact of these instruments is offset by corresponding changes in the underlying exposures being hedged. Derivative instruments are not held for trading or speculative purposes.

The Group uses a value-at-risk ('VAR') model to assess the market risk of the derivative financial instruments. The model utilises a variance/covariance modelling technique. VAR models are intended to measure the maximum potential loss for an instrument or portfolio, assuming adverse changes in market conditions for a specific time period and confidence level. As of November 30, 2017, the estimated maximum potential one-day loss in fair value of foreign exchange rate instruments, calculated using the VAR model given a 95% confidence level, would be \$0.1 million from adverse changes in foreign exchange rates. The maximum potential one-day loss in fair value for adverse changes in interest rates, given a 95% confidence level, would be \$0.1 million. Actual experience has shown that gains and losses tend to offset each other over time, and it is highly unlikely that losses such as these would be experienced over an extended period of time. These amounts should not be considered projections of future losses, since actual results may differ significantly depending upon activity in the global financial markets.

The fair value losses shown in the table below have no impact on the Group's results or financial condition and serve only as an illustration of derivative and short-term interest rate volatility. Note that any adverse movement in foreign exchange or bunker derivatives is offset by corresponding changes in the fair value of the underlying exposure being hedged.

| (in millions) | VAR | |
|---------------------------------|--------------------|------|
| | As of November 30, | |
| | 2017 | 2016 |
| Foreign currency exchange rates | 0.1 | 0.2 |
| Interest rates | 0.1 | * |

* Less than \$0.1 million.

The change in the VAR, in connection with foreign exchange rates, interest rates and bunker fuel rates, is attributable to market volatility.

At November 30, 2017, if interest rates on the Group's short-term and long-term debt had been 10 basis points higher/lower with all other variables held constant, the calculated pre-tax profit for the year would have been \$0.6 million lower/higher, mainly as a result of higher/lower interest expense on floating rate debt for which the interest rate has not been hedged.

In addition, for bunker fuel risk, the majority of the contracts of affreightment ('COA') entered into by the Group's Tanker segment include provisions intended to pass through fluctuations in fuel prices to customers. The Group's policy is to hedge a minimum of 50% of expected bunker purchases within the next 12 months through either bunker surcharges included in COA or through hedging. The Group began a bunker hedging programme in December 2015.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Most of the revenue earned by Tankers and Tank Containers is in US dollars, while a significant portion of their operating expenses is incurred in other currencies, primarily the euro, the Norwegian kroner, the Singapore dollar, Japanese yen 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. In addition, exposure occurs when a member of the Group holds accounts receivable or payable in a non-functional currency.

At November 30, 2017, prior to the effect of hedging, if the US dollar had weakened/strengthened by 5% against the major currencies mentioned above, with all other variables remaining constant, the recalculated pre-tax profit for the year would have been approximately \$7.2 million higher/lower, mainly as a result of higher operating and administrative and general expenses, net of higher/lower revenues, from non-US dollar transactions and foreign exchange losses on translation of non-US dollar-denominated account receivable and payable balances.

SNL's policy is to hedge approximately 50% to 80% of the Group's expected future foreign currency exposure and 100% of its future committed capital expenditures denominated in foreign currencies.

Concentration of credit risk

Trade receivables are from customers across all lines of the Group's business. The Group extends credit to its customers in the normal course of business. The maximum exposure to credit risk is the net customer accounts receivable balance of \$206.2 million and cash balance of \$58.3 million. The Group regularly reviews its accounts receivable by performing credit checks upon entering into an initial sales contract with a customer and by the respective business controllers regularly reviewing the days past due accounts receivable reports. The majority of trade receivables are in US dollars.



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Stolt-Nielsen Limited Notes to the Consolidated Financial Statements continued

An analysis of the age of receivables that are past due is as follows:

| (in thousands) | As of November 30, 2017 | |
|-------------------------------|-------------------------|------------------|
| | Not Impaired | Impaired |
| Up to 30 days past due | \$ 51,920 | \$ 1,203 |
| 31 to 60 days past due | 15,250 | 778 |
| 61 to 90 days past due | 9,861 | 557 |
| Greater than 91 days past due | 14,800 | 13,507 |
| | \$ 91,831 | \$ 16,045 |

| (in thousands) | As of November 30, 2016 | |
|-------------------------------|-------------------------|------------------|
| | Not Impaired | Impaired |
| Up to 30 days past due | \$ 44,033 | \$ 814 |
| 31 to 60 days past due | 11,660 | 1,635 |
| 61 to 90 days past due | 4,376 | 886 |
| Greater than 91 days past due | 8,269 | 15,021 |
| | \$ 68,338 | \$ 18,356 |

Excluded from the above are \$114.3 million and \$115.2 million of accounts receivable that were not past due as of November 30, 2017 and 2016, respectively.

No collateral is held on any accounts receivable.

The only material loss allowance held against financial assets relates to trade receivables and is calculated on a lifetime expected loss basis. There have been no changes in the estimation techniques applied in the calculation of the loss allowance during the period.

The allowance for doubtful accounts changed as follows:

| (in thousands) | November 30, | |
|--------------------------------------|------------------|------------------|
| | 2017 | 2016 |
| Balance at the beginning of the year | \$ 18,356 | \$ 17,610 |
| Charged against revenue | (305) | 1,675 |
| Accounts written off | (2,006) | (929) |
| Balance at the end of the year | \$ 16,045 | \$ 18,356 |

The amount of the allowance is based on the age of unpaid balances, information about the current financial condition of customers, and other relevant information. Management does not believe significant risk exists in connection with concentrations of credit as of November 30, 2017. There have been no significant changes to the loss allowance as a result of changes in the gross carrying amount of trade receivables.

There are no significant amounts written off which are still subject to enforcement activity.

The Group's cash is held by a diverse group of financial institutions with credit ratings of A and above.

Liquidity risk

Cash flow forecasting is performed by the operating entities of the Group and is aggregated at the corporate level. The Treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure the Group has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (see Note 22) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and certain currencies' restrictions. The Group also reviews and monitors sensitivities.

22. SHORT-TERM BANK LOANS

Accounting policy

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Short-term bank loans amounted to nil in November 30, 2017 compared to \$8.1 million as of November 30, 2016. The short-term bank loans consisted of drawdowns under uncommitted lines of credit and bank overdraft facilities.



The Group has discretion to rollover its committed senior secured revolving credit obligations for a period of more than 12 months. As there is no expectation of settlement within 12 months, the \$650 million Secured Reducing Multi-Currency Revolving Loan Facility Agreement ("\$650M RCF") which had \$221.0 million (\$214.5 million net of debt issuance costs) and \$340.0 million outstanding at November 30, 2017 and 2016, respectively, is presented as long term. The weighted average interest rate was 3.9% and 3.2% for November 30, 2017 and 2016, respectively. See Note 23 for further details.

Amounts borrowed pursuant to the \$60 million Collateralised Revolving Credit Facility ("\$60M RCF") are presented as long term. These amounts bear interest at rates ranging from 2.4% to 3.0% in 2017. Interest was negligible in 2016 due to the timing of the drawdown of the borrowings. The weighted average interest rate for these borrowings was 2.8% for November 30, 2017. See Note 23 for further details.

Amounts borrowed pursuant to the uncommitted lines of credit facilities bear an interest rate of 1.8% for both the years ended November 30, 2017 and 2016.

On October 14, 2016, the Group completed the renewal of its \$650M RCF for a period of six years and it is secured by the bulk of the Group's fleet of chemical tankers. The agreement is with 11 banks, and the syndication was led by the three bookrunners: Nordea Bank, DNB Bank ASA and Danske Bank. The facility was \$630.0 million at November 30, 2017 and will be reduced by \$20.0 million per year, and availability is always subject to the value of the collateral assets.

As of November 30, 2017, based on available collateral, this line has a maximum amount that could be drawn of \$621.2 million of which \$400.2 million was undrawn and available for future use.

In addition, the Group had \$49.0 million available on its \$60M RCF (see Note 23) and \$65.0 million available on its unsecured credit lines which are payable on demand and can be withdrawn by the banks at short notice. Commitment fees for unused lines of credit were \$2.7 million and \$4.3 million for the years ended November 30, 2017 and 2016, respectively.

Several of the short-term and long-term credit facilities contain various financial covenants applicable either quarterly or annually, which, if not complied with, could result in the acceleration of repayment of amounts due and could limit the ability of the Group to draw funds from time to time. At November 30, 2017 and 2016, the Group was in compliance with the financial covenants under its debt agreements.

Agreements executed in connection with certain debt obligations, both short-term and long-term, require that the Group maintains defined financial covenants, including, but not limited to, minimum consolidated tangible net worth of \$600.0 million, maximum ratio of consolidated debt to consolidated tangible net worth of not greater than two-to-one and minimum ratio of consolidated EBITDA to consolidated interest expense of not less than two-to-one. Most of the debt agreements provide for a cross default in the event of a default in another agreement. In the event of a default that extends beyond the applicable remedy or cure period, lenders may accelerate repayment of amounts due to them. Short and long-term debt of \$1.7 billion is collateralised by mortgages on ships, tank containers and terminals with a net carrying value of \$2.9 billion as of November 30, 2017.

23. LONG-TERM DEBT AND FINANCE LEASES

Accounting policy

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Long-term debt as of November 30, 2017 and 2016 consisted of the following:

| (in thousands) | 2017 | 2016 |
|--|---------------------|---------------------|
| Preferred ship fixed rate mortgages: | | |
| Fixed interest rates ranging from 3.6% to 5.8%, maturities vary through 2027 | \$ 461,920 | \$ 205,635 |
| Preferred ship variable rate mortgages: | | |
| Interest rates ranging from 2.0% to 4.3%, maturities vary through 2023 | 267,300 | 399,244 |
| Senior secured credit facilities | 703,939 | 656,832 |
| Senior unsecured bond issues | 722,118 | 548,346 |
| \$650M RCF (see Note 22) | 214,536 | 332,624 |
| Unsecured bridge loan | – | 71,082 |
| \$60M RCF | 11,000 | 49,909 |
| Finance leases | 140 | 241 |
| Bank loans: | | |
| Interest rates ranging from 3.9% to 4.4%, maturities vary through 2022 | 88,759 | 81,212 |
| | 2,469,712 | 2,345,125 |
| Less-current maturities | (432,568) | (548,874) |
| | \$ 2,037,144 | \$ 1,796,251 |



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Long-term debt

The majority of long-term debt is denominated or swapped into US dollars, with \$285.9 million and \$207.5 million denominated in other currencies as of November 30, 2017 and 2016, respectively.

(i) Preferred ship fixed rate and variable rate mortgages

Upon the acquisition of JoI, the Group assumed \$189.8 million of debt. The Group received waivers for a six-month period from existing lenders under five separate variable-rate facilities, allowing the Group to replace JoI as guarantor. The Group has entered into a two-year \$200.0 million secured facility with Nordea Bank, DNB Bank ASA and Danske Bank which was used to refinance the existing debt and secured by the 13 ships acquired.

With the deliveries of the five newbuildings, in late 2016 through 2017, the Group drew down \$57.2 million in 2016 and \$219.6 million in 2017 under the \$291.8 million term loan with Export and Import Bank of China and Standard Chartered Bank. The loans are secured by the newbuildings and will be repaid over their ten-year life. Interest has been fixed at an average of 4.94%.

On March 9, 2009, the Group entered into a \$250.0 million facility agreement with Eksportfinans ASA and DNB Bank ASA to be secured by mortgages on four ships that the Group had contracted to be constructed by STX Norway AS, Florø ('STX Yards') in Norway. \$200.0 million of this facility is guaranteed by Garanti-instituttet for eksportkreditt. The Group had drawn down a total of \$250.0 million under the facility as all ships have been delivered. On the delivery of each of the ships, the loan portion in respect of each of the ships (referred in the loan agreement as tranches 1-4) was drawn and is being repaid in 24 semi-annual instalments, with balloon payments along with the 24th instalment for tranches 1- 4 totaling \$37.5 million. As at November 30, 2017 two tranches had been repaid in full, with a balance of \$54.1 million outstanding. The Group has converted the LIBOR rate into a fixed rate loan through interest rate swap contracts. The swaps began to be effective on December 1, 2009.

On February 8, 2008, the Group accepted an offer made by Danish Ship Finance A/S for a \$150.0 million top-off facility to be secured by eight currently-owned ships. This \$150.0 million top-off facility was added to an existing facility with Danish Ship Finance A/S with a tenor of 10 years. On this new top-off facility the Group drew down \$100.0 million in 2008 and \$14.0 million in 2009 with the final drawdown of \$36.0 million made in December 2009. In 2016, 2015 and 2014, respectively, an additional \$110.0 million, \$50.0 million and \$9.0 million were also drawn down to top up the existing facility.

On February 15, 2008, the Group entered into a NOK 825.6 million facility agreement with Eksportfinans and DNB Bank ASA and drew down the 12-year secured term loan in 2008 for \$146.3 million. Upon drawdown, the loan was converted into a fixed US dollar liability. The loan is secured by a mortgage on the first two ships delivered from STX Yards in Norway.

(ii) Senior secured credit facilities

On May 24, 2016, the previous Stolthaven Singapore terminal loan facility of \$126.9 million was refinanced with a seven-year SGD 280.0 million (\$202.4 million) term loan facility. The agreement is with a bank club deal consisting of United Overseas Bank Limited, DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited, and Australia and New Zealand Banking Group Limited and has a fixed interest rate of 4.16%.

On May 20, 2016, the Group entered into a \$131.3 million fixed-rate borrowing agreement using a group of tank containers as collateral. The agreement is with ING Bank N.V., Development Bank of Japan and a group of private investors for six and a half years at a fixed interest rate of 3.4%. There are 26 equal payments of \$3.6 million each and at the end of the agreement, the Group has an option to purchase the tank containers by paying a fixed amount of \$59.1 million. As the option to repurchase was virtually certain to be exercised by the Group at the date of the borrowing, the transaction has been treated as collateralised debt.

On November 20, 2015, the Group entered into a \$166.4 million fixed-rate borrowing agreement using a group of tank containers as collateral. The agreement is with ING Bank N.V. and a group of private investors for six and a half years at a fixed interest rate of 3.3%. There are 26 equal payments of \$4.6 million each and at the end of the agreement, the Group has an option to purchase the tank containers by paying a fixed amount of \$74.9 million. As the option to repurchase was virtually certain to be exercised by the Group at the date of the borrowing, the transaction has been treated as collateralised debt.

On February 19, 2015, the Group announced that it had closed a \$250.0 million private placement with American International Group. The private placement has a term of 10 years and is secured by the Group's terminal in Houston. The loan was used to pay down existing debt and for general corporate purposes.

(iii) Senior unsecured bond issue

The Group announced on September 8, 2017 the placement of senior unsecured bonds for \$175.0 million in a new five-year bond issue carrying a fixed coupon rate of 6.375%. Net proceeds from the bond issue will be used to repay a bond maturing in March 2018 and for general corporate purposes. On September 19, 2017, \$16.2 million of the bonds maturing in 2018 were redeemed early.

On June 8, 2016, the Group completed the increase of NOK 200.0 million (\$24.7 million) on its bond issuance maturing in 2018, NOK 500.0 million (\$61.8 million) on its bond issuance maturing in 2019, NOK 150.0 million (\$18.5 million) on its bond issuance maturing in 2020 and NOK 200.0 million (\$24.7 million) on its bond issuance maturing in 2021. The Group swapped the bond proceeds into USD obligations at fixed interest rates of 4.47% for 2018, 5.49% for 2019, 5.78% for 2020 and 5.99% for 2021 bond issuances.



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The Group announced on March 26, 2015 the placement of senior unsecured bonds for NOK 1,100 million (approximately \$142.2 million) in a new five-year bond issue carrying an interest rate of three-month NIBOR plus 4.1%, which was fixed at 6.22% through interest rate swaps. The settlement date for the bonds was April 8, 2015. Net proceeds from the bond issue were used for general corporate purposes.

On March 3, 2014, the Company finalised a placement of senior unsecured bonds in a total amount of NOK 1,250 million (approximately \$207.0 million) in a new seven-year bond issue. The settlement date for the new bonds was March 18, 2014. The Company has swapped the new bonds into US dollar obligations at a fixed interest rate of 5.89%.

On September 4, 2012, the Group received NOK 500.0 million (\$85.9 million) on a new seven-year senior unsecured bond issue and an increase of NOK 200.0 million (\$34.3 million) in the bond issue maturing in 2018. The placement date for the bonds was August 23, 2012. The Group swapped the new bonds into US dollar obligations for a total of \$120.2 million at a fixed interest rate of 6.84% for the seven-year bonds and 6.28% for the five and a half year bonds.

On March 9, 2012, SNL placed a NOK 600.0 million (\$105.2 million) six-year senior unsecured bond issue in the Norwegian market. SNL swapped the bond issues into US dollar obligations at a fixed interest rate of 6.79% for the six-year bonds. This bond will be repaid in March 2018.

On June 9, 2011, the Group completed the successful placement of a NOK 1.6 billion (\$300.0 million) five-year senior unsecured bond issue. The bond issue was swapped to 6.63% fixed US dollar obligation for the loan's duration. This bond issue was repaid in 2016.

(iv) Unsecured Bridge Loan

For the year ended November 30, 2016, the Group drew down \$75.0 million in connection with the acquisition of JoT. The Group repaid the \$75.0 million bridge facility in full in June 2017.

