

**SECOND QUARTER/
FIRST HALF 2016
REPORT**

20
16



Second Quarter and First Half Year Report 2016

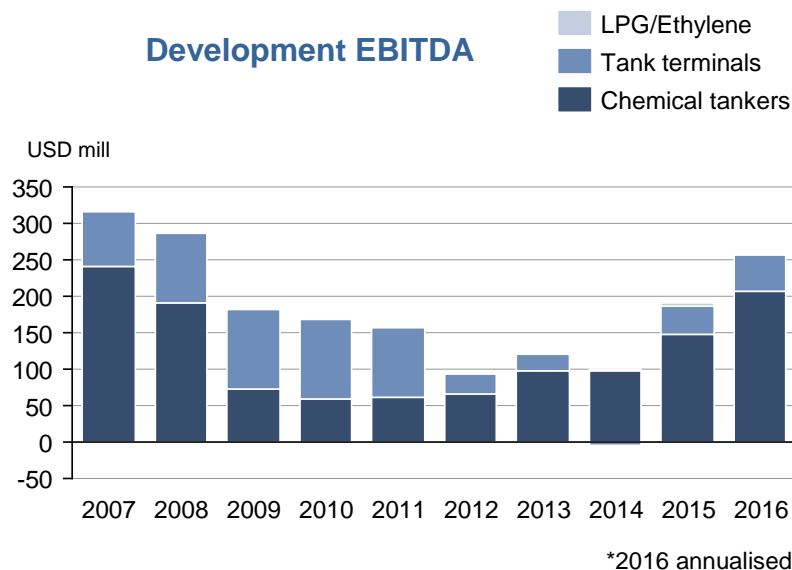
Highlights

- Net result 2Q16 of USD 16 mill (1Q16 of USD 24 mill) and EBITDA of USD 61 mill (1Q16 of USD 69 mill)
- Softer chemical tanker spot market, however, utilization remained high due to stable contract nominations
- First half 2016 EBITDA of USD 129 mill compared to first half 2015 EBITDA of USD 88 mill
- The two first vessels in Odfjell Gas' newbuilding programme have been cancelled and all paid instalments have been returned
- Balance sheet continues to strengthen
- Stable results from Odfjell Terminals
- Lol signed for construction of four stainless steel chemical tankers

Prospects

- Our forecast for 3Q is a slightly weaker timecharter results as the markets are generally softer
- The long term balance between supply/demand in the chemical tanker market remains favourable, but the supply of ships is increasing mainly due to swing tonnage. The markets are therefore under pressure, but our high COA coverage is reducing the impact of the softer spot market
- The result at Odfjell Terminals is expected to be stable for the remainder of 2016

Development EBITDA



“Our markets are currently challenging, but we are pleased to see that the increased competitiveness of Odfjell means that we continue to generate positive results” Kristian Mørch, CEO Odfjell SE

Key Financial figures

Odfjell Group

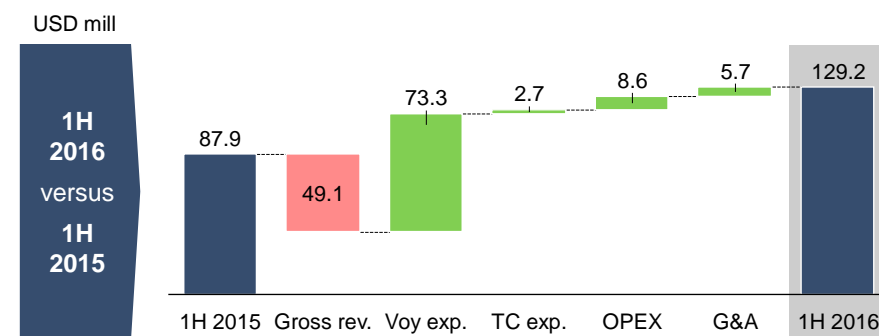
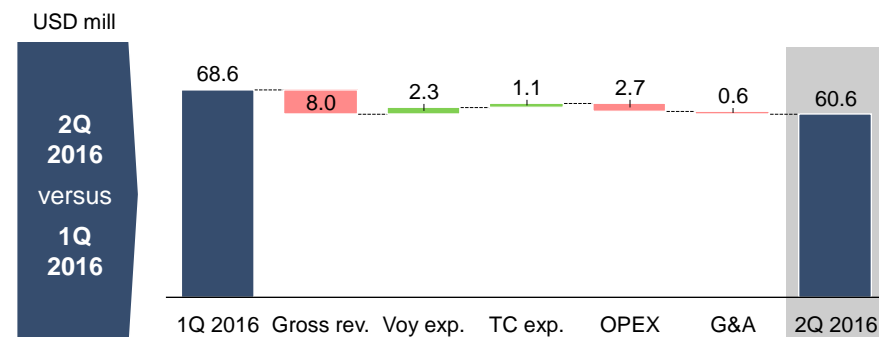
(USD mill, unaudited)	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Total revenue	249	241	279	490	539	1,068
Chemical Tankers	215	207	247	421	476	940
Tank Terminals	31	31	28	62	55	112
Gas Carriers	4	3	5	7	9	18
Eliminations	(0)	(0)	(0)	(0)	(1)	(2)
EBITDA	69	61	53	129	88	190
Chemical Tankers	56	48	42	103	68	147
Tank Terminals	12	12	10	24	18	40
Gas Carriers	1	1	1	2	2	4
EBIT	41	30	12	71	17	43
Chemical Tankers*	39	25	10	65	13	37
Tank Terminals	4	4	2	8	2	4
Gas Carriers	(2)	0	1	(2)	1	3
Net finance	(13)	(13)	(5)	(26)	(42)	(74)
Net result (loss)	24	16	7	40	(25)	(36)
Chemical Tankers	25	16	7	41	(22)	(26)
Tank Terminals	1	0	(0)	1	(4)	(10)
Gas Carriers	(2)	0	1	(2)	1	2
Eliminations	(0)	(0)	-	(0)	-	(2)

