

ANNUAL REPORT 2008



ODFJELL

# Contents

## Introduction

Mission Statement	3
Profile	4
Odfjell Executive Management Group	5
Fit for Fight	7
Highlights 2008	8
Key Figures/Financial Ratios	9

## Annual Accounts

The Directors' Report	10
Group Profit and Loss Statement	28
Group Balance Sheet	29
Group Cash Flow Statement	30
Notes to the Group Financial Statement	33
Parent Company Profit and Loss Statement	72
Parent Company Balance Sheet	73
Parent Company Cash Flow Statement	74
Notes to Parent Company Financial Statement	75
Auditor's Report	85

## Analysis

Financial Risk Management and Sensitivities	86
Corporate Governance	88
Shareholder Information	92

## Business

Chemical Transportation and Storage	96
Map - Worldwide Activities	98
Parcel Tankers	100
Tank Terminals	104
Ship Management	109
Health, Safety and Environmental Protection	110

## General

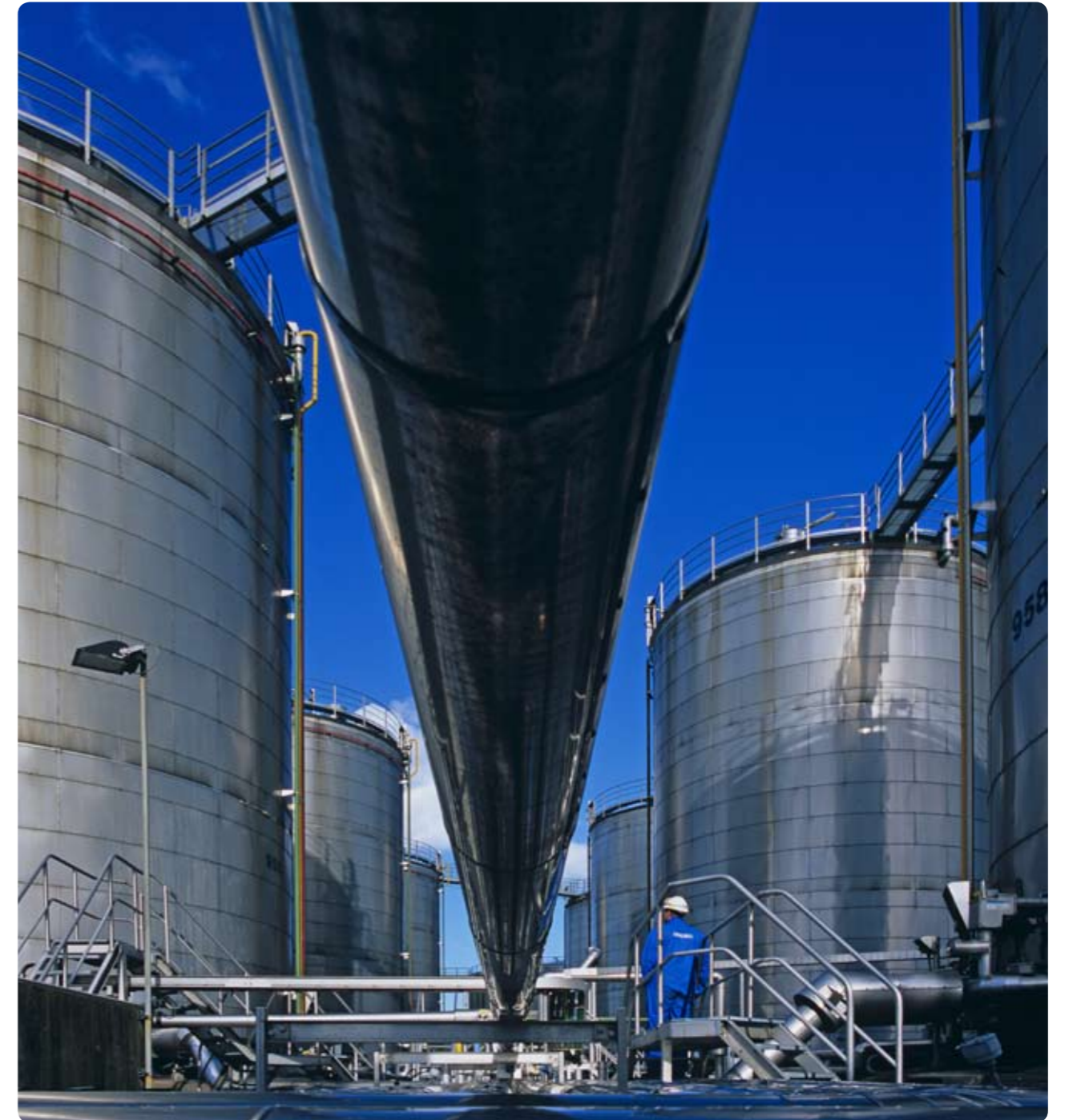
Fleet Overview	114
Glossary	116
Offices and Addresses	117

## FINANCIAL CALENDAR

5 May 2009	Annual General Meeting
5 May 2009	Report 1st quarter 2009
12 August 2009	Report 2nd quarter 2009
28 October 2009	Report 3rd quarter 2009
8 February 2010	4th quarter result 2009

Supplementary information on Odfjell  
may be found at: [www.odfjell.com](http://www.odfjell.com)

# Mission Statement



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

Front page photo: Captain Thorbjørn M. Haugsand, Bow Clipper.  
Photos by Thomas Kohnle, Linda Mortensen Midtbø and Gunnar Eide.

## 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 eight new ships with deliveries through 2012. 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

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 trade between the US, Europe and South America. 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 12 ships are operated out of Singapore and one from China. Furthermore we have seven ships employed in the inter-European trade and six ships along the coasts of South America.

Odfjell's specialized fleet consists of 93 ships and eight newbuildings with a total capacity of about 2.6 million dwt. A gross revenue of USD 1 247 million was generated in 2008.

### 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, Oman and three 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 Iran and further projects in China. The terminal business generated a gross revenue of USD 232 million in 2008.

## Odfjell Executive Management Group



**TORRE 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. 10 000 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. Mr. Ringdal will replace Mr. Storeng as President/CEO from 5th May 2009. 2 000 shares and no options.

**JAN A. HAMMER**  
Chief Operating Officer, Odfjell Tankers  
Born 1957.  
Mr. Hammer has been with the company since 1985. He has previously held various management positions within Odfjell, both in chartering and tank terminal activities. 3 200 shares and no options.

**TERJE STORENG**  
President/CEO  
Born 1949.  
President/CEO since 2003. Board Member 1994-2004. Previously Managing Director of AS Rederiet Odfjell. 72 672 shares. No options. Retires 5th May 2009.

**LAURENCE W. ODFJELL**  
President Tank Terminals.  
Born 1965.  
Board Member 2004-2007. He has previous experience working with tank terminals in South America. 30 659 040 shares (incl. related parties) and no options.



## Fit for Fight



**TERJE STORENG**  
President/CEO, Odfjell SE

**Only nine months ago the world believed that the financial crisis was confined to the US housing market and that only financial institutions, primarily in the US, were exposed to it. At the time of writing world governments and central banks have put in place tremendous aid and stimulus packages to avoid a collapse in the economy. The general consensus is, however, that the global economy has not completed its downturn, and most major and mature economies are in recession. Market outlook is therefore highly uncertain, and the next couple of years will be challenging for all shipping companies, ourselves included.**

We are fit for fight, and we are well prepared.

We have:

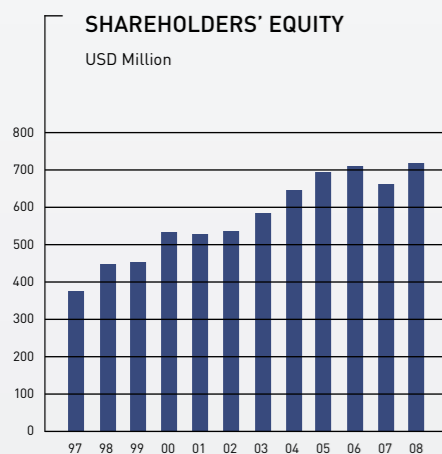
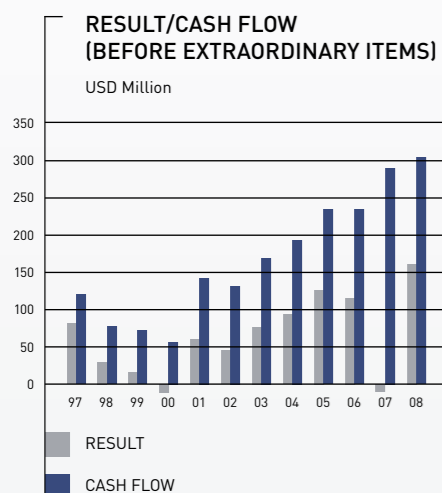
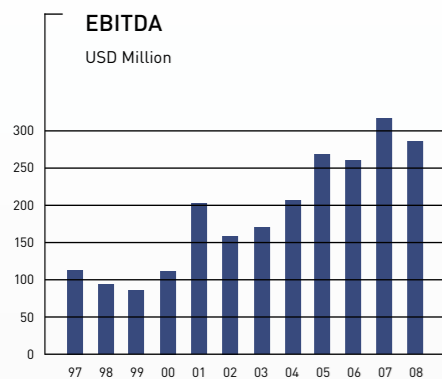
- a modern fleet, acquired or chartered in at favourable prices and terms. The average age of the fleet is 11.4 years.
- a flexible and adequate fleet, and we are able to adjust to changing market conditions and trading patterns.
- expanded our network of tank terminals along our major shipping lanes and at important petrochemical junctions.
- a worldwide marketing organization with experienced people at important and strategic locations.
- dedicated in-house commercial ship operation with port captains at key locations.
- in-house ship management with skilled technical personnel together with well trained and experienced Norwegian and Filipino mariners.
- modern ICT- and communication systems.
- a sound financial situation with no major refinancing needs prior to 2011.

We could, of course, have wished for a higher equity ratio. The disappointing retroactive shipping taxes imposed in 2007 took away more than USD 100 mill. of our equity. We just cannot accept it, and we will fight the decision in court, claiming that it is unconstitutional.

The parcel tanker industry is maybe the most complex and demanding of all shipping segments. In a market downturn, performance is even more important than in a "normal" market. In addition to strict regulatory requirements, customers become even more demanding.

Our focus shall be on safety, quality, efficiency and cost-effectiveness within our core business segments, always taking into consideration our responsibilities in the areas of environmental protection and social responsibilities.

By doing so, I am confident that Odfjell will maintain its position as a leading company within the industry of sea-borne transportation and storage of chemicals and other speciality bulk liquids.



## Highlights 2008

### FINANCIAL PERFORMANCE

Gross Revenue of USD 1 476 million  
EBITDA of USD 286 million  
EBIT of USD 198 million  
Retroactive tax income USD 33 million  
Net result of USD 163 million  
Cash flow of USD 272 million

### MACRO VARIABLES

A global 'Annus horribilis' with extreme volatility in a wide range of markets, which is expected to continue in 2009.

Economic recession following a huge liquidity boom. A combination of falling product demand and "financial trade" obstacles, such as buyers not being able to obtain necessary letters of credit, led to a severe shift in the supply/demand balance in many shipping segments.

The Baltic Dry Index dropped dramatically by close to 95%, and VLCC earnings fell by 70%. The chemical parcel tank segment has also experienced lower volumes, but has declined much less than other segments.

Highly uncertain market outlook.

### ASSET DEVELOPMENT

Purchase of M/T Bow Santos (19 997dwt/2004), previously on time-charter. Later sold with a five year bare-boat charter back.

Delivery of one 19 900 dwt and four 33 000 dwt stainless steel newbuildings on long-term time-charter from Japanese owners.

One 19 900 dwt delivered to our partner Ahrenkiel, included in our pool of similar ships.

100% take over of Flumar, including four ships previously 50% owned.

Agreement signed in China for a series of six 9 000 dwt stainless steel chemical tankers. One 8 200 dwt coated chemical tanker ordered to serve the domestic market in China. Delivery 2010 to 2012 for the first six vessels.

Cancellation of contract for twelve ships with Sevmash.

Sale of M/T Bow Condor (27 950 dwt/1978), M/T Bow Lancer (35 100 dwt/1980), M/T Bow Maasstad (38 039 dwt/1983) and Bow Bahia (5 870 dwt/1996), en-bloc together with Ahrenkiel's Multitank Bolognia.

Sale of Bow Sky (40 005 dwt/2005), with an eleven year bare-boat charter back.

February 2009, Odfjell entered into an agreement to bare-boat charter from National Chemical Carriers three 37 000 dwt (Kværner ships) built '95 and '96 for 10 years with purchase option.

Time-charter three 23 000 dwt stainless steel tankers built '82 and '88 for 3-6 years.

### SHAREHOLDER ISSUES

The Odfjell A-share and B-share price fell respectively by 51.1% and 36.6% expressed in Norwegian kroner, and the year-end market capitalisation came to about 3.8 billion (USD 544 million).

During 2008 Odfjell sold 1 679 500 treasury A-shares at an average price of NOK 50 and 2 322 482 treasury B-shares at an average price of NOK 40 to DnB NOR Markets. Furthermore, Odfjell SE entered into a Total Return Swap with DnB NOR Markets for all the sold shares.

A dividend of NOK 2.00 per share was paid in May 2008.

## Key Figures/Financial Ratios

ODFJELL GROUP	Figures in	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>From Profit and Loss Statement</b>											
Gross revenue	USD mill.	1 476	1 239	1 088	1 045	943	907	850	852	696	551
EBITDA (1)	USD mill.	286	315	260	264	207	170	159	203	112	86
Depreciation	USD mill.	(141)	(136)	(119)	(107)	(100)	(92)	(87)	(83)	(69)	(56)
Capital gain (loss) on non-current assets	USD mill.	53	25	15	14	7	(0)	1	4	-	16
EBIT (2)	USD mill.	198	204	156	170	114	78	72	124	44	46
Net financial items	USD mill.	(52)	(61)	(41)	(28)	(9)	7	(12)	(55)	(54)	(30)
Net result allocated to shareholders' equity before extraordinary items*)	USD mill.	131	130	116	127	94	77	45	60	(12)	16
Net result allocated to shareholders' equity	USD mill.	163	(10)	116	127	94	22	45	60	(12)	16
Net result	USD mill.	163	(10)	116	128	95	22	46	60	(12)	16
Dividend paid	USD mill.	34	43	72	60	53	24	22	11	10	11
<b>From Balance Sheet</b>											
Total non-current assets	USD mill.	2 226	2 048	1 815	1 656	1 568	1 482	1 314	1 301	1 292	990
Current assets	USD mill.	359	331	374	300	260	233	315	299	321	281
Shareholders' equity	USD mill.	715	666	702	692	639	578	535	526	530	451
Minority interests	USD mill.	6	6	6	-	4	4	4	4	5	-
Total non-current liabilities	USD mill.	1 540	1 362	1 225	1 008	951	949	981	968	961	749
Current liabilities	USD mill.	324	343	256	255	244	184	110	103	117	71
Total assets	USD mill.	2 585	2 379	2 189	1 956	1 872	1 715	1 630	1 601	1 613	1 271
<b>Profitability</b>											
Earnings per share - basic/diluted - before extraordinary items (3)	USD	1.56	1.56	1.38	1.47	1.09	0.89	0.51	0.61	(0.13)	0.19
Earnings per share - basic/diluted (4)	USD	1.95	(0.12)	1.38	1.47	1.09	0.25	0.51	0.61	(0.13)	0.19
Cash flow per share (5)	USD	3.2	3.2	2.8	2.7	2.2	2.0	1.5	1.4	0.6	0.8
Return on total assets - before extraordinary items*) (6)	%	8.2	8.5	8.2	8.6	6.9	6.3	5.0	7.0	3.3	4.8
Return on total assets (7)	%	9.5	2.0	8.2	8.6	6.9	3.0	5.0	7.0	3.3	4.8
Return on equity - before extraordinary items*) (8)	%	18.6	19.0	16.6	19.2	15.4	13.8	8.6	11.4	(2.4)	3.6
Return on equity (9)	%	23.3	(1.5)	16.6	19.2	15.4	4.0	8.6	11.4	(2.4)	3.6
Return on capital employed (10)	%	10.2	12.0	9.5	11.6	8.4	6.0	5.7	9.8	3.8	4.9
<b>Financial Ratios</b>											
Average number of shares	mill.	83.81	83.34	84.23	86.77	86.77	86.77	89.73	98.75	95.02	87.39
Basic/diluted equity per share (11)	USD	8.24	8.00	8.41	7.98	7.36	6.66	6.17	5.75	5.13	5.16
Share price per A-share	USD	6.22	16.47	18.34	20.26	17.54	5.54	3.95	3.74	3.79	3.11
Cash flow (12)	USD mill.	272	266	235	235	194	170	132	143	57	72
Interest-bearing debt	USD mill.	1 500	1 347	1 293	1 037	1 000	943	957	960	954	749
Bank deposits and securities (13)	USD mill.	193	165	242	190	233	203	230	213	232	218
Debt repayment capability (14)	Years	6.0	4.9	4.8	3.8	4.1	4.4	5.5	5.4	12.7	9.4
Current ratio (15)		1.1	1.0	1.5	1.2	1.1	1.3	2.9	2.9	2.7	4.0
Equity ratio (16)	%	27.9	28	32	35	34	34	33	33	33	35
<b>Other</b>											
USD/NOK rate at year-end		7.00	5.40	6.27	6.76	6.04	6.68	6.96	9.01	8.90	8.04
Employees at year-end		3 690	3 634	3 487	3 296	3 416	3 316	3 201	3 088	2 755	1 743

\*) Extraordinary items are antitrust fines in 2003 and retroactive tax in 2007 and 2008. Figures from profit and loss statement are according to International Financial Reporting Standards (IFRS) as from 2004 and for balance sheet as from 2003. Historical figures per share have been adjusted for past bonus share issues and the share-splits in 2004 and 2005.

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

## The Directors' Report

Odfjell's consolidated 2008 pre-tax result was a profit of USD 146 million compared with USD 143 million in 2007. The after tax result was a profit of USD 163 million compared to a loss of USD 10 million in 2007, then impacted by the damaging retroactive tax of USD 140 million introduced by the Norwegian authorities. The 2008-result was enhanced by USD 86 million of non-recurring items related to capital gains and taxes. Gross revenue increased by USD 237 million, to USD 1 476 million.

From shareholders' point of view, 2008 became another disappointing year. The negative impact on the equity ratio arising from the Norwegian Government's decision to impose the retroactive 2007 tax bill, obliged us to sell ships, partly with charter back, and to reduce the dividend. Although less negative than the Marine Index, which declined by 62.2%, our A and B-shares fell respectively by 48.9% and 33.8%. The market capitalisation of Odfjell was NOK 3.8 billion (USD 544 million) as per 31 December 2008.

2008 turned out a somewhat split year for the shipping industry. Following a stable first quarter, most segments enjoyed healthy markets and good earnings until the summer. The boom in the dry bulk sector continued, and the oil tanker market experienced rather similar developments. Despite record-high bunker prices, with heavy fuel oil reaching a staggering USD 750/ton, and high costs in respect of ship maintenance, spare parts and other operating items, the industry was fairly optimistic.

Since July the world financial crisis had a severe negative impact on the shipping industry, in general. Over the summer months and into the autumn the combination of falling product demand and "financial" trade obstacles, such as buyers not being able to obtain necessary letters of credit, led to a severe shift in the supply/demand balance. As a result, during late autumn the Baltic Dry Index dropped dramatically by close to 95%, and VLCC earnings fell by 70%. Our specialized segment within this industry remains less cyclical than other segments and now seems more resilient and stable in the downturn. Thus, although we have experienced lower volumes towards the end of the year, our earnings so far have declined much less than most other segments.

Our tank terminal business turned in another solid result in 2008, with increased capacity and strong demand for storage services at most locations.

Fleet renewals continued in 2008 by our taking delivery of five newbuildings, fully stainless steel parcel tankers, one of 19 900 dwt and four of about 33 000 dwt. All these ships are on long-term charter to us from Japanese owners. Additionally, our partner Ahrenkiel, Switzerland, delivered one such 19 900 dwt tanker into our pool of similar ships.

One 50% owned ship was sold for demolition, two were sold with bare-boat charter back and three ships were sold to third parties for further trading. These sales contributed to net capital gains, in total USD 53 million for the year.

Early 2008 we bought out our 50%-partner in the Brazilian shipping company Flumar, based upon the total asset price of that Company's four ships, which on a 100% basis equals about USD 50 million.

Our tank terminal projects and expansions mostly progressed well in 2008, and the new terminal in Oman, where we have a 30% ownership, already started operations, whilst our green field project in Iran is still under construction. Major expansions are ongoing in Houston, Rotterdam, Korea, Oman and Singapore, all of which will become operational during 2009.

The Annual General Meeting (AGM) held 5 May 2008 re-elected Peter G. Livanos and Katrine Trovik as Board members for a two-year period. However, in an Extraordinary General Meeting held 2 December 2008 the shareholders elected Irene Waage Basili and Ilias A. Iliopoulos as replacements for Katrine Trovik (who accepted a senior position at DnB NOR Bank ASA) and Peter G. Livanos (who resigned for family reasons). The Board would like once again to thank Katrine Trovik and Peter G. Livanos for their valuable contributions to the Company.

