ANNUAL REPORT ODFJELL 2012

CONTENT

FINANCIAL CALENDAR 2013

Report 1st quarter	7 May 2013
Report 2nd quarter	23 August 2013
Report 3rd quarter	14 November 2013
Report 4th quarter	13 February 2014

The Annual General Meeting is planned for 6 May 2013.
Please note that the financial calendar is subject to change.

INFORMATION

Supplementary information may be found on:
www.odfjell.com

MISSION STATEMENT

Odfjell shall be a leading, preferred and profitable global provider of transportation and storage of bulk liquid chemicals, acids, edible oils and other special products.
We shall be capable of combining different modes of transportation and storage. We shall provide our customers with reliable and efficient services. We shall conduct our business to high quality, safety and environmental standards.

ODFJELL

PREPARED

Shipping is often said to be a cyclical industry characterised by long periods of unsustainable earnings. Having closed 2012, the fourth year in a row of loss making within our shipping business, the saying seems true with history therefore repeating itself. In this context one can of course look back and reflect on how we handled our business prior to the start of the down-cycle, and equally important, evaluate the effect of our choices and major strategic discussions so far during the recent period of overcapacity in the chemical tanker market combined with lower economic growth.

A key qualification for survival in a business environment of this nature is to be prepared, for bad times as well as good times, for unexpected circumstances in general. In 2008 we did not foresee what was ahead of us. With the benefit of hindsight, we certainly would have handled some aspects of our business differently if we only had known. Nevertheless, I will argue that we were prepared for adverse conditions, proven by the fact that we are still in control of our own destiny, different from many of our competitors. However, we cannot change what is behind us, except learning from any mistakes.

A far more interesting question is whether we are prepared for the future. If the theory that shipping is cyclical remains true, the future should look better from a market perspective. There are signs now that we potentially are at the bottom of this down-cycle, and that the next couple of years will bring improved market conditions. So we want to be prepared for that, but at the same time in view of the aforesaid, be ready for the contrary. In my opinion, we are well prepared.

Our fleet of chemical tankers for instance, is unique in terms of size and capacities, but most importantly when it comes to technical standards. During difficult years, we have not jeopardized on maintenance and upkeep. And despite unfavourable market conditions, we have been able to renew and keep the fleet modern by selling or recycling older and therefore commercially obsolete tonnage, acquiring newer second-hand ships and most importantly, by entering into agreements for construction of new ships.

When it comes to our tank terminal business, we have also prepared well for the future; particularly by bringing in Lindsay Goldberg as a global partner. Together we are going to build a larger and more successful terminal business for which there is growing demand both at the key junctions where we already are located and have possibility to make expansions, and at new locations in developing markets.

More than in shipping generally, the chemical tanker and terminal business is said to be very complex with a high dependency on people; which in essence means competence, experience and organisational structure. Despite our many challenges and the hardship we have been subject to both ashore and on board, we have purposely kept the organisation intact. So in that sense, we are also favourably positioned and well prepared. Our organisation from sea to shore is by many considered our biggest comparative advantage.

Most fundamental is that we are still financially strong and able to pursue new opportunities, allowing us to continue developing our business and company. Both our cash position and gearing for example are satisfactory and safely within the limits required as part of our loan agreements.

JAN ARTHUR HAMMER
President/CEO

LEADING LOGISTIC SERVICE PROVIDER FOR CHEMICALS, OTHER SPECIALTY BULK LIQUIDS AND LPG/ETHYLENE

Odfjell is a leading company in the global market for transportation and storage of chemicals and other specialty bulk liquids. Originally established in 1914, the Company pioneered the development of chemical tanker trades in the middle of the 1950s and the tank storage business in the late 1960s. Odfjell owns and operates chemical tankers and LPG/Ethylene carriers in global and regional trades, as well as a network of tank terminals.

Odfjell's business is an important contributor to industrial and societal development around the world. Our core business comprises transporting and storing organic and inorganic bulk liquid chemicals, acids, animal fats, edible oils, potable alcohols, LPG/Ethylene and clean petroleum products - important ingredients and raw materials for everyday life in products like medicines, medical equipment, building materials, cosmetics, food, textiles, cars, plastics, etc.

STRATEGY

Odfjell's strategy is to maintain its position as a leading logistics service provider with customers across the world, through continuous development of safe and efficient operation of deep-sea and regional chemical tankers, LPG/Ethylene carriers and tank terminals worldwide.

CHEMICAL TANKERS

Odfjell has unprecedented experience of deep-sea transportation of chemicals and other liquids. Our operations are fully integrated, with in-house functions for chartering, operation and ship management. Our major trade lanes cover the US, Europe, Asia, India, the Middle East and South America. Odfjell's sophisticated fleet currently consists of about 100 ships including owned, time chartered and commercially managed vessels.Per end of March 2013 the Company and its joint ventures also have six newbuildings on order. The total capacity of the current fleet is around 2.7 million DWT. The chemical tanker business posted a gross revenue of USD 1,066 million in 2012.

LPG/ETHYLENE

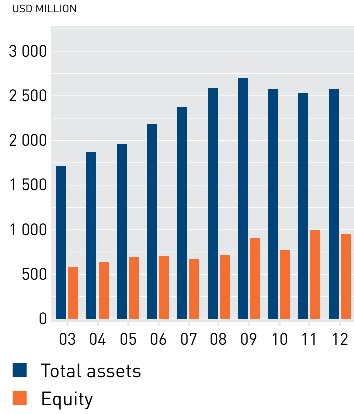
In 2012 Odfjell re-entered the LPG/Ethylene market and established the company Odfjell Gas Carriers AS. For the time being it operates two LPG/Ethylene carriers of 9,000 cbm each. The ships are owned and managed by Odfjell.

TANK TERMINALS

Our terminal operations yield synergies with our transportation activities and improve quality and efficiency control across the entire transportation chain. The tank terminal business contributes to stable and stronger results for the Company. Our tank terminal operations also offer opportunities to develop new markets where the infrastructure for specialised bulk liquids is limited. Odfjell has direct investments in part-owned tank terminals in the Netherlands, Belgium, the USA, Singapore, South Korea, Oman, China and Iran. We are currently expanding our tank terminal activities. Two new part-owned tank terminals are currently under construction in Charleston, USA, and in Tianjin, China. They will become operational in 2013. The Company also cooperates with eleven terminals in South America and one in Canada. These tank terminals are partly owned by related parties. The terminal business generated a gross revenue of USD 145 million in 2012.

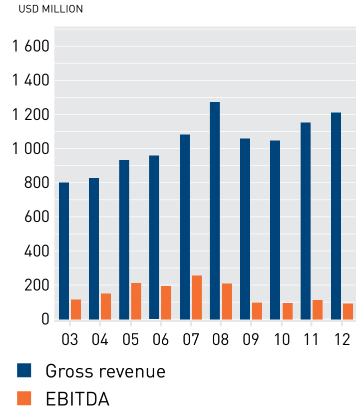
ASSETS / EQUITY

USD MILLION



GROSS REVENUE / EDITDA

USD MILLION



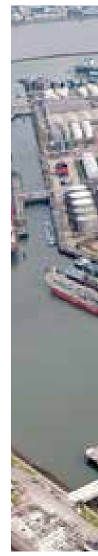
HIGHLIGHTS 2012

16.01
Odfjell entered into a joint venture to develop a tank terminal in Tianjin, China with storage capacity of 150,000 cbm in the first phase

11.06
Odfjell/Lindsay Goldberg aquired a 25% stake in Noord Natie Terminals, Antwerp, Belgium

29.06
Bow Fuling delivered

01.07
Expansion of 27,300 cbm tank storage capacity completed at Oiltanking Odfjell Terminals (Oman)



FINANCIAL PERFORMANCE

- Gross revenues of USD 1,212 million
- EBITDA of USD 93 million
- EBIT of USD negative 43 million
- Net loss of USD 111 million

ASSET DEVELOPMENT

We took delivery of two newbuildings from the Chongqing Chuandong yard in China in 2012. The vessels are 9,000 DWT with stainless steal cargo tanks. The final vessel was delivered in March 2013.

In July we entered into a newbuilding contract with Hyundai Mipo Dockyard in Korea for four chemical tankers of 46,000 DWT with 22 coated cargo tanks, with scheduled delivery between January and July 2014. The contract represents an important step in Odfjell's fleet renewal programme, and features an eco-friendly and fuel-efficient design.

As a part of a fleet development programme, Odfjell has sold seven vessels built in 1987/1988 for recycling. The total DWT amounts to 307,000. The vessels have Green Passports, and the buyers are responsible for ensuring that the recycling yard submits a working plan in accordance with IMO guidelines for ship recycling.

In addition, two vessels were sold to third parties and three vessels under time charter agreements were redelivered to their owners.

During 2012 we entered into time charter agreements for three vessels, one coated and two stainless, with terms of 1–2 years.

Odfjell Gas AS took delivery of two 2008-built LPG/Ethylene carriers. The carriers are semi-refrigerated with a total capacity of 9,000 cbm each. These are the first two carriers to enter what we expect to grow into a substantial business segment for Odfjell.

NCC, our Saudi-Arabian joint venture partner, took delivery of a total of four IMO II/III vessels in 2012, which all entered the NCC Odfjell Chemical Tankers JLT pool.

27.07
Odfjell decided to do a temporary safety shutdown of Odfjell Terminals (Rotterdam)

31.07
Odfjell ordered four newbuildings of 46,000 DWT each at Hyundai Mipo Dockyard Ltd.

31.08
LPG/Ethylene carrier Bow Gallant delivered

19.12
Odfjell and Lindsay Goldberg signed a LOI to form a global platform for its tank terminal business

Our tank terminal business continued to deliver stable earnings, with the exception of Odfjell Terminals (Rotterdam) which returned big losses following the temporary shutdown of the terminal in July 2012. As of the end of 2012, around 700,000 cbm of the capacity at the terminal was back in production.

Our tank terminal projects, including development of the new terminals in Charleston, USA, and Tijanin, China, progressed well and according to plan in 2012. In addition to the greenfield projects, we are expanding our existing facility in Houston, USA. Odfjell has also been selected to evaluate the development of a new bulk liquids terminal facility in Le Havre, France.

In December the Company signed a Letter of Intent with Lindsay Goldberg LLC to expand our existing joint venture to essentially include all of Odfjell's tank terminal business. The proposed transaction will significantly increase the capitalisation of the tank terminal division, and will enable us to jointly embark on an ambitious and accelerated growth strategy.

SHAREHOLDER ISSUES

At the end of 2012 Odfjell A shares were trading at NOK 24 (USD 4.29), down 33.3% from NOK 36 (USD 5.99) at year-end 2011. Odfjell B shares were trading at NOK 22.7 (USD 4.06) at the end of 2012, down 35% from NOK 35 (USD 5.89) at year-end 2011.

By way of comparison, the Oslo Stock Exchange benchmark index increased by 15%, the marine index by 20% and the transportation index by 29% during the year. As of 31 December 2012, Odfjell's market capitalisation amounted to NOK 2,056 million (USD 368 million).

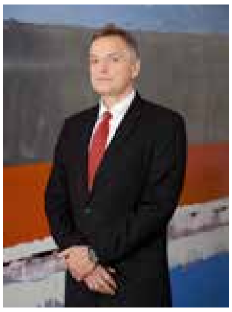
KEY FIGURES/FINANCIAL RATIOS

ODFJELL GROUP	Figures in	2012[b]	2011	2010	2009	2008	2007	2006	2005	2004	2003
FROM STATEMENT OF COMPREHENSIVE INCOME											
Gross revenue	USD million	1 212	1 154	1 048	1 058	1 274	1 083	958	932	828	801
EBITDA [1]	USD million	93	113	94	99	209	255	196	212	152	117
Depreciation	USD million	(132)	(122)	(124)	(119)	(122)	(119)	(103)	(92)	(86)	(78)
Capital gain (loss) on non-current assets	USD million	(4)	31	(6)	44	53	25	15	14	7	(0)
EBIT [2]	USD million	(43)	21	(36)	11	140	159	125	148	88	53
Net financial items	USD million	(68)	(35)	(30)	(28)	(43)	(55)	(38)	(25)	(6)	4
Net result from discontinued operation	USD million	–	288	33	30	34	27	20	16	16	14
Net result from continued operation	USD million	(111)	(19)	(112)	91	129	(37)	96	112	79	8
Net result allocated to shareholders' equity before extraordinary items [a]	USD million	(111)	269	(79)	11	131	130	116	127	94	77
Net result allocated to shareholders' equity	USD million	(111)	269	(79)	121	163	(10)	116	127	94	22
Net result	USD million	(111)	269	(79)	121	163	(10)	116	128	95	22
Dividend paid	USD million	–	14	–	12	34	43	72	60	53	24
FROM STATEMENT OF FINANCIAL POSITION											
Total non-current assets	USD million	1 995	2 143	2 195	2 256	2 226	2 048	1 815	1 656	1 568	1 482
Current assets	USD million	576	388	385	442	359	331	374	300	260	233
Shareholders' equity	USD million	941	996	766	901	715	666	702	692	639	578
Minority interests	USD million	7	6	6	5	6	6	6	–	4	4
Total non-current liabilities	USD million	1 109	1 223	1 356	1 475	1 540	1 362	1 225	1 008	951	949
Current liabilities	USD million	514	305	451	318	324	343	256	255	244	184
Total assets	USD million	2 571	2 531	2 580	2 699	2 585	2 379	2 189	1 956	1 872	1 715
PROFITABILITY											
Earnings per share - basic/diluted - before extraordinary items [3]	USD	(1.37)	3.43	(0.46)	0.13	1.56	1.56	1.38	1.47	1.09	0.89
Earnings per share - basic/diluted [4]	USD	(1.37)	3.43	(0.99)	1.42	1.95	(0.12)	1.38	1.47	1.09	0.25
Return on total assets - before extraordinary items [a] [5]	%	(2.3)	12.4	0.4	2.3	8.2	8.5	8.2	8.6	6.9	6.3
Return on total assets [6]	%	(2.3)	12.4	(1.2)	6.5	9.5	2.0	8.2	8.6	6.9	3.0
Return on equity - before extraordinary items [a] [7]	%	(11.3)	30.3	(4.2)	1.4	18.6	19.0	16.6	19.2	15.4	13.8
Return on equity [8]	%	(11.3)	30.3	(9.4)	14.9	23.3	(1.5)	16.6	19.2	15.4	4.0
Return on capital employed [9]	%	(2.0)	2.5	0.8	3.6	10.2	12.0	9.5	11.6	8.4	6.0
FINANCIAL RATIOS											
Average number of shares	million	80.60	78.56	79.29	85.22	83.81	83.34	84.23	86.77	86.77	86.77
Basic/diluted equity per share [10]	USD	10.85	12.71	9.75	11.00	8.24	8.00	8.41	7.98	7.36	6.66
Share price per A share	USD	4.29	5.99	9.23	9.03	6.22	16.47	18.34	20.26	17.54	5.54
Interest-bearing debt	USD million	1 325	1 246	1 527	1 576	1 500	1 347	1 293	1 037	1 000	943
Bank deposits and securities [11]	USD million	176	180	107	185	193	165	242	190	233	203
Debt repayment capability [12]	Years	45.1	2.8	11.4	10.6	6.0	4.9	4.8	3.8	4.1	4.4
Current ratio [13]		1.1	1.3	0.9	1.4	1.1	1.0	1.5	1.2	1.1	1.3
Equity ratio [14]	%	37	40	30	34	28	28	32	35	34	34
OTHER											
USD/NOK rate at year-end		5.59	6.01	5.85	5.76	7.00	5.40	6.27	6.76	6.04	6.68
Employees at year-end		3 540	3 761	3 796	3 707	3 690	3 634	3 487	3 296	3 416	3 316

[a] Extraordinary items are antitrust fines in 2003 and retroactive tax in 2007, 2008, 2009 and 2010.
Figures from profit and loss statement are according to International Financial Reporting Standards (IFRS) as from 2004 and for balance sheet as from 2003.
Historical figures per share have been adjusted for past bonus share issues and the share-splits in 2004 and 2005.
Profit and loss figures have been adjusted for discontinued operation earlier than year 2011.
[b] Figures for 2012 includes 'held for sale'. See Group note 37.

[1] Operating result before depreciation, amortisation 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.

ODFJELL MANAGEMENT GROUP

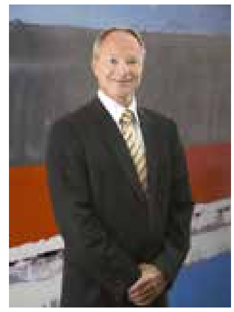


JAN ARTHUR HAMMER
President/Chief Executive Officer

Born 1957. Mr. Hammer has worked for Odfjell since 1985. He has held various management positions at the Company, both in chartering and tank terminal activities, before being appointed President and CEO in 2009. Mr. Hammer owns 3,200 B shares and no options.

MORTEN NYSTAD
Senior Vice President, Odfjell Tankers AS

Born 1959. Mr. Nystad joined Odfjell in 1980 and has held a number of managerial positions in the Company's chartering division in Bergen and at overseas locations. In 2010 he became SVP for Odfjell Tankers. Mr. Nystad does not own any shares or options.

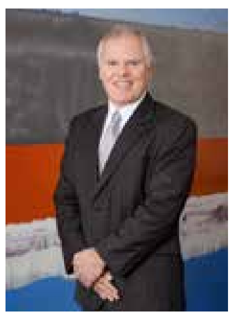


KNUT HOLSEN
Senior Vice President, Odfjell Gas Carriers AS

Born 1957. Mr. Holsen has been employed by the Company since 1986 and has held various positions within Odfjell Tankers. He was formerly VP Chartering Middle East/India & Africa before being appointed SVP for the newly established Odfjell Gas Carriers. Mr. Holsen does not own any shares or options.

ÅKE GREGERTSEN
Interim President, Odfjell Terminals BV

Born 1955. Mr. Gregertsen has held several positions at Odfjell, including President of Odfjell Terminals (Houston) from 1996 to 2001 and SVP at Odfjell Terminals from 2001 to 2002. He has also recently been working for Odfjell Terminals B.V. on a consultancy basis and in 2012 he was appointed Interim President for Odfjell Terminals BV. Mr. Gregertsen owns 3,000 A shares and no options.

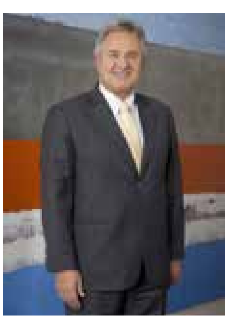


HELGE OLSEN
Senior Vice President, Ship Management

Born 1958. Mr. Olsen joined Odfjell in 2000. Since then he has held management positions in Odfjell's Ship Management divisions in Bergen and Singapore. Prior to this he held various positions in the Royal Norwegian Navy. In 2006 he became SVP Ship Management. Mr. Olsen does not own any shares or options.

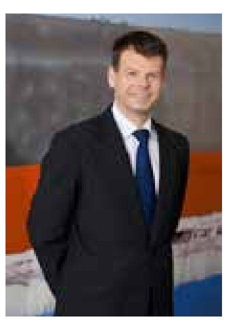
TERJE IVERSEN
Senior Vice President Finance/Chief Financial Officer

Born 1969. Mr. Iversen joined Odfjell in 2011. He was previously CFO of Bergen Group. He has also held various managerial positions at Odfjell Drilling and PwC. Mr. Iversen does not own any shares or options.



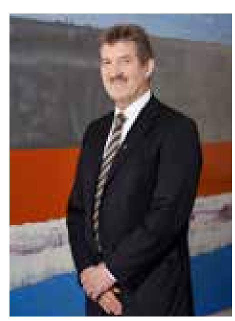
TORE JAKOBSEN
Senior Vice President, Corporate Investments

Born 1951. Mr. Jakobsen joined Odfjell in 2005 having formerly been President and CEO of Westfal-Larsen & Co A/S in Bergen. Mr. Jakobsen owns 10,000 B shares and no options.



HARALD FOTLAND
Senior Vice President, Corporate Services and Support

Born 1964. Mr. Fotland joined Odfjell in 2010 having previously been Vice President of the marine insurance company Gard AS. He has also held several positions within the Royal Norwegian Navy. Mr. Fotland does not own any shares or options.



TORALF SØRENES
Senior Vice President, Quality, Health, Safety and Environment

Born 1951. Mr. Sørenes has been employed by the Company since 1987. As well as serving as VP Risk Management at Odfjell, he has also gained extensive experience as a Captain in the Odfjell fleet. Mr. Sørenes became SVP QHSE in 2012. Mr. Sørenes owns 11,000 A shares and no options.

ODFJELL

THE DIRECTORS' REPORT 2012

In 2012 the net result amounted to a loss of USD 111 million, compared to a profit of USD 269 million in 2011, including results from discontinued operations. In 2012 there was USD 4.6 million in capital losses related to sale of ships, whereas the 2011 result included USD 294 million in capital gains related to terminal transactions and sale of ships. Gross revenues rose by USD 57 million to USD 1,212 million. Total assets by year-end amounted to USD 2,571 million, up from USD 2,531 million at the end of 2011. The Company's consolidated result before taxes in 2012 was a loss of USD 111 million, compared to a loss (on continued operation) of USD 13 million in 2011. The loss after taxes came in at USD 111 million, compared to a loss (on continued operation) of USD 20 million in 2011. The Board is disappointed with the results. However, given the Company's relatively robust standing after four years of poor shipping markets, we are pleased to reflect upon the resilience of our combined shipping and storage business and we acknowledge the prudence and importance of focusing on maintaining sufficient liquidity reserves.

Odfjell's net result from continued operations was impacted by a prolonged weak chemical tanker market that caused losses for our shipping business, and also material losses at Odfjell Terminals (Rotterdam). Our other tank terminals delivered continued strong results.

The market for the Company's chemical tankers continued to be weak in 2012, with only small improvements in time charter earnings. There were some encouraging developments in certain trades, but as the product tanker market also remained weak through most of the year, we have faced increased competition in certain segments from the product tanker fleet. The bunker expenses increased in 2012 with annual average bunker spot prices at historical high levels. This was only partly offset through bunker hedging and escalation clauses in contracts. Contracts of Affreightment have continued to be renewed at higher rates. The contract coverage for the year has on average been around 50% of total volume shipped.

Net tonnage growth during the year for the chemical tanker fleet as a whole was a modest 1.9%, whilst the core deep-sea fleet grew by about 2.5%. Following several years of very few new orders, fleet supply going forward appears moderate. The order book for the chemical core deep-sea vessels is now at about 6.9% of current fleet and somewhat lower for the stainless steel segment. Forecast net chemical core deep-sea fleet growth for 2013 and 2014 is about 1.6% per year.

The supply/demand picture within our segment has moved in our favour during the course of the year, however, favourable yard prices and modern fuel efficient designs may induce speculative investors, who do not appreciate the complexity of the chemical tanker market, to contract new tonnage. The supply overhang, on the other hand, will likely be prolonged due to lost capacity through slow-steaming and generally lower utilisation.

Our fleet consists of 96 vessels at the beginning of 2013, including owned, time chartered, commercially managed vessels, and vessels managed on pool basis. As part of our on-going fleet renewal programme, a total of seven older vessels were sold for recycling and an additional two were sold for continued trading. A further three time charter vessels were redelivered to their owners. The Company took delivery of two newbuildings, whilst it acquired one second-hand chemical tanker and took on a total of three modern ships on time charter or commercial management. During August and September 2012, our new venture Odfjell Gas took delivery of two 2008 built LPG/Ethylene carriers with cargo carrying capacity of about 9,000 cbm. These acquisitions are planned as the first phase of Odfjell's re-entry into the gas segment.

In July we entered into a newbuilding contract with Hyundai Mipo Dockyard in Korea, for four chemical tankers of 46,000 DWT with 22 coated cargo tanks, with scheduled delivery between January and July 2014. The contract represents an important step in Odfjell's fleet renewal programme, and represents eco-friendly and fuel-efficient design, features which the Company considers strategically important going forward.

Our tank terminal business continued to deliver stable earnings, with the exception of Odfjell Terminals (Rotterdam) which delivered big losses following the temporary shutdown of the terminal in July.

Our tank terminal projects, including development of the new terminals in Charleston, South Carolina, USA, and Nangang, near Tianjin, China progressed well and according to schedule and budget in 2012.

In December we announced that we have signed a Letter of Intent with Lindsay Goldberg LLC to expand our existing joint venture to include essentially all of Odfjell's tank terminal business. The proposed transaction will significantly increase the capitalization of the tank terminal division, and will enable us to jointly embark on an ambitious and accelerated growth strategy within the terminal division.

Since 8 May 2012 the Board has comprised of Laurence Ward Odfjell (Executive Chairman), Bernt Daniel Odfjell, Christine Rødsæther, Terje Storeng, Irene Waage Basili and Jannicke Nilsson. The Audit Committee has consisted of Terje Storeng (chair) and Irene Waage Basili and the Nomination Committee has since the same date consisted of Arne Selvik (chair), Christine Rødsæther and Laurence Ward Odfjell.

CORPORATE SOCIAL RESPONSIBILITY

Odfjell signed up for the UN Global Compact programme in 2011. The corporate policy was amended accordingly, and we established an internal working group to ensure compliance and to facilitate a gradual implementation of the United Nations' ten principles within the areas of Human Rights, Labour, Environment and Anti-Corruption. The first annual report outlining the Company's efforts to implement the ten principles was submitted in March 2012.

QUALITY HEALTH, SAFETY AND ENVIRONMENT (QHSE)

Also in 2012 we have continued our strong focus on the environment through, amongst other, seeking improved fuel efficiency and thereby reduced emissions. We track our progress by means of the Carbon Disclosure Project (CDP), where our particular scope in 2012 was shipping, the Bergen office and the terminals in Rotterdam and Houston. The Energy Efficiency Operational Indicator (EEOI), defined as the amount of CO_2 emitted per unit of transport work, for the Odfjell fleet was 17.48 grams of CO_2 per tonne cargo transported one nautical mile (g/tnm) in 2012. This is a slight improvement compared to 2011. In 2012 Odfjell operated about half of the fleet in slow speed mode. This generated a net fuel saving of about 90,000, tonnes, corresponding to emission savings of approximately 280,000 tonnes of CO_2, and 4,400,000 tonnes of SO_x. Use of advanced weather routing contributed to emission savings of about 5,000 tonnes CO_2. Further, in 2012 Odfjell started to carry out hull cleaning and propeller polishing between scheduled dry-dockings. This, together with installation of propeller ducts, is expected to give significant fuel reductions and subsequent lower CO_2, NO_x and SO_x emissions.

Incidents and compliance issues at our Rotterdam terminal have pointed to potential weaknesses in part of our governance model and have served as strong reminders of the importance of fit for purpose personnel, processes and assets. Odfjell has therefore further increased our focus on risk awareness, process safety, use of preventive barriers and enhancement of our safety culture as part of a proactive QHSE drive ranging from the Board down to the front-line operative units. In terms of personal safety indicators, our shipping-related Lost-Time Injury Frequency (LTIF) indicator improved marginally from 1.23 in 2011 to 1.21 in 2012. Odfjell Terminals' LTIF improved more significantly from 2.90 to 1.30, which is very positive. We had no incidents involving fatalities in 2012.

Piracy continues to be a concern for shipping. Attacks in the Gulf of Aden and the Indian Ocean have abated significantly in 2012, with no successful hijackings since May. Suspicious approaches, however, are frequently being reported, so we still use privately contracted security personnel in the high risk areas. On the other hand, violent attacks on ships in Western Africa have increased substantially, thus posing a new threat to ships and their crews. Boarding robberies of ships in the Malaccan Strait area is also again a growing concern.

Odfjell Corporate QHSE conducts system audits on operative and staff units to ensure compliance with corporate and management level requirements and expectations, in order to promote a robust QHSE culture and thereby to continually lift our operating standards and to ensure compliance with the ever-increasing and changing regulatory demands on our complex activities. 12 audits were carried out in 2012 while 21 are planned for next year.

Odfjell has recycled seven ships in 2012. To ensure a controlled process we have a programme in place that includes obtaining Green Passports for ships that are ready to be phased out. The programme meets the requirements of IMO Resolutions A 962 and 179 as certified by Lloyds. A Green Passport requires mapping of materials and potential hazards on board that can impact the environment and working conditions. It also requires follow-up by the recycling yard. We inspect the yards used to ensure that they are ISO 30000 certified and comply with respective IMO guidelines and our own particular requirements as to QHSE standards.

The Rotterdam terminal has been a major challenge to Odfjell in 2012. Following several incidents and observations from Dutch authorities, Odfjell Management decided to temporarily effectuate a safety shutdown of the terminal in July 2012. Investigations were initiated to uncover the root cause of the events that led up to the safety shutdown. Findings were addressed, corrective and preventive measures put in place and compliance verified by Odfjell and the authorities, and during the last quarter tanks have gradually been put back into service. As of end 2012, about 700,000 cbm were up and running, and the distillation units were operating at limited capacity. Key issues to sustainable safe performance as we re-commission the terminal have been the rigorous and systematic implementation of preventive maintenance using a state of the art platform. The terminal has also adopted a state of the art Risk Based Inspection system to validate mechanical integrity of tanks and furthermore is using a system for Reliability Based Mechanical Integrity on other systems.

CORPORATE GOVERNANCE

The framework for the Company's Corporate Governance is the Norwegian Code of Practice for Corporate Governance of 23 October 2012. Odfjell is committed to ethical business practices, honesty, fair dealing and full compliance with all laws affecting our business. This includes adherence to high standards of Corporate Governance. See also the Board's statement regarding corporate governance, which is part of the Group's annual report. Odfjell's Corporate Social Responsibility Policy also encompasses high focus on quality, health, safety and care for the environment as well as human rights, non-discrimination and anti-corruption. The Company has its own corporate Code of Conduct that addresses several of these issues. All Odfjell employees are obliged to comply with the Code of Conduct.

BUSINESS SUMMARY

We remain committed to our long-term strategy of enhancing Odfjell's position as a leading logistic service provider in the area of ocean transportation and storage of bulk liquids. By focusing on safe and efficient operation of a versatile and flexible fleet of global and regional chemical tankers together with cargo consolidation at our expanding tank terminal network, we aim to further enhance product stewardship for our customers. The fleet is operated in complex and extensive trading patterns, and our customers demand safety, quality and the highest standards of service. Critical mass enables efficient trading patterns and optimal fleet utilisation.

Chemical Tankers

Gross revenues from our chemical tanker activities amounted to USD 1,066 million. EBITDA came in at USD 65 million, negatively impacted by high bunker costs, low volumes and still depressed freight rates. EBIT amounted to a loss of USD 35 million, compared to a loss of USD 9 million in 2011. Total shipping assets at year-end amounted to USD 1,751 million. Time charter income expressed in USD per day increased by about 2.5% compared to 2011.

Our shipping segment is among the most challenging in the marine industry. During 2012 our ships transported more than 500 different products comprising some 4,400 individual parcels. Unlike vessels in many other shipping segments, our ships have to call at a number of berths dictated by our customers, even within one and the same port. Calling many berths is time-consuming, fuel-inefficient and costly and thus, negatively impacts our results. Our aim is therefore to consolidate and make loading and discharging more time-efficient. We believe future successful consolidation of cargoes, combined with more time-efficient port operations, will benefit our customers, ourselves and not least the environment.

Our average cost of bunkers in 2012 was USD 542 per tonne (including compensation related to bunker escalation clauses and hedging), compared to USD 514 per tonne the preceding year. Bunker hedging mitigated this cost increase by contributing USD 12.6 million to the result in 2012. Daily operating expenses on a comparable fleet basis were about 4.1% higher in 2012 than in 2011.

By year-end 2012 our deep-sea chemical tanker fleet consisted of 77 ships of more than 12,000 DWT, of which 30 were owned. The Company was also operating 19 smaller ships, nine of which were owned.

NCC, our Saudi-Arabian joint venture partner, took delivery of four coated IMO II vessels from SLS Shipbuilding Co. Ltd. in 2012, which all entered the NCC Odfjell Chemical Tankers JLT pool ('NOCT').

New time charter agreements were entered into for three vessels, while three time-charter agreements expired during 2012 and the vessels were redelivered to their owners. As part of our ongoing fleet development programme, Odfjell sold seven vessels for recycling and two older vessels to new owners. All vessels sold for recycling had Green Passports, and the buyers were responsible for ensuring that the recycling yard submitted a working plan in accordance with IMO guidelines for ship recycling.

In 2011 Odfjell signed an agreement with Daewoo Shipbuilding & Marine Engineering Co. Ltd to build the first fully IMO II chemical tanker of 75,000 DWT capacity, a milestone as this is the first chemical tanker built in expectation of the future Panama Canal expansion. The ship will have 31 coated tanks, and is expected for delivery in the first half of 2013. Our partner NCC also ordered a sister vessel with expected delivery late 2013. The two ships will be commercially operated by NOCT.

In 2012, two stainless steel vessels of 9,000 DWT were delivered from Chongqing Chuandong Shipbuilding Industry (CCSIC) in China, while the last vessel has expected delivery in March 2013.

In July we entered into a newbuilding contract with Hyundai Mipo Dockyard in Korea, for four IMO II chemical tankers of 46,000 DWT with 22 coated cargo tanks, with scheduled delivery between January and July 2014. The contract price was below USD 40 million per vessel, which is favourable compared to prices achieved in recent years. The contract represents an important step in Odfjell's fleet renewal programme, and features eco-friendly and fuel-efficient design.

In combination, and as an extension of our worldwide transoceanic services, our regional business activities encompass four different geographical regions. Our largest regional operation is in Asia, which represents a strategically important area for our storage and transportation business with significant new chemical production expected to come on stream in the years to come. We operate 11 ships in different trade lanes, covering the Singapore – Japan/Korea – Australia/New Zealand ranges.

We also operate in the European short-sea segment through Crystal Pool AS, a joint venture between Odfjell SE and Euroceanica Ltd. The pool commercially manages and operates 11 stainless steel vessels, four of which are owned by Odfjell.

In South America, two Brazilian flagged ships are managed and operated by our wholly owned Brazilian company Flumar. These ships are supplemented by time charter ships and our deep-sea vessels that trade in South America.

Finally, we also have a 50/50 joint venture in Chile with CSAV for principally transportation of sulphuric acid along the West Coast of South America.

Odfjell has been promoting high safety and enhanced efficiency standards on chemical tankers since the inception of the industry and thus, we take a proactive approach towards international regulatory bodies and major customers in order to enhance safety. In this context, Odfjell continues to address key issues, such as the practice of tank-inerting, and stresses the importance of implementing a more cost-efficient and transparent regime of customers' ship inspection and vetting programmes.

In 2012 Odfjell Ship Management continued the efforts to develop a safety culture capable of taking Health, Safety, Security and Environment performance (HSSE) to a sustainable higher level. For that purpose we have launched a Safety Culture Programme as well as an HSSE programmes, and we are regularly reviewing achieved performance levels.

LPG/Ethylene

In 2012, Odfjell re-entered the LPG/Ethylene market through the establishment of Odfjell Gas AS and the subsequent acquisition of the two LPG/Ethylene carriers Bow Guardian and Bow Gallant. Both vessels are currently trading spot in Asia and have so far performed in accordance with expectations.

The objective behind the re-entry is to establish an additional business segment for Odfjell in an interesting market with which the Group has a long-standing association, and to leverage synergies with the Chemical Tankers and the Tank Terminals. Future demand for gas, both LPG and LNG, shows continued growth potential.

Tank Terminals

Gross revenues from our expanding tank terminal activities came in at USD 145 million, while EBITDA for 2012 were USD 27 million, down from USD 51 million in 2011. EBIT for 2012 amounted to negative USD 8 million, compared to a profit of USD 30 million the previous year. At year-end 2012, the book value of our total tank terminal assets was USD 833 million, including assets held for sale, down from USD 1,090 million at the end of 2011.

Our tank terminal business continued to deliver stable earnings, with the exception of Odfjell Terminals (Rotterdam) ('OTR') which delivered big losses following the temporary shutdown of the terminal in July.

The OTR terminal has been gradually developed since it started operations in the 1950s. Substantial investments in maintenance, upgrade and re-building have been carried out over the years since Odfjell acquired the terminal in 2000. Early in 2012 the company initiated a study aimed to identify issues that potentially could have a negative influence on safety and operations, and to generate solutions to remedy deficiencies. This initiative was proven to be very relevant, although initiated too late. Following several incidents and observations from Dutch authorities, Odfjell Management decided to effectuate a temporary shutdown of the terminal in July 2012. Investigations were initiated to uncover the root cause of the events that led up to the safety shutdown. Corrective and preventive measures are put in place to address findings, and compliance is verified by Odfjell and the authorities.

During the last quarter, tanks have gradually been put back into service, and as of end 2012, about 700,000 cbm are up and running. Remaining capacity will gradually be brought back into service, and the Company plans to have a total of about 1.2 million cbm of storage capacity available by end of Q2 2013. The PID is operating at limited capacity.

