



# **STOLT-NIELSEN LIMITED**

**(formerly Stolt-Nielsen S.A.)**

## **INTERIM FINANCIAL STATEMENTS**

For the Three Months and Year Ended November 30, 2010  
(Unaudited)

**STOLT-NIELSEN LIMITED**

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**STOLT-NIELSEN LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**(UNAUDITED)**

	Three months ended		Years ended	
	November 30, 2010	November 30, 2009	November 30, 2010	November 30, 2009
	(in thousands, except per share data)			
Operating Revenue (Note 4)	\$ 459,403	\$ 430,451	\$ 1,793,668	\$ 1,645,135
Operating Expenses	<u>(379,949)</u>	<u>(361,743)</u>	<u>(1,510,331)</u>	<u>(1,369,313)</u>
<b>Gross Profit</b>	<b>79,454</b>	<b>68,708</b>	<b>283,337</b>	<b>275,822</b>
Share of profit of joint ventures and associates	<b>6,599</b>	6,093	24,710	19,748
Administrative and general expenses	<b>(44,359)</b>	(45,899)	(158,016)	(171,518)
Restructuring credit (charges)	<b>158</b>	(627)	(32)	(649)
Gain on disposal of assets, net	<b>3,342</b>	154	7,183	439
Other operating income (expense), net	<b>322</b>	(400)	3,686	(197)
<b>Operating Profit</b>	<b><u>45,516</u></b>	<b><u>28,029</u></b>	<b><u>160,868</u></b>	<b><u>123,645</u></b>
<b>Non-Operating Income (Expense):</b>				
Finance expense (Note 8)	<b>(31,609)</b>	(8,778)	(72,557)	(30,658)
Finance income (Note 8)	<b>30,567</b>	822	47,735	5,343
Foreign currency exchange (loss) gain, net	<b>(458)</b>	(769)	2,577	7,703
Other non-operating (expense) income, net	<b>(3,959)</b>	399	(5,372)	186
<b>Profit from Continuing Operations before Income Tax</b>	<b>40,057</b>	19,703	133,251	106,219
Income tax	<b>(5,893)</b>	3,133	(20,493)	(9,467)
<b>Net Profit from Continuing Operations</b>	<b>34,164</b>	22,836	112,758	96,752
Loss from discontinued operations (Note 13)	<b>(1,124)</b>	(428)	(6,681)	(1,226)
<b>Net Profit</b>	<b><u>\$ 33,040</u></b>	<b><u>\$ 22,408</u></b>	<b><u>\$ 106,077</u></b>	<b><u>\$ 95,526</u></b>
<b>Attributable to:</b>				
Equity holders of SNL	<b>33,047</b>	22,265	106,096	95,233
Non-controlling interests	<b>(7)</b>	143	(19)	293
	<b><u>\$ 33,040</u></b>	<b><u>\$ 22,408</u></b>	<b><u>\$ 106,077</u></b>	<b><u>\$ 95,526</u></b>
<b>Earnings per Share:</b>				
Net profit from continuing operations attributable to SNL shareholders				
Basic	<b><u>\$ 0.57</u></b>	<u>\$ 0.38</u>	<u>\$ 1.89</u>	<u>\$ 1.62</u>
Diluted	<b><u>\$ 0.57</u></b>	<u>\$ 0.38</u>	<u>\$ 1.88</u>	<u>\$ 1.61</u>
Net profit attributable to SNL shareholders				
Basic	<b><u>\$ 0.55</u></b>	<u>\$ 0.37</u>	<u>\$ 1.78</u>	<u>\$ 1.60</u>
Diluted	<b><u>\$ 0.55</u></b>	<u>\$ 0.37</u>	<u>\$ 1.77</u>	<u>\$ 1.59</u>

See notes to the condensed consolidated interim financial statements.

**STOLT-NIELSEN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three months ended		Years ended	
	November 30, 2010	November 30, 2009	November 30, 2010	November 30, 2009
	(in thousands)			
Net profit for the period	\$ <b>33,040</b>	\$ 22,408	\$ 106,077	\$ 95,526
Net gain (loss) on cash flow hedges	<b>8,235</b>	(3,267)	(17,044)	76,155
Deferred tax adjustment on cash flow hedges	<b>(639)</b>	6,914	(770)	6,914
Net (loss) gain on cash flow hedge held by a joint venture	<b>(641)</b>	3,987	(1,570)	4,331
Exchange differences arising on translation of foreign operations	<b>5,301</b>	12,895	(19,647)	40,557
Deferred tax on translation of foreign operations	<b>(2,278)</b>	(6,810)	(2,153)	(6,810)
Exchange differences arising on translation of joint ventures and associates	<b>5,223</b>	8,388	(10,907)	21,262
Actuarial gain (loss) on pension schemes	<b>2,587</b>	(7,584)	2,324	(14,651)
Deferred tax adjustment on actuarial gain (loss) on pension schemes	<b>(8,596)</b>	3,170	(7,931)	4,914
Net income (loss) recognised as other comprehensive income	<b>9,192</b>	17,693	(57,698)	132,672
Total comprehensive income	<b>\$ 42,232</b>	\$ 40,101	\$ 48,379	\$ 228,198
<i>Attributable to:</i>				
Equity holders of SNL	<b>\$ 42,239</b>	\$ 39,958	\$ 48,398	\$ 227,905
Non-controlling interests	<b>(7)</b>	143	(19)	293
	<b>\$ 42,232</b>	\$ 40,101	\$ 48,379	\$ 228,198

See notes to the condensed consolidated interim financial statements.