(v) Secured Revolving Credit Line (\$60M RCF)

On November 16, 2016, also in relation to the acquisition of JoT, the Group completed a one-year \$50.0 million Collateralised Revolving Credit Facility secured by some of the Group's treasury shares and the Group's holding of Golar LNG Limited shares. During 2017, the facility was extended for another 12 months and the limit on it increased to \$60.0 million. The facility is a bilateral loan with Skandinaviska Enskilda Banken AB, has to be repaid in full at maturity, and requires sufficient collateral value in the shares at all times. Interest is variable at LIBOR plus 1.8%.

(vi) Bank loans

In 2015, the Group renegotiated its EUR 9.0 million facility in SSF by entering into a four-year loan with Banco Bilbao Vizcaya Argentaria for \$7.3 million (EUR 6.0 million) and Banco Santander for \$6.1 million (EUR 5.0 million).

On February 4, 2014, the Group executed a new loan facility of approximately AUD 170.0 million for the Australasia terminals with ANZ Bank, New Zealand. The Group drew down \$12.8 million and \$23.8 million in 2017 and 2016, respectively, on the facility to fund the ongoing capacity expansion at Newcastle, Australia.

(vii) Debt issuance costs

Debt issuance costs of \$33.6 million and \$36.2 million have been netted against long-term debt at November 30, 2017 and 2016, respectively. Debt issuance costs recognised in the income statement as part of effective interest rates were \$8.9 million and \$4.8 million for the years ended November 30, 2017 and 2016, respectively.



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24. OPERATING LEASES

Accounting policy

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and receivable are recognised in the income statement on a straight-line basis over the lease term as an integral part of the total lease expense.

As of November 30, 2017, the Group was obligated to make payments under long-term operating lease agreements for tankers, terminal facilities, tank containers, barges, rail cars, land, 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.

Between 2002 to 2006, the Group entered into agreements with various Japanese shipowners for the time charter (operating lease) of nine parcel tankers with initial periods of 36 to 96 months, which include an option for the Group to extend the agreements for up to nine additional years. In addition, the Group also has the option to purchase each ship at predetermined prices at any time after three years from the delivery of the ship. The Group has acquired seven of the nine parcel tankers from 2010 to 2014. One ship was redelivered in November 2016. The remaining ship's operating lease commitment for the initial period of approximately \$3.2 million as of November 30, 2017 is included in the schedule below.

Minimum future lease commitments, under agreements which expire at various dates through 2044, are as follows:

| (in thousands) | 2017 | 2016 |
|----------------|------------|------------|
| Less than: | | |
| 1 year | \$ 87,833 | \$ 75,823 |
| 2 years | 61,403 | 62,133 |
| 3 years | 41,337 | 48,228 |
| 4 years | 24,910 | 20,475 |
| 5 years | 17,188 | 14,530 |
| Thereafter | 101,714 | 100,547 |
| | \$ 334,385 | \$ 321,736 |

Rental and charter hire expenses under operating lease agreements for the years ended November 30, 2017 and 2016 were \$100.4 million and \$137.2 million, respectively, net of sub-lease income of \$3.1 million and \$4.3 million, respectively. Of the total lease expense, no material amounts were from sub-leases. In addition to the above operating leases, through the Joint Service, certain ships are time chartered under operating leases from participants in the Joint Service. For the two years ended November 30, 2017, charter hire expenses related to these leases were \$91.7 million and \$81.8 million, respectively.

There are no non-cancellable sub-leases at November 30, 2017 and 2016.

25. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Accounting policy

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The Group has no further payment obligations once the contributions have been paid.

(ii) Defined benefit plans and other post-employment benefits

The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted.

The liability discount rate for each plan is based on the yield curve of a portfolio of high-quality corporate bonds that have maturity dates approximating to the terms of the respective plan's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employees' service in the current year, benefit changes, curtailments and settlements.

When the benefits of a plan are increased, the increased benefit relating to past service by employees is recognised as an expense in the income statement immediately.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income in the period in which they arise.



Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Gains and losses on the curtailment or settlement of a defined benefit plan are recognised at the time the curtailment or settlement occurs. A curtailment occurs when the Group adopts a significant reduction in the number of employees covered by a plan or changes the terms of a defined benefit plan such that a significant part of future earnings to current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

(iii) Short-term and long-term cash-based benefits

Short-term employee benefit obligations are measured on an undiscounted basis while long-term cash-based employee benefit obligations are discounted based on expected payment date. They are expensed in the period in which the related service is provided. An accrual is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

At November 30, 2017 the Group operated a number of pension plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the specific countries. The Group's pension plans are provided through both defined benefit and defined contribution arrangements. These plans are regulated by the respective regulators in each of the countries where they are set up.

The Group operates defined benefit plans in the United States, the United Kingdom, Bermuda, the Netherlands, Norway, the Philippines and Japan. One of the defined benefit plans covers certain ship officers and other sea farers while the others are for shore-based employees. Defined contribution pension plans are currently provided in all of the above countries and Spain. The Group also operates an unfunded post-retirement medical plan in the United States.

Defined benefit plans provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution plans offer employees individual funds that are converted into benefits at the time of retirement.

Defined benefit plans

The Group's significant defined benefit pension plans are in the United States, Bermuda, the Netherlands and the United Kingdom.

The Pension Committees participate in the governance of each of the significant defined benefit pension plans. These Pension Committees comprise representatives who are employees and former employees. In addition, actuarial advisors and investment management advisors also participate in the Pension Committee meetings. The Pension Committees for plans act in the best interest of the plan participants and are responsible for setting certain policies, such as strategic asset allocation, investment and contribution policies, in consultation with the Group.

The defined benefit plans expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

Recognising these risks, the Group has adopted an approach of moving away from providing defined benefit plans. All defined benefit plans have also been closed to future accrual and new entrants.

The Group follows a coordinated strategy for the funding and investment of its defined benefit pension plans subject to meeting all local laws and regulations applicable to those plans. The assets of the plan are generally held separately from those of the Group and are administered by local management in the respective countries. The Group has no legal obligation to settle these liabilities with any immediate contributions or additional one-off contributions. The Group intends to continue to contribute to each defined benefit pension and post-retirement medical plan in accordance with the latest recommendations of each plan actuary and its pension funding policy.

In terms of investments, the Group's aim is for the value of defined benefit plan assets to be maintained at close to the value of the corresponding benefit obligations, allowing for some short-term volatility.

Plan assets are invested in a diversified range of asset classes, predominantly comprising bonds and equities. In some locations such as the United Kingdom, plan trustees and other bodies have legal and fiduciary responsibility for the investment of plan assets, and decisions on investment strategy are taken in consultation with the Group.

The Group monitors its exposure to changes in equity markets, interest rates and inflation, and measures its balance sheet pension risk using a risk-based approach. Strategic Asset Allocation Studies and asset-liability studies are carried out periodically for the significant pension plans. On a quarterly basis, the performance of all investments across the significant defined benefit plans is reviewed with the Group's investment management advisors.



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Stolt-Nielsen Limited Notes to the Consolidated Financial Statements continued

Pension plans overview

| (in thousands) | As of November 30, | |
|-------------------------------------|--------------------|--------------|
| | 2017 | 2016 |
| Present value of funded obligations | \$ (241,518) | \$ (236,061) |
| Fair value of plans assets | 207,378 | 190,223 |
| Net liabilities | \$ (34,140) | \$ (45,838) |

The amounts recognised at November 30, consisted of the following:

| (in thousands) | As of November 30, | |
|-------------------------|--------------------|-------------|
| | 2017 | 2016 |
| Non-current assets | \$ 5,498 | \$ 3,796 |
| Non-current liabilities | (39,638) | (49,634) |
| Net accrued cost | \$ (34,140) | \$ (45,838) |

US post-retirement healthcare plan

US based employees retiring from the Group after attaining the age of 55 with at least 10 years of service with the Group were eligible to receive post-retirement healthcare coverage for themselves and their eligible dependents. This plan is unfunded.

During the year ended November 30, 2017, the Group made changes to the US retiree medical plan which come into effect from January 1, 2018 which removes coverage for certain employees and provides fix-dollar stipends to other participants in place of company-paid medical benefits.

These changes reduced the liabilities by \$7.2 million and this amount was recognised as a one-time gain on November 30, 2017. Of this total amount, \$3.3 million of this gain has been reflected in Operating Expenses and \$3.9 million in Administrative and General Expenses.

Components of defined benefit cost

The net periodic benefit cost for the Group's defined benefit pension plans (including a retirement arrangement for one of the Group's ex-directors) and US post-retirement healthcare plan shown above for the years ended November 30, 2017 and 2016 consisted of the following:

| (in thousands) | For the years ended November 30, | |
|--------------------------------------|----------------------------------|----------|
| | 2017 | 2016 |
| Service cost | \$ 998 | \$ 1,187 |
| Interest cost | 1,816 | 1,940 |
| Past service cost | 828 | (1,547) |
| Cost of plan administration | 550 | 388 |
| Net periodic benefit cost | \$ 4,192 | \$ 1,968 |
| US pension settlement gain | \$ — | \$ 3,476 |
| US post-retirement medical plan gain | \$ 7,171 | \$ 2,166 |

In November 2016, the Group recognised a one-time settlement gain of \$3.5 million for the terminated vested cash out for certain participants of the frozen defined benefit scheme in the United States. In addition, the Group also recognised a one-off gain of \$2.1 million for the US post-retirement healthcare plan. The expense for this plan was less than estimated at the beginning of 2016 due to favourable claims experience and plan changes through increased retiree contributions, deductibles, out-of-pocket maximums and co-payments. Of the total one-time gain of \$5.6 million, \$3.8 million was classified to Administrative and General Expenses and \$1.8 million was included under Operating Expenses.

Impact on Equity

Remeasurements that are recognised in Other comprehensive income are as follows:

| (in thousands) | For the years ended November 30, | |
|--|----------------------------------|------------|
| | 2017 | 2016 |
| Effect of changes in demographic assumptions | \$ 2,221 | \$ (5,859) |
| Effect of changes in financial assumptions | 9,378 | 20,673 |
| Effect of experience assumptions | 4,134 | 2,567 |
| Return on plan assets (excluding interest income) | (21,608) | (9,716) |
| Remeasurements recognised in other comprehensive (income) loss | \$ (5,875) | \$ 7,665 |



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Change in Benefit Obligation

The following tables set forth the change in benefit obligations for the Group's defined benefit pension plans and US other post-retirement plans and the change in plan assets for the defined benefit pension plans. There are no plan assets associated with the US other post-retirement plan.

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|-------------------|
| | 2017 | 2016 |
| Benefit obligations at beginning of year | \$ 236,061 | \$ 246,918 |
| Current service cost | 998 | 1,187 |
| Past service cost | 828 | (1,547) |
| US pension settlement gain | – | (3,769) |
| US post-retirement medical plan curtailment gain | (7,171) | – |
| Transfer of the Netherlands pension plans to insurers | (5,185) | – |
| Interest cost | 8,850 | 10,818 |
| Benefits paid | (10,796) | (12,450) |
| Plan participant contributions | 15 | 36 |
| Foreign exchange rate changes | 2,185 | (5,244) |
| Settlement payments | – | (17,269) |
| Remeasurements: | | |
| Effect of changes in demographic assumptions | 2,221 | (5,859) |
| Effect of changes in financial assumptions | 9,378 | 20,673 |
| Effect of experience adjustments | 4,134 | 2,567 |
| Benefits obligations at end of year | \$ 241,518 | \$ 236,061 |

Change in plan assets

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|-------------------|
| | 2017 | 2016 |
| Fair value of plan assets at beginning of year | \$ 190,223 | \$ 203,276 |
| Return on plan assets (excluding interest income) | 21,608 | 9,716 |
| Transfer of the Netherlands pension plans to insurers | (5,185) | – |
| Interest income | 7,034 | 8,877 |
| Company contributions | 3,123 | 2,819 |
| Plan participant contributions | 15 | 36 |
| Foreign exchange rate changes | 1,906 | (4,394) |
| Settlement payments | – | (17,269) |
| Benefits paid | (10,796) | (12,450) |
| Expenses paid | (550) | (388) |
| Fair value of plan assets at end of year | \$ 207,378 | \$ 190,223 |

Change in asset ceiling

There were no defined benefit plans whose recognition of assets were limited.



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Participant profile

The defined benefit obligation by participant status is as follows:

| (in thousands) | As of November 30, | |
|------------------|--------------------|------------|
| | 2017 | 2016 |
| Actives | \$ 71,988 | \$ 89,803 |
| Vested deferreds | 47,755 | 49,573 |
| Retirees | 121,775 | 96,685 |
| | \$ 241,518 | \$ 236,061 |

The number of participants are as follows:

| | As of November 30, |
|-----------------|--------------------|
| | 2017 |
| Actives | 1,313 |
| Vested deferred | 454 |
| Retirees | 646 |
| | 2,413 |

Key actuarial assumptions

The following are the assumptions used in the measurement of the projected benefit obligation and net periodic pension expense for pension benefits, and the accumulated projected benefit obligation and retiree medical expense for US other post-retirement benefits:

| | As of November 30, | |
|---|--------------------|---------|
| | 2017 | 2016 |
| Weighted-average assumptions to determine projected benefit obligations: | | |
| Discount rate | 3.52% | 3.91% |
| Rate of compensation increase | 3.81% | 3.76% |
| Rate of pension increases | 3.07% | 3.01% |
| Rate of price inflation | 2.33% | 2.31% |
| Weighted-average assumptions to determine defined benefit cost: | | |
| Discount rate | 3.91% | 4.10% |
| Rate of increase in compensation levels | 3.76% | 3.64% |
| Rate of pension increases | 3.01% | 2.83% |
| Rate of inflation | 2.31% | 2.29% |
| Life expectancy for an individual currently at 65: | | |
| Male | 21.1yrs | 21.0yrs |
| Female | 23.1yrs | 23.2yrs |



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Healthcare cost trends assume a 6.55% annual rate of increase in the per capita cost of covered healthcare benefits for 2017, reducing gradually each year, reaching an ultimate rate of 4.5% in 2038 and remaining at that level thereafter. The effect of a 1% change in these assumed cost trends on the accumulated post-retirement benefit obligation at the end of 2017 would be an approximate \$1.8 million increase or an approximate \$1.8 million decrease.

| | Impact on Defined Benefit Obligation | | |
|---------------------|--------------------------------------|----------------------------------|----------------------------------|
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| Discount rate | 0.25% | Decrease by 3.2% | Increase by 3.4% |
| Salary growth rate | 0.25% | Increase by 0.1% | Decrease by 0.1% |
| Pension growth rate | 0.25% | Increase by 0.4% | Decrease by 0.4% |
| | | Increase by 1 Year in Assumption | Decrease by 1 Year in Assumption |
| Life expectancy | | Increase by 2.2% | Decrease by 2.2% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Fair value of plan assets

The Group's defined benefit pension plans' assets and weighted-average asset allocation as of November 30, 2017 and 2016, by category, were as follows:

| (in thousands) | As of November 30, | | | |
|----------------------------------|--------------------|------|------------|------|
| | 2017 | % | 2016 | % |
| Cash and cash equivalents | \$ 3,022 | 1% | \$ 2,648 | 1% |
| Equity instruments | 106,986 | 52% | 92,205 | 48% |
| Debt instruments | 76,309 | 36% | 71,188 | 37% |
| Real estate | 11,755 | 6% | 10,464 | 6% |
| Derivatives | 5,616 | 3% | 5,537 | 3% |
| Investment funds | 1,532 | 1% | 989 | 1% |
| Assets held by insurance company | 357 | - | 372 | - |
| Other | 1,801 | 1% | 6,820 | 4% |
| Total | \$ 207,378 | 100% | \$ 190,223 | 100% |

The fair value of all plan assets were based on quoted market prices, except for cash.

It is the Group's policy to invest pension plan assets for its defined benefit plans to ensure that there is an adequate level of assets to support benefit obligations to participants and retirees over the life of the plans, maintain liquidity in plan assets sufficient to cover current benefit obligations and earn the maximum investment return consistent with a prudent level of investment and actuarial risk.

Investment return is the total compounded annual return, calculated recognising interest and dividend income, realised and unrealised capital gains and losses, employer contributions, expenses, and benefit payments.

The Group expects to contribute \$2.5 million to its defined benefit pension and post-retirement benefit plans in 2017.

Weighted average duration of the defined benefit obligation is 18.0 years.



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Expected maturity analysis of undiscounted pension and post-employment benefits

| (in thousands) | Less than a year | Between 1-2 years | Between 2-5 years | More than 5 years | Total |
|--------------------------|------------------|-------------------|-------------------|-------------------|------------|
| Pension benefits | \$ 9,859 | \$ 21,748 | \$ 23,844 | \$ 57,311 | \$ 112,762 |
| Post-employment benefits | 707 | 1,370 | 1,195 | 2,274 | 5,546 |
| Total | \$ 10,566 | \$ 23,118 | \$ 25,039 | \$ 59,585 | \$ 118,308 |

The Group also provides defined contribution plans to certain of its qualifying employees. Group contributions charged to expense for these plans were \$19.0 million and \$16.9 million for the years ended November 30, 2017 and 2016, respectively.

26. COMMITMENTS AND CONTINGENCIES

As of November 30, 2017 and 2016, the Group had total capital expenditure purchase commitments outstanding of approximately \$113.7 million and \$245.6 million, respectively. At November 30, 2017, the total purchase commitments consisted of one newbuilding contract for two 7,500 cbm LNG carriers of \$73.6 million, new and existing terminal expansion projects of \$31.1 million and other smaller projects in the businesses. Of the total 2017 purchase commitments, \$40.0 million is expected to be paid in the next 12 months and \$3.2 million of that amount has financing in place. The remaining \$36.8 million will be paid out of existing liquidity.

