

Third quarter presentation 2019

November 6, 2019



ODFJELL



Agenda

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

Highlights

- The chemical tanker earnings were seasonally weaker this quarter. Volumes were lower, but freight rates remained stable and with a firmer underlying trend
- EBITDA of USD 51 mill, compared with USD 57 mill in 2Q19
- EBITDA of USD 45 mill from Odfjell Tankers compared with USD 50 mill 2Q19
- EBITDA of USD 6 mill from Odfjell Terminals compared to USD 6 mill 2Q19
- Net result of USD -1 mill compared to USD -10 mill last quarter. Adjusted for sales gain, net results were USD -15mill in 3Q19
- Spot rates on main tradelanes increased by 2% compared to 2Q19, and our COA rate renewals are up 6.1% YTD 2019
- Repaid our Sep-19 bond without any new issue. Secured new attractive financing which reduces our break-even levels
- Concluded the sale of our Jiangyin terminal generating USD 21 mill in cash proceeds and an equity gain of USD 14 mill
- Took delivery of Bow Orion, the world's largest and most energy efficient stainless steel chemical tanker

Key figures, USD mill

(USD mill, unaudited)	4Q18	1Q19	2Q19	3Q19	3Q18	FY18	FY17
Odfjell Tankers	221.3	218.3	223.1	214.2	208.8	850.8	842.5
Odfjell Terminals	17.2	17.6	17.9	16.4	22.6	91.0	110.8
Revenues*	241.1	238.3	243.2	232.7	233.7	950.5	961.7
Odfjell Tankers	27.0	39.7	49.9	44.7	26.8	108.7	125.0
Odfjell Terminals	4.8	6.7	6.2	6.0	3.9	24.0	38.4
EBITDA*	32.7	47.2	56.8	51.4	31.5	135.3	165.8
EBIT	(13.0)	7.0	14.4	25.9	(13.5)	(76.4)	132.8
Net profit	(47.6)	(15.4)	(10.1)	(1.1)	(31.2)	(210.8)	90.6
EPS**	(0.60)	(0.20)	(0.13)	(0.01)	(0.40)	(2.68)	1.15
ROE***	(17.6)%	(10.5)%	(6.1)%	(7.6)%	(13.8)%	(29.8)%	11.8%
ROCE***	(1.1)%	1.4%	2.8%	2.7%	(1.5)%	(8.1)%	8.8%

1) Historical figures are not adjusted for IFRS16

*Includes figures from Odfjell Gas

** Based on 78.7 million outstanding shares

*** Ratios are annualised

"Third quarter was impacted by the usual seasonal slowdown in volumes while rates remained stable. Since then, the market has normalized and we are encouraged to see the improvement in volumes, and the improved crude and product tanker markets, which should positively impact our markets going forward. We are further encouraged by ongoing improvement in contract rates and that customers are accepting pass-through of potentially higher bunker costs related to IMO 2020. We expect to report improved results in the fourth quarter"

Kristian Mørch, CEO Odfjell SE



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Income statement¹ – Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	2Q19	3Q19	2Q19	3Q19	2Q19	3Q19
Gross revenue	223.1	214.2	17.9	16.4	243.2	232.7
Voyage expenses	(88.4)	(88.2)	–	–	(89.3)	(89.1)
Pool distribution	(16.0)	(13.0)	–	–	(16.0)	(13.0)
Timecharter Earnings	118.7	113.0	17.9	16.4	137.9	130.6
TC expenses	(10.7)	(10.5)	–	–	(10.7)	(10.7)
Operating expenses	(37.1)	(36.3)	(6.9)	(6.8)	(44.5)	(43.7)
Operating expenses – IFRS 16 adjusted	(5.6)	(5.6)	–	–	(5.6)	(5.6)
G&A	(15.4)	(15.8)	(4.8)	(3.5)	(20.2)	(19.4)
EBITDA	49.9	44.7	6.2	6.0	56.8	51.4
Depreciation	(22.8)	(23.3)	(5.3)	(5.2)	(28.1)	(28.6)
Depreciation – IFRS 16 adjusted	(12.8)	(12.8)	(0.1)	(0.1)	(12.9)	(12.9)
Impairment	–	–	(1.6)	0.1	(1.6)	0.1
Capital gain/loss	0.2	–	0.1	15.9	0.2	15.9
EBIT	14.4	8.7	(0.7)	16.6	14.4	25.9
Net interest expenses	(20.9)	(21.8)	(1.4)	(1.1)	(22.4)	(23.2)
Other financial items	(0.5)	(1.3)	(0.2)	(0.4)	(0.7)	(1.6)
Net finance	(21.4)	(23.0)	(1.6)	(1.7)	(23.1)	(24.7)
Taxes	(1.1)	(0.5)	(0.4)	(1.8)	(1.5)	(2.3)
Net results	(8.0)	(14.8)	(2.7)	13.2	(10.2)	(1.1)
EPS	(0.10)	(0.18)	–	–	(0.13)	(0.01)
Voyage days	6,308	6,243	–	–	6,308	6,243

Key quarterly deviations:

- Timecharter earnings reduced due to lower volumes carried during the quarter
- Costs were stable leading to volume impact directly filtering down to reduced EBITDA for the quarter
- G&A reduced in Odfjell Terminals following new corporate structure with shutdown of offices in Rotterdam and Singapore. Odfjell Terminals now controlled with a leaner organisation from headquarter in Bergen
- Taxes in Odfjell Terminals increased related to sale of Jiangyin Terminal
- Adjusted for non-recurring items, adjusted EPS for Odfjell was USD -0.17 compared to adjusted EPS of USD -0.10 in the previous quarter

Balance sheet 30.09.2019¹ - Odfjell Group

Assets, USD mill	2Q19	3Q19
Ships and newbuilding contracts	1,345.0	1,379.4
Rights of use assets	231.3	218.3
Investment in associates and JVs	169.8	161.2
Other non-current assets/receivables	25.9	25.3
Total non-current assets	1,772.0	1,783.9
Cash and cash equivalent	104.6	111.5
Current receivables	110.1	79.5
Other current assets	25.8	23.8
Total current assets	240.6	214.8
Total assets	2,012.6	1,998.7

Equity and liabilities, USD mill	2Q19	3Q19
Total equity	564.2	554.6
Non-current interest bearing debt	865.4	893.2
Non-current interest bearing debt, right of use assets	188.1	177.1
Non-current liabilities and derivatives	28.2	37.9
Total non-current liabilities	1,081.8	1,108.2
Current portion of interest bearing debt	224.6	199.3
Current portion of interest bearing debt, right of use assets	46.6	45.9
Other current liabilities and derivatives	95.4	91.0
Total current liabilities	366.6	336.2
Total equity and liabilities	2,012.6	1,998.7

- Book value of ships increased following the delivery of one newbuilding during the quarter
- Current receivable reduced following a temporary increase in 2Q19
- Increased debt relates to financing of newbuilding delivery

