



ODFJELL

Third Quarter Presentation

2017

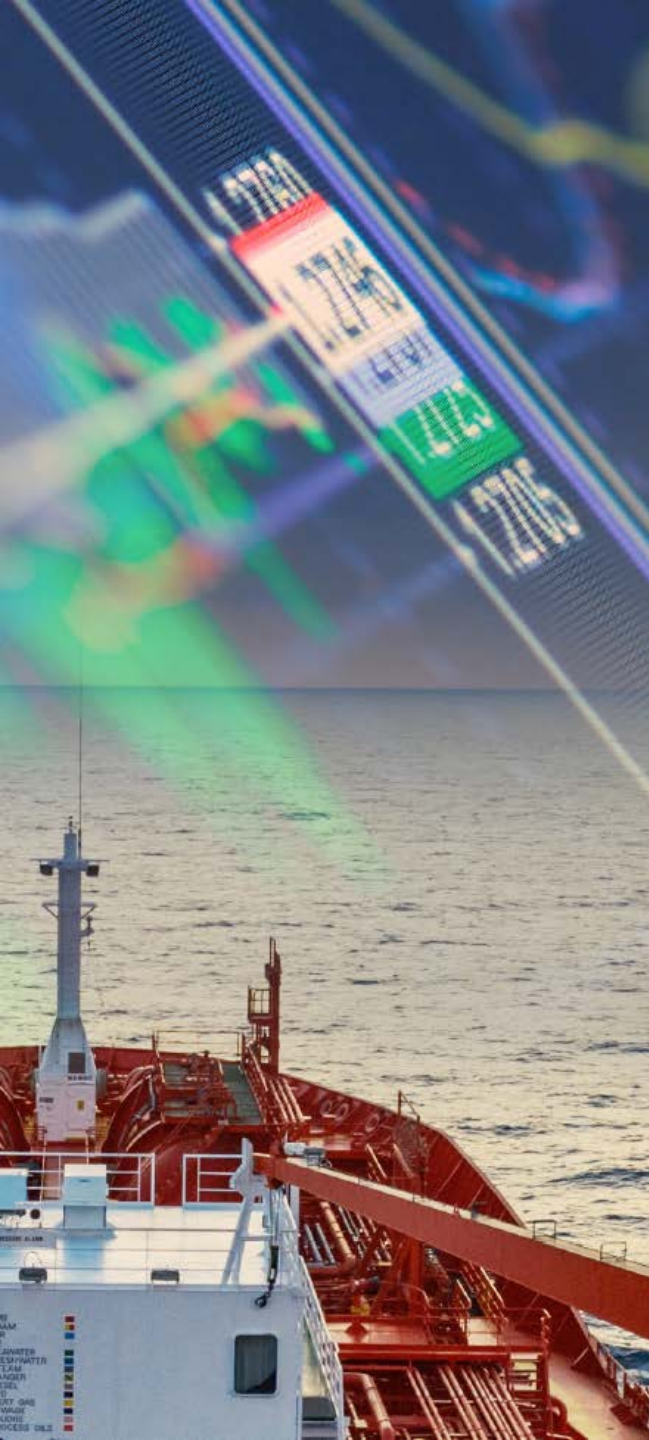
9 November 2017

CARGO LINES - SPHINX P/B
MANHOLE REIN
PRESSURE TESTED: 24 BARS
DATE: 02.06.15

CARGO BOWS
PRESSURE TESTED: 24 BARS
DATE: 02.06.15
CERTIFIED STEEL
-20°C - BEV
-30°C - 100°C

VAPOUR BOWS
PRESSURE TESTED
DATE: 02.06.15

FW
FOAM
AP
NO
SEAWATER
FRESHWATER
STEAM
DANGER
DIESEL
HEV
WARTY OMS
SLUDGE
PROCESS OILS



Agenda

- **Highlights**
- **Financials**
- **Operational review/Strategy**
- **Market update and prospects**

Highlights

- The challenging market for chemical tankers continued into 3Q as we had expected. The market for terminals was under pressure from falling forward prices of oil/products
- EBITDA of USD 37 mill in 3Q, compared with USD 41 mill previous quarter 2017
- Net results of USD -11 mill compared to USD -5 mill previous quarter 2017
- Odfjell chemical freight index (ODFIX) down 4.1% compared with previous quarter 2017
- Chemical Tankers EBITDA was USD 28 mill in 3Q, compared with USD 31 mill previous quarter 2017
- Odfjell Terminals EBITDA of USD 9 mill in 3Q, compared to 10 mill previous quarter 2017
- We continue to pursue an exit from Gas
- We announced the sale of Odfjell Terminals 50% ownership share in Singapore terminal, with an expected book gain of USD 135 mill and with net proceeds of around USD 150 mill likely to close in 4Q

Key figures, USD mill¹

(USD mill, unaudited)	1Q17	2Q17	3Q17	3Q16	YTD17	YTD16
Odfjell Tankers	212.8	208.9	207.6	206.9	629.3	628.2
Odfjell Terminals	27.8	27.5	27.0	30.1	82.4	92.1
Revenues*	243.0	238.5	236.7	239.7	718.2	729.5
Odfjell Tankers	36.0	30.5	28.0	48.1	94.5	151.5
Odfjell Terminals	9.5	10.3	8.7	11.6	28.5	35.8
EBITDA*	46.2	41.4	37.3	60.2	125.0	189.6
EBIT	17.7	14.2	3.6	28.4	35.5	99.4
Net profit	1.5	(4.7)	(10.5)	16.5	(13.7)	56.5
EPS**	0.02	(0.06)	(0.13)	0.21	(0.17)	0.72
ROE***	0.6%	(1.2%)	(7.0%)	8.4%	(2.5%)	10.8%
ROCE***	3.8%	3.1%	0.5%	6.2%	2.4%	7.1%

