Preliminary full year/Fourth quarter presentation 2019

February 11, 2020

ODFJELL

Agenda

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

Highlights 4Q19

- Improving results driven by continued recovery in the chemical tanker markets
- EBITDA of USD 58 mill, compared with USD 51 mill 3Q19
- EBITDA of USD 50 mill from Odfjell Tankers, compared with USD 45 mill 3Q19
- EBITDA of USD 8 mill from Odfjell Terminals, compared to USD 6 mill 3Q19
- Net result of USD -10 mill compared to USD -1 mill last quarter.
- Adjusted for non-recurring items, net results were USD -7 mill in 4Q19, compared to adjusted net results of USD -15 mill last quarter
- Spot rates on main tradelanes increased by 12% compared to 3Q19, and our COA rate renewals were up 6.5% in 2019
- December 2019 was first month with profit from underlying operations since 2017

Key figures, USD mill

(USD mill, unaudited)	1Q19	2Q19	3Q19	4Q19	4Q18	FY19	FY18
Odfjell Tankers	218.3	223.1	214.2	**215.6**	221.3	**871.3**	850.8
Odfjell Terminals	17.6	17.9	16.4	**18.0**	17.2	**69.8**	91.0
Revenues*	**238.3**	**243.2**	**232.7**	**235.3**	**241.1**	**949.5**	**950.5**
Odfjell Tankers	39.7	49.9	44.7	**50.1**	27.0	**184.4**	108.7
Odfjell Terminals	6.7	6.2	6.0	**7.8**	4.8	**26.7**	24.0
EBITDA*	**47.2**	**56.8**	**51.4**	**58.0**	**32.7**	**213.4**	**135.3**
EBIT	7.0	14.4	25.9	**11.7**	(13.0)	**59.0**	(76.4)
Net profit	(15.4)	(10.1)	(1.1)	**(10.0)**	(47.6)	**(36.6)**	(210.8)
EPS**	**(0.20)**	**(0.13)**	**(0.01)**	**(0.13)**	**(0.60)**	**(0.47)**	**(2.68)**
ROE***	(10.5 %)	(6.1 %)	(7.6 %)	**(5.6 %)**	(17.6)%	**(6.4%)**	(29.8%)
ROCE***	1.4 %	2.8 %	2.7 %	**2.8 %**	(1.1)%	**2.8%**	(8.1%)

1) Historical figures are not adjusted for IFRS16
**Includes figures from Odfjell Gas*
*** Based on 78.7 million outstanding shares*
**** Ratios are annualised*

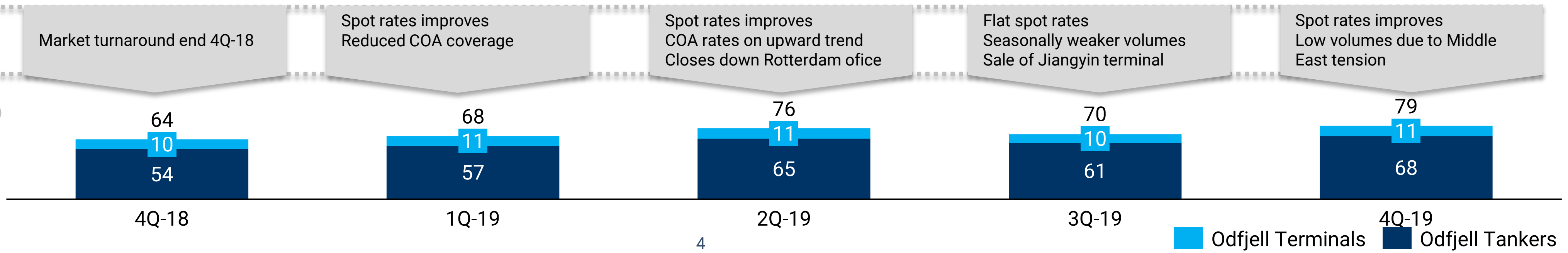
"2019 was the year were the chemical tanker market began its recovery and we continue to believe in further strengthening based on healthy fundamentals. The start of 4Q19 was negatively impacted by geopolitical tension in the Middle East, but the quarter ended on a strong note. We have also experienced a successful transition to the use of new compliant fuel in line with new IMO 2020 regulations. We expect further improvements in our results in 1Q20 "

Kristian Mørch, CEO Odfjell SE

Highlights FY2019: Chemical tanker markets improved compared to 2018, but the recovery was gradual and still not at sustainable levels

Results	FY 2019 Net results was USD -37 mill compared to USD -211 mill in 2018. Adjusted for non-recurring items and IFRS 16 effects, net results improved by USD 33 mill compared to 2018
Odfjell Tankers	Spot rates improved throughout the year on main tradelanes (up 25%) and COA rates followed suit being up 6.5% for the year
Odfjell Terminals	Concluded the reorganisation of Odfjell Terminals and sold our terminal in Jiangyin at an attractive price
Market development	Tonne-mile demand surpassed supply growth for the second year in a row – Growth in swing tonnage stagnated

Quarterly highlights and gross profit development 2019



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Income statement[1] – Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	3Q19	**4Q19**	**3Q19**	**4Q19**	**3Q19**	**4Q19**
Gross revenue	214.2	215.6	16.4	18.0	232.7	235.3
Voyage expenses	(88.2)	(85.9)	–	–	(89.1)	(86.7)
Pool distribution	(13.0)	(13.5)	–	–	(13.0)	(13.5)
Timecharter Earnings	**113.0**	**116.2**	**16.4**	**18.0**	**130.6**	**135.1**
TC expenses	(10.5)	(8.8)	–	–	(10.7)	(8.8)
Operating expenses	(36.3)	(34.8)	(6.8)	(6.8)	(43.7)	(42.4)
Operating expenses – IFRS 16 adjusted	(5.6)	(5.6)	–	–	(5.6)	(5.6)
G&A	(15.8)	(16.9)	(3.5)	(3.4)	(19.4)	(20.2)
EBITDA	**44.7**	**50.1**	**6.0**	**7.8**	**51.4**	**58.0**
Depreciation	(23.3)	(24.2)	(5.2)	(5.3)	(28.6)	(29.9)
Depreciation – IFRS 16 adjusted	(12.8)	(13.0)	(0.1)	(0.1)	(12.9)	(13.2)
Impairment	–	(2.4)	0.1	(0.7)	0.1	(3.1)
Capital gain/loss	–	–	15.9	(0.2)	15.9	(0.1)
EBIT	**8.7**	**10.5**	**16.6**	**1.4**	**25.9**	**11.7**
Net interest expenses	(21.8)	(19.9)	(1.1)	(1.2)	(23.2)	(22.2)
Other financial items	(1.3)	0.0	(0.4)	0.0	(1.6)	(0.1)
Net finance	(23.0)	(19.9)	(1.7)	(1.2)	(24.7)	(21.2)
Taxes	(0.5)	(0.1)	(1.8)	(0.4)	(2.3)	(0.5)
Net results	**(14.8)**	**(9.4)**	**13.2**	**(0.2)**	**(1.1)**	**(10.0)**
EPS	(0.18)	(0.12)	–	–	(0.01)	(0.12)
Voyage days	6,243	6,216	–	–	6,243	6,216

Key quarterly deviations:

- Gross revenues higher driven by higher spot rates. Voyage expenses lower due to increased off-hire days
- Re-delivery of two vessels on timecharter end-3Q reduced TX expenses for the quarter. This is expected to increase again in 1Q20
- USD 2.4 mill impairment related to sale of Bow Andes (built 1995). Drydocking and instalments of ballast water treatment system could not be economically justified
- Net interest expenses decreased following repayment of bond that matured in September 2019
- Improved revenues from Odfjell Terminals driven by higher activity at our Houston and Dalian terminal
- Contribution from Odfjell Gas was reduced by USD 1 mill compared to 3Q19 due to drydocking of one vessel
- Adjusted for non-recurring items, adjusted EPS for Odfjell was USD -0.08 compared to adjusted EPS of USD -0.17 in the previous quarter

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

Balance sheet 31.12.2019[1] - Odfjell Group

Assets, USD mill	3Q19	4Q19
Ships and newbuilding contracts	1,379.4	1,403.0
Rights of use assets	218.3	207.9
Investment in associates and JVs	161.2	161.6
Other non-current assets/receivables	25.3	22.3
Total non-current assets	1,783.9	1,795.5
Cash and cash equivalent	111.5	100.8
Current receivables	79.5	89.2
Other current assets	23.8	32.7
Total current assets	214.8	222.8
Total assets	**1,998.7**	**2,018.3**

Equity and liabilities, USD mill	3Q19	4Q19
Total equity	554.6	551.2
Non-current interest bearing debt	893.2	973.5
Non-current interest bearing debt, right of use assets	177.1	167.3
Non-current liabilities and derivatives	37.9	26.8
Total non-current liabilities	1,108.2	1,167.6
Current portion of interest bearing debt	199.3	158.7
Current portion of interest bearing debt, right of use assets	45.9	46.3
Other current liabilities and derivatives	91.0	94.6
Total current liabilities	336.2	299.5
Total equity and liabilities	**1,998.7**	**2,018.3**

- Book value of ships increased following the delivery of one newbuilding during the quarter
- Increased debt relates to financing of newbuilding delivery

