ÅRSRAPPORT 2006

ODFJELL

Contents

FINANCIAL CALENDAR

3 May 2007	Annual General Meeting
3 May 2007	Report First Quarter 2007
23 August 2007	Report Second Quarter 2007
7 November 2007	Report Third Quarter 2007
5 February 2008	Preliminary Result 2007

Supplementary information on Odfjell may be found on the Internet at: www.odfjell.com

Front page photo taken at Szczecin yard, Poland.

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.

Profile

Odfjell is a leading company in the global market for transportation and storage of chemicals and other speciality bulk liquids. Originally set up in 1916, the company pioneered the development of the parcel tanker trades in the middle of the 1950s and the tank storage business in the late 1960s. Odfjell owns and operates parcel tankers in global and regional trade as well as a network of tank terminals.

Odfjell's strategy is to continue developing our position as a leading logistics service provider with customers worldwide. We are aiming at maintaining this position through efficient and safe operation of deep-sea and regional parcel tankers and tank terminals. Our long-term newbuilding program consists of altogether 27 new ships with deliveries through 2013. Scale is needed to offer an efficient trading pattern in a global transportation context, thereby maximizing fleet utilization. Our size also allows us to obtain significant purchasing benefits.

PARCEL TANKERS

The deep-sea transportation of chemicals and other liquids is our core business. Odfjell has unprecedented experience in this complex field of transportation. Our operations are fully integrated, with in-house functions for chartering, operation and ship management. The major trade lanes are from the US and Europe to Asia, India, the Middle East and South America. In addition there is a considerable bilateral trade between the US and Europe. Seagoing transport from the Arabian Gulf to destinations both in the East and in the West is increasing as new production capacity is being developed in this area. Over the last years there has also been a large production increase in the Far East, and a considerable share of this volume goes to overseas markets.

Volumes shipped regionally are steadily increasing, particularly in the Asia Pacific region. As end-users of petrochemicals require products delivered on shorter notice and with less lead-time, the major petrochemical producers are building production complexes closer to their markets. Our largest regional operation is in Asia, where twelve ships are operated out of Singapore. Furthermore we have nine ships employed in the inter-European trade and six ships along the coasts of South America. In September 2006 we took delivery of our first ship to be operated within China.

Odfjell's specialized fleet consists of 91 ships and 27 newbuildings with a total capacity of about 3.3 million dwt. A turnover of USD 939 million was generated in 2006.

TANK TERMINALS

Our terminal operations yield synergies with our transportation activities and improve quality and efficiency control throughout the transportation chain. Our tank terminal operations also offer opportunities to develop new markets where the infrastructure for specialised bulk liquids has been limited to date. Odfjell has direct investments in fully owned tank terminals in Rotterdam and Houston as well as in partially owned terminals in Singapore, Onsan in Korea, and two in China. We also work closely with eight terminals in South America through associated companies. We are currently expanding our tank terminal activities with new facilities under construction in China, Iran and Oman. The terminal business generated a turnover of USD 152 million in 2006.

Odfjell Management

TERJE STORENG
President/CEO
Born 1949. President/CEO since 2003. Previously Managing Director of AS Rederiet Odfjell. 72 672 shares. No options.

JAN A. HAMMER
President, Parcel Tankers and Terminals
Born 1957. Mr. Hammer has been with the company since 1985. He has previously held various management positions within Odfjell, both in chartering and terminal activities. No shares and no options.

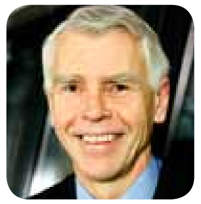
HELGE OLSEN
Senior Vice President, Ship Management.
Born 1958. Mr. Olsen joined Odfjell in 2000 and has held various management positions. He has been in his current position since August 2006. No shares and no options.

ATLE KNUTSEN
Senior Vice President, Asia
Born 1950. Mr. Knutsen has been with the company since 1972. He has held various management positions within Odfjell and has been in his current position since April 2003. 14 048 shares. No options.

TORE JAKOBSEN
Senior Vice President, Corporate Investments
Born 1951. Mr. Jakobsen joined Odfjell in October 2005. Previous position as President/CEO of Westfal-Larsen & Co A/S in Bergen. No shares and no options.

HAAKON RINGDAL
Senior Vice President/CFO
Born 1954. Mr. Ringdal joined Odfjell in 2001. He has previous experience from the finance/accounts area within shipping, banking, property and insurance. No shares and no options.

BRIT A. BENNETT
Vice President, Human Resources.
Born 1951. Ms. Bennett joined the company in 2000. She has previously held the position as Personnel Manager in the bank and oil industry, and Executive Manager in Bergen Municipality. No shares and no options.



JAN DIDRIK LORENTZ
Senior Vice President, Quality Management
Born 1947. Mr. Lorentz joined Odfjell in 1996 and has held his current position since April 2005. He previously held the position as SVP Ship Management. No shares and no options.

BOARD OF DIRECTORS

PRESIDENT/CEO

PARCEL TANKERS & TERMINALS | SHIP MANAGEMENT

ASIA - CORPORATE INVESTMENTS – FINANCE/ICT/COMMUNICATION – HUMAN RESOURCES – QUALITY MANAGEMENT

East is East... - Odfjell in Asia

TERJE STORENG
President/CEO, Odfjell ASA

'Oh, East is East and West is West, and never the twain shall meet', Rudyard Kipling wrote almost 120 years ago. Today, happily we can say that he was wrong. Modern technology, both in terms of transport and information, has made the world more integrated and diminished cultural differences and language barriers. Although Asia still is "different" and fascinating to westerners, we share many of the same characteristics of modern society, both the benefits as well as the less favourable aspects of it.

Asia has made tremendous development leaps since the end of World War II; Japan in the 1950s and 60s, South Korea and Taiwan in the 1970s and 80s, the Asian newly industrialised "Tiger economies" in the 1980s and 90s, and in the last decade China has emerged as a new economic superpower. Today, Asia not including the Middle East accounts for 22% of world GDP, 56% of world population and 26% of world economic growth. With its superior pool of manpower and considerable resources, Asia is likely to maintain its position as a powerhouse for growth also in the short and medium term.

China is perhaps the most striking example of Asian progress, and in the three decades since the death of Mao Zedong and the final end to the Cultural Revolution the country has made huge advances. The large and industrious workforce is striving to improve the standard of living, and the authorities are paving the way for further growth through massive infrastructure improvements and relatively business-friendly legislation. After several years of double-digit growth, China has now surpassed Great Britain as the world's fourth largest economy. With the current trend it is expected in a few years' time to overtake Germany as the third largest economy, and Japan is not very far ahead.

Although still mostly affecting the eastern coastal regions and the Beijing area, the rapid changes to the Chinese society are apparent to anyone visiting China these days. Early November 2006 Odfjell's Board of Directors held a board meeting in Shanghai, giving the participants a first-hand impression of the Chinese development. What strikes you when coming to Shanghai, in addition to the large number of people and the dense traffic, is the incredible construction activity. There are building cranes virtually everywhere, and skyscrapers and similar projects are popping up very rapidly. Having come to China several times over the last years, it is also easy to see the vast improvements that are being made on infrastructure, with better roads and rail services to accommodate the growing population and not least the rapidly expanding car pool. To take the Maglev train from the airport to the city centre, reaching a speed of more than 430 km per hour, is an experience in itself.

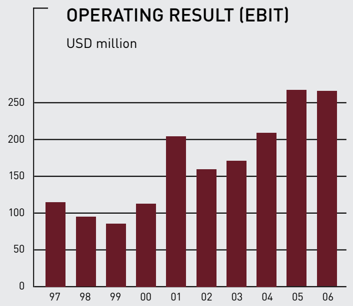
For Odfjell it is important to be a part of the rapidly growing Asian market. Our deep-sea vessels have for decades been taking cargo in and out of Asian ports, and over the years we have set up marketing offices in many countries in the region; Japan, India, Singapore, China and Korea. Already ten years ago we firmed our Asian presence when we established Odfjell Asia and started our regional inter-Asia tanker service out of Singapore. From a modest start with only a few ships, the Singapore office now operates a fleet of 12-15 ships and Odfjell has become a major player in the Asia Pacific regional trade. To further strengthen our market position, Odfjell has also acquired part ownership of storage terminals in several major Asian ports: Singapore, Onsan (South Korea), Dalian and Ningbo (China). Currently we are building a brand new terminal in Jiangyin on the Yangtze River, and quite recently we struck a deal to set up yet another one on the Hainan Island in Southern China. Last November we officially inaugurated the joint venture company Odfjell Dongzhan, which holds a licence for doing Chinese domestic coastal trade.

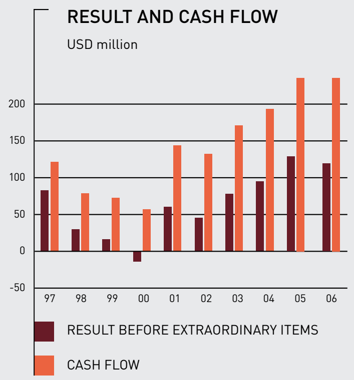
Odfjell's efforts in the Asian markets are based on expectations of a positive long-term development, and I am confident that our presence in the region will be beneficial to the company. I am equally certain that Odfjell will continue to make a positive contribution to Asian progress, through our skilled and determined organisation, our high-quality ships and terminals, our quality systems and cost-efficient solutions. As an international company we have the benefit of employing many Asians, who contribute to our achievements in the region.

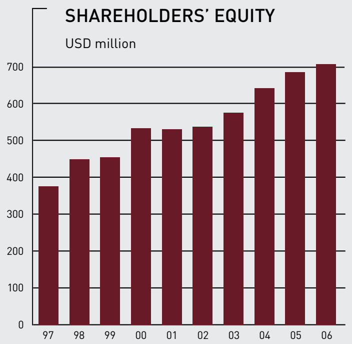
JIANGYIN
A new Odfjell terminal is under construction in Jiangyin on the Yangtze River. Here the T-jetty under construction.

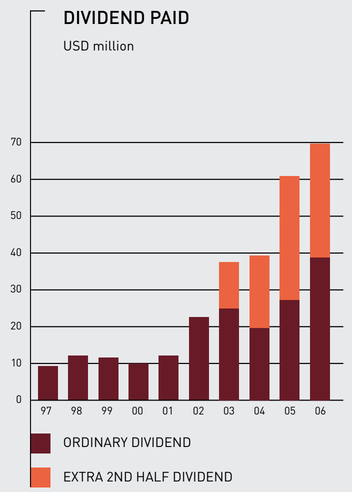
Yet, we have to be humble, be respectful to Asian ways and culture, and realise that we still have things to learn and improve in our approach to conducting business in these markets. Joining east and west is advantageous to us all, and at Odfjell we are doing our share to facilitate this process.

Highlights 2006









FINANCIAL PERFORMANCE

- Gross Revenue of USD 1 088.
- EBITDA of USD 260 million.
- EBIT of USD 156 million.
- Net result of USD 116 million.
- Cash flow of USD 235 million.

MACRO VARIABLES

Asia, and particularly China, remained the world's main growth engine also in 2006. World GDP growth is forecasted strong also the next few years, although probably not quite at 2006 levels.

A reasonably good year for shipping, although average earnings were not quite as high as during the previous two years.

Record high bunker prices.

ASSET DEVELOPMENT

Delivery of M/T Bow Sea and M/T Bow Sirius , the sixth and seventh ships in a series of eight 40 000 dwt newbuildings from Stocznia Szczecinska Nowa in Szczecin, Poland.

M/T Bow Engineer 30 000 dwt, M/T Bow Plata 19 800 dwt and M/T Bow Fuji 19 800 dwt, delivered on long term time-charter from Japanese owners.

M/T Bow Orania 19 900 dwt and M/T Bow Ophelia 19 900 dwt delivered to Odfjell by Ahrenkiel, Switzerland into a pool with similar Odfjell ships.

M/T Bao Hai Tun 3 800 dwt delivered to joint venture company in China, 49% owned by Odfjell ASA.

Four second-hand chemical tankers were acquired; M/T "Giada D" (10 115 dwt./built 1996) was renamed "Bow Querida". M/T "Euro Azzurra" (13 843/1997) renamed M/T "Flumar Aratu". This ship was acquired by a Norwegian 50/50 joint venture company. Finally, M/T "Brage Atlantic" (17 460 /1995) and M/T "Brage Pacific" (17 460/1997) were acquired with delivery during first and second quarter 2007.

New long term time-charter agreement with Japanese owners for a 33 000 dwt newbuilding with delivery in 2009.

Five single-skin coated tankers were upgraded with double sides to comply with new MARPOL regulations.

Sale of M/T Bow Gorgonilla 8 192 dwt (1989) and M/T Bow Antisana 8 192 dwt (1989) with bare-boat charter back.

Bow Andes (50% owned) 28 060 dwt sold for demolition in July.

M/T Bow Heron 35 289 dwt (1979) sold to new owners.

SHAREHOLDER ISSUES

The Odfjell share price fell by about 16% expressed in Norwegian kroner, and the year-end market capitalisation came to about NOK 9.2 billion (USD 1.5 billion).

In 2006 Odfjell acquired treasury shares. 1 500 000 A-shares and 1 811 255 B-shares were acquired, representing about 3.8% of the shares of the company.

During 2006 an ordinary dividend of NOK 3.25 per share was paid out in May and an extra dividend of NOK 2.25 per share was paid out in October.

Key Figures/Financial Ratios

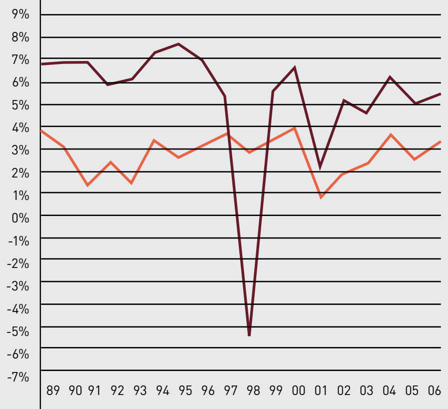
ODFJELL GROUP	Figures in	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
From Profit and Loss Statement											
Gross revenue	USD mill.	1 088	1 045	943	907	850	852	696	551	533	547
EBITDA (1)	USD mill.	260	264	207	170	159	203	112	86	94	113
Depreciation	USD mill.	(119)	(107)	(100)	(92)	(87)	(83)	(69)	(56)	(48)	(39)
Capital gain (loss) on non-current assets	USD mill.	15	14	7	(0)	1	4	-	16	12	32
EBIT (2)	USD mill.	156	170	114	78	72	124	44	46	58	106
Net financial items	USD mill.	(41)	(28)	(9)	7	(12)	(55)	(54)	(30)	(26)	(24)
Net result allocated to shareholders' equity before extraordinary items	USD mill.	116	127	94	77	45	60	(12)	16	30	82
Net result allocated to shareholders' equity	USD mill.	116	127	94	22	45	60	(12)	16	30	82
Net result	USD mill.	116	128	95	22	46	60	(12)	16	30	82
Dividend paid	USD mill.	72	60	53	24	22	11	10	11	12	9
From Balance Sheet											
Total non-current assets	USD mill.	1 815	1 656	1 568	1 482	1 314	1 301	1 292	990	892	712
Current assets	USD mill.	374	300	260	233	315	299	321	281	274	272
Shareholders' equity	USD mill.	702	692	639	578	535	526	530	451	447	373
Minority interests	USD mill.	6	-	4	4	4	4	5	-	-	-
Total non-current liabilities	USD mill.	1 225	1 008	951	949	981	968	961	749	648	543
Current liabilities	USD mill.	256	255	244	184	110	103	117	71	70	69
Total assets	USD mill.	2 189	1 956	1 872	1 715	1 630	1 601	1 613	1 271	1 166	985
Profitability											
Earnings per share - basic/diluted - before extraordinary items (3)	USD	1.4	1.5	1.1	0.9	0.5	0.6	(0.1)	0.2	0.3	0.9
Earnings per share - basic/diluted (4)	USD	1.4	1.5	1.1	0.3	0.5	0.6	(0.1)	0.2	0.3	0.9
Cash flow per share (5)	USD	2.8	2.7	2.2	2.0	1.5	1.4	0.6	0.8	0.9	1.4
Return on total assets - before extraordinary items (6)	%	8.2	8.6	6.9	6.3	5.0	7.0	3.3	4.8	6.2	12.4
Return on total assets (7)	%	8.2	8.6	6.9	3.0	5.0	7.0	3.3	4.8	6.2	12.4
Return on equity - before extraordinary items (8)	%	16.6	19.2	15.4	13.8	8.6	11.4	(2.4)	3.6	7.4	22.7
Return on equity (9)	%	16.6	19.2	15.4	4.0	8.6	11.4	(2.4)	3.6	7.4	22.7
Return on capital employed (10)	%	9.5	11.6	8.4	6.0	5.7	9.8	3.8	4.9	7.4	16.5
Financial Ratios											
Average number of shares	mill.	84.23	86.77	86.77	86.77	89.73	98.75	95.02	87.39	87.39	87.39
Basic/diluted equity per share (11)	USD	8.41	7.98	7.36	6.66	6.17	5.75	5.13	5.16	5.11	4.27
Share price per A-share	USD	18.34	20.26	17.54	5.54	3.95	3.74	3.79	3.11	1.91	4.41
Cash flow (12)	USD mill.	235	235	194	170	132	143	57	72	78	121
Interest-bearing debt	USD mill.	1 293	1 037	1 000	943	957	960	954	749	647	542
Bank deposits and securities (13)	USD mill.	242	190	233	203	230	213	232	218	213	219
Debt repayment capability (14)	Years	4.8	3.8	4.1	4.4	5.5	5.4	12.7	9.4	6.5	3.6
Current ratio (15)		1.5	1.2	1.1	1.3	2.9	2.9	2.7	4.0	3.9	3.9
Equity ratio (16)	%	32	35	34	34	33	33	33	35	38	38
Other											
USD/NOK rate at year-end		6.27	6.76	6.04	6.68	6.96	9.01	8.90	8.04	7.60	7.32
Employees at year-end		3 487	3 296	3 416	3 316	3 201	3 088	2 755	1 743	1 667	1 667

Figures from profit and loss statement are according to International Financial Reporting Standards (IFRS) as from 2004 and for balance sheet as from 2003. As from financial year 2000, the reporting currency was changed from NOK to USD. USD-figures for 1998-2006 reflect "true" USD-accounting as presented in the official accounts. The conversion from NOK to USD for the year 1997 has been simplified by using the average rate per year for the profit and loss statement and the year-end rate for the balance sheet. Net financial items for this year do not include unrealised currency items. As a result of the conversion from NOK to USD, the various ratios have been recalculated. Historical figures per share have been adjusted for past bonus share issues and the share-splits in 2004 and 2005.

1. Operating result before depreciation 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 allocated to shareholders' equity plus depreciation and extraordinary items divided by the average number of shares.
6. Net result plus interest expenses and extraordinary items divided by average total assets.
7. Net result plus interest expenses divided by average total assets.
8. Net result plus extraordinary items divided by average total equity.
9. Net result divided by average total equity.
10. Operating result divided by average total equity plus net interest-bearing debt.
11. Shareholders' equity divided by number of shares per 31.12.
12. Net result allocated to shareholders' equity plus depreciation and extraordinary items.
13. Bank deposits and securities includes cash and cash equivalents and available-for-sale investments.
14. Interest-bearing debt less bank deposits and securities, divided by cash flow (12) before capital gain (loss) on non-current assets.
15. Current assets divided by current liabilities.
16. Total equity as percentage of total assets.

The Directors´ Report

GDP GROWTH



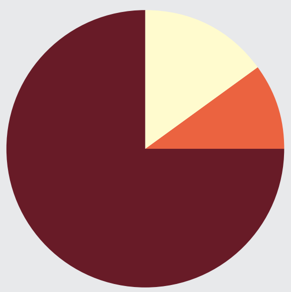
ASIA EXCL. CHINA AND JAPAN

OECD AREA

source: DnBNOR

FLEET DISTRIBUTION

Parcel Tankers



(75%) ODFJELL OWNED SHIPS

(15%) SHIPS ON FIXED RATE TIME-CHARTER

(10%) SHIPS ON FLOATING RATE TIME-CHARTER

Odfjell's consolidated net result for 2006 was a profit of USD 116 million compared with USD 128 million in 2005. Gross revenue increased by USD 43 million to USD 1 088 million.

The parcel tanker market was somewhat weaker than in 2005, especially during the second and third quarter where volumes were slow. In the fourth quarter activity and results improved again. Our tank terminal business turned in a better result in 2006 than the previous year.

2006 saw continued renewal of our fleet through deliveries of newbuildings, investments in modern ships and outphasing of older tonnage. Odfjell took delivery of two 40 000 dwt newbuildings from Poland and one sistervessel will be delivered medio 2007. Odfjell has options for further two such ships to be delivered in 2010. We took delivery of three new ships on long-term charters from Japanese interests, two of 19 800 dwt. and one of 30 000 dwt., and we entered into a new long-term time-charter for one 33 000 dwt. fully stainless steel parcel tanker for delivery in 2009. In addition, our partner Ahrenkiel, Switzerland, delivered the first two of in total six 19 900 dwt. parcel tankers into a pool with the same number of similar ships controlled by Odfjell. We also acquired four modern stainless steel chemical tankers, of which two were delivered in 2006 and two will be delivered in 2007. The first chemical tanker built for Odfjell in China for domestic trading was delivered in 2006. One 50% owned ship was sold for demolition, two were sold with bare-boat charter back and one older coated ship was sold to a third party for further trading. The sales yielded a capital gain of USD 2.8 million.

Our new tank terminal projects in China, Iran and Oman are progressing. In connection with the relocation and expansion of the tank terminal in Dalian, China, we received compensation from the Chinese government resulting in a capital gain of USD 12 million.

The Annual General Meeting (AGM) held 4 May 2006 re-elected Peter G. Livanos, Stein Pettersen and Laurence W. Odfjell as Board Members for a two year period. Terje Storeng renounced being re-elected due to his position as President/CEO.

During 2006 the Odfjell share price fell by about 16% expressed in Norwegian kroner, and the year-end market capitalisation came to about NOK 9.2 billion (USD 1.5 billion).

BUSINESS SUMMARY

We remain committed to a long-term strategy of enhancing our position as a leading specialty bulk liquids logistics provider. Through a substantial newbuilding program and the safe and efficient operation of global and regional parcel tankers, we continue to consolidate our position; one which should further benefit from our expanding tank terminal activities. The fleet operates with complex and extensive trading patterns and our customers expect and demand the highest standards in our transportation and storage services, either on a stand-alone basis or as a combined logistical package. Critical mass enables us to maintain efficient trading patterns, optimise fleet utilisation and maximise purchasing benefits.

Parcel Tankers

Gross revenue from our parcel tanker activities was USD 939 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) came to USD 202 million. The operating result (EBIT) was USD 106 million. Total assets at year-end amounted to USD 1.7 billion. Time-charter income expressed in USD per day declined by about 2% compared to last year. This reduction is explained primarily by higher bunker prices. The parcel/chemical market remained stable during most of the year. The CPP market on the other hand, was subject to much stronger fluctuations with a relatively good start, a slowdown during the second and third quarter, but with a solid increase in demand and higher earnings towards the end of the year.

The average cost of bunkers in 2006 was USD 288 per ton (including compensation related to bunker escalation clauses), compared to USD 227 per ton the preceding year. Operating expenses on a comparable fleet basis were 1% higher in 2006 than in 2005. We expect that operating expenses will continue at a relatively high level, reflecting general price increases and the increasing costs of maintaining and continually upgrading parcel tankers to the standard that is required for our complex and demanding trade.

At year-end 2006 our parcel tanker fleet consisted of 68 ships over 12 000 dwt., of which 46 were owned - and 25 smaller ships, of which 13 were owned. Our current most significant newbuilding program is with the Russian shipyard CEBMAW Sevmash Production Association at Severodvinsk near Archangelsk where we are building a series of eight to twelve large, advanced product/chemical carriers, for delivery 2007 onwards. These will be IMO type II fully coated vessels of about 45 000 dwt. and are intended to replace some of our older parcel tankers. We expect a good commercial demand for this type of ships due to recently enacted, stricter MARPOL rules requiring double-hulled tankers for the shipping of vegetable oils and certain other bulk liquid products. During 2006 the building contracts were amended to include buyer's termination rights for the ninth, tenth, eleventh and twelfth vessel in the series, and a price of USD 50 mill per unit. This amendment has modified the original agreement with market related prices for the same vessels. The average contract price for the first eight vessels has been increased from USD 41 million to USD 43 million per unit. The first vessel is expected to be delivered fourth quarter 2007.

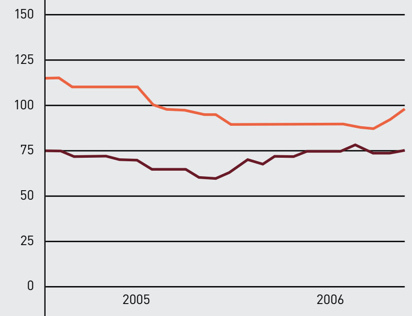
In April 2006 we took delivery of the 40 048 dwt. M/T Bow Sea from Stocznia Szczecinska Nowa in Poland. She is the sixth ship in a series of eight fully stainless steel newbuildings with very high technical and equipment specifications from the Polish yard. In December 2006 we took delivery of the seventh ship in the series, the M/T Bow Sirius of 40 005 dwt. The remaining ship will be delivered in the second quarter 2007. We have options of two further ships with deliveries in 2010.

During 2006 we entered into a long-term time-charter agreement with a Japanese owner for one further stainless steel tanker newbuilding of 33 000 dwt. In total, Odfjell now has contracts for sixteen long-term time-charter newbuildings from Japan ranging in size from 19 000 dwt. to 33 000 dwt. Eight ships are already in operation, of which three were delivered during 2006. The remaining eight will be delivered between 2007 and 2009. We have agreed purchase options on most of these ships.

In 2006 Odfjell acquired four second-hand chemical tankers with stainless steel

FREIGHT RATES

1 000 mts stainless steel grade chemicals USD/Mt



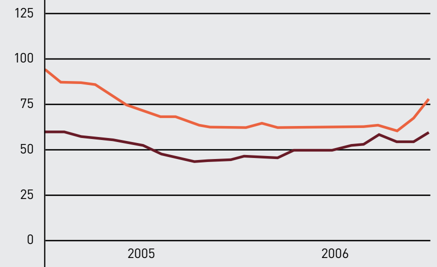
HOUSTON/ROTTERDAM

HOUSTON/FAR EAST

Source: Quincannon Associates, Inc.

FREIGHT RATES

3 000 mts easy grade chemicals USD/Mt



HOUSTON/ROTTERDAM

HOUSTON/FAR EAST

Source: Quincannon Associates, Inc.

Five of our single skin coated tankers were upgraded with double sides in 2006.

cargo tanks, built between 1995 and 1997. M/T "Giada D" (10 115 dwt./built 1996) was built in Italy and was renamed "Bow Querida". M/T "Euro Azzurra" (13 843/1997) was built in Italy and renamed M/T "Flumar Aratu". This ship was acquired by a Norwegian 50/50 joint venture company owned by Odfjell ASA and Kristian Gerhard Jebsens Skipsrederi AS for trading in Brazil. Finally, M/T "Brage Pacific" (17 460/1997), now renamed "Bow Oceanic", and M/T "Brage Atlantic" (17 460 /1995) were both built in Norway. Delivery of these last two vessels will take place during first and second quarter 2007.

Capital gain on assets includes USD 1.6 million as gains of the sale of M/T Bow Heron (35 289 dwt./built 1979) and the two sister ships M/T Bow Gorgonilla (8 192 dwt./built 1989) and M/T Bow Antisana (8 192/1989). The latter two ships were delivered to new owners in first quarter 2006, and were taken back on bare-boat charter for an eighteen-month period. During the bare-boat period the ships continue in their present trade, and under Odfjell ship management.
M/T Bow Andes (28 060 dwt./built 1977) was sold for demolition in July. Our 50% equity in this vessel brought us a gain of about USD 1.2 million.

In accordance with new MARPOL regulations, several products previously transported by product tankers will be reserved for IMO II type chemical tankers, as from January 1st, 2007. In preparation for the new regulations, we upgraded five of our double bottom/single side coated tankers to fully double hull, all completed during 2006.

In combination with our worldwide transoceanic services, our regional business activities encompass four different geographical areas. Our largest regional operation is in Asia, where we employ 13 ships on several trade lanes within the Singapore – Japan/Korea – Australia/New Zealand range.

Asia represents a growth area for our business with significant new chemical production expected to come on stream within the near future. In September 2006 our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co Ltd took delivery of "Bao Hai Tun". This chemical tanker of 3 850 dwt. with coated cargo tanks is registered under Chinese flag and the first ship that our joint venture in Chinese coastal trade operates.

Odfjell Ahrenkiel currently operates nine parcel tankers in inter-European trades.

In South-America, four ships are employed by Flumar, a 50/50 joint venture company transporting primarily chemicals along the Brazilian coast, where local flag is a requirement. Finally, we have a 50/50 joint venture with CSAV in Chile employing two vessels in the coastal transportation of sulphuric acid.

Tank Terminals

Gross revenue from the tank terminal activities increased to USD 152 million, EBITDA was USD 58 million and EBIT was USD 51 million. In connection with the relocation of the terminal, Odfjell Terminals (Dalian) received compensation of about USD 42 million from the Chinese Government. After impairment charges on parts of the "old" terminal and other income/expenses of USD 18 million related to the relocation, our 50% share from the compensation came to USD 12 million, which is recognized as capital gain. At year-end 2006, our total tank terminal assets were about USD 440 million.
Odfjell's existing tank terminal activities consist of owning and operating tank terminals in Rotterdam, Houston, Singapore, Onsan in Korea, and Dalian and Ningbo in China. We also have a cooperation agreement with a group of tank terminals in South America owned by members of the Odfjell family.

However, the expansion of our tank terminal activities continues, with the relocation and expansion in Dalian, China and new projects in Jiangyin, China, Oman and at Bandar Iman Khomeini, Iran. With our partner in the Jiangyin terminal, the Garson Group, and with the State Yangpu Industrial Development Agency on Hainan Island, South China, Odfjell has jointly agreed to invest USD 50 million in a greenfield tank terminalling "hub" facility in the deepwater port and free trade zone of Yangpu. The strategy of Odfjell Terminals is to continue to grow along Odfjell's major shipping lanes and at important petrochemical logistics junctions around the world. Odfjell Terminals is investing in emerging market countries and enhancing the development of infrastructure for the safe and efficient operations in these regions.

2006 RESULT

Gross revenue for 2006 for the Odfjell Group was USD 1 088 million, up 4% from the preceding year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were USD 260 million compared to USD 264 million in 2005. Operating result (EBIT), including a USD 15 million capital gain on assets, came to USD 156 million compared to USD 170 million in 2005. EBITDA and EBIT in 2006 included reduced revenue due to payments and provisions in relation to the antitrust case and related matters totalling USD 13 million.
The net result for 2006 came in somewhat disappointingly at USD 116 million compared to a profit of USD 128 million in 2005. The cash flow continued to be strong at USD 235 million, same as the year before.

Operating expenses as well as general and administrative expenses were higher in 2006 than in 2005, partly because our favourable multi-year currency hedging position came to an end in 2005. Positive contributions from currency hedging reduced operating expenses by USD 12 million and general and administrative expenses by USD 9 million in 2005. Net financial expenses for the full year 2006 were USD 42 million, compared to USD 28 million in 2005. The increase is caused by higher interest rates and higher net debt due to investments.

The average USD/NOK exchange rate in 2006 was 6.41, compared to 6.45 last year. The USD weakened against the NOK from 6.76 at year-end 2005 to 6.27 at 31 December 2006. Taxes became a net income of USD 1 million in 2006 compared to a tax cost of USD 19 million in 2005. The reduced tax cost was due to a USD 12 million write-off of deferred taxes in 2005 that was reversed in 2006 following a corporate restructuring.

