ODFJELL

ANNUAL REPORT 2016

CONTENTS

FINANCIAL CALENDAR FOR 2017

1st quarter 2017 report	11 May 2017
2nd quarter 2017 report	24 August 2017
3rd quarter 2017 report	9 November 2017
4th quarter 2017 report	5 February 2018

The Annual General Meeting is planned for 11 May 2017.

Please note that the financial calendar is subject to change. Changes will be reported to the Oslo Stock Exchange and on Odfjell.com.

BUILDING FOR THE FUTURE

Over the past two years, Odfjell has been through a transition phase where our focus has been on building strength and preparing the Company for growth. We are now emerging as a stronger and more competitive company, and our focus is shifting towards the future.

We recently launched our new strategy called the 'Odfjell Compass'. This strategy will be guiding the Company into the future, and our mission is clear: Our core business is handling hazardous liquids, safely and more efficiently than anyone else in the industry.

2016

2016 brought a significant improvement in our financial performance, in spite of a somewhat challenging market environment. Our net result ended up at USD 100 million – compared with a net result of USD negative 36 million in 2015 – and our balance sheet stands stronger with an equity ratio of 38.2% compared to 33.2% in 2015. Our results were helped by the sale of the Oman Terminal.

Our competitiveness has also improved substantially. We continue to see positive effects in our financial performance from all the initiatives launched under 'Project Felix' and 'Project Moneyball', our operational process excellence programme.

The 2016 results showed continuous improvement in our financial performance for Odfjell Tankers. Our markets were challenging, but a strong contract portfolio softened the impact of the weakening spot market, which especially softened in the second half of the year. Our utilisation is also improving as a direct result of our operational process excellence initiatives in Project Moneyball. Our cost base continues to improve as well and, as an example, the average daily operation expenses for our vessels today is 24% lower than the average of the preceding five year period. This is a significant achievement, especially considering that we at the same time have delivered improved QHSE performance.

We believe that we have some of the best crew in the chemical tanker trades, and there is no doubt that our increase in performance is a result of the way our crews are performing every day at sea – around the clock!

Odfjell Terminals delivered improved results in 2016 as well. Most terminals delivered stable, positive net results, and we continue to see improvements at our terminal in Rotterdam (OTR), with high utilisation and increased distillation activity. Getting OTR back to profitability remains our number one priority, as the terminal is currently operating around 1 million cubic meter capacity, out of a name plate capacity of 1.6 million cubic meter.

Our key learnings from Project Felix and Project Moneyball are currently being applied in the 'Value Creation Programme' for Odfjell Terminals. The two main elements in the programme are: 1) Improve and grow the core, and 2) Grow outside the core. When it comes to improving the core, we focus on our key terminals in Rotterdam and Houston, aiming to improve our service level and operational performance. Furthermore, this element includes implementing the OTR specific strategy – the 'OTR Masterplan', aiming to get Rotterdam capacity back on line and developing available land banks. The principle for Odfjell Terminals is that the company needs to be self-funded, which means that the necessary capex most likely will be funded via changes in our portfolio; our focus should be on terminals operated by us.

For our gas vessels on order, we have been facing substantial delays and we are still targeting an exit from this segment. As per end of 2016, four out of eight newbuilding contracts were cancelled, and it is likely that the remaining vessels will be cancelled as soon as we can do this according to the contracts.

THE MARKET

The last two years have been relatively good years in the chemical tanker industry, although the market softened towards the end of 2016.

In our opinion, the market is fundamentally balanced, but the past two-three years have seen a lot of new vessels being delivered, and hence supply has outgrown demand. In addition, the market has witnessed a de-consolidation with new entrants looking to compete in the chemical tanker industry.

Going forward, the supply of new tonnage is limited and demand continues to grow, especially driven by more long haul movements. So even though 2017 may be under pressure as supply and demand rebalances, we believe that the market will be balanced in the coming years.

History has shown that predicting the market is difficult, and there could be other influencing factors – so Odfjell will continue to have a strict focus on our competitiveness to ensure that we can perform well even if the markets should disappoint.

THE ODFJELL COMPASS

I have been CEO of Odfjell for about 18 months, and it is only now that we can meaningfully talk about strategy. The reality is that strategy is about making choices, and the Company was simply not in a shape to make strategic choices until now. We had to start from within, build strength and make sure that our balance sheet, organisation, systems and cost structure could support growth.

It is therefore exciting for me to be able to launch the 'Odfjell Compass', which will guide us into the future. This means that we now know where we are going, we will focus on making good and sound decisions on the journey, and make sure we do not lose our strength in achieving these goals.

The key components of the strategy:
Our updated Mission statement: 'Our core business is handling hazardous liquids – safely and more efficiently than anyone else in the industry'. I want to highlight two specific points from this mission statement which are of paramount importance:

1) **Safely!** Odfjell does not compromise on safety. This is not only a statement we make, it is the starting point for how we think. We transport and store hazardous liquids. Our number one priority is that we do so safely for our people and for the environment.

2) **Efficiently!** We fundamentally believe that we need to think efficiency into everything we do. It is good for the customers, it is good for the environment and it is good for our shareholders.

For 2017 and beyond, our key focus areas will be:

Growth
- Tonnage renewal/fleet growth
- Ideally take part in consolidation

High quality service
- Safety, predictability and reliability

Operational excellence
- Tankers: Project Moneyball and strong focus on utilisation
- Terminals: Implementation of the Value Creation Programme

Financial strength
- Solid balance sheet
- Competitive cost of capital

Terminals – back to meaningful profitability levels
- Focus on improving and growing our core terminals
- Fund growth via portfolio optimisation (capex to be self-funded)

All in all, we are satisfied with the progress we have made. 2016 was a good year, where Odfjell emerged as a healthier and stronger company, despite the somewhat challenging market environment. We have worked hard to regain our strength, and it is now time to put this strength to work in our new strategy, the Odfjell Compass.

This marks a turning point for Odfjell, and we are excited about the journey ahead.

Stay safe!

Kristian Mørch, CEO

CONTINUOSLY MOVING

Voyages from continent to continent, navigating through varying weather conditions around the clock throughout the year, and operating a network of tank terminals at strategic locations. We handle and store some of the most hazardous chemicals that exist, and we do it safely and efficiently.

The products we carry are often potentially hazardous, but they are also vital building blocks for a multitude of everyday life products, used throughout the world. Many items you find in your household are made by materials which were once transported by sea in one of Odfjell's vessels.

As one of the world's leading chemical tanker and terminal operators, Odfjell SE is continuously searching for ways to ensure safety, excel in services to our customers, maximise efficiency, and minimise environmental footprints. We rely on data and business intelligence to improve performance, and depend on our professional and competent employees to reach our goals.

Through more than 100 years of operation, we have proven our ability to deliver and succeed in the ever changing, highly competitive markets. We are leaning on our strong history when looking forward, and we are building for the future.

FAST FACTS

- Established 1914
- 2,890 employees
- Offices in 18 locations around the world
- Core business: Transportation and storage of organic and inorganic bulk liquid chemicals, acids, animal fats, edible oils, portable alcohols and clean petroleum products
- Fully integrated operations: In-house functions for chartering, operation and ship management
- Initiated fleet renewal programme for stainless steel chemical tankers
- Effects from Project Felix and Project Moneyball continue to increase competitiveness

FINANCIAL PERFORMANCE 2016

- Gross revenue of USD 825 million
- EBITDA of USD 218 million
- Net result of USD 100 million
- Substantially strengthened balance sheet and cash position

ODFJELL TANKERS

- 75 ships, incl. owned, time-chartered and bareboat chartered vessels
- Total transportation capacity of 2,269 million dwt
- Trade lanes covering US, Europe, Asia, India, Middle East and South America

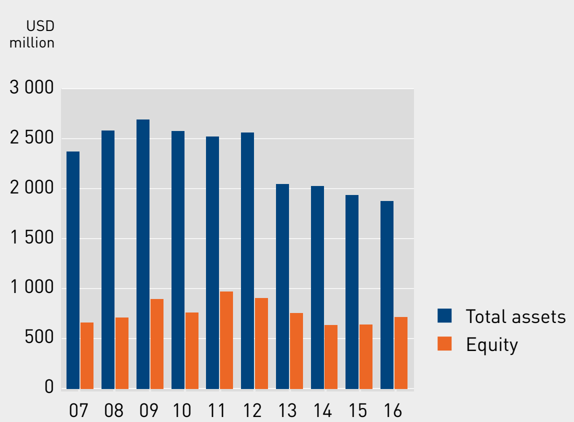
ODFJELL TERMINALS

- Joint venture of ten tank terminals
- Locations: Netherlands, Belgium, USA, Singapore, South Korea and China
- Cooperation with 14 terminals in South America
- Our key learnings from Project Felix and Project Moneyball are currently being applied in the Value Creation Programme for Odfjell Terminals

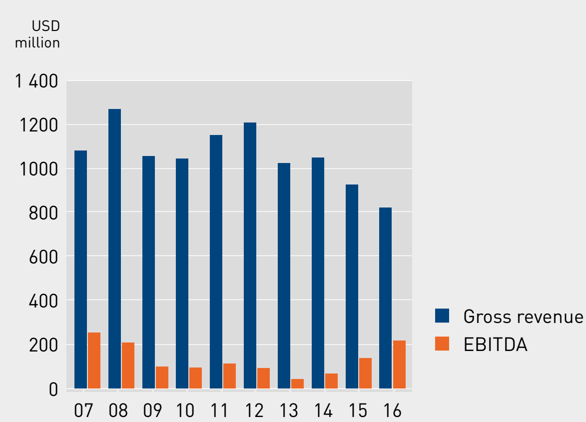
ODFJELL GAS

- Established 2012
- Two LPG/Ethylene carriers of 9,000 cbm

ASSETS / EQUITY PER YEAR*



GROSS REVENUE / EBITDA PER YEAR*



*As from 2013 figures are presented based on equity method. For earlier years figures are based on proportionate method.

MISSION

Our core business is handling hazardous liquids –safely and more efficiently than anyone else in the industry

VISION

We shall be a leading, preferred, environmental friendly and profitable global provider of transportation and storage of bulk liquid chemicals, acids, edible oils and other special products

GUIDING PRINCIPLES

- We do not compromise on safety
- Chemical tankers and terminals are our core business
- In order to be world class, we need to have world class ambitions in everything we do. Every day!

HIGHLIGHTS 2016

FINANCIAL PERFORMANCE ODFJELL GROUP

- Gross revenues of USD 825 million
- EBITDA of USD 218 million
- Operating result (EBIT) USD 130 million
- Net result of USD 100 million

TRADE AND FLEET OPTIMISATION

In 2016, we entered into time-charter agreements for five stainless steel chemical tankers, two on long-term charter and three on terms ranging from two to five years. Three existing vessels on time-charter were redelivered to owners.

In July, the vessel Bow Sailor was sold and delivered to new owners. Bow Master entered into a three-year bareboat charter with a third party and she was delivered to the new owners in November 2016. Charterer had a purchase obligation at the end of the charter.

The construction of Odfjell Gas newbuildings continues to be significantly delayed. As a consequence we have per end of February 2017 cancelled four of the newbuilding contracts. All paid instalments, including accrued interest for the cancelled vessels, have been refunded. We expect that the four remaining vessels will be cancelled during 2017.

As a result of our long-term growth strategy in South America, Odfjell acquired the remaining 50% equity share in our existing Chilean chemical tanker joint venture in October. The joint venture owns the fully stainless vessels Bow Andes and Bow Condor, both 16,000 dwt, built in 2000.

In October 2016, we announced newbuilding contracts for the construction of a series of 4+2+2 chemical tankers with 33 stainless steel cargo tanks and cargo capacity of 54,600 cbm. These vessels will be delivered in 2019 and 2020, and will be the largest stainless steel chemical tankers in the world.

In addition, we have entered into long-term charters for an additional four stainless steel chemical tankers from 35,500 to 36,000 dwt with 28 tanks for delivery from 2019 to 2020. We expect delivery of another 26,000 dwt stainless steel chemical tanker with 26 tanks during Q1 2017, and have concluded one additional vessel for delivery Q1 2018. These vessels are sophisticated tonnage that will complement and grow our existing fleet and further contribute to solving our customers' present and future requirements.

STREAMLINING THE CHEMICAL TANKER BUSINESS

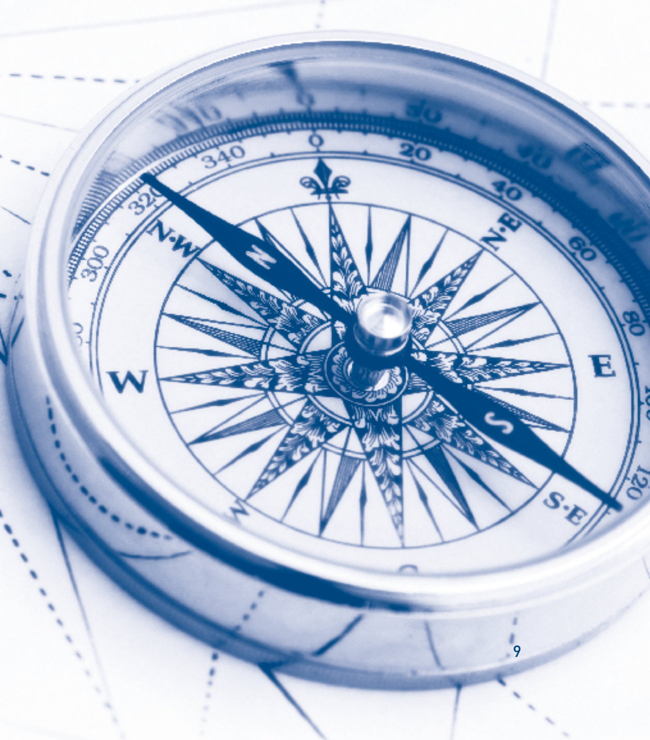
Project Felix was a success with USD 110 million in annual savings. Project Moneyball was launched early 2016 and is progressing as planned, focusing on operational excellence and reducing time in port. We can already see significant improvements within several areas of our operations, which add positively to the utilisation of the fleet, improves scheduling predictability and reduces demurrage for our customers.

IMPROVE AND GROW THE CORE FOR ODFJELL TERMINALS

In December 2016, Odfjell Terminals BV sold its 29.75% indirect ownership in Oiltanking Odfjell Terminals & Co. LLC in Oman for about USD 130 million. The divestment of the Oman terminal is in line with a strategy to focus on the terminals where we have managerial control of the assets and to further invest in growth opportunities in our core markets.

We are currently implementing a 'Value Creation Programme' at Odfjell Terminals. The programme is based on our key learnings from Project Felix and Project Moneyball, and has two main focus points: To 'Improve and grow the core', and to 'Grow outside the core'. We aim to improve our service level and operational performance at our key terminals in Rotterdam and Houston, and will implement a Rotterdam specific strategy – the 'OTR Masterplan' – to get this terminal's capacity back on line and develop available land banks.

THE ODFJELL COMPASS



In connection with the fourth quarter 2016 report, we introduced our new strategy for 2017 and beyond, called the 'Odfjell Compass'. Our key focus will be to continue with our tonnage renewal and fleet growth plans for our advanced chemical tanker fleet, combined with high quality service and operational excellence at sea and on shore. Furthermore, we aim to return to meaningful profitability levels at the terminals through the Value Creation Programme. At the same time, we will continue to build financial strength with a competitive cost of capital.

Moving forward, we will follow the three guiding principles of the Odfjell Compass: We do not compromise on safety, Chemical Tankers and Terminals are our core business, and: To be a leading world class player, we need to have world class ambitions in everything we do.

KEY FIGURES/FINANCIAL RATIOS

ODFJELL GROUP	Figures in	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FROM PROFIT AND LOSS STATEMENT											
Gross revenue	USD mill.	825	929	1 053	1 027	1 212	1 154	1 048	1 058	1 274	1 083
EBITDA [1]	USD mill.	218	137	66	41	93	113	94	99	209	255
Depreciation and impairment	USD mill.	(101)	(109)	(94)	(89)	(132)	(122)	(124)	(119)	(122)	(119)
Capital gain (loss) on non-current assets	USD mill.	13	-	7	(9)	(4)	31	(6)	44	53	25
EBIT [2]	USD mill.	130	28	(22)	(57)	(43)	21	(36)	11	140	159
Net financial items	USD mill.	(23)	(58)	(53)	(46)	(68)	(35)	(30)	(28)	(43)	(55)
Net result from discontinued operation	USD mill.	-	-	-	-	-	288	33	30	34	27
Net result allocated to shareholders' equity before extraordinary items*)	USD mill.	100	(36)	(75)	(108)	(111)	269	(79)	11	131	130
Net result allocated to shareholders' equity	USD mill.	100	(36)	(75)	(108)	(111)	269	(79)	121	163	(10)
Net result	USD mill.	100	(36)	(75)	(108)	(111)	269	(79)	121	163	(10)
Dividend paid	USD mill.	-	-	-	-	-	14	-	12	34	43
FROM BALANCE SHEET											
Total non-current assets	USD mill.	1 589	1 679	1 761	1 791	1 993	2 140	2 195	2 256	2 226	2 048
Current assets	USD mill.	293	264	271	258	576	388	385	442	359	331
Shareholders' equity	USD mill.	719	645	638	759	908	973	766	901	715	666
Minority interests	USD mill.	-	-	-	-	7	6	6	5	6	6
Total non-current liabilities	USD mill.	878	1 095	880	1 055	1 141	1 244	1 356	1 475	1 540	1 362
Current liabilities	USD mill.	286	203	514	235	514	305	451	318	324	343
Total assets	USD mill.	1 883	1 943	2 032	2 049	2 569	2 528	2 580	2 699	2 585	2 379
PROFITABILITY											
Earnings per share - basic/diluted - before extraordinary items [3]	USD	1.27	(0.41)	(0.95)	(1.35)	(1.37)	3.43	(0.46)	0.13	1.56	1.56
Earnings per share - basic/diluted [4]	USD	1.27	(0.41)	(0.95)	(1.35)	(1.37)	3.43	(0.99)	1.42	1.95	(0.12)
Return on total assets - before extraordinary items*) [5]	%	7.9	0.4	(1.6)	(3.6)	(2.3)	12.4	0.4	2.3	8.2	8.5
Return on total assets [6]	%	7.9	0.4	(1.6)	(3.6)	(2.3)	12.4	(1.2)	6.5	9.5	2.0
Return on equity - before extraordinary items*) [7]	%	14.6	(5.6)	(10.8)	(12.8)	(11.6)	30.6	(4.2)	1.4	18.6	19.0
Return on equity [8]	%	14.6	(5.6)	(10.8)	(12.8)	(11.6)	30.6	(9.4)	14.9	23.3	(1.5)
Return on capital employed [9]	%	7.9	1.7	(0.9)	(6.4)	(2.0)	2.5	0.8	3.6	10.2	12.0
FINANCIAL RATIOS											
Average number of shares	mill.	78.69	86.77	78.74	79.39	80.60	78.56	79.29	85.22	83.81	83.34
Basic/diluted equity per share [10]	USD	9.15	7.44	7.35	9.67	10.46	12.71	9.75	11.00	8.24	8.00
Share price per A-share	USD	3.39	3.22	3.88	6.74	4.29	5.99	9.23	9.03	6.22	16.47
Interest-bearing debt	USD mill.	1 042	1 168	1 163	1 136	1 221	1 246	1 527	1 576	1 500	1 347
Bank deposits and securities [11]	USD mill.	174	126	105	94	170	205	142	185	193	165
Debt repayment capability [12]	Years	4.6	14.3	124.8	15.7	45.1	2.8	11.4	10.6	6.0	4.9
Current ratio [13]		1.0	1.3	0.5	1.1	1.1	1.3	0.9	1.4	1.1	1.0
Equity ratio [14]	%	38	33	31	37	36	39	30	34	28	28
OTHER											
USD/NOK rate at year-end		8.65	8.80	7.43	6.08	5.59	6.01	5.85	5.76	7.00	5.40
Employees at year-end		2 890	3 034	3 311	3 352	3 540	3 761	3 796	3 707	3 690	3 634

*) Extraordinary items are retroactive tax in 2007, 2008, 2009 and 2010.

As from 2013 figures are presented based on equity method, for earlier years figures are based on proportionate method.
Profit and loss figures have been adjusted for discontinued operation earlier than year 2011.
Balance sheet 2012 and 2011 have been adjusted for pension corridor.

1. Operating result before depreciation, amortisation and capital gain (loss) on non-current assets.
2. Operating result.
3. Net result allocated to shareholders' equity before extraordinary items divided by the average number of shares.
4. Net result allocated to shareholders' equity divided by the average number of shares.
5. Net result plus interest expenses and extraordinary items divided by average total assets.
6. Net result plus interest expenses divided by average total assets.
7. Net result plus extraordinary items divided by average total equity.
8. Net result divided by average total equity.
9. Operating result divided by average total equity plus net interest-bearing debt.
10. Shareholders' equity divided by number of shares per 31.12.
11. Bank deposits and securities includes cash and cash equivalents and available-for-sale investments.
12. Interest-bearing debt less bank deposits and securities, divided by cash flow before capital gain (loss) on non-current assets.
13. Current assets divided by current liabilities.
14. Total equity as percentage of total assets.

From left: Harald Fotland, Terje Iversen, Kristian Mørch, Øistein Jensen and Frank Erkelens

ODFJELL MANAGEMENT

KRISTIAN MØRCH
CEO

Kristian Mørch (1967) joined Odfjell as Chief Executive Officer (CEO) in 2015. He came to Odfjell from the position as Partner and Group CEO of Clipper Group, and prior to that with a career at A.P.Moller-Maersk, latest as COO of Maersk Tankers. He was also a member of the Odfjell Board from 7 May 2014 until the start as CEO, 1 August 2015. Danish citizen. Owns 86,913 A-shares, 3,500 B-shares, no options.

HARALD FOTLAND
SVP Odfjell Tankers & temporary SVP Ship Managemaent

Harald Fotland (1964) was appointed Senior Vice President (SVP) of Odfjell Tankers in October 2015, and SVP Ship Management in January 2017. He joined Odfjell in 2010 as Chief of Staff. Before joining Odfjell, he was Vice President for Gard AS, and held various positions within the Royal Norwegian Navy. Norwegian citizen. Owns 7,807 A-shares, 4,000 B-shares, no options.

TERJE IVERSEN
SVP Finance/ CFO

Terje Iversen (1969) joined Odfjell as Senior Vice President Finance/Chief Financial Officer (CFO) in 2011. Previous positions include CFO of Bergen Group, and various managerial positions at Odfjell Drilling and PwC. Norwegian citizen. Owns 11,939 A-shares, no options.

ØISTEIN JENSEN
SVP/ Chief of Staff

Øistein Jensen (1972) was appointed SVP/ Chief of Staff in February 2016. He came from the position as Director at PwC, and has previously held various managerial positions in the Royal Norwegian Navy. Norwegian citizen. Owns 10,414 A-shares, no options.

ODFJELL JOINT VENTURES

FRANK ERKELENS
CEO Odfjell Terminals

Frank Erkelens (1967) was appointed CEO of Odfjell Terminals 1 May 2016. He has more than 20 years of experience in the terminal industry, and came to Odfjell from the position of President EMEA in Vopak. Dutch citizen. Owns no shares, no options.

ODFJELL TANKERS

The use of chemicals is integrated in virtually everyone's day to day life, and the value chain from production to the end customer is complex and substantial. Odfjell Tankers specialises in optimising the mid-stream component of this intricate chain.

Odfjell's highest priority is safety, and through our integrated ship management as well as our third party managers - all carefully selected - we provide safe transportation services and marine operations. Our seafarers and transaction partners, and our customers' products, are safe with us.

We add value to our customers' logistics, trade a dynamic portfolio of owned and chartered vessels in the spot- and contract markets, and maximise our shareholders' returns by safe, effective operations and optimised fleet scheduling.

OUR CUSTOMERS

Odfjell Tankers has a wide range of customers, from the oil majors and largest chemical manufacturers to smaller logistical companies and traders.

We serve more than 500 customers on a regular basis, including all the major chemical producers in the world. It is our ambition to provide superior service to all our customers, making sure that all stakeholders' interests are attended to.

OUR ORGANISATION

Odfjell Tankers is a modern chartering and operations organisation, providing our customers with dedicated services on all major shipping hubs, throughout the world.

Our extensive network of intermediates effectively meets our customers' demands, 24/7. Chemical shipping contains a multitude of aspects and responsibilities with regards to charterers, brokers, ports and cargoes. Meeting these demands requires highly competent employees. We take pride in our staff, and believe that our employees are second to none.

OUR SERVICES

We offer shipping services worldwide and arrange for transshipment of products to physically restricted ports and berths. Today, we operate 75 vessels. 57 of these ships are deep-sea vessels.

The fleet consists of five main categories: Supersegregators with multiple segregations, large stainless steel chemical tankers, medium stainless steel chemical tankers, coated tonnage and regional fleets in Asia and South America. Fleet composition, scheduling and vessel trading optimisation are all critical success factors, as is our organisation's pro-activeness and ability to offer safe, predictable and competitive logistics solutions.

Flexibility and interchangeability of ships between geographical areas and trade lanes are integral elements of our business model.

Odfjell Tankers' ships are trading worldwide, calling all major ports in Europe, US, the Asia/Pacific, Africa, the Middle East and South America. In addition, we have a substantial presence in the regional trades in Asia, via Odfjell Asia: We regularly have inter-regional shipments in Asia, and to Australia, New Zealand and India.

Our fully owned Brazilian subsidiary Flumar allows us to have a significant presence along the Brazilian coast and the Mercosul area. Flumar is a fully integrated shipping company, operating four chemical tankers and one 51,000 dwt product tanker.

This worldwide presence gives Odfjell a unique opportunity to handle and secure our customers' cargo from beginning to end.

CHEMICAL TANKERS*	Figures in	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross revenue	USD million	832	940	1 042	1 028	1 066	1 056	999	1 021	1 247	1 063
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD million	188	147	97	98	65	61	59	73	191	242
Operating result (EBIT)	USD million	98	37	3	3	(35)	(9)	(58)	(6)	129	150
Total assets	USD million	1 544	1 586	1 654	1 625	1 749	1 439	1 593	1 398	1 462	1 504
Volume shipped	1 000 tonnes	13 510	13 630	15 440	18 215	19 546	18 500	19 303	19 414	19 622	19 502
Number of ships per 31.12		73	74	77	81	96	98	86	95	93	92
Total deadweight	1 000 tonnes	2 217	2 187	2 236	2 273	2 684	2 717	2 352	2 603	2 460	2 391

* This table also include 'corporate'

OUR FLEET

Our core fleet is among the most advanced and flexible ships in the market.

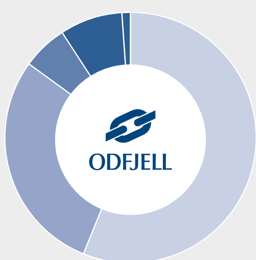
We operate 22 large and sophisticated stainless steel chemical tankers between 37,500 and 50,000 dwt. These tankers constitute the core long haul (deep-sea) portfolio which we base our trades and services on. In addition, we operate a balanced portfolio of time chartered tonnage and other owned tonnage, allowing us to optimise fleet size relative to the prevailing market conditions.

OUR NEWBUILDING PROGRAMME

This year, we concluded a newbuilding contract with a state owned Chinese yard to construct four 49,000 dwt stainless steel chemical tankers with a cargo capacity of 54,600 cbm and 33 tanks. These vessels will be the largest stainless steel chemical tankers in the world. The ships will be delivered in 2019-2020. In addition, we have entered into long-term charters with reputed Japanese owners for additionally four stainless steel chemical tankers from 35,500 to 36,000 dwt with 28 tanks for delivery from Q4 2018 to Q2 2020. We expect delivery of another 26,000 dwt stainless steel chemical tanker with 26 tanks during Q1 2017 and have concluded one additional vessel for delivery Q1 2018.

These vessels are sophisticated tonnage that will complement and grow our existing fleet and further contribute to solving our customers' present and future requirements.

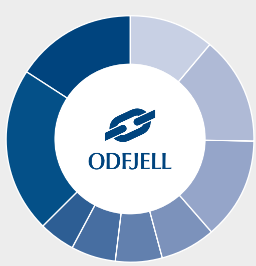
ODFJELL FLEET DISTRIBUTION



- 56.2 % Odfjell owned vessels
- 28.9 % Vessels on time-charter
- 5.9 % Vessels on bare-boat charter
- 8.1 % Vessels on financial lease
- 0.9 % Gas Carriers

Source: Odfjell

THE CORE CHEMICAL TANKER DEEP-SEA FLEET ≥ 18,000 DWT



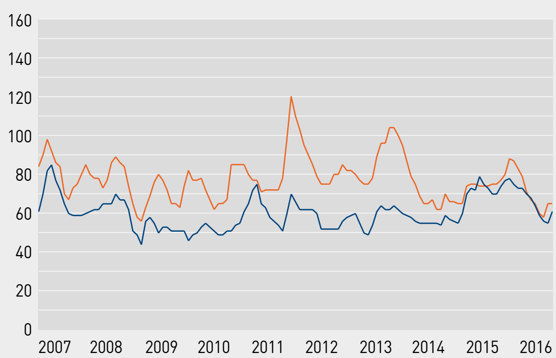
- 11.3 % Odfjell
- 14.0 % Stolt-Nielsen
- 13.5 % Navig8 Chemicals
- 7.1 % MOL Chemical Tankers
- 6.2 % Bahri Chemicals
- 5.9 % Fairfield/Iino
- 4.5 % IMC/Aurora
- 21.8 % Other operator
- 15.7 % Other majors

We define a core chemical tanker as:
- Chemical tanker with at least 50% stainless steel capacity

OR
- IMO II capacity
- Average tank size not more than 3,000 cbm and minimum six tanks
- Commecially controlled by core chemical operator

Source: Odfjell

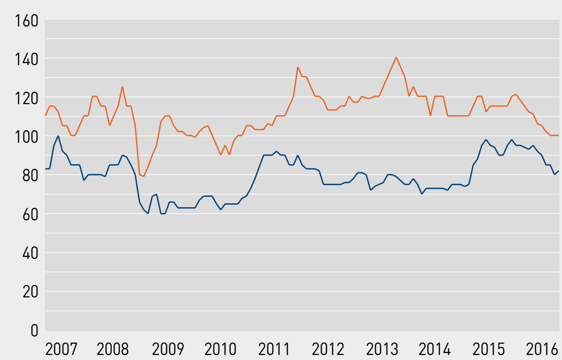
FREIGHT RATES 3,000 MTS EASY GRADE CHEMICALS (USD/TONNE)



- Houston/Rotterdam
- Houston/Far East

Source: Quincannon Associates, Inc

FREIGHT RATES 1,000 MTS STAINLESS STEEL GRADE CHEMICALS (USD/TONNE)



- Houston/Rotterdam
- Houston/Far East

Source: Quincannon Associates, Inc

ODFJELL
GAS

Odfjell re-entered the gas carrier market in 2012 by purchasing two 9,000 cbm LPG/Ethylene carriers. In 2014, we finalised a joint venture agreement with Breakwater Capital and Oak Hill Advisors to form a liquefied petroleum gas and ethylene shipping joint venture named Odfjell Gas AS.

In 2014, we also exercised options for four 22,000 cbm LPG/Ethylene carriers at Nantong Sinopacific Offshore & Engineering Co. Ltd. in China, together with the orders for four 17,000 cbm units that we placed at the same yard in 2013. In total, eight LPG/Ethylene carriers were scheduled for delivery from 2016 to 2017.

Over the last two years, we have been facing substantial delays of the ordered gas vessels, and in December 2016, four out of eight newbuilding contracts were cancelled. It is probable that the remaining vessels will be cancelled as soon as we can do this in accordance with the contracts.

All instalments, including accrued interests on cancelled contracts, have been repaid. Instalments paid on the remaining orders are secured by refund guarantees from reputable financial institutions. Based on the challenges with the newbuilding programme, our ambition is to exit the gas segment when the timing is right.

ODFJELL GAS	Figures in	2016	2015	2014	2013	2012
Gross revenue	USD million	12	18	25	11	6
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD million	3	4	3	(3)	1
Operating result (EBIT)	USD million	(7)	3	8	(6)	-
Total assets	USD million	44	74	69	50	102
Volume shipped	1 000 tonnes	273	443	103	90	53
Number of ships per 31.12		2	3	3	3	2
Total deadweight	1 000 tonnes	21	47	47	47	21

ODFJELL SHIP MANAGEMENT

Odfjell Ship Management (SM) offers a fully integrated service, with fleet management, crewing, QHSSE management, procurement- and logistics, technology support and newbuilding.

As ships account for a substantial part of our total fixed assets, it is imperative that the fleet is managed and operated efficiently, assets are protected and values maintained. By end of 2016, Ship Management managed all Odfjell owned and bare-boat chartered vessels, a total fleet of 45 chemical tankers.

PERSONELL

Highly qualified officers and crew are vital for the safe operation of chemical tankers, and Odfjell is dependent on the extensive experience of our 1,778 international mariners.

SM employs personnel at offices in Norway, Singapore, the Philippines and Brazil. SM personnel provides direct support to ships operating in regional trades, and ships in the deep-sea fleet, as well as professional crew management located in Norway, the Philippines and Brazil.

Our ships are mainly registered in Norway (NIS) and Singapore, and are primarily manned by Norwegian and Filipino mariners. The Flumar fleet, trading primarily along the Brazilian coast, is manned by Brazilian mariners. In Q4 2016, Odfjell also took ownership and management of the two vessels trading in Chile, one with Chilean crew and one with Peruvian.

QUALITY, HEALTH, SAFETY, SECURITY & ENVIRONMENT (QHSSE)

In 2016, Ship Management continued to develop our safety culture, improving sustainability and raising the bar for QHSSE performance.

0.88
Lost Time Injury frequency

2016: 7
2015: 7
Lost Time Injuries

2016: 1.76
2015: 2.64
Total recordable case frequency

The lost time injury frequency (LTIF) indicator for Odfjell managed ships was 0.88 in 2016. This represents seven Lost Time Injuries, the same as in 2015. The total recordable case frequency was 1.76 vs 2.64 in 2015. The figures represent a drop in the number as well as the severity of personnel injuries.

We are pleased to record a decrease in the lost time injury frequency. The internal QHSSE projects and the active cooperation with some of our main customers will continue, aiming for a zero incident industry. Safety is, and will always be, a top priority.

Our Leadership- and Followership Development Programme for seafarers is fully implemented and provides a significant contribution to develop a professional safety culture, based on a common understanding and commitment for SM's core values. A new programme was introduced in 2016, the 'Diploma of Competency' (DoC). DoC is a competence development programme to certify Able-Bodied Seamen and Motormen, based on the Norwegian Certification System ('Fagbrev').

Our improved safety performance as well as vetting and port state control performance on board our managed vessels are frequent confirmations of Odfjell's professionalism, expertise and continuous focus on safety culture improvement.

For more information about Odfjell's QHSE and CSR, see page 22.

SHIP MAINTENANCE

Our ship maintenance programme seeks to secure safe and efficient operation, a long working life and high second-hand value for the vessels.

The maintenance strategy is implemented through criticality analysis and our planned maintenance system, supported by an in-house specialist team. A well-structured technical project management team ensures compliance with relevant rules and regulations. Various ship performance improvements, such as propulsion modifications, have significantly reduced our energy efficiency and corresponding emissions. In 2016, we implemented a new contract process to comply with the newly IMO-ratified Ballast Water Management regulations.

SM actively applies risk management processes to maintain and improve performance. Every year, we carry out regular internal audits of ships and offices. Customers conduct inspections through the Chemical Distribution Institute and the Oil Companies International Marine Forum. Periodical surveys are carried out by our classification societies, relevant flag states and port states.

We continue to improve our Tanker Management and Self-Assessment (TMSA) performance. Based on customer conducted TMSA audits in 2016, we have enhanced our TMSA rating to 3.5 (vs the top rating of 4).

When ships or offices report critical situations, accidents, non-conformances or possible improvements through our safety and improvement reporting system, a proper response is prepared and corrective and preventive actions are implemented. We execute quarterly management reviews to improve identification and follow up of needed improvements, focusing on safety performance, port state control, customer acceptance and cost competiveness improvement. This system is an effective tool to further improve safety, to prevent injuries, pollution, damage and loss, and to increase operational performance.

TANK TERMINALS

Odfjell has ten operational, part owned tank terminals at strategic locations around the world, as well as terminal projects under development in China. Nine of the operational tank terminals are part owned by 51% through Odfjell Terminals BV Joint Venture. In addition, Odfjell Terminals has a cooperation agreement with 14 tank terminals in South America. These tank terminals are partly owned by related parties.

Our tank terminal network has more than 800 employees, and 4.1 million cubic meters of storage space in 1,393 tanks at 24 ports around the world. In combination with our shipping business, this makes Odfjell one of the world leaders of transportation and storage of bulk liquids.

In addition to the storage business, the Rotterdam tank terminal has a petroleum industrial distillation (PID) service that offers toll distillation for the petrochemical and petroleum industry. Tank terminals also offer cargo-consolidation programmes designed to reduce time in port and fuel consumption in port for our ships.

The combination of shipping and tank terminals puts Odfjell in a unique position to offer our customers increased safety, reliability, product stewardship, efficiency and improved arrival accuracy. We are experiencing a steady increase in demand, for cargo consolidation, as a result of the industry's ongoing pursuit of efficiency improvements along the entire supply chain.

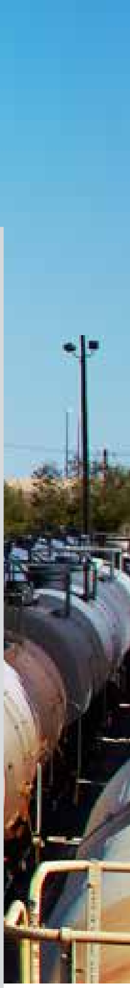
HIGHLIGHTS – BUSINESS DEVELOPMENTS

In 2016, Odfjell Terminals (Rotterdam) expanded its toll distillation capacity from 1,800,000 tonnes to 2,190,000 tonnes annually to meet customer demands. A large part of the new capacity was contracted. In 2016, available tank capacity expanded from 970,000 cbm to 1,000,000 cbm and the commercial occupancy rate was 96% throughout the year.

