



**ODFJELL**

# Second Quarter/First half presentation 2018

August 24 2018



## Agenda

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

# Highlights

- The chemical tanker market softened during the quarter but our TCE performance remained stable due to strong COA nominations. Results from Odfjell Terminals improved compared to previous quarter.
- EBITDA of USD 37 mill, compared with USD 34 mill in 1Q18.
- EBITDA of USD 28 mill from Odfjell Tankers compared to USD 27 mill in 1Q18.
- EBITDA of USD 9 mill from Odfjell Terminals compared to USD 6 mill in 1Q18.
- USD 58 mill of impairments and tax losses of USD 43 mill related to the sale of the Rotterdam terminal. The transaction is expected to have a positive cash contribution of about USD100 mill.
- Net results of USD -120 mill compared to USD -12 mill in last quarter.

## Subsequent events

- Odfjell Terminals entered into an agreement with Koole Terminals B.V. of the Netherlands (Koole) to sell its 100% ownership of Odfjell Terminals Rotterdam (OTR).
- Odfjell has agreed to acquire LG's indirect shareholding in the Antwerp terminal for USD 27 mill subject to certain conditions related to LG's exit.

### Key figures, USD mill<sup>1</sup>

(USD mill, unaudited)	3Q17	4Q17	1Q18	2Q18	2Q17	FY17	FY16
Odfjell Tankers	207.6	213.2	<b>211.6</b>	<b>209.0</b>	208.9	842.5	832.4
Odfjell Terminals	27.0	28.4	<b>25.2</b>	<b>25.9</b>	27.5	110.8	122.7
<b>Revenues*</b>	<b>236.7</b>	<b>243.5</b>	<b>238.9</b>	<b>236.7</b>	<b>238.5</b>	<b>961.7</b>	<b>967.2</b>
Odfjell Tankers	28.0	30.6	<b>26.9</b>	<b>28.0</b>	30.5	125.0	187.7
Odfjell Terminals	8.7	9.9	<b>6.3</b>	<b>8.9</b>	10.3	38.4	46.5
<b>EBITDA*</b>	<b>37.3</b>	<b>40.8</b>	<b>33.9</b>	<b>37.2</b>	<b>41.4</b>	<b>165.8</b>	<b>237.6</b>
EBIT	3.6	97.3	<b>2.9</b>	<b>(52.9)</b>	14.2	132.8	144.6
Net profit	(10.5)	104.3	<b>(12.2)</b>	<b>(120.0)</b>	(4.7)	90.6	100.0
<b>EPS**</b>	<b>(0.13)</b>	<b>1.33</b>	<b>(0.15)</b>	<b>(1.53)</b>	<b>(0.06)</b>	<b>1.15</b>	<b>1.27</b>
ROE***	(7.0%)	16.4%	<b>(6.3%)</b>	<b>(22.3%)</b>	(1.2%)	11.8%	14.6%
ROCE***	0.5%	10.9%	<b>0.6%</b>	<b>(5.4%)</b>	3.1%	8.8%	7.9%

\*Includes figures from Odfjell Gas

\*\* Based on 78.6 million outstanding shares

\*\*\* Ratios are annualised

*"The sale of our Rotterdam terminal will further strengthen Odfjell SE as a company. The planned increase in our shareholding in our j/v terminal in Antwerp will ensure a foothold in Europe, with Antwerp being the most important port for chemicals in the EU. Chemical tanker spot rates weakened further during the quarter, but we continued to outperform the market indexes due to strong contract coverage"*

Kristian Mørch, CEO Odfjell SE

1. Proportional consolidation method according to actual historical ownership share



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# Income statement<sup>1</sup> – Odfjell Group by division

USD mill	Tankers		Terminals		Total*		Total*	
	1Q18	2Q18	1Q18	2Q18	1Q18	2Q18	1H17	1H18
Gross revenue	211.6	209.0	25.2	25.9	238.9	236.7	481.5	475.6
Voyage expenses	(87.0)	(85.2)	-	-	(87.9)	(86.0)	(161.1)	(173.9)
TC expenses	(40.6)	(37.6)	-	-	(40.6)	(37.6)	(97.6)	(78.2)
Pool distribution	(3.3)	(4.6)	-	-	(3.3)	(4.6)	-	(7.9)
Opex	(36.0)	(35.9)	(13.5)	(13.2)	(50.1)	(49.7)	(91.4)	(99.8)
G&A	(17.9)	(17.7)	(5.3)	(3.8)	(23.2)	(21.5)	(43.8)	(44.7)
EBITDA	26.9	28.0	6.3	8.9	33.9	37.2	87.7	71.1
Depreciation	(22.6)	(24.3)	(8.4)	(8.0)	(31.0)	(32.3)	(55.6)	(63.3)
Impairment	-	-	-	(58.1)	-	(58.1)	-	(58.1)
Capital gain/loss	0.1	0.2	-	-	0.1	0.2	(0.2)	0.3
EBIT	4.4	3.9	(2.1)	(57.1)	3.0	(52.9)	32.0	(49.9)
Net interest expenses	(14.9)	(16.5)	(2.1)	(2.4)	(17.1)	(19.0)	(31.7)	(36.1)
Other financial items	0.7	(2.2)	0.6	(2.1)	1.3	(4.4)	(1.8)	(3.1)
Net finance	(14.0)	(18.8)	(1.5)	(4.5)	(15.8)	(23.5)	(33.6)	(39.2)
Taxes	(0.7)	(1.2)	1.4	(42.4)	0.7	(43.6)	(1.6)	(42.9)
Net result	(10.4)	(16.2)	(2.1)	(104.0)	(12.1)	(120.0)	(3.2)	(132.1)
EPS	(0.12)	(0.21)	(0.03)	(1.32)	(0.15)	(1.53)	(0.04)	(1.68)

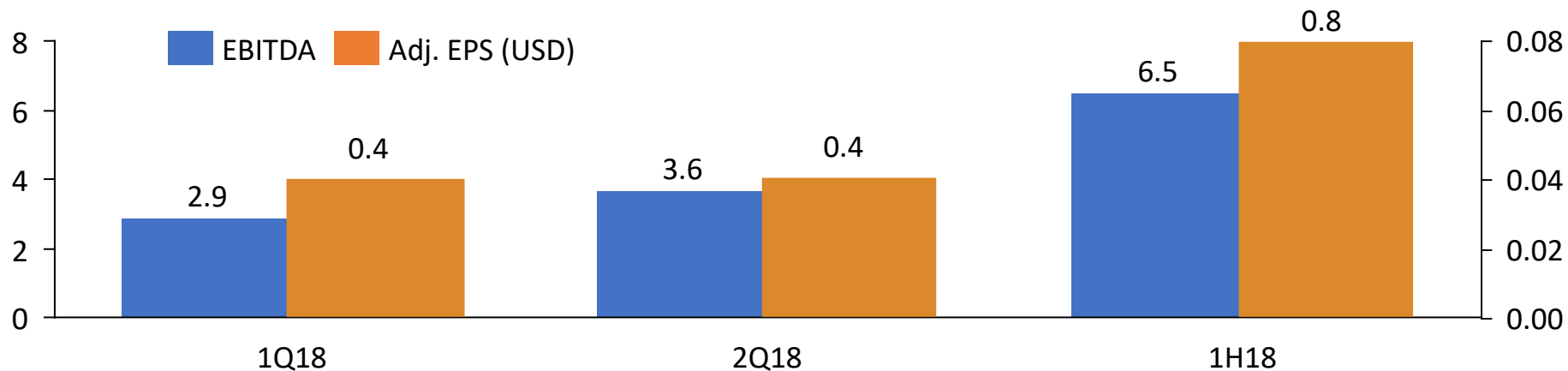
Key quarterly deviations:

- TC expenses reduced by USD 3 mill compared to 1Q18
- Accumulated costs related to the ongoing sale of OTR has been reversed this quarter by USD 1 mill
- USD 58.1 mill impairment on tangible assets related to the sale of OTR now classified as assets held for sale
- USD 43.1 mill in tax losses recorded based on tax losses related to the OTR sale
- Net finance costs increased by USD 7.7 mill driven by currency effects
- Adjusted for non-recurring items related to OTR and currency effects, our net profit for 2Q18 was USD -14 mill

# The sale of OTR will impact Odfjell Terminal's contribution to Odfjell SE's Profit & Loss once transaction is completed