*Includes figures from Odfjell Gas

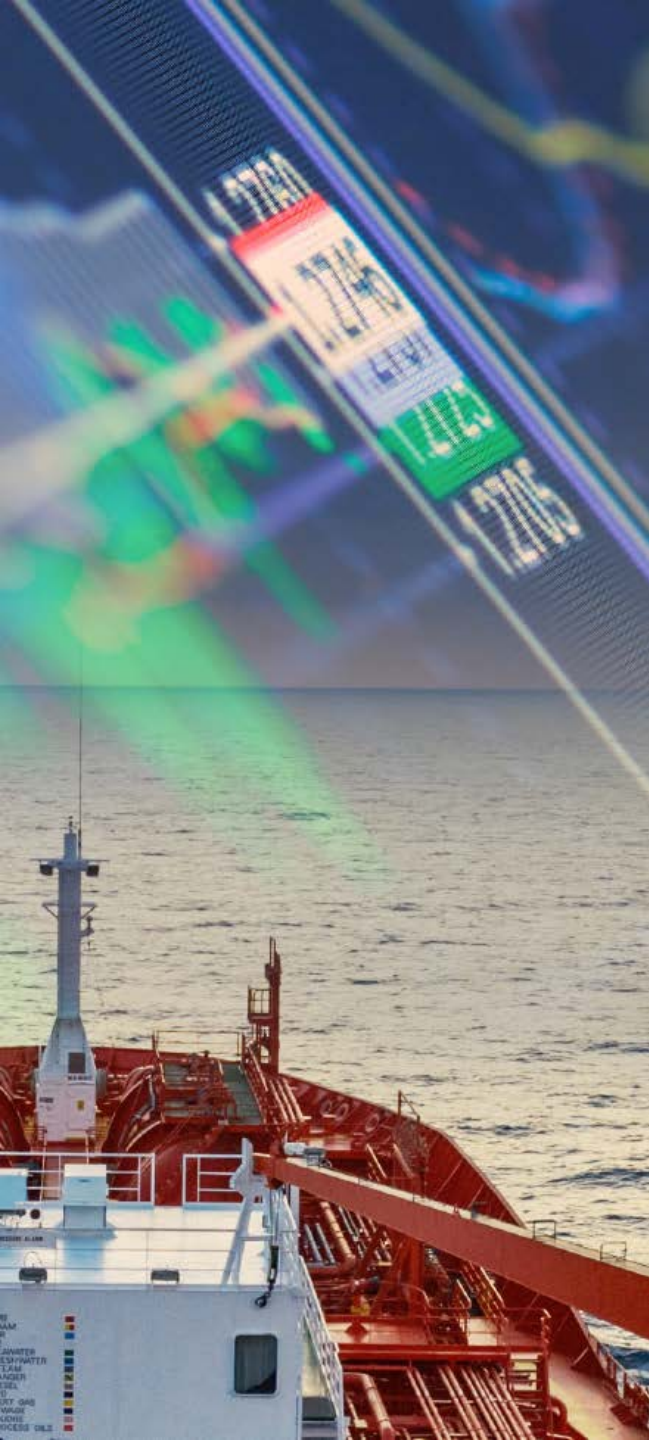
** Based on 78.6 million outstanding shares

*** Ratios are annualised

«3Q was a challenging quarter for our tanker and terminal divisions. Our balance sheet remains robust and our competitiveness continues to increase, so we are positioned to benefit once our markets recover. The sale of our Singapore terminal in line with our strategy will result in a significant gain. We expect 4Q 2017 to be in line with 3Q 2017»

Kristian Mørch, CEO Odfjell SE

1. Proportional consolidation method according to actual historical ownership share



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Income statement¹ - Odfjell Group

USD mill	2Q 2017	3Q 2017	2016 YTD	2017 YTD
Gross revenue	238.5	236.7	729.5	718.2
Voyage expenses	(79.5)	(79.0)	(206.2)	(240.1)
TC expenses	(49.6)	(48.3)	(122.7)	(145.9)
Operating expenses	(46.4)	(49.9)	(141.4)	(141.3)
General and administrative expenses	(21.5)	(22.2)	(69.9)	(66.0)
Operating result before depr. (EBITDA)	41.4	37.3	189.6	125.0
Depreciation	(27.0)	(32.9)	(92.6)	(88.5)
Impairment	-	-	(9.5)	-
Capital gain (loss) on non-current assets	(0.3)	(0.8)	12.0	(1.0)
Operating result (EBIT)	14.2	3.6	99.4	35.5
Net finance	(18.3)	(13.4)	(37.1)	(47.2)
Taxes	(0.6)	(0.5)	(5.8)	(2.0)
Net result	(4.7)	(10.5)	56.5	(13.7)

1. Proportional consolidation method

Income statement¹ - Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	2Q17	3Q17	2Q17	3Q17	2Q17	3Q17
Gross revenue	208.9	207.6	27.5	27.0	238.5	236.7
Voyage expenses	(78.5)	(78.0)	-	-	(79.5)	(79.0)
TC expenses	(49.6)	(48.3)	-	-	(49.6)	(48.3)
Opex	(33.2)	(36.0)	(12.7)	(13.4)	(46.4)	(49.9)
G&A	(17.0)	(17.3)	(4.5)	(4.9)	(21.5)	(22.2)
EBITDA	30.5	28.0	10.3	8.7	41.4	37.3
Depreciation	(18.2)	(23.9)	(8.5)	(8.7)	(27.0)	(32.9)
Impairment	-	-	-	-	-	-
Capital gain/loss	0.2	(0.5)	(0.4)	(0.3)	(0.3)	(0.8)
EBIT	12.5	3.6	1.5	(0.3)	14.2	3.6
Net finance	(16.7)	(11.1)	(1.3)	(2.2)	(18.3)	(13.4)
Taxes	(0.4)	(1.0)	(0.3)	0.5	(0.6)	(0.5)
Net result	(4.5)	(8.5)	(0.1)	(2.0)	(4.7)	(10.5)
EPS	(0.06)	(0.11)	(0.00)	(0.03)	(0.06)	(0.13)

Key quarterly deviations:

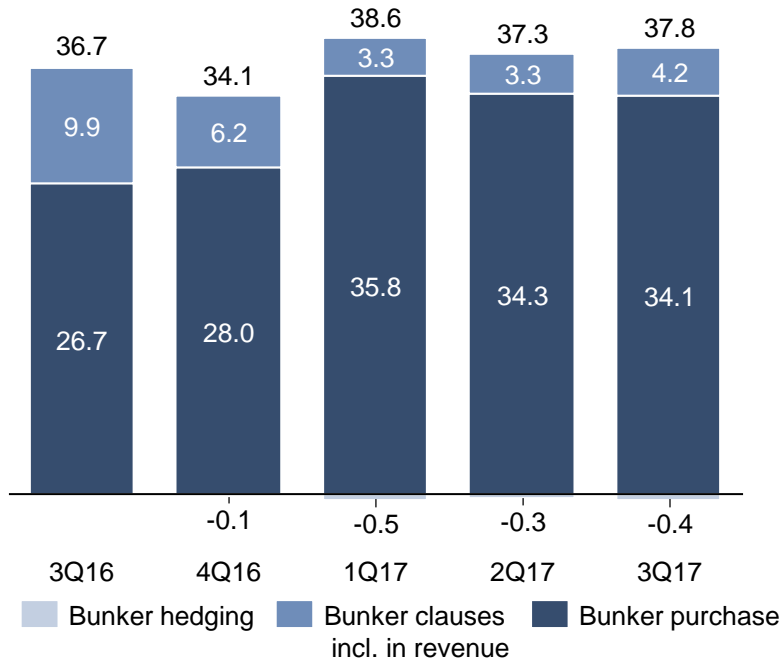
- Opex in Odfjell Tankers up on three new vessels delivered to the fleet
- Depreciation increased due to reduced life time of Asian built vessels and delivery of three vessels to our fleet
- Lower net finance costs due to non-recurring cost related to bond purchase in 2Q 17

