



2014 SECOND QUARTER REPORT 2014



Second Quarter Report 2014 Odfjell SE - Consolidated

Highlights 2Q 2014

- 2Q results in line with expectations. Underlying operations slightly better than in 1Q.
- Chemical Tankers EBITDA of USD 24 million, compared with USD 17 million in first quarter. Improved utilisation with only minor interruptions of trade.
- Time-charter results up by 10%.
- Adjusted for one-off charges at Odfjell Terminals (Rotterdam), Odfjell Terminals EBITDA of USD 1.8 million compared to USD 0 million in first quarter.
- Re-organisation charge at Odfjell Terminals (Rotterdam) in May of USD 11.8 million (our share). The effect is a significantly improved cost base for the terminal going forward.
- Announcement of new LPG/Ethylene joint venture, and exercising options for four 22,000 cbm LPG/Ethylene gas carriers at Nantong Sinopacific in China.
- Ongoing cost-cutting and efficiency review to provide for a more competitive cost structure indicates potential for significant improvements.

Key figures

(USD mill unaudited)	1Q14	2Q14	2Q13	YTD14	YTD13	FY13
Revenue	266	275	256	541	513	1,027
Share of net result from ass. and JVs ¹	(7)	(11)	(1)	(18)	(5)	(52)
EBITDA	9	13	26	22	40	41
EBIT	(14)	(9)	6	(23)	(3)	(57)
Net finance	(8)	(15)	(8)	(22)	(9)	(46)
Net result (loss)	(23)	(26)	(2)	(48)	(15)	(108)

¹ Revenues and profit from all joint ventures are from 1 January 2014 accounted for according to the "equity method". All presented segment figures are based on internal management reporting using the "proportional consolidation method".

Business segments

Chemical Tankers

The activity in the second quarter started fairly well, but slowed down from mid-May onwards. Contract and spot volumes increased, and we had only minor cancellations or interruptions of trade. Combined with improved utilization of our ships, our time-charter result increased by more than 10 percent compared to the previous quarter. Although partially compensated for in the form of demurrage, delays due to significant congestion in port remain a major concern. EBITDA for chemical tankers was USD 26.2 million, compared with USD 17 million last quarter, but was reduced with a one-off charge of USD 2.2 million related to our South American operations.

The clean petroleum products market remained stable at low levels, and bunker prices remained high throughout the quarter.

Our regional trade weakened during the second quarter due to slow activity and plant outages, resulting in lower volumes nominated under contracts and limited spot opportunities. The exception to this is our regional trade in South America, which continued to deliver strong results.

So far into the third quarter, the flat spot activity during the summer has continued. However, nominations under our contracts are healthy, and we are starting to see somewhat softer bunker prices.

Chemical Tankers (USD mill)	1Q14	2Q14	2Q13	YTD14	YTD13	FY13
Revenue	263	270	255	532	508	1,028
Gross Result	41	49	56	90	98	193
EBITDA	17	24	30	40	48	98
EBIT	(6)	1	6	(5)	2	3
Net bunker per tonne (USD)	565	559	542	562	550	556

Indices	31.03.14	30.06.14	30.06.13	31.12.13
Odfix (1990 = 100) ¹	114	126	129	114
Opex (2002 = 100) ²	153	161	175	167

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

² The Opex index includes owned and bareboat chartered vessels.

Fleet changes

In May we took delivery of the second of four coated chemical tankers from the Hyundai Mipo yard in South Korea. The two remaining vessels are expected to be delivered in the fourth quarter. Vessels number one and two are on long-term bareboat charters to Odfjell while the two remaining units will be fully owned by us.

Following our joint venture agreement with Breakwater/Oak Hill, we exercised the option and confirmed the order for four 22,000 cbm LPG/Ethylene gas carriers at Nantong Sinopacific in China. The vessels are scheduled for delivery between September 2016 and June 2017. Odfjell Gas consequently now has eight LPG/Ethylene vessels on order at this yard. The first order of four 17,000 cbm LPG/Ethylene gas carriers at Nantong Sinopacific is scheduled for delivery between October 2015 and May 2016.

Fleet additions (last 12 months)		DWT	Built	Tanks	Transaction
August 2014	Kristin Knutsen	19,152	1998	Stainless	Short-term TC
June 2014	Bow Tribute	46,000	2014	Coated	Bareboat
May 2014	UACC Mansouria	45,352	2013	Coated	Short-term TC
April 2014	Bow Trajectory	46,000	2014	Coated	Bareboat
April 2014	Bow Harmony	33,619	2008	Stainless	Purchase
March 2014	SG Friendship	19,773	2003	Stainless	Medium-term TC
February 2014	Berlian Ekuator	35,000 cbm	2004	LPG	Short-term TC
January 2014	Celsius Mumbai	19,993	2005	Stainless	Medium-term TC

Fleet additions (last 12 months), continued		DWT	Built	Tanks	Transaction
December 2013	RT Star	26,199	2011	Stainless	Medium-term TC
December 2013	Celsius Miami	19,991	2005	Stainless	Medium-term TC
November 2013	Celsius Manhattan	19 807	2006	Stainless	Medium-term TC
November 2013	Bow Condor	16,121	2000	Stainless	Purchase, J/V
October 2013	Bow Eagle	24,700	1988	stainless	Short-term TC
August 2013	Southern Koala	21,290	2010	Stainless	Medium-term TC
August 2013	Golden Top	12,705	2004	Stainless	Medium-term TC
July 2013	Celsius Mayfair	20,000	2007	Stainless	Medium-term TC

Short-term: Up to one year
Medium-term: 1-3 years
Long-term: More than three years

Fleet disposals, owned (last 12 months)		DWT	Built	Tanks	Transaction
December 2013	Bow Mate	6,008	1999	Stainless	Sale
October 2013	Bow Eagle	24,728	1988	Stainless	Sale

LPG/Ethylene

Revenue and gross results continued to improve compared with the previous quarter due to improved market conditions. We expect continued improvements in third quarter.

