Stolt Offshore S.A.

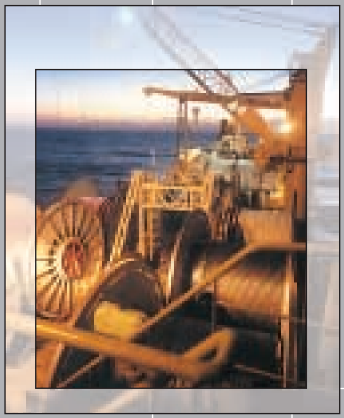
Combines Stolt Comex Seaway and ETPM

FIELD DEVELOPMENT

FIELD ABANDONMENT

ENGINEERING

INSTALLATION



SURVEYING

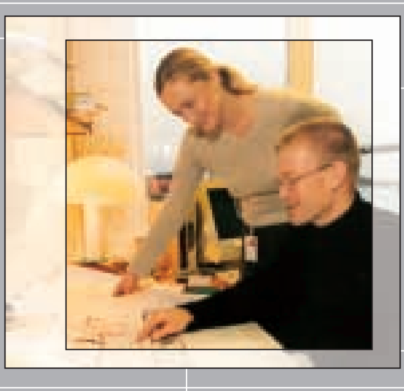
FIELD MAINTENANCE

FABRICATION

2000 ANNUAL REPORT

STOLT OFFSHORE

With more than 25 years of experience, Stolt Offshore is now one of the largest offshore contractors in the international offshore oil and gas industry. The Company offers customers total field development solutions anywhere in the world. Our capabilities include the design, supply and installation of all of the subsea architecture from the subsea wellheads to fixed or floating process platforms. We operate the world's largest fleet of specialist subsea construction ships and employ some of the most talented and dedicated people in our industry. The Company, which operates in Europe, the Middle East, West Africa, Asia Pacific and the Americas is listed on both Nasdaq in the United States, and the Oslo Stock Exchange in Norway.



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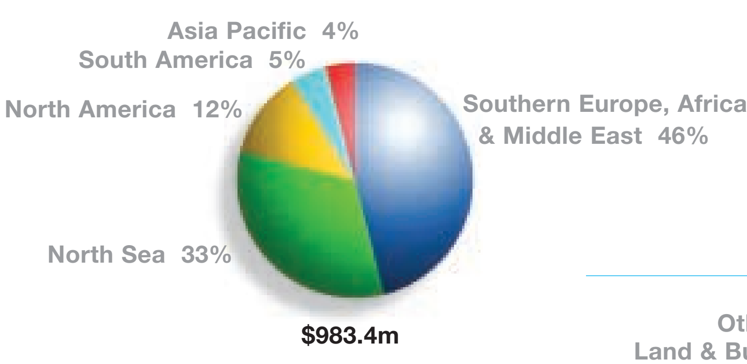
2000 FINANCIAL HIGHLIGHTS

2000 was a difficult year for the Company, as market conditions have remained weak.

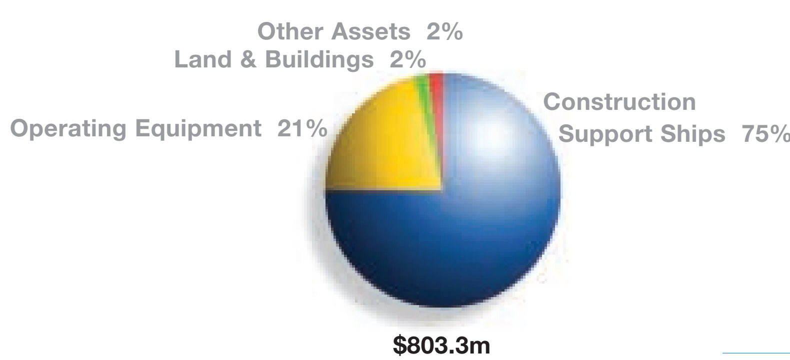
For the years ended November 30,	2000	1999	1998
(In millions, except per share data)			
Net operating revenue	$983.4	$640.7	$649.8
Income from operations	(5.0)	24.2	77.7
Net income	(34.4)	16.2	57.3
Cash flows from operating activities	58.2	40.3	103.7
Earnings per share:			
Basic	(0.44)	0.27	0.97
Diluted	(0.44)	0.27	0.96
Weighted average of economically equivalent shares outstanding:			
Basic	78.8	59.1	59.0
Diluted	78.8	59.5	60.0

As of November 30,	2000	1999	1998
(In millions, except per share data)			
Long-term debt and capital lease obligations	$292.5	$200.7	$221.2
Shareholders' equity	669.4	408.4	400.6
Book value per share	7.68	6.90	6.79

2000 Operating Revenue by Region



Net Fixed Assets as of November 30, 2000



Jacob Stolt-Nielsen
Chairman of the Board

We have the capacity and the ability to double revenue without significant further investment.

When we acquired ETPM in December 1999 we knew that their order book for 2000 was very thin and that, this late, there was little chance of winning additional work for the ETPM assets in 2000. We were therefore aware that the business we had bought would not contribute positively to the Company's results the first year. We have to think of this as part of the acquisition cost.

During the first quarter we experienced some of the worst weather on record in the North Sea, which caused significant delays waiting on weather and consequent cost overruns on two projects. Furthermore, offshore activity in the Gulf of Mexico during much of the year was low and margins depressed. This further reduced the result for the year. At this time last year we saw clear signs on the horizon of an increasing market volume in the second half of 2000 but the recovery, which is now evident, has taken six months longer to reach our market than we had expected.

The acquisition of Ceanic and ETPM, the formation of the NKT Flexibles joint venture and the recently announced acquisition of a controlling interest in Paragon Engineering Services in Houston, concludes the acquisition program which resulted from the strategic decision we made two and a half years ago to make the Company capable of taking on any deepwater EPIC contract, anywhere, no matter how large.

We are making progress toward this ambitious goal. Stolt Offshore is now considered for almost every deepwater development anywhere in the world. We are making good progress in consolidating and integrating the cultures of the predecessor companies into one new Stolt Offshore, picking the best practices from each and at the same time realizing cost savings and synergies. With the people, assets and technology we have brought to Stolt Offshore in the last two years, we have the capacity and ability to double our revenue without significant further investment. Our vision is to be our customers' offshore contractor of choice across the whole range of products and services we offer.

The Ceanic acquisition in 1998 has achieved its aim of giving Stolt Offshore a firm foothold in the Gulf of Mexico market. The recent award of the Gulfstream pipelay contract, the longest ever in this part of the world, is a welcome confirmation of this. It also illustrates the value of our Houston based company who carried out the detailed negotiations with our customer to secure this valuable contract.

We acquired a 49% interest in NKT Flexibles to give us security of supply of flexible risers and flowlines. During the year NKT Flexibles completed the outfitting of the Kalundborg factory for full production, achieved their first sale into the

Brazilian market and strengthened their market position in the North Sea and West Africa.

||| Our strength, particularly in West Africa, has been greatly enhanced since we acquired ETPM. There are more projects in the planning and bidding phase for this region than anywhere else in the world. The success of the recently completed Triton Energy La Ceiba project could not have been achieved without our fabrication yard in Warri, Nigeria, together with the deepwater pipelay and construction capabilities of the *Seaway Polaris* and our project management team based close to our customer, in Houston. Through our Houston office, we are much closer now to many of our customers who are managing many of their large projects for West Africa from Houston. At the same time, with the assets acquired with ETPM, we have opened the door to a very much larger market for our expanded fleet of construction and pipelay ships and barges in the Gulf of Mexico.

||| In 2000 the Company was called upon to work for TotalFinaElf in the removal of the cargo from the wrecked tanker *Erika*, off the coast of France and to give assistance to the Russians, at the request of the Norwegian government, following the tragic sinking of the nuclear submarine *Kursk* in the Barents Sea. It is a great compliment to the skills and dedication of the Stolt Offshore personnel that the Company is brought in to assist in the aftermath of such marine tragedies.

||| One of our major challenges is to attract and retain the very best people in our industry. We have developed a new human resources strategy with focus on the priority areas of performance, reward, internationalization and learning and development through which we will ensure that we are recruiting, educating, rewarding and retaining the best possible workforce for our demanding business. By fostering a climate of co-operation and teamwork throughout the Company we aim to build an integrated and co-ordinated organization to safely deliver quality products and services that meet or exceed our customer expectations.

||| We have decided to propose to an EGM to be held in March that all non-voting Stolt Offshore S.A. Class A shares should be reclassified as Common shares in order to have only one class of quoted shares and to substantially increase trading liquidity. The reclassified Common shares will be listed in Norway on the Oslo Stock Exchange and trade as ADRs in the U.S. on Nasdaq. We believe that this proposal, if agreed, will increase shareholder value.

||| The high price of oil in 2000 has led to a progressive increase in exploration and production investments by our customers. We have seen international expenditure increase by about 20% on the full year 2000, mostly focused on exploration. We now see forecasts for a similar growth in 2001, this year more oriented towards offshore construction. We expect demand for the services that Stolt Offshore provides to grow by over 40% in 2001 — the bulk of this growth coming in the UK North Sea, the Gulf of Mexico and West Africa. With stronger markets and high utilization of our assets, I am confident that we shall return to profitability in 2001.

||| As we move into a period of market growth, which the Company meets in a substantially improved competitive position, I would like to thank all our employees for their efforts, positive attitude and patience during a year of reorganization and integration. I am confident we shall soon see the reward of our efforts!

||| **Jacob Stolt-Nielsen**
London, February 2, 2001

Bernard Vossier
Chief Executive Officer

Stolt Offshore offers its customers a complete turnkey engineering, construction and maintenance service for subsea oil and gas fields from the wellhead up to and including the fixed or floating production platform.

2000 has been a challenging year for the Company as market conditions have remained weak. We have also had operational problems on two projects in the North Sea and one in the Asia Pacific region. During the year we have been working to improve our project management processes and I am confident that the chances of similar problems occurring in the future are now much reduced. During the year we completed the integration of the former Stolt Comex Seaway and ETPM companies into the new Stolt Offshore. This process has strengthened our organization and given us a new management system that has drawn on the best practice of both of the former companies.

With the addition of the assets and engineering skills that we acquired with ETPM, our ability to take on major deepwater field developments is now much greater than it has been in past years. Our engineering abilities will be further strengthened when we close our recently announced acquisition of a controlling interest in Paragon Engineering Services in Houston and establish a new company, Paragon Europe in Nanterre, France. This acquisition will strengthen our position as a first line supplier to our customers particularly for the very large projects which are now being carried out by the oil companies in West Africa, Brazil and the Gulf of Mexico. Our asset base is strong with a diverse group of ships and barges that provide cost efficient platforms for the many different types of work that we undertake in different parts of the world and at different water depths.

Regional Reviews

North Sea — U.K. 2000 was once again a year of very low activity and consequently weak market conditions. During the year our maintenance contract with BP was renewed for another five-year period. Under this contract, we may now be called upon to support BP projects anywhere in the world. We are the only one of our peer group that can offer BP a complete range of offshore construction services that can meet all of their requirements worldwide. The U.K. market is forecast to grow by 60% in 2001 with a large number of tie-backs to existing infrastructure in the North Sea and new deepwater developments west of the Shetland Islands and in the Irish Sea. We therefore anticipate seeing see much stronger market conditions as the year progresses.

North Sea — Norway The installation of risers and subsea structures on the Statoil Aasgard project was one of the highlights of the year in Norway. We also laid the 78 kilometer 16-inch Shell Draugen trunkline from the *LB 200* which linked the Draugen and Aasgard fields. Our joint venture with Halliburton Subsea under which we undertake all of the subsea maintenance for Statoil was renewed for another five years. The Norwegian market is expected to decline in 2001 but a return to growth is anticipated in 2002.

North America After a second disappointing year in the Gulf of Mexico we believe that we are now seeing the first real signs of recovery in this market. The activity level in the shallow water market was lower than expected, however, the deepwater construction market is now developing and we carried out a number of pipelay and umbilical lay contracts with the *Seaway Falcon* and the *Seaway Eagle*. The *Seaway Hawk* also undertook a number of construction projects. Additional projects are being won for 2001. With the very high gas price the shallow water pipelay and construction market is now very active and accordingly we are re-locating our shallow water pipelay barge *DLB 801* to this region. The award of the Gulfstream pipelay contract for the *LB 200* demonstrates our position as a leading offshore contractor in this important market. Both of these barges were acquired with ETPM.

South America The upgrade of the *Seaway Condor* was completed in June and she is now on a long-term charter to Petrobras. For the second time in succession, Stolt Offshore has been named by Petrobras as the best performing offshore contractor in Brazil. We anticipate that the level of activity in this region will start to grow now that the oil majors are starting to drill in Brazilian waters.

Southern Europe, Africa and the Middle East This region is now the largest market for deepwater projects and is very much at the forefront of new deepwater development in terms of the number and complexity of new deepwater projects that call for technology innovation. This year we have seen delays on a number of major projects due largely to local politics, a situation that is not uncommon in this area. Two of our contracts, Elf Amenam and Shell EA, which should have started in the first quarter were delayed to the fourth quarter and one of the largest projects in the bid process, Shell Bonga, which was due to be awarded in March 2000 is still in the clarification process prior to award.

With the fabrication yards in Nigeria and Angola, which we acquired with ETPM and a long track record of successful pioneering developments, we are very well placed in this region to secure a significant share of the new projects that are coming into the market.

We have now completed with our partners, the management of the construction of the world's largest FPSO for the Elf Angola Girassol project. During the year we finished the engineering and procurement phases of the subsea part of this project and we now have the numerous technical challenges that this involved behind us. The fabrication process for the flowline bundles and riser towers are well advanced with the offshore installation due to commence in the second quarter of 2001. This phase will take some 1000 ship days.

In Equatorial Guinea we successfully completed the Triton Energy La Ceiba project which involved deepwater pipelay from the *Seaway Polaris* and we now have a contract for the second phase of this development.

Both of our fabrication yards in Africa had a slow first three quarters but they are now fully occupied with the fabrication of platforms and other structures for the Shell EA and Elf Amenam projects as well as the riser towers for the Girassol project.

Asia Pacific In Asia Pacific we have a niche market in shallow water pipelay in Indonesia and we are active in the diving and ROV markets in Australia and elsewhere in Asia. The level of activity this year was lower than usual in Indonesia and although we now see signs of improvement, we do not intend to position assets in this region until pricing levels improve.

Outlook

As we move into an anticipated new period of growth for our industry we can now expect to see the balance of demand and supply start to swing back into our favor. We have been slow in building our backlog as we have maintained our pricing structure because of our belief that market volume would grow substantially. There is a lot of work still to be awarded for 2001 and we are now in a position in which we have spare capacity in our fleet that will benefit from the anticipated stronger market conditions as we move through the year.

Bernard Vossier
Aberdeen, February 14, 2001

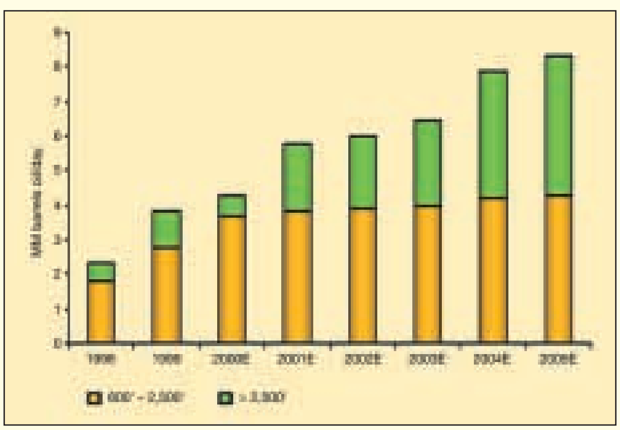
MARKET TRENDS

Alan Brunnen
Chief Operating Officer

For the first time since 1998 we can look forward with confidence. The capital expenditure plans of our customers are increasing and the focus of that expenditure is now in our market sector.

The strong oil price throughout last year and forecasts of continuing high prices led our customers to increase exploration and production budgets by about 20% last year. An additional 20% growth is expected in 2001. Much of this investment will be devoted to new deepwater developments, where production is expected to double from reservoirs in water depths greater than 200 meters by 2005 and to quadruple from those in depths greater than 800 meters in the same period.

DEEPWATER OIL PRODUCTION, 1998-2005E

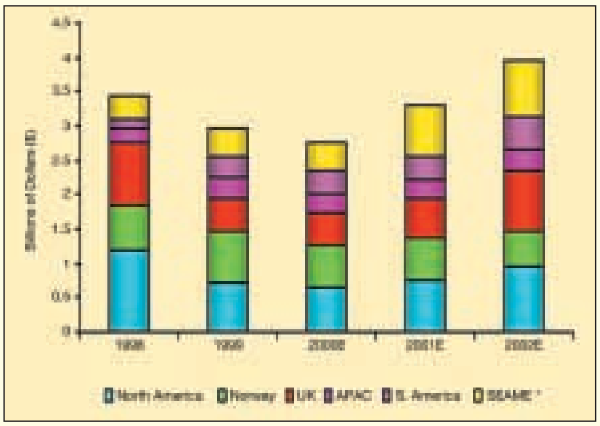


Source: CERA/Douglas Westwood

The effect of this increase in expenditure takes time to work through to the offshore construction sector but we now anticipate a growth in the market for Stolt Offshore services of about 40% in 2001 with further growth in 2002.

The North Sea U.K. sector is expected to see growth of some 60% in 2001 to 11% of world offshore construction market volume. There are many tie-backs to existing infrastructure and a small number of major new field developments. Further significant market growth is also anticipated in 2002. In the Norwegian sector of the North Sea, a small decline in market volume to 5% of the total is expected in 2001 with a return to growth in 2002.

WORLDWIDE SUBSEA MARKET, 1998-2002E



*SEAME is Southern Europe, Africa, Middle East
Source: Stolt Offshore, Coflexip Stena Offshore, and Salomon Smith Barney

||| In Africa, the Middle East and Southern Europe the market is expected to double in 2001 to 40% of total market volume and future prospects are bright. The shallow water market also shows signs of growth requiring the support of our anchored barges and fabrication yards in West Africa.

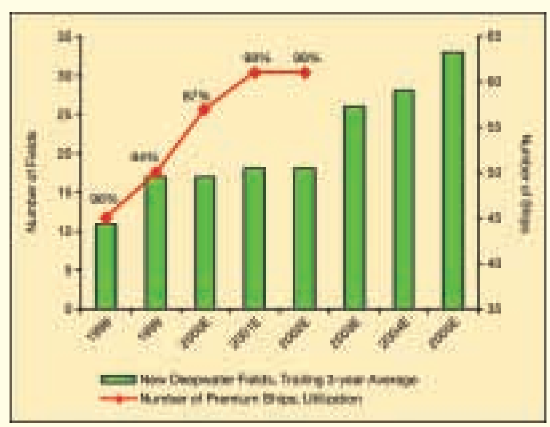
||| The Gulf of Mexico market is also expected to double in 2001 to 20% of total market volume. New trunk lines and deepwater field developments dominate the headlines but there we also anticipate increased activity in both the development of shallow water gas fields and in the maintenance market.

||| South America will be broadly the same as in 2000 with 5% of the total market. Early deepwater drilling results by the oil majors are encouraging and should lead to significant market growth in the future.

||| The market in Asia Pacific is also set for growth and even though Stolt Offshore does not have any premium ships in this region, this will contribute to growth in overall market demand.

