



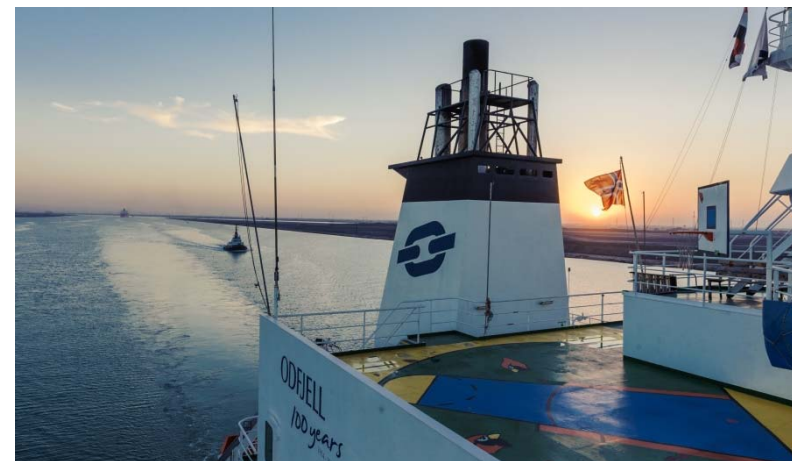
**SECOND QUARTER/  
FIRST HALF 2016  
PRESENTATION**

**25 August 2016**



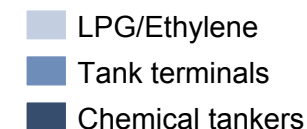
# Agenda

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

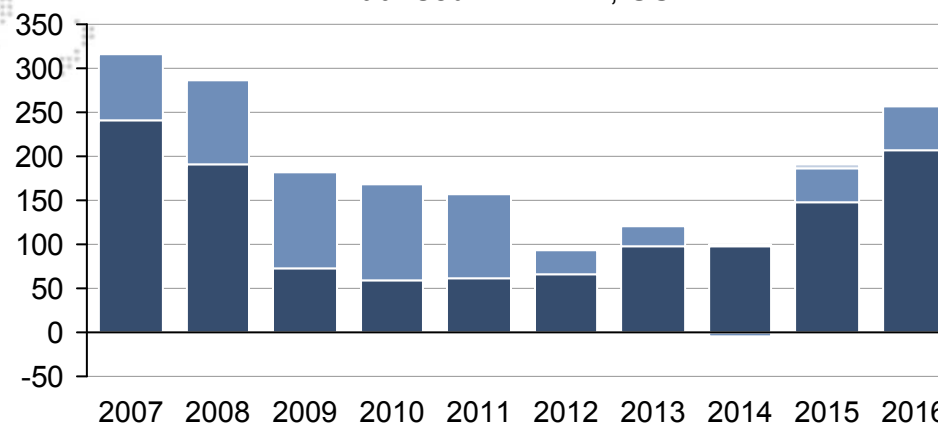


# Highlights

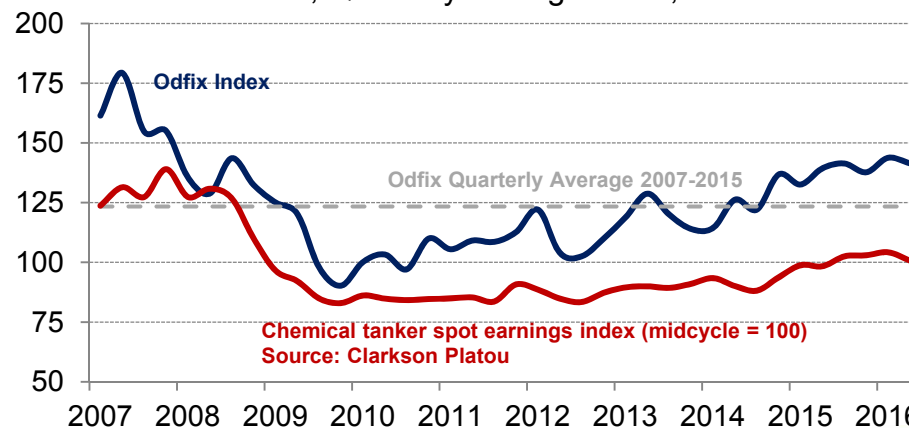
- Net result 2Q16 of USD 16 mill (1Q16 of USD 24 mill) and EBITDA of USD 61 mill (1Q16 of USD 69 mill).
- Softer chemical tanker spot market, however, utilization remained high due to stable contract nominations
- First half 2016 EBITDA of USD 129 mill compared to first half 2015 EBITDA of USD 88 mill
- The two first vessels in Odfjell Gas' newbuilding programme have been cancelled and all paid instalments have been returned
- Balance sheet continues to strengthen
- Stable results from Odfjell Terminals
- Lol signed for construction of four stainless steel chemical tankers



Annualised EBITDA<sup>1</sup>, USD mill



Odfix, Quarterly average Index, 1990=100



1. Proportional consolidation method according to actual historical ownership share

# Income statement<sup>1</sup> – Second quarter 2016 Odfjell Group

USD millions	2Q 2016	1Q 2016
Gross revenue	241	249
Voyage expenses	(67)	(69)
TC expenses	(40)	(41)
Operating expenses	(49)	(46)
General and administrative expenses	(24)	(23)
Operating result before depr. (EBITDA)	61	69
Depreciation	(31)	(30)
Impairment	(0)	(10)
Capital gain (loss) on non-current assets	0	12
Operating result (EBIT)	30	41
Net finance	(13)	(13)
Taxes	(1)	(5)
Net result	16	24

1. Proportional consolidation method



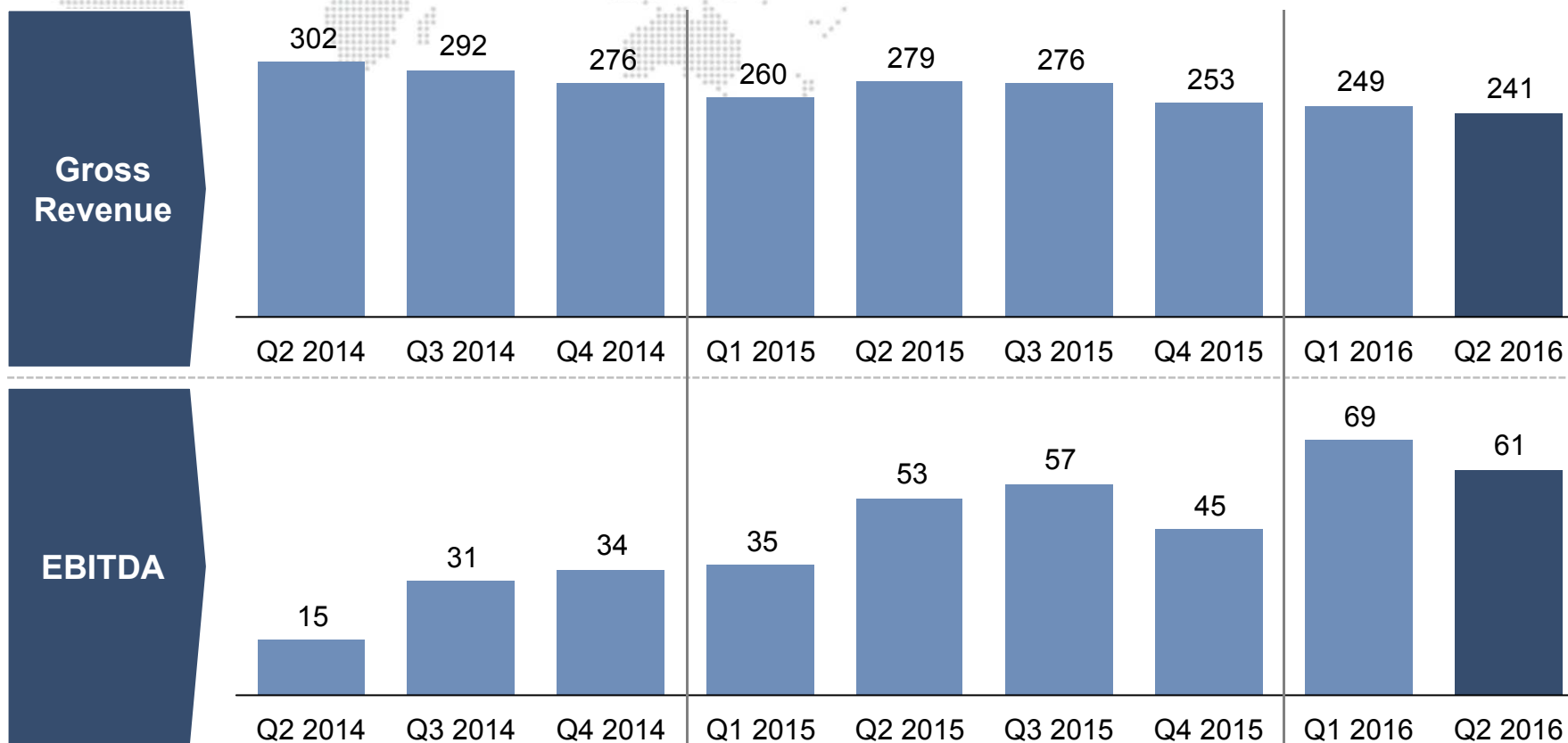
# Income statement<sup>1</sup> – First half 2016 Odfjell Group

