



Third quarter presentation 2021

By CEO Kristian Mørch & CFO Terje Iversen | November 4, 2021



ODFJELL

Agenda

- Highlights
- Financials
- Operational review & Strategy
- Prospects & Market update

Highlights

Strong market in the eastern hemisphere, but challenging market in the west

- Timecharter earnings in Odfjell Tankers of USD 125 mill compared to USD 123 mill 2Q21
- Net result contribution from Odfjell Terminals of USD 1 mill, in line with previous quarter
- Impairment of USD 21 mill related to sale agreement of our last remaining short-sea regional vessels in Asia
- EBIT of USD -7 mill compared to USD 11 mill 2Q21
- Net result of USD -25 mill compared to USD -8 mill 2Q21
- Adjusted for one offs, the 3Q21 net result of USD -4 mill compared to adjusted net result of USD -10 mill in the previous quarter
- We are entering COA renewal season. In 3Q21 we only renewed a minor part of our portfolio, but at an average rate increase of 5%

Subsequent events

- Concluded the sale of our two Ethylene/LPG carriers to BW EPIC Kosan Ltd with proceeds received partly in cash and partly in freely transferable shares
- Entered into a sales agreement for the sale of three short-sea vessels. This will mark the exit of Odfjell's presence in the short-sea trade in Asia
- Distribution of USD 6 mill from Den Norske Krigsforsikring for Skib to be booked in our 4Q21 results

KEY FIGURES, USD MILLION

(USD mill, unaudited)	4Q20	1Q21	2Q21	3Q21	3Q20	FY20
Timecharter earnings	125.0	120.4	123.4	125.0	128.4	512.6
Total opex, TC, G&A	(65.9)	(67.9)	(67.3)	(68.1)	(64.5)	(258.0)
Net result from JV's	0.0	0.8	0.5	1.1	0.9	13.4
EBITDA	59.0	53.2	56.6	58.2	64.9	268.0
EBIT	17.6	7.8	11.1	(6.8)	26.1	115.0
Net financial items	(19.9)	(22.1)	(18.3)	(17.6)	(21.1)	(83.7)
Net result	(2.6)	(15.6)	(7.8)	(25.3)	3.9	27.8
EPS*	(0.03)	(0.20)	(0.10)	(0.32)	0.05	0.35
ROE**	(2.0%)	(9.9%)	(6.4%)	(7.7%)	3.5%	4.9%
ROCE**	3.6%	1.5%	2.1%	1.6%	5.4%	6.1%

- Figures based on equity method

* Based on 78.6 million outstanding shares

** Ratios are annualised

“The chemical tanker market was strong in the eastern hemisphere, but continued supply disruptions in the west (in particular the US) remain a challenge. Fundamental demand is high, which supports our positive outlook. The exit from Gas and our last short-sea vessels operating in Asia concludes the streamlining of our deep-sea platform. There are signs of improvements in our markets, but it will take time for a recovery to materialize and we therefore expect the underlying results in 4Q21 to be in line with 3Q21.”

Kristian Mørch, CEO Odfjell SE

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Income statement – Odfjell Group

KEY QUARTERLY DEVIATIONS:

- A. TCE of USD 125 mill, a minor improvement from 2Q21
- Stable volumes, but less optimal cargo-mix out of the US
- B. Lower operating expenses compared to 2Q21 and at what is expected to be normalized levels going forward
- C. Impairment of USD 21 mill related to sale of three vessels now reclassified as assets held for sale
- D. EBIT of USD -7 mill compared to USD 11 mill in 2Q21. Adjusted for impairment, EBIT improved to USD 14 mill in 3Q21
- E. Decreasing interest cost related to refinancing of higher cost debt concluded in 2Q21, lower debt levels and redelivery of vessels

USD MILLION			
	1Q21	2Q21	3Q21
Net Timecharter Earnings (TCE)	120.4	A 123.4	125.0
TC expenses	(3.6)	(4.1)	(5.3)
Operating expenses	(47.4)	B (49.0)	(46.8)
Share of net result from associates and JV	0.8	0.5	1.1
General and administrative expenses	(16.9)	(14.2)	(16.0)
EBITDA	53.2	56.6	58.2
Depreciation	(45.4)	(45.8)	(45.1)
Impairment of ships, property, plant and equipment	-	C -	(21.0)
Capital gain (loss)	-	0.4	1.2
EBIT	7.8	D 11.1	(6.8)
Net interest expenses	(20.2)	E (19.6)	(17.8)
Other financial items	(1.9)	1.4	0.2
Taxes	(1.3)	(0.6)	(0.9)
Net results	(15.6)	G (7.8)	(25.3)
EPS	(0.20)	(0.10)	(0.32)
Commercial revenue days (exc. external pool vsls)	6,119	6,126	6,348
Off-hire days	343	579	519

Balance sheet per September 30, 2021 – Odfjell Group

- A. Ships and newbuilding contracts reduced following sale of three vessels and one gas ship
- B. Cash position plus undrawn commitments on long-term bank facilities of USD 95 mill
- C. Other current assets increased as a result of regional vessels reclassified as assets held for sale
- D. Equity covenant ratio of 29% as of 3Q21

ASSETS, USD MILL	1Q21	2Q21	3Q21
Ships and newbuilding contracts	1531.1	1509.8	1413.2
Right of use assets	266.9	247.3	232.1
Investment in associates and JVs	181.2	179.8	177.6
Other non-current assets/receivables	16.1	15.7	15.0
Total non-current assets	1995.2	1952.7	1837.8
Cash and cash equivalent	71.9	56.9	54.6
Other current assets	164.4	163.9	213.7
Total current assets	236.3	220.9	268.4
Total assets	2231.4	2173.6	2106.2

EQUITY AND LIABILITIES, USD MILL	1Q21	2Q21	3Q21
Total equity	569.1	562.5	531.9
Non-current liabilities and derivatives	29.0	27.5	27.4
Non-current interest bearing debt	1132.1	1,005.2	981.2
Non-current debt, right of use assets	220.6	201.9	187.2
Total non-current liabilities	1381.7	1234.6	1195.8
Current portion of interest bearing debt	99.8	193.5	189.8
Current debt, right of use assets	57.7	57.8	57.7
Other current liabilities and derivatives	123.1	125.2	131.1
Total current liabilities	280.6	376.5	378.5
Total equity and liabilities	2231.4	2173.6	2106.2