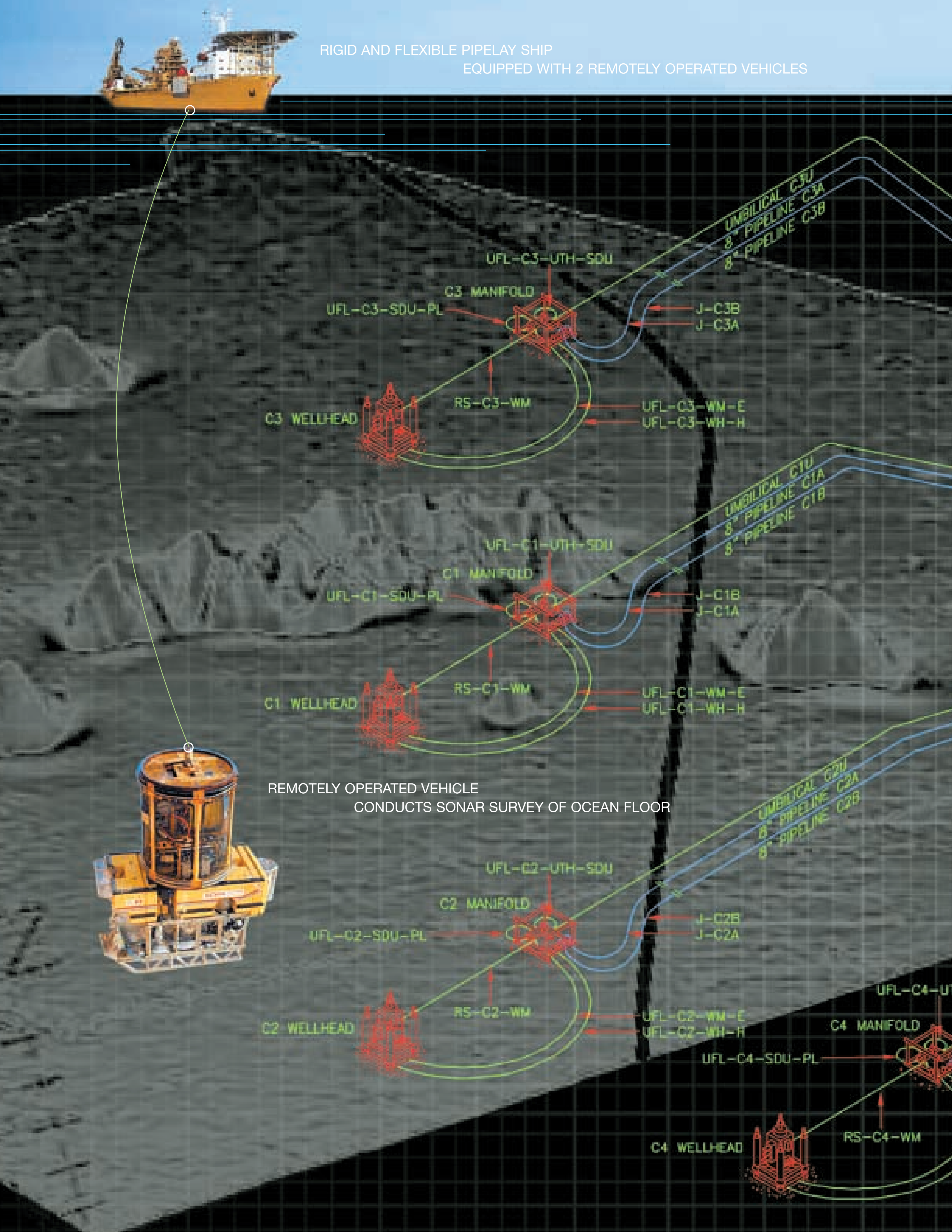
||| The expected increase in the number of fields under development is growing very much faster than new premium ships are being added to the offshore construction fleet. As a result we expect the utilization of these ships to rise significantly.

PREMIUM SHIP UTILIZATION VS. NEW FIELDS COMING ONSTREAM, 1998-2005E

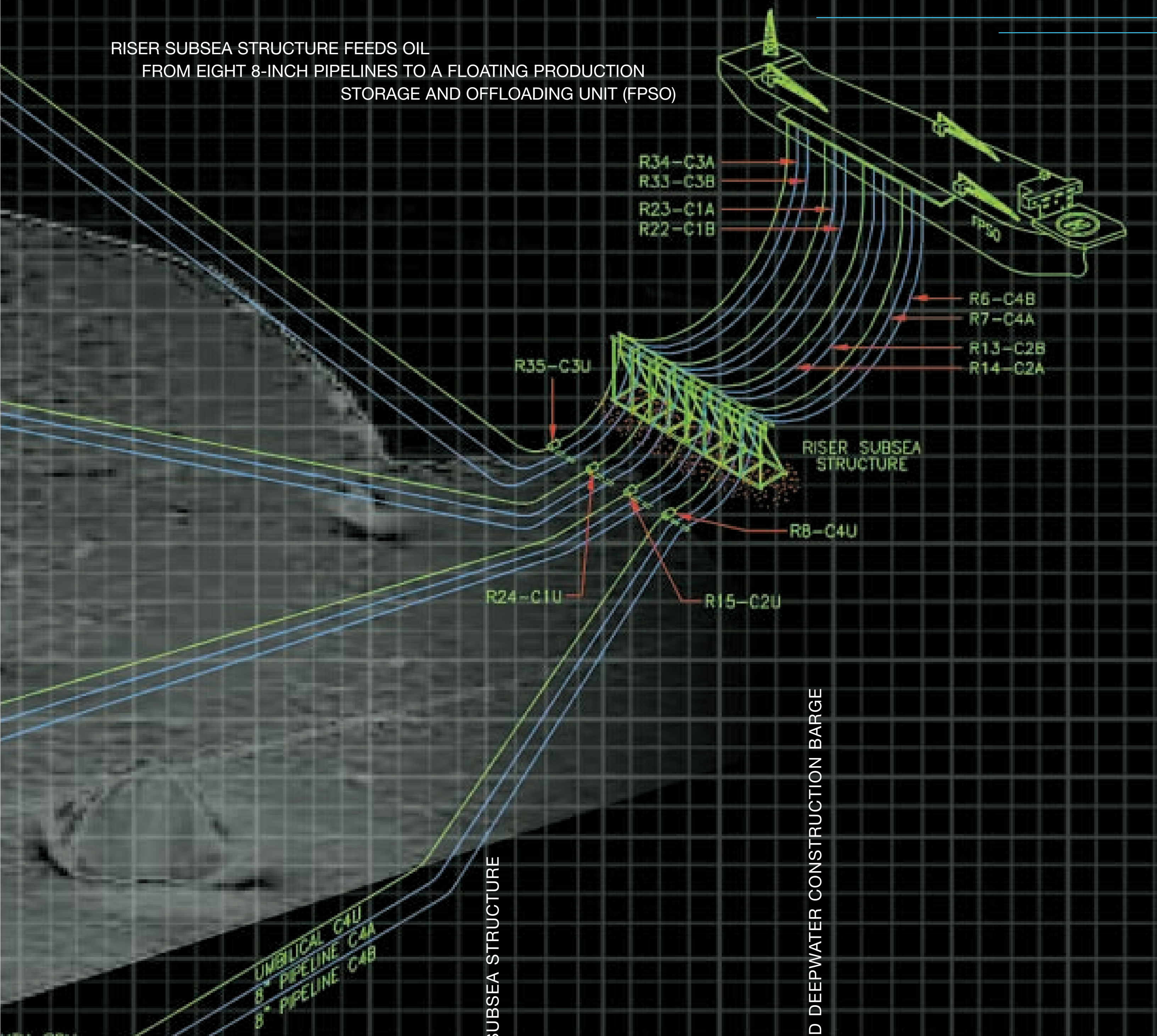


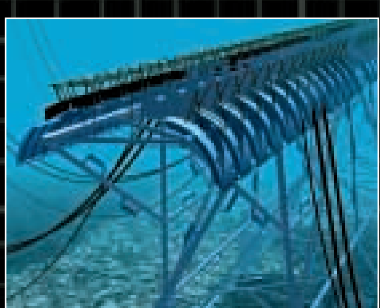
Source: Infield and Offshore Data Services

As early evidence of this market growth, the volume of bids outstanding, a good indicator of market trends, was at $3.6 billion in January 2001, an increase of some 50% over this time last year.


RIGID AND FLEXIBLE PIPELAY SHIP
EQUIPPED WITH 2 REMOTELY OPERATED VEHICLES
UMBILICAL C3U
8" PIPELINE C3A
8" PIPELINE C3B
UFL-C3-UTH-SDU
C3 MANIFOLD
UFL-C3-SDU-PL
J-C3B
J-C3A
RS-C3-WM
C3 WELLHEAD
UFL-C3-WM-E
UFL-C3-WH-H
UMBILICAL C1U
8" PIPELINE C1A
8" PIPELINE C1B
UFL-C1-UTH-SDU
C1 MANIFOLD
UFL-C1-SDU-PL
J-C1B
J-C1A
RS-C1-WM
C1 WELLHEAD
UFL-C1-WM-E
UFL-C1-WH-H
REMOTELY OPERATED VEHICLE
CONDUCTS SONAR SURVEY OF OCEAN FLOOR
UMBILICAL C2U
8" PIPELINE C2A
8" PIPELINE C2B
UFL-C2-UTH-SDU
C2 MANIFOLD
UFL-C2-SDU-PL
J-C2B
J-C2A
RS-C2-WM
C2 WELLHEAD
UFL-C2-WM-E
UFL-C2-WH-H
C4 MANIFOLD
UFL-C4-SDU-PL
RS-C4-WM
C4 WELLHEAD

RISER SUBSEA STRUCTURE FEEDS OIL FROM EIGHT 8-INCH PIPELINES TO A FLOATING PRODUCTION STORAGE AND OFFLOADING UNIT (FPSO)





TRITON LA CEIBA RISER SUBSEA STRUCTURE

DYNAMICALLY-POSITIONED DEEPWATER CONSTRUCTION BARGE

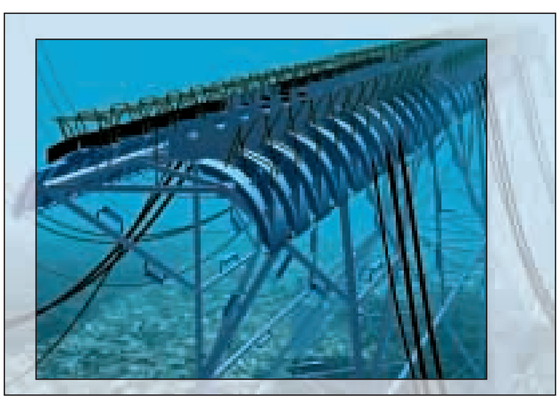
ENGINEERING

Joël Leroux
Director of Product Lines

By strengthening our ability to deliver the full package of project engineering, from conceptual engineering to construction management, we hope Stolt Offshore will become our customers' contractor of choice.

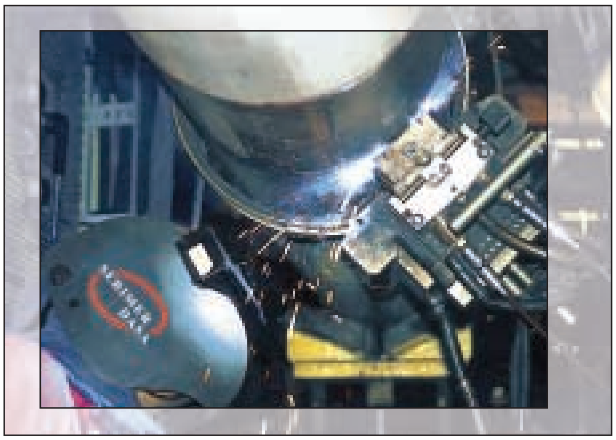
Engineering: To fulfill the Stolt Offshore vision of being the "contractor of choice" it is important that we are able to supply the full range of engineering services to our customers. When the Company was primarily concerned with the installation of subsea pipelines and structures, competence in installation engineering was our primary focus. Now that many new offshore developments, particularly those in very deep water, are being managed on an Engineering, Procurement, Installation and Commissioning (EPIC) basis, it is essential that Stolt Offshore is able to start discussions with our customers in the earliest days of the life of a project. At this stage when the conceptual design is being undertaken closely followed by the front-end engineering, there is considerable potential to influence the total project cost. It is here that all of Stolt Offshore's experience and expertise can be brought to bear to provide the customer with the best engineering solutions.

Our recently announced acquisition of a controlling interest in Paragon Engineering Services in Houston and the establishment of a new company, Paragon Europe, in Paris, is a major step in building up the Stolt Offshore engineering ability. The Paragon companies will offer field development studies and the analysis of the hydrodynamic and thermal aspects of transporting oil and gas through pipelines. They will also design subsea pipelines, risers and offshore platforms, including topsides and process equipment. In addition to the engineering of new offshore oil and gas fields and upgrading existing infrastructure, we have now increased our capabilities to provide project management, procurement and construction management of all aspects of these services. These abilities, combined with Stolt Offshore skills as an offshore contractor, will position us to become our customers' contractor of choice.



LA CEIBA SUBSEA RISER STRUCTURE

Research & Development: Stolt Offshore's research and development program brings innovative and cost-effective developments to the offshore construction market. In 2001 two successful developments will be extensively used in a water depth of 1400 meters. These are the J-Lay tower on the *Seaway Polaris* and MATIS™, the automatic bolted flange connection system for deepwater pipeline spools.


SERIMER DASA SATURNAX SYSTEM

Serimer Dasa, our welding technology company, continues to improve welding procedures and equipment to meet the technical demands of both new steels and riser installation techniques. Among the R & D programs currently in progress are the development of very high speed welding techniques for large diameter pipelines, such as those to be laid by the Gulfstream project in the Gulf of Mexico, the welding of high strength steels, the development of laser welding techniques and a number of studies relating to the fabrication and inspection of steel catenary risers.

Deepwater Pipeline Repair: The repair of damaged pipelines in water depths which are too deep for divers is a major problem facing the offshore oil and gas industry. Stolt Offshore is developing a number of solutions to this problem based on the MATIS™ tie-in equipment and the friction stitch welding process. The development of this process will offer significant advantages to subsea pipeline operators who will not then be required to hold stocks of expensive repair connectors. In future we will be able to repair pipelines quickly by using off-the-shelf flange connectors or friction stitch welding.


FRICTION-STITCH WELDING ROBOTIC ARM

GIRASSOL FPSO

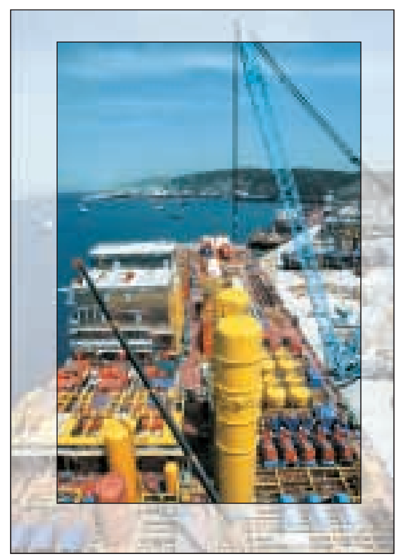
The recent completion of the contract to design the one billion dollar Elf Angola Girassol FPSO demonstrates our ability to manage a project of this magnitude.

FPSO TOPSIDES

The Girassol Floating Production Storage and Offloading unit (FPSO), is equipped to produce oil from 23 wells at between 10,000 and 40,000 barrels per day, while a further 14 wells will inject water and three wells will re-inject gas into the reservoir.

At a length of 300 meters and requiring enough electric power to support a city with a population of 100,000 people, the Girassol FPSO is the largest floating production unit built to date. During the second quarter of 2001 the FPSO, which has been constructed at the Hyundai Heavy Industries fabrication yard at Ulsan in Korea, will be towed from Korea to Angola. On arrival she will be installed on the Girassol field and connected to the oil production riser towers.

The project includes a number of new technical solutions. The three riser towers have been specially designed to maintain the temperature of the high-wax crude oil which will be produced from this field. This project also has a so-called 'Lazy-W' export line through which processed oil is transferred from the FPSO to the offloading buoy over one mile away. Made from rigid steel pipe, the export line is suspended between the FPSO and the offloading buoy and gets its name from the W-shape created by the buoyancy modules placed on the central part of the line.



GIRASSOL FPSO PROCESS EQUIPMENT

GIRASSOL FPSO UNDER CONSTRUCTION

The Girassol field, at a water depth of nearly 1400 meters, is the deepest offshore oilfield being developed anywhere in the world. The experience that Stolt Offshore is gaining on this project will stand the Company in good stead when oil fields are being developed in ever increasing water depths in West Africa and other parts of the world.

GIRASSOL FPSO

Length	300 meters
Height	30.5 meters
Beam	60 meters
Topsides Weight	33,000 tons in operation
Oil Storage	2 million barrels
Oil Treatment	200,000 barrels per day
Gas Injection	8 million cubic meters per day
Water Injection	400,000 barrels of water per day
Anchoring System	16 mooring lines totaling 42,000 meters, 6,000 tons of chains and anchoring cables, 16 suction anchors weighing 65 tons each

GIRASSOL FPSO

DEEPWATER DEVELOPMENTS WORLDWIDE

GULF OF MEXICO

Petronius > 500m
Virgo > 300m
Matterhorn > 500m
King > 1500m
Leo > 500m
Prince > 400m
Mica > 1500m
Stellaria > 500m
Europa > 1000m
Conger > 400m
Brutus > 900m
Diana > 1400m
Sorano > 900m
King Kong > 1000m
Hoover > 1400m

CAMPOS BAS

Roncador > 1800m
Albacora Leste > 1200m
Albacora > 1200m
Marlim > 800m
Congro > 300m
Marlim Leste > 1200m
Barracuda > 800m
Bijupira > 700m
Salema > 500m
Marlim Sul > 1000m
Caratinga > 900m
Espadarte > 900m

RIGID AND FLEXIBLE PIPELAY SHIP

HIGH-CAPACITY FLEXIBLE LAY SHIP

DYNAMICALLY-POSITIONED DERRICK/LAY BARGE

WE LAY PIPES FROM 6" TO 60" IN DIAMETER

IN WEST AFRICA

WE LAY PIPES IN WATER DEPTHS UP TO 2000 METERS

Hungo > 1200m

Dikanza > 1000m

Kissanje > 1000m

Marimba > 1200m

Bengo > 600m

M'Bridge > 1000m

Lucala > 500m

Lirio > 1300m

Margarida > 1000m

Rosa > 1400m

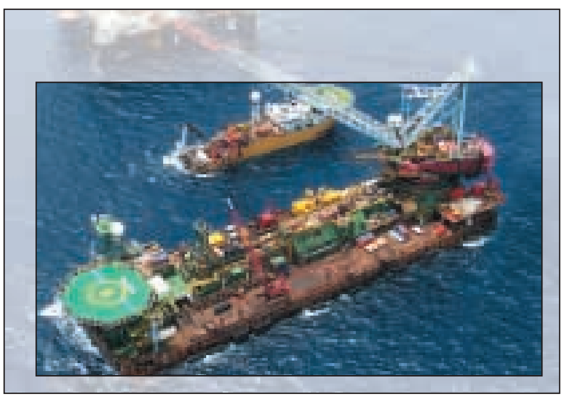
Girassol > 1300m

Dalia > 1300m

OPERATIONS

Alan West
Vice President, Operations

We can undertake the full range of offshore field development from seabed survey through to the installation of subsea structures, pipelines, flowlines and fixed or floating production units.



***SEAWAY POLARIS* ON TRITON LA CEIBA**

Triton La Ceiba project: Among the highlights of the offshore installation programs in 2000 was the very fast track, deepwater, Triton Energy La Ceiba project, offshore Equatorial Guinea. This project was a complete contrast from the complex multi-year Elf Angola Girassol project, which has been the major feature of our project portfolio for three years and is now approaching the offshore installation phase. La Ceiba had a first oil target date just nine months after the award of the contract to Stolt Offshore. We are proud to have met this target.

Stolt Offshore engineered the project in France, built the 780 ton subsea structure at our fabrication yard in Nigeria and manufactured the flexible risers and jumpers in the NKT Flexibles factory in Denmark. The La Ceiba subsea wells are in a water depth of 750 meters and linked to the riser manifolds at the FPSO by 7.5 kilometers of 8-inch diameter rigid flowlines, which were installed by the *Seaway Polaris*. The *Seaway Falcon* collected the flexible risers from Denmark and the well control umbilicals from Houston before undertaking the installation of these items in the field.

The second phase of this development, in which nine additional wells will be tied back to the FPSO is now in progress.

||| ***Seaway Polaris* "J-Lay" System:** Upgrading the *Seaway Polaris* for very deep-water pipelay, initially for the Girassol project, required the installation of an innovative "J-Lay" pipelay system which is being installed on the barge at our fabrication yard in Lobito, Angola. A joint team from Stolt Offshore and Houston-based Radoil Inc., engineered the award winning design. Several patents are pending as a result of this design.

Factors such as the rigidity and flexibility of the pipeline as well as water depth and environmental conditions played a part in deciding the optimum configuration of the tower onboard the *Seaway Polaris*. J-Lay technology, the name given to a pipelay technique where the pipe leaves the barge at a very steep angle, is normally used for pipes of less than 24-inch diameter and in water depths of up to 2000 meters.

SEAWAY POLARIS

This lightweight pipelay system has other capabilities including the installation of subsea structures, suction anchors, manifolds and steel catenary risers, all of which extend the capabilities of this very versatile deepwater pipelay and construction barge.

||| ***Seaway Condor* Upgrade:** The *Seaway Condor* completed an eight-month upgrading program in May 2000, which lengthened the ship by 30 meters and substantially increased her ability to lay flexible flowlines in very deep water. She was accepted for her long-term contract with Petrobras in Brazil after only three days of offshore acceptance trials. This is the first time that Petrobras have ever accepted a ship as meeting contract specifications in so short a time.

