



ODFJELL



# Townhall meeting | Third quarter 2023

Presentation by CEO Harald Fotland | November 6, 2023

# Townhall | 3Q23

- 01 Quarterly results and market outlook
- 02 Update from the process improvement project
- 03 Update from IT
- 04 Update from HR
- 05 Q&A session

# Highlights 3Q23

## 3Q23 was another strong quarter

- The time charter earnings in Odfjell Tankers ended at USD 184 mill, compared to USD 185 mill in 2Q23.
- Solid net result of USD 52 mill. Net result adjusted for one-off items was USD 49.4 mill compared to USD 53 mill in 2Q23.
- Rates on renewed COAs during the quarter were up 18% on average, covering 7% of estimated annual contract volume.
- Net result contribution from Odfjell Terminals stable at USD 2.1 mill compared to USD 2.3 mill in 2Q23.
- Our carbon intensity (AER) for 3Q23 came in at 7.2. Seasonal changes due to weather and trading patterns will affect our emissions, and 3Q23 was as expected slightly higher than the record low 7.0 recorded in 2Q23.
- On September 19th, we fully redeemed a USD 113 million bond.

## KEY FIGURES, USD MILLION

USD million, unaudited	4Q22	1Q23	2Q23	3Q23	3Q22	YTD23
Timecharter earnings	186.5	180.5	185.1	183.9	171.3	549.5
Total opex, TC, G&A	(73.8)	(72.4)	(69.6)	(71.8)	(67.2)	(213.8)
Net result from JV's	0.2	2.0	2.3	2.1	7.6	6.4
EBITDA	112.8	110.1	117.9	114.2	111.6	342.2
EBIT	73.4	68.3	78.5	76.1	71.1	222.9
Net financial items	(22.0)	(20.4)	(22.8)	(23.3)	(20.4)	(66.5)
Net result	50.4	46.7	52.6	51.9	50.2	151.2
EPS*	0.64	0.59	0.67	0.66	0.64	1.91
ROE**	30.2%	26.6%	29.3%	27.0%	33.5%	27.8%
ROCE**	16.4%	15.1%	17.3%	16.8%	14.7%	16.7%

\* Based on 79.0 million outstanding shares

\*\* Ratios are annualized

*“Odfjell delivered yet another strong quarter in line with what we achieved in 2Q23. This came at the back of the traditionally slower summer months.*

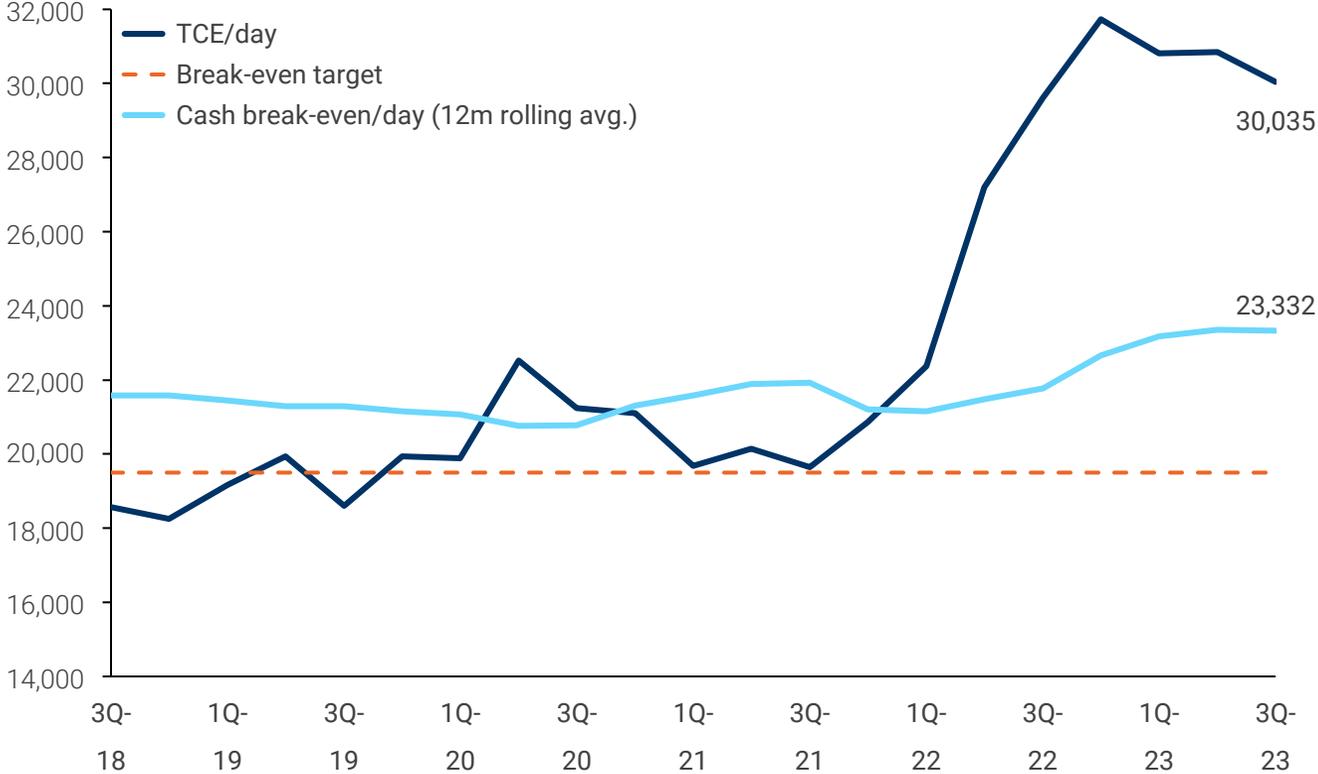
*Fourth quarter is historically a seasonally strong quarter, and we expect activity levels and freight rates to remain at healthy levels for the rest of the year. As we have more vessels than usual planned for dry docking in 4Q23, we will have slightly fewer commercial days. In sum, we expect our earnings to remain stable in 4Q23.”*