1. Equity method

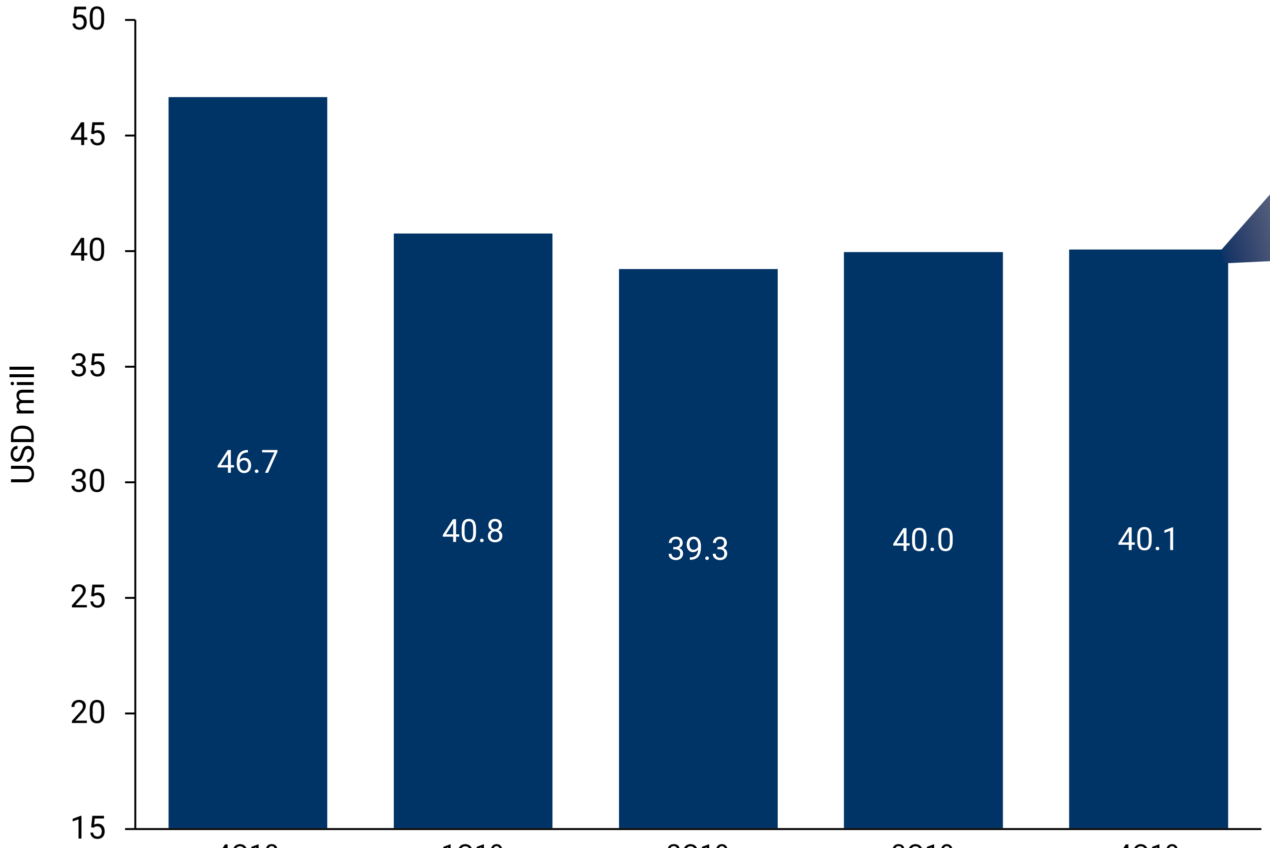
Cash flow – 31.12.2019 – Odfjell Group[1]

Cash flow, USD mill	1Q19	2Q19	3Q19	4Q19	FY19	FY18
Net profit	(14.9)	(9.5)	(1.7)	(9.8)	(35.9)	(209.3)
Adjustments	33.8	35.8	39.0	38.9	147.5	104.6
Change in working capital	(5.8)	(14.8)	21.8	(8.5)	(7.3)	(20.6)
Other	(1.9)	5.7	21.8	4.2	(5.6)	167.9
Cash flow from operating activities	**11.2**	**17.2**	**45.5**	**24.8**	**98.7**	**42.6**
Sale of ships, property, plant and equipment	2.0	–	–	–	2.0	–
Investments in non-current assets	(17.4)	(14.3)	(57.7)	(57.4)	(146.8)	(193.9)
Dividend/ other from investments in Associates and JV's	–	–	20.7	–	–	81.1
Other	0.1	(0.1)	0.8	–	(1.0)	14.0
Cash flow from investing activities	**(15.3)**	**(14.2)**	**(36.2)**	**(57.4)**	**(123.1)**	**(98.8)**
New interest bearing debt	20.5	(0.6)	268.5	101.5	370.0	301.3
Repayment of interest bearing debt	(35.8)	(24.8)	(238.9)	(67.6)	(367.1)	(267.8)
Payment of operational lease debt	(9.9)	(11.3)	(11.7)	(12.1)	(45.0)	
Dividends	–	–	–	–	–	(14.6)
Other	–	–	–	–	–	(1.2)
Cash flow from financing activities	**(25.2)**	**(36.7)**	**(2.0)**	**21.8**	**(42.1)**	**17.7**
Net cash flow*	**(29.3)**	**(33.6)**	**7.0**	**(10.7)**	**(66.6)**	**(39.0)**

- Improved underlying operating cash flow driven by stronger rates as improved working capital was the main driver in 3Q19
- Final instalment on 2nd newbuilding from Hudong Shipyard (Bow Olympus)

1. Equity method
2. * After FX effects

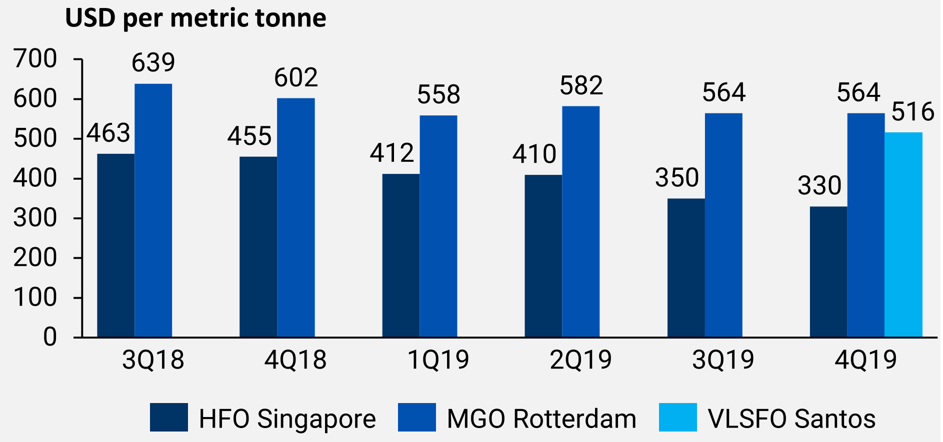
Bunker expenses – 31.12.2019 – Odfjell Tankers



	4Q18	1Q19	2Q19	3Q19	4Q19
Gross bunker cost	55.9	47.4	46.9	47.0	46.0
Financial hedging	-	(0.4)	(0.6)	(0.1)	0.1
Adj. Clauses	(4.9)	(1.2)	(1.8)	(1.7)	(1.3)
3rd party vessels	(4.3)	(5.1)	(5.3)	(5.1)	(4.7)
Net bunker cost	46.7	40.8	39.3	40.0	40.1

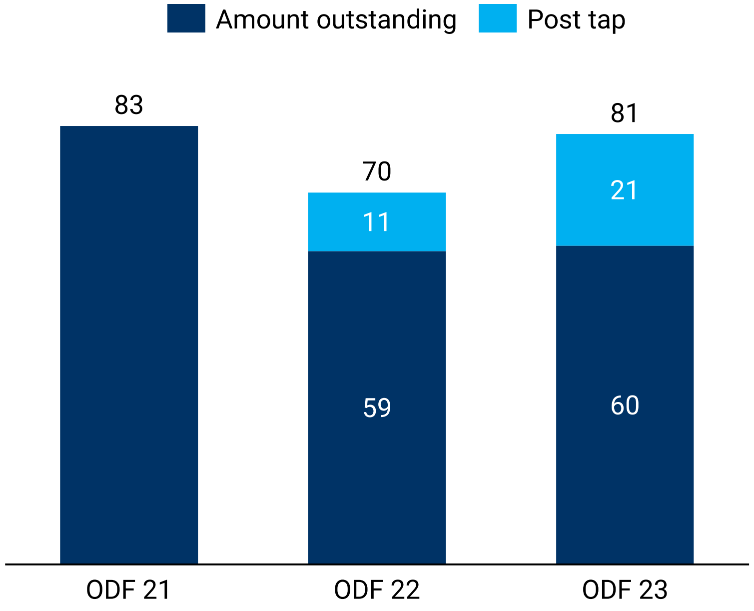
- Bunker costs after bunker adjustment clauses was USD 40 mill, in line with previous quarter
- Bunker adjustment clauses hedged 52% of our total volumes during the quarter
- Loading of VLSFO commenced in early December on average and consumption commenced late December. FIFO principle used for bunkers means VLSFO not reflected in 4Q19 bunker costs (except bunker consumption in Santos)
- We have zero bunker hedges in place for 2020

Average Platts bunker cost by fuel type



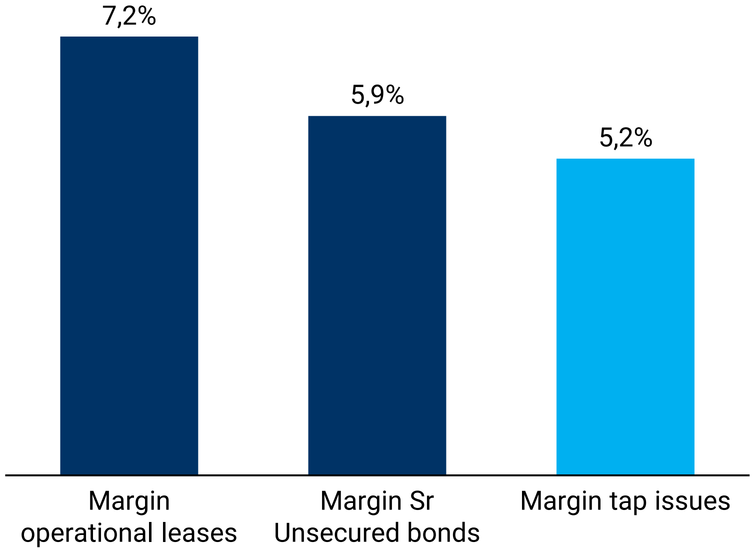
Recent bond (tap) issue was done to lower our cost of capital and daily break-even levels on two vessels

