

Presentation First quarter 2019

8 May 2019



ODFJELL



Agenda

- Highlights
- Financials
- Operational review/Strategy
- Prospects and Market update

Highlights

- Chemical tanker spot rates improved compared to previous quarter
- EBITDA of USD 47 mill, compared with USD 33 mill in 4Q18
- EBITDA of USD 40 mill from Odfjell Tankers compared with USD 27 mill 4Q18. Adjusting for new accounting standards (IFRS 16), Odfjell Tankers EBITDA improved to USD 27 mill from an adjusted EBITDA of USD 23 mill 4Q18
- EBITDA of USD 7 mill from Odfjell Terminals compared to USD 5 mill in 4Q18
- Net result of USD -15 mill compared to USD -48 mill in last quarter
- Spot rates improved by 16% in main tradelanes compared to previous quarter. This was partly offset by fewer revenue days compared to previous quarter
- Contract coverage reduced to 50% compared to 59% in 4Q18 as we did not aggressively pursue contracts at historically low rate levels
- The board decided to not recommend a dividend for FY2018

Key figures, USD mill

(USD mill, unaudited)	2Q18	3Q18	4Q18	1Q19	1Q18	FY18	FY17
Odfjell Tankers	209.0	208.8	221.3	218.3	213.2	850.8	842.5
Odfjell Terminals	25.9	22.6	17.2	17.6	28.4	91.0	110.8
Revenues*	236.7	233.7	241.1	238.3	243.5	950.5	961.7
Odfjell Tankers	28.0	26.8	27.0	39.7	30.6	108.7	125.0
Odfjell Terminals	8.9	3.9	4.8	6.7	9.9	24.0	38.4
EBITDA*	37.2	31.5	32.7	47.2	40.8	135.3	165.8
EBIT	(52.9)	(13.5)	(13.0)	7.0	97.3	(76.4)	132.8
Net profit	(120.0)	(31.2)	(47.6)	(15.4)	104.3	(210.8)	90.6
EPS**	(1.53)	(0.40)	(0.60)	(0.20)	1.33	(2.68)	1.15
ROE***	(22.3%)	(13.8%)	(17.6)%	(10.5 %)	16.4%	(29.8%)	11.8%
ROCE***	(5.4%)	(1.5%)	(1.1)%	1.4 %	10.7%	(8.1%)	8.8%

1) Historical figures are not adjusted for IFRS16
 *Includes figures from Odfjell Gas
 ** Based on 78.6 million outstanding shares
 *** Ratios are annualised

"The chemical tanker markets improved in the first quarter and we expect the trend to continue as a result of the strong fundamentals in our markets, and a firming tanker market in general. We decided not to aggressively pursue or extend contracts at the historically low markets at the end of 2018. This reduces our COA portfolio but also increases our exposure in the firming market. We expect to continue to improve our performance in the coming quarter"

Kristian Mørch, CEO Odfjell SE



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Income statement¹ – Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	4Q18	1Q19	4Q18	1Q19	4Q18	1Q19
Gross revenue	221.3	218.3	17.2	17.6	241.1	238.3
Voyage expenses	(94.5)	(90.2)	–	–	(95.7)	(91.2)
Pool distribution	(9.7)	(13.0)	–	–	(9.7)	(13.0)
TC revenue	117.1	115.2	–	17.6	135.7	134.1
TC expenses	(35.0)	(15.4)	–	–	(35.0)	(15.4)
Operating expenses	(36.9)	(37.2)	(6.8)	(6.9)	(44.3)	(44.6)
Operating expenses – IFRS 16 adjusted	–	(5.3)	–	–	–	(5.3)
G&A	(18.2)	(17.6)	(5.6)	(4.0)	(23.8)	(21.6)
EBITDA	27.0	39.7	4.8	6.7	32.7	47.2
Depreciation	(24.0)	(22.7)	(5.3)	(5.4)	(29.3)	(28.1)
Depreciation – IFRS 16 adjusted	–	(11.4)	–	–	–	(11.5)
Impairment	(5.0)	–	(10.0)	–	(18.3)	–
Capital gain/loss	(0.1)	(0.2)	2.0	(0.4)	1.9	(0.6)
EBIT	(2.1)	5.4	(8.5)	0.8	(13.0)	7.0
Net interest expenses	(18.3)	(20.1)	(1.9)	(1.4)	(20.3)	(21.5)
Other financial items	(10.1)	0.6	(0.1)	–	(10.2)	(0.6)
Net finance	(28.4)	(19.4)	(1.9)	(1.4)	(30.5)	(20.9)
Taxes	(2.4)	(1.2)	(1.7)	(0.3)	(4.0)	(1.5)
Net results	(32.9)	(15.2)	(12.1)	(1.0)	(47.6)	(15.4)
EPS	(0.42)	(0.19)	(0.15)	(0.01)	(0.60)	(0.20)
Voyage days	6,544	6,293	–	–	6,544	6,293

Key quarterly deviations:

- TC revenues reduced due to fewer revenue days which partly offset stronger spot and contract rates and lower bunker costs
- Timecharter expenses reduced compared to previous quarter driven by IFRS 16. Adjusted for the new accounting rules, TC expenses were reduced due to redelivery of vessels and renewals at lower rates
- Opex and G&A in Odfjell Tankers at stable levels
- Odfjell Tankers EBITDA was USD 27 mill when adjusting for IFRS 16 effect. This was an improvement from an adjusted EBITDA of USD 23 mill in 4Q 18 that included a non-recurring gain of USD 4 mill
- Lower G&A in Odfjell Terminals due to non-recurring legal and tax restructuring expenses well as IT unwinding expenses at the management expenses

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

P&L from chemical tanker segment adjusted for IFRS16 impact

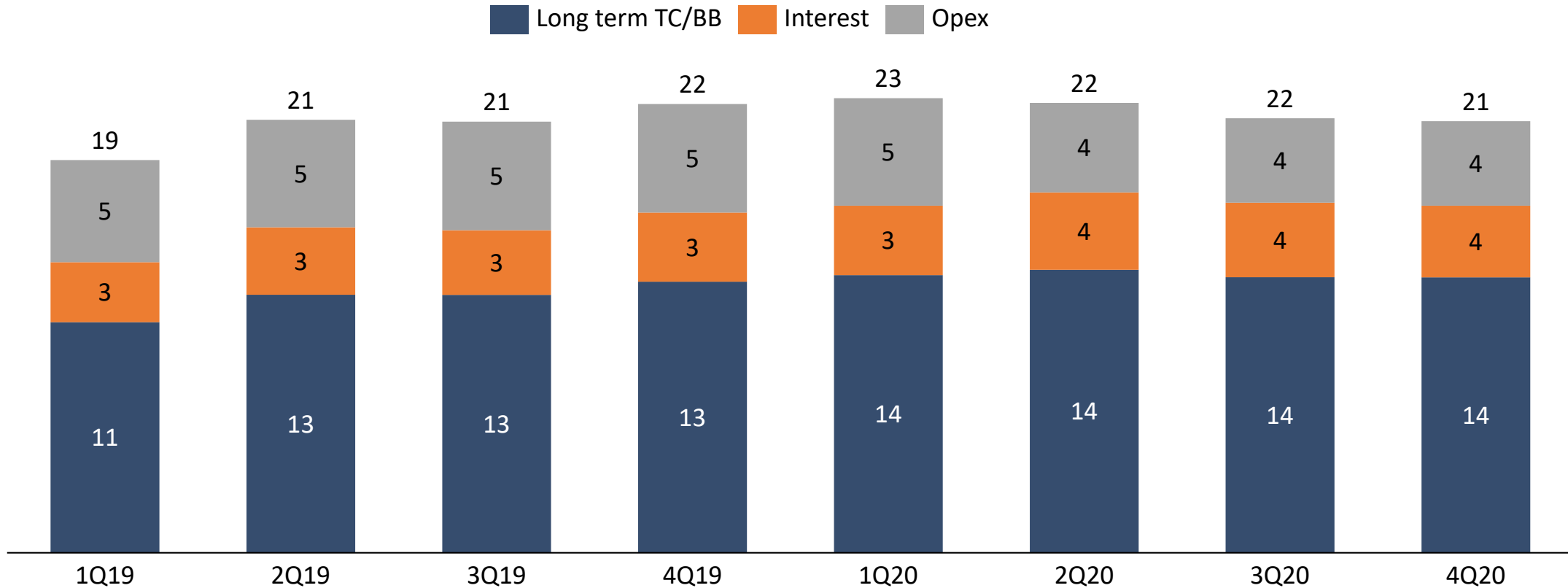
USD mill	4Q18 IFRS 16	1Q19 reported	4Q18 reported	1Q19 Adjusted
Gross revenue	221.4	218.3	221.4	218.3
Voyage expenses	(94.5)	(90.2)	(94.5)	(90.2)
Pool distribution	(9.7)	(13.0)	(9.7)	(13.0)
TC expenses	(35.0)	-	(35.0)	(32.6)
TC expenses	(7.8)	(15.4)	-	-
Opex	(36.9)	(37.2)	(36.9)	(37.2)
Opex operating lease	(8.8)	(5.3)	-	-
G&A*	(17.5)	(17.6)	(18.2)	(18.3)
EBITDA	46.2	39.7	27.0	27.0
Depreciation	(24.0)	(22.8)	(24.0)	(22.8)
Depreciation operating lease	(13.5)	(11.4)	-	-
EBIT**	8.7	5.4	3.0	4.2
Net finance	(28.4)	(16.6)	(28.4)	(16.5)
Net finance operating lease	(2.7)	(2.9)	-	-
Taxes	(2.4)	(1.2)	(2.4)	(1.2)
Net result	(24.8)	(15.2)	(27.8)	(13.5)
EPS	(0.32)	(0.19)	(0.35)	(0.17)