**Harald Fotland, CEO Odfjell SE**

# TCE per day declined slightly, while cash break-even improved during the quarter



ODFJELL TANKERS BREAK-EVEN PER DAY VS TCE PER DAY (USD)

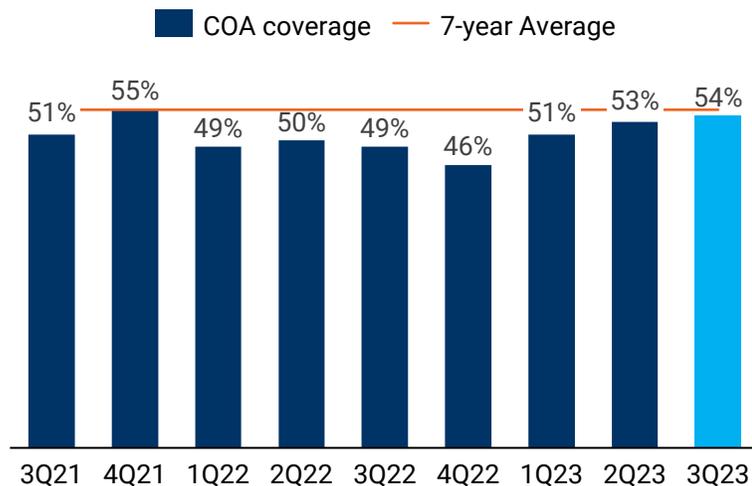


- Our TCE/day was slightly down at USD 30,035 in 3Q23 compared to USD 30,842 in 2Q23
- This was well above cash break-even in 3Q23 at USD 22,807 per day, which was lower than 2Q23, bringing the 12-month rolling average to USD 23,332
- We expect cash break-even to remain around current level for the remainder of 2023

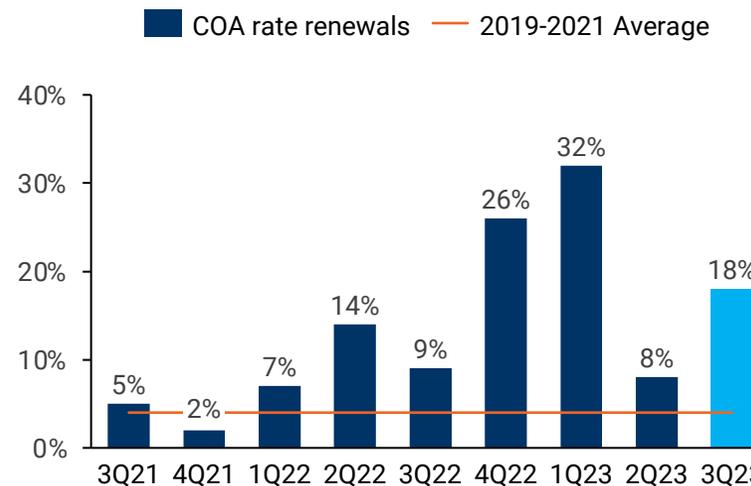
# Increased COA volumes and COA rate renewals up 18% during the quarter