Proportionate method

While the equity method provides a fair presentation of the Group's financial position in joint ventures, the Group's internal financial segment reporting is based on the proportionate method. A large part of the Group's activity is joint ventures; hence, the proportionate method provides more detailed information and thus, a more representative picture of the Group's operations.

*Includes capital gains of USD 12 mill for the sale of the head office building in 1Q16

EBITDA variance - Odfjell Group



1H16 versus 1H15

- Gross revenue down 9%
- Voyage expenses reduced 35%
- OPEX reduced 8%
- EBITDA improved by 47%

Chemical Tankers

2Q saw a slight reduction in TCE levels. The slowdown observed in 1Q in the Far East spot market continued throughout 2Q and gradually spread to other markets. The volume transported also decreased due to fewer operational days available compared to 1Q. In spite of the more challenging market, we delivered acceptable utilization through stable contract nominations for our vessels and agility in the spot market.

Our operational excellence initiative, «Project Moneyball», is currently being implemented. Already now, we can see significant improvements within several areas of our operations, which also add positively to the utilization of the fleet, improves scheduling predictability and reduces demurrage for our customers.

Average bunker prices paid were USD 240 per tonne in second quarter, up from USD 184 per tonne the previous quarter.

Chemical Tankers (USD mill)	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Revenues	215	207	247	421	476	940
Gross Result	73	66	64	140	112	231
EBITDA	56	48	42	103	68	147
EBIT	39	25	10	65	13	37
Bunker cost per tonne (USD)	369	324	436	347	455	432

Indices	31.03.16	30.06.16	30.06.15	31.12.15
Odfix (1990=100) ¹	144	141	140	138
Opex (2002=100) ²	123	123	127	123

¹ The Odfix index is a weighted time-charter earnings index for a selection of vessels

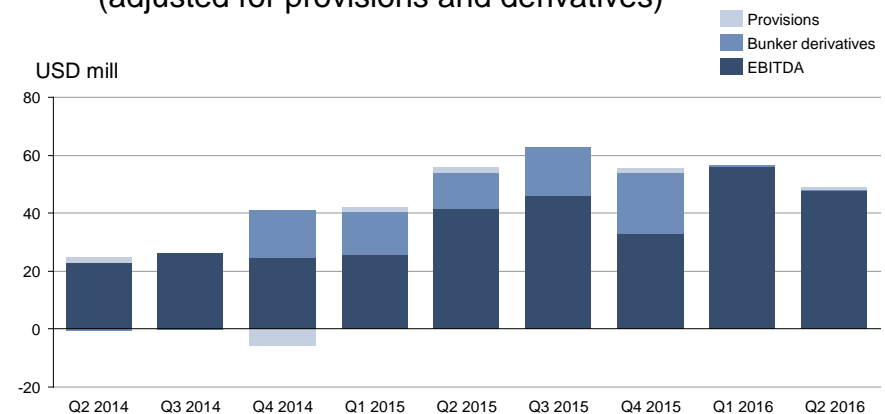
² The Opex index includes owned and bareboat chartered vessels

Outlook 3Q16

Our forecast for 3Q is a limited reduction in TCE results as the markets are generally softer. The poor CPP market is freeing up swing tonnage which is now being made available in certain chemical tanker segments. However, our long term COA coverage is reducing this effect.

Our competitiveness also continues to increase, and our lower cost base and increased utilization is helping us in the challenging markets.

Operational EBITDA (adjusted for provisions and derivatives)



Chemical Tankers

Fleet disposals, owned (last 12 months)		DWT	Built	Tanks	Transaction
July 2016	Bow Master	6,046	1999	Stainless	Bareboat
July 2016	Bow Sailor	6,008	1999	Stainless	Sale
June 2016	Bow Harmony	33,619	2008	Stainless	Sale/lease back
November 2015	Bow Victor	33,000	1986	Stainless	Recycling
August 2015	Bow Bracaria	5,846	1997	Stainless	Sale
July 2015	Bow Brasilia	5,800	1997	Stainless	Sale
July 2015	Bow Balearia	5,846	1998	Stainless	Sale

Fleet additions (last 12 months)		DWT	Built	Tanks	Transaction
July 2016	Bristol Trader	35,863	2016	Stainless	Long TC
June 2016	Bow Harmony	33,619	2008	Stainless	Sale/lease back
February 2016	Southern Owl	20,057	2016	Stainless	Long TC