USD millions	1H 2016	1H 2015
Gross revenue	490	539
Voyage expenses	(136)	(209)
TC expenses	(82)	(85)
Operating expenses	(95)	(104)
General and administrative expenses	(47)	(53)
Operating result before depr. (EBITDA)	129	88
Depreciation	(61)	(61)
Impairment	(10)	(10)
Capital gain (loss) on non-current assets	12	-
Operating result (EBIT)	71	17
Net finance	(26)	(42)
Taxes	(6)	(0)
Net result	40	(25)

1. Proportional consolidation method

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

Quarterly Gross Revenue and EBITDA, USD millions



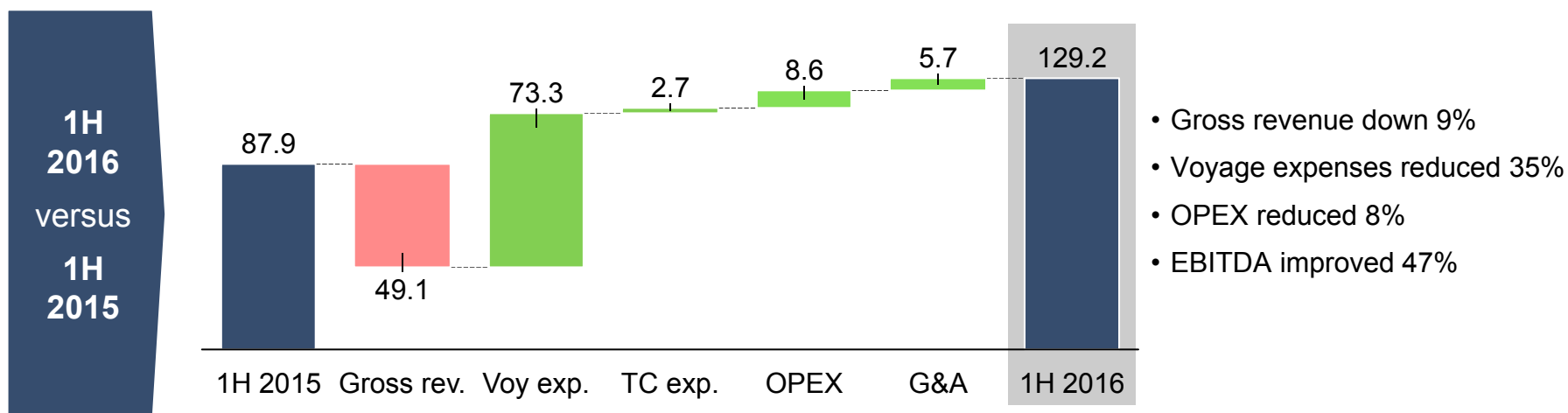
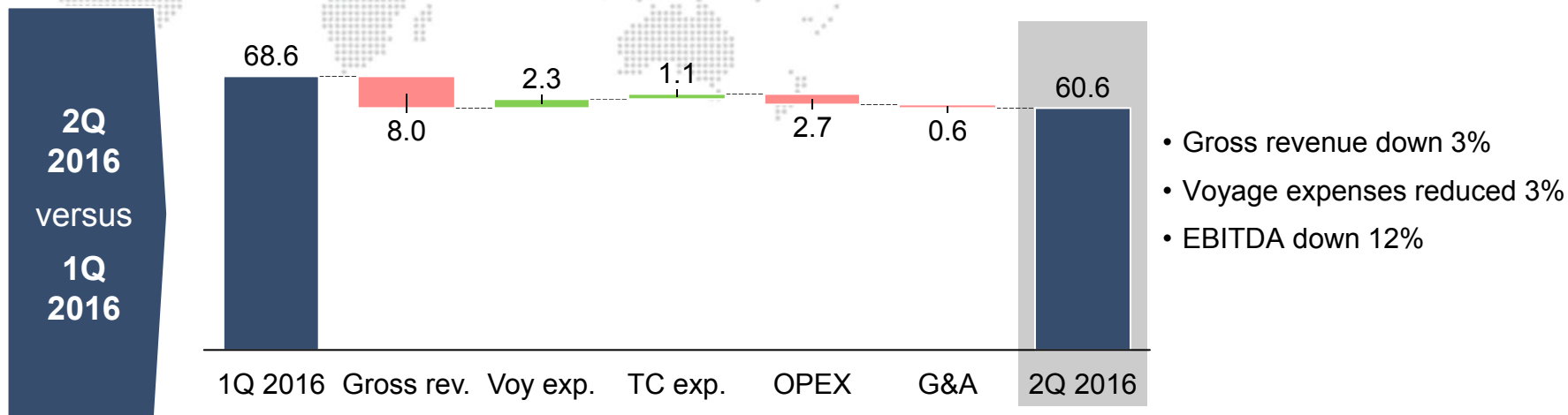
### 2Q16 versus 1Q16

- Reduced revenue mainly due to softer markets and fewer operational days
- EBITDA remains healthy due to increased competitiveness