* Total includes contribution from Gas Carriers now classified as held for sale

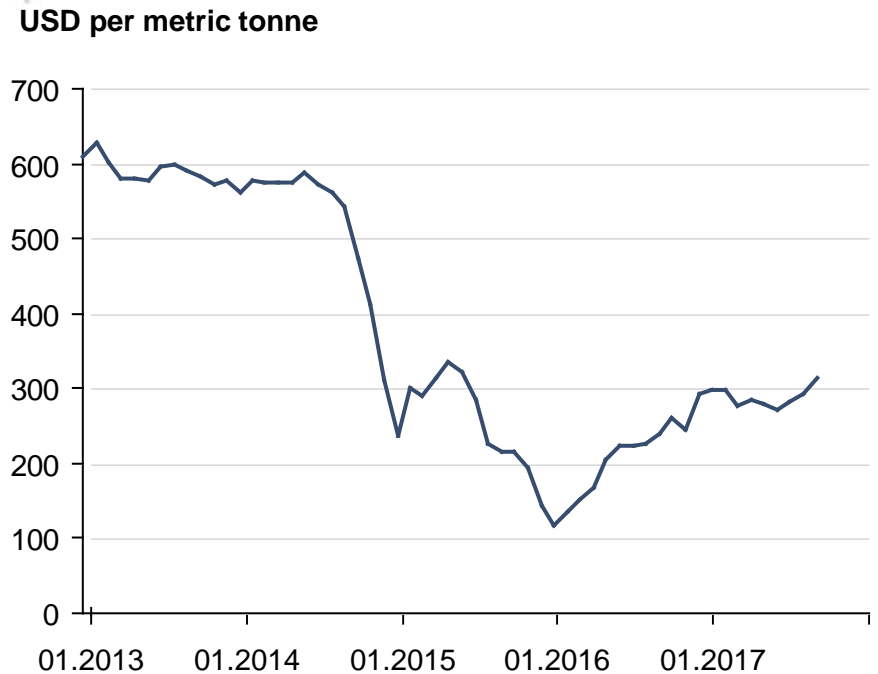
1. Proportional consolidation method

Bunker development

Quarterly net bunker cost
USD mill 3Q 2016 - 3Q 2017



Platts 3.5% FOB Rotterdam
January 2013 - September 2017



- Net bunker cost in 3Q USD 382 per tonne before hedging vs. USD 377 in 2Q
- Bunker clauses in CoAs cover about 64% of the exposure
- 6% of 2017 exposure is hedged at USD 230 per tonne

Balance sheet 30.09.2017 – Odfjell Group¹

Assets, USD mill	2Q 17	3Q 17
Ships and newbuilding contracts	1 250.3	1 329.0
Investment in associates and JVs	335.2	339.9
Other non-current assets/receivables	22.7	20.7
Total non-current assets	1 608.2	1 689.7
Cash and cash equivalent	189.7	111.7
Other current assets	113.8	122.0
Total current assets	303.6	233.8
Total assets	1 911.9	1 923.4

Equity and liabilities, USD mill	2Q 17	3Q 17
Total equity	718.0	711.7
Non-current liabilities and derivatives	35.0	19.8
Non-current interest bearing debt	907.0	995.3
Total non-current liabilities	942.1	1 015.1
Current portion of interest bearing debt	162.4	129.1
Other current liabilities and derivatives	89.4	67.6
Total current liabilities	251.8	196.6
Total equity and liabilities	1 911.9	1 923.4

- Delivery of new vessels
- Assets classified as held for sale are included in investment in JVs
- Cash balance of USD 112 mill

