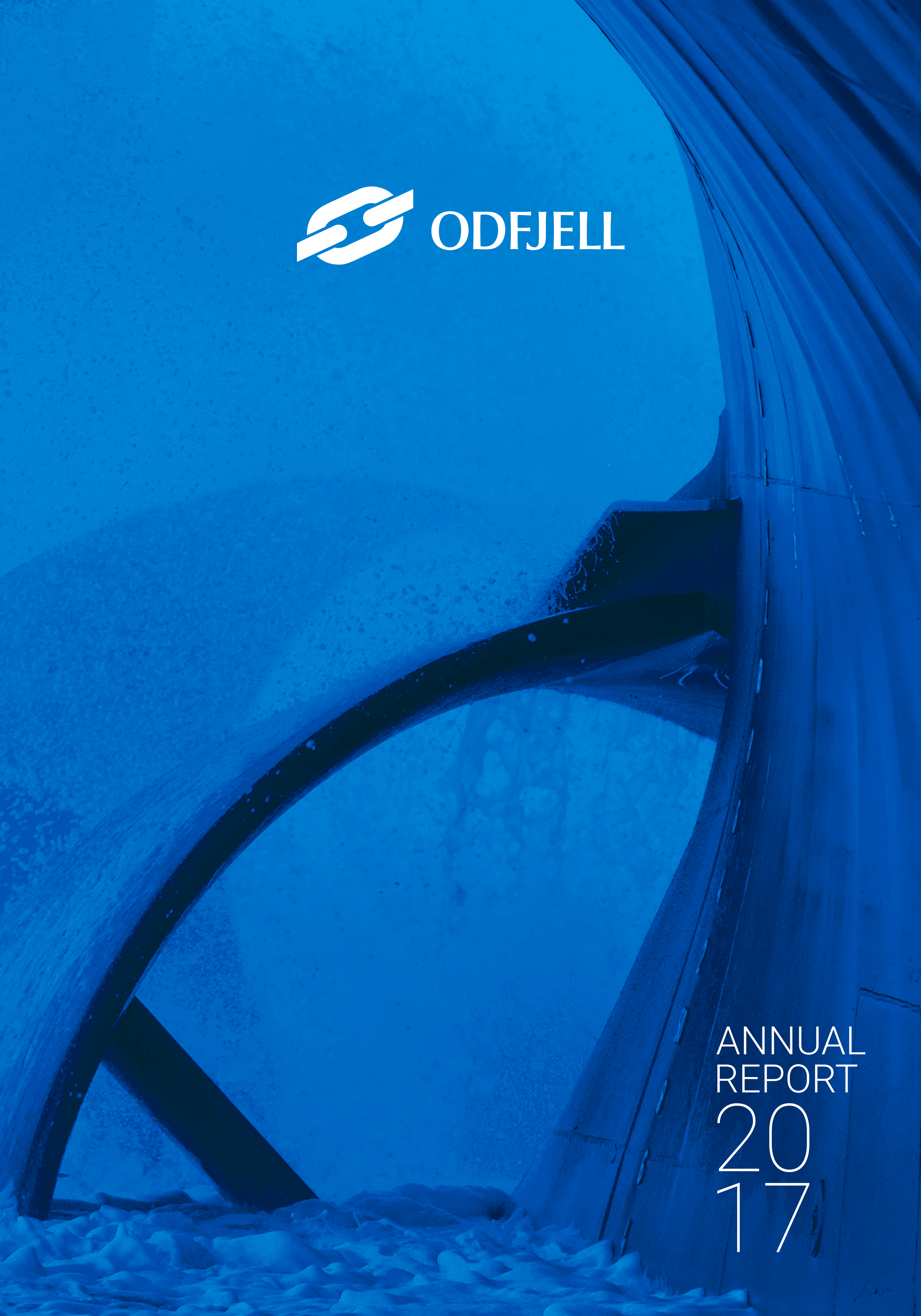


ODFJELL

ANNUAL REPORT 2017

ODFJELL

At the heart of global trade

Our core business is handling hazardous liquids, safely and efficiently. Our chemical tankers crisscross the oceans, forming a web of trade routes that fuel production in all industries, on all continents. Our terminals connect sea and land at strategic locations worldwide, providing safe storage as a step on the way to the customer.

All over the world, companies depend on liquids to create products we all use, every day. Be it ingredients for life-saving medicines, the football you play with or the water bottle you drink from, chances are that these building blocks have been transported and handled by us.

More than 100 years of operation is in itself proof of a sustainable business. As a global company, we have a responsibility for our employees, our investors, our customers, the local communities where we operate, and the global environment. Sustainability is not only good for society and the environment – it is good for business.

We see our business as an integrated and vital part of our customers' value chains. Together, we find new ways of using technology to develop digital solutions that fuel growth and value creation. This reduces cost and time spent, and increases operational efficiency.

Our customers operate in a highly competitive global economy. Therefore, we always do our utmost to remain agile, to improve, and to best serve their needs. We provide services where time, predictability and reliability are essential. We care, and work continuously to secure that our customers all over the world get their products delivered efficiently, safely and on time – every time.

ANNUAL REPORT 2017

Contents

Financial calendar, 2018

1st quarter 2018 report	May 8, 2018
2nd quarter 2018 report	August 24, 2018
3rd quarter 2018 report	November 9, 2018
4th quarter 2018 report	February 14, 2019

The Annual General Meeting will be held May 8, 2018.

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

Printing Using Eco Friendly Recycled Paper

Front page: Propeller test of Bow Cardinal. Photo: Thomas Kohnle

Implementation, operational excellence and customer service

2017 was a year with significant strategic progression.

Our new strategy – the 'Odfjell Compass' – was launched at the beginning of the year, and during 2017 we have made good progress. By the end of 2017 we stand stronger as a company both strategically and financially, and we are now well positioned for the future.

Odfjell has been through a transition phase over the past years. Our focus has been on building strength and preparing the company for growth, and we have had to do so at a time with highly challenging market conditions.

In 2017, we have reached our growth targets by ordering six large supersegregators, and secured another 18 new vessels by taking over the fleet of two competitors. We have continued our operational improvements and strengthened our organization, processes and balance sheet, and we believe our growth initiatives have been concluded at an attractive point in the market cycle. This will enable us to remain competitive throughout upcoming cycles.

> In 2018, we are shifting our focus towards customer service, operation and on implementing the strategic initiatives taken in 2017.

2017 - Market challenges turned into opportunities

2017 was a challenging year for both Chemical Tankers and Terminals. We experienced very challenging market conditions, which means that our net result excluding one offs came out at negative USD 20 million. Including one offs, our net result was USD 91 million due to, amongst others, a gain of USD 134 million from the sale of our share in our non-operated terminal in Singapore.

Using the proportional consolidation method, our EBITDA for the year ended at USD 166 million (compared to USD 238 million in 2016). Under the equity method, our operational cash flow was USD 54 million, so while the markets indeed were difficult, we continued to perform relatively well, mainly because of our high CoA coverage on Chemical Tankers.

The tough market also means that assets are attractively priced. During 2017 we took advantage of the lower prices and succeeded in reaching our target of operating up to 100 vessels. The target was reached in a combination of own newbuilding orders, long time charters with purchase options and by participating in consolidating the market in a capital efficient way through our deals with CTG and Sinochem.

To ensure that we can handle the growth and the many changes to our fleet, we also took the decision to consolidate our ship management activities in Bergen. Having one center will strengthen our competencies and ensure that we have one of the best and most competent platforms in the industry.

We have also continued to make progress on our operational excellence initiatives. Our previous projects called Felix, Moneyball and Clockwork are concluded and the methodology and initiatives are now anchored in our operation.

> We have during 2017 further improved operating cost efficiency, increased our effectiveness and enhanced our quality of service. The combined effects of all initiatives have strengthened our competitive position, which means that our profitability will be increasing going forward.

The aim to bring the results from our terminals back to being profitable has not yet been reached, mainly due to challenging market conditions in Europe (Rotterdam). Our share of the terminal business ended the year with a result excluding one offs (related to sale of the Singapore terminal, impairment and US tax gain) of negative USD 3 million (compared to negative USD 2 million in 2016, excluding sale of the Oman terminal and impairment). EBITDA for the terminal business, using the proportionate method, was USD 38 million (compared to USD 47 million in 2016). This is clearly not satisfactory, and we will in 2018 be focusing on how to position our terminal business better, and come closer to our profitability targets. Including sale of the Singapore terminal and other one offs, the net result of our terminal business ended at USD 130 million.

We did, however, continue to make good progress on our process excellence initiative in Odfjell Terminals, and our operational and safety performance is improving considerably.

Customer commitment

In Odfjell we continue to work hard to ensure that we meet our customers' requirements, and that we continuously improve our services. We want to generate value for our customers by offering safe and reliable transportation and storage of their products, at a competitive cost.

> Our goal is to deliver on spec, on time and adapt our services to cater for the needs of our customers.

Odfjell is committed to:
- Never compromise on safety
- Always care, have integrity and be reliable
- Be accessible and responsive
- Offer competitive services and products

2018 - Shifting to implementation and operations

After much progress in 2017, the focus in 2018 will be on our customers, and internally we will shift our focus more towards integration and operational improvement. 2018 may become one of the busiest years in Odfjell's history. While taking delivery and operating new tonnage, we need to continue to be best in class when it comes to safety and quality performance, and improve our performance to ensure that we return to profitable levels – and we need to achieve this in a challenging and changing environment.

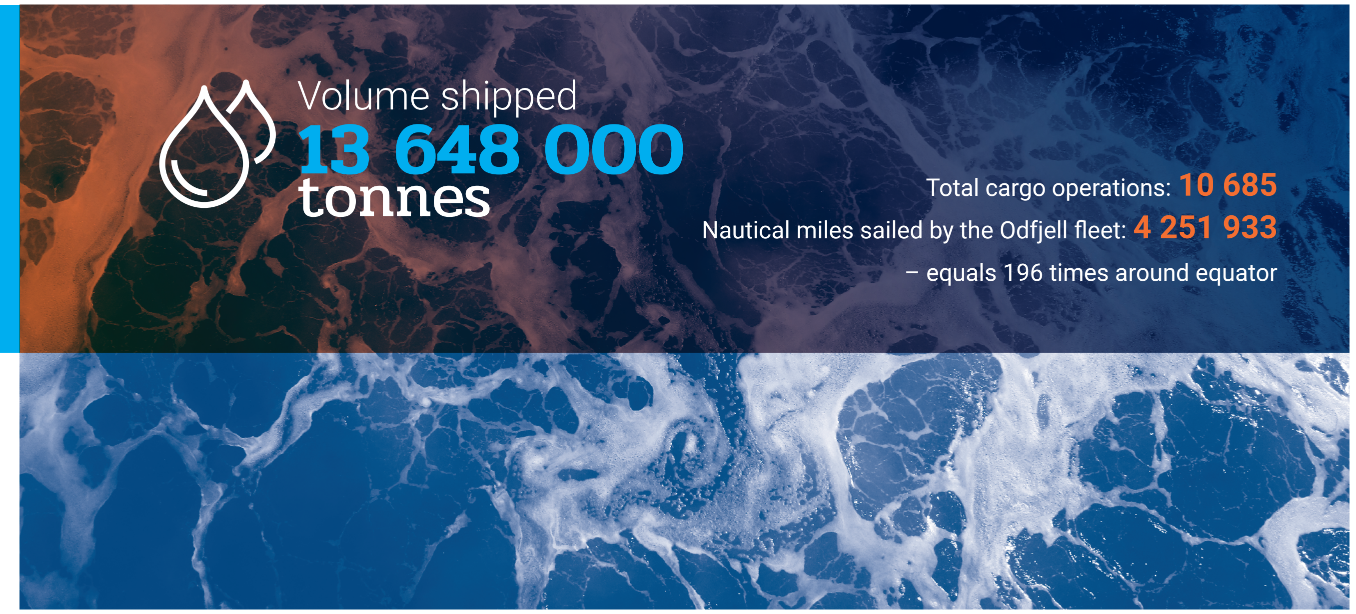
We believe that the fundamentals of our markets look favorable going forward, and we think that 2018 may be the turning point. But the reality is that we don't know. It could take longer, or shorter time before we see improvements, or other things could happen in the world which may cause markets to deteriorate. This is not what we believe, but we still have to be prepared for whatever the markets offer.

The way forward for Odfjell is therefore to continue to follow the Odfjell Compass – focus on the strategic goals of the company, continue to increase our competitiveness by being more effective, embrace new technology and digital tools and, most importantly, focus on serving our customers to ensure that they get their products delivered safely, efficiently, on spec, on time – every time.

I am looking forward to the journey!

Stay safe,
Kristian Mørch, CEO

Highlights 2017



Volume shipped
13 648 000 tonnes

Total cargo operations: **10 685**
Nautical miles sailed by the Odfjell fleet: **4 251 933**
– equals 196 times around equator

Building for the future

2017 marked a year where Odfjell continued to make good progress as a company. We reached our fleet growth target, we improved our safety performance, implemented efficiency programs successfully, stepped up our focus on digital innovation, strengthened our balance sheet and rolled out our operational excellence project in terminals and tankers. We are now well positioned for the future.

2693 Employees

17 Offices

8 Terminals

+/-100 Ships

ODFJELL GROUP (equity method)

Gross revenue	USD 843 million
EBITDA	USD 255 million
Operating result (EBIT)	USD 144 million
Net result	USD 91 million

Total dwt vessels:
2.4 million tonnes

Total tank capacity terminals:
3.1 million cbm
822 storage tanks

Energy Efficiency Operational Indicator (EEOI)
Best ever recorded:
6% improvement from 2016
25.5% less than benchmark year 2009

Key steps

Newbuilding program

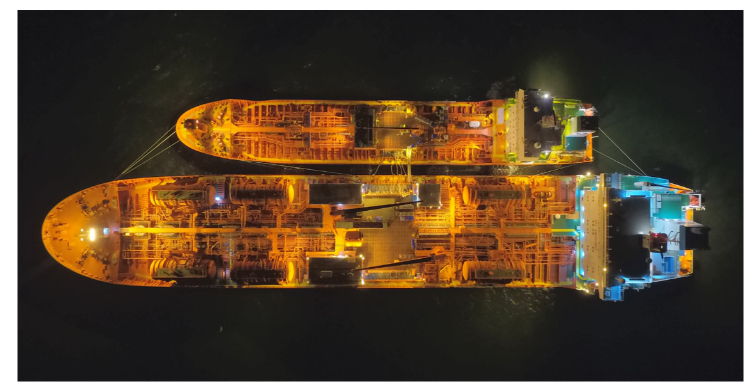
Pool agreement with Sinochem for 8 x 40,900 dwt chemical tankers

Pool agreement with CTG for 15 x 25,000 dwt chemical tankers

Sale of Singapore terminal

Fleet renewal

During 2017, we took strategic leaps and reached our ambitions of operating up to 100 vessels. We entered into two new commercial pool agreements, acquired new vessels and completed newbuilding contracts. Our newbuilding program comprises different types of ownership structures, but the common denominator is that the vessels will be commercially controlled by Odfjell Tankers. With this, we are growing our market share and contribute to consolidation of the market.



We do not compromise on safety

Lost time injury frequency
- closer to zero target:

2016: 0.88 2017: 0.23

2016: 0.26 2017: 0.10

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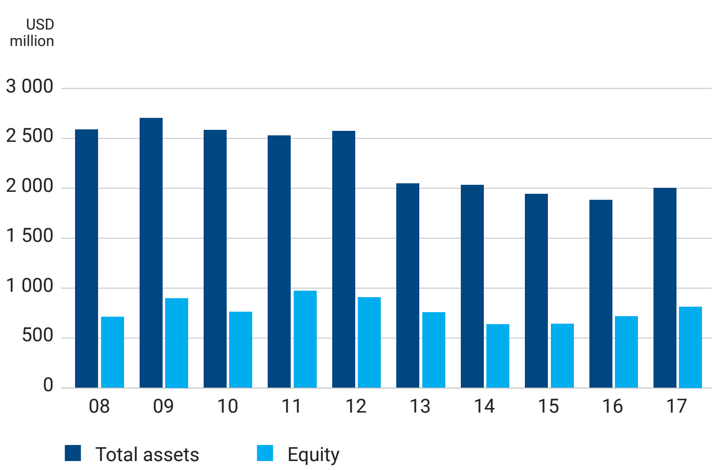
Highlights 2017

Financial performance

Our balance sheet is robust and we have a strong liquidity position. The main reason for this is the sale of two non-operated terminals - in Oman and in Singapore - at attractive valuations. Our investments and growth initiatives on tankers have been concluded at what appears to be a very low point in the cycle. Our financial key ratios have continued to improve, and we have secured financing for our newbuilding program.

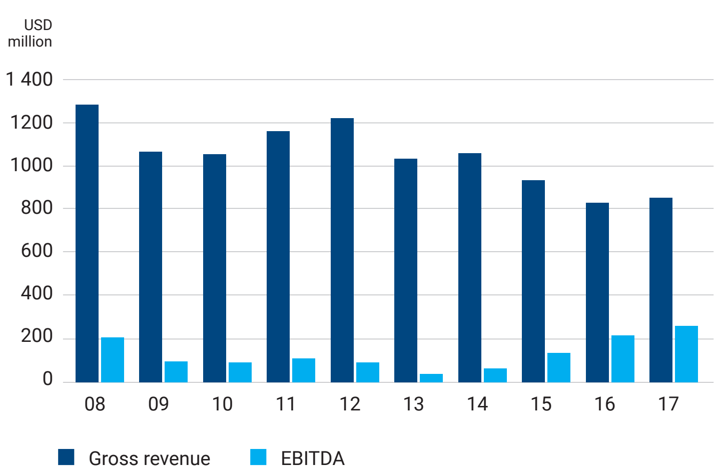
Assets / Equity per year*



Odfjell Terminals
Growing the core

Early 2017, Odfjell announced a strategy of divesting terminals where we did not have operational control. This target has been reached by the sale of the terminals in Oman and Singapore, and our focus is now turned to our core operations in Houston, Rotterdam and growth initiatives in China. Continuous improvement throughout 2017 has made Odfjell Terminals better positioned to harvest and develop opportunities to grow within our current footprint of terminals.

Gross revenue / EBITDA per year*



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

ODFJELL

Key figures/Financial ratios

Odfjell Group	Figures in	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
From profit and loss statement											
Gross revenue	USD mill.	843	825	929	1 053	1 027	1 212	1 154	1 048	1 058	1 274
EBITDA (1)	USD mill.	255	218	137	66	41	93	113	94	99	209
Depreciation and impairment	USD mill.	(111)	(101)	(109)	(94)	(89)	(132)	(122)	(124)	(119)	(122)
Capital gain (loss) on non-current assets	USD mill.	0	13	-	7	(9)	(4)	31	(6)	44	53
EBIT (2)	USD mill.	144	130	28	(22)	(57)	(43)	21	(36)	11	140
Net financial items	USD mill.	(51)	(23)	(58)	(53)	(46)	(68)	(35)	(30)	(28)	(43)
Net result from discontinued operation	USD mill.	-	-	-	-	-	-	288	33	30	34
Net result allocated to shareholders' equity before extraordinary items*)	USD mill.	91	100	(36)	(75)	(108)	(111)	269	(79)	11	131
Net result allocated to shareholders' equity	USD mill.	91	100	(36)	(75)	(108)	(111)	269	(79)	121	163
Net result	USD mill.	91	100	(36)	(75)	(108)	(111)	269	(79)	121	163
Dividend	USD mill.	14	14	-	-	-	-	14	-	12	34
From balance sheet											
Total non-current assets	USD mill.	1 674	1 589	1 679	1 761	1 791	1 993	2 140	2 195	2 256	2 226
Current assets	USD mill.	326	293	264	271	258	576	388	385	442	359
Shareholders' equity	USD mill.	816	719	645	638	759	908	973	766	901	715
Minority interests	USD mill.	-	-	-	-	-	7	6	6	5	6
Total non-current liabilities	USD mill.	855	878	1 095	880	1 055	1 141	1 244	1 356	1 475	1 540
Current liabilities	USD mill.	329	286	203	514	235	514	305	451	318	324
Total assets	USD mill.	2 000	1 883	1 943	2 032	2 049	2 569	2 528	2 580	2 699	2 585
Profitability											
Earnings per share - basic/diluted - before extraordinary items (3)	USD	1.15	1.27	(0.41)	(0.95)	(1.35)	(1.37)	3.43	(0.46)	0.13	1.56
Earnings per share - basic/diluted (4)	USD	1.15	1.27	(0.41)	(0.95)	(1.35)	(1.37)	3.43	(0.99)	1.42	1.95
Return on total assets - before extraordinary items*) (5)	%	7.8	7.9	0.4	(1.6)	(3.6)	(2.3)	12.4	0.4	2.3	8.2
Return on total assets (6)	%	7.8	7.9	0.4	(1.6)	(3.6)	(2.3)	12.4	(1.2)	6.5	9.5
Return on equity - before extraordinary items *) (7)	%	11.8	14.6	(5.6)	(10.8)	(12.8)	(11.6)	30.6	(4.2)	1.4	18.6
Return on equity (8)	%	11.8	14.6	(5.6)	(10.8)	(12.8)	(11.6)	30.6	(9.4)	14.9	23.3
Return on capital employed (9)	%	8.8	7.9	1.7	(0.9)	(6.4)	(2.0)	2.5	0.8	3.6	10.2
Financial Ratios											
Average number of shares	mill.	78.61	78.69	86.77	78.74	79.39	80.60	78.56	79.29	85.22	83.81
Basic/diluted equity per share (10)	USD	10.38	9.15	7.44	7.35	9.67	10.46	12.71	9.75	11.00	8.24
Share price per A-share	USD	3.87	3.39	3.22	3.88	6.74	4.29	5.99	9.23	9.03	6.22
Interest-bearing debt	USD mill.	1 084	1 042	1 168	1 163	1 136	1 221	1 246	1 527	1 576	1 500
Bank deposits and securities (11)	USD mill.	207	174	126	105	94	170	205	142	185	193
Debt repayment capability (12)	Years	4.4	4.6	14.3	124.8	15.7	45.1	2.8	11.4	10.6	6.0
Current ratio (13)		1.0	1.0	1.3	0.5	1.1	1.1	1.3	0.9	1.4	1.1
Equity ratio (14)	%	41	38	33	31	37	36	39	30	34	28
Other											
USD/NOK rate at year-end		8.24	8.65	8.80	7.43	6.08	5.59	6.01	5.85	5.76	7.00
Employees at year-end		2 693	2 890	3 034	3 311	3 352	3 540	3 761	3 796	3 707	3 690

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

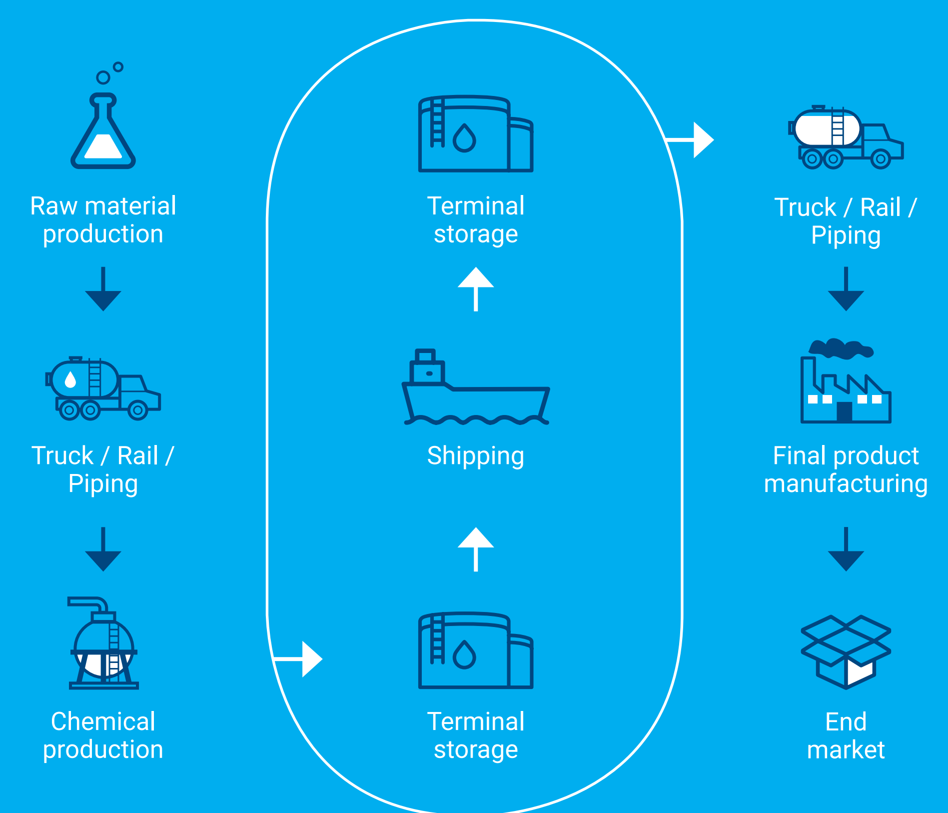
As from 2013 figures are presented based on equity method, for earlier years figures are based on proportionate method.
Profit and loss figures have been adjusted for discontinued operation earlier than year 2011.
Balance sheet 2012 and 2011 have been adjusted for pension corridor.

1. Operating result before depreciation, amortization 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.

Worldwide activities

Strategy & Operations

Our role in
the logistic chain



Odfjell Compass 2.0

In 2017, we launched the new strategy: the 'Odfjell Compass'. The strategy set ambitious targets for tonnage renewal and fleet growth, and specified plans for reaching a higher level of operational excellence at sea and on shore, for tankers and for terminals alike. Financially, the Odfjell Compass outlined targets to build financial strength with a competitive cost of capital.

Through the year, we worked continuously to execute on the strategy, and reached several targets. A compass sets direction while still opening for new routes if conditions change along the way. 2018 therefore started with the introduction of the 'Odfjell Compass 2.0', where we add and clarify certain key strategic focus points:

We have further strengthened our focus on service by introducing a prioritized customer commitment – we want to truly excel in our relations, and be our customers' trusted partner today and tomorrow.

Our long-term ambition level and targets remain the same, but we strengthen the terminal strategy by focusing on operating terminals in key locations, ideally where operational synergies with Odfjell Tankers are possible.

With these added key focus points, we continue to build our foundation for delivering world class safety and quality performance at a sustainable cost.

Our values

Professional
Skilled, dedicated and compliant
Show the right behavior and attitude

Proactive
Assess risk and give highest priority to safety
Take proper precautions and share knowledge

Sustainable
Aim for long-term success
Provide safe and enduring solutions

Innovative
Embrace change
Look for new and improved solutions

Our Core

Mission

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

Vision

We shall be a world class and preferred global provider of transportation and storage of speciality bulk liquids

Customer Commitment

We are committed to generate value for our customers, by offering safe and reliable transportation and storage of their products, at a competitive cost

Our goal is to deliver on spec, on time and adapt our services to cater for the needs of our customers

Odfjell is committed to:

Never compromise on safety
Always care, have integrity and be reliable
Be accessible and responsive
Offer competitive services and products

Guiding Principles

SAFE
We do not compromise on safety

CORE
Chemical tankers and Terminals are our core business

WORLD CLASS
We have world class ambitions in everything we do, every day

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 from the position of Partner and Group CEO at Clipper Group, and prior to that a career at A.P. Moller-Maersk, latest as COO of Maersk Tankers. He served as a member of the Odfjell Board of Directors from May 7, 2014 until the start as CEO August 1, 2015. Danish citizen. Owns 102,446 A-shares (including related parties), 3,500 B-shares, no options.