Raised USD 32 mill through tap issues…



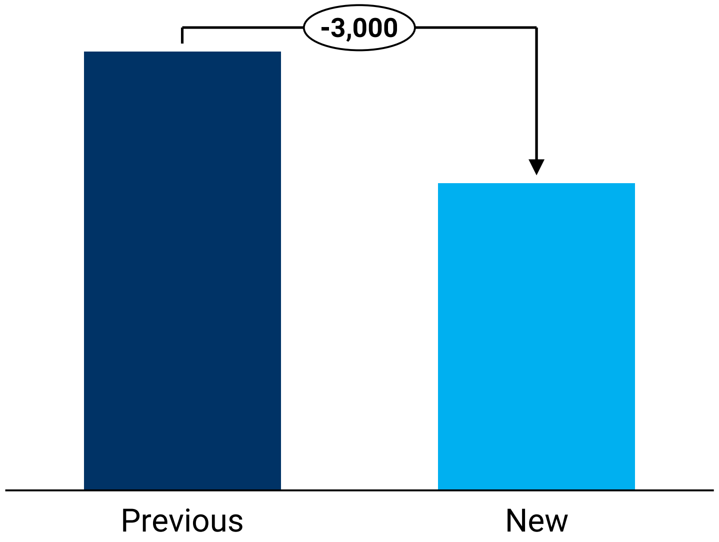
- Raised USD 32 mill from taps in 2022/23 bonds
- Non-amortising debt raised to USD226 mill, which keeps us within the range of USD200- USD250 mill in line with our financial strategy

This lowers our cost of capital…



- Proceeds are targeted to pay down expensive operational leases entered into several years ago
- The margin achieved lowers the average margins of our bond debt and reduced our cost of capital

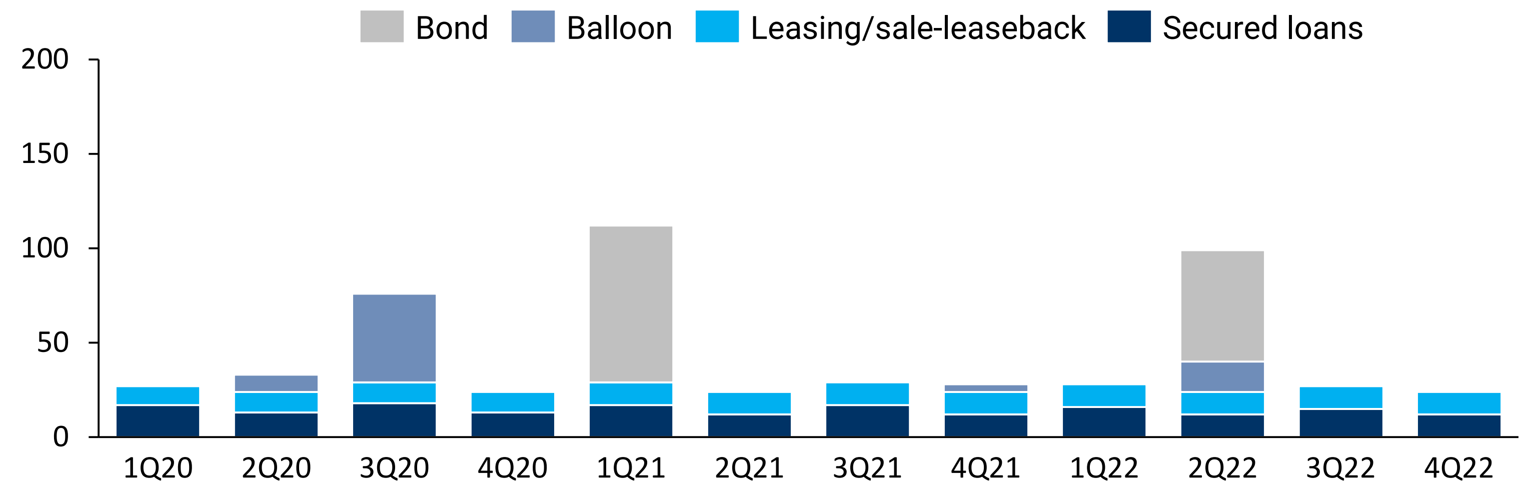
…and daily Break-even on two vessels



- The reallocation of debt resources lowers cash break-even on the related vessels by USD3,000/Day

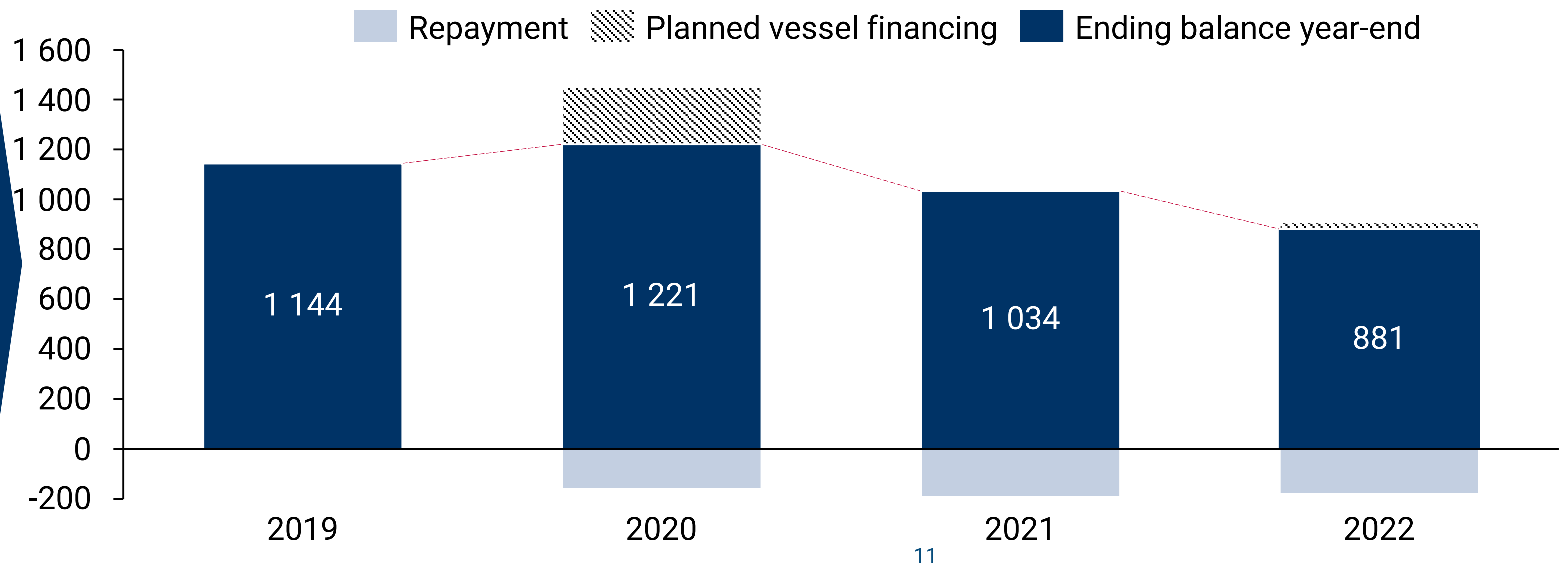
Debt development – Corporate and chemical tankers

Scheduled repayments and planned refinancing, USD mill



- Limited refinancing needs for Odfjell following recent transactions
- 3Q20 balloon expected to be refinanced in 1H20
- We might consider to refinance January 2021 bond if the price is right for Odfjell

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

Capital expenditure programme – 31.12.2019

USD mill	2020	2021	2022
Chemical Tanker newbuildings			
Hudong 2 x 49,00 dwt (USD 60 mill)	84	–	–
Hudong 2 x 38,000 dwt (USD 58 mill)	87	–	–
Total	171	–	–
Instalment structure - Newbuildings			
Debt installment	171	–	–
Equity installment	–	–	–
Tank Terminals (Odfjell share)*			
Planned expansion capex	8	16	8

- We have secured financing for all chemical tanker newbuildings and no equity instalments remains
- The third newbuilding was delivered in January and the sixth and last newbuilding is scheduled for delivery in October 2020
- 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
- Planned expansion capex for Odfjell Terminals is USD 32 mill of which the majority relates to our Houston terminal. Planned maintenance capex amounts to USD 32 mill, but this also includes maintenance that will improve efficiencies and operations at our terminals