Newbuilding contract

The above newbuilding contract for the two 7,500 cbm LNG carriers was announced on May 24, 2017. These ships will be built by Keppel Singmarine with expected delivery in 2019. The first newbuilding deposit of \$7.3 million was paid in June 2017, and the total cost for both ships is approximately \$80.0 million, including site team costs and capitalised interest. The Group has options to purchase three additional similar ships.

Joint ventures' purchase commitments

The Group's joint ventures had an additional \$92.2 million of purchase commitments, non-recourse to the Group, at November 30, 2017. These commitments primarily relate to \$86.4 million for two parcel tankers at two joint ventures and \$5.2 million terminal capital projects. In addition to the newbuildings for Hassel Shipping 4 A.S. discussed below, NYK Stolt Tankers, S.A. will take delivery of one ship from Hudong in the first quarter of 2018. Of the total 2017 purchase commitments at joint ventures and associates, \$84.0 million is expected to be paid over the next 12 months. Financing has been arranged by the joint ventures for the newbuildings. The terminals projects will be paid out of the existing liquidity of those joint ventures.

As a part of the acquisition of JoT, the Group acquired a 50% interest in Hassel Shipping 4 A.S. which had previously ordered eight newbuildings from New Times Shipbuilding. Two newbuildings were delivered prior to acquisition. By November 30, 2017 the joint venture had taken delivery of five additional ships: *Stolt Lerk* was delivered on February 22, 2017; *Stolt Lind* on March 15, 2017; *Stolt Calluna* on June 16, 2017; *Stolt Ebony* on July 11, 2017; and *Stolt Maple* on October 20, 2017. The last ship ordered by Hassel Shipping 4 A.S., the *Stolt Palm*, was delivered on January 11, 2018.

Environmental

The Group's operations involve the carriage, use, storage and disposal of chemicals and other hazardous materials and wastes. The Group is subject to applicable international and national health, safety and environmental laws relating to the protection of the environment, including those governing discharges of pollutants to air and water, the generation, management and disposal of hazardous materials and wastes and the cleanup of contaminated sites.

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), commonly known as Superfund, was enacted by the US Congress on December 11, 1980. This law created a tax on the chemical and petroleum industries and provided broad federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment. This law and similar state environment statutes and common laws can impose liability for the entire cleanup of contaminated sites or for third-party claims for property damage and personal injury, regardless of whether the current owner or operator owned or operated the site at the time of the release of contaminants or the legality of the original disposal activities.

Actual or discontinued operations in the US may trigger a future liability. Due to the uncertainty whether or the length of time before any liability may occur, it is currently not considered probable that a liability will arise and consequently no provision has been recorded.

At the end of August 2012, Hurricane Isaac caused widespread flooding in southern Louisiana, including an unprecedented storm surge at the terminal in New Orleans/Braithwaite of about 13 feet of water. The storm surge overtopped the Parish levee system and despite extensive efforts to prepare the terminal for the impact of the hurricane, extensive damage was sustained to various portions of the facility, including several tanks, causing some tank releases of stored product to occur. Multiple notices were made to the relevant authorities. The protective measures taken in and around the terminal were successful in retaining a considerable amount of the releases. Following the hurricane, the rail cars stored at the terminal were inspected and no leaks were detected. Samples of the flood waters, soil and sediment of the area surrounding the terminal have been taken and tested in cooperation with the various government authorities. Results of the residential soil samples are within the guidelines established by the Louisiana Department of Environmental Quality.



Both the state and federal environmental agencies, as well as the Louisiana State Police, have claimed against the terminal for civil penalties for (a) failure to properly provide notice in accordance with the respective regulatory requirements, and (b) discharges of chemical products being stored at the terminal. The Group is challenging the claims. It is premature to offer a view on the final outcome of the regulatory claims. However, it is not expected that any resolution will have a material effect on the Group's business or financial condition.

27. LEGAL PROCEEDINGS

There are various legal proceedings arising in the ordinary course of business and in cases where the Group believes the likelihood of losses is probable and can be estimated, provisions would be recorded. Whilst ongoing legal proceedings could have a material adverse effect on the Group's consolidated financial position or results of operations in the future, the Group believes that none of these matters will have a material adverse effect on its business or financial condition.

During 2017 and 2016, the Group has been involved in certain civil litigation cases, which are described below.

For the matters described below, as each such matter is covered by insurance, the Group has not incurred any legal costs for the years ended November 30, 2017 and November 30, 2016.

Collision involving *Stolt Commitment*

On December 16, 2015, the *Stolt Commitment* was involved in a collision with the general cargo ship *Thorco Cloud*, whilst in the Singapore Strait. As a consequence of these events, the *Thorco Cloud* sank with the loss of three lives, three other crewmen being unaccounted for. She was carrying steel and project cargo. The *Stolt Commitment* was damaged in the collision and arrangements were made to tranship the cargo on board to Malaysia, following which she went for repair. General average has been declared. The wreck of the *Thorco Cloud*, which is in two pieces, will probably require removal along with the removal of bunkers on board the ship when she sank. Claims have been made against the *Stolt Commitment* and her insurers by the owners of the *Thorco Cloud* and her insurers, the bereaved families of the deceased/missing crewmen, and those interested in the cargo on board the *Thorco Cloud*. Claims have been notified by the *Stolt Commitment* to the owners of the *Thorco Cloud* and her insurers. Responsibility and allocation of fault for the collision has not yet been determined but any losses, repairs and legal costs will be covered by insurance maintained by the Group, subject to deductibles and certain unrecoverable expenses. It is not expected that there will be a material adverse effect on the Group's business or financial condition.

Civil Actions as a result of Hurricane Isaac

Following the flooding at the terminal in New Orleans/Braithwaite, two class actions and multiple individual actions were filed at the District Court in the Parish of Plaquemines, State of Louisiana.

All actions allege pollution of the claimants' properties with liquids stored at the terminal and allegedly released as a consequence of the flooding. The actions are being defended and the monitoring of air quality, sampling of the flood waters and soil testing, all carried out in cooperation with the various government authorities, have shown results within the guidelines established by the Louisiana Department of Environmental Quality. In addition, Stolthaven New Orleans LLC has received a number of claims from residents for costs and/or damages via a claims hotline and all such claims have been made part of the above-referenced litigation. All these matters including the legal fees for the defence are covered by insurance maintained by the Group and it is not expected that they will have a material adverse effect on its business or financial condition.

Civil Actions as a result of the fire on the *MSC Flaminia*

On July 14, 2012, a fire broke out aboard the *MSC Flaminia* during the ship's crossing of the Atlantic Ocean in cargo hold number 4. During the crew's attempt to extinguish the fire, an explosion occurred. Stolt Tank Containers ('STC') had 29 tank containers onboard the ship, three of which were stowed in cargo hold number 4. These tanks carried various products for various customers.

STC filed claims for the replacement value of the tank containers and the product carried. In August 2012 vessel interests declared General Average. The vessel was initially hauled to Germany and then sailed onward to Romania for inspection, investigation and discharge operations.

On May 29, 2013, the vessel interests, namely the owner, manager and operator filed counter and cross claims against STC and Deltech, the shipper of the three tank containers stowed in cargo hold number 4, alleging that these tank containers were the cause of the fire and that STC did not adequately warn of the inherently dangerous nature of the cargo. Since that time, several other cargo claimants have filed cross claims against STC and Deltech.

The case remains pending in the US federal court sitting in the Southern District of New York. All fact and expert discovery on liability has been completed. The trial format was set up in three phases with Phase 1 dedicated solely to the findings of fact, and Phase 2 dedicated to allocating liability amongst responsible defendants. Phase 3 is to determine recoverable damages. The Phase 1 trial occurred during autumn of 2017. The Phase 2 trial is scheduled to occur in August 2018. The matter is in the hands of the insurers and, other than the deductible of \$100,000, all other costs and expenses are covered by insurance and it is not expected that they will have a material adverse effect on the Group's business or financial condition.



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The ultimate outcome of governmental and third-party legal proceedings is inherently difficult to predict. The Group's operations are affected by international environmental protection laws and regulations. Compliance with such laws and regulations may entail considerable expense, including ship modifications and changes in operating procedures.

28. COMMON SHARES, FOUNDER'S SHARES, PAID-IN SURPLUS AND DIVIDENDS DECLARED

Accounting policy

Equity capital stock

The Company's capital comprises equity capital stock. Equity capital stock is measured based upon net proceeds.

Dividends

Dividends recommended by the Board of Directors are recognised in the financial statements when they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when approved by the Board of Directors.

Treasury shares

Upon the Group's purchase of its own shares (Treasury shares), the consideration paid is deducted from equity attributable to equity holders until the shares are cancelled, reissued or otherwise disposed of. In cases where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to equity holders.

| | Founder's Shares par value \$0.001 per share | | Common Shares par value \$1 per share | |
|--|---|-----------------|--|------------------|
| | Shares Issued | Treasury Shares | Shares Issued | Treasury Shares |
| Balance at December 1, 2015 | 16,033,449 | 2,255,485 | 64,133,796 | 9,021,941 |
| Treasury shares-collateral for revolver facility | – | (1,750,000) | – | (7,000,000) |
| Repurchase of treasury shares | – | 41,750 | – | 167,000 |
| Balance at November 30, 2016 and 2017 | 16,033,449 | 547,235 | 64,133,796 | 2,188,941 |

See Note 30 for additional information on the exercise of share options.

Share rights

The Group's authorised share capital consists of 65,000,000 Common shares, par value \$1.00 per share, and 16,250,000 Founder's shares, par value \$0.001 per share. As of November 30, 2017 and 2016, there were 64,133,796 shares issued, of which Treasury shares were 2,188,941. Except for matters where applicable law requires the approval of both classes of shares voting as separate classes, Common shares and Founder's shares vote as a single class on all matters submitted to a vote of the shareholders, with each share entitled to one vote.

Under the Bye-laws, holders of Common shares and Founder's shares participate in annual dividends, if any are declared by the Group, in the following order of priority: (i) \$0.005 per share to Founder's shares and Common shares equally; and (ii) thereafter, all further amounts are payable to Common shares only.

Furthermore, the Bye-laws also set forth the priorities to be applied to each of the Common shares and Founder's shares in the event of a liquidation. Under the Bye-laws, in the event of a liquidation, all debts and obligations of the Group must first be paid and thereafter all remaining assets of the Group are paid to the holders of Common shares and Founder's shares in the following order of priority: (i) Common shares ratably to the extent of the par value thereof (\$1.00 per share); (ii) Common shares and Founder's shares participate equally up to \$0.05 per share; and (iii) thereafter, Common shares are entitled to all remaining assets.

Dividends

On November 15, 2017, the Group's Board of Directors declared an interim dividend of \$0.25 per Common share and \$0.005 per Founder's share to shareholders of record as of November 29, 2017. The total gross amount of the dividend was \$13.8 million, which was classified as an interim dividend and paid on December 12, 2017.

On February 8, 2017, SNL's Board of Directors recommended a final dividend for 2016 of \$0.50 per Common Share, payable on May 11, 2017 to shareholders of record as of April 27, 2017. In accordance with the normal settlement practice, the shares traded ex-dividend on and after April 26, 2017 (one business day prior to the April 27, 2017 record date). The dividend, which was subject to shareholder approval, was approved at the Company's Annual General Meeting of Shareholders held on April 20, 2017 in Bermuda. The total gross amount of the dividend was \$27.5 million and paid on May 11, 2017.



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Share repurchase

On March 2, 2016, the Group announced the board approval of a new share purchase programme authorising the repurchase of up to \$30.0 million worth of its common shares. The total number of common shares bought under this programme in the year ended November 30, 2016 was 0.2 million shares for \$1.7 million. The repurchases resulted in the Group holding 2,188,941 of SNL shares at November 30, 2016.

In November 2016, 7,000,000 of Treasury shares were used as the collateral for the \$50.0 million secured revolving credit facility (now \$60.0 million). In order to comply with Bermuda law, the ownership of these shares was transferred from Stolt-Nielsen Limited to Stolt-Nielsen Finance Limited, a wholly owned subsidiary. Stolt-Nielsen Finance Limited holds these shares on behalf of the lender and they are no longer included in Treasury Shares. These shares are now included within Paid-In Surplus on the Balance Sheet. For the purposes of the Earnings Per Share calculation, these shares are considered as outstanding.

Founder's shares and treasury shares

As of November 30, 2017 and 2016, 15,486,214 of Founder's shares had been issued to Fiducia Ltd, net of Treasury shares. Additional Founder's shares are issuable to holders of outstanding Founder's shares without consideration, in quantities sufficient to maintain a ratio of Common shares to Founder's shares of 4 to 1.

As of November 30, 2017 and 2016, 2,188,941 of Treasury shares were held by the Group. The Group also held 547,235 of Founder's shares for the same years. Note that dividends are not paid on Treasury shares held by the Group.

Capital management

The Group defines capital as net debt and equity attributable to equity holders of SNL. The Group's objectives when managing capital are to safeguard the Group's 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to shareholders, issue new shares, repurchase shares or sell assets to reduce debt.

The Group monitors capital on the basis of the ratio of debt to tangible net worth. This is calculated as short-term and long-term debt divided by equity attributable to equity holders less intangible assets and excluding other components of equity. As of November 30, 2017 and 2016, the ratio of debt to equity attributable to equity holders of SNL less intangible assets and excluding other components of equity was as follows:

| (in thousands) | As of November 30, | |
|--|--------------------|----------------|
| | 2017 | 2016 |
| Short-term bank loans and long-term debt | \$ 2,469,712 | \$ 2,353,225 |
| Equity attributable to equity holders of SNL less intangible assets and excluding other components of equity | 1,594,280 | 1,581,584 |
| Debt to tangible net worth | \$ 1.55 | \$ 1.49 |

The debt to tangible net worth of 1.55 at November 30, 2017 is in line with management's expectations.

The Group has external restrictions on its capital, which are its bank covenants. See Note 22 for further details.

29. RESTRICTIONS ON PAYMENT OF DIVIDENDS

Under Bermuda law, dividends cannot be paid if there are reasonable grounds for believing that:

- (a) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) The realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.



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30. SHARE-BASED COMPENSATION

The Group has a 1997 Share Option Plan (the '1997 Plan') covering 5,180,000 Common shares. No further grants were issued under the 1997 Plan as it expired in 2007 although options granted prior thereto continue to be exercisable in accordance with their stated terms. Beginning in 2007, the option grants were replaced with a cash-settled non-equity based performance incentive plan. Share-based expense for the years ended November 30, 2017 and November 30, 2016 was nil as all share options are fully vested. All options under this plan expired on January 10, 2017.

The following table reflects activity under the Plan for the years ended November 30, 2017 and 2016:

| For the years ended November 30, | 2017 | | 2016 | |
|--|-----------|---------------------------------|-----------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Common share options | | | | |
| Outstanding at beginning of year | 373,400 | \$ 28.90 | 730,675 | \$ 30.89 |
| Expired | (373,400) | (28.90) | (357,275) | (32.96) |
| Outstanding at end of year | – | \$ – | 373,400 | \$ 28.90 |
| Exercisable at end of year | – | \$ – | 373,400 | \$ 28.90 |
| Weighted average share price at date options exercised | | \$ – | | \$ – |

The following table summarises information about share options outstanding as of November 30, 2017 and 2016:

| | Options Outstanding | | | |
|------------------------------|---------------------|------------------------------------|--------------------|------------------------------------|
| | 2017 | | 2016 | |
| | Number Outstanding | Remaining Contractual Life (years) | Number Outstanding | Remaining Contractual Life (years) |
| Common share options: | | | | |
| \$28.90 | – | – | 373,400 | 0.10 |
| | – | – | 373,400 | 0.10 |

31. EARNINGS PER SHARE

Earnings per Common Share

Basic Earnings per Common share ('EPS') is computed by dividing net profit by the weighted average number of shares outstanding during the year. Diluted EPS is computed by adjusting the weighted average number of shares outstanding during the year for all potentially dilutive shares and equivalents outstanding during the year using the Treasury stock method.

As further discussed in Note 28, 'Common shares, Founder's shares and Dividends declared', Founder's shares, which provide the holder thereof with certain control features, only participate in earnings to the extent of \$0.005 per share for the years in which dividends are declared, and are limited to \$0.05 per share upon liquidation. For the purposes of computing EPS, dividends paid on Founder's shares are deducted from earnings to arrive at net profit attributable to Common Shareholders. Founder's shares are not included in the basic or diluted weighted average shares outstanding in the computation of earnings per Common share.

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations:

| (in thousands, except per share data) | For the years ended November 30, | |
|---|----------------------------------|-------------------|
| | 2017 | 2016 |
| Net profit attributable to equity holders of SNL | \$ 50,313 | \$ 113,145 |
| Less: Dividends on Founder's shares | (77) | (77) |
| Net profit attributable to Common Shareholders | \$ 50,236 | \$ 113,068 |
| Basic weighted average shares outstanding | 61,945 | 55,162 |
| Dilutive effect of share options | – | – |
| Diluted weighted average shares outstanding | 61,945 | 55,162 |
| Basic earnings per share | \$ 0.81 | \$ 2.05 |
| Diluted earnings per share | 0.81 | 2.05 |

Outstanding share options to purchase of 373,400 shares were not included in the computation of diluted earnings per share for the year ended November 30, 2016 because the net effect of these share options would have been anti-dilutive. Average Treasury shares held by the Company are also not included in the weighted average shares outstanding.



32. FINANCIAL INSTRUMENTS

Accounting Policy for Financial Instruments

IFRS 9 contains a classification and measurement approach for financial assets and liabilities, including derivative instruments, that reflects the business model in which assets are managed and their cash flow characteristics.