SEAWAY CONDOR

In recognition of the performance of the *Seaway Condor* and other Stolt Offshore ships in Brazil over the last two years, the President of Petrobras, Philippe Reichtsul, presented Stolt Offshore with the "Best Contractor" award on December 15th 2000.

SUBSEA CONSTRUCTION


MAINTENANCE SHIP


SATURATION DIVING


WORK CLASS ROV

Map supplied courtesy of Oilfield Publications Limited

Photo supplied courtesy of Niki Photography Limited

SUBSEA CONSTRUCTION

Øyvind Mikaelsen
Vice President, Subsea Construction

The provision of support throughout the production life of offshore oil and gas fields, in the form of inspection, repair and maintenance (IRM) services, is an essential part of the range of services that Stolt Offshore provides to its customers.

NORTH SEA OIL & GAS FIELD MAP
COURTESY OF OILFIELD PUBLICATIONS LIMITED, LEDBURY

The North Sea inspection and maintenance programs for the oil majors are typically managed as long-term contracts. Stolt Offshore has contracts with BP for providing IRM services to their North Sea producing fields in the U.K. sector and a contract with Statoil, in joint venture with Halliburton Subsea, for the fields operated by Statoil in Norway. Some typical projects undertaken under these two contracts in 2000 are as follows:

Gullfaks 'C' Platform Riser Installation: The installation of a 24-inch diameter gas export riser on the Statoil Gullfaks platform together with a subsea isolation valve, in a depth of 215 meters was one of the projects undertaken this year. All connections on the pipeline and subsea isolation valve were made by the Stolt Offshore MATIS™ remotely operated bolted flange system. This system, which allows pipelines to be connected using standard flanges without the assistance of divers, provides a cost efficient alternative to more costly mechanical tie-in methods.

The MATIS™ system was used offshore for the first time on the Statoil Loke field in 1999 and has now been accepted as an integral part of the Statoil Pipeline Repair System which is an emergency pipeline repair system for any pipeline on the Norwegian continental shelf. MATIS™ will be used to perform more than 100 connections on the Elf Exploration Angola deepwater project.

MATIS™

DISCOVERY

BP Fiber Optic Communications Cable Lay Project: BP is in the process of establishing a fiber optic communications network between their office in Aberdeen and their production platforms in the Forties, Everest and Lomond fields in the U.K. and the Ula platform in Norway. The cable will then be linked to the existing North Sea Com 1 communications cable. The installation and burial of the 370 kilometers of fiber optic cable that links the offshore platforms to shore is a project that Stolt Offshore is undertaking under our five-year contract. We are also installing two kilometers of buried carrier pipe where the cable comes ashore and protection for all of the 22 locations where the fiber optic cable crosses subsea pipelines. The *Discovery*, which was built with a cable lay capability is being used for this project.

BP South Everest Development: The tie-back of the two South Everest high temperature gas production wells to the Central Area Transmission System (CATS) platform in the North Sea is a typical construction project undertaken under our support contract for BP. This project involved the installation and burial of 7.4 kilometers of 7.5-inch diameter flexible pipe and a steel tube well control umbilical that provides electro-hydraulic controls and chemical injection to the wells. Because of the unusually high temperature of the gas wells, a heat tolerant flexible flowline was required. NKT Flexibles, market leaders in the manufacture of high temperature PVdF lined flexible flowlines, provided the necessary product for Stolt Offshore to install.

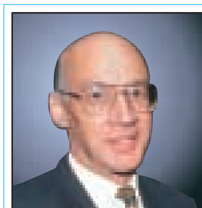
SATURATION DIVER

BOARD OF DIRECTORS

JACOB STOLT-NIELSEN
Mr. Jacob Stolt-Nielsen has served as Chairman of the Board of Stolt Offshore S.A. since 1993. Mr. Stolt-Nielsen is currently Chairman of the Board of Stolt-Nielsen S.A. He served as Chief Executive Officer of Stolt-Nielsen S.A. from 1959 until November of 2000. He founded Stolt-Nielsen Seaway AS (Seaway) in 1973. Mr. Stolt-Nielsen holds a degree from Handelsgymnasium, Haugesund, Norway. He is a Norwegian citizen.

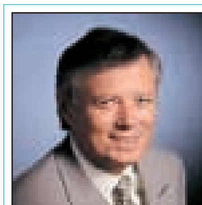
CHRISTOPHER J. WRIGHT
Mr. Wright has served as Deputy Chairman of the Board since 1993. He has served as President and Chief Operating Officer of Stolt-Nielsen S.A. since 1986. Mr. Wright was employed by British Petroleum plc (BP) from 1958 until the time he joined Stolt-Nielsen S.A. Mr. Wright held a variety of positions at BP working in Scandinavia, Asia, the U.S. and London. Mr. Wright holds a Masters degree in History from Cambridge University. He is a British citizen.

JOHN P. LABORDE
Mr. Laborde has been a Director since 1993. He retired in 1994 as Chairman of the Board, President and Chief Executive Officer of Tidewater Inc. and continues as Retired Chairman Emeritus of the Board of Directors of Tidewater. He is now Chief Executive Officer of Laborde Marine Lifts, Inc. and also serves on the boards of Stone Energy Corporation and Stewart Enterprises, as well as the Council of the American Bureau of Shipping. Mr. Laborde holds Bachelor of Arts and Juris Doctor's degrees from Louisiana State University as well as Honorary Doctorate degrees from both Louisiana State University and Loyola University. Mr. Laborde is a U.S. citizen.

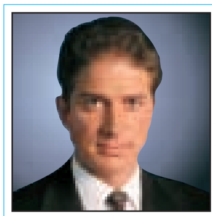


PIERRE LABORIE
Mr. Laborie was appointed a Director on April 13, 2000. Mr. Laborie served as Vice Chairman and President of ETPM from 1992 to 1999. He previously served as Executive Vice President of SGE Group. He joined SGE Group in 1964 and is currently an employee of Groupe GTM S.A. Mr. Laborie has a degree in Civil Engineering from Ecole Centrale de Paris. He is a French citizen.

FERNAND POIMBOEUF
Mr. Poimboeuf has been a Director since 1998. He has had a career of 33 years with Elf Aquitaine that included periods as Deputy General Manager in Gabon, Executive Vice President of Texasgulf Inc. in Houston and General Manager in Angola. Mr. Poimboeuf graduated from the Ecole de Mines in Paris and specialized in Petroleum Engineering at the University of Texas. Mr. Poimboeuf is a French citizen.



J. FRITHJOF SKOUVERØE
Mr. Skouverøe has been a Director since 1993. He is Owner and Chairman of Concentus AS, a Norwegian/Swedish Industrial Group. He is also a member of the board of Ocean Rig ASA, an offshore drilling contractor listed on the Oslo stock exchange. He was Chairman of the Board and Chief Executive Officer of Seaway from 1990 until it was acquired by Stolt-Nielsen S.A. in 1992. From 1985 to 1990 he was President and Second Vice Chairman of Seaway. From 1982 until 1985 Mr. Skouverøe served as President of Stolt-Nielsen Seaway Contracting AS, a predecessor of Seaway. Mr. Skouverøe holds an MBA from INSEAD and a Masters degree in Mechanical Engineering from the Technical University of Norway. Mr. Skouverøe is a Norwegian citizen.



NIELS G. STOLT-NIELSEN
Mr. Niels G. Stolt-Nielsen has been a Director since 1999. Mr. Stolt-Nielsen has also served as President of Stolt Sea Farm and as a Director of Stolt-Nielsen S.A. since 1996. In November of 2000 he was appointed to the position of Chief Executive Officer of Stolt-Nielsen S.A. He previously worked in Stolt-Nielsen's Transportation Group. Mr. Niels G. Stolt-Nielsen is the son of Mr. Jacob Stolt-Nielsen. Mr. Stolt-Nielsen graduated from Hofstra University in 1990 with a BS degree in Business and Finance. He is a Norwegian citizen.

BERNARD VOSSIER
Mr. Vossier was elected as a Director on April 13, 2000 and has acted as Chief Executive Officer of the Company since May 1995. He previously served as Chief Operating Officer of the Company from December 1994 to May 1995. He joined Comex in 1974 and has held numerous management positions in operations and marketing. Mr. Vossier has a degree in General Mechanics from the Technical School of St Vallier. Mr. Vossier is a French citizen.

MARK WOOLVERIDGE
Mr. Woolveridge has been a Director since 1993. He held a number of positions with BP since 1968 and most recently served as Chief Executive of BP Engineering from 1989 until his retirement in 1992. He was also General Manager, Oil and Gas Developments, responsible for field development projects in the U.K. and Norwegian sectors of the North Sea, and served on the Board of BP Oil Ltd. Mr. Woolveridge holds a Masters degree from Cambridge University and is a Fellow of the Royal Academy of Engineering and of the Institute of Mechanical Engineers. Mr. Woolveridge is a British citizen.

OVERVIEW

Stolt Offshore S.A., formerly Stolt Comex Seaway S.A., (the Company) is a holding company, which through its subsidiaries is a leading offshore contractor to the oil and gas industry, specializing in technologically sophisticated offshore and subsea engineering, flowline, trunkline and pipeline lay, construction, inspection and maintenance services. The Company operates in more than 60 countries worldwide and maintains offices in Europe, the Middle East, West Africa, Asia Pacific and the Americas.

A publicly-traded company since May 1993, Stolt Offshore S.A. was established through the merger of the businesses of two leading diving support services companies, Comex Services S.A. (Comex) and Stolt-Nielsen Seaway A/S (Seaway), which were acquired by Stolt-Nielsen S.A. (SNSA) in separate transactions in 1992. At the time of acquisition, Comex was a leading worldwide subsea services contractor, which pioneered deepwater saturation diving and subsea construction using both manned and unmanned techniques. Seaway operated principally in the North Sea and pioneered the development and use of specially designed, technologically sophisticated diving support ships and remotely operated vehicles (ROVs) to support operations in hostile deepwater environments.

Stolt Offshore S.A. completed an Initial Public Offering of 6,000,000 Common Shares in May 1993, raising additional share capital of approximately $43.4 million. During 1997 the Company raised additional share capital of approximately $239.8 million by means of two equity offerings. These proceeds were net of offering expenses of $11.0 million. In March 1997, the Company sold 8,050,000 Common Shares and during November 1997 an additional 4,000,000 Common Shares were sold. Concurrent with the March offering the Company exchanged debt due to an affiliate of SNSA for 14,000,000 Class B Shares. Concurrent with the November offering SNSA sold 4,000,000 Common Shares that had been converted from 8,000,000 Class B Shares.

In 1998 the Company identified the need to broaden its capabilities by strengthening its market presence in the Gulf of Mexico and West Africa, by securing the supply of flexible flowlines and risers and further developing its engineering capabilities. These needs have now been met by a number of strategic acquisitions.

In August 1998 the Company acquired the Ceanic Corporation in Houston, a publicly-traded subsea contractor, for approximately $218.9 million. Ceanic provided a range of subsea services and products to the offshore oil and gas industry in the Gulf of Mexico and inland underwater services to domestic and governmental customers. With this acquisition the Company took possession of a substantial fleet of ships, mostly designed for shallow water work, ROVs and other related technologies.

The acquisition of Ceanic was strategically important for Stolt Offshore S.A. in that it provided access to the growing deepwater construction market in the Gulf of Mexico and the ability to build relationships with Houston based oil and gas companies who conduct much of their worldwide business from Houston.

In December 1998 the Company acquired the ROV business of Dolphin A/S for approximately $16.9 million. The acquisition, which included 21 ROVs, mostly on long-term contracts to Norwegian oil companies, strengthened the Company's position in the ROV drill support market in Norway.

On December 7, 1999 the Company completed a transaction to form a joint venture entity, NKT Flexibles I/S, a manufacturer of flexible flowlines and risers for the offshore oil and gas industry. NKT Flexibles I/S is owned 51% by NKT Holdings A/S and 49% by Stolt Offshore S.A.. The total consideration for the acquisition was $36.0 million funded partly by cash and partly by Class A Shares at a guaranteed value. This acquisition secures the supply of flexible products for the Company.

On December 16, 1999 the Company acquired the French offshore construction and engineering company ETPM S.A. (ETPM), a wholly owned subsidiary of Groupe GTM S.A. (GTM), the construction affiliate of Suez Lyonnaise des Eaux S.A. The total consideration for this acquisition including debt assumed, was approximately $350.0 million funded partly by cash and partly by Class A Shares at a guaranteed value.

ETPM has a very strong market position in West Africa which is one of the fastest growing markets for the Company's services; significant engineering skills particularly in conceptual engineering and the design of fixed and floating production platforms and a fleet of pipelay barges, which broaden the Company's range of pipelay capabilities.

The Company is in the process of acquiring a controlling interest in the Houston based Paragon Engineering Services Inc. and establishing a new company Paragon Europe. This acquisition will further broaden the Company's range of engineering skills and enable the Company to undertake all of the engineering required on many of the large engineering, procurement, installation and commission (EPIC) type contracts that are expected to come into the market in the next few years.

The market for the Company's services is dependent upon the demand and supply of oil and gas and the level of investment in offshore exploration and production by the major oil companies. Such investment is cyclical in nature.

Following a period of high oil prices over the last two years there has been a progressive increase in investment in offshore exploration and production by the major oil companies. It takes time for the benefits of this investment to work through to the offshore construction sector. We expect to see demand for the services that Stolt Offshore S.A. provides grow by over 40% in 2001. These improved market conditions will lead to higher levels of utilization of the Company's assets.

The Company's backlog at January 31, 2001 stands at $1.2 billion, of which $877.0 million is for 2001. This compares to a backlog at January 31, 2000 of $1.1 billion, of which $760.0 million was for 2000. Included in the figure for 1999 is $478.0 million for the acquired business of ETPM.

SEASONALITY

Over the past three years a substantial proportion of the Company's revenue has been generated from work performed in the North Sea and, more recently, North America. Although less apparent than in the past due to technological advances, adverse weather conditions in these regions usually result in lower levels of activity during the winter months. Despite the geographical diversity of the Company's worksites, especially with increased activity in West Africa subsequent to the ETPM acquisition, the effect of seasonality on the results of the Company continues to result in the full year's results not being likely to be a direct multiple of any particular quarter or combination of quarters.

SHIP UTILIZATION

The following table sets forth the average ship utilization by quarter for the Company's fleets of dynamically positioned Deepwater Heavy Construction ships and Light Construction and Survey ships and Barges. The utilization rate is calculated by dividing the total number of days for which the ships were engaged in project related work in a quarter by 87.5 days per quarter or 350 days annually, expressed as a percentage. The remaining 15 days are attributable to routine maintenance.

% Utilization For the years ended November 30,	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Deepwater Heavy Construction					
2000	**69%**	**74%**	**77%**	**93%**	**78%**
1999	95%	92%	97%	75%	90%
1998	88%	87%	95%	100%	92%
Light Construction and Survey					
2000	**36%**	**42%**	**64%**	**49%**	**48%**
1999	64%	62%	67%	54%	62%
1998	61%	86%	91%	79%	79%
Barges and Anchor Ships					
2000	**31%**	**30%**	**36%**	**45%**	**35%**
1999	33%	33%	55%	40%	40%
1998	23%	64%	44%	57%	55%

Utilization of the Deepwater Heavy Construction fleet in 2000 was lower than in 1999. This was due in part to the unavailability of the *Seaway Condor* and low utilization of the *Seaway Polaris,* because of poor market conditions in the U.K. and North America. The poor market conditions were more pronounced for the Light Construction and Survey fleet and the Barges and Anchor Ships. We expect the demand for these two fleets to improve throughout 2001. In 1999 the utilization of the fleet was lower than 1998 due to less favorable market conditions.

RESULTS OF OPERATIONS

The following table shows annual net operating revenue and income before tax for each of the Company's business segments for the past three fiscal years.

The Asia Pacific region includes all activities east of the Indian subcontinent including Australasia; the North America region includes all activity in Canada, the United States of America and Central America; the Norway region includes all activities in Scandinavia and the Baltic states; the SEAME[a] region covers activities in Southern Europe and Africa, India and the Middle East; the South America region incorporates activities in South America and the islands of the southern Atlantic Ocean; the U.K. region includes activities in the U.K., Ireland, Germany, Belgium, The Netherlands and islands in the northern Atlantic Ocean. The Other Corporate segment includes items which cannot be allocated to one particular region. This includes activities of the Seaway Heavy Lifting Limited (SHL) and NKT Flexibles I/S joint ventures; global assets including construction support ships, ROVs and other associated assets, that are utilized globally and therefore cannot be attributed to any one region; and management and corporate services provided for the benefit of the whole group, including accounting consolidation, treasury and legal departments.

(a) SEAME (Southern Europe, Africa and the Middle East)

For the years ended November 30,	**2000**		1999		1998	
(in millions)						
Net operating revenue:						
Asia Pacific region	**$ 40.5**	**4.1%**	$ 42.7	6.7%	$ 37.9	5.8%
North America region	**122.3**	**12.4%**	156.4	24.4%	64.7	10.0%
Norway region	**198.8**	**20.2%**	164.5	25.7%	97.7	15.0%
SEAME region	**444.9**	**45.2%**	57.1	8.9%	55.9	8.6%
South America region	**52.8**	**5.4%**	56.4	8.8%	57.4	8.8%
U.K. region	**123.6**	**12.6%**	162.0	25.3%	335.0	51.6%
Other Corporate	**0.5**	**0.1%**	1.6	0.2%	1.2	0.2%
Total	**$983.4**	**100%**	$640.7	100.0%	$649.8	100.0%

For the years ended November 30,	**2000**		1999		1998	
(in millions)						
Net (loss) income before tax:						
Asia Pacific region	**$(14.9)**	**(39.0)%**	$ (5.0)	(64.9)%	$ 4.5	6.3%
North America region	**(21.2)**	**(55.5)%**	(6.1)	(79.2)%	12.7	17.7%
Norway region	**3.0**	**7.9%**	15.8	205.2%	16.1	22.4%
SEAME region	**20.1**	**52.6%**	3.4	44.1%	3.2	4.5%
South America region	**8.4**	**22.0%**	8.8	114.3%	2.3	3.2%
U.K. region	**(9.2)**	**(24.1)%**	0.5	6.5%	35.7	49.7%
Other Corporate	**(24.4)**	**(63.9)%**	(9.7)	(126.0)%	(2.7)	(3.8)%
Total	**$(38.2)**	**(100.0)%**	$ 7.7	100.0%	$71.8	100.0%

OVERALL

Net operating revenue increased to $983.4 million in 2000 from $640.7 million in 1999 largely as a result of the acquisition of ETPM; the majority of this increase was in West Africa. There were poor market conditions in the U.K., North America and Asia Pacific and severe project delays in the North Sea in quarter one due to adverse weather conditions. Poor project performance in the North Sea and Asia Pacific also had a significant negative impact on earnings. The poor market conditions together with the interest expense incurred on borrowings, which increased as a result of the ETPM acquisition, also contributed to a decrease in net income before tax from $7.7 million in 1999 to a net loss before tax of $38.2 million in 2000.

Net operating revenue decreased to $640.7 million in 1999 from $649.8 million in 1998 largely as a result of poor market conditions in the U.K. and North America. The increase in revenue in North America was due entirely to the full year impact of the acquisition of Ceanic. The poor market conditions together with the interest expense incurred on borrowings, which increased as a result of the Ceanic acquisition, resulted in a decrease in net income before tax from $71.8 million in 1998 to $7.7 million in 1999. Poor project performance in Asia Pacific also contributed to the reduction in net income before tax.

ASIA PACIFIC REGION

In 2000 net operating revenue decreased from $42.7 million in 1999 to $40.5 million due to a slight deterioration in the market in the region and in the Indonesian market in particular. We now see signs of improvement but we do not intend to position premium assets in this region until we can achieve competitive advantage in this market. Net operating revenue of $42.7 million in 1999 was an improvement from $37.9 million in 1998. This was largely due to market improvements for ROVs and the Indonesian market in general.

In 2000 a net loss before tax of $14.9 million compared to a net loss before tax of $5.0 million in 1999. This loss largely resulted from poor project performance on two projects in Indonesia where unexpected soil conditions made the trenching of two pipelines very difficult. A net loss before tax of $5.0 million in 1999 compared to net income before tax of $4.5 million in 1998. The decrease in 1999 was the result of poor margins due to market conditions.