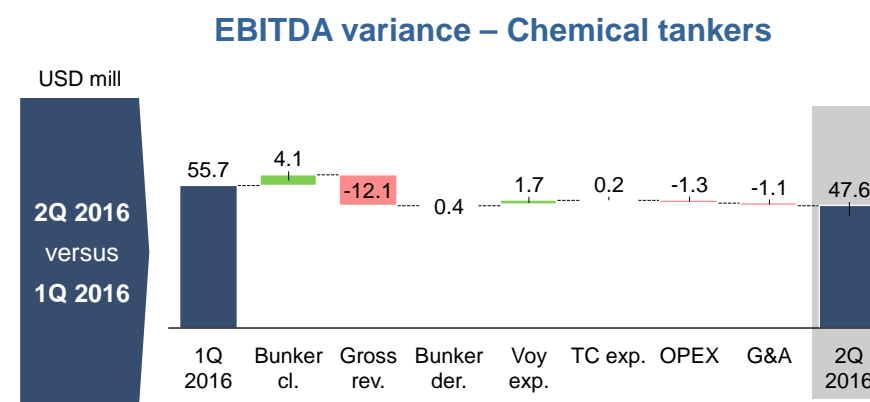
Short-term TC: Up to one year
Medium-term TC: 1 - 3 years

Since the first quarter there have been some adjustments to the Odfjell fleet. Bow Harmony entered into a sale/lease back arrangement in June. The vessel was sold to new owners and leased back on a financial lease for eleven years.

As part of our cost cutting and fleet optimization project, Bow Sailor was sold to new owners in July and Bow Master will enter a bareboat arrangement, with charterers purchase obligation at the end of the bareboat period. Both vessels were engaged in our regional trade. The transactions are expected to have limited impact on our accounts.

Renewal of our core chemical tankers to ensure our continued long-term competitiveness has been on the agenda for some time. With our improved financials, we are now in position to initiate a newbuilding programme at a time we believe yard prices are favourable.

We have signed a Letter of Intent with a reputable state-owned Chinese shipyard for construction of a series of four firm stainless steel super segregators. A final contract is expected to be signed in 2H 2016. The capital commitments will be around USD 240 mill.



Gas Carriers

Market activity was reasonably stable, but there is increased competition in the market for petrochemical gases. The contract coverage for the pool was satisfactory.

During the period we experienced reduced waiting time, but repositioning and ballast voyages hit us, resulting in lower result for the period.



Gas Carriers (USD mill) Odfjell share	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Revenues	4	3	5	7	9	18
Gross Result	1	1	1	2	2	5
EBITDA	1	1	1	2	2	4
EBIT	(2)	0	1	(2)	1	3

Fleet changes Gas Carriers

Due to substantially delayed construction of our LPG/Ethylene vessels on order, we have cancelled the two first 17,000 cbm gas carriers, and we will most likely cancel the remaining orders when we are in a cancelling position. All instalments, including accrued interest, for the two cancelled vessels have been refunded by the guarantor. Instalments paid on the remaining orders are secured by refund guarantees from reputable financing institutions.

We continue to evaluate our strategic options for our investment in gas carriers.

Vessel	Built	CBM	Type
Bow Gallant	2008	8,922	LPG\Ethylene
Bow Guardian	2008	8,922	LPG\Ethylene

Newbuildings	CBM	Owner
Nantong Sinopacific	17,000	Odfjell Gas
Nantong Sinopacific	17,000	Odfjell Gas
Nantong Sinopacific	22,000	Odfjell Gas
Nantong Sinopacific	22,000	Odfjell Gas
Nantong Sinopacific	22,000	Odfjell Gas
Nantong Sinopacific	22,000	Odfjell Gas

Tank Terminals

Odfjell's shareholding in the tank terminals business delivered an EBITDA of USD 12.1 mill in 2Q, basically flat from USD 11.9 mill in the previous quarter. The occupancy rate of commercially available capacity was 97%, compared to 98% last quarter. There was a 63,000 cbm increase in available capacity from last quarter to a total of 4,031,000 cbm.

The distillation volumes in Rotterdam continued to increase in 2Q. The commercial available tank capacity in Rotterdam reached 1,011,000 cbm by end June, compared with 972,000 cbm by end March. The terminal has now delivered positive EBITDA for three consecutive quarters. The Rotterdam results are expected to stabilise at this level for the remainder of 2016.

Tank Terminals (USD mill) Odfjell share	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Revenues	31	31	28	62	55	112
Gross Result	18	17	15	35	28	58
EBITDA	12	12	10	24	18	40
EBIT	4	4	2	8	2	4

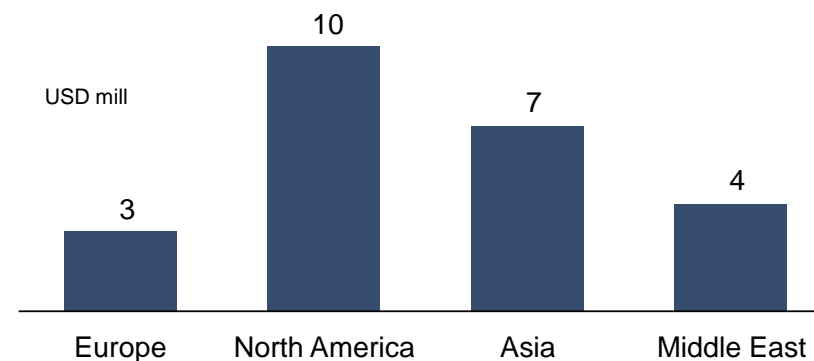
EBITDA by geo-graphical segment	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Europe	1	2	(1)	3	(3)	(3)
North America	5	5	5	10	10	20
Asia	4	3	4	7	8	15
Middle East	2	2	2	4	3	8
Total	12	12	10	24	18	40

The performance of the other terminals is also expected to be stable for the remainder of 2016.