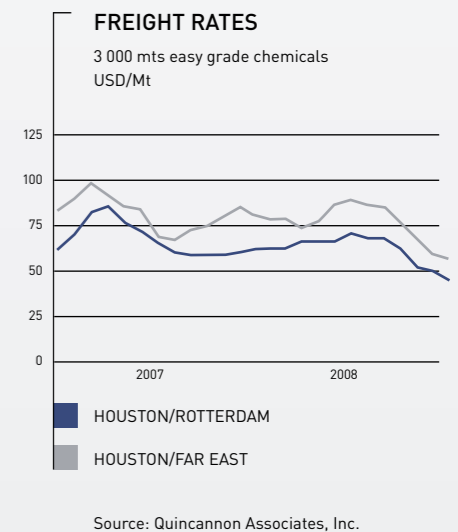
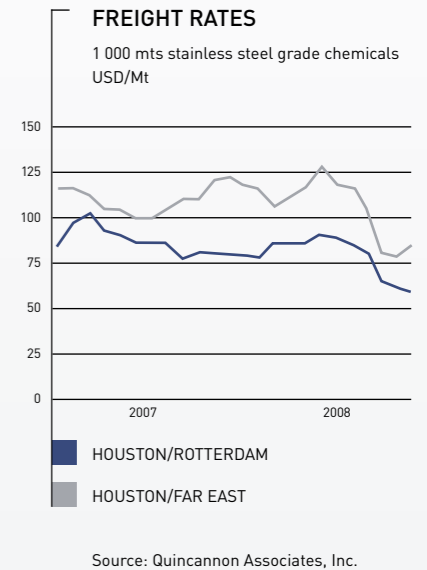
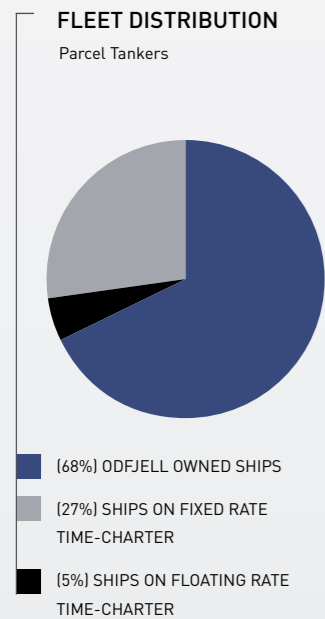
### BUSINESS SUMMARY

We remain committed to our long-term strategy of enhancing our position as a leading logistics and service provider of specialty bulk liquids. Through our fleet renewal program and the safe and efficient operation of global and regional parcel tankers, we aim to further consolidate our position, increasingly benefiting from our parallel and expanding tank terminaling 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. Critical mass safeguards efficient trading patterns, as well as fleet utilisation, and yields us certain purchasing benefits.

### Parcel Tankers

Gross revenue from our parcel tanker activities was USD 1 247 million. Earnings before interest, tax, depreciation and amortisation (EBITDA), however, was negatively impacted by considerably increased bunkers cost and other operating costs and came to USD 191 million. The operating result (EBIT) was USD 129 million, including capital gains of USD 53 million. Total assets at year-end amounted to USD 2.0 billion. Time-charter income expressed in USD per day fell by about 4% compared to 2007.

2008 started out fairly slow, as many lower-than-average 2007-voyages extended well into 2008. Delays due to strikes in Argentina and heavy congestion in Panama were also negatively affecting the beginning of the year. Good results from exports of sulphuric acid from Asia and phosphoric acid from South Africa became a trend through most of the year. Bunker-prices in Rotterdam were at around USD 400/ton at the beginning of the year, fluctuating upwards to peak of USD 750/ton in July. Along with most commodities, prices of bunkers fell through the last quarter to close at almost USD 200/ton end December.





The year ended on a quiet note, as activity in most trades and segments remained negatively influenced by the financial crisis. With lower activity in our core segments, more ships had to trade in the slower Clean Petroleum Product (CPP) market. On a positive note we see that activity and nominations under our key Contracts are holding up fairly well. Renewal of contracts is mostly on a roll-over basis, or at improved terms and new contracts have been added.

Our average cost of bunkers in 2008 was USD 461/ton (including compensation related to bunker escalation clauses and hedging), compared to USD 329/ton the preceding year. Operating expenses on a comparable fleet basis were about 7% higher in 2008 than in 2007. Although still facing an increase in salaries for mariners, in other respects we expect declining operating expenses as a result of a stronger USD, lower oil prices affecting lubricating oils and, a generally better supply/demand balance for spare parts etc. We also experience better availability and less price pressure with regards to dockings, due to reduced activity at the repair yards.

At year-end 2008 our parcel tanker fleet consisted of 74 ships over 12 000 dwt, of which 43 were owned – and additionally we operated 18 smaller ships, of which 12 owned.

In February 2008 we cancelled contracts for twelve new-buildings, 45 000 dwt coated parcel tankers in Russia. The corresponding yard instalments were refunded. Yard supervision and other owner's expenses in an amount of about USD 7 million have been expensed. This latter amount forms part, however, of our claim against the state owned shipyard (Sevmash) to compensate us for all costs and losses, on account of the yard's wilful misconduct, as well as massive contract breaches. Arbitration has been initiated in Sweden, with a ruling expected later this year.

Early 2008 Odfjell signed agreements with the Chuan Dong Shipyard to build a series of six 9 000 dwt stainless steel chemical tankers. These will be delivered in 2010-2012, at a combined total price of USD 180 million. These newbuildings will operate in our regional trades in Asia and Europe, and will replace smaller vessels currently trading within these geographical areas.

Our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co. Ltd signed a contract for the building of an 8 200 dwt chemical tanker. The ship will be a

fully coated IMO II type carrier being built by the Zhoushan Penglai Shipbuilding and Repairing Company, with delivery scheduled for May 2009. The ship will join Bao Hai Tun (3 845 dwt/ built 2006) and both ships will service the domestic market in China.

From Japan, Odfjell currently holds contracts for fifteen modern ships and newbuildings, all basis long-term time-charters, ranging in size from 19 000 dwt to 33 000 dwt. Thirteen ships are already in operation, of which five were delivered during 2008. The remaining two will be delivered in 2009. We have fixed price purchase options on most of these ships.

Three older ships, Bow Condor (50% owned/27 950 dwt/built 1978), Bow Lancer (35 100 dwt/built 1980) and Bow Maass-tad (38 039 dwt/built 1983) were sold in 2008. Also sold was the parcel tanker M/T Bow Bahia (5 870 dwt/built 1996). This latter sale was part of a two-ship sale, which included the sistership Multitank Bologna owned by our partner, Ahrenkiel. These outright sales represented a total capital gain of about USD 10 million.

Early 2008 Odfjell declared its option to buy Bow Santos (19 997 dwt, stainless steel, built 2004) for about USD 23 million. Subsequently this ship was sold with a total capital gain of about USD 18 mill. However, this gain must be seen in the context of Odfjell having entered into a bare-boat charter with the new owners, for a period of five years, with purchase options. Finally, Odfjell sold Bow Sky (40 005dwt/ built 2005) with a net gain of USD 32 million with an eleven year charter back.

In combination with our worldwide transoceanic services, our regional business activities encompass four different geographical areas. Asia represents a strategically important area for our business, with significant new chemical production expected to come on stream in the near future. Our largest regional operation therefore naturally is in Asia, where we employ 12 ships within several trade lanes, covering the Singapore – Japan/Korea – Australia/New Zealand range.

Odfjell Ahrenkiel currently operates seven smaller parcel tankers within inter-European trades. The intention is to grow this operation, for which some of the 9 000 dwt new-buildings in China are destined.

In South-America, four ships are employed by now wholly-owned Flumar, transporting chemicals primarily along the Brazilian coast, where local flag is a requirement. Finally, we have a 50/50 joint venture with CSAV in Chile, where we currently employ one Chilean-flagged vessel, mostly in coastal transportation of sulphuric acid.

Our type of shipping is one of the most challenging within the marine industry. During 2008 our ships transported more than 570 different products, and more than 6 100 individual parcels. Unlike container ships, for example, our ships have to call a number of customer-dictated berths, even within one and the same port. Such operations are both time-consuming and costly, impacting negatively our time-charter results. Our aim therefore is increasingly to consolidate loading and discharging, ideally at our own or associated terminals. We believe that a future successful consolidation of cargoes, and more time-efficient port operations, will also very much benefit our customers.

#### **Tank Terminals**

Gross revenues from our expanding tank terminal activities came in at USD 232 million, EBITDA was USD 95 million and EBIT was USD 68 million. At year-end 2008, book value of total terminal assets was about USD 800 million, an increase from USD 770 million in 2007.

Odfjell's existing tank terminals are located in Rotterdam, Houston, Singapore, Onsan in Korea, Sohar in Oman, BIK in Iran, and Jiangyin, Dalian and Ningbo in China. We also have a valuable cooperation agreement with a group of tank terminals in South America, owned by members of the Odfjell family.

The expansion of our tank terminal activities continues. We are making substantial investments in expanding the storage capacity in Houston, Rotterdam, Singapore and Korea. Our new terminal in Sohar in Oman, Oiltanking Odfjell Terminals & Co. LLC (OOT), where Odfjell has a 30% ownership, successfully started up storage operations in 2008. OOT so far has put 537 000 cubic meters into operation for the storage and handling of clean petroleum products. This was the first stage of the total 842 500 cbm facility, due for completion first half 2009, including then that of also handling chemicals.

Further expansion comes in China. Together with our long-

term partner in Dalian, Dalian Port Co., Ltd. (PDA), a Hong Kong publicly listed company, we have an understanding with the Caofeidian Industry Zone (CFDIZ) for the development of a new world class terminal for oil and chemical products, including chemical gases. With Caofeidian's unique natural and geographical attributes, this terminal project will allow for ready access by deep-sea chemical and product tankers, thus allowing for important economies of scale in terms of future transportation logistics. Also jointly with our partner PDA, we have continued studies related to a greenfield tank terminal within the Industrial Development Zone on Hainan Island, South China.

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 thus enhancing the development of infrastructure for safe and efficient operations in these regions.

#### **2008 RESULT**

Gross revenue for the Odfjell Group came to USD 1 476 million, up 19% from the preceding year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were USD 286 million compared to USD 315 million in 2007. Operating result (EBIT), including USD 53 million capital gain on assets, came to USD 198 million compared to USD 204 million in 2007, then including capital gains of USD 25 million.

The net pre-tax 2008 result came in at USD 146 million compared to a pre-tax profit of USD 143 million in 2007. Taxes in 2008 were an income of USD 17 million, compared to a tax cost of USD 153 million in 2007. Taxes in 2007 and 2008 were heavily impacted by changes to the Norwegian tonnage tax system, whereby retroactively taxes were imposed for profits earned during the period from 1996 to 2006. In 2007 USD 140 million of tax cost was accounted for, whilst in 2008 USD 33 million was reversed, following amendments to the rules. Our cash flow continued strong at USD 272 million, compared to USD 266 million in 2007. Operating expenses as well as general and administrative expenses continued to increase in 2008, partly because of general price increases and a weak USD during most of the year. Net financial expenses for 2008 were USD 52 million, compared to USD 61 million in 2007. The reduction is primarily due to unrealized currency gains on NOK denominated tax debt, as a result of the stronger USD to-

wards the end of the year. The average USD/NOK exchange rate in 2008 was 5.66, compared to 5.86 last year. The USD strengthened against the NOK from 5.40 at year-end 2007 to 7.00 at 31 December 2008.

The parent company, Odfjell SE, recorded a profit for the year of NOK 284 million. The main part of the profit relates to contributions from subsidiaries. The Board recommends a dividend of NOK 1 (USD 0.14) per share for 2008, in total NOK 87 million (USD 12.4 million). The dividend will be covered by the 2008 profit, and the Board recommends that the balance of the profit, NOK 197 million, is transferred to Other Equity. At 31 December 2008 total distributable reserves were NOK 2 251 million.

At the end of 2008 the A-shares were trading at NOK 43.50 (USD 6.22), down 51.1% compared to NOK 89 (USD 16.47) year-end 2007. The B-shares were trading at NOK 45 (USD 6.43) at the end of 2008, down 36.6% from NOK 71 (USD 13.15) year-end 2007. A dividend of NOK 2.00 per share was paid out in May 2008. Adjusted for this dividend, the A- and the B-shares had negative yields of 48.9% and 33.8% respectively. By way of comparison, the Oslo Stock Exchange benchmark index declined by 54.1%, the Marine Index declined by 62.2% and the Transportation Index worsened by 61.7% during the year. The market capitalisation of Odfjell was NOK 3.8 billion (USD 544 million) as per 31 December 2008.

The Annual General Meeting will be held this year on May 5 at 16:00 hours at the Company's headquarters.

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 our markets 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 use of hedging instruments to reduce the Company's exposure to fluctua-

tions in the abovementioned financial risks, at the same time, however, limits the upside potential from favourable movements in these risk factors. The Company also closely monitors the risk related to a market valuation of the hedging instruments and the effect on the equity ratio, at the end of each quarter.

The single largest monetary cost component affecting time-charter earnings is bunkers. In 2008 it amounted to more than USD 310 million (67% of voyage cost). A change in the average bunker price of USD 100 per ton equals about USD 60 million (or USD 2 300/day) change in time-charter earnings for those ships where we have a direct economic interest. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the Contracts of Affreightment. As per 31 December 2008 we had additional hedging of about 50% of our total 2009 bunker exposure, through swaps or options.

All interest-bearing debt, except debt by tank terminals outside the US, is denominated in USD. Bonds issued in non-USD currencies are swapped to USD. Interest rates are generally 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. With our current interest rate hedging in place, effectively about 40% of our loans are on a 4 -10 years fixed rate basis. In order to reduce volatility in the net result and cash flow related to changes in short-term interest rates, interest rate periods on floating rate debt, as well as that of liquidity, are managed to be concurrent.

The remaining tax liability of NOK 518 million (USD 74 million) as per 31 December 2008 arising from the changes to the Norwegian tonnage tax system in 2007 is payable over the next 9 years. Most of this liability is currently unhedged thus increasing the volatility of currency gains/losses relating to movements in the USD/NOK exchange rate. Based on the exchange rate as per 31 December 2008 and the current hedging in place, a 10% change in the exchange rate will impact 2009 unrealized gains/losses by about USD 5 million.

The Group's revenues are primarily in US Dollars. Only tank terminals outside the US, our European shipping trade (through Odfjell Ahrenkiel) and our domestic shipping activity in China derive income in non-USD currencies.



Our currency exposure relates to the net result and cash flow from voyage related expenses, ship operating expenses and general and administrative expenses denominated in non-USD currencies, primarily in NOK and EUR. We have estimated that a 10% strengthening of the USD versus the NOK and EUR will improve the pre-tax 2009 result by roughly USD 15 million, disregarding then the result of any currency hedging in place.

Our currency hedging at the end of 2008, whereby we have sold USD and purchased NOK, covers about 70% and 40% of our 2009 and 2010 NOK-exposure, respectively. 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, continues strong. Cash and cash equivalents and available-for-sale investments as of 31 December 2008 was USD 193 million compared to USD 165 million as of 31 December 2007. The company had no undrawn credit facilities per 31 December 2008, compared to USD 64 million the preceding year. Interest bearing debt increased from USD 1 346 million year-end 2007 to USD 1 500 million per 31 December 2008. Net interest bearing debt was USD 1 307 million as per 31 December 2008. The equity ratio was 28% as per 31 December 2008 and the current ratio was 1.1. Since our fleet consists of speciality ships, in a market with limited relevant sale and purchase activity, we have not attempted to calculate value-adjusted shareholders' equity. The company should be evaluated based on earnings multiples, rather than based on asset valuations.

In March we repaid the outstanding amount of NOK 99 million (USD 19.4 million) on our first bond that was issued three years ago. We also entered into two long-term secured bank facilities, one of USD 40 million and one of USD 135 million, for the construction and long-term newbuilding program in China. In April, our subsidiary Odfjell Terminals (Rotterdam) BV entered into a long-term secured bank facility of EUR 60 million. The proceeds were partly used to repay inter-company debt, and will also be used to finance the on-going expansion at the terminal. Further liquidity came from the sale- and leaseback arrangements of two ships.

In 2008 we paid about USD 120 million as regular instalments on our mortgage debt. Additionally we repurchased NOK 77 million (USD 11.7 million) of the Odfjell SE 2011 NOK-bond at an average price of 88% giving a net gain on redemption of USD 1.4 million.

The Company's loans are generally long-term and provide for regular payment of instalments. There are no major refinancing needs prior to 2011 when part of our bond debt matures. Furthermore, all major investment commitments are fully financed.

During 2008 the company acquired and sold treasury shares. The most significant transaction was that Odfjell Chemical Tankers AS, a 100% owned subsidiary of Odfjell SE sold 1 679 500 A-shares at the price of NOK 50 and 2 322 482 B-shares at the price of NOK 40 to DnB NOR Markets. The price reflected the average price for shares traded during the last week prior to the trade. Following this sale the Company owns no further treasury shares.

Concurrently with the foregoing, Odfjell entered into a Total Return Swap (TRS) with DnB NOR Markets for all the sold shares. The agreed initial cost price of NOK 50 for the A-shares and NOK 40 for the B-shares, with expiry on 8 May 2009. In addition, Odfjell held another TRS with DnB NOR Markets of 819 500 A-shares exercised 2 March 2009.

#### KEY FIGURES

Before retroactive tax, the return on equity was 18.6% and the return on total assets was 8.2%. Return on capital employed (ROCE) was 10.2% in 2008.

Earnings per share before the retroactive tax effect amounted to USD 1.56 (NOK 8.82) in 2008, compared to USD 1.56 (NOK 9.14) in 2007. Earnings per share after the retroactive tax came to USD 1.95 (NOK 11.04) in 2008. Cash flow per share was USD 3.2 (NOK 18.36), compared to USD 3.19 (NOK 18.69).

As per 31 December 2008 the Price/Earnings ratio (P/E) was 4.0 before retroactive tax and the Price/Cash flow ratio was 2.3. Based on book value the Enterprise Value (EV)/EBITDA multiple is 7.0 while, based upon stock-market value as per 31 December 2008, the EV/EBITDA multiple was 6.5. Interest coverage ratio (EBITDA/Net interest expenses) was 4.4, compared to 5.2 last year.

#### LEGAL MATTERS

We have settled most antitrust issues with our US based customers. At this point in time it is not possible to estimate the financial impact of any future settlements. These negotiations have not prevented us from doing business with any of our customers, at market terms. Both in 2007 and 2008 the total effect on the net result from customer settlements was immaterial.

From the EU Commission Odfjell received a so-called Statement of Objections in April 2007, which we contested. In May 2008 Odfjell was informed that the European Commission had closed the file in the Chemical Parcel Tanker case. The Commission's conclusion was that it lacked jurisdiction over the case due to the tramp exclusion contained in Regulation 4056/86, in line with what Odfjell consistently argued before the Commission.

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

#### HEALTH, SAFETY AND ENVIRONMENT (HSE)

Odfjell's "Corporate Quality Management Manual" enhanced with the "Corporate HSE Expectations" prescribes how we shall work to comply with the high HSE standards we aim for.

Stringent safety and environmental requirements guide all our operations. Training of personnel working onboard, at terminals and ashore is our proactive way of ensuring that we possess the needed competence. For our mariners more than 7 000 training days were held at the Odfjell Academy (Subic Bay, Philippines). Similar internal training takes place at the terminals.

During 2008, Ship Management started to develop and implement a Competence Assessment program, to ensure that training is so-called skill gap focused. In practical terms this means our training strategy is now more linked to competence assessment, skill gap analyses and establishment of targeted related training programs.

The making and introduction of our new video "Understanding the Risks of Hazardous Chemicals and Burns" was a main effort in 2008.

Operating units have approval to ISM code (ship management), ISO 9001:2000 standard (terminals) and ISO 14001 environment standard. New in 2008 is that the terminal in Ulsan acquired ISO 14001 certification. The new terminal in Jiangyin, China, started operations in 2008 and is in the process of obtaining both certifications.

The various units in line with the ISO 14001 certification have comprehensive annual plans for environmental protection. Odfjell Terminals focus on how they may decrease emission to air. Equipment is already installed to achieve better vapour recovery and control. Reduced emission during gas freeing of ships and barges is also an important terminal activity. Odfjell Tankers focus on energy conservation, and for 2008 the optimization of ship speed has reduced our fuel consumption with about 35 000 tons. In 2008 Odfjell Tankers' Environmental Council was established to map all our environmental impacts and what we do about them.

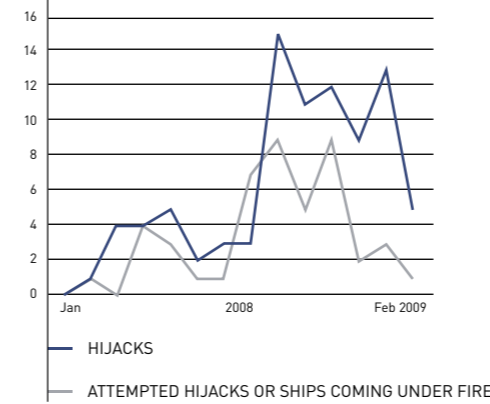
There were no fatal incidents with Odfjell personnel during 2008. On ships, the Lost Time Injury Frequency (LTIF) is slightly down from last year. This is positive, but we are still concerned about LTIF, which was better still some years ago. Lessons Learned and awareness campaigns have given some results, and will continue this year. All terminals have good LTIF's, and especially the results at the Houston terminal show significant improvement during 2008.

In 2008 there have been no major accidents. But, onboard Bow Master, pipes in the manifold area burst as a consequence of nitric acid reacting with remnant cargo. There were no injuries or pollution and damages were limited. However, we considered this a high risk incident, which has resulted in a number of corrective measures.

Piracy in the Gulf of Aden gave reason to growing concern. In the autumn of 2008 Odfjell decided to avoid the area until the situation improved, which caused considerable media attention. Response from our seafarers and also from other stakeholders was entirely positive. Military presence in the area has meanwhile increased. Since early 2009 Odfjell has decided to resume sailings through the area. All transits shall be made in compliance with recommendations from the Naval Command.



**INCIDENTS OF PIRACY IN THE GULF OF ADEN AND OFF EAST SOMALIA**  
Number of ships



Source: International Maritime Bureau

No detentions or serious notations from any Port or Flag States have been reported for Odfjell managed vessels in 2008. It is welcome that our increased efforts in this area continue to yield positive results. It also has had a positive effect on customer approvals, vetting, where our situation now is quite satisfactory. That being said, during this year Odfjell has publicly stated that the present vetting regime, with so many individual approvals, is not at all rational for the chemical trade, where the combination of many parcels from several customers on one and the same voyage is the very business model. A regime of common approval is therefore important, and will be pursued through Intertanko.

Another safety issue which Odfjell has lately promoted is the more consistent use of inerting (nitrogen) to protect against tank explosions. Cargo flammability, and not ship size or age should be the ruling criteria. This view is supported by Norway and many other flag states. But more inerting, in the name of safety, will somewhat influence efficiency, and especially for smaller chemical tankers, and purely for commercial reasons, it seems difficult to obtain consensus. Odfjell will continue to push IMO for the prevention of tank explosions.

**ORGANISATION, WORKING ENVIRONMENT AND JOB OPPORTUNITIES**

Our organisation was changed, effective 1 January 2008, so as to meet future challenges in the best possible way, as follows:

As a result of increasing tank terminal activities, we estab-

lished a separate management for tank terminals, as from January 1, 2008. Laurence W. Odfjell took charge of Odfjell Terminals, headquartered to Rotterdam. The terminal activities are further divided into four geographical areas, Asia/Pacific, Middle East /Africa, Europe and Americas.

