# ANNUAL REPORT 2018

ODFJELL

ANNUAL REPORT 2018

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## Financial calendar 2019

| | |
|---|---|
| 1st quarter report | May 8, 2019 |
| 2nd quarter report | August 23, 2019 |
| 3rd quarter report | November 6, 2019 |
| 4th quarter report | February 13, 2020 |

The Annual General Meeting will be held May 7, 2019.

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

Front page: Norwegian fjords

Printing Using Eco Friendly Recycled Paper


MOST OF THE PRODUCTS WE USE IN OUR EVERYDAY LIFE ARE MADE BY USING CHEMICALS – FROM THE CLOTHES WE WEAR TO THE WATER BOTTLE WE DRINK FROM, AND THE MEDICINE WE SOMETIMES TAKE. OUR JOB IS TO TRANSPORT AND STORE THESE CHEMICALS, AND TO MAKE SURE THAT OUR CUSTOMERS ALL OVER THE WORLD GET THEM DELIVERED SAFELY, EFFICIENTLY, ON TIME.

Sounds easy – but the logistics behind the perceived simplicity of this task are immensely complex. 2 530 colleagues around the world work to secure safe and reliable storage and coordinate the transport of more than 600 different chemicals, each one requiring special handling. The expertise of our people makes all the difference.

Safety and sustainability are at the heart of our work - it is our responsibility, and our license to operate. Onshore in the USA, Belgium, China, and Korea, our terminals teams operate a total of 553 tanks with a capacity of 1.51 million cubic meters. That is equal to 7.9 million bathtubs. On the oceans, our 83 highly sophisticated chemical tankers make 320 port calls and transport 15 125 611 tonnes during a year, in all weather conditions, day and night. The distance our ships sail is the equivalent of going 212 times around the equator.

We bring the chemicals to the producers, so that they can make the rainwear for your hike, the football for your soccer team, the wheels for your bike, the paint and insulation for your home, the coating on your windshield, and an almost endless array of everyday items - PCs, makeup, phones, clocks, cooking oil, medicines, to list but a few.

We ship and store the building blocks for industries, markets, consumers, and we are proud to do so.

# Key figures
## 2018

**ODFJELL GROUP** (equity method)

| | | |
|---|---|---|
| Gross revenue | USD | 851 million |
| EBITDA | USD | -31 million |
| Operating result (EBIT) | USD | -131 million |
| Net result | USD | -211 million |

Energy Efficiency Operational Indicator (EEOI)

16.62: **1.1% additional improvement from record year 2017**

20% **less than benchmark year 2009**

Launch of the first of our four 49 000 dwt newbuildings, November 23, 2018.

## Volume shipped
# 15 125 611 tonnes

Total dwt vessels:
**2.6 million tonnes**

Total cargo operations:
**11 408**

Nautical miles sailed by the Odfjell fleet:
**4 595 399** – equals 212 times around equator

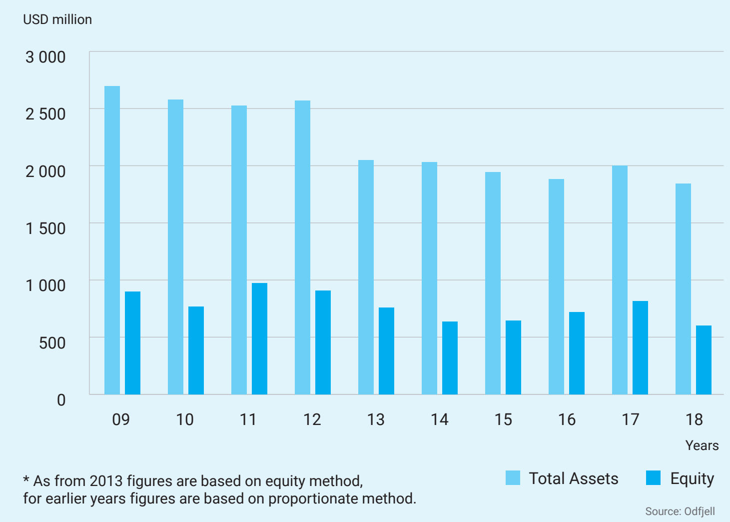
2 530
Employees

17
Offices

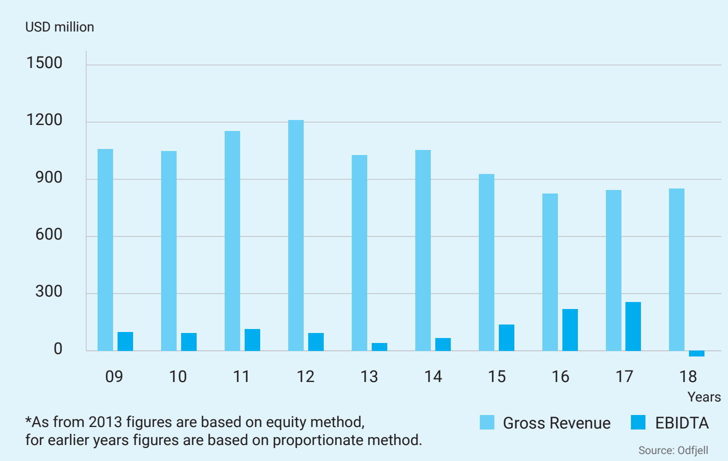
83
Chemical tankers

7
Terminals

Assets / Equity per year*




Gross Revenue / EBIDTA per year*



# Highlights 2018

**January 3**
SC Aquarius enters the fleet on commercial management

**January 5**
Bow Platinum enters the fleet as part of Chempool 25

Odfjell Compass strategy 2.0 is launched

**January 17**
SC Virgo enters the fleet on commercial management

**January 25**
SC Hercules enters the fleet on commercial management

**February 2**
SC Gemini enters the fleet on commercial management

**February 3**
CTG Mercury enters the fleet as part of Chempool 25

CTG Cobalt enters the fleet as part of Chempool 25

**March 15**
Bow Titanium enters the fleet as part of Chempool 25

**April 9**
SC Capricorn enters the fleet on commercial management as part of Chempool 40

**May 20**
Odfjell Terminals Houston receives Eastman's Supplier Excellence Award

**May 22**
Odfjell receives Lyondell Safety Performance Award

**May 25**
CTG Bismuth enters the fleet as part of Chempool 25

**May 31**
Bow Tungsten enters Odfjell Ship Management portfolio

**August 2**
Odfjell announces agreement with Koole Terminals BV for sale of Rotterdam terminal

**August 28**
CTG Magnesium enters the fleet as part of Chempool 25

**September 19**
Delivery of Bow Sagami on commercial management

**September 20**
Sale of Odfjell Terminals Rotterdam is finalized

**September 21**
Chempool 40 kickoff

**September 26**
SC Hercules renamed Bow Hercules and delivered to Odfjell Ship Management and Chempool 40

**October 11**
SC Taurus delivered to Chempool 40

**October 17**
Bow Precision enters the fleet

**October 21**
SC Virgo delivered to Chempool 40

**October 30**
SC Gemini renamed Bow Gemini and delivered to Odfjell Ship Management and Chempool 40

**November 22**
Odfjell Terminals BV becomes a 100% Odfjell SE controlled holding company

Odfjell Terminals BV increases ownership in Antwerp's Noord Natie terminal to 25%

**November 28**
The first of four 49 000 dwt newbuildings is launched

**December 4**
SC Aquarius renamed Bow Aquarius and delivered to Odfjell Ship Management and Chempool 40

# Key Figures/Financial Ratios

| ODFJELL GROUP | Figures in | 2018 | 2017 | 2016 | 2015 | 2014 | 2013**) | 2012**) | 2011**) | 2010**) | 2009**) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **From Profit and Loss Statement** | | | | | | | | | | | |
| Gross revenue | USD mill. | 851 | 843 | 825 | 929 | 1 053 | 1 027 | 1 212 | 1 154 | 1 048 | 1 058 |
| EBITDA 1) | USD mill. | (31) | 255 | 218 | 137 | 66 | 41 | 93 | 113 | 94 | 99 |
| Depreciation and impairment | USD mill. | (100) | (111) | (101) | (109) | (94) | (89) | (132) | (122) | (124) | (119) |
| Capital gain (loss) on non-current assets | USD mill. | - | - | 13 | - | 7 | (9) | (4) | 31 | (6) | 44 |
| EBIT 2) | USD mill. | (131) | 144 | 130 | 28 | (22) | (57) | (43) | 21 | (36) | 11 |
| Net financial items | USD mill. | (75) | (51) | (23) | (58) | (53) | (46) | (68) | (35) | (30) | (28) |
| Net result from discontinued operation | USD mill. | - | - | - | - | - | - | - | 288 | 33 | 30 |
| Net result allocated to shareholders' equity before extraordinary items *) | USD mill. | (211) | 91 | 100 | (36) | (75) | (108) | (111) | 269 | (79) | 11 |
| Net result allocated to shareholders' equity | USD mill. | (211) | 91 | 100 | (36) | (75) | (108) | (111) | 269 | (79) | 121 |
| Net result | USD mill. | (211) | 91 | 100 | (36) | (75) | (108) | (111) | 269 | (79) | 121 |
| Dividend | USD mill. | - | 14 | 14 | - | - | - | - | 14 | - | 12 |
| **From Balance Sheet** | | | | | | | | | | | |
| Total non-current assets | USD mill. | 1 556 | 1 674 | 1 589 | 1 679 | 1 761 | 1 791 | 1 993 | 2 140 | 2 195 | 2 256 |
| Current assets | USD mill. | 286 | 326 | 293 | 264 | 271 | 258 | 576 | 388 | 385 | 442 |
| Shareholders' equity | USD mill. | 601 | 816 | 719 | 645 | 638 | 759 | 908 | 973 | 766 | 901 |
| Minority interests | USD mill. | - | - | - | - | - | - | 7 | 6 | 6 | 5 |
| Total non-current liabilities | USD mill. | 928 | 855 | 878 | 1 095 | 880 | 1 055 | 1 141 | 1 244 | 1 356 | 1 475 |
| Current liabilities | USD mill. | 313 | 329 | 286 | 203 | 514 | 235 | 514 | 305 | 451 | 318 |
| Total assets | USD mill. | 1 842 | 2 000 | 1 883 | 1 943 | 2 032 | 2 049 | 2 569 | 2 528 | 2 580 | 2 699 |
| **Profitability** | | | | | | | | | | | |
| Earnings per share - basic/diluted - before extraordinary items 3) | USD | (2.68) | 1.15 | 1.27 | (0.41) | (0.95) | (1.35) | (1.37) | 3.43 | (0.46) | 0.13 |
| Earnings per share - basic/diluted 4) | USD | (2.68) | 1.15 | 1.27 | (0.41) | (0.95) | (1.35) | (1.37) | 3.43 | (0.99) | 1.42 |
| Return on total assets - before extraordinary items *) 5) | % | (7.1) | 7.8 | 7.9 | 0.4 | (1.6) | (3.6) | (2.3) | 12.4 | 0.4 | 2.3 |
| Return on total assets 6) | % | (7.1) | 7.8 | 7.9 | 0.4 | (1.6) | (3.6) | (2.3) | 12.4 | (1.2) | 6.5 |
| Return on equity - before extraordinary items *) 7) | % | (29.8) | 11.8 | 14.6 | (5.6) | (10.8) | (12.8) | (11.6) | 30.6 | (4.2) | 1.4 |
| Return on equity 8) | % | (29.8) | 11.8 | 14.6 | (5.6) | (10.8) | (12.8) | (11.6) | 30.6 | (9.4) | 14.9 |
| Return on capital employed 9) | % | (8.1) | 8.8 | 7.9 | 1.7 | (0.9) | (6.4) | (2) | 2.5 | 0.8 | 3.6 |
| **Financial Ratios** | | | | | | | | | | | |
| Average number of shares | mill. | 78.70 | 78.61 | 78.69 | 86.77 | 78.74 | 79.39 | 80.60 | 78.56 | 79.29 | 85.22 |
| Basic/diluted equity per share 10) | USD | 7.63 | 10.38 | 9.15 | 7.44 | 7.35 | 9.67 | 10.46 | 12.71 | 9.75 | 11 |
| Share price per A-share | USD | 3.39 | 3.87 | 3.39 | 3.22 | 3.88 | 6.74 | 4.29 | 5.99 | 9.23 | 9.03 |
| Interest-bearing debt | USD mill. | 1 123 | 1 084 | 1 042 | 1 168 | 1 163 | 1 136 | 1 221 | 1 246 | 1 527 | 1 576 |
| Bank deposits and securities 11) | USD mill. | 168 | 207 | 174 | 126 | 105 | 94 | 170 | 205 | 142 | 185 |
| Debt repayment capability 12) | Years | N/A | 4.4 | 4.6 | 14.3 | 124.8 | 15.7 | 45.1 | 2.8 | 11.4 | 10.6 |
| Current ratio 13) | | 0.9 | 1.0 | 1.0 | 1.3 | 0.5 | 1.1 | 1.1 | 1.3 | 0.9 | 1.4 |
| Equity ratio 14) | % | 33 | 41 | 38 | 33 | 31 | 37 | 36 | 39 | 30 | 34 |
| **Other** | | | | | | | | | | | |
| USD/NOK rate at year-end | | 8.69 | 8.24 | 8.65 | 8.8 | 7.43 | 6.08 | 5.59 | 6.01 | 5.85 | 5.76 |
| Employees at year-end | | 2 530 | 2 693 | 2 890 | 3 034 | 3 311 | 3 352 | 3 540 | 3 761 | 3 796 | 3 707 |

*) Extraordinary items are retroactive tax in 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.

# A turning point?

"Towards the end of the year we saw signs of improving markets, and we believe that 2018 was indeed a turning point. We are approaching 2019 and the future with optimism – Odfjell represents a strong and efficient operational platform in an industry that has strong fundamentals."

Kristian Mørch, CEO

2018 was a very challenging year for Odfjell. The chemical tanker markets were at their lowest point in 15 years, and we had to post an unsatisfactory net loss of USD 211 million.

We also had to restructure our terminal division, and we experienced two serious incidents on board two of our vessels. The challenges we met affected our entire organization, on our ships, at our terminals and in our offices, but not only did we pull through – we also accomplished a lot:

**Operational performance:** We continue to increase our competitiveness in terms of cost, efficiency and general operational performance – thanks to the hard work and dedication of our worldwide team.

**Fleet renewal:** We are more than halfway through our extensive fleet renewal program, which is significantly strengthening our position in the market. Once completed, we will have one of the most energy-efficient and environmentally friendly chemical tanker fleets in the world.

**Terminals:** We have made significant changes and improvements in our terminal portfolio and setup; the sale of our Rotterdam terminal, increased ownership in Antwerp, and a new partner in the US. Despite the impairments related to Rotterdam, these changes have had an immediate and positive impact on our financial performance and cash flow that will allow us to strengthen our position in markets with very attractive fundamentals.

**Safety:** We continue our uncompromising focus on safety, and once again we have improved on our annual safety statistics. But, in 2018 we lost one colleague in a terrible accident, and we also had a significant oil spill in Rotterdam – which make statistics seem meaningless. We must investigate, learn, and do everything in our power to make sure such tragic incidents will never happen again.

**Digitalization:** We are rolling out new digital solutions to offer our customers a world class service. On board and ashore, innovative digital tools are increasing efficiency, safety, communications and performance.

**Sustainability:** We launched an ambitious sustainability strategy in 2018, committing Odfjell to take major steps towards following the UN's Global Sustainable Development Goals. It is now less than a year until the IMO 2020 regulations are enforced. This will have a significant impact on the global shipping industry. We invest heavily in finding ways to reduce overall emissions, not just sulphur. Our view is that we need to burn as little fuel as possible, and invest in long-term solutions such as alternative fuels and other ways to optimize propulsion related energy consumption. We have to date decided against scrubbers as they actually increase emissions, and we do not consider them a sustainable way of solving the environmental challenges we face.

**Customer service:** In a fast-paced world with uncertain political and economic conditions, the ability to react quickly and thrive in change is essential – without losing sight of safety and long-term sustainability. “Better solutions” are keywords for us today and in coming years. We need to continuously work to improve our service by adding value to our customers' value chain. We are renewing our fleet, we are strengthening our foothold in our core terminals, exploring further integration between shipping and terminals, and we are introducing digital and sustainable innovations. In combination with caring for our people and never compromising on safety, these measures raise the level of operational excellence for the good of our customers, the environment and our investors.

Towards the end of the year we saw signs of improving markets, and we believe that 2018 was indeed a turning point. We are approaching 2019 and the future with optimism – Odfjell represents a solid and efficient operational platform in an industry that has strong fundamentals.

We are well prepared for the future.

Stay safe,
Kristian Mørch, CEO

# Navigating by the Odfjell Compass

**From its launch in 2017, the Odfjell Compass strategy has been guiding the company in its strategic direction. The ambitious strategy sets specific targets for reaching higher levels of sustainable operational excellence at sea and on shore, for tankers and terminals alike.**

Through 2018, we built on the progress made the previous year. A compass sets direction while still allowing for new routes if conditions change along the way, and our strategic work is continuously in progress. The entire organization is involved on a daily basis in reaching targets based on the following long-term goals:

**Safety**
Zero incidents

**Tankers scale**
Target an operated fleet of about 100 vessels, to benefit from scale advantages

**Terminals**
Operate terminals in key locations, ideally where operational synergies with Odfjell Tankers are possible

**Top-line**
Average revenue growth of 10% per year (over time)

**Profitability**
Industry leading EBITDA margin

Our long-term targets set the course, and we always aim to deliver world class services, in the most sustainable way.

## 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

## 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**

## 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

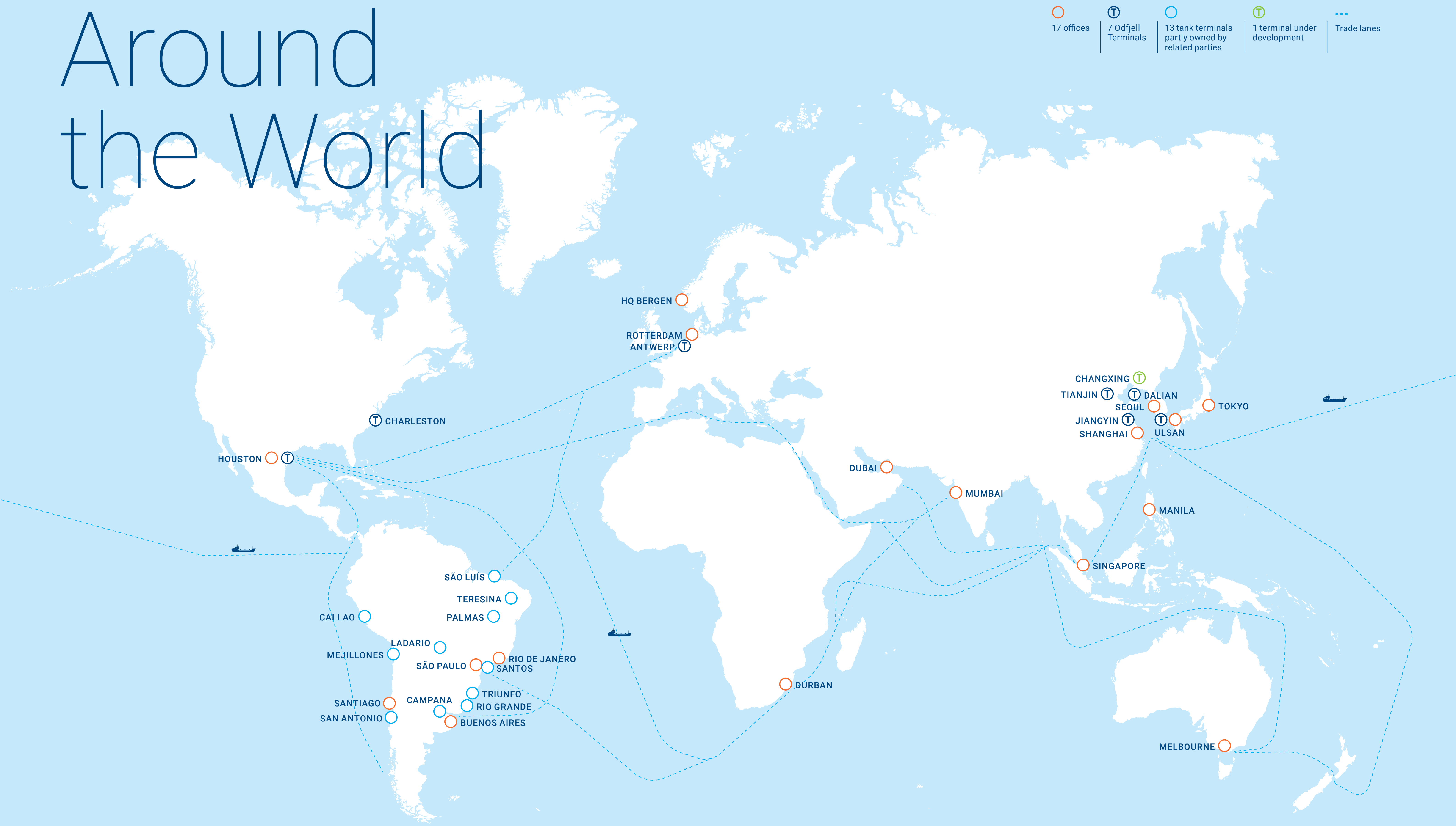
## Guiding Principles

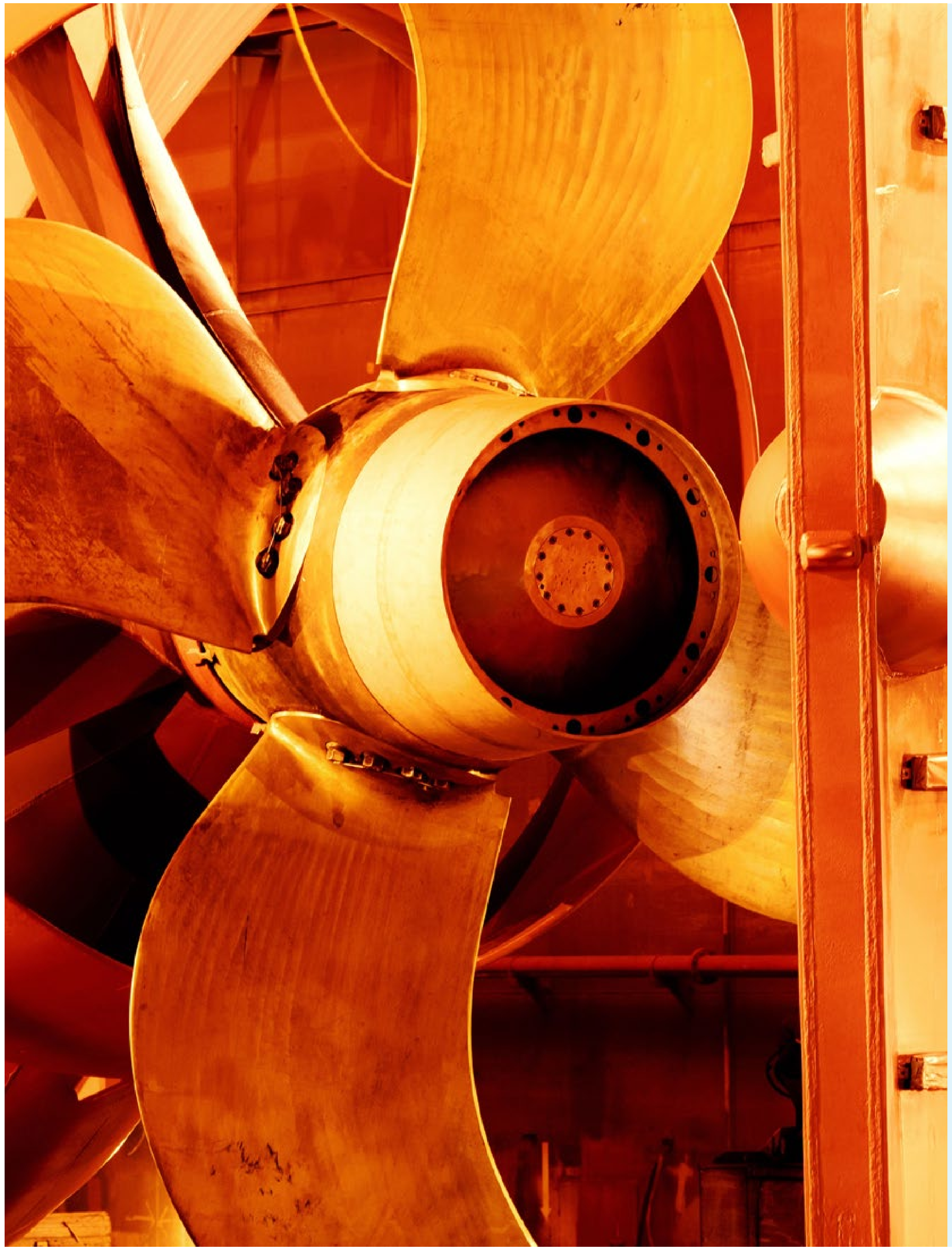
**SAFE**
We do not compromise on safety

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

**CORE BUSINESS**
Chemical tankers and Terminals are our core business

# Around the World





# Our operations

ODFJELL OFFERS SAFE, EFFICIENT AND COMPETITIVELY PRICED HANDLING, STORAGE AND TRANSPORTATION OF OUR CUSTOMERS' PRODUCTS, WORLDWIDE. WHILE ODFJELL TANKERS OPERATES AND OWNS CHEMICAL TANKERS, ODFJELL TERMINALS SERVICES CUSTOMERS' STORAGE REQUIREMENTS. THIS MAKES US A FULLY INTEGRATED LOGISTICS PROVIDER FOR CHEMICAL PRODUCERS, OIL MAJORS AND TRADERS.

# Odfjell Tankers and Ship Management

## Fleet renewal, consolidation and partnerships

2018 can be described as a transitional year, during which we implemented our strategy of strengthening our organization and chemical tanker fleet. These steps have enabled us to maximize the advantages of being an operator and a technical manager of chemical tankers, and we enter 2019 with a larger and more competitive fleet.

- New, efficient vessels replaced older and uneconomic tonnage: throughout 2018, we concluded 31 vessel transactions through deliveries, redeliveries and pools.
- The establishment of our two separate pools is now complete. The pools have been operated since 2017 and 2018 with our partners CTG and Sinochem respectively. The pools give Odfjell access to new, fuel-efficient and eco-friendly vessels in a capital-efficient way. Chempool 25 in cooperation with CTG includes 15 new 25 000 dwt chemical tankers, while Chempool 40 in cooperation with Sinochem includes eight 40 900 dwt vessels.

"These pools are healthy financial and managerial decisions for Odfjell and they also contribute to a much needed tanker market consolidation."

Harald Fotland, COO

- We reduced our time charter expenses by 25% compared to 2017. This is in part due to older and more expensive time charters being replaced by owned tonnage and pool vessels. The drop is also a reflection of renewed charters being concluded at lower rates than before.
- The replacement of older and inefficient time charter/ bareboat vessels continues in 2019, as we take delivery of two newbuilds on long-term bareboat and time charters, while redelivering older tonnage to its owners.
- We have merged the organizations of Odfjell Tankers and Odfjell Ship Management to further strengthen internal synergies.
- Our Ship Management operations have been consolidated into one entity at our headquarters in Bergen.
- We have entered into a strategic partnership with an external ship manager for parts of our fleet.

"The restructuring of our fleet and our investments in newbuildings have been done at a very favorable time in the chemical tanker cycle. This substantial fleet renewal will strengthen Odfjell's competitiveness through favorable purchase prices, low unit costs, and it adds sophisticated, eco-friendly and efficient tonnage to our fleet."

Harald Fotland, COO

### 2018 Chemical tanker market

2018 was another challenging year for chemical tankers, with continued strong demand fundamentals being negatively impacted by surplus vessel supply.

Global GDP growth was relatively strong in most of our core markets, but concerns about future developments increased towards the end of the year. This was driven by the impact from extended trade protectionism, especially between the US and China. These nations are two of the most important markets for liquid chemicals. Although we have not yet noted a trade decrease in our tonne-miles, any slowing GDP growth in these two countries will indirectly impact end-user demand for chemicals.

The large crude oil tankers have experienced a sharp drop in spot earnings throughout the year. This was also the trend in the larger clean market (LR1 + LR2) and the MR market, where rates were, at times, below operating expenses. This was one of the main reasons for the increased supply pressure for chemical tankers.

Towards the end of the year however, earnings improved for crude and product tankers. This impacted the chemical tanker market positively, as swing tonnage returned to clean petroleum products.

We note that most market observers expect the general tanker markets to continue improving in 2019 and 2020, partly because of increased shipments of products due to upcoming IMO 2020 regulations.

Chemical tanker demand continued its steady growth in 2018. Odfjell's in-house research team forecasts that tonne-mile demand will grow faster in 2019 and surpass net fleet growth for the chemical tanker fleet.

### Safety and pollution

In 2018, we experienced a tragic fatality on board the Bow Sun: a crew member sadly passed away after a work-related incident. This accident overshadowed everything else, and is a stark reminder that we must always keep safety at the core of everything we do.

We also experienced an oil spill from one of our ships: Bow Jubail had a manoeuvring incident in Rotterdam which resulted in a bunker oil spill. The spill was, to a large degree, contained thanks to the swift and professional response from all parties involved. We cooperated closely with the Dutch authorities, local experts and partners to mitigate the consequences of this most unfortunate incident.

Despite a challenging year, our ambitions remain the same and we are redoubling our efforts to realize our goal of zero fatalities, zero injuries and zero pollution in the coming years. We are intensifying our pursuit of safety, risk identification and mitigation on board our vessels and onshore. Safety is our number one priority.

### The way forward

In 2019, we will continue to focus on improving our core activities:

- Safe Operations
- Effective Port Rotations
- Customer Commitment

These initiatives will be supported by several digitalization projects where the common denominators will be cost-efficiency and improved service levels (read more on page 32).

The changes to our fleet will continue into 2019. Delivery of our six newbuildings from the Hudong Shipyard in China will commence from July 2019, with the remaining vessels scheduled for delivery every three months after that.

The new vessels will consume 14% less fuel compared to older vessels in our fleet, and have 35% more cargo space. In sum, our unit costs will be reduced by 32%.