The parent company, Odfjell ASA, recorded a profit for the year of NOK 882 million. The main part of the profit comes from group contributions and dividends from subsidiaries. The Board recommends a dividend of NOK 3 per share for 2006, in total NOK 260 million. The dividend will be covered by the 2006 profit, and the Board recommends that the balance of the profit, NOK 622 million, is transferred to Other Equity. Total distributable reserves at 31 December 2006 were NOK 966 million.

The A-shares at the end of 2006 were trading at NOK 115 (USD 18.34), down 16 % compared to NOK 137 (USD 20.26) year-end 2005. The B-shares were trading at NOK 95.25 (USD 15.19) at the end of 2006, down 18.6% from NOK 117 (USD 17.3) year-end 2005. During 2006 a dividend of NOK 3.25 per share was paid out in May and another dividend of NOK 2.25 per share was paid out in October. Adjusted for this dividend the A- and B-shares had negative yields of 12% and 14 % respectively. By way of comparison, the Oslo Stock Exchange benchmark index rose by 32 %, the marine index increased by 1.3% and the transportation index improved by 2.6% during the year. The market capitalisation of Odfjell was NOK 9.2 billion (USD 1.5 billion) as per 31 December 2006.

The Annual General Meeting will be held May 3 2007 at 16:00 hours at the Company's headquarters. The Board recommends a dividend of NOK 3.00 per share, equal to NOK 260.3 million (about USD 0.48 per share, equal to USD 41.5 million). In line with the dividend policy in place, the Board will consider another dividend later this year. Based on the average share price in 2005 the direct yield, through dividend payments in 2006, equals about 4.3%.

According to § 3.3 in the Norwegian Accounting Act we confirm that the accounts have been prepared on the assumption of a going concern.

FINANCIAL RISK AND STRATEGY

Our financial strategy is to be sufficiently robust to withstand prolonged adverse conditions, such as long term down-cycles in the markets where we operate or unfavourable conditions in the financial markets. Odfjell has an active approach in managing risk in the financial markets. This is done through funding from diversified sources, maintaining high liquidity or loan reserves, and through a systematic monitoring and management of financial risks related to currency, interest rates and bunkers.

The single largest monetary cost component affecting time charter earnings is bunkers. In 2006 it amounted to about 59% of voyage cost. A change in the average bunker price of USD 10 per ton equals about USD 5 million (or USD 290/day) change in time charter earnings for the 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. Additionally, we have hedged about 15% of our total 2007 exposure through bunker swaps as per 31 December 2006.

All interest-bearing debt, except debt by our tank terminals outside the US, is denominated in USD. Bonds issued in non-USD currencies are swapped to USD. At the end of 2006 about 80 % of our gross debt was floating, based on USD LIBOR rates. An increasing share of our debt is fixed either through fixed rate loans or through long-term interest rate swaps. In order to reduce the volatility in net result and cash flow related to changes in short term interest rates, interest rate periods on floating rate debt and on liquidity are managed to be concurrent.

The Group's revenues are primarily in US Dollars; only tank terminals outside the US and our European shipping trade through Odfjell Ahrenkiel receive revenues in non-USD currency. Our currency exposure related to the net result and cash flow arises 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% strengthening of the USD versus the NOK and EUR will improve the pre-tax result by roughly USD 12 million, then disregarding the result of any currency hedging.

Our currency hedging as per 31 December 2006, whereby we have sold USD and purchased NOK and EUR, covers about 33% of our 2007 exposure. The average USD/NOK exchange rate for open hedging positions as of 31 December 2006 was at 6.44. Future hedging periods may vary depending on changes in market conditions.

LIQUIDITY AND FINANCING

The company's cash reserves including available-for-sale investments, which are low risk and highly liquid bonds, continue strong. Cash and cash equivalents and available-for-sale investments as of 31 December 2006 was USD 242 million compared to USD 190 million as of 31 December 2005. Additionally, undrawn credit facilities equalled USD 15 million as per 31 December 2006. Interest bearing debt increased from USD 1 037 million year-end 2005 to USD 1 291 million per 31 December 2006. Net interest bearing debt was USD 1 049 million as per 31 December 2006. Increased debt is due to yard instalments towards newbuildings and repurchase of treasury shares. During 2006 the company acquired

1 500 000 A-shares and 1 811 255 B-shares, representing about 3.8% of the shares of the company, for a total amount of USD 51.2 million. The equity ratio was 32% as per 31 December 2006 and the current ratio was 1.4. Since our fleet consists of speciality ships, in a market with limited relevant sale and purchase activity, we have not attempted to calculate valueadjusted shareholders' equity. The company should be evaluated based on earnings multiples rather than based on asset valuations.

Long-term financing of six newbuildings from the Szczecin yard in Poland was established in 2004. This financing is at attractive terms through Polish export credit arrangements.

Since 2005 we have been more active in tapping the bond market, in addition to traditional bank and lease financing. In February 2006 we launched a second bond issue in the Norwegian market with a maximum amount of NOK 600 million. The first tranche issued was NOK 400 million (USD 61 million). DnBNOR Markets was the sole lead manager for this bond, which has a tenor of five years and a coupon based upon the 3 month NIBOR + 0.80%. The bonds are listed on the Oslo Stock Exchange. In December 2006 Odfjell ASA's wholly-owned subsidiary, Odfjell Asia II Pte Ltd, issued Singapore Dollar (SGD) 160 million in principal amount of notes, comprising SGD 50 million 5-year fixed rate notes and SGD 110 million 5-year floating rate notes. The notes are guaranteed by Odfjell ASA. DBS Bank Ltd. was Sole Lead Manager and Bookrunner for the offering. The 5-year fixed rate notes will pay a coupon of 4.15% p.a. and the 5-year floating rate notes will pay a coupon of 0.88% p.a. over the 6-month SGD swap offer rate.

This issue is the first SGD debt securities offering by Odfjell and the notes were well-received by asset management companies, banks, government agencies, insurance companies and private banks. The proceeds of the offering will be used for financing newbuildings. Both NOK and SGD-debt has been swapped into USD.

Furthermore, in 2006 we entered into two long-term secured loan facilities in a total amount of about USD 275 million, partly to refinance unsecured debt and partly to finance ship investments.

KEY FIGURES

Return on equity was 16.6% and return on total assets was 8.2%. Return on capital employed (ROCE) was 9.5% in 2006.

Earnings per share amounted to USD 1.38 (NOK 8.82) in 2006, compared to USD 1.47 (NOK 9.47) in 2005. Cash flow per share

was USD 2.79 (NOK 17.85) in 2006, compared to USD 2.71 (NOK 17.46) in 2005.

As per 31 December 2006 the Price/Earnings ratio (P/E) was 12.8 and the Price/Cash flow ratio was 6.3. Based on book value the Enterprise Value (EV)/EBITDA multiple is 6.8 while, based upon market value as per 31 December 2006, the EV/EBITDA multiple was 9.7. Interest coverage ratio (EBITDA/Net interest expenses) was 6.1, compared to 9.3 the corresponding period last year.

TRANSFORMATION TO AN SE COMPANY

The Board of Directors has decided to start the process of transforming Odfjell ASA from a Norwegian Joint Stock Public Company (ASA) to a European Joint Stock Public Company (Societas Europea, hereafter called "SE company"). By such transformation the Board aims for flexibility with regards to future localisation of the holding company. This flexibility will contribute to the development of the company's international business.

The Board of Directors has based the proposal on the following facts:
- About 75% of the company's shareholders are non-Norwegians
- Odfjell ASA is today a holding company for the subsidiaries domiciled and operating in other countries
- Most of the group's assets are owned outside Norway.

The Board of Directors will present the proposal to the Annual General Meeting where the final decision as to this issue will be made. The transformation will not affect the creditors' or employees' position in the company. Neither a transformation to an SE company, nor a possible subsequent relocation of the holding company, will affect the listing of the company's shares on the Oslo Stock Exchange.

LEGAL MATTERS

We have previously reported about our actions related to the antitrust situation in the parcel tanker industry. At the end of 2006 we have settled antitrust issues with our major US based customers. We are continuing the dialog with other customers. At this point in time it is not possible to estimate the total financial impact of future settlements, but we believe that such settlements will not have a material impact upon future net result or cash flow. These negotiations have not prevented us from doing business with our customers on market terms. In 2006 the total effect on the net result from customer settlements was USD 13 million, accounted for as reduced revenue as compared with USD 37 million in 2005.

Odfjell has continued to cooperate with the EU Commission with the objective of resolving any antitrust issues in Europe.

Since the investigations began, Odfjell ASA has strengthened its internal competition compliance program and has conducted training of all relevant personnel.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

Odfjell shall conduct its business to high safety, quality and environmental standards.

In March a "Corporate Quality Management Manual" was introduced, outlining requirements and guidance for compliance with our policies. The manual forms part of our continual effort to foster a common proactive approach to HSSE throughout the Group.
Stringent environmental and safety requirements guide all our operations. In order to ensure that we have the needed competence, training of personnel working onboard, at terminals and ashore is an important and continuous activity. In this context we arranged almost 10 000 training days for our mariners at Odfjell Academy in Subic Bay, Philippines. These courses cover Odfjell specific topics and form part of mandatory training requirements.

We have maintained public licences and approvals to ISM (ship management), ISO 9000 (quality) and ISO14000 (environment) for all certified units. Odfjell Terminals (Korea) was certified to ISO 9000 in 2006.

In 2006 Odfjell Terminals (Houston) received the Benkert Award, a recognition of environmental excellence in the marine environment. Elements considered are environmental policies, pollution prevention, preparedness, emergency response and safety management, environmental outreach partnerships, performance measurement and results.

Research and development are important for improvement and for finding and implementing better environmental solutions. In 2006 we completed a project of testing new technologies for Oily Water Separators. Based on the result of the study, we are now installing new equipment that will improve protection of the sea against oil pollution. Another project for improvement has been the conversion to electronic control of main engine cylinder lubrication in order to save oil, improve combustion and thereby reduce emissions. We develop, based on own fleet performance, operation modes for energy conservation. Our research and continuous monitoring show that our ships' propulsion engines are fine-tuned already, but we can save energy for auxiliary engines and boilers. To ensure the successful implementation of change to alternative operation modes, we are continuously focusing on motivation and training onboard.
The Board regrets that, despite our efforts to achieve zero accident operations, there have been serious accidents in 2006. In April there was a fatal accident onboard "Bow Lancer" outside West Africa. A steam line ruptured and one crew member was exposed to hot live steam under high pressure. Although he was very quickly rescued by the ships crew and given first aid, he passed away in hospital three days later. In October there was fatal accident onboard "Brage Pacific", a ship on timecharter to Odfjell Seachem with external management. Furthermore two ships have been involved in collisions last year, "Bow Fortune" in Mississippi, in May, and "NCC Riyad" at Port Said anchorage, in September. These incidents caused material damage, but there were no injuries nor spill.

During the first part of 2006, three ship detentions in the US gave reason for concern. Odfjell is determined to have full compliance at all times and has already implemented corrective actions.

There have not been serious security issues in 2006.

We are pleased to note that the Lost Time Injury Frequency (LTIF) is improving further. In 2005 it was down to 2.87, and in 2006 it decreased further to 2.53.

WORKING ENVIRONMENT AND JOB OPPORTUNITIES

Odfjell strives to develop an inspiring and interesting working environment at sea and onshore. We carry out employee satisfaction surveys at headquarters in Bergen and other larger offices and do ergonomics inquiries. We have recently started a program for improved health care for seafarers, with focus on exercise and healthy diet. The working environment is considered to be good.

Odfjell wants to be an attractive place to work for both women and men. Gender-based discrimination is not permitted in recruitment, promotion or wage compensation. We maintain our policy of providing employees with the same opportunities to develop skills and find new challenges within our company. Out of about 250 employees at headquarters in Bergen 70% are men and 30% women, while the corresponding figures for about 800 employees in our onshore operations globally are 78% and 22% respectively. Recognizing that we employ relatively few women, we endeavour to recruit women to ship operations, chartering and ship management and also to show that life at sea can be attractive to them.

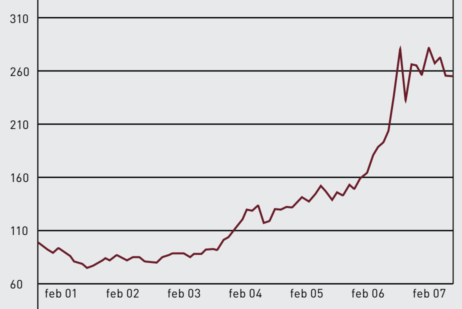
The recorded absence rate at Headquarters was 3.8%, slightly up from 3.3% last year. For the Filipino seafarers the absence rate was 8.8 % and for the Europeans 5.6%.

The Board takes this opportunity to thank its employees for their contribution to our progress in 2006; another challenging year behind us.

WORLD SHIPPING CONTEXT

2006 turned out to be a reasonably good year for shipping as a whole, although average earnings were not quite as high as during the previous two years. This was partially due to the record-high bunker prices, which peaked at US$

INDUSTRIAL METAL COMMODITIES INDEX

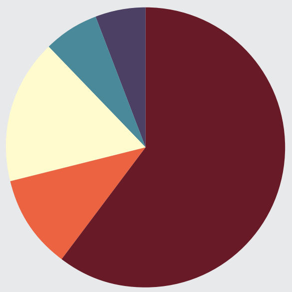


ECONOMIST COMMODITY INDUSTRY/METALS

Source: Datastream and DnBNOR

EMPLOYEES

per 31 December 2006



(2102) SHIP CREW INTERNATIONAL

(386) SHIP CREW NORWEGIAN

(576) TANK TERMINALS

(229) HEAD OFFICE

(194) BRANCH OFFICES ABROAD

3487 TOTAL

320-330 per tonne in April and May to drop again to around US$ 260-270 towards the end of the year. The spot bunker price on average was approximately 25% higher than in 2005 and almost 90% higher than in 2004.

The dry bulk sector rebounded after last year's drop, with earnings almost doubling during 2006. However, the bulk market never fully recovered to the top levels of early 2005. Tanker owners experienced a rather fluctuating market. Rates and earnings dropped significantly during the first four months, but had a healthy revival throughout the summer months. During autumn the tanker earnings dropped again significantly, until December brought about another boost to the tanker market. Average earnings in 2006 were down compared to 2004 and 2005.

Prices for second-hand tonnage and newbuildings remained at the highest levels since the early 1970s. The cost for black steel dropped somewhat towards the end of the year, but this has so far not made any impact on the prices for new ship orders. Nor does it reflect, in our specialized end of the market, on the price of stainless steel, which remains record-high mainly due to the very high prices for some of its components, e.g. molybdenum and nickel. Most competent yards have their order books filled until mid 2010, and building slots and ships under construction are still being resold with considerable profit.

Asia, and particularly China, remained the world's main growth engine also in 2006. China has now overtaken Great Britain as the world's fourth largest economy, and emerging Asia, not including Korea, has reached the same aggregate GDP as that of Japan. China's rapid and massive economic development has made it one of the most important shipping markets, as the Chinese finance their huge import of raw materials by providing low-cost manufacturing products to the rest of the world. Today China consumes almost 50% of the world's cement output and about a quarter of crude steel. The container throughput in ports such as Shanghai has tripled over the last five years. India, the other billion-population country, is also rapidly expanding its economy. Furthermore, GDP growth continues favourable in Europe, US and Latin America, and even Japan seems to have overcome the last decade or so of zero growth.

World GDP growth is forecasted strong also the next few years, although probably not quite at 2006 levels. However, while the growth in advanced economies such as the United States and EU seems to slow down somewhat, the growth in many developing countries is forecasted to continue steadily. This is not least the case for Asian countries such as China, Indonesia, Malaysia and Philippines, but also Russia and Africa is expected to maintain and even increase their growth. Drivers for world demand continue to be the build-up in Developing Asia with a massive increase in the Middle East of chemical production, and the continued globalisation and advancement of world trade. However, there are also factors that potentially could curb the growth. Higher general capacity utilisation usually implies the risk of more inflation that may trigger higher interest rates. Any increased geopolitical instability, not least through more terrorism and deteriorating conditions in the Middle East, could negatively affect world trade and absorb public and private spending. Further hikes in oil and energy prices, and added restrictions to face the hazards of environmental damages and global warming, may also contribute to dampen economic growth.

THE CHEMICAL MARKET

The world's chemical industry continued to prosper in 2006 despite record-high prices of raw materials and energy, and luckily without any of last year's major disruptions such as hurricanes Katrina and Rita. Demand continued to be strong, and most spot product prices went up during the year as a whole. However, for several products the prices weakened again during autumn. New capacity kept on being added, mainly in China and in the Middle East. However, several scheduled projects have been delayed, postponed or even cancelled and thus, the capacity increase was not as steep as what had generally been predicted. Throughout the year there was an increased focus on the use of bio fuel and similar more environment-friendly energy sources, which boosted the demand for vegetable oils and their input crops. This development is likely to continue also the next few years, in spite of pressures from lower oil prices and higher raw materials.

The chemical seaborne transportation market stayed relatively stable throughout the year with a sharp upturn in December. Chemical spot freight rates increased in particular for cargoes from the US Gulf to the Far East and to Europe, whilst they dropped somewhat for cargoes into the US, from Europe, Arabian Gulf and from Asia, reflecting a rebound of the US chemical industry. There was increased demand for longer-period freight contracts at improving rates, showing the charterers' concern for a tighter market, and such a development is likely to continue. The time-charter market got firmer, for standard design stainless steel 19 000 dwt. being reported with daily rates exceeding 1 US$ per dwt.

During the year there was certain attention on the impact of the IMO MARPOL Annex II revision, which came into effect on January 1st, 2007. This revision involves a re-categorisation of large numbers of chemicals, mostly requiring stricter regulations for safe product handling and cargo hull protection. Most concern and controversy was on the requirements placed on the transportation of vegetable oils and similar products, which now have to be transported in IMO 2 type vessels or in IMO 3 ships with double hull. Some owners chose to upgrade single-hull tonnage to meet these new requirements, as did Odfjell with five ships built in 1986 and 1988. Many product carrier newbuildings on order will also be equipped with double hull or IMO 2 capacity, to accommodate transportation of vegoils.

The deep-sea chemical carrier fleet grew by 6-7% during 2006. Although a sizable increase, this is still well below the expansion of the two previous years. In the deep-sea segment above 13 000 dwt, altogether 58 chemical tankers totalling approx. 1.4 million dwt. were delivered. 32 of these ships were stainless steel tankers, of which two thirds were 19 900-tonners delivered from Japanese yards. Odfjell was the single largest receiver of new tonnage, with seven units totalling close to 190 000 dwt. Only seven deep-sea chemical tankers were scrapped during 2006, of which five were stainless steel type ships. Four of these left the Odfjell fleet during the year.

At the turn of the year the chemical tanker orderbook counts some 270-280 units of 13 000 dwt. or above, totalling approximately 7.3 million dwt. This corresponds to 36% of the current fleet. In the short-sea segment below 13 000 dwt. the orderbook is not as large, but nevertheless 26% of the current fleet. Such an influx of new tonnage is likely to have an impact on the supply/demand balance. The market has so far shown a remarkable ability to absorb new tonnage, and the inflow of new tonnage will meet the demand for more double-hull tonnage following on the new IMO regulations. It will also result in a considerable overall fleet renewal, and thus, potentially lead to even more safe and efficient seaborne transportation of chemicals and similar bulk liquids. Although scrapping remained low during 2006, it picked up somewhat towards the end of the year, as many owners had chosen to trade their vessels in the relatively strong market prior to the revised MARPOL Annex II taking effect at the beginning of 2007. Given the very high prices for demolition tonnage, in particular for ships with stainless steel tanks and piping, and the increasing commercial and regulatory market limitations for old tonnage, the demolition rate will likely be fairly high.

There were no drastic changes to the competitive balance in the chemical tanker market in 2006, although a few new market constellations have appeared. The ten largest operators control close to 50% of the fleet. Considering only the core deep-sea fleet, i.e. the vessels mainly involved in the parcel tanker industry, the ten largest operators control 85% of the tonnage. These same operators also maintain a dominant position when it comes to newbuildings, controlling 43% of the chemical tankers and 80% of the core fleet on order. Odfjell is a major player, both in terms of vessels currently trading as well as ships on order.

We strive for operational excellence as this is increasingly important in order to maintain a competitive position. Not the least is this the case with mariners'

competence, to further enhance the safety and efficiency of seaborne operations. Odfjell is investing in this respect, both through onboard traineeships and our commitment at the Odfjell Academy in the Philippines.

COMPANY STRATEGY AND PROSPECTS

We shall, as a leading niche player, strive to provide safe, efficient, and cost effective parcel tanker and tank terminalling services to our customers worldwide. We shall continue to expand tank terminal operations along Odfjell's major shipping lanes and at important petrochemical logistics junctions around the world. Besides clear operational and commercial benefits from close cooperation with our larger shipping business, we consider terminals to be a stabilizing factor in the overall financial performance of the company, as their earnings are less volatile than our larger shipping activities. Odfjell strives to stay competitive and flexible through a modern, versatile and safe fleet. We shall adjust to changing trade patterns through organisational competence.

The world economy continued strong throughout 2006. The tanker market firmed considerably towards the end of the fourth quarter, after a somewhat slow autumn. Forecasts for economic growth continue to indicate favourable world trade the next few years, in particular in Asia, but also in most other parts of the world. Demand for tanker transportation services as well as tank storage is believed to remain firm in the short and medium term. However, the world order book for tanker tonnage is rapidly growing. Despite new legislation and increasingly strict customer requirements making older tonnage technically and/or commercially obsolete, the net tanker supply will be increasing also the next years.

Contracts are being renewed at improving freight rates, reflecting the customers' expectations for increased activity and a tighter chemical tanker market, not least following the implementation of new MARPOL regulations, including double-hull requirements for carriage of vegetable oils and other products as from January 1st, 2007. We believe this, combined with lower bunker prices, will contribute to improve our net chemical tanker earnings. We also expect the tank terminal business to remain strong. All in all, we anticipate our 2007 operating results to improve compared to 2006.

Bergen, 6 March 2007
THE BOARD OF DIRECTORS OF ODFJELL ASA

Laurence W. Odfjell

B.D. Odfjell
CHAIRMAN

Peter G. Livanos

Reidar Lien

Marianna Moschou

Stein Pettersen

Terje Storeng
President/CEO

PROFIT AND LOSS STATEMENT

(USD 1 000)

	Note	2006	2005	2004
Gross revenue		1 088 478	1 044 847	943 481
Net income from associates	4	60	101	86
Voyage expenses		(360 890)	(340 905)	(296 595)
Time-charter expenses	5	(144 782)	(156 354)	(158 105)
Operating expenses	6,8	(238 061)	(219 577)	(190 273)
Gross result		**344 805**	**328 112**	**298 593**
General and administrative expenses	7,8	(84 600)	(64 449)	(91 244)
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)		**260 204**	**263 663**	**207 350**
Depreciation	9	(118 681)	(107 449)	(99 959)
Capital gain (loss) on non-current assets	9	14 644	14 210	6 645
Operating result (EBIT)		**156 167**	**170 424**	**114 036**
Interest income		10 568	7 892	4 056
Interest expenses		(53 333)	(36 206)	(28 931)
Other financial items	10	(631)	(1 372)	(888)
Currency gains (losses)	11	2 114	1 783	16 887
Net financial items		**(41 281)**	**(27 903)**	**(8 876)**
Result before taxes		**114 885**	**142 521**	**105 160**
Taxes	12	1 056	(18 628)	(11 278)
Net result from continuing operations		**115 941**	**123 893**	**93 882**
Net result discontinued operations	13	-	4 376	695
Net result		**115 941**	**128 269**	**94 577**
Allocated to:				
Minority interests		-	777	157
Shareholders		115 941	127 492	94 420
Earnings per share (USD) - basic/diluted - continuing operations	14	1.38	1.42	1.09
Earnings per share (USD) - basic/diluted - discontinued operations	14	-	0.05	0.01

BALANCE SHEET

(USD 1 000)

ASSETS AS PER 31.12.	Note	2006	2005	2004
NON-CURRENT ASSETS				
Goodwill	15	10 327	9 470	10 251
Real estate	9	27 856	27 368	21 509
Ships	9	1 362 028	1 218 923	1 110 295
Newbuilding contracts	9	61 792	102 329	36 024
Tank terminals	9	340 188	286 292	311 838
Office equipment and cars	9	9 392	8 642	9 756
Investments in associates	4	1 299	1 241	1 140
Available-for-sale-investments	16	-	-	63 590
Non-current receivables	17	2 078	1 746	3 845
Total non-current assets		**1 814 959**	**1 656 012**	**1 568 248**
CURRENT ASSETS				
Current receivables	18	113 670	94 019	79 171
Bunkers and other inventories	19	16 496	16 083	11 414
Derivative financial instruments	25	1 675	-	-
Available-for-sale investments	16	77 137	81 013	40 885
Cash and cash equivalents	20	165 287	108 840	128 862
Total current assets		**374 264**	**299 954**	**260 333**
Assets of discontinued operations	13	-	-	43 145
Total assets		**2 189 223**	**1 955 966**	**1 871 725**

EQUITY AND LIABILITIES AS PER 31.12	Note	2006	2005	2004
EQUITY				
Share capital	21	29 425	29 425	29 425
Own shares	21	(1 123)	-	-
Share premium	21	53 504	109 955	109 955
Other equity		620 379	552 862	499 311
Minority interests		5 517	-	4 107
Total equity		**707 702**	**692 241**	**642 798**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	12	23 227	34 397	25 262
Pension liabilities	22	17 363	14 172	15 777
Non-current interest bearing debt	23	1 181 804	941 740	880 922
Other non-current liabilities	24	2 656	18 029	28 612
Total non-current liabilities		**1 225 050**	**1 008 338**	**950 574**
CURRENT LIABILITIES				
Current portion of interest bearing debt	23	111 582	95 558	119 111
Taxes payable	12	3 158	5 468	3 202
Employee taxes payable		5 503	6 238	6 351
Derivative financial instruments	25	1 696	1 311	-
Other current liabilities	26	134 533	146 811	114 969
Total current liabilities		**256 472**	**255 387**	**243 633**
Liabilities of discontinued operations	13	-	-	34 720
Total equity and liabilities		**2 189 223**	**1 955 966**	**1 871 725**

Bergen, 6 March 2007

THE BOARD OF DIRECTORS
OF ODFJELL ASA

B.D. Odfjell
CHAIRMAN

Peter G. Livanos

Reidar Lien

Marianna Moschou

Stein Pettersen

Laurence W.Odfjell

Terje Storeng
President/CEO

CASH FLOW STATEMENT

(USD 1 000)

	Note	2006	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES				
Operating result		156 167	170 424	114 036
Net result discontinued operations		-	-	695
Depreciation		118 682	107 449	99 959
Capital (gain) loss on non-current assets		(14 644)	(14 210)	(6 645)
Inventory (increase) decrease		(413)	(4 669)	(503)
Trade debtors (increase) decrease		(4 783)	(6 353)	(6 817)
Trade creditors increase (decrease)		(980)	9 204	2 989
Difference in pension cost and pension premium paid		1 859	(242)	(125)
Other current accruals		(38 241)	(15 332)	34 959
Taxes paid		(9 197)	(5 999)	(3 928)
Net cash flow from operating activities		**208 450**	**240 271**	**234 619**
CASH FLOW FROM INVESTING ACTIVITIES				
Sale of non-current assets		22 224	34 724	26 935
Sale of discontinued operation	13	-	13 176	-
Investment in non-current assets	9	(271 123)	(315 628)	(228 204)
Available-for-sale investments		3 818	23 998	(19 485)
Changes in non-current receivables		(332)	2 100	1 863
Interest received		10 568	7 890	4 056
Net cash flow from investing activities		**(234 845)**	**(233 739)**	**(214 835)**
CASH FLOW FROM FINANCING ACTIVITIES				
New interest bearing debt		533 941	313 320	419 775
Payment of interest bearing debt		(281 511)	(240 350)	(350 089)
Purchase own shares		(51 333)	-	-
Minority interest		5 517	-	-
Other financial expenses		(631)	(1 372)	895
Interest paid		(53 333)	(36 028)	(28 931)
Dividend		(72 467)	(59 896)	(52 956)
Net cash flow from financing activities		**80 183**	**(24 325)**	**(11 306)**
Effect on cash balances from currency exchange rate fluctuations		2 659	(2 229)	2 184
Net change in cash balances		**56 447**	**(20 022)**	**10 662**
Cash and cash equivalents as per 1.1		108 840	128 862	118 200
Cash and cash equivalents as per 31.12		**165 287**	**108 840**	**128 862**
Available credit facilities		15 000	-	-

STATEMENT OF CHANGES IN EQUITY

(USD 1 000)

	Attributable to shareholders' equity									
	Share capital	Own shares	Share premium	Exchange rate differences	Fair value and other reserves	Retained earnings	Total other equity	Total share-holders' equity	Minority interests	Total equity
Equity as at 1.1.2004	29 425	-	109 955	1 426	-	437 047	**438 473**	**577 853**	3 951	**581 804**
Net result 2004	-	-	-	-	-	94 420	**94 420**	**94 420**	157	**94 576**
Comprehensive income for the year 2004	**-**	**-**	**-**	**-**	**-**	**94 420**	**94 420**	**94 420**	**157**	**94 576**
Dividend	-	-	-	-	-	(40 710)	**(40 710)**	**(40 710)**	-	**(40 710)**
Exchange rate differences on translating foreign operations	-	-	-	7 127	-	-	**7 127**	**7 127**	-	**7 127**
Equity as at 31.12.2004	**29 425**	**-**	**109 955**	**8 553**	**-**	**490 757**	**499 311**	**638 691**	**4 107**	**642 798**
Effect of implementing IAS 39	-	-	-	-	28 406	-	**28 406**	**28 406**	-	**28 406**
Equity as at 1.1.2005	**29 425**	**-**	**109 955**	**8 553**	**28 406**	**490 757**	**527 717**	**667 097**	**4 107**	**671 204**
Cash flow hedges changes in fair value	-	-	-	-	478	-	**478**	**478**	-	**478**
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(27 975)	-	**(27 975)**	**(27 975)**	-	**(27 975)**
Net gain/(loss) on available-for-sale investments	-	-	-	-	(536)	-	**(536)**	**(536)**	-	**(536)**
Net result 2005	-	-	-	-	-	127 492	**127 492**	**127 492**	777	**128 268**
Comprehensive income for the year 2005	**-**	**-**	**-**	**-**	**(28 033)**	**127 492**	**99 459**	**99 459**	**777**	**100 236**
Dividend	-	-	-	-	-	(61 016)	**(61 016)**	**(61 016)**	-	**(61 016)**
Deconsolidating minority interests[1]	-	-	-	-	-	-	**-**	**-**	(4 884)	**(4 884)**
Exchange rate differences on translating foreign operations	-	-	-	(13 298)	-	-	**(13 298)**	**(13 298)**	-	**(13 298)**
Equity as at 31.12.2005	**29 425**	**-**	**109 955**	**(4 745)**	**373**	**557 233**	**552 862**	**692 241**	**-**	**692 241**
Cash flow hedges changes in fair value	-	-	-	-	3 843	-	**3 843**	**3 843**	-	**3 843**
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(115)	-	**(115)**	**(115)**	-	**(115)**
Net gain/(loss) on available-for-sale investments	-	-	-	-	162	-	**162**	**162**	-	**162**
Net result 2006	-	-	-	-	-	115 941	**115 941**	**115 941**	-	**115 941**
Comprehensive income for the year 2006	**-**	**-**	**-**	**-**	**3 890**	**115 941**	**119 831**	**119 831**	**-**	**119 831**
Share repurchases	-	(1 123)	-	-	-	(50 210)	**(50 210)**	**(51 333)**	-	**(51 333)**
Transfer of share premium	-	-	(56 451)	-	56 451	-	**56 451**	**-**	-	**-**
Consolidating minority interests[2]	-	-	-	-	-	-	**-**	**-**	5 517	**5 517**
Dividend	-	-	-	-	-	(72 467)	**(72 467)**	**(72 467)**	-	**(72 467)**
Exchange rate differences on translating foreign operations	-	-	-	14 007	(94)	-	**13 913**	**13 913**	-	**13 913**
Equity as at 31.12.2006	**29 425**	**(1 123)**	**53 504**	**9 262**	**60 620**	**550 497**	**620 379**	**702 185**	**5 517**	**707 702**

[1]Minority interests in the tankterminal in Dalian was deconsolidated as per 31.12.2005 as the ownership was reduced from 64% to 50% by the sale of 14% of the company's share to our partner.

