



# Fourth Quarter / Preliminary Full Year 2014 Results

*Oslo – 12 February 2015*



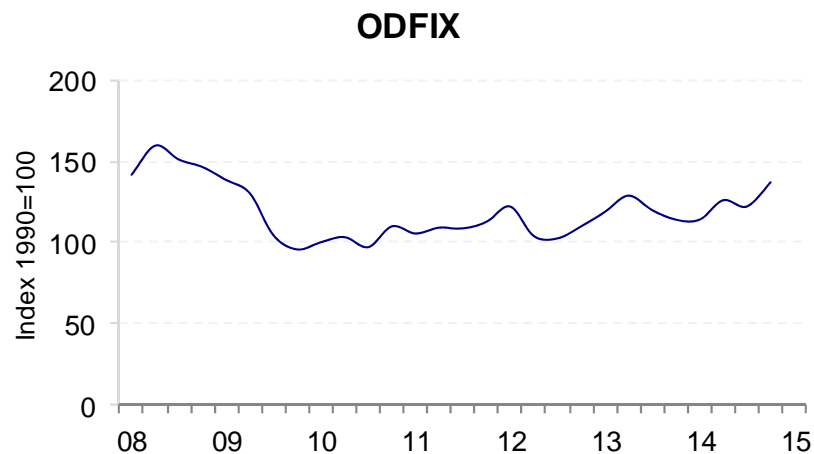
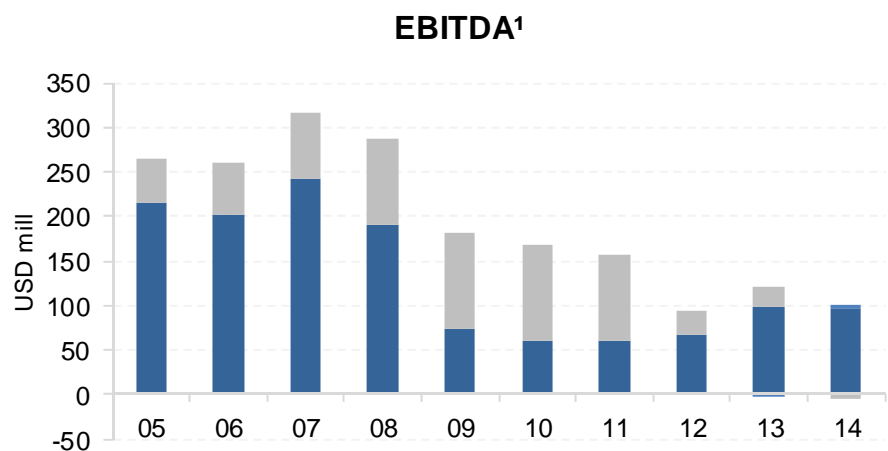
# Agenda

- Highlights
- Financials
- Operational review
- Project Felix
- Market update and prospects



# Highlights

- Chemical Tankers EBITDA of USD 30 million, compared with USD 26 million in third quarter
- Odfjell chemical freight index (ODFIX) up more than 10% compared with last quarter
- Time-charter result down 6% due to bunker hedging



■ Chemical tankers ■ Tank terminals ■ LPG/Ethylene

<sup>1</sup> Proportional consolidation method according to actual historical ownership share



## Highlights

- Odfjell Terminals EBITDA of USD 2 million compared with USD 4 million in third quarter
- Initiated cost-cutting and efficiency programme estimated to improve the net result by in excess of USD 100 million on a yearly basis when fully implemented within the end of 2016



Delivery of Bow Triumph in January, the last of four coated chemical tankers from the Hyundai Mipo yard in South Korea

## Income statement<sup>1</sup> - Fourth quarter 2014

<i>USD mill</i>	4Q14	3Q14
Gross revenue	245	267
Voyage expenses	(116)	(123)
TC expenses	(41)	(47)
Operating expenses	(40)	(44)
Share of net result from associates and JV	(5)	(8)
General and administrative expenses	(18)	(24)
Operating result before depr. (EBITDA)	25	19
Depreciation	(20)	(24)
Impairment	(4)	-
Capital gain/loss on fixed assets	(0)	7
Operating result (EBIT)	0	1
Net finance	(22)	(9)
Taxes	3	(1)
Net result	(18)	(9)

<sup>1</sup> Equity method

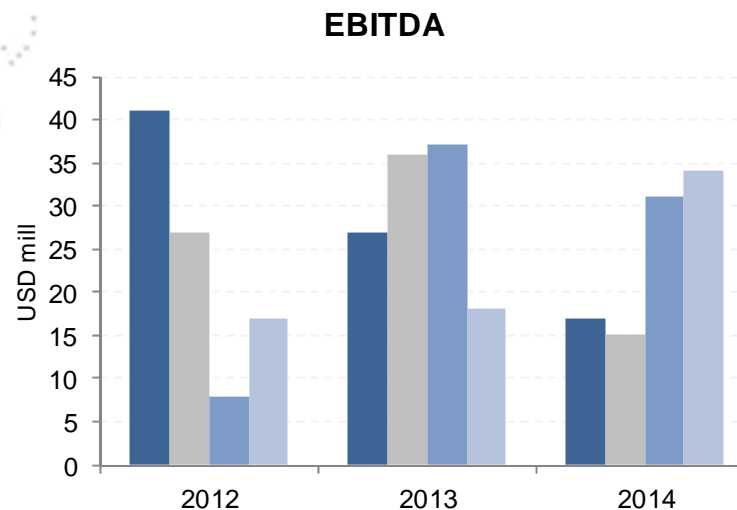
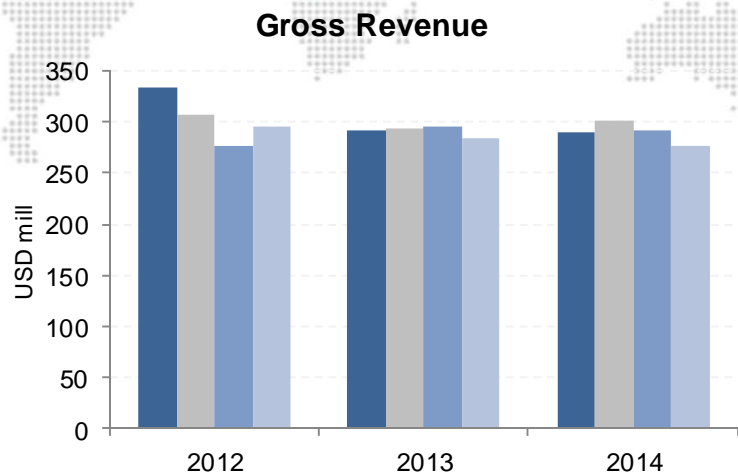
## Income statement<sup>1</sup> - Preliminary full year 2014