Since our purchase, price offers for this specialized tonnage have increased substantially. Timing is essential given the cyclical nature of the shipping industry, and we are confident that we timed our investments right in the current downturn.

### IMO 2020

The international Maritime Organization (IMO) will enforce a new 0.5% global sulphur cap on fuel content from January 1, 2020, lowering it from the current 3.5% limit. This means that Odfjell's fleet needs to move away from consuming heavy fuel oil (HFO) with 3.5% sulphur content, and move towards marine gas oil (MGO) or new, compliant 0.5% fuels.

The new regulations may impact the cost of bunker fuel for Odfjell Tankers. Our bunker consumption currently consists of 85% HFO and 15% MGO. The key question is, what will be the cost of the new, compliant 0.5% fuel and MGO? We have a natural hedge against rising fuel prices through bunker adjustment clauses in our contracts, and we expect the increased costs to be passed on to customers.

Odfjell has been thoroughly preparing for the transition since 2016 and we are on target to start using compliant fuel from January 1, 2020.

## Odfjell Tankers

- Odfjell's chartering and operations organization, in charge of sales, customer relationships, contract management and commercial operations worldwide.
- Works closely with our subsidiary Flumar, which covers the intra-regional South American markets.
- Operates a total fleet of 83 vessels as of December 31, 2018.
- Nine vessels under construction in China and Japan.
- 11 strategically located marketing offices worldwide.
- Headquartered in Bergen, Norway.


Odfjell Tankers' Ship Operator Shamlin Chetty and Senior Ship Operator Unni Monsvold Mjelde.


Drydocking Superintendent Yoana Leon Valdivia inspecting a tank onboard Bow Triumph.

## Odfjell Ship Management

- One of Europe's largest and most complete teams for ship management.
- Technical operator of 54 Odfjell vessels as of December 31, 2018.
- Ensures safe and efficient operations of the vessels, in compliance with governing rules and regulations.
- Monitors the services of external ship managers, who oversee the technical management of 11 vessels.
- Subsidiary Flumar has technical management of five vessels.
- Headquartered in Bergen, Norway.

"Chemical Transportation Group (CTG) has enjoyed a truly positive and transparent experience working with Odfjell on the formation of Chempool 25. In challenging market conditions it is comforting to have a partnership with a firm such as Odfjell."

Chris Teryazos, CEO, CTG

**Chemical tanker outlook**
The trade pattern for chemical tankers has, in recent years, experienced significant structural shifts due to growing chemical production centers in the US, Middle East, and China. These shifts have disconnected the seaborne chemicals trade from its traditional link to GDP growth, a trend that is expected to continue in the near-term, as well as the long-term.

We live in a world dependent on chemicals - which secures long-term sustainable demand for Odfjell's services. Chemicals are the building blocks of countless indispensable products that are used every day, all over the world.

The lack of any sustainable alternatives supports a robust, long-term growth for chemical products. This makes chemicals a key investment area for downstream companies, resulting in incremental shipments of liquid chemicals.

**Plastics and fertilizers**
Plastics and fertilizers are the two largest groups of chemicals. Synthetic nitrogen fertilizers underpin nearly half of the world's food production. On a per capita basis, advanced economies are today consuming ten times more fertilizer than developing economies. The main drivers are a growing population and a growing middle class, expected to correlate with global GDP growth.

Plastics are the fastest growing group of bulk materials with a compounded annual growth rate (CAGR) of 4.7% since 1990. Plastics have even outgrown global GDP growth by 60% since 1970. The International Energy Association (IEA) forecasts that plastic demand will grow by 2.5% CAGR by 2035. This estimate far exceeds other bulk materials and, most importantly, the more closely related commodities: crude oil and refined products.

**Crude oil and refined products**
Stronger growth prospects compared to crude oil and refined products are expected to drive the chemical tanker industry moving forward.

Growing demand for chemical products stimulates global downstream players to vertically integrate petrochemical facilities at their refineries, aiming to maximize the value and extend the lifetime of their crude oil and natural gas resources.

"The mutual trust and confidence which we have developed with Odfjell Tankers over the last year of commercial management and pooling is founded in their unwavering commitment to safety, quality and transparency of operations exhibited twenty-four seven."

Zhang Xin, CEO, Sinochem Shipping Singapore Pte. Ltd.

Chemical manufacturing is the largest industrial consumer of oil and gas. Today, this industry absorbs 14% of the current crude oil production and 8% of the natural gas production. According to the IEA, the industry will account for 30% of oil demand growth and 7% of natural gas demand growth by 2030.

"The fundamentals point to the seaborne trade of chemicals growing faster than the underlying demand. New trade patterns will contribute to this situation with average hauls two to three times the average hauls of the chemical tanker fleet today. This will increase the number of vessels needed to transport every tonne. In sum, fundamentals support robust and sustainable demand growth for the seaborne trade of liquid chemicals."

Bjørn Kristian Røed, Manager IR and Research

## Trade lanes

Middle East

Asia

Round the world

South America

Transatlantic

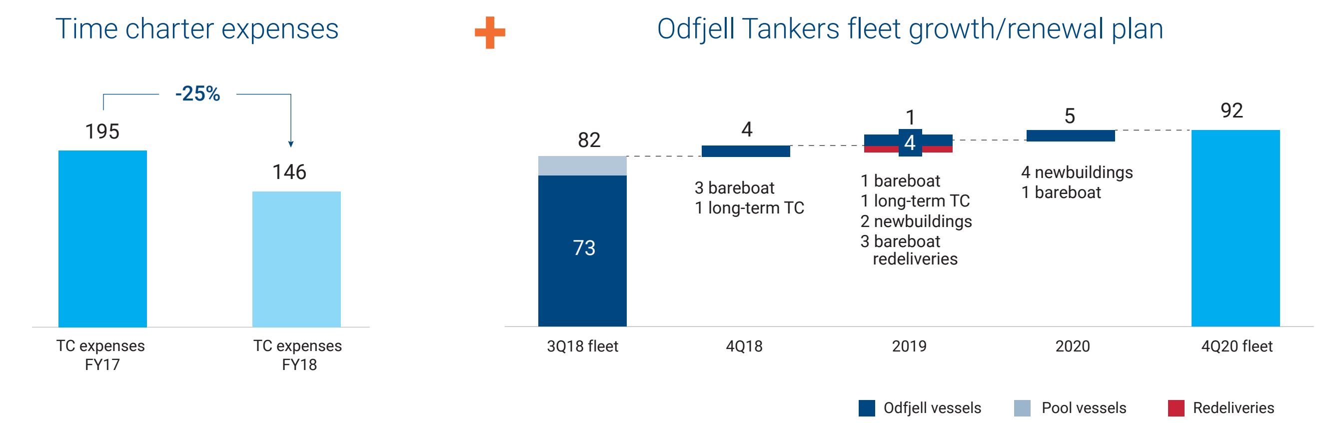
Investments in chemical production facilities are expected to go mostly to the US and Middle East, due to abundant availability of low-cost feedstock. Investments will also be focused on China, the largest market and demand-driver for chemicals. It is expected that China will continue to experience the highest growth in demand, on a nominal basis, for the foreseeable future.

The trend of a growing dislocation between where chemicals are produced and to where they are consumed continues. Only a limited number of new chemical facilities are built without being able to turn to exports, if needed. Seaborne trade of liquid chemicals accounts for 15% of total production. Based on the fundamentals, we expect this ratio to increase and support demand for seaborne trade of chemicals.

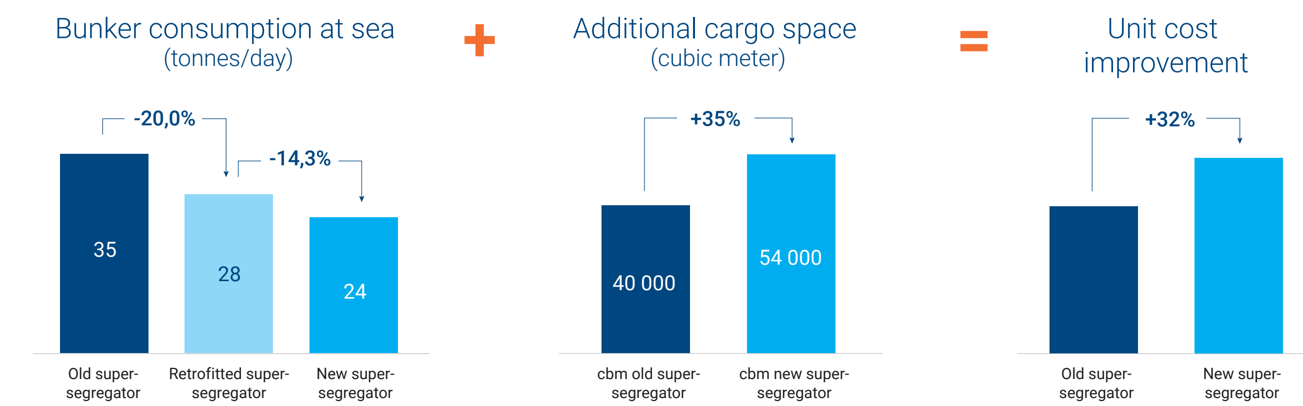
For more information about Odfjell Tankers and Ship Management, visit Odfjell.com/tankers/

Bow Jubail at Morehead, North Carolina.

Odfjell Tankers TC expenses and vessel delivery plan




Lower bunker consumption and additional space lowering our unit costs

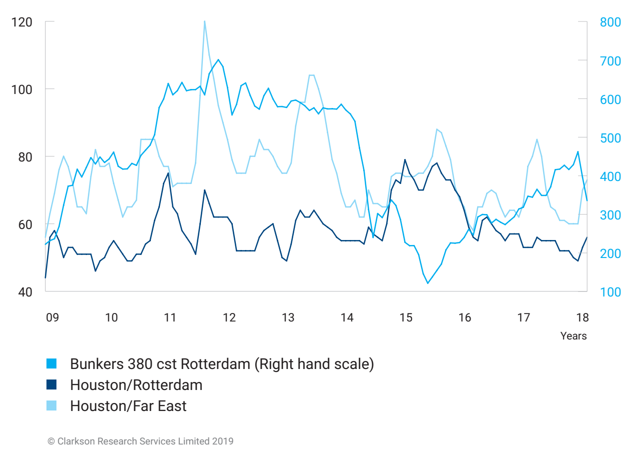



- We have in the last year replaced old and inefficient tonnage with new modern tonnage through newbuilds, time charters and pools
- The increased ratio of modern and fuel efficient tonnage will continue with delivery of new vessels through 2019 and 2020
- For years, Odfjell has systematically reduced the fleet's fuel consumption
- New vessels will have more cargo space
- In sum, new vessels will have unit cost improvement of 32% equivalent to USD 4 000/day

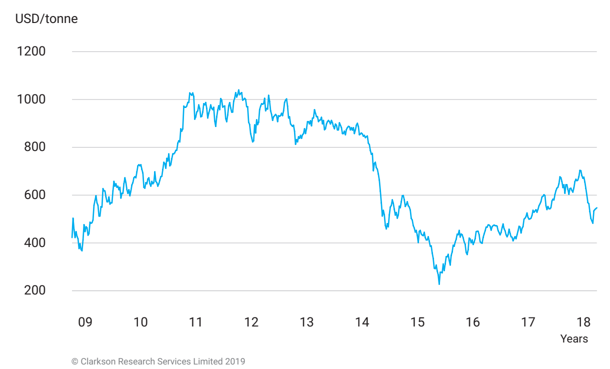
| CHEMICAL TANKERS* | Figures in | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross revenue | USD mill. | 851 | 843 | 832 | 940 | 1 042 | 1 028 | 1 066 | 1 056 | 999 | 1 021 |
| Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA) | USD mill. | 109 | 125 | 188 | 147 | 97 | 98 | 65 | 61 | 59 | 73 |
| Operating result (EBIT) | USD mill. | 8 | 14 | 98 | 37 | 3 | 3 | (35) | (9) | (8) | (6) |
| Total assets | USD mill. | 1 664 | 1 643 | 1 544 | 1 586 | 1 654 | 1 625 | 1 749 | 1 439 | 1 593 | 1 398 |
| Volume shipped | 1 000 tonnes | 15 126 | 13 648 | 13 510 | 13 630 | 15 440 | 18 215 | 19 546 | 18 500 | 19 303 | 19 414 |
| Number of ships per December 31 | | 83 | 79 | 73 | 74 | 77 | 81 | 96 | 98 | 86 | 95 |
| Total deadweight per December 31 | 1 000 tonnes | 2 628 | 2 408 | 2 217 | 2 187 | 2 236 | 2 273 | 2 684 | 2 717 | 2 352 | 2 603 |

*This table also includes "corporate".

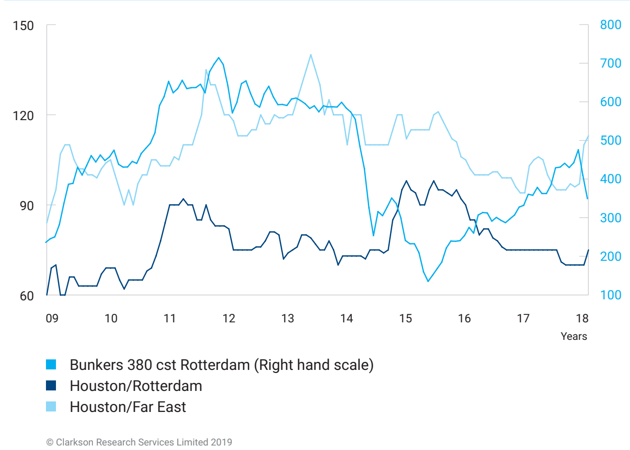
## Freight rates 3 000 mts easy grade chemicals (USD/tonne)



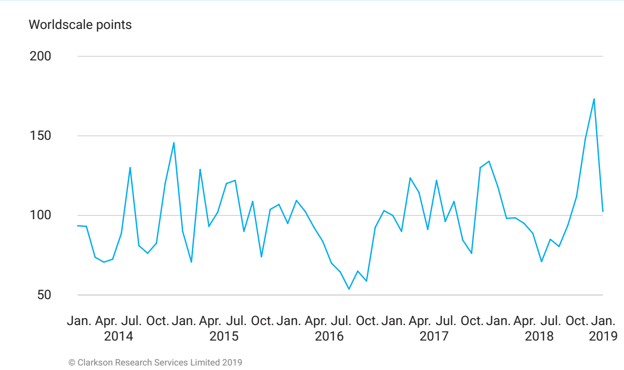

## MGO Bunker Prices Rotterdam



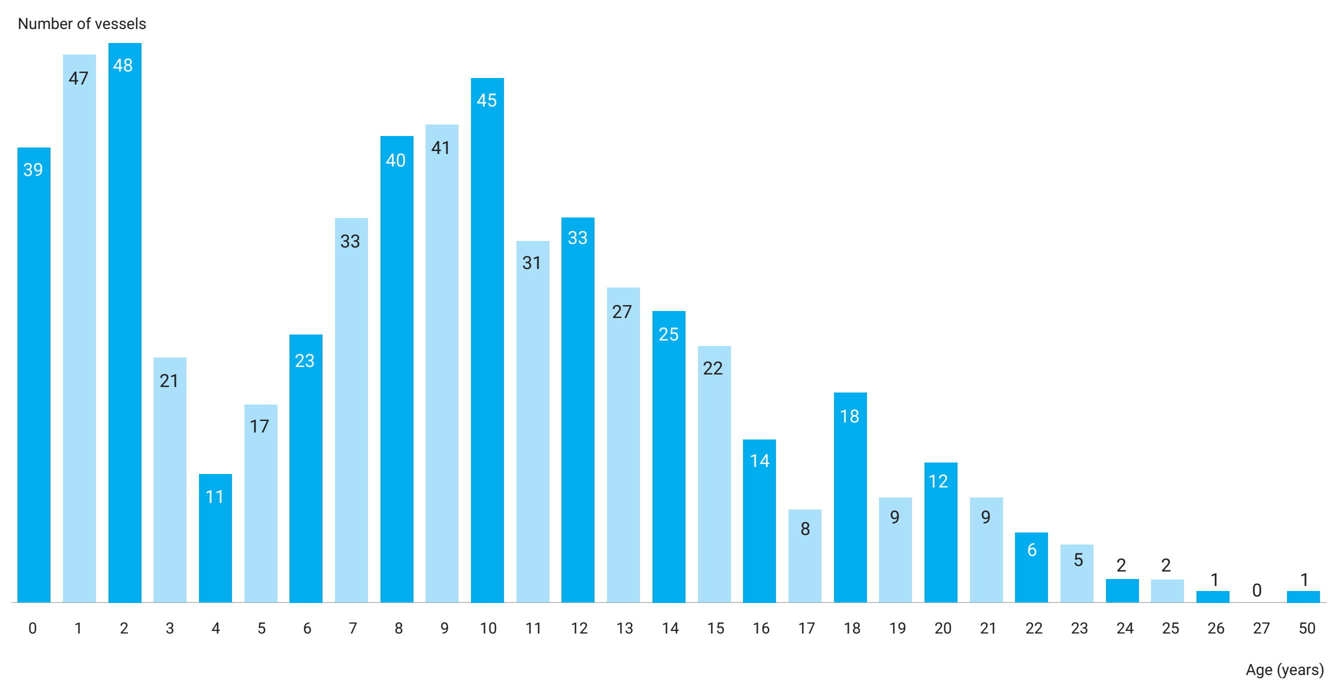

## Freight rates 1 000 mts stainless steel grade chemicals (USD/tonne)

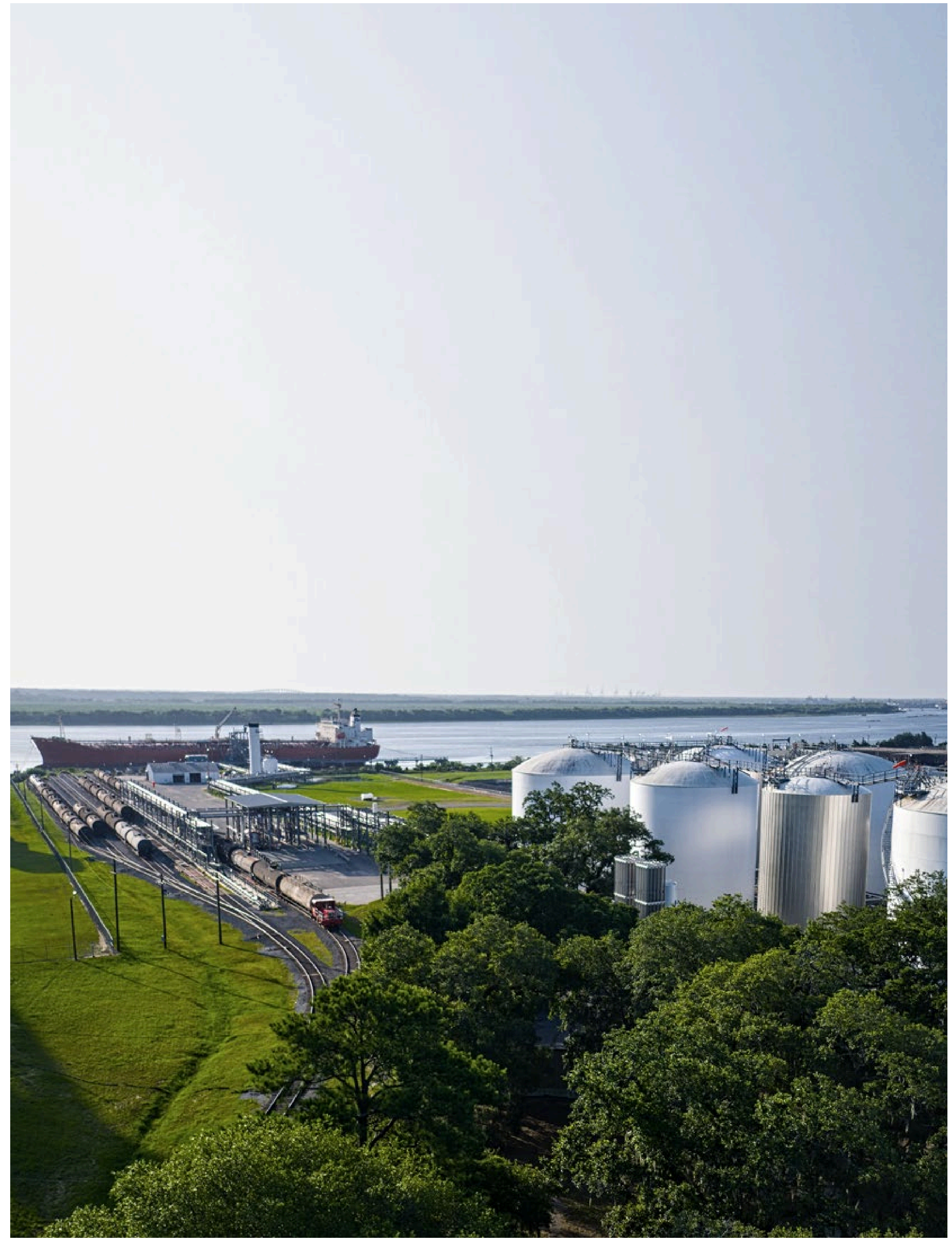



## MR 47 (Clean Petroleum Product Tanker)




## Distribution of vessels by age in total deep sea chemical tanker market (chemical tankers with at least 50% stainless steel capacity from 18 000 to 55 000 dwt)



Bow Hector at Odfjell Terminals Charleston.

# Tank Terminals

Odfjell Terminals is a global tank storage service provider. Our tank terminals connect sea and land at core locations worldwide, providing safe and efficient storage for vital liquids, chemicals, and oil.

7
terminals

1.51 million cbm
storage capacity

553
storage tanks

Odfjell SE has ownership in seven operational tank terminals: two terminals in the US, one in Antwerp, one in South Korea, and three in China. Odfjell Terminals also has a cooperation agreement with 13 tank terminals in South America. These tank terminals are partly owned by related parties.

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. Our tank terminals offer cargo consolidation programs designed to reduce time and fuel consumption in port for our ships. In combination with our shipping business, Odfjell Terminals makes Odfjell one of the world leaders in the transportation and storage of bulk liquids.

### Business developments

In 2018, following the announcement in May that Lindsay Goldberg (LG) was considering a sale of its 49% shareholding in Odfjell Terminals BV (OTBV), Odfjell SE decided to tag along on an outright sale of Odfjell Terminals Rotterdam (OTR). This transaction was closed in 3Q18.

A reorganization of Odfjell Terminals was conducted and concluded in 4Q18 and included Odfjell SE acquiring LG's 12.25% indirect shareholding in the Noord Natie Odfjell Terminals (NNOT) in Antwerp, increasing Odfjell's ownership share in the terminal to 25%.

Odfjell Terminals Houston (OTH) faced strong storage demand in 2018 and delivered a solid financial performance for the year. Odfjell Terminals Charleston (OTC) was 100% full for most of the year and recorded a year-on-year improvement in revenues and bottom line. Projects in the US remain under evaluation, and the outlook is positive moving forward.

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

Our joint venture in China with Tianjin Economic-Technological Development Area – Odfjell Nangang Terminals Tianjin (ONTT) – recorded improved results in 2018, but the full potential continues to lag.

Noord Natie Odfjell Terminals in Antwerp posted a year-on-year increase in financial performance, mainly due to an additional 33 560 cbm of stainless steel storage capacity that came into commercial operations in the second half of 2018.

Early 2019, LG agreed to sell its 49% shareholding in Odfjell Terminals US (OTH and OTC) to funds managed by Northleaf Capital Partners. The sale is expected to conclude in the first half of 2019, and we are then positioned to develop our US terminal portfolio further. LG's process to exit its shareholding in the Asia terminals is still ongoing.

"We have made significant changes to our terminal portfolio over the last years, in line with our strategy to focus on chemical terminals where we have managerial control of the assets, and to further invest in growth opportunities in our core markets. Our terminals delivered improved performance across the board by the end of 2018, and we are excited about the prospects moving forward."

Kristian Mørch, CEO

### Chemical storage outlook

In the US, the storage market for specialty products is tight, especially in key areas like Houston. The American Chemistry Council (ACC) expects chemical output to grow by 3.6% in 2019, compared to 3.1% in 2018. In February 2019, the Chemical Activity Barometer (CAB) was flat, signaling slowing growth in commercial and industrial activity in the coming months. However, the outlook remains strong in key locations, mainly due to lack of suitable storage capacity and additional production coming on stream. The competitive feedstock advantage in the US is expected to continue to drive demand longer term, and consequently it is expected that chemical storage demand will continue to grow.

Northwest Europe witnessed growth in liquid chemicals flows, with Antwerp liquid chemicals growing 9.1% to 15.2 million tonnes in 2018. The EU-wide chemicals trade group CEFIC expects chemicals output to grow by 0.5% in 2019, year-on-year. In 4Q 2018, there was a shortage of specialty tanks in ARA, and this trend continues into 2019. The outlook for Antwerp is positive with a new wave of investments announced in 2018 affirming the position of Antwerp as a key and integrated European chemical cluster.

The chemical storage demand outlook in Asia is more mixed. In key locations, demand is expected to grow while in some locations, oversupply in storage capacity will continue to face lackluster demand. Significant changes in Asia's petrochemical markets are expected amid booming production capacity and integration of petrochemical plants and refineries across China. China's production, combined with aromatics markets tilting towards oversupply, will potentially affect global markets and trade flows.

In the second half of 2018, Korea's petrochemical exports to China plummeted amid China's economic slowdown, rising self-sufficiency in petrochemical products, and on the back of the US-China trade war. Looking further down the road, chemical production capacities in the Ulsan region are still expected to show modest growth.

| TANK TERMINALS* | Figures in | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross revenue | USD mill. | 91 | 111 | 123 | 112 | 94 | 129 | 145 | 227 | 245 | 248 |
| Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA) | USD mill. | 24 | 38 | 47 | 40 | (4) | 21 | 27 | 96 | 110 | 109 |
| Operating result (EBIT) | USD mill. | (84) | 118 | 53 | 4 | (31) | (73) | (8) | 62 | 75 | 68 |
| Total assets | USD mill. | 351 | 584 | 578 | 629 | 650 | 685 | 1 062 | 1 092 | 987 | 691 |
| Tank capacity (owned 100%) | 1 000 cbm | 1 512 | 3 101 | 3 539 | 4 672 | 4 643 | 4 658 | 4 551 | 4 221 | 3 732 | 3 719 |

*Reflection of actual historical Odfjell ownership share.

## Odfjell Terminals Houston (OTH), USA

- Houston
- 379 981 cbm total storage capacity
- 113 180 cbm stainless steel storage capacity
- 119 tanks
- 4 berths for barges
- 2 docks for deep-sea ships
- Operational since 1983
- Odfjell shares: 51%

Houston is a major international hub for the import and export of chemicals to and from the USA, and the hub for Odfjell's global and regional trades to and from the US Gulf.

## Odfjell Terminals Charleston (OTC), USA

- Charleston
- 79 243 cbm total storage capacity
- 9 tanks
- 1 deep-sea berth
- Operational since 2013
- Commercially operated by Odfjell Terminals Houston (OTH)
- Odfjell shares: 51%

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 in this region.

## Noord Natie Odfjell Terminals (NNOT), Belgium

- Port of Antwerp
- 382 028 cbm total storage capacity
- 37 980 cbm stainless steel storage capacity
- 241 tanks
- Odfjell shares: 25%

NNOT offers a unique combination of storage and related value-added services for several types of liquids. The terminal is strategically located with easy access to the sea, inland waterways, roads and railways. Expansion of about 12 700 cbm of stainless steel capacity is underway.

## Odfjell Terminals Dalian (OTD), China

- Dalian New Port, Xingang
- 119 750 cbm total storage capacity
- 18 350 cbm stainless steel capacity
- 51 tanks
- 4 berths
- Operational since 1998, relocated to Dalian in 2007
- Odfjell shares: 25.5%

Strategically located in Dalian, OTD is well connected by rail to the vast hinterland of Northeast China. The terminal can handle up to 120 rail wagons concurrently while accommodating sea-going tankers with up to 50 000 dwt capacity.

## Odfjell Terminals Jiangyin (OTJ) China

- Jiangyin Economic Development Zone, Yangtze River
- 99 800 cbm total storage capacity
- 30 000 cbm stainless steel capacity
- 22 tanks
- 7 berths
- Operational since 2007
- Odfjell shares: 28%

OTJ has excellent facilities for handling a wide range of petrochemicals from ships, barges and trucks, and the largest jetty on the Yangtze River at its disposal.

## 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
- 3 ship docks
- Odfjell shares: 25%

ONTT is the nearest port to Bejing, the production areas of the North and Northwest China hinterland, and link to Middle/West Asia.

# DEVELOPMENT PROJECT

## Odfjell Changxing Terminals Dalian (OTCX) China

- Odfjell shares: 20.4% (51% of Odfjell Terminals Asia share)

OTCX is a joint venture project between Odfjell Terminals Asia (40%), Dalian Port Company Ltd (PDA) (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.

## Odfjell Terminals Korea (OTK) Korea

- Ulsan
- 313 710 cbm total storage capacity
- 15 860 cbm stainless steel capacity
- 85 tanks
- 8 berths
- Operational in 2002
- Odfjell shares: 25.5%

OTK is strategically located in Ulsan, the central petrochemical distribution and transshipment hub in Northeast Asia. It is one of the most sophisticated terminals in Ulsan.

# TANK TERMINALS PARTLY OWNED BY RELATED PARTIES

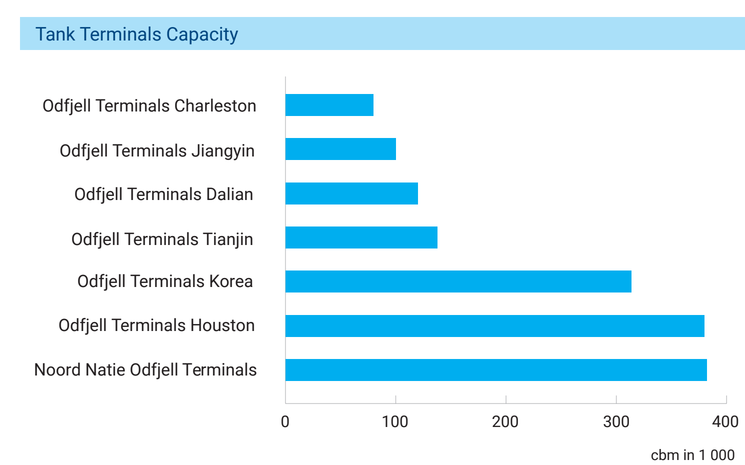
## South America

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

The terminals are partly owned by related parties and have their operational headquarters in São Paulo, Brazil. The first terminal became operational in Buenos Aires in 1969. Today, the South American terminal network consists of 13 terminals spread along the coasts of Argentina, Brazil, Chile, and Peru, with a strong market position for storage of chemicals and clean petroleum products in the region. Several expansions and projects are planned.