Odfjell Terminals inc. OTR (impairment Adjusted)			Odfjell Terminals exc. OTR (Adjusted)*		
	1Q18	2Q18		1Q18	2Q18
Gross revenue	25.2	25.9	Gross revenue	16.0	15.6
Opex	(13.5)	(13.2)	Opex	(6.5)	(6.5)
G&A	(5.3)	(3.8)	G&A	(2.3)	(3.1)
EBITDA	6.3	8.9	EBITDA	7.1	6.0
Depreciations	(8.4)	(8.0)	Depreciations	(4.8)	(4.6)
EBIT	(2.1)	1.0	EBIT	2.4	1.4
<b>Net result</b>	<b>(2.1)</b>	<b>(2.8)</b>	<b>Net result</b>	<b>0.8</b>	<b>0.8</b>

Changes in Odfjell SE EBITDA and EPS excluding OTR



- Net results from Odfjell Terminals in positive when adjusting for OTR
- Odfjell SE's EBITDA adjusted for OTR in 1H18 would be USD 6.5 mill higher
- Odfjell SE's EPS adjusted for OTR in 1H18 would be USD 0.08 higher
- This gives a benchmark on Odfjell Terminals results after a OTR sale is completed

# Balance sheet 30.06.2018 – Odfjell Group

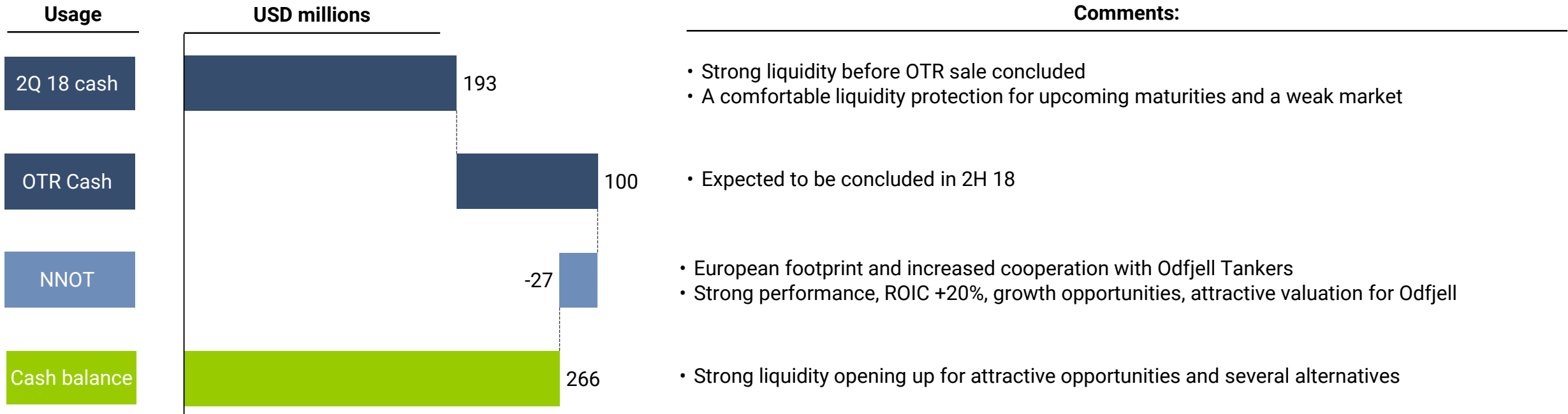
Assets, USD mill	1Q 18	2Q 18	Equity and liabilities, USD mill	1Q 18	2Q 18
Ships and newbuilding contracts	1 354.6	1 379.1	Total equity	815.1	665.2
Investment in associates and JVs	362.0	245.1	Non-current liabilities and derivatives	9.5	8.3
Other non-current assets/receivables	37.2	26.2	Non-current interest bearing debt	905.4	975.1
<b>Total non-current assets</b>	<b>1 753.8</b>	<b>1 650.3</b>	<b>Total non-current liabilities</b>	<b>914.8</b>	<b>983.4</b>
Cash and cash equivalent	181.4	192.9	Current portion of interest bearing debt	242.4	210.6
Other current assets	117.5	118.2	Other current liabilities and derivatives	80.9	102.2
<b>Total current assets</b>	<b>299.4</b>	<b>311.1</b>	<b>Total current liabilities</b>	<b>323.3</b>	<b>312.8</b>
<b>Total assets</b>	<b>2 053.2</b>	<b>1 961.4</b>	<b>Total equity and liabilities</b>	<b>2 053.2</b>	<b>1 961.4</b>

- Book value of ships and newbuilding contracts increased due to one newbuilding delivered and newbuilding instalments
- Cash and cash equivalent increased due to sale & lease-back of two vessels during the quarter
- Total equity reduced due to impairment related to OTR sale and the asset reclassified as assets held for sale
- Balance sheet effect on Rotterdam transaction is expected to increase cash & cash equivalents by around USD 100 mill and Investments in associates and JVs to be reduced by the equivalent amount

1. Equity method

\* New leasing standard (IFRS 16) to be implemented from January 2019. We have done a simulation on how this will effect figures of Odfjell SE in note 1 of our quarterly report

# The sale of OTR adds another USD 100 mill of liquidity for Odfjell SE – USD 27 mill allocated to NNOT purchase and focus will turn to deleveraging



**Following the acquisition of stake in the Antwerp terminal, remaining capital allocation alternatives are:**

Bonds	<ul style="list-style-type: none"> <li>• 2018 maturity: USD 84 mill &amp; 2019 maturity: USD62 mill</li> </ul>	<ul style="list-style-type: none"> <li>• We intend to refinance, but we can redeem bonds if price is not attractive for Odfjell</li> </ul>
Secured debt	<ul style="list-style-type: none"> <li>• Lower debt ratios on our fleet</li> <li>• Decided on a case by case basis</li> <li>• To be decided at GM</li> <li>• Not in investment mode</li> </ul>	<ul style="list-style-type: none"> <li>• Pay down amortizing debt and reduce our daily cash break-even</li> <li>• Several attractive opportunities available for tank terminal investments</li> <li>• Focus and capital allocation naturally turning to other terminals in our portfolio</li> <li>• Strategy of paying attractive and sustainable dividends remains</li> <li>• Our target fleet has been reached and new investments is not on the agenda at this stage</li> </ul>
Terminals		
Dividends		
Tankers		

USD 73 mill



# Cash flow – 30.06.2018 – Odfjell Group<sup>1</sup>

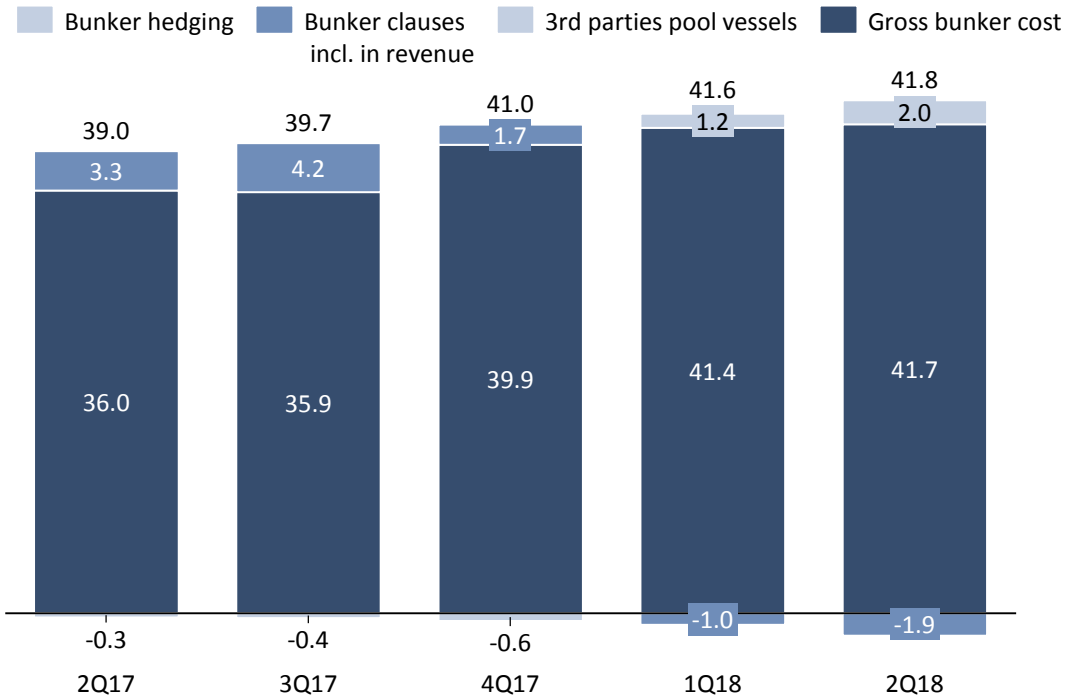
Cash flow, USD mill	1Q 18	2Q 18	FY 17
Net profit	(12.5)	(119.9)	83.8
Adjustments	22.2	23.7	100.2
Changes in working capital	2.8	(2.4)	5.7
Other	(2.0)	118.4	(135.7)
<b>Cash flow from operating activities</b>	<b>10.5</b>	<b>19.8</b>	<b>54.0</b>
Sale of non-current assets	-	-	4.0
Investments in non-current assets	(83.4)	(48.5)	(173.2)
Dividend/other from investments in Associates and JV's	-	-	117.1
Other	(0.9)	4.8	26.5
<b>Cash flow from investing activities</b>	<b>(84.2)</b>	<b>(43.8)</b>	<b>(25.6)</b>
New interest bearing debt	78.0	119.8	343.1
Repayment of interest bearing debt	(28.8)	(69.8)	(310.4)
Dividends	-	(14.6)	(13.9)
Other	(1.4)	(0.1)	(5.7)
<b>Cash flow from financing activities</b>	<b>47.8</b>	<b>35.4</b>	<b>13.1</b>
Net cash flow*	(25.2)	11.5	41.2