<i>USD mill</i>	2014	2013
Gross revenue	1 053	1 027
Voyage expenses	(496)	(489)
TC expenses	(191)	(164)
Operating expenses	(175)	(189)
Share of net result from associates and JV	(32)	(52)
General and administrative expenses	(93)	(93)
Operating result before depr. (EBITDA)	66	41
Depreciation	(90)	(89)
Impairment	(4)	-
Capital gain/loss on fixed assets	7	(9)
Operating result (EBIT)	(22)	(57)
Net finance	(53)	(46)
Taxes	0	(5)
Net result	(75)	(108)

<sup>1</sup> Equity method

# Quarterly figures<sup>1</sup>

USD mill



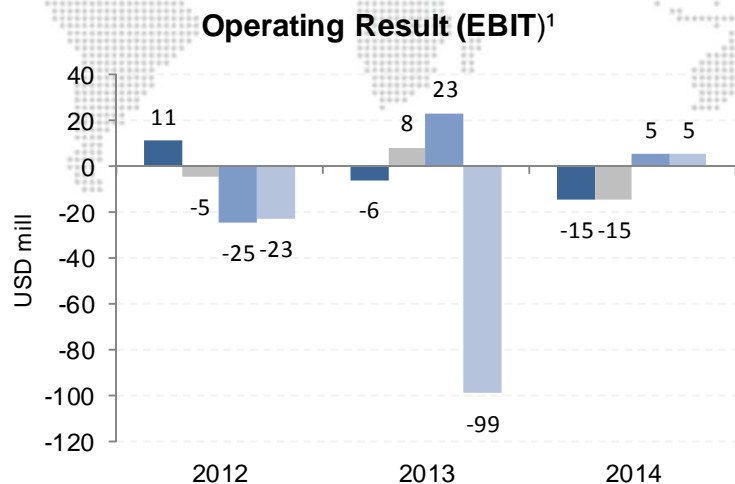
- *Stable gross revenue*
- *EBITDA improvement continues, USD 34 million in 4Q14 compared to USD 31 million in 3Q14*

<sup>1</sup> Proportional consolidation method

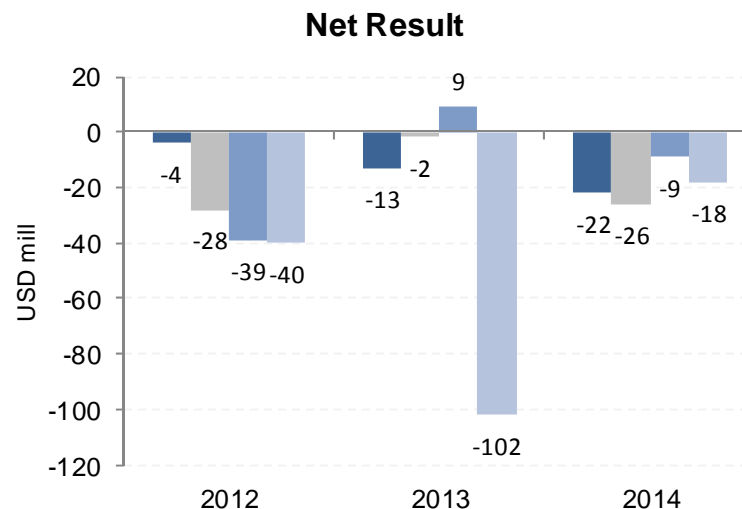
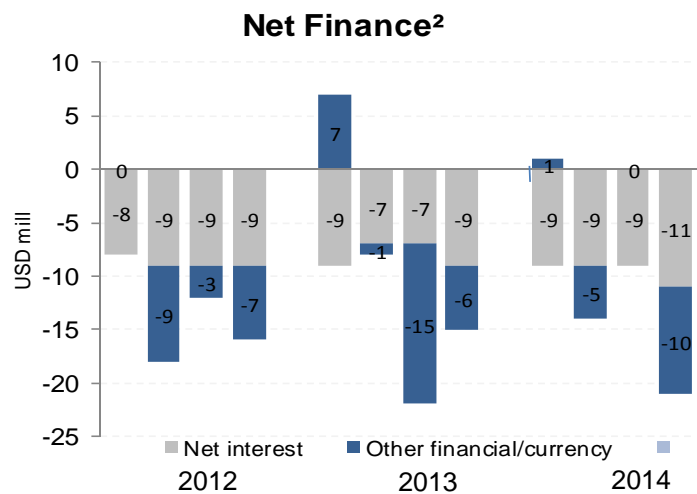


# Quarterly figures

USD mill



- Other financial items negative USD 10 million related to unrealized loss on derivatives not treated as hedge accounting
- Net interest includes prior periods adjustments of USD 1 million