Cash Flow statement – Odfjell Group

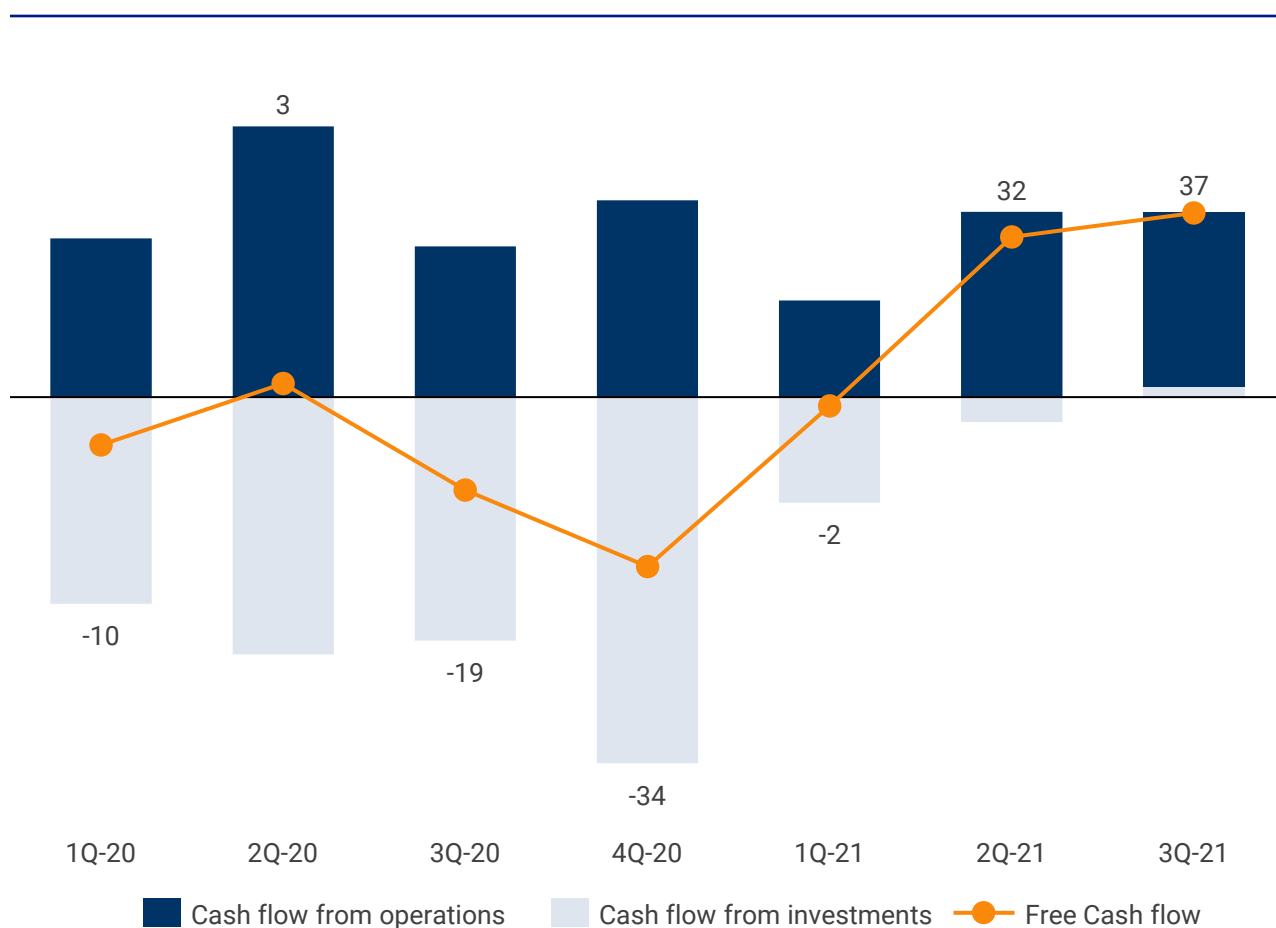
- A. Stable operating cash flow during the quarter of USD 35 mill compared to USD 37 mill in the previous quarter
- B. USD 10 mill relates to sale of one gas ship during the quarter, the sale of the second ship will be booked in our 4Q21 results
- C. Drawdown of USD 10 mill on RCF during 3Q21

Cash flow, USD mill	1Q21	2Q21	3Q21
Net profit	(15.8)	(8.0)	(25.2)
Adjustments	47.2	45.8	61.0
Change in working capital	(20.2)	7.7	(3.6)
Other	8.1	(8.5)	2.8
Cash flow from operating activities	19.3	37.0	34.8
Sale of ships, property, plant and equipment	-	-	10.1
Investments in non-current assets	(10.5)	(8.4)	(8.7)
Dividend/other from investments in Associates and JV	(10.6)	2.9	-
Other	1.1	0.5	0.6
Cash flow from investing activities	(21.1)	(5.0)	2.0
New interest bearing debt	121.2	69.1	-
Repayment of interest bearing debt	(114.3)	(101.8)	(33.8)
Payment of operational lease debt	(15.6)	(14.8)	(14.8)
Dividends	-	-	-
Repayment of drawing facilities	(20.0)	-	10.1
Other	-	-	-
Cash flow from financing activities	(28.6)	(47.5)	(38.5)
Net cash flow*	(31.2)	(15.0)	(2.3)
Opening cash and cash equivalents	103.1	71.9	56.9
Closing cash and cash equivalents	71.9	56.9	54.6

* Including FX effects

Free cash flow generation improved after completion of newbuilding programme and reached an annualized level of USD 108 mill in 3Q21

Odfjell Free Cash flow per quarter (USD mill)

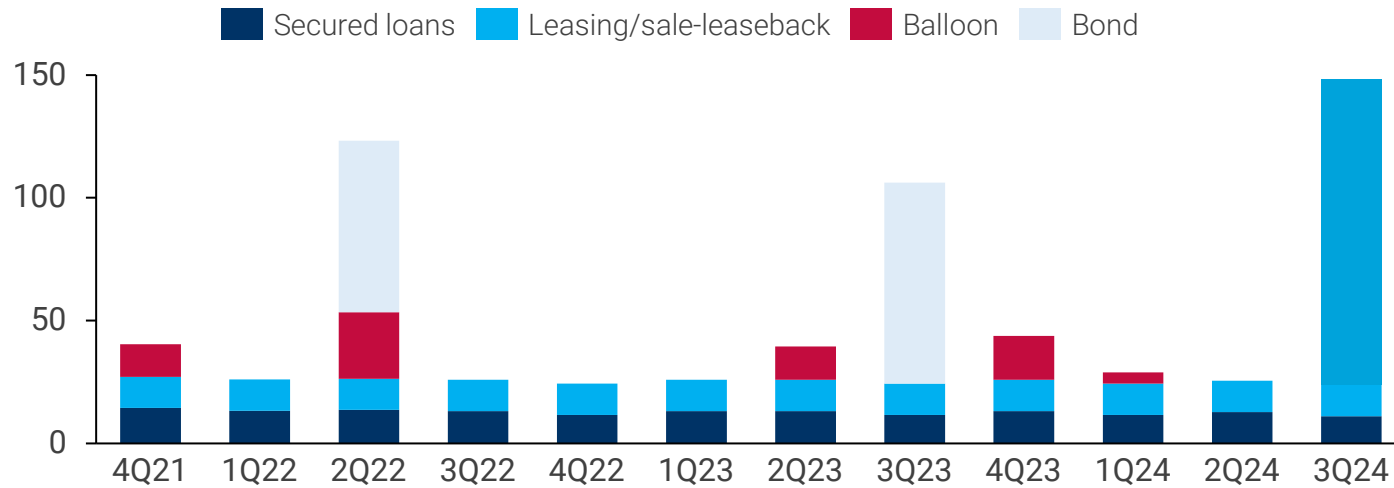


- After conclusion of the newbuilding programme in 2020, our free cash flow generation has improved and will improve in the years to come
- 3Q21 free cash flow generation equates to an annualized free cash flow of USD 108 mill in what we consider a challenging market (excluding USD 10 mil in gain on sale of assets this quarter)
- In line with our financial strategy, free cash flow will be allocated for deleveraging to ensure we can generate positive cash flow throughout the cycle in the long term
- This will position Odfjell to establish a predictable and sustainable dividend policy