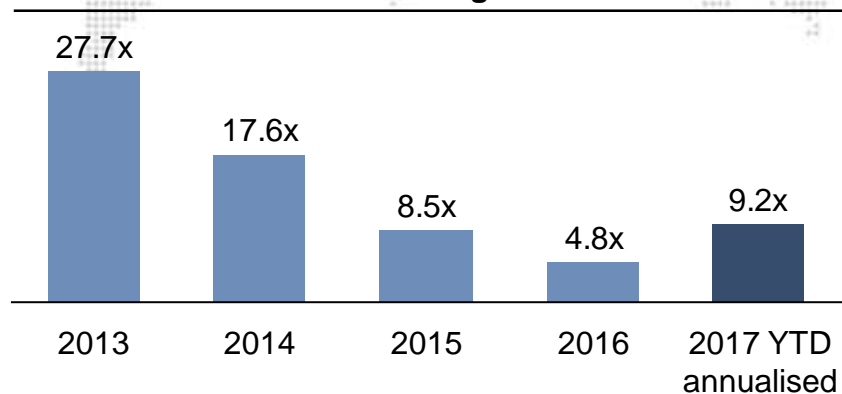
1. Equity method

* 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

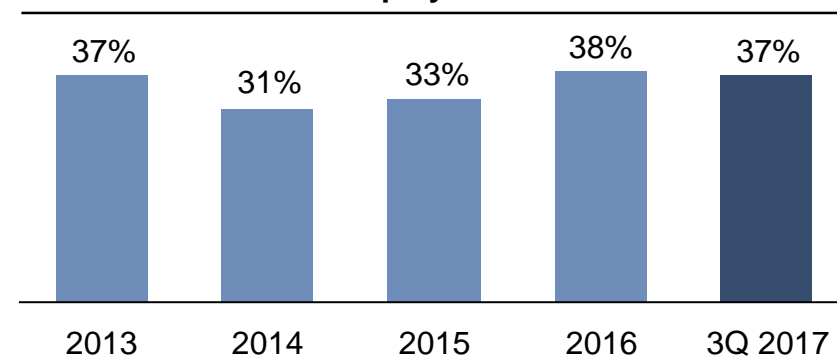
Financial ratios – Odfjell Group

Equity method method

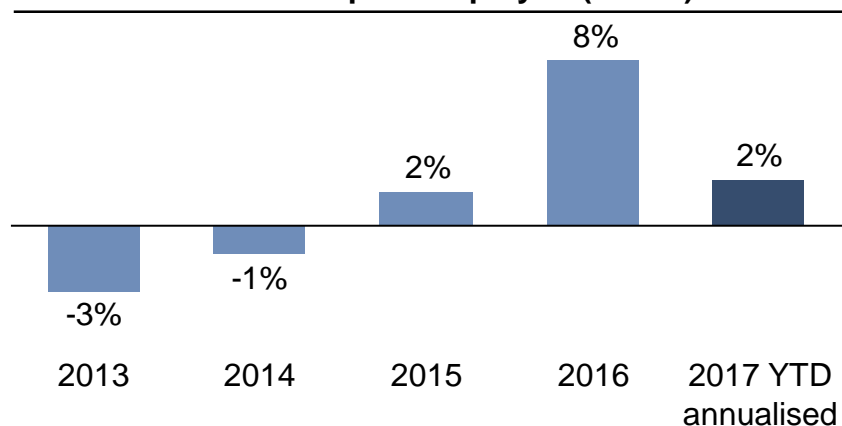
Gross interest bearing debt / EBITDA



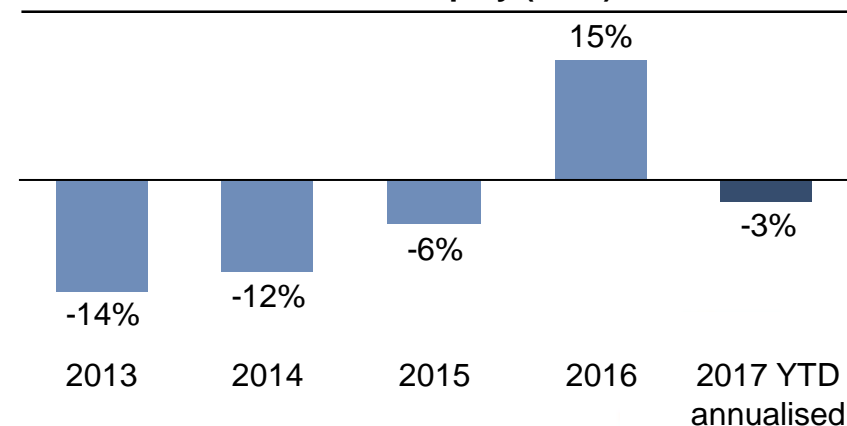
Equity ratio



Return on capital employed (ROCE)¹



Return on equity (ROE)



Note figures are by the equity method, year-end (or annualised) and not adjusted for extraordinary items such as impairments, capital gains, etc.

1. EBIT divided by end of period total equity plus net interest-bearing debt

Cash flow 30.09.2017 – Odfjell Group¹

Cash flow, USD mill	1Q 17	2Q 17	3Q 17	YTD 17
Net profit	1.8	(5.3)	(9.9)	(13.4)
Adjustments	18.7	3.0	32.1	53.8
Changes in working capital	(3.4)	4.4	(14.6)	(13.6)
Other	(10.9)	5.1	8.1	2.3
Cash flow from operating activities	6.2	7.1	15.7	29.0
Sale of non-current assets	-	-	4.0	4.0
Investments in non-current assets	(3.0)	(56.2)	(101.7)	(160.9)
Other	(0.7)	13.8	1.0	14.1
Cash flow from investing activities	(3.7)	(42.4)	(96.6)	(142.7)
New interest bearing debt	83.7	187.4	72.0	343.1
Repayment of interest bearing debt	(48.7)	(161.2)	(69.7)	279.6
Dividends	-	(13.9)	-	(13.9)
Cash flow from financing activities	35.1	12.2	2.3	49.6
Net cash flow*	37.8	(22.6)	(78.1)	(62.8)

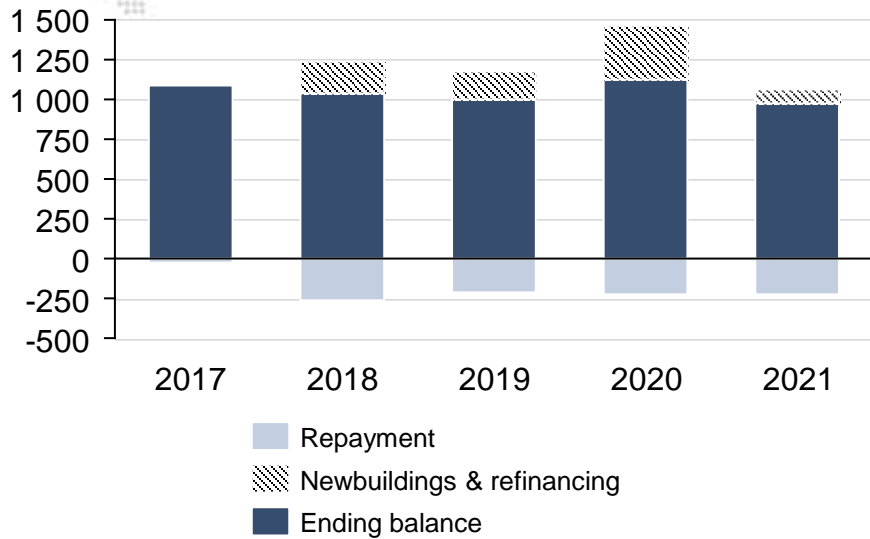
- Operating cash flow remains positive despite weak markets
- Net investments relates to delivery and instalments on newbuildings
- New interest bearing debt on delivery of two newbuildings

1. Equity method
2. * After FX effects

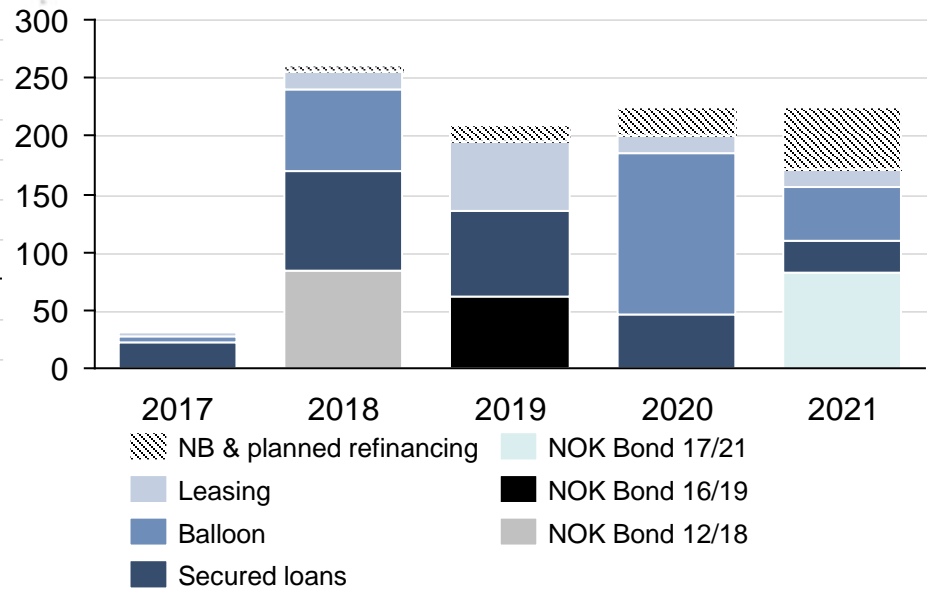
Debt development – corporate and chemical tankers