Under IFRS 9 all financial instruments are initially measured at fair value plus or minus transaction costs, in the case of a financial asset or liability not at fair value through profit or loss. This requirement is consistent with IAS 39. Financial asset classification and measurement is an area where many changes have been introduced by IFRS 9. Consistent with IAS 39, the classification of a financial asset is determined at initial recognition, however, if certain conditions are met, an asset may subsequently need to be reclassified.

IFRS 9 contains three principal classification categories for financial assets, based on the business models under which they are held:

- **Amortised cost:** The Group classifies its financial assets at amortised cost only if both of the following criteria are met: the assets are held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Income from these financial assets is included in finance income using the effective interest rate method. The Group's assets measured at amortised cost include trade and other receivables, cash and cash equivalents and advances from joint ventures and associates.
- **Fair value through other comprehensive income (FVTOCI):** Assets that are held for collection of contractual cash flows and for future sales the financial assets, where the assets' cash flows represent solely payments of principal and interest and dividends, are measured at fair value through other comprehensive income. See Note 17 for further details.
- **Fair value through profit or loss (FVTPL):** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. See Note 17 for further details.

Impairment

As required by IFRS 9, the Group adopted an 'expected credit loss model', as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each year end or half year end date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses are calculated as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive. Expected credit losses are the sum of all possible credit losses, weighted by their probability of occurrence.

The '12 month expected credit losses' approach is applied to all financial assets with the exception of trade receivables and advances to joint ventures. Both these asset classes generally do not contain a significant financing component. For these assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, net of any allowance losses. The allowance loss measurement is determined by applying a simplified approach equalling the lifetime expected credit losses.

Under the simplified approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Fair Value Estimation

The information below summarises financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **New business quoted prices (unadjusted)** in active markets for identical assets or liabilities (Level 1).
- **Inputs other than quoted prices included within Level 1** that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- **Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)** (Level 3).

The Group's investment in Golar is measured using quoted prices in an active market (Level 1) while its derivative assets of \$13.8 million and \$7.1 million as of November 30, 2017 and 2016, respectively and liabilities of \$160.0 million and \$185.6 million as of November 30, 2017 and 2016, respectively, are measured using inputs other than quoted prices (Level 2). The Group's mature biological assets are measured using inputs other than quoted prices (Level 2). There have been no changes in the fair value methodology in the periods presented.



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Hedge accounting

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has not applied the IFRS 9 hedge accounting requirements and will continue to apply the hedge accounting requirements of IAS 39.

Accounting policy for Derivative Assets and Liabilities

The Group enters into forward exchange contracts to hedge foreign currency transactions, interest rate swaps to hedge the risk of variability of interest payments, cross currency interest rate swaps to hedge the risk of variability of interest and principal payments on non-US dollar denominated borrowings and bunker fuel hedge contracts to lock in the price for a portion of forecasted bunker fuel requirements. No instruments are held for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss on remeasurement is recognised immediately in the income statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of any resultant gain or loss on the income statement depends on the nature of the item being hedged. The impact in the income statement is shown in interest, foreign currency exchange gain (loss) or operating expenses as appropriate, based on the underlying value of the derivative.

(i) Determination of fair value

The fair value of interest rate swaps, cross currency interest rate swaps and foreign exchange contracts is based on discounted cash flow models based upon the valuations received from brokers, taking into account current interest rates and foreign exchange rates.

(ii) Cash flow hedges

The Group applies cash flow hedge accounting to its interest rate swaps, cross currency interest rate swaps and foreign exchange forward contracts.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss recognised in other comprehensive income is removed and included in the initial cost or other carrying amount of the asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when finance income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the income statement immediately.

(iii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contract. Contracts are assessed for embedded derivatives at inception of such contracts or when the Group becomes party to them. Embedded derivatives that have been separated from host contracts are measured at fair value at each balance sheet date. Any gains or losses arising from changes in fair value are directly taken to the income statement.



| DIRECTORS' REPORT | FINANCIAL STATEMENTS | | | | STOLT-NIELSEN LIMITED ANNUAL ACCOUNTS | | | | OTHER INFORMATION |
|--|----------------------|---------------------|----------------------|---------------------|---------------------------------------|---------------------|----------------------|---------------------|-------------------|
| The Group holds the following financial instruments: | | | | | | | | | |
| | November 30, 2017 | | | | November 30, 2016 | | | | |
| (in thousands) | Current | Non-current | Total carrying value | Fair Value | Current | Non-current | Total carrying value | Fair Value | |
| Financial assets | | | | | | | | | |
| Financial assets at FVTOCI | | | | | | | | | |
| Investments in equity instruments – listed | \$ - | \$ 57,570 | \$ 57,570 | \$ 57,570 | \$ - | \$ 56,848 | \$ 56,848 | \$ 56,848 | |
| Financial assets at FVTPL | | | | | | | | | |
| JoT bond portfolio – listed | - | - | - | - | 11,399 | - | 11,399 | 11,399 | |
| Financial assets at amortised cost | | | | | | | | | |
| Cash and cash equivalents | 58,308 | - | 58,308 | 58,308 | 92,784 | - | 92,784 | 92,784 | |
| Restricted cash | 98 | - | 98 | 98 | 87 | - | 87 | 87 | |
| Trade receivables | 241,115 | - | 241,115 | 241,115 | 201,634 | - | 201,634 | 201,634 | |
| Loans and advances to joint ventures | - | 59,107 | 59,107 | 59,107 | - | 53,200 | 53,200 | 53,200 | |
| Other current assets | 44,150 | - | 44,150 | 44,150 | 49,085 | - | 49,085 | 49,085 | |
| | \$ 343,671 | \$ 116,677 | \$ 460,348 | \$ 460,348 | \$ 354,989 | \$ 110,048 | \$ 465,037 | \$ 465,037 | |
| Financial Liabilities at amortised cost | | | | | | | | | |
| Accounts payables, excluding withholding and value added taxes | 84,834 | - | 84,834 | 84,834 | 66,236 | - | 66,236 | 66,236 | |
| Accrued expenses | 236,609 | - | 236,609 | 236,609 | 241,327 | - | 241,327 | 241,327 | |
| Dividend payable | 13,814 | - | 13,814 | 13,814 | 27,550 | - | 27,550 | 27,550 | |
| Short-term bank loans | - | - | - | - | 8,100 | - | 8,100 | 8,100 | |
| Long-term debt and finance leases including current maturities excluding debt issuance costs | 438,215 | 2,064,078 | 2,503,293 | 2,597,212 | 548,874 | 1,796,251 | 2,345,125 | 2,480,148 | |
| | \$ 773,472 | \$ 2,064,078 | \$ 2,838,550 | \$ 2,932,469 | \$ 892,087 | \$ 1,796,251 | \$ 2,688,338 | \$ 2,823,361 | |
| Derivative Financial Instruments at fair value | | | | | | | | | |
| Assets | | | | | | | | | |
| Cross-currency interest rate swaps – cash flow hedges | 113 | 152 | 265 | 265 | 347 | - | 347 | 347 | |
| Bunker call options | - | - | - | - | 575 | 645 | 1,220 | 1,220 | |
| Bunker purchase swap contracts | 8,907 | 3,458 | 12,365 | 12,365 | 4,739 | 301 | 5,040 | 5,040 | |
| Foreign currency exchange contracts – cash flow hedges | 5 | - | 5 | 5 | 9 | 480 | 489 | 489 | |
| Interest rate swaps | - | 1,132 | 1,132 | 1,132 | - | - | - | - | |
| | \$ 9,025 | \$ 4,742 | \$ 13,767 | \$ 13,767 | \$ 5,670 | \$ 1,426 | \$ 7,096 | \$ 7,096 | |
| Liabilities | | | | | | | | | |
| Cross-currency interest rate swaps – cash flow hedges | 55,201 | 93,826 | 149,027 | 149,027 | 14,557 | 163,679 | 178,236 | 178,236 | |
| Foreign currency exchange contracts | 50 | - | 50 | 50 | 338 | - | 338 | 338 | |
| Interest rate swaps | 5,620 | 5,349 | 10,969 | 10,969 | 3,106 | 3,960 | 7,066 | 7,066 | |
| | \$ 60,871 | \$ 99,175 | \$ 160,046 | \$ 160,046 | \$ 18,001 | \$ 167,639 | \$ 185,640 | \$ 185,640 | |

Fair value of financial instruments

The estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange.

The carrying amount of cash and cash equivalents, receivables, other current assets, accounts payable (excluding withholding and value added tax payables), accrued expenses and dividend payable are a reasonable estimate of their fair value, due to the short maturity thereof. The estimated value of the Group's financial assets and marketable securities are based on traded value. The estimated value of its senior unsecured bond issues is based on traded values, while the values on the remaining long-term debt is based on interest rates as of November 30, 2017 and 2016, respectively, using the discounted cash flow methodology. The fair values of the Group's foreign exchange and bunker contracts are based on their estimated market values as of November 30, 2017 and 2016. Market value of interest rate and cross-currency interest rate swaps was estimated based on the amount the Group would receive or pay to terminate its agreements as of November 30, 2017 and 2016.

The Group's financial instruments resulted in the following income, expenses, gains and losses recognised in the income statement:



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Stolt-Nielsen Limited

Notes to the Consolidated Financial Statements

continued

| | Year Ended November 30 | |
|--|------------------------|-----------------|
| | 2017 | 2016 |
| Dividends from equity investments held at FVTOCI | \$ 582 | \$ 1,308 |
| Impairment expense recognised on trade receivables | 1,504 | 1,675 |
| Total | \$ 2,086 | \$ 2,983 |

Derivatives

The Group has derivative assets of \$13.8 million and \$7.1 million as of November 30, 2017 and 2016, respectively and derivative liabilities of \$160.0 million and \$185.6 million as of November 30, 2017 and 2016, respectively. All the Group's derivative activities are financial instruments entered with major financial institutions for hedging the Group's committed exposures or firm commitments with major financial credit institutions, shipbuilders and ship-repair yards. The fair values of the Group's foreign exchange contracts and cross currency interest rate swaps are based on their estimated market values as of November 30, 2017 and 2016, respectively. There were no changes in the valuation techniques during the period.

The Group has purchased forward contracts on 92,000 tonnes of bunker fuel for delivery in 2016, 111,000 tonnes for delivery in 2017 and 2018 and 48,000 tonnes for delivery in 2019 with initial expiration dates ranging from three to 24 months forward. The bunker contracts were marked-to-market through the Income Statement and a realised and unrealised gain of \$13.5 million was recorded for the year ended November 30, 2017.

All of the Group's derivative activities are not publicly traded financial instruments. These financial instruments are entered into with major financial institutions for hedging the Group's committed exposures with major financial credit institutions, shipbuilders and ship repair yards. The Group holds foreign exchange forward contracts, commodity contracts and interest rate swaps, which subject the Group to a minimum level of counterparty risk. The Group does not believe that it has a material exposure to credit risk from third parties failing to perform according to the terms of hedge instruments. The cumulative net losses recognised in equity were as follows at November 30, 2017 and 2016.

| (in thousands) | As of November 30, | |
|--|--------------------|--------------------|
| | 2017 | 2016 |
| Interest rate derivatives | \$ (8,064) | \$ (4,895) |
| Cross-currency interest rate swaps | (8,747) | (23,201) |
| Foreign currency derivatives | (50) | (266) |
| Foreign exchange hedges held by a joint venture and interest rate hedges at an associate | (846) | (1,616) |
| Deferred income tax gain on the interest rate derivatives | 277 | - |
| | \$ (17,430) | \$ (29,978) |

Foreign currency

The following foreign exchange contracts, maturing through May 2018, were outstanding as of November 30, 2017 and 2016:

| (in local currency, thousands) | Purchase | |
|--------------------------------|----------|-------|
| | 2017 | 2016 |
| Norwegian Kroner | 21,000 | - |
| Euro | - | - |
| Singapore Dollar | 373 | 1,685 |
| British Sterling | - | 7,800 |

The US dollar equivalent of the currencies which the Group had contracted to purchase was \$2.9 million and \$11.2 million as of November 30, 2017 and 2016, respectively.

The Group utilises foreign currency derivatives to hedge committed and forecasted cash flow exposures. Substantially all of these contracts have been designated as cash flow hedges.

The Group has elected non-hedge accounting treatment for some contracts, with immaterial notional amounts. Gains and losses on hedges of committed commercial transactions are recorded as a foreign exchange gain or loss.

For the years ended November 30, 2017 and 2016, a \$0.3 million and \$1.6 million net unrealised gain, respectively, was reclassified from the hedging reserve into earnings. In 2017, there is no net unrealised gain or loss included in the hedging reserve that is expected to be reclassified into earnings within six months.



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Interest rate and cross-currency interest rate swaps

The Group entered into interest rate and cross-currency interest rate swaps with notional values of \$1,283.9 million and \$899.9 million as of November 30, 2017 and 2016, respectively. These derivatives have been designated as cash flow hedges. For the years ended November 30, 2017 and 2016, \$19.7 million and \$20.7 million, respectively, were recognised in finance expense. Any remaining amounts currently in other comprehensive income are expected to be reclassified to earnings in 2018 to 2027.

Maturity of financial liabilities

| (in thousands) | For the Year Ended November 30, 2017 | | | | | Total |
|--|--------------------------------------|-------------------|---------------------|--------------------|-----------|---------------------|
| | Less than 1 yr | 2-3 yrs | 4-5 yrs | More than 5 yrs | | |
| Contractual obligations: | | | | | | |
| Accounts payable, excluding withholding and value added taxes | \$ 84,834 | \$ – | \$ – | \$ – | \$ – | \$ 84,834 |
| Accrued expenses and dividend payable | 250,423 | – | – | – | – | 250,423 |
| Long-term debt and finance leases including current maturities | 439,029 | 591,179 | 889,687 | 583,398 | | 2,503,293 |
| Interest on long-term debt and finance leases | 125,442 | 192,556 | 125,299 | 72,169 | | 515,466 |
| Derivative financial liabilities | 62,187 | 58,556 | 60,378 | 512 | | 181,633 |
| Total contractual obligations | \$ 961,915 | \$ 842,291 | \$ 1,075,364 | \$ 656,079 | \$ | \$ 3,535,649 |

| (in thousands) | For the Year Ended November 30, 2016 | | | | | Total |
|--|--------------------------------------|-------------------|-------------------|--------------------|-----------|---------------------|
| | Less than 1 yr | 2-3 yrs | 4-5 yrs | More than 5 yrs | | |
| Contractual obligations: | | | | | | |
| Accounts payable, excluding withholding and value added taxes | \$ 66,236 | \$ – | \$ – | \$ – | \$ – | \$ 66,236 |
| Accrued expenses and dividend payable | 268,877 | – | – | – | – | 268,877 |
| Short-term debt | 8,100 | – | – | – | – | 8,100 |
| Long-term debt and finance leases including current maturities | 551,201 | 470,563 | 490,911 | 867,663 | | 2,380,338 |
| Interest on long-term debt and finance leases | 94,697 | 139,301 | 77,035 | 57,036 | | 368,069 |
| Derivative financial liabilities | 18,178 | 102,038 | 85,114 | 84 | | 205,414 |
| Total contractual obligations | \$ 1,007,289 | \$ 711,902 | \$ 653,060 | \$ 924,783 | \$ | \$ 3,297,034 |

Long-term debt in the table above excludes debt issuance costs of \$33.6 million and \$36.2 million and future finance charges on finance leases of approximately \$0.1 million and \$0.2 million as of November 30, 2017 and 2016, respectively. Derivative financial liabilities are stated at future undiscounted cash flows; therefore, they do not agree to the balance sheet.



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33. RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS

| (in thousands) | For the years ended November 30, | |
|---|----------------------------------|------------|
| | 2017 | 2016 |
| Net profit | \$ 50,117 | \$ 113,237 |
| Adjustments to reconcile net profit to net cash from operating activities: | | |
| Depreciation of property, plant and equipment | 261,141 | 230,843 |
| Amortisation of intangible assets | 3,356 | 3,228 |
| Impairment of property, plant and equipment | 15,300 | – |
| Impairment of accounts receivable | 1,504 | – |
| Gain on curtailment of US retiree healthcare | (7,171) | – |
| Finance expense, net | 130,211 | 103,616 |
| Net periodic benefit expense (credit) of defined benefit pension plans | 5,305 | (3,019) |
| Income tax expenses | 12,239 | 15,707 |
| Share of profit of joint ventures and associates | (17,588) | (33,599) |
| Fair value adjustment on biological assets | (17) | (7,590) |
| Foreign currency related loss | 2,774 | 1,568 |
| Unrealised bunker hedge gain | (6,105) | (5,394) |
| Loss on disposal of assets, net | 515 | 137 |
| Changes in assets and liabilities, net of effect of acquisitions and divestitures: | | |
| (Increase) decrease in receivables | (38,742) | 6,094 |
| (Increase) decrease in inventories | (2,815) | 1,675 |
| Decrease (increase) in biological assets | 1,920 | (888) |
| (Increase) decrease in prepaid expenses and other current assets | (10,046) | 15,442 |
| Increase (decrease) in accounts payable and other current liabilities | 39,155 | (24,111) |
| Contributions to defined benefit pension plans | (3,368) | (2,274) |
| Dividends from joint ventures and associates | 23,232 | 28,604 |
| Other, net | (344) | 2,758 |
| Cash generated from operations | \$ 460,573 | \$ 446,034 |

Analysis of net debt

Net debt at November 30, 2017 comprises cash and cash equivalents of \$58.3 million (2016: \$92.8 million), short-term bank loans of nil (2016: 8.1 million) and long-term debt and finance leases, including current maturities, of \$2,469.7 million (2016: \$2,345.1 million). See Notes 22 and 23 for further details.

| (in thousands) | At December 1, 2016 | Cash Flow | Exchange Differences | Other Movements | At November 30, 2017 |
|--|------------------------|--------------|-------------------------|-----------------|-------------------------|
| Cash deposits | \$ 81,812 | \$ (25,223) | \$ (5,168) | \$ – | \$ 51,421 |
| Short-term time deposits | 10,972 | (4,085) | – | – | 6,887 |
| Cash and cash equivalents | 92,784 | (29,308) | (5,168) | – | 58,308 |
| Borrowings: | | | | | |
| Short-term bank loans | (8,100) | 8,100 | – | – | – |
| Long-term debt, including current maturities | (2,344,884) | (98,858) | (23,123) | (2,707) | (2,469,572) |
| Finance lease obligations | (241) | 100 | 1 | – | (140) |
| Net debt | \$ (2,260,441) | \$ (119,966) | \$ (28,290) | \$ (2,707) | \$ (2,411,404) |

Short-term time deposits included within cash and cash equivalents relate to term deposits repayable within three months.