One key to sustainable safety performance has been the rigorous and systematic implementation of preventive maintenance. The terminal has adopted a state of the art risk based inspection system to validate mechanical integrity of tanks and furthermore is using a system for reliability based mechanical integrity on other systems. Regulatory authorities have announced that local petrochemical and liquid storage companies will be required to make their facilities comply with the best available technologies within the next five years.

Triggered by the lower business activity levels in the near future, OTR has initiated a process to reduce the workforce, and has reached an agreement with the trade unions and OTR's Works Council for this goal. The reorganization is progressing towards a conclusion during Q2 2013. OTR's results for 2013 will heavily depend on achieving the restart schedule as planned and to secure new customer contracts for the tank capacity that becomes available. Total investments at the terminal for the next four years will amount to about USD 200–270 million, an increase of around 30% compared with the original investment plan.

EBITDA at Odfjell Terminals (Rotterdam) on a 100% basis were negative USD 58.2 million in 2012, compared to positive USD 34 million in 2011.

Odfjell's existing tank terminals are located in Rotterdam, Antwerp, Houston, Singapore, Onsan in Korea, Sohar in Oman, BIK in Iran, and Jiangyin, Dalian and Ningbo in China. Additionally, we have a beneficial co-operation agreement with a related party that partly owns twelve tank terminals in South America and Canada.

The foundations and tank erection works at our terminal project in Charleston, South Carolina are well advanced and the terminal is on course to become operational in Q4 2013.

Our project in Nangang (close to Tianjin), China, is progressing as the marine infrastructure substructure is almost completed and the tank farm foundations are under construction. The overall project is now 30% complete, and the terminal is due to enter operation by Q4 2013/Q1 2014. Odfjell Terminals' latest expansion is Noord Natie Odfjell Terminals in Antwerp, Belgium in which Odfjell Terminals (Europe) B.V., a subsidiary of Odfjell Terminals Lindsay Goldberg CV, has a 25% stake. The terminal moves forward with its expansion plans and has now signed a contract to extend storage capacity by 50,000 cbm, which will bring the terminal's total storage capacity up to 350,000 cbm.

In December last year we announced that we have signed a Letter of Intent with Lindsay Goldberg LLC to expand our existing joint venture to include essentially all of Odfjell's tank terminal business. The proposed transaction will significantly increase the capitalization of the tank terminal division, and will enable us to jointly embark on an ambitious and accelerated growth strategy. In addition to the greenfield projects in Charleston and in Nangang, we are expanding our existing facility in Houston, Texas. Odfjell has also been selected to evaluate the development of a new bulk liquids terminal facility in Le Havre, France. We are considering significant further growth opportunities in China totalling approximately two million cbm of new tank storage capacity.

Odfjell Terminals' strategy is to continue its growth along the major shipping lanes and at important locations for petrochemicals, refined petroleum products, bio-fuels and vegetable oils. Odfjell Terminals is also seeking to identify investments in emerging markets, thus enhancing the development of ship/shore infrastructure for safe and efficient operations in such regions.

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 1,212 million, up 5% from the preceding year. The consolidated result before taxes of continued operation in 2012 was a loss of USD 111 million, compared to a loss (on continued operation) of USD 13 million in 2011. The tax expenses in 2012 amounted to USD 0 million, compared to USD 6 million in 2011.

EBITDA for 2012 totalled USD 93 million, compared to USD 113 million the preceding year. EBIT came to a loss of USD 43 million, compared to USD 21 million in 2011. The net result for 2012 amounted to a loss of USD 111 million, compared to a profit of USD 269 million in 2011, including discontinued operations.

Net financial expenses for 2012 totalled USD 68 million, compared to USD 35 million in 2011. The average USD/NOK exchange rate in 2012 was 5.83, compared to 5.61 the previous year. The USD depreciated against the NOK from 6.01 at year-end 2011 to 5.59 at 31 December 2012.

The cash flow from operations was USD 31 million in 2012, compared to USD 146 million in 2011. The net cash flow from investments was negative with USD 168 million. This is mainly related to new investments. The cash flow from financing activities was positive with USD 111 million.

The Parent Company posted a result for the year of USD 203 million. The profit will be distributed to other equity. The main part of the result is related to received dividend and Group contributions from subsidiaries. As of 31 December 2012, total retained earnings amounted to USD 774 million.

The Annual General Meeting will be held on 6 May 2013 at 16:00 hours at the Company's headquarters. Given the poor 2012 results and the importance of maintaining strong liquidity in the markets going forward, the Board does not propose payment of a dividend for the 2012 results, however will review a possible dividend later in 2013.

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 company (Societas Europaea) subject to Act No 14 of 1 April 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, 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.

At the end of 2012 the Company's A shares were trading at NOK 24 (USD 4.29), down 33.3% from NOK 36 (USD 5.99) at year-end 2011. The B shares were trading at NOK 22.70 (USD 4.06) at the end of 2012, down 36% from NOK 35 (USD 5.89) 12 months previously. By way of comparison, the Oslo Stock Exchange benchmark index increased by 15%, the marine index by 20% and the transportation index by 29% during the year. As of 31 December 2012, Odfjell's market capitalisation amounted to about NOK 2,100 million. Per 13 March 2013, Odfjell SE owns directly and indirectly 5,891,166 treasury A shares and 2,322,482 treasury B shares.

FINANCIAL RISK AND STRATEGY

Our financial strategy is to be sufficiently robust to withstand prolonged adverse conditions, such as long-term down cycles of our markets or challenging financial conditions. Odfjell adopts an active approach to managing risk in the financial markets. This is done through funding from diversified sources, maintaining high liquidity or loan reserves, and by systematically monitoring and managing financial risks relating to currency, interest rates and the price of bunkers. However, the use of hedging instruments to reduce the Company's exposure to fluctuations in the above-mentioned aspects limits the upside potential from favourable movements in respect of these risk factors.

The single largest monetary cost component affecting our time charter earnings is bunkers. In 2012 this item amounted to more than USD 318 million (59.8% of voyage cost). A variation in the average bunker price of USD 100 per tonne equals about USD 54 million, or a USD 1,832 per day change in time charter earnings of the ships in which we have a direct economic interest. Our bunker exposure is partly hedged through bunker adjustment clauses in most of our Contracts of Affreightment. As of 31 December 2012 we had entered into additional hedging through swaps and options for about 20% of the 2013 bunker exposure.

All interest-bearing debt, except debt held by tank terminals outside the US, is denominated in US Dollars. Bonds issued in non-USD currencies are swapped to USD. Interest rates are generally based on USD LIBOR rates. A portion of the interest on our debt is fixed through long-term interest rate swaps. With our current interest rate hedging in place, about 25% of our loans are on a fixed rate basis. In order to reduce volatility of the net result and cash flow related to changes in short-term interest rates, interest rate periods on the floating rate debt and interest periods of our liquidity are managed to be concurrent.

The Group's revenues are primarily denominated in US Dollars. Only tank terminals outside the US and our regional European shipping trade generate and receive income in non-USD currencies. 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 in NOK and EUR. Our estimate is that a 10% appreciation of the USD against the NOK would improve the yearly pre-tax result by roughly USD 11 million, assuming no currency hedging is in place.

Our currency hedging at the end of 2012, under which we sold USD and purchased NOK, covers about 21% of our 2013 NOK exposure respectively. Future hedging periods may vary depending on changes in market conditions.

LIQUIDITY AND FINANCING

As of 31 December 2012, cash and cash equivalents and available-for-sale investments amounted to USD 170 million, compared with USD 205 million as of 31 December 2011. Interest-bearing debt fell from USD 1,245 million at year-end 2011 to USD 1,221 million as of 31 December 2012. At the same date net interest-bearing debt amounted to USD 1,046 million, the equity ratio was 36.9%, and the current ratio was 1.1.

Odfjell Holding (US) Inc., a joint venture company between Odfjell and Lindsay Goldberg, secured in October a USD 200 million five-year secured credit facility from a group of five US banks. The principal amount under this facility can be increased up to an additional USD 100 million (accordion feature) for potential new expansion opportunities throughout North America.

In December Odfjell SE issued two new unsecured bonds, a NOK 500 million 6-year bond with a coupon of 3-month NIBOR + 6.50%, and a NOK 200 million 3-year bond with a coupon of 3-month NIBOR + 5.50%. The bonds have been swapped to USD 124 million.

With a solid balance sheet, the Company will be looking for further opportunities in the financial markets to secure additional funding at reasonable terms to finance expected growth.

KEY FIGURES

The return on equity for 2012 was negative 11.3% and the return on total assets was negative 2.3%. The corresponding figures for 2011 were positive 30.3% and 12.4%, respectively. The return on capital employed (ROCE) was negative 2% in 2012. Earnings per share in 2012 amounted to USD -1.37 (NOK -8.01), compared to USD -0.25 (NOK -1.5) from continued operation in 2011. The cash flow per share was USD 0.26 (NOK 1.5), compared to USD 5.15 (NOK 30.95) in 2011.

As of 31 December 2012 the Price/Earnings (P/E) ratio was negative 3.1 and the Price/Cash flow ratio was 16.5. Based on book value, the current Enterprise Value (EV)/EBITDA multiple was 23.1 while the EV/EBITDA multiple was 16.7 based on the market capitalisation as per 31 December 2012. The interest coverage ratio (EBITDA/net interest expenses) was 1.8, compared to 3.5 in 2011.

ORGANISATION, WORKING ENVIRONMENT AND JOB OPPORTUNITIES

Odfjell aims at being a company for which it shall be attractive to work, with an inspiring and interesting work environment both at sea and ashore. We carry out employee surveys at the headquarters in Bergen and at our overseas offices, and we do ergonomics inquiries. In addition we have implemented a programme for improved health care for seafarers, focusing on exercise and a healthy diet. The work environment onshore and offshore is considered good.

Odfjell maintains a policy of providing employees with equal opportunities for development of skills and offering new challenges within our Company. All employees are treated equally, irrespective of ethnic background, gender, religion or age – and they are offered equal opportunities for development and promotion to managerial positions. Gender-based discrimination is not allowed in terms of recruitment, promotion or wage compensation. Of about 224 employees at the headquarters in Bergen, 67.4% are men and 32.6% women, whilst the corresponding global figures (about 908 employees in our fully owned onshore operations) are 74.4% and 25.6% respectively. Three of the six Directors of the Board of the Group are women.

Recognizing that we employ relatively few women, we endeavour to recruit women to Ship Operations, Chartering and Ship Management, and we promote life at sea as an attractive career also for women.

Compared to last year the recorded absence rate at the headquarters has been reduced from 3.15% to 2.67%. For the Filipino mariners the absence rate was 0.55% and for Europeans 3.78%.

The Board takes this opportunity to thank all employees for their contributions to the Company during 2012.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

Salary and other remuneration to the President/CEO shall be determined by the Board. A description of the remuneration of the executive management and the Group's conditions policy, including the scope and organisation of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management. It is also stated here that 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 23 to the Odfjell Group accounts for details about the remuneration of the Management in 2012.

MARKET DEVELOPMENT

2012 turned out to be another difficult year for the shipping industry at large. World economic growth remained modest at 3.3%, down more than 0.5 percentage points from 2011, with slower growth in China, India and newly industrialised Asian countries, even a slight contraction in the EU area as a whole, but with positive developments in the US and Japan. Oil prices remained very high, giving the highest annual average marine fuel spot prices ever.

Relatively weak freight markets combined with high bunker prices and considerable net fleet growth in recent years, contributed to depressed earnings in the main shipping segments such as crude and product tankers, dry-bulk carriers and container-ships. Owners and operators have tried to reduce fuel costs through slow steaming and various fuel-efficiency measures, including modification of existing hulls. There is also increasing focus on contracting new ships with a more eco-friendly hull and machinery design. However, despite the apparent fuel efficiency potential of such ships and newbuilding prices now being at a low point, a rather bleak market outlook and still tight financing for shipping projects have contributed to the orderbook within main freight segments now being at the lowest levels in a decade. New ordering is likely to be modest also for the next few years.

The slight slowdown in China and the very poor economic development in Europe have also negatively affected the demand and results of the chemical industry in general. This has impacted the chemical tanker market, through weak demand for transportation and a focus on lower freight costs. After a stronger first quarter 2012, chemical spot freight rates dropped during the second quarter before they rebound somewhat towards the end of the year. The same development was the case for the CPP freight market.

Following four difficult years with very challenging market conditions, several owners have reached a critical financial state; some forced to considerably downscale their operations or even file for bankruptcy whilst others are being kept afloat for the time being by their banks waiting for stronger markets. Hence, for the chemical tanker industry to continue providing quality and reliable services, a re-pricing of freight rates to sustainable levels is necessary also to allow for reinvestments in sophisticated tonnage, the organisational structures and competence that are required. The inefficiencies brought upon the industry from fragmented and diverging vetting regimes is also a major challenge. We participate in industry workgroups such as Intertanko to promote a more transparent and efficient regime for customer inspections and vetting requirements going forward.

Net tonnage growth during the year for the chemical tanker fleet as a whole was 1.9%, whilst the core chemical deep-sea fleet grew by about 2.5%. Following several years of very few new orders, fleet supply going forward appears moderate. The order book for the core chemical deep-sea fleet is now at about 6.9% of current fleet, and somewhat lower for the stainless steel segment. Forecast net core chemical deep-sea fleet growth for 2013 and 2014 is about 1.6% per year.

The global economy is forecast to grow by 3–4% per year over the next few years, which traditionally should indicate an increase in demand for seaborne chemical transportation of 4–5% per year. Consequently, the supply/demand balance should gradually turn in favour of stronger chemical tanker markets, with higher spot rates and improved terms for contracts of affreightment.

However, there is a substantial market slack, through slow-steaming, ballasting or sailing only partly loaded and inefficient port operations, which also needs to be recovered. Favourable yard prices and modern fuel efficient designs may also induce investors who do not appreciate the complexity of the chemical tanker business to contract new tonnage. Hence, although the fundamentals may give some room for cautious optimism, the relief appears not to be imminent.

Our main short-term concerns relate to challenging markets also in 2013, high fuel costs and potential setbacks in the global economy. In the longer run, a rebound in China, continued positive developments in the US economy and eventually a recovery in the EU should increase trade and thus, improve the market for our tanker services.

Development of new and yet untapped petroleum resources may also gradually change trading pattern and alter tonne mile demand. As an example, increased shale gas and oil production in the US has given a boost to US petrochemical and refined products production and exports, but also led to a shift in the type of bulk liquid chemicals being imported to the US. However, the net effect of such changes remains to be seen. Larger worldwide petroleum exploration, hopefully combined with more geopolitical stability, may also gradually lower crude oil prices and consequently our fuel costs.

COMPANY STRATEGY AND PROSPECTS

Odfjell strives to provide safe, efficient, and cost-effective chemical tanker, LPG/Ethylene carrier and tank terminal services to our customers worldwide. In addition to the clear operational and commercial benefits from close co-operation between our shipping activities and our tank terminals, the tank terminals themselves have proven a stabilising factor in the Company's overall financial performance as earnings from this area are less volatile as compared to earnings from our shipping activities.

On the shipping side, we are continually striving to stay competitive and flexible with a modern and versatile fleet of vessels of high standards, adjusting to changing trade patterns through organisational dexterity. Disposal of older units provides better utilisation, enhancing the results of the rest of the fleet, in spite of which overall activity levels were unsatisfactory in 2012. Freight rates still have some way to go to reach sustainable levels.

China's economy showed 7.9% year-on-year growth in the last three months of 2012, the first acceleration in two years. The US economy continues to improve gradually as legislators struggle to reach consensus on the legislation required to bring the economy significantly forward. In Europe, sovereign lending rates have fallen significantly over the past few quarters, allaying fears of sovereign defaults.

The supply/demand picture within our segment continues to move in our favour, albeit slowly. However, favourable yard prices and modern fuel efficient designs may induce investors to contract new tonnage. The supply overhang, on the other hand, will likely be prolonged due to lost capacity through slow-steaming and low utilisation.

Our main concerns relate to challenging markets also in 2013, high fuel costs and potential setbacks in the global economy. Part of our 2013 bunker exposure is reduced through bunker clauses in our contracts and by paper hedges. On the tank terminal side we have witnessed higher activities and inquiries for storage. We expect improved earnings in our tank terminal division in 2013.

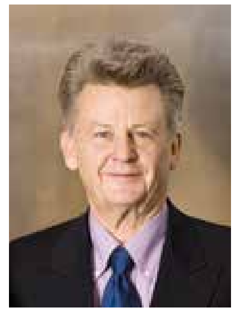
THE BOARD OF DIRECTORS

LAURENCE WARD ODFJELL

Born 1965. Executive Chairman of the Board since 4 May 2010. Mr. Odfjell was a Board Member between 2004–2007 and former President of Odfjell Terminals BV. He is a founding family member of the Company. He controls 25,966,492 A shares, 1,755,076 B shares (incl. related parties) and no options.

TERJE STORENG

Born 1949. Former President/CEO of Odfjell SE 2003–2009. Mr. Storeng was a Board Member between 1994–2003 and a former Managing Director of AS Rederiet Odfjell. Mr. Storeng is an independent Board Member. He owns 70,560 A shares, 2,112 B shares and no options.



BERNT DANIEL ODFJELL

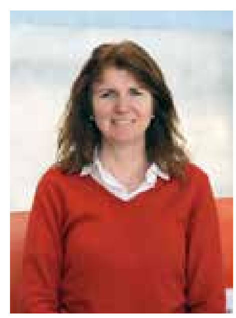
Born 1938. Board Member since 2010 and former Chairman of the Board. Mr. Odfjell has been with the Company since 1963 and has had various managing position. He is a founding family member of the Company. He owns 2,032 B shares (incl. related parties) and no options.

IRENE WAAGE BASILI

Born 1967. Board Member since 2 December 2008. Mrs. Waage Basili is CEO of GC Rieber Shipping. She has 19 years of experience within shipping and the oil service industry. Mrs. Basili is an independent Board Member. She owns no shares nor options.

CHRISTINE RØDSÆTHER

Born 1964. Board Member since 4 May 2010. Mrs. Rødsæther is a lawyer and partner in Vogt & Wiig and has a law degree and a Master of Law (LLM). She specialises in Financial Regulations, Maritime Law and Transportation and has experience within banking, finance, corporate, shipping and offshore. Mrs. Rødsæther is an independent Board Member. She owns no shares nor options.



JANNICKE NILSSON

Born 1965. Board Member since 8 May 2012. Mrs. Nilsson holds a Master of Science in cybernetics and process automation from Stavanger University and has 25 years of experience in the upstream oil and gas industry. She is currently Senior Vice President Operation North Sea West, Development and Production Norway for Statoil and Statoil's Location Manager in Bergen. Mrs. Nilsson is an independent Board Member. She owns no shares nor options.

ODFJELL

FINANCIAL STATEMENT ODFJELL GROUP

STATEMENT OF COMPREHENSIVE INCOME

(USD 1 000)	Note	2012	2011
Gross revenue	3	1 211 669	1 154 116
Net income from associates	36	825	192
Voyage expenses	19	(532 391)	(532 205)
Time charter expenses	20	(173 157)	(167 625)
Operating expenses	21, 23	(285 278)	(237 998)
Gross result		**221 668**	**216 480**
General and administrative expenses	22, 23	(128 576)	(103 731)
Operating result before compensation, depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		**93 092**	**112 749**
Depreciation and amortization	10	(131 501)	(122 164)
Compensation	29	–	5 792
Capital gain (loss) on non-current assets	10	(4 433)	24 880
Operating result (EBIT)		**(42 842)**	**21 257**
Interest income	18	3 230	2 802
Interest expenses	7	(53 226)	(43 960)
Other financial items	26	(15 542)	2 494
Currency gains (losses)	27	(2 502)	4 035
Net financial items		**(68 040)**	**(34 629)**
Result before taxes		**(110 882)**	**(13 372)**
Taxes	8	38	(6 233)
Net result from continued operation		**(110 844)**	**(19 605)**
Net result from discontinued operation	39	–	288 496
Net result		**(110 844)**	**268 891**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges changes in fair value	5	25 776	(4 666)
Cash flow hedges transferred to profit and loss statement	5	(14 595)	(22 074)
Net unrealized gain/(loss) on available-for-sale investments		1 255	(963)
Exchange rate differences on translating foreign operations		10 983	3 049
Other comprehensive income		**23 419**	**(24 654)**
Total comprehensive income		**(87 425)**	**244 237**
Net result allocated to:			
Non-controlling interests		116	(121)
Owner of parent		(110 960)	269 012
Total comprehensive income allocated to:			
Non-controlling interests		78	526
Owner of parent		(87 503)	243 624
Earnings per share (USD) - basic/diluted	13	(1.37)	(0.25)
Earnings per share (USD) - basic/diluted - discontinued operation		–	3.67

ODFJELL

STATEMENT OF FINANCIAL POSITION

Assets as per 31.12 (USD 1 000)	Note	2012	2011
NON-CURRENT ASSETS			
Intangible assets	11	109 819	115 178
Real estate	10	33 161	38 587
Ships	10	1 190 208	1 171 689
Newbuilding contracts	10	102 702	118 555
Tank terminals	10	440 714	591 318
Office equipment and cars	10	44 365	43 454
Investments in associates	36	23 152	1 718
Non-current receivables	28	50 614	62 288
Total non-current assets		**1 994 735**	**2 142 788**
CURRENT ASSETS			
Current receivables	29	139 159	134 781
Bunkers and other inventories	32	36 862	36 243
Derivative financial instruments	5	6 610	11 563
Available-for-sale investments	17	16 734	25 364
Cash and cash equivalents	18	153 123	180 067
Assets classified as held for sale	37	223 741	–
Total current assets		**576 229**	**388 017**
Total assets		**2 570 965**	**2 530 805**

Equity and liabilities as per 31.12 (USD 1 000)	Note	2012	2011
EQUITY			
Share capital	33	29 425	29 425
Treasury shares	33	0	(2 785)
Share premium	33	53 504	53 504
Other equity		858 474	915 851
Non-controlling interest		6 503	6 309
Total equity		**947 907**	**1 002 303**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	53 551	51 554
Pension liabilities	9	34 683	30 468
Derivative financial instruments	5	15 685	–
Non-current interest bearing debt	7	994 911	1 116 941
Other non-current liabilities	31	10 175	24 537
Total non-current liabilities		**1 109 005**	**1 223 500**
CURRENT LIABILITIES			
Current portion of interest bearing debt	7	225 930	127 997
Taxes payable	8	21 716	22 765
Employee taxes payable		7 732	6 995
Derivative financial instruments	5	23 744	47 839
Other current liabilities	30	106 030	99 405
Liabilities classified as held for sale	37	128 900	–
Total current liabilities		**514 052**	**305 001**
Total liabilities		**1 623 058**	**1 528 501**
Total equity and liabilities		**2 570 965**	**2 530 805**
Guarantees	16	72 928	113 785

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 13 March 2013

LAURENCE WARD ODFJELL
Executive Chairman

JANNICKE NILSSON

BERNT DANIEL ODFJELL

TERJE STORENG

IRENE WAAGE BASILI

CHRISTINE RØDSÆTHER

JAN ARTHUR HAMMER
President/CEO

ODFJELL

STATEMENT OF CASH FLOW

(USD 1 000)	Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income taxes		(110 883)	(13 372)
Net result discontinued operations	39	–	288 496
Taxes paid in the period		987	2 261
Depreciation and impairment	10	131 501	122 164
Capital (gain) loss on non-current assets	10	4 433	(24 880)
Capital (gain) loss on discontinuing operations	39	–	(269 516)
Compensation		–	(5 792)
Change in inventory (increase) decrease		(619)	(6 979)
Change in trade debtors (increase) decrease		11 891	13 071
Change in trade creditors increase (decrease)		(5 131)	(9 081)
Difference in pension cost and pension premium paid		4 215	8 088
Effect of exchange fluctations		2 502	(4 035)
Other current accruals		(8 095)	45 247
Net cash flow from operating activities		**30 802**	**145 672**
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of non-current assets		45 355	116 858
Sale of discontinued operation	39	–	247 932
Investment in non-current assets	10	(212 341)	(268 676)
Investments in shares and in other companies		(21 434)	(132)
Available-for-sale investments		8 630	9 113
Non-current receivables		11 674	3 076
Net cash flow from investing activities		**(168 116)**	**108 171**
CASH FLOW FROM FINANCING ACTIVITIES			
New interest bearing debt		438 793	103 451
Payment of interest bearing debt		(361 155)	(270 393)
Sale of treasury shares		33 029	–
Payment of dividend		–	(13 914)
Net cash flow from financing activities		**110 668**	**(180 856)**
Effect on cash balances from currency exchange rate fluctuations		(299)	33
Net change in cash balances		**(26 945)**	**73 020**
Cash and cash equivalents as per 1.1		180 067	107 046
Cash and cash equivalents as per 31.12		**153 122**	**180 067**
Available credit facilities		93 670	–

STATEMENT OF CHANGES IN EQUITY

(USD 1 000)	Share capital	Treasury shares	Share premium	Exchange rate differences	Cash flow hedge reserve	Available-for-sale reserve	Retained earnings	Total other equity	Owner of parent equity	Non-controlling interest	Total equity
Equity as at 1.1.2011	29 425	(2 785)	53 504	10 666	3 835	194	671 320	686 015	766 160	5 904	772 064
Net result	–	–	–	–	–	–	269 012	269 012	269 012	(121)	268 891
Comprehensive income	–	–	–	2 523	(26 740)	(963)	–	(25 180)	(25 180)	526	(24 654)
Dividend	–	–	–	–	–	–	(13 997)	(13 997)	(13 997)	–	(13 997)
Equity as at 31.12.2011	**29 425**	**(2 785)**	**53 504**	**13 189**	**(22 905)**	**(769)**	**926 335**	**915 850**	**995 994**	**6 309**	**1 002 303**
Equity as at 1.1.2012	29 425	(2 785)	53 504	13 189	(22 905)	(769)	926 335	915 850	995 994	6 309	1 002 303
Net result	–	–	–	–	–	–	(110 960)	(110 960)	(110 960)	116	(110 844)
Comprehensive income	–	–	–	10 905	11 181	1 255	–	23 341	23 341	78	23 419
Treasury share transactions	–	2 785	–	–	–	–	30 244	30 244	33 029		33 029
Equity as at 31.12.2012	**29 425**	**–**	**53 504**	**24 094**	**(11 724)**	**486**	**845 620**	**858 474**	**941 404**	**6 503**	**947 907**

ODFJELL

NOTES TO THE FINANCIAL STATEMENT

NOTE 1 CORPORATE INFORMATION

Odfjell SE, Conrad Mohrsv. 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. The consolidated financial statement of Odfjell for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Board of Directors on 13 March 2013. The Odfjell Group includes Odfjell SE, subsidiaries incorporated in several countries (see note 34 for an overview of consolidated companies), and our share of investments in joint ventures (see note 35).

Odfjell is a leading company in the global market for transportation and storage of chemicals and other speciality bulk liquids, LPG/Ethylene products as well as a provider of related logistical services. Through its various subsidiaries and joint ventures Odfjell owns and operates chemical tankers, LPG/Ethylene carriers and tank terminals. The principal activities of the Group are described in note 3.

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 accounts according to International Financial Reporting Standards (IFRS) approved by the EU. Items in the financial statements have been reported, valued and accounted for in accordance with IFRS, which comprise standards and interpretations adopted by the International Accounting Standards Board (IASB). These include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) formerly the Standing Interpretations Committee (SIC).

The consolidated statements have been prepared on a historical cost basis, except for the measurement of fair value of financial instruments and hedging (see note 2.15 and note 2.16).

2.2 Basis of consolidation

The same accounting principles are applied to all companies (or adjusted for in the case of some joint venture ref. accounting principles 2.9 and 2.10), in the Odfjell Group. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

Held for sale

Odfjell SE has entered into a letter of intent to sell 49% interest in its tank terminals. In the financial statement this transaction is treated as held for sale (see note 37 for additional information).

Investment in subsidiaries

The consolidated statements consist of Odfjell SE and its subsidiaries as at 31 December each year (see note 34). Non-controlling interests are included as a separate item in the equity, and are recorded as a separate allocation of the net result. Non-controlling interests include the non-controlling share of the equity of the subsidiary, including any share of identified excess value on the date when a subsidiary was acquired.

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. Controlling influence is normally gained when the Group owns, directly or indirectly, more than 50% of the shares in the company and is capable of exercising actual control over the company. Identified excess values have been allocated to those assets and liabilities to which the value relates. Fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the balance sheet date. Excess values are depreciated over the estimated economic lives, except for goodwill that is tested for impairment annually or more frequently if events or changes in circumstances indicate that there may be impairment (see note 2.14).

2.3 Application of judgment and estimates

Certain of our accounting principles require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates that affect the reported amounts of assets, liabilities, revenues, expenses and information on potential liabilities. By their very nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based on historical experience, terms of existing contracts, observance of trends in the industry, information provided by customers and where appropriate, information available from other outside sources. Although these estimates are based on management's interpretations of current events and actions, future events may lead to these estimates being changed and actual results may ultimately differ from those estimates. Such changes will be recognised when new estimates can be determined. Our significant judgment and estimates include:

Revenue recognition

Total revenues and voyage related expenses in a period are accounted for as the percentage of completed voyages. Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Further details are given in note 2.6.

Valuation of non-current assets

Non-current assets are depreciated over the expected useful lives to an estimated residual value at the time of disposal. Expected useful lives are estimated based on earlier experience and are reviewed at each balance sheet date, and where they differ significantly from previous estimates, depreciations are adjusted accordingly. 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 estimated recycling value. For terminals we use a best estimate for the value of the tank assets less dismantling expenses. The residual values are evaluated on a regular basis with any changes having an effect on future depreciations. Further details are given in note 2.11.

When an impairment test is required and when we estimate value in use, the estimates are based upon our projections of anticipated future cash flows and an appropriate discount rate when calculating the present value of those cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations. Further details are given in note 2.14 and note 12.

Taxes

The Group is subject to income tax in many jurisdictions. Considerable judgment must be exercised to determine income tax for all countries taken together in the consolidated accounts. The final tax liability for many transactions and calculations will be uncertain. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 2.7.

Pension

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long- term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 2.24.

Provisions

Provisions are based on best estimates. Provisions are reviewed at each balance sheet date and the level shall reflect the best estimate of such possible liability. Further details are given in note 2.23.

2.4 Changes in accounting principles and disclosures

Odfjell does adopt amendments in standards and interpretation on continuous basis. In 2012 the adoption of amendments to standards and interpretations had no material impact on Odfjell.

2.5 Currency

The consolidated financial statements are presented in USD as the Group operates in an international market where the functional currency is mainly USD. Odfjell SE's functional currency is USD.

The balance sheet of subsidiaries with functional currency other than USD is translated at the rate applicable on the balance sheet date, while the net result 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 included in net result.

2.6 Revenue recognition

Revenue is recognised when it is probable that a transaction will generate a future economic benefit that will accrue to the Company, and the size of the amount may be reliably estimated. Revenue is measured at the fair value of the amount to be received, excluding discounts, sales taxes or duty.

Total revenues and voyage related expenses in a period are accounted for as the percentage of completed voyages. Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Voyages are normally discharge-to-discharge. Except for any period a ship is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

Tank rental income is recognised to the extent that it seems likely that the economic benefits will accrue and the amount may be reliably measured. Distillation income and other services are recognised in proportion to the stage of the rendered performance as at the balance sheet date. If the income from rendering of services can not be reliably measured, only the income up to the level of the expenses to be claimed will be recognized.

2.7 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, the Approved International Shipping system in Singapore and the tonnage tax systems in the UK. In addition we operate under local tax systems, most important in Chile and Brazil. Our tank terminal activities are generally subject to the ordinary corporate tax rates within the country in which the terminal is located. The variation in the tax systems and rates may cause tax costs or income to vary significantly depending on the country in which profits and losses are accumulated.

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. Tax credits arising from subsidiaries' distribution of dividends are in some circumstances deducted from payable taxes in other jurisdictions to avoid double taxation.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences. We recognise formerly unrecognised deferred tax assets to the extent that it has become probable that we can utilise the deferred tax asset. Similarly, the Company will reduce its deferred tax assets to the extent that it no longer can utilise these.

Deferred tax and deferred tax assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the relevant tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax and deferred tax assets are recognised irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognised 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 recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

2.8 Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as reduction of the expense over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. When the grant relates to an asset, the fair value is reduced and the grant is included in net result over the expected useful life of the relevant asset on a straight-line basis. Further details are given in note 14.

2.9 Investment in joint ventures
Joint ventures are entities over which the Group has contractually agreed to share the power to govern the financial and operating policies of the entity with another venturer(s). Our share of activities under joint control (see note 35) is included according to the proportional share. Under this method the Group's proportionate consolidation of revenues, costs, assets and liabilities are recognised with similar items in the financial statements on a line-by-line basis. The financial statements of the joint venture are prepared for the same reporting year as Odfjell. Adjustments are made to bring into line any dissimilar accounting policies that may exist. A review of the carrying values in joint ventures is carried out when there are indications that there is a need to recognise impairment losses or when the need of previously recognised impairment losses is no longer present.

2.10 Investment in associates
Associated companies are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associated companies (see note 36) are included according to the equity method. Under this method the Group's share of the associated company's net result for the year is included in net result. The Group's interest in an associated company is carried on the balance sheet at an amount that reflects its share of the net assets of the associated company. The carrying value of investment in an associate will never be negative, unless the Group has incurred or guaranteed obligations in respect of the associated company. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The reporting dates of the associate and the Group are identical. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.11 Non-current assets
Non-current assets are measured at historical cost, which includes purchase price, capitalised interest and other expenses directly related to the assets. The carrying value of the non-current assets on the balance sheet represents the cost less accumulated depreciation and any impairment charges. Newbuilding contracts include payments made under the contracts, capitalised interest and other costs directly associated with the newbuilding and are not depreciated until the asset is available for use.

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. For terminals we use a best estimate for the value of tank assets less dismantling expenses. The residual values are measured at least on a yearly basis and any changes have an effect on future depreciations.

Each component of a non-current asset that is significant to the total cost of the item shall be depreciated separately. The Company allocates the amount initially recognised in respect of an item of non-current asset to its significant components and depreciates separately each such component over their useful lives. The book value of ships is split into two components, ships and periodic maintenance.

Day-to-day repairs and maintenance costs are included in net result during the financial period 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. The investment is depreciated over the remaining useful life of the asset and for the periodic maintenance part over the period until the next periodic maintenance. For ships chartered in on bare-boat terms, Odfjell is responsible for operating expenses and periodic maintenance. For such ships we make accruals for estimated future periodic maintenance.

Expected useful lives of non-current assets 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.

Depreciation of the above mentioned assets appears as depreciation in the net result.

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 non-current asset 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.

2.12 Leases
The determination of whether an arrangement is, or may represent a lease, is based on the substance of the arrangement at inception date. An arrangement is a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. After inception reassessment is made only if one of the following aspects occur:

1. there is a change in contractual terms, other th an a renewal or extension of the arrangement
2. a renewal option is exercised or an extension is granted, without the term of the renewal or extension having been initially included in the lease term
3. there is a change in the determination of whether fulfilment is dependent on a specified asset
4. there is a substantial change to the asset where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios 1, 3 or 4 and at the date of renewal or extension period for scenario 2.

Assets financed under financial leases are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the net present value of minimum lease payments. Lease payments consist of a capital element and financial cost, the repayment of the capital element reduces the obligation to the lessor and the financial cost is expensed. Capitalised leased assets are depreciated over the estimated useful life in accordance with note 10.

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 net result on a straight-line basis over the lease term, see note 16 and note 20.

2.13 Goodwill

Excess value on the purchase of an operation that cannot be allocated to fair value on the acquisition date is shown in the balance sheet as goodwill. In the case of investments in associates, goodwill is included in the carrying amount of the investment. Goodwill is not amortized, but goodwill is allocated to the relevant cash generating unit and an assessment is made each year as to whether the carrying amount can be justified by future earnings, see note 2.14 impairment of assets.

2.14 Impairment of assets

Non-financial assets

At each reporting date the accounts are assessed whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, estimates of the asset's recoverable amount are done. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ('value in use'). The NPV is based on an interest rate according to a weighted average cost of capital ('WACC') reflecting the required rate of return. The WACC is calculated based on the Company's long-term borrowing rate and a risk free rate plus a risk premium for the equity. If the recoverable amount is lower than the book value, impairment has occurred and the asset shall be revalued. Impairment losses are recognised in the net result. Assets are grouped at the lowest level where there are separately identifiable independent cash flows. We have made the following assumptions when calculating the 'value in use' for material tangible and intangible assets:

(i) Ships

Future cash flow is based on an assessment of what is our expected time charter earning and estimated level of operating expenses for each type of ship over the remaining useful life of the ship. As the Odfjell ships are interchangeable and the regional chemical tankers are integrated with the deep sea chemical tankers through a logistical system, all chemical tankers are seen together as a portfolio of ships. In addition the pool of officers and crew are used throughout the fleet. Odfjell has a strategy of a total crew composition and how the crew is dedicated to the individual ships varies. Changing the crew between two ships can change the net present value per ship without any effect for the Group. This also is an argument for evaluating the fleet together. As a consequence, ships will only be impaired if the total value of the ships based on future estimated cash flows is lower than the total book value.

