

# Third Quarter 2015 Results

*12 November 2015*



# Agenda

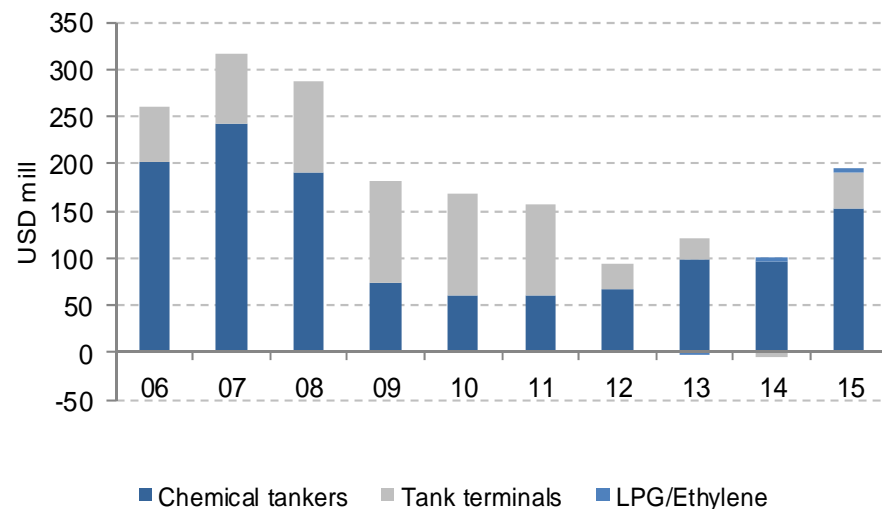
- Highlights
- Financials
- Operational review
- Project Felix
- Market update and prospects
- Q&A



# Highlights

- Continued improved operational performance, net result of USD 7 mill
- Chemical Tankers EBITDA was USD 46 mill compared with USD 42 mill in 2Q15. EBITDA includes negative effects from bunker derivatives of USD 17 mill
- Odfjell chemical freight index (ODFIX) result up 1% compared with previous quarter

Annualised EBITDA<sup>1</sup>



ODFIX

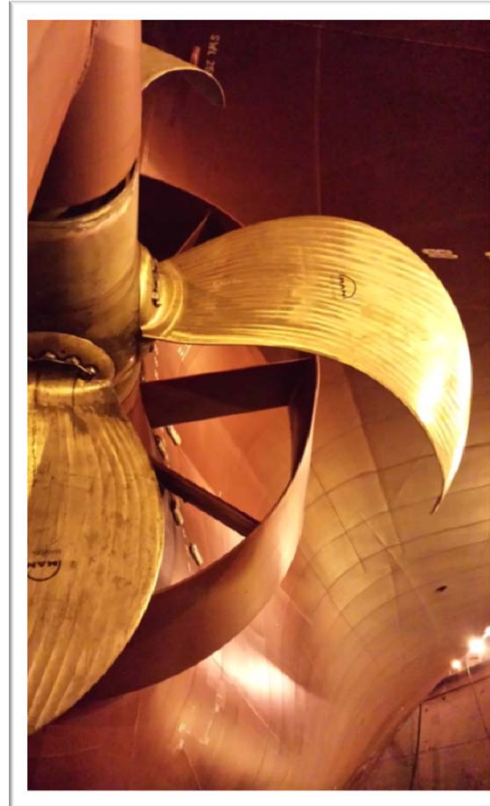


<sup>1</sup> Proportional consolidation method according to actual historical ownership share



## Highlights

- Cost-cutting and efficiency programme is on schedule
- Stable and slightly improved results from Odfjell Terminals
- Harald Fotland appointed new Head of Odfjell Tankers



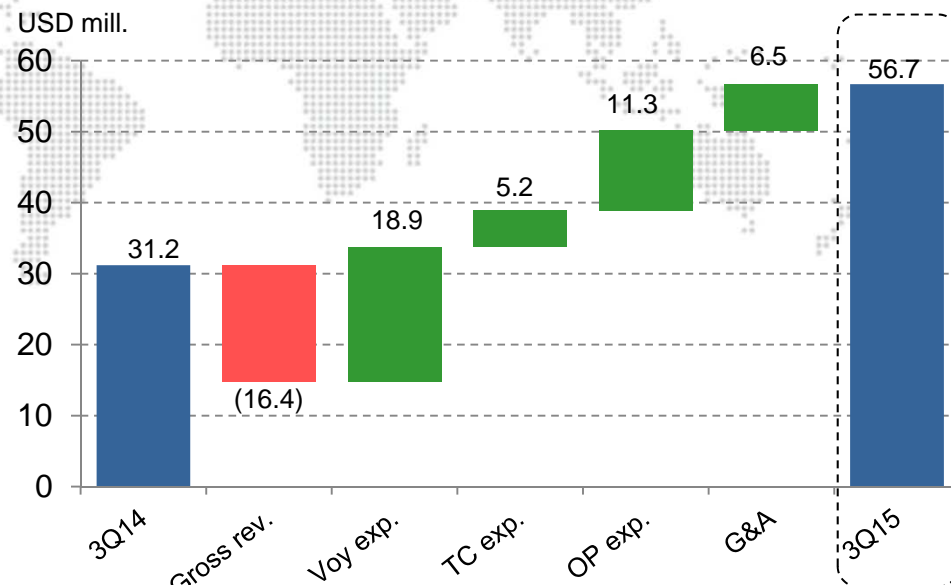
First Poland vessel Bow Summer during upgrading with new propulsion concept

## Income statement<sup>1</sup> - Third quarter 2015 Odfjell Group

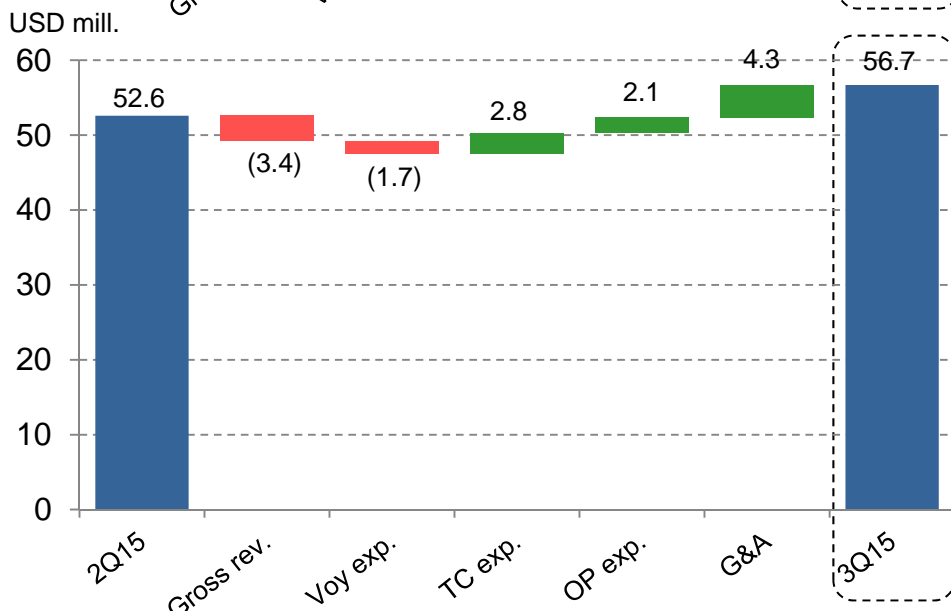
<i>USD mill</i>	3Q15	2Q15
Gross revenue	276	279
Voyage expenses	(106)	(104)
TC expenses	(42)	(45)
Operating expenses	(48)	(50)
General and administrative expenses	(23)	(27)
Operating result before depr. (EBITDA)	57	53
Depreciation	(30)	(31)
Impairment	(0)	(10)
Operating result (EBIT)	26	12
Net finance	(18)	(5)
Taxes	(1)	(0)
Net result	7	7