Other non-cash movements in net debt primarily represent \$8.7 million amortisation of debt issuance costs offset by the capitalisation of debt issuance costs and interest to debt of \$6.2 million.



34. BUSINESS ACQUISITIONS

Accounting policy

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the aggregate of the fair values of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Any adjustments of the purchase price allocation will be made if prior to one year after acquisition in accordance with IFRS 3.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group announced on July 18, 2016 that it had agreed to acquire 100% of the equity relating to the chemical tanker operations of JoT. The transaction comprises 13 chemical tankers in service and a 50% share in Hassel Shipping 4 A.S. with two newly delivered ships and six newbuildings. The total purchase consideration for net assets acquired was \$295.6 million, including the share of the progress payments on the newbuildings in the joint venture. Funding for the transaction has been secured through some of the Group's main banks with a combination of bridge financing, secured term loans and available corporate funds. See Note 23. The acquisition was completed on November 23, 2016.

The Group entered into the acquisition to address the tonnage replacement needs of the Group's existing chemical tanker fleet for the next several years. Further, the acquisition will add new trade routes and expand the Group's presence in key trade-lanes, enabling the Group to better serve the needs of its global customer base. The acquisition will also provide some cost savings with relation to shore based staff.

Since the transaction was completed close to the year end, the purchase consideration, fair values and the purchase price allocation were preliminary and subject to change at the year ended November 30, 2016. As permitted under IFRS 3, if new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, then the accounting for this acquisition will be revised. There were no significant adjustments to the preliminary purchase price allocation and accordingly the purchase price allocation disclosed in Note 34 of the Consolidated Financial Statements for the year ended November 30, 2016 is final.

As part of the acquisition of JoT, the Group acquired a 50% interest in Hassel Shipping 4 A.S. which had previously ordered eight newbuildings from New Times Shipbuilding. Two newbuildings were delivered prior to acquisition. By November 30, 2017, the joint venture had taken delivery of five additional ships: *Stolt Lerk* was delivered on February 22, 2017; *Stolt Lind* on March 15, 2017; *Stolt Calluna* on June 16, 2017, *Stolt Ebony* on July 11, 2017; and *Stolt Maple* on October 20, 2017. The last ship, ordered by Hassel Shipping 4 A.S., *Stolt Palm*, was delivered on January 11, 2018. See Note 35.



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35. SUBSEQUENT EVENTS

Hassel Shipping 4 A.S.

On January 11, 2018, the Group's joint venture Hassel Shipping 4 A.S. took delivery of *M/T Stolt Palm*, the last 33,000 dwt fully stainless steel newbuildings from New Times Shipbuilding.

US tax reform

The Group expects the recently enacted US Tax Cuts and Jobs Act ('the Act') to positively impact its future US after-tax adjusted earnings, primarily due to the reduction in the US federal corporate income tax rate from 35% to 21% applicable from January 1, 2018.

Further, the Group expects that the changes will result in a one-time non-cash tax credit for the quarter ending February 28, 2018 relating to the revaluation of US deferred tax assets and liabilities. This credit is expected to be approximately \$25 million based on the net US deferred tax liabilities at November 30, 2017.

The ultimate impact of the Act is subject to complex provisions in the legislation with further guidance and clarifications expected to be issued by the US authorities.

Dividends

On February 7, 2018, the Group recommended a final dividend for 2017 of \$0.25 per Common Share, payable on May 9, 2018 to shareholders of record as of April 26, 2018. The dividend which is subject to shareholder approval, will be voted on at the Group's Annual General Meeting of Shareholders scheduled for April 19, 2018 in Bermuda. The shares will trade ex-dividend on and after April 25, 2018.

Share buy-back

On February 7, 2018, the Group announced the continuation of the share buy-back programme announced on March 2, 2016. Under the 2016 buy-back programme, the Board had authorised the purchase of up to \$30 million worth of Common Shares, of which the Group only utilised \$1,715,353.48, leaving \$28,284,646.52 available for further purchases.

The shares will be purchased through open market transactions and private offerings in accordance with applicable laws and regulations, and purchased shares will be held as treasury shares. The purchases will continue until the targeted amount of \$30 million has been reached, but will be halted in the period March 15, 2018 until April 9, 2018, as the Group will be in a restricted period until the first quarter 2018 results have been released.



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Stolt-Nielsen Limited Responsibility Statement

We confirm, to the best of our knowledge, that the consolidated Group and Company financial statements for the period December 1, 2016 to November 30, 2017 have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the Group's assets, liabilities, financial position and profit as a whole. In preparing these financial statements, we are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

We are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclosure with reasonable accuracy at any time the financial position of the Company and the Group and enable us to ensure that the financial statements comply with the Bermuda Company Act of 1981. We are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. We are responsible for the maintenance and integrity of the Company's website. We highlight that legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We also confirm, to the best of our knowledge, that the Financial review and the Business Review include a fair review of important events that have occurred during the financial year and their impact on the financial statements, a description of the principal risks and uncertainties facing the Group and material related party transactions.

The financial statements on pages 68 to 134 and 136 to 151 were approved and signed for on behalf of the Board of Directors.

Niels G. Stolt-Nielsen
Chief Executive Officer

Jan Chr. Engelhardtson
Chief Financial Officer

London
March 01, 2018



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Stolt-Nielsen Limited
Income statement

| (in thousands) | Notes | For the years ended November 30, | |
|-------------------------------------|-------|----------------------------------|-----------|
| | | 2017 | 2016 |
| Revenue | | \$ 1,366 | \$ 900 |
| Administrative and general expenses | 3 | (1,326) | (913) |
| Operating income (loss) | | 40 | (13) |
| Finance expense | 13 | (51,475) | (53,109) |
| Finance income | 13 | 51,475 | 53,109 |
| Foreign exchange (loss) gain | | (40) | 13 |
| Dividend income | 5 | 821,405 | 59,700 |
| Profit before income taxes | | 821,405 | 59,700 |
| Income tax expense | 2 | – | – |
| Net Profit | | \$ 821,405 | \$ 59,700 |

The accompanying notes form an integral part of these financial statements.



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Stolt-Nielsen Limited Statements of Comprehensive Income

| (in thousands) | Notes | For the years ended November 30, | |
|--|-------|----------------------------------|-----------|
| | | 2017 | 2016 |
| Net profit for the year | | \$ 821,405 | \$ 59,700 |
| Other comprehensive income (loss): | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Net loss on cash flow hedges | 14 | (15,192) | (115,318) |
| Reclassification of cash flow hedges to income statement | 14 | 29,628 | 134,477 |
| Other comprehensive income for the year | | 14,436 | 19,159 |
| Total comprehensive income | | \$ 835,841 | \$ 78,859 |

The accompanying notes form an integral part of these financial statements.



STOLT-NIELSEN LIMITED ANNUAL ACCOUNTS · CONTINUED

Stolt-Nielsen Limited Balance Sheet

| (in thousands) | Notes | As at November 30, | |
|---|-------|---------------------|---------------------|
| | | 2017 | 2016 |
| ASSETS | | | |
| Cash and cash equivalents | 4 | \$ 15 | \$ 15 |
| Accounts receivable from subsidiaries | 5 | 1,767,750 | 870,800 |
| Derivative financial instruments | 14,15 | 113 | 347 |
| Other current assets | 6 | 6,290 | 10,140 |
| Total Current Assets | | 1,774,168 | 881,302 |
| Long-term receivables from subsidiaries | 5 | 727,665 | 207,871 |
| Investments in subsidiaries | 7 | 1,676,112 | 581,828 |
| Other non-current assets | | 153 | – |
| Total Non-Current Assets | | 2,403,930 | 789,699 |
| Total Assets | | \$ 4,178,098 | \$ 1,671,001 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current maturities of long-term debt | 13 | \$ 116,287 | \$ 49,954 |
| Accounts payable to subsidiaries | 5 | 417 | 223 |
| Interest payable | 8 | 7,573 | 5,148 |
| Derivative financial instruments | 14 | 55,201 | 15,027 |
| Dividends payable | 8 | 13,814 | 27,550 |
| Other current liabilities | | 11 | – |
| Total Current Liabilities | | 193,303 | 97,902 |
| Long-term debt | 13 | 616,830 | 548,301 |
| Long-term payable to subsidiaries | 5 | 2,087,873 | 469,408 |
| Derivative financial instruments | 14 | 93,826 | 163,679 |
| Total Non-Current Liabilities | | 2,798,529 | 1,181,388 |
| Total Liabilities | | 2,991,832 | 1,279,290 |
| Equity | | | |
| Founder's shares | 11 | 16 | 16 |
| Common shares, par value \$1 | 11 | 64,134 | 64,134 |
| Paid-in surplus | 11 | 396,608 | 396,608 |
| Retained earnings | | 785,740 | 5,621 |
| Hedging reserve | 14 | (8,746) | (23,182) |
| | | 1,237,752 | 443,197 |
| Treasury shares | 11 | (51,486) | (51,486) |
| Total Shareholders' Equity | | 1,186,266 | 391,711 |
| Total Liabilities and Equity | | \$ 4,178,098 | \$ 1,671,001 |

The accompanying notes form an integral part of these financial statements.



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Stolt-Nielsen Limited Statement of Changes in Shareholders' Equity

| (in thousands) | Common Shares | Founder's Shares | Paid-in Surplus | Retained Earnings | Hedging Reserve | Treasury Shares | Total Shareholder's Equity |
|--|---------------|------------------|-----------------|-------------------|-----------------|-----------------|----------------------------|
| Balance, December 1, 2015 | \$ 64,134 | \$ 16 | \$ 396,608 | \$ 962 | \$ (42,341) | \$ (214,416) | \$ 204,963 |
| Comprehensive income | | | | | | | |
| Net Profit | - | - | - | 59,700 | - | - | 59,700 |
| Other comprehensive income: | | | | | | | |
| Net income on cash flow hedge | - | - | - | - | 19,159 | - | 19,159 |
| Other comprehensive income | - | - | - | - | 19,159 | - | 19,159 |
| Total comprehensive income | - | - | - | 59,700 | 19,159 | - | 78,859 |
| Transactions with shareholders | | | | | | | |
| Purchase of 167,000 treasury shares | - | - | - | - | - | (1,715) | (1,715) |
| Transfer of 7,000,000 SNL treasury shares | - | - | - | - | - | 164,645 | 164,645 |
| Cash dividends paid – \$1.00 per Common share | - | - | - | (54,964) | - | - | (54,964) |
| Cash dividends paid – \$0.005 per Common share | - | - | - | (77) | - | - | (77) |
| Total transactions with shareholders | - | - | - | (55,041) | - | 162,930 | 107,889 |
| Balance, November 30, 2016 | \$ 64,134 | \$ 16 | \$ 396,608 | \$ 5,621 | \$ (23,182) | \$ (51,486) | \$ 391,711 |
| Comprehensive income | | | | | | | |
| Net Profit | - | - | - | 821,405 | - | - | 821,405 |
| Other comprehensive income: | | | | | | | |
| Net income on cash flow hedge | - | - | - | - | 14,436 | - | 14,436 |
| Other comprehensive income | - | - | - | - | 14,436 | - | 14,436 |
| Total comprehensive income | - | - | - | 821,405 | 14,436 | - | 835,841 |
| Transactions with shareholders | | | | | | | |
| Cash dividends paid – \$0.75 per Common share | - | - | - | (41,209) | - | - | (41,209) |
| Cash dividends paid – \$0.005 per Common share | - | - | - | (77) | - | - | (77) |
| Total transactions with shareholders | - | - | - | (41,286) | - | - | (41,286) |
| Balance, November 30, 2017 | \$ 64,134 | \$ 16 | \$ 396,608 | \$ 785,740 | \$ (8,746) | \$ (51,486) | \$ 1,186,266 |

The accompanying notes form an integral part of these financial statements.



STOLT-NIELSEN LIMITED ANNUAL ACCOUNTS · CONTINUED

Stolt-Nielsen Limited Statement of Cash Flow

| (in thousands) | Note | For the years ended November 30, | |
|--|------|----------------------------------|-----------------|
| | | 2017 | 2016 |
| Cash (used in) generated from operations | 16 | \$ (15,273) | \$ 67,900 |
| Interest paid | | (47,448) | (53,952) |
| Debt issuance payments | | (2,039) | (1,492) |
| Net cash (used in) provided by operating activities | | (64,760) | 12,456 |
| Cash flows generated from (used in) financing activities: | | | |
| Proceeds from issuance of long-term debt | | 175,000 | 179,710 |
| Repayment of long-term debt | | (55,218) | (300,000) |
| Transfer of treasury shares | | - | 164,645 |
| Repurchase of shares | | - | (1,715) |
| Dividends paid | | (55,022) | (55,096) |
| Net cash flow provided by (used in) financing activities | | 64,760 | (12,456) |
| Net change in cash and cash equivalents | | - | - |
| Cash and cash equivalents at beginning of year | | 15 | 15 |
| Cash and cash equivalents at the end of the year | | \$ 15 | \$ 15 |

The accompanying notes form an integral part of these financial statements.



Stolt-Nielsen Limited Notes to the Financial Statements

1. CORPORATE STRUCTURE AND MANAGEMENT

Stolt-Nielsen Limited ('SNL' or the 'Company') is a limited liability holding company incorporated in Bermuda on June 11, 2010. The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and with the registration number EC 44330.

The object of the Company is the participation in any manner in all commercial, industrial, financial and other enterprises of Bermuda or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which the Company will administer and exploit; the Company may lend or borrow with or without security, provided that any money so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated with the Company; and in general to undertake any operations directly or indirectly connected with such objectives as permitted by the Bermuda Company Act.

The Company holds direct and indirect investments in various subsidiaries throughout the world which transport, store and distribute bulk liquid chemicals, edible oils and other specialty liquids as well as subsidiaries and equity investees in seafood, the distribution of bitumen and other subsidiaries which provide management and agency services to specified subsidiaries owned by the Company. The Company also commenced its operations in the transportation of Liquefied Petroleum Gas and Liquid Nitrogen Gas through its subsidiary, Stolt-Nielsen Gas Limited.

A subsidiary of the Company completed its acquisition of the chemical tanker operations of Jo Tankers ('JoT') on November 23, 2016. The transaction comprises 13 chemical tankers and a 50% share in a joint venture with eight newbuildings. For details on this acquisition see Note 34 in the SNL Consolidated financial statements.

The functional and presentational currency of the Company is the US dollar. The Company is reimbursed by its subsidiaries for certain administrative and general expenses incurred on behalf of the subsidiaries.

The Company also prepares consolidated financial statements. Both these financial statements and the consolidated financial statements are prepared and published according to the provisions of the Bermudian Company law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stolt-Nielsen Limited have been prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union ('IFRSs') and IFRIC Interpretations, applied on a consistent basis with the prior year.

The significant accounting policies used in the preparation of these financial statements are given below.

Basis of measurement

The financial statements are prepared on the historical cost basis with the exception of derivatives which are recorded at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term time deposits, which are subject to an insignificant risk of changes in value.

Financial Assets

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Income from these financial assets is included in finance income using the effective interest rate method. The Company's assets measured at amortised cost include trade and other receivables, cash and cash equivalents and advances from joint ventures and associates.



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Stolt-Nielsen Limited

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Impairment

As required by IFRS 9, the Company adopted an 'expected credit loss model', as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each year end or half year end date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Credit losses are calculated as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive. Expected credit losses are the sum of all possible credit losses, weighted by their probability of occurrence.

The '12 month expected credit losses' approach is applied to all financial assets with the exception of trade receivables and advances to joint ventures. Both these asset classes generally do not contain a significant financing component. For these assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, net of any allowance losses. The allowance loss measurement is determined by applying a simplified approach equalling the lifetime expected credit losses.

Under the simplified approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Investments in subsidiaries

The Company accounts for its investments in subsidiaries at historical cost. At each reporting date investments in subsidiaries are assessed for an indication of impairment. As the investments in subsidiaries are not listed on a stock exchange or dealt in another regulated market, market value corresponds to the probable market or recovery value estimated with care and in good faith by management. At November 30, 2017, no indication of impairment was identified.

Revenue recognition

Revenue is recorded for the reimbursement of administrative and general expenses when these transactions occur.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Derivative financial instruments and hedging

The Company enters into forward exchange contracts to hedge foreign currency transactions and interest rate swaps to hedge the risk of variability of interest payments or a combination of these transactions. No instruments are held for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss on remeasurement is recognised immediately in the income statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of any resultant gain or loss depends on the nature of the item being hedged. The impact in the income statement is shown in interest, foreign exchange or operating expenses, as appropriate, based on the underlying value of the derivative.