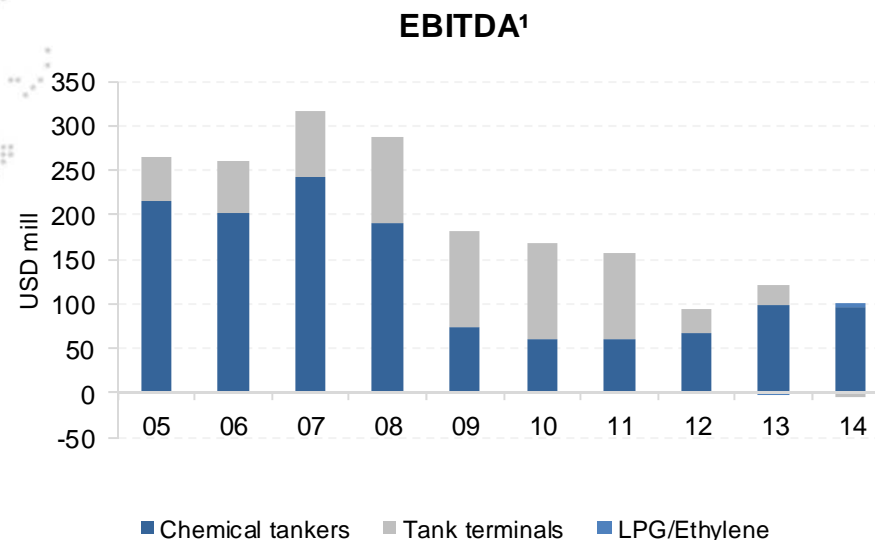
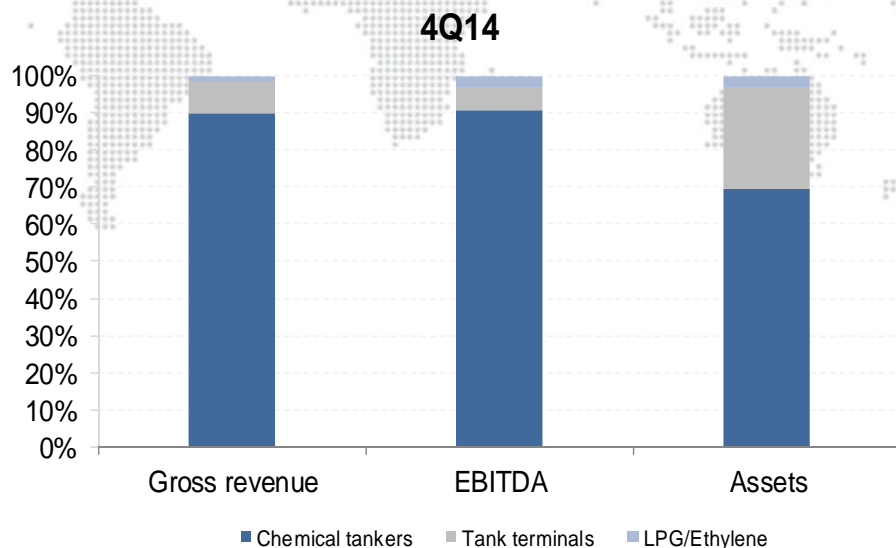


<sup>1</sup> Proportional consolidation method

<sup>2</sup> Equity method



# Results per segment<sup>1</sup>



<i>USD mill</i>	4Q14			3Q14		
	Chemical tankers	Tank terminals	LPG/Ethylene	Chemical tankers	Tank terminals	LPG/Ethylene
Gross revenue	247	24	4	263	23	7
EBITDA	30	2	1	26	4	1
EBIT	5	(1)	1	3	(5)	7

<sup>1</sup> Proportional consolidation method



## Income statement<sup>1</sup> – 4Q14 chemical tankers

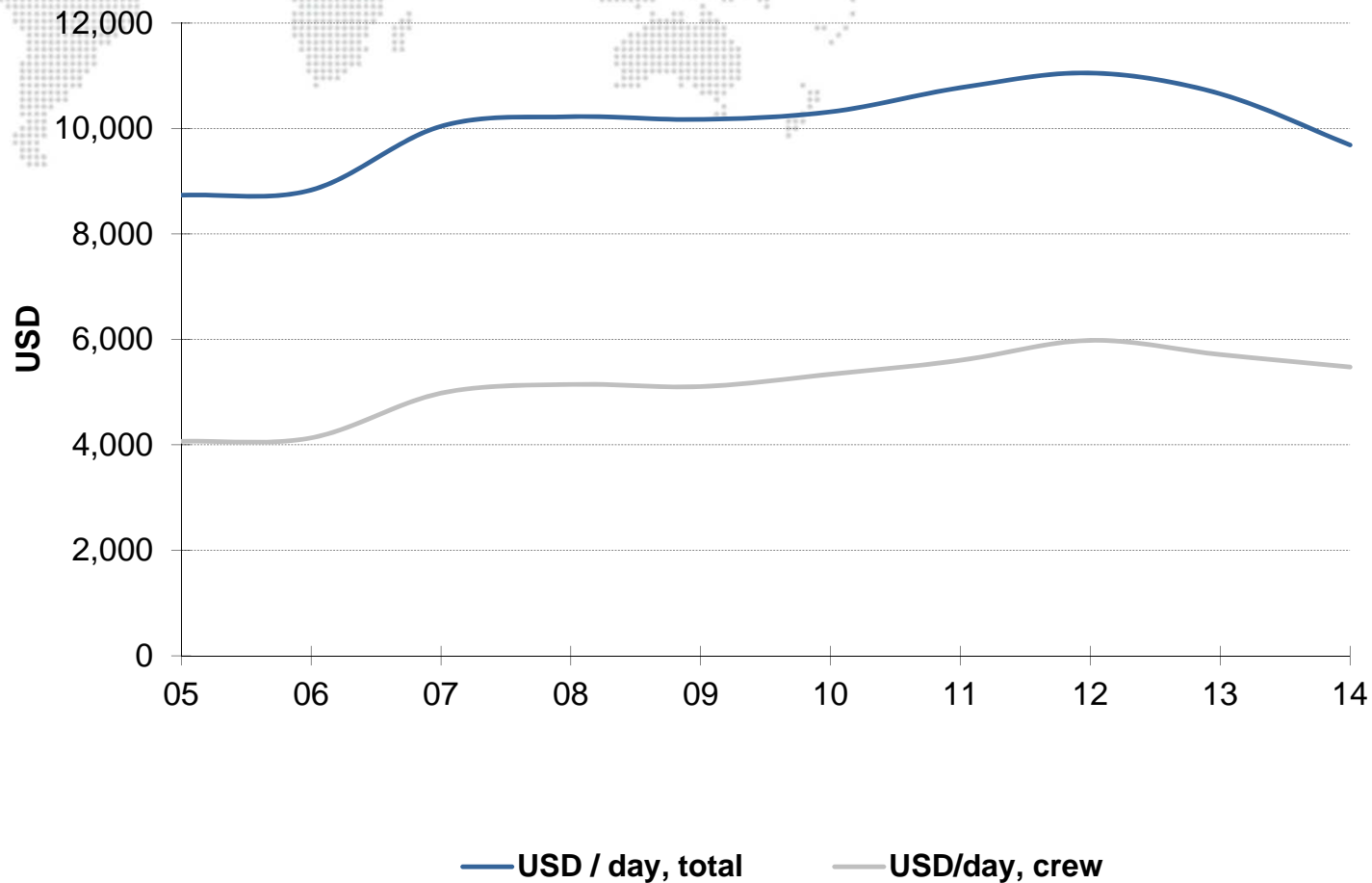
<i>USD mill</i>	4Q14	3Q14
Gross revenue	247	263
Voyage expenses	(117)	(122)
TC expenses	(41)	(45)
Operating expenses	(40)	(44)
General and administrative expenses <sup>2</sup>	(18)	(25)
Operating result before depr. (EBITDA)	30	26
Depreciation	(21)	(24)
Impairment	(4)	-
Operating result (EBIT)	5	3