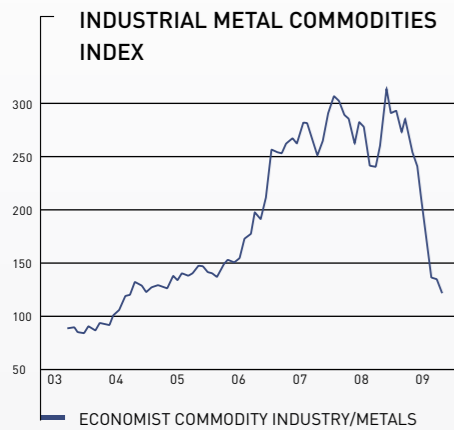
From the same date, our parcel tanker activities were gathered in a new ship operational structure (Odfjell Tankers) that also includes certain staff functions previously placed at corporate level. Jan A. Hammer, as Chief Operating Officer, is heading up Odfjell Tankers. As a result of these changes, Odfjell Seachem AS was renamed Odfjell Tankers AS. Finance/Accounting/Communication/ICT, headed by Haakon Ringdal, and Corporate Investments/ Projects/Newbuildings, entrusted Tore Jakobsen, continued their respective corporate functions, with overall Odfjell Group responsibilities.

The Executive Management Group consists of Terje Storeng, Jan A. Hammer, Laurence W. Odfjell, Haakon Ringdal and Tore Jakobsen.

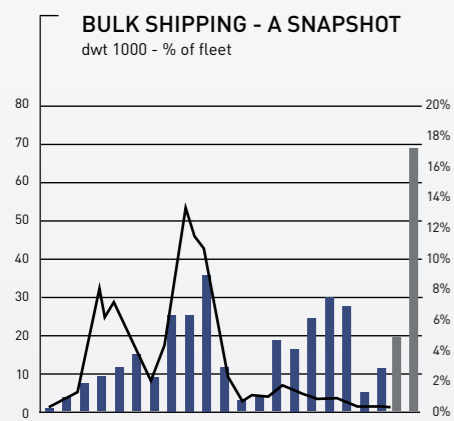
In accordance with his employment contract, Terje Storeng has elected to resign from his position as President/CEO of Odfjell SE, effective as from the Annual General Meeting on 5 May 2009. The Board has appointed Haakon Ringdal new President/CEO as from that same date. The Board of Directors would like to thank Terje Storeng for his valuable contribution to the Company.

In 2008 Odfjell SE became a pure holding company. Previously Odfjell SE employed more than 240 people in administrative positions, within chartering, operations and ship management. Additionally, Odfjell SE employed more than 350 Norwegian and other West-European ship officers and trainees. Effective October 1, Odfjell SE's 100% owned subsidiaries, Odfjell Management AS and Odfjell Maritime Services AS became operational. Odfjell Management AS and Odfjell Maritime Services AS assumed full responsibility for all employees in Odfjell SE, as well for the services previously provided by Odfjell SE.

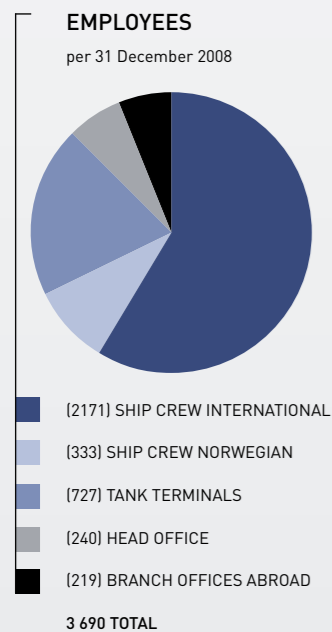
Furthermore, Odfjell Philippines Inc. obtained its own manning licence in the Philippines, reflecting our commitment to the recruitment of Filipino seafarers. In September the inauguration of the new offices for Odfjell Ship Management (Philippines) Inc. and Odfjell Philippines Inc. took place in Manila.



Source: Datastream and DnB NOR



Source: Clakson Research Services



Odfjell strives to develop an inspiring and interesting work environment both at sea and ashore. We carry out employee satisfaction surveys at headquarters in Bergen and other larger offices, and do ergonomics inquiries. Also implemented is a programme for improved health care for seafarers, with focus on exercise and a healthy diet. The work environment is considered good.

Odfjell aims at being an attractive place where to work. Gender-based discrimination is not allowed in recruitment, promotion or wage compensation. We maintain our policy of providing employees with the same opportunities to develop skills and to find new challenges within our company. Out of about 240 employees at headquarters in Bergen, 66% are men and 34% women, whilst the corresponding global figures [about 900 employees in our fully owned onshore operations] are 75% and 25% 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 may offer attractive careers.

The recorded absence rate at headquarters was 3.5%, up from 3.1% last year. For the Filipino mariners the absence rate was 6.5% and for European mariners it was 3.9%.

The Board takes this opportunity to thank all employees for their contributions to the company's progress during 2008.

#### STATEMENT ON SALARY AND OTHER BENEFITS TO THE MANAGEMENT FOR 2009 AND 2010

The Management shall be offered competitive terms of employment in order to ensure continuity in the Management and to enable the Company to recruit qualified personnel. The remuneration should be composed so that it promotes the creation of values in the Company. The remuneration shall not be of such a kind, nor of such a magnitude, that it may impair the public reputation of the Company.

A basic, straight salary is normally the main component of the remuneration. The remuneration may however consist of a basic salary and other supplementary benefits, hereunder but not limited to payment in kind, bonus, termination payments and pension- and insurance schemes. The Company does not run any option schemes, nor other schemes as mentioned in the Public Limited Companies Act section 6-16 subsection 1 no. 3. There are no specific limits regulating the different categories of benefits nor the total remuneration of Management.

Remuneration to Management in 2008 was in compliance with the above guidelines. The total remuneration to the Executive Management Group in 2008 was NOK 16.5 million. This total amount is comprised of fixed and variable remuneration as follows;

- Fixed remuneration 86%
- Variable remuneration 14%

Variable remuneration has been awarded by way of bonus, based on a discretionary evaluation system extended by the Board, as to operational and financial performance during 2008. Bonuses as awarded were paid out end 2008.

Please also see Note 3 to the Odfjell SE accounts for more details about the remuneration to the Management in 2008.

#### WORLD SHIPPING CONTEXT

For the shipping industry, 2008 turned out a two-sided year. Until summer most segments enjoyed healthy markets and good earnings. The boom in the dry bulk sector powered on, not least fuelled by the Chinese pre-Olympic demand. By early June the Baltic Dry Index seemed about to break the 12 000 points barrier. The crude oil tanker market experienced similar developments; following a stable first quarter with earnings for modern VLCCs in the USD 70-80 000 per day range, there was a doubling of ship earnings in the period April to June. Despite record-high bunker prices, with heavy fuel oil reaching a staggering USD 750/ton, and high costs for ship maintenance, spare parts and other operating items, the overall market remained optimistic.

The world financial crisis however came to severely impact the shipping industry in general. Over the summer months and into the autumn the combination of falling product demand and "financial" trade obstacles such as buyers not being able to get necessary letters of credit, led to a dramatic shift in the supply/demand balance. As a result, during autumn the Baltic Dry Index dropped by close to 95% and VLCC earnings fell by 70%. Fortunately, also the oil price took a dive so that at the end of 2008 heavy fuel oil for bunkers was down to USD 172/ton, levels not seen since early 2005, and this somewhat eased the situation. Nevertheless, many bulk owners suddenly faced serious problems, particularly those with high gearing following expensive second-hand purchases. Speculations arose that parts of the fleet would opt for lay-up, and of some owners having to file for bankruptcy.

The recession in the transportation industry immediately impacted upon both shipbuilding and ship recycling. Strong markets and good earnings for most shipping companies during recent years have led to a massive ordering of new tonnage, despite very high newbuilding prices and long delivery times. Although it seems reasonable to expect that some of the about 3 400 bulkers, 2 200 tankers and

1 200 container carriers currently on order will be cancelled, sufficient tonnage still will be delivered, to ensure adequate capacity. Hence, the shipowners will hardly receive any immediate supply side assistance, notwithstanding the fact that new ordering has stopped, almost completely. As for bulk carriers, we have seen some orders being converted to product carriers. The halt in new orders, combined with falling steel prices, have led to a softening of newbuilding prices. Second-hand ship prices are also falling. Thus, there would seem room for financially strong owners to consolidate their position in the upcoming times.

Poor freight markets and a massive influx of new tonnage are set to oust outdated ships. Already this has boosted the ship recycling industry, and the activities at the demolition facilities of India and Bangladesh are again on the rise. The increased supply of tonnage for scrap, combined with the general fall in steel prices, has naturally lowered scrapping prices. Despite low scrap prices, a continued weak freight market will likely cause accelerated demolition, as owners find it increasingly difficult to employ overaged tonnage with steadily more quality-conscious customers.

Growth forecasts suggest that the shipping industry is facing a challenging period, at least in the short term. The already rather gloomy GDP predictions published last fall have been further downgraded early this year, now indicating that the overall economy will only expand by about 1% during 2008. OECD will contract by 1.9%, and major economies such as the US, Europe and Japan will all have a negative growth in the 1.9-2.5 range. China and other major developing economies such as India, and Brazil, are predicted to slow down considerably. There is great uncertainty related to the short-term developments of China and India, some experts anticipating these countries will hold out better than feared, in terms of 2009 growth.

In conclusion, the short-term outlook for shipping in general seems bleak. However, most forecasts suggest that 2010 will evidence stronger economic growth, provided the leading economies steer clear of large-scale trade protectionism.

#### THE CHEMICAL MARKET

For the chemical industry, the strong market of 2007 continued into the spring and summer of 2008. Demand remained firm, and prices of most chemical products were

high. The petrochemical production capacity expansion continued, particularly in the Middle East and in China. Reflecting an enhanced focus on non fossil energy bearers, the market for bio fuels such as ethanol and bio-diesel improved further, and the demand for vegetable oils and their input crops kept on rising. However, the debate on the sustainability and economic efficiency of bio fuels persisted, and the dramatically reduced price of petroleum towards the end of 2008 basically killed off bio diesel economics.

The financial turmoil during and after the summer, with a substantial drop in demand and consequently prices for most chemicals, had a severe impact on profitability within the chemical industry. There are consequently production shutdowns throughout the world, and several petrochemical expansion projects have been cancelled or postponed indefinitely. It is still too early to know the magnitude and the duration of these cutbacks, closely related as they are to the activity levels of other global industries, for which the chemical industry is providing essential input materials.

For the chemical seaborne transportation industry the first quarter was quite moderate. During the second quarter activities picked somewhat up, and this continued also into the third quarter of the year. Thus, for much of 2008 the market seemed remarkably able to absorb new ships entering service. Freight rates in general remained at strong levels throughout the summer and early autumn, although much of the increased income came in the form of compensation for record-high bunker prices and, for other operational costs. Only towards the end of the year did the market take a dive. The spot freight market dried up almost completely, as a result of falling demand, and full inventories in most locations, and too many ships competing for too few cargoes. This had a severe negative impact on the spot rates. The piracy threat in the Gulf of Aden during the second half of the year made several owners, first amongst them Odfjell, choose to go around Africa instead of through Suez.

The deep-sea chemical carrier fleet grew by about 12% during 2008, which is a substantial increase from the about 8% growth in 2007. The core fleet showed an increase of 9%. In the deep-sea segment above 13 000 dwt, 137 chemical tankers totalling 2.9 million dwt were delivered during 2008. This is 50% more than the year before. Close to one million dwt (42 tankers), have stainless steel tanks, half of

which are 20 000-tonners delivered from Japanese yards. In the swing segment, i.e. fairly unsophisticated coated chemical tankers "swinging" between carrying easy chemicals and refined petroleum products, three times as many new units entered the market compared to 2007.

Following several years of large-scale ordering of new tonnage, basically to replace single-hull tankers and to take advantage of the strong freight markets, the ordering boom ebbed throughout 2008. Increased uncertainty about the market, soaring newbuilding prices and warnings of fleet overcapacity explains cautiousness. During the last months of the year there were hardly any new orders for chemical carriers reported at all and there have lately been examples of orders being partly or fully cancelled. The chemical tanker orderbook of ships over 13 000 dwt now constitutes 37% of the current deep-sea fleet. For the segment of smaller tankers below 13 000 dwt the orderbook is relatively moderate, at about 20% of the current fleet.

There was low scrapping activity during 2008. Only fifteen deep-sea chemical tankers, in total about 460 000 dwt, were delivered for recycling. Of this number just one was a stainless steel ship. Deteriorating freight markets, an influx of modern tonnage, stricter age and quality requirements by customers and demand for operational efficiency are factors that will contribute to increased demolition in the coming years, despite low prices for scrap units. Nevertheless, the age distribution of the current fleet indicates that demolition will only in part balance for the addition of new tonnage. If we assume ships will be demolished by their reaching 30 years of age for European built tonnage and 25 years for Asian built ships (the difference reflecting varying construction quality and maintenance profiles) during the next five years the deep-sea fleet will still have an average net growth of 3.3% per year, even with no additional new orders.

In their most recent quarterly forecast, UK shipping consultants Drewry estimate an average annual chemical fleet demand growth to 2012 of about 3%, below most forecasts in respect of fleet growth. Hence, this should indicate a further weakening of the market for chemical tanker owners and operators. Nevertheless, there are also factors that point in the opposite direction. Stricter age and quality requirements by both regulatory bodies and customers, not least through steadily more rigorous ship vetting regimes,



will limit the actual quality tonnage supply, and likely lead to more vessel demolition. More emphasis on safety and environmental issues should make customers more inclined to opt for quality tonnage and reliable owners with a strong QHSE focus. Continued chemical capacity expansion, particularly in the Middle and the Far East, and expectations of a general economic recovery in a few years' time, will again boost demand. Closing of chemical plants may also have a positive effect on the ton-mile equation, as this will require sourcing of products from plants further away. The fleet increase further tightens the competition for skilled and motivated officers and ratings, in addition to onshore expertise, which limits the number of ships actually being able to serve the core chemical transportation market. Thus, the market outlook may after all not be as gloomy as some recent market analyses profess.

#### COMPANY STRATEGY AND PROSPECTS

As a leading niche player, we strive to provide safe, efficient, and cost-effective parcel tanker and tank terminal services to our customers worldwide. Besides clear operational and commercial benefits from close cooperation as between our shipping activity and our tank terminals, we consider tank terminals a stabilizing factor in the overall financial performance of the Company, as their earnings are less volatile than our shipping activities. Importantly, Odfjell strives to stay competitive and flexible with a modern, versatile and adequate fleet of vessels, adjusting to changing trade patterns through organizational nimbleness.

In general, 2008 became an "annus horribilis" in respect of the financial sector, world economic growth and for many shipping sectors. We have seen extreme volatility in a wide range of markets and we expect this to continue during 2009.

The current recession many economies are experiencing, is following the biggest liquidity boom the global economy has ever witnessed. After the biggest party, one can only expect the biggest hangover. In a shipping context, whilst large tankers and bulk carriers the last few years enjoyed boom times, our parcel tankers have comparatively done relatively poorly during this same period. Not unusual in down markets, we expect however doing relatively better than most shipping segments now going forward. This because the diversity of trade lanes and the products we transport provide some natural hedging against the nega-

tive effects of a general slowdown in demand. On the other hand, we cannot expect that our business will be immune to the crisis, and the short-term effects are difficult to assess as we seem to be navigating in "unchartered waters". Deliveries of newbuildings will continue, and the net supply will increase in 2009, although contracting has ceased. Recycling of ships will likely be accelerated, and we also expect to see some of the new ships contracted for delayed, even not delivered at all.

The recent strengthening of the USD, lower interest rates and the declining price of bunkers are positive developments, although in the short-term the overall benefit will partly be offset by hedging positions. We do expect tank terminal results to remain stable, as a result of strong demand for storage space and a solid contract base, whilst the extra income from additional services may be lower, as throughput is reduced. Overall we are preparing for 2009 being a challenging year, with weaker operating results than in 2008.

#### STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the condensed set of financial statements for 2008, which has been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the Annual Report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.



Bergen, 11 March 2009

#### THE BOARD OF DIRECTORS OF ODFJELL SE

**ILIAS A. ILIOPOULOS**  
Born 1963. Board Member since December 2008. Mr. Iliopoulos represents Chemlog, the second largest shareholder in Odfjell. Mr. Iliopoulos holds the position of the CEO of DryLog Ltd., Bermuda and the position of the CEO of EnergyLog Ltd., Bermuda. He has long experience in shipping and finance/banking. No shares and no options.

**IRENE WAAGE BASILI**  
Born 1967. Board Member since December 2008. Mrs. Waage Basili was CEO for Arrow Seismic ASA (taken over by Petroleum Geo Services (PGS) in December 2007). She is currently on contract with PGS. She has 17 years of shipping experience within commercial, strategic and operational roles. No shares and no options.

**BERNT DANIEL ODFJELL**  
Born 1938. Chairman of the Board. Mr. Odfjell has been with the company since 1963. Member of the founding family of the Company. 3 539 472 shares (incl. related parties). No options.

**MARIANNA A. MOSCHOU**  
Born 1948. Board Member since 2003. Until late 2001 Mrs. Moschou served as the Deputy Head of Citibank's Global Shipping Division with responsibility for Greece, Southern Europe and Middle East. No shares and no options.

**REIDAR LIEN**  
Born 1942. Board Member since 2001. Mr. Lien was previously Managing Director of Bergensbanken ASA and he has held various management positions in banking and industry. No shares and no options.

**TERJE STORENG**  
President/CEO



## PROFIT AND LOSS STATEMENT

(USD 1 000)

	Note	2008	2007	2006
Gross revenue		1 476 121	1 239 416	1 088 478
Net income from associates	4	92	108	60
Voyage expenses		(547 611)	(394 540)	(360 890)
Time-charter expenses	5	(196 605)	(145 423)	(144 782)
Operating expenses	6,8	(329 554)	(281 893)	(238 061)
<b>Gross result</b>		<b>402 443</b>	<b>417 668</b>	<b>344 805</b>
General and administrative expenses	7,8	(116 515)	(102 250)	(84 600)
<b>Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)</b>		<b>285 928</b>	<b>315 418</b>	<b>260 204</b>
Depreciation	9	(141 355)	(135 888)	(118 681)
Impairment of goodwill	14	-	(538)	-
Capital gain (loss) on non-current assets	9	53 052	24 604	14 644
<b>Operating result (EBIT)</b>		<b>197 625</b>	<b>203 595</b>	<b>156 167</b>
Interest income	19	7 742	12 839	10 568
Interest expenses		(72 930)	(73 582)	(53 333)
Other financial items	10	(7 387)	(1 482)	(631)
Currency gains (losses)	11	20 759	1 515	2 114
<b>Net financial items</b>		<b>(51 816)</b>	<b>(60 710)</b>	<b>(41 281)</b>
<b>Result before taxes</b>		<b>145 809</b>	<b>142 885</b>	<b>114 885</b>
Taxes	12	16 868	(152 994)	1 056
<b>Net result</b>		<b>162 678</b>	<b>(10 109)</b>	<b>115 941</b>
Allocated to:				
Minority interests		(762)	-	-
Shareholders		163 440	(10 109)	115 941
Earnings per share (USD) - basic/diluted	13	1.95	(0.12)	1.38

## BALANCE SHEET

(USD 1 000)

	Note	2008	2007	2006
<b>ASSETS AS PER 31.12.</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	14	10 460	10 663	10 327
Real estate	9	37 172	29 940	27 856
Ships	9	1 348 251	1 462 880	1 362 028
Newbuilding contracts	9	113 349	41 101	61 792
Tank terminals	9	633 782	480 539	340 188
Office equipment and cars	9	23 328	17 629	9 392
Investments in associates	4	1 488	1 402	1 299
Non-current receivables	16	58 302	3 748	2 078
<b>Total non-current assets</b>		<b>2 226 130</b>	<b>2 047 902</b>	<b>1 814 959</b>
<b>CURRENT ASSETS</b>				
Current receivables	17	146 779	137 275	113 670
Bunkers and other inventories	18	18 621	27 337	16 496
Derivative financial instruments	24	-	1 606	1 675
Available-for-sale investments	15	89 068	66 769	77 137
Cash and cash equivalents	19	104 263	97 947	165 287
<b>Total current assets</b>		<b>358 731</b>	<b>330 935</b>	<b>374 264</b>
<b>Total assets</b>		<b>2 584 862</b>	<b>2 378 837</b>	<b>2 189 223</b>
<b>EQUITY AND LIABILITIES AS PER 31.12</b>				
<b>EQUITY</b>				
Share capital	20	29 425	29 425	29 425
Treasury shares	20	-	(1 170)	(1 123)
Share premium	20	53 504	53 504	53 504
Other equity		632 137	584 591	620 379
Minority interests		5 792	6 207	5 517
<b>Total equity</b>		<b>720 859</b>	<b>672 558</b>	<b>707 702</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	12	26 992	22 581	23 227
Pension liabilities	21	15 851	20 454	17 363
Non-current interest bearing debt	22	1 420 793	1 189 497	1 181 804
Other non-current liabilities	23	76 325	130 780	2 656
<b>Total non-current liabilities</b>		<b>1 539 962</b>	<b>1 363 312</b>	<b>1 225 050</b>
<b>CURRENT LIABILITIES</b>				
Current portion of interest bearing debt	22	79 626	157 348	111 582
Taxes payable		17 544	20 439	3 158
Employee taxes payable		7 898	6 939	5 503
Derivative financial instruments	24	89 324	6 501	1 696
Other current liabilities	25	129 650	151 740	134 533
<b>Total current liabilities</b>		<b>324 042</b>	<b>342 967</b>	<b>256 472</b>
<b>Total equity and liabilities</b>		<b>2 584 862</b>	<b>2 378 837</b>	<b>2 189 223</b>

Bergen, 11 March 2009

THE BOARD OF DIRECTORS  
OF ODFJELL SE

B.D. Odfjell  
CHAIRMAN

Ilias A. Iliopoulos

Marianna Moschou

Reidar Lien

Irene Waage Basili

Terje Storeng  
President/CEO

## CASH FLOW STATEMENT

(USD 1 000)