**STOLT-NIELSEN LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**(UNAUDITED)**

	<u>November 30,</u> <u>2010</u>	<u>November 30,</u> <u>2009</u>
(in thousands)		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 42,919	\$ 38,459
Receivables	175,949	147,626
Inventories	7,645	7,501
Biological assets	33,661	30,426
Prepaid expenses	38,036	46,340
Assets held for sale (Note 13)	78,829	3,646
Derivative financial instruments	1,248	11,863
Income tax receivable	3,719	9,884
Other current assets	24,059	22,601
<b>Total Current Assets</b>	<u>406,065</u>	<u>318,346</u>
Property, plant and equipment (Note 6)	2,132,531	2,508,656
Investments in and advances to joint ventures and associates	359,396	306,095
Deferred tax assets	4,054	15,263
Intangible assets and goodwill	35,390	34,821
Employee benefit assets	13,378	14,507
Derivative financial instruments	—	1,276
Other assets	13,466	12,008
<b>Total Non-current Assets</b>	<u>2,558,215</u>	<u>2,892,626</u>
<b>Total Assets</b>	<u>\$ 2,964,280</u>	<u>\$ 3,210,972</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Short-term bank loans (Note 7)	\$ 145,000	\$ 355,900
Current maturities of long-term debt and finance leases (Note 7)	106,171	84,035
Accounts payable	67,108	59,601
Accrued voyage expenses	64,141	61,267
Dividend payable	29,910	29,900
Accrued expenses	138,426	129,429
Provisions	7,420	14,770
Income tax payable	8,413	12,691
Derivative financial instruments	10,173	9,895
Liabilities held for sale (Note 13)	3,619	—
Other current liabilities	18,537	15,546
<b>Total Current Liabilities</b>	<u>598,918</u>	<u>773,034</u>
Long-term debt and finance leases (Note 7)	741,443	840,472
Deferred tax liabilities	17,993	7,017
Employee benefits	50,047	59,881
Derivative financial instruments	17,945	12,220
Other liabilities	2,861	2,515
<b>Total Non-current Liabilities</b>	<u>830,289</u>	<u>922,105</u>
<b>Shareholders' Equity</b>		
Founder's shares	16	—
Common shares	64,134	64,134
Paid-in surplus	348,158	348,655
Retained earnings	1,257,846	1,187,268
Other components of equity	(8,645)	43,446
	<u>1,661,509</u>	<u>1,643,503</u>
Less – Treasury stock	(129,572)	(130,854)
<b>Equity Attributable to Equity Holders of SNL</b>	<u>1,531,937</u>	<u>1,512,649</u>
Non-controlling interests	3,136	3,184
<b>Total Shareholders' equity</b>	<u>1,535,073</u>	<u>1,515,833</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 2,964,280</u>	<u>\$ 3,210,972</u>

See notes to the condensed consolidated interim financial statements.

**STOLT-NIELSEN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**

	Capital Stock	Founder Shares	Paid-in Surplus	Treasury Stock	Retained Earnings	Foreign Currency Reserve (b)	Hedging Reserve (b)	Attributable to Equity Holders of SNL	Non-Controlling Interests	Total
	(in thousands, except for share data)									
<b>Balance, November 30, 2008</b>	<b>\$ 64,134</b>	<b>\$ —</b>	<b>\$ 347,499</b>	<b>\$ (131,307)</b>	<b>\$ 1,131,672</b>	<b>\$ (14,829)</b>	<b>\$ (84,134)</b>	<b>\$ 1,313,035</b>	<b>\$ 3,066</b>	<b>\$ 1,316,101</b>
<b>Comprehensive income</b>										
Net profit	—	—	—	—	95,233	—	—	95,233	293	95,526
<b>Other comprehensive income (loss)</b>										
Translation adjustments, net	—	—	—	—	—	55,009	—	55,009	—	55,009
Net actuarial loss on pension schemes	—	—	—	—	(9,737)	—	—	(9,737)	—	(9,737)
Net loss on cash flow hedges	—	—	—	—	—	—	87,400	87,400	—	87,400
Total other comprehensive income	—	—	—	—	(9,737)	55,009	87,400	132,672	—	132,672
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>85,496</b>	<b>55,009</b>	<b>87,400</b>	<b>227,905</b>	<b>293</b>	<b>228,198</b>
<b>Transactions with shareholders</b>										
Exercise of share options for 15,503 Treasury shares	—	—	(337)	453	—	—	—	116	—	116
Share-based compensation	—	—	1,493	—	—	—	—	1,493	—	1,493
Dividends	—	—	—	—	—	—	—	—	(175)	(175)
Cash dividends paid—\$0.50 per Common share (a)	—	—	—	—	(29,825)	—	—	(29,825)	—	(29,825)
Cash dividends paid—\$0.005 per Founder's shares (a)	—	—	—	—	(75)	—	—	(75)	—	(75)
<b>Total transactions with shareholders</b>	<b>—</b>	<b>—</b>	<b>1,156</b>	<b>453</b>	<b>(29,900)</b>	<b>—</b>	<b>—</b>	<b>(28,291)</b>	<b>(175)</b>	<b>(28,466)</b>
<b>Balance, November 30, 2009</b>	<b>\$ 64,134</b>	<b>\$ —</b>	<b>\$ 348,655</b>	<b>\$ (130,854)</b>	<b>\$ 1,187,268</b>	<b>\$ 40,180</b>	<b>\$ 3,266</b>	<b>\$ 1,512,649</b>	<b>\$ 3,184</b>	<b>\$ 1,515,833</b>
<b>Comprehensive income</b>										
Net profit	—	—	—	—	106,096	—	—	106,096	(19)	106,077
<b>Other comprehensive income (loss)</b>										
Translation adjustments, net	—	—	—	—	—	(32,707)	—	(32,707)	—	(32,707)
Net actuarial loss on pension schemes	—	—	—	—	(5,607)	—	—	(5,607)	—	(5,607)
Net gain on cash flow hedges	—	—	—	—	—	—	(19,384)	(19,384)	—	(19,384)
Total other comprehensive income	—	—	—	—	(5,607)	(32,707)	(19,384)	(57,698)	—	(57,698)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>100,489</b>	<b>(32,707)</b>	<b>(19,384)</b>	<b>48,398</b>	<b>(19)</b>	<b>48,379</b>
<b>Transactions with shareholders</b>										
Exercise of share options for 52,321 Treasury shares	—	—	(902)	1,527	—	—	—	625	—	625
Repurchase of shares	—	—	—	(245)	—	—	—	(245)	—	(245)
Share-based compensation	—	—	405	—	—	—	—	405	—	405
Founder's shares payment	—	16	—	—	—	—	—	16	—	16
Dividends	—	—	—	—	—	—	—	—	(29)	(29)
Cash dividends paid—\$0.50 per Common share (c)	—	—	—	—	(29,836)	—	—	(29,836)	—	(29,836)
Cash dividends paid—\$0.005 per Founder's shares (c)	—	—	—	—	(75)	—	—	(75)	—	(75)
<b>Total transactions with shareholders</b>	<b>—</b>	<b>16</b>	<b>(497)</b>	<b>1,282</b>	<b>(29,911)</b>	<b>—</b>	<b>—</b>	<b>(29,110)</b>	<b>(29)</b>	<b>(29,139)</b>
<b>Balance, November 30, 2010</b>	<b>\$ 64,134</b>	<b>\$ 16</b>	<b>\$ 348,158</b>	<b>\$ (129,572)</b>	<b>\$ 1,257,846</b>	<b>\$ 7,473</b>	<b>\$ (16,118)</b>	<b>\$ 1,531,937</b>	<b>\$ 3,136</b>	<b>\$ 1,535,073</b>