(ii) Tank terminals

Future cash flow is based on our expected result for each terminal. We have calculated the 'value in use' based on estimated five years operating result before depreciation less planned capital expenditures each year plus a residual value after five years.

(iii) Goodwill

Goodwill acquired through business combinations has been allocated to the relevant cash generating unit (CGU). An assessment is made as to whether the carrying amount of the goodwill can be justified by future earnings from the CGU to which the goodwill relates.

We have calculated 'value in use' based on net present value of future cash flows. If 'value in use' of the CGU is less than the carrying amount of the CGU, including goodwill, goodwill will be written down first. Thereafter the carrying amount of the CGU will be written down.

(iiii) Customers relationship

Customers relationship acquired through business combinations has been allocated to the relevant cash generating unit (CGU). An assessment is made as to whether the carrying amount of the customers relationship can be justified by future earnings from the CGU to which the customers relationship relates. We have calculated 'value in use' based on net present value of future cash flows. Impairment exists when the carrying amount is not recoverable and exceeds its fair value.

Financial assets

At each reporting date the Group assesses whether a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

(ii) Available-for-sale-investments

If an available-for-sale-investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit and loss. This normally applies in a situation with changes exceeding 20% of the value or expected to last for more than six months, both based on original cost.

With the exception of goodwill, impairment losses included in net result for previous periods are reversed when there is information that the basis for the impairment loss no longer exists or is not as great as it was. This reversal is classified in revenue 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 recognised for the asset in prior years.

2.15 Derivative financial instruments and hedging

Derivative financial instruments are recognised on the balance sheet at fair value. The method of recognising the gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, we designate certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a highly probable forecasted transaction (cash flow hedge) or of a firm commitment (fair value hedge).

Changes in the fair value of derivatives that qualify as fair value hedges and that are highly effective both prospectively and retrospectively are included in net result together with any changes in the fair value of the hedged asset, liability or firm commitment that is attributable to the hedged risk.

Changes in the fair value of derivatives that qualify as cash flow hedges and that are highly effective both prospectively and retrospectively are recognised in statement of other comprehensive income. Amounts deferred in statement of other comprehensive income are transferred and classified in net result when the underlying hedged items impact net result in a manner consistent with the underlying nature of the hedged transaction.

If a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in statement of other comprehensive income at that time remains in statement of other comprehensive income and is recognised when the committed or forecasted transaction is included in the net result as a finance item. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in statement of other comprehensive income is included in net result. If a fair value hedge is derecognised, the fair value is recognised immediately in profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group risk management policy, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are included in net result. This also applies to any ineffective parts of a derivative financial instrument that qualifies as a hedge.

At the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions, is documented. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions, are highly effective in offsetting changes in fair values or cash flows of the hedged items. The derivative instruments used by the Group are not leveraged, and are not held for speculative arbitrage or investment purposes.

The fair value of derivatives that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For derivatives where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another substantially same instrument, discounted cash flow analysis or other valuation models.

2.16 Financial instruments

Financial investments have been classified as financial assets at fair value through profit and loss, loans and receivables or available-for-sale categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The classification is dependent on the purpose for which the investments were acquired. Financial investments with less than 12 months to maturity or if they are being regularly traded are classified as current assets, otherwise as non-current. The Group determines the classification of its financial investments after initial recognition, and where allowed and appropriate, this designation is re-evaluated at each financial year end.

Purchases and sales of financial investments are recognised on the settlement date, which is the date that the asset is delivered to or by the Group. When financial investments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction cost.

Fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another substantially same instrument, discounted cash flow analysis or other valuation models.

Financial investments at fair value through profit and loss

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial investment is classified in this category if acquired principally for the purpose of regular trading. Derivatives are in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loan and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition, available-for-sale investments are measured at fair value with gains and losses being recognised as a separate component in statement of other comprehensive income until the investment is derecognised, or until the investment is determined to be impaired, at which time the cumulative loss previously reported in equity is included in net result.

2.17 Trade receivables

Trade receivables are recognised at fair value at time of initial measurement. After initial recognition, receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Provisions for impairment are based on estimated historical data and objective indicators of a fall in value. Objective indicators are, among other: material economical problems, economical restructuring, bankruptcy, delayed repayment or non-payment. Provisions for impairment are recognised to receivables and changes are charged net result as reduction in gross revenue. Any receipt of earlier written off receivables are recognised in net result as gross revenue.

2.18 Inventories

Bunkers and other inventories are accounted for at purchase price, on a first-in, first-out basis.

Inventories are measured at net realised value when this is lower than cost. The effect is included in the operating expenses.

2.19 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.

2.20 Equity

Paid in equity

(i) Share capital

The portion of the paid-in-capital equalling number of shares at their nominal value.

(ii) Treasury shares

The value of treasury shares' portion of share capital.

(iii) Share premium

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

Other equity

(i) Exchange rate differences

Exchange rate differences arise in connection with currency differences when foreign entities are consolidated. When a foreign operation is sold, the accumulated exchange differences linked to the entity are reversed and appear in the net result in the same period as the gain or loss on the sale is recognised.

(ii) Fair value and other reserves

The fair value and other reserves include the total net change in the fair value of the cash flow hedge and financial investments available for sale. When the hedged cash flow matures or is no longer expected to occur, the net change in fair value is included in net result. When financial investments are sold or impaired, the accumulated fair value adjustments in equity are included in the net result as gains and losses from financial investment.

(iii) Retained earnings

The net result attributable 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.

Dividend payments are limited to the regulations in the Norwegian Public Limited Company Act.

2.21 Dismantling liabilities

If there is legal or constructive obligation to dismantle a tank terminal at the end of its useful life, liabilities for future dismantling expenses are measured at net present values. The dismantling liability is capitalized in the asset value. The liabilities are regularly evaluated, and adjusted when there are material changes in interest rates, inflation or in other dismantling expenses. The adjustments are recognised as financial expenses.

2.22 Interest bearing debt

Interest bearing debt is classified as non-current liabilities and appears initially as the amount of proceeds received, net of transaction costs incurred. In subsequent periods, transaction costs are deferred and included in net result over the life of the underlying debt according to the effective interest method.

Interest bearing debt is generally non-current liabilities, while instalments within the next 12 months are classified as current liabilities.

Interest expenses are recognised as an expense using the effective interest rate method.

2.23 Provisions

Provisions are recognised 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 recognised as a finance expenses.

2.24 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 as determined by periodic actuarial calculations. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The net pension liability is calculated based on certain estimates with regards to interest rates, future salary adjustments etc. The estimates are based on historical experience and current market conditions. The cost of providing pensions is included in net result so as to spread the regular cost over the vesting period of the employees. The effect of changes in estimates exceeding 10% of the highest of pension liabilities and plan assets is accounted for. Such changes are amortised over the remaining vesting period.

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 included in net result in the period to which the contributions relate.

The Group may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes.

2.25 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on any dilutive instruments) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

2.26 Comparatives
Comparative figures have been reclassified to conform to changes in presentation in the current year when there are changes in accounting principles, corrections of errors or operations defined as discontinued.

2.27 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 Odfjell Management Group which makes the strategic decisions.

Our shipping revenue is allocated on the basis of the area in which the cargo is loaded. For the tank terminals the revenue is allocated to the area where the respective companies are located. Total assets and capital expenditure 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. Financial information relating to segments is presented in note 3.

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

2.28 Events after the balance sheet date
Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will materially affect the Company's position in the future are stated.

2.29 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.

2.30 Classification in the financial statement
Odfjell has used a classification based on a combination of nature and function in the net result.

2.31 IFRS and IFRIC interpretations issued but not effective as per 31.12.2012
Odfjell expects following impact from new Standards or Interpretations, which are effective for the annual period beginning 1 January 2013 or later:

IAS 12 Income Taxes
The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 shall be determined on the basis that its carrying amount will be recovered through sale. The presumption can be rebutted if two specific criteria have been met. The amendment also includes an implementation of SIC 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets stating that deferred tax on non-depreciable assets measured using to the revaluation model in IAS 16 Property, Plant and Equipment shall always be measured on a sale basis. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2013.

IAS 19 Employee Benefits
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Removing the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income (OCI) in the current period. The amendments to IAS 19 will impact the net benefit expense, as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendments are effective for accounting periods beginning on or after 1 January 2013. The corridor effect will be accounted for directly through equity and is estimated to negative USD 33 million.

IAS 28 Investment in Associates and Joint Ventures
As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation
IAS 32 is amended in order to clarify the meaning of 'currently has a legally enforceable right to set-off' and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosures
The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for

consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27.

Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 1.1.2014.

Amendments to IFRS 10, IAS 27 and IFRS 12 related to Investment Entities
Amendments to IFRS 10 imply that enterprises defined as investment entities no longer shall consolidate their subsidiaries. With one exception – subsidiaries engaged in investment related services to the investment entity shall be consolidated. Other investments in subsidiaries, joint ventures and associates shall be recognised at fair value through profit and loss. Investment entities are required to recognise all subsidiaries at fair value through profit and loss pursuant to IFRS 10, and present the separate financial statements as their only financial statements. The disclosure requirements are extended. The amendments are effective for annual periods beginning on or after 1 January 2014, but the EU has not yet approved the amendments.

IFRS 11 Joint Arrangements
This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entitites – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014. The Group expects to account for equity method in IFRS 11 as of 1 January 2014. It is expected that changes in IFRS 11 will have material effect in how Odfjell presents its joint arrangement. Net result will not be changed, while total assets will be reduced and equity ratio will increase. During 2013 Odfjell plan to separately show how equity method will affect Odfjell's financial statement.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement
The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

Annual Improvements 2009–2011
IAS 1 Presentation of Financial Statements
The amendments to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the presentation of the previous period's comparative information will meet the minimum requirements. The amendments have no impact on the Group's financial position or performance and are effective for annual periods beginning on or after 1 January 2013, but the EU has not yet approved the amendments.

IAS 16 Property, Plant and Equipment
The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

IAS 32 Financial Instruments: Presentation
The amendment clarifies that income taxes arising from distributions to equity holders shall be accounted for in accordance with IAS 12 Income Taxes. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

Except from IFRS 11 and IAS 19 Odfjell expect that changes will have no or only immaterial effect on the financial statement.

NOTE 3 SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has three reportable business segments: Chemical Tankers, Tank Terminals and LPG/Ethylene. The Chemical Tankers involve a 'round the world' service, servicing ports in Europe, North and South America, the Middle East and Asia, Australia and Africa. Our fleet composition enables us to offer both global and regional transportation. Tank Terminals play an important operational role in our cargo-consolidation programme 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. Odfjell has re-entered into the gas market in 2012 by acquiring of two modern LPG/Ethylene carriers. In 2012 this is a small segment for the Company, but Odfjell will evaluate further investments in the LPG/Ethylene market.

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 business segments. These transactions are eliminated in consolidation.

The Group provide geographical data for revenue and total assets, as the reliability measurement criteria cannot be met for other items. The Group's activities are mainly divided among the following regions: Europe, North and South America, the Middle East and Asia, Australia and Africa. Vessels and newbuilding contracts are not allocated to specific geographical areas as they generally trade worldwide.

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 Odfjell Management Group who makes the strategic decisions. See also note 2.27 Segments.

BUSINESS SEGMENT DATA (FROM CONTINUED OPERATION)

(USD 1 000)	Chemical Tankers 2012	Tank Terminals 2012	LPG/ Ethylene 2012	Total 2012	Chemical Tankers 2011	Tank Terminals 2011	Total 2011
STATEMENT OF COMPREHENSIVE INCOME							
Gross revenue from external customers	1 062 350	143 549	5 770	**1 211 669**	1 052 909	101 206	1 154 116
Gross revenue from internal customers	3 289	1 246	–	**–**	2 796	2 009	–
Gross revenue	**1 065 639**	**144 795**	**5 770**	**1 211 669**	**1 055 705**	**103 216**	**1 154 116**
Net income from associates	–	825	–	**825**	–	192	192
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	65 318	27 144	629	**93 092**	61 212	51 538	112 749
Depreciation	(96 098)	(34 657)	(747)	**(131 501)**	(100 480)	(21 684)	(122 164)
Impairment of non-current asset							
Compensation	–	–	–	**–**	5 792	–	5 792
Capital gain (loss) on non-current assets	(4 433)	–	–	**(4 433)**	24 880	–	24 880
Operating result (EBIT)	**(35 213)**	**(7 513)**	**(117)**	**(42 842)**	**(8 596)**	**29 854**	**21 257**
Net financial items	(57 722)	(9 690)	(628)	**(68 040)**	(21 875)	(12 756)	(34 631)
Taxes	(4 288)	4 325	–	**38**	(4 040)	(2 193)	(6 233)
Net result (from continued operation)	**(97 223)**	**(12 878)**	**(747)**	**(110 844)**	**(34 510)**	**14 904**	**(19 605)**
BALANCE SHEET							
Investments in associates	–	23 152	–	**23 152**	–	1 718	1 718
Total assets *)	1 751 025	1 061 772	102 143	**2 570 964**	1 723 317	1 089 679	2 530 805
Total debt *)	1 410 210	453 969	102 855	**1 623 058**	1 344 478	466 215	1 528 501
CASH FLOW STATEMENT							
Net cash flow from operating activities	29 711	1 873	(782)	**30 802**	118 430	69 942	188 371
Net cash flow from investing activities	(22 056)	(83 495)	(62 565)	**(168 116)**	(105 038)	216 011	110 973
Net cash flow from financing activities	80 512	(6 708)	36 864	**110 668**	27 667	(254 023)	(226 356)
Capital expenditure	(87 306)	(62 470)	(62 565)	**(212 341)**	(174 541)	(94 135)	(268 676)

*) Terminal figures are including assets and debt held for sale in 2012, see note 37 for more information.

Net cash flows related to discontinued operation in the Tank Terminals segment are included in overview above. For further information about discontinued operation see note 39.

The difference between total of business area and total per year is due to eliminations of internal transactions between the business segments.

GROSS REVENUE AND ASSETS PER GEOGRAPHICAL AREA

	Gross revenue		Assets	
(USD 1 000)	2012	2011	2012	2011
North America	283 154	246 800	83 155	103 245
South America	153 129	173 570	46 854	86 321
Norway	–	–	285 310	223 680
Netherlands	115 954	123 416	308 258	184 003
Other Europe	126 716	107 537	10 037	7 889
Middle East and Asia	429 014	445 495	396 217	440 600
Africa	90 598	45 817	2 262	2 258
Australasia	13 104	11 480	–	–
Unallocated ships and newbuilding contracts		–	1 438 871	1 482 809
Total	**1 211 669**	**1 154 116**	**2 570 964**	**2 530 805**

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NOTE 4 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 market risk, credit risk, liquidity risk, currency risk and interest rate risk. 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.

Financial risk management is carried out by a central treasury function. Various financial instruments are used to reduce fluctuations in results and cash flow caused by volatility in exchange rates, interest rates and bunker prices.

The below table show sensitivity on the Group's pre-tax profit and equity due to changes in major cost components on yearly basis (calculation based on best estimates):

Cost component	Equity	Net Result
Bunkers, USD 10 per tonne higher	1.2 mill.	(5.4 mill.)
Interest rates, 1% higher	3.2 mill.	(10 mill.)
Currency, USD 10% lower	2.2 mill.	(11 mill.)

Credit risk

Multiple counterparts are used to hedge our risk. We primarily use our lending banks as counterparts to enter into hedging derivatives. From time to time other counterparties may be selected. We deem all to be high quality counterparts. In addition, the Company's hedging policy establishes maximum limits for each counterparty. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables and other current receivables (see note 29).

The Group has given guarantees for third parties' liabilities as shown in note 16.

Liquidity risk

The Group's strategy is to have enough liquid assets or available credit lines to, at any time, to be sufficiently robust to withstand prolonged adverse conditions in the markets where we operate. Surplus liquidity is mainly invested in bonds with low risk.

See also note 5, 7, 29 and 30 for aging analysis and currency exposure.

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 Statement of other comprehensive income.

The Group has certain assets and liabilities denominated in NOK that are not fully hedged. Fluctuations in the USD/NOK exchange rate will influence the Group's profit. The most material items are Tax liabilities (see note 8 Taxes) and Pension liabilities (see note 9 Pension liabilities) in Norway.

Bunker risk

The single largest monetary cost component affecting the time charter earnings is bunkers. In addition to bunker adjustment clauses in Contracts of Affreightment, the Group enters into several types of bunker derivatives to hedge against fluctuations in the results due to changes in the bunker prices.

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 the hedging of a share of the interest paid related to our loans portfolio.

NOTE 5 DERIVATIVES ACTIVITIES

The Group uses different hedging instruments to reduce exposures to fluctuations in financial risks.

CASH FLOW HEDGING

The Group has highly probable future major expenses that may be variable due to changes in currency exchange rates, interest rate levels or bunker prices. The derivatives classified as cash flow hedges are accounted for at market value (fair value). The change in market value prior to maturity is accounted for under assets or liabilities and other equity. At maturity, the result of the hedging transactions is accounted for in the account to the underlying exposure e.g. voyage-, operating-, general and administrative expenses or interest expenses in the net result.

Currency

The Group estimates future expenses in non-USD currencies based on prior year's actual amounts and secures part of this 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, also from time to time we may also enter into currency derivatives on a trading basis.

Bunkers

The Group estimates future fuel oil consumption based on the fleet employment plan and historical data. Platt's fuel index '3.5% fob Barges Rotterdam' is the index purchased when we hedge our bunker exposure. Each year we test the correlation of this index both with the equivalent index for Houston and Singapore, and the actual price for the fuel we have purchased in these ports. Per 31 December 2012 these correlations are sufficient to use as the reference index to hedge our future bunker purchases in these ports.

Bunker hedging contracts used are a mix of swaps and options. Average price is calculated based on current market and might therefore change if market changes.

A contract of affreightment (CoA) entered into with a customer typically has a bunker adjustment clause. This means that bunker price for the bunker consumption related to that contract is fixed or at least determined within parameters. With a higher bunker price in relation to trigger points our customer will compensate us for the increased cost. Likewise, with a lower bunker price we have to compensate our customers.

Interest rates

The Group's debt is divided between mortgage lending, lease financing, unsecured bonds and export financing. The interest rate on this debt is typically floating. From time to time we enter into derivatives to swap the floating interest rate to fixed interest rate for a period up to ten years.

From time to time we also sell interest rate options that may, in the future, be turned into a fixed rate swaps. We may also enter into interest rate derivatives on a trading basis.

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 bond we have issued is swapped to USD interest and principal payments. The derivatives classified as fair value hedges are evaluated at market value, however, the effect in the accounts is nil as the underlying exposure have an exact opposite change in market value.

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 31 December 2012 (figures 1 000)

				Time to maturity - USD amounts			
Currency	Sold	Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD 24 000	NOK 145 272	6.05	24 000	–	–	**24 000**
Non hedge	USD 17 806	NOK 100 000	5.62	17 806	–	–	**17 806**

			Time to maturity			
Interest rates		Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD 251 815	4.35%	150 000	50 000	51 815	**251 815**
	EUR 15 300	4.23%	15 300	–	–	**15 300**
	SGD 62 500	2.21%	13 750	48 750	–	**62 500**
Non hedge, IRS [1]	USD 275 000	2.76%	–	175 000	100 000	**275 000**

[1] All non hedge IRS' are classified as held for sale

				Time to maturity - USD amounts			
Cross currency interest rate swaps	Sold	Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Non hedge	USD 273 973	From NOK to USD	6.10%	62 489	122 918	88 918	**273 973**

			Time to maturity – volume			
Bunker		Avg. Price	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	120 000 tonnes	USD 545.75	120 000	–	–	**120 000**

The below overview reflects status of hedging and non-hedging exposure 31 December 2011 (figures 1 000)

				Time to maturity - USD amounts			
Currency	Sold	Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD 18 000	NOK 115 412	6.41	18 000	–	–	**18 000**
	USD 12 996	SGD 16 800	1.29	12 996	–	–	**12 996**
Non hedge [1]	USD 26 000	NOK 185 835	7.15	26 000	–	–	**26 000**

[1] Weekly options, amount can be between 0 and USD 52 million

				Time to maturity			
Interest rates			Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD 257 154		4.35%	5 992	223 967	27 195	**257 154**
	EUR 30 600		4.13%	15 300	15 300	–	**30 600**
	SGD 75 300		2.60%	11 800	63 500	–	**75 300**
Non hedge, IRS	USD 225 000		3.11%	–	125 000	100 000	**225 000**
Fair value hedging	USD 88 261	From NOK to USD	4.87%	–	88 261	–	**88 261**

			Time to maturity – volume			
Bunker		Avg. Price	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	89 850 tonnes	USD 523.80	89 850	–	–	**89 850**

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

(USD 1 000)	2012	2011
Bunkers	3 684	3 587
Currency	2 444	3 585
Shares	481	–
Interest rates	(39 428)	(43 448)
Held for sale	(4 381)	–
Derivative financial instruments	**(37 201)**	**(36 276)**

Hedging reserve recorded 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 01.01.2011	**(10 748)**	**3 543**	**11 690**	**4 485**
Fluctuations during the period:				
- Gains/losses due to changes in fair value	(8 734)	3 985	83	(4 666)
- Transfers to net result	(629)	(6 368)	(15 077)	(22 074)
Balance sheet as at 31.12.2011	**(20 111)**	**1 160**	**(3 305)**	**(22 255)**
Fluctuations during the period:				
- Gains/losses due to changes in fair value	3 612	2 623	19 542	25 776
- Transfers to net result	(157)	(1 885)	(12 553)	(14 595)
Balance sheet as at 31.12.2012	**(16 656)**	**1 898**	**3 683**	**(11 075)**

Fair value of financial instruments

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 recorded in the balance sheet at the fair value at the balance sheet date. The fair value is obtained from active markets or based on third party quotes. For cash and cash equivalents and current liabilities the carrying amount is considered to be the best estimate of fair value of these instruments due to the short maturity date. Receivables are measured at nominal value reduced by any impairment. Carrying amount is considered to be best estimate of fair value due to short maturity date and valid terms. Fair value of bonds is calculated based on market values on the bonds.

The Group's financial statement does not have any differences between fair value and carrying amount.

Fair value hierarchy

As at 31 December all financial instrument were valued at Level 2. Level 2 is defined where input is either directly or indirectly observable for substantially the full term of the assets and liabilities.

Classification of financial assets and liabilities as at 31 December 2012:

(USD 1 000)	Held for sale	Derivatives held as hedge instrument	Derivatives held at fair value over the result	Loans and receiva-bles	Available for sale invest-ments	Liabilities recognised at amorti-sed cost	Non-financial assets/ liabilities	Total 2012
ASSETS								
Cash and cash equivalents	17 335	–	–	153 122	–	–	–	170 457
Available-for-sale-investments	–	–	–	–	16 734	–	–	16 734
Derivative financial instruments	–	6 610	–	–	–	–	–	6 610
Current receivables	6 281	–	–	139 159	–	–	–	145 440
Non-current receivables	9 114	–	–	50 614	–	–	–	59 728
Other non-financial assets	191 011	–	–	–	–	–	1 980 983	2 171 994
Total assets	**223 741**	**6 610**	**–**	**342 896**	**16 734**	**–**	**1 980 983**	**2 570 965**
LIABILITIES								
Other current liabilities	13 018	-	–	–	–	135 478	–	148 496
Derivative financial instruments	4 381	7 094	32 336	–	–	–	–	43 811
Interest bearing debt	104 615	–	–	–	–	1 220 841	–	1 325 456
Other non-current liabilities	–	–	–	–	–	10 175	–	10 175
Other non-financial liabilities	6 887	–	–	–	–	–	88 235	95 121
Total liabilities	**128 900**	**7 094**	**32 336**	**–**	**–**	**1 366 494**	**88 235**	**1 623 058**

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Classification of financial assets and liabilities as at 31 December 2011:

(USD 1 000)	Derivatives held as hedge instrument	Derivatives held at fair value over the result	Loans and receivables	Available for sale investments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	Total 2011
ASSETS							
Cash and cash equivalents	–	–	180 067	–	–	–	180 067
Available-for-sale-investments	–	–	–	25 364	–	–	25 364
Derivative financial instruments	8 052	3 511	–	–	–	–	11 563
Current receivables	–	–	134 781	–	–	–	134 781
Non-current receivables	–	–	62 288	–	–	–	62 288
Other non-financial assets	–	–	–	–	–	2 116 743	2 116 743
Total assets	**8 052**	**3 511**	**377 136**	**25 364**	**–**	**2 116 743**	**2 530 805**
LIABILITIES							
Other current liabilities	–	–	–	–	129 165	–	129 165
Derivative financial instruments	26 152	21 687	–	–	–	–	47 839
Interest bearing debt	–	–	–	–	1 244 937	–	1 244 937
Other non-current liabilities	–	–	–	–	24 537	–	24 537
Other non-financial liabilities	–	–	–	–	–	82 022	82 022
Total liabilities	**26 152**	**21 687**	**–**	**–**	**1 398 639**	**82 022**	**1 528 501**

NOTE 6 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios and holds liquidity available to take advantage of investment opportunities and generally support the business. At the same time capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in the financial markets.

The Group manages the capital structure and makes adjustments to it to maintain an optimal 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. No changes were made in the objectives or policies during the years ending 31 December 2011 and 2012.

The Group monitors its capital using the book equity ratio and available liquidity, being the sum of cash and cash equivalents, available-for-sale investments and available drawing facilities, as the primary measurements. The Group's policy is to maintain an equity ratio between 30% and 35% and available liquidity of USD 150–200 million.

(USD 1 000)	2012	2011
Equity	948	1 002
Total assets	2 571	2 531
Equity ratio	36.8%	39.6%
Cash and cash equivalents	153	180
Available-for-sale-investments	17	25
Available drawing facilities	94	–
Total available liquidity	**264**	**205**

NOTE 7 INTEREST BEARING DEBT

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

(USD 1 000)	Average interest rate	2012	2011
Loans from financial institutions – floating interest rates	2.29%	764 979	951 514
Finance leases	0.74%	190 556	209 818
Bonds	6.42%	273 973	88 261
Subtotal interest bearing debt	**2.97%**	**1 229 509**	**1 249 593**
Transaction cost		(8 668)	(4 655)
Total interest bearing debt		**1 220 841**	**1 244 938**
Current portion of interest bearing debt		(225 930)	(127 997)
Total non-current interest bearing debt		**994 911**	**1 116 941**

Held for sale liabilities, related the proposed transaction with Lindsay Goldberg LLC, amounting to USD 104.6 million are not included in the above figures. See note 37. Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2012.

Transaction costs are deferred and charged net result over the life of the underlying debt using the effective interest rate method. During 2012 USD 1.9 million (USD 1.7 million in 2011) has been charged net result.

The interest bearing debt does not contain any restrictions on the Company's dividend policy or financing opportunities. The interest bearing debt is generally subject to certain covenants which include that book debt ratio shall at all times be less than 75% (excluding deferred taxes from debt) and that the liquidity shall always be minimum of USD 50 million and 6% of interest bearing debt.

Maturity of interest bearing debt as at 31 December 2012:

(USD 1 000)	2013	2014	2015	2016	2017	2018+	Total
Loans from financial institutions – floating interest rates	139 736	95 289	205 334	74 973	88 410	161 238	**764 979**
Finance leases	23 705	6 648	792	1 222	2 544	155 645	**190 556**
Bonds	62 489	–	35 199	–	87 719	88 566	**273 973**
Total interest bearing debt	**225 930**	**101 938**	**241 325**	**76 195**	**178 673**	**405 448**	**1 229 509**
Estimated interest liabilities	36 557	28 970	26 735	19 755	18 026	10 343	**140 387**
Total liabilities	**262 486**	**130 908**	**268 060**	**95 950**	**196 699**	**415 792**	**1 369 895**

Maturity of interest bearing debt as at 31 December 2011:

(USD 1 000)	2012	2013	2014	2015	2016	2017+	Total
Loans from financial institutions – floating interest rates	105 287	195 875	128 006	238 038	57 405	226 904	**951 514**
Finance leases	22 710	24 816	8 240	426	856	152 770	**209 818**
Bonds	–	88 261	–	–	–	–	**88 261**
Total interest bearing debt	**127 997**	**308 951**	**136 245**	**238 464**	**58 260**	**379 675**	**1 249 593**

Average maturity of the Group's interest-bearing debt is about 4.4 years (4.7 years in 2011).

(USD 1 000)	2012	2011
Book value of interest bearing debt secured by mortgages	764 307	853 896
Book value of vessels and terminals mortgaged	1 364 795	1 350 706

Book value held for sale assets mortgaged amounts to USD 184 million.

The table below summarizes interest bearing debt in different currencies:

(USD 1 000)	2012	2011
USD	842 727	968 311
EUR	68 835	74 732
SGD	30 295	58 008
NOK *)	273 973	88 261
RMB	3 270	38 416
WON	10 306	21 755
Other currencies	102	109
Total interest bearing debt	**1 229 509**	**1 249 593**

*) Bond debt swapped to USD. See note 5 Hedging Activities

The net carrying amount of assets under finance leases is USD 248 million as per 31 December 2012 (USD 256.9 million as per 31 December 2011). The lease periods vary from 6 years to 25 years from inception, and may involve a right of renewal. 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. At any time the Company has the option to terminate the finance leases and become legal owner of the ship at defined termination payments. The finance leases generally do not contain provisions for payment of contingent rents. The future minimum lease payments are based on certain assumptions regarding the tax rules in the UK, including, but not limited to, tax rates and writing down allowances. Changes in these assumptions and the timing of them may impact the minimum lease payments. There was no such material change in 2012. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

(USD 1000)	2012 Minimum lease payments	2012 Present value of lease payments	2011 Minimum lease payments	2011 Present value of lease payments
Within one year	25 917	24 585	24 632	23 076
After one year but not more than five years	17 041	12 676	41 569	35 803
More than five years	164 399	153 296	166 046	150 939
Total minimum lease payments	**207 357**	**–**	**232 248**	**–**
Less amounts representing finance charges	(16 800)	–	(22 429)	–
Present value of minimum lease payments	**190 556**	**190 556**	**209 818**	**209 818**

NOTE 8 TAXES

(USD 1 000)	2012	2011
Taxes payable, Norway – ordinary tax	(139)	(15)
Taxes payable, other jurisdictions	8 081	(7 434)
Change in deferred tax, Norway – within shipping tax system	–	129
Change in deferred tax, other jurisdictions	(7 904)	1 175
Variance in earlier years allocation of tax payable	–	(88)
Total taxes – Continued operations	**38**	**(6 233)**
Total taxes – Discontinued operations	**–**	**(8 355)**

Changes in the Norwegian tonnage tax rules
Odfjell decided to enter the new Norwegian tonnage tax system at a cost of USD 42 million, payable during the years 2011, 2012 and 2013.

A reconciliation of the effective rate of tax and the tax rate in Odfjell SE's country of registration:

(USD 1 000)	2012	2011
Result before taxes	(110 882)	(13 372)
Tax assessed at the tax rate in Odfjell SE's country of registration (28% in 2012 and 2011)	31 047	3 744
Difference between Norwegian and rates in other jurisdictions	(2 043)	(473)
Tax related to non-deductible expenses	(270 780)	10 526
Tax payable, Norway – shipping tax system	139	129
Tax related to non-taxable income	241 675	(20 159)
Tax income (expenses)	**38**	**(6 233)**
Effective tax rate [1)]	**(0.09%)**	**47.58%**

[1)] Effective tax rate in % is tax income/expense divided by result before taxes, adjusted for tax payable, Norway shipping tax.

The tax returns of the Company and its subsidiaries' are routinely examined by relevant tax authorities. From time to time, in the ordinary course of business, certain items in the tax returns are questioned or challenged. The Company believes that adequate tax provisions have been made for open years.

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Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2012	Change in temporary differences	2011
Revaluation of investments at fair value	61	(3 055)	3 116
Pensions	21 570	3 268	18 302
Financial instruments	26 735	8 217	18 518
Provisions	(6 689)	(7 392)	703
Unrealised currency related to non-current receivables and liabilities	1 777	596	1 181
Loss carried forward	94 883	64 900	29 983
Total negative temporary differences	**138 338**	**66 534**	**71 803**
Differences related to depreciation of non-current assets	121 646	46 905	74 741
Differences related to current assets	34 328	22 378	11 950
Deferred gain related to sale of non-current assets	3 337	(551)	3 888
Excess value related to investments of non-current assets	90 997	(11 891)	102 888
Total positive temporary differences	**250 308**	**56 841**	**193 467**
Temporary differences not accounted for *)	**(93 282)**	**(36 536)**	**(56 746)**
Total recognised deferred tax liabilities	**53 551**	**1 997**	**51 554**
Tax rate	12–35%		
Tax booked through income statement	7 904		

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

The Group has a total loss carried forward of USD 95 million at 31 December 2012 (2011 USD 30 million), that are 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. The distribution of dividend to the Odfjell SE's shareholders does not affect the Company's payable or deferred tax.

NOTE 9 PENSION LIABILITIES

The Group operates a number of defined benefit and contribution plans throughout the world. The most significant defined benefit pension plan is in Norway.

The main benefit from the defined benefit pension plan in Norway is a pension of 66% of the lower of the final salary and 12G (G = indexation of the public national insurance base amount, presently G equals NOK 82 122) and a 30-year accrual period. The plan also includes survivor/dependants and disability pensions. As at 31 December 2012, the different plans had 1,143 members. The commitment is calculated using straight-line accrual.

The year's pension costs:

(USD 1 000)	2012	Continued operation 2011	Discontinued operation 2011	2011
Service costs	8 246	6 193	1 744	7 937
Interest cost on accrued pension liabilities	3 852	3 485	2 057	5 543
Estimated yield on pension assets	(3 221)	(2 953)	(1 310)	(4 263)
Administrative expenses	273	258	–	258
Amortisation of actuarial gains/losses	1 688	855	630	1 485
Social security tax	894	824	–	824
Total pension cost	**11 732**	**8 662**	**3 122**	**11 785**

Actual yield on the pension assets in Norway, USA and Netherlands for 2012 is in the range of 0.4 %–26.7%.

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Obligations in financial statements:

(USD 1 000)	Over funded pension scheme 2012	Under funded pension scheme 2012	Total 2012	Over funded pension scheme 2011	Under funded pension scheme 2011	Total 2011
PENSION LIABILITIES – FUNDED OBLIGATIONS:						
Present value of accrued secured liabilities	40 331	90 664	**130 994**	29 112	78 064	**107 176**
Fair value of pension assets	(30 937)	(59 938)	**(90 875)**	(22 599)	(55 248)	**(77 847)**
Social security tax	–	3 715	**3 715**	–	2 343	**2 343**
Actuarial gains/losses not recognised in the income statement	(9 620)	(28 334)	**(37 953)**	(7 145)	(19 758)	**(26 903)**
Funded obligation	**(226)**	**6 107**	**5 881**	**(632)**	**5 401**	**4 769**
PENSION LIABILITIES – UNFUNDED OBLIGATIONS:						
Present value of accrued unsecured liabilities	–	17 950	**17 950**	–	14 676	**14 676**
Payroll tax	–	2 531	**2 531**	–	2 069	**2 069**
Actuarial gains/losses not included in net result	–	6 723	**6 723**	–	6 153	**6 153**
Unfunded obligation	**–**	**27 203**	**27 203**	**–**	**22 899**	**22 899**
Net asset - classified as other long term receivables	226	1 412	**1 638**	632	2 168	**2 800**
Held for sale (note 37)	–	(38)	**(38)**	–	–	–
Net recognised liabilities	**–**	**34 683**	**34 683**	**–**	**30 468**	**30 468**

Changes in the present value of the defined benefit obligations:

(USD 1 000)	Over funded pension scheme 2012	Under funded pension scheme 2012	Total 2012	Over funded pension scheme 2011	Under funded pension scheme 2011	Adjusted dis-continued operation 2011	Total 2011
Defined benefit obligation at 1 January	29 112	92 740	**121 852**	253	69 460	64 247	**133 959**
Service cost	1 586	6 660	**8 246**	545	5 648	–	**6 193**
Interest cost	1 307	2 545	**3 852**	539	2 947	–	**3 485**
Settlement and business disposals	(185)	(5 351)	**(5 537)**	28 269	13 565	(64 247)	**(22 412)**
Actuarial loss/(gain)	8 199	4 856	**13 055**	392	5 726	–	**6 118**
Benefits paid	(910)	(2 370)	**(3 280)**	(489)	(2 344)	–	**(2 833)**
Exchange differences	1 223	9 534	**10 757**	(397)	(2 262)	–	**(2 659)**
Defined benefit obligation at 31 December	**40 331**	**108 614**	**148 945**	**29 112**	**92 740**	**–**	**121 852**

Changes in fair value of plan assets:

(USD 1 000)	Over funded pension scheme 2012	Under funded pension scheme 2012	Total 2012	Over funded pension scheme 2011	Under funded pension scheme 2011	Adjusted dis-continued operation 2011	Total 2011
Fair value of plan assets at 1 January	22 599	55 248	**77 847**	184	42 987	46 783	**89 954**
Expected return	(747)	2 474	**1 727**	274	2 679	–	**2 953**
Actuarial loss/(gain)	–	(1 666)	**(1 666)**	–	(233)	–	**(233)**
Settlement and business disposals	129	(3 835)	**(3 706)**	21 491	7 967	(46 783)	**(17 325)**
Contribution	2 109	6 447	**8 557**	855	4 717	–	**5 572**
Administrative expenses	–	(240)	**(240)**	–	(226)	–	**(226)**
Benefits paid	(910)	(1 397)	**(2 307)**	(489)	(1 378)	–	**(1 867)**
Exchange differences	7 758	2 906	**10 664**	285	(1 265)	–	(980)
Fair value of plan assets at 31 December	**30 937**	**59 938**	**90 875**	**22 599**	**55 248**	**–**	**77 848**

Estimated contribution in 2013 is USD 8.5 million.