<sup>1</sup> Proportional consolidation method

# EBITDA variance<sup>1</sup> - Odfjell Group



**3Q14 vs 3Q15:**  
 EBITDA increased by 81%  
 OPEX down 19%  
 G&A down 22%

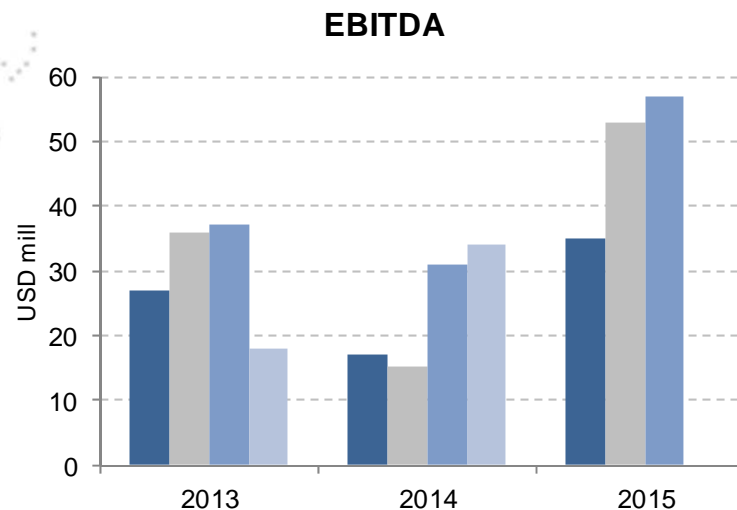
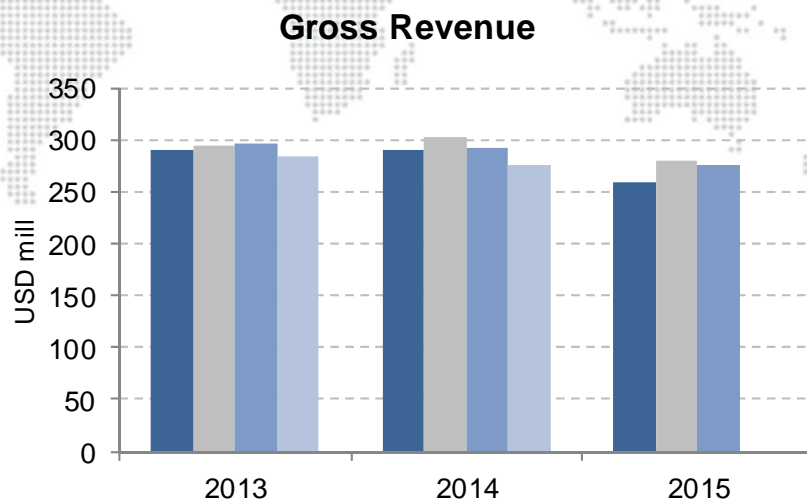


**2Q15 vs 3Q15:**  
 EBITDA increased by 8%  
 OPEX down 4%  
 G&A down 16%

<sup>1</sup> Proportional consolidation method



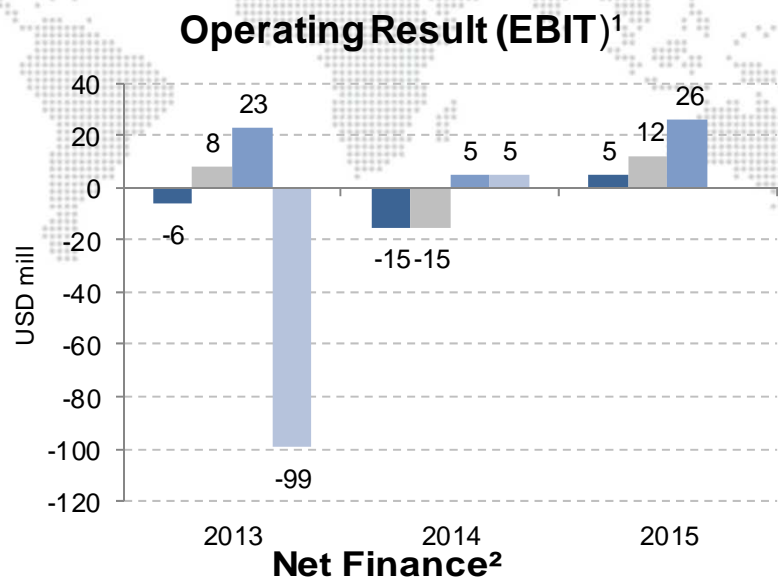
# Quarterly figures<sup>1</sup> - Odfjell Group



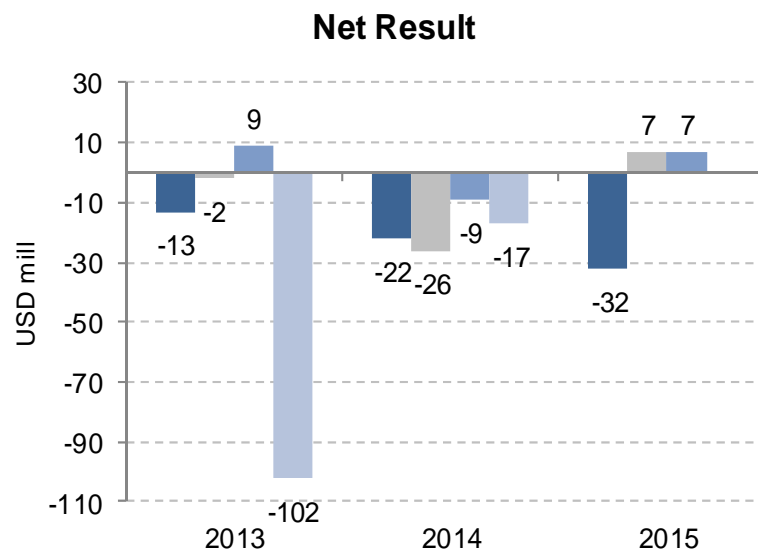
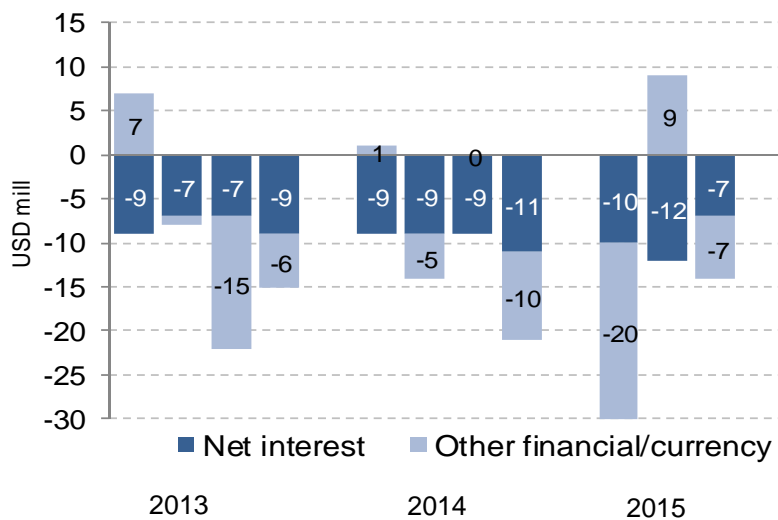
- *Increased EBITDA in five consecutive quarters*
- *EBITDA has increased by 81% compared with 3Q14*

<sup>1</sup> Proportional consolidation method

# Quarterly figures



- EBIT 3Q includes negative effect of bunkers hedging USD 17.0 mill
- Unrealized value on derivatives negative USD 3.8 mill in 3Q, compared with gain USD 11.3 mill in 2Q
- Restructuring of financial lease gave USD 4.2 mill in interest income in 3Q