Øistein Jensen
COS

Øistein Jensen (1972) joined Odfjell as Chief of Staff (COS) in February 2016. He came from the position of Director at PwC, and has previously held various managerial positions in the Royal Norwegian Navy. Norwegian citizen. Owns 13,757 A-shares, no options.

Terje Iversen
CFO

Terje Iversen (1969) joined Odfjell as Chief Financial Officer (CFO) in 2011. Previous positions include CFO of Bergen Group, and various managerial positions with Odfjell Drilling and PwC. Norwegian citizen. Owns 15,211 A-shares, no options.

Harald Fotland
COO

Harald Fotland (1964) was appointed Odfjell's first Chief Operations Officer (COO) in January 2018. He joined Odfjell in 2010 as Chief of Staff, and was appointed Senior Vice President (SVP) of Odfjell Tankers in 2015. Since January 2017 he also held the position of intermediate SVP with Odfjell's Ship Management. Previous career includes Vice President at Gard AS, and various positions within the Royal Norwegian Navy. Norwegian citizen. Owns 11,674 A-shares, 4,000 B-shares, no options.

ODFJELL JOINT VENTURES

Frank Erkelens
CEO Odfjell Terminals

Frank Erkelens (1967) was appointed CEO of Odfjell Terminals May 1, 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

The Odfjell team

1690
Seafarers

383
Shipping employees on shore

620
Terminal employees

2693
Total employees

Odfjell Tankers and Ship Management

Fleet Renewal and Consolidation

Odfjell's ships carry chemicals and liquids through some of the world's most fragile marine areas. All our operations are dependent on the quality of our vessels and the expertise of our employees on board and on shore. Safety is at the core.

Stepping up in rough markets

Our markets have been challenging for years, with analysts describing 2017 as the toughest yet. The supply side of the market has outweighed a well-functioning demand side. In response, Odfjell has taken strategic steps towards fleet renewal and consolidation, and has utilized the low turn to our customers' and shareholders' benefit.

In 2017, we have retained market shares and cargo volumes, and grown our fleet through acquisition and by entering commercial pools with third party owners. Through these strategic agreements, we have reached our fleet growth target as announced when entering 2017, and are now close to operating 100 vessels. The new vessels not only grow our fleet by numbers, they also provide modern, sophisticated tonnage that further strengthens Odfjell's high-quality fleet.

We have taken organizational steps to enhance internal synergies and consolidate our ship management. This builds a stronger organization that works smarter, more efficient, and is able to handle fleet growth without a substantial increase of general and administrative expenditure.

The advancements made through 2017 have focused on customer service, efficiency improvements and cost control. This work will continue through 2018 and onwards.

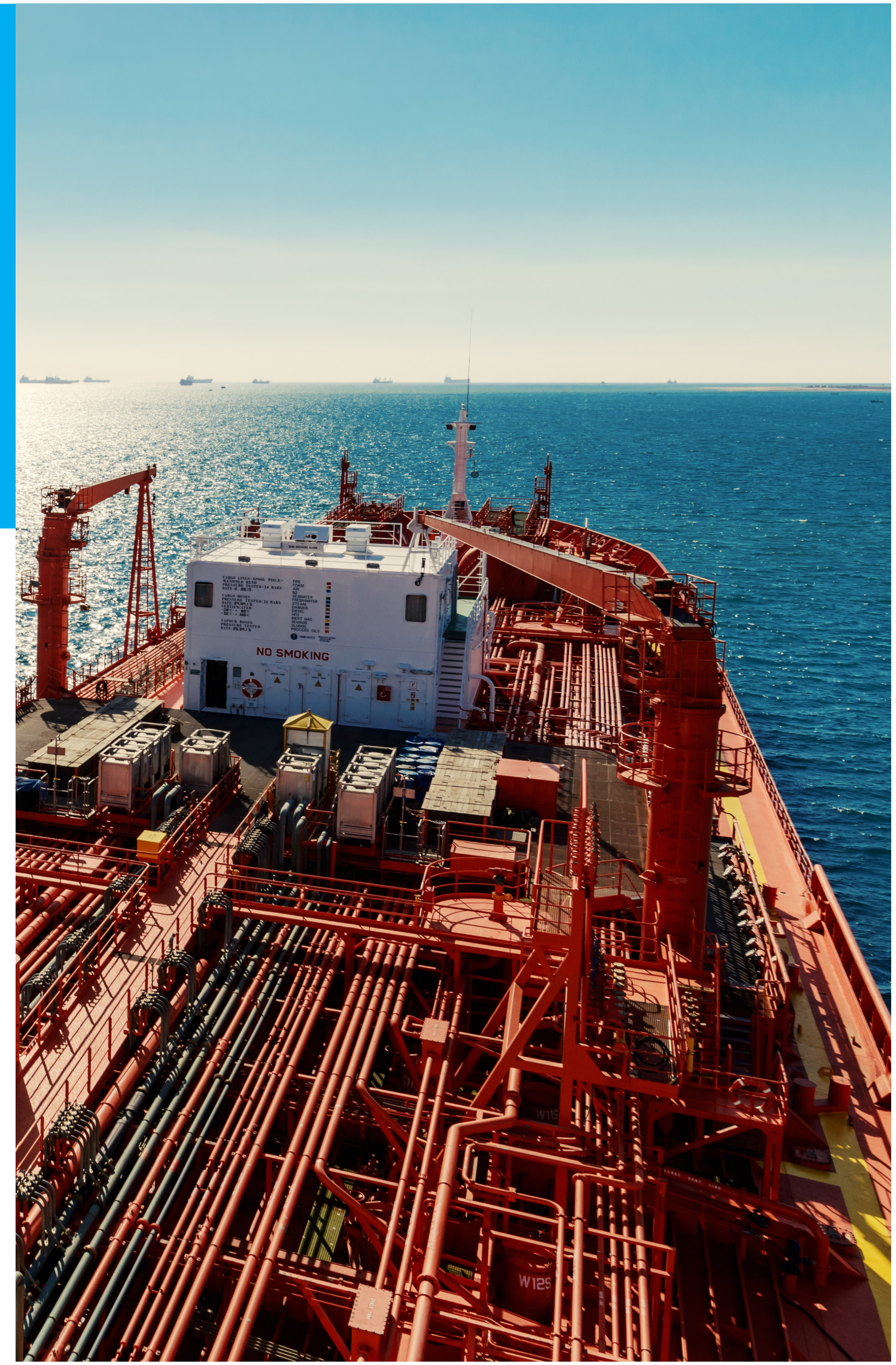
Committing to our customers

Odfjell transports chemicals and liquids for a wide range of companies, from the oil majors and largest chemical manufacturers to smaller logistical companies and traders. We offer shipping services worldwide and arrange for transshipment of products to physically restricted ports and berths.

We provide services where time, predictability and reliability are essential, and work hard to perform safer and more efficiently than anyone else in the industry.

> By maximizing fleet scheduling and taking advantage of ship management expertise, size and flexibility, we optimize our operation. Our worldwide presence gives Odfjell a unique opportunity to handle and secure our customers' cargo from beginning to end.

Odfjell Tankers is a modern chartering and operations organization, providing our customers with dedicated services on all major shipping hubs throughout the world. Flexibility and interchangeability of ships between geographical areas and trade lanes are integral elements of our business model.



Odfjell Tankers' vessels 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 through Odfjell Asia, with inter-regional voyages in Asia, 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.

We add value to our customers' logistics and trade by deploying a dynamic portfolio of owned and chartered vessels in the spot and contract markets. Through our integrated ship management and carefully selected third party managers, we provide safe transportation services and marine operations. Odfjell's focus on reliability and punctuality enables our customers to optimize their production and logistics chains.

The Odfjell fleet

By mid-March 2018, we operate 83 vessels. 69 of these are deep-sea vessels. Our core fleet is among the most advanced and flexible ships in the market, and consists of five main categories:

- Supersegregators with multiple segregations
- Large stainless steel chemical tankers
- Medium stainless steel chemical tankers
- Coated tonnage
- Regional fleets in Asia and South America

Fleet composition, scheduling and vessel trading optimization are all critical success factors, as is our organization's proactiveness and ability to offer safe, predictable and competitive logistics solutions.

The combination of our core deep-sea portfolio, time chartered tonnage, pooled tonnage and other owned tonnage allows us to optimize fleet size relative to the prevailing market conditions.

Fleet renewal for sustainable efficiency

Being both an owner and operator of sophisticated tonnage give us the opportunity to balance the portfolio of vessels dynamically and to the benefit of our stakeholders. We are actively searching for ways to increase our efficiency and reduce our environmental footprint.

We are investing in our existing fleet to continuously improve and secure our ships' quality. Since 2014, we have invested heavily in environmental friendly technologies that give remarkable results: By implementing several initiatives relating to rudder systems, propellers and main engines, emissions and consumption are effectively reduced by more than 20%.

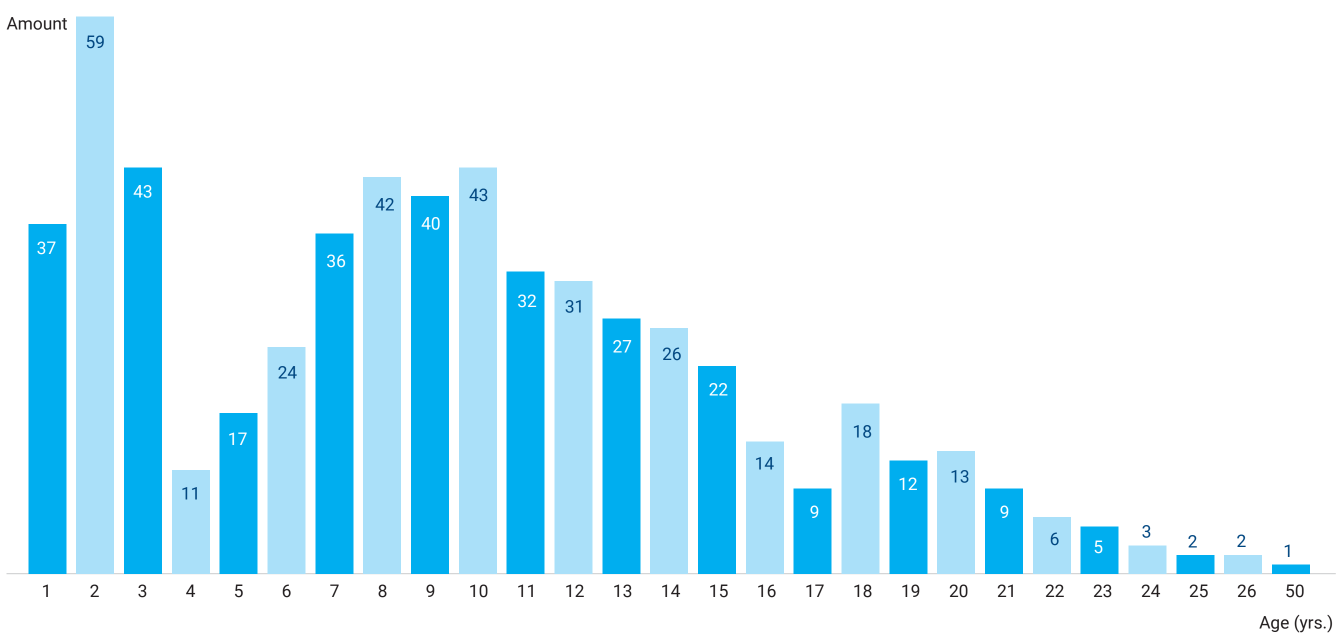
The investments made in our core owned fleet increases the competitiveness and attractiveness of our owned assets in all market conditions, and are contributing positively to our bottom line with a project return that by far exceeds the investments.

Newbuilding, consolidation and expansion

During 2017, we have actively worked with our fleet renewal and growth ambitions. Our newbuilding program comprises different types of ownership structures, but the common denominator is that the vessels will be commercially controlled by Odfjell Tankers. With this, we are growing our market share and contribute to consolidation of the market.

The various newbuilding contracts have been entered at a low point in the market cycle, which means that our capital costs are favorable. Among these vessels are the largest stainless steel chemical tankers ever built: our Hudong Class.

Distribution of vessels by age in total deep sea chemical tanker market



Our fleet renewal initiatives:

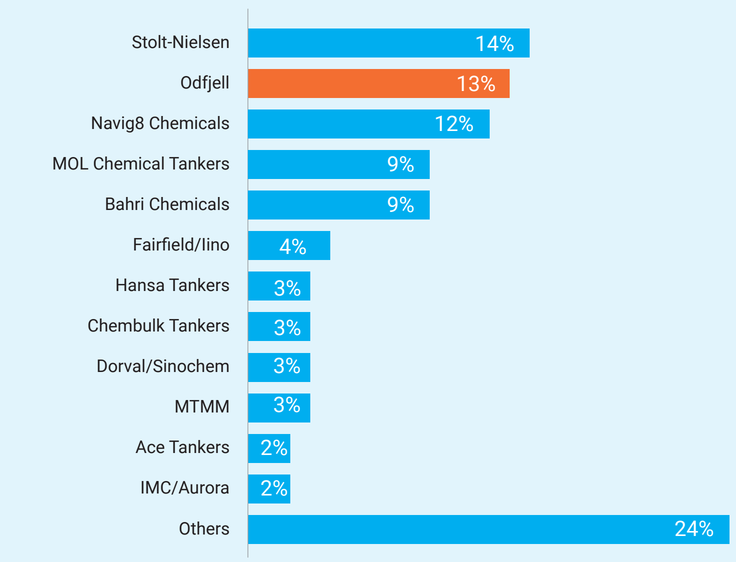
- Four 49,000 dwt stainless steel tankers with cargo capacity of 54,600 cbm and 33 tanks to be delivered in 2019-2020. Owned.
- Four stainless steel chemical tankers from 35,500 to 36,000 dwt with 28 tanks to be delivered from 4Q 2018 to 2Q 2020. Two long-term charter, two owned.
- **Chempool 25:** In total 15 x 25,000 dwt stainless steel vessels pool in cooperation with Chemical Transportation Group (CTG). Full implementation expected in 2018.
- **Chempool 40:** Eight 40,000 dwt supersegregators pool in cooperation with Sinochem, whereof four on long term bareboat charters. Full implementation expected in 2018.

Improved timeliness 4Q vs 1Q 2017

23%

New performance initiatives for load and discharge led to a 23% efficiency improvement from 1Q to 4Q 2017

The Core Chemical Tanker Deep-sea Fleet ≥ 18,000 dwt



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 a minimum of six tanks
- Commecially controlled by core chemical operator

Source: Odfjell

Chemical tankers*	Figures in	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross revenue	USD mill.	843	832	940	1 042	1 028	1 066	1 056	999	1 021	1 247
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	125	188	147	97	98	65	61	59	73	191
Operating result (EBIT)	USD mill.	14	98	37	3	3	(35)	(9)	(8)	(6)	129
Total assets	USD mill.	1 643	1 544	1 586	1 654	1 625	1 749	1 439	1 593	1 398	1 462
Volume shipped	1 000 tonnes	13 648	13 510	13 630	15 440	18 215	19 546	18 500	19 303	19 414	19 622
Number of ships per 31.12		79	73	74	77	81	96	98	86	95	93
Total deadweight per 31.12	1 000 tonnes	2 408	2 217	2 187	2 236	2 273	2 684	2 717	2 352	2 603	2 460

* This table also include 'corporate'

Commercial Pools

In 2017, Odfjell entered into two new commercial pool agreements, with Sinochem and CTG. By these two agreements, Odfjell Tankers will undertake the commercial operation of a total of 23 vessels.

We have established one of the world's largest pool of stainless steel 25,000 dwt class ships, the Odfjell Chempool 25, in cooperation with CTG, and we have also entered a pool agreement with Sinochem Shipping; the Odfjell Chempool 40.

These pools effectively enable us to renew our fleet and offer our customers a better product. The external vessels that now enter our pools keep high standards. This is of the utmost importance for us and for our customers, and a solid basis to secure safe and efficient operations.

Chempool 25:
- Consists of 15 vessels (25,000 dwt)
- Pool partners: Odfjell Tankers and CTG
- Ten vessels owned or chartered in by Odfjell Tankers, five vessels are CTG's contribution

Chempool 40:
- Consists of eight vessels (40,000 dwt)
- Pool partners: Odfjell Tankers and Sinochem Shipping
- Four vessels on long term lease to Odfjell from Sinochem Shipping. The remaining four vessels are Sinochem Shipping's contribution

A strategic step
Through these new pools, Odfjell effectively contributes to consolidation of the market as we now have commercial control over vessels that otherwise would have been competitors. From our perspective, this is an optimal way to grow our fleet without increasing the overall supply of vessels in the market.

"We are excited to embark on this new journey with Odfjell SE who is a recognized industry pioneer and market leader. The high-quality, sophisticated and flexible nature of our chemical tankers which are proudly "Built-in-China", will be a natural fit in and an immediate enhancement to Odfjell's first class global operating platform"

Zhang Xin, CEO of Sinochem Shipping

16 large and sophisticated supersegregators will be delivered from beginning 2018 until 2021. In total, we expect 26 new vessels into the Odfjell fleet from 2018 to 2021, whereof 20 will be delivered in 2018.

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

1690 seafarers

Growing fleet: +/-100

Total technically managed fleet: +/-50

Complete Ship Management
Odfjell is one of very few global shipping companies that are fully integrated. With extensive fleet renewal comes a growing focus on ship management. To meet this responsibility and secure continued high-quality services, we have consolidated Odfjell's Ship Management team in Bergen.

The consolidation is a strategic decision to streamline the organization, improve integration and focus on our deep-sea fleet, i.e. the supersegregators. Consequently, the regionally managed fleet of five vessels in Asia was in 2017 transferred to external management.

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 with a full life cycle perspective.

Integrated processes promote safe, reliable and efficient operations. When our fleet renewal initiatives are finalized, Odfjell will have commercial management of around 100 ships, of which near 50 in technical management.

With the consolidation in Bergen, we are currently building one of the most competent and complete ship management teams in Europe – not only in the chemical tanker segment, but in the shipping industry as a whole.

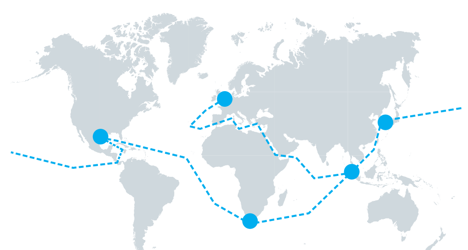
Odfjell Ship Management offers complete in-house ship management services, with fleet management, crewing, QHSSE, procurement and logistics, technology support and newbuilding.

The safe operation of chemical tankers depends on highly qualified officers and crew. Our ships are mainly registered in Norway (NIS) and Singapore, and are primarily manned by Norwegian and Filipino mariners with extensive experience. Three of our vessels in our regional fleet in South America, the Flumar fleet, is manned by Brazilian mariners. After we took ownership of two vessels that trade in Chile (late 2016), we also manage one vessel with Chilean crew and one with Peruvian.

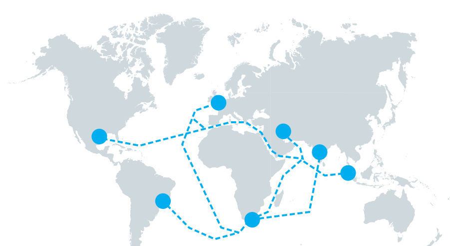
Ship Management employs personnel at offices in Norway, Singapore, the Philippines and Brazil who provide direct support to ships operating in our regional and deep-sea trades.

Trade lanes

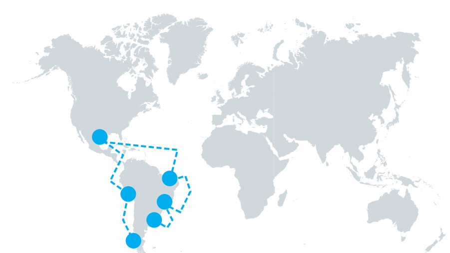
Asia Pacific



Middle East

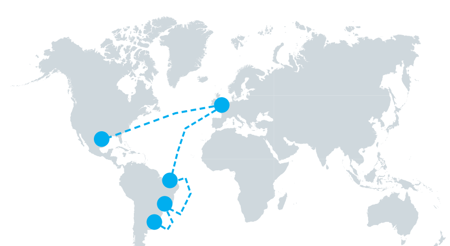


US Gulf - South America



Regional Asia

Transatlantic and North West Europe - South America



Safety and quality at the core

In 2017, Ship Management continued to develop Odfjell's safety culture, focusing on further improving our health, safety, security and environment performance.

Leadership program

Odfjell's Leadership Program for our seafarers was revised in 2017. The program will continue to contribute to cementing a professional safety culture based on a common understanding and commitment to Odfjell's core values.

Ship maintenance program

Our ship maintenance program seeks to secure safe and efficient operation, a long useful working life and high second-hand values for the vessels. Our maintenance, compliance and performance systems are supported by an in-house specialist team and technical project management team.

Following our upgrade program as started in 2015, the final six vessels were equipped with reversed osmosis plant and with propeller retrofit in 2017. The upgraded vessels are now among the most energy efficient chemical tankers in the world - achieving the highest score on the RightShip energy rating, A+.

Risk management

Odfjell Ship Management actively applies extensive risk management processes to maintain and improve operational performance.

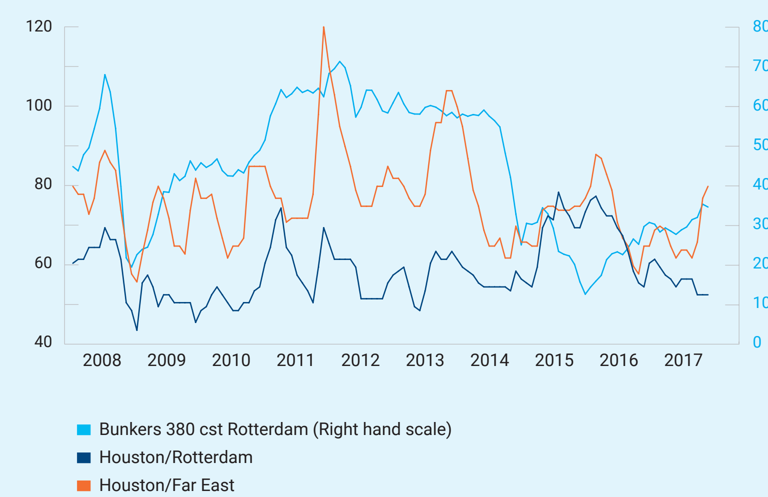
We continue our active cooperation with selected key customers towards a zero incident industry. Regular inspections and audits are carried out by our team, and by our customers, classification societies, relevant flag and port states. The results are uplifting; we have continued to improve our performance.

Our improving safety performance, vetting and port state control performance on our managed vessels are frequent confirmations of our experience and steady focus on safety and quality culture.

TC rates MR 47 (Clean Petroleum Product Tanker)

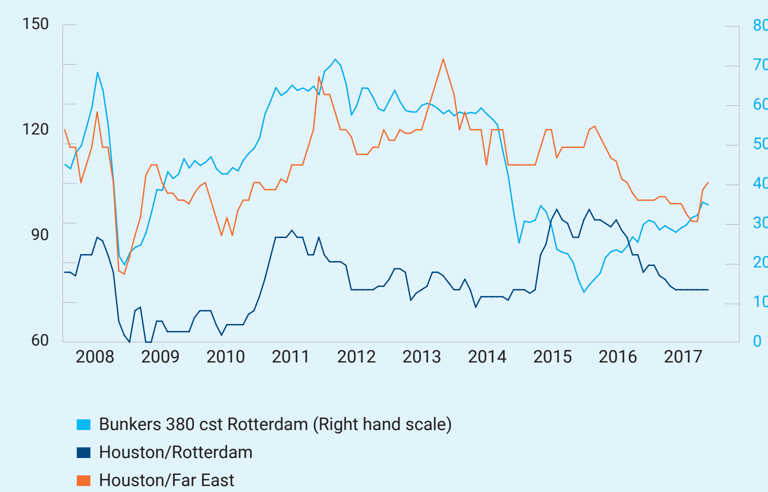
Source: Gibson

Freight rates 3,000 mts easy grade chemicals (USD/tonne)



Source: Quincannon Associates, Inc /Clarksons

Freight rates 1,000 mts stainless steel grade chemicals (USD/tonne)



Source: Quincannon Associates, Inc /Clarksons

Tank Terminals

Odfjell Terminals is a global tank storage service provider. Our terminals connect sea and land at core locations worldwide, providing safe and efficient storage for vital liquids, chemicals, and oil – and now, with strategic steps taken in 2017, even stronger positioned to harvest and develop opportunities within current footprint of terminals.

8
operational, part owned tank terminals at strategic locations around the world

3.1 million cbm
storage capacity

620
employees

1 terminal project
development in China

822
storage tanks

Tank terminals network
21 ports, including
13 terminals owned by related parties

Odfjell SE owns 51% of Odfjell Terminals BV (OTBV), which owns eight operational tank terminals. Odfjell Terminals also has a cooperation agreement with 13 tank terminals in South America. These tank terminals are partly owned by related parties.

In addition to the storage business, the Rotterdam tank terminal has a petrochemical distillation unit (PID) that offers toll distillation for the petrochemical and petroleum industry. Our tank terminals also offer cargo consolidation programs designed to reduce time 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, 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. In combination with our shipping business, Odfjell Terminals makes Odfjell one of the world leaders of transportation and storage of bulk liquids.

Business developments

In 2017, steps have been taken in line with the Odfjell Compass strategy to focus our efforts and investments in the terminals we operate. OTBV sold its stake in the Singapore terminal at favorable conditions. Odfjell's stake in Exir Chemical Terminal (ECT) was also sold, and the project to develop a new terminal in Quanzhou was discontinued and the land sold at the end of the year.

Odfjell Terminals met safety targets in 2017 after reducing the number of incidents with 20% for the second year in a row.

Odfjell Terminals Houston (OTH) ended the year strongly, following a weak market development in mid-2017 and the adverse effects of Hurricane Harvey. Several key projects in the US remain under evaluation and the outlook is positive moving forward.

Odfjell Terminals Houston was the first terminal in Houston to be safely back in operation after Hurricane Harvey.

In Asia, both Odfjell Terminals Dalian (OTD) in China and Odfjell Terminals Korea (OTK) in Ulsan recorded a solid year. In China, Odfjell Terminals is in a good position to take part of the growth in LNG imports.

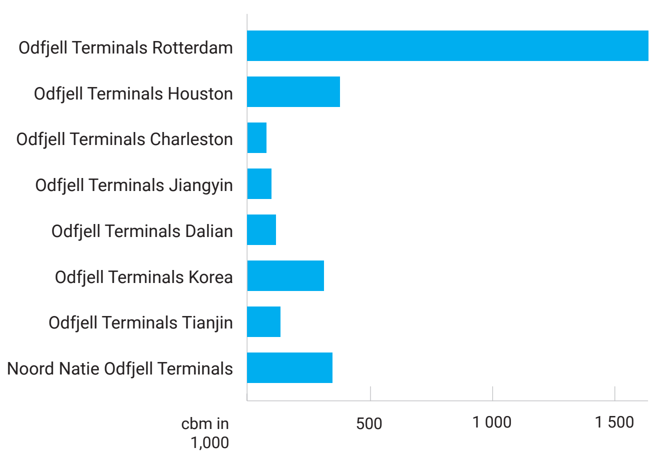
Our joint venture in China with Tianjin Economic-Technological Development Area, Odfjell Nangang Terminals Tianjin (ONTT), obtained the permanent tank farm permit in October 2017.

Operating restrictions was lifted at ONTT early 2018 after a subsea pipeline that limited access to the terminal for vessels larger than 5,000 dwt was removed. The port is opened for foreign vessels, and ONTT can now start to develop the full potential of this new terminal.

A milestone was reached in February 2018 when the first foreign vessel safely berthed at ONTT.