1. Proportional consolidation method

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

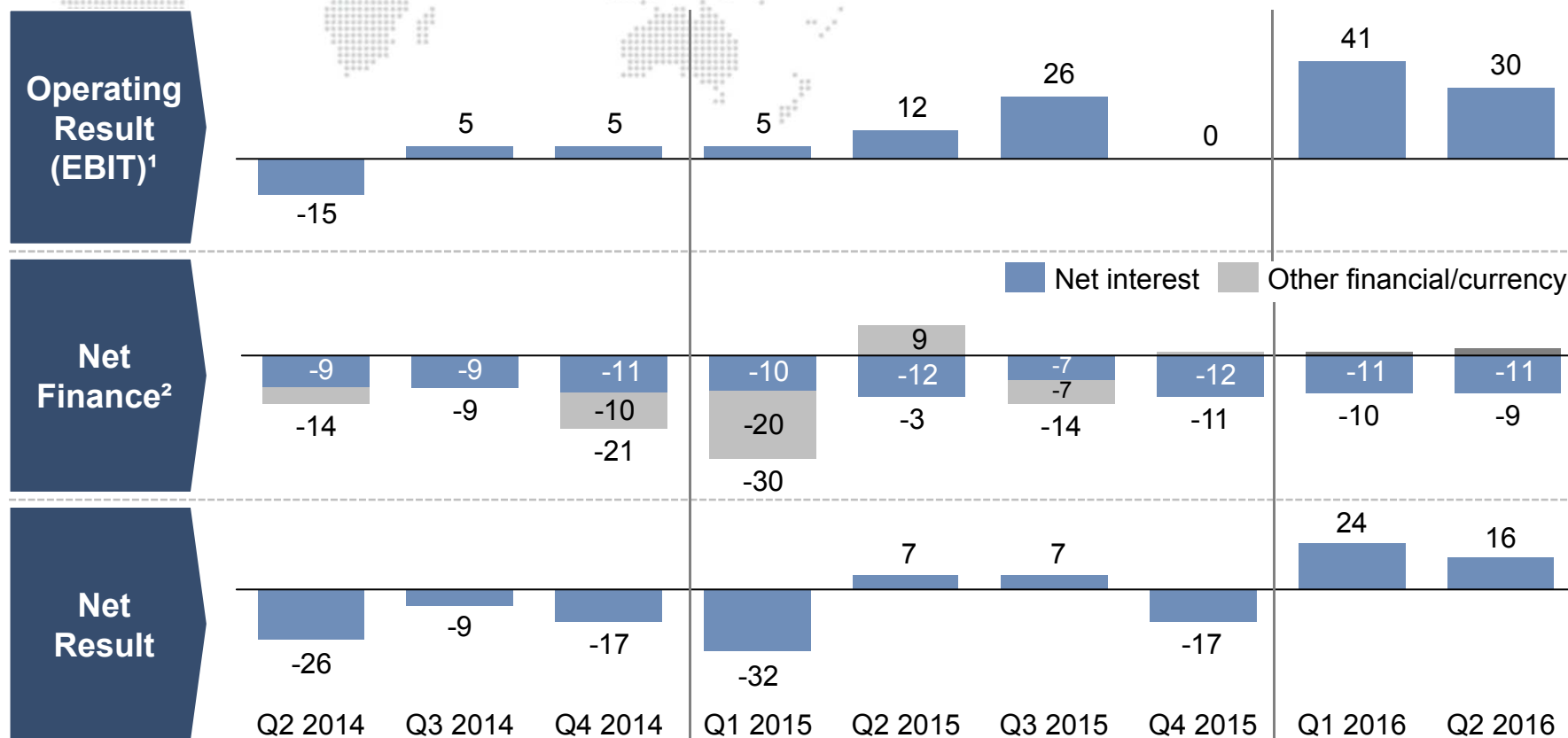
Quarterly EBITDA, USD millions



1. Proportional consolidation method

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

Operating Result (EBIT)<sup>1</sup>, Net Finance<sup>2</sup> and Net Result, USD millions



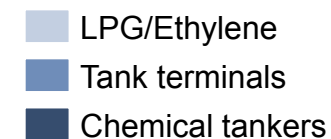
- EBIT 1H 2016 USD 71 mill compared to 1H 2015 USD 18 mill
- Net interest remain stable
- Return on equity first half at 11.1%

1. Proportional consolidation method  
 2. Equity method

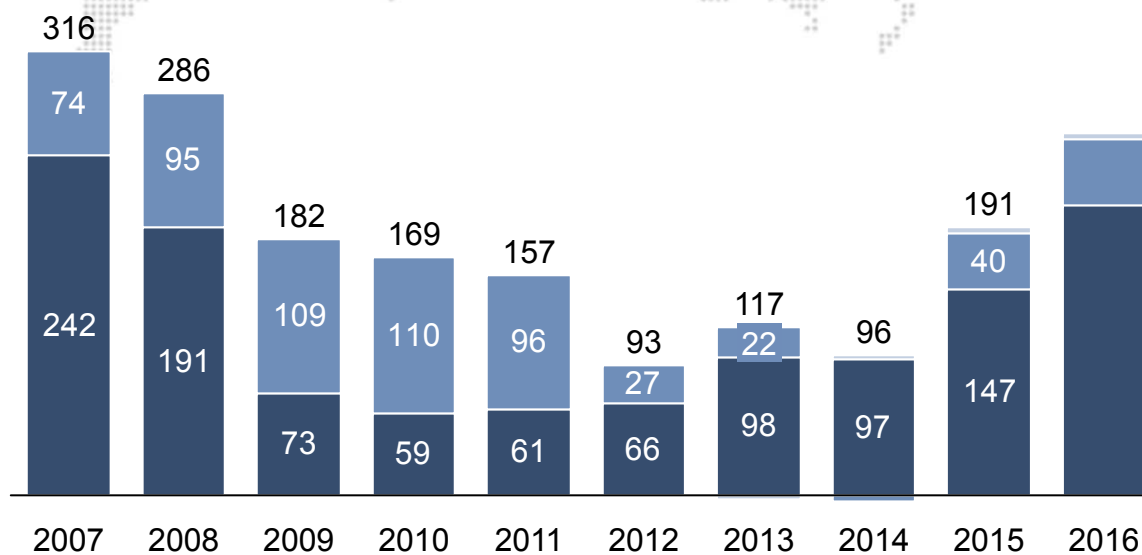




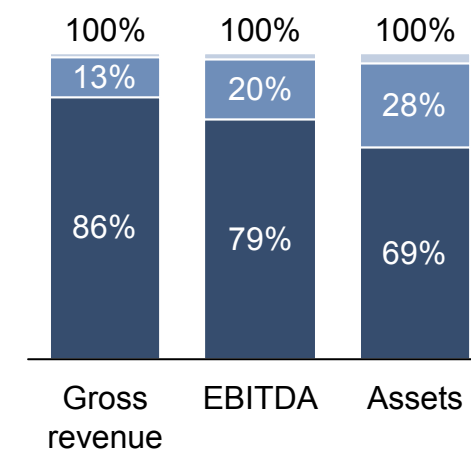
# Results per segment<sup>1</sup>



Annualised EBITDA<sup>1</sup>, USD millions



Segment details, 2Q 2016



USD millions	2Q 2016			1Q 2016		
	Chemical tankers	Tank terminals	LPG/Ethylene	Chemical tankers	Tank terminals	LPG/Ethylene
Gross revenue	207	31	3	215	31	4
EBITDA	48	12	1	56	12	1
EBIT	25	4	0	39	4	(2)