[2]Minority interests in the tankterminal in Jiangyin was consolidated as per 31.12.2006.

Notes to the Group Financial Statement

1 CORPORATE INFORMATION

Odfjell ASA, Conrad Mohrsv. 29, 5072 Bergen, Norway, is the ultimate parent company of the Odfjell Group. Odfjell ASA is a public limited company incorporated in Norway and traded on the Oslo Stock Exchange. The consolidated financial statements of Odfjell for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2007. The Odfjell Group includes Odfjell ASA, wholly owned or controlled subsidiaries incorporated in several countries (see note 30 for an overview of consolidated companies) and our share of investments in joint ventures (see note 31).

Odfjell is a leading company in the global market of transportation and storage of chemicals and other speciality bulk liquids as well as providing related logistical services. Through its various subsidiaries and joint ventures Odfjell owns and operates parcel tankers 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 ASA and its consolidated companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Basis for preparation

The Odfjell Group prepared its accounts according to International Financial Reporting Standards (IFRS) for the first time for the year-ended 31.12.2005 with comparable figures for 2004. All items in the financial statements have been reported, valued and accounted for in accordance with IFRS, which comprise of 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 at fair value of derivative financial instruments (see note 2.15) and financial investments (see note 2.16).

2.2 Basis of consolidation

The same accounting principles are applied to all companies in the Odfjell Group. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

Investment in subsidiaries

The consolidated statements consist of Odfjell ASA and its subsidiaries as at 31 December each year (see note 30). Minority interests are included as a separate item in the equity, and are recorded as a separate allocation of the net result. The minority interests include the minority's share of the equity of the subsidiary, including any share of identified excess value on the date when a subsidiary is acquired.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Identified excess values have been allocated to those assets and liabilities to which the value relates. Any excess values arising on the acquisition of a foreign operation and any 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. Historically the estimated revenues and voyage expenses have not been significantly different from actual voyage related revenues and expenses. 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 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 for the assets, which is generally at the end of their useful life. To assess the residual value of ships we use the estimated demolition value. For terminals we use a best estimate for the value of the tank asset less dismantling expenses. The residual values are evaluated on a regular basis and any changes have an effect on future depreciations. Further details are given in note 2.11.

When impairment test is required and we estimate value in use the estimates are based upon our projections of anticipated future cash flows and a suitable discount rate in order to calculate 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. The Company believes that there would have to be a sustained and material downturn in the markets before a material impairment of non-current assets occurs. Further details are given in note 2.14.

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 2.25.

Provisions

Provisions are based on best estimates. Provisions are reviewed each balance sheet date and the level shall reflect the best estimate of the liability. Further details are given in note 2.24.

2.4 Changes in accounting principles

The following changes in accounting principles have been implemented in 2006 as a result of requirements stipulated in the accounting standards:

• IAS 19 (Amendment), Employee Benefits. This amendment introduced the option of an alternative recognition approach for actuarial gains and losses. It also added new disclosure requirements. The Group applied this amendment from 1 January 2006, which had an impact on the format and extent of disclosures presented in the accounts.

• IFRIC 4, Determining whether an Arrangement contains a Lease. IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. The Group applied IFRIC 4 from 1 January 2006.

2.5 Currency

Functional and presentation currency

The consolidated financial statements are presented in USD as the Group operates in an international market where the functional currency is mainly USD. Foreign subsidiaries' functional currencies are normally the local currency, except for our major shipping companies.

Transactions and balances

Transactions in non-USD currency are recorded at the exchange rate on the date of the transaction. Receivables and liabilities in non-USD currencies are translated at the exchange rate on the balance sheet date. All exchange rate differences are taken to the profit and loss statement. Non-monetary items that are measured in terms of historical cost in a non-USD currency are translated using the exchange rates at the dates of the initial transactions.

Foreign subsidiaries

The balance sheet of foreign subsidiaries with functional currency other than USD is translated at the rate applicable on the balance sheet date, while the profit and loss statement is translated using the monthly average exchange rate for the accounting period. Exchange rate differences that arise as a result of this are included as exchange rate differences in the equity. When a foreign subsidiary is sold, the accumulated translation adjustment related to that subsidiary is taken to the profit and loss statement.

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 can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

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.

Revenues from the storage of products in tank terminals are recognised in the profit and loss statement when the products are in the tank, by reference to the stage of completion of the storage at the balance sheet date, the risk has been transferred and the Company has established a receivable.

2.7 Taxes

The Group's taxes include taxes of Group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change in deferred taxes. Tax credits arising from subsidiaries' distribution of dividends are deducted from tax expenses.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 can no longer 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 taxation 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 the Norwegian shipping tax regime will not be taxed on their net operating profit prior to distribution of profits to their shareholders. A portion of net financial income is taxed at the ordinary applicable tax rate. Income tax rate for undistributed profits is, under current conditions, zero and hence deferred taxes are to be calculated based on this zero tax rate. The income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. Taxation under the shipping tax regime requires compliance to certain requirements, and voluntary or forced exit of the regime will result in taxation of undistributed profits.

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 (income) item, it is recognised as reduction (increase) of the expense (income) over the period necessary to match the grant on a systematic basis to the expense (income) that it is intended to compensate. When the grant relates to an asset, the fair value is reduced and the grant is released to the profit and loss statement over the expected useful life of the relevant asset on a straight-line basis.

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 31) is included according to the gross method. Under this method the Group's proportionate share 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 for 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 4) are included according to the net method. Under this method the Group's share of the associated company's net result for the year is recognised in the profit and loss statement. 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 amortised. 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 stated at historical cost, which includes purchase price, capitalised interest and other expenses directly related to the investment. 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 program and are not depreciated until the asset is available for use.

We estimate residual value at the estimated time of disposal for assets, which is generally at the end of their useful life. To assess the residual value of ships we use the current estimated demolition value. For terminals we use a best estimate for the value of the tank asset less dismantling expenses. The residual values are evaluated 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 charged to the profit and loss statement 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 when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the asset. 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.

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.

Depreciation of the above mentioned assets appear as depreciation in the profit and loss statement.

Capital gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in 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 contains 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. A reassessment is made after inception of the lease only if one of the following applies:

1. there is a change in contractual terms, other than a renewal or extension of the arrangement
2. a renewal option is exercised or extension granted, unless the term of the renewal or extension was 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 finance 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 the minimum lease payments. Lease payments consist of a capital element and finance cost, the capital element reduces the obligation to the lessor and the finance cost is expensed. Capitalised leased assets are depreciated over the estimated useful life in accordance with note 9.

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 profit and loss statement on a straight-line basis over the lease term, see note 5 and note 29.

2.13 Goodwill

Excess value on the purchase of an operation that cannot be allocated to fair value of assets or liabilities 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 amortised, 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

At each reporting date the Group assesses 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, the Group makes an estimate of the asset's recoverable amount. 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 Company's 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 profit and loss statement. 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:

Ships

Future cash flow is based on an assessment of what is a normal timecharter earning and a normal level of operating expenses for each type of ship over the remaining useful life of the ship. All parcel tankers are interchangeable and are therefore seen together as a portfolio of ships.

Tank terminals

Future cash flow is based on a normalised result for each terminal. We have calculated the "value in use" based on five years' EBITDA and a residual value after five years.

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. Future earnings are based on next year's expectations with a zero growth rate. If the "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.

With the exception of goodwill, impairment losses recognised in the profit and loss statements 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

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 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 recorded in the profit and loss statement 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 equity. Amounts deferred in equity are transferred and classified in the profit and loss statement when the underlying hedged items impact net result in a manner consistent with the underlying nature of the hedged transaction.

If a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction is ultimately recognised in the profit and loss statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss statement.

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

At the inception of the transaction the 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 investments

Financial investments have been classified into investments at fair value through profit and loss and available-for-sale categories. 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. A financial investment is classified in this category if acquired principally for the purpose of regular trading or if so designated by the management. 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.

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 of equity 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 the income statement.

2.17 Trade receivables
Trade receivables are recognised at the original invoiced amount less provision for bad debts if there is any objective evidence of a fall in value.

2.18 Inventories
Bunkers and other inventories are accounted for at the lower of purchase price and net realisable value on a first-in, first-out basis.

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 equivalent in the cash flow statement does not include available credit facilities.

2.20 Discontinued operations
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Assets and liabilities of discontinued operations are specified on the balance sheet from the period in which the decision is taken and the sale is highly probable until the divestment takes place. Net result from discontinued operations in the profit and loss statement is restated for previous periods. The post-tax gain or loss on disposal of discontinued operation is shown as a separate item on the consolidated profit and loss statement.

2.21 Equity
Paid in equity
(i) Share capital
The portion of the paid-in-capital equalling number of shares at their nominal value.

(ii) Own shares
The value of own 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 profit and loss statement 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 investment. When the hedged cash flow matures or is no longer expected to occur the net change in fair value is transferred to the profit and loss statement. When financial investments are sold or impaired, the accumulated fair value adjustments in equity are included in the profit and loss statement as gains and losses from financial investment.

(iii) Dividends
Dividends are recorded as a deduction to other equity in the period in which they are approved by the shareholders.

(iv) Retained earnings
The net result attributable and available for distribution to the shareholders.

2.22 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 accrued at discounted values. The dismantling liability is included 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.

2.23 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 charged to the profit and loss statement over the life of the underlying debt according to the effective interest method.

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

Interest expenses are recognised as an expense when incurred. Transactions costs are deferred and charged to the profit and loss statement over the life of the underlying debt using the effective interest rate method.

2.24 Provisions
Provisions are made 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 reflects the best estimate of the liability.

2.25 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 charged to the profit and loss statement 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 charged to the profit and loss statement 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.

2.26 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 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.

2.27 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.

2.28 Segments
The definition of main business segments, our primary reporting format, is based on the company's internal reporting. A business segment provide services that are subject to risks and returns that are different from those of other business segments. The Group's secondary reporting format, geographical segments, is provided for revenue, total assets and capital expenditure, as the reliability measurement criteria cannot be met for other items. Any single country contributing more than 10% of total revenue/asset/capital expenditure is reported separately. 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.

2.29 Events after the balance sheet date
New information on the Company's positions at the balance sheet date is taken into account in the annual financial statements. 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.

2.30 IFRSs and IFRIC interpretations issued but not effective as per 31.12.2006
Odfjell expects following impact from new Standards or Interpretations that are not yet adopted by Odfjell.

IFRS 7, Financial Instrument: Disclosures.
The new standard IFRS 7 introduces new disclosures to improve the information about financial instruments. The Group will apply IFRS 7 from annual period beginning 1 January 2007.

IFRS 8, Operating Segments
The new standard IFRS 8 introduces changes in the identification of segments and measurement of segment information. The Group will apply IFRS 8 from annual period beginning 1 January 2009.

IFRIC 10 Interim Financial Reporting and Impairment
The new interpretation in IFRIC 10 determines that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group will apply the interpretation from annual period beginning 1 January 2007.

The Group expects that adoption of the pronouncements listed above will have no material impact on the Group's financial statements in the period of initial application.

The following new Interpretations will have no impact for Odfjell as of today:
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-inflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

Same also applies for the following amendments to:
- IFRS 4 Revised Guidance on Implementing IFRS 4 Insurance Contracts
- IAS 1 Amendments to IAS 1 Presentation of Financial Statements Capital Disclosures

3 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by the products and services produced by the different business segments. Secondary information is reported geographically.

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 two reportable business segments: Parcel Tankers and Tank Terminals. The Parcel Tankers involve a "round the world" service, servicing ports in Europe, the North and South America, Asia Pacific 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 to reduce the time our ships spend in port and enables us to be one of the world-leaders in combined shipping and storage services. Our Tank Container segment was sold with effect 1.1.2005 and was therefore reclassified and reported as discontinued operations. See note 13 for more details. Tank Containers are primarily being used for transportation of chemicals and liquids in small quantities and to locations with limited infrastructure.

Transfer price between business segments are set on an arm's length basis in a manner similar to transaction with third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

The Group provide geographical data for revenue, total assets and capital expenditure, 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 and Middle East and Asia. Ships and newbuilding contracts are not allocated to specific geographical areas as they generally trade world-wide.

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2006

(USD 1 000)

	Parcel Tankers	Tank Terminals	Eliminations	Total
PROFIT AND LOSS STATEMENT				
Gross revenue from external customers	938 579	149 899	-	**1 088 478**
Gross revenue from internal customers	-	1 709	(1 709)	**-**
Gross revenue	**938 579**	**151 608**	**(1 709)**	**1 088 478**
Net income from associates	-	60	-	**60**
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)	202 275	57 929	-	**260 204**
Depreciation	(99 581)	(19 101)	-	**(118 681)**
Capital gain (loss) on non-current assets	2 816	11 828	-	**14 644**
Operating result (EBIT)	**105 510**	**50 656**	**-**	**156 167**
Net financial items	(34 844)	(6 437)	-	**(41 281)**
Taxes	10 369	(9 314)	-	**1 056**
Net result	**81 035**	**34 906**	**-**	**115 941**
Minority interests	-	-	-	-
BALANCE SHEET				
Investments in associates	-	1 299	-	**1 299**
Total assets	1 739 250	498 781	(48 808)	**2 189 223**
Total debt	1 223 857	264 838	(7 173)	**1 481 522**
CASH FLOW STATEMENT				
Net cash flow from operating activities	165 086	43 364	-	**208 450**
Net cash flow from investing activities	(170 769)	(64 077)	-	**(234 845)**
Net cash flow from financing activities	63 836	16 348	-	**80 183**
Capital expenditure	(217 853)	(53 271)	-	**(271 123)**

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2005

(USD 1 000)	Parcel Tankers	Tank Terminals	Tank Containers - discontinued operations	Eliminations	Total
PROFIT AND LOSS STATEMENT					
Gross revenue from external customers	915 337	129 510	-	-	**1 044 847**
Gross revenue from internal customers	-	2 218	-	(2 218)	-
Gross revenue	**915 337**	**131 728**	**-**	**(2 218)**	**1 044 847**
Net income from associates	-	101	-	-	**101**
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)	215 938	47 725	-	-	**263 663**
Depreciation	(88 685)	(18 764)	-	-	**(107 449)**
Capital gain (loss) on non-current assets	10 534	3 676	-	-	**14 210**
Operating result (EBIT)	**137 787**	**32 637**	**-**	**-**	**170 424**
Net financial items	(21 544)	(6 359)	-	-	**(27 903)**
Taxes	(12 014)	(6 613)	-	-	**(18 628)**
Net result	**104 229**	**19 665**	**4 376**	**-**	**128 269**
Minority interests	-	777	-	-	**777**
BALANCE SHEET					
Investments in associates	-	1 241	-	-	**1 241**
Total assets	1 597 158	392 628	-	(33 820)	**1 955 966**
Total debt	1 051 569	222 848	-	(10 692)	**1 263 725**
CASH FLOW STATEMENT					
Net cash flow from operating activities	191 111	49 160	-	-	**240 271**
Net cash flow from investing activities	(215 093)	(18 646)	-	-	**(233 739)**
Net cash flow from financing activities	(10 907)	(13 419)	-	-	**(24 325)**
Capital expenditure	(294 854)	(20 774)	-	-	**(315 628)**

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2004

(USD 1 000)	Parcel Tankers	Tank Terminals	Tank Containers - discontinued operations	Eliminations	Total
PROFIT AND LOSS STATEMENT					
Gross revenue from external customers	816 809	126 671	-	-	943 481
Gross revenue from internal customers	-	2 706	-	(2 706)	-
Gross revenue	**816 809**	**129 377**	**-**	**(2 706)**	**943 481**
Net income from associates	-	86	-	-	86
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)	158 526	48 824	-	-	207 350
Depreciation	(80 079)	(19 881)	-	-	(99 959)
Capital gain (loss) on non-current assets	6 645	-	-	-	6 645
Operating result (EBIT)	**85 092**	**28 944**	**-**	**-**	**114 036**
Net financial items	(3 018)	(5 858)	-	-	(8 876)
Taxes	(3 215)	(8 063)	-	-	(11 278)
Net result	**78 859**	**15 023**	**695**	**-**	**94 577**
Minority interests	-	157	-	-	157
BALANCE SHEET					
Investments in associates	-	1 140	-	-	1 140
Total assets	1 466 916	397 273	43 145	(35 610)	1 871 725
Total debt	965 983	233 078	34 720	(4 855)	1 228 927
CASH FLOW STATEMENT					
Net cash flow from operating activities	187 602	46 009	1 008	-	234 619
Net cash flow from investing activities	(195 233)	(13 259)	(6 343)	-	(214 835)
Net cash flow from financing activities	12 695	(27 233)	3 233	-	(11 306)
Capital expenditure	(200 469)	(22 339)	(5 396)	-	(228 204)

GROSS REVENUE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2006	2005	2004
USA	216 602	235 345	225 499
Other North America	2 176	4 994	8 001
Brazil	119 364	87 233	76 664
Other South America	88 020	82 349	68 920
Netherlands	157 807	153 136	151 724
Other Europe	94 211	85 504	69 773
Africa	101 327	88 550	76 021
Australasia	12 838	13 574	8 877
Middle East and Asia	296 134	294 163	258 001
Total gross revenue	**1 088 478**	**1 044 847**	**943 481**

TOTAL ASSETS PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2006	2005	2004
North America	121 457	126 521	135 804
South America	23 467	12 247	10 746
Norway	239 648	174 673	212 210
Europe	217 610	196 148	247 943
Middle East and Asia	163 222	125 126	118 703
Unallocated ships and newbuilding contracts	1 423 820	1 321 252	1 146 318
Total assets	**2 189 223**	**1 955 966**	**1 871 725**

CAPITAL EXPENDITURE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2006	2005	2004
North America	1 417	1 162	1 425
South America	505	6 011	852
Norway	5 287	7 074	3 900
Europe	23 494	68 436	20 853
Middle East and Asia	35 328	869	375
Unallocated ships and newbuilding contracts	205 093	232 076	200 799
Total capital expenditure	**271 123**	**315 628**	**228 204**

4 INVESTMENTS IN ASSOCIATES

As Odfjell is involved in the management and has significant influence of this company, it is accounted for as an associated company. Since V.O. Tank Terminal Ningbo is an unlisted company, there are no quoted prices for a fair value consideration.

(USD 1 000)

Entity	Country	Segment	Carrying interest	Ownership amount
V.O. Tank Terminal Ningbo	China	Tank Terminals	12.5%	
Investment in associates 1.1.2004				1 054
Net income from associates 2004				86
Investment in associates 31.12.2004				**1 140**
Net income from associates 2005				101
Investment in associates 31.12.2005				**1 241**
Exchange rate differences on translation				(2)
Net income from associates 2006				60
Investment in associates 31.12.2006				**1 299**

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

(USD 1 000)	2006	2005	2004
Gross revenue	338	394	366
Net result	60	101	86
Assets	1 357	1 316	1 203
Liabilities	58	75	63
Equity	1 299	1 241	1 140

5 TIME-CHARTER EXPENSES

Time-charter expenses consist of expenses for operating leases, see note 29 for future obligations.

(USD 1 000)	2006	2005	2004
Floating TC-expenses	56 947	72 911	80 179
Other TC-expenses	87 835	83 443	77 926
Total time-charter expenses	**144 782**	**156 354**	**158 105**

6 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)	2006	2005	2004
Salary expenses (note 8)	100 697	97 603	89 217
Cost of operations terminals	38 187	32 261	30 788
Cost of operations ships	99 523	101 465	69 799
Tonnage tax	90	350	469
Currency hedging	(435)	(12 102)	-
Total operating expenses	**238 061**	**219 577**	**190 273**

7 GENERAL AND ADMINISTRATIVE EXPENSES

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

(USD 1 000)	2006	2005	2004
Salary expenses (note 8)	51 325	44 402	49 387
Other expenses	33 462	28 883	41 857
Currency hedging	(188)	(8 835)	-
Total general and administrative expenses	**84 600**	**64 449**	**91 244**

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2006	2005	2004
Statutory auditing	818	524	328
Other assurance services	13	11	3
Tax advisory services	283	154	112
Other non-audit services	252	239	281
Total remuneration	**1 366**	**928**	**725**

8 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)	2006	2005	2004
Salaries	121 212	114 113	113 559
Social expenses	20 681	19 704	17 359
Pension expenses defined benefit plans (note 22)	8 325	6 441	6 089
Pension expenses defined contribution plans (note 22)	1 047	918	791
Other benefits	758	828	807
Total salary expenses	**152 024**	**142 004**	**138 604**

The salary expenses include bonus payment to employees of USD 2.2 mill. (USD 4.7 mill. in 2005). Bonus expenses are included with USD 2.2 mill. in general and administrative expenses. In 2005 the comparable figure was USD 2.6 mill. and USD 2.1 mill. was included in operating expenses.

As from 2006 the Company introduced a performance-related and incentive pay scheme for all employees at Odfjell Headquarters, overseas offices, sea officers and Odfjell Terminals Houston. The purpose is to motivate, encourage and stimulate to focus on bottom line result. Total achievable bonus ranges depending on job category and market competition. The bonus is based on predefined targets on a combination of Odfjell Group annual result, key performance indicators and individual performance. No payments were made under this scheme for 2006. The Board reviews the application of the system from year to year and has approved the same scheme for 2007.

Average number of employees:	2006	2005	2004
Europe	918	900	872
North America	127	122	129
South East Asia	1 864	1 628	1 406
South America	356	332	293
Other	128	296	512
Total average number of employees	**3 392**	**3 277**	**3 210**

During 2006 the Board of Directors consisted of 6 members after the President/CEO renounced to be re-elected in May 2006 (in 2005 the Board of Directors consisted of 7 members). Compensation and benefits to the Board of Directors:

(USD 1 000)	2006	2005	2004
Salary	359	315	279
Pension cost (note 22)	-	25	20
Other benefits	3	2	2

Compensation and benefits to the President/CEO and managers reporting directly to him:

(USD 1 000)	2006	2005	2004
Salary	2 095	2 098	1 777
Bonus	398	1 012	139
Pension cost (note 22)*	381	394	336
Other benefits	237	250	259
Total compensation and benefits	**3 111**	**3 754**	**2 511**
Average number of managers included	8	9	9

*In 2005 and 2004 pension cost is the same as the pension contribution.

The President/CEO is entitled to two years salary if the Company terminates the employment prior to the age of 60. As from the age of 60 both the President/CEO and the Company have the right to terminate the employment with 12 months notice, however the President/CEO has the right to resign and enter into a fixed consultancy agreement, remunerated at 50% of the preceding year's fixed salary.

The President/CEO and managers reporting directly to him is included in the Company's defined benefit pension plan, see note 22. The Company also funded pension obligations related to senior management for salaries exceeding 12G (presently 12G equals USD 117 751), up to 66% of 18G.
This arrangement was terminated as from 1.1.2007.

The Company does not have any stock option plans.

9 NON-CURRENT ASSETS

(USD 1 000)	Real estate	Ships and newbuilding contracts	Periodic maintenance	Tank terminals	Tank containers	Office equipment and cars	Total
Net carrying amount 1.1.2006	27 368	1 279 460	41 792	286 292	-	8 642	**1 643 554**
Investment	999	173 788	38 493	53 271	-	4 572	**271 123**
Sale at book value	-	(18 114)	(469)	-	-	(474)	**(19 057)**
Depreciation 2006	(1 602)	(66 825)	(29 517)	(16 571)	-	(4 167)	**(118 682)**
Exchange rate differences	1 090	5 141	72	17 196	-	819	**24 318**
Net carrying amount 31.12.2006	**27 856**	**1 373 450**	**50 370**	**340 188**	**-**	**9 392**	**1 801 255**
Cost	34 576	1 636 319	41 792	416 625	-	30 082	**2 159 394**
Accumulated depreciation	(7 208)	(356 859)	-	(130 333)	-	(21 440)	**(515 840)**
Net carrying amount 1.1.2006	**27 368**	**1 279 460**	**41 792**	**286 292**	**-**	**8 642**	**1 643 554**
Cost	36 665	1 797 134	50 370	487 092	-	34 999	**2 406 260**
Accumulated depreciation	(8 810)	(423 684)	-	(146 904)	-	(25 607)	**(605 005)**
Net carrying amount 31.12.2006	**27 855**	**1 373 450**	**50 370**	**340 188**	**-**	**9 392**	**1 801 255**
Net carrying amount 1.1.2005	21 509	1 116 073	30 246	311 838	-	9 756	**1 489 422**
Investment	8 723	239 768	43 526	20 774	-	2 837	**315 628**
Sale at book value	-	(13 157)	(9 194)	(11 209)	-	(131)	**(33 691)**
Depreciation 2005	(1 489)	(63 224)	(22 786)	(16 984)	-	(2 966)	**(107 449)**
Exchange rate differences	(1 375)	-	-	(18 128)	-	(854)	**(20 357)**
Net carrying amount 31.12.2005	**27 368**	**1 279 460**	**41 792**	**286 292**	**-**	**8 642**	**1 643 554**
Cost	27 547	1 475 982	30 246	425 188	-	28 230	**1 987 193**
Accumulated depreciation	(6 037)	(359 909)	-	(113 350)	-	(18 474)	**(497 770)**
Net carrying amount 1.1.2005	**21 509**	**1 116 073**	**30 246**	**311 838**	**-**	**9 756**	**1 489 423**
Cost	34 576	1 636 319	41 792	416 625	-	30 082	**2 159 394**
Accumulated depreciation	(7 208)	(356 859)	-	(130 333)	-	(21 440)	**(515 840)**
Net carrying amount 31.12.2005	**27 368**	**1 279 460**	**41 792**	**286 292**	**-**	**8 642**	**1 643 554**
Net carrying amount 1.1.2004	20 913	1 030 682	20 320	300 906	21 277	9 847	**1 403 944**
Investment	3 519	165 795	27 535	22 339	5 396	3 620	**228 204**
Sale at book value	-	(20 113)	-	-	-	(177)	**(20 290)**
Assets classified as discontinued operations	(2 634)	-	-	-	(26 673)	(674)	**(29 981)**
Depreciation 2004	(982)	(60 291)	(17 609)	(18 217)	-	(2 860)	**(99 959)**
Exchange rate differences	693	-	-	6 810	-	-	**7 504**
Net carrying amount 31.12.2004	**21 509**	**1 116 073**	**30 246**	**311 838**	**-**	**9 756**	**1 489 422**
Cost	26 789	1 403 962	20 320	402 898	27 712	27 070	**1 908 751**
Accumulated depreciation	(5 876)	(373 280)	-	(101 992)	(6 435)	(17 223)	**(504 806)**
Net carrying amount 1.1.2004	**20 913**	**1 030 682**	**20 320**	**300 906**	**21 277**	**9 847**	**1 403 945**
Cost	27 547	1 475 982	30 246	425 188	-	28 230	**1 987 193**
Accumulated depreciation	(6 037)	(359 909)	-	(113 350)	-	(18 474)	**(497 770)**
Net carrying amount 31.12.2004	**21 509**	**1 116 073**	**30 246**	**311 838**	**-**	**9 756**	**1 489 423**

Capital gain (loss) on non-current assets
In 2006 capital gain from sale of ships was USD 2.8 mill. and capital gain related to compensation for relocation of the Dalian tank terminal was USD 11.8 mill. In 2005 capital gain from sale of ships was USD 10.5 mill. and capital gain from sale of our 14% share in the tank terminal in Dalian was USD 3.7 mill.

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 – 28
Periodic maintenance... 2.5 – 5
Main components of tank terminal .... 10 – 40
Office equipment and cars .... 3 – 15

Fully depreciated non-current assets
Assets with a total cost price of USD 1.9 mill. have been fully depreciated as at 31 December 2006, but are still in use.

Assets financed under finance leases
The carrying amount of ships financed under finance leases were USD 242.7 mill. and USD 254.3 mill. at 31 December 2006 and 31 December 2005 respectively.

Capitalised interest on newbuilding contracts
Newbuilding contracts include capitalised interest in connection with the finance of the newbuilding program. The capitalised interest carried in the balance sheet equalled USD 6.3 mill. in 2006 and USD 2.6 mill. in 2005.

Impairment charges
The management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.14 and there were no indications that impairment was necessary in 2006 or 2005.

Change in depreciation periods
The management reviewed the depreciation periods for ships. This has led to 18 ships (2005; 6 ships) that was previously depreciated over 25 years now being depreciated on average over 28 years. This has been accounted for as a change in estimates, and has decreased depreciation expenses of USD 1.3 mill. in 2006 and USD 1.9 mill. in 2005.

Change in residual value
The residual values are evaluated on a regular basis and any changes have an effect on future depreciations. During 2006 the market value for demolition of ships has been changed from USD 305 per ton at the beginning of the year to USD 410 per ton at the end of the year.

10 OTHER FINANCIAL ITEMS

(USD 1 000)	2006	2005	2004
Other financial income	427	223	188
Other financial expenses	(992)	(1 502)	(973)
Changes in the fair value of investments classified as financial assets at fair value through profit or loss	(66)	(93)	(103)
Total other financial items	**(631)**	**(1 372)**	**(888)**

11 CURRENCY GAINS (LOSSES)

(USD 1 000)	2006	2005	2004
Currency hedging contracts	760	769	16 231
Non-current receivables and liabilities	(247)	(478)	(223)
Cash and cash equivalents	2 495	(2 229)	2 184
Other current assets and current liabilities	(894)	3 721	(1 305)
Total currency gains (losses)	**2 114**	**1 783**	**16 887**

12 TAXES

(USD 1 000)	2006	2005	2004
Taxes payable, Norway	(586)	(2 008)	-
Taxes payable, other jurisdictions	(9 721)	(3 798)	(5 098)
Change in deferred tax, Norway – within shipping tax system	9 255	6 730	(8 291)
Change in deferred tax, Norway – ordinary tax	2 377	(15 987)	5 405
Change in deferred tax, other jurisdictions	(269)	(3 565)	(3 294)
Total taxes	**1 056**	**(18 628)**	**(11 278)**

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

(USD 1 000)	2006	2005	2004
Pre-tax profit	114 885	142 521	105 160
Tax assessed at the tax rate in Odfjell ASA's country of registration (28% in 2006, 2005 and 2004)	(32 168)	(39 906)	(29 445)
Difference between Norwegian and rates in other jurisdictions	(1 104)	(1 209)	(1 511)
Tax related to non-deductible expenses	(520)	(2 540)	(2 882)
Tax related to demerger of Norwegian shipping tax company	13 703	-	-
Tax related to non-taxable income	21 145	25 026	22 560
Tax expense	**1 056**	**(18 628)**	**(11 278)**
Effective tax rate	**(0.9%)**	**13.1%**	**10.7%**

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.

Specification of deferred taxes (deferred tax assets):

(USD 1 000)	2006	2005	2004
Current assets	1 929	-	-
Pensions	15 189	12 359	14 093
Provisions	20 122	31 322	16 474
Loss carried forward	33 782	110 646	93 136
Temporary differences not accounted for	(40 245)	(97 477)	-
Total negative temporary differences	**30 777**	**56 850**	**123 703**
Property, plant and equipment	92 306	96 321	77 812
Deferred gains/losses	-	24 753	(2 261)
Non-current receivables and liabilities	18 232	51 988	123 767
Other	35	(1 883)	6 134
Total positive temporary differences	**110 573**	**171 179**	**205 452**
Total recognised deferred tax liabilities	**23 227**	**34 397**	**25 262**

The Group has a total loss carried forward of USD 33.8 mill. as at 31 December 2006 (2005: USD 110.6 mill.), 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 countries and within the same tax regime.