NORTH AMERICA REGION

Net operating revenue decreased from $156.4 million in 1999 to $122.3 million in 2000. The year 2000 was disappointing due to the very poor market conditions in the Gulf of Mexico where activity levels were at a 30 year low due to the depressed price for oil and gas for most of 1999. With oil and gas prices now stabilizing at a higher level it is expected that this market will recover during 2001. The Company has also recently been awarded a large pipelay project for Gulfstream National Gas LLC, which will be carried out during 2001. This poor market resulted in a net loss before tax in 2000 of $21.2 million compared to a net loss before tax for 1999 of $6.1 million. Poor market conditions resulted in a net loss before tax in 1999 of $6.1 million, which compared to a net income before tax for the last quarter of 1998 of $12.7 million.

NORWAY REGION

Net operating revenue for 2000 was $198.8 million compared to $164.5 million for 1999. The increase in 2000 was due to improvements in the market for ROV services and the additional projects undertaken as a result of the ETPM acquisition. We expect this market to remain the same in 2001 and then grow in 2002. Net operating revenue in 1999 was $164.5 million compared to $97.7 million in 1998. The increase was due in part to the purchase of the ROV business of Dolphin A/S that contributed approximately $10.0 million to revenue in 1999 and improved market conditions in the region.

Net income before tax in 2000 was $3.0 million compared to $15.8 million in 1999. This decrease was largely the result of project delays caused by adverse weather conditions early in the year. Net income before tax in 1999 of $15.8 million was a decrease from 1998 net income of $16.1 million due to under utilization of assets.

SEAME REGION

Net operating revenue in 2000 of $444.9 million compared favorably to revenue in 1999 of $57.1 million. The increase is due to the acquisition of ETPM which has the majority of its activities in the SEAME region. We expect to see the market volume in West Africa double in 2001, a market in which we have a strong position. Net operating revenue in 1999 of $57.1 million compared favorably to net operating revenue in 1998 of $55.9 million, which was due mainly to the acquisition, as part of Ceanic, of two ships operating in Nigeria and partly due to improved market conditions in the region.

Net income before tax was $20.1 million in 2000 compared to $3.4 million in 1999 and $3.2 million in 1998. These low returns reflect the high proportion of procurement included in the contracts in this area and also that traditionally much of this work has been undertaken during the northern hemisphere winter months to try to maximize the utilization of assets, which would otherwise be idle. This has resulted in contracts having been undertaken at lower margins than would have been achieved during the summer.

SOUTH AMERICA REGION

Net operating revenue was $52.8 million in 2000 compared to $56.4 million in 1999. In 2000 revenue was impacted by the currency devaluation in Brazil where some of the revenues are denominated in local currency. However, this was partially offset by compensation under the contract with Petrobras and savings on local costs, which are also denominated in local currency. This resulted in net income before tax for 2000 of $8.4 million compared to $8.8 million in 1999 and $2.3 million in 1998. We expect to see volume grow in Brazil in 2002 and 2003 as the major oil companies currently drilling move into the construction phase of their new developments.

U.K. REGION

Net operating revenue of $123.6 million in 2000 was down from $162.0 million in 1999. This was entirely due to the continued poor market conditions in the region. We expect this sector of the North Sea to grow by over 50% in 2001. In 1999 revenue decreased from $335.0 million in 1998 to $162.0 million. This decrease was largely due to poor market conditions which made it difficult to replace the Amerada Hess Triton project.

Net loss before tax of $9.2 million in 2000 was down from 1999 net income before tax of $0.5 million and can be largely explained by the reduced market activity in the region, which reduced margins and adversely affected asset utilization. Net income before tax was $0.5 million in 1999 compared to $35.7 million in 1998. In 1998 market conditions were very favorable and project performance was also very good.

OTHER CORPORATE

The Other Corporate segment relates to activities which are not directly attributable to specific regional segments. These included the activities of SHL, a joint venture with a subsidiary of the Russian oil company Lukoil-Kaliningradmorneft plc (Lukoil); NKT Flexibles I/S, which is a manufacturer of flexible flowlines and dynamic flexible risers for the offshore oil and gas industry, and Serimer DASA, which is a contract welding services entity used in onshore fabrications. Also included in Other Corporate is comprised of global assets including construction support ships, ROVs and other associated assets, that are utilized globally and therefore cannot be attributed to any one region; management and corporate services provided for the benefit of the whole group, including accounting consolidation, treasury and legal departments.

Net operating revenue in 2000 amounted to $0.5 million compared to $1.6 million in 1999 and $1.2 million in 1998. This relates to management charges to joint ventures.

Net loss before tax for 2000 was $24.4 million compared to $9.7 million in 1999 and $2.7 million in 1998. This large loss was as a result of the under recoveries resulting from poor asset utilization experienced during the year.

BUSINESS ACQUISITIONS

On December 7, 1999 the Company completed a transaction to form a joint venture entity, NKT Flexibles I/S, a manufacturer of flexible flowlines and dynamic flexible risers for the offshore oil and gas industry. NKT Flexibles I/S is owned 51% by NKT Holdings A/S, and 49% by Stolt Offshore S.A. This transaction was effected by the acquisition of Danco A/S, a wholly owned Norwegian company, which holds the investment in the joint venture entity. Stolt Offshore S.A. issued 1,758,242 Class A Shares with an average guaranteed value of

$14.475 per share and paid $10.5 million in cash for its 49% interest in NKT Flexibles I/S. The total consideration was $36.0 million.

The acquisition of Danco A/S has been accounted for by the purchase method of accounting and, accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. The excess of cash paid over the fair value of net assets acquired has been recorded as goodwill of $2.1 million at the date of acquisition. The goodwill is being amortized over 20 years.

The Company accounts for the investment in NKT Flexibles I/S as a non-consolidated joint venture under the equity method.

On December 16, 1999 the Company acquired approximately 55% of the French offshore construction and engineering company ETPM, a wholly owned subsidiary of GTM, the construction affiliate of Suez Lyonnaise des Eaux S.A. The remaining 45% was acquired on February 4, 2000. The purchase price was comprised of $111.6 million in cash; the issue of 6,142,857 Class A Shares at a maximum guarantee price of $18.50 per share, giving a value of $113.6 million; and acquisition costs of $3.4 million.

The Company also entered into a hire purchase arrangement for two ships owned by GTM, the *Seaway Polaris* and the *DLB (derrick lay barge) 801*, with an early purchase option after two years. The net present value of this arrangement at the date of acquisition was approximately $32.0 million.

In addition, the Company assumed debt of $18.4 million that was due from ETPM to GTM and assumed debt of $71.0 million that was due to third parties. This gave a total price of $350.0 million.

The acquisition has been accounted for by the purchase method of accounting and, accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. The acquisition generated negative goodwill $7.1 million and non-current assets have been reduced by this amount.

The acquisition was initially funded by cash provided by SNSA, which was replaced by a bridge finance facility provided by Den norske Bank ASA for $150.0 million with a duration of 364 days. Interest was levied at London Interbank Offer Rate (LIBOR) plus 1.1875%. This facility has now been repaid.

The guaranteed minimum share price of the Class A Shares issued to GTM is $17.50 per share for the first six months after closing and increases by $0.25 every six months up to a maximum of $18.50 per share after 24 months. For the first 24 months after closing, GTM is free to sell all or part of their Stolt Offshore S.A. shares at any time. Stolt Offshore S.A. will only be obliged to honor its minimum price guarantee in the event Stolt Offshore S.A. elects to arrange such sale. From the period of 24 to 30 months after the closing, Stolt Offshore S.A. may force GTM to sell its shares in Stolt Offshore S.A. From the period of 24 to 30 months after the closing, GTM may request that Stolt Offshore S.A. arrange to sell GTM's shares in Stolt Offshore S.A. In each case, the minimum price guarantee will apply. From the period of 24 to 30 months after the closing, GTM continues to have the right to sell all or part of its shares in Stolt Offshore S.A. For those shares that GTM has not sold by month 30 after the closing, GTM can require Stolt Offshore S.A. to sell GTM's shares in Stolt Offshore S.A. and the minimum price guarantee will apply. After 30 months after the closing, the guarantee lapses.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $82.1 million in 2000 compared to $56.1 million in 1999. This increase was due largely to the increase in assets pursuant to the acquisition of ETPM. Amortization of the goodwill on Ceanic amounted to $5.1 million in 2000.

Depreciation and amortization was $56.1 million in 1999 compared to $35.5 million in 1998. This increase was largely the result of the full year impact of the Ceanic acquisition in 1998 and fixed asset additions during 1998.

EQUITY IN NET INCOME OF NON-CONSOLIDATED JOINT VENTURES

Equity in net income of non-consolidated joint ventures in 2000 was $5.8 million, compared to $5.2 million in 1999 and $14.8 million in 1998. The increase in 2000 was due to a combination of factors. The joint ventures in the North Sea showed lower activity which was compensated for by increased activity in West Africa joint ventures. NKT Flexibles I/S, which is included in the Other Corporate segment returned a loss in line with expectation due to the joint venture being in the start up phase of operations. The Company is already seeing the benefit of NKT Flexibles I/S through its supply of flexible pipe. Mar Profundo Girassol represents the majority of the increased activity in West Africa which has been incorporated into the SEAME reportable segment. The decrease in 1999 was due to the completion of a project-specific joint venture in the North Sea in 1998 and the reduced activity of SHL. The Company has an agreement with Lukoil to continue SHL until 2004.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses in 2000 were $60.9 million, compared to $51.8 million and $45.9 million in 1999 and 1998, respectively. The increase is largely due to the full year effect of the ETPM acquisition. The increase in 1999 over 1998 was largely due to the full year effect of the Ceanic acquisition, partly offset by the absence of a profit sharing provision.

RESTRUCTURING CHARGE

Following the acquisition of ETPM, the Company has implemented a reorganization plan that has removed duplicate capacity in the U.K. and SEAME regions.

The Company has closed the former ETPM sites in Aberdeen and Teeside, U.K., and all administrative and operational functions that were previously carried out on these sites have been transferred to the Company's existing office in Aberdeen. The costs associated with leasing and maintaining these premises while vacant and, subsequently, terminating the leases amounted to $1.0 million, net of tax. These costs have been capitalized as purchase price adjustments. During the year, the Company paid out $1.2 million, leaving a provision of $0.2 million that will be utilized in 2001.

The Company has recorded a restructuring charge of $0.9 million as part of the program to eliminate duplicate functions across the U.K. There were 56 redundancies, relating to all departments. All redundancies were finalized in 2000 and there is no outstanding provision at November 30, 2000.

In addition, the Company has closed its base in Marseilles, France and all operational and administrative functions have been transferred to the former ETPM headquarters in Paris, France. This office is now the headquarters of the SEAME region. The Company terminated the contracts of 37 employees across all departments and has incurred redundancy costs of $1.7 million as a result of the closure of the Marseilles office. All costs were paid during 2000.

Finally, integration costs of $0.7 million were incurred in relation to the change of name to Stolt Offshore S.A., the introduction of common information systems and reporting systems and the standardization of processes across the enlarged Company. All costs were paid during 2000.

The reorganization costs have been determined based on plans approved by the Company's board. The costs are summarized in the following table.

Category	Capitalized	Expensed *(non-recurring items)*	Total
(in thousands)			
Lease costs net of tax of $0.4 million	$961	$ —	$ 961
Redundancy costs	—	2,610	2,610
Integration costs	—	684	684
Total	**$961**	**$3,294**	**$4,255**

During 1999 the Company carried out a reorganization of its North Sea operations. The Company's operational base in Haugesund, Norway was closed in July 1999. A single organization providing administrative and operational support was established during 1999 for North Sea commercial and administrative functions. Non-recurring costs amounting to $1.6 million were expensed, of which $1.3 million related to redundancy and relocation costs and $0.3 million related to other administrative costs. These costs were disclosed as a separate line in the 1999 statement of operations. During 1999 Stolt Offshore S.A. paid out $1.0 million redundancy costs, leaving a provision carried forward to 2000 of $0.3 million. These costs were paid during the course of 2000. All administrative costs in relation to the restructuring were paid out during 1999. The reorganization resulted in 66 redundancies in commercial and administrative functions, of which 58 had been effected by November 30, 1999. The contracts of the remaining eight employees were terminated in 2000.

NON OPERATING (EXPENSE) INCOME

Net interest expense

In 2000 net interest expense increased to $30.0 million from $16.7 million in 1999. This increase resulted from the acquisition of ETPM, which was partly debt financed. In 1999 net interest expense increased from $5.1 million in 1998 to $16.7 million in 1999 as a result of the acquisition of Ceanic, which was largely debt financed.

Income taxes

The Company recorded a net tax benefit of $3.8 million in 2000, compared to a net tax benefit in 1999 of $8.5 million and a net tax provision in 1998 of $17.5 million. The tax credit in 2000 largely results from the poor results in the North Sea and North America where deferred tax assets were recognized. The tax credit in 1999 largely results from the disappointing year in the North America region where substantial deferred tax assets were recognized. Due to the magnitude of the losses incurred in the North America region, it has been agreed by management to reduce the interest burden for the U.S. companies. This will assist the U.S. companies to return to profitability and in conjunction with the improvement in market conditions will ensure that the deferred tax assets recognized will be utilized. The provision in 1998 relates for the most part to pre-tax income recognized in the U.K. and Norway.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY

In 1998, the Company changed its accounting policy for drydocking from an accrual basis to a deferral basis. Under Accounting Principles Board Opinion No. 20 the Company is required to separately disclose the cumulative effect at December 1, 1997. This amounted to $3.1 million net of tax.

CAPITAL STOCK AND EARNINGS PER SHARE

During the year, SNSA subscribed for a further 19,775,223 Class A Shares. In connection with the acquisition of Danco A/S, 1,758,242 Class A Shares were issued to NKT Holdings A/S. In connection with the acquisition of ETPM, 6,142,857 Class A Shares were issued to GTM.

All share and earnings per share information contained within the Annual Report have been restated to reflect the stock split and creation of Class A Shares, completed on January 9, 1998 and the Class A Share distribution on June 25, 1998.

A share restructuring plan discussed under "Subsequent Events" has been proposed.

LIQUIDITY AND CAPITAL RESOURCES

The primary liquidity needs of the Company are to fund working capital and capital expenditures. The Company's principal sources of funds have been cash generated from operations, borrowings from commercial banks, SNSA and the issuance of share capital.

As mentioned under "Business Acquisitions", the Company acquired the French offshore construction and engineering company ETPM, a wholly owned subsidiary of GTM. The total consideration for this acquisition was approximately $350.0 million, funded partly by the issuance of Class A Shares to the seller with a guaranteed minimum share price. To facilitate the cash part of the investment, on February 25, 2000 the Company issued 10,341,261 Class A Shares to SNSA at a share price of $9.67 per share. To reduce its financial leverage, on May 29, 2000 the Company issued a further 9,433,962 Class A Shares to SNSA at a share price of $10.60 per share.

The Company's principal credit facility is a $440.0 million Secured Multi-Currency Revolving Facility (the "Secured Credit Facility") with a syndicate of banks, the lead banks being Den norske Bank ASA, Banc of America Securities LLC, Salomon Brothers International Limited, HSBC Bank plc and ING Barings LLC. The Secured Credit Facility was entered into on September 22, 2000 and refinanced previous facilities held with Den norske Bank ASA, HSBC Bank plc, Bank of America NT & SA and ASLK-CGER Bank under which $400.0 million was available to the Company at the date of the refinancing. Unamortized upfront fees relating to the previous facilities of $1.4 million were written off during quarter 4 of 2000.

The Secured Credit Facility is a five-year revolving credit facility, which reduces to $385.0 million on August 31, 2002 and $330.0 million on August 31, 2003. The interest rate on outstanding debt is based on the ratio of the Company's debt to earnings before interest, taxes, depreciation and amortization. The interest charge will range from 0.75% to 1.75% over LIBOR. Debt under the Secured Credit Facility is secured by a first priority mortgage on certain of the Company's ships.

As of November 30, 2000, the Company had available bank facilities of $478.3 million of which $266.8 million were utilized. Of the bank facilities utilized, $265.0 million was classified as long-term debt.

Net cash provided by operating activities was $58.2 million during 2000 compared to $40.3 million in 1999. This increase is mainly due to the reduced working capital requirements in the current year, partially offset by the reduction in net operating income as discussed under "Results of Operations" above. Average accounts receivable days outstanding at November 30, 2000 decreased to 111 days from 113 days at November 30, 1999. Average accounts payable days outstanding at November 30, 2000 increased to 131 days from 91 days at November 30, 1999. The movements in payables and receivables are largely the result of the acquisition of ETPM.

Net cash provided by operating activities in 1999 was $40.3 million, compared to $103.7 million in 1998. This decrease was a result of reduced net operating income as discussed under "Results of Operations" above and increased working capital requirements. The latter is reflected by a decrease in average accounts payable days outstanding from 117 days in 1998 to 91 days in 1999. There was an increase in average accounts receivable days from 108 days in 1998 to 113 days in 1999.

Net cash used in investing activities was $160.6 million in 2000. $111.2 million, net of cash acquired, was paid to acquire ETPM and Danco A/S, $61.7 million was paid to purchase fixed assets and $6.9 million was paid in respect of investments in joint ventures. Partially offsetting these expenditures, was $19.2 million for the proceeds from the sale of fixed assets.

Net cash used in investing activities in 1999 was $75.8 million. The $90.9 million paid to purchase fixed assets was partially offset by dividends received from joint ventures of $11.6 million and proceeds from the sale of fixed assets of $2.8 million.

Net cash used in investing activities in 1998 was $328.2 million. Significant investing activities during the year were the acquisition of Ceanic for $213.1 million, net of cash acquired, and the purchase of fixed assets for $123.3 million, which were partly offset by $12.6 million in dividends from joint ventures.

Net cash provided by financing activities in 2000 was $103.8 million, compared to $34.7 million in 1999 and $225.3 million in 1998. In 2000, this was mainly comprised of proceeds of $199.8 million from the issuance of 19,775,223 Class A Shares for further investment from SNSA as previously described; a net increase in long-term debt of $14.4 million was offset by the $104.3 million repayment of short-term facilities most of which were assumed through the acquisition of ETPM; the $5.4 million repayment of capital lease obligations; and a $2.6 million increase in restricted cash. In 1999 net cash provided by financing activities was comprised of an increase in long-term debt of $32.6 million, $5.6 million additional drawdown on short-term facilities, $1.0 million increase of restricted cash and $3.1 million repayment of capital lease obligations. In 1998 net cash provided by financing activities was comprised of a long-term loan from SNSA of $150.0 million, $66.0 million of new long-term debt, $4.1 million additional drawdown on short-term bank facilities and $5.8 million of release of restricted cash.

During the next financial year, the Company expects to make capital expenditures of about $93 million, including $9 million for the acquisition of Paragon Engineering Services Inc. which is discussed under "Subsequent Events" below. Of this capital expenditure approximately $21 million was committed at November 30, 2000. Expected debt service is $62 million for the year 2001. Based on the current level of activity, cash provided from operations is expected to be about $156 million.

MULTI-CURRENCY ACTIVITIES

The reporting currency of the Company is the U.S. dollar. The majority of net operating expenses are denominated in the functional currency of the individual operating subsidiaries. The U.S. dollar is the functional currency of the most significant subsidiaries within the Asia Pacific, North America, SEAME and South America regions. In the Norway and U.K. region the functional currencies are the Norwegian kroner and the British pound, respectively.

The Company enters into forward exchange and options contracts to hedge capital expenditures and operational non-functional currency exposures on a continuing basis for periods consistent with its committed exposures. The Company does not engage in currency speculation.

SUBSEQUENT EVENTS

Share restructuring plan

On January 23, 2001 Stolt Offshore S.A. announced that an extraordinary general meeting of shareholders will be held on March 6, 2001 to approve a share restructuring plan.

The objective of the share restructuring plan is to create a simplified and more transparent share capital structure that gives all shareholders a vote on all matters and to increase the liquidity of the Common Share public float by some 50%. The proposed plan will reclassify the currently outstanding non-voting Stolt Offshore S.A. Class A Shares to Common Shares on a one-for-one basis. The reclassified Common Shares will be listed in Norway on the Oslo Stock Exchange and trade as ADRs in the United States on Nasdaq.

If shareholders approve this reclassification, Stolt Offshore S.A. will have outstanding 70,152,924 Common Shares and 34,000,000 Class B Shares (which are economically equivalent to 17,000,000 Common Shares and are all owned by SNSA) for a total of 87,152,924 Common Share equivalents. The share restructuring plan does not change the underlying economic interests of existing shareholders and will require the approval of shareholders at a general vote of all shares as well as the separate approval of the Class A shareholders voting as a separate class. In each case, a quorum of 50% and approval by two-thirds of those shares voting will be required.

Acquisition of Paragon Engineering Services Inc.