Odfjell Terminals (Houston) (OTH) had a steady year with expected high utilisation including the new tank bay, Bay 10 – 1,900 cbm carbon steel liquid tanks designed to API 650F standards, which was commissioned on 1 October 2015. All tanks were 100% commercially committed the day they were commissioned.

In 2012, Odfjell started the construction of a new terminal in the Bohai Bay region near Tianjin, China through the joint venture with Tianjin Economic-Technological Development Area. The terminal received the necessary operational permit in 2016 and is currently in start up operations.

In line with Odfjell Terminals' strategy, further terminal projects across the world are under evaluation.



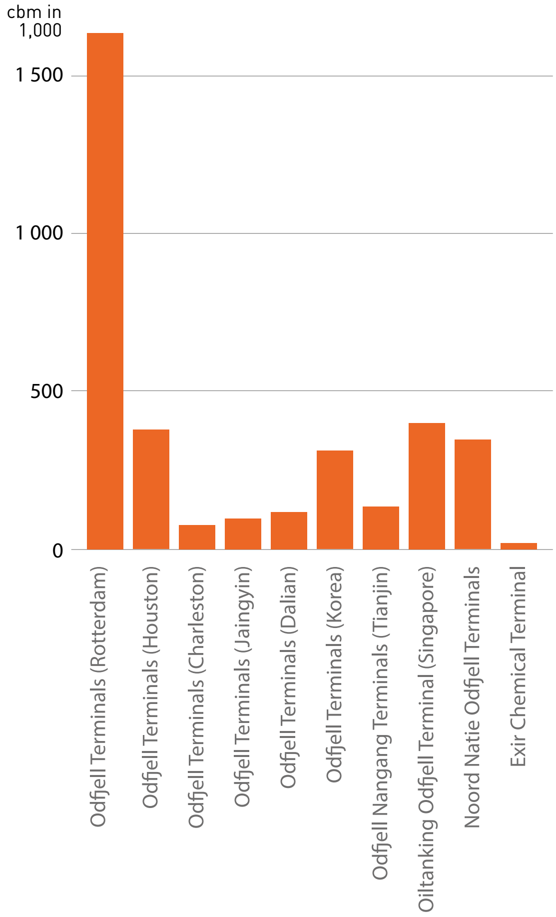
4.1 MILL.
CBM STORAGE CAPACITY*

1,393
TANKS OF STORAGE*

TANK TERMINALS IN
24 PORTS*

*Gross figures including related tank terminals partly owned by related parties.

TANK TERMINALS CAPACITY



ODFJELL TERMINALS EUROPE

ODFJELL TERMINALS (ROTTERDAM) (OTR), THE NETHERLANDS
Located at Botlek, the heart of Rotterdam's harbour and the most important chemical distribution centre in Europe, OTR has a total gross storage capacity of about 1,636,498 cbm in 284 storage tanks. Current capacity approved for use is 1,198,000 cbm of which 1,000,000 are commercially available. The tank terminal stores both chemicals and mineral oil products.

The Rotterdam PID service controls a large share of the independent product distillation market in Northwest Europe, and operates four distillation columns with a combined total annual distillation capacity that was expanded to 2,190,000 tonnes during 2016.

The Odfjell Terminals Maritiem (OTM) site is located almost directly opposite OTR, on the south bank of Rotterdam's main shipping artery Nieuwe Waterweg, surrounded by the port's largest global-scale refineries. It is connected to OTR via pipeline, and is used to conduct transshipments.

Overall, the Rotterdam tank terminal enjoys an extensive infrastructure, with five berths for deep-sea tankers, seven positions for short-sea vessels and 14 positions for barges. The terminal also has extensive facilities for handling trucks, ISO containers and rail cars. The site has its own wastewater treatment plant, which also serves third parties.

In 2016, OTR continued to implement its long-term business plan. The upgrading of the facility to meet the new industry PGS29 standards is according to schedule. The distillation facility represents the new opportunities in the petroleum market and has concluded several contracts that represent historically high throughput.

NOORD NATIE ODFJELL TERMINALS (NNOT), BELGIUM

NNOT, in which Odfjell Terminals acquired a 25% share in 2012, offers a unique combination of storage and related value-added services for several types of liquids. The terminal has a strategic location in the port of Antwerp with easy access to the sea, inland waterways, roads and railways.

With 240 tanks and a total capacity of 348,499 cbm, NNOT provides storage and related activities for chemicals, liquids for human or animal consumption, mineral oils, base oil, oleochemicals and biofuels.

ODFJELL TERMINALS NORTH AMERICA

ODFJELL TERMINALS (HOUSTON) (OTH), USA

Houston is the major international hub for import and export of chemicals to and from the USA. OTH is also the hub for Odfjell's global and regional trades to and from the US Gulf. The realisation of synergies is always a priority and the tank terminal has multiple shared customers with Odfjell Tankers, which demonstrates the benefit of cargo consolidation and expedited shipment for all parties.

The tank terminal in Houston was completed by Odfjell in 1983, and has since expanded to 119 tanks with a total capacity of 379,982 cbm at the end of 2016. The tank terminal boasts one of the largest stainless steel storage capacities of any independent tank terminal in the world, in total 113,180 cbm. The facility also has spheres to handle various LPGs.

ODFJELL TERMINALS (CHARLESTON) (OTC), USA

Charleston is located near the major shipping lanes on the US East Coast. The port is one of the best maintained ports in this region, and is dredged every two years by the US Army Corps of Engineers. The terminal started operations in early 2014, and had nine tanks with a total capacity of 79,243 cbm at the end of 2016.

ODFJELL TERMINALS ASIA

ODFJELL TERMINALS (DALIAN) (OTD), CHINA

OTD started operation in 1998, but was relocated from its original site to Dalian New Port in Xingang in 2007. The tank terminal's capacity is 51 tanks with 119,750 cbm storage capacity. The stainless steel capacity is 18,350 cbm. The tank terminal has four berths for sea-going tankers with up to 50,000 dwt capacity. The location is well connected by rail to the vast hinterland of Northeast China, and the tank terminal can manage up to 120 rail wagons concurrently.

Odfjell Terminals holds 50% of the shares in OTD, while Dalian Port Company Ltd (PDA) is the other shareholder in the company.

Odfjell and PDA have jointly established a training academy for terminal operators for operations in China.

ODFJELL TERMINALS (JIANGYIN) (OTJ), CHINA

OTJ is located in the Jiangyin Economic Development Zone on the south bank of the Yangtze River, approximately 150 km west of Shanghai and 12 hours by ship upriver from the estuary. The 99,800 cbm terminal became operational in late 2007 and has excellent facilities for handling a wide range of petrochemicals from ships, barges and trucks. OTJ comprises 22 tanks. The stainless steel capacity is 30,000 cbm. The terminal has the largest jetty on the Yangtze River at its disposal. In total, there are eight berths for the handling of deep-sea tankers, coasters or barges. OTJ can accommodate up to 50,000 dwt ships.

ODFJELL TERMINALS (KOREA) (OTK), KOREA

OTK is strategically located in Ulsan, the most important petrochemical distribution and transshipment hub in Northeast Asia. The tank terminal entered operation in 2002 and has 85 tanks, with a total storage capacity of 313,710 cbm.

OTK is one of the most sophisticated terminals in Ulsan, and has a 15,860 cbm stainless steel capacity. The tank terminal owns and operates six berths, with user rights to another two berths, that can handle vessels of up to 80,000 dwt. OTK also has modern drumming facilities for break bulk operations.

Odfjell Terminals holds 50% of the shares. Local partner Korea Petrochemical Ind. Co. Ltd (KPIC) owns 43.6%. The remaining 6.4% shareholding is held by two other Korean companies.

ODFJELL NANGANG TERMINALS (TIANJIN) (ONTT), CHINA
ONTT is a joint venture project between Odfjell Terminals Asia and Tianjin Nangang Industrial Zone Port Co. Ltd. The terminal is strategically located at Tianjin Port on Bohai Bay, in the Nangang Industrial Zone. It is the nearest port to the production areas of the North and Northwest China hinterland, and the link to Middle/West Asia. It is also the closest port to Beijing.

Nangang Industrial Zone (NIZ) is a green field development, and planned by the Chinese Central Government to be the largest petrochemical zone in Northeast China. It is expected to accommodate the production of over 200 different petrochemicals. ONTT will service customers within NIZ and customers using the zone for local distribution or export. It will have connections to road and rail, as well as having a large marine infrastructure.

Phase 1 started operation in November 2016 and will have three ship docks and 28 tanks with a total storage volume of 137,800 cbm.

ODFJELL CHANGXING TERMINALS (DALIAN) (OTCX), CHINA
OTCX is a joint venture project between Odfjell Terminals Asia (40%), Dalian Port (PDA) Company Ltd (40%) and Dalian Changxing Island Administrative Commission (CXI Committee) (20%). The potential terminal will be strategically located at the Changxing Island, which is a major national petrochemical industry base. Total land area of OTCX is about 52 hectares, reclaimed from the sea.

ODFJELL TERMINALS (QUANZHOU) (OTQ) FUJIAN, CHINA
In June 2013, Odfjell signed an agreement to enter into a joint venture with the Founder Group, to become 50/50 partners for the development of a petrochemical tank terminal in Quanzhou, Fujian Province, China. Odfjell Terminals acquired, from the Founder Group, a 50% equity share in the existing Fujian Fangtong Terminals Co Ltd., including land and an existing jetty.

OILTANKING ODFJELL TERMINAL SINGAPORE (OOTS), SINGAPORE
As one of the busiest ports in the world, Singapore plays a major role in the distribution of petroleum and petrochemicals in Southeast Asia. OOTS is located on Jurong Island, where most of Singapore's petrochemical industry is concentrated.

The tank terminal became operational in 2001. The total current capacity is 402,000 cbm in 82 tanks and spheres for petrochemical gases, varying from 800 cbm to 18,000 cbm. The stainless steel capacity is 13,520 cbm. OOTS has three deep-sea jetties. The berths can accommodate double-banking and board-to-board cargo transfers, as well as delivery of bunker fuels from shore tanks. The tank terminal also performs operational management and has access to two additional berths. The tank terminal is a 50/50 joint venture between Odfjell Terminals and Oiltanking.

EXIR CHEMICAL TERMINAL (ECT), IRAN
Exir Chemical Terminal is a joint venture between Odfjell SE (35%), Oiltanking (35%) and Nuian, a private Iranian investor (30%). It is the first independent tank terminal for bulk liquid chemicals in Iran.

ECT is strategically situated in the Petrochemical Special Economic Zone (PETZONE) in the port of Bandar Imam Khomeini. The terminal is connected by pipelines to jetties in the PETZONE, and can accommodate vessels up to 45,000 dwt. The terminal consists of 18 tanks, in total 22,000 cbm, and has been operational since January 2010.

TANK TERMINALS PARTLY OWNED BY RELATED PARTIES, SOUTH AMERICA

The tank terminals, partly owned by related parties, first became operational in Buenos Aires in 1969. Today, they consist of 14 tank terminals spread along the coasts of Brazil, Argentina, Chile and Peru, with a strong market position for chemical storage in the region. These terminals are partly privately owned by the Odfjell family together with other investors, and have its operational headquarters in São Paulo.

The eight Brazilian tank terminals are located in Santos, Rio Grande, Triunfo, São Luis, Teresina, Triunfo, Ladario and Palmas. Argentina is home to two tank terminals, one in Buenos Aires and the other, a state-of-the-art terminal in Campana, about 80 km upriver from Buenos Aires. The Chilean tank terminals are located in San Antonio and Mejillones, and the Peruvian terminal in Callao.

These extensive tank terminal activities in South America provide an excellent complement to Odfjell's frequent and traditionally strong shipping activities within the region. Where practical, shipping and storage services are marketed from shared offices, facilitating logistical solutions as comprehensive as required by our customers.

TANK TERMINALS*	Figures in	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross revenue	USD million	123	112	94	129	145	227	245	248	232	180
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD million	47	40	(4)	21	27	96	110	109	95	74
Operating result (EBIT)	USD million	53	4	(31)	(73)	(8)	62	75	68	68	54
Total assets	USD million	578	629	650	685	1 062	1 092	987	691	634	481
Tank capacity (owned 100%)	1 000 cbm.	3 539	4 672	4 643	4 658	4 551	4 221	3 732	3 719	3 100	2 553

* Reflection of actual historical Odfjell ownership share

SUSTAINABILITY AT THE CORE

As a worldwide service provider, we are dependent on a sound global environment, on keeping our employees safe, on the trust of our customers, and on viable local communities. We know that our actions have impact, and are committed to increase our sustainability measures and minimise our environmental footprints – on board and on shore.

Odfjell actively initiates and promotes a proactive Quality, Health, Safety and Environment culture, and engages in global and regional Corporate Social Responsibility programs to improve sustainability. Taking care of our employees and our surroundings is at the core.

Odfjell's overall targets embrace ambitious measures for the Company's efforts and impact on Environment, Governance and Compliance. This is diligent work, to be continuously improved; we can always do better. To guide our work, Odfjell has committed to a set of targets based on a campaign initiated by the Confederedation of Norwegian Enterprise (NHO) on UN's 17 Sustainability Development Goals (SDGs). For 2016, the status on Safety, Health and Quality, Environment, Social Responsibility, Governance and Compliance was as follows:

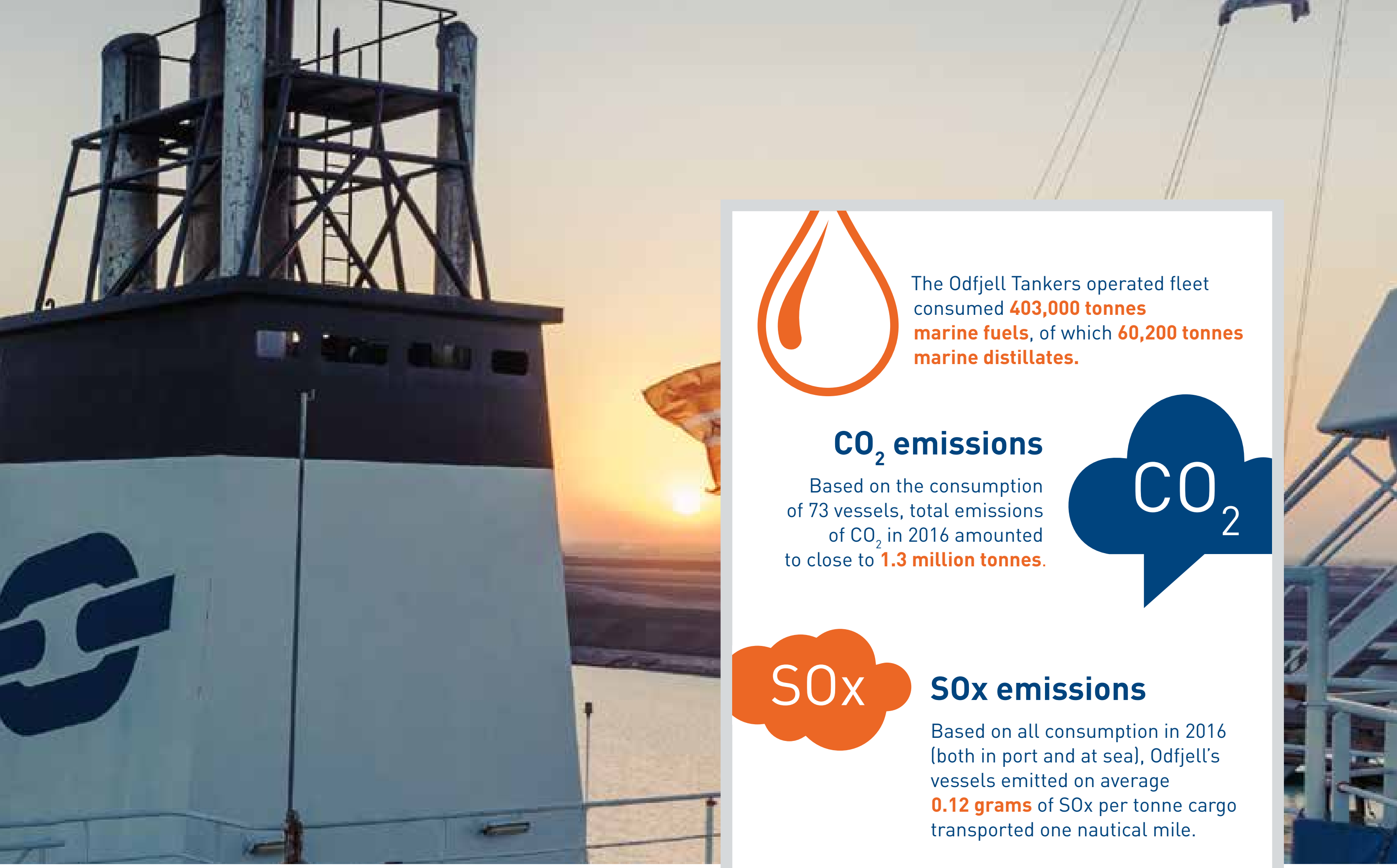
SAFETY, HEALTH AND QUALITY

Safety is fundamental in everything we do. Never to be compromised, safety is implemented as our number one guiding principle.

We educate, review and analyse to secure that our employees have the competence, equipment and resources to perform their tasks in a safe and secure manner. The continuous work to improve the sustainable safety performance shows positive results, with a decrease in the severity of personnel injuries and total recordable case frequency (TRCF) from 2015 to 2016 for Odfjell managed ships (see details on page 27). For 2016, the lost time injury frequency (LTIF) for the Odfjell managed terminals was 0.26 compared to 0.30 for 2015. For ships, the LTIF was 0.88, compared to 0.72 for 2015. We will not be satisfied until we reach a 0% injury target.

To further build awareness throughout the organisation, several educational courses and events are organised for on board and on shore personnel throughout the year.

For seafarers and their families, the 'Healthy Living's Body Mass Index Watch' project is providing education in health and well-being. The Odfjell Safety Day is a yearly, global event, fully dedicated to safety. In line with the International Labor Organisation's (ILO) 'World Day for Safety and Health at Work', the theme of this year's safety day in 2016 was 'Workplace Stress: A Collective Challenge'. Safety is more than a priority for Odfjell Terminals as well, it is a value and part of our license to operate. The ongoing focus on standardisation at the terminals is resulting in an improvement in consistent management processes and implementation of common systems.



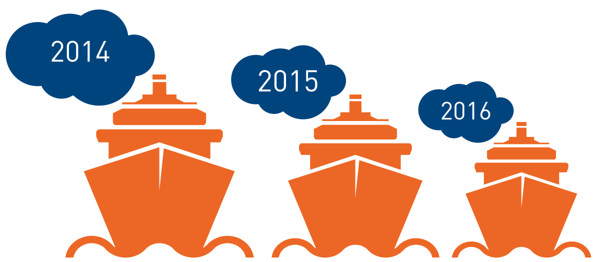
The Odfjell Tankers operated fleet consumed **403,000 tonnes marine fuels**, of which **60,200 tonnes marine distillates.**

CO_2 emissions

Based on the consumption of 73 vessels, total emissions of CO_2 in 2016 amounted to close to **1.3 million tonnes**.

SOx emissions

Based on all consumption in 2016 (both in port and at sea), Odfjell's vessels emitted on average **0.12 grams** of SOx per tonne cargo transported one nautical mile.



The fleet emitted a total of **8,300 tonnes SOx**, down from 8,600 tonnes in 2015, and 10,053 tonnes in 2014.

EEOI

Since 2008, Odfjell has calculated the Energy Efficiency Operational Indicator (EEOI) at ship and fleet levels in accordance with IMO guidelines. Including fuel consumption both in port and at sea, the EEOI for the Odfjell fleet was 17.47 grams of CO_2 per tonne cargo transported one nautical mile (g/tnm) in 2016.

The terminals ended the year with **69 spills** > five litres vs 2015 amount of 87.

69

87

KEY INITIATIVES

- Improved propulsion efficiency
- Fresh water production by using reversed osmosis technology on vessels
- Weather routing/route optimisation for vessels
- Intermediate hull cleaning and propeller polishing
- Ship energy efficiency management plan (SEEMP)
- Fleet performance system
- Environmental management system plan for vessels
- Waste minimisation at terminals
- Emission reduction programs at terminals
- Improved ship recycling procedures
- ISO certifications
- Biodiversity support in the Philippines

The terminals continue to implement key global standards in operational excellence, engineering, protection and maintenance, to keep reinforcing operational discipline throughout the organisation.

Risks are further mitigated by using a key control framework, effectively communicating quality and safety expectations to the entire organisation. In addition, our contractor safety programme ensures that companies working on our facilities are qualified and understand how work should be performed.

ENVIRONMENTAL IMPACT

As one of the world's leading service providers within the chemical tanker and terminal industry, Odfjell aims to be a front runner in minimising our environmental footprints. Energy efficiency programmes and a range of initiatives are in process, and the arrows are pointing in the right direction.

Improved propulsion efficiency

Odfjell's energy efficiency- and retrofitting programme continued at good pace in 2016. Still, we have a long way to go, and the total consumption of marine fuels remains unchanged compared to 2015. The unchanged consumption is due to the fleet being operated at a higher speed compared to previous years. All fuels purchased by Odfjell are externally tested. Test results of the fuel purchased in 2016 (all fuel grades) indicate the average weighted sulphur content at 2.0% compared to 1.9% in 2015. The global limit in 2016 was 3.5%. Our Carbon Disclosure Project climate change score is set at Performance band C.

As part of our propulsion line upgrade for the Kvaerner and Poland class vessels, we are introducing new energy efficient propeller blades, rudder-bulb, and perform technical upgrades of the main engine, turbo chargers and shaft generator gear. The savings have been confirmed by full scale sea trials. Four vessels were retrofitted in 2015, nine in 2016, and the remaining six are scheduled for upgrade in 2017.

The retrofitted vessels are now among the most energy efficient chemical tankers in the world – achieving the highest score on the RightShip energy rating, A+.

Fresh water production

Our fresh water production project continues: Reversed osmosis plants were installed on 14 vessels in 2016, bringing the number up to a total of 20 vessels in our fleet. The plants reduce consumption on auxiliary boilers by enabling more energy efficient production of fresh water, and we expect this initiative to reduce tank cleaning time as well. In 2017 we plan to retrofit plants on an additional three vessels.

Weather routing

A weather routing concept - utilising both internal and external resources - has been in use since 2009. The concept is applicable for both our owned fleet and the time-chartered fleet.

Weather routing effects in 2016

Intermediate hull cleaning and propeller polishing

Hull cleaning and propeller polishing between dry-dockings further improve our vessels' energy efficiency. This practice has been continuously improved since 2013, resulting in significant reductions of fuel consumption – and thus of CO_2 and SOx.

In addition to normal dry-dockings, 70 underwater service operations (propeller polishing and/or hull cleaning) were conducted in 2016, with the aim to further improve the energy efficiency of the fleet.

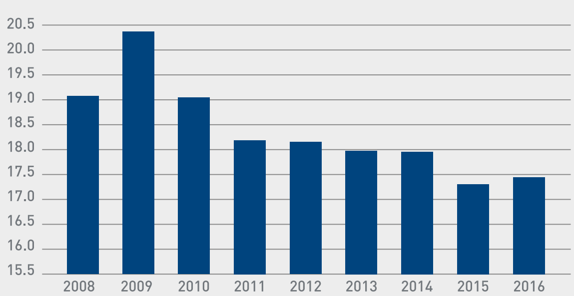
Substantial savings in terms of both CO_2 and SOx emissions have been realised.

SEEMP, fleet performance and environmental management system plan

Since the implementation in 2013, the Ship Energy Efficiency Management plan (SEEMP) enables us to implement specific counter measures if a negative energy efficiency trend occurs. From 2015, this also includes quarterly auto-generated energy efficiency reports on all vessels, including the externally managed fleet.

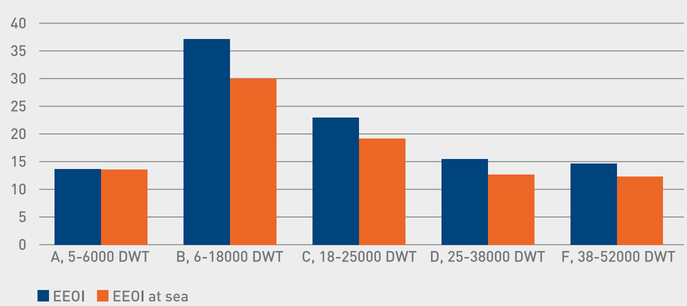
EEOI TREND FOR THE ODFJELL FLEET

Gram CO_2 per tonne cargo transported 1 nautical mile



ENERGY EFFICIENCY OPERATIONAL INDICATOR (EEOI)

Gram CO_2 per tonne cargo transported 1 nautical mile (main ship groups)



IMS Diving performing propeller polishing on Bow Tribute

Odfjell's unique alert based fleet performance system utilises dashboard technology for constant shore based monitoring of the fleet's energy efficiency.

This system, in combination with retrofitting reversed osmosis plants, has led to a consumption reduction on boilers of 38% at sea and 21% in port, equaling 6,000 tonnes fuel or 17,000 CO_2 annually. To further reduce the probability of pollution, Odfjell cooperates with US authorities to enhance our Environmental Management System plan (EMSP). The plan addresses hardware solutions, procedures, and environmental awareness.

Waste minimisation and emission reduction programmes at terminals

Throughout our organisation, we strive to reduce waste by modifying processes for waste segregation, recycling and disposal. Our facility in Houston maximises the recycling programme by waste segregation, and our terminal in Rotterdam has installed a new boiler system that improves efficiency and sustainability by utilising waste gas from ship transfer and tank usage, as an energy source. This reduces our CO_2 footprint at our terminals.

Vapour recovery systems are now utilised at terminals in Asia as well as Europe and America, and the process of installing equipment to reduce fugitive emissions is ongoing. These systems cut emitted pollutants and reinforce Odfjell Terminals' commitment to the communities in which we operate. We have started the process of reducing fugitive emissions by installing equipment such as double seals on our pumps and emission free valves on our gas condensate project. We continue to prioritise these systems to ensure that we minimise emissions during operations.

Ship recycling

Odfjell has implemented thorough procedures to secure that the ship recycling process is executed in a safe manner for the environment and personnel involved.

Odfjell regularly audits recycling yards, use BIMCO's new standard recycling contract (RECYCLECON), and we require that the yards follow a ship recycling plan. A recognised third party authority, Lloyds', performs an on board survey and issue an IHM (Inventory of Hazardous Materials) statement of compliance. This includes an inventory of materials that could potentially harm environment or personnel during the recycling. To date, 23 of our ships have been certified, another four are due in 2017. In addition, we obtain 'Green Passports' for all ships before the age of 25.

The yards Odfjell uses are certified as compliant with the Hong Kong Convention and the 2012 Guidelines for Safe and Environmentally Sound Ship Recycling.

ISO certification

International standardisation continues to be a focus across the organisation. Odfjell Ship Management holds an ISO 14001 certification, covering 45 vessels under own management. This certification identifies relevant environmental considerations and lists key issues to be followed up in an environmental programme. All terminals are also compliant with the internal national standards ISO 14001, ISO 9001 and the Chemical Distribution Institute-Terminals (CDI-T). The terminals are audited by a third party to ensure confirmation to these standards. The terminals work to mitigate risks globally through the use of a key control framework that effectively communicates expectations to the entire organisation.

Odfjell Terminals continues to develop key global standards in operational excellence, engineering, and maintenance to continue to reinforce operational discipline across the organisation.

Supporting biodiversity in the Philippines
The Odfjell employees in the Philippines take an active part in local tree-planting, in cooperation with the non-profit, non-governmental organisation Fostering Education & Environment for Development (FEED). FEED initiates scientific and practical research, social forestry programmes, and community development initiatives to grow, preserve and protect Philippine biodiversity.

SOCIAL RESPONSIBILITY

Empowering our employees
A competent, secure and professional personnel on shore and on board is vital for Odfjell's well-being and success, today and in the future. In line with our commitment to support and enhance our personnel's competencies, we executed the following programmes in 2016:

- Leadership- and Followership Development Programme for seafarers
- Effective Communication Workshop, developed for crewing staff in frequent contact with seafarers
- Safety Refresher Training, as stipulated in the new International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW)
- New Odfjell Diploma of Competency (ODoC). In line with STCW and patterned from the Norwegian system of certifying able-bodied seamen and motormen (Fagbrev)
- 3,015 Course Manned Days (CMD) for in-house courses
- 9,870 CMD for external courses

Supporting local communities
We are dependent on our competent, safe and professional personnel, and in effect also dependent on viable local communities in the countries where we operate.

In 2011, Odfjell signed up for UNGC, the world's largest corporate sustainability initiative. Odfjell works to facilitate an efficient implementation of UNGC's ten principles in the areas of human rights, labour rights, environment, and anti-corruption. We submit an annual Communication on Progress (COP) report, including current and new goals for the coming period. These reports can be found at Odfjell.com.

Since 2014, Odfjell has contributed with a three year financial support programme for the Norwegian Church Aid's work in Puntland, Somalia. The aim is to give former pirates vocational and business training, and enable them to establish a new, sustainable livelihood. The Norwegian Church Aid also conducts local information campaigns, encouraging the community to dissociate from piracy, thereby reducing the piracy recruitment among the younger generations.

To further support the local community and to help sustain the maritime industry in the country, Odfjell is hiring crew from the Philippine orphanage Boys Town. This opens new opportunities for less fortunate students, and inspires seafaring interest in the community.

GOVERNANCE AND COMPLIANCE

Our employees' wellbeing and safety are paramount. Odfjell does not tolerate discrimination or harassment of any kind, every employee shall be treated with respect and dignity.

Odfjell's Code of Conduct's chapter Non-discrimination was extended and renamed to Sexual & Other Unlawful Harassment in 2016. Every employee shall be given equal opportunities for development of skills, new challenges and promotions, irrespective of gender, ethnicity, religion, age, sexual orientation, disability or culture.

A Corporate Compliance Manager (CMM) and an Environmental Compliance Officer (ECO) were established for Ship Management (SM) in 2016, in addition to the existing Designated Person function and Compliance Officers of Odfjell. The CCM and ECO are applicable to all SM employees on board and on shore, and ensure conformity with the requirements of ISO 14001:2014 and the Environmental Management System Plan.

System audits

Odfjell has implemented compliance monitoring programme via internal system audits. The programme focuses on internal financial control, IT security and compliance with our QHSE and CSR requirements. Corporate QHSE conducts these internal system audits, with the support of Finance and IT. The audits are conducted on operative and staff units, to ensure compliance with corporate and management level requirements and guidelines. 12 internal system audits, including seven audits of owned or managed terminals and four audits of overseas offices were carried out in 2016.

In addition, a large number of other internal, external and customer audits are conducted within operative units and on our vessels on a regular basis. These audits are most often triggered by regulatory requirements, certificates or contracts. None of the external audits resulted in withdrawal or suspension of certificates or contractual cancellations in 2016.

Anti-corruption programme

Odfjell's Anti-Corruption council was established in 2012. Since 2013, we have been a member of the Maritime Anti-Corruption Network (MACN), a global business network working to eliminate corrupt practices in the maritime industry, and participated in the network meetings.

Odfjell's anti-corruption programme has focused on actions after EY's health-check for anti-corruption. This health check is based on best practice, and all actions were closed in 2016. Odfjell has also signed a contract with an integrity software provider. This solution will integrate ethics and anti-corruption training, policy signing, documentation and monitoring.

Major activities in 2016 were related to risk assessment, whistle-blowing policies, Corporate Supplier Conduct Principles, Code of Conduct implementation, Integrity due diligence, audits and establishment of training and signing programme.

Security and piracy

Piracy and armed robberies continue to be a challenge for international shipping. The main areas of concern are the Gulf of Guinea, particularly Nigerian waters, Somalia and adjacent waters, as well as Southeast Asia, with emphasis on Indonesia and the Sulu Sea. Privately contracted security personnel are being used to protect some transits. Armed robberies and hijackings in the Far East have become a concern, particularly the recent kidnap-for-ransom strategy employed by the Abu Sayyaf group in the southern Sulu Sea. Increased measures have been implemented on relevant Odfjell managed ships.

Refugees

Refugees crossing the central and eastern Mediterranean Sea is a major concern. Odfjell ships transiting the area are frequently equipped and prepared to participate in search and rescue operations to assist refugee vessels in distress.

Odfjell seeks to differentiate ourselves by operational excellence and the highest service level. We ship and store products that are used throughout the world on a day to day basis, but these products can also endanger the life of people and the environment if handled inappropriately. We have a great responsibility, and continue to strive for sustainability by implementing thorough QHSE and CSR measures for our global organisation.

WE DO NOT COMPROMISE ON SAFETY.

ODFJELL Global SAFETY DAY
- a global event both at sea and on shore

LTIF[1] Ships managed by Odfjell

Target	2014	2015	2016
1.0	0.71	0.72	0.88

TRCF[2] Ships managed by Odfjell

Target	2014	2015	2016
3.50	2.94	2.60	1.76

LTIF[1] Terminals operated managed by Odfjell

Target	2014	2015	2016
0.30	0.80	0.30	0.26

[1] Lost Time Injury Frequency
[2] Total Recordable Case Frequency

CORPORATE GOVERNANCE

Odfjell SE (Odfjell or the Company), which is the parent company in the Odfjell Group of companies (the Group), is established and registered in Norway and is governed by Norwegian law, including laws and regulations pertaining to companies and securities. The Group has the aim of complying with all relevant laws and regulations in all jurisdictions it operates in, as well as the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES) on 30 October 2014 (the Code of Practice or the Code).

The Company's Board of Directors has on 8 February 2017 approved the Corporate Governance Policy as the Company's policy for sound corporate governance in accordance with the Code of Practice. This statement is in compliance with the Corporate Governance Policy approved by the Board of Directors.

BACKGROUND AND APPLICABLE REGULATIONS

The Company is a SE company (Societas Europaea) subject to the Norwegian Act no. 14 of 1 April 2005 relating to European companies as well as the Norwegian Public Limited Liability Companies Act. The Company is listed on the Oslo Stock Exchange, and thus subject to Norwegian securities legislation and stock exchange regulations.

The Norwegian Public Limited Liability Companies Act section 5-6 (4) requires that the Annual General Meeting approves the statement of Corporate Governance. Consequently, this report will be presented to the Annual General Meeting.

In accordance with the Norwegian Accounting Act section 3-3 b, Odfjell is required to give a statement on our corporate governance. The information required by the Accounting Act is included below:

'An overview of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise choose to comply with' is included in section 1 below.

'Information on where the recommendations and regulations mentioned in no. 1 are available to the public' is included in section 1 below.

'Reasons for any non-conformance with the recommendations mentioned in no. 1' is covered under sections 4 and 7 below.

'A description of the main elements in the enterprises, and for entities that prepare consolidated financial statements, also the Group's (if relevant) internal control and risk management system linked to the financial reporting process' is covered under section 10 below.

'Articles of Association which entirely or partly expand or depart from provisions of Chapter 5 of the Public Limited Liability Companies Act' is covered under section 6 below.

'The composition of the Board of Directors, the Corporate Assembly, the Committee of Shareholders' Representatives and the Control Committee and any working committees related to these bodies, as well as a description of the main instructions and guidelines that apply to the work of the bodies and any committees' is covered under sections 8 and 9 below.

'Articles of Association governing the appointment and replacement of Directors' is covered under section 8 below.

'Articles of Association and authorisations empowering the Board of Directors to decide that the enterprise is to buy back or issue its own shares or equity certificates' is described in section 3 below.

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The framework for corporate governance is the Norwegian Code of Practice for Corporate Governance was last updated 30 October 2014. The code can be found at Nues.no. The Code is based on a principle of 'comply or explain', implying that eventual deviations from the Code shall be explained.

Odfjell is committed to ethical business practices, honesty, fair dealing and compliance with all laws and regulations affecting our business. This includes adherence to high standards of corporate governance. The Board of Directors reviews on an annual basis the Company's Corporate Governance Policy.

In addition to the Company's Corporate Governance Policy, Odfjell has a Corporate Social Responsibility Policy encompassing a strong focus on quality, health, safety and care for the environment as well as human rights, non-discrimination and anti-corruption. The Company's Corporate Code of Conduct also addresses several of these issues. All Odfjell employees are obliged to comply with the Corporate Code of Conduct. The Company's Corporate Governance Policy, Corporate Social Responsibility Policy and Corporate Code of Conduct can all be found on the Company's website.

The statement below describes Odfjell's compliance in respect of each of the elements of the Norwegian Code of Practice for Corporate Governance, including explanation of any deviations.

Deviations from the Code: None

BUSINESS

Odfjell is a leading company in the global market for transportation and storage of bulk liquid chemicals, acids, edible oils and other special products. Odfjell owns and operates chemical tankers and LPG/Ethylene carriers in global and regional trades as well as a joint venture network of tank terminals.

Article 3 of Odfjell's Articles of Association states: The object of the Company is to engage in shipping, ship agency, tank terminals, real estate, finance and trading activities, including the transportation of freight in the Company's own vessels or chartered vessels, the conclusion of freight contracts, co-ownership agreements and cooperation agreements, ownership and operation of tank terminals, as well as investment and participation in other enterprises with a similar object and other activities related thereto.

The Article of Association can be found on the Company's website: Odfjell.com/AboutOdfjell/CorporateGovernance. The Company's Mission Statement and strategy can be found on page 7 of this Annual Report.

The Company's strategy is to maintain its position as a leading logistics service provider for customers across the world through the safe and efficient operation of deep-sea and regional chemical tankers, LPG/Ethylene carriers and tank terminals worldwide.

Deviations from the Code: None

EQUITY AND DIVIDENDS

Equity

Odfjell shall maintain an equity base deemed sufficient to support the Company's objectives and strategy, and to be able to withstand a prolonged period of adverse market conditions. The normal target is that the equity ratio for the Group shall remain between 30% and 40% of total assets. The Group had book equity of USD 719 million as of 31 December 2016, corresponding to an equity ratio of 38.2% using the equity consolidation method.