The impact of changes in IAS19 from 01.01.2013 where the corridor will be recognized through OCI, is estimated to negative USD 33.4 million, ref note 2.31.

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The major categories of plan assets in percentage of the fair value of total assets:

	Norway		USA	
	2012	2011	2012	2011
Equities	7%	12%	63%	61%
Bonds/securities	56%	49%	37%	38%
Money market fund	17%	21%	0%	1%
Property	20%	18%	0%	–

The plan assets in the Netherlands are invested by an insurance company with a guaranteed investment return from year-to-year. The return for 2012 was between 3%–4% depending on investment scheme.

In calculating the net pension liabilities the following assumptions have been made:

	Norway		USA		Netherlands	
	2012	2011	2012	2011	2012	2011
Discount rate	2.3%	2.6%	4.4%	5.7%	4.6%	4.6%
Expected return on assets	4.0%	4.1%	7.5%	8.0%	4.6%	4.6%
Adjustment of wages	3.5%	3.5%	3.0%	2.1%	2.0%	2.0%
Pension indexation (Sailors)	0.2% (3.25%)	0.1% (3.25%)	2.4%	3.0%	2.0%	2.0%
Mortality table	K2005/KU	K2005/KU	IRS Funding Table	RP 2000	GBM/GBV 2012-2062	GBM/GBV 2010-2060

Expected return on assets is generally the discount rate adjusted for the effect of the allocation of plan assets.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 10–12%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 10%
Rate of mortality	Increase by 1 year	Increase by 2–3%

Defined contribution plan

Several of the Group companies have defined contribution plans in accordance with local legislation. As at 31 December 2012 total 1,261 members were covered by the plans. The contributions recognised as expenses equalled USD 5.6 million in 2012. For 2011 the contributions was USD 3.9 million.

NOTE 10 NON-CURRENT ASSETS

(USD 1 000)	Real estate	Ships and newbuilding contracts	Periodic maintenance	Tank terminals	Office equipment and cars	Total
Net carrying amount 1.1.2011	49 022	1 273 871	43 318	707 255	44 146	**2 117 612**
Investment	748	126 742	36 796	93 222	11 168	**268 675**
Sale at book value	(9 505)	(79 337)	(2 444)	(210 028)	(4 639)	**(305 954)**
Depreciations discontinued operation	–	–	–	(13 169)	–	**(13 169)**
Depreciation and impairment 2011	(1 797)	(65 873)	(40 351)	(6 383)	(7 761)	**(122 164)**
Exchange rate differences	119	(2 476)	–	20 419	542	**18 603**
Net carrying amount 31.12.2011	**38 588**	**1 252 925**	**37 319**	**591 318**	**43 455**	**1 963 603**
Investment	926	107 416	29 250	64 716	10 033	**212 341**
Sale at book value	–	(46 297)	–	–	(345)	**(46 642)**
Depreciations discontinued operation	–	–	–	–	–	**–**
Depreciation and impairment 2012	(2 492)	(54 748)	(33 595)	(32 693)	(7 973)	**(131 501)**
Exchange rate differences	(1 056)	639	–	1 731	(284)	**1 029**
Held for sale	(2 805)	–	–	(184 356)	(521)	**(187 682)**
Net carrying amount 31.12.2012	**33 161**	**1 259 935**	**32 973**	**440 714**	**44 365**	**1 811 150**
Cost	66 866	1 963 901	43 319	962 265	87 402	**3 123 753**
Depreciations discontinued operation	–	–	–	(21 641)	–	**(21 641)**
Accumulated depreciation	(17 844)	(690 031)	–	(233 369)	(43 256)	**(984 500)**
Net carrying amount 01.01.2011	**49 022**	**1 273 871**	**43 319**	**707 255**	**44 146**	**2 117 612**
Cost	58 227	2 008 830	37 319	865 878	94 472	**3 064 727**
Depreciations discontinued operation	–	–	–	(34 810)	–	**(34 810)**
Accumulated depreciation	(19 639)	(755 905)	–	(239 751)	(51 017)	**(1 066 313)**
Net carrying amount 01.01.2012	**38 588**	**1 252 925**	**37 319**	**591 318**	**43 455**	**1 963 603**
Cost	58 097	2 070 588	66 569	897 515	103 876	**3 196 645**
Accumulated depreciation	(22 131)	(810 653)	(33 595)	(272 444)	(58 990)	**(1 197 814)**
Held for sale	(2 805)	–	–	(184 356)	(521)	**(187 682)**
Net carrying amount 31.12.2012	**33 161**	**1 259 935**	**32 973**	**440 714**	**44 365**	**1 811 150**

Capital gain (loss) on non-current assets
In 2012 capital loss from sale of ships was USD 4.6 million (USD 24.6 million gain in 2011).

Depreciation periods
Non-current assets are depreciated straight-line over their estimated useful lives as follows (in years):

– Real estate	up to 50
– Ships	25–30
– Periodic maintenance	2.5–5
– Main components of tank terminals	10–40
– Office equipment and cars	3–15

Fully depreciated non-current assets
Assets with a total cost price of USD 2.93 million have been fully depreciated as at 31 December 2012, but are still in use.

Assets financed under finance leases
The carrying amount of ships financed under finance leases were USD 248 million and USD 256.9 million at 31 December 2012 and 31 December 2011 respectively. See note 2.12.

Capitalised interest on newbuilding contracts
Newbuilding contracts include capitalised interest in connection with the financing of the newbuilding programme. The capitalised interest carried in the balance sheet equalled USD 1.7 million in 2012 and USD 2.3 million in 2011. The average interest rate for 2012 was 2.05%.

Change in residual value
The residual values are evaluated on a regular basis and changes have an effect on future depreciations. During 2012 the market value for demolition of ships has been changed from USD 480 per tonne at the beginning of the year to USD 418 per tonne at the end of the year.

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NOTE 11 INTANGIBLE ASSETS

Intangible assets acquired through business combinations have been allocated to three individual cash generating units (CGU) as follows:

(USD 1 000)	Odfjell Terminals (Rotterdam) BV	Oiltanking Odfjell Terminal Singapore Pte Ltd	Odfjell Terminals (Houston) Inc.	Total
GOODWILL:				
Book value 1.1.2011	5 244	5 516	–	**10 760**
Allocated fair value assets	35 453	–	35 241	**70 693**
Sale	(5 244)	–	–	**(5 244)**
Exchange rate effect	(552)	(73)	–	**(625)**
Book value 31.12.2011	**34 901**	**5 443**	**35 241**	**75 584**
Book value 1.1.2012	34 901	5 443	35 241	**75 584**
Sale	–	–	–	**–**
Exchange rate effect	11	346	–	**357**
Held for sale	–	(2 837)	–	**(2 837)**
Book value 31.12.2012	**34 912**	**2 952**	**35 241**	**73 105**
CUSTOMER RELATIONSHIP:				
Book value 1.1.2011	–	–	–	**–**
Allocated fair value assets	35 093	–	5 865	**40 958**
Accumulated depreciation	(1 168)	–	(196)	**(1 364)**
Book value 31.12.2011	**33 925**	**–**	**5 669**	**39 594**
Book value 1.1.2012	33 925	–	5 669	**39 594**
Accumulated depreciation	(3 504)	–	(588)	**(4 092)**
Exchange rate effect	1 212	–	–	**1 212**
Book value 31.12.2012	**31 633**	**–**	**5 081**	**36 714**
Intangible assets 31.12.2012	**66 545**	**2 952**	**40 322**	**109 819**

Customer relationships are depreciated straight-line over ten years.

The goodwill and customer relationship in 2011 occured because of the change in control of Odfjell Terminals (Houston) Inc and Odfjell Terminals (Rotterdam) BV. See note 35 for additional information.

Held for sale is related to the letter of intent to expand its existing joint venture with Lindsay Goldberg LLC. See note 37 for additional information.

NOTE 12 IMPAIRMENT OF NON-CURRENT ASSETS AND GOODWILL

The Management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.14 for each CGU.

As at 31 December 2012, the market capitalization of the Group was below the book value of its equity, indicating a potential impairment of intangible assets and of assets of the operating segments. In addition, the on-going uncertainty in business activity and thereof weak earning, have also indicated a potential impairment. Goodwill is tested for impairment on annual basis as required by IFRS.

The WACC has been estimated as follows:

Borrowing rate:	Debt ratio*(10 year swap rate + loan margin)
+ Equity return:	Equity ratio*(10 year treasury rate + Beta * risk premium)
= WACC	

Chemical Tankers and LPG/Ethylene:
For Odfjell's shipping activity the net present value of future cash flows has been calculated based on expected time charter earnings and estimated level of operating expenses for each ship over the remaining useful life of the ship. The net present value of future cash flows was based on weighted average cost of capital (WACC) of 6% in 2012 and 6% in 2011. As both swap and treasury US dollar based rates are currently low, the WACC ends out low as well. Odfjell has used an industry Beta based on observations of average of monthly data over five years and weekly data over two years.

In our assumptions we believe in a better balance of supply and demand for tonnage and that we will see a growth in the time charter earning

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in the years to come. Odfjell has used estimates that will bring time charter earning back to 2007/08 level within a couple of years.

Regarding LPG/Ethylene carriers this is a new established business segment within Odfjell. Both ships were bought in 2012 and time charter earning has not given any indication of impairment.

Tank Terminals:
Net present value is calculated based on prognosis related to earnings, expenses and capital expenditure for the coming years. After five years an indefinite terminal value is estimated, based on Gordons Growth model. Growth in steady state is set to 2%. The net present value was based on a WACC of 6% in 2012.

Odfjell SE has entered into a letter of intent and has on-going discussions with an external part related to partly sale of terminal business ownership (see note 37). On-going discussions have confirmed carrying amount in our balance sheet.

Net present value for goodwill and customers relationship has been calculated together with the underlying CGU, which again was measured against total carrying amount. For both our partly owned terminals in Houston and Singapore we have seen stable earnings for many years and we have no indicators that this will change going forward. The terminal in Singapore is also part of the terminal sale described (see note 37), a transaction which has confirmed values above carrying amount. Related to our partly owned terminal in Rotterdam the situation has been quite extraordinary the last year due to the temporary shutdown which again gave indication of impairment, we believe that the situation will stabilize within a couple of years. Net present value calculation is based on the assumption that the terminal is up and running normally within a couple of year related to volume and rates.

Related to customers relationship Odfjell see mainly a stable portfolio of large and solid customers. Odfjell see the situation in Rotterdam as quite extraordinary and expect that the situation will normalize within a couple of years.

Sensitivity:
A 1% point change in the WACC changes the 'value in use' for the owned ships by about USD 110 million. The 'value in use' equals the book value if the WACC increases by 2.9% point to 8.9%. The same is also the situation if time charter earning is decreased with about 8.3%.

If WACC changes by 0.7% point then we will come in an impairment situation related to Odfjell Terminals (Rotterdam).

For 2012 and 2011 no impairment was needed in non-current assets or intangible assets.

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)	2012	2011
PROFIT AND DILUTED PROFIT FOR THE YEAR DUE TO HOLDERS OF ORDINARY SHARES		
Profit for the year from continuing operations	(110 844)	(19 605)
Profit/(Loss) from discontinued operations	–	288 496
Profit/(Loss) and diluted profit for the year due to the holders of ordinary shares	**(110 844)**	**268 891**
AVERAGE NUMBER OF SHARES OUTSTANDING (NOTE 33)		
Weighted average number of ordinary shares for basic earnings per share *)/Diluted average number of shares outstanding	**80 603**	**78 555**
Basic/diluted earnings per share	(1.37)	3.42
Basic/diluted earnings per share (USD) – continued operation	(1.37)	(0.25)
Basic/diluted earnings per share (USD) – discontinued operation	–	3.67

*) The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year. 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.

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NOTE 14 GOVERNMENT GRANTS

Government grants from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seafarers of USD 1.8 million in 2012 (USD 1.7 million in 2011) is entered in the accounts as a reduction of operating expenses.

Flumar Transportes de Quimicos e Gases Ltda received USD 2.1 million in 2012 (USD 5.1 million in 2011) in AFRMM (Additional Freight for the Merchant Marine Renewal), which is a freight contribution for cargoes shipped by Brazilian flag vessels on the Brazilian coast. The AFRMM are recognized where there is a reasonable assurance that the AFRMM will be received and all attached conditions will be fulfilled. When the benefit refers to an expense item, it is recognized as reduction in expenses over the period of benefit, on a systematic basis in relation to costs the benefit aims to offset.

NOTE 15 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 and on market terms.

The Odfjell Group shares offices in Brazil with a local terminal company related to a Director of the Board, Bernt Daniel Odfjell. The Director's family also has ownership interest in a company, which acts as Brazilian port agent for Odfjell as one among many customers. In addition to reimbursement of actual expenses and expenditures incurred, Odfjell Tankers AS and Flumar Transportes de Quimicos e Gases Ltda paid these companies USD 1.5 million in agency fees in 2012 (USD 1.7 million in 2011), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil – Representacoes Ltds paid USD 0.4 million for administrative services in 2012 (USD 0.5 million in 2011).

AS Rederiet Odfjell, jointly controlled by Laurence Ward Odfjell (Chairman) and Bernt Daniel Odfjell (Director), rents office premises and buys limited administrative services from Odfjell Management AS in Bergen, for which Odfjell Management AS received USD 0.1 million in 2012 (same as in 2011).

Transactions with related parties are settled on a regular basis and the balances as per 31.12.2012 were immaterial.

NOTE 16 COMMITMENTS, GUARANTEES AND CONTINGENCIES

Operating leases

The Group has entered into several operating leases for ships. The leases have fixed time charter commitment. The time charter rate is the compensation to the ship owner covering his financial expenses and in some cases also the ship operating expenses. In addition the Group has floating time charter arrangements where payments equal the earnings generated by the ships. See note 20 for the time charter/lease expenses.

The Group also has entered into operating leases for land, buildings and certain vehicles and items of machinery. Leases for land and buildings are generally non-cancellable and long-term. Leases for certain vehicles and items of machinery have an average period of between three and five years with no renewal option in the contracts.

The operating leases contain no restrictions on the Company's dividend policy or financing opportunities.

The nominal value of future rents related to the operating lease fall due as follows:

(USD 1 000)	2012	2011
Within one year	152 838	156 127
After one year but not more than five years	299 714	354 811
After five years	112 413	166 773
Total operating leases	**564 965**	**677 711**

Capital commitments

Odfjell has an agreement with Chongqing Chuandong Shipbuilding Industry Co to build a series of three 9,000 DWT stainless steel chemical tankers. Two of these vessels were delivered in 2012 and the last vessel was delivered early 2013. These newbuildings are fully financed.

Odfjell has also entered an agreement with Daewoo Shipbuilding & Marine Engineering Co., Ltd (DSME) to build one fully IMO II 75,000 DWT chemical tanker with 31 coated tanks for delivery first half 2013 at a total price of about USD 65 million. This ship is fully financed except for a remaining equity payment totalling about USD 4 million.

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Odfjell has in 2012 signed a ship building contract with Hyundai Mipo Dockyard Ltd in Korea for construction of four chemical tankers of 46,000 DWT design draft with 22 coated cargo tanks for delivery in year 2014. The contract price is closed to USD 160 million and we are in discussion with banks regarding financing of the newbuildings.

The Company also has capital commitments for investments in terminals in China, Korea, Singapore, the Middle East, North America and Europe of a total amount of USD 29.2 million.

Guarantees

(USD 1 000)	2012	2011
Total guarantees	72 928	113 785

The Odfjell Group has given guarantees to third parties as part of our day-to-day business to assume responsibility for bunkers purchases, port obligations and operating lease commitments.

Contingencies

The Company maintains insurance coverage for its activities consistent with industry practice. The Company is involved in claims typical to the chemical tanker, LPG/Ethylene and tank terminal industry, but none of these claims have resulted in material losses for the Company since such claims have been covered by insurance.

NOTE 17 AVAILABLE-FOR-SALE INVESTMENTS

(USD 1 000)	Currency	Average interest rate 2012	Book value 2012	Book value 2011
Bonds and certificates issued by financial institutions	USD	1.19%	11 285	15 631
Bonds and certificates issued by financial institutions	NOK	3.30%	5 449	4 991
Bonds and certificates issued by corporates	USD		–	4 741
Total available-for-sale investments			16 734	25 364

Book value equals market value. Market value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In 2012 unrealised gain of USD 1.2 million was recognised directly to statement of other comprehensive income (unrealised loss of USD 1 million in 2011). Bonds and certificates generally have interest rate adjustments every three months.

NOTE 18 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 of USD 2.9 million (USD 3.0 million in 2011) consist of funds for withholding taxes relating to employees in Odfjell Management AS and Odfjell Maritime Services AS. The cash and cash equivalents do not include available credit facilities.

(USD 1 000)	2012	2011
Cash at banks and in hand	97 136	142 911
Short-term deposits	43 936	25 049
Other liquid investments	29 685	12 074
Effect from currency exchange rate fluctuations	(299)	33
Held for sale	(17 335)	–
Total cash and cash equivalents	153 123	180 067
Available credit facilities	93 670	0

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NOTE 19 VOYAGE EXPENSES

Voyage expenses are expenses directly related to the ship voyage.

(USD 1 000)	2012	2011
Port expenses	93 159	91 014
Canal expenses	23 092	19 913
Bunkers expenses [1]	318 361	308 455
Transhipment expenses	24 197	24 610
Commission expenses	23 342	24 120
Other voyage related expenses	50 240	64 093
Total voyage expenses	**532 391**	**532 205**

[1] Includes bunkers hedging

NOTE 20 TIME CHARTER EXPENSES

Time charter expenses consist of expenses for operating leases, see note 16 for future obligations.

(USD 1 000)	2012	2011
Floating time charter expenses	49 136	51 725
Other time charter expenses	124 021	115 900
Total time charter expenses	**173 157**	**167 625**

Time charter is an arrangement for hire of a ship. These arrangements vary in form and way of payment and period of hire may differ from time to time. Bare-boat arrangements are also included in this note. See Glossary in Annual Report for additional comments.

NOTE 21 OPERATING EXPENSES

Operating expenses consist of expenses for operating ships and terminals (for example wages and remunerations for crew and operational personnel and materials and equipment for ships and terminals).

(USD 1 000)	2012	2011
Salary expenses (note 23)	128 296	110 035
Cost of operations terminals	48 716	21 769
Cost of operations ships	108 485	109 893
Cost of operations LPG/Ethylene	1 916	–
Tonnage tax	127	122
Currency hedging	(2 262)	(3 821)
Total operating expenses	**285 278**	**237 998**

NOTE 22 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of expenses for headquarter's activity, activities outside Bergen for brokerage, agency and general administration in tank terminals.

(USD 1 000)	2012	2011
Salary expenses (note 23)	86 650	75 405
Other expenses	43 130	31 636
Currency hedging	(1 204)	(3 310)
Total general and administrative expenses	**128 576**	**103 731**

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2012	2011
Statutory auditing	798	996
Other assurance services	168	88
Tax advisory services	220	212
Other non-audit services	306	73
Total remuneration	**1 492**	**1 367**

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NOTE 23 SALARY EXPENSES, NUMBER OF EMPLOYEES AND BENEFITS TO BOARD OF DIRECTORS AND MANAGEMENT

Salary expenses are included in operating and general and administrative expenses according to the activity.

(USD 1 000)	2012	2011
Salaries	167 901	150 563
Social expenses	28 019	20 611
Pension expenses defined benefit plans (note 9)	11 732	8 662
Pension expenses defined contribution plans (note 9)	5 635	3 963
Other benefits	1 659	1 641
Total salary expenses	**214 946**	**185 440**

Average number of employees:

	2012	2011
Europe	858	902
North America	164	155
South East Asia	2 020	2 241
South America	178	208
Other	431	262
Total average number of employees	**3 651**	**3 767**

At the end of 2012 the Board of Directors consists of six members (at the end of 2011 the number of members was five). Compensation and benefits to the Board of Directors:

(USD 1 000)	2012	2011
Remuneration	515	518
Other benefits	–	36
Total	**515**	**554**

For more specification – see Odfjell SE note 16.

Compensation and benefits to the Management Group:

(USD 1 000)	Salary	Bonus	Pension cost	Other benefits	Total
President/CEO, Jan A. Hammer	603	-	49	27	679
Senior Vice President QHSE, Toralf Sørenes (from 27. Jan) *)	195	13	52	25	286
Senior Vice President QHSE, Jan Didrik Lorentz (up to 27. Jan)	48	-	63	2	113
Senior Vice President/CFO, Terje Iversen	282	12	13	27	334
Senior Vice President Corporate Investments, Tore Jakobsen	329	24	37	27	417
Senior Vice President Corporate Services & Support, Harald Fotland	305	25	10	27	367
Senior Vice President Ship Management, Helge Olsen	280	23	47	27	377
Senior Vice President Odfjell Tankers, Morten Nystad	373	31	40	27	470
Senior Vice President LPG/Ethylene, Knut H. Holsen (from 20. Aug) *)	269	19	63	23	374
Interim President Odfjell Terminals BV, Åke Gregertsen (from 25. July)	152	–	1	4	157
President Odfjell Terminals BV, Atle Knutsen (up to 25. July) and Senior Vice President Special Advisor (from 25. July)	493	–	33	111	637
Total	**3 329**	**147**	**408**	**327**	**4 211**

*) The figures show total compensation and benefits for the whole year.

The Board of Directors declaration of determination of salary and other remuneration to the general manager 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 President/CEO and other management employees. Additionally is followed from of The Public Limited Liability Companies Act § 5–6 (3) that the ordinary General Meeting shall also deal with the Boards 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) listed below).

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The guidelines for share based programmes 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 salary and other remuneration to management employees are listed in the table above.

(2) Guidelines for determining of 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 in 2013:

The President/CEO and managers reporting directly to him is included in the Company's defined benefit pension plan or defined contribution plan, see note 9. For the Odfjell Management Group the Company has an unfunded additional pension scheme covering salary over 12G, capped to 18G. This implies that 66% of the salary basis between 12G and 18G is covered in this additional scheme.

The Management shall be offered competitive terms of employment in order to ensure continuity in the Management and to enable the Company to recruit qualified personnel. The remuneration should be composed so that it promotes the creation of values 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.

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 programmes as mentioned in the Public Limited Companies Act, section 6–16 subsection 1 no. 3. As the Company has no such arrangements, no specific limits regulating the different categories of benefits or the total remuneration of Management have been defined.

The Board has implemented a performance-related incentive scheme for 2012 that will be linked to the Company's earnings performance and operational defined 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. Members of Management have no defined agreement with regards to severance payments. Remuneration to Management in 2012 was in compliance with the above guidelines.

Management employee loans are generally secured by property mortgages. Loans to the members of management carry an interest of 2.25% per annum and repayment period is five years. Members of the management have loans from the Company as follows: Jan A. Hammer (USD 0.03 million), Morten Nystad (USD 0.08 million) and Helge Olsen (USD 0.11 million).

In Norway all employees are entitled to a very limited loan from the Company. Repayment period is normally five years and loans are currently calculated at 2.25% interest per annum, and total outstanding amount as per 31.12.2012 was USD 0.9 million.

NOTE 24 BUSINESS COMBINATIONS

No material business combinations in 2012 or 2011.

NOTE 25 SUBSEQUENT EVENTS

No special issues.

NOTE 26 OTHER FINANCIAL ITEMS

(USD 1 000)	2012	2011
Realised gain/losses on available-for-sale-investments	469	902
Financial assets and liabilities at fair value through profit and loss	(6 734)	(8 674)
Other financial income	1 278	13 658
Other financial expenses	(10 554)	(3 391)
Total other financial items	**(15 542)**	**2 494**

The negative net result on other financial items in 2012, was basically related to negative market value on bunkers and interest derivatives to secure a low interest rate, that is not accounted for as hedging. See note 5 for overview of hedging exposure.

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NOTE 27 CURRENCY GAINS (LOSSES)

(USD 1 000)	2012	2011
Currency hedging contracts	(3 372)	612
Non-current receivables and liabilities	3 126	12 100
Cash and cash equivalents	229	33
Other current assets and current liabilities	(2 485)	(8 709)
Total currency gains (losses)	**(2 502)**	**4 035**

See note 5 for overview of currency hedging exposure.

NOTE 28 NON-CURRENT RECEIVABLES

(USD 1 000)	2012	2011
Loans to employees	974	948
Prepayment of land use right	10 453	10 563
Prepayment of lease	21 212	24 365
Other non-current receivables	27 090	26 411
Held for sale	(9 114)	–
Total non-current receivables	**50 614**	**62 288**

Nothing material past due or impaired.

NOTE 29 CURRENT RECEIVABLES

(USD 1 000)	2012	2011
Trade receivables	116 505	113 350
Other receivables	22 505	14 487
Pre-paid costs	10 574	11 601
Provisions for impairment	(4 144)	(4 657)
Held for sale	(6 281)	–
Total current receivables	**139 159**	**134 781**

Trade receivables are from a wide range of customers within our shipping and tank terminal business. Credits are granted to customers in the normal course of business. The Company regularly reviews its accounts receivable and makes allowances for uncollectible amounts. The amounts of the allowance is based on the age of the unpaid balance, information about the current financial condition of the customer, any disputed items and other relevant information.

As at 31 December, the ageing analysis of trade receivable and other current receivable are as follows:

			Past due, but not impaired			
(USD 1 000)	Total	Not past due nor impaired	←30 days	30-60 days	60-90 days	→90 days
2012	**139 010**	76 662	34 935	8 438	5 027	13 948
2011	127 836	62 330	41 722	7 014	4 371	12 400

Movement in provisions for impairment:

(USD 1 000)	2012	2011
Total provision for impairment 1 January	4 657	4 373
This year's expenses	835	1 200
Write-off this year	(1 386)	(916)
Reversed provisions	38	–
Total provision for impairment per 31 December	**4 144**	**4 657**

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The table below summarizes total current receivables into different currencies:

(USD 1 000)	2012	2011
USD	96 973	104 683
EUR	27 107	17 485
SGD	3 501	3 907
RMB	3 953	2 068
WON	1 853	1 209
Other	5 773	5 428
Total current receivables	**139 159**	**134 781**

NOTE 30 OTHER CURRENT LIABILITIES

(USD 1 000)	2012	2011
Trade payables	36 644	30 710
Estimated voyage expenses	40 472	33 762
Provisions	1 738	2 609
Interest accrual	6 552	5 797
Ship Management accruals	5 014	4 672
Other current liabilities	28 102	21 854
Held for sale	(12 493)	–
Total other current liabilities	**106 030**	**99 405**

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

(USD 1 000)	Total	On demand	← 3 months	3-6 months	6-9 months	→ 9 months
2012	**106 030**	97 998	5 531	1 149	687	665
2011	99 405	86 631	7 439	2 155	1 850	1 330

The table below summarizes other current liabilities into different currencies:

(USD 1 000)	2012	2011
USD	63 969	55 305
EUR	24 688	24 164
SGD	3 367	1 965
RMB	7 688	3 914
WON	1 632	1 730
Other currencies	4 685	12 327
Total other current liabilities	**106 030**	**99 405**

NOTE 31 OTHER NON-CURRENT LIABILITIES

(USD 1 000)	2012	2011
Tax payable, Norway – new voluntary scheme	–	15 131
Provision for dismantling cost	4 590	4 256
Provisions for claims	5 703	–
Other non-current liabilities	3 755	5 150
Held for sale	(3 873)	–
Total other non-current liabilities	**10 175**	**24 537**

As a part of entering the new Norwegian tonnage tax system Odfjell has in total USD 15.1 million outstanding, which is payable in 2013 and therefore is classified as current liability.

NOTE 32 BUNKERS AND OTHER INVENTORIES

(USD 1 000)	2012	2011
Bunkers	32 913	31 168
Other inventories	4 441	5 075
Held for sale	(492)	–
Total bunkers and other inventories	**36 862**	**36 243**

NOTE 33 SHARE CAPITAL AND PREMIUM

	Number of shares (thousand)		Share capital (USD 1 000)		Share premium (USD 1 000)	
	2012	2011	2012	2011	2012	2011
A shares	65 690	65 690	22 277	22 277	40 507	40 507
B shares	21 079	21 079	7 148	7 148	12 998	12 998
Total	**86 769**	**86 769**	**29 425**	**29 425**	**53 504**	**53 504**
Treasury shares						
A shares	–	5 891	–	1 997	–	–
B shares	–	2 323	–	788	–	–
Total outstanding	**86 769**	**78 555**	**29 425**	**26 640**	**53 504**	**53 504**

The number of shares are all authorised, issued and fully paid. Nominal value is NOK 2.5, equivalent to USD 0.45 as at 31.12.2012. All shares have the same rights in the Company, except that B shares have no voting rights.

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

	2012		2011	
	A shares	B shares	A shares	B shares
Executive Chairman of the Board of Directors, Laurence Ward Odfjell	25 966 492	1 755 076	25 966 492	1 755 076
Director, Bernt Daniel Odfjell	–	2 032	–	2 032
Director, Terje Storeng	70 560	2 112	70 560	2 112
President/CEO, Jan Arthur Hammer	–	3 200	–	3 200
Senior Vice President, Corporate Investments, Tore Jakobsen	–	10 000	–	10 000
Senior Vice President, QHSE, Toralf Sørenes	11 000	–	10 000	–
Interim President Odfjell Terminals BV, Åke Gregertsen	3 000	–	3 000	–

Dividend paid

(USD 1 000)	2012	2011
A shares	–	10 655
B shares	–	3 342
Total [1]	**–**	**13 997**

[1] Payment net of treasury shares

Dividend paid per share was NOK 1 in 2011. No dividend proposed for 2012.

20 largest shareholders as per 31 December 2012:

	Name	A shares	B shares	Total	Percent of votes	Percent of shares
1	Norchem AS	25 966 492	1 591 176	**27 557 668**	39.53%	31.76%
2	Dnb Nor Bank ASA	5 861 048	2 369 170	**8 230 218**	8.92%	9.49%
3	Rederiet Odfjell AS	3 497 472	–	**3 497 472**	5.32%	4.03%
4	Odfjell Shipping Bermuda Ltd.	2 750 000	715 760	**3 465 760**	4.19%	3.99%
5	Pareto Aksje Norge	2 045 342	1 229 529	**3 274 871**	3.11%	3.77%
6	SHB Stockholm Clients Account [1]	1 599 670	1 430 680	**3 030 350**	2.44%	3.49%
7	SIX SIS AG 5 Pct Nom [1]	1 036 400	1 600 800	**2 637 200**	1.58%	3.04%
8	JP Morgan Clearing Corp. [1]	2 125 819	25 225	**2 151 044**	3.24%	2.48%
9	SIX SIS AG [1]	1 099 600	577 100	**1 676 700**	1.67%	1.93%
10	Skagen Vekst	1 664 725	–	**1 664 725**	2.53%	1.92%

	Name	A shares	B shares	Total	Percent of votes	Percent of shares
11	Fondsfinans Spar	1 600 000	–	**1 600 000**	2.44%	1.84%
12	Pareto Aktiv	874 087	523 823	**1 397 910**	1.33%	1.61%
13	Odin Maritim	88 288	1 137 813	**1 226 101**	0.13%	1.41%
14	KLP Aksje Norge VPF	726 450	223 534	**949 984**	1.11%	1.09%
15	SES AS	210 000	670 000	**880 000**	0.32%	1.01%
16	The Northern Trust Co [1]	13 579	816 400	**829 979**	0.02%	0.96%
17	AS SS Mathilda	600 000	150 000	**750 000**	0.91%	0.86%
18	Pareto Verdi	461 714	283 420	**745 134**	0.70%	0.86%
19	Berger	732 400	–	**732 400**	1.11%	0.84%
20	KLP Aksje Norden VPF	721 731	–	**721 731**	1.10%	0.83%
	Total 20 largest shareholders	**53 674 817**	**13 344 430**	**67 019 247**	**81.71%**	**77.24%**
	Other shareholders	12 015 427	7 734 274	**19 749 701**	18.29%	22.76%
	Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
	International shareholders	37 523 440	9 267 760	**46 791 200**	57.12%	53.93%

[1] Nominee account

The Extraordinary General Meeting on 2 October 2012 authorised the Board of Directors to acquire up to 10 % of the Company's share capital. This authorisation expires 2 April 2014. The purpose of purchasing own shares is to enhance shareholders' value. The Board of Directors regularly considers investments in own shares when it may be beneficial for the Company.

