



ODFJELL

Fourth Quarter Presentation

2017



15 February 2018



Agenda

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

Highlights

- The chemical tanker market remained challenging in 4Q, despite some seasonal improvements. The market for terminals was slightly improved compared to 3Q
- EBITDA of USD 41 mill, compared with USD 37 mill previous quarter 2017
- Net results of USD 96 mill compared to -USD 11 mill previous quarter 2017
- Net results included capital gain of USD 136 mill and impairments of negative USD 43 mill
- We concluded the sale of our Singapore terminal which contributed with USD 150 mill in cash, of which USD 117 mill of cash proceeds have been transferred to Odfjell SE
- We signed a framework agreement with Sinochem for the establishment of a pool of sophisticated chemical tankers, managed by Odfjell SE
- The Board proposes a dividend of NOK 1.50 per share for 2017 to reflect the gain on the sale of our Singapore terminal

Key figures, USD mill¹

(USD mill, unaudited)	1Q17	2Q17	3Q17	4Q17	4Q16	FY17	FY16
Odfjell Tankers	212.8	208.9	207.6	213.2	204.2	842.5	832.4
Odfjell Terminals	27.8	27.5	27.0	27.8	30.7	110.1	122.7
Revenues*	243.0	238.5	236.7	242.9	237.6	961.1	967.2
Odfjell Tankers	36.0	30.5	28.0	30.6	36.3	125.0	187.7
Odfjell Terminals	9.5	10.3	8.7	9.8	10.8	38.3	46.5
EBITDA*	46.2	41.4	37.3	40.7	48.0	165.7	237.6
EBIT	17.7	14.2	3.6	98.5	45.3	134.0	144.6
Net profit	1.5	(4.7)	(10.5)	96.4	43.5	82.7	100.0
EPS**	0.02	(0.06)	(0.13)	1.23	0.55	1.05	1.27
ROE***	0.6%	(1.2%)	(7.0%)	11.8%	4.1%	10.8%	14.6%
ROCE***	3.8%	3.1%	0.5%	7.9%	4.2%	7.4%	7.9%

*Includes figures from Odfjell Gas

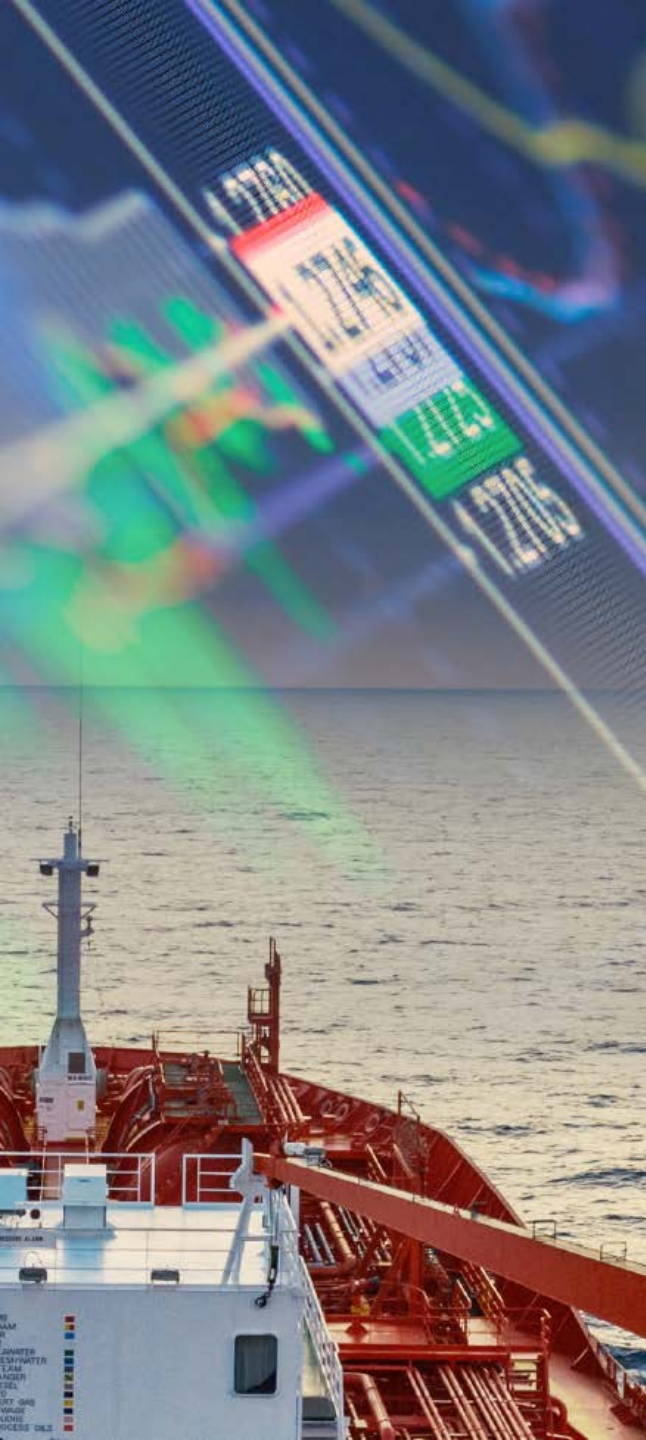
** Based on 78.6 million outstanding shares

*** Ratios are annualised

«Our markets have remained challenging in 4Q, but Odfjell continues to make good progress. We have recently achieved our growth ambitions by renewing our fleet and participating in the consolidation in a capital efficient way, and we have at the same time strengthened our balance sheet through disposal of non-core assets.»

Kristian Mørch, CEO Odfjell SE

1. Proportional consolidation method according to actual historical ownership share



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Income statement¹ – Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17
Gross revenue	207.6	213.2	27.0	27.8	236.7	242.9
Voyage expenses	(78.0)	(82.0)	-	-	(79.0)	(82.8)
TC expenses	(48.3)	(48.9)	-	-	(48.3)	(48.9)
Opex	(36.0)	(35.2)	(13.4)	(12.4)	(49.9)	(48.2)
G&A	(17.3)	(16.5)	(4.9)	(5.6)	(22.2)	(22.2)
EBITDA	28.0	30.6	8.7	9.8	37.3	40.7
Depreciation	(23.9)	(27.1)	(8.7)	(8.8)	(32.9)	(36.2)
Impairment	-	(21.9)	-	(20.7)	-	(42.6)
Capital gain/loss	(0.5)	0.2	(0.3)	136.3	(0.8)	136.5
EBIT	3.6	(18.3)	(0.3)	116.7	3.6	98.5
Net finance	(11.1)	(10.3)	(2.2)	(0.6)	(13.4)	(11.3)
Taxes	(1.0)	0.1	0.5	8.9	(0.5)	9.0
Net result	(8.5)	(28.5)	(2.0)	125.0	(10.5)	96.4
EPS	(0.11)	(0.36)	(0.03)	1.59	(0.13)	1.23

Key quarterly deviations:

- 4Q EBITDA slightly improved driven by improving revenues in Odfjell Tankers and Odfjell Terminals
- OPEX and G&A slightly lower in 4Q compared to 3Q
- Depreciations in Tankers increased, but this included a one-off depreciation on divested equipment. Going forward, depreciations will reflect last quarters levels (plus new vessels)
- Sale of our Singapore terminal contributed with USD 136.3 mill in gains during the quarter
- 4Q results was impacted by several non-recurring items (See next slide)
- Underlying results improved compared to previous quarter also when adjusting for these items

