



Odfjell SE

DNB Oil, Offshore & Shipping Conference 2019
Kristian Mørch, CEO



Agenda

Odfjell at a glance

Odfjell Tankers

Odfjell Terminals

Chemical Tanker Market outlook

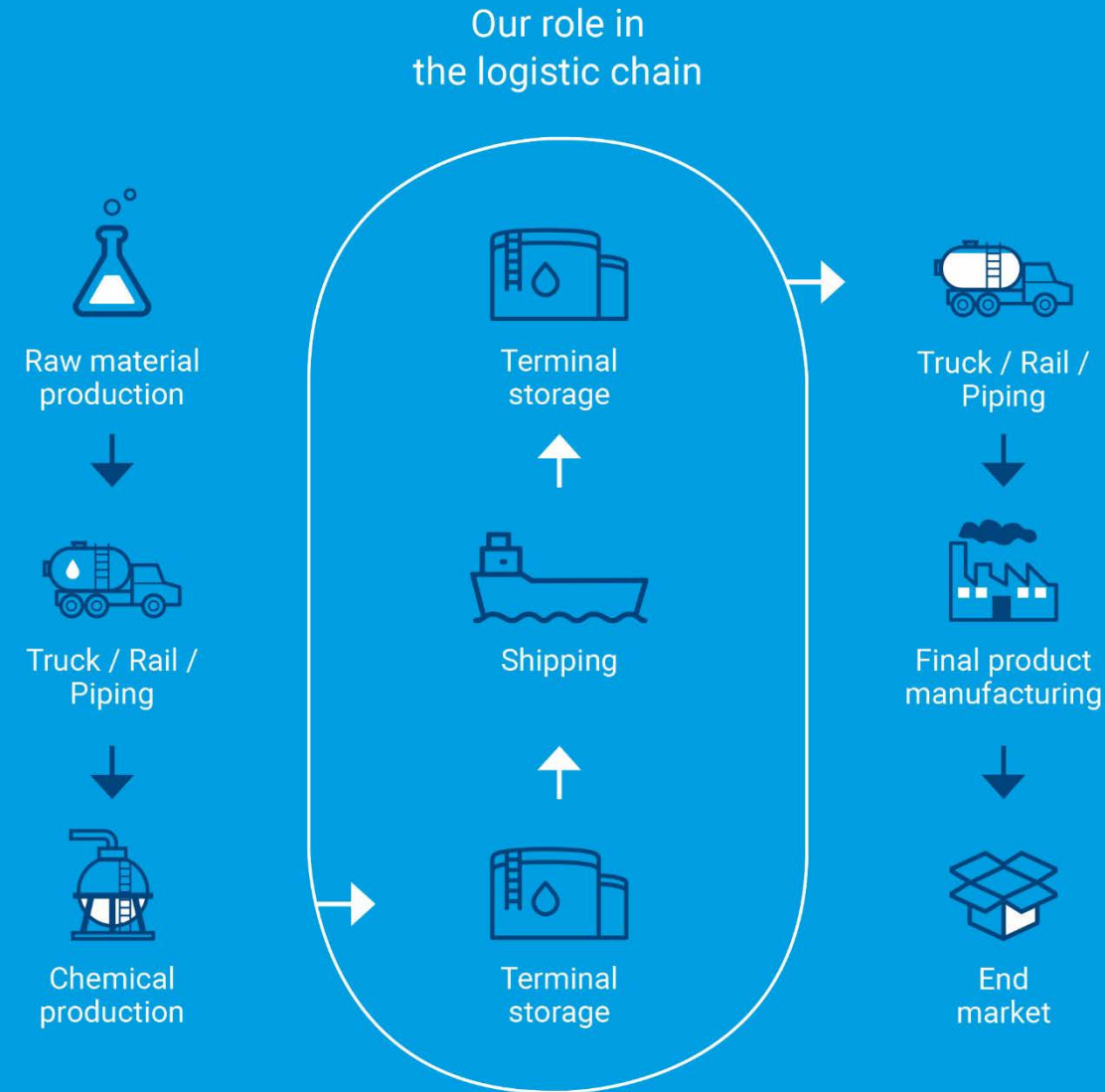
Summary



Odfjell SE

More than 100 years of experience within the shipping industry

- Core business is shipping and storage of bulk liquid chemicals
- Headquarters in Bergen, Norway with offices in 18 countries worldwide
- One of the world's largest operator of chemical tankers
- «Supersegregators» are our core assets in tankers
- Global network of chemical tank terminals
- Listed on Oslo Stock Exchange since 1986
- Odfjell shares trades at a P/BV of 0.45x with a market cap of USD 270m



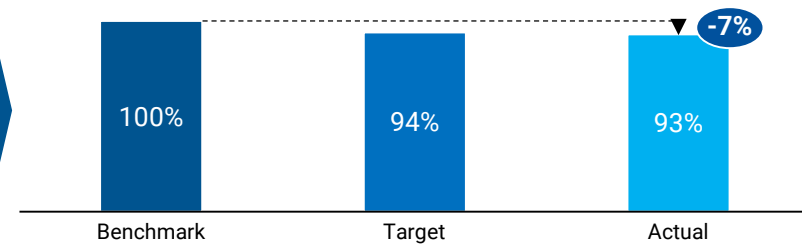
We have in recent years reshaped our business, and are today significantly more competitive and efficient

Key milestones 2015-2018:

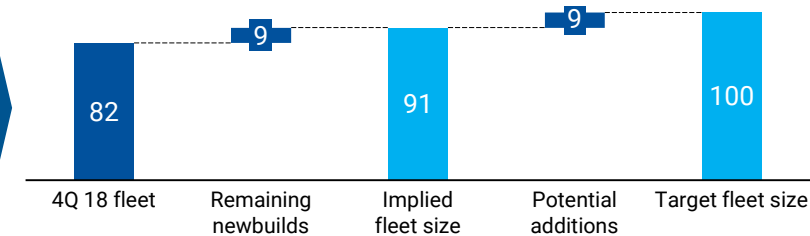
Cost savings of USD
109 mill



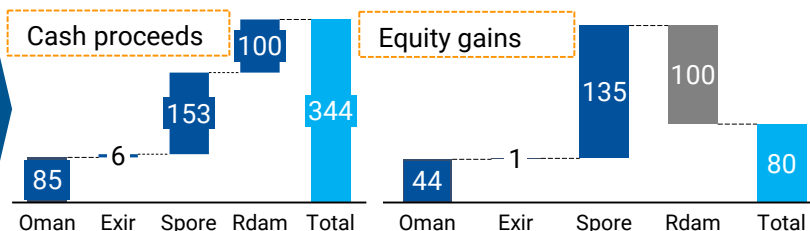
Saved 900 revenue
days through port
efficiency program



Renewed and grown
fleet at bottom of
cycle



Restructured Tank
terminal division
with material gains



Our future focus:



Tankers: From growth and renewal to quality of service

- 31 various vessel transactions concluded in 2018
- 9 vessels set for delivery in 2019 and 2020



Operational excellence

- Continue improvement programs in Odfjell Tankers
- Focus on synergies between Tanker and Terminal division



Terminals – Back to profit

- Restructure and develop our tank terminal division
- Grow our Houston terminal



Financial strength

- Maintain our strong balance sheet
- Be able to act if attractive opportunity arises