- *Impairment of USD 4 million related to Bow Pilot sold in January 2015*
- *Change of pension schemes resulting in an income of USD 10.9 million*
- *Provisions for severance payments of USD 5.1 million*
- *Realized bunkers hedging derivatives impacted the results negatively by USD 16.6 million*

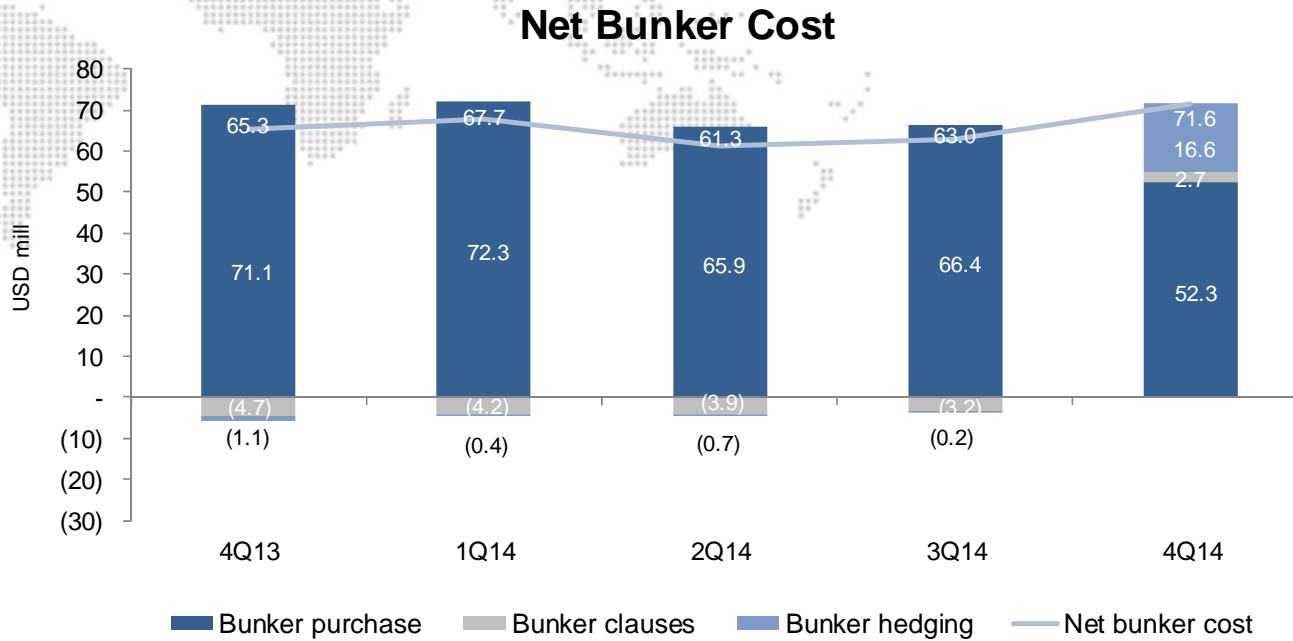
<sup>1</sup> Proportional consolidation method

<sup>2</sup> Including corporate functions

# Vessel operating expenses - *chemical tankers*



# Bunker development



### Platts 3.5% FOB Rotterdam



- Net bunker cost in 4Q14 was USD 565 per tonne before hedging
- About 50% of the 2015 exposure is hedged at an average of USD 525 per tonne
- Bunker clauses in CoAs cover about 50% of the exposure

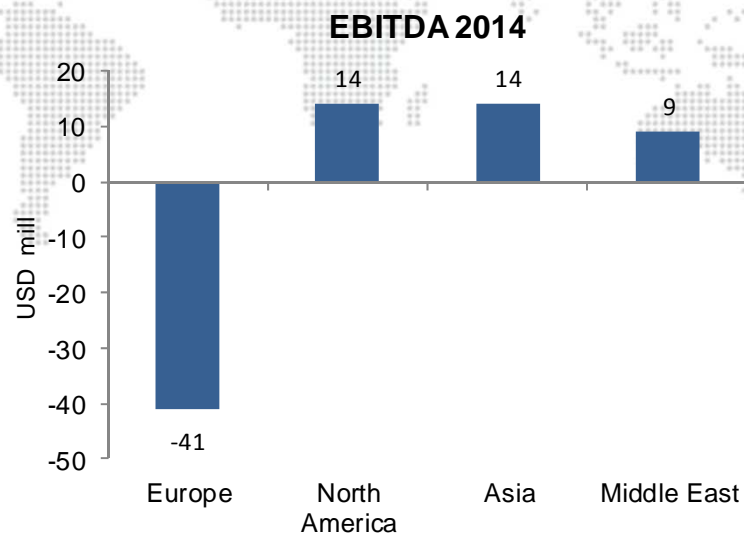
## Income statement<sup>1</sup> – 4Q14 tank terminals

<i>USD mill</i>	4Q14	3Q14
Gross revenue	24	23
Operating expenses	(17)	(14)
General and administrative expenses	(5)	(5)
Operating result before depr. (EBITDA)	2	4
Depreciation	(9)	(8)
Impairment (reversal)	5	-
Capital gain/(loss)	0	(1)
Operating result (EBIT)	(1)	(5)

