

**THIRD QUARTER
2016
REPORT**

9 NOVEMBER 2016

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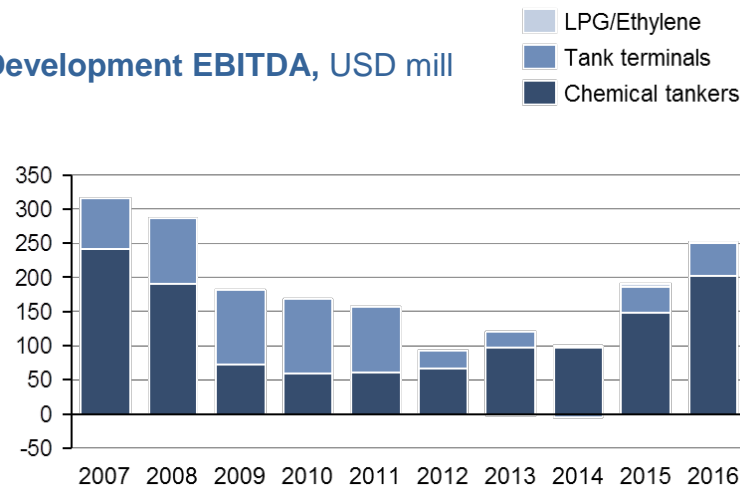


Third Quarter Report 2016

Highlights

- Net result 3Q16 of USD 16 mill (same as 2Q16), and EBITDA of USD 60 mill (2Q16 of USD 61 mill)
- Continued softer chemical tanker spot market, however, our utilization remained high due to contract nominations
- Balance sheet continues to strengthen
- Stable results from Odfjell Terminals
- Signed agreement to sell our share in Oman tank terminal, with a gain of USD 46 mill
- Signed final agreement for construction of 4+2+2 stainless steel chemical tankers, the largest and most efficient stainless steel chemical tankers ever built

Development EBITDA, USD mill

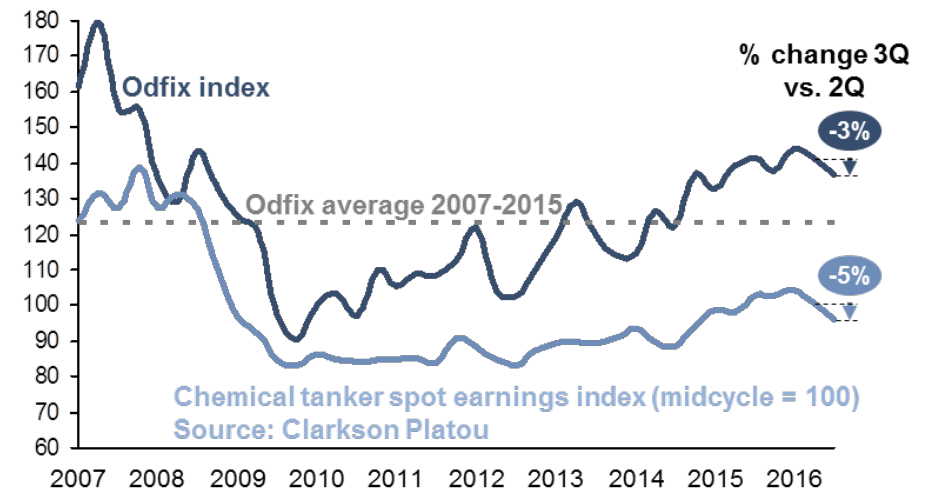


*2016 annualised

Prospects

- The spot chemical market is under pressure and rates are still softening
- The CPP market continues to be depressed
- Our forecast for 4Q is a weaker timecharter result as the markets are generally softer

Odfix quarterly average index (1990=100)



“Our markets continue to be challenging, but we continue to see improvements in our competitiveness, which softens the impact on the Odfjell results. The sale of the Oman terminal at an attractive valuation shows some of the underlying value in our terminal business”
 Kristian Mørch, CEO Odfjell SE