* Free cash flow equals cash flow from operations less cash flow from investments

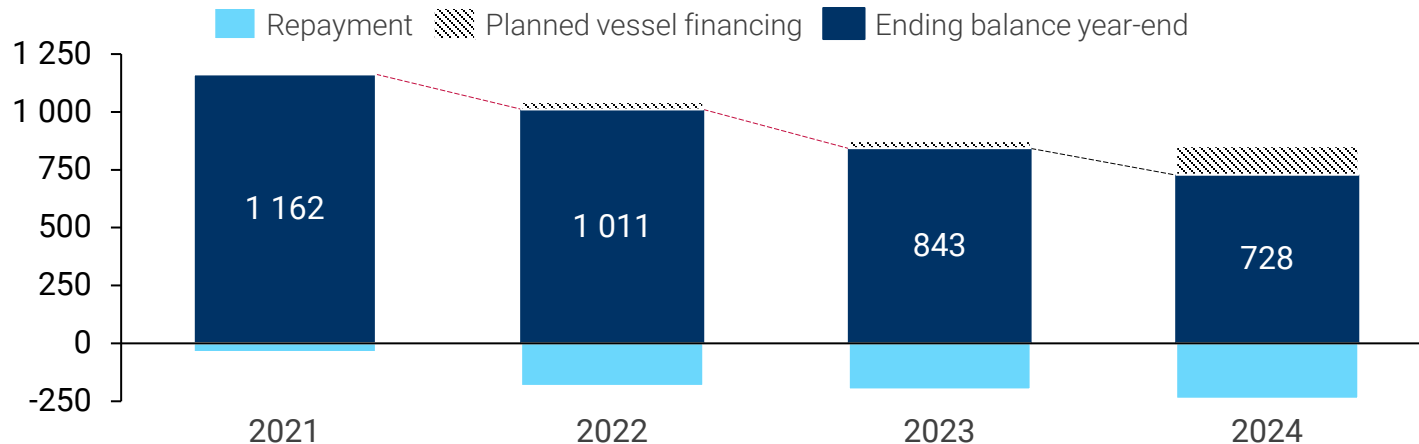
Debt development – corporate & chemical tankers

SCHEDULED REPAYMENTS & PLANNED REFINANCING, USD MILLION



- Installments on secured loans include reduction of undrawn commitments, USD 4m per quarter
- Balloon installment in 4Q21 includes one Gas carrier, now sold and repaid
- Bond maturities are being addressed in line with our financial strategy to lower overall cost of capital

GROSS INTEREST-BEARING DEBT ENDING BALANCE, USD MILLION*

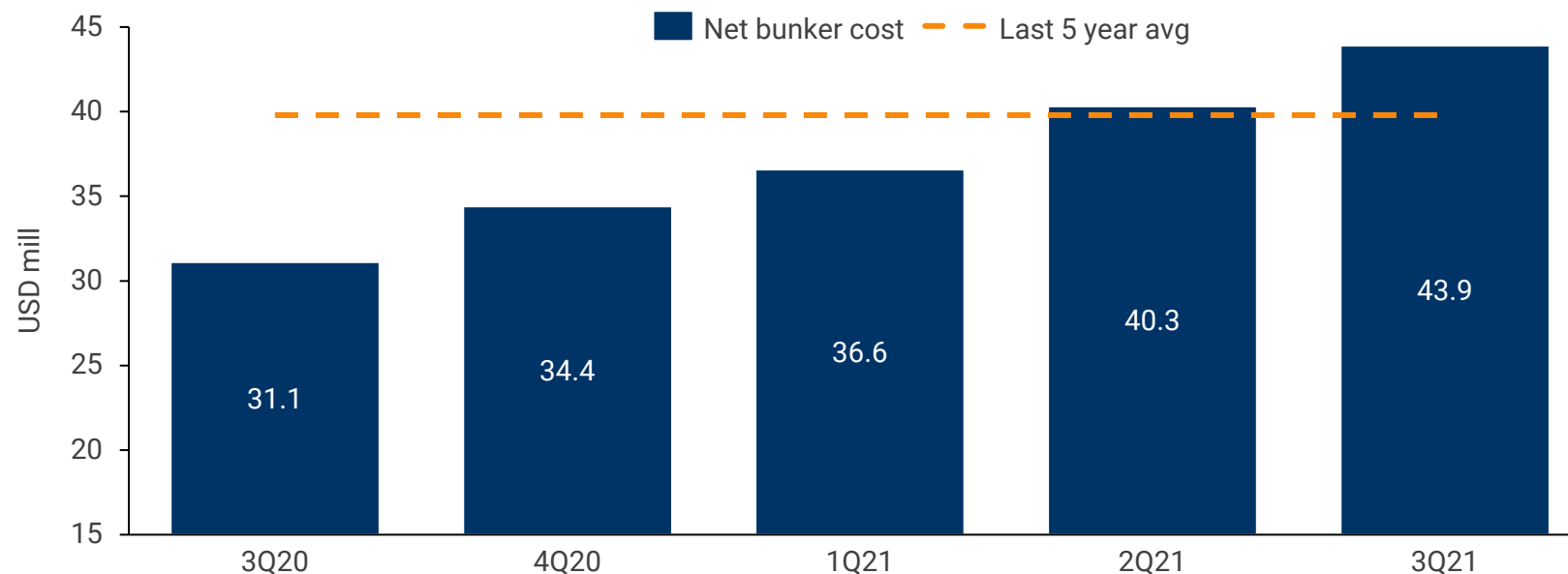


- Scheduled installments on loans and leases reduce gross interest-bearing debt by approximately USD 101m per annum (of which USD 16m is a reduction of undrawn commitments)
- Conservative LTV assumptions in planned vessel refinancing transactions

* Nominal bank, lease and bond debt. Bond debt swapped to USD

Bunker expenses per 3Q21 – Odfjell Tankers

Bunker costs were USD 43.9 mill in 3Q21, above the historical average.