- Our COA coverage climbed further in 2Q23, reaching 54% measured against total volumes (63% when excluding external relets)
- During the quarter, a selection of existing contracts were renewed at an average rate increase of 18%, covering 7% of estimated annual contract volumes
- We are entering the peak season for contract renewals. As we are now around 18 months into a strong market, we will see more renewals of contracts that have already been reset to current market levels

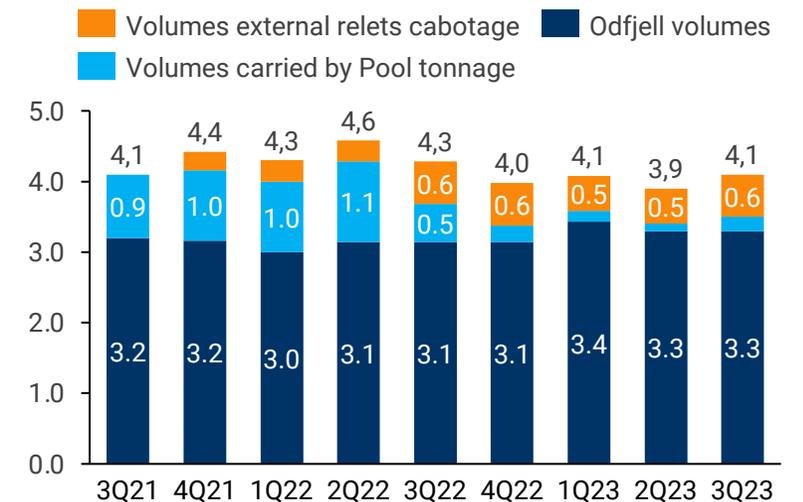
### ODFJELL COA COVERAGE (%)



### COA RATE RENEWALS (%)



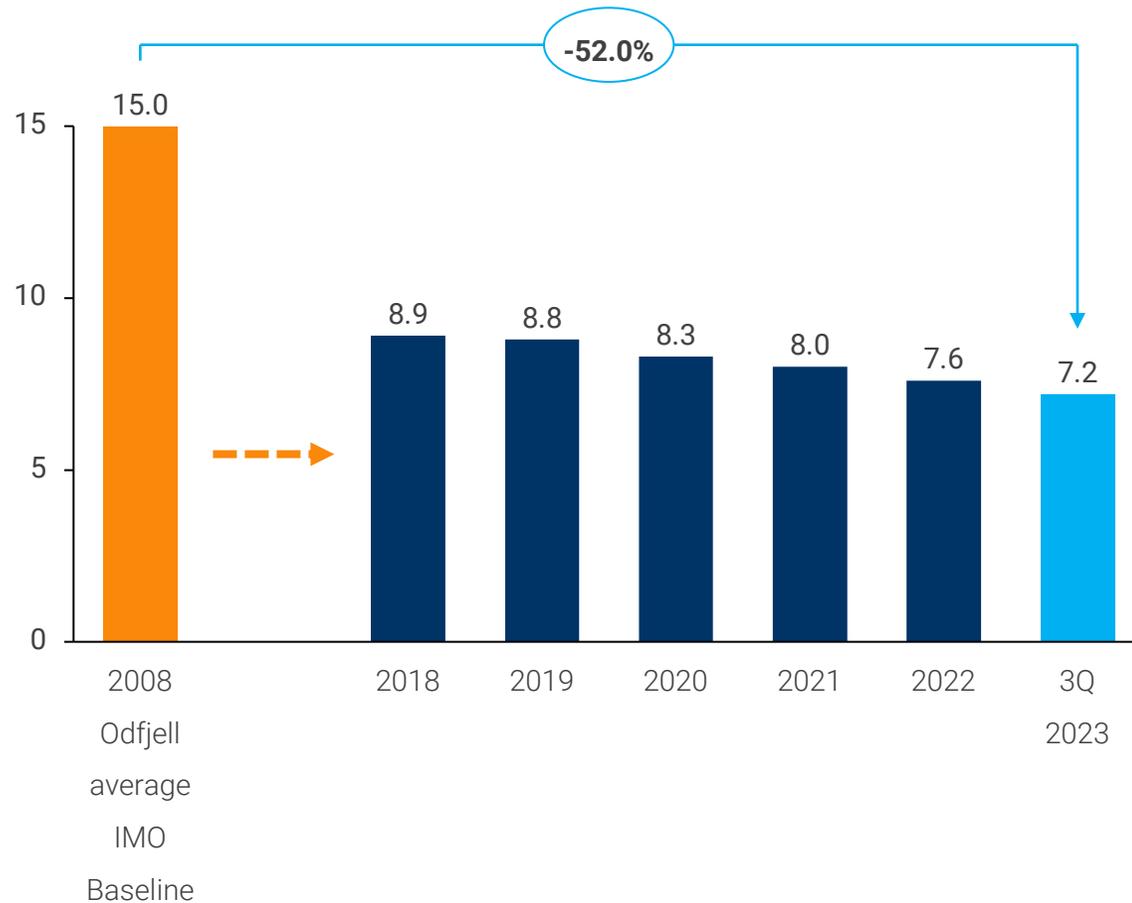
### VOLUME DEVELOPMENT (MILL TONNES)