Key Financial figures

Odfjell Group

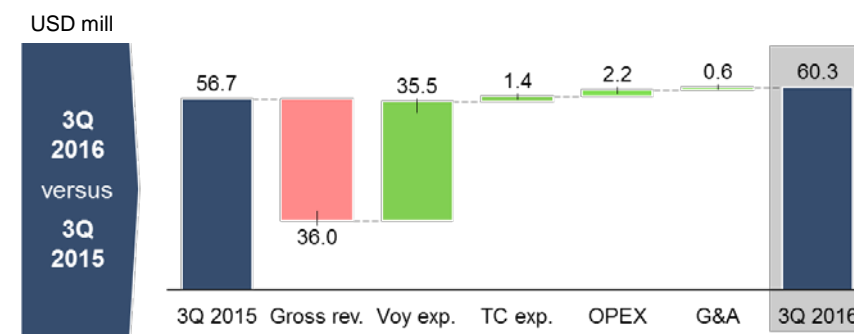
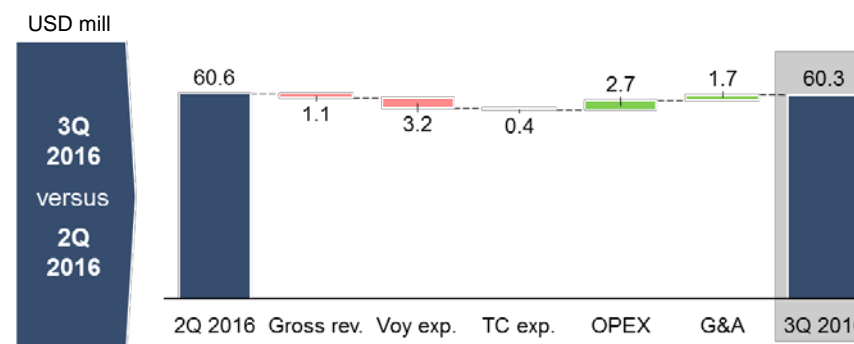
(USD mill, unaudited)	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Total revenue	241	240	276	730	815	1,068
Chemical Tankers	207	207	244	628	720	940
Tank Terminals	31	30	28	92	82	112
Gas Carriers	3	3	4	10	13	18
Eliminations	(0)	0	(0)	(0)	(1)	(2)
EBITDA	61	60	57	190	145	190
Chemical Tankers	48	48	46	151	114	147
Tank Terminals	12	12	10	36	28	40
Gas Carriers	1	1	1	2	3	4
EBIT	30	28	26	99	43	43
Chemical Tankers*	25	25	24	90	37	37
Tank Terminals	4	3	2	11	4	4
Gas Carriers	0	0	0	(1)	2	3
Net finance	(13)	(12)	(18)	(37)	(60)	(74)
Net result (loss)	16	16	7	57	(18)	(36)
Chemical Tankers	16	16	8	57	(14)	(26)
Tank Terminals	0	1	(1)	2	(5)	(10)
Gas Carriers	0	(2)	0	(2)	1	2
Eliminations	(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



3Q16 versus 3Q15

- Gross revenue down 13%
- Voyage expenses reduced 34%
- OPEX reduced 5%
- EBITDA improved 7%

Chemical Tankers

The downward trend in freight rates observed in 2Q continued through 3Q with reduced spot rates in most markets. The main driver for this development is an over supplied CPP market which drives swing tonnage into the chemical tanker segment. However, the negative freight development did not have full effect on our corresponding timecharter results due to contract nominations, an interchangeable fleet which allows optimal allocation of our vessels and continued efficiency gains from our operational excellence project "Project Moneyball".

Average bunker prices paid were USD 275 per tonne in third quarter, up from USD 240 per tonne the previous quarter.

Chemical Tankers (USD mill)	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Revenues	207	207	244	628	720	940
Gross Result	66	65	65	205	177	231
EBITDA	48	48	46	151	114	147
EBIT	25	25	24	90	37	37
Bunker cost per tonne (USD) ³	324	365	445	353	452	432

Indices	30.06.16	30.09.16	30.09.15	31.12.15
Odfix (1990=100) ¹	141	137	141	138
Opex (2002=100) ²	123	121	125	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

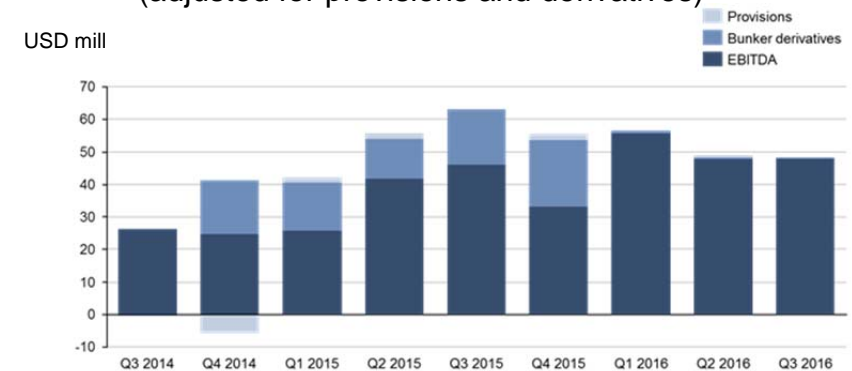
³ Including effect from bunker adjustment clauses

Outlook 4Q16

There are few signs of a significant recovery of the chemical spot rates, and also the CPP market continues to struggle. We therefore expect 4Q timecharter results to be below 3Q.