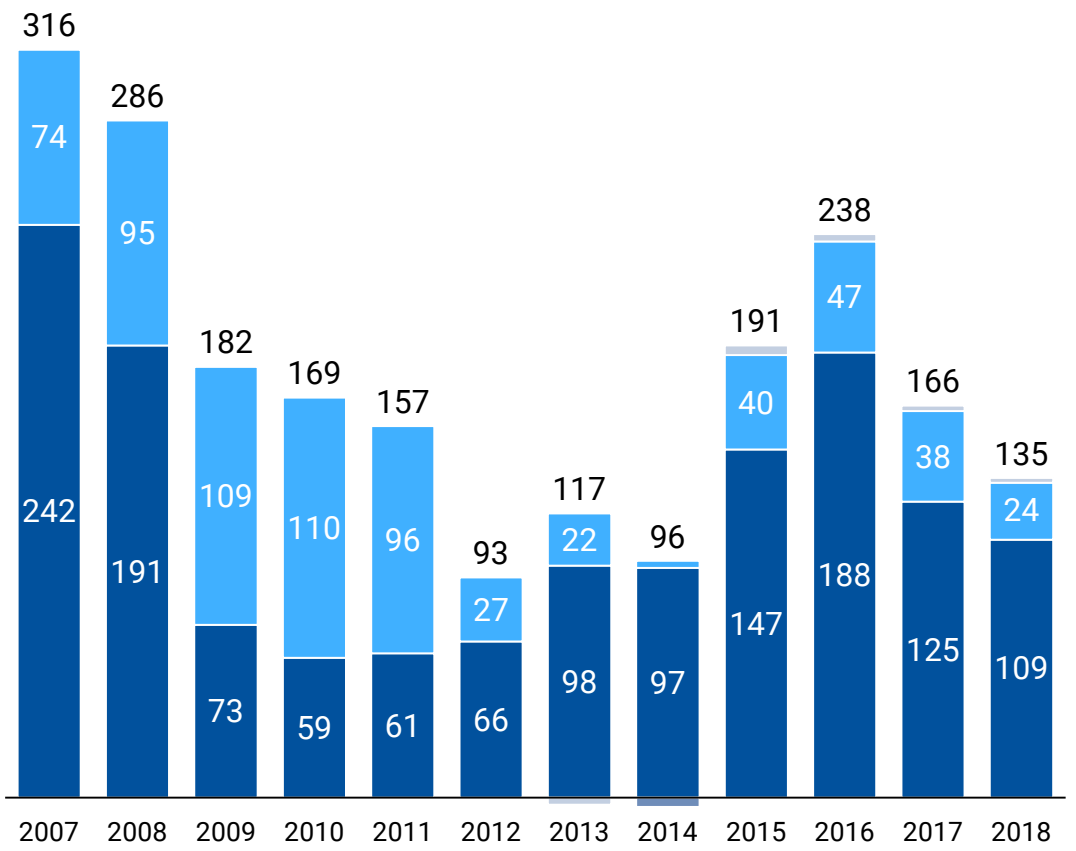


Capital Allocation

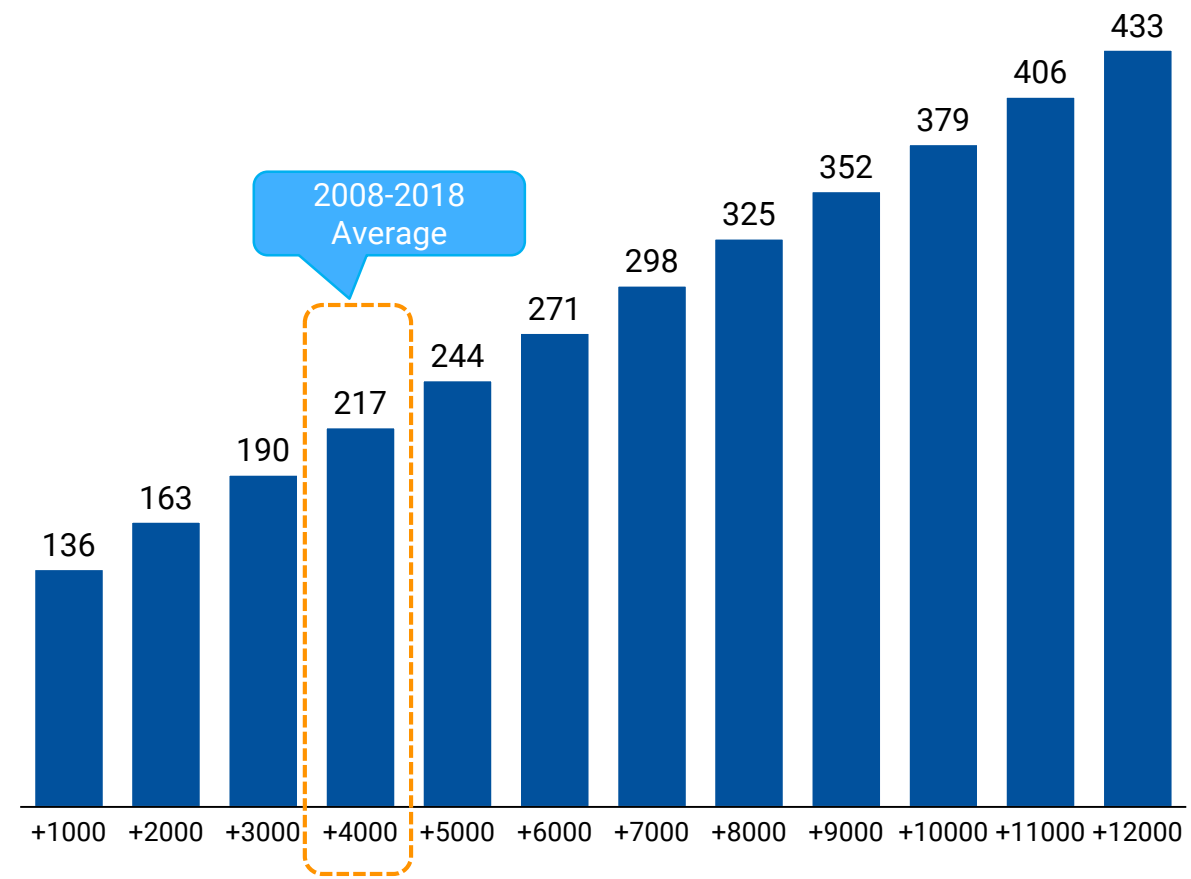
- Investments: Look at growth opportunities in Houston
- Dividends: Target attractive dividends (market dependent)
- Deleverage: Reduce our debt levels (market dependent)

Our EBITDA has improved in recent years despite more challenging markets, and our competitiveness means significant upside when markets improve

EBITDA per division, USD million:



Odfjell Tankers EBITDA for every USD1,000/day change in rates:



LPG/Ethylene Tank terminals* Chemical tankers

Source: Odfjell

* 2017 and 2018 EBITDA reduced by USD 8 mill and USD 10 mill, respectively due to sale of Oman and Singapore

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Odfjell at a glance

Odfjell Tankers

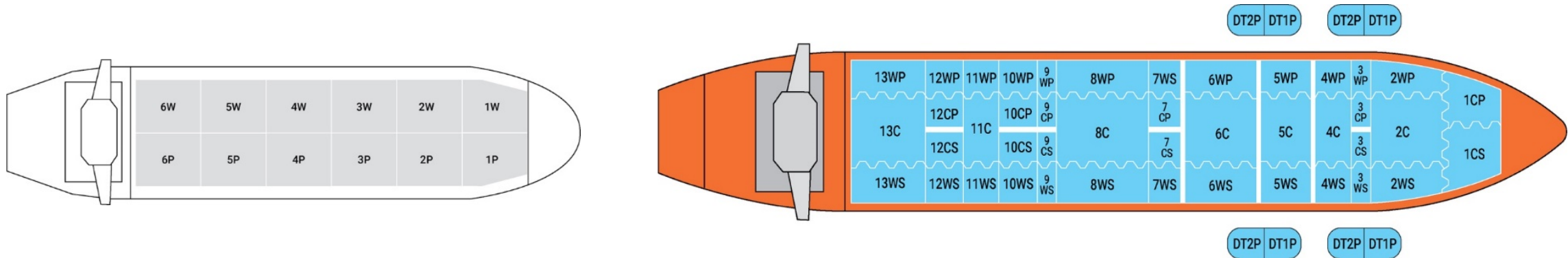
Odfjell Terminals

Chemical Tanker Market outlook

Summary



Our vessels are sophisticated and built for serving very complex and demanding trades, with multiple parcels of highly specialized chemicals



Basic chemical tanker

- Standardized and cost efficient
- Scale effect on basic equipment across similar ships
- Experienced crew with cost focus

Supersegregator

- Tailor-made and responsive
- Complex and flexible equipment
- Experienced crew with cost focus, comprehensive technical competencies and training
- 61% of balance sheet in Odfjell Tankers