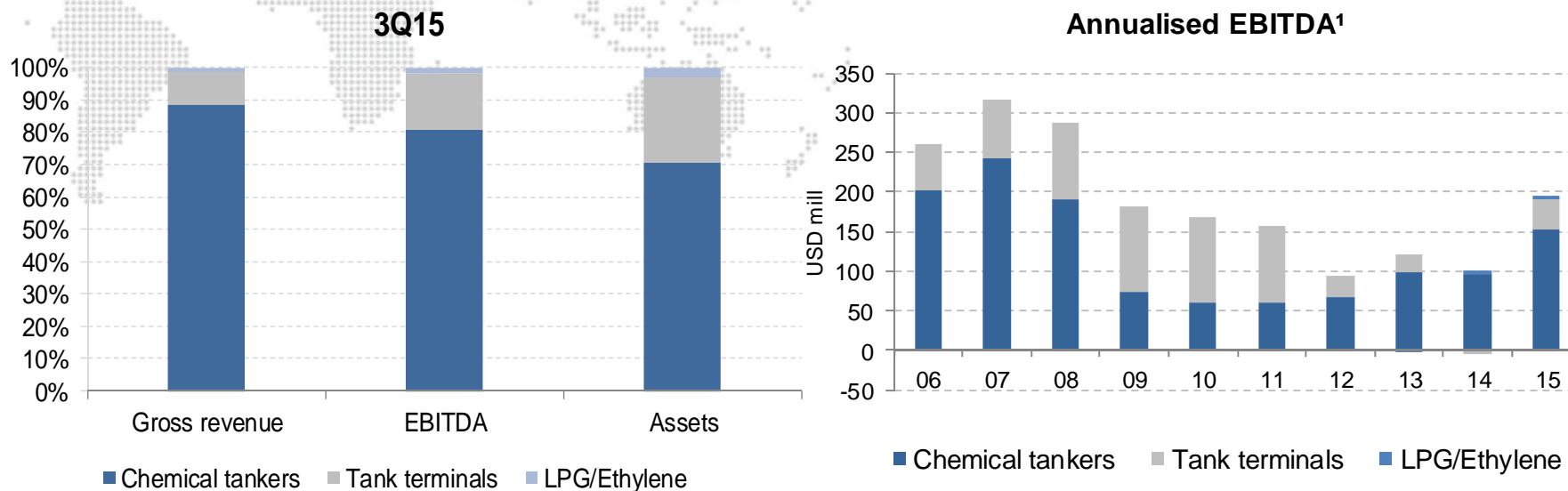


<sup>1</sup> Proportional consolidation method

<sup>2</sup> Equity method



# Results per segment<sup>1</sup>



<i>USD mill</i>	3Q15			2Q15		
	Chemical tankers	Tank terminals	LPG/Ethylene	Chemical tankers	Tank terminals	LPG/Ethylene
Gross revenue	244	28	4	247	28	5
EBITDA	46	10	1	42	10	1
EBIT	24	2	0	10	2	1

<sup>1</sup> Proportional consolidation method



## Income statement<sup>1</sup> – 3Q15 chemical tankers

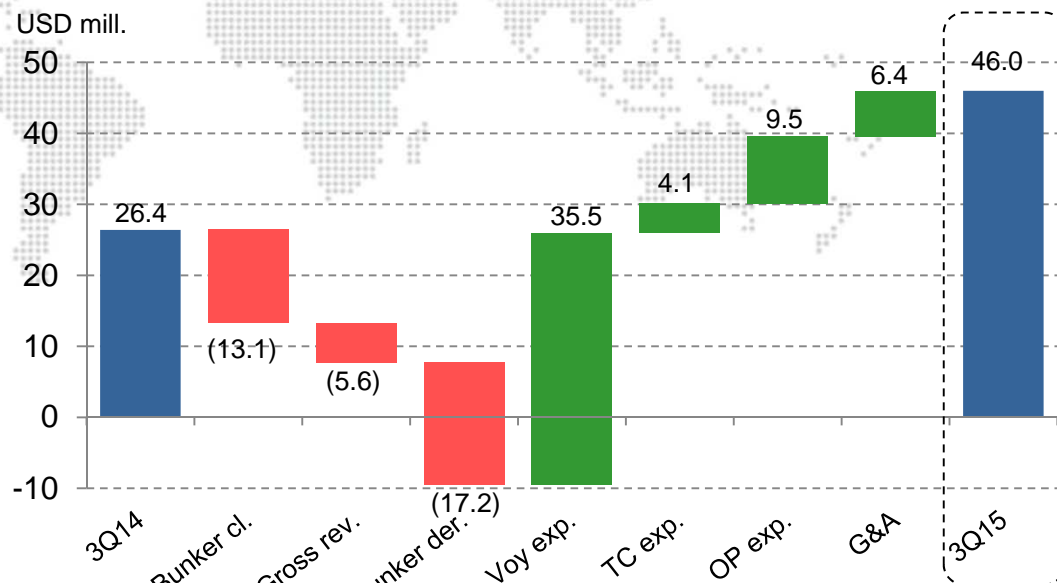
<i>USD mill</i>	3Q15	2Q15
Gross revenue	244	247
Voyage expenses	(104)	(102)
TC expenses	(41)	(44)
Operating expenses	(34)	(36)
General and administrative expenses <sup>2</sup>	(19)	(23)
Operating result before depr. (EBITDA)	46	42
Depreciation	(22)	(23)
Impairment	(0)	(10)
Operating result (EBIT)	24	10

- *Bunker adjustment clauses impacted the gross revenue negatively USD 9.9 mill (USD 6.9 mill in 2Q)*
- *EBITDA includes negative effects from bunker hedging derivatives USD 17.0 mill (USD 12.1 mill in 2Q)*

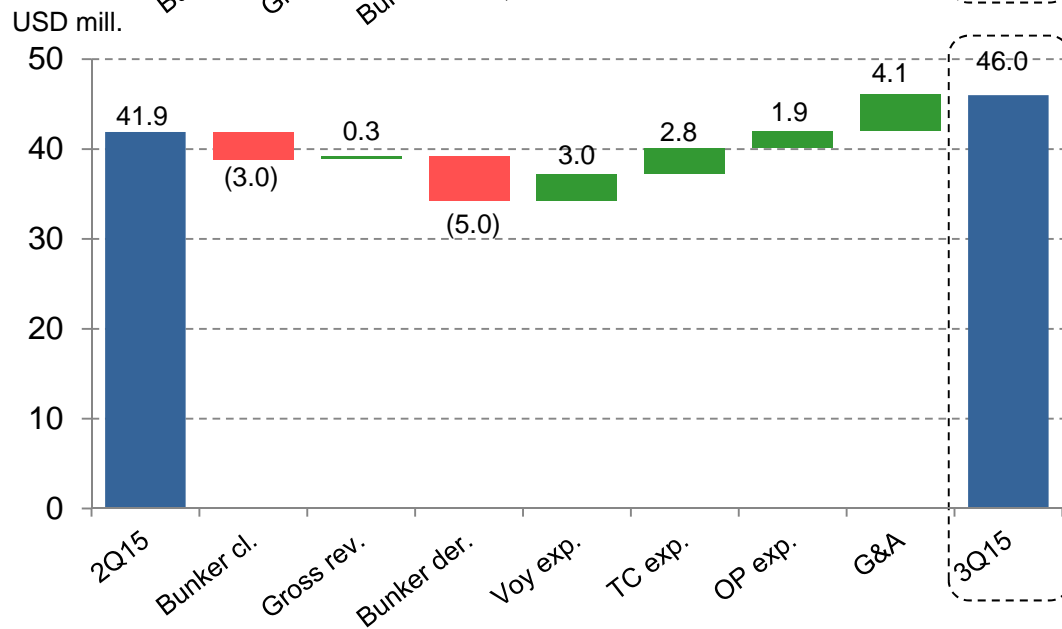
<sup>1</sup> Proportional consolidation method