Operational EBITDA (adjusted for provisions and derivatives)



Chemical Tankers

Fleet disposals, owned (last 12 months)		DWT	Built	Tanks	Transaction
Nov 2016	Bow Master	6,046	1999	Stainless	Sale/bareboat
Jul 2016	Bow Sailor	6,008	1999	Stainless	Sale
Jun 2016	Bow Harmony	33,619	2008	Stainless	Sale/lease back
Nov 2015	Bow Victor	33,000	1986	Stainless	Recycling

Fleet additions (last 12 months)		DWT	Built	Tanks	Transaction
Nov 2016	Diamond Orchid	19,702	2008	Stainless	Medium TC
Jul 2016	Bristol Trader	35,863	2016	Stainless	Long TC
Jun 2016	Bow Harmony	33,619	2008	Stainless	Sale/lease back
Feb 2016	Southern Owl	20,057	2016	Stainless	Long TC

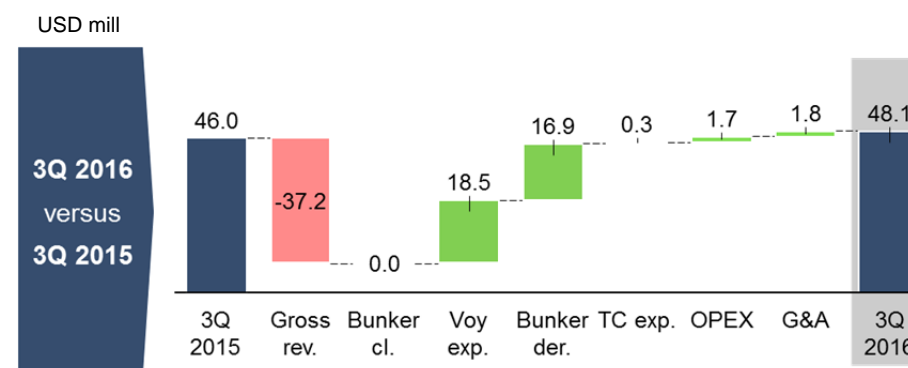
Short-term TC: Up to one year
 Medium-term TC: 1 - 3 years

On the 31st of October, Odfjell signed shipbuilding contracts with Hudong-Zhonghua Shipbuilding (Group) CO., LTD. for construction of a series of 4+2+2 chemical tankers with stainless steel cargo tanks. The vessels are 49,000 dwt, and with a cargo capacity at 54,600 cbm makes them the world's largest and most efficient stainless steel chemical tankers. The first vessel is expected to be delivered June 2019 and the following vessels with 3 months intervals. The capital commitments will be around USD 60 mill per vessel.

As part of our cost cutting and fleet optimization project, Bow Master will enter a bareboat arrangement in November 2016, with charterer's purchase obligation at the end of the 3-year bareboat charter.

Renewal of our core chemical tankers to ensure our long-term competitiveness continues to be on the agenda. With our improved financials, we are continuously evaluating initiatives to ensure we solve our replacement needs while taking advantage of the current attractive prices.

EBITDA variance – Chemical tankers



Gas Carriers

Due to a slower summer market and increased competition, the 3rd quarter results were lower for the period. Contract activity is normal for the season, but overall more waiting time and higher ballast ratio was a challenge during the period.



Gas Carriers (USD mill) Odfjell share	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Revenues	3	3	4	10	13	18
Gross Result	1	1	1	3	3	5
EBITDA	1	1	1	2	3	4
EBIT	0	0	1	(1)	2	3

Fleet changes Gas Carriers

The construction of our newbuildings continues to be substantially delayed. As a consequence we have per end of September cancelled three of the newbuilding contracts, and we will most likely cancel the remaining five orders when we are in a cancelling position. All instalments, including accrued interest, for the cancelled vessels have been refunded from the guarantor. Instalments paid on the remaining orders are secured by refund guarantees from reputable financing institutions.

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	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 Terminals (our share) delivered an EBITDA of USD 11.6 mill in 3Q, slightly down from USD 12.1 mill in the previous quarter. The occupancy rate of commercially available capacity was 96%, compared to 97% last quarter. The available capacity amounted to 3,987,000 cbm, which is a slight reduction from last quarter mainly due to regular maintenance of large tanks in Rotterdam.

The distillation volumes in Rotterdam continued to increase in 3Q. The terminal in Rotterdam has now delivered positive EBITDA for four consecutive quarters and we expect stable performance also for 4Q.