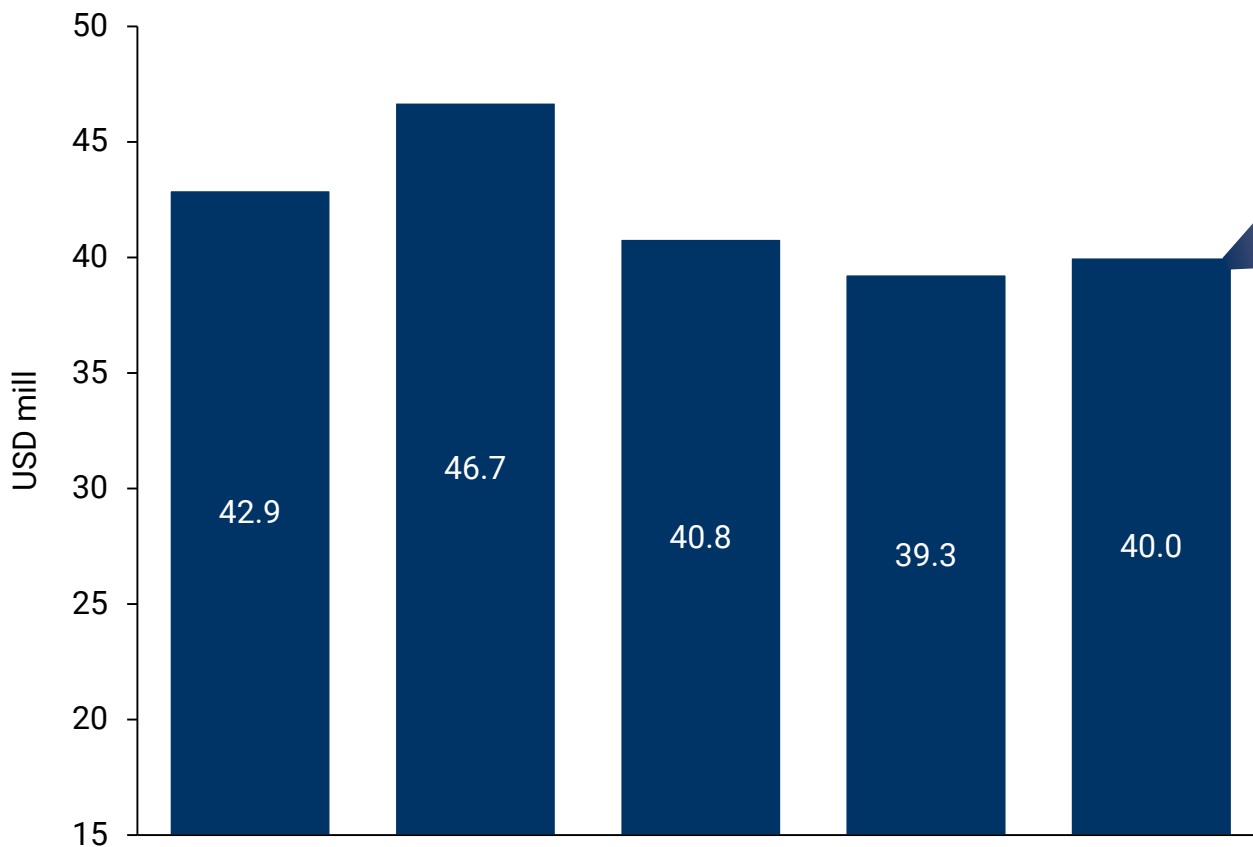
Cash flow – 30.09.2019 – Odfjell Group¹

Cash flow, USD mill	1Q19	2Q19	3Q19	FY18
Net profit	(14.9)	(9.5)	(1.7)	(209.3)
Adjustments	33.8	35.8	39.0	104.6
Change in working capital	(5.8)	(14.8)	21.8	(20.6)
Other	(1.9)	5.7	21.8	167.9
Cash flow from operating activities	11.2	17.2	45.5	42.6
Sale of ships, property, plant and equipment	2.0	–	–	–
Investments in non-current assets	(17.4)	(14.3)	(57.7)	(193.9)
Dividend/ other from investments in Associates and JV's	–	–	20.7	81.1
Other	0.1	(0.1)	0.8	14.0
Cash flow from investing activities	(15.3)	(14.2)	(36.2)	(98.8)
New interest bearing debt	20.5	(0.6)	268.5	301.3
Repayment of interest bearing debt	(35.8)	(24.8)	(238.9)	(267.8)
Payment of operational lease debt	(9.9)	(11.3)	(11.7)	
Dividends	–	–	–	(14.6)
Other	–	–	–	(1.2)
Cash flow from financing activities	(25.2)	(36.7)	(2.0)	17.7
Net cash flow*	(29.3)	(33.6)	7.0	(39.0)

- Improved working capital after a temporary increase in the previous quarter
- Dividend received from Odfjell Terminals related to sale of Jiangyin Terminal before adjusting for taxes and transaction fees
- Financing cash flow related to concluded refinancings during the quarter and repayment of september 2019 bond

1. Equity method
2. * After FX effects

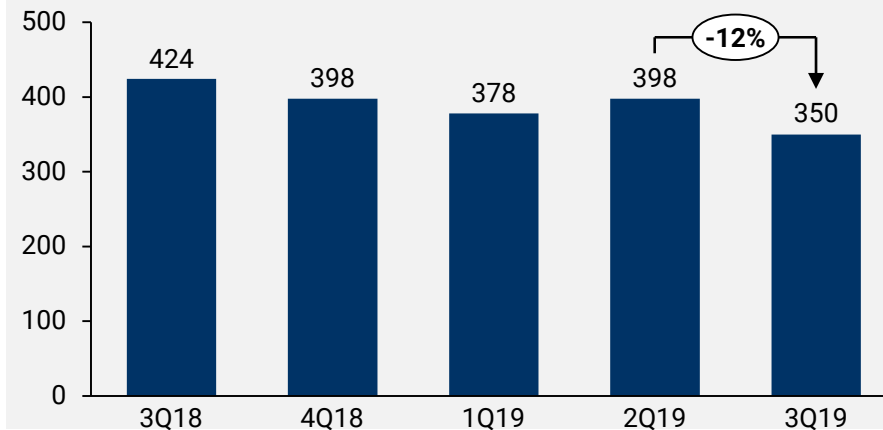
Bunker expenses – 30.09.2019 – Odfjell Tankers



- Bunker costs after bunker adjustment clauses was USD 40 mill compared to USD 39 mill 2Q19
- Bunker adjustment clauses hedged 55% of our total volumes during the quarter
- Our planning for IMO 2020 is progressing as planned and we plan to consume compliant fuel from January 2020. Increased bunker costs will be passed on to customers
- We have hedged 9,000 tonnes of MGO for the fourth quarter and has no financial hedges for 2020

Average Platts 3.5% FOB Rotterdam

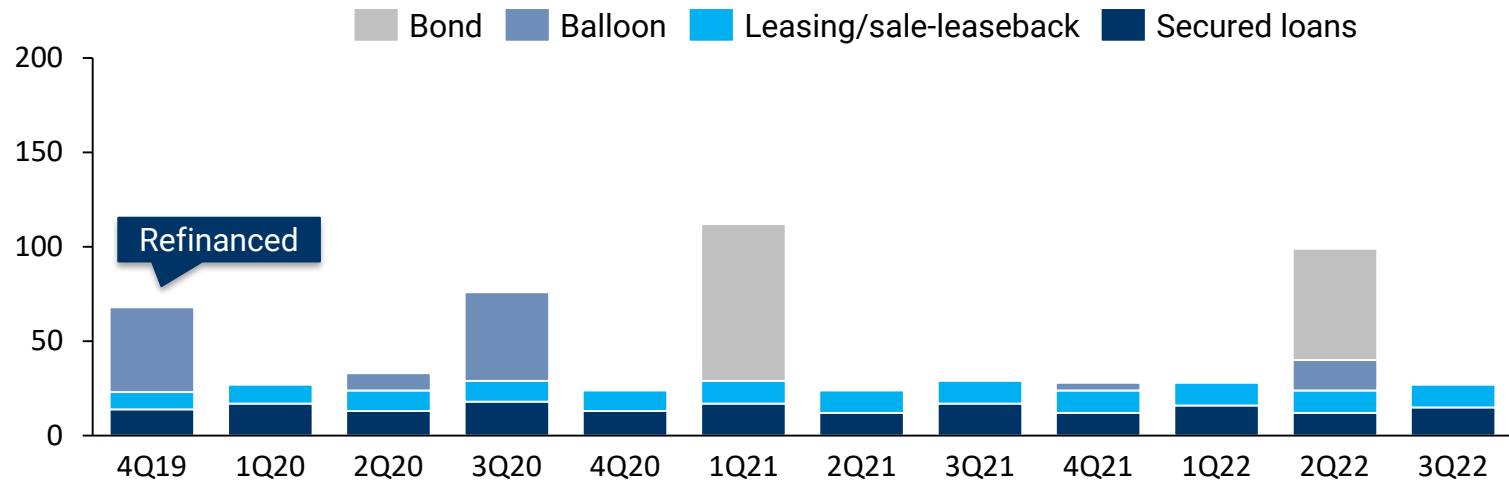
USD per metric tonne



	3Q18	4Q18	1Q19	2Q19	3Q19
Gross bunker cost	50.0	55.9	47.4	46.9	47.0
Financial hedging	-	-	(0.4)	(0.6)	(0.1)
Adj. Clauses	(4.2)	(4.9)	(1.2)	(1.8)	(1.7)
3 rd party vessels	(3.0)	(4.3)	(5.1)	(5.3)	(5.1)
Net bunker cost	42.9	46.7	40.8	39.3	40.0