(a) The \$29.8 million is the 2009 interim dividend for common shares and \$0.1 million for founder shares.

(b) Other components of equity on the balance sheet of \$8.6 million at November 30, 2010 are composed of the Foreign currency reserve and the Hedging reserve.

(c) The \$29.8 million is the 2010 interim dividend for common shares and \$0.1 million for founder shares.

See notes to the condensed consolidated interim financial statements.

**STOLT-NIELSEN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	For the years ended	
	November 30, 2010	November 30, 2009
	(in thousands)	
<b>Cash generated from operations (Note 3)</b>	\$ 234,402	\$ 277,460
Interest paid (Note 8)	(51,264)	(50,869)
Interest received (Note 8)	46,967	6,643
Income taxes received	(5,478)	(1,733)
<b>Net cash generated by operating activities – Continuing operations</b>	<b>224,627</b>	<b>231,501</b>
<b>Net cash used for operating activities – Discontinued operations</b>	<b>(6,653)</b>	<b>(1,217)</b>
<b>Net cash generated by operating activities</b>	<b>217,974</b>	<b>230,284</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(276,966)	(249,323)
Purchase of intangible assets	(7,032)	(3,218)
Proceeds from sales of ships and other assets	208,968	14,041
Investment in joint ventures and associates	(40,019)	(1,263)
(Advances) repayment of advances to joint ventures and associates	(3,000)	43,346
Refunds of progress payments on ships	295,750	—
Other, net	(2,212)	568
<b>Net cash provided by (used in) investing activities – Continuing Operations</b>	<b>175,489</b>	<b>(195,849)</b>
<b>Net cash used in investing activities – Discontinued Operations</b>	<b>(52,609)</b>	<b>—</b>
<b>Net cash provided by (used in) investing activities</b>	<b>122,880</b>	<b>(195,849)</b>
<b>Cash flows from financing activities:</b>		
Decrease in short-term bank loans, net	(210,900)	(122,362)
Proceeds from issuance of long-term debt	165,064	185,946
Repayment of long-term debt	(255,780)	(62,265)
Deferred debt issuance costs	(62)	(2,098)
Finance lease payments	(2,428)	(3,788)
Purchase of treasury shares	(245)	—
Proceeds from exercise of stock options	625	116
Dividends paid	(29,900)	(29,892)
<b>Net cash used in financing activities</b>	<b>(333,626)</b>	<b>(34,343)</b>
Effect of exchange rate changes on cash	(2,768)	4,110
<b>Net increase in cash and cash equivalents</b>	<b>4,460</b>	<b>4,202</b>
Cash and cash equivalents at beginning of the period	38,459	34,257
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 42,919</b>	<b>\$ 38,459</b>

See notes to the condensed consolidated interim financial statements.

## **1. Basis of Preparation**

The condensed consolidated interim financial statements of Stolt-Nielsen Limited (the “Company” or “SNL”), a Bermuda company and its subsidiaries (collectively, the “Group”) have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Company’s shares are listed on the Oslo Børs.

On November 16, 2010, the Boards of Directors of each of Stolt-Nielsen Limited and Stolt-Nielsen S.A., approved a merger by absorption and amalgamation of Stolt-Nielsen S.A. into and with Stolt-Nielsen Limited, and the amalgamated company has continued as an exempted company under the laws of Bermuda. As a result, all of the assets and liabilities of Stolt-Nielsen S.A. and Stolt-Nielsen Limited have become the assets and liabilities of the merged company, Stolt-Nielsen Limited, upon the Merger becoming effective on November 18, 2010 in accordance with the Companies Act of 1981 of Bermuda (the “Bermuda Companies Act”) by way of amalgamation, and as a merger under the law of 10 August 1915 on commercial companies of Luxembourg, as amended (the “Luxembourg Company Law”).

Upon the completion of the merger, one Common Share in Stolt-Nielsen S.A. was converted into and became one Common Share in SNL, and one Founder's Share in Stolt-Nielsen S.A. became one Founder's Share in SNL. The outstanding share capital was therefore unaffected by this transaction.

The condensed consolidated interim financial statements should be reviewed in conjunction with the final consolidated financial statements of Stolt-Nielsen S.A. for the year ended November 30, 2009, to fully understand the current financial position of the Group. Further, the Group has also published a quarterly press release for the fourth quarter of the year ended November 30, 2010 on January 27, 2011.

## **2. Significant Accounting Policies**

The accounting policies applied are consistent with those described in footnote 2 of the annual consolidated financial statements for the year ended November 30, 2009 except for the following new amendments to standards:

- IFRS 3 (revised), Business Combinations;
- IAS 27 (revised), Consolidated and Separate Financial Statements; and
- IFRS 7 (Amendment), Improving Disclosures about Financial Instruments.