	3Q20	4Q20	1Q21	2Q21	3Q21
Gross bunker cost	34.4	39.4	50.7	58.2	63.4
Financial hedging	0.6	0.3	(1.8)	(2.3)	(2.6)
Adj. Clauses	2.1	1.8	(2.1)	(4.3)	(6.0)
3rd party vessels	(6.0)	(7.1)	(10.3)	(11.4)	(10.9)
Net bunker cost	31.1	34.4	36.6	40.3	43.9

Agenda

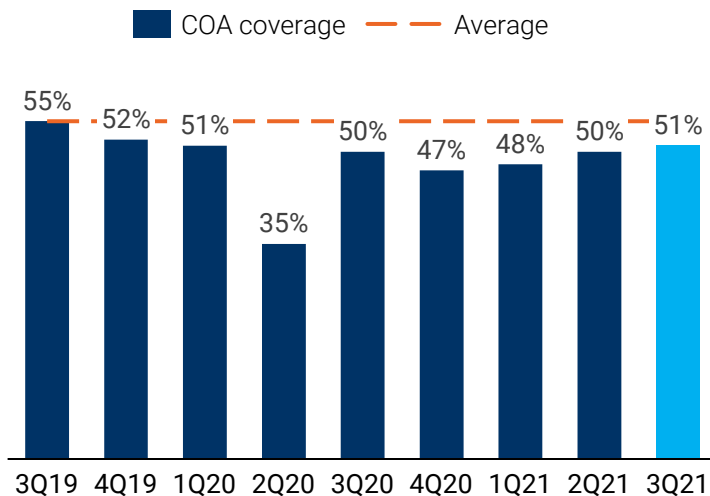
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COA and volume development

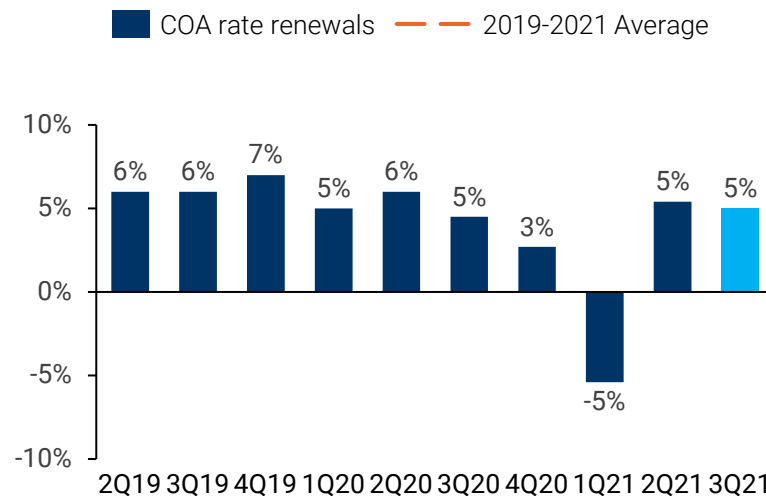
Stable nominations under our contracts, whereas the spot market in the US has been our main challenge during the quarter

- While spot volumes out of the US was a challenge during the quarter, COA nominations remained stable out of the region and across the globe
- In 3Q21 our COA coverage reached 51% compared with 50% in the previous quarter
- Our COA rate renewals grew by 5% but with limited renewals concluded during the quarter
- We are now entering the peak contract renewal season. We continue to push for rate increases and will not enter into loss making contracts based on the strong market outlook

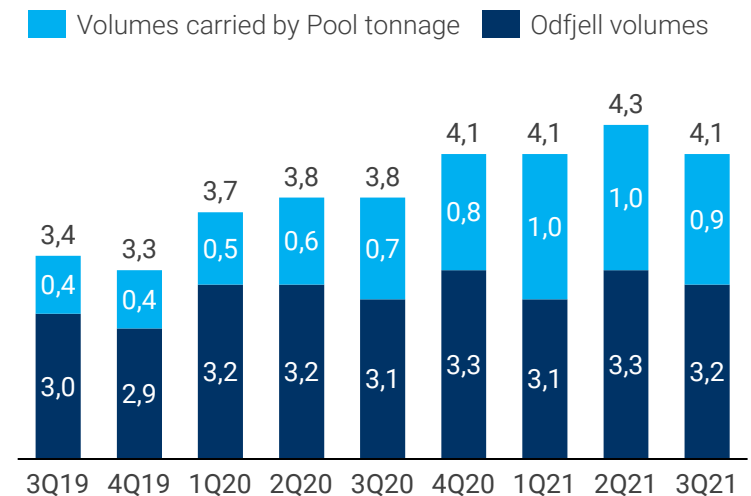
ODFJELL COA COVERAGE (%)



COA RATE RENEWALS (%)



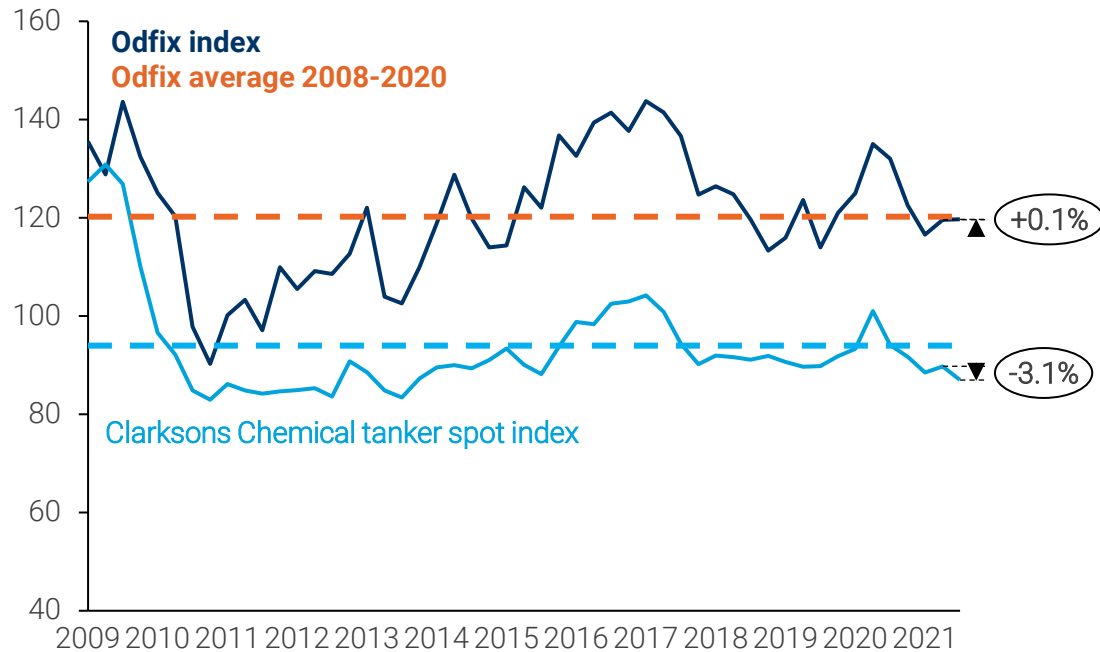
VOLUME DEVELOPMENT (MILL TONNES)



Rates and cargo mix development

Ongoing supply disruptions in the US and seasonality restricted spot volume availability, which led to more low-margin CPP and vegoils out of the region during 3Q21.