Tank Terminals (USD mill) Odfjell share	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Revenues	31	30	28	92	82	112
Gross Result	17	17	15	52	42	58
EBITDA	12	12	10	36	28	40
EBIT	4	3	2	11	4	4

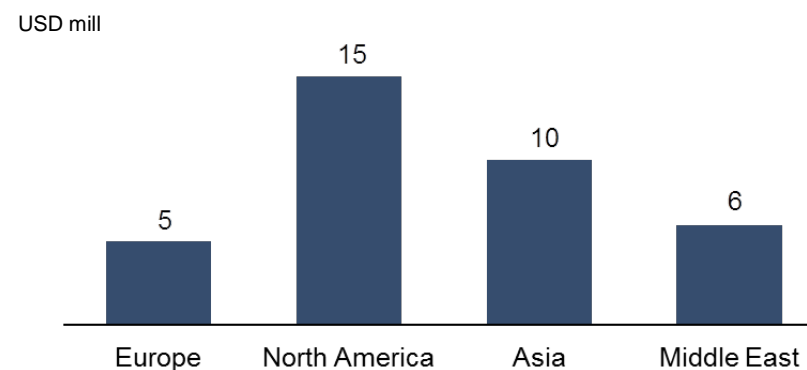
EBITDA by geo-graphical segment	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Europe	2	2	(0)	5	(4)	(3)
North America	5	5	5	15	15	20
Asia	3	3	3	10	11	15
Middle East	2	2	2	6	6	8
Total	12	12	10	36	28	40

Our terminal in Tianjin China, has obtained its operating approval both for the jetty and the tank farm, and will within shortly start the operation of the tank farm.

Odfjell SE announced 17 October that Odfjell Terminals B.V. ("OTBV"), the joint venture holding company that owns and operates substantially all of Odfjell's tank terminals worldwide, has entered into an agreement to sell its 29.75% indirect ownership in Oiltanking Odfjell Terminals & Co. LLC in Oman for around USD 130 million (equity value). The transaction will result in a net gain of approximately USD 90 million for OTBV. Closing of the transaction is subject to customary regulatory approval.

The financial performance for the last quarter of 2016 is expected to be stable or marginally reduced as the storage markets are showing some sign of weakening, most notably in the US.

Tank Terminals EBITDA YTD 2016



Finance

Odfjell' s balance sheet continued to strengthen in the quarter, and cash and cash equivalents at the end of 3Q amounted to USD 191 mill compared with USD 148 mill end of 2Q. In the quarter Odfjell successfully completed a new unsecured bond issue of NOK 500 mill of which NOK 135 mill of the funds were used to buyback part of the bond loan maturing in April 2017.

In November we terminated a long-term financial lease arrangement and refinanced two vessels with a traditional mortgage loan. The transaction will result in a USD 22 mill debt write-down, producing a finance income to be recognised in the fourth quarter. The reduced leverage on the vessels will have a negative liquidity effect of USD 59 mill in 4Q.

Odfjell Terminals (OTBV) is expected to receive the proceeds from the sale of the terminal in Oman within 1-3 months. Most of the cash proceeds of USD 130 mill (Odfjell share is USD 60 mill) will be allocated to the OTBV shareholders, but some of the proceeds will also be available for growth opportunities in OTBV.

Key figures (USD mill)	30.06.16	30.09.16	30.09.15	31.12.15
Cash and available-for -sale investments	148	191	177	127
Interest bearing debt	1,124	1,133	1,223	1,168
Net interest bearing debt	977	942	1,046	1,041
Available drawing facilities	0	0	0	0
Total equity	663	683	647	645
Equity ratio	34.6%	35.1%	31.7%	33.2%

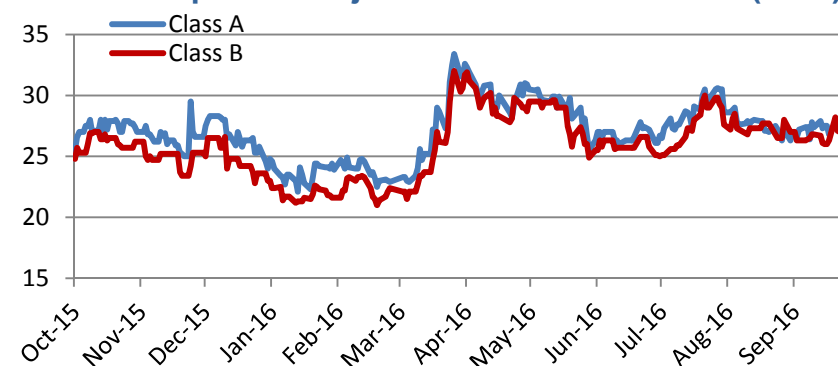
In October Odfjell acquired the remaining 50% equity share in our existing Chilean chemical tanker joint venture owning the fully stainless vessels Bow Andes and Bow Condor, both 16,000 dwt. 2000 built. By this we have taken full control of our West Coast South America trades, and will be able to further consolidate our activities in the region. Cash outlay for Odfjell SE in connection with the transaction was USD 6.5 mill.