Odfjell Terminals Rotterdam (OTR) faced a challenged market in 2017 following a change in market structure from Contango to Backwardation in the petroleum market. On a positive note, the plans to improve the marine front to accommodate LR2 vessels by 4Q 2018 were implemented, and the three-year contract for the distillation of low sulphur fuel oil run well.

Tank Terminals Capacity



Tank Terminals*	Figures in	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross revenue	USD mill.	111	123	112	94	129	145	227	245	248	232
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	38	47	40	(4)	21	27	96	110	109	95
Operating result (EBIT)	USD mill.	118	53	4	(31)	(73)	(8)	62	75	68	68
Total assets	USD mill.	584	578	629	650	685	1 062	1 092	987	691	634
Tank capacity (100%)	1 000 cbm	3 101	3 539	4 672	4 643	4 658	4 551	4 221	3 732	3 719	3 100

* Reflection of actual historical Odfjell ownership share

Odfjell Terminals EUROPE

Odfjell Terminals Rotterdam (OTR)
The Netherlands

- Botlek, Port of Rotterdam
- 1,622,470 cbm total storage capacity
- 32,550 cbm stainless steel storage capacity
- 270 tanks
- PID, annual distillation capacity: 2.4 million tonnes

OTR is located in Europe's largest liquid bulk trading and distribution hub and well positioned in the middle of the refinery and petrochemical cluster. The terminal had in December 2017 a permitted capacity of 1,198,460 cbm, of which 1,063,347 cbm commercial capacity. The tank terminal stores both chemicals and mineral oil products.

The Rotterdam PID service consists of four distillation towers (of which three are in use), and controls a large share of the independent product distillation market in Northwest Europe.

The Odfjell Terminals Maritiem (OTM) site is located almost directly opposite OTR, on the south bank of Rotterdam's main shipping artery, Nieuwe Waterweg. It is connected to OTR via pipeline, has one deep-sea berth and is used to conduct transshipments.

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

By end 2017, OTR had nearly two years without recorded lost time injuries (LTI). The terminal has passed its 2017 BRZO audit and renewed all its ISO certificates without major issues.

In 2017, a strategic Masterplan was developed to properly position OTR in those markets where the terminal can have a competitive advantage, and to make OTR independent of swings in the oil markets. A new management team comprised of managers with vast experience in terminals is in place to execute the Masterplan in the best possible way.

Noord Natie Odfjell Terminals (NNOT)
Belgium

- Port of Antwerp
- 348,499 cbm total storage capacity
- 37,980 cbm stainless steel storage capacity
- 240 tanks

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 with easy access to the sea, inland waterways, roads and railways.

NNOT provides storage and related activities for chemicals, liquids for human or animal consumption, mineral oils, base oil, oleochemicals and biofuels.

Expansion of about 32,000 cbm of stainless steel capacity is underway at Noord Natie Odfjell Terminals, estimated to be commissioned in 3Q 2018.

Odfjell Terminals
NORTH AMERICA

Odfjell Terminal Houston (OTH)
USA

- Houston
- 379,658 cbm total storage capacity
- 113,186 cbm stainless steel storage capacity
- 119 tanks

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 realization of synergies is always a priority and the tank terminal has multiple shared customers with Odfjell Tankers – demonstrating the benefit of cargo consolidation and expedited shipment for all parties.

The tank terminal in Houston was completed by Odfjell in 1983, and boasts one of the largest stainless steel storage capacities of any independent tank terminal in the world. The facility also has spheres to handle LPGs.

Odfjell Terminal Charleston (OTC)
USA

- Charleston
- 79,400 cbm total storage capacity
- 9 tanks

OTC is located near the major shipping lanes on the US East Coast and started operations in late 2013. 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.

Resolve and recovery

One of Odfjell's core group customers, Eastman, faced the risk of a significant shutdown of their Kingsport production unit as a result of a process startup upset in October 2017. The team at OTH worked with Eastman to minimize the impact for Eastman and their customers around the world. In record time, the two long-time partners managed to completely reverse the product pipeline and secure production.

> "From A to Z, dedication to servicing the customer is what builds greater business and stronger business. What happened here is a testament to that. We have a valued relationship and partnership with Odfjell, and are extremely happy about the way you cared, responded, listened and took action in this situation".

Kevin Pruitt, Director, Global Supply Chain Operations, Logistics Quality, Eastman

Odfjell Terminals
ASIA

Odfjell Terminals Dalian (OTD),
China

- Dalian New Port, Xingang
- 119,750 cbm total storage capacity
- 18,350 cbm stainless steel capacity
- 51 tanks

OTD started operation in 1998, but was relocated from its original site to Dalian in 2007. OTD 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 in China.

Odfjell Terminals Jiangyin (OTJ)
China

- Jiangyin Economic Development Zone
- 99,800 cbm total storage capacity
- 30,000 cbm stainless steel capacity
- 22 tanks

OTJ is located on the south bank of the Yangtze River, approximately 150 km west of Shanghai and 12 hours by ship upriver from the estuary. The terminal became operational in late 2007 and has excellent facilities for handling a wide range of petrochemicals from ships, barges and trucks.

OTJ has the largest jetty on the Yangtze River at its disposal. In total, there are seven berths for the handling of deep-sea tankers, coasters or barges. OTJ can accommodate up to 50,000 dwt ships. Odfjell Terminals holds 55% of the shares in OTJ, while Garson Investment Co. Ltd. is the other shareholder in the company.

Odfjell Nangang Terminals Tianjin (ONTT)
China

- Tianjin Port, Bohai Bay, Nangang Industrial Zone
- 137,800 cbm total storage capacity
- 7,000 cbm stainless steel storage capacity
- 26 tanks

ONTT is a joint venture project between Odfjell Terminals Asia and Tianjin Nangang Industrial Zone Port Co. Ltd. The terminal 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.

NIZ 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 and a large marine infrastructure.

Phase 1 started operation in November 2016 and has three ship docks and 26 tanks with a total storage volume of 137,800 cbm. Following the permanent tank farm license and the removal of operating restrictions, ONTT occupancy and throughput will improve and plans to expand the terminal will start.

Odfjell Terminals Korea (OTK)
Korea

- Ulsan
- 313,710 cbm total storage capacity
- 15,860 cbm stainless steel capacity
- 85 tanks

OTK entered operation in 2002, and is strategically located in Ulsan, the most important petrochemical distribution and transshipment hub in Northeast Asia.

It is one of the most sophisticated terminals in Ulsan, and 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.

In 2017, OTK has taken steps to develop underground pipelines to the Ulsan Petrochemical Park, and expect to complete the project by early 2019.

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.

Development PROJECTS

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 Changxing Island, which is a major national petrochemical industrial zone. Total land area of OTCX is about 52 hectares, reclaimed from the sea.

Tank terminals partly owned by related parties SOUTH AMERICA

- Brazil, Argentina, Chile, Peru
- 552,740 cbm total storage capacity
- 455 tanks

The terminals are partly owned by related parties, and has its operational headquarters in Sao Paulo, Brazil. The first terminal became operational in Buenos Aires in 1969 and today this South American terminal network consists of 13 terminals spread along the coasts of Brazil, Argentina, Chile and Peru, with a strong market position for storage of chemicals and clean petroleum products in the region.

Eight of the terminals are located in Brazil; in Santos, Rio Grande, São Luis x 2, Teresina, Triunfo, Ladario and Palmas. Argentina is home to two tank terminals, one in Buenos Aires and one in Campana, about 80 km upriver from Buenos Aires. The Chilean tank terminals are located in San Antonio and Mejillones, and the one in Peru is located in the Port of Callao. In Rio Grande, Odfjell also operates and manages a terminal for a major petrochemical company.

Several expansions and projects are planned with construction already under way in Santos (Alemoa) for a new terminal consisting of 17 tanks and totaling 51,910 cbm of storage capacity. Commissioning is planned in first half 2019.

These extensive 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.

Sustainability
Our responsibility

Odfjell's core business is handling hazardous liquids, and we are determined to do it safely and more efficiently than our competitors.

Our ships carry some of the world's most hazardous chemicals through some of the world's most fragile marine environments, and our terminals store chemicals on shore, by the homes of families and thriving local communities. Our actions and operations have consequences, and we are committed to continuously improve our measures to operate safely, be profitable and decrease negative impact.

From the early beginning in 1914, the company has built its activities on a long-term growth vision. A sustainable way of business is in our genes, and the only responsible way to continue growing. As a worldwide service provider, we are dependent on a sustainable global environment.

Odfjell actively initiates and promotes a proactive QHSE* culture, we focus on energy efficiency and emissions, we engage in global and regional Corporate Social Responsibility (CSR) programs, and we have a responsibility to be profitable.

Sustainability is responsibility. We have a responsibility for our employees, our investors, our customers, the local communities where we operate, and the global environment. Sustainability is not only good for society and the environment – it is good for business.

Safety, Health and Quality

We educate, review and analyze to secure that our employees have the competence, equipment and resources to perform their tasks in the safest manner and with high quality.

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

The continuous work to build awareness and improve the sustainable safety performance shows positive results in Odfjell's lost time injury frequency (LTIF) statistics.

*QHSE = Quality, Health, Safety, Environment

We do not compromise on Safety

11,224
Training days
for mariners
in 2017

LTIF[1] Ships managed by Odfjell

Target	2015	2016	2017
1.00	0.72	0.88	0.23

LTIF[1] Terminals operated and managed by Odfjell

Target	2015	2016	2017
0.30	0.30	0.26	0.10

TRCF[2] Ships managed by Odfjell

Target	2015	2016	2017
3.50	2.60	1.76	2.42

[1] LTIF = LTIF is the frequency of lost time injuries per 1 million exposure hours.
A 'lost time injury' is a fatality, permanent total or partial disability, or a lost workday case.

[2] TRCF = Total recordable case frequency (TRCF) is calculated similarly to LTIF, but also includes restricted work cases and medical treatment cases.

However, the total recordable case frequency (TRCF) rose (see above). We study the nature of these cases in detail, and implement additional efforts accordingly.

Odfjell Terminals saw a 20% year over year reduction in process safety incidents and achieved a rate (PSER) of 1.0 with a total of ten Tier-1 or two process safety events.

Key initiatives

- Range of educational safety courses and dedicated events on board and on shore
- Annual 'Odfjell Safety Day': Global event, fully dedicated to safety and aligned with the International Labor Organization's 'World Day for Safety and Health at Work'. Theme in 2017: 'Embrace Prevention Culture - Be Proactive'
- ISO 9001 certifications: Quality Management Systems
- OHASA 18001 and CDI (Chemical Distribution Institute - Terminals) certifications for terminals: Occupational Health and Safety Management
- Maritime Labor Convention (MLC) certifications for vessels
- Internal system audits on QHSE, CSR and IT Security
- Internal control audits by Group controlling
- Crew stability program, aiming to send crew to same ship and/or same type of ship
- Improved business event registration and statistics for Odfjell Tankers
- Management reporting and event analysis on restricted work cases (RWC), medical treatment cases (MTC) and first aid cases (FAC)

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 minimizing our environmental footprints.

Energy efficiency programs and a range of initiatives are in process, aiming to reduce the environmental impact of our business. The arrows are pointing in the right direction.

Key initiatives

- Improved propulsion efficiency
- Weather routing/route optimization for vessels
- Intermediate propeller polishing and hull cleaning. 81 operations in 2017, resulting in substantial savings in terms of both CO_2 and SOx emissions.
- Fresh water production by using reversed osmosis technology on vessels
- Reduced consumption of lubrication oil increased use of bio-degradable lubrication oil on propeller shafts
- Test of new and very advanced types of Anti Fouling paints
- Installation of Ballast Water Treatment (BWT) plants
- Ship energy efficiency management plan (SEEMP)
- Environmental management system plan for vessels
- Optimization of wastewater treatment facility at Rotterdam terminal
- Minimization of our solid waste and our wastewater at Odfjell Terminals Houston
- Volatile Organic Compound (VOC) emissions reduction programs at all terminals
- 'Green Passport' for older vessels
- ISO 14001 certifications
- Carbon Disclosure Project (CDP) reporting since 2009
- Odfjell's unique alert-based fleet performance system utilizes dashboard technology for constant shore-based monitoring of the fleet's energy efficiency

Empowering our employees

For any company, a vital success factor is the competence and attitude of its employees. For Odfjell – with our core business of storing and transporting some of the world's most hazardous chemicals – a competent, professional and diligent personnel is maybe even more important than for other businesses. Everyone is dependent on our safe operations. This is a great responsibility.

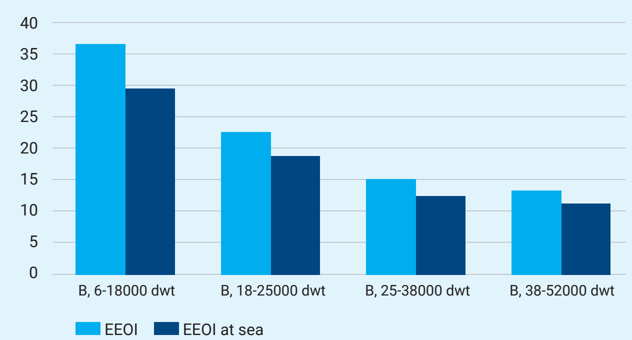
The expertise of our crew onboard and ashore is vital for Odfjell's daily operations and success, today and in the future.

Weather routing effects 2017

960 voyages → 67 days saved → 1965 tonnes fuel = 6092 tonnes CO_2 saved

Energy Efficiency Operational Indicator (EEOI)

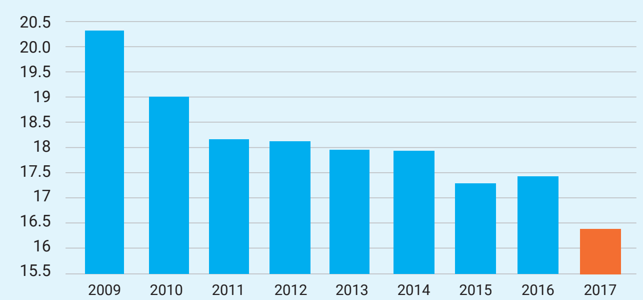
Gram CO_2 per tonne cargo transported 1 nautical mile (main ship groups)



Source: Odfjell

EEOI trend for the Odfjell fleet

Gram CO_2 per tonne cargo transported 1 nautical mile



Source: Odfjell

Odfjell Tankers'

operated fleet consumed 414,923 metric tonnes marine fuels, of which 56,000 tonnes marine distillates.

CO_2 emissions

Based on the consumption of 80 vessels, total emissions of CO_2 in 2017 amounted to around 1.3 million tonnes.

SOx emissions

Based on all consumption in 2017 (in port and at sea), Odfjell's vessels emitted on average 0.11 grams SOx per tonne cargo transported one nautical mile.

Committing to UN's Sustainable Development Goals

Global efforts
The United Nation's Global Compact (UNGC) is the world's largest corporate sustainability initiative. Odfjell signed up in 2011, and actively works to support UN's Sustainable Development Goals (SDGs). These Global Goals are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Each goal has specific targets to be achieved over the next 15 years.

The SDGs work in the spirit of partnership and pragmatism to secure that we make the right choices today to improve life, in a sustainable way, for future generations. The goals offer a common plan and agenda to tackle some of the pressing challenges facing our world, such as poverty, climate change and conflict.

As a global industry, shipping plays a critical role in meeting many of the goals, and is already contributing to several of the main targets. Odfjell's sustainability strategy sets the direction for how Odfjell will contribute to achieve the UN SDGs, and specifies actions we will take to support each relevant goal.

Our business has an impact
Shipping is an integral part of the global economy. Throughout history, oceans and seas have been vital conduits for trade and transportation. Shipping has always been one of the strongest globalizing forces, furthering social and economic interaction for centuries.

More than 90% of world trade is carried by the international shipping industry. Without shipping, the import and export of goods on the scale necessary for the modern world would not be possible. Shipping is statistically the least environmentally damaging mode of transportation when its productive value is taken into consideration.

The global business, our dependency on the oceans and the contribution to world trade and economy puts shipping in a strong position to build a more sustainable industry, and to contribute to achieving the United Nations' Sustainable Development Goals.

We commit to provide support and continuously enhance our personnel's competencies. Building crew competence contributes to safer and more profitable shipboard operations.

In 2017, Odfjell completed a total of 11,224 training man-days for our crew. The training covers courses provided by external training providers, as well as courses uniquely developed for Odfjell, by Odfjell.

In addition, the following crew competence development initiatives have been implemented:
- Odfjell Leadership Program
- Implementation of Odfjell Diploma of Competence for Able-Bodied Seamen and Motormen
- New Cargo Handling Course for Deck Management Level Officers (MLO)
- Turbo charger and Introduction to Electronic Engine Course offered to Engine MLOs
- Odfjell Tankers Commercial course for Masters and Chief Officers, both Filipino and North West Europeans
- The Garret/Seastar Galley Management course completed by all cooks
- Improved systems of collecting crew experience, feedback and suggestions for improvement

Supporting local communities
As an international shipping company, we operate and have stakeholders in all corners of the world. This global activity gives us a responsibility to always aim for excellence in sustainability and to ensure the trust of all our stakeholders. As part of our short- and long-term sustainability initiative, we promote a culture that meets the expectations of our stakeholders and respect the communities we operate in.

Governance and compliance
Odfjell uses a Compliance Management System which regulates signing of policies and supports compliance training.

Compliance Officers within the different business units and regions are assigned to monitor that the company and its employees act in accordance with applicable laws and regulations, the company's Code of Conduct, and to ensure that the company acts in an ethical and socially responsible way. Particular focus applies to competition law compliance, environmental licenses to operate and anti-corruption measures.

Key initiatives
- Yearly Code of Conduct acknowledgement via a compliance management system
- Dedicated Compliance Officers, Designated Person, and Environmental Compliance Officer
- Whistleblowing policies and procedures including anonymous confidential reporting hotline
- Corporate Supplier Conduct Principles
- Establishment of Integrity due diligence in 2017
- Regular updates on new rules and regulations issued to all relevant personnel
- Anti-corruption policy and procedures:
  - Mandatory anti-corruption training via compliance management system
  - Anti-Corruption Council since 2012, with framework and annual anti-corruption program reported to audit committee
  - Member of the Maritime Anti-Corruption Network (MACN)
  - 'Say No' campaign against corruption on all Odfjell managed vessels worldwide from December 2017
  - Yearly risk assessment on corruption risks

Fighting piracy with education

Since 2014, Odfjell has supported the Norwegian Church Aid's (NCA) work against piracy in Puntland, Somalia. NCA is one of few organizations that work specifically towards piracy, and pioneered counter-piracy livelihood programming. The aim is to reduce the piracy recruitment among the younger generations, and give former pirates vocational and business training that enables them to build a new livelihood.

NCA's work in Puntland was evaluated by Forcier Consulting in 2017*. The report states very positive results: No return to piracy has been reported for the former pirates and at-risk youth attending. The awareness-raising campaigns, held in close collaboration with local authorities, have reportedly led to rethinking of attitudes and a significant reduction of piracy incidences along Puntland's coastline. The work continues in the years to come.

Joining forces to fight corruption

Odfjell has been a member of the Maritime Anti-Corruption Network (MACN) since 2013. MACN is a global business network working towards the vision of a maritime industry enabling corruption-free, fair trade for the benefit of society at large.

Since the start in 2011, MACN has grown to include 90 members across the global maritime value chain, and is today one of the pre-eminent examples of collective action to tackle corruption. Through its activities, MACN raises the compliance standard in the maritime community, contributes to several principles of the Sustainable Development Goals, and supports efforts to improve ocean governance.

MACN members work together toward the vision of a maritime industry free of corruption through three pillars:

- **Collective action:** Collaborating with governments, non-governmental organizations, and civil society to identify and mitigate the root causes of corruption and improve the operating environment
- **Capability building:** Supporting member companies to implement the MACN Anti-Corruption Principles, develop tools, and share best practices within the network
- **Culture of integrity:** Raising awareness of the challenges faced and raising the integrity standards within the maritime community

The 'Say No' campaign

Around 10% of all global seaborne trade currently moves through the Suez Canal. The Canal has been a consistent hotspot for corruption issues, with Captains and crew facing regular demands for 'facilitation payments' to be granted passage or routine services. To tackle challenges like this and reduce threats to the seafarers' safety, MACN launched a dedicated 'Say No' campaign for the Suez Canal.

The challenges of corruption are bigger than one company can handle alone. The campaign is a true collective effort, with MACN member companies agreeing to reject demands by using a coordinated zero tolerance policy and onboard toolkits.

Odfjell joined the 'Say No' campaign in 2017, and runs this campaign globally – not only in Suez. To contribute to MACN's statistics on bribery, all requests for facilitation payments worldwide are logged and reported. By end of 2017, MACN had collected over 8,600 incidents on corrupt demands faced by seafarers globally. Since the implementation, reports are very positive for the campaign's effect. Facilitation payment requests, such as demands for cigarettes, and threats to the safety of both crew and vessel have decreased significantly.

*Report: Somalia Multi-Program Evaluation of NCA Programs funded by the Norwegian Government during the Period 2011-2017. Published Dec 2017 by Forcier Consulting.

Digital Innovation

Odfjell operates in a cyclical, competitive and marginal business, where innovations continue to transform our industry. Throughout our company history, we have worked continuously to improve operations and performance. Several industry innovations have been introduced along the way, and our use of digital tools is currently in the forefront of the industry.

Despite the enthusiasm for digital technologies, we acknowledge that digitalization will continue to transform our industry. Established business models, organization, workflows and tasks are all up for change.

Digital innovation changes the established paradigm, and no company can afford to ignore digital development and trends. Businesses in all industries and markets are forced to rethink – not only their business model, but the entire organization.

Odfjell is committed to continue using data and information technology in improving our performance both in relation to safety, efficiency, customer service and return to shareholders. Our learnings the past 18-24 months relating to Project Felix, Project Moneyball and Project Clockwork have paved the way for a more sophisticated and structured approach to innovation, and a more active use of data and new technology in our business.

One additional and important dimension of digitalization is the need to handle continuous improvement and renewal of the digital footprint. Odfjell's IT strategy has been renewed to become an even more integrated part of the overall business strategy. Our IT investments and operational costs will continue to be fully aligned with what is driving business performance. Throughout 2018, there will be a thorough renewal of the IT portfolio to lower operational cost, increase availability and resilience, and create the foundation needed for business growth through digitalization.

We are currently working on several exciting projects that we will continue to introduce in Odfjell in the coming years. Projects that aim not only to take advantage of new digital solutions and by that improve Odfjell, but also strengthen our Mission; to handle hazardous liquids – safely and more efficiently than anyone else in the industry.

Digital innovation group

A dedicated 'Digital Innovation Group' has been tasked to identify and describe business challenges that are possible to solve with current and emerging technology. The group is also given the mandate to incubate, catalyze and coordinate innovation and digitalization across the organization, to ensure that Odfjell is at the forefront of the industry and our competitors.

The group analyzes digital trends, relevant research and new concepts. A major focus is to understand these emerging technologies, their potential impact and in consequence: their relevance for Odfjell. The group reports directly to Executive Management and consists of representatives from all divisions in the company. Depending on the tasks to be implemented, the responsibility of the execution will be transferred to the appropriate business line and a dedicated team. By establishing a group consisting of business representatives, we have chosen to make each unit accountable for the digital transformation. In combination with execution of projects and tasks within the business line, we expect this to strengthen our ability to engage and drive change.

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 October 30, 2014 (the Code of Practice or the Code).

The Company's Board of Directors has on February 8, 2018 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 April 1, 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:

1. "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.
2. "Information on where the recommendations and regulations mentioned in no. 1 are available to the public" is included in section 1 below.
3. "Reasons for any non-conformance with the recommendations mentioned in no. 1" is covered under sections 4 and 7 below.
4. "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.

5. "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.

6. "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.

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

8. "Articles of Association and authorizations 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.

1

Implementation and reporting on Corporate Governance

The framework for corporate governance is the Norwegian Code of Practice for Corporate Governance, last updated October 30, 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 to each of the elements of the Norwegian Code of Practice for Corporate Governance, including explanation of any deviations.

Deviations from the Code: None

2

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 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. The Company's Mission Statement and strategy can be found on page 13 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 and tank terminals worldwide.

Deviations from the Code: None

3

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 816 million as of December 31, 2017, corresponding to an equity ratio of 40.8% using the equity consolidation method.

Subscription rights
There are currently no outstanding subscription rights as of December 31, 2017. 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 May 11, 2017 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 June 30, 2018.

Deviation from the Code: None.

4

Equal treatment 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 nonpublic information.

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

5

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 (March 31, June 30, September 30 and December 31) 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.

6

The General Meetings of shareholders

Articles 7 and 8 of the Company's Articles of Association regulate 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 Chair of the Meeting. The Chair 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 or email.

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:

1. Adoption of the annual accounts and the Board of Directors' report
2. 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
3. Election of members of the Board of Directors
4. Adoption of the remuneration of the Board of Directors
5. 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 organize 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.

7

Nomination Committee

The Company has a Nomination Committee regulated by Article 9 of the Articles of Association. The General Meeting shall elect the Committee Chair 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 Christine Rødsæther (Chair), Laurence Ward Odfjell and Klaus Nyborg.

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 members of the Nomination Committee are not independent of the Board.

8

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 organized 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 Chair 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 May 11, 2017 the Board has comprised Laurence Ward Odfjell (Chairman), Christine Rødsæther, Åke Gregertsen, Åse Aulie Michelet, 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, Åse Aulie Michelet, 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.

Four of the existing board members, Laurence Ward Odfjell, Christine Rødsæther, Jannicke Nilsson and Hans Smits, are up for election at the 2018 Annual General Meeting.

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

Deviation from the Code: None

9

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 organized 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 organization. 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 Chair shall be elected to function as Chair 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 - according to a cycle of setting objectives, performance reviews, risk reviews, periodic reporting, regular reviews of short and long-term strategy formulation and implementation. 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 five extraordinary meetings in 2017, with 93% 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 (Chair), 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, VP Financial Control, Chief of Staff and Head of Group Controlling 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.

10

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 organizational 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.

11

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.

12

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.

13

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 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 makes 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.

14

Takeovers

During the course of any takeover 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 takeover 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 takeover 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 takeover 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.

15

Auditor

The Company emphasizes 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 identifying 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 our shareholders. We embrace an investor-friendly dividend policy, and targets regular dividend payments at sustainable levels. Odfjell complies with the code of practice for reporting and information as advised by Oslo Stock Exchange.

Share performance

At year-end 2017, Odfjell A- and B-shares were trading at NOK 31.90 and NOK 30.80 respectively, compared to NOK 29.30 and NOK 28.00 respectively at the close of 2016. In the same period, the Oslo Stock Exchange Benchmark Index increased by 19% and the Transportation Index increased by 17%.

At year-end, Odfjell SE had a market capitalization of NOK 2,481 million, which was equivalent to around USD 309 million. Including our 8.1 million treasury, the market capitalization was USD 341 million.

Based on the Company's 2017 profit from the sale of the Singapore terminal, the Board recommends a dividend of NOK 1.50 per share, totaling NOK 117.9 million.

Trading volumes

In 2017, about 16.1 million Odfjell shares were traded; 12.7 million A-shares and 3.4 million B-shares. This represents about 20% of the issued shares. At year-end 2017, Odfjell had outstanding 65.7 million A-shares and 21.1 million B-shares.

Shareholders

At the end of 2017 there were 1,236 holders of Odfjell A-shares and 523 holders of Odfjell B-shares. The total number of shareholders was 1,462, reflecting that some shareholders own shares in both classes.

Year end 2017, Odfjell SE held 5,819,093 A-shares and 2,322,482 B-shares as treasury shares, representing 9.4% of the issued shares.