- Cash flow from operating activities of USD 19.8 mill during the quarter when adjusting for non cash flow items
- Investments relates to delivery of last newbuilding from CTG and equity instalments on Hudong newbuildings
- New interest bearing debt relates to sale & lease-back for two vessels, debt on one newbuilding and refinancing of one vessel
- Dividend pay-out for FY 2017 recorded in May

1. Equity method  
2. \* After FX effects

# Bunker adjustment clauses with a positive effect on the rise in bunker fuel prices the last year – Our bunker costs have been flat since 2Q17 and is reduced compared to 1Q18

**Quarterly net bunker cost**  
USD mill 2Q 2017 - 2Q 2018



**Platts 3.5% FOB Rotterdam**  
January 2014 - June 2018

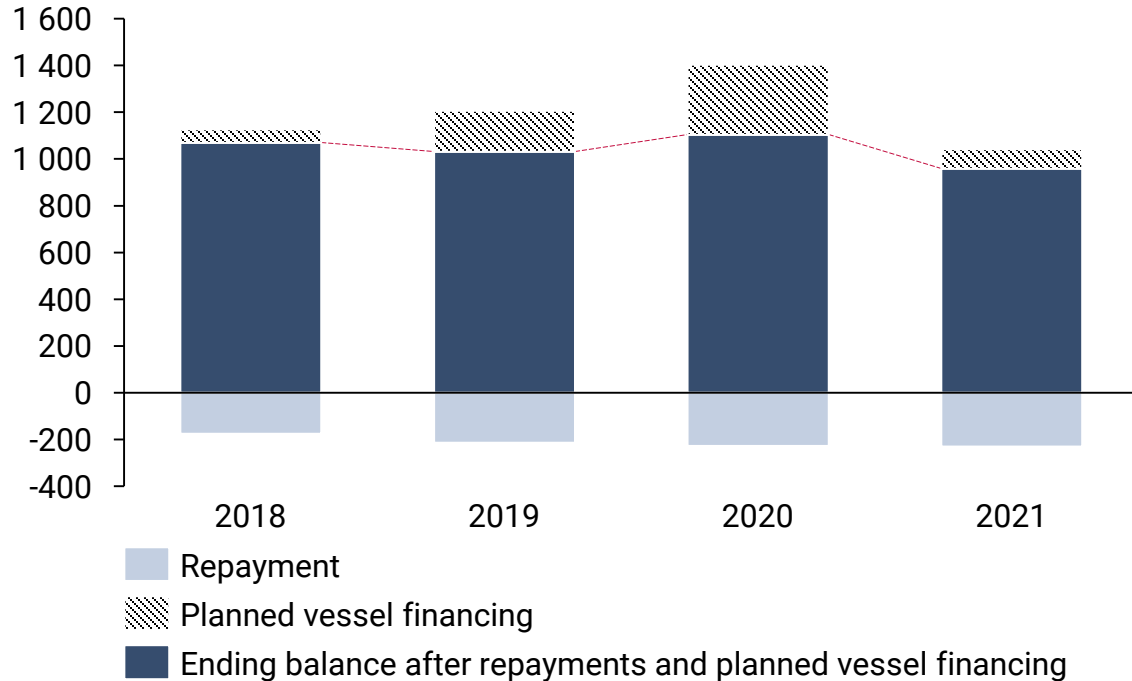


- Odfjell Tankers net bunker cost declined by USD 0.6 mill during the quarter due to netbacks on our Bunker adjustment clauses and adjusted for 3<sup>rd</sup> parties vessels being booked in our balance sheet
- Net bunker cost in 2Q18 USD 410 per tonne before hedging vs. USD 406 in 1Q18.

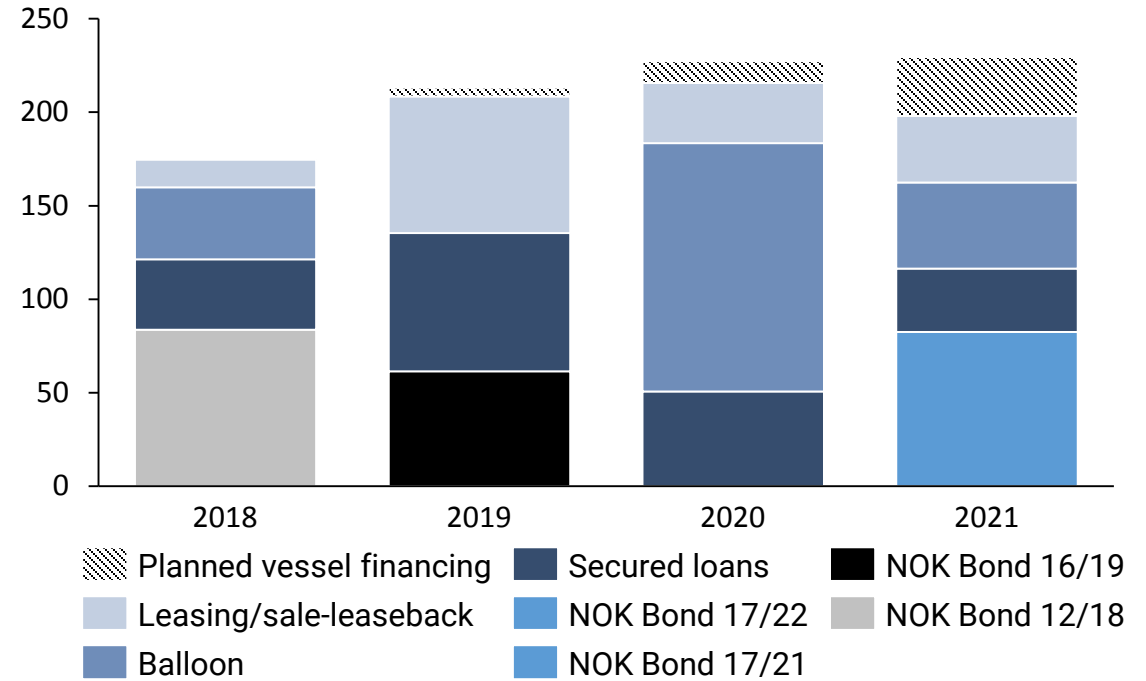
\* 2017 adjusted, now including regional South-America and reflects actual consumption