LPG/Ethylene (USD mill)	1Q14	2Q14	2Q13	YTD14	YTD13	FY13
Revenue	5	8	3	13	7	11
Gross Result	1	2	(0)	3	(0)	(1)
EBITDA	0	1	(1)	1	(1)	(3)
EBIT	(1)	1	(2)	0	(3)	(6)

Tank Terminals

Odfjell's shareholding in the tank terminals business delivered an EBITDA of negative USD 10.0 million in the first half of the year, heavily impacted by a re-organisation charge at our terminal in Rotterdam in May of USD 11.8 million (our share). The effect is a significantly improved cost base for the terminal going forward.

With the exception of the tank terminals in Rotterdam and Charleston, the terminal results were overall in line with expectations. In Singapore we saw strong performance as a result of higher revenues due to more additional services provided.

The overall terminal group, excluding Rotterdam, had a gross occupancy of 95% as at end of June.

Following final commissioning, the Charleston terminal is now fully operational. The expansion at the Antwerp terminal has been successfully concluded, adding a total of 50,000 cbm capacity. The expansion of stainless steel tank capacity in Houston is estimated to be completed by the third quarter of 2014. We are also making good progress with regards to the new terminal in Tianjin with completion of construction planned around year end 2014.

Odfjell Terminals Rotterdam's first half EBITDA came in negative USD 28.6 million, which was heavily impacted by one-off re-organisation charges of USD 11.8 million in the second quarter. The process to improve the cost base at Odfjell Terminals (Rotterdam) met an important target in May as we reached the final agreement with the unions. The agreement includes a reduction of more than 100 positions, a wage freeze and a new collective labour agreement from 2015. As a result, staffing costs are now in line with our business plan. The commercial focus in the short run is on improving utilisation of the distillation units and seeking customers for the available tank capacity, and several inquiries are currently being evaluated. We expect increased occupancy in the third quarter for the terminal group (including Rotterdam) as a result of a large new contract being concluded.

Tank Terminals (USD mill)	1Q14	2Q14	2Q13	YTD14	YTD13	FY13
Revenue	23	24	36	47	71	129
Gross result	6	(2)	16	4	32	53
EBITDA	(0)	(10)	7	(10)	15	22
EBIT	(8)	(17)	3	(24)	2	(72)

EBITDA by geographical segment (USD mill.) ¹	1Q14	2Q14	2Q13	YTD14	YTD13	FY13
Europe	(9)	(20)	(9)	(28)	(17)	(33)
North America	3	4	3	7	7	14
Asia	3	4	7	7	14	23
Middle East	2	3	5	5	11	18
Total	(0)	(10)	7	(10)	15	22

¹ Revenues and the profit from the terminals included in the Lindsay Goldberg transaction in 2013 are recognised according to the new ownership percentages from 1 September 2013.

Finance

The divestment of the non-strategic 12.5% ownership in Vopak Terminal Ningbo Ltd in China resulted in a profit before tax of USD 1.3 million.

In June Odfjell SE completed a tap issue of NOK 300 million in the existing NOK 500 million bond maturing December 2018. The NOK bond proceeds were swapped to USD and will be used for general corporate purposes.

We are in the process of assessing various sources of finance for the order of four 17,000 cbm and four 22,000 cbm LGP/Ethylene vessels to be delivered to our new gas joint venture between the fall of 2015 and summer 2017.

Key figures (USD mill.)	30.06.14	30.06.13	31.12.13
Cash and available-for-sale investments	130	235	94
Interest bearing debt	1,216	1,339	1,138
Net interest bearing debt	1,086	1,104	1,044
Available drawing facilities	0	0	0
Total equity	705	832	759
Equity ratio	33.6%	31.5%	37.2%

Shareholder information

By end of June, Odfjell A and B shares were trading at NOK 28.70 and NOK 28.00 respectively, against NOK 35.50 and NOK 34.80 respectively at the close of the previous quarter. In the same period the Oslo Stock Exchange Benchmark Index gained 10% and the Transportation Index was reduced by 10%.

As of 30 June 2014 Odfjell had a market capitalisation of around NOK 2,476 million, which was equivalent to around USD 404 million.

Reducing cost and improving efficiency

As highlighted in our 1st quarter report, we have initiated a review of all aspects of our business model, including reorganisation and alternative ownership models, to identify areas of improvements to provide for a more competitive cost structure. This ongoing cost-cutting and efficiency review indicates potential for significant improvements.

Key decisions will be made in fourth quarter.

Prospects

The US trade picture has brightened considerably in recent months as imports has increased to a record high as the economy improved and consumers unleashed pent-up demand. Supported by record shipments of vehicles and parts, exports hit a new high in June, significantly reducing the trade deficit.

European economies are weakening as escalating tensions with Russia appears to impair Europe's fragile recovery. Russia responds to sanctions by banning food from the EU, whilst Germany is facing a first economic contraction in two years and weakening confidence.