ODFIX VERSUS CLARKSONS CHEMICAL TANKER SPOT INDEX



SPECIALITIES

Improved demand and nominations on COAs

EASY CHEMICALS

Seasonally lower overall volumes and increased competition from swing tonnage in the west

VEGOILS

Lower overall volumes carried during the quarter due to increased competition from swing tonnage

CPP

Reduced US spot exports of chemicals led to a higher share of CPP replacement cargoes in 3Q21

Entered into a sales agreement for the sale of our three remaining short-sea vessels operating in Asia

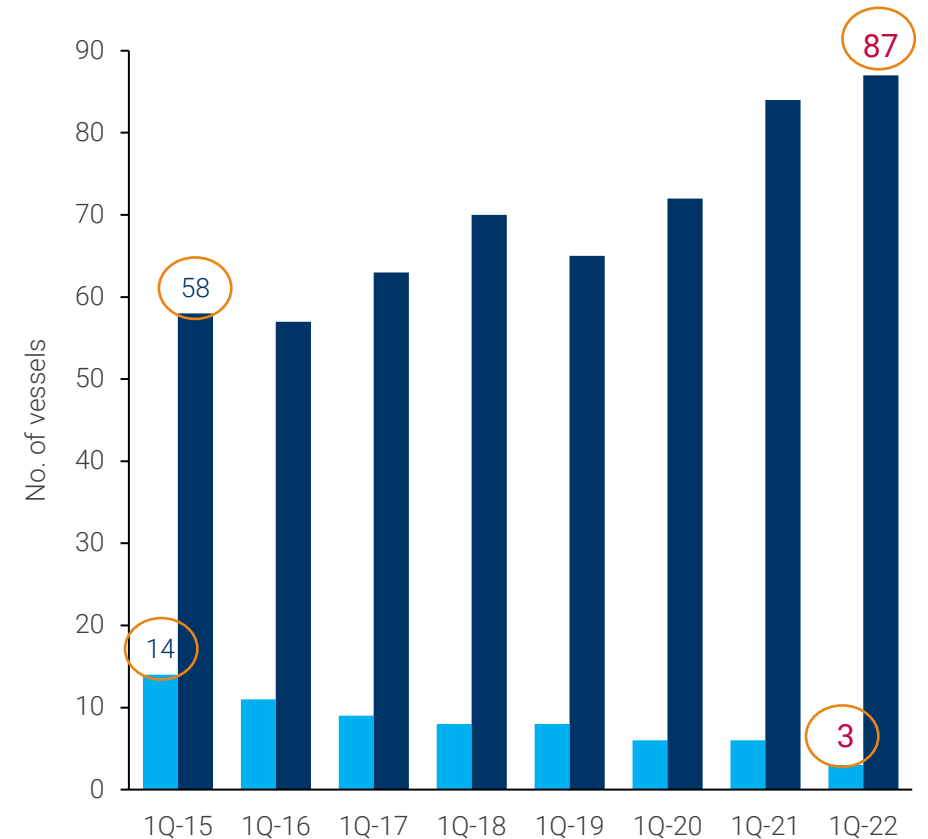
Sale of our three remaining short-sea vessels operating in Asia

The vessels are no longer a strategically good fit with the deep-sea Odfjell platform and have limited opportunities to reach their full potential within our fleet today as reflected by the impairment. The last short-sea vessel on timecharter operating in Asia will be redelivered to its owner in January 2022. The vessels have generated a negative result and cash flow the last years, and the sale will contribute positively to our results going forward.

This concludes the streamlining of our deep-sea platform

Since 2015, Odfjell has reduced its presence in the regional trades across the globe and established Odfjell as the world's largest deep-sea chemical tanker operator. Three regional vessels operating in South America generates strong results and remains a good strategical fit in our operating platform.

REGIONAL AND DEEP SEA FLEET DEVELOPMENT ODFJELL



Tank Terminals



Financial
performance

- Despite challenging circumstances due to Covid-19, all terminals managed by Odfjell continued to maintain safe and efficient operations
- 3Q21 EBITDA of USD 7.9 mill as compared to USD 7.6 mill in 2Q21, a quarter-on-quarter improvement of USD 0.3 mill



Market
development

- The terminals in the US had a good quarter, with high demand for storage capacity and increased activity levels
- In Europe, we saw a continuation of the positive trend from 2Q21 with high demand for storage capacity at our terminal in Antwerp and healthy activity levels
- In Asia, our terminal in Ulsan experienced another quarter with a reduction in occupancy levels, due to out-of-service capacity and adverse circumstances in the region (e.g., port congestion and bottlenecks in China, power outages and lower production levels)



Outlook

- The outlook for our terminals in the US and Europe remains positive, and we expect the market in Asia to be stabilizing in 2022
- The construction of 35k cbm in Antwerp is on track to operate from 2Q22