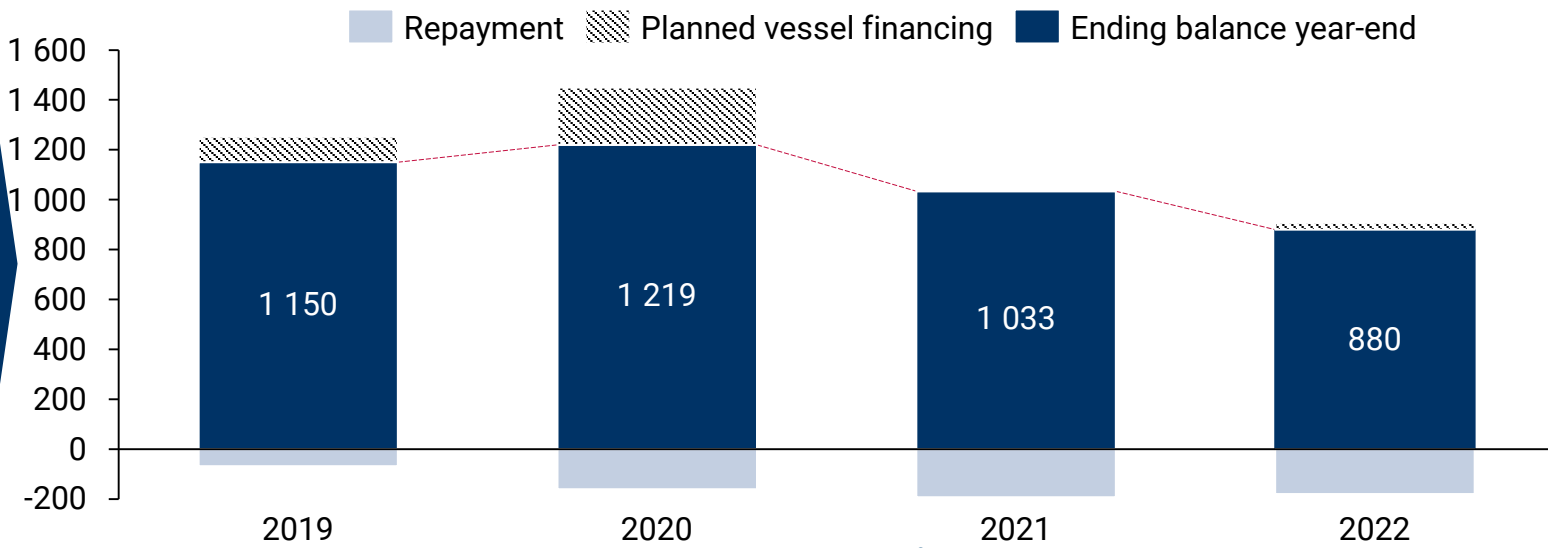
Debt development – Corporate and chemical tankers

Scheduled repayments and planned refinancing, USD mill



- ODF07 repaid with cash from balance sheet, total USD 62 mill
- Three term loan facilities refinanced with a USD 180 mill RCF
- 4Q19 balloon has been refinanced in October and leverage reduced

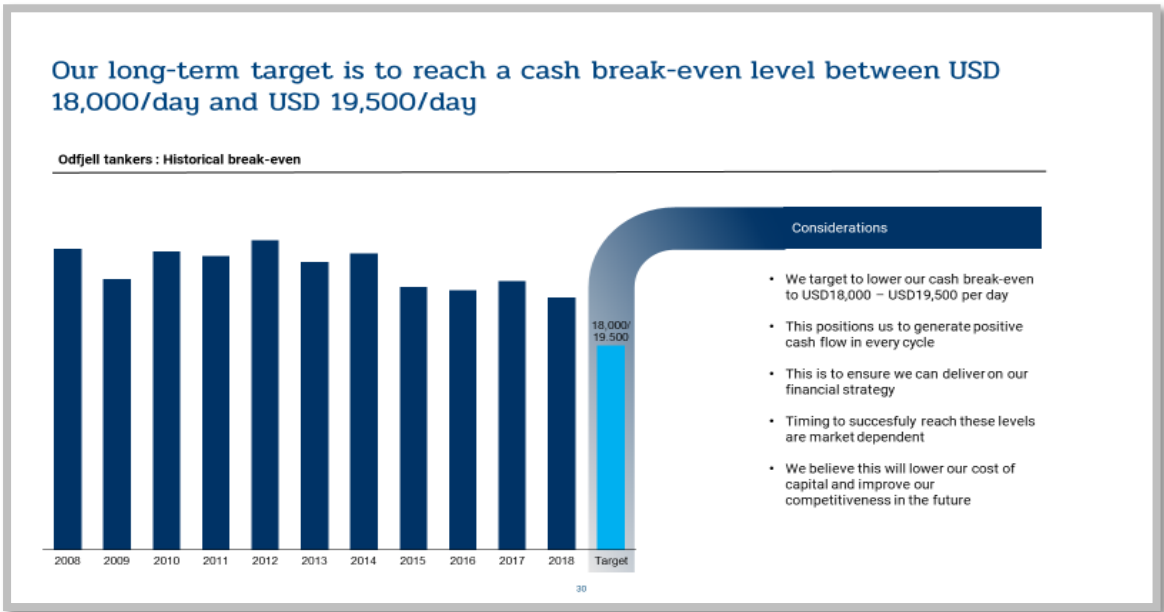
Gross debt ending balance, USD mill



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

Concluded refinancing has been done at attractive levels and will reduce daily break-even for the vessels involved

Target to reach daily break-even level of USD18,000-USD19,500 per day...



Reducing our daily break-even levels is high on the agenda to ensure we can generate positive cash flow in any market

...Concluded refinancings ytd will reduce break-even levels for the vessels

Description	Today, USD mill	Target range, USD mill	USD/day effect:	Recent developments:
Secured and amortized debt	860	500 - 650	Reduction: USD 850/day	Neg. USD 1,500/day (9 vessels)
Non-amortising debt	263	200 - 250	Reduction: USD 0-250/day	USD 200/day (total fleet)
Average amortization profile	5.7 years	8.0 years	Reduction: USD 2,200/day	USD 2,500/day (9 vessels)
Unencumbered assets, including undrawn revolvers	25	75	Reduction: USD 200/day	USD 80/day (total fleet)
Total debt	1,100	750 - 900	Reduction: USD 3,250/day	USD 400/day (total fleet)

Source: Odfjell Capital Markets Day 2019

We have lowered the daily break-even levels by USD 400/day through refinancings on nine vessels during the third quarter and through redeeming the bond in September 2019 (lower interest rates)

Capital expenditure programme – 30.09.2019

USD mill	2019	2020	2021
Chemical Tanker newbuildings			
Hudong 3 x 49,00 dwt (USD 60 mill)	42	84	–
Hudong 2 x 38,000 dwt (USD 58 mill)	6	87	–
Total	48	171	–
Instalment structure - Newbuildings			
Debt installment	48	171	–
Equity installment	–	–	–
Tank Terminals (Odfjell share)*			
Planned expansion capex	–**	–**	1**

○ We have secured financing for all chemical tanker newbuildings and no equity instalments remains

○ The first newbuilding from Hudong was delivered in August 2019. Remaining capex for 2019 relates to second newbuilding from Hudong scheduled for delivery in November

○ We have no capital commitments for chemical tankers beyond 2020

○ Other chemical tanker investments for the next three years amounts to about USD 11 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 through 2021 is USD 3 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.

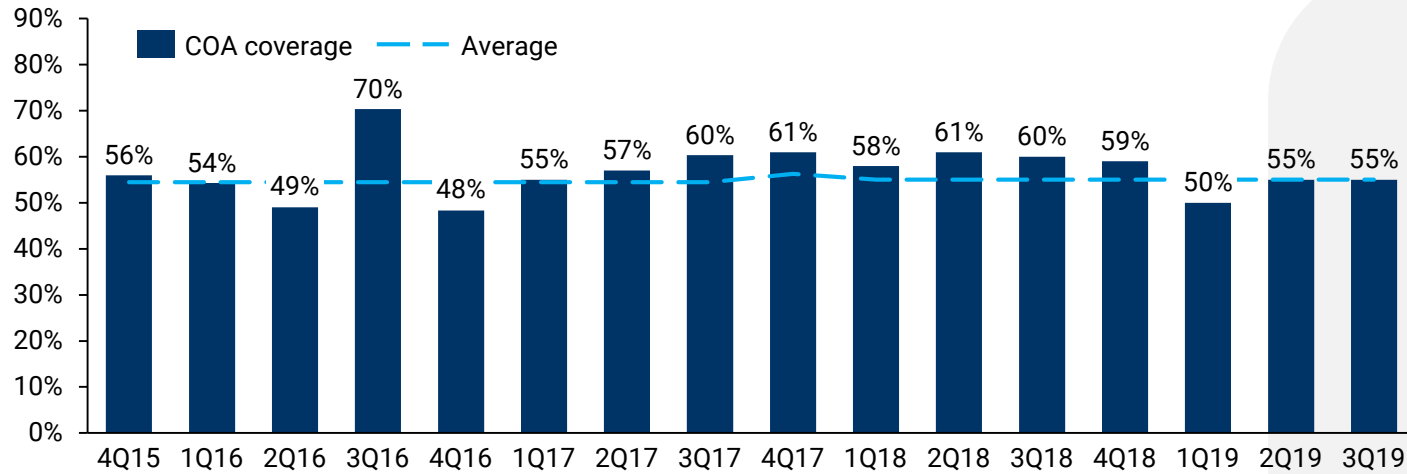


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COA coverage and rates were stable during the quarter. Our stance to not pursue low COA rates in present market remains intact