Japan's economy contracted the most since the record earthquake three years ago as consumption and investment plunged after a tax increase aimed at curbing the world's biggest debt burden. China's broadest measure of new credit plunged to the lowest since the global financial crisis and industrial output unexpectedly slowed, adding risks to growth as the government contends with a property slump.

Oil markets are currently softer with prices sliding to the lowest levels for more than a year. The main forecasting agencies suggest reduced demand and a well-supplied market.

We expect third quarter of 2014 to be in line with second quarter for our chemical tankers. With regard to terminals, we expect continued stable results and gradually also improving results at Odfjell Terminals (Rotterdam).

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first six months of 2014, which have been prepared in accordance with IAS 34 Interim Financial Statements, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Bergen, 22 August 2014

THE BOARD OF DIRECTORS OF ODFJELL SE



Laurence Odfjell
Chairman



Åke H. Gregertsen



Jannicke Nilsson



Christine Rødsæther



Jan A. Hammer
President/CEO



Kristian Mørch

ODFJELL GROUP

	1Q14	2Q14	2Q13	YTD 2014	YTD 2013	FY2013
CONSOLIDATED INCOME STATEMENT						
(USD mill)						
Gross revenue	266	275	256	541	513	1 027
Voyage expenses	(130)	(127)	(115)	(257)	(236)	(489)
Time-charter expenses	(52)	(50)	(39)	(102)	(82)	(164)
Operating expenses	(43)	(48)	(48)	(91)	(97)	(189)
Gross result	41	50	54	91	98	186
Share of net result from associates and joint ventures	(7)	(11)	(1)	(18)	(5)	(52)
General and administrative expenses	(25)	(26)	(27)	(50)	(52)	(93)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	9	13	26	22	40	41
Depreciation	(23)	(23)	(23)	(46)	(45)	(89)
Capital gain (loss) on non-current assets	(0)	0	3	0	2	(9)
Operating result (EBIT)	(14)	(9)	6	(23)	(3)	(57)
Interest income	1	1	(0)	1	0	0
Interest expenses	(9)	(10)	(7)	(20)	(16)	(34)
Other financial items	1	(5)	(1)	(4)	7	(13)
Net financial items	(8)	(15)	(8)	(22)	(9)	(46)
Result before taxes	(22)	(24)	(2)	(46)	(12)	(103)
Taxes	(1)	(1)	(0)	(2)	(4)	(5)
Net result	(23)	(26)	(2)	(48)	(15)	(108)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Cash flow hedges changes in fair value	1	(2)	(3)	(1)	2	6
Cash flow hedges transferred to profit and loss statement	(1)	1	0	0	(3)	(7)
Share of comprehensive income on investments accounted for using equity method	(8)	(2)	5	(6)	(6)	(11)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:						
Net actuarial gain/(loss) on defined benefit plans	-	-	-	-	-	23
Other comprehensive income	(8)	3	2	(6)	(7)	12
Total comprehensive income	(31)	(23)	(1)	(54)	(23)	(96)
Net result allocated to:						
Non-controlling interests	-	-	0	-	0	0
Owner of parent	(23)	(26)	(2)	(48)	(15)	(108)
Total comprehensive income allocated to:						
Non-controlling interests	-	-	0	-	-	0
Owner of parent	(31)	(23)	(1)	(54)	(23)	(96)
Earnings per share (USD) – basic/diluted	(0.26)	(0.29)	(0.03)	(0.55)	(0.19)	(1.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1Q14	2Q14	2Q13	FY2013
(USD mill)				
Ships	1 233	1 271	1 267	1 246
Newbuilding contracts	72	28	40	69
Other non-current assets	55	54	55	55
Investments in associates and joint ventures	374	361	337	390
Loan to associates and joint ventures	-	-	65	-
Non-current receivables	24	23	68	30
Total non-current assets	1 757	1 738	1 833	1 790
Current receivables	138	126	125	126
Bunkers and other inventories	27	21	25	35
Derivative financial instruments	4	3	1	4
Available-for-sale investments	10	10	9	10
Cash and cash equivalents	70	120	202	84
Total current assets	249	280	362	260
Assets held for sale	-	82	173	-
Total assets	2 006	2 100	2 368	2 050
Paid in equity	199	199	199	199
Other equity	530	506	633	560
Total equity	729	705	832	759
Non-current liabilities	26	26	48	16
Derivatives financial instruments	11	16	12	14
Non-current interest bearing debt	991	1 073	957	1 012
Total non-current liabilities	1 029	1 115	1 017	1 043
Current portion of interest bearing debt	131	142	205	124
Derivative financial instruments	9	10	13	9
Current liabilities	108	91	130	114
Total current liabilities	248	243	348	247
Liabilities held for sale	-	36	171	-
Total equity and liabilities	2 006	2 100	2 368	2 050

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (USD mill)	Paid in equity	Exchange rate differences	Cash flow hedge reserves	Available for sale reserve	Pension remeasure- ment	OCI associates and joint ventures	Retained equity	Total other equity	Non- controlling interests	Total equity
Equity as at 1.1.2013	83	24	(12)	0	(10)	-	822	824	6	914
Change in accounting principle ¹⁾	-	(27)	-	-	-	27	-	-	-	-
Equity as at 1.1.2013 adjusted for changes	83	(3)	(12)	0	(10)	27	822	824	6	914
Comprehensive income	-	-	(1)	0	-	(6)	(15)	(22)	-	(22)
Other adjustments	-	-	-	-	-	-	(12)	(12)	-	(12)
Share repurchases	(3)	-	-	-	-	-	(39)	(39)	-	(42)
Disposal minority	-	-	-	-	-	-	-	-	(6)	(6)
Demerger	119	-	-	-	-	-	(119)	(119)	-	-
Equity as at 30.6.2013	199	(3)	(13)	0	(10)	21	637	632	-	832
Equity as at 1.1.2014	199	10	(1)	0	17	-	533	560	-	759
Change in accounting principle ¹⁾	-	(13)	2	-	-	11	-	-	-	-
Equity as per 1.1.2014 adjusted for changes	199	(3)	1	0	17	11	533	560	-	759
Comprehensive income	-	-	(1)	0	-	(6)	(48)	(54)	-	(54)
Equity as at 30.6.2014	199	(3)	(0)	1	17	6	485	506	-	705