Our terminal in Tianjin China, located in a new industrial development area, continues moving forward for obtaining the required operating permits, as the permit process was severely affected by the explosion in the Tianjin old harbour last year.

Odfjell Terminals have initiated a full strategic business review of the activities. This initiative is led by the new terminal management headed by the new CEO Odfjell Terminals, Frank Erkelens, and will be completed later this year.

Tank Terminals EBITDA YTD 2016



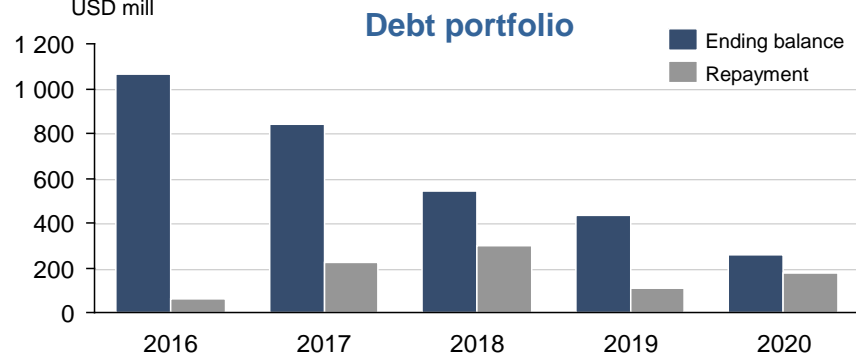
Finance

In June, Bow Harmony was sold and leased back on an 11-year financial lease structure. The transaction made a profit of USD 4.5 mill that will be amortized over the duration of the lease. The transaction also generated USD 15.6 mill in new liquidity. The sale of Bow Sailor was done at book value. The accounting effect of Bow Master bareboat arrangement is a reclassification from assets to long term receivables.

Other than regular docking expenditures, Odfjell has at present no further capital expenditure commitments for chemical tankers beyond equipment upgrade to increase the energy efficiency on our vessels, USD 15 mill in total over the 2016 – 2017 period.

Key figures (USD mill)	31.03.16	30.06.16	30.06.15	31.12.15
Cash and available-for -sale investments	109	148	108	127
Interest bearing debt	1,129	1,124	1,152	1,168
Net interest bearing debt	1,020	977	1,045	1,041
Available drawing facilities	0	0	0	0
Total equity	649	663	636	645
Equity ratio	34.0%	34.6%	32.5%	33.2%

*Equity method
USD mill

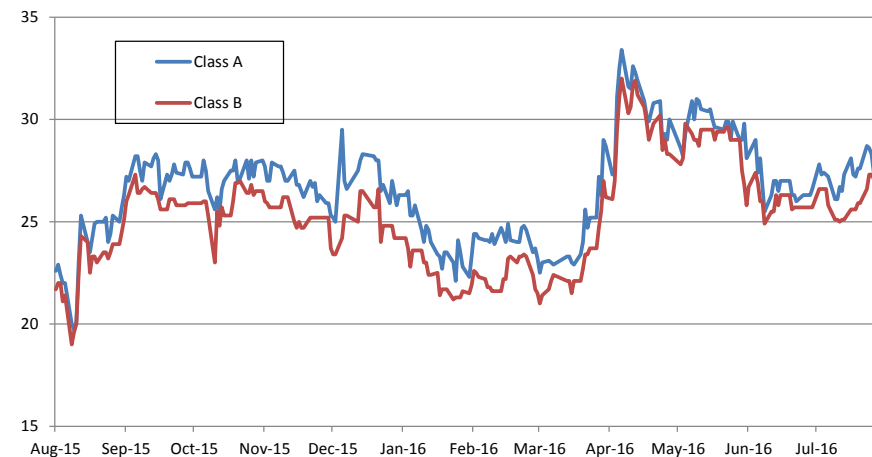


Shareholder information

By end of June, Odfjell A and B shares were trading at NOK 26.50 and NOK 25.80 respectively, against NOK 23.00 and NOK 21.50 respectively at the close of the previous quarter. In the same period the Oslo Stock Exchange Benchmark Index gained 4% and the Transportation Index lost 2%.

As of 30 June 2016, Odfjell SE had a market capitalisation of around NOK 2,068 mill, which was equivalent to around USD 246 mill, including our 8.2 mill treasury shares the market capitalization was USD 272 mill.

Development Odfjell shares last 12 months (NOK)