Key input:

- EBITDA of USD 27 mill in line with previous quarter. However, underlying EBITDA stronger as 4Q18 included a one-off gain of USD3.9 mill
- Reduced Net finance driven by derivative portfolio
- Net result reduced by USD 1.7 mill when taking IFRS 16 into account

* Adjusted G&A allocated to Chemical Tanker segment related from Odfjell Terminal segment (NNOT & OTBV management)

Odfjell Tankers Long-term charter portfolio – We renewed several timecharters the last quarter at attractive terms



- 1Q19 short-term TC/BB increased to USD15 mill compared to USD 13 mill as guided previous quarter due to extension of several vessels on timecharter.
- Short-term TC/BB expected to be slightly lower in 2Q19 due to redeliveries concluded in 1Q19 and renewals concluded at lower rates. We expect to redeliver two regional vessels to its owners in May and June 2019
- Interest cost element guidance for operational leases slightly increased compared to guidance due to higher interest rates
- 1Q19 long-term TC/BB of USD 11 mill lower than 4Q18 guidance as one vessel delivery was concluded in April. Otherwise, long-term guidance is unchanged

Balance sheet 31.03.2019¹ - Odfjell Group

Assets, USD mill	4Q18	1Q19
Ships and newbuilding contracts	1,359.9	1,354.0
Rights of use assets	–	216.8
Investment in associates and JVs	170.9	172.1
Other non-current assets/receivables	24.8	26.7
Total non-current assets	1,555.6	1,769.8
Cash and cash equivalent	167.8	138.6
Current receivables	87.5	99.3
Other current assets	30.9	23.4
Total current assets	286.4	261.3
Total assets	1,841.9	2,031.1

Equity and liabilities, USD mill	4Q18	1Q19
Total equity	600.6	583.5
Non-current interest bearing debt	909.7	891.9
Non-current interest bearing debt, right of use assets	–	175.2
Non-current liabilities and derivatives	18.6	23.3
Total non-current liabilities	928.4	1,090.3
Current portion of interest bearing debt	212.9	218.9
Current portion of interest bearing debt, right of use assets	–	43.3
Other current liabilities and derivatives	100.1	95.0
Total current liabilities	313.0	357.3
Total equity and liabilities	1,841.9	2,031.1

- Right of use assets relates to long-term operational leases with duration longer than 12 months
- Reduced cash position mainly due to repayment of debt

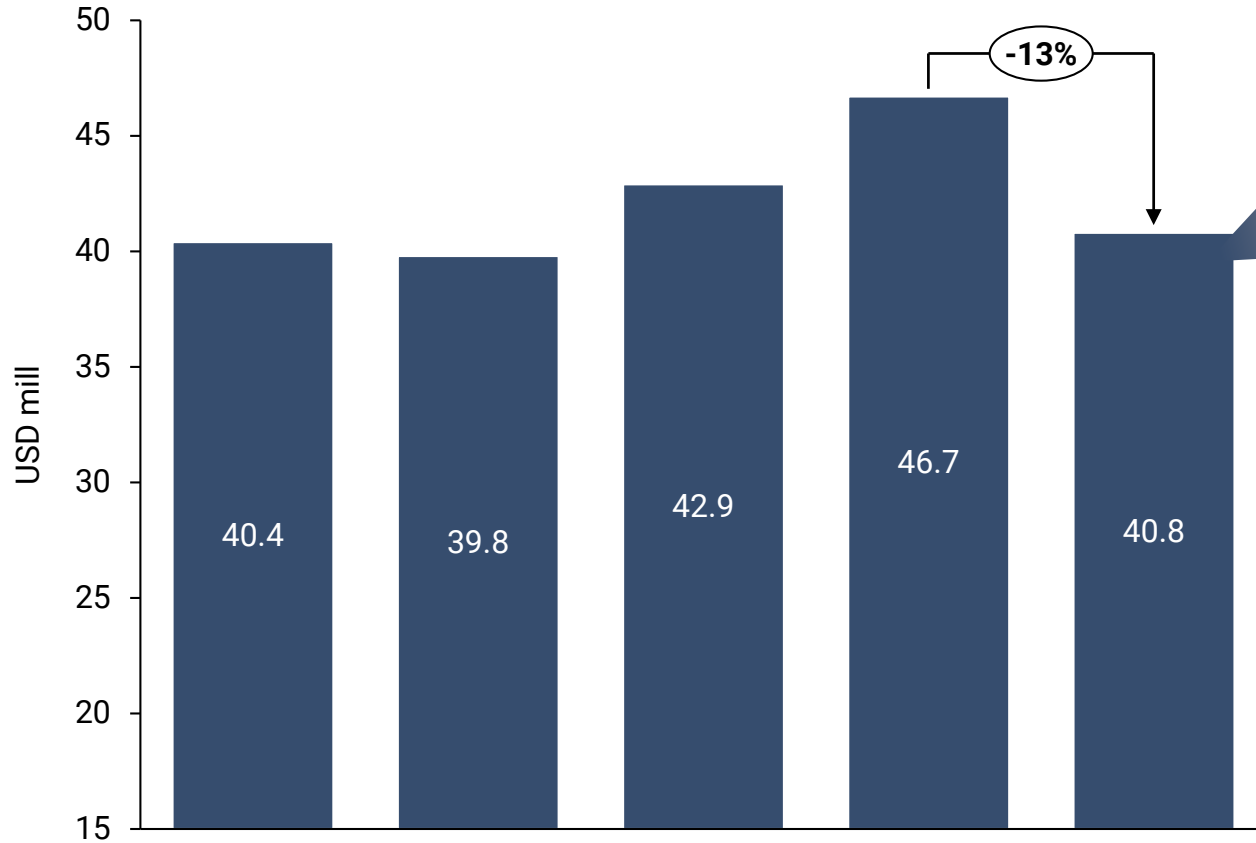
Cash flow – 31.03.2019 – Odfjell Group¹

Cash flow, USD mill	4Q18	1Q19	FY18
Net profit	(46.0)	(14.9)	(209.3)
Adjustments	40.4	33.8	104.6
Change in working capital	(4.1)	(5.8)	(20.6)
Other	17.9	(1.9)	167.9
Cash flow from operating activities	8.2	11.2	42.6
Sale of ships, property, plant and equipment	–	2.0	–
Investments in non-current assets	(43.7)	(17.4)	(193.9)
Dividend/ other from investments in Associates and JV's	81.1	–	81.1
Other	11.1	0.1	14.0
Cash flow from investing activities	48.5	(15.3)	(98.8)
New interest bearing debt	38.8	20.5	301.3
Repayment of interest bearing debt	(134.8)	(35.8)	(267.8)
Payment of operational lease debt	–	(9.9)	–
Dividends	–	–	(14.6)
Other	0.2	–	(1.2)
Cash flow from financing activities	(95.8)	(25.2)	17.7
Net cash flow*	(39.0)	(29.3)	(39.0)