The distribution of dividend to the Odfjell ASA's shareholders does not affect the Company's payable or deferred tax.

The changes in temporary differences in 2006 are as follows:

(USD 1 000)	1.1.2006	Changes in temporary differences	31.12.2006
Current assets	-	(1 929)	**(1 929)**
Pensions	(12 359)	(2 830)	**(15 189)**
Provisions	(31 322)	11 200	**(20 122)**
Loss carried forward	(110 646)	76 864	**(33 782)**
Temporary differences not accounted for	97 477	(57 232)	**40 245**
Property, plant and equipment	96 321	(4 015)	**92 306**
Deferred gain/losses	24 753	(24 753)	**-**
Non-current receivables and liabilities	51 988	(33 756)	**18 232**
Other	(1 883)	1 918	**35**
Total	**114 329**	**(34 533)**	**79 796**
Tax rate		17-35%	
Tax booked through income statement		11 363	

Accumulated non-taxed income within Norwegian shipping tax systems

(USD 1 000)	2006	2005	2004
Balance of untaxed income at entry into the shipping tax system	397 814	387 559	427 842
Accumulated untaxed operating income	320 778	310 623	302 120
Accumulated untaxed income	**718 592**	**698 181**	**729 962**
Deferred tax liabilities	-	-	-

Companies taxed under the Norwegian shipping tax regime will not be taxed on their net operating profit prior to distribution of profits to their shareholders. Income tax rate for undistributed profits is, under current conditions, zero and hence deferred taxes are to be calculated based on this zero tax rate. The income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. Taxation under the shipping tax regime requires compliance to certain requirements, and voluntary or forced exit of the regime will result in taxation of undistributed profits.

13 DISCONTINUED OPERATIONS

In December 2004 Odfjell agreed to sell its 50% shareholding in the tank container joint-venture company Hoyer-Odfjell BV, Rotterdam to our joint-venture partner Hoyer. Hoyer-Odfjell was the only entity in Odfjell's Tank Container segment and its business was transportation of chemicals and other liquids in tank containers. We decided to sell our share of the business to our joint venture partner Hoyer due to different views on the strategic development of the company. The agreement was effective from January 2005 and shareholder loans were repaid and we were released of guarantees established for Hoyer-Odfjell`s financial commitments. Hoyer-Odfjell is not consolidated in 2005 as the disposal was executed in the beginning of the year. Based on the sales price of USD 13.2 mill. the gain on the sale equalled USD 4.4 mill. This gain is included in the profit and loss statement under net result discontinued operations.

The results of Hoyer-Odfjell for the year

(USD 1 000)	2004
Gross revenue	57 342
Voyage expenses	(45 348)
Gross result	**11 994**
General and administrative expenses	(7 594)
Operating result before depreciation and capital gain (loss) on non-current assets (EBITDA)	**4 400**
Depreciation	(1 879)
Capital gain (loss) on non-current assets	(2)
Operating result (EBIT)	**2 518**
Interest income	247
Interest expenses	(1 632)
Currency gains (losses)	(64)
Net financial items	**(1 449)**
Result before tax	**1 069**
Taxes	(375)
Net result	**695**
Earnings per share (USD) – basic and diluted	0.008

The major classes of assets and liabilities of Hoyer-Odfjell classified as discontinued operations as at 31 December 2004

(USD 1 000)	2004
Goodwill	2 112
Real estate	2 634
Tank containers	25 106
Office equipment and cars	674
Non-current receivables	158
Current receivables	12 660
Cash and cash equivalents	(199)
Assets of discontinued operations	**43 145**
Deferred tax liabilities	(231)
Pension liabilities	11
Non-current interest bearing debt	16 957
Current portion of interest bearing debt	5 883
Other current liabilities	12 100
Liabilities of discontinued operations	**34 720**

The net cash flows produced by Hoyer-Odfjell:

(USD 1 000)	2004
Net cash flow from operating activities	1 008
Net cash flow from investing activities	(6 343)
Net cash flow from financing activities	3 233
Net cash inflow/(outflow)	**(2 102)**

The sale of Hoyer-Odfjell had the following effect on the Group's financial position in 2005:

(USD 1 000)	Discontinued operations sold in 2005
Assets of discontinued operations 1.1.2005	43 145
Liabilities of discontinued operations 1.1.2005	(34 720)
Net identifiable assets and liabilities	**8 425**
Cost of sale	375
Gain on sale	4 376
Cash received	**13 176**

14 EARNINGS PER SHARE

The basic and diluted earnings per share are the same, as the company has no convertible bond loan or stock option plan. Earnings per share is calculated as net result allocated to shareholders for the year divided by the weighted average number of shares. The weighted average number of shares is adjusted to reflect share splits.

(USD 1 000)	2006	2005	2004
Net result from continuing operations	115 941	123 116	93 725
Net result from discontinued operations	-	4 376	695
Net result allocated to shareholders	**115 941**	**127 492**	**94 420**
Average weighted number of shares (1 000)	84 227	86 769	86 769
Basic/Diluted earnings per share from continuing operations	1.38	1.42	1.09
Basic/Diluted earnings per share from discontinued operations	-	0.05	0.01
Basic/Diluted earnings per share (USD)	**1.38**	**1.47**	**1.09**

15 GOODWILL

Goodwill acquired through business combinations has been allocated to three individual cash generating units (CGU) as follows:

In relation to acquisition of CGU	Cost 1.1.2006	Investment	Sale 2006	Impairment differences	Exchange rate effect	Book value 31.12.2006
Odfjell Terminals (Rotterdam) BV	4 653	-	-	-	516	5 169
Flumar Transportes de Quimicos e Gases Ltda	537	-	-	-	-	537
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 280	-	-	-	341	4 621
Total goodwill	**9 470**	**-**	**-**	**-**	**857**	**10 327**

In relation to acquisition of CGU	Cost 1.1.2005	Investment	Sale 2005	Impairment differences	Exchange rate effect	Book value 31.12.2005
Odfjell Terminals (Rotterdam) BV	5 352	-	-	-	(699)	4 653
Flumar Transportes de Quimicos e Gases Ltda	537	-	-	-	-	537
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 362	-	-	-	(82)	4 280
Total goodwill	**10 251**	**-**	**-**	**-**	**(781)**	**9 470**

In relation to acquisition of CGU	Cost 1.1.2004	Investment	Sale 2004	Impairment differences	Exchange rate effect	Book value 31.12.2004
Odfjell Terminals (Rotterdam) BV	4 937	-	-	-	415	5 352
Flumar Transportes de Quimicos e Gases Ltda	537	-	-	-	-	537
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 186	-	-	-	176	4 362
Total goodwill	**9 660**	**-**	**-**	**-**	**591**	**10 251**

The management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.14 and no impairment was necessary as recoverable amounts were higher than book values in both 2006, 2005 and 2004. Recoverable amount has been calculated for each CGU. For tank terminals it has been determined based on a normalised result for each terminal. We have calculated the "value in use" based on five years' EBITDA and a residual value after five years. For shipping companies it has been determined based on a normal timecharter earning and a normal 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 a weighted average cost of capital ("WACC") of 6.4 % in 2006 and 7.2 % in 2005.

16 AVAILABLE-FOR-SALE INVESTMENTS

(USD 1 000)	Currency	Average interest rate 2006	Book value 2006	Book value 2005	Book value 2004
Bonds and certificates issued by financial institutions	EUR		-	-	15 675
Bonds and certificates issued by financial institutions	USD	5.6%	52 419	56 934	61 920
Bonds and certificates issued by corporates	EUR	11.0%	4 426	3 986	-
Bonds and certificates issued by corporates	USD	4.6%	20 291	20 093	26 880
Total available-for-sale investments			**77 137**	**81 013**	**104 475**

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 2006 unrealised gain of USD 0.2 million were recognised directly to equity (unrealised losses of USD 0.5 million in 2005). Bonds and certificates generally have interest rate adjustments every three months.

17 NON-CURRENT RECEIVABLES

(USD 1 000)	2006	2005	2004
Loans to employees	1 505	1 254	1 937
Other non-current receivables	573	492	1 908
Total other non-current receivables	**2 078**	**1 746**	**3 845**

In Norway, employees are entitled to loans from the Company. Employee loans are generally secured by property mortgages. Loans to the President/CEO and managers reporting directly to him are either interest free or they carry an interest of 3.5%, while other employee loans are currently calculated at 3.5% interest per annum. Repayment periods vary between 5 and 15 years for loans to the President/CEO and managers reporting directly to him. Other employee loans are generally repayable over 5 years. The President/CEO and managers reporting directly to him have loans from the Company as follows: Terje Storeng (USD 0.2 mill.), Jan Hammer (USD 0.2 mill.), Helge Olsen (USD 0.1 mill.), Haakon Ringdal (USD 0.05 mill.), Jan Didrik Lorentz (USD 0.2 mill.), Brit Bennett (USD 0.05 mill.) and Atle Knutsen (USD 0.2 mill.).

18 CURRENT RECEIVABLES

(USD 1 000)	2006	2005	2004
Trade receivables	94 020	80 157	76 012
Other receivables	21 489	5 863	3 885
Pre-paid costs	4 185	13 216	3 205
Provisions for bad debts	(6 025)	(5 216)	(3 931)
Total current receivables	**113 670**	**94 019**	**79 171**

19 BUNKERS AND OTHER INVENTORIES

(USD 1 000)	2006	2005	2004
Bunkers	15 486	15 194	10 579
Other inventories	1 009	888	835
Total bunkers and other inventories	**16 496**	**16 083**	**11 414**

20 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 2.1 mill. (USD 2.8 mill. in 2005) consist of funds for withholding taxes relating to employees in Odfjell ASA.
The cash and cash equivalents do not include available credit facilities.

(USD 1 000)	2006	2005	2004
Cash at banks and in hand	68 339	50 616	104 018
Short-term deposits	84 372	50 500	6 391
Other liquid investments	9 916	9 952	16 269
Effect from currency exchange rate fluctuations	2 659	(2 229)	2 184
Total cash and cash equivalents	**165 287**	**108 840**	**128 862**
Available credit facilities	15 000	-	-

21 SHARE CAPITAL AND PREMIUM

	Number of shares (thousand)			Share capital (USD 1 000)			Share premium (USD 1 000)		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
A-shares	65 690	65 690	65 690	22 277	22 277	22 277	40 507	83 244	83 244
B-shares	21 079	21 079	21 079	7 148	7 148	7 148	12 998	26 711	26 711
Total	**86 769**	**86 769**	**86 769**	**29 425**	**29 425**	**29 425**	**53 504**	**109 955**	**109 955**
Own shares									
A-shares	1 500	-	-	509	-	-	-	-	-
B-shares	1 811	-	-	614	-	-	-	-	-
Total outstanding	**83 458**	**86 769**	**86 769**	**28 302**	**29 425**	**29 425**	**53 504**	**109 955**	**109 955**

The number of shares are all authorised, issued and fully paid. Nominal value is NOK 2.50, equivalent to USD 0.40 as at 31.12.2006.
All shares have the same rights in the Company, except that B-shares have no voting rights.

In accordance with decision on the Annual General Meeting 4 May 2006 NOK 500 million (USD 56 million) was transferred from share premium to other equity.

Shares owned by members of the Board of Directors, President/CEO and managers reporting directly to him (including related parties):

	2006		2005		2004	
	A-shares	B-shares	A-shares	B-shares	A-shares	B-shares
Chairman of the Board of Directors, B. D. Odfjell and Board Member Laurence W. Odfjell	29 463 964	1 041 176	29 467 964	1 045 176	29 467 964	1 045 176
Member of the Board of Directors, Peter G. Livanos	16 503 396	20 500	16 484 396	20 500	16 077 696	5 916 692
President/CEO, Terje Storeng	70 560	2 112	70 560	2 112	70 560	2 112
Senior Vice President, Asia, Atle Knutsen	11 712	2 336	11 712	2 336	11 712	2 336

Dividend paid (USD 1 000)	2006	2005	2004
A-shares	54 862	46 193	30 820
B-shares	17 604	14 823	9 890
Total	**72 467**	**61 016**	**40 710**

Dividend paid per share was NOK 5.50 in 2006 and NOK 4.50 in 2005.

Based on the result for 2006, the Board has proposed a dividend of NOK 3 per share in 2007, a total of NOK 260 million equivalent to USD 41.5 mill. at current exchange rate. The proposed dividend has not been recognised since it has not yet been approved by the shareholders' meeting.

20 largest shareholders as per 31 December 2006:

	Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1	Norchem ApS	25 966 492	1 041 176	**27 007 668**	39.53 %	31.13 %
2	ChemLog Holdings Ltd	16 503 396	20 500	**16 523 896**	25.12 %	19.04 %
3	Odin-fondene	-	4 628 801	**4 628 801**	-	5.33 %
4	SIS Segaintersette	2 217 200	2 330 640	**4 547 840**	3.38 %	5.24 %
5	Folketrygdfondet	2 086 500	1 960 200	**4 046 700**	3.18 %	4.66 %
6	AS Rederiet Odfjell	3 497 472	-	**3 497 472**	5.32 %	4.03 %
7	Odfjell Chemical Tankers AS	1 500 000	1 811 255	**3 311 255**	2.28 %	3.82 %
8	Pareto-fondene	1 189 820	1 531 000	**2 720 820**	1.81 %	3.14 %
9	Odfjell Shipping (Bermuda) Ltd	1 259 200	1 215 760	**2 474 960**	1.92 %	2.85 %
10	Svenska Handelsbanken	1 089 400	879 100	**1 968 500**	1.66 %	2.27 %
11	JP Morgan Chase	892 200	451 600	**1 343 800**	1.36 %	1.55 %
12	State Street Bank & Trust	117 396	1 005 382	**1 122 778**	0.18 %	1.29 %
13	Ingeborg Berger	725 480	330 880	**1 056 360**	1.10 %	1.22 %
14	Mathilda A/S	600 000	150 000	**750 000**	0.91 %	0.86 %
15	Pictet & CIE Banquiers	475 260	252 800	**728 060**	0.72 %	0.84 %
16	AS Bemacs	314 000	198 000	**512 000**	0.48 %	0.59 %
17	DFA-International	407 296	-	**407 296**	0.62 %	0.47 %
18	Frank Mohn A/S	-	350 000	**350 000**	-	0.40 %
19	Skagen Fondene	349 700	-	**349 700**	0.53 %	0.40 %
20	Storebrand Livsforsikring AS	291 382	20 000	**311 382**	0.44 %	0.36 %
	Total 20 largest shareholders	**59 482 194**	**18 177 094**	**77 659 288**	**90.55 %**	**89.50 %**
	Other shareholders	6 208 050	2 901 610	**9 109 660**	9.45 %	10.50 %
	Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00 %**	**100.00 %**
	International shareholders	50 553 186	8 107 869	**58 661 055**	76.96 %	67.61 %
	Own shares	1 500 000	1 811 255	**3 311 255**	2.28%	3.82%
	Cost price own shares (USD 1 000)	24 701	26 458	**51 160**		

All own shares were acquired during 2006 and no own shares were sold during 2006. The company did not acquire or sell any own shares during 2005 or 2004.

The Annual General Meeting on 4 May 2006 authorised the Board of Directors to acquire up to 10 per cent of the Company's share capital. This authorisation expires 4 November 2007. 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.

22 PENSIONS 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 foreign plans include both defined contribution and defined benefit plans. The main benefit from the defined benefit pension plan in Norway is a pension of 66% of the final salary limited to 12G (G = indexation of the public national insurance base amount, presently G equals NOK 62 892) and a 30-year accrual period. The plan also includes survivor/dependants and disability pensions. As at 31 December 2006, the different plans had 764 members. The commitment is calculated using straight-line accrual.

The year's pension costs:

(USD 1 000)	Norway	USA	Netherlands	2006
Service costs	3 842	340	3 398	**7 580**
Interest cost on accrued pension liabilities	1 794	328	1 063	**3 185**
Estimated yield on pension assets	(1 260)	(355)	(1 390)	**(3 005)**
Amortisation of past service cost	-	(8)	-	**(8)**
Amortisation of actuarial gains/losses	517	56	-	**573**
Social security tax	617	-	-	**617**
Total pension cost	**5 510**	**362**	**3 071**	**8 942**
Actual yield on the pension assets	7.0%	12.2%	3.2%	

(USD 1 000)	Norway	USA	Netherlands	2005
Service costs	2 973	270	2 913	**6 157**
Interest cost on accrued pension liabilities	1 719	286	693	**2 698**
Estimated yield on pension assets	(1 298)	(335)	(801)	**(2 434)**
Amortisation of past service cost	-	(4)	-	**(4)**
Amortisation of actuarial gains/losses	25	-	-	**25**
Social security tax	479	-	-	**479**
Total pension cost	**3 897**	**217**	**2 805**	**6 920**
Actual yield on the pension assets	6.5%	4.1%	3.5%	

(USD 1 000)	Norway	USA	Netherlands	2004
Service costs	2 556	247	3 133	**5 935**
Interest cost on accrued pension liabilities	1 583	240	788	**2 611**
Estimated yield on pension assets	(1 254)	(288)	(911)	**(2 455)**
Amortisation of past service cost	-	(4)	-	**(4)**
Amortisation of actuarial gains/losses	-	-	-	**-**
Social security tax	753	-	-	**753**
Total pension cost	**3 638**	**194**	**3 010**	**6 842**
Actual yield on the pension assets	6.2%	10.6%	4.0%	

Obligation in financial statement:

(USD 1 000)	Norway	USA	Netherlands	2006
Pension liabilities – funded obligations:				
Present value of accrued secured liabilities	36 743	6 755	24 549	**68 047**
Fair value of pension assets	(28 271)	(4 981)	(24 093)	**(57 345)**
Social security tax	1 195	-	-	**1 195**
Actuarial gains/losses not recognised in the profit and loss statement	(1 801)	-	(55)	**(1 856)**
Funded obligation	**7 866**	**1 773**	**401**	**10 040**
Pension liabilities – unfunded obligations:				
Present value of accrued unsecured liabilities	7 720	-	-	**7 720**
Social security tax	1 088	-	-	**1 088**
Actuarial gains/losses not recognised in the profit and loss statement	(1 485)	-	-	**(1 485)**
Unfunded obligation	**7 323**	**-**	**-**	**7 323**
Net recognised liabilities	**15 189**	**1 773**	**401**	**17 363**

(USD 1 000)	Norway	USA	Netherlands	2005
Pension liabilities – funded obligations:				
Present value of accrued secured liabilities	36 402	5 678	20 701	**62 781**
Fair value of pension assets	(23 969)	(4 413)	(16 564)	**(44 946)**
Social security tax	1 753	-	-	**1 753**
Actuarial gains/losses not recognised in the profit and loss statement	(8 087)	(1 027)	(2 561)	**(11 675)**
Funded obligation	**6 100**	**238**	**1 575**	**7 913**
Pension liabilities – unfunded obligations:				
Present value of accrued unsecured liabilities	6 601	-	-	**6 601**
Social security tax	931	-	-	**931**
Actuarial gains/losses not recognised in the profit and loss statement	(1 272)	-	-	**(1 272)**
Unfunded obligation	**6 259**	**-**	**-**	**6 259**
Net recognised liabilities	**12 359**	**238**	**1 575**	**14 172**

(USD 1 000)	Norway	USA	Netherlands	2004
Pension liabilities – funded obligations:				
Present value of accrued secured liabilities	32 592	3 902	16 955	**53 449**
Fair value of pension assets	(24 008)	(4 072)	(15 201)	**(43 281)**
Social security tax	1 210	-	-	**1 210**
Actuarial gains/losses not recognised in the profit and loss statement	(2 261)	99	-	**(2 162)**
Funded obligation	**7 534**	**(71)**	**1 754**	**9 217**
Pension liabilities – unfunded obligations:				
Present value of accrued unsecured liabilities	6 168	-	-	**6 168**
Social security tax	870	-	-	**870**
Actuarial gains/losses not recognised in the profit and loss statement	(477)	-	-	**(477)**
Unfunded obligation	**6 560**	**-**	**-**	**6 560**
Net recognised liabilities	**14 095**	**(71)**	**1 754**	**15 777**

Changes in the present value of the defined benefit obligation:

(USD 1 000)	Norway	USA	Netherlands	Total
Defined benefit obligation at 1 January 2004	32 699	3 919	12 913	**49 530**
Service cost	2 557	247	2 548	**5 351**
Interest cost	1 583	240	509	**2 332**
Actuarial (gains)/losses	2 398	(480)	-	**1 918**
Benefits paid	(1 100)	(23)	-	**(1 123)**
Exchange differences	624	-	986	**1 610**
Defined benefit obligation at 31 December 2004	**38 760**	**3 902**	**16 955**	**59 617**
Service cost	2 973	270	2 755	**5 998**
Interest cost	1 719	286	693	**2 698**
Actuarial (gains)/losses	4 588	1 275	2 808	**8 672**
Benefits paid	(887)	(56)	-	**(943)**
Exchange differences	(4 150)	-	(2 511)	**(6 661)**
Defined benefit obligation at 31 December 2005	**43 003**	**5 678**	**20 701**	**69 382**
Service cost	3 842	340	3 398	**7 580**
Interest cost	1 794	328	1 063	**3 185**
Actuarial (gains)/losses	(6 463)	599	(2 537)	**(8 401)**
Benefits paid	(1 048)	(191)	-	**(1 239)**
Exchange differences	3 335	-	1 924	**5 259**
Defined benefit obligation at 31 December 2006	**44 463**	**6 754**	**24 549**	**75 767**

Changes in fair value of plan assets:

(USD 1 000)	Norway	USA	Netherlands	Total
Fair value of plan assets at 1 January 2004	20 341	3 444	11 439	**35 224**
Expected return	1 254	358	600	**2 212**
Actuarial (gains)/losses	(58)	-	-	**(58)**
Contribution	2 708	293	2 511	**5 512**
Benefits paid	(614)	(23)	-	**(637)**
Exchange differences	378	-	651	**1 029**
Fair value of plan assets at 31 December 2004	**24 008**	**4 072**	**15 201**	**43 281**
Expected return	1 298	155	801	**2 254**
Actuarial (gains)/losses	(1 520)	-	-	**(1 520)**
Contribution	3 267	242	2 663	**6 171**
Benefits paid	(526)	(56)	-	**(582)**
Exchange differences	(2 559)	-	(2 101)	**(4 660)**
Fair value of plan assets at 31 December 2005	**23 969**	**4 413**	**16 564**	**44 946**
Expected return	1 260	521	1 390	**3 171**
Actuarial (gains)/losses	(1 080)	-	(504)	**(1 584)**
Contribution	2 827	238	4 619	**7 683**
Benefits paid	(639)	(191)	-	**(830)**
Exchange differences	1 936	-	2 024	**3 960**
Fair value of plan assets at 31 December 2006	**28 271**	**4 981**	**24 093**	**57 345**

Estimated contribution in 2007 is USD 8.7 million.

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

	Norway			USA		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
Equities	23 %	22 %	16 %	11 %	12 %	11 %
Bonds/securities	64 %	43 %	51 %	69 %	69 %	72 %
Money market fund	-	24 %	22 %	20 %	19 %	17 %
Property	13 %	11 %	11 %	-	-	-

The plan assets in The Netherlands are invested by an insurance company with a guaranteed investment return from year-to-year. The return for 2007 will be 3.9 %.

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

	Norway			USA			Netherlands		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Discount rate	4.4%	4.0%	5.0%	6.0%	7.0%	7.0%	4.5%	4.0%	4.8%
Expected return on assets	5.4%	5.0%	6.0%	8.0%	8.0%	7.5%	5.0%	5.0%	5.0%
Adjustment of wages	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%
Pension indexation	1.6%	3.0%	3.0%	3.5%	3.5%	3.5%	2.0%	1.5%	1.5%
Mortality table	K1963/KU	K1963/KU	K1963/KU	1983 GAM	1983 GAM	1983 GAM	GMB/V 1995-2000	GMB/V 1995-2000	GMB/V 1995-2000

Expected return on assets is generally the discount rate adjusted for the effect of the allocation of plan assets. When calculating the pension liabilities in Norway mortality table K1963 has been used. We estimate that use of more updated mortality figures would increase the pension liabilities by less than 5 %.

Defined contribution plan
Some of the Group's foreign companies have defined contribution plans in accordance with local legislation. The defined contribution plans cover full-time employees. As at 31 December 2006, 310 members were covered by the plans. The contributions recognised as expenses equalled USD 1 047 000 and USD 918 000 in 2006 and 2005 respectively.

23 INTEREST BEARING DEBT

The interest bearing debt is a combination of secured and unsecured debt and finance leases from major international shipping banks and bonds in the Norwegian and Singapore bond market. Interest rates are generally based on floating LIBOR-rates on less than 12 months. Fixed interest rates are for the whole loan period.

(USD 1 000)	Average interest rate	2006	2005	2004
Loans from financial institutions – floating interest rates	5.5%	612 486	620 377	710 582
Loans from financial institutions – fixed interest rates	3.9%	244 754	136 833	45 874
Finance leases	5.4%	227 317	235 887	247 044
Bonds	6.3%	213 821	49 100	-
Total interest bearing debt	**5.3%**	**1 298 379**	**1 042 197**	**1 003 501**
Transaction cost		(4 993)	(4 898)	(3 467)
Current portion of interest bearing debt		(111 582)	(95 558)	(119 111)
Total non-current interest bearing debt		**1 181 804**	**941 740**	**880 922**

Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2006.

Transaction costs are deferred and charged to the profit and loss statement over the life of the underlying debt using the effective interest rate method. During 2006 USD 0.7 mill. (USD 0.5 mill in 2005) have been charged to the profit and loss statement.

(USD 1 000)	2006	2005	2004
Book value of interest bearing debt secured by mortgages	728 934	596 600	438 182
Book value of ships and terminals mortgaged	1 055 098	815 877	589 598

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, the most restrictive of which requires that current assets, on a consolidated basis, shall at all times be equal to at least 100% of current liabilities. Other covenants include that book debt ratio (when excluding deferred taxes from the debt) shall at all times be less than 75% and that the liquidity shall always be minimum the highest of USD 50 million and 6% of interest bearing debt. The unsecured debt is subject to negative pledge on certain defined ships, but new investments may be mortgaged or leased.

Maturity of interest bearing debt as per 31.12.2006:

(USD 1 000)	2007	2008	2009	2010	2011	2012+	Total
Loans from financial institutions – floating interest rates	80 636	94 909	68 439	45 817	67 341	255 343	**612 486**
Loans from financial institutions – fixed interest rates	22 187	22 878	23 446	21 845	21 845	132 553	**244 754**
Finance leases	8 758	50 953	6 472	6 811	7 143	147 179	**227 317**
Bonds	-	49 100	-	-	164 721	-	**213 821**
Total interest bearing debt	**111 582**	**217 839**	**98 358**	**74 473**	**261 051**	**535 076**	**1 298 379**

Maturity of interest bearing debt as per 31.12.2005:

(USD 1 000)	2006	2007	2008	2009	2010	2011+	Total
Loans from financial institutions – floating interest rates	75 340	152 444	55 731	68 182	46 782	221 899	**620 377**
Loans from financial institutions – fixed interest rates	12 041	12 041	12 018	13 951	11 627	75 156	**136 833**
Finance leases	8 177	8 377	50 584	6 120	6 475	156 153	**235 887**
Bonds	-	-	49 100	-	-	-	**49 100**
Total interest bearing debt	**95 558**	**172 861**	**167 432**	**88 253**	**64 884**	**453 208**	**1 042 197**

Average maturity of the Group's interest-bearing debt is about 5.9 years (4.9 years in 2005).

The net carrying amount of assets under finance leases are USD 242.7 mill. as per 31 December 2006 (USD 254.3 mill as per 31 December 2005). The lease periods vary from 10 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 were no such changes in 2006. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2006		2005	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within one year	20 591	8 758	19 994	8 177
After one year but not more than five years	110 105	71 380	113 987	71 556
More than five years	233 315	147 179	250 906	156 153
Total minimum lease payments	**364 011**		**384 888**	
Less amounts representing finance charges	(136 694)		(149 001)	
Present value of minimum lease payments	**227 317**	**227 317**	**235 887**	**235 887**

NOTE 24 OTHER NON-CURRENT LIABILITIES

(USD 1 000)	2006	2005	2004
Settlement with the US Department of Justice	-	16 700	25 300
Other	2 656	1 329	3 312
Total other non-current liabilities	**2 656**	**18 029**	**28 612**

NOTE 25 RISK MANAGEMENT AND HEDGING ACTIVITIES

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 preventive actions where required.

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 foreign exchange rates, interest rates and bunker prices.

Credit risk
The Group has no significant credit risk linked to any financial asset or individual contracting party or several other contracting parties that can be regarded as a group due to similarities in the credit risk.

By using derivative financial instruments to hedge exposures to changes in exchange rates, interest rates, and fuel costs, the Company exposes itself to credit risk. Credit risk is the risk that the counterparty might fail to fulfil its performance obligations under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, does not assume repayment risk. However, to mitigate the repayment risk the Company contracts only with high quality counterparties. 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 assets (see note 18).

The Group has not given any guarantees for third parties' liabilities with the exception of guarantees as shown in note 29.

Liquidity risk
The Group's strategy is to have sufficient liquid assets or available credit lines at any time to be sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long term down-cycles in the markets where we operate or unfavourable conditions in financial markets. Surplus liquidity is mainly invested in listed certificates and bonds with low risk, which are actively traded.

Currency risk
The Group is subject to currency risk since it carries out international operations. The currency risk is calculated for each foreign currency and takes into account forecasted expenses and assets and liabilities in the currency in question. The Group enters into forward/futures contracts in order to reduce the currency risk in cash flows denominated in non-USD currencies. The Group enters into fair value hedges relating to financial assets and liabilities denominated in non-USD currencies. Investments in associated companies and subsidiaries with a non-USD currency as functional currency are generally not hedged.

Operational risk
The single largest monetary cost component affecting the time-charter earnings is bunkers. 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 the interest level. Generally the Company enters into interest rate swaps as hedging of interest on loans and investments.

Cash flow hedges - currency
The Group's strategy is to estimate future expenses in non-USD currencies and to secure a net cash flow in the non-USD currency by using forward/futures contracts. All currency contracts designated as cash flow hedges are recognised at fair value. Changes in the fair value of effective hedging instruments are temporarily recognised in equity until the instruments expire and the effect is recognised in the profit and loss statement together with the transactions that the contracts are intended to hedge. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are shown immediately in the profit and loss statement. This also applies to any ineffective parts of a derivative financial instrument that qualifies as a hedge.

At 31.12.2006 the Group had following currency cash flow hedges:

			Remaining term to maturity			
	Currency purchased	Average exchange rate	Less than 1 year	More than 1-5 years	5 years	Total
Forward/futures contracts (sale of USD)						
Forward/futures contracts to hedge expected transactions	NOK 1 000	6.44	276 806	-	-	**276 806**

The forecasted transactions that are hedged with forward/futures contracts are assumed to take place within the remaining term to maturity for the respective derivatives.

At 31.12.2005 the Group had following currency cash flow hedges:

			Remaining term to maturity			
Forward/futures contracts (sale of USD)	Currency purchased	Average exchange rate	Less than 1 year	More than 1-5 years	5 years	Total
Forward/futures contracts to hedge expected transactions	NOK 1 000	6.70	100 574	-	-	**100 574**
Forward/futures contracts to hedge expected transactions	EUR 1 000	1.18	3 000	-	-	**3 000**

The forecasted transactions that are hedged with forward/futures contracts are assumed to take place within the remaining term to maturity for the respective derivatives.

Cash flow hedges – bunkers
The Group's strategy is to estimate future fuel oil consumption and to secure a fixed cash flow for fuel oil expenses by using forward/futures contracts. Based on the fleet employment plan and historical experience the Company can with a high degree of certainty forecast the consumption of fuel oil. Forecasted fuel oil expenses are assessed using current and historical market prices and volumes purchased in each market region. The forward purchases are based on daily quotations of prices (Platt's index) in Rotterdam, Singapore, Houston and other relevant areas for the same quality of fuel as the Company actually buys for its ships. The Company has tested the correlation between monthly actual average purchase prices in various areas of the world and the monthly average prices used for settling the forward purchases. Maximum hedge effectiveness is ensured by hedging less than the anticipated consumption in each area. All bunker contracts are recognised at fair value.