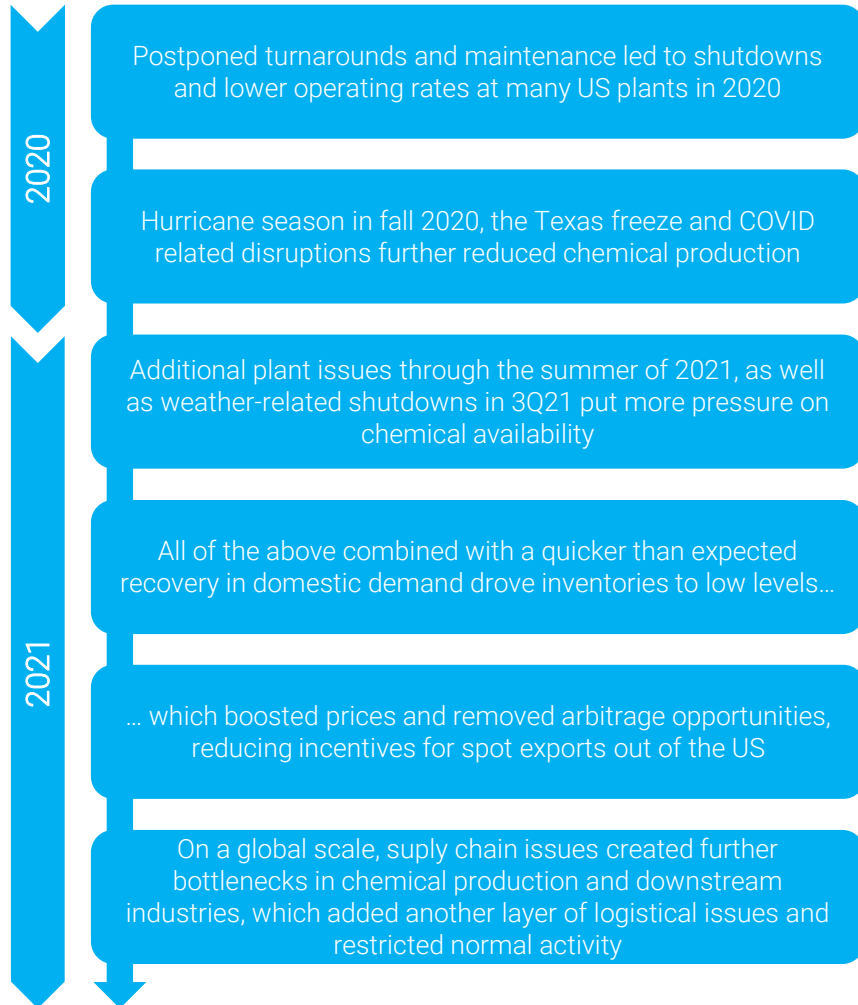


Agenda

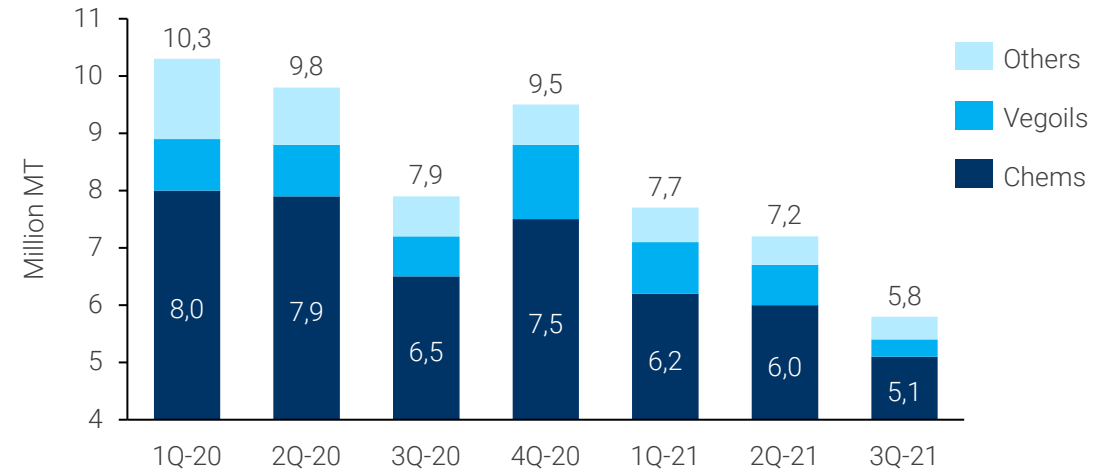
- Highlights
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A perfect storm of logistical bottlenecks and weather-related operational issues has disrupted US chemical production, reducing spot exports...

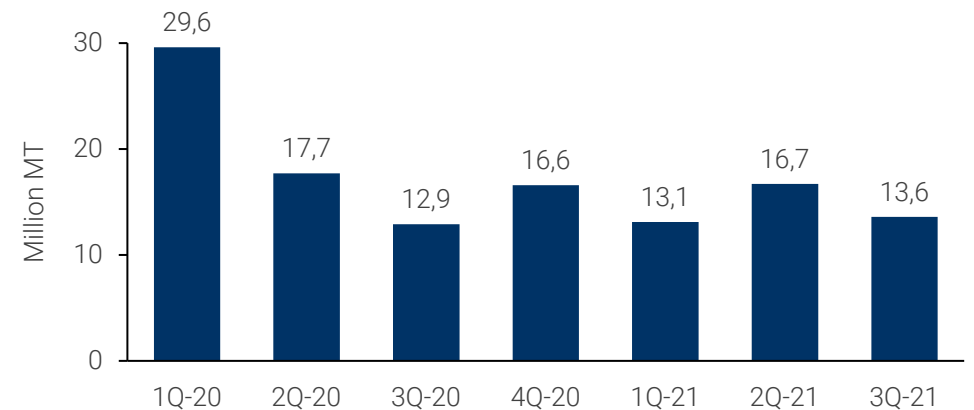
BACKGROUND



US EXPORTS OF CHEMICALS REDUCED...



...AND WEAK CPP EXPORTS INCREASING SUPPLY PRESSURE FROM SWING TONNAGE

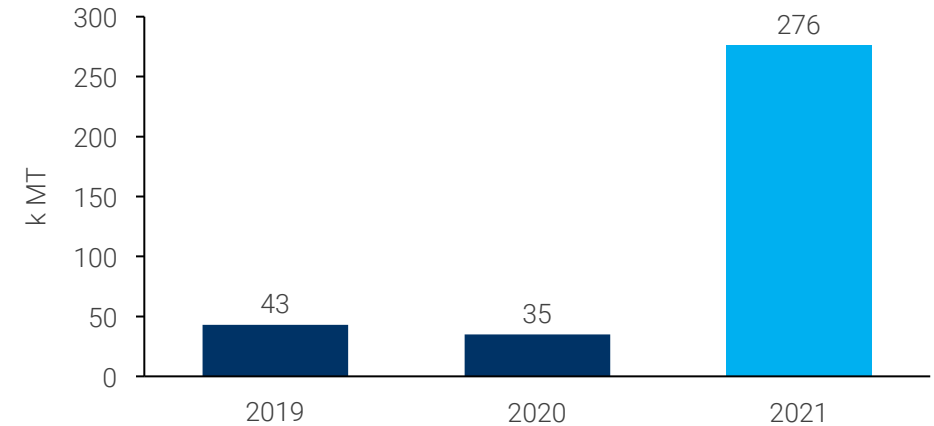


...but the lower US exports has been replaced by Asian producers leading to strong markets in the Far East