	Note	2008	2007	2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Operating result		197 625	203 595	156 167
Depreciation and impairment		141 355	136 426	118 682
Capital (gain) loss on non-current assets		(53 052)	(24 604)	(14 644)
Inventory (increase) decrease		8 716	(10 841)	(413)
Trade debtors (increase) decrease		(23 067)	(11 184)	(4 783)
Trade creditors increase (decrease)		4 151	14 069	(980)
Difference in pension cost and pension premium paid		(4 603)	836	1 859
Other current accruals		(2 417)	943	(38 241)
Taxes paid		(25 146)	(9 515)	(9 197)
<b>Net cash flow from operating activities</b>		<b>243 562</b>	<b>299 725</b>	<b>208 450</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Sale of non-current assets		191 785	58 650	22 224
Investment in non-current assets	9	(404 657)	(371 052)	(271 123)
Available-for-sale investments		(22 385)	10 265	3 818
Changes in non-current receivables		(54 554)	(1 244)	(332)
Interest received		7 742	12 839	10 568
<b>Net cash flow from investing activities</b>		<b>(282 069)</b>	<b>(290 542)</b>	<b>(234 845)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
New interest bearing debt		264 117	265 835	533 941
Payment of interest bearing debt		(120 164)	(225 373)	(275 994)
Purchase treasury shares		22 111	(2 247)	(51 333)
Other financial expenses		(7 387)	(1 482)	(631)
Interest paid		(70 875)	(73 582)	(53 333)
Dividend		(32 874)	(41 327)	(72 467)
<b>Net cash flow from financing activities</b>		<b>54 928</b>	<b>(78 176)</b>	<b>80 183</b>
Effect on cash balances from currency exchange rate fluctuations		(10 104)	1 653	2 659
<b>Net change in cash balances</b>		<b>6 316</b>	<b>(67 340)</b>	<b>56 447</b>
Cash and cash equivalents as per 1.1		97 947	165 287	108 840
<b>Cash and cash equivalents as per 31.12</b>		<b>104 263</b>	<b>97 947</b>	<b>165 287</b>
Available credit facilities		-	64 000	15 000

## STATEMENT OF CHANGES IN EQUITY

( USD 1 000)

	Attributable to shareholders' equity						Total other equity	Total shareholders' equity	Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Exchange rate differences	Fair value and other reserves	Retained earnings				
<b>Equity as at 1.1.2006</b>	<b>29 425</b>	<b>-</b>	<b>109 955</b>	<b>(4 745)</b>	<b>373</b>	<b>557 233</b>	<b>552 862</b>	<b>692 242</b>	<b>-</b>	<b>692 242</b>
Cash flow hedges changes in fair value	-	-	-	-	3 843	-	<b>3 843</b>	<b>3 843</b>	-	<b>3 843</b>
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(115)	-	<b>(115)</b>	<b>(115)</b>	-	<b>(115)</b>
Net gain/(loss) on available-for-sale investments	-	-	-	-	162	-	<b>162</b>	<b>162</b>	-	<b>162</b>
Exchange rate differences on translating foreign operations	-	-	-	14 007	(94)	-	<b>13 913</b>	<b>13 913</b>	-	<b>13 913</b>
<b>Income and expenses for the year recognised directly to equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 007</b>	<b>3 796</b>	<b>-</b>	<b>17 803</b>	<b>17 803</b>	<b>-</b>	<b>17 803</b>
Net result 2006	-	-	-	-	-	115 941	<b>115 941</b>	<b>115 941</b>	-	<b>115 941</b>
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 007</b>	<b>3 796</b>	<b>115 941</b>	<b>133 744</b>	<b>133 744</b>	<b>-</b>	<b>133 744</b>
Share repurchases	-	(1 123)	-	-	-	(50 210)	<b>(50 210)</b>	<b>(51 333)</b>	-	<b>(51 333)</b>
Transfer of share premium	-	-	(56 451)	-	-	56 451	<b>56 451</b>	-	-	-
Consolidation minority interests	-	-	-	-	-	-	-	-	5 517	<b>5 517</b>
Dividend	-	-	-	-	-	(72 467)	<b>(72 467)</b>	<b>(72 467)</b>	-	<b>(72 467)</b>
<b>Equity as at 31.12.2006</b>	<b>29 425</b>	<b>(1 123)</b>	<b>53 504</b>	<b>9 262</b>	<b>4 169</b>	<b>606 947</b>	<b>620 379</b>	<b>702 186</b>	<b>5 517</b>	<b>707 702</b>
Cash flow hedges changes in fair value	-	-	-	-	(1 733)	-	<b>(1 733)</b>	<b>(1 733)</b>	-	<b>(1 733)</b>
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(625)	-	<b>(625)</b>	<b>(625)</b>	-	<b>(625)</b>
Net gain/(loss) on available-for-sale investments	-	-	-	-	(756)	-	<b>(756)</b>	<b>(756)</b>	-	<b>(756)</b>
Exchange rate differences on translating foreign operations	-	-	-	20 963	-	-	<b>20 963</b>	<b>20 963</b>	-	<b>20 963</b>
<b>Income and expenses for the year recognised directly to equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 963</b>	<b>(3 114)</b>	<b>-</b>	<b>17 849</b>	<b>17 849</b>	<b>-</b>	<b>17 849</b>
Net result 2007	-	-	-	-	-	(10 109)	<b>(10 109)</b>	<b>(10 109)</b>	-	<b>(10 109)</b>
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 963</b>	<b>(3 114)</b>	<b>(10 109)</b>	<b>7 740</b>	<b>7 740</b>	<b>-</b>	<b>7 740</b>
Share repurchases	-	(47)	-	-	-	(2 200)	<b>(2 200)</b>	<b>(2 247)</b>	-	<b>(2 247)</b>
Consolidation minority interests	-	-	-	-	-	-	-	-	690	<b>690</b>
Dividend	-	-	-	-	-	(41 327)	<b>(41 327)</b>	<b>(41 327)</b>	-	<b>(41 327)</b>
<b>Equity as at 31.12.2007</b>	<b>29 425</b>	<b>(1 170)</b>	<b>53 504</b>	<b>30 225</b>	<b>1 055</b>	<b>553 311</b>	<b>584 591</b>	<b>666 351</b>	<b>6 207</b>	<b>672 558</b>
Cash flow hedges changes in fair value	-	-	-	-	(86 381)	-	<b>(86 381)</b>	<b>(86 381)</b>	-	<b>(86 381)</b>
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(1 086)	-	<b>(1 086)</b>	<b>(1 086)</b>	-	<b>(1 086)</b>
Net gain/(loss) on available-for-sale investments	-	-	-	-	(4 718)	-	<b>(4 718)</b>	<b>(4 718)</b>	-	<b>(4 718)</b>
Exchange rate differences on translating foreign operations	-	-	-	(10 770)	-	-	<b>(10 770)</b>	<b>(10 770)</b>	348	<b>(10 422)</b>
<b>Income and expenses for the year recognised directly to equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 770)</b>	<b>(92 185)</b>	<b>-</b>	<b>(102 955)</b>	<b>(102 955)</b>	<b>348</b>	<b>(102 608)</b>
Net result 2008	-	-	-	-	-	163 440	<b>163 440</b>	<b>163 440</b>	(762)	<b>162 678</b>
<b>Total income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 770)</b>	<b>(92 185)</b>	<b>163 440</b>	<b>60 485</b>	<b>60 485</b>	<b>(415)</b>	<b>60 070</b>
Share sale/repurchases	-	1 170	-	-	-	19 610	<b>19 610</b>	<b>20 780</b>	-	<b>20 780</b>
Dividend	-	-	-	-	-	(32 549)	<b>(32 549)</b>	<b>(32 549)</b>	-	<b>(32 549)</b>
<b>Equity as at 31.12.2008</b>	<b>29 425</b>	<b>-</b>	<b>53 504</b>	<b>19 455</b>	<b>(91 130)</b>	<b>703 812</b>	<b>632 137</b>	<b>715 066</b>	<b>5 792</b>	<b>720 859</b>



## Notes to the Group Financial Statement

### NOTE 1 CORPORATE INFORMATION

Odfjell SE, Conrad Mohrsv. 29, Bergen, Norway, is the ultimate parent company of the Odfjell Group. Odfjell SE is a public limited company incorporated in Norway and traded on the Oslo Stock Exchange. The consolidated financial statement of Odfjell for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 11 March 2009. The Odfjell Group includes Odfjell SE, wholly owned or controlled subsidiaries incorporated in several countries (see note 29 for an overview of consolidated companies) and our share of investments in joint ventures (see note 30).

Odfjell is a leading company in the global market of transportation and storage of chemicals and other speciality bulk liquids as well as a provider of 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 SE and its consolidated companies.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

#### 2.1 Basis for preparation

The Odfjell Group prepared its accounts according to International Financial Reporting Standards (IFRS). All items in the financial statements have been reported, valued and accounted for in accordance with IFRS, which comprise standards and interpretations adopted by the International Accounting Standards Board (IASB). These include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) formerly the Standing Interpretations Committee (SIC). The consolidated statements have been prepared on a historical cost basis, except for the measurement 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 SE and its subsidiaries as at 31 December each year (see note 29). 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. Controlling influence is normally gained when the Group owns, directly or indirectly, more than 50% of the shares in the company and is capable of exercising actual control over the company. Identified excess values have been allocated to those assets and liabilities to which the value relates. Fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated

as assets and liabilities of the foreign operation and translated at the exchange rate at the balance sheet date. Excess values are depreciated over the estimated economic lives, except for goodwill that is tested for impairment annually or more frequently if events or changes in circumstances indicate that there may be impairment (see note 2.14).

#### 2.3 Application of judgment and estimates

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

#### Revenue recognition

Total revenues and voyage related expenses in a period are accounted for as the percentage of completed voyages. Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. 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 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 when calculating the present value of those cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations. Further details are given in note 2.14.

#### Taxes

The Group is subject to income tax in many jurisdictions. Considerable judgment must be exercised to determine income tax for all countries taken together in the consolidated accounts. The final tax liability for many transactions and calculations will be uncertain. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that



taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 2.7.

#### Pension

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

#### Provisions

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

#### 2.4 Changes in accounting principles and disclosures

The following changes in accounting principles have been implemented in 2008 as a result of requirements stipulated in the accounting standards and IFRIC interpretations. The adoption of these amendments to standards and interpretations had no impact to Odfjell.

- Amendments to IFRS 7, Financial Instruments: Disclosures IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments.
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement Reclassification of categories.
- IFRIC 12 Service Concession Arrangements.
- IFRIC 14 and IAS 19 The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction.

#### 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 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 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 terminal is located. The variation in the tax systems and rates may cause tax costs to vary significantly depending on the country in which profits are accumulated and taxed.

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences. We recognise formerly unrecognised deferred tax assets to the extent that it has become probable that we can utilise the deferred tax asset. Similarly, the Company will reduce its deferred tax assets to the extent that it 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 special shipping tax systems will generally not be taxed on their net operating profit from the approved shipping activities. A portion of net financial income and other non-shipping activities, are normally taxed at the ordinary applicable tax rate. Taxation under shipping tax regimes requires compliance to certain requirements, and breach of these requirements could lead to forced exit of the regime. A forced exit of the Norwegian shipping tax system will lead to accelerated tax payments.

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 30) 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. For ships chartered in on bare-boat terms, Odfjell is responsible for operating expenses and periodic maintenance. For such ships we make accruals for estimated future periodic maintenance.

Expected useful lives of non-current assets are reviewed at each balance sheet date and where they differ significantly from previous estimates, depreciations are adjusted accordingly. Changes are valid as from the date of estimate changes.

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 28.

### 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

#### Non-financial 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 our expected time-charter earning and estimated level of operating expenses for each type of ship over the remaining useful life of the ship. As the Odfjell ships are interchangeable and the regional parcel tankers are integrated with the large parcel tankers through a logistical system, all chemical tankers are seen

together as a portfolio of ships. In addition the Pool of officers and crew are used throughout the fleet. Odfjell has a strategy of a total crew-composition and how the crew is dedicated to the individual ships varies. Changing the crew between two ships can change the net present value per ship without any effect for the Group. This also is an argument for evaluating the fleet together. As a consequence, ships will only be impaired if the total value of the ships based on future estimated cash flows is lower than the total book value.

#### Tank terminals

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

#### Financial assets

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

#### Assets carried at amortised cost

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

#### Available-for-sale-investments

If an available-for-sale-investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit and loss.

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 and hedging

Derivative financial instruments are recognised on the balance sheet at fair value. The method of recognising the gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, we designate certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a 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. If a fair value hedge is derecognised the fair value is recognised immediately in profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group risk management policy, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are 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. At present the Group does only have derivatives traded in organised financial markets.

### 2.16 Financial instruments

Financial investments have been classified as financial assets at fair value through profit and loss, loans and receivables or available-for-sale categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The classification is dependent on the purpose for which the investments were acquired. Financial investments with less than 12 months to maturity or if they are being regularly traded are classified as current assets, otherwise as non-current. The Group determines the classification of its financial investments after initial recognition and where allowed and appropriate this designation is re-evaluated at each financial year end.

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

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

### Financial investments at fair value through profit and loss

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

### Loans and receivables

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

### Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition, available-for-sale investments are measured at fair value with gains and losses being recognised as a separate component 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 fair value at time of initial measurement. After initial recognition receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Provisions for impairment are based on estimated historical data and objective indicators of a fall in value. Objective indicators are, among other: material economical problems, economical restructuring, bankruptcy, delayed repayment or non-payment. Provisions for impairment are recognised to receivables and changes are charged profit and loss statement as

reduction in gross revenue. Any receipt of earlier written off receivables are recognised in profit and loss statement as gross revenue.

#### 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 Equity

##### Paid in equity

##### (i) Share capital

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

##### (ii) Treasury shares

The value of treasury shares' portion of share capital.

##### (iii) Share premium

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

##### Other equity

##### (i) Exchange rate differences

Exchange rate differences arise in connection with currency differences when foreign entities are consolidated. When a foreign operation is sold, the accumulated exchange differences linked to the entity are reversed and appear in the 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 available for sale. When the hedged cash flow matures or is no longer expected to occur the net change in fair value is transferred to the 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) Retained earnings

The net result attributable and available for distribution to the shareholders.

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

#### 2.21 Dismantling liabilities

If there is legal or constructive obligation to dismantle a tank terminal at the end of its useful life, liabilities for future dismantling expenses are

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.

#### 2.22 Interest bearing debt

Interest bearing debt is classified as non-current liabilities and appears initially as the amount of proceeds received, net of transaction costs incurred. In subsequent periods, transaction costs are deferred and 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 using the effective interest rate method. 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.

#### 2.23 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. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.24 Pension cost and liabilities

The Group operates a number of pension plans in accordance with the local conditions and practices in the countries in which it operates. Such pension plans are defined benefit plans or contribution plans according to the customary pension plans prevailing in the country concerned.

Defined benefit pension plans are pension plans with retirement, disability and termination income benefits. The retirement income benefits are generally a function of years of employment and final salary with the Company. Generally the schemes are funded through payments to insurance companies as determined by periodic actuarial calculations. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The net pension liability is calculated based on certain estimates with regards to interest rates, future salary adjustments etc. The estimates are based on historical experience and current market conditions. The cost of providing pensions is 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.

#### 2.25 Earnings per share

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

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

#### 2.26 Comparatives

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

#### 2.27 Segments

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 new-building contracts are not allocated to a certain area as the ships sail on a worldwide basis. Financial information relating to segments is presented in note 3.

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

#### 2.28 Events after the balance sheet date

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.

#### 2.29 IFRS and IFRIC interpretations issued but not effective as per 31.12.2008

Odfjell expects following impact from new Standards or Interpretations, which are effective for the annual period beginning 1 January 2009 or later:

##### IAS 1 (Revised) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either

in one single statement, or in two linked statements. Some changes in presentation of financial statement will be needed for the Group.

##### IAS 23 (Revised) Borrowing Cost

The revised standard requires capitalisation of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. This standard will have no impact as Odfjell already capitalise borrowing cost.

##### IAS 27 (Revised) Consolidated and Separated Financial Statements

The revised standard requires that a change in the ownership interest of a subsidiary (without a loss of control) is accounted for as an equity transaction. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The effect is depending if the Group has such transactions or not.

##### IFRS 3 (Revised) Business Combinations

The revised standard introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The effect is depending if the Group has such transactions or not.

##### IFRS 8, Operating Segments

The new standard IFRS 8 introduces changes in the identification of segments and measurement of segment information. This standard will have minimal impact as operating segments determined in accordance with IFRS 8 will be the same as the business segments identified under IAS 14.

##### IFRIC 16, Hedges of a Net Investment in a Foreign Operation

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

The following new Interpretations, which are effective for the annual period beginning 1 January 2009, will have no impact for Odfjell as of today:

- IAS 32 and IAS 1 (Amendments) Puttable Financial instruments and Obligations arising on Liquidation
- IFRS 1 and IAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
- IFRS 2 (Amendments) Vesting Conditions/Cancellations
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 17 Distribution of Non-Cash Assets to Owners
- IFRIC 18 Transfer of Assets

**NOTE 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.

Pricing of services and transactions between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between business segments. Those transactions 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 worldwide.

**BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2008**

(USD 1 000)

	Parcel Tankers	Tank Terminals	Eliminations	Total
<b>PROFIT AND LOSS STATEMENT</b>				
Gross revenue from external customers	1 247 384	228 737	-	<b>1 476 121</b>
Gross revenue from internal customers	-	3 462	(3 462)	-
<b>Gross revenue</b>	<b>1 247 384</b>	<b>232 199</b>	<b>(3 462)</b>	<b>1 476 121</b>
Net income from associates	-	92	-	<b>92</b>
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	190 512	95 416	-	<b>285 928</b>
Depreciation	(115 032)	(26 323)	-	<b>(141 355)</b>
Capital gain (loss) on non-current assets	53 648	(596)	-	<b>53 052</b>
<b>Operating result (EBIT)</b>	<b>129 127</b>	<b>68 498</b>	-	<b>197 625</b>
Net financial items	(38 057)	(13 759)	-	<b>(51 816)</b>
Taxes	32 147	(15 279)	-	<b>16 868</b>
<b>Net result</b>	<b>123 217</b>	<b>39 460</b>	-	<b>162 678</b>
Minority interests	-	(762)	-	<b>(762)</b>
<b>BALANCE SHEET</b>				
Investments in associates	-	1 488	-	<b>1 488</b>
Total assets	2 000 457	807 593	(223 189)	<b>2 584 862</b>
Total debt	1 355 732	551 697	(43 425)	<b>1 864 003</b>
<b>CASH FLOW STATEMENT</b>				
Net cash flow from operating activities	190 703	52 859	-	<b>243 562</b>
Net cash flow from investing activities	(91 779)	(190 290)	-	<b>(282 069)</b>
Net cash flow from financing activities	(91 949)	146 876	-	<b>54 928</b>
Capital expenditure	(217 436)	(187 221)	-	<b>(404 657)</b>

**BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2007**

(USD 1 000)

	Parcel Tankers	Tank Terminals	Eliminations	Total
<b>PROFIT AND LOSS STATEMENT</b>				
Gross revenue from external customers	1 063 237	176 179	-	<b>1 239 416</b>
Gross revenue from internal customers	-	3 782	(3 782)	-
<b>Gross revenue</b>	<b>1 063 237</b>	<b>179 961</b>	<b>(3 782)</b>	<b>1 239 416</b>
Net income from associates	-	108	-	<b>108</b>
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	241 683	73 734	-	<b>315 418</b>
Depreciation	(115 894)	(19 994)	-	<b>(135 888)</b>
Impairment of goodwill	(538)	-	-	<b>(538)</b>
Capital gain (loss) on non-current assets	24 608	(3)	-	<b>24 604</b>
<b>Operating result (EBIT)</b>	<b>149 859</b>	<b>53 737</b>	-	<b>203 595</b>
Net financial items	(50 679)	(10 031)	-	<b>(60 710)</b>
Taxes	(141 052)	(11 942)	-	<b>(152 994)</b>
<b>Net result</b>	<b>(41 872)</b>	<b>31 763</b>	-	<b>(10 109)</b>
Minority interests	-	-	-	-
<b>BALANCE SHEET</b>				
Investments in associates	-	1 402	-	<b>1 402</b>
Total assets	1 757 107	770 670	(148 940)	<b>2 378 837</b>
Total debt	1 344 445	411 330	(49 496)	<b>1 706 279</b>
<b>CASH FLOW STATEMENT</b>				
Net cash flow from operating activities	222 044	77 681	-	<b>299 725</b>
Net cash flow from investing activities	(155 901)	(134 641)	-	<b>(290 542)</b>
Net cash flow from financing activities	(116 337)	38 161	-	<b>(78 176)</b>
Capital expenditure	(237 566)	(133 486)	-	<b>(371 052)</b>

## BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2006

(USD 1 000)	Parcel Tankers	Tank Terminals	Eliminations	Total
<b>PROFIT AND LOSS STATEMENT</b>				
Gross revenue from external customers	938 579	149 899	-	<b>1 088 478</b>
Gross revenue from internal customers	-	1 709	(1 709)	-
<b>Gross revenue</b>	<b>938 579</b>	<b>151 608</b>	<b>(1 709)</b>	<b>1 088 478</b>
Net income from associates	-	60	-	<b>60</b>
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)	202 275	57 929	-	<b>260 204</b>
Depreciation	(99 581)	(19 101)	-	<b>(118 681)</b>
Capital gain (loss) on non-current assets	2 816	11 828	-	<b>14 644</b>
<b>Operating result (EBIT)</b>	<b>105 510</b>	<b>50 656</b>	<b>-</b>	<b>156 167</b>
Net financial items	(34 844)	(6 437)	-	<b>(41 281)</b>
Taxes	10 369	(9 314)	-	<b>1 056</b>
<b>Net result</b>	<b>81 035</b>	<b>34 906</b>	<b>-</b>	<b>115 941</b>
Minority interests	-	-	-	-
<b>BALANCE SHEET</b>				
Investments in associates	-	1 299	-	<b>1 299</b>
Total assets	1 739 250	498 781	(48 808)	<b>2 189 223</b>
Total debt	1 223 857	264 838	(7 173)	<b>1 481 522</b>
<b>CASH FLOW STATEMENT</b>				
Net cash flow from operating activities	165 086	43 364	-	<b>208 450</b>
Net cash flow from investing activities	(170 769)	(64 077)	-	<b>(234 845)</b>
Net cash flow from financing activities	63 836	16 348	-	<b>80 183</b>
Capital expenditure	(217 853)	(53 271)	-	<b>(271 123)</b>

## GROSS REVENUE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2008	2007	2006
USA	276 045	270 117	216 602
Other North America	480	-	2 176
Brazil	185 233	146 778	119 364
Other South America	115 685	90 848	88 020
Netherlands	266 915	189 477	157 807
Other Europe	88 331	93 733	94 211
Africa	109 847	103 769	101 327
Australasia	10 553	10 677	12 838
Middle East and Asia	423 032	334 016	296 134
<b>Total gross revenue</b>	<b>1 476 121</b>	<b>1 239 416</b>	<b>1 088 478</b>

## TOTAL ASSETS PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2008	2007	2006
North America	145 985	127 602	121 457
South America	23 733	26 316	23 467
Norway	243 743	162 769	239 648
Netherlands	345 160	276 645	177 025
Other Europe	29 829	52 162	40 585
Middle East and Asia	334 812	229 362	163 222
Unallocated ships and newbuilding contracts	1 461 600	1 503 981	1 423 820
<b>Total assets</b>	<b>2 584 862</b>	<b>2 378 837</b>	<b>2 189 223</b>

## CAPITAL EXPENDITURE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2008	2007	2006
North America	15 195	8 353	1 417
South America	5 213	4 012	505
Norway	8 744	9 163	5 287
Other Europe	79 054	75 432	23 494
Middle East and Asia	93 171	49 987	35 328
Unallocated ships and newbuilding contracts	203 280	224 105	205 093
<b>Total capital expenditure</b>	<b>404 657</b>	<b>371 052</b>	<b>271 123</b>

## NOTE 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 1.1.2006				1 241
	Exchange rate differences on translation				(2)
	Net income from associates 2006				60
	<b>Investment in associates 31.12.2006</b>				<b>1 299</b>
	Exchange rate differences on translation				(5)
	Net income from associates 2007				108
	<b>Investment in associates 31.12.2007</b>				<b>1 402</b>
	Exchange rate differences on translation				(6)
	Net income from associates 2008				92
	<b>Investment in associates 31.12.2008</b>				<b>1 488</b>

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

(USD 1 000)	2008	2007	2006
Gross revenue	442	433	338
Net result	92	108	60
Assets	1 545	1 463	1 357
Liabilities	57	61	58
<b>Equity</b>	<b>1 488</b>	<b>1 402</b>	<b>1 299</b>

**NOTE 5 TIME-CHARTER EXPENSES**

Time-charter expenses consist of expenses for operating leases, see note 28 for future obligations.