Investor ownership

56% 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 54% of the total share capital.

Investor relations

Accurate and timely information is of vital importance to build 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 ensuring that shareholders receive swift, relevant and correct information about the Company. Our aim is to provide a solid 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.

20 largest shareholders as per December 31, 2017 (based on shareholders analysis)

Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
Laurence Ward Odfjell [1)]	25 966 492	4 232 393	30 198 885	43.37%	34.80%
Odfjell SE	5 819 093	2 322 482	8 141 575	[2)]	9.38%
Rederiet Odfjell AS	3 497 472	-	3 497 472	5.84%	4.03%
Odfjell Shipping Bermuda	2 750 000	715 760	3 465 760	4.59%	3.99%
Pareto Forvaltning	1 784 368	1 275 730	3 060 098	2.98%	3.53%
Nordea Asset Management	756 287	2 300 856	3 057 143	1.26%	3.52%
J O Invest AS	2 903 400	-	2 903 400	4.85%	3.35%
JPMorgan International	1 071 400	1 600 800	2 672 200	1.79%	3.08%
Holmen Fund Management	2 000 000	-	2 000 000	3.34%	2.30%
Tufton Oceanic	1 242 194	-	1 242 194	2.07%	1.43%
KLP	1 009 585	223 534	1 233 119	1.69%	1.42%
BO Steen Shipping AS	239 111	870 889	1 110 000	0.40%	1.28%
EGD Shipholding AS	927 143	-	927 143	1.55%	1.07%
Credit Suisse Private Banking	550 146	288 500	838 646	0.92%	0.97%
AS SS Mathilda	600 000	150 000	750 000	1.00%	0.86%
Svante Berger	-	750 000	750 000	0.00%	0.86%
Forsvarets Personellservice	718 000	-	718 000	1.20%	0.83%
Meteva AS	-	700 000	700 000	0.00%	0.81%
Bergen Communale Pensjonskasse	200 000	460 000	660 000	0.33%	0,76%
Dimensional Fund Advisors	521 551	-	521 551	0.87%	0.60%
Total 20 largest shareholders	**52 556 242**	**15 890 944**	**68 447 186**	**78.06%**	**78.88%**
Other shareholders	13 134 002	5 187 760	18 321 762	21.94%	21.12%
Total	65 690 244	21 078 704	86 768 948	100.00%	100.00%

[1)] Shares owned/controlled by and includes related parties
[2)] No voting rights for own shares ref. Public Limited Companies Act § 5 - 4

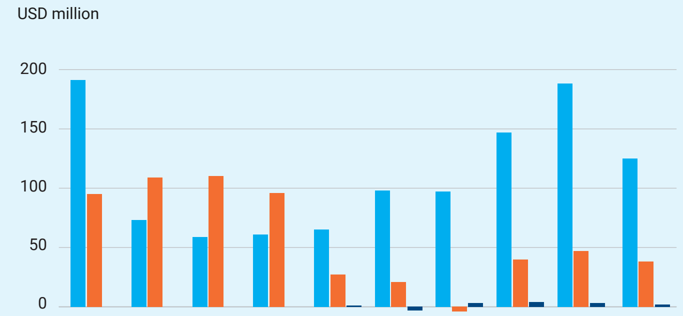
For a list of the 20 largest shareholders of December 31, 2017 from the Norwegian Central Securities Depositary (VPS), see Note 13 in Notes to the financial statements to Odfjell SE.

Source: Shareholder analysis conducted by RD:IR.

Share Capital history

Year	Event	Amount in NOK	Share capital after event
1986	Public offering	9 390 000	28 170 000
1986	Capitalization bonus issue	2 817 000	30 987 000
1988	Capitalization bonus issue	6 197 400	37 184 400
1989	Capitalization bonus issue	7 436 880	44 621 280
1989	International private placement	10 000 000	54 621 280
1990	Capitalization bonus issue	54 621 280	109 242 560
1994	Capitalization 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
2006-2017	No events	0	216 922 370

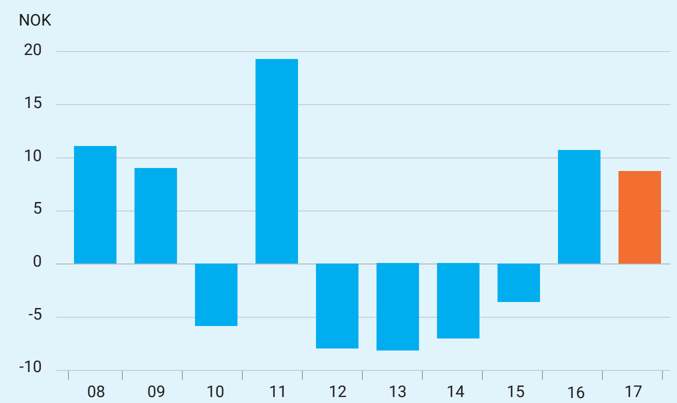
EBITDA per segment (Proportionate consolidation method)



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

Source: Odfjell

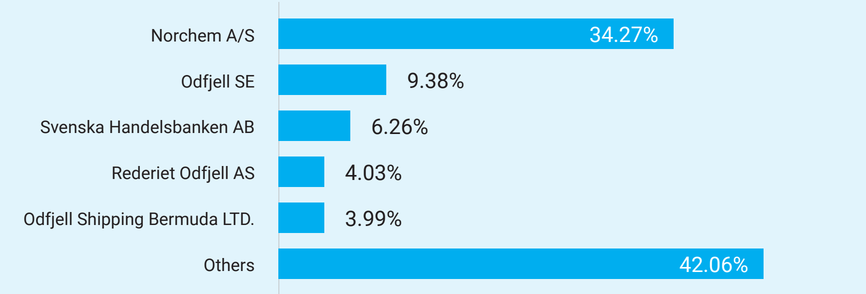
Earnings per share



Development Odfjell shares 2017

Source: Oslo Stock Exchange

Shareholder Structure (A- and B-share)



Source: VPS

Financial Risk Management & 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 favorable movements in these risk factors. We closely monitor the risk related to market valuation of the hedging instruments, and the effect this may have on the equity ratio.

Earnings

Earnings within the chemical tanker markets are less volatile than in many other shipping segments as the universe of cargo products we transport is diversified.

The portfolio of trade lanes and the products we transport have historically provided a partial hedge against the negative impact of a general slowdown in demand for chemical tanker freight. 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 utilization of the fleet and an expedient composition of cargoes, with minimal time in port, are of vital importance to maximize our time charter earnings.

The largest single cost component affecting time charter earnings is bunkers. In 2017, this amounted to more than USD 149 million, equivalent to 47% 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 20 million per year or USD 942 per day change in time charter earnings.

A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the freight contracts, Contracts of Affreightment (CoA). The bunker clauses in CoAs covered above 60% of the bunker exposure in 2017. By December 31, 2017, Odfjell did not have any bunker hedges in the financial market.

Sensitivity analyzes show that a change in time charter earnings of USD 1,000 per day for our chemical tankers, a roughly 4.9% change in freight rates after voyage costs will impact the pre-tax net result by approximately USD 21 million. Odfjell is not 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 is fixed, and the main drivers for earnings within a tank terminal are the general market conditions, occupancy rate, the volume of cargoes handled through and by the terminal and operational efficiency.

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 9% of our loans were at fixed interest rates at year end. Total interest-bearing debt on December 31, 2017 was USD 1,084 million, while liquid assets amounted to USD 207 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 2017 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 2017, under which we sold USD and purchased NOK, covered about 78% of Odfjell's 2018 NOK exposure. Future hedging periods may vary depending on changes in market conditions. The average USD/NOK exchange rate for open hedging positions on December 31, 2017 for 2018 was 7.84.

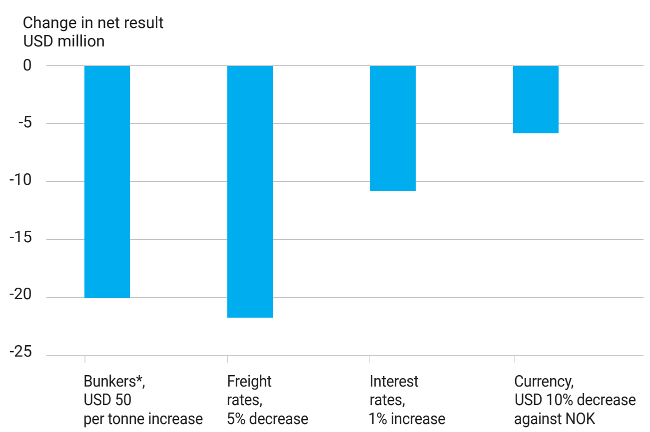
Financing and liquidity

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 total interest-bearing debt is about 4.3 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 the local tax systems in Brazil. Our tank terminal activities are generally subject to the ordinary corporate tax rates within the country in which the activity is located.

Sensitivity (Excluding derivatives and bunker adjustment clauses)



*60% of the bunker exposure is hedged through bunker adjustment clauses

Source: Odfjell

Bunkers (3.5% barges Rotterdam)

Source: Bloomberg

Board of Directors' Report 2017

The consolidated 2017 net result for the Odfjell Group amounted to USD 91 million, compared with a net result of USD 100 million in 2016. The 2017 result included positive effect from sale of the Singapore terminal of USD 134 million. Total assets by year-end amounted to USD 2,000 million, up from USD 1,883 million at the end of 2016. The cash flow from operations was USD 54 million in 2017, compared with USD 122 million in 2016. Cash and cash equivalents was USD 207 million at end of 2017, excluding joint venture companies. Total equity at the end of 2017 amounted to USD 816 million compared to USD 719 million at the end of 2016, and the equity ratio increased to 40.8% from 38.2% during the year.

The operating result (EBIT) increased to USD 144 million in 2017, from USD 130 million in 2016, but we saw weaker underlying financial performance both from our chemical tanker business and from the tank terminals, primarily due to the challenging market conditions both for Tankers and Terminals, but also partly due to the increased bunker expenses.

Due to the weakened underlying operating results, the Board is not satisfied with the financial results, but given the challenging markets, is pleased with the Company's continued good progress and the overall strengthening of competitiveness and balance sheet. The positive net result is driven by the sale of the Singapore terminal and the many successful initiatives taken by the organization during the last years.

Odfjell embraces an investor-friendly dividend policy. Based on the Company's 2017 results, including the profit from the sale of the Singapore terminal, the Board recommends a dividend of NOK 1.50 per share, totaling NOK 117,941,060. Going forward, the company targets regular dividend payments. However, we will take into consideration appropriate limits on leverage, capital expenditure plans, financing requirements, financial flexibility and anticipated cash flows.

Odfjell's balance sheet continued to strengthen during 2017, both with regards to the equity and the working capital. Odfjell SE secured and refinanced long-term debt of about USD 343 million during the year, including a bond issue of NOK 700 million in January 2017 and NOK 500 million in June 2017. In addition, we have secured USD 401 million in new long-term financing for vessels to be delivered in 2018-2022. We have USD 84 million outstanding on our bond maturing in December 2018 and we will consider refinancing when the market conditions are right for Odfjell.

Odfjell also continues to make good strategic progress. We are on track to achieve our ambitions for renewing and growing our fleet, partly by our newbuilding series, but also by participating in market consolidation in a capital efficient way. At the same time, we have strengthened our balance sheet through disposal of non-operated terminal assets.

Chemical spot freight rates were weak throughout the first half of the year, and we experienced only a marginal improvement in freight rates over the second half of 2017. These improvements were however offset by increased bunker costs during the year. Total volumes carried in 2017 were 13.6 million tonnes against 13.5 million tonnes in 2016. This constitutes approximately 0.7% increase in volumes. Odfjell had an increase of deep-sea trading days of slightly more than 2,000 days, which is about a 10% increase from last year.

Activity and nominations under our Contracts of Affreightment (CoA) were on average above the levels in 2016. The contract coverage for the year has on average been 58% of total volume shipped against 56% in 2016. CoA-nominations have in 2017 been more stable than in 2016.

The average bunker fuel prices increased during the year and negatively impacted our margins. The majority of the bunker price exposure is hedged through Bunker Adjustment Clauses (BACs) in our CoAs, but the weak spot freight market did not allow for proper compensation for the remaining bunker exposure. At the year-end, we had no bunker hedges in the financial markets.

During 2017 we concluded the purchase of 5 x 25,000 dwt stainless steel chemical tankers from CTG. These vessels will together with CTG's five similar vessels form Odfjell Chempool 25. We have also reached an agreement with Sinochem Shipping to take 4 x 40,000 dwt stainless steel vessels on long term bareboat charters, with purchase options. Together with Sinochem's four similar vessels these will form Odfjell Chempool 40. The latter transaction remains subject to final approval by Sinochem's financiers'. In addition, we entered into long term bareboat charters with Japanese owners for 2 x 36,000 dwt stainless steel chemical tankers, and entered into another long term charter agreement for 2 x 35,500 dwt stainless steel chemical tankers, for construction at the Shin-Kurushima dockyard in Japan. We also increased our order from Hudong with another 2 x 38,000 dwt stainless steel chemical tankers, and acquired the Bow Compass (33,609 dwt) and sold the Bow Aratu (13,843 dwt) in 2017.

During 2016 and 2017 we have therefore concluded our ambitions for fleet renewal and growth. We have ordered six large supersegregators, secured 18 new vessels by taking the fleets of two competitors and entered into long term charters for four additional newbuilds. We have renewed the fleet in a capital efficient way at a very low point in the cycle (compared to historic prices). We have also secured long-term financing for all chemical tanker newbuildings, mainly through sale and leasebacks, and the remaining equity instalments are limited to USD 22 million in 2018 and 2019. These new supersegregators will be the most efficient stainless steel chemical tankers available upon delivery. The vessels are designed to be environmental friendly, good for our customers and a good investment for our shareholders.

Net fleet growth during the year for chemical tankers was 8.2% while the core chemical deep-sea fleet grew by about 13.4%. This is considerably above average annual growth over the last decade. Going forward, we foresee the net fleet growth for the total chemical tanker fleet being reduced to about 1.8% in 2018 and about 3% in 2019 and 1% in 2020. The market will probably continue to be under pressure in 2018 as the market absorbs the many newbuilding in the first half, but beyond that, we believe the market will eventually recover as demand will gradually outgrow supply after 2018.

At the end of 2017, our total chemical tanker fleet was 79 vessels, including 35 owned, five bareboat chartered and eight under financial leases and sale-leaseback, and 28 time chartered vessels. In addition, we took delivery end of 2017 of three third party vessels in our Chempool 25 which are on temporary commercial management with Sinochem Shipping. We are predominantly a deep-sea operator with 73 of the 79 vessels being more than 12,000 dwt. Of the remaining smaller vessels, we own four of the six vessels.

The Odfjell Gas joint venture continues to pursue an exit from gas, and the two remaining vessels are assets held for sale.

Our tank terminal business remained stable in 2017. Results improved in Asia thanks to the terminal in a new industrial zone near Tianjin, China, which started up operations late 2016 and received permanent operating permit in 4Q 2017. This compensated for the slightly lower results in Rotterdam which is caused by a challenging market in Europe for storage of CPP. Our share in the Singapore terminal was divested in December 2017. 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.

Since May 11, 2017, the Board has comprised of Laurence Ward Odfjell (Chairman), Christine Rødsæther, Åke Gregertsen, Åse Aulie Michelet, Jannicke Nilsson, Klaus Nyborg and Hans Smits. The Audit Committee has consisted of Åke Gregertsen (Chair), Jannicke Nilsson and Klaus Nyborg. The Nomination Committee has consisted of Christine Rødsæther (Chair), Laurence Ward Odfjell and Klaus Nyborg. The Board also has a separate Remuneration Committee which has consisted of Klaus Nyborg (Chair), Åke Gregertsen and Laurence Ward Odfjell.

Corporate Social Responsibility

Since Odfjell signed up for the UN Global Compact (UNGC) program, there has been continued focus on Corporate Social Responsibility from financial and commercial stakeholders. We submit 'Communication on Progress' to the UNGC secretariat annually, 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 harmonized with the program. We have also been involved in projects in the Maritime Anti-Corruption Network (MACN), which aims to fight corruption on local and regional basis.

Sustainability

Odfjell's core business is handling hazardous liquids. Our ships carry some of the world's most hazardous chemicals through some of the world's most fragile marine areas, and our terminals store chemicals on shore, often near local communities or industries.

All our operations are dependent on the expertise of Odfjell's nearly 3,000 employees on board and on shore. Everyone is dependent on our safe operations. This is a great responsibility, and we are committed to it. We care for our employees, for the environment, for our customers, for the local communities where we operate and live – and we do not compromise on safety.

Our long-term growth vision embraces sustainability as the only responsible way to continue growing and stay profitable. Therefore, sustainability is an integrated part of the strategy of Odfjell.

Odfjell has developed an own anti-corruption framework, runs anti-corruption risk assessments and annual anti-corruption programs with several new initiatives each year. Odfjell is also through MACN involved in some of the collective action projects against corruption like the 'Say No' campaign in Suez Canal.

Quality, Health, Safety, Security and Environment (QHSSE)

In 2017, we had no fatality or work-related injuries resulting in permanent disability. The continuous work to improve the sustainable safety performance shows positive results in Odfjell's lost time injury frequency (LTIF) statistics. Our shipping-related LTIF indicator was 0.23 in 2017. The indicator represents two lost time injuries compared with nine in 2016, where the LTIF was 0.88. Our goal for LTIF is to reach zero. The LTIF of the terminals operated and managed by Odfjell was 0.10 in 2017, an improvement from 0.21 in 2016.

However, the total recordable case frequency (TRCF) on our managed vessels rose to 2.42 from 1.76 in 2017, which obliges us to see more into detail the nature of the cases. We have made efforts to improve this reporting. Increased and improved reporting gives us better opportunities to understand the nature of the cases and then improve how we mitigate and prevent them from happening. We have also enhanced our management reporting and event analysis on restricted work cases (RWC), medical treatment cases (MTC) and first aid cases (FAC).

There have been no security incidents on Odfjell ships in 2017, although piracy and armed robberies continue to be 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).

The total emissions of CO_2 (Carbon dioxide) in 2017 amounted to 1.305 million tonnes at a total fuel consumption of 414,923 metric tonnes (mt), a similar level to 2016 which represent an improvement due to more vessel days in 2017. Based on all consumption in 2017 (both in port and at sea), Odfjell's vessels emitted on average 0.11 grams of SOx per tonne cargo transported one nautical mile (0.12 in 2016). The fleet emitted a total of 9,037 mt SOx (Sulphur) up from 8,300 mt in 2016, which is explained by a larger fleet and longer distances sailed. However, the Energy Efficiency Operational Indicator (EEOI) for the Odfjell fleet was 16.42 grams of CO_2 per tonne cargo transported one nautical mile (g/tnm). This is 6% less than in 2016 and is the best energy efficiency we have ever recorded since benchmark year 2009.

In 2015, we decided to upgrade the propulsion line on our Kvaerner and Poland class vessels 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, nine in 2016 and the remaining six vessels were upgraded in 2017.

Odfjell has not sold a ship for recycling in 2017. 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 October 30, 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, sophisticated 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. Our fleet has a critical mass that enables efficient trading patterns and optimal fleet utilization. The industry in general continues to suffer from congestion in port due to lagging investment in port infrastructure.

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

Chemical Tankers

Gross revenues from our chemical tanker activities amounted to USD 843 million in 2017, an increase from USD 832 million in 2016. EBITDA came in at USD 125 million and EBIT at USD 14 million, compared with USD 188 million and USD 98 million respectively in 2016. EBIT in 2017 was negatively impacted impairments with USD 22 million. Costs related to Odfjell SE corporate are included in the general and administrative expenses for chemical tankers. Total assets at year-end amounted to USD 1,643 million.

Operation of chemical tankers is complex. During 2017 our ships loaded in excess of 600 different products comprising more than 4.500 individual parcels. Unlike vessels in most other shipping segments, our vessels may call several berths in each port, both for loading and discharging. This is a time-consuming and costly process. During 2017, focus has been on increasing efficiency in port through project Moneyball, which has contributed to saved time and increased utilization of our fleet. In addition, we have had focus on more reliable scheduling and customer experience, launching several projects relating to this matter as well.

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 11 ships in the region, in trades between Southeast Asia and the Far East, and to and from Australia/New Zealand. Odfjell regional Asia are operating in a very competitive market and has in 2017 not been profitable, and we are therefore currently reviewing measures to improve the results. Odfjell has in 2017 booked a 22 million impairment on our regional Asia fleet which now is considered as a separate cash generating units (CGU) under the IFRS rules.

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.

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.

All terminals delivered stable earnings in 2017, with the terminal in Rotterdam (OTR) still showing negative net result. Gross revenues from our share of the tank terminal activities came in at USD 111 million compared with USD 123 million in 2016, while our share of EBITDA for 2017 amounted to USD 38 million, down from USD 47 million in 2016. Our share of EBIT for 2017 amounted to USD 118 million, compared with an EBIT of USD 53 million over the previous year. Included in the 2017 EBIT is the gain of USD 134 million from the sale of the Singapore terminal, and included in the 2016 EBIT is the gain from the sale of the Oman terminal with USD 44 million.

At year-end 2017, the book value of our share of tank terminal assets was USD 584 million, compared with USD 578 million per end of 2016.

Odfjell's existing tank terminals are located in Rotterdam (Netherlands), Houston and Charleston (USA), Dalian, Jiangyin and Tianjin (China), Ulsan (Korea) and in Antwerp (Belgium). Additionally, we have a cooperation agreement with a related party that partly owns 13 tank terminals in South America.

Odfjell Terminals Rotterdam (OTR) faced a challenging market following the end of the contango in the petroleum market during 2017. OTR nevertheless reported stable results in 2017, EBITDA at OTR on a 100% basis was USD 11 million in 2017, compared with USD 12 million in 2016 and negative USD 9 million in 2015. The fundamentals of its distillation business improved with the conclusion of a two-year contract for the distillation of low sulphur marine fuel oils. OTR will extend and strengthen its existing jetty capacity to accommodate vessels of the LR2 (long range) size with a maximum of 160,000 dwt. in 2018. The extension is done in close collaboration with the Port of Rotterdam.

Odfjell Terminals Houston (OTH) ended the year strongly, following a weak market development in mid-2017 and the adverse effects of Hurricane Harvey in August. Several key projects in Houston remain under evaluation. The company has finalized the basic engineering and has all the required permits in place for the first independent ethylene export facility in the US. The company is in discussion with prospective anchor customers to finalize agreements based on which a Final Investment Decision can be taken. The figures in the US were also affected by non-recurring items during 2017. We made a USD 21 million impairment on our Charleston terminal while we booked a USD 13.7 million tax gain as the result of the US federal income tax rate reduction from 35% to 21%.

In Asia both Odfjell Terminals Dalian (OTD) and Odfjell Terminals Korea (OTK) recorded a solid year. The new terminal in the Nangang megaindustrial zone near Tianjin, China, received its permanent operating permit from the authorities in 4Q 2017. Early 2018 the subsea pipeline that limited access to the industrial zone for vessels larger than 5,000 dwt was removed, and the port was opened for foreign vessels, which will enable Odfjell Nangang Terminals Tianjin (ONTT) to further ramp up operations. The project to develop an independent tank storage terminal in Quanzhou was discontinued, as some of the fundamental drivers of the project have changed over the years. The land in Quanzhou was sold at the end of 2017.

In December 2017, Odfjell Terminals BV sold its 50% ownership in Oiltanking Odfjell Terminal Singapore Pte Ltd for a price around USD 300 million (Odfjell SE share USD 153 million), resulting in a net gain of approximately USD 134 million for Odfjell SE. The divestment of the Singapore terminal is in line with our 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.

Management continues to focus on utilization of the assets. Average occupancy of commercially available tanks in 2017 was 90% versus 96% in 2016. The reduction in occupancy rate is driven by the end of the contango in the petroleum market in Rotterdam during 2017 and the divestment at the end of 2016 of the oil storage terminal in Oman with a high capacity and high occupancy.

Gas Carriers
Odfjell re-entered into the LPG market in 2012 by acquiring two LPG/Ethylene carriers. 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, all eight vessels have been cancelled. Odfjell Gas joint venture continues to pursue an exit from gas, and the two existing vessels are assets held for sale.

Gross revenues from our share in gas carrier activities in 2017 came in at USD 8 million, compared with USD 12 million in 2016. EBITDA declined from USD 3 million in 2016 to USD 2 million in 2017. EBIT for 2017 improved to USD 1 million, compared with negative USD 7 million, mainly due to impairments, 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 843 million, up 2.1% from the preceding year. The consolidated result before taxes in 2017 was USD 93 million, compared with USD 107 million in 2016.

The tax in 2017 amounted to an expense of USD 2 million, compared with an expense of USD 7 million in 2016.

EBITDA for 2017 totaled USD 255 million, compared with USD 218 million the preceding year. EBIT was USD 144 million in 2017, compared with USD 130 million in 2016. The net result for 2017 amounted to USD 91 million, compared with USD 100 million in 2016. In 2017, we recognized an impairment of USD 22 million related to ships in regional trade. In addition, we had a gain related to sale of the Singapore terminal of USD 134 million and the result was also influenced by impairment of USD 21 million related to our terminal in Charleston (included in share of JV's net result by the equity method).

Net financial expenses for 2017 totaled USD 51 million, compared with USD 23 million in 2016. The lower financial expenses in 2016 was mainly due to a gain of USD 21 million on the termination of a financial lease. The average USD/NOK exchange rate in 2017 was 8.27, compared with 8.41 the previous year. The NOK strengthened against the USD to 8.24 by December 31, 2017, from 8.65 at year-end 2016. The cash flow from operations was USD 54 million in 2017, compared with USD 122 million in 2016. The net cash flow from investments was negative USD 26 million, mainly related to investment in non-current assets. The cash flow from financing activities was USD 13 million.

The parent company (Odfjell SE) delivered a net result for the year of USD 162 million. The net profit after proposed dividend will be distributed to Other Equity. As of December 31, 2017, total retained earnings amounted to USD 780 million.

The Annual General Meeting will be held May 8, 2018 at 16:00 hours CET 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 April 1, 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 5,819,093 A-shares and 2,322,482 B shares.

By end of December 2017, Odfjell A- and B-shares were trading at NOK 31.90 and NOK 30.80 respectively, against NOK 29.30 and NOK 28.00 respectively at the close of 2016. In the same period the Oslo Stock Exchange Benchmark Index gained 19% and the Transportation Index also gained 22%. As of December 31, 2017, Odfjell SE had a market capitalization of around NOK 2,481 million, which was equivalent to around USD 309 million.

Key figures

The return on equity for 2017 was 11.8% and the return on total assets was 7.8%. The corresponding figures for 2016 were 14.6% and 7.9% respectively. The return on capital employed (ROCE) was 8.8% in 2017. Earnings per share in 2017 amounted to USD 1.15 (NOK 9.53), compared with USD 1.27 (NOK 10.69) in 2016. The cash flow per share was USD 2.56 (NOK 21.21), compared with USD 2.4 (NOK 20.17) in 2016. The interest coverage ratio (EBITDA/net interest expenses) was 2.44, compared to 4.75 in 2016.

Financial risk and strategy

With the global market as our arena, Odfjell is exposed to a number of risk factors. Our financial strategy is to 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 favorable movements in these risk factors. We closely monitor the risk related to market valuation of the hedging instruments, and the effect this may have on the equity ratio.

The largest single cost component affecting time charter earnings is bunkers. In 2017, this amounted to more than USD 149 million, equivalent to 47% of voyage costs, ignoring the effect of the bunker adjustment clauses. A change in the average bunker price of USD 50 per tonne equals about USD 20 million per year (or USD 942 per day) change in time charter earnings (excluding the effect of bunker adjustment clauses). A certain portion of our bunker exposure is hedged through Bunker Adjustment Clauses (BACs) in the freight contracts, Contracts of Affreightment (CoA). By December 31, 2017, Odfjell did not have any bunker hedges in the financial market. The bunker clauses in CoAs covered above 60% of the bunker exposure this year.