- USD 17 mill of instalments in non-current assets are split with USD 12 mill related to newbuilding instalments and the remainder are docking expenses
- USD 20 mill of new interest bearing debt relates to USD 12 mill of financing for newbuilding instalment and one vessel refinanced this quarter

1. Equity method
2. * After FX effects

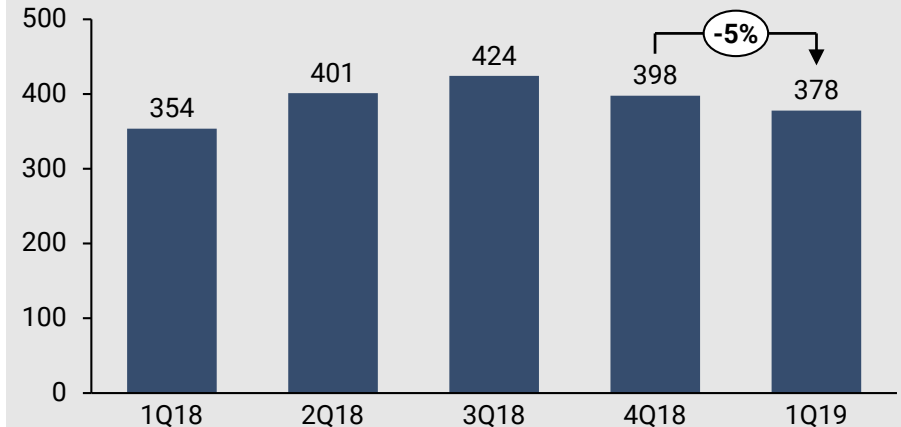
Bunker expenses – 31.03.2019 – Odfjell Tankers



- Bunker costs after bunker adjustment clauses was USD 41 mill compared to USD 47 mill 4Q18.
- Bunker adjustment clauses hedged 59% of our total volumes during the quarter
- Our planning for IMO 2020 is progressing as planned and we plan to consume compliant fuel from January 2020. Increased bunker costs are expected to be passed on to customers
- We have hedged 36,000 tonnes of MGO which means we have entered into financial hedges for 60% of our bunker exposure not hedged through contracts for 2019.

Average Platts 3.5% FOB Rotterdam

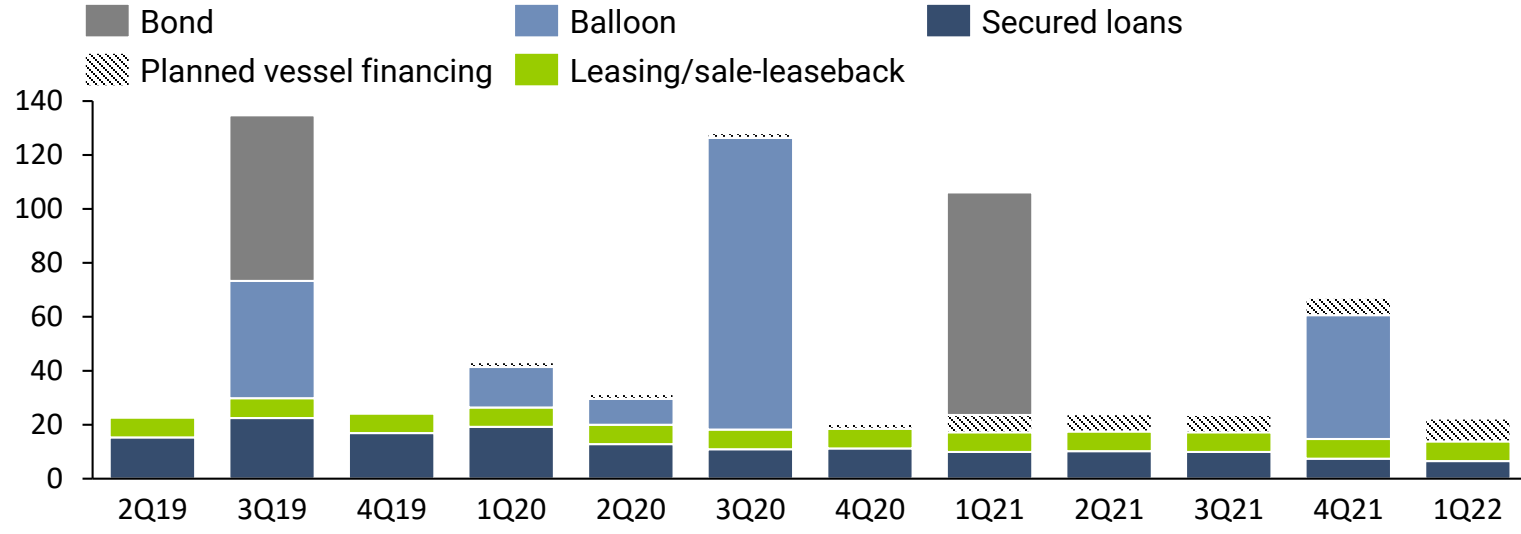
USD per metric tonne



	1Q18	2Q18	3Q18	4Q18	1Q19
Gross bunker cost	42.6	43.7	50.0	55.9	47.4
Financial hedging	-	-	-	-	(0.4)
Adj. Clauses	(1.0)	(1.9)	(4.2)	(4.9)	(1.2)
3 rd party vessels	(1.2)	(2.0)	(3.0)	(4.3)	(5.1)
Net bunker cost	40.4	39.8	42.9	46.7	40.8