(i) Determination of fair value

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when finance income or expense is recognised.



When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Equity capital stock

The Company's capital comprises equity capital stock. Equity capital stock is measured based upon net proceeds.

Share-based payments

Where subsidiaries incur charges for share based payments in respect of share options and awards granted by the Company, a capital contribution in the same amount is recognised as an investment in subsidiaries with a corresponding credit to shareholders' equity.

Finance expenses

Finance expenses are recognised in the income statement as they accrue, using the effective interest method.

Taxes

The Company is incorporated in Bermuda which is a non-taxable jurisdiction.

Dividends

Dividends recommended by the Board of Directors are recognised in the financial statements when they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when approved by the Board of Directors.

IFRSs issued but not effective as of November 30, 2017

The following pronouncements, issued by the International Accounting Standard Board ('IASB'), are not yet effective:

The IASB has issued a new standard for the recognition of revenue IFRS 15, Revenue from Contracts with Customers (IFRS 15'). This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers voyage accounting and recognition of revenue over time. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Currently revenue is recognised when the risks and rewards of ownership transfer to the buyer. IFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption and will be applicable to the Company and its subsidiaries for the year ending November 30, 2019. The Company evaluated the impact of IFRS 15 and, while it largely complies with the principles of IFRS 15, there may be areas where the timing of revenue recognition will be modified to reflect the point in time where transfer of control occurs. At this stage the impact of the transition to IFRS 15 is not expected to be material to the Financial Statements.

IFRS 16, Leases (IFRS 16') requires lessees to recognise assets and liabilities for most leases as 'right to use' assets. The implementation date for the Company is for the year ending November 30, 2020. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. IFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

These changes will result in an increase in lease assets and financial liabilities since all leases will be reported on the balance sheet, with the exception of short-term leases and leases of low-value assets. IFRS 16 will have a material impact on the financial statements of the Company and its subsidiaries due to the nature, number and complexity of lease contracts to which the Company and its subsidiaries are expected to be committed at the end of November 30, 2020, the transition date for the Company and its subsidiaries.

Other than IFRS 16, the Company does not expect there to be a material impact on its Financial Statements from these standards, apart from additional disclosures in the financial statements.



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Critical Accounting Policies

The Company reviews for impairment of its subsidiaries on a consolidated basis.

The fair value of cross-currency interest rate swaps is based on discounted cash flow models based upon the valuations received from brokers, taking into account current interest rates and foreign exchange rates and the current creditworthiness of the swap counterparties.

See the Critical Accounting Judgements and Key Sources of Estimation in the Consolidated Financial Statements of Stolt-Nielsen Limited included herein.

3. ADMINISTRATIVE AND GENERAL EXPENSES

Each non-executive director receives a Board fee and additional fees are paid for audit and legal expenses.

| (in thousands) | 2017 | 2016 |
|-----------------------|----------|--------|
| Board and other costs | \$ 1,326 | \$ 913 |
| Total | \$ 1,326 | \$ 913 |

At the end of 2017 and 2016, the Board of Directors consisted of six members.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term time deposits, which are subject to an insignificant risk of changes in value.

5. RELATED PARTY TRANSACTIONS

Effective December 1, 2011, SNL entered into a related party loan with Stolt Tankers Holding Ltd ("Stolt Tankers") for \$273.3 million. Stolt Tankers borrowed an additional \$356.9 million during 2012 and \$207.0 million during 2014. During 2014, the receivable from Stolt Tankers Holding Ltd was transferred to Stolt-Nielsen M.S. Ltd. ("Stolt-Nielsen MS") and in 2016 Stolt-Nielsen MS repaid SNL \$170.3 million. The interest rates on the loans range from 4.5% to 6.8% and mature from one to seven years. Also in 2016, SNL entered into a related party loan with Stolt-Nielsen Acquisition Holdings Ltd (now Stolt Tankers Limited) for \$50.0 million in relation to the acquisition of JoT. Interest is at LIBOR plus 1.8%. All remaining receivables and payables to subsidiaries at November 30, 2017 are non-interest bearing and repayable on demand with the majority being denominated in US dollars. Their market value and contractual balances are in line with amounts recorded.

At November 30, 2017, no receivables are over-due or impaired. The maximum exposure to credit risk is the carrying value of the receivables.

| (in thousands) | 2017 | 2016 |
|--|--------------|------------|
| Accounts Receivable from Subsidiaries | | |
| Stolt-Nielsen Group Resources Ltd (Liberia) | \$ 670,710 | \$ 678,732 |
| Stolt-Nielsen Investment Holdings BV (Netherlands) | 898,890 | – |
| Stolt-Nielsen Finance Ltd (Bermuda) | 164,646 | 164,646 |
| Other | 33,504 | 27,422 |
| | \$ 1,767,750 | \$ 870,800 |
| Accounts Payable to Subsidiaries | | |
| Other | \$ 417 | \$ 223 |
| | \$ 417 | \$ 223 |
| Long-term Receivable to Subsidiaries | | |
| Stolt Tankers Ltd (Bermuda) formerly Stolt-Nielsen Acquisition Holding Ltd | \$ 672,608 | \$ 207,871 |
| Stolt Tankers BV (Netherlands) | 55,057 | – |
| | \$ 727,665 | \$ 207,871 |
| Long-term Payable to Subsidiaries | | |
| Stolt-Nielsen M.S. Ltd. (Bermuda) | \$ 2,087,873 | \$ 469,408 |

Receivables from subsidiaries of \$1,767.8 million were primarily the result of the historical issuance of shares, proceeds from long-term debt issuances, payment of dividends and billings of expenses to subsidiaries, prior acquisitions of investments, receipt of dividends from subsidiary companies and normal expenses. In 2017, the Company restructured certain of its investments which resulted in the receivable from Stolt-Nielsen Investment Holdings BV (Netherlands) of \$898.9 million.


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The long-term receivable from Stolt Tankers Ltd, formerly Stolt-Nielsen Acquisition Holding Ltd, related to the acquisition of JoT in 2016. In 2017, the Company restructured its investments in certain subsidiaries which resulted in the receivable increasing to \$672.6 million.

Dividends received of \$31.0 million and \$59.7 million were from Stolt-Nielsen Group Resources Ltd for the year ended November 30, 2017 and 2016, respectively. Dividends of \$790.4 million were from Stolt-Nielsen Investment NV for the year ended November 30, 2017.

The long-term payable to Stolt-Nielsen M.S. Ltd related to the acquisition of a subsidiary, investment in and restructuring of certain of its investments by the Company in 2017 and external dividends, partially offset by the interest-bearing loan discussed above.

The Company has no employees as all services are performed by employees of its subsidiaries. Board of Directors' and key management compensation for SNL are as follows for the full year 2017 and 2016:

| (in thousands) | 2017 | 2016 |
|---|-----------------|-----------------|
| Board fees | \$ 721 | \$ 561 |
| Salary and benefits | 4,410 | 4,138 |
| Profit sharing | 682 | 1,367 |
| Long-term incentives | 925 | 502 |
| Pension cost | 916 | 983 |
| Total compensation and benefits | \$ 7,654 | \$ 7,551 |
| Average number of key managers included | 8 | 8 |

Key management includes the Executive Officers and Presidents of the major businesses.

The Company is ultimately controlled by trusts for the benefit of the Stolt-Nielsen family.

6. OTHER CURRENT ASSETS

Other current assets represent \$6.3 million and \$10.1 million of cash collateral held by the counterparties of the cross-currency interest rate swaps as of November 30, 2017 and 2016, respectively. A cash margin is posted when the mark-to-market exceeds a predetermined threshold.

7. INVESTMENTS IN SUBSIDIARIES

Investments in which the Company holds at least 20% in their share capital are as follows:

| Undertaking's Name (Legal Form) (in thousands) | Registered Office | Ownership % | November 30, 2016 | Additions/ (deductions) | November 30, 2017 |
|--|-------------------|-------------|-------------------|----------------------------|-------------------|
| Stolt-Nielsen M.S. Ltd | Bermuda | 100% | \$ 17 | \$ - | \$ 17 |
| Stolt-Nielsen Group Resources Ltd | Liberia | 100% | 327,680 | - | 327,680 |
| Stolt Tankers Ltd (formerly Stolt-Nielsen Acquisition Holding Ltd) | Bermuda | 100% | 10 | 1,138,000 | 1,138,010 |
| Stolt-Nielsen Gas Limited | Bermuda | 96% | 63,952 | - | 63,952 |
| Stolt-Nielsen Investments NV | Curacao | 100% | 45,364 | (43,706) | 1,658 |
| Stolt Tankers Holdings Ltd | Bermuda | 100% | 144,785 | - | 144,785 |
| Stolt-Nielsen Finance Ltd | Bermuda | 100% | 10 | (10) | - |
| Stolt-Nielsen Ship Finance Ltd | Bermuda | 100% | 10 | - | 10 |
| Stolt-Nielsen Investment Pte Ltd | Singapore | 100% | - | - | - |
| | | | \$ 581,828 | \$ 1,094,284 | \$ 1,676,112 |

The following indirect subsidiaries of the Company are considered to be significant as either their consolidated assets or revenues contribute 5% or more of the results of Consolidated Stolt-Nielsen Limited:

| Undertaking's Name (Legal Form) | Registered Office | Ownership % |
|---------------------------------|-------------------|-------------|
| Stolt-Nielsen USA, Inc. | USA | 100% |
| Stolt Tankers BV | The Netherlands | 100% |
| Stolt Tank Containers BV | The Netherlands | 100% |
| Stolthaven Terminals BV | The Netherlands | 100% |



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8. OTHER PAYABLES

At November 30, 2017, the balance of other payables mainly related to the 2017 interim dividend of \$13.8 million and interest payable of \$7.6 million on long-term debt.

At November 30, 2016, the balance of other payables mainly related to the 2016 interim dividend of \$27.6 million and interest payable of \$5.1 million on long-term debt.

9. COMMITMENTS AND CONTINGENCIES

As of November 30, 2017, the Company has guaranteed substantially all of the \$2,037.1 million in long-term debt obligations of its direct and indirect subsidiaries.

As of November 30, 2017, the Company's subsidiaries and certain of its indirect subsidiaries had various credit lines payable through 2020 totaling \$755.0 million, of which \$449.2 million of committed lines was undrawn and available for future use. Substantially all of the committed and uncommitted bank loans outstanding under these credit facilities at November 30, 2017 are guaranteed by the Company. Several of the credit facilities contain various financial covenants, which, if not complied with, could limit the ability to draw funds from time to time.

Substantially all debt held by subsidiaries is secured on assets owned by the Company's subsidiaries; therefore, no liability has been recorded in relation to the fair value of this guarantee.

Subsidiaries of the Company have entered into contracts for the purchase of foreign currencies under their foreign exchange lines with various banks. Any contracts entered into pursuant to these lines generally are guaranteed by the Company. Certain of the currency positions entered into by these subsidiaries effectively have been closed by entering into offsetting foreign exchange contracts. At November 30, 2017, the total value of the currencies which these subsidiaries had contracted to purchase pursuant to open foreign exchange contracts maturing through May 2018 was \$2.9 million, with a mark to market position of nil.

10. LEGAL PROCEEDINGS

There are various legal proceedings arising in the ordinary course of business and in cases where the Company believes the likelihood of losses is probable and can be estimated, provisions would be recorded. Whilst ongoing legal proceedings could have a material adverse effect on the Company's consolidated financial position or results of operations in the future, the Company believes that none of these matters will have a material adverse effect on its business or financial condition.

During 2017 and 2016, the Company has been involved in certain civil litigation cases, which are described in note 27 of the consolidated financial statements.

For the matters described below, as each such matter is covered by insurance, the Company has not incurred any legal costs for the years ended November 30, 2017 and November 30, 2016.

11. EQUITY

| | Founder's Shares par value \$0.001 per share | | Common Shares par value \$1 per share | |
|--------------------------------------|---|-----------------|--|-----------------|
| | Shares Issued | Treasury Shares | Shares Issued | Treasury Shares |
| Balance at December 1, 2016 and 2017 | 16,033,449 | 547,235 | 64,133,796 | 2,188,941 |

Under the Bermuda Company Law, Founder's shares are not considered as representing capital of the Company.

Share rights

The Company's authorised share capital consists of 65,000,000 Common shares, par value \$1.00 per share, and 16,250,000 Founder's shares, par value \$0.001 per share. As of November 30, 2017 and 2016, there were 64,133,796 shares issued, of which Treasury shares were 2,188,941. Except for matters where applicable law requires the approval of both classes of shares voting as separate classes, Common shares and Founder's shares vote as a single class on all matters submitted to a vote of the shareholders, with each share entitled to one vote.

Under the Bye-laws, holders of Common shares and Founder's shares participate in annual dividends, if any are declared by the Company, in the following order of priority: (i) \$0.005 per share to Founder's shares and Common shares equally; and (ii) thereafter, all further amounts are payable to Common shares only.

Furthermore, the Bye-laws also set forth the priorities to be applied to each of the Common shares and Founder's shares in the event of a liquidation. Under the Bye-laws, in the event of a liquidation, all debts and obligations of the Company must first be paid and thereafter all remaining assets of the Company are paid to the holders of Common shares and Founder's shares in the following order of priority: (i) Common shares ratably to the extent of the par value thereof (\$1.00 per share); (ii) Common shares and Founder's shares participate equally up to \$0.05 per share; and (iii) thereafter, Common shares are entitled to all remaining assets.



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Treasury shares – transfer

In November 2016, 7,000,000 of Treasury shares were used as the collateral for the \$50.0 million revolver facility (now \$60 million). In order to comply with Bermuda law, the ownership of these shares was transferred from Stolt-Nielsen Limited to Stolt-Nielsen Finance Limited, a wholly owned subsidiary. Stolt-Nielsen Finance Limited holds these shares on behalf of the lender and they are no longer included in Treasury Shares. These shares are now included within Paid-In Surplus on the Balance Sheet. For the purposes of the Earnings Per Share calculation, these shares are considered as outstanding.

Founder's shares and treasury shares

As of November 30, 2017 and 2016, 15,486,214 of Founder's shares had been issued to Fiducia Ltd, net of Treasury shares. Additional Founder's shares are issuable to holders of outstanding Founder's shares without consideration, in quantities sufficient to maintain a ratio of Common shares to Founder's shares of 4 to 1.

As of November 30, 2017 and 2016, 2,188,941 of Treasury shares were held by the Company. The Company also held 547,235 of Founder's shares for the same years. Note that dividends are not paid on Treasury shares held by the Company.

Share repurchase

On March 2, 2016, the Company announced the board approval of a new share purchase programme authorising the repurchase of up to \$30.0 million worth of its common shares. The total number of common shares bought under this programme in the year ended November 30, 2016 was 0.2 million shares for \$1.7 million. The repurchases resulted in the Company holding 2,188,941 of SNL shares at November 30, 2017 and 2016.

Capital management

The Company defines capital as net debt and shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares or sell assets to reduce debt. Capital management for the Company is performed on a consolidated basis with its subsidiaries. See the Consolidated Financial Statements of Stolt-Nielsen Limited for further discussion of how Consolidated Stolt-Nielsen Limited manages its capital.

12. DIVIDENDS

On November 15, 2017, the Company's Board of Directors declared an interim dividend of \$0.25 per Common share and \$0.005 per Founder's share to shareholders of record as of November 29, 2017. The total gross amount of the dividend was \$13.8 million, which was classified as an interim dividend and paid on December 12, 2017.

On February 8, 2017, SNL's Board of Directors recommended a final dividend for 2016 of \$0.50 per Common Share, payable on May 11, 2017 to shareholders of record as of April 7, 2017. In accordance with the normal settlement practice, the shares traded ex-dividend on and after April 26, 2017 (one business day prior to the April 27, 2017 record date). The dividend, which was subject to shareholder approval, was approved at the Company's Annual General Meeting of Shareholders held on April 20, 2017 in Bermuda. The total gross amount of the dividend was \$27.5 million and paid on May 11, 2017.

13. LONG-TERM DEBT AND FINANCE EXPENSES

The Company announced on September 8, 2017 the placement of senior unsecured bonds for \$175.0 million in a new five-year bond issue carrying a fixed coupon rate of 6.375%. Net proceeds from the bond issue will be used to repay a bond maturing in March 2018 and for general corporate purposes.

On November 16, 2016, in relation to the acquisition of JoT, SNL completed a one-year \$50 million revolving credit facility secured by SNL's treasury shares and the Stolt-Nielsen Gas Limited's holding of Golar LNG Limited shares. During 2017, the facility was extended for another 12 months and the limit on it increased to \$60 million as at November 30, 2017. The facility is a bilateral loan with Skandinaviska Enskilda Banken AB and has to be repaid in full at maturity. It requires sufficient collateral value in the shares at all times. Interest is variable at LIBOR plus 1.8%. Of the total, \$11.0 million is outstanding at November 30, 2017.

On June 8, 2016, the Company completed the increase of NOK 200 million (\$24.7 million) on its bond issuance maturing in 2018, NOK 500 million (\$61.8 million) on its bond issuance maturing in 2019, NOK 150 million (\$18.5 million) on its bond issuance maturing in 2020 and NOK 200 million (\$24.7 million) on its bond issuance maturing in 2021. The Company swapped the bond volumes into USD obligations at fixed interest rates of 4.47% for 2018, 5.49% for 2019, 5.78% for 2020 and 5.99% for 2021 bond issuances. On September 19, 2017, \$16.2 million of the bonds maturing in 2018 were redeemed early.