All interest-bearing debt, except bonds in the Norwegian bond market and debt borne by tank terminals outside the US, is denominated in USD. Interest rates are generally based on USD LIBOR rates. We have estimated that a 1% increase of the interest rate would reduce the pre-tax 2017 result by around USD 11 million, ignoring the effect of any interest rate hedging in place. With our current interest rate hedging in place, about 9% 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. We have estimated that a 10% decrease of the USD against the NOK would reduce the pre-tax 2017 result by around USD 6 million, ignoring the effect of any currency hedging in place. Tank terminals outside the US generate income in non-USD currencies.

Our currency hedging at the end of 2017, under which we sold USD and purchased NOK, covered about 78% of Odfjell's estimated 2018 NOK exposure. Future hedging periods may vary depending on changes in market conditions. The average USD/NOK exchange rate for open hedging positions on December 31, 2017 for 2018 was 7.84.

Liquidity and financing

Total interest-bearing debt as at December 31, 2017 was USD 1,084 million, while cash and cash equivalents amounted to USD 207 million, both figures excluding joint venture companies. At the same date the equity ratio, using the equity consolidation method, was 40.8% compared with 38.2% per end 2016.

Odfjell's balance sheet continued to strengthen during 2017, both with regards to equity and working capital. Odfjell SE refinanced long-term debt of about USD 343 million during the year, including bond issue of NOK 700 million in January 2017 and NOK 500 million in June 2017. We have USD 84 million outstanding on our bond maturing in December 2018 and we will consider refinancing this bond when the market conditions are right.

The average maturity of the Group's total interest-bearing debt is about 4.3 years. Average maturity of loans from financial institutions is 3.4 years, while financial leases and sale-leaseback matures in 7.8 years on average and bonds mature in 2.6 years on average.

Organization, working environment and job opportunities

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

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 program 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 148 employees at the headquarters in Bergen, 71% are men and 29% women, whilst the corresponding global figures (about 729 employees in our fully owned on shore operations) are 72% and 28% respectively. Three of the seven Directors of the Board of Odfjell SE are women.

In 2017 the recorded absence rate at the headquarters has decreased to 1.37% from 1.6% in 2016. For our own pool of Odfjell and Flumar seafarers the absence rate in 2017 was 1.4%.

The Board would like to thank all employees for the many positive achievements in 2017 and is looking forward to continuing the improvements in 2018.

Remuneration of the Executive Management group

The Remuneration Committee handles the salary and other remuneration for the Executive Management Group and recommends to the Board. A description of the remuneration of the Executive Management Group and the Group's remuneration policy, including the scope and organization of bonus and share-price-related programs, is given in the Board of Directors' statement of guidelines for the remuneration of the Executive 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 20 in the Odfjell Group accounts for details about the remuneration of the Management in 2017.

Market development

2017 was a year where we experienced relatively strong 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 2017. The new political situation in the US may indicate more protectionism going forward. However, expectations of higher domestic spending and need for increased imports and export oriented investments, on top of an economy which is already at a relatively high utilization rate, may have a positive impact.

All other relevant regions experienced modest economic growth. Brazil, which is a key area in our trades, has modestly recovered from a deep depression which also affected Odfjell. South American imports and exports have as a consequence been weak. In terms of the global competitiveness index, the World Economic Forum has reported significant reduction in competitiveness both in Brazil and Argentina, which are important geographic locations for Odfjell. A turnaround of this development in light of improved economic outlook could benefit Odfjell.

The key growth region for chemical tanker demand going forward is Asia, and China in particular. The region still has strong GDP growth supporting end-user demand for chemicals. While GDP growth rates in China has slowed down, growth rates and absolute volume demand grows materially each year. This demand will in part be met by the large export oriented investments in the US and Middle East. This leads to a structural shift where volumes are shipped on longer distances than earlier and therefore absorbs a larger portion of the chemical tanker fleet per tonne shipped. The Asian region is therefore a key driver to support continued strong chemical tanker demand going forward.

As for the tanker markets in general, 2017 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 + LR 2) and the MR market where rates were periodically below the 10,000 USD/day mark. The time charter rates have seemingly bottomed and have improved marginally through 2017, a signal that historically has indicated improved markets are expected. 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 2017 were on the asset side, which we acted on when we acquired five stainless steel tankers from CTG and established a pool with another five stainless steel tankers still owned by CTG. We also entered into a framework agreement with Sinochem Shipping to bareboat four supersegregators and established a pool with another four supersegregators still owned by Sinochem. We have also entered into several new charter parties during the year.

For the general market, we report an increase in ton-mile demand of 3.4% in our sector, so fundamentally demand is still growing. Ton-mile demand is forecasted to grow by 4.5% in 2018 by Odfjell's research department and demand is expected to continue getting support throughout this decade driven by new export oriented production facilities in the US and Middle East coming on stream in 2019 and 2020.

Company strategy and prospects

Odfjell strives to provide safe, efficient, and cost-effective chemical tanker and tank terminal services to our customers worldwide. Close cooperation between our shipping activities and our tank terminals offers operational and commercial benefits. In addition, the tank terminals themselves have proven a stabilizing 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 increased economic growth in 2017, the market has been rather challenging for our business areas this year, particularly for our chemical tankers. Main drivers have been increased fleet growth and increasing bunker prices. Ordering of new chemical tankers was drastically reduced compared to previous years, the deep-sea fleet order book is now 9% of current fleet which is considered low in a historical perspective. Consequently, we expect the supply/demand imbalance to gradually improve in the near-term. New environmental regulations involving owners needing to install Ballast Water Treatment systems (BWT) and prepare to consume low Sulphur Bunker Fuel from January 2020. This increases costs for shipowners and may also contribute to lower appetite to order newbuilds. Pairing these regulations with financial institutions reducing their exposure to the shipping industry, another speculative wave of orders could be avoided.

World GDP growth, one of the main factors affecting overall chemical tanker demand, is expected to continue to strengthen with sustained solid growth in the advanced economies as well as increased growth in the emerging economies.

US Interest rates have shown a three-year high and markets start to speculate if Fed will need to be more aggressive in their hiking cycle. This has led to increased uncertainties in the equity markets in the beginning of 2018 which may influence the growth going forward.

Our main risks relate to continuing competitive markets in 2018, fuel costs and increased risk of growing protectionism on intercontinental trade and cooperation. Such protectionism could potentially add risk to all shipping segments, including chemical tankers.

However, in a longer-term perspective we believe that the chemical tanker market is fairly healthy and we expect that 2018 will be a turning point for our markets.

Going forward, the shipping business, both in general and for the chemical tankers, will continue to face new challenges and opportunities. Amongst others, we are carefully considering the consequences of the new requirements on sulphur emissions coming into effect from 2020. We also expect to see great opportunities within digitalization. As an integrated company, Odfjell is in a unique position and have better prerequisites than most to utilize the potential of digital tools. Odfjell has a history of being at the forefront of the industry, and we intend to continue to take an active part in shaping our industry going forward.

Odfjell is emerging from our turnaround process the latest years and is today a stronger and leaner company with a robust balance sheet. We are on track to complete our fleet renewal and tonnage ambitions at what appears to be the bottom of the market, while we have strengthened our balance sheet and cash position by selling non-core assets. In 2018 we will continue to build financial strength with a competitive cost of capital.

In 2018 we are shifting our focus towards customer service, operation and also on implementation of the strategic initiatives taken the last years. While taking delivery and operating new tonnage, we need to continue to strive to be best in class when it comes to safety and quality performance within all our existing activities, and improve our performance to ensure that we return to profitable levels.

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

Board of Directors

Laurence Ward Odfjell
Chairman of the Board
since May 4, 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 Chairman of Odfjell SE. He holds a Master in Architecture from Yale University. Norwegian citizen. Controls 25,966,492 A-shares and 4,232,393 B-shares (including related parties). No options.

Christine Rødsæther
Board member
since May 4, 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 also at the board of Songa Bulk ASSA and Norwegian Finans Holding ASA/Bank Norwegian AS. 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 May 8, 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 May 6, 2013

Åke Gregertsen (1955) has previously held several positions in Odfjell, including 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.

Klaus Nyborg
Board member
since December 9, 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 Chair since 2015. He is also board director for several companies, including 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 May 9, 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 Chair of the Supervisory Board of KLM Nederland BV, Chair 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.

Åse Aulie Michelet
Board member
since May 11, 2017

Åse A. Michelet (1952) has extensive experience as board member of major Norwegian listed corporations. She currently serves as Chair of the boards of Inven2 AS and Spin Chip Diagnostics AS, and as board member of Terveystalo Plc and Royal Greenland AS. She is a member of the DNV Council and Control Committee. Michelet has held several CEO and managerial positions at international medical companies, and has served as CEO of the leading seafood producer Marine Harvest ASA. She holds a Cand. Pharm. from ETH in Zürich and the University of Oslo. Norwegian citizen. Owns no shares or options.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Odfjell SE

Financial Statements
Odfjell group

Income statement

(USD 1 000)	Note	2017	2016
Gross revenue	4	842 550	824 911
Voyage expenses	17	(319 179)	(272 974)
Time charter expenses		(194 850)	(164 144)
Operating expenses	18, 22	(135 461)	(130 790)
Gross result		**193 060**	**257 002**
Share of net result from associates and joint ventures	28	129 962	32 165
General and administrative expenses	19, 20	(68 011)	(71 472)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		**255 011**	**217 695**
Depreciation and amortization	11	(89 031)	(88 806)
Impairment of property, plant and equipment	12	(21 946)	(11 833)
Capital gain (loss) on property, plant and equipment	11	225	12 702
Operating result (EBIT)		**144 258**	**129 759**
Interest income		4 695	4 388
Interest expenses	8	(60 507)	(50 220)
Other financial items	22, 23	4 421	22 984
Net financial items		**(51 390)**	**(22 848)**
Result before taxes		92 868	**106 911**
Income tax expense	9	(2 268)	(6 899)
Net result		**90 600**	**100 012**
Other comprehensive income			
Items that may be subsequently reclassified to statement of comprehensive income			
Cash flow hedges changes in fair value	6	(375)	3 873
Cash flow hedges transferred to statement of comprehensive income	6	(2 695)	1 398
Net unrealized gain/(loss) on available-for-sale-investments	6	(700)	1 282
Share of comprehensive income on investments accounted for using equity method	28	**23 051**	**(6 063)**
Items that will not be reclassified to statement of comprehensive income			
Net actuarial gain/(loss) on defined benefit plans		266	(294)
Other comprehensive income		**19 547**	**196**
Total comprehensive income		**110 147**	**100 208**
Total comprehensive income allocated to:			
Non-controlling interests		-	-
Equity holders of Odfjell SE		110 147	100 208

ODFJELL GROUP

Statement of financial position

Assets as per December 31 (USD 1 000)	Note	2017	2016
NON-CURRENT ASSETS			
Real estate	11	2 181	3 456
Ships	11	1 237 758	1 202 779
Newbuilding contracts	11	55 787	25 055
Office equipment and cars	11	6 180	8 407
Investments in associates and joint ventures	28	357 300	337 566
Loan to associates and joint ventures	28	-	1 818
Derivative financial instruments	6	3 252	-
Net defined pension assets	10	2 472	2 414
Non-current receivables		9 543	7 734
Total non-current assets		**1 674 474**	**1 589 228**
CURRENT ASSETS			
Current receivables	24	83 362	81 123
Bunkers and other inventories		20 903	17 927
Derivative financial instruments	6	-	1 838
Available-for-sale investments		-	9 900
Loan to associates and joint ventures	28	14 760	13 596
Cash and cash equivalents	16	206 585	164 469
Assets classified as held for sale	29	-	4 580
Total current assets		325 610	293 433
Total assets		**2 000 085**	**1 882 661**

Equity and liabilities as per December 31 (USD 1 000)	Note	2017	2016
EQUITY			
Share capital	26	29 425	29 425
Treasury shares		(2 764)	(2 785)
Share premium	26	172 388	172 388
Other equity		616 885	519 785
Total equity		**815 934**	**718 813**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	537	2 275
Pension liabilities	10	5 082	4 110
Derivative financial instruments	6	-	29 375
Non-current interest bearing debt	8	845 343	837 573
Other non-current liabilities		4 017	4 892
Total non-current liabilities		**854 980**	**878 225**
CURRENT LIABILITIES			
Current portion of interest bearing debt	8	238 484	204 202
Taxes payable	9	3 509	2 487
Derivative financial instruments	6	23 849	12 902
Other current liabilities	25	63 330	66 032
Total current liabilities		**329 171**	285 623
Total liabilities		**1 184 151**	1 163 848
Total equity and liabilities		**2 000 085**	**1 882 661**
Guarantees	15	106 334	**360 310**

The Board of Directors of Odfjell SE

Bergen, March 15, 2018

Christine Rødsæther

Laurence Ward Odfjell
Chairman

Åke Gregertsen

Hans Smits

Klaus Nyborg

Jannicke Nilsson

Åse Aulie Michelet

Kristian Mørch
CEO

Statement of cash flow

(USD 1 000)	Note	2017	2016
Cash flow from operating activities			
Profit before income taxes		92 868	106 911
Taxes paid in the period		(1 345)	(4 215)
Depreciation and impairment	11,12	110 978	101 219
Capital (gain) loss on non-current assets	11,12	(225)	(12 702)
Capital (gain) loss on financial leases	22	-	(21 447)
Change in inventory (increase) decrease		(2 976)	(4 931)
Change in trade debtors (increase) decrease		2 619	12 649
Change in trade creditors increase (decrease)		5 878	(2 222)
Share of net result from associates and joint ventures	28	(129 962)	(32 165)
Unrealised changes in derivatives		(22 205)	(2 437)
Net interest expenses		55 812	45 832
Interest received		3 638	4 161
Interest paid		(60 976)	(47 730)
Effect of exchange fluctations		11 442	(1 379)
Other current accruals		(12 003)	(19 631)
Net cash flow from operating activities		**53 543**	**121 913**
Cash flow from investing activities			
Sale of non-current assets	11	4 049	52 781
Investment in non-current assets	11	(173 187)	(52 731)
Dividend received/sharecapital reductions in JVs	28	130 790	51 039
Changes in non-current receivables		2 815	5 763
Proceeds from sale of investments, available-for-sale		10 000	-
Net cash flow from investing activities		**(25 533)**	**56 852**
Cash flow from financing activities			
New interest bearing debt	8	343 112	214 866
Payment of interest bearing debt	8	(310 366)	(320 696)
Other financing items	8	(5 699)	-
Repurchase / sale of treasury shares	26	-	(25 140)
Payment of dividend		(13 942)	-
Net cash flow from financing activities		**13 105**	**(130 970)**
Effect on cash balances from currency exchange rate fluctuations		1 001	(848)
Net change in cash balances		42 116	46 948
Cash and cash equivalents as per January 1		164 469	117 521
Cash and cash equivalents as per December 31	16	**206 585**	**164 469**

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 remea-surement	OCI associates and joint ventures	Retained earnings	Total other equity	Total equity
Equity as at January 1, 2016	29 425	-	172 388	(3 047)	(4 891)	(582)	17 258	(13 023)	447 814	443 528	645 341
Other 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 December 31, 2016	**29 425**	**(2 785)**	**172 388**	**-**	**380**	**700**	**1 102**	**(19 086)**	**536 689**	**519 785**	**718 813**
Equity as at January 1, 2017	29 425	(2 785)	172 388	-	380	700	1 102	(19 086)	536 689	519 785	718 813
Other comprehensive income	-	-	-	-	(3 070)	(700)	266	23 051	-	19 547	19 547
Net result	-	-	-	-	-	-	-	-	90 600	90 600	90 600
Sale of Treasury shares	-	21	-	-	-	-	-	-	236	236	257
Payment of dividend	-	-	-					-	(13 629)	(13 629)	(13 629)
Other adjustments	-	-	-	-	696	-	-	-	(350)	346	346
Equity as at December 31, 2017	**29 425**	**(2 764)**	**172 388**	**-**	**(1 994)**	**-**	**1 368**	**3 965**	**613 546**	**616 885**	**815 934**

Notes to the Financial Statement

NOTE 1
Corporate information

Odfjell SE, Conrad Mohrsveg 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 December 31, 2017 was authorised for issue in accordance with a resolution of the Board of Directors on March 15, 2018. The Odfjell Group includes Odfjell SE, subsidiaries incorporated in several countries (see note 27 for an overview of consolidated companies), and our share of investments in joint ventures (see note 28).

Odfjell is a leading company in the global market for transportation and storage of bulk liquid chemicals, acids, edible oils and other specialty 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 4.

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.

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.

2.2 Revenue recognition

Revenue is recognized 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, and sales taxes.

Total revenues and voyage related expenses in a period are accounted for as the percentage of completed voyages. Progress of a voyage is measured based on voyage days. 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.

2.3 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 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.

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

2.4 Property, plant and equipment

Property, plant and equipment – including Ships, newbuilding contracts, real estate, office equipment and cars - are measured at historical cost, which includes purchase price, capitalised interest and other expenses directly related to the assets. The carrying value of property, plant and equipment 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.

The investment is depreciated over the remaining useful life of the asset. 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 carbon 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 property, plant and equipment that is significant to the total cost of the item is depreciated separately. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component over their useful lives. The carrying amount 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, and this component is depreciated over the period until the next periodic maintenance.

Expected useful lives of property, plant and equipment 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.

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 property, plant and equipment 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.

Property, plant and equipment 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.

2.5 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. 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 Statement of financial position.

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.

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.

ODFJELL GROUP

2.6 Impairment of assets

Property, plant and equipment

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 cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Assets held for sale are excluded from the cash generating units and are assessed separately for impairment.

The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and value in use. The value in use is based on the net present value of future estimated cash flow from the employment of the asset. The net present value calculated is based on an interest rate based on weighted average cost of capital 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 recognized in income statement. Assets are grouped at the lowest level where there are separately identifiable independent cash flows.

Impairment losses recognized 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 recognized 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 prior impairment losses, is recognized in the income statement. This normally applies in a situation with changes exceeding 20% of the value or expected to last for more than six months, both based on original cost.

2.7 Consolidation

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

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 for the relevant asset and liabilities.

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.

2.8 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 recognized 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.

The Group determines whether it is necessary to recognize 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 recognized 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.

2.9 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.

2.10 Derivative financial instruments and hedging

Derivative financial instruments are recognized 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 recognized 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 recognized 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 recognized 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 recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was recognized 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 recognized 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 rela¬tionship 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 organized 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.

2.11 Financial assets

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 recognized 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 recognized on the settlement date, which is the date that the asset is delivered to or by the Group. When financial investments are recognized 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 recognized in profit and loss when the loans and receivables are derecognized 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 recognized in other comprehensive income until the investment is derecognized, 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.

2.12 Trade receivables

Trade receivables are recognized at fair value at time of initial measurement. Provisions for impairment are based on estimated historical data and objective indicators of a decline in value. Objective indicators are, among other: material economic problems, economic restructuring, bankruptcy, delayed repayment or non-payment. Provisions for impairment are recognized as adjustment to receivables and changes are charged to the income statement. Any receipt of earlier written off receivables are recognized in the income statement as gross revenue.

2.13 Inventories

Bunkers, spare parts and consumables 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.

2.14 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.

2.15 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) Exchange rate 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 recognized in profit or loss in the same period as the gain or loss on the sale is recognized.

(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.

2.16 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 and the Approved International Shipping system in Singapore. In addition, we operate under local tax systems, most importantly in 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 income 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 recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences. We recognize formerly unrecognized 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 recognized irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognized 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 recognized directly in equity to the extent that they relate to factors that are recognized directly in equity.

2.17 Interest bearing debt

Interest bearing debt is classified as non-current liabilities and initially recognized at the amount of proceeds received, net of transaction costs incurred. Debt are subsequently carried at amortised cost, where any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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.

2.18 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 recognized in profit or loss in the period in which they are incurred.

2.19 Provisions

Provisions are recognized 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 recognized as a finance cost.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 Classification in the financial statement

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

2.26 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 January 1 2017 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 as per December 31, 2017. These new standards 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. The new standard will not have material impact on the Group's financial assets and liabilities.

IFRS 15 Revenue from contracts with customers

The new revenue standard, that is applicable for Odfjell from January 1, 2018, will replace the percentage of completion method. Odfjell has applied the percentage of completion to determine when to recognize revenues and also when to recognize voyage cost. Under the new standard the percentage of completion method will no longer be applicable.

Under the new standard, freight revenues should be recognized over time commencing from loading in load port and ceasing in the port after discharge has taken place. Each freight service provided to (or individual cargos) is subject for separate recognition. Number of days are used as measure for delivery of the freight service, i.e. all of the proceeds from the freight service including demurrage revenues is recognized linear over the voyage period from load port to discharge port specific to that contract (or cargo). However, Odfjell may assess revenue recognition for the portfolio of customer contracts related to one voyage if we expect that the impact on the financial statements will not differ materially.

Voyage cost will be expensed as incurred, e.g. port cost related to a specific voyage and port will be recognized over the period in which the vessel stays in that port. Bunkers cost are recognized as consumed over the voyage.

Calculations we have made on historical data analyzing the timing effect of recognizing revenues and voyage cost under the new standard (IFRS 15) compared to the old standard (the percentage of completion method that have been applied under IAS 11), indicates that the impact of the new standard may be as follows:

Time charter earnings (gross revenues less voyage expenses) for any quarter would need to be adjusted within the range from minus USD 6 million to plus USD 1 million.

The new standard will be implemented in Odfjell using the modified retrospective method, i.e. applying IFRS 15 from January 1, 2018 without restating 2017. Cumulative effect from implementation will be recognized as an adjustment to equity as at January 1, 2018.

IFRS 16 Leases

See note 31 for information about the new leasing standard which is applicable for Odfjell from January 1, 2019.

NOTE 3
Critical accounting judgment and key sources of estimation uncertainties

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 through 2017 recognized in accordance with the percentage of completion method under current accounting policies for revenue recognition, where the timing of operating revenues and voyage cost are assessed for each voyage. This recognition is based on estimated voyages revenues and cost that are reviewed and updated at each period end. Difference between estimated and actual voyage revenues and cost would impact revenues and cost in future periods. See also note 2.26 for description of new accounting policies for recognizing revenues and voyage cost being implemented from January 1, 2018.

Depreciation and residual value of ships

Ships are recognized 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 the dry-docking 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 25-30 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.

Proper lease and sale and leaseback classifications

When the Group enters into time charter and bareboat leases to acquire right to use ships, an assessment is made to conclude whether the lease at inception should be classified as an operating or financing lease in the financial statements. The conclusion is based on an evaluation of the terms and conditions of the arrangements, such as whether the lease term is constituting a major part of the economic life of the ship and whether the present value of the minimum lease payments is amounting to substantially all of the fair value of the ship.

The Group has entered into arrangements where ships are legally sold to an investor and leased the same asset back (sale-leaseback). Judgement are required to determine whether the sale and leaseback should be accounted for as one transaction. In cases where the substance of the sale-leaseback arrangement is that an inventor provides financing to the Group with the ship as security, any excess of sales proceeds over the carrying amount of the ship is not recognized in the income statement.

See note 2.5, note 8, note 11 and note 15 for information about leases and sale-leaseback.

Impairment test chemical tanker vessels, see note 12

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.

Factors that indicates impairment which trigger impairment testing may be significant decline in chemical tanker freight rates, significant decline in market values of vessels, significant underperformance compared to projected operating results, change in strategy for the business, significant negative industry or economic trends, significant loss of market share, significant unfavourable regulatory decisions. In addition, market capitalization below the book value of equity would be an indicator of impairment.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows form other assets or group of assets. If an asset or CGU is considered to be impaired, impairment is recognized in an amount equal to the excess of the carrying amount of the asset or CGU over its recoverable amount.

In 2017 the Group has identified two CGUs within the chemical tanker segment, the deep-sea trade together with the regional South America trade, and the regional Asia trade, while in former years these were considered as one CGU. Identifying the regional Asia trade as a separate CGU is a result of changes in how the tradelines are operated and the interrelationships between the trades.

As the Odfjell ships within each CGU are interchangeable through a logistical system / fleet scheduling 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 within each CGU is lower than the total book value related to that CGU.

Impairment testing for the CGU deep-sea and regional South America trade is performed periodically and the recoverable amount is determined by estimating value in use. Calculated net present value of future cash flows represent the estimated value in use. This requires management to make assumptions about future growth rates in net time charter earnings, supply-demand balance in the chemical tanker segment, operating expenses, docking expenses, general and administrative expenses, economic life of the ships and discount rate.

To calculate the value in use, we have used the approved budget for 2018. In addition, we have estimated the average nominal growth per year in net time charter earnings for the period 2019-2022 to approximately 4.5%. Other cash outflows in the value in use calculation is estimated by adding to budget a growth rate of 2 % on an annual basis. From 2023 and to the end of the useful life of the ships, the nominal growth rate used is 2%. The estimated useful life of ships are 25-30 years. The pre-tax net cash flow is discounted with the calculated weighted average cost of capital at 7.6%.

No impairment loss is recognized related to the CGU deep-sea/regional South America trade in 2017 and an increase in the discount rate with one percentage point would still not result in any impairment. Further, an estimated decrease in the growth rate for the period 2019-2022 to an annual average growth of 3.5% would not cause any impairment.

Impairment testing for the CGU regional Asia trade is performed periodically and the recoverable amount is determined by estimating fair value less cost of disposal, which is assessed by external ship broker. See note 12 for information about impairment loss recognized in 2017.

Impairment assessments are sensitive to changes in circumstances and in management's assumptions.

Impairment test of investments in joint ventures, see note 28

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in joint ventures. 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 recognized in the Income Statement 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/one cash generating unit. If the joint venture is a group itself (a joint venture sub-group),

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we estimate our share of the recoverable amount of the total investment in the joint venture by adding up estimated share of the fair value less cost to sell or value in use for each underlying cash generating unit in the joint venture sub-group.

We test the investment in the Tank Terminals joint venture for impairment. We estimate the fair value less cost to sell or value in use for the investment based on adding up Odfjell's share of the estimated values for each tank terminal which represents underlying CGUs in the joint venture.

Most terminals are valued based on a market approach and assumptions are made about budgeted EBITDA for 2018 and a reasonable multiple for these assets. From this amount we deduct net interest-bearing debt. The net amount is used as an estimate of our share of the fair value. When estimating fair value less cost to sell for these terminals, we have applied a multiple of 12 x EBITDA. Recoverable amount for new projects/greenfield are deemed to equal book value.

For some terminals value in use have been determined by applying discounted cash flow models using the latest available forecasted cash flows and assumptions about discount rates. The interest-bearing debt in these terminals are deducted from the estimated value in use. When estimating value in use two discount rates are estimated, one for the first ten years period and one for the remaining useful life of the assets. The average pre-tax discount rate is 8 %. 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.

The recoverable amounts of assets and cash generating units is the higher of value in use and fair value less cost of disposal. Value in use, particularly when discounted cash flow methods are used, must in part be based on management's evaluations, including determining appropriate cash-generating units, determining the discount rate, estimates of future performance, revenue generating capacity of the assets, margins, required maintenance capex and assumptions of the future market conditions.

Impairment assessments are sensitive to changes in circumstances and in management's assumptions.

NOTE 4
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 program 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 Gas Carriers segment is a joint venture who operates two LPG/Ethylene carriers. Odfjell Gas AS ordered in 2014 eight vessels for agreed delivery in 2016 and 2017, however due to substantially delays, all eight vessels have been cancelled. Odfjell Gas AS is seeking to sell the two existing vessels and the assets are classified as assets held for sale.