Shareholder information

By end of September, Odfjell A and B shares were trading at NOK 27.20 and NOK 26.30 respectively, against NOK 26.50 and NOK 25.80 respectively at the close of the previous quarter. In the same period the Oslo Stock Exchange Benchmark Index gained 3% and the Transportation Index gained 6%.

As of 30 September 2016, Odfjell SE had a market capitalisation of around NOK 2,120 mill, which was equivalent to around USD 263 mill, including our 8.2 mill treasury shares the market capitalization was USD 290 mill.

Development Odfjell shares last 12 months (NOK)



Prospects

Slower global trade growth and a weaker outlook on economic growth are impacting the shipping markets, and the negative sentiment across shipping segments is also affecting the chemical tanker markets.

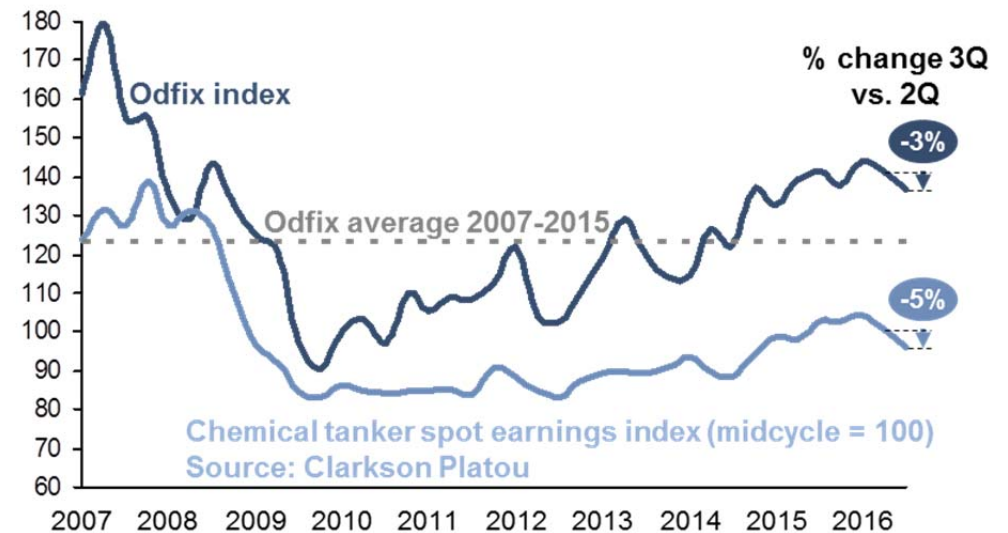
A weak CPP market continues to push swing tonnage into the chemical tanker market, which is disturbing a market which we believe continues to be fairly well balanced.

The result is a weakening of the chemical tanker spot market which will affect 4Q.

We continue to see our competitiveness increasing, which together with stable COA nominations, will soften the impact on our results, but we do expect timecharter results to be weaker in 4Q.

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

Odfix quarterly average index (1990=100)



Bergen, 9 November 2016
THE BOARD OF DIRECTORS OF ODFJELL SE

ODFJELL GROUP

 (figures based on equity method)