30.09.2017

Debt Portfolio, USD mill



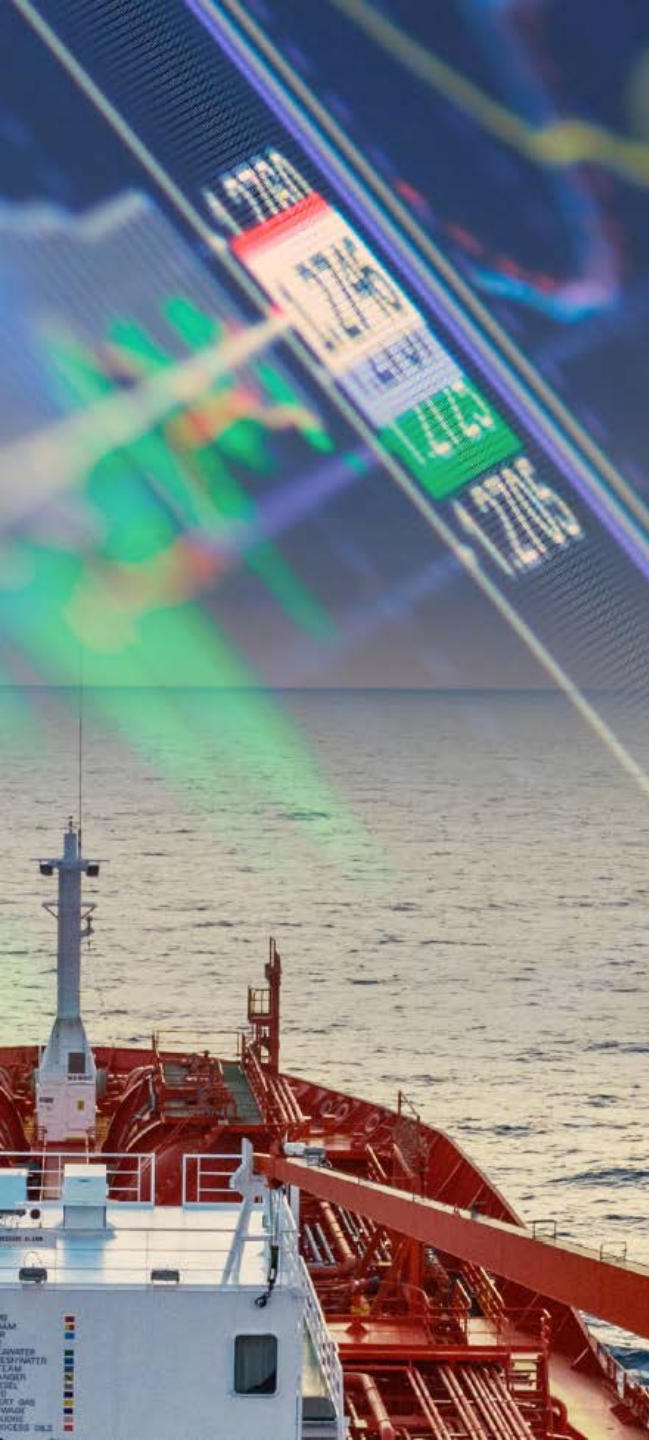
Debt Repayments, USD mill



- Newbuildings have been fully financed
- Strong interest from lenders on future refinancing
- USD 84 mill in bonds maturing in December 2018

Capital expenditure programme – 30.09.2017

USD mill	Remaining 2017	2018	2019	2020	2021
Chemical Tankers					
Hudong 4 x 49,000 dwt (USD 60 mill)	6	24	144	42	-
Hudong 2 x 38,000 dwt (USD 58 mill)	-	6	12	87	-
AVIC 3 x 25,000 dwt (USD 40 mill)		108	-	-	-
Docking	2	22	13	14	19
Other investments	2	12	7	8	-
Total	10	172	176	151	19
Instalment structure – Newbuildings					
Debt instalment	-	126	144	130	-
Equity instalment	6	12	12	-	-
Tank Terminals, 100%					
Planned capex	27	62	37	34	-



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Odfjell Compass – Progress on key strategic objectives

- **Growth**

- We have completed our basic fleet growth/renewal programme. The first three owned vessels was delivered to our fleet late 2Q and during 3Q (Bow Neon, Bow Palladium and Bow Compass)
- Participated in consolidation through the acquisition of CTG

- **Operational excellence**

- Project Moneyball: 90% of the strategy has been implemented. Meaningful improvement in port efficiency compared to historic benchmark and we are ahead of our targets
- Terminals: Value creation programme in progress

- **Financial strength**

- Solid balance sheet: Our balance sheet will improve further following our sale of the Singapore terminal
- Competitive cost of capital: Stronger balance sheet should lead to improved cost of capital

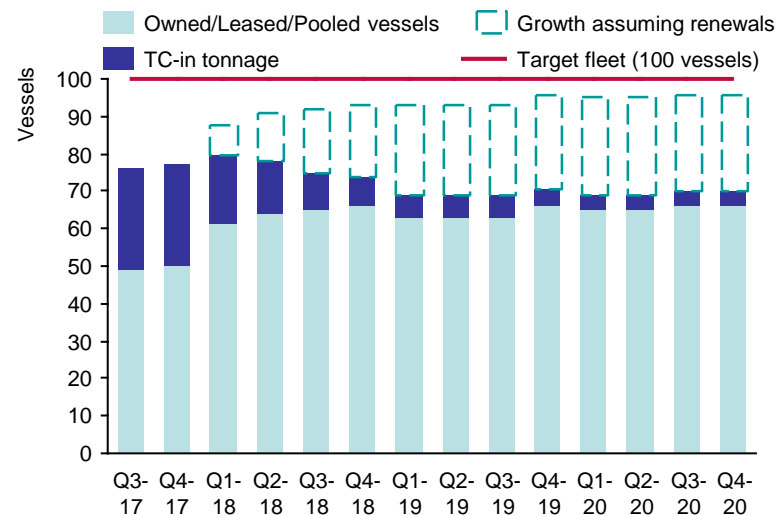
- **Terminals – back to meaningful profitability levels**

- Focus on improving and growing our core terminals: Singapore and Oman sale reflected divestment of non-core terminals.
- Terminals to remain self-funded

Odfjell Tankers fleet profile includes the flexibility to adjust to changing markets

- Large portion of timecharter portfolio up for renewal in 2018 and 2019
- We expect renewals to be concluded at lower levels based on the current cycle, which has the potential to reduce our costs base further
- TC portfolio gives flexibility to reduce fleet in case of an extended weakness in the market
- Current TC market is below historic averages and below replacement cost for new tonnage