These extensive terminal activities in South America provide an excellent complement to Odfjell's frequent and traditionally strong shipping activities within the region.

For more information about the terminals, visit Odfjell.com/terminals/



Odfjell Terminals Houston.

# Digital operations

The chemical transportation and storage industry involves unique and logistically complex operations. To continuously improve our safety, efficiency, and customer service, Odfjell has faced the challenge head-on and built several tailor-made digital solutions through the years. In the digital age, taking advantage of new solutions is key. Our pace of innovation is increasing, and we actively search for new and improved digital solutions in all areas of our operation.

The complexity of chemical stowage in Odfjell has always called for the in-house development of specialized systems. Through the years, Odfjell has built up a talented, highly skilled digital team and designed comprehensive, agile platforms and services. This gives us a strong foundation for internal innovation in the digital age. In 2017, we established a Digital Innovation Group. Through this group, we have initiated and launched several innovative projects and more will come in the years ahead. With a fully sourced implementation team we have the opportunity and resources to implement new initiatives quickly. The current product portfolio contains of more than a dozen unique digital solutions across all areas, among them chemical vessel stowage, berth rotation planning, and port activities.

Through our pilot projects with selected ships, we are able to gather huge amounts of data from various sensors. Using and analyzing this data will have a major impact on the efficiency and quality of decision processes, customer interaction and in turn, the bottom line.

"As an integrated company we are in a unique position, and have better prerequisites than most to achieve strong results. We can drive solutions in a way that sets us apart from our competitors. With the rapid pace innovative development has, we need to stay on our toes to take advantage of the opportunities that digitalization offers."

Kristian Mørch, CEO

Over the past few years, we have organized and revitalized data from our legacy systems into one consolidated business analytics platform. Performance analytics reports for various roles and user groups are today based on this platform and have, in effect, strengthened our data-driven decision culture across the organization.

Increasing digitalization capacity, data communication and automation on our ships are among the priorities to further improve efficient operations ashore and on board.

Exploring the potential in digital technology is one of our top priorities, and we will continue to embrace opportunities and build new solutions in the years to come.

"Communication between sea and shore is vital to our success, whether it is to secure the safest operations, the most efficient logistics, or the best customer service. As for all industries, digital technology has been a game-changer for shipping, and will continue to play a decisive role in the foreseeable future."

Torbjørn Lussand, Vice President Corporate IT

## Selected digital products in use:

**ORCA:** Cargoes have different characteristics that impact how a vessel is stowed (stability, temperature, weight vs volume, etc.). The stowage application enables safe stowage and highest possible utilization.

**PortLog:** Cloud based Port Activity application that assists crew in reporting activities in ports.

**Abstract of Daily Log AoL:** Reporting tool with a custom made user experience for effective use by the Ship Management team.

**Position List:** Cloud based app, available on mobile devices, giving employees a complete overview of all our vessel's current and planned positions, crew updates, and planned port activities.

**TerminalBook:** App that maps all relevant terminals and their specifications.

**PortRotation:** Cloud based planning tool for berth rotations and cargo operations.

**12map:** Cloud based budget planning tool for Captains and Superintendents.

**Commodity Book:** Master data register of all chemical products handled by Odfjell, including operational and regulatory requirements, safety and cleaning procedures.

**Armada:** Master data register for ship data, interfaced with Q88.

**RADAR:** Reporting platform providing data from most of Odfjell legacy systems in reports and dashboards.

### Coming solutions:

**ChemGuard:** Extends the current ORCA repository of chemicals with data on safety equipment.

**IMO2020:** Tool for overview and overall fleet monitoring of fuel remaining on board (ROB).

**DryDock:** Tool for planning, tendering, execution, cost allocation and analytics of Odfjell's dry-docking operations.

**Advanced Vessel Monitoring:** Provides first onshore vessel monitoring of sensor data for cargo temperature, real-time fuel consumption, and produced auxiliary engine energy.


Odfjell in the Philippines joined 7 000 volunteers at the 2018 Coastal Cleanup in Manila.

THROUGHOUT OUR MORE THAN 100-YEAR HISTORY, ODFJELL HAS A LONG-TERM PERSPECTIVE ON HOW WE DO BUSINESS – SUSTAINABILITY IS DEEPLY ROOTED IN OUR DNA.

SUSTAINABLE OPERATIONS ANSWER TO CURRENT DEMANDS WITHOUT COMPROMISING THE HEALTH AND SAFETY OF FUTURE GENERATIONS. NO MATTER WHERE WE ARE ON OUR JOURNEY, AT SEA OR ONSHORE, WE CAN MAKE SUSTAINABLE DECISIONS THAT DRIVE GLOBAL CHANGE. EVERY DAY, FOR THE LONG TERM.

# Our responsibility

Odfjell's core business is handling liquids and chemicals, and we are determined to do it in a safer and more efficient manner than anyone else in the industry.

Our operations are dependent on the vigilance, expertise and performance of our global team of 2 530 employees on board and ashore. We care for our employees, for the environment, for our customers, for the local communities where we operate – and we do not compromise on safety.

We handle some of the world's most hazardous liquids, and we transport them through some of the world's most vital and fragile environments: the oceans. Our terminals store products close to people's homes and local communities. Emissions, soil contamination, or water pollution can all have the potential to adversely impact people and ecosystems.

This is why we care. We have an indisputable responsibility to never compromise on safety, to safeguard the oceans and to work holistically with communities where we operate.

Shipping remains the most environmentally friendly mode of transport, and more than 90% of world trade is carried by the international shipping industry. Without it, the import and export of goods on the scale necessary for the modern world would not be possible.

Climate change poses a severe threat to healthy market dynamics. Failing to live up to expectations, failing to comply with regulations and failing to operate in a sustainable way present significant risks to trade, locally and globally. Any business is dependent on a well-functioning society and sound economic growth.

# Weather routing effects 2018

Route optimization for vessels has significant effect on safety and efficiency:

| 1 035 voyages routed | → | 75 days saved | = | 1 980 tonnes fuel | = | 6 192 tonnes $CO_2$ |
|---|---|---|---|---|---|---|

### Odfjell Tankers'

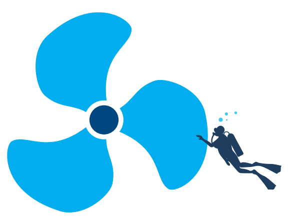
operated fleet consumed 444 097 tonnes marine fuels, of which 64 147 tonnes marine distillates.

### $CO_2$ emissions

Based on the consumption of 80 vessels, total emissions of $CO_2$ in 2018 amounted to around 1.38 million tonnes.

### SOx emissions

Based on all consumption in 2018 (in port and at sea), Odfjell's vessels emitted on average 0.10 grams SOx per tonne cargo transported one nautical mile.

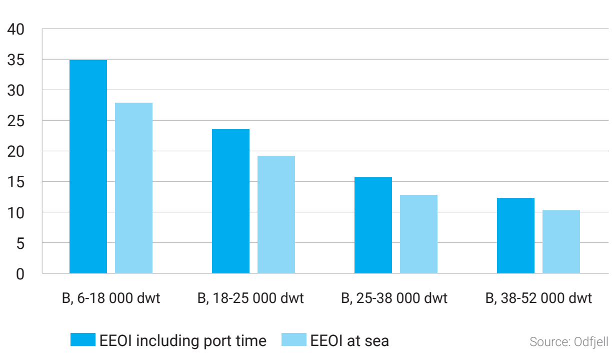


**90 hull grooming and propeller polishing operations performed in 2018.**

Depending on the vessel, this can equal savings of up to three tonnes bunkers and 9.3 tonnes reduced $CO_2$ emissions per day.

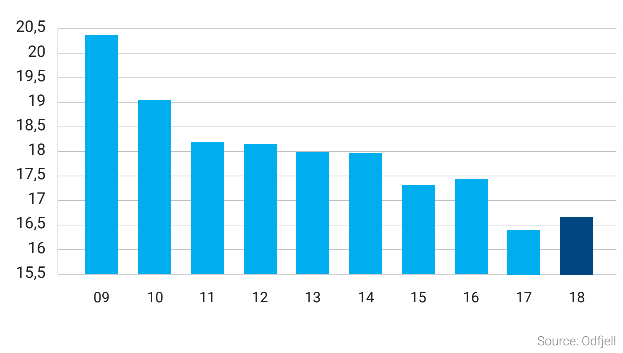
**Energy Efficiency Operational Indicator (EEOI)***

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




**EEOI trend for the Odfjell fleet***

Gram $CO_2$ per tonne cargo transported 1 nautical mile




*Figures include all chemical tonnage operated by Odfjell Tankers, Odfjell Asia and Flumar, and exclude tonnage on long term-charter to external operators/pools, where fuel/cargo is purchased/nominated by third-parties.

> "Our dependency on the oceans, global trade, development of markets and economies around the world - these factors put shipping in a unique position to help build a more sustainable industry and achieve the United Nations' Sustainable Development Goals (UN SDGs). Odfjell is committed to taking an active part."

Øistein Jensen, COS

# Our people

For more than 105 years, people have come to work at Odfjell, be it in our offices, on our ships, or at our terminals. We are proud to have multiple nationalities in our worldwide Odfjell team, working together to offer the very best services to our customers.

Odfjell aims to offer challenging and meaningful job opportunities that attract, develop and retain the right people. We seek to build a world class corporate culture, and are committed to creating a caring and collaborative work environment, to promoting diversity, inclusion and equal opportunities for our employees.

Safety is our number one priority. We work hard to ensure that our employees keep the safety of themselves and their colleagues in mind at all times. Safety is the core message to all our people in their training and daily work.

> "We continue our commitment to safety, and we will always strive to improve and perform to keep our people safe."
>
> Ann Kristin Møllerup, Vice President HR

Despite this focus on safety, we had a fatal accident on board a vessel in 2018. One of our crewmembers lost his life, a tragic reminder of the dangers of our operations. Overall, 2018 was another year of solid, industry-leading safety statistics, but the statistics seem meaningless when we experience a fatal accident.

In 2018, we consolidated our two deep-sea fleets in Bergen. In conjunction with our ongoing fleet growth, this consolidation led to an extensive recruitment process. A range of new people with vast expertise entered the organization throughout 2018. By the end of the year, Odfjell had one of the world's largest and most complete competence centers for chemical tankers, all under one roof.

### The way forward

For long-term recruitment, we have reinstated our Norwegian cadet program to ensure that we train professionals with seagoing experience for our ships and for the shore-based organization in Norway. The expertise of our people on board and ashore is our primary competitive advantage.

To further build a performance-based, collaborative culture, a new leadership development program was initiated in 2018. We are strengthening our processes for succession planning and talent development, and redefining our leadership program for our officers on board.

Odfjell has world class ambitions. Everything we do, every day, is driven by that ambition. Attracting, nurturing and retaining talent is critical for our success, today and in the future.





The Bow Firda crew.

7 226

training days for mariners in 2018

## Contributing to the maritime cluster

An internal survey executed in 2018 of all Odfjell trainees and cadets in Norway between 1993 and 2014 shows:

299 cadets

52 with no present link to a maritime career

247 are pursuing a career within ocean industries

57 employed ashore

190 employed at sea

Odfjell gives our next generations an opportunity to pursue a maritime career. Of the 247 cadets remaining within the Ocean Industries, 180 are today employed by companies other than Odfjell while 67 are employed in core positions within the Odfjell organization.

## We do not compromise on Safety

### LTIF[1] Ships

managed by Odfjell

| Target | 2016 | 2017 | 2018 |
|---|---|---|---|
| 0.70 | 0.88 | 0.23 | 0.40 |

### TRCF[2] Ships

managed by Odfjell

| Target | 2016 | 2017 | 2018 |
|---|---|---|---|
| 2.10 | 1.76 | 2.42 | 1.75 |

### LTIF[1] Terminals

operated and managed by Odfjell

| Target | 2016 | 2017 | 2018 |
|---|---|---|---|
| 0.30 | 0.26 | 0.10 | 0.19 |

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.

"The best part of the job is that you are never done, there is always something new to learn and understand. The more I learn and master, the more fun it gets."

Sigurd Pedersen, one of 40 cadets and trainees recruited by Odfjell since 2017


# The Odfjell team

**2 530**
Employees
**20+** nationalities

**490**
terminal employees

**377**
shipping employees on shore

**1 663**
seafarers

# Odfjell Executive Management

**Kristian Mørch**
CEO

Kristian Mørch (1967) joined Odfjell as Chief Executive Officer (CEO) in 2015. Previously he was a Partner and Group CEO at Clipper Group, and before that he worked at A.P.Moller-Maersk, where his last position was COO of Maersk Tankers. He served as a member of the Odfjell Board of Directors from May 7, 2014, until his appointment as CEO on August 1, 2015. Danish citizen. Owns 136 661 A-shares (including related parties), 3 500 B-shares, no options.

**Harald Fotland**
COO

Harald Fotland (1964) was appointed Chief Operating 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 SVP of Odfjell's Ship Management. Previous roles include Vice President of Gard AS, and various positions within the Royal Norwegian Navy. Norwegian citizen. Owns 18 791 A-shares, 4 000 B-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 22 465 A-shares, no options.

**Øistein Jensen**
COS

Øistein Jensen (1972) joined Odfjell as Chief of Staff (COS) in February 2016. He was previously a Director at PWC, and before that held various managerial positions in the Royal Norwegian Navy. Norwegian citizen. Owns 22 041 A-shares (including related parties), no options.

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

# Board of Directors' Report 2018

"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 and cargo consolidation at our tank terminal network, we aim to further enhance product stewardship in the solutions we provide to our customers."

Board of Directors

# 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 a 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. Norwegian citizen. Controls 25 966 492 A-shares and 5 999 393 B-shares (including related parties). No options.

### Christine Rødsæther
Board member since May 4, 2010

As a partner in Simonsen Vogt Wiig law firm, Christine Rødsæther's (1964) practice areas are international shipping and offshore related transactions, restructurings, banking and finance. Previously, she was a partner in Andersen Legal ANS and a lawyer at Wikborg, Rein & Co. Rødsæther has extensive board experience, and also serves on the board of Songa Bulk ASA and Norwegian Finans Holding ASA/Bank Norwegian AS. Norwegian citizen. Owns no shares or options.

### Jannicke Nilsson
Board member since May 9, 2012

Jannicke Nilsson (1965) is Chief Operating Officer in Equinor. She has previously held different management positions within Equinor, and central management positions in the upstream oil and gas industry. Norwegian citizen. Owns no shares or options.

### Åke Gregertsen
Board member since May 6, 2013

Åke Gregertsen (1955) has held several positions in Odfjell, including President of Odfjell Terminals Houston from 1996 to 2001, and SVP at Odfjell Terminals from 2001 to 2002. Previously a consultant for Odfjell Terminals BV, of which he was also interim President in 2012. CEO of Star Shipping from 2002 to 2008 and Jebsen Management AS from 2009 to 2011. Norwegian citizen. Owns 3 000 A-shares and 28 332 B-shares. No 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 Amsterdam Airport Schiphol, and various management positions in a number of Dutch Ministries. He is also Chair of the Supervisory Board of KLM Nederland BV and a board member of Air France-KLM Group. Dutch citizen. Owns no shares or options.

### Åse Aulie Michelet
Board member since May 11, 2017

Åse A. Michelet (1952) has extensive experience as a board member of major Norwegian listed corporations. She is currently Chair of Inven2 AS, Spin Chip Diagnostics AS, and BI Norwegian Business School, and a board member of Terveystalo Plc and Royal Greenland AS. She is a member of DNV Council and the Control Committee. Previously, Michelet was CEO of the leading seafood producer Marine Harvest ASA, and has held several CEO and managerial positions at international medical companies. Norwegian citizen. Owns no shares or options.

# Board of Directors' Report 2018

The consolidated 2018 net result for the Odfjell Group amounted to a loss of USD 211 million, compared with a net result of USD 91 million in 2017. Total assets by year-end amounted to USD 1 842 million, down from USD 2 000 million at the end of 2017. The cash flow from operations was USD 43 million in 2018, compared with USD 54 million in 2017. Cash and cash equivalents were USD 168 million at end of 2018, excluding joint venture companies. Total equity at the end of 2018 amounted to USD 601 million compared to USD 816 million at the end of 2017, and the equity ratio decreased to 32.6% from 40.8% during the year.

The operating result (EBIT) decreased to a loss of USD 131 million in 2018, from a gain of USD 144 million in 2017. This was heavily impacted by impairments in Odfjell Terminals in 2018 as well as the capital gains in 2017. The result also reflects a very challenging year with continued unfavorable markets, especially for our chemical tanker business where we saw an overall increase in bunker expenses compared to previous year.

Due to the continued weak underlying operating results, the Board is not satisfied with the financial results. However, given the challenging markets, the Board is pleased with the Company's continued good progress to increase overall competitiveness, including the significant strengthening of the chemical tanker fleet through deliveries of new efficient vessels. The negative net result is to a large extent driven by the continued losses from our chemical tankers division and the restructuring of our terminal division with the sale of our Rotterdam terminal. The capital loss related to terminals should also be viewed against the realized capital gains in previous years related to the sale of our terminals in Singapore and Oman.

As part of the exit process of our partner Lindsay Goldberg, we have made significant changes in our terminal portfolio and setup, including the sale of our Rotterdam terminal, increased ownership in Antwerp, and welcoming a new partner in the US.

In 2018, we had one fatality when a loyal and esteemed colleague, William Ambrosio tragically passed away after he was hit by a falling object during maintenance on one of our vessels. We also had a serious oil spill in Rotterdam with negative consequences for the local environment. Both these incidents have been clear reminders of why we need to have an uncompromising focus on matters of Health, Safety and Environment. Except for the above-mentioned incidents, we saw continued improvements in our safety performance with no work-related injuries resulting in permanent disability.

Odfjell embraces an investor-friendly dividend policy and paid both in 2017 and 2018 a dividend of NOK 1.50 per share, which both years were supported by gains from divestments of terminals. Going forward, the Company continues to target regular dividend payments. However, based on the large accounting losses in 2018 and the prevailing challenging markets for chemical tankers, the Board will not propose a dividend for FY 2018 at the 2019 Annual General Meeting.

Odfjell's balance sheet weakened during 2018 due to the negative results, but is still sound with regards to equity, working capital and liquidity. Odfjell SE secured and refinanced long-term debt of about USD 306 million during the year, including a bond issue of NOK 500 million in September 2018. In addition, we have secured USD 401 million in new, long-term financing for new vessels to be delivered between 2019 and 2022. We have USD 61 million outstanding on our bond maturing in September 2019 and we will consider refinancing when the market conditions are right for Odfjell.

Odfjell continues to make strategic progress and 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. The sale of our Rotterdam terminal will further strengthen Odfjell SE as a company, by significantly reducing future capital expenses. The increase in our shareholding in our joint venture terminal in Antwerp will ensure a foothold in Europe, with Antwerp being the most important port for chemicals in the EU.

Chemical spot freight rates were stable throughout the year, with a slight increase in the last quarter. Total volumes carried in 2018 were 15.1 million tonnes compared to 13.6 million tonnes in 2017, this is including external pool vessels and vessels on commercial management. This constitutes approximately 11% increase in volumes. Odfjell had an increase of trading days of slightly more than 2 300 days, which is more than 8% increase from last year. The increase is related to new vessels in the two new pools, Chempool 25 and Chempool 40.

Activity and nominations under our Contracts of Affreightment (CoA) were, on average, above the levels in 2017. The contract coverage for the year increased to 61% of total volume shipped against 58% in 2017. CoA-nominations increased steadily throughout the year.

Average bunker fuel prices increased in the first three quarters of the year and then dropped in the last quarter. 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. By December 31, 2018, Odfjell has hedged 18 000 tonnes MGO in the financial market for FY 2019.

2018 was a transitional year for Odfjell during which we executed on our strategy of strengthening our chemical tanker fleet as new, efficient vessels replaced older and uneconomic tonnage. Throughout 2018 Odfjell concluded 31 vessel transactions, an all-time high. We firmly believe the transition of our fleet and investments has been done at a favorable time in the chemical tanker cycle. This will improve Odfjell's competitiveness through lower investment and unit cost.

The changes in our fleet will continue into 2019 as delivery of our six newbuilds at Hudong Shipyard will commence from July 2019, with remaining vessels scheduled for delivery every three months thereafter. These vessels will consume 14% less fuel compared to older vessels in our fleet and will have 35% additional cargo space. In sum, this will improve our unit costs significantly. New orders are not often concluded for this specialized tonnage, but price offers has since our purchase increased by 12%. Timing is important due to the cyclical nature of the shipping industry, and we are confident that we timed our investments right in this cyclical downturn.

The establishment of two separate pools is now finalized, in partnership with CTG and Sinochem respectively. Odfjell is acting as pool manager for both pools. These pools have given Odfjell access to new fuel-efficient vessels in a capital efficient way at the same time as this is consolidation of the market for stainless steel chemical tankers. As a pool operator, Odfjell gets paid management fees from our pool partners with profit splits. This limits Odfjell's downside, but also reduces partly our upside for these vessels. We have also secured purchase options for the vessels reflecting the prevailing attractive asset values.

In 2018, we reduced our time charter expenses by 25% compared to 2017. This is due to a high share of redeliveries of older and relatively expensive time charters being replaced by owned tonnage and pool vessels. The drop is also a reflection of renewed charters being concluded at lower rates than before. The replacement of older and inefficient time charter/bareboat vessels will continue in 2019, as we will take delivery of two newbuilds on long-term bareboat and time charters, replacing older tonnage scheduled to be redelivered.

Our ongoing tank terminal business remained stable in 2018. The US market continued to remain strong with high activity, while Europe and Asia experienced stable activity. 2018 was a year with several changes in Odfjell Terminals. In May, Lindsay Goldberg, our joint venture partner, announced they were considering exiting the joint venture and initiating a sales process of its 49% shareholding. This culminated in Odfjell SE acquiring Lindsay Goldberg's 12.25% stake in Noord Natie in Antwerp, and Odfjell Terminals divesting its ownership in Odfjell Terminals Rotterdam. Lindsay Goldberg entered into an agreement to sell its shares in Odfjell Terminals USA with funds managed by Northleaf Capital Partners in February 2019, and the transaction is expected to conclude during the first half of 2019.

At the end of 2018, our total chemical tanker fleet was 83 vessels, including 33 owned, eight bareboat chartered, 19 time chartered vessels, 13 leased, five pool vessels and five on commercial management. We are predominantly a deep-sea operator with 77 of the 83 vessels being more than 12 000 dwt. Of the remaining six smaller vessels, we own four.

We are close to finalizing the sale of our two gas vessels and expect to close the transaction during first half 2019. We expect to close the Odfjell Gas joint venture following the sales.

Since May 8, 2018, the Board has comprised of Laurence Ward Odfjell (Chairman), Christine Rødsæther, Åke Gregertsen, Åse Aulie Michelet, Jannicke Nilsson, and Hans Smits. The Audit Committee has consisted of Åke Gregertsen (Chair), Jannicke Nilsson and Hans Smits. The Nomination Committee has consisted of Christine Rødsæther (Chair) and Laurence Ward Odfjell. The Board also has a separate Remuneration Committee which has consisted of Laurence Ward Odfjell (Chair), Åse Aulie Michelet and Åke Gregertsen.

## Sustainability

In 2018 we launched our sustainability strategy, "Global Operations - Our responsibility". This is the first time Odfjell has presented a separate document on sustainability. This document outlines our motivation, approach, priorities and actions to minimize our environmental footprint and to continue being a responsible company working for a sustainable future. This document is available on our website.

Our operations are dependent on the vigilance, expertise and performance of our global team of 2 530 employees on board and ashore. We care for our employees, for the environment, for our customers, for the local communities where we operate - and we do not compromise on safety.

We handle some of the world's most hazardous liquids, and we transport them through some of the world's most vital and fragile environments: the oceans. Our terminals store products close to people's homes and local communities. Emissions, soil contamination, or water pollution can all have the potential to adversely impact people and ecosystems.

We have an indisputable responsibility to never compromise on safety, to safeguard the oceans and to work holistically with communities where we operate.

Odfjell is a signatory to the UN Global Compact (UNGC) program. We submit 'Communication on Progress' to the UNGC secretariat annually, including current and new goals for the coming period. In our sustainability strategy, we also present how we are working to support the achievement of the UN Sustainable Development Goals (UN SDG). We are committed to taking an active part to achieve these goals.

Odfjell is part of the Maritime Anti-Corruption Network (MACN), and the organization is growing. Odfjell takes an active role in this network to fight global corruption and facilitation payments. We have seen a very positive trend in 2018 with regards to the reduction in the requests for facilitation after we joined the MACN 'Say No' campaign.

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

In 2018, we had one fatality when a loyal and esteemed colleague, William Ambrosio, tragically passed away after he was hit by a falling object during maintenance on Bow Sun on August 8. The fatality was investigated comprehensively, risk scoring was re-evaluated, and lessons learned/mitigating actions were established. We had no other work-related injuries resulting in permanent disability.

Our shipping-related LTIF indicator was 0.40 in 2018. The indicator represents three lost-time injuries, including the fatality, compared with two in 2017, where the LTIF was 0.23. Our goal for LTIF is to reach zero. The LTIF of the terminals operated and managed by Odfjell rose to 0.19 in 2018, compared with 0.10 in 2017. However, the total recordable case frequency (TRCF) on our managed vessels in 2018 is down to 1.75 from 2.42 in 2017. 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 2018, 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 be a priority. 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 2018 amounted to 1.38 million tonnes against a total fuel consumption of 444 097 tonnes, a similar level to 2017, which represents an improvement due to more vessel days in 2018. Based on all consumption in 2018 (both in port and at sea), Odfjell's vessels emitted on average 0.10 grams of SOx per tonne cargo transported one nautical mile (0.11 in 2017). The fleet emitted a total of 9 297 tonnes SOx (Sulphur), up from 9 278 tonnes in 2017, which is explained by a larger fleet and longer distances sailed. However, the Energy Efficiency Operational Indicator (EEOI) for the Odfjell fleet was 16.62 grams of $CO_2$ per tonne cargo transported one nautical mile (g/tnm). This is 1.1% less than in 2017 and the best energy efficiency we have ever recorded since our benchmark year in 2009.

Odfjell has not sold any ship for recycling in 2018. Odfjell uses the Baltic and International Maritime Council's (BIMCO) new standard recycle contract (RECYCLECON) and obtains a '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 certified 'Ship Recycling Plan'.

## Corporate Governance

The framework for our corporate governance is the Norwegian Code of Practice for Corporate Governance of October 17, 2018. Odfjell is committed to ethical business practices, 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 part of the Group's Annual Report. Our Corporate Social Responsibility Policy also focuses 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 the 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 851 million in 2018, an increase from USD 843 million in 2017. EBITDA came in at USD 109 million and EBIT at USD 8 million, compared with USD 125 million and USD 14 million respectively in 2017. EBIT in 2018 was negatively impacted by impairments with USD 5 million. In 2017 impairments were USD 22 million. Corporate cost related to Odfjell SE are included in the general and administrative expenses for chemical tankers. Total assets at year-end amounted to USD 1 664 million.

Operation of chemical tankers is complex. During 2018, our ships loaded more than 600 different products comprising more than 5 000 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 2018, focus has been on increasing efficiency in port, which has contributed to saved time and increased utilization of our fleet. We have also focused on more reliable scheduling and the customer experience, in addition to launching several voyage cost-saving initiatives.

In combination with, and as an extension of our worldwide deep-sea service, our regional shipping activities encompass two distinct geographical regions; the Far East and the South American East Coast. Our largest regional operation is in Asia, covering a strategically important growth area for both our shipping and storage business. As of the end of 2018, we operated nine ships in the region, in trades between Southeast Asia and the Far East, and to and from Australia/New Zealand. Odfjell regional Asia is operating in a very competitive market and has not been profitable in 2018. During the year, we merged the regional business in Asia with our trades between the Middle East and Far/South East Asia in order to enhance utilization and reduce cost.

In South America, a total of five vessels are managed and operated by our wholly owned Brazilian subsidiary Flumar. One vessel is directly owned by 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 primarily trade on the West Coast of South America.

In 2018 we had one fatality on one of our vessels relating to a work incident, and one of our vessels was involved in a significant bunker spill in Rotterdam. 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 to enhance safety standards.

### Tank Terminals

Odfjell SE (OSE) owns its tank terminal business through Odfjell Terminals BV (OTBV). Lindsay Goldberg (LG) has been OSE's joint venture partner in OTBV's US and European terminals since 2011. In 2013, the partnership was expanded to include OTBV's global terminal operations. Following LG's decision to sell its 49% shareholding in OTBV, the tank terminal business has been restructured.

LG has become a direct 49% partner in the US JV company and the Asia JV company, and OTBV has become a 100% OSE company, whereby OSE has acquired LG's indirect 12.25% stake in the Noord Natie terminal in Antwerp (NNOT). In February 2019, LG entered into an agreement to sell its 49% shareholding in the US JV company to funds managed by Northleaf Capital Partners with expected closing during the first half of 2019. The process for Asia is ongoing.

In 2018 OTBV sold its 100% stake in Odfjell Terminals Rotterdam and Odfjell Terminals Maritiem to Koole Terminals BV. This divestment is in line with the strategy to focus on chemical terminals where we have managerial control of the assets, and to further invest in growth opportunities in locations where we can harvest synergies with Odfjell Tankers.

Odfjell's existing tank terminals are located in 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.