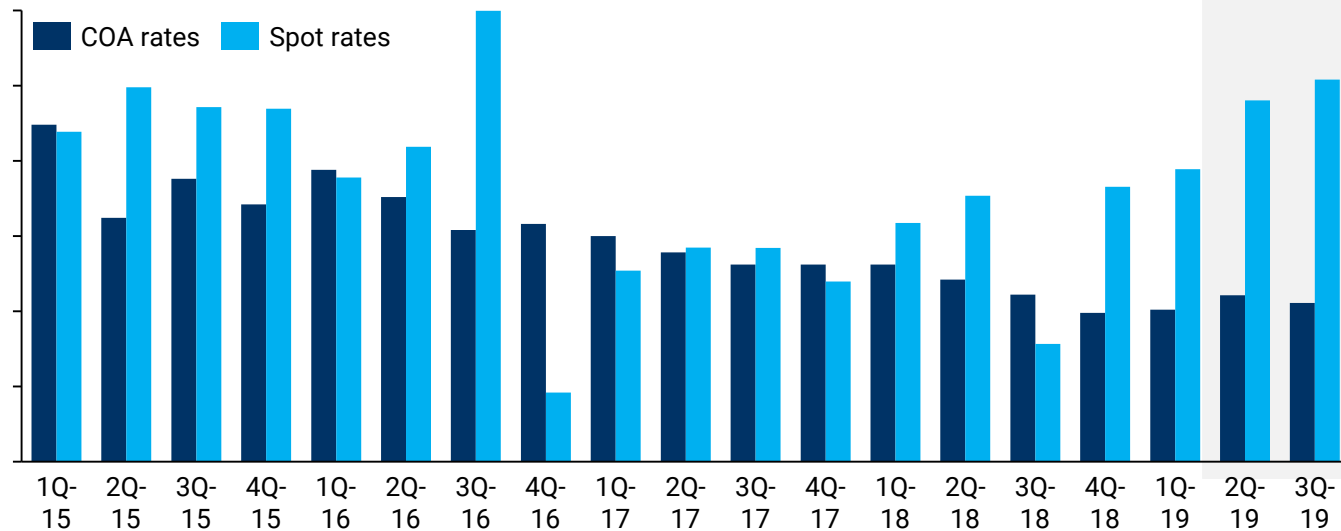
Contract coverage



Comments:

- Contract coverage was stable during the quarter
- Our stance to not pursue low COA rate renewals remains intact
- This adds higher exposure to firming spot rates and we could see lower COA coverage going forward

COA rates vs spot rate development in main tradelanes



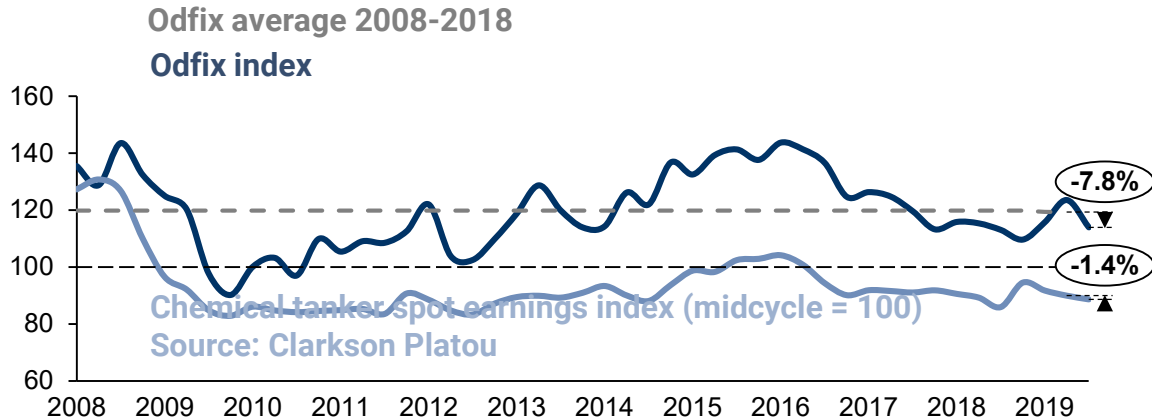
- Spot rates on main tradelanes increased by 2% during the quarter
- Limited amount of COA renewals this quarter
- Average COA rate renewals are up 6.1% on average in 2019 (up from 5.7% as of 2Q19)

Tankers: ODFIX underperformed the general market index this quarter due to less volumes carried

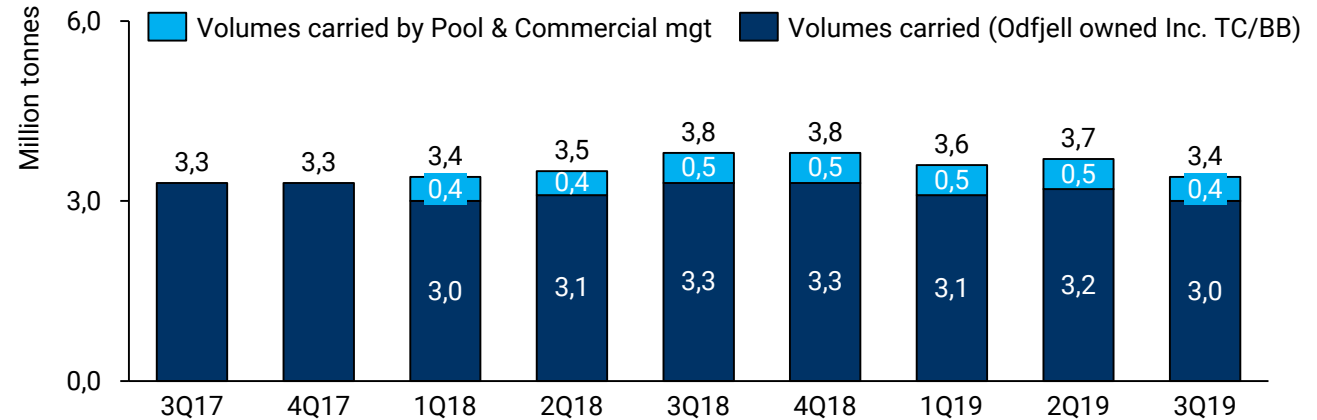
Observations

- ODFIX underperformed the general market index this quarter. This is driven by:
 - ODFIX reflecting lower volumes while spot index is a pure rate index (rates)
- Volumes decreased due to:
 - Seasonally higher plant maintenance and seasonal lower demand
 - Increased competition from swing tonnage, especially on back-haul routes