(USD 1 000)	2008	2007	2006
Floating TC-expenses	88 054	68 350	56 947
Other TC-expenses	108 551	77 073	87 835
<b>Total time-charter expenses</b>	<b>196 605</b>	<b>145 423</b>	<b>144 782</b>

**NOTE 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)	2008	2007	2006
Salary expenses (note 8)	147 972	121 047	100 697
Bonuses <sup>1</sup>	-	3 120	-
Cost of operations terminals	57 659	46 251	38 187
Cost of operations ships	122 663	112 923	99 523
Tonnage tax	92	93	90
Currency hedging	1 168	(1 541)	(435)
<b>Total operating expenses</b>	<b>329 554</b>	<b>281 893</b>	<b>238 061</b>

<sup>1</sup> Accrual in 2007 for payment in 2008 and 2009

**NOTE 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)	2008	2007	2006
Salary expenses (note 8)	73 373	59 561	49 125
Bonuses <sup>1</sup>	3 735	7 763	2 200
Other expenses	38 939	36 747	33 462
Currency hedging	467	(1 820)	(188)
<b>Total general and administrative expenses</b>	<b>116 515</b>	<b>102 250</b>	<b>84 600</b>

<sup>1</sup> Accrual in 2007 for payment in 2008 and 2009

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2008	2007	2006
Statutory auditing	1 067	981	818
Other assurance services	21	97	13
Tax advisory services	398	285	283
Other non-audit services	1 123	945	252
<b>Total remuneration</b>	<b>2 609</b>	<b>2 308</b>	<b>1 366</b>

**NOTE 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)	2008	2007	2006
Salaries	182 636	147 167	119 012
Bonuses <sup>1</sup>	3 735	10 883	2 200
Social expenses	27 900	23 038	20 681
Pension expenses defined benefit plans (note 21)	9 203	7 931	8 325
Pension expenses defined contribution plans (note 21)	1 800	1 322	1 047
Other benefits	1 119	812	758
<b>Total salary expenses</b>	<b>226 393</b>	<b>191 153</b>	<b>152 024</b>

<sup>1</sup> Accrual in 2007 for payment in 2008 and 2009

The Board reviews the application of the system from year to year and has for 2008 decided that bonuses shall be paid on a discretionary basis. In 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.

Average number of employees	2008	2007	2006
Europe	921	928	918
North America	145	137	127
South East Asia	2 213	2 064	1 864
South America	263	316	356
Other	121	117	128
<b>Total average number of employees</b>	<b>3 662</b>	<b>3 561</b>	<b>3 392</b>

At the end of 2008 the Board of Directors consist of 5 members (same as at the end of 2007), where of two new Directors were elected and two Directors resigned during 2008. Compensation and benefits to the Board of Directors:

(USD 1 000)	2008	2007	2006
Salary	336	359	359
Other benefits	2	6	3

As a result of increasing tank terminal activities, we established a separate management for tank terminals, as from January 1st 2008 Laurence W. Odfjell took charge of Odfjell Terminals, headquartered in Rotterdam. From the same date, our parcel tanker activities were gathered in a new ship operational structure (Odfjell Tankers) that also includes certain staff functions previously placed at corporate level. Jan A. Hammer, as Chief Operating Officer, is heading up Odfjell Tankers. Finance/Accounting/Communication/ICT, headed by Haakon Ringdal, and Corporate Investments/ Projects/ Newbuildings, entrusted Tore Jakobsen, continued their respective corporate functions, with overall Odfjell Group responsibilities.

The Executive Management Group consists of Terje Storeng, Jan A. Hammer, Laurence W. Odfjell, Haakon Ringdal and Tore Jakobsen.

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

(USD 1 000)	2008	2007	2006
Salary	2 005	2 319	2 095
Bonus <sup>1</sup>	406	798	398
Pension cost (note 21) <sup>2</sup>	382	636	381
Other benefits	117	290	237
<b>Total compensation and benefits</b>	<b>2 910</b>	<b>4 043</b>	<b>3 111</b>
<b>Average number of managers included</b>	<b>5</b>	<b>8</b>	<b>8</b>

<sup>1</sup> Accruals in 2007 for payment in 2008 and 2009

<sup>2</sup> In 2006 the pension cost is the same as the pension contribution.

In accordance with his employment contract, Terje Storeng has elected to resign from his position as President/CEO of Odfjell SE, effective as from the Annual General Meeting on 5 May 2009. The Board of Directors has appointed Haakon Ringdal new President/CEO as from that same date.

The President/CEO and managers reporting directly to him is included in the Company's defined benefit pension plan, see note 21. The Company also has unfunded pension obligations related to senior management for salaries exceeding 12G (presently 12G equals USD 120 454), up to 66% of 18G.

The Management shall be offered competitive terms of employment in order to ensure continuity in the Management and to enable the Company to recruit qualified personnel. The remuneration should be composed so that it promotes the creation of values in the Company. The remuneration shall not be of such a kind, nor of such a magnitude, that it may impair the public reputation of the Company.

The remuneration may consist of basic salary and other supplementary benefits, hereunder but not limited to payment in kind, bonus, termination payments and pension- and insurance schemes. Basic salary is normally the main component of the remuneration. The Company does not have any option schemes or other schemes as mentioned in the Public Limited Companies Act section 6-16 subsection 1 no. 3. There are no specific limits for the different categories of benefits or for the total remuneration to the Management.

## NOTE 9 NON-CURRENT ASSETS

(USD 1 000)	Real estate	Ships and newbuilding contracts	Periodic maintenance	Tank terminals	Office equipment and cars	Total
Net carrying amount 1.1.2008	29 940	1 438 475	65 506	480 539	17 629	2 032 089
Investment	6 922	152 780	49 470	187 221	8 264	404 657
Sale at book value	-	(141 719)	(700)	-	-	(142 419)
Depreciation 2008	(2 211)	(66 251)	(45 370)	(23 701)	(3 823)	(141 355)
Exchange rate differences	2 521	9 409	-	(10 277)	1 259	2 912
<b>Net carrying amount 31.12.2008</b>	<b>37 172</b>	<b>1 392 695</b>	<b>68 906</b>	<b>633 782</b>	<b>23 328</b>	<b>2 155 883</b>
Cost	40 341	1 931 044	65 506	645 492	46 348	2 728 731
Accumulated depreciation	(10 401)	(492 569)	-	(164 953)	(28 719)	(696 642)
<b>Net carrying amount 1.1.2008</b>	<b>29 940</b>	<b>1 438 475</b>	<b>65 506</b>	<b>480 539</b>	<b>17 629</b>	<b>2 032 089</b>
Cost	49 784	1 951 514	68 906	822 436	55 871	2 948 511
Accumulated depreciation	(12 612)	(558 820)	-	(188 654)	(32 542)	(792 628)
<b>Net carrying amount 31.12.2008</b>	<b>37 172</b>	<b>1 392 695</b>	<b>68 906</b>	<b>633 782</b>	<b>23 328</b>	<b>2 155 883</b>
Net carrying amount 1.1.2007	27 855	1 373 450	50 370	340 188	9 392	1 801 255
Investment	1 320	166 356	60 147	133 486	9 743	371 052
Sale at book value	-	(33 809)	(222)	-	(15)	(34 046)
Depreciation 2007	(1 591)	(68 347)	(44 789)	(18 049)	(3 112)	(135 888)
Exchange rate differences	2 356	825	-	24 914	1 621	29 716
<b>Net carrying amount 31.12.2007</b>	<b>29 940</b>	<b>1 438 475</b>	<b>65 506</b>	<b>480 539</b>	<b>17 629</b>	<b>2 032 089</b>
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)
<b>Net carrying amount 1.1.2007</b>	<b>27 855</b>	<b>1 373 450</b>	<b>50 370</b>	<b>340 188</b>	<b>9 392</b>	<b>1 801 255</b>
Cost	40 341	1 931 044	65 506	645 492	46 348	2 728 731
Accumulated depreciation	(10 401)	(492 569)	-	(164 953)	(28 719)	(696 642)
<b>Net carrying amount 31.12.2007</b>	<b>29 940</b>	<b>1 438 475</b>	<b>65 506</b>	<b>480 539</b>	<b>17 629</b>	<b>2 032 089</b>
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
<b>Net carrying amount 31.12.2006</b>	<b>27 855</b>	<b>1 373 450</b>	<b>50 370</b>	<b>340 188</b>	<b>9 392</b>	<b>1 801 255</b>
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)
<b>Net carrying amount 1.1.2006</b>	<b>27 368</b>	<b>1 279 460</b>	<b>41 792</b>	<b>286 292</b>	<b>8 642</b>	<b>1 643 554</b>
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)
<b>Net carrying amount 31.12.2006</b>	<b>27 855</b>	<b>1 373 450</b>	<b>50 370</b>	<b>340 188</b>	<b>9 392</b>	<b>1 801 255</b>

## Capital gain (loss) on non-current assets

In 2008 capital gain from sale of ships was USD 53.1 mill. (USD 24.6 mill. in 2007).

## Depreciation periods

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

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

## Fully depreciated non-current assets

Assets with a total cost price of USD 1.6 mill. have been fully depreciated as at 31 December 2008, but are still in use.

## Assets financed under finance leases

The carrying amount of ships financed under finance leases were USD 289.7 mill. and USD 301.9 mill. at 31 December 2008 and 31 December 2007 respectively. See note 2.12.

## 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 4.4 mill. in 2008 and USD 3.2 mill. in 2007. The average interest rate for 2008 was 3.2%.

## 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 2008 or 2007. The net present value of future cash flows was based on weighted average cost of capital WACC of 4.1% in 2008 and 6.3% in 2007. The WACC can be estimated as follows:

$$\begin{aligned} & \text{Borrowing rate: Debt ratio} * [10 \text{ year swap rate} + \text{loan margin}] \\ & + \text{Equity Return: Equity ratio} * [10 \text{ year treasury rate} + \text{Beta} * \text{risk premium}] \\ & = \text{WACC} \end{aligned}$$

As both swap and treasury US dollar based rates are currently low the WACC ends out low as well. The "value in use" equals the book value if the WACC changes by 7.7% to about 11.8%.

## Change in depreciation periods

The management reviewed the depreciation periods for ships in 2008. This has led to 36 ships that previously was depreciated over 25 and 28 years now being depreciated over 30 years. This has been accounted for as a change in estimates, and decreased depreciation expenses of USD 3.6 mill. in 2008.

## Change in residual value

The residual values are evaluated on a regular basis and any changes have an effect on future depreciations. During 2008 the market value for demolition of ships has been changed from USD 500 per ton at the beginning of the year to USD 250 per ton at the end of the year.

## NOTE 10 OTHER FINANCIAL ITEMS

(USD 1 000)	2008	2007	2006
Other financial income	1 033	1 175	427
Other financial expenses	(446)	(543)	(992)
Realised gain/losses on available-for-sale-investments	1 392	166	(66)
Financial assets and liabilities at fair value through profit and loss	(9 365)	(2 280)	-
<b>Total other financial items</b>	<b>(7 387)</b>	<b>(1 482)</b>	<b>(631)</b>

## NOTE 11 CURRENCY GAINS (LOSSES)

(USD 1 000)	2008	2007	2006
Currency hedging contracts	(9 202)	1 996	760
Non-current receivables and liabilities	33 361	(1 018)	(247)
Cash and cash equivalents	(10 104)	1 653	2 659
Other current assets and current liabilities	6 704	(1 115)	(1 058)
<b>Total currency gains (losses)</b>	<b>20 759</b>	<b>1 515</b>	<b>2 114</b>



## NOTE 12 TAXES

(USD 1 000)	2008	2007	2006
Taxes payable, Norway – ordinary tax	(181)	(79)	(586)
Taxes payable, Norway – within shipping tax system	32 790	(140 491)	-
Taxes payable, other jurisdictions	(14 440)	(13 148)	(9 721)
Change in deferred tax, Norway – within shipping tax system	(7)	18	9 255
Change in deferred tax, Norway – ordinary tax	-	-	2 377
Change in deferred tax, other jurisdictions	(1 869)	706	(269)
Variance in earlier years allocation of tax payable	575	-	-
<b>Total taxes</b>	<b>16 868</b>	<b>(152 994)</b>	<b>1 056</b>

## Shipping tax system in Norway – environmental investments:

When introducing new tonnage tax rules in Norway, applicable from January 1st 2007, the transition rules stated that up to 33% of the tax payable, will be waived if spent on qualifying environmental investments. It is the company's intention to utilize the option to cause such investments and to stay within the tonnage tax system at least until a sufficient amount of environmental investments have been made. At the end of 2008 in nominal value, NOK 371 (USD 53) million of future environmental investments must be made in order to fully utilize the waiver. In 2008 the amount was reduced by NOK 13 (USD 2.2) mill. related to qualifying investments. There is no time limit for making the investments, and under the assumption that the company intends to make the necessary investments whilst being in the Norwegian tonnage tax system, the tax liability related to these investments is negligible based on a net present value calculation. Although it is the company's intention to fully utilize the waiver, should the company for some reason not be qualified for the tonnage tax system anymore, the tax will be fully payable. The decision that there is no time limit for making the environmental investments was taken with effect from fiscal year 2008. The previous regulations said within 15 years. The effect of this change is a tax income of USD 32.8 million.

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

(USD 1 000)	2008	2007	2006
Result before taxes	145 809	142 885	114 885
Tax assessed at the tax rate in Odfjell SE's country of registration (28% in 2008, 2007 and 2006)	(40 827)	(40 008)	(32 168)
Difference between Norwegian and rates in other jurisdictions	(941)	(775)	(1 104)
Tax related to non-deductible expenses	(809)	(889)	(520)
Tax related to demerger of Norwegian shipping tax company	-	-	13 703
Tax payable, Norway – transition new shipping tax system	32 790	(140 491)	-
Tax related to non-taxable income	26 654	29 169	21 145
<b>Tax expense</b>	<b>16 868</b>	<b>(152 994)</b>	<b>1 056</b>
<b>Effective tax rate *</b>	<b>10.92%</b>	<b>8.75%</b>	<b>(0.9%)</b>

\* Effective tax rate for 2008 and 2007 is estimated without the extraordinary tax related to changes to and the transition in to new tax system.

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)	2008	2007	2006
Revaluation of investments at fair value	292	1 489	1 929
Differences related to current assets	3 128	-	-
Financial instruments	69 011	-	-
Pensions	12 755	18 455	15 189
Provisions	4 803	12 905	20 122
Deferred loss related to sale of non-current assets	-	1 269	-
Loss carried forward	77 952	3 367	33 782
Temporary differences not accounted for	(119 613)	(20 406)	(40 245)
<b>Total negative temporary differences</b>	<b>48 328</b>	<b>17 079</b>	<b>30 777</b>

Differences related to depreciation of non-current assets	109 877	79 480	92 306
Deferred gain related to sale of non-current assets	17 715	-	-
Unrealised currency related to non-current receivables and liabilities	15 995	13 959	18 232
Other	-	-	35
<b>Total positive temporary differences</b>	<b>143 587</b>	<b>93 439</b>	<b>110 573</b>

<b>Total recognised deferred tax liabilities<sup>1</sup></b>	<b>26 992</b>	<b>22 581</b>	<b>23 227</b>
--	---------------	---------------	---------------

<sup>1</sup> Total recognised deferred tax liabilities includes deferred tax from business combinations of Odfjell Terminals Maritiem BV with USD 2.5 million.

The Group has a total loss carried forward of USD 78 mill. at 31 December 2008 (2007: USD 3.4 mill.), that are available indefinitely to offset against future taxable profits of the companies in which the losses arose. The material changes from 2007 to 2008 in temporary differences not accounted for are mainly related to currency loss. Tax group contributions are also available within the same countries and within the same tax regime. The distribution of dividend to the Odfjell SE's shareholders does not affect the Company's payable or deferred tax.

The changes in temporary differences in 2008 are as follows:

(USD 1 000)	1.1.2008	Changes in temporary differences	31.12.2008
Revaluation of investments at fair value	(1 489)	1 197	(292)
Pensions	(18 455)	5 700	(12 755)
Provisions	(12 905)	8 102	(4 803)
Current assets at fair value	-	(3 128)	(3 128)
Financial instruments	-	(69 011)	(69 011)
Loss carried forward	(3 367)	(74 585)	(77 952)
Temporary differences not accounted for	20 406	99 207	119 613
Differences related to depreciation of non-current assets	79 480	30 397	109 877
Deferred gain/losses related to sale of non-current assets	(1 269)	18 984	17 715
Unrealised currency related to non-current receivables and liabilities	13 959	2 036	15 995
<b>Total</b>	<b>76 360</b>	<b>18 899</b>	<b>95 259</b>
Tax rate		(17-35%)	
Tax booked through income statement		2 199	

## Accumulated non-taxed income within Norwegian shipping tax systems

(USD 1 000)	2008	2007	2006
Balance of untaxed income at entry into the shipping tax system	-	-	397 814
Accumulated untaxed operating income	-	-	320 778
<b>Accumulated untaxed income</b>	<b>-</b>	<b>-</b>	<b>718 592</b>
Deferred tax liabilities	-	-	-

New tonnage tax regime was approved by the Norwegian Parliament in December 2007. The transition tax for the Odfjell-group is per December 31st 2008 USD 74 million and will be payable over nine years.

**NOTE 13 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.

(USD 1 000)	2008	2007	2006
Net result allocated to shareholders	163 440	(10 109)	115 941
Average weighted number of shares (1 000)	83 811	83 342	84 227
<b>Basic/diluted earnings per share</b>	<b>1.95</b>	<b>(0.12)</b>	<b>1.38</b>

**NOTE 14 GOODWILL**

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

(USD 1 000)	Cost	Investment	Sale	Impairment	Exchange	Book value
In relation to acquisition of CGU	1.1.2008			2008	rate effect	31.12.2008
Odfjell Terminals (Rotterdam) BV	5 743	-	-	-	(210)	5 533
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 920	-	-	-	7	4 927
<b>Total goodwill</b>	<b>10 663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(203)</b>	<b>10 460</b>
In relation to acquisition of CGU	1.1.2007			2007	rate effect	31.12.2007
Odfjell Terminals (Rotterdam) BV	5 169	-	-	-	574	5 743
Flumar Transportes de Quimicos e Gases Ltda	538	-	-	(538)	-	-
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 621	-	-	-	299	4 920
<b>Total goodwill</b>	<b>10 327</b>	<b>-</b>	<b>-</b>	<b>(538)</b>	<b>873</b>	<b>10 663</b>
In relation to acquisition of CGU	1.1.2006			2006	rate effect	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
<b>Total goodwill</b>	<b>9 470</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>857</b>	<b>10 327</b>

The management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.14 for each CGU. No impairment was necessary in 2008 or 2006. In 2007 the goodwill related to Flumar Transportes de Quimicos e Gases Ltda was written off. For tank terminals it has been determined based on expected future result for each terminal. We have calculated the "value in use" based on estimated five years operating result before depreciation less planned capital expenditures each year plus a residual value after five years. For shipping companies it has been determined based on our expected time-charter earning and estimated level of operating expenses for each ship over the remaining useful life of the ship. The net present value of future cash flows was based on weighted average cost of capital ("WACC") of 4.1% in 2008 and 6.3% in 2007. The WACC can be estimated as follows:

$$\begin{aligned} & \text{Borrowing rate: Debt ratio} * (10 \text{ year swap rate} + \text{loan margin}) \\ & + \text{Equity Return: Equity ratio} * (10 \text{ year treasury rate} + \text{Beta} * \text{risk premium}) \\ & = \text{WACC} \end{aligned}$$

As both swap and treasury US dollar based rates are currently low the WACC ends out low as well. If the WACC changes to 11.2% for Odfjell Terminals Rotterdam and to 13.2% for Oiltanking Odfjell Terminal Singapore the net present value equals the total capital employed.