# Debt development– Corporate and chemical tankers

Debt portfolio, USD mill



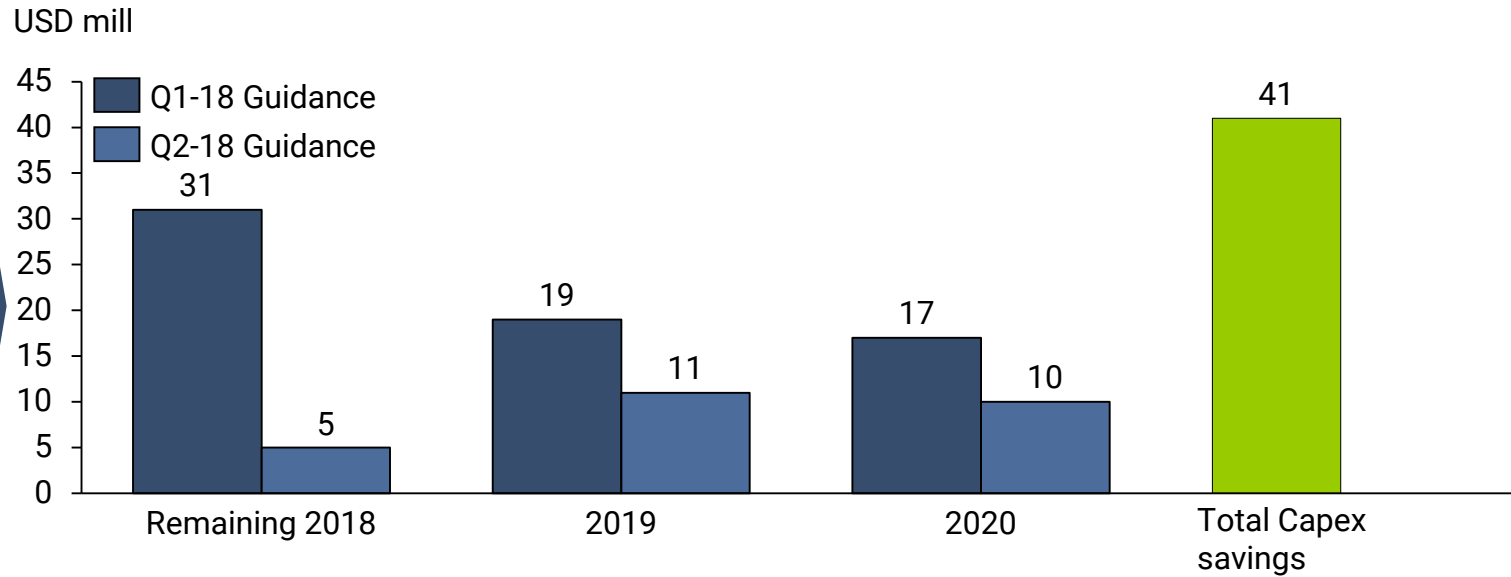
Debt Repayments, USD mill



- Concluded sale & lease-back during the quarter for two vessels adding USD 30 mill of liquidity
- USD 84 mill bond maturing in December 2018. We consider refinancing but could also repay in full to reduce leverage
- Bank and leasing market remains attractive for Odfjell with strong support from our relationship banks

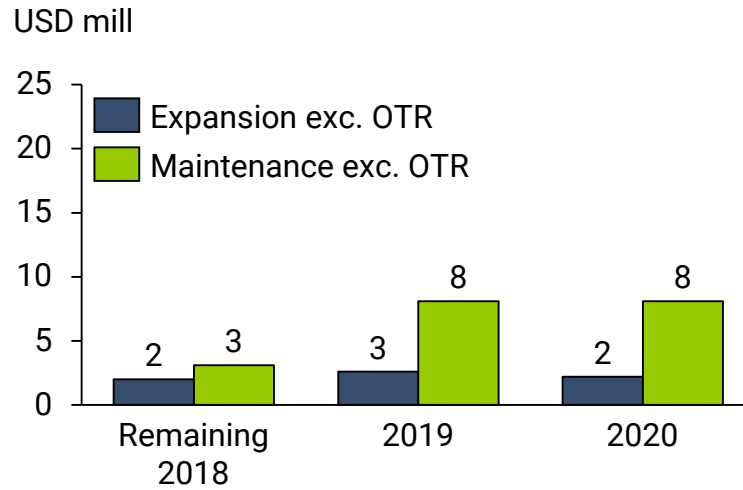
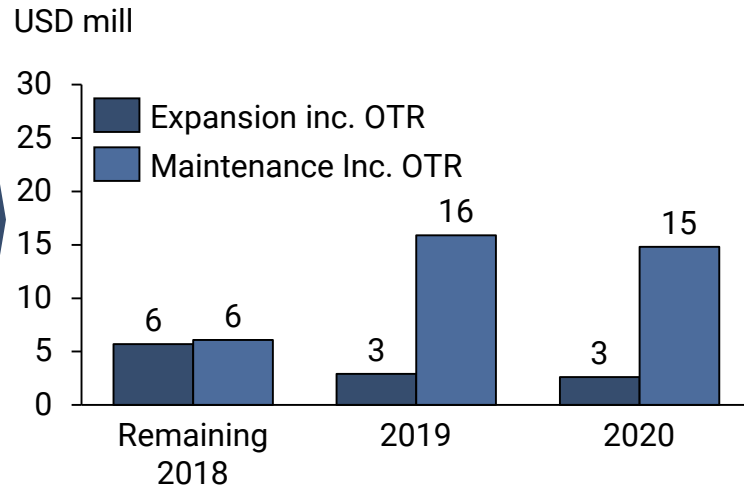
# The sale of OTR reduces accumulated CAPEX commitments in Odfjell Terminals with USD 41 mill by 2020 compared to last quarters guidance

Majority of guided capital expenditure was allocated to OTR...



Total capex in Odfjell Terminals reduced by USD 41 mill after OTR sale compared to 1Q18 guidance

...Of which majority was maintenance capex



This leads to increased financial flexibility and stronger free cash flow in Odfjell Terminals

\* Remaining 2018 deviation also involves paid capex in 2Q18

## Capital expenditure programme – 30.06.2018

USD mill	Remaining 2018	2019	2020
<b>Chemical Tanker newbuildings</b>			
Hudong 4 x 49,000 dwt (USD 60 mill)	12	144	42
Hudong 2 x 38,000 dwt (USD 58 mill)	6	12	87
<b>Total</b>	<b>18</b>	<b>156</b>	<b>129</b>
<b>Instalment structure – Newbuildings</b>			
Debt instalment	12	144	129
Equity instalment	6	12	-
<b>Tank Terminals, (Odfjell share)*</b>			
Planned expansion capex	6	3	3
↓	↓	↓	↓
Planned expansion capex excluding OTR	2	3	2

- We have secured financing for all chemical tanker newbuildings and remaining equity instalments are limited to USD 18 mill.
- We have no capital commitments for chemical tankers beyond 2020
- Other chemical tanker investments for the next three years amounts to about USD 16 million, 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 19 million excluding OTR
- Total planned capex in Odfjell Terminals is then reduced by USD 41 mill compared to guidance in 1Q 18

\* Tank Terminals is 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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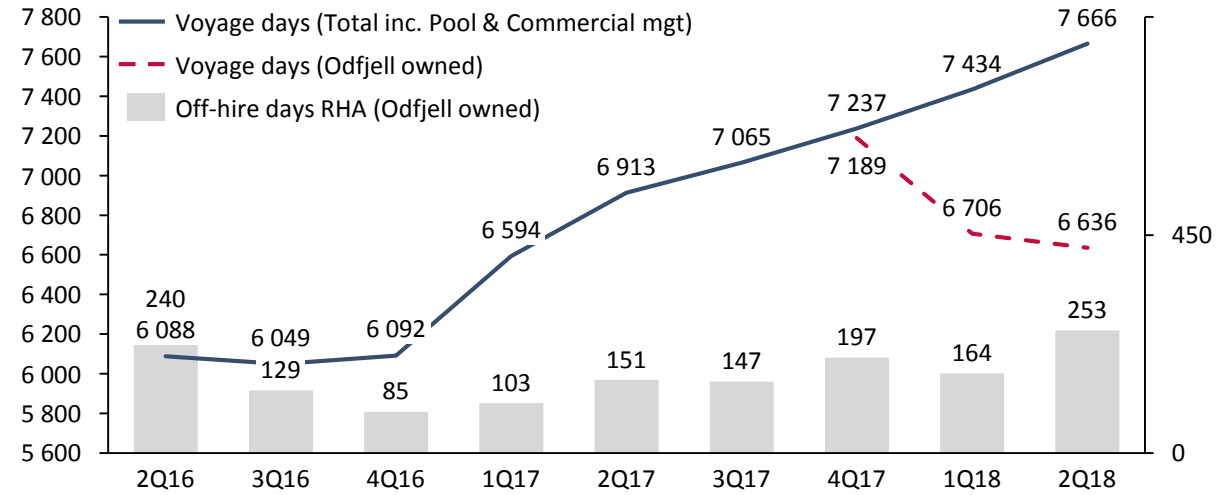
## Tankers: We had two significant incidents during the last months

- On August 8<sup>th</sup>, pumpman William Ambrosio was hit by a falling object on board Bow Sun at sea in the Gulf of Aden. He was evacuated by a nearby naval vessel, and flown to a field hospital in Djibouti. Later, he was transported to a Canadian hospital in Dubai. The accident had a fatal outcome, and our crewmember passed away August 19<sup>th</sup> at the hospital in Dubai. Our heartfelt condolences go out to his family and friends. We are all moved by this, and deeply saddened with the passing of one of our colleagues. The accident is under investigation.
- On June 23<sup>rd</sup>, on the way to the assigned berth for loading, Odfjell's vessel Bow Jubail made contact with the jetty and accidentally ruptured the hull. This caused about 217 tons of heavy fuel oil (HFO) to leak from the adjacent fuel tank. Actions were immediately taken to limit the spill. Odfjell is cooperating closely with local authorities, insurance partner Gard and other partners to mitigate the consequences from this incident, in full compliance with Dutch and international regulations. There were no personnel injuries, and the vessel did not carry any cargo. The incident and clean-up operation will be investigated by the Dutch Safety Board.