As per 31.12.2006 the Company had purchased 90 000 tons (about 20% of estimated annual consumption) at an average price of USD 266.25 per ton. As per 31.12.2005 the Company had purchased 15 000 tons (about 4% of estimated annual consumption) at an average price of USD 263.50 per ton.

The Company's contracts of affreightment (COAs) generally contain provisions, which partially protect the Company's cash flow from fluctuations in bunker prices. The bunker clauses are clearly and closely related to the host contract and they are therefore not separated from the COAs and treated as an embedded derivative.

Cash flow hedges – interest rates
The Group has documented interest rate swaps as either cash flow hedging or non-hedging instruments. All interest rate swaps are recognised at fair value.

As of 31.12.2006 the Group held five interest rate derivatives documented as cash flow hedging.
-The Company had sold one receiver swaption where the counterparty had the right to put a fixed rate of 5% on the Company and receiving floating USD 6 months LIBOR on a notional amount of USD 50 mill. Effective date was 5.2.2007 for a ten year period.
-One interest swap exchange floating SGD interest rate to fixed SGD interest rate of 4.6% on a notional amount of SGD 36.4 mill, where SGD 6.4 mill. falls due within one year and SGD 30 mill. after one year but within five years.

In connection with bonds issued in Norway and Singapore the Group has three cross currency rate swaps with termination after one year but within 5 years.
-Exchanging floating NOK 3 months NIBOR, currently at 3.8%, on NOK 700 mill. to floating USD 3 months LIBOR, currently at 5.4%, on USD 109.2 mill.
-Exchanging floating SGD interest rate, currently at 3.5%, on SGD 110 mill. to floating USD interest rate, currently at 5.4%, on USD 71.5 mill.
-Exchanging fixed SGD interest rate at 4.2% on SGD 50 mill. to floating USD interest rate, currently at 5.4%, on USD 32.5 mill.

As of 31.12.2005 the Group held three interest rate derivatives documented as cash flow hedging.
-One interest swap for floating USD 6 months LIBOR to fixed rate at 5% on a notional amount of USD 80 mill. falling due after more than five years.
-One interest swap for floating SGD interest rate to fixed SGD interest rate at 4.7% on a notional amount of SGD 42.8 mill, where SGD 6.4 mill. falls due within one year and SGD 31.2 mill. after one year but within five years and SGD 5.2 mill. after more than five years.

In connection with bonds issued in Norway the Group had one cross currency rate swaps with termination after one year but within 5 years.
-Exchanging floating NOK 3 months NIBOR, currently at 2.5%, on NOK 300 mill. to floating USD 3 months LIBOR, currently at 4.5%, on USD 49.1 mill. with termination after one year and within 5 years.

Fair value hedges -currency
In connection with bonds issued in Norway and Singapore the Group has entered into three cross currency rate swaps. At 31.12.2006 the Company was committed to deliver USD 109.2 mill. and receive NOK 700 mill. and deliver USD 104.1 mill. and receive SGD 160 mill. when the bonds expire after one year and within five years. At 31.12.2005 the Company was committed to deliver USD 49.1 mill. and receive NOK 300 mill. when the bond expires after one year and within five years. Fair value of fair value hedges are recorded in the balance sheet together with the underlying hedged items.

Fair values of derivative financial instruments:
Derivative financial instruments are recorded on the balance at fair value. The fair value of the financial derivative instruments is the estimated amount, based upon quotations obtained from third party banks or brokers, that the Company would have received or would have had to pay if the financial instruments had been terminated or sold at the reporting date.

Fair value of interest forward rate agreements, futures contracts and interest swap agreements are based on quoted market rates at the balance sheet date. The financial institution with which the Company has entered into the contracts confirms the fair value. The fair value of derivatives stated to be hedging instruments is recognised like current assets/current liabilities.

The fair value of derivative financial instruments documented as cash flow hedges is as follows:

(USD 1 000)	31.12.2006	31.12.2005
Contracts with a positive fair value		
- Currency exchange contracts	1 675	-
Assets on derivative financial instruments	**1 675**	**-**
Contracts with a negative fair value		
- Interest rate swaps	(1 181)	(1 169)
- Currency exchange contracts	-	(57)
- Bunker contracts	(515)	(85)
Liabilities on derivative financial instruments	**(1 696)**	**(1 311)**

Hedging reserve recorded in equity
The table below shows fluctuations in the hedging reserve in the equity from cash flow hedges (see Statement of changes in equity) divided between the different types of hedging contracts.

(USD 1 000)	Interest rate swaps	Forward interest rate agreement	Currency exchange contracts	Bunker contracts	Total hedging reserve
Introduction of IAS 39 on 1.1.2005:					
- Gains/(losses) on the (new) measurement at fair value	754	2 442	25 210	-	**28 406**
Balance sheet as at 1.1.2005	**754**	**2 442**	**25 210**	**-**	**28 406**
Fluctuations during the period:					
- Gains/losses due to changes in fair value	563	-	-	(85)	**478**
- Transfers to the profit and loss statement	(266)	(2 442)	(25 267)	-	**(27 975)**
Balance sheet as at 31.12.2005	**1 051**	**-**	**(57)**	**(85)**	**909**
Fluctuations during the period:					
- Gains/losses due to changes in fair value	2 922	-	1 436	(515)	**3 843**
- Transfers to the profit and loss statement	(257)	-	57	85	**(115)**
- Exchange rate differences on translating derivatives from non-USD subsidiaries	(94)	-		-	**(94)**
Balance sheet as at 31.12.2006	**3 623**	**-**	**1 436**	**(515)**	**4 544**

NOTE 26 OTHER CURRENT LIABILITIES

(USD 1 000)	2006	2005	2004
Trade payables	30 094	20 129	10 594
Provisions	18 053	31 300	18 880
Other current liabilities	86 387	95 382	85 494
Total other current liabilities	**134 533**	**146 811**	**114 969**

Provisions relate to customer settlements in the antitrust issue. The provisions include amounts relating to settlement agreements and offers made by the Company where an agreement has not yet been entered into. These provisions are expected to be used in 2007 and 2008. Additional provisions made during 2006 was USD 13 mill. and USD 26.3 mill. of the provisions was used. No unused amounts have been reversed during 2006.

NOTE 27 GOVERNMENT GRANTS

Government grants from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seafarers of USD 0.9 million in 2006 (USD 1.1 mill. in 2005) is entered in the accounts as a reduction of operating expenses.

Gross revenue includes USD 1.5 million in 2006 (USD 1.3 mill. in 2005) from our Brazilian joint-venture, Flumar Transportes de Quimicos e Gases Ltda, 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.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

The Group has carried out various transactions with related parties. All the transactions have been carried out as part of the ordinary operations and on commercially reasonable market terms.

The Odfjell Group shares offices in Brazil with a terminalling company related to the Chairman of the Board, B. D. Odfjell. The Chairman's family also has ownership interest in companies in South America, which acts as port agents for Odfjell as one among many customers. In addition to reimbursement of actual expenses and expenditures incurred Odfjell Seachem paid these companies USD 1.0 mill. in agency fees (USD 0.9 mill. in 2005), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil – Representacoes Ltds paid USD 0.6 mill. for administrative services in 2006 (USD 0.5 mill. in 2005).

AS Rederiet Odfjell, beneficially owned by the Chairman of the Board, B. D. Odfjell, and his immediate family, rent office premises from Odfjell ASA in Bergen, for which Odfjell ASA received USD 0.1 mill. in 2006 (same as in 2005).

Transactions with related parties are settled on a regular basis and the balances as per 31.12.2006 were immaterial.

NOTE 29 COMMITMENTS, GUARANTEES AND CONTINGENCIES

Operating leases
The Group has entered into several operating leases for ships. The leases have fixed timecharter commitment. The timecharter rate is the compensation to the ship owner covering his financial and ship operating expenses. In addition the Group has floating timecharter arrangements where payments equal the earnings generated by the ships. See note 5 for the timecharter/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 with remaining terms from 24 years to 33 years. Leases for certain vehicles and items of machinery have an average period of between 3 and 5 years with no renewal option in the contracts.

The operating leases do not contain any restrictions on the Company's dividend policy or financing opportunities.

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

(USD 1 000)	2006
Within one year	74 692
After one year but not more than five years	352 246
After 5 years	404 686
Total	**831 624**

Capital commitments
As of 31 December 2006 the Company was committed to take delivery of one sophisticated stainless steel chemical tankers of 39 500 dwt and eight fully coated vessels of about 45 000 dwt each at a total outstanding commitment of USD 365.5 mill. These vessels are expected to be delivered from 2007 to 2011. Furthermore we have options for six more ships with deliveries from 2009 to 2013.

The Company also have capital commitments for investments in terminals in China and Korea, which will be completed in 2008 at a total outstanding amount of USD 34.8 million and in the Netherlands at a total outstanding amount of USD 36.5 million.

Guarantees

(USD 1 000)	2006	2005	2004
Total guarantees	**22 854**	**21 777**	**22 348**

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

In relation to the antitrust case in the US and elsewhere the Company has made provisions for estimated contingent commitments. At this point in time it is not possible to estimate the total financial impact of this matter, but we believe that such settlements will not have a material impact upon future net result or cash flow. In 2006 gross revenue has been reduced by payments and provisions in connection with the antitrust and related matters of USD 13 million for future commitments. This amount is included in current liabilities. See note 26 and the Board of Directors' report.

NOTE 30 LIST OF SUBSIDIARIES

The following subsidiaries are fully consolidated in the financial statements as per 31.12.2006:

Company	Country of registration	Ownership share	Voting share
Odfjell Chemical Tankers AS	Norway	100%	100%
Odfjell Chemical Tankers II AS	Norway	100%	100%
Odfjell Seachem AS	Norway	100%	100%
Odfjell Terminals AS	Norway	100%	100%
Odfjell Insurance & Properties AS	Norway	100%	100%
Odfjell Projects AS	Norway	100%	100%
Odfjell Netherlands BV	Netherlands	100%	100%
Odfjell Chemical Tankers Netherlands BV	Netherlands	100%	100%
Odfjell Terminals (Rotterdam) BV	Netherlands	100%	100%
Odfjell (UK) Ltd	United Kingdom	100%	100%
Odfjell Chemical Tankers (Germany) GmbH	Germany	100%	100%
Odfjell Asia Pte Ltd	Singapore	100%	100%
Odfjell Asia II Pte Ltd	Singapore	100%	100%
Odfjell Singapore Pte Ltd	Singapore	100%	100%
Odfjell Japan Ltd	Japan	100%	100%
Odfjell Korea Ltd	Korea	100%	100%
Odfjell Australia Pty Ltd	Australia	100%	100%
Odfjell Seachem South Africa (Pty) Ltd	South Africa	100%	100%
Odfjell USA Inc	USA	100%	100%
Odfjell USA GP Inc	USA	100%	100%
Odfjell USA LP Inc	USA	100%	100%
Odfjell USA LP	USA	100%	100%
Odfjell Terminals USA GP Inc	USA	100%	100%
Odfjell Terminals USA LP Inc	USA	100%	100%
Odfjell Terminals (Houston) LP	USA	100%	100%
Odfjell Brasil – Representacoes Ltda	Brazil	100%	100%
Odfjell Chemical Tankers Ltd	Bermuda	100%	100%
Odfjell Argentina SA	Argentina	99%	99%
Odfjell Terminals (Jiangyin) Co Ltd	China	55%	55%

Odfjell Terminals (Jiangyin) Co Ltd is in the project phase.

NOTE 31 INVESTMENTS IN JOINT VENTURES

The Odfjell Group has the following investments in joint ventures accounted for according to the gross method as per 31.12.2006:

Joint Venture	Country	Business segment	Ownership share
Odfjell y Vapores SA	Chile	Parcel Tankers	49%
Odfjell & Vapores Ltd	Bermuda	Parcel Tankers	50%
Flumar Transportes de Quimicos e Gases Ltda	Brazil	Parcel Tankers	50%
Norfra Shipping AS	Norway	Parcel Tankers	50%
Odfjell Ahrenkiel Europe GmbH	Germany	Parcel Tankers	50%
Odfjell Dong Zhan Shipping (Shanghai) Co Ltd	China	Parcel Tankers	49%
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%
Exir Chemical Terminal (PJS Co)	Iran	Tank Terminals	35%
Oiltanking Odfjell Terminals Oman BV	Netherlands	Tank Terminals	42.5%
Oiltanking Odfjell Terminals & Co LLC (Oman)	Oman	Tank Terminals	30%

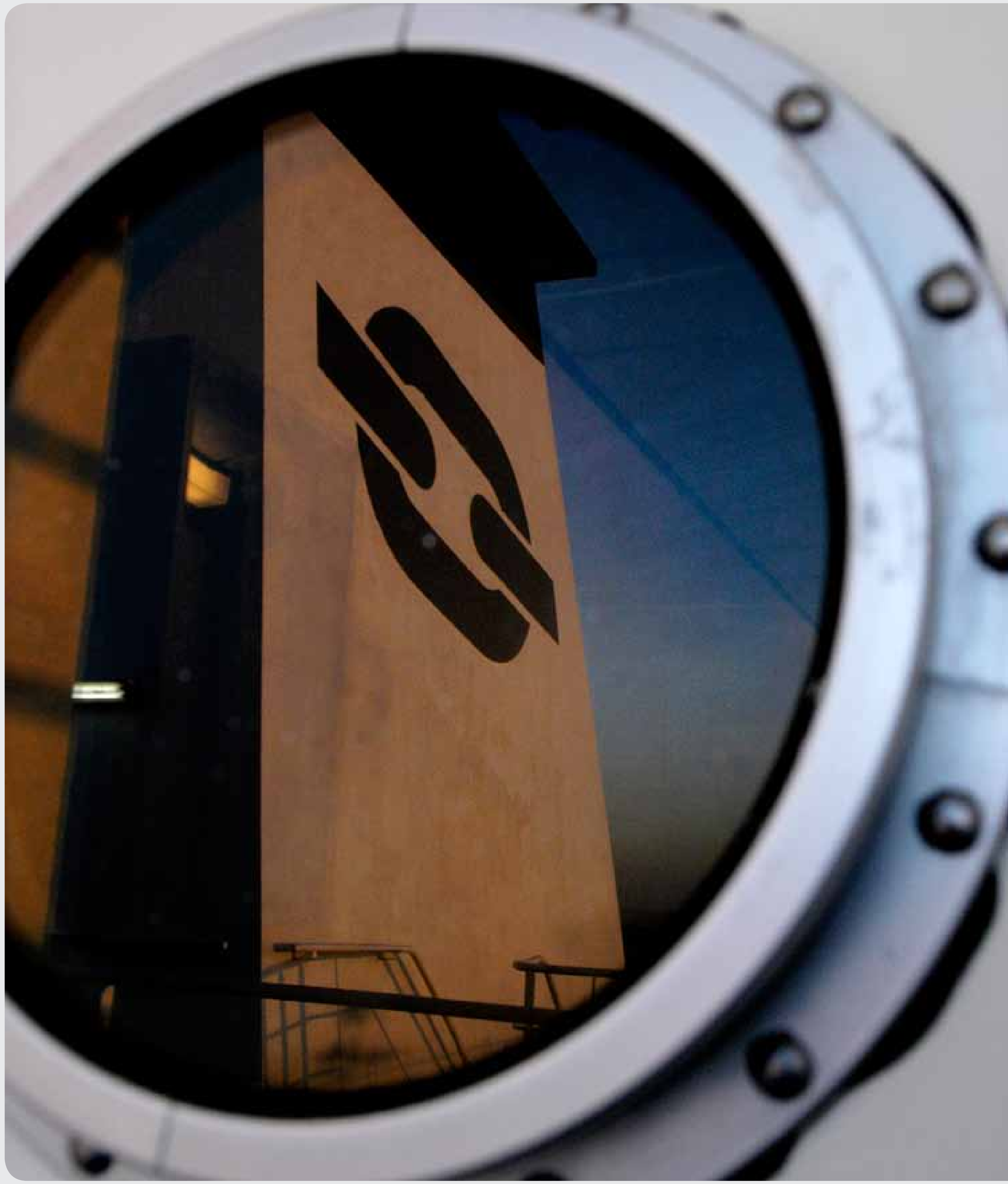
Exir Chemical Terminal (PJS Co) is in the project phase.

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:

	2006			2005			2004		
	Parcel Tankers	**Tank Terminals**	**Total**	**Parcel Tankers**	**Tank Terminals**	**Total**	**Parcel Tankers**	**Tank Terminal**	**Total**
Gross revenue	43 544	19 009	**62 553**	36 585	13 487	**50 072**	31 397	10 652	**42 049**
Operating expenses	(11 353)	(5 477)	**(16 830)**	(11 674)	(2 929)	**(14 602)**	(9 439)	(2 463)	**(11 902)**
Net financial items	327	(2 234)	**(1 907)**	288	(2 326)	**(2 038)**	54	(2 268)	**(2 214)**
Net result	5 340	15 404	**20 744**	2 775	2 529	**5 304**	2 372	460	**2 832**
Non-current assets	27 926	89 267	**117 193**	8 977	68 878	**77 856**	8 027	71 850	**79 877**
Current assets	16 103	32 268	**48 371**	9 595	12 915	**22 509**	8 496	5 912	**14 409**
Total assets	**44 029**	**121 535**	**165 564**	**18 572**	**81 793**	**100 365**	**16 523**	**77 763**	**94 286**
Equity opening balance	2 098	36 216	**38 314**	5 174	29 424	**34 598**	430	26 465	**26 894**
IFRS adjustments	-	-	**-**	-	(1 117)	**(1 117)**	1 817	(1 015)	**802**
Net result	5 340	15 404	**20 744**	2 775	2 529	**5 304**	2 372	460	**2 832**
Equity additions/adjustments	4 736	9 145	**13 880**	(5 417)	5 871	**454**	289	1 830	**2 119**
Exchange rate differences	(992)	3 048	**2 056**	(433)	(491)	**(925)**	266	1 684	**1 950**
Total equity closing balance	**11 182**	**63 813**	**74 995**	**2 098**	**36 216**	**38 314**	**5 174**	**29 424**	**34 598**
Non-current liabilities	26 376	42 445	**68 821**	9 722	39 535	**49 257**	4 900	47 383	**52 283**
Current liabilities	6 471	15 278	**21 749**	6 752	6 042	**12 794**	6 449	956	**7 405**
Total liabilities	**32 847**	**57 723**	**90 570**	**16 474**	**45 577**	**62 051**	**11 349**	**48 338**	**59 687**
Net cash flow from operating activities	6 857	23 434	**30 291**	3 998	5 997	**9 995**	5 323	1 542	**6 864**
Net cash flow from investing activities	(24 328)	(17 239)	**(41 567)**	(6 011)	(6 466)	**(12 477)**	(852)	(2 161)	**(3 012)**
Net cash flow from financing activities	19 367	542	**19 908**	2 212	1 665	**3 877**	(2 412)	(438)	**(2 850)**
Uncalled committed capital	-	-	**-**	-	-	**-**	-	-	**-**

NOTE 32 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
2004	6.74	6.04	1.24	1.36	8.28	8.28	1.68	1.62
2005	6.45	6.76	1.24	1.19	8.20	8.08	1.65	1.65
2006	6.41	6.27	1.25	1.32	7.97	7.85	1.58	1.53



PROFIT AND LOSS STATEMENT

(NOK 1 000)	Note	2006	2005	2004
OPERATING REVENUE (EXPENSES)				
Gross revenue	2	321 089	211 810	240 126
Operating expenses		-	(2 501)	-
General and administrative expenses	3, 19	(300 234)	(208 913)	(248 116)
Other income (expenses)	5	(24 091)	(224 201)	(139 473)
Depreciation	4	(19 043)	(16 468)	(15 210)
Gain (loss) on sale of fixed assets		276	30 704	-
Operating result (EBIT)		**(22 003)**	**(209 569)**	**(162 673)**
FINANCIAL INCOME (EXPENSES)				
Income on investment in subsidiaries	6	841 604	524 182	55 263
Interest income	6	212 396	157 537	74 061
Changes in the value of financial fixed assets	6,7	-	40 000	34 000
Interest expenses	6	(261 428)	(167 788)	(143 426)
Other financial items	6	(2 739)	(9 616)	(3 857)
Currency gains (losses)	8	114 196	(91 568)	17 852
Net financial items		**904 028**	**452 746**	**33 893**
Result before taxes		**882 026**	**243 177**	**(128 780)**
Taxes	9	-	(83 306)	44 609
Net result		**882 026**	**159 871**	**(84 171)**
Proposed dividend	10	(260 306)	-	(173 538)

ASSETS AS PER 31.12.

(NOK 1 000)	Note	2006	2005	2004
FIXED ASSETS				
Deferred tax assets	9	-	-	80 682
Real estate	4, 11	102 797	95 674	68 365
Newbuilding contracts	4, 11, 20	393 157	656 874	245 930
Office equipment and cars	4, 11	22 791	21 353	26 153
Shares in subsidiaries	7	2 413 203	2 413 203	2 161 319
Other shares	7	219 795	198 445	218 633
Loans to group companies	12,13	4 193 723	3 797 858	3 260 899
Other long-term receivables	13	9 455	8 222	12 572
Total fixed assets		**7 354 921**	**7 191 630**	**6 074 552**
CURRENT ASSETS				
Short-term receivables		107 768	42 447	16 096
Group receivables		805 904	565 044	124 570
Inventory		6 912	6 117	5 872
Available-for-sale investments	14	108 275	151 329	-
Bonds and certificates		-	-	302 800
Cash and bank deposits	15	211 429	43 695	242 589
Total current assets		**1 240 288**	**808 633**	**691 928**
Total assets		**8 595 209**	**8 000 263**	**6 766 480**

LIABILITIES AND SHAREHOLDERS' EQUITY AS PER 31.12.

(NOK 1 000)	Note	2006	2005	2004
PAID IN EQUITY				
Share capital	10, 16	216 922	216 922	216 922
Own shares	10, 16	(8 278)	-	-
Share premium	10	473 905	973 905	973 905
Total paid in equity		**682 550**	**1 190 828**	**1 190 828**
RETAINED EARNINGS				
Other equity	10	965 674	646 303	703 354
Total retained earnings		**965 674**	**646 303**	**703 354**
Total shareholders' equity		**1 648 224**	**1 837 131**	**1 894 181**
LONG-TERM LIABILITIES				
Pension liabilities	17	95 217	83 560	85 189
Loans from subsidiaries	13	1 352 369	1 165 315	402 217
Long-term debt	13	4 293 748	4 194 267	3 239 228
Total long-term liabilities		**5 741 335**	**5 443 141**	**3 726 634**
CURRENT LIABILITIES				
Taxes payable		2 939	2 939	2 939
Employee taxes payable		27 045	36 626	33 397
Dividend payable		260 307	-	173 538
Other short-term liabilities		297 612	366 898	239 333
Loans from subsidiaries		617 749	313 528	696 458
Total current liabilities		**1 205 651**	**719 991**	**1 145 664**
Total liabilities		**6 946 986**	**6 163 132**	**4 872 299**
Total liabilities and shareholders' equity		**8 595 209**	**8 000 263**	**6 766 480**
Guarantees	18	2 592 087	2 766 674	2 792 516

Bergen, 6 March 2007

THE BOARD OF DIRECTORS OF ODFJELL ASA

B.D. Odfjell
CHAIRMAN

Peter G. Livanos

Reidar Lien

Marianna Moschou

Stein Pettersen

Laurence W.Odfjell

Terje Storeng
President/CEO

CASH FLOW STATEMENT

(NOK 1 000)

	2006	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES			
Net result before taxes	882 026	243 177	(128 780)
Taxes paid	-	(2 624)	-
Capital (gain) loss on fixed assets	(276)	(30 704)	108
Depreciation	19 043	16 468	15 210
Changes in the value of financial fixed assets	-	(40 000)	(34 000)
Inventory (increase) decrease	(795)	(245)	(902)
Trade creditors increase (decrease)	(5 127)	(12 759)	24 959
Difference in pension cost and pension premium paid	11 657	(1 197)	(13)
Exchange rate fluctuations	(183 215)	(91 725)	314 737
Dividends classified as investing activities	(144 786)	(524 182)	(55 263)
Other short-term accruals	(75 276)	(161 103)	106 853
Net cash flow from operating activities	**503 251**	**(604 893)**	**242 909**
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of fixed assets	1 028 225	711	1 355
Investment in fixed assets	(792 779)	(450 633)	(272 083)
Investment in subsidiaries and other shares	(21 350)	(279 271)	(67 150)
Share capital repaid from subsidiaries	-	-	1 027 877
Received dividend	144 786	524 182	55 263
Available-for-sale investments	43 054	(151 329)	-
Sale of shares in subsidiaries/joint ventures	-	118 540	-
Changes in long-term receivables	(1 233)	6 648	16
Loans to subsidiaries	(390 216)	274 353	(211 573)
Net cash flow from investing activities	**10 486**	**43 200**	**533 704**
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	1 480 559	2 337 716	2 194 518
Payment of long-term debt	(1 038 379)	(1 900 321)	(2 638 528)
Share repurchases	(343 419)	-	-
Dividend	(467 208)	(390 460)	(347 076)
Net cash flow from financing activities	**(368 446)**	**46 934**	**(791 086)**
Effect on cash balances from currency exchange rate fluctuations	22 444	13 065	(38 561)
Net change in cash balances	**167 734**	**(501 694)**	**(53 034)**
Cash balances as per 1.1	43 695	545 389	598 423
Cash balances as per 31.12	**211 429**	**43 695**	**545 389**
Available credit facilities	94 034	-	-

Notes to the Parent Company Financial Statement

1 ACCOUNTING PRINCIPLES

All items in the financial statements have been reported, valued and accounted for in accordance with the Accounting Act and generally accepted accounting principles in Norway.

A. Classification of balance sheet items
Assets and liabilities related to the operation of the company are classified as current assets and liabilities. Assets for long-term use are classified as fixed assets. First year instalment of debt is included in long-term debt.

B. Pension and accrued pension liabilities
The present value of the pension liabilities under defined benefit pension plans has been calculated based on actuarial principles. The present value of the pension liabilities and the pension plan assets is included under long-term liabilities and long-term assets. Pension liabilities are mainly insured with life insurance companies. Unfunded pension liabilities are calculated and included in the pension liabilities. The change in net pension liabilities is expensed in the profit and loss account. 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.

C. Debt issuance expenses
Debt issuance expenses are amortised over the loan period.

D. Taxes and deferred tax liabilities
Taxes are calculated based on the financial result and consist of taxes payable and deferred taxes. The basis for deferred taxes is the temporary difference between the financial result and the taxable result. Deferred taxes are estimated based on a nominal value calculation.

E. Current assets
Current assets are valued at the lower of historical cost and market value.

F. Foreign currency
Current assets, long-term receivables and liabilities in non-NOK currencies are valued at the year-end exchange rate.

G. Fixed assets
Fixed assets are stated at historical cost, which includes purchase price, capitalised interest and other costs directly related to the investment, less accumulated depreciation and write-down.
Fixed assets are depreciated straight-line over their estimated useful lives.

The preliminary Norwegian accounting standard concerning impairment of fixed assets, equivalent to IAS 36, states that if the Recoverable Amount is lower than the book value, impairment has occurred and the asset shall be revaluated. The Recoverable Amount is the highest of the fair market value of the asset 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). The WACC reflects the company's long term borrowing rate and a risk free rate plus a risk premium for the equity. We have made the following assumptions when calculating the "value in use" for material assets:

Shares in subsidiaries and other shares:
An impairment occurs if the book value of shares is higher than the equity in the corresponding company when the assets and liabilities have been adjusted to reflect the Recoverable Amount as defined above.

H. Newbuilding contracts
Newbuilding contracts include payments made under the contracts, capitalised interest and other costs directly associated with the newbuilding program.

I. Cash flow statement
The cash flow statement is prepared using the indirect method. Cash balances include cash and cash equivalents such as cash in hand and in bank, deposits held at call with banks and other short-term highly liquid investments with short maturities of three months or less from the date of acquisition. The cash and cash equivalents amount in the cash flow statement does not include available credit facilities.

J. Financial investments
Financial investments have been classified into trading, held-to-maturity and available-for-sale categories. 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 fixed assets.

K. Financial instruments
The company uses various financial instruments to reduce fluctuations in earnings and cash flow caused by volatility in foreign exchange rates and interest rates. The following accounting principles apply for such financial instruments:

Foreign currency instruments:
The result of currency hedging transactions is accounted for in the period when the hedged cash flow items are accounted for. The result of currency hedging transactions have been accounted for with the underlying hedged exposure in the profit and loss statement.

Interest rate instruments:
The result of interest rate hedging transactions is accounted for as an increase or decrease of interest expenses in the period when the hedged cash flow items are accounted for.

L. Activities under joint control
Our share of activities under joint control is, in the accounts of Odfjell ASA, based on the Cost Method.

M. Related parties
In the normal course of the conduct of its business, Odfjell enters into a number of transactions with related parties. The company considers these arrangements to be on commercially reasonable market terms. See note 19 for information about related party transactions.

N. Contingent assets and liabilities
Provisions are made for contingent losses that are probable and quantifiable. Provisions are based on best estimates. Contingent gains are not accounted for.

2 GROSS REVENUE

Gross revenue is related to services performed for other Odfjell Group companies.

3 SALARIES, NUMBER OF EMPLOYEES, BENEFITS TO BOARD OF DIRECTORS, PRESIDENT/CEO AND MANAGERS REPORTING DIRECTLY TO HIM AND AUDITOR'S REMUNERATION

(NOK 1 000)

Salaries and other employee expenses:	**2006**	**2005**	**2004**
Salaries	143 763	122 856	151 306
Social expenses	22 104	22 138	27 046
Pension cost	31 361	23 006	21 657
Other benefits	4 516	4 888	4 806
Total salary expenses	**201 745**	**172 889**	**204 816**
Average number of man-labour years	211	204	196

The salary expenses include bonus payment to employees of NOK 10.8 mill. in 2006 (NOK 8.7 mill. in 2005). Bonus paid in 2006 was decided by the Board in February 2006 relating to the 2005 results. Total salary expenses are included in General and administrative expenses.

In 2006 the company introduced a performance-related incentive pay scheme for all employees at Odfjell Headquarters, overseas offices and sea officers. The purpose is to motivate, encourage and stimulate to focus on bottom line result. Total achievable bonus ranges depending on job category and market competition. The bonus is based on predefined targets for a combination of the Odfjell Group result, key performance indicators and individual performance. No payments were made under this scheme for 2006. The Board reviews the application of the system from year to year and has approved the same scheme for 2007.

Compensation and benefit to Board of Directors in 2006:

	Compensation	Other benefits	Total
B.D. Odfjell	1 278	17	**1 294**
Laurence W. Odfjell	200	-	**200**
Peter G. Livanos	-	-	**-**
Marianna Moschou	200	-	**200**
Stein Pettersen	200	-	**200**
Reidar Lien	225	-	**225**
Terje Storeng (until May 2006)	200	-	**200**
Total	**2 303**	**17**	**2 319**

Compensation and benefits to the President/CEO and managers reporting directly to him in 2006:

	Salary	Bonus	Pension cost	Other benefits	Total
President/CEO, Terje Storeng	2 789	604	432	162	**3 986**
President Parcel Tankers and Terminals, Jan A. Hammer	2 096	595	171	181	**3 042**
Senior Vice President Tank Terminals, Svein Gustav Steimler (2 months)	404	-	-	31	**435**
President Ship Management, Trygve Arnesen (7 months)	1 030	485	116	74	**1 705**
President Ship Management, Helge Olsen (5 months)	478	-	158	59	**694**
Senior Vice President/CFO, Haakon Ringdal	1 383	290	200	128	**2 002**
Senior Vice President Corporate Investments, Tore Jakobsen	1 482	112	165	135	**1 893**
Senior Vice President Quality Management, Jan Didrik Lorentz	1 181	-	496	166	**1 843**
Senior Vice President Asia, Atle Knutsen	1 558	390	390	469	**2 808**
Vice President, Human Resources, Brit A. Bennett	1 028	73	316	113	**1 530**
Total	**13 428**	**2 548**	**2 445**	**1 518**	**19 939**

The President/CEO is entitled to two years salary if the company terminates the employment prior to the age of 60. As from the age of 60 both the President/CEO and the company have the right to terminate the employment with 12 months notice, however the President/CEO has the right to resign and enter into a fixed consultancy agreement, remunerated at 50% of the preceding year's fixed salary. The President/CEO and managers reporting directly to him is included in the company's defined benefit pension plan, see note 17. The company also funded pension obligations related to the President/CEO and managers reporting directly to him for salaries exceeding 12G (presently 12G equals NOK 754 704), up to 66% of 18G. This arrangement was terminated as from 1.1.2007.