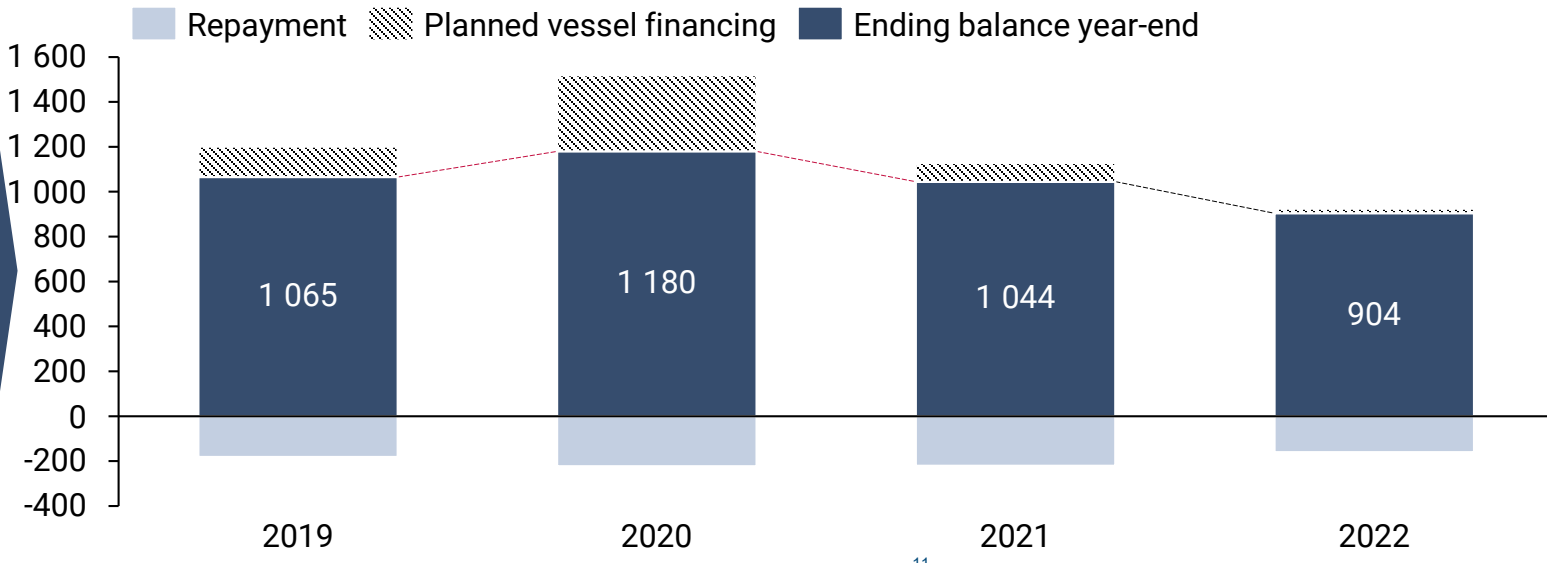
Debt development – Corporate and chemical tankers

Scheduled repayments and planned refinancing, USD mill



- One refinancing concluded during the quarter
- We are in advanced discussions to refinance balloon maturing in 3Q19 related to one vessel
- We are in the process to finalize a new revolving credit facility to increase financial flexibility

Gross debt ending balance, USD mill



- Debt to increase in 2020 due to delivery of newbuildings...
- ... But our focus to reduce debt is ongoing and will be a key priority going forward

Capital expenditure programme – 31.12.2018

USD mill	2019	2020	2021
Chemical Tanker newbuildings			
Hudong 4 x 49,00 dwt (USD 60 mill)	138	42	–
Hudong 2 x 38,000 dwt (USD 58 mill)	6	87	–
Total	144	129	–
Instalment structure - Newbuildings			
Debt installment	132	129	–
Equity installment	12	–	–
Tank Terminals (Odfjell share)*			
Planned expansion capex	8	**	**

- We paid USD 12 mill of instalments on newbuildings during the quarter
- We have secured financing for all chemical tanker newbuildings and remaining equity instalments are limited to USD 12 mill.
- The first newbuilding from Hudong expected to be delivered in August 2019
- We have no capital commitments for chemical tankers beyond 2020
- Other chemical tanker investments for the next three years amounts to about USD 13 mill, mainly related to installation of ballast water treatment systems.
- We expect the average annual docking capitalization to be about USD 15 million in the years ahead
- Odfjell Terminals maintenance capex for the next three years amounts to about USD 7 mill

* Tank Terminals to be self-funded meaning no cash flow from Odfjell SE to meet guided capital expenditures – Tank terminal Capex listed in table is expansions that will impact our P&L

** Future Tank terminal capex to be determined when new partner is in place for our US terminals – Our current plans for Houston includes expansions and improvement projects

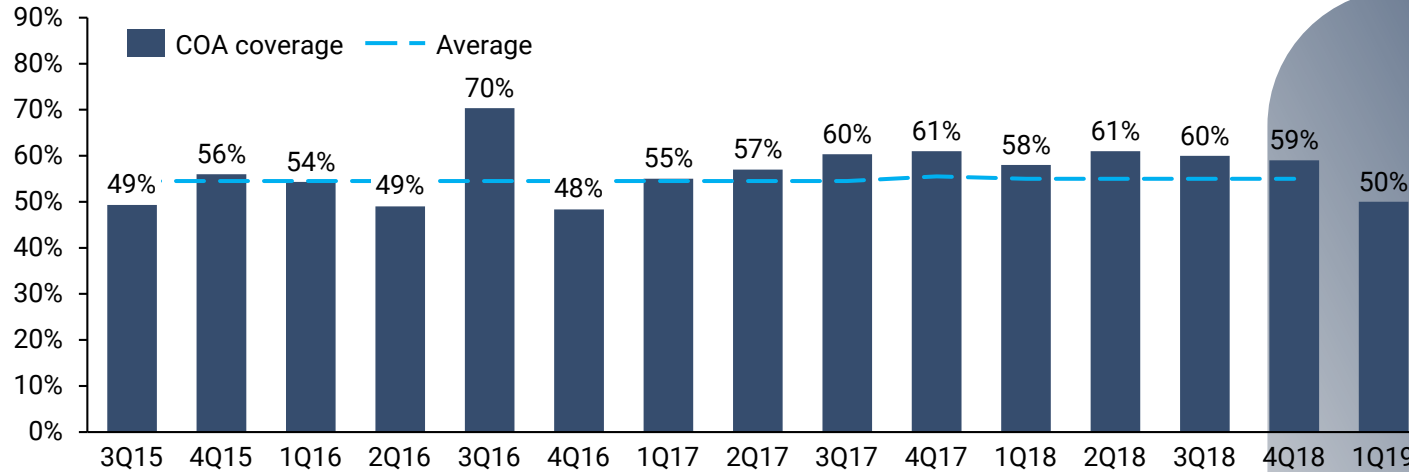


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Odfjell Tankers has not aggressively pursued contracts in the low market and therefore increased our exposure to a firming spot market

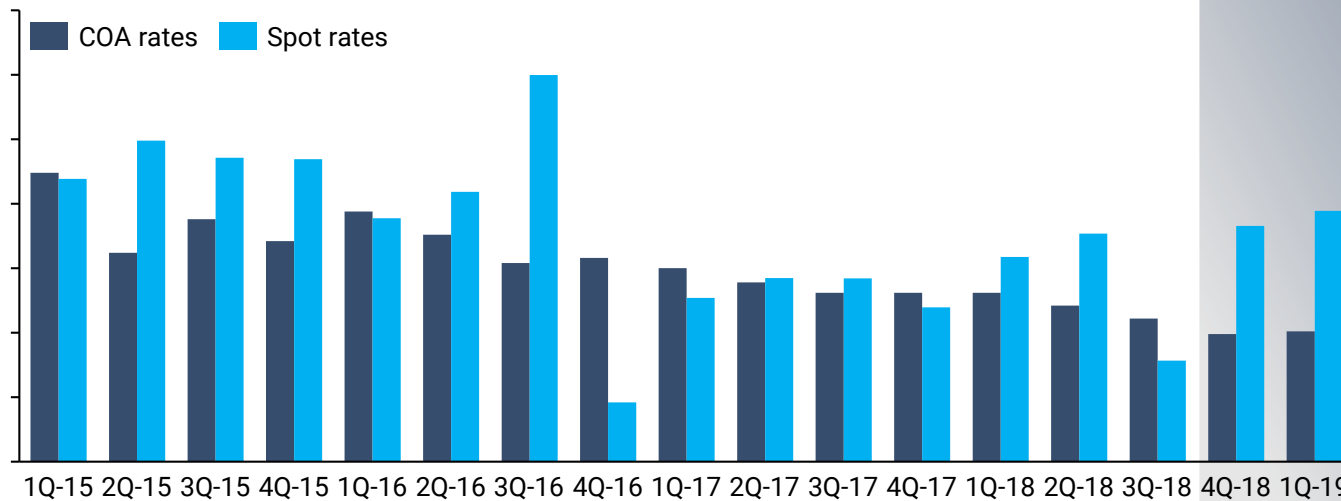
Contract coverage



Comments:

- Contract coverage reduced
- This is driven by seasonal factors...
- ..But more importantly, we have not extended several contracts

COA rates vs spot rate development in main tradelanes



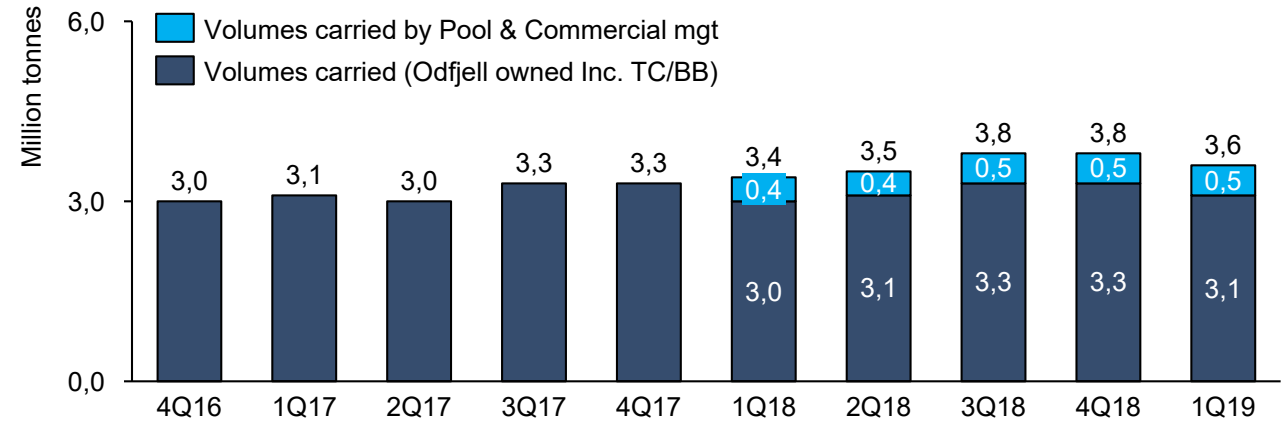
- This comes as a consequence of:
 1. A firmer spot market
 2. Contract rates at all-time low
 3. A wish to improve the flexibility of our fleet

Tankers: ODFIX outperformed the general market index. The market improvement will become visible with some time lag from ongoing voyages

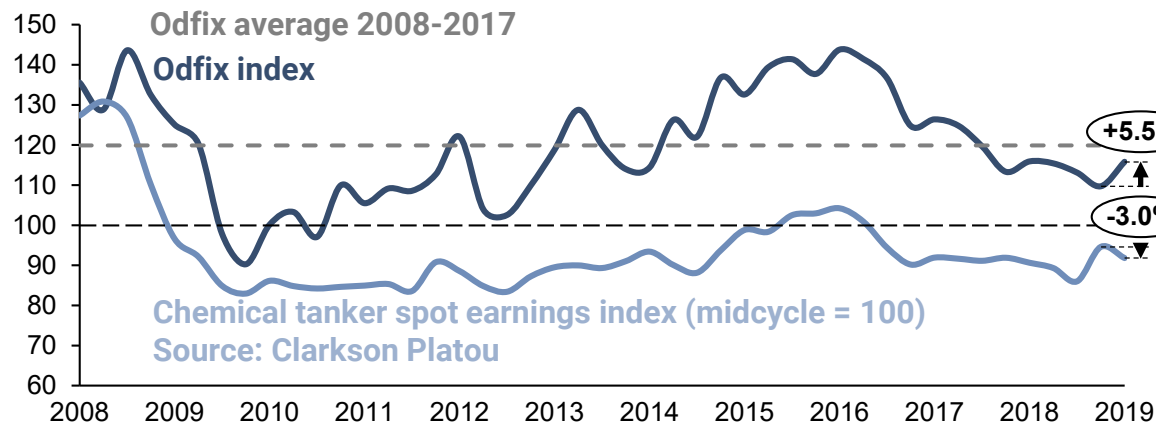
Observations

- Volumes carried during the quarter reduced due to less revenue days
- Less revenue days due to redelivery of vessels
- Higher unscheduled off-hire, but mainly driven by one TC vessel with zero TC hire resulting in no impact on our results
- ODFIX outperforming market index reflects underperformance last quarter as voyages booked by Odfjell late last quarter is reflected in 1Q19 ODFIX

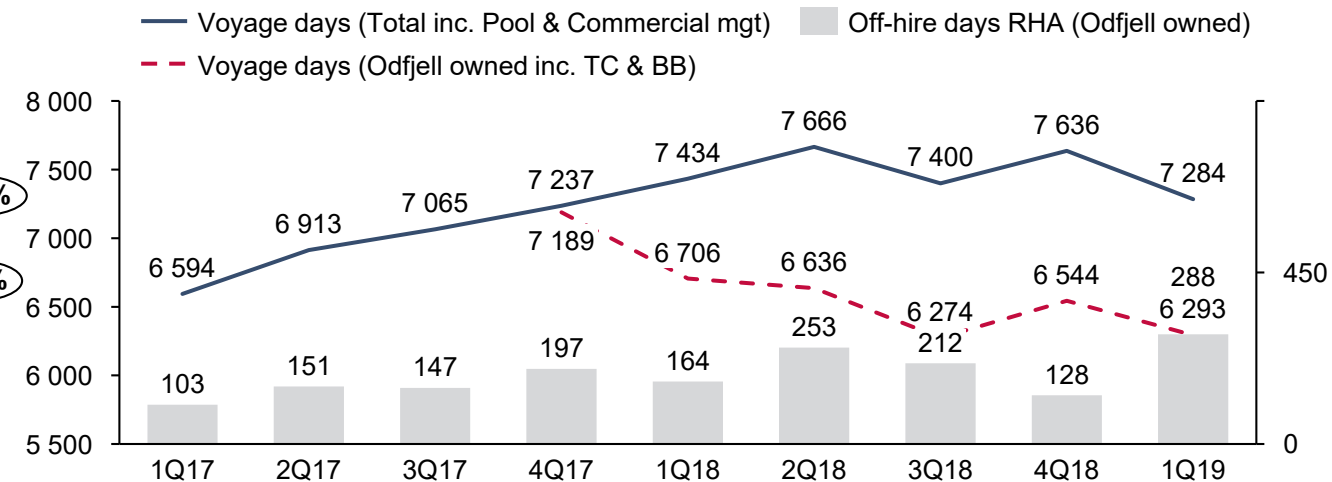
Odfjell Tankers volume development



ODFIX versus chemical tanker spot rates



Odfjell Tankers voyage days development

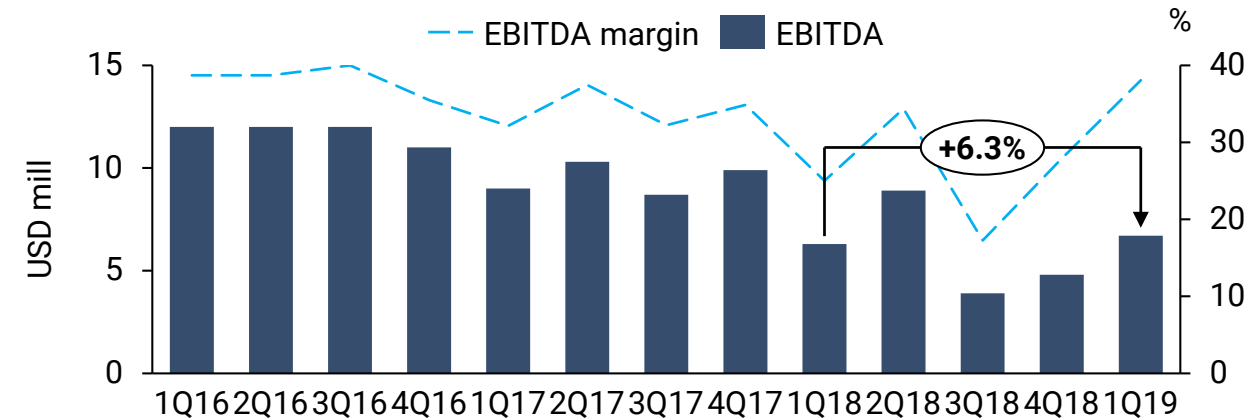


Terminals: Improvements continues in our Terminal division with stronger margins and utilisation plus EBITDA improving following OTR divestment