If external relets/cabotage are excluded, COA coverage 3Q23 was 63%, compared to 62% in 2Q23.

# Odfjell maintained carbon intensity within our targets

ODFJELL CARBON INTENSITY (AER)



- With an AER of 7.2 in 3Q23, Odfjell maintained a carbon intensity more than 50 percent below IMO's 2008 baseline.
- Due to weather-related seasonal variances, AER was slightly higher than in the previous quarter
- Odfjell is committed to retain our market leadership within energy efficiency. We have several ongoing novel technology initiatives, these will deliver further efficiency gains without mandating extensive dry dockings or substantial capex.
- The first, air lubrication, has been successfully installed on board Bow Summer and testing of the system has commenced.

# Odfjell is well prepared for the inclusion of shipping in EU ETS, and will pass through the ETS cost to the charterers

## ODFJELL IS WELL PREPARED FOR THE IMPLEMENTATION OF EU ETS

- We have measured emissions on a detailed level since 2008
- Since early 2022, we have routinely distributed data on the charterers' share of total voyage emissions

## CHARTERERS BECOME INCREASINGLY AWARE OF WHAT IS COMING

- ETS is now a topic in every customer meeting and every contract negotiation
- Pass-through of ETS cost encourages charterers to prioritize energy and emission efficient alternatives

- Emissions are allocated based on the Sea Cargo Charter principles – ETS costs only incur on the sea legs to, from, or within Europe.
- The total cost of our EU ETS allowances in 2024 is estimated to USD 7 mill.
- Transporting with Odfjell minimizes ETS costs, because we have the most energy efficient chemical tanker fleet in the market.