The company does not have any stock option plans.

Auditors remuneration for:

(NOK 1 000 exclusive VAT)

	2006	**2005**	**2004**
Statutory auditing	1 365	974	833
Other assurance services	54	19	22
Tax advisory services	1 082	994	758
Non-audit services	1 128	690	269
Total remuneration	**3 629**	**2 678**	**1 881**

4 FIXED ASSETS

(NOK 1 000)

	Cost 1.1.2006	**Investment**	**Sale book value**	**Accumulated depreciation prior years**	**Depreciation this year**	**Book value 31.12.2006**
Real estate	128 022	13 907	(62)	(32 348)	(6 723)	**102 797**
Newbuilding contracts	656 874	761 898	(1 025 615)	-	-	**393 157**
Office equipment and cars	52 971	16 974	(3 216)	(31 618)	(12 320)	**22 791**
Total	**837 867**	**792 779**	**(1 028 893)**	**(63 966)**	**(19 043)**	**518 745**

Depreciation periods:
Real estate: 50 years; office equipment and cars: 3-15 years.

5 OTHER INCOME (EXPENSES)

Other income (expenses) include payments, provisions and reversal of unused provisions in connection with the antitrust case and related matters of NOK 24 million in 2006 and NOK 224 million in 2005.

6 FINANCIAL INCOME AND EXPENSES

(NOK 1 000)

	2006	**2005**	**2004**
Income on investment in subsidiaries	841 604	524 182	55 263
Inter-company interest income	198 965	141 463	63 541
Other interest income	13 431	16 073	10 520
Other financial income	-	193	3 180
Changes in the value of financial fixed assets	-	40 000	34 000
Total financial income	**1 054 000**	**721 911**	**166 503**
Inter-company interest expenses	65 818	40 275	35 118
Other interest expenses	195 610	127 513	108 308
Other financial expenses	2 739	9 808	7 037
Total financial expenses	**264 167**	**177 596**	**150 463**

7 SHARES

(NOK 1 000)

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

(NOK 1 000) **Subsidiaries**	**Registered office**	**Share/ voting rights**	**Book value**
Odfjell Chemical Tankers AS	Norway	100 %	130 094
Odfjell Chemical Tankers II AS	Norway	100 %	353 164
Odfjell Seachem AS	Norway	100 %	261 522
Odfjell Terminals AS	Norway	100 %	175 000
Odfjell Insurance & Properties AS	Norway	100 %	6 050
Odfjell Projects AS	Norway	100 %	100
Odfjell Asia Pte Ltd	Singapore	100 %	217 040
Odfjell Singapore Pte Ltd	Singapore	100 %	83
Odfjell USA Inc	USA	100 %	177 972
Odfjell Netherlands BV	Netherlands	100 %	6 581
Odfjell Chemical Tankers Netherlands BV	Netherlands	100 %	731
Odfjell Chemical Tankers (Germany) GmbH	Germany	100 %	263 640
Odfjell Japan Ltd	Japan	100 %	-
Odfjell Korea Ltd	Korea	100 %	306
Odfjell Seachem South Africa (Pty) Ltd	South Africa	100 %	-
Odfjell Brasil - Representacoes Ltda	Brazil	100 %	10 702
Odfjell Chemical Tankers Ltd	Bermuda	100 %	810 089
Odfjell Argentina SA	Argentina	99 %	129
Total			**2 413 203**

Wholly-owned companies held indirectly through subsidiaries: Odfjell Asia II Pte Ltd, Odfjell USA GP Inc, Odfjell USA LP Inc, Odfjell USA LP, Odfjell Terminals USA GP Inc, Odfjell Terminals USA LP Inc, Odfjell Terminals (Houston) LP, Odfjell Terminals (Rotterdam) BV, Odfjell (UK) Ltd and Odfjell Australia Pty Ltd. The company Odfjell Argentina SA is directly and indirectly 100% owned by Odfjell ASA.

Other shares

Norfra Shipping AS	Norway	50 %	23 655
Odfjell Ahrenkiel Europe GmbH	Germany	50 %	2 053
Oiltanking Odfjell Terminal Singapore Pte Ltd	Singapore	50 %	105 903
Odfjell & Vapores Ltd	Bermuda	50 %	38
Odfjell y Vapores S A	Chile	49 %	45 795
Odfjell Terminals (Dalian) Co Ltd	China	50 %	3 792
Odfjell Dong Zhan Shipping (Shanghai) Co Ltd	China	49 %	31 095
V.O.Tank Terminal Ningbo Ltd	China	12.5 %	7 463
Total			**219 795**

The companies Flumar Transportes de Quimicos e Gases Ltda, Brazil and Odfjell Terminals (Korea) Co Ltd are indirectly 50% owned by Odfjell ASA. Odfjell Terminal (Jiangyin) Ltd and Exir Chemical Terminal (PJSC) are indirectly owned 55% and 35% respectively by Odfjell ASA. Oiltanking Odfjell Terminals Oman BV is indirectly owned 30% by Odfjell ASA.

Part of impairment on shares in Odfjell Chemical Tankers II AS from 2003 was reversed in 2004 and 2005. Otherwise there was no impairment necessary as Recoverable Amounts were higher than book values.

8 CURRENCY GAINS (LOSSES)

(NOK 1 000)	**2006**	**2005**	**2004**
Currency hedging contracts	12 048	4 680	(60 521)
Long-term receivables and debt	28 579	(201 455)	70 049
Cash and cash equivalents	22 444	13 065	(38 561)
Other current assets and current liabilities	51 125	92 141	46 885
Total currency gains (losses)	**114 196**	**(91 568)**	**17 852**

9 TAXES

(NOK 1 000)

Taxes:	**2006**	**2005**	**2004**
Change in deferred tax ordinary items	-	(80 682)	(44 609)
Foreign tax	-	(2 624)	-
Total tax expenses	-	**(83 306)**	**(44 609)**

Taxes payable:	**2006**	**2005**	**2004**
Net result before taxes	882 026	243 177	(128 780)
Permanent differences	(421 741)	(512 837)	3 449
Changes temporary differences	(78 939)	35 312	(9 327)
Used tax-loss carried forward	(381 346)	-	-
Basis taxes payable	**-**	**(234 348)**	**(134 658)**

Specification of deferred taxes (deferred tax assets):	**2006**	**2005**	**2004**
Fixed assets	(20 628)	(14 720)	(10 013)
Pension fund (liabilities)	(95 217)	(83 560)	(85 189)
Provisions	(115 195)	(211 773)	(99 572)
Other long-term temporary differences	5 448	(21 633)	83 271
Tax-loss carried forward	(29 647)	(410 993)	(176 645)
Adjustments related to earlier years	6 736	-	-
Temporary differences not accounted for	248 504	742 679	-
Net temporary differences	**-**	**-**	**(288 148)**
Tax rate	28 %	28 %	28 %
Total deferred tax (deferred tax assets)	**-**	**-**	**(80 682)**

10 SHAREHOLDERS' EQUITY

(NOK 1 000)	Share capital	Own shares	Share premium	Other equity	Total equity
Shareholders' equity as per 31 December 2003	216 922	-	973 905	1 128 925	**2 319 752**
Pension adjustment in accordance with IAS 19	-	-	-	(37 709)	**(37 709)**
Net result 2004	-	-	-	(84 171)	**(84 171)**
Approved dividend	-	-	-	(130 153)	**(130 153)**
Proposed dividend	-	-	-	(173 538)	**(173 538)**
Shareholders' equity as per 31 December 2004	**216 922**	**-**	**973 905**	**703 354**	**1 894 181**
Net result 2005	-	-	-	159 871	**159 871**
Approved dividend	-	-	-	(216 922)	**(216 922)**
Shareholders' equity as per 31 December 2005	**216 922**	**-**	**973 905**	**646 303**	**1 837 131**
Net result 2006	-	-	-	882 026	**882 026**
Share repurchases	-	(8 278)	-	(335 141)	**(343 419)**
Transfer of share premium	-	-	(500 000)	500 000	**-**
Approved dividend	-	-	-	(467 208)	**(467 208)**
Proposed dividend	-	-	-	(260 306)	**(260 306)**
Shareholders' equity as per 31 December 2006	**216 922**	**(8 278)**	**473 905**	**965 674**	**1 648 224**

11 INVESTMENTS IN AND SALE OF FIXED ASSETS

(NOK 1 000)	2006		2005		2004		2003		2002	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Real estate	13 907	-	32 447	-	18 845	-	1 715	-	2 499	-
Ships and newbuilding contracts	761 898	1 025 615	410 944	-	245 930	-	-	41 718	41 718	-
Office equipment and cars	16 974	2 610	7 241	711	7 307	1 355	10 501	1 610	14 462	630
Total	**792 779**	**1 028 225**	**450 632**	**711**	**272 083**	**1 355**	**12 216**	**43 328**	**58 678**	**630**

12 LOANS TO GROUP COMPANIES

(NOK 1 000)	Currency	Currency amount 1 000 2006	2006	2005	2004
Odfjell Asia II Pte Ltd	USD	425 456	2 667 142	2 330 449	1 477 358
Odfjell Terminals AS	NOK	32 170	32 170	32 170	32 170
Odfjell Terminals AS	USD	7 196	45 112	48 654	-
Odfjell Japan Ltd	JPY	-	-	2 056	2 104
Odfjell & Vapores Ltd	USD	300	1 881	27 045	-
Odfjell Chemical Tankers AS	USD	20 000	125 378	1 226 482	1 366 571
Odfjell Chemical Tankers AS	NOK	137 722	137 722	-	256 874
Odfjell Chemical Tankers II AS	USD	171 400	1 074 489	47 328	54 397
Odfjell Chemical Tankers (Germany) GmbH	EUR	5 000	41 292	72 181	-
Oiltanking Odfjell Terminal Sinagapore	SGD	8 000	32 806	-	-
Odfjell (UK) Limited	USD	-	-	-	70 216
Norfra Shipping AS	USD	5 700	35 733	11 494	1 209
Total loans to group companies			**4 193 725**	**3 797 858**	**3 260 899**

13 RECEIVABLES AND DEBT

(NOK 1 000)

Other long-term receivables:	**2006**	**2005**	**2004**
Employees	8 054	6 953	11 705
Other	1 401	1 269	867
Total other long-term receivables	**9 455**	**8 222**	**12 572**

Employees are entitled to loans from the company. Employee loans are generally secured by property mortgages. Loans to the President/CEO and managers reporting directly to him are either interest free or they carry an interest of 3.5%, while other employee loans are currently calculated at 3.5% interest per annum. Repayment periods vary between 5 and 15 years for loans to the President/CEO and managers reporting directly to him. Other employee loans are generally repaid over 5 years. The President/CEO and managers reporting directly to him have loans from the company as follows: Terje Storeng (NOK 1.0 mill.), Jan Hammer (NOK 1.4 mill.), Helge Olsen (NOK 0.5 mill.), Haakon Ringdal (NOK 0.3 mill.), Jan Didrik Lorentz (NOK 1.1 mill.), Brit Bennett (NOK 0.2 mill.) and Atle Knutsen (NOK 1.4 mill.).

Receivables with a maturity later than 1 year:	**2006**	**2005**	**2004**
Loans to group companies	4 061 363	3 722 604	3 227 520
Other long-term receivables	7 844	6 531	12 229
Total	**4 069 208**	**3 729 135**	**3 239 750**

Long-term liabilities with a maturity later than 5 years:	**2006**	**2005**	**2004**
Loans from group companies	889 729	702 674	214 577
Long-term debt	2 651 620	2 219 905	720 457
Total	**3 541 349**	**2 922 579**	**935 034**

Loans to and from group companies generally have no fixed repayment schedule. Repayment is based on available liquidity at any time. Loans to and from group companies are generally priced on an arms-length basis.

Long-term interest bearing debt as per 31.12.2006	**5 646 118**
Repayment schedule:	
2007	1 016 134
2008	944 039
2009	331 578
2010	317 786
2011 and thereafter	3 036 580

The average term of the company's outstanding long-term interest-bearing bank-debt as per 31 December 2006 was 4.1 years. (same as 2005).

The long-term debt is a combination of unsecured debt, debt guaranteed by subsidiaries and bonds in the Norwegian bond market. The long-term debt do not contain any restrictions on the company's dividend policy or financing opportunities. Interest rates are generally based on floating LIBOR-rates on less than 12-months. The loan agreements generally contain certain covenants, the most restrictive of which requires that current assets, on a consolidated basis, shall at all times be equal to at least 100% of current liabilities, which includes the next 12 months' principal instalments of long term debt.
Other covenants include that the book debt ratio (when excluding deferred taxes from the debt) shall at all times be less than 75% and that the liquidity shall always be minimum the highest of USD 50 million and 6% of interest bearing debt.

Average USD interest rate paid:	**2006**	**2005**	**2004**
Liabilities to financial institutions	5.37 %	3.61 %	2.69 %

14 AVAILABLE-FOR-SALE INVESTMENTS

(NOK 1 000)	Currency	Book value	Market value	Average interest rate
Bonds and certificates issued by financial institutions	USD	46 530	46 530	5.4%
Bonds and certificates issued by corporates	EUR	27 748	27 748	11.0%
Bonds and certificates issued by corporates	USD	33 997	33 997	5.4%
Total available-for-sale investments		**108 275**	**108 275**	

Bonds and certificates generally have interest rate adjustments every three months.

15 RESTRICTED CASH AND BANK DEPOSITS

(NOK 1 000)	2006	2005	2004
Restricted cash and bank deposits	13 170	18 648	17 609

This item is withholding taxes relating to employees in Odfjell ASA.

16 SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

(NOK 1 000)	Number of shares	Nominal value (NOK)	2006	2005	2004
A-Shares	65 690 244	2.50	164 226	164 226	164 226
B-Shares	21 078 704	2.50	52 697	52 697	52 697
Total	**86 768 948**		**216 922**	**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 2006:

Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1 Norchem ApS	25 966 492	1 041 176	**27 007 668**	39.53 %	31.13 %
2 ChemLog Holdings Ltd	16 503 396	20 500	**16 523 896**	25.12 %	19.04 %
3 Odin-fondene	-	4 628 801	**4 628 801**	-	5.33 %
4 SIS Segaintersettle	2 217 200	2 330 640	**4 547 840**	3.38 %	5.24 %
5 Folketrygdfondet	2 086 500	1 960 200	**4 046 700**	3.18 %	4.66 %
6 AS Rederiet Odfjell	3 497 472	-	**3 497 472**	5.32 %	4.03 %
7 Odfjell Chemical Tankers AS	1 500 000	1 811 255	**3 311 255**	2.28 %	3.82 %
8 Pareto-fondene	1 189 820	1 531 000	**2 720 820**	1.81 %	3.14 %
9 Odfjell Shipping (Bermuda) Ltd	1 259 200	1 215 760	**2 474 960**	1.92 %	2.85 %
10 Svenska Handelsbanken	1 089 400	879 100	**1 968 500**	1.66 %	2.27 %
11 JP Morgan Chase	892 200	451 600	**1 343 800**	1.36 %	1.55 %
12 State Street Bank & Trust	117 396	1 005 382	**1 122 778**	0.18 %	1.29 %
13 Ingeborg Berger	725 480	330 880	**1 056 360**	1.10 %	1.22 %
14 Mathilda A/S	600 000	150 000	**750 000**	0.91 %	0.86 %
15 Pictet & CIE Banquiers	475 260	252 800	**728 060**	0.72 %	0.84 %
16 AS Bemacs	314 000	198 000	**512 000**	0.48 %	0.59 %
17 DFA-International	407 296	-	**407 296**	0.62 %	0.47 %
18 Frank Mohn A/S	-	350 000	**350 000**	-	0.40 %
19 Skagen Fondene	349 700	-	**349 700**	0.53 %	0.40 %
20 Storebrand Livsforsikring AS	291 382	20 000	**311 382**	0.44 %	0.36 %
Total 20 largest shareholders	**59 482 194**	**18 177 094**	**77 659 288**	**90.55 %**	**89.50 %**
Other shareholders	6 208 050	2 901 610	**9 109 660**	9.45 %	10.50 %
Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00 %**	**100.00 %**
International shareholders	50 553 186	8 107 869	**58 661 055**	76.96 %	67.61 %
Own shares	1 500 000	1 811 255	**3 311 255**	2.28 %	3.82 %
Cost price own shares (NOK 1000)	166 500	176 389	**342 889**		

All own shares were acquired by Odfjell ASA's subsidiary Odfjell Chemical Tankers AS during 2006 and no own shares were sold during 2006. No own shares were acquired or sold during 2005 or 2004. The Annual General Meeting on 4 May 2006 authorised the Board of Directors to acquire up to 10 per cent of the company's share capital. This authorisation expires 4 November 2007. 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 owned by members of the Board, President/CEO and managers reporting directly to him (including related parties):

	A-shares	B-shares	Total
Chairman of the Board of Directors, B. D. Odfjell and Board Member Laurence W. Odfjell	29 463 964	1 041 176	**30 505 140**
Member of the Board of Directors, Peter G. Livanos	16 503 396	20 500	**16 523 896**
President/CEO, Terje Storeng	70 560	2 112	**72 672**
Senior Vice President, Asia, Atle Knutsen	11 712	2 336	**14 048**

17 PENSION COSTS AND LIABILITIES

(NOK 1 000)

The company has set up a defined benefit scheme with a life insurance company to provide pension benefits for its employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 66% of the scheme pension-qualifying income limited to 12G (G = Indexation of the public National Insurance base amount, presently G equals NOK 62 892). The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is aged 67 years. The company 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. The benefits accruing under the scheme are funded obligations. The company also has pension obligations for the Senior Management Group at Minde/Norway with salaries exceeding 12G, up to 66% of 18 G. These are funded obligations. This arrangement was terminated as from 1.1.2007. The company also has established a separate tariff rated pension scheme for mariners. The retirement pension from 60-67 years of age under this scheme amounts to 60% of the pension qualifying income, including the Pension Insurance for Seamen, in the event of a full pension period (360 months). These are funded obligations. The company also has an early retirement pension agreement with the employees, which will pay out 66% of the salary between the ages of 65-67 years of age. These are non-funded obligations. Additionally the company has pension obligations for some pensioners. These are also non-funded obligations. All pension schemes are calculated in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds, will be accounted over the average remaining earnings period according to the "corridor" regulations. In the actuarial assumptions K1963 scale of rates has been used for mortality, and KU 2002 scale of rates for disability.

Net pension costs:	**2006**	**2005**	**2004**
Present value current year service cost	24 627	20 008	17 227
Interest cost on accrued pension liabilities	11 496	11 565	10 666
Return on pension plan assets	(8 075)	(8 734)	(8 450)
Amortised effect of changes in estimates and pension plans, and differences in actual and estimated return on pension plan assets	3 313	167	2 214
Social security tax	3 954	3 220	2 884
Net pension cost	**35 315**	**26 226**	**24 541**
Pension liabilities - funded obligations :			
Present value of accrued secured liabilities	230 340	246 122	196 991
Fair value of pension assets	(177 228)	(162 059)	(145 106)
Social security tax	7 489	11 853	7 316
Actuarial gains/losses not recognised in the profit and loss statement	(11 291)	(54 675)	(13 663)
Net pension liabilities (funded)	**49 310**	**41 241**	**45 537**
Pension liabilities - unfunded obligations :			
Present value of accrued unsecured liabilities	48 394	44 627	37 279
Actuarial gains/losses not recognised in the profit and loss statement	(9 311)	(8 601)	(2 883)
Social security tax	6 824	6 292	5 256
Net pension liabilities (unfunded)	**45 907**	**42 319**	**39 652**
Total net pension liabilities	**95 217**	**83 560**	**85 189**
Under-funded pension scheme - booked as long term liabilities	95 217	83 560	85 189
Total net pension liabilities	**95 217**	**83 560**	**85 189**

The above calculation is based on the following assumptions:	2006	2005	2004
Discount rate	4.4 %	4.0%	5.0%
Expected return on assets	5.4%	5.0%	6.0%
Actual return on assets	7.0%	6.5%	6.2%
Inflation	4.4 %	3.0%	3.0%
Adjustment of wages	4.5%	3.5%	3.5%
Pension indexation	1.6%	3.0%	3.0%

The pension Plan is financed through an insurance contract with Vital Forsikring ASA.

The latest available asset allocation (per 3rd quarter 2006) is set out below :

	2006	2005	2004
Bonds/securities	64 %	43 %	51 %
Equities	23 %	22 %	16 %
Money market fund	-	24 %	22 %
Property	13 %	11 %	11 %

18 GUARANTEES

(NOK 1 000)

	2006	2005	2004
Subsidiaries and other companies	2 592 087	2 766 674	2 792 516
Total guarantees	**2 592 087**	**2 766 674**	**2 792 516**

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

19 RELATED PARTIES

In the normal course of the conduct of its business, Odfjell enters into a number of transactions with related parties. Odfjell shares offices in Brazil with a terminalling company related to the Chairman of the Board, B. D. Odfjell. In 2006 Odfjell paid this company NOK 3.9 mill. for administrative services. AS Rederiet Odfjell, beneficially owned by the Chairman of the Board, B. D. Odfjell, and his immediate family, rent office premises from Odfjell ASA in Bergen, for which Odfjell received NOK 0.5 mill. in 2006.The company considers the above arrangements to be on commercially reasonable market terms. Transactions with related parties are settled on a regular basis and the balances as per 31.12.2006 were immaterial.

20 COMMITMENTS AND CONTINGENCIES

Capital Expenditures

As of 31 December 2006 the company or its subsidiaries was committed to take delivery of one sophisticated stainless steel chemical tankers of 39 500 dwt and eight fully coated vessels of about 45 000 dwt each at a total outstanding commitment of NOK 2 291 mill. These vessels are expected to be delivered from 2007 to 2011. Furthermore we have options for six more ships with deliveries from 2009 to 2013. All shipbuilding contracts, including options, have been assigned to subsidiaries. When a shipbuilding contract is assigned to a subsidiary, the company generally remains liable for the subsidiary's performance under the contract.

Contingencies

The company maintains insurance coverage for its activities consistent with standard industry practice. The company is involved in claims typical to the chemical tanker industry, but none of these claims have resulted in material losses for the company since the claims have been covered by insurance. In relation to the antitrust case in the US and elsewhere the company has made provisions for estimated contingent commitments. At this point in time it is not possible to estimate the total financial impact of this matter, but we believe that such settlements will not have a material impact upon future net result or cash flow. In 2006 net result has been reduced by payments, provisions and reversal of unused provisions in connection with the antitrust and related matters of NOK 24 million. As per 31 December 2006 NOK 114 million are provisions for future commitments. This amount is included in short term liabilities. See the Board of Directors' report.

Auditor´s Report

ERNST & YOUNG

Statsautoriserte revisorer
Ernst & Young AS

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NO-5892 Bergen

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Medlemmer av Den norske Revisorforening

To the General Meeting of
Odfjell ASA

Auditor's report for 2006

We have audited the annual financial statements of Odfjell ASA as of 31 December 2006, showing a profit of NOK 882 025 766 for the Parent Company and a profit of USD 115 941 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

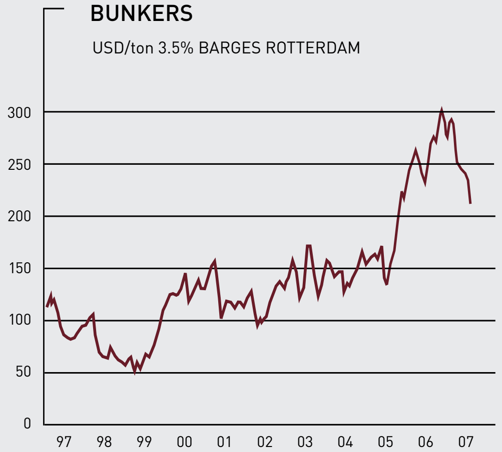
Bergen, 6 March 2007
ERNST & YOUNG AS

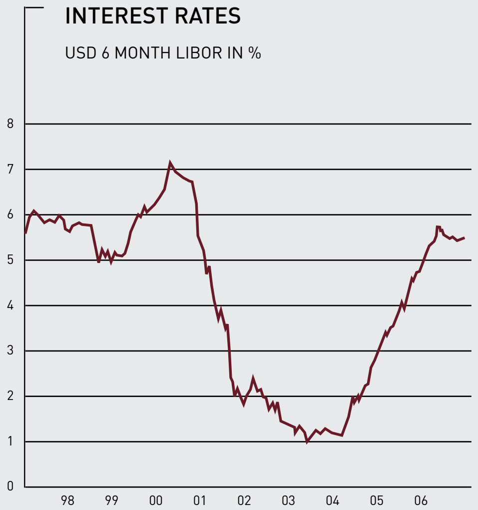
Kjell Ove Røsok
State Authorised Public Accountant (Norway)
(sign)

Note: The translation to English has been prepared for information purposes only.

Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

Financial Risk Management and Sensitivities





The global arena is Odfjell's market place. Therefore we are exposed to an infinite number of risk factors. Our financial strategy is to be sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long term down-cycles in the markets where we operate or unfavourable conditions in financial markets. Odfjell have an active approach in managing risk in the financial markets. This is done through funding from diversified sources, maintaining high liquidity or loan reserves, and through a systematic monitoring and management of financial risks related to currency, interest rates and bunkers. Odfjell's net result and cash flow are influenced by our success at managing these risk factors.

EARNINGS

The time charter earnings within the chemical tanker market are typically less volatile than many other shipping segments. The volatility is lower as we operate in a niche-market with specialized tonnage. Our time charter earnings are nonetheless influenced by external factors like world economic growth, the various ship-freight markets, bunker prices and factors specifically related to the chemical parcel trade, such as cargo type and cargo volume, contract and spot rates and operational efficiency. Time is of essence, an optimal utilization of the ships and an efficient composition of cargoes, with minimal time in port, is of vital importance in order to maximize the time charter earnings.

The single largest monetary cost component affecting the time charter earnings is bunkers. It amounts to about 59% of voyage cost. A change in the average bunker price of USD 10 per ton gives about USD 5 million (or USD 290/day) change in time charter earnings for the ships in which we have a direct economic interest. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the CoA's. In addition, we have hedged about 20% of 2007 exposure through bunker swaps as per 31 December 2006.

Sensitivity analysis show that a per-day change in time charter earnings of USD 1 000 for our parcel tankers (about a 4% change in freight rates) will impact the pre-tax net result by approximately USD 24 million. We are currently not engaged in the derivative market for Forward Freight Agreements.

The tank terminal activities have historically shown more stable earnings than the shipping activities. About 25% of the operating result comes from tank terminals. A substantial part of the costs in a tank terminal is fixed costs, and the main drivers for earnings within a tank terminal are the occupancy rate, the volume of cargoes handled through the terminal and operational efficiency.

INTEREST RATES

All interest-bearing debt, except debt in our tank terminals outside the US, is denominated in USD. Bonds issued in NOK are swapped to USD. At the end of 2006 about 80% of our debt was floating, based on USD LIBOR rates. Our debt is fixed either through fixed rate loans or through long-term interest rate swaps. In order to reduce the volatility in net result and cash flow related to changes in short term interest rates, interest rate periods on floating rate debt and liquidity are managed to be concurrent. Our interest-bearing debt as per 31 December 2006 was 1 293 million, while liquid assets were USD 242 million.

CURRENCY

The Group's revenues are primarily in US Dollars; only tank terminals outside the US and our intereuropean shipping trades receive revenues in non-USD currency. Our currency exposure related to the net result and cash flow arises from voyage related expenses, ship operating expenses and general and administrative expenses denominated in non-USD currency, primarily in NOK and EUR. We have estimated that a 10% strengthening of the USD versus the NOK and EUR will improve the pre-tax result by roughly USD 12 million, before taking into account the result of any currency hedging.

Our currency hedging as per 31 December 2006, whereby we have sold USD and purchased NOK and EUR, covers about 33% of the 2007 exposure. The average exchange rates for open hedging positions as of 31 December 2006 were at 6.44. Future hedging periods may vary depending on changes in market conditions.

The hedging result is accounted for as part of the hedged exposure, i.e. ship operating expenses and general and administrative expenses.

FINANCING

Odfjell has a stable debt structure established with major international shipping banks, with whom we enjoy longstanding relationships. We have a diversified debt portfolio and it is a combination of secured loans, unsecured loans, finance leases and bonds. The average maturity of the Group's interest-bearing debt is about 5.9 years.

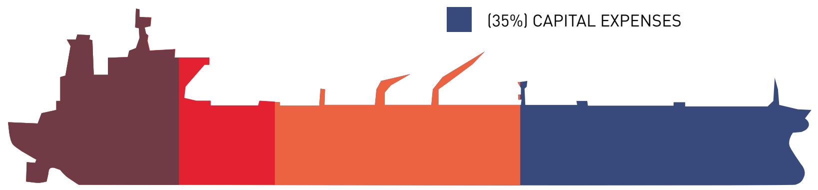
LIQUIDITY

Odfjell's strategy is to maintain a high level of readily available liquidity. Over the past 10 years it has been around USD 200 million. The liquidity is invested in bank deposits and high-grade certificates and bonds with floating interest rate.

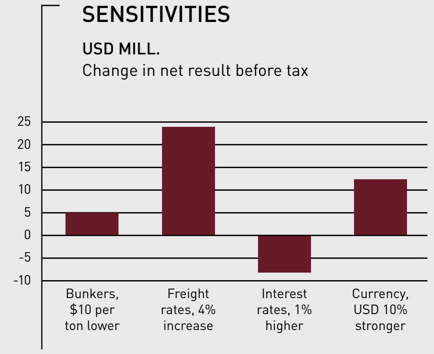
TAX

The Odfjell Group operates within a number of jurisdictions and tax systems. 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 and Germany. In addition we operate under local tax systems in Chile, Brazil and China. 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.

COST ANALYSIS
The major cost components of a typical large Odfjell parcel tanker.



(20%) BUNKERS
(15%) OTHER VOYAGE EXPENSES
(30%) OPERATING AND ADM. EXPENSES
(35%) CAPITAL EXPENSES



Corporate Governance

Odfjell ASA is a Norwegian company organised according to the Norwegian Public Limited Companies' Act. The Odfjell Group is an international group of companies with Odfjell ASA as the parent company. Subsidiaries have their own management bodies that act in accordance with the prevailing legislation in their respective countries.

There are two classes of shares in Odfjell. The A-shares each carry one vote at the company's general meetings. The B-shares have no voting rights. In all other respects, the two classes of shares have equal rights and are freely tradable. The shares are registered with the Norwegian Registry of Securities.

As a company with global operations the Board of Directors and the Management of Odfjell experience demands and expectations from many parties. In addition to compliance with laws and regulations, Odfjell also has responsibilities towards its shareholders, employees and lenders. Furthermore the general public opinion of the company is an important part of the context for the furtherance of the company. A profile of the company can be found on page 4 in this Annual report, and Odfjell's Articles of Association can be found on our website.

Odfjell is committed to ethical business practices, honesty, fair dealing and full compliance with all laws affecting its business. This includes a commitment to high standards of corporate governance throughout the Group.