All terminals delivered stable earnings in 2018. Gross revenues from our share of the tank terminal activities came in at USD 91 million, compared with USD 111 million in 2017, while our share of EBITDA for 2018 amounted to USD 24 million, down from USD 38 million in 2017. Our share of EBIT for 2018 amounted to negative USD 84 million, compared with an EBIT of USD 118 million over the previous year. Included in the 2018 EBIT is the loss of USD 72 million from the sale of the Rotterdam terminal, and included in the 2017 EBIT is the gain from the sale of the Singapore terminal with USD 134 million. At year-end 2018, the book value of our share of tank terminal assets was USD 351 million, compared with USD 580 million at the end of 2017.

Odfjell Terminals Houston (OTH) benefited from a strong storage demand in 2018 and delivered a solid financial performance for the year. Average occupancy during the year was 98% and the throughput grew with 12% over 2017. Odfjell Terminals Charleston (OTC) was 100% utilized for most of the year with a 4% throughput growth. Projects in the US remain under evaluation and the outlook is positive moving forward.

In Asia, Odfjell Terminals Dalian in China (OTD) posted a record year. In China, Odfjell Terminals remains in a good position to take part in the growth of LNG imports. The joint venture in China with the Nangang Industrial Zone Port Company, Odfjell Nangang Terminals

Tianjin (ONTT), improved its results in 2018 but the full potential of ONTT continues to lag. We made a USD 10 million impairment on this terminal due to the delayed start-up of the terminal and a weaker market outlook in the short-term.

NNOT in Antwerp posted a year-on-year increase in financial performance, mainly thanks to an additional 33 562 cbm of stainless-steel storage capacity coming into commercial operation in the second half of the year. NNOT is experiencing high demand for storage capacity and has firm plans to add another 12 700 cbm of storage capacity in 2020.

Average occupancy of commercially available tanks of the current business, excluding divested terminals in 2018, was 94% versus 89% in 2017.

### Gas Carriers

Odfjell re-entered into the LPG market in 2012 by acquiring two LPG/Ethylene carriers. In 2014, the joint venture Odfjell Gas ordered a total of eight vessels for agreed delivery between 2016 and 2017. Due to substantial delays, all eight vessels were cancelled. Odfjell Gas is expected to close down during first half of 2019, and the two vessels will be sold and are classified as assets held for sale, with closing also expected in the first half of 2019.

Gross revenues from our share in gas carrier activities in 2018 came in at USD 9 million, compared with USD 8 million in 2017. EBITDA improved from USD 2 million in 2017 to USD 3 million in 2018. EBIT for 2018 declined to negative USD 1 million, compared with positive USD 1 million in 2017.

## 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 851 million, up 1.0% from the preceding year. The consolidated result before taxes in 2018 was negative USD 206 million, compared with USD 93 million in 2017.

The tax in 2018 amounted to an expense of USD 5 million, compared with an expense of USD 2 million in 2017.

EBITDA for 2018 totalled negative USD 31 million, compared with positive USD 255 million the preceding year. EBIT was negative USD 131 million in 2018, compared with positive USD 144 million in 2017. The net result for 2018 amounted to negative USD 211 million, compared with positive USD 91 million in 2017. In 2018, we recognized an impairment of USD 5 million related to ships in regional trade. In addition, we had a loss related to sale of the Rotterdam terminal of USD 115 million including deferred tax asset. The result was also influenced by impairment of USD 10 million related to Tianjin tank terminal and USD 3 million in Odfjell Gas (included in share of JV's net result by the equity method).

Net financial expenses for 2018 totalled USD 75 million, compared with USD 51 million in 2017. The higher financial expenses in 2018 was mainly due to higher interest rates, higher interest-bearing debt and negative development of the financial derivatives portfolio. The average USD/NOK exchange rate in 2018 was 8.13, compared with 8.27 the previous year. The NOK weakened against the USD to 8.69 by December 31, 2018, from 8.24 at year-end 2017. The cash flow from operations was USD 43 million in 2018, compared with USD 54 million in 2017. The net cash flow from investments was negative USD 99 million, mainly related to investment in non-current assets. The cash flow from financing activities was USD 18 million.

The parent company (Odfjell SE) delivered a net result for the year of negative USD 172 million, which is highly influenced by impairment in investment of total USD 170 million. The net loss will be allocated to other Equity. As of December 31, 2018, total retained earnings amounted to USD 607 million.

The Annual General Meeting will be held May 7, 2019 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 were 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 5 740 238 A-shares and 2 322 482 B-shares.

By end of December 2018, Odfjell A- and B-shares were trading at NOK 29.50 and NOK 28.40 respectively, against NOK 31.90 and NOK 30.80 respectively at the close of 2017. In the same period, the Oslo Stock Exchange Benchmark Index was negative with 26% and the Transportation Index also negative with 24%. As of December 31, 2018, Odfjell SE had a market capitalization of around NOK 2 301 million, which was equivalent to around USD 265 million.

## Key figures

The return on equity for 2018 was negative 29.8% and the return on total assets was negative 7.1%. The corresponding figures for 2017 were 11.8% and 7.8% respectively. The return on capital employed (ROCE) was negative 8.1% in 2018. Earnings per share in 2018 amounted to negative USD 2.68 (NOK 21.79), compared with USD 1.15 (NOK 9.53) in 2017. The cash flow per share was negative USD 1.40 (NOK (11.42)), compared with USD 2.56 (NOK 21.21) in 2017. The interest coverage ratio (EBITDA/net interest expenses) was negative 1.68, compared to 2.44 in 2017.

## 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 same 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 2018, this amounted to USD 192 million, equivalent to 54% of total voyage expenses, ignoring the effect of the bunker adjustment clauses. For owned and leased vessels, the bunker expenses adjusted for Bunker Adjustment Clauses (BACs) are USD 170 million. A change in the average bunker price of USD 50 per tonne equals about USD 20 million per year (or USD 764 per day) change in time charter earnings (excluding the effect of bunker adjustment clauses). A certain portion of our bunker exposure is hedged through BACs in the freight contracts, Contracts of Affreightment (CoA). The bunker clauses in CoAs covered over 60% of the bunker exposure this year. By December 31, 2018, Odfjell had hedged 18 000 tonnes of MGO in the financial market for the 2019 fiscal 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 in the interest rate would reduce the result before taxes for 2018, by around USD 11 million, ignoring the effect of any interest rate hedging in place. With our current interest rate hedging in place, about 31% 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 result before taxes for 2018 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 2018, under which we sold USD and purchased NOK, covered about 73% of Odfjell's estimated 2019 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, 2018 for 2019 was 8.15.

## Liquidity and financing

Total interest-bearing debt as at December 31, 2018 was USD 1 123 million, while cash and cash equivalents amounted to USD 168 million, both figures excluding joint venture companies. At the same date the equity ratio, using the equity consolidation method, was 32.6% compared with 40.8% per end 2017.

Odfjell's balance sheet weakened during 2018 due to the negative result, but are still sound with regards to equity, working capital and liquidity. Odfjell SE drew USD 306 million in new long-term interest-bearing debt during the year, including a bond issue of NOK 500 million in September 2018. We have previously secured long-term financing for all vessels to be delivered in 2019-2022. We have USD 61 million outstanding on our bond maturing in September 2019, and we will consider refinancing when the market conditions are right for Odfjell.

The average maturity of the Group's total interest-bearing debt is about 4.8 years. Average maturity of loans from financial institutions is 3.2 years, while financial leases and sale-leaseback matures in 7.7 years on average and bonds mature in 2.7 years on average.

## Organization, working environment and job opportunities

In 2018 we reorganized our ship management and tankers divisions under one COO to further develop the synergies of being an integrated company. We have moved management of our Asia fleet to Bergen and consolidated our deep-sea fleet. This caused a downscale of our office in Singapore and an increase in our ship management organization in Bergen. We also restructured our terminal ownership to allow for new joint venture partners to enter directly into the joint ventures in the USA and Asia. The sale of our terminal in Rotterdam and new regional joint venture setup triggered the reorganization and downscaling of the terminal holding company in Rotterdam and of the Asia terminal management companies.

Safety is our number one priority. We work hard to ensure that our employees keep the safety of themselves and their colleagues in mind at all times. Safety is the core message to all our people in their training and daily work.

Odfjell aims to offer challenging and meaningful job opportunities that attract, develop and retain the right people. We seek to build a corporate culture of being world class and are committed to creating a caring and collaborative work environment, to promoting diversity, inclusion and equal opportunities for our employees.

To further build a performance-based, collaborative culture, a new leadership development program was initiated in 2018. We are strengthening our processes for succession planning and talent development and redefining our leadership development program for our officers on board.

We carry out, and follow up on, 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, as well as within recruitment, promotion or wage compensation. Of about 158 employees at the headquarters in Bergen, 72% are men and 28% women, whilst the corresponding global figures (about 577 employees in our fully owned onshore operations) are 68% and 32% respectively. Three of the six Directors of the Board of Odfjell SE are women.

In 2018 the recorded absence rate at the headquarters increased to 1.58% from 1.37% in 2017. For our own pool of Odfjell and Flumar seafarers, the absence rate in 2018 was 1.2%.

The Board would like to thank all employees for their dedication and perseverance in a challenging 2018.

## Remuneration of the Executive Management group

The Remuneration Committee handles the salary and other remuneration for the Executive Management Group and makes its recommendations 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 2018.

## Market development

2018 was another challenging year for chemical tankers with continued strong demand fundamentals being negatively impacted by too much vessel supply.

Global GDP growth was relatively strong in most of our core markets but increased concerns about future growth surfaced towards the end of the year. This was driven by increased concerns about the impact from increased trade protectionism between the US and China especially. These nations are two of the most important markets for liquid chemicals, and although we have not yet seen any direct impact through less trade impacting tonne-miles, the indirect impact from any slowing of GDP growth in these two countries could impact end-user demand for chemicals.

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 expanded through 2018 by 2.9% and is expected to expand by 2.5% in 2019.

All other relevant regions for us 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 therefore been weak. Brazil's economy expanded by 1.4% in 2018 and is expected by the IMF to expand by 2.4% in 2019. A continued 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 have slowed down, growth rates and absolute volume demand grows materially each year. This demand will, in part be met by large export-oriented investments in the US and Middle East that will accelerate from the second half of 2019 and first half of 2020. This leads to a structural shift where volumes are shipped on longer distances than before and therefore absorb a larger portion of the chemical tanker fleet per tonne shipped. The Asia region is therefore a key driver to support continued strong chemical tanker demand going forward.

As for the tanker markets in general, 2018 has been a challenging year. The large crude oil tankers have experienced a sharp drop in spot earnings throughout the year and this was also the trend in the larger clean market (LR 1 + LR 2) and the MR market, where rates were periodically below operating expenses. This was one of the main causes of the increased supply pressure experienced by chemical tankers in 2018. Earnings improved significantly towards the end of the year for crude and product tankers, which also positively impacted the chemical tanker market as swing tonnage returned to clean petroleum products. We note that most market observers expect the general tanker markets to continue improving in 2019 and 2020, partly due to the significant shifting of product due to upcoming IMO 2020 regulations.

For the general market, we report an increase in tonne-mile demand of 4.1% in our sector, so fundamentally demand is still growing. Tonne-mile demand is forecasted to grow faster in 2019 by Odfjell's research department, and lead to average tonne-mile demand growth of 5% per year until 2021.

## 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 generally 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 the global economy experienced increased economic growth in 2018, the market has been rather challenging for our business areas also this year, particularly for our chemical tankers. Main negative 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 8% of current fleet which is considered low from a historical perspective. Consequently, we expect the supply/demand imbalance to gradually improve in the near-term. New environmental regulations, requiring owners to prepare to consume low Sulphur Bunker Fuel from January 2020, is moving closer. This could have a meaningful impact on Odfjell's fuel costs if we are not successful in transferring the cost to our customers. Forward bunker price development does not indicate any abnormal price spikes yet. From a market perspective, should new bunker fuel trade accelerate demand for product tanker tonnage, this would also impact chemical tankers supply positively. The uncertainty for shipowners may also contribute to lower appetite to order newbuilds. These regulations, coupled with financial institutions reducing their exposure to the shipping industry, could result in another speculative wave of orders being 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 reached a three-year high during 2018, and continued uncertainty as to how aggressive Fed will be in their hiking cycle, may influence investor sentiment and growth going forward.

Our main risks relate to continuing competitive markets in 2019, fuel cost and growing protectionism on intercontinental trade and cooperation. Such protectionism could potentially add risk to all shipping segments, including chemical tankers. However, longer-term, we believe that the chemical tanker market is fairly healthy and we believe that 2018 was the 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 where delivery of new fuel-efficient vessels to our fleet continues in 2019. We are on track to complete our fleet renewal and tonnage ambitions at what appears to be the bottom of the market, while strengthening our investment capacity and cash position by selling non-core assets. In 2019 we will continue to build financial strength with a competitive cost of capital.

In 2018 we increased our attention towards customer service, operation and also on implementation of the strategic initiatives taken over 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 of 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.

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# 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 aims to comply 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 17, 2018 (the Code of Practice or the Code).

The Company's Board of Directors has on February 6, 2019 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 an 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 chooses 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, the Norwegian Code of Practice for Corporate Governance, was last updated October 17, 2018. 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 trading 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 with respect to each of the elements of the Norwegian Code of Practice for Corporate Governance, including explanations of any deviations.

**Deviations from the Code:** None.

## 2

### Business

Odfjell is a leading company in the global market for the 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, page 'Corporate Governance'. The Company's Mission Statement and strategy can be found on page 12-13 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 601 million as of December 31, 2018, corresponding to an equity ratio of 32.6% using the equity consolidation method.

#### Subscription rights

There are currently no outstanding subscription rights as of December 31, 2018. The issuance of subscription rights must be approved by the General Meeting.

#### Dividend policy

Odfjell aims to provide competitive long-term returns on the investments for its shareholders. The Company embraces an investor-friendly dividend policy, and seeks to make 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 or purchase own shares should be intended for a defined purpose. 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 8, 2018 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, 2019.

**Deviations from the Code:** None.

## 4

## Equal treatment of shareholders and transactions with close associates

### Transactions in own shares

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

### Transactions with close associates

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

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

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

**Deviations from the Code:** None.

## 5

## Shares and negotiability

### 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.

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:** Odfjell has two classes of shares due to historical reasons.

## 6

## The General Meetings of shareholders

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

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

The General Meeting shall elect a Chairman of the Meeting.

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

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

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

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

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 and (Chair) Laurence Ward Odfjell.

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 Nomination Committee currently consists of two members and the members 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 Chairman of the Board is elected by the Annual General Meeting for one year at a time. Board Members shall be elected for two years at a time.

The Company has no Corporate Assembly. The interests of the employees are safeguarded through an agreement between the employees and Odfjell, ensuring the involvement of employees. The employees have established a permanent Employee Representative Body. The Employee Representative Body consists of up to six representatives, partly from the European Companies, 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 onshore 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 8, 2018 the Board has comprised Laurence Ward Odfjell (Chairman), Christine Rødsæther, Åke Gregertsen, Åse Aulie Michelet, Jannicke Nilsson and Hans Smits. Laurence Ward Odfjell and related parties control a significant shareholding in Odfjell SE. Åke Gregertsen, Christine Rødsæther, Åse Aulie Michelet, Jannicke Nilsson and Hans Smits are independent Board Members. Even though Åke Gregertsen and Christine Rødsæther do not meet all the requirements for independence in the Norwegian Corporate Governance Board (NUES), they perform their duties independently as Board Members. The Company believes that the Board is well positioned to act independently of the Company's Management and exercise proper supervision of the Management and its operations.

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

Two of the existing board members, Åke Gregertsen and Åse Aulie Michelet, are up for election at the 2019 Annual General Meeting.

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

**Deviations from the Code:** None.

## 9

### The work of the Board of Directors

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 of Directors should ensure that members of the Board of Directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board of Directors.

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 the 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, ethical 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 Chairman shall be elected to function as Chairman of the Board when the Chairman of the Board for such or other reasons cannot or should not lead the Board's work.

The Board shall plan its work as well as the work of the Management - 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 shall be 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 the collective and individual levels , against which the performances shall be measured. The results from the evaluation will not be made public, but shall be available to the Nomination Committee.

The Board held nine ordinary meetings and seven extraordinary meetings in 2018, with 95% 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 Hans Smits. 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.

**Deviations 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.

**Deviations 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 thereof 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.

**Deviations 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 20 of 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.

**Deviations 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.

**Deviations from the Code:** None.

## 14

### Takeovers

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

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

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

**Deviations from the Code:** None.

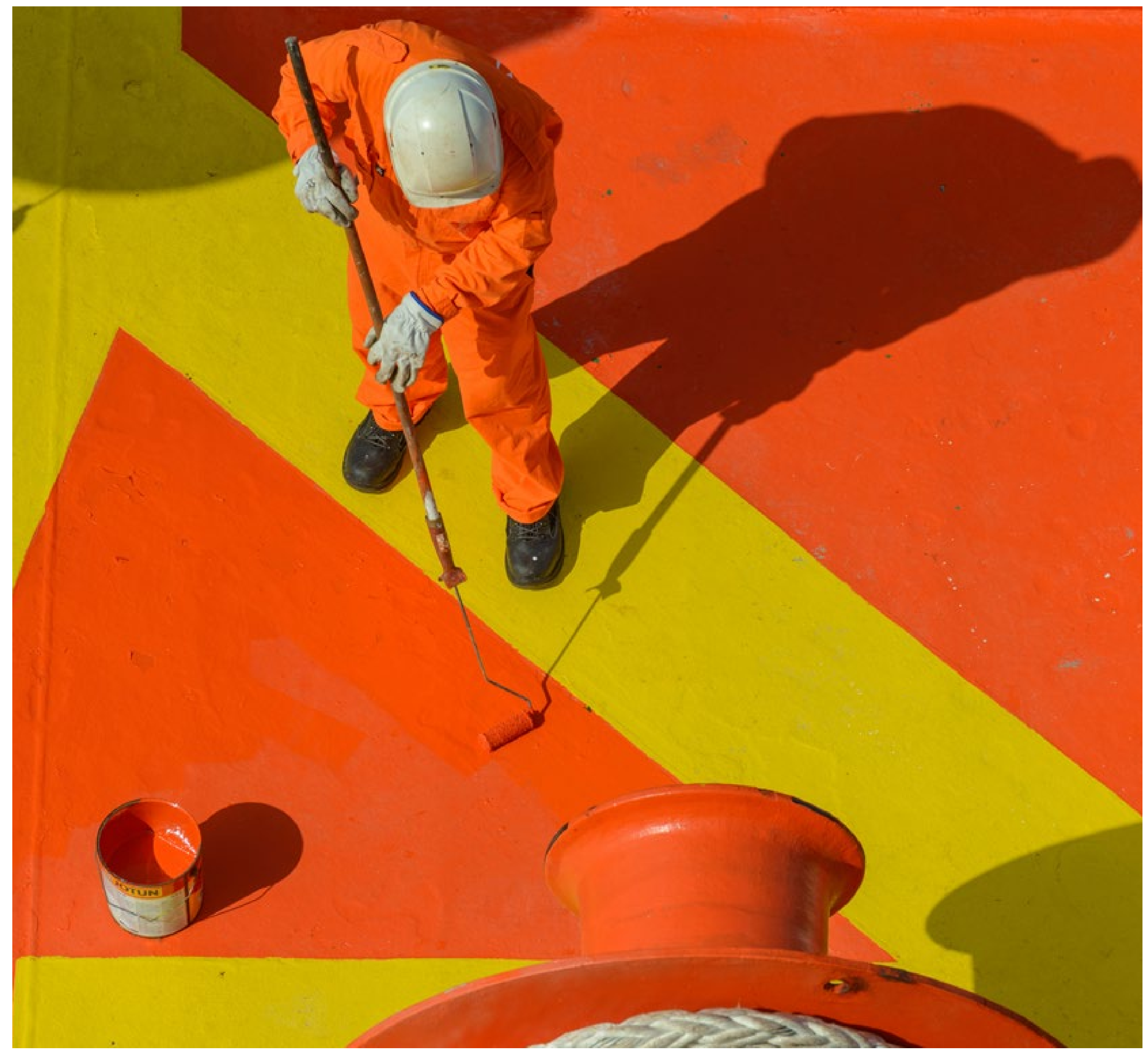
## 15

### 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 identify weaknesses and propose improvements. The Board shall at least once a year meet with the auditor without the Management's presence. The auditor's fees for auditing and other services are presented to the Annual General Meeting and included in the notes to the annual accounts. The Board continuously evaluates the need for written guidelines concerning the employment of the auditor for services other than auditing. 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 its subsidiaries worldwide, and currently engages EY as the Company's independent auditor.

**Deviation from the Code:** None.



Maintaining Bow Cardinal.

07/

# Shareholder information

Odfjell SE shares have been listed on the Oslo Stock Exchange since 1986. We have two share classes split into A- and B-shares, where B-shares do not include voting rights.

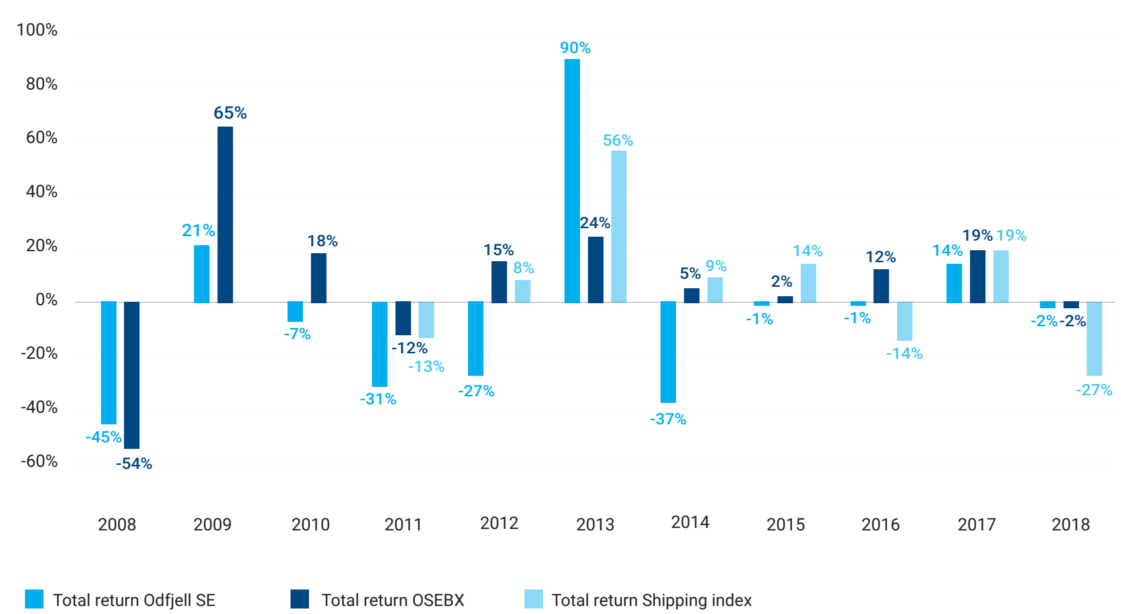
At year-end, Odfjell A- and B-shares were trading at NOK 29.50 and NOK 28.40 respectively with a market capitalization of NOK 2 321 million. Total return for Odfjell SE shareholders in 2018 was negative 1.7%. Over the same period, the Oslo Stock Exchange Benchmark index fell 1.8% and the Shipping Index fell 26.5%.

## Dividend information

Odfjell paid dividends both in 2017 and 2018 with a dividend of NOK 1.50 per share, which both years were supported by gains from divestments of terminals. Based on the large accounting losses in 2018 and the prevailing challenging markets for chemical tankers, the Board will not propose a dividend for FY 2018 at the 2019 Annual General Meeting.

We embrace an investor-friendly dividend policy and aim for regular dividend payments at sustainable levels that reflect the company's current and future cash flow generation. We regularly review our investment needs and debt targets, but have a long-term objective to reduce outstanding debt. By reducing debt, we enable the company to generate attractive dividends alongside investments and debt repayments through all shipping cycles.

Historical total return Odfjell vs Oslo Stock Exchange & Shipping index




"Odfjell's aim is to provide attractive long-term returns for our shareholders. We embrace open and transparent communication to build credibility and confidence in the investor community."

Terje Iversen, CFO

## Shareholders

At the end of 2018 there were 1 221 holders of Odfjell A-shares and 526 holders of Odfjell B-shares. The total number of shareholders was 1 452, reflecting that some shareholders own shares in both classes.

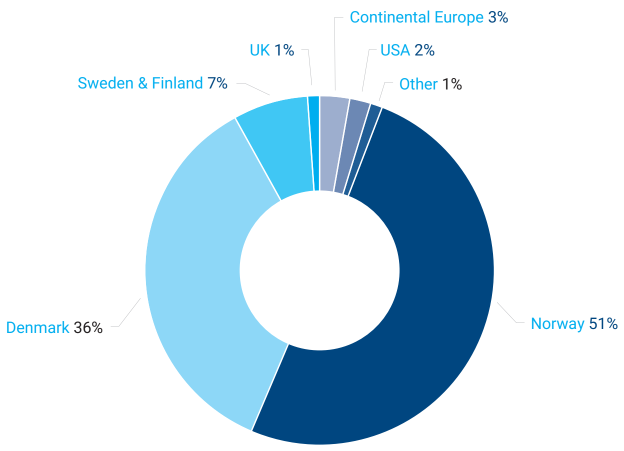
20 largest shareholders as per December 31, 2018 (based on shareholders analysis)

| Name | A-shares | B-shares | Total | Percent of votes | Percent of shares |
|---|---|---|---|---|---|
| Laurence Ward Odfjell [1] | 25 966 492 | 5 999 393 | 31 965 885 | 43.31% | 40.61% |
| Odfjell SE | 5 740 238 | 2 322 482 | 8 062 720 | [2] | 9.29% |
| Odfjell Shipping Bermuda | 2 950 000 | 715 760 | 3 665 760 | 4.92% | 4.66% |
| Rederiet Odfjell AS | 3 497 472 | – | 3 497 472 | 5.83% | 4.44% |
| Pareto Forvaltning | 1 934 216 | 1 339 386 | 3 273 602 | 3.23% | 4.16% |
| Nordea Asset Management | 749 174 | 2 350 059 | 3 099 233 | 1.25% | 3.94% |
| J O Invest AS | 2 878 400 | – | 2 878 400 | 4.80% | 3.66% |
| DNB as marketmaker | 2 067 793 | 74 057 | 2 141 850 | 3.45% | 2.72% |
| Holmen Fund Management | 2 000 000 | – | 2 000 000 | 3.34% | 2.54% |
| Anna Axelsson | 640 000 | 1 010 000 | 1 650 000 | 1.07% | 2.10% |
| EGD Shipholding AS | 1 600 704 | – | 1 600 704 | 2.67% | 2.03% |
| BO Steen Shipping AS | 275 000 | 885 000 | 1 160 000 | 0.46% | 1.47% |
| Ingeborg Berger | 516 470 | 425 280 | 941 750 | 0.86% | 1.20% |
| Credit Suisse Private Banking | 550 146 | 288 500 | 838 646 | 0.92% | 1.07% |
| AS SS Mathilda | 600 000 | 150 000 | 750 000 | 1.00% | 0.95% |
| Forsvarets Personellservice | 718 000 | – | 718 000 | 1.20% | 0.91% |
| Meteva AS | – | 700 000 | 700 000 | 0.00% | 0.89% |
| Bergen Kommunale Pensjonskasse | 200 000 | 460 000 | 660 000 | 0.33% | 0.84% |
| Dimensional Fund Advisors | 520 421 | – | 520 421 | 0.87% | 0.66% |
| Tufton Oceanic | 387 433 | – | 387 433 | 0.65% | 0.49% |
| Total 20 largest shareholders | 53 791 959 | 16 719 917 | 70 511 876 | 80.15% | 88.64% |
| Other shareholders | 11 898 285 | 4 358 787 | 16 257 072 | 19.85% | 11.36% |
| Total | 65 690 244 | 21 078 704 | 86 768 948 | 100.00% | 100.00% |

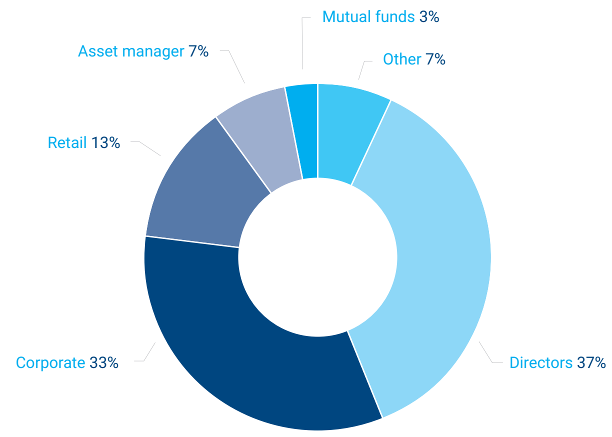
[1] Shares owned/controlled by and includes related parties
[2] No voting rights for own shares ref. Public Limited Companies Act § 5 -4

Source: Shareholder analysis conducted by RD:IR

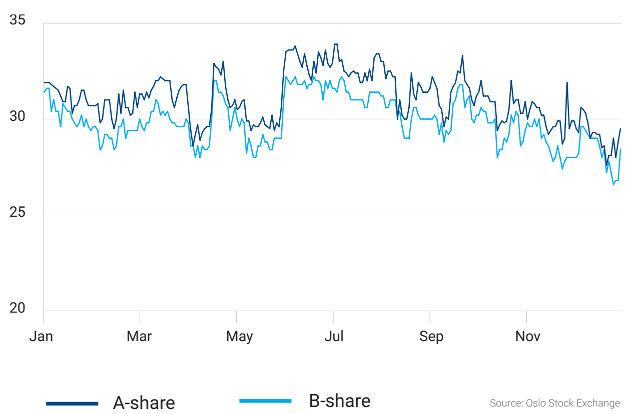
Shareholders: Geographical overview



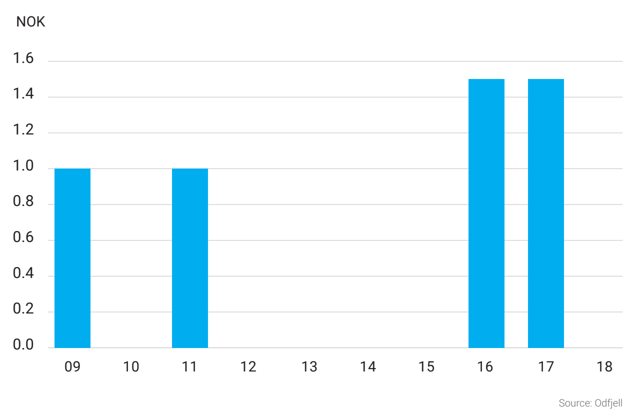

Investors by type



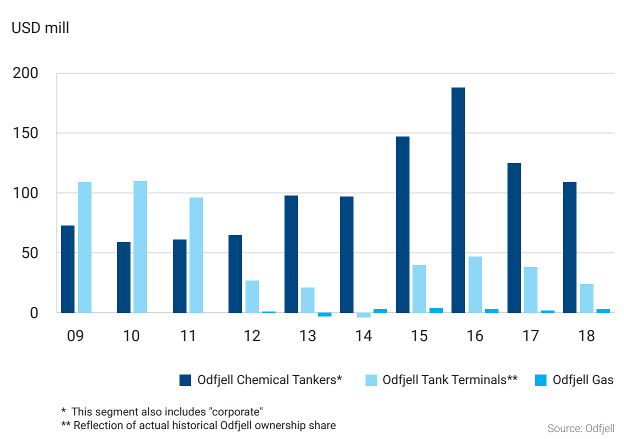

Development Odfjell shares 2018



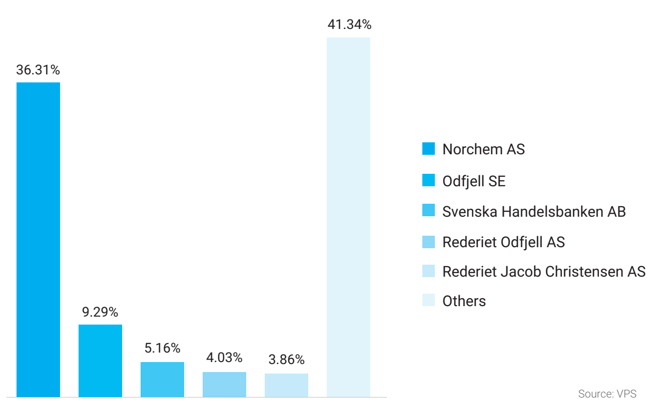

Dividends per share




EBITDA per segment (Proportionate consolidation method)




Shareholder structure (A- and B- shares)





Technical Superintendent Alessio Contran on Bow Star.