**NOTE 15 AVAILABLE-FOR-SALE INVESTMENTS**

(USD 1 000)	Currency	Average interest rate 2008	Book value 2008	Book value 2007	Book value 2006
Bonds and certificates issued by financial institutions	USD	2.86%	58 478	54 448	52 419
Bonds and certificates issued by corporates	EUR	5.82%	20 405	-	4 426
Bonds and certificates issued by corporates	USD	3.61%	10 185	12 321	20 291
<b>Total available-for-sale investments</b>			<b>89 068</b>	<b>66 769</b>	<b>77 137</b>

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 2008 unrealised losses of USD 4.7 mill. were recognised directly to equity (unrealised loss of USD 0.7 million in 2007 and unrealised gains of USD 0.2 million in 2006). Bonds and certificates generally have interest rate adjustments every three months.

**NOTE 16 NON-CURRENT RECEIVABLES**

(USD 1 000)	2008	2007	2006
Loans to employees	1 425	1 768	1 505
Other non-current receivables	56 877	1 980	573
<b>Total non-current receivables</b>	<b>58 302</b>	<b>3 748</b>	<b>2 078</b>

As at 31 December, the ageing analysis of total non-current receivables are as follows:

(USD 1 000)	Total	Not past due nor impaired
<b>2008</b>	<b>58 302</b>	58 302
2007	3 748	3 748
2006	2 078	2 078

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 p.t. carry an interest of 6.25%, while other employee loans are currently calculated at 6.25% interest per annum. Repayment periods vary between 5 and 15 years for loans to President/CEO and managers reporting directly to him. Other employee loans are generally repayable over five years. The president/CEO and managers reporting directly to him have loans from the Company as follows: Terje Storeng (USD 0.1 mill.), Jan A. Hammer (USD 0.1 mill.) and Haakon Ringdal (USD 0.1 mill.).

**NOTE 17 CURRENT RECEIVABLES**

(USD 1 000)	2008	2007	2006
Trade receivables	123 121	106 985	94 020
Other receivables	26 752	30 036	21 489
Pre-paid costs	5 513	5 932	4 185
Provisions for impairment	(8 607)	(5 679)	(6 025)
<b>Total current receivables</b>	<b>146 779</b>	<b>137 275</b>	<b>113 670</b>

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

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

(USD 1 000)	Total	Not past due nor impaired	Past due but not impaired			
			< 30 days	30-60 days	60-90 days	> 90 days
2008	149 873	78 140	40 431	9 256	4 747	17 299
2007	137 021	86 368	29 749	8 879	3 860	8 166
2006	115 509	70 252	25 639	10 131	5 254	4 233

Movement in provisions for impairment:

(USD 1 000)	2008	2007	2006
Total provision for impairment per January 1st	5 679	6 025	5 216
This year's expenses	2 470	500	569
Write-off this year	731	(968)	446
Reversed provisions	(273)	122	(205)
<b>Total provision for impairment per December 31st</b>	<b>8 607</b>	<b>5 679</b>	<b>6 025</b>

The table below summarizes total current receivables into different currencies:

(USD 1 000)	2008	2007	2006
USD	100 729	85 310	79 884
EUR	35 940	34 535	22 144
SGD	2 889	2 536	1 676
RMB	2 590	733	591
WON	2 281	795	761
Other	2 350	13 367	8 613
<b>Total current receivables</b>	<b>146 779</b>	<b>137 275</b>	<b>113 670</b>

**NOTE 18 BUNKERS AND OTHER INVENTORIES**

(USD 1 000)	2008	2007	2006
Bunkers	16 613	26 450	15 486
Other inventories	2 008	888	1 009
<b>Total bunkers and other inventories</b>	<b>18 621</b>	<b>27 337</b>	<b>16 496</b>

**NOTE 19 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 3.1 mill. (USD 2.6 mill. in 2007) consist of funds for withholding taxes relating to employees in Odfjell Management AS and Odfjell Maritime Services AS. The cash and cash equivalents do not include available credit facilities.

(USD 1 000)	2008	2007	2006
Cash at banks and in hand	48 201	64 831	68 339
Short-term deposits	50 551	13 900	84 372
Other liquid investments	10 298	17 564	9 916
Effect from currency exchange rate fluctuations	(4 787)	1 653	2 659
<b>Total cash and cash equivalents</b>	<b>104 263</b>	<b>97 947</b>	<b>165 287</b>
Available credit facilities	-	64 000	15 000

**NOTE 20 SHARE CAPITAL AND PREMIUM**

	Number of shares (thousand)			Share capital (USD 1 000)			Share premium (USD 1 000)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
A-shares	65 690	65 690	65 690	22 277	22 277	22 277	40 507	40 507	40 507
B-shares	21 079	21 079	21 079	7 148	7 148	7 148	12 998	12 998	12 998
<b>Total</b>	<b>86 769</b>	<b>86 769</b>	<b>86 769</b>	<b>29 425</b>	<b>29 425</b>	<b>29 425</b>	<b>53 504</b>	<b>53 504</b>	<b>53 504</b>
<b>Treasury shares</b>									
A-shares	-	1 576	1 500	-	535	509	-	-	-
B-shares	-	1 873	1 811	-	635	614	-	-	-
<b>Total</b>									
<b>outstanding</b>	<b>86 769</b>	<b>83 320</b>	<b>83 458</b>	<b>29 425</b>	<b>28 255</b>	<b>28 302</b>	<b>53 504</b>	<b>53 504</b>	<b>53 504</b>

The number of shares are all authorised, issued and fully paid. Nominal value is NOK 2.50, equivalent to USD 0.36 as at 31.12.2008. All shares have the same rights in the Company, except that B-shares have no voting rights.

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

	2008		2007		2006	
	A-shares	B-shares	A-shares	B-shares	A-shares	B-shares
Chairman of the Board of Directors, B. D. Odfjell	3 537 472	2 000	3 537 472	-	3 537 472	-
President/CEO, Terje Storeng	70 560	2 112	70 560	2 112	70 560	2 112
Senior Vice President/CFO, Haakon Ringdal	2 000	-	-	-	-	-
Senior Vice President, Corporate Investments, Tore Jakobsen	-	10 000	-	-	-	-
Chief Operating Officer, Odfjell Tankers, Jan A. Hammer	-	3 200	-	-	-	-
President Tank Terminals, Laurence W. Odfjell	29 503 964	1 155 076	29 503 964	1 041 176	29 503 964	1 041 176

Dividend paid (USD 1 000)	2008	2007	2006
	A-shares	25 870	33 102
B-shares	8 301	9 936	17 604
<b>Total</b>	<b>34 171</b>	<b>43 038</b>	<b>72 467</b>

Dividend paid per share was NOK 2.00 in 2008 and NOK 3.00 in 2007.

20 largest shareholders as per 31 December 2008:

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	13 802 366	20 500	13 822 866	21.01%	15.93%
3 DnB NOR Markets	5 662 149	2 430 631	8 092 780	8.62%	9.33%
4 Odin-fondene	-	4 803 901	4 803 901	-	5.54%
5 SIX SIS	2 142 700	2 184 850	4 327 550	3.26%	4.99%
6 Pareto-fondene	1 994 795	1 706 300	3 701 095	3.04%	4.27%
7 AS Rederiet Odfjell	3 497 472	-	3 497 472	5.32%	4.03%
8 Svenska Handelsbanken	1 443 680	1 382 930	2 826 610	2.20%	3.26%
9 Folketrygdfondet	786 000	1 960 200	2 746 200	1.20%	3.16%
10 Odfjell Shipping (Bermuda) Ltd	1 463 898	1 215 760	2 679 658	2.23%	3.09%
11 JP Morgan Chase	636 630	321 600	958 230	0.97%	1.10%
12 Mathilda A/S	600 000	150 000	750 000	0.91%	0.86%
13 Pictet & CIE Banquiers	463 400	252 800	716 200	0.71%	0.83%
14 AS Bemacs	314 000	352 000	666 000	0.48%	0.77%
15 Citibank	443 022	43 140	486 162	0.67%	0.56%
16 SES	24 000	439 000	463 000	0.04%	0.53%
17 Berger	432 400	-	432 400	0.66%	0.50%
18 Skagen-fondene	312 900	105 700	418 600	0.48%	0.48%
19 Holberg-fondene	-	378 821	378 821	-	0.44%
20 Frank Mohn A/S	-	350 000	350 000	-	0.40%
<b>Total 20 largest shareholders</b>	<b>59 985 904</b>	<b>19 139 309</b>	<b>79 125 213</b>	<b>91.32%</b>	<b>91.19%</b>
Other shareholders	5 704 340	1 939 395	7 643 735	8.68%	8.81%
<b>Total</b>	<b>65 690 244</b>	<b>21 078 704</b>	<b>86 768 948</b>	<b>100.00%</b>	<b>100.00%</b>
International shareholders	47 451 668	7 122 434	54 574 102	72.24%	62.90%

All treasury shares of 1 679 500 A-shares at the price of NOK 50 and 2 322 482 B-shares at the price of NOK 40 were sold in 2008 to DnB NOR Markets. Furthermore Odfjell SE entered into a Total Return Swap (TRS) with DnB NOR Markets for all the sold shares. During 2008 the amount of 103 500 Odfjell A-shares were acquired at an average price of NOK 43.71, and 449 700 B-shares were acquired at an average price of NOK 35.15. In 2007 the amount of 76 000 Odfjell A-shares and 61 527 B-shares were acquired and no shares were sold. In 2006 the amount of 1 500 000 A-shares and 1 811 255 B-shares were acquired and no treasury shares were sold.

The Annual General Meeting on 5 May 2008 authorised the Board of Directors to acquire up to 10 per cent of the company's share capital. This authorisation expires 5 November 2009. 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.

## NOTE 21 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 70 256) and a 30-year accrual period. The plan also includes survivor/dependants and disability pensions. As at 31 December 2008, the different plans had 816 members. The commitment is calculated using straight-line accrual.

### The year's pension costs:

(USD 1 000)	Norway	USA	Netherlands	2008
Service costs	4 928	349	2 801	8 077
Interest cost on accrued pension liabilities	2 475	414	2 014	4 903
Estimated yield on pension assets	(2 145)	(450)	(1 936)	(4 531)
Administrative expenses	437	-	-	437
Amortisation of actuarial gains/losses	318	-	-	318
Social security tax	741	-	-	741
<b>Total pension cost</b>	<b>6 752</b>	<b>313</b>	<b>2 879</b>	<b>9 944</b>
Actual yield on the pension assets	(1.6%)	2.7%	3.0%	

(USD 1 000)	Norway	USA	Netherlands	2007
Service costs	4 063	354	3 218	7 635
Interest cost on accrued pension liabilities	1 976	375	1 743	4 094
Estimated yield on pension assets	(1 602)	(410)	(2 256)	(4 268)
Amortisation of past service cost	(1 979)	(8)	-	(1 987)
Amortisation of actuarial gains/losses	1 551	70	836	2 457
Social security tax	626	-	-	626
<b>Total pension cost</b>	<b>4 634</b>	<b>381</b>	<b>3 542</b>	<b>8 557</b>
Actual yield on the pension assets	8.5%	4.4%	3.9%	

(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
<b>Total pension cost</b>	<b>5 510</b>	<b>362</b>	<b>3 071</b>	<b>8 942</b>
Actual yield on the pension assets	7.0%	12.2%	3.2%	

**Obligation in financial statement:**

(USD 1 000)

	Norway	USA	Netherlands	2008
<b>Pension liabilities – funded obligations:</b>				
Present value of accrued secured liabilities	45 816	7 650	38 730	<b>92 196</b>
Fair value of pension assets	(34 259)	(4 795)	(31 390)	<b>(70 444)</b>
Social security tax	1 630	-	-	<b>1 630</b>
Actuarial gains/losses not recognised in the profit and loss statement	(10 640)	(1 570)	(8 960)	<b>(21 170)</b>
<b>Funded obligation</b>	<b>2 546</b>	<b>1 285</b>	<b>(1 620)</b>	<b>2 211</b>
<b>Pension liabilities – unfunded obligations:</b>				
Present value of accrued unsecured liabilities	9 233	-	-	<b>9 233</b>
Social security tax	1 302	-	-	<b>1 302</b>
Actuarial gains/losses not recognised in the profit and loss statement	(1 761)	-	-	<b>(1 761)</b>
<b>Unfunded obligation</b>	<b>8 774</b>	<b>-</b>	<b>-</b>	<b>8 774</b>
Net asset – classified as other long term receivables	3 247	-	1 620	<b>4 867</b>
<b>Net recognised liabilities</b>	<b>14 567</b>	<b>1 285</b>	<b>-</b>	<b>15 851</b>

	Norway	USA	Netherlands	2007
<b>Pension liabilities – funded obligations:</b>				
Present value of accrued secured liabilities	45 487	6 993	38 286	<b>90 766</b>
Fair value of pension assets	(35 235)	(5 408)	(36 440)	<b>(77 083)</b>
Social security tax	1 446	-	-	<b>1 446</b>
Actuarial gains/losses not recognised in the profit and loss statement	(3 009)	415	(2 271)	<b>(4 864)</b>
<b>Funded obligation</b>	<b>8 689</b>	<b>1 999</b>	<b>(426)</b>	<b>10 263</b>

	Norway	USA	Netherlands	2007
<b>Pension liabilities – unfunded obligations:</b>				
Present value of accrued unsecured liabilities	10 071	-	-	<b>10 071</b>
Social security tax	1 420	-	-	<b>1 420</b>
Actuarial gains/losses not recognised in the profit and loss statement	(1 726)	-	-	<b>(1 726)</b>
<b>Unfunded obligation</b>	<b>9 766</b>	<b>-</b>	<b>-</b>	<b>9 766</b>
Net asset – classified as other long term receivables	-	-	426	<b>426</b>
<b>Net recognised liabilities</b>	<b>18 455</b>	<b>1 999</b>	<b>-</b>	<b>20 454</b>

	Norway	USA	Netherlands	2006
<b>Pension liabilities – funded obligations:</b>				
Present value of accrued secured liabilities	36 743	6 755	24 549	<b>68 047</b>
Fair value of pension assets	(28 271)	(4 981)	(24 093)	<b>(57 345)</b>
Social security tax	1 195	-	-	<b>1 195</b>
Actuarial gains/losses not recognised in the profit and loss statement	(1 801)	-	(55)	<b>(1 856)</b>
<b>Funded obligation</b>	<b>7 866</b>	<b>1 773</b>	<b>401</b>	<b>10 040</b>

	Norway	USA	Netherlands	2006
<b>Pension liabilities – unfunded obligations:</b>				
Present value of accrued unsecured liabilities	7 720	-	-	<b>7 720</b>
Social security tax	1 088	-	-	<b>1 088</b>
Actuarial gains/losses not recognised in the profit and loss statement	(1 485)	-	-	<b>(1 485)</b>
<b>Unfunded obligation</b>	<b>7 323</b>	<b>-</b>	<b>-</b>	<b>7 323</b>
<b>Net recognised liabilities</b>	<b>15 189</b>	<b>1 773</b>	<b>401</b>	<b>17 363</b>

**Changes in the present value of the defined benefit obligation:**

(USD 1 000)

	Norway	USA	Netherlands	Total
Defined benefit obligation at 1 January 2006	43 003	5 678	20 701	<b>69 382</b>
Service cost	3 842	340	3 398	<b>7 580</b>
Interest cost	1 794	328	1 063	<b>3 185</b>
Actuarial (gains)/losses	(6 463)	599	(2 537)	<b>(8 401)</b>
Benefits paid	(1 048)	(191)	-	<b>(1 239)</b>
Exchange differences	3 335	-	1 924	<b>5 259</b>
<b>Defined benefit obligation at 31 December 2006</b>	<b>44 463</b>	<b>6 754</b>	<b>24 549</b>	<b>75 767</b>
Service cost	4 063	354	2 993	<b>7 410</b>
Interest cost	1 976	375	1 622	<b>3 973</b>
Past service cost	(2 306)	-	(375)	<b>(2 681)</b>
Actuarial (gains)/losses	1 105	(598)	5 414	<b>5 921</b>
Benefits paid	(1 166)	(80)	-	<b>(1 246)</b>
Exchange differences	7 424	-	4 082	<b>11 506</b>
<b>Defined benefit obligation at 31 December 2007</b>	<b>55 559</b>	<b>6 804</b>	<b>38 285</b>	<b>100 648</b>
Service cost	4 928	349	2 801	<b>8 077</b>
Interest cost	2 475	414	2 014	<b>4 903</b>
Actuarial (gains)/losses	8 926	226	(1 695)	<b>7 457</b>
Benefits paid	(1 239)	(142)	(949)	<b>(2 329)</b>
Exchange differences	(15 599)	-	(1 747)	<b>(17 346)</b>
<b>Defined benefit obligation at 31 December 2008</b>	<b>55 049</b>	<b>7 650</b>	<b>38 709</b>	<b>101 409</b>

**Changes in fair value of plan assets:**

Fair value of plan assets at 1 January 2006	23 969	4 413	16 564	<b>44 946</b>
Expected return	1 260	521	1 390	<b>3 171</b>
Actuarial (gains)/losses	(1 080)	-	(504)	<b>(1 584)</b>
Contribution	2 827	238	4 619	<b>7 683</b>
Benefits paid	(639)	(191)	-	<b>(830)</b>
Exchange differences	1 936	-	2 024	<b>3 960</b>
<b>Fair value of plan assets at 31 December 2006</b>	<b>28 271</b>	<b>4 981</b>	<b>24 093</b>	<b>57 345</b>
Expected return	1 602	410	1 673	<b>3 685</b>
Actuarial (gains)/losses	(897)	(184)	3 250	<b>2 169</b>
Past service cost	(699)	-	-	<b>(699)</b>
Contribution	3 058	280	3 333	<b>6 671</b>
Benefits paid	(813)	(80)	-	<b>(893)</b>
Exchange differences	4 713	-	3 667	<b>8 380</b>
<b>Fair value of plan assets at 31 December 2007</b>	<b>35 235</b>	<b>5 408</b>	<b>36 015</b>	<b>76 659</b>
Expected return	2 145	450	(6 897)	<b>(4 301)</b>
Actuarial (gains)/losses	(871)	(1 759)	-	<b>(2 630)</b>
Contribution	8 601	839	4 154	<b>13 594</b>
Administrative expenses	(383)	-	-	<b>(383)</b>
Benefits paid	(733)	(144)	(949)	<b>(1 826)</b>
Exchange differences	(9 735)	-	(951)	<b>(10 686)</b>
<b>Fair value of plan assets at 31 December 2008</b>	<b>34 260</b>	<b>4 795</b>	<b>31 373</b>	<b>70 428</b>

Estimated contribution in 2009 is USD 9 million.

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

	Norway			USA		
	2008	2007	2006	2008	2007	2006
Equities	6%	30%	23%	17%	16%	11%
Bonds/securities	61%	44%	64%	82%	80%	69%
Money market fund	16%	11%	-	1%	4%	20%
Property	17%	15%	13%	-	-	-

The plan assets in the Netherlands are invested by an insurance company with a guaranteed investment return from year-to-year. The return for 2009 will be 3%.

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

	Norway			USA			Netherlands		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Discount rate	3.8%	4.7%	4.4%	6.0%	5.72%	6.0%	6.25%	5.25%	4.5%
Expected return on assets	5.8%	5.75%	5.4%	8.0%	8.0%	8.0%	5.0%	5.0%	5.0%
Adjustment of wages	4.0%	4.5%	4.5%	4.0%	3.5%	3.5%	2.0%	2.0%	2.0%
Pension indexation (Sailors)	1.5%(3.75%)	2%(4.25%)	1.6%	3.5%	4.5%	3.5%	2.0%	2.0%	2.0%
Mortality table	K2005/KU	K2005/KU	K1963/KU	RP 2000	1994 GAM	1983 GAM	V 2005-2050	GMB/V 2000-2005	GMB/V 1995-2000

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

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

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

#### Defined contribution plan

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 2008, 512 members were covered by the plans. The contributions recognised as expenses equalled USD 1.8 mill and USD 1.3 mill in 2008 and 2007 respectively.

## NOTE 22 INTEREST BEARING DEBT

The interest bearing debt is a combination of secured debt and unsecured debt, finance leases from international shipping banks, and bonds in the Norwegian and Singaporean bond markets. Interest rates are generally based on floating LIBOR-rates. Fixed interest rates loans have fixed interest rate for the entire duration of such loan.

(USD 1 000)	Average interest rate	2008	2007	2006
Loans from financial institutions – floating interest rates	2.9%	827 521	574 504	612 486
Loans from financial institutions – fixed interest rates	3.8%	215 830	274 783	244 754
Finance leases	2.9%	259 331	273 708	227 317
Bonds	5.9%	201 420	229 062	213 821
<b>Total interest bearing debt</b>	<b>3.4%</b>	<b>1 504 103</b>	<b>1 352 057</b>	<b>1 298 379</b>
Transaction cost		(3 684)	(5 212)	(4 993)
Current portion of interest bearing debt		(79 626)	(157 348)	(111 582)
<b>Total non-current interest bearing debt</b>		<b>1 420 793</b>	<b>1 189 497</b>	<b>1 181 804</b>

Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2008.

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 2008 USD 0.9 mill. (USD 1.0 mill in 2007) have been charged to the profit and loss statement.

(USD 1 000)	2008	2007	2006
Book value of interest bearing debt secured by mortgages	890 022	772 476	728 934
Book value of ships and terminals mortgaged	1 283 255	1 213 937	1 055 098

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

#### Maturity of interest bearing debt as per 31.12.2008:

(USD 1 000)	2009	2010	2011	2012	2013	2014+	Total
Loans from financial institutions – floating interest rates	41 558	69 327	92 736	78 261	101 185	444 454	827 521
Loans from financial institutions – fixed interest rates	22 727	22 727	22 727	22 727	22 727	102 196	215 830
Finance leases	15 341	16 508	19 301	19 836	21 607	166 738	259 331
Bonds	-	49 020	152 400	-	-	-	201 420
<b>Total interest bearing debt</b>	<b>79 626</b>	<b>157 582</b>	<b>287 165</b>	<b>120 824</b>	<b>145 519</b>	<b>713 388</b>	<b>1 504 103</b>

#### Maturity of interest bearing debt as per 31.12.2007:

(USD 1 000)	2008	2009	2010	2011	2012	2013+	Total
Loans from financial institutions – floating interest rates	100 582	45 318	51 225	56 909	39 409	281 062	574 504
Loans from financial institutions – fixed interest rates	26 540	26 540	26 540	26 540	26 540	142 082	274 783
Finance leases	14 376	15 341	15 620	19 301	19 993	189 077	273 708
Bonds	15 850	-	49 100	164 112	-	-	229 062
<b>Total interest bearing debt</b>	<b>157 348</b>	<b>87 199</b>	<b>142 485</b>	<b>266 862</b>	<b>85 942</b>	<b>612 220</b>	<b>1 352 057</b>

Average maturity of the Group's interest-bearing debt is about 6.1 years (6.5 years in 2007).