All other standards and amendments which became effective in 2010 have had no impact on the Group.

The following new or amendments to standards and interpretations have been issued and become effective in 2011 and beyond but will have no material impact on the financial statements of the Group:

- IAS 32 (Amendment), Financial Instruments: Presentation, Amendments, effective February 1, 2010
- IFRS 2 (Amendment), Share-based Payment, effective January 1, 2010
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, effective July 1, 2010
- IFRS Improvements to IFRSs (April 2009), dates vary, but primarily from January 1, 2010
- IAS 36 (Amendment), Impairment of Assets, effective January 1, 2010
- IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations, effective January 1, 2010
- IFRS 9, Financial Instruments, effective January 1, 2013
- IAS 24 (Amendment), Related Party Disclosures, effective January 1, 2011
- IFRIC 14, Prepayments of a Minimum Funding Requirement, effective January 1, 2011.



### 3. Reconciliation of Net Profit to Cash Generated from Operations

	Years Ended	
	November 30, 2010	November 30, 2009
	(in thousands)	
<b>Net profit</b>	\$ 106,077	\$ 95,526
Loss from discontinued operations	6,681	1,226
Profit from continuing operations	112,758	96,752
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation of property, plant and equipment	146,968	133,957
Amortisation of other intangible assets	2,652	2,714
Amortisation of debt issuance costs	2,142	2,427
Loss on early retirement of debt	4,538	—
Net periodic benefit costs of defined benefit pension plans	4,044	5,188
Provisions for reserves and deferred taxes	12,046	1,749
Share of profit of joint ventures and associates	(24,710)	(19,748)
Fair value adjustment on biological assets	(5,778)	565
Foreign currency related gains	(4,188)	(2,438)
Gain on disposal of assets, net	(7,183)	(439)
Share-based compensation expense	405	1,493
<b>Changes in assets and liabilities, net of effect of acquisitions and divestitures:</b>		
(Increase) decrease in trade receivables	(23,965)	61,390
(Increase) decrease in inventories	(182)	640
Increase in biological assets	(886)	(918)
Decrease in prepaid expenses and other current assets	6,556	14,442
Decrease (increase) in accounts payable and other current liabilities	20,338	(3,958)
Contributions to defined benefit pension plans	(12,658)	(12,605)
Dividends from joint ventures	586	1,010
Other, net	919	(4,761)
<b>Cash generated from operations</b>	<b>\$ 234,402</b>	<b>\$ 277,460</b>

### 4. Business and Geographic Segment Information

The segment information is provided on the same basis as stated in the consolidated financial statements for the year ended November 30, 2009. The Stolt-Nielsen Gas segment had been shown as a reportable segment in the May 31, 2010 condensed consolidated financial statements. However, as discussed further in Note 13, this segment is being shown as discontinued operations as its operating subsidiary, Avance Gas Holdings, Ltd. (“AGHL”), was contributed to a newly created joint venture in the post balance sheet period. Details of the results for the Stolt Gas business are shown in Note 13.

#### 4. Business and Geographic Segment Information (Continued)

The following tables show the summarized financial information, in U.S. thousand dollars, for each reportable segment and the underlying operating segments:

	<u>Tankers</u>	<u>Terminals</u>	<u>Tank Containers</u>	<u>Stolt Sea Farm</u>	<u>Corporate and Other</u>	<u>Total</u>
<b><i>For the three months ended November 30, 2010</i></b>						
Operating revenue	\$ 275,842	\$ 33,644	\$ 132,700	\$ 13,276	\$ 3,941	\$ 459,403
Depreciation and amortisation including drydocking	(27,047)	(4,461)	(4,665)	(922)	(1,904)	(38,999)
Share of profit of joint ventures and associates	2,530	4,011	58	—	—	6,599
Operating profit (loss)	11,039	14,383	20,966	3,858	(4,730)	45,516
Capital expenditures *	40,172	22,724	2,598	347	14,669	80,510
<b><i>For the year ended November 30, 2010</i></b>						
Operating revenue	\$ 1,095,057	\$ 128,102	\$ 498,275	\$ 54,340	\$ 17,894	\$ 1,793,668
Depreciation and amortisation including drydocking	106,668	16,488	18,173	3,427	4,864	149,620
Share of profit of joint ventures and associates	8,109	16,209	392	—	—	24,710
Operating profit (loss)	31,423	56,940	64,334	12,562	(4,391)	160,868
Capital expenditures *	212,221	41,424	20,456	1,560	73,626	349,287
<b><i>As of November 30, 2010</i></b>						
Investments in and advances to joint ventures and associates	188,596	166,305	4,495	—	—	359,396
Segment assets	1,873,096	530,471	306,507	79,333	174,873	2,964,280
	<u>Tankers</u>	<u>Terminals</u>	<u>Tank Containers</u>	<u>Stolt Sea Farm</u>	<u>Corporate and Other</u>	<u>Total</u>
<b><i>For the three months ended November 30, 2009</i></b>						
Operating revenue	\$ 273,661	\$ 29,971	\$ 111,429	\$ 12,246	\$ 3,144	\$ 430,451
Depreciation and amortisation including drydocking	(22,827)	(4,093)	(4,472)	(1,305)	117	(32,580)
Share of profit of joint ventures and associates	2,272	3,703	118	—	—	6,093
Operating profit (loss)	11,316	14,535	9,742	(1,958)	(5,606)	28,029
Capital expenditures *	33,503	5,696	2,108	319	2,707	44,333
<b><i>For the year ended November 30, 2009</i></b>						
Operating revenue	\$ 1,035,147	\$ 118,822	\$ 429,867	\$ 48,060	\$ 13,239	\$ 1,645,135
Depreciation and amortisation including drydocking	(96,659)	(14,416)	(18,590)	(3,526)	(3,481)	(136,671)
Share of profit of joint ventures and associates	9,853	9,764	131	—	—	19,748
Operating profit (loss)	24,765	49,970	54,246	4,530	(9,866)	123,645
Capital expenditures *	234,809	29,470	5,606	4,900	6,102	280,887
<b><i>As of November 30, 2009</i></b>						
Investments in and advances to joint ventures and associates	140,790	163,105	2,200	—	—	306,095
Segment assets	2,222,868	498,273	290,007	80,397	119,427	3,210,972

\* Capital expenditures include additions to property, plant and equipment and intangible assets other than goodwill including additions resulting from acquisitions through business combinations.