CONSOLIDATED INCOME STATEMENT (USD mill)	Note	1Q16	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Gross revenue		212	205	205	241	621	713	929
Voyage expenses		(66)	(65)	(68)	(103)	(199)	(307)	(399)
Time-charter expenses		(41)	(41)	(41)	(41)	(122)	(124)	(163)
Operating expenses		(32)	(34)	(32)	(34)	(98)	(108)	(140)
Gross Result		73	66	64	63	202	174	227
Share of net result from associates and JVs	2,7	(1)	1	1	(1)	1	(4)	(8)
General and administrative expenses		(17)	(19)	(17)	(18)	(53)	(62)	(82)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		54	48	49	45	150	109	137
Depreciation	5	(21)	(22)	(23)	(22)	(66)	(66)	(88)
Impairment		(7)	-	-	-	(7)	(10)	(20)
Capital gain (loss) on non-current assets	4	12	-	0	-	12	-	-
Operating result (EBIT)		38	26	26	23	89	33	28
Interest income		1	1	1	1	3	2	3
Interest expenses		(12)	(12)	(13)	(8)	(37)	(32)	(44)
Other financial items	8	1	2	3	(7)	6	(18)	(17)
Net financial items		(10)	(9)	(9)	(15)	(28)	(48)	(58)
Result before taxes		28	17	17	8	62	(15)	(30)
Taxes		(4)	(1)	(1)	(1)	(5)	(3)	(5)
Net Result		24	16	16	7	57	(18)	(36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1Q16	2Q16	3Q16	3Q15	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	(1)	(13)	1	(9)	(15)
Cash-flow hedges transferred to profit and loss statement	1	0	3	19	4	48	71
Net unrealised gain/(loss) on available-for-sale-investments	1	0	(0)	-	1	-	-
Share of comprehensive income on investments accounted for using equity method	2	(4)	2	(2)	(0)	(13)	(16)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:							
Net actuarial gain/(loss) on defined benefit plans	-	-	-	(0)	-	(1)	1
Other comprehensive income	5	(3)	3	3	6	26	41
Total comprehensive income	29	13	20	10	63	8	6
Net result allocated to:							
Owner of parent	24	16	17	7	57	(18)	(36)
Total comprehensive income allocated to:							
Owner of parent	29	13	20	10	63	8	6
Earnings per share (USD) – basic/diluted	0.30	0.21	0.21	0.08	0.72	(0.21)	(0.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets - USD mill	Note	31.03.16	30.06.16	30.09.16	30.09.15	31.12.15
Ships	5	1,226	1,221	1,204	1,299	1,259
Other non-current assets	5	34	33	32	46	35
Investments in associates and JVs	7	374	372	359	377	373
Loan to associates and JVs		3	3	2	4	4
Non-current receivables		5	3	4	11	8
Total non-current assets		1,641	1,632	1,602	1,737	1,679
Current receivables		95	80	82	92	80
Bunkers and other inventories		6	7	9	9	13
Derivative financial instruments	6	0	0	2	3	3
Available-for-sale investments		10	10	10	10	9
Loan to associates and JVs		27	28	28	21	21
Cash and cash equivalents		99	138	181	167	118
Total current assets		238	263	311	302	243
Assets held for sale		22	22	16	-	21
Total assets		1,901	1,916	1,928	2,040	1,943
Equity and liabilities – USD mill						
	Note	31.03.16	30.06.16	30.09.16	30.09.15	31.12.15
Paid in equity		199	199	199	202	202
Other equity		450	465	484	445	444
Total equity		649	663	683	647	645
Non-current liabilities		4	9	9	9	7
Derivatives financial instruments	6	34	25	22	40	40
Non-current interest bearing debt	3	1,008	903	936	1,042	1,048
Total non-current liabilities		1,047	937	967	1,091	1,095
Current portion interest bearing debt	3	121	221	197	181	103
Derivative financial instruments	6	12	19	16	52	11
Current interest bearing debt		-	-	-	-	17
Current liabilities		71	76	67	69	72
Total current liabilities		205	316	279	302	203
Total equity and liabilities		1,901	1,916	1,928	2,040	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	-	(1)	39	-	0	(13)	-	26	26
Net result	-	-	-	-	-	-	(18)	(18)	(18)
Other adjustments	-	-	-	-	-	-	2	2	2
Equity as at 30.09.2015	202	(4)	(23)	1	16	(8)	463	445	647
Equity as per 1.1.2016	202	(3)	(5)	1	17	(12)	446	444	645
Other comprehensive income	-	-	5	1	-	(0)	-	6	6
Net result	-	-	-	-	-	-	57	57	57
Repurchase treasury shares	(3)	-	-	-	-	-	(22)	(22)	(25)
Other adjustments	-	3	-	-	(17)	-	14	-	-
Equity as at 30.09.2016	199	-	1	2	0	(12)	495	485	683

KEY FIGURES

PROFITABILITY	1Q16	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Earnings per share (USD) – basic/diluted	0.30	0.21	0.21	0.08	0.72	(0.21)	(0.41)
Return on total assets ¹⁾	6.6%	5.9%	5.0%	3.8%	6.2%	1.2%	0.4%
Return on equity ¹⁾	11.9%	9.3%	8.4%	6.5%	10.8%	(2.9%)	(5.6%)
Return on capital employed ¹⁾	8.1%	6.2%	6.2%	5.2%	7.1%	2.4%	1.7%
FINANCIAL RATIOS							
Average number of shares (mill) ²⁾	79.1	78.6	78.7	86.8	78.7	86.8	86.8
Basic/diluted equity per share (USD)	8.22	8.44	8.62	7.45	8.62	7.45	7.44
Share price per A-share (USD)	2.77	3.16	3.37	3.33	3.37	3.33	3.22
Debt repayment capability (years) ¹⁾	6.4	7.1	6.9	8.1	6.1	13.3	14.0
Current ratio	1.3	0.9	1.2	1.0	1.2	1.0	1.3
Equity ratio	34.0%	34.6%	35.4%	31.7%	35.4%	31.7%	33.2%
USD/NOK rate at period end	8.32	8.4	8.06	7.9	8.06	8.5	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 September 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.