On January 1, 2001 Stolt Offshore S.A. signed a letter of intent to acquire a majority ownership of Paragon Engineering Services Inc. (PES) of Houston from the current controlling shareholder. This acquisition will further broaden the Company's range of engineering skills and enable the Company to undertake all of the engineering required on many of the large EPIC type contracts that are expected to come into the market in the next few years.

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 on a consolidated basis, the Company enters into derivative transactions for currency exposures in accordance with the Company's policies. The financial impact of these instruments is offset by corresponding changes in the underlying exposures being hedged. The Company does not hold or issue derivative instruments for trading purposes.

CURRENCY RATE AND INTEREST RATE EXPOSURE

The Company's exposure to currency rate fluctuations results from its net investments in foreign subsidiaries, primarily in the U.K., Norway, France and Brazil, and from its share of the local currency earnings in its operations in the U.K., Norway and SEAME. The Company is also exposed to fluctuations in several other currencies resulting from operating expenditures and one-off liabilities.

The Company's currency rate exposure policy prescribes the range of allowable hedging activity. The Company primarily utilizes forward exchange contracts and purchase options. The Company does not use derivatives to hedge the value of investments in foreign subsidiaries.

The Company's exposure to third-party interest rate fluctuations results primarily from floating-rate short-term lines of credit, as well as floating-rate long-term revolving credit facilities tied to LIBOR.

The Company uses a "value-at-risk" (VAR) model to estimate the potential loss that could occur from the adverse movements in either interest rates or foreign exchange rates. The VAR model uses historical foreign exchange rates and interest rates to estimate the volatility and correlation of these rates in future periods. It estimates a potential one-day loss in fair market value using statistical modeling techniques and including substantially all market risk exposures, specifically excluding joint venture investments. The VAR model estimates were made assuming normal market conditions and a 95% confidence level.

The 95% confidence interval signifies the Company's degree of confidence that actual losses would not exceed the estimated losses shown in the table below. The amounts shown here disregard the possibility that interest rates and foreign currency exchange rates could move favorably. The VAR model assumes that all movements in these rates will be adverse. Actual experience has shown that gains and losses tend to offset one another over time, and it is highly unlikely that the Company could experience losses such as these 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 Company's results of operations or financial condition.

VAR	Interest Rates	Foreign Exchange Rates
(in thousands)		
As of November 30, 2000	**$1,259**	**$1,095**

A discussion of the Company's accounting policies for financial instruments is included in Note 2 to the consolidated financial statements, and disclosure relating to the financial instruments is included in Note 23 to the consolidated financial statements.

EURO

The Company carried out a review of the potential impact of carrying out business in an additional currency. The financial systems required to provide Euro compliance were successfully upgraded to meet commercial requirements during the year. Any foreign exchange risks will be assessed and managed as part of the Company's foreign exchange program.

YEAR 2000

The Company did not experience significant systems problems at the turn of the millennium.

The Company incurred approximately $0.1 million in expenses during 2000 in connection with ongoing monitoring activities on Year 2000 issues. This compares with $0.2 million in expenses during 1999 and $0.1 million in 1998, incurred as a consequence of corrective action required.

IMPACT OF NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* The Statement establishes accounting and reporting standards in the U.S. requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged items in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

In June 2000, the FASB issued SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities.* This Statement addresses a limited number of issues causing implementation difficulties for numerous entities that apply SFAS 133 and amends the accounting and reporting standards of SFAS 133 for certain derivative instruments and certain hedging activities.

SFAS 137 delayed the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. A company may implement the Statements as of the beginning of any fiscal quarter after issuance; however, SFAS 133 cannot be applied retroactively.

SFAS 133 provides that the gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. SFAS 133 provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. If SFAS 133 had to be applied to all forward contracts in place at November 30, 2000, changes in the fair value of the contracts would increase liabilities by approximately $4.9 million and assets by $2.7 million with an offsetting amount of $2.2 million recorded in accumulated comprehensive income.

FORWARD LOOKING STATEMENTS

Certain statements in this Annual Report, including the message from the Chairman and the operational review from the Chief Executive Officer, describe plans or expectations for the future and constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Actual and future results and trends could differ materially from those set forth in such statements due to various factors. Such factors include, among others: general economic and business conditions; industry capacity; industry trends; competition; the availability and reliability of ships; project performance; currency fluctuations; the loss of any significant customers; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; changes in, or the failure or inability to comply with, government regulations; and adverse weather conditions. Additional information concerning these as well as other factors is contained from time to time in the Company's U.S. Securities and Exchange Commission (SEC) filings, including but not limited to the Company's report on Form 20-F for the year ended November 30, 1999. Copies of these filings may be obtained by contacting the Company or the SEC.

Selected Consolidated Financial Data

For the years ended November 30,	2000	1999	1998	1997	1996
(in millions, except per share data)					
Net operating revenue	**$ 983.4**	$640.7	$649.8	$431.1	$313.4
Non-recurring items	**$ (3.3)[(a)]**	$ (1.6)[(a)]	$ —	$ (3.1)	$ —
Net operating (loss) income	**$ (5.0)**	$ 24.2	$ 77.7	$ 54.5	$ (3.4)
Cumulative effect of change in accounting policy	**$ —**	$ —	$ 3.1	—	—
Net (loss) income	**$ (34.4)**	$ 16.2	$ 57.3	$ 39.0	$ (14.9)
Net (loss) income per Common Share and Common Share equivalents before cumulative effect of change in accounting policy[(b)]					
Basic	**$ (0.44)**	$ 0.27	$ 0.92	$ 0.83	$ (0.50)
Diluted	**$ (0.44)**	$ 0.27	$ 0.91	$ 0.82	$ (0.50)
Net income per Common Share and Common Share equivalents cumulative effect of change in accounting policy[(b)]					
Basic	**$ —**	$ —	$ 0.05	$ —	$ —
Diluted	**$ —**	$ —	$ 0.05	$ —	$ —
Net (loss) income per Common Share and Common Share equivalents[(b)]					
Basic	**$ (0.44)**	$ 0.27	$ 0.97	$ 0.83	$ (0.50)
Diluted	**$ (0.44)**	$ 0.27	$ 0.96	$ 0.82	$ (0.50)
Weighted average number of Common Shares and Common Share equivalents outstanding[(b)]					
Basic	**78.8**	59.1	59.0	47.0	30.0
Diluted	**78.8**	59.5	60.0	47.6	30.0

As of November 30,	2000	1999	1998	1997	1996
(in millions, except per share data)					
Current assets less current liabilities (including current portion of long-term debt and capital lease obligations and debt due to SNSA)	**$ 12.7**	$ 31.9	$ 67.4	$ 78.7	$ (20.0)
Non-current assets	**$1,008.3**	$591.2	$574.2	$275.0	$207.7
Long-term debt, including long-term debt due to SNSA, and capital lease obligations (including current portion)	**$ 292.5**	$200.7	$221.2	$ 2.6	$154.5
Other long-term liabilities	**$ 62.8**	$ 14.5	$ 22.5	$ 3.5	$ 4.2
Shareholders' equity	**$ 669.4**	$408.4	$400.6	$348.0	$ 76.9
Book value per Common Share and Common Share equivalents[(b)]	**$ 7.68**	$ 6.90	$ 6.79	$ 5.90	$ 2.56
Total number of Common Shares and Common Share equivalents outstanding[(b)]	**87.2**	59.2	59.0	59.0	30.0

(a) Non-recurring items relate to restructuring charges per Note 16.

(b) All share data and per share data have been restated to reflect the two-for-one stock split completed on January 9, 1998 and the Class A Share distribution on June 25, 1998.

Report of Independent Public Accountants

To Stolt Offshore S.A.

We have audited the accompanying consolidated balance sheets of Stolt Offshore S.A. (a Luxembourg company) and its subsidiaries as of November 30, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended November 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stolt Offshore S.A. and subsidiaries as of November 30, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective December 1, 1997 the Company changed its method of accounting for drydock costs.

Arthur Andersen
Edinburgh, Scotland
January 31, 2001

Consolidated Statements of Operations

For the years ended November 30,		2000	1999	1998
(in thousands, except per share data)				
Net operating revenue		**$ 983,420**	$ 640,726	$ 649,764
Operating expenses		**(930,046)**	(568,304)	(540,891)
Gross profit	– $	**53,374**	72,422	108,873
	– %	**5.4%**	11.3%	16.8%
Equity in net income of non-consolidated joint ventures		**5,793**	5,197	14,761
Administrative and general expenses		**(60,913)**	(51,825)	(45,911)
Restructuring charges (Note 16)		**(3,294)**	(1,639)	—
Net operating (loss) income		**(5,040)**	24,155	77,723
Non-operating (expense) income:				
Interest expense		**(32,157)**	(17,692)	(6,407)
Interest income		**2,165**	966	1,305
Foreign currency exchange losses, net		**(810)**	(80)	(393)
Minority interest		**(2,521)**	—	(360)
Other income (expense), net		**142**	355	(83)
(Loss) income before income taxes		**(38,221)**	7,704	71,785
Income tax benefit (provision) (Note 10)		**3,778**	8,509	(17,537)
Net (loss) income before cumulative effect of a change in accounting policy		**(34,443)**	16,213	54,248
Cumulative effect of change in accounting policy, net of tax of $0.6 million		**—**	—	3,060
Net (loss) income		**$ (34,443)**	$ 16,213	$ 57,308
Earnings per Common Share:				
Net (loss) income per Common Share and Common Share equivalents before cumulative effect of change in accounting policy				
Basic		**$ (0.44)**	$ 0.27	$ 0.92
Diluted		**$ (0.44)**	$ 0.27	$ 0.91
Net income per Common Share and Common Share equivalents of cumulative effect of change in accounting policy				
Basic		**$ —**	$ —	$ 0.05
Diluted		**$ —**	$ —	$ 0.05
Net (loss) income per Common Share and Common Share equivalents				
Basic		**$ (0.44)**	$ 0.27	$ 0.97
Diluted		**$ (0.44)**	$ 0.27	$ 0.96
Weighted average number of Common Shares and Common Share equivalents outstanding (Note 2)				
Basic		**78,774**	59,092	58,999
Diluted		**78,774**	59,545	59,979

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As of November 30,	2000	1999
(in thousands, except share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 6,315**	$ 5,852
Restricted cash deposits (Note 4)	**4,337**	2,096
Trade receivables (Note 5)	**298,015**	198,489
Inventories and work-in-progress (Note 6)	**33,701**	21,443
Prepaid expenses and other current assets	**52,130**	24,284
Total current assets	**394,498**	252,164
Fixed assets, at cost (Note 8)	**1,042,974**	614,295
Less accumulated depreciation and amortization (Note 8)	**(239,626)**	(178,232)
Total fixed assets, net	**803,348**	436,063
Deposits and non-current receivables	**24,223**	6,347
Investments in and advances to non-consolidated joint ventures (Note 9)	**37,004**	5,807
Deferred taxes (Note 10)	**13,705**	8,522
Goodwill and other intangible assets (Note 2)	**126,733**	130,608
Prepaid pension asset (Note 11)	**3,261**	3,872
Total assets	**$1,402,772**	$ 843,383
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdrafts (Note 12)	**$ 1,767**	$ 22,326
Short-term debt due to SNSA (Note 15)	**—**	50,000
Short-term payables due to SNSA (Note 15)	**8,512**	2,908
Current maturities of long-term debt and capital lease obligations (Note 13)	**3,844**	585
Accounts payable and accrued liabilities (Note 14)	**255,624**	101,856
Accrued salaries and benefits	**36,736**	15,201
Other short-term liabilities	**75,344**	27,436
Total short-term liabilities	**381,827**	220,312
Long-term debt and capital lease obligations (Note 13)	**288,653**	100,116
Long-term debt due to SNSA (Note 15)	**—**	100,000
Deferred taxes (Note 10)	**26,743**	11,471
Other long-term liabilities	**30,505**	3,041
Accrued pension liability	**3,797**	—
Minority interests	**1,798**	—
Total long-term liabilities	**351,496**	214,628
Commitments and contingencies (Notes 17 and 22)		
Shareholders' equity: (Note 19)		
Common Shares, $2.00 par value – 34,000,000 shares authorized (1999: 34,000,000), 22,723,134 shares issued and outstanding (1999: 22,456,565)	**45,446**	44,913
Class A Shares, $2.00 par value – 68,000,000 shares authorized (1999: 68,000,000), 47,429,790 shares issued and outstanding (1999: 19,710,800)	**94,860**	39,422
Class B Shares, $2.00 par value – 34,000,000 shares authorized, issued and outstanding (1999: 34,000,000)	**68,000**	68,000
Paid-in surplus	**463,379**	178,551
Retained earnings	**66,639**	101,082
Accumulated comprehensive loss	**(68,875)**	(23,525)
Total shareholders' equity	**669,449**	408,443
Total liabilities and shareholders' equity	**$1,402,772**	$ 843,383

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands, except share data)	Common Shares	Class A Shares	Class B Shares	Paid-in Surplus	Retained Earnings	Accumulated Comprehensive Loss	Total Shareholders' Equity	Comprehensive Income (Loss)
Balance, November 30, 1997	$44,584	$ —	$68,000	$217,770	$ 27,561	$ (9,923)	$347,992	
Issuance of 19,678,987 Class A Shares by way of a Stock Dividend	—	39,358	—	(39,722)	—	—	(364)	
Net income	—	—	—	—	57,308	—	57,308	$ 57,308
Translation adjustments, net	—	—	—	—	—	(4,777)	(4,777)	(4,777)
Comprehensive income	—	—	—	—	—	—	—	$ 52,531
Exercise of stock options	147	2	—	242	—	—	391	
Balance, November 30, 1998	44,731	39,360	68,000	178,290	84,869	(14,700)	400,550	
Net income	—	—	—	—	16,213	—	16,213	$ 16,213
Translation adjustments, net	—	—	—	—	—	(8,825)	(8,825)	(8,825)
Comprehensive income	—	—	—	—	—	—	—	$ 7,388
Exercise of stock options	182	62	—	339	—	—	583	
Other, net	—	—	—	(78)	—	—	(78)	
Balance, November 30, 1999	44,913	39,422	68,000	178,551	101,082	(23,525)	408,443	
Issuance of 1,758,242 Class A Shares	—	3,516	—	21,934	—	—	25,450	
Issuance of 6,142,857 Class A Shares	—	12,286	—	101,357	—	—	113,643	
Issuance of 10,341,261 Class A Shares	—	20,683	—	79,317	—	—	100,000	
Issuance of 9,433,962 Class A Shares	—	18,868	—	81,132	—	—	100,000	
Net loss	—	—	—	—	(34,443)	—	(34,443)	$(34,443)
Translation adjustments, net	—	—	—	—	—	(45,350)	(45,350)	(45,350)
Comprehensive loss	—	—	—	—	—	—	—	$(79,793)
Exercise of stock options	533	85	—	1,280	—	—	1,898	
Other, net	—	—	—	(192)	—	—	(192)	
Balance, November 30, 2000	**$45,446**	**$94,860**	**$68,000**	**$463,379**	**$ 66,639**	**$(68,875)**	**$669,449**	

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended November 30,	**2000**	1999	1998
(in thousands)			
Cash flows from operating activities:			
Net (loss) income	**$ (34,443)**	$ 16,213	$ 57,308
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	**82,117**	56,136	35,548
Amortization of drydock costs	**3,985**	3,793	2,700
Deferred tax provision on cumulative effect of change in accounting policy	**—**	—	926
Cumulative effect of change in accounting policy	**—**	—	(3,986)
Equity in earnings of non-consolidated joint ventures	**(5,793)**	(5,197)	(14,761)
Minority interest in consolidated subsidiaries	**2,521**	—	360
Deferred tax	**(16,731)**	(15,668)	9,102
(Gain) loss on sale of assets	**(572)**	(290)	342
Other, net	**—**	—	851
Changes in operating assets and liabilities, net of acquisitions:			
Trade receivables	**18,316**	42,320	(22,245)
Prepaid expenses and other current assets	**(18,576)**	774	4,000
Inventories and work-in-progress	**(13,160)**	4,653	11,560
Accounts and notes payable	**29,094**	(53,737)	37,798
Accrued salaries and benefits	**(5,517)**	(8,793)	8,325
Other short-term and other long-term liabilities	**28,630**	2,239	(17,346)
Payments of drydock costs	**(11,638)**	(2,108)	(6,815)
Net cash provided by operating activities	**58,233**	40,335	103,667
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	**(111,175)**	—	(213,147)
Purchase of fixed assets	**(61,724)**	(90,918)	(123,284)
Proceeds from sale of fixed assets	**19,157**	2,807	938
Purchase of minority interest	**—**	—	(1,030)
(Increase) decrease in investments and other non-current financial assets	**(6,886)**	680	(4,223)
Dividends from non-consolidated joint ventures	**—**	11,640	12,586
Net cash used in investing activities	**(160,628)**	(75,791)	(328,160)
Cash flows from financing activities:			
Net (decrease) increase in bank overdrafts	**(104,323)**	5,624	4,091
Proceeds from issuance of long-term debt	**340,000**	34,000	66,000
Repayments of long-term debt	**(175,597)**	(1,370)	(969)
(Increase) decrease in restricted cash deposits securing capital lease obligations and long-term debt	**(2,601)**	(1,012)	5,794
Repayments of capital lease obligations	**(5,425)**	(3,117)	(22)
(Decrease) increase in funding from affiliate	**(150,000)**	—	150,000
Proceeds from the issuance of Class A Shares	**199,808**	—	—
Exercise of stock options	**1,898**	583	391
Net cash provided by financing activities	**103,760**	34,708	225,285
Effect of exchange rate changes on cash	**(902)**	(2,775)	238
Net increase (decrease) in cash and cash equivalents	**463**	(3,523)	1,030
Cash and cash equivalents at beginning of year	**5,852**	9,375	8,345
Cash and cash equivalents at end of year	**$ 6,315**	$ 5,852	$ 9,375

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

1. THE COMPANY

Stolt Offshore S.A., formerly Stolt Comex Seaway S.A., (the Company), is one of the largest offshore contractors in the world with services covering all phases of subsea offshore oil and gas operations from exploration to decommissioning. The Company operates in more than 60 countries worldwide and maintains regional offices in the U.K.; Norway; Asia Pacific; Southern Europe, Africa and the Middle East (SEAME); South America; and North America.

The market for the Company's services is dependent upon the success of exploration and the level of development and production expenditures in the oil and gas industry. Such expenditures are cyclical in nature and influenced by prevailing and anticipated oil and gas prices.

The Company has investments in several joint ventures, the most significant of which is Mar Profundo Girassol, a joint venture with a French engineering company. The Company's share of the joint venture's net income is 50%.

The remainder of the joint ventures in which the Company has interests, with the exception of Seaway Heavy Lifting Limited (SHL) and NKT Flexibles I/S, have been entered into on project specific bases to enhance the range of services provided to the customer. In these joint ventures, the Company will typically have interests ranging from 22% to 55%.

2. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. and include the accounts of all majority-owned companies in which the Company has operating control. All significant intercompany transactions and balances have been eliminated. The Company accounts for its non-consolidated joint ventures under the equity method.

The Company records minority interest expense, which reflects the portion of the earnings of the majority-owned operations that are applicable to the minority interest partners. Following the acquisition of ETPM S.A. (ETPM), the Company increased its holding in Alto Mar Girassol from 33⅓% to 66⅔%. The minority interest amounts recorded in the accompanying consolidated financial statements primarily represent the share of minority partners interest in this entity.

Foreign currency translation

The Company, incorporated in Luxembourg, has U.S. dollar share capital and dividends are expected to be paid in U.S. dollars. As a result, the Company's reporting currency is the U.S. dollar.

The Company translates the financial statements of its subsidiaries from their functional currencies (usually local currencies) into U.S. dollars. Assets and liabilities denominated in foreign currencies are generally translated at the exchange rates in effect at the balance sheet date. Revenue and expenses are translated at exchange rates which approximate the average exchange rates prevailing during the period. The resulting translation adjustments are recorded in a separate component of accumulated comprehensive loss as "Translation adjustments, net" in the accompanying consolidated statements of shareholders' equity. Exchange gains and losses resulting from transactions denominated in a currency other than that of the functional currency are included in "Foreign currency exchange loss, net" in the accompanying consolidated statements of operations. The functional currencies of the companies that comprise the Norway region and the U.K. region are Norwegian kroner and British pounds, respectively. The U.S. dollar is the functional currency of the most significant subsidiaries within the Asia Pacific, North America, SEAME and South America regions.