## 5. Capital Stock, Founder's Shares, Dividends Declared and Share Repurchases

The Group's authorised share capital consists of 65,000,000 Common shares, par value of \$1 per share and 16,250,000 Founder's shares, par value of \$0.001 per share. As of November 30, 2010 and 2009, 4,474,487 and 4,484,008, respectively, of Treasury shares were held by the Group.

In November 2010, the Founder paid \$16,033 for the Founders' shares.

For November 2010, the Group's Board of Directors declared an interim dividend of \$0.50 per Common Share on November 19, 2010 to shareholders of record as of December 2, 2010.

The Group announced on November 19, 2010, that the Board of Directors has authorized the Company to purchase up to \$50 million worth of its Common shares. The total number of shares repurchased under this program in 2010 was 42,800 for \$0.2 million. The Company also acquired 10,700 Founder's shares.

## 6. Property, Plant and Equipment

During the three months ended November 30, 2010, the Group spent \$82.9 million on property, plant and equipment, primarily reflecting (a) \$57.5 million related to purchase of two ships previously under time charter, (b) \$15.0 million on terminal projects, and (c) \$10.0 million on installments on Bitumen ships. See the discussion of the refund from SLS Shipbuilding Co. Ltd ("SLS") on previously paid progress payments in Note 8 below.

For the year ended November 30, 2010, the Group spent \$277.0 million. In addition to the \$82.9 million discussed above, capital expenditures for the year included (a) \$130.4 million for deposits and progress payments on six newbuildings for Stolt Tankers, (b) \$7.8 million for purchase of a second hand ship and (c) \$14.6 million for new tank containers. Included in investments from discontinued operations was the purchase of the Very Large Gas Carrier ("VLGC"), *Stolt Avance*.

The Group recorded a net gain on sale of assets of \$3.3 million, primarily relating to the sale of the *Stolt Pride* during the three months ended November 30, 2010. For the full year, the gain was \$7.2 million as, in addition to the *Stolt Pride*, four ships were sold or recycled during the year. In addition, for the full year, Tankers sold four new 44,000 dead weight ton ("dwt") coated ships to its joint venture, Gulf Stolt Tankers DMMCO ("Gulf Stolt Tankers") for a \$1.7 million gain.

During the three months ended November 30, 2009, the Group spent \$36.2 million, primarily reflecting (a) \$27.5 million related to installments on the Group's newbuilding tanker program and (b) \$5.7 million on terminal projects.

For the year ended November 30, 2009, the Group spent \$249.3 million. In addition to the \$36.2 million mentioned above, capital expenditures for the year primarily reflected (a) \$161.6 million related to installments on the Group's newbuilding tanker program, (b) \$16.5 million on terminal projects and (c) \$12.7 million of dry docking expenditures.

The Group recorded a net gain on sale of assets of \$0.2 million during the three months ended November 30, 2009. For the year end November 30, 2009, there was a net loss of \$0.5 million from the recycling of *Stolt Excellence*, *Stolt Eagle*, *Stolt Condor*, *Stolt Loyalty* and *Stolt Sincerity*.

The Group has reviewed its plant, property and equipment for impairment at November 30, 2010 by comparing its carrying amount to the higher of its fair value less costs to sale or future discounted cash flows that the asset is expected to generate over its remaining useful life. If a ship or equipment is considered to be impaired, impairment is recognised in an amount equal to the excess of the carrying value of the asset over its recoverable value. The tanker ships are reviewed for impairment on a fleet basis at the end of the period. No impairment of ships was considered necessary.

## **6. Property, Plant and Equipment (Continued)**

A projected 5% decrease in the deep sea tanker trading gross margins assumed in the discounted cash flow models used in the impairment testing would result in a decrease in the present value of the deep sea fleet of ships by approximately \$153.8 million. Despite the decrease, the present value would still be greater than net book value and would not result in an impairment of the Group's ships.

An increase in the weighted average cost of capital used in the present value calculation of 2% would result in the decrease in present value of the deep sea fleet of ships by approximately \$240.1 million which would not result in an impairment of the Group's ships.

## **7. Short and Long Term Debt**

The Group repaid \$56.4 million of short term debt in the three months ended November 30, 2010 while it repaid \$210.9 million for the year ended November 30, 2010. Long-term debt extinguishments were \$132.4 million for the three months ended November 30, 2010 while it was \$255.8 million for the year ended November 30, 2010. This was due to the full extinguishment of the SLS related debt, as discussed in Note 8 below, as well as normal installment payments.

Proceeds from the issuance of debt for the three months ended November 30, 2010 were \$4.1 million from capitalization of loan interest and \$165.1 million for the year ended November 30, 2010 as in the first nine months of 2010 the Group drew down \$125.0 million on the Eksportfinans ASA and DnB Nor Bank ASA facility agreement upon the delivery of two new buildings and \$36.0 million on the Danish Ship Finance A/S agreement.

## **8. SLS Early Termination Agreement**

In 2006 and 2007 the Group ordered eight stainless steel ships at SLS in South Korea. Following discussions with the yard during which it became obvious that the yard would not be able to deliver the ships on schedule, the Group received a refund on August 17, 2010 of \$84.5 million plus accrued interest of \$14.5 million as part of a termination agreement with SLS to cancel newbuilding contracts for two of the eight ships. On September 16, 2010 and September 20, 2010, the Group received a total refund of \$211.3 million plus interest of \$29.7 million as part of the termination agreement, relating to the cancellation of the final six ships of the eight ship order. Interest previously capitalised of \$9.0 million and \$19.4 million was reversed into income during the third and fourth quarters of 2010, respectively, upon receipt of the refund. After the cancellation of the eight ships the Group does not have any contracts for further ships with SLS.