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 proportionately eliminated in below business segment data.

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.

Business segment data (according to the proportionate consolidation method):

	Chemical Tankers *)		Tank Terminals		Gas Garriers		Eliminations		Total	
(USD mill)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross revenue	843	832	111	123	8	12	-	(0)	962	967
Voyage expenses	(319)	(276)	-	-	(4)	(6)	-	-	(323)	(282)
TC expenses	(195)	(164)	-	-	-	(0)	-	-	(195)	(165)
Operating expenses	(135)	(133)	(52)	(54)	(2)	(2)	-	-	(190)	(189)
General and adminstrative expenses	(68)	(72)	(20)	(22)	(0)	(0)	-	0	(88)	(94)
Operating result before depreciation (EBITDA)	125	188	38	47	2	3	-	-	166	238
Depreciation	(89)	(90)	(34)	(34)	(1)	(1)	-	-	(125)	(125)
Impairment	(22)	(13)	(21)	(4)	-	(9)	-	1	(43)	(25)
Capital gain/(loss) on fixed assets/sale of business	(0)	13	134	44	(0)	-	-	-	134	57
Operating result (EBIT)	14	98	118	53	1	(7)	-	1	133	145
Net finance	(51)	(22)	(6)	(15)	(1)	(1)	(1)	(1)	(58)	(38)
Income taxes	(2)	(7)	18	1	-	-	-	-	16	(6)
Net result	(39)	69	130	39	0	(8)	(1)	0	91	100
Non current assets	1 318	1 251	502	516	0	41	4	6	1 824	1 814
Current assets	325	290	82	62	4	3	(10)	(11)	401	343
Assets held for sale	-	4	-	-	21	-	-	-	21	4
Total assets	1 643	1 544	584	578	25	44	(5)	(5)	2 247	2 161
Equity	459	380	343	309	16	28	(1)	-	817	719
Non current liabilities	890	878	166	107	-	0	-	-	1 056	985
Current liabilities	294	286	76	162	9	15	(5)	(5)	374	457
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-
Total equity and liabilities	1 643	1 544	584	578	25	44	(5)	(5)	2 247	2 161
Reconsiliation of revenue:										
Total segment revenue	843	832	111	123	8	12	-	(0)	962	967
Segment revenue from associates and joint ventures - Tank Terminals **	-	-	(111)	(123)	-	-	-	-	(111)	(123)
Segment revenue from associates and joint ventures - Chemical Tankers **	-	(7)	-	-	-	-	-	-	-	(7)
Segment revenue from associates and joint ventures - Gas Carriers **	-	-	-	-	(8)	(12)	-	-	(8)	(12)
Consolidated revenue in income statement	843	825	-	-	-	-	-	(0)	843	825
Reconsiliation of result:										
Total segment EBIT	14	98	118	53	1	(7)	-	1	133	145
Segment EBIT from associates and joint ventures - Tank Terminals **	-	-	(118)	(53)	-	-	-	-	(118)	(53)
Segment EBIT from associates and joint ventures - Chemical Tankers **	-	(1)	-	-	-	-	-	-	-	(1)
Segment EBIT from associates and joint ventures - Gas Carriers **	-	-	-	-	(1)	7	-	-	(1)	7
Share of net result from associates and joint ventures ***	-	1	130	39	0	(8)	-	-	130	32
Consolidated EBIT in income statement	14	98	130	39	0	(8)	-	1	144	130
Reconsiliation of assets and liabilities **										
Total segment asset	1 643	1 544	584	578	25	44	(5)	(5)	2 246	2 161
Segment asset from Tank Terminals, Chemical Tankers and Gas Carriers **	-	-	(584)	(578)	(25)	(44)	5	6	(604)	(616)
Investment in joint ventures ***	-	-	343	309	16	28	-	-	358	338
Total consolidated assets in statement of financial position	1 643	1 544	343	309	16	28	(0)	1	2 000	1 883
Total segment liabilities	1 184	1 164	241	269	9	15	(5)	(5)	1 430	1 442
Segment liability from Tank Terminals, Chemical Tankers and Gas Carriers**	-	-	(241)	(269)	(9)	(15)	5	6	(245)	(278)
Total consolidated liabilities in statement of financial position	1 184	1 164	-	-	-	-	0	0	1 184	1 164
Capital expenditure	(173)	(72)	(36)	(33)	-	-	-	-	(209)	(104)

* This segment also includes "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.

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Gross revenue and assets per geographical area (according to the equity method)

(USD 1 000)	Gross revenue 2017	Gross revenue 2016	Assets 2017	Assets 2016
North America	201 194	236 451	2 042	4 520
South America	225 764	190 936	58 549	74 152
Norway	-	-	254 354	175 950
The Netherlands	77 140	71 439	803	-
Other Europe	48 704	40 183	-	16 514
Middle East and Asia	250 034	246 767	32 701	45 037
Africa	32 510	28 909	792	1 086
Australasia	7 203	10 228	-	-
Investment in associates and joint ventures	-	-	357 300	337 566
Unallocated ships and newbuilding contracts	-	-	1 293 545	1 227 834
Total	**842 550**	**824 911**	**2 000 085**	**1 882 661**

Shipping revenue is allocated on the basis of the area in which the cargo is loaded. Total assets are allocated to the area where the respective assets are located while ships and newbuilding contracts are not allocated to a certain area as the ships sail on a worldwide basis.

NOTE 5
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 risks related to movements in currency rates, interest rates and bunker prices. 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. Our strategy is to hedge bunker for a period up to one year, currency for a period up to two years and for interest rates up to ten years.

The hedging instruments used by the Company are not leveraged and are not held for speculative arbitrage or investment. On special occasions we may terminate hedging instruments prior to maturity based on our market view. Financial risk management is carried out by a central treasury function. Financial hedging instruments used show in note 6.

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):

Cost component (USD million)	2017 Net Result [1]	2017 Equity [2]	2016 Net Result [1]	2016 Equity [2]
Bunkers, USD 50 per tonne increase [3]	(20.0)	-	(19.8)	1.2
Interest rates, 1% increase	(10.9)	-	(10.4)	0.5
Currency, USD 10% decrease vs NOK	(5.9)	4.6	(6.1)	3.2

[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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is managed by assessing credit quality of a customers. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on outstanding trade receivables and demurrage claims. The Group evaluates the concentration of risk with respect to trade receivables as low.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only in low risk instruments with approved counterparties with high credit rating.

Maximum credit risk exposure is the carrying amount of derivatives, assets, loan and receivables and available for sale investments (see note 6).

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 December 31, 2017 was USD 1 083.8 million, while cash and cash equivalents amounted to USD 206.6 million, both figures excluding joint venture companies. At the same date the equity ratio, using the Equity consolidation method, was 40.6% compared to 38.2% per December 31, 2016.

During 2017, Odfjell entered into new loans and bond agreements with a total facility amount of about USD 743 million, of which USD 343.1 million are drawn as of December 31, 2017. The facilities not drawn yet are related to the Group's newbuilding program.

See note 8 for information about debt maturity and note 15 for lease commitments.

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 the Group's result. See also note 6 and 23 for further information about currency exposure. At the end of 2017 about 80% of estimated currency risk related to general and administrative expenses and operating expenses for the next twelve months nominated in NOK were hedged by using derivatives.

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. At the end of 2017, no derivative hedging instruments were held for hedging of bunkers.

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. At the end of 2017 interest rate payments corresponding to outstanding debt of USD 100 million has been swapped from floating to fixed interest rate payment.

NOTE 6
Financial assets and financial liabilities

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

Classification of financial assets and liabilities as at December 31, 2017:

(USD 1 000)	Derivatives held as hedge instrument *)	Derivatives at fair value through profit and loss *)	Loans and receivables	Liabilities recognized at amortised cost	Non-financial assets/ liabilities	Carrying amount 2017
Assets						
Cash and cash equivalents	-	-	206 585	-	-	206 585
Derivative financial instruments	-	3 252	-	-	-	3 252
Current receivables	-	-	70 598	-	12 764	83 362
Non-current receivables	-	-	9 543	-	-	9 543
Loan to associates and joint ventures	-	-	14 760	-	-	14 760
Other non-financial assets	-	-	-	-	1 682 583	1 682 583
Total assets	-	3 252	301 486	-	1 695 347	2 000 085
Liabilities						
Other current liabilities	-	-	-	21 201	42 129	63 330
Derivative financial instruments	1 994	21 855	-	-	-	23 849
Interest bearing debt	-	-	-	1 083 827	-	1 083 827
Other non-current liabilities	-	-	-	4 017	-	4 017
Other non-financial liabilities	-	-	-	-	9 128	9 128
Total liabilities	1 994	21 855	-	1 109 045	51 257	1 184 151

*) items measured at fair value.

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

(USD 1 000)	Derivatives held as hedge instrument *)	Derivatives at fair value through profit and loss *)	Loans and receivables	Available-for-sale-investment *)	Liabilities recognized at amortised cost	Non-financial assets/ liabilities	Carrying amount 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
Non-current receivables	-	-	7 734	-	-	-	7 734
Loan to associates and joint ventures	-	-	15 414	-	-	-	15 414
Other non-financial assets	-	-	-	-	-	1 602 183	1 602 183
Total assets	**-**	**1 838**	**260 862**	**9 900**	**-**	**1 610 062**	**1 882 661**
Liabilities							
Other current liabilities	-	-	-	-	15 103	50 929	66 032
Derivative financial instruments	1 458	40 820	-	-	-	-	42 278
Interest bearing debt	-	-	-	-	1 041 774	-	1 041 774
Other non-current liabilities	-	-	-	-	4 892	-	4 892
Other non-financial liabilities	-	-	-	-	-	8 872	8 872
Total liabilities	**1 458**	**40 820**	**-**	**-**	**1 061 769**	**59 801**	**1 163 848**

*) items measured at fair value.

Fair value of 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 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. interest bearing debt except bond loans, current receivables and payables.

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 recognized 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 quoted market prices.

Bond debt has a market value of USD 267 million per December 31 2017 compared to carrying amount of USD 264 million. Correspondingly market value was USD 209 million as per December 31, 2016 compared to carrying amount of USD 204 million.

	2017		2016	
(USD 1000)	Level 1	Level 2	Level 1	Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Derivatives instruments - non hedging	-	3 252	-	1 838
Available-for-sale-investments	-	-	9 900	-
Financial liabilities at fair value:				
Derivatives instruments - non hedging	-	21 855	-	40 820
Derivatives instruments - hedging	-	1 994	-	1 458

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.

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 December 31, 2017 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.

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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. The hedged amount depends on the total bunker consumptions for voyages nominated under a Contract of Affreightment. Historically, bunker consumption for voyages under Contract of Affreightment has been in the range of 50% - 60% of total bunker consumption.

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.

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 bonds are swapped to USD interest (from NIBOR to LIBOR) and principal payments. The derivatives classified as fair value hedges are evaluated at market value, with a corresponding offsetting change in market value of the underlying exposure. At the end of 2017 bond loans for a total of NOK 2 173 million are hedged, corresponding to USD 286.8 million.

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 December 31, 2017 (figures in 1 000):

					Time to maturity – USD amounts			
Currency	Sold	Bought	Avg. rate	MTM [1]	<1 year	1 - 5 years	> 5 years	Total
Cash flow hedging	USD 52 918	NOK 415 000	7.84	(1 994)	52 918	-	-	52 918

					Time to maturity – USD amounts			
Interest rates	Sold		Avg. rate	MTM [1]	<1 year	1 - 5 years	> 5 years	Total
Non hedge, interest rate swaps [2]	USD 100 000		3.19%	(3 468)	-	100 000	-	100 000

					Time to maturity – USD amounts			
Cross currency interest rate swaps	Sold		Avg. rate	MTM [1]	<1 year	1 – 5 years	> 5 years	Total
Fair value/Non hedge [3]	USD 286 828	From NOK to USD	6.31%	(15 135)	83 784	203 044	-	286 828

[1] Mark to market valuation
[2] All non hedge IRS` are classified as current assets/liabilities
[3] Related to NOK bonds issued by Odfjell SE

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

					Time to maturity – USD amounts			
Currency	Sold	Bought	Avg. rate	MTM [1]	<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

					Time to maturity – USD amounts			
Interest rates			Avg. rate	MTM [1]	<1 year	1 – 5 years	> 5 years	Total
Cash flow hedging, interest rate swaps	USD 50 000		3.00%	(406)	50 000	-	-	50 000
Non hedge, interest rate swaps [2]	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 [1]	<1 year	1 – 5 years	> 5 years	Total
Fair value/Non hedge [3]	USD 284 203	From NOK to USD	6.63%	(35 172)	81 072	203 131	-	284 203

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

[1] Mark to market valuation
[2] All non hedge IRS` are classified as current assets/liabilities
[3] Related to NOK bonds issued by Odfjell SE

Negative value MTM of the cross currency swaps related to the four outstanding bond loans of in total USD 273.3 million (USD 256.8 million in 2016), amounts to USD 15 million (USD 35 million in 2016) per December 31, 2017. Accumulated currency gain recognized related to the same bond loans amounts to USD 11 million as of December 31, 2017 (USD 23 million as of December 31, 2016).

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

(USD 1000)	2017	2016
Bunkers	-	1 838
Currency	(1 994)	(1 063)
Basis swaps (interest and currency)	(18 603)	(41 214)
Derivative financial instruments	**(20 597)**	**(40 439)**

Hedging reserve recognized 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 January 1, 2016	(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 December 31, 2016	**(394)**	**(1 063)**	**1 838**	**380**
Fluctuations during the period:				
- Gains/losses due to changes in fair value	394	(774)	4	(375)
- Transfers to net result	-	(853)	(1 842)	(2 695)
- Transfers to investment	-	696	-	696
Balance sheet as at December 31, 2017	-	**(1 994)**	-	**(1 994)**

NOTE 7
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.

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 1000)	2017	2016
Equity	815 934	718 813
Total assets	2 000 085	1 882 661
Assets held for sale	-	4 580
Equity ratio (equity method)	40.8%	38.2%
Current ratio	1.0	1.0
Cash and cash equivalents	206 585	164 469
Available-for-sale-investments	-	9 900
Total available liquidity	**206 585**	**174 369**

For liquidity risk see note 6.

NOTE 8
Interest bearing debt

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

(USD 1 000)	Average interest rate [1]	2017	2016
Mortgage loans from finance institutions – floating interest rates	3.77%	543 892	638 724
Financial leases and sale-leaseback	5.39%	273 476	152 327
Bonds – unsecured	7.77%	273 330	256 788
Subtotal interest bearing debt	**5.18%**	**1 090 697**	**1 047 839**
Debt transaction fees [2]		(6 870)	(6 065)
Total interest bearing debt		**1 083 827**	**1 041 774**
Current portion of long term interest bearing debt		(238 484)	(204 202)
Non-current interest bearing debt		**845 343**	**837 573**

[1] Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2017.
[2] To be amortized and included in interest expense

In January 2017 Odfjell issued a new unsecured bond of NOK 700 million with maturity date in January 2021. The bond is swapped to USD 82.5 million with a spread of LIBOR +5.96%. In conjunction with the bond issue Odfjell purchased NOK 119 million of its ODF05 bonds matured in April 2017.

In April 2017 the unsecured bond of NOK 600 million matured and the remaining outstanding amount of NOK 481 million was paid in full.

In June 2017 Odfjell issued a new unsecured bond of NOK 500 million with maturity in June 2022. The bond is swapped to USD 59.1 million with a spread of LIBOR +5.78%. In conjunction with the bond issue Odfjell purchased NOK 327 million of its ODF06 bonds maturing in December 2018.

During 2017 Odfjell has committed sale-leaseback agreements related to ships and newbuildings amounting to USD 450.7 million of which USD 130.0 million was drawn in 2017. Interest rates ranges from LIBOR plus 1.7% to LIBOR plus 3.4% and maturity is from nine to twelve years. The agreements have embedded purchase options. See note 3 for further information about sale-leaseback.

Transaction costs are deferred and charged net result over the life of the underlying debt using the effective interest rate method. During 2017 USD 2.3 million (USD 1.6 million in 2016) has been charged to the income statement, classified as interest expenses.

Summary of changes in interest bearing debt during the year:

(USD 1 000)	2017	2016
Interest bearing debt as per January 1	1 041 774	1 167 979
Repayment of interest bearing debt:		
Mortgage loans from finance institutions – floating interest rates	(162 724)	(132 582)
Financial leases and sale-leaseback	(8 878)	(185 965)
Bonds – unsecured	(138 764)	(23 596)
Total repayments	**(310 366)**	**(342 143)**
New interest bearing debt:		
Mortgage loans from finance institutions – floating interest rates	70 250	122 810
Financial leases and sale-leaseback	130 000	31 500
Bonds – unsecured	142 862	60 556
Total new debt	**343 112**	**214 866**
Amortisation transaction fees	(2 455)	(133)
Agio/disagio	11 762	1 205
Interest bearing debt as per December 31	**1 083 827**	**1 041 774**

Transaction costs are deferred and charged net result over the life of the underlying debt using the effective interest rate method. During 2017 USD 2.3 million (USD 1.6 million in 2016) has been charged to the income statement, classified as interest expenses.

The interest bearing debt agreements does not contain any restrictions on the Company's dividend policy. The interest bearing debt is subject to the following financial covenant: 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.

The Group was at all time in compliance with financial covenants during 2017 and 2016.

Maturity of interest bearing debt as at December 31, 2017:

(USD 1 000)	2018	2019	2020	2021	2022	2023+	Total
Mortgage loans from financial institutions – floating interest rates	155 809	74 570	186 003	73 966	30 413	23 129	543 892
Finance leases and sale-leaseback	15 628	59 659	15 446	15 654	15 902	151 187	273 476
Bonds – unsecured [1)]	67 047	60 672	-	84 940	60 672	-	273 330
Sub total interest bearing debt	238 484	194 901	201 449	174 561	106 987	174 316	1 090 697
Estimated interest payable	52 705	40 429	30 187	18 777	13 352	5 098	160 548
Total interest bearing debt	291 189	235 330	231 636	193 338	120 339	179 414	1 251 245

Maturity of interest bearing debt as at 31 December 2016:

(USD 1 000)	2017	2018	2019	2020	2021	2022+	Total
Mortgage loans from financial institutions – floating interest rates	123 318	162 617	68 973	180 553	68 188	35 075	638 724
Finance leases and sale-leaseback	5 194	5 403	48 486	5 247	5 455	82 542	152 327
Bonds – unsecured [1)]	75 689	123 266	57 833	-	-	-	256 788
Sub 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 interest bearing debt	248 171	322 997	194 855	197 606	81 282	120 824	1 165 735

[1)] Values excluding hedging effects from interest and currency swaps which is recognized as derivative financial instruments in the statement of financial position.
Hedged amount of bonds maturing in December 2018 is USD 84 million.

The average maturity of the Group's total interest-bearing debt is 4.3 years. Average maturity of loans from financial institutions is 3.4 years, while financial leases and sale-leaseback matures in 7.8 years on average and bonds mature in 2.6 years on average.

Security for the mortgage loans from financial institutions is made through first priority mortgage in the vessels as well as assignment of earrings and insurances related to those vessels.

(USD 1 000)	2017	2016
Mortgage loans from financial institutions	543 892	636 994
Finance leases and sale-leaseback	273 476	152 327
Carrying amount preferred ship financing	817 367	789 321
Carrying amount of assets under mortgage loans	940 160	1 038 594
Carrying amount of assets under finance leases and sale-leaseback	271 873	164 351
Total carrying amount of assets financed	1 212 033	1 202 945

The financial lease and sale-leaseback periods vary from four years to 12 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. Future nominal payments related to finance leases and sale-leaseback as at December 31, 2017 are estimated to USD 337.2 million, compared to net present value of USD 273.5 million.

The table below summarises interest bearing debt into different currencies:

(USD 1 000)	2017	2016
USD	817 367	791 051
NOK *	273 330	256 788
Debt transaction fees	(6 870)	(6 065)
Total interest bearing debt	1 083 827	1 041 774

* Includes bond debt swapped to USD. See note 6 Financial assets and liabilities.

NOTE 9
Taxes

(USD 1 000)	2017	2016
Change in deferred tax, Norway – ordinary tax	-	(2 690)
Change in deferred tax, other jurisdictions	1 963	6
Taxes payable, other jurisdictions	(4 231)	(4 215)
Total tax income (expenses)	(2 268)	(6 899)

(USD 1 000)	2017	2016
Pre-tax profit	92 868	100 012
Tax calculated at Odfjell's statutory income tax rate 24% (2016: 25%)	(22 288)	(25 003)
Tax effect of:		
Income and expenses not subject to tax	(2 708)	21 737
Share of result from joint ventures and associates	31 191	8 041
Witholding tax	(1 749)	(2 086)
Non deductible expenses for tax purposes - impairment	(5 267)	(2 958)
Differences in tax rates	(29)	(568)
Deferred tax asset not recognized	(1 419)	(6 063)
Tax income (expenses)	(2 268)	(6 899)
Effective tax rate	2.44%	6.90%

Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2017	Change in temporary differences	2016
Current receivables	-	(2 363)	2 363
Pensions	2 030	1 769	261
Financial instruments/finance items	14 117	(16 567)	30 684
Provisions	353	(1 096)	1 449
Loss carried forward	212 843	(6 767)	219 610
Total negative temporary differences	229 342	(25 025)	254 367
Differences related to depreciation of non-current assets	5 694	(8 489)	14 183
Deferred gain related to sale of non-current assets	6 696	306	6 390
Differences related to long-term debt	15 491	(34 429)	49 920
Other long term temporary differences	-	(700)	700
Total positive temporary differences	27 881	(43 313)	71 194
Net temporary differences	(201 461)	(18 288)	(183 173)
Temporary differences not accounted for *	204 162	11 510	192 652
Temporary differences – basis for calculation of deferred tax	2 701	(6 777)	9 479
Deferred tax in statement of financial position	537		2 275
Tax rate	17% - 30%		17% - 34%

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

The Group's Norwegian companies have a total loss carried forward of USD 213 million at December 31, 2017 (2016: USD 220 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 10
Pension liabilities

The Group operates defined benefit plan in Norway for crew. 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 2017 the book amount of the accrued defined benefit was USD 0.8 million (2016: USD 1.0 million).

Pension accurals

(USD 1 000)	2017	2016
Crew - Norway	822	1 002
Executive Management - Norway	183	131
Other - Norway	1 872	531
Overseas offices	2 205	2 446
Total	5 082	4 110

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 benefit plan

(USD 1 000)	2017	2016
Defined benefit plan cost - Norway	587	593
Defined benefit plan cost - Overseas offices	1 248	1 482
Total	1 835	2 075

Defined contribution plan

(USD 1 000)	2017	2016
Defined contribution cost - Norway	1 603	1 423
Defined contribution cost - Overseas offices	1 479	1 200
Total contribution	3 081	2 623
Number of employees	455	453

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 0.8 million is prepaid premium related to defined contribution plan. In addition, USD 1.7 million is paid into a secured bank account for expats and the additional pension scheme for the Executive Management, ref. note 20.

NOTE 11
Property, plant and equipment

(USD 1 000)	Real estate	Ships and newbuilding contracts	Periodic maintenance	Office equipment and cars	Total
Net carrying amount January 1, 2016	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 [1]	-	-	-	(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 December 31, 2016	3 456	1 208 983	18 850	8 407	1 239 697
Investment	-	155 350	16 055	1 782	173 187
Depreciation 2017	(329)	(69 326)	(15 367)	(4 009)	(89 031)
Impairment 2017	(946)	(21 000)	-	-	(21 946)
Net carrying amount December 31, 2017	2 181	1 274 007	19 538	6 180	1 301 907

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

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(USD 1 000)	Real estate	Ships and newbuilding contracts	Periodic maintenance	Office equipment and cars	Total
Cost	4 863	2 187 864	24 589	68 395	2 285 711
Accumulated depreciation	(1 054)	(953 248)	-	(37 290)	(991 592)
Net carrying amount January 1, 2016	3 809	1 234 616	24 589	31 105	1 294 119
Cost	4 863	2 234 083	18 850	25 623	2 283 419
Accumulated depreciation	(1 407)	(1 025 100)	-	(17 215)	(1 043 722)
Net carrying amount December 31, 2016	3 456	1 208 983	18 850	8 407	1 239 697
Cost	4 863	2 389 433	19 538	27 405	2 441 239
Accumulated depreciation	(1 736)	(1 094 426)	-	(21 224)	(1 117 386)
Impairment	(946)	(21 000)	-	-	(21 946)
Net carrying amount December 31, 2017	2 181	1 274 007	19 538	6 180	1 301 907

Capital gain (loss) on property, plant and equipment

In 2017 Odfjell recognized net capital gain of USD 0.2 million. In 2016 Odfjell recognized a capital gain of USD 12.7 million of which about USD 12 million related to sale of Odfjell's main office in Bergen (ref note 14).

Depreciation periods

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows (in years):

- Real estate up to 50
- Ships 25 - 30
- Periodic maintenance of ships 2.5 - 5
- Office equipment and cars 3 - 15

From July 1, 2017, the depreciation period was changed from 30 to 25 years for some of our ships which resulted in an increase in depreciation in the second half of 2017 of about USD 5 million.

Assets financed under finance leases and sale-leaseback

The carrying amount of ships financed under finance leases and sale-leaseback were USD 271.9 million and USD 164.4 million at December 31, 2017 and December 31, 2016 respectively. See note 8 for future financial lease and sale-leaseback obligations.

NOTE 12
Impairment of non-current assets

During 2017 there has been significant decline in chemical tanker freight rates and decline in market values of vessels indicating a potential impairment of assets of the chemical tanker segments. In addition, as at December 31 2017, the market capitalization of the Group was below the book value of its equity, also indicating potential impairment of assets. Management has tested assets and cash generating units for impairment.

In 2017 the Odfjell Group recognized impairment losses of USD 21.9 million of which USD 21.0 million is related to ships in the regional trade, a cash generating unit included in the Chemical Tankers segment. The impairment of ships was a result of adverse change in market conditions. The recoverable amount is based on valuation made by external broker (level 3 in the fair value hierarchy). The estimated fair value less cost of disposal is based on prevailing market conditions from comparable transaction. Recoverable amount of the regional trade was USD 52.0 million as at December 31, 2017.

In 2016 Odfjell disposed of vessels that were no longer compatible with the Odfjell fleet of vessels and trades. In addition, some vessels were classified as held for sale as at December 31, 2016. Upon classification as held for sale, each ship is regarded as one cash generating unit. The asset held for sale is recognized at estimated sale price. During 2016 the Group recognized impairment losses of USD 11.8 million related to ships sold or classified as held for sale.

For further information about impairment testing and key assumptions, see note 3.

NOTE 13
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)	2017	2016
Profit/(loss) and diluted profit for the year due to the holders of ordinary shares	90 600	100 012
Average number of shares outstanding (note 26)		
Weighted average number of ordinary shares for basic earnings per share */diluted average number of shares outstanding	78 613	78 690
Basic/diluted earnings per share	1.15	1.27

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year. As part of the long term intensive program for management it was expensed USD 0.6 in March 2017 related to this program. The net amount, reduced with withholding tax, has been used to buy Treasury shares, total 72 073 shares.

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. Transactions with related parties are settled on a regular basis and the balances as per December 31, 2017 were immaterial.

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 1.5 million in agency fees in 2017 (USD 1.2 million in 2016), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil – Representacoes Ltds paid USD 0.4 million for administrative services in 2017 (USD 0.4 million in 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 February 17, 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. The lease-back agreement is done with Odfjell Management AS.

NOTE 15
Commitments, guarantees and contingencies

Operating leases

The Group has entered into several operating leases for ships, and also some office building leases. The leases have fixed time charter commitment. The time charter rate is the compensation to the ship-owner covering the financial expenses and in some cases also the ship operating expenses.