1. Proportional consolidation method according to actual historical ownership share

## Income statement<sup>1</sup> – 2Q16 chemical tankers

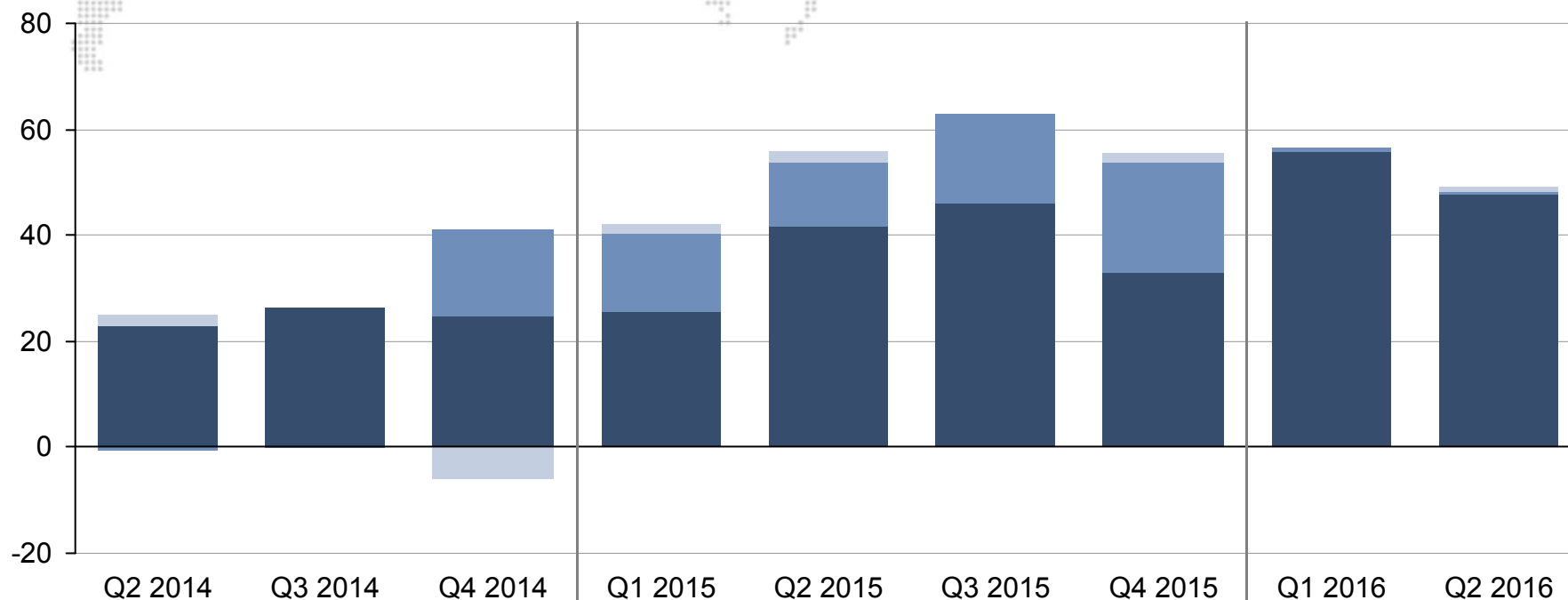
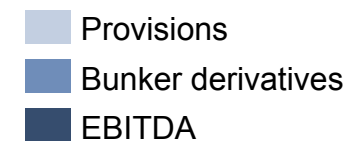
USD millions	2Q 2016	1Q 2016
Gross revenue	207	215
Voyage expenses	(65)	(67)
TC expenses	(41)	(41)
Operating expenses	(34)	(33)
General and administrative expenses <sup>2</sup>	(19)	(18)
<b>Operating result before depr. (EBITDA)</b>	<b>48</b>	<b>56</b>
Depreciation	(22)	(22)
Impairment	(0)	(7)
Capital gain/loss on fixed assets	0	12
<b>Operating result (EBIT)</b>	<b>25</b>	<b>39</b>

- EBITDA margin 2Q of 23% compared with 1Q of 26%

1. Proportional consolidation method  
 2. Including corporate functions

# Quarterly figures - Chemical tankers EBITDA adjusted for non-recurring items

Quarterly Operational EBITDA (adjusted for provisions and derivatives)  
USD millions

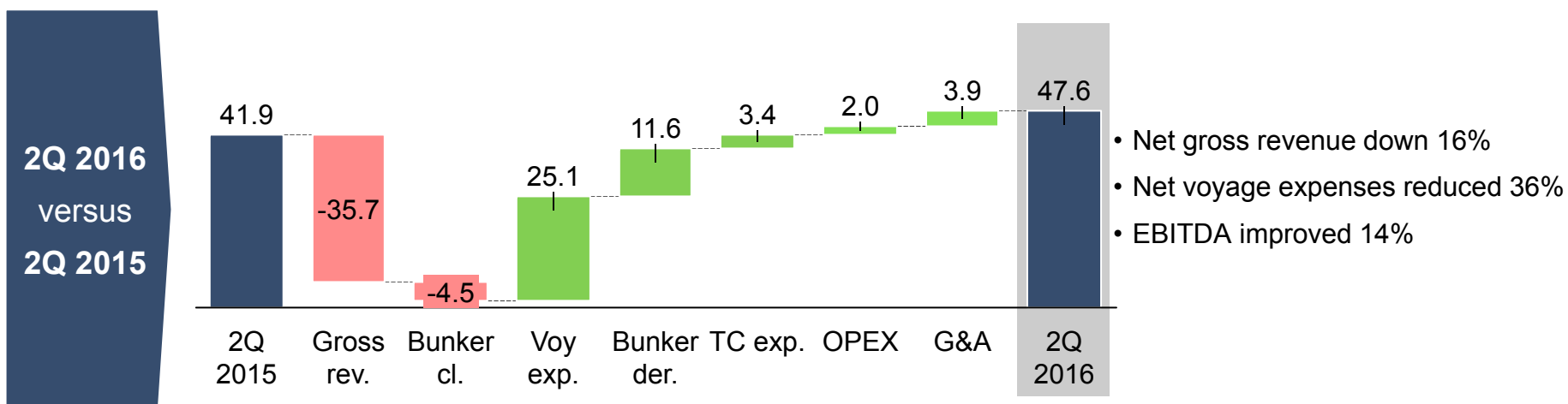
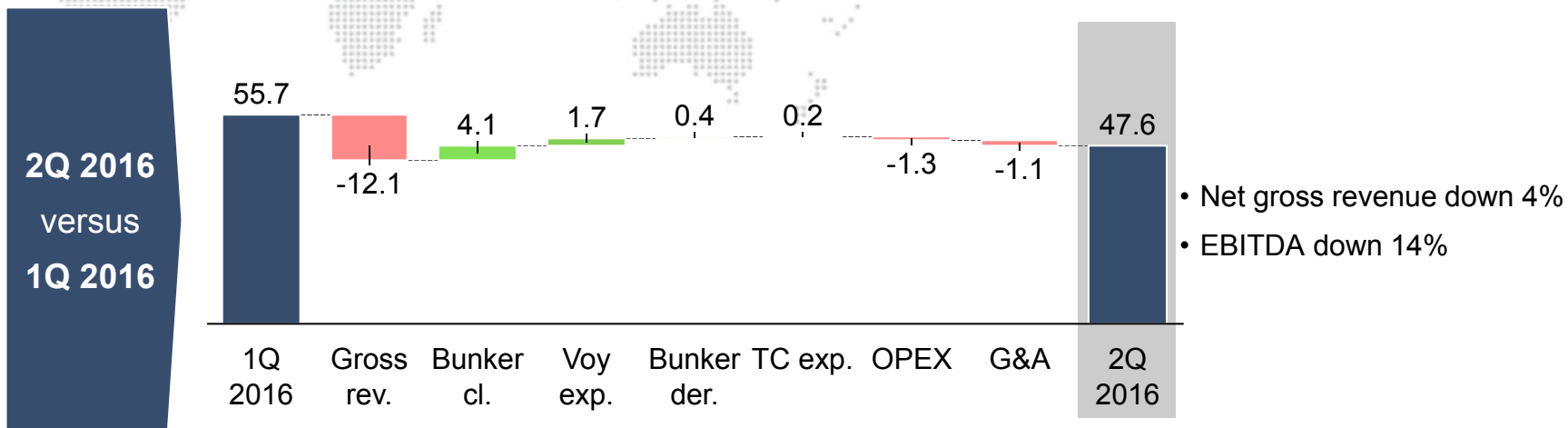


- Bunker derivatives negative USD 0.5 mill in 2Q16 compared to USD 0.9 mill in 1Q16
- In total USD 64.3 mill booked as voyage cost related to bunker derivatives in 2015
- Total provisions/one-offs of USD 5.5 mill in 2015