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

Hedging instruments are used to reduce the Company's exposure to fluctuations in the above-mentioned financial risks. At the same time, it may limit 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, and our customers are industrial companies with stable logistics needs, unlike comparable tanker segments where traders play a larger part of the overall demand drivers.

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 2018, this amounted to USD 170 million, equivalent to 49% 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 764 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 2018. By December 31, 2018, Odfjell has hedged 18 000 tonnes MGO for the financial market for FY2019.

Sensitivity analyses show that a change in time charter earnings of USD 1 000 per day for our chemical tankers, a roughly 5.5% change in freight rates after voyage costs will impact the pre-tax net result by approximately USD 26 million. Odfjell is not engaged in the derivative market for forwarding 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 31% of our loans were at fixed interest rates at year-end. Total interest-bearing debt on December 31, 2018, was USD 1 122 million, while liquid assets amounted to USD 168 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 2018 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 2018, under which we sold USD and purchased NOK, covered about 73% of Odfjell's 2019 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, for 2018, was 8.15.

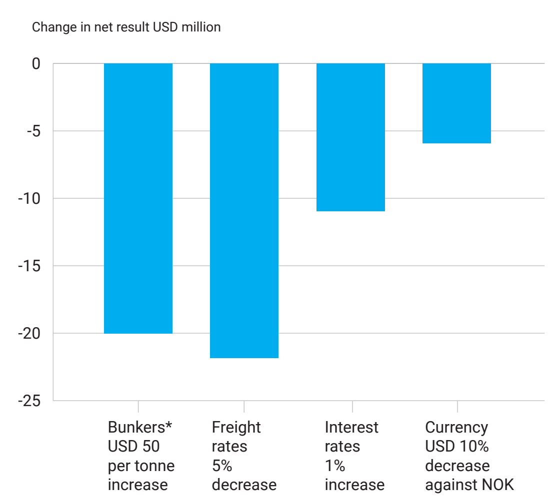
### Financing and liquidity

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 4.8 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

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# Financial Statements & Notes

Odfjell Group

Odfjell SE

ODFJELL GROUP

# Financial Statements
# Odfjell group

## Consolidated statement of profit or loss and other comprehensive income

| (USD 1 000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Consolidated statement of profit or loss** | | | |
| Gross revenue | 4, 24, 25 | 850 837 | 842 550 |
| Voyage expenses | 17 | (356 624) | (319 179) |
| Time charter expenses | 15 | (146 448) | (194 850) |
| Pool distribution | | (23 926) | - |
| Operating expenses | 18 | (145 438) | (135 461) |
| **Gross result** | | **178 400** | **193 060** |
| | | | |
| Share of net result from associates and joint ventures | 28 | (139 308) | 129 962 |
| General and administrative expenses | 19, 20 | (69 742) | (68 011) |
| **Operating result before depreciation, amortization and capital gain (loss) on non-current assets (EBITDA)** | | **(30 651)** | **255 011** |
| | | | |
| Depreciation and amortization | 11 | (95 334) | (89 031) |
| Impairment of property, plant and equipment | 12 | (5 000) | (21 946) |
| Capital gain (loss) on property, plant and equipment | 11 | (276) | 225 |
| **Operating result (EBIT)** | | **(131 261)** | **144 258** |
| | | | |
| Interest income | | 6 350 | 4 695 |
| Interest expenses | 8 | (73 796) | (60 507) |
| Other financial items | 22, 23 | (7 313) | 4 421 |
| **Net financial items** | | **(74 759)** | **(51 390)** |
| | | | |
| **Result before taxes** | | **(206 020)** | **92 867** |
| | | | |
| Income tax expense | 9 | (4 814) | (2 268) |
| **Net result** | | **(210 834)** | **90 600** |
| | | | |
| **Other comprehensive income** | | | |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Cash flow hedges changes in fair value | 6 | (3 894) | (375) |
| Cash flow hedges reclassified to profit or loss on realization | 6 | 2 247 | (2 695) |
| Net unrealized gain/(loss) on available-for-sale-investments | 6 | - | (700) |
| Translation differences on investments of foreign operations | | 129 | - |
| Share of comprehensive income on investments accounted for using equity method | 28 | 665 | 23 051 |
| Share of other comprehensive income reclassified to profit or loss on disposal | 28 | 9 777 | - |
| | | | |
| **Net other comprehensive income not being reclassified to profit or loss in subsequent periods:** | | | |
| Net actuarial gain/(loss) on defined benefit plans | | 64 | 266 |
| | | | |
| **Other comprehensive income** | | **8 988** | **19 547** |
| | | | |
| **Total comprehensive income** | | **(201 846)** | **110 147** |
| | | | |
| **Total comprehensive income allocated to:** | | | |
| Non-controlling interests | | - | - |
| Equity holders of Odfjell SE | | (201 846) | 110 147 |
| | | | |
| Earnings per share (USD) - basic/diluted | 13 | (2.68) | 1.15 |

## Consolidated statement of financial position

| Assets as per December 31 (USD 1 000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Deferred tax assets | 9 | 306 | - |
| Real estate | 11 | 1 493 | 2 181 |
| Ships | 11 | 1 284 541 | 1 237 758 |
| Newbuilding contracts | 11 | 75 314 | 55 787 |
| Office equipment and cars | 11 | 6 867 | 6 180 |
| Investments in associates and joint ventures | 28 | 170 927 | 357 300 |
| Derivative financial instruments | 6 | - | 3 252 |
| Net defined pension assets | 10 | 1 735 | 2 472 |
| Non-current receivables | | 14 381 | 9 543 |
| **Total non-current assets** | | **1 555 563** | **1 674 474** |
| | | | |
| **Current assets** | | | |
| Current receivables | 24 | 87 681 | 83 362 |
| Bunkers and other inventories | | 27 949 | 20 903 |
| Loan to associates and joint ventures | 28 | 497 | 14 760 |
| Cash and cash equivalents | 16 | 167 802 | 206 585 |
| Assets classified as held for sale | 29 | 2 456 | - |
| **Total current assets** | | **286 384** | **325 610** |
| **Total assets** | | **1 841 948** | **2 000 085** |

| Equity and liabilities as per December 31 (USD 1 000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 26 | 29 425 | 29 425 |
| Treasury shares | | (2 566) | (2 764) |
| Share premium | 26 | 172 388 | 172 388 |
| Other equity | | 401 338 | 616 885 |
| **Total equity** | | **600 586** | **815 934** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 9 | 36 | 537 |
| Pension liabilities | 10 | 4 687 | 5 082 |
| Derivative financial instruments | 6 | 9 988 | - |
| Non-current interest bearing debt | 8 | 909 743 | 845 343 |
| Other non-current liabilities | | 3 725 | 4 017 |
| **Total non-current liabilities** | | **928 180** | **854 980** |
| | | | |
| **Current liabilities** | | | |
| Current portion of interest bearing debt | 8 | 212 880 | 238 484 |
| Taxes payable | 9 | 624 | 3 509 |
| Derivative financial instruments | 6 | 13 555 | 23 849 |
| Other current liabilities | 25 | 86 124 | 63 330 |
| **Total current liabilities** | | **313 182** | 329 171 |
| **Total liabilities** | | **1 241 362** | 1 184 151 |
| **Total equity and liabilities** | | **1 841 948** | **2 000 085** |
| | | | |
| Guarantees | 15 | 20 577 | **106 334** |

### The Board of Directors of Odfjell SE

Bergen, March 14, 2019

Laurence Ward Odfjell
Chairman

Christine Rødsæther

Åke Gregertsen

Jannicke Nilsson

Åse Aulie Michelet

Hans Smits

Kristian Mørch
CEO

ODFJELL GROUP

## Consolidated statement of cash flow

| (USD 1,000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result before taxes | | (206 020) | 92 868 |
| Taxes paid in the period | | (3 201) | (1 345) |
| Depreciation, impairment and capital (gain) loss fixed assets | 11, 12 | 100 610 | 110 753 |
| Change in inventory, trade debtors and creditors (increase) decrease | | (20 549) | 5 521 |
| Share of net result from associates and joint ventures | 28 | 139 334 | (129 962) |
| Unrealized changes in derivatives | | 17 959 | (22 205) |
| Net interest expenses | | 67 446 | 55 812 |
| Interest received | | 6 010 | 3 638 |
| Interest paid | | (73 731) | (60 976) |
| Effect of translation differences | | (13 341) | 11 442 |
| Other current accruals | | 28 196 | (12 003) |
| **Net cash flow from operating activities** | | **42 642** | **53 543** |
| | | | |
| **Cash flow from investing activities** | | | |
| Sale of ships, property, plant and equipment | 11 | 917 | 4 049 |
| Investment in ships, property, plant and equipment | 11 | (169 996) | (173 187) |
| Dividend received / share capital reduction in joint ventures | 28 | 81 128 | 130 790 |
| Investment in shares | | (24 833) | - |
| Changes in non-current receivables | | 14 026 | 2 815 |
| Proceeds from sale of investments, available-for-sale | | - | 10 000 |
| **Net cash flow from investing activities** | | **(98 758)** | **(25 533)** |
| | | | |
| **Cash flow financing activities** | | | |
| New interest bearing debt (net of fees paid) | 8 | 299 861 | 337 413 |
| Repayment of interest bearing debt | 8 | (267 847) | (310 366) |
| Re-purchase / sale of treasury shares | 26 | 198 | - |
| Payment of dividend | | (14 583) | (13 942) |
| **Net cash flow from financing activities** | | **17 629** | **13 105** |
| | | | |
| Effect on cash balance from currency exchange rate fluctuations | | (369) | 1 001 |
| | | | |
| **Net change in cash and cash equivalents** | | **(38 783)** | **42 116** |
| | | | |
| Cash and cash equivalents as per January 1 | | 206 585 | 164 469 |
| **Cash and cash equivalents as per December 31** | **16** | **167 802** | **206 585** |

## Consolidated 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 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** |
| Dividend payment | - | - | - | - | - | - | - | - | (13 629) | **(13 629)** | **(13 629)** |
| Sale of treasury shares | - | 21 | - | - | - | - | - | - | 236 | **236** | **257** |
| Other adjustments | - | - | - | - | 696 | - | - | - | (350) | **346** | **346** |
| | | | | | | | | | | | |
| **Equity December 31, 2017** | **29 425** | **(2 764)** | **172 388** | **-** | **(1 994)** | **-** | **1 368** | **3 965** | **613 546** | **616 885** | **815 934** |
| | | | | | | | | | | | |
| Equity January 1, 2018 | 29 425 | (2 764) | 172 388 | - | (1 994) | - | 1 368 | 3 965 | 613 546 | **616 885** | **815 934** |
| Other comprehensive income | - | - | - | 129 | (1 647) | - | 64 | 10 442 | - | **8 988** | **8 988** |
| Net result | - | - | - | - | - | - | - | - | (210 834) | **(210 834)** | **(210 834)** |
| Dividend payment | - | - | - | - | - | - | - | - | (14 583) | **(14 583)** | **(14 583)** |
| Sale of treasury shares | - | 198 | - | - | - | - | - | - | 85 | **85** | **283** |
| Other adjustments | - | - | - | 30 | - | - | (1 927) | (8 359) | 11 054 | **798** | **798** |
| | | | | | | | | | | | |
| **Equity December 31, 2018** | **29 425** | **(2 566)** | **172 388** | **159** | **(3 641)** | **-** | **(495)** | **6 048** | **399 268** | **401 338** | **600 586** |



# Notes to the Financial Statement

## Note 1
## Corporate information

Odfjell SE, Conrad Mohrs veg 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, 2018 was authorized for issue in accordance with a resolution of the Board of Directors on March 14, 2019. 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 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 Changes in accounting principles

The Group applied IFRS 15 and IFRS 9 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

**IFRS 15 Revenue from contracts with customers**
IFRS 15 Revenues from contracts with customers has replaced IAS 18 Revenues and IAS 11 Construction Contracts.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Under IAS 18 and IAS 11 Odfjell estimated recognized revenue per voyage, not per customer contract, over the estimated duration of the voyage from first load port to the last discharge port of the voyage. Variable considerations, including estimated demurrage, was included in revenue over the estimated remaining duration of the voyage. The number of voyage days sailed compared to total estimated days for the voyage was used as a measure for recognizing revenue over time.

IFRS 15 requires Odfjell to recognize revenue per freight service (performance obligation) in customer contracts over the period from load port to discharge port. Compared to previous accounting principle of Odfjell, this implies that a voyage is separated into many performance obligations and timing of revenues are estimated specifically for each. Revenue per freight service includes variable considerations such as demurrage, which is also recognized over the period from it occurred to discharge port. Freight services are performed over time as the customer benefits from and controls the service received as it is being performed. Number of days sailed from load port compared to total estimated days until discharge port for each performance obligation is used as a measure for recognizing revenue over time.

Under IAS 18 and IAS 11 voyage costs were estimated and recognized over the estimated duration of the voyage, using the same pattern as for revenue. From January 1, 2018, under IFRS 15, Odfjell recognizes voyage costs as they incur from load to discharge. In the event of ballast journeys between discharge and next load, cost would be capitalized and expensed over the next voyage.

Odfjell operates pools of ships delivering freight services to customers and external ships may participate in the pools. Under IFRS 15 Odfjell acts as a principal, not an agent, for those external ships in the pool since the freight service delivered to the customer is controlled by Odfjell. Revenues generated by external ships in the pool are therefore recognized as gross revenue in the income statement.

The new standard has been implemented in Odfjell using the modified retrospective approach as transition method, which requires the recognition of the cumulative effect of initially applying IFRS 15 to the opening balance of equity as at January 1, 2018, and not restate prior years. Odfjell has not identified a significant impact to the Group's financial statements as a result of implementing the new standard. As a result, no cumulative adjustment to equity as at January 1, 2018 is made and there is only an inconsequential difference between revenues and voyage expenses presented for the year 2018 under IFRS 15 and the past accounting policy.

**IFRS 9 Financial Instruments**
IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 addressed the classification, measurement and de-recognition of financial assets and financial liabilities and introduced new rules for hedge accounting. In addition, IFRS 9 introduced an expected loss model that requires a provision for bad debt to be recognized before any event has happened, as opposed to the old incurred loss model where an event must have happened before the provision is made.

The new standard did not have material impact on the Group's financial assets and liabilities.

### 2.3 Revenues from contract with customers

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

**Freight revenue from transportation of liquids by sea**
The Group recognizes revenue from rendering of transportation services over time, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes freight revenue over time from load port to discharge port by measuring the progress towards complete satisfaction of the services. Number of days sailed from load port compared to total estimated days until discharge port is used as a measure progress. The method applied is the one that most faithfully depicts our progress towards complete satisfaction of the performance obligation.

**Variable consideration**
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the service to the customer. The variable consideration is estimated at contract inception or when changes in circumstances occur and is recognized as revenue if it is highly probable that there will not be a significant reversal of revenue in a future period. The Group is estimating demurrage revenue as a variable consideration when delays occur and the vessel is prevented from loading or discharging cargo within the stipulated laytime. The variable consideration based on contracted price terms and estimated excess time taken to discharge or load are being recognized as part of the freight service revenue over time for the remaining voyage (from the delay occurs to the discharge port).

**Contract balances**
Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables: A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group fulfills the performance obligation (s) under the contract.

**Cost to obtain a contract**
The Group has elected to apply the optional practical

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expedient for costs to obtain a contract, e.g. broker commissions, which allows the Group to immediately expense such costs when the related revenue is expected to be recognized within one year.

### 2.4 Segments

Operating segments are reported in the manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board and Executive Management 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.

### 2.5 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, capitalized 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, capitalized 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.

**Impairment of 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.

### 2.6 Leases

The determination of whether an arrangement is, or may represent a lease, is based on the substance of the arrangement at inception date. An arrangement is a lease if the fulfillment 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 fulfillment 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 capitalized 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. Capitalized leased assets are depreciated over the estimated useful life. For ships chartered 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.

The Odfjell Group from time to time enters into sale and leaseback transactions that involves the legal form of a lease. If the Odfjell Group retains all the risk and reward incident to ownership of the asset, the transaction is accounted for as a finance transaction. This implies that the asset formally sold is retained without reassessing the carrying amount and the consideration received is recognized as a liability.

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 expense. The ship is not subject for any revaluation.

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.

### 2.7 Consolidation

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

Generally, there is a presumption that a majority of voting rights results in control, but the Group considers all facts and circumstances when assessing whether it has power over the investee.

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 unrealized 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 anentity in 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 amortization 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.

**Impairment of joint ventures and associates**

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 investments are 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 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Recognition and derecognition**

Financial assets and liabilities are recognized in the statement of financial position at the date the Group becomes a party to the contractual provisions of the financial instruments. Financial instruments are recognized at fair value, which normally equals their transaction price. Transaction costs are recognized in profit or loss, with the exception of transaction costs related to financial instruments measured at amortized cost or fair value through OCI where transaction costs adjust the instruments carrying amount and are amortized over the expected life of the instruments.

A financial asset is derecognized when the right to receive and retain cash flows from the asset has expired, or when the rights to receive the cash flows from the financial asset and substantially all the risks and rewards from ownership of the financial asset has been transferred. A financial liability is derecognized when it is extinguished, i.e. when the financial liability is discharged, canceled or expires.

**Classification and measurement**

Financial assets are measured at amortized cost if their contractual cash flows are solely payment of principal and interest on the principal amount outstanding, and they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. All financial assets of the Group that are not derivatives or equity instruments meet these conditions and are measured at amortized cost. Derivatives and equity instruments are measured at fair value through profit or loss, with the exception of derivative instruments that are designated as hedging instruments in qualifying hedging relationships.

The Odfjell Group has the following financial assets; loan to associates and joint ventures, trade receivables (included in current receivables), derivative financial instruments and cash and cash equivalents.

Financial liabilities shall be accounted for at amortized cost, unless they are held for trading, designated at fair value through profit or loss or are derivatives. Financial liabilities of the Group are measured at amortized cost, with the exception of derives which are either measured at fair value through profit or loss or are designated as hedging instruments in qualifying hedging relationships.

The Odfjell Group has the following financial liabilities; Long and short term interest bearing debt, trade and other payables (included in 'other current liabilities' in the statement of financial position) and derivative financial instruments.

**Impairment**

Impairments are recognized based on a three-step model, where assets are classified in step 1 at initial recognition and in subsequent periods if the credit risk of the assets has not increased significantly after initial recognition. Impairment losses for assets classified in step 1 is measured as the 12-months expected credit loss. If the credit risk has increased significantly after initial recognition the financial assets shall be classified in step 2 or 3, and expected credit loss is measured at lifetime expected credit loss. When estimating expected credit loss, the Group takes into consideration historical loss experience, information about current conditions and expectations for future developments.

A simplified impairment model applies for trade receivable, where impairment losses are measured at lifetime expected credit loss irrespective of whether credit risk has increased significantly or not.

**Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments to hedge foreign currency risk and commodity price risk (bunkers). Derivative financial instruments are forward currency contracts and forward commodity contracts. Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are recognized as assets if the fair value is positive and as a liability when the fair value is negative.

For the purpose of hedge accounting, the derivatives are classified as cash flow hedges and hedges highly probable future cash flows. Forward currency contracts hedges future highly probable cash outflows in NOK and forward commodity contracts hedges highly probable future purchase of bunkers nominated in USD.

At the inception of the hedging relationship, the Group formally designates and documents the hedge relationship aligned with the risk management objective and hedging strategy.

Until the highly probable future transaction occurs, the effective portion of the gain or loss on the hedging

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instrument is recognized in other comprehensive income in the cash flow hedge reserve. Any ineffective portion is recognized in the income statement immediately as other financial items. The amount accumulated in the cash flow reserve is reclassified to profit and loss as an adjustment in the same period as the hedged cash flow affects profit and loss. In the income statement, adjustments related to forward commodity contracts are included in the line voyage expense. The adjustments related to forward currency contracts are recognized in operating expenses and general and administrative expenses.

Derivative financial contracts used as hedging instruments are classified as current assets or current liabilities if they mature within 12 months after the balance sheet date. Derivative financial contracts maturing more than 12 months after the balance sheet date are classified as non-current assets or non-current liabilities.

### 2.11 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 realizable value. If inventory is written down to net realizable value, the write down is charged to the income statement.

### 2.12 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.

### 2.13 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 canceled or reissued.

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

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

**Other equity**
(i) Translation differences
Translation differences arise in connection with currency differences when foreign entities are consolidated. When a foreign operation is sold, the accumulated translation 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. 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.

### 2.14 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 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 utilize the deferred tax asset. Similarly, the Company will reduce its deferred tax assets to the extent that it no longer can utilize 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.

### 2.15 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.

### 2.16 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.

### 2.17 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.

### 2.18 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.

### 2.19 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. Implementation of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers as per January 1, 2018 has not led to any changes in comparative figures.

### 2.20 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.

### 2.21 Classification in the financial statement

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

### 2.22 Changes in accounting principles with future effect

Certain new accounting standard and interpretations have been published that are not mandatory as per December 31, 2018. These new standards have not been adopted. The Group's assessment of the impacts on these new standards is set out below.

**IFRS 16 Leases**
IFRS 16 Leases was issued in January 2016 and it replaces IAS 17 Leases. The new standard is effective for Odfjell Group from January 1, 2019 and the Group will implement the standard by applying the modified retrospective approach.

Under IFRS 16 leases 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 installments. 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.

Applying the IFRS 16 will have an impact on the Financial Statements for lessee arrangements which exists on January 1, 2019. The estimated impact of IFRS 16 is illustrated in note 31.

## 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 judgment 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:

**Revenue from contract with customers**
The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Timing of freight revenue
The Group generates its revenue from contract with customers from the transportation of liquids by sea. After commencement of a sea voyage, estimated revenue is recognized and prorated over time from a cargo is loaded to the estimated time of discharge of the cargo. Estimated revenue and time from load to discharge is being updated as the voyage processes to include most recent data, and changes in estimates will impact revenue and contract balances. See note 24 and note 25 for information about contract balances.

(ii) Variable consideration - demurrage
The Group is estimating demurrage revenue as a variable consideration when delays occur and the vessel is prevented from loading or discharging cargo within the stipulated laytime. The variable consideration based on contracted price terms and estimated excess time taken to discharge or load are being recognized as part of the freight service revenue over time for the remaining voyage (from the delay occurs to the discharge port). Changes in estimates related to demurrage will impact revenue and contract balances.

(iii) Principal versus agent considerations
Odfjell operates pools of ships delivering freight services to customers and external ships may participate in the pools. The Group determined that it does act as a principal, not an agent, for those external ships in the pool since the operations of the external vessels and the freight service delivered to the customer is controlled by Odfjell. Revenues generated by external ships in the pool are therefore recognized as gross revenue in the income statement.

During 2018 some vessels have been on commercial management with Odfjell (prior to entering into pool participation agreements). The Group determined that it does act as an agent, not a principal, for the ships on commercial management since Odfjell does not have the risk or ability to direct and control the freight services provided by these ships. Revenues generated by ships on commercial management are therefore not recognized as gross revenue in the income statement.

See also note 2.2 and 2.3 for description of new accounting policies for recognizing revenues and voyage cost effective 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. Residual values are updated once a year.

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

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asset back (sale-leaseback). Judgment 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 2.6, note 8, note 11 and note 15 for information about leases and sale-leaseback.

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

In determining fair value less cost of disposal we use indicative broker values from independent ship brokers. In assessing value in use, the estimated future cash flows are discounted to their present value using an average weighted cost of capital that reflects current market assessments.

CGU 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. 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.

As the Odfjell vessels within each CGU are interchangeable through a logistical system. Fleet scheduling cash inflows are therefore dependent of this scheduling and chemical tankers vessels are seen together as a portfolio of vessels. 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 vessels varies. Changing the crew between two vessels can change the net present value per vessel without any effect for the Group. Vessels will only be impaired if the total recoverable amount of the vessels within each CGU is lower than the carrying amount related to that CGU.

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. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable since the last impairment loss was recognized. Any reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognized for the asset in prior years.

Factors that indicate 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 unfavorable regulatory decisions. In addition, market capitalization below the book value of equity would be an indicator of impairment.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 12.

**Impairment test of investments in joint ventures**
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 subgroup), 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 subgroup.

We test the investment in the Tank Terminals joint ventures 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.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 28.

## Note 4
## Segment information and disaggregation of revenues

The operating segments are organized 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.

The Tank Terminals segment offers storage of various chemical and petroleum products and is operated through joint ventures with our share owned by the subsidiary 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 substantial delays, all eight vessels have been canceled. Odfjell Gas AS is seeking to sell the two existing vessels and the assets are classified as assets held for sale in the balance sheet for the Gas Carriers segment below.

Pricing of services and transactions between business 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 operating segment data.

The Group provides 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.