USD mill	1Q16	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
CASH-FLOW FROM OPERATING ACTIVITIES							
Profit before income taxes	28	17	16	8	62	(15)	(30)
Taxes paid in the period	(1)	(0)	(1)	(0)	(2)	(1)	(4)
Depreciation and impairment	28	22	23	22	73	76	109
Capital (gain) loss on non-current assets	(12)	-	(0)	-	(12)	-	-
Inventory (increase) decrease	7	(1)	(2)	5	4	14	10
Trade debtors (increase) decrease	(3)	9	(1)	(11)	5	3	16
Trade creditors (increase) decrease	(0)	6	(2)	12	4	13	14
Difference in pension cost and pension premium paid	-	-	-	0	-	0	0
Share of net result from associates and JVs	1	(1)	1	1	(1)	4	8
Unrealised changes in derivatives	0	(0)	(7)	4	(7)	14	9
Net interest expenses	11	11	11	7	34	30	42
Interest received	1	1	1	1	3	2	2
Interest paid	(9)	(13)	(13)	(8)	(34)	(28)	(40)
Effect of exchange differences	2	(0)	3	(8)	5	(13)	(2)
Change in other current accruals	(16)	2	(6)	(10)	(21)	(37)	(36)
Net cash-flow from operating activities	36	53	22	22	111	61	94
CASH-FLOW FROM INVESTING ACTIVITIES							
Sale of non-current assets	22	-	5	16	28	22	26
Investment in non-current assets	(6)	(11)	(4)	(8)	(21)	(43)	(49)
Dividend/other from investments in associates and JV's	-	-	15	-	15	-	-
Available-for-sale investments	(1)	1	-	0	-	0	0
Changes in non-current receivables	(3)	1	(1)	17	(4)	17	(0)
Net cash-flow from investing activities	13	(10)	15	25	18	(4)	(23)

CONSOLIDATED CASH-FLOW STATEMENT

USD mill	1Q16	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
CASH-FLOW FROM FINANCING ACTIVITIES							
New interest bearing debt	-	32	61	194	92	295	377
Repayment of interest bearing debt	(42)	(36)	(55)	(169)	(133)	(275)	(420)
Sale/purchase of treasury shares	(25)	-	-	-	(25)	-	-
Net cash-flow from financing activities	(67)	(5)	6	25	(66)	19	(43)
Effect on cash balance from currency exchange rate fluctuations	0	(0)	0	(3)	0	(5)	(6)
Net change in cash and cash equivalents	(18)	39	43	69	63	72	22
Opening cash and cash equivalents	118	99	138	98	118	95	95
Closing cash and cash equivalents	99	138	181	167	181	167	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 September 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 three first vessels have been cancelled, and there are also material delays in the production of the 5 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	30.09.16	30.09.15	31.12.15
Loans from financial institutions – floating interest rate	493	491	434	523	513
Financial leases	296	294	319	301	298
Bonds	224	123	188	223	243
Current portion interest bearing debt	121	221	197	181	103
Transaction costs	(6)	(5)	(5)	(5)	(6)
Subtotal interest bearing debt	1,129	1,124	1,133	1,223	1,151
Current interest bearing debt	-	-	-	-	17
Total interest bearing debt	1,129	1,124	1,133	1,223	1,168
Cash and cash equivalent	(99)	(138)	(181)	(167)	(118)
Available for sale investments	(10)	(10)	(10)	(10)	(9)
Net interest bearing debt	1,021	977	942	1,046	1,042

USD mill	1Q16	2Q16	3Q16	3Q15	FY15
New interest bearing debt	-	32	61	252	423
Repayment of interest bearing debt	(42)	(36)	(55)	(169)	(420)

In September Odfjell SE completed a new bond issue of NOK 500 million with maturity in 2019. In conjunction with the bond issue the company purchased NOK 134.5 million of the outstanding bond ODF04 (ISIN NO 0010641715) at a price of 101.50.

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	3Q16	3Q15	FY15
Net carrying amount beginning	1,294	1,294	1,294	1,335	1,335
Investments in non-current assets	6	22	26	101	109
Sale of non-current assets	-	-	-	(16)	(31)
Depreciation and impairment	(28)	(50)	(73)	(76)	(98)
Assets held for sale	(11)	(11)	(11)	-	(20)
Net carrying amount end	1,260	1,254	1,236	1,345	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	30.09.16 Level 1	30.09.16 Level 2	30.09.15 Level 1	30.09.15 Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Available-for-sale investments	10	-	10	-
Derivative instruments – non hedging	-	0	-	3
Derivative instruments – hedging	-	2	-	-
Financial liabilities at fair value:				
Derivative instruments – non hedging	-	37	-	23
Derivative instruments – hedging	-	1	-	69