NOTE 34 LIST OF SUBSIDIARIES

The following subsidiaries are fully consolidated in the financial statements as per 31 December 2012:

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 Management Consultancy (Shanghai) Co Ltd	China	100%	100%
Odfjell Terminals (Jiangyin) Co Ltd	China	55%	55%
Odfjell Chemical Tankers (Germany) GmbH	Germany	100%	100%
Odfjell Japan Ltd	Japan	100%	100%
Odfjell Korea Ltd	Korea	100%	100%
Odfjell Netherlands BV	Netherlands	100%	100%
Odfjell Terminals BV (Netherlands)	Netherlands	100%	100%
Odfjell Terminals EMEA BV	Netherlands	100%	100%
Odfjell Terminals USA BV	Netherlands	100%	100%
Norfra Shipping AS	Norway	100%	100%
Odfjell Chemical Tankers AS	Norway	100%	100%
Odfjell Gas AS	Norway	100%	100%
Odfjell Gas Carriers 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 Newco AS	Norway	100%	100%
Odfjell Projects AS	Norway	100%	100%
Odfjell Tankers AS	Norway	100%	100%
Odfjell Tankers Europe AS	Norway	100%	100%
Odfjell Terminals SE	Norway	100%	100%
Odfjell Peru S.A.C.	Peru	100%	100%
Odfjell Ship Management (Philippines) Inc	Philippines	100%	100%
Odfjell Asia II Pte Ltd	Singapore	100%	100%
Odfjell Asia Pte Ltd	Singapore	100%	100%
Odfjell Singapore Pte Ltd	Singapore	100%	100%
Odfjell Terminals Asia Pte Ltd	Singapore	100%	100%
Odfjell Terminals China Pte Ltd	Singapore	100%	100%
Odfjell Durban South Africa (Pty) Ltd	South Africa	100%	100%
Odfjell (UK) Ltd	United Kingdom	100%	100%
Odfjell USA (Houston) Inc	USA	100%	100%

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NOTE 35 INVESTMENTS IN JOINT VENTURES

The Odfjell Group has the following investments in joint ventures, accounted for according to the gross method as per 31 December 2012:

JOINT VENTURE	Country of registration	Business segment	Ownership share
Odfjell & Vapores Ltd	Bermuda	Chemical Tankers	50%
Odfjell Ahrenkiel Europe GmbH	Germany	Chemical Tankers	50%
Crystal Pool AS	Norway	Chemical Tankers	50%
NCC – Odfjell Chemical Tankers JLT	United Arab Emirates	Chemical Tankers	50%
Odfjell Makana SA	South Africa	Chemical Tankers	49.9%
Odfjell y Vapores SA	Chile	Chemical Tankers	49%
Thembani Shipping SA	South Africa	Chemical Tankers	44.9%
Odfjell Terminals (Rotterdam) BV	Netherlands	Tank Terminals	51%
Odfjell Terminals Maritiem BV	Netherlands	Tank Terminals	51%
Odfjell Terminals (Houston) Inc	USA	Tank Terminals	51%
Odfjell Terminals (Charleston) LLC	USA	Tank Terminals	51%
Odfjell Terminals (Dalian) Co Ltd	China	Tank Terminals	50%
Oiltanking Odfjell Terminal Singapore Pte Ltd	Singapore	Tank Terminals	50%
Odfjell Terminals (Korea) Co Ltd	Korea	Tank Terminals	50%
Oiltanking Odfjell GmbH	Germany	Tank Terminals	50%
Oiltanking Odfjell Terminals Oman BV	Netherlands	Tank Terminals	42.5%
Exir Chemical Terminal (PJSCo)	Iran	Tank Terminals	35%
Oiltanking Odfjell Terminals & Co LLC (Oman)	Oman	Tank Terminals	30%
Odfjell Terminals Lindsay Goldberg CV	Netherlands	Tank Terminals	51%
Odfjell Terminals General Partner BV	Netherlands	Tank Terminals	51%
Odfjell Holdings (US) Inc	USA	Tank Terminals	51%
Odfjell USA Inc	USA	Tank Terminals	51%
Odfjell Terminals (Europe) BV	Netherlands	Tank Terminals	51%
Odfjell NangangTerminals (Tianjing) Co Ltd	China	Tank Terminals	49%

The share of result and balance sheet items for investments in joint ventures is included line by line in the accounts. The below main figures are included for each segment in the Group accounts:

	2012			2011		
(USD 1 000)	Chemical Tankers	Tank Terminals	Total	Chemical Tankers	Tank Terminals	Total
Gross revenue	165 811	138 390	**304 201**	125 215	105 113	230 328
Operating expenses	(2 051)	(80 599)	**(82 649)**	(1 826)	(36 449)	(38 275)
Net financial items	20	(15 136)	**(15 116)**	(13)	(11 568)	(11 581)
Net result	2 652	(6 308)	**(3 656)**	1 877	21 375	23 251
Non-current assets	7 957	574 844	**582 801**	2 009	520 999	523 008
Current assets	27 105	87 172	**114 278**	26 844	111 401	138 246
Total assets	**35 063**	**662 017**	**697 079**	**28 853**	**632 400**	**661 253**
Equity opening balance	10 476	298 362	**308 839**	9 224	137 275	146 500
Net result	2 652	(6 308)	**(3 656)**	1 877	21 375	23 251
Equity additions/adjustments	(2 000)	(25 684)	**(27 684)**	–	139 391	139 391
Exchange rate differences	78	9 502	**9 579**	(624)	322	(304)
Total equity closing balance	**11 206**	**275 873**	**287 079**	**10 476**	**298 362**	**308 839**
Non-current liabilities	316	273 545	**273 861**	246	269 501	269 747
Current liabilities	23 541	112 598	**136 139**	18 130	64 536	82 667
Total liabilities	**23 857**	**386 144**	**410 000**	**18 376**	**334 038**	**352 413**
Net cash flow from operating activities	2 881	74 110	**76 992**	(632)	65 658	65 026
Net cash flow from investing activities	(2 928)	6 840	**3 912**	(63)	(23 807)	(23 869)
Net cash flow from financing activities	(2 008)	(97 750)	**(99 758)**	108	(15 862)	(15 755)
Uncalled committed capital	–	–	–	–	–	–

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Odfjell SE has entered into a letter of intent to expand its existing joint venture with Lindsay Goldberg LLC to include substantially all of Odfjell's tank terminals business. In the proposed transaction it is intended that Lindsay Goldberg LLC will acquire 49% interest in these tank terminals. The Exir Chemical Terminal, and the non-controlling interests in the terminal in Ningbo, China, is not included in the mentioned transaction. In the financial statement this transaction is treated as held for sale, and of the figures in the table above this is amounted to:

Asset held for sale	USD 223 741
Liabilities held for sale	USD 128 900

See also note 37 Held for sale.

In 2011 Odfjell sold 49% indirect interest in each of Odfjell's tank terminals in Rotterdam and Houston, as well as in the greenfield project in Charleston, USA. Through shareholder agreement the transaction has changed Odfjell's influence from control to joint control, due to unanimous voting rights in financial and operational matters as stated in the shareholders agreement.

See also note 10 Non-current assets and note 11 Intangible assets.

NOTE 36 INVESTMENTS IN ASSOCIATES

As Odfjell is involved as a Board Member and has influence in the below mentioned companies, they are accounted for as associated companies. Since both companies are unlisted, there are no quoted prices for a fair value consideration.

Entity	Country	Segment	Ownership interest	Carrying amount
V.O. Tank Terminal Ningbo	China	Tank Terminals	12.5%	
Noord Natie Odfjell Terminal NV	Belgium	Tank Terminals	12.75%	
Investment in associates 1.1.2011				1 586
Exchange rate differences on translation				58
Dividend				(118)
Net income from associates 2011				192
Investment in associates 31.12.2011				**1 718**
Investment in 2012				20 950
Exchange rate differences on translation				(147)
Dividend				(194)
Net income from associates 2012				825
Investment in associates 31.12.2012				**23 152**

A summary of financial information for our share of the associate:

(USD 1 000)	2012	2011
Gross revenue	3 334	656
Net result	825	192
Assets	10 899	1 779
Liabilities	5 489	60
Equity	5 410	1 718
Excess values	17 737	–

In June 2012, Odfjell bought 25% of Noord Natie Terminals in Antwerp. The transaction was consummated trough Odfjell Terminals (Europe) B.V., a subsidiary of OTLG C.V., which is the Joint Venture Company between Odfjell Terminals B.V. and Lindsay Goldberg LLC.

NOTE 37 HELD FOR SALE

Odfjell SE has entered into a letter of intent to expand its existing joint venture with Lindsay Goldberg LLC to include substantially all of Odfjell's tank terminals business (Odfjell Terminals (Rotterdam) and Odfjell Terminals (Houston) were included in 2011). In the proposed transaction it is intended that Lindsay Goldberg LLC will acquire 49% interest in these tank terminals. The completed date for the transaction is expected to be within first semester in 2013.

Assets and liabilities classified as held for sale:

(USD 1 000)	2012
ASSETS	
Intangible assets	2 837
Real estate	2 805
Tank terminals	184 356
Office equipment and cars	521
Non-current receivables	9 114
Total non-current assets	**199 632**
Current receivables	6 281
Bunkers and other inventories	492
Cash and cash equivalents	17 335
Total current assets	**24 109**
Total assets	**223 741**
LIABILITIES	
Deferred tax liability	2 976
Pension liability	38
Non-current interest bearing debt	94 072
Derivatives financial instruments	4 381
Other non-current liabilities	3 873
Total non-current liabilities	**105 340**
Company taxes payable	525
Current portion of interest bearing debt	10 543
Current liabilities	12 493
Total current liabilities	**23 561**
Total liabilities	**128 900**

NOTE 38 EXCHANGE RATES OF THE GROUP'S MAJOR CURRENCIES AGAINST USD

	Norwegian kroner (NOK)		Euro (EUR)		Renmimbi (RMB)		Singapore dollar (SGD)	
	Average	Year-end	Average	Year-end	Average	Year-end	Average	Year-end
2012	**5.83**	**5.59**	**1.29**	**1.32**	**6.24**	**6.16**	**1.25**	**1.22**
2011	5.61	6.01	1.39	1.29	6.39	6.23	1.26	1.30

NOTE 39 DISCONTINUED OPERATIONS

Odfjell entered in a strategic partnership with the US-based private equity firm Lindsay Goldberg LLC in August 2011. This transaction gave Lindsay Goldberg a 49% indirect interest in each of Odfjell's tank terminals in Rotterdam and Houston as well as in the greenfield project in Charleston, USA.

Through a shareholder agreement the transaction has changed Odfjell's influence from control to joint control and Odfjell's total previous ownership is presented as discontinued operation from 2Q 2011 including re-presentation of profit and loss and cash flows for prior period. Change of control was effective from 15 August, and the remaining 51% interest is from this date presented as joint venture using proportionate consolidation. Total gain on the sale equalled USD 270 million (100%), this gain is included in net result as discontinued operations.

There are no discontinued operations for 2012.

(USD 1 000)	Per 15 August 2011
Gross revenue	124 271
Voyage expenses	(59 270)
Gross result	**65 001**
General and administrative expenses	(19 818)
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)	**45 183**
Depreciation	(13 169)
Capital gain (loss) on non-current assets	269 516
Operating result (EBIT)	**301 530**
Interest income	312
Interest expenses	(4 142)
Other financial items	(1 029)
Currency gains (losses)	180
Net financial items	**(4 679)**
Result before tax	**296 851**
Taxes	(8 355)
Net result from discontinued operation	**288 496**
Earnings per share (USD) – basic and diluted	3.67

The net cash flows incurred by discontinued operation (from control to joint control) are as follows (100% share):

(USD 1 000)	Per 15 August 2011
Net cash flow from operating activities	54 857
Net cash flow from investing activities	(33 127)
Net cash flow from financing activities	(13 913)
Net cash inflow/(outflow)	**7 817**

The sale of discontinued operation (from control to joint control) had the following effect on the Group's financial position (49% share):

(USD 1 000)	Discontinued operations sold in 2011
Assets of discontinued operations 15.08.2011	266 550
Liabilities of discontinued operations 15.08.2011	(152 607)
Net identifiable assets and liabilities (49% share)	**113 943**
Cost of sale	(5 040)
Currency exchange differences	6 966
Gain on sale (49% share)	132 063
Cash received (49% share sold)	**247 932**

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STATEMENT OF COMPREHENSIVE INCOME

(USD 1 000)	Note	2012	2011
OPERATING REVENUE (EXPENSES)			
Gross revenue	2	5 650	3 479
General and administrative expenses	16	(11 819)	(12 322)
Depreciation	7	(1 295)	(1 277)
Operating result (EBIT)		**(7 464)**	**(10 120)**
FINANCIAL INCOME (EXPENSES)			
Income on investment in subsidiaries	11	247 814	8 490
Interest income	11	18 616	16 533
Changes in the value of financial fixed assets	11, 18	–	(19 146)
Interest expenses	11	(42 712)	(30 157)
Other financial items	11	(15 397)	(3 290)
Currency gains (losses)	12	2 445	10 493
Net financial items		**210 766**	**(17 077)**
Result before taxes		**203 302**	**(27 197)**
Taxes	5	–	1 058
Net result		**203 302**	**(26 139)**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges changes in fair value		4 286	336
Cash flow hedges transferred to profit and loss statement		(626)	(928)
Net gain/(loss) on available-for-sale investments		1 255	(963)
Other comprehensive income		**4 915**	**(1 555)**
Total comprehensive income		**208 217**	**(27 694)**

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STATEMENT OF FINANCIAL POSITION

Assets as per 31.12 (USD 1 000)	Note	2012	2011
NON-CURRENT ASSETS			
Real estate	7	12 958	13 796
Shares in subsidiaries	18	674 049	674 011
Other shares	18	22 153	22 153
Loans to group companies	13, 14	606 259	566 127
Non-current receivables	14	16 882	18 324
Total non-current assets		**1 332 301**	**1 294 411**
CURRENT ASSETS			
Current receivables		62	105
Group receivables		230 712	4 486
Derivative financial instruments	3	6 014	10 477
Available-for-sale investments	15	16 732	25 364
Cash and bank deposits	19	133 356	70 035
Total current assets		**386 876**	**110 467**
Total assets		**1 719 177**	**1 404 879**

Equity and liabilities as per 31.12 (USD 1 000)	Note	2012	2011
PAID IN EQUITY			
Share capital	6, 20	29 425	29 425
Treasury shares	6, 20	–	(2 616)
Share premium	6	53 504	53 504
Total paid in equity		**82 929**	**80 313**
RETAINED EARNINGS			
Reserve of unrealized profit	6	49 809	44 894
Other equity	6	723 888	491 990
Total retained earnings		**773 697**	**536 884**
Total shareholders' equity		**856 626**	**617 197**
NON-CURRENT LIABILITIES			
Deferred tax	5	–	–
Derivative financial instruments	3	10 711	16 774
Loans from subsidiaries	4	223 612	219 429
Long-term debt	4	445 355	460 796
Total non-current liabilities		**679 677**	**696 998**
CURRENT LIABILITIES			
Derivative financial instruments	3	23 744	20 036
Current portion of long term debt	4	135 826	63 052
Other current liabilities		6 244	5 449
Loans from subsidiaries		17 060	2 147
Total current liabilities		**182 874**	**90 684**
Total liabilities		**862 551**	**787 682**
Total equity and liabilities		**1 719 177**	**1 404 879**
Guarantees	21	664 736	735 588

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 13 March 2013

LAURENCE WARD ODFJELL
Executive Chairman

JANNICKE NILSSON

BERNT DANIEL ODFJELL

TERJE STORENG

IRENE WAAGE BASILI

CHRISTINE RØDSÆTHER

JAN ARTHUR HAMMER
President/CEO

ODFJELL

STATEMENT OF CASH FLOW

(USD 1 000)	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Net result before taxes	203 303	(27 197)
Depreciation	1 295	1 277
Changes in the value of financial non-current assets	–	19 146
Exchange rate fluctuations	(2 445)	(10 493)
Dividends and (gain)/loss from sale of shares classified as investing activities	(22 102)	(8 574)
Other short-term accruals	(208 254)	(56 427)
Net cash flow from operating activities	**(28 203)**	**(82 268)**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in non-current assets	(456)	(648)
Investment in subsidiaries and other shares	(38)	160
Dividend received	22 102	8 574
Change in available-for-sale investments	8 632	(7 104)
Changes in non-current receivables	1 442	(559)
Loans to/from subsidiaries	(35 949)	179 836
Net cash flow from investing activities	**(4 268)**	**180 258**
CASH FLOW FROM FINANCING ACTIVITIES		
New interest bearing debt	315 415	25 000
Repayment of interest bearing debt	(252 166)	(94 611)
Share repurchases	(1 819)	–
Sale of treasury shares	33 029	–
Payment of dividend	–	(13 997)
Net cash flow from financing activities	**94 460**	**(83 608)**
Effect on cash balances from currency exchange rate fluctuations	1 332	595
Net change in cash balances	**63 321**	**14 977**
Cash balances as per 1.1	70 035	55 058
Cash balances as per 31.12	133 356	70 035
Available credit facilities	93 670	–

NOTE 1 ACCOUNTING PRINCIPLES

The parent Company's accounts have been presented in accordance with the simplified IFRS, and are based on the same accounting principles as the Group statement with the following exceptions:

A. Derivative financial instruments and hedging
The Company enters into derivative financial instruments to reduce currency and bunkers exposure in subsidiaries. These instruments do not qualify for hedge accounting. Changes in fair value of these financial instruments are charged to the respective subsidiary and therefore not recognised in net result.

B. Investments in subsidiaries, joint ventures and associates
Investments are based on the Cost Method.

C. Dividend and Group Contribution
Proposed dividend for the parent Company's shareholders is shown in the parent Company accounts as a liability at 31 December.
The IAS 10, 12 and 13 is set aside so that dividends and Group contributions are recorded to correspond with the Norwegian Accounting Act.

NOTE 2 GROSS REVENUE

Gross revenue is related to services performed for other Odfjell Group companies and renting of real estate and other fixed assets and is recognised as revenue in the period the service is delivered and the period the assets rented.

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NOTE 3 DERIVATIVE FINANCIAL INSTRUMENTS

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. In addition the Company enters into derivative financial instruments to reduce currency and bunkers exposure in subsidiaries.

See note 4 in the Group Financial Statements for more details regarding risk management.

Below overview shows status of hedging exposure per 31 December 2012 (figures in 1 000)

						Time to maturity - USD amounts			
Currency		Sold		Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Non hedge	USD	17 806	NOK	100 000	5.62	17 806	–	–	**17 806**

				Time to maturity			
Interest rates			Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD	200 000	4.40%	150 000	50 000	–	**200 000**
Non hedge, IRS [1]	USD	275 000	2.76%	–	175 000	100 000	**275 000**

[1] All non hedge IRS' are classified as held for sale

					Time to maturity - USD amounts			
Cross currency interest rate swaps		Sold	Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Non hedge	USD	273 973	From NOK to USD	6.10%	62 489	122 918	88 566	**273 973**

Below overview shows status of hedging exposure per 31 December 2011 (figures in 1 000)

						Time to maturity - USD amounts			
Currency		Sold		Bought	Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Non hedge [1]	USD	26 000	NOK	185 835	7.15	26 000	–	–	**26 000**

[1] Weekly options, amount can be between 0 and USD 52 million.

					Time to maturity			
Interest rates				Avg. Rate	← 1 year	1 - 5 years	→ 5 years	Total
Cash flow hedging	USD	200 000		4.40%	–	200 000	–	**200 000**
Non hedge, IRS	USD	225 000		3.11%	–	125 000	100 000	**225 000**
Fair value hedging	USD	88 261	From NOK to USD	4.87%	–	88 261	–	**88 261**

Odfjell SE held in addition to the derivatives above, currency FX forwards and bunkers swaps and options to reduce exposure in subsidiaries. The exposures from these contracts are transferred to the respective subsidiary and therefore no profit or loss effect in Odfjell SE:

(USD 1 000)	2012	2011
Bunkers	3 089	2 501
Currency	1 898	1 160
Derivative financial instruments	**4 987**	**3 661**

Fair value of financial instruments

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 recorded 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 valued 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 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.

The Company`s financial statement does not have any differences between fair value and carrying amount.

Fair value hierarchy

As at 31 December all financial instrument were valued at Level 2. Level 2 is defined where inputs are either directly or indirectly observable for substantially the full term of the assets and liabilities.

Classification of financial assets and liabilities as at 31 December 2012:

(USD 1 000)	Derivatives held as hedge instrument	Derivatives held at fair value over the result	Loans and receivables	Available for sale invest-ments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	2012
ASSETS							
Cash and cash equivalents	–	–	133 356	–	–	–	133 356
Available-for-sale-investments	–	–	–	16 732	–	–	16 732
Derivative financial instruments	4 987	1 027	–	–	–	–	6 014
Current receivables	–	–	230 774	–	–	–	230 774
Non-current receivables	–	–	16 882	–	–	–	16 882
Loan to Group companies	–	–	606 259	–	–	–	606 259
Other non-financial assets	–	–	–	–	–	709 160	709 160
Total assets	**4 987**	**1 027**	**987 271**	**16 732**	**–**	**709 160**	**1 719 177**
LIABILITIES							
Other current liabilities	–	–	–	–	6 244	–	6 244
Loan from subsidiaries	–	–	–	–	240 672	–	240 672
Dividend payable	–	–	–	–	–	–	–
Derivative financial instruments	6 448	28 007	–	–	–	–	34 455
Interest bearing debt	–	–	–	–	581 181	–	581 181
Other non-current liabilities	–	–	–	–	–	–	–
Total liabilities	**6 448**	**28 007**	**–**	**–**	**828 097**	**–**	**862 551**

Classification of financial assets and liabilities as at 31 December 2011:

(USD 1 000)	Derivatives held as hedge instrument	Derivatives held at fair value over the result	Loans and receivables	Available for sale in-vestments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	2011
ASSETS							
Cash and cash equivalents	–	–	70 035	–	–	–	70 035
Available-for-sale-investments	–	–	–	25 364	–	–	25 364
Derivative financial instruments	8 052	2 425	–	–	–	–	10 477
Current receivables	–	–	4 591	–	–	–	4 591
Non-current receivables	–	–	18 324	–	–	–	18 324
Loan to Group companies	–	–	566 127	–	–	–	566 127
Other non-financial assets	–	–	–	–	–	709 960	709 960
Total assets	**8 052**	**2 425**	**659 077**	**25 364**	**–**	**709 960**	**1 404 879**
LIABILITIES							
Other current liabilities	–	–	–	–	5 449	–	5 449
Loan from subsidiaries	–	–	–	–	221 576	–	221 576
Dividend payable	–	–	–	–	–	–	–
Derivative financial instruments	13 007	23 803	–	–	–	–	36 810
Interest bearing debt	–	–	–	–	523 848	–	523 848
Other non-current liabilities	–	–	–	–	–	–	–
Total liabilities	**13 007**	**23 803**	**–**	**–**	**750 873**	**–**	**787 682**

NOTE 4 LONG – TERM DEBT

(USD 1 000)	Average interest rate	2012	2011
Loans from financial institutions – floating interest rate	2.46%	314 787	439 695
Bonds	6.42%	273 973	88 261
Subtotal interest bearing debt	**4.30%**	**588 760**	**527 956**
Transaction cost		(7 579)	(4 108)
Total interest bearing debt		**581 181**	**523 847**
Current portion of total debt		(135 826)	(63 052)
Total non-current interest bearing debt		**445 355**	**460 796**

Maturity of interest bearing debt as per 31 December 2012:

(USD 1 000)	2013	2014	2015	2016	2017	2018+	Total
Loans from financial institutions – floating interest rate	73 337	34 587	161 087	21 612	11 424	12 741	**314 787**
Bonds	62 489	–	35 199	–	87 719	88 556	**273 973**
Total interest bearing debt	**135 826**	**34 587**	**196 286**	**21 612**	**99 144**	**101 307**	**588 760**

Maturity of interest bearing debt as per 31 December 2011:

(USD 1 000)	2012	2013	2014	2015	2016	2017+	Total
Loans from financial institutions – floating interest rate	63 052	91 528	64 948	176 878	22 433	20 854	**439 695**
Bonds	–	88 261	–	–	–	–	**88 261**
Total interest bearing debt	**63 052**	**179 790**	**64 948**	**176 878**	**22 433**	**20 854**	**527 956**

Loans from subsidiaries:

(USD 1 000)	Currency	Average interest rate	2012	2011
Loans from subsidiaries	USD	3.07%	5 075	5 075
	EUR	4.02%	218 536	214 353
Total loans from subsidiaries			**223 612**	**219 429**

Loans from Group companies generally have no fixed repayment schedule. Repayment is based on available liquidity. Loans from Group companies are priced on an arms-length basis.

The average term of the Company's outstanding long-term interest bearing bank debt as per 31 December 2012 was 3.9 years (4 years in 2011). The average term of the Company's outstanding bond debt as per 31 December 2012 was 3.3 years (1.8 years in 2011).

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. The interest bearing debt does not contain any restrictions on the Company's dividend policy or financing opportunities. The interest bearing debt is generally subject to certain covenants which include that, in the Odfjell Group accounts, the book debt ratio shall at all times be less than 75% (excluding deferred taxes from debt) and that the liquidity shall always be minimum of USD 50 million and 6% of interest bearing debt.

NOTE 5 TAXES

(USD 1 000)	2012	2011
Taxes payable	–	–
Change in deferred tax	–	938
Adjustments related to earlier year	–	120
Total tax expenses	**–**	**1 058**

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Taxes payable:

(USD 1 000)	2012	2011
Net result before taxes	203 302	(27 197)
Permanent differences	(16 382)	15 275
Changes temporary differences	7 318	13 259
Currency adjustments [1]	4 670	(3 078)
Basis taxes payable	**198 909**	**(1 741)**
Group contribution with no tax effect	(225 712)	–
Group contribution with tax effect	237	–
Basis taxes payable after Group contribution	(26 566)	–
TAXES PAYABLE:		
Taxes payable 28%	(7 438)	(488)
Reduction due to Group contribution	–	–
Net taxes payable	**(7 438)**	**(488)**

[1] Since Odfjell SE is a subject to the Norwegian tax regime, the tax payable is estimated in NOK. The foreign currency conversion will cause currency adjustments.

Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2012	2011
Non-current assets	(5 918)	(5 065)
Other long-term temporary differences	557	559
Differences related to currents assets	486	(769)
Financial instruments	(26 735)	(18 518)
Tax-loss carried forward	(26 566)	(1 202)
Contingent tax liability related to non-taxable gain[1]	13 679	12 733
Net temporary differences	**(44 496)**	**(12 262)**
Tax rate	28%	28%
Total deferred tax (deferred tax assets)	**(12 459)**	**(3 433)**

[1] Contingent tax liability is related to business transfer to 100% owned subsidiaries Odfjell Management AS and Odfjell Maritime Services AS. The gain is non-taxable pursuant to regulations of tax free transfer between companies in the same Group.

Regarding uncertain use of future deferred tax assets, is this not recognized in the balance sheet.

A reconciliation of the effective rate of tax and the tax rate in Odfjell SE's country of registration:

(USD 1 000)	2012	2011
Result before taxes	203 303	(27 197)
Tax assessed at the tax rate in Odfjell SE's country of registration (28% in 2012 and 2011)	(56 925)	7 615
Tax related to non-taxable income and expenses	67 786	(4 277)
This years loss without deferred tax assets	(8 117)	(2 159)
Group contribution - tax effect	(66)	–
Currency adjustments	(2 678)	7
Other adjustments	–	(120)
Tax income (expense)	**–**	**1 058**
Effective tax rate[1]	**0.00%**	**(3.89%)**

[1] Effective tax rate in % is tax income/expense divided by result before taxes.

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NOTE 6 SHAREHOLDERS' EQUITY

(USD 1 000)	Share capital	Treasury shares	Share premium	Reserve of unrealized profit	Cash flow hedge reserve	Available-for-sale reserve	Other equity	Total equity
Shareholders' equity as per 1 December 2011	29 425	(2 616)	53 504	54 790	(8 535)	194	532 126	658 887
Comprehensive income	–	–	–	–	(592)	(963)	(26 139)	(27 694)
Approved dividend	–	–	–	–	–	–	(13 997)	(13 997)
Shareholders' equity as per 31 December 2011	29 425	(2 616)	53 504	54 790	(9 127)	(769)	491 990	617 197
Comprehensive income	–	–	–	–	3 660	1 255	203 303	208 218
Treasury share repurchases	–	(170)	–	–	–	–	(1 649)	(1 818)
Sale of treasury shares	–	2 785	–	–	–	–	30 244	33 029
Shareholders' equity as per 31 December 2012	29 425	–	53 504	54 790	(5 467)	486	723 888	856 626

NOTE 7 NON-CURRENT ASSETS

(USD 1 000)	Cost 1.1.2012	Investment	Sale book value	Accumulated depreciation prior years	Depreciation this year	Book value 31.12.2012
Land	408	–	–	–	–	408
Office building	22 964	456	–	(9 576)	(1 295)	12 549
Total	23 373	456	–	(9 576)	(1 295)	12 958

Depreciation periods: Office building: 50 years. Land is not depreciated.

NOTE 8 RELATED PARTIES

In the normal course of the conduct of its business, Odfjell enters into a number of transactions with related parties.

AS Rederiet Odfjell, where Laurence Ward Odfjell is Executive Chairman of the Board, rent office premises from Odfjell SE (through Odfjell Management AS) in Bergen, for which Odfjell received USD 0.1 million in 2012. The Company considers the above arrangements to be on commercially reasonable market terms and there were no outstanding balances as per 31 December 2012.

Odfjell SE does also have several financial transactions with Group companies, all considered to be at commercial reasonable market terms, see note 11, 13 and 14.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Commitments

On 5 February 2013 Odfjell SE bought 5,891,166 Odfjell A shares and 2,322,482 Odfjell B shares held by DNB under a Total Return Swap Agreement entered into on 1 October 2012.

Capital Expenditures

No material future commitments related to capital expenditure.

Contingencies

The Company maintains insurance coverage for its activities consistent with industry practice.

NOTE 10 SUBSEQUENT EVENT

Odfjell SE has entered into a letter of intent to expand its existing joint venture with Lindsay Goldberg LLC to include substantially all of Odfjell's tank terminal business. In the proposed transaction is intended that Lindsay Goldberg LLC will acquire 49% interest in these terminals. The completed date for the transaction is expected to be early in 2013.

As a part of internal restructuring of Odfjell SE, the Board of Odfjell SE has agreed a plan for demerger and merger where the purpose is to concentrate the ownership of tank terminals in a joint holding company under Odfjell SE. In connection with this process it is proposed that Odfjell SE is demerged through transferring its shareholding in Oiltanking Odfjell Terminal Singapore Pte Ltd to the company Odfjell Newco AS, who at the same time will merger with Odfjell Terminals SE. A consequence of this, the ownership of Odfjell Oiltanking Terminal Singapore Pte Ltd shifts from Odfjell SE and down in the corporate structure, to Odfjell Terminals SE. This will provide a more strategic and operational optimal structure for the Group. The transaction was approved by the Register of Company Accounts in February 2013.

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NOTE 11 FINANCIAL INCOME AND EXPENSES

(USD 1 000)	2012	2011
Income on investment in subsidiaries	247 814	8 490
Inter-company interest income	16 283	14 332
Other interest income	2 333	2 201
Other financial income	6 253	11 160
Total financial income	**272 683**	**36 183**
Inter-company interest expenses	9 171	3 174
Other interest expenses	33 541	26 983
Other financial expenses	15 385	5 234
Financial assets and liabilities at fair value through net result	6 265	9 217
Changes in the value of financial fixed assets	–	19 146
Total financial expenses	**64 362**	**63 754**

NOTE 12 CURRENCY GAINS (LOSSES)

(USD 1 000)	2012	2011
Currency hedging contracts	3 372	612
Non-current receivables and debt	8 639	7 167
Cash and cash equivalents	1 332	595
Other current assets and current liabilities	(10 897)	2 119
Total currency gains (losses)	**2 445**	**10 493**

NOTE 13 LOANS TO GROUP COMPANIES

(USD 1 000)	Currency	Currency amount 1 000 2012	2012	2011
Odfjell Asia II Pte Ltd	USD	271 134	271 134	271 134
Odfjell Asia II Pte Ltd	USD	74 140	74 140	91 000
Odfjell Terminals SE	USD	63 140	63 140	50 300
Odfjell Terminals EMEA BV	EUR	–	–	3 880
Odfjell Gas AS	USD	62 300	62 300	–
Odfjell Terminal (Jiangyin) Co Ltd	USD	2 630	2 630	2 630
Norfra Shipping AS	NOK	163 494	29 241	27 219
Norfra Shipping AS	USD	103 673	103 673	119 963
Total loans to Group companies			**606 259**	**566 127**

NOTE 14 NON – CURRENT RECEIVABLES

Non-current receivables

(USD 1 000)	2012	2011
Loans to third parties	16 882	18 324
Loans to Group companies	606 259	566 127
Total non-current receivables	**623 141**	**584 451**

Maturity receivables as per 31 December 2012:

(USD 1 000)	2013	2014	2015	2016	2017	2018+	Total
Loans to third parties	16 441	441	–	–	–	–	**16 882**
Loans to Group companies	–	–	–	–	–	606 259	**606 259**
Total non-current receivables	**16 441**	**441**	**–**	**–**	**–**	**606 259**	**623 141**

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Maturity receivables as per 31 December 2011:

(USD 1 000)	2012	2013	2014	2015	2016	2017+	Total
Loans to third parties	1 441	16 441	441	–	–	–	**18 324**
Loans to group companies	–	–	–	–	–	566 127	**566 127**
Total non-current receivables	**1 441**	**16 441**	**441**	**–**	**–**	**566 127**	**584 451**

Loans to third parties are secured by 2nd priority mortgages.

Loans to Group companies generally have no fixed repayment schedule. Repayment is based on available liquidity. Loans to Group companies are priced on an arms-length basis.

NOTE 15 AVAILABLE-FOR-SALE-INVESTMENTS

(USD 1 000)	Currency	Average interest rate	Book value
Bonds and certificates issued by financial institutions	USD	1.19%	11 283
Bonds and certificates issued by financial institutions	NOK	3.30%	5 449
Total			**16 732**

Book value equals market value. Market value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. Bonds and certificates generally have interest rate adjustments every three months.

NOTE 16 SALARIES, NUMBER OF EMPLOYEES, BENEFITS TO BOARD OF DIRECTORS, PRESIDENT/CEO, OTHER MEMBERS OF THE MANAGEMENT GROUP AND AUDITOR'S REMUNERATION

For 2012 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 2012:

(USD 1 000)	Compensation	Other benefits	Total
Laurence Ward Odfjell (Executive Chairman)	335	–	**335**
Bernt Daniel Odfjell	34	–	**34**
Irene Waage Basili	51	–	**51**
Terje Storeng	51	–	**51**
Christine Rødsæther	43	–	**43**
Jannicke Nilsson	–	–	**–**
Total	**515**	**–**	**515**

Auditor´s remuneration for:

(USD 1 000 exclusive VAT)	2012	2011
Statutory auditing	146	152
Other assurance services	–	3
Tax advisory services	2	31
Non-audit services	190	40
Total remuneration	**338**	**226**

NOTE 17 PENSION COSTS AND LIABILITIES

For 2012 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.

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NOTE 18 SHARES

Subsidiaries and activities under joint control are included in the parent company accounts based on the Cost Method.

(USD 1 000)	Registered office	Share/ voting rights	Book value	Result 2012	Equity 2012
Odfjell Management AS	Norway	100%	21 858	(1 923)	17 854
Odfjell Maritime Services AS	Norway	100%	1 929	369	4 014
Odfjell Tankers AS	Norway	100%	9 858	(42)	16 531
Odfjell Terminals SE	Norway	100%	40 193	224 321	328 171
Odfjell Insurance & Properties AS	Norway	100%	843	(27)	792
Odfjell Projects AS	Norway	100%	13	(2)	17
Norfra Shipping AS	Norway	100%	150 030	(10 739)	113 389
Odfjell Tankers Europe AS	Norway	100%	1 717	14	1 720
Odfjell Gas AS	Norway	100%	16	(452)	(436)
Odfjell Gas Carriers AS	Norway	100%	16	(293)	(276)
Odfjell Newco AS	Norway	100%	5	–	5
Odfjell Singapore Pte Ltd	Singapore	100%	13	245	2 830
Odfjell USA (Houston) Inc	USA	100%	–	180	1 922
Odfjell Netherlands BV	Netherlands	100%	1 021	99	410
Odfjell (UK) Ltd	United Kingdom	100%	2 166	(5 775)	32 771
Odfjell Chemical Tankes (Germany) GmbH	Germany	100%	1 557	–	1 012
Odfjell Japan Ltd	Japan	100%	–	753	(1 268)
Odfjell Korea Ltd	Korea	100%	43	(127)	(14)
Odfjell Brasil - Representacoes Ltda	Brazil	100%	983	49	1 221
Odfjell Chemical Tankers Ltd	Bermuda	100%	441 262	128	447 079
Odfjell Peru	Peru	100%	195	17	68
Odfjell Ship Management (Philippines) Inc	Philippines	100%	200	153	420
Odfjell Durban SA (Pty) Ltd	South Africa	100%	–	17	951
Odfjell Argentina SA	Argentina	90%	129	(15)	211
Total			**674 049**		

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

No impairments were necessary.

Other shares	Registered office	Share/ voting rights	Book value	Result 2012[1)]	Equity 2012[1)]
Odfjell Ahrenkiel Europe GmbH	Germany	50%	289	–	694
Oiltanking Odfjell Terminal Singapore Pte Ltd	Singapore	50%	20 195	14 590	61 214
Odfjell & Vapores Ltd	Bermuda	50%	4	(20)	50
Odfjell y Vapores S A	Chile	49.5%	506	3 050	18 400
NCC Odfjell Chemical Tankers JLT	United Arab Emirates, Dubai	50%	41	2 024	2 476
V.O.Tank Terminal Ningbo Ltd	China	12.5%	1 108	1 424	13 808
Crystal Pool AS	Norway	50%	9	8	(252)
Total other shares			**22 153**		

[1)] Result and equity on 100% basis.

NOTE 19 RESTRICTED CASH AND CASH EQUIVALENTS

The Company has no restricted cash and cash equivalents per 31 December 2012.

NOTE 20 SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

(NOK 1 000)	Number of shares	Nominal value (NOK)	2012	2011
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 31 December 2012:

	Name	A shares	B shares	Total	Percent of votes	Percent of shares
1	Norchem AS	25 966 492	1 591 176	**27 557 668**	39.53%	31.76%
2	Dnb Nor Bank ASA	5 861 048	2 369 170	**8 230 218**	8.92%	9.49%
3	Rederiet Odfjell AS	3 497 472	–	**3 497 472**	5.32%	4.03%
4	Odfjell Shipping Bermuda Ltd.	2 750 000	715 760	**3 465 760**	4.19%	3.99%
5	Pareto Aksje Norge	2 045 342	1 229 529	**3 274 871**	3.11%	3.77%
6	SHB Stockholm Clients Account [1]	1 599 670	1 430 680	**3 030 350**	2.44%	3.49%
7	SIX SIS AG 5 Pct Nom [1]	1 036 400	1 600 800	**2 637 200**	1.58%	3.04%
8	JP Morgan Clearing Corp. [1]	2 125 819	25 225	**2 151 044**	3.24%	2.48%
9	SIX SIS AG [1]	1 099 600	577 100	**1 676 700**	1.67%	1.93%
10	Skagen Vekst	1 664 725	–	**1 664 725**	2.53%	1.92%
11	Fondsfinans Spar	1 600 000	–	**1 600 000**	2.44%	1.84%
12	Pareto Aktiv	874 087	523 823	**1 397 910**	1.33%	1.61%
13	Odin Maritim	88 288	1 137 813	**1 226 101**	0.13%	1.41%
14	KLP Aksje Norge VPF	726 450	223 534	**949 984**	1.11%	1.09%
15	SES AS	210 000	670 000	**880 000**	0.32%	1.01%
16	The Northern Trust Co [1]	13 579	816 400	**829 979**	0.02%	0.96%
17	AS SS Mathilda	600 000	150 000	**750 000**	0.91%	0.86%
18	Pareto Verdi	461 714	283 420	**745 134**	0.70%	0.86%
19	Berger	732 400	–	**732 400**	1.11%	0.84%
20	KLP Aksje Norden VPF	721 731	–	**721 731**	1.10%	0.83%
	Total 20 largest shareholders	**53 674 817**	**13 344 430**	**67 019 247**	**81.71%**	**77.24%**
	Other shareholders	12 015 427	7 734 274	**19 749 701**	18.29%	22.76%
	Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
	International shareholders	37 523 440	9 267 760	**46 791 200**	57.12%	53.93%

[1] Nominee account.