Subscription rights

There are currently no outstanding subscription rights as of 31 December 2016. The issuance of subscription rights must be approved by the General Meeting.

Dividend policy

Odfjell aims to provide competitive long-term return on the investments for its shareholders. The Company embraces an investor-friendly dividend policy, and targets regular dividend payments at a sustainable level.

The Board of Directors may be authorized by the General Meeting to pay dividends based on the annual accounts.

Mandates granted to the Board of Directors

According to the Norwegian Code of Practice for Corporate Governance, mandates granted to the Board of Directors to increase the Company's share capital shall be restricted to defined purposes. Mandates granted to the Board shall be limited in time to no later than the date of the next Annual General Meeting.

Power of Attorney to the Board of Directors to increase the share capital

The Board has not been assigned authority to issue new shares. Any such mandate must be approved by the General Meeting and shall be limited in time until the next Annual General Meeting.

Power of Attorney to acquire own shares

The Annual General Meeting on 9 May 2016 re-authorized the Board of Directors to acquire treasury shares limited to 17,353,788 shares with a total nominal value of NOK 43,384,474. However, the Company may not at any time own more than 10% own shares. The minimum and maximum price that is payable for the shares is respectively NOK 2.50 and NOK 250.

Within this mandate, the Board decides if and in what way the own shares shall be acquired and sold. New own shares can be acquired as compensation for own shares that are sold. Both the Company and its subsidiaries can acquire shares in the Company.

The present authorization is valid until the next ordinary General Meeting, but at any rate not longer than until 30 June 2017.

Deviation from the Code: None.

EQUAL TREATEMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Class of shares

The Company's share capital is NOK 216,922,370 , divided between 65,690,244 class A-shares each with a nominal value of NOK 2.50, and 21,078,704 class B-shares each with a nominal value of NOK 2.50. The Company's shares shall be registered with the Norwegian Central Securities Depository (VPS).

Only holders of class A-shares shall have voting rights at Annual and Extraordinary General Meetings. In all other respects, the two classes of shares are equal, and have the same rights to dividends. In the event of issuance of bonus shares, holders of class A-shares shall be entitled to new class A-shares and holders of class B-shares shall be entitled to new class B-shares unless otherwise decided by the General Meeting.

The existence of two classes of shares is due to historical reasons. This is no longer a common practice on the Oslo Stock Exchange.

Transactions in own shares

Any transactions carried out by the Company in own shares shall be conducted over the Oslo Stock Exchange or at prevailing arm's length prices if carried out in any other way. Such transactions will be reported to the Oslo Stock Exchange and to the wider market through immediate stock exchange releases and press releases.

Transactions with close associates

Any not immaterial transaction between the Company and any shareholder, Board Member, member of Management or any related party of these shall be reviewed by an external third party before being concluded. Material agreements shall be approved by the General Meeting according to the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be obtained in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

Members of the Board of Directors and Management shall in advance notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company. In such cases they are deemed biased and not eligible to participate in the discussions or decisions.

The Board has established a policy in respect of share trading. The policy is in line with the Guidelines for Insiders issued by the Oslo Stock Exchange and applies to all employees who in connection with their work may gain access to price sensitive non-public information.

Deviation from the Code: Odfjell SE has two classes of shares due to historical reasons.

FREELY NEGOTIABLE SHARES

The Company's shares are listed on the Oslo Stock Exchange and are freely negotiable. There is no form of restriction or pre-emptive rights affecting negotiability included in the Company's Articles of Association. The Board is not aware of any agreements that may secure any shareholder beneficial rights to own or trade shares at the expense of other shareholders. The shares are registered in the Norwegian Central Securities Depository (VPS).

Odfjell has a self-declared trade-prohibition period for Primary Insiders starting the day the reporting period ends (31 March, 30 June, 30 September and 31 December) and lasting to the public release of the periodic report. This means that, during this trade-prohibition period, Primary Insiders are prohibited from trading in financial instruments issued by and/or relevant to Odfjell, or by companies in the same group.

Deviation from the Code: None.

THE GENERAL MEETINGS OF SHAREHOLDERS

Articles 7 and 8 of the Company's Articles of Association regulates the agenda of the Annual General Meeting, notice period and attendance.

The Board is responsible for convening both Annual and Extraordinary General Meetings. The Company shall arrange for the Annual General Meeting to be held within six months of the end of each financial year. Extraordinary General Meetings may be called in accordance with the provision of the Norwegian Limited Liability Companies Act.

The General Meeting shall elect a Chairman of the Meeting.

The Chairman of the Board, representatives of the Board, the nomination committee, the Company's auditor and representatives from the Management shall participate in the Annual General Meeting.

The Annual General Meeting represents an important venue for the Board to meet and discuss with shareholders face-to-face and to decide on important issues such as dividend payments, election and re-election of Board Members and the appointment of the auditor.

The notice convening the meeting and other documents regarding the General Meeting shall be available on the Company's website no later than 21 days before the date of the General Meeting. The notice shall provide sufficient information on all resolutions to be considered by the General Meeting, voting instructions and how to vote by proxy.

When documents concerning matters that are to be considered by the General Meeting have been made available to the shareholders on the Company's website, the requirement of the Norwegian Public Limited Liability Companies Act that the documents shall be sent to shareholders does not apply. This also applies to documents that are required by law to be included in or enclosed with the notice of the General Meeting. A shareholder may nonetheless ask to have documents sent that concern matters to be considered by the General Meeting. Shareholders who wish to attend the General Meeting must notify the Company no later than five days before the General Meeting. It is possible to register for the Annual General Meeting by mail, e-mail or fax.

Matters discussed at the General Meeting are restricted to those set forth in the agenda. The following matters shall be the business of the Annual General Meeting:

- Adoption of the annual accounts and the Board of Directors' report
- Application of any profit for the year or coverage of any loss for the year in accordance with the adopted balance sheet, and the declaration of dividend
- Election of members of the Board of Directors
- Adoption of the remuneration of the Board of Directors
- Any other matters that by law or pursuant to the Company's Articles of Association or as stated in the notice of the Annual General Meeting

The Board and the person that chairs the General Meeting shall organise the election of Board Members in such a manner that the shareholders can vote on each of the proposed candidates separately.

Proposals that shareholders wish the General Meeting to consider must be submitted in writing to the Board of Directors in sufficient time to be included in the notice of the General Meeting.

Deviations from the Code: None.

NOMINATION COMMITTEE

The Company has a Nomination Committee regulated by Article 9 of the Articles of Association. The General Meeting shall elect the Committee Chairman and members, determine their remuneration, and determine guidelines for the duties of the Nomination Committee.

According to Article 9, the Nomination Committee shall consist of three members, of which at least one member shall be independent of the Board and the Company's senior management. According to the Code, the majority of the Nomination Committee shall be independent of the Board and Management. The Nomination Committee should be composed in a manner to safeguard the common interests of all the shareholders. The Nomination Committee shall propose candidates to the Board and also propose the remuneration to the Board Members. The Nomination Committee must justify its recommendations. The Nomination Committee shall aim to achieve a Board composition that takes sufficient consideration to the objective of generating shareholder results, independence and experience in the relevant sectors of the Group's business activities. The Nomination Committee currently consists of Arne Selvik (Chairman), Laurence Ward Odfjell and Christine Rødsæther.

In its work of suggesting new Board Members, the Nomination Committee should have contact with shareholders, members of the Board and the Company's Management.

Deviation from the Code: The majority of the Nomination Committee is not independent of the Board.

BOARD OF DIRECTORS - COMPOSITION AND INDEPENDENCE

The Board of Directors is regulated by Article 5 of the Company's Articles of Association.

The Company's Management is organised in accordance with a single-tier system and it shall have an administrative body (Board of Directors).

The Company's Board of Directors shall consist of between five and seven members.

The Annual General Meeting shall elect the Board. According to Article 5 of the Articles of Association, the Chairman of the Board is elected by the Annual General Meeting for one year at a time. Board Members shall be elected for two years at a time.

The Company has no corporate assembly. The interests of the employees are safeguarded through an agreement between the employees and Odfjell, ensuring the involvement of employees. The employees have established a permanent Employee Representative Body. The Employee Representative Body consists of up to six representatives, partly from the tank terminal in Rotterdam, the main office in Bergen and the maritime Officers' Council.

Employee involvement at corporate level and in most subsidiaries abroad is also secured by various committees and councils, in which Management and employee representatives - both on shore personnel and seafarers - meet to discuss relevant issues.

The Board shall be composed in a manner to safeguard the joint interests of the shareholders while taking into account the Company's need for expertise, capacity and diversity. It must be taken into consideration that the Board is able to function like a collegiate body.

The Board shall also be composed such that it can act independently of special interests. The majority of the Board Members shall be independent of the Management and important business connections, and no member of Management shall be a Board Member. In addition, at least two of the Board Members shall be independent of the Company's principal shareholders, i.e. shareholders owning more than 10% of the Company's shares or votes.

Since 9 May 2016 the Board has comprised Laurence Ward Odfjell (Chairman), Christine Rødsæther, Åke Gregertsen, Annette Malm Justad, Jannicke Nilsson, Klaus Nyborg and Hans Smits. Laurence Ward Odfjell and related parties control a significant shareholding in Odfjell SE. Åke Gregertsen, Christine Rødsæther, Klaus Nyborg, Annette Malm Justad, Jannicke Nilsson and Hans Smits are independent Board Members. Even though Åke Gregertsen does not meet all the requirements for independence in the Norwegian Corporate Governance Board (NUES), he performs his duties independently as Board Member. The Company believes that the Board is well positioned to act independently of the Company's Management and exercise proper supervision of the Management and its operations.

The annual report and the Company's home page contain a presentation of the Board of Directors and details of the shareholdings of all Directors, as well as information on the experience, expertise and capacity of the Board Members.

Two of the existing Board Members, Åke Gregertsen and Klaus Nyborg, are up for election at the 2017 Annual General Meeting.

The proportionate representation of gender of the Board is within the legislated target.

Deviation from the Code: None

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The Company shall be led by an effective Board with collective responsibility for the success of the Company. The Board represents and is responsible to the Company's shareholders.

The Board's obligations include strategic management of the Company, effective monitoring of the Management, control and monitoring of the Company's financial situation and the Company's responsibility to, and communication with, the shareholders. The Board is ultimately responsible for determining the Company's objectives, and for ensuring that necessary means for achieving them are in place. The Board of Directors determines the Company's strategic direction and decides on matters of significant nature in relation to the Company's overall activities. Such matters include strategic guidelines and possible changes to the strategic business model, approval of the budgets as well as decisions on major investments and divestments. Furthermore, the Board ensures a correct capital structure and defines the dividend policy. The Board also appoints the CEO and determines his/her remuneration.

The Board shall ensure that the Company is well organised and that activities are managed in accordance with relevant laws and regulations, the Company's objectives pursuant to the Articles of Association and the applicable guidelines set by the shareholders through the General Meeting.

It is the responsibility of the Board to ensure that the Company, its management and employees operate in a safe, legal, ethically and socially responsible manner. To emphasize the importance of these issues, a company specific Corporate Social Responsibility Policy and a Corporate Code of Conduct have been decided and implemented and apply to all throughout the organisation. The Corporate Code of Conduct focuses on aspects of ethical behavior in day-to-day business activities. The Company also adheres to the UN Global Compact and reports its Corporate Social Responsibility performance accordingly.

The Board shall perform such reviews which it deems necessary to fulfill its tasks. The Board shall also perform reviews requested by one or more Board Members.

Members of the Board of Directors shall notify the Board in advance if they have any direct or indirect not immaterial interest in any transaction planned to be entered into by the Company. In this case they are biased and not eligible to participate in the discussions. A deputy Chairman shall be elected to function as Chairman of the Board when the Chairman of the Board for such or other reasons cannot or should not lead the Board's work.

The Board shall plan its work as well as the work of the Management through the integrated management cycle. The roles of the Board and the CEO are separate and the allocation of responsibilities specified in writing through existing chart of authorities and job descriptions.

Each year the Board shall evaluate its performance over the previous year. The Board shall evaluate its own efforts, the performance of the Committees and the individual Board Members. In order for the evaluation to be effective, the Board shall set objectives at both collective and individual levels which the performances shall be measured against. The results from the evaluation will not be made public, but shall be available to the Nomination Committee.

The Board held eight ordinary meetings and 12 extraordinary meetings in 2016, with 90% Director attendance. The Board carried out a self-assessment of its work.

AUDIT COMMITTEE

The Audit Committee is elected by the Board and consists of minimum two Board Members; currently Åke Gregertsen (Chairman), Jannicke Nilsson and Klaus Nyborg. The Audit Committee reports to, and acts as a preparatory and advisory working committee for the Board. The Audit Committee acts according to an audit charter. The Company's auditor, CFO/SVP Finance, VP Financial Control, Chief of Staff and Business Controller usually attend the committee's meetings.

The establishment of the Committee does not alter the Board's legal responsibilities or tasks.

Deviation from the Code: None.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal controls and the systems should also encompass the Company's corporate values and ethical guidelines.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. The risk management process and the system of internal control of Odfjell shall be sufficient to ensure safe, controlled, legal and ethical business conduct and operations in all its activities around the world.

Business strategies are prepared at regional level and approved by the Board. In addition, the Board attends annual budgeting and strategic planning processes. Financial forecasts are prepared every quarter. Actual performance is compared to budget, latest forecast and prior year on a monthly basis. Significant variances are investigated and explained through normal monthly reporting channels.

The Company has established an organisational structure supporting clear lines of communication and accountability, and rules for delegation of authority that specify responsibility.

The Company focuses strongly on regular and relevant management reporting of both operational and financial matters, both in order to ensure adequate information for decision-making and to quickly respond to changing conditions. Evaluation and approval procedures for major capital expenditure and significant treasury transactions are established.

The Board receives monthly reports on the Company's financial performance and status reports on the Group's key individual projects. The Group also regularly conducts internal audits of individual units' adherence to systems and procedures.

Financial performance is also reported on a quarterly basis to the Board and to the Oslo Stock Exchange.

The Company's Board is kept updated on Management and Company activities through reporting systems, including the monthly reports. A safety (QHSE) update is normally the first item on the agenda of all ordinary meetings of the Board of Directors.

Odfjell's Compliance Officer monitors that the Company and its employees act in accordance with applicable laws and regulations, the Company's Code of Conduct, and ensures that the Company acts in an ethical and socially responsible way. Particular focus shall be applied to competition law compliance, environmental licenses to operate, anti-corruption measures, and regular updates on new rules and regulations are issued to all relevant personnel in order to ensure continuous compliance. The Compliance Officer reports directly to the CEO.

The Company also regularly conducts internal audits of individual units' adherence to systems and procedures. The internal audit department provides additional assurance to the Board and the Audit Committee that key controls are operating as intended. The Company is also subject to external control functions, including auditors, ship classification societies, customer vettings, port and flag state control, and other regulatory bodies including the IMO.

Deviation from the Code: None.

BOARD MEMBERS' REMUNERATION

The remuneration of the Board shall reflect the Board's responsibilities, expertise, time commitment and the complexity of the Company's activities.

Remuneration to Board Members shall be determined by the shareholders at the General Meeting. The Nomination Committee shall provide recommendations and give its reasons therefore to the General Meeting for annual remuneration to all Board Members.

Board Members are encouraged to own shares in the Company, and can be paid part of their remuneration in shares.

Members of the Board do not take part in any incentive or share option schemes. The remuneration of the Board of Directors is not linked to the Company's performance. Board Members should not take on assignments for the Company.

Information regarding all remuneration to the individual Board Members shall be provided in the annual report. If remuneration has been paid in addition to normal directors' fees, this shall be specifically identified.

Deviation from the Code: None.

MANAGEMENT REMUNERATION

Pursuant to Section 6–16 a) of the Norwegian Public Limited Companies Act, the Board of Directors has issued a statement regarding the determination of salaries and other remuneration for the Management. The statement is disclosed in note 22 to the annual accounts and as a separate document presented to the Annual General Meeting.

Management shall be offered competitive terms of employment in order to ensure continuity in the Management and to enable the Company to recruit suitably qualified personnel. The remuneration shall not be of such a nature or magnitude that it may impair the Company's interest or reputation.

A basic, fixed salary is the main component of the remuneration. However, in addition to the basic salary other supplementary benefits may be provided, including, but not limited to, payments in kind, incentive/recognition pay, termination payments and pension and insurance schemes.

Deviation from the Code: None.

INFORMATION AND COMMUNICATION

Through its Corporate Governance Policy, the Board has implemented guidelines for disclosure of Company information. Reporting of financial and other information shall be based on openness and equal treatment of all interested parties. The Company provides shareholders and the market as a whole with information about the Company. Such information takes the form of annual reports, quarterly reports, stock exchange bulletins, press releases, information on the Company website and investor presentations when appropriate. The Company seeks to treat all shareholders equally in line with applicable regulations. Information distributed through the Oslo Stock Exchange, or otherwise in press releases, is published simultaneously on the Company's website, Odfjell.com. The Company aims to hold regular presentations. The financial calendar is available through stock exchange announcements and on the Company's website.

Open investor presentations are held at least twice a year in connection with Odfjell's quarterly reports. The CEO reviews and makes comments on results, market developments and prospects. Odfjell's Senior Vice President Finance/CFO also participates in these presentations.

The presentations of the annual and quarterly reports are published via Oslo Stock Exchange and posted on the corporate website at the same time as presented. The annual and mid-year results are presented via a live presentation, whereas reports following publication of first and third quarter results are made available through webcasts. Odfjell also maintains an ongoing dialogue with, and make presentations to, selected analysts and investors. Care is taken to secure impartial distribution of information when dealing with shareholders, investors and analysts.

The Board shall ensure that the Company's quarterly and annual financial statements provide a correct and complete picture of the Group's financial and business position, including the extent to which operational and strategic goals have been achieved.

The Chairman of the Board shall ensure that the views of the shareholders are communicated to the entire Board.

Deviation from the Code: None.

TAKE-OVERS

During the course of any take-over process, the Board and Management shall use their best efforts to ensure that all the shareholders of the Company are treated equally. The Board shall also use its best efforts to ensure that sufficient information to assess the takeover bid is provided to the shareholders.

In the event of a take-over bid for the shares in the Company, the Board shall not seek to prevent or obstruct take-over bids for the Company's activities or shares, unless there are particular reasons for such actions. The Board shall not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the General Meeting following announcement of the bid. In particular, the Board shall in such circumstances not without the prior approval of the General Meeting (i) issue shares or any other equity instruments in the Company, (ii) resolve to merge the Company with any other entity, (iii) resolve on any transaction that has a material effect on the Company's activities, or (iv) purchase or sell any shares in the Company.

If an offer is made for the shares in the Company, the Board shall issue a statement evaluating the offer and make a recommendation as to whether the shareholders should accept the offer. If the Board finds itself unable to provide such a recommendation, it shall explain and state the reasons why. The Board's statement on a take-over bid shall state whether the Board's view is unanimous, and if not, the statement shall explain the basis on which members of the Board have a deviating view. The Board shall consider whether to engage financial advisors in this respect and whether to have a valuation from an independent expert. If any member of the Board or the Management, or close associates of such persons, or anyone who has recently held such a position, is either the bidder or has a similar particular interest in the bid, the Board shall in any case arrange an independent valuation. This shall also apply if the bidder is a major shareholder in the Company. Any such valuation should be either attached to the Board's statement, be reproduced in the statement or be referred to in the statement.

Deviation from the Code: None.

AUDITOR

The Company emphasises on keeping a close and open relationship with the Company's auditor. The auditor participates in Board meetings for approval of the annual accounts. The Company's auditor shall present an annual plan for its audit work to the Audit Committee. In addition the auditor shall review and report on the Company's internal control procedures, including identify weaknesses and propose improvements. The Board shall at least once a year meet with the auditor without the Management's presence. The auditor's fees for auditing and other services are presented to the Annual General Meeting and included in the notes to the annual accounts. The Board continuously evaluates the need for written guidelines concerning the employment of the auditor for other services than audit. The Board believes that the auditor's independence of the Company's Management is assured. The auditor shall issue a written annual declaration confirming the auditor's independence.

In order to secure consistency in control and audits of the Group, Odfjell generally uses the same audit firm for all subsidiaries worldwide, and currently engages EY as the Company's independent auditor.

Deviation from the Code: None.

SHAREHOLDER INFORMATION

Odfjell's aim is to provide a competitive long-term return on the investments for its shareholders. The Company embraces an investor-friendly dividend policy, and targets regular dividend payments at sustainable levels. We comply with the code of practice for reporting and information as advised by Oslo Stock Exchange.

SHARE PERFORMANCE

At year-end 2016, Odfjell A- and B-shares were trading at NOK 29.30 and NOK 28.00 respectively, compared to NOK 28.30 and NOK 26.50 respectively at the close of 2015. In the same period the Oslo Stock Exchange Benchmark Index increased by 12% and the Transportation Index increased by 17%.

At 31 December 2016, Odfjell SE had a market capitalisation of NOK 2,277 million, which was equivalent to around USD 263 million. Including our 8.2 million treasury shares the market capitalisation was USD 291 million.

Based on the Company's 2016 results, including the profit from the sale of the Oman terminal, the Board recommends a dividend of NOK 1.50 per share, totalling NOK 117,832,950.

TRADING VOLUMES

In 2016 about 17.1 million Odfjell shares were traded; 11.5 million A-shares and 5.7 million B-shares. This represents about 20% of the issued shares. At year-end 2016 Odfjell had outstanding 65.7 million A-shares and 21.1 million B-shares.

SHAREHOLDERS

At the end of 2016 there were 1,250 holders of Odfjell A-shares and 523 holders of Odfjell B-shares. The total number of shareholders was 1,471 reflecting that some shareholders own shares in both classes.

Year end 2016 Odfjell SE held 5,891,166 A-shares and 2,322,482 B-shares as treasury shares, representing 9.5% of the issued shares.

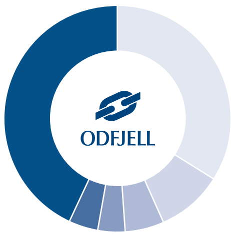
INVESTOR OWNERSHIP

64% of the Company's A-shares and 48% of the B-shares were held by international investors at the end of the year, equivalent to 60% of the total share capital.

INVESTOR RELATIONS

Accurate and timely information is of vital importance in order to create credibility and confidence. Our policy is to provide the market with all relevant information in line with statutory regulations and the recommendations of the Oslo Stock Exchange.

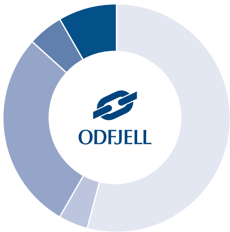
We attach great importance to ensure that shareholders receive swift, relevant and correct information about the Company. Our aim is to provide a good understanding of the Company's activities and its prospects so that shareholders are in a good position to assess the share's trading price and underlying value.



SHAREHOLDER STRUCTURE
(A- and B-share)

- 34.00% Norchem A/S
- 9.47% Odfjell SE - treasury shares
- 5.47% Svenska Handelsbanken AB
- 4.05% Morgan Stanley & Co. International
- 4.03% Rederiet Odfjell AS
- 42.98% Others

Source: VPS



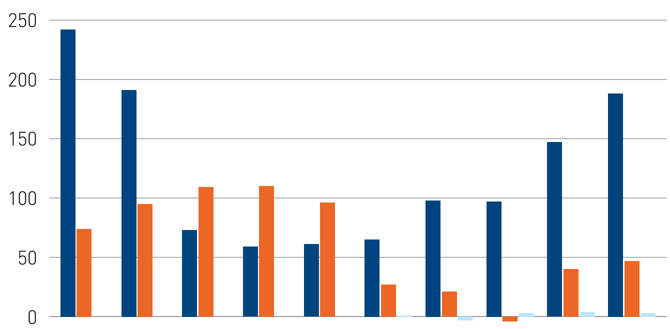
EMPLOYEES

- 1,566 Ship crew International
- 124 Ship crew Northwest European
- 816 Tank Terminals
- 147 Head office
- 237 Branch offices aboad

Total: 2,890 (Per 31 December 2016)

Source: Odfjell

EBITDA PER SEGMENT (Proportionate consolidation method)

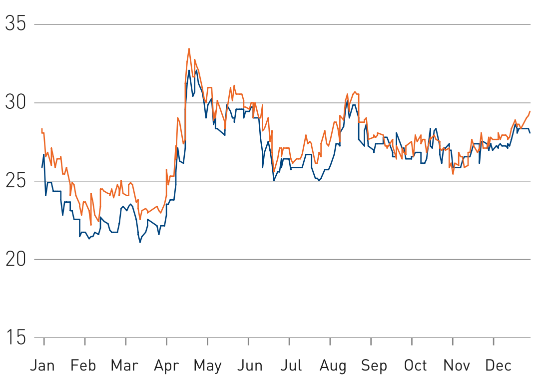


- Chemical Tankers[1]
- Tank Terminals[2]
- Gas Carriers

[1] This segment also includes 'corporate'
[2] Reflection of historical Odfjell ownership share

Source: Odfjell

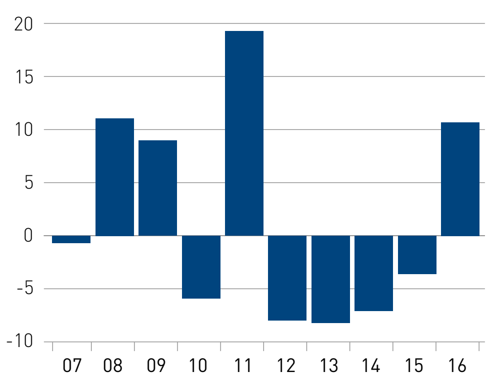
DEVELOPMENT ODFJELL SHARES 2016



- A-share
- B-share

Source: Oslo Stock Exchange

EARNINGS PER SHARE



SHARE CAPITAL HISTORY

YEAR	EVENT	AMOUNT IN NOK	SHARE CAPITAL AFTER EVENT
1986	Public offering	9 390 000	28 170 000
1986	Capitalisation bonus issue	2 817 000	30 987 000
1988	Capitalisation bonus issue	6 197 400	37 184 400
1989	Capitalisation bonus issue	7 436 880	44 621 280
1989	International private placement	10 000 000	54 621 280
1990	Capitalisation bonus issue	54 621 280	109 242 560
1994	Capitalisation bonus issue	109 242 560	218 485 120
2000	Private placement	49 267 340	267 752 460
2001	Redemption of treasury shares	-13 657 500	254 094 960
2002	Redemption of treasury shares	-25 409 490	228 685 470
2003	Redemption of treasury shares	-11 763 100	216 922 370
2004	Share split 2:1	0	216 922 370
2005	Share split 2:1	0	216 922 370
2006-2016	No events	0	216 922 370

20 LARGEST SHAREHOLDERS AS PER 31 DECEMBER 2016 (BASED ON SHAREHOLDERS ANALYSIS)

	Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1	Laurence Ward Odfjell[1)]	25 966 492	3 999 393	29 965 885	43.42 %	34.54 %
2	Odfjell SE	5 891 166	2 322 482	8 213 648	[2)]	9.47 %
3	Pareto Forvaltning	1 953 971	1 641 184	3 595 155	3.27 %	4.14 %
4	BW Euroholdings	3 284 334	230 674	3 515 008	5.49 %	4.05 %
5	Rederiet Odfjell AS	3 497 472		3 497 472	5.85 %	4.03 %
6	Odfjell Shipping Bermuda	2 750 000	715 760	3 465 760	4.60 %	3.99 %
7	Tufton Oceanic	3 182 161		3 182 161	5.32 %	3.67 %
8	JP Morgan International	1 071 400	1 600 800	2 672 200	1.79 %	3.08 %
9	Nordea Asset Management	922 763	1 668 870	2 591 633	1.54 %	2.99 %
10	Holmen Fund Management	1 700 000		1 700 000	2.84 %	1.96 %
11	KLP	1 009 585	223 534	1 233 119	1.69 %	1.42 %
12	B.O. Steen Shipping AS	239 111	870 889	1 110 000	0.40 %	1.28 %
13	Credit Suisse Private Banking	550 800	288 500	839 300	0.92 %	0.97 %
14	AS SS Mathilda	600 000	150 000	750 000	1.00 %	0.86 %
15	Svante Berger		750 000	750 000	0.00 %	0.86 %
16	Pactum AS		740 000	740 000	0.00 %	0.85 %
17	Kurt Magnus Richard Berger	732 400		732 400	1.22 %	0.84 %
18	Wimoh Invest AS		700 000	700 000	0.00 %	0.81 %
19	DNB as marketmaker	452 409		452 409	0.76 %	0.52 %
20	Bergen Communale Pensjonskasse	200 000	250 000	450 000	0.33 %	0.52 %
	Total 20 largest shareholders	54 004 064	16 152 086	70 156 150	80.46 %	80.85 %
	Other shareholders	11 686 180	4 926 618	16 612 798	19.54 %	19.15 %
	Total	65 690 244	21 078 704	86 768 948	100.00 %	100.00 %

[1)] Shares owned/controlled by Laurence Ward Odfjell
[2)] No voting rights for own shares ref. Public Limited Companies Act § 5 - 4

Source: Shareholder analysis conducted by RD:IR.

For a list of the 20 largest shareholders of 31 December 2016 from the Norwegian Central Securities Depositary (VPS), see Note 17 in Notes to the financial statements to Odfjell SE.

FINANCIAL RISK MANAGEMENT AND SENSITIVITIES

With the global market as our arena, Odfjell is exposed to a number of risk factors. Our financial strategy shall be sufficiently robust to withstand prolonged adverse conditions, including long-term downturns in our markets or challenging conditions in the financial markets.

Odfjell adopts an active approach to manage risk in the financial markets. This is achieved through funding from diversified sources, maintaining high liquidity or credit reserves, and through systematic monitoring and management of financial risks related to currencies, interest rates and bunkers.

Hedging instruments are used to reduce the Company's exposure to fluctuations in the above mentioned financial risks. At the same time, it may limit Odfjell's upside potential from favourable movements in these risk factors. We also closely monitor the risk related to market valuation of the hedging instruments, and the effect this has on the equity ratio.

EARNINGS

Earnings within the chemical tanker markets are less volatile than in many other shipping segments, since we transport a more diversified mix.

The diversity of trade lanes and the products we transport have historically provided a partial hedge against the negative impact of a general slowdown in demand. Our time-charter earnings are influenced by external factors such as global economic growth, the general ship-freight market, bunker prices and factors such as cargo type and cargo volume, trading pattern required by our customers, contract and spot rates, and operational efficiency. Time is of the essence, and optimal utilisation of the fleet and an expedient composition of cargoes, with minimal time in port, are of vital importance in order to maximise time-charter earnings.

The largest single cost component affecting time-charter earnings is bunkers. In 2016, this amounted to more than USD 102 million, equivalent to 37% of voyage costs, ignoring the effect of any bunker adjustment clauses and bunkers hedging in place. A change in the average bunker price of USD 50 per tonne equals about USD 19.8 million per year (or USD 909 per day) change in time-charter earnings.

A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the Contracts of Affreightment (CoAs). By 31 December 2016, Odfjell hedged about 7% of its 2017 bunker exposure, through swaps at an average price of about USD 224 per tonne. In addition, bunker clauses in CoAs covered above 50% of the exposure.

Sensitivity analyses show that a change in time-charter earnings of USD 1,000 per day for our chemical tankers (a roughly 4.6% change in freight rates after voyage costs) will impact the pre-tax net result by approximately USD 22 million. Odfjell is not currently engaged in the derivative market for forward freight agreements.

Our tank terminal activities have historically shown more stable earnings than our shipping activities. A substantial part of the tank terminal costs are fixed, and the main drivers for earnings within a tank terminal are the occupancy rate, the volume of cargoes handled through, and by the terminal and operational efficiency. Our terminal in Rotterdam has also a petrochemical industrial distillation (PID), providing independent toll distillation services to the petrochemical industry and contributing to positive earnings.

INTEREST RATES

All interest-bearing debt, except bonds in the Norwegian bond market and debt borne by tank terminals outside the USA, is denominated in USD. Interest rates are generally based on USD LIBOR rates. With our current interest rate hedging in place, about 19% of our loans were at fixed interest rates at year end. Total interest-bearing debt on 31 December 2016 was USD 1,042 million, while liquid assets amounted to USD 174 million, both figures excluding joint venture companies (equity method).

CURRENCY

The Group's revenues are primarily denominated in USD. Our currency exposure relates to the net result and cash flow from voyage-related expenses, ship-operating expenses and general and administrative expenses denominated in non-USD currencies, primarily NOK. We have estimated that a 10% decrease of the USD against the NOK would reduce the pre-tax 2016 result by around USD 6 million, ignoring the effect of any currency hedging in place. Tank terminals outside USA and our regional European shipping trade generate income in non-USD currencies.

Our currency hedging at the end of 2016, under which we sold USD and purchased NOK, covered about 52% of Odfjell's 2016 NOK exposure. Future hedging periods may vary depending on changes in market conditions. The average USD/NOK exchange rate for open hedging positions on 31 December 2016 for 2017 was 8.51.

FINANCING AND LIQUIDITY

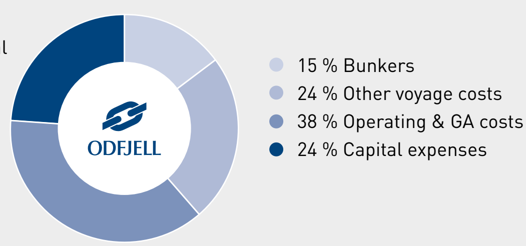
Odfjell has a stable debt structure, and borrows from major international shipping banks with which the Company enjoys long-standing relationships. The Company has a diversified debt portfolio comprising a combination of secured loans, export credit finance, finance leases and unsecured bonds. Although our experience is that funding is available to Odfjell from various sources, including the banks and the bond market, the general trend in the financial market is towards medium-term loans with a moderate leverage ratio. As a consequence, we continuously pay attention to the timely refinancing of maturing debt. The average maturity of the Group's interest bearing debt, excluding finance leases and bonds, is about four years.

TAX

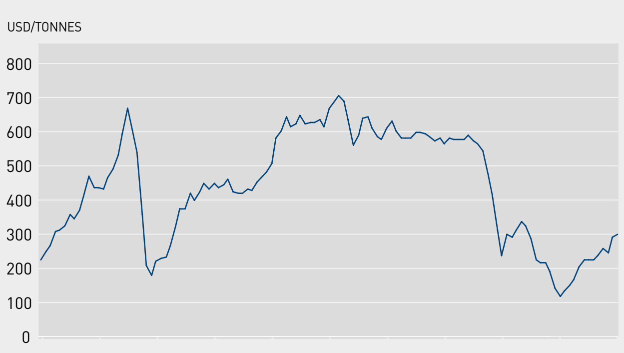
The Odfjell Group operates within a number of jurisdictions and tax regimes, including the Norwegian tonnage tax system and the Approved International Shipping system in Singapore. In addition we operate under local tax systems in Chile, Brazil and Bermuda. Our tank terminal activities are generally subject to the ordinary corporate tax rates within the country in which the activity is located.