The operating leases contain no restrictions on the Company's dividend policy or financing opportunities. See also note 31 IFRS 16 Leases – New standard applicable from January 1, 2019. The nominal value of future rents related to the existing non-cancellable operating lease commitments fall due as follows:

(USD 1 000)	2018	2019	2020	2021	2022	2023+	Total
Commenced leases	134 648	52 361	35 189	23 269	4 709	24 870	275 045
Committed, not yet commenced	23 232	42 814	50 046	52 451	52 451	205 896	426 888
Total	157 880	95 175	85 235	75 719	57 159	230 765	701 934

Capital commitment

Odfjell has signed shipbuilding contracts for the construction of six chemical tankers with stainless steel cargo tanks with China Shipbuilding Trading CO. LTD and Hudong-Zhonghua Shipbuilding (Group) CO., LTD. In addition, Odfjell has signed an agreement with Chemical Transportation Group, Inc to acquire five newbuilt chemical tankers with stainless steel cargo tanks from Chinese ship builder AVIC Dinheng, of which two ships were delivered to Odfjell in 2017 and the remaining three to be delivered in 2018. Remaining capital commitments and related debt and equity instalment structure as per December 31, 2017 are as follows:

(USD 1 000)	2018	2019	2020	Total
Chemical Tanker newbuilding				
Hudong 4 x 49,000 dwt (USD 60 mill)	23 970	143 820	41 948	209 738
Hudong 2 x 38,000 dwt (USD 58 mill)	5 826	11 652	87 393	104 872
AVIC 3 x 25,000 dwt (USD 40 mill)	108 000	-	-	108 000
Total newbuilding	137 796	155 472	129 341	422 609
Committed debt instalment structure	125 811	145 585	129 341	400 737
Equity instalment	11 985	9 888	-	21 873

Financing has been secured for all chemical tanker newbuildings, and remaining equity instalments are limited to USD 21.9 million.

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Guarantees

(USD 1 000)	2017	2016
100% owned subsidiaries (third party guarantees)	27 172	55 125
Joint ventures (credit facilities)	79 163	95 570
Joint ventures (third party guarantees)	-	209 615
Total guarantees	106 334	360 310

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 9.0 million. Odfjell has also guaranteed for instalments to Hudong-Zhonghua Shipbuilding (group) CO. Ltd with a total of USD 18.0 million in 2017 (USD 47.9 million in 2016).

Odfjell has issued guarantees for credit facilities in Tank Terminals and Gas Carriers, both expiring in 2018. These guarantees are expected to be renewed when the related facilities are extended/renewed.

Guarantees that were issued for Nantong Sinopacific Offshore & Engineering Co. Ltd on behalf of joint venture Odfjell Gas amounting to USD 209.6 million as at December 31, 2016 have been revoked during 2017. Due to substantially delays, the eight vessels that were contracted with Nantong have been cancelled during 2016 and 2017.

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
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 1.4 million (USD 1.4 million in 2016) in funds for withholding taxes relating to employees in Odfjell Management AS and Odfjell Maritime Services AS.

(USD 1 000)	2017	2016
Cash at banks and in hand	46 272	111 452
Short-term deposits	160 313	53 017
Total cash and cash equivalents	206 585	164 469

NOTE 17
Voyage expenses

Voyage expenses are expenses directly related to the ship voyage.

(USD 1 000)	2017	2016
Port expenses	90 495	83 658
Canal expenses	21 659	21 922
Bunkers expenses [1]	147 548	103 058
Transshipment expenses	20 210	17 258
Commission expenses	23 110	21 390
Other voyage related expenses	16 158	25 688
Total voyage expenses	319 179	272 974

[1] Includes bunkers hedging derivatives

NOTE 18
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)	2017	2016
Crew expenses	71 548	65 334
Other ship management expenses	64 530	65 370
Other	(617)	86
Total operating expenses	135 461	130 790

NOTE 19
General and administrative expenses

General and administrative expenses consist of expenses for headquarter activities and activities internationally for brokerage and agency.

(USD 1 000)	2017	2016
Salary expenses	53 711	52 788
Other expenses	14 765	18 712
Currency hedging	(464)	(28)
Total general and administrative expenses	**68 011**	**71 472**

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2017	2016
Statutory auditing	426	497
Other assurance services	72	66
Tax advisory services	238	234
Other non-audit services	85	29
Total remuneration	**820**	**827**

NOTE 20
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)	2017	2016
Salaries	106 815	99 103
Social expenses	12 800	12 644
Pension expenses defined benefit plans (note 10) *	1 835	2 075
Pension expenses defined contribution plans (note 10) *	3 081	2 623
Other benefits	727	1 677
Total salary expenses	**125 258**	**118 122**

* Excluding crew

Average man-years of employees including crew:

(USD 1 000)	2017	2016
Europe	272	288
North America	25	25
Southeast Asia	1 578	1 610
South America	181	183
Other	19	18
Total average man-years of employees	**2 074**	**2 123**

At the end of 2017 the Board of Directors consists of seven members. Compensation and benefits to the Board of Directors:

(USD 1 000)	2017	2016
BoD Remuneration	457	337

For more specification – see Odfjell SE note 11.

Compensation and benefits to the Management Group:

(USD 1 000)	Salary	Bonus *	Pension cost	Other benefits **	Total
CEO, Kristian V. Mørch	770	400	26	32	1 228
COO, Harald Fotland	320	79	26	27	453
CFO, Terje Iversen	266	66	26	26	383
COS, Øistein H. Jensen	190	47	25	24	287
Senior Vice President Ship Management, Helge Olsen (up to September 9, 2017)	-	-	7	658	666
Total	**1 546**	**592**	**111**	**767**	**3 016**

* The bonus relates to expensed amount in 2017 for both short and long-term incentive scheme.
** Other benefits include expensed severance compensation for Helge Olsen

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Bonus related to the long-term incentive program, net of withholding tax, have been used to acquire Restricted Shares in accordance with the guidelines described below.

The Board of Directors´ declaration of determination of salary and other remuneration to the President/CEO and other management employees

As per 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.

Further, it follows 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 by the ordinary general Meeting 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 programs 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 programs 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.)

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

Re (2) Guidelines for determining salary and other remuneration for management employees, the Board declare as follows:

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 2018:

The CEO and managers reporting directly to him are included in the Company's defined contribution plan, see note 10. 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. The Annual General Meeting on May 9, 2016 approved a new long-term Incentive Plan (LTI) / Performance Restricted Share Plan for the CEO and the Executive Management, effective from January 1, 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.

- For any future awards under the LTI, the cash amounts to be awarded is calculated when the three KPI's are determinable, and the number of RS to be allocated will simultaneously be calculated based on the stock price at that same date. The actual award to the individual of the already calculated number of RS is only made when the accounts have been approved by the Board. This method of calculation is best aligned to the financial incentive intended in the Plan as then there is no deviation in the cash amounts awarded and the value of the actual RS allocated.

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 2017 was in compliance with the above guidelines.

NOTE 21
Subsequent events

Based on the Company`s 2017 results, including the profit from the sale of the Singapore terminal, the Board of Directors recommend a dividend payment of NOK 1.50 per share, total amount estimated to NOK 117,941,060. Dividend to be approved at the Annual General meeting in May 2018.

On January 4, 2018 Odfjell took delivery of Bow Platinum. This delivery concludes the third of the five vessels acquired from Chemical Transportation Group, Inc. Bow Platinum is part of the series of five 25,000 dwt stainless steel newbuildings built at the AVIC yard in China. The final two vessels will be delivered March and May 2018. Reference is made to note 15.

NOTE 22
Other financial items

(USD 1 000)	2017	2016
Financial assets and liabilities at fair value through profit or loss statement	19 442	(2 718)
Capital gain on termination of financial leases [1)]	-	21 509
Currency gains (losses) – see note 23	(14 583)	4 029
Other financial income	6 174	2 995
Other financial expenses	(6 611)	(2 830)
Total other financial items	4 421	22 984

[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 6 for overview of hedging exposure, and note 23 for specification of currency gains (losses).

NOTE 23
Currency gains and losses

(USD 1 000)	2017	2016
Currency gains (losses) on non-current receivables and liabilities	(16 070)	5 231
Currency gains (losses) on cash and cash equivalents	1 270	(443)
Currency gains (losses) on other current assets and current liabilities	216	(759)
Total currency gains (losses)	(14 583)	4 029

See note 6 for overview of currency hedging exposure.

NOTE 24
Current receivables

(USD 1 000)	2017	2016
Trade receivables	61 289	64 425
Other receivables	10 851	11 350
Pre-paid costs	12 764	7 879
Provisions for bad debt	(1 541)	(2 531)
Total current receivables	83 362	81 123

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

(USD 1 000)	Total	Not past due nor impaired	Past due, but not impaired			
			<30 days	30-60 days	60-90 days	>90 days
2017	72 139	24 217	20 563	7 256	4 906	15 198
2016	75 774	40 983	16 496	5 764	2 880	9 652

Movement in provisions for bad debt:

(USD 1 000)	2017	2016
Total provision for bad debt January 1	2 531	2 596
This year's expenses	(336)	(326)
Write-off this year	(654)	260
Total provision for bad debt per 31 December	1 541	2 531

The table below summarises total current receivables into different currencies:

(USD 1 000)	2017	2016
USD	81 987	79 691
EUR	259	20
SGD	153	203
Other	963	1 209
Total current receivables	83 362	81 123

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NOTE 25
Other current liabilities

(USD 1 000)	2017	2016
Trade payables	16 071	9 157
Accrued voyage expenses	16 026	23 293
Accrued expenses Ship Management	6 369	5 763
Accrued drydocking expenses related to ships on bareboat hire	4 494	5 343
Accrued interest expenses	5 631	4 733
Other accrued expenses	5 463	7 520
Employee taxes payable	5 130	4 277
Other current liabilities	4 146	5 945
Total other current liabilities	63 330	66 032

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
2017	63 330	45 378	11 765	281	32	5 875
2016	66 032	51 663	9 435	608	4	4 322

The table below summarises other current liabilities into different currencies:

(USD 1 000)	2017	2016
USD	48 424	57 446
EUR	494	5
SGD	409	1 576
Other currencies	14 004	7 005
Total other current liabilities	63 330	66 032

NOTE 26
Share capital and premium

	Number of shares (1 000)		Share capital (USD 1 000)		Share premium (USD 1 000)	
	2017	2016	2017	2016	2017	2016
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 December 31 2017 Odfjell SE holds 5,819,093 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 0.30 as at December 31, 2017. All the shares have the same rights in the Company, except for B-shares which have no voting rights.

Based on the Company`s 2017 results, including the profit from the sale of the Singapore terminal, the Board recommends a dividend of NOK 1.50 per share, totalling NOK 117,941,060.

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

	2017		2016	
	A-shares	B-shares	A-shares	B-shares
Chairman of the Board of Directors, Laurence Ward Odfjell	25 966 492	4 232 393	25 966 492	3 999 393
Director, Åke Gregertsen	3 000	28 332	3 000	28 332
CEO, Kristian Mørch	88 913	3 500	34 000	3 500
CFO, Terje Iversen	11 939	-	5 000	-
COO, Harald Fotland	7 807	4 000	-	4 000
COS, Øistein Jensen	11 414	-	4 000	-

NOTE 27
List of subsidiaries

The following subsidiaries are fully consolidated in the financial statements as per December 31, 2017

Company	Country of registration	Ownership share	Voting share
Odfjell Argentina SA	Argentina	100%	100%
Odfjell Australia Pty Ltd	Australia	100%	100%
OV Bermuda Ltd	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 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 Mazibuko SA Pty Ltd	South Africa	55%	55%
Odfjell UK Ltd	United Kingdom	100%	100%
Odfjell Middle East DMCC	United Arab Emirates	100%	100%
Odfjell USA (Houston) Inc	United States	100%	100%

NOTE 28
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 4). 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 4).

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

The investment in joint ventures and associates includes the following companies accounted for according to the equity consolidation method during 2017:

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 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 - sold in Dec 2017	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 – sold in May 2017	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 – sold in Dec 2017	Singapore	Tank Terminals	25.5%
Exir Chemical Terminal (PJSCo) – sold in May 2017	Iran	Tank Terminals	35.0%

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

	2017				2016			
(USD 1 000)	Tank Terminals	Gas Carriers	Other	Total	Tank Terminals	Gas Carriers	Other	Total
Gross revenue	170 298	16 734	-	187 032	174 360	24 505	14 702	213 568
EBITDA	52 207	4 645	-	56 852	54 215	6 582	4 412	65 209
EBIT	265 094	1 357	-	266 451	94 073	(6 603)	2 828	90 298
Net result	**247 010**	**282**	-	**247 292**	**76 285**	**(7 881)**	**2 191**	**70 596**
Other comprehensive income	23 051		-	23 051	(6 063)	-	-	(6 063)
Total comprehensive income	270 061	282	-	270 343	70 222	(7 881)	2 191	64 533
Owner interest	130 646	141	-	130 787	39 534	(7 614)	1 068	32 989
Excess values	(824)	-	-	(824)	(825)	-	-	(825)
Group's share of profit for the year	129 821	141	-	129 962	38 709	(7 614)	1 068	32 165
Non-current assets	1 079 115	21	-	1 079 136	1 035 147	83 495	-	1 118 642
Current assets	146 399	49 902	-	196 301	106 123	4 393	-	110 516
Total assets	**1 225 514**	**49 923**	-	**1 275 437**	**1 141 269**	**87 889**	-	**1 229 158**
Non-current liabilities	314 420	-	-	314 420	121 617	9	-	121 626
Current liabilities	123 645	18 309	-	141 954	282 955	29 367	-	312 322
Total liabilities	**438 065**	**18 309**	-	**456 374**	**404 572**	**29 376**	-	**433 948**
Total equity closing balance	**787 162**	**31 614**	-	**819 063**	**736 697**	**58 513**	-	**795 210**
Owner interest	401 453	15 807	-	417 260	374 562	29 256	-	403 819
Minority/adjustment	(4 286)	-	-	(4 286)	(4 120)	(951)	-	(5 071)
Excess values	(55 672)	-	-	(55 672)	(61 182)	-	-	(61 182)
Carrying amount of the investment	**341 494**	**15 807**	-	**357 301**	**309 260**	**28 305**	-	**337 566**
Capital expenditure, Odfjell share	(36 168)	-	-	(36 168)	(32 744)	-	-	(32 744)

Included in the 2017 EBIT and Net result for Tank Terminals is capital gains and losses of USD 265.1 million (Odfjell share USD 134.5 million) mainly related to the sale Tank Terminals stake in Oiltanking Odfjell Terminal Singapore. Proceeds from the divestment in Singapore was distributed to the owners and Odfjell SE received a dividend of USD 117.2 million from Odfjell Terminals BV in December 2017.

Tank Terminals recognized in 2017 an impairment loss of the non-current assets in Odfjell Terminals (Charleston) LLC. The Odfjell Group's share of this impairment is USD 20.7 million. In 2016 an impairment loss of USD 3.7 million (Odfjell share) of non-current assets in the greenfield project at Odfjell Terminals Fujian (Quanzhou) Co Ltd. Odfjell Gas recognized in 2016 an impairment loss of USD 8.9 million related to non-current assets (vessels and newbuilding contracts). The impairment losses in joint ventures are included in the share of net result from associates and joint ventures in the Income Statement and in investments in associates and joint ventures in the Statement of Financial Position. See note 3 for more information about impairment testing in joint ventures.

Other comprehensive income of USD 23.1 million (negative USD 6.1 million in 2016) in Tank Terminals mainly relates to currency translation differences when consolidating financial statements for tank terminals with functional currencies in other than USD.

(USD 1 000)	2017	2016
Loan to associates and joint ventures	14 760	15 414

All transactions are considered being at commercial reasonable market terms.

NOTE 29
Held for sale

In 2016 the ship Bow Aratu, 13 843 dwt and built in 1997, was classified as held for sale, totalling USD 4.6 million, ref. note 11 and 12. The vessel was sold in 2017.

NOTE 30
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
2017	8.27	8.24	1.13	1.20	1.38	1.34
2016	8.41	8.65	1.11	1.05	1.38	1.45

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NOTE 31
IFRS 16 Leases – New standard applicable from January 1, 2019

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 recognizes 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 recognize 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 recognized 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 periods, and decreasing expenses during the latter part of the lease term.

The new IFRS 16 is mandatory from January 1, 2019. Applying the IFRS 16 will have an impact on the Financial Statements for lessee arrangements which exists on January 1, 2019 as estimated per tables below.

The estimated impact of IFRS 16 as if implemented December 31, 2017 is illustrated below. Right of use of assets and the corresponding lease liability is calculated assuming the lease commencement date is January 1 2017 (modified retrospective approach).

The Odfjell Group has a number of operating leases, mainly vessels under time charter contracts, which will be recognized "on balance sheet" when IFRS 16 is implemented. Over the lease term the net impact of IFRS 16 Leases on the income statement is nil, however expenses will be higher under IFRS 16 in the beginning of the lease term and lower later in the lease term as the carrying amount of right of use assets under IFRS 16 will be depreciated on a linear basis, while the interest expense related to the unwinding of lease liability will be higher in the beginning of the lease period.

Consolidated Statement of Financial Position (USD mill)		December 31, 2017 Actuals	IFRS 16 impact	December 31, 2017 Revised
ASSETS:				
Ships		1 293.5	-	1 293.5
Right of Use assets, ships	1)	-	143.1	143.1
Other non-current assets		8.4	-	8.4
Right of Use assets, other	2)	-	24.5	24.5
Investments in associates and JVs		357.3	-	357.3
Derivative and financial instruments		3.3	-	3.3
Non-current receivables		12.0	-	12.0
Total non-current assets		**1 674.4**	**167.6**	**1 842.0**
Total current assets		**325.6**	**-**	**325.6**
Total assets		**2 000.0**	**167.6**	**2 167.5**
EQUITY AND LIABILITIES:				
Paid in equity		199.0	-	199.0
Other equity		616.9	(4.3)	612.6
Total equity		**815.9**	**(4.3)**	**811.6**
Total non-current liabilities	3)	**890.0**	**88.5**	**978.5**
Total current liabilities	3)	**294.1**	**83.4**	**377.5**
Total equity and liabilities		**2 000.0**	**167.6**	**2 167.6**
Off balance sheet commitments:				
Nominal value of future estimated operating expenses arising from time charter agreements	4)			86.2
Present value of lease not yet commenced				344.2

[1] Right of Use assets – vessel bareboat and time charter contracts: At the end of 4Q17, the net present value of future lease payments less operating expenses for vessels currently operating for Odfjell is estimated to USD 143.1 million. The nominal amount of future lease payments for commenced leases is USD 275.0 million (see note 15), of which USD 167.6 million is net present value of leased assets, USD 21.2 million is calculated interest element and USD 86.2 million is nominal value of future estimated operating expenses arising from time charters.

[2] Right of Use asset – other lease contracts: The estimated net present value of future lease payments of office premises is USD 24.5 million.

[3] The total lease liability represents USD 171.9 million and represent the net present value of the lease payments not paid at the end of 4Q17. USD 83.4 million shall be paid within 12 months.

[4] Off balance sheet commitments: The estimated service element in the time charter contracts not paid for at the end of 4Q17 is USD 86.2 million. This represent services to be received over the remaining lease period by the Odfjell Group.

In addition to the calculated lease liabilities, the Group has entered into several long term bareboat and time charter agreements commencing in 2018 and through 2020. At the end of 2017 the net present value of the bareboat element is calculated to USD 293.1 million and the nominal value of the service element is estimated to USD 51,1 million, total USD 344.2. million. The interest element is estimated to USD 82.6 million. Total future nominal lease payment for leases not yet commenced is USD 426.8 million (see note 15).

Consolidated income statement (USD mill)		2017 Actuals	IFRS 16 impact	2017 Revised
Gross revenue		842.5	0.0	842.5
Voyage expenses		(319.2)	0.0	(319.2)
Time charter expenses	5)	(194.8)	189.2	(5.6)
Operating expenses	6)	(135.5)	(75.2)	(210.7)
Gross result		**193.1**	**114.0**	**307.1**
Share of net result from Joint Ventures		130.0	0.0	130.0
General and administrative	7)	(68.0)	2.6	(65.4)
EBITDA		**254.9**	**116.6**	**371.6**
Capital gain / loss		0.2	0.0	0.2
Depreciation, capital gain/loss	8)	(110.8)	(109.4)	(220.2)
Net financial items	9)	(51.4)	(11.4)	(62.8)
Taxes		(2.3)	0.0	(2.3)
Net result		**90.6**	**(4.3)**	**86.3**

Consolidated cash flow statement (USD mill)		2017 Actuals	IFRS 16 impact	2017 Revised
Net cash flow from operations	10)	53.5	105.1	158.6
Net cash flow from investments	11)	(25.5)	0.0	(25.5)
Net cash flow from financing	12)	13.1	(105.1)	(92.0)
Effect on cash balance from FX		1.0	0.0	1.0
Net change in cash and cash equivalents		42.1	0.0	42.1
Opening Cash and cash equivalents		164.5	0.0	164.5
Closing Cash and cash equivalents		**206.6**	**0.0**	**206.6**

5) Reclassify the lease expense: Total operating lease expense during the period is USD 194.8 million, of which USD 5.6 million is short term lease, i.e. less than 12 months from commencement date. Remaining USD 189.2 million represent time charter and bareboat expense included in calculation of right of use of assets and hence reclassified under IFRS 16.

6) Service element of time charters: IFRS 16 only applies to the bareboat element of time charters. The service element for time charter ships are estimated to USD 6.500 per day and classified as operating expense.

7) The Odfjell Group leases office premises in different areas. The lease of these premises exceeds 12 months and capitalized as right of use of assets and thus USD 2.6 million is removed from General and administrative expenses.

8) Depreciation of the right-of-use assets: The lease of assets is subject for a straight-line depreciation over the lease term. The lease term ('useful life') is the non-cancellable period including option to extend the lease period if the option is reasonable certain to be exercised.

9) Interest expense on the lease liability: The lease liabilities are discounted with 5%.

10) Net cash flow from operations increases with USD 105.1 million which is the negative net result before tax of USD 4.3 million and added back depreciation of USD 109.4 million.

11) Net cash flow from investments: During the year four new time charter ships are contracted, where the net present value of future bareboat element is calculated at USD 32.4 million. There is no cash outflow, hence no impact on the cash flow statement.

12) Net cash flow from financing of USD 105.1 million represents the repayment of the lease liability. The net impact on the cash flow statement is nil.

The table below illustrate how the right of use of assets and lease liability is estimated to change during 2018:

Balance per	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Right of use asset:				
Opening balance	167.6	142.0	118.8	99.0
Depreciation	25.6	23.2	19.8	16.6
Closing balance	**142.0**	**118.8**	**99.0**	**82.4**
Right of use Liabilities:				
Opening balance	171.9	147.1	124.4	104.9
Instalments	24.8	22.7	19.5	16.4
Closing balance	**147.1**	**124.4**	**104.9**	**88.5**

Financial Statements Odfjell SE

Income statement

(USD 1 000)	Note	2017	2016
Operating revenue (expenses)			
Gross revenue		-	261
General and administrative expenses	6,11	(9 977)	(9 762)
Capital gain (loss) on property, plant and equipment	6	-	11 985
Operating result (EBIT)		(9 977)	2 483
Financial income (expenses)			
Impairment shares	12	(5 000)	(8 176)
Income on investment in subsidiaries and joint ventures	8	186 490	41 327
Interest income	8	23 974	21 008
Interest expenses	8	(38 397)	(32 290)
Other financial items	8	21 252	(1 130)
Currency gains (losses)	9	(15 087)	1 477
Net financial items		**173 232**	**22 217**
Result before taxes		**163 255**	**24 700**
Income taxes	4	(1 402)	(4 363)
Net result		**161 854**	**20 338**
Other comprehensive income			
Cash flow hedges transferred to statement of comprehensive income		394	1 021
Net gain/(loss) on available-for-sale investments		(700)	1 282
Other comprehensive income		**(306)**	**2 303**
Total comprehensive income		**161 548**	**22 641**

Statement of financial position

Assets as per December 31 (USD 1 000)	Note	2017	2016
Non-current assets			
Shares in subsidiaries	12	758 244	638 765
Shares in joint ventures	12	268 367	281 966
Loans to group companies and joint ventures	9	423 447	517 888
Derivative financial instruments	2	3 252	-
Total non-current assets		1 453 312	1 438 619
Current assets			
Current receivables		61	4 304
Group receivables		11 795	4 585
Available-for-sale investments		-	9 900
Cash and bank deposits		155 471	79 397
Total current assets		167 327	98 185
Total assets		1 620 639	1536 804

Equity and liabilities as per December 31	Note	2017	2016
Equity			
Share capital	5,13	29 425	29 425
Treasury shares	5,13	(2 764)	(2 785)
Share premium	5	172 388	172 388
Cash flow hedge reserve/available for sale investment	5	-	306
Other equity	5	779 847	632 115
Total shareholders' equity		978 895	831 448
Non-current liabilities			
Derivative financial instruments	2	-	29 375
Loans from subsidiaries	3	6 453	5 875
Long-term interest bearing debt	3	426 754	478 284
Total non-current liabilities		433 207	513 534
Current liabilities			
Proposed dividend	7	14 311	13 629
Derivative financial instruments	2	21 855	12 535
Current portion of long-term interest bearing debt	3	158 030	147 099
Other current liabilities		8 895	8 029
Loans from subsidiaries		5 446	10 529
Total current liabilities		208 537	191 821
Total liabilities		641 744	705 355
Total equity and liabilities		1 620 639	1 536 805
Guarantees	14	605 414	777 180

The Board of Directors of Odfjell SE

Bergen, March 15, 2018

Christine Rødsæther

Laurence Ward Odfjell
Chairman

Åke Gregertsen

Hans Smits

Klaus Nyborg

Jannicke Nilsson

Åse Aulie Michelet

Kristian Mørch
CEO

Statement of cash flow

(USD 1 000)	Note	2017	2016
Cash flow from operating activities			
Net result before taxes		163 255	24 700
Taxes paid		-	(1 673)
Impairment shares		5 000	8 176
Capital gain/(loss) on sale of property, plant and equipment		-	(11 985)
Unrealised currency loss/(gain)		12 444	(2 227)
Unrealised changes in derivatives		(19 526)	2 475
Dividends and (gain)/loss from sale of shares		(186 490)	(41 327)
Other short-term accruals		(3 984)	(8 663)
Net cash flow from operating activities		(29 301)	(30 523)
Cash flow from investing activities			
Sale of non-current assets		-	22 348
Dividend received/sharecapital reduction in JVs		133 682	58 213
Change in available-for-sale investments		10 000	-
Loans to/from subsidiaries		27 309	11 242
Net cash flow from investing activities		170 991	91 803
Cash flow from financing activities			
New interest bearing debt	3	197 112	136 756
Repayment of interest bearing debt	3	(250 097)	(105 121)
Dividend payment		(13 942)	-
Repurchase of treasury shares		-	(25 140)
Net cash flow from financing activities		(66 927)	6 495
Effect on cash balances from currency exchange rate fluctuations		1 310	(540)
Net change in cash balances		76 074	67 235
Cash balances as per January 1		79 397	12 162
Cash balances as per December 31		155 471	79 397

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 financial 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 recognized 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 recognized to the extent that the recoverable amount of the investment subsequently increases.

B. 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 recognized in net result or the balance sheet.

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 recognized 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 recognized as financial items in the income statement in the period the change occur.

See note 5 in the Group Financial Statements for more details regarding risk management.