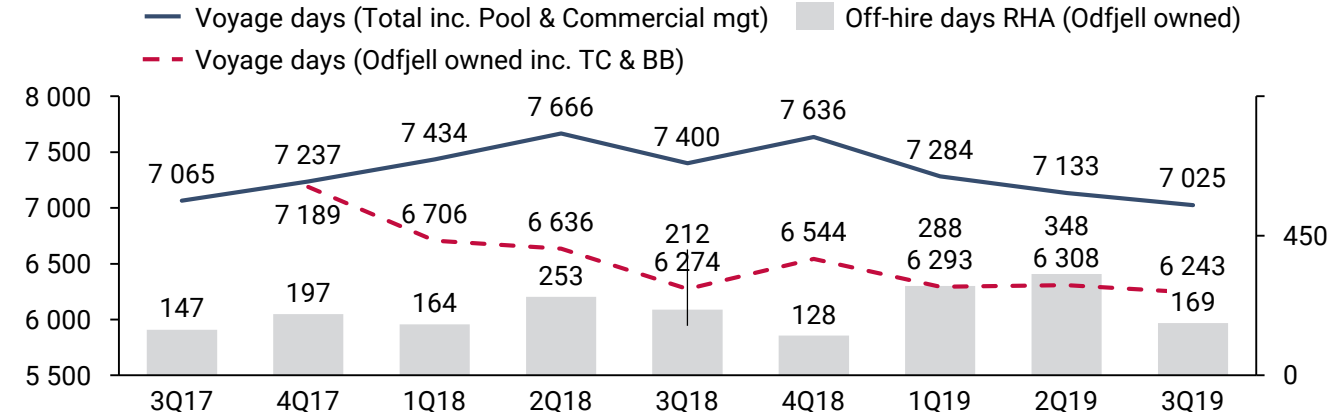
ODFIX versus chemical tanker spot rates



Odfjell Tankers volume development

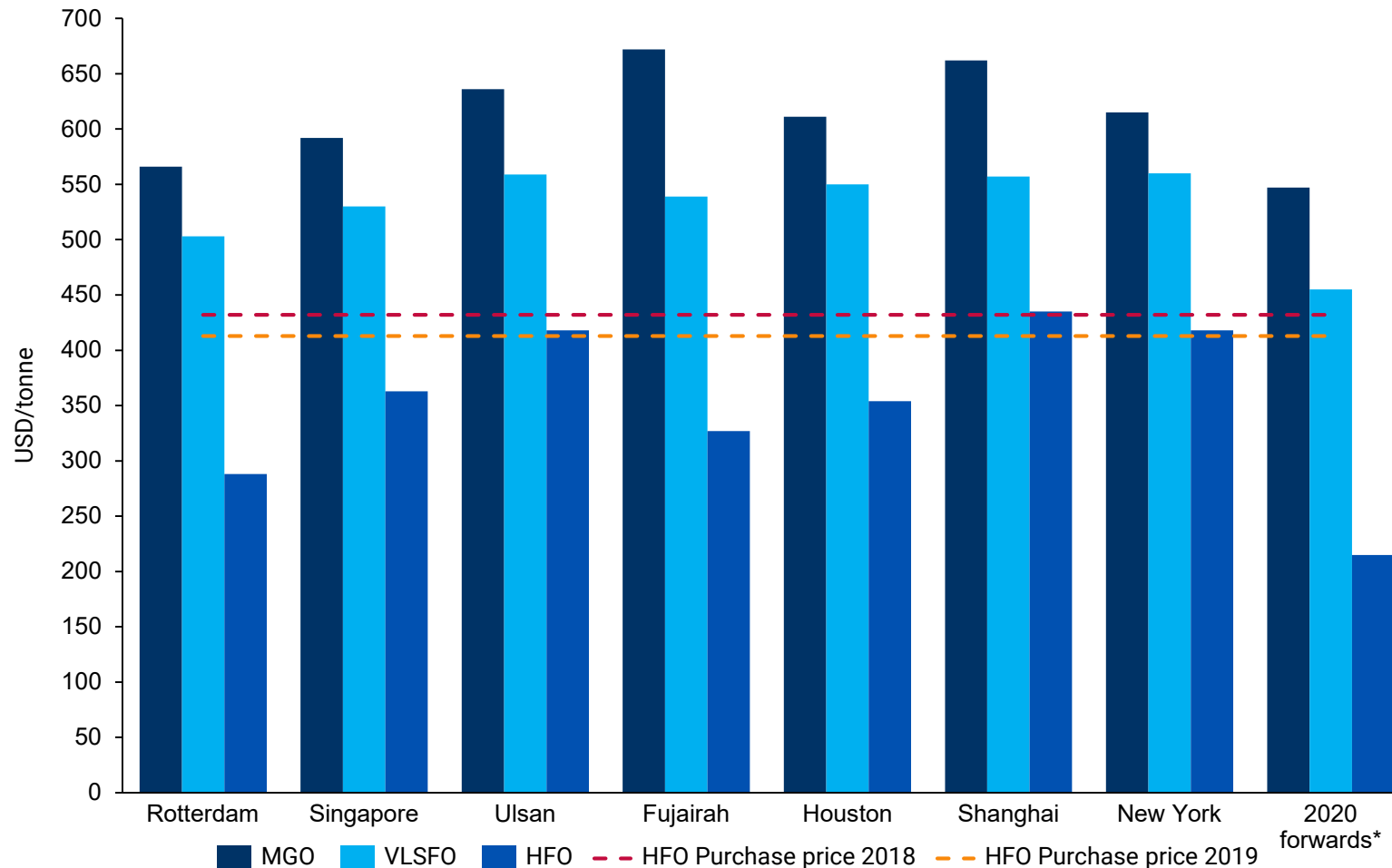


Odfjell Tankers voyage days development



IMO 2020: Price spreads between fuels and ports are volatile mainly caused by changes in HFO – 2020 forwards indicates bunker costs in line with 2018/19

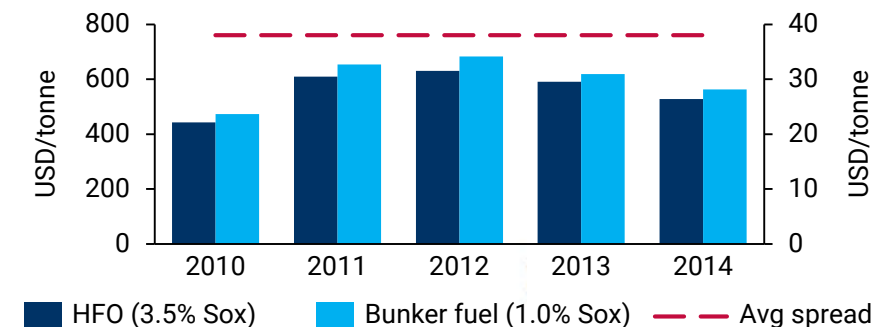
Price overview of MGO, HFO and VLSFO (0.5%) by major port (October 2019 avg.)



Observations

- Increased volatility of bunker fuel spreads after the summer. This is mainly driven by HFO prices due to preparations for lower demand
- HFO and VLSFO price spread ranged between USD 120 and USD 215 per tonne in October depending on port (in periods, VLSFO and HFO was priced at par in Ulsan and Singapore)
- Forward prices are still indicating VLSFO prices in Rotterdam to be at similar levels as HFO in 2018 and 2019
- Still too early to conclude...
- ...But the price differential seen between bunkers with 3.5% sulfur content and 1% sulfur content was USD 38/tonne on average could be another indicator that the price spread/hike won't be as severe as feared:

Price spread between 3.5% bunker fuel vs 1.0% bunker fuel in Rotterdam between 2010-2014



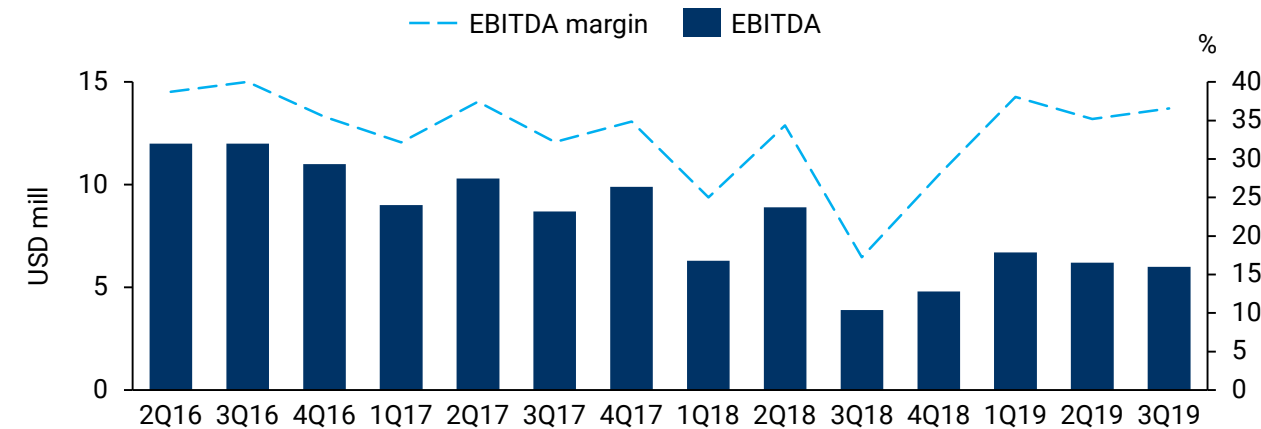
Terminals: Slightly improved margins following reorganisation of Odfjell