COST ANALYSIS

The major cost components of a typical large Odfjell chemical tanker

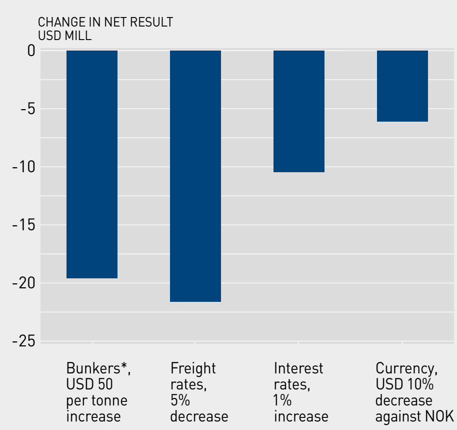


BUNKERS (3.5% barges Rotterdam)



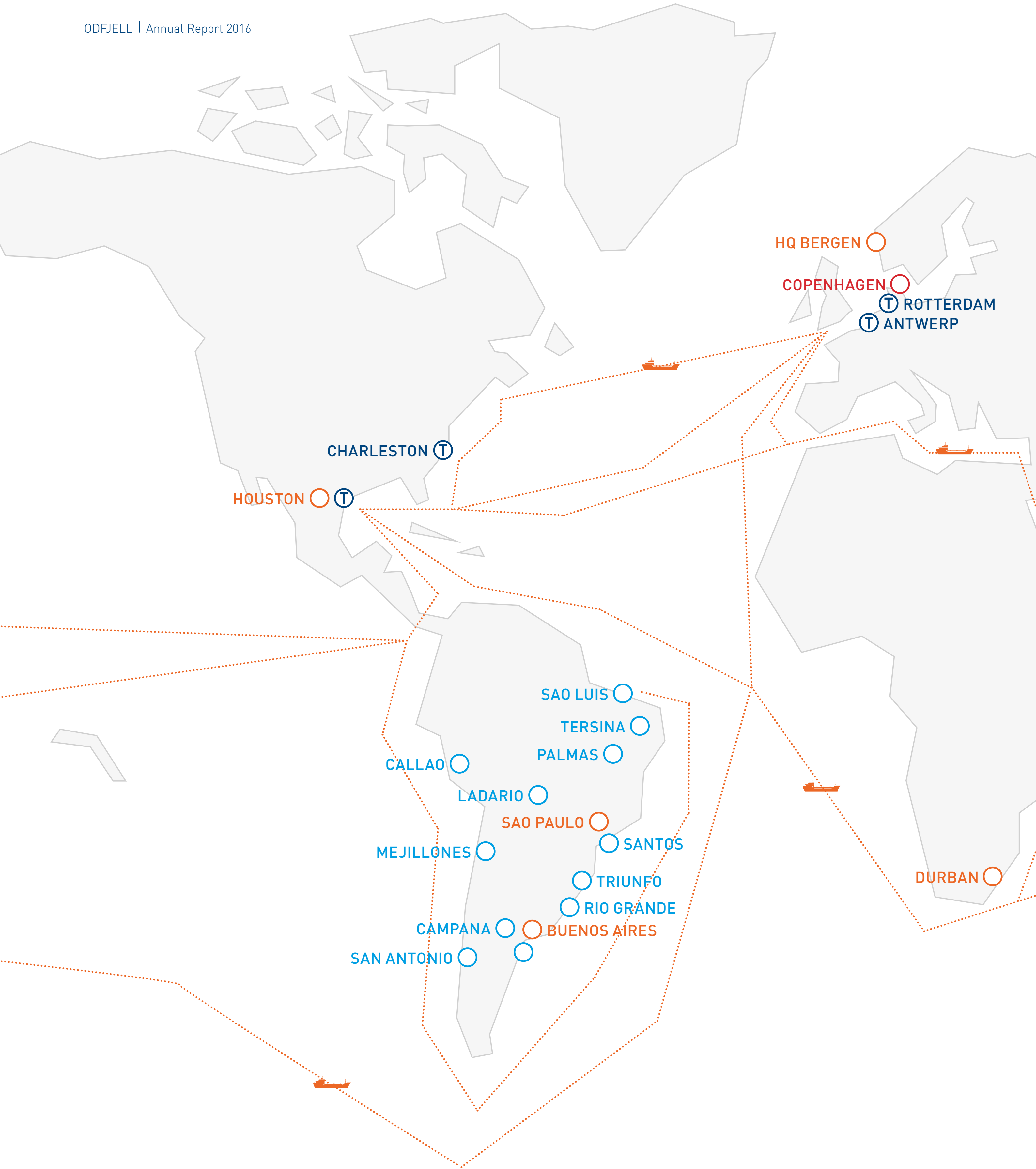
Source: Bloomberg

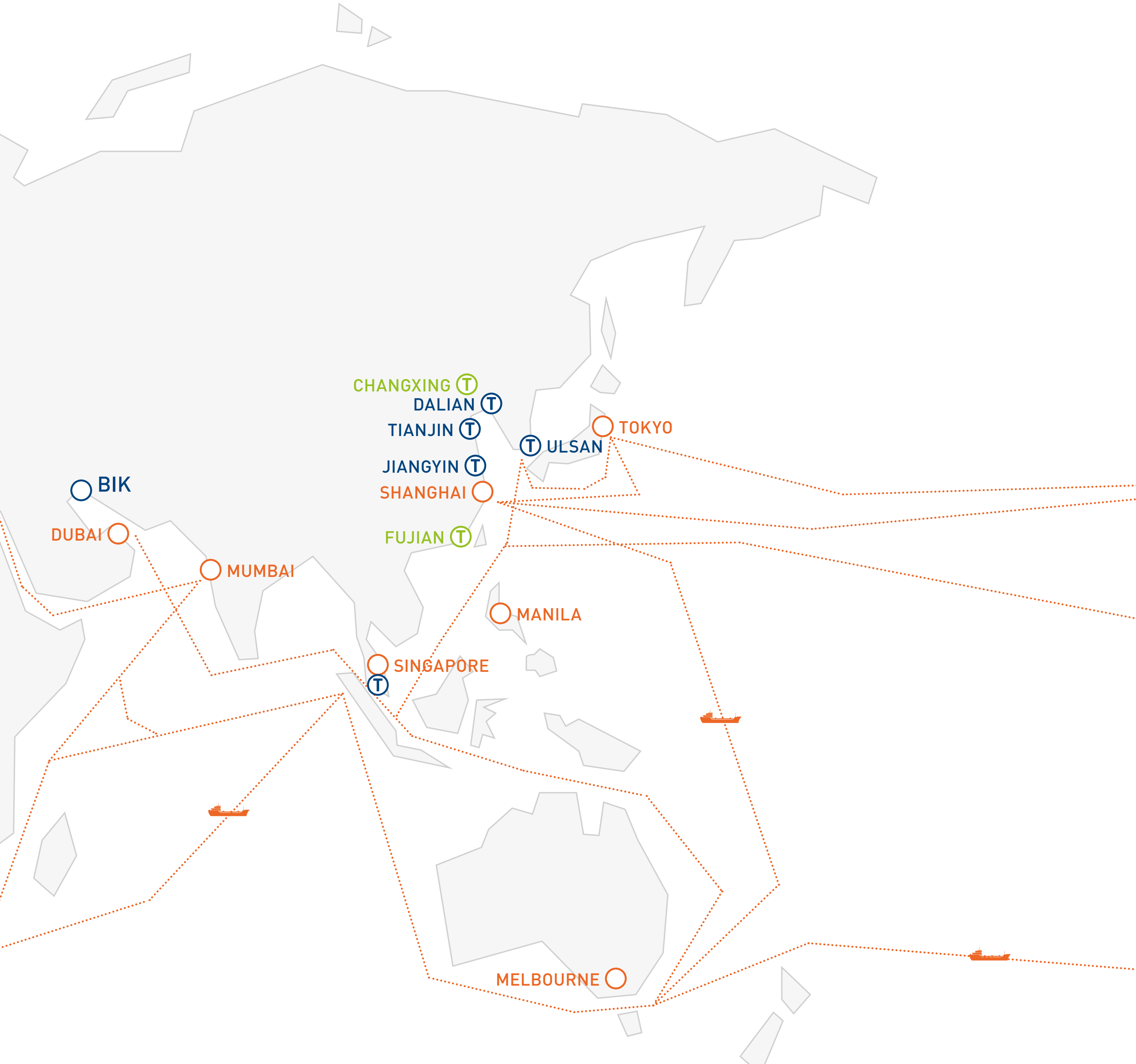
SENSITIVITY (Excluding derivatives and bunker adjustment clauses)



*Most of the bunker exposure is hedged through bunker adjustment clauses and derivatives.

Source: Odfjell


HQ BERGEN
COPENHAGEN
ROTTERDAM
ANTWERP
CHARLESTON
HOUSTON
SAO LUIS
TERSINA
PALMAS
CALLAO
LADARIO
SAO PAULO
SANTOS
MEJILLONES
TRIUNFO
RIO GRANDE
CAMPANA
BUENOS AIRES
SAN ANTONIO
DURBAN



WORLDWIDE
ACTIVITIES

- INTERNATIONAL OFFICES
- ODFJELL TERMINALS
- TANK TERMINALS PARTLY OWNED BY RELATED PARTIES
- ODFJELL GAS
- TERMINALS UNDER DEVELOPMENT
- EXIR CHEMICAL TERMINAL
- TRADE LANES

BOARD OF DIRECTORS' REPORT 2016

The consolidated 2016 net result amounted to USD 100 million, compared with a loss of USD 36 million in 2015. The 2016 result included positive effect from sale of the Oman terminal of USD 44 million. Total assets by year-end amounted to USD 1,883 million, down from USD 1,943 million by the end of 2015. The cash flow from operations was USD 122 million in 2016, compared with USD 94 million in 2015, with cash and cash equivalents of USD 164 million by end of 2016, excluding joint venture companies. Total equity by the end of 2016 amounted to USD 719 million compared to USD 645 million by the end of 2015, and the equity ratio increased to 38.2% from 33.2% during the year.

The Board is satisfied with delivering improved financial results, primarily as a consequence of the many successful initiatives taken by the organisation during the last two years. Odfjell embraces an investor-friendly dividend policy. Based on the Company's 2016 results, including the profit from the sale of the Oman terminal, the Board recommends a dividend of NOK 1.50 per share, totalling NOK 117,832,950. Going forward, the Company targets regular dividend payments at a sustainable level. However, we will take into consideration appropriate limits on leverage, capital expenditure plans, financing requirements, appropriate financial flexibility and anticipated cash flows.

The operating result (EBIT) increased to USD 130 million in 2016, from USD 28 million in 2015. We delivered improved financial performance both from our chemical tanker business and from the tank terminals, however the improvement in the results from our chemical tankers was due to loss on derivatives in 2015. The underlying performance of our gas carriers is still a marginally positive business, and we expect to exit this segment in due time.

Odfjell's balance sheet was strengthened during 2016, both with regards to the equity and the cash position. We refinanced long-term debt of about USD 216 million during the year including a bond issuance of NOK 500 million in September 2016. Odfjell issued a NOK 700 million bond in January 2017, where we experienced significant price improvement since the issuance in September 2016. The new bond was also used to repurchase part of a NOK 600 million bond maturing in April 2017. Besides this bond maturity, we have only limited refinancing needs in 2017.

The significant improvement in financial performance was despite challenging markets. The Board is pleased to see the continued effects from Project Felix, the efficiency project implemented in 2015, and the increasing effects from Project Moneyball, which focuses on operational excellence and reduced time spent in port.

Chemical spot freight rates were rather stable throughout the first half of the year, but we experienced a sharp reduction in spot rates during the second half of 2016, due to a softening CPP market and subsequently more challenging market conditions. During 2016, 162 chemical tankers and swing tonnage vessels were delivered, and 37 vessels were scrapped, effectively growing the total fleet with 125 vessels. This also contributed to increased competition and the lower freight market towards the end of the year.

Total volumes carried in 2016 were 13.5 million tonnes against 13.6 million tonnes in 2015. This constitutes an approximately 1% reduction in volumes. Odfjell had a contraction of trading days of approximately 4%. We witnessed a gradual worsening through the year's first three quarters, but the CPP market did show some improvements at the end of the year.

Activity and nominations under our Contracts of Affreightment (CoAs) were on average above the levels in 2015, but the variance in nominations increased, reflecting less predictability in CoA volumes. The contract coverage for the year has on average been 55.5% of total volume shipped against 51.5% in 2015. Volumes shipped under CoAs reduced significantly in the fourth quarter, forcing us to rely more on the weaker spot market.

The average bunker fuel prices increased substantially during the year and negatively impacted our margins. Most of the bunker price exposure is hedged through Bunker Adjustment Clauses (BACs) in our COAs in addition to moderate bunker hedging through derivatives.

Net fleet growth during the year for chemical tankers as a whole was 6.8% while the core chemical deep-sea fleet grew by about 12.4%. This is considerably above average annual growth over the last decade. Going forward, we foresee the net fleet growth being reduced to about 5.5% in 2017 and about 3% in 2018 and 2019. The market will probably continue to be under pressure in 2017 as the market absorbs the many newbuilding, but beyond that, we believe the market will be fairly well balanced as demand will outgrow supply after 2018. At the end of 2016, our total chemical tanker fleet was 73 vessels, including 28 time-chartered, five bare-boated and 40 owned vessels. We are predominantly a deep-sea operator with 66 of the 73 vessels being more than 12,000 dwt. Of the remaining smaller vessels, we own four of the seven vessels.

In November 2016, we announced that we have signed shipbuilding contracts with China Shipbuilding Trading CO., LTD and Hudong-Zhonghua Shipbuilding (Group) CO., LTD. for the construction of a series of four chemical tankers with stainless steel cargo tanks. The vessels are 49,000 dwt and have a cargo capacity of 54,600 cbm. This makes them the world's largest stainless steel chemical tankers. The first vessel is expected to be delivered in June 2019 and the following vessels with three months intervals. The capital commitments will be USD 60 million per vessel. This is a significant step in solving our tonnage replacement needs. The vessels will be the most efficient stainless steel chemical tankers available, and they are designed to be good for the environment, good for our customers and a good investment for our shareholders.

The Group re-entered into the LPG market in 2012 by acquiring two LPG/Ethylene carriers, and our joint venture Odfjell Gas ordered eight newbuildings in 2014, to be delivered between 2016 and 2017. Due to substantial delays, the four first vessels have been cancelled with guarantees fully refunded. There are also material delays in the construction of the four remaining orders.

Our tank terminal business improved in 2016, with the change mostly attributed to the improved results from our tank terminal in Rotterdam (OTR). The terminal in a new industrial zone near Tianjin, China, which was mechanically completed in early 2015, finally received its permit in November 2016 and has started up operations. Our share in the Oman terminal was divested in December 2016. The divestment is in line with a strategy to focus on the terminals where we have managerial control of the assets, and to further invest in growth opportunities in our core markets such as Houston and Rotterdam.

Since 9 May 2016 the Board has comprised of Laurence Ward Odfjell (Chairman), Christine Rødsæther, Jannicke Nilsson, Åke Gregertsen, Annette Malm Justad, Klaus Nyborg and Hans Smits. The Audit Committee has consisted of Board Directors Åke Gregertsen (Chair), Jannicke Nilsson and Klaus Nyborg. The Nomination Committee has consisted of Arne Selvik (Chair), and Board Directors Christine Rødsæther and Laurence Ward Odfjell.

CORPORATE SOCIAL RESPONSIBILITY

Since Odfjell signed up for the UN Global Compact (UNGC) programme, there has been continued focus on Corporate Social Responsibility from financial and commercial stakeholders. Annually we submit Communication on Progress to the UNGC secretariat, including current and new goals for the coming period. Our policies and other lead documents such as Code of Conduct, Competition Law Manual and Corporate Supplier Code Principles have been revised and harmonised with the programme. We have also been involved in projects in the Maritime Anti-Corruption Network (MACN), which aims to fight corruption on local and regional basis.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In 2016, we had no fatality or work related injuries resulting in permanent disability. The general QHSE performance in 2016 was deemed satisfactory, but we recognise the need for vigilant attention. In terms of personal safety indicators, our shipping-related Lost-Time Injury Frequency (LTIF) indicator was 0.88 in 2016. The indicator represents seven Lost Time Injuries, the same as in 2015, where the LTIF was 0.72. Our goal for LTIF is to reach zero. In 2016 we saw a reduction in the severity of personnel injuries on Odfjell managed vessels. The LTIF of the terminals operated and managed by Odfjell was 0.26 in 2016, a slight improvement from 0.30 in 2015. The focus on further improvements has been reinvigorated second half of the year.

There have been no security incidents on Odfjell ships in 2016, although piracy and armed robberies continue being a concern. Privately contracted security personnel are still being used to protect some transits.

Fuel efficiency measures and subsequent reduced emissions continue to have high focus. Status and progress are monitored through the Annual report, Communication on Progress and participation in the Carbon Disclosure Project (CDP).

Based on the bunker consumption of 73 vessels, the total emissions of CO2 in 2016 amounted to close to 1.3 million tonnes. Based on all consumption in 2016 (both in port and at sea), Odfjell's vessels emitted on average 0.12 grams of SOx per tonne cargo transported one nautical mile (0.11 in 2015). The fleet emitted a total of 8,300 tonnes SOx, down from 8,600 tonnes in 2015. The Energy Efficiency Operational Indicator (EEOI) for the Odfjell fleet was 17.47 grams of CO2 per tonne cargo transported one nautical mile (g/tnm). This is 2 % higher than in 2015, and is explained by operation of the fleet in a higher speed mode than in previous year.

In 2015, we decided to upgrade the propulsion line on our Kvaerner and Poland class vessels in order to further reduce fuel consumption and emissions by more than 20%. New energy efficient propeller blades, rudder-bulb and technical upgrades of the main engine, turbo chargers and shaft generator gear were part of the project. The savings have been confirmed by full scale sea trials. The retrofitted vessels are now amongst the most energy efficient chemical tankers in the world, and have achieved the highest score on the RightShip energy rating, A+. Four vessels were retrofitted in 2015 and nine in 2016. The remaining six vessels will be upgraded in 2017.

In cooperation with the Financial control unit, IT and the Terminals division, Odfjell Corporate QHSE conducts system audits on operative and staff units to ensure compliance with regulatory, corporate and management level requirements and expectations. The scope of the audit programme shall primarily verify compliance with corporate and regulatory requirements in our industry.

Odfjell has not sold a ship for recycling in 2016. Odfjell uses the Baltic and International Maritime Council's (BIMCO) new standard recycle contract (RECYCLECON), and obtain 'Green Passport' for all ships before the age of 25 years. Odfjell uses yards that are certified as compliant with the Hong Kong Convention and the 2012 Guidelines for Safe and Environmentally Sound Ship Recycling, and we also require that the recycling yard follows a 'Ship Recycling Plan'.

CORPORATE GOVERNANCE

The framework for our corporate governance is the Norwegian Code of Practice for Corporate Governance of 30 October 2014. Odfjell is committed to ethical business practice, honesty, fair dealing and compliance with all laws affecting our business. This includes adherence to high standards of corporate governance. The Board's statement regarding corporate governance is a part of the Group's Annual Report. Our Corporate Social Responsibility Policy also encompasses high focus on quality, health, safety and care for the environment as well as human rights, non-discrimination and anti-corruption. The Company has its own Code of Conduct that addresses several of these matters. All Odfjell employees are obliged to comply with the Code of Conduct.

BUSINESS SUMMARY

We remain committed to our long-term strategy of enhancing our position as a leading company in the global market for transportation and storage of bulk liquid chemicals, acids, edible oils and other special products.

By focusing on safe and efficient operation of a versatile and flexible fleet of global and regional chemical tankers with cargo consolidation at our tank terminal network, we aim to further enhance product stewardship in the solutions we provide to our customers. The fleet is operated in complex and extensive trading patterns, meeting our customers' demand for safety, quality and the highest standards of service. We have a critical mass that enables efficient trading patterns and optimal fleet utilisation. The industry in general continues to suffer from congestion in port due to lagging investment in port infrastructure.

Comments to segments figures below are by the proportionate consolidation method.

Chemical Tankers

Gross revenues from our chemical tanker activities amounted to USD 832 million in 2016, a decrease from USD 940 million in 2015. EBITDA came in at USD 188 million and EBIT at USD 98 million, compared with USD 147 million and USD 37 million respectively in 2015. Odfjell SE corporate related costs are included in the general and administrative expenses for chemical tankers. Total assets at year-end amounted to USD 1,544 million.

Operation of chemical tankers is complex. During 2016 our ships transported in excess of 600 different products comprising more than 5,000 individual parcels. Unlike vessels in most other shipping segments, our vessels call several berths in each port, both for loading and discharging. This is a time-consuming and costly process. During the year, we have initiated several projects to enhance port efficiency and service to customers. More successful consolidation of cargoes and efficient port operations are benefitting our customers, the Company and the environment.

In combination with, and as an extension of our worldwide deep-sea service, our regional shipping activities encompass three distinct geographical regions; Far East, South America East Coast and South America West Coast. Our largest regional operation is in Asia, covering a strategically important growth area for both our shipping and storage business. We currently operate nine ships in the region, in trades between Southeast Asia and the Far East, and to and from Australia/New Zealand.

In South America, a total of five vessels are managed and operated by our wholly owned Brazilian subsidiary Flumar. One vessel is directly owned in Flumar, while the other vessels are on internal charter parties from other Odfjell companies. The fleet is supplemented by our deep-sea vessels trading in South America. Odfjell also owns and operates two smaller chemical tankers which mostly serve the mining industry on the west coast of South America.

Odfjell has been actively promoting high safety standards for chemical tankers since the early days of the chemical tanker industry. We continue to take a proactive approach towards international regulatory bodies and major customers, and we continue to address key issues openly with all stakeholders in order to enhance safety standards.

Gas Carriers

Gross revenues from our share in gas carrier activities in 2016 came in at USD 12 million, compared with USD 18 million in 2015. EBITDA declined from USD 4 million in 2015 to USD 3 million in 2016. EBIT for 2016 amounted to negative USD 7 million, mainly due to impairments, compared with USD 3 million in 2015.

Odfjell re-entered into the LPG market in 2012 by acquiring two LPG/Ethylene carriers, and the joint venture Odfjell Gas ordered in 2014 in total eight vessels in addition for agreed delivery between 2016 and 2017. Due to substantial delays at the yard, the four first vessels have been cancelled, and there are also material delays in the production of the four remaining orders. All instalments including accrued interests on cancelled contracts have been repaid. Instalments paid on the remaining orders are secured by refund guarantees from reputable financial institutions.

Tank Terminals

Since November 2013, Odfjell's tank terminal business is owned through a joint venture with Lindsay Goldberg through our joint investment in Odfjell Terminals BV. Only Odfjell's small tank terminal investment in Iran is not included in the joint venture.

All terminals delivered stable earnings in 2016, with the terminal in Rotterdam (OTR) showing a full year positive operating result for the first time since the safety shutdown in 2012. Gross revenues from our share of the tank terminal activities came in at USD 123 million compared with USD 112 million in 2015, while our share of EBITDA for 2016 amounted to USD 47 million, up from USD 40 million in 2015. Our share of EBIT for 2016 amounted to USD 53 million, compared with an EBIT of USD 4 million over the previous year. Included in the 2016 EBIT is the gain of USD 44 million from the sale of the Oman terminal.

At year-end 2016, the book value of our share of tank terminal assets was USD 578 million, compared with USD 629 million per end of 2015.

Odfjell's existing tank terminals are located in Rotterdam (Netherlands), Houston and Charleston (USA), Dalian, Jiangyin and Tianjin (China), Ulsan (Korea), Singapore, Antwerp (Belgium), and in Bandar Imam Khomeiny (Iran). Additionally, we have a beneficial co-operation agreement with a related party that partly owns 14 tank terminals in South America.

Odfjell Terminals Rotterdam (OTR) reported substantially improved results in 2016, showing a positive EBITDA. In 2015, the facility commissioned additional tank capacity and significantly increased the volumes processed by the distillation units. EBITDA at OTR on a 100% basis was positive USD 11.6 million in 2016, compared with negative USD 9 million in 2015 and negative USD 80 million in 2014.

Odfjell Terminals Houston (OTH) showed steady results with a new 17,100 cbm tank pit (Bay 10) operational for the full year. OTH's total capacity is 380,000 cbm.

The construction of the terminal in a new industrial zone near Tianjin, China was mechanically complete in 2015, with the jetties receiving trial operation permits from authorities. The explosion in the old Port of Tianjin in August 2015 resulted in a suspension of permitting for all hazardous material operations in the greater area of Tianjin. This affected also the final permit for our new terminal, even if we are located far from the affected area. The permitting process resumed in the course of 2016 and the trial permit for the tank farm was received in October 2016 after which operations commenced.

In December 2016, Odfjell Terminals BV sold its 29.75% indirect ownership in Oiltanking Odfjell Terminals & Co. LLC in Oman for about USD 130 million, resulting in a net gain of USD 86 million. The divestment of the Oman terminal is in line with a strategy to focus on the terminals where we have managerial control of the assets and to further invest in growth opportunities in our core markets, such as Houston and Rotterdam. We are currently reviewing potential expansion projects where we target long term customer take or pay contracts. Such opportunities will be financed by project financing and potentially also by divestment of non-operated terminals.

Management continues to focus on utilisation of the assets. Average occupancy of commercially available tanks in 2016 was 96% versus 97% in 2015. The high occupancy rate is driven in part by a contango in the petroleum market and the market is still showing strength into 2017. Management will continue to gradually introduce additional tank capacity at OTR. OTR's distillation business has seen a gradual ramp up of utilisation of the new expanded capacity in 2016.

PROFIT & LOSS FOR THE YEAR - CONSOLIDATED

The Group's accounts have been prepared in accordance with IFRS.

Gross revenues for the Odfjell Group came in at USD 825 million, down 11% from the preceding year. The consolidated result before taxes in 2016 was USD 107 million, compared with a loss of USD 30 million in 2015. The tax result in 2016 amounted to an expense of USD 7 million, compared with an expense of USD 5 million in 2015.

EBITDA for 2016 totalled USD 218 million, compared with USD 137 million the preceding year. EBIT was USD 130 million in 2016, compared with USD 28 million in 2015. The net result for 2016 amounted to USD 100 million, compared with a loss of USD 36 million in 2015. In 2016, we recognised an impairment of USD 12 million related to sale and planned sale of ships. In addition, we had a gain related to sale of the Oman terminal of USD 44 million (included in share of JV's net result by the equity method) and a gain of USD 12 million related to sale- and lease back of our head office building. In addition, the result was influenced by impairment of USD 25 million related to ships and terminal assets in 2016.

Net financial expenses for 2016 totalled USD 23 million, compared with USD 58 million in 2015. The relatively low financial expenses can mainly be explained by a gain of USD 21 million on the termination of a financial lease in 2016. The average USD/NOK exchange rate in 2016 was 8.41, compared with 8.07 the previous year. The USD depreciated against the NOK to 8.65 by 31 December 2016, from 8.80 at year-end 2015. The cash flow from operations was USD 122 million in 2016, compared with USD 94 million in 2015. The net cash flow from investments was positive USD 57 million, mainly related to sale and dividend payments from subsidiaries. The cash flow from financing activities was negative USD 131 million.

Odfjell SE delivered a net result for the year of USD 20 million. The net profit after proposed dividend will be distributed to Other Equity. As of 31 December 2016, total retained earnings amounted to USD 632 million.

The Annual General Meeting will be held 11 May 2017 at 16:00 hours at the Company's headquarters in Bergen, Norway.

According to §3.3 of the Norwegian Accounting Act we confirm that the financial statements have been prepared on the going concern assumption.

SHARES AND SHAREHOLDERS

The Company is an SE (Societas Europaea) company subject to Act No 14 of 1 April 2005 relating to European companies. The Company's registered office is in the city of Bergen, Norway.

The object of the Company is to engage in shipping, ship agency, tank terminals, real estate, finance and trading activities, including the transportation of freight in the Company's own vessels or chartered vessels, the conclusion of freight contracts, ownership and operation of tank terminals, as well as investment and participation in other enterprises with a similar object and other activities related thereto.

Total shares as of end of December was 86,768,948 shares, with 65,690,244 A-shares and 21,078,704 B-shares. The total shares include Odfjell SE treasury shares of 5,891,166 A-shares and 2,322,482 B-shares.

By end of December 2016, Odfjell A- and B-shares were trading at NOK 29.30 and NOK 28.00 respectively, against NOK 28.30 and NOK 26.50 respectively at the close of 2015. In the same period the Oslo Stock Exchange Benchmark Index gained 12% and the Transportation Index also gained 17%. As of 31 December 2016, Odfjell SE had a market capitalisation of around NOK 2,277 million, which was equivalent to around USD 263 million.

KEY FIGURES

The return on equity for 2016 was 14.6% and the return on total assets was 7.9%. The corresponding figures for 2015 were negative 5.6% and positive 0.4% respectively. The return on capital employed (ROCE) was positive 7.9% in 2016. Earnings per share in 2016 amounted to USD 1.27 (NOK 10.69), compared with negative USD 0.41 (negative NOK 3.31) in 2015. The cash flow per share was USD 2.4 (NOK 20.17), compared with USD 0.61 (NOK 4.89) in 2015. The interest coverage ratio (EBITDA/net interest expenses) was 4.75, compared to 3.3 in 2015.

FINANCIAL RISK AND STRATEGY

Our financial strategy shall be sufficiently robust to withstand prolonged adverse conditions, including long-term downturns in our markets or challenging conditions in the financial markets. Odfjell adopts an active approach to managing risk in the financial markets. This is achieved through funding from diversified sources, maintaining high liquidity or credit reserves, and through systematic monitoring and management of financial risks related to currencies, interest rates and bunkers. Hedging instruments are used to reduce the Company's exposure to fluctuations in the above-mentioned financial risks. At the same time, it may limit our upside potential from favourable movements in these risk factors. We also monitor the risk related to market valuation of the hedging instruments and the effect this has on the equity ratio.

The largest single cost component affecting time-charter earnings is bunkers. In 2016, this amounted to more than USD 102 million, ignoring the effect of any bunker adjustment clauses and bunkers hedging in place, equivalent to 37% of voyage costs. A change in the average bunker price of USD 50 per tonne equals about USD 19.8 million per year (or USD 909 per day change in time-charter earnings for those ships where we have a direct economic interest). A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the Contracts of Affreightment (CoAs). As per 31 December 2016, Odfjell had hedged about 7% of its 2017 bunker exposure, through swaps at an average price of about USD 224 per tonne. In addition, bunker clauses in CoAs cover above 50% of the exposure.

All interest-bearing debt, except bonds in the Norwegian bond market and debt borne by tank terminals outside the USA, is denominated in USD. Interest rates are generally based on USD LIBOR rates. With our current interest rate hedging in place, about 19% of our loans were at fixed interest rates at year end.

The Group's revenues are primarily denominated in USD. Our currency exposure relates to the net result and cash flow from voyage-related expenses, ship-operating expenses and general and administrative expenses denominated in non-USD currencies, primarily NOK for our shipping business. We have estimated that a 10% decrease of the USD against the NOK would reduce the pre-tax 2016 result by around USD 6 million, ignoring the effect of any currency hedging in place. Tank terminals outside USA and our regional European shipping trade generate income in non-USD currencies.

Our currency hedging at the end of 2016, under which we sold USD and purchased NOK, covers about 52% of Odfjell's 2017 NOK exposure. Future hedging periods may vary depending on changes in market conditions. At 31 December 2016, the average USD/NOK exchange rate for open hedging positions for 2017 was 8.51.

LIQUIDITY AND FINANCING

Total interest-bearing debt as at 31 December 2016 was USD 1,042 million, while cash and cash equivalents amounted to USD 174 million, both figures excluding joint venture companies. At the same date the equity ratio, using the Equity consolidation method, was 38.2% compared with 33.2% per end 2015.

Odfjell's balance sheet was strengthened during 2016, both with regards to the equity and the working capital. Odfjell SE Shipping/ Corporate refinanced long-term debt of about USD 216 million during the year, including a bond issuance of NOK 500 million in September 2016. Odfjell issued a NOK 700 million bond in January 2017, where we experienced significant price improvement since the issuance in September 2016. The new bond was also used to repurchase parts of the NOK 600 million bond maturing in April 2017. Besides this bond maturity, we have only limited refinancing needs in 2017. We secured all the new mortgage loans at market terms with several of our long-term relationship banks.

The average maturity of the Group's interest-bearing mortgage debt excluding finance leases and bonds is about four years, of which 11.8 % of the interest-bearing debt matures in 2017.

ORGANISATION, WORKING ENVIRONMENT AND JOB OPPORTUNITIES

Odfjell aims to be a company which attracts, develops and retains competent employees. Based on our core values: Professional, Pro-Active, Sustainable and Innovative, we conduct our business to high quality, safety and environmental standards both at sea and onshore.

Odfjell maintains a policy of providing employees with equal opportunities for development of skills and new challenges within our Company, irrespective of ethnic background, gender, religion or age.

We carry out and follow up employee engagement surveys and yearly performance appraisals at the headquarters in Bergen and at our overseas offices. In addition, we continue our programme for improved health care for seafarers, focusing on exercise and a healthy diet on board. The work environment on shore and at sea is considered good, as indicated by our high retention rates and below industry absence rates.

Odfjell ensures a non-discrimination work environment, also within recruitment, promotion or wage compensation. Of about 147 employees at the headquarters in Bergen, 71% are men and 29% are women, whilst the corresponding global figures (about 723 employees in our fully owned onshore operations) are 72% and 28% respectively. Three of the seven Directors of the Board of Odfjell SE are women.

In 2016 the recorded absence rate at the headquarters has decreased to 1.6% from 1.9% in 2015. For our own pool of Odfjell and Flumar seafarers the absence rate in 2016 was 1.4%.

The Board would like to thank all employees for the many positive achievements in 2016 and is looking forward to continue the improvements in 2017.

REMUNERATION OF THE MANAGEMENT GROUP

Salary and other remuneration to the CEO shall be determined by the Board. A description of the remuneration of the Management Group and the Group's remuneration policy, including the scope and organisation of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of the Management Group. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is considered by the General Meeting and made available to shareholders together with the notice of the Annual General Meeting. See Note 22 to the Odfjell Group accounts for details about the remuneration of the Management in 2016.

MARKET DEVELOPMENT

2016 was a year where we experienced relatively modest economic growth in most of our core markets.

The US is our single most important hub for exports and imports. We do depend on the economic development in the United States and the differences in growth rate in the US and other economies, facilitating trading opportunities and arbitrage. The US GDP growth increased through 2016, but decreased towards the end of the year, predominantly due to a contraction in export services. In addition, the American election may indicate more protectionism going forward. However, expectations of higher domestic spending and need for increased imports, on top of an economy which is already at a relatively high utilisation rate, may have a positive impact.

All relevant regions, except the South American region in general and Brazil in particular, experienced economic growth. Brazil, which is a key area in our trades, is in the midst of a deep depression which also affects Odfjell. South American imports and exports have as a consequence declined. In terms of the global competitiveness index, the World Economic Forum is reporting significant reduction in competitiveness both in Brazil and Argentina, which are main exporters and importers of chemicals in liquid bulk and hence also important geographic locations for Odfjell.

For the other markets we have experienced relatively stable volume developments.

As for the tanker markets in general, 2016 has been a challenging year. The large crude oil tankers have experienced a sharp drop in spot earnings throughout the year, and also a corresponding decline in longer term time charter rates and asset prices. This was also the trend in the larger clean market (LR1 + LR2) and the MR market where rates were periodically below the 10,000 USD/day mark. The time charter rates have followed the same pattern, and have weakened throughout the year. We have also observed the declining trend in the chemical tanker markets, but given the more diversified nature of our business, the declines are not as significant as in other tanker segments. In general, the opportunities in 2016 were on the asset side, which we acted on when we ordered four 49,000 dwt chemical tankers with stainless steel capacity at the Hudong-Zhonghua Shipbuilding in China, including two plus two options. We have also entered into several new charter parties during the year.

For the general market, Clarkson Shipping Intelligence reported an increase in ton-mile demand of 4.3% in our sector, so fundamentally demand is still growing. During 2016, the overall net chemical fleet growth was 6.8%. Analysts' forecast shows on average a fleet growth of 3.8% in 2017, 1.9% in 2018 and 1% in 2019. IMF forecasts suggest that the global economy will expand by about 3.4% in 2017 and 3.6% in 2018.

COMPANY STRATEGY AND PROSPECTS

Odfjell strives to provide safe, efficient, and cost-effective chemical tanker and tank terminal services to our customers worldwide. Close co-operation between our shipping activities and our tank terminals offers operational and commercial benefits. In addition, the tank terminals themselves have proven a stabilising factor in our overall financial performance over time, as earnings from this area are less volatile compared to earnings from our shipping activities.

Even though we experienced more challenging markets towards the end of 2016, 2015 and 2016 have been relatively good years in the chemical tanker industry. The supply of new tonnage has however increased during 2016 and into 2017, which is leading to tougher competition. Although ordering of new chemical tankers was drastically reduced the last two years compared to previous years, the core deep-sea fleet order book is still 19% of current fleet. For the total global chemical tanker fleet, the order book is around 9% of the current fleet. As a consequence thereof, we expect the supply/demand imbalance to persist in the near term.

World GDP growth, one of the main factors affecting overall chemical tanker demand, is expected to grow steady, but moderate. The latest economic outlook sees only a modest recovery in advanced economies and slower activity in emerging markets, with the world economy being likely to expand no faster in 2017 than in 2016.

Our main risks relate to very competitive markets also in 2017, fuel costs and potential further increased order book within our core segment. We also see an increased risk of growing protectionism on intercontinental trade and cooperation, which could potentially add risk to all shipping segments, including the chemical tanker markets.

However, in a longer term perspective we continue to believe that the chemical tanker market is fairly balanced as the demand growth will begin to outgrow supply as the addition of new tonnage is trailing off.

Going forward, the shipping business, both in general and for the chemical tankers, will continue to face new challenges and opportunities. Amongst others, we must carefully consider consequences of the new requirements on sulphur emissions coming into effect from 2020, and the new ballast treatment regulations coming into force from September 2017. We also expect to see continued digitalisation, where increased use of information and communication technology and use of big data will drive the industry further. Odfjell has a history of being at the forefront of the industry, and we intend to take an active part in shaping our industry going forward.

Odfjell has been through a transformation over the last two years. Project Felix was a success with USD 110 million in annual savings, and Project Moneyball – which focuses on operational excellence and reducing time in port – is progressing as planned. Based on this, our competitiveness has improved substantially, and at the same time we have strengthened our balance sheet.

In connection with the fourth quarter report for 2016, Odfjell introduced our new strategy for 2017 and beyond, the Odfjell Compass. There are three guiding principles for our strategy. The first and most important is that we do not compromise on safety. The second is that chemical tankers and terminals are our core business, and the third is that to be a leading world class player, we need to have world class ambitions in everything we do.

The key focus in the Odfjell Compass will be to continue with our tonnage renewal and fleet growth plans for our advanced chemical tanker fleet, combined with high quality service and operational excellence at sea and on shore. Furthermore, we aim to return to meaningful profitability levels at the terminals through the 'Value creation programme'. At the same time, we will continue to build financial strength with a competitive cost of capital.

Our mission is clear: Our core business is handling hazardous liquids, safely and more efficiently than anyone else in the industry.

It is time to shape the future!

BOARD OF DIRECTORS

LAURENCE WARD ODFJELL
Chairman of the Board since 4 May 2010

Laurence Ward Odfjell (1965) is a member of the founding family of the Company and former President of Odfjell Terminals BV. He served as board member from 2004 to 2007 after working for the Odfjell family's private terminals in South America. In 2010 he succeeded his father Dan as Executive Chairman of Odfjell SE. He holds a Master in Architecture from Yale University. Norwegian citizen. Controls 25,966,492 A-shares and 3,999,393 B-shares (incl. related parties). No options.

CHRISTINE RØDSÆTHER
Board member since 4 May 2010

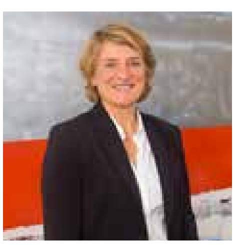
Christine Rødsæther (1964) is a partner in Simonsen Vogt Wiig law firm, with international shipping and offshore related transactions and restructurings, banking and financing as professional practice areas. She has previously been a partner in Andersen Legal ANS and lawyer at Wikborg, Rein & Co. She has extensive board experience, and is at present at the board of Tide ASA in addition to Odfjell SE. She is a member of MARUT, the strategic advisory board to the Norwegian Ministry of Trade, Industry and Fisheries for maritime development. She holds a cand. jur (master) degree from the University of Bergen, and a Master of Law (LLM) from Mc George School of Law, California. Norwegian citizen. Independent board member, owns no shares or options.