¹⁾The group has applied IFRS 11 from 1 January 2013. The effect on the change in accounting principles is further described in note 1 and note 9. The change has no effect on the total equity, except for reclassification of items within the equity.

PROFITABILITY	1Q14	2Q14	2Q13	YTD14	YTD13	FY2013
Earnings per share (USD) - basic/diluted	(0.26)	(0.29)	(0.03)	(0.55)	(0.19)	(1.35)
Return on total assets ¹⁾	(2.6%)	(5.8)	1.0%	(2.7)	0.0%	(3.6%)
Return on equity ¹⁾	(12.1%)	(14.2)	(2.2%)	(13.1)	(3.7%)	(12.8%)
Return on capital employed ¹⁾	(2.8%)	(2.1)	5.9%	(2.4)	1.8%	(6.4%)
FINANCIAL RATIOS						
Average number of shares (mill.) ²⁾	86.8	86.8	80.2	86.8	80.2	79.4
Basic/diluted equity per share (USD)	8.4	8.1	10.6	8.1	10.6	9.7
Share price per A-share (USD)	5.9	4.7	4.5	4.7	4.5	6.7
Debt repayment capability (Years)	347.7	NA	14.7	NA	18.2	15.7
Current ratio	1.0	1.3	1.0	1.3	1.0	1.1
Equity ratio	36.3%	33.6%	37.9%	33.6%	37.9%	37.2%
USD/NOK rate at period end	6.01	6.13	6.03	6.13	6.03	6.08

CONSOLIDATED CASH FLOW STATEMENT	1Q14	2Q14	2Q13	YTD 2014	YTD 2013	FY2013
(USD mill)						
CASH FLOW FROM OPERATING ACTIVITIES						
Profit before income taxes	(21)	(24)	(2)	(46)	(12)	(103)
Taxes paid in the period	(2)	(0)	(6)	(2)	(17)	(17)
Depreciation and impairment	23	23	23	46	45	89
Capital (gain) loss on non-current assets	-	0	(3)	0	(2)	9
Inventory (increase) decrease	8	6	(7)	14	11	0
Trade debtors (increase) decrease	4	1	(4)	5	(9)	8
Trade creditors increase (decrease)	(3)	(13)	4	(16)	4	(50)
Difference in pension cost and pension premium paid	0	0	3	(0)	(6)	(4)
Share of net result from associates and joint ventures	7	11	1	18	5	52
Effect of exchange differences	(0)	(0)	4	(0)	2	14
Change in other current accruals	(14)	22	42	7	21	19
Net cash flow from operating activities	1	24	56	25	42	17
CASH FLOW FROM INVESTING ACTIVITIES						
Sale of non-current assets	-	-	4	-	8	22
Investment in non-current assets	(8)	(99)	(52)	(107)	(72)	(141)
Capital contribution/investments in shares	-	-	42	-	42	7
Available-for-sale investments	0	(0)	5	(0)	7	14
Changes in non-current receivables	6	1	(9)	7	(24)	7
Net cash flow from investing activities	(2)	(99)	(10)	(100)	(39)	(91)

	1Q14	2Q14	2Q13	YTD14	YTD13	FY2013
CASH FLOW FROM FINANCING ACTIVITIES						
New interest bearing debt	18	152	115	170	193	388
Repayment of interest bearing debt	(32)	(27)	(43)	(60)	(73)	(309)
Purchase of treasury shares	-	-	-	-	(42)	(42)
Net cash flow from financing activities	(14)	124	73	110	78	37
Effect on cash balances from currency exchange rate fluctuations	0	0	-	0	(1)	(0)
Net change in cash and cash equivalents	(15)	50	119	35	80	(37)
Opening cash and cash equivalents	84	70	83	84	122	122
Closing cash and cash equivalents	70	120	202	120	202	84

- 1) Return ratios are based on annualised results, except for non-recurring items that are included in the relevant period.
- 2) On 1 October 2012 Odfjell SE entered into a Total Return Swap (TRS) agreement with DNB Markets. The TRS comprised 5,891,166 A-shares and 2,322,482 B-shares with pre agreed strike prices. The TRS was terminated 5 February 2013.

Notes to the consolidated financial statements

Note 1 – Accounting principles

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

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

The interim consolidated financial statements for the first six months ended 30 June 2014 for Odfjell Group have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The interim financial statements are unaudited.

New standards, interpretations and amendments adopted by the Group

The accounting principles used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The group has applied for the first time IFRS 11 'Joint arrangements'. The IFRS 11 replaces IAS 31 'interest in joint ventures'. IFRS 11 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather its legal form. There are two types of joint arrangements: joint operations and joint ventures. The joint operations arise when the investors have right to assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses

The prior policy choice of proportionate consolidation for jointly controlled entities in accordance with IAS 31 has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint operations today.

Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method. After evaluating IFRS 11 management has considered that the Group's interest in its joint arrangements is within the definition of a 'joint venture'. The consequence of applying IFRS 11 is that all entities previously accounted for by applying the proportionate consolidated method now is accounted for by applying the equity method. Comparative figures in the income statement and statement of financial position are adjusted. The effect of change in the accounting principles are shown in note 8.

Several other new standards and interpretations apply for the first time in 2014. However, they do not impact annual consolidated financial statements or the interim financial statements of the Group. These standards are:

IFRS 10 'consolidated financial statements'

The standard changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The new definition does not result in any change in the consolidation for the Group.

IFRS 12 'disclosure of interests in other entities'

IFRS 12 requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entities interest in subsidiaries, joint ventures and associates. IFRS 12 have no impact on the interim financial statements.

There have in addition been made minor adjustments to IAS 19 'employee benefits', IAS 32 'Financial instruments: presentation', IAS 39 'financial instruments', IAS 36 'impairment of assets' and IFRIC 21 'levies'. These changes have no material impact of the Group's annual financial statements or the interim financial statements.

Note 2 – Segment information

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

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

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

LPG/Ethylene: The Group re-entered into the LPG market in 2012 by acquiring modern LPG/Ethylene gas carriers, and ordered in 2013 four new vessels for delivery in 2015. The Group has options for delivery of up to four additional vessels.

(USD mill)	1Q14	2Q14	2Q13	YTD 2014	YTD 2013	FY2013
Chemical Tankers	263	270	255	532	508	1 028
LPG/Ethylene	5	8	3	13	7	11
Tank Terminals	23	24	36	47	71	129
Gross revenue from internal customers	(1)	1	(1)	-	(2)	(3)
Total gross revenue	290	302	294	593	585	1 165



Chemical Tankers	17	24	30	40	48	98
LPG/Ethylene	0	1	(1)	1	(1)	(3)
Tank Terminals	(0)	(10)	7	(10)	16	22
Total operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	17	15	36	32	63	117
Chemical Tankers	(6)	1	6	(5)	2	3
LPG/Ethylene	(1)	1	(2)	0	(3)	(6)
Tank Terminals	(8)	(17)	3	(24)	2	(72)
Total operating result (EBIT)	(15)	(15)	8	(29)	2	(75)
Chemical Tankers	1 568	1 672	1 661	1 672	1 661	1 625
LPG/Ethylene	81	-	57	-	57	50
Tank Terminals	673	674	750	674	750	685
Assets held for sale	-	82	173	82	173	-
Total assets	2 322	2 428	2 641	2 428	2 641	2 360

Reconciliation:

(USD mill)	1Q14	2Q14	2Q13	FY 2013
Total gross revenue segments	290	302	585	1 165
Revenue from associates and joint ventures - Tank terminals	(23)	(24)	(71)	(129)
Revenue from associates and joint ventures - Chemical Tankers	(1)	(3)	(1)	(8)
Total gross revenue income statement	266	275	513	1 027
Total EBITDA segments	17	15	63	117
EBITDA from associates and joint ventures - Tank terminals	(0)	10	(16)	(22)
EBITDA from associates and joint ventures - Chemical Tankers	(0)	(1)	(1)	(2)
Share of net result from associates and joint ventures	(7)	(11)	(5)	(52)
Total EBITDA income statement	9	13	40	41
Total segment EBIT	(15)	(15)	2	(75)
Segment EBIT from associates and joint ventures - Tank terminals	8	24	(2)	72
Segment EBIT from associates and joint ventures - Chemical Tankers	(0)	(8)	1	(1)
Share of net result from associates and joint ventures	(7)	(11)	(5)	(52)
Total EBIT income statement	(14)	(9)	(3)	(57)

Note 3 - Net interest bearing liabilities

(USD mill)	2Q14	2Q13	FY2013
Loans from financial institutions – floating interest rate	473	579	542
Financial leases	262	174	183
Bonds	345	211	294
Current portion interest bearing debt	142	205	124
Transaction costs	(6)	(7)	(7)
Subtotal interest bearing debt	1 216	1 162	1 138
Held for sale	31	-	-
Total interest bearing debt	1 247	1 162	1 138
Cash and cash equivalent	(120)	(202)	(84)
Available for sale investments	(10)	(9)	(10)
Held for sale	(0)	-	-
Net interest bearing liabilities	1 117	951	1 044

(USD mill)	2Q14	2Q13	FY2013
New interest bearing debt	152	115	388
Payment of interest bearing debt	(27)	(43)	(309)

Note 4 – Transactions with related parties

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

Note 5 – Non-current assets

(USD mill)	2Q14	2Q13	FY2013
Net carrying amount beginning	1 370	1 345	1 345
Investments in non-current assets	107	72	141
Sale of non-current assets	-	(10)	(28)
Depreciation and impairment	(46)	(45)	(89)
Exchange differences	0	0	1
Assets held for sale	(78)	-	-
Net carrying amount end	1 354	1 362	1 370

Note 6 – Fair value and financial instruments

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

During first quarter of 2014 there have been no transfers between levels of the fair value hierarchy. The group accounts for transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

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

(USD mill)	2Q14 Level 1	2Q14 Level 2	2Q13 Level 1	2Q13 Level 2
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Derivatives instruments – non hedging	-	-	-	-
Derivatives instruments - hedging	-	2	-	1
Financial liabilities at fair value through profit or loss:				
Derivatives instruments – non hedging	-	18	-	21
Derivatives instruments - hedging	-	7	-	4
Available-for-sale-investments	10	-	9	-