* 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

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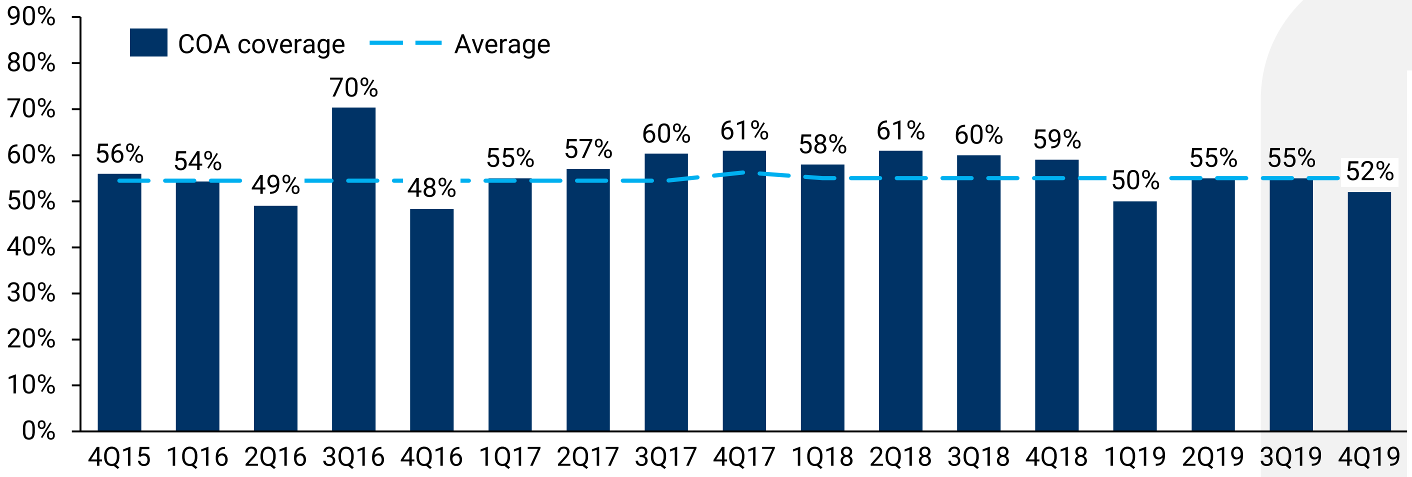
COA rates and spot rates improved on main tradelanes this quarter. Our stance to not pursue low COA rates in present market remains intact

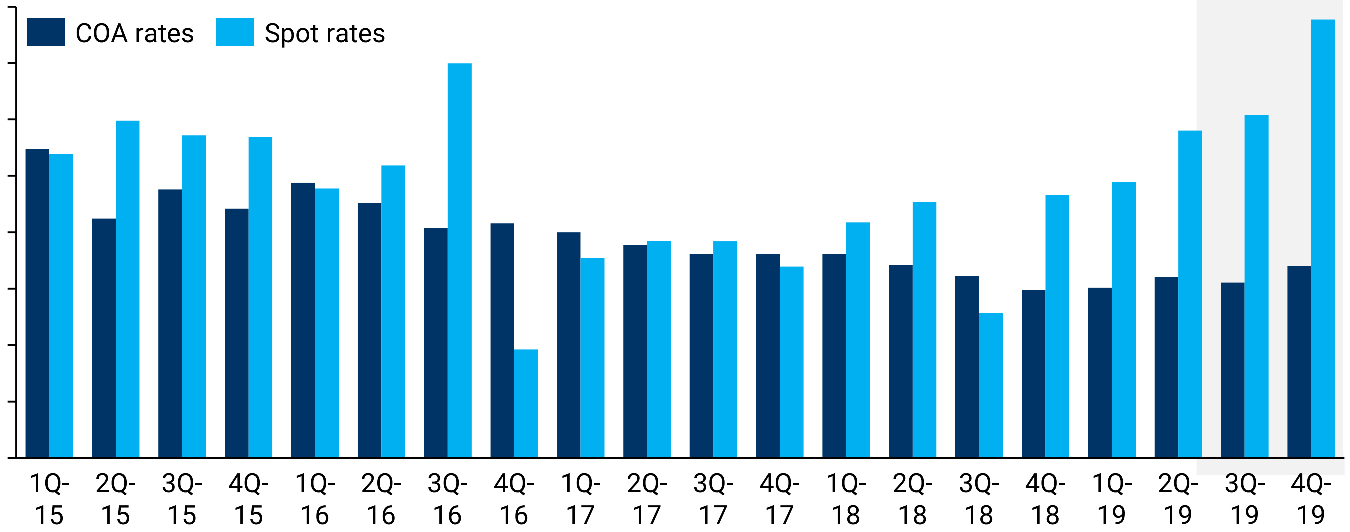
Contract coverage



Comments:

- Contract coverage slightly reduced during the quarter
- We have taken a clear stance to not renew COA rates at unsustainable levels…
- … And this focus remains intact for 2020

COA rates vs spot rate development in main tradelanes



- Spot rates on main tradelanes increased by 12% during the quarter driven by market improvements and higher share of speciality chemicals in our cargo mix
- Limited amount of COA renewals this quarter
- COA rate renewals were up 6.5% on average in 2019

* Main tradelanes includes US Gulf to Far East, Europe and South America, Europe to US Gulf and Middle East to Asia

Tankers: ODFIX outperformed the general market index this quarter driven by improved COA rates and a firming spot market towards the end of the quarter

Observations

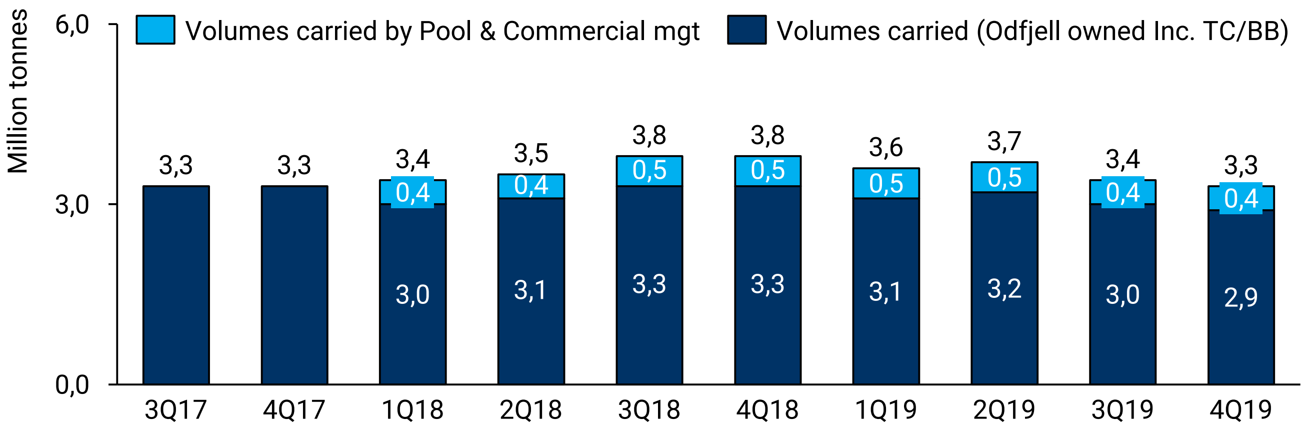
- ODFIX outperformed the general market index this quarter. This is driven by:
  - Strong spot rate performance and better cargo-mix
  - Uncertainties around bunker cost developments in market index

- Volumes remained lower due to:
  - Weak spot booking environment through Sep/Oct following Saudi attacks
  - Strong spot rate environment justifying more ballast on a net TCE basis

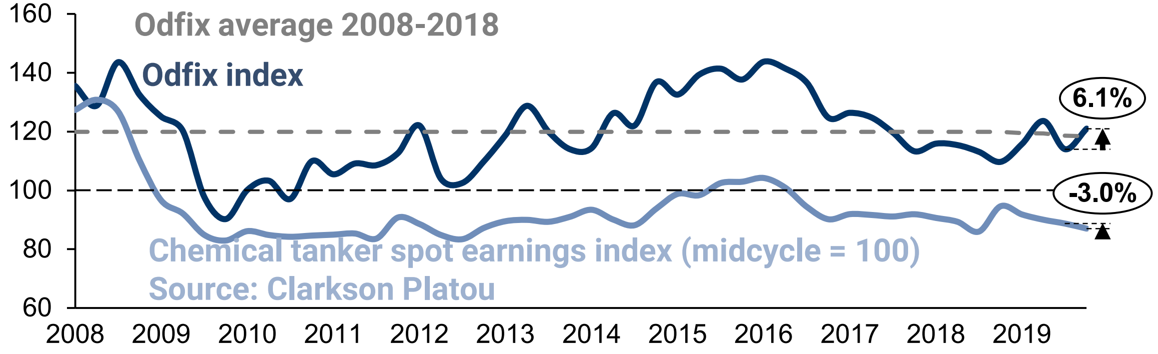
- Off-hire increased during the quarter driven by drydockings and unscheduled off-hire
  - 1Q20 scheduled off-hire of is expected to drop to 46 days

- Entered into long-term Timecharter for two Medium StSt vessels for delivery in 2H22 at attractive terms