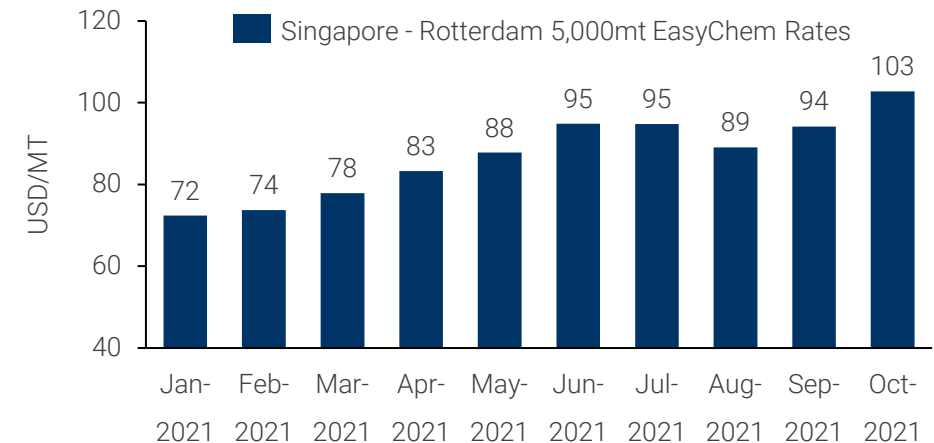
BACKGROUND



NE ASIA – EUROPE EXPORTS*

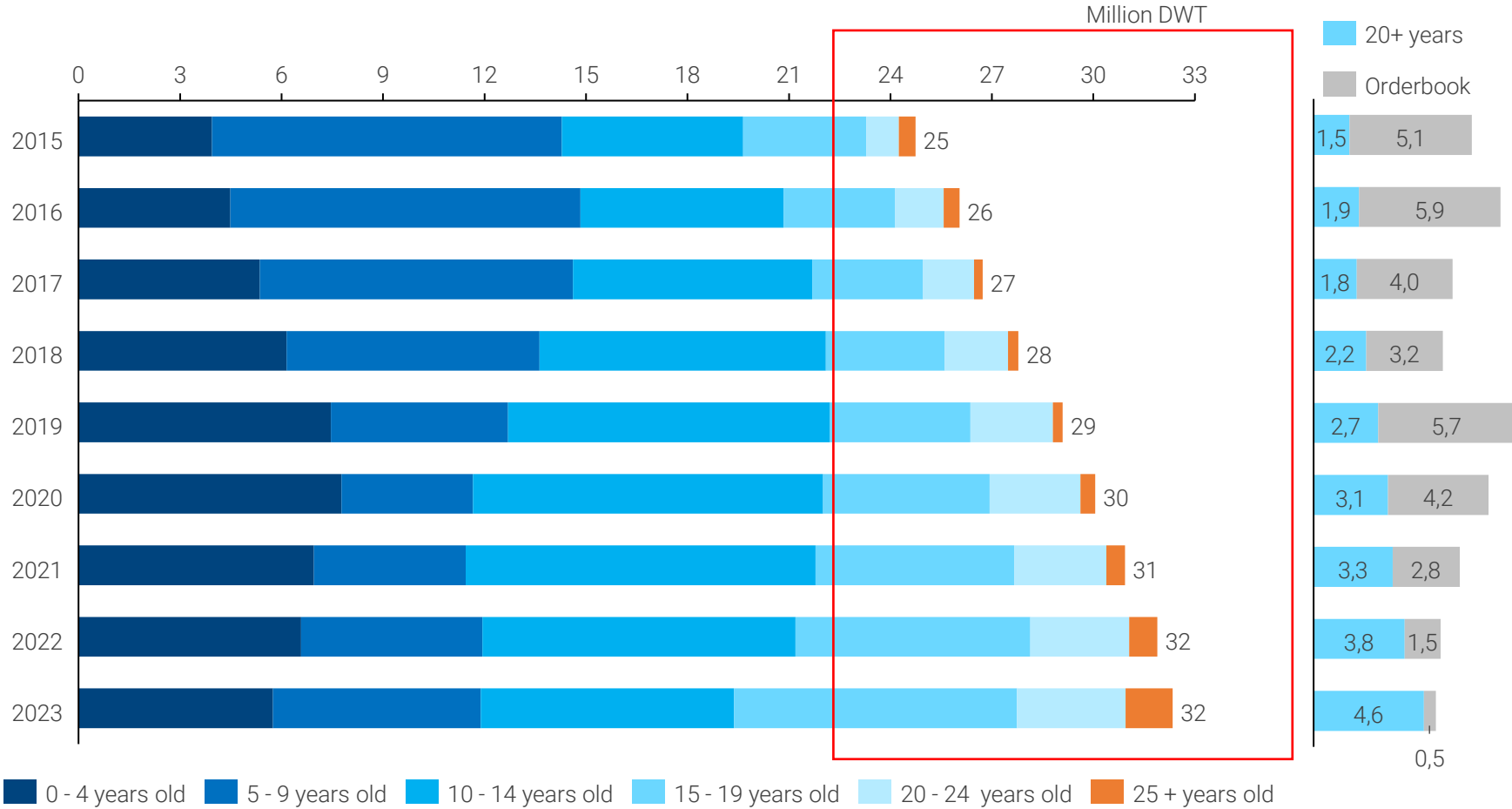


ASIA – WEST FREIGHT RATE DEVELOPMENT



The chemical tanker fleet is aging and we see an increasing share of the older stainless steel fleet taken out of the core chemical trade

CHEMICAL TANKER FLEET AGE DISTRIBUTION



AGE

An increasing share of the chemical tanker fleet is approaching the end of its life cycle

NEW ORDERS

Lack of appetite for new orders to replace ageing tonnage

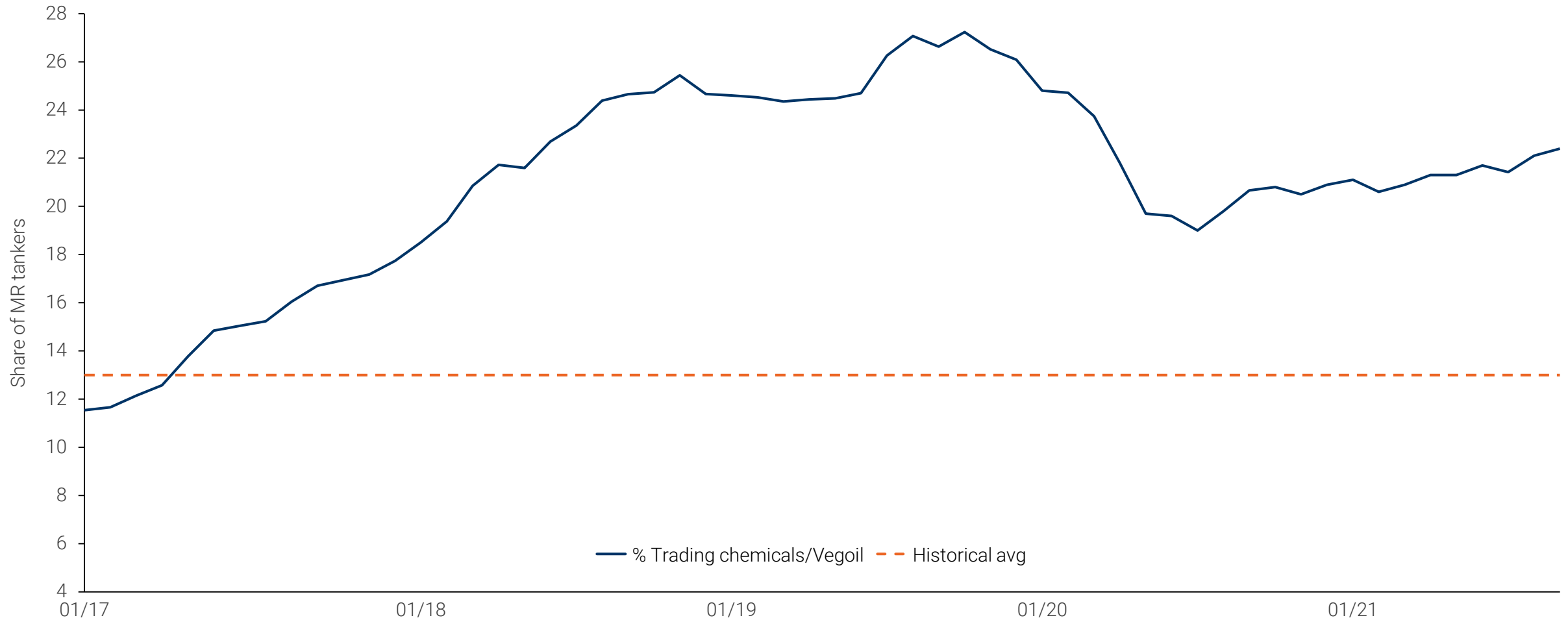
RETIREMENT TRADES

1.2 Mill dwt of core chemical tanker fleet has left the core chemical trade the last 18 months adding further positives to the future supply picture