Note 7 – Investments in associates and joint ventures

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

(USD mill)	YTD14			YTD13		
	Chemical Tankers	Tank Terminals	Total	Chemical Tankers	Tank Terminals ¹⁾	Total
Gross revenue	5	47	52	4	67	71
EBITDA	1	(10)	(9)	1	15	16
EBIT	0	(24)	(24)	0	2	2
Net result	0	(19)	(18)	(0)	(6)	(6)
Non-current assets	9	634	643	6	643	649
Current assets	5	40	45	5	71	76
Total assets	14	674	688	11	714	725
Total equity closing balance	10	351	361	10	301	311
Non-current liabilities	3	259	262	0	336	336
Current liabilities	1	64	65	1	77	78
Total liabilities	4	323	327	1	413	414

1) Terminal holding companies first became joint ventures in Q3 2013.

Note 8 – Other financial items

(USD mill)	1Q14	2Q14	2Q13	YTD 2014	YTD 2013	FY2013
Changes in fair value in derivatives	1	(8)	2	(6)	11	8
Currency gains (losses)	0	8	(2)	8	2	(14)
Other	(1)	(5)	(1)	(6)	(6)	(7)
Total other financial items	1	(5)	(1)	(4)	7	(13)

Included in “Other” are provisions related to specific indemnity clauses in the global partnership agreement with Lindsay Goldberg.

Note 9 – Figures presented based on Proportionate method

With the effect from 1 January 2014 Odfjell changed from Proportionate method to equity method. Below figures are presented based on Proportionate method for comparison purposes.

CONSOLIDATED INCOME STATEMENT	Proportional method YTD 2014	Proportional method FY 2013
(USD mill)		
Gross revenue	593	1 165
Voyage expenses	(258)	(491)
Time-charter expenses	(102)	(165)
Operating expenses	(136)	(268)
Gross result	96	241

Share of net result from associates and joint ventures	0	1
General and administrative expenses	(65)	(125)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	32	117
Depreciation	(62)	(126)
Impairment	-	(81)
Capital gain (loss) on non-current assets	1	16
Operating result (EBIT)	(29)	(75)
Interest income	1	5
Interest expenses	(23)	(51)
Other financial items	(5)	6
Net financial items	(28)	(40)
Result before taxes	(57)	(115)
Taxes	9	7
Net result	(48)	(108)

	Proportional method 30.06.2014	Proportional method 31.12.2013
Intangible assets	43	44
Ships	1 281	1 256
Newbuilding contracts	28	69
Tank terminals	505	492
Other non-current assets	85	85
Investments in associates and joint ventures	16	23
Non-current receivables	62	33
Total non-current assets	2 021	2 002
Current receivables	130	155
Bunkers and other inventories	23	37
Derivative financial instruments	3	4
Available-for-sale investments	10	10
Cash and cash equivalents	160	152
Assets held for sale	82	-
Total current assets	407	357
Total assets	2 428	2 360
Paid in equity	199	199
Other equity	506	560
Total equity	705	759
Non-current liabilities	71	65
Derivatives financial instruments	19	17
Non-current interest bearing debt	1 286	1 216
Total non-current liabilities	1 377	1 298
Current portion of interest bearing debt	157	134
Derivative financial instruments	10	9
Current liabilities	142	159
Liabilities held for sale	36	-
Total current liabilities	346	302
Total equity and liabilities	2 428	2 360

Note 10 – Held for sale

Odfjell SE announced 16 May 2014 that it has entered into an agreement with affiliates of Breakwater Capital and Oak Hill Advisors (the "Partners") to form a liquefied petroleum gas and ethylene ("LPG/E") shipping joint venture. In accordance with the agreement, Breakwater and Oak Hill Advisors have jointly agreed to invest approximately \$50 million as consideration for a 50.0% equity interest in Odfjell's LPG/E business. Further, Odfjell and the Partners have each agreed to commit approximately \$50 million to finance the growth of the joint venture. Completion of the joint venture agreement is subject to customary conditions for closing including execution of the shipbuilding contracts related to the vessels. It is expected that completion will occur within the next three months. Odfjell and the Partners aim through consolidation and partnerships with other first-class operators to build a leading LPG/E shipping platform founded upon second-to-none operational excellence, a modern and eco-friendly fleet and a long-term market perspective.

Odfjell announced 18 June 2013 that the transaction to expand the joint venture with Lindsay Goldberg to include substantially all of the Odfjell's tank terminals business globally had been closed. As part of the transaction, Lindsay Goldberg has acquired a 49% interest in Odfjell Terminals AS ("OTAS"), the holding company for Odfjell's tank terminals activities. In exchange for a 49% share in OTAS, Lindsay Goldberg made a cash investment in OTAS, by way of a capital increase of USD 219.2 million. OTAS is now owned 51% by Odfjell and 49% by Lindsay Goldberg. Odfjell realized a book gain of USD 24.5 million related to the transaction.