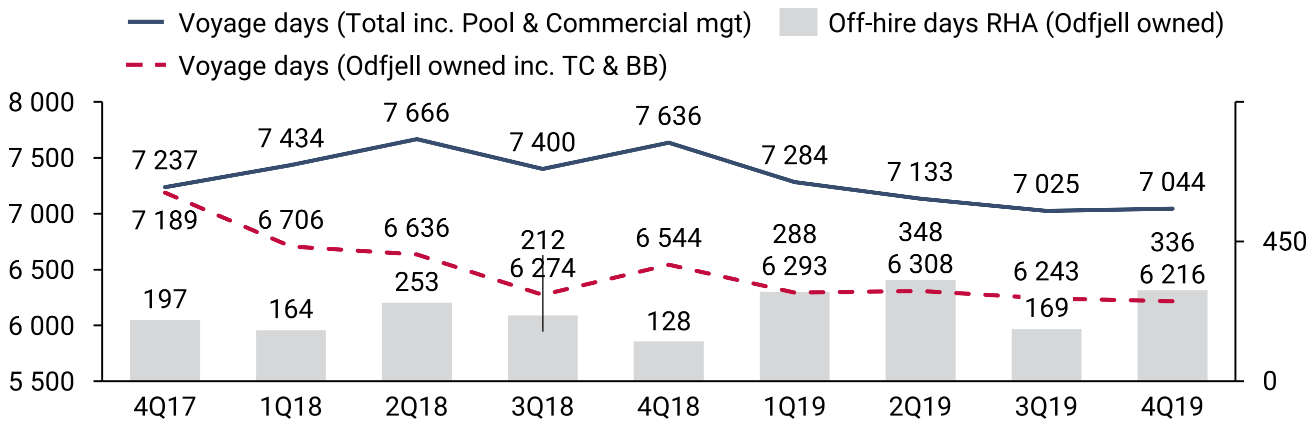
Odfjell Tankers volume development



ODFIX versus chemical tanker spot rates

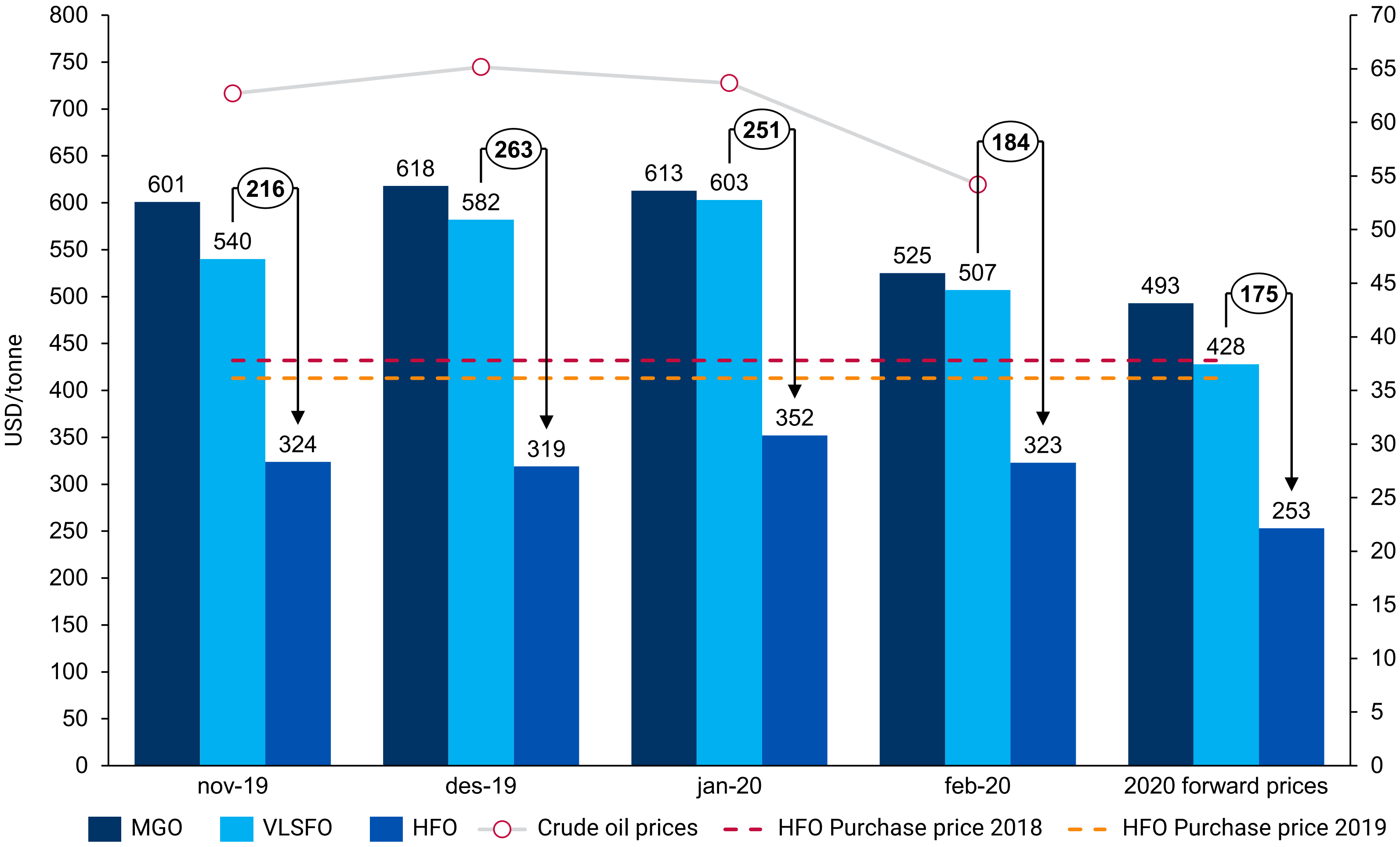


Odfjell Tankers voyage days development



IMO 2020: Price spreads are volatile mainly due to changes in HFO – 2020 forwards indicates bunker costs in line with 2018/19 and narrowing spreads

Bunker price overview (Nov-19 to Feb-20)



Observations

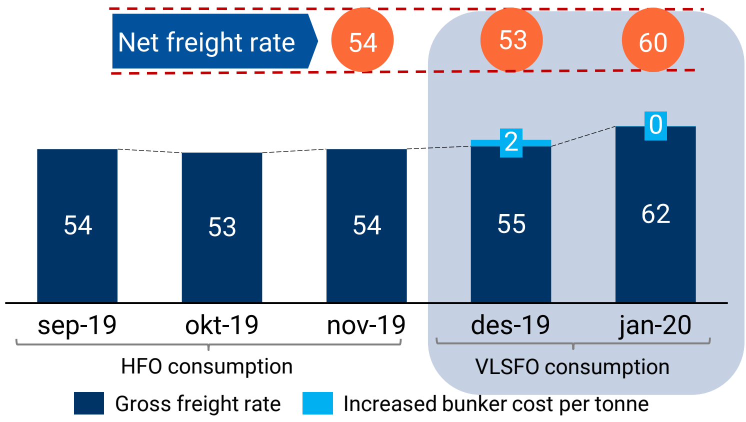
- Bunker costs increased alongside higher crude oil prices during December and into January. This led to a increased spread between HFO and compliant fuels alongside impact of sudden change of demand to compliant fuels from the industry
- Following a drop in oil prices in January, bunker prices has normalised
- Forward prices are still indicating VLSFO prices in to be at similar levels as HFO purchases in 2018 and 2019
- If these price spreads persists, our strategy of not opting for scrubbers has proven to be right as this would not have been justified economically.

Source: Platts, Bloomberg, Odfjell SE, Averge prices in port of Houston, Rotterdam, Singapore and Ulsan

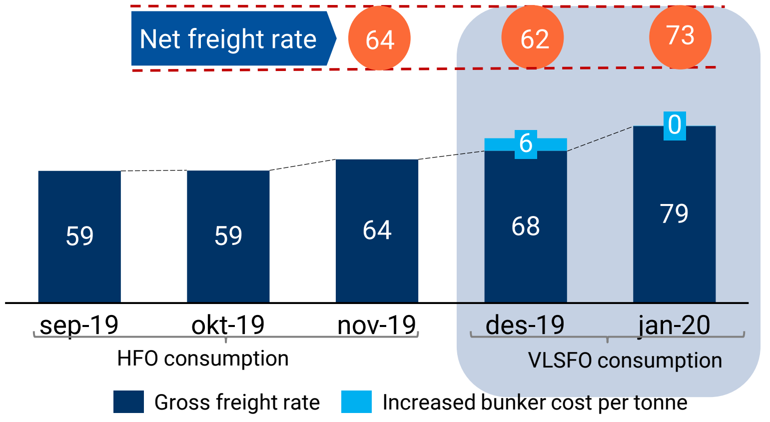
All our COA's have been renewed with bunker adjustment clauses linked to compliant fuel – Spot rates also indicates that cost are absorbed by the market

US Gulf exports by destination (USD/tonne)

Europe

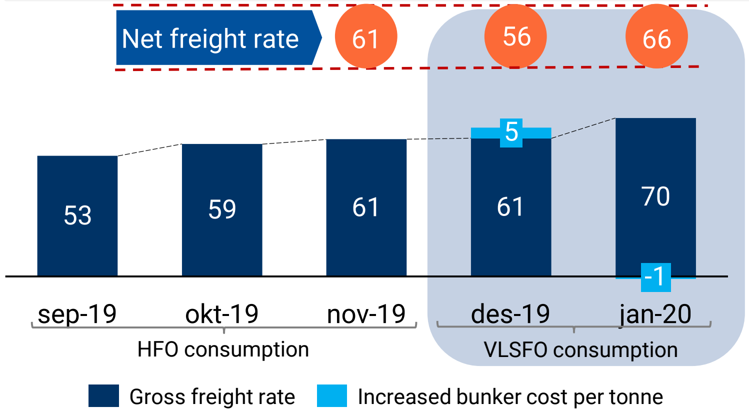


Far East

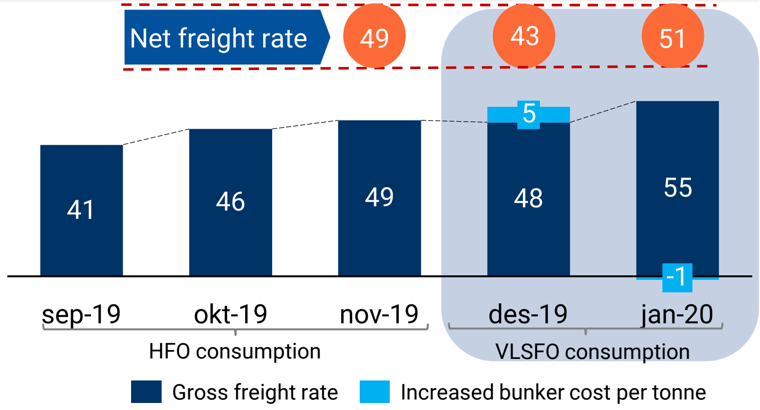


ME Gulf exports by destination (USD/tonne)