Source: Odfjell

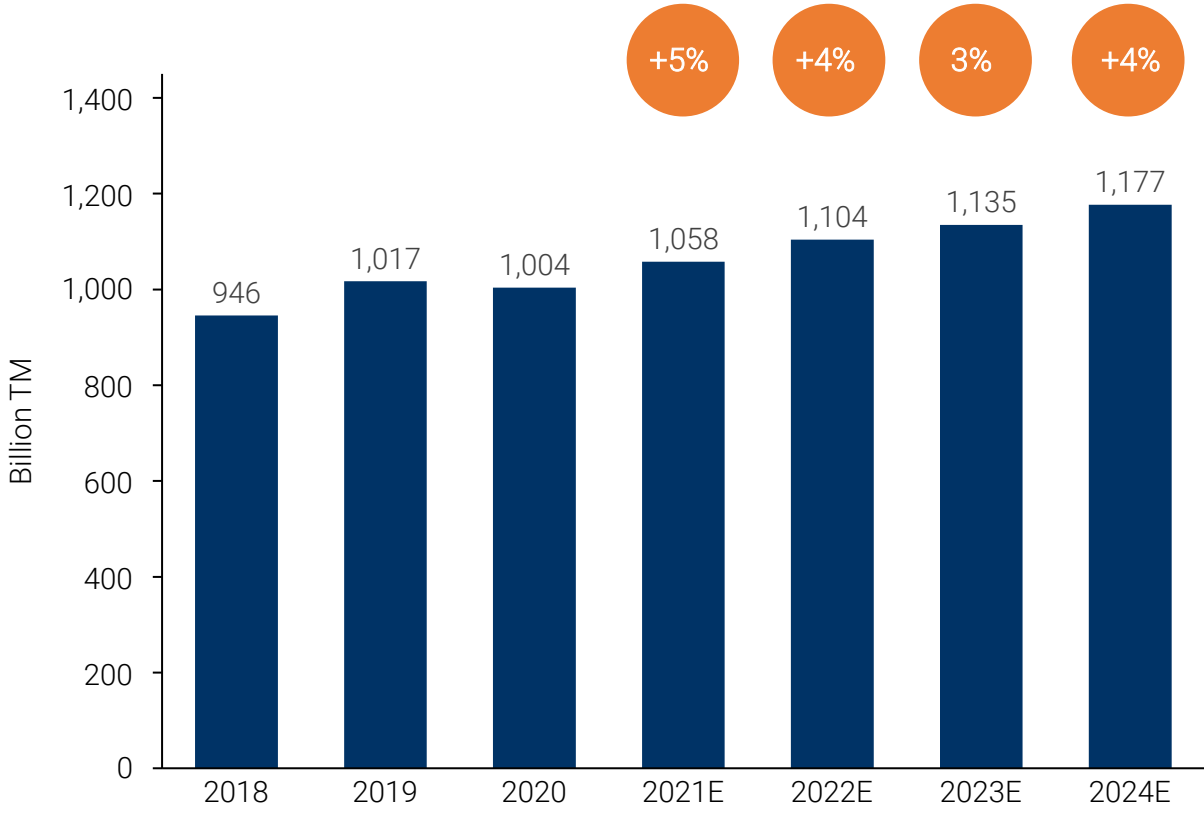
... And the supply fundamentals looks healthy within neighboring tanker segments as well and we expect swing tonnage pressure to be reversed

LACK OF ORDERS AND LIMITED FLEET GROWTH WITHIN CRUDE AND CPP AN IMPORTANT DRIVER TO REDUCE SUPPLY PRESSURE IN OUR MARKETS

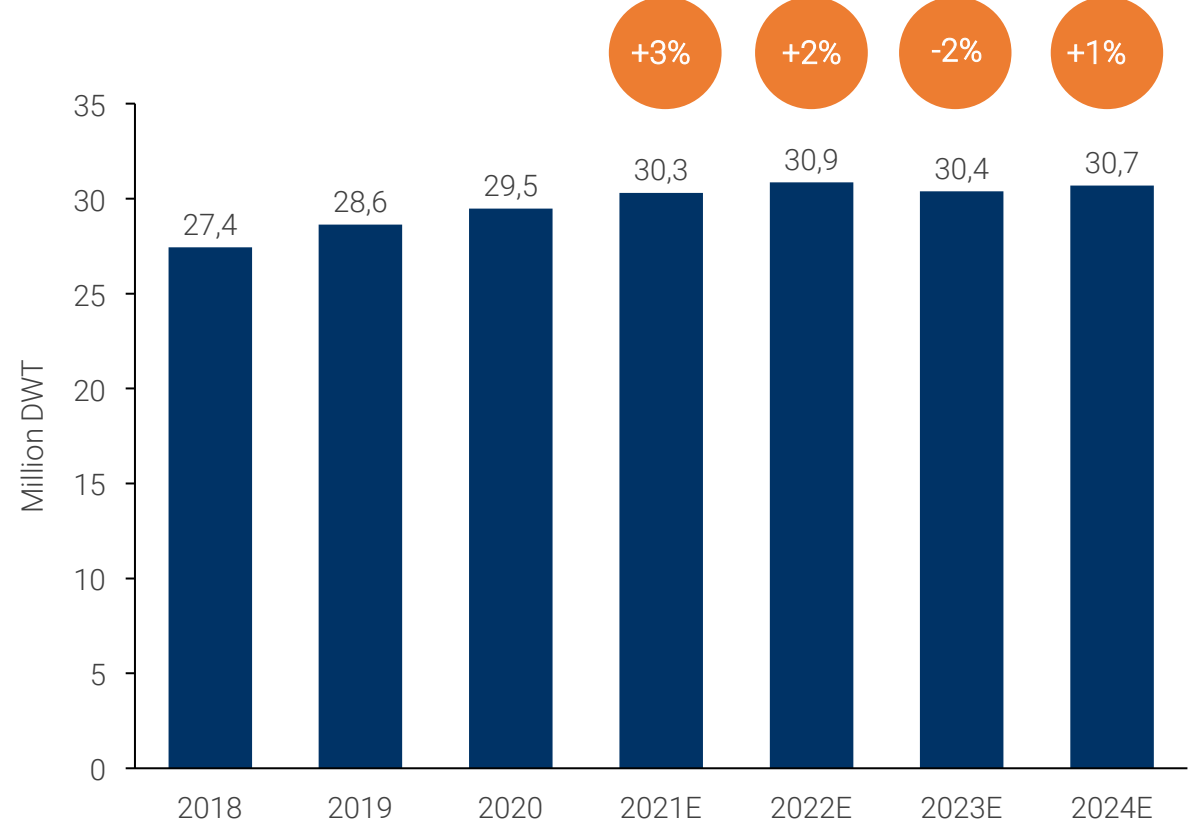


Market outlook – Fundamental demand to remain healthy and projected to outgrow net fleet growth the next three years

CHEMICAL TANKER TONNE-MILE DEMAND



CHEMICAL TANKER NET FLEET GROWTH



Summary

Our results

- Stable results despite a seasonally slower quarter where the market in total remains challenging

Odfjell Tankers

- Strong market in the east and challenging market in the west driven by production challenges in the US

Odfjell Terminals

- Stronger demand for storage in the US, normally a precursor for increased demand in the tanker market

Market outlook

- Healthy supply outlook and demand expected to outgrow supply the next three years

Guiding

- There are signs of improvements in our markets, but it will take time for a recovery to materialize and we therefore expect the underlying results in 4Q21 to be in line with 3Q21

Contact

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