The Company uses various financial instruments to reduce its exposure to currency fluctuations. All of the instruments used are hedges against underlying operating or balance sheet exposures and the Company does not enter into open speculative positions. Accordingly, the Company recognizes gains or losses only on the completion of the underlying transaction. Losses are not deferred if it is estimated that deferral would lead to recognizing losses in later periods on the hedged items. The U.S. dollar equivalent of the currencies which the Company had contracted to purchase was $135.1 million (1999: $13.8 million) and to sell was $10.4 million (1999: $2.5 million) at November 30, 2000.

Revenue recognition

Long-term contracts are accounted for using the percentage-of-completion method. Revenue and gross profit are recognized each period based upon the advancement of the work-in-progress unless the stage of completion is insufficient to enable a reasonably certain forecast of gross profit to be established. In such cases, no gross profit is recognized during the period. Provisions for anticipated losses are made in the period in which they become known.

A major portion of the Company's revenue is billed under fixed-price contracts. However, due to the nature of the services performed, variation orders are commonly billed to the customers in the normal course of business and are recognized as contract revenue only after agreement from the customers has been reached on the scope of work and fees to be charged.

Fixed assets

Fixed assets are recorded at cost or fair market value at acquisition. Interest costs incurred between the date that financing is provided for an asset and the date that the asset is ready for use are capitalized. Capitalized interest was $nil million for the year ended November 30, 2000 (1999: $nil million and 1998: $0.2 million). Assets acquired pursuant to capital leases are capitalized at the present value of the underlying lease obligations and amortized on the same basis as fixed assets described below.

Depreciation of fixed assets is recorded on a straight-line basis over the useful lives of the assets as follows:

Construction support ships	6 to 25 years
Operating equipment	7 to 10 years
Buildings	20 to 33 years
Other assets	5 to 10 years

Ships are depreciated to a residual value of 10% of acquisition cost, which reflects management's estimate of salvage or otherwise recoverable value. No residual value is assumed with respect to other fixed assets.

Costs for fitting out construction support ships are capitalized and amortized over a period similar to the remaining useful life of the related equipment. Permanent marine stocks on ships are depreciated in a manner similar to their related ships.

Depreciation expense, which includes amortization of assets under capital leases, was approximately $76.2 million for the year ended November 30, 2000 (1999: $50.3 million and 1998: $33.1 million).

On December 1, 1999 the Company changed its accounting policy for drydock costs from an accrual basis to a deferral basis. Amortization of capitalized drydock costs was $4.0 million for the year ended November 30, 2000 (1999: $3.8 million and 1998: $2.7 million). The unamortized portion of capitalized drydock costs of $11.9 million (1999: $4.3 million) is included in "Deposits and long-term receivables" in the accompanying consolidated balance sheets.

The previous policy was for drydock costs to be accrued evenly over the expected period between drydocking. At November 30, 1997, the provision amounted to $3.7 million.

Maintenance and repair costs, which are expensed as incurred, were $44.2 million for the year ended November 30, 2000 (1999: $33.7 million and 1998: $17.2 million).

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is being amortized on a straight-line basis over 15 to 30 years. Patents and brand names are being amortized over 5 and 30 years, respectively.

The acquisition of ETPM on December 16, 1999 generated negative goodwill of $7.1 million. Accordingly, non-current assets have been reduced by this amount.

The acquisition of Danco A/S on December 7, 1999 generated goodwill of $2.1 million at the date of acquisition.

The acquisition of the Ceanic Corporation in 1998 generated goodwill of $114.8 million at November 30, 1998. This was adjusted during 1999 to $122.1 million. The adjustment reflects a reassessment of the value of certain intangible assets within Ceanic and their related deferred tax liabilities. Included in the net book value of intangible assets at November 30, 2000 was goodwill of $117.7 million (1999: $121.1 million) and other intangible assets of $9.0 million (1999: $9.5 million). The amortization expense for the year ended November 30, 2000 was $5.9 million (1999: $5.8 million and 1998: $2.5 million).

Cash and cash equivalents

Cash and cash equivalents include time deposits and certificates of deposit with an original maturity of three months or less.

Earnings per share

Earnings per share is computed using the weighted average number of Common, Class A Shares, and Class B Shares and equivalents outstanding during each period. The computation for the year ended November 30, 2000 is based upon the following:

As of November 30,	**2000**	1999	1998
Basic:			
Common Shares	**22,626,297**	22,398,474	22,340,015
Class A Shares	**39,147,859**	19,693,454	19,658,881
Class B Shares	**17,000,000**	17,000,000	17,000,000
Total	**78,774,156**	59,091,928	58,998,896
Diluted:			
Common Shares	**22,626,297**	22,739,621	22,994,532
Class A Shares	**39,147,859**	19,805,249	19,984,457
Class B Shares	**17,000,000**	17,000,000	17,000,000
Total	**78,774,156**	59,544,870	59,978,989
Basic	**78,774,156**	59,091,928	58,998,896
Potentially dilutive share options	**–**	452,942	980,093
Diluted	**78,774,156**	59,544,870	59,978,989

Diluted loss per share for the year ended November 30, 2000 does not include common share equivalents in respect of share options of 624,373, as their effect would be anti-dilutive.

Class B Shares have only 50% of the economic rights of Common and Class A Shares.

All earnings per share information has been restated to reflect the two-for-one stock split completed on January 9, 1998 and the Class A Share distribution on June 25, 1998.

Stock based compensation

The Company has elected to account for its stock based compensation awards to employees and directors under Accounting Principles Board (APB) Opinion No. 25 and to provide the disclosures required by Statement of Financial Accounting Standards SFAS 123 in Note 20.

Consolidated statement of cash flows

Cash interest (net of amount capitalized) and cash paid for income taxes during the year ended November 30, 2000 were $27.0 million and $8.0 million, respectively, (1999: $7.1 million and $10.4 million, respectively, and 1998: $2.1 million and $5.5 million, respectively).

Impact of new accounting standards

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* The Statement establishes accounting and reporting standards in the U.S. requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged items in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

In June 2000, the FASB issued SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. This Statement addresses a limited number of issues causing implementation difficulties for numerous entities that apply SFAS 133 and amends the accounting and reporting standards of SFAS 133 for certain derivative instruments and certain hedging activities.

SFAS 137 delayed the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. A company may implement the Statements as of the beginning of any fiscal quarter after issuance; however, SFAS 133 cannot be applied retroactively.

SFAS 133 provides that the gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. SFAS 133 provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. If SFAS 133 had to be applied to all forward contracts in place at November 30, 2000, changes in the fair value of the contracts would increase liabilities by $4.9 million and assets by $2.7 million with an offsetting amount of $2.2 million recorded in accumulated comprehensive income.

3. BUSINESS ACQUISITIONS

On December 7, 1999 the Company completed a transaction to form a joint venture entity, NKT Flexibles I/S, a manufacturer of flexible flowlines and dynamic flexible risers for the offshore oil and gas industry. NKT Flexibles I/S is owned 51% by NKT Holdings A/S, and 49% by Stolt Offshore S.A. The transaction was effected by the acquisition of Danco A/S, a wholly owned Norwegian company, which holds the investment in the joint venture entity. Stolt Offshore S.A. issued 1,758,242 Class A Shares with an average guaranteed value of $14.475 per share and paid $10.5 million in cash for its 49% interest in NKT Flexibles I/S. The total consideration was $36.0 million.

The acquisition of Danco A/S has been accounted for by the purchase method of accounting and, accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. The excess of cash paid over the fair value of net assets acquired has been recorded as goodwill of $2.1 million at the date of acquisition. The goodwill is being amortized over 20 years.

The Company accounts for the investment in NKT Flexibles I/S as a non-consolidated joint venture under the equity method.

On December 16, 1999 the Company acquired approximately 55% of the French offshore construction and engineering company ETPM S.A. (ETPM), a wholly owned subsidiary of Groupe GTM S.A. (GTM), the construction affiliate of Suez Lyonnaise des Eaux S.A. The remaining 45% was acquired on February 4, 2000. The purchase price was comprised of cash of $111.6 million; the issue of 6,142,857 Class A Shares at a maximum guarantee price of $18.50 per share, giving a value of $113.6 million; and acquisition costs of $3.4 million.

The Company also entered into a hire purchase arrangement for two ships owned by GTM, the *Seaway Polaris* and the *DLB (derrick lay barge) 801*, with an early purchase option after two years. The net present value of this arrangement at the date of acquisition was approximately $32.0 million.

In addition, the Company assumed debt of $18.4 million that was due from ETPM to GTM and assumed debt of $71.0 million that was due to third parties. This gave a total price of $350.0 million.

The acquisition has been accounted for by the purchase method of accounting and, accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. The acquisition generated negative goodwill $7.1 million and non-current assets have been reduced by this amount.

The acquisition was initially funded by cash provided by SNSA, which was replaced by a bridge finance facility provided by Den norske Bank ASA for $150.0 million with a duration of 364 days. Interest was levied at London Interbank Offer Rate (LIBOR) plus 1.1875%. This facility has now been repaid.

The guaranteed minimum share price is $17.50 per share for the first six months after closing and increases by $0.25 every six months up to a maximum of $18.50 per share after 24 months. For the first 24 months after closing, GTM is free to sell all or part of their Stolt Offshore S.A. shares at any time. Stolt Offshore S.A. will only be obliged to honor its minimum price guarantee in the event Stolt Offshore S.A. elects to arrange such sale. From the period of 24 to 30 months after the closing, Stolt Offshore S.A. may force GTM to sell its shares in Stolt Offshore S.A. From the period of 24 to 30 months after the closing, GTM may request that Stolt Offshore S.A. arrange to sell GTM's shares in Stolt Offshore S.A. In each case, the minimum price guarantee will apply. From the period of 24 to 30 months after the closing, GTM continues to have the right to sell all or part of its shares in Stolt Offshore S.A.. For those shares that GTM has not sold by month 30 after the closing, GTM can require Stolt Offshore S.A. to sell GTM's shares in Stolt Offshore S.A. and the minimum price guarantee will apply. After 30 months after closing, the guarantee lapses.

The following unaudited pro forma information presents a summary of the consolidated results of operations of the Company, the former ETPM entities and Danco A/S as if the acquisitions occurred at the beginning of 1999. Pro forma adjustments include depreciation and amortization, interest charges on debt and lines of credit, alignment of drydocking accounting policies, elimination of deferred gains, adjustments to operating lease expense, pension adjustment, elimination of related party transactions and the tax adjustments associated with the above (unaudited):

For the year ended November 30,	1999
(in thousands, except per share data)	
Net operating revenue	$1,360,678
Net income	$ 25,683
Net income per share:	
Basic	$ 0.33
Diluted	$ 0.33

The pro forma consolidated results do not purport to be indicative of results that would have occurred had the acquisition been in effect for the period presented, nor do they purport to be indicative of the results that will be obtained in the future.

The Company's revenue for 1999 included sales of $2.1 million (1998: $4.8 million) to ETPM.

There are no comparative results shown for 2000 as the acquisitions occurred close to the start of the financial year and actual results of ETPM and Danco A/S would not differ materially from the pro forma results.

4. RESTRICTED CASH DEPOSITS

Restricted cash balances comprise both funds held in a separate Company bank account, which will be used to settle accrued taxation liabilities, and deposits made by the Company as security for certain third-party obligations. There are no other significant conditions on the restricted cash balances.

5. TRADE RECEIVABLES

Trade receivables at November 30, 2000 of $298.0 million (1999: $198.5 million) are net of allowances for doubtful accounts of $8.3 million (1999: $6.2 million). Included in trade receivables at November 30, 2000 was $99.8 million (1999: $64.0 million) of unbilled receivables.

6. INVENTORIES AND WORK-IN-PROGRESS

Inventories and work-in-progress are stated at the lower of cost or market value and comprise the following:

As of November 30,	**2000**	1999
(in thousands)		
Work-in-progress and mobilizations	**$14,441**	$6,876
Materials and supplies	**14,212**	11,972
Spare parts	**6,529**	4,777
Fuels	**2,398**	1,393
Other	**96**	161
Inventory reserve	**(3,975)**	(3,736)
	$33,701	$21,443

Costs are generally determined in accordance with the weighted-average cost method. Costs of fitting out and preparing equipment for specific contracts are included in work-in-progress. Such costs, principally labor and materials, are amortized over the shorter of the expected duration of the contracts or the estimated useful life of the asset. Progress payments relating to work-in-progress were $0.1 million at November 30, 2000 (1999: $0.4 million).

7. EMPLOYEE LOANS

Included in prepaid expenses and other current assets are loans to employees of $2.6 million (1999: $0.8 million). Included in deposits and long-term receivables are loans to employees of $0.4 million (1999: $0.6 million).

8. FIXED ASSETS, NET

Fixed assets comprise the following:

As of November 30,	**2000**		1999	
(in thousands)				
Operating equipment	**$ 281,816**	**27%**	$ 239,760	39%
Construction support ships	**711,062**	**68**	332,973	54
Land and buildings	**19,916**	**2**	21,391	4
Other assets	**30,180**	**3**	20,171	3
	$1,042,974	**100%**	$ 614,295	100%
Less: Accumulated depreciation and amortization	**(239,626)**		(178,232)	
	$ 803,348		$ 436,063	

9. INVESTMENTS IN AND ADVANCES TO NON-CONSOLIDATED JOINT VENTURES

Investments in and advances to non-consolidated joint ventures comprise the following:

As of November 30,	Geographical Location	**2000**	1999
(in thousands)			
Seaway Heavy Lifting Limited	Cyprus	**$ 2,809**	$2,401
Project joint ventures	Norway, SEAME	**(190)**	769
Mar Profundo Girassol	West Africa, SEAME	**11,261**	—
Sonastolt	West Africa, SEAME	**5,321**	—
Sonamet	West Africa, SEAME	**(8,126)**	—
NKT Flexibles I/S	Denmark	**23,237**	—
Other	Norway, SEAME	**2,692**	2,637
		$37,004	$5,807

In circumstances where the Company owns more than 50% of the voting interest, but the Company's ability to control the operation of the investee is restricted by the significant participating interest held by another party, the investment is consolidated under the equity method of accounting.

The Company accrues losses in excess of the investment value when the Company is committed to provide ongoing financial support to the joint venture.

Taxation in respect of project joint ventures has been included in the results of the relevant subsidiaries. Undistributed reserves of all other joint ventures will not be taxed on distribution.

Summarized financial information for the Company's non-consolidated joint ventures, representing 100% of the respective amounts included in the joint ventures' financial statements, is as follows:

Income statement data:

For the years ended November 30,	2000	1999	1998
(in thousands)			
Net operating revenue	**$357,984**	$237,516	$140,651
Gross profit	**$ 29,102**	$ 14,581	$ 28,258
Net income	**$ 15,351**	$ 13,117	$ 29,531

Balance sheet data:

As of November 30,	2000	1999
(in thousands)		
Current assets	**$216,333**	$97,775
Non-current assets	**$127,073**	$18,984
Short-term liabilities	**$247,510**	$87,466
Long-term liabilities	**$ 25,269**	$13,869

For commercial reasons, the Company has structured certain contractual services through its joint ventures. The income statement data for the non-consolidated joint ventures presented above includes the following expenses related to transactions with the Company in 2000, 1999 and 1998 respectively: charter hire of $4.4 million, $7.2 million, $16.7 million and other expenses of $34.2 million, $27.9 million, $20.5 million. The joint ventures also received revenue of $45.0 million, $7.0 million, $2.9 million from the Company. The balance sheet data includes amounts payable to joint ventures by the Company of $17.4 million and $5.2 million and amounts receivable by the Company of $31.7 million and $12.7 million at November 30, 2000 and 1999 respectively.

10. INCOME TAXES

The income tax benefit (provision) is as follows:

For the years ended November 30,	2000	1999	1998
(in thousands)			
Current	**$(12,953)**	$ (7,159)	$ (8,435)
Deferred	**16,731**	15,668	(9,102)
Income tax benefit (provision)	**$ 3,778**	$ 8,509	$(17,537)

The tax effects of temporary differences and net operating loss carryforwards (NOLs) at November 30, 2000 and 1999 are as follows:

As of November 30,	2000	1999
(in thousands)		
Net operating loss carryforwards	**$ 61,788**	$ 33,319
Other accruals, net	**18,952**	11,922
Fixed assets	**(72,822)**	(43,874)
Net deferred tax before Valuation allowance	**7,918**	1,367
Valuation allowance	**(20,956)**	(4,316)
Net deferred tax liability	**$(13,038)**	$ (2,949)
Deferred tax asset	**$ 13,705**	$ 8,522
Deferred tax liability	**$(26,743)**	$(11,471)
	$(13,038)	$ (2,949)

The Company accounts for income taxes in accordance with SFAS 109, *Accounting for Income Taxes.*

The Company has a net deferred tax asset in the U.S. totalling $9.8 million. This represents NOLs, net of fixed asset and other timing differences. These NOLs expire through 2019.

SFAS 109 requires that the tax benefit of such NOLs be recorded as an asset to the extent that management assesses the utilization of such NOLs to be "more likely than not". Management has determined that the results of the U.S. businesses have been severely impacted by the low oil price in 1999 and the subsequent impact on development and maintenance projects in 2000 in the North America region. Management believes, based on the Company's history of operating earnings prior to this significant market slump and its expectations for the future, that operating income of the Company will more likely than not be sufficient to fully realize the net deferred tax asset of $9.8 million prior to the expiry of the NOLs. In determining this, management has also considered recent significant project awards including Gulfstream; improved market accessibility subsequent to the ETPM acquisition; increases in tendering activity in the first quarter of 2001 and a reduction in the intercompany interest burden of the U.S. companies over the next few years.

The net deferred tax assets in Australia, The Netherlands and Norway of $1.6 million, $1.9 million and $0.4 million, respectively, represent NOLs. Management has determined based on these businesses' history of operating earnings, after excluding exceptional losses on one-off projects in 2000, and expectations of the future that operating income of the Company will more likely than not be sufficient to fully realize these net deferred tax assets prior to the expiry of the NOLs, which may be carried forward indefinitely. The Company also intends to reduce the intercompany interest burden in Australia.

French and U.K. companies have unused NOLs, on a tax-effected basis, of $9.3 million and $19.1 million respectively, at November 30, 2000. The U.K. NOLs may be carried forward indefinitely. The French unused NOLs expire through 2005.

The Company also had, at November 30, 2000 approximately $2.7 million of NOLs, on a tax-effected basis, in Africa, which expire through 2004. There are NOLs, on a tax-effected basis in Canada of $2.3 million which expire through 2005.