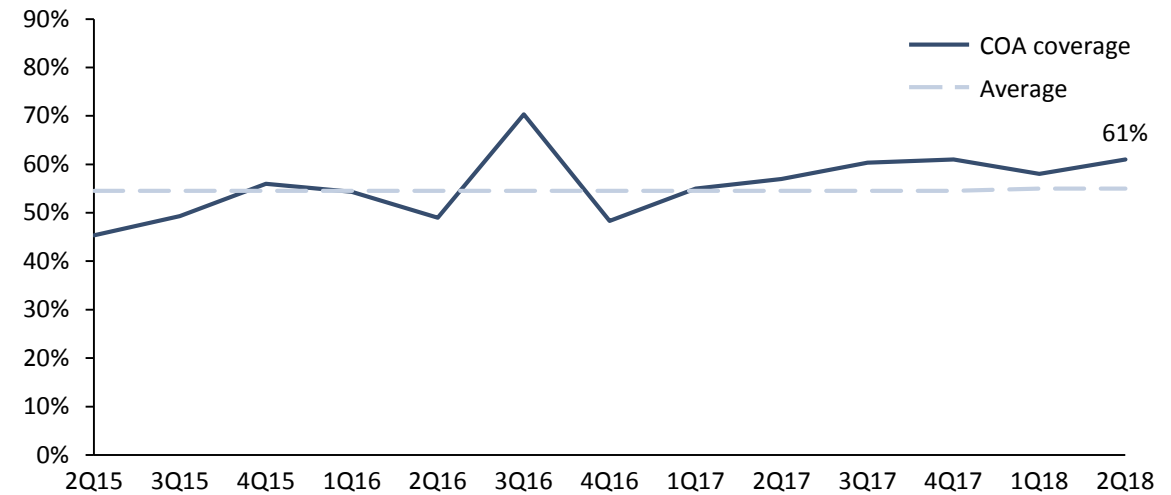
# Tankers: Our COA portfolio keeps mitigating impact from challenging markets

## – High docking activity in 2018 expected to tail off into 2019

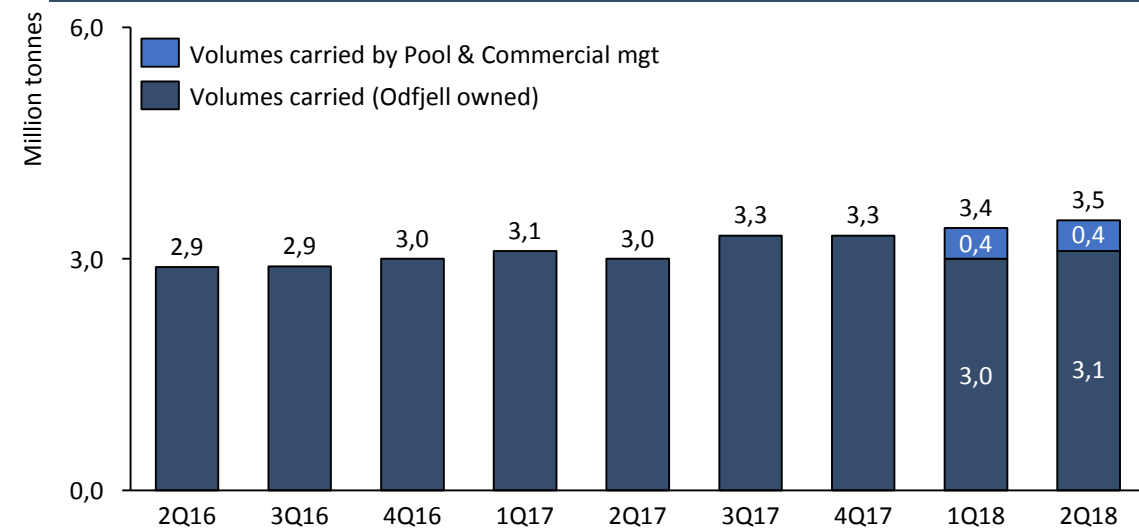
**Odfjell Tankers voyage days development**



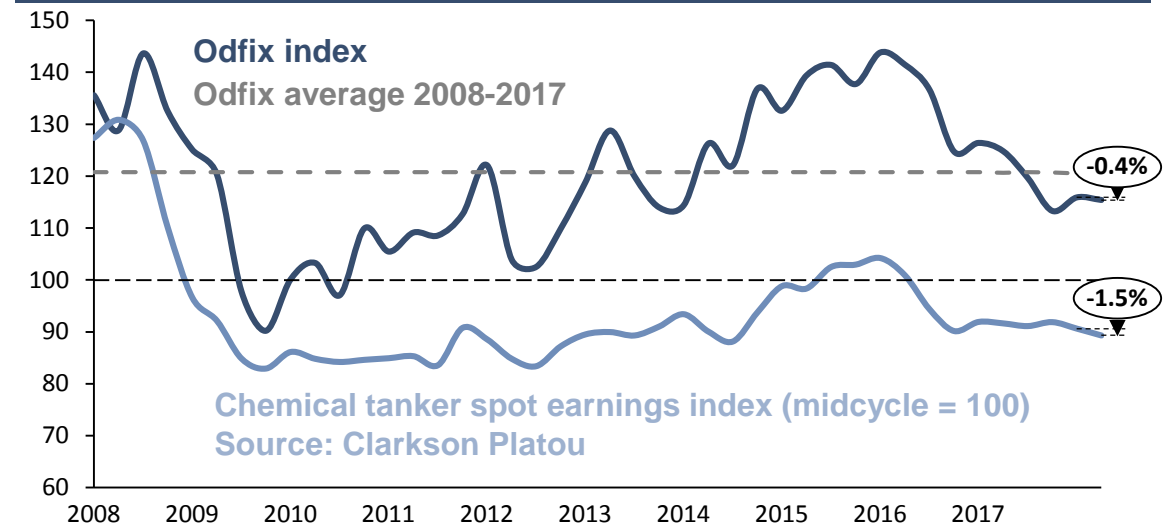
**Odfjell Tankers voyage days development**



**Odfjell Tankers volume development**



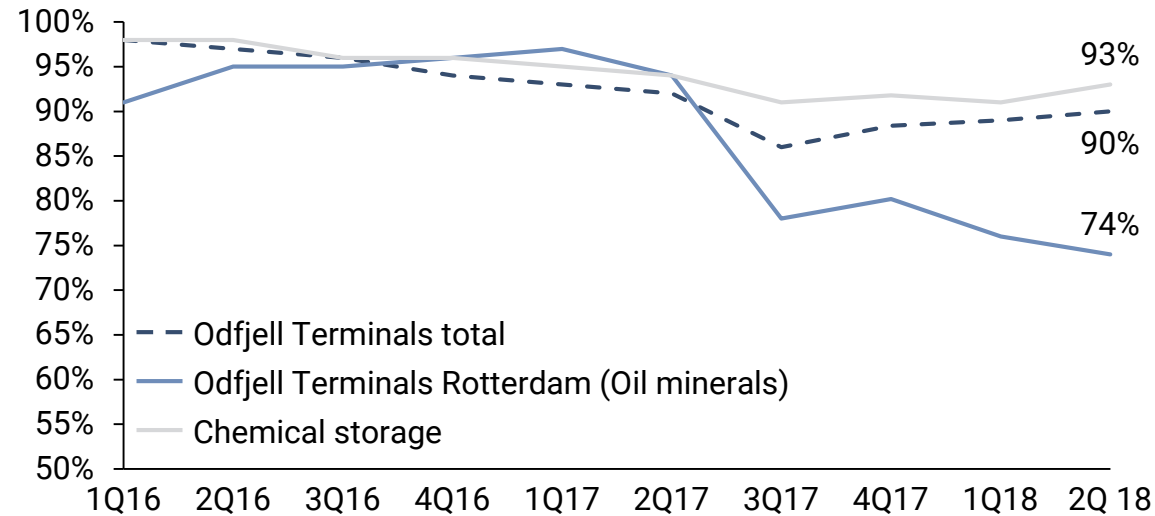
**Odfjell Tankers: ODFIX versus chemical tanker spot rates**