<sup>2</sup> Including corporate functions

# EBITDA variance – chemical tankers



**3Q14 vs 3Q15:**  
*EBITDA increased by 74%*

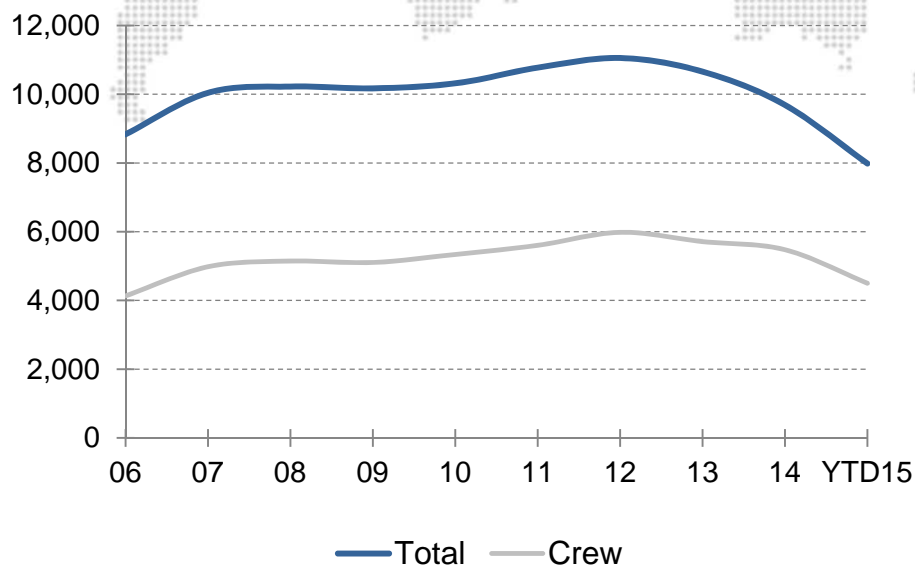


**2Q15 vs 3Q15:**  
*EBITDA increased by 10%*

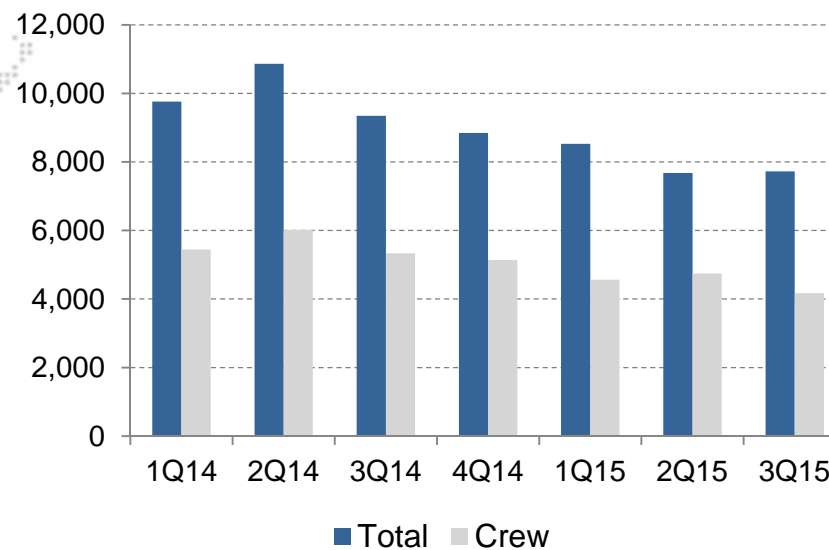


# Vessel operating expenses – chemical tankers

Development USD / day per year



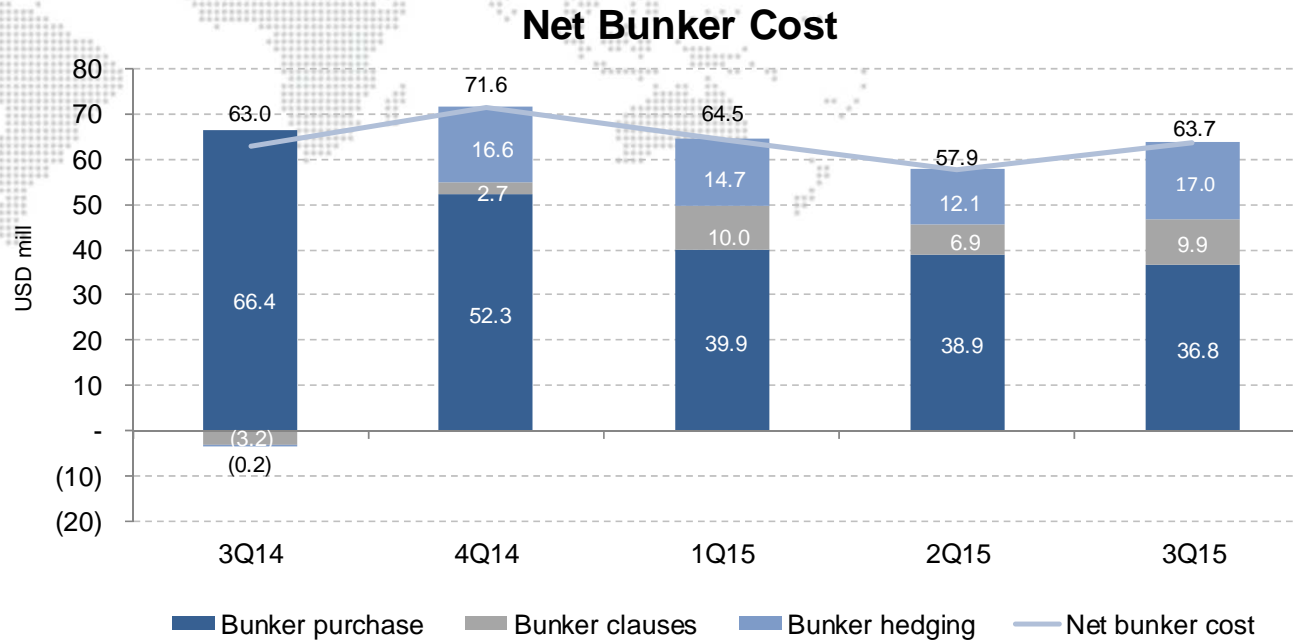
Quarterly USD / day



- *Project Felix initiatives give significant positive results*
- *Operating expenses (USD / day) reduced by 18% YTD compared to FY2014*
- *Expect stabilizing opex at competitive levels*



# Bunker development



### Platts 3.5% FOB Rotterdam



- Net bunker cost in 3Q USD 445 per tonne before hedging vs. USD 436 in 2Q
- 50% of the remaining 2015 exposure is hedged at average USD 527 per tonne
- Bunker clauses in CoAs cover about 50% of the exposure
- 7% of 2016 exposure is hedged at average USD 255 per tonne

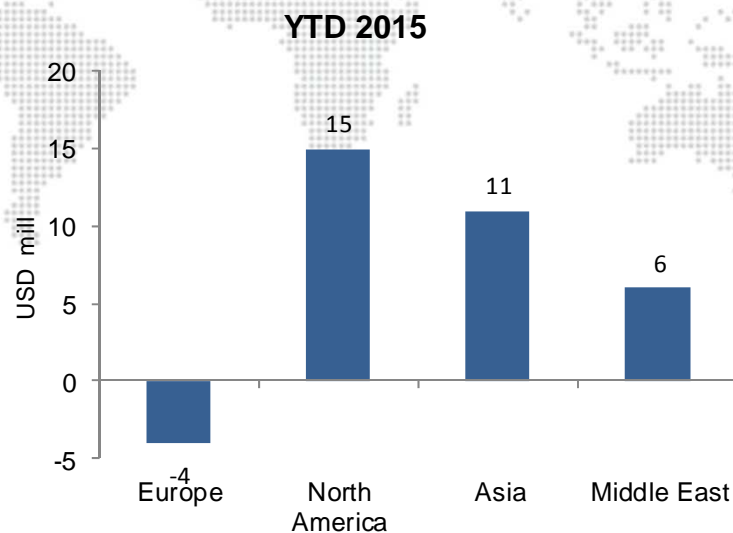
## Income statement<sup>1</sup> – 3Q15 tank terminals