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

1. Proportional consolidation method

Income statement¹ – 4Q non-recurring items

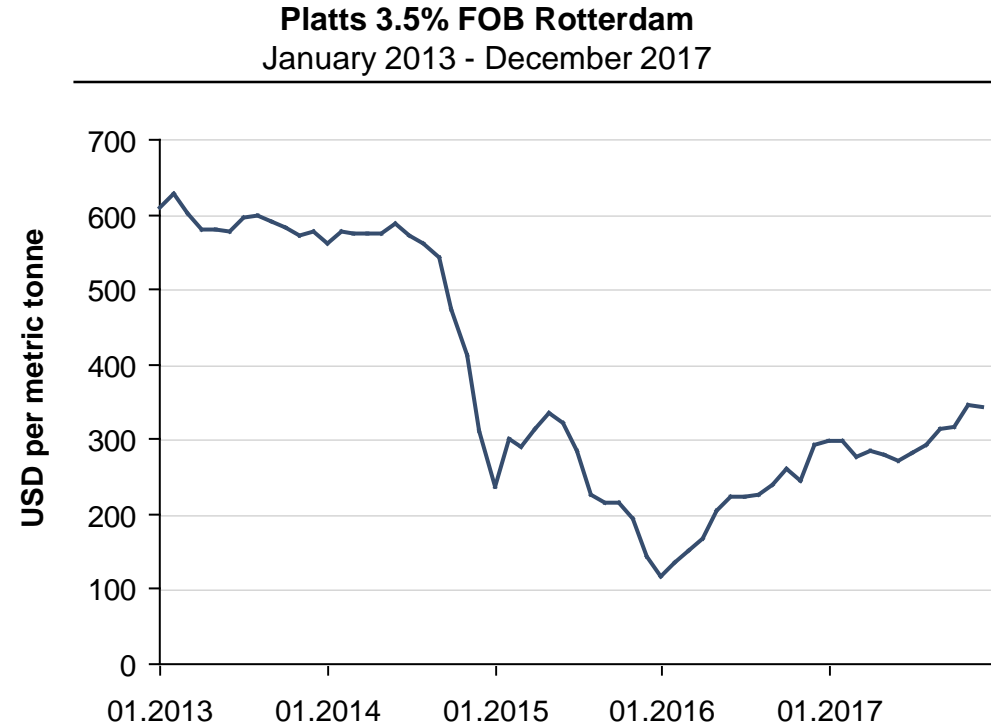
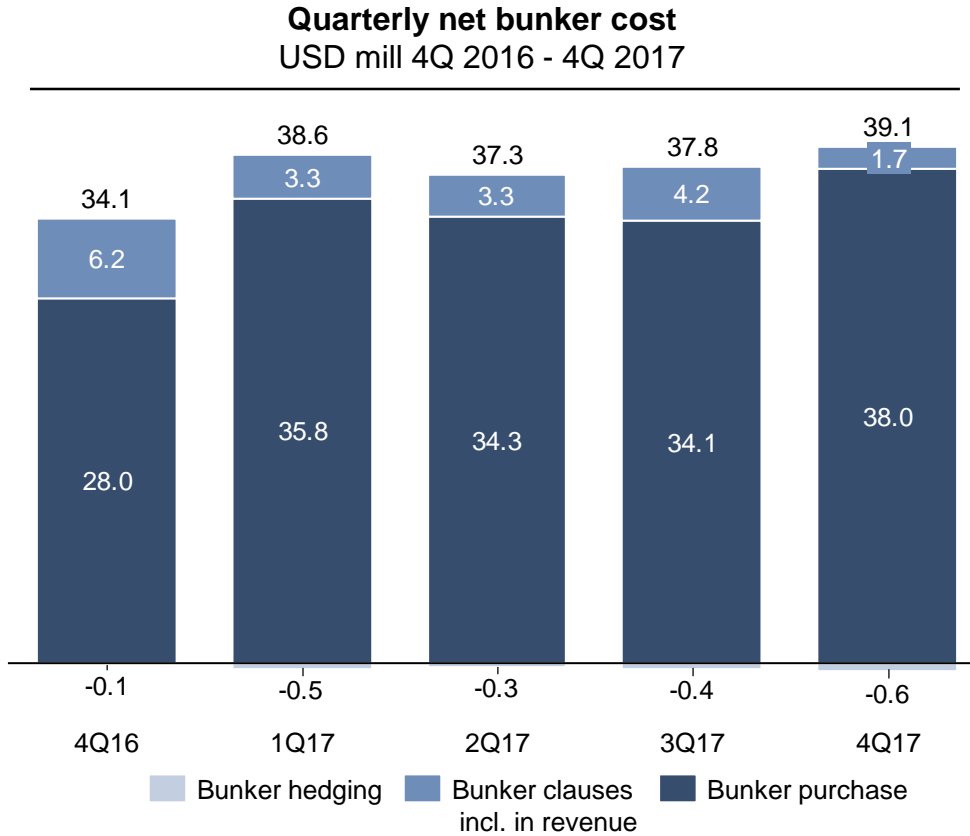
USD mill	Tankers		Terminals		Total*	
	3Q17	4Q17	3Q17	4Q17	3Q17	4Q17
Gross revenue	207.6	213.2	27.0	27.8	236.7	242.9
Voyage expenses	(78.0)	(82.0)	-	-	(79.0)	(82.8)
TC expenses	(48.3)	(48.9)	-	-	(48.3)	(48.9)
Opex	(36.0)	(35.2)	(13.4)	(12.4)	(49.9)	(48.2)
G&A	(17.3)	(16.5)	(4.9)	(5.6)	(22.2)	(22.2)
EBITDA	28.0	30.6	8.7	9.8	37.3	40.7
Depreciation	(23.9)	(27.1)	(8.7)	(8.8)	(32.9)	(36.2)
Impairment	-	1 (21.9)	-	2 (20.7)	-	(42.6)
Capital gain/loss	(0.5)	0.2	(0.3)	3 136.3	(0.8)	136.5
EBIT	3.6	(18.3)	(0.3)	116.7	3.6	98.5
Net finance	(11.1)	(10.3)	(2.2)	(0.6)	(13.4)	(11.3)
Taxes	(1.0)	0.1	0.5	4 8.9	(0.5)	9.0
Net result	(8.5)	(28.5)	(2.0)	125.0	(10.5)	96.4
EPS	(0.11)	(0.36)	(0.03)	1.59	(0.13)	1.23

- 1 Odfjell Tankers impairment relates to our Regional fleet operating in Asia
 - The fleet was ordered at peak in 2008
 - Our regional fleet is now considered as a CGU and is separated from our remaining fleet under IFRS rules
 - Remainder of the fleet has good value support compared to book values
 - 2 Odfjell Terminal impairment related to our Charleston Terminal in the US
 - Revenue development at the terminal has been lower than expected
 - 3 Capital Gain related to Sale of Singapore terminal
 - Odfjell share of cash at the Singapore terminal was USD150 mill resulting in a book gain of USD 136 mill
 - 4 Tax gain related to our terminal operations in the US
 - Reduced deferred tax liability
- 4Q results adjusted for non-recurring items:
- Adjusted EBIT: USD 7.5 mill
 - Adjusted Net profit: -USD 3.7 mill
 - Adjusted EPS: -USD 0.05

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

1. Proportional consolidation method

Bunker development



- Net bunker cost in 4Q USD 400 per tonne before hedging vs. USD 382 in 3Q
- Bunker clauses in CoAs cover about 64% of the exposure
- No financial bunker hedging entered into for 2018

Balance sheet 31.12.2017 – Odfjell Group

Assets, USD mill	3Q 17	4Q 17	Equity and liabilities, USD mill	3Q 17	4Q 17
Ships and newbuilding contracts	1 329.0	1 293.5	Total equity	711.7	808.1
Investment in associates and JVs	339.9	349.5	Non-current liabilities and derivatives	19.8	9.6
Other non-current assets/receivables	20.7	23.7	Non-current interest bearing debt	995.3	845.3
Total non-current assets	1 689.7	1 666.6	Total non-current liabilities	1 015.1	855.0
Cash and cash equivalent	111.7	206.6	Current portion of interest bearing debt	129.1	238.5
Other current assets	122.0	119.1	Other current liabilities and derivatives	67.6	90.6
Total current assets	233.8	325.6	Total current liabilities	196.6	329.2
Total assets	1 923.4	1 992.2	Total equity and liabilities	1 923.4	1 992.2

- Sale of Singapore terminal increased cash position and book value of equity
- Current portion of interest bearing debt increasing by USD 110 mill mainly relates to USD 84 mill of bond debt reclassified from non-current interest bearing debt

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 – 31.12.2017 – Odfjell Group¹