Prospects

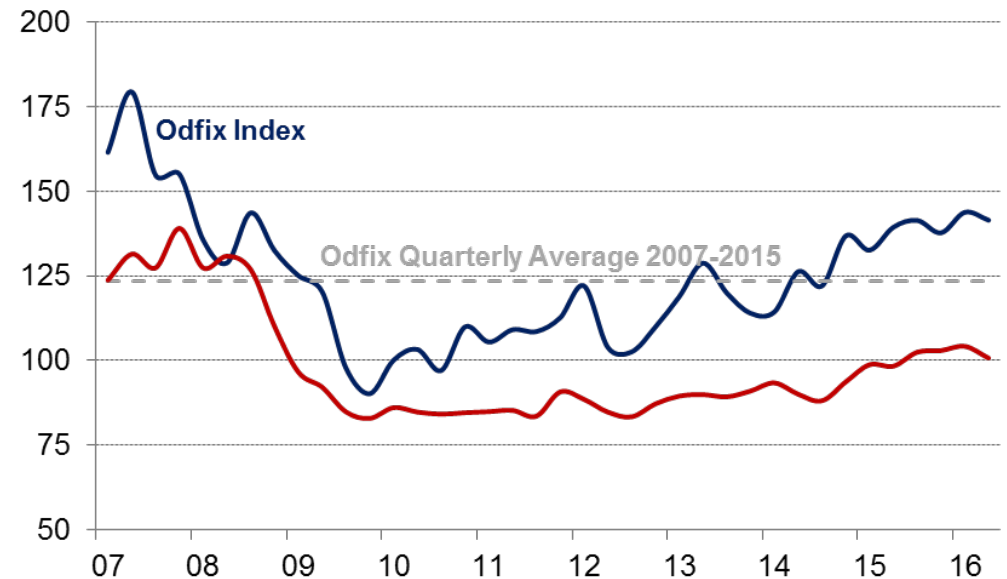
The global economy is projected to expand 3.1% this year and 3.4% in 2017, according to the latest IMF forecasts. The U.S. growth forecast is 2.2% for 2016 and 2.5% for 2017. However, the longest slide in worker productivity since the late 1970s is haunting the U.S. economy's long-term prospects, an issue that may prompt the Fed to keep interest rates low for years to come. China's GDP grew by 6.7% year by year first half 2016, but is expected to slow in the second half and reduce the full-year growth rate to 6.6%.

Our forecast for 3Q is a slightly weaker timecharter results as the markets are generally softer

The long term balance between supply/demand in the chemical tanker market remains favourable, but the supply of ships is increasing mainly due to swing tonnage. The markets are therefore under pressure, but our high COA coverage is reducing the impact of the softer spot market

The result at Odfjell Terminals is expected to be stable for the remainder of 2016

Odfix index versus CT spot earnings index



Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first six months of 2016, which have been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Rotterdam, 24 August 2016
THE BOARD OF DIRECTORS OF ODFJELL SE



Laurence Ward Odfjell



Christine Rødsæther



Jannicke Nilsson



Åke Gregertsen



Annette Malm Justad



Klaus Nyborg



Hans Smits



Kristian Mørch
CEO

ODFJELL GROUP

 (figures based on equity method)

CONSOLIDATED INCOME STATEMENT (USD mill)	Note	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Gross revenue		212	205	244	417	471	929
Voyage expenses		(66)	(65)	(102)	(131)	(204)	(399)
Time-charter expenses		(41)	(41)	(44)	(81)	(82)	(163)
Operating expenses		(32)	(34)	(36)	(66)	(74)	(140)
Gross Result		73	66	63	138	111	227
Share of net result from associates and JVs	2,7	(1)	1	1	(0)	(3)	(8)
General and administrative expenses		(17)	(19)	(22)	(36)	(44)	(82)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		54	48	42	102	64	137
Depreciation	5	(21)	(22)	(22)	(43)	(44)	(88)
Impairment		(7)	-	(10)	(7)	(10)	(20)
Capital gain (loss) on non-current assets	4	12	-	-	12	-	-
Operating result (EBIT)		38	26	10	64	10	28
Interest income		1	1	0	2	1	3
Interest expenses		(12)	(12)	(12)	(24)	(23)	(44)
Other financial items	8	1	2	9	3	(11)	(17)
Net financial items		(10)	(9)	(2)	(19)	(33)	(58)
Result before taxes		28	17	8	45	(23)	(30)
Taxes		(4)	(1)	(1)	(4)	(2)	(5)
Net Result		24	16	7	40	(25)	(36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Cash-flow hedges changes in fair value	1	1	(25)	2	4	(15)
Cash-flow hedges transferred to profit and loss statement	1	0	45	1	29	71
Net unrealised gain/(loss) on available-for-sale-investments	1	0	(0)	1	(0)	-
Share of comprehensive income on investments accounted for using equity method	2	(4)	4	(2)	(11)	(16)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:						
Net actuarial gain/(loss) on defined benefit plans	-	-	(0)	-	(0)	1
Other comprehensive income	5	(3)	24	2	22	41
Total comprehensive income	29	13	31	42	(3)	6
Net result allocated to:						
Owner of parent	24	16	7	40	(25)	(36)
Total comprehensive income allocated to:						
Owner of parent	29	13	31	42	(3)	6
Earnings per share (USD) – basic/diluted	0.30	0.21	0.08	0.51	(0.20)	(0.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD mill	Note	31.03.16	30.06.16	30.06.15	31.12.15
Ships	5	1,226	1,221	1,254	1,259
Other non-current assets	5	34	33	47	35
Investments in associates and JVs	7	374	372	380	373
Loan to associates and JVs		3	3	4	4
Non-current receivables		5	3	16	8
Total non-current assets		1,641	1,632	1,701	1,679
Current receivables		95	80	102	80
Bunkers and other inventories		6	7	14	13
Derivative financial instruments	6	0	0	-	3
Available-for-sale investments		10	10	10	9
Loan to associates and JVs		27	28	17	21
Cash and cash equivalents		99	138	98	118
Total current assets		238	263	241	243
Assets held for sale		22	22	16	21
Total assets		1,901	1,916	1,958	1,943