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

| | Chemical Tankers [1] | | Tank Terminals | | Gas Garriers | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| (USD mill) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Gross revenue | 851 | 843 | 91 | 111 | 9 | 8 | - | - | **950** | **962** |
| Voyage expenses | (357) | (319) | - | - | (4) | (4) | - | - | **(360)** | **(323)** |
| Pool distribution | (24) | - | - | - | - | - | - | - | **(24)** | **-** |
| Time charter expenses | (146) | (195) | - | - | - | - | - | - | **(146)** | **(195)** |
| Operating expenses | (145) | (135) | (46) | (52) | (2) | (2) | - | - | **(194)** | **(190)** |
| General and administrative expenses | (70) | (68) | (21) | (20) | - | - | - | - | **(91)** | **(88)** |
| **Operating result before depreciation (EBITDA)** | **109** | **125** | **24** | **38** | **3** | **2** | **-** | **-** | **135** | **166** |
| Depreciation | (95) | (89) | (29) | (34) | - | (1) | - | - | **(124)** | **(125)** |
| Impairment | (5) | (22) | (68) | (21) | (3) | - | - | - | **(76)** | **(43)** |
| Capital gain/loss on fixed assets/sale of business | - | - | (11) | 134 | - | - | - | - | **(11)** | **134** |
| **Operating result (EBIT)** | **8** | **14** | **(84)** | **118** | **(1)** | **1** | **-** | **-** | **(76)** | **133** |
| Net finance | (75) | (51) | (10) | (6) | (1) | (1) | - | (1) | **(85)** | **(58)** |
| Income taxes | (5) | (2) | (44) | 18 | - | - | - | | **(49)** | **16** |
| **Net result** | **(71)** | **(39)** | **(138)** | **130** | **(1)** | **-** | **-** | **(1)** | **(211)** | **91** |
| | | | | | | | | | | |
| Non-current assets | 1 385 | 1 314 | 325 | 498 | - | - | (1) | 4 | **1 709** | **1 817** |
| Current assets | 276 | 329 | 27 | 82 | 3 | 4 | 2 | (10) | **308** | **404** |
| Assets held for sale | 2 | - | - | - | 19 | 21 | - | - | **21** | **21** |
| **Total assets** | **1 664** | **1 643** | **351** | **580** | **22** | **25** | **2** | **(5)** | **2 039** | **2 242** |
| | | | | | | | | | | |
| Equity | 428 | 459 | 159 | 342 | 15 | 16 | (1) | (1) | **601** | **816** |
| Non-current liabilities | 928 | 855 | 171 | 162 | - | - | - | - | **1 099** | **1 017** |
| Current liabilities | 307 | 329 | 22 | 76 | 7 | 9 | 2 | (5) | **339** | **409** |
| Liabilities held for sale | - | - | - | - | - | - | - | - | **-** | **-** |
| **Total equity and liabilities** | **1 664** | **1 643** | **351** | **580** | **22** | **25** | **2** | **(6)** | **2 039** | **2 242** |
| | | | | | | | | | | |
| Reconciliations: | | | | | | | | | | |
| Total segment revenue | 851 | 843 | 91 | 111 | 9 | 8 | - | - | **950** | **962** |
| Segment revenue from joint ventures [2] | - | - | (91) | (111) | (9) | (8) | - | - | **(100)** | **(119)** |
| **Consolidated revenue in income statement** | **851** | **843** | **-** | **-** | **-** | **-** | **-** | **-** | **851** | **843** |
| | | | | | | | | | | |
| Total segment EBIT | 8 | 14 | (84) | 118 | (1) | 1 | - | - | **(76)** | **133** |
| Segment EBIT from joint ventures [2] | - | - | 84 | (118) | 1 | (1) | - | - | **84** | **(119)** |
| Share of net result from joint ventures [3] | - | - | (138) | 130 | (1) | - | - | (1) | **(139)** | **130** |
| **Consolidated EBIT in income statement** | **8** | **14** | **(138)** | **130** | **(1)** | **-** | **-** | **(1)** | **(131)** | **144** |
| | | | | | | | | | | |
| Total segment asset | 1 664 | 1 643 | 351 | 580 | 22 | 25 | 2 | (5) | **2 039** | **2 242** |
| Segment asset [2] | - | - | (347) | (580) | (22) | (25) | 1 | 5 | **(368)** | **(600)** |
| Investment in joint ventures [3] | - | - | 156 | 342 | 15 | 16 | - | - | **171** | **357** |
| **Total consolidated assets in statement of financial position** | **1 664** | **1 643** | **161** | **342** | **15** | **16** | **2** | **-** | **1 842** | **2 000** |
| | | | | | | | | | | |
| Total segment liabilities | 1 236 | 1 184 | 193 | 238 | 7 | 9 | 2 | (5) | **1 438** | **1 426** |
| Segment liability [2] | - | - | (190) | (238) | (7) | (9) | 1 | 5 | **(197)** | **(242)** |
| **Total consolidated liabilities in statement of financial position** | **1 236** | **1 184** | **3** | **-** | **-** | **-** | **3** | **-** | **1 241** | **1 184** |
| | | | | | | | | | | |
| **Capital expenditure** | **(169)** | **(173)** | **(10)** | **(36)** | **-** | **-** | **-** | **-** | **(179)** | **(209)** |

[1] This segment also includes "corporate".
[2] Investments in joint ventures are presented according to the proportionate consolidation method in the segment reporting.
[3] 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)

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.

| | Gross revenue | | Assets | |
|---|---|---|---|---|
| (USD 1 000) | 2018 | 2017 | 2018 | 2017 |
| North America | 206 916 | 201 194 | 2 373 | 2 042 |
| South America | 214 248 | 225 764 | 22 571 | 26 076 |
| Norway | - | - | 258 370 | 286 827 |
| The Netherlands | 74 711 | 77 140 | - | 803 |
| Other Europe | 41 611 | 48 704 | - | - |
| Middle East and Asia | 268 254 | 250 034 | 23 788 | 32 701 |
| Africa | 31 860 | 32 510 | 1 607 | 792 |
| Australasia | 13 237 | 7 203 | - | - |
| Investment in associates and joint ventures | - | - | 170 927 | 357 300 |
| Unallocated ships and newbuilding contracts | - | - | 1 362 310 | 1 293 545 |
| **Total** | **850 837** | **842 550** | **1 841 948** | **2 000 085** |

### Disaggregation of revenue (according to the equity method)

The Group's gross revenue (Chemical Tankers segment only) has been disaggregated and presented in the tables below:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Revenue from contract with customers | 836 424 | 824 519 |
| Other revenue | 14 413 | 18 031 |
| **Gross revenue** | **850 837** | **842 550** |
| | | |
| Revenue from contract with customers disaggregated by type of contract: | | |
| Charter of Affreightment contracts | 513 579 | 499 818 |
| Spot contracts | 322 845 | 324 701 |
| **Revenue from contract with customers** | **836 424** | **824 519** |

## 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 result before taxes and equity due to changes in major cost components on yearly basis (calculation based on best estimates):

| (USD million) | 2018 | | 2017 | |
|---|---|---|---|---|
| Cost component | Net Result [1] | Equity [2] | Net Result [1] | Equity [2] |
| Bunkers, USD 50 per tonne increase [3] | (20.5) | 1.4 | (20.0) | - |
| Interest rates, 1% increase | (11.3) | - | (10.9) | - |
| Currency, USD 10% decrease vs NOK | (5.5) | 4.0 | (5.9) | 4.6 |

[1] Effect on net result, excluding derivatives and bunker 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 customer. Outstanding customer receivables and contract balances 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. The Group applies the low credit risk simplification. The Group evaluates whether the instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. 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 and financial assets at amortized cost, 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, 2018 was USD 1 122.6 million, while cash and cash equivalents amounted to USD 167.8 million, both figures excluding joint venture companies. At the same date the equity ratio, using the equity consolidation method, was 32.6% compared to 40.8% per December 31, 2017.

During 2018, Odfjell drew USD 306 million on new credit facilities agreements. The facilities not fully drawn 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 2018 about 73% of estimated currency risk related to general and administrative expenses and operating expenses for the next twelve months nominated in NOK was 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 2018 about 7% of the estimated bunker risk for 2019 was hedged by bunker derivatives.

### 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 2018 interest rate payments corresponding to outstanding debt of USD 350 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, 2018:

| (USD 1 000) | Held for sale | Derivatives held as hedge instrument [1] | Derivatives at fair value through profit and loss [1] | Financial assets at amortized cost | Financial liabilities at amortized cost | Non-financial assets/ liabilities | Carrying amount 2018 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 167 802 | - | - | **167 802** |
| Current receivables | - | - | - | 84 555 | - | 3 126 | **87 681** |
| Non-current receivables | - | - | - | 14 381 | - | - | **14 381** |
| Loan to associates and joint ventures | - | - | - | 497 | - | - | **497** |
| Other non-financial assets | - | - | - | - | - | 1 569 131 | **1 569 131** |
| Assets held for sale | 2 456 | - | - | - | - | - | **2 456** |
| **Total assets** | **2 456** | **-** | **-** | **267 235** | **-** | **1 572 257** | **1 841 948** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Other current liabilities | - | - | - | - | 29 285 | 56 839 | **86 124** |
| Derivative financial instruments | - | 3 642 | 19 901 | - | - | - | **23 543** |
| Interest bearing debt | - | - | - | - | 1 122 623 | - | **1 122 623** |
| Other non-current liabilities | - | - | - | - | 3 725 | - | **3 725** |
| Other non-financial liabilities | - | - | - | - | - | 5 346 | **5 346** |
| **Total liabilities** | **-** | **3 642** | **19 901** | **-** | **1 155 634** | **62 185** | **1 241 362** |

[1] Items measured at fair value.

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

| (USD 1 000) | Derivatives held as hedge instrument [1] | Derivatives at fair value through profit and loss [1] | Financial assets at amortized cost | Financial liabilities at amortized 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** |
| Loan to associates and joint ventures | - | - | 14 760 | - | - | **14 760** |
| Non-current receivables | - | - | 9 543 | - | - | **9 543** |
| 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** |

[1] 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 are recognized in the balance sheet at the fair value at the balance sheet date. The fair value is obtained from active markets. For cash and cash equivalents and current liabilities the carrying amount is considered to be a reasonable 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 a reasonable 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 had a market value of USD 254 million as per December 31, 2018 compared to carrying amount of USD 253 million. Correspondingly market value was USD 267 million as per December 31, 2017 compared to carrying amount of USD 264 million.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| (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 |
| Financial liabilities at fair value: | | | | |
| Derivatives instruments - non hedging | - | 19 901 | - | 21 855 |
| Derivatives instruments - hedging | - | 3 642 | - | 1 994 |

### Cash flow hedging

The Group has highly probable future expenses that may be variable due to changes in currency exchange rates, interest rates and bunker prices. The derivatives classified as cash flow hedges are accounted for at fair value. The change in fair 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 or general and administrative expenses.

#### 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

Purchase of bunkers (the hedged item) creates an exposure to pay the spot price for HFO and MGO settled monthly as the purchase of bunkers occurs.

The hedging instruments of the same notional Mt volume creating an opposite receipt of the reference price (spot price) and an obligation to pay the fixed amount. All derivatives have the same commodity reference price, being the 'FOB Barges Rotterdam'.

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 2018 bond loans for a total of NOK 2 200 million are hedged, corresponding to USD 263.2 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, 2018 (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 46 720 | NOK 381 000 | 8.15 | (2 481) | 46 720 | - | - | 46 720 |

| | | | | | 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 350 000 | | 2.98% | (5 671) | - | 100 000 | 250 000 | 350 000 |

| | | | | | 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 263 227 | From NOK to USD | 6.06% | (14 230) | 61 425 | 201 802 | - | 263 227 |

| | | | | | Time to maturity – tonnes | | | |
|---|---|---|---|---|---|---|---|---|
| Bunker | | | Avg. Price | MTM [1] | <1 year | 1 – 5 years | > 5 years | Total |
| Cash flow hedging | 27 600 tonnes | | USD 505.05 | (1 161) | 27 600 | - | - | 27 600 |

[1] Mark to market valuation
[2] All non hedge interest rate swaps 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, 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 | | | 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 | | | 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 interest rate swaps are classifies as current assets/liabilities
[3] Related

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Negative value MTM of the cross currency swaps related to the four outstanding bond loans of in total USD 253.1 million (USD 273.3 million in 2017), amounts to USD 14.2 million (USD 15 million in 2017) per 31.12.2018. Accumulated currency gain recognized related to the same bond loans amounts to USD 14.5 million as of December 31, 2018 (USD 11 million as of December 31, 2017).

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

| (USD 1000) | 2018 | 2017 |
|---|---|---|
| Bunkers | (1 161) | - |
| Currency | (2 481) | (1 994) |
| Basis swaps (interest and currency) | (19 901) | (18 603) |
| **Derivative financial instruments** | **(23 543)** | **(20 597)** |

### 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, 2017** | **(394)** | **(1 063)** | **1 838** | **380** |
| Fluctuations during the period: | | | | |
| - Gains/losses due to changes in fair value | 394 | (774) | 4 | (375) |
| -Transfer to income statement | - | (853) | (1 842) | (2 695) |
| - Transfers to investment | - | 696 | - | 696 |
| **Balance sheet as at December 31, 2017** | **-** | **(1 994)** | **-** | **(1 994)** |
| Fluctuations during the period: | | | | |
| - Gains/losses due to changes in fair value | - | (2 734) | (1 161) | (3 894) |
| -Transfer to income statement | - | 2 247 | - | 2 247 |
| **Balance sheet as at December 31, 2018** | **-** | **(2 481)** | **(1 161)** | **(3 641)** |

## 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 unfavorable 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 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 1 000) | 2018 | 2017 |
|---|---|---|
| Equity | 600 586 | 815 934 |
| Total assets | 1 841 948 | 2 000 085 |
| Assets held for sale | 2 456 | - |
| Equity ratio (equity method) | 32.6% | 40.8% |
| Current ratio | 0.9 | 1.0 |
| | | |
| Cash and cash equivalents | 167 802 | 206 585 |
| **Total available liquidity** | **167 802** | **206 585** |

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) | Interest rate year-end [1] | 2018 | 2017 |
|---|---|---|---|
| Mortgage loans from finance institutions – floating interest rates | 4.92% | 447 205 | 543 892 |
| Financial leases and sale-leaseback | 5.67% | 430 550 | 273 476 |
| Bonds – unsecured | 8.84% | 253 133 | 273 330 |
| **Subtotal interest bearing debt** | **6.08%** | **1 130 888** | **1 090 697** |
| Debt transaction fees [2] | | (8 265) | (6 870) |
| **Total interest bearing debt** | | **1 122 623** | **1 083 827** |
| Current portion of long term interest bearing debt | | (212 880) | (238 484) |
| **Non-current interest bearing debt** | | **909 743** | **845 343** |

[1] Interest rate is the weighted average of interest rates, excluding hedges, as per end of 2018.

[2] To be amortized and included in interest expense

In September 2018 Odfjell issued a new unsecured bond of NOK 500 million with maturity in September 2023. The bond is swapped to USD 60.2 million with a spread of LIBOR + 6.01%. In conjunction with the bond issue Odfjell purchased NOK 37 million of its bonds ODF06 matured in December 2018.

In December 2018 the unsecured bond of NOK 800 million ODF06 matured and the remaining outstanding amount of NOK 436 million was paid in full.

During 2018 Odfjell has refinanced mortgaged loans related to ships amounting to USD 63.3 million, all fully drawn. Interest rates ranges from LIBOR plus 2.1% - 2.8% and maturity is five years.

Odfjell has also committed sale-leaseback agreements of USD 55.8 million at LIBOR plus 1.7% with 7 - 8 years tenor, all fully drawn in 2018. The agreements have embedded purchase options. In 2018 Odfjell has drawn USD 125.8 million related to newbuildings as per previously committed sale-leaseback agreements.

Transaction costs are deferred and charged net result over the life of the underlying debt using the effective interest rate method. During 2018 USD 1.8 million (USD 2.3 million in 2017) has been charged to the income statement, classified as interest expenses.

### Summary of changes in interest bearing debt during the year:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Interest bearing debt as per January 1 | 1 083 827 | 1 041 774 |
| | | |
| **Repayment of interest bearing debt:** | | |
| Mortgage loans from finance institutions – floating interest rates | (157 194) | (162 724) |
| Financial leases and sale-leaseback | (26 748) | (8 878) |
| Bonds – unsecured | (67 428) | (138 764) |
| **Total repayments [1]** | **(251 371)** | **(310 366)** |
| | | |
| **New interest bearing debt:** | | |
| Mortgage loans from finance institutions – floating interest rates | 63 300 | 70 250 |
| Financial leases and sale-leaseback | 181 611 | 130 000 |
| Bonds – unsecured | 61 318 | 142 862 |
| **Total new debt [2]** | **306 229** | **343 112** |
| | | |
| Amortization transaction fees | (1 638) | (2 455) |
| Currency gain/loss | (14 424) | 11 762 |
| **Interest bearing debt as per December 31** | **1 122 623** | **1 083 827** |

[1] Total repayment of debt including settlement of the NOK bond derivatives are USD 267.8 million, ref. consolidated statement of cash flow

[2] Total new debt net of fees paid is USD 299.9 million, ref. consolidated statement of cash flow

The interest bearing debt agreements do 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 times in compliance with financial covenants during 2018 and 2017.

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### Maturity of interest bearing debt as at December 31, 2018:

| (USD 1 000) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|---|---|---|
| Mortgage loans from financial institutions - floating interest rates | 82 188 | 186 494 | 82 945 | 36 792 | 43 621 | 15 167 | **447 205** |
| Finance leases and sale-leaseback | 73 162 | 36 000 | 38 675 | 30 686 | 29 813 | 222 216 | **430 550** |
| Bonds – unsecured | 57 530 | - | 80 542 | 57 530 | 57 530 | - | **253 133** |
| **Sub total interest bearing debt** | **212 880** | **222 493** | **202 162** | **125 007** | **130 964** | **237 382** | **1 130 888** |
| Estimated interest payable | 64 416 | 53 619 | 41 626 | 32 278 | 25 281 | 61 325 | **278 546** |
| **Total interest bearing debt** | **277 296** | **276 112** | **243 788** | **157 286** | **156 245** | **298 707** | **1 409 434** |

### 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 | 67 047 | 60 672 | 0 | 84 940 | 60 672 | 0 | **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** |

The average maturity of the Group's total interest-bearing debt is 4.8 years (4.3 years in 2017). Average maturity of loans from financial institutions is 3.2 years (3.4 years in 2017), while financial leases and sale-leaseback matures in 7.7 years on average (7.8 years in 2017) and bonds mature in 2.7 years (2.6 years in 2017) on average.

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

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Mortgage loans from financial institutions | 447 210 | 543 892 |
| Finance leases and sale-leaseback | 430 901 | 273 476 |
| **Carrying amount preferred ship financing** | **878 111** | **817 367** |
| | | |
| Carrying amount of assets under mortgage loans | 813 510 | 940 160 |
| Carrying amount of assets under finance leases and sale-leaseback | 455 767 | 271 873 |
| **Total carrying amount of assets financed** | **1 269 277** | **1 212 033** |

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, 2018 are estimated to USD 590.2 million (USD 337.2 million in 2017), compared to net present value of USD 430.6 million (USD 273.5 million in 2017).

### The table below summarizes interest bearing debt into different currencies:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| USD | 877 756 | 817 367 |
| NOK [1] | 253 133 | 273 330 |
| Debt transaction fees | (8 265) | (6 870) |
| **Total interest bearing debt** | **1 122 623** | **1 083 827** |

[1] Includes bond debt swapped to USD. See note 6 Hedging Activities



## Note 9
## Taxes

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Change in deferred tax, Norway - ordinary tax | - | 0 |
| Change in deferred tax, other jurisdictions | (653) | 1 963 |
| Taxes payable, other jurisdictions | (4 161) | (4 231) |
| | | |
| **Total tax income (expenses)** | **(4 814)** | **(2 268)** |

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Result before taxes | (206 005) | 92 868 |
| Tax calculated at Odfjell's statutory income tax rate 23% (2017: 24%) | 47 381 | (22 288) |
| Tax effect of: | | |
| Income and expenses not subject to tax | (9 157) | (2 708) |
| Share of result from joint ventures and associates | (32 041) | 31 191 |
| Withholding tax | (244) | (1 749) |
| Non deductible expenses for tax purposes - impairment | (1 150) | (5 267) |
| Differences in tax rates | (2 732) | (29) |
| Deferred tax asset not recognized | (6 871) | (1 419) |
| **Tax income (expenses)** | **(4 814)** | **(2 268)** |
| | | |
| Effective tax rate | (2.34%) | 2.44% |

### Specification of deferred taxes (deferred tax assets):

| (USD 1 000) | 2018 | Change in temporary differences | 2017 |
|---|---|---|---|
| Pensions | 2 004 | (26) | 2 030 |
| Financial instruments/finance items | 16 578 | 2 461 | 14 117 |
| Provisions | 777 | 424 | 353 |
| Loss carried forward | 218 649 | 5 806 | 212 843 |
| **Total negative temporary differences** | **238 007** | **8 664** | **229 343** |
| | | | |
| Differences related to depreciation of non-current assets | 5 218 | (476) | 5 694 |
| Deferred gain related to sale of non-current assets | 5 098 | (1 598) | 6 696 |
| Differences related to long-term debt | 1 509 | (13 982) | 15 491 |
| **Total positive temporary differences** | **11 825** | **(16 056)** | **27 881** |
| | | | |
| **Net temporary differences** | **226 182** | **24 720** | **201 462** |
| Temporary differences not accounted for [1] | 225 008 | 20 846 | 204 162 |
| **Temporary differences – basis for calculation of deferred tax** | **(1 174)** | **(3 874)** | **2 701** |
| | | | |
| **Deferred tax liability (asset) in statement of financial position [2]** | **(270)** | | **537** |
| Tax rate | 17% - 34% | | 17% - 34% |

[1] This applies to temporary differences for companies with losses where deferred tax assets are not recognized.
[2] For 2018 this is classified as deferred tax asset and deferred tax liability

The Group's Norwegian companies have a total loss carried forward of USD 219 million at December 31, 2018 (2017: USD 213 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 different types of pension schemes for the employees.

### Defined benefit plan expenses

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Defined benefit plan cost - Norway | 568 | 587 |
| Defined benefit plan cost - Overseas offices | 979 | 1 248 |
| **Total** | **1 547** | **1 835** |

The Group operates defined benefit plan in Norway for crew. The defined benefit plan is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for the period 60 – 67 years. At the end of 2018 the book amount of the accrued defined benefit was USD 0.4 million (2017: USD 0.8 million).

### Defined contribution plan expenses

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Defined contribution cost - Norway | 1 734 | 1 603 |
| Defined contribution cost – overseas offices | 1 301 | 1 479 |
| **Total contribution** | **3 035** | **3 082** |
| Number of employees | 468 | 455 |

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.

### Pension liabilities

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Crew - Norway | 391 | 822 |
| Executive Management - Norway | 249 | 183 |
| Other - Norway | 1 423 | 1 872 |
| Overseas offices | 2 624 | 2 205 |
| **Total** | **4 687** | **5 082** |

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 0.3 million is prepaid premium related to defined contribution plan. In addition, total USD 1.4 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, 2017 | 3 456 | 1 208 983 | 18 850 | 8 407 | **1 239 697** |
| Investment | - | 155 350 | 16 055 | 1 782 | **173 187** |
| Sale at book value | - | - | - | - | **-** |
| Depreciation 2017 | (329) | (69 326) | (15 367) | (4 009) | **(89 031)** |
| Impairment 2017 | (946) | (21 000) | - | - | **(21 946)** |
| Reclassified to assets held for sale (book value) | - | - | - | - | **-** |
| **Net carrying amount December 31, 2017** | **2 181** | **1 274 007** | **19 538** | **6 180** | **1 301 907** |
| | | | | | |
| Investment | 243 | 152 135 | 14 542 | 3 076 | **169 996** |
| Sale at book value | (834) | - | - | (66) | **(899)** |
| Depreciation 2018 | (98) | (74 966) | (17 946) | (2 324) | **(95 334)** |
| Impairment 2018 | - | (5 000) | - | - | **(5 000)** |
| Reclassified to assets held for sale (book value) | - | (2 456) | - | - | **(2 456)** |
| **Net carrying amount December 31, 2018** | **1 493** | **1 343 721** | **16 134** | **6 867** | **1 368 215** |
| Net carrying amount | | | | | |
| 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 January 1, 2017** | **3 456** | **1 208 983** | **18 850** | **8 407** | **1 239 697** |
| | | | | | |
| Cost | 4 863 | 2 389 433 | 34 905 | 27 405 | **2 456 606** |
| Accumulated depreciation | (2 682) | (1 115 426) | (15 367) | (21 224) | **(1 154 699)** |
| **Net carrying amount December 31, 2017** | **2 181** | **1 274 007** | **19 538** | **6 180** | **1 301 907** |
| | | | | | |
| Cost | 4 273 | 2 541 568 | 34 080 | 30 415 | **2 610 337** |
| Accumulated depreciation | (2 780) | (1 190 392) | (17 946) | (23 548) | **(1 234 666)** |
| Impairment | - | (5 000) | - | - | **(5 000)** |
| Reclassified to assets held for sale (book value) | - | (2 456) | - | - | **(2 456)** |
| **Net carrying amount December 31, 2018** | **1 493** | **1 343 721** | **16 134** | **6 867** | **1 368 215** |

### 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- 5 |

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 455.8 million and USD 271.9 million at December 31, 2018 and December 31, 2017 respectively. See note 8 for future financial lease and sale-leaseback obligations.

## Note 12
## Impairment of non-current assets

During 2018 there has been a decline in chemical tanker freight rates and at December 31, 2018, the market capitalization of the Group was below the book value of its equity. Management has therefore tested assets and cash generating units for impairment.

In 2018 an impairment of USD 5 million was recognized. This impairment relates to one vessel held for sale. The vessel is valued separately and is not part of the CGU and the recoverable amount is the estimated sales price less cost of disposal.

When calculating the value in use at the balance sheet date for the deep-sea/regional South-America CGU, the following key assumptions are applied:

| Key assumptions | 2018 | 2017 |
|---|---|---|
| Weighted average cost of capital | 7.9% | 7.6% |
| Average annual growth in time charter earnings the first four year after the balance sheet date | 5.5% | 4.5% |
| Estimated useful life of vessels | 25-30 years | 25-30 years |

For the remaining useful life of the vessels, an average annual growth of 2% in time charter earnings is applied. Operating expenses and general and administrative expenses are assumed to increase with 2% in the entire remaining useful life of the vessels.

Applying the above assumptions, the value in use calculation did not reveal any need for impairment. A 0.5% increase in the discount rate would not result in any impairment. A reduction of average annual growth in time charter earnings to 3.5% the first four year would not result in any impairment of the vessels in the deep-sea/regional South-America CGU.

The recoverable amount of the regional Asia trade are determined by reference to indicative broker values. The book value of these vessels are USD 50 million (2017: USD 52 million). No impairment are recognized in 2018. Any decline in the indicative brokers value would result in an impairment.

See note 3 for further information about impairment testing.

## 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 1 000/1 000 shares) | 2018 | 2017 |
|---|---|---|
| Profit/(loss) and diluted profit for the year due to the holders of ordinary shares | (210 834) | 90 600 |
| Weighted average number of ordinary shares for basic earnings per share/diluted average number of shares outstanding [1)] | 78 700 | 78 610 |
| **Basic/diluted earnings per share** | **(2.68)** | **1.15** |

[1)] The weighted average number of shares are adjusted for the weighted average effect of changes in treasury shares during the year. See note 26.

## 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, 2018 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 1.3 million in agency fees in 2018 (USD 1.5 million in 2017), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil - Representacoes Ltds paid USD 0.4 million for administrative services in 2018 (USD 0.4 million in 2017).

Odfjell Management AS rent offices in Norway from a company related to Chairman of the Board, Laurence Ward Odfjell. The annual lease for 2018 was USD 1.6 million.

## Note 15
## Commitments, guarantees and contingencies

### Operating leases, Odfjell Group as lessee

The Group has entered into several operating leases for ships, and also some office building leases. The leases have fixed time charter and bareboat commitment. The operating leases contain no restrictions on the Company's dividend policy or financing opportunities.

| (USD 1 000) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|---|---|---|
| Commenced leases < 12 months | 24 094 | - | - | - | - | - | 24 094 |
| Commenced leases > 12 months | 70 654 | 62 386 | 48 821 | 32 438 | 23 978 | 41 882 | 280 159 |
| **Total** | **94 747** | **62 386** | **48 820** | **32 438** | **23 978** | **41 883** | **304 252** |

Some bareboat leases include purchase options for the Group.

### Capital commitment

Odfjell has signed shipbuilding contracts for construction of six chemical tankers with stainless steel cargo tanks with China Shipbuilding Trading CO. LTD and Hudong-Zhonghua Shipbuilding (Group) CO., LTD. Remaining capital commitments and related debt and equity installment structure as per December 31, 2018 are as follows:

| (USD 1 000) | 2019 | 2020 | Total |
|---|---|---|---|
| Chemical Tanker newbuilding | | | |
| Hudong 4 x 49,000 dwt (USD 60 mill) | 143 820 | 41 948 | 185 768 |
| Hudong 2 x 38,000 dwt (USD 58 mill) | 11 652 | 87 393 | 99 046 |
| **Total newbuilding** | **155 472** | **129 341** | **284 813** |
| Committed debt installment structure | 145 585 | 129 341 | 274 926 |
| Equity installment | 9 889 | - | 9 889 |

Financing has been secured for all chemical tanker newbuildings and remaining equity installments are limited to USD 9.9 million.

### Guarantees

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| 100% owned subsidiaries (third party guarantees) | 6 177 | 27 172 |
| Joint ventures (credit facilities) | 14 400 | 79 163 |
| **Total guarantees** | **20 577** | **106 334** |

Odfjell has guaranteed for installments to Hudong-Zhonghua Shipbuilding (group) CO. Ltd with a total of USD 6.0 million in 2018 (USD 18.0 million in 2017). Odfjell has issued guarantee for credit facilities in the joint venture Gas Carriers, expiring in 2019.

### 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.

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## 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 2017) in funds for withholding taxes relating to employees in Odfjell Management AS and Odfjell Maritime Services AS.

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Cash at banks and in hand | 49 097 | 46 272 |
| Short-term deposits | 118 706 | 160 313 |
| **Total cash and cash equivalents** | **167 802** | **206 585** |

## Note 17
### Voyage expenses

Voyage expenses are expenses directly related to the ship voyage.

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Port expenses | 89 282 | 90 495 |
| Canal expenses | 19 886 | 21 659 |
| Bunkers expenses | 192 123 | 147 548 |
| Transshipment expenses | 16 563 | 20 210 |
| Commission expenses | 22 202 | 23 109 |
| Other voyage related expenses | 16 568 | 16 158 |
| **Total voyage expenses** | **356 624** | **319 179** |

## 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) | 2018 | 2017 |
|---|---|---|
| Crew expenses | 74 210 | 71 548 |
| Other ship management expenses | 69 198 | 64 530 |
| Currency hedging | 1 854 | (779) |
| Other | 176 | 162 |
| **Total operating expenses** | **145 438** | **135 461** |

## 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) | 2018 | 2017 |
|---|---|---|
| Salary expenses | 50 547 | 53 711 |
| Other expenses | 18 197 | 14 765 |
| Currency hedging | 998 | (464) |
| **Total general and administrative expenses** | **69 742** | **68 011** |

#### Including in the above is auditor's remuneration for (exclusive of VAT):

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Statutory auditing | 405 | 426 |
| Other assurance services | 65 | 72 |
| Tax advisory services | 105 | 238 |
| Other non-audit services | 141 | 85 |
| **Total remuneration** | **717** | **820** |

## 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) | 2018 | 2017 |
|---|---|---|
| Salaries | 106 739 | 106 815 |
| Social expenses | 12 763 | 12 800 |
| Pension expenses defined benefit plans (note 10) | 1 547 | 1 835 |
| Pension expenses defined contribution plans (note 10) | 3 035 | 3 081 |
| Other benefits | 673 | 727 |
| **Total salary expenses** | **124 757** | **125 258** |

#### Average man-years of employees including crew:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Europe | 275 | 272 |
| North America | 24 | 25 |
| Southeast Asia | 1 562 | 1 578 |
| South America | 176 | 181 |
| Other | 20 | 19 |
| **Total average man-years of employees** | **2 057** | **2 074** |

#### At the end of 2018 the Board of Directors consists of six members. Compensation and benefits to the Board of Directors:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| BoD Remuneration | 486 | 457 |

For more specification – see Odfjell SE note 11.

#### Compensation and benefits to the Management Group:

| (USD 1 000) | Salary | Bonus [1] | Pension cost | Other benefits | Total |
|---|---|---|---|---|---|
| CEO, Kristian V. Mørch | 799 | 220 | 26 | 33 | **1 077** |
| COO, Harald Fotland | 336 | 30 | 27 | 27 | **419** |
| CFO, Terje Iversen | 277 | 25 | 26 | 25 | **354** |
| COS, Øistein H. Jensen | 213 | 19 | 26 | 24 | **283** |
| **Total** | **1 625** | **293** | **106** | **109** | **2 133** |

[1] The bonus relates to expensed amount in 2018 for both short and long term incentive scheme.

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. See note 26 for overview of shares owned by the Management Group and Board of Directors.