Assets and liabilities classified as held for sale (USD mill):

Assets	2Q14	2Q13
Intangible assets	-	2
Tank terminals	-	145
Ships	60	-
Newbuilding	18	-
Other non-current assets	-	7
Non-current receivables	-	3
Total non-current assets	78	158
Current receivables	3	5
Bunkers and other inventories	0	0
Cash and cash equivalents	0	11
Total current assets	4	16
Total assets held for sale	82	173
Liabilities		
Non-current liabilities	-	6
Derivatives financial instruments	-	3
Non-current interest bearing debt	27	73
Total non-current liabilities	27	81
Current portion of interest bearing debt	4	6
Current liabilities	5	83
Total current liabilities	9	89
Total liabilities held for sale	36	171
Net interest in associates and joint ventures classified as held for sale	46	2

FLEET & TERMINAL OVERVIEW as per 13 August 2014

CHEMICAL TANKERS OWNED:

SHIP	YEAR BUILT	DWT	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
Bow Pioneer	2013	75 000	86 000	-	30
Bow Nangang	2013	9 156	10 523	10 523	14
Bow Dalian	2012	9 156	10 523	10 523	14
Bow Fuling	2012	9 156	10 523	10 523	14
Bow Lind	2011	46 047	48 698	-	29
Bow Elm	2011	46 098	48 698	-	29
Flumar Brasil	2010	51 188	55 452	-	14
Bow Harmony	2008	33 619	38 052	38 052	16
Bow Saga ¹	2007	40 085	52 126	52 126	40
Bow Sirius ¹	2006	49 539	52 155	52 155	40
Bow Sea	2006	49 511	52 107	52 107	40
Bow Engineer	2006	30 086	36 274	36 274	28
Flumar Maceio	2006	19 975	21 713	21 713	22
Bow Summer	2005	49 592	52 128	52 128	40
Bow Spring	2004	39 942	52 127	52 127	40
Bow Star	2004	39 832	52 127	52 127	40
Bow Santos	2004	19 997	21 846	21 846	22
Bow Sun	2003	39 842	52 127	52 127	40
Bow Firda	2003	37 427	40 645	40 645	47
Bow Chain	2002	37 518	40 621	40 621	47
Bow Andes	2000	16 020	17 120	17 120	22
Bow Condor	2000	16 121	17 622	17 622	30
Bow Fortune	1999	37 395	40 619	40 619	47
Bow Master	1999	6 046	7 018	7 018	14
Bow Pilot	1999	6 008	7 005	7 005	14
Bow Sailor	1999	6 008	7 011	7 011	14
Bow Cecil	1998	37 369	40 515	33 236	47
Bow Flora	1998	37 369	40 515	33 236	47
Bow Balearia	1998	5 846	6 075	6 075	20
Bow Oceanic	1997	17 460	19 616	19 616	24
Bow Bracaria	1997	5 846	6 071	6 071	20
Bow Brasilia	1997	5 800	6 067	6 067	20
Bow Cardinal	1997	37 446	41 487	34 208	52
Bow Faith	1997	37 479	41 487	34 208	52
Bow Aratu	1997	13 843	15 834	15 834	29
Bow Querida	1996	10 106	11 181	11 181	18
Bow Cedar	1996	37 455	41 488	41 488	52
Bow Atlantic	1995	17 460	19 588	19 588	24
Bow Fagus	1995	37 375	41 608	34 329	52
Bow Clipper	1995	37 221	41 596	34 328	52
Bow Flower	1994	37 221	41 492	34 213	52
Bow Victor	1986	33 000	34 500	21 975	31

TIME CHARTERED/POOL:

Bow Tribute ²	2014	49 622	53 188	-	22
Bow Trajectory ²	2014	49 622	53 188	-	22
UACC Mansouria	2013	45 352	52 566	-	22
UACC Marah	2013	45 249	52 565	-	22
UACC Masafi	2012	45 352	52 565	-	22
Chemroad Hope	2011	33 552	37 161	37 161	18
RT Star	2011	26 199	27 912	27 912	18
SG Pegasus	2011	13 086	14 523	14 523	16
Southern Koala	2010	21 290	20 008	20 008	20
BW Stream	2010	19 998	22 161	22 161	20
Bow Tone	2009	33 625	37 974	37 974	16
Bow Hector	2009	33 694	37 384	37 384	16
Southern Ibis	2009	19 905	22 158	22 158	20
Southern Jaguar	2009	19 997	22 157	22 157	20
BW Mia	2008	19 702	22 094	22 094	26
Bow Sagami	2008	33 641	38 000	38 000	16
Bow Kiso	2008	33 641	37 974	37 974	16
Bow Heron	2008	33 707	37 365	37 365	16
Celsius Mayfair	2007	19 999	21 714	21 714	20
Bow Fuji	2006	19 805	22 140	22 140	22
Celsius Manhattan	2006	19 807	22 143	22 143	22
Moyra	2005	19 806	22 838	22 838	18
Bow Sky ²	2005	40 005	52 126	52 126	40
Bow Architect	2005	30 058	36 290	36 290	28
Celsius Monaco	2005	19 999	21 851	21 851	22
Celsius Mumbai	2005	19 993	22 186	22 186	22
Celsius Miami	2005	19 991	22 192	22 192	22
Chembulk Sydney	2005	14 271	16 571	16 571	20
Golden Top	2004	12 705	13 388	13 388	22
Chembulk Wellington	2004	14 312	15 591	15 591	20
Bow Asia ²	2004	9 901	11 088	11 088	20
Bow Singapore ²	2004	9 888	11 089	11 089	20
Bow Americas	2004	19 707	22 735	22 735	36
SG Friendship	2003	19 773	21 651	21 651	26
Bow Jubail ²	1996	37 499	41 488	34 209	52
Bow Mekka ²	1995	37 272	41 606	34 257	52
Bow Riyad ²	1995	37 221	41 492	34 213	52
Kristin Knutsen	1998	19 152	19 409	19 409	34
Bow Eagle	1988	24 728	32 347	19 662	25
Number of ships:	81	2 271 786	2 552 860	1 951 881	2 282

¹ Vessel beneficially owned through financial lease.