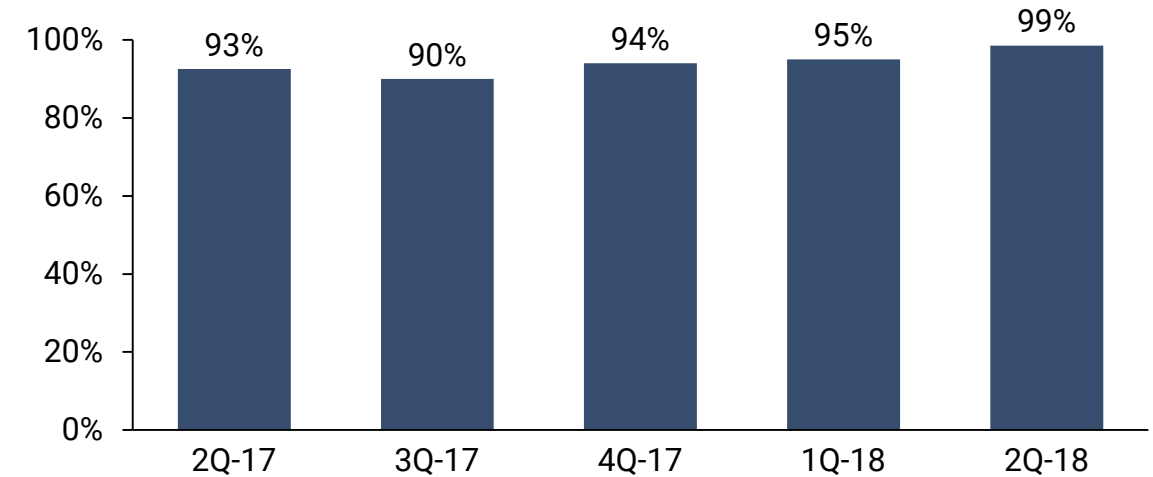


# Terminals: Improved utilisation driven by Houston as utilisation was close to full capacity

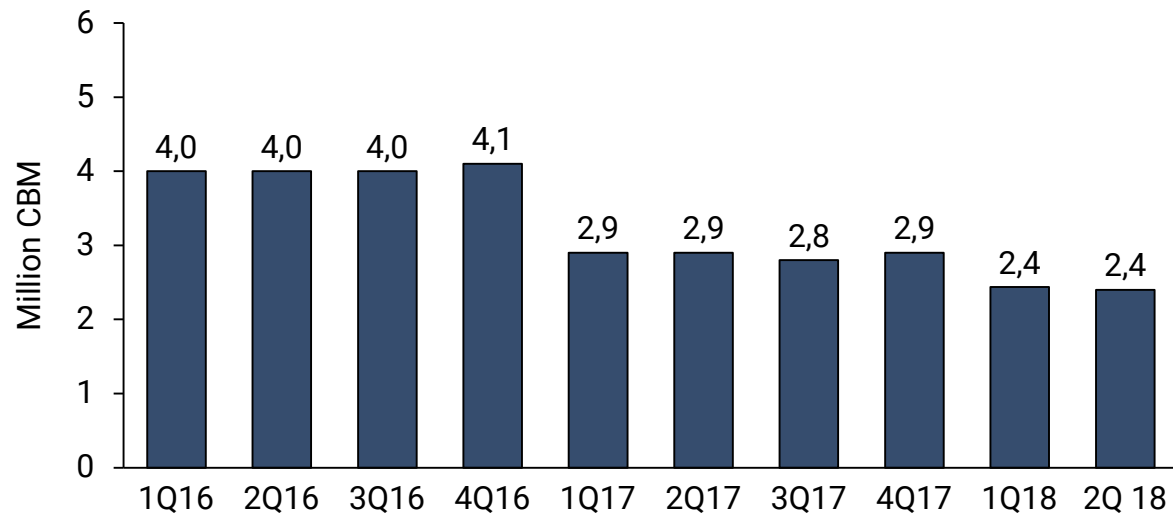
### Odfjell Terminals: Utilisation development



### Odfjell Terminals Houston quarterly utilisation



### Odfjell Terminals: Commercial available capacity



### Comments

- Tank terminal utilisation excluding OTR improved to 93% driven mainly by our Houston terminal
- Total available capacity amounted to 2.517,000 cbm. An increase of 72,000 cbm from previous quarter
- Activity at our Houston terminal remains strong based on the high activity related to new petrochemical facility in the area

# Contingent on finalized sale of OTR, Odfjell SE will acquire LG's shareholding in Noord Natie Terminals (NNOT) and increase our stake to 25%

## Background:

- We have agreed to purchase Lindsay Goldberg's 12.25% indirect shareholding in NNOT
- Final agreement is contingent on completion of OTR sale and certain other conditions
- Purchase price is USD 27 mill and our shareholding increases to 25.00%

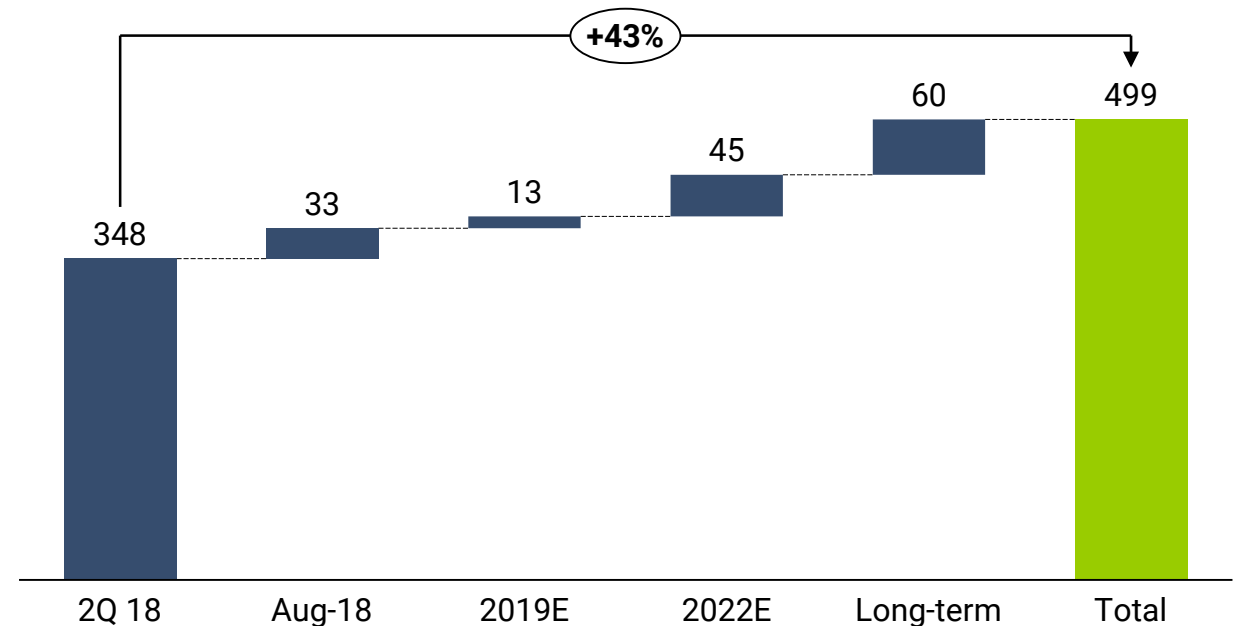
## This is an attractive opportunity for Odfjell:

- Antwerp has become the chemical hub of Europe and throughput is growing
- NNOT is the 2<sup>nd</sup> largest chemical storage terminal in Antwerp
- NNOT has delivered strong and stable performance for many years
- Based on our exit from OTR, Odfjell remains an active owner of terminal assets in the important ARA region
- Purchase price reflects an EV/EBITDA multiple of 11x based on current footprint and before taking expansions into account
- NNOT EBITDA contribution will be at similar levels as the Rotterdam terminal based on the acquisition of LG's share

## NNOT performance parameters:

- Consistent utilisation levels above 95%
- Historical EBITDA margin around 50%
- 2017 ROIC of 23%
- Expansions include 33,000 cbm concluded in August 2018 with further capacity expansion planned. Majority of the contracts on expansions are secured