JANNICKE NILSSON
Board member since 8 May 2012

Jannicke Nilson (1965) is Executive Vice President Chief Operation Officer at Statoil. She has previously held different management positions within Statoil, and a number of central management positions in the upstream oil and gas industry. She holds a Master of Science in cybernetics and process automation from the University of Stavanger. Norwegian citizen. Independent board member, owns no shares or options.

ÅKE GREGERTSEN
Board member since 6 May 2013

Åke Gregertsen (1955) has previously held several positions in Odfjell, incl. President of Odfjell Terminals Houston from 1996 to 2001, and SVP at Odfjell Terminals from 2001 to 2002. He has been a consultant for Odfjell Terminals BV, and was appointed Interim President for Odfjell Terminals BV in 2012. He was CEO of Star Shipping from 2002 to 2008 and for Jebsen Management A/S from 2009 to 2011. Gregertsen holds a Master of Science and CPA degree from the Norwegian School of Economics (NHH). Norwegian citizen. Independent board member, owns 3,000 A-shares and 28,332 B-shares. No options.



ANNETTE MALM JUSTAD
Board member since 12 November 2014

Annette Malm Justad (1958) is Ass. Partner at Recore Norway, and has previously held management positions in Norsk Hydro, Norgas Carriers, Yara International and Eitzen Maritime Services. She has extensive board experience from companies such as Store Norske Spitsbergen Kulkompany, American Shipping Company, Awilco and Petroleum Geo-Services. She holds a Master in chemical engineering from the Norwegian University of Science and Technology (NTNU) and MIT Sloan School of Management. Norwegian citizen. Owns no shares or options.

KLAUS NYBORG
Board member since 9 December 2015

Klaus Nyborg (1963) has previously held various management positions in the A.P. Møller/Maersk Group, Torm AS, Pacific Basin Shipping Ltd and DS Norden AS. For Norden AS, he has been a member of the board since 2012, and chairman since 2015. He is also board director for several companies, incl. United Shipping & Trading A/S, and DFDS A/S. He holds a M.Sc. in economics and law from Copenhagen Business School, and management degrees from London Business School and IMD. Danish citizen. Owns no shares or options.

HANS SMITS
Board member since 9 May 2016

Hans Smits (1950) is President/CEO of Jansen de Jong Groep. Previous positions include President/CEO of Port of Rotterdam Authority and of Amsterdam Airport Schiphol, and he has held various administrative and management positions associated to the Dutch Ministries. He is also chairman of the Supervisory Board of KLM Nederland B.V., chairman of the Supervisory Board of Erasmus University Rotterdam, and board member of the Air France-KLM Group. He holds a degree in civil engineering from the technical University of Delft, and an MBA from the Erasmus University Rotterdam. Dutch citizen. Owns no shares or options.

FINANCIAL STATEMENT ODFJELL GROUP

INCOME STATEMENT

(USD 1 000)	Note	2016	2015
Gross revenue	3	824 911	928 915
Voyage expenses	18	(272 974)	(399 094)
Time-charter expenses	19	(164 144)	(162 692)
Operating expenses	20, 22	(130 790)	(140 052)
Gross result		**257 002**	**227 077**
Share of net result from associates and joint ventures	32	32 165	(8 170)
General and administrative expenses	21, 22	(71 472)	(82 151)
Operating result before compensation, depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		**217 695**	**136 756**
Depreciation and amortisation	10	(88 806)	(88 187)
Impairment of non-current assets	11	(11 833)	(20 487)
Capital gain (loss) on non-current assets	10	12 702	-
Operating result (EBIT)		**129 759**	**28 082**
Interest income	17	4 388	2 661
Interest expenses	7	(50 220)	(44 353)
Other financial items	25, 26	22 984	(16 664)
Net financial items		**(22 848)**	**(58 356)**
Result before taxes		**106 911**	**(30 274)**
Taxes	8	(6 899)	(5 357)
Net result		**100 012**	**(35 631)**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to statement of comprehensive income			
Cash flow hedges changes in fair value	5	3 873	(14 244)
Cash flow hedges transferred to statement of comprenhesive income	5	1 398	71 395
Net unrealised gain/(loss) on available-for-sale-investments		1 282	(1 292)
Share of comprehensive income on investments accounted for using equity method		(6 063)	(15 411)
Items that will not be reclassified to statement of comprehensive income			
Net actuarial gain/(loss) on defined benefit plans		(294)	951
Other comprehensive income		**196**	**41 399**
Total comprehensive income		**100 208**	**5 767**
Net result allocated to:			
Non-controlling interests		-	-
Owner of parent		100 012	(35 631)
Total comprehensive income allocated to:			
Non-controlling interests		-	-
Owner of parent		100 208	5 767
Earnings per share (USD) - basic/diluted	12	1.27	(0.41)

ODFJELL

STATEMENT OF FINANCIAL POSITION

Assets as per 31.12 (USD 1 000)	Note	2016	2015
NON-CURRENT ASSETS			
Deferred tax assets	8	-	2 317
Real estate	10	3 456	3 809
Ships	10	1 202 779	1 259 206
Newbuilding contracts	10	25 055	-
Office equipment and cars	10	8 407	31 105
Investments in associates and joint ventures	32	337 566	372 515
Loan to associates and joint ventures	32	1 818	3 884
Net defined pension assets	9	2 414	3 288
Non-current receivables	27	7 734	2 894
Total non-current assets		**1 589 228**	**1 679 018**
CURRENT ASSETS			
Current receivables	28	81 123	79 887
Bunkers and other inventories		17 927	12 996
Derivative financial instruments	5	1 838	3 074
Available-for-sale investments	16	9 900	8 618
Loan to associates and joint ventures	32	13 596	21 259
Cash and cash equivalents	17	164 469	117 521
Assets classified as held for sale	33	4 580	20 717
Total current assets		**293 433**	**264 072**
Total assets		**1 882 661**	**1 943 090**

Equity and liabilities as per 31.12	Note	2016	2015
EQUITY			
Share capital	30	29 425	29 425
Treasury shares	30	(2 785)	-
Share premium	30	172 388	172 388
Other equity		519 785	443 528
Total equity		**718 813**	**645 341**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	2 275	-
Pension liabilities	9	4 110	6 485
Derivative financial instruments	5	29 375	40 122
Non-current interest bearing debt	7	837 573	1 047 968
Other non-current liabilities		4 892	156
Total non-current liabilities		**878 225**	**1 094 731**
CURRENT LIABILITIES			
Current portion of interest bearing debt	7	204 202	103 304
Short-term interest bearing debt	7	-	16 707
Taxes payable	8	2 487	1 516
Employee taxes payable		4 277	3 670
Derivative financial instruments	5	12 902	11 134
Other current liabilities	29	61 754	66 687
Total current liabilities		**285 623**	**203 018**
Total liabilities		**1 163 848**	**1 297 749**
Total equity and liabilities		**1 882 661**	**1 943 090**
Guarantees	15	360 310	449 257

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 15 March 2017

CHRISTINE RØDSÆTHER

LAURENCE WARD ODFJELL
Chairman

ÅKE GREGERTSEN

HANS SMITS

KLAUS NYBORG

JANNICKE NILSSON

ANNETTE MALM JUSTAD

KRISTIAN MØRCH
CEO

ODFJELL

STATEMENT OF CASH FLOW

(USD 1 000)	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income taxes		106 911	(30 274)
Taxes paid in the period		(4 215)	(4 382)
Depreciation and impairment	10	101 219	108 674
Capital (gain) loss on non-current assets	10	(12 702)	-
Capital (gain) loss on financial leases	25	(21 447)	-
Change in inventory (increase) decrease		(4 931)	10 192
Change in trade debtors (increase) decrease		12 649	37 089
Change in trade creditors increase (decrease)		(2 222)	(8 027)
Difference in pension cost and pension premium paid		-	(933)
Share of net result from associates and joint ventures	32	(32 165)	8 170
Unrealised changes in derivatives		(2 437)	8 795
Net interest expenses		45 832	41 692
Interest received		4 161	1 548
Interest paid		(47 730)	(39 741)
Effect of exchange fluctuations		(1 379)	(2 582)
Other current accruals		(19 631)	(36 306)
Net cash flow from operating activities		**121 913**	**93 915**
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of non-current assets	10	52 781	26 332
Investment in non-current assets	10	(52 731)	(49 238)
Dividend received/share capital reduction in JVs		51 039	-
Non-current receivables		5 763	(204)
Net cash flow from investing activities		**56 852**	**(23 110)**
CASH FLOW FROM FINANCING ACTIVITIES			
New interest bearing debt		214 866	377 245
Payment of interest bearing debt		(320 696)	(420 152)
Repurchase / sale of treasury shares	30	(25 140)	-
Net cash flow from financing activities		**(130 970)**	**(42 907)**
Effect on cash balances from currency exchange rate fluctuations		(848)	(5 793)
Net change in cash balances		**46 948**	**22 105**
Cash and cash equivalents as per 1.1	17	117 521	95 416
Cash and cash equivalents as per 31.12		**164 469**	**117 521**
Available credit facilities		-	-

STATEMENT OF CHANGES IN EQUITY

(USD 1 000)	Share capital	Treasury shares	Share premium	Translation differences	Cash flow hedge reserve	Available-for-sale reserve	Pension re-measurement	OCI associates and joint ventures	Retained earnings	Total other equity	Total equity
Equity as at 1.1.2015	29 425	-	172 388	(3 047)	(62 045)	710	16 307	2 388	481 463	435 776	637 589
Comprehensive income	-	-	-	-	57 151	(1 292)	951	(15 411)	-	41 398	41 398
Net result	-	-	-	-	-	-	-	-	(35 631)	(35 632)	(35 632)
Other adjustments	-	-	-	-	3	-	-	-	1 982	1 985	1 985
Equity as at 31.12.2015	**29 425**	**-**	**172 388**	**(3 047)**	**(4 891)**	**(582)**	**17 258**	**(13 023)**	**447 814**	**443 528**	**645 341**
Equity as at 1.1.2016	29 425	-	172 388	(3 047)	(4 891)	(582)	17 258	(13 023)	447 814	443 528	645 341
Comprehensive income	-	-	-	-	5 271	1 282	(294)	(6 063)	-	196	196
Net result	-	-	-	-	-	-	-	-	100 012	100 012	100 012
Repurchase of Treasury shares	-	(2 785)	-	-	-	-	-	-	(22 355)	(22 355)	(25 140)
Other adjustments	-	-	-	3 047	-	-	(15 862)	-	11 218	(1 597)	(1 597)
Equity as at 31.12.2016	**29 425**	**(2 785)**	**172 388**	**-**	**380**	**700**	**1 102**	**(19 086)**	**536 689**	**519 785**	**718 813**

NOTES TO THE FINANCIAL STATEMENT

NOTE 1 CORPORATE INFORMATION

Odfjell SE, Conrad Mohrsv. 29, Bergen, Norway, is the ultimate parent company of the Odfjell Group. Odfjell SE is a public limited company traded on the Oslo Stock Exchange with the tickers ODF and ODFB. The consolidated financial statement of Odfjell for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2017. The Odfjell Group includes Odfjell SE, subsidiaries incorporated in several countries (see note 31 for an overview of consolidated companies), and our share of investments in joint ventures (see note 32).

Odfjell is a leading company in the global market for transportation and storage of bulk liquid chemicals, acids, edible oils and other special products. Through its various subsidiaries and joint ventures Odfjell owns and operates chemical tankers, gas carriers and tank terminals. The principal activities of the Group are described in note 3.

Unless otherwise specified the 'Company', 'Group', 'Odfjell' and 'we' refer to Odfjell SE and its consolidated companies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Basis for preparation

The Odfjell Group has prepared its consolidated financial statements according to International Financial Reporting Standards (IFRS) approved by the EU. The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, defined pension obligations and derivatives which are measured at fair value.

2.2 The use of estimates and assessment of accounting policies when preparing the annual accounts

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree and judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

Voyage revenues and costs

Voyage revenues and costs are recognised in accordance with the percentage of completion method with operating revenues and expenses recognised for each voyage. This recognition is based on estimated voyages that are reviewed and updated at each period end.

Impairment test chemical tanker vessels

The chemical tanker fleet is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the fleet may not be recoverable. Management measures the recoverable amount of an asset or Cash Generating Unit (CGU) by comparing its carrying amount to the higher of its fair value less cost of disposal or value in use that the asset or CGU is expected to generate over its remaining useful life.

If an asset or CGU is considered to be impaired, impairment is recognised in an amount equal to the excess of the carrying amount of the asset or CGU over its recoverable amount.

As the Odfjell ships are interchangeable and the regional chemical tankers are integrated with the deep-sea chemical tankers through a logistical system, all chemical tankers are seen together as a portfolio of ships. In addition the pool of officers and crew are used throughout the fleet. Odfjell has a strategy of a total crew composition and how the crew is dedicated to the individual ships varies. Changing the crew between two ships can change the net present value per ship without any effect for the Group. Ships will only be impaired if the total value of the ships based on future estimated cash flows is lower than the total book value.

In order to assess impairment, Management makes assumptions regarding future cash inflows and outflows. Key assumptions for the recoverable amount calculation are forecasted time-charter earnings, operating expenses, docking expenses, administration expenses, economic life of vessels, residual values and discount rate.

If actual results differ from estimates and assumptions used in estimating future cash flows, then the Group may be exposed to future impairment losses that could be material.

An increase of 1% in the weighted average cost of capital (WACC) would result in a decrease in the present value by approximately USD 107 million. Such increase alone in the discount rate would not result in an impairment of the ships.

A decrease in net time charter revenue with 5% would decrease the net present value with USD 158 million. Such change alone would not result in impairment of the ships.

Depreciation and residual value of ships

Ships are recognised at historical cost less accumulated depreciation and any impairment charges. The cost of the ships includes the contract price, expenses related to site team and pre-delivery borrowings incurred. The cost less residual value is depreciated on a straight-line basis over the ships estimated useful life.

The cost of the ships is divided into separate components for depreciation purposes. Estimated cost of first time dry-docking is deducted from the cost of the ship and depreciated separately over a period until the next dry-docking. The residual value of these components is zero.

Residual value is estimated based upon the latest available steel-price/stainless steel price and the lightweight of the ships. Stainless steel part of the lightweight of the ships is separately assessed and valued as part of the total residual value.

Estimated useful life of the ships is 30 years. Estimated cost of dry-docking is depreciated over an estimated period of 5 years for ships not older than 15 years. Capitalized dry-docking for ships older than 15 years are depreciated over 2.5 years. If actual useful life of the ships differs from estimated useful life an impairment loss could occur.

If residual value is incorrect, the future depreciation would be affected, either as a reduction if residual value is understated or as an increase in depreciation if residual value is overstated.

Impairment test of investments in joint ventures and associated companies

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in joint ventures or associates. At each reporting date, the Group determines whether there is objective evidence that the investments are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and the carrying amount of the investment. Any impairment loss is recognised as 'share of profit or loss from joint venture and associates'.

The recoverable amount is the higher of value in use and fair value less cost to sell. The entire carrying amount of the investment is tested for impairment as one single asset. If the joint venture or associate is a group itself, we estimate our share of the recoverable amount by estimating the share of the fair value less cost to sell or value in use of the cash

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generating units in the joint venture or associate. When estimating share of fair value we use the market approach and make assumptions about budgeted EBITDA for 2017 and a reasonable multiple. From this amount we deduct net interest bearing debt. The net amount is used as an estimate of our share of the fair value.

For CGU in the joint venture assessed for impairment by estimating the value in use, we make use of the latest available forecasted cash flows and make assumptions about discount rate.

When estimating the value in use we have estimated two discount rates, one for the first ten years period and one for the remaining useful life of the assets. The average pre-tax discount rate is 7 %. The latest approved forecasts are used when estimating our share of cash flows. For the period beyond the forecast period of five years the forecasted cash flows are extrapolated by using the estimated inflation rate.

When estimating fair value less cost to sell, we have applied a multiple of 12 x EBITDA for terminals in order to arrive at enterprise value. We have used the carrying amount of net interest bearing debt at 31 December 2016 as an estimate of the fair value of the net interest bearing debt.

Recoverable amount for new projects/greenfield are deemed to equal book value.

2.3 Revenue recognition

Revenue is recognised when it is probable that a transaction will generate a future economic benefit that will accrue to the Group, and the size of the amount may be reliably estimated. Revenue is measured at the fair value of the amount to be received, excluding discounts, sales taxes or duty.

Total revenues and voyage related expenses in a period are accounted for as the percentage of completed voyages. Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Voyages are normally discharge-to-discharge. Except for any period a ship is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

2.4 Segments

Operating segments are reported in the manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board and Executive Management Group which makes the strategic decisions. In the internal reporting, the proportionate consolidation method is used for the Group's share of investments in joint ventures and associates. The proportionate consolidation method means that we include the Group's share of revenue and expenses in addition to our share of assets and liabilities. In the consolidated financial statements, investments in joint ventures and associates are accounted for according to the equity method.

Our shipping revenue is allocated on the basis of the area in which the cargo is loaded. For the tank terminals the revenue is allocated to the area where the respective companies are located. Total assets and capital expenditure are allocated to the area where the respective assets are located while ships and new building contracts are not allocated to a certain area as the ships sail on a worldwide basis. Financial information relating to segments is presented in note 3.

Transactions between the individual business areas are priced at market terms and are eliminated in the consolidated accounts.

2.5 Non-current assets

Non-current assets are measured at historical cost, which includes purchase price, capitalised interest and other expenses directly related to the assets. The carrying value of the non-current assets on the balance sheet represents the cost less accumulated depreciation and any impairment charges. Newbuilding contracts include payments made under the contracts, capitalised interest and other costs directly associated with the newbuilding and are not depreciated until the asset is available for use.

We estimate residual value at the estimated time of disposal of assets, which is generally at the end of their useful life. To assess the residual value of ships we use the current estimated recycling value. The residual value for ships is estimated by distributing the total lightweight of the ships in a stainless steel part and a steel part. Steel are estimated to the market value of steel at year end. Stainless steel is valued at 10% of the quoted nickel price at London Metal Exchange at the balance sheet date. The residual values are measured on a yearly basis and any changes have an effect on future depreciations.

Each component of a non-current asset that is significant to the total cost of the item is depreciated separately. The Company allocates the amount initially recognised in respect of an item of non-current asset to its significant components and depreciates separately each such component over their useful lives. The book value of ships is split into two components, ships and periodic maintenance. Day-to-day repairs and maintenance costs are charged to the income statement during in which they are incurred. The cost of major renovations and periodic maintenance is included in the asset's carrying amount. At the time of investing in a ship a portion of the purchase price is defined as periodic maintenance. The investment is depreciated over the remaining useful life of the asset and for the periodic maintenance part over the period until the next periodic maintenance. For ships chartered in on bareboat terms, Odfjell is responsible for operating expenses and periodic maintenance. For such ships we make accruals for estimated future periodic maintenance. Provision for dry-docking of ships on bareboat terms is included in other current liabilities in the balance sheet.

Expected useful lives of non-current assets are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciations are adjusted accordingly. Changes are valid as from the dates of estimate changes.

Depreciation of the above mentioned assets appears as depreciation in the income statement.

Capital gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the operating result. When the carrying amount of a non-current asset will be recovered principally through a sale transaction rather than through continued use they are reported at the lower of the carrying amount and the fair value less selling costs.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Assets held for sale are excluded from the impairment test together with the other assets and a separate judgement is made.

2.6 Leases

The determination of whether an arrangement is, or may represent a lease, is based on the substance of the arrangement at inception date. An arrangement is a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. After inception reassessment is made only if one of the following aspects occurs:

1. there is a change in contractual terms, other than a renewal or extension of the arrangement
2. a renewal option is exercised or an extension is granted, without the term of the renewal or extension

having been initially included in the lease term
3. there is a change in the determination of whether fulfilment is dependent on a specified asset
4. there is a substantial change to the asset where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios 1, 3 or 4 and at the date of renewal or extension period for scenario 2.

Assets financed under financial leases are capitalised at the commencement of the lease at the fair value of the leased asset, or if lower, at the net present value of minimum lease payments. Lease payments consist of a capital element and financial cost, the repayment of the capital element reduces the obligation to the lessor and the financial cost is expensed. Capitalised leased assets are depreciated over the estimated useful life in accordance with note 10.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term, see note 15 and note 19.

When a financial lease is terminated and the Group obtain ownership to the underlying asset any gain or loss on termination of the lease is regarded as gain or loss associated with the lease liability and recognized as a finance income or finance loss. The ship is not subject for any revaluation.

2.7 Impairment of assets

Non-financial assets

The carrying amount of the Group's tangible assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belong. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ('value in use'). The NPV is based on an interest rate according to a WACC reflecting the required rate of return. If the recoverable amount is lower than the book value, impairment has occurred and the asset shall be revalued. Impairment losses are recognised in income statement. Assets are grouped at the lowest level where there are separately identifiable independent cash flows.

Impairment losses recognised in the income statement for previous periods are reversed when there is information that the basis for the impairment loss no longer exists. This reversal is classified in the income statement as an impairment reversal. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

Financial assets

At each reporting date the Group assesses whether a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost occurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

(ii) Available-for-sale-investments

If an available-for-sale-investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income statement. This normally applies in a situation with changes exceeding 20% of the value and expected to last for more than six months, both based on original cost.

2.8 Consolidation

The consolidated statements consist of Odfjell SE and its subsidiaries as at 31 December each year (see note 31).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continues to be consolidated until the date that such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Controlling influence is normally gained when the Group owns, directly or indirectly, more than 50% of the shares in the company and is capable of exercising actual control over the company.

Identified excess values have been allocated to those assets and liabilities to which the value relates. Fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the balance sheet date. Excess values are depreciated over the estimated useful lives.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2.9 Investment in joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control have the right to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

An associate is an entity which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in joint ventures and associates are accounted for by using the equity method. Under this method, the investment is initially recognised at cost. Goodwill relating the associate or joint venture is included in the carrying amount of the investment and not tested for impairment individually.

The income statement reflects the Group's share of the net result after tax of the associate or joint venture. Any depreciation or amortisation of the Group's excess values are included the net result from the joint ventures.

Any change in other comprehensive income of the associate or joint venture is presented separately in the Group's other comprehensive income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting principles in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise and impairment loss on its investments in joint ventures or associates. At each reporting date, the Group determines whether there is objective evidence that the investments are impaired. It there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and the carrying amount of the investment. Any impairment loss is recognised as 'share of profit or loss from joint venture and associates'.

The recoverable amount is the higher of value in use and fair value less cost to sell. The entire carrying amount of the investment is tested for impairment as one single asset.

2.10 Currency

The consolidated financial statements are presented in USD as the Group operates in an international market where the functional currency is mainly USD. The functional currency of the parent company is USD.

Transactions in non-USD currency are recorded at the exchange rate on the date of the transaction. Receivables and liabilities in non-USD currencies are translated at the exchange rate on the balance sheet date. All exchange rate differences are taken to the Income statement.

The balance sheet of foreign subsidiaries with functional currency other than USD is translated at the rate applicable on the balance sheet date, while the income statement is translated using the monthly average exchange rate for the accounting period. Exchange rate differences that arise as a result of this are included as exchange rate differences in other comprehensive income. When a foreign subsidiary is sold, the accumulated translation adjustment related to that subsidiary is taken to the income statement.

2.11 Derivative financial instruments and hedging

Derivative financial instruments are recognised on the balance sheet at fair value. The method of recognising the gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered, we designate certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a highly probable forecasted transaction (cash flow hedge).

Changes in the fair value of derivatives that qualify as fair value hedges and that are highly effective both prospectively and retrospectively are recorded in the income statement together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Changes in the fair value of derivatives that qualify as cash flow hedge that are highly effective both prospectively and retrospectively are recognised in other comprehensive income. Amounts deferred in other comprehensive income are transferred and classified in the income statement when the underlying hedged items impact net result in a manner consistent with the underlying nature of the hedged transaction.

If a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss recognised in other comprehensive income at that time, remains in other comprehensive income and is transferred to income statement the committed or forecasted transaction ultimately is recognised in the income statement as a finance item. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately transferred to the income statement. Certain derivative transactions, while providing effective economic hedges under the Group risk management policy, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement. This also applies to any ineffective parts of a derivative financial instrument that qualifies as a hedge.

At the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions, is documented. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions, are highly effective in offsetting changes in fair values or cash flows of the hedged items. The derivative instruments used by the Group are not held for speculative arbitrage or investment purposes.

The fair value of derivatives that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For derivatives where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another substantially equal instrument, discounted cash flow analysis or other valuation models.

2.12 Financial instruments

Financial investments have been classified as financial assets at fair value through profit and loss, loans and receivables or available-for-sale. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss directly attributable transaction costs. The classification is dependent on the purpose for which the investments were acquired. Financial investments with less than 12 months to maturity or if they are being regularly traded are classified as current assets, otherwise as non-current. The Group determines the classification of its financial investments after initial recognition, and where allowed and appropriate, this designation is re-evaluated at each financial year end.

Purchases and sales of financial investments are recognised on the settlement date, which is the date that the asset is delivered to or by the Group. When financial investments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction cost.

Fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another substantially same instrument, discounted cash flow analysis or other valuation models.

Financial investments at fair value through profit and loss

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial investment is classified in this category if acquired principally for the purpose of regular trading. Derivatives are in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loan and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition, available-for-sale investments are measured at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised, or until the investment is determined to be impaired, at which time the cumulative loss previously reported in other comprehensive income is transferred to the income statement.

2.13 Trade receivables

Trade receivables are recognised at fair value at time of initial measurement. After initial recognition, receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Provisions for impairment are based on estimated historical data and objective indicators of a fall in value. Objective indicators are, among other: material economic problems, economical restructuring, bankruptcy, delayed repayment or non-payment. Provisions for impairment are recognised to receivables and changes are charged to the income statement as reduction in gross revenue. Any receipt of earlier written off receivables are recognised in the income statement as gross revenue.

2.14 Inventories

Bunkers and other inventories are accounted for at purchase price, on a first-in, first-out basis.

Inventories are measured at the lower of cost and net realisable value. If inventory is written down to net realisable value, the write down is charged to the income statement.

2.15 Cash and cash equivalents

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash in hand and in bank, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

The amount of cash and cash equivalents in the cash flow statement does not include available credit facilities.

2.16 Equity

Paid in equity

(i) Share capital

Ordinary shares (A-and B-shares) are classified as equity. The paid in equity equals the nominal value per share.

(ii) Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(iii) Share premium

The excess value of the total paid-in-capital not reflected in the nominal value of the shares. Transaction costs of an equity transaction are accounted for as a deduction in share premium, net of any related income tax benefit.

Other equity

(i) Translation differences

Exchange rate differences arise in connection with currency differences when foreign entities are consolidated. When a foreign operation is sold, the accumulated exchange differences linked to the entity are reversed and recognised in profit or loss in the same period as the gain or loss on the sale is recognised.

(ii) Fair value and other reserves

The fair value and other reserves include the total net change in the fair value of the cash flow hedge and financial investments available for sale. When the hedged cash flow matures or is no longer expected to occur, the net change in fair value is transferred to the income statement. When financial investments are sold or impaired, the accumulated fair value adjustments in equity are included in the income statement as gains and losses from financial investment.

(iii) Retained earnings

The net result attributable to and available for distribution to the shareholders.

Dividends are recorded as a deduction to other equity in the period in which they are approved by the shareholders.

2.17 Taxes

The shipping activities are operated in several countries and under different tax schemes, including the ordinary tax system in Norway, the Norwegian shipping tax system, the Approved International Shipping system in Singapore and the tonnage tax systems in the UK. In addition we operate under local tax systems, most important in Chile and Brazil.

The Group's taxes include taxes of Group companies based on taxable profit for the relevant financial period, together with tax adjustments for previous periods and any change in deferred taxes. Withholding tax on dividend received is classified as current tax. Tax credits arising from subsidiaries' distribution of dividends are deducted from tax expenses.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences. We recognise formerly unrecognised deferred tax assets to the extent that it has become probable that we can utilise the deferred tax asset. Similarly, the Company will reduce its deferred tax assets to the extent that it no longer can utilise these.

Deferred tax and deferred tax assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the relevant tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax and deferred tax assets are recognised irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognised at their nominal value and are classified as non-current liabilities (non-current assets) in the balance sheet.

Companies taxed under special shipping tax systems will generally not be taxed on the basis of their net operating profit. A portion of net financial income and other non-shipping activities are normally taxed at the ordinary applicable tax rate. Taxation under shipping tax regimes requires compliance with certain requirements, and breach of such requirements may lead to a forced exit of the regime.

Tax payable and deferred taxes are recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all associated conditions will be complied with. When the grant relates to an expense item, it is recognised as reduction of the expense over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. When the grant relates to an asset, the fair value is reduced and the grant is included in the income statement over the expected useful life of the relevant asset on a straight-line basis. Further details are given in note 13.

2.19 Interest bearing debt

Interest bearing debt is classified as non-current liabilities and initially recognised at the amount of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, where any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest bearing debt is generally non-current liabilities, while instalments within the next 12 months are classified as current liabilities.

2.20 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction and production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are based on best estimates. Provisions are reviewed on each balance sheet date and reflect the best estimate of the liability. If the effect of the time value of money is material, normally more than twelve months, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Pension cost and liabilities

The Group operates a number of pension plans in accordance with the local conditions and practices in the countries in which it operates. Such pension plans are defined benefit plans or contribution plans according to the customary pension plans prevailing in the country concerned.

Defined benefit pension plans are pension plans with retirement, disability and termination income benefits. The retirement income benefits are generally a function of years of employment and final salary with the Company. Generally the schemes are funded through payments to insurance companies. The liability in respect of defined benefit pension plans is the present value of the accumulated defined benefit obligation at the balance sheet date less the fair value of plan assets. The net pension liability is calculated based on assumptions with regards to interest rates, future salary adjustments etc. These assumptions are based on historical experience and current market conditions. The cost of providing pensions is charged to income statement so as to spread the regular cost over the vesting period of the employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income.

For defined contribution plans, contributions are paid to pension insurance plans. Once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

2.23 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on any dilutive instruments) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

2.24 Comparatives

Comparative figures have been reclassified to conform to changes in presentation in the current year when there are changes in accounting principles, corrections of errors or operations defined as discontinued.

2.25 Events after the balance sheet date

Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will materially affect the Company's position in the future, are stated.

2.26 Related parties

In the normal course of the conduct of its business, the Group enters into a number of transactions with related parties. The Company considers these arrangements to be on reasonable market terms.

2.27 Classification in the financial statement

Odfjell has used a classification based on a combination of nature and function in the income statement.

2.28 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

There have been no new accounting standard or amendments commencing 1 January 2016 with material impact on the financial statements for the Group.

(ii) New standards and interpretations not yet adopted

Certain new accounting standard and interpretations have been published that are not mandatory for 31 December 2016 reporting periods have not been adopted. The Group's assessment of the impacts on these new standards is set out below.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. Preliminary assessment indicates that we do not expect any material impact on the Group's financial assets and liabilities.

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Based on initial assessment, the Group does not expect there to be a material impact on its consolidated financial statements from this standard. The standard is applicable for financial years commencing on or after 1 January 2018.

IFRS 16 Leases

Under 'IFRS 16 leases' lessees no longer distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). Instead, for virtually all lease contracts the lessee recognises a lease liability reflecting future lease payments and a 'right-of-use' asset. The new model is based on the rationale that economically a lease contract is equal to acquiring the right to use an asset with the purchase price paid in instalments. The only exceptions are short-term and low-value leases.

Lessees recognise interest expense on the lease liability and a depreciation charge on the 'right-of-use' asset. Compared to the accounting for operating leases under IAS 17, this does not only change the presentation within the income statement (under IAS 17 lease payments are presented as a single amount within operating expenses) but also the total amount of expenses recognised in each period. Straight-line depreciation of the right-of-use asset and application of the effective interest rate method to the lease liability will result in a higher total charge to profit or loss in the initial years, and decreasing expenses during the latter part of the lease term.

The new IFRS 16 is mandatory from 1 January 2019. Applying the IFRS 16 will have a significant impact on the Financial Statements for lessee arrangements which exists on 1 January 2019.

Based on the existing non-cancellable operating lease commitments of USD 354 million existing at the end of 2016 (see note 15) we have made the following assessment of how IFRS 16 would have impacted the financial statements for the Group for the remaining non-cancellable lease period if IFRS 16 had been implemented 31.12.2016.

The service elements represent operating expenses included in time charter hire. Service element is excluded from the time charter expense before we have estimated the right of use of leased assets (bareboat element). Service element (operating expenses) is estimated based on internal sources. The discount rate applied in the analysis is 5% p.a.

The right of use of assets and the corresponding lease liability is the net present value of the future cash outflow of the estimated bareboat element.

Based on the remaining non-cancellable lease term and the other assumptions made by us, we have estimated that the right of use of assets and the corresponding lease liability is USD 216 million at of the total non-cancellable lease commitment at the end of 31.12.2016 (USD 354 million). The service element (operating expenses) is estimated to USD 123 million and the interest expense is estimated to USD 15 million.

Based on the above lease commitments and assumptions, our analysis indicates that the equity ratio (applying the equity method) would have been reduced from 38.2 % to 34.2 % if the standard had been implemented 31.12.2016.

The Odfjell Group does not intend to adopt the standard before 1. January 2019. As a consequence, some of the commitments per 1 January 2017 may be covered by the exception for short-term leases and some commitments may have lapsed.

NOTE 3 SEGMENT INFORMATION

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has three reportable operating segments: Chemical Tankers, Tank Terminals and Gas Carriers. The Chemical Tankers involve a 'round the world' service, servicing ports in Europe, North and South America, the Middle East and Asia, Australia and Africa. Our fleet composition enables us to offer both global and regional transportation.

Tank Terminals forms a separate segment through our investment in the joint venture company Odfjell Terminals BV. In addition, this segment plays an important operational role in our cargo-consolidation programme so as to reduce the time our vessels spend in ports, reduce thereby emission in port, and enable us to be one of the world-leaders in combined shipping and storage services.

The Group re-entered into the LPG market in 2012 by acquiring two LPG/Ethylene carriers, and Odfjell Gas ordered in 2014 in total eight vessels in addition for agreed delivery between 2016 and 2017. Due to substantially delays, the four first vessels have been cancelled, and there are also material delays in the production of the four remaining orders. The segment is operated through the joint venture Odfjell Gas AS.

Pricing of services and transactions between businesses segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between operating gross segments. These transactions are eliminated in consolidation.

The Group provide geographical data for revenue and total assets, as the reliability measurement criteria cannot be met for other items. The Group's activities are mainly divided among the following regions: Europe, North and South America, the Middle East and Asia, Australia and Africa. Vessels and newbuilding contracts are not allocated to specific geographical areas as they generally trade worldwide.

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BUSINESS SEGMENT DATA (ACCORDING TO PROPORTIONATE CONSOLIDATION METHOD)

	Chemical Tankers*)		Tank Terminals		Gas Carriers		Eliminations		Total	
(USD mill)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross revenue	832	940	123	112	12	18	(0)	(2)	967	1 068
Voyage expenses	(276)	(403)	-	-	(6)	(7)	-	-	(282)	(409)
TC expenses	(164)	(163)	-	-	(0)	(4)	-	-	(165)	(167)
Operating expenses	(133)	(143)	(54)	(54)	(2)	(2)	-	-	(189)	(200)
General and adminstrative expenses	(72)	(85)	(22)	(18)	(0)	(1)	0	2	(94)	(102)
Operating result before depreciation (EBITDA)	**188**	**147**	**47**	**40**	**3**	**4**	**-**	**(0)**	**238**	**190**
Depreciation	(90)	(89)	(34)	(33)	(1)	(1)	-	-	(125)	(124)
Impairment	(13)	(20)	(4)	(3)	(8)	-	-	-	(25)	(24)
Capital gain/loss on fixed assets/discontinued operation	13	-	44	(0)	-	-	-	-	57	(0)
Operating result (EBIT)	**98**	**37**	**53**	**4**	**(7)**	**3**	**1**	**(0)**	**145**	**43**
Net finance	(22)	(57)	(15)	(15)	(1)	(1)	(1)	(1)	(38)	(74)
Taxes	(7)	(6)	1	1	-	(0)	-	-	(6)	(4)
Net result	**68**	**(26)**	**39**	**(10)**	**(8)**	**2**	**0**	**(2)**	**100**	**(36)**
Non current assets	1 251	1 316	516	578	41	72	6	6	1 814	1 972
Current assets	290	249	62	51	3	2	(11)	(17)	343	284
Assets held for sale	4	21	-	-	-	-	-	-	4	21
Total	**1 544**	**1 586**	**578**	**629**	**44**	**74**	**(5)**	**(11)**	**2 161**	**2 278**
Equity	380	281	309	306	28	59	-	(1)	719	645
Non current liabilities	878	1 098	107	255	0	11	-	-	985	1 364
Current liabilities	286	207	162	66	15	5	(5)	(10)	457	268
Total	**1 544**	**1 586**	**578**	**629**	**44**	**74**	**(5)**	**(11)**	**2 161**	**2 278**
RECONSILIATION OF REVENUE:										
Total segment revenue	832	940	123	112	12	18	(0)	(2)	967	1 068
Segment revenue from associates and joint ventures - Tank Terminals**	-	-	(123)	(112)	-	-	-	-	(123)	(112)
Segment revenue from associates and joint ventures - Chemical Tankers**	(7)	(8)	-	-	-	-	-	-	(7)	(8)
Segment revenue from associates and joint ventures - Gas Carriers**	-	-	-	-	(12)	(18)	-	-	(12)	(18)
Consolidated revenue in income statement	**825**	**931**	**-**	**-**	**-**	-	**(0)**	**(2)**	**825**	**929**
RECONSILIATION OF RESULT:										
Total segment EBIT	98	37	53	4	(7)	3	1	(0)	144	43
Segment EBIT from associates and joint ventures - Tank Terminals**	-	-	(53)	(4)	-	-	-	-	(53)	(4)
Segment EBIT from associates and joint ventures - Chemical Tankers**	(1)	-	-	-	-	-	-	-	(1)	-
Segment EBIT from associates and joint ventures - Gas Carriers**	-	-	-	-	7	(3)	-	-	7	(3)
Share of net result from associates and joint ventures***	1	0	39	(10)	(8)	2	-	-	32	(8)
Consolidated EBIT in income statement	**97**	**37**	**39**	**(10)**	**(8)**	**2**	**1**	**(0)**	**130**	**28**
RECONSILIATION OF ASSETS AND LIABILITIES**									-	-
Total segment asset	1 544	1 586	578	629	44	74	(5)	(11)	2 161	2 278
Segment asset from Tank Terminals, Chemical Tankers and Gas Carriers**	-	(14)	(578)	(629)	(44)	(74)	6	10	(616)	(707)
Investment in joint ventures***	-	9	309	307	28	59	-	(2)	338	372
Total consolidated assets in statement of financial position	**1 544**	**1 580**	**309**	307	**28**	**59**	**1**	**(3)**	**1 883**	**1 943**
Total segment liabilities	1 164	1 304	269	322	15	15	(5)	(10)	1 442	1 632
Segment liability from Tank Terminals, Chemical Tankers and Gas Carriers**	-	(6)	(269)	(322)	(15)	(15)	6	10	(278)	(333)
Total consolidated liabilities in statement of financial position	**1 164**	**1 299**	**-**	**-**	**-**	**-**	**0**	**0**	**1 164**	**1 299**
Capital expenditure	**(72)**	**(109)**	**(33)**	**(38)**	**-**	**(15)**	**-**	**-**	**(104)**	**(162)**

*This segment also include ´corporate`.
**Investments in joint ventures are presented according to the proportionate consolidation method in the segment reporting.
***Investments in joint ventures are presented according to the equity method in the consolidated income statement and balance sheet.