The Management Group together with key executive management in Odfjell Terminals also participate in a Transaction Bonus Plan financed by Odfjell SE's joint venture partner Lindsay Goldberg (LG) in connection with LG's ongoing exit from Odfjell Terminals. In November 2018, the Management group received a transaction bonus from LG in relation to the ongoing exit/sales process, where 50% net of tax was used to purchase 55,480 Odfjell Class A shares at a total value of NOK 1.7 mill and the remainder 50% were paid in cash. The acquired shares are restricted shares and can only be realized after the 2nd and 3rd anniversary after the transaction(s).

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

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

Performance-based remuneration of the Management Group in the form of share options, bonus 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.)

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

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

When it comes to guidelines for determination of salary and other remuneration for the coming fiscal year, the Board will present the following guidelines for advisory vote at the General Meeting 2019:

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, nor other benefit programs as mentioned in the Public Limited Companies Act, section 6-16 subsection 1 no. 3. The Annual General Meeting on 9 May 2016 approved a new long-term Incentive Plan (LTI) / Performance Restricted Share Plan for the CEO and the Executive Management, effective from 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.

The Board has implemented a short-term performance-related incentive scheme for all onshore 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 2018 was in compliance with the above guidelines.

## Note 21
## Subsequent events

Following Lindsay Goldberg's announcement in early 2018 to exit its ownership in Odfjell Terminals BV, Lindsay Goldberg has now reached an agreement with Northleaf Capital Partners to sell its shares in Odfjell Terminals US. Northleaf is a private equity and infrastructure fund manager based in Canada. The transaction is expected to close in second or third quarter of 2019, after which Northleaf will own 49% of the shares in Odfjell Terminals US. Odfjell will still hold 51% and continue to be the operating partner.

In the Gas Carrier segment there is a process to sell the remaining gas carriers and Odfjell is expecting to finalize the sale of the vessels in first half of 2019.

On January 29, 2019 Odfjell took delivery of Bow Performer on a long term time charter contract. This delivery is the second of two newbuilding that Odfjell has contracted from the Shin-Kurushima yard.

## Note 22
## Other financial items

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Financial assets and liabilities at fair value through profit or loss statement | (3 347) | 17 380 |
| Currency gains (losses) – see note 23 | (5 678) | (14 583) |
| Other financial income | 3 179 | 6 174 |
| Other financial expenses | (1 466) | (4 549) |
| **Total other financial items** | **(7 313)** | **4 421** |

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) | 2018 | 2017 |
|---|---|---|
| Currency gains (losses) on non-current receivables and liabilities | (5 800) | (16 070) |
| Currency gains (losses) on cash and cash equivalents | (358) | 1 270 |
| Currency gains (losses) on other current assets and current liabilities | 480 | 216 |
| **Total currency gains (losses)** | **(5 678)** | **(14 583)** |

See note 6 for overview of currency hedging exposure.

## Note 24
## Current receivables

| (USD 1000) | 2018 | 2017 |
|---|---|---|
| Trade receivables from contract with customers | 52 304 | 51 986 |
| Other receivables | 18 151 | 10 674 |
| Contract asset (accrued revenues) | 15 460 | 9 479 |
| Prepaid costs | 3 126 | 12 764 |
| Allowance for expected credit losses | (1 360) | (1 541) |
| **Total current receivables** | **87 681** | **83 362** |

Trade receivables are for a major part related to revenue from contract with customers with payment terms shortly after bill of lading to upon delivery. Allowance for expected credit losses relates to trade receivables; see Note 5 for information on credit risk management.

Contract assets are recognized revenue for freight services partly satisfied from voyages that have commenced but are not completed and invoices have not been issued as per December 31. Contract assets are reclassified to receivables from contracts with customers once the freight service is being invoiced to the customer, at the latest when the voyage is completed (at the latest a few months after it commences).

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

| | | | | Days past due | | | |
|---|---|---|---|---|---|---|---|
| (USD 1000) | Total [1] | Contract asset | Current | <30 days | 30-60 days | 60-90 days | >90 days |
| 2018 | **85 914** | 15 460 | 19 315 | 24 531 | 10 140 | 3 096 | 13 372 |
| 2017 | **72 139** | 9 479 | 14 738 | 20 563 | 7 256 | 4 906 | 15 198 |

[1] Not including prepaid cost and allowance for expected credit losses

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### Movements in allowance for expected credit losses on trade receivables:

| (USD 1000) | 2018 | 2017 |
|---|---|---|
| Total allowance for expected credit losses as per January 1 | 1 541 | 2 531 |
| This year's expenses | (521) | (336) |
| Write-off this year | 340 | (654) |
| **Total allowance for expected credit losses as per December 31** | **1 360** | **1 541** |

### The table below summarizes total current receivables into different currencies:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| USD | 83 394 | 81 987 |
| EURO | 2 569 | 259 |
| SGD | 255 | 153 |
| Other currencies | 1 463 | 963 |
| **Total current receivables** | **87 681** | **83 362** |

## Note 25
## Other current liabilities

| (USD 1000) | 2018 | 2017 |
|---|---|---|
| Trade payables | 28 686 | 16 071 |
| Accrued voyage expenses | 16 177 | 16 026 |
| Accrued expenses Ship Management | 8 012 | 6 369 |
| Accrued dry-docking expenses related to ships on bareboat hire | 2 270 | 4 494 |
| Accrued interest expenses | 4 462 | 5 631 |
| Other accrued expenses | 7 809 | 5 175 |
| Employee taxes payable | 5 361 | 5 130 |
| Contract liabilities (prepaid revenue from customer contracts) | 446 | 288 |
| Working capital liabilities to pool partners | 7 922 | - |
| Other current liabilities | 4 979 | 4 146 |
| **Total other current liabilities** | **86 124** | **63 330** |

Contract liabilities are being recognized as revenue from contracts with customers within the completion of the voyage (at the latest a few months after the prepayment).

As per December 31, 2018 the Group has the following remaining performance obligations (amounts not disclosed):

- For voyages in progress, revenues related to the remaining freight services will be recognized as the voyage progress. All voyages in progress will be completed within a few months.
- In addition the Group has freight commitments related to contracts of affreightment entered into for future shipments.

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

| (USD 1000) | Total | On demand | < 3 months | 3-6 months | 6-9 months | > 9 months |
|---|---|---|---|---|---|---|
| 2018 | 86 124 | 65 777 | 12 998 | 4 263 | - | 3 087 |
| 2017 | 63 330 | 45 378 | 11 765 | 281 | 32 | 5 875 |

### The table below summarizes other current liabilities into different currencies:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| USD | 74 220 | 48 424 |
| EURO | 93 | 494 |
| SGD | 374 | 409 |
| Other currencies | 11 437 | 14 004 |
| Total current liabilities | 86 124 | 63 330 |

## Note 26
## Share capital and premium

| | Number of shares (1 000) | | Share capital (USD 1 000) | | Share premium (USD 1 000) | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| 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, 2018 Odfjell SE holds 5,740,238 A - shares and 2,322,482 B - shares.

The number of shares are all authorized, issued and fully paid. Nominal value is NOK 2.50, equivalent to USD 0.29 as per December 31, 2018. All the shares have the same rights in the Company, except for B-shares which have no voting rights.

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | A-shares | B-shares | A-shares | B-shares |
| Chairman of the Board of Directors, Laurence Ward Odfjell | 25 966 492 | 5 999 393 | 25 966 492 | 4 232 393 |
| Director, Åke Gregertsen | 3 000 | 28 332 | 3 000 | 28 332 |
| CEO, Kristian Mørch | 136 661 | 3 500 | 86 913 | 3 500 |
| CFO, Terje Iversen | 22 465 | - | 11 939 | - |
| COO, Harald Fotland | 18 791 | 4 000 | 7 807 | 4 000 |
| COS, Øistein Jensen | 21 011 | - | 11 414 | - |

## Note 27
## List of subsidiaries

The following subsidiaries are fully consolidated in the financial statements as per December 31, 2018:

| Company | Country of registration | Ownership share | Voting share |
|---|---|---|---|
| Odfjell Argentina SA | Argentina | 100% | 100% |
| Odfjell Australia Pty Ltd | Australia | 100% | 100% |
| Odfjell Chemical Tankers 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 Terminals BV | Netherlands | 100% | 100% |
| Odfjell Terminals Management BV | Netherlands | 100% | 100% |
| Norfra Shipping AS | Norway | 100% | 100% |
| Odfjell Chemical Tankers 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 (Phils) Inc | Philippines | 100% | 100% |
| Odfjell Asia II Pte Ltd | Singapore | 100% | 100% |
| Odfjell Singapore Pte Ltd | Singapore | 100% | 100% |
| Odfjell Terminals Asia Management 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 Middle East DMCC | United Arab Emirates | 100% | 100% |
| Odfjell USA (Houston) Inc | United States | 100% | 100% |
| Odfjell Terminals Management Inc | United States | 100% | 100% |

## Note 28
### Investments in joint ventures and associates

The legal structure associated with the investment in terminals have been changed during 2018. In previous years, Odfjell Group held its investments in terminals through the joint venture Odfjell Terminals BV with an ownership of 51%. Through a shareholder agreement requiring unanimous consent from both parties about relevant activities, Odfjell and the joint venture partner Lindsay Goldberg was sharing the control of Odfjell Terminals BV.

During 2018 the terminal structure went through an internal reorganization with unchanged ownership. The Odfjell Group now owns 51% of two joint ventures. There is one joint venture for the US terminals and one for the Asia Terminals.

The holding company in USA is Odfjell Holdings US Inc. This holding company owns the terminals in USA (Houston and Charleston) 100%. Lindsay Goldberg owns the remaining 49% of the shares in Odfjell Holdings US Inc.

The holding company for the Asia terminals is Odfjell Terminals Asia Holding Pte Ltd, which owns the terminals in China and Korea. Odfjell Terminals Asia Holding Pte Ltd ownership in the Asia terminals varies from 49%-55%. Lindsay Goldberg owns the remaining 49% of the Odfjell Terminals Asia Holding Company.

Odfjell and its joint venture partner continues to share control over the investments, thus the investments in Odfjell Holdings US Inc and Odfjell Terminals Asia Holding Pte Ltd are accounted for as investments in joint ventures, applying the equity method.

The Odfjell Group increased its ownership in the terminal in Belgium, Noord Natie Terminals NV in 2018. Odfjell Terminals BV now holds 25% of the shares in this terminal. The investment in Noord Natie Terminals NV is accounted for as an investment in associated company, applying the equity method.

The legal restructuring of the terminals came as a consequence of Lindsay Goldberg deciding to exit its shares in the terminals investments.

Odfjell has also established a 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 2018:**

| Joint ventures and associates | 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:** | | | |
| **Tank Terminals Europe** | | | |
| Noord Natie Odfjell Terminals NV | Belgium | Tank Terminals | 25.0% |
| Odfjell Terminals (Rotterdam) BV - sold in 2018 | Netherlands | Tank Terminals | 51.0% |
| | | | |
| **Tank Terminals USA** | | | |
| Odfjell Holdings (USA) 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% |
| | | | |
| **Tank Terminals Asia** | | | |
| Odfjell Management Consultancy (Shanghai) Co Ltd | China | Tank Terminals | 51.0% |
| Odfjell Terminals (Jiangyin) Co Ltd | China | Tank Terminals | 28.1% |
| 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 | 20.4% |
| Odfjell Terminals (Korea) Co Ltd | South Korea | Tank Terminals | 25.5% |
| Odfjell Terminals AS | Norway | Tank Terminals | 51.0% |
| Odfjell Terminals Asia Pte Ltd | Singapore | Tank Terminals | 51.0% |
| Odfjell Terminals (China) Pte Ltd | Singapore | Tank Terminals | 51.0% |
| Odfjell Terminals Asia Holding Pte Ltd | Singapore | Tank Terminals | 51.0% |

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

| | 2018 | | | | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| (USD 1 000) | Tank Terminals Europe | Tank Terminals USA | Tank Terminals Asia | Total Tank Terminals | Gas Carriers | Total | Tank Terminals | Gas Carriers | Total |
| Gross revenue | 11 239 | 88 200 | 25 789 | 125 228 | 17 543 | **142 771** | 192 498 | 16 734 | **209 232** |
| EBITDA | 5 338 | 37 052 | 6 628 | 49 018 | 5 181 | **54 199** | 58 361 | 4 645 | **63 006** |
| EBIT | 2 750 | 24 473 | (18 838) | 8 386 | (1 440) | **6 946** | (29 057) | 1 357 | **237 376** |
| **Net result** | **1 838** | **10 988** | **(24 738)** | **(11 913)** | **(2 593)** | **(14 506)** | **(19 531)** | **282** | **245 828** |
| Discontinued operations | (248 274) | - | - | (248 274) | - | **(248 274)** | 273 582 | - | **8 506** |
| Other comprehensive income | 10 442 | - | - | 10 442 | - | **10 442** | 23 051 | - | **23 051** |
| **Total comprehensive income** | **(235 994)** | **10 988** | **(24 738)** | **(249 745)** | **(2 593)** | **(252 338)** | **277 102** | **282** | **254 333** |
| | | | | | | | | | |
| Owner interest | (125 055) | 5 604 | (12 617) | (132 068) | (1 297) | **(133 364)** | 134 779 | 141 | **134 920** |
| Depreciation excess values net of deferred tax | (781) | (5 101) | (62) | (5 944) | - | **(5 944)** | (4 958) | - | **(4 958)** |
| **Group's share of profit for the year** | **(125 836)** | **503** | **(12 679)** | **(138 012)** | **(1 297)** | **(139 308)** | **129 821** | **141** | **129 962** |
| | | | | | | | | | |
| Non-current assets | 19 977 | 150 101 | 183 611 | 353 688 | - | **353 688** | 878 215 | 21 | **1 079 136** |
| Current assets | 3 737 | 43 371 | 19 249 | 66 357 | 43 607 | **109 965** | 153 085 | 49 902 | **196 301** |
| **Total assets** | **23 714** | **193 472** | **202 860** | **420 045** | **43 608** | **463 653** | **1 031 300** | **49 923** | **1 275 437** |
| | | | | | | | | | |
| Non-current liabilities | 10 356 | 146 003 | 83 483 | 239 842 | - | **239 842** | 357 686 | - | **314 420** |
| Current liabilities | 3 399 | 40 609 | 22 022 | 66 031 | 14 496 | **80 527** | 139 432 | 18 309 | **141 954** |
| **Total liabilities** | **13 755** | **186 612** | **105 505** | **305 872** | **14 496** | **320 369** | **497 118** | **18 309** | **456 374** |
| | | | | | | | | | |
| **Total equity closing balance** | **9 958** | **6 860** | **97 355** | **114 173** | **29 111** | **143 284** | **534 182** | **31 614** | **819 063** |
| | | | | | | | | | |
| Owner interest | 8 615 | 3 499 | 49 651 | 61 765 | 14 556 | **76 320** | 272 433 | 15 807 | **417 260** |
| Minority/adjustment | - | - | - | - | - | **-** | (4 286) | - | **(4 286)** |
| Excess values | 35 184 | 58 369 | 1 054 | 94 607 | - | **94 607** | 73 347 | - | **(55 672)** |
| **Carrying amount** | **43 799** | **61 868** | **50 705** | **156 372** | **14 556** | **170 927** | **341 494** | **15 807** | **357 301** |
| | | | | | | | | | |
| Capital expenditure, Odfjell share | - | (8 285) | (1 418) | (9 703) | - | **(9 703)** | (36 168) | - | **(36 168)** |

For 2017, the table above illustrates the share of the Group's investment in Odfjell Terminals BV and Odfjell Gas AS, the holding companies for the joint ventures. For 2018, the table illustrates that Odfjell now owns its terminal investments through separate joint ventures. Tank Terminals Europe includes summarized financial information for the Noord Natie Terminals NV and the investment in Odfjell Terminals Rotterdam BV. The Rotterdam terminal was sold in 2018 and the net earnings and loss on disposal is classified as discontinued operations. Tank Terminals USA represent the summarized financial information from the consolidated US Holdings Inc for the whole year. Similar, Tank Terminals Asia represent the summarized financial information from the consolidated Odfjell Terminals Asia Holding Pte Ltd for the whole year.

Included in the 2018 total comprehensive income for Tank Terminals is capital loss of USD 225 million (Odfjell share USD 114.8 million) related to the sale of Odfjell Terminals (Rotterdam) BV. In 2017, capital gain of USD 265.1 million (Odfjell share USD 134.5 million) from the sale of Tank Terminals stake in Oiltanking Odfjell Terminal Singapore is included. 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 2018 an impairment loss of the non-current assets in Odfjell Nangang Terminal (Tianjin) Co. Ltd. The Odfjell Group's share of this impairment is USD 10.0 million, of which USD 5.8 million was a receivable and USD 4.2 million was equity investment. After recognizing the impairment, the book value of the investment in the Odfjell Nangang Terminal (Tianjin) is zero. A subsidiary of Odfjell Terminals Asia Holding Pte Ltd has issued a guarantee for its share of the interest bearing debt in the Odfjell Nangang Terminal (Tianjin). At the end of 2018, the Odfjell share of this debt was USD 23.9 million.

In 2017 an impairment loss of USD 20.7 million (Odfjell share) in Odfjell Terminals (Charleston) LLC was recognized.

Odfjell Gas recognized in 2018 an impairment loss of USD 3.3 million (Odfjell share) related to vessels. 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 10.4 million (USD 23.1 million in 2017) in Tank Terminals mainly relates to currency translation differences when consolidating financial statements for tank terminals with functional currencies in other than USD.

| (USD 1000) | 2018 | 2017 |
|---|---|---|
| Loan to associates and joint ventures | 497 | 14 760 |

All transactions are considered being at commercial reasonable market terms.

## Note 29
### Held for sale

As per December 31, 2018 the ship Bow Querida, 10 106 dwt and built in 1996, is classified as held for sale. An impairment loss of USD 5.0 million was recognized to adjust carrying amount to fair value of USD 2.5 million, see note 12.

## 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 |
| 2018 | 8.13 | 8.69 | 1.18 | 1.14 | 1.35 | 1.36 |
| 2017 | 8.27 | 8.24 | 1.13 | 1.20 | 1.38 | 1.34 |

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

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. Right of use of assets and the corresponding lease liability is calculated assuming the lease commencement date is January 1, 2019 (modified retrospective approach).

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 installments. The only exceptions are short-term (< 12 months) 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. However, over the lease term, the impact on the net income is nil.

#### Commenced leases > 12 months (see note 15)

Commenced leases are leases where the underlying assets are made available for the Odfjell Group as a lessee.The Group has entered into several operating leases for ships, and also some office building leases. The leases have fixed time charter and bareboat commitment. The nominal value of future rents related to the existing non-cancellable operating lease commitments fall due as follows:

| (USD 1 000) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|---|---|---|
| **Commenced leases > 12 months** | | | | | | | |
| Operating expenses | 18 980 | 15 756 | 10 797 | 5 265 | 2 522 | 6 630 | 59 950 |
| Interest element | 9 730 | 7 593 | 5 635 | 4 078 | 2 850 | 2 523 | 32 409 |
| Depreciation (right of use of assets) | 41 944 | 39 037 | 32 389 | 23 095 | 18 606 | 32 729 | 187 800 |
| **Total commenced leases > 12 months** | **70 654** | **62 386** | **48 821** | **32 438** | **23 978** | **41 882** | **280 159** |

The table above illustrates how commenced leases with lease term of 12 months or more will be allocated between different components applying IFRS 16 from 2019 and onwards. Operating expenses represent the service element which will be separated when calculating the right of use of assets. This amount is the estimated nominal value. The remaining non-cancellable lease payments are discounted with the incremental borrowing rate (ranging from 5.3% - 5.8%). Purchase options and option to extend the lease terms are not included in the calculation of the right of use of assets.

From the above table, the net present value is USD 187.8 million and the interest element is USD 32.4 million. Short term leases (see note 15) will be expensed as time charter expense also in the future.

Odfjell Group has agreed but not yet commenced time charter and bareboat contracts of a total of USD 203.3 million. The estimated net present value of the bareboat element is estimated to USD 137.0 million. Estimated interest expense is USD 20.2 million and nominal value of operating expenses is estimated to USD 46.1 million. The duration of these contracts varies from 8 years to 10 years.



ODFJELL GROUP

| Consolidated Statement of Financial Position (USD mill) | December 31, 2018 Actuals | IFRS 16 impact | January 1, 2019 Revised |
|---|---|---|---|
| Assets: | | | |
| Ships | 1 359.9 | - | 1 359.9 |
| Right of use assets [1] | - | 187.8 | 187.8 |
| Other non-current assets | 8.7 | - | 8.7 |
| Investments in associates and JVs | 170.9 | - | 170.9 |
| Derivative and financial instruments | - | - | - |
| Non-current receivables | 16.1 | - | 16.1 |
| Total non-current assets | 1 555.6 | 187.8 | 1 743.4 |
| Total current assets | 286.4 | - | 286.4 |
| **Total assets** | **1 842.0** | **187.8** | **2 029.8** |
| | | | |
| Equity and liabilities: | | | |
| Paid in equity | 199.2 | - | 199.2 |
| Other equity | 401.3 | - | 401.3 |
| Total equity | 600.6 | - | 600.6 |
| Total non-current liabilities [2] | 928.3 | 140.0 | 1 068.3 |
| Total current liabilities [2] | 313.2 | 47.8 | 361.0 |
| **Total equity and liabilities** | **1 842.0** | **187.8** | **2 029.8** |
| | | | |
| Off balance sheet commitments: | | | |
| | | | |
| Nominal value of future estimated operating expenses arising from time charter agreements [3] | | | 59.9 |
| Present value of lease not yet commenced [4] | | | 157.2 |

[1] Right of Use assets – Bareboat and time charter contracts: At the end of 4Q18, the net present value of future lease payments less operating expenses for vessels currently operating for Odfjell is estimated to USD 187.8 million, of which USD 11.2 million relates to office premises.The nominal amount of future lease payments (>12 months) for commenced leases is USD 280.2 million (see note 15), of which USD 187.8 million is net present value of leased assets, USD 32.4 million is calculated interest element and USD 59.9 million is nominal value of future estimated operating expenses arising from time charters. The capitalized right of use of assets represent the amount that will be capitalized January 1, 2019. Some charter contracts entitles the Group to purchase the vessels at the end of the non-cancellable period.The group has assessed these and concluded that it is not reasonable certain that options will be exercised at the prevailing terms.

[2] The total lease liability represents USD 187.8 million and represent the net present value of the lease payments not paid at January 1, 2019. USD 47.8 million shall be paid within 12 months. The long term lease liabilities will be presented in separate lines in the balance sheet (current and non-current), commencing from 2019.

[3] Off balance sheet commitments: The estimated service element in the time charter contracts not paid for at January 1, 2019 is USD 59.9 million. This represent services to be received over the remaining lease period by the Odfjell Group.

[4] In addition to the calculated lease liabilities, the Group has entered into several long term bareboat and time charter agreements commencing in 2019 and 2020. At the end of 2018 the net present value of the bareboat element is calculated to USD 137.0 million and the nominal value of the service element is estimated to USD 20.2 million. The interest element is estimated to USD 46.1 million. Total future nominal lease payment for leases not yet commenced is USD 203.3 million.

# Financial Statements
# Odfjell SE

## Statement of profit or loss and other comprehensive income

| (USD 1 000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Statement of profit or loss** | | | |
| Operating revenue (expenses) | | | |
| Gross revenue | | - | - |
| General and administrative expenses | 6, 11 | (6 314) | (9 977) |
| Capital gain (loss) on property, plant and equipment | 6 | (794) | - |
| Operating result (EBIT) | | **(7 108)** | **(9 977)** |
| | | | |
| **Financial income (expenses)** | | | |
| Impairment shares | 12 | (169 800) | (5 000) |
| Income on investment in subsidiaries and joint ventures | 8 | 29 886 | 186 490 |
| Interest income | 8 | 19 449 | 23 974 |
| Interest expenses | 8 | (39 750) | (38 397) |
| Other financial items | 8 | (1 654) | 21 252 |
| Currency gains (losses) | 9 | (4 790) | (15 087) |
| **Net financial items** | | **(166 660)** | **173 232** |
| | | | |
| **Result before taxes** | | **(173 767)** | **163 255** |
| | | | |
| Income taxes | 4 | 1 400 | (1 402) |
| **Net result** | | **(172 367)** | **161 854** |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| Cash flow hedges transferred to statement of comprehensive income | | - | 394 |
| Net gain/(loss) on available-for-sale investments | | - | (700) |
| Other comprehensive income | | - | (306) |
| | | | |
| **Total comprehensive income** | | **(172 367)** | **161 548** |



ODFJELL SE

## Statement of financial position

| Assets as per December 31 (USD 1 000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Shares in subsidiaries | 12 | 1 007 689 | 758 244 |
| Shares in joint ventures | 12 | 15 068 | 268 367 |
| Loans to Group companies and joint ventures | 10 | 171 577 | 423 447 |
| Derivative financial instruments | 2 | - | 3 252 |
| **Total non-current assets** | | **1 194 334** | **1 453 312** |
| | | | |
| **Current assets** | | | |
| Current receivables | | 104 | 61 |
| Receivables from Group companies and joint ventures | | 15 870 | 11 795 |
| Cash and bank deposits | | 129 514 | 155 471 |
| **Total current assets** | | **145 488** | **167 327** |
| **Total assets** | | **1 339 823** | **1 620 639** |

| Equity and liabilities as per December 31 | Note | 2018 | 2017 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 5, 13 | 29 425 | 29 425 |
| Treasury shares | 5, 13 | (2 566) | (2 764) |
| Share premium | 5 | 172 388 | 172 388 |
| Other equity | 5 | 607 293 | 779 847 |
| **Total shareholders' equity** | | **806 539** | **978 895** |
| | | | |
| **Non-current liabilities** | | | |
| Derivatives financial instruments | 2 | 9 988 | - |
| Loans from subsidiaries | 3 | 6 048 | 6 453 |
| Long-term interest bearing debt | 3 | 390 751 | 426 754 |
| **Total non-current liabilities** | | **406 787** | **433 207** |
| | | | |
| **Current liabilities** | | | |
| Proposed dividend | 7 | - | 14 311 |
| Derivative financial instruments | 2 | 9 913 | 21 855 |
| Current portion of long term interest bearing debt | 3 | 109 052 | 158 030 |
| Other current liabilities | | 5 889 | 8 895 |
| Loans from Group Companies | | 1 642 | 5 446 |
| **Total current liabilities** | | **126 496** | **208 537** |
| **Total liabilities** | | **533 283** | **641 744** |
| **Total equity and liabilities** | | **1 339 823** | **1 620 639** |
| | | | |
| Guarantees | 14 | 653 681 | 605 414 |

The Board of Directors of Odfjell SE

Bergen, March 14, 2019

Laurence Ward Odfjell
Chairman

Christine Rødsæther

Åke Gregertsen

Jannicke Nilsson

Åse Aulie Michelet

Hans Smits

Kristian Mørch
CEO

## Statement of cash flow

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Result before taxes | (173 767) | 163 255 |
| Taxes paid | - | - |
| Impairment shares | 169 800 | 5 000 |
| Capital gain/(loss) on sale of property, plant and equipment | 794 | - |
| Effect of currency loss/(gain) | (17 058) | 12 444 |
| Unrealized changes in derivatives | 16 088 | (19 526) |
| Dividends and (gain)/loss from sale of shares | (29 886) | (186 490) |
| Other short-term accruals | (4 067) | (3 984) |
| **Net cash flow from operating activities** | **(38 096)** | **(29 301)** |
| **Cash flow from investing activities** | | |
| Investment in joint ventures | (27 000) | - |
| Dividend received/share capital reduction in joint ventures | 104 110 | 133 682 |
| Change in available-for-sale investments | - | 10 000 |
| Loans to/from subsidiaries | 38 011 | 27 309 |
| **Net cash flow from investing activities** | **115 120** | **170 991** |
| **Cash flow from financing activities** | | |
| New interest bearing debt | 91 018 | 197 112 |
| Repayment of interest bearing debt | (178 350) | (250 097) |
| Dividend payment | (14 583) | (13 942) |
| **Net cash flow from financing activities** | **(101 915)** | **(66 927)** |
| Effect on cash balances from currency exchange rate fluctuations | (1 067) | 1 310 |
| **Net change in cash balances** | **(25 957)** | **76 073** |
| Cash balances as per January 1 | 155 471 | 79 397 |
| **Cash balances as per December 31** | **129 514** | **155 471** |

## 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:

### 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.

### Derivative financial instruments

The Company, on behalf of subsidiaries, enters into derivative financial instruments to reduce currency and bunkers exposure in subsidiaries. Fair value and changes in fair value of these financial instruments are charged to the respective subsidiary and therefore not recognized in the balance sheet nor net result.

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 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 to the Group Financial Statements for more details regarding risk management.

### Income taxes

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, 2018:

| (USD 1000) | Derivatives at fair value through profit and loss | Financial assets at amortized cost | Financial liabilities at amortized cost | Non-financial assets/liabilities | Carrying amount 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | - | 129 514 | - | - | 129 514 |
| Current receivables | - | 15 974 | - | - | 15 974 |
| Loan to Group companies | - | 171 577 | - | - | 171 577 |
| Other non-financial assets | - | - | - | 1 022 757 | 1 022 757 |
| **Total assets** | **-** | **317 066** | **-** | **1 022 757** | **1 339 823** |
| **Liabilities** | | | | | |
| Proposed dividend | - | - | - | - | - |
| Other current liabilities | - | - | 7 531 | - | 7 531 |
| Loan from subsidiaries | - | - | 6 048 | - | 6 048 |
| Derivative financial instruments | 19 901 | - | - | - | 19 901 |
| Interest bearing debt | - | - | 499 803 | - | 499 803 |
| **Total liabilities** | **19 901** | **-** | **513 382** | **-** | **533 283** |

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

| (USD 1000) | Derivatives at fair value through profit and loss | Financial assets at amortized cost | Financial liabilities at amortized 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** | **1 620 638** |
| **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** |

### 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 254 million per December 31, 2018 compared to carrying amount of USD 253 million. Correspondingly market value was USD 267 million as per December 31, 2017 compared to carrying amount of USD 264 million.