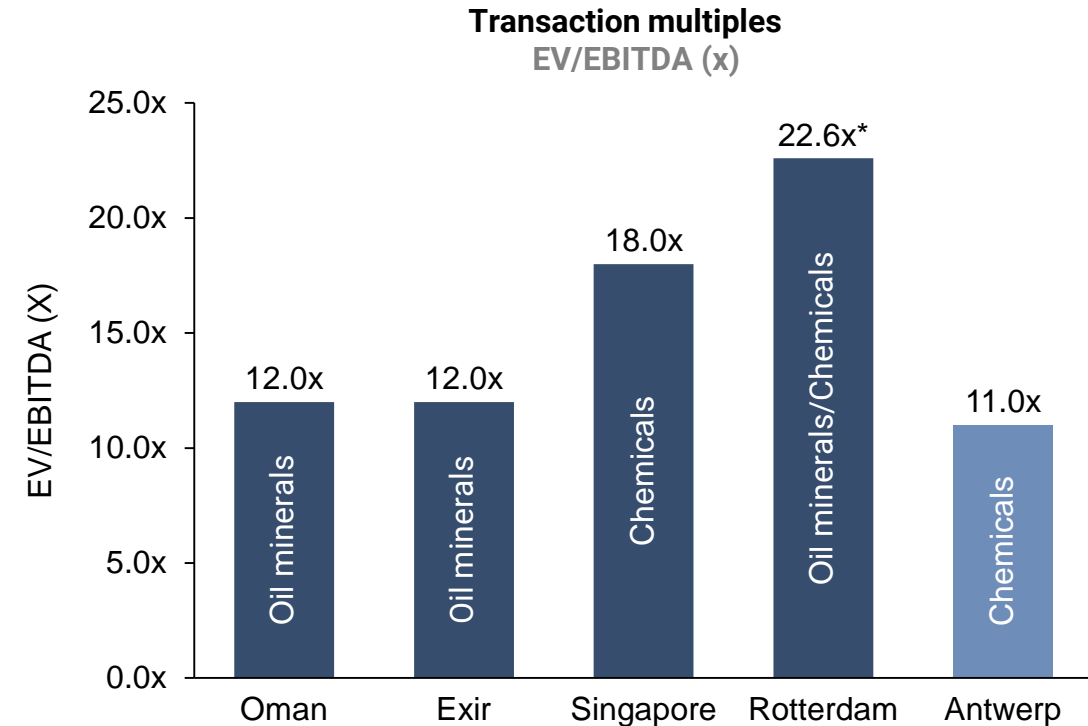
## Current capacity and future expansion opportunities at NNOT



- NNOT's EBITDA is dividend generating and can fund its future expansions from its existing cash earnings and additional debt in view of its low leverage
- Expansions at NNOT includes tanks that are targeted to specialty chemicals – Odfjell's core business

# The strategic changes in our terminal portfolio was initiated in 2016. USD 344 mill of cash proceeds and USD 80 mill of book value gains recorded

	Cash proceeds USD mill	Book value effect USD mill
<b>Oman</b> (2016)	85	44
<b>Exir</b> (2016)	6	1
<b>Singapore</b> (2017)	153	135
<b>Rotterdam</b> (2018)	100	-100
<b>Antwerp</b> (2018)	-27	0
<b>Total</b> (2016->2018)	317	80



- Odfjell Terminals initiated the strategic changes of our tank terminal portfolio in 2016. This has resulted in cash proceeds of USD 317 mill and USD 80 mill of book value gains
- The changes has helped us establish a strong balance sheet, renew and grow our chemical tanker fleet at the bottom of the cycle and we now have a strong portfolio of tank terminals offering attractive returns and growth potential
- We are fully committed to our tank terminal business and focus is now on developing and invest in our tank terminal division

## Following a sale of OTR - We will have a network of 7 terminals across the globe and do not plan further changes in our portfolio

	Europe	US		Asia			Global	
	Antwerp (NNOT)	Houston (OTH)	Charleston (OTC)	Ulsan (OTK)	Dalian (OTD)	Jianyin (OTJ)	Tianjin (ONTT)	
<b>Storage capacity</b> In k CBM	348	380	79	314	120	100	138	1,479
<b>Start-up</b> Year	Non-operated	1983	2013	2002	1998	2007	2016	
<b>Revenues<sup>1</sup></b> USD mill	10	38	5	5	4	1	1	64
<b>EBITDA<sup>1</sup></b> USD mill	5	18	2	2	3	1	0	30*
<b>ROIC<sup>1</sup></b> (%)	22.6%	18.0%	-0.7%	4.3%	16.0%	1.9%	-2.3%	8.8%

We now have a strong portfolio of tank terminals with with a mix of mature and growth terminals

<sup>1</sup>All USD figures represents Odfjell SE's ownership share and is based on FY 2017, 25% ownership share at NNOT included

<sup>\*\*</sup> Total EBITDA excludes global management fee allocation being booked at Odfjell Terminals B.V. (Holding company)



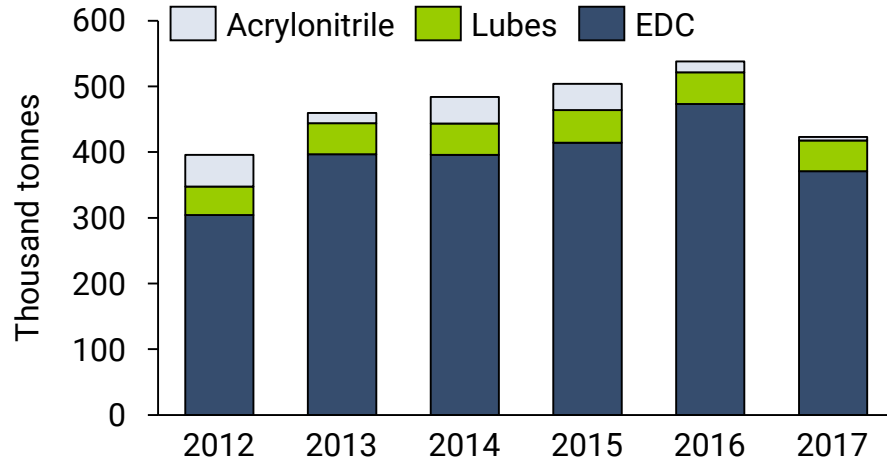
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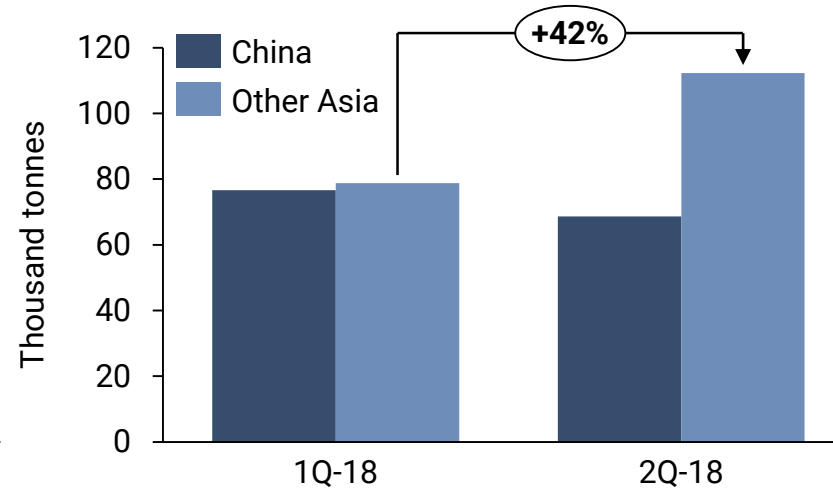
# We currently do not expect a trade-war to impact seaborne trade of chemicals significantly

Initial signals of impact from 1<sup>st</sup> round of tariffs

Products affected by first round of tariffs



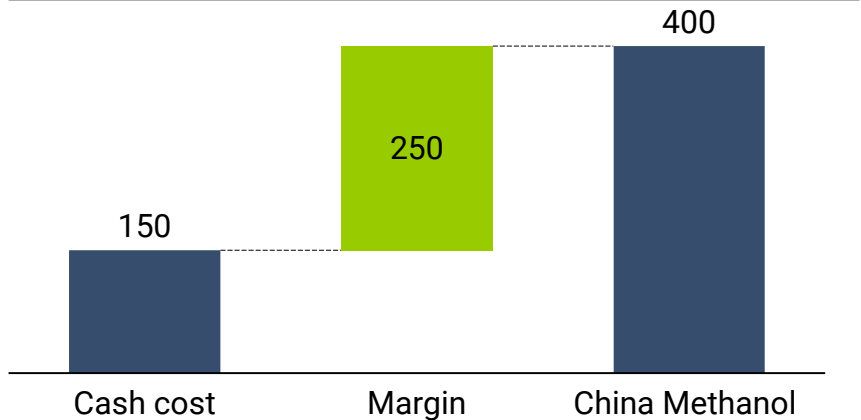
US EDC exports by destination q/q



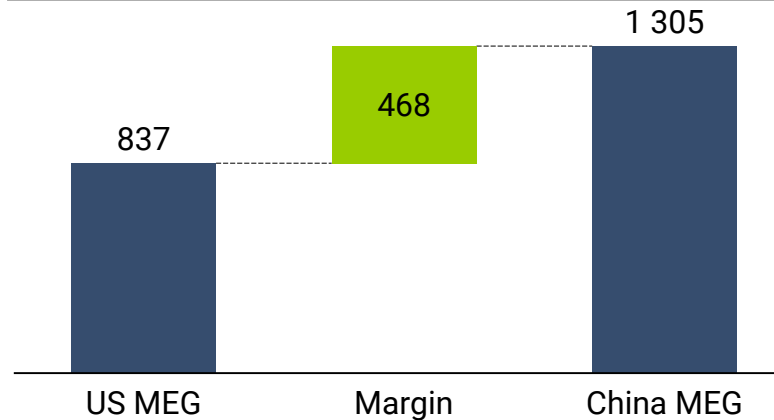
- Affected products have seen a positive effect on tonne-miles thus far
- US exports of EDC to Asia has increased, but to other countries partly for redistribution