The Board is ultimately responsible for the Company's objectives and the means of achieving them. Thus, the Board of Directors determines the strategic direction of the company and decides on matters, which in relation to the company's activities are of significant nature. Such matters include confirmation of the strategic guidelines, approval of the budgets and decisions on major investments and divestments. Furthermore, the Board ensures a correct capital structure and defines the shareholder policy, including the dividend policy. The Board also appoints and determines the remuneration of the President/CEO.

The Board is responsible for assuring that the company's Management and employees operate in a safe, legal and ethically responsible manner. To emphasise the importance of these issues, an Odfjell Code of Conduct document has been communicated throughout the organisation. The Code focuses on aspects of ethical behaviour in everyday business activities.

To be able to control and support the organisation the Board depends on accurate and timely information. The Board of Odfjell is kept updated on management and company activities through reporting systems, including monthly financial statements. The company is also subject to external control functions such as the auditors, the ship classification societies, port and flag state control, and other regulatory bodies like IMO, ISM Codes, etc.

ELECTION AND TERM OF MEMBERS OF THE BOARD OF DIRECTORS

According to the Articles of Association of Odfjell ASA the company has a Board composed of a minimum of five and a maximum of seven members. The members are elected by the shareholders at the Annual General Meeting. At the Annual General Meeting held on 4 May 2006 Peter G. Livanos, Stein Pettersen and Laurence W. Odfjell were all re-elected for new two-year periods. Terje Storeng renounced being re-elected due to his position as President/CEO.

Bernt Daniel Odfjell is the Chairman of the Board. The Chairman has been delegated additional tasks by the Board, and consequently acts as Executive Chairman. The Executive Chairman and Laurence W. Odfjell represent the Odfjell family, the largest shareholder of Odfjell ASA. Board Member Peter G. Livanos represents Chemlog Holdings Ltd., the second largest shareholder. Reidar Lien, Marianna Moschou and Stein Pettersen are independent Board Members. Great care is taken to avoid any conflict of interest in issues with related parties. In this connection the independent Board Members represent valuable external viewpoints.

MEETINGS OF THE BOARD OF DIRECTORS

The Board held seven regular meetings in 2006. Apart from ongoing business, four of the meetings dealt with the quarterly financial reports, one covered strategic matters and one meeting reviewed and approved the next year's budget. One of the meetings was held in May, in connection with the Annual General Meeting. The auditor participated in the meeting of the Board of Directors that dealt with the annual accounts.

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.

In addition to the regular Board meetings, the Board may hold special meetings, either by telephone conference or by written resolution at the request of the Executive Chairman, the President/CEO or any two Board Members.

COMMITTEE OF THE BOARD OF DIRECTORS

The Board has discussed the need for a specific Audit Committee, but has decided that since the Board is relatively small it is preferable that all Board members participate in discussions regarding Auditing. An Audit Committee is not mandatory under Norwegian legislation. Odfjell has a Compensation Committee consisting of the Executive Chairman Bernt Daniel Odfjell, the Board Member Reidar Lien and the President/CEO Terje Storeng. All other issues are evaluated by the full Board and consequently no other permanent committee exists.

REMUNERATION

The Annual General Meeting on 4 May 2006 resolved that the annual compensation to the members of the Board be NOK 1 277 680 for the Executive Chairman and NOK 200 000 for each of the other members of the Board. The compensation was paid in cash. President/ CEO Terje Storeng received compensation and benefits of totally NOK 3 986 000 in 2006. Neither the Board members, the President /CEO nor the Management have stock options.

More information about the compensation and benefits to the Board, the President/CEO and Senior Management can be found in the notes to Odfjell ASA's financial statements.

INSIDERS' TRADING WITH SECURITIES

The Board has established a policy in respect of stock 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 and the Senior Management as well as to other employees who in connection with their work may gain access to price sensitive, non-public, information.

CODE OF CONDUCT

Odfjell is a truly multinational company that operates and serves clients on all continents. This means that we have to adapt to many cultures, religions and general customs and practices. All Odfjell employees are obliged to behave in a manner that is not perceived as offensive, and of course that does not violate applicable legislation or regulations.

Odfjell's Code of Conduct focuses on ethical behaviour in everyday business activities. All Odfjell employees shall comply with the Code of Conduct.

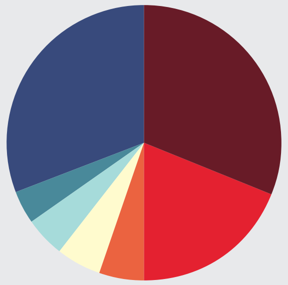
COMPLIANCE OFFICER

The Compliance Officer of Odfjell monitors that the company acts in accordance with applicable law and regulations. Particular focus is put on competition law compliance. The Compliance Officer reports to the President/CEO.

Shareholder Information

SHAREHOLDER STRUCTURE

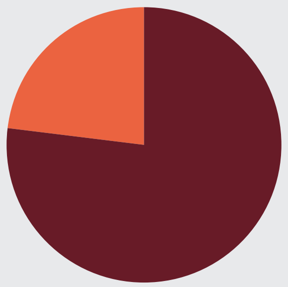
Per 31.12.2006



(31.13%) NORCHEM APS
(19.04%) CHEMLOG HOLDINGS LTD
(5.24%) SIS SEGA INTERSETTLE
(5.23%) ODIN FONDENE
(4.66%) FOLKETRYGDFONDET
(4,03%) AS REDERIET ODFJELL
(30.67%) OTHERS

SHAREHOLDER DOMICILE

Per 31.12.2006



(76.96%) INTERNATIONAL SHAREHOLDERS
(23.04%) DOMESTIC SHAREHOLDERS

SHAREHOLDER POLICY

Odfjell's aim is to provide competitive long-term return to its shareholders. The company emphasises an investor friendly dividend policy based upon financial performance, current capital expenditure programmes and tax positions. The company strives for semi-annual dividend payments.

SHARE PERFORMANCE

At year-end 2006 the Odfjell A-shares traded at NOK 115 (USD 18.34), down 16% compared to NOK 137 (USD 20.26) a year earlier. The B-shares traded at NOK 95.25 (USD 15.19) at year-end, down 18.6% from NOK 117 (USD 17.3) a year earlier. During 2006 an dividend of NOK 3.25 per share was paid out in May and another dividend of NOK 2.25 per share was paid out in October. Adjusted for this dividend, the A- and B- shares had negative yields of 12% and 14% respectively. By way of comparison, the Oslo Stock Exchange benchmark index rose by 32%, the marine index increased by 1.3% and the transportation index improved by 2.6% during 2006.

The market capitalisation of Odfjell decreased by NOK 2.3 billion (USD 220 million) in 2006, from NOK 11.5 billion (USD1.7 billion) as per 31 December 2005 to NOK 9.2 billion (USD 1.5 billion) as per 31 December 2006.

TRADING VOLUMES

In 2006 about 16 million Odfjell shares were traded, equally spread over A-shares and B-shares. This represents about 18.5 % of the issued and outstanding shares. The A-shares were traded on the Oslo Stock Exchange on 222 out of 251 trading days during the year.

To maintain liquidity in the Odfjell shares and secure a good spread, Odfjell has entered into a market maker agreement with DnB NOR.

SHAREHOLDERS

At the end of 2006 there were 1 123 holders of Odfjell A-shares and 534 holders of Odfjell B-shares. Taking into account the shareholders owning both share classes, the total number of shareholders was 1 356, a slight decrease compared to the preceding year.

INTERNATIONAL OWNERSHIP

76.96% of the company's A-shares and 38.5% of the B-shares were held by international investors at year-end, equivalent to 67.6% of the total share capital.

SHARE REPURCHASE PROGRAM

During 2006 Odfjell acquired 1.5 million treasury A-shares, and 1 811 255 treasury B- shares, representing about 3.8% of the number of shares of the company.

At the Ordinary General Meeting held on 4 May 2006 the Board was authorized to acquire treasury shares of up to 10% of the company's outstanding shares, at a minimum price of NOK 2.50 (i.e. par value) and a maximum price of NOK 250 per share. This authorisation is valid for 18 months from 4 May 2006.

INVESTOR RELATIONS

Correct and timely information is of vital importance when wishing to create credibility and confidence. The demand for information is ever increasing, and our policy is to provide the market with relevant information. Odfjell qualifies for both the Information Mark and the English Mark from the Oslo Stock Exchange. We attach great importance to ensuring that shareholders receive swift, relevant and correct information about the company.

Our aim is to provide a 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.

Our quarterly reports are presented in open presentations or in telephone conferences by the CEO. CFO also participates at these presentations where there is possibility to ask questions. We maintain a regular dialogue with analysts and investors.

All reports and press releases, together with a detailed description of the company and our activities, are available on Odfjell's website at: http://www.odfjell.com

The financial calendar for 2007 is as follows:

3 May 2007 Annual General Meeting
3 May 2007 Report 1st quarter 2007
23 August 2007 Report 2nd quarter 2007
7 November 2007 Report 3rd quarter 2007
5 February 2008 4th quarter result 2007

SPECIAL INFORMATION FOR NORWEGIAN SHAREHOLDERS

Under the tax reform 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. The adjustment is named RISK-adjustment. This system was discontinued as from 1 January 2006, however, the RISK-adjustments for previous years still apply.

The following RISK adjustments have been set for the Odfjell-share:

1 January 2006	minus	NOK 2.50 per share
1 January 2005	minus	NOK 3.50 per share
1 January 2004	minus	NOK 2.50 per share
1 January 2003	minus	NOK 1.84 per share
1 January 2002	minus	NOK 1.80 per share
1 January 2001	minus	NOK 1.00 per share
1 January 2000	minus	NOK 1.00 per share
1 January 1999	minus	NOK 1.00 per share
1 January 1998	minus	NOK 1.00 per share
1 January 1997	minus	NOK 0.75 per share
1 January 1996	minus	NOK 0.50 per share
1 January 1995	minus	NOK 0.38 per share
1 January 1994	minus	NOK 0.32 per share
1 January 1993		NOK 0.00 per share

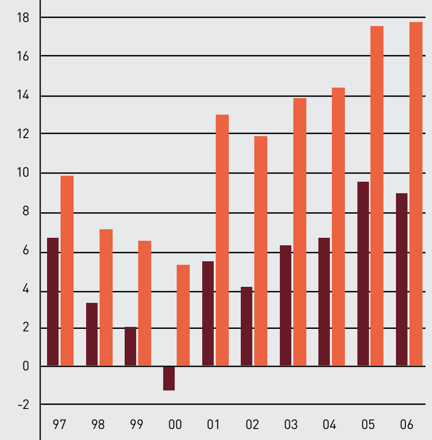
The reason why the RISK adjustments are negative (and reduce the cost price of the shares for tax purposes) is that the company has paid dividend in excess of taxable earnings in each particular year. Norwegian shareholders do not pay tax on dividend when received, but the dividend becomes taxable when the shares are sold.

In accordance with the Norwegian tax reform of 1 January 1992, the price paid by Norwegians for shares acquired prior to 1 January 1989 may be adjusted upwards to NOK 15.41 for A-shares and NOK 14.87 for B-shares.

All share data have been restated according to the 2:1 split of the shares that took place in 2004 and 2005.

EARNINGS/CASHFLOW PER SHARE

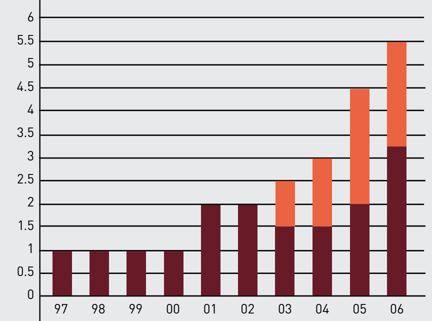
NOK



EARNINGS PER SHARE
CASH FLOW PER SHARE

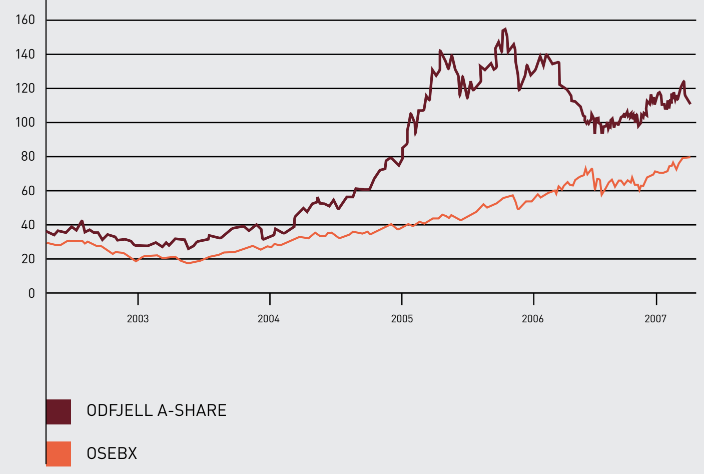
DIVIDEND PER SHARE

NOK

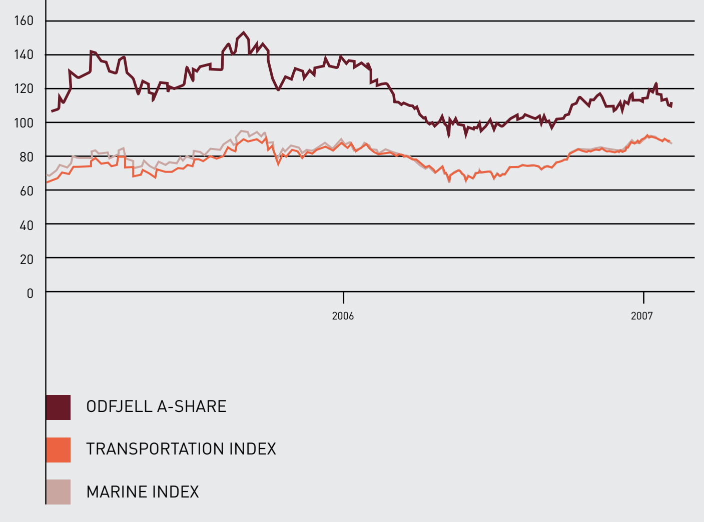


ORDINARY DIVIDEND
EXTRA 2ND HALF DIVIDEND

SHARE PRICE DEVELOPMENT



SHARE PRICE DEVELOPMENT



Odfjell has qualified for both the Information Mark and the English Mark from the Oslo Stock Exchange.

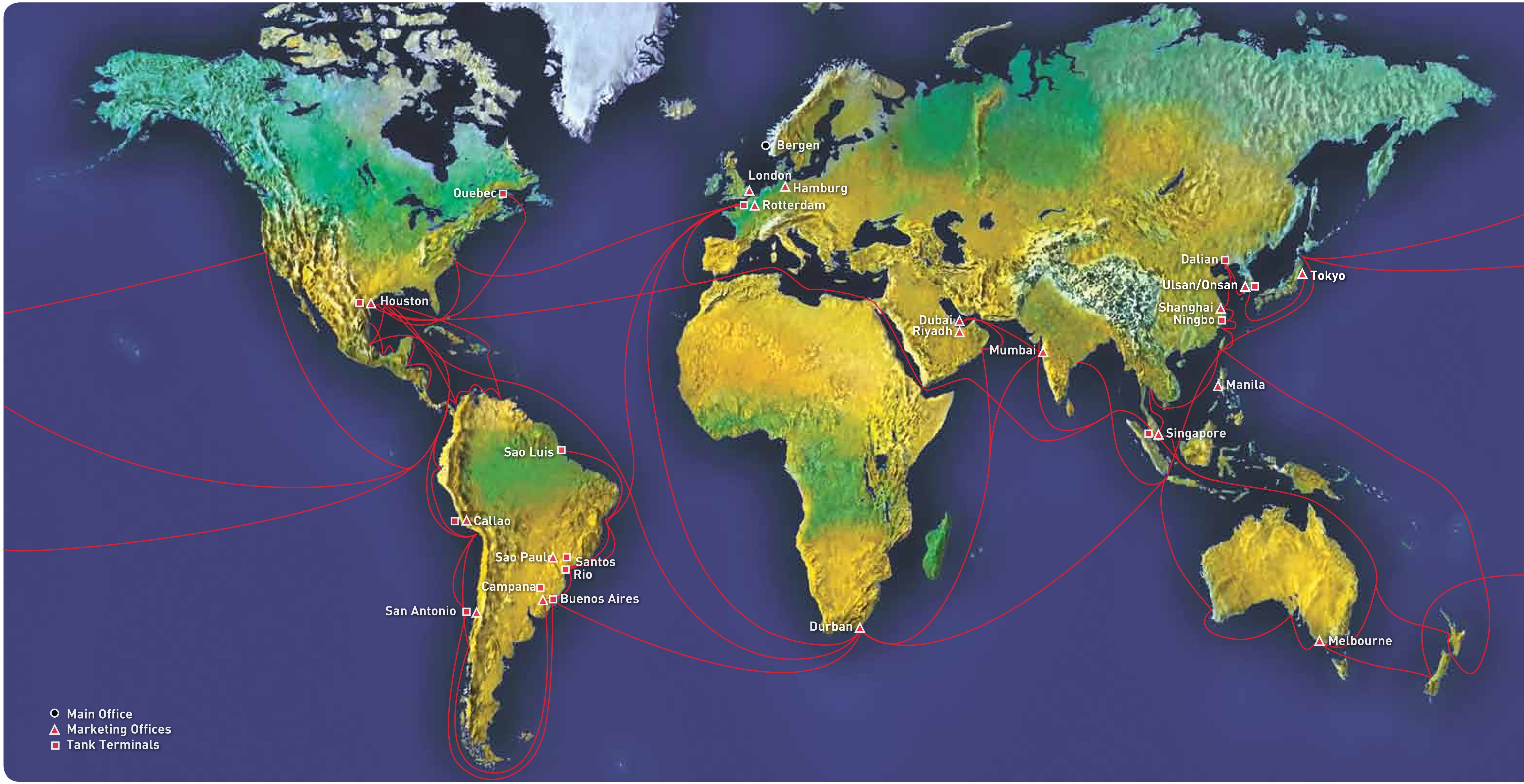
20 LARGEST SHAREHOLDERS AS PER 31 DECEMBER 2006

	Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1	Norchem ApS	25 966 492	1 041 176	27 007 668	39.53 %	31.13 %
2	ChemLog Holdings Ltd	16 503 396	20 500	16 523 896	25.12 %	19.04 %
3	Odin-fondene	-	4 628 801	4 628 801	-	5.33 %
4	SIS Segaintersettle	2 217 200	2 330 640	4 547 840	3.38 %	5.24 %
5	Folketrygdfondet	2 086 500	1 960 200	4 046 700	3.18 %	4.66 %
6	AS Rederiet Odfjell	3 497 472	-	3 497 472	5.32 %	4.03 %
7	Odfjell Chemical Tankers	1 500 000	1 811 255	3 311 255	2.28 %	3.82 %
8	Pareto-fondene	1 189 820	1 531 000	2 720 820	1.81 %	3.14 %
9	Odfjell Shipping (Bermuda) Ltd	1 259 200	1 215 760	2 474 960	1.92 %	2.85 %
10	Svenska Handelsbanken	1 089 400	879 100	1 968 500	1.66 %	2.27 %
11	JP Morgan Chase	892 200	451 600	1 343 800	1.36 %	1.55 %
12	State Street Bank & Trust	117 396	1 005 382	1 122 778	0.18 %	1.29 %
13	Ingeborg Berger	725 480	330 880	1 056 360	1.10 %	1.22 %
14	Mathilda A/S	600 000	150 000	750 000	0.91 %	0.86 %
15	Pictet &CIE Banquiers	475 260	252 800	728 060	0.72 %	0.84 %
16	AS Bemacs	314 000	198 000	512 000	0.48 %	0.59 %
17	DFA-International	407 296	-	407 296	0.62 %	0.47 %
18	Frank Mohn A/S	-	350 000	350 000	-	0.40 %
19	Skagen Fondene	349 700	-	349 700	0.53 %	0.40 %
20	Storebrand Livsforsikring AS	291 382	20 000	311 382	0.44 %	0.36 %
Total 20 largest shareholders		**59 482 194**	**18 177 094**	**77 659 288**	**90.55 %**	**89.50 %**
Total		65 690 244	21 078 704	86 768 948	100.00 %	100.00 %
Total		**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
International shareholders		50 553 186	8 107 869	58 661 055	76.96 %	67.61 %

SHARE CAPITAL HISTORY

Year	Event	Amount NOK	Share Capital After Event NOK
2006	No events	0	216 922 370
2005	Share split 2:1	0	216 922 370
2004	Share split 2:1	0	216 922 370
2003	Redemption of treasury shares	-11 763 100	216 922 370
2002	Redemption of treasury shares	-25 409 490	228 685 470
2001	Redemption of treasury shares	-13 657 500	254 094 960
2000	Private placement	49 267 340	267 752 460
1994	Capitalisation bonus issue	109 242 560	218 485 120
1990	Capitalisation bonus issue	54 621 280	109 242 560
1989	International private placement	10 000 000	54 621 280
1989	Capitalisation bonus issue	7 436 880	44 621 280
1988	Capitalisation bonus issue	6 197 400	37 184 400
1986	Capitalisation bonus issue	2 817 000	30 987 000
1985	Public offering	9 390 000	28 170 000
1985	Capitalisation bonus issue	6 260 000	18 780 000
1985	Merger with Odfjell Tankers & Terminals A/S	2 000 000	12 520 000
1985	Merger with Skibsaksjeselskapet Selje	3 320 000	10 520 000
1984	Capitalisation bonus issue	3 600 000	7 200 000
1981	Capitalisation bonus issue	1 800 000	3 600 000
1969	Merger with A/S Oljetransport	900 000	1 800 000
1969	Capitalisation bonus issue	382 500	900 000
1916	Established	517 500	517 500

Worldwide Activities



Chemical Transportation and Storage

Petrochemicals have become a part of modern life, and in many ways our societies and ways of living now depend on such products. The petrochemical sector has for many years been subject to solid growth, and the worldwide use of chemicals has increased considerably. While the industrial nations have been the driving forces behind this growth, developing economies around the world now account for major increases in consumption.

Historically, the production of petrochemical products was based in the US and Europe. However, production capacity has been growing in Asia, South America, South Africa and particularly in the Arabian Gulf where Saudi Arabia plays a leading role. The new plants in these regions are mostly built for production of base chemicals; so called building blocks, whilst the production of derivatives and specialty chemicals still are mostly concentrated in the US and Europe.

Chemical production facilities have traditionally been located in areas with easy access to the required raw materials. Historically, much of the petrochemical production was coal-based. Naphtha, a derivative from crude oil refining, is another raw material that is widely used, particularly in Asia. Nevertheless, the most commonly used raw material is derived from natural gas from which one gets ethylene and propylene, the two main building blocks for the chemical industry.

New plants are still being built in areas where natural gas is readily available, which is why we for instance are seeing the biggest increases in production capacity in the Middle East, particularly in Iran; a country with gigantic gas reserves.

The petrochemical industry is international with both production and consumption in all regions of the world. As a result of mergers and acquisitions, many of the petrochemical companies have become global in their market approach. Most of these companies have their main focus on Asia and China in particular; the region with the biggest current and future expected growth in demand for chemical products.

As a result, the petrochemical industry is in constant demand for logistics service providers capable of offering different types of storage and transportation. As of today there are a limited number of logistics service providers operating globally. Some of these companies are specialised for one type of service, like for instance bulk liquid storage. There are only some very few companies in existence with the ability to offer a multiple of different services on a global basis. Most shipping and storage companies are operating locally or within a certain region.

Odfjell is one of few companies offering the petrochemical industry a worldwide network of bulk shipping and storage services. Operating through offices at central locations around the world, Odfjell has a global market share of around 13 % of the chemical tanker segment, and as such is operating in all major trade lanes. Whilst parcel or 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 a constant interplay between the various segments of this huge market. As far as the chemical tanker market is concerned, there is a constant impact by the so called handy-size tankers, the type of ships employed for carriage of clean petroleum products such as naphtha, gasoline, diesel and gasoil.

A chemical tanker is designed and constructed in order to handle a multiple of different types of cargoes simultaneously and as such, combine different customers' requirements under single voyages. Different customers' products are always kept segregated though.

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

Chemical tankers are often evaluated in two different categories; ships with all or the majority of its cargo tanks made of stainless steel as opposed to ships with only coated tanks.

Ships with coated tanks are typically engaged for carriage of commodity-type chemicals, clean petroleum products and vegetable oils. The biggest trade for coated chemical tankers are with full loads of commodity-type chemicals from Northwest Europe, the US or the Arabian Gulf 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 ships are used for the most specialised types of chemical products which in addition to the stainless steel requirement, 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. Odfjell has increasingly invested in ships with cargo compartments made of stainless steel.

For a global and long-term operator it is clearly an advantage to be in possession of a different but efficient mix of ships and as such, be able to adjust to changing market requirements.

Odfjell carries over 600 different generic products every year, ranging from various organic chemicals such as alcohols, acrylates, aromatics as well as clean petroleum products, lubricating oils, vegetable oils, animal fats and inorganic chemicals like sulphuric and phosphoric acids.

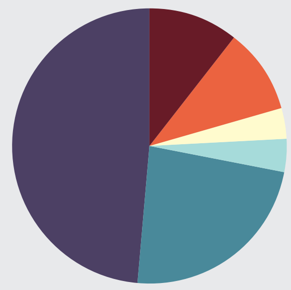
With frequent sailings in all major trade lanes Odfjell is able to offer unique and flexible services allowing customers to ship small parcels from 100 to 150 tons to full cargoes of up to 40 000 tons. By entering into so called contracts of affreightments the customer can plan regular shipments in order to meet required delivery targets whilst they also help Odfjell from a scheduling point of view. However, a significant part of the cargoes carried by chemical tankers are still 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 Ulsan play an important role in this respect.

Tank terminals are an integral part of the chemical logistic 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 or from all different modes of transportation.

THE CHEMICAL TANKER MARKET

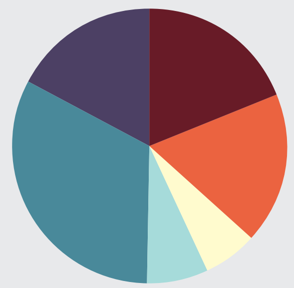
Ships 13 000 dwt. and above
Total fleet about 20.2 million dwt., 726 ships



(10.6%) Odfjell
(10.1%) Stolt-Nielsen
(3.6%) JO Tankers
(3.9%) Tokyo Marine
(23.4%) Other majors
(48.4%) Others

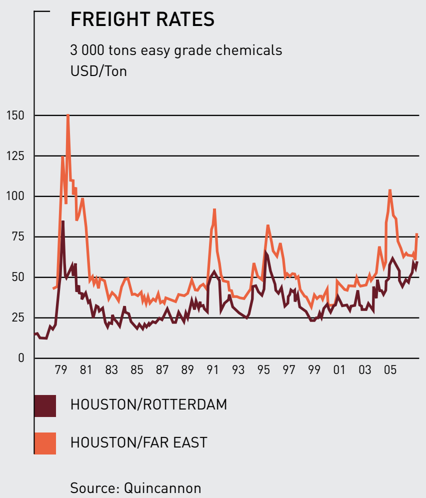
THE CORE CHEMICAL TANKER MARKET

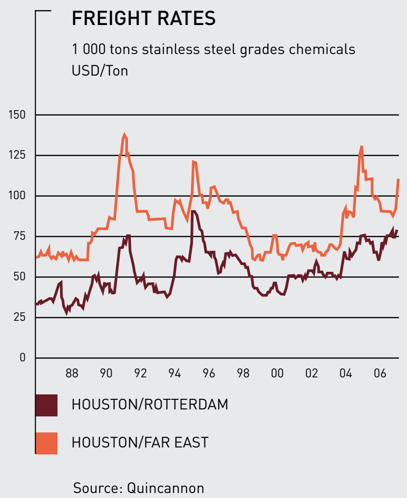
Ships 13 000 dwt. and above
Total fleet about 11.3 million dwt., 416 ships

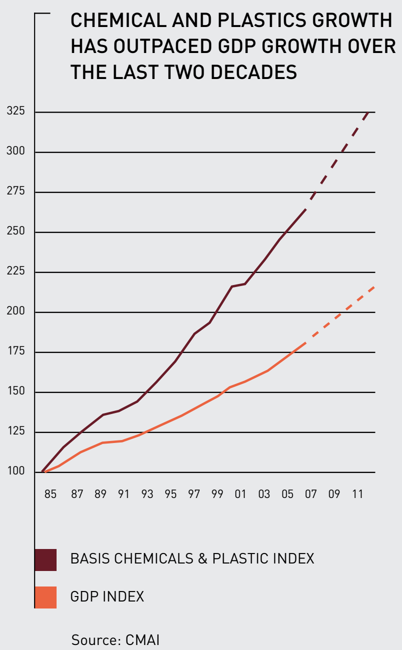


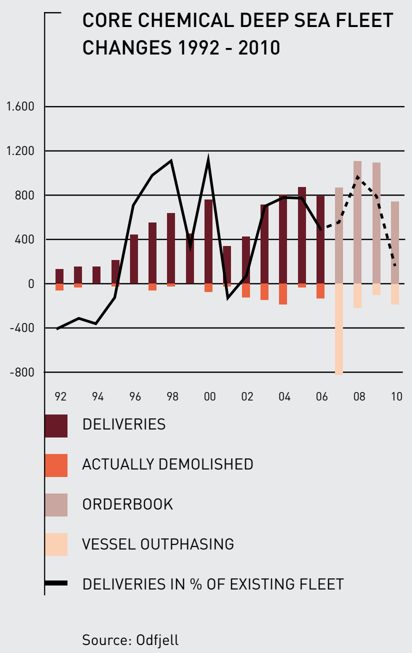
(18.9%) Odfjell
(18.0%) Stolt-Nielsen
(6.4%) JO Tankers
(7.0%) Tokyo Marine
(32.5%) Other majors
(17.2%) Others

Parcel Tankers









The Odfjell fleet consists of about 92 ships out of which 77 are operated globally by Odfjell Seachem in a network of shipping services as well as for spot trading. Odfjell Seachem is our fully owned chartering and operating company with headquarters in Bergen, Norway. The company is represented with overseas offices in 13 different countries, each with the purpose of marketing and serving customers at their home turf. Several of these offices have a dual role as both commercial and operational issues can be dealt with. Our Singapore office has the commercial control of 14 ships employed in inter Asia trade.

The Odfjell Seachem fleet consists of a variety of ship types; both in terms of size, sophistication, number of tanks, tank configuration and other criteria of importance for our clients. Fleet development and utilization are therefore critical success factors in the daily management and running of the fleet.

Flexibility and inter-changeability of ships between trade lanes have always been an important factor. Some of the ships are involved in a "round the world" trade, servicing ports in Europe, the US, Asia Pacific and Africa. Our 16 state-of-the-art 37 500 dwt fully stainless steel ships constitute an important backbone of this service. Our 40 000 dwt newbuildings from Poland, of which seven have been delivered, have also successfully started to contribute to our overall ability to serve customers world-wide. These ships have 40 tanks, made of duplex stainless steel, and represent the highest level of flexibility yet to be built. Delivery of the remaining units is scheduled from 2007 through 2010. Odfjell Seachem has contracts for another 12 ships, eight for long term time charter and four for inclusion on a pool basis. These are all newbuildings in sizes from 19 500 – 33 000 dwt; scheduled for delivery from different Japanese yards in a period from 2007 to 2009.

Odfjell has also an agreement with the state owned Russian shipyard "Sevmash" at Severodvinsk near Archangel to build a series of eight to twelve advanced product/chemical carriers. The first ship in the series will be delivered in October 2007. These will be IMO type II fully coated vessels of about 45 000 dwt. and will replace some of our older single hull chemical carriers. We expects an enhanced commercial demand for such ships due to stricter IMO rules for carriage of vegetable oils and certain other bulk liquid products by double-hulled chemical tankers. The new rules came to effect as from January 2007.

Odfjell therefore has a significant order book and is well positioned to meet future demands both with regards to capacity, age restrictions and quality as required by the major oil and chemical companies.