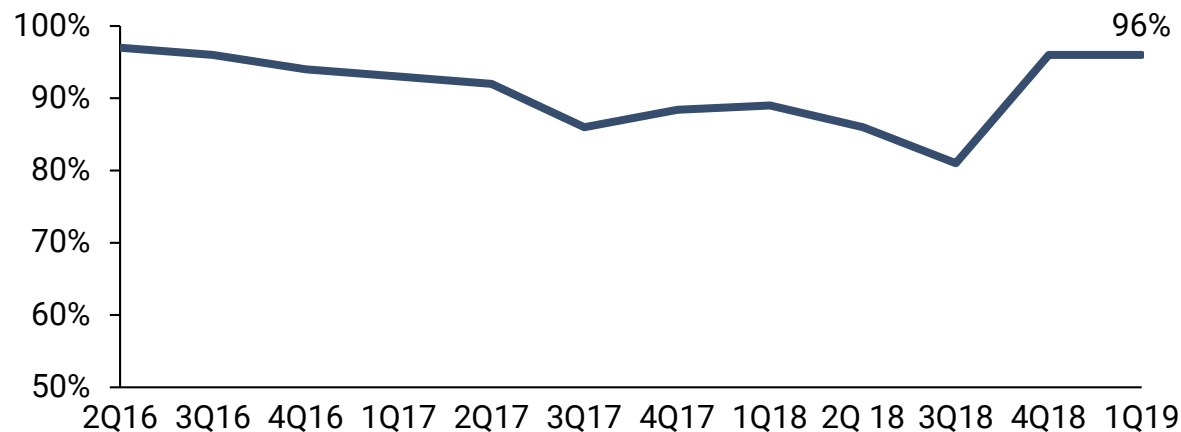
Comments

- Stable utilisation and performance during the quarter
- US markets remains strong and was further strengthened following the fire at the ITC terminal in Houston
- EBITDA margins continue to improve and reaching utilization levels seen before the restructuring of our terminal division where the divested terminals were large contributors to lift overall margins
- Odfjell Terminals are as expected reporting stronger EBITDA following the sale of the Rotterdam terminal

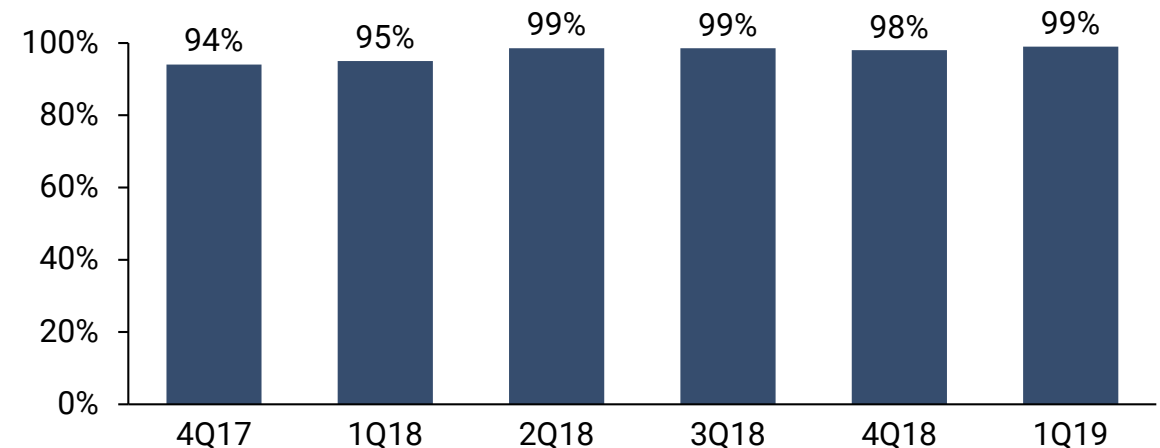
Odfjell Terminals: EBITDA and margin development



Odfjell Terminals: Utilisation development



Odfjell Terminals Houston quarterly utilisation



Our mature terminals deliver strong returns and we expect stable results from Odfjell Terminals for the remainder of 2019

- LG's transaction with Northleaf Capital Partners expected to closed during 1H19 and LG has initiated the sales process for Odfjell Terminals Asia
- Odfjell Terminals headquarter in Rotterdam to be closed down in June and relocated to Odfjell SE headquarter in Bergen. This will lead to lower costs
- We will review future investment plans in Odfjell Terminals US once LG's transaction with Northleaf is concluded
- We expect stable results from Odfjell Terminals for the remainder of 2019

Odfjell Terminals portfolio								
	Europe		US		Asia			
	Antwerp (NNOT)	Houston (OTH)	Charleston (OTC)	Ulsan (OTK)	Dalian (OTD)	Jianyin (OTJ)	Tianjin (ONTT)	Global
Storage capacity								
In k CBM	348	380	79	314	120	100	138	1,479
Start-up								
Year	Non-operated	1983	2013	2002	1998	2007	2016	-
Revenues¹								
USD mill	11	40	6	5	4	2	1	69
EBITDA¹								
USD mill	5	17	2	2	3	1	0	32*
ROIC¹								
(%)	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 B.V (Holding company)