<i>USD mill</i>	3Q15	2Q15
Gross revenue	28	28
Operating expenses	(13)	(14)
General and administrative expenses	(5)	(5)
Operating result before depr. (EBITDA)	10	10
Depreciation	(8)	(8)
Operating result (EBIT)	2	2

- *The tank terminal result is stable but at unsatisfactory levels*
- *The occupancy rate at 94%*

<sup>1</sup> Proportional consolidation method

## Tank terminals EBITDA – by geographical segment



- *Stable results in all areas*
- *Slightly positive EBITDA at OTR in September*
- *Additional available capacity contributed to a slight increase in the EBITDA at our terminals in North America*

EBITDA Tank Terminals by geographical segment	3Q15	2Q15
Europe	(0)	(1)
North America	5	5
Asia	3	4
Middle East	2	2
<b>Total EBITDA</b>	<b>10</b>	<b>10</b>

## Balance sheet<sup>1</sup> – 30.09.2015

<i>USD mill - Assets</i>	
Ships and newbuilding contracts	1 299
Other non-current assets/receivables	61
Investment in associates and JV's	377
<b>Total non-current assets</b>	<b>1 737</b>
Cash and available-for-sale investments	177
Other current assets	125
<b>Total current assets</b>	<b>302</b>
<b>Total assets</b>	<b>2 040</b>

<i>Equity and liabilities</i>	
Total equity	647
Non-current liabilities and derivatives	49
Non-current interest bearing debt	1 042
<b>Total non-current liabilities</b>	<b>1 091</b>
Current portion of interest bearing debt	181
Other current liabilities and derivatives	121
<b>Total current liabilities</b>	<b>302</b>
<b>Total equity and liabilities</b>	<b>2 040</b>

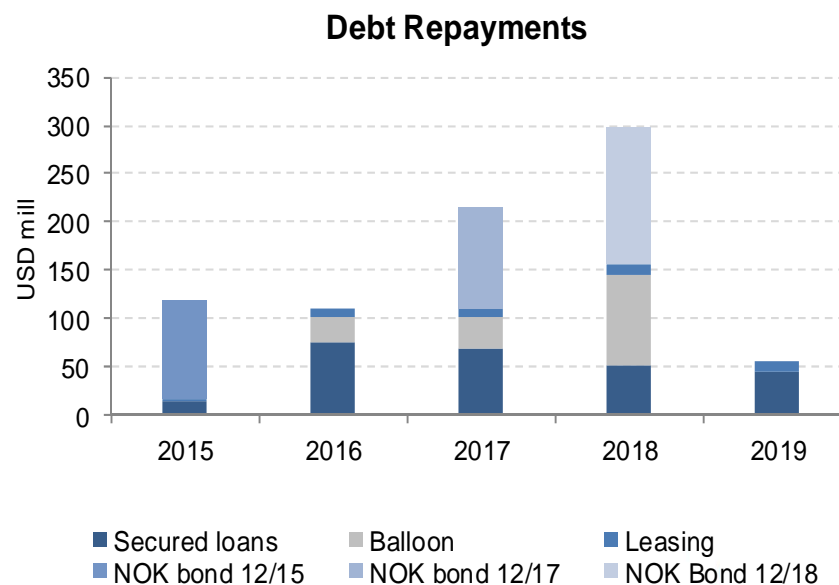
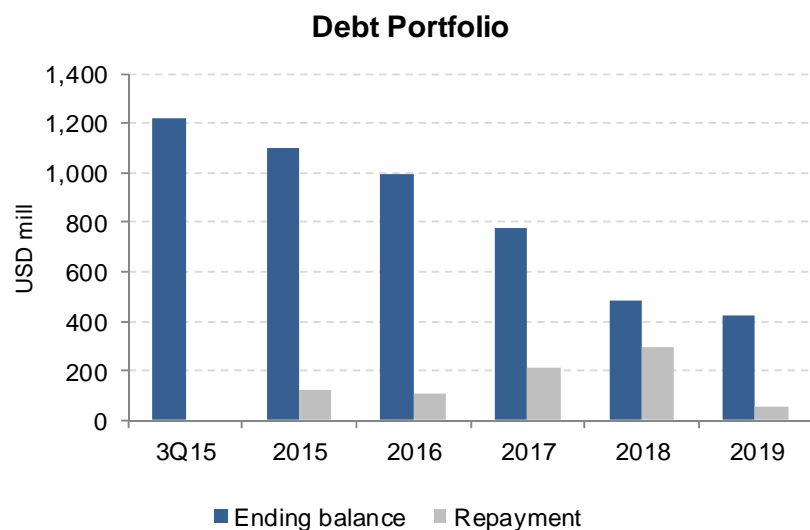
- *Cash balance of USD 177 mill - excluding JV's cash (USD 108 mill end June)*
- *Net investment in tank terminals JV's USD 314 mill*
- *Unrealised negative value on hedging derivatives USD 23.0 mill end September, compared to negative USD 28.6 mill end June*
- *Equity ratio 31.7% (32.5% end June)*

<sup>1</sup> Equity method



# Debt development – 30.09.2015

- All scheduled vessel refinancing for 2015 completed
- In total the 2015 refinancing has secured USD 72 mill in new liquidity
- The NOK 600 mill bond maturing in December 2015 will be redeemed by drawing on cash balance
- Further initiatives will improve cash positions with USD 40 – 50 mill in 4Q



## Capital expenditure programme

<i>In USD mill – per 30.09.2015</i>	<b>Remaining 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><i>Chemical Tankers, Odfjell share</i></b>					
Docking	4	14	14	14	14
Other investments (vessel retrofitting)	3	7	5		
<b><i>Odfjell Gas, 100%<sup>1)</sup></i></b>					
Sinopacific, 4 x 17,000 cbm	18	131			
Sinopacific, 4 x 22,000 cbm	5	30	144		
<b><i>Tank Terminals, 100%</i></b>					
Planned capex	40	58	34	10	8

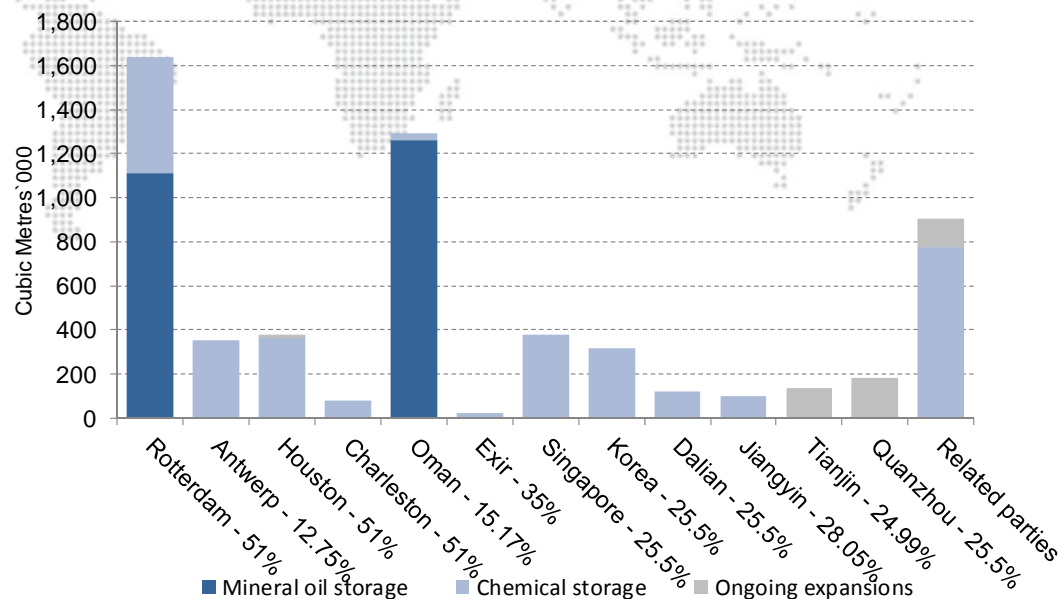
<sup>1)</sup> Odfjell SE (50% owner) is committed to inject up to USD 50 mill in equity in 2015 - 2017. Due to delays at the yard the capital injections will most likely be pushed to later