Europe



Far East



Comments

- Shipowners has been disciplined and successful passing on the cost to customers once the transition to new compliant fuel commenced
- Net spot freight rates as quoted by Clarksons shows that spot rates increased when adjusting for higher bunker costs from November 2019 until January 2020
- Very limited spot fixtures was concluded in the Middle East in December 2019 due to lack of available tonnage – January net freight increase therefore more relevant for this export region
- Far East to US Gulf back-haul the only route with negative net freight rates

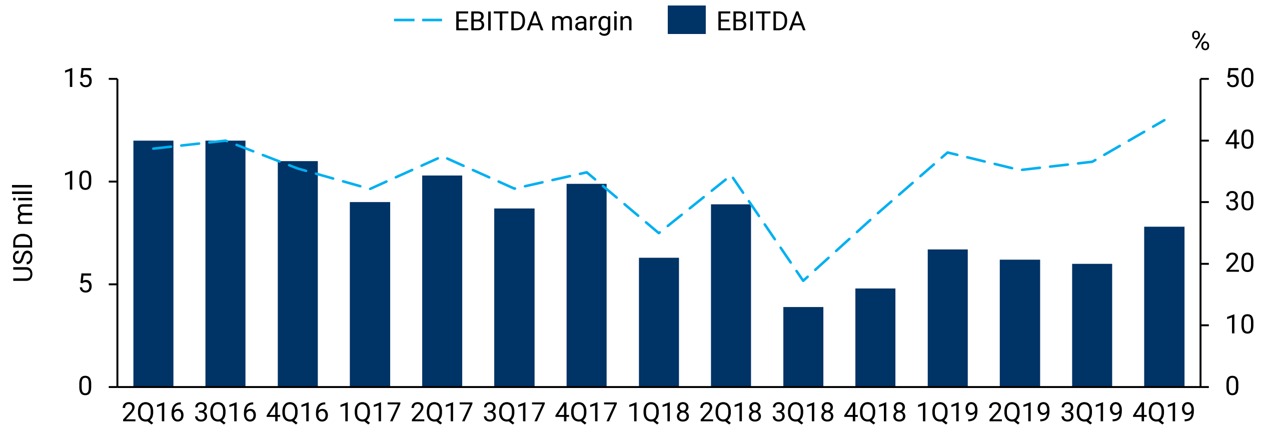
Source: Clarksons, Platts * Figures are not related to Odfjell spot performance are benchmark rate quotes from Clarksons only that should be seen as guidelines for direction and net development in spot rates during the transition to new compliant fuel

Terminals: Slightly improved margins following reorganisation of Odfjell Terminals – Houston remain a key focus area for growth

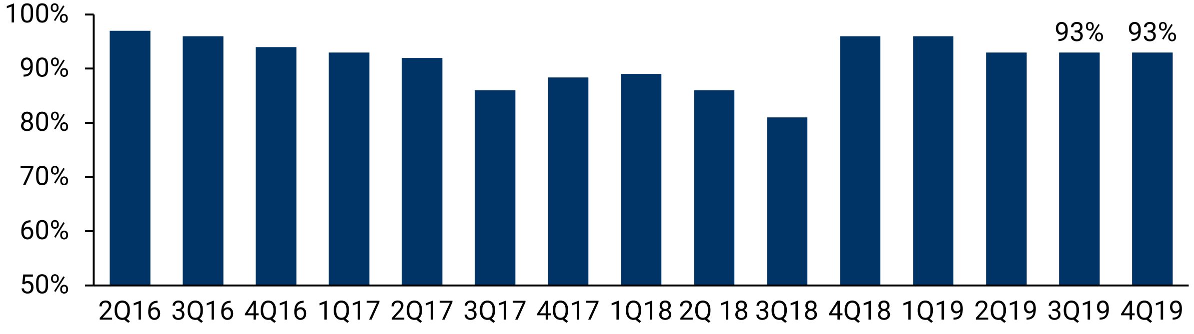
Comments

- EBITDA margins improved further driven by effects from the restructuring and increased tank lease and service revenues in the US and Dalian
- Together with our JV partner, plans and growth plans are now in place, where both investments to increase utilisation of available land and improve efficiency and operations will commence in 2020 and throughout 2022
- 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

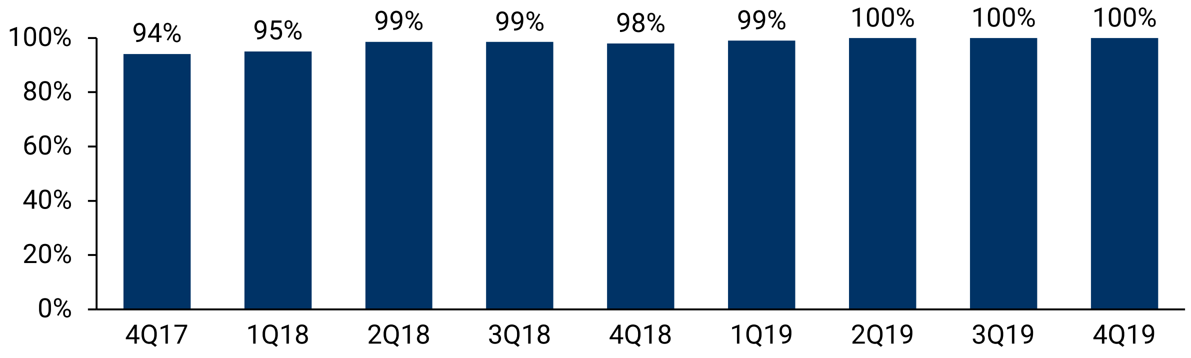
Odfjell Terminals: EBITDA and margin development



Odfjell Terminals: Utilisation development



Odfjell Terminals Houston quarterly utilisation



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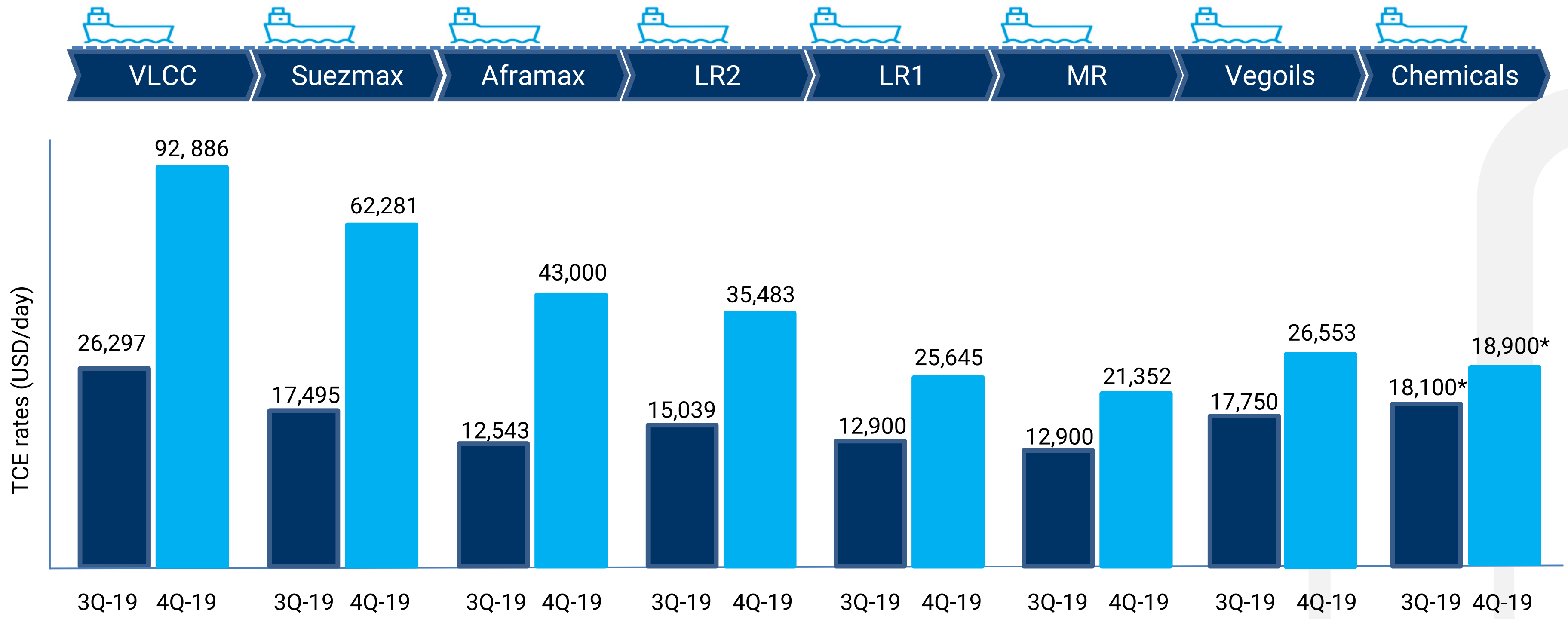
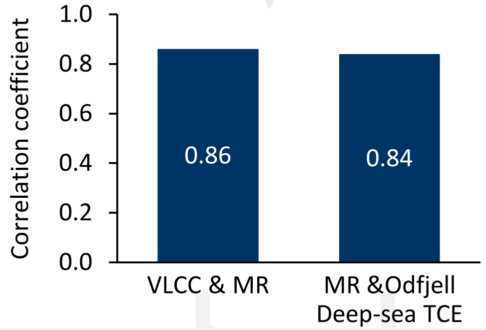
The improved freight rate for Crude Tankers led to a supply reaction for product tankers and ultimately chemical tankers towards the end of the quarter