At the heart of global trade

Trade lanes

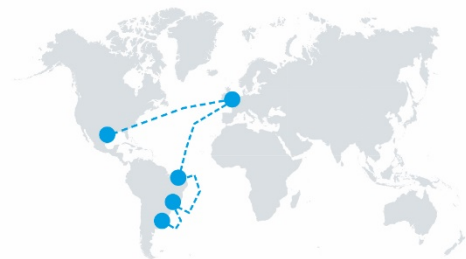
Asia Pacific



US Gulf - South America



Transatlantic and North West Europe - South America



Middle East



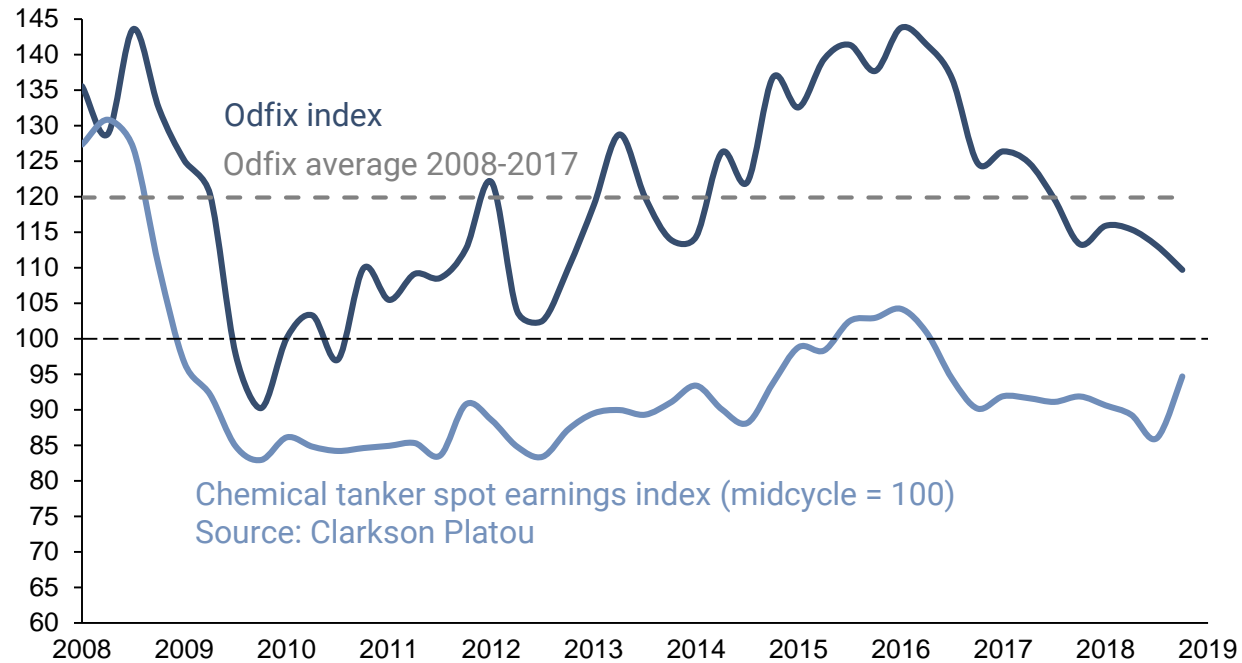
Regional Asia



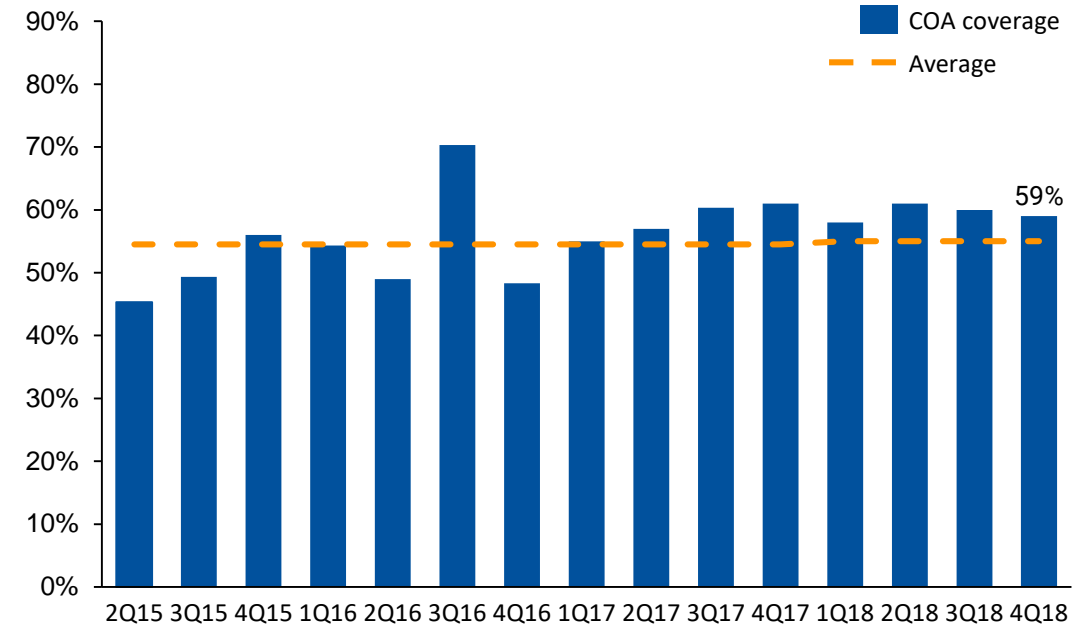
- Odfjell is one of few that operates in a truly global system with frequent sailings in all major trade lanes
- Odfjell is a critical part of the logistic chain for the chemical industry
- No single customer accounts for more than 10% of our freight revenue
- Significant number of “evergreen” contracts where key parameters are renewed annually
- Our target is to have 55% - 65% of our freight revenue from contract cargoes
- We differ from other tanker trades by operating mainly in a fixed liner pattern

The industrial nature of our business and a high contract coverage lead to less volatility to our top line

Odfjell TCE rates vs Clarksons chemical tanker spot index:



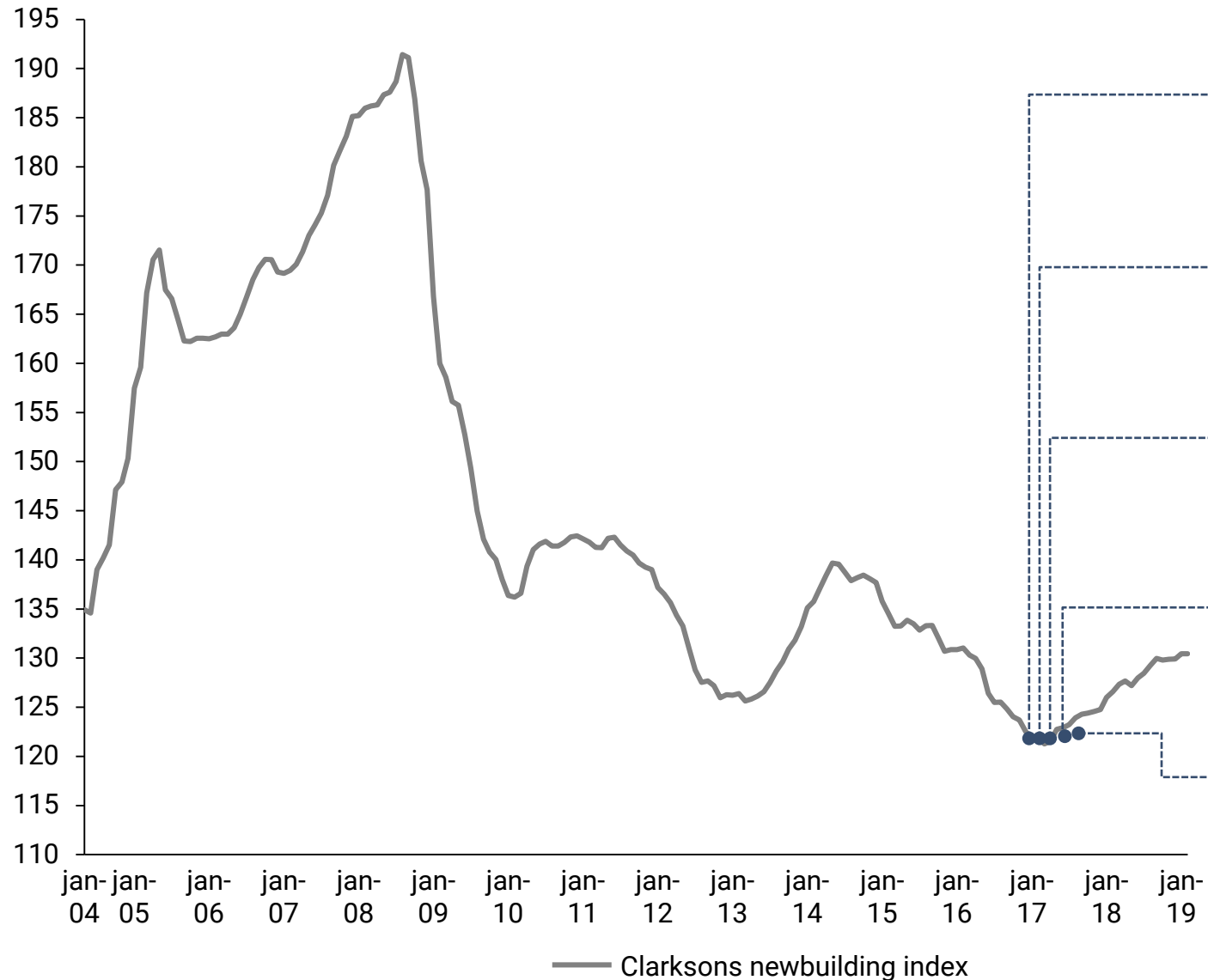
Odfjell Tankers contract coverage:



Our TCE rates have historically generated higher highs and higher lows than standard chemical tankers and product tankers. This is driven by:

1. Our contract portfolio, a crucial part of our operations considering our assets and the way we operate them
2. Share of higher paying speciality chemicals carried onboard our vessels
3. Our ability to swing into CPP trade if rates are strong with our flexible fleet. This again improving our bargaining power versus chemical producers
4. Global platform enabling us to service every customer's needs in any part of the world
5. Access to our tank terminal platform, our strong brand name and history serving the chemical industry

Our recent tonnage renewal and growth initiatives are done at what looks like an attractive point on the asset curve...