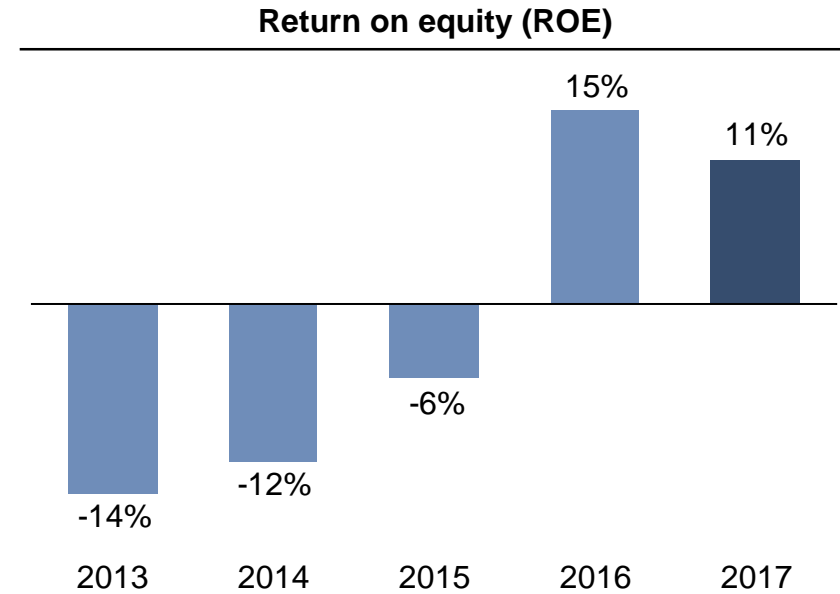
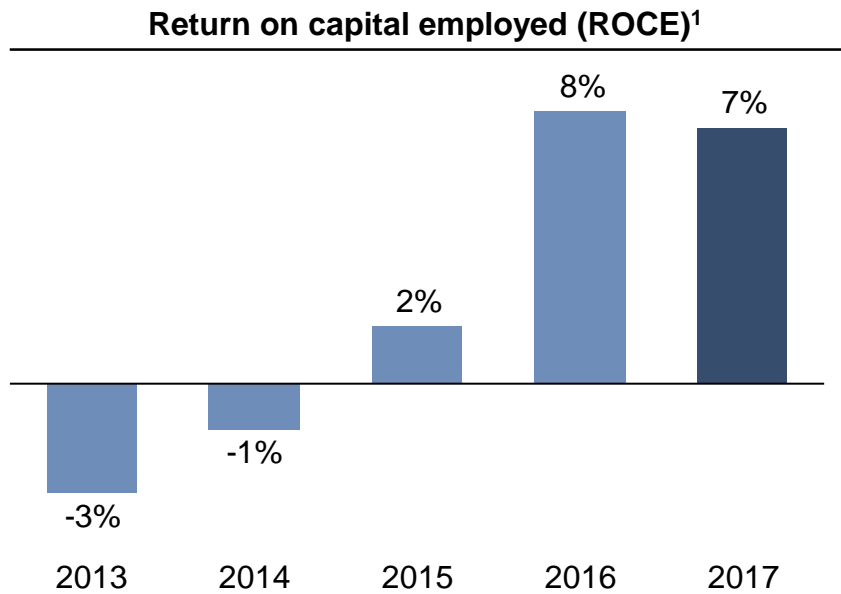
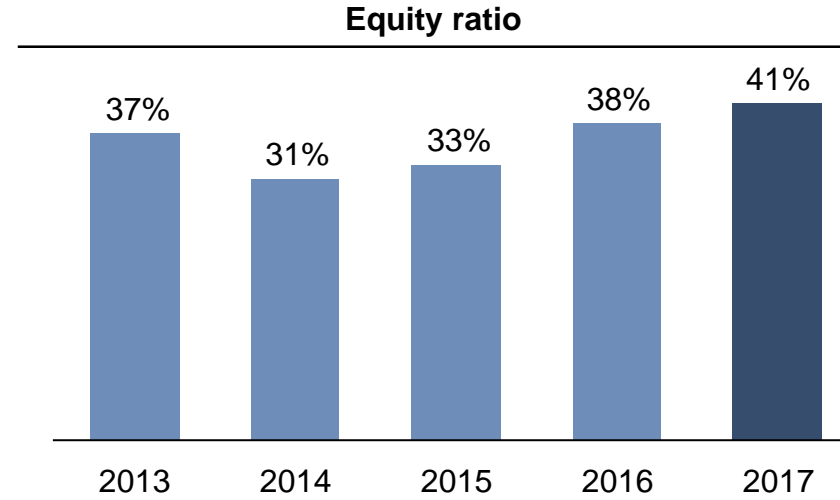
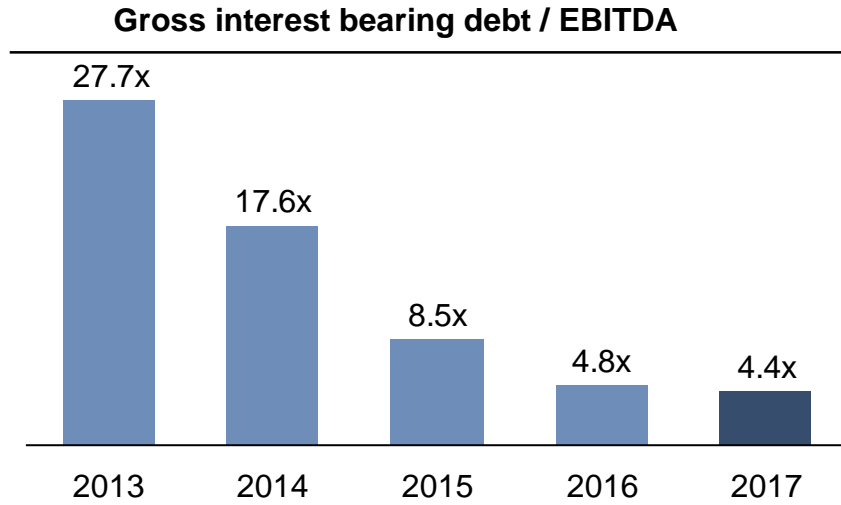
Cash flow, USD mill	1Q 17	2Q 17	3Q 17	4Q 17	FY 17
Net profit	1.8	(5.3)	(9.9)	97.2	83.8
Adjustments	18.7	3.0	32.1	46.4	100.2
Changes in working capital	(3.4)	4.4	(14.6)	19.3	5.7
Other	(10.6)	5.1	8.1	(138.4)	(135.7)
Cash flow from operating activities	6.5	7.2	15.7	24.5	54.0
Sale of non-current assets	-	-	4.0	0.0	4.0
Investments in non-current assets	(3.0)	(56.2)	(101.7)	(12.3)	(173.2)
Dividend/other from investments in Associates and JV's	-	-	-	117.1	117.1
Other	(0.7)	13.8	1.0	12.4	26.5
Cash flow from investing activities	(3.7)	(42.4)	(96.7)	117.2	(25.6)
New interest bearing debt	83.7	187.4	72.0	-	343.1
Repayment of interest bearing debt	(48.7)	(161.2)	(69.7)	(30.8)	(310.4)
Dividends	-	(13.9)	-	-	(13.9)
Other	-	-	-	(5.7)	(5.7)
Cash flow from financing activities	35.0	12.3	2.3	(36.5)	13.1
Net cash flow*	37.8	(22.9)	(78.1)	105.3	41.2

- USD125 mill in net book value gains in Odfjell Terminals the main adjustment in our operating cash flow
- USD 117.1 mill relates to cash dividend from Odfjell Terminals related to sale of Singapore terminal