Future fleet composition



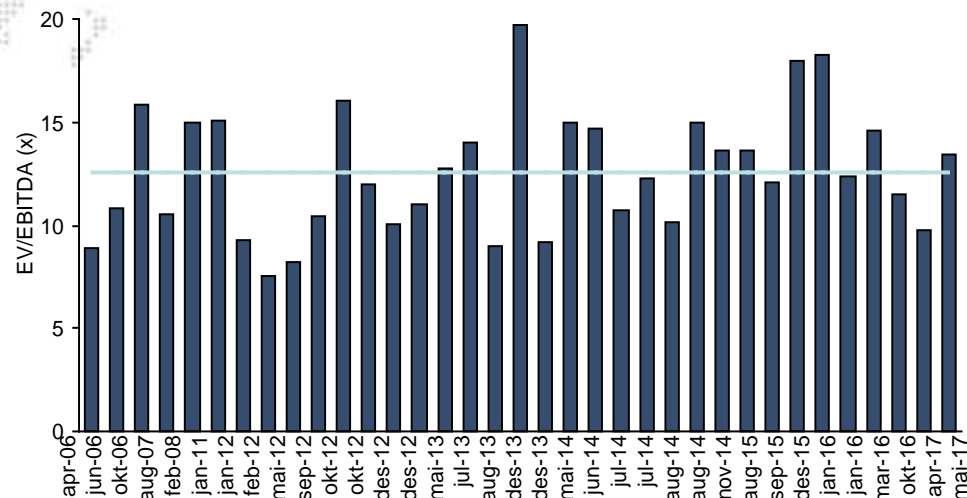
Historical timecharter rates



Sale of Singapore terminal expected to close during December 2017

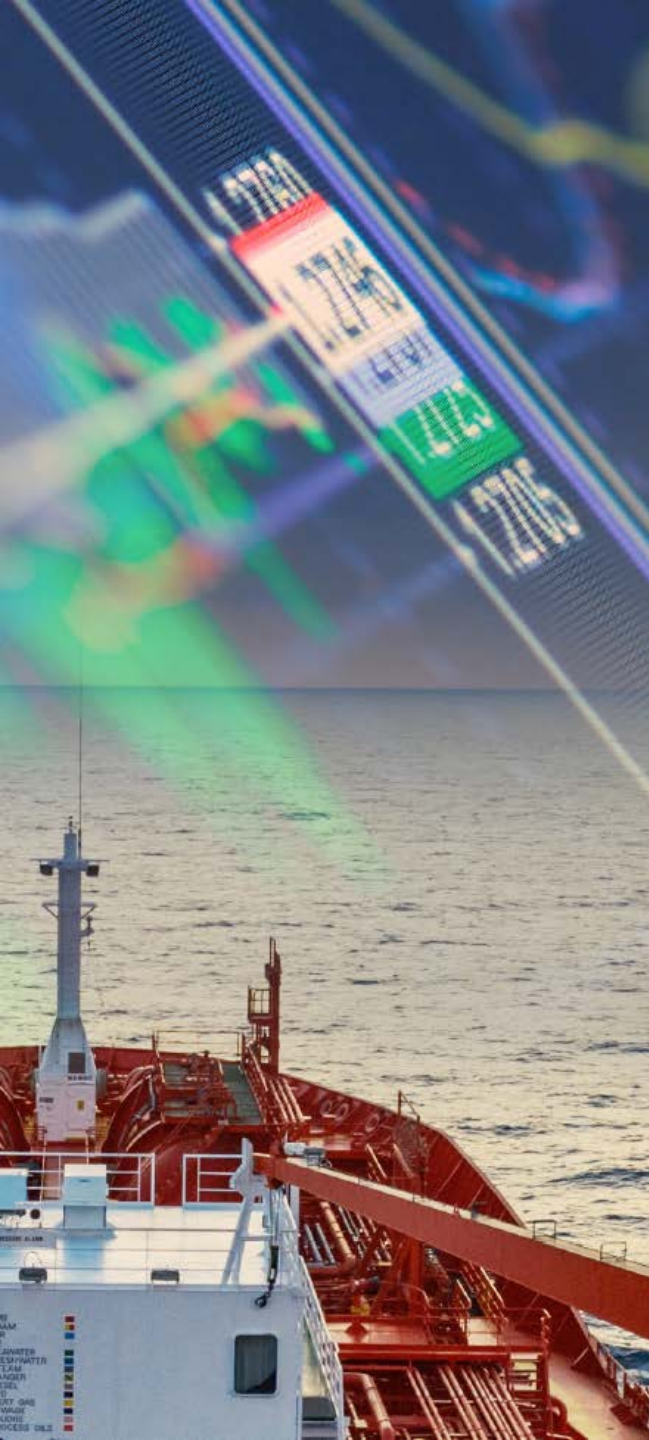
- Odfjell Terminals (OTBV) sold its 50% ownership share in Singapore terminal in October at attractive valuation
- Enterprise value for OTBV's 50% ownership share of USD 330 mill and equity value of USD 300 mill
- Odfjell SE (51% ownership) equal to a USD 135 mill gain after completion of transaction expected in 4Q. Equity IRR has been 23%
- Transaction multiple in the higher range compared to historical transactions
- Majority of cash proceeds will be paid out to shareholders of OTBV
- Odfjell Terminals delivers on its strategy of divesting non-core terminals
- Remaining terminal capacity is 2 mill cbm chemical storage and 1.1 mill oil mineral storage

Historical tank terminal transaction multiples



Strategy update - Odfjell Terminals

- **Possible Ethylene project Houston**
 - We have finalised the basic engineering and have all the required permits
 - We are ready to start construction if we obtain satisfactory commitments from customers, with whom we are in continuous dialogue to finalise agreements
 - Potential final investment decision can be made in 1Q 2018
- **Final permit for terminal in China received**
 - Odfjell Terminals new terminal in Tianjin received its final permit to operate
 - Opening of the port for foreign vessels is expected in 4Q
- **Development in Rotterdam**
 - The value creation programme in Rotterdam is progressing
 - Impacted negatively by departure of some “contango” based customers
 - PID production is stable at expected levels