1

Newbuildings

- Ordered six newbuildings at Hudong Shipyard
- Delivery between July 2019 and September 2020
- Values for similar vessel are up 15% since our orders

2

Long-term TC

- Two newbuildings concluded on long-term Timecharter
- Vessels were delivered in October 2018 and January 2019
- Replacing chartered vessels at 20% lower charter-in rate

3

Long-term BB

- Two newbuildings concluded on long-term Bareboat
- Delivery in December 2019 and July 2020
- Replacing chartered vessel at 20% lower rate and growth

4

CTG transaction

- Acquired 5 vessels and formed a pool with 5 CTG vessels
- All vessels have been delivered and are now operated by Odfjell
- Purchase options on CTG vessels and receive profit splits

5

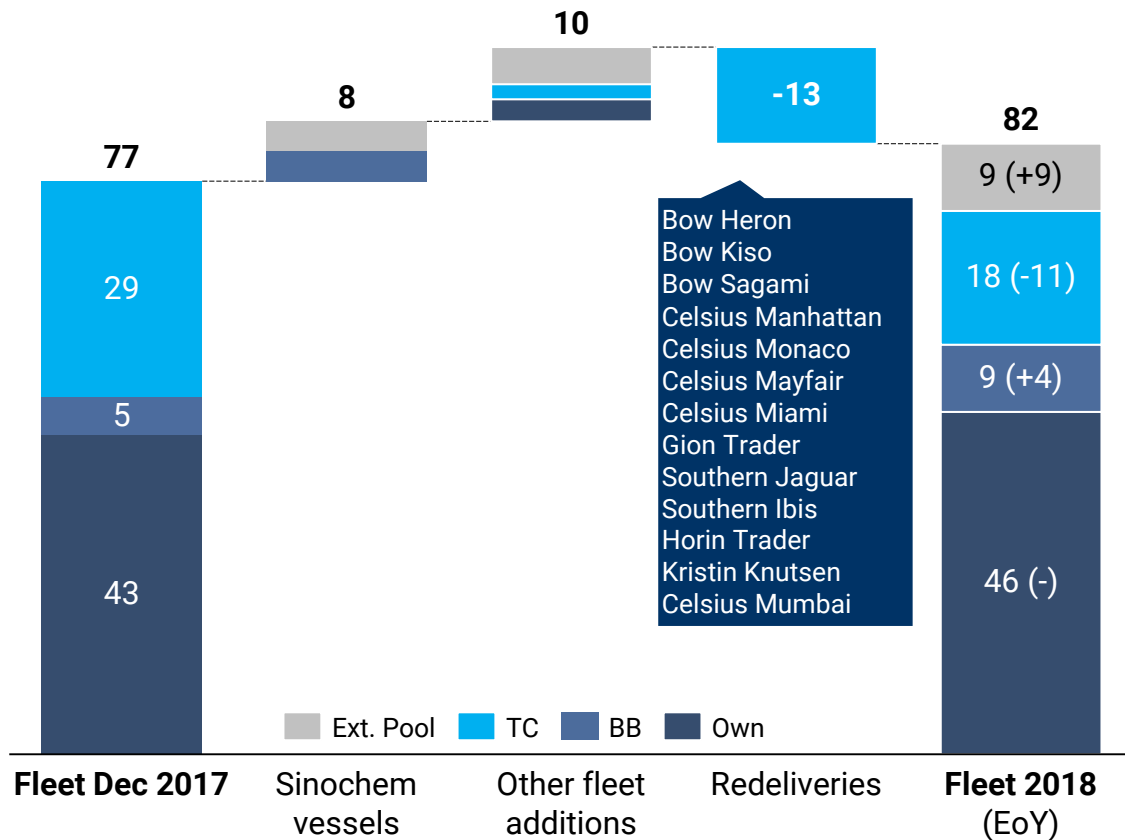
Sinochem transaction

- 4 vessels on long-term BB and formed a pool with 4 SC vessels
- Purchase options and profit splits on SC vessels
- BB rates secured 30% below comparable charters in our fleet

Investment timing secures attractive returns also in weak markets

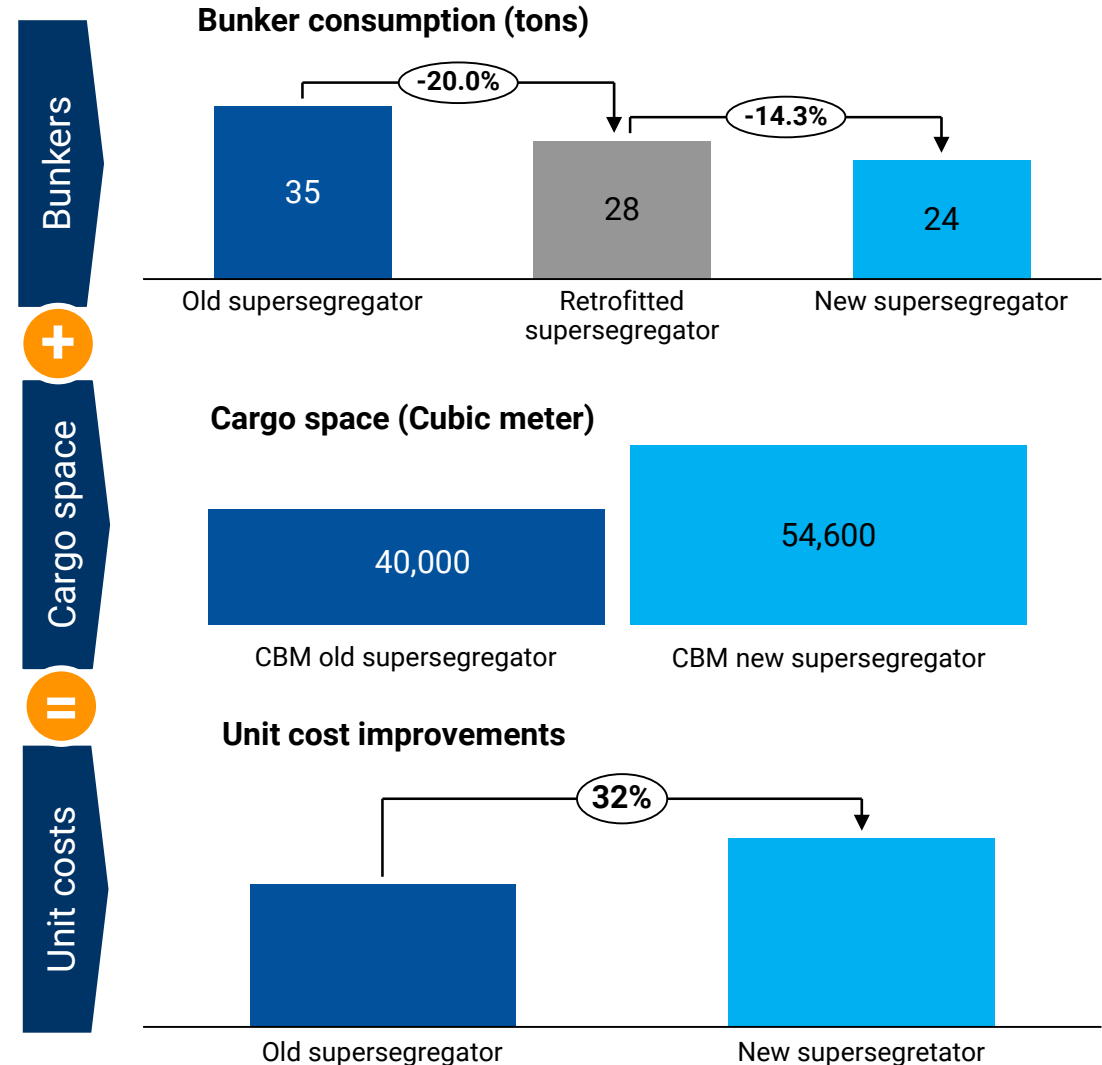
..and the improvements in our portfolio have also lowered our costs and increased our efficiency and unit cost

Fleet development 2018:



We redelivered 13 chartered vessels in 2018, a year where we concluded as many as 31 vessel transactions both in and out of our fleet

New tonnage is significantly more efficient:



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Odfjell Terminals

Chemical Tanker Market outlook

Summary



Odfjell Terminals (51% owned by Odfjell SE)

A global tank storage service provider: Our terminals connect sea and land at strategic locations, providing safe and efficient storage for vital liquids, chemicals, and oil.