# EBITDA variance – Chemical tankers

Quarterly EBITDA, USD millions

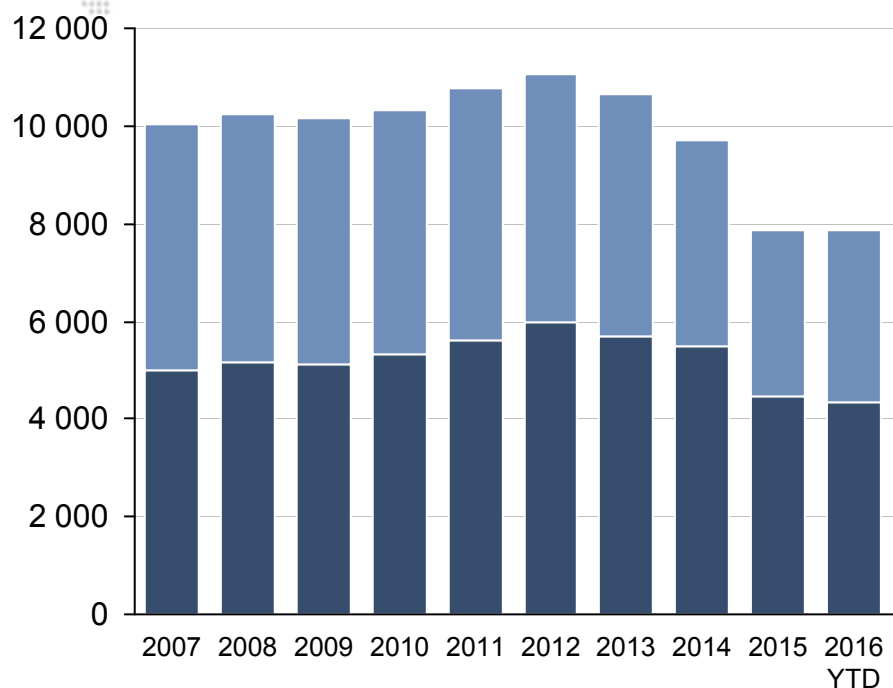


# Vessel operating expenses – Chemical tankers

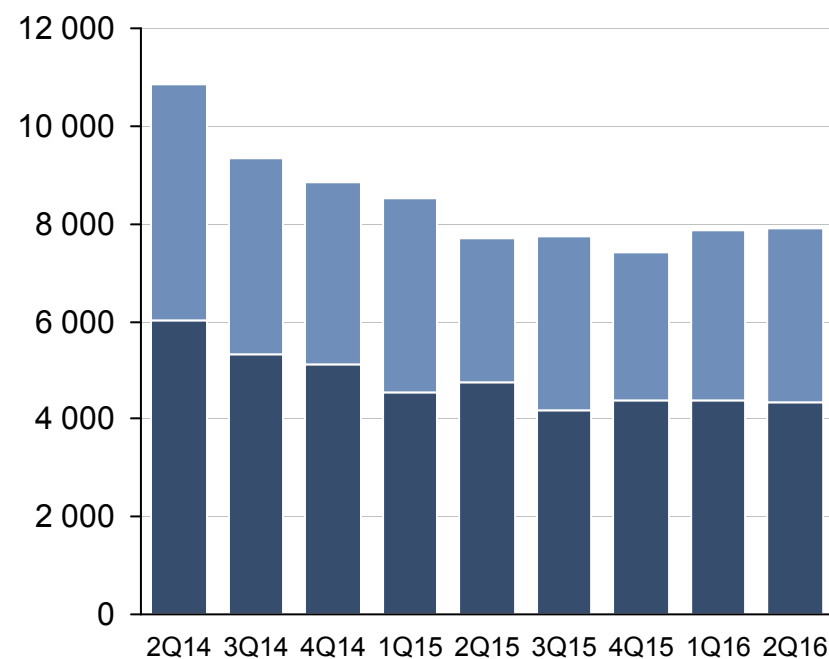
Vessel operating expenses (OPEX), USD/day

■ Non-crew OPEX  
■ Crew cost

Yearly development, 2007 - 2016 YTD



Quarterly development, 2Q 2014 - 2Q 2016

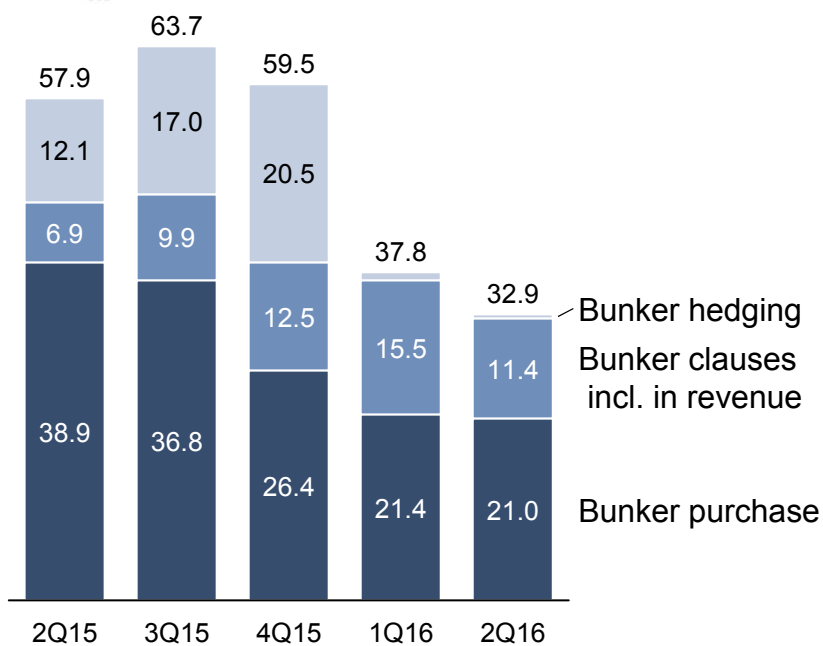


- OPEX remains competitive at stable level

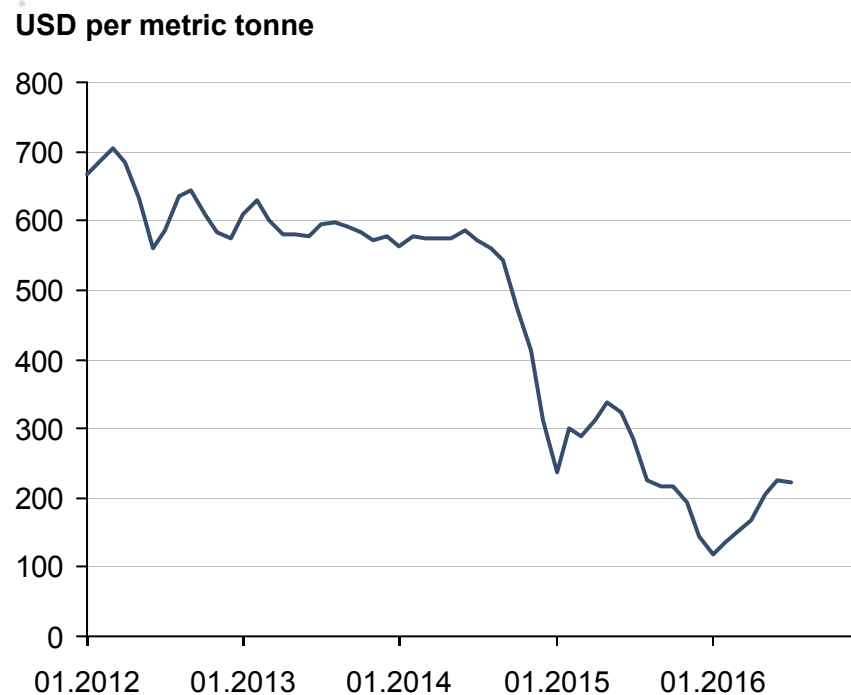


# Bunker development

**Quarterly net bunker cost**  
USD millions 2Q 2015 - 2Q 2016



**Platts 3.5% FOB Rotterdam**  
January 2012 - July 2016



- Net bunker cost in 2Q USD 324 per tonne before hedging vs. USD 369 in 1Q
- Bunker clauses in CoAs cover about 60% of the exposure
- 8% of remaining 2016 exposure is hedged at average USD 253 per tonne and 7% of 2017 exposure is hedged at USD 224 per tonne