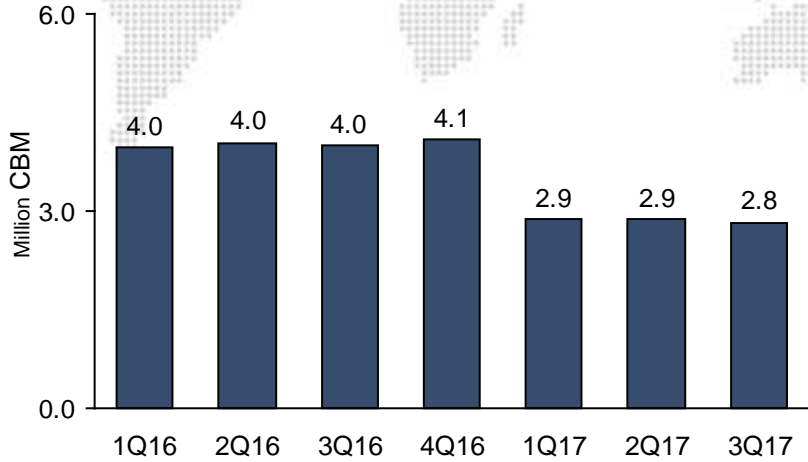


Agenda

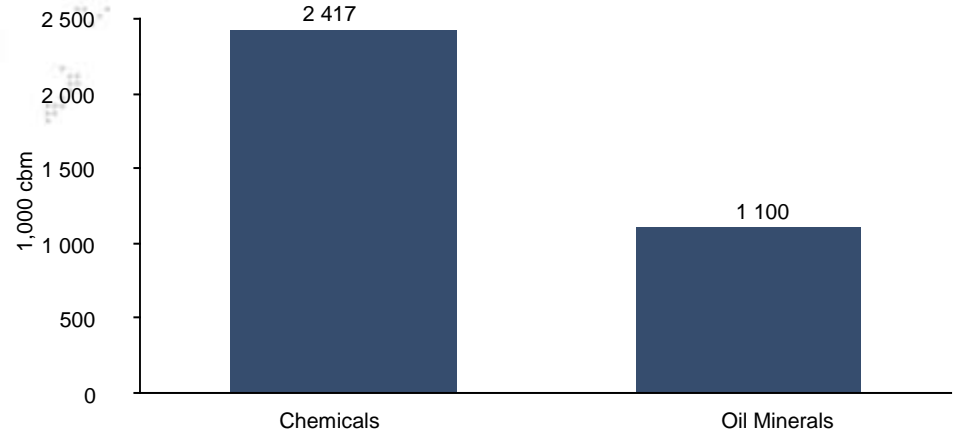
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Terminals: The end of the “contango” in the oil/products market has a negative impact on the terminal business

Odfjell Terminals: Commercial available capacity



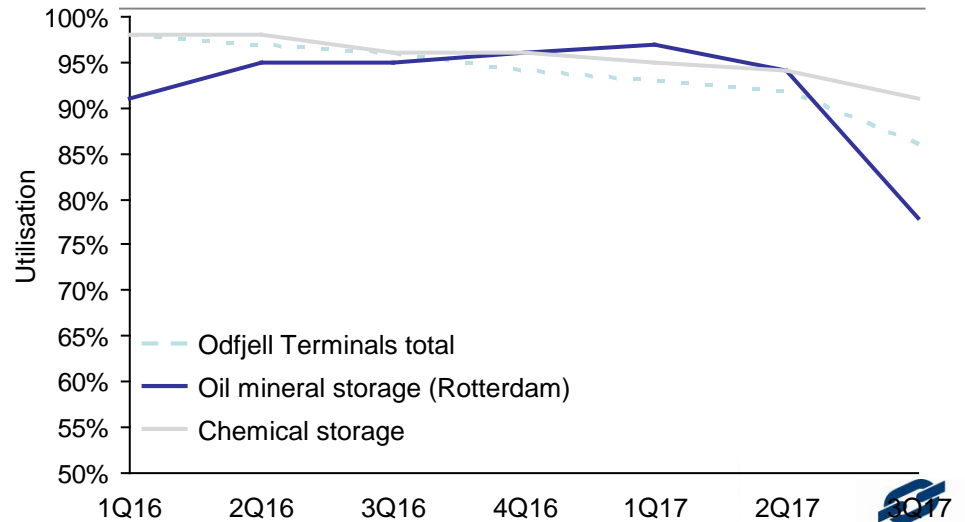
Odfjell Terminals: Capacity by cargo-type*



Odfjell Terminals: Contango development



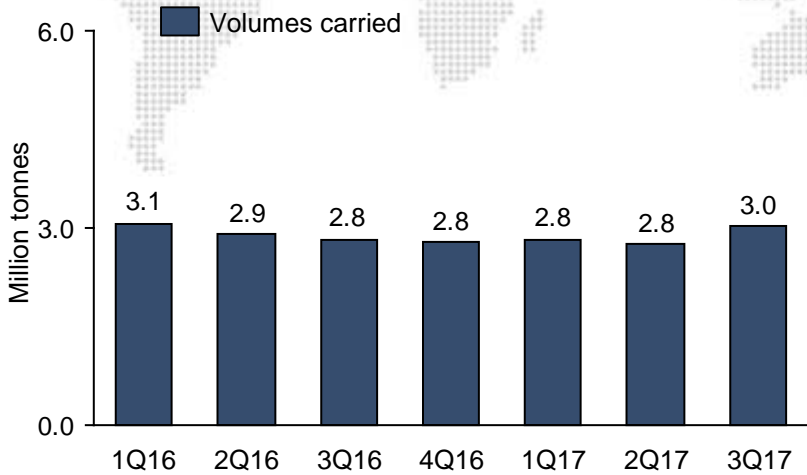
Odfjell Terminals: Utilisation development



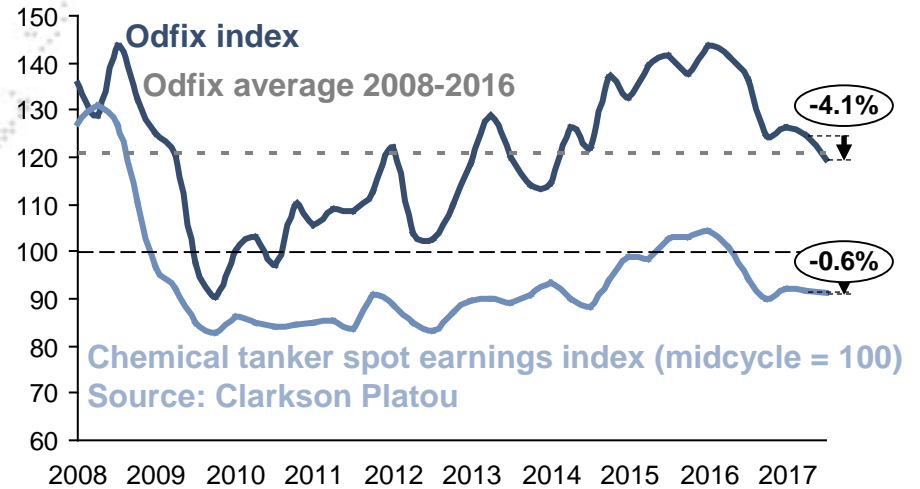
* Includes capacity from Singapore terminal

Tankers: our volumes are up, but the market continues to be weak. Our COA portfolio softens the impact