1. Equity method
2. * After FX effects

Financial ratios – Odfjell Group

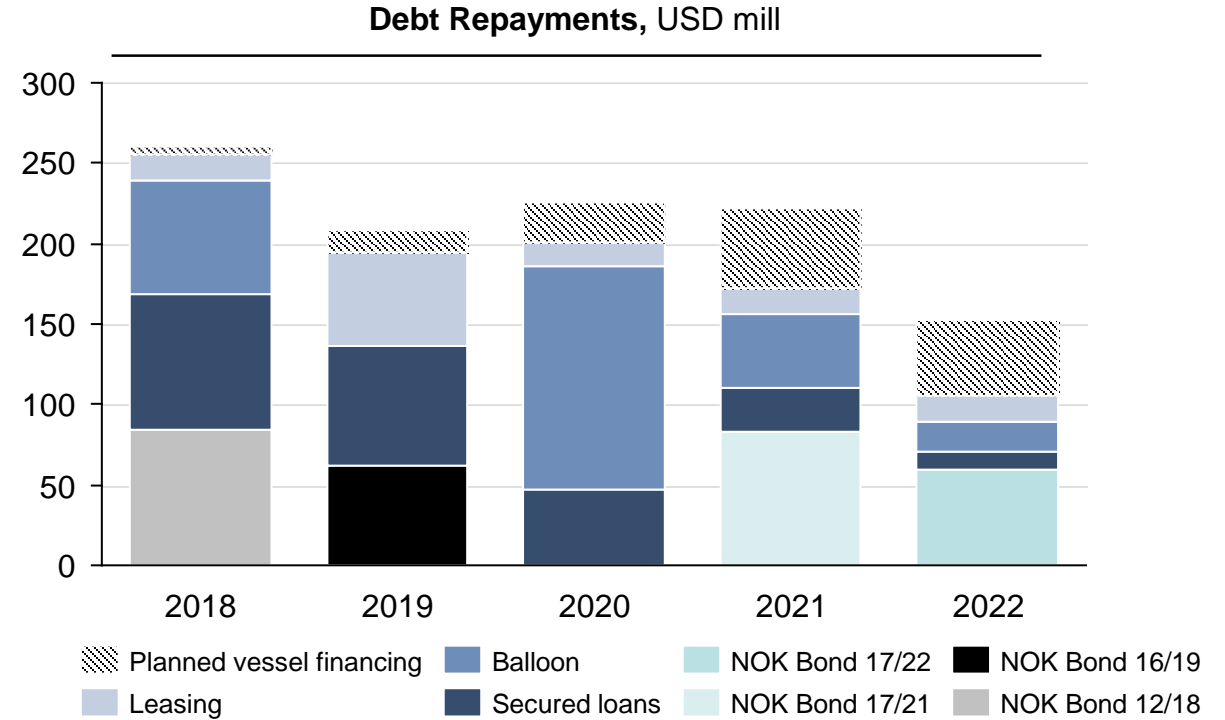
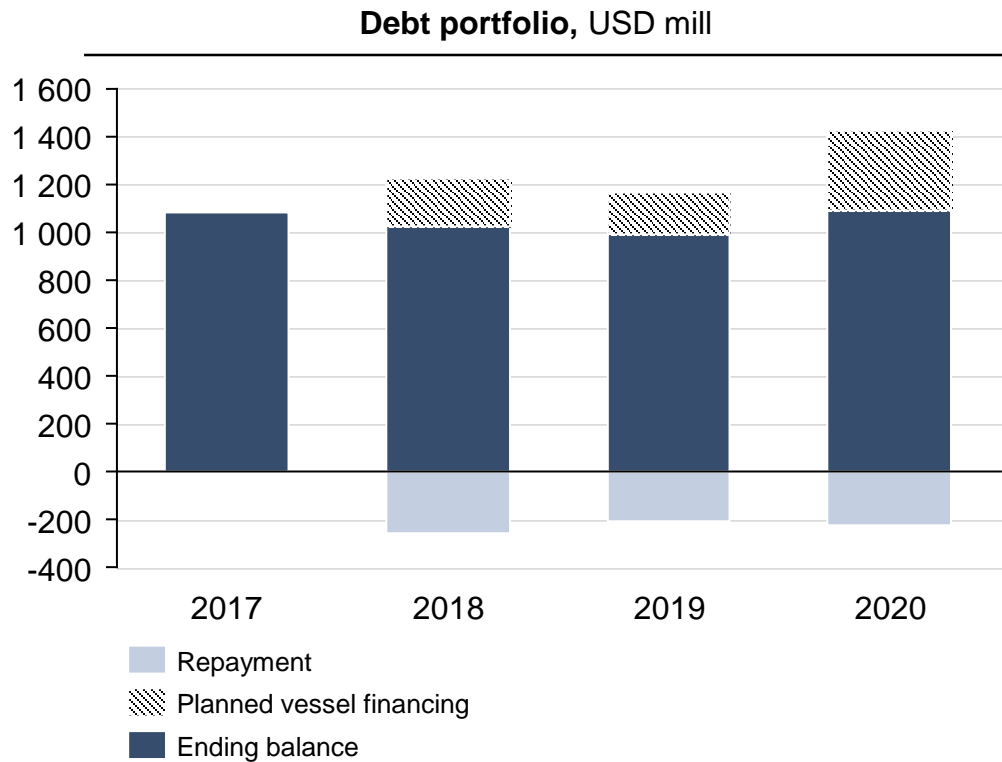
Equity method



Note figures are by the equity method, year-end (or annualised) and not adjusted for extraordinary items such as impairments, capital gains, etc.¹⁰

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

Debt development- Corporate and chemical tankers



- NOK bond maturing in December 2018 of USD 84 mill
- Strong appetite from lenders to participate in refinancing of loans maturing in 2018
- Debt levels by 2019/20 expected to decline on existing fleet while newbuilding financing will lift gross debt levels from 2020

Capital expenditure programme – 31.12.2017

USD mill	2018	2019	2020	2021	2022
Chemical Tanker newbuildings					
Hudong 4 x 49,000 dwt (USD 60 mill)	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	-	-	-	-
Total	138	156	129	-	-
Instalment structure – Newbuildings					
Debt instalment	126	144	130	-	-
Equity instalment	12	12	-	-	-
Tank Terminals, (Odfjell share)					
Planned capex	34	19	17	13	-

- We have secured financing for all chemical tanker newbuildings have secured and remaining equity instalments are limited to USD 24 mill
- Other chemical tanker investments for the next three years amounts to about USD 33 million, mainly related to installation of ballast water treatment systems.
- We expect the average annual docking capitalization to be on average USD 15 million in the years ahead.



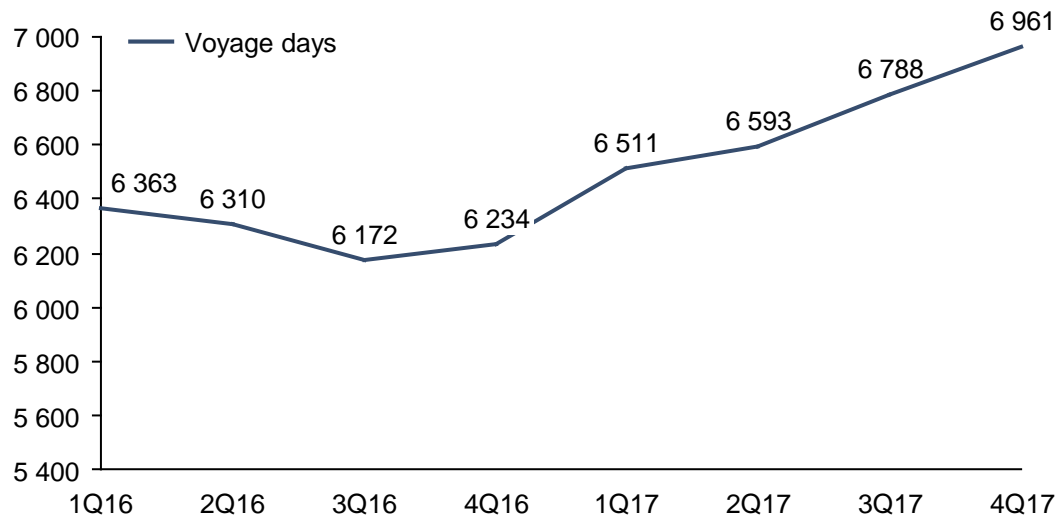
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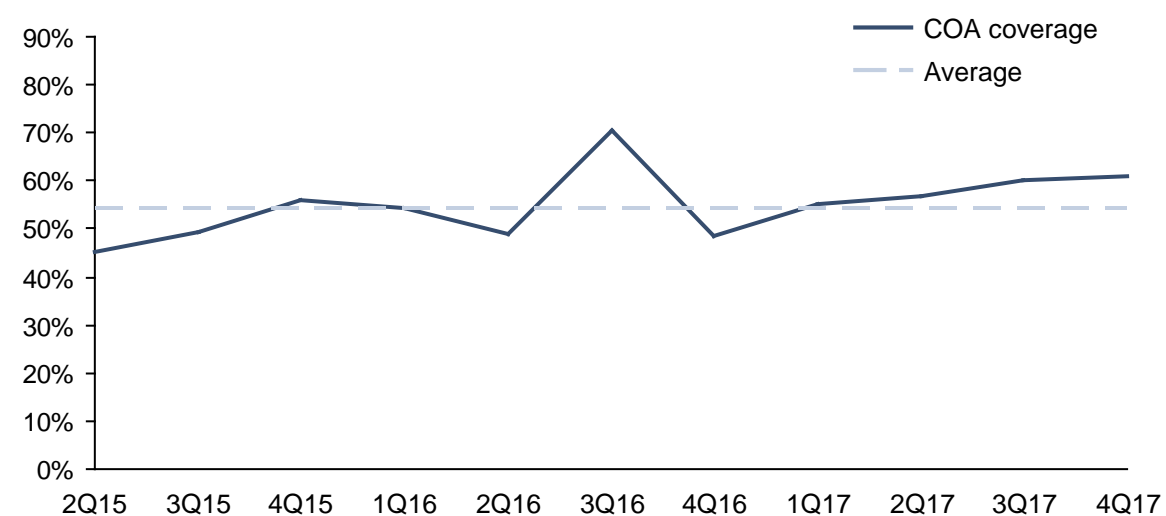
Tankers: Harvey impact was felt into 4Q. Our COA portfolio together with increased revenue days mitigates the challenging overall market