The table below summarize interest bearing debt into different currencies:

(USD 1 000)	2008	2007	2006
USD	1 220 850	1 184 692	1 185 811
EUR	189 966	110 274	72 237
SGD	15 903	20 633	23 578
RMB	27 603	16 597	5 507
OMR	32 122	-	-
WON	14 281	16 318	11 246
Other currencies	3 377	3 543	-
<b>Total interest bearing debt</b>	<b>1 504 103</b>	<b>1 352 057</b>	<b>1 298 379</b>

The net carrying amount of assets under finance leases are USD 289.7 mill. as per 31 December 2008 (USD 301.9 mill as per 31 December 2007). The lease periods vary from 6 years to 25 years from inception, and may involve a right of renewal. In addition to the rental payments, the Group has obligations relating to the maintenance of the assets and insurance as would be for a legal owner. At any time the Company has the option to terminate the finance leases and become legal owner of the ship at defined termination payments. The finance leases generally do not contain provisions for payment of contingent rents. The future minimum lease payments are based on certain assumptions regarding the tax rules in the UK, including, but not limited to, tax rates and writing down allowances. Changes in these assumptions and the timing of them may impact the minimum lease payments. There were no such material in 2008. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2008		2007		2006	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within one year	27 123	15 341	26 773	14 376	20 591	8 758
After one year but not more than five years	117 366	77 252	114 315	71 254	110 105	71 380
More than five years	275 042	166 738	305 216	188 077	233 315	147 179
<b>Total minimum lease payments</b>	<b>419 531</b>		<b>446 304</b>		<b>364 011</b>	
Less amounts representing finance charges	(160 200)		(172 597)		(136 694)	
<b>Present value of minimum lease payments</b>	<b>259 331</b>	<b>259 331</b>	<b>273 708</b>	<b>273 708</b>	<b>227 317</b>	<b>227 317</b>

**NOTE 23 OTHER NON-CURRENT LIABILITIES**

(USD 1 000)	2008	2007	2006
Tax payable, Norway – transition new shipping tax system	63 010	127 109	-
Other	13 315	3 671	2 656
<b>Total other non-current liabilities</b>	<b>76 325</b>	<b>130 780</b>	<b>2 656</b>

**NOTE 24 RISK MANAGEMENT AND HEDGING ACTIVITIES**

Odjell'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 receivables (see note 17).

The Group has given guarantees for third parties' liabilities as shown in note 28.

**Liquidity risk**

The Group's strategy is to have 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 also 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. Such investments generate foreign currency translation differences booked directly to equity (see Statement of changes in equity). The Group has certain assets and liabilities denominated in NOK that are not fully hedged. Fluctuations in the USD/NOK exchange rate will influence the Group's profit. The most material items are Tax liabilities (see note 12 Taxes) and Pension liabilities (see note 21 Pension liabilities) in Norway.

The following table demonstrates the sensitivity on the Group's pre-tax profit arising from a reasonable change in NOK and EUR exchange rates, with all other variables held constant. The sensitivity does not include currency hedging contracts.

		Change in exchange rate	Effect on pre-tax profit
2008	NOK	10%	USD 20 mill.
	EUR	10%	USD 3 mill.
2007	NOK	10%	USD 24 mill.
	EUR	10%	USD 4 mill.
2006	NOK	10%	USD 9 mill.
	EUR	10%	USD 4 mill.

**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.

The following table demonstrates the sensitivity on the Group's pre-tax profit arising from a reasonable change in bunkers prices per ton, with all other variables held constant. The sensitivity does not include the effect of any bunkers hedging contracts or bunker adjustment clauses in our Contracts of Affreightment.

	Change in bunkers prices per ton	Effect on pre-tax profit
2008	10 USD	USD 6 mill.
2007	10 USD	USD 5 mill.
2006	10 USD	USD 5 mill.

**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.

The following table demonstrates the sensitivity related to loans with floating interest rate on the Group's pre-tax profit arising from a reasonable change in USD Libor interest rates, with all other variables held constant.

	Change in interest rate	Effect on pre-tax profit
2008	1%	USD 11 mill.
2007	1%	USD 9 mill.
2006	1%	USD 9 mill.

**Cash flow hedges - currency**

The Group estimates future expenses in non-USD currencies and secures part of the net cash flow in non-USD currencies by using forward/futures contracts and options. 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. 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 31.12.2008 the Group had following currency cash flow hedges (in thousands):

Forward/futures contracts (sale of USD)	Currency purchased	Average exchange rate	Remaining term to maturity			Total
			< 1 year	1-5 years	> 5 years	
Forward/futures contracts to hedge expected transactions	NOK	6.54	404 657	269 457	-	<b>674 114</b>
Options to hedge expected transactions	NOK	6.34	110 136	80 100	-	<b>190 236</b>

At 31.12.2007 the Group had following currency cash flow hedges (in thousands):

Forward/futures contracts (sale of USD)	Currency purchased	Average exchange rate	Remaining term to maturity			Total
			< 1 year	1-5 years	5 years	
Forward/futures contracts to hedge expected transactions	NOK	5.52	99 334	-	-	<b>99 334</b>
Forward/futures contracts to hedge expected transactions	SGD	1.43	15 745	-	-	<b>15 745</b>
Forward/futures contracts to hedge expected transactions	JPY	110.62	2 400 000	-	-	<b>2 400 000</b>

**Cash flow hedges – bunkers**

The Group estimates future fuel oil consumption and secures a fixed cash flow for fuel oil expenses by using forward/futures contracts and options. 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.

Forward/ futures contracts	Average price	Remaining term to maturity			Total Mt purchased	Estimated annual consumption
		< 1 year	1-5 years	> 5 years		
2008	382.18	300 000	30 000	-	330 000	600 000 Mt
2007	-	-	-	-	-	500 000 Mt
2006	266.25	90 000	-	-	90 000	500 000 Mt

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

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 31.12.2008 the Group held following interest rate derivatives documented as cash flow hedging:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Interest swap	2.53%	USD 3m LIBOR	USD 50 mill.	15.01.2009	1 year
Interest swap	3.77%	USD 3m LIBOR	USD 50 mill.	15.01.2008	2 years
Interest swap	4.90%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Interest swap	4.50%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Interest swap	5.19%	USD 6m LIBOR	USD 50 mill.	29.02.2008	5 years
Interest swap	3.70%	USD 3m LIBOR	USD 50 mill.	11.12.2008	5 years
Interest swap	4.03%	3m EURIBOR	EUR 30 mill.	02.04.2007	5 years
Interest swap	4.23%	3m EURIBOR	EUR 30 mill.	18.04.2008	5 years
Interest swap	4.87%	6m SIBOR	SGD 6.7 mill.	01.04.2000	12 years
Interest swap	6.45%	6m SIBOR	SGD 14.2 mill.	01.04.2000	12 years
Interest swap	4.68%	6m SIBOR	SGD 2.0 mill.	01.04.2000	13 years

As of 31.12.2007 the Group held following interest rate derivatives documented as cash flow hedging:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Interest swap	4.91%	USD 3m LIBOR	USD 52.5 mill.	14.09.2007	1 year
Interest swap	4.00%	USD 3m LIBOR	USD 50 mill.	15.01.2008	1 year
Interest swap	3.77%	USD 3m LIBOR	USD 50 mill.	15.01.2008	2 years
Interest swap	5.19%	USD 6m LIBOR	USD 50 mill.	29.02.2008	5 years
Interest swap	4.03%	3m EURIBOR	EUR 30 mill.	02.04.2007	5 years

As of 31.12.2006 the Group held the following interest rate derivatives documented as cash flow hedging:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Interest swap	4.60%	SIBOR	SGD 36.4 mill.	08.09.2007	5 years

**Fair value hedges - currency**

At 31.12.2008 the Group held the following currency instruments as fair value hedge:

Instrument	Committed amount		Remaining term to maturity		
	Deliver	Receive	< 1 year	1-5 years	> 5 years
Cross currency swap	USD 97.4 mill.	NOK 622 mill.	-	USD 97.4 mill.	-
Cross currency swap	USD 104.1 mill.	SGD 160 mill.	-	USD 104.1 mill.	-
Forward currency	USD 19.0 mill.	NOK 114.6 mill.	USD 9.0 mill.	USD 10.0 mill.	-

At 31.12.2007 the Group held the following currency instruments as fair value hedge:

Instrument	Committed amount		Remaining term to maturity		
	Deliver	Receive	< 1 year	1-5 years	> 5 years
Cross currency swap	USD 125.3 mill.	NOK 799 mill.	USD 16 mill.	USD 109.3 mill.	-
Cross currency swap	USD 104.1 mill.	SGD 160 mill.	-	USD 104.1 mill.	-

At 31.12.2006 the Group held the following currency instruments as fair value hedge:

Instrument	Committed amount		Remaining term to maturity		
	Deliver	Receive	< 1 year	1-5 years	> 5 years
Cross currency swap	USD 109.2 mill.	NOK 700 mill.	-	USD 109.2 mill.	-
Cross currency swap	USD 104.1 mill.	SGD 160 mill.	-	USD 104.1 mill.	-

**Fair value hedges – interest rates**

As of 31.12.2008 the Group held the following cross currency rate swaps documented as fair value hedging with termination after 1 year but within 5 years:

Exchange from	Currently rate	Notional amount	Exchange to	Currently rate	Notional amount
NOK 3m NIBOR	5.3%	NOK 300 mill.	USD 3m LIBOR	2.6%	USD 49 mill.
NOK 3m NIBOR	5.4%	NOK 322 mill.	USD 3m LIBOR	2.8%	USD 48.4 mill.
3m SIBOR	2.6%	SGD 110 mill.	USD 3m LIBOR	3.3%	USD 71.5 mill.
Fixed SGD rate	4.2%	SGD 50 mill.	USD 3m LIBOR	3.3%	USD 32.5 mill.

As of 31.12.2007 the Group held the following cross currency rate swaps documented as fair value hedging with termination within 1 year:

Exchange from	Currently rate	Notional amount	Exchange to	Currently rate	Notional amount
NOK 3m NIBOR	6.8%	NOK 99 mill.	USD 3m LIBOR	5.8%	USD 16 mill.

And following cross currency rate swaps documented as fair value hedging with termination after 1 year but within 5 years:

Exchange from	Currently rate	Notional amount	Exchange to	Currently rate	Notional amount
NOK 3m NIBOR	6.9%	NOK 400 mill.	USD 3m LIBOR	5.9%	USD 60.1 mill.
NOK 3m NIBOR	7.2%	NOK 300 mill.	USD 3m LIBOR	6.2%	USD 49 mill.
3m SIBOR	3.7%	SGD 110 mill.	USD 3m LIBOR	5.9%	USD 71.5 mill.
Fixed SGD rate	4.2%	SGD 50 mill.	USD 3m LIBOR	5.9%	USD 32.5 mill.

As of 31.12.2006 the Group held the following cross currency rate swaps documented as fair value hedging with termination after 1 year but within 5 years:

Exchange from	Currently rate	Notional amount	Exchange to	Currently rate	Notional amount
NOK 3m NIBOR	3.8%	NOK 700 mill.	USD 3m LIBOR	5.4%	USD 109.2 mill.
3m SIBOR	3.5%	SGD 110 mill.	USD 3m LIBOR	5.4%	USD 71.5 mill.
Fixed SGD rate	4.2%	SGD 50 mill.	USD 3m LIBOR	5.4%	USD 32.5 mill.

**Derivative financial instruments not qualifying for hedge accounting**

As of 31.12.2008 the Group held following derivatives not qualifying for hedge accounting:

Instrument	Committed amount		Remaining term to maturity		
	Deliver	Receive	< 1 year	1-5 years	> 5 years
Forward currency	EUR 10.0 mill.	NOK 96.7 mill.	EUR 10.0 mill.	-	-
FX-option	USD 12.0 mill.	NOK 76.2 mill.	USD 12.0 mill.	-	-
Total Return Swap	NOK 243.6 mill.	4.8 mill. shares	NOK 243.6 mill.	-	-



As of 31.12.2007 the Group held following derivatives not qualifying for hedge accounting:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Sold receiver swaption	4.90%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Sold receiver swaption	4.50%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Sold receiver swaption	3.70%	USD 6m LIBOR	USD 50 mill.	06.04.2008	5 years

As of 31.12.2006 the Group held following derivatives not qualifying for hedge accounting:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Sold receiver swaption	5.00%	USD 6m LIBOR	USD 50 mill.	05.02.2007	10 years

#### Derivative financial instruments recorded as liability on the balance sheet

(USD 1 000)	2008	2007	2006
Bunkers	40 277	-	515
Currency	15 218	(765)	(1 782)
Interest	27 995	5 660	1 288
Other	5 834	-	-
<b>Derivative financial instruments</b>	<b>89 324</b>	<b>4 895</b>	<b>21</b>

#### 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
<b>Balance sheet as at 1.1.2006</b>	<b>1 051</b>	<b>-</b>	<b>(57)</b>	<b>(85)</b>	<b>909</b>
Fluctuations during the period:					
- Gains/losses due to changes in fair value	2 922	-	1 436	(515)	<b>3 843</b>
- Transfers to the profit and loss statement	(257)	-	57	85	<b>(115)</b>
- Exchange rate differences on translating derivatives from non-USD subsidiaries	(94)	-	-	-	<b>(94)</b>
<b>Balance sheet as at 31.12.2006</b>	<b>3 623</b>	<b>-</b>	<b>1 436</b>	<b>(515)</b>	<b>4 544</b>
Fluctuations during the period:					
- Gains/losses due to changes in fair value	(1 744)	11	-	-	<b>(1 733)</b>
- Transfers to the profit and loss statement	295	-	(1 436)	515	<b>(625)</b>
<b>Balance sheet as at 31.12.2007</b>	<b>2 174</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>2 185</b>
Fluctuations during the period:					
- Gains/losses due to changes in fair value	(15 804)	-	(10 817)	(59 760)	<b>(86 381)</b>
- Transfers to the profit and loss statement	(886)	(11)	(190)	-	<b>(1 086)</b>
<b>Balance sheet as at 31.12.2008</b>	<b>(14 515)</b>	<b>-</b>	<b>(11 007)</b>	<b>(59 760)</b>	<b>(85 282)</b>

#### Fair values of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Derivative financial instruments and available-for-sale-investments are recorded in the balance sheet at the fair value at the balance sheet date. The fair value is obtained from bank, broker or other relevant third party. For cash and cash equivalents and current liabilities the carrying amount is considered to be the best estimate of fair value of these instruments due to the short maturity date. Receivables are valued at nominal value reduced by any impairment. Carrying amount is considered to be best estimate of fair value due to short maturity date and valid terms. Fair value of interest bearing debt with fixed interest rate is calculated based on discounted future cash flows and the Group's alternative market interest for corresponding financial instruments.

Below is a comparison by category of carrying amount and fair values of all of the Group's financial instruments:

(USD 1 000)	Carrying amount			Fair value		
	2008	2007	2006	2008	2007	2006
<b>Assets</b>						
Cash and cash equivalents	104 263	97 947	165 287	104 263	97 947	165 287
Available-for-sale-investments	89 068	66 769	77 137	89 068	66 769	77 137
Derivative financial instruments	-	1 606	1 675	-	1 606	1 675
Current receivables	141 267	131 342	109 484	141 267	131 342	109 484
Non-current receivables	58 302	3 747	2 078	58 302	3 747	2 078
Other non-financial assets*	2 191 962	2 077 426	1 833 562	2 191 962	2 077 426	1 833 562
<b>Total assets</b>	<b>2 584 862</b>	<b>2 378 837</b>	<b>2 189 223</b>	<b>2 584 862</b>	<b>2 378 837</b>	<b>2 189 223</b>
<b>Liabilities</b>						
Other current liabilities	155 093	173 284	125 141	155 093	173 284	125 141
Derivative financial instruments	89 324	6 501	1 696	89 324	6 501	1 696
Interest bearing debt	1 500 419	1 346 845	1 293 386	1 500 419	1 331 917	1 271 702
Other non-current liabilities	76 325	130 780	2 656	76 325	130 780	2 656
Other non-financial liabilities*	42 843	48 868	58 643	42 843	48 868	58 643
<b>Total liabilities</b>	<b>1 864 004</b>	<b>1 706 279</b>	<b>1 481 521</b>	<b>1 864 004</b>	<b>1 691 351</b>	<b>1 459 837</b>

\* No fair value evaluation is done for other non-financial asset/liabilities. Fair value is equal to carrying amount.

Classification of financial assets and liabilities

(USD 1 000)	Derivatives held as hedge instrument	Derivatives held at fair value over the result	Loans and receivables	Available-for-sale-investments	Liabilities recognised at amortised cost	Non-financial assets/liabilities	2008
<b>Assets</b>							
Cash and cash equivalents	-	-	104 263	-	-	-	<b>104 263</b>
Available-for-sale-investments	-	-	-	89 068	-	-	<b>89 068</b>
Current receivables	-	-	141 267	-	-	-	<b>141 267</b>
Non-current receivables	-	-	58 302	-	-	-	<b>58 302</b>
Other non-financial assets	-	-	-	-	-	2 191 962	<b>2 191 962</b>
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>303 831</b>	<b>89 068</b>	<b>-</b>	<b>2 191 962</b>	<b>2 584 862</b>
<b>Liabilities</b>							
Other current liabilities	-	-	155 093	-	-	-	<b>155 093</b>
Derivative financial instruments	70 757	18 566	-	-	-	-	<b>89 324</b>
Interest bearing debt	-	-	-	-	1 500 419	-	<b>1 500 419</b>
Other non-current liabilities	-	-	76 325	-	-	-	<b>76 325</b>
Other non-financial liabilities	-	-	-	-	-	42 843	<b>42 843</b>
<b>Total liabilities</b>	<b>70 757</b>	<b>18 566</b>	<b>231 418</b>	<b>-</b>	<b>1 500 419</b>	<b>42 843</b>	<b>1 864 004</b>
<b>Assets</b>							<b>2007</b>
Cash and cash equivalents	-	-	97 947	-	-	-	<b>97 947</b>
Available-for-sale-investments	-	-	-	66 769	-	-	<b>66 769</b>
Derivative financial instruments	923	683	-	-	-	-	<b>1 606</b>
Current receivables	-	-	131 342	-	-	-	<b>131 342</b>
Non-current receivables	-	-	3 747	-	-	-	<b>3 747</b>
Other non-financial assets	-	-	-	-	-	2 077 426	<b>2 077 426</b>
<b>Total assets</b>	<b>923</b>	<b>683</b>	<b>233 036</b>	<b>66 769</b>	<b>-</b>	<b>2 077 426</b>	<b>2 378 837</b>
<b>Liabilities</b>							
Other current liabilities	-	-	173 284	-	-	-	<b>173 284</b>
Derivative financial instruments	3 957	2 544	-	-	-	-	<b>6 501</b>
Interest bearing debt	-	-	-	-	1 346 845	-	<b>1 346 845</b>
Other non-current liabilities	-	-	130 780	-	-	-	<b>130 780</b>
Other non-financial liabilities	-	-	-	-	-	48 868	<b>48 868</b>
<b>Total liabilities</b>	<b>3 957</b>	<b>2 544</b>	<b>304 064</b>	<b>-</b>	<b>1 346 845</b>	<b>48 868</b>	<b>1 706 279</b>

**Capital Management**

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

The Group manages the capital structure and makes adjustments to it, to maintain an optimal structure adapted to current economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments, buy treasury shares, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the years ending 31 December 2008, 2007 and 2006.

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

(USD 1 000)	2008	2007	2006
Equity	721	673	708
Total assets	2 585	2 379	2 189
Equity ratio	27.9%	28.3%	32.3%
Cash and cash equivalents	104	98	165
Available-for-sale-investments	89	67	77
Available drawing facilities	-	64	15
<b>Total available liquidity</b>	<b>193</b>	<b>229</b>	<b>257</b>

**NOTE 25 OTHER CURRENT LIABILITIES**

(USD 1 000)	2008	2007	2006
Trade payables	49 579	35 814	30 094
Provisions	-	5 834	18 053
Other current liabilities	80 072	110 092	86 387
<b>Total other current liabilities</b>	<b>129 650</b>	<b>151 740</b>	<b>134 533</b>

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 were used in 2008.

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

(USD 1 000)	Total	On demand	< 3 months	3-6 months	6-9 months	> 9 months
2008	129 650	120 685	5 809	1 516	133	1 508
2007	151 740	113 447	33 026	555	238	4 474
2006	134 533	95 932	35 330	829	1 270	1 172

The table below summarize other current liabilities into different currencies:

(USD 1 000)	2008	2007	2006
USD	70 750	84 563	87 900
EUR	39 406	43 262	26 036
SGD	2 765	1 908	1 117
RMB	1 346	9 682	4 944
WON	3 524	1 868	4 238
Other currencies	11 859	10 457	10 299
<b>Total other current liabilities</b>	<b>129 650</b>	<b>151 740</b>	<b>134 533</b>

**NOTE 26 GOVERNMENT GRANTS**

Government grants from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seafarers of USD 1.0 million in 2008 (USD 1.7 mill. in 2007) is entered in the accounts as a reduction of operating expenses.

Flumar Transportes de Quimicos e Gases Ltda received USD 1.5 mill in 2008 (USD 1.4 mill in 2007) 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 27 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 Tankers paid these companies USD 1.2 mill. in agency fees (USD 1.0 mill. in 2007), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil - Representacoes Ltda paid USD 1.0 mill. for administrative services in 2008 (USD 0.6 mill. in 2007).

AS Rederiet Odfjell, beneficially owned by the Chairman of the Board, B. D. Odfjell, and his immediate family, rent office premises and buy administrative services from Odfjell SE in Bergen, for which Odfjell SE received USD 0.1 mill. in 2008 (same as in 2007).

Transactions with related parties are settled on a regular basis and the balances as per 31.12.2008 were immaterial.

**NOTE 28 COMMITMENTS, GUARANTEES AND CONTINGENCIES****Operating leases**

The Group has entered into several operating leases for ships. The leases have fixed time-charter commitment. The time-charter rate is the compensation to the ship owner covering his financial expenses and in some cases also the ship operating expenses. In addition the Group has floating time-charter arrangements where payments equal the earnings generated by the ships. See note 5 for the time-charter/lease expenses.