Terminals – Houston to remain a key focus area going forward

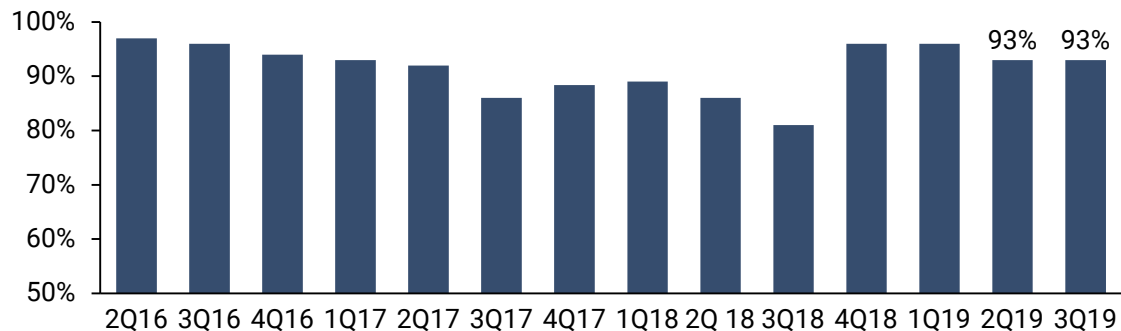
Comments

- Stable utilisation during the quarter
- EBITDA margins slightly improved following reduced G&A costs
- Our largest terminal in Houston benefits from a strong storage market and high activity. With a fully occupied terminal, focus is on improving efficiencies and grow existing land at the terminal
- As a part of LG's exit from Asia, Odfjell SE may consider to tag along on a sale of its ownership in the terminals in China

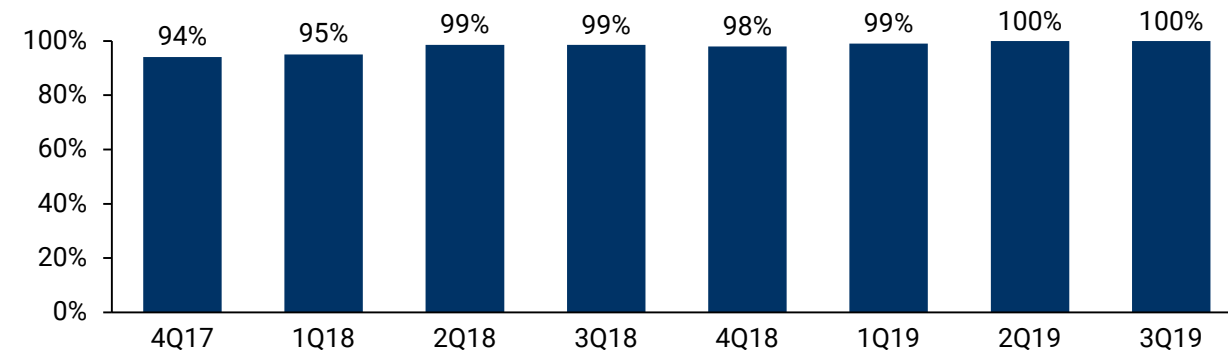
Odfjell Terminals: EBITDA and margin development



Odfjell Terminals: Utilisation development



Odfjell Terminals Houston quarterly utilisation



Odfjell has done and is actively working on reducing our environmental footprint through various initiatives – Odfjell is acting today for a better tomorrow

EEOI

- Detailed EEOI monitoring has been ongoing since 2009
- Our g CO₂/ tonne mile has been reduced by 33% in the corresponding period
- 36% of Odfjell vessels will move from D to A+ in Energy rating

Weather routing

- Advanced weather routing systems to avoid bad weather and take advantage of currents
- 2018 effect: Saved 75 days – 1,980 tonnes of fuel - 6,138 tonnes CO₂

Propeller polishing

- Polishing propeller blades on our ships increases efficiency by 11%
- Studies from NTNU states that this can increase speed by 0.5 knots that equates to 100 tonnes less fuel on a Panama-Yokohama journey

Fuel cell project

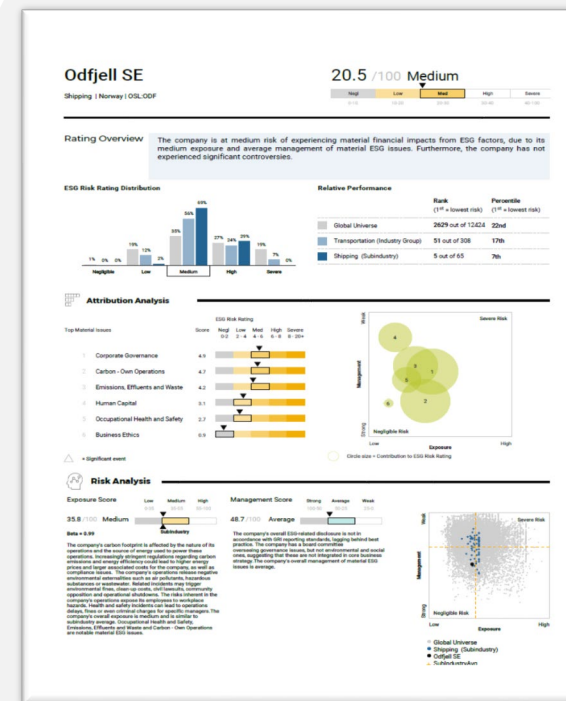
- Fuel cell project to be piloted on an Odfjell ship within two years
- Fuelled by LNG, Ammonia, Ethanol, Biofuels
- Reductions: 35% Fuel consumption - 54% CO₂ - 90% SOx – 80% NOx

Retention rate/ Personell experience

- 98% retention rate among Odfjell seafarers
- 96% of all officers served on board super-segregators (unique class familiarity)
- A skilled and experienced crew is crucial to operate our fleet in a efficient and safe manner – We don't compromise on safety

Active role in various ESG related initiatives

- MACN, UN Global Compact Membership, Membership Cardo Disclosure Project, Pledge signed to achieve UN SDGs, Diversity policy, Local CSR policy, The getting to Zero Coalition, CLIMMS, NCE Maritime Cleantech, Compliance to various other efforts and reporting initiatives like Poseidon Principle, Ecovadis, Trident Alliance +++



Odfjell ESG ranking:

Categories	Odfjell ranking
Business Ethics	1 out of 17
Corporate Governance	5 out of 17
Carbon – Own operations	2 out of 17
Emissions, Effluents, and waste	4 out of 17
Human Capital	13 out of 17
Occupational health and safety	4 out of 17
Overall ESG ranking	5 out of 65

“ Our license to operate is dependent on our social responsibility – In our view, profitability and sustainability are interconnected. As a global company, we have a responsibility for our employees, our investors, our customers, the local communities where we operate, and the global environment – and we will only be able to prosper and grow if we act in a sustainable way. We build for the future, and act today for a better tomorrow”

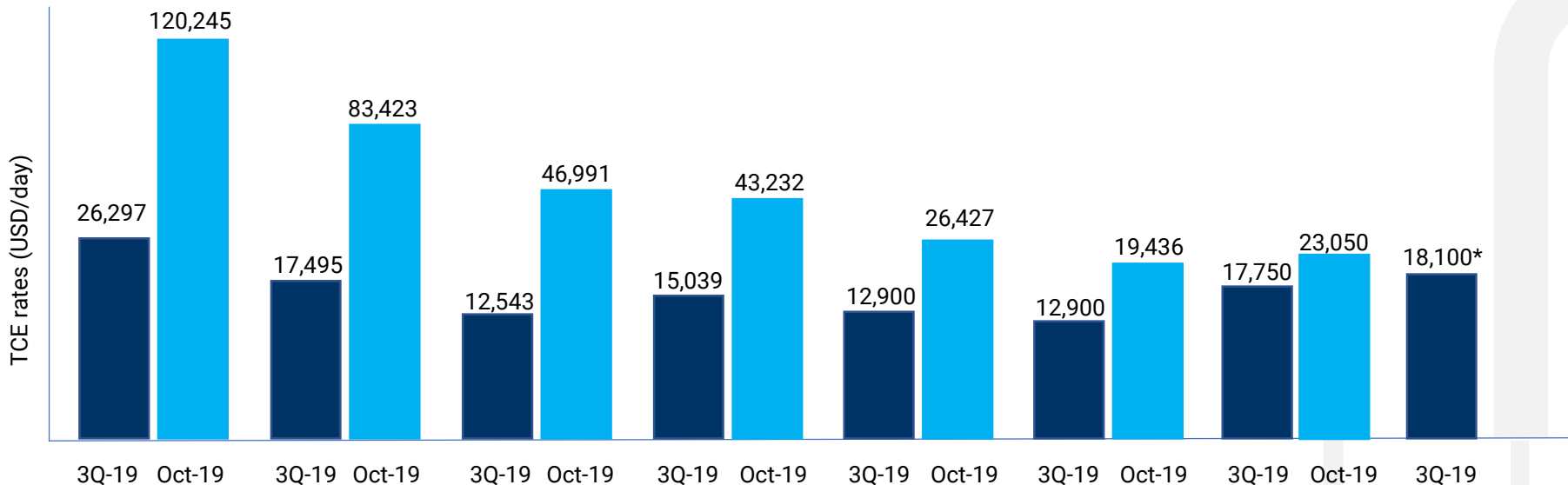
Kristian Mørch, CEO Odfjell SE
Odfjell Sustainability report June 2018