The income tax benefit (provision) at the Company's effective tax rate differs from the income tax benefit (provision) at the statutory rate. Principal reconciling items include the following:

For the year ended November 30, 2000	**U.S.**	**Scandinavia**	**U.K.**	**France[a]**	**Other**	**Total**
(in thousands)						
Pre-tax (loss) income	**$(49,992)**	**$(24,935)**	**$ (1,708)**	**$ 2,892**	**$ 35,522**	**$(38,221)**
Utilization of prior year losses[b]	**—**	**—**	**—**	**(11,728)**	**(525)**	**(12,253)**
Income subject to withholding taxes	**—**	**—**	**—**	**—**	**(38,254)**	**(38,254)**
Income in non-taxable areas	**—**	**—**	**—**	**—**	**(25,360)**	**(25,360)**
Losses for which no benefit is recognized	**30,057**	**1,905**	**1,114**	**15,678**	**25,560**	**74,314**
Taxable (loss) income	**(19,935)**	**(23,030)**	**(594)**	**6,842**	**(3,057)**	**(39,774)**
Statutory tax rate	**34%**	**29%**	**30%**	**38%**	**45%[c]**	**31%**
Tax at statutory rate	**6,778**	**6,743**	**178**	**(2,584)**	**1,377**	**12,492**
Non-deductible depreciation and amortization	**(1,734)**	**(9)**	**(495)**	**—**	**(666)**	**(2,904)**
Adjustments in respect of prior years	**872**	**(1,500)**	**(758)**	**—**	**(900)**	**(2,286)**
Change in valuation allowance	**—**	**—**	**—**	**(1,519)**	**—**	**(1,519)**
Tax credits for research and development	**—**	**—**	**—**	**3,932**	**—**	**3,932**
Imputed interest deduction	**—**	**—**	**—**	**—**	**7,379**	**7,379**
Withholding & other taxes	**—**	**—**	**—**	**(2,052)**	**(9,935)**	**(11,987)**
Participation exemption income	**—**	**—**	**—**	**—**	**(2,237)**	**(2,237)**
Changes in tax rates	**—**	**—**	**—**	**(176)**	**(196)**	**(372)**
Exchange loss	**—**	**—**	**—**	**213**	**380**	**593**
Other	**24**	**115**	**(249)**	**(444)**	**1,241**	**687**
Income tax benefit (provision)	**$ 5,940**	**$ 5,349**	**$ (1,324)**	**$ (2,630)**	**$ (3,557)**	**$ 3,778**

For the year ended November 30, 1999	U.S.	Scandinavia	U.K.	Other	Total
(in thousands)					
Pre-tax (loss) income	$(41,085)	$ 18,015	$ (128)	$ 30,902	$ 7,704
Utilization of prior year losses	—	—	—	(10,926)	(10,926)
Income in non-taxable areas	—	—	—	(8,648)	(8,648)
Losses for which no benefit is recognized	—	—	—	8,398	8,398
Taxable (loss) income	(41,085)	18,015	(128)	19,726	(3,472)
Statutory tax rate	34%	28%	30%	37%	50%
Tax at statutory rate	13,969	(5,044)	38	(7,221)	1,742
Non-deductible depreciation and amortization	—	(51)	(145)	(329)	(525)
Adjustments in respect of prior years	—	—	750	—	750
State tax credit	975	—	—	—	975
Imputed tax deduction	—	—	—	4,030	4,030
Change in valuation allowance	(216)	—	(1,800)	1,968	(48)
Non-taxable dividend income from joint ventures	—	—	—	189	189
Changes in tax rates	—	—	(192)	—	(192)
Exchange loss	—	253	983	257	1,493
Other	210	249	(192)	(172)	95
Income tax benefit (provision)	$ 14,938	$ (4,593)	$ (558)	$ (1,278)	$ 8,509

For the year ended November 30, 1998	U.S.	Scandinavia	U.K.	Other	Total
(in thousands)					
Pre-tax income	$ 1,053	$ 27,242	$30,988	$ 12,502	$ 71,785
Utilization of prior year losses	—	—	—	(7,350)	(7,350)
Income in non-taxable areas	—	—	—	(5,918)	(5,918)
Losses for which no benefit is recognized	936	—	—	8,811	9,747
Taxable income	1,989	27,242	30,988	8,045	68,264
Statutory tax rate	34%	28%	31%	10%	27%
Tax at statutory rate	(676)	(7,628)	(9,606)	(815)	(18,725)
Non-deductible depreciation and amortization	(28)	(53)	(98)	(202)	(381)
Non-taxable dividend income from joint ventures	—	—	—	1,734	1,734
Exchange gain	—	—	—	49	49
Other	(657)	29	265	149	(214)
Income tax (provision) benefit	$ (1,361)	$ (7,652)	$ (9,439)	$ 915	$(17,537)

(a) As a consequence of the acquisition of ETPM, taxation in France has become more significant and has therefore been separately identified in 2000. In previous years it was included in other.
(b) The reported utilization of prior year losses against current year profits represents entities where deferred tax assets had not previously been recognized for those losses.
(c) The statutory tax rate for the "other" category represents a weighted average of various local statutory tax rates including certain revenue taxes.

11. PENSION COMMITMENTS

The Company operates both defined contribution and defined benefit pension plans, depending on location, covering certain qualifying employees. Contributions under the defined contribution pension plans are determined as a percentage of gross salary. The expense relative to these plans for the years ended November 30, 2000, 1999 and 1998, was $1.1 million, $1.4 million and $0.5 million respectively.

The Company operates both funded and unfunded defined benefit pension plans. The benefits under the defined benefit pension plans are based on years of service and salary levels. Plan assets of the funded schemes primarily are comprised of marketable securities.

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the funded defined benefit pension plans:

	Pension benefits	
	2000	1999
(in thousands)		
Change in benefit obligation:		
Benefit obligation at beginning of year	**$17,742**	$17,363
Service cost	**1,394**	1,426
Interest cost	**1,010**	1,040
Actuarial gains and losses	**1,133**	(738)
Foreign currency exchange rate changes	**(2,295)**	(876)
Benefits paid from plan assets	**(426)**	(473)
Benefit obligation at end of year	**$18,558**	$17,742

Change in plan assets:		
Fair value of plan assets at beginning of year	**$19,023**	$17,416
Actual return on plan assets	**1,911**	1,116
Foreign currency exchange rate changes	**(2,407)**	(906)
Company contributions	**1,054**	1,870
Benefits paid from plan assets	**(426)**	(473)
Fair value of plan assets at end of year	**$19,155**	$19,023

The following table sets forth the funded status of the funded pension plans:

	Pension benefits	
For the years ended November 30,	**2000**	1999
(in thousands)		
Funded status of the plans	**$ 597**	$1,281
Unrecognized net loss	**2,693**	2,628
Unrecognized prior service cost	**287**	376
Unrecognized net transition obligation	**(316)**	(413)
Prepaid benefit cost	**$3,261**	$3,872

The weighted average assumptions used are as follows:

	Pension benefits	
For the years ended November 30,	**2000**	1999
Discount rate	**6.1%**	6.1%
Expected return on plan assets	**7.0%**	7.1%
Rate of compensation increase	**3.3%**	3.3%

Net periodic pension benefit costs for funded defined benefit schemes include the following components:

	Pension benefits		
For the years ended November 30,	**2000**	1999	1998
(in thousands)			
Service cost	**$ 1,394**	$ 1,426	$ 1,452
Interest cost	**1,010**	1,040	1,066
Return on plan assets (expected)	**(1,287)**	(1,251)	(1,252)
Amortization of transition asset	**92**	(47)	(49)
Recognized net actuarial losses	**38**	155	146
Amortization of prior service cost	**(41)**	44	8
Benefit cost	**$ 1,206**	$ 1,367	$ 1,371

The Company has funded pension plans which have benefit obligations in excess of plan assets. The benefit obligations of these plans were $6.9 million at November 30, 2000 (1999: $6.6 million). The fair value of assets under these plans was $6.2 million at November 30, 2000 (1999: $5.4 million).

The following table provide a reconciliation of the benefit obligation and accrued pension liability of the unfunded plan.

	Pension benefits
	2000
(in thousands)	
Benefit obligation at beginning of year	**$ –**
Acquisitions	**3,642**
Service cost	**277**
Interest cost	**213**
Foreign currency exchange rate changes	**(250)**
Benefits paid	**(85)**
Benefit obligation at end of year	**$3,797**

As the plan is unfunded, the benefit obligation is equal to the unfunded status of the plan and the accrued pension liability.

The weighted average assumptions used are as follows:

	Pension benefits
For the year ended November 30,	**2000**
Discount rate	**5.5%**
Expected return on plan assets	**N/A**
Rate of compensation increase	**3.5%**

Net periodic pension benefit costs include the following components:

	Pension benefits
For the year ended November 30,	**2000**
(in thousands)	
Service cost	**$277**
Interest cost	**213**
Benefit cost	**$490**

In Asia Pacific, retirement indemnities, for which the Company has accrued $0.3 million at November 30, 2000 and $0.1 million at November 30, 1999 are paid as a lump sum upon retirement. They are primarily based upon the employees' years of service and salary levels.

12. BANK OVERDRAFT AND LINES OF SHORT-TERM CREDIT

The Company has external, third-party bank overdraft and lines of credit and short-term loan notes totalling $38.3 million (1999: $53.1 million). Amounts borrowed pursuant to these facilities bear interest at rates ranging from 4.25% to 9.0% at November 30, 2000. As of November 30, 2000 short-term borrowings under these facilities totalled $1.8 million (1999: $22.3 million).

13. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The Company's principal credit facility is a $440.0 million Secured Multi-Currency Revolving Facility (the "Secured Credit Facility") with a syndicate of banks, the lead banks being Den norske Bank ASA, Banc of America Securities LLC, Salomon Brothers International Limited, HSBC Bank plc and ING Barings LLC. The Secured Credit Facility was entered into on September 22, 2000 and refinanced previous facilities held with Den norske Bank ASA, HSBC Bank plc, Bank of America NT & SA and ASLK-CGER Bank under which $400.0 million was available to the Company at the date of the refinancing. Unamortized upfront fees relating to the previous facilities of $1.4 million were written off during quarter 4, 2000.

The Secured Credit Facility is a five-year revolving credit facility, which reduces to $385.0 million and $330.0 million in years two and three, respectively. The total amount which can be drawn under the facility and the interest charge on outstanding debt is based on the ratio of the Company's debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The interest charge will range from 0.75% to 1.75% over LIBOR. Debt under the Secured Credit Facility is secured by a first priority mortgage on certain of the Company's ships.

Under the Secured Credit Facility agreement, the Company is permitted to borrow up to $100.0 million from SNSA provided that this debt is subordinate and junior to all indebtedness due under the agreement.

As of November 30, 2000, the Company has available bank facilities of $478.3 million of which $266.8 million were utilized. Of the bank facilities utilized, $265.0 million was classified as long-term debt.

Long-term debt, excluding borrowings from SNSA, comprises the following:

As of November 30,	**2000**	1999
(in thousands)		
Revolving credit agreement with a weighted average interest rate of 8.3125%	**$265,000**	$100,000
Other bank borrowings	**32**	56
	265,032	100,056
Less: Current portion	**(16)**	(19)
Long-term debt	**$265,016**	$100,037

The net book value of assets collateralizing this debt was $379.5 million as of November 30, 2000.

Total debt outstanding at November 30, 2000 is repayable as $265.0 million in U.S. dollars.

Minimum annual principal repayments of debt for the fiscal years subsequent to November 30, 2000 are as follows:

(in thousands)	
2001	$ 16
2002 to 2004	—
2005	265,016
	$265,032

The Secured Credit Facility contains various financial covenants, including but not limited to, minimum consolidated tangible net worth, maximum consolidated debt to net worth and a maximum consolidated debt to EBITDA.

At November 30, 2000 property under capital leases, comprising operating and other equipment, amounts to $32.8 million at cost. Accumulated amortization of these leases is $1.9 million.

Minimum payments under capital leases at November 30, 2000, which are due primarily in U.S. dollars, are as follows:

(in thousands)	
2001	$ 5,446
2002	25,049
2003	3
Total minimum lease payments	30,498
Less: Amount representing interest and executory costs	(3,033)
Present value of net minimum lease payments	27,465

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

As of November 30,	**2000**	1999
(in thousands)		
Invoice accruals	**$154,758**	$ 32,025
Trade payables	**97,418**	68,869
Trade notes payable	**790**	—
Other	**2,658**	962
	$255,624	$101,856

15. RELATED PARTY TRANSACTIONS

Related party transactions consisted of the following:

For the years ended November 30,	**2000**	1999	1998
(in thousands)			
Interest charges	**$3,561**	$10,412	$4,972
Guarantee fees	**$ 282**	$ —	$ —
Management services	**$3,290**	$ 2,500	$1,600

There was no SNSA short-term or long-term debt at November 30, 2000. At November 30, 1999, the interest rate charged on SNSA long-term debt was 5.785%. Interest on short-term debt was priced according to market rates at the time. Management service charges represent charges for various management services including legal, administrative services, treasury, taxation, insurance and information technology services performed by SNSA on behalf of the company.

Amounts due to SNSA:

As of November 30,	**2000**	1999
(in thousands)		
Short-term payable	**$8,512**	$ 2,908
Short-term debt	**—**	50,000
Long-term debt	**—**	100,000
	$8,512	$152,908

The short-term payable to SNSA relates primarily to outstanding insurance premiums and management charges.

16. RESTRUCTURING AND REORGANIZATION PROGRAM

Following the acquisition of ETPM, the Company has implemented a reorganization plan that has removed duplicate capacity in the U.K. and SEAME regions.

The Company has closed the former ETPM sites in Aberdeen and Teeside, UK., and all administrative and operational functions that were previously carried out on these sites have been transferred to the Company's existing office in Aberdeen. The costs associated with leasing and maintaining these premises while vacant and, subsequently, terminating the leases amounted to $1.0 million, net of tax. These costs have been capitalized as purchase price adjustments. During the year, the Company paid out $1.2 million, leaving a provision of $0.2 million that will be utilized in 2001.

The Company has recorded a restructuring charge of $0.9 million as part of the program to eliminate duplicate functions across the U.K. There were 56 redundancies, relating to all departments. All redundancies were finalized in 2000 and there is no outstanding provision at November 30, 2000.

In addition, the Company has closed its base in Marseilles, France and all operational and administrative functions have been transferred to the former ETPM headquarters in Paris, France. This office is now the headquarters of the SEAME region. The Company terminated the contracts of 37 employees across all departments and has incurred redundancy costs of $1.7 million as a result of the closure of the Marseilles office. All costs were paid during 2000.

Finally, integration costs of $0.7 million were incurred in relation to the change of name to Stolt Offshore S.A., the introduction of common information systems and reporting systems and the standardization of processes across the enlarged Company. All costs were paid during 2000.

The reorganization costs have been determined based on plans approved by the Company's board. The costs are summarized in the table below.

Category	Capitalized	Expensed *(non-recurring items)*	Total
(in thousands)			
Lease costs net of tax of $0.4 million	$961	$ —	$ 961
Redundancy costs	—	2,610	2,610
Integration costs	—	684	684
Total	$961	$3,294	$4,255

During 1999 the Company carried out a reorganization of its North Sea operations. The Company's operational base in Haugesund, Norway was closed in July 1999. A single organization providing administrative and operational support was established during 1999 for North Sea commercial and administrative functions. Non-recurring costs amounting to $1.6 million were expensed, of which $1.3 million related to redundancy and relocation costs and $0.3 million related to other administrative costs. These costs were disclosed as a separate line in the 1999 statement of operations. During 1999 Stolt Offshore S.A. paid out $1.0 million redundancy costs, leaving a provision carried forward to 2000 of $0.3 million. These costs were paid during the course of 2000. All administrative costs in relation to the restructuring were paid out during 1999. The reorganization resulted in 66 redundancies in commercial and administrative functions, of which 58 had been effected by November 30, 1999. The contracts of the remaining eight employees were terminated in 2000.

17. OPERATING LEASES

Total operating lease commitments as of November 30, 2000 amount to $87.4 million. Charter obligations towards certain construction support, diving support, survey and inspection ships account for $39.3 million of the total commitments. The remaining obligations relate to office facilities and equipment.

Total minimum annual lease commitments which are payable are as follows:

(in thousands)	
2001	$21,572
2002	20,224
2003	13,227
2004	9,798
2005	7,406
Thereafter	15,150
	$87,377

(in thousands)	
Euros	$35,650
Norwegian kroner	27,372
American dollars	15,202
Australian dollars	317
British pounds	8,078
Canadian dollars	722
Singapore dollars	36
	$87,377

Total operating lease rentals charged as an expense for the year ended November 30, 2000 were $23.2 million (1999: $28.1 million and 1998: $18.6 million).

Future minimum lease payments have not been reduced by future minimum sublease rentals of $4.4 million under operating leases.

18. SEGMENT AND RELATED INFORMATION

In 1999 the Company adopted SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information* which changed the way the Company reports information about its operating segments. The Company changed its method of reporting segmental information in 2000 to better represent the way the Company manages its business. The information for 1999 and 1998 has been restated from the prior year's presentation in order to conform to the 2000 presentation.

The Company has reportable segments based on the geographic distribution of the activities as follows: the Asia Pacific region includes all activities east of the Indian sub-continent including Australasia; the North America region includes all activity in Canada, the United States of America and Central America; the Norway region includes all activities in Scandinavia and the Baltic states; the SEAME region covers activities in Southern Europe and Africa, India and the Middle East; the South America region incorporates activities in South America and the islands of the southern Atlantic Ocean; the U.K. region includes activities in the U.K., Ireland, Germany, Belgium, The Netherlands and islands in the northern Atlantic Ocean. The Other Corporate region includes items which cannot be allocated to one particular region. This includes activities of the SHL and NKT Flexibles I/S joint ventures; global assets, including construction support ships, ROVs and other associated assets, that are utilized globally and therefore cannot be attributed to any one region; and management and corporate services provided for the benefit of the whole group, including accounting consolidation, treasury and legal departments.

The accounting policies of the segments are the same as those described in Note 2. Inter segment sales and transfers are not significant. The segmental information is presented after the elimination of intercompany balances between the reportable segments.

Summarized financial information concerning each of the Company's reportable segments is provided in the following tables:

For the year ended November 30, 2000	**Asia Pacific**	**North America**	**Norway**	**SEAME**	**South America**	**U.K.**	**Other Corporate**	**Total**
(in thousands)								
Net operating revenue	**$ 40,507**	**$122,314**	**$198,779**	**$444,877**	**$52,836**	**$123,607**	**$ 500**	**$ 983,420**
Equity in net income of non-consolidated joint ventures	**—**	**—**	**1,019**	**9,427**	**—**	**—**	**(4,653)**	**5,793**
Depreciation and amortization	**(2,591)**	**(21,717)**	**(1,102)**	**(4,770)**	**(5,972)**	**(3,620)**	**(42,345)**	**(82,117)**
Research and development expense	**—**	**—**	**—**	**—**	**—**	**—**	**(950)**	**(950)**
Restructuring charge	**—**	**—**	**—**	**(1,793)**	**—**	**(1,501)**	**—**	**(3,294)**
Interest expense	**(642)**	**(5,225)**	**(626)**	**(1,503)**	**(2,206)**	**(1,199)**	**(20,756)**	**(32,157)**
Interest income	**—**	**—**	**—**	**—**	**—**	**—**	**2,165**	**2,165**
Income tax (expense) benefit	**(104)**	**5,940**	**3,662**	**(10,867)**	**(340)**	**3,483**	**2,004**	**3,778**
Net (loss) income	**(15,020)**	**(15,285)**	**6,719**	**9,242**	**8,081**	**(5,724)**	**(22,456)**	**(34,443)**
Segment assets	**32,974**	**268,663**	**62,301**	**253,625**	**77,559**	**97,316**	**610,334**	**1,402,772**
Long-lived assets[a]	**16,450**	**88,924**	**6,527**	**73,127**	**66,207**	**26,786**	**586,554**	**864,575**
Investments in and advances to non-consolidated joint ventures	**—**	**—**	**2,470**	**8,488**	**—**	**—**	**26,046**	**37,004**
Capital expenditures	**438**	**3,107**	**337**	**3,769**	**20,307**	**9**	**33,757**	**61,724**

For the year ended November 30, 1999	Asia Pacific	North America	Norway	SEAME	South America	U.K.	Other Corporate	Total
(in thousands)								
Net operating revenue	$ 42,715	$156,399	$164,539	$ 57,114	$56,355	$162,032	$ 1,572	$ 640,726
Equity in net income of non-consolidated joint ventures	—	—	3,526	1,145	—	—	526	5,197
Depreciation and amortization	(2,417)	(24,127)	(2,476)	(1,413)	(5,244)	(2,149)	(18,310)	(56,136)
Research and development expense	—	—	—	—	—	—	(1,162)	(1,162)
Restructuring charge	—	—	(1,261)	—	—	(378)	—	(1,639)
Interest expense	(455)	(3,948)	(1,845)	(555)	(987)	(1,711)	(8,191)	(17,692)
Interest income	—	—	—	—	—	—	966	966
Income tax benefit (expense)	465	14,609	(4,593)	530	—	(2,803)	301	8,509
Net (loss) income	(4,548)	8,521	11,190	3,928	8,776	(2,283)	(9,371)	16,213
Segment assets	48,487	303,653	66,757	35,414	46,338	76,038	266,696	843,383
Long-lived assets[a]	21,368	115,182	7,690	7,191	35,006	14,814	246,966	448,217
Investments in and advances to non-consolidated joint ventures	—	—	2,261	1,145	—	—	2,401	5,807
Capital expenditures	3,704	9,030	913	380	14,661	1,818	60,412	90,918

For the year ended November 30, 1998	Asia Pacific	North America	Norway	SEAME	South America	U.K.	Other Corporate	Total
(in thousands)								
Net operating revenue	$ 37,861	$ 64,675	$ 97,678	$ 55,930	$57,400	$335,034	$ 1,186	$ 649,764
Equity in net income of non-consolidated joint ventures	—	—	8,995	171	—	—	5,595	14,761
Depreciation and amortization	(1,348)	(9,264)	(1,973)	(693)	(7,090)	(1,778)	(13,402)	(35,548)
Research and development expense	—	—	—	—	—	—	(2,660)	(2,660)
Interest expense	(258)	(374)	(459)	(87)	(1,294)	(851)	(3,084)	(6,407)
Interest income	—	—	—	—	—	—	1,305	1,305
Income tax (expense)	(38)	(3,613)	(8,215)	(186)	(1,980)	(2,769)	(736)	(17,537)
Cumulative effect of change in accounting policy, net of tax	804	—	—	—	—	—	2,256	3,060
Net income (loss)	5,291	9,066	7,914	3,027	298	32,925	(1,213)	57,308

(a) Long-lived assets include net book value of fixed assets, investment in and advances to non-consolidated joint ventures and deposits and long-term receivables.