USD mill	Note	31.03.16	30.06.16	30.06.15	31.12.15
Paid in equity		199	199	202	202
Other equity		450	465	434	444
Total equity		649	663	636	645
Non-current liabilities		4	9	8	7
Derivatives financial instruments	6	34	25	35	40
Non-current interest bearing debt	3	1,008	903	876	1,048
Total non-current liabilities		1,047	937	919	1,095
Current portion interest bearing debt	3	121	221	276	103
Derivative financial instruments	6	12	19	56	11
Current interest bearing debt		-	-	-	17
Current liabilities		71	76	71	72
Total current liabilities		205	316	403	203
Total equity and liabilities		1,901	1,916	1,958	1,943

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD mill)	Paid in equity	Exchange rate differences	Cash-flow hedge reserves	Available for sale reserve	Pension remeasurement	OCI associates and JVs	Retained equity	Total other equity	Total equity
Equity as at 1.1.2015	202	(3)	(62)	1	16	4	479	436	638
Other comprehensive income	-	(0)	33	(0)	(0)	(11)	-	22	22
Net result	-	-	-	-	-	-	(25)	(25)	(25)
Other adjustments	-	-	-	-	-	-	1	1	1
Equity as at 30.06.2015	202	(3)	(29)	1	16	(6)	457	434	636
Equity as per 1.1.2016	202	(3)	(5)	1	17	(12)	446	444	645
Other comprehensive income	-	-	3	1	-	(2)	-	2	2
Net result	-	-	-	-	-	-	40	40	40
Repurchase treasury shares	(3)	-	-	-	-	-	(22)	(22)	(25)
Other adjustments	-	3	-	-	(17)	-	14	-	-
Equity as at 30.06.2016	199	-	(2)	2	0	(14)	478	464	663

KEY FIGURES

PROFITABILITY	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
Earnings per share (USD) – basic/diluted	0.30	0.21	0.08	0.51	(0.29)	(0.41)
Return on total assets ¹⁾	6.6%	5.9%	11.3%	6.4%	0.4%	0.4%
Return on equity ¹⁾	11.9%	9.3%	10.0%	11.1%	(6.0%)	(5.6%)
Return on capital employed ¹⁾	8.1%	6.2%	4.4%	7.3%	1.9%	1.7%
FINANCIAL RATIOS						
Average number of shares (mill) ²⁾	79.1	78.6	86.8	78.8	86.8	86.8
Basic/diluted equity per share (USD)	8.22	8.44	7.33	8.44	7.33	7.44
Share price per A-share (USD)	2.77	3.16	2.86	3.16	2.86	3.22
Debt repayment capability (years) ¹⁾	6.4	6.4	6.2	6.4	16.7	14.0
Current ratio	1.3	0.9	0.6	0.9	0.6	1.3
Equity ratio	34.0%	34.6%	32.5%	34.6%	32.5%	33.2%
USD/NOK rate at period end	8.32	8.4	7.9	8.4	7.9	8.8

¹⁾ Return ratios are based on annualised results, except for non-recurring items that are included in the relevant period.

²⁾ Per end June 2016 Odfjell holds 5,891,166 Class A shares and 2,322,482 Class B shares.

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. Changes in market values related to the TRS are accounted for through the profit and loss statement.

CONSOLIDATED CASH-FLOW STATEMENT

USD mill	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
CASH-FLOW FROM OPERATING ACTIVITIES						
Profit before income taxes	28	17	9	45	(23)	(30)
Taxes paid in the period	(1)	(0)	(1)	(1)	(1)	(4)
Depreciation and impairment	28	22	32	50	54	109
Capital (gain) loss on non-current assets	(12)	-	-	(12)	-	-
Inventory (increase) decrease	7	(1)	(0)	6	9	10
Trade debtors (increase) decrease	(3)	9	3	6	14	16
Trade creditors (increase) decrease	(0)	6	(5)	5	1	14
Difference in pension cost and pension premium paid	-	-	0	-	-	0
Share of net result from associates and JVs	1	(1)	(1)	0	3	8
Unrealised changes in derivatives	0	(0)	(11)	0	10	9
Net interest expenses	11	11	12	22	22	42
Interest received	1	1	0	2	1	2
Interest paid	(9)	(13)	(12)	(22)	(19)	(40)
Effect of exchange differences	2	(0)	4	2	(4)	(2)
Change in other current accruals	(16)	2	2	(15)	(27)	(36)
Net cash-flow from operating activities	36	53	32	89	39	94
CASH-FLOW FROM INVESTING ACTIVITIES						
Sale of non-current assets	22	-	-	22	7	26
Investment in non-current assets	(6)	(11)	(6)	(17)	(36)	(49)
Available-for-sale investments	(1)	1	0	0	0	0
Changes in non-current receivables	(3)	1	(6)	(2)	(0)	(0)
Net cash-flow from investing activities	13	(10)	(12)	3	(29)	(23)

CONSOLIDATED CASH-FLOW STATEMENT

USD mill	1Q16	2Q16	2Q15	YTD16	YTD15	FY15
CASH-FLOW FROM FINANCING ACTIVITIES						
New interest bearing debt	-	32	18	32	101	377
Repayment of interest bearing debt	(42)	(36)	(43)	(78)	(106)	(420)
Sale/purchase of treasury shares	(25)	-	-	(25)	-	-
Net cash-flow from financing activities	(67)	(5)	(26)	(72)	(6)	(43)
Effect on cash balance from currency exchange rate fluctuations	0	(0)	1	0	(2)	(6)
Net change in cash and cash equivalents	(18)	39	(4)	20	2	22
Opening cash and cash equivalents	118	99	102	118	95	95
Closing cash and cash equivalents	99	138	98	138	98	118

Notes to the consolidated financial statements

Note 1 – Accounting principles

Odfjell SE is ultimate parent company of the Odfjell Group. Odfjell SE is a public listed company traded on the Oslo Stock Exchange. The company's address is Conrad Mohrsv. 29, Bergen, Norway.