*Partial reversal of impairment of USD 5 million related to Odfjell Terminal (Rotterdam)*

<sup>1</sup> Proportional consolidation method

# Tank terminals EBITDA – by geographical segment



- The tank terminal group delivered an EBITDA of USD 2 million in 4Q14
- The results were in line with previous quarter

EBITDA Tank Terminals by geographical segment	4Q14	3Q14
Europe	(7)	(6)
North America	3	3
Asia	3	4
Middle East	2	2
<b>Total EBITDA</b>	<b>2</b>	<b>4</b>



## Balance sheet<sup>1</sup> – 31.12.2014

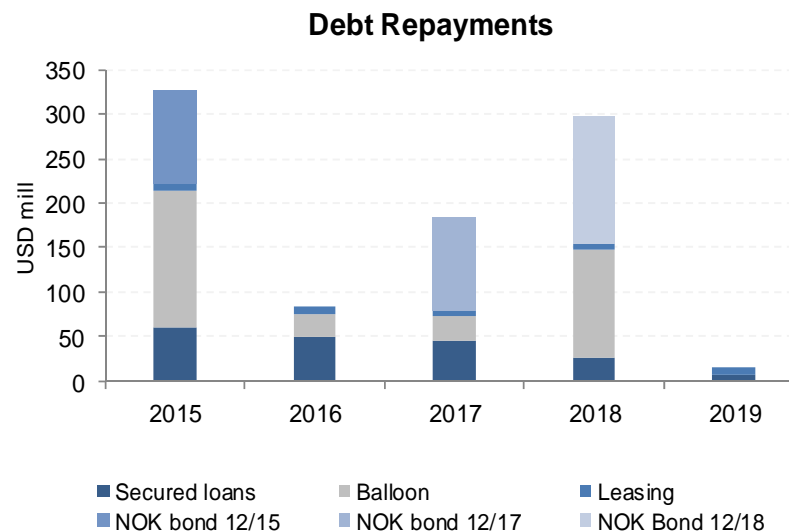
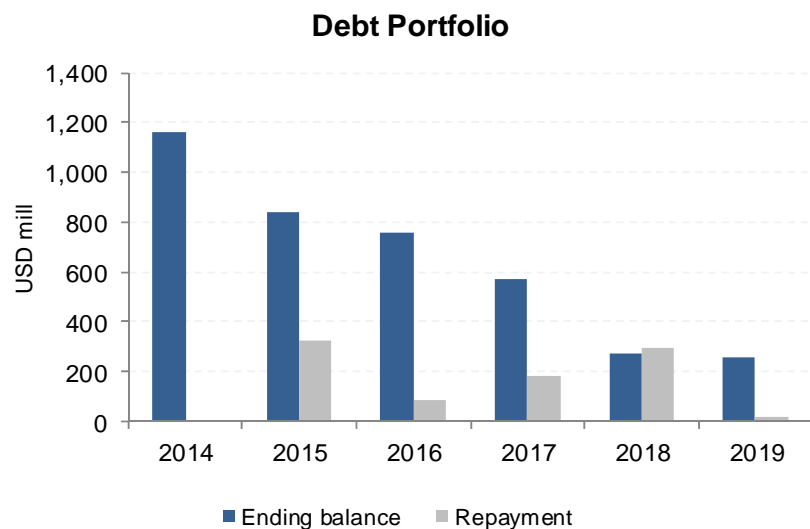
<i>USD mill - Assets</i>	
Ships and newbuilding contracts	1 284
Other non-current assets/receivables	84
Investment in associates and JV's	393
<b>Total non-current assets</b>	<b>1 761</b>
Available-for-sale investments and cash	105
Other current assets	159
<b>Total current assets</b>	<b>265</b>
Assets held for sale	7
<b>Total assets</b>	<b>2 032</b>

<i>Equity and liabilities</i>	
Total equity	638
Non-current liabilities and derivatives	40
Non-current interest bearing debt	839
<b>Total non-current liabilities</b>	<b>880</b>
Current portion of interest bearing debt	326
Other current liabilities and derivatives	188
<b>Total current liabilities</b>	<b>514</b>
Liabilities held for sale	-
<b>Total equity and liabilities</b>	<b>2 032</b>

- *Cash balance of USD 105 million - excluding JV's cash*
- *Net investment in tank terminals JV's USD 331 million*
- *Unrealized loss on hedging derivatives with negative equity effect of USD 62.5 million*
- *Entered into a total return swap in December 2014 with expiry 19 March 2015*
- *Equity ratio 31.4%*

# Debt development – 31.12.2014

- Debt repayments due in 2015 will be refinanced and will contribute positively to our cash holdings
- A significant portion of the balloon repayment maturing late 2015 will be refinanced during first half of 2015
- NOK 600 million bond matures in December 2015





# Capital expenditure programme

<i>In USD mill – per 31.12.2014</i>	2015	2016	2017	2018	2019
<b>Chemical Tankers, Odfjell share</b>					
Hyundai Mipo, 2 x 46,000 dwt <sup>1)</sup>	28				
Docking	20	18	17	17	17
<b>Odfjell Gas, 100 % share<sup>2)</sup></b>					
Sinopacific, 4 x 17,000 cbm	90	63			
Sinopacific, 4 x 22,000 cbm	25	84	70		
<b>Tank Terminals, 100% share</b>					
Planned capex	73	54	32	7	5

<sup>1)</sup> Bow Triumph was delivered in January 2015

<sup>2)</sup> Odfjell (50%) is committed to inject up to USD 50 million in equity in 2015 - 2017