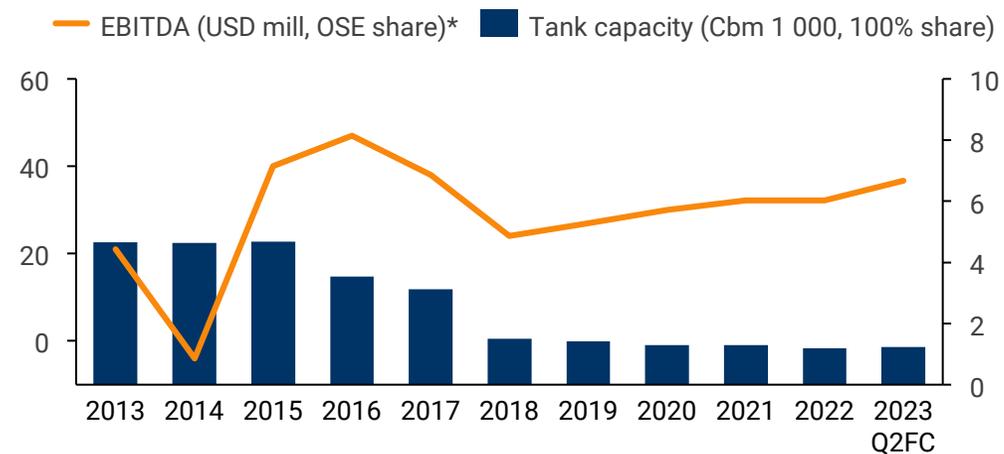
# Tank Terminals



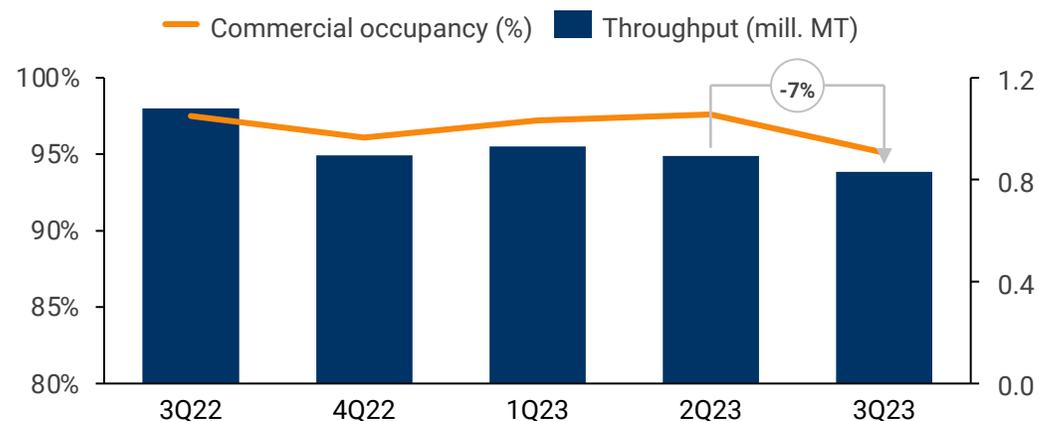
## 3Q23 PERFORMANCE AND DEVELOPMENT

- 3Q23 EBITDA was USD 9.4 mill, in line with the previous quarter.
- Our terminals in Antwerp, Houston and Charleston continued to operate at high to full capacity in 3Q23.
- The Ulsan terminal experienced a quarter-on-quarter decline due to recent completion of several ten-year tank inspections.
- The average commercial occupancy rate for the portfolio ended at 95.1% in 3Q23 vs 97.6% in previous quarter.
- 3Q23 saw reduced throughput, with leading chemical producers reporting somewhat lower activity.

## DEVELOPMENT OF EBITDA AND TANK CAPACITY



## COMMERCIAL OCCUPANCY AND THROUGHPUT



\*Insurance proceeds related to the fire and freeze event at OTH have been excluded from 2021 and 2022 figures

# Current market conditions are expected to continue, despite uncertain times ahead

## EXTERNAL FACTORS' IMPACT GOING FORWARD

### MACROECONOMIC

- Interest rates at or close to top in most countries, yet persistent inflation will likely lead them to remain "higher for longer"
- Geopolitical tension increases further
- Chinese economy remains sluggish and uncertain, but with some signs of improving
- Production levels in Europe remain low

### DEMAND OUTLOOK

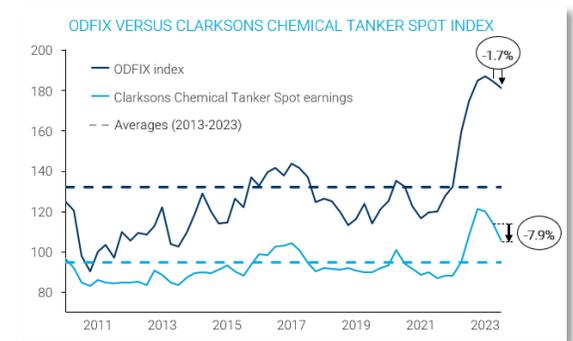
3Q | 4Q

- Chemical production (tonnes) → →
- Distance producer to market (n.miles) → →

### SUPPLY OUTLOOK

3Q | 4Q

- Chemical tanker fleet growth → →
- Swing tonnage impact on chem trade → →
- Older chem tonnage leaving core trades → →
- Average fleet speed → →