Basis of preparation and changes to the Group's accounting policies

The interim consolidated financial statements ended 30 June 2016 for the Odfjell Group and have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. The interim financial statements are unaudited.

New standards, interpretations and amendments adopted by the Group

The accounting principles used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015. A number of new standards and amendments to standard and interpretations are not yet effective, and have not yet been applied in preparing consolidated financial statements. 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. The Group does not expect there to be a material impact on its consolidated financial statements from this standard.

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.

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 impact on the Financial Statements for lessee arrangements which exists on 1 January 2019.

Notes to the consolidated financial statements

Note 2 – Segment information

Management has determined the operating segments based on the information regularly review by senior management. In accordance with the internal financial reporting, investments in joint venture are reported by applying the proportionate consolidation method. The Group has three reportable segments:

Chemical Tankers: The Chemical Tankers segment involves a 'round the world' transportation of chemicals with ships. The composition of the ships enables the Group to offer both global and regional transportation.

Tank Terminals: The tank terminal segment offers storage and distillation of various chemical and petroleum products. The segment is operated through the joint venture Odfjell Terminals BV.

Gas Carriers: 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 two first vessels have been cancelled, and there are also material delays in the production of the 6 remaining orders. The segment is operated through the joint venture Odfjell Gas AS.

Note 3 – Net interest bearing liabilities

USD mill	30.03.16	30.06.16	30.06.15	31.12.15
Loans from financial institutions – floating interest rate	493	491	409	513
Financial leases	296	294	245	298
Bonds	224	123	227	243
Current portion interest bearing debt	121	221	276	103
Transaction costs	(6)	(5)	(5)	(6)
Subtotal interest bearing debt	1,129	1,124	1,152	1,151
Current interest bearing debt	-	-	-	17
Total interest bearing debt	1,129	1,124	1,152	1,168
Cash and cash equivalent	(99)	(138)	(98)	(118)
Available for sale investments	(10)	(10)	(10)	(9)
Net interest bearing debt	1,021	977	1,045	1,042

USD mill	1Q16	2Q16	2Q15	FY15
New interest bearing debt	-	32	18	423
Repayment of interest bearing debt	(42)	(36)	(43)	(420)

In 2Q 2016 Bow Harmony was sold and leased back on an 11-year financial lease structure. The transaction generated inflow of USD 31.5 mill, of which USD 15.4 mill was used to repayment of loans. Net liquidity effect of this transaction was about USD 16 mill.

NOK bond maturing with USD 105 mill in April 2017 has end of 2Q been reclassified as Current portion of interest bearing debt.

Note 4 – Transactions with related parties

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

The Odfjell SE head office in Bergen was sold and delivered to new owners in 1Q 2016. The sale generated a capital gain of USD 12 mill.

Note 5 – Non-current assets

USD mill*	1Q16	2Q16	2Q15	FY15
Net carrying amount beginning	1,294	1,294	1,335	1,335
Investments in non-current assets	6	22	36	109
Sale of non-current assets	-	-	-	(31)
Depreciation and impairment	(28)	(50)	(54)	(98)
Assets held for sale	(11)	(11)	(16)	(20)
Net carrying amount end	1,260	1,254	1,301	1,294

*Ships, newbuilding contracts and other non-current assets

Note 6 – Fair value and financial instruments

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 has an access at the measurement date, and level 2 are inputs 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.

During 2016 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 which are measured at fair value in the Consolidated Balance Sheet and their level of the fair value hierarchy were as follows:

USD mill	30.06.16 Level 1	30.06.16 Level 2	30.06.15 Level 1	30.06.15 Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Available-for-sale investments	10	-	10	-
Financial liabilities at fair value:				
Derivative instruments – non hedging	-	43	-	62
Derivative instruments – hedging	-	1	-	29

Note 7 – Investments in associates and joint ventures

The share of result and balance sheet items from investments in associates and joint ventures are recognised based on equity method in the interim financial statements. The figures below show our share of revenue and expenses, total assets, total liabilities and equity:

USD mill	YTD 2016				YTD 2015			
	Chemical Tankers	Tank Terminals	Gas Carriers	Total	Chemical Tankers	Tank Terminals	Gas Carriers	Total
Gross revenue	4	62	7	73	4	55	9	68
EBITDA	1	24	2	27	0	18	2	21
EBIT	1	8	(2)	7	(0)	2	1	3
Net result	1	1	(2)	(0)	(0)	(4)	1	(3)
Non-current assets	9	575	54	638	10	589	64	663
Current assets	6	53	15	74	4	42	7	53
Total assets	15	628	70	712	14	630	71	715
Total equity closing balance	9	308	54	372	9	316	55	380
Non-current liabilities	3	256	10	269	4	259	12	275
Current liabilities	3	64	6	73	2	55	5	62
Total liabilities	6	320	16	342	5	314	16	335

Note 8 – Other financial items

USD mill	1Q16	2Q16	2Q15	FY15
Changes in fair value in derivatives	0	(0)	11	9
Currency gains (losses)	(2)	1	0	(18)
Other	3	1	(2)	(8)
Total other financial items	1	2	9	(17)