C. 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 recognized 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
Financial assets and financial liabilities

Classification of financial assets and liabilities as at December 31, 2017:

(USD 1 000)	Derivatives held as hedge instrument *)	Derivatives at fair value through profit and loss *)	Loans and receivables	Available-for-sale-investment *)	Liabilities recognized at amortised cost	Non-financial assets/ liabilities	Carrying amount 2017
Assets							
Cash and cash equivalents	-	-	155 471	-	-	-	155 471
Derivative financial instruments	-	3 252	-	-	-	-	3 252
Current receivables	-	-	227 339	-	-	-	227 339
Loan to Group companies	-	-	207 965	-	-	-	207 965
Other non-financial assets	-	-		-	-	1 026 612	1 026 612
Total assets	-	3 252	590 775	-	-	1 026 612	1 620 639
Liabilities							
Proposed dividend	-	-	-	-	-	14 311	14 311
Other current liabilities	-	-	-	-	7 493	-	7 493
Loan from subsidiaries	-	-	-	-	11 899	-	11 899
Derivative financial instruments	-	21 855	-	-	-	-	21 855
Interest bearing debt	-	-	-	-	584 784	-	584 784
Total liabilities	-	21 855	-	-	604 176	14 311	640 342

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

(USD 1 000)	Derivatives held as hedge instrument *)	Derivatives at fair value through profit and loss *)	Loans and receivables	Available-for-sale-investments *)	Liabilities recognized at amortised cost	Non-financial assets/ liabilities	Carrying amount 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

*) items measured at fair value

Fair value of financial instruments

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.

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 recognized 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 267 million per December 31, 2017 compared to carrying amount of USD 264 million. Correspondingly market value was USD 209 million as per December 31, 2016 compared to carrying amount of USD 204 million.

	2017		2016	
(USD 1000)	Level 1	Level 2	Level 1	Level 2
Recurring fair value measurement				
Financial assets at fair value:				
Derivatives instruments - non hedging	-	3 252	-	-
Available - for - sale - investments	-	-	9 900	-
Financial liabilities at fair value:				
Derivatives instruments - non hedging	-	21 855	-	40 820
Derivatives instruments - hedging	-	-	-	1 091

Hedging

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 5 in the Group Financial Statements for more details regarding risk management.

Below overview shows status of hedging exposure per December 31, 2017 (figures in 1 000):

					Time to maturity – USD amounts			
Interest rates	Sold		Avg. rate	MTM 1)	<1 year	1 - 5 years	> 5 years	Total
Non hedge, interest rate swaps 2)	USD 100 000		3.19%	(3 468)	-	100 000	-	100 000

					Time to maturity – USD amounts			
Cross currency interest rate swaps	Sold		Avg. rate	MTM 1)	<1 year	1 – 5 years	> 5 years	Total
Fair value/Non hedge 3)	USD 286 828	From NOK to USD	6.31%	(15 135)	83 784	203 044	-	286 828

1) Mark to market valuation
2) All non hedge IRS` are classified as current assets/liabilities
3) Related to NOK bonds issued by Odfjell SE

Below overview shows status of hedging exposure per December 31, 2016 (figures in 1 000):

					Time to maturity – USD amounts			
Currency	Sold	Bought	Avg. rate	MTM 1)	<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 rates			Avg. rate	MTM 1)	<1 year	1 – 5 years	> 5 years	Total
Cash flow hedging, interest rate swaps	USD 50 000		3.00%	(406)	50 000	-	-	50 000
Non hedge, interest rate swaps 2)	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 1)	<1 year	1 – 5 years	> 5 years	Total
Fair value/Non hedge 3)	USD 284 203	From NOK to USD	6.63%	(35 172)	81 072	203 131	-	284 203

1) Mark to market valuation
2) All non hedge IRS` are classified as current assets/liabilities
3) Related to NOK bonds issued by Odfjell SE

Negative value MTM of the cross currency swaps related to the four outstanding bond loans of in total USD 264 million (USD 204 million in 2016), amounts to USD 15 million per December 31, 2017 (USD 35 million in 2016). Positive accumulated currency gain booked related to the same bond loans per December 31, 2017 amounts to USD 11 million (USD 23 million in 2016).

In addition to the derivatives above Odfjell SE held currency forwards to reduce exposure in subsidiaries. The result of these contracts is transferred to the respective subsidiary at maturity and therefore not recognized in Odfjell SE's separate financial statement. Fair values of these contracts are:

(USD 1000)	2017	2016
Bunkers	-	1 838
Currency	(1 994)	(367)
Derivative financial instruments	(1 994)	1 471

NOTE 3
Interest bearing debt

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. See note 8 to the Group Financial Statements for more information about interest bearing debt and covenants.

(USD 1 000)	Average interest rate [1]	2017	2016
Mortgage loans from financial institutions – floating interest rates	3.83%	315 933	373 590
Bonds - unsecured	7.81%	273 330	256 788
Subtotal interest bearing debt	5.68%	589 263	630 378
Debt transaction fees		(4 479)	(4 994)
Total interest bearing debt		584 784	625 383
Current portion of long-term debt		(158 030)	(147 099)
Total non-current interest bearing debt		426 754	478 284

[1] Average interest rate is the weighted averag of interest rates, excluding hedging as per end of 2017.

Maturity of interest bearing debt as at December 31, 2017:

(USD 1 000)	2018	2019	2020	2021	2022	2023+	Total
Loans from financial institutions – floating interest rate	90 983	46 913	112 851	53 186	11 364	635	315 933
Bonds - unsecured	67 047	60 672	-	84 940	60 672	-	273 330
Total interest bearing debt	158 030	107 585	112 851	138 127	72 035	635	589 263
Estimated interest payable	29 085	21 457	16 029	9 533	2 611	12	78 728
Total	187 114	129 042	128 881	147 660	74 646	648	667 991

Maturity of interest bearing debt as at December 31, 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 - unsecured	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

The average maturity of the Company's total interest-bearing debt is about 2.7 years. Average maturity of loans from financial institutions is 2.8 years (3.5 years in 2016), while average maturity of bonds is 2.6 years (1.6 years in 2016).

Long term loans from subsidiaries:

	Currency	Average interest rate	2017	2016
Loans from group companies	USD	5.64%	6 453	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.

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NOTE 4
Taxes

(USD 1 000)	2017	2016
Taxes payable related to withholding tax on received dividend	1 402	1 673
Deferred tax	-	2 690
Total tax expenses (income)	1 402	4 363
Effective tax rate	0.86%	20.38%

Taxes payable:

(USD 1 000)	2017	2016
Net result before taxes	163 255	24 700
Permanent differences	(172 202)	(23 524)
Changes temporary differences	7 668	13 006
Basis taxes payable	(1 279)	14 182
Group contribution with tax effect (received)	6 655	3 288
Utilisation of carried forward losses	(5 376)	(17 470)
Basis taxes payable after Group contribution	-	-

Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2017	2016
Non-current assets	6 284	7 327
Other long-term temporary differences	15 958	49 895
Financial instruments/finance expenses	(14 168)	(30 668)
Shares	-	699
Tax-loss carried forward	(138 382)	(147 785)
Net temporary differences	(130 309)	(120 531)
Tax rate	23%	24%
Total deferred tax (deferred tax assets)	(29 971)	(28 928)
Total deferred tax not accounted for	29 971	28 928
Deferred tax assets	-	-

Deferred tax asset is not 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 5
Shareholders' equity

	Share capital	Treasury shares	Share premium	Cash flow hedge reserve	Available-for-sale reserve	Retained earnings	Total equity
Shareholders' equity as per January 1, 2016	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)
Approved dividend	-	-	-	-	-	(13 629)	(13 629)
Net result	-	-	-	-	-	20 338	20 338
Shareholders' equity as per December 31, 2016	29 425	(2 785)	172 388	(394)	700	632 114	831 448
Comprehensive income	-	-	-	394	(700)	-	(306)
Purchase of Treasury shares	-	21	-	-	-	187	208
Proposed dividend	-	-	-	-	-	(14 311)	(14 311)
Net result	-	-	-	-	-	161 854	161 854
Other adjustments	-	-	-	-	-	2	2
Shareholders' equity as per December 31, 2017	29 425	(2 764)	172 388	-	-	779 845	978 895

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NOTE 6

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 December 31, 2017.

Odfjell SE also has service fee agreements and several financial transactions with Group companies, all considered being at commercial reasonable market terms. Management fee from wholly owned subsidiaries is charged with USD 8.7 million (USD 8.1 million in 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 February 14, 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. The lease-back agreement is done with Odfjell Management AS.

NOTE 7

Subsequent Events

Based on the Company`s 2017 results, including the profit from the sale of the Singapore terminal, the Board of Directors recommends a dividend payment of NOK 1.50 per share, total estimated amount NOK 117,941,060 (USD 14.3 million). Dividend to be approved at the Annual General meeting in May 2018.

NOTE 8

Financial income and expenses

(USD 1 000)	2017	2016
Dividend/Sale of shares/Group contribution	186 490	41 327
Impairment of shares in subsidaries (ref. note 12)	(5 000)	(8 176)
Intercompany interest income	22 988	20 538
Other interest income bank deposit	985	470
Total interest income	23 974	21 008
Intercompany interest expenses	(342)	(363)
Interest expenses, loans	(38 054)	(31 927)
Total interest expenses	(38 397)	(32 290)
Other financial income	7 319	8 419
Other financial expenses	(5 509)	(12 105)
Financial assets and liabilities at fair value through net result	19 442	2 556
Sum other financial income/expenses	21 252	(1 130)
Net currency gains (losses) – see note 9	(15 087)	1 477
Net financial items	173 232	22 217

NOTE 9

Currency gains (losses)

(USD 1 000)	2017	2016
Non-current receivables and debt	(16 082)	2 227
Cash and cash equivalents	935	(540)
Other current assets and current liabilities	60	(210)
Total currency gains (losses)	(15 087)	1 477

NOTE 10

Loans to Group Companies and joint ventures

(USD 1 000)	Currency	2017	2016
Norfra Shipping AS	USD	-	133 344
Odfjell Asia II Pte Ltd	USD	144 000	156 800
Odfjell Chemical Tankers AS	USD	266 697	210 151
Odfjell Chemical Tankers II AS	USD	2 750	2 874
Odfjell Management AS	USD	-	98
Odfjell Ship Management (Philippines) Inc.	USD	-	2 400
Sub total loans to Group companies		413 447	505 667
Odfjell Terminal (Jiangyin) Co Ltd	USD	-	403
Odfjell Terminals Europe BV (Shareholders loan)	USD	10 000	10 000
Oiltanking Odfjell Gmbh	USD	-	1 818
Sub total loans to Joint Ventures		10 000	12 221
Total loans to Group companies and joint ventures		423 447	517 888

NOTE 11

Salaries, number of employees, benefits to Board of Directors, CEO, other members of the Management Group and auditor's remuneration

For 2017 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 2017:

(USD 1 000)	Compensation [1]	Other benefits	Total
Laurence Ward Odfjell (Chairman)	127	-	127
Åke Gregertsen	82	-	82
Klaus Nyborg	70	-	70
Jannicke Nilsson	51	-	51
Annette Malm Justad	51	-	51
Christine Rødsæther	48	-	48
Hans Smits	28	-	28
Total	457	-	457

[1] Including compensation to some of the Directors for involvement in Joint Ventures boards.

Auditors remuneration 2017:

(USD 1 000 exclusive VAT)	2017	2016
Statutory auditing	86	136
Other assurance services	49	49
Tax advisory services	117	201
Non-audit services	33	11
Total remuneration	285	396

NOTE 12
Shares in subsidiaries and joint ventures

Subsidiaries and activities under joint control are included in the parent company financial statement based on historical cost.

Subsidiaries

	Registered office	Share/ voting rights	Book value	Result 2017	Equity 2017
Norfra Shipping AS	Norway	100%	277 435	2 042	264 921
Odfjell (UK) Ltd	United Kingdom	100%	-	17 741	273
Odfjell Argentina SA [1]	Argentina	90%	129	(100)	-
Odfjell Brasil - Representacoes Ltda	Brazil	100%	983	66	1 432
Odfjell Chemical Tankers Ltd	Bermuda	100%	436 262	267	447 707
Odfjell Insurance & Properties AS	Norway	100%	843	(17)	695
Odfjell Korea Ltd	South Korea	100%	43	(12)	(112)
Odfjell Management AS	Norway	100%	21 858	2 566	28 621
Odfjell Maritime Services AS	Norway	100%	1 929	50	2 344
Odfjell Middle East DMCC	United Arab Emirates, Dubai	100%	2 509	84	1 110
Odfjell Netherlands BV	Netherlands	100%	711	(3)	810
Odfjell Peru	Peru	100%	195	-	70
Odfjell Ship Management (Philippines) Inc	Philippines	100%	200	95	(814)
Odfjell Singapore Pte Ltd	Singapore	100%	13	142	2 481
Odfjell Tankers AS	Norway	100%	9 858	(733)	10 278
Odfjell Terminals II AS	Norway	100%	5 248	376	7 738
Odfjell USA (Houston) Inc.	USA	100%	-	1 011	2 441
Odfjell & Vapores Ltd.	Bermuda	100 %	29	(12)	(12)
Total			758 244		

[1] The company Odfjell Argentina SA is directly and indirectly 99% owned by Odfjell SE.

Shares in joint ventures

	Registered office	Share/ voting rights	Book value[1]	Result 2017 [2]	Equity 2017 [3]
Odfjell Terminals BV	Netherlands	51.0%	253 299	129 822	342 659
Odfjell Gas AS	Norway	50.0%	15 068	437	15 806
Total shares in joint ventures			268 367		

[1] Book value of shares based on historical cost
[2] Consolidated Net result in the joint venture, Odfjell share (see note 4 to the Group Financial Statements)
[3] Consolidated Equity in the joint venture, Odfjell share (see note 4 to the Group Financial Statements)

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 5 million related to the investment in Odfjell Chemical Tankers, Bermuda, Ltd.

NOTE 13
Share capital and information about shareholders

(NOK 1 000)	Number of shares	Nominal value (NOK)	(NOK 1 000) 2017	(NOK 1 000) 2016
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 December 31, 2017 according to VPS:

Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1 Norchem AS	25 966 492	3 769 381	29 735 873	43.37%	34.27%
2 Odfjell SE	5 819 093	2 322 482	8 141 575	[2]	9.38%
3 Svenska Handelsbanken AB [1]	3 228 705	2 201 510	5 430 215	5.39%	6.26%
4 Rederiet Odfjell AS	3 497 472	-	3 497 472	5.84%	4.03%
5 Odfjell Shipping Bermuda Ltd.	2 750 000	715 760	3 465 760	4.59%	3.99%
6 Pareto Aksje Norge	1 784 368	1 275 730	3 060 098	2.98%	3.53%
7 J.O Invest AS	2 903 400	-	2 903 400	4.85%	3.35%
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	2 000 000	-	2 000 000	3.34%	2.30%
10 VPF Nordea Norge Verdi	244 435	1 187 399	1 431 834	0.41%	1.65%
11 B.O. Steen Shipping AS	239 111	870 889	1 110 000	0.40%	1.28%
12 KLP Aksje Norge	726 450	223 534	949 984	1.21%	1.09%
13 EGD Shipholding AS	927 143	-	927 143	1.55%	1.07%
14 Credit Suisse (Switzerland) Ltd. [1]	550 146	288 500	838 646	0.92%	0.97%
15 AS SS Mathilda	600 000	150 000	750 000	1.00%	0.86%
16 Forsvarets Personellservice	718 000	-	718 000	1.20%	0.83%
17 Meteva AS	-	700 000	700 000	0.00%	0.81%
18 VPF Nordea Kapital	200 985	479 129	680 114	0.34%	0.78%
19 Morgan Stanley & Co. LLC [1]	608 136	-	608 136	1.02%	0.70%
20 Fondsfinans Norge	-	500 000	500 000	0.00%	0.58%
Total 20 largest shareholders	53 835 336	16 285 114	70 120 450	80.20%	80.81%
Other shareholders	11 854 908	4 793 590	16 648 498	19.80%	19.19%
Total	65 690 244	21 078 704	86 768 948	100.00%	100.00%
International shareholders	37 097 748	10 067 235	47 164 983	61.96%	54.36%
Treasury shares [2]	5 819 093	2 322 482	8 141 575	-	9.38%
Cost price treasury shares (USD 1 000)	18 160	6 730	24 890		

[1] Nominee account
[2] No voting rights for own shares ref. Public Limited Companies Act §5 -4

Source: Norwegian Central Securities Depository (VPS).

For an analysis of the 20 largest shareholders of December 31, 2017, see text in section Shareholder Information. See note 26 in the Group Financial Statements for details regarding shares owned by members of the Board and Executive Management (including related parties).

NOTE 14
Guarantees

(USD 1 000)	2017	2016
100% owned subsidiaries (credit facilities)	499 273	417 055
Joint ventures (credit facilities)	79 163	95 570
100% owned subsidiaries (third party guarantees)	26 978	54 940
Joint ventures (third party guarantees)	-	209 615
Total guarantees	605 414	777 180

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 9.0 million (USD 7.0 million in 2016). Odfjell SE has also guaranteed to Hudong-Zhonghua Shipbuilding (group) CO. Ltd on behalf of Odfjell Chemical Tankers AS, a subsidiary of Odfjell SE, with a total of USD 18.0 million in 2017 (USD 47.9 million in 2016).

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

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period January 1 to December 31, 2017, 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, March 15, 2018

Laurence Ward Odfjell
Chairman

Christine Rødsæther	Jannicke Nilsson	Åke Gregertsen
Klaus Nyborg	Hans Smits	Åse Aulie Michelet

Kristian Mørch
CEO

Auditor's Report

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

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 comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2017, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, the income statement, statements of comprehensive income, 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 are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows 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 and the Group 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 for 2017. 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

As per 31 December 2017 book value of the Group's vessels amounted to USD 1 293.5 million, representing 65 % of Group's total assets. Based on current conditions in the chemical tanker market, management identified impairment indicators and tested recoverable amounts of the vessels. Management defined two separate cash generating units ("CGUs"), the deep-sea trade together with the regional South America trade and the regional Asia trade. The Group recognized an impairment charge of USD 21 million on the regional Asia trade. No impairment charge was recognized on the deep-sea and regional South America trade

The recoverable amount of the deep-sea and regional South America trade was determined based on value in use calculations. Key assumptions for the value in use calculation were forecasted time-charter earnings, operating expenses, docking expenses, administration expenses, economic life of vessels, residual values and discount rate. The recoverable amount of the regional Asia trade was determined based on fair value less cost of disposal. Management obtained external broker valuation as evidence of fair value less cost to sell.

Considering the extent of estimates and assumptions applied in the impairment evaluation, and management's involvement and judgement in establishing them, we assess impairment of vessels as a key audit matter.

We evaluated the appropriateness of management's identification of the Group's CGUs.
For the value in use calculation, we compared estimated time charter earnings to the Group's historical data and external long-term expectations for the chemical tanker market. We compared expenses to approved budget, historical data and long-term market expectations. We performed an assessment of the reliability of management's forecast through a review of actual performance against previous forecasts and the consistency of valuation methodology applied. We involved a specialist in testing of the mathematical accuracy of the value in use calculation, and in the assessment of the discount rate applied. Furthermore, we performed sensitivity analysis of management's assumptions.

For fair value less cost of disposal, we obtained external broker valuation from management. We performed inquires of the broker and compared the valuation to external observable transactions of similar vessels and newbuilding contracts. Furthermore, we compared the broker valuation to management's value in use calculation, including the assumptions applied and performed sensitivity analysis.

We refer to note 2.6, 3 and 12 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 of Directors and Chief Executive Officer (management) are 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 these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial

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Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines 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:

- 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

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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 on 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 and in the statements on corporate governance and corporate social responsibility concerning the financial statements, 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 opinion that management has fulfilled its 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, 16 March 2018
ERNST & YOUNG AS

Eirik Moe
State Authorised Public Accountant (Norway)

Independent auditor's report - Odfjell SE
A member firm of Ernst & Young Global Limited

Fleet overview

as per March 15, 2018

Chemical Tankers	Year built	dwt	cbm	Stainless steel, cbm	Number of tanks	Ownership
Bow Neon	2017	24 786	28 644	28 644	24	Leased
Bow Palladium	2017	24 764	29 041	29 041	24	Leased
Bow Platinum	2017	25 000	16 000	16 000	24	Leased
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
Bow Compass	2009	33 609	37 994	37 994	16	Owned
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	Leased
Bow Architect	2005	30 058	36 290	36 290	28	Leased
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
Southern Quokka	2017	26 077	29 049	29 049	24	Time charter

Chemical Tankers	Year built	dwt	cbm	Stainless steel, cbm	Number of tanks	Ownership
Southern Shark	2018	25 500	14 965	14 965	26	Time charter
Horin Trader	2015	19 856	22 129	22 129	18	Time charter
Southern Koala	2010	21 290	20 008	20 008	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 Mumbai	2005	19 993	22 186	22 186	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
SG Pegasus	2011	13 086	14 523	14 523	16	Time charter
Stellar Wisteria	2011	12 601	14 715	14 715	18	Time charter
Stellar Orchid	2011	12 571	14 713	14 713	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
Sun Triton	2017	12 670	13 228	13 228	16	Time charter
Total Chemical Tankers:	**73**	**2 238 712**	**2 431 781**	**1 906 566**	**2 103**	

3rd party*	Year built	dwt	cbm	Stainless steel, cbm	Number of tanks	Ownership
CTG Argon	2017	24 761	17 139	17 139	24	Pool
SC Taurus	2017	40 964	26 364	26 364	30	Commercial Management
SC Scorpio	2017	40 964	26 364	26 364	30	Commercial Management
SC Aquarius	2016	40 901	26 364	26 364	30	Commercial Management
SC Virgo	2017	40 870	26 568	26 568	30	Commercial Management
SC Hercules	2017	40 900	26 364	26 364	30	Commercial Management
SC Gemini	2017	40 895	26 364	26 364	30	Pool
SC Draco	2016	40 924	26 364	26 364	30	Pool
CTG Cobalt	2018	25 000	17 139	17 139	24	Pool
CTG Mercury	2018	25 000	17 139	17 139	24	Pool
Total 3rd party:	**10**	**361 179**	**236 169**	**236 169**	**282**	

*Pool participation and commercial management

Summarized	Number of vessels	dwt	cbm	Stainless steel, cbm	Number of tanks
Owned	35	1 246 725	1 360 441	964 275	1 193
Time charter	24	543 170	581 773	536 582	486
Leased	9	317 036	342 803	236 427	228
Bareboat	5	131 781	146 764	124 857	196
Pool	5	156 580	104 145	104 145	132
Commercial Management	5	204 599	132 024	132 024	150
Total Chemical Tankers:	**83**	**2 599 891**	**2 667 950**	**2 098 310**	**2 385**

Newbuildings on order:

	Number of vessels	dwt	cbm	Stainless steel, cbm	Number of tanks	Delivery	Ownership
China Shipbuilding Trading Co., Ltd/	4	49 000	54 600	54 600	33	2019 - 2020	Owned/leased
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd	2	38 000	45 000	45 000	40	2020	Leased
AVIC Dingheng / CTG*	2	25 000	27 100	27 100	24	2017-2018	Leased
Shin-Kurushima	2	35 500	37 300	37 300	28	2018-2019	Time charter
Undisclosed	2	36 000	40 000	40 000	28	2019-2020	Bareboat
Total newbuildings:	**12**	**465 000**	**517 200**	**517 200**	**372**		

*In addition CTG continues to own two sister vessels which will be placed in a pool managed by Odfjell Tankers

Fleet changes since December 31, 2017:

	Year built	dwt	cbm	Stainless steel, cbm	Number of tanks	Ownership	Month
Fleet additions							
SC Aquarius	2016	40 901	26 364	26 364	30	Commercial Management	January
Bow Platinum	2017	25 000	16 000	16 000	24	Leased	January
SC Virgo	2017	40 870	26 568	26 568	30	Commercial Management	January
Southern Shark	2018	25 500	14 965	14 965	26	Time charter	January
SC Hercules	2017	40 900	26 364	26 364	30	Bareboat	January
SC Gemini	2017	40 895	26 364	26 364	30	Pool	February
SC Draco	2016	40 924	26 364	26 364	30	Pool	February
CTG Cobalt	2018	25 000	17 139	17 139	24	Pool	February
CTG Mercury	2018	25 000	17 139	17 139	24	Pool	February
Fleet redeliveries							
Celsius Monaco	2004	19 999	11 986	11 986	20	Time charter	January
Bow Heron	2008	33 707	38 000	38 000	16	Time charter	January
Southern Ibis	2009	19 905	22 158	22 158	20	Time charter	January
Southern Jaguar	2009	19 997	11 757	11 757	20	Time charter	February
Gion Trader	2015	19 833	22 130	22 130	18	Time charter	March

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**	

Terminals overview

as per March 15, 2018

Tank terminals	Location	Ownership [1]	cbm	Stainless steel, cbm	Number of tanks	
Odfjell Terminals (Rotterdam) BV	Rotterdam, Netherlands	51%	1 622 470	32 550	270	
Odfjell Terminals Maritiem BV	Rotterdam, Netherlands	51%	0	0	0	jetty services
Odfjell Terminals (Houston) Inc.	Houston, USA	51%	379 658	113 186	119	
Odfjell Terminals (Charleston) LLC	Charleston, USA	51%	79 400	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	Ulsan, Korea	25.50%	313 710	15 860	85	
Odfjell Nangang Terminals (Tianjin) Co.,Ltd	Tianjin, China	24.99%	137 800	7 000	26	
Noord Natie Terminals NV	Antwerp, Belgium	12.75%	348 499	37 980	240	
Total terminals	8 terminals		3 101 087	254 926	822	

Projects and Expansions	Location	Ownership [1]	cbm	Stainless steel, cbm	Estimated Completion
Odfjell Changxing Terminals (Dalian) Co.Ltd	Changxing, China	20.4%	0	0	TBD
Total expansion terminals			0	0	

Tank terminals partly owned by related parties	Location	cbm	Stainless steel, cbm	Number of tanks
Depositos Quimicos Mineros S.A.	Callao, Peru	66 230	1 600	55
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	75 710	0	35
Granel Quimica Ltda	Sao Luis II, Brazil	49 680	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	38 720	530	60
Odfjell Terminals Tagsa S.A.	Campana, Argentina	68 670	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	552 740	35 100	455

Projects and Expansions tank terminals partly owned by related parties	Location	cbm		Estimated Completion
Granel Quimica Ltda	Santos II, Brazil	51 910	0	2Q 2019
Total expansion tank terminals partly owned by related parties		51 910	0	

Grand total (incl. related tank terminals partly owned by related parties)	21 existing terminals	3 653 827	290 026

[1] Odfjell SE's indirect ownership share

ODFJELL

Glossary

Ballast
Amount of unpaid cargo carried 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 meter, volume measurement = 1 meter high x 1 meter wide x 1 meter deep = 1m³ = 1,000 liters.

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 organization, 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 colorless, odorless, incombustible gas present in the atmosphere and formed during respiration, combustion and organic decomposition.

Deadweight tonne (dwt)
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 five 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 meter of cargo or as a lump sum for the total cargo.

G/TNM
Gramme per tonne nautical mile.

IMO
International Maritime Organization, 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 formalized 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 nterbank 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.

NH_3
Ammonia.

NIS
Norwegian International Ship register.

NOx
Mono-nitrogen oxides. Nitrogen combined with oxygen to form a variety of compounds.

OECD
The Organization for Economic Cooperation and Development. An international organization 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
Cooperation 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 (1 ppm = 0.000001 or 1 mg/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 Watchkeeping for 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 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 meters). 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.

Transshipment
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.

TRCF
Total recordable case frequency (TRCF) is calculated similarly to LTIF, but also includes restricted work cases and medical treatment cases.

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 shipowner 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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