7 operational, part owned tank terminals at strategic international hubs



553 storage tanks



1.5 million cbm storage capacity



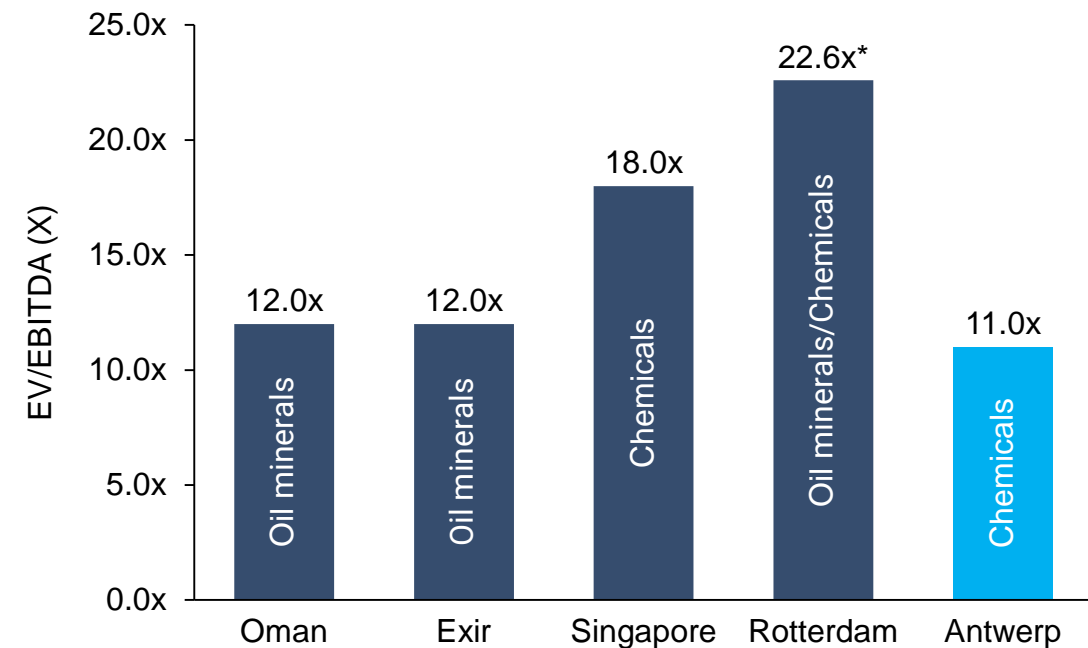
1 terminal project

We have made significant changes in our Terminal division since 2016, which have generated USD 344 mill of cash proceeds and USD 80 mill of book value gains

	Cash proceeds USD mill	Book value effect USD mill
Oman (2016)	85	44
Exir (2016)	6	1
Singapore (2017)	153	135
Rotterdam (2018)	100	-100
Antwerp (2018)	-27	0
Total (2016->2018)	317	80

Transaction multiples

EV/EBITDA (x)



- Odfjell Terminals initiated the strategic changes of our tank terminal portfolio in 2016. This has resulted in cash proceeds of USD 317 mill and USD 80 mill of book value gains
- The changes have helped us to establish a strong balance sheet, renew and grow our chemical tanker fleet at the bottom of the cycle. We now have a strong portfolio of tank terminals, offering attractive returns and growth potential
- We are fully committed to our tank terminal business, and focus now on developing and invest in our tank terminal division

We now have a smaller network of 7 terminals with a mix of mature and growth terminals

	Europe	US		Asia			South America	Global	
	Antwerp (NNOT)	Houston (OTH)	Charleston (OTC)	Ulsan (OTK)	Dalian (OTD)	Jiangyin (OTJ)	Tianjin (ONTT)	Peru, Argentina, Brazil	
Storage capacity In k CBM	348	380	79	314	120	100	138	553	2,032
Start-up Year	Non-operated	1983	2013	2002	1998	2007	2016	Related party	-
Revenues ¹ USD mill	11	40	6	5	4	2	1	-	69
EBITDA ¹ USD mill	5	17	2	2	3	1	0	-	32*
ROIC ¹ (%)	16.9%	14.8%	8.4%	5.7%	18.9%	4.2%	-1.7%	-	9.1%

¹All USD figures represents Odfjell SE's ownership share and is based on FY 2018, 25% ownership share at NNOT included

* Total EBITDA excludes global management fee allocation being booked at Odfjell Terminals BV (Holding company)

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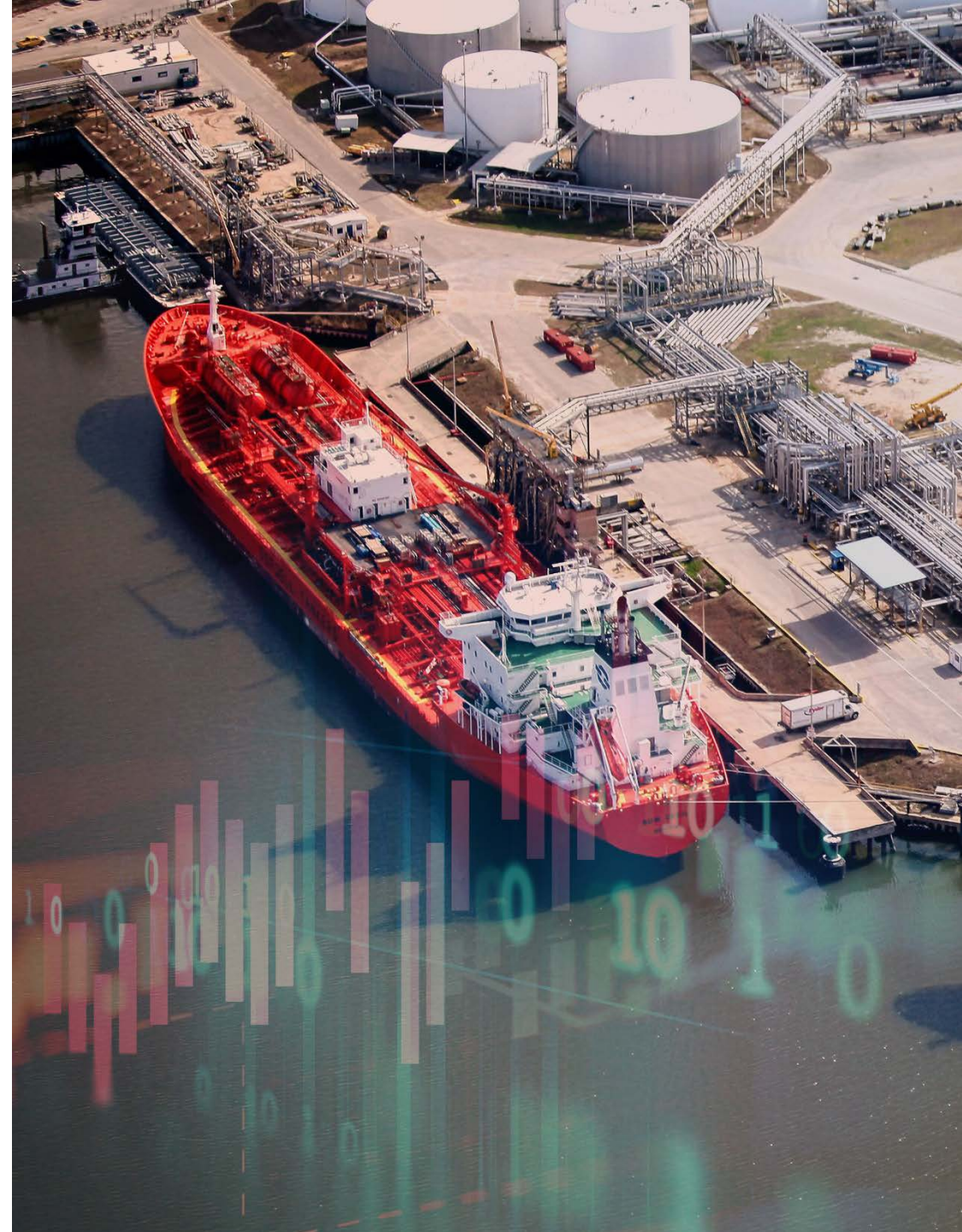
Odfjell at a glance