Note 9 – Figures presented based on Proportionate method

CONSOLIDATED INCOME STATEMENT (USD mill)	YTD16	YTD15
Gross revenue	490	539
Voyage expenses	(136)	(209)
Time-charter expenses	(82)	(85)
Operating expenses	(95)	(104)
Gross result	177	141
General and administrative expenses	(48)	(53)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	129	88
Depreciation	(61)	(61)
Impairment	(10)	(10)
Capital gain (loss) on non-current assets	12	-
Operating result (EBIT)	71	17
Interest income	1	1
Interest expenses	(29)	(28)
Other financial items	2	(14)
Net financial items	(26)	(42)
Result before taxes	45	(24)
Taxes	(5)	(1)
Net result	40	(25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (USD mill)	30.06.16	30.06.15
Intangible assets	55	55
Ships	1,257	1,292
Newbuilding contracts	27	36
Tank Terminals	487	497
Other non-current assets	63	79
Non-current receivables	19	32
Total non-current assets	1,907	1,992
Current receivables	132	131
Bunkers and other inventories	9	16
Derivative financial instruments	0	-
Available-for-sale investments	10	10
Cash and cash equivalent	169	125
Assets held for sale	22	16
Total current assets	342	297
Total assets	2,249	2,288
Paid in equity	199	202
Other equity	464	434
Total equity	663	636
Non-current liabilities	37	40
Derivative financial instruments	28	37
Non-current interest bearing debt	1,141	1,111
Total non-current liabilities	1,206	1,188
Current portion of interest bearing debt	245	297
Derivative financial instruments	19	56
Current liabilities	116	111
Total current liabilities	380	464
Total equity and liabilities	2,249	2,288

Fleet list as per 16 August 2016

CHEMICAL TANKERS	BUILT	DWT	CBM	STAINLESS		
				STEEL, CBM	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	Leased
Bow Faith	1997	37 479	41 487	34 208	52	Owned
Bow Cardinal	1997	37 446	41 487	34 208	52	Leased
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	Leased
Bow Sea	2006	49 592	52 107	52 107	40	Owned
Bow Sirius	2006	49 539	52 155	52 155	40	Leased
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
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
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

CHEMICAL TANKERS	BUILT	DWT	CBM	STAINLESS		
				STEEL, CBM	TANKS	OWNERSHIP
Bow Santos	2004	19 997	21 846	21 846	22	Owned
Kristin Knutsen	1998	19 152	19 409	19 409	34	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
SG Friendship	2003	19 773	21 651	21 651	26	Comm. Mgmt.
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
Bow Aratu	1997	13 843	15 834	15 834	29	Owned
SG Pegasus	2011	13 086	14 523	14 523	16	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
Bow Master	1999	6 046	7 018	7 018	14	Owned
Total Chemical Tankers	72	2 182 740	2 393 629	1 868 414	2 070	

GAS CARRIERS	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	

ON ORDER	NUMBER	CBM	OWNER	COMMENT
LPG/Ethylene Newbuildings				
Nantong Sinopacific Offshore & Engineering Co., Ltd	2	17 000	Odfjell Gas	50/50 JV
Nantong Sinopacific Offshore & Engineering Co., Ltd	4	22 000	Odfjell Gas	"
Total newbuildings:	6	39 000		

TANK TERMINALS	LOCATION	OWNERSHIP²	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	51 %	1 636 135	32 550	284
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) Ltd	Dalian, China	25,50 %	119 750	18 350	51
Odfjell Terminals (Korea) Co Ltd	Onsan, Korea	25,50 %	313 710	15 860	85
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	25,50 %	402 000	13 520	82
Oiltanking Odfjell Terminal & Co. LLC	Sohar, Oman	15,17 %	1 294 780	0	66
Noord Natie Terminals	Antwerp, Belgium	12,75 %	348 499	1	240
Exir Chemical Terminals PJSCO	BIK, Iran	35 %	22 000	1 000	18
Total terminals	10 terminals		4 695 899	224 461	976

PROJECTS AND EXPANSIONS	LOCATION	OWNERSHIP²	CBM	STAINLESS STEEL, CBM	ESTIMATED COMPLETION
Odfjell Nangang Terminals (Tianjin) Co.,Ltd	Tianjin, China	24,99 %	137 800	7 000	Q2 2016
Odfjell Terminals Quanzhou (Fujian)	Quanzhou, China	25,50 %	184 000	0	TBD
Odfjell Changxing Terminals (Dalian)	Changxing, China	25,50 %			TBD
Total expansion terminals			321 800	7 000	

TANK TERMINALS PARTLY OWNED BY RELATED PARTIES¹	LOCATION	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
Depositos Quimicos Mineros S.A.	Callao, Peru	52 980	1 600	43
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	13 terminals	539 810	35 100	443

PROJECTS AND EXPANSIONS TANK TERMINALS PARTLY OWNED BY RELATED PARTIES¹)	LOCATION	CBM	COMPLETION
Depositos Quimicos Mineros S.A.	Callao II, Peru	17 850	ready Q4 2016
Granel Quimica Ltda	Santos II, Brazil	52 000	ready Q4 2017
Total expansion tank terminals partly owned by related parties		69 850	0

Grand total (incl. related tank terminals partly owned by related parties)	23 existing terminals	5 235 709	259 561
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¹Tank terminals and projects partly owned by Odfjell family.

²Odfjell SE's indirect ownership share

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