Larger products now also being hit by tariffs

US Methanol cash cost & margins (USD/tonne)

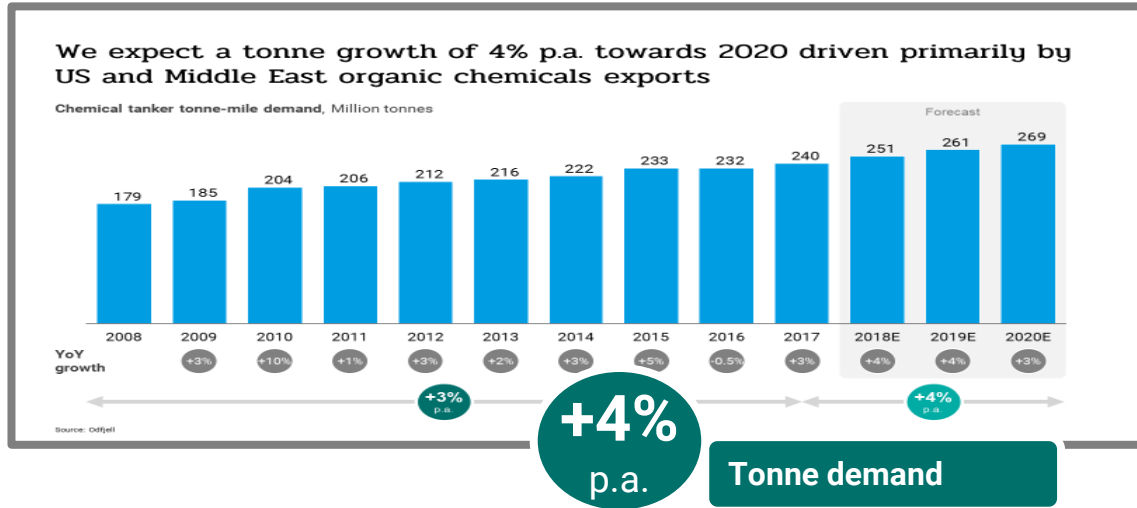


US Ethylene Glycol prices and margins (USD/tonne)

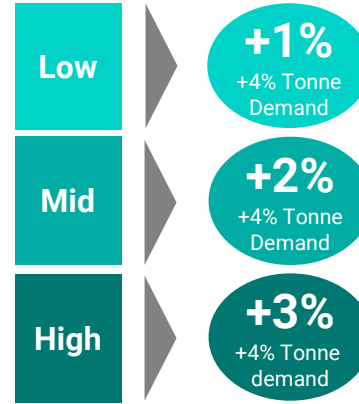


- Next rounds of tariffs on Methanol and MEG, key growth products
- US margins does not imply that tariffs will make US products uncompetitive
- Like seen for Ethanol; Based on US competitiveness, tariffs needs to make US products unprofitable before volumes disappear

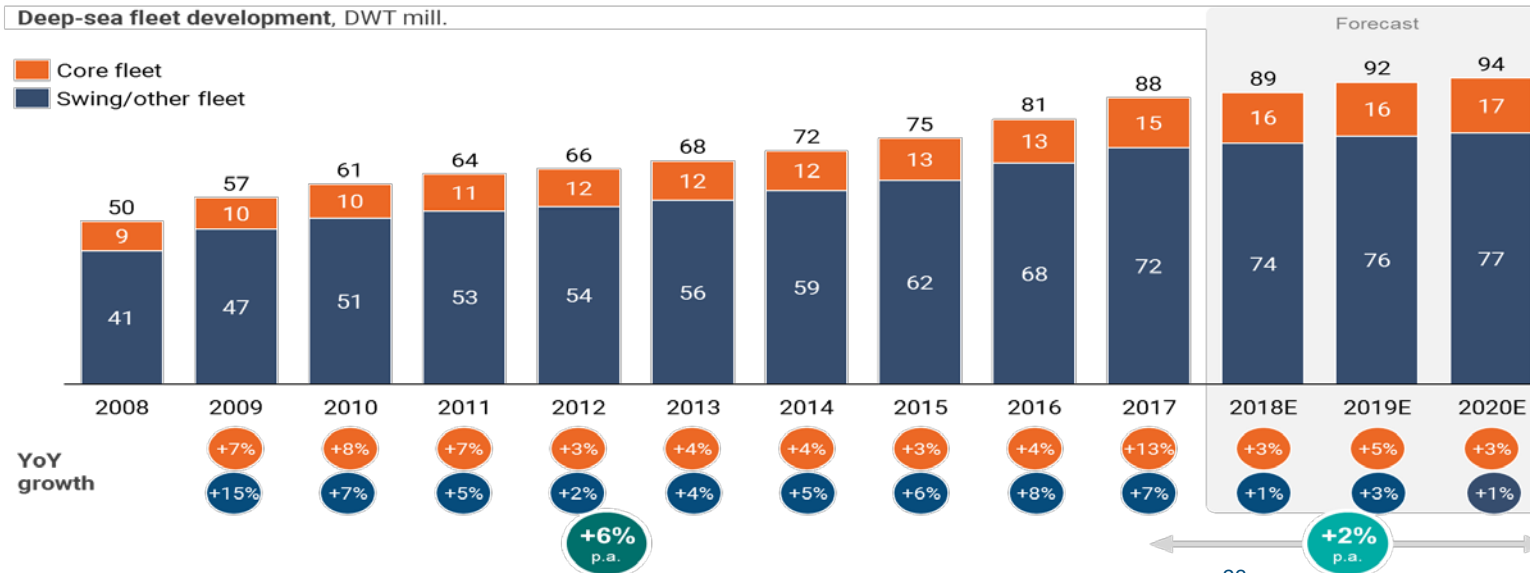
# Market outlook conclusion – Limited direct impact of trade-war on our demand outlook and supply growth outlook is set to slow down



Potential tonne-mile effect:



- We do not expect the current trade-war between the US and China to have a significant impact on our markets, but we continue to monitor developments
- Average volume demand estimated to grow by 4% on average by 2020...
- ...With tonne-miles lifting shipping demand higher in the corresponding period



- 1Q 18 was the peak quarter of newbuilding deliveries
- No core chemical tankers has been ordered the last six months
- Orderbook as percentage of fleet at 8%
- Focus remains on consolidation within our segment
- Relative to recent years expansion, we therefore expect supply growth to slow down the next three years

## Summary and Prospects

- The sale of Rotterdam will further strengthen Odfjell as a company
- The acquisition of the stake in Antwerp is attractive and the terminal EBITDA contribution is at similar levels as Rotterdam
- The chemical tanker market continues to be challenging, but we continue to expect the market to improve towards the end of 2018
- The weak market continues to affect our results, but we expect 3Q18 timecharter results to be largely in line with 2Q18
- We expect Odfjell Terminals results to be stable throughout 2018
- We expect the Rotterdam transaction to be completed during 2H18





# Contact

Investor Relations & Research: Bjørn Kristian Røed | Tel: +47 55 27 47 33 | Email: [bkr@odfjell.com](mailto:bkr@odfjell.com)

Media: Anngun Dybsland | Tel: + 41 54 88 54 | Email: [anngun.dybsland@odfjell.com](mailto:anngun.dybsland@odfjell.com)



**ODFJELL**

ODFJELL SE | Conrad Mohrs veg 29 | P.O. Box 6101 Postterminalen | 5892 Bergen, Norway

Tel: +47 55 27 00 00 | Email: [ir@odfjell.com](mailto:ir@odfjell.com) | Org. no: 930 192 503

[Odfjell.com](http://Odfjell.com)