The Group repaid \$52.2 million and \$112.5 million on the related outstanding loan facility in the third and fourth quarters of 2010, respectively. In the fourth quarter, a loss of \$4.5 million was recorded to Other non-operating expenses to write-off the unamortized debt issuance costs. Also, related to this, the remaining debt issuance costs of \$7.9 million are included in Accounts receivable as they have been refunded to the Group subsequent to November 30, 2010.

## **9. Commitments and Contingencies**

As of November 30, 2010 and 2009, the Group had total capital expenditure purchase commitments outstanding of approximately \$608.0 million and \$746.0 million, respectively.

### *Shipbuilding Contracts*

The Group entered into six shipbuilding contracts with Kleven Florø in 2006 (since then acquired by STX and now referred above as STX Yards) to build six 43,000 dwt parcel tankers. The last four ships were to be constructed pursuant to the Common Structural Rules ("CSR") for tankers issued by the International Association of Classification Societies although the precise impact of this was still to be resolved at the time the contracts were agreed. STX Yards claimed an additional total cost of \$12.3 million for the above four ships for complying with the CSR requirements and permissible delay varying from 35 to 90 days for each ship. The Group disputed this claim as it considered the yard claim to be excessive and believed that STX Yards was entitled to \$4.8 million.

On October 22, 2010, the Group and STX Yards agreed to settle the dispute. Under the shipbuilding agreements, the Group paid the disputed amounts in order to take delivery of each ship. As a result of this settlement, STX Yards returned \$7.5 million of the disputed amount to the Group. An additional \$0.2 million was paid in interest on the refund.

## **9. Commitments and Contingencies (Continued)**

The Group entered into an agreement with SLS for four 44,000 dwt parcel tankers in 2005. In January 2010, due to extended delays, an agreement was reached with SLS to purchase the four ships that had been contracted earlier at a reduced price. The last of the four ships was delivered in July 2010. These ships have been sold into Gulf Stolt Tankers.

In May and July 2010, NYK Stolt Shipholding Inc, the Group's 50% owned joint venture with Nippon Yusen Kaisha, took delivery of the first two of four 12,800 dwt stainless steel chemical carriers on order at Usuki Shipyard Co Ltd ("Usuki") in Japan. Delivery of the final two ships are expected in 2011. The Group has provided guarantees to Usuki for 50% of the cost of the ships. At November 30, 2010, the guarantee is for the Group's share of expenditures of \$37.4 million and extends until June 2011. The Group has recorded a liability of \$0.1 million at November 30, 2010 in relation to the fair value of this guarantee. The joint venture has committed financing and sufficient cash to meet all the remaining yard payments.

### *Purchase Commitments*

The Group's joint ventures had an additional \$38.4 million of purchase commitments, not specifically guaranteed by the Group. These primarily relate to terminal expansion projects.

### *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 U.S. 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.

During 2001, the Group sold their tank storage terminals in Perth Amboy, New Jersey and Chicago, Illinois. Under the terms of the sales agreements, the Group had retained responsibility for certain environmental contingencies, should they arise during the covered period which ended two years after the closing dates, in connection with these two sites. As of November 30, 2010, the Group has not been notified of any such contingencies having been incurred by the purchaser of the two sites and neither does it anticipate any such contingencies being incurred in the future. The Chicago, Illinois terminal property had been leased under a long-term agreement with the Illinois International Port District. In addition, as part of the Chicago, Illinois sale, the Group assigned its rights to the terminal property to a third party. The Group is contingently liable if the third party does not return the facility in acceptable condition at the end of the sublease period, on June 30, 2026. Due to the uncertainties over the resolution of this matter, no provision has been recorded.

The Group retained ownership of approximately 77 acres of land at Perth Amboy with potential contaminated property. In a bankruptcy proceeding involving a previous owner of the property, the bankruptcy court approved a remediation fund designated for and to be held in escrow for such cleanup costs, which funds have been paid from the court and are being held in escrow. As the Group does not feel it is probable that any future cash outflows will be greater than the amount held in escrow, no provision has been recorded.

## **9. Commitments and Contingencies (Continued)**

The Group's tank storage terminal in Braithwaite, Louisiana ("Stolthaven New Orleans") received various compliance orders and notices of potential penalty in July and August 2008 from the Louisiana Department of Environmental Quality ("LDEQ") relating to a discharge of product in March 2008. Stolthaven New Orleans has contested certain findings of the LDEQ. These enforcement notices raise potential violations of Louisiana environmental laws and regulations. As a result of the same discharge of product, the U.S. Environmental Protection Agency ("EPA") issued a request for information in June 2008 requesting documents and information. The United States Department of Justice also issued a subpoena for documents in July 2008 relating to the same incident. Stolthaven New Orleans has cooperated with each of the requests from such governmental agencies. It is not expected that resolution of the matter will have a material effect on the Group's business or financial condition.

## **10. Related Party Transactions**

The Group continues to transact with related parties as in prior years. In the current year, the Group sold to its joint venture, Gulf Stolt Tankers, four new 44,000 dwt coated chemical tankers for \$192.1 million. The ships are being traded in the Stolt Tankers Joint Service ("STJS"). Technical ship management is being provided by a second joint venture, Gulf Stolt Ship Management JLT.

## **11. Seasonality**

Sales of seafood are generally stronger for Caviar and Turbot in the first quarter of the year as this coincides with increased sales over the Christmas and New Year holidays.