Market update

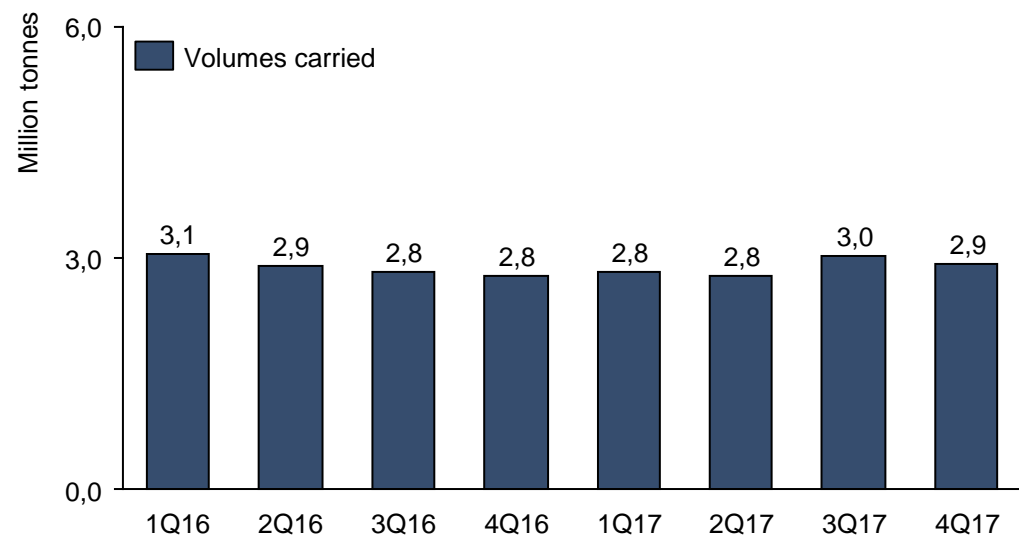
Odfjell Tankers: Voyage days development



Odfjell Tankers: COA coverage



Odfjell Tankers: Volume development

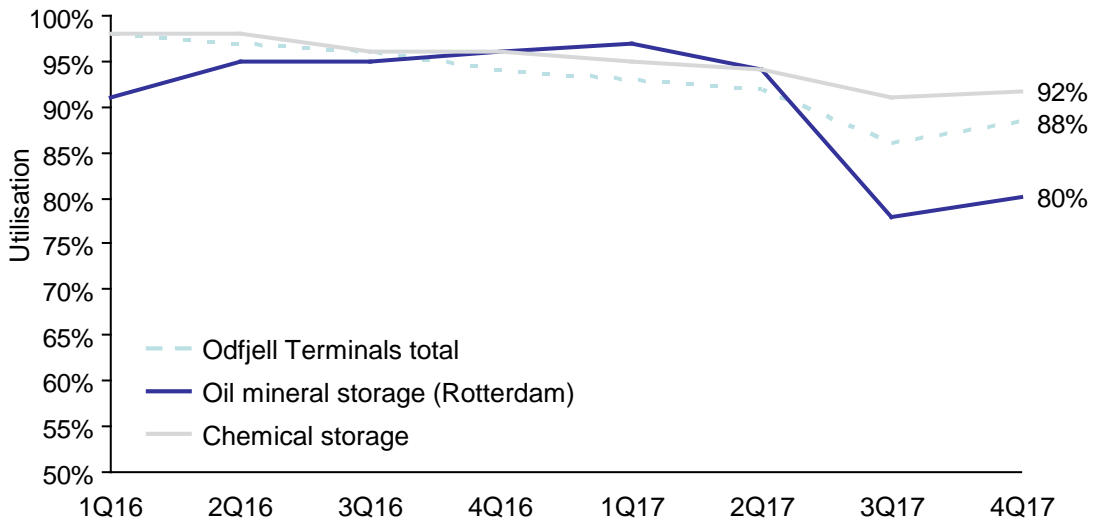


Odfjell Tankers: ODFIX versus chemical tanker spot rates*

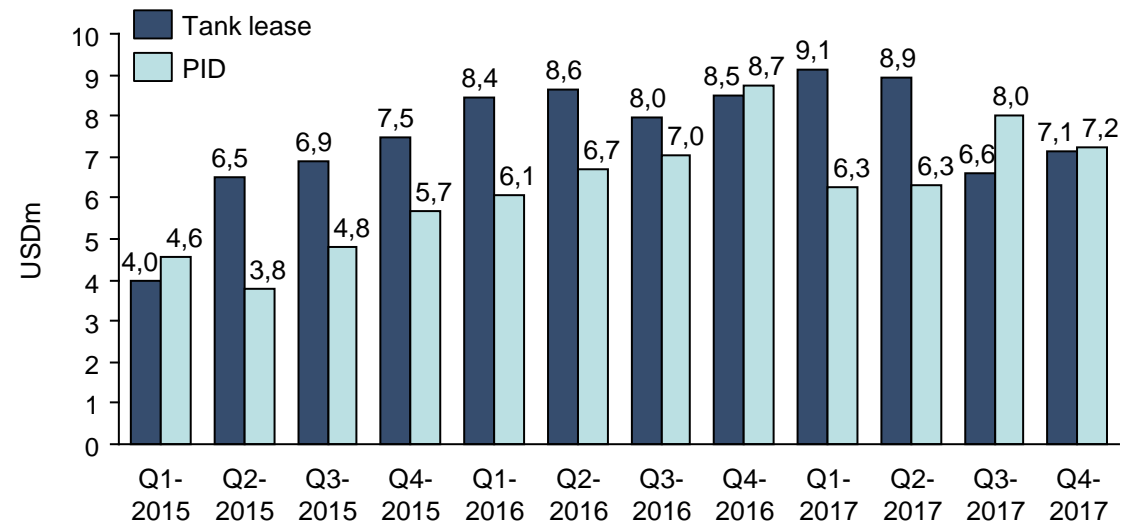


Terminals: Restored volumes in Houston and continuous strong performance by our PID softens impact from weak oil mineral storage

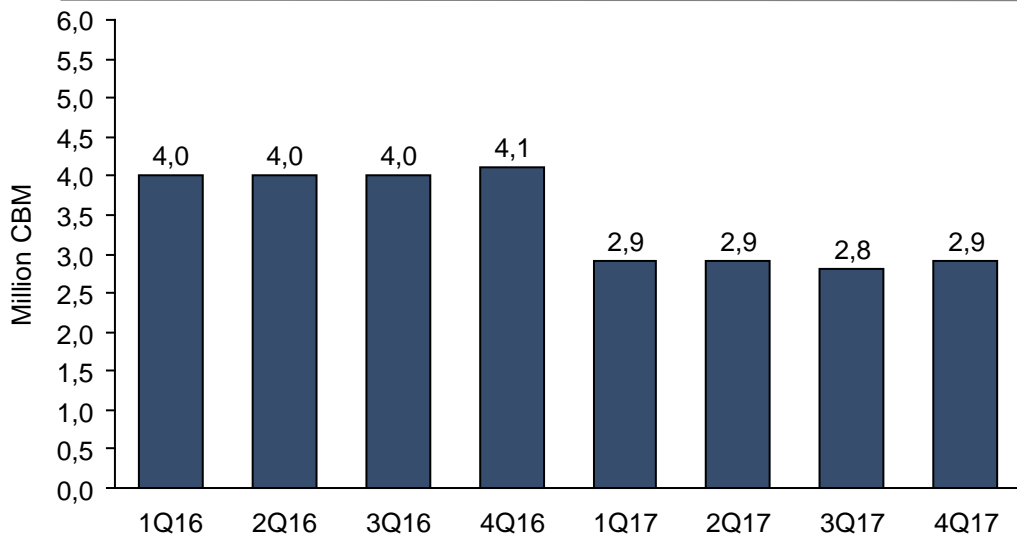
Odfjell Terminals: Utilisation development