Odfjell Tankers

Odfjell Terminals

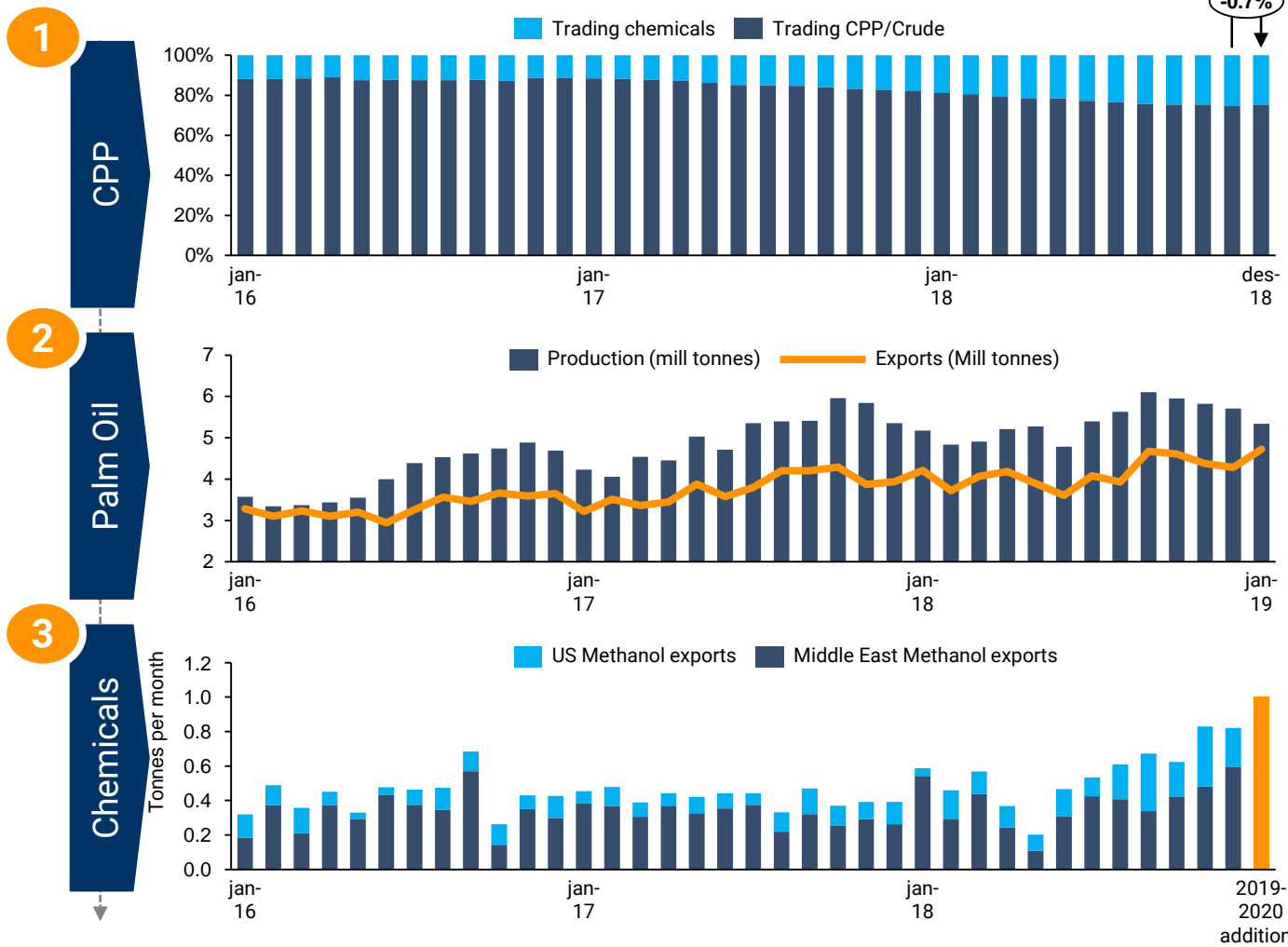
Chemical Tanker Market outlook

Summary

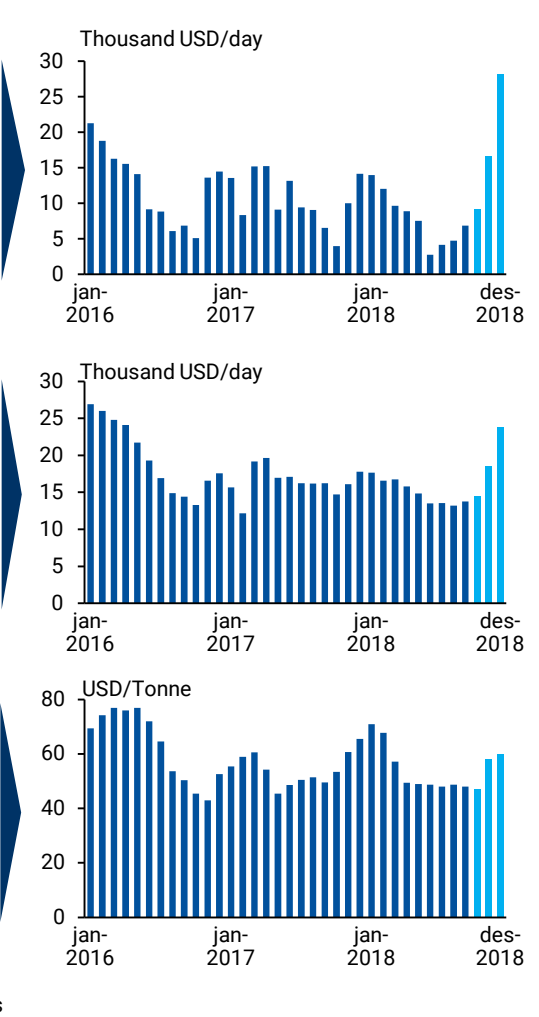


The improvements in the chemical tanker spot market towards the end of 2018 were driven by 3 key changes

Fundamental drivers:



Rate development:

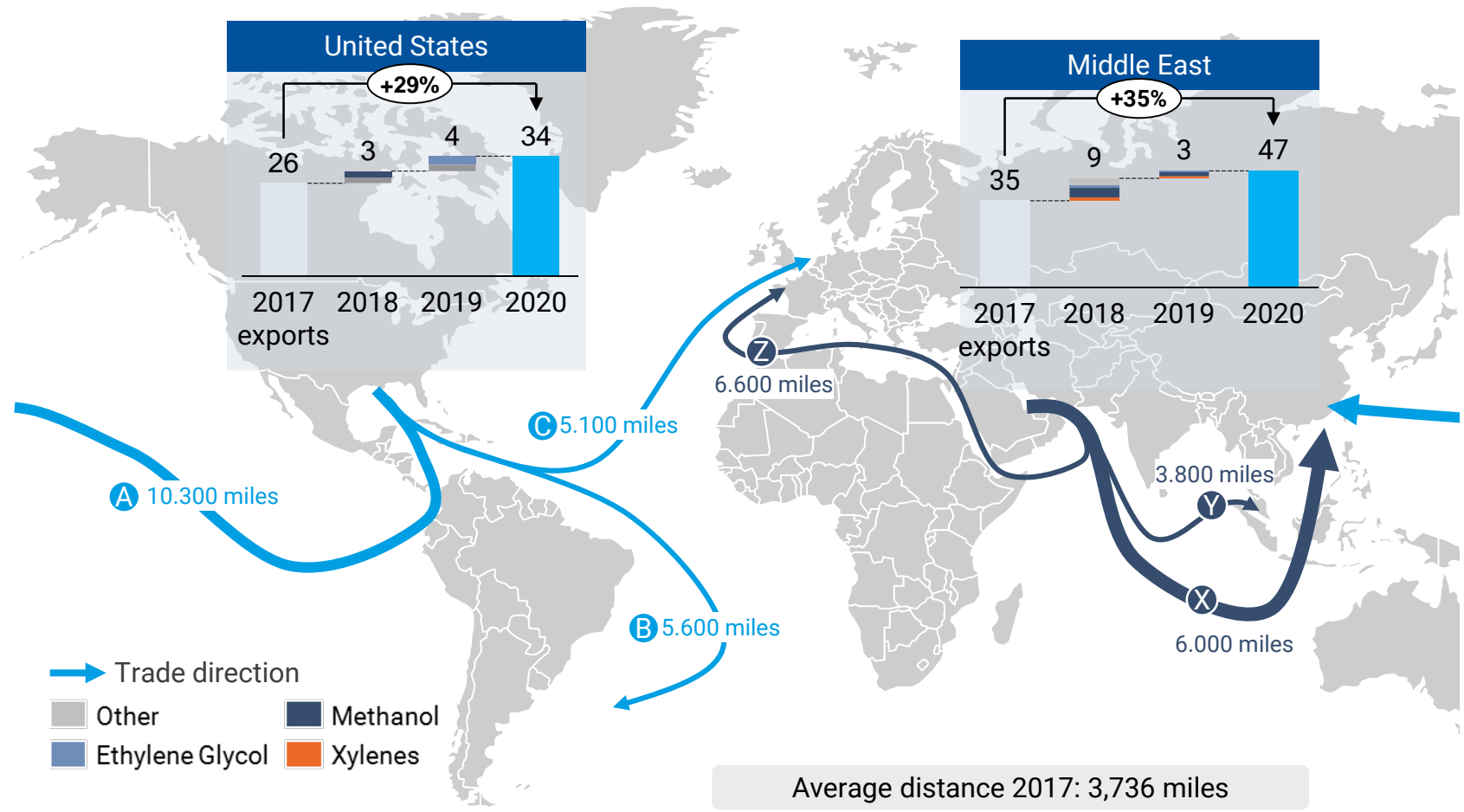


Comments:

- 0.7% of swing tonnage back to its core by December 2018
 - Easing tonnage supply pressure
 - Improves cargo flexibility
-
- Sep-Dec exports all-time high
 - Sep-Dec production all-time high
 - Levied export tax in Indonesia and reduced import tax in India due to elevated inventories
-
- US now a net exporter of Methanol and Middle Eastern volumes picking up
 - Majority of new export capacity being shipped on long-hauls
 - Trade war has led to new shipping routes and incremental demand

New organic chemical capacity continues to come on stream in US and Middle East, which will have a significant impact on tonne-mile demand

New US and Middle East capacity of organic chemicals, MT millions cumulative:



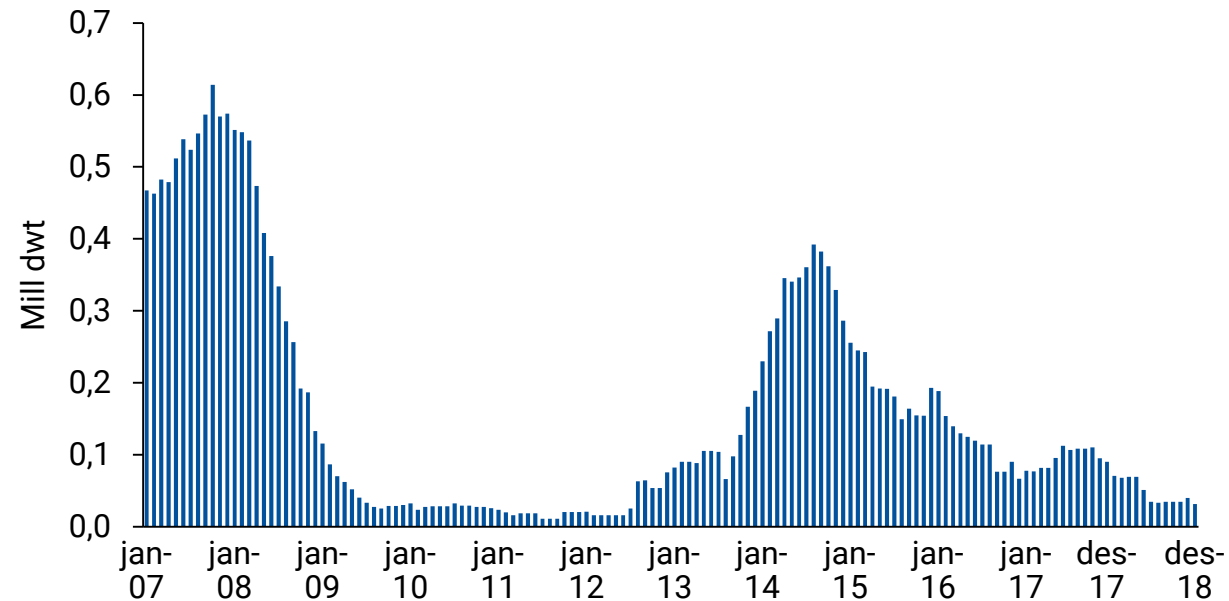
Impact on chemical tanker tonne-miles demand
 Total tonne-mile growth 2017¹-2020

Case	Assumptions	Demand impact
High	Majority of volumes on longest routes	+3% +4% Tonne demand
Base	Equal export split based on length of routes	+2% +4% Tonne Demand
Low	Export split favouring shorter routes	+1% +4% Tonne Demand

1. Total market 2017: 901 billion tonne-miles including organic, inorganic and vegoil products
Source: ICIS, Drewry, Odfjell

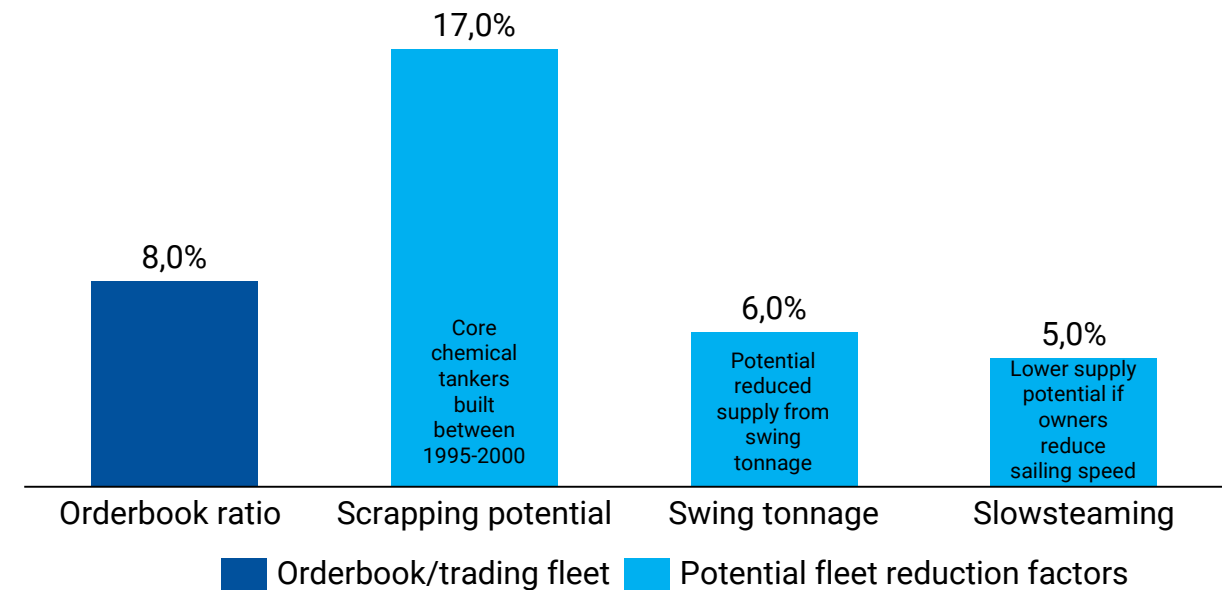
Net fleet growth is expected to decline the next couple of years and removal of swing tonnage could lead to negative overall fleet growth in our markets

Chemical tanker newbuilding orders (10,000 - 55,000 dwt):



- Newbuilding orders and interest remain low
- 60% of orders the last two years have been for vessels above 50,000 dwt, below 18,000 dwt or are considered replacement orders
- The low number of newbuilding orders is expected to continue and is needed to secure a sustainable recovery in the chemical tanker markets

Chemical tanker orderbook of 8% before adjusting for several variable factors:



- Orderbook ratio at 8%, which implies average supply growth of 2.6% p.a by 2021...
- ...this is before adjusting for several variables impacting real supply growth like:
 - Scrapping
 - Removal of swing tonnage
 - Slowsteaming in the event of elevated bunker prices (IMO 2020)
 - New orders

Market outlook conclusion: The demand story continues to be strong and supply is under control. We maintain our view that 2018 was the turning point