## Terminal projects and expansions

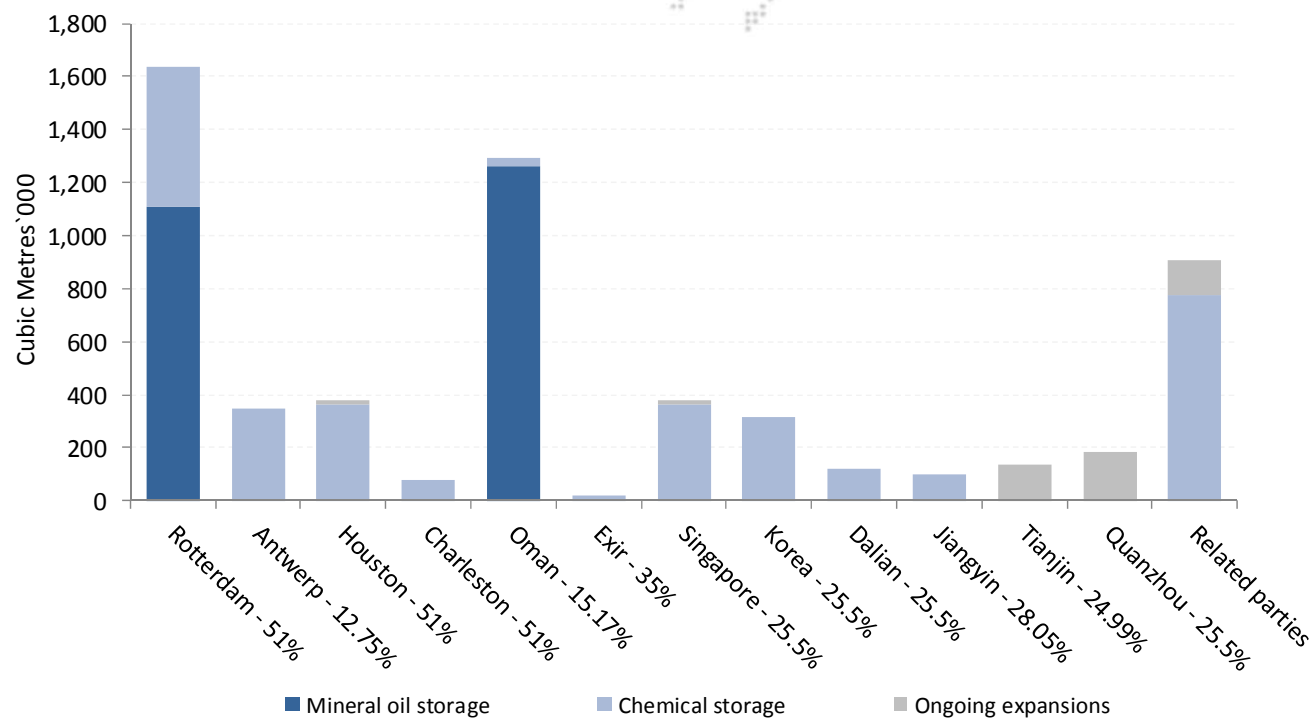
- Odfjell Terminals (Charleston) will be at full occupancy in 1Q15, including a ship/store solution for one major customer
- The new tank pit in Houston (Bay 10) is under construction with expected completion in 4Q 2015, adding 17,170 cbm of tank capacity, increasing total capacity to 362,134 cbm
- The construction of the new Tianjin Terminal in China is progressing with mechanical completion scheduled in 1Q15, with jetties already receiving all operating permit from the authorities



# Tank terminal capacity

Total capacity in CBM (incl. related parties):

Current capacity	5,419,722
Ongoing expansions	479,570



\* Odfjell's ownership share in the respective tank terminals is shown in percentage



## Odfjell Terminals (Rotterdam) – *current status*

- EBITDA negative USD 7 million in 4Q14, Odfjell share
- Re-organisation and subsequent staff reduction have improved the cost base
- Commercial occupancy is 90% at the beginning of 2015
- Storage tanks supporting the PID distillation units re-commissioned as extended ECA requirements in effect from 2015 will provide new contract opportunities
- Renewed product storage opportunities on contango pricing
- Gradually increase in commercial available capacity from 550,000 cbm to 900,000 cbm during 2015
- The terminal received ISO certification in January; an important milestone on the road to recovery

## Odfjell Gas Carriers

- Stronger results from underlying operation in 4Q
- Positive contribution from continued long-haul activity
- Satisfactory utilisation

<i>USD mill</i>	4Q14	3Q14
Gross revenue	4	7
EBITDA	1	1
EBIT	1	7

- *Ownership share in 4Q14 is 50% compared to 100% in 3Q14*
- *EBIT in 3Q14 includes a capital gain in excess of USD 6 million related the JV transaction*

## Fleet development - last 12 months

Fleet additions		DWT	Built	Tanks	Transaction
January 2015	Bow Triumph	49 600	2015	Coated	Owned
October 2014	Bow Trident	46 600	2014	Coated	Owned
August 2014	Kristin Knutsen	19 152	1998	Stainless	Short-term TC
June 2014	Bow Tribute	46 000	2014	Coated	Bareboat
May 2014	UACC Mansouria	45 352	2013	Coated	Short-term TC
April 2014	Bow Trajectory	46 000	2014	Coated	Bareboat
April 2014	Bow Harmony	33 619	2008	Stainless	Purchase
March 2014	SG Friendship	19 773	2003	Stainless	Medium-term TC

Fleet disposals, owned		DWT	Built	Tanks	Transaction
January 2015	Bow Pilot	6 008	1989	Stainless	Sale

Short-term: Up to one year  
 Medium-term: 1-3 years

*Odfjell has no further chemical tankers on order, but has medium term time-charter contracts for future newbuildings on order by third parties*

## Reducing cost and improving efficiency

- Announced 8 May 2014 a review of the business model in order to improve the financial result through a more competitive cost structure
- In November 2014 we announced that immediate initiatives expected to effect the bottom line by USD 50 million when fully implemented
- In January 9 the Board approved a complete restructuring plan
- When fully implemented end of 2016 it is estimated to improve the net results by USD 100 million on a yearly basis
- Majority of the initiatives will be implemented throughout 2015