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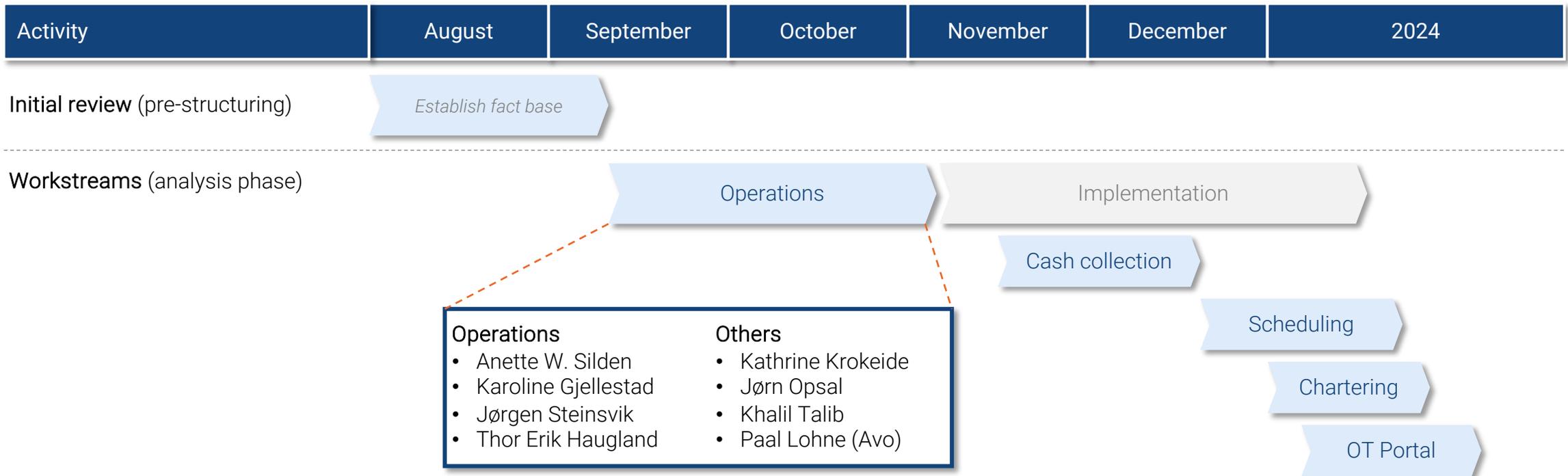
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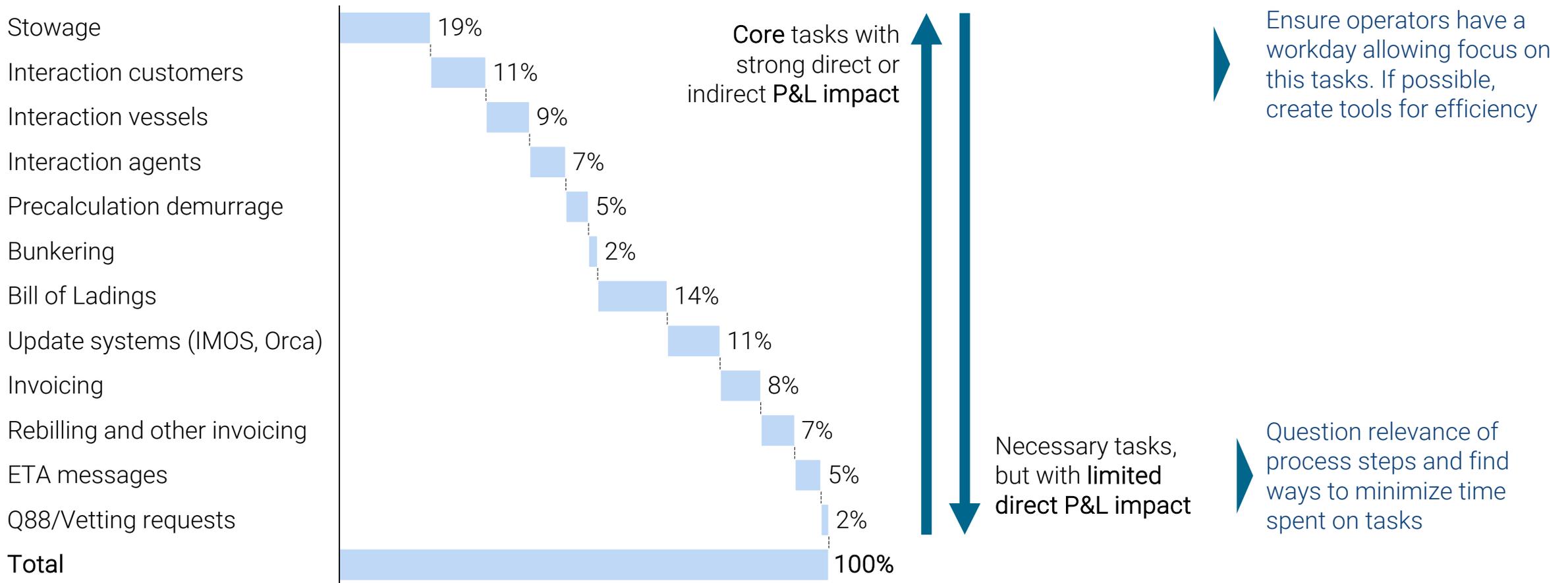
# The Process Improvement project was launched in August. Work stream Operation concluded, heading to implementation