GROSS REVENUE AND ASSETS PER GEOGRAPHICAL AREA (according to the proportionate consolidation method)

	Gross revenue		Assets	
(USD 1 000)	2016	2015	2016	2015
North America	310 665	340 505	144 821	134 141
South America	143 352	154 102	80 756	80 251
Norway	-	4 391	200 682	207 380
The Netherlands	92 217	112 455	280 221	270 781
Other Europe	51 872	75 329	24 326	19 192
Middle East and Asia	318 550	336 374	215 688	283 039
Africa	37 319	31 431	1 086	948
Australasia	13 204	12 942	-	-
Unallocated ships and newbuilding contracts	-	-	1 213 185	1 282 190
Total	**967 179**	**1 067 529**	**2 160 765**	**2 277 921**

NOTE 4 FINANCIAL RISK MANAGEMENT

Odfjell's results and cash flow are influenced by a number of variable factors. Our policy is to manage the risks we are exposed to, including, but not limited to market risk, credit risk, liquidity risk, currency risk and interest rate risk. Our strategy is to systematically monitor and understand the impact of changing market conditions on our results and cash flow and to initiate mitigating actions where required.

Financial risk management is carried out by a central treasury function. Various financial instruments are used to reduce fluctuations in results and cash flow caused by volatility in exchange rates, interest rates and bunker prices, ref note 5.

The below table shows sensitivity on the Group's pre-tax result and equity due to changes in major cost components on yearly basis (calculation based on best estimates):

31.12.2016:

Cost component	Net result[1]	Equity[2]
Bunkers, USD 50[3] per tonne increase	(19.8 million)	1.2 million
Interest rates, 1% increase	(10.4 million)	0.5 million
Currency, USD 10% decrease vs NOK	(6.1 million)	3.2 million

31.12.2015:

Cost component	Net result[1]	Equity[2]
Bunkers, USD 50[3] per tonne increase	(20.0 mill.)	1.5 mill.
Interest rates, 1% increase	(11.7 mill.)	0.5 mill.
Currency, USD 10% decrease vs. NOK	(4.8 mill.)	2.0 mill.

[1] Effect on net result, excluding derivatives and bunkers adjustments clauses

[2] Change in mark to market value on existing derivatives accounted for as cash flow hedge

[3] Most of the bunker price exposure is hedged through bunker adjustment clauses and derivatives

Credit risk
Multiple counterparts are used to hedge our total risk. We primarily use our lending banks as counterparts to enter into hedging derivatives. From time to time other counterparties may be selected. We deem all to be counterparts with high credit rating. In addition, the Company's hedging policy establishes maximum limits for each counterparty. The Group therefore regards its maximum risk exposure as being the carrying amount of derivatives, assets, loan and receivables and available for sale investments (see note 5).

The Group has issued guarantees for third parties' liabilities as shown in note 15.

Liquidity risk
The Group's strategy is to have enough liquid assets or available credit lines, at any time, to be sufficiently robust to withstand prolonged adverse conditions in the markets where we operate. Surplus liquidity is mainly placed in deposits, invested in liquidity funds or bonds with a high credit rating.

Total interest-bearing debt as at 31 December 2016 was USD 1,042 million, while liquid assets amounted to USD 174 million, both figures excluding joint venture companies. At the same date the equity ratio, using the Equity consolidation method, was 38.2% compared to 33.2% per end 2015.

During 2016, Odfjell entered into five new loans, financial leases and bond agreements related to the shipping/corporate division, with a total facility amount of about USD 215.7 million. The average maturity of the Group's interest-bearing debt, excluding finance leases and bonds, is about 4 years of which 11.8% of the interest bearing debt matures in 2017.

See also note 5, 7, 28 and 29 for aging analysis and currency exposure.

Currency risk
The Group enters into currency contracts to reduce currency risk in cash flows denominated in non-USD currencies. Investments in associated companies and subsidiaries with a non-USD currency as functional currency are generally not hedged. Such investments generate foreign currency translation differences that are booked directly to other comprehensive income, see other comprehensive income.

For certain assets and liabilities denominated in NOK the Group are not fully hedged and for these fluctuations in the USD/NOK exchange rates will impact towards Group's result.

Bunker risk
The single largest cost component affecting the time-charter result is bunkers. In addition to bunker adjustment clauses in Contracts of Affreightment, the Group enters into several types of bunker derivatives to hedge against significant fluctuations in the results due to changes in the bunker prices.

Interest rate risk
The Group enters into several types of interest rate derivatives to hedge against fluctuations in the results due to changes in interest rates. Typically, the Company enters into interest rate swaps for hedging of a portion of the market interest related to our loans portfolio.

NOTE 5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group uses different hedging instruments to reduce exposures to fluctuations in financial risks.

CASH FLOW HEDGING
The Group has highly probable future expenses that may be variable due to changes in currency exchange rates, interest rate levels or bunker prices. The derivatives classified as cash flow hedges are accounted for at market value (fair value). The change in market value prior to maturity is accounted for under assets or liabilities and other comprehensive income. At maturity, the result of the hedging transactions is accounted

for in the account to the underlying exposure e.g. voyage-, operating-, general and administrative expenses or interest expenses in the net result.

Currency
The Group estimates future expenses in non-USD currencies based on prior year's actual amounts adjusted for anticipated changes and secures part of this anticipated exposure by using forward contracts and options.

From time to time we enter into currency options that do not qualify for hedge accounting as it is uncertain if we will receive a future delivery, hence we may enter into currency derivatives on a trading basis.

Bunkers
The Group estimates future fuel oil consumption based on the fleet employment plan and historical data. Platt's fuel index 3.5% FOB Barges Rotterdam is the reference index when we hedge our bunker exposure. Each year we test the correlation of this index both with the equivalent index for major bunkering ports and the actual price for the fuel we have purchased in these ports. Per 31 December 2016 these correlations are sufficient to use as the reference index to hedge our future bunker purchases in these ports. The bunker hedging instruments used are swaps.

A Contract of Affreightment entered into with a customer typically contains a bunker adjustment clause. This means that cost for the bunker consumption related to that contract is fixed, or at least determined within fixed parameters.

Interest rates
The Group's debt consists of mortgage lending, lease financing and unsecured bonds. The debt interest rate is normally floating. From time to time we enter into derivatives to swap the floating interest rate to fixed interest rate for a period of up to ten years.

From time to time we also sell interest rate options that may, in the future, be turned into a fixed rate swaps. We may also enter into interest rate derivatives on a trading basis.

FAIR VALUE HEDGING
From time to time we enter into a transaction where we wish to swap a principal and/or a series of interest payments from one currency to another, e.g. the NOK bond is swapped to USD interest and principal payments. The derivatives classified as fair value hedges are evaluated at market value, however, the effect in the accounts is nil as the underlying exposure has an exact opposite change in market value.

NON HEDGING
For derivatives that do not qualify for hedge accounting, any change of market value prior to the maturity and the result of the derivative transaction at maturity are accounted for under 'Other financial items' in the net result.

The below overview reflects status of hedging and non-hedging exposure 31 December 2016 (figures 1 000):

Currency	Sold	Bought	Avg. Rate	MTM [2]	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD 33 613	NOK 286 000	8.51	(367)	33 613	-	-	**33 613**
Cash flow hedging	USD 17 825	JPY 2 000 000	112.20	(696)	17 825	-	-	**17 825**

Cash flow hedging swaps		Avg. Rate	MTM [2]	Time to maturity < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD 50 000	3.00%	(406)	50 000	-	-	**50 000**
Non hedge, IRS[1]	USD 150 000	3.77%	(5 636)	50 000	100 000	-	**150 000**

[1] All non hedge IRS' are classified as current assets

Cross currency interest rate swaps			Avg. Price	MTM [2]	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Fair value/Non hedge[1]	USD 284 203	From NOK to USD	6.63%	(35 172)	81 072	203 131	-	**284 203**

Bunker			Avg. Price	MTM [2]	Time to maturity – volume < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	24 000 tonnes	USD	223.53	1 838	24 000	-	-	**24 000**

[1] Related to NOK bonds issued by Odfjell SE
[2] Mark to market valuation

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The below overview reflects status of hedging and non-hedging exposure 31 December 2015 (figures 1 000):

Currency		Sold		Bought	Avg. Rate	MTM [2]	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD	21 342	NOK	180 000	8.43	(880)	21 342	-	-	21 342

Interest rates (IRS)			Avg. Rate	MTM [2]	Time to maturity < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD	50 000	3.00%	(1 415)	-	50 000	-	50 000
Non hedge, IRS[1]	USD	150 000	2.51%	(7 704)	-	150 000	-	150 000

[1] All non hedge IRS' are classified as current assets

Cross currency interest rate swaps				Avg. Price	MTM [2]	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Fair value/Non hedge[1)]	USD	296 230	From NOK to USD	6.62%	(38 661)	-	246 374	-	246 374

Bunker		Avg. Price	MTM [2]	Time to maturity – volume < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	30 000 tonnes	USD 255.49	(2 596)	30 000	-	-	30 000

[1)] Related to NOK bonds issued by Odfjell SE
[2)] Mark to market valuation

Negative value MTM of the cross currency swaps related to the three outstanding bond loans of in total USD 204 million (USD 159 million in 2015), amounts to USD 35 million (USD 39 million in 2015) per 31.12.2016. Positive accumulated currency gain booked related to the same bond loans per 31.12.2016 amounts to USD 23 million (USD 21 million in 2015).

Derivative financial instruments recognised as assets/liabilities on the balance sheet:

(USD 1 000)	2016	2015
Bunkers	1 838	(2 596)
Currency	(1 063)	(880)
Shares (TRS)	-	3 074
Basis swaps (interest and currency)	(41 214)	(47 779)
Derivative financial instruments	**(40 439)**	**(48 182)**

Hedging reserve recognised in statement of other comprehensive income

The table below shows fluctuations in the hedging reserve in the statement of other comprehensive income from cash flow hedges (see Statement of other comprehensive income) divided between the different types of hedging contracts:

(USD 1 000)	Interest rate swaps	Currency exchange contracts	Bunker contracts	Total hedging reserve
Balance sheet as at 01.01.2015	**(1 862)**	**(3 995)**	**(56 185)**	**(62 045)**
Fluctuations during the period:				
- Gains/losses due to changes in fair value	448	(3 994)	(10 697)	(14 243)
- Transfers to net result	-	7 109	64 286	71 395
Balance sheet as at 31.12.2015	**(1 415)**	**(880)**	**(2 596)**	**(4 891)**
Fluctuations during the period:				
- Gains/losses due to changes in fair value	1 020	(133)	2 986	3 873
- Transfers to net result	-	(50)	1 448	1 398
Balance sheet as at 31.12.2016	**(394)**	**(1 063)**	**1 838**	**380**

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Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Derivative financial instruments and available-for-sale-investments are recognised in the balance sheet at the fair value at the balance sheet date. The fair value is obtained from active markets or based on third party quotes. For cash and cash equivalents and current liabilities the carrying amount is considered to be the best estimate of fair value of these instruments due to the short maturity date. Receivables are measured at nominal value reduced by any impairment. Carrying amount is considered to be best estimate of fair value due to short maturity date and valid terms. Fair value of bonds is calculated based on market values on the bonds.

Bond debt has a market value of USD 209 million (USD 155 million in 2015) per 31.12.16 compared to carrying amount of USD 204 million (USD 159 million in 2015).

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The measurement used by Odfjell is either level 1 or 2, where level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity access at the measurement date, and level 2 is input other than quoted prices that are observable for the asset or liability, either directly or indirectly. For some non-derivative financial assets and liabilities we consider carrying amount to be the best estimate of fair value due to short maturity date and valid terms, i.e. current receivables and payables.

(USD 1 000)	2016 Level 1	2016 Level 2	2015 Level 1	2015 Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Derivatives instruments - non hedging	-	1 838	-	3 074
Derivatives instruments - hedging	-	-	-	-
Available - for - sale - investments	9 900	-	8 618	-
Financial liabilities at fair value:				
Derivatives instruments - non hedging	-	40 820	-	46 365
Derivatives instruments - hedging	-	1 458	-	4 891

At year end held for sale assets includes vessel estimated to fair value according to level 3.

During 2016 and 2015 there have been no transfers between levels of the fair value hierarchy. The Group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

Assets and liabilities are classified in the Statement of Financial position sheet as follows:

Classification of financial assets and liabilities as at 31 December 2016:

(USD 1 000)	Held for sale	Derivatives held as hedge instrument *)	Derivatives held at fair value over the result *)	Loans and receivables	Available for sale investment*)	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	Total 2016
ASSETS								
Cash and cash equivalents	-	-	-	164 469	-	-	-	**164 469**
Available-for-sale-investments	-	-	-	-	9 900	-	-	**9 900**
Derivative financial instruments	-	1 838	-	-	-	-	-	**1 838**
Current receivables	-	-	-	73 244	-	-	7 879	**81 123**
Loans to associates and JV´s	-	-	-	7 734	-	-	-	**7 734**
Non-current receivables	-	-	-	15 414	-	-	-	**15 414**
Other non-financial assets	-	-	-	-	-	-	1 597 603	**1 597 603**
Assets held for sale	4 580	-	-	-	-	-	-	**4 580**
Total assets	**4 580**	**1 838**	**-**	**260 862**	**9 900**	**-**	**1 605 482**	**1 882 661**
LIABILITIES								
Other current liabilities	-	-	-	-	-	70 794	-	70 794
Derivative financial instruments	-	1 458	40 820	-	-	-	-	42 277
Interest bearing debt	-	-	-	-	-	1 041 774	-	1 041 774
Other non-current liabilities	-	-	-	-	-	4 892	-	4 892
Other non-financial liabilities	-	-	-	-	-	-	4 110	4 110
Total liabilities	**-**	**1 458**	**40 820**	**-**	**-**	**1 117 460**	**4 110**	**1 163 848**

Classification of financial assets and liabilities as at 31 December 2015:

(USD 1 000)	Held for sale	Derivatives held ashedge instrument *)	Derivatives held at fair value over the result *)	Loans and receivables	Available for sale invest-ment*)	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	Total 2015
ASSETS								
Cash and cash equivalents	-	-	-	117 521	-	-	-	**117 521**
Available-for-sale-investments	-	-	-	-	8 618	-	-	**8 618**
Derivative financial instruments	-	-	3 074	-	-	-	-	**3 074**
Current receivables	-	-	-	73 887	-	-	6 000	**79 887**
Loans to associates and JV´s	-	-	-	25 143	-	-	-	**25 143**
Non-current receivables	-	-	-	2 894	-	-	-	**2 894**
Other non-financial assets	-	-	-	-	-	-	1 685 236	**1 685 236**
Assets held for sale	20 717	-	-	-	-	-	-	**20 717**
Total assets	**20 717**	**-**	**3 074**	**219 445**	**8 618**	**-**	**1 691 236**	**1 943 090**
LIABILITIES								
Other current liabilities	-	-	-	-	-	71 873	-	**71 873**
Derivative financial instruments	-	4 891	46 365	-	-	-	-	**51 256**
Interest bearing debt	-	-	-	-	-	1 167 979	-	**1 167 979**
Other non-current liabilities	-	-	-	-	-	156	-	**156**
Other non-financial liabilities	-	-	-	-	-	-	6 485	**6 485**
Total liabilities	**-**	**4 891**	**46 365**	**-**	**-**	**1 240 008**	**6 485**	**1 297 749**

*) items measured at fair value.

NOTE 6 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain healthy capital ratios and hold liquidity available to take advantage of investment opportunities and generally support the business. At the same time capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in the financial markets.

The Group manages the capital structure and makes adjustments to maintain a structure adapted to current economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments, buy treasury shares, redemption of shares or issue new shares. No changes were made in the objectives or policies during the years ending 31 December 2016 and 2015.

The Group monitors its capital using the book equity ratio and available liquidity, being the sum of cash and cash equivalents, available-for-sale investments and available drawing facilities, as the primary measurements. The Group's policy is to maintain an equity ratio between 30% and 40% and available liquidity of USD 150 - 200 million.

(USD MILL)	2016	2015
Equity	719	645
Total assets	1 883	1 943
Assets held for sale	5	21
Equity ratio (equity method)	38.2%	33.2%
Current ratio	1.0	1.3
Cash and cash equivalents	164	118
Available-for-sale-investments	10	9
Available drawing facilities	-	-
Total available liquidity	**174**	**126**

For liquidity risk see note 4.

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NOTE 7 INTEREST BEARING DEBT

The interest bearing debt is a combination of secured debt and unsecured debt, finance leases and bonds in the Norwegian bond market. Interest rates are generally based on floating LIBOR-rates.

(USD 1 000)	Average interest rate [1]	2016	2015
Loans from financial institutions – floating interest rates	3.07%	638 724	628 147
Short-term interest bearing debt		-	16 707
Finance leases	6.47%	152 327	307 375
Bonds	7.56%	256 788	221 747
Subtotal interest bearing debt	**4.67%**	**1 047 839**	**1 173 977**
Transaction cost [2]		(6 065)	(5 998)
Total interest bearing debt		**1 041 774**	**1 167 979**
Current portion of long term interest bearing debt		(204 202)	(103 304)
Short-term interest bearing debt		-	(16 707)
Total non-current interest bearing debt		**837 573**	**1 047 968**

[1] Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2016.
[2] Charged income statement as interest expenses

Transaction costs are deferred and charged net result over the life of the underlying debt using the effective interest rate method. During 2016 USD 1.6 million (USD 2.2 million in 2015) has been charged to the income statement, classified as interest expenses.

The interest bearing debt does not contain any restrictions on the Company's dividend policy or financing opportunities. The interest bearing debt is generally subject to certain covenants which include that book debt ratio shall at all times be less than 75% (excluding deferred tax liability). On a consolidated basis Odfjell SE shall at all times maintain free liquid assets of the highest of USD 50 million and 6% of interest bearing debt. Any free liquid assets in companies included 100% in the consolidated accounts of Odfjell SE can also be included in the calculation on a pro-rata basis corresponding to Odfjell's ownership, provided there are no restrictions on lending or distributions of any kind from the relevant company to Odfjell SE.

Maturity of interest bearing debt as at 31 December 2016:

(USD 1 000)	2017	2018	2019	2020	2021	2022+	Total
Loans from financial institutions – floating interest rates	123 318	162 617	68 973	180 553	68 188	35 075	**638 724**
Finance leases	5 194	5 403	48 486	5 247	5 455	82 542	**152 327**
Bonds	75 689	123 266	57 833	-	-	-	**256 788**
Total interest bearing debt	**204 202**	**291 286**	**175 292**	**185 800**	**73 643**	**117 616**	**1 047 839**
Estimated interest payable	43 969	31 711	19 563	11 806	7 640	3 208	**117 896**
Total	**248 171**	**322 997**	**194 855**	**197 606**	**81 282**	**120 824**	**1 165 735**

Maturity of interest bearing debt as at 31 December 2015:

(USD 1 000)	2016	2017	2018	2019	2020	2021+	Total
Loans from financial institutions – floating interest rates	94 499	113 269	155 475	53 587	165 326	45 991	**628 147**
Short-term interest bearing debt – floating interest rate	16 707	-	-	-	-	-	**16 707**
Finance leases	8 805	9 674	10 553	54 679	10 156	213 510	**307 375**
Bonds	-	99 085	122 662	-	-	-	**221 747**
Total interest bearing debt	**120 011**	**222 028**	**228 690**	**108 266**	**175 482**	**259 500**	**1 173 977**
Estimated interest payable	40 567	33 836	22 300	14 266	10 408	15 072	**136 449**
Total	**160 579**	**255 864**	**310 990**	**122 532**	**185 890**	**274 572**	**1 310 426**

Average maturity of the Group's interest-bearing debt is about 4 years excluding finance leases and bonds.

In January 2017 Odfjell SE completed a new unsecured bond issue of NOK 700 million with maturity date in January 2021. In conjunction with the bond issue the Company repurchased NOK 119 million (USD 20.1 million) of the outstanding Odfjell bond maturing in April 2017. The new bond is swapped to USD 82.5 million with a spread of 5.96% + LIBOR.

The net carrying amount of assets under finance leases is USD 164.4 million as per 31 December 2016 (USD 316.7 million as per 31 December 2015). The lease periods vary from four years to 11 years from inception. In addition to the rental payments, the Group has obligations relating to the maintenance of the assets and insurance as would be for a legal owner. The Company has the option to terminate the finance leases on assets and become the legal owner at defined termination payments. Nominal payments related to finance leases per 31.12.2016 are estimated to USD 210.9 million, compared to net present value of USD 152.3 million.

(USD 1 000)	2016	2015
Book value of interest bearing debt secured by mortgages	636 994	643 418
Book value of assets mortgaged	1 202 946	970 744

The table below summarises interest bearing debt into different currencies:

(USD 1 000)	2016	2015
USD	791 051	935 523
NOK*	256 788	238 454
Total interest bearing debt	**1 047 839**	**1 173 977**

* Includes bond debt swapped to USD. See note 5 Hedging Activities

The Group was in compliance with financial covenants during 2016 and 2015.

NOTE 8 TAXES

(USD 1 000)	2016	2015
Taxes payable, Norway – ordinary tax	-	-
Taxes payable, other jurisdictions	(4 215)	(4 976)
Change in deferred tax, Norway – ordinary tax	(2 690)	(83)
Change in deferred tax, other jurisdictions	6	(297)
Total tax income (expenses)	**(6 899)**	**(5 357)**

(USD 1 000)	2016	2015
Pre-tax profit	100 012	(30 274)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(18 609)	4 029
Tax effect of:		
Income and expenses not subject to tax	19 679	5 888
Deferred tax asset not recognised	(7 969)	(15 274)
Tax income (expenses)	**(6 899)**	**(5 357)**
Effective tax rate	**6.90%**	**17.69%**

Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2016	Change in temporary differences	2015
Current receivables	2 363	2 363	-
Pensions	261	(1 859)	2 119
Financial instruments	30 684	(14 004)	44 688
Provisions	1 449	(1 938)	3 387
Other long term temporary differences	-	(582)	582
Loss carried forward	242 369	(655)	243 025
Total negative temporary differences	**277 126**	**(16 674)**	**293 800**
Differences related to depreciation of non-current assets	14 183	8 745	5 438
Deferred gain related to sale of non-current assets	6 390	5 303	1 087
Differences related to long-term debt	49 920	(37 592)	87 512
Other long term temporary differences	700	700	-
Total positive temporary differences	**71 194**	**(22 843)**	**94 037**
Net temporary differences	(205 932)	(6 169)	(199 763)
Temporary differences not accounted for*	215 411	24 916	190 495
Temporary differences – basis for calculation of deferred tax	**9 479**	**18 747**	**(9 268)**
Deferred tax in statement of financial position	**2 275**	**-**	**(2 317)**
Tax rate	17%-34%	-	17%-34%

*This applies to temporary differences for companies with losses where deferred tax assets are not recognised.

The Group's Norwegian companies have a total loss carried forward of USD 242 million at 31 December 2016 (2015: USD 243 million), that is available indefinitely to offset against future taxable profits of the companies in which the losses arose. Tax Group contributions are also available within the same country and within the same tax regime. Any distribution of dividend to the Odfjell SE's shareholders does not affect the Company's payable or deferred tax.

NOTE 9 PENSION LIABILITIES

The Group operates defined benefit plan in Norway for sailors. The defined benefit plan is final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for the period 60 – 67 years. At the end of 2016 the book amount of the accrued defined benefit was USD 1 million (2015: USD 0.8 million).

In addition accruals are made for Executive Management and overseas offices of USD 3.1 million related to defined contribution plans.

In the Norwegian companies all employees are included in a defined contribution plan. The Odfjell Group pays a fixed percentage of the salary as contribution to the plan limited to 12 times the base amount (G). In addition, senior management are entitled to additional annual contribution limited to 18G. Several of the Group foreign subsidiaries have defined contribution plans in accordance with local legislation.

Defined contribution plan

(USD 1 000)	2016	2015
Defined contribution cost	2 623	2 362
Number of employees	453	469

Some of the Group's Norwegian subsidiaries are bound to have mandatory occupational pension scheme pursuant to the Norwegian law of Occupational pension scheme. The Group's pension scheme meets the requirements of this Act.

Regarding net defined pension assets in the balance sheet total USD 1.6 million is prepaid premium related to defined contribution plan. In addition to USD 0.8 million paid into a secured bank account for the additional pension scheme for the Executive Management, ref. note 22.

NOTE 10 NON-CURRENT ASSETS

(USD 1 000)	Real estate	Ships and new-building contracts	Periodic maintenance	Office equipment and cars[1]	Total
Net carrying amount 1.1.2015	15 347	1 257 551	26 060	35 834	1 334 792
Investment	136	22 963	25 118	1 021	49 238
New financial lease	-	59 170	562		59 732
Sale at book value	(71)	(17 731)	(2 450)	-	(20 252)
Depreciation 2015	(1 386)	(58 198)	(22 852)	(5 750)	(88 186)
Impairment 2015	-	(20 487)	-	-	(20 487)
Reclassified to assets held for sale (book value)	(10 217)	(8 651)	(1 849)	-	(20 717)
Net carrying amount 31.12.2015	**3 809**	**1 234 616**	**24 589**	**31 105**	**1 294 120**
Investment	-	57 657	12 686	1 332	**71 675**
Sale at book value	-	-	-	(19 941)	**(19 941)**
Depreciation 2016	(353)	(65 939)	(18 425)	(4 089)	**(88 806)**
Impairment 2016	-	(5 913)	-	-	**(5 913)**
Reclassified to assets held for sale (book value)	-	(11 438)	-	-	**(11 438)**
Net carrying amount 31.12.2016	**3 456**	**1 208 983**	**18 850**	**8 407**	**1 239 696**
Cost	39 202	2 166 559	26 060	104 791	2 336 612
Accumulated depreciation	(23 855)	(909 008)	-	(68 957)	(1 001 820)
Net carrying amount 01.01.2015	**15 347**	**1 257 551**	**26 060**	**35 834**	**1 334 792**
Cost	39 415	2 187 864	24 589	106 040	2 357 908
Accumulated depreciation	(35 606)	(953 248)	-	(74 935)	(1 063 789)
Net carrying amount 01.01.2016	**3 809**	**1 234 616**	**24 589**	**31 105**	**1 294 120**
Cost	14 846	2 173 400	18 850	60 710	2 267 807
Accumulated depreciation	(11 390)	(947 066)	-	(52 303)	(1 010 759)
Impairment	-	(5 913)	-	-	(5 913)
Reclassified to assets held for sale (book value)	-	(11 438)	-	-	(11 438)
Net carrying amount 31.12.2016	**3 456**	**1 208 983**	**18 850**	**8 407**	**1 239 696**

[1] In 2016 the Terminal Management System (TMS) was sold to the Terminal division for about USD 20 million

Capital gain (loss) on non-current assets
In 2016 capital gain/loss from sale of non-current assets was USD 12.7 million (nil in 2015), where about USD 12 million is related to sale of Odfjell's main office (ref note 14).

Depreciation periods
Non-current assets are depreciated on a straight-line basis over their estimated useful lives as follows (in years):

- Real estate	up to 50
- Ships	30
- Periodic maintenance	2.5 – 5
- Office equipment and cars	3 – 15

Fully depreciated non-current assets
Assets with a total cost price of USD 3.3 million have been fully depreciated as at 31 December 2016, but are still in use.

Assets financed under finance leases
The carrying amount of ships financed under finance leases were USD 164.4 million and USD 316.7 million at 31 December 2016 and 31 December 2015 respectively. See note 2.6 and note 7 for future lease obligations.

Capitalised interest on newbuilding contracts
Newbuilding contracts include capitalised interest in connection with the financing of the newbuilding programme. The capitalised interest carried in the balance sheet equalled USD 0.1 million in 2016 and USD 0 million in 2015.

NOTE 11 IMPAIRMENT OF NON-CURRENT ASSETS AND INTANGIBLE ASSETS

The Management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.2 for each CGU.

As at 31 December 2016, the market capitalization of the Group was below the book value of its equity, indicating a potential impairment of intangible assets and of assets of the operating segments.

The discount rate for the different CGUs has been determined to WACC.

Chemical Tankers:
For Odfjell's shipping activity the net present value of future cash flows has been calculated based on expected time-charter earnings and estimated level of operating expenses for each ship over the remaining useful life of the ship. The net present value of future cash flows was based on WACC of:

	2016	2015
Chemical Tankers:	7.46%	7.40%

The majority of shipowning companies are all within tax regimes where tax rates are assumed to be close to 0%.

In 2016 Odfjell has continued to dispose vessels that are no longer compatible with the Odfjell fleet of vessels and trades. One ship is sold, one ship is on a bareboat arrangement with a purchase obligation at the end of the three years bareboat charter and one ship is a sale/leaseback arrangement. The value of the ships classified as held for sale will be recovered through sale rather than continuous use. Upon classification as held for sale, each ship is regarded as one cash generating unit. The asset held for sale is recognised at estimated sale price. During 2016 the Group made an impairment of total USD 11.8 million related to ships sold or classified as held for sale.

Sensitivity for 2016 is shown in note 2.2.

Joint ventures and associates:
In 2016 the joint venture Odfjell Terminal BV made an impairment test of all assets. As a result they made an impairment of their greenfield project at Odfjell Terminal Quanzhou (Fujian) and wrote down net USD 3.7 million (Odfjell share). The impairment is included in the share of net result from associates and joint ventures.

Odfjell Gas ordered in 2014 in total eight vessels for agreed delivery between 2016 and 2017. Due to substantially delays, the four first vessels have been cancelled, and there are also material delays in the production of the four remaining orders. Due to this, and evaluation of future market view, and impairment of USD 8.9 million is done in 2016 related to the newbuilding contracts and the two existing vessels. The impairment is included in the share of net result from associates and joint ventures.

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NOTE 12 EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as the Company has no convertible bond loan or stock option plan.

(USD 1 000)	2016	2015
Profit/(loss) and diluted profit for the year due to the holders of ordinary shares	100 012	**(35 631)**
Average number of shares outstanding (note 30) Weighted average number of ordinary shares for basic earnings per share*)/diluted average number of shares outstanding	78 690	86 769
Basic/diluted earnings per share	1.27	(0.41)

*) The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year. On 19 December 2014 Odfjell SE entered into a Total Return Swap (TRS) agreement with DNB Markets. The TRS comprised 5,891,166 A-shares and 2,322,482 B-shares with pre agreed strike prices. The TRS expired and was settled on 5 January 2016 at agreed strike prices of NOK 24.79 and NOK 23.75 respectively.

NOTE 13 GOVERNMENT GRANTS

Government grants from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seafarers of USD 0.3 million in 2016 (USD 1.6 million in 2015) are entered into the accounts as a reduction in operating expenses.

Flumar Transportes de Quimicos e Gases Ltda received USD 0.6 million in 2016 (USD 0.8 million in 2015) in AFRMM (Additional Freight for the Merchant Marine Renewal), which is a freight contribution for cargoes shipped by Brazilian flag vessels on the Brazilian coast. The AFRMM are recognised where there is a reasonable assurance that the AFRMM will be received and all associated conditions will be fulfilled. When the benefit refers to an expense item, it is recognised as reduction in expenses over the period of benefit, on a systematic basis in relation to costs the benefit aims to offset.

NOTE 14 TRANSACTIONS WITH RELATED PARTIES

The Group has carried out various transactions with related parties. All transactions have been carried out as part of the ordinary operations based on the arm-length principle.

The Odfjell Group shares offices in Brazil with a local terminal company related to Chairman of the Board, Laurence Ward Odfjell. The Chairman's family also has ownership interest in a company, which acts as Brazilian port agent for Odfjell. In addition to reimbursement of actual expenses and expenditures incurred, Odfjell Tankers AS and Flumar Transportes de Quimicos e Gases Ltda paid these companies USD 1.2 million in agency fees in 2016 (USD 1.3 million in 2015), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil – Representacoes Ltds paid USD 0.4 million for administrative services in 2016 (USD 0.3 million in 2015).

Transactions with related parties are settled on a regular basis and the balances as per 31.12.2016 were immaterial.

In 2016 the Company entered into an agreement regarding sale and lease-back of Odfjell's main office. The Company engaged DNB Næringsmegling AS and external legal advisors in the facilitation phase and sale process. The property was viewed by six potential buyers. One offer was made, by a group of buyers consisting of Odfjell Eiendom AS, Norchem A/S and Rederiet Jacob Christensen A/S at NOK 185 million. Norchem A/S and Rederiet Jacob Christensen A/S are shareholders of Odfjell SE. After negotiations the bid was increased to NOK 191 million. KPMG as an independent expert has issued a separate statement to the Extraordinary General Meeting. The Extraordinary General Meeting approved the transaction 17 February 2016 regarding the sale and lease-back. The transaction gave a pre-tax gain of about USD 12 million in 2016. The annual lease is about USD 1.6 million.

NOTE 15 COMMITMENTS, GUARANTEES AND CONTINGENCIES

Operating leases

The Group has entered into several operating leases for ships. The leases have fixed time-charter commitment. The time-charter rate is the compensation to the shipowner covering the financial expenses and in some cases also the ship operating expenses. In addition the Group has floating time charter arrangements where payments equal the earnings generated by the ships. See note 19 for the time-charter/lease expenses.

The operating leases contain no restrictions on the Company's dividend policy or financing opportunities. The nominal value of future rents related to the existing non-cancellable operating lease commitments fall due as follows:

(USD 1 000)	2016	2015
Within one year	168 763	126 138
After one year but not more than five years	185 489	128 288
After five years	-	-
Total operating leases	**354 253**	**254 426**

Including future lease contracts, not yet started, the total commitment is estimated to USD 519 million at 31 December 2016.
Reference is made to Accounting principles 2.28.

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Capital commitment

In 2016 Odfjell Chemical Tankers AS, a subsidiary of Odfjell SE, signed shipbuilding contracts for construction of four chemical tankers with stainless steel cargo tanks with China Shipbuilding Trading CO. LTD and Hudong-Zhonghua Shipbuilding (Group) CO., LTD. The remaining capital commitments as per end December 2016 is USD 216 million for the years 2017 - 2020.

Guarantees

(USD 1 000)	2016	2015
100% owned subsidiaries (third party guarantees)	55 125	5 209
Joint ventures (credit facilities)	95 570	125 164
Joint ventures (third party guarantees)	209 615	318 885
Total guarantees	**360 310**	**449 257**

The Odfjell Group has issued guarantees on behalf of 100% owned subsidiaries as part of our day-to-day business to assume responsibility for bunkers purchases and a financial lease of total USD 7.0 million. Odfjell SE has also guaranteed for 20% of the instalments to Hudong-Zhonghua Shipbuildibg (group) CO. Ltd on behalf of Odfjell Chemical Tankers AS, a subsidiary of Odfjell SE, with a total of USD 47.9 million in 2016.

Guarantees to and from Group companies are generally entered into on arms-length basis.

Odfjell SE has issued a guarantee for 100% of the remaining instalments to Nantong Sinopacific Offshore & Engineering Co. Ltd on behalf of Odfjell Gas Shipowning AS, a subsidiary of Odfjell Gas AS, with a total of USD 209.6 million in 2016 (USD 318.9 million in 2015). The JV partners have issued a counter guarantee for their 50% share in Odfjell Gas AS. Due to substantially delays, the four first vessels have been cancelled, and there are also material delays in the production of the 4 remaining orders which also may be cancelled i.e. reducing the guarantee amounts.

Contingencies

The Group maintains insurance coverage for its activities consistent with industry practice. The Group is involved in claims typical to the Chemical Tanker, Gas Carriers and Tank Terminal industry, but none of these claims have resulted in material losses for the Group since such claims have been covered by insurance.

NOTE 16 AVAILABLE-FOR-SALE INVESTMENTS

(USD 1 000)	Currency	Average interest rate 2016	Book value 2016	Book value 2015
Bonds and certificates issued by financial institutions	USD	1.52%	9 900	8 618
Total available-for-sale investments			**9 900**	**8 618**

Book value equals market value. Market value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In 2016 or 2015 there was no material gain/loss recognised directly to statement of other comprehensive income. Bonds and certificates generally have interest rate adjustments every three months.

NOTE 17 CASH AND CASH EQUIVALENTS

Cash at banks earn interest at floating rates based on bank time deposit rates. Short-term deposits and other liquid investments are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term rates. Restricted cash consists of USD 20 million in short-term deposit and USD 1.4 million (USD 1.5 million in 2015) is funds for withholding taxes relating to employees in Odfjell Management AS and Odfjell Maritime Services AS.