Comments

- The stronger freight rates for crude tankers led to improved product tanker freight rates and ultimately improved chemical tanker freight rates
- The impact reached chemical tankers with the usual 6-8 weeks time-lag in early/mid November
- This effect naturally works both ways and it remains to be seen how quickly the negative effect of the Corona virus will have on the overall tanker market once China is back after Chinese New Year

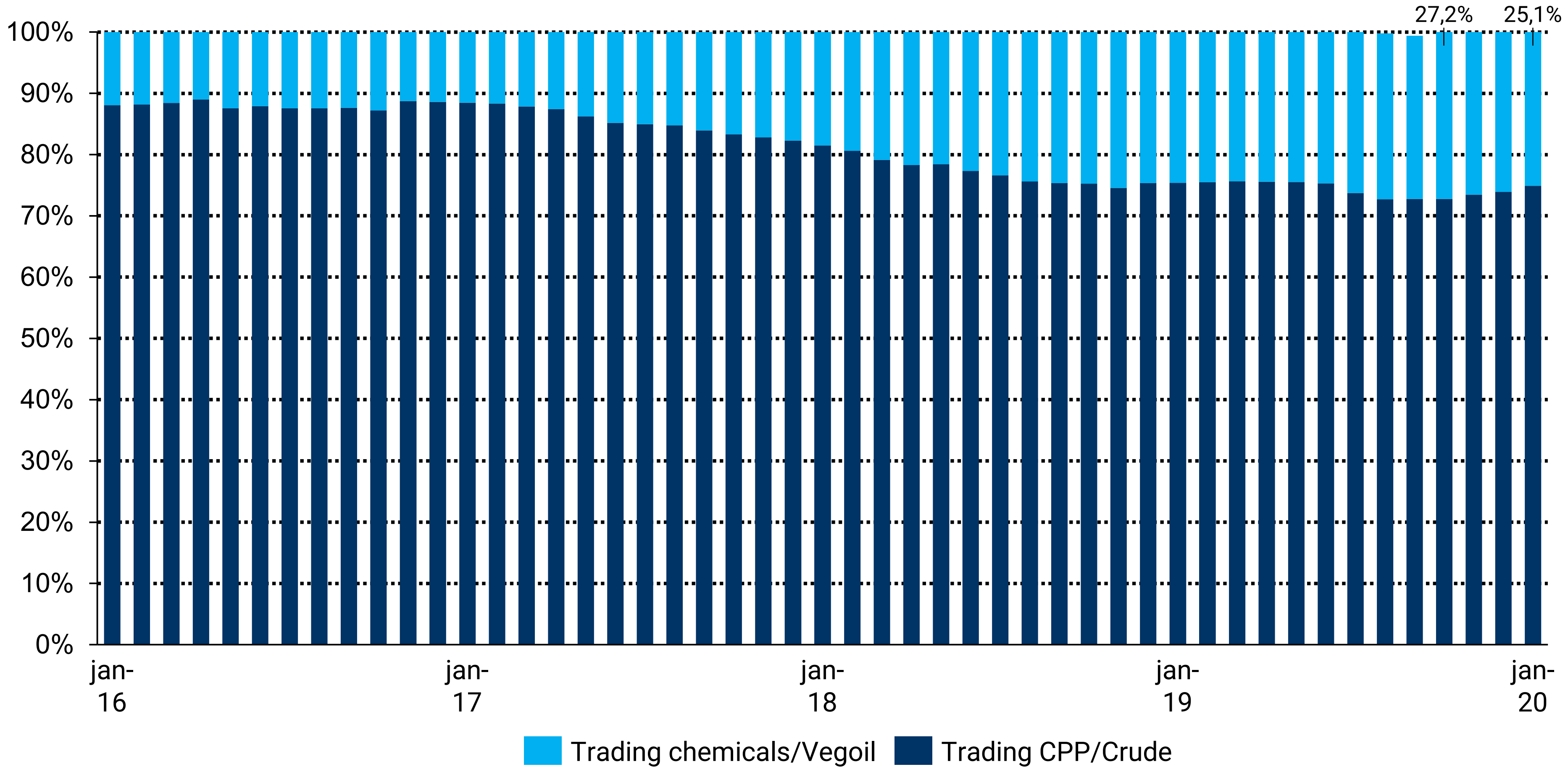
Historical annual correlations (2004-2019)



Source: Clarksons Platou Securities, Odfjell * Odfjell SE TCE revenues/day which also reflects 50% contract coverage

Swing tonnage supply is high but stronger CPP rates is removing swing tonnage towards the end of 4Q19

Share of MR's (45-55kdwt) trading vegoils and chemicals vs CPP

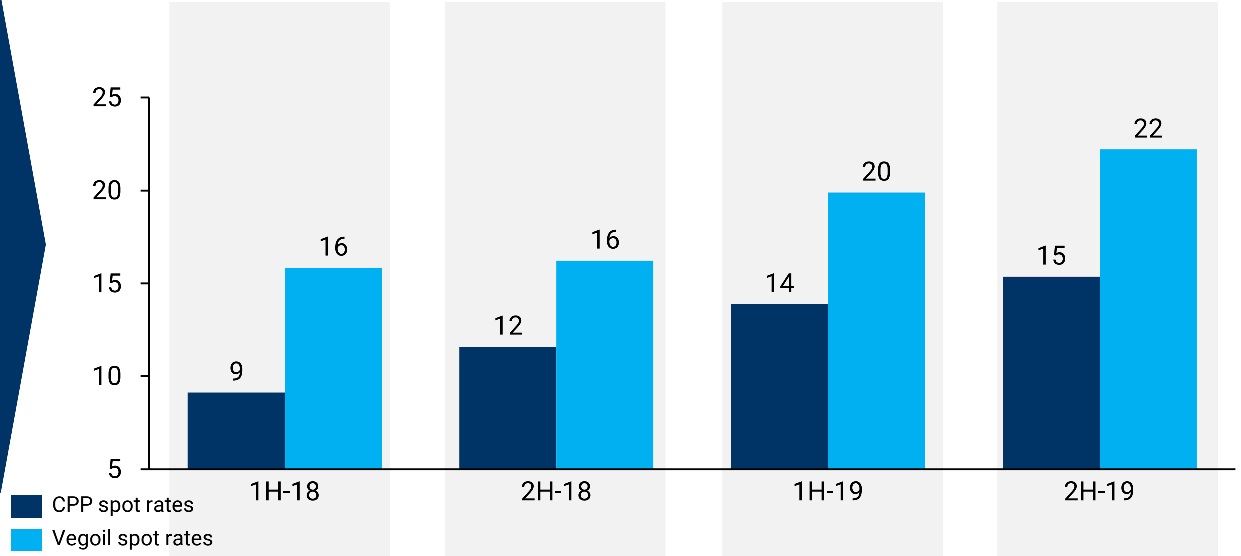


Comments

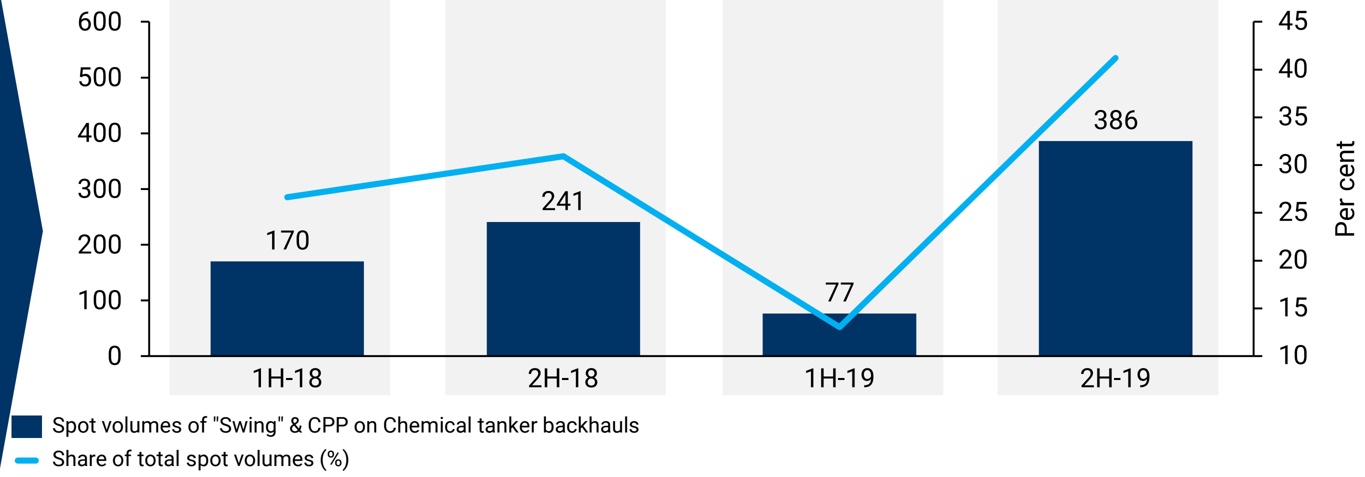
- Number of MR's swinging into vegoils and chemical products dropped through the fourth quarter
- There's a natural time-lag before we see the full effect and we expect this to be reduced further and stagnate…
- … as swinging back to chemicals/vegoils will take time
- Materially higher chemical tanker rates in Middle East still attracts swing tonnage
- Strong exports and Palm oil freight rates stimulated a high share of MR's remaining in chems/vegoils throughout the quarter

Improved freight rates in CPP also offers the opportunity for “reverse” swing tonnage i.e. chemical tankers trading in CPP – This could further increase depending on economics