## Terminal projects and expansions

- In Houston, the new 17,142 cbm tank pit (Bay 10) has now been completed
- Our new terminal in Tianjin is ready for operation, but the explosion in the Tianjin old harbour in July will most likely further delay the process of obtaining the necessary operational permits
- Expansions in Rotterdam are on track



# Tank terminal capacity and commercial occupancy

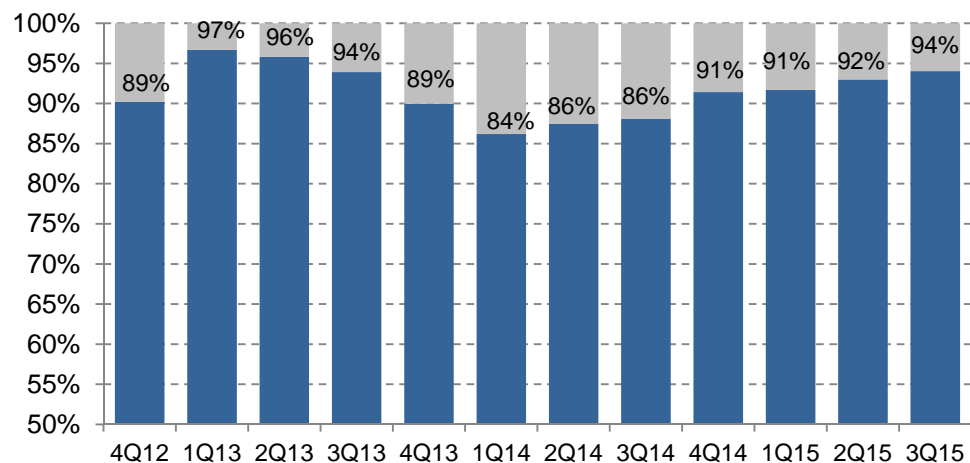


Current capacity 5,448,932 cbm

Ongoing expansions 450,400 cbm

Available capacity in Rotterdam at 60% of gross capacity

\* Odfjell's ownership share in the respective tank terminals is shown in percentage

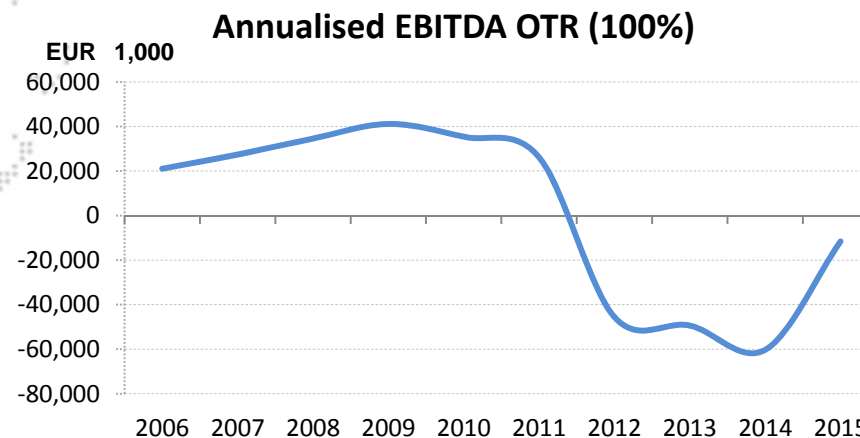


The occupancy rate was at 94% in 3Q15.



## Odfjell Terminals (Rotterdam) – *current status*

- EBITDA negative USD 0.8 mill in 3Q15 (Odfjell share), compared to negative USD 1.6 mill last quarter
- Per end of 3Q15 the commercially available occupancy was at 95.5%, last quarter it was at 93%



- Total commercial capacity end September 939,000 cbm, compared to 860,000 cbm end June
- With the current market activity we expect to add further capacity by year end
- The terminal delivered a slightly positive EBITDA in September, with all four distillation columns fully operational since the end of 2Q
- The largest distillation column will go offline in 4Q15 to increase the capacity of the unit. This will negatively affect the OTR results in 4Q15

## Odfjell Gas Carriers

- Third quarter affected by idle time for the pool vessels
- Activity in all the main markets slowed down more than expected
- Improvements are expected for the fourth quarter, in line with the results for 1st half of the year
- The construction of 4 x 17,000 cbm and 4 x 22,000 cbm is significantly delayed, and we are in discussions with the yard

<i>USD mill</i>	3Q15	2Q15
Gross revenue	4	5
EBITDA	1	1
EBIT	0	1

## Fleet development - last 12 months

Fleet additions		DWT	Built	Tanks	Transaction
May 2015	Horin Trader	19 856	2015	Stainless	Medium-term TC
April 2015	Marex Noa	12 478	2015	Stainless	Long-term TC
March 2015	Gion Trader	19 883	2015	Stainless	Medium-term TC
January 2015	Bow Triumph	49 600	2015	Coated	Owned
October 2014	Bow Trident	46 600	2014	Coated	Owned

Fleet disposals, owned		DWT	Built	Tanks	Transaction
November 2015	Bow Victor	33 000	1986	Stainless	Recycling
August 2015	Bow Bracaria	5 846	1997	Stainless	Sale
July 2015	Bow Brasilia	5 800	1997	Stainless	Sale
July 2015	Bow Balearia	5 846	1998	Stainless	Sale

Short-term: Up to one year  
 Medium-term: 1-3 years

*Bow Victor is sold for recycling at RL Kalthia Shipbreaking Pvt. Ltd yard in India. The vessel has Green Passport and the yard is certified for ISO 9001, ISO 14991, OSHAS 18001, ISO 30000 and are also certified as Hong Kong Convention compliant. The yard is certified by the vetting agency Class NK.*

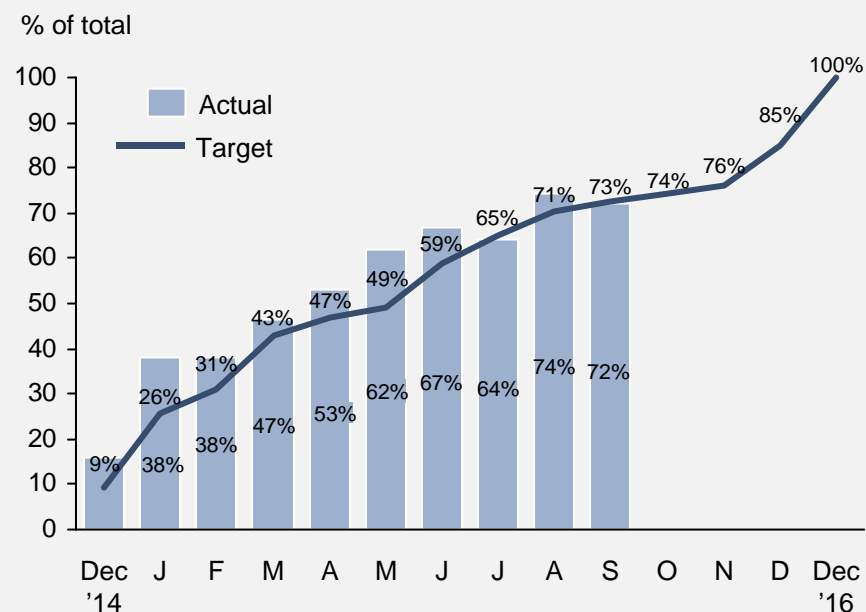
# Project Felix: Reducing cost and improving efficiency