(USD 1 000)	2016	2015
Cash at banks and in hand	111 452	85 053
Short-term deposits	53 017	32 468
Total cash and cash equivalents	**164 469**	**117 521**
Of which restricted	21 378	22 400
Available credit facilities	-	-

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NOTE 18 VOYAGE EXPENSES

Voyage expenses are expenses directly related to the ship voyage.

(USD 1 000)	2016	2015
Port expenses	83 658	89 024
Canal expenses	21 922	21 750
Bunkers expenses [1]	101 610	214 954
Transshipment expenses	17 258	20 013
Commission expenses	21 390	23 875
Other voyage related expenses	27 136	29 479
Total voyage expenses	**272 974**	**399 094**

[1] Includes bunkers hedging derivatives

NOTE 19 TIME-CHARTER EXPENSES

Time-charter expenses consist of expenses for operating leases, see note 15 for future obligations. Time-charter is an arrangement for hire of a ship. These arrangements vary in form and way of payment and period of hire may differ from time to time. Bareboat arrangements, accounted for as operating lease, are also included in same note 15. See Glossary in Annual Report for additional comments.

NOTE 20 OPERATING EXPENSES

Operating expenses consist of expenses for operating ships (for example wages and remunerations for crew and operational personnel, and materials and equipment for ships).

(USD 1 000)	2016	2015
Crew expenses (see note 22)	65 334	72 427
Cost of operations ships	65 370	60 832
Tonnage tax	130	110
Currency hedging	(45)	6 682
Total operating expenses	**130 790**	**140 052**

The pre-Felix operating expenses were USD 175.4 million in 2014.

NOTE 21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of expenses from headquarter's activities and activities outside Bergen for brokerage and agency.

(USD 1 000)	2016	2015
Salary expenses (note 22)	50 713	45 775
Pension expenses defined benefit plans (note 9)	-	1 152
Other expenses	20 787	31 456
Currency hedging	(28)	3 768
Total general and administrative expenses	**71 472**	**82 151**

The pre-Felix general and administrative expenses were USD 92.7 million in 2014.

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2016	2015
Statutory auditing	497	528
Other assurance services	66	12
Tax advisory services	234	152
Other non-audit services	29	8
Total remuneration	**827**	**700**

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NOTE 22 SALARY EXPENSES, NUMBER OF EMPLOYEES AND BENEFITS TO BOARD OF DIRECTORS AND MANAGEMENT

Salary expenses are included in ship operating expenses and general and administrative expenses according to the activity.

(USD 1 000)	2016	2015
Salaries	99 103	101 923
Social expenses	12 644	12 795
Pension expenses defined benefit plans (note 9)*	-	1 152
Pension expenses defined contribution plans (note 9)	2 623	2 362
Other benefits	1 677	1 123
Total salary expenses	**116 047**	**119 355**

* Excluding crew

The pre-Felix salary expenses were USD 134.9 million in 2014.

Average man-years of employees[1]:

	2016	2015
Europe	288	380
North America	25	27
Southeast Asia	1 610	1 704
South America	183	186
Other	18	21
Total average man-years of employees	**2 123**	**2 317**

[1] Only man-years within those entities consolidated.

At the end of 2016 the Board of Directors consists of seven members. Compensation and benefits to the Board of Directors:

(USD 1 000)	2016	2015
Remuneration	**337**	290

For more specification – see Odfjell SE note 14.

Compensation and benefits to the Management Group:

(USD 1 000)	Salary	Bonus*	Pension cost	Other benefits	Total
CEO, Kristian Mørch	721	682	38	27	1 467
Senior Vice President Odfjell Tankers AS, Harald Fotland	288	175	38	22	523
Senior Vice President/CFO, Terje Iversen	243	156	38	21	458
Senior Vice President Ship Management, Helge Olsen	231	74	51	22	377
SVP/Chief of Staff, Øistein Jensen (from 29.02.2016)	152	78	31	17	278
Total	**1 635**	**1 165**	**196**	**108**	**3 104**

*The bonus relates to expensed amount in 2016 for both short and long term incentive scheme.

The bonus related to the LTI programme, net of withholding tax, have been used to aquire Restricted Shares in accordance with the LTI programme.

The Board of Directors´ declaration of determination of salary and other remuneration to the CEO and other management employees.
Regarding The Public Limited Liability Companies Act § 6-16a The Board of Directors shall prepare a separate declaration for determination of salary and other remuneration to the CEO and other Management employees. Additionally is followed from of The Public Limited Liability Companies Act § 5-6 (3) that the ordinary General Meeting shall also deal with the Board's declaration regarding the determination of salary and other remuneration to management employees. An advisory vote is to be held on the Board's guidelines for determining the managers' salaries for the coming year (See (2)).

Performance-based remuneration of the Management Group in the form of share options, bonus programmes or the like shall be linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements, including share option arrangements, shall provide an incentive to perform and be based on quantifiable factors which the employee in question can influence. The guidelines for share based programmes and remuneration linked to shares and other developments in the price of the Company's shares are to be approved by the General Meeting. Ref. § 6-16 (subsection 1 no 3.)

(1) Salary and other remuneration to Management employees are listed in the table above.

(2) Guidelines for determining salary and other remuneration for management employees.

When it comes to guidelines for determination of salary and other remuneration for the coming fiscal year, the Board will present the following guidelines for advisory vote at the General Meeting 2017:

The CEO and managers reporting directly to him are included in the Company's defined contribution plan, see note 9. For the Executive Management the Company has an additional pension scheme covering salary over 12G, capped to 18G. This implies that 16% of the salary basis between 12G and 18G is covered in this additional scheme. The scheme is secured by payments to a secured bank account.

The Executive Management shall be offered competitive terms of employment in order to ensure continuity in the Management Group and to enable the Company to recruit qualified personnel. The remuneration should be composed so that it promotes the creation of value in the Company. The remuneration shall not be of such a kind, or of such a magnitude, that it may impair the public reputation of the Company.

Salary and other remuneration to the CEO shall be determined by the Board. A basic, straight salary is the main component of the remuneration. However, in addition to a basic salary there may also be other supplementary benefits, hereunder but not limited to payment in kind, incentive/recognition pay, termination payments and pension and insurance schemes.

The Company does not run any share option schemes, nor other benefit programmes as mentioned in the Public Limited Companies Act, section 6–16 subsection 1 no. 3. The Annual General Meeting on 9 May 2016 approved a new long-term Incentive Plan (LTI) / Performance Restricted Share Plan for the CEO and the Executive Management, effective from 1 January 2016, as follows:

- The total number of Restricted Shares (RS) available for awards to the Executive Management under the Plan shall annually be distributed to the Executive Management of the Company with a three year restriction period in accordance with the rules of the Plan. The Executive Management will receive a cash amount up to 50% of annual base salary for the CEO and up to 33% of annual base salary for the other members of the Executive Management, where the net amount less withholding tax shall be used to purchase RS in Odfjell.
- The number of awarded RS depends on the achievement of certain Key Performance Indicators (KPIs). These KPIs have been derived from strategic goals and consist of Share Price development, Return on Capital Employed (ROCE) and a discretionary element to be assessed by the Board at year end.

The Board has implemented a short-term performance-related incentive scheme for all on-shore employees which is linked to the Company's earnings performance and defined operational goals over time and contains a cap of maximum six months' salary. If the performance-related incentive scheme does not meet trigger points for payments, the Board may on a discretionary basis grant recognition payments for certain employees including Management.

Besides the CEO, no member of the Executive Management has defined agreements with regards to severance payments. In case the Company terminates the employment during the first three years after the commencement date, the CEO is, in addition to payment of salary and other remuneration during the notice period, also entitled to 12 months' base salary and annual short term incentives earned but not paid prior to such termination.

Remuneration to Management in 2016 was in compliance with the above guidelines.

NOTE 23 BUSINESS COMBINATIONS

No business combinations occurred in 2016 or 2015.

NOTE 24 SUBSEQUENT EVENTS

Based on the Company's 2016 results, including the profit from the sale of the Oman terminal, the Board recommends a dividend payment of NOK 1.50 per share, this to be approved at the Annual General Meeting in May 2017.

On 8 February 2017 Odfjell signed a Memorandum of Agreement to sell Bow Aratu. The transaction will be done to carrying amount in second quarter 2017 and the ship is classified as assets held for sale per year end 2016.

In January 2017 Odfjell SE completed a new unsecured bond issue of NOK 700 million with maturity date in January 2021. In conjunction with the bond issue the Company repurchased NOK 119 million (USD 20.1 million) of the outstanding Odfjell bond maturing in April 2017. The new bond is swapped to USD 82.5 million with a spread of 5.96% + LIBOR.

Odfjell announced 27 February 2017 the signing of long term charter agreements for two chemical tankers with stainless steel cargo tanks, for construction in Japan. The agreement includes two vessels of 35,500 dw tonnes and 28 stainless steel cargo tanks. They are scheduled for delivery in Q4 2018 and Q1 2019 and the agreements run for a minimum of eight years. The vessels will be built in Shin-Kurushima dockyard in Japan.

On 13 March 2017 Odfjell announced counclusion of long term bareboat charter agreements for two chemical tankers, both 36,000 dwt with 28 stainless steel cargo tanks. The vessels are scheduled for delivery in Q4 2019 and Q2 2020 and the charter agreements run for a minimum of ten years.

Odfjell also announced the exercising of the purchase option for Bow Architect, a 2005 built and 30,000 dwt stainless steel chemical tanker with 28 cargo tanks. The vessel has been on long term charter to Odfjell since 2005.

NOTE 25 OTHER FINANCIAL ITEMS

(USD 1 000)	2016	2015
Financial assets and liabilities at fair value through profit or loss statement	(2 718)	2 715
Other financial income	2 995	2 315
Other financial expenses	(2 830)	(3 921)
Capital gain on termination of financial leases[1]	21 509	-
Currency gains (losses) – see note 26	4 029	(17 773)
Total other financial items	**22 984**	**(16 664)**

[1] In November 2016 Odfjell terminated financial lease arrangements and refinanced two vessels with a traditional mortgage loan. The transaction result in a USD 21.5 million in capital gain/write-down of debt.

See note 5 for overview of hedging exposure, and note 26 for specification of currency gains (losses).

NOTE 26 CURRENCY GAINS (LOSSES)

(USD 1 000)	2016	2015
Currency non hedging contracts	-	(3 451)
Non-current receivables and liabilities	5 231	(10 061)
Cash and cash equivalents	(443)	(5 793)
Other current assets and current liabilities	(759)	1 532
Total currency gains (losses)	**4 029**	**(17 773)**

See note 5 for overview of currency hedging exposure.

NOTE 27 NON-CURRENT RECEIVABLES

(USD 1 000)	2016	2015
Loans to employees	155	411
Prepayment of lease	417	1 623
Receivables related to lease/sale of vessel	5 700	-
Other non-current receivables	1 462	860
Total non-current receivables	**7 734**	**2 894**

There is nothing material past due or impaired.

NOTE 28 CURRENT RECEIVABLES

(USD 1 000)	2016	2015
Trade receivables	64 425	68 955
Other receivables	11 350	7 528
Pre-paid costs	7 879	6 000
Provisions for bad debt	(2 531)	(2 596)
Total current receivables	**81 123**	**79 887**

Trade receivables are from a wide range of customers within our business. Credits are granted to customers in the normal course of business. The Company regularly reviews its accounts receivable and makes allowances for uncollectible amounts. The amounts of the allowance are based on the age of the unpaid balance, information about the current financial condition of the customer, any disputed items and other relevant information.

As at 31 December, the ageing analysis of trade receivables and other current receivables are as follows:

			Past due, but not impaired			
(USD 1 000)	Total	Not past due nor impaired	<30 days	30–60 days	60–90 days	>90 days
2016	**75 774**	**40 983**	**16 496**	**5 764**	**2 880**	**9 652**
2015	76 483	40 951	11 624	7 468	3 722	12 718

Movement in provisions for bad debt:

(USD 1 000)	2016	2015
Total provision for bad debt 1 January	2 596	3 858
This year's expenses	(326)	(141)
Write-off this year	260	(1 121)
Total provision for bad debt per 31 December	**2 531**	**2 596**

The table below summarises total current receivables into different currencies:

(USD 1 000)	2016	2015
USD	79 691	77 281
EUR	20	1 498
SGD	203	52
Other	1 209	1 057
Total current receivables	**81 123**	**79 887**

NOTE 29 OTHER CURRENT LIABILITIES

(USD 1 000)	2016	2015
Trade payables	9 157	12 599
Estimated voyage expenses	23 293	24 117
Accrued drydocking expenses related to ships on bare-boat hire	5 343	3 287
Accrued expenses	7 520	6 160
Interest accrual	4 733	3 992
Ship Management accruals	5 763	4 423
Other current liabilities	5 945	12 109
Total other current liabilities	**61 754**	**66 687**

The table below summarises the maturity profile of the Group's other current liabilities:

(USD 1 000)	Total	On demand	< 3 months	3-6 months	6-9 months	> 9 months
2016	**61 754**	**51 663**	**5 158**	**608**	**4**	**4 322**
2015	66 687	59 138	3 456	1 377	95	2 622

The table below summarises other current liabilities into different currencies:

(USD 1 000)	2016	2015
USD	57 446	59 218
EUR	5	326
SGD	1 576	424
WON	467	584
Other currencies	2 260	6 135
Total other current liabilities	**61 754**	**66 687**

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NOTE 30 SHARE CAPITAL AND PREMIUM

	Number of shares (1 000)		Share capital (USD 1 000)		Share premium (USD 1 000)	
	2016	2015	2016	2015	2016	2015
A-shares	65 690	65 690	22 277	22 277	130 511	130 511
B-shares	21 079	21 079	7 148	7 148	41 877	41 877
Total	**86 769**	**86 769**	**29 425**	**29 425**	**172 388**	**172 388**

Per end December 2016 Odfjell SE holds 5,891,166 A - shares and 2,322,482 B - shares.

The number of shares are all authorised, issued and fully paid. Nominal value is NOK 2.50, equivalent to USD 0.29 as at 31.12.2016. All shares have the same rights in the Company, except that B-shares have no voting rights.

Shares owned/controlled by members of the Board of Directors, CEO and other members of the Management Group (including related parties):

	2016		2015	
	A-shares	B-shares	A-shares	B-shares
Chairman of the Board of Directors, Laurence Ward Odfjell	25 966 492	3 999 393	25 966 492	3 999 393
Director, Åke Gregertsen	3 000	28 332	3 000	28 332
CEO, Kristian Mørch	34 000	3 500	24 000	3 500
CFO, Terje Iversen	5 000	-	-	-
Senior Vice President OT, Harald Fotland	-	4 000	-	4 000
SVP/Chief of Staff, Øistein Jensen	4 000	-	-	-

Based on the Company's 2016 results, including the profit from the sale of the Oman terminal, the Board recommends a dividend of NOK 1.50 per share, totalling NOK 117,832,950.

NOTE 31 LIST OF SUBSIDIARIES

The following subsidiaries are fully consolidated in the financial statements as per 31 December 2016:

Company	Country of registration	Ownership share	Voting share
Odfjell Argentina SA	Argentina	100 %	100 %
Odfjell Australia Pty Ltd	Australia	100 %	100 %
OV Bermuda	Bermuda	100 %	100 %
Odfjell Chemical Tankers Ltd	Bermuda	100 %	100 %
Odfjell & Vapores Ltd	Bermuda	100 %	100 %
Flumar Transportes de Quimicos e Gases Ltda	Brazil	100 %	100 %
Odfjell Brasil Ltda	Brazil	100 %	100 %
Odfjell Chile Ltd	Chile	100 %	100 %
Odfjell Japan Ltd	Japan	100 %	100 %
Odfjell Korea Ltd	Korea	100 %	100 %
Odfjell Netherlands BV	Netherlands	100 %	100 %
Norfra Shipping AS	Norway	100 %	100 %
Odfjell Chemical Tankers AS	Norway	100 %	100 %
Odfjell Chemical Tankers II AS	Norway	100 %	100 %
Odfjell Insurance & Properties AS	Norway	100 %	100 %
Odfjell Management AS	Norway	100 %	100 %
Odfjell Maritime Services AS	Norway	100 %	100 %
Odfjell Tankers AS	Norway	100 %	100 %
Odfjell Tankers Europe AS	Norway	100 %	100 %
Odfjell Terminals II AS	Norway	100 %	100 %
Odfjell Peru S.A.C.	Peru	100 %	100 %
Odfjell Ship Management Philippines Inc	Philippines	100 %	100 %
Odfjell Asia II Pte Ltd	Singapore	100 %	100 %
Odfjell Singapore Pte Ltd	Singapore	100 %	100 %
Odfjell Durban South Africa Pty Ltd	South Africa	100 %	100 %
Odfjell UK Ltd	United Kingdom	100 %	100 %
Odfjell Middle East DMCC	United Arab Emirates	100 %	100 %
Odfjell USA (Houston) Inc	United States	100 %	100 %

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NOTE 32 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Odfjell has established a strategic joint venture with Lindsay Goldberg to include substantially all of Odfjell's tank terminals business globally. This investment is done through the holding company Odfjell Terminals BV (ref. note 3). Even if Odfjell holds a 51% share in the tank terminal division the arrangement is arranged as a joint venture through the shareholder agreement.

Odfjell has also established a strategic joint venture with Breakwater Capital and Oak Hill Advisors, L.P. to include Odfjell's Gas carriers business. This investment is done through the holding company Odfjell Gas AS (ref. note 3).

See note 15 for further information about guarantees issued on behalf of joint ventures.

Odfjell does also have minor investments in other joint ventures and associates, see list below for more information.

The investment in joint ventures and associates includes the following companies accounted for according to the equity consolidation method as per 31 December 2016:

JOINT VENTURE	Country of registration	Business segment	Ownership share
Gas carriers:			
Odfjell Gas AS	Norway	Gas Carriers	50.0%
Odfjell Gas Shipowning AS	Norway	Gas Carriers	50.0%
Odfjell Gas Carriers AS	Norway	Gas Carriers	50.0%
Odfjell Gas Denmark AS	Denmark	Gas Carriers	50.0%
Tank Terminals:			
Odfjell Terminals AS	Norway	Tank Terminals	51.0 %
Odfjell Holdings (USA) Inc	United States	Tank Terminals	51.0 %
Odfjell Terminals Management (US) Inc	United States	Tank Terminals	51.0 %
Odfjell Terminals (Charleston) LLC	United States	Tank Terminals	51.0 %
Odfjell Terminals (Houston) Inc	United States	Tank Terminals	51.0 %
Odfjell USA Inc	United States	Tank Terminals	51.0 %
Odfjell Terminals China Pte Ltd	China	Tank Terminals	51.0 %
Odfjell Management Consultancy (Shanghai) Co Ltd	China	Tank Terminals	51.0 %
Odfjell Terminals (Jiangyin) Co Ltd	China	Tank Terminals	28.1 %
Odfjell Terminals Fujian (Quanzhou) Co Ltd	China	Tank Terminals	25.5 %
Odfjell Terminals (Dalian) Co Ltd	China	Tank Terminals	25.5 %
Odfjell Nangang Terminals (Tianjin) Co Ltd	China	Tank Terminals	25.0 %
Odfjell Dalian Port Consulting Co. Ltd.	China	Tank Terminals	25.5 %
Odfjell Terminals Changxing Co Ltd	China	Tank Terminals	25.5 %
Odfjell Terminals (Korea) Co Ltd	South Korea	Tank Terminals	25.5 %
Noord Natie Odfjell Terminals NV	Belgium	Tank Terminals	12.75%
Odfjell Terminals BV	Netherlands	Tank Terminals	51.0 %
Odfjell Terminals Management BV	Netherlands	Tank Terminals	51.0 %
Odfjell Terminals Maritiem BV	Netherlands	Tank Terminals	51.0 %
Odfjell Terminals (Europe) BV	Netherlands	Tank Terminals	51.0 %
Odfjell Terminals (Rotterdam) BV	Netherlands	Tank Terminals	51.0 %
Oiltanking Odfjell Gmbh	Germany	Tank Terminals	49.9 %
Odfjell Terminals Asia Pte Ltd	Singapore	Tank Terminals	51.0 %
Odfjell Terminals (China) Pte Ltd	Singapore	Tank Terminals	51.0 %
Oiltanking Odfjell Terminal Singapore Pte Ltd	Singapore	Tank Terminals	25.5 %
Exir Chemical Terminal (PJSCo)	Iran	Tank Terminals	35.0 %

The share of result and balance sheet items for investments in joint ventures and associates are recognised based on equity method:

	2016				2015			
(USD 1 000)	Tank Terminals	Gas Carriers	Other	Total	Tank Terminals	Gas Carriers	Other	Total
Gross revenue	174 360	24 505	14 702	**213 568**	154 309	36 346	26 306	**216 962**
EBITDA	54 215	6 582	4 412	**65 209**	44 088	7 833	4 179	**56 100**
EBIT	7 787	(6 603)	2 828	**4 012**	341	5 152	966	**6 459**
Net result	76 285	(7 881)	2 191	**70 596**	(17 282)	3 692	289	**(13 302)**
Owner interest	39 534	(7 614)	1 068	**32 989**	(8 814)	1 846	51	**(6 917)**
Excess values	(825)	-	-	**(825)**	(1 253)	-	-	**(1 253)**
Group's share of profit for the year	**38 709**	**(7 614)**	**1 068**	**32 165**	**(10 067)**	**1 846**	**51**	**(8 170)**
Non-current assets	1 035 147	83 495	-	**1 118 642**	1 171 588	135 509	26 291	**1 333 387**
Current assets	106 123	4 393	-	**110 516**	71 918	3 632	14 854	**90 403**
Total assets	**1 141 269**	**87 889**	**-**	**1 229 158**	**1 243 506**	**139 140**	**41 145**	**1 423 791**
Non-current liabilities	121 617	9	-	**121 626**	435 373	23 781	6 082	**465 237**
Current liabilities	282 955	29 367	-	**312 322**	76 055	7 648	8 578	**92 282**
Total liabilities	**404 572**	**29 376**	**-**	**433 948**	**511 429**	**31 430**	**14 660**	**557 519**
Total equity closing balance	**736 697**	**58 513**	-	**795 210**	**732 077**	**107 710**	**26 485**	**866 272**
Owner interest	374 562	29 256	-	**403 819**	373 359	53 855	11 777	**438 991**
Minority/adjustment	(4 120)	(951)	-	**(5 071)**	(4 071)	(1 769)	-	**(5 840)**
Excess values	(61 182)	-	-	**(61 182)**	(65 365)	4 729	-	**(60 636)**
Carrying amount of the investment	**309 260**	**28 305**	**-**	**337 566**	**303 923**	**56 815**	**11 777**	**372 515**
Capital expenditure [1]	**(32 744)**	-	-	**(32 744)**	(37 980)	(14 712)	-	**(52 693)**
Uncalled committed capital	-	-	-	-	-	45 000	-	**-**

[1] Odfjell share

(USD 1 000)	2016	2015
Loan to associates and joint ventures	15 414	25 142

All transactions are considered being at commercial reasonable market terms.

NOTE 33 HELD FOR SALE

In 2016 the ship Bow Aratu, 13 843 dwt and built in 1997, is classified as held for sale, totalling USD 4.6 million, ref. note 10 and 11.

In 2015 the ship Bow Aratu, 13 843 dwt, built in 1997, and Odfjell's main office were classified as held for sale, totalling USD 20.7 million, ref. note 10 and 11.

NOTE 34 EXCHANGE RATES OF THE GROUP'S MAJOR CURRENCIES AGAINST USD

	Norwegian kroner (NOK)		Euro (EUR)		Singapore dollar (SGD)	
	Average	Year-end	Average	Year-end	Average	Year-end
2016	8.41	8.65	1.11	1.05	1.38	1.45
2015	8.07	8.80	1.11	1.09	1.37	1.41

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FINANCIAL STATEMENT ODFJELL SE

INCOME STATEMENT

(USD 1 000)	Note	2016	2015
OPERATING REVENUE (EXPENSES)			
Gross revenue	2	261	5 196
General and administrative expenses	7, 14	(9 762)	(13 029)
Capital gain/(loss) on sale of fixed assets	19	11 985	-
Depreciation	7	-	(1 224)
Operating result (EBIT)		**2 483**	**(9 056)**
FINANCIAL INCOME (EXPENSES)			
Income on investment in subsidiaries	10	41 327	20 735
Impairment shares	10,15	(8 176)	-
Interest income	10	21 008	23 181
Interest expenses	10	(32 290)	(33 528)
Other financial items	10	(1 130)	(3 173)
Currency gains (losses)	11	1 477	(13 960)
Net financial items		**22 217**	**(6 745)**
Result before taxes		**24 700**	**(15 801)**
Taxes	5	(4 363)	(243)
Net result		**20 338**	**(16 044)**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges transferred to statement of comprehensive income		1 021	447
Net gain/(loss) on available-for-sale investments		1 282	(1 292)
Other comprehensive income		**2 303**	**(845)**
Total comprehensive income		**22 641**	**(16 889)**

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STATEMENT OF FINANCIAL POSITION

Assets as per 31.12 (USD 1 000)	Note	2016	2015
NON-CURRENT ASSETS			
Deferred tax asset	5	-	2 317
Shares in subsidiaries	15	638 765	637 599
Shares in joint ventures	15	281 966	309 551
Loans to group companies and joint ventures	12	517 888	508 635
Total non-current assets		**1 438 619**	**1 458 102**
CURRENT ASSETS			
Current receivables		4 304	60
Current receivables against joint venture		-	2 836
Group receivables		4 585	11 474
Derivative financial instruments	3	-	3 074
Available-for-sale investments	13	9 900	8 618
Cash and bank deposits	16	79 397	12 162
Assets classified as held for sale	19	-	10 217
Total current assets		**98 185**	**48 440**
Total assets		**1 536 804**	**1 506 542**

Equity and liabilities as per 31.12	Note	2016	2015
EQUITY			
Share capital	6, 17	29 425	29 425
Treasury shares	6, 17	(2 785)	-
Share premium	6	172 388	172 388
Cash flow hedge reserve	6	306	(1 997)
Other equity	6	632 115	647 761
Total shareholders' equity		**831 448**	**847 577**
NON-CURRENT LIABILITIES			
Derivative financial instruments	3	29 375	40 122
Loans from subsidiaries	4	5 875	5 875
Long-term debt	4	478 284	522 238
Total non-current liabilities		**513 534**	**568 236**
CURRENT LIABILITIES			
Proposed dividend	17	13 629	-
Derivative financial instruments	3	12 535	7 658
Current portion of long term debt	4	147 099	56 941
Other current interest bearing debt	4	-	16 707
Other current liabilities		8 029	9 423
Loans from subsidiaries		10 529	-
Total current liabilities		**191 821**	**90 729**
Total liabilities		**705 355**	**658 964**
Total equity and liabilities		**1 536 804**	**1 506 542**
Guarantees	18	777 180	942 275

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 15 March 2017

Christine Rødsæther

CHRISTINE RØDSÆTHER

LAURENCE WARD ODFJELL
Chairman

ÅKE GREGERTSEN

HANS SMITS

KLAUS NYBORG

Jannicke Nilsson

JANNICKE NILSSON

Annette Malm

ANNETTE MALM JUSTAD

Kristian Mørch

KRISTIAN MØRCH
CEO

ODFJELL

STATEMENT OF CASH FLOW

(USD 1 000)	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net result before taxes	24 700	(15 801)
Taxes paid	(1 673)	(159)
Depreciation	-	1 224
Impairment shares	8 176	-
Capital gain/(loss) on sale of fixed assets	(11 985)	-
Unrealised currency loss/(gain)	(2 227)	11 768
Unrealised changes in derivatives	2 475	2 371
Dividends and (gain)/loss from sale of shares	(41 327)	(20 111)
Other short-term accruals	(8 663)	(13 793)
Net cash flow from operating activities	**(30 523)**	**(34 502)**
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of non-current assets	22 348	-
Investment in non-current assets	-	(214)
Investment in joint ventures	-	(3 000)
Dividend received/share capital reductions in JVs	58 213	20 735
Loans to/from subsidiaries	11 242	72 812
Net cash flow from investing activities	**91 803**	**90 333**
CASH FLOW FROM FINANCING ACTIVITIES		
New interest bearing debt	136 756	255 207
Repayment of interest bearing debt	(105 121)	(335 641)
Repurchase of treasury shares	(25 140)	-
Net cash flow from financing activities	**6 495**	**(80 434)**
Effect on cash balances from currency exchange rate fluctuations	(540)	(4 868)
Net change in cash balances	**67 235**	**(29 471)**
Cash balances as per 1.1	12 162	41 632
Cash balances as per 31.12	**79 397**	**12 162**
Available credit facilities	**-**	**-**

NOTE 1 ACCOUNTING PRINCIPLES

The parent's separate financial statements have been prepared in accordance with the simplified IFRS. The functional and presentation currency of the company is USD.

The accounting principles are based on the same accounting principles as the Group statement with the following exceptions:

A. Investments in subsidiaries and joint ventures

Subsidiaries and investments in joint ventures are presented according to the cost method. Group relief received is presented as dividend from subsidiaries. Group contribution and dividends from subsidiaries are recognised in the year for which it is proposed by the subsidiary to the extent the parent company can control the decision of the subsidiary through its shares holdings.

Shares in subsidiaries, joint ventures and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. Accordingly a reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

B. Gross revenue

Gross revenue is related to services performed for other Odfjell Group companies and renting of real estate, and is recognised as revenue in the period the service is delivered and the assets are rented.

C. Derivative financial instruments

The Company, on behalf of subsidiaries, enters into derivative financial instruments to reduce currency and bunkers exposure in subsidiaries. These instruments do not qualify for hedge accounting. Changes in fair value of these financial instruments are charged to the respective subsidiary and therefore not recognised in net result or the balance sheet.

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The Company uses various derivative financial instruments to reduce fluctuations in earnings and cash flow caused by volatility in foreign exchange rates and interest rates. Derivatives are classified as current asset/liability if payments occur within 12 months after the balance sheet date. Derivatives where payment takes place more than 12 months after the balance sheet date are classified as non-current.

Changes in fair value of derivatives used for fair value hedge are recognised in the income statement together with changes in the fair value of the hedged item. Changes in fair value of derivatives that do not qualify for hedge accounting is recognised as financial items in the income statement in the period the change occur.

See note 4 in the Group Financial Statements for more details regarding risk management.

D. Deferred tax and deferred tax asset

Deferred tax is calculated using the liability method on all temporary differences arising between the tax base of the assets and liabilities and their carrying amount in the financial statements.

Deferred tax is determined using the tax rate and laws which have been enacted on the balance sheet date. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available. Deferred tax asset/deferred tax is not calculated on temporary differences arising on investments in subsidiaries, joint ventures and associates.

NOTE 2 GROSS REVENUE

Gross revenue is related to renting of real estate and ICT hosting fee for other Odfjell Group companies. This is recognised as revenue in the period the service is delivered and in the period the assets are rented.

NOTE 3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company uses various derivative financial instruments to reduce fluctuations in earnings and cash flow caused by volatility in foreign exchange rates, interest rates and bunker prices. Derivatives are classified as current asset/liability if payments occur within 12 months after the balance sheet date. Derivatives where payment takes place more than 12 months after the balance sheet date are classified as non-current asset/liability.

See note 4 in the Group Financial Statements for more details regarding risk management.

Below overview shows status of hedging exposure per 31 December 2016 (figures in 1 000):

							Time to maturity - USD amounts			
Currency		Sold		Bought	Avg. Rate	MTM [2]	< 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD	17 825	JPY	2 000 000	112.20	(696)	17 825	-	-	**17 825**

					Time to maturity - USD amounts			
Interest rate swaps			Avg. Rate	MTM [2]	< 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD	50 000	3.00%	(406)	50 000	-	-	**50 000**
Non hedge, IRS[*]	USD	150 000	3.77%	(5 636)	50 000	100 000	-	**150 000**

					Time to maturity - USD amounts			
Cross currency interest rate swaps			Avg. Rate	MTM [2]	< 1 year	1 - 5 years	> 5 years	Total
Fair value/Non hedge[1]	USD 284 203	From NOK to USD	6.63%	(35 172)	81 072	203 131	-	**284 203**

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Below overview shows status of hedging exposure per 31 December 2015 (figures in 1 000):

Interest rates swaps (IRS)		Avg. Rate	MTM 2)	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD 50 000	3.00%	(1 415)	-	50 000	-	**50 000**
Non hedge, IRS*	USD 150 000	2.51%	(7 704)	-	150 000	-	**150 000**

*All non hedge IRS' are classified as current assets

Cross currency interest rate swaps			Avg. Rate	MTM 2)	Time to maturity - USD amounts < 1 year	1 - 5 years	> 5 years	Total
Fair value/Non hedge1)	USD 246 374	From NOK to USD	6.62%	(38 661)	-	246 374	-	**246 374**

1) Related to NOK bonds issued by Odfjell SE

2) Mark to market valuation

Negative value MTM of the cross currency swaps related to the three outstanding bond loans of in total USD 204 million (USD 159 million in 2015), amounts to USD 35 million (USD 39 million in 2015) per 31.12.2016. Positive accumulated currency gain booked related to the same bond loans per 31.12.2016 amounts to USD 23 million (USD 21 million in 2015).

In addition to the derivatives above Odfjell SE held FX forwards and bunkers swaps to reduce exposure in subsidiaries. The result of these contracts are transferred to the respective subsidiary at maturity and therefore not recognised in Odfjell SE's separate financial statement. Fair values of these contracts are:

(USD 1 000)	2016	2015
Bunkers	1 838	(2 596)
Currency	(367)	(880)
Derivative financial instruments	**1 471**	**(3 476)**

Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Derivative financial instruments and available-for-sale-investments are recognised in the balance sheet at the fair value at the balance sheet date. The fair value is obtained from active markets or based on third party quotes. For cash and cash equivalents and current liabilities the carrying amount is considered to be the best estimate of fair value of these instruments due to the short maturity date. Receivables are measured at nominal value reduced by any impairment. Carrying amount is considered to be best estimate of fair value due to short maturity date and valid terms. For dividend payable the carrying amount is considered to be best estimate of fair value due to short maturity date and valid terms. Fair value of bonds is calculated based on market values on the bonds.

Bond debt has a market value of USD 209 million (USD 155 million in 2015) per 31.12.16 compared to carrying amount of USD 204 million (USD 159 million in 2015).

Fair value hierarchy

Odfjell SE classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The measurement used by Odfjell is either level 1 or 2, where level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date, and level 2 are inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly. For some non-derivative financial assets and liabilities we consider carrying amount to be the best estimate of fair value due to short maturity date and valid terms, i.e. current receivables and payables.

	2016		2015	
(USD 1 000)	Level 1	Level 2	Level 1	Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Derivatives instruments - non hedging	-	-	-	3 074
Derivatives instruments - hedging	-	-	-	-
Available - for - sale - investments	9 900	-	8 618	-
Financial liabilities at fair value:				
Derivatives instruments - non hedging	-	40 820	-	46 365
Derivatives instruments - hedging	-	1 091	-	1 415

During 2016 there have been no transfers between levels of the fair value hierarchy. Odfjell SE accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

Assets and liabilities are classified in the Statement of Financial position sheet as follows:

Classification of financial assets and liabilities as at 31 December 2016:

(USD 1 000)	Held for sale	Derivatives held as hedge instrument*	Derivatives held at fair value over the result*)	Loans and receivables	Available-for-sale- investments*)	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	Total 2016
ASSETS								
Cash and cash equivalents	-	-	-	79 397	-	-	-	79 397
Available-for-sale-investments	-	-	-	-	9 900	-	-	9 900
Current receivables	-	-	-	8 888	-	-	-	8 888
Loan to Group companies	-	-	-	517 888	-	-	-	517 888
Other non-financial assets	-	-	-	-	-	-	920 731	920 731
Total assets	**-**	**-**	**-**	**606 173**	**9 900**	**-**	**920 731**	**1 536 804**
LIABILITIES								
Proposed dividend	-	-	-	-	-	-	13 629	13 629
Other current liabilities	-	-	-	-	-	8 029	-	8 029
Loan from subsidiaries	-	-	-	-	-	16 404	-	16 404
Derivative financial instruments	-	1 091	40 820	-	-	-	-	41 910
Interest bearing debt	-	-	-	-	-	625 383	-	625 383
Total liabilities	**-**	**1 091**	**40 820**	**-**	**-**	**649 816**	**13 629**	**705 355**

Classification of financial assets and liabilities as at 31 December 2015:

(USD 1 000)	Held for sale	Derivatives held as hedge instrument*)	Derivatives held at fair value over the result*)	Loans and receivables	Available for sale investments*)	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	Total 2015
ASSETS								
Cash and cash equivalents	-	-	-	12 162	-	-	-	12 162
Available-for-sale-investments	-	-	-	-	8 618	-	-	8 618
Derivative financial instruments	-	-	3 074	-	-	-	-	3 074
Current receivables	-	-	-	14 370	-	-	-	14 370
Loan to Group companies	-	-	-	508 635	-	-	-	508 635
Other non-financial assets	-	-	-	-	-	-	949 467	949 467
Assets held for sale	10 217	-	-	-	-	-	-	10 217
Total assets	**10 217**	**-**	**3 074**	**535 166**	**8 618**	**-**	**949 467**	**1 506 542**
LIABILITIES								
Other current liabilities	-	-	-	-	-	9 423	-	9 423
Loan from subsidiaries	-	-	-	-	-	5 875	-	5 875
Derivative financial instruments	-	1 415	46 365	-	-	-	-	47 780
Interest bearing debt	-	-	-	-	-	595 886	-	595 886
Total liabilities	**-**	**1 415**	**46 365**	**-**	**-**	**611 184**	**-**	**658 964**

*) items measured at fair value

NOTE 4 INTEREST BEARING DEBT

(USD 1 000)	Average interest rate	2016	2015
Loans from financial institutions – floating interest rate	3.25%	373 590	362 507
Short-term interest bearing debt – floating interest rate		-	16 707
Bonds	7.56%	256 788	221 747
Subtotal interest bearing debt	**5.01%**	**630 378**	**600 962**
Transaction cost		(4 994)	(5 076)
Total interest bearing debt		**625 383**	**595 886**
Current portion of long-term debt		(147 099)	(56 941)
Short-term interest bearing debt		-	(16 707)
Total non-current interest bearing debt		**478 284**	**522 238**

The long-term debt is a combination of debt guaranteed by subsidiaries and bonds in the Norwegian bond market. Interest rates are generally based on floating LIBOR-rates on less than 12-months. The interest bearing debt does not contain any restrictions on the Company's dividend policy or financing opportunities. The interest bearing debt is generally subject to certain covenants which include that, in the Odfjell Group accounts, the book debt ratio shall at all times be less than 75% (excluding deferred taxes from debt) and that the liquidity shall always be minimum of USD 50 million and 6% of interest bearing debt. The Company was in compliance with covenants during 2016 and 2015.