Odfjell has been a supporter of high standards of chemical tankers since the inception of the industry and has therefore taken a proactive approach towards

PARCEL TANKERS	Figures in	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Gross revenue	USD mill.	**939**	915	814	739	714	728	604	489	458	521
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	**202**	216	159	120	116	164	90	71	78	100
Operating result (EBIT)	USD mill.	**106**	138	85	47	48	100	31	36	48	97
Total assets	USD mill.	**1 739**	1 597	1 467	1 296	1 260	1 294	1 346	1 130		
Volume shipped	1 000 tons	**20 658**	22 156	22 614	21 232	22 123	21 083	19 633	11 037	11 619	11 326
Number of products shipped		**562**	551	587	593	535	545	579	515	389	368
Number of parcels shipped		**6 351**	6 760	5 612	5 137	4 881	4 818	5 138	4 669	5 306	5 356
Port calls		**6 030**	6 234	3 991	3 704	3 586	3 699	3 316	2 606	2 486	2 367
Number of ships		**92**	93	95	98	86	88	85	63	49	50
Total deadweight	1 000 tons	**2 362**	2 393	2 447	2 480	2 335	2 413	2 339	1 716	1 567	1 596

international regulatory bodies and major customers in order to improve safety. The three to four largest oil- and chemical companies typically inspect every ship once a year.

The 14 ships operated out of our office in Singapore are traded intra North East Asia, intra South East Asia and we are offering regular services between these two regions. Petrochemical trade to and from China continues to increase, and more and more ports for transfer of petrochemical products are being introduced. Our Singapore office is also responsible for running regular parcel services between Asia-Pacific and Australia/New Zealand as well as services between Asia-Pacific and AG/India/Africa.

Volumes shipped deep-sea as well as regionally are steadily increasing. As end-users of petrochemicals require products delivered on shorter notice and with less lead-time, the major petrochemical producers are building petrochemical production complexes closer to their markets, whilst manufacturers with production facilities far from the markets like those located in the Middle East, to a larger extent seem to base their logistics on keeping sufficient inventories in the proximity of their customers. Consequently, the demand for modern quality carriers, large, small and of different configuration and capabilities are all on the rise. The key to being able to serve the customer in the best and most economical manner is to be in possession of the right size and type of ships for the right trade.

In addition to wanting a major position in the increasingly important and growing inter Asian trades, Odfjell Seachem also aims to offer its global customers transshipment to restricted ports. Consolidation of loading and discharging operations for the deep-sea fleet is also of great importance. By reducing port calls and thereby reducing risk of delays, Odfjell Seachem is able to offer a more reliable and economical service to our customers.

ODFJELL AHRENKIEL

The 50/50 joint venture with Ahrenkiel for marketing and operation of chemical tankers in inter-European trade became operational in January 2004. Odfjell Ahrenkiel, based in Hamburg, currently operates a fleet of nine chemical tankers of which eight are the advanced Multitank ships of 5 870 dwt. Four of these ships were acquired by Odfjell in April 2005. During its first three years of operation the company has firmly established itself as a reliable carrier in the inter-European trade. Odfjell Ahrenkiel carried 0.5 million tons of cargo in 2006.

FLUMAR

Odfjell owns 50 % of the Brazilian shipping company Flumar. Operating out of Sao Paulo, Brazil, the company's core business is transportation of bulk liquid chemicals and gases primarily on the Brazilian coast and within the Mercosul area. Presently, the company operates four chemical tankers and one LPG ship, ranging in size from 4 400 to 12 450 dwt. Combined, Odfjell and Flumar are able to provide customers with enhanced service capabilities. Furthermore, the extensive network of associated terminals in Brazil and Argentina adds important flexibility towards our customers' logistical requirements. Flumar carried more than 1.5 million tons of cargo in 2006.

ODFJELL Y VAPORES

Through the 50/50 joint venture company, Odfjell y Vapores, we carried 1.6 million tons of cargo in 2006, primarily sulphuric acid along the Chilean coast.

Tank Terminals

Odfjell has six fully or partly owned terminals at strategic locations around the world. In addition we are cooperating closely with eight associated terminals in South America. In total, our tank terminal network now employs more than 860 people and offers close to 2.8 million cbm of storage space in about 930 tanks in 15 ports around the world. This makes us one of the world-leaders in combined shipping and storage services. We have a strategy of expanding the tank terminal activities along Odfjell's major shipping lanes. We also focus on strategic ports in newly industrialized countries, in order to improve the development of chemical markets. In addition to being profitable investments on a stand-alone basis, our tank terminals also play an important operational role in our cargo-consolidation programme to reduce the time our ships spend in port. Commercially, the combination of shipping and tank terminals gives Odfjell an excellent position to offer complete logistics packages to our customers. The demand for combined services has steadily increased as a result of the industry's ongoing pursuit of improving efficiency in the supply chain.

ODFJELL TERMINALS (HOUSTON) LP - HOUSTON, TEXAS, USA (OTH)

Houston is the major international hub for import and export of chemicals in the US. Our terminal in Houston was built by Odfjell in 1983, and since the mid 1990's the terminal has been through a considerable expansion period. The capacity has been increased by close to 70%. The expansions have improved the profitability through a better utilization of already existing and costly infrastructure.

The tank terminal comprises 92 tanks ranging from 350 cbm to 9 000 cbm and has a total capacity of about 272 000 cbm. The tank terminal comprises the largest stainless steel storage capacity of any privately owned tank terminal in the world, in total 90 000 cbm.

The facilities' unused land and existing infrastructure provide good opportunities for further expansion, with potential storage capacity of around 350 000 cbm in the existing area.

Odfjell Terminals (Houston) is the hub for Odfjell's global and regional trades to and from the US Gulf. The realisation of synergies has been prioritised and the company's joint transportation and storage contracts have helped in this respect.

ODFJELL TERMINALS (ROTTERDAM) BV – ROTTERDAM, THE NETHERLANDS (OTR)

Located at the heart of Rotterdam harbor, the most important chemical distribution centre in Europe, Odfjell Terminals (Rotterdam) has a total storage capacity of about 1 540 000 cbm, and around 300 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. The chemical storage capacity is 610 000 cbm, while the mineral oil capacity is about 930 000 cbm. In addition to the storage business, the facility has an industrial distillation plant, which retains a large market share of the independent product distillation market in northwest Europe.

Part of the storage capacity can be shifted from one segment to another, including servicing the distillation business. This provides us a great flexibility and diversifies commercial risk.

The tank terminal has excellent infrastructure, with four berths for seagoing ships and eleven berths for barges. It also has extensive facilities for the handling of trucks, rail cars and ISO-containers. The site has its own water treatment plant that also serves third parties.

The facility is already one of the most important docking facilities for Odfjell in the Rotterdam-Antwerp area, and our goal is to make it the primary hub for our global trade to and from Europe.

TANK TERMINALS	Figures in	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Gross revenue	USD mill.	152	132	130	118	97	90	59	32	28	27
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	58	48	49	45	38	35	25	16	13	13
Operating result (EBIT)	USD mill.	51	33	29	27	22	23	16	11	8	9
Total assets	USD mill.	499	393	352	343	336	274	243	129		
Tank capacity	1 000 cbm.	2 256	2 256	2 256	2 256	2 155	2 155	1 917	354	315	255

ODFJELL TERMINALS (KOREA), ONSAN

OILTANKING ODFJELL TERMINAL 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 a large and diversified chemical production. Further growth is secured through its prime location, good infrastructure and a stable economy and government. Oiltanking Odfjell Terminal Singapore is located on Jurong Island, where most of Singapore's development of petrochemical industry is concentrated.

The tank terminal, which became operational in 2001, has a total capacity of 213 000 cbm in 51 tanks, ranging from 800 cbm to 18 000 cbm. The stainless steel capacity is around 5 000 cbm. More than 100 000 cbm of the capacity is committed on long-term contracts. With access to additional land, the tank terminal can eventually grow to about 300 000 cbm. The terminal has two modern ship berths, and has access to another two berths.

The flexible storage and transfer services offered by the terminal, along with excellent marine facilities create a good basis for Odfjell to develop a hub for the global and regional shipping services in South East Asia.

The tank terminal is a 50/50 joint venture, in which Oiltanking is the managing partner.

OILTANKING ODFJELL TERMINALS & CO L.L.C - SOHAR, OMAN (OOT)

Sohar Industrial Port is strategically located in Oman outside the Strait of Hormuz only a few hours driving form the petrochemical industry in UAE, Saudi Arabia and Qatar. Several world scale petrochemical complexes are currently under construction in the port. This development is driven by the desire of the Sultanate of Oman to exploit the nations gas reserves and create a strong "value added process economy" as opposed to a energy export economy.

OOT has the exclusive right to manage six liquid berths and provide bulk liquid storage within Sohar Industrial Port. Odfjell holds 35 % of the company, with the others partners being Oiltanking

DALIAN OLD TERMINAL

(35%), Oman Oil Company (25%) and Seven Seas (5%). OOT is jointly managed by Odfjell and Oiltanking and became operational in 2006.

ODFJELL TERMINALS (KOREA) CO LTD – ONSAN, KOREA (OTK)
Odfjell Terminals (Korea) is strategically located in the most important petrochemical distribution and transshipment hub in Northeast Asia. Odfjell is one of the largest carriers of bulk liquid chemicals in and out of Korea with a significant number of port calls and transshipment operations in the region. The tank terminal became operational in 2002.

The tank terminal currently has 39 tanks with a total storage capacity of 109 500 cbm and has ample land for future expansions. The company is the owner of one berth and has access to a second berth, each with the capability of handling two ships at the time.

ODFJELL TERMINALS (DALIAN) CO LTD - DALIAN, CHINA (OTD)
Odfjell Terminals (Dalian) is located in Dalian on the northeastern coast of China. The tank terminal with 35 tanks and 60 000 cbm is about to be relocated from its current location to New Port in Xingang. In combination with the relocation the terminal will increase its capacity to 120 000 cbm. OTD is constructed in compliance with stringent quality and environmental requirements. From its start in 1998, the development of the tank terminal's business has been very positive, and the diversified customer base gives the terminal a good performance. Odfjell has a 50% stake and PDA Company Limited (50%) is the other shareholder in the company.

ODFJELL TERMINALS (JIANGYIN) CO LTD – JIANGYIN, CHINA (OTJ)
Odfjell Terminals (Jiangyin) Co. Ltd is located in Jiangyin Economic Development Zone on the south bank of the Yangtze River approximately 150 km west of Shanghai and 12 hours by ship from the entrance of Yangtze River. Operational as from 2nd quarter 2007, the 22 tanks / 99 800 cbm terminal will handle numerous different types of petrochemicals from ships, barges and trucks. The 1 780 m long jetty pipe rack and roadway has a jetty with length of three berths (625 m) which can handle ships up to 50 000 dwt ships and an additional jetty for two barges. Odfjell Terminals (Jiangyin) Co.Ltd will provide complete terminal services in a safe way and to the highest environmental industry standards. Odfjell (55%) owns OTJ together with Garson Group (45%).

VOTTN - NINGBO, CHINA
This tank terminal started operations in 1994. Located close to Shanghai, Ningbo is a key port for importing chemicals to the central east coast of China. The terminal serves ships, barges, rail cars and trucks and currently has a capacity of about 63 500 cbm. Odfjell has a 12.5% stake in the tank terminal, with the other partners being Vopak, Helm AG and the Port Authorities.

ODFJELL TERMINALS (ROTTERDAM)

ASSOCIATED TANK TERMINALS, SOUTH AMERICA
Odfjell's involvement with tank terminals started in South America, where the first terminal became operational in Buenos Aires in 1969. Today, it consists of eight chemical 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, their operational headquarter being in Sao Paulo. The four Brazilian tank terminals are located in Santos, Rio Grande, São Luís and Corumba. In Argentina, they have 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. The latest addition is a highly sophisticated 25 000 cbm chemical tank terminal in Callao, Peru.

These extensive tank terminal activities in South America provide an excellent complement to Odfjell's more than 7 million tons per year of shipping activities within the region. Where practicable, shipping and storage services are marketed from shared offices, facilitating logistical solutions as comprehensive as deemed convenient by our customers.

Ship Management

Odfjell is a fully integrated shipping company incorporating all functions required to ensure the provision of reliable high-quality transportation services. Owning ships and taking responsibility for chartering, operations and ship management ensure effective co-ordination and common priorities across all our operations. As ships account for about 75% of our total fixed assets, it is vital that the fleet is managed and operated efficiently, assets are protected and values maintained.

The number of vessels managed by Odfjell Ship Management has increased significantly over the last two years. The recent reorganisation of Ship Management is implemented to safeguard the development of competence and to ensure support to the vessels. Our primary focus is on ensuring quality management.

SHIPS

Our ship maintenance programme ensures safe and efficient operation, a long useful life and high second-hand values. The maintenance is managed through our computerised Planned Maintenance System, which is certified by Det Norske Veritas (DNV). Surface protection and maintenance of tanks, structures and machinery are based on thorough assessments, with periodical dry-docking carried out normally every 30 months.

Our ship management division takes care of Odfjell's ships and also three ships owned by National Chemical Carriers Ltd Co in Saudi Arabia. This includes crewing, technical operation and maintenance, purchasing, safety assurance and insurance.

In 2004 we established an Odfjell ship management branch office in Singapore. This unit manages ships in regional trades as well as ships in the deep-sea fleet.

CREW

The safe operation of chemical tankers depends on highly qualified officers and crew. Our ships are registered in Norway (NIS) and Singapore, and are mainly manned by Norwegian and Filipino seafarers with long experience from chemical tankers.

Odfjell pays considerable attention to recruiting qualified officers and crew and, at any given time more than 100 seafarers are normally working as trainees or cadets.

Training of officers and crew is a key area to ensuring quality management. Odfjell allocates significant resources to training. In 2006 we met our target of close to 9 000 training/ man/ days at Odfjell Academy, and further development is in progress.

RISK MANAGEMENT

Ship Management actively evolve our current use of Risk Management to maintain and improve our performance.

Every year Odfjell carries out regular internal audits of all ships. 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. 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 Reporting System proper response is prepared and corrective actions implemented. Our Quality Board, at senior management level, takes action on major issues. We view this system as an effective tool in our work to increase safety and to prevent injuries, damage and losses.

In 2006 Ship Management has implemented a number of Key Performance Indicators. Measuring and following up of the performance related to these indicators are important tools in monitoring performance.

The initiative titled "Tanker Management and Self Assessment" (TMSA) introduced by the Oil Companies International Marine Forum (OCIMF) requires ship managers responsible for tankers to demonstrate the effectiveness of their management system. Odfjell's Ship Management has now put in place the processes to achieve the higher levels for several operational elements specified by the TMSA guide.

COMMUNICATION

An in-house Information Technology and Communication network provides ship-to-shore communication and the electronic exchange of databases. All ships and offices are connected to this system, thus ensuring swift communication and rapid exchange of information needed to operate and manage our ships safely and efficiently.

Health, Safety and Environmental Protection

Odfjell strives to be a Zero Accident company where safety is job number one. To strengthen focus on HSE a new corporate unit, reporting to the CEO, was established two years ago.

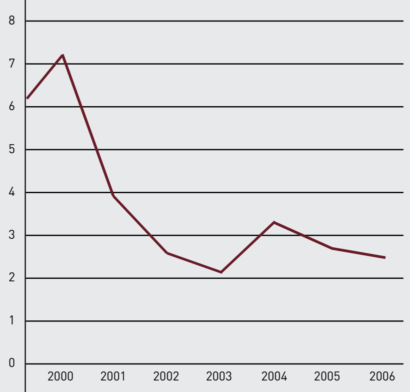
HSE has become more and more important in general. The ownership and engagement in the different Odfjell companies is a proof of this. Work is ongoing to structure our HSE systems around main elements with defined expectations.

In March 2006 Odfjell's new "Corporate Quality Management Manual" was approved by the President/CEO. This manual outlines requirements and guidance for compliance with the policies. A proactive approach to HSE is central.

Stringent environmental and safety requirements guide all our operations. Training of personnel working onboard, at terminals and ashore is an important and continuous activity. In this context we arranged 9 748 training days for our mariners at Odfjell Academy in Subic Bay.

LOST TIME INJURY FREQUENCY (LTIF)

per mill working hours
Ship Management department



LOST WORKDAY ACCIDENTS

These courses cover Odfjell specific topics and come in addition to all mandatory training.

Odfjell strives to develop an inspiring and interesting working environment at sea and onshore. We carry out employee satisfaction surveys at Headquarters and other larger offices and do ergonomics inquiries. Odfjell has recently started a program for improved health care for seafarers, with exercise and healthy diet. The working environment is considered to be good.

Odfjell wants to be an attractive place to work for both women and men. Gender-based discrimination is not permitted in recruitment, promotion or wage compensation. We maintain our policy of providing employees with the same opportunities to develop skills and find new challenges within our company. Recognizing that we employ relatively few women, we endeavor to recruit women to ship operations, chartering and ship management and also to show that life at sea can be attractive to them.

Recorded absence rate at Headquarters has over the last five years been stable around 3.5%. Also in 2006 the recorded absence rate at Headquarters was 3.5%.

In 2006 Odfjell initiated a new program for HSE auditing and evaluating our main suppliers. One such HSE audit was performed at the end of the year, and several others are scheduled for the years to come.

FLEET

We are satisfied with the overall HSE performance, but many areas can be further improved going forward, everything from housekeeping and general maintenance to full compliance.

Several officers' conferences were arranged in 2006, where quantified goals and HSE targets were followed up.

We are pleased to see that the number of injuries is decreasing. The Lost Time Injury Frequency (LTIF) in the Ship Management Department was down to 2.5 in 2006 compared to 2.9 in 2005. We believe that increased reporting of near misses and the sharing of experience are both important contributing factors to avoid real accident. This also supports our "0-accident" philosophy.

In 2006 we have maintained public licenses and approvals to ISM (ship management), ISO9000 (quality) and ISO14000 (environment) approvals for all certified units.

Research and Development are important for improvement and good environmental solutions. The Oily Water Separator project with testing of new technologies was finished in 2006. Operation and installation of equipment shall follow the conclusions to protect the sea against spill of oil. Conversion to electronic control of main engine cylinder lubrication saves oil and the environment.

TANK TERMINALS

At the terminals many activities for safety and environment protection have been performed to assure present requirements and meet future challenges. Focus has been on improving the safety skills and behaviour of our staff. The means have been "on the job" training for hygiene and safety, regular education about dangerous goods and several emergency drills.

In 2006 Odfjell Terminals (Houston) received the Benkert Award, which is recognition of environmental excellence in the marine environment. Elements considered are environmental policies, pollution prevention, preparedness, emergency response and safety management, environmental outreach Partnerships, Performance Measurement and results.

Odfjell Terminals – Korea (OTK) was certified to ISO 9000:2002 in 2006. Odfjell Korea also demonstrated high safety levels by achieving 1 174 days without any LTI recorded 31.12.2006. In this respect OTK was awarded by the government for their exceptional performance.

Fleet Overview

FLEET OVERVIEW as per 6 March 2007

	Ship	Year built	Dwt	Cbm	Stainless steel, Cbm	Number of tanks
OWNED:	Bow Sirius	2006	40 005	52 126	52 126	40
	Bow Sea	2006	40 048	52 126	52 126	40
	Bow Summer	2005	40 036	52 126	52 126	40
	Bow Sky	2005	40 005	52 126	52 126	40
	Bow Spring[1]	2004	39 942	52 126	52 126	40
	Bow Star[1]	2004	39 832	52 126	52 126	40
	Bow Sun	2003	39 842	52 126	52 126	40
	Bow Firda[1]	2003	37 427	40 515	40 515	47
	Bow Chain[1]	2002	37 518	40 515	40 515	47
	Bow Favour	2001	37 438	40 515	40 515	47
	Bow Century	2000	37 438	40 515	40 515	47
	Bow Fortune	1999	37 395	40 515	40 515	47
	Bow Master	1999	6 046	6 878	6 878	14
	Bow Mate	1999	6 001	6 864	6 864	14
	Bow Pilot	1999	6 000	6 865	6 865	14
	Bow Sailor	1999	6 000	6 870	6 870	14
	Bow Cecil[1]	1998	37 345	40 515	33 236	47
	Bow Flora	1998	37 369	40 515	33 236	47
	Bow Balearia	1998	5 870	5 941	5 941	20
	Bow Oceanic	1997	17 460	18 620	18 620	24
	Bow Bracaria	1997	5 870	5 941	5 941	20
	Bow Brasilia	1997	5 870	5 941	5 941	20
	Bow Cardinal	1997	37 446	41 487	34 208	52
	Bow Faith	1997	37 479	41 487	34 208	52
	Bow Bahia	1996	5 870	5 941	5 941	20
	Bow Querida	1996	10 115	10 956	10 956	18
	Bow Cedar	1996	37 455	41 608	34 329	52
	Bow Fagus	1995	37 375	41 608	34 329	52
	Bow Clipper	1995	37 166	41 492	34 213	52
	Bow Flower	1994	37 221	41 492	34 213	52
	Bow Eagle	1988	24 728	32 458	19 662	25
	Bow Cheetah	1988	40 258	47 604	-	29
	Bow Leopard	1988	40 249	47 604	-	29
	Bow Lion	1988	40 272	47 604	-	29
	Bow Peace	1987	45 655	52 173	2 167	23
	Bow Power	1987	45 655	52 173	2 167	23
	Bow Pride	1987	45 655	52 173	2 167	23
	Bow Prima	1987	45 655	52 173	2 167	23
	Bow Prosper	1987	45 655	52 173	2 167	23
	Bow Fertility	1987	45 507	52 173	2 167	23
	Bow Fraternity	1987	45 507	52 173	2 167	23
	Bow Panther	1986	40 263	47 604	-	29
	Bow Puma	1986	40 092	47 604	-	29
	Bow Hunter	1983	23 002	25 026	21 031	28
	Bow Maasstad	1983	38 039	48 866	-	22
	Bow Maasstroom	1983	38 039	48 866	-	22
	Bow Maasslot	1982	38 039	48 866	-	22
	Bow Fighter	1982	34 982	41 184	6 299	34
	Owl Trader	1982	12 450	14 482	8 070	22
	Bow Pioneer	1982	23 016	25 965	20 969	28
	Bow Viking	1981	33 590	40 956	21 745	36
	Bow Lancer	1980	35 100	42 468	6 252	34
	Bow Lady	1978	32 225	41 354	3 077	42
	Bao Hai Tun (49 %)	2006	3 845	4 361	-	10
	Flumar Aratu (50 %)	1997	13 834	15 831	15 831	29
	Angelim (50 %)	1985	10 259	10 136	6 500	18
	Araucaria (50 %)	1984	10 259	10 159	6 500	18
	Bow Pacifico (50 %)	1982	18 657	22 929	10 849	31
	Jatai (50 %, LPG)	1979	4 452	4 031	-	3
	Bow Condor (50 %)	1978	27 950	34 656	21 035	43
TIME-CHARTERED:	Bow Fuji	2006	19 800	22 140	22 140	22
	Bow Ophelia[3]	2006	19 900	22 655	22 655	20
	Bow Plata	2006	19 807	22 143	22 143	22
	Bow Engineer	2006	30 086	35 548	35 548	28
	Bow Orania[3]	2006	19 993	22 050	22 050	20
	Bow Architect	2005	30 058	36 000	36 000	28
	Bow Rio	2005	19 990	21 408	21 408	22
	Bow Europe	2005	19 727	21 573	21 573	36
	Bow Santos	2004	19 997	21 846	21 846	22
	Bow Asia	2004	9 901	10 866	10 866	20
	Bow Singapore	2004	9 888	10 867	10 867	20
	Bow Americas	2004	19 707	22 050	22 050	36
	Bow de Rich	2003	12 452	13 300	13 300	22
	Bow Wallaby	2003	11 951	13 485	13 485	22
	Bow de Feng	2002	12 514	13 289	13 289	22
	Bow West	2002	12 503	13 299	13 299	22
	Bow Andino	2000	16 121	17 270	17 270	30
	Bow de Jin	1999	11 752	12 296	12 296	20
	Multitank Batavia[3]	1998	5 870	5 941	5 941	20
	Multitank Badenia[3]	1997	5 870	5 941	5 941	20
	Multitank Bolognia[3]	1997	5 870	5 941	5 941	20
	Multitank Britannia[3]	1996	5 870	5 941	5 941	20
	NCC Jubail[3]	1996	37 499	41 488	34 209	52
	NCC Mekka[3]	1995	37 272	41 588	34 257	52
	NCC Riyad[3]	1995	37 274	41 492	34 213	52
	Bow Antisana[2]	1989	8 192	9 899	5 777	22
	Bow Gorgonilla[2]	1989	8 192	9 899	5 777	22
	NCC Baha[3]	1988	24 728	32 458	19 662	25
	NCC Asir[3]	1983	23 001	24 965	20 969	28
	NCC Arar[3]	1982	23 002	24 965	20 969	28
	Bow Orion	1977	28 083	34 656	21 035	43
	Number of ships:	91	2 350 643	2 731 562	1 675 952	

	Yard	Delivery	Dwt	Owner	Comment
ON ORDER:	NB Szczecin - B588/III/8	4/2007	39 500	Odfjell	
	NB Szczecin - B588/III/9	10/2009	39 500	Odfjell	Option
	NB Szczecin - B588/III/10	4/2010	39 500	Odfjell	Option
	NB Sevmash #1	9/2007	45 000	Odfjell	
	NB Sevmash #2	6/2008	45 000	Odfjell	
	NB Sevmash #3	11/2008	45 000	Odfjell	
	NB Sevmash #4	6/2009	45 000	Odfjell	
	NB Sevmash #5	10/2009	45 000	Odfjell	
	NB Sevmash #6	6/2010	45 000	Odfjell	
	NB Sevmash #7	10/2010	45 000	Odfjell	
	NB Sevmash #8	6/2011	45 000	Odfjell	
	NB Sevmash #9	10/2011	45 000	Odfjell	Option
	NB Sevmash #10	6/2012	45 000	Odfjell	Option
	NB Sevmash #11	10/2012	45 000	Odfjell	Option
	NB Sevmash #12	6/2013	45 000	Odfjell	Option
	NB Fukuoka	12/2007	19 900	Time-charter	
	NB Fukuoka	6/2008	19 900	Time-charter	
	NB Shin Kurishima	6/2008	32 500	Time-charter	
	NB Kitanihon	8/2008	33 000	Time-charter	
	NB Kitanihon	10/2008	33 000	Time-charter	
	NB Kitanihon	12/2008	33 000	Time-charter	
	NB Shin Kurishima	6/2009	32 500	Time-charter	
	NB Kitanihon	9/2009	33 000	Time-charter	
	NB Usuki	6/2007	19 900	Variable t/c	
	NB Usuki	8/2007	19 900	Variable t/c	
	NB Usuki	11/2007	19 900	Variable t/c	
	NB Usuki	1/2008	19 900	Variable t/c	
	Number of newbuildings:	27	974 900		

[1] Vessel beneficially owned through financial lease.
[2] Vessel on bare-boat charter.
[3] Vessel on variable timecharter.

TANK TERMINALS

	Location	Share	CBM	Steel, CBM	Number of tanks
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	100 %	1 540 000	31 000	300
Odfjell Terminals (Houston) LP	Houston, USA	100 %	270 563	81 902	92
Odfjell Terminals (Dalian) Ltd	Dalian, China	50 %	59 700	5 750	35
Odfjell Terminals (Korea) Co Ltd	Onsan, Korea	50 %	109 500	2 850	39
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	50 %	213 000	5 700	51
VOTTN Ltd (Ningbo)	Ningbo, China	12.5 %	63 500	7 900	36
			2 256 263	135 102	553

Glossary

BALLAST: A voyage with no cargo on board to get a ship in position for next loading port or dry docking.

BALLAST TANK: A tank that is filled with sea water when a ship sails in ballast, or in order to provide stability.

BARE-BOAT CHARTER (B/B): The ship owner hires out a ship without crew for a fee, payable as a specific sum per day or a specific sum per dwt per month. The party that hires the ship pays for bunkers, port and canal charges and any other voyage related costs as well as all other operating cost.

BARGING: Transfer of cargo to/from a ship from/to a barge.

BROKER: An independent intermediary who negotiates freight contracts between owners and charterers as well as the sale and purchase of ships.

BUNKERS/BUNKERING: Fuel, to power a ship's engine. Bunkering is to take on board bunkers.

CBM: Cubic Metres.

CHARTER PARTY (C/P): Agreement between a shipowner and a charterer, outlining terms and conditions governing the transportation. The agreement may be for one or several voyages, or for a certain period of time.

CHARTERER: The party paying for the transportation. It may be the cargo owner, supplier or receiver of the cargo.

CLASSIFICATION SOCIETY: An independent international organisation, e.g. Det norske Veritas, controlling and verifying 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 to transport given quantities of cargo during a given period of time and the owner is basically free to decide whichever ship he will use.

DEADWEIGHT TON (DWT or TDW): A measure of the weight carrying capacity of the ship. The total dwt is the weight of the cargo the ship can carry plus bunkers, fresh water, spare parts etc.

DEEP-SEA (GLOBAL): 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 laytime stipulated in the Charter Party.

DOUBLE HULL: The ship has an inner and an outer hull. Such construction increases the safety during a possible grounding or collision. In this way leakage may be avoided. The double hull is also used as ballast tank.

DRY DOCK: Putting a ship into a dry dock for inspection and repairs of underwater parts, and painting of ship bottom. Usually carried out every 2 ½ to 5 years.

FREIGHT RATE: Agreed transportation cost, stipulated either per metric ton of cargo, cubic meter of cargo or as a lump sum for the total cargo.

IMO: International Maritime Organisation. The international UN advisory body on transport by sea.

INORGANIC CHEMICALS: Chemicals which molecular structure contain no carbon atoms (other than as part of a carbonate-group), and 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 the safety management systems of ships.

KNOT: A measure of the speed of the ship. 1 knot= 1 nautical mile per hour, that is 1.85 km/h.

LIBOR: London Interbank Offered Rate.

MARPOL: The International Con-ventions governing Marine Pollution Prevention. It is a part of IMO.

M/T: Motor Tanker.

MTBE: Methyl tert butyl ether. Used as additive in gasoline.

NIS: Norwegian International Ship Register

OECD: Organisation for Economic Co-operation and Development, an information-gathering body. The members are mainly industrialised countries in Western Europe, North America and the Asia/Pacific region.

OFF-HIRE: The time a ship according to the charter party is not gainfully employed and not generating an income for its owner (e.g. time used for repairs).

OPA-90: The US Oil Pollution Act of 1990. An American 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 insurance.

OPERATOR: A person in a shipping company whose duties amongst other things is to take care of the contact between the ship and the charterer, give 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, often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

PARCEL TANKER: Tanker designed for the transportation of several different segregated cargoes simultaneously.

PETROCHEMICALS: See organic chemicals.

POOL: A co-operation between owners putting their ships into an operation where net revenues are divided according to a predetermined key.

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 like technical operation, maintenance, crewing and insurance.

SHORT-SEA (REGIONAL): Sea-borne trade that moves on regional trade routes (not intercontinental).

SPOT RATE: Freight rate for a voyage agreed on the basis of current market level.

STCW: International convention on standards of training, certification and watchkeeping of seafarers.

TIME CHARTER (T/C): The ship owner hires out a ship complete with the crew for a fee, payable as a specific sum per day or a specific sum per dwt per month. 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. Usually expressed in USD per day.

TON: A gross registered ton is a volume of 100 cubic feet (2.83 cubic meters). Gross registered tonnage is basically the volume of the ship's closed areas, excluding the bridge, the galley and a few other rooms. 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.

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 to/from a ship from/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: The transportation of cargo from the port(s) of loading to the port(s) of discharge. Payment is normally per ton of cargo, and the ship owner pays for bunkers, port and canal charges and other voyage related costs.

VOYAGE EXPENSES: Expenses directly related to the voyage, such as bunkers, port charges, canal dues, etc.

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