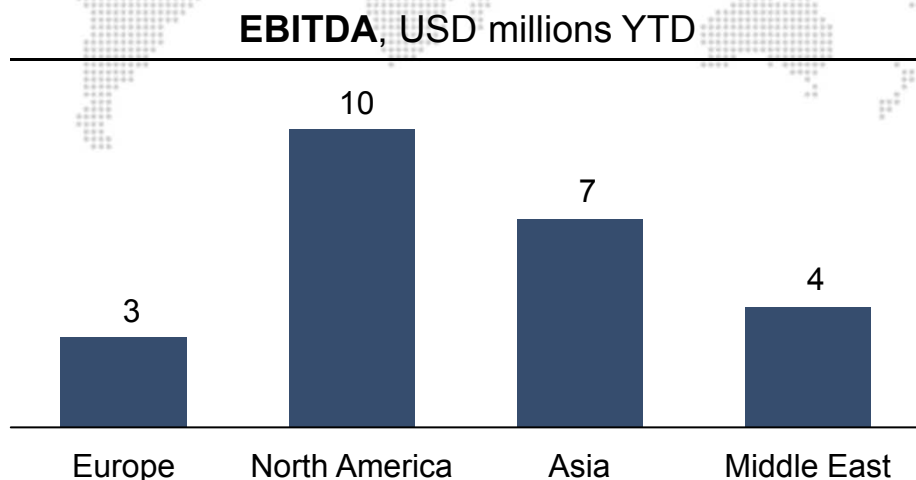
## Income statement<sup>1</sup> – 1Q16 tank terminals

USD millions	2Q 2016	1Q 2016
Gross revenue	31	31
Operating expenses	(14)	(13)
General and administrative expenses	(5)	(6)
Operating result before depr. (EBITDA)	12	12
Depreciation	(8)	(8)
Operating result (EBIT)	4	4

- Slight increase in tank terminal results
- Higher OPEX due to large maintenance projects in 2Q
- The occupancy rate continued high at 97% in 2Q

1. Proportional consolidation method

# Tank terminals EBITDA – By geographical segment



EBITDA Tank Terminals	2Q 2016	1Q 2016
Europe	2	1
North America	5	5
Asia	3	4
Middle East	2	2
<b>Total EBITDA</b>	<b>12</b>	<b>12</b>

- Stable results in all areas
- Odfjell Terminals (Rotterdam) continues positive trend

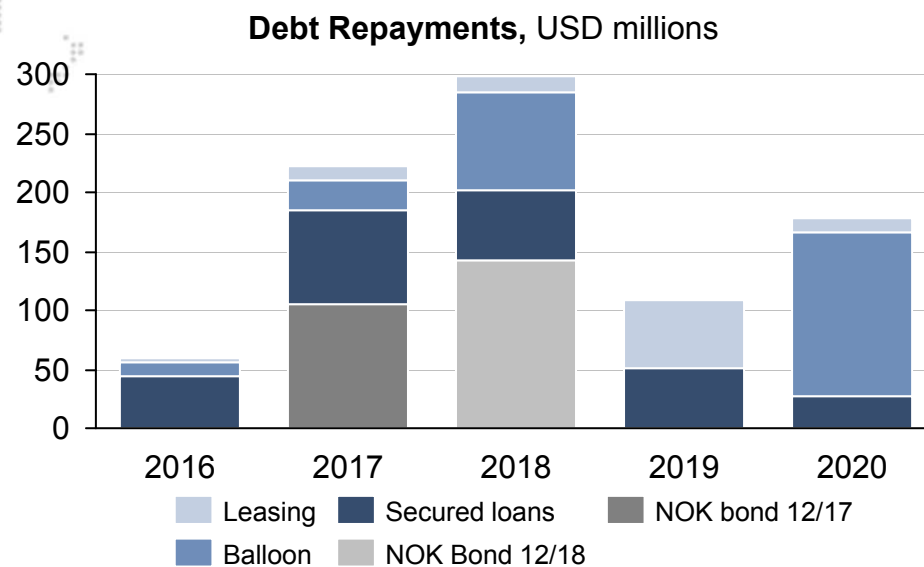
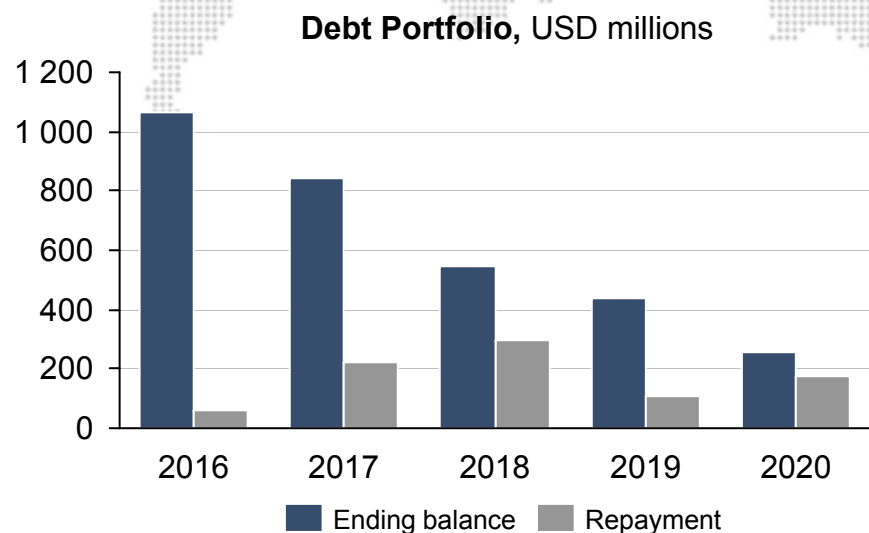
## Balance sheet<sup>1</sup> – 30.06.2016

Assets, USD millions	
Ships and newbuilding contracts	1 221
Other non-current assets/receivables	39
Investment in associates and JV's	372
<b>Total non-current assets</b>	<b>1 632</b>
Cash and cash equivalent	148
Other current assets	115
<b>Total current assets</b>	<b>263</b>
Assets held for sale	22
<b>Total assets</b>	<b>1 916</b>

Equity and liabilities, USD millions	
Total equity	663
Non-current liabilities and derivatives	34
Non-current interest bearing debt	903
<b>Total non-current liabilities</b>	<b>937</b>
Current portion of interest bearing debt	221
Other current liabilities and derivatives	95
<b>Total current liabilities</b>	<b>316</b>
Liabilities held for sale	-
<b>Total equity and liabilities</b>	<b>1 916</b>

- Cash balance of USD 148 mill - excluding JV's cash
- Net investment in tank terminals JV's USD 308 mill
- Equity ratio 34.6% (34.0% end 1Q)
- Asset held for sale consist of planned vessel sales

# Debt development – 30.06.2016



- In June Bow Harmony was sold and leased back on an 11-year financial lease structure
- NOK bond maturing with USD 105 mill in April 2017

## Capital expenditure programme – 30.06.2016

USD millions	Remaining 2016	2017	2018	2019	2020
<b>Chemical Tankers</b>					
Docking	7	14	14	14	14
Other investments (vessel retrofiting)	4	7			
<b>Odfjell Gas, 100%<sup>1</sup></b>					
Sinopacific, 2 x 17,000 cbm	TBD				
Sinopacific, 4 x 22,000 cbm	30	139			
<b>Tank Terminals, 100%</b>					
Planned capex	39	46	40	9	8

<sup>1</sup> Odfjell SE (50% owner) is committed to inject up to USD 45 mill in equity in 2016 - 2017. Due to cancellation and delays at the yard the capital injections will be significantly reduced and/or pushed to later than originally scheduled

## Terminal projects and expansions

- Our terminal in Tianjin China is still awaiting permits which is expected to be in November
- Odfjell Terminals have initiated a full strategic business review of the activities. This initiative is led by the new terminal management headed by the new CEO Odfjell Terminals, Frank Erkelens, and will be completed later this year