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	7	92	10	109	6	82	13	101
EBITDA	2	36	2	40	1	28	3	32
EBIT	1	11	(1)	11	0	4	2	6
Net result	1	2	(2)	1	(0)	(5)	1	(4)
Non-current assets	8	574	53	635	9	583	67	659
Current assets	6	51	2	59	4	50	4	58
Total assets	15	626	55	696	14	632	72	718
Total equity closing balance	10	310	39	359	9	314	55	378
Non-current liabilities	2	250	10	262	4	250	11	265
Current liabilities	3	65	6	74	1	69	5	75
Total liabilities	5	315	15	336	5	319	17	341

Note 8 – Other financial items

USD mill	1Q16	2Q16	3Q16	3Q15	YTD16	YTD15	FY15
Changes in fair value in derivatives	0	(0)	7	(4)	7	(14)	9
Currency gains (losses)	(2)	1	(3)	(1)	(3)	1	(18)
Other	3	1	(1)	(2)	3	(5)	(8)
Total other financial items	1	2	3	(7)	6	(18)	(17)

Note 9 – Figures presented based on Proportionate method

CONSOLIDATED INCOME STATEMENT (USD mill)	YTD16	YTD15
Gross revenue	730	815
Voyage expenses	(206)	(315)
Time-charter expenses	(123)	(127)
Operating expenses	(141)	(152)
Gross result	260	221
General and administrative expenses	(70)	(76)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	190	145
Depreciation	(93)	(91)
Impairment	(10)	(10)
Capital gain (loss) on non-current assets	12	-
Operating result (EBIT)	99	43
Interest income	2	2
Interest expenses	(44)	(39)
Other financial items	5	(22)
Net financial items	(37)	(60)
Result before taxes	62	(16)
Taxes	(6)	(2)
Net result	57	(18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (USD mill)	30.09.16	30.09.15
Intangible assets	55	55
Ships	1,239	1,336
Newbuilding contracts	26	39
Tank Terminals	486	492
Other non-current assets	62	81
Non-current receivables	19	33
Total non-current assets	1,886	2,035
Current receivables	118	121
Bunkers and other inventories	11	10
Derivative financial instruments	2	3
Available-for-sale investments	10	10
Cash and cash equivalent	213	200
Assets held for sale	16	-
Total current assets	369	344
Total assets	2,255	2,380
Paid in equity	199	202
Other equity	484	445
Total equity	683	647
Non-current liabilities	35	36
Derivative financial instruments	24	43
Non-current interest bearing debt	1,167	1,276
Total non-current liabilities	1,229	1,355
Current portion of interest bearing debt	220	208
Derivative financial instruments	16	52
Current liabilities	107	117
Total current liabilities	343	378
Total equity and liabilities	2,255	2,380

Fleet list as per 1 November 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
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	71	2 162 967	2 371 978	1 846 763	2 044	

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	DWT	CBM	STAINLESS		
				STEEL, CBM	TANKS	DELIVERY
China Shipbuilding Trading Co., Ltd/	4	49 000	54 600	54 600	33	2019 - 2020
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd						
Total newbuildings:	4	196 000	218 400	218 400	132	

LPG/Ethylene Newbuildings	NUMBER	CBM	OWNER	COMMENT
Nantong Sinopacific Offshore & Engineering Co., Ltd	1	17 000	Odfjell Gas	50/50 JV
Nantong Sinopacific Offshore & Engineering Co., Ltd	4	22 000	Odfjell Gas	"
Total newbuildings:	5	105 000		

TANK TERMINALS	LOCATION	OWNERSHIP ²	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
Odfjell Terminals (Rotterdam) B.V.	Rotterdam, NL	51 %	1 636 135	32 550	284
Odfjell Terminals Maritiem B.V.	Rotterdam, NL	51 %	0	0	0
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	6 094	82
Oiltanking Odfjell Terminal & Co. LLC	Sohar, Oman	15,17 %	1 294 780	0	66
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	11 terminals		4 833 699	262 014	1 004

jetty services

PROJECTS AND EXPANSIONS	LOCATION	OWNERSHIP ²	CBM	STAINLESS STEEL, CBM	ESTIMATED COMPLETION
Odfjell Terminals Fujian (Quanzhou) Co. Ltd	Quanzhou, China	25,50 %	184 000	0	TBD
Odfjell Changxing Terminals (Dalian) Co.Ltd	Changxing, China	20,40 %			TBD
Total expansion terminals			184 000	0	

TANK TERMINALS PARTLY OWNED BY RELATED PARTIES ¹	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*)	LOCATION	CBM	ESTIMATED COMPLETION
Granel Quimica Ltda	Santos II, Brazil	52 000	Q4 2017
Total expansion tank terminals partly owned by related parties		52 000	0

Grand total (incl. related tank terminals partly owned by related parties) 25 existing terminals 5 386 759 297 114

¹Tank terminals and projects partly owned by Odfjell family.

² Odfjell SE's indirect ownership share

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