*72% of improvements are implemented*

## Project Felix, status update

- End September, run-rate was at 72% which is on target
- Retrofitting of the first Kvaerner class vessel with new propeller was successfully executed in September with a 20% reduction in fuel consumption
- Retrofitting of the first Poland class vessel takes place in November 2015
- All our Kvaerner and Poland class vessels will be retrofitted within end 2017
- Cost reduction initiatives are on schedule. Target is still to improve net result with USD 100 mill on a yearly basis when the project is fully implemented
- Focus for the following quarters will be on profitability improvement initiatives
- Process started to evaluate further potential efficiency improvements beyond project Felix

## Total profit improvement potential (% of total, "run rate", Sept. 2015)





## 20% fuel saving with new propulsion concept

- Sea trial of Bow Clipper after upgrading concludes with decreased fuel consumption of 20%
- Model test indicated 15% reduction
- Same upgrading on 10 Kvaerner class vessels within 2017

- A parallel project for the Poland class of 8 vessels
- First sea trial for the first vessel in the Poland class expected early 2016
- 23 vessel with A+ energy rating in the Odfjell fleet when the project is concluded

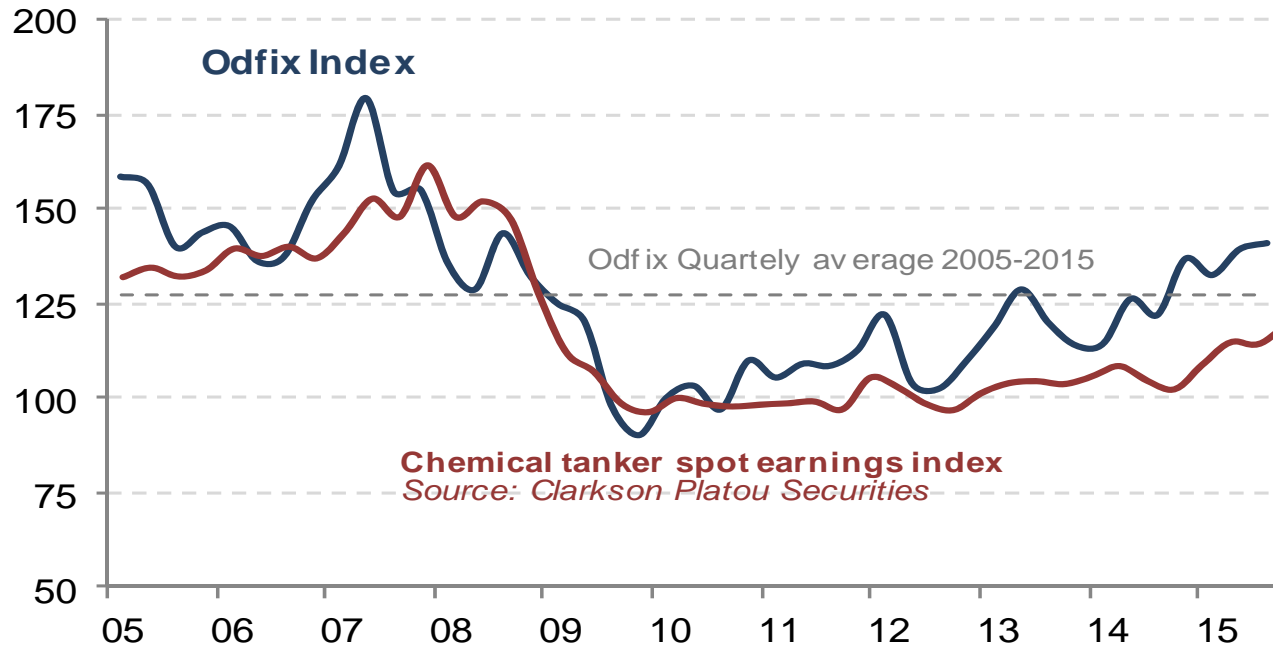
*Odfjell will manage one of the most eco-friendly and energy efficient fleet within the chemical tanker market*



## Market update – *chemical tankers*

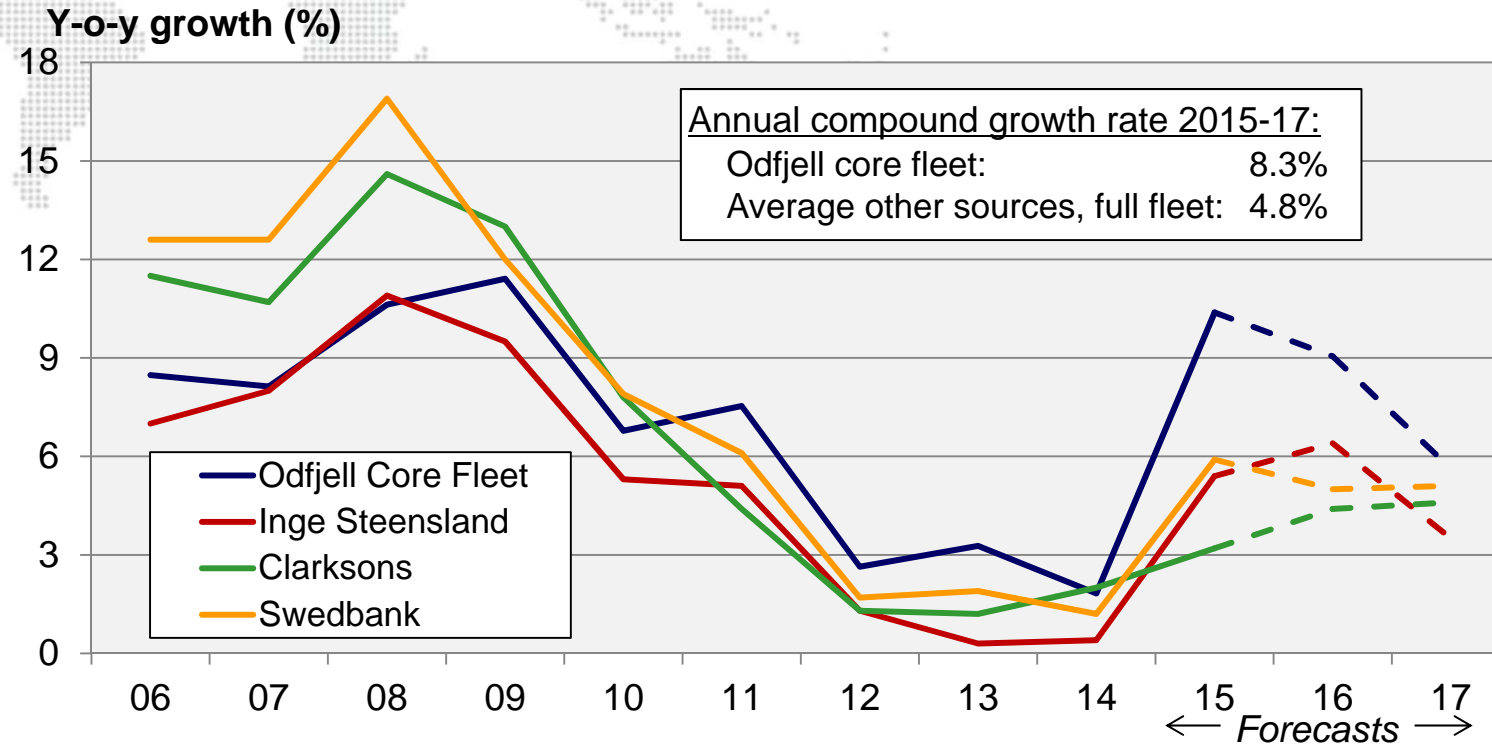
- Market in third quarter in line with second quarter
- CPP market remained firm, but softened towards the end of the quarter
- Port congestion continues to be a challenge
- No material disruption to the operation of our vessels during the period