Demand

Market turned late 2018

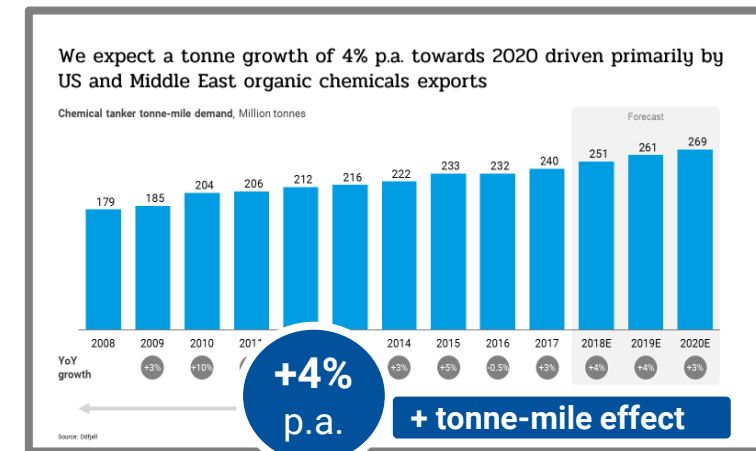
- Tonne-mile demand growth accelerated towards the end of 2018
- This was driven by increased trade of key chemical products

Trade war

- No material impact from the ongoing trade-war as volumes are swapped around
- In many instances, this have led to higher demand for vessels
- The indirect impact on global GDP is more of a concern

GDP growth

- GDP growth outlook remains healthy, but a slowdown could impact demand
- Structural shift in chemical tanker trade disconnects shipping demand from end-user demand through 2019 and 2020



Supply

Orderbook

- Zero orders for core chemical tankers in 4Q18
- Orderbook of 8% of the current fleet is low and is not expected to grow

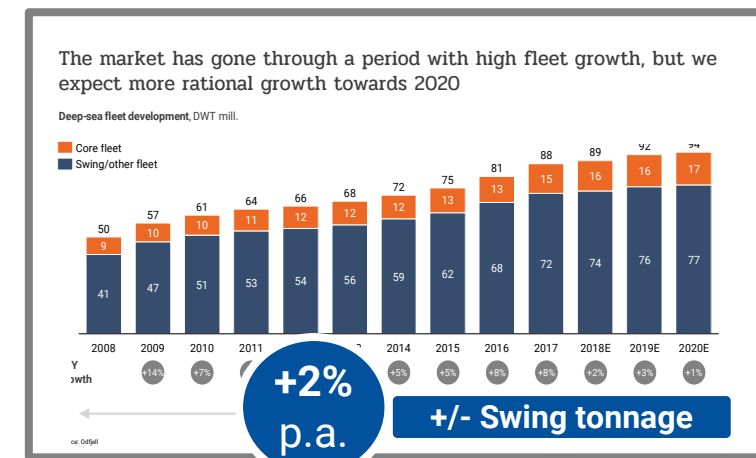
Swing tonnage

- Improved CPP and Vegoil rates lead to less supply pressure from swing tonnage
- If this continues, we could phase negative overall fleet growth for chemical tankers

IMO 2020

Scrapping – Slowsteaming – Swing tonnage

- Forward bunker price development not showing any price spikes yet
- Should new bunker fuel trade accelerate demand for product tanker tonnage, this will also impact chemical tankers supply positively



Odfjell SE - Summary

Odfjell Tankers

Investments concluded at the bottom of the cycle. We have a solid platform that positions us to generate substantial cash flow when our market recovers

Operational excellence

Ongoing improvement programs and focus on extracting synergy potential between Tankers and Terminals

Odfjell Terminals

Restructuring has generated substantial cash and equity gains. Focus now turned to growing our Tank terminal division

Market outlook

Chemical tanker demand expected to surpass net fleet growth.

Thank you

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Appendix



Annual P&L¹ – Odfjell Group by division

USD mill	Tankers			Terminals			Total*		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Gross revenue	832.4	842.5	850.8	122.7	110.8	91.0	967.2	961.7	950.5
Voyage expenses	(275.6)	(319.2)	(356.6)	-	-	-	(281.5)	(322.9)	(360.5)
TC expenses	(164.1)	(194.9)	(146.4)	-	-	-	164.6	(194.9)	(146.4)
Pool distribution	-	-	(23.9)	-	-	-	-	-	-
Opex	(133.1)	(135.5)	(145.4)	(53.7)	(52.3)	(46.1)	(189.1)	(189.9)	(193.8)
G&A	(71.8)	(68.0)	(69.7)	(22.5)	(20.0)	(20.8)	(94.4)	(88.2)	(90.6)
EBITDA	187.7	125.0	108.7	46.5	38.4	24.0	237.6	165.8	135.3
Depreciation	(89.6)	(89.0)	(95.3)	(34.1)	(34.4)	(29.1)	(125.1)	(124.7)	(124.5)
Impairment	(12.7)	(21.9)	(5.0)	(3.8)	(20.7)	(68.1)	(24.5)	(42.6)	(76.4)
Capital gain/loss	12.7	(0.1)	-	44.0	134.5	(10.6)	56.7	134.4	(10.8)
EBIT	98.1	14.0	8.1	52.6	117.9	(83.7)	144.6	132.8	(76.4)
Net finance	(22.2)	(50.6)	(74.6)	(14.7)	(0.5)	(10.0)	(38.3)	(58.3)	(85.3)
Taxes	(7.1)	(2.3)	(4.8)	0.7	18.3	(44.3)	(6.4)	16.0	(49.1)
Net result	68.8	(38.9)	(71.4)	38.7	129.8	(138.0)	100.0	90.6	(210.8)
EPS	0.88	(0.49)	(0.91)	0.49	1.65	(1.76)	1.27	1.15	(2.68)

1. Proportional consolidation method * Total includes contribution from Gas Carriers now classified as held for sale

Balance sheet 31.12.2018 - Odfjell Group

Assets, USD mill	3Q18	4Q18
Ships and newbuilding contracts	1,373.4	1,359.9
Investment in associates and JVs	243.1	170.9
Other non-current assets/receivables	27.9	24.8
Total non-current assets	1,644.4	1,555.6
Cash and cash equivalent	206.8	167.8
Other current assets	132.7	118.6
Total current assets	339.5	286.4
Total assets	1,983.9	1,841.9

Equity and liabilities, USD mill	3Q18	4Q18
Total equity	652.0	600.6
Non-current liabilities and derivatives	8.3	18.6
Non-current interest bearing dept	907.2	909.7
Total non-current liabilities	915.5	928.4
Current portion of interest bearing debt	310.6	212.9
Other current liabilities and derivatives	105.7	100.1
Total current liabilities	416.4	313.0
Total equity and liabilities	1,983.9	1,841.9

1. Equity method

* New leasing standard (IFRS 16) to be implemented from January 2019. We have done a simulation on how this will effect figures of Odfjell SE in note 1 of our quarterly report

Cash flow – 31.12.2018 – Odfjell Group¹

Cash flow, USD mill	1Q18	2Q18	3Q18	4Q18	FY18	FY17
Net profit	(12.5)	(119.9)	(30.9)	(46.0)	(209.3)	91.6
Adjustments	22.2	23.7	18.3	40.4	104.6	100.2
Change in working capital	2.8	(2.4)	(16.9)	(4.1)	(20.6)	5.7
Other	(2.0)	118.4	33.6	17.9	167.9	(135.7)
Cash flow from operating activities	10.5	19.9	4.1	8.2	42.6	54.0
Sale of non-current assets	–	–	–	–	–	4.0
Investments in non-current assets	(83.4)	(48.5)	(18.3)	(43.7)	(193.9)	(173.2)
Dividend/ other from investments in Associates and JV's	–	–	–	81.1	81.1	117.1
Other	(0.9)	4.8	(1.0)	11.1	14.0	26.5
Cash flow from investing activities	(84.2)	(43.8)	(19.3)	48.5	(98.8)	(25.6)
New interest bearing debt	78.0	119.8	64.7	38.8	301.3	343.1
Repayment of interest bearing dept	(28.8)	(69.8)	(34.4)	(134.8)	(267.8)	(310.4)
Dividends	–	(14.6)	–	–	(14.6)	(13.9)
Other	(1.4)	(0.1)	–	0.2	(1.2)	(5.7)
Cash flow from financing activities	47.8	35.4	30.3	(95.8)	17.7	13.1
Net cash flow*	(25.2)	11.5	13.9	(39.0)	(39.0)	41.2

1. Equity method
2. * After FX effects

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