The Group also has entered into operating leases for land, buildings and certain vehicles and items of machinery. Leases for land and buildings are generally non-cancellable and long-term with remaining terms from 24 years to 33 years. Leases for certain vehicles and items of machinery have an average period of between three and five years with no renewal option in the contracts.

The operating leases 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 with fixed time-charter commitments fall due as follows:

(USD 1 000)	2008	2007	2006
Within one year	107 220	79 906	74 692
After one year but not more than five years	352 488	374 080	352 246
After five years	187 746	350 975	404 686
<b>Total</b>	<b>647 454</b>	<b>804 961</b>	<b>831 624</b>

**Capital commitments**

In 2004 Odfjell placed contracts with the large Russian "Sevmash" shipyard, located near Archangelsk, for up to twelve 45,000 tdw IMO type II coated product/chemical carriers. The initial fixed total contract price for all twelve vessels was approximately USD 500 million, later increased to USD 544 mill. Following serious delays in the construction process, combined with demands for further price increases from the yard, continuous cooperation problems as well as protracted negotiations, Odfjell decided, in February 2008, to serve formal notice of cancellation to Sevmash. The instalments paid were refunded by the yard, interest included. Yard supervision and other owner's expenses in an amount of USD 7 million were not refundable under the shipbuilding contracts, and this amount forms part of our claim against the yard for compensation for costs and losses caused, on account of wilful misconduct and massive contract breaches by the yard. The issue will be solved by arbitration in Sweden, as provided for in the contract.

Early 2008 Odfjell signed agreements with the Chuan Dong Shipyard to build a series of six 9 000 dwt stainless steel chemical tankers. These will be delivered in 2010-2012, at a total outstanding commitment of USD 72 million.

Our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co. Ltd signed a contract for the building of an 8 200 dwt chemical tanker. The ship will be a fully coated IMO II type carrier being built by the Zhoushan Penglai Shipbuilding and Repairing Company, with delivery scheduled for May 2009 at a total outstanding commitment of USD 17 million.

The Company also have capital commitments for investments in terminals in China, Korea, Singapore, Middle East, North America and Europe of a total outstanding amount of USD 62.5 million.

**Guarantees**

(USD 1 000)	2008	2007	2006
<b>Total guarantees</b>	19 508	25 821	22 854

**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.

We have settled most antitrust issues with our US based customers. At this point in time it is not possible to estimate the financial impact of any future settlements. These negotiations have not prevented us from doing business with any of our customers, at market terms. Both in 2007 and 2008 the total effect on the net result from customer settlements was immaterial. See note 25 and the Board of Directors' report.

From the EU Commission Odfjell received a so-called Statement of Objections in April 2007. In May 2008 Odfjell was informed that the European Commission had closed the file in the Chemical Parcel Tanker case. The Commission's conclusion was that it lacked jurisdiction over the case due to the tramp exclusion contained in Regulation 4056/86, in line with what Odfjell consistently argued before the Commission.

**NOTE 29 LIST OF SUBSIDIARIES**

The following subsidiaries are fully consolidated in the financial statements as per 31.12.2008:

Company	Country of registration	Ownership share	Voting share
Odfjell Chemical Tankers AS	Norway	100%	100%
Odfjell Chemical Tankers II AS	Norway	100%	100%
Odfjell Tankers AS	Norway	100%	100%
Odfjell Terminals SE	Norway	100%	100%
Odfjell Insurance & Properties AS	Norway	100%	100%
Odfjell Projects AS	Norway	100%	100%
Odfjell Management AS	Norway	100%	100%
Odfjell Maritime Services AS	Norway	100%	100%
Norfra Shipping AS	Norway	100%	100%
Odfjell Netherlands BV	Netherlands	100%	100%
Odfjell Chemical Tankers Netherlands BV	Netherlands	100%	100%
Odfjell Terminals BV (Netherlands)	Netherlands	100%	100%
Odfjell Terminals USA BV	Netherlands	100%	100%
Odfjell Terminals Asia BV	Netherlands	100%	100%
Odfjell Terminals EMEA BV	Netherlands	100%	100%
Odfjell Terminals (Rotterdam) BV	Netherlands	100%	100%
Odfjell Terminals Maritiem 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 Terminals Asia Pte Ltd	Singapore	100%	100%
Odfjell Terminals Thailand 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 Durban South Africa (Pty) Ltd	South Africa	100%	100%
Odfjell USA Inc	USA	100%	100%
Odfjell USA (Houston) Inc	USA	100%	100%
Odfjell Terminals (Houston) Inc	USA	100%	100%
Odfjell Brasil - Representacoes Ltda	Brazil	100%	100%
Flumar Transportes de Quimicos e Gases Ltda	Brazil	100%	100%
Odfjell Chemical Tankers Ltd	Bermuda	100%	100%
Odfjell Ship Management (Philippines) Inc	Philippines	100%	100%
Odfjell Peru S.A.C.	Peru	100%	100%
Odfjell Argentina SA	Argentina	99%	99%
Odfjell Management Consultancy (Shanghai) Co Ltd	China	100%	100%
Odfjell Terminals (Jiangyin) Co Ltd	China	55%	55%

**NOTE 30 INVESTMENTS IN JOINT VENTURES**

The Odfjell Group has the following investments in joint ventures accounted for according to the gross method as per 31.12.2008:

JOINT VENTURE	Country	Business segment	Ownership share
Odfjell & Vapores Ltd	Bermuda	Parcel Tankers	50%
Odfjell Ahrenkiel Europe GmbH	Germany	Parcel Tankers	50%
Odfjell Makana SA	South Africa	Parcel Tankers	49.9%
Odfjell y Vapores SA	Chile	Parcel Tankers	49%
Odfjell Dong Zhan Shipping (Shanghai) Co Ltd	China	Parcel Tankers	49%
Themhani Shipping SA	South Africa	Parcel Tankers	44.9%
Odfjell Terminals (Dalian) Co Ltd	China	Tank Terminals	50%
Oiltanking Odfjell Terminal Singapore Pte Ltd	Singapore	Tank Terminals	50%
Odfjell Terminals (Korea) Co Ltd	Korea	Tank Terminals	50%
Oiltanking Odfjell GmbH	Germany	Tank Terminals	50%
Oiltanking Odfjell Terminals Oman BV	Netherlands	Tank Terminals	42.5%
Exir Chemical Terminal (PJSCO)	Iran	Tank Terminals	35%
Oiltanking Odfjell Terminals & Co LLC (Oman)	Oman	Tank Terminals	30%

Exir Chemical Terminal (PJSCO) 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:

	2008			2007			2006		
	Parcel Tankers	Tank Terminals	Total	Parcel Tankers	Tank Terminals	Total	Parcel Tankers	Tank Terminal	Total
Gross revenue	7 018	27 145	<b>34 164</b>	39 887	21 757	<b>61 644</b>	43 544	19 009	<b>62 553</b>
Operating expenses	(2 528)	(6 254)	<b>(8 782)</b>	(12 518)	(6 024)	<b>(18 541)</b>	(11 353)	(5 477)	<b>(16 830)</b>
Net financial items	255	(2 882)	<b>(2 627)</b>	486	(2 164)	<b>(1 678)</b>	327	(2 234)	<b>(1 907)</b>
Net result	1 373	7 280	<b>8 654</b>	108	4 550	<b>4 658</b>	5 340	15 404	<b>20 744</b>
Non-current assets	6 549	207 648	<b>214 197</b>	29 413	117 379	<b>146 793</b>	27 926	89 267	<b>117 193</b>
Current assets	8 550	16 931	<b>25 481</b>	18 612	20 378	<b>38 990</b>	16 103	32 268	<b>48 371</b>
<b>Total assets</b>	<b>15 099</b>	<b>224 579</b>	<b>239 678</b>	<b>48 026</b>	<b>137 757</b>	<b>185 783</b>	<b>44 029</b>	<b>121 535</b>	<b>165 564</b>
Equity opening balance	8 345	70 647	<b>78 992</b>	11 182	63 813	<b>74 995</b>	2 098	36 216	<b>38 314</b>
Net result	1 373	7 280	<b>8 654</b>	108	4 550	<b>4 658</b>	5 340	15 404	<b>20 744</b>
Equity additions/adjustments	2 265	18 949	<b>21 214</b>	(2 979)	266	<b>(2 713)</b>	4 736	9 145	<b>13 880</b>
Exchange rate differences	842	(1 939)	<b>(1 097)</b>	34	2 018	<b>2 052</b>	(992)	3 048	<b>2 056</b>
<b>Total equity closing balance</b>	<b>12 825</b>	<b>94 938</b>	<b>107 763</b>	<b>8 345</b>	<b>70 647</b>	<b>78 992</b>	<b>11 182</b>	<b>63 813</b>	<b>74 995</b>
Non-current liabilities	847	80 332	<b>81 179</b>	29 419	43 903	<b>73 322</b>	26 376	42 445	<b>68 821</b>
Current liabilities	1 428	49 309	<b>50 737</b>	11 564	23 207	<b>34 770</b>	6 471	15 278	<b>21 749</b>
<b>Total liabilities</b>	<b>2 274</b>	<b>129 641</b>	<b>131 915</b>	<b>40 983</b>	<b>67 110</b>	<b>108 092</b>	<b>32 847</b>	<b>57 723</b>	<b>90 570</b>
Net cash flow from operating activities	233	(389)	<b>(156)</b>	5 411	18 937	<b>24 348</b>	6 857	23 434	<b>30 291</b>
Net cash flow from investing activities	2 401	(38 772)	<b>(36 371)</b>	(1 902)	(25 005)	<b>(26 907)</b>	(24 328)	(17 239)	<b>(41 567)</b>
Net cash flow from financing activities	94	41 033	<b>41 127</b>	(2 464)	(3 901)	<b>(6 365)</b>	19 367	542	<b>19 908</b>
Uncalled committed capital	-	-	-	-	-	-	-	-	-

### NOTE 31 BUSINESS COMBINATIONS

As from 1 January, 2008 the Group consolidated 100% of Odfjell Terminals Maritiem B.V. (OTM), a company based in Rotterdam located next to Odfjell Terminal (Rotterdam) B.V. The transaction comprised berths and extra land.

As from 1 March, 2008 the Group consolidated 100% of Flumar Transportes de Químicos e Gases Ltda (Flumar), a company located in Brazil. The transaction comprised contracts and ownership of four ships, which are transporting chemicals primarily along the Brazilian coast, where local flag is a requirement. Prior to this transaction the Odfjell Group's ownership in Flumar was 50%.

From the date of fully consolidation of both companies the contribution to the net profit has been minus USD 3.1 mill. for 2008 to the Odfjell Group. As from the same date of consolidation total asset increased by USD 38 mill.

### 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
2006	6.41	6.27	1.25	1.32	7.97	7.85	1.58	1.53
2007	5.86	5.40	1.37	1.47	7.52	7.19	1.50	1.43
2008	5.66	7.00	1.46	1.41	6.91	6.80	1.41	1.43

### NOTE 33 SUBSEQUENT EVENTS

Effective February 1st 2009, Odfjell has entered into an agreement with its Saudi-Arabian partner National Chemical Carriers (NCC) to bare-boat charter three 37 000 stainless steel parcel tankers for ten years with purchase options. The three ships are NCC Jubail (1996), NCC Mekka (1995) and NCC Riyad (1995). The ships will continue to be operated by Odfjell Tankers in global trades. Odfjell Ship Management will continue to be responsible for crewing and technical management, and the ships will remain in the Norwegian International Ship Register.

Furthermore, Odfjell has entered into three to six years time-charters for three ships that until recently were owned by NCC. These ships are NCC Baha (24 728 dwt/1988), NCC Asir (23 001 dwt/1982) and NCC Arar (23 002 dwt/1982). All these ships have been traded in the Odfjell Pool. Following these transactions NCC has no further ships in the Odfjell Pool, but still remains an important business partner for Odfjell. The net financial effect on the profit and loss is expected to be minor as the ships were earlier included under the Pool-agreement.



## PROFIT AND LOSS STATEMENT

(NOK 1 000)	Note	2008	2007	2006
<b>OPERATING REVENUE (EXPENSES)</b>				
Gross revenue	2	247 167	407 306	331 947
General and administrative expenses	3, 20	(248 634)	(359 340)	(300 234)
Other income (expenses)	5	-	-	(34 949)
Depreciation	4	(12 407)	(11 377)	(19 043)
Gain (loss) on sale of non-current assets		(28)	-	276
<b>Operating result (EBIT)</b>		<b>(13 902)</b>	<b>36 590</b>	<b>(22 003)</b>
<b>FINANCIAL INCOME (EXPENSES)</b>				
Income on investment in subsidiaries	6	869 166	993 226	841 604
Interest income	6	215 460	226 766	212 396
Changes in the value of financial non-current assets	6,7	(600)	46 345	-
Interest expenses	6	(213 010)	(245 986)	(261 428)
Other financial items	6	(532 351)	(19 026)	(2 739)
Currency gains (losses)	8	(44 038)	81 571	114 196
<b>Net financial items</b>		<b>294 626</b>	<b>1 082 897</b>	<b>904 028</b>
<b>Result before taxes</b>		<b>280 724</b>	<b>1 119 486</b>	<b>882 026</b>
Taxes	9	2 939	-	-
<b>Net result</b>		<b>283 663</b>	<b>1 119 486</b>	<b>882 026</b>
Proposed dividend	10	86 769	(173 538)	(260 306)

## ASSETS AS PER 31.12.

(NOK 1 000)	Note	2008	2007	2006
<b>NON-CURRENT ASSETS</b>				
Real estate	4, 11	102 439	104 010	102 797
Newbuilding contracts	4, 11, 21	-	256 641	393 157
Office equipment and cars	4, 11	-	59 772	22 791
Shares in subsidiaries	7	3 858 041	2 957 606	2 413 203
Other shares	7	252 529	196 182	219 795
Loans to group companies	12,13	4 021 022	3 916 790	4 193 723
Non-current receivables	13	111 986	9 711	9 455
<b>Total non-current assets</b>		<b>8 346 017</b>	<b>7 500 712</b>	<b>7 354 921</b>
<b>CURRENT ASSETS</b>				
Current receivables		6 779	74 328	107 768
Group receivables		-	486 289	805 904
Inventory		-	6 507	6 912
Available-for-sale investments	14	602 661	290 897	108 275
Cash and bank deposits	15	451 287	362 489	211 429
<b>Total current assets</b>		<b>1 060 727</b>	<b>1 220 509</b>	<b>1 240 288</b>
<b>Total assets</b>		<b>9 406 744</b>	<b>8 721 221</b>	<b>8 595 209</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY AS PER 31.12.

(NOK 1 000)	Note	2008	2007	2006
<b>PAID IN EQUITY</b>				
Share capital	10, 16	216 922	216 922	216 922
Treasury shares	10, 16	-	(8 622)	(8 278)
Share premium	10	473 905	473 905	473 905
<b>Total paid in equity</b>		<b>690 828</b>	<b>682 206</b>	<b>682 550</b>
<b>RETAINED EARNINGS</b>				
Other equity	10	2 251 008	1 736 667	965 674
<b>Total retained earnings</b>		<b>2 251 008</b>	<b>1 736 667</b>	<b>965 674</b>
<b>Total shareholders' equity</b>		<b>2 941 835</b>	<b>2 418 873</b>	<b>1 648 224</b>
<b>NON-CURRENT LIABILITIES</b>				
Pension liabilities	17	-	99 735	95 217
Deferred income from internal sale of shares		955 668	1 028 164	-
Loans from subsidiaries	13	237 392	884 532	1 352 369
Long-term debt	13	4 116 781	3 165 432	4 293 748
<b>Total non-current liabilities</b>		<b>5 309 842</b>	<b>5 177 863</b>	<b>5 741 335</b>
<b>CURRENT LIABILITIES</b>				
Taxes payable		-	2 939	2 939
Employee taxes payable		-	30 275	27 045
Dividend payable		86 769	173 538	260 307
Derivative financial instruments	19	508 053	-	-
Other current liabilities		40 532	263 719	297 612
Loans from subsidiaries		519 713	654 014	617 749
<b>Total current liabilities</b>		<b>1 155 067</b>	<b>1 124 485</b>	<b>1 205 651</b>
<b>Total liabilities</b>		<b>6 464 909</b>	<b>6 302 348</b>	<b>6 946 986</b>
<b>Total liabilities and shareholders' equity</b>		<b>9 406 744</b>	<b>8 721 221</b>	<b>8 595 209</b>
Guarantees	18	6 095 561	3 505 617	2 592 087

Bergen, 11 March 2009

THE BOARD OF DIRECTORS  
OF ODFJELL SE

B.D. Odfjell  
CHAIRMAN

Ilias A. Iliopoulos

Marianna Moschou

Reidar Lien

Irene Waage Basili

Terje Storeng  
President/CEO

**CASH FLOW STATEMENT**

(NOK 1 000)

	2008	2007	2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net result before taxes	280 724	1 119 486	882 026
Capital (gain) loss on non-current assets/financial investments	28	-	(276)
Depreciation	12 407	11 377	19 043
Changes in the value of financial non-current assets	600	(46 345)	-
Inventory (increase) decrease	6 507	405	(795)
Trade creditors increase (decrease)	(52 286)	11 366	(5 127)
Difference in pension cost and pension premium paid	(99 735)	4 518	11 657
Exchange rate fluctuations	820 597	(406 677)	(183 215)
Dividends classified as investing activities	(653 117)	(828 169)	(144 786)
Other short-term accruals	726 661	348 539	(75 276)
<b>Net cash flow from operating activities</b>	<b>1 042 386</b>	<b>214 499</b>	<b>503 251</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale of non-current assets	354 754	505 007	1 028 225
Investment in non-current assets	(49 128)	(418 062)	(792 779)
Investment in subsidiaries and other shares	(1 492 507)	(603 458)	(21 350)
Share capital repaid from subsidiaries	128 112	-	-
Received dividend	653 117	828 169	144 786
Available-for-sale investments	(311 764)	(182 622)	43 054
Sale of shares in subsidiaries/joint ventures	-	1 158 259	-
Changes in long-term receivables	(102 275)	(256)	(1 233)
Loans to subsidiaries	(823 868)	(350 522)	(390 216)
<b>Net cash flow from investing activities</b>	<b>(1 643 559)</b>	<b>936 515</b>	<b>10 486</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New long-term debt	719 403	1 577 405	1 480 559
Payment of long-term debt	(467 229)	(2 245 014)	(1 038 379)
Share repurchases	344 464	(13 969)	(343 419)
Dividend	(173 538)	(260 306)	(467 208)
<b>Net cash flow from financing activities</b>	<b>423 101</b>	<b>(941 884)</b>	<b>(368 446)</b>
Effect on cash balances from currency exchange rate fluctuations	266 870	(58 071)	22 444
<b>Net change in cash balances</b>	<b>88 798</b>	<b>151 060</b>	<b>167 734</b>
Cash balances as per 1.1	362 489	211 429	43 695
<b>Cash balances as per 31.12</b>	<b>451 287</b>	<b>362 489</b>	<b>211 429</b>
Available credit facilities	-	345 869	94 034

**NOTE 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 non-current 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 statement. 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, non-current receivables and liabilities in non-NOK currencies are valued at the year-end exchange rate.

**G. Non-current assets**

Non-current 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. Non-current assets are depreciated straight-line over their estimated useful lives.

The preliminary Norwegian accounting standard concerning impairment of non-current 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 following assumptions when calculating the "value in use" for 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 do 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 non-current assets.

**K. Derivative financial instruments and hedging**

The company uses various derivative financial instruments to reduce fluctuations in earnings and cash flow caused by volatility in foreign exchange rates and interest rates. In addition the company enters into derivative financial instruments to reduce currency, interest and bunkers exposure in subsidiaries.

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. If the hedged items do not appear in the company's account, the hedging instruments do not qualify as hedging. The company 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 company 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. At present the Group does only have derivatives traded in organised financial markets.

Derivative financial instruments qualifying as hedging are not recognised on the balance sheet, while those not qualifying are recognised on the balance sheet and profit and loss statement. The realised result from hedging transactions is accounted for in the period when the hedged cash flow items are accounted for. The result of currency hedging transactions has been accounted for with the underlying hedged exposure in the profit and loss statement. The result of interest rate hedging transactions is accounted for as an increase or decrease of interest expenses.

Foreign currency, interest rates and bunkers instruments related to exposure in subsidiaries do not qualify for hedge accounting, changes in fair value of these financial instruments are therefore recognised in the income statement.

**L. Activities under joint control**

Our share of activities under joint control is, in the accounts of Odfjell SE, 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 20 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.

**O. Revenue recognition**

Income is recognised when it has been earned.

**NOTE 2 GROSS REVENUE**

Gross revenue is related to services performed for other Odfjell Group companies. As Odfjell SE became a pure holding company in 2008, these services are performed by Odfjell SE's 100% owned subsidiaries Odfjell Management AS and Odfjell Maritime Services AS as from October 1st 2008.

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

In 2008 Odfjell SE became a pure holding company. Previously Odfjell SE employed more than 240 people in administrative positions, within chartering, operations and ship management. Additionally, Odfjell SE employed more than 350 Norwegian and other West-European ship officers and trainees. Effective October 1, Odfjell SE's 100% owned subsidiaries, Odfjell Management AS and Odfjell Maritime Services AS became operational. Odfjell Management AS and Odfjell Maritime Services AS assumed full responsibility for all employees in Odfjell SE, as well for the services previously provided by Odfjell SE.

**Salaries and other employee expenses:**  
(NOK 1 000)

	2008	2007	2006
Salaries	132 000	158 873	132 963
Bonuses	-	26 650	10 800
Social expenses	21 128	26 686	22 104
Pension cost	25 408	23 488	31 361
Other benefits	4 365	4 967	4 516
<b>Total salary expenses</b>	<b>182 901</b>	<b>240 664</b>	<b>201 745</b>
<b>Average number of man-labour years</b>	235	223	211

The salary expenses include bonus accruals to employees of NOK 26.7 mill. in 2007 (NOK 10.8 mill. in 2006), for payment in 2008 and 2009. Bonus paid in 2007 was decided by the Board in February 2007 relating to the 2006 results and accrued in 2006. Total salary expenses are included in general and administrative expenses.

**Compensation and benefit to Board of Directors in 2008:**

	Compensation	Other benefits	Total
B.D. Odfjell