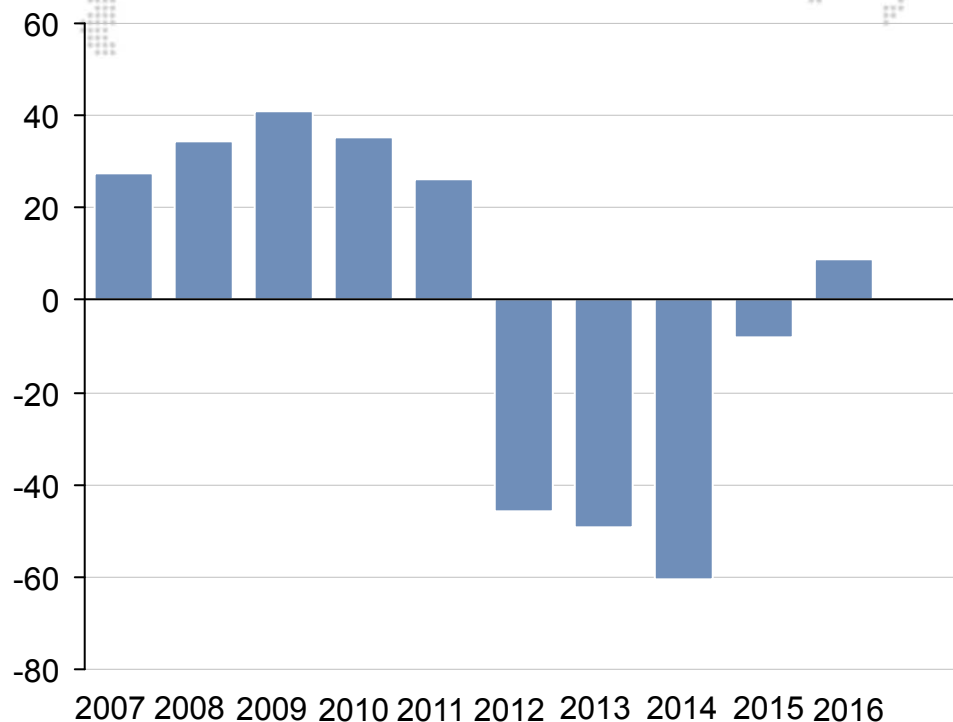




## Odfjell Terminals Rotterdam – current status

### Annualised EBITDA for Odfjell Terminals (Rotterdam) (100%)

EUR millions



- The terminal has now delivered positive EBITDA for three consecutive quarters
- The distillation volumes in Rotterdam continued to increase in 2Q
- The commercial available tank capacity in Rotterdam reached 1,011,000 cbm by end of June as planned
- The Rotterdam results are expected to stabilise for the remainder of 2016

## Odfjell Gas Carriers

- Due to delayed construction of our LPG/Ethylene vessels on order, we have cancelled the two first 17,000 cbm gas carriers
- We will most likely cancel the remaining orders when we are in a cancelling position
- All investments paid for the cancelled vessels have been returned by the refund guarantor
- The remaining orders are secured by refund guarantees from reputable financing institutions

- Market activity was reasonably stable, but increased competition
- The contract coverage for the pool is satisfactory

USD millions	2Q 2016	1Q 2016
Gross revenue	3	4
EBITDA	1	1
EBIT	0	(2)

## Fleet development – Last 12 months

Fleet additions		DWT	Built	Tanks	Transaction
July 2016	Bristol Trader	35 863	2016	Stainless	Long-term TC
June 2016	Bow Harmony	33 619	2008	Stainless	Sale/lease back
February 2016	Southern Owl	26 057	2016	Stainless	Long-term TC

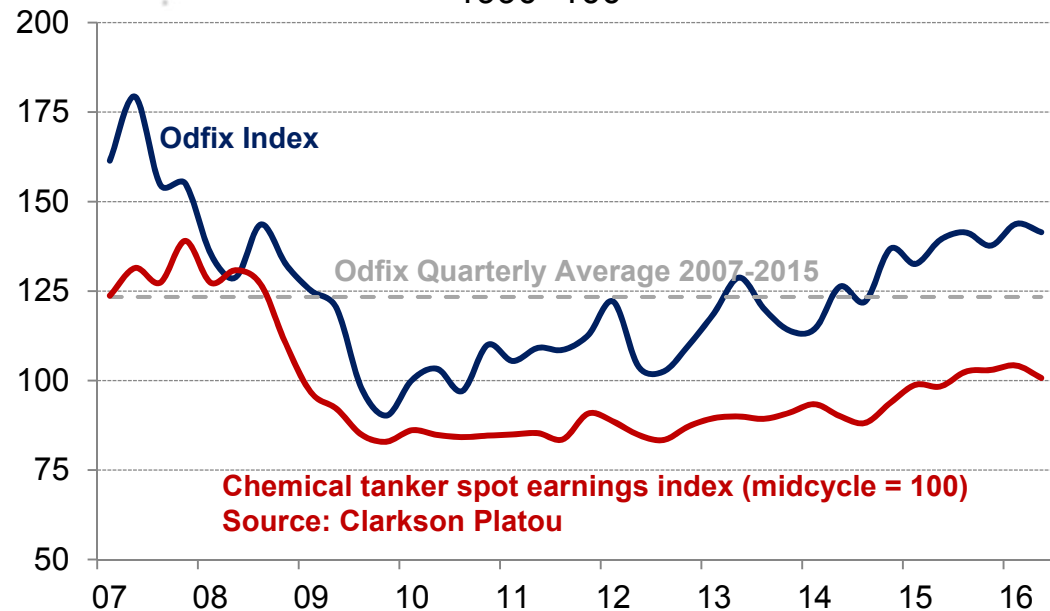
Fleet disposals, owned		DWT	Built	Tanks	Transaction
2H 2016	Bow Master	6 046	1999	Stainless	Bareboat
June 2016	Bow Sailor	6 008	1999	Stainless	Sale
June 2016	Bow Harmony	33 619	2008	Stainless	Sale/lease back
November 2015	Bow Victor	33 000	1986	Stainless	Recycling
August 2015	Bow Bracaria	5 846	1997	Stainless	Sale
July 2015	Bow Brasilia	5 800	1997	Stainless	Sale
July 2015	Bow Balearia	5 846	1998	Stainless	Sale

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

# Market update – Chemical tankers

- 2Q saw a slight reduction in TCE levels
- The slowdown observed in 1Q in the Far East spot market continued throughout 2Q and gradually spread to other markets
- The volume transported also decreased due to fewer operational days available compared to 1Q.
- In spite of the more challenging market, we delivered acceptable utilization through stable contract nominations for our vessels and agility in the spot market
- Our forecast for 3Q is a limited reduction in TCE results as the markets are generally softer