Odfjell Terminals: OTR Tank storage & PID revenues





Odfjell Terminals: Commercial available capacity





Comments



- PID revenues continues to support results at OTR which is exposed to a weaker tank lease market due to contango
- Commercial available capacity improved in 4Q as a result of tanks at OTR returning to service after functional improvements and maintenance
- Utilisation improved and stabilised in 4Q compared to previous quarter which was impacted by Hurricane Harvey

Strategy update: 2017 marks a year where we continued to make great progress as a company despite challenging markets



-   **Growth**
 - Tonnage renewal / fleet growth
 - Take part in consolidation

—————> The “100 vessel” target reached



—————> Acquired CTG and Sinochem
-   **High quality service**
 - Safety, predictability and reliability

—————> Successful efficiency programmes
-   **Operational excellence**
 - Tankers: OPEX + SG&A
 - Terminals: implementing operational excellence project

—————> Reduced by USD 8 mill

—————> Being implemented
-   **Financial strength**
 - Further improve balance sheet to be able to act quickly as opportunities may arise
 - Cost of capital

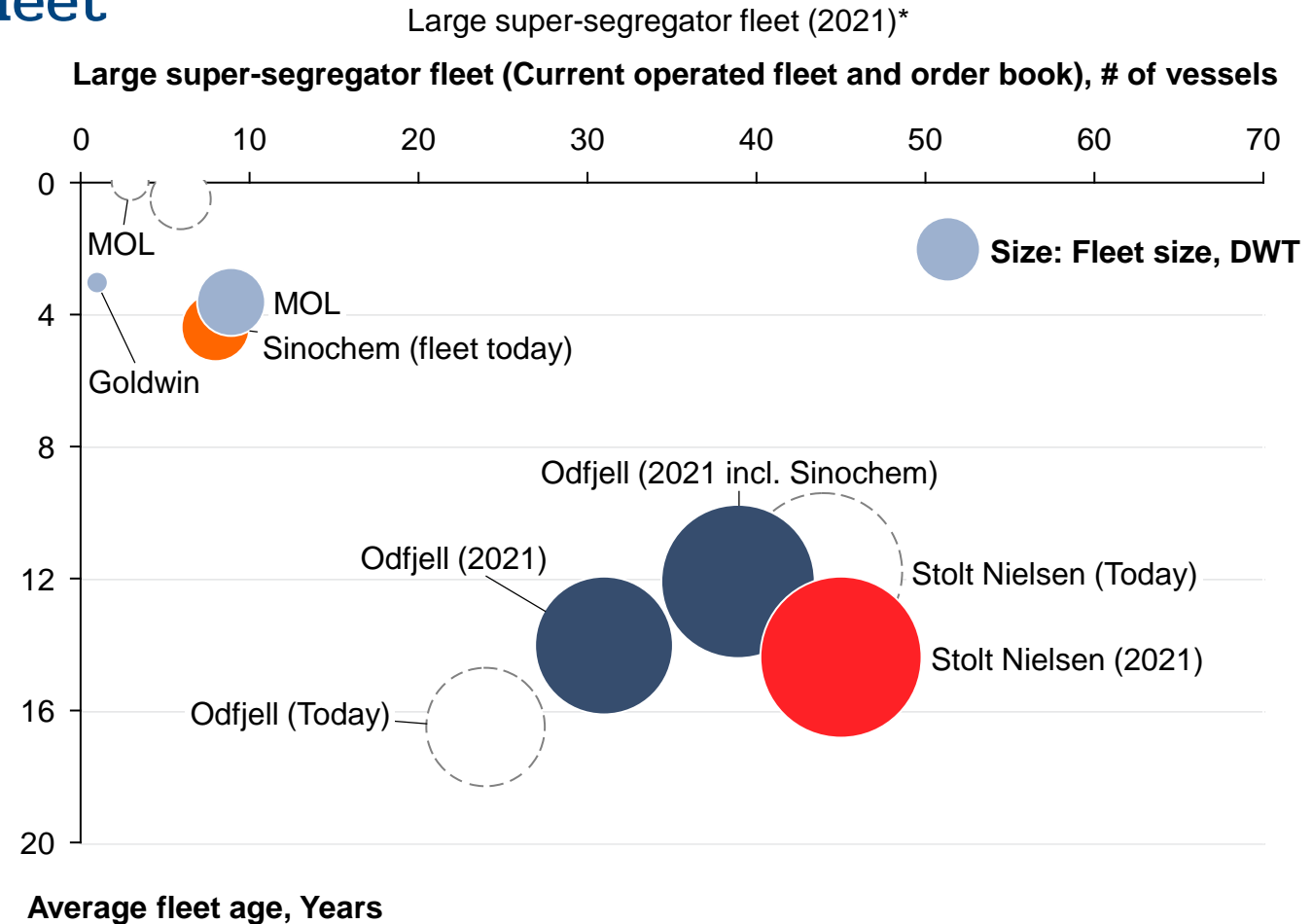
Equity Ratio and cash improved

—————> Ongoing process
-   **Terminals – back to meaningful profitability levels**
 - Implementation of the «value creation program»

—————> Ongoing process

Tankers: Sinochem transaction represented another milestone in renewing and growing our core super segregator fleet

- Odfjell announced a framework agreement with Sinochem Shipping in November. Final completion expected in 1Q 18
- Odfjell will bareboat 4 vessels (super segregators) from Sinochem and form a pool with Sinochem's 4 vessels
- The pool will be exclusively managed by Odfjell and acts as a capital efficient way of growing/renewing our fleet and at the same time consolidate our core markets
- With all our tonnage initiatives in 2017 we have reached our growth and renewal ambitions and have made good strategic progress
- Consolidation in the chemical tanker segment remains high on the agenda
 - Odfjell/Sinochem (Q4 17)
 - Odfjell/CTG (Q2 17)
 - Jo Tankers/Stolt-Nielsen (Q4 16)
 - Crystal Nordic/Essberger Tankers (Q4 17)



* Not accounting for scrapping, except Stolt Vestland and Stolt Vinland and 3 NCC Kværner vessels