STOLT-NIELSEN LIMITED ANNUAL ACCOUNTS · CONTINUED

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The Company announced on March 26, 2015 the placement of senior unsecured bonds for NOK 1,100 million (approximately \$142.2 million) in a new five-year bond issue carrying a coupon rate of three-month NIBOR plus 4.1%, which was fixed at 6.22% through interest rate swaps. The settlement date for the bonds was April 8, 2015. Net proceeds from the bond issue were used for general corporate purposes.

On March 3, 2014, the Company finalised a placement of senior unsecured bonds in a total amount of NOK 1,250 million (approximately \$207 million) in a new seven-year bond issue. The settlement date for the new bonds was March 18, 2014. The Company has swapped the new bonds into US dollar obligations at a fixed interest rate of 5.89%.

On September 4, 2012, SNL received NOK 500.0 million (\$85.9 million) on a new seven-year senior unsecured bond issue and an increase of NOK 200.0 million (\$34.3 million) in the existing six-year bond issue. The placement was oversubscribed. The placement date for the bonds was August 23, 2012. SNL swapped the new bonds into US dollar obligations for a total of \$120.2 million at a fixed interest rate of 6.84% for the seven-year bonds and 6.28% for the five-year bonds.

On March 9, 2012, SNL placed a NOK 600.0 million (\$105.2 million) six-year senior unsecured bond issue in the Norwegian market. SNL swapped the bond issues into US dollar obligations at a fixed interest rate of 6.79% for the six-year bonds.

Finance expenses of \$51.5 million and \$53.1 million relate to the senior unsecured bond issue and revolving credit facility for the years ended November 30, 2017 and 2016, respectively.

Debt issuance costs of \$4.7 million and \$4.3 million have been netted against long-term debt at November 30, 2017 and 2016, respectively. Debt issuance costs recognised as part of effective interest rates were \$1.7 million for each of the years ended November 30, 2017 and 2016.

14. DERIVATIVE ASSETS AND LIABILITIES

| (in thousands) | November 30, 2017 | | November 30, 2016 | |
|---|-------------------|-------------|-------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Cross-currency interest rate swaps – cash flow hedges | | | | |
| Current portion | \$ 113 | \$ 55,201 | \$ 347 | \$ 15,027 |
| Non-current portion | – | 93,826 | – | 163,679 |
| | \$ 113 | \$ 149,027 | \$ 347 | \$ 178,706 |

The Company's derivative activities are financial instruments not traded on a stock exchange but entered into with major financial institutions for hedging the Company's long-term debt and which subject the Company to a minimum level of counter-party risk. The Company does not believe that it has a material exposure to credit risk from third parties failing to perform according to the terms of hedge instruments.

The net gain recognised in equity for cross-currency interest rate swaps was \$14.4 million for the year ended November 30, 2017 and net gain was \$19.2 million for the year ended November 30, 2016.

The notional value of the cross-currency interest rate swap was \$688.8 million and \$703.7 million as of November 30, 2017 and 2016, respectively. These derivatives have been designated as cash flow hedges. For the years ended November 30, 2017 and 2016, \$14.1 million and \$17.3 million loss, respectively, were recognised in finance expense. The balance is expected to be reclassified to earnings in 2018 to 2023. Nothing has been reclassified into earnings for the ineffective portion of the derivative instruments for the years ended November 30, 2017 or 2016.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The Company's objectives when managing capital are to safeguard the Company and its subsidiaries' 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. The Company and its subsidiaries' activities expose it to a variety of financial risks such as market risk (including currency risk, cash flow interest rate risk and price 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 the Company and its subsidiaries' financial performance.

Risk management is carried out by a central Treasury department under policies approved by the Board of Directors. The Company's Treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. All risk management is performed for the Company and its subsidiaries on a consolidated basis.



DIRECTORS' REPORT

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Fair value of financial instruments

The following estimated fair value amounts of financial instruments have been determined by the Company, using appropriate market information and valuation methodologies. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange:

| (in thousands) | As of November 30, | | | |
|---|----------------------------|-----------------------|----------------------------|-----------------------|
| | 2017 Carrying Amount | 2017 Fair Value | 2016 Carrying Amount | 2016 Fair Value |
| Financial assets (Loans and receivables): | | | | |
| Cash and cash equivalents | \$ 15 | \$ 15 | \$ 15 | \$ 15 |
| Accounts receivable from subsidiaries | 1,767,750 | 1,767,750 | 870,800 | 870,800 |
| Other current assets | 6,290 | 6,290 | 10,140 | 10,140 |
| Long-term receivable from subsidiaries | 727,665 | 727,665 | 207,871 | 207,871 |
| Financial liabilities (Amortised Costs): | | | | |
| Accounts payable to subsidiaries | 417 | 417 | 223 | 223 |
| Interest payables | 7,573 | 7,573 | 5,148 | 5,148 |
| Dividend payable | 13,814 | 13,814 | 27,550 | 27,550 |
| Long-term payable to subsidiaries | 2,087,873 | 2,087,873 | 469,408 | 469,408 |
| Long-term debt including current maturities | 737,782 | 747,833 | 602,551 | 601,723 |
| Derivative financial instruments (Fair value): | | | | |
| Cross-currency interest rate swaps asset | 113 | 113 | 347 | 347 |
| Cross-currency interest rate swaps liability | 149,027 | 149,027 | 178,706 | 178,706 |

The carrying amount of cash and cash equivalents, accounts receivable from subsidiaries, other current assets, accounts payable to subsidiaries, interest payable and dividend payable are a reasonable estimate of their fair value, due to the short maturity thereof.

The estimated value of the Company's long-term debt is based on trading values as of November 30, 2017 and 2016. Market value of cross-currency interest rate swaps was estimated based on the amount the Company would receive or pay to terminate its agreements as of November 30, 2017 and 2016. Long-term debt in the table above excludes debt issuance costs of \$4.7 million and \$4.3 million for the years ended November 30, 2017 and 2016, respectively.

The Company has no financial assets which would otherwise have been past due or impaired that have been renegotiated.

Maturity of financial liabilities

| (in thousands) | For the year ended November 30, 2017 | | | | |
|---|--------------------------------------|-------------------|-------------------|--------------------|---------------------|
| | Less than 1 yr | 2-3 yrs | 4-5 yrs | More than 5 yrs | Total |
| Contractual obligations: | | | | | |
| Interest payable | \$ 7,573 | \$ - | \$ - | \$ - | \$ 7,573 |
| Dividend payable | 13,814 | - | - | - | 13,814 |
| Long-term debt including current maturities | 116,385 | 271,458 | 349,939 | - | 737,782 |
| Interest on long-term debt | 51,140 | 74,861 | 29,495 | - | 155,496 |
| Derivative financial liabilities | 56,478 | 54,169 | 59,559 | - | 170,206 |
| Total contractual obligations | \$ 245,390 | \$ 400,488 | \$ 438,993 | \$ - | \$ 1,084,871 |

| (in thousands) | For the year ended November 30, 2016 | | | | |
|---|--------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | Less than 1 yr | 2-3 yrs | 4-5 yrs | More than 5 yrs | Total |
| Contractual obligations: | | | | | |
| Interest payable | \$ 5,148 | \$ - | \$ - | \$ - | \$ 5,148 |
| Dividend payable | 27,550 | - | - | - | 27,550 |
| Long-term debt including current maturities | 50,000 | 235,109 | 317,442 | - | 602,551 |
| Interest on long-term debt | 45,077 | 71,750 | 25,808 | - | 142,635 |
| Derivative financial liabilities | 14,722 | 99,125 | 84,024 | - | 197,871 |
| Total contractual obligations | \$ 142,497 | \$ 405,984 | \$ 427,274 | \$ - | \$ 975,755 |



STOLT-NIELSEN LIMITED ANNUAL ACCOUNTS · CONTINUED

Stolt-Nielsen Limited Notes to the Financial Statements continued

Long-term debt in the table above excludes debt issuance costs of \$4.7 million and \$4.3 million for the years ended November 30, 2017 and 2016, respectively. Derivative financial liabilities are stated at future undiscounted cash flows; therefore, they do not agree to the balance sheet.

Market risk

The Company is exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, the Company enters into derivative transactions in accordance with Company policies. The financial impact of these instruments is offset by corresponding changes in the underlying exposures being hedged. Derivative instruments are not held for trading or speculative purposes.

Concentration of credit risk

Receivables are from subsidiaries and with counterparties on derivative financial instruments. The maximum exposure to credit risk is the Accounts Receivable balance of \$1,767.8 million. The Company reviews the financial instrument counterparties' credit ratings upon entering into a derivative contract. There are no past due receivables and no allowance for doubtful accounts.

Liquidity risk

Cash flow forecasting is performed by the subsidiaries of the Company and is aggregated at the corporate level. The Treasury department monitors rolling forecasts of the Company subsidiaries' liquidity requirements to ensure the Company and its subsidiaries have sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and certain currencies' restrictions.

Fair value estimation

The below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company's derivative assets of \$0.3 million as of November 30, 2017 and 2016 and derivative liabilities of \$149.0 million and \$178.4 million as of November 30, 2017 and 2016, respectively, are measured using inputs other than quoted prices (level 2).

16. RECONCILIATION OF NET PROFIT TO CASH PROVIDED BY OPERATIONS

| (in thousands) | For the Years Ended November 30, | |
|--|----------------------------------|------------------|
| | 2017 | 2016 |
| Net profit | \$ 821,405 | \$ 59,700 |
| Adjustments to reconcile net profit to net cash from operating activities: | | |
| Finance expense | 51,475 | 53,109 |
| Finance income | (51,475) | (53,109) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivables from subsidiaries | (841,087) | 4,709 |
| Decrease in other current assets | 3,850 | 3,210 |
| Increase in accounts payable | 194 | 47 |
| Other | 365 | 234 |
| Cash (used in) provided by operations | \$ (15,273) | \$ 67,900 |



17. SUBSEQUENT EVENTS

Hassel Shipping 4 A.S.

On January 11, 2018, a joint venture of a subsidiary of the Company, Hassel Shipping 4 A.S., took delivery of *M/T Stolt Palm*, the last 33,000 dwt fully stainless steel newbuildings from New Times Shipbuilding.

US Tax reform

The Company expects the recently enacted US Tax Cuts and Jobs Act ("the Act") to positively impact its future US after-tax adjusted earnings, primarily due to the reduction in the US federal corporate income tax rate from 35% to 21% applicable from January 1, 2018.

Further, the Company expects that the changes will result in a one-time non-cash tax credit within its subsidiaries for the quarter ending February 28, 2018 relating to the revaluation of US deferred tax assets and liabilities. This credit is expected to be approximately \$25 million based on the net US deferred tax liabilities at November 30, 2017 to the subsidiaries' income statements.

The ultimate impact of the Act is subject to complex provisions in the legislation with further guidance and clarifications expected to be issued by the US authorities.

Dividends

On February 7, 2018, the Company recommended a final dividend for 2017 of \$0.25 per Common Share, payable on May 9, 2018 to shareholders of record as of April 26, 2018. The dividend, which is subject to shareholder approval, will be voted on at the Company's Annual General Meeting of Shareholders scheduled for April 19, 2018 in Bermuda. The shares will trade ex-dividend on and after April 25, 2018.

Share buy-back

On February 7, 2018, the Company announced the continuation of the share buy-back programme announced on March 2, 2016. Under the 2016 buy-back programme, the Board had authorised the purchase of up to \$30 million worth of Common Shares, of which the Company only utilised \$1,715,353.48, leaving \$28,284,646.52 available for further purchases.

The shares will be purchased through open market transactions and private offerings in accordance with applicable laws and regulations, and purchased shares will be held as treasury shares. The purchases will continue until the targeted amount of \$30 million has been reached, but will be halted in the period March 15, 2018 until April 9, 2018, as the Company will be in a restricted period until the first quarter 2018 results have been released.



OTHER INFORMATION

Shareholder Information

Stock Listing

Common Shares
On Oslo Børs under symbol SNI

**Shares
Outstanding**

(as of November 2017)
Common Shares – 61,944,855
Country of Incorporation
Bermuda

**Annual General
Meeting**

April 19, 2018 at 11:00 am
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Tel: +66 38 346 4224

Taiwan – Taipei

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Taiwan

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OTHER INFORMATION

UAE – Dubai

Stolt-Nielsen Middle East DMCC
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Jumeirah lake Towers
Dubai
UAE
PO Box 337246
Tel: +971 4 5129800

UK – Romford

Stolt Tank Containers UK Ltd.
Stolt-Nielsen House
1-5 Oldchurch Road
Romford, Essex
RM7 0BQ
UK
Tel: +44 1708 746 070

USA – Houston

Stolt-Nielsen USA Inc.
15635 Jacintoport Blvd
Houston, Texas 77015
USA
Tel: +1 281 457 0303

USA – Linden, NJ

Stolt Tank Containers USA Inc.
c/o Infineum USA L.P.
Park & New Brunswick Avenue
CAB 139
Linden, New Jersey 07036
USA
Tel: +1 908 474 6030

Stolt Tank Containers

DEPOTS

China – Jiangsu

Zhangjiagang Stolt Tank Container Logistics
Co Ltd.
90 Shanzheng Road, Jiangsu Environmental
Protection New Material Industrial Park,
Zhangjiagang Free Trade Zone
Jiangsu 215600
China
Tel: +86 512 5871 9105

China – Shanghai, Nanhui

Shanghai Stolt Container Terminal Ltd
No: 288 Liang Le Road, Lao Gang Zhen Industry
Area, Nanhui
Shanghai 201302
China
Tel: +86 21 68296397

China – Tianjin, Hangu

Tianjin Binhai Stolt Container Terminal Co Ltd.
92 Zi Dong St., Hangu Ind. Park, Hangu District
Tianjin 300480
China
Tel: +86 22 67158593

India – Gujarat

Stolt Tank Containers Cleaning & Repair Kandla
Pvt Ltd
Plot 344, Situated at GIDC-Phase II, Mithirohar,
Gandhidham 370201, Kutch District, Gujarat
India
Tel: +91 99 79852662

India – Maharashtra

SPS Intermodal Services (India) Private Limited
Plot No. 36/1 A
Dhigode Village
Uran Taluka, Raigad District
Maharashtra 410207
India
Tel: +91 99 8789 5780

Italy – Vado

Italy – Vado Tank Cleaning srl
Via G. Bertola 53
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Italy
Tel: +39 0192160106
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Japan – Kobe

N.C. Stolt Transportation Services Co. Ltd
7-1, 6-Chome, Minatojima, Chuo-Ku
Kobe, Hyogo-pref 650-0045
Japan
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Japan – Nagoya

N.C. Stolt Chukyo Transportation Services Co. Ltd
1152, Fujimae, 1-Chome, Minato-Ku
Nagoya, Aichi-pref 455-0855
Japan
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Japan – Tokyo, Ota-Ku

N.C. Stolt Transportation Services Co. Ltd
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OTHER INFORMATION · CONTINUED

Stolt-Nielsen Offices and Facilities

Republic of Korea – Yangsan

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Republic of Korea
Tel: +82 55 3830841

Republic of Korea – Ulsan

Hyop Woon Stolt Transportation Services Co Ltd
No: 58-13 Haknam-Ri, Onsan-Eup, Uiju-Kun
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Republic of Korea
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Netherlands – Moerdijk

Stolt Container Terminal Moerdijk B.V.
Middenweg 30, 4782 PM Moerdijk
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Saudi Arabia – Dammam

Kanoo Tank Services (Sahreej)
Behind GCC Olayan Yard, Near King Abdul Aziz Sea
Port Area
Dammam
Saudi Arabia
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Saudi Arabia – Jeddah

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c/o: Kanoo Terminal Services Ltd
King Faisal Road, Opposite Al Sudais Warehouse,
Near Petromin, Al Khumra Area, Jeddah
Saudi Arabia
Tel: +966 56 5527078

Saudi Arabia – Jubail

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Al Tofih Area, Plot No. 5, AbuHadriya Road, West/
South Side of Jubail City Jubail
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Singapore – Jurong Island

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23 Ayer Merbau Road
Jurong Island
Singapore 627825
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Thailand – Chonburi

Laem Chabang Tank Services Co. Ltd
Hemaraj Chonburi Industrial Estate, 369/2 Moo 6,
Tambon Bowin, Amphur Sriracha,
Chonburi 20230
Thailand
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Thailand – Chonburi

Thailand – FSTS (Fusion Stolt Tank Services)
Co. Ltd.
Hemaraj Chonburi Industrial Estate
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Taiwan – Kaohsiung

Stolt Container Terminal Co Ltd
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UAE – Dubai

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OTHER INFORMATION

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Stolt-Nielsen LNG

UK – London

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UK

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JO Chemical Tankers AS

Annual report 30 November 2017

Board of directors' report

Annual accounts

- **Income statement**
- **Balance sheet**
- **Cash flow statement**
- **Notes**

Auditors' report



JO Chemical Tankers AS

General information

Directors

Christian Fredrik Mathiesen (Chairman of the Board)
Steven Scott Kretsch (Board Member)

Registered address

Kokstadflaten 5
5257 KOKSTAD

Main bank

DNB

Auditor

PricewaterhouseCoopers

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JO Chemical Tankers AS

Directors' Report

General

JO Chemical Tankers AS was established July 7, 2016 and operates from its office in Bergen. Its activities are related to investments in shares in companies with ownership in chemical tankers.

The company is 100 % owned by Stolt Tankers Ltd (Bermuda) (changed name from Stolt-Nielsen Acquisition Holdings Limited in 2017), a company owned by the Stolt-Nielsen Group.