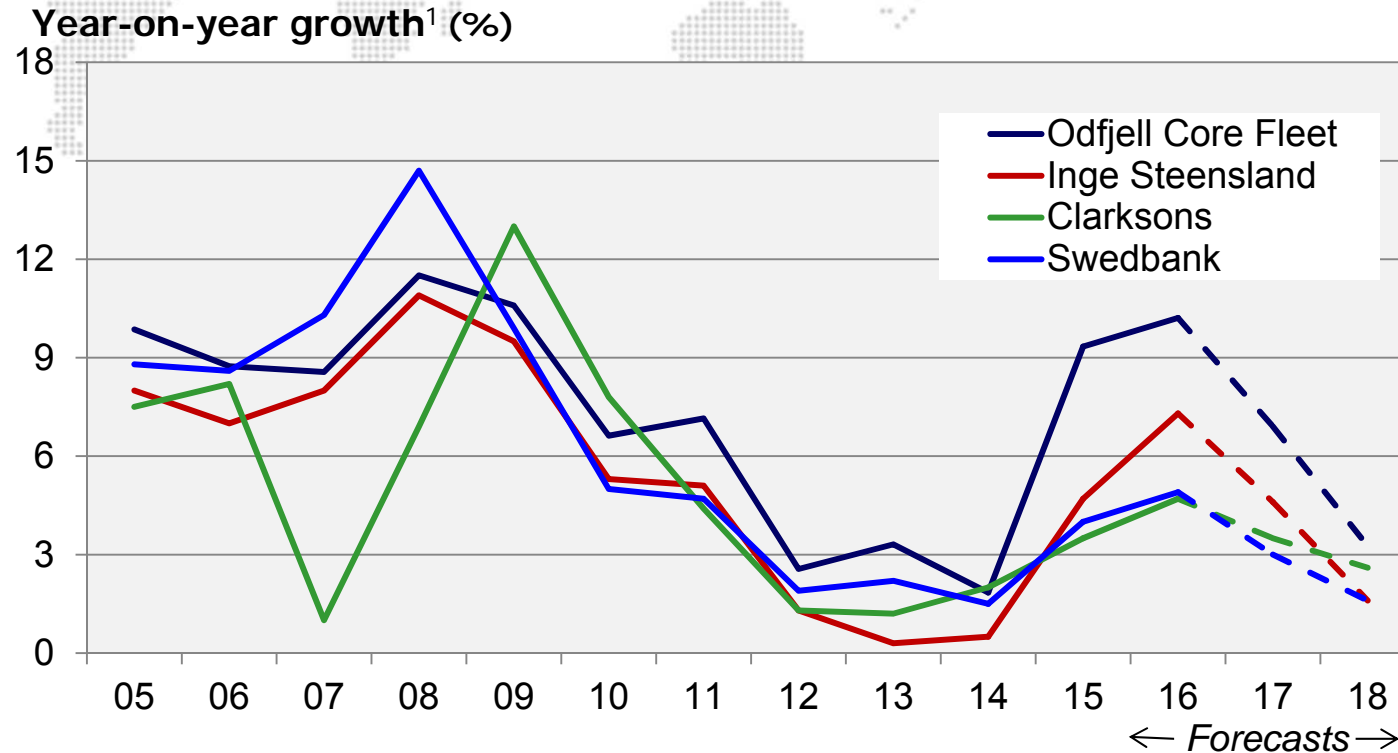
Odfix, Quarterly average Index, 1990=100



1. Odfix Index (1Q 1990 = 100)  
 2. Chemical tanker spot earnings index (midcycle = 100)  
 Source: Clarkson Platou

# Chemical tanker market

Chemical tanker year-on-year net fleet growth, 2005-2018F



**Annual compound growth rate 2015-18:**

Odfjell estimate core fleet: 6.8%

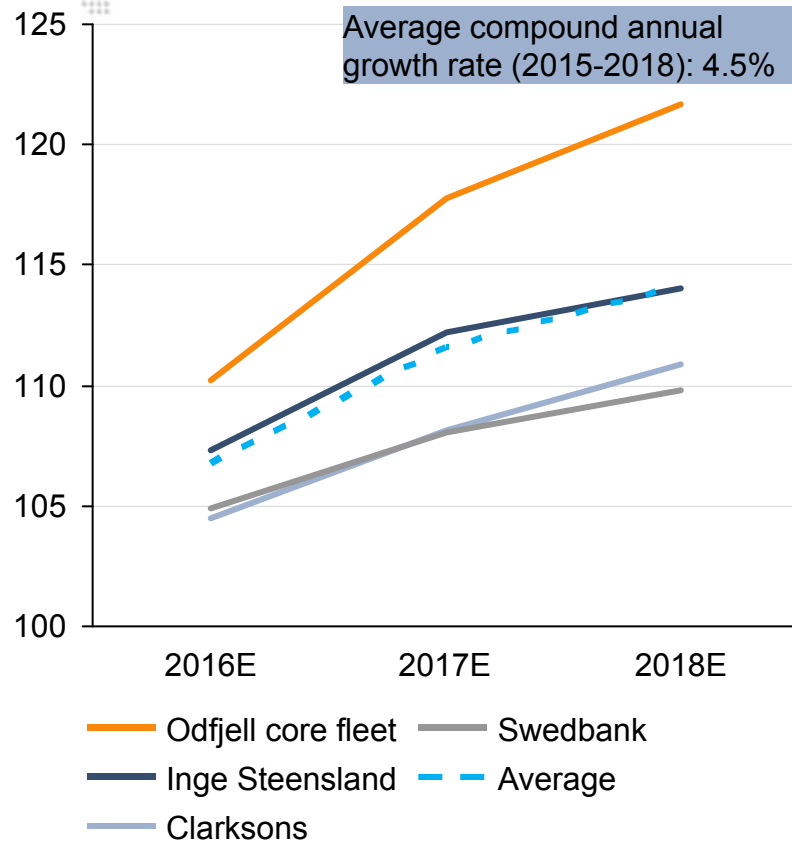
Average other sources, full fleet: 3.7%

1. Differences between sources due to different fleet definitions. Stricter definition and thus, more limited fleet basis  
 2. IMO 2 tonnage ≥ 13,000 dwt, predominantly trading in chemicals. Assuming current orderbook and outphasing at 30 years (Europe built) or 25 years (Asia built).

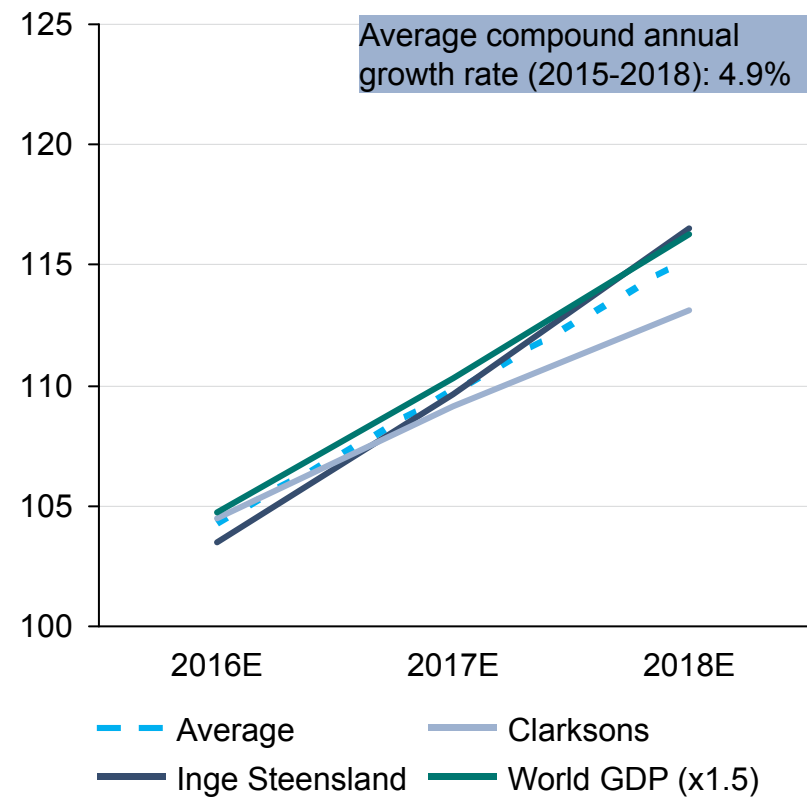
# The consensus is that supply and demand is fairly well balanced, which is also our view

## Chemical tanker supply and demand forecast, 2015-2018E

**Growth in supply**  
Indexed (2015 = 100)



**Growth in demand**  
Indexed (2015 = 100)





# Prospects

- Our forecast for 3Q is a slightly weaker timecharter results as the markets are generally softer
- The long term balance between supply/demand in the chemical tanker market remains favourable, but the supply of ships is increasing mainly due to swing tonnage. The markets are therefore under pressure, but our high COA coverage is reducing the impact of the softer spot market
- The result at Odfjell Terminals is expected to be stable for the remainder of 2016



## Executive Management - Priorities during 2016

### 2016 “Building strength”

- Key focus continues to be on:
  - Operational improvements and quality of service
  - Initiatives that improve cash and balance sheet
  - A balance sheet that gives room for growth within our core business
- Top line improvement initiatives ongoing
- Fleet renewal programme for the advanced chemical tankers
- Strategic review of our terminal business
- Reduce our commitments in Odfjell Gas

### 2017 “Build for the future”

- Focus on building competitive strength in our markets
- Group strategy review
- Focus on growth



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