Maturity of interest bearing debt as per 31 December 2016:

(USD 1 000)	2017	2018	2019	2020	2021	2022+	Total
Loans from financial institutions – floating interest rate	71 410	98 989	43 035	109 022	49 008	2 126	**373 590**
Bonds	75 689	123 266	57 833	-	-	-	**256 788**
Total interest bearing debt	**147 099**	**222 254**	**100 868**	**109 022**	**49 008**	**2 126**	**630 378**
Estimated interest payable	27 535	17 244	8 089	3 432	865	35	**57 199**
Total	**174 635**	**239 498**	**108 957**	**112 454**	**49 873**	**2 161**	**687 577**

Maturity of interest bearing debt as per 31 December 2015:

(USD 1 000)	2016	2017	2018	2019	2020	2021+	Total
Loans from financial institutions – floating interest rate	56 941	69 181	93 146	37 069	103 203	2 967	**362 507**
Short-term interest bearing debt – floating interest rate	16 707	-	-	-	-	-	**16 707**
Bonds	-	99 085	122 662	-	-	-	**221 747**
Total interest bearing debt	**73 648**	**168 266**	**215 808**	**37 069**	**103 203**	**2 967**	**600 962**
Estimated interest payable	24 943	19 453	9 474	3 402	1 489	40	**58 803**
Total	**98 591**	**187 720**	**225 282**	**40 471**	**104 692**	**3 007**	**659 764**

In January 2017 Odfjell SE completed a new unsecured bond issue of NOK 700 million with maturity date in January 2021. In conjunction with the bond issue the Company purchased NOK 119 million (USD 20.1 million) of the outstanding bond maturing in April 2017. The new bond is swapped to USD 82.5 million with a spread of 5.96% + LIBOR.

The average term of the Company's outstanding long-term interest bearing bank debt as per 31 December 2016 was 3.5 years (3.9 years in 2015). The average term of the Company's outstanding bond debt as per 31 December 2016 was 1.6 years (2.2 years in 2015).

Long term loans from subsidiaries:

(USD 1 000)	Currency	Average interest rate	2016	2015
Loans from subsidiaries	USD	5.25%	5 875	5 875
Total loans from subsidiaries			**5 875**	**5 875**

Loans from Group companies generally have no fixed repayment schedule. Repayment is based on available liquidity. Loans to and from group companies are priced on an arms-length basis. Estimated interest liabilities per year USD 0.3 million.

NOTE 5 TAXES

Taxes:

(USD 1 000)	2016	2015
Taxes payable related to withholding tax on received dividend	1 673	-
Deferred tax	2 690	243
Total tax expenses (income)	**4 363**	**243**
Effective tax rate	20.38%	(1.53%)

Taxes payable:

(USD 1 000)	2016	2015
Net result before taxes	24 700	(15 801)
Permanent differences	(23 524)	(35 383)
Changes temporary differences	13 006	(78 783)
Basis taxes payable	**14 182**	**(129 967)**
Group contribution with tax effect (received)	3 288	-
Utilisation of carried forward losses	(17 470)	-
Basis taxes payable after Group contribution	**-**	**(129 967)**

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Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2016	2015
Non-current assets	7 327	(4 895)
Other long-term temporary differences	49 895	87 512
Financial instruments	(30 668)	(44 688)
Shares	699	(582)
Tax-loss carried forward	(147 785)	(162 858)
Net temporary differences	**(120 531)**	**(125 511)**
Tax rate	24%	25%
Total deferred tax (deferred tax assets)	**(28 928)**	**(31 378)**
Total deferred tax not accounted for	28 928	29 061
Deferred tax assets	**-**	**2 317**

Deferred tax asset is only partly accounted for due to uncertainty of future utilisation of temporary differences. Temporary differences are translated to USD from NOK at closing rate. Basis for calculating taxes payable is average exchange rate, while deferred tax/deferred tax assets are calculated using end exchange rate.

NOTE 6 SHAREHOLDERS' EQUITY

(USD 1 000)	Share capital	Treasury shares	Share premium	Cash flow hedge reserve	Available for sale investements	Retained earning	Total equity
Sharesholders' equity as per 1 January 2015	29 425	-	172 388	(1 863)	710	663 804	**864 466**
Comprehensive income	-	-	-	447	(1 292)	-	**(845)**
Net result	-	-	-	-	-	(16 044)	**(16 044)**
Shareholders' equity as per 31 December 2015	29 425	-	172 388	(1 415)	(582)	647 760	847 577
Comprehensive income	-	-	-	1 021	1 282	-	**2 303**
Purchase of Treasury shares	-	(2 785)	-	-	-	(22 355)	**(25 140)**
Proposed dividend	-	-	-	-	-	(13 629)	**(13 629)**
Net result	-	-	-	-	-	20 338	**20 338**
Shareholders' equity as per 31 December 2016	**29 425**	**(2 785)**	**172 388**	**(394)**	**700**	**632 115**	**831 448**

NOTE 7 RELATED PARTIES

In the normal course of the conduct of its business, Odfjell enters into a number of transactions with related parties. The Company considers these arrangements to be according to arm-length principles and on commercially reasonable market terms, and there were no material outstanding balances as per 31 December 2016.

In 2016 the Company entered into an agreement regarding sale and lease-back of Odfjell's main office. The Company engaged DNB Næringsmegling AS and external legal advisors in the facilitation phase and sale process. The property was viewed by six potential buyers. One offer was made, by a group of buyers consisting of Odfjell Eiendom AS, Norchem A/S and Rederiet Jacob Christensen A/S at NOK 185 million. Norchem A/S and Rederiet Jacob Christensen A/S are shareholders of Odfjell SE. After negotiations the bid was increased to NOK 191 million. KPMG as an independent expert has issued a separate statement to the Extraordinary General Meeting. The Extraordinary General Meeting approved the transaction 17 February 2016 regarding the sale and lease-back. The transaction gave a pre-tax gain of about USD 12 million in 2016. The annual lease is about USD 1.6 million.

In 2015 (and partly 2016) AS Rederiet Odfjell, where Laurence Ward Odfjell is Chairman of the Board, rented office premises from Odfjell SE (through Odfjell Management AS) in Bergen, for which Odfjell received USD 0.1 million.

Odfjell SE also has service fee agreements and several financial transactions with Group companies, all considered being at commercial reasonable market terms, see note 2, 10, 14 and 19. Management fee from wholly owned subsidiaries is charged with USD 8.1 million (USD 11.2 million in 2015).

NOTE 8 COMMITMENTS AND CONTINGENCIES

Capital expenditures
No material future commitments related to capital expenditure.

Contingencies
The Company maintains insurance coverage for its activities consistent with industry practice.

NOTE 9 SUBSEQUENT EVENT

No subsequent events after closing of figures.

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NOTE 10 FINANCIAL INCOME AND EXPENSES

(USD 1 000)	2016	2015
Dividend/Sale of shares/Group contribution received from subsidiaries	41 327	20 735
Impairment of shares	(8 176)	-
Intercompany interest income	20 538	22 521
Other interest income bank deposit	470	660
Total interest income	**21 008**	**23 181**
Intercompany interest expenses	(363)	(290)
Interest expenses, loans	(31 927)	(33 237)
Total interest expenses	**(32 290)**	**(33 528)**
Other financial income	8 419	7 764
Other financial expenses	(12 105)	(8 565)
Financial assets and liabilities at fair value through net result	2 556	(2 371)
Sum other financial income/expenses	**(1 130)**	**(3 173)**
Net currency gains (losses) – see note 11	1 477	(13 960)
Net financial items	**22 217**	**(6 745)**

NOTE 11 CURRENCY GAINS (LOSSES)

(USD 1 000)	2016	2015
Currency hedging contracts	-	(3 451)
Non-current receivables and debt	2 227	(5 688)
Cash and cash equivalents	(540)	(4 868)
Other current assets and current liabilities	(210)	47
Total currency gains (losses)	**1 477**	**(13 960)**

NOTE 12 LOANS TO GROUP COMPANIES AND JOINT VENTURES

(USD 1 000)	Currency	Currency amount 1 000 2016	2016	2015
Norfra Shipping AS	USD	133 344	133 344	144 155
Odfjell Asia II Pte Ltd	USD	156 800	156 800	210 000
Odfjell Chemical Tankers AS	USD	210 151	210 151	129 000
Odfjell Chemical Tankers II AS	USD	2 874	2 874	2 750
Odfjell UK Ltd	USD	-	-	1 000
Odfjell Management AS	USD	98	98	-
Odfjell Ship Management (Philippines) Inc.	USD	2 400	2 400	-
Sub total loans to Group companies			**505 667**	**486 905**
Odfjell Terminal (Jiangyin) Co Ltd	USD	403	403	1 315
Odfjell Middle East DMCC	USD	-	-	2 600
Odfjell Terminals Europe BV (Shareholders loan)	USD	10 000	10 000	15 997
Oiltanking Odfjell Gmbh	USD	1 818	1 818	1 818
Sub total loans to Joint Ventures			**12 221**	**21 730**
Total loans to Group companies and Joint Ventures			**517 888**	**508 635**

NOTE 13 AVAILABLE-FOR-SALE-INVESTMENTS

(USD 1 000)	Currency	Average interest rate	Book value 2016	Book value 2015
Bonds and certificates issued by financial institutions	USD	1.52%	9 900	8 618
Total			**9 900**	**8 618**

Book value equals market value. Market value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. Bonds and certificates generally have interest rate adjustments every three months.

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NOTE 14 SALARIES, NUMBER OF EMPLOYEES, BENEFITS TO BOARD OF DIRECTORS, CEO, OTHER MEMBERS OF THE MANAGEMENT GROUP AND AUDITOR'S REMUNERATION

For 2016 the Company has no employees and the Company is not bound to have mandatory occupational pension scheme pursuant to the Norwegian law of Occupational pension scheme.

Compensation and benefits to Board of Directors in 2016:

(USD 1 000)	Compensation	Other benefits	Total
Laurence Ward Odfjell (Chairman)	125	-	**125**
Åke Gregertsen	71	-	**71**
Christine Rødsæther	48	-	**48**
Jannicke Nilsson	48	-	**48**
Annette Malm Justad	42	-	**42**
Klaus Nyborg	4	-	**4**
Hans Smits	-	-	**-**
Total	**337**	**-**	**337**

Auditor´s remuneration in 2016:

(USD 1 000 exclusive VAT)	2016	2015
Statutory auditing	136	157
Other assurance services	49	2
Tax advisory services	201	106
Non-audit services	11	-
Total remuneration	**396**	**264**

NOTE 15 SHARES

Subsidiaries and activities under joint control are included in the parent company accounts based on the Cost Method.

Subsidiaries

(USD 1 000)	Registered office	Share/ voting rights	Book value	Result 2016	Equity 2016
Norfra Shipping AS	Norway	100 %	150 030	1 042	135 449
Odfjell (UK) Ltd	United Kingdom	100 %	2 166	34 333	47 342
Odfjell Argentina SA	Argentina	90 %	129	(14)	34
Odfjell Brasil - Representacoes Ltda	Brazil	100 %	983	261	1 366
Odfjell Chemical Tankers Ltd	Bermuda	100 %	441 262	237	447 418
Odfjell Insurance & Properties AS	Norway	100 %	843	(5)	710
Odfjell Korea Ltd	South Korea	100 %	43	(30)	(91)
Odfjell Management AS	Norway	100 %	21 858	(809)	29 369
Odfjell Maritime Services AS	Norway	100 %	1 929	87	2 028
Odfjell Middle East DMCC	United Arab Emirates, Dubai	100 %	2 509	261	1 025
Odfjell Netherlands BV	Netherlands	100 %	715	(16)	715
Odfjell Peru	Peru	100 %	195	-	70
Odfjell Ship Management (Philippines) Inc	Philippines	100 %	200	(88)	19
Odfjell Singapore Pte Ltd	Singapore	100 %	13	141	2 339
Odfjell Tankers AS	Norway	100 %	9 858	(196)	12 843
Odfjell Tankers Europe AS	Norway	100 %	755	(106)	755
Odfjell Terminals II AS	Norway	100 %	5 248	(12)	7 362
Odfjell USA (Houston) Inc.	USA	100%	-	237	1 733
Odfjell & Vapores Ltd.	Bermuda	100 %	29	(19)	-
Total			**638 765**		

The company Odfjell Argentina SA is directly and indirectly 99% owned by Odfjell SE.

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Shares in Joint Ventures

Other shares	Registered office	Share/ voting rights	Book value	Result 2016[1]	Equity 2016[1]
Odfjell Terminals BV[2]	Netherlands	51.0%	253 299	67 298	665 968
Odfjell Gas AS[2]	Norway	50.0%	28 667	(79)	29 407
Total shares in Joint Ventures			**281 966**		

[1] Result and equity on 100% basis.

[2] Net result and equity from parent companies

The Company has tested investments for impairment in accordance with requirements in IAS 36. The impairment test did result in an impairment loss of USD 8.2 million related to the investment in Odfjell Gas AS.

NOTE 16 RESTRICTED CASH AND CASH EQUIVALENTS

The Company has no restricted cash and cash equivalents per 31 December 2016.

NOTE 17 SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

(NOK 1 000)	Number of shares	Nominal value (NOK)	(NOK 1 000) 2016	(NOK 1 000) 2015
A-shares	65 690 244	2.50	164 226	164 226
B-shares	21 078 704	2.50	52 697	52 697
Total	**86 768 948**		**216 922**	**216 922**

All shares have the same rights in the Company, except that B-shares have no voting rights.

20 largest shareholders as per 31 December 2016 according to VPS:

	Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1	Norchem AS	25 966 492	3 536 381	**29 502 873**	43.42%	34.00%
2	Odfjell SE	5 891 166	2 322 482	**8 213 648**	[2]	9.47%
3	Svenska Handelsbanken AB[1]	2 539 905	2 202 830	**4 742 735**	4.25 %	5.47%
4	Morgan Stanley & Co International[1]	3 284 334	230 674	**3 515 008**	5.49 %	4.05%
5	Rederiet Odfjell AS	3 497 472	-	**3 497 472**	5.85 %	4.03%
6	Odfjell Shipping Bermuda Ltd.	2 750 000	715 760	**3 465 760**	4.60 %	3.99%
7	Pareto Aksje Norge	1 784 971	1 279 008	**3 063 979**	2.98 %	3.53%
8	J.P. Morgan Bank Luxembourg S.A[1]	1 071 400	1 600 800	**2 672 200**	1.79 %	3.08%
9	Holmen Spesialfond	1 700 000	-	**1 700 000**	2.84 %	1.96%
10	Morgan Stanley & Co. LLC[1]	1 400 000	-	**1 400 000**	2.34 %	1.61%
11	J.P. Morgan Securities LLC[1]	1 254 078	-	**1 254 078**	2.10 %	1.45%
12	B.O. Steen Shipping AS	239 111	870 889	**1 110 000**	0.40 %	1.28%
13	VPF Nordea Norge Verdi	391 367	671 846	**1 063 213**	0.65 %	1.23%
14	KLP Aksje Norge	726 450	223 534	**949 984**	1.21 %	1.09%
15	Credit Suisse AG[1]	550 800	288 500	**839 300**	0.92 %	0.97%
16	AS SS Mathilda	600 000	150 000	**750 000**	1.00 %	0.86%
17	Pactum AS	-	740 000	**740 000**	0.00 %	0.85%
18	Berger	732 400	-	**732 400**	1.22 %	0.84%
19	VPF Nordea Kapital	247 827	454 698	**702 525**	0.41 %	0.81%
20	Wimoh Invest AS	-	700 000	**700 000**	0.00 %	0.81%
	Total 20 largest shareholders	**54 627 773**	**15 987 402**	**70 615 175**	**81.50 %**	**81.38%**
	Other shareholders	11 062 471	5 091 302	**16 153 773**	18.50 %	18.62%
	Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00 %**	**100.00%**
	International shareholders	41 906 377	10 051 463	**51 957 840**	70.08 %	59.88%
	Treasury shares[2]	5 891 166	2 322 482	**8 213 648**	-	9.47%
	Cost price treasury shares (USD 1 000)	18 403	6 737	**25 140**	-	-

[1] Nominee account

[2] No voting rights for own shares ref. Public Limited Companies Act §5 -4

Source: Norwegian Central Securities Depository (VPS).

Based on the Company's 2016 results, including the profit from the sale of the Oman terminal, the Board recommends a dividend of NOK 1.50 per share, totalling NOK 117,832,950.

For an analysis of the 20 largest shareholders of 31 December 2016, see text in section Shareholder Information.

The General Meeting on 9 May 2016 authorised the Board of Directors to acquire up to 10% of the Company's share capital. This authorisation expires 11 May 2017. The purpose of purchasing own shares is to enhance shareholders' value. The Board of Directors regularly considers investments in own shares when it may be beneficial for the Company.

Shares owned by members of the Board (including related parties):

	2016		2015	
	A-shares	B-shares	A-shares	B-shares
Chairman of the Board of Directors, Laurence Ward Odfjell	25 966 492	3 999 393	25 966 492	3 999 393
Director, Åke Gregertsen	3 000	28 332	3 000	28 332

NOTE 18 GUARANTEES

(USD 1 000)	2016	2015
100% owned subsidiaries (credit facilities)	417 055	493 227
Joint ventures (credit facilities)	95 570	125 164
100% owned subsidiaries (third party guarantees)	54 940	5 000
Joint ventures (third party guarantees)	209 615	318 885
Total guarantees	**777 180**	**942 275**

Odfjell SE has issued guarantees on behalf of subsidiaries and joint ventures as part of our day-to-day business.

The company has issued guarantees on behalf of 100% owned subsidiaries for bunkers purchases and a financial lease of total USD 7.0 million. Odfjell SE has also guaranteed for 20% of the instalments to Hudong-Zhonghua Shipbuildibg (group) CO. Ltd on behalf of Odfjell Chemical Tankers AS, a subsidiary of Odfjell SE, with a total of USD 47.9 million in 2016.

Guarantees to and from Group companies are generally entered into on arms-length basis.

Odfjell SE has issued a guarantee for 100% of the remaining instalments to Nantong Sinopacific Offshore & Engineering Co. Ltd on behalf of Odfjell Gas Shipowning AS, a subsidiary of Odfjell Gas AS, with a total of USD 209.6 million in 2016 (USD 318.9 million in 2015). The JV partners have issued a counter guarantee for their 50% share in Odfjell Gas AS. Due to substantially delays, the four first vessels have been cancelled, and there are also material delays in the production of the four remaining orders which also may be cancelled i.e. reducing the guarantee amounts.

NOTE 19 ASSETS HELD FOR SALE

Odfjell's main office was sold in 1Q 2016 with a gain of USD 12 million.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report from the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties facing the Company and the Group.

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 15 March 2017

LAURENCE WARD ODFJELL
Chairman

CHRISTINE RØDSÆTHER

JANNICKE NILSSON

ÅKE GREGERTSEN

KLAUS NYBORG

HANS SMITS

ANNETTE MALM JUSTAD

KRISTIAN MØRCH
CEO

AUDITOR'S REPORT

Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Odfjell SE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Odfjell SE, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2016, the income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Odfjell SE have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment evaluation of vessels

Book value of the Company's vessels amounted to USD 1202.8 million, 64 % of total assets as of 31 December 2016. The Company prepared an impairment assessment based on a recoverable amount calculation using budgeted cash flows for 2017 and forecasted cash flows for the remaining useful life of the vessels. The impairment evaluation is based on a portfolio principle. Key assumptions for the recoverable amount calculation are forecasted time-charter earnings, operating expenses, docking expenses, administration expenses, economic life of vessels, residual values and discount rate. The forecasts require considerable judgment from management. The impairment evaluation was a key audit

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matter due to the significant judgments involved in the forecasts and vessels being a material asset in the financial statements.

We have assessed the reasonableness of management's estimates relating to future cash flows by comparing budgeted 2017 EBITDA to the current year's actual EBITDA and evaluated the forecasted cash flows for the remaining useful life of the vessels together with key assumptions. Our audit procedures also included analysis of historical accuracy of prior years' forecasts and we evaluated supporting documentation of 2016 scrap prices and vessel lightweight for steel. We tested the mathematical accuracy of the recoverable amount model. Further, we involved an EY valuation specialist in the assessment of the methodology and the discount rate applied in the recoverable amount model. The company performed a sensitivity analysis of changes in WACC and revenue. We assessed management's sensitivity analysis together with the sensitivity disclosures. We refer to note 2.2 and 11 of the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and CEO (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, and the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our

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opinion that management have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 15 March 2017
ERNST & YOUNG AS

Eirik Moe
State Authorised Public Accountant (Norway)

FLEET & TERMINAL OVERVIEW

as per 7 March 2017

Chemical Tankers	Year built	DWT	CBM	Stainless steel, CBM	Number of Tanks	Ownership
Bow Firda	2003	37 427	40 645	40 645	47	Owned
Bow Chain	2002	37 518	40 621	40 621	47	Owned
Bow Fortune	1999	37 395	40 619	40 619	47	Owned
Bow Flora	1998	37 369	40 515	33 236	47	Owned
Bow Cecil	1998	37 369	40 515	33 236	47	Owned
Bow Faith	1997	37 479	41 487	34 208	52	Owned
Bow Cardinal	1997	37 446	41 487	34 208	52	Owned
Bow Jubail	1996	37 499	41 488	34 209	52	Bareboat
Bow Cedar	1996	37 455	41 488	41 488	52	Owned
Bow Fagus	1995	37 375	41 608	34 329	52	Owned
Bow Mekka	1995	37 272	41 606	34 257	52	Bareboat
Bow Clipper	1995	37 221	41 596	34 328	52	Owned
Bow Riyad	1995	37 221	41 492	34 213	52	Bareboat
Bow Flower	1994	37 221	41 492	34 213	52	Owned
Bow Saga	2007	49 559	52 126	52 126	40	Owned
Bow Sea	2006	49 592	52 107	52 107	40	Owned
Bow Sirius	2006	49 539	52 155	52 155	40	Owned
Bow Summer	2005	49 592	52 128	52 128	40	Owned
Bow Sky	2005	49 479	52 126	52 126	40	Leased
Bow Star	2004	49 487	52 127	52 127	40	Owned
Bow Spring	2004	49 429	52 127	52 127	40	Owned
Bow Sun	2003	42 459	52 127	52 127	40	Owned
Bristol Trader	2016	35 863	38 315	37 549	18	Time charter
Bow Hector	2009	33 694	37 384	37 384	16	Time charter
Bow Tone	2009	33 625	37 974	37 974	16	Time charter
Argent Eyebright	2009	33 609	37 994	37 994	16	Time charter
Bow Heron	2008	33 707	37 365	37 365	16	Time charter
Bow Sagami	2008	33 641	38 000	38 000	16	Time charter
Bow Kiso	2008	33 641	37 974	37 974	16	Time charter
Bow Harmony	2008	33 619	38 052	38 052	16	Leased
Bow Engineer	2006	30 086	36 274	36 274	28	Owned
Bow Architect	2005	30 058	36 290	36 290	28	Time charter
Southern Owl	2016	26 057	27 656	27 656	26	Time charter
Southern Puma	2016	26 057	27 079	27 079	24	Time charter
RT Star	2011	26 199	27 912	27 912	18	Time charter
Horin Trader	2015	19 856	22 129	22 129	18	Time charter
Gion Trader	2015	19 833	22 130	22 130	18	Time charter
Southern Koala	2010	21 290	20 008	20 008	20	Time charter
Southern Jaguar	2009	19 997	22 157	22 157	20	Time charter
Southern Ibis	2009	19 905	22 158	22 158	20	Time charter
Celsius Mayfair	2007	19 999	21 714	21 714	20	Time charter
Flumar Maceio	2006	19 975	21 713	21 713	22	Owned
Celsius Manhattan	2006	19 807	22 143	22 143	22	Time charter
Bow Fuji	2006	19 805	22 140	22 140	22	Time charter
Celsius Monaco	2005	19 999	21 851	21 851	22	Time charter
Celsius Mumbai	2005	19 993	22 186	22 186	22	Time charter
Celsius Miami	2005	19 991	22 192	22 192	22	Time charter
Moyra	2005	19 806	22 838	22 838	18	Time charter
Bow Santos	2004	19 997	21 846	21 846	22	Owned
Kristin Knutsen	1998	19 152	19 409	19 409	34	Time charter
Gwen	2008	19 702	21 651	21 651	26	Time charter
Bow Triumph	2014	49 622	53 188	0	22	Owned
Bow Trident	2014	49 622	53 188	0	22	Owned
Bow Tribute	2014	49 622	53 188	0	22	Leased
Bow Trajectory	2014	49 622	53 188	0	22	Leased
Bow Elm	2011	46 098	48 698	0	29	Owned
Bow Lind	2011	46 047	48 698	0	29	Owned
Flumar Brasil	2010	51 188	55 452	0	14	Owned
Bow Pioneer	2013	75 000	86 000	0	30	Owned
Bow Oceanic	1997	17 460	19 616	19 616	24	Owned
Bow Atlantic	1995	17 460	19 588	19 588	24	Owned
Bow Condor	2000	16 121	17 622	17 622	30	Owned
Bow Andes	2000	16 020	17 120	17 120	22	Owned
Chembulk Sydney	2005	14 271	16 571	16 571	20	Time charter
Houyoshi Park	2016	19 950	21 560	21 560	16	Time charter
Bow Aratu	1997	13 843	15 834	15 834	29	Owned
SG Pegasus	2011	13 086	14 523	14 523	16	Time charter
Stellar Wisteria	2011	12 601	14 715	14 715	18	Time charter
Marex Noa	2015	12 478	14 067	14 067	16	Time charter
Bow Querida	1996	10 106	11 181	11 181	18	Owned
Bow Asia	2004	9 901	11 088	11 088	20	Bareboat
Bow Singapore	2004	9 888	11 089	11 089	20	Bareboat
Bow Nangang	2013	9 156	10 523	10 523	14	Owned
Bow Dalian	2012	9 156	10 523	10 523	14	Owned
Bow Fuling	2012	9 156	10 523	10 523	14	Owned
Total Chemical Tankers:	**75**	**2 268 840**	**2 487 959**	**1 962 744**	**2 130**	

Gas Carriers	Year built	DWT	CBM	Type	Tanks	Ownership
Bow Gallant	2 008	10 282	8 922	LPG/Ethylene	2	Pool
Bow Guardian	2 008	10 282	8 922	LPG/Ethylene	2	Pool
Total Gas Carriers:	**2**	**20 564**	**17 844**		**4**	

NEWBUILDINGS ON ORDER

Chemical Tankers	Number	DWT	CBM	Steel, CBM	Tanks	Delivery
Hudong Shipyard	4	49 000	54 600	54 600	33	2019 - 2020
Total newbuildings:	**4**	**196 000**	**218 400**	**218 400**	**132**	

Gas Carriers	Number	CBM	Ownership	Delivery
Sinopacific Offshore & Engineering	4	22 000	Odfjell Gas	TBD
Total newbuildings:	**4**	**88 000**		

Tank Terminals	Location	Ownership[1]	CBM	Stainless steel, CBM	Number of tanks	
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	51 %	1 635 498	32 550	284	
Odfjell Terminals Maritiem BV	Rotterdam, NL	51 %	0	0	0	jetty services
Odfjell Terminals (Houston) Inc.	Houston, USA	51 %	379 982	113 180	119	
Odfjell Terminals (Charleston) LLC	Charleston, USA	51 %	79 243	0	9	
Odfjell Terminals (Jiangyin) Co. Ltd	Jiangyin, China	28 %	99 800	30 000	22	
Odfjell Terminals (Dalian) Co. Ltd	Dalian, China	25,50 %	119 750	18 350	51	
Odfjell Terminals (Korea) Co. Ltd	Onsan, Korea	25,50 %	313 710	15 860	85	
Odfjell Nangang Terminals (Tianjin) Co.,Ltd	Tianjin, China	24,99 %	137 800	7 000	28	
Oiltanking Odfjell Terminal (Singapore) Ltd	Singapore	25,50 %	402 000	13 520	82	
Noord Natie Terminals NV	Antwerp, Belgium	12,75 %	348 499	37 980	240	
Exir Chemical Terminals PJSCO	BIK, Iran	35 %	22 000	1 000	18	
Total terminals	**10 terminals**		**3 538 282**	**269 440**	**938**	

Projects and Expansions	Location	Ownership[1]	CBM	Stainless steel, CBM	Estimated Completion
Odfjell Terminals Fujian (Quanzhou) Co. Ltd	Quanzhou, China	25.50 %	-	-	TBD
Odfjell Changxing Terminals (Dalian) Co.Ltd	Changxing, China	20.40 %	-	-	TBD
Total expansion terminals			-	-	

Tank Terminals partly owned by related parties[2]	Location	CBM	Stainless steel, CBM	Number of Tanks
Depositos Quimicos Mineros S.A.	Callao, Peru	52 980	1 600	43
Depositos Quimicos Mineros S.A.	Callao II, Peru	13 250	0	12
Granel Quimica Ltda	Santos I, Brazil	97 720	19 880	99
Granel Quimica Ltda	Rio Grande, Brazil	61 150	2 900	32
Granel Quimica Ltda	Sao Luis I, Brazil	75 700	0	35
Granel Quimica Ltda	Sao Luis II, Brazil	50 000	0	14
Granel Quimica Ltda	Ladario, Brazil	8 050	0	6
Granel Quimica Ltda	Triunfo, Brazil	12 030	0	2
Granel Quimica Ltda	Teresina, Brazil	7 640	0	6
Granel Quimica Ltda	Palmas, Brazil	16 710	0	12
Odfjell Terminals Tagsa S.A.	Buenos Aires, Argentina	38 700	530	60
Odfjell Terminals Tagsa S.A.	Campana, Argentina	68 700	10 190	102
Terquim S.A.	San Antonio, Chile	33 590	0	25
Terquim S.A.	Mejillones, Chile	16 840	0	7
Total tank terminals partly owned by related parties	**14 terminals**	**553 060**	**35 100**	**455**

Projects and Expansions Tank Terminals partly Owned by related parties[2]	Location	CBM		Estimated Completion
Granel Quimica Ltda	Santos II, Brazil	52 000	0	Q3 2018
Total expansion tank terminals partly owned by related parties		**52 000**	**0**	
Grand total (incl. related tank terminals partly owned by related parties)	**24 existing terminals**	**4 091 342**	**304 540**	

[1] Odfjell SE's indirect ownership share

[2] Tank terminals and projects partly owned by Odfjell family

GLOSSARY

BALLAST
Amount of unpaid cargo carried in order to provide sufficient weight to keep a ship stable. For tankers, normally water.

BALLAST LEG
Voyage with no cargo on board, to position a ship for the next load port or dry-docking.

BALLAST TANK
Tank that can be filled with ballast, to provide stability for the ship.

BAREBOAT CHARTER (B/B)
An arrangement involving the hiring of a ship, under which the party that hires the ship covers crew costs and all other operating expenses, including docking and maintenance, in addition to all voyage-related costs. On its return, the ship shall be in the same condition as when delivered, normal wear and tear expected.

BARGING
Transfer of cargo to/from a ship from/to a barge.

BROKER
An intermediary in the process of negotiating freight contracts between owners and charterers, the sale and purchase of ships and similar transactions.

BUNKERS/BUNKERING
Engine fuel, to power a ship's engines. Bunkering involves taking bunkers on board.

CBM
Cubic metre, volume measurement = 1 metre high x 1 metre wide x 1 metre deep = 1m3 = 1,000 litres.

CHARTER PARTY (C/P)
Agreement between a ship owner and a charterer, outlining terms and conditions governing the transaction. The agreement may be for one or several voyages, or for a certain period of time.

CHARTERER
The party hiring and paying for ships or ship space. This may be the cargo owner, an intermediary or the receiver of the cargo.

CLASSIFICATION SOCIETY
Independent, non-governmental organisation, e.g. DNV GL, which checks and verifies that the technical condition, the safety and quality of a ship complies with the classification society's own rules, as well as those of national authorities.

COATING
Paint protecting the inside of a ship's tanks. Usually epoxy- or zinc-based paints.

CONTRACT OF AFFREIGHTMENT (CoA)
Agreement between ship owner/operator and charterer, setting the terms for transportation of given quantities of cargo, during a given period of time.

CO_2
Carbon dioxide, a colourless, odourless, incombustible gas present in the atmosphere and formed during respiration, combustion and organic decomposition.

DEADWEIGHT TONNE (DWT OR TDW)
Measure of the weight-carrying capacity of the ship. The total dwt is the weight of the ship and the cargo the ship may carry over and above bunkers, fresh water, spare parts etc.

DEEP-SEA (GLOBAL) TRADE
Sea-borne trade along intercontinental trade routes.

DEMURRAGE
Compensation paid by the charterer, supplier or receiver of the cargo for time spent during port call in excess of the lay-time stipulated in the Charter Party for loading/discharging operations.

DOUBLE HULL
Ship design with an inner and an outer hull, to enhance safety by allowing leakages to be contained in the event of potential groundings or collisions. The space between the inner and outer hull may also be used as ballast tank.

DRY-DOCK
Putting a ship into dry-dock for inspection and repairs of underwater parts, and painting of the ship bottom. Usually carried out every 2½ to 5 years.

EEOI – ENERGY EFFICIENCY OPERATIONAL INDICATOR
Gramme CO_2 emitted per tonne cargo transported one nautical mile.

FREIGHT RATE
Agreed price for transportation, stipulated either per metric tonne of cargo, cubic metre of cargo or as a lump sum for the total cargo.

G/TNM
Gramme per tonne nautical mile.

IMO
International Maritime Organisation, the international UN advisory body on transportation by sea.

INORGANIC CHEMICALS
Chemicals whose molecular structure contains no carbon atoms (other than as part of a carbonate group) and which are derived from sources other than hydrocarbons, such as sulphuric acid, phosphoric acid and caustic soda.

ISMC
International Safety Management Code. The first formalised initiative by IMO to provide a universal standard for ships' safety management systems.

KNOT
Measure of vessel speed. 1 knot = 1 nautical mile per hour ≈ 1.85 km/h.

LIBOR
London Interbank Offered Rate. The average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks.

LTIF
Lost time injury frequency. Number of work-related injuries that make employees unable to work the next workday times one million divided by total number of working hours.

LPG
Liquefied petroleum gas.

MARPOL
The International Conventions governing Marine Pollution Prevention, part of IMO.

M/T
Motor tanker.

MT
Metric tonne.

NH3
Ammonia.

NIS
Norwegian International Ship Register.

NOX
Mono-nitrogen oxides. Nitrogen combined with oxygen to form a variety of compounds.

OECD
The Organisation for Economic Co-operation and Development. An international organisation whose objective is to stimulate economic progress and world trade.

OFF-HIRE
The time a ship is prevented from being gainfully employed for its owner or charterer, e.g. time used for repairs.

OPERATING EXPENSES
Expenses for crew as well as all other expenses directly connected with the running of the ship, including maintenance and insurance.

OPERATOR
A person in a shipping company whose main duties include managing contact between the ship and the charterer, giving instructions to the ship and the port agents concerning stowage, loading and discharging of cargo, and arranging purchase of bunkers, etc.

ORGANIC CHEMICALS
Chemicals containing carbon-based molecules. Often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

PETROCHEMICALS
See organic chemicals.

POOL
Co-operation between several owners supplying ships for a joint operation, where net revenues are pooled and divided according to a pre-determined distribution key.

PPM
Parts per million (1ppm = 0.000001 or 1mg/kg).

SEGREGATION
Division of a ship's cargo space to allow different cargoes being kept completely segregated during the entire voyage, including during loading and unloading.

SHIP MANAGEMENT
Technical administration of a ship, including services such as technical operation, maintenance, crewing and insurance.

SHORT-SEA (REGIONAL) TRADE
Sea-borne trade within a particular trading area (i.e. not intercontinental).

SOLVENTS
Liquids that can dissolve other substances.

SOx
Sulphur Oxides (SO), react with moisture in the air to form sulphuric acid.

SPOT RATE
Cargo freight rate not governed by a contract of affreightment, usually based on the current market level.

STCW
International convention on standards of training, certification and watch-keeping of seafarers.

TIME-CHARTER (T/C)
An arrangement for the hiring of a ship complete with crew against a fee, payable as a specific sum per time period. The party that hires the ship pays for bunkers, port and canal charges and any other voyage-related costs.

TIME-CHARTER EARNINGS
Gross freight revenues minus voyage costs divided by number of trading days, usually expressed in USD per day.

TONNE
Gross registered tonne is a volume of 100 cubic feet (2.83 cubic metres). Gross registered tonnage is basically the volume of the ship's closed areas, excluding the bridge, the galley and a few other areas. Net registered tonnage is the gross tonnage less volumes needed for the operation of the ship (deck storage room, engine room etc.), i.e. the volume available for cargo.

TONNE OR METRIC TONNE
1,000 kg.

TRADE
Geographical area where a ship mainly trades.

TRADING DAYS
Days a ship is not off-hire.

TRANSHIPMENT
Transfer of cargo from one ship to another, e.g. from a ship within global trade to a coaster or barge within regional trade bound for final destination.

VOYAGE CHARTER
Agreement for the transportation of cargo from the port(s) of loading to the port(s) of unloading. Payment is normally per tonne of cargo, and the ship owner pays for bunkers, port and canal charges and other voyage-related costs.

VOYAGE EXPENSES
Expenses directly relating to the voyage, such as bunkers, port charges, canal dues, etc.


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