² Vessel on bare-boat charter.

³ Vessel on variable time charter/pool.

LPG/ETHYLENE CARRIERS OWNED:

SHIP	YEAR BUILT	DWT	CBM	TYPE	NUMBER OF TANKS
Bow Gallant	2 008	10 282	8 922	LPG/Ethylene	2
Bow Guardian	2 008	10 282	8 922	LPG/Ethylene	2

TIME CHARTERED:

Berlian Ekuator	2 004	26 776	35 000	LPG/Ammonia	3
Number of ships:	3	47 340	52 844		7

ON ORDER:

YARD	DELIVERY	DWT	OWNER	COMMENT
Hyundai Mipo Dockyard., Ltd	2014	49 622	Odfjell	
"	2014	49 622	Odfjell	

		Number of newbuildings:			
		2	99 244		
LPG/ETHYLENE CARRIERS					
YARD	DELIVERY	CBM	OWNER	COMMENT	
Nantong Sinopacific Offshore & Engineering Co., Ltd	2015	17 000	Odfjell Gas	50/50 JV	
"	2015	17 000	Odfjell Gas	"	
"	2016	17 000	Odfjell Gas	"	
"	2016	17 000	Odfjell Gas	"	
"	2016	22 000	Odfjell Gas	"	
"	2016	22 000	Odfjell Gas	"	
"	2017	22 000	Odfjell Gas	"	
"	2017	22 000	Odfjell Gas	"	
Number of newbuildings:		8	156 000		
TANK TERMINALS	LOCATION	OWNER SHIP**)	CBM	STEEL, CBM	TANKS
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	51%	1 636 100	32 550	281
Odfjell Terminals (Houston) Inc	Houston, USA	51%	331 334	82 033	100
Odfjell Terminals (Charleston) LLC	Charleston, USA	51%	79 491	-	9
Odfjell Terminals (Jiangyin) Co Ltd	Jiangyin, China	28.05 %	99 800	30 000	22
Odfjell Terminals (Dalian) Ltd	Dalian, China	25.5 %	119 750	18 350	51
Odfjell Terminals (Korea) Co Ltd	Onsan, Korea	25.5 %	313 710	15 860	85
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	25.5 %	365 051	13 520	79
Oiltanking Odfjell Terminal & Co. LLC	Sohar, Oman	15.17 %	1 294 780	-	66
Noord Natie Terminals	Antwerp, Belgium	12.75%	350 000	50 800	241
Exir Chemical Terminals PJSCO	BIK, Iran	35 %	22 000	1 000	18
Total terminals	10 terminals		4 612 016	244 113	952
PROJECTS AND EXPANSIONS	LOCATION	OWNER SHIP**)	CBM	STEEL, CBM	COMPLETION
Odfjell Nangang Terminals (Tianjin) Co.,Ltd	Tianjin, China	24.99%	137 800	7 000	Q4 2014
Odfjell Terminals (Houston) Inc	Houston, USA	51%	47 970	30 800	Q2 2014/Q3 2015
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	25.5 %	12 000	-	Q1 2015
Odfjell Terminals Quanzhou (Fujian)	Quanzhou, China	25.5%	184 000	-	Q1 2016
Total expansion terminals	2 new terminals		381 770	37 800	
TANK TERMINALS PARTLY OWNED BY RELATED PARTIES*)	LOCATION	CBM	STEEL, CBM	TANKS	
Depositos Quimicos Mineros S.A.	Callao, Peru	52 980	1 600	43	
Granel Quimica Ltda	Santos I, Brazil	97 720	19 880	99	
Granel Quimica Ltda	Rio Grande, Brazil	61 150	2 900	32	
Granel Quimica Ltda	Sao Luis I, Brazil	75 710	-	35	
Granel Quimica Ltda	Ladario, Brazil	8 060	-	6	
Granel Quimica Ltda	Triunfo, Brazil	12 030	-	2	
Granel Quimica Ltda	Teresina, Brazil	7 640	-	6	
Odfjell Terminals Tagsa S.A.	Buenos Aires, Argentina	38 826	530	56	
Odfjell Terminals Tagsa S.A.	Campana, Argentina	68 580	10 190	102	
Terquim S.A.	San Antonio, Chile	32 840	-	25	
Terquim S.A.	Mejillones, Chile	16 840	-	7	
IMTT-Quebec	Quebec, Canada	293 130	5 500	53	
Total tank terminals partly owned by related parties	12 terminals	765 506	40 600	466	
PROJECTS AND EXPANSIONS TANK TERMINALS PARTLY OWNED BY RELATED PARTIES*)	LOCATION	CBM	COMPLETION		
Granel Quimica Ltda	Aracruz, Brazil	30 000	- ready Q3 2015		
Granel Quimica Ltda	Santos II, Brazil	52 000	- ready Q4 2015		
Granel Quimica Ltda	Sao Luis II, Brazil	52 750	- ready Q3 2014		
Terquim S.A.	Mejillones, Chile	50 000	- ready Q3 2015		
Granel Quimica Ltda	Palmas, Brazil	10 000	- ready Q2 2014		
Total expansion tank terminals partly owned by related parties	4 new terminals	194 750			
Grand total (incl. related tank terminals partly owned by related parties)	22 existing terminals	5 377 522	284 713		

*) Tank terminals and projects partly owned by Odfjell family.

**) Odfjell SE's indirect ownership share



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