The Extraordinary General Meeting on 2 October 2012 authorised the Board of Directors to acquire up to 10 % of the Company's share capital. This authorisation expires 2 April 2014. The purpose of purchasing own shares is to increase shareholders' value. The Board of Directors regularly considers investments in own shares when it may be beneficial for the Company.

Shares/controlled owned by members of the board (including related parties):

	A shares	B shares	Total
Executive Chairman of the Board of Directors, Laurence Ward Odfjell	25 966 492	1 755 076	**27 721 568**
Director, Bernt Daniel Odfjell	–	2 032	**2 032**
Director, Terje Storeng	70 560	2 112	**72 672**

NOTE 21 GUARANTEES

(USD 1 000)	2012	2011
Subsidiaries	664 736	735 588

Odfjell SE has given guarantees on behalf of subsidiaries as part of our day-to-day business to assume responsibility for bunkers purchases, port obligations, credit facilities and operating lease commitments. Guarantees to and from Group companies are generally entered into on arms-length basis.

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RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2012 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report from the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties facing the Company and the Group.

THE BOARD OF DIRECTORS OF ODFJELL SE

Bergen, 13 March 2013

TERJE STORENG

LAURENCE WARD ODFJELL
Executive Chairman

BERNT DANIEL ODFJELL

IRENE WAAGE BASILI

JANNICKE NILSSON

CHRISTINE RØDSÆTHER

JAN ARTHUR HAMMER
President/CEO

AUDITOR'S REPORT

State Authorised Public Accountants
Ernst & Young AS

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Business Register: NO 976 389 387 MVA
Tel.: +47 55 21 30 00
Fax: +47 55 21 30 01
www.ey.no

Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of
Odfjell SE

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Odfjell SE, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income and cash flows. The financial statements of the Group comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are 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 the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ERNST & YOUNG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Odfjell SE have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

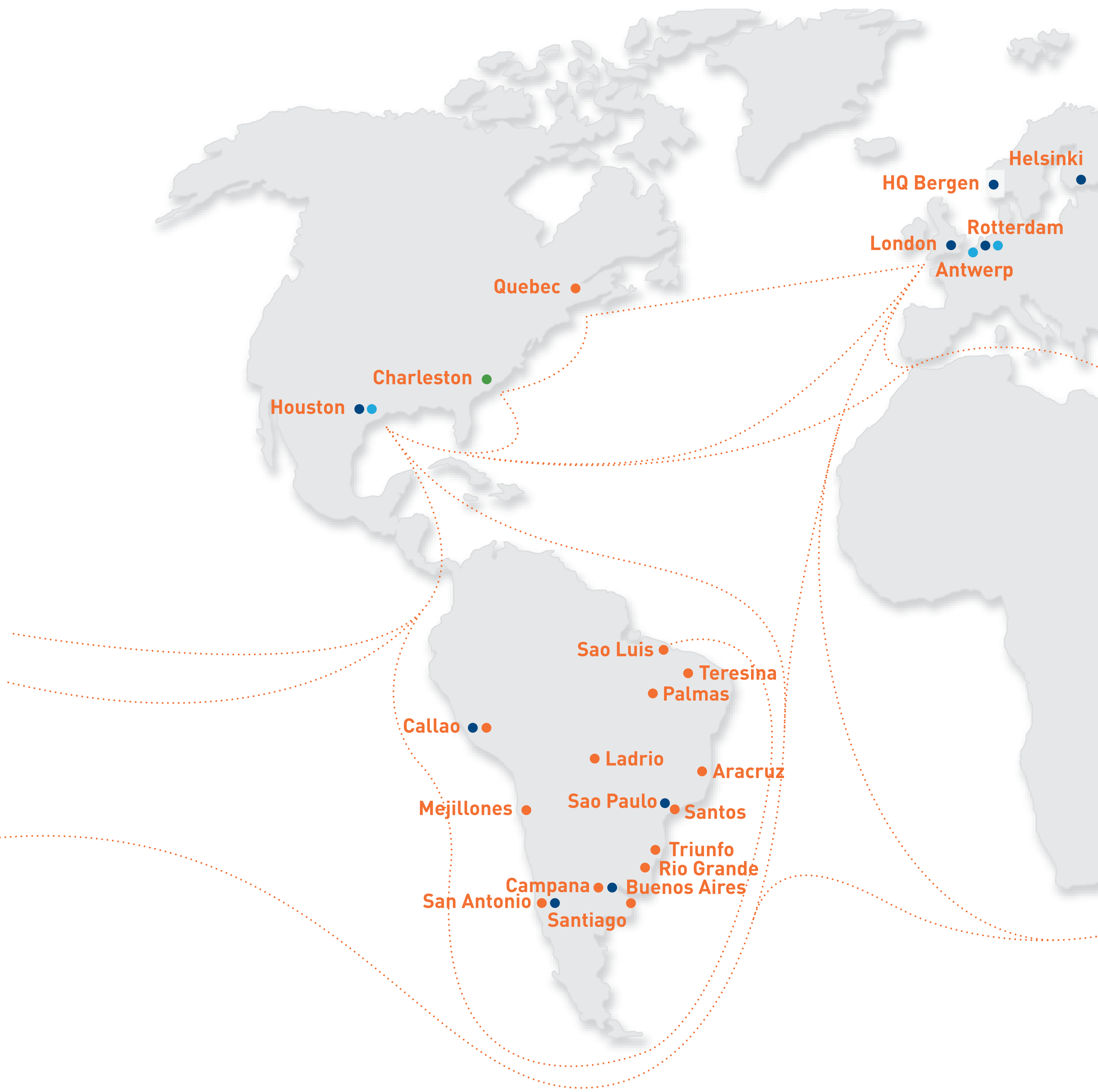
Opinion on registration and documentation

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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Bergen, March 13, 2013
ERNST & YOUNG AS

Eirik Moe
State Authorised Public Accountant (Norway)

WORLDWIDE ACTIVITIES



Dalian
Tianjin
Seoul
Ulsan
Tokyo
Jiangyin
Shanghai
Ningbo
BIK
Dubai
Oman
Mumbai
Manila
Singapore
Durban
Melbourne
INTERNATIONAL OFFICES
ODFJELL TERMINALS
TANK TERMINALS PARTLY OWNED BY RELATED PARTIES
TERMINALS UNDER CONSTRUCTION
TRADE LANES

ODFJELL

PREVENTIVE

We aim to identify and reduce risk that can adversely impact health or the environment in which we operate. We perform risk analyses as part of our daily routines and in connection with changes of processes and projects. All our units carry out proactive and reactive risk management and apply a risk matrix to evaluate risk levels and thus establish acceptance criteria. Risk management methods are used to identify and correctly classify hazards.

ODFJELL

GRAM CO_2 PER TONNE TRANSPORTED 1 KM
(comparison of average Odfjell vessel versus transportation mode)

- 673 Cargo aircraft
- 91 Heavy duty vehicle
- 38 Freight train (Diesel)
- 9.4 Average Odfjell vessel

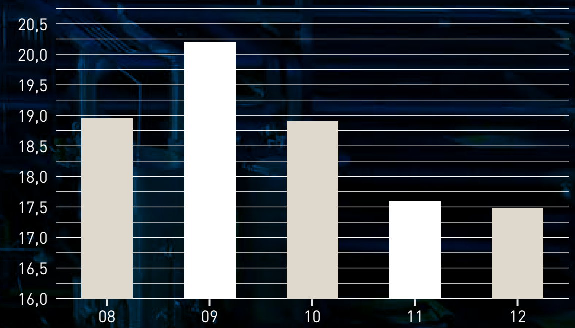
11,000

training days for mariners

13.5%

CO_2 REDUCTION LAST FOUR YEARS

EEOI TREND FOR THE ODFJELL FLEET
Gram CO_2 emitted per tonne cargo transported 1 nautical mile



THE GLOBAL COMPACT

WE SUPPORT

ODFJELL

SUSTAINABLE BUSINESS IS GOOD BUSINESS

Odfjell aims to achieve sustainable development for its investors, customers, employees and the local communities in which the Company operates by balancing financial results and corporate social responsibility. Safety is paramount and the Company actively promotes a sustainable proactive QHSE culture.

CORPORATE SOCIAL RESPONSIBILITY – CSR

CSR Council

In 2011 Odfjell signed up to the UN Global Compact programme and a Corporate Social Responsibility Council was established to facilitate gradual implementation of the United Nations' ten principles within the areas of Human Rights, Labour, Environment and Anti-Corruption. In March 2012 Odfjell submitted its first 'Communication on Progress' report, which is an annual submission outlining the Company's work to implement the ten principles to its stakeholders. The Communication on Progress report can be viewed at www.odfjell.com.

THE GLOBAL COMPACT
WE SUPPORT

QUALITY, HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION (QHSE)

General

No incidents involving fatalities were recorded in 2012. The lost time injury frequency (LTIF) indicator for Odfjell-managed ships was 1.21, compared with 1.23 in 2011, and was the Company's best-ever figure. The LTIF for the terminals was 1.33, compared with 2.90 in 2011, which is a very positive development.

A number of successful measures were introduced in 2012. These include risk management, investigation/root cause analysis training, competency improvement, Hazard and Operability Studies (HAZOP) and fall protection training.

Odfjell Academy in the Philippines arranged nearly 11,000 course days for more than 3,300 participants. About 2,600 in-house training days were held for 1,900 participants. Two Officers' Conferences were held in 2012, one in Bergen and one in Manila, where topics covered included safety culture, crewing operations, risk management and a review of operational, performance and technical issues. A total of around 2,500 training days were arranged in the terminal divisions.

Towards the end of 2011 Odfjell Terminal Rotterdam (OTR) experienced several incidents including vapour emissions. Some of the incidents were not properly reported to the authorities. OTR became a major challenge for Odfjell in 2012 with regard to safety, operations, workload, personnel and the high level of scrutiny from the authorities and the media.

CORPORATE QHSE AUDITS

Corporate QHSE conducts system audits on operative and staff units to ensure compliance with corporate- and management level requirements and expectations, promote a robust QHSE culture and to raise standards. 12 audits were carried out in 2012, while 21 are planned for next year. This includes both owned and managed terminals and shipping units.

Piracy

Piracy is still a concern for shipping in many parts of the world. In 2012 Somali-based piracy in the open seas almost disappeared and activities in the Gulf of Aden, the southern Red Sea, the East African and Yemeni/Omani coast dropped significantly with no successful hijackings for several months. However, frequent suspicious approaches continue to be reported and privately contracted security personnel are still being used throughout the high risk area, which extends across the Indian Ocean from the north end of Madagascar to the southern tip of India and north into the Arabian Gulf and Red Sea entrances. Piracy activities have risen in the Gulf of Guinea, in West Africa, and have recently involved kidnapping and so-called extended duration robberies where the ship is sailed away and cargo unloaded. Kidnapping in this area is criminally rather than politically motivated and the time in captivity is generally relatively short. Robberies from ships, mostly in port or at anchor, are also increasingly being reported in the East Asia region, particular in Indonesia.

ENVIRONMENT

Carbon Disclosure Project – CDP

In 2012 Odfjell's response to the annual Carbon Disclosure Project covered the shipping business, Company headquarters and the terminals in Rotterdam and Houston. The total CDP footprint in 2012 was on a par with in 2011 and the majority of the emissions came from fuel used by ships. There was a 4% increase in emissions from ships in 2012 compared with 2011 caused by a rise in the number of vessels in the fleet from 91 in 2011 to 104 in 2012. The CDP score in 2012 was 68, which is close to the average score for all Nordic companies. This represented an improvement of 6.3% compared with 2011 when the score was 64. The maximum score is 100.

Energy-saving campaign

In 2012 an internal campaign was launched encouraging all Odfjell employees to suggest energy-saving initiatives where the best proposals received awards. Several of the proposals will be initiated in 2013.

Environmental impact of the Odfjell fleet

In 2012 the Odfjell fleet consumed 569,000 tonnes of fuel oil, of which 22,000 tonnes were marine distillates. Based on the consumption of 104 vessels, total emissions of CO_2 amounted to 1,774,000 tonnes, which represents a 4% increase in shipping-related emissions compared to 2011. Total emissions of SO_x rose 0.8% to 27,619 tonnes, reflecting the increased operated fleet. All fuel purchased by Odfjell is tested by the third party company Det Norske Veritas Petroleum Services (DNVPS). Test results on the fuel purchased in 2012 revealed a sulphur content of 2.44%, compared with 2.54% in 2011. The global limit in 2012 outside ECA was 3.5%.

Odfjell has a Fleet Performance Group which supervises voyage optimisation/ocean routing, fleet tracking, and analyses speed, consumption and emissions of all ships on a daily basis using a well-established performance monitoring system.

SO_x emissions

Based on all consumption in 2012 (both at port and at sea), Odfjell`s vessels emitted on average 0.27 grams per tonne cargo transported per nautical mile. This was slightly below 2011 levels.

CO_2 emissions

In 2009 IMO issued guidelines for the voluntary application of an Energy Efficiency Operational Indicator (EEOI), defined as the amount of CO_2 emitted per unit of transport work. Since 2008 Odfjell has calculated the EEOI at ship and fleet level in accordance with IMO MEPC Circular 684. In 2012 the EEOI for the Odfjell fleet was 17.48 grams of CO_2 per tonne cargo transported one nautical mile (g/tnm). This was a slight improvement compared with 2011. The EEOI for the main ship groups sorted by deadweight is shown in the table below.

Speed/consumption reduction scheme

In 2012 Odfjell Tankers operated between 40 and 50 ships in slow-speed mode. This generated a net fuel saving of about 90,000 tonnes, which corresponds to emissions savings of approximately 280,000 tonnes of CO_2 and 4,400 tonnes of SO_x. With the current fleet composition and speed mode, we expect to see similar savings in 2013. 28 of our ships are currently being considered for further speed/consumption reductions.

External weather routing

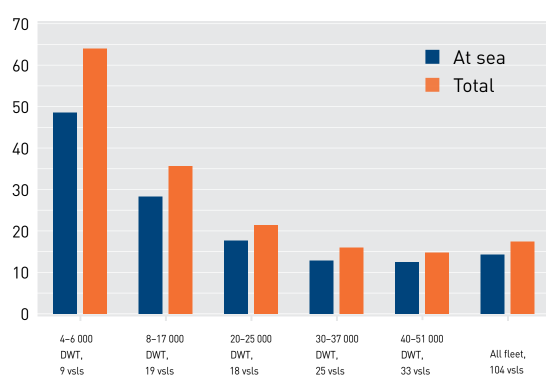
Advanced weather routing services have been used on the Company's owned and time chartered ships since 2009 and around 900 voyages used the service in 2012. This is expected to have given a 45 day saving, which corresponds to about 5,000 tonnes of CO_2.

Intermediate hull cleaning and propeller polishing

In 2012 hull cleaning and propeller polishing were also carried out between scheduled dry-dockings. All Odfjell-operated ships, both time chartered and owned, are closely monitored and cleaning intervals are shortened if required. This type of intermediate cleaning results in a significant reduction in fuel consumption and subsequent emissions. Speed increases of up to 18% have been reported on pre-cleaning consumption.

EEOI CO_2 EMISSIONS

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



ODFJELL

Ship Energy Efficiency Management Plan (SEEMP)

In 2012 Odfjell, in cooperation with DNV, developed a SEEMP for the fleet. A Fuel Consumption Reduction Manual containing 14 fuel reduction measures has also been made and will be part of the SEEMP. The ship-specific SEEMPs will be rolled out to the vessels during 2013, and will include EEOI benchmarking for each ship, ship class and the Odfjell fleet. The EEOI will also include benchmarking of other variables that affect the EEOI, enabling rapid implementation of counter measures should negative trends be observed.

Tank cleaning – chemical treatment

Odfjell Tankers is continuing to develop efficient tank cleaning methods that meet the highest industrial standards. Our initiative to reduce the number of cleaning chemicals used to four main products and two supplementary products was successfully implemented in 2011. In 2012 we have focused on reducing the amount of energy used for hot water during tank cleaning.

ODFJELL MANAGED SHIPS

In 2012 Odfjell implemented several measures to secure a sustainable safety performance. The Lost Time Injury Frequency indicator for Odfjell-managed ships was 1.21 in 2012, compared with 1.23 in 2011, and the Total Recordable Case Frequency (TRCF) was 3.7. The target values are 1.2 and 4.0 respectively.

Odfjell Ship Management holds ISO 14001 certification, which covers 45 ships under own management. All relevant environmental considerations are identified, and key issues are listed and followed up in a HSSE programme.

The following technical projects reduce environmental impacts beyond the minimum requirements contained in current regulations:

Reduced oil leaks from stern tube sealing systems

In order to improve the performance of its stern tube sealing system, Odfjell launched a major upgrade programme in 2009, with the aim of improving the systems on 19 ships to the highest technical standard.

Bilge water treatment plants

In order to reduce the oil content in bilges to two parts per million, Odfjell has an ongoing programme for upgrading to more advanced bilge water treatment plants.

Ship recycling – Green Passports

Odfjell recycled seven ships in 2012. To secure a controlled process the Company has a programme in place which includes obtaining Green Passports for ships that are ready to be phased out. The programme meets the requirements of IMO Resolutions A 962 and 179 and is certified by Lloyds. A Green Passport requires mapping of materials and potential hazards that could impact the environment and working conditions. It also requires follow-up from the recycling yard. The yards used are inspected by Odfjell to ensure they are ISO 30000 certified and comply with relevant IMO guidelines and Odfjell's in-house requirements. The Company is making progress in implementing these IMO resolutions and the programme is continuing with five ships in line to obtain certification.

Newbuilding programmes

Through its newbuilding programme Odfjell focuses on replacing old tonnage with eco-friendly-designed newbuildings. Such newbuildings have 10–12% less fuel consumption compared with current chemical tankers of the same size. Odfjell has ordered four 46,000 DWT newbuildings with eco-friendly design, and has also ordered a 75,000 DWT vessel, the world's largest IMO II chemical tanker, with reduced fuel consumption and emissions per tonne mile, which represents a quantum leap for the industry. Ballast water treatment systems are being installed to avoid discharge of alien micro-organisms along with oily water separators capable of reducing the oil content to five ppm, which is well below the current requirement of 15 ppm.

TANK TERMINALS

In total there were two LTIs at the terminals, resulting in a LTIF of 1.33, compared with 2.90 in 2011.

At the end of December 2012 Oiltanking Odfjell Terminals (Oman) (OOTO) had achieved 2,493 days without any LTIs, while Odfjell Terminals (Korea) and Odfjell Terminals (Dalian) (OTD) had reached 1,778 days and 907 days respectively.

In addition to the above, Odfjell Terminals (Jiangyin) (OTJ), OOTO and OTR experienced zero lost-time injuries. The terminals have implemented a number of projects with a special focus on health, safety and environmental protection including reduced emission, waste reduction, energy efficiency and soil protection measures.

In parallel with initiatives to improve the safety culture, the terminals have also been focusing on establishing a sound reporting culture with more active use of experience feedback and best practice. During 2012 corporate terminal audits were conducted on owned or managed terminals to review QHSE status with respect to our Corporate Quality Management Manual, HSE Expectations and the Common Policies & Procedures Manual (CPPM). These audits are part of initiatives to establish a proactive and sustainable QHSE culture and to raise standards.

Odfjell Terminals (Rotterdam) (OTR)

Towards the end of 2011 Odfjell Terminal Rotterdam (OTR) experienced several incidents including vapour emissions. Some of the incidents were not properly reported to the authorities. During inspection of the fire-fighting systems in July, deficiencies were found which could affect functionality and Odfjell Management subsequently decided to temporarily shut down OTR effective from 27 July 2012.

Following the incidents at OTR, investigations have been initiated to assess the root causes of the events that led to the shutdown and the roles of the main stakeholders including OTR management, the environmental authority DCMR, Regional Safety Boards and the Labour Inspectorate. Corrective and preventive measures were implemented and tanks approved and taken back into service one by one. The logistic disruption caused by the shutdown resulted in several customers terminating their contracts with OTR and the submission of several claims for alleged losses. The situation at OTR has been the object of very high local and national media coverage.

At the end of 2012 around 700,000 cbm was available for storage and the PID was operating at limited capacity. The majority of the available capacity was being utilised by customers as of January 2013. The remaining capacity will gradually be brought back into service and around 1.2 million cbm will be ready by the end of Q2 2013.

HEALTH, SAFETY AND ENVIRONMENTAL PROJECTS

All the terminals have implemented projects designed to improve safety performance and improve their environmental impact.

Health and safety projects

- Establishment of special teams comprising frontline operators, engineers and safety officers etc. to learn and facilitate Process Safety Management (PSM).
- Continuation of on-going installation of high-level emergency shutdown valves on storage tank fill lines to prevent overflow.
- Implementation of the Reliability-Based Mechanical Integrity (RBMI) process.
- Adoption of Risk Management model to identify hazards and take measures to control medium and high risks to guarantee the safety of terminal operations based on the standards of OHSAS 18001.

Environmental projects

- Installed new boiler at Odfjell Terminals (Houston) resulting in an approximately 70% reduction in NO_X emissions from boilers.
- Installing scrubbers at Odfjell Terminals (Korea) to reduce smell from storage tanks, truck bays and jetties.

Training

All the terminals focused on environmental and safety training. Topics included Risk Assessment, Hazard and Operability Studies – HAZOP, Lock Out Tag Out (LOTO), the correct use of personal protective equipment, fire-fighting, vehicle training, emergency response, etc. totalling 2,500 training days.

Awards

Odfjell Terminals (Jiangyin) was rated an advanced company in environmental protection in 2012 by the safety and environmental protection station of Huangtu Town Jiangyin City.

Odfjell Terminals (Houston) received the Eastman Supplier Excellence Program Improvement Award in recognition of outstanding quality performance.

Certificates

Following the safety shutdown at OTR, Lloyds carried out a special surveillance audit on 7–8 August and issued two MNCs (Major Non-Conformities) with two weeks' response time. OTR did not satisfactorily respond to the MNCs due to the many ongoing changes at the time and the ISO 9001 and ISO 14001 certificates were subsequently suspended on 24 September 2012.

The other terminals have the required certificates including ISO 9001, ISO 14001, Responsible Care 14001, OHSAS 18001, CDI-T attestation and ISPS code.

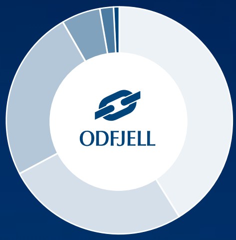
Odfjell Terminals (Dalian) was re-certified to ISO 9001 and OHSAS 18001 and OTH carried out successful ISO 9001 and RC 14001 annual audits.

ODFJELL

PRESENT

Our business is based on the principle of sustainable development, meaning that we prioritise measures that positively impact quality, health, safety and the environment related to our activities and services. We have signed up to United Nations Global Compact and are implementing its ten universal principles within the core areas of Human Rights, Labour, the Environment and Anti-Corruption as integral parts of our business strategy, culture and day-to-day work. Our HR policies and Code of Conduct help safeguarding our employees' human rights and preventing potential abuse.

ODFJELL

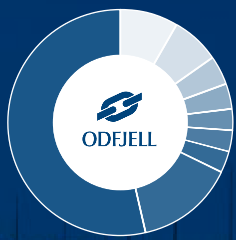


FLEET DISTRIBUTION
(CHEMICAL TANKERS)

- 41.3% Odfjell owned ships
- 26.2% Ships on floating rate time
- charter rate

24.4% Third party pool participants

- 5.6% Bare-boat
- 1.8% Ships on fixed rate time charter rate
- 0.8% LPG/Etylene carriers

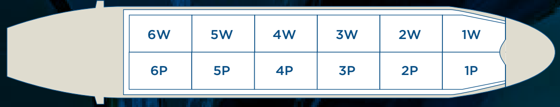


THE CHEMICAL TANKER FLEET

- 8.6% Odfjell
- 6.9% Stolt-Nielsen
- 4.7% Fairfield lino
- 3.4% Tokyo Marine
- 3.4% Navig8 Chemicals
- 3.2% MISC
- 2.8% Nordic Tankers
- 12.8% Other majors
- 54.3% Others

ODFJELL CARRIES ABOUT 500 VARIOUS PRODUCTS EVERY YEAR

ORDINARY TANKER



ODFJELL'S SOPHISTICAATED
MULTI-CARGO TANKER

CHEMICAL TRANSPORTATION AND STORAGE

Chemicals are an integral part of modern life, and our societies and most industries now depend on products derived from such commodities. The sector has enjoyed solid growth worldwide for many years. Developing economies around the world are now fuelling major increases in both consumption and production of chemicals.

The largest chemical segment, both in terms of total volumes and product diversity, is the petrochemicals. Historically, the production of petrochemical products was based in the US and Europe. Gradually production capacity has been growing in the Far East, South America, South Africa and particularly in the Middle East. In recent years, China has developed into a major chemical producer and gradually also an exporter. New plants in these regions are mostly designed for the production of base chemicals or 'building blocks', whilst the production of derivatives and speciality chemicals is still mostly concentrated in the US and Europe. However, manufacturing companies in the Middle East are investing in developing their business in the direction of further down- streaming.

Chemical production facilities have traditionally been located in areas with easy access to raw materials. Historically, much petrochemical production was coal-based. Naphtha, a derivative from crude oil refining, is another raw material that is widely used, particularly in Asia and Europe. Ethylene and propylene, the two main building blocks for the chemical industry can be derived both from naphtha and from natural gas. New plants are being built in areas where natural gas is readily available, which explains the massive increase in production capacity in the Middle East and in recent years also in the US.

The petrochemical industry is truly international with both production and consumption in all regions of the world, and many petrochemical companies have become global in their market approach. As a result, the petrochemical industry has a constant demand for logistics service providers capable of offering different types of storage and transportation. As of today, only a limited number of logistics service providers operate globally. Some specialise in one type of service, for instance bulk liquid storage. Most shipping and storage companies operate locally or within a certain region, and there are only a limited number of companies with the ability to offer a multiple of different services on a global basis.

Odfjell is one of few companies offering a worldwide network of both bulk shipping and storage services. Operating through offices at central locations around the world, Odfjell is a major player in the chemical tanker segment operating in all major trade lanes. Whilst chemical tankers only represent a small percentage of the total world fleet of ocean-going tankers, for which the main cargo is crude oil, there is nevertheless a considerable interplay between different tanker segments. As far as the chemical tanker market is concerned, handysize and medium range product tankers have an impact in the 35–50,000 DWT size range employed for carriage of clean petroleum products such as naphtha, gasoline, diesel and gas oil.

Chemical tankers are generally designed and constructed for handling a multiple of different types of cargoes simultaneously and as such combines different customers' requirements under single voyages. Different customers' products are always kept segregated. Chemical tankers are often split into two different categories; ships with all or the majority of cargo tanks made of stainless steel or ships with only coated tanks.

Ships with coated tanks are typically engaged in carriage of commodity-type chemicals, clean petroleum products and vegetable oils. Important trades for coated chemical tankers are with full loads of commodity-type chemicals from Northwest Europe, the US or the Middle East to different destinations in the Asia/Pacific region. Backhaul cargoes are often vegetable oils, molasses or clean petroleum products to Europe or the US.

Ships with cargo tanks made of stainless steel are often built to handle a higher number of different products. These

ORGANIC CHEMICALS

RAW MATERIALS	BASIC PRODUCTS	DERIVATIVES	END PRODUCTS
Coal	BTX	EDC	Paint
Gas	Ethylene	Styrene	Fibres
Crude oil	Propylene	Glycol	Plastics
	Methanol	MTBE	Detergents
	Butadiene	Industrial alcohols	Oil additives
		Polyester	Rubber

ships are used for the most specialised types of chemical products, which in addition to requiring stainless steel transport, may also demand special handling in terms of temperature and pressure control. Stainless steel cargo tanks are also required for carriage of different types of acids.

For a global and long-term operator such as Odfjell it is clearly an advantage to possess a varied and efficient mix of ships and thus, to be able to adapt rapidly to changing market requirements.

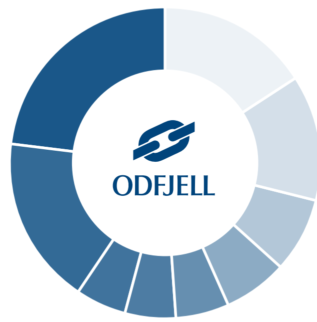
Odfjell carries several hundred different products every year; organic chemicals such as alcohols, acrylates, aromatics as well as clean petroleum products, lubricating oils, vegetable oils, animal fats and inorganic chemicals such as sulphuric and phosphoric acids and caustic soda.

With a frequent presence in all major trade lanes, Odfjell can offer unique and flexible services allowing customers to ship small parcels from 100 to 150 tonnes to full cargoes of up to 50,000 tonnes. By entering into contracts of affreightment, the customer can plan regular shipments in order to meet required delivery targets. However, a significant part of the cargoes carried by chemical tankers is fixed in the spot market, often by trading companies taking advantage of arbitrage of commodity prices.

Odfjell's strategy involves consolidation of loading and discharging operations at certain key hubs for chemical distribution. Our investments in small ships for transhipment purposes, and in tank terminals at major ports such as Houston, Rotterdam, Singapore and Onsan, play an important role in this respect.

Tank terminals are an integral part of the chemical logistics chain and their services constitute a natural link between our traditional shipping services and inland transportation by different modes such as barges, railcars, trucks, ISO containers and pipelines. Odfjell's tank terminals handle, store and distribute bulk liquid chemicals to and from all different modes of transportation.

THE CORE CHEMICAL TANKER FLEET



- 15.9% Odfjell
- 13.1% Stolt-Nielsen
- 7.9% Fairfield Iino
- 6.5% Tokyo Marine
- 5.5% Navig8 Chemicals
- 5.4% MISC
- 5.3% Nordic Tankers
- 17.4% Other majors
- 23.0% Others

We define a core chemical tanker as follows:

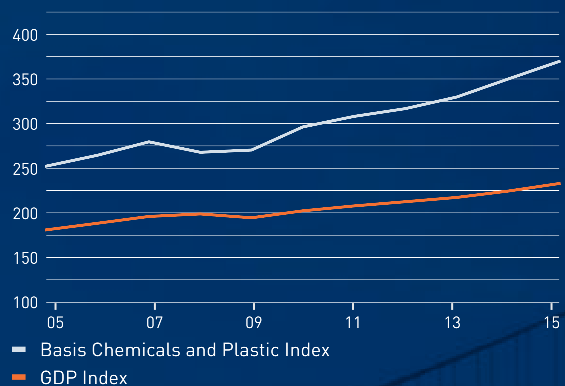
- IMO II capacity, fully or at least centre tanks
- Average tank size ≤3,000 cbm
- Commercially controlled by core chemical operator
- Chemical carrier with ≥50% stainless steel capacity

PREFERRED

We strive to be the preferred and leading global carrier of bulk liquid of chemicals and related products and to conduct our business to high safety standards. We have first class experience when it comes to ocean transportation of chemicals and other bulk liquids. Our operations are fully integrated, with in-house functions for chartering, operation and ship management. We aim to identify and avoid all potentially high risk operations and hazards. Odfjell is certified to ISO 14001, which covers all ships under own management.

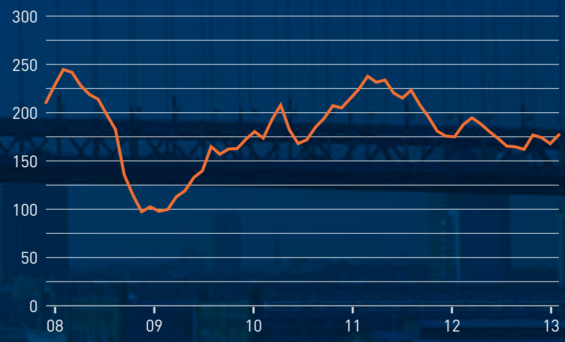
ODFJELL

CHEMICAL AND PLASTIC METAL COMMODITIES



Source: IHS Chemical

INDUSTRIAL METAL COMMODITIES INDEX

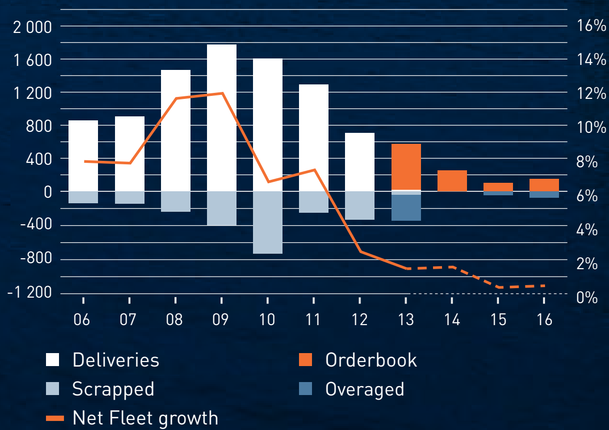


Source: DNB

19,546,000

tonnes shipped in 2012

CORE CHEMICALS DEEP SEA FLEET



(%) (right hand scale)

CHEMICAL TANKERS

CHARTERING AND OPERATION

The Odfjell fleet consists of almost 100 vessels; owned, time chartered, commercially managed vessels and vessels managed on a pool-basis. The deep-sea fleet, currently comprising 70 vessels, is operated by Odfjell Tankers AS, a wholly owned company of Odfjell SE. Odfjell Tankers, headquartered in Bergen, is represented through overseas offices in 16 countries. Many offices serve dual purposes, with commercial, chartering, operational as well as agency duties. Many of the overseas offices are also co-located and enjoy close cooperation with our local terminals.

The fleet consists of a variety of ship types in terms of size, tank configuration and coating, all of which provide the flexibility required by customers. Fleet-composition, scheduling and vessel optimization are critical success factors. Flexibility and interchangeability of ships between geographical areas and trade lanes are an integral part of our business model, facilitated by our large and diversified fleet.

Odfjell Tankers' ships trade worldwide, calling major ports in Europe, the US, Asia/Pacific, Africa, the Middle East and South America. Our 14 state-of-the-art 37,500 DWT Kværner built stainless steel chemical tankers, and our eight fully stainless steel 40,000 DWT chemical tankers built in Poland, are among the most advanced and flexible ships in the market, and play a vital part in the Company's focus on safety, efficiency and service. Furthermore, we have added capacity and flexibility through long-term time charters of Japanese-built 19,900 DWT and 30–33,000 DWT stainless steel vessels.

Although still in good, technical condition, most of our older ships are disadvantaged and less in demand from our customers due to age. Consequently, Odfjell has disposed of all but one of their coated vintage 1980's built ships. A replacement programme is in place, with ordering of four 46,000 DWT coated vessels from Hyundai Mipo Dockyard, Ltd in South Korea. Additional capacity is constantly evaluated, including longer-term time chartering of modern coated tonnage. Odfjell and NCC will take delivery of their two 75,000 DWT coated vessels from Daewoo Shipbuilding this year, the first one in May.

Odfjell has been promoting high safety and enhanced efficiency standards on chemical tankers since the inception of the industry and thus takes a proactive approach towards international regulatory bodies and major customers in order to enhance safety. In this context, Odfjell continues to address key issues, such as the practice of tank-inerting, and stresses the importance of implementing a more cost efficient and transparent regime of customers' ship inspection and vetting programmes.

While an increased naval escort presence and the introduction of armed guards have improved security against piracy attacks in the Gulf of Aden, ships continue to be attacked and hijacked. Odfjell Tankers is monitoring the situation closely, and we take all necessary precautions to minimize risks. Safety of crew, ship and cargo is the first priority.