The company has changed fiscal year from calendar year to December 1 through November 30 to be in line with group fiscal year. As a result, the financial year reported are only 11 months in fiscal year 2017.

Comments related to financial statements

Net result for 2017 was a profit of USD 15 038 811 compared to a loss of USD 2 635 in 2016, their first year of business. Operating result for 2017 was a loss of USD 113 490 compared to a loss of USD 956 in 2016. Total cash flow of operating activities in 2017 was negative with USD 121 488 compared to negative cash flow of USD 1 160 in 2016. The company do not generate positive cash flow from operating activities as the all activities relates to investments. The comparisons above are between 11 months in 2017 and 12 months in 2016.

The Company's cash reserve was USD 103 759 as of November 30, 2017, compared to USD 1 902 as of December 31, 2016.

Total assets as of November 30, 2017 was USD 376 632 393. Equity as of November 30, 2017 was USD 302 755 410.

Significant transactions

In 2017 there has been a significant reduction in the company's investments.

The reduction in investment in Zippora Pte. Ltd. consist of a share capital reduction where 3 426 788 shares was cancelled with a return of capital of USD 40 456 691 to JO Chemical Tankers AS.

An impairment of the investment in JO Tankers AS has been recognized as of November 30, 2017, amounting to USD 14 873 266. In 2017, JO Chemical Tankers AS gave a group contribution to JO Tankers AS amounting to USD 2 904 150, with effect net of tax amounting to USD 2 207 154.

Skibsaksjeselskapet Hassel was liquidated in November 2017, resulting in a net liquidation distribution amounting to USD 179 460 103 and a gain on shares of USD 29 489 109.

Analysis of key risks and uncertainties

The result of the company mainly consist of financial items related to intercompany loans and investments. Key risks are credit risk from loans to group companies and joint venture, and the main uncertainties relates to valuation of investments in subsidiaries and joint venture.

Financial Risk

There are no agreements or other financial instruments to minimize the credit risk of the company.

In addition to investments in subsidiaries and joint ventures, the company's main assets consist of receivables and bank deposits.



JO Chemical Tankers AS

Market risk

The company's business outlook depends on development in investments.

Credit risk

There are credit risk related to intercompany loans

Liquidity Risk

The company has not sufficient liquidity to pay their short term debt, but have access to sufficient cash through liquidity management in the group.

Business outlook

Net financial income from investment activities are likely to give positive results in the future. There are normally uncertainty related to assessment of future conditions. Factors that can affect the assessment are i.e. the development of the industry in which the company's investments operate.

Research and development

The company did not have any expenses related to research and development in 2017.

Working environment, equality between men and woman and discrimination

The Company has no employees. The two board members are male. There is no reason for specific measures relating to working environment, equality or discrimination. No accident or incidents have occurred over the year.

Environment

The company does not have a direct affect on the environment.

Going Concern

The Board considers that the annual financial statements and notes present a true and fair view of the company's operations in 2017 and the financial position at year-end. In accordance with the Accounting Act §3-3a the board confirms that the going concern assumption is present.

Kokstad, June , 2018

On behalf of JO Chemical Tankers AS,

Christian Fredrik Mathiesen
Chairman of the board

Steven Scott Kretsch
Board member



JO Chemical Tankers AS

Income statement for the fiscal year ended November 30, 2017

| All figures in USD | Note | 1.1.2017 - 30.11.2017 | 1.1.2016 - 31.12.2016 |
|--|------|--------------------------|--------------------------|
| Operating expenses | | | |
| Other operating expenses | 2 | <u>113 490</u> | <u>956</u> |
| Operating result | | <u>(113 490)</u> | <u>(956)</u> |
| Financial income and expenses | | | |
| Interest income from group companies | | 4 645 507 | 79 167 |
| Other financial income | 4 | 29 492 679 | 28 |
| Write-down on other financial assets | 4 | 14 873 266 | - |
| Interest paid to group companies | | 2 264 927 | 83 917 |
| Other financial expenses | | <u>5 747</u> | <u>56</u> |
| Net financial items | | <u>16 994 246</u> | <u>(4 778)</u> |
| Ordinary result before tax | | <u>16 880 756</u> | <u>(5 734)</u> |
| Tax on ordinary result | 6 | <u>1 841 945</u> | <u>(3 099)</u> |
| Net profit or loss for the year | | <u>15 038 811</u> | <u>(2 635)</u> |
| Allocated as follows | | | |
| Transferred to other equity | 7 | 15 038 811 | - |
| Uncovered losses | 7 | <u>-</u> | <u>(2 635)</u> |
| Total allocations | | <u>15 038 811</u> | <u>(2 635)</u> |



JO Chemical Tankers AS

Balance sheet per November 30, 2017

All figures in USD

| | Note | 30.11.2017 | 31.12.2016 |
|--|------|-------------|-------------|
| Fixed assets | | | |
| <i>Intangible assets</i> | | | |
| Deferred tax asset | 6 | - | 3 099 |
| Total intangible assets | | - | 3 099 |
| <i>Financial assets</i> | | | |
| Investments in subsidiaries | 4 | 32 549 334 | 235 643 131 |
| Loans to group companies and joint venture | 5 | 291 519 188 | 9 579 167 |
| Investments in joint ventures | 4 | 52 211 472 | 52 211 472 |
| Other receivables | | 248 640 | - |
| Total financial assets | | 376 528 634 | 297 433 770 |
| Total fixed assets | | 376 528 634 | 297 436 869 |
| Current assets | | | |
| <i>Receivables</i> | | | |
| Other short term receivables | 5 | - | 14 140 318 |
| Total accounts receivable | | - | 14 140 318 |
| Cash and cash equivalents | 3 | 103 759 | 1 902 |
| Total current assets | | 103 759 | 14 142 220 |
| Total assets | | 376 632 393 | 311 579 089 |

**JO Chemical Tankers AS****Balance sheet per November 30, 2017**

| All figures in USD | Note | 30.11.2017 | 31.12.2016 |
|------------------------------------|------|--------------------|--------------------|
| Equity | | | |
| <i>Paid-in capital</i> | | | |
| Share capital | 7, 8 | 7 276 | 7 276 |
| Share premium reserve | 7 | 287 712 619 | 287 712 619 |
| Total paid-in capital | | <u>287 719 895</u> | <u>287 719 895</u> |
| <i>Retained earnings</i> | | | |
| Other equity | 7 | 15 035 515 | (3 296) |
| Total retained earnings | | <u>15 035 515</u> | <u>(3 296)</u> |
| Total equity | | <u>302 755 410</u> | <u>287 716 599</u> |
| Liabilities | | | |
| <i>Other long-term liabilities</i> | | | |
| Other long-term liabilities | 5 | 69 714 266 | 23 724 235 |
| Total other long term liabilities | | <u>69 714 266</u> | <u>23 724 235</u> |
| <i>Current liabilities</i> | | | |
| Trade creditors | 5 | 18 250 | 138 255 |
| Tax payable | 6 | 1 234 840 | - |
| Other short-term liabilities | 5 | 2 909 627 | - |
| Total current liabilities | | <u>4 162 717</u> | <u>138 255</u> |
| Total liabilities | | <u>73 876 983</u> | <u>23 862 490</u> |
| Total equity and liabilities | | <u>376 632 393</u> | <u>311 579 089</u> |


Christian Fredrik Mathiesen
Chairman

Bergen
Kokstad, June 8, 2018


Steven Scott Kretsch
Board member



JO Chemical Tankers AS

Cash flow statement

| All figures in USD | 1.1.2017 - 30.11.2017 | 1.1.2016 - 31.12.2016 |
|---|--------------------------|--------------------------|
| Cash flow from operating activities | | |
| Profit/(loss) before tax | 16 880 756 | (5 735) |
| Profit on sale of fixed assets | (29 492 679) | - |
| Impairment of investment | 14 873 266 | - |
| Changes in trade payables | (120 005) | - |
| Items classified as investing or financing activities | (2 268 303) | 4 750 |
| Changes in other current balance sheet items | 5 477 | (175) |
| Net cash flow from operating activities | <u>(121 488)</u> | <u>(1 160)</u> |
| Cash flow from investing activities | | |
| Purchase of investments in shares and joint ventures | (5 500 000) | - |
| Proceeds from short term and long term receivables | 17 823 363 | - |
| Net cash flow from investing activities | <u>12 323 363</u> | <u>-</u> |
| Cash flow from financing activities | | |
| Proceeds from issuance of long term debt | 5 500 000 | - |
| Repayment of long term loans | (17 600 018) | - |
| Issue/repurchase of share capital | - | 3 062 |
| Net cash flow from financing activities | <u>(12 100 018)</u> | <u>3 062</u> |
| Net change in cash and cash equivalents | 101 857 | 1 902 |
| Cash and cash equivalents at 01.01 | 1 902 | - |
| Cash and cash equivalents at year end | <u>103 759</u> | <u>1 902</u> |



JO Chemical Tankers AS

Notes to the accounts for 2017

All figures in USD

Note - 1 Accounting Principles

The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

Basis for consolidation

JO Chemical Tankers is 100% owned by Stolt Tankers Limited, registered in Bermuda. JO Chemical Tankers AS and subsidiaries do not issue group-level financial reports, as they fall under group-level statements for ultimate mother company Stolt-Nielsen M.S. Limited. Consolidated financial statements are available on the mother company's website www.stolt-nielsen.com, or by contacting:

Stolt-Nielsen M.S. Limited,
65 Kingsway
London WC2B 6TD U.K.
Tel +44 20 7611 8960
Email: investors@stolt.com

The company has changed fiscal year from calendar year to December 1 through November 30 to be in line with group fiscal year. As a result, the financial year reported are only 11 months in fiscal year 2017.

Subsidiaries and investment in associate

Subsidiaries, investments in associate and jointly controlled companies are valued by the cost method in the company accounts.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

Foreign currency translation

Transaction currency and functional currency for JO Chemical Tankers AS is NOK. The company's subsidiaries operate with USD as functional currency and financial statements are nominated in USD. Consequently, JO Chemical Tankers AS also present financial statements in USD.

Foreign currency transactions are recorded in USD at exchange rates at transaction dates.

Monetary items in foreign currencies are calculated at the closing rate of NOK/USD. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognized in the Income statement.



JO Chemical Tankers AS

Notes to the accounts for 2017

All figures in USD

Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 23 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balanced out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

Note 2 - Wage costs, number of employees, remuneration, loans to employees and auditor's fee

The company have no employees, and are consequently not required to hold a Mandatory occupation pension scheme (OTP).

The company has not disbursed any compensation to Board members in 2017.

| <i>Auditor fee has been divided as follows</i> | 30.11.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Audit fee | 8 137 | 0 |

VAT is included in the figures of auditor's fee.

Note 3 - Bank deposit

The company does not have any restricted cash as of November 30, 2017.

Note 4 - Investment in subsidiaries and associated companies

| Company | Acquisition date | Location | Share owners | Net profit 30.11.2017* | Equity 30.11.2017* | Book value 30.11.2017 |
|-------------------|-------------------------|-----------------|---------------------|-------------------------------|---------------------------|------------------------------|
| Zippora Pte. Ltd. | 29-09-2016 | Singapore | 100 % | 8 129 706 | 51 680 079 | 30 065 833 |
| JO Tankers AS | 29-09-2016 | Bergen | 50 % | 74 049 | 4 967 003 | 2 483 501 |
| Total | | | | 8 203 755 | 56 647 082 | 32 549 334 |

*Net profit and Equity for JO Tankers AS are for the period January 1, 2017, to December 31, 2017.

Net profit for JO Tankers AS is converted from NOK to USD using average currency rate of USD/NOK 8,263. Equity for JO Tankers AS is converted from NOK to USD using the closing balance currency rate of USD/NOK 8,205.



JO Chemical Tankers AS

Notes to the accounts for 2017

All figures in USD

Reduction in investment in Zippora Pte. Ltd. consist of a share capital reduction where 3 426 788 shares was cancelled with a return of capital of USD 40 456 691 to JO Chemical Tankers AS. An impairment of the investment in JO Tankers AS has been recognized as of 30.11.17 amounting to USD 14 873 266. In 2017, JO Chemical Tankers AS gave a group contribution to JO Tankers AS amounting to USD 2 904 150, with effect net of tax amounting to USD 2 207 154. Skibsaksjeselskapet Hassel was liquidated in November 2017, resulting in a net liquidation distribution amounting to USD 179 460 103 and a gain on shares of USD 29 489 109.

Investment in joint venture:

| Company | Acquisition date | Location | Share owners | Net profit 30.11.2017 | Equity 30.11.17 | Book value 30.11.17 |
|----------------------|------------------|----------|--------------|-----------------------|-----------------|---------------------|
| Hassel Shipping 4 AS | 29-09-2016 | Bergen | 50 % | 5 012 000 | 103 580 000 | 52 211 472 |

Note 5 - Intercompany balances with group companies and joint venture

| <i>Receivables</i> | 30.11.2017 | 31.12.2016 |
|--|--------------------|-------------------|
| Non-current loan to joint venture Hassel Shipping 4 AS | 19 428 699 | 9 579 167 |
| Non-current loan to group company Stolt Tankers Ltd | 272 090 489 | |
| Current receivable from Stolt Tankers Ltd (previously named Stolt-Nielsen Acq. Holdings Ltd) | - | 14 140 318 |
| Total | <u>291 519 188</u> | <u>23 719 485</u> |

Non-current receivable from Hassel Shipping 4 AS has a maturity date later than 12 months after the Financial Statement balance date.

Non-current loan to Stolt Tankers Ltd - has a maturity date later than 12 months after the Financial Statement balance date.

| <i>Payables</i> | 30.11.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Non-current liability to group company Zippora Pte Ltd | 50 285 567 | 23 724 235 |
| Non-current liability to group company Stolt Tankers Ltd | 19 428 699 | - |
| Current liability, group contribution to JO Tankers AS | 2 904 150 | |
| Total | <u>72 618 416</u> | <u>23 724 235</u> |

Trade payables are also intercompany.



JO Chemical Tankers AS

Notes to the accounts for 2017

All figures in USD

Note 6 - Income taxes

| | 30.11.2017 | 31.12.2016 |
|---|--------------------|-------------------|
| <i>Income tax expenses</i> | | |
| Tax payable | 1 838 846 | - |
| Change in deferred tax | 3 099 | - |
| Total income tax expense | <u>1 841 945</u> | <u>-</u> |
| <i>Tax base estimation</i> | 30.11.2017 | 31.12.2016 |
| Ordinary result before tax | 16 880 756 | (5 734) |
| Permanent differences | <u>(9 205 988)</u> | <u>(7 176)</u> |
| General income | 7 674 768 | (12 910) |
| Utilization of loss carried forward | (12 910) | - |
| Group contribution with tax effect | <u>(2 904 150)</u> | <u>-</u> |
| Tax base | <u>4 757 708</u> | <u>(12 910)</u> |
| Tax payable | 1 141 850 | - |
| <i>Temporary differences outlined</i> | 30.11.2017 | 31.12.2016 |
| Accumulated tax carry-forwards | - | (12 910) |
| | <u>-</u> | <u>(12 910)</u> |
| Deferred income tax liability (23% this year, 24% last year) | - | (3 099) |
| <i>Permanent differences outlined</i> | 30.11.2017 | 31.12.2016 |
| Impairment of investment in JO Tankers AS | 14 873 266 | - |
| Non-taxable gain from realisation of investment in subsidiary | (29 489 109) | - |
| Net unrealized gain on currency translation | 5 409 855 | (6 516) |
| Formation expenses | - | (660) |
| Total permanent differences | <u>(9 205 988)</u> | <u>(7 176)</u> |
| <i>Effective tax rate</i> | 30.11.2017 | |
| Expected income taxes, statutory tax rate 24% | 4 051 381 | |
| Permanent differences (24%) | <u>(2 209 437)</u> | |
| Income tax expense | <u>1 841 945</u> | |
| Effective tax rate | 11.2 % | |

Tax payable in the balance sheet amounting to USD 1 234 840 also include a tax payable distributed from the liquidation of Skibsaksjeselskapet Hassel, amounting to USD 92 990.



JO Chemical Tankers AS

Notes to the accounts for 2017

All figures in USD

Note 7 - Owners equity

| | Share capital | Share premium reserve | Other equity | Total |
|------------------------|------------------|-----------------------------|-----------------|-------------|
| Owners equity 31.12.16 | 7 276 | 287 712 619 | (3 296) | 287 716 599 |
| Profit for the year | 0 | 0 | 15 038 811 | 15 038 811 |
| Owners equity 30.11.17 | 7 276 | 287 712 619 | 15 035 515 | 302 755 410 |

Note 8 - Share capital and shareholder information

Share capital:

| | Number of shares | Face value | Book value |
|-----------------|---------------------|------------|------------|
| Ordinære aksjer | 30 | 2 000 NOK | 60 000 |

Shareholders per 30.11:

| | Ordinary shares | Ownership share | Voting rights |
|--------------------|--------------------|--------------------|------------------|
| Stolt Tankers Ltd. | 30 | 100 % | 100 % |

The company is included in the group statement of Stolt-Nielsen Limited, Bermuda.



To the General Meeting of JO Chemical Tankers AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JO Chemical Tankers AS showing a profit of USD 15 038 811. The financial statements comprise the balance sheet as at 30 November 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 30 November 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - JO Chemical Tankers AS

Responsibilities of The Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matters

This audit report replaces our previous audit report as of 01.06.2018 which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors..

Bergen, 8 June 2018
PricewaterhouseCoopers AS

Sturle Døsen
State Authorised Public Accountant