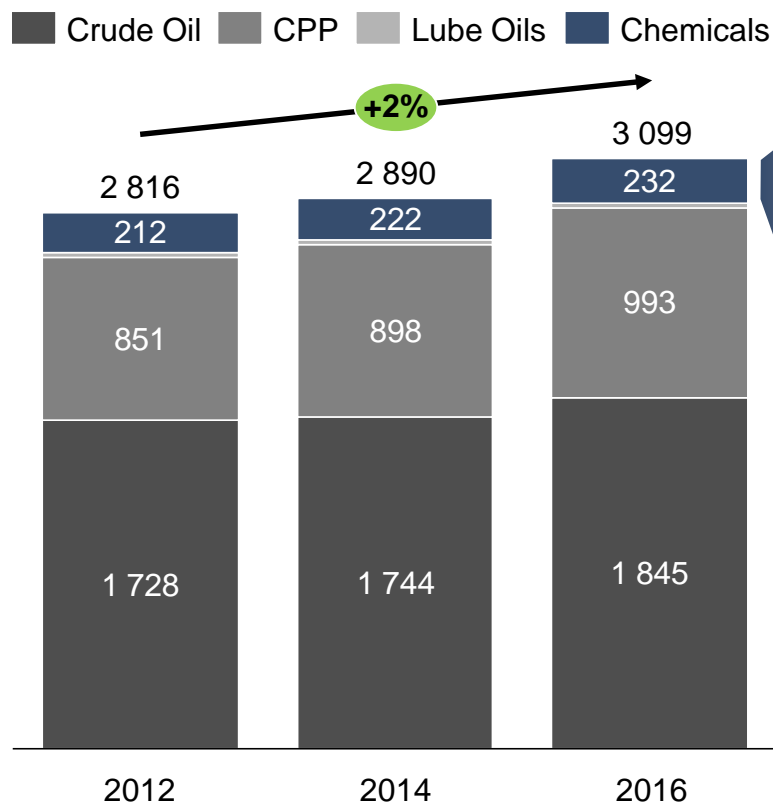
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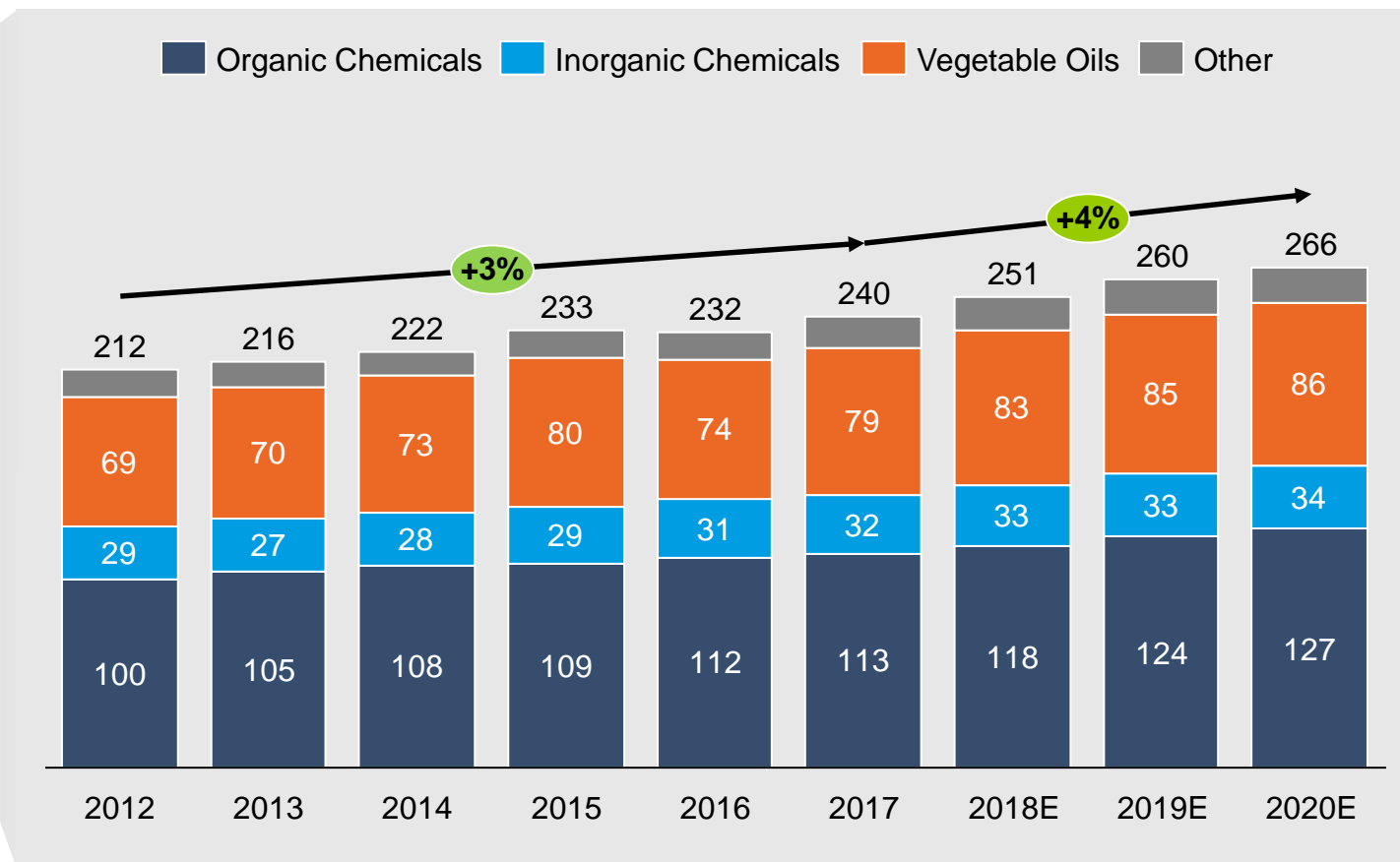
We expect seaborne trade of chemical products to grow by around 4% p.a. towards 2020, before tonne-miles are adjusted for

Historic development in seaborne trade, MT millions

Tanker products trade

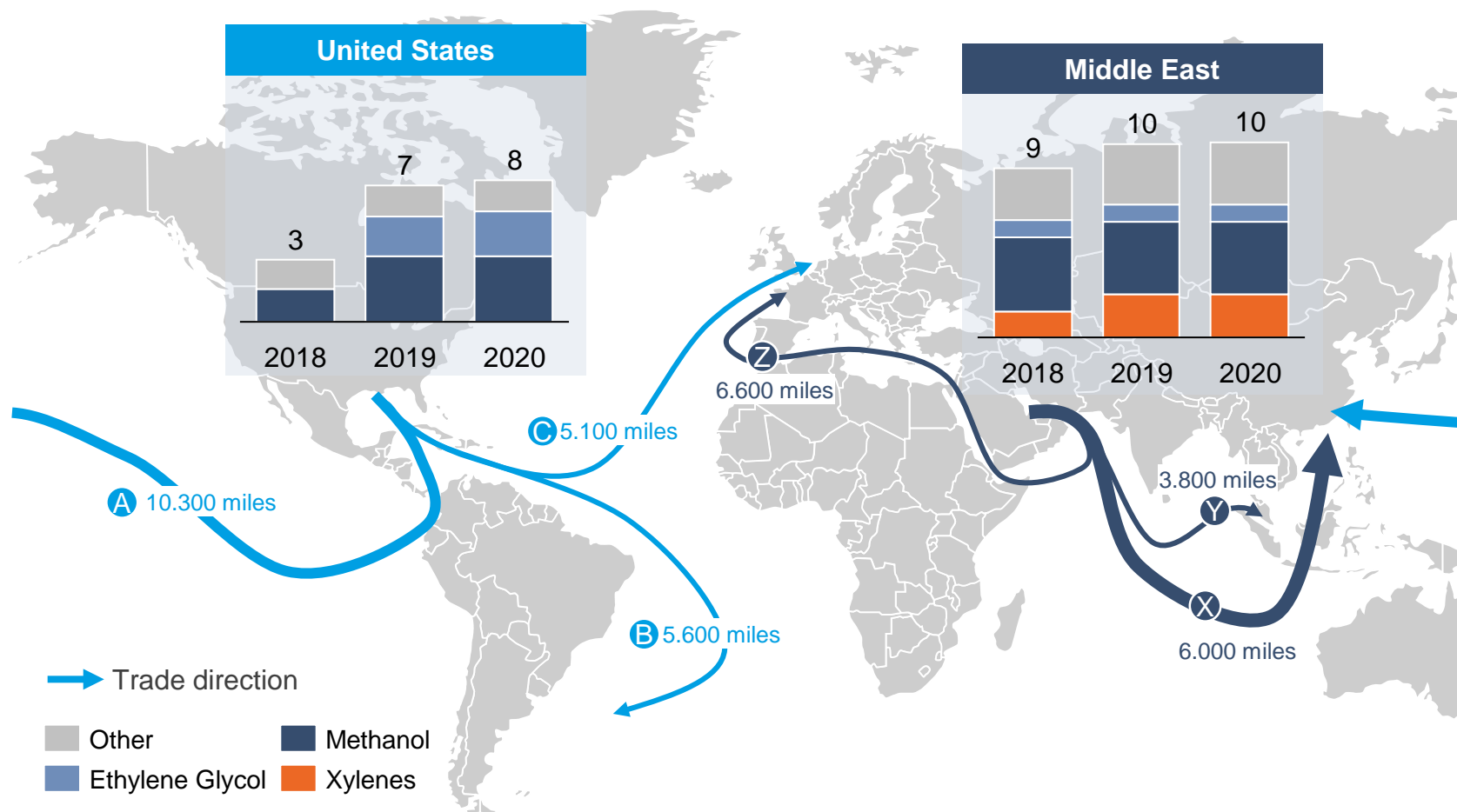


Chemical products trade



New capacity for Organics mainly come 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