Port congestion and excessive waiting time remain a concern for the chemical tanker industry, and port time still takes up a disproportionate part of many voyages. Owners are only partly able to be compensated for such inefficiency through collection of demurrage. To improve inefficiency in ports, thereby also minimizing unnecessary emissions from ships, it is a prerequisite that infrastructure onshore must be further developed.

Through regional operations, Odfjell Tankers provides customers with timely, quality and safe transhipment services to ports with restricted draft or dock facilities. Consolidation of loading and discharging operations of our deep-sea ships is yet another important task performed by our regional operations. By reducing the number of ports and thus the risk of delay, Odfjell Tankers is able to offer a reliable and economical service to its customers.

Odfjell (UK)

Odfjell's UK office has commercial and operational responsibility for three 40,000 DWT vessels.

Odfjell Asia

The fleet operated out of our Singapore office is traded within Asia, to and from Australia/New Zealand as well as to and from Middle East/India. All of the 13 ships currently operated out of Singapore are fully stainless steel.

Crystal pool

Through a joint venture with Euroceanica, Crystal Pool offers regular sailings within Europe, including the Baltic and the Mediterranean, and to West Africa. Of the 11 vessels currently in the fleet, four are fully owned by Odfjell.

NCC Odfjell Chemical tankers (NOCT)

NOCT is a 50/50 joint venture between National Chemical Carriers (NCC) and Odfjell, and operates 17 deep-sea coated vessels of which four are owned/controlled by Odfjell. The two partners have ordered two 75,000 DWT vessels for delivery in 2013 from Daewoo Shipbuilding.

Flumar

Flumar, our fully owned Brazilian shipping subsidiary operating out of Sao Paulo, Brazil, offers transportation of bulk liquid chemicals on the Brazilian coast and within the Mercosul area. The company currently operates four chemical tankers and one 51,000 DWT product tanker. Together, Odfjell and Flumar provide customers with superior service capabilities in the Mercosul area. Furthermore, the extensive network of tank terminals in Brazil and Argentina, owned by related parties, adds value and benefits to its customers' logistics requirements.

Odfjell y Vapores

The 50/50 joint venture Odfjell y Vapores operates out of Santiago, Chile, with one chemical tanker of 16,000 DWT. The vessel is primarily engaged in transportation of sulphuric acid along the Peruvian/Chilean coast.

ODFJELL SHIP MANAGEMENT

Odfjell Ship Management is fully integrated with fleet management, crewing, risk management and technology support. As ships account for a substantial part of our total fixed assets, it is imperative that the fleet is managed and operated efficiently, assets are protected and values maintained. Odfjell Ship Management manages all owned and bare-boat chartered vessels. As of the end of 2012, the Odfjell managed fleet consisted of 47 vessels, 45 chemical tankers and two LPG/Ethylene carriers.

Odfjell Ship Management employs personnel at offices in Bergen, Singapore, Manila, Subic Bay, Sao Paulo and Houston, which provide direct support to ships in regional trades and ships in the deep-sea fleet, as well as professional crew management.

In 2012 Odfjell Ship Management continued the amended efforts to develop a safety culture capable of taking Health, Safety, Security and Environment performance (HSSE) to a sustainable higher level. For that purpose a Safety Culture Programme as well as HSSE programmes are launched and achieved performance levels are regularly reviewed.

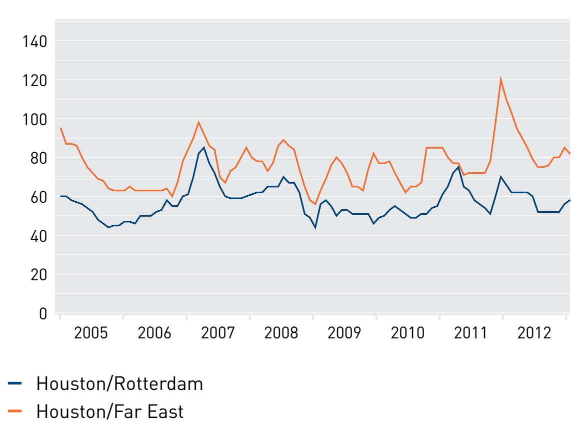
The implemented ship maintenance programme secures safe and efficient operation, a long useful working life and high second-hand values of the vessel. The maintenance strategy is implemented through our computerised Planned Maintenance System supported by an in-house specialist team. A well structured technical project management team secures compliance with relevant rules and regulations as well as various ship performance improvements.

The safe operation of chemical tankers and LPG/Ethylene carriers depends on highly qualified officers and crew. Our ships are mainly registered in Norway (NIS) and Singapore, and are primarily manned by Norwegian and Filipino mariners with extensive experience. The Flumar fleet, which is primarily traded on the Brazilian coast, is manned by Brazilian mariners.

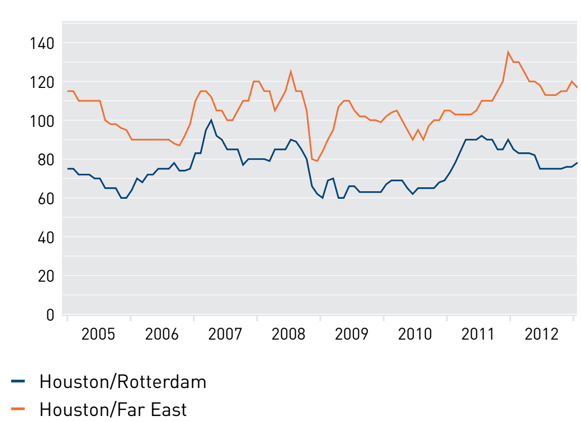
Odfjell devotes considerable attention to recruiting qualified officers and crew and at any given time, more than 200 Norwegian, British or Filipino mariners are normally employed as trainees or cadets.

Odfjell Ship Management actively applies Risk Management processes to maintain and improve performance. Every year Odfjell carries out regular internal audits of ships and offices. Customers make inspections through the Chemical Distribution Institute (CDI) and the Oil Companies International Marine Forum (OCIMF). Periodical surveys are carried out by various classification societies, flag states and port states. From 2013 all Ship Management branch offices will be included in our Document of Compliance audits and DNV performs ISM Code inspections of our ships' quality systems. When ships or offices report critical situations, accidents, non-conformances or possible improvements through our Safety and Improvement

FREIGHT RATES 3 000 MTS EASY GRADE CHEMICALS (USD/TONNE)



FREIGHT RATES 1 000 MTS STAINLESS STEEL GRADE CHEMICALS (USD/TONNE)



Source: Quincannon Associates, Inc

Reporting System, a proper response is prepared and corrective and preventive actions implemented. We view this system as an effective tool in our work to increase safety and to prevent injuries, damages and losses.

The implemented Key Performance Indicators have been actively promoted, measured and followed up during 2012.

During 2012 development of Leading Key Performance Indicators has been further addressed. Odfjell has also assumed Project ownership for the project 'Managing Operational Performance in Ship management'. Nine Norwegian shipping companies, Marintek and Deloitte have joined forces to further develop and benchmark Ship management processes and supporting KPIs.

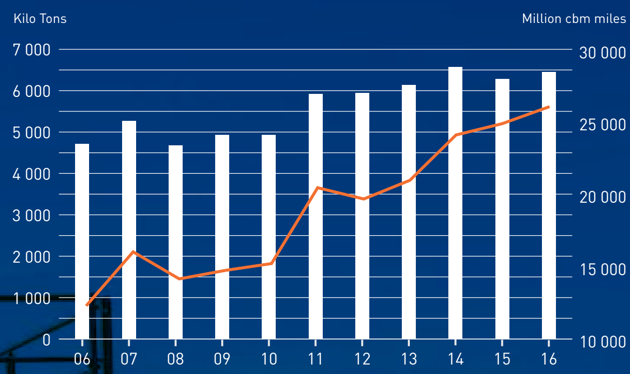
CHEMICAL TANKERS	FIGURES IN	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross revenue	USD million	1 066	1 056	999	1 021	1 247	1 063	939	915	814	739
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD million	65	61	59	73	191	242	202	216	159	120
Operating result (EBIT)	USD million	(35)	(9)	(58)	(6)	129	150	106	138	85	47
Total shipping assets	USD million	1 641	1 439	1 593	1 398	1 462	1 504	1 424	1 321	1 146	1 022
Volume shipped	1 000 tonnes	19 546	18 500	19 303	19 414	19 622	19 502	20 658	22 156	22 614	21 232
Number of products shipped		498	497	512	552	575	550	562	551	587	593
Number of parcels shipped		5 477	5 459	5 582	5 939	6 108	6 443	6 351	6 760	5 612	5 137
Port calls		5 779	6 259	5 648	5 658	5 730	5 884	6 030	6 234	3 991	3 704
Number of ships		96	98	86	95	93	92	92	93	95	98
Total deadweight	1 000 tonnes	2 684	2 717	2 352	2 603	2 460	2 391	2 362	2 393	2 447	2 480


EMERGENCY
SDS
PRESSURE

PRECISE

We focus on doing things properly, meeting deadlines and according to customer expectations. We pay attention to details. Our organisation attaches great importance to sharing and learning, from gaining a broad overview down to mastering the smallest details associated to our complex business.

ESTIMATION OF WORLD SEABORNE ETHYLENE TRADE

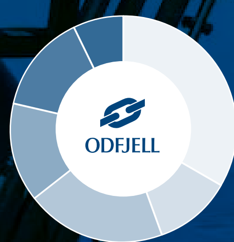


- Tonnes
- Cubic Meter Miles

Source: ViaMar AS

ESTIMATED DEMAND COMPOSITION

(for small size vessel group)



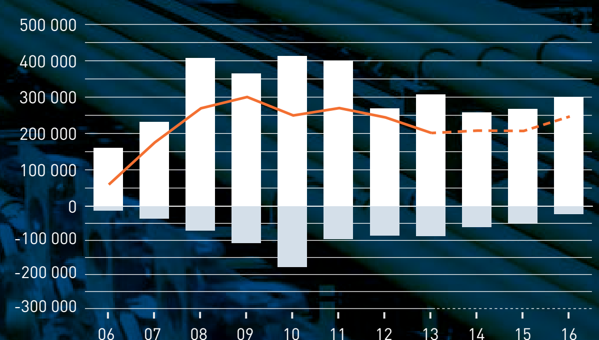
Measured in cbm/miles

- 33% LPG
- 11% Ammonia
- 20% Ethylene
- 14% Propylene
- 14% Butadiene
- 7% VCM

Source: ViaMar AS

FLEET DEVELOPMENT SMALL SIZE SEGMENT

(0 - 22,999 cmb incl. forecast)



- Newbuilding
- Scrapping
- Net Annual Growth

Source: ViaMar AS

LPG/ETHYLENE

In 2012 Odfjell re-entered the LPG/Ethylene market through the establishment of Odfjell Gas AS and the subsequent acquisition of two LPG/Ethylene carriers – Bow Guardian and Bow Gallant. This was a full 25 years after Odfjell had previously exited the LPG market with the sale of the Bow Elm, a multi-purpose carrier that traded both chemicals and gases.

The idea behind the re-entry is to establish an additional business segment for Odfjell SE in a market with which the Company has a long-standing association, and to leverage synergies with the Chemical Tankers and the Terminal division. The new division will focus on the market for petrochemical gases, whose producers and traders are all well known to Odfjell Tankers and Terminals. The products are part of the same chemical families, although transported under special conditions mostly refrigerated. In overall terms the new segment will prove a good fit for the present business model. The Company has long been considering re-entering this market and 2012 was deemed an appropriate time to execute these plans.

Odfjell Gas AS is the ship-owning company and Odfjell Gas Carriers AS will be responsible for Chartering and Operations. The long-term strategy is to be a leading operator in the market for the transport of chemical gases.

Having recently acquired two modern, high-quality ships at reasonable prices, and with newbuilding prices favourable, this was an opportune time for Odfjell to re-enter the petrochemical gas sector. Market expectations for the next five years as a whole appear positive.

As stated in the introduction, re-entry into this promising market was effected through the purchase of the sister ships, Bow Guardian and Bow Gallant, both LPG/Ethylene carriers built at the STX yard in Korea in 2008. Both ships are 9,000 cbm and offer cooling capacity to -104 °C needed to carry ethylene, considered the most 'advanced' of the chemical gases. The vessels' operational performance has met all expectations and no technical deficiencies were identified during the first four months of operation.

The company has acquired significant trading experience over the initial period of operation. The ships have traded in the spot market in the Far East and Europe, mainly carrying ethylene. However, the crews have also had the opportunity to try out the vessels' equipment to change grades and to utilise the vessels' technical capabilities. Feedback from customers regarding the vessels' performance has been universally positive and both vessels have been inspected by CDI and SIRE teams.

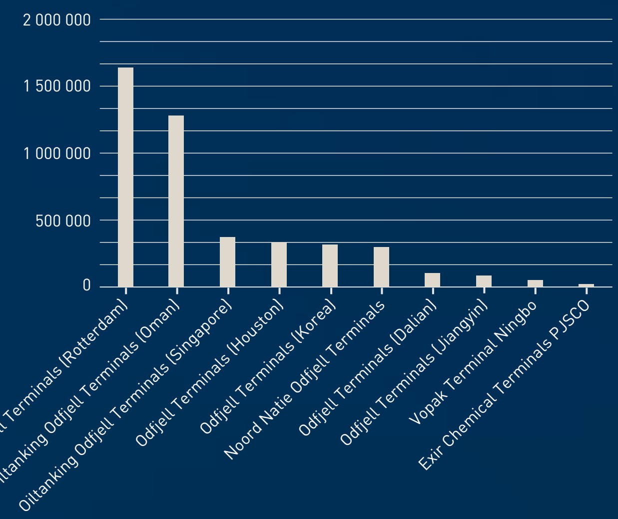
PRECAUTION

We give the highest priority to health, safety and environmental protection and evaluate risks, review performance and share experiences and best practice. Feedback is important in order to secure continuous improvement, and we actively encourage the sharing of information concerning incidents, their consequences, and causes as well as preventive and corrective actions. Unsafe work shall be stopped. Key Performance Indicators are used to encourage and measure improvement. Several business units are certified to OHSAS 18001 (Occupational Health and Safety Management system).

ODFJELL

5.3 MILLION
cbm storage capacity

TANK STORAGE CAPACITY
(cbm)



1,400
tanks of storage capacity

Tank terminals in 22 PORTS

TANK TERMINALS

Odfjell has ten part-owned tank terminals and two new projects at strategic locations around the world. The Company also has a co-operation agreement covering 11 tank terminals in South America, plus one in Canada. These tank terminals are partly owned by related parties. In total, our tank terminal network has more than 1,000 employees and 5.3 million cbm of storage space in around 1,400 tanks in 22 ports around the world. Together with our shipping business, this makes the Company one of the world's leaders in both shipping and storage services for bulk liquids.

We have a strategy of expanding our tank terminal activities along major shipping lanes and at important locations for petrochemicals, refined petroleum products, bio-fuels and vegetable oils. We focus on locations in mature markets, but also increasingly in emerging ports of importance in specific rapidly developing nations. In addition to being profitable investments on a standalone basis, our tank terminals also offer cargo-consolidation programmes designed to reduce time and fuel consumption in port for our ships. Commercially, the combination of shipping and tank terminals puts Odfjell in a unique position to offer increased safety, reliability, product stewardship, efficiency and improved arrival accuracy to its customers. 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.

HIGHLIGHTS – BUSINESS DEVELOPMENTS

The transaction for Odfjell and Lindsay Goldberg to acquire 25% interest in the Noord Natie Terminal in Antwerpen, Belgium, was completed in June 2012. The new joint venture, named Noord Natie Odfjell Terminals, has signed a customer contract to extend storage capacity for a further 50,000 cbm.

In 2012, Odfjell commenced construction of the tank terminal in Charleston, USA. The dredging and the foundation work has already started. When completed, the terminal, in which an estimated USD 72 million has been invested, will consist of nine tanks with a combined storage capacity of 80,000 cbm.

The construction of our new terminal in the Bohai Bay region near Tianjin, China, (through our joint venture with Tianjin Economic-Technological Development Area) started in 2012. Land preparations are now completed and the jetty infrastructure is under construction.

In November 2012 the Port of Le Havre selected Odfjell Terminals to evaluate the development of a new bulk liquids terminal facility in the industrial zone of Le Havre port, France. The feasibility study to assess relevant technical, commercial, QHSE and other requirements has commenced and is expected to be finalised in Q2 2013.

In December 2012, Odfjell and Lindsay Goldberg LLC (LG) signed a Letter of Intent to expand the existing joint venture with Lindsay Goldberg to essentially include all of Odfjell's tank terminal business. The transaction is expected to be closed by the end of Q1 2013 and as a result, LG will acquire a 49% share. The partnership will embark on an ambitious and accelerated growth strategy progressing further the opportunities identified and matured during recent years.

Odfjell Terminals (Houston), USA, has been granted approval to develop a new bay with ten stainless steel tanks with a combined capacity of 30,000 cbm at its existing facility.

During 2012 Odfjell Terminals successfully renewed and extended the financing arrangement for the North American terminals business by securing a credit facility of USD 200 million, with an option to finance a further USD 100 million. In addition, Oiltanking Odfjell Terminals (Singapore) has secured a credit facility of SGD 180 million, partly to replace existing credit arrangements on more attractive terms, but also to accommodate near-term expansion projects for which customer contracts have been secured.

In line with Odfjell Terminals' strategy, further terminal projects across the world are under evaluation.

ODFJELL TERMINALS (ROTTERDAM) B.V. THE NETHERLANDS (OTR)

Located at the heart of the Rotterdam harbour, the most important chemical distribution centre in Europe, OTR has a total storage capacity of about 1,635,00 cbm in 281 storage tanks. OTR is one of the largest facilities of its kind in the world. The tank terminal stores both chemicals and mineral oil products.

In addition to the storage business, the Rotterdam tank terminal also renders toll distillation services through its fully integrated business unit Odfjell Petrochemical Industrial Distillation (PID). PID retains a large market share of the independent product distillation market in North West Europe and operates four distillation columns with a combined total annual distillation capacity of 700,000 tonnes, depending on product streams. PID distils both (petro) chemical and mineral oils.
The Odfjell Terminals Maritiem BV (OTM) site is located almost directly opposite OTR on the south bank of

Rotterdam's main shipping artery Nieuwe Waterweg, surrounded by the port's largest global-scale refineries. A planning permission procedure has been initiated to commence terminal operations at the OTM site.

Overall, the Rotterdam tank terminal enjoys an excellent infrastructure, with five berths for deep-sea tankers, seven positions for short-sea vessels and 14 positions for barges. The terminal also has extensive facilities for handling trucks, ISO containers and rail cars. The site has its own waste water treatment plant, which also serves third parties.

OTR is an important destination for Odfjell Tankers in the Amsterdam-Rotterdam-Antwerp (ARA) area, and our long-term objective is to consolidate the tank terminal as one of the primary hubs for Odfjell's shipping activities to and from Europe.

Towards the end of 2011 OTR experienced several incidents involving vapour emissions. Some of the incidents were not properly reported to the authorities, which resulted in the authorities performing further audits and investigations at the terminal. In July 2012, during inspections of the fire-fighting equipment, it became clear that the adequate functioning of the fire-fighting capability could not be 100% guaranteed for all tanks. As a result, Odfjell Management decided to conduct a temporarily controlled safety shutdown of the terminal from 27 July 2012. A large number of tanks have subsequently been brought back into service after having successfully passed comprehensive safety checks. However, the disruption that was caused during the period after the shutdown led to a number of customers terminating their contracts with OTR as well as a number of claims for damages from customers against OTR.

Following the incidents at OTR, a number of investigations have been initiated to assess the root causes behind the course of events and to understand the role played by management as well as various supervisory organisations including the environmental authority DCMR, the Regional Safety Board as well as the Labour Inspectorate. The situation at OTR has been extensively covered in the media at both local as well as on national level. In the meantime, the regulatory authorities have announced that petrochemical and liquid storage companies will be required to make their facilities comply with the best available technologies within the next five years.

OTR has, with support from both shareholders, Odfjell and Lindsay Goldberg, developed a roadmap to bring in the short-term bring back as much as possible of the terminals' capacity into operation mode. Further investment is subsequently planned to upgrade tank pits which, because of their age and condition, need more extensive refurbishment to ensure that future health, safety and environmental standards are met.

At the end of 2012 some 700,000 cbm was available for storage again and the PID was operating at limited capacity. A substantial part of capacity was being occupied by customers at the end of January 2013. The remaining capacity will gradually be brought back into service. The company plans to have a total of around 1.2 million cbm of storage capacity available by the end of Q2 2013.

Due to lower business activity levels in the near future, OTR has initiated a process to scale back its workforce, and has reached an agreement with the trade unions and OTR's Works Council for this goal. The reorganisation is on course to conclude during Q2 2013.

OTR's results for 2013 will be heavily dependent on achieving the planned re-start schedule and securing new customer contracts for the tank capacity that becomes available.

NOORD NATIE ODFJELL TERMINALS NV, BELGIUM (NNOT)

Odfjell Terminals' latest expansion is Noord Natie Odfjell Terminals in Antwerp, Belgium, in which Odfjell Terminals (Europe) B.V., a subsidiary of Odfjell Terminals Lindsay Goldberg CV, has a 25% stake. The terminal offers a unique combination of storage and related value-added services for several types of liquids. Noord Natie Odfjell Terminals mainly focuses on bulk storage with additional activities such as blending, drumming, packaging and storage of packed liquids and storage of tank containers.

The terminal has a strategic location in the Port of Antwerp with easy access to sea, inland waterways, road and rail. The terminal boasts a wealth of experience in storage, handling and packaging of commodities as well as niche market products.

With 230 tanks and a total capacity of 300,000 cbm, Noord Natie Odfjell Terminals provides storage and related activities for chemical, liquids for food or feed use, mineral oils, base oil, oleochemicals and biofuels.

Noord Natie Odfjell Terminals offers a wide variety of tanks with multiple sizes ranging from 30 cbm to 8,300 cbm of different materials including mild steel, coated or stainless steel tanks as well as a variety of different types of tank equipment including insulation, steam heating, electrical heating or hot water heating, nitrogen installation and vapour return systems.

Noord Natie Odfjell Terminals owns additional land adjacent to the existing terminal and has plans for expansion of up to 155,000 cbm capacity, of which 50,000 cbm has been approved for start of construction thanks to Noord Natie Odfjell Terminals securing a corresponding extension of their storage contract with one of its key customers.

ODFJELL TERMINALS (HOUSTON) INC., USA (OTH)

Houston is the major international hub for the import and export of chemicals to and from the USA. OTH is also the hub for Odfjell's global and regional trades to and from the US Gulf. The realisation of synergies is always a priority and the tank terminal has multiple shared common customers with Odfjell Tankers, which demonstrates the benefit of cargo consolidation and expedited shipment for all parties.

The tank terminal in Houston was completed by Odfjell in 1983, and since the mid-1990s has undergone a considerable expansion. At the year-end 2012 the tank terminal had 100 tanks with a total capacity of 331,333 cbm.

The tank terminal boasts one of the largest stainless steel storage capacities of any independent tank terminal in the world, in total 82,035 cbm. The facilities' unused land and existing infrastructure still offer scope for further expansion, with potential storage capacity of around 160,000 cbm in the existing area. OTH has been granted approval to develop a new bay with ten stainless steal tanks with a combined capacity of 30,000 cbm at its existing facility.

ODFJELL TERMINALS (DALIAN) LTD, CHINA (OTD)

OTD started operation in 1998, but was relocated from its original site to Dalian New Port in Xingang in 2007. In combination with the relocation, the tank terminal increased its capacity to over 51 tanks, bringing the total capacity to 119,750 cbm. The stainless steel capacity is 18,350 cbm. In recent years, the tank terminal has turned in a strong performance on the back of the expansion of petrochemical activities in the North East of China. The tank terminal has four berths for sea-going tankers with up to 50,000 DWT capacity. The location is well connected by rail to the vast hinterland of North East China and the tank terminal handles impressive volumes via its rail facilities which can manage up to 120 rail wagons concurrently.

Odfjell holds 50% of the shares in Odfjell Terminals Dalian and Dalian Port Company Ltd (PDA), a company listed in Hong Kong, is the other shareholder in the company.
Odfjell and PDA have also jointly established a training academy for terminal operators for operations in China.

ODFJELL TERMINALS (JIANGYIN) LTD, CHINA (OTJ)

OTJ is located in the Jiangyin Economic Development Zone on the south bank of the Yangtze River, approximately 150 km west of Shanghai and 12 hours by ship upriver from the estuary of the Yangtze River. The 99,800 cbm terminal became operational in late 2007 and has excellent facilities for handling a wide range of petrochemicals from ships, barges and trucks. OTJ comprises 22 tanks. The stainless steel capacity is 30,000 cbm.

The terminal has the largest jetty on the Yangtze River at its disposal. There are in total eight berths for the handling of deep-sea tankers, coasters or barges. OTJ allows 50,000 DWT ships.

VOPAK TERMINAL NINGBO, CHINA

This tank terminal started operation in 1994. Located close to Shanghai, Ningbo is a key port for importing chemicals to the central eastern coast of China. The terminal serves ships, barges, rail cars and trucks and currently has a capacity of 71,050 cbm. Odfjell has a 12.5% shareholding in the tank terminal. The others are Vopak, Helm AG and the port authorities.

ODFJELL TERMINALS (KOREA) CO LTD, KOREA (OTK)

OTK is strategically located in Onsan, the most important petrochemical distribution and transhipment hub in North East Asia. Odfjell is a major carrier of bulk liquid chemicals into and out of Korea, with a significant number of port calls and transhipment operations in the region. The tank terminal entered operation in 2002 and has 85 tanks with a total storage capacity of 313,710 cbm. After completing a significant expansion in 2009, OTK further expanded the capacity with 63,120 cbm in 2011.

As the most sophisticated terminal in Onsan, OTK has a 15,860 cbm stainless steel capacity. The tank terminal owns and operates six berths with user rights to another two berths that can handle vessels of up to 80,000 DWT. OTK also has modern drumming facilities for break bulk operations. The tank terminal has land for future expansion.

Odfjell holds 50% of the shares, while local partner Korea Petrochemical Ind. Co. Ltd (KPIC) owns 43.59%, with the remaining 6.41% shareholding held by two other Korean companies.

OILTANKING ODFJELL TERMINALS SINGAPORE PTE LTD, SINGAPORE (OOTS)

As one of the busiest ports in the world, Singapore plays a major role in the distribution of petrochemicals in South East Asia. Singapore also has a high concentration of refinery capacity, as well as large and diversified chemical production facilities. Further growth is secured through the port's prime location, good infrastructure and a stable economy and business climate. OOTS is located on Jurong Island, where most of Singapore's development of petrochemical industry is concentrated.

The tank terminal became operational in 2001. The total current capacity is 365,000 cbm in 79 tanks, varying from 800 cbm to 18,000 cbm. The stainless steel capacity is 13,520 cbm. OOTS has three deep-sea jetties. The berths can accommodate double-banking and board-to-board cargo transfers as well as delivery of bunker fuels from shore tanks. The tank terminal also performs operational management and has access to two additional berths. With the additional land available, the tank terminal can expand further.

The flexible storage and transfer services offered by the tank terminal, along with excellent marine facilities, provide a good platform for Odfjell to further develop a hub for global and regional shipping services in South East Asia. The tank terminal is a 50/50 joint venture between Odfjell and Oiltanking.

OILTANKING ODFJELL TERMINALS & CO LLC, OMAN (OOTO)

Sohar Industrial Port is located in Oman outside the Strait of Hormuz only a few hours' drive from the petrochemical industry in UAE and Saudi Arabia. The port is home to a refinery and several global-scale petrochemical complexes. This development is being driven by the desire of the Sultanate of Oman to exploit the nation's gas reserves and create a strong 'value-added process economy' as opposed to an energy export economy.

OOTO has exclusive rights to manage six liquid berths and provides bulk liquid storage within Sohar Industrial Port. Based on the requirements of the captive industry in Sohar and a growing regional market for storage of chemicals and mineral oils, over the past five years OOTO has expanded into a terminal with 66 tanks and overall capacity of 1,294,800 cbm.

Odfjell holds a 29.75% shareholding in OOTO. The company is jointly managed by Odfjell and Oiltanking.

EXIR CHEMICAL TERMINAL (PJSCO), IRAN (ECT)

Exir Chemical Terminal (PJSCO) (ECT) is a joint venture between Odfjell Terminals (35%), Oiltanking (35%) and Nuian, a private Iranian investor (30%), and is the first independent tank terminal for bulk liquid chemicals in Iran. ECT is strategically situated in the Petrochemical Special Economic Zone (PETZONE) in the port of Bandar Imam Khomeini. The terminal is connected by pipelines to jetties of the PETZONE with a capacity of 45,000 DWT.

The terminal consists of 18 tanks, in total 22,000 cbm, and has been operational since January 2010.

TANK TERMINALS PARTLY OWNED BY RELATED PARTIES, SOUTH AMERICA

The tank terminals partly owned by related parties first became operational in Buenos Aires in 1969. Today, they consist of 11 tank terminals spread along the coasts of Brazil, Argentina, Chile and Peru, with a strong market position for chemical storage in the region. The Odfjell family owns these terminals privately and has operational headquarters in Sao Paulo.

The six Brazilian tank terminals are located in Santos, Rio Grande, Triunfo, Sao Luis, Teresina and Corumba. Argentina is home to two tank terminals, one in Buenos Aires and the other, a state-of-the-art terminal in Campana, about 80 km upriver from Buenos Aires. The Chilean tank terminal is located in San Antonio and the Peruvian terminal in Callao. The latest addition is a sophisticated tank terminal in Mejillones, Chile.

The tank terminals partly owned by a related parties' network in South America is also expanding. Projects to increase the capacity at existing terminals as well as the construction of new terminals are under way.

These extensive tank terminal activities in South America provide an excellent complement to Odfjell's frequent and traditionally strong shipping activities within the region. Where practical, shipping and storage services are marketed from shared offices, facilitating logistical solutions as comprehensive as required by our customers.

TANK TERMINALS *)	FIGURES IN	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross revenue	USD million	145	227	245	248	232	180	152	132	130	118
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD million	27	96	110	109	95	74	58	48	49	45
Operating result (EBIT)	USD million	(8)	62	75	68	68	54	51	33	29	27
Total tank terminal assets	USD million	833	1 092	987	691	634	481	340	286	312	293
Tank capacity (owned)	1 000 cbm.	4 551	4 221	3 732	3 719	3 100	2 553	2 256	2 256	2 256	2 256

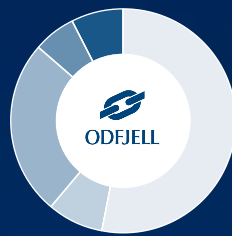
*) Excluding tank terminals partly owned by related parties. Reflection of actual ownership share.

ODFJELL

PREDICTABLE

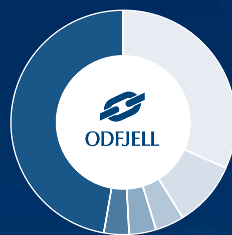
Safety always comes first at Odfjell and shall never be compromised. We operate an open-door policy by which people are encouraged and have the confidence to raise their HSE concerns and stop potentially unsafe operations or situations. Management attaches great importance to safety and allows time to rest, train and perform safety drills.

ODFJELL



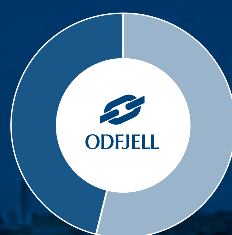
EMPLOYEES

- 1 881 Ship crew International
- 287 Ship crew Norwegian
- 891 Tank Terminals
- 224 Head office
- 257 Branch offices abroad



SHAREHOLDER STRUCTURE

- Norchem A/S (31.76%)
- DNB ASA (9.49%)
- Rederiet Odfjell AS (4.03%)
- Odfjell Shipping Bermuda LTD. (3.99%)
- Pareto Aksje Norge (3.77%)
- Others (46.96%)



SHAREHOLDER CITIZENSHIP

- International shareholders (53.93%)
- Norwegian shareholders (46.07)

TOTAL SHARES

65,690,244

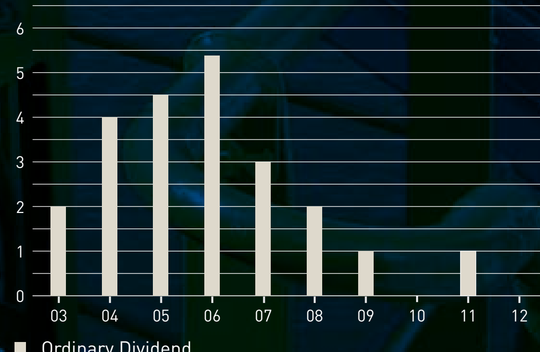
A SHARES

21,078,704

B SHARES

DIVIDEND PER SHARE

(per year of payment)



CORPORATE GOVERNANCE

Odfjell SE which is the parent company in the Odfjell Group of companies is established and registered in Norway and is governed by Norwegian law, including laws and regulations pertaining to companies and securities. The Group has the objective of complying with all relevant laws and regulations in all jurisdictions it operates in, as well as the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES) on 23 October 2012 (the 'Code of Practice').

The Company's Board of Directors has on 13 February 2013 approved Corporate Governance Policy as the Company's policy for sound corporate governance in accordance with the Code of Practice. As an extension of this objective, the Board has also approved instructions for the Board of Directors and Management as well as regulations for insider trading in the Odfjell shares. This statement is compliance with the Corporate Governance Policy approved by the Board of Directors.

REGULATIONS

The Company is a SE company (Societas Europaea) subject to the Norwegian Act no. 14 of 1 April 2005 relating to European companies. The Company is listed on the Oslo Stock Exchange, and is thus subject to Norwegian securities legislation and stock exchange regulations.

In connection with this, the Company is subject to the requirements for good corporate governance which follow from the Public Limited Companies Act of 1997, the Securities Trading Act of 2007 and the Stock Exchange Act of 2007.

REPORTING ON CORPORATE GOVERNANCE

The framework for corporate governance is the Norwegian Code of Practice for Corporate Governance of 23 October 2012. The Code is based on a 'comply or explain' principle, which means that possible deviations from the Code shall be explained.

Odfjell is committed to ethical business practices, honesty, fair dealing and compliance with all laws and regulations affecting our business. This includes adherence to high standards of corporate governance. Odfjell's corporate social responsibility policy also encompasses a strong focus on quality, health, safety and care for the environment as well as human rights, non-discrimination and anti-corruption. The Company has its own Corporate Code of Conduct that addresses several of these issues. All Odfjell employees are obliged to comply with the Code of Conduct.

The following describes Odfjell's compliance procedures in respect of each of the elements of the Norwegian Code of Practice for Corporate Governance, including explanation of any deviations.

THE COMPANYS' BUSINESS

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 other articles may be found on www.odfjell.com. The Company's Mission Statement and strategy can be found on page 3 and 5 of this Annual Report.

EQUITY AND DIVIDENDS

Equity

Odfjell shall maintain an equity base deemed sufficient to support the Company's objectives and strategy, and able to withstand a prolonged period of adverse market conditions. The normal target is that the equity ratio shall remain between 30 and 35 per cent of total assets. The Group had book equity of USD 948 million as of 31 December 2012 which corresponds to an equity ratio of 36.9%.

Subscription rights

There are no outstanding Subscription rights as of 31 December 2012.

Dividend policy

Odfjell aims to provide competitive long-term return on the investments for its shareholders. The Company embraces an investor-friendly dividend policy based on financial performance, current capital expenditure programmes and tax positions. The Company's goal is to provide for semi-annual dividend payments.

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 is restricted to defined purposes. The mandates granted to the Board are also 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 of 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 Extraordinary General Meeting of 2 October 2012 authorised the Board of Directors to acquire treasury shares with 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 2.5 and NOK 250. This authorization expires on 2 April 2014.

Share option scheme

No option scheme has been established. Share option schemes shall be approved by the General Meeting.

EQUAL TREATEMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

Class of shares

The Company's share capital is NOK 216,922,370, divided between 65,690,244 class A shares each with a nominal value of NOK 2.5, and 21,078,704 class B shares each with a nominal value of NOK 2.5. 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, however in certain circumstances also B shares have voting rights. In all other respects, the two classes of shares are equal, and have the same rights to dividends. In the event of bonus issues, 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, but this is no longer a very common practice on the Oslo Stock Exchange. As a result the Board has initiated an evaluation of the legal and regulatory issues related to converting into one single class of shares. Any change of share structure would require majority vote in both share classes.

Transactions in own shares

Any transactions carried out by the Company in treasury shares will be reported to the Oslo Stock Exchange and to other wider market through stock exchange releases and press releases.

Transactions with close associates

Any material transaction between the Company and any shareholder, Board Member, executive employees or any closely related party of the foregoing should be reviewed by an external third party before being concluded. This does not apply for any agreement approved by the General Meeting according to the Norwegian Public Limited Liability Companies Act. Independent valuations should 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 executive employees shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Guidelines for Directors and Corporate Management

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 the Board, the President/CEO, the Odfjell Management Group and other employees who in connection with their work may gain access to price sensitive non-public information.