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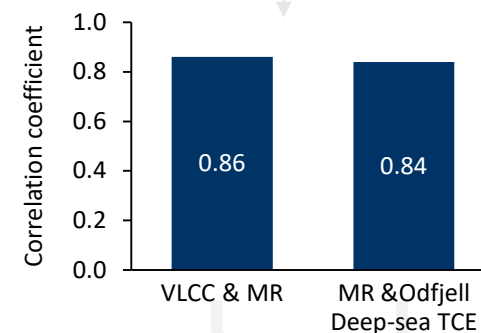
The tightening VLCC market has filtered through all vessel classes in line with historical correlation patterns – Chemicals having the longest time lag



Comments

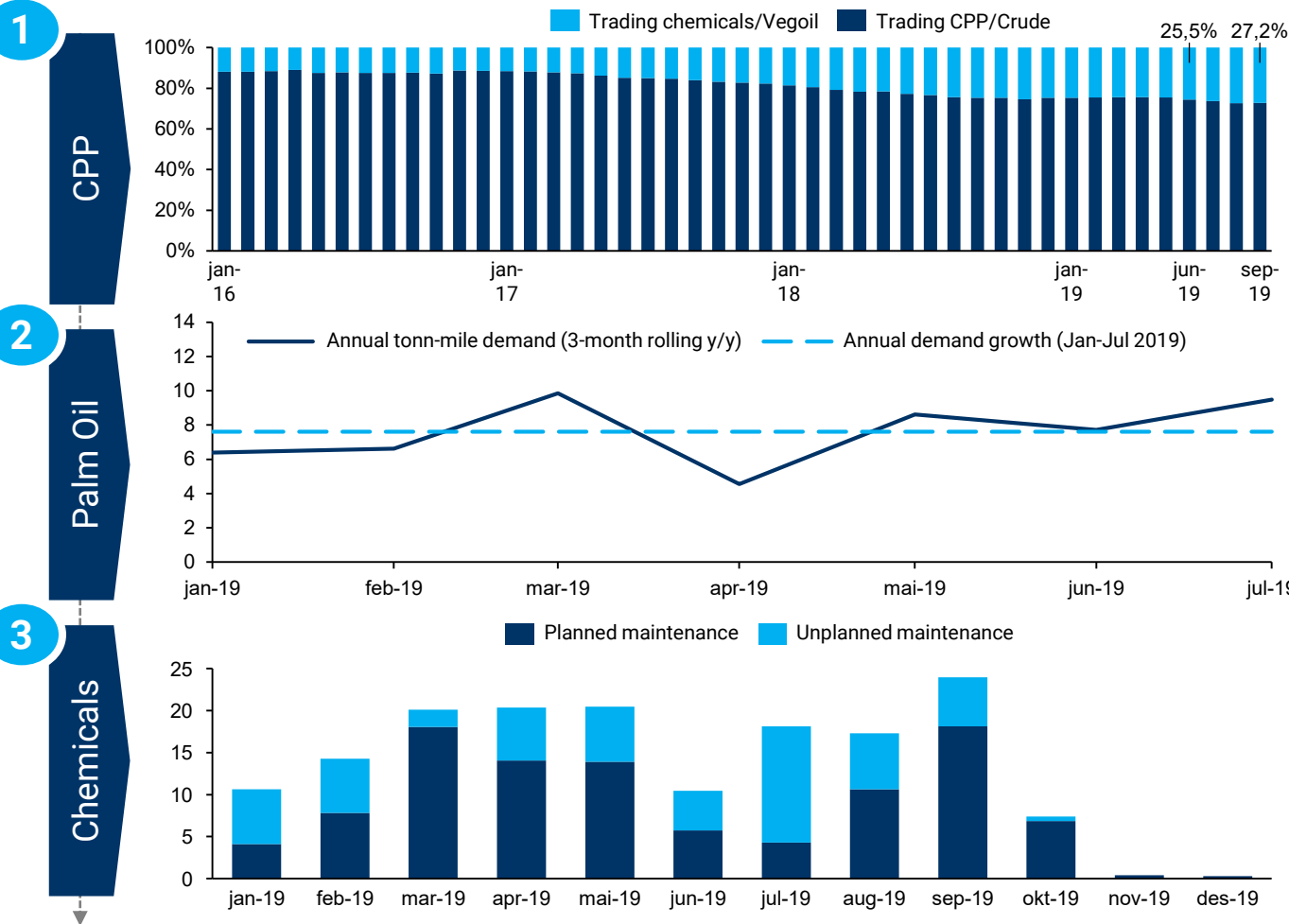
- Historical correlation between tanker segments are high...
- ...with product tankers swinging into crude...
- ...and product tankers swinging into vegoils and chemicals...
- ...and chemical tankers swinging into oil products
- There has historically been a time lag up to 6 to 8 weeks before the effect reaches chemicals...
- ...and another 6 to 8 weeks before visible in P&L accounts...
- A sustainable recovery in crude and products is therefore needed to impact chemicals

Historical annual correlations (2004-2019)

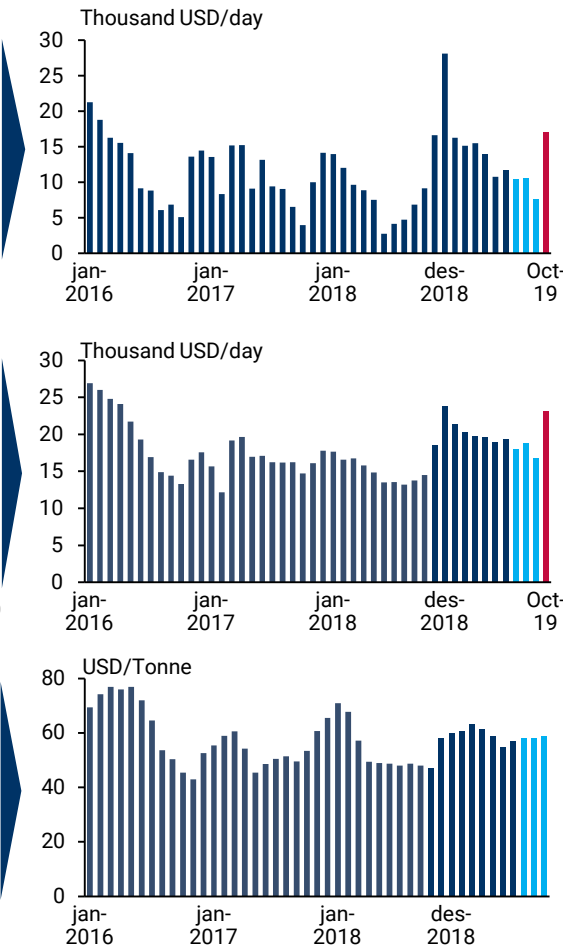


Continued influx of swing tonnage, seasonally weaker demand and plant turnarounds led to a slower third quarter but still with a strong underlying trend

Fundamental drivers:



Rate development:

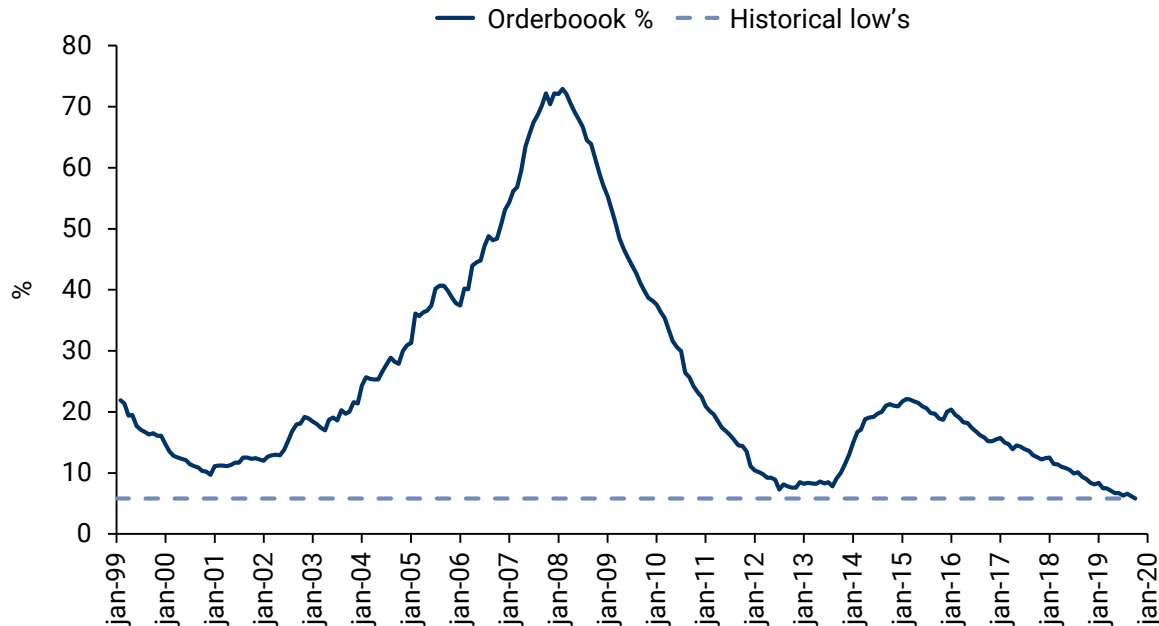


Comments:

- 28 incremental MR's were trading chemical/vegoils compared to June
- CPP suffered from Saudi attacks in September, but has since then recovered
- Swing tonnage expected to be reduced in coming months
- 2019 has been a strong year for palm oil shipments with a tonne-mile demand growth of 7.6% y/y (January to July)
- This has supported Vegoil rates...
- ... And partly contributed to continued high influx of swing tonnage in our markets in 2019
- Stable rates during the quarter...
- ... But high plant turnaround and seasonally lower demand impacted volumes
- We find it encouraging to see rates holding up despite increased swing tonnage last quarter – Signalling the underlying firming trend for chemical tankers

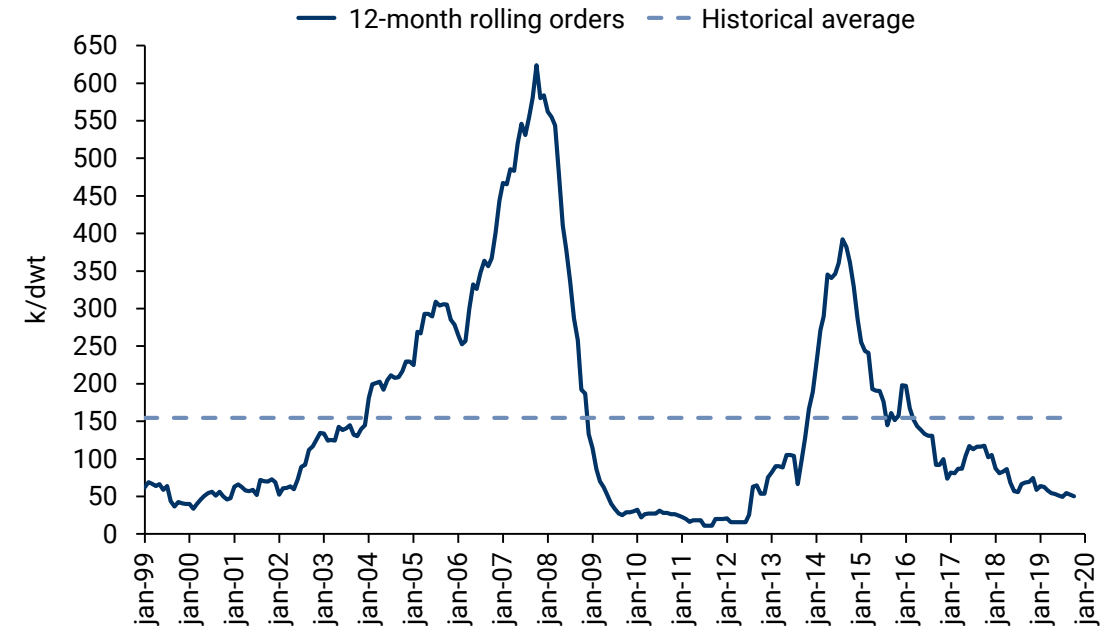
Orderbook remains low together with appetite for new orders – A reversal of swing tonnage is a key for the chemical tanker recovery to gain pace

Orderbook to fleet ratio (total fleet)



- Orderbook as a per cent of total fleet is at historical low's
- Fleet growth projected to 1.8% for 2020 and 1.6% for 2021
- Odfjell accounts for a meaningful share of the outstanding orderbook

New orders



- Limited interest for new orders
- Access to financing is a bottleneck that could hinder major series of speculative newbuilding orders
- The shipping industry is exposed to environmental regulations and are facing a propulsion dilemma – This could dampen owners appetite for new orders

Market outlook conclusion: Tonne-mile demand outlook remains robust and slower supply growth should ensure a continued recovery of our markets

Demand

Seasonally weaker 3Q19

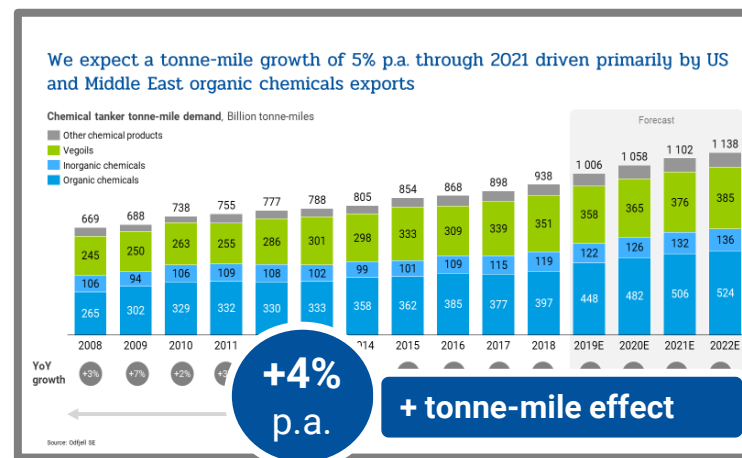
- Third quarter was seasonally impacted by lower demand and high maintenance on chemical plants
- Geopolitical tensions (Saudi attacks) created a short-term slowdown in our markets in September

Key directional drivers in 4Q19

- Ramp up new plants in the US and Middle East keeps supporting demand, although some delays
- Improved crude & product tanker rates adds incremental demand for chemical tankers on back-hauls

GDP & Middle East tensions

- IMF downgrades global GDP outlook for the fifth consecutive time.
- Structural shifts and limited supply growth to support a continued recovery



Supply

Orderbook

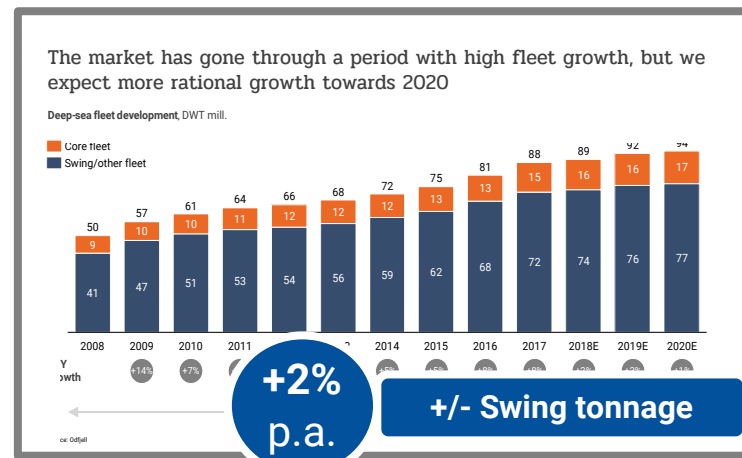
- Orderbook to fleet ratio at low levels
- Appetite for new orders remains low – Regulations and propulsion dilemma could dampen new orders

Swing tonnage

- Swing tonnage increased this quarter due to MR newbuilding deliveries and a weakening CPP market
- Stronger CPP rates could reverse last year's trend and significantly impact supply in our markets

IMO 2020 Scrapping – Slowsteaming – Swing tonnage

- Increased bunker costs to be passed on to customers. Owners needs to be disciplined in spot as well
- Biggest effect from IMO 2020 would be reduced swing tonnage from CPP tonnage



Odfjell SE – Summary and Prospects

Results

Lower earnings compared to previous quarter driven by seasonality – Underlying trend points to a continued firming market

Operational/ strategic review

Spot rates and COA rates keeps having a strong momentum since the market turned in late 2018 but are still at low levels

Odfjell Terminals

Stable performance which is expected to continue going forward – Houston remains a focus area for growth in this division

Market outlook

Encouraging to see Crude and CPP markets improving – Underlying demand growth is strong and supply growth is limited

Prospects

We expect to report improved results in the fourth quarter - We reiterate that the chemical tanker market recovery should continue into 2020



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