The largest customer accounted for more than 10% of the Company's revenue in 2000. The revenue from this customer was $198.2 million for the year ended November 30, 2000. This revenue is attributable to the Norway, SEAME, U.K. and North America reporting segments

During 2000 a second customer also accounted for more than 10% of the Company's revenue. Revenue from this customer was $99.3 million for the year ended November 30, 2000. This revenue was generated from the Asia Pacific, Norway, SEAME, U.K. and North America reporting segments.

During 1999 the largest customer accounted for more than 10% of the Company's revenue. Revenue from this customer was $76.5 million for the year ended November 30, 1999 (1998: $68.8 million). This revenue was generated from the Norway reporting segment.

During 1998 a further customer accounted for more than 10% of the Company's revenue. Revenue from this customer was $137.6 million for the year ended November 30, 1998 and was generated from the U.K. reporting segment.

19. COMMON SHARES, CLASS A SHARES, AND CLASS B SHARES

The Company has authorized share capital consisting of 34,000,000 Common Shares, par value $2.00 per share, 68,000,000 Class A Shares, par value $2.00 per share and 34,000,000 Class B Shares, par value $2.00 per share. Class A Shares have substantially the same rights as the Company's Common Shares, except that the Class A Shares are non-voting. Class B Shares are convertible into Common Shares, on a two-for-one basis, at any time at the option of the Class B shareholders.

On January 9,1998 the Company completed a two-for-one stock split which was effected by means of a stock dividend distribution. On June 25, 1998 the Company issued a stock dividend in the form of one new Class A Share for each two Common Shares. All share data has been restated to reflect these transactions.

On December 7, 1999 the Company issued 1,758,242 Class A Shares as part consideration for its 49% interest in NKT Flexibles I/S.

On February 4, 2000, the Company issued 6,142,857 Class A Shares as part of the consideration for the acquisition of the French offshore construction and engineering company ETPM. ETPM was a wholly owned subsidiary of GTM, the construction affiliate of Suez Lyonnaise des Eaux S.A.

The Company, through a series of transactions, effectively issued 19,775,223 Class A Shares to SNSA for cash of $200.0 million.

At November 30, 2000, 22,723,134 Common Shares, 47,429,790 Class A Shares and 34,000,000 Class B Shares were outstanding. SNSA hold 3% of the Common Shares, 60% of the Class A Shares and 100% of the Class B Shares which represents an economic interest of 53% of the Company and 61% of the voting rights.

Common and Class B Shares vote as a single class on all matters submitted to a vote of shareholders, with each share entitled to one vote, with the exception of a recapitalization, reclassification or similar transactions affecting the relative rights, preferences and priorities of the Common Shares and Class B Shares, which require an affirmative vote of the holders of a majority of the outstanding Common Shares and Class B Shares each voting as a separate class. With respect to liquidation and dividend rights, the Class B Shares receive $0.005 per share for each $0.01 per Common Share.

A share restructuring plan discussed under subsequent events in Note 24 has been proposed.

Luxembourg law requires that 5% of the Company's unconsolidated net profits each year be allocated to a legal reserve before declaration of dividends. This requirement continues until the reserve is 10% of the stated capital of the Company, as represented by Common Shares, Class A Shares and Class B Shares, after which no further allocations are required until further issuance of shares.

The legal reserve may also be satisfied by allocation of the required amount at the issuance of shares or by a transfer from paid-in surplus. The legal reserve is not available for dividends. The legal reserve for all outstanding Common Shares, Class A Shares and Class B Shares has been satisfied and appropriate allocations are made to the legal reserve account at the time of each issuance of new shares.

Retained earnings that represent undistributed earnings of non-consolidated joint ventures amounted to $nil million at November 30, 2000 (1999: $4.7 million).

20. STOCK OPTION PLAN

On April 28, 1993 the Company adopted a stock option plan (the Plan) covering 7.7 million shares represented by Common Shares, Class A Shares or any combination thereof not exceeding 7.7 million.

The Company accounts for awards granted to directors and key employees under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for all stock option grants in fiscal years 2000, 1999 and 1998 been determined consistent with SFAS 123, the Company's net income and earnings per share would have been decreased to the following pro forma amounts:

For the years ended November 30,	**2000**	1999	1998
(in thousands, except per share data)			
Net (loss) income before cumulative change in accounting policy	**$(34,443)**	$16,213	$54,248
Cumulative effect of change in accounting policy	**$ —**	$ —	$ 3,060
Net (loss) income	**$(34,443)**	$16,213	$57,308
Net (loss) income pro forma	**$(37,633)**	$13,644	$55,904
(Loss) income per share before cumulative effect of change in accounting policy:			
Basic	**$ (0.44)**	$ 0.27	$ 0.92
Diluted	**$ (0.44)**	$ 0.27	$ 0.91
Income per share impact of cumulative change in accounting policy:			
Basic	**$ —**	$ —	$ 0.05
Diluted	**$ —**	$ —	$ 0.05
(Loss) income per share:			
Basic	**$ (0.44)**	$ 0.27	$ 0.97
Diluted	**$ (0.44)**	$ 0.27	$ 0.96
(Loss) income share proforma:			
Basic	**$ (0.48)**	$ 0.23	$ 0.95
Diluted	**$ (0.48)**	$ 0.23	$ 0.93

Options may be granted under the Plan which are exercisable during periods of up to ten years. The options granted under the Plan will be at an exercise price not less than the fair market value per share at the time the option is granted. The Plan is administered by a Compensation Committee appointed by the Company's Board of Directors. Options are awarded at the discretion of the Company to directors and key employees.

The following tables reflects activity under the Plan for the three year period ended November 30, 2000:

For the years ended November 30,	**2000**		1999		1998	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**2,088,736**	**$ 9.4354**	1,971,304	$ 8.9444	758,106	$ 3.9970
Granted	**880,949**	**10.3372**	365,304	10.4889	1,325,909	11.3492
Exercised	**(309,237)**	**6.1358**	(121,901)	4.7139	(80,611)	2.8450
Cancelled	**(127,199)**	**11.6253**	(125,971)	10.3203	(32,100)	6.7529
Outstanding at end of year	**2,533,249**	**$ 9.9965**	2,088,736	$ 9.4354	1,971,304	$ 8.9444
Exercisable at end of year	**1,037,466**	**$ 8.9862**	971,944	$ 7.7194	462,587	$ 5.4878
Weighted average fair value of options granted		**$ 7.4263**		$ 8.1240		$ 6.8069

All share data and per share data have been restated to reflect the two-for-one stock split completed on January 9, 1998 and the Class A Share distribution on June 25, 1998.

The fair value of each stock option grant is estimated as of the date of grant using the Black Scholes option pricing model with the following weighted average assumptions:

	2000	1999	1998
Risk free interest rates	**6.55%**	5.82%	6.25%
Expected lives	**7 years**	7 years	10 years
Expected volatility	**70.2%**	88.0%	66.0%
Expected dividend yields	**0%**	0%	0%

The following tables summarize information about stock options outstanding as of November 30, 2000:

Award year	Options outstanding	Options currently exercisable	Exercise price	Expiration date
Common Shares				
1993	9,580	9,580	$ 5.1667	May 2003
1994	13,000	13,000	$ 3.0000	Apr 2004
1995	48,000	48,000	$ 2.7917	Jun 2005
1996	58,400	58,400	$ 2.7083	Mar 2006
1997	116,700	87,525	$ 5.7917	Mar 2007
1998	190,500	95,250	$16.5833	Jun 2008
	436,180	311,755		
Class A Shares				
1993	5,290	5,290	$ 5.1667	May 2003
1994	6,688	6,688	$ 3.0000	Apr 2004
1995	25,750	25,750	$ 2.7917	Jun 2005
1996	31,500	31,500	$ 2.7083	Mar 2006
1997	59,507	44,630	$ 5.7917	Mar 2007
1998	95,250	47,625	$ 16.583	Jun 2008
1998	5,000	2,500	$ 16.500	Jun 2008
1998	5,000	2,500	$ 9.375	Sep 2008
1999	6,000	1,500	$ 8.250	Apr 2009
1999	290,250	72,563	$ 10.13	May 2009
1999	5,000	1,250	$ 9.690	Oct 2009
1999	3,000	750	$ 9.500	Nov 2009
1999	3,000	—	$ 12.13	Nov 2009
1999	34,000	—	$ 10.50	Nov 2009
1999	3,500	875	$ 11.50	Sep 2009
1999	2,500	625	$ 11.13	Sep 2009
2000	5,000	—	$ 12.13	Sep 2010
2000	1,500	—	$ 12.13	Apr 2010
2000	804,150	—	$ 10.25	Apr 2010
	1,391,885	244,046		

As part of the acquisition of the former Ceanic Corporation, holders of Ceanic shares were entitled to exercise all vested and one-third of their unvested Ceanic options, or to convert any portion thereof to vested Stolt Offshore S.A. Common Share options.

Their remaining two-thirds unvested Ceanic shares were automatically converted to unvested Stolt Offshore S.A. Common Shares at the date of acquisition. The following table reflects this:

Award year	Options outstanding	Options currently exercisable	Exercise price	Expiration date
1994	3,838	3,838	$ 5.21	Jul 2004
1997	101,681	80,891	$ 6.25	Apr 2007
1997	437,263	277,237	$10.81	Sep 2007
1997	9,596	4,798	$ 8.38	Dec 2007
1998	4,797	2,398	$ 7.82	Jul 2008
1998	9,597	4,317	$ 6.77	Feb 2008
1998	3,839	3,839	$ 7.12	Feb 2008
1998	9,595	3,199	$ 7.38	Feb 2008
1998	479	479	$ 8.73	Mar 2008
1998	7,676	7,676	$10.29	Mar 2008
1998	4,800	2,880	$10.25	Apr 2008
1998	7,196	7,196	$11.20	May 2008
1998	40,537	23,745	$10.77	May 2008
1998	47,977	47,977	$11.03	May 2008
1998	5,757	5,757	$10.99	May 2008
1998	5,758	3,839	$10.33	May 2008
1998	4,798	1,599	$ 7.38	Nov 2008
	705,184	481,665		

21. PROFIT SHARING PLAN

During 1993 the Company adopted a profit sharing plan which distributes 10% of the Company's net income after specified adjustments, to certain of its employees worldwide. The determination of an employee's individual award will be based on salary and overall contribution to the Company. This plan is administered by the Compensation Committee appointed by the Company's Board of Directors. For the year ended November 30, 2000 a charge of $nil million (1999: $nil million and 1998: $5.7 million) has been included in the statement of operations.

22. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed long-term debt, short-term lines of credit and performance bonds amounting to $553.6 million at November 30, 2000. In the normal course of business, the Company provides project guarantees to guarantee the project performance by subsidiaries and joint ventures to third parties.

During 2000, the Company purchased fixed assets of $61.7 million with approximately $21.3 million being committed with suppliers for 2001, at November 30, 2000.

The French government has investigated Stolt Comex Seaway S.A. of France alleging violations of French labor and social security legislation, which resulted during 1998 in a condemnation by the French Supreme Court of Stolt Comex Seaway S.A. of France and two of its former directors. In addition, a number of former and present employees have started civil proceedings against certain subsidiaries of the Company alleging loss of employment and social security benefits.

Some of the proceedings have resulted in judgements. Some of the judgements have been appealed. While the Company believes that its subsidiaries have meritorious defenses in the unresolved cases, there can be no certainty as to the number of claims which may be brought or the amount for which the Company may eventually be liable with respect thereto. Comex S.A., a former shareholder of Comex Services S.A. (Comex), in an agreement with SNSA executed on June 5, 1992 for the sale of Comex, agreed to indemnify the Company with respect to certain aspects of the foregoing. There can be no assurance, however, as to the amount which the Company may ultimately recover from Comex S.A. pursuant to such indemnity.

Coflexip S.A. has commenced legal proceedings against three subsidiaries of Stolt Offshore S.A. claiming infringement of a certain patent relating to flexible flowline laying technology in the U.K. Judgment was given on January 22, 1999 and January 29, 1999. The disputed patent was held valid. The Company appealed and the Appeal Court maintained the validity of the patent and broadened its application compared to the High Court decision. The Company has applied for leave to appeal the Appeal Court decision to the House of Lords. Coflexip S.A. has claimed damages of approximately $14.4 million. Whether or not Coflexip S.A. will seek to increase its claim is unknown. The Company has provided in the financial statements an amount to cover liability for damages. The amount of damages is nevertheless uncertain and no assurances can be given that the provided amount is sufficient.

In September 1999 the Company terminated its charter of the ship, *Toisa Puma,* for default. The Company is currently in arbitration with the owners who are contesting that the termination was wrongful. The arbitration has held that the termination was wrongful. The Company applied for leave to appeal the decision to the High Court, which has been denied. Additional appeal proceedings are now being considered. The charterhire which would have been due for the terminated charter period is approximately $9.3 million. The owners have an obligation to mitigate losses. Any charterhire the owners have or should have received for the vessel during the period and any reduction in costs which they have or should have realized as a consequence of the termination will reduce the Company's liability. The Company has provided in the financial statements an amount to cover liability for damages. The amount of such liability is nevertheless uncertain and no assurance can be given that the provided amount is sufficient.

Legal costs are expensed as incurred.

In the ordinary course of business, various claims, suits and complaints have been filed against the Company. In the opinion of management, all such matters are adequately covered by indemnity agreements, recorded provisions in the financial statements and insurance or, if not so covered, would not have a material effect on the financial position, results of operations or cash flows of the Company if resolved unfavorably.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

All of the Company's derivative activities are over the counter instruments entered into with major financial credit institutions to hedge the Company's committed exposures. All of the Company's derivative instruments are straight forward foreign exchange forward and option contracts which subject the Company to a minimum level of exposure risk. The Company does not consider it has a material exposure to credit risk from third parties failing to perform according to the terms of hedge instruments.

The following foreign exchange contracts, maturing between December 14, 2000 and June 27, 2002 were outstanding as of November 30, 2000:

For the years ended November 30,	**2000**		1999	
	Purchase	**Sell**	Purchase	Sell
(in thousands)				
Euros	**143,894**	**—**	—	—
Norwegian Kroner	**97,000**	**—**	—	—
British Pounds	**—**	**7,240**	—	1,509
French Francs	**—**	**—**	35,900	—
Belgian Francs	**—**	**—**	201,306	—
Dutch Guilders	**—**	**—**	5,415	—

The following estimated fair value amounts of the Company's 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 values, thus the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange:

As of November 30, 2000	Carrying amount	Fair value
(in millions)		
Financial assets		
Cash and cash equivalents	$ 6.3	$ 6.3
Financial liabilities		
Bank overdrafts	$ 1.8	$ 1.8
Long-term debt	$265.0	$265.0
Off balance sheet financial instruments		
Foreign exchange forward contracts	$ —	$ (2.2)

The carrying amounts of cash and cash equivalents, bank overdrafts and all other financial instruments approximate their fair value. The estimated value of the Company's long-term debt is based on interest rates at November 30, 2000 using debt instruments of similar risk. The fair values of the Company's foreign exchange forward hedge contracts are based on their estimated termination values at November 30, 2000.

24. SUBSEQUENT EVENTS

Share restructuring plan

On January 23, 2001 Stolt Offshore S.A. announced that an extraordinary general meeting of shareholders will be held on March 6, 2001 to approve a share restructuring plan.

The objective of the share restructuring plan is to create a simplified and more transparent share capital structure that gives all shareholders a vote on all matters and to increase the liquidity of the Common Share public float by some 50%. The proposed plan will reclassify the currently outstanding non-voting Stolt Offshore S.A. Class A shares to Common Shares on a one-for-one basis. The reclassified Common Shares will be listed in Norway on the Oslo Stock Exchange and trade as ADRs in the United States on Nasdaq.

If shareholders approve this reclassification, Stolt Offshore S.A. will have outstanding 70,152,924 Common Shares and 34,000,000 Class B Shares (which are economically equivalent to 17,000,000 Common Shares and are all owned by SNSA) for a total of 87,152,924 Common Share equivalents. The share restructuring plan does not change the underlying economic interests of existing shareholders and will require the approval of shareholders at a general vote of all shares as well as the separate approval of the Class A shareholders voting as a separate class. In each case, a quorum of 50% and approval by two-thirds of those shares voting will be required.

Acquisition of Paragon Engineering Services Inc.

On January 1, 2001 Stolt Offshore S.A. signed a letter of intent to acquire a majority ownership of Paragon Engineering Services Inc. of Houston from the current controlling shareholder.

This acquisition will further broaden the Company's range of engineering skills and enable the Company to undertake all of the engineering required on many of the large EPIC type contracts that are expected to come into the market in the next few years.

Corporate Information

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Stock Trading History

Common Shares — Oslo Stock Exchange (Norwegian Kroner)

Year	End	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2000	**High**	**116.50**	**146.00**	**139.00**	**150.00**
	Low	**85.50**	**105.00**	**112.00**	**95.00**
1999	High	73.00	101.00	117.00	106.00
	Low	48.00	52.00	83.00	79.00
1998	High	134.73	178.09	154.00	101.00
	Low	94.05	115.39	67.00	61.00

Common Shares — Nasdaq (U.S. dollars)

Year	End	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2000	**High**	**\$ 14 5/8**	**\$ 16 3/8**	**\$ 15 9/16**	**\$ 16**
	Low	**\$ 10 7/16**	**\$ 11 7/8**	**\$ 13 1/16**	**\$ 9 1/8**
1999	High	\$ 10 1/8	\$ 13	\$ 14 15/16	\$ 13 9/16
	Low	\$ 6 1/8	\$ 6 5/16	\$ 10 7/16	\$ 9 7/16
1998	High	\$ 18 1/64	\$ 24 27/64	\$ 20 11/32	\$ 13 1/2
	Low	\$ 12 5/8	\$ 14 27/64	\$ 7 7/8	\$ 8 1/2

Shareholder Information

STOCK LISTINGS

Common Shares — On Oslo Stock Exchange under symbol STO and on Nasdaq as an American Depositary Receipt (“ADR”) under symbol SOSA

COUNTRY OF INCORPORATION — Luxembourg

SHAREHOLDER INFORMATION MEETINGS
March 29, 2001 at 9:30 AM
Scandinavia House
58 Park Avenue (between 37th and 38th Streets)
New York, NY 10016 U.S.A.

April 4, 2001 at 8:30 AM
Den norske Bank ASA
Auditorium
Stranden 21
N-0250 Oslo 2 Norway

ANNUAL GENERAL MEETING
April 26, 2001 at 3:00 PM
Services Généraux de Gestion S.A.
23, avenue Monterey
L-2086 Luxembourg

INTERNET ADDRESS
www.stoltoffshore.com

FINANCIAL INFORMATION
Copies of press releases, quarterly earnings releases, annual report, and SEC Form 20-F are available on the internet at www.stoltoffshore.com or by contacting:

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DIVIDENDS
The Company currently intends to retain any earnings for the future operation and growth of the business. The Board of Directors will review this policy from time to time in light of the Company’s earnings, financial condition, prospects, tax consideration and foreign exchange rates. The Company will pay dividends, if any, in U.S. dollars.

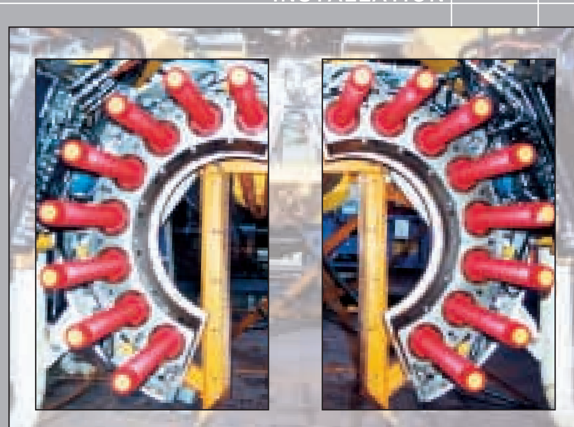
Design: Inc Design, incdesign.com

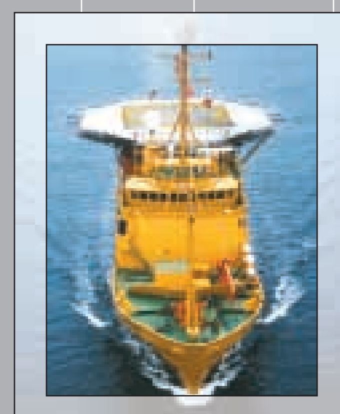
FIELD DEVELOPMENT

FIELD ABANDONMENT

ENGINEERING

INSTALLATION





SURVEYING

FIELD MAINTENANCE

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