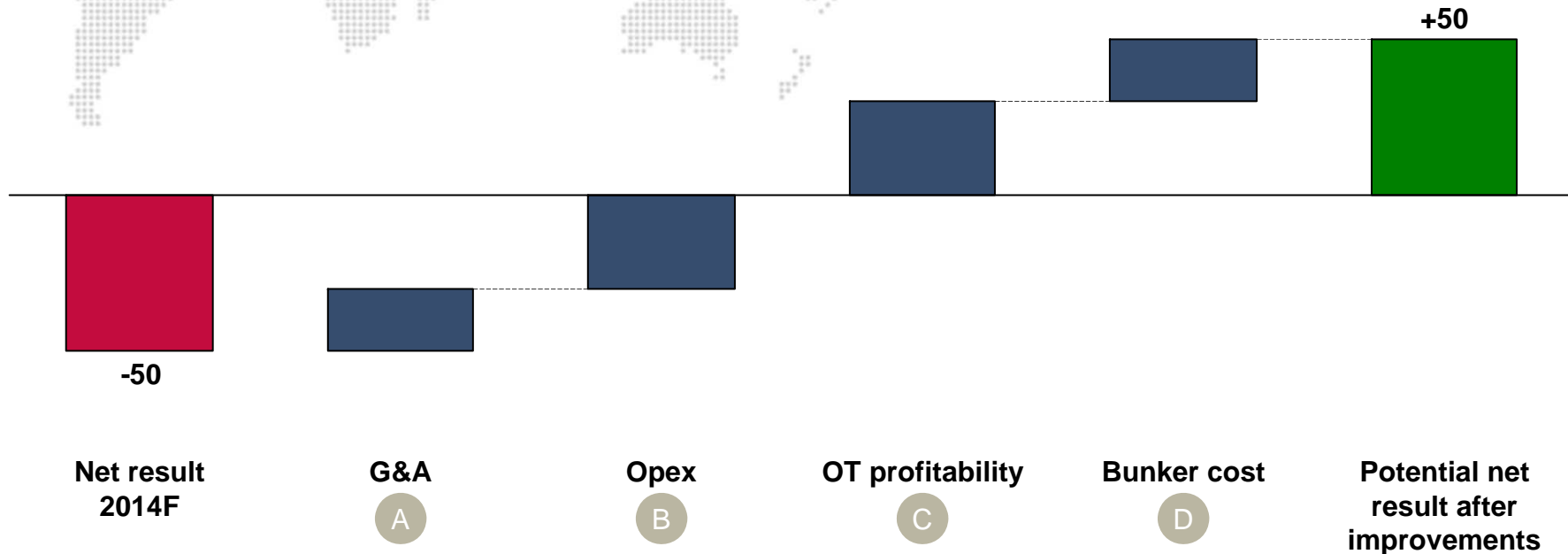
## Reducing cost and improving efficiency

- The cost savings initiatives are related to operating expenses, general and administrative expenses, trade optimisation and bunker consumption
- Operating expenses and general and administrative expenses are expected to account for in excess of 50% of the improved result
- Reduction of 86 positions at the office in Bergen – there will also be organisational changes at offices abroad
- Severance payments are currently estimated to a total of USD 12 million of which provisions of USD 5.1 million have been made in fourth quarter
- Change in pension schemes, USD 10.9 million recognized in 4Q14 results



# Sustainable profitability in today's market implies a required profit improvement in excess of 100 MUSD

Sufficient for fleet renewal and dividend capacity



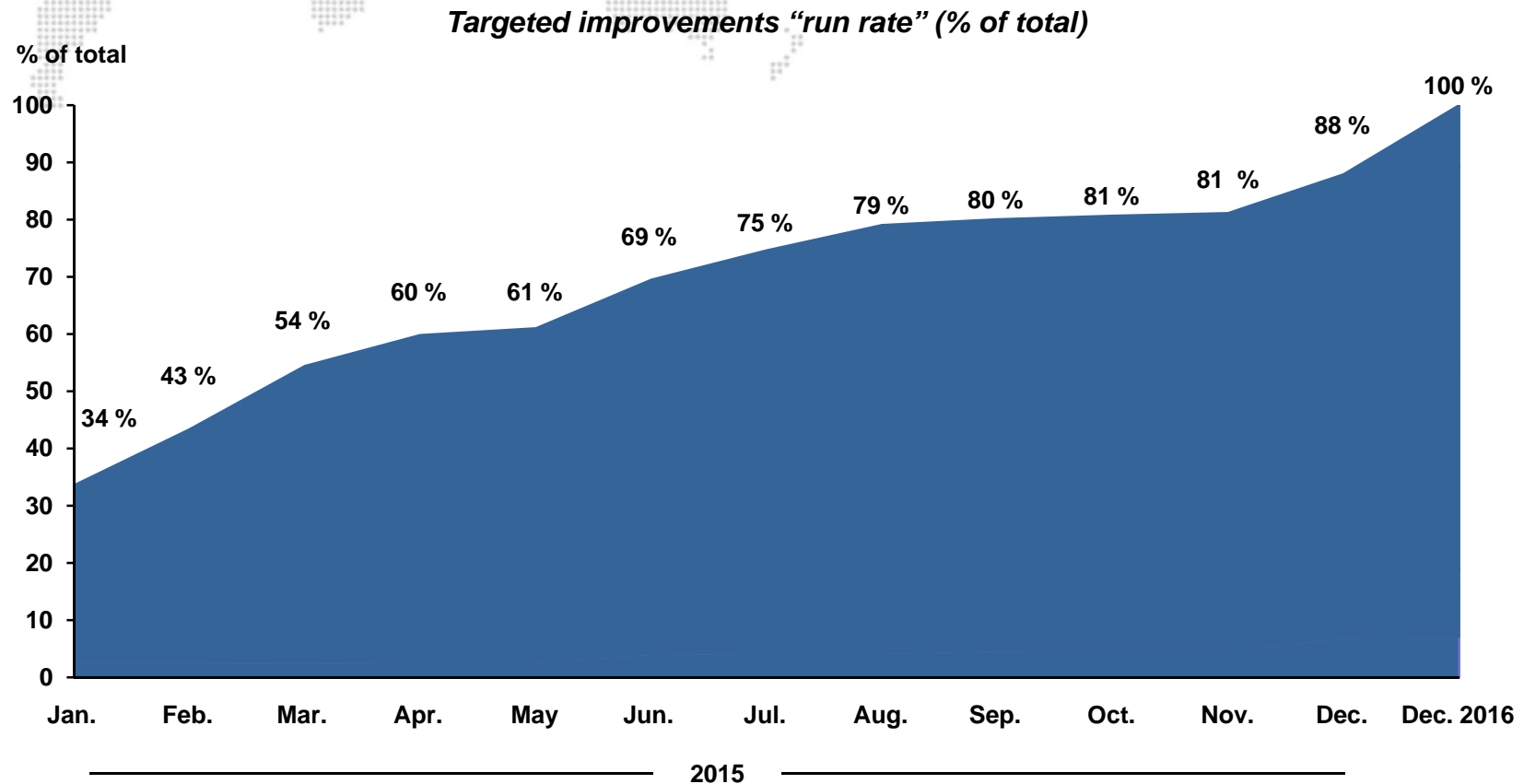
**Implications:**

- Significant cost reduction (25-30%)
- Cost reductions within both general OPEX and crew
- Exit from unprofitable trades
- Optimization of core trades
- Bunker cost improvement