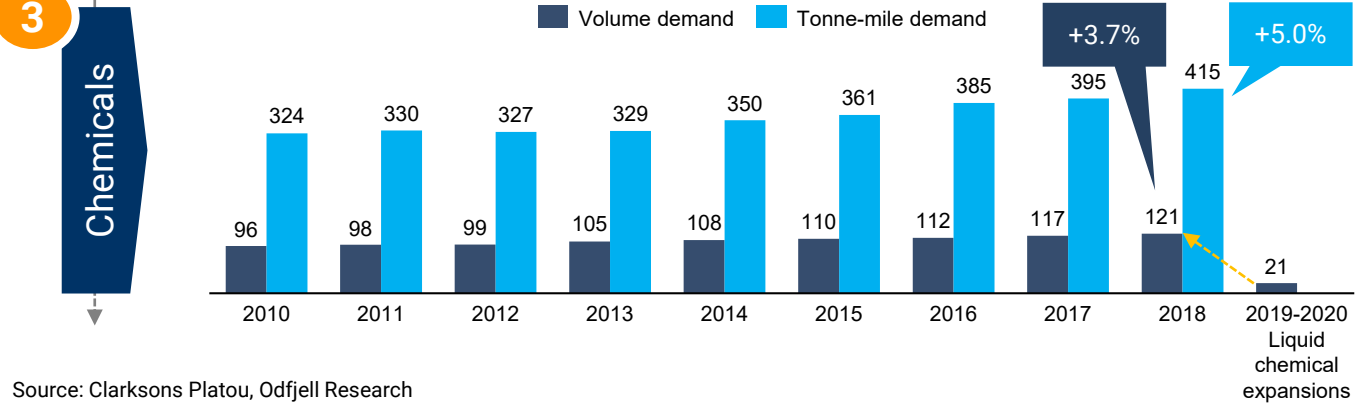
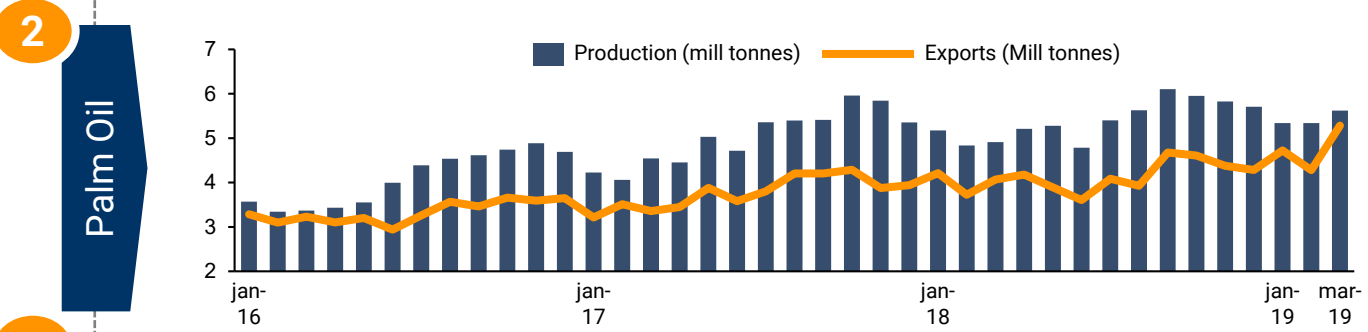
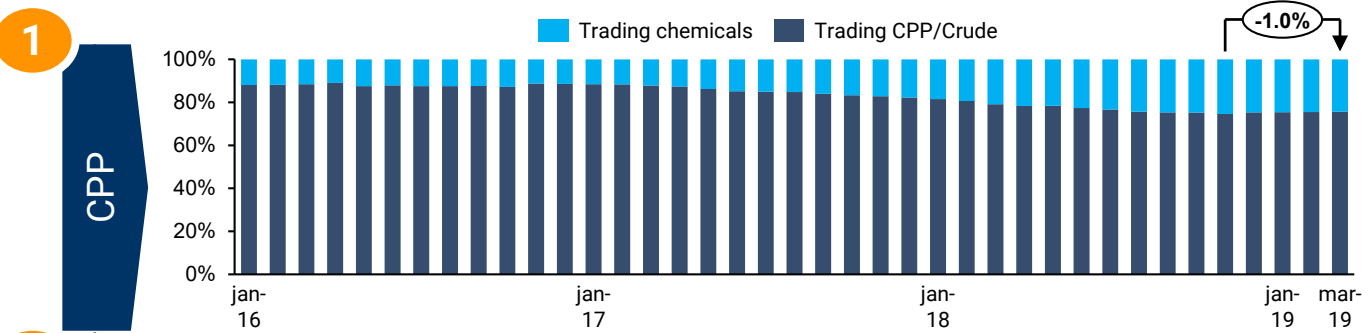


Agenda

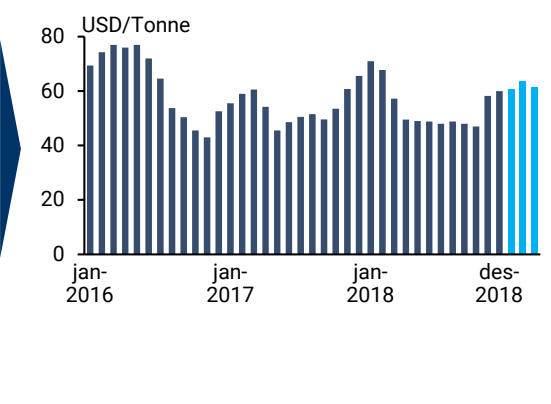
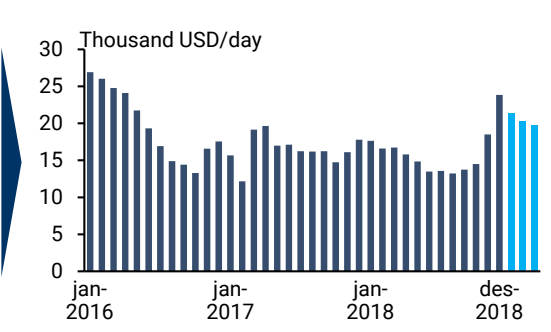
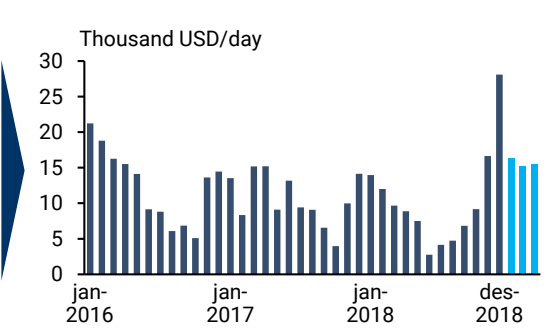
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Strong fundamentals led to stronger chemical tanker spot rates in 1Q19 and CPP rates showed relative strength during the seasonally weaker first quarter

Fundamental drivers:



Rate development:



Comments:

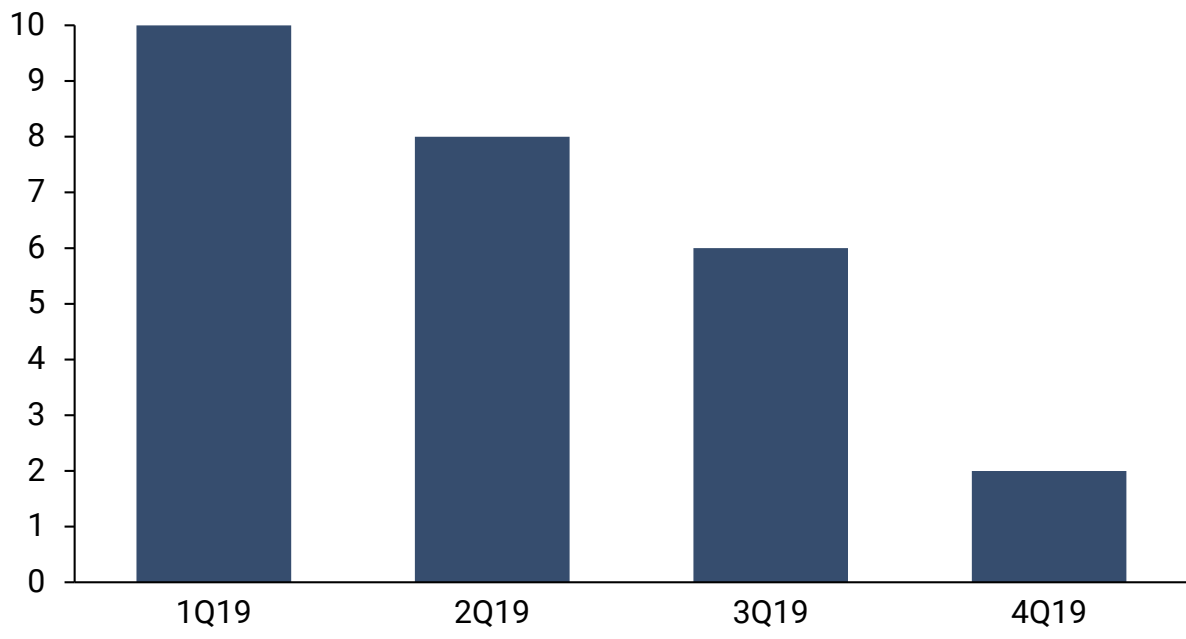
- Swing tonnage reduced by 1% since CPP market turned in Nov-18
- Some swing tonnage returned end 1Q19 in the Middle East...
- ...But potential for accelerated reversal of swing tonnage in 2H19 in connection with IMO 2020

- SE Asia production up 9% y/y
- SE Asia exports up 19% y/y
- Weak domestic production in China and continued rebound of imports to India are key demand drivers

- 3.7% volume demand growth in 2018 for organic chemicals...
- ...And 5.0% tonne-mile demand growth
- Robust growth and we are approaching peak period of new liquid chemical export capacity expansions in the US and Middle East in 2H19 and 2020