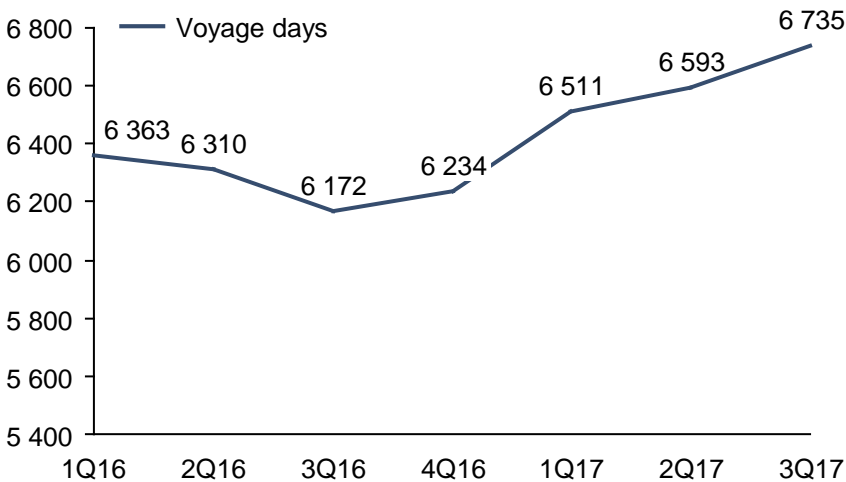
Odfjell Tankers: Volume development



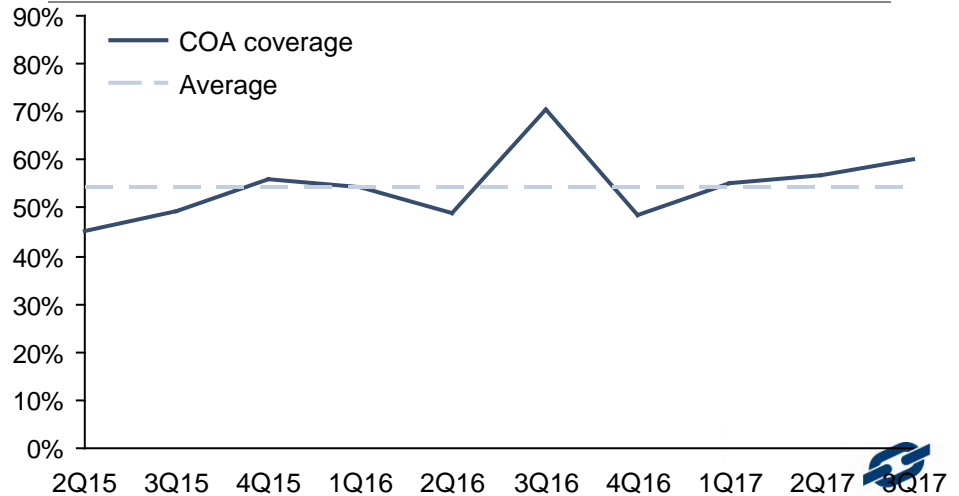
Odfjell Tankers: ODFIX versus chemical tanker spot rates*



Odfjell Tankers: Voyage days development



Odfjell Tankers: COA coverage



* ODFIX relative underperformance related to Hurricane Harvey and delivery of newbuildings

Market dynamics – Chemical tankers

DEMAND:

- Clarksons Platou forecast tonne-mile demand to grow around 4% through 2019
- Demand growth driven by new plant capacity in the US and ME driven by its feedstock advantages
- This will drive longer hauls of chemical cargoes and potentially pushing tonne-mile demand on top of GDP growth

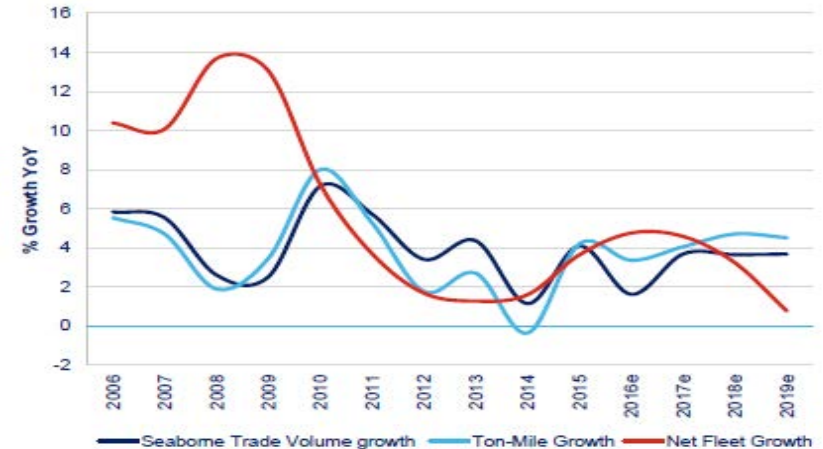
SUPPLY

- Clarksons Platou forecasts chemical tanker net fleet growth to be 0.8% in 2019
- We are at the peak of deliveries and going forward demand will outgrow supply
- Very limited ordering of new tonnage

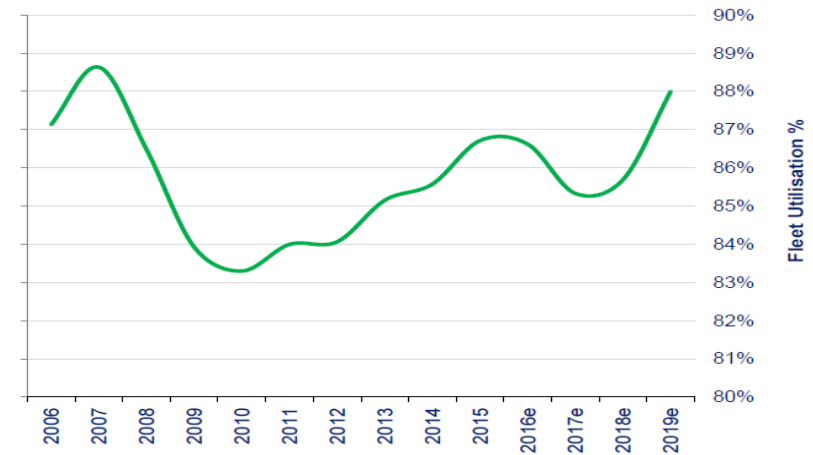
MARKET DYNAMICS

- High competitive pressure from swing tonnage
- Utilization is expected to improve from 2018
- A recovery is contingent on limited newbuilding orders and continued global growth. CPP market remains a «joker»
- We expect consolidation to continue within chemical tankers

Supply/Demand forecast



Fleet utilisation forecast



Source: Clarksons Platou Securities AS

Prospects

- We believe that chemical tanker markets will gradually improve through 2018 as tonne-mile demand is expected to surpass net fleet growth
- We expect storage demand for oil minerals to remain challenging while we expect stable demand and results for chemical storage
- We expect 4Q results to be in line with 3Q 17



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