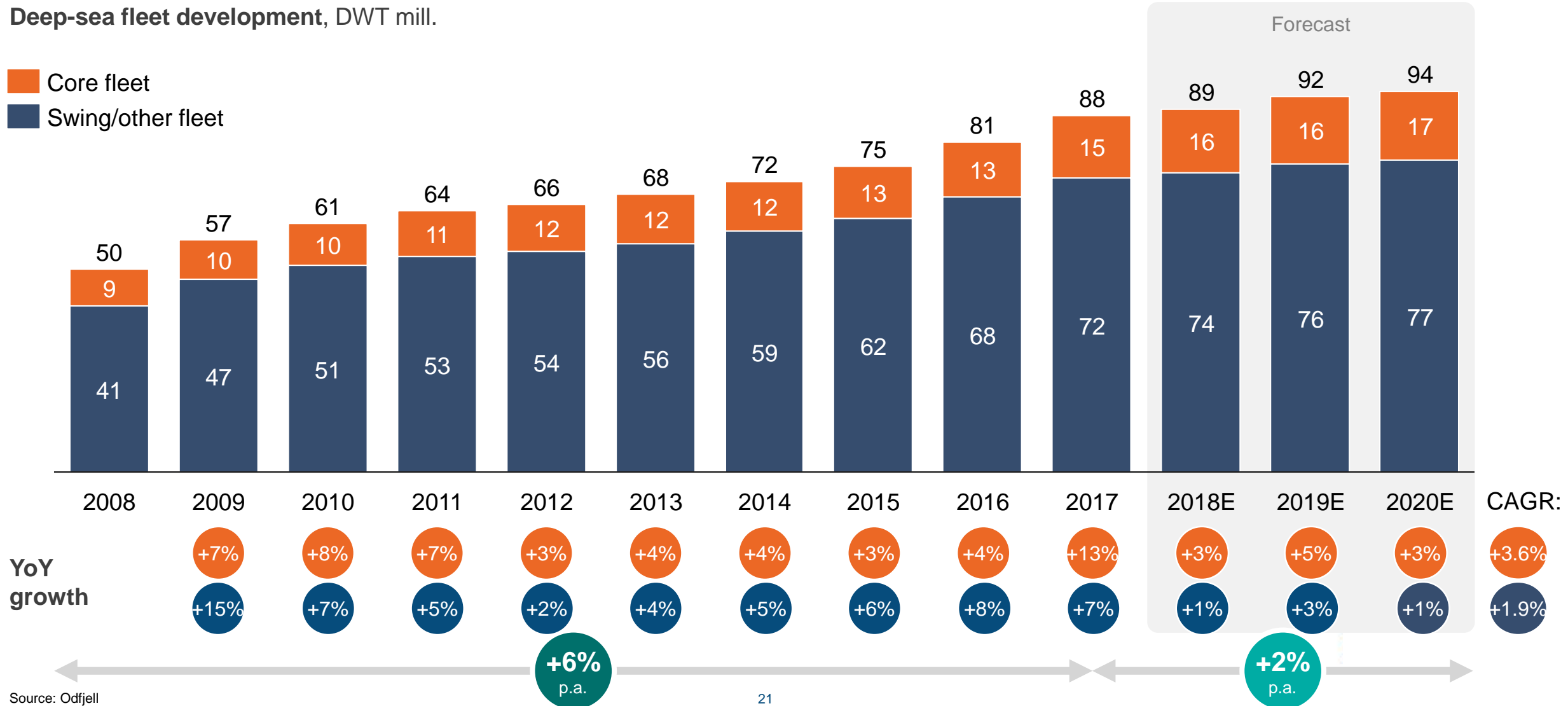
Case	Assumptions	Demand impact
High	Majority of volumes on longest routes	+3% +4% Tonne demand
Base	Equal export split based on length of routes	+2% +4% Tonne Demand
Low	Export split favouring shorter routes	+1% +4% Tonne Demand

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

The market has gone through a period with high fleet growth, but we expect modest growth going forward

Deep-sea fleet development, DWT mill.

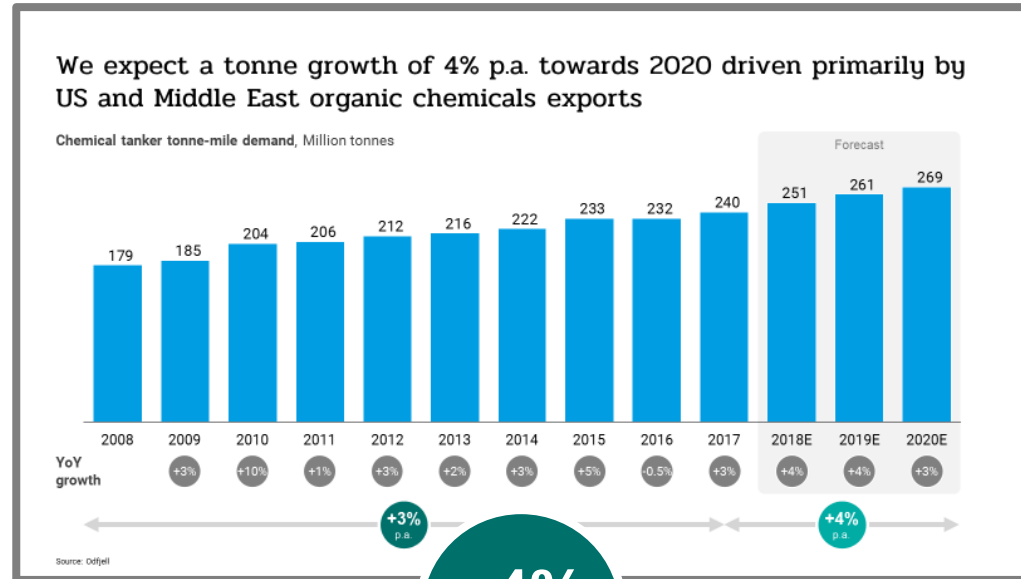
Core fleet
Swing/other fleet



Source: Odfjell

We expect fundamental demand growth to outpace supply growth towards 2020 and tonne-miles could fuel further upside to seaborne traded demand

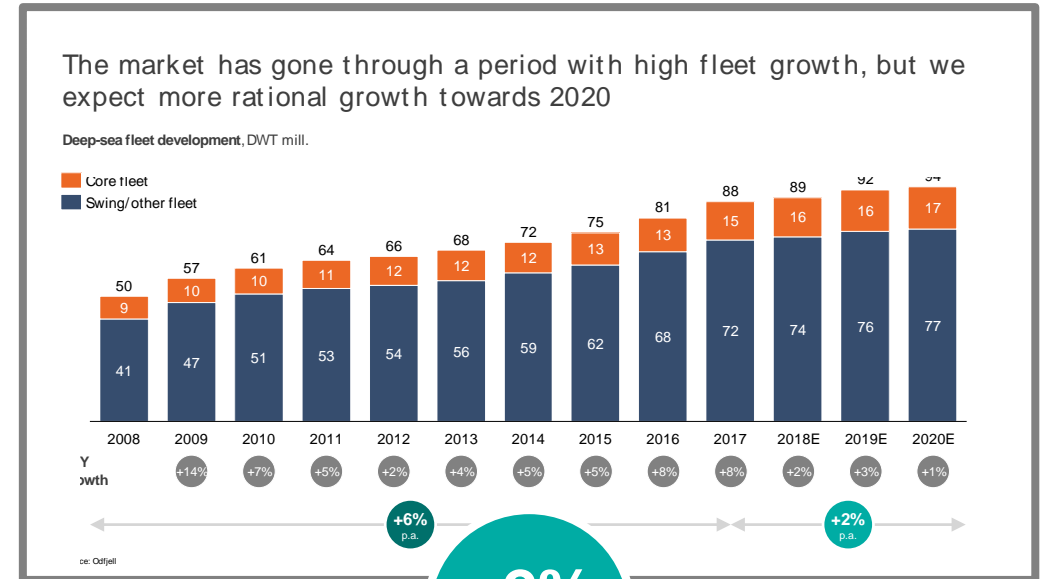
We expect volumes to grow by 4% p.a. primarily driven by organic chemicals...



+4% p.a.
+ tonne-mile effect

Degree of Chinese self-sufficiency could impact this picture in both directions

...while supply growth is reduced to 2% p.a. following a period of rapid growth



+2% p.a.
Core fleet +3.6% p.a.

Potential downside from CPP markets (swing tonnage)

Prospects

- We continue to believe that chemical tanker markets will improve towards the end of 2018 as tonne-mile demand is expected to outgrow net fleet growth. Any significant improvement is not expected until 2019
- We expect storage demand for oil minerals to remain challenging while we expect stable demand and results for chemical storage
- We expect 1Q 2018 timecharter results to be marginally better than 4Q17



Capital Markets day 2018

Odfjell SE would like to welcome you to our annual capital markets day 5 June 2018.

Theme this year will be Odfjell Group and the fundamental drivers for the chemical tanker industry with special focus on demand.

The CMD will be in Oslo with separate invitation to follow.



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