The purpose of the project is to identify relevant areas of improvement across processes within Odfjell Tankers, and to bring selected initiatives to successful implementation



# Focus for the Operations work stream has been to find ways to enable focus on core operational tasks

Operator's work week: Time spent per type of task  
% of time in work week



# Two projects launched: Demurrage Estimator and BL Document Verification

## Project

## Description

## Timeline

### Demurrage Estimator

Owner:  
Thor Erik  
Haugland

- Quick and easy demurrage calculation with close to zero need for manual input
- Data sources: IMOS and PortLog
- Provides accurate basis for demurrage estimates in IMOS and improved accuracy of TCE estimates throughout voyage

- Pilot version ready by early December
- User testing and review through December and into January
- Implementation January onwards

### BL Document Verification

Owner:  
Arvid  
Moltubakk

- Computerized review, checking and summary of incoming BL documents
- Solution will allow Operator to remain in control through approval
- Reducing manual workload generated by parcels split into multiple BLs

- Pilot version ready by mid February
- User testing and review in February/March
- Implementation from end of March onwards

- The two launched projects are starting up immediately
- User involvement in development process is key to success
- *Anyone who wish to contribute can contact project owners directly (Thor Erik and Arvid), or Robert Nesvold*

- Additional initiatives to be communicated at a later stage

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# IT and digitalization

## Vessel IT

- All vessels in the Bergen and Flumar fleets have already been migrated to the remote management platform
- Starlink trial is ongoing

## Initiatives in the digitalization portfolio

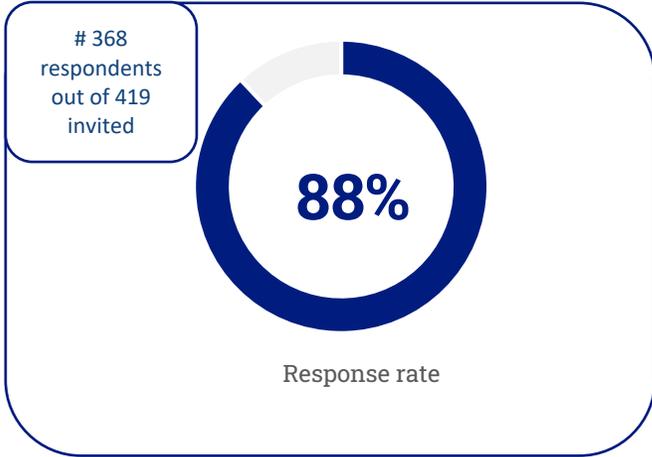
- Orca Stowage to cloud
- Radar to cloud (moving our data warehouse to cloud)
- Artificial intelligence (AI) innovation - Task force for AI strategy is being established

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# People updates –

Strong results on the Global Employee Engagement survey and onboarding of students and trainees



**Achieving Strong Results**

- High response rate, positive results in May (Bergen) and August (other locations).
- We are committed to working on retaining positives and addressing areas for improvement

**We have welcomed more trainees and interns**

- Trainees both In Chartering and Ship Management, and all year internships in several business units
- Opportunities for visits and learning onshore for cadets and junior officers
- Apprentices and student placement



\* 2021 results include Terminals in US



Townhall | 3Q23

Q&A session



Thank you!