## **12. Legal Proceedings**

For the matters described below, the Company incurred legal costs and provisions of \$0.4 million in 2010 and \$7.4 million in 2009, which are included in "Administrative and general expenses" in the consolidated income statements. The Group records provisions for certain legal cases discussed below where it believes the likelihood of losses is probable. Ongoing legal proceedings could have a material adverse effect on the Group's consolidated financial positions or results of operations in the future.

The Company expects that it will continue to incur additional legal costs until these matters are resolved. During 2010, the Company was involved in certain antitrust-related legal proceedings.

### *Governmental Antitrust Investigations into the Company's Parcel Tanker Business*

In 2002, the Company became aware of information that caused it to undertake an internal investigation regarding potential improper collusive behaviour in its parcel tanker and intra-Europe inland barge operations. As a consequence of the internal investigation, the Company voluntarily reported certain conduct to the Antitrust Division (the "Antitrust Division") of the U.S. Department of Justice (the "DOJ") and the Competition Directorate of the European Commission (the "EC"). The DOJ and the EC investigations ultimately were concluded without any fines or penalties being imposed against the Company.

On September 30, 2008, the Company announced that it had reached an agreement to resolve a related investigation by the Canadian Competition Bureau ("CCB") into the parcel tanker shipping industry. The Company was not charged with an offence and did not admit to any violations of Canadian competition law. At that time, the Company consented to the issuance of a Prohibition Order by the Federal Court of Canada requiring certain ongoing compliance measures with Canadian competition laws and made a payment of CDN \$200,000 dollars toward the cost of the CCB investigation.

The CCB investigation is ongoing, and the Company is continuing to cooperate with the CCB. The Company is unable to determine if an unfavourable outcome is probable, is unable to estimate a range of possible losses, and has therefore made no provisions for any fines related to the ongoing Canadian antitrust investigation in the accompanying consolidated financial statements. It is possible that the outcome of this ongoing investigation could result in criminal prosecutions, and if the Company is found guilty, material fines and penalties. Consequently, the outcome of the CCB investigation could have a material adverse effect on the Company's financial condition, cash flows and results of operations.

### *Antitrust Civil Class Action Litigations and Arbitrations*

During 2010, there were two putative private antitrust class action lawsuits outstanding against the Company in U.S. federal and state courts for alleged violations of antitrust laws:

## 12. Legal Proceedings (Continued)

1. *Karen Brock, on behalf of herself and all others similarly situated, v. Stolt-Nielsen S.A., Stolt-Nielsen Transportation Group Ltd., Odffjell ASA, Odffjell USA, Inc., Jo Tankers BV, Jo Tankers USA, Inc., Tokyo Marine Co. Ltd and Does 1 through 100 inclusive, No. CGC 04429758 (Superior Court of Cal., County of San Francisco) (“Brock”); and*
2. *AnimalFeeds International Corp., Inversiones Pesqueras S.A., Central Pacific Protein Corp, and Atlantic Shippers of Texas, Inc., individually and on behalf of all other similarly situated v. Stolt-Nielsen S.A., Stolt-Nielsen Transportation Group Ltd., Odffjell ASA; Odffjell USA Inc., Jo Tankers BV, Jo Tankers USA, Inc., and Tokyo Marine Co. Ltd, 2:03-CV-5002 (E.D. Pa.) (“AnimalFeeds”).*

These class actions set forth almost identical claims of collusion and bid rigging in the parcel tanker industry. On behalf of each putative class, the suits seek treble damages in unspecified amounts and allege violations of the Sherman Antitrust Act or various state antitrust and unfair trade practices acts.

In the *Brock* class action, parties claiming to be indirect purchasers of the Company’s parcel tanker services brought claims in California state court antitrust class actions, alleging that collusion resulted in higher prices being passed on to them. The *Brock* action, which is currently pending, was stayed through late 2010. On January 12, 2011, the Company, along with the other defendants, moved to dismiss the *Brock* complaint in its entirety for failing to state a claim and because the plaintiffs lack standing.

In *AnimalFeeds*, a customer claimed on behalf of a putative class that, as a result of the defendants’ alleged collusive conduct, it paid higher prices under its contracts with the defendants. *AnimalFeeds* was first consolidated into a single multidistrict litigation proceeding in the U.S. District Court for the District of Connecticut. As a result of other proceedings, *AnimalFeeds*, a direct purchaser, was required to proceed in arbitration rather than in federal district court. A New York arbitration panel then ruled that *AnimalFeeds* could proceed with its claims on a class action basis. The Company challenged that arbitration panel ruling in federal court.

On April 27, 2010, the Supreme Court of the United States ruled in the Company’s favour, rejecting class arbitration of antitrust claims brought by a purported class led by *AnimalFeeds*. The Court’s majority opinion held an arbitration panel’s earlier decision that had permitted class arbitration was in conflict with the principle that arbitration is a matter of consent.

In October 2010, plaintiff-claimant *AnimalFeeds* voluntarily dismissed all of its remaining claims against the Company, pursuant to a settlement agreement, terminating the *AnimalFeeds* litigation and arbitration. The *AnimalFeeds* settlement was not a material event for the Company.

### *Customer Settlements*

Since the governmental antitrust investigations began, the Company has engaged in discussions with a number of customers regarding the subject matter of those investigations to resolve existing and potential antitrust claims by such customers. The Company has typically resolved such claims by amending the commercial terms of its agreements with its customers and, in some case, making up-front cash payments or guaranteed payments to customers. In 2010, the Company has made no provisions against operating revenue for any settlement agreements or agreements in principle or offers made to customers.

### *Federal Securities Class Action Litigation*

The Company and four individuals are defendants in a putative civil securities class action claim filed in the U.S. District Court for the District of Connecticut. The complaint alleges that the Company and the other defendants violated U.S. embargo laws, as well as U.S. securities laws, because the Company’s public filings failed to disclose that a “material portion” of its revenues resulted from the defendants’ violations of U.S. embargo and antitrust laws. In June 2009, the Company finalized a settlement agreement that resolves this litigation. This agreement admits no liability or wrongdoing on the part of the Company or its officers and directors and requires the Company to make payments totaling \$2.0 million. The agreement requires, among other things, notice to the class of the proposed terms, and is subject to court approval, which cannot be assured and remains pending. The Company has made a \$2.0 million accrual in 2009 with respect to this settlement agreement.