FREELY NEGOTIABLE SHARES

The Company's shares are listed on the Oslo Stock Exchange and are freely tradable. There is no form of restriction on 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).

THE GENERAL MEETINGS OF SHAREHOLDERS

The Board is responsible for convening both annual and extraordinary general meetings. The Company arranges for the Annual General Meeting to be held within six months of the end of each financial year. The notice convening the meeting and other documents regarding the General Meeting shall be available on the Company's website no later than the 21st day before the date of the General Meeting, up to and including the day the meeting is held. When documents concerning matters that are to be considered by the 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 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 demand 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, e-mail or fax.

The notice shall provide sufficient information on all matters to be considered at the General Meeting, voting instructions and opportunities to vote by proxy. Matters discussed at the General Meeting are restricted to those set forth in the agenda.

Representatives of the Board and the Auditor participate in the Annual General Meeting. Management is represented by the President/CEO and/or the Senior Vice President Finance/CFO.

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.

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.

Any other matters which shareholders wish to have considered at the Annual General Meeting must be submitted in writing to the Board of Directors in time to be included in the notice of the Annual General Meeting. Extraordinary general meetings may be called in accordance with the provision of the Norwegian Limited Liability Companies Act.

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

NOMINATION COMMITTEE

The Company has a Nomination Committee. The General Meeting shall elect the Committee Chairman and members, determine their remuneration and determine guidelines for duties of the Committee.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS - COMPOSITION AND INDEPENDENCE

The Company's Management is organised 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 to be elected by the Annual General Meeting for a period of two years. The Board elects the Chairman of the Board.

The Company has no corporate assembly and the Annual General Meeting elects the Board. The interests of the employees are upheld through an agreement between the employees and Odfjell concerning the involvement of employees. The employees have established a permanent Employee Representatives Body (ERB). The ERB consists of up to six representatives, partly from our tank terminal in Rotterdam, the main office in Bergen and the Officers' Council. The scope of information and consulting procedures shall cover transnational issues, concerning a group of employees either in the Company directly or in one or more of its subsidiaries.

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.

Since 8 May 2012 the Board has comprised Laurence W. Odfjell (Executive Chairman), B.D. Odfjell, Christine Rødsæther, Terje Storeng, Irene Waage Basili and Jannicke Nilsson. The Executive Chairman, Laurence W. Odfjell has been assigned special tasks by the Board, and consequently acts as Executive Chairman. Laurence W. Odfjell and Board Member Bernt Daniel Odfjell represent the Odfjell family, the largest shareholder of Odfjell SE. Terje Storeng, Christine Rødsæther, Irene Waage Basili and Jannicke Nilsson are independent Board Members. Even though Terje Storeng does not meet all the requirements for independence in the Norwegian Corporate Governance Board (NUES), he performs his duties independently as Board Member. The Company believes that the Board is well positioned to act independently of the Company's Management Group and exercise proper supervision of the Management and its operations. The annual report contains a presentation of the Board of Directors and details of the shareholdings of all Directors. Board Members are elected for a period of two years, and two of the existing Board Members are up for a new election at the 2013 Annual General Meeting. The proportionate representation of gender of the Board is within the legislated target.

THE WORK OF THE BOARD OF DIRECTORS

The Board is responsible for determining the Company's objectives, and for ensuring that necessary means for achieving them are in place. Thus, the Board of Directors also determines the Company's strategic direction and decides on matters that are of significant nature in relation to the Company's overall activities. Such matters include confirmation of the strategic guidelines including any 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 President/CEO and determines his/her remuneration.

It is the responsibility of the Board to ensure that the Company, its Management and employees operate in a safe, legal, ethically and socially responsible manner. To emphasize the importance of these issues, a Company specific Corporate Social Responsibility Policy and a code of conduct are in place and are widely circulated throughout the organisation. The Code of Conduct focuses on aspects of ethical behaviour in day-to-day business activities.

The Board of Directors has issued instructions for its own work as well as for the Odfjell Management Group with particular emphasis on clear internal allocation of responsibilities and duties. The instructions should be evaluated annually in connection with the annual assessment of the Board's performance and expertise.

The Board endeavours to schedule in advance a number of regular meetings to be held during the calendar year, normally about eight to ten meetings per year, depending on the level of the Company's activities. In addition to regular board meetings, the Board holds meetings, either by telephone conference or by written resolution at the request of the Executive Chairman, the President/CEO or by any two Board Members. The Board meetings are chaired by the Executive Chairman unless otherwise agreed by a majority of the Directors attending. If the Executive Chairman is not present, the Directors shall elect a Director to preside over the board meeting.

The Board had eight ordinary meetings and ten extraordinary meetings in 2012, with 92,4% Director attendance. The Board has carried out a self-assessment of its work.

Audit Committee

The Audit Committee is elected by the Board and consists of two Board Members; Terje Storeng and Irene Waage Basili. The Audit Committee reports to, and acts as a preparatory and advisory working committee for the Board. The establishment of the Audit Committee does not alter the Board's legal responsibilities or tasks.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management process and the system of internal control are subject to continuous improvement.

Business strategies are prepared at regional level and are approved by the Board. In addition, there are 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 organisation structure that supports clear lines of communication and accountability, and delegation of authority rules 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 respond quickly 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. The internal audit department provides additional assurance to the Board and the Audit Committee that key controls are operating as intended.

Financial performance is also reported on a quarterly basis to the Board and to the Oslo Stock Exchange.

Odfjell'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 acts 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 has been applied to competition law compliance, and regular updates are issued to all relevant personnel.

The Company is also subject to external control functions including by auditors, ship classification societies, customer vettings, port and flag state, and other regulatory bodies including IMO.

BOARD MEMBERS' REMUNERATION

Remuneration of the Board Members is decided by the Annual General Meeting. Members of the Board do not take part in any incentive or share option programmes. The remuneration of the Board of Directors is not linked to the Company's performance. Board Members of the companies they represent are not supposed to take on assignments for the Company.

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 establishment of salaries and other remuneration for the Management. The statement is disclosed in note 23 to the annual accounts and as a separate document to be presented to the Annual General Meeting.

INFORMATION AND COMMUNICATION

Through its Corporate Governance Policy, the Board has implemented guidelines for disclosure of Company information. The reporting of financial and other information will be based on openness and equal treatment of all participants. 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 www.odfjell.com. The Company aims to have 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/President reviews and makes comments on results, market developments and prospects. Odfjell's CFO/Senior Vice President Finance 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 they are presented. The annual and mid-year results are presented in a live presentation in Oslo, whereas reports following publication of first and third quarter results are made available through webcasts. Odfjell also maintains an ongoing dialogue with, and make 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 provides 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.

TAKE-OVERS

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

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

If an offer is made for the shares in the Company, the Board shall issue a statement evaluating the offer and make a recommendation as to whether the shareholders should accept the offer. If the Board finds itself unable to provide such a recommendation, it shall explain the background. The Board's statement on a bid shall make clear whether the views expressed are unanimous, and if this is not the case, it shall explain the basis on which members of the Board have excluded themselves from the Board's statement. The Board shall consider whether to arrange 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.

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 present a review of the Company's internal control procedures, including identified weaknesses and proposed improvements. The Board shall at least yearly have a meeting 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 are included in the notes to the annual accounts. The Board continuously evaluates the need for written guidelines concerning the Odfjell Management Group's employment of the Auditor for other services than audit. The Board believes that the Auditor's independence of the Company's Management is assured. The Auditor shall issue a written annual declaration confirming the Auditor's independence.

In order to secure consistency in control and audits of the Group, Odfjell generally uses the same audit firm for all subsidiaries worldwide, and currently engages Ernst & Young as the Company's independent Auditor.

ODFJELL

SHAREHOLDER INFORMATION

Odfjell's aim is to provide a competitive long-term return on investments to its shareholders. The Company emphasises an investor-friendly dividend policy based on financial performance, current capital expenditure programmes and tax positions. The Company's goal is to provide semi-annual dividend payments. We comply with the Code of Practice for reporting and information advised by Oslo Børs.

SHARE PERFORMANCE

At the end of 2012 the Company's A shares were trading at NOK 24 (USD 4.29), down 33.3% from NOK 36 (USD 5.99) at year-end 2011. The B shares were trading at NOK 22.7 (USD 4.06) at the end of 2012, down 35% from NOK 35 (USD 5.89) 12 months previously.

By way of comparison, the Oslo Stock Exchange benchmark index increased by 15%, the marine index by 20% and the transportation index by 29% during the year. The market capitalisation of Odfjell was NOK 2,056 million (USD 368 million) as per 31 December 2012.

Given the poor 2012 results and the uncertainties in the markets going forward, the Board does not recommend payment of ordinary dividend for 2012.

TRADING VOLUMES

In 2012 about 20.4 million Odfjell shares were traded, spread over 11.2 million A shares and 9.2 million B shares. This represents about 24% of the issued and outstanding shares. At year-end 2012 Odfjell had outstanding 65.7 million A shares and 21.1 million B shares.

SHAREHOLDERS

At the end of 2012 there were 1,295 holders of Odfjell A shares and 534 holders of Odfjell B shares. Taking into account shareholders owning both share classes, the total number of shareholders was 1,534.

INVESTOR OWNERSHIP

57.1% of the Company's A shares and 44% of the B shares were held by international investors at the end of the year, equivalent to 54% of the total share capital.

SHAREHOLDER PROGRAMME

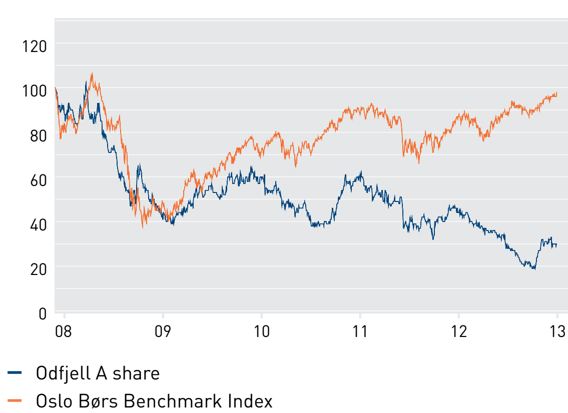
At the end of 2012 the Odfjell Group did not own A shares or B shares. Per 13 March 2013, Odfjell SE owns 5,891,166 A shares and 2,322,482 B shares as treasury shares.

The Extraordinary General Meeting on 2 October 2012 authorised the Board of Directors to acquire treasury shares of up to 10% of the Company's outstanding shares, at a minimum price of NOK 2.5 (par value) and a maximum price of NOK 250 per share. This authorization expires on 2 April 2014.

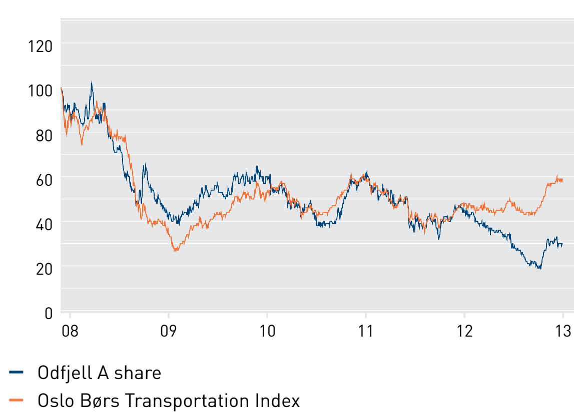
INVESTOR RELATIONS

Provision of accurate and timely information is of vital importance in order to create credibility and confidence. Our policy is to provide the market with all relevant information in line with regulations and the recommendations from Oslo Børs. We attach great importance to ensuring that shareholders receive swift, relevant and correct information about the Company. Our aim is to provide a

SHAREPRICE DEVELOPEMENT VERSUS OSEBX



SHAREPRICE DEVELOPEMENT VERSUS TRANSPORTATION INDEX



good understanding of the Company's activities and its prospects so that shareholders are in a good position to assess the share's trading price and underlying values. For more information, please see page 102 under Corporate Governance.

THE FINANCIAL CALENDAR FOR 2013 IS AS FOLLOWS:

6 May 2013	Annual General Meeting
7 May 2013	Q1 Report
23 August 2013	Q2 Report
14 November 2013	Q3 Report
13 February 2014	Q4 Report

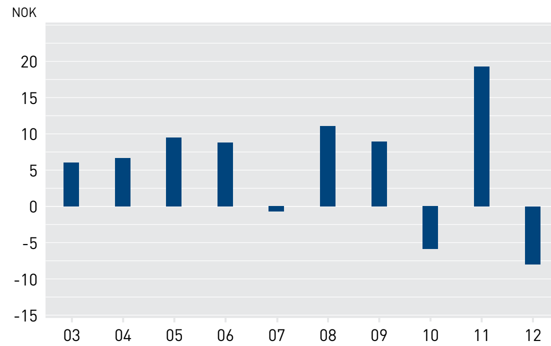
SPECIAL INFORMATION FOR NORWEGIAN SHAREHOLDERS

Under the tax reforms of 1 January 1992 the cost of shares for tax purposes is to be adjusted annually to reflect the Company's retained taxed earnings in order to prevent double taxation (RISK adjustment). This system was discontinued as from 1 January 2006. However, the RISK adjustments for previous years still apply.

Please see information on www.odfjell.com for further information on the RISK adjustment.

Please see note 33 for overview of the 20 largest shareholders.

EARNINGS PER SHARE



SHARE CAPITAL HISTORY

YEAR	EVENT	AMOUNT IN NOK	SHARE CAPITAL AFTER EVENT
1914	Established	517 500	517 500
1969	Capitalisation bonus issue	382 500	900 000
1969	Merger with A/S Oljetransport	900 000	1 800 000
1981	Capitalisation bonus issue	1 800 000	3 600 000
1984	Capitalisation bonus issue	3 600 000	7 200 000
1985	Merger with Skibsaksjeselskapet Selje	3 320 000	10 520 000
1985	Merger with Odfjell Tankers & Terminals A/S	2 000 000	12 520 000
1985	Capitalisation bonus issue	6 260 000	18 780 000
1986	Public offering	9 390 000	28 170 000
1986	Capitalisation bonus issue	2 817 000	30 987 000
1988	Capitalisation bonus issue	6 197 400	37 184 400
1989	Capitalisation bonus issue	7 436 880	44 621 280
1989	International private placement	10 000 000	54 621 280
1990	Capitalisation bonus issue	54 621 280	109 242 560
1994	Capitalisation bonus issue	109 242 560	218 485 120
2000	Private placement	49 267 340	267 752 460
2001	Redemption of treasury shares	(13 657 500)	254 094 960
2002	Redemption of treasury shares	(25 409 490)	228 685 470
2003	Redemption of treasury shares	(11 763 100)	216 922 370
2004	Share split 2:1	0	216 922 370
2005	Share split 2:1	0	216 922 370
2006–2012	No events	0	216 922 370

FINANCIAL RISK MANAGEMENT AND SENSITIVITIES

With the global market as its arena, Odfjell is exposed to an infinite 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 loan reserves, and through systematic monitoring and management of financial risks related to currencies, interest rates and bunkers. Hedging instruments is used to reduce the Company's exposure to fluctuations in the above mentioned financial risks. At the same time, it limits Odfjell's upside potential from favorable movements in these risk factors. The Company also closely monitors the risk related to market valuation of the hedging instruments and the effect this has on the equity ratio.

EARNINGS

Earnings within the chemical tanker markets are less volatile than in many other shipping segments as these are niche markets with specialised tonnages. The diversity of trade lanes and the products we transport provide some natural hedging against the negative effects of a general slowdown in demand. Our time charter earnings are influenced by external factors such as global economic growth, the general ship-freight market, bunker prices and factors specifically related to the chemical tanker trade, such as cargo type and cargo volume, trading pattern required by our customers, contract and spot rates and our operational efficiency. Time is of the essence, and optimal utilisation of the fleet and an expedient composition of cargoes, with minimal time in port, is of vital importance in order to maximise time charter earnings.

The single largest cost component affecting time charter earnings is bunkers. In 2012 this amounted to more than USD 318 million (59.8% of voyage costs). A change in the average bunker price of USD 100 per tonne equals about USD 54 million per year (or USD 1,832 per day) change in time charter earnings for those ships where we have a direct economic interest. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the contracts of affreightment. As per 31 December 2012 the Company had hedged about 20% of our 2013 bunker exposure, through swaps and options at an average price of about USD 546 per tonne.

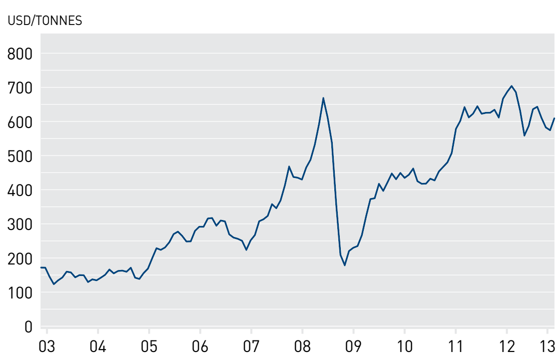
Sensitivity analyses show that a change in time charter earnings of USD 1,000 per day for our chemical tankers (a roughly 5% change in freight rates) will impact the pre-tax net result by approximately USD 26.5 million. The Company is not currently engaged in the derivative market for Forward Freight Agreements.

Tank terminal activities have historically shown more stable earnings than our shipping activities. With the issues facing Odfjell Terminals (Rotterdam), 2012 was an exception to this. The operating result in this segment for 2012 was negative USD 8 million. A substantial part of the tank terminal costs are fixed costs and the main drivers for earnings within a tank terminal are the occupancy rate, the volume of cargoes handled through and by the terminal, and operational efficiency.

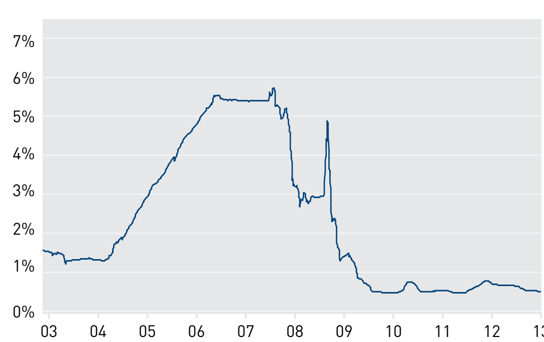
INTEREST RATES

All interest-bearing debt, except 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 25% of our loans are on a fixed rate basis. In order to reduce the volatility of the net result and cash flow relating to changes

BUNKERS (3.5% BARGES ROTTERDAM)



INTEREST RATES (USD 3 MONTH LIBOR)



in short-term interest rates, interest rate periods on floating rate debt and on liquidity are managed to be concurrent. Total interest-bearing debt as per 31 December 2012 was USD 1,325 million, while liquid assets amounted to USD 170 million.

CURRENCY

The Group's revenues are primarily denominated in USD. Tank terminals outside the USA and our regional European shipping trade derive income in non-USD currencies. 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 in NOK and EUR. We have estimated that a 10% depreciation of the USD against the NOK would impact the pre-tax 2012 result negatively by around USD 11 million, ignoring the effect of any currency hedging in place.

Our currency hedging at the end of 2012, under which the Company sold USD and purchased NOK, covers about 21% of the Company's 2013 NOK-exposure. Future hedging periods may vary depending on changes in market conditions. The average USD/NOK exchange rate for open hedging positions as of 31 December 2012 for 2013 was 6.05.

FINANCING AND LIQUIDITY

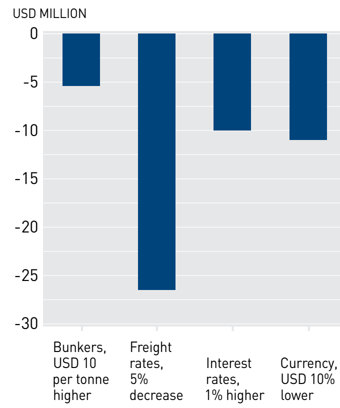
Odfjell has a stable debt structure established with major international shipping banks, with whom the Company enjoys long-standing relationships. The Company has a diversified debt portfolio comprising a combination of secured loans, export credit finance, finance leases and unsecured bonds. Although 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 terms loans, as long-term funding is less available and more expensive. As a consequence our attention to timely refinancing of maturing debt is a continuous task. The average maturity of the Group's interest-bearing debt is about 4.4 years.

Odfjell's strategy is to maintain a high level of readily available liquidity. This liquidity is invested in bank deposits and high-grade bonds and certificates with variable interest rates.

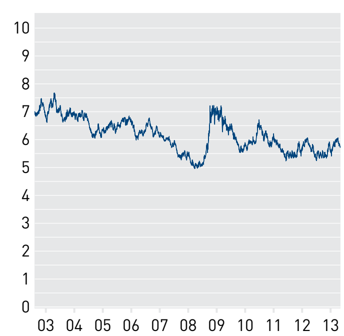
TAX

The Odfjell Group operates within a number of jurisdictions and tax systems. Shipping activities are operated in several countries and under different tax schemes, including the Norwegian tonnage tax system, the Approved International Shipping system in Singapore and the tonnage tax systems in the UK. In addition we operate under local tax systems in Chile and Brazil. Our tank terminal activities are generally subject to the ordinary corporate tax rates within the country in which the activity is located. The variation in tax systems and rates may cause tax costs to vary significantly depending on the country in which profits are accumulated and taxed.

SENSITIVITY

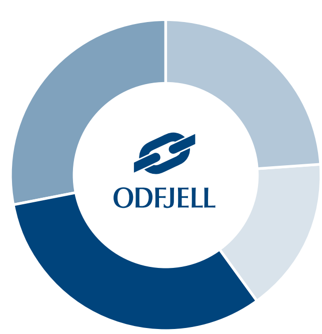


USD/NOK



COST ANALYSIS

The major cost components of a typical large Odfjell chemical tanker



- 16% Other voyage costs
- 24% Bunkers
- 28% Capital expenses
- 32% Operating and general administration costs

FLEET & TERMINAL OVERVIEW

as per 28 February 2013

Ship	Year built	DWT	CBM	Stainless steel, CBM	Number of Tanks
OWNED					
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 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
Flumar Maceio	2006	19 975	21 713	21 713	22
Bow Summer	2005	49 592	52 128	52 128	40
Bow Spring [1]	2004	39 942	52 127	52 127	40
Bow Star	2004	39 832	52 127	52 127	40
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 Fortune	1999	37 395	40 619	40 619	47
Bow Master	1999	6 046	7 018	7 018	14
Bow Mate	1999	6 001	7 004	7 004	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 Eagle	1988	24 728	32 347	19 662	25
Bow Cheetah	1988	40 257	43 811	–	29
Bow Victor	1986	33 000	34 500	21 975	31
TIME CHARTERED/POOL					
NCC Sama	2012	45 564	53 495	53 495	22
NCC Reem	2012	45 544	52 591	–	22
UACC Masafi	2012	45 352	52 565	–	22
NCC Najem [3]	2012	45 499	52 590	–	22
NCC Shams [3]	2012	45 468	52 590	–	22
Chemroad Hope	2011	33 552	37 161	37 161	18
SG Pegasus	2011	13 086	14 523	14 523	16
NCC Danah [3]	2011	45 578	52 590	–	22
NCC Nasma [3]	2011	45 550	52 590	–	22
NCC Safa [3]	2011	45 544	52 590	–	22
NCC Amal [3]	2011	45 544	52 590	–	22
NCC Huda [3]	2011	45 459	52 590	–	22
NCC Noor [3]	2011	45 565	52 590	–	22
Stream Luna	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
Stream Mia	2008	19 702	22 094	22 094	26
Bow Sagami	2008	33 641	38 000	38 000	16
Bow Harmony	2008	33 619	38 052	38 052	16
Bow Cape	2008	19 975	22 158	22 158	20
Bow Kiso	2008	33 641	37 974	37 974	16
Bow Heron	2008	33 707	37 365	37 365	16
NCC Haiel [3]	2008	45 953	54 401	–	22
NCC Dammam [3]	2008	45 965	54 401	–	22
NCC Sudair [3]	2007	46 012	54 401	–	22
Bow Lima	2007	19 971	22 157	22 157	20
Bow Fuji	2006	19 805	22 140	22 140	22
Bow Plata	2006	19 807	22 143	22 143	22
Bow Engineer	2006	30 086	36 274	36 274	28
Crystal Topaz [3]	2006	11 340	11 870	11 870	20
Crystal Diamond [3]	2006	11 340	11 870	11 870	20
Bow Sky [2]	2005	40 005	52 126	52 126	40
Bow Architect	2005	30 058	36 290	36 290	28
Bow Rio	2005	19 999	21 851	21 851	22
Chembulk Wellington	2004	14 312	15 591	15 591	20
Bow Santos [2]	2004	19 997	21 846	21 846	22
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
Bow Andino	2000	16 121	17 622	17 622	30
Crystal Amaranto [3]	1999	9 887	10 893	10 893	24
Crystal Skye [3]	1998	9 554	10 442	10 442	24
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
Crystal Amethyst [3]	1994	8 104	9 346	9 346	17
Crystal Emerald [3]	1994	8 143	9 346	9 346	17
Crystal Pearl [3]	1994	8 143	9 346	9 346	17
Bow Baha	1988	24 728	32 363	19 662	25
JBU Sapphire [3]	2009	19 860	22 144	22 144	16
JBO Opal [3]	2009	19 865	22 129	22 129	16
JBU Onyx [3]	2008	19 865	21 712	21 712	16
COMMERCIAL MANAGEMENT					
Northern Wolverine	2006	16 000	18 397	10 056	35
Northern Lynx	2003	16 533	18 397	10 056	35
Crystal Atlantica	2000	16 630	17 350	17 350	22
Number of ships	**96**	**2 684 047**	**3 047 706**	**2 034 525**	

[1] Vessel beneficially owned through financial lease
[2] Vessel on bare-boat charter
[3] Vessel on variable time charter/pool

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LPG/Ethylene carriers	Year built	DWT	CBM	TYPE	Number of Tanks
OWNED					
Bow Gallant	2008	10 282	8 922	LPG/Ethylene	2
Bow Guardian	2008	10 282	8 922	LPG/Ethylene	2

ON ORDER Yard	Delivery	DWT	Owner
Chongqing Chuandong			
Shipbuilding Industry Co.Ltd	2013	9 000	Odfjell
Daewoo Shipbuilding and			
Marine Engineering Co Ltd	2013	75 000	Odfjell
"	2013	75 000	NCC
Hyundai Mipo Dockyard., Ltd	2014	46 000	Odfjell
"	2014	46 000	Odfjell
"	2014	46 000	Odfjell
"	2014	46 000	Odfjell
Number of newbuildings	**7**	**343 000**	

TANK TERMINALS OWNED	Location	Share	CBM	Stainless steel, CBM	Number of Tanks
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	51 %	1 636 100	32 550	281
Odfjell Terminals (Houston) Inc	Houston, USA	51 %	331 333	82 033	100
Odfjell Terminals (Jiangyin) Co Ltd	Jiangyin, China	55 %	99 800	30 000	22
Odfjell Terminals (Dalian) Ltd	Dalian, China	50 %	119 750	18 350	51
Odfjell Terminals (Korea) Co Ltd	Onsan, Korea	50 %	313 710	15 860	85
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	50 %	365 000	13 520	79
Oiltanking Odfjell Terminal & Co. LLC	Sohar, Oman	29.75 %	1 294 780	–	66
Noord Natie Odfjell Terminals	Antwerp, Belgium	12.5%	297 000	50 800	230
Exir Chemical Terminals PJSCO	BIK, Iran	35 %	22 000	1 000	18
Vopak Terminal Ningbo Ltd	Ningbo, China	12.5%	71 050	8 000	39
Total owned terminals	**10 terminals**		**4 550 523**	**252 113**	**971**

TANK TERMINALS PARTLY OWNED BY RELATED PARTIES	Location	Share	CBM	Stainless steel, CBM	Number of Tanks
Depositos Quimicos Mineros S.A.	Callao, Peru		52 980	1 600	43
Granel Quimica Ltda	Santos I, Brazil		97 720	19 880	99
Granel Quimica Ltda	Rio Grande, Brazil		61 150	2 900	32
Granel Quimica Ltda	Sao Luis, 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		62 980	10 190	88
Terquim S.A.	San Antonio, Chile		32 840	–	25
Terquim S.A.	Mejillones, Chile		16 870	–	7
IMTT-Quebec	Quebec, Canada		293 130	5 500	53
Total terminals partly owned by related parties	**12 terminals**		**759 936**	**40 600**	**452**

PROJECTS AND EXPANSIONS OWNED	Location	Share	CBM	Stainless steel, CBM	Estimated completion
Odfjell Terminals (Charleston) LLC	Charleston, USA	51 %	79 491	–	Q2 2013
Odfjell Nangang Terminals (Tianjin) Co.,Ltd	Tianjin, China	49 %	145 000	7 000	Q4 2013
Noord Natie Odfjell Terminals	Antwerp, Belgium	12.5%	50 000	–	Q4 2013/Q1 2014
Odfjell Terminals (Houston) Inc	Houston, USA	51 %	30 800	30 800	Q2 2014
Total expansion owned terminals	**2 new terminals**		**305 291**	**7 000**	

PROJECTS AND EXPANSIONS TANK TERMINALS PARTLY OWNED BY RELATED PARTIES	Location	Share	CBM	Stainless steel, CBM	Number of Tanks
Granel Quimica Ltda	Aracruz, Brazil		30 000	–	ready Q3 2014
Granel Quimica Ltda	Santos II, Brazil		52 000	–	ready Q4 2013
Terquim S.A.	Mejillones, Chile		50 000	–	ready Q3 2013
Granel Quimica Ltda	Palmas, Brazil		10 000	–	ready Q2 2014
Total expansion terminals partly owned by related parties	**3 new terminals**		**142 000**	**–**	
Grand total terminals incl. partly owned by related parties	**22 terminals**		**5 310 459**	**292 713**	

ODFJELL

GLOSSARY

Our glossary explains some of the terms that we commonly use.

BALLAST
Amount of unpaid cargo carried in order to provide sufficient weight to keep a ship stable.
BALLAST LEG
A voyage with no cargo on board, to position a ship for the next load port or dry-docking.
BALLAST TANK
A tank that can be filled with water, to provide stability for a ship.
BARE-BOAT CHARTER (B/B)
An arrangement involving the hiring of a ship, under which crew costs and other operating expenses are not included in the agreement but charged as a specific fee payable per time period. The party that hires the ship covers crew costs and all other operating expenses, including docking and maintenance, in addition to all voyage-related costs. On re-delivery, the ship shall be in the same good condition as when delivered, normal wear and tear excepted.
BARGING
Transfer of cargo to/from a ship from/to a barge.
BROKER
An intermediary who negotiates freight contracts between owners and charterers as well as the sale and purchase of ships.
BUNKERS/BUNKERING
Fuel oil, to power a ship's engines. Bunkering involves taking bunkers on board.
CBM
Cubic metre, volume measurement = 1 metre x 1 metre x 1 metre.
CHARTER PARTY (C/P)
Agreement between a shipowner and a charterer, outlining terms and conditions governing the transaction. The agreement may be for one or several voyages, or for a certain period of time.
CHARTERER
The party hiring and paying for ships or ship space. This may be the cargo owner, an intermediary or the receiver of the cargo.
CLASSIFICATION SOCIETY
An independent, non-governmental organisation, e.g. Det Norske Veritas, which checks and verifies that the technical condition, the safety and quality of a ship complies with its own rules, as well as those of national authorities.
COATING
Paint protecting the inside of a ship's tanks. Usually epoxy- or zinc-based paints.
CONTRACT OF AFFREIGHTMENT (COA)
An agreement between an owner and a charterer setting the terms for transportation of given quantities of cargo during a given period of time.
DEADWEIGHT TONNE (DWT or TDW)
A measure of the weight-carrying capacity of the ship. The total DWT is the weight of the ship and the cargo the ship may carry over and above bunkers, fresh water, spare parts etc.
DEEP-SEA (GLOBAL) TRADE
Sea-borne trade that moves on intercontinental trade routes.
DEMURRAGE
Compensation paid by the charterer, supplier or receiver of the cargo for each day or pro rata for time spent in port during loading/discharging, in excess of the lay-time stipulated in the Charter Party.
DETERGENTS
Substances used for tank washing.
DNVPS
Det Norske Veritas Petroleum Service.
DOUBLE HULL
The ship has an inner and an outer hull. This design increases safety during potential groundings or collisions by allowing leakages to be contained. The space between the inner and outer hull may also be used as a ballast tank.
DRY-DOCK
Putting a ship into dry-dock for inspection and repairs of underwater parts, and painting of the ship bottom. Usually carried out every 2½ to 5 years.
FREIGHT RATE
Agreed price for transportation, stipulated either per metric tonne of cargo, cubic metre of cargo or as a lump sum for the total cargo.
G/TNM: gram/tonne nautical mile.
IMO
International Maritime Organisation, the international UN advisory body on transport by sea.
INORGANIC CHEMICALS
Chemicals whose molecular structure contains no carbon atoms (other than as part of a carbonate group), and which are derived from sources other than hydrocarbons, such as sulphuric acid, phosphoric acid and caustic soda.
ISMC
International Safety Management Code. The first formalised initiative by IMO to provide a universal standard for ships' safety management systems.
KNOT
A measure of the speed of the ship. 1 knot = 1 nautical mile per hour, that ≈ 1.85 km/h.
LIBOR
London Interbank Offered Rate.
LTIF
Lost-Time Injury Frequency.
MARPOL
The International Conventions governing Marine Pollution Prevention, part of IMO.
M/T
Motor Tanker.
MT
Metric tonne.
NIS
Norwegian International Ship Register.
OECD
Organisation for Economic Co-operation and Development, an information-gathering body. The members are industrialised countries in Western Europe, North America and the Asia/Pacific region.
OFF-HIRE
The time a ship is prevented from being gainfully employed for its owner or charterer, e.g. time used for repairs.
OPA 90
The US Oil Pollution Act of 1990. A US federal law that imposes strict requirements on shipping companies, ships and crews when trading in US waters.
OPERATING EXPENSES
Expenses for crew as well as all other expenses directly connected with the running of the ship, including maintenance and insurance.
OPERATOR
A person in a shipping company whose main duties include managing contact between the ship and the charterer, giving instructions to the ship and the port agents concerning stowage, loading and discharging of cargo, and arranging purchase of bunkers etc.
ORGANIC CHEMICALS
Chemicals containing carbon-based molecules, often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.
PARCEL TANKER
Tanker designed for the simultaneous transportation of several different segregated cargoes.
PETROCHEMICALS
See organic chemicals.
POOL
A co-operation between owners who supply their ships for an operation where net revenues are pooled and divided according to a pre-determined distribution key.
PPM
Parts per million (1ppm=0.000001 or 1mg/kg).
SEGREGATION
The division of a ship's cargo space into individual tanks.
SEP
Safety and Environmental Protection, classification system used by Det Norske Veritas.
SHIP MANAGEMENT
The administration of a ship, including services such as technical operation, maintenance, crewing and insurance.
SHORT-SEA (REGIONAL) TRADE
Sea-borne trade that moves within regional trade routes (not intercontinental).
SOLVENTS
Liquids that can dissolve other substances.
SO_X
Sulphur Oxides (SO_x), react with moisture in the air to form sulphuric acid.
SPOT RATE
Freight rate for cargo parcel agreed based on the current market level.
STCW
International convention on standards of training, certification and watch keeping of seafarers.
TIME CHARTER (T/C)
An arrangement for the hiring of a ship complete with crew against a fee, payable as a specific sum per time period. The party that hires the ship pays for bunkers, port and canal charges and any other voyage-related costs.
TIME CHARTER EARNINGS
Gross freight revenues minus voyage costs divided by number of trading days, usually expressed in USD per day.
TONNE
A gross registered tonne is a volume of 100 cubic feet (2.83 cubic metres). Gross registered tonnage is basically the volume of the ship's closed areas, excluding the bridge, the galley and a few other areas. Net registered tonnage is the gross tonnage less volumes needed for the operation of the ship (deck storage room, engine room etc.), i.e. the volume available for cargo.
TONNE OR METRIC TONNE
1,000 kg.
TRADE
The geographical area where a ship mainly trades.
TRADING DAYS
The number of days a ship is not off-hire.
TRANSHIPMENT
Transfer of cargo from one to another ship. For example, cargo from a ship within global trade to a ship within regional trade bound for final destination/harbour.
VOYAGE CHARTER
An agreement for the transportation of cargo from the port(s) of loading to the port(s) of discharge. Payment is normally per tonne of cargo, and the ship owner pays for bunkers, port and canal charges and other voyage-related costs.
VOYAGE EXPENSES
Expenses directly relating to the voyage, such as bunkers, port charges, canal dues, etc.

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