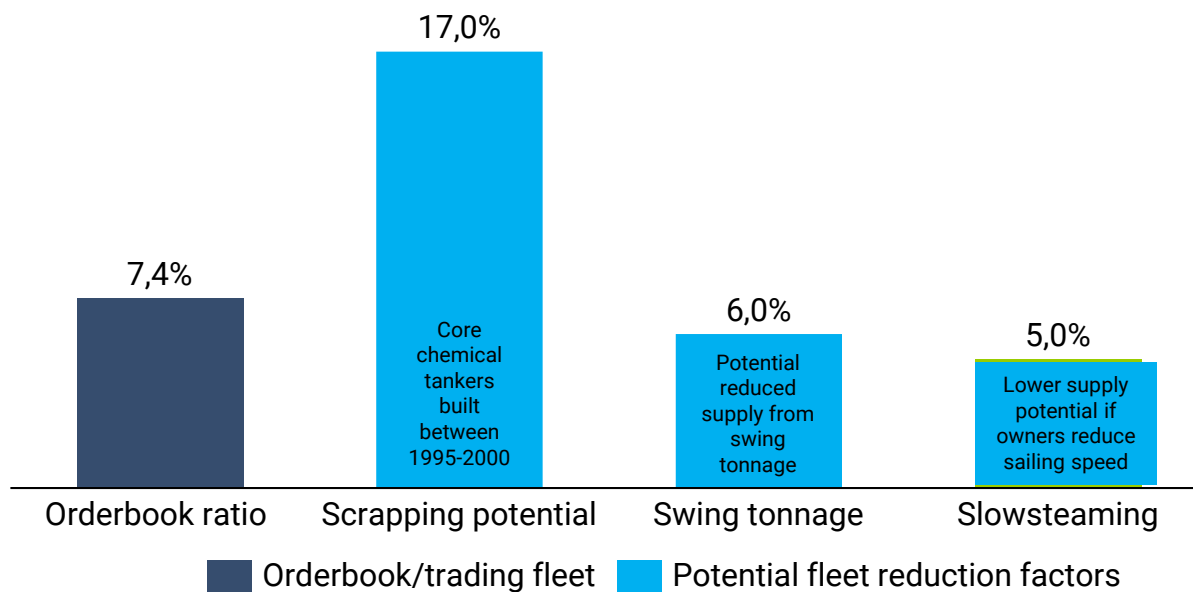
Orderbook keeps declining as new deliveries are concluded and no new orders are placed. There are several factors that could lead to further adjustments to fleet growth the next few years

Core chemical tanker newbuilding delivery schedule 2019:



- Another quarter of zero core chemical tankers ordered at shipyards
- 1Q19 peak quarter of deliveries this year with 12 vessels delivered and 2 scrapped
- 2H19 new deliveries slowing to 8 vessels, of which 2 to Odfjell

Chemical tanker orderbook of 7% before adjusting for several variable factors:



- Orderbook ratio at 7%, which implies average supply growth of 2.4% p.a by 2021...
- ...this is before adjusting for several variables impacting real supply growth like:
 - Scrapping
 - Removal of swing tonnage (IMO 2020)
 - Slowsteaming in the event of elevated bunker prices (IMO 2020)
 - New orders

Market outlook conclusion: 2018 appears as the turning point and supply growth is slowing while demand prospects looks robust

Demand

Spot rates improved

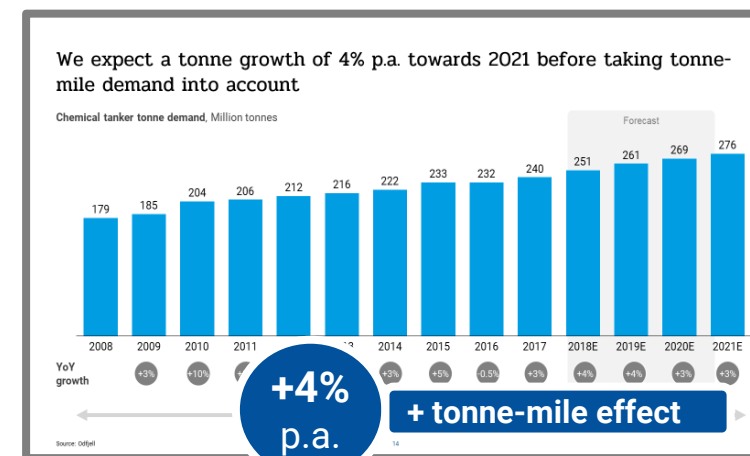
- Spot rates maintained the momentum from 4Q18 into 1Q19
- Chemical tanker rates did not fall back in 1Q19 like seen for CPP rates

Strong demand for 2018

- 2018 was another year with robust demand growth for chemical tankers
- Organic chemical demand growth of 3.7% for volumes and 5.0% for tonne-miles

2019-2020

- Peak period of new organic chemical capacity in the US and Middle East
- Structural shift in chemical tanker trade disconnects shipping demand from end-user demand through 2019 and 2020



Supply

Orderbook

- 7% orderbook to fleet ratio implies 2.4% fleet growth p.a. before adjustments
- Zero new orders for core chemical tankers and 1Q19 was peak deliveries this year

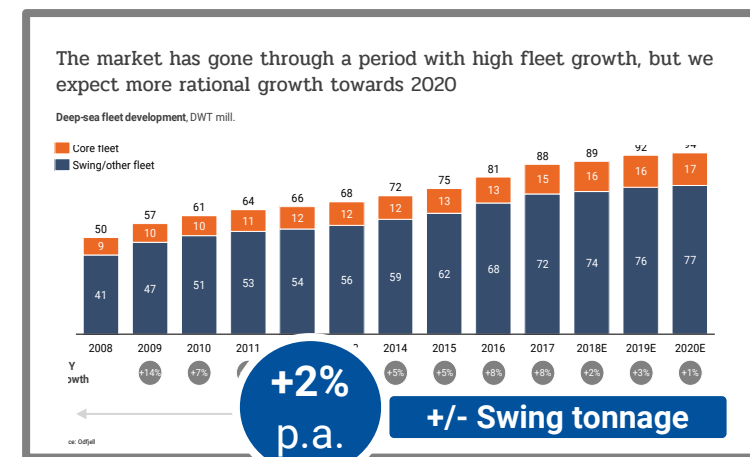
Swing tonnage

- 1% reduction in swing tonnage since CPP market improved.
- A stronger CPP market may increase reverse swing-tonnage from chemical tankers

IMO 2020

Scrapping – Slowsteaming – Swing tonnage

- Increased bunker costs likely to be passed on to customers. This might lead to increased focus on efficient vessels and intensified scrapping and slowsteaming.
- Strong prospects for CPP tonnage to reduce swing tonnage in our markets



Odfjell SE – Summary and Prospects

Results

Improved results for Odfjell Tankers as late 2018 appeared to be the turnaround year for our markets

Operational/ strategic review

Reduced COA coverage as we did not aggressively pursue contracts at unsustainable levels

Odfjell Terminals

Stronger performance and improving returns after years of many changes in Odfjell Terminals

Market outlook

Slowing growth in supply and robust demand picture

Prospects

We expect to improve results next quarter for Odfjell Tankers and Odfjell Terminals results to remain stable



Capital Markets Day 2019

Date: Wednesday June 5th, 2019

Time: 09:00 – 11:30

Venue: Hotel Continental, Stortingsgata 24/26, Oslo

RSVP: June 1st to bkr@odfjell.com



Contact

Investor Relations & Research: Bjørn Kristian Røed | Tlph: +47 55 27 47 33 | Email: bkr@odfjell.com
Media: Anngun Dybsland | Tel: + 41 54 88 54 | Email: anngun.dybsland@odfjell.com



ODFJELL

ODFJELL SE | Conrad Mohrs veg 29 | P.O. Box 6101 Postterminalen | 5892 Bergen, Norway
Tel: +47 55 27 00 00 | Email: ir@odfjell.com | Org. no: 930 192 503
Odfjell.com