CPP (TC2) and Vegoil spot rates (USD/Day)



Odfjell spot liftings of CPP and swing products on back-haul routes (Thousand tonnes)

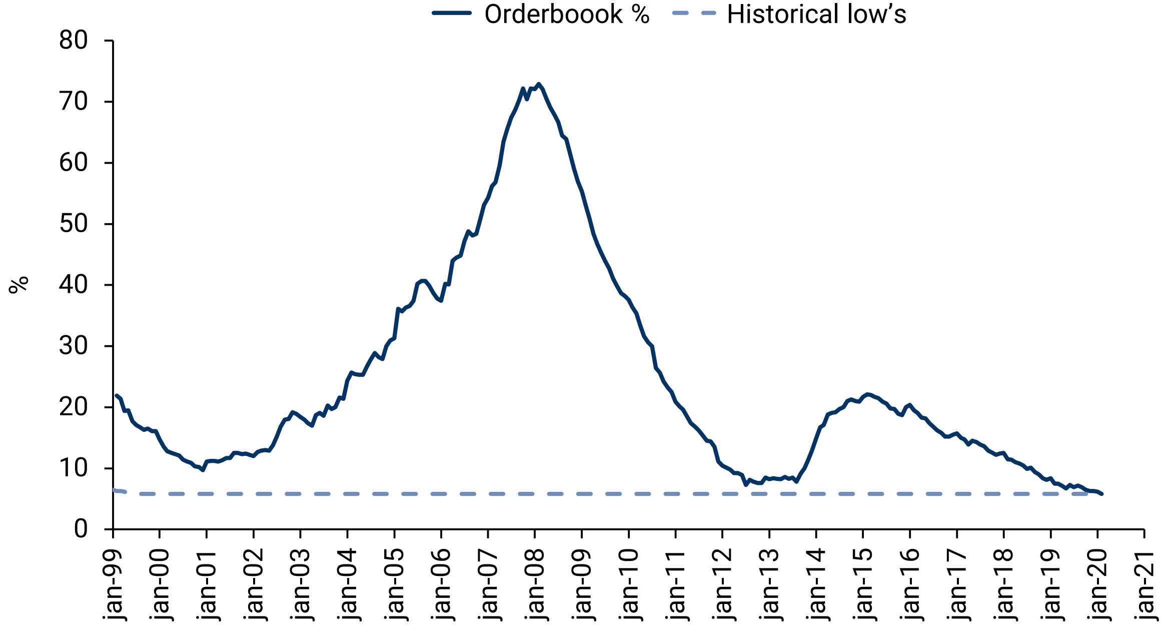


- Chemical tanker back-haul routes are the key challenge when faced with competition from swing tonnage…
- …Once CPP and Vegoil rates increases, this increases flexibility to swing into CPP
- The strengthening freight rates in 4Q 19 led to the share of CPP and swing cargoes carried increased to 50% of total spot volumes on back-haul routes…
- …This trend has the potential to continue if freight rates remains strong for vegoils and CPP…
- … And should also lead to a tightening supply situation for chemical cargoes as “reverse” swing tonnage will accelerate further

* Products categorized as “swing”includes: Ethanol, Molasses, UAN, various Vegoils, Caustic Soda, Methanol, Ethylene Glycol

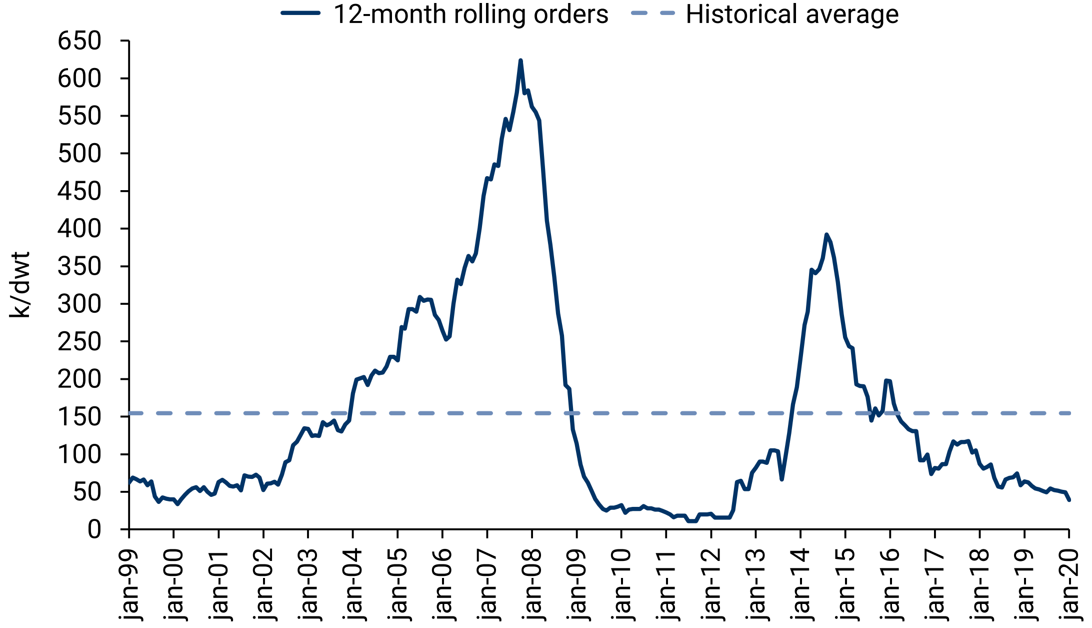
Orderbook remains low, and appetite for new orders is limited – orderbook remains historically low

Orderbook to fleet ratio (total fleet)



- Orderbook as a per cent of total fleet is at historical low's
- Fleet growth projected to 1.4% for 2020 and 0.4% for 2021 and 2.0% for 2022
- Odfjell accounts for a meaningful share of the outstanding orderbook

New orders



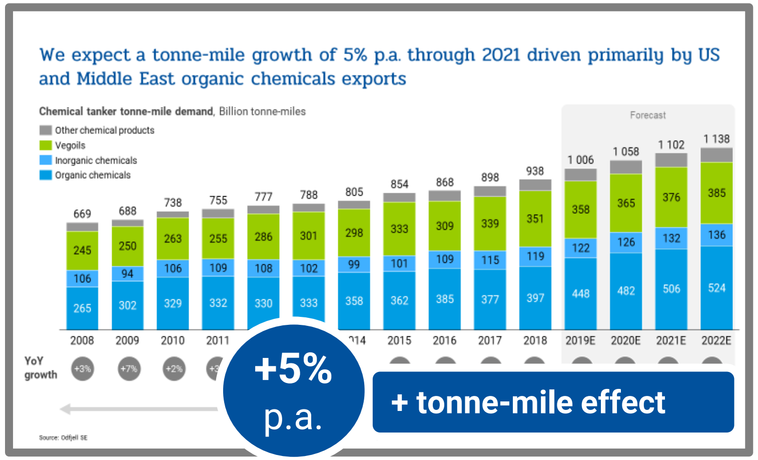
- Limited interest for new orders
- Access to financing is a bottleneck that could hinder major series of speculative newbuilding orders
- The shipping industry is exposed to environmental regulations and are facing a propulsion dilemma – This could dampen owners appetite for new orders

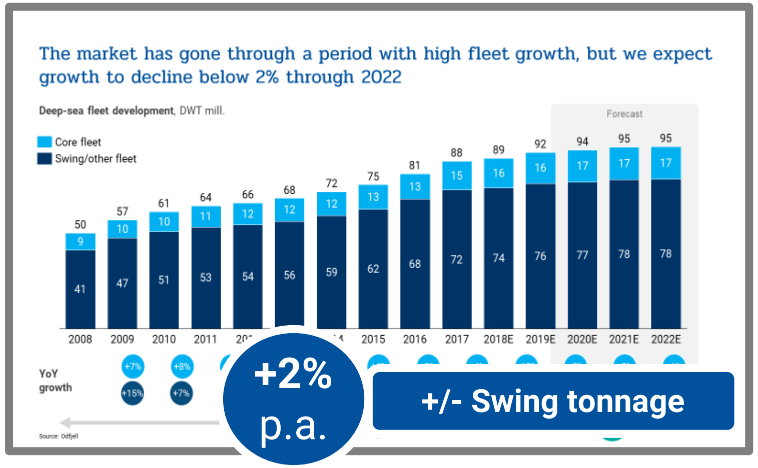
Source: Clarksons Platou, Odfjell

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

Market drivers

Driver	
New chemical production	New low-cost production capacity ramping up in the US & Middle East in 2020
Longer hauls	Middle East and US production gaining market share and miles to increase
Reduced swing tonnage	Improved fundamentals for crude and product tankers to reduce swing tonnage
Reduced fleet growth	Lack of new orders in recent years leading to limited fleet growth in the years to come
Risk factors	Material global economic slowdown – Corona virus - More influx of swing tonnage





Odfjell SE – Summary and Prospects

Results	The market and our results firmed towards the end of 2019. December was first month of profit since 2017
Operational/ strategic review	Transition into compliant fuel has been successful and costs has been transferred to customers for both COA and spot
Odfjell Terminals	Improved margins driven by Houston and Dalian – reorganization completed. Houston will be main target for growth
Market outlook	Strong demand fundamentals for chemical tankers and limited fleet growth expected the next years. Main risk is macro related
Prospects	We expect to report improved results in 1Q20 and the chemical tanker recovery is expected to continue in 2020 – However, the outcome and development of the Corona virus has become a risk factor

Capital Markets Day 2020 – Save the date

Odfjell SE would like to welcome you to our annual capital markets day 9 June 2020 in Oslo.

A separate invitation will follow.

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