# Project Felix implementation timeline

Aiming at realizing 88% of targeted improvements by end 2015



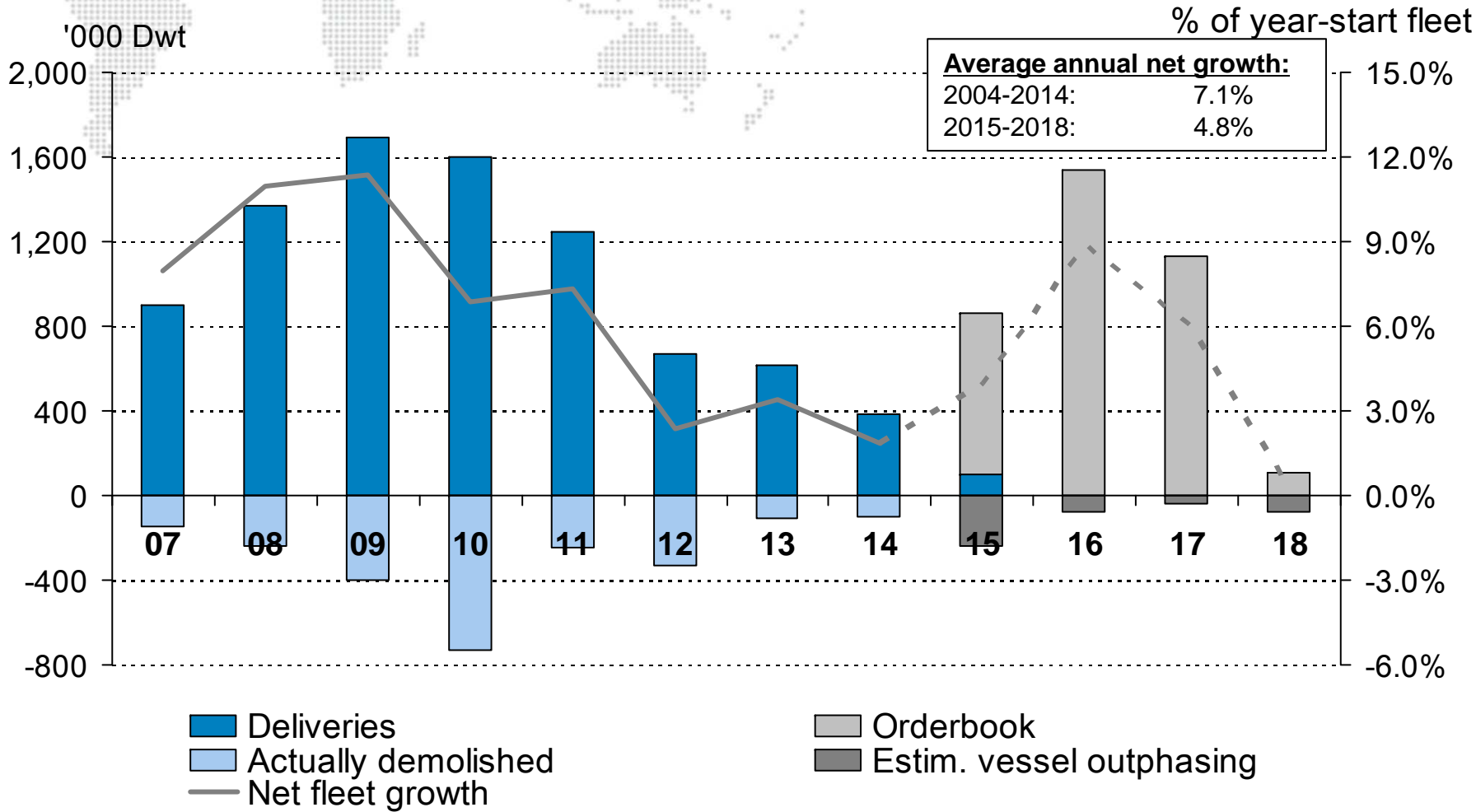
*Through these changes we will initiate a route back to reach our goal of also being a profitable global provider of transportation of liquid chemicals*

## Market update – *chemical tankers*

- Activity and nominations under CoAs were stable in most areas
- ODFIX index up by more than 10%
- Time-charter result down 6% due to bunker hedging
- Spot trading in general was slow
- A strong clean market has removed some swing tonnage from the chemical space, it also facilitates good back-hauls for our vessels
- Product flow related to industrial production (system cargoes) remain strong, both CoA and spot

# Core Chemical Deep-sea Fleet 2004-2018

Orderbook and estimated demolition per 31 January, 2015



Source: Odfjell FLEETBASE

\* Outphasing 30 years (Europe built) and 25 years (Asian built)

## Prospects

- Modest growth in world GDP expected in 2015, one of the main factors affecting overall chemical tanker demand
- The demand for chemical tanker services is firming going forward, with contracts of affreightment being renewed at somewhat improved terms
- Although ordering of new chemical tankers has reduced drastically last quarter, the orderbook for stainless steel vessels is still close to 30% of current fleet. As a consequence thereof, we expect the supply/demand imbalance to persist, at least through 2015
- Odfjell will have limited benefits by lower bunker prices in 2015
- First quarter in 2015 is expected to improve from the last quarter in 2014 for the chemical tankers
- We expect improved results at Odfjell Terminals (Rotterdam) and continued stable results from the other terminals for the next quarter



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**Thank you**



For more information please visit our webpage at [www.odfjell.com](http://www.odfjell.com)