1Q 2010 = 100



# Chemical tanker market

## Chemical tanker year-on-year net fleet growth



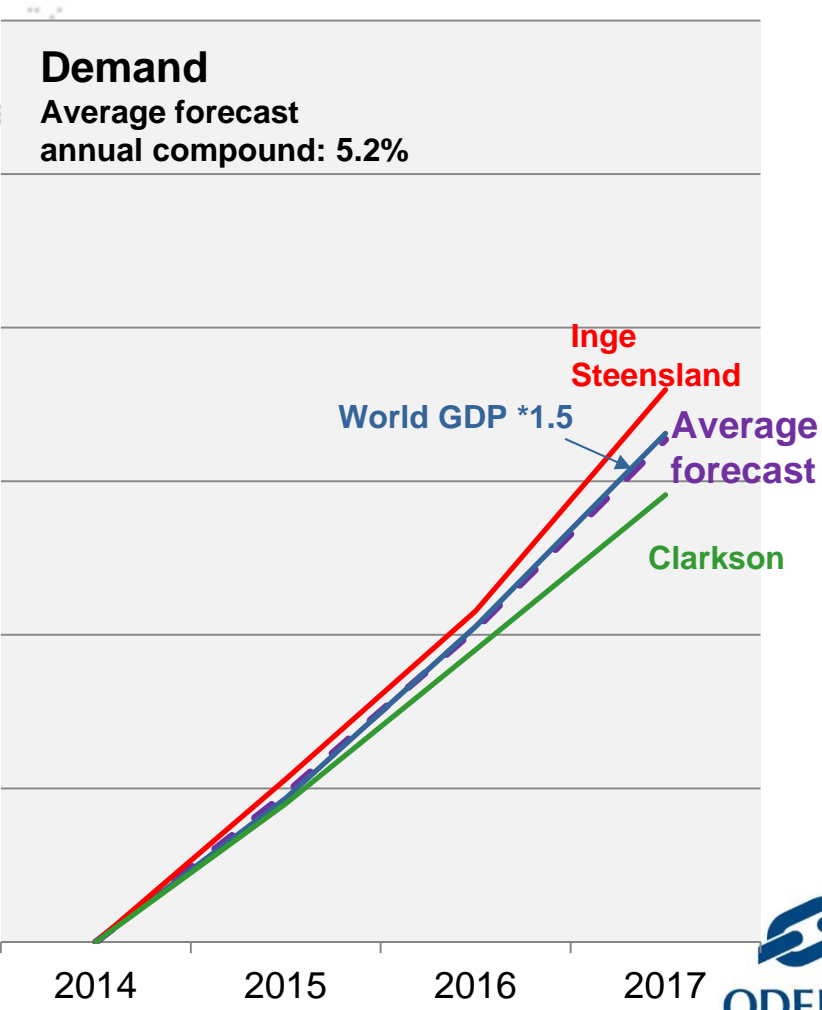
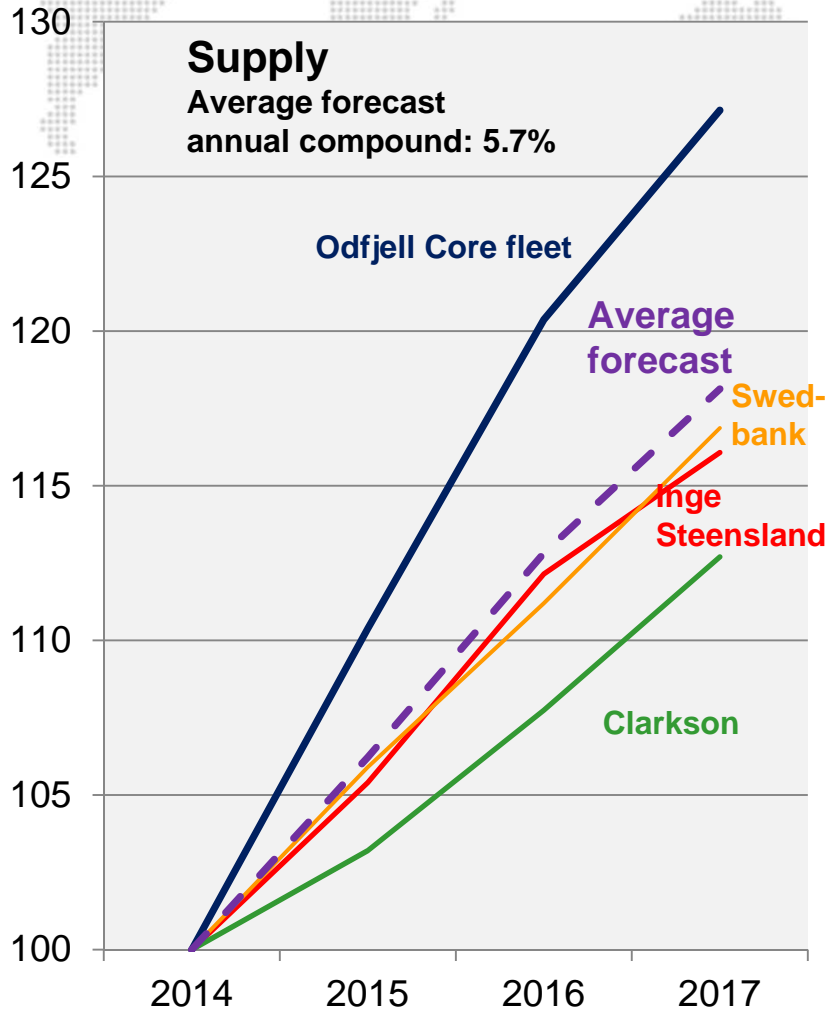
- Differences between sources due to different fleet definitions
  - Odfjell: IMO 2 tonnage  $\geq$  13,000 dwt, predominantly trading in chemicals. Assuming current orderbook and outphasing at 30 years (Europe built) or 25 years (Asia built).
- Stricter definition and thus, more limited fleet basis → larger relative orderbook



# Chemical tanker market

## Chemical tanker supply/demand development

Indexed (2014 = 100)



## Prospects

- Global growth remains modest
- Continued fall in bunker prices reduce our voyage expenses, however bunker hedging contracts are still offsetting this positive effect
- We expect 4Q to be weaker than 3Q for the Chemical Tankers segment
- We expect Odfjell Terminals 4Q results to be in line with 3Q

## **Executive Management** - *priorities during 2nd half 2015*

- Key focus is to build strength
  - We continue to improve on our profitability
  - Our cash and balance sheet is improving
- Familiarization with the global Odfjell organization and other key stakeholders
  - CEO familiarization on track
- Keep momentum in project Felix – also beyond initial targets
  - We are still confident we will meet or exceed Felix target. Working on new and additional initiatives
- Bond refinance
  - Odfjell 2015 bond will be redeemed at maturity in December
- Ongoing review of operational and financial strategies in all segments
  - New head of Odfjell Tankers in place



## Company representatives

Kristian V. Mørch – CEO, Odfjell SE

Email: [Kristian.Morch@odfjell.com](mailto:Kristian.Morch@odfjell.com)

Phone: +47 55 27 00 00

Terje Iversen – CFO, Odfjell SE

Email: [Terje.Iversen@odfjell.com](mailto:Terje.Iversen@odfjell.com)

Phone: +47 932 40 359

IR – contact:

Tom A. Haugen – VP Finance, Odfjell SE

Email: [Tom.Haugen@odfjell.com](mailto:Tom.Haugen@odfjell.com)

Phone: +47 905 96 944



Thank you



For more information please visit our webpage at [www.odfjell.com](http://www.odfjell.com)