## **12. Legal Proceedings (Continued)**

On September 10, 2010, the Court preliminarily approved the proposed settlement between the parties, as required by law. The Court's preliminary approval means that the parties can implement the settlement procedures called for in the settlement agreement and under applicable law, subject to final approval from the Court. The Court held a hearing on January 25, 2011, at which time it granted final approval of the proposed settlement.

### *General*

The Company is a party to various other legal proceedings arising in the ordinary course of business. The Company believes that none of those matters will have a material adverse effect on its business or financial condition.

The Company was also involved in arbitration related to certain shipbuilding contracts. These are discussed above in Note 9.

The ultimate outcome of governmental and third-party legal proceedings is inherently difficult to predict. The Company's operations are affected by U.S. and foreign environmental protection laws and regulations. Compliance with such laws and regulations entails considerable expense, including ship modifications and changes in operating procedure.

Due to the uncertainty over the resolution of the matters described above, as of November 30, 2010, the Company had not established any reserves for legal fees and costs related to these proceedings.

## **13. Discontinued Operations**

On December 2, 2010, a subsidiary of Stolt-Nielsen Gas Limited, AGHL, acquired three VLGCs owned by Sungas Holdings Ltd ("Sungas") for \$211.4 million. AGHL issued to Sungas common shares worth \$56.7 million for a 50% ownership in AGHL and entered into shareholder loans with the Group and Sungas for the remaining \$154.7 million. An additional shareholder loan was made by each shareholder for \$10.0 million on December 2, 2010 for working capital. Subsequent to the acquisition, the Group is expected to receive approximately \$3.7 million and Sungas to pay \$1.0 million in additional consideration for working capital contributed. This was funded by contributions of \$1.4 million from each shareholder.

A shareholder agreement was entered into between Sungas and Stolt-Nielsen Gas Limited which provides that the future operations of AGHL will be jointly controlled by the shareholders. As a result of the transaction, Stolt-Nielsen Limited has deconsolidated AGHL, effective December 2, 2010, and will account for it using the equity method in the future. AGHL will continue to perform the Group's operations in the transportation of LPG.

The Group is showing the Stolt-Nielsen Gas segment as a discontinued operation and its assets and liabilities as held for sale as it has disposed of its controlling interest, though retaining an investment interest in the joint venture.

Upon disposal, Stolt-Nielsen Gas Limited is expected to recognize a gain of approximately \$7.0 million as the difference between its share of AGHL and the carrying amount of the assets contributed to AGHL. Stolt-Nielsen Gas Limited also received \$7.5 million from Sungas as settlement for contractual obligations entered into by each shareholder prior to entering into the shareholder agreement.



### 13. Discontinued Operations (Continued)

Analysis of the results of discontinued operations is as follows:

	For the Three Months ended		For the Years ended	
	2010	2009	2010	2009
	(in thousands)			
Operating revenue	\$ 7,495	\$ —	\$ 21,430	\$ —
Expenses	(8,632)	(428)	(28,098)	(1,225)
Loss before tax from discontinued operations	(1,137)	(428)	(6,668)	(1,225)
Income tax	(13)	—	(13)	—
Net loss from discontinued operations	\$ (1,124)	\$ (428)	\$ (6,681)	\$ (1,225)
Basic loss from discontinued operations per share	\$ (0.02)	\$ (0.01)	\$ (0.11)	\$ (0.02)
Diluted loss from discontinued operations per share	\$ (0.02)	\$ (0.01)	\$ (0.11)	\$ (0.02)

Assets of the disposal group held for sale are as follows:

	As of November 30,	
	2010	2009
	(in thousands)	
Cash	108	—
Receivables, net	1,426	—
Prepaid expenses	3,714	—
Other current assets	468	—
Property, plant and equipment	50,684	—
	<u>56,400</u>	<u>—</u>

At November 30, 2010, in addition to AGHL, the Group has included in Assets held for sale the net book value of the *Stolt Nanami* with a net book value of \$20.3 million and the initial down payment on the *Golden Charlotte* of \$2.1 million for a total of \$78.8 million. In the prior year, the Assets held for sale consisted of land at Perth Amboy for \$3.6 million.

Liabilities of the disposal group held for sale are as follows:

	As of November 30,	
	2010	2009
	(in thousands)	
Accounts payable	1,200	—
Accrued voyage expenses	351	—
Accrued expenses	2,065	—
Deferred income taxes payable	3	—
	<u>3,619</u>	<u>—</u>

### 14. Subsequent Events

On December 2, 2010, AGHL acquired three VLGCs owned by Sungas. See Note 13 above for further details.

#### 14. Subsequent Events (Continued)

The Group took delivery of four ships subsequent to November 30, 2010 and entered into a commitment to acquire another ship. The total purchase price of the five ships was \$161.0 million. Deliveries are as follows:

- On December 6, 2010, the *Golden Charlotte*, a Japanese built stainless steel parcel tanker (resold it to a third party on the same day)
- On January 5, 2011, the *Stolt Bobcat* (previously the M/T *Golden Legend*), a 23,432 dwt ship built in 2009 who will be entering the STJS fleet.
- On January 20, 2011, *Stolt Focus* (previously the M/T *Bow Favour*), a 37,467 dwt ship built in 2001 which will be entering the STJS fleet.
- On January 28, 2011, the *Stolt Ocelot* (formerly the M/T *Golden Ivy*), a 23,432 dwt ship built in 2008.
- Expected in March 2011, the *Stolt Vanguard*, a 25,261 dwt ship built in 2004, previously operated as a time charter.

All the ships will be entered into the STJS.

The Group received \$47.7 million upon the sale of the *Stolt Nanami* in January 2011 and the *Golden Charlotte*, which was resold to a third party on the same day as being delivered.