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| (USD 1 000) | 2018 Level 1 | 2018 Level 2 | 2017 Level 1 | 2017 Level 2 |
|---|---|---|---|---|
| Recurring fair value measurement | | | | |
| Financial assets at fair value: | | | | |
| Derivatives instruments - non hedging | - | - | - | 3 252 |
| Available - for - sale - investments | - | - | - | - |
| Financial liabilities at fair value: | | | | |
| Derivatives instruments - non hedging | - | 19 901 | - | 21 855 |
| Derivatives instruments - hedging | - | - | - | - |

### 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 to the Group Financial Statements for more details regarding risk management.

### Below overview shows status of hedging exposure per December 31, 2018 (figures in 1 000):

| (USD 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 350 000 | | 2.98% | (5 671) | - | 100 000 | 250 000 | 350 000 |
| | | | | | Time to maturity – USD amounts | | | |
| Cross currency interest rate swaps | Sold | | Avg. rate | MTM1) | <1 year | 1 – 5 years | > 5 years | Total |
| Fair value/Non hedge [3] | USD 263 227 | From NOK to USD | 6.06% | (14 230) | 61 425 | 201 802 | - | 263 227 |

[1] Mark to market valuations
[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, 2017 (figures in 1 000):

| (USD 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 | MTM1) | <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 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 253 million (USD 264 million in 2017), amounts to USD 14.2 million per December 31, 2018 (USD 15 million in 2017). Positive accumulated currency gain booked related to the same bond loans per December 31, 2018 amounts to USD 14.5 million (USD 11 million in 2017).

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 1 000) | 2018 | 2017 |
|---|---|---|
| Bunkers | (773) | - |
| Currency | (2 481) | (1 994) |
| Derivative financial instruments | (3 254) | (1 994) |



## 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) | Interest rate year-end [1] | 2018 | 2017 |
|---|---|---|---|
| Mortgage loans from finance institutions – floating interest rates | 5.03% | 250 506 | 315 933 |
| Bonds – unsecured | 8.84% | 253 133 | 273 330 |
| Subtotal interest bearing debt | 6.95% | 503 638 | 589 263 |
| Debt transaction fees | | (3 835) | (4 479) |
| **Total interest bearing debt** | | **499 803** | **584 784** |
| Current portion of long term interest bearing debt | | (109 052) | (158 030) |
| **Total non-current interest bearing debt** | | **390 751** | **426 754** |

[1] Average interest rate is the weighted average of interest rates, excluding hedging, as per end of 2018.

### Maturity of interest bearing debt as per December 31, 2018:

| (USD 1 000) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|---|---|---|
| Mortgage loans from financial institutions – floating interest rates | 51 521 | 110 259 | 59 036 | 14 614 | 15 075 | - | 250 506 |
| Bonds – unsecured | 57 530 | - | 80 542 | 57 530 | 57 530 | - | 253 133 |
| **Sub total interest bearing debt** | **109 052** | **110 259** | **139 579** | **72 144** | **72 605** | - | **503 638** |
| Estimated interest payable | 33 191 | 25 807 | 16 781 | 9 635 | 4 711 | - | 90 126 |
| **Total interest bearing debt** | **142 243** | **136 067** | **156 359** | **81 779** | **77 316** | - | **593 764** |

### Maturity of interest bearing debt as per December 31, 2017:

| (USD 1 000) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|---|---|---|---|---|---|---|---|
| Mortgage loans from financial institutions – floating interest rates | 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 |
| **Sub 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 interest bearing debt** | **187 114** | **129 042** | **128 881** | **147 660** | **74 646** | **648** | **667 991** |

The average maturity of the Company's total interest-bearing debt is about 2.6 years. Average maturity of loans from financial institutions is 2.5 years (2.8 years in 2017), while average maturity of bonds is 2.7 years (2.6 years in 2017).

### Long term loans from subsidiaries:

| | Currency | Average interest rate | 2018 | 2017 |
|---|---|---|---|---|
| Loans from group companies | USD | 5.64% | 6 048 | 6 453 |

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) | 2018 | 2017 |
|---|---|---|
| Taxes payable related to withholding tax on received dividend | - | 1 402 |
| Prior years adjustments | (1 400) | - |
| **Total tax expenses (income)** | **(1 400)** | **1 402** |
| Effective tax rate | N/A | 0.86% |

### Taxes payable:

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Result before taxes | (173 767) | 163 255 |
| Permanent differences | 123 003 | (172 202) |
| Changes temporary differences | 17 864 | 7 668 |
| **Basis taxes payable** | **(30 882)** | **(1 279)** |
| Group contribution with tax effect (received) | - | 6 655 |
| Utilization of carried forward losses | - | (5 376) |
| Losses brought forward | 30 882 | - |
| **Basis taxes payable after Group contribution** | - | - |

### Specification of deferred taxes (deferred tax assets):

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Non-current assets | 1 471 | 6 284 |
| Other long-term temporary differences | 3 459 | 15 958 |
| Financial instruments/finance expenses | (16 578) | (14 168) |
| Tax-loss carried forward | (159 300) | (138 382) |
| **Net temporary differences** | **(170 947)** | **(130 308)** |
| Tax rate | 22% | 23% |
| Total deferred tax (deferred tax assets) | (37 608) | (29 971) |
| Total deferred tax not recognized | 37 608 | 29 971 |
| **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 investment | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Shareholders' equity as per December 31, 2016** | **29 425** | - | **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** |
| **Shareholders' equity as per December 31, 2017** | **29 425** | **(2 764)** | **172 388** | - | - | **779 845** | **978 895** |
| Purchase of Treasury shares | - | 198 | - | - | - | 86 | **284** |
| Proposed dividend | - | - | - | - | - | - | - |
| Net result | - | - | - | - | - | (172 367) | **(172 367)** |
| Other adjustments | - | - | - | - | - | (271) | **(271)** |
| **Shareholders' equity as per December 31, 2018** | **29 425** | **(2 566)** | **172 388** | - | - | **607 293** | **806 539** |

## 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, 2018.

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 4.7 million (USD 8.7 million in 2017).

## Note 7
## Subsequent Events

Following Lindsay Goldberg's announcement in early 2018 to exit its ownership in Odfjell Terminals BV, Lindsay Goldberg has now reached an agreement with Northleaf Capital Partners to sell its shares in Odfjell Terminals US Inc. Northleaf is a private equity and infrastructure fund manager based in Canada. The transaction is expected to close in second or third quarter of 2019, after which Northleaf will own 49% of the shares in Odfjell Terminals US Inc. Odfjell will still hold 51% and continue to be the operating partner.

## Note 8
## Financial income and expenses

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Dividend/Sale of shares/Group contribution | 29 886 | 186 490 |
| Impairment of shares in subsidiaries (ref. note 12) | (169 800) | (5 000) |
| | | |
| Inter-company interest income | 16 160 | 22 988 |
| Other interest income bank deposit | 3 289 | 985 |
| **Total interest income** | **19 449** | **23 974** |
| | | |
| Inter-company interest expenses | (354) | (342) |
| Interest expenses, loans | (39 396) | (38 054) |
| **Total interest expenses** | **(39 750)** | **(38 397)** |
| | | |
| Other financial income | 6 746 | 7 319 |
| Other financial expenses | (5 053) | (5 509) |
| Financial assets and liabilities at fair value through net result | (3 347) | 19 442 |
| **Sum other financial income/expenses** | **(1 654)** | **21 252** |
| | | |
| Net currency gains (losses) - see note 9 | (4 790) | (15 087) |
| **Net financial items** | **(166 660)** | **173 232** |

## Note 9
## Currency gains (losses)

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Non-current receivables and debt | (3 528) | (16 082) |
| Cash and cash equivalents | (1 067) | 935 |
| Other current assets and current liabilities | (196) | 60 |
| **Total currency gains (losses)** | **(4 790)** | **(15 087)** |

ODFJELL SE

## Note 10
### Loans to Group Companies and joint ventures

| (USD 1 000) | Currency | 2018 | 2017 |
|---|---|---|---|
| Odfjell Asia II Pte Ltd | USD | 111 000 | 144 000 |
| Odfjell Chemical Tankers AS | USD | 60 577 | 266 697 |
| Odfjell Chemical Tankers II AS | USD | - | 2 750 |
| **Sub total loans to Group companies** | | **171 577** | **413 447** |
| Odfjell Terminals Europe BV (Shareholders loan) | USD | - | 10 000 |
| **Sub total loans to Joint Ventures** | | **-** | **10 000** |
| **Total loans to Group companies and joint ventures** | | **171 577** | **423 447** |

## Note 11
### Salaries, number of employees, benefits to Board of Directors, CEO, other members of the Management Group and auditor's remuneration

For 2018 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 2018:

| (USD 1 000) | Compensation [1] | Other benefits | Total |
|---|---|---|---|
| Laurence Ward Odfjell (Chairman) | 138 | - | **138** |
| Christine Rødsæther | 52 | - | **52** |
| Anette Malm Justad | 14 | - | **14** |
| Jannicke Nilsson | 52 | - | **52** |
| Åke Gregertsen | 83 | - | **83** |
| Klaus Nyborg | 75 | - | **75** |
| Åse Aulie Michelet | 29 | - | **29** |
| Hans Smits | 43 | - | **43** |
| **Total** | **486** | **-** | **486** |

[1] Including compensation to some of the Directors for involvement in joint venture boards

#### Auditor´s remuneration 2018 (exclusive of VAT):

| (USD 1 000) | 2018 | 2017 |
|---|---|---|
| Statutory auditing | 106 | 86 |
| Other assurance services | 56 | 49 |
| Tax advisory services | 43 | 117 |
| Non-audit services | 45 | 33 |
| **Total remuneration** | **250** | **285** |

## 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 2018 | Equity 2018 |
|---|---|---|---|---|---|
| Odfjell Argentina SA [1] | Argentina | 90% | 129 | 35 | 69 |
| Odfjell Chemical Tankers Ltd | Bermuda | 100% | 319 862 | (116 400) | 336 941 |
| Odfjell Brasil - Representacoes Ltda | Brazil | 100% | 983 | (115) | 1 316 |
| Odfjell Terminals BV [2] | Netherlands | 100% | 199 172 | (138 016) | 158 533 |
| Norfra Shipping AS | Norway | 100% | 444 848 | (2 818) | 452 164 |
| Odfjell Insurance & Properties AS | Norway | 100% | 843 | (16) | 677 |
| Odfjell Management AS | Norway | 100% | 21 858 | 4 352 | 26 687 |
| Odfjell Maritime Services AS | Norway | 100% | 1 929 | 28 | 1 454 |
| Odfjell Tankers AS | Norway | 100% | 9 858 | 467 | 10 248 |
| Odfjell Terminals II AS | Norway | 100% | 5 248 | 59 | 7 797 |
| Odfjell Peru | Peru | 100% | 195 | - | 70 |
| Odfjell Ship Management (Phils) Inc | Philippines | 100% | 200 | 231 | (408) |
| Odfjell Singapore Pte Ltd | Singapore | 100% | 13 | 114 | 2 595 |
| Odfjell Korea Ltd | South Korea | 100% | 43 | 144 | 37 |
| Odfjell Middle East DMCC | United Arab Emirates, Dubai | 100% | 2 509 | 75 | 1 185 |
| Odfjell USA (Houston) Inc | USA | 100% | - | 120 | 2 606 |
| Total | | | 1 007 689 | | |

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

[2] Odfjell Terminals BV became a subsidiary in December 2018. Odfjell's terminal activity is operated through joint ventures owned by Odfjell Terminals BV. The result and equity presented are consolidated figures for the terminal segment (see note 4 to the Group Financial Statements).

#### Shares in joint ventures

| | Registered office | Share/ voting rights | Book value [1] | Result 2018 [2] | Equity 2018 [3] |
|---|---|---|---|---|---|
| Odfjell Gas AS | Norway | 50% | 15 068 | (1 297) | 14 556 |
| **Total shares in joint ventures** | | | **15 068** | | |

[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 116.4 million related to the investment in Odfjell Chemical Tankers, Bermuda, Ltd. and USD 53.4 million in the investment in Norfra Shipping AS.

## Note 13
### Share capital and information about shareholders

| | Number of shares | Nominal value (NOK) | (NOK 1 000) 2018 | (NOK 1 000) 2017 |
|---|---|---|---|---|
| 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, 2018 according to VPS:**

| | Name | A shares | B shares | Total | Percent of votes | Percent of shares |
|---|---|---|---|---|---|---|
| 1 | Norchem A/S | 25 966 492 | 5 536 381 | 31 502 873 | 43.31% | 36.31% |
| 2 | Odfjell SE | 5 740 238 | 2 322 482 | 8 062 720 | [2] | 9.29% |
| 3 | Svenska Handelsbanken AB [1] | 2 710 235 | 1 771 028 | 4 481 263 | 4.52% | 5.16% |
| 4 | Rederiet Odfjell AS | 3 497 472 | - | 3 497 472 | 5.83% | 4.03% |
| 5 | Rederiet Jacob Christensen AS | 2 780 516 | 572 546 | 3 353 062 | 4.64% | 3.86% |
| 6 | Pareto Aksje Norge Verdipapirfond | 1 912 716 | 1 339 386 | 3 252 102 | 3.19% | 3.75% |
| 7 | J. O. Invest AS | 2 878 400 | - | 2 878 400 | 4.80% | 3.32% |
| 8 | DnB Nor Markets, Aksjehand/Analyse | 2 067 793 | 74 057 | 2 141 850 | 3.45% | 2.47% |
| 9 | Holmen Spesialfond | 2 000 000 | - | 2 000 000 | 3.34% | 2.30% |
| 10 | EGD Shipholding AS | 1 600 704 | - | 1 600 704 | 2.67% | 1.84% |
| 11 | VPF Nordea Norge Verdi | 242 136 | 1 189 569 | 1 431 705 | 0.40% | 1.65% |
| 12 | B.O. Steen Shipping AS | 275 000 | 885 000 | 1 160 000 | 0.46% | 1.34% |
| 13 | Svenska Handelsbanken AB [1] | 516 470 | 425 280 | 941 750 | 0.86% | 1.09% |
| 14 | Credit Suisse (Switzerland) Ltd. [1] | 550 800 | 288 500 | 839 300 | 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 | 199 094 | 480 715 | 679 809 | 0.33% | 0.78% |
| 19 | VPF Nordea Avkastning | 156 147 | 328 202 | 484 349 | 0.26% | 0.56% |
| 20 | The Bank of New York Mellon SA/NV [1] | - | 463 112 | 463 112 | 0.00% | 0.53% |
| | Total 20 largest shareholders | 54 412 213 | 16 526 258 | 70 938 471 | 81.19% | 81.76% |
| | Other shareholders | 11 278 031 | 4 552 446 | 15 830 477 | 18.81% | 18.24% |
| | Total | 65 690 244 | 21 078 704 | 86 768 948 | 100.00% | 100.00% |
| | International shareholders | 32 894 355 | 9 829 915 | 42 724 270 | 54.87% | 49.24% |
| | | | | | | |
| | Treasury shares [2] | 5 740 238 | 2 322 482 | 8 062 720 | - | 9.29% |
| | Cost price treasury shares (USD 1 000) | 1 950 | 788 | 2 737 | | |

[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, 2018, 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) | 2018 | 2017 |
|---|---|---|
| 100% owned subsidiaries (credit facilities) | 622 288 | 499 273 |
| Joint ventures (credit facilities) | 14 400 | 79 163 |
| 100% owned subsidiaries (third party guarantees) | 16 993 | 26 978 |
| **Total guarantees** | **653 681** | **605 414** |

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 11.0 million (USD 9.0 million in 2017). 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 6.0 million in 2018 (USD 18.0 million in 2017).

Guarantees to and from Group companies are 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, 2018, have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Group and 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 perforce of the business and the position of the Group and the Company, together with description of the principal risks and uncertainties facing the Company and the Group.

THE BOARD OF DIRECTORS OF ODFJELL SE
Bergen, March 14, 2019

Laurence Ward Odfjell
Chairman

Christine Rødsæther

Jannicke Nilsson

Åke Gregertsen

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 2018, the statement of profit or loss and other comprehensive income and statements 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 consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the consolidated 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 2018, 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 2018 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

#### Impairment evaluation of vessels

Due to continuing difficult market conditions and price/book ratio below 1, management identified impairment indicators and tested recoverable amounts of the Group's vessels. Management measured the recoverable amounts of vessels or cash generating units ("CGUs") by comparing their carrying amount to the highest of fair value less cost to sell and value in use. The Group's vessels operate within trades (the deep-sea and regional South America trade and the regional Asia trade) and as last year these trades defined separate CGUs. As per 31 December 2018 the Group also has a vessel held for sale, being a separate CGU.





As per 31 December 2018 book value of the Group's vessels amounted to USD 1 359,9 million, representing 74 % of Group's total assets. The Group recognized an impairment charge of USD 5 million in 2018 related to one vessel held for sale. No impairment charge was recognized on other vessels in the fleet.

The recoverable amount of the deep-sea and regional South America trade CGUs 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 and vessel held for sale CGUs were determined based on fair value less cost of disposal. Management obtained external indicative broker valuation as estimate 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 external long-term 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 the fair value less cost of disposal calculation, we read the external indicative broker valuation obtained 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 indicative broker valuation to management's value in use calculation, including the assumptions applied and performed sensitivity analysis.

We refer to note 2.5, 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 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

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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 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.



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## 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, 14 March 2019
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

# Fleet overview

as per December 31, 2018

| Vessel type | Chemical Tankers | dwt | Built | Ownership | cbm | Stainless steel, cbm | Tanks |
|---|---|---|---|---|---|---|---|
| Supersegregator | Bow Sea | 49 592 | 2006 | Owned | 52 107 | 52 107 | 40 |
| Supersegregator | Bow Summer | 49 592 | 2005 | Owned | 52 128 | 52 128 | 40 |
| Supersegregator | Bow Saga | 49 559 | 2007 | Owned | 52 126 | 52 126 | 40 |
| Supersegregator | Bow Sirius | 49 539 | 2006 | Owned | 52 155 | 52 155 | 40 |
| Supersegregator | Bow Star | 49 487 | 2004 | Owned | 52 127 | 52 127 | 40 |
| Supersegregator | Bow Sky | 49 479 | 2005 | Leased | 52 126 | 52 126 | 40 |
| Supersegregator | Bow Spring | 49 429 | 2004 | Owned | 52 127 | 52 127 | 40 |
| Supersegregator | Bow Sun | 42 459 | 2003 | Owned | 52 127 | 52 127 | 40 |
| Supersegregator | Bow Chain | 37 518 | 2002 | Owned | 40 621 | 40 621 | 47 |
| Supersegregator | Bow Jubail | 37 499 | 1996 | Bareboat | 41 488 | 34 209 | 52 |
| Supersegregator | Bow Faith | 37 479 | 1997 | Owned | 41 487 | 34 208 | 52 |
| Supersegregator | Bow Cedar | 37 455 | 1996 | Owned | 41 488 | 41 488 | 52 |
| Supersegregator | Bow Cardinal | 37 446 | 1997 | Owned | 41 487 | 34 208 | 52 |
| Supersegregator | Bow Firda | 37 427 | 2003 | Owned | 40 645 | 40 645 | 47 |
| Supersegregator | Bow Fortune | 37 395 | 1999 | Leased | 40 619 | 40 619 | 47 |
| Supersegregator | Bow Fagus | 37 375 | 1995 | Owned | 41 608 | 34 329 | 52 |
| Supersegregator | Bow Flora | 37 369 | 1998 | Leased | 40 515 | 33 236 | 47 |
| Supersegregator | Bow Cecil | 37 369 | 1998 | Owned | 40 515 | 33 236 | 47 |
| Supersegregator | Bow Mekka | 37 272 | 1995 | Bareboat | 41 606 | 34 257 | 52 |
| Supersegregator | Bow Clipper | 37 221 | 1995 | Owned | 41 596 | 34 328 | 52 |
| Supersegregator | Bow Riyad | 37 221 | 1995 | Bareboat | 41 492 | 34 213 | 52 |
| Supersegregator | Bow Flower | 37 221 | 1994 | Owned | 41 492 | 34 213 | 52 |
| Supersegregator | Bow Hercules | 40 900 | 2017 | Bareboat | 42 832 | 42 832 | 30 |
| Supersegregator | Bow Gemini | 40 895 | 2017 | Bareboat | 42 832 | 42 832 | 30 |
| Supersegregator | Bow Aquarius | 40 901 | 2016 | Bareboat | 42 813 | 42 813 | 30 |
| Large Stainless steel | Bristol Trader | 35 863 | 2016 | Time charter | 38 315 | 37 549 | 18 |
| Large Stainless steel | Bow Precision | 35 155 | 2018 | Time charter | 36 668 | 36 668 | 28 |
| Large Stainless steel | Bow Hector | 33 694 | 2009 | Time charter | 37 384 | 37 384 | 16 |
| Large Stainless steel | Bow Tone | 33 625 | 2009 | Time charter | 37 974 | 37 974 | 16 |
| Large Stainless steel | Bow Harmony | 33 619 | 2008 | Leased | 38 052 | 38 052 | 16 |
| Large Stainless steel | Bow Compass | 33 609 | 2009 | Owned | 37 994 | 37 994 | 16 |
| Large Stainless steel | Bow Engineer | 30 086 | 2006 | Leased | 36 274 | 36 274 | 28 |
| Large Stainless steel | Bow Architect | 30 058 | 2005 | Leased | 36 290 | 36 290 | 28 |
| Medium Stainless steel | RT Star | 26 199 | 2011 | Time charter | 27 912 | 27 912 | 18 |
| Medium Stainless steel | Southern Quokka | 26 077 | 2017 | Time charter | 29 049 | 29 049 | 24 |
| Medium Stainless steel | Southern Owl | 26 057 | 2016 | Time charter | 27 656 | 27 656 | 26 |
| Medium Stainless steel | Southern Puma | 26 057 | 2016 | Time charter | 27 079 | 27 079 | 24 |
| Medium Stainless steel | Southern Shark | 25 500 | 2018 | Time charter | 27 112 | 27 112 | 26 |
| Medium Stainless steel | Bow Platinum | 25 000 | 2017 | Leased | 27 091 | 27 091 | 24 |
| Medium Stainless steel | Bow Neon | 24 786 | 2017 | Leased | 28 644 | 28 644 | 24 |
| Medium Stainless steel | Bow Titanium | 24 764 | 2018 | Leased | 27 091 | 27 091 | 24 |
| Medium Stainless steel | Bow Palladium | 24 764 | 2017 | Leased | 29 041 | 29 041 | 24 |
| Medium Stainless steel | Bow Tungsten | 24 764 | 2018 | Leased | 28 067 | 28 067 | 24 |
| Medium Stainless steel | Southern Koala | 21 290 | 2010 | Time charter | 20 008 | 20 008 | 20 |
| Medium Stainless steel | Bow Santos | 19 997 | 2004 | Owned | 21 846 | 21 846 | 22 |
| Medium Stainless steel | Flumar Maceio | 19 975 | 2006 | Owned | 21 713 | 21 713 | 22 |
| Medium Stainless steel | Moyra | 19 806 | 2005 | Time charter | 22 838 | 22 838 | 18 |
| Medium Stainless steel | Bow Fuji | 19 805 | 2006 | Time charter | 22 140 | 22 140 | 22 |
| Medium Stainless steel | Gwen | 19 702 | 2008 | Time charter | 21 651 | 21 651 | 26 |
| Medium Stainless steel | Shamrock Mercury | 19 000 | 2010 | Time charter | 22 204 | 22 204 | 22 |
| Coated | Bow Pioneer | 75 000 | 2013 | Owned | 86 000 | 0 | 30 |
| Coated | Flumar Brasil | 51 188 | 2010 | Owned | 55 452 | 0 | 14 |
| Coated | Bow Triumph | 49 622 | 2014 | Owned | 53 188 | 0 | 22 |
| Coated | Bow Trident | 49 622 | 2014 | Owned | 53 188 | 0 | 22 |
| Coated | Bow Tribute | 49 622 | 2014 | Leased | 53 188 | 0 | 22 |
| Coated | Bow Trajectory | 49 622 | 2014 | Leased | 53 188 | 0 | 22 |
| Coated | Bow Elm | 46 098 | 2011 | Owned | 48 698 | 0 | 29 |
| Coated | Bow Lind | 46 047 | 2011 | Owned | 48 698 | 0 | 29 |
| Regional | Bow Oceanic | 17 460 | 1997 | Owned | 19 616 | 19 616 | 24 |
| Regional | Bow Atlantic | 17 460 | 1995 | Owned | 19 588 | 19 588 | 24 |
| Regional | Bow Condor | 16 121 | 2000 | Owned | 17 622 | 17 622 | 30 |
| Regional | Bow Andes | 16 020 | 2000 | Owned | 17 120 | 17 120 | 22 |
| Regional | SG Pegasus | 13 086 | 2011 | Time charter | 14 523 | 14 523 | 16 |
| Regional | Sun Triton | 12 670 | 2017 | Time charter | 13 228 | 13 228 | 16 |
| Regional | Stellar Wisteria | 12 601 | 2011 | Time charter | 14 715 | 14 715 | 18 |
| Regional | Stellar Orchid | 12 571 | 2011 | Time charter | 14 713 | 14 713 | 18 |
| Regional | Marex Noa | 12 478 | 2015 | Time charter | 14 067 | 14 067 | 16 |
| Regional | Bow Querida | 10 106 | 1996 | Owned | 11 181 | 11 181 | 18 |
| Regional | Bow Asia | 9 901 | 2004 | Bareboat | 11 088 | 11 088 | 20 |
| Regional | Bow Singapore | 9 888 | 2004 | Bareboat | 11 089 | 11 089 | 20 |
| Regional | Bow Nangang | 9 156 | 2013 | Owned | 10 523 | 10 523 | 14 |
| Regional | Bow Dalian | 9 156 | 2012 | Owned | 10 523 | 10 523 | 14 |
| Regional | Bow Fuling | 9 156 | 2012 | Owned | 10 523 | 10 523 | 14 |
| Total Chemical Tankers: | | 2 299 002 | 73 | | 2 513 971 | 1 988 755 | 2 143 |

| Newbuildings on order: Chemical Tankers | Number | dwt | cbm | Steel, cbm | Tanks | Stainless 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 |
| Shin-Kurushima | 1 | 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: | 9 | 379 500 | 425 700 | 425 700 | 296 | | |

| Gas carriers | Built | dwt | cbm | Type | Tanks | Ownership |
|---|---|---|---|---|---|---|
| Bow Gallant | 2008 | 10 282 | 8 922 | LPG/Ethylene | 2 | Pool |
| Bow Guardian | 2008 | 10 282 | 8 922 | LPG/Ethylene | 2 | Pool |
| Total Gas Carriers: | 2 | 20 564 | 17 844 | | 4 | |

| 3rd party * vessel type | Chemical Tankers | dwt | Built | Ownership | cbm | Stainless steel, cbm | Tanks |
|---|---|---|---|---|---|---|---|
| Supersegregator | SC Taurus | 40 964 | 2017 | Commercial Management | 42 793 | 42 793 | 30 |
| Supersegregator | SC Scorpio | 40 964 | 2017 | Commercial Management | 42 786 | 42 786 | 30 |
| Supersegregator | SC Draco | 40 924 | 2016 | Commercial Management | 42 827 | 42 827 | 30 |
| Supersegregator | SC Virgo | 40 870 | 2017 | Commercial Management | 42 832 | 42 832 | 30 |
| Supersegregator | SC Capricorn | 40 929 | 2016 | Commercial Management | 43 552 | 43 552 | 30 |
| Medium Stainless steel | CTG Mercury | 25 000 | 2018 | Pool | 28 078 | 28 078 | 24 |
| Medium Stainless steel | CTG Cobalt | 25 000 | 2018 | Pool | 28 078 | 28 078 | 24 |
| Medium Stainless steel | CTG Argon | 24 761 | 2017 | Pool | 27 067 | 27 067 | 24 |
| Medium Stainless steel | CTG Bismuth | 24 755 | 2016 | Pool | 27 654 | 27 654 | 24 |
| Medium Stainless steel | CTG Magnesium | 25 000 | 2017 | Pool | 28 078 | 28 078 | 24 |
| Total 3rd party: | | 329 167 | 10 | | 353 745 | 353 745 | 270 |

* Pool participation and commercial management

| Summarized | Number | dwt | cbm | Steel, cbm | Stainless Tanks |
|---|---|---|---|---|---|
| Owned | 33 | 1 171 961 | 1 279 307 | 890 420 | 1 099 |
| Time charter | 19 | 431 236 | 469 237 | 468 471 | 388 |
| Leased | 13 | 441 328 | 490 186 | 376 531 | 370 |
| Bareboat | 8 | 254 477 | 275 241 | 253 334 | 286 |
| Pool | 5 | 124 516 | 138 955 | 138 955 | 120 |
| Commercial Management | 5 | 204 651 | 214 790 | 214 790 | 150 |
| Total Chemical Tankers: | 83 | 2 628 169 | 2 867 716 | 2 342 500 | 2 413 |

# Terminals overview

as per December 31, 2018

| Tank terminals | Location | Ownership [1] | cbm | Stainless steel, cbm | Number of tanks |
|---|---|---|---|---|---|
| Odfjell Terminals (Houston) Inc. | Houston, USA | 51% | 379 981 | 113 180 | 119 |
| Odfjell Terminals (Charleston) LLC | Charleston, USA | 51% | 79 243 | 0 | 9 |
| Odfjell Terminals (Jiangyin) Co. Ltd | Jiangyin, China | 28% | 99 800 | 30 000 | 22 |
| Odfjell Terminals (Dalian) Co. Ltd | Dalian, China | 25.50% | 119 750 | 18 350 | 51 |
| Odfjell Terminals (Korea) Co. Ltd | 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 Odfjell Terminals NV | Antwerp, Belgium | 25.00% | 382 028 | 37 980 | 241 |
| Total terminals | 7 terminals | | 1 512 312 | 222 370 | 553 |

| Projects and expansions | Location | Ownership [1] | cbm | Stainless steel, cbm | Estimated completion |
|---|---|---|---|---|---|
| Odfjell Changxing Terminals (Dalian) Co.Ltd | Changxing, China | 20.4% | | | 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) | 20 existing terminals | 2 065 052 | 257 470 | |

[1] Odfjell SE's indirect ownership share



ODFJELL

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