Odfjell SE – Pareto Conference 2019

Kristian Mørch, CEO

Agenda

- Odfjell at a glance
- How do we perform
- Market outlook
- Capital allocation

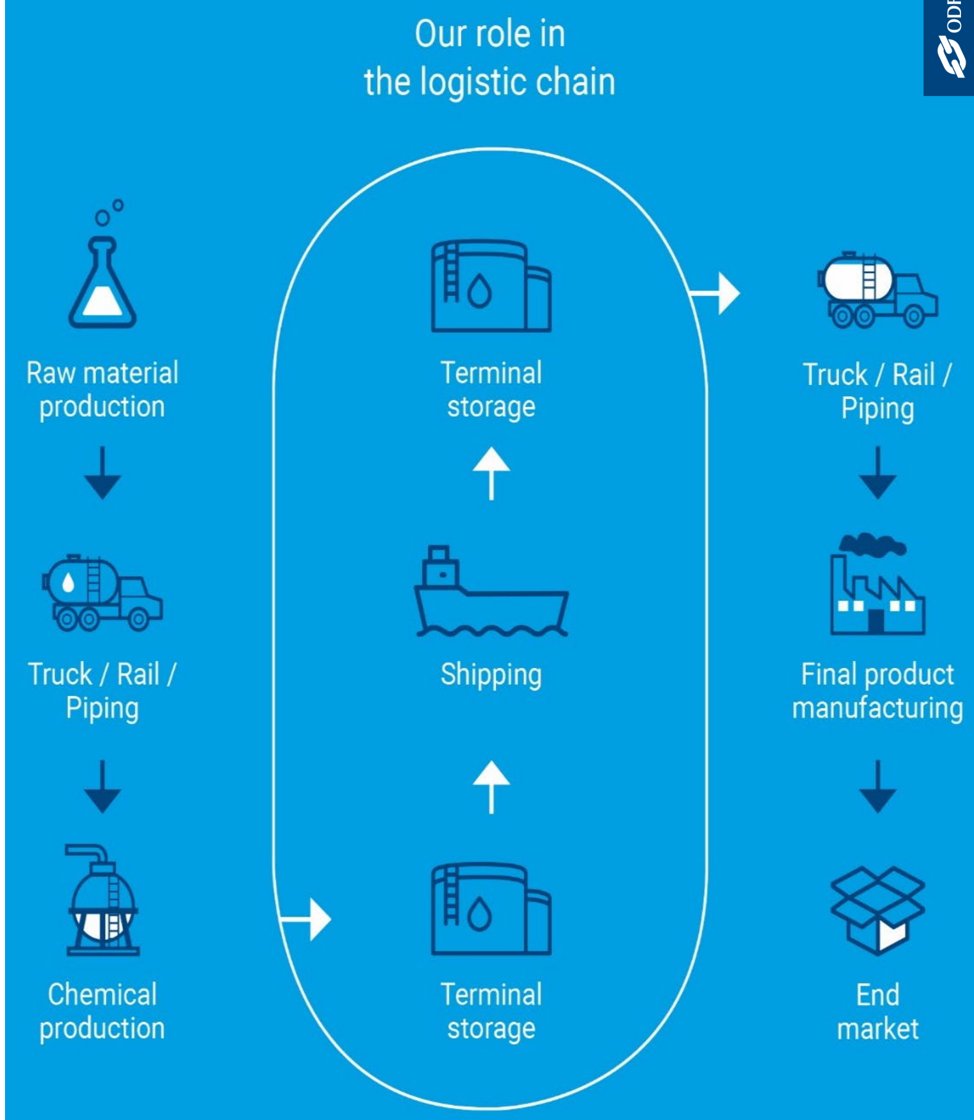
Odfjell SE

Established in 1914
Core business is shipping and storing of bulk liquid chemicals
One of the world's leading operators of deep-sea stainless steel chemical tankers

Super-segregators are our core vessels (61% of book values)
About 50-60% of earnings are covered by contracts and remaining spot
Ownership split between owned, timechartered and vessels in management

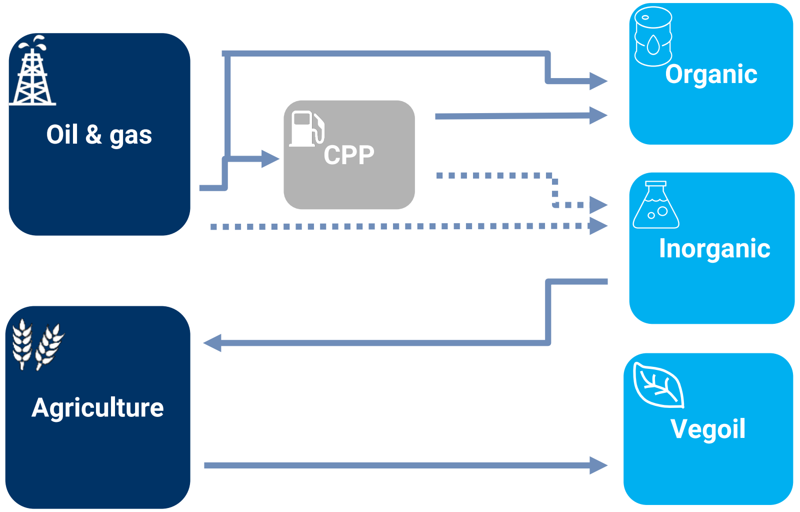
18 chemical tank terminals through owned and related parties
We have restructured our tank terminal division since 2016
Tankers and Terminals combined gives competitive advantage

Stronger balance sheet
Equity book value of USD 564 mill as of 30.06.2019
Invested capital split between 73% in Tankers and 27% in Terminals



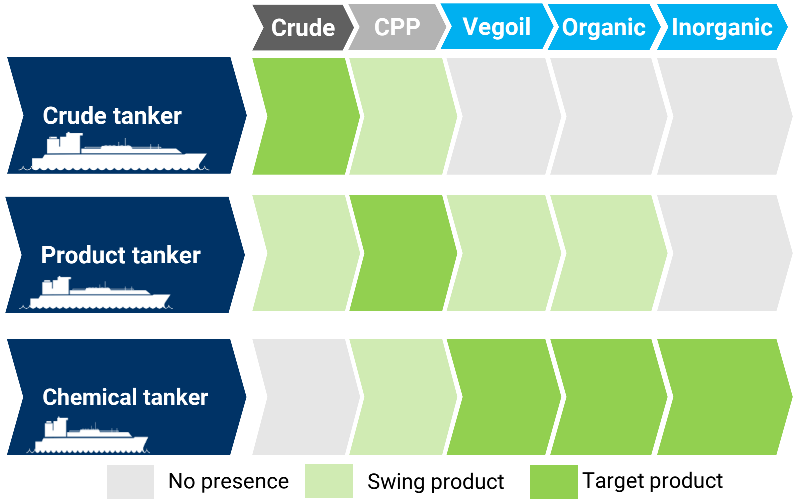
We are fundamentally exposed to the same market fluctuations as crude and product tankers, but the industrial nature of our segment differentiates us…

Ultimate driver



Feedstocks for the products we ship are primarily derived from Oil, Gas and Agricultural sector

Vessel supply dynamics



Interchangeable fleets lead to correlation with crude and product tankers

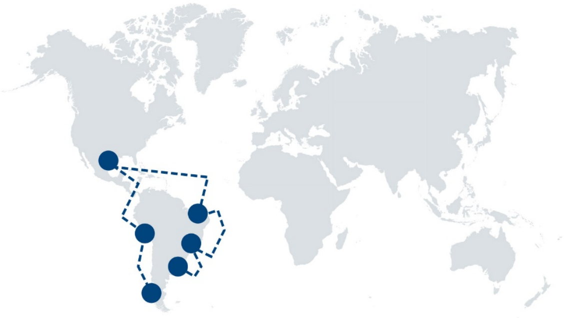
End-user demand:

Most humans are in contact with products that were once transported on our vessels

Our fleet generally trades in fixed and known patterns, which means efficiency and unit cost are key

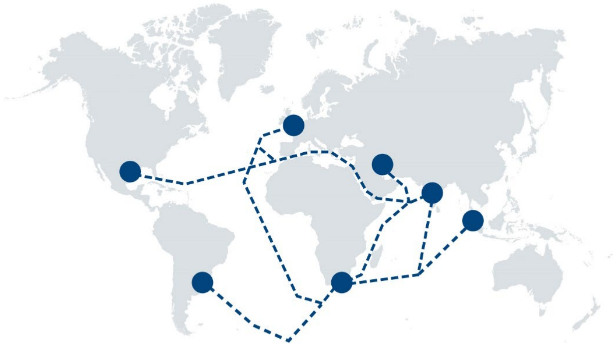
Around the world

South America



Asia

Middle East, India & Africa



Transatlantic

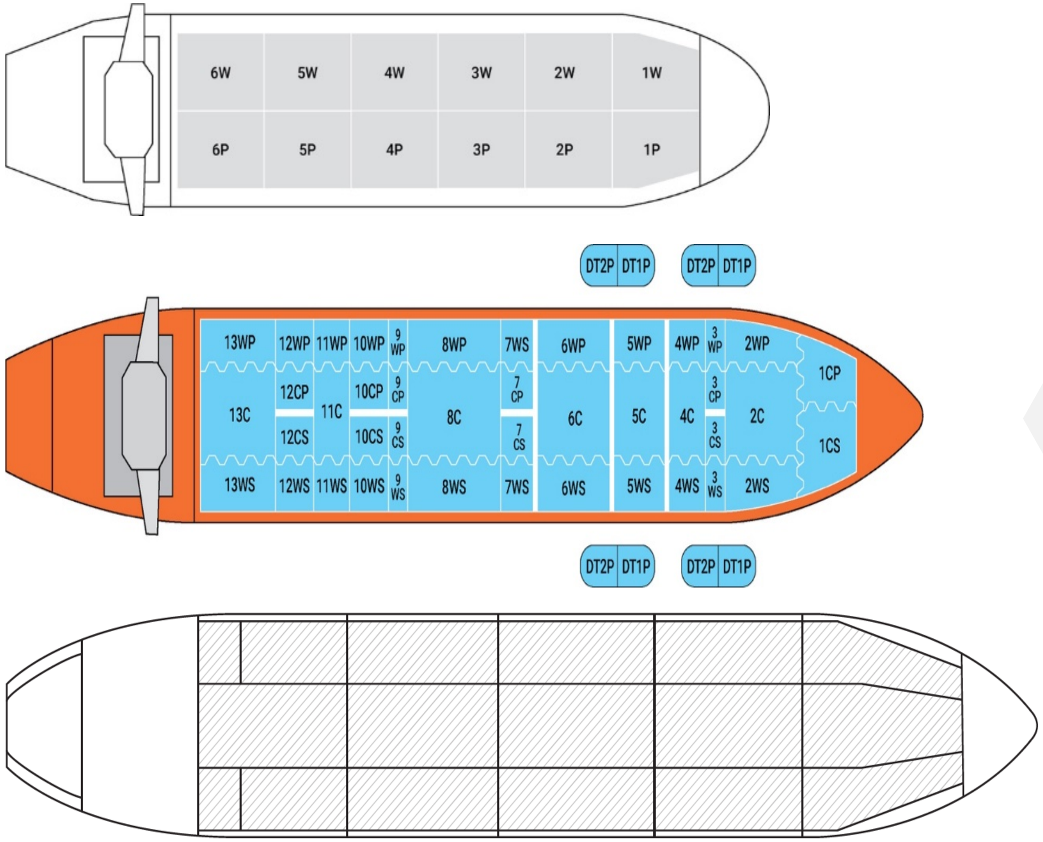
- Odfjell is a critical part of the logistic chain for the chemical industry
- No single customer accounts for more than 10% of our freight revenue
- Significant number of “evergreen” contracts where key parameters are renewed annually
- We differ from other tanker trades by operating mainly in a fixed liner pattern and therefore operate our vessels more like a “bus operator”

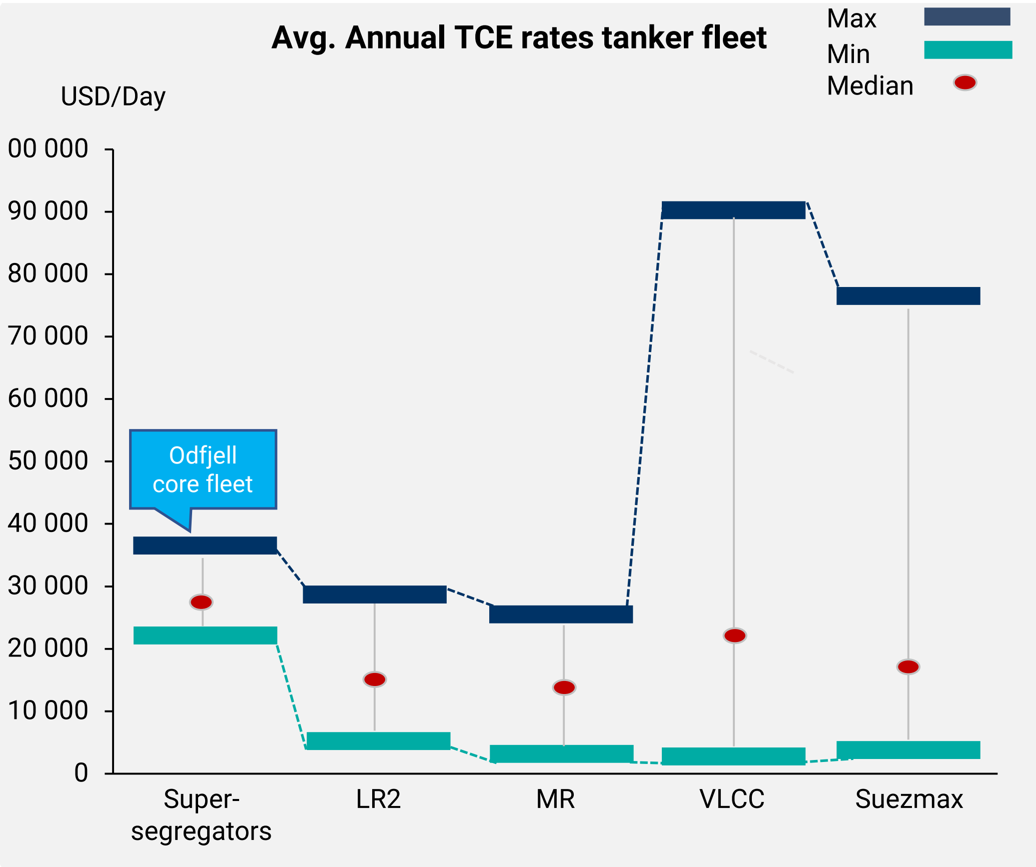
Our core vessels are sophisticated and serve complex trades with contracted high-margin products which results in less volatility and downside in rates

Basic Chemical/ Product tanker

Super-segregator

Crude tanker

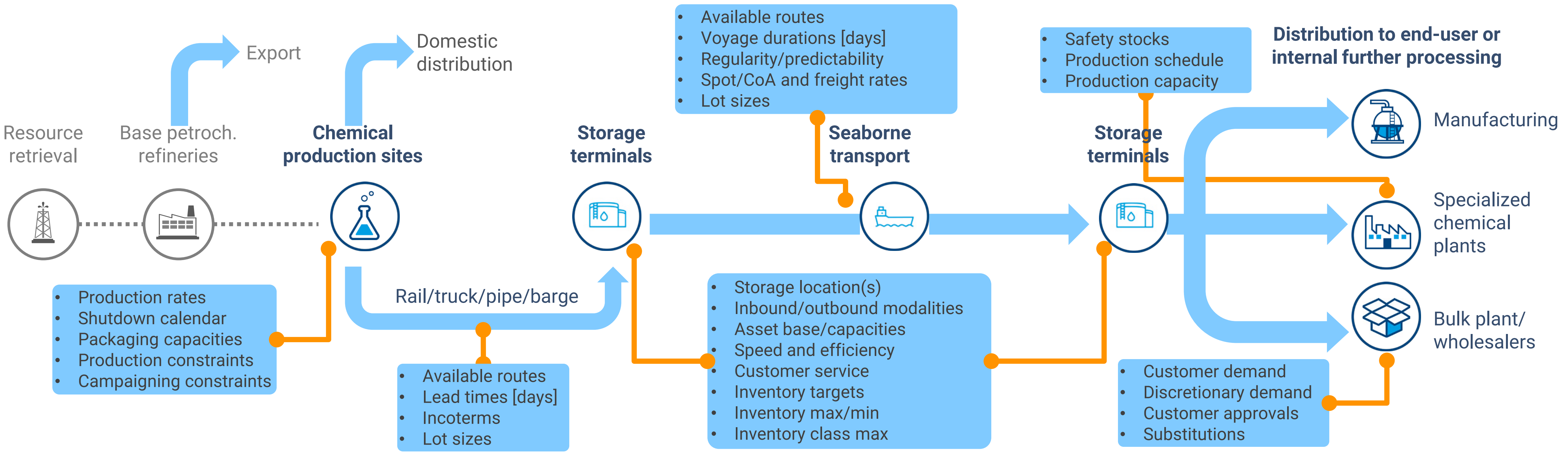




Source: Clarksons Platou, Odfjell

Being one of few tanker companies having access to tank terminals secures valuable insight into our customers' value chain and synergy with tankers

Supply chain for US exporter of chemicals (illustrative)



Chemical supply chain challenges:

- Supply chain complexity is growing
- Cost efficiency increasingly important
- Pressure to improve asset productivity
- Growing US & MEG production creates price pressure for Asia and Europe producers
- Increased seaborne trade versus domestic production create logistics bottlenecks

Odfjell adds improvements through:

- Improving operational efficiencies for Odfjell and our customers
- Improving predictability for Odfjell and our customers' services
- Reducing berth congestion at Odfjell Terminals
- Reducing port time and uncertainty for Odfjell Tankers
- Improving customers' and own competitiveness in a commoditized market

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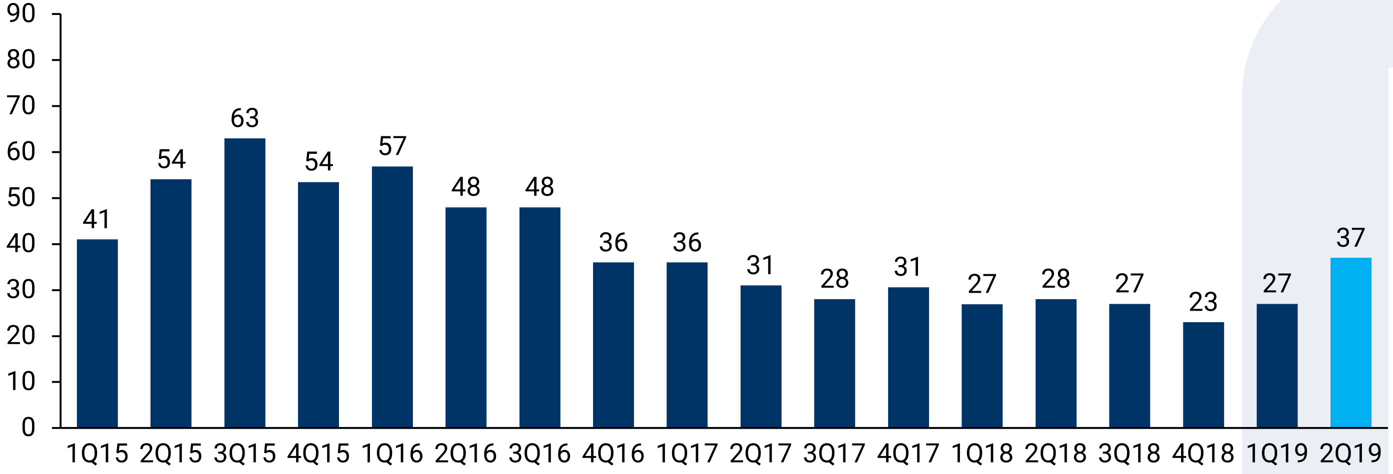
Our markets appear to have turned in 2018. As a result, we have not pursued low rate COA's and thereby increased our exposure to the spot market

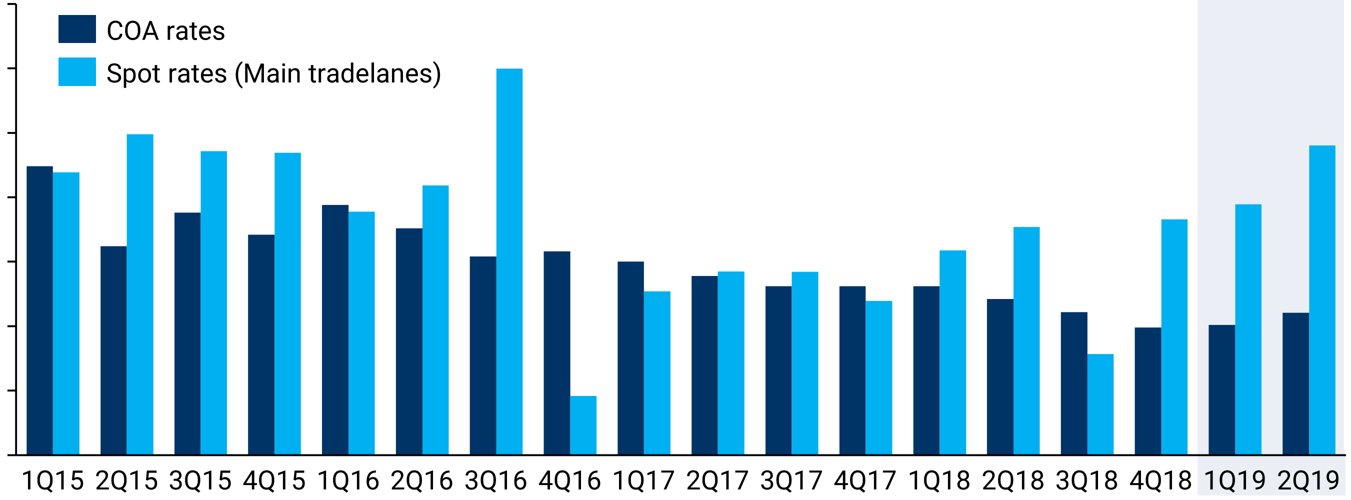
Chemical Tankers quarterly Adj. EBITDA development* (USD mill)



Comments:

- 2Q19 was the strongest quarter reported by Odfjell Tankers since 3Q16
- Based on our view of a firming market, we have decided not to pursue low COA rate renewals
- This adds higher exposure to firming spot rates – Every USD1,000/per day change in day rates impacts our net profit by USD 27 mill

COA rates vs spot rate development in main tradelanes

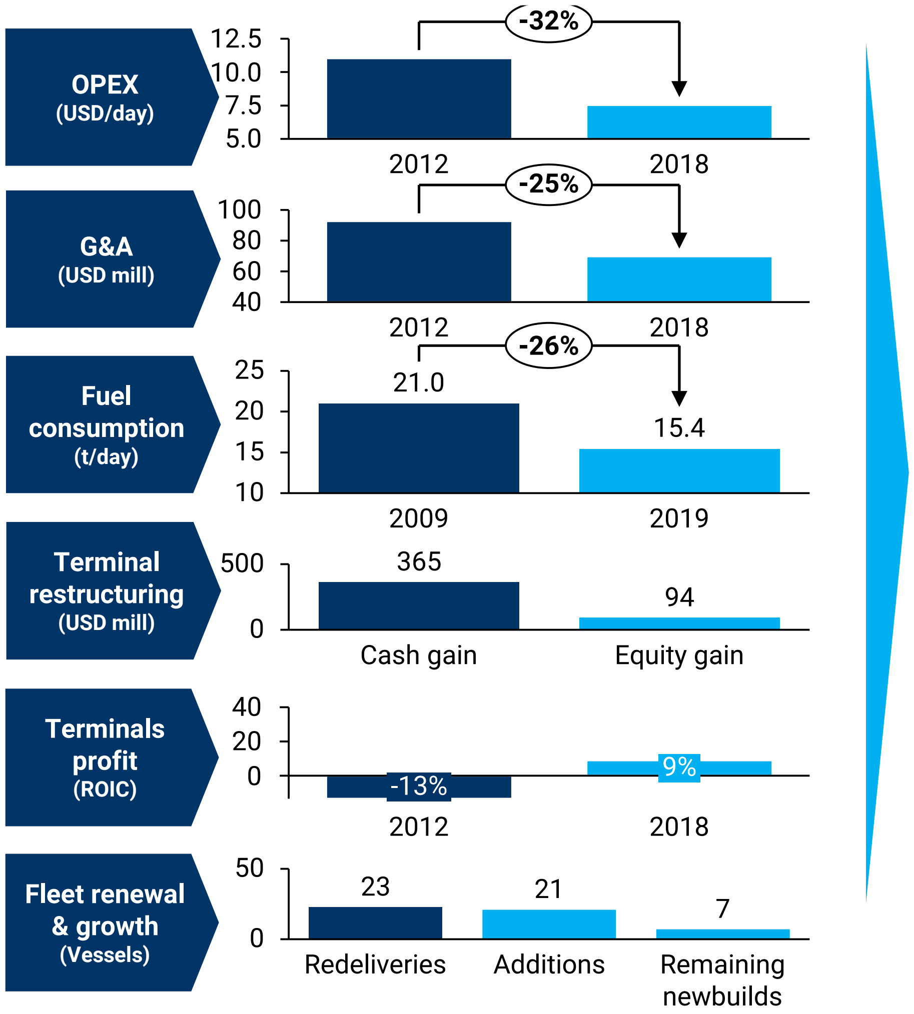


- Spot rates on main tradelanes have increased since 3Q18
- We have renewed a large share of our COA volumes at 6% higher rates…
- …We believe this is a reflection of a market consensus of a continued recovery in our markets

* Quarterly EBITDA results are adjusted for loss on bunker hedges in 2015 and adjusted for IFRS 16 effects in 2019

In recent years, we have made several changes to the company to ensure that Odfjell has one of the most competitive platforms in the industry

Recent focus:



Future focus:

Fleet efficiency

- Odfjell operates the most efficient and competitive stainless steel tanker fleet in the world, which will be used to provide efficient and competitive services

Odfjell Terminals

- Complete restructuring of terminal division
- Accretive growth in Odfjell Terminals Houston

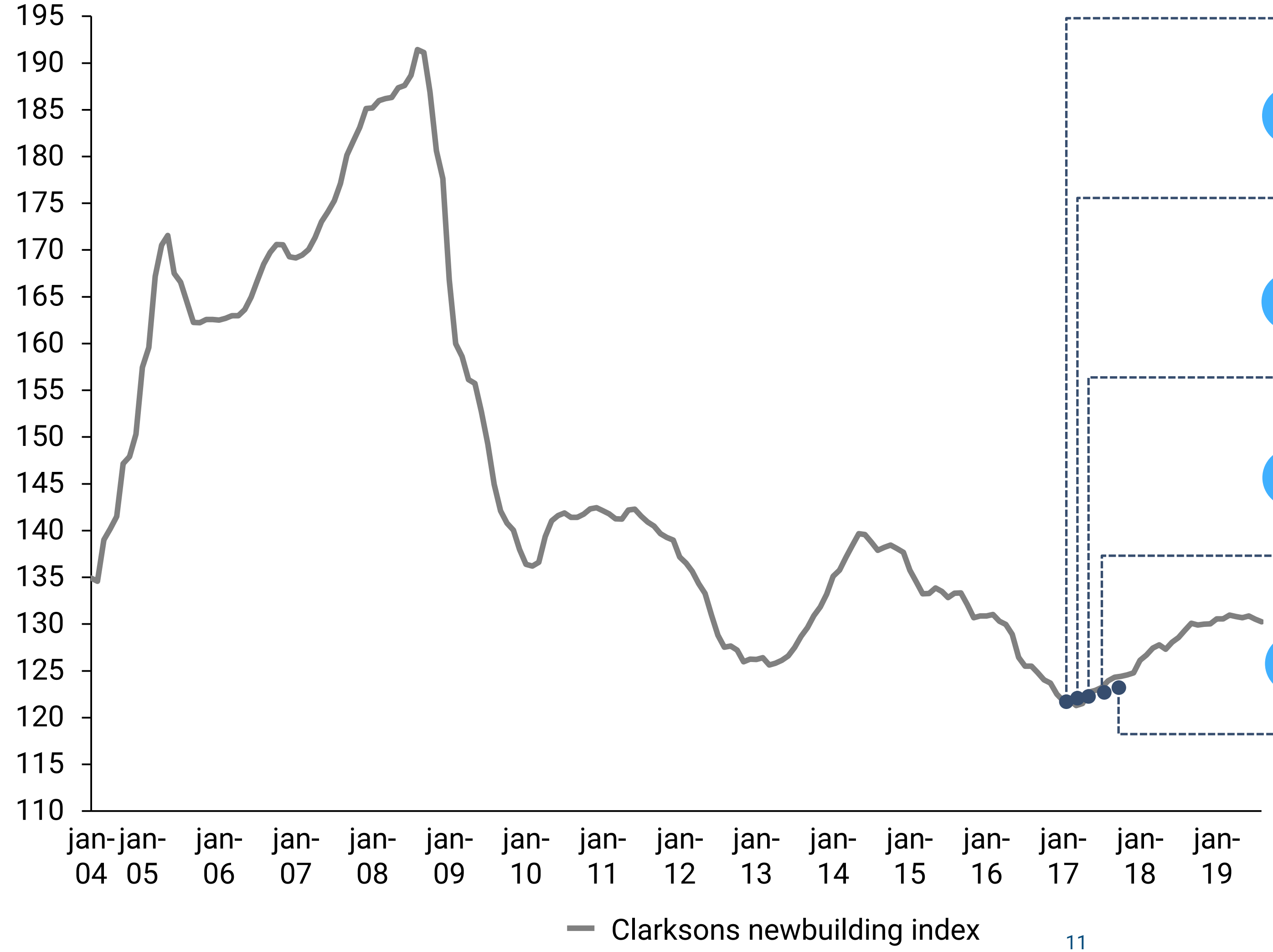
Market Outlook

- Robust demand outlook and limited supply growth
- Some macro concerns

Capital allocation

- All newbuilds fully funded
- De-leveraging (market dependent)
- Dividends (market dependent)

Our recent tonnage renewal and growth initiatives are done at what looks like an attractive point on the asset curve…



1 — Newbuildings
- Ordered six newbuildings at Hudong Shipyard
- Delivery between July 2019 and September 2020
- Values for similar vessel are up 15% since our orders

2 — Long-term TC
- Two newbuildings concluded on long-term Timecharter
- Vessels were delivered in October 2018 and January 2019
- Replacing chartered vessels at 20% lower charter-in rate

3 — Long-term BB
- Two newbuildings concluded on long-term Bareboat
- Delivery in December 2019 and July 2020
- Replacing chartered vessel at 20% lower rate and growth

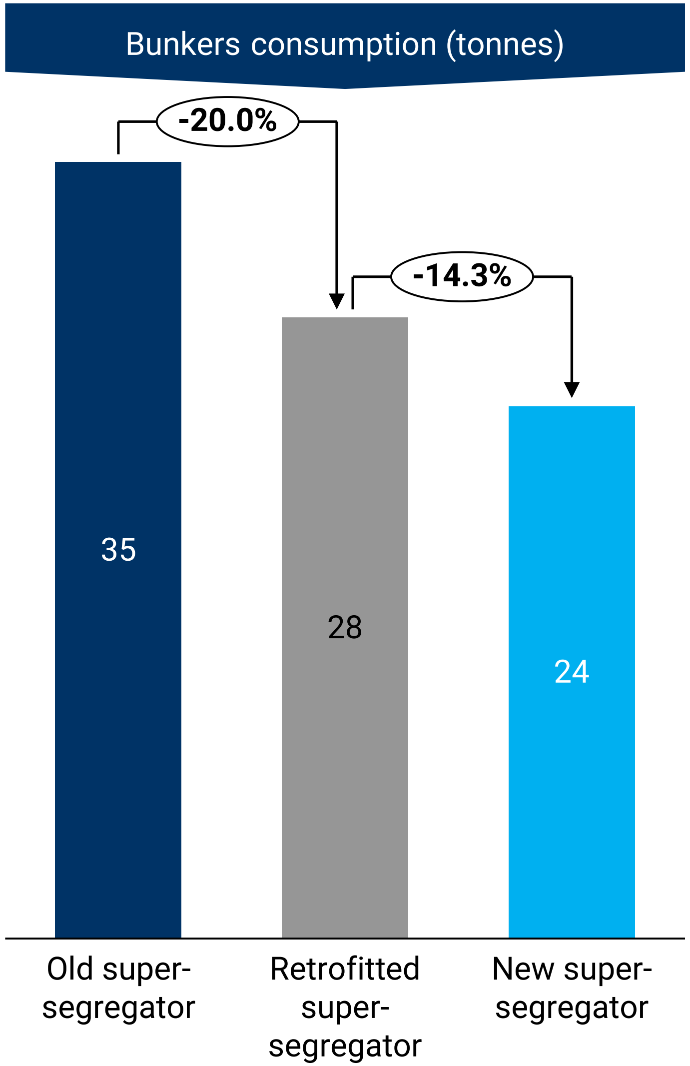
4 — CTG transaction
- Acquired 5 vessels and formed a pool with 5 CTG vessels
- All vessels have been delivered and are now operated by Odfjell
- Purchase options on CTG vessels and receive profit splits

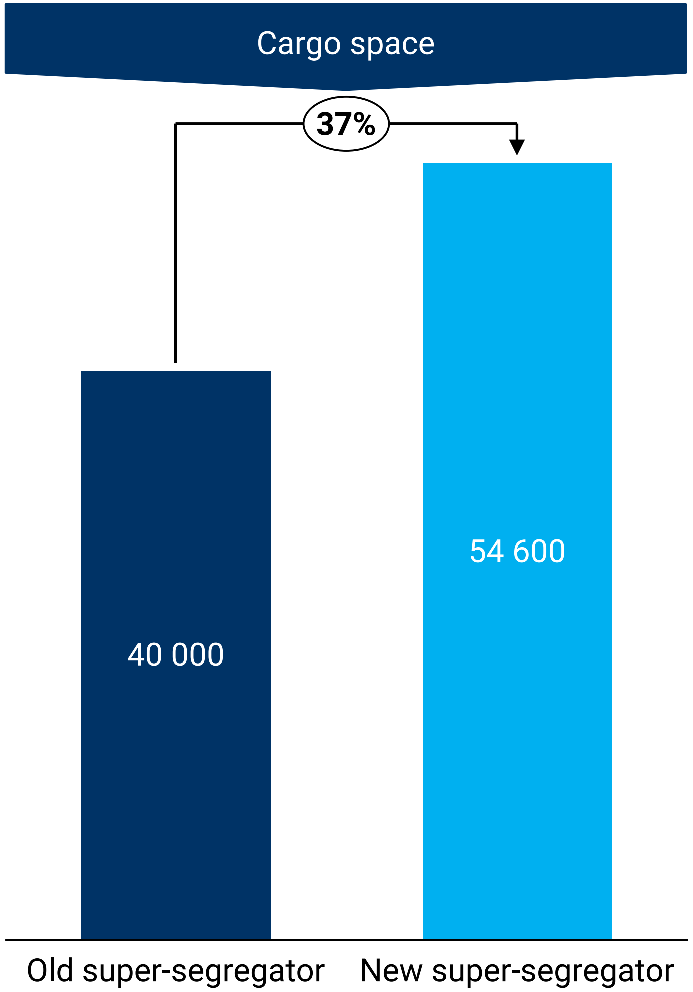
5 — Sinochem transaction
- 4 vessels on long-term BB and formed a pool with 4 SC vessels
- Purchase options and profit splits on SC vessels
- BB rates secured 30% below comparable charters in our fleet

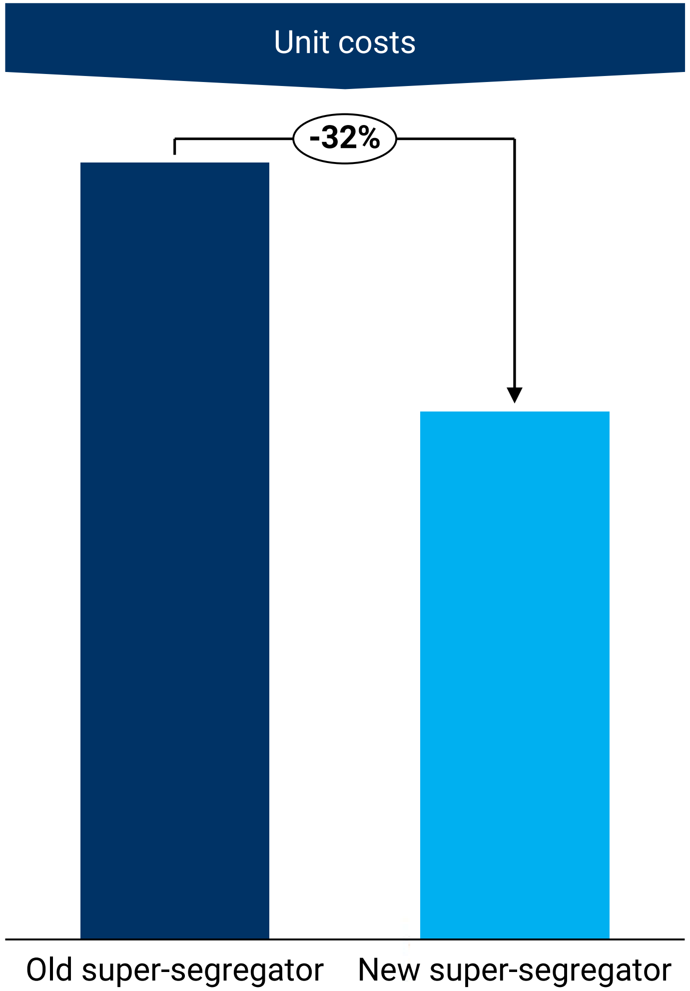
Investment timing secures attractive returns also in weak markets

Source: Clarksons Platou, Odfjell

..and the improvements in our portfolio have also lowered our costs and increased our efficiency and unit cost…

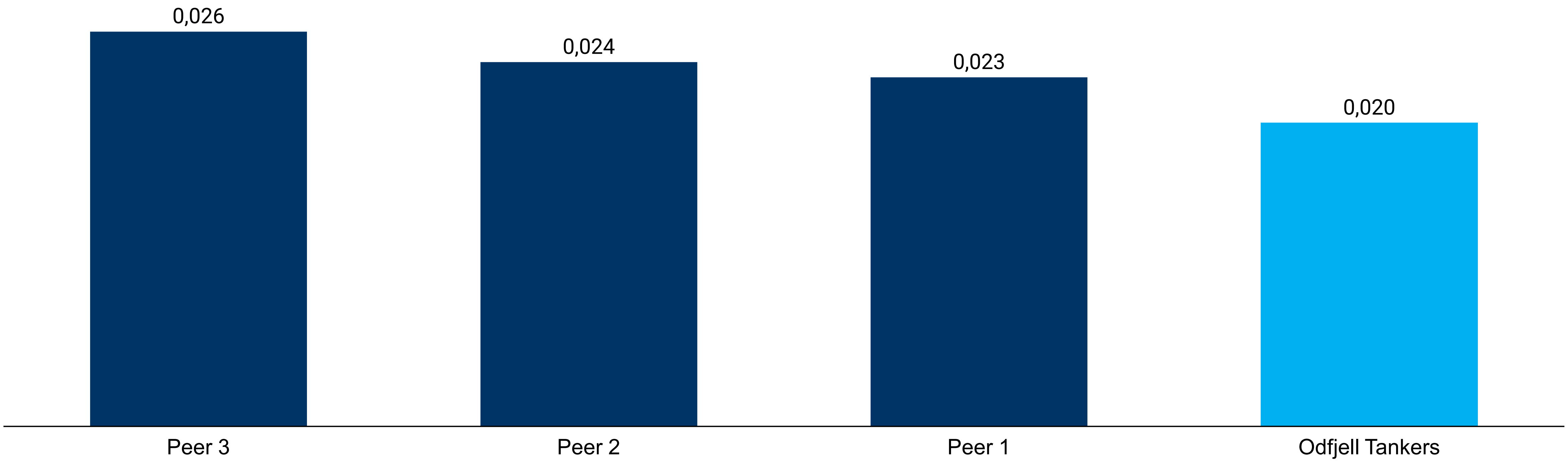






We have replaced 28 vessels in our portfolio in the recent two years, which makes our fleet the most energy efficient in the world

Energy efficiency index: Odfjell vs peers

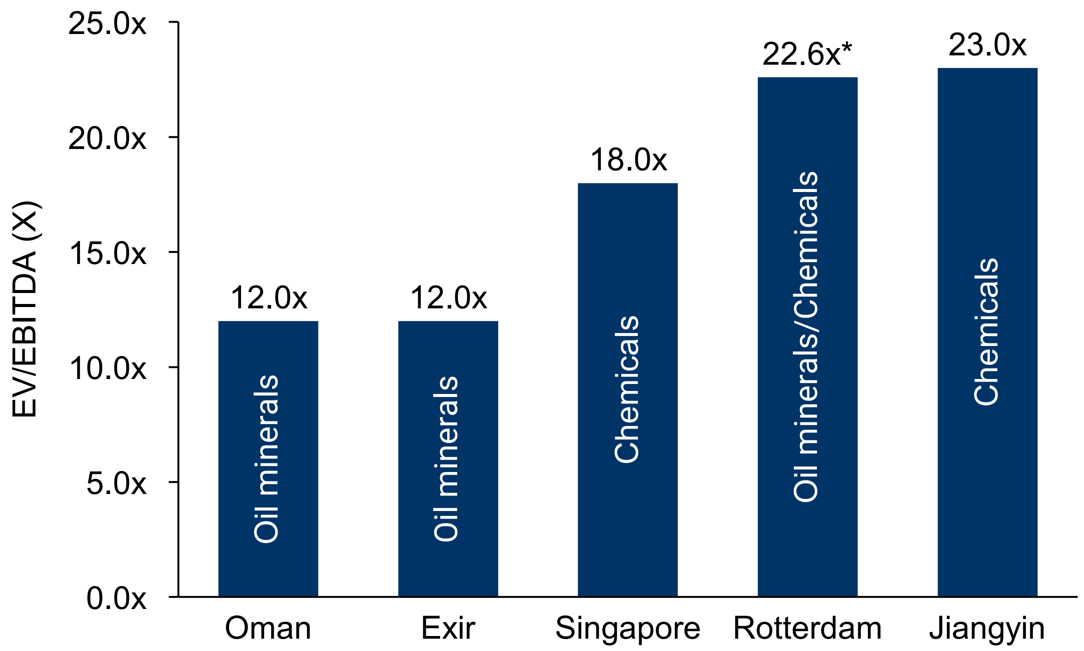


- The efficiency index measures how cost effective our fleet is relative to peers. This ensures that Odfjell is a natural counterpart for chemical majors competing in a commoditized market, where Odfjell ensures that they can remain competitve
- There have been major changes in fuel consumption of basic chemical tankers the last 20 years. This creates higher barriers for older tonnage to compete with modern tonnage. Odfjell is therefore constantly focused on improving the efficiency and performance of our fleet

We are in the process of restructuring our terminal portfolio and setup, when Asia is completed we will have a simple structure and a healthy portfolio

	Cash proceeds USD mill	Book value effect USD mill
Oman (2016)	85	44
Exir (2016)	6	1
Singapore (2017)	153	135
Rotterdam (2018)	100	-100
Jiangyin (2019)	21	14
Total (2016->2019)	365	94

Transaction multiples
EV/EBITDA (x)

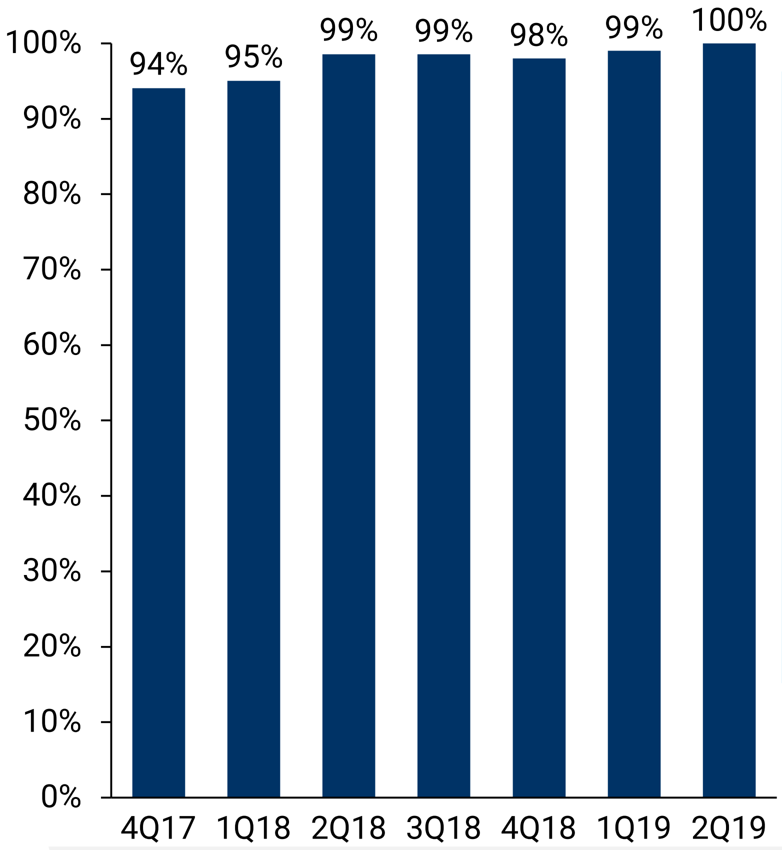


- We have sold five terminals and accumulated USD 365 mill of cash proceeds and USD 94 mill of equity gains
- The sales have been concluded at attractive valuations and have made it possible to achieve our fleet initiatives in Odfjell Tankers
- We have also simplified our organizational structure with Odfjell Terminals now being 100% controlled from our headquarter, and formed two separate 51% owned JV's with Odfjell Terminals US and Odfjell Terminals Asia. We are now better positioned to make clear strategic priorities

* Reflecting current capacity at the terminal

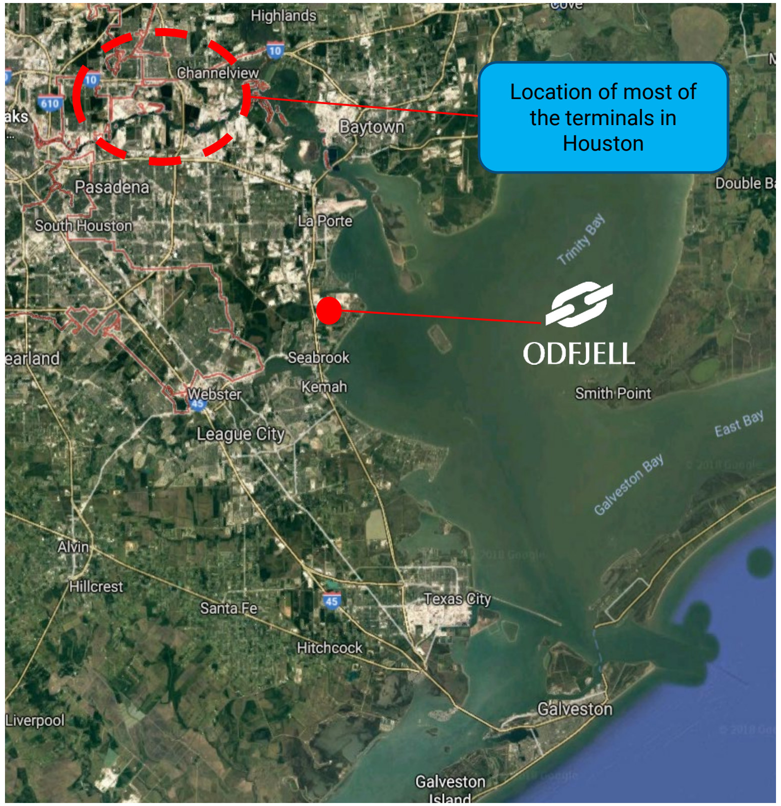
Our Houston terminal is our key asset, due to the concentration of the chemical industry in Houston – logistically Houston is also Tankers biggest challenge

Odfjell Terminals Houston is fully utilized...



Annual EBITDA of USD 19 mill

...With available land for expansion...



Capacity could be expanded by 33%

...in an area with a strong demand outlook

- Area available for expansion has been focused towards ethylene export project that has been shelved
- Due to strong storage demand, we are now looking at expanding conventional storage at available land
- Parts of the expansion would require the need for all new infrastructure as well as a new ship dock
- The terminal is ideally located outside the Houston ship channel, an area which logistically is Tankers biggest challenge...
- ...And several incidents within the channel have altered players strategy in selecting storage facilities that could favor our terminal
- We are currently working on developing the project together with our partners

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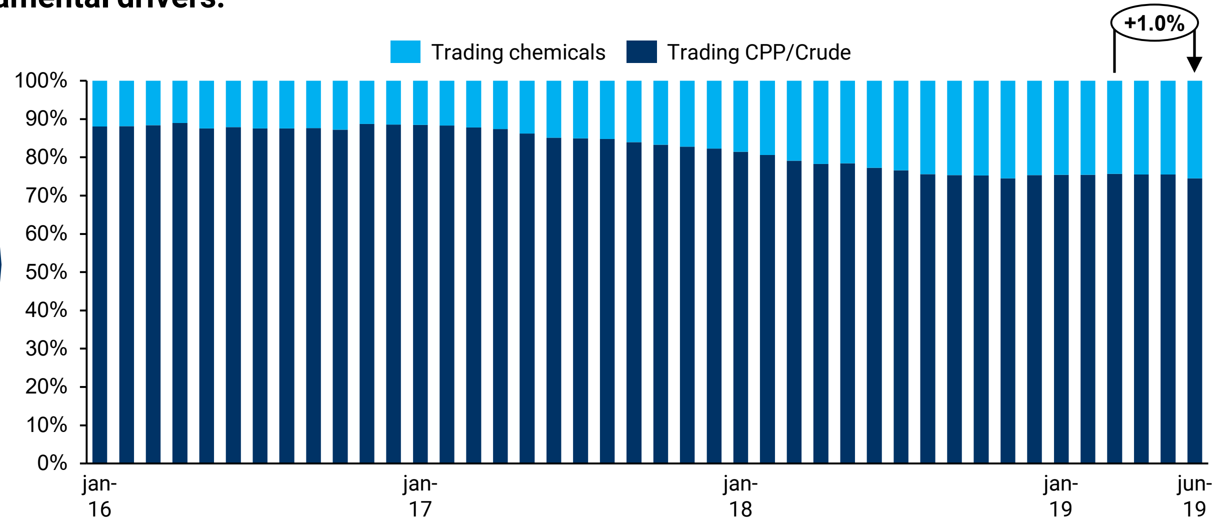
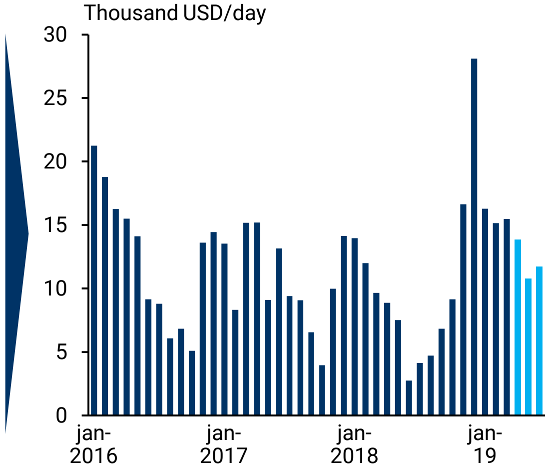
A large number of new export-oriented plants are ramping up, and a firming tanker market could impact swing tonnage significantly and reduce supply

Fundamental drivers:

1 CPP



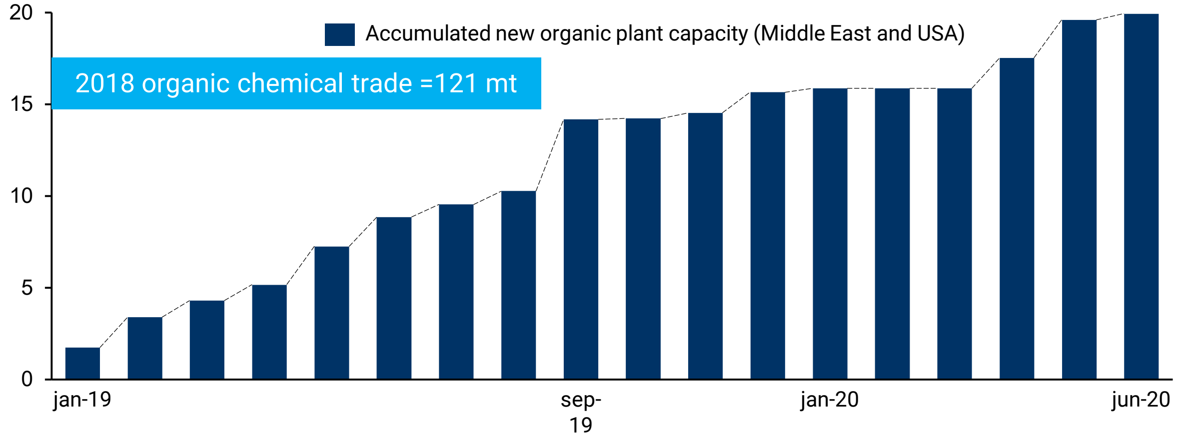
Rate development:

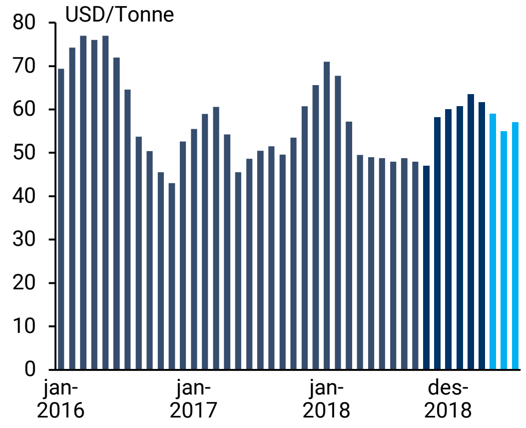


Comments:

- Weak product tanker rates have resulted in 25% of MR's (world fleet of 1,480 vessels) trading chems/vegoils…
- This compares to a historical average of 13%...
- …It's widely expected that product tanker rates will recover in 4Q19 and this might reverse this trend

2 Chemicals



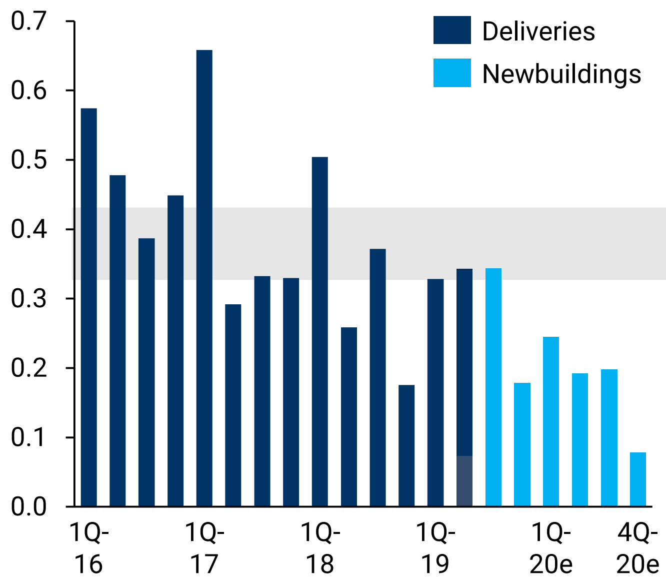


- New organic chemical capacity expansions in the US and Middle East expected to peak between 4Q19 and 2Q20…
- The largest ramp-ups will be initiated end-3Q19…
- This will coincide with peak-palm oil export season and normal seasonality in the tanker markets

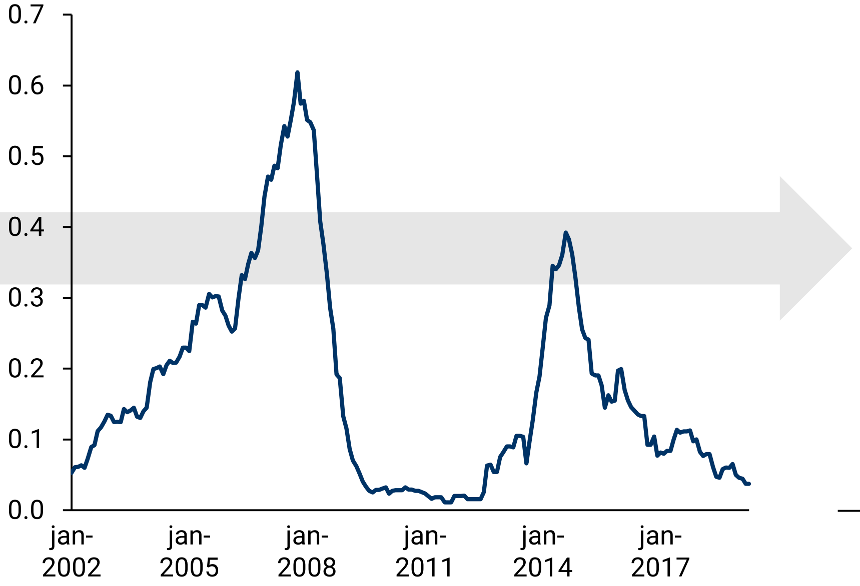
Source: Odfjell, ICIS, Clarksons

Orderbook is at multi-year low and IMO 2020 is a disruptive event that could lead to reduced swing tonnage, accelerated scrapping and slowsteaming

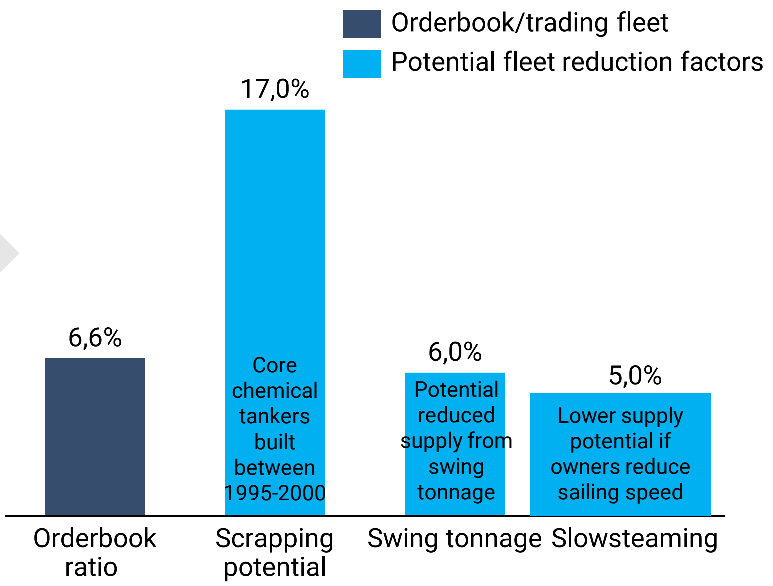
Core chemical tanker newbuilding delivery schedule, Mill dwt



12-month rolling core chemical tanker newbuilding orders, Mill dwt



Chemical tanker orderbook of 6.6% before adjusting for several variable factors



- Fleet growth is declining for both core and swing/other segment after several years of high fleet growth following orders placed in 2014-2015
- Limited new orders the last 18 months and appears like appetite for new orders are low
- Orderbook ratio at 6.6%, which implies average supply growth of 2.2% p.a by 2021 before adjusting for
  - Scrapping
  - Removal of swing tonnage (IMO 2020)
  - Slowsteaming in the event of elevated bunker prices (IMO 2020)
  - New orders
- Long-term supply: Environmental regulations seem to trigger new propulsion systems and designs – This might caution the shipping industry to make large orders for vessels running on fossil fuels into 2020

Source: Clarksons Platou, Odfjell

Market outlook conclusion: 2018 appears as the turning point. Supply growth is slowing while demand prospects look robust

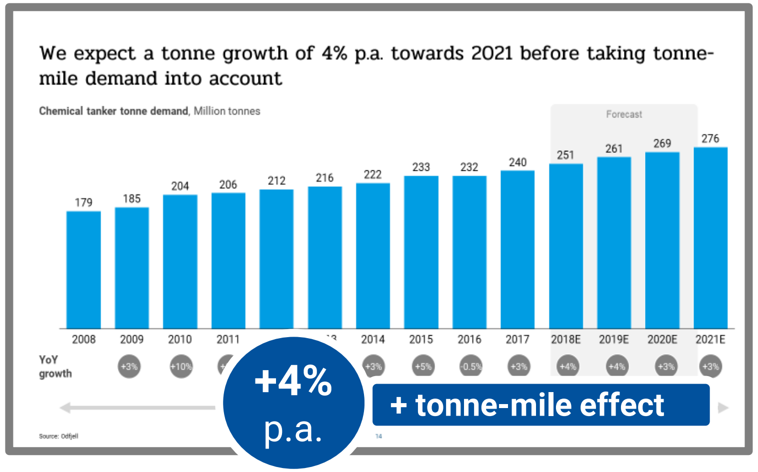
Demand

Spot rates and COA rates up
- Spot rates have maintained its momentum from end of 4Q18, but have now stabilized
- Spot rate momentum has positively impacted momentum for COA rate renewals

Key directional drivers in 4Q19
- Peak start-up of new chemical capacity to impact the market from 4Q19 until 2Q20
- Peak palm oil season and expected improvement in CPP from 4Q19

GDP & Middle East tensions

! CAUTION
- Continued downgrades of global GDP growth with downside highlighted
- A global recession could impact the ongoing chemical tanker recovery
- Middle East tension with limited impact on the market as of yet

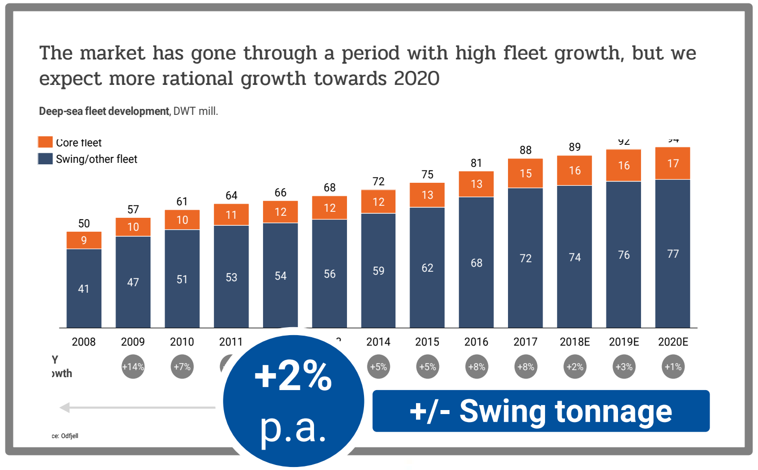


Supply

Orderbook
- 6.6% orderbook to fleet ratio and 2020 fleet growth now limited to 1.4%
- Eight new orders placed during the quarter, first order since July 2018

Swing tonnage
- 1% increase in swing tonnage due to weak CPP market and strong Vegoil market
- A stronger CPP market from 4Q19 expected will move chemical tankers into CPP

IMO 2020
Scrapping – Slowsteaming – Swing tonnage
- Increased bunker costs likely to be passed on to customers
- Increased bunker costs potentially accelerating scrapping
- Biggest effect from IMO 2020 would be reduced swing tonnage from CPP tonnage



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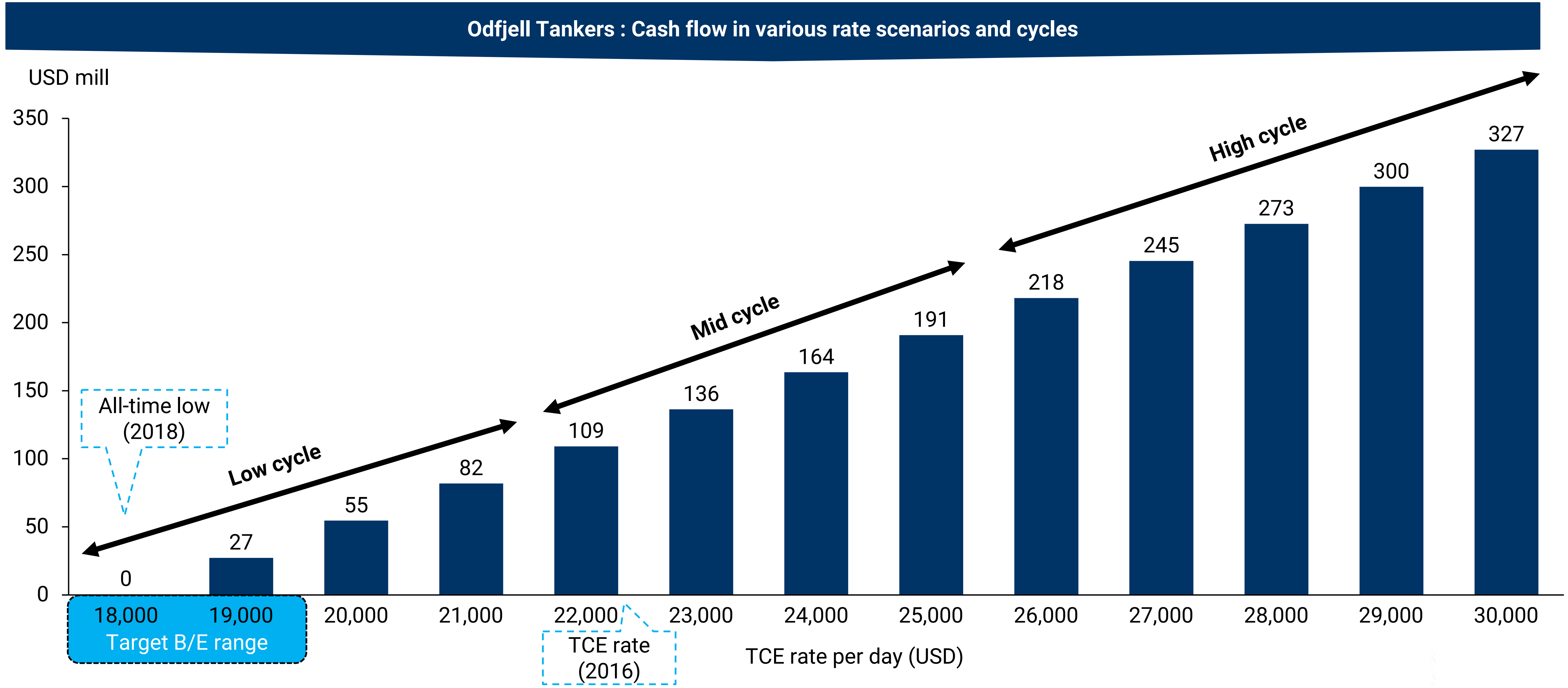
We have improved our cost base and fleet composition - Our capital allocation will now be focused on de-leveraging and dividends

De-leveraging with a target to reduce daily break-even levels

Description	**Today,** USD mill	**Target range,** USD mill	USD/day effect:
Secured and amortized debt	860	500 650	Reduction: USD 850/day
Non-amortising debt	263	200 250	Reduction: USD 0-250/day
Average amortization profile	5.7 years	8.0 years	Reduction: USD 2,200/day
Unencumbered assets, including undrawn revolvers	25	75	Reduction: USD 200/day
Total debt	1 100	750 900	Reduction: USD 3,250/day

Our long-term break-even target range translates into sustainable cash flow generation across all cycles and secures flexibility on capital allocation



* Reflecting 2021 fleet composition (fully invested) and cash flow generated after all expenses paid (TCE evenues less opex, G&A, interest cost and 2021 amortisation schedule). Cash flow is based on how the fleet and capital structure would look like in 2021 as of today, and is therefore subject for change

Odfjell SE - Summary

Odfjell SE	Exposed to some of the same cyclicality as the tanker market but we also differ, with lower downside risk and a more stable performance
Our performance	We operate one of the world's most efficient stainless steel fleets and have made accretive divestments of non-core terminals
Market outlook	Robust demand picture due to regional shift, and supply growth is very limited. Swing tonnage could quickly reduce real supply and help a recovery
Capital allocation	De-leveraging and dividends

Q&A

Income statement[1] – Odfjell Group by division 2Q19

USD mill	Tankers		Terminals		Total*	
	1Q19	**2Q19**	**1Q19**	**2Q19**	**1Q19**	**2Q19**
Gross revenue	218.3	223.1	17.6	17.9	238.3	243.2
Voyage expenses	(90.2)	(88.4)	–	–	(91.2)	(89.3)
Pool distribution	(13.0)	(16.0)	–	–	(13.0)	(16.0)
Timecharter Earnings	**115.2**	**118.7**	**17.6**	**17.9**	**134.1**	**137.9**
TC expenses	(15.4)	(10.7)	–	–	(15.4)	(10.7)
Operating expenses	(37.2)	(37.1)	(6.9)	(6.9)	(44.6)	(44.5)
Operating expenses – IFRS 16 adjusted	(5.3)	(5.6)	–	–	(5.3)	(5.6)
G&A	(17.6)	(15.4)	(4.0)	(4.8)	(21.6)	(20.2)
EBITDA	**39.7**	**49.9**	**6.7**	**6.2**	**47.2**	**56.8**
Depreciation	(22.7)	(22.8)	(5.4)	(5.3)	(28.1)	(28.1)
Depreciation – IFRS 16 adjusted	(11.4)	(12.4)	–	(0.1)	(11.5)	(12.9)
Impairment	–	–	–	(1.6)	–	(1.6)
Capital gain/loss	(0.2)	0.1	(0.4)	0.1	(0.6)	0.2
EBIT	**5.4**	**14.4**	**0.8**	**(0.7)**	**7.0**	**14.4**
Net interest expenses	(20.1)	(20.9)	(1.4)	(1.4)	(21.6)	(22.4)
Other financial items	0.6	(0.5)	–	(0.2)	0.6	(0.7)
Net finance	(19.4)	(21.4)	(1.4)	(1.6)	(20.9)	(23.1)
Taxes	(1.2)	(1.1)	(0.3)	(0.4)	(1.5)	(1.5)
Net results	**(15.2)**	**(8.0)**	**(1.0)**	**(2.7)**	**(15.4)**	**(10.2)**
EPS	–	–	–	–	(0.20)	(0.13)
Voyage days	6,293	6,308	–	–	6,293	6,308

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

Key quarterly deviations:

- TC revenues improved due to stronger performance in Odfjell Tankers
- Lower timecharter expenses due to redelivery of vessels with higher timecharter rates and some vessels have not been replaced
- Lower G&A in Odfjell Tankers driven by currency effects (USD1.2 mill) and seasonally lower costs during the quarter
- Odfjell Tankers EBITDA improved by USD 10 mill compared to previous quarter
- USD 1.6 mill impairment in Odfjell Terminals related to the Ethylene project in Houston, as this project did not materialize
- Adjusted for non-recurring items, adjusted EPS for Odfjell was USD –0.10 compared to adjusted EPS of USD –0.20 in the previous quarter

Annual P&L[1] – Odfjell Group by division

USD mill	Tankers			Terminals			Total*		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2016**	**2017**	**2018**
Gross revenue	832.4	842.5	850.8	122.7	110.8	91.0	967.2	961.7	950.5
Voyage expenses	(275.6)	(319.2)	(356.6)	-	-	-	(281.5)	(322.9)	(360.5)
TC expenses	(164.1)	(194.9)	(146.4)	-	-	-	164.6	(194.9)	(146.4)
Pool distribution	-	-	(23.9)	-	-	-	-	-	-
Opex	(133.1)	(135.5)	(145.4)	(53.7)	(52.3)	(46.1)	(189.1)	(189.9)	(193.8)
G&A	(71.8)	(68.0)	(69.7)	(22.5)	(20.0)	(20.8)	(94.4)	(88.2)	(90.6)
EBITDA	187.7	125.0	108.7	46.5	38.4	24.0	237.6	165.8	135.3
Depreciation	(89.6)	(89.0)	(95.3)	(34.1)	(34.4)	(29.1)	(125.1)	(124.7)	(124.5)
Impairment	(12.7)	(21.9)	(5.0)	(3.8)	(20.7)	(68.1)	(24.5)	(42.6)	(76.4)
Capital gain/loss	12.7	(0.1)	-	44.0	134.5	(10.6)	56.7	134.4	(10.8)
EBIT	98.1	14.0	8.1	52.6	117.9	(83.7)	144.6	132.8	(76.4)
Net finance	(22.2)	(50.6)	(74.6)	(14.7	(0.5)	(10.0)	(38.3)	(58.3)	(85.3)
Taxes	(7.1)	(2.3)	(4.8)	0.7	18.3	(44.3)	(6.4)	16.0	(49.1)
Net result	68.8	(38.9)	(71.4)	38.7	129.8	(138.0)	100.0	90.6	(210.8)
EPS	0.88	(0.49)	(0.91)	0.49	1.65	(1.76)	1.27	1.15	(2.68)

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

Balance sheet 30.06.2019[1] - Odfjell Group

Assets, USD mill	1Q19	2Q19
Ships and newbuilding contracts	1,354.0	1,345.0
Rights of use assets	216.8	231.3
Investment in associates and JVs	172.1	169.8
Other non-current assets/receivables	26.7	25.9
Total non-current assets	1,769.8	1,772.0
Cash and cash equivalent	138.6	104.6
Current receivables	99.3	110.1
Other current assets	23.4	25.8
Total current assets	261.3	240.6
Total assets	**2,031.1**	**2,012.6**

Equity and liabilities, USD mill	1Q19	2Q19
Total equity	583.5	564.2
Non-current interest bearing debt	891.9	865.4
Non-current interest bearing debt, right of use assets	175.2	188.1
Non-current liabilities and derivatives	23.3	28.2
Total non-current liabilities	1,090.3	1.081.8
Current portion of interest bearing debt	218.9	224.6
Current portion of interest bearing debt, right of use assets	43.3	46.6
Other current liabilities and derivatives	95.1	95.4
Total current liabilities	357.3	366.6
Total equity and liabilities	**2,031.1**	**2,012.6**

- Increase in right of use assets relates to delivery of one vessel on long-term bareboat charter during the quarter
- Reduced cash position mainly as a result of repayment of debt and a temporary increase in working capital

1. Equity method

Cash flow – 30.06.2019 – Odfjell Group[1]

Cash flow, USD mill	1Q19	2Q19	FY18
Net profit	(14.9)	(9.5)	(209.3)
Adjustments	33.8	35.8	104.6
Change in working capital	(5.8)	(14.8)	(20.6)
Other	(1.9)	5.7	167.9
Cash flow from operating activities	**11.2**	**17.2**	**42.6**
Sale of ships, property, plant and equipment	2.0	–	–
Investments in non-current assets	(17.4)	(14.3)	(193.9)
Dividend/ other from investments in Associates and JV's	–	–	81.1
Other	0.1	(0.1)	14.0
Cash flow from investing activities	**(15.3)**	**(14.2)**	**(98.8)**
New interest bearing debt	20.5	(0.6)	301.3
Repayment of interest bearing debt	(35.8)	(24.8)	(267.8)
Payment of operational lease debt	(9.9)	(11.3)	
Dividends	–	–	(14.6)
Other	–	–	(1.2)
Cash flow from financing activities	**(25.2)**	**(36.7)**	**17.7**
Net cash flow*	**(29.3)**	**(33.6)**	**(39.0)**

- Improved operating cash flow despite temporary increase in working capital
- Final equity investment for newbuildings made in 2Q19 (USD 6 mill)

1. Equity method
2. * After FX effects

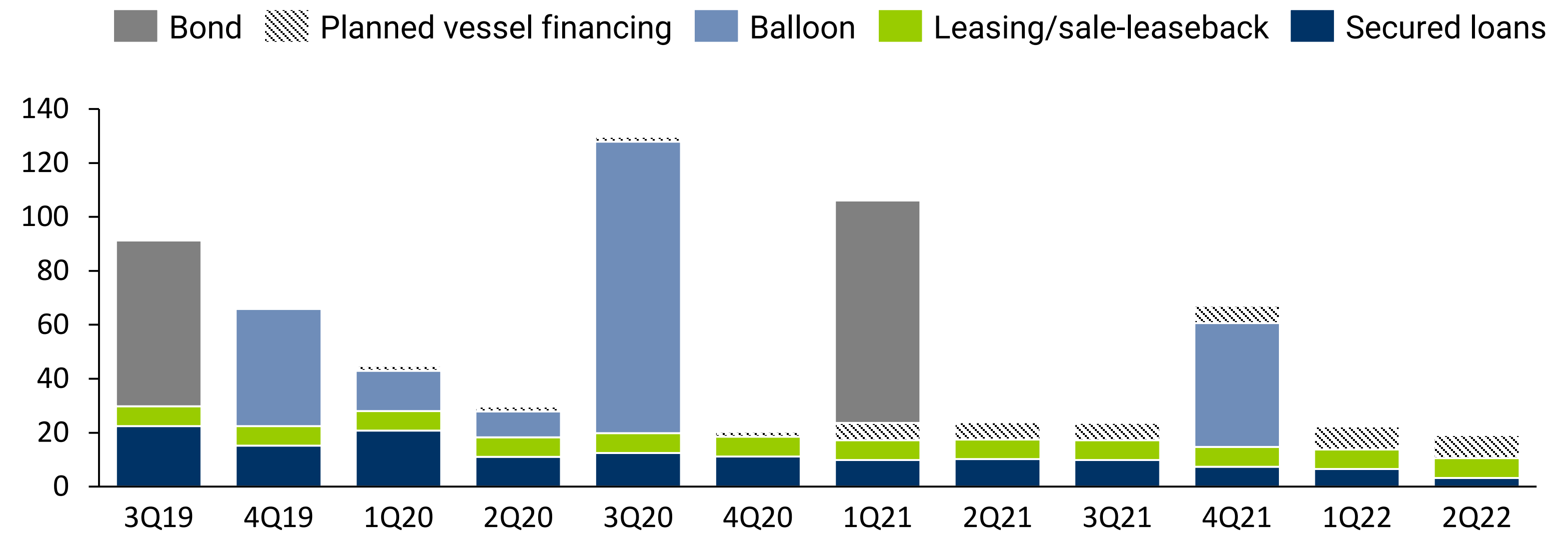
We have a network of 6 terminals with a mix of mature and growth terminals

	Europe	US		Asia				South America	
	Antwerp (NNOT)	Houston (OTH)	Charleston (OTC)	Ulsan (OTK)	Dalian (OTD)	Jiangyin (OTJ) Sold	Tianjin (ONTT)	Peru, Argentina, Brazil	Global
Storage capacity In k CBM	382	380	79	314	120	100	138	553	2,066
Start-up Year	Non-operated	1983	2013	2002	1998	2007	2016	Related party	-
Revenues[1] USD mill	11	40	6	5	4	2	1	-	69
EBITDA[1] USD mill	5	17	2	2	3	1	0	-	32*
ROIC[1] (%)	16.9%	14.8%	8.4%	5.7%	18.9%	4.2%	-1.7%	-	9.1%

[1]All 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 BV (Holding company)

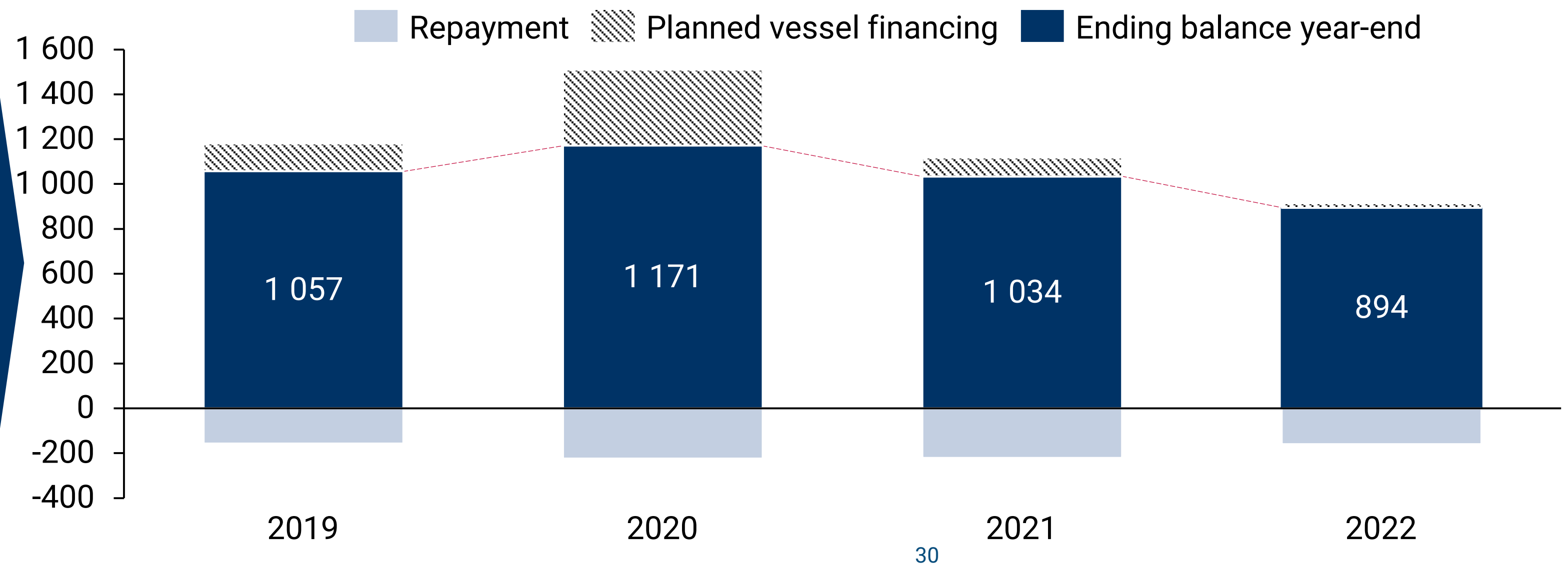
Debt development – Corporate and chemical tankers 30.06.2019

Scheduled repayments and planned refinancing, USD mill



- Installments and capital repayments on mortgage loans and financial leases totaled USD 25 mill in 2Q19
- We have completed attractive financing to redeem the bond maturing in September
- Secured several refinancing's with extended repayment profiles

Gross debt ending balance, USD mill



- Debt to increase in 2020 due to delivery of newbuildings
- Focus remains on reducing debt to lower our break-even levels…
- Timing of reaching our targets is market dependent

Capital expenditure programme – 30.06.2019

USD mill	2019	2020	2021
Chemical Tanker newbuildings			
Hudong 4 x 49,00 dwt (USD 60 mill)	128	42	–
Hudong 2 x 38,000 dwt (USD 58 mill)	6	87	–
Total	134	129	–
Instalment structure - Newbuildings			
Debt installment	134	129	–
Equity installment	–	–	–
Tank Terminals (Odfjell share)*			
Planned expansion capex	3	**	**

- We paid USD 6 mill of instalments on newbuildings during the quarter
- We have secured financing for all chemical tanker newbuildings and no equity instalments remain
- The first newbuilding from Hudong was delivered in August 2019
- We have no capital commitments for chemical tankers beyond 2020
- Other chemical tanker investments for the next three years amount to about USD 10 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 4 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
**Our capital expenditure programme for the US will be updated when a new strategy has been concluded together with our new JV partner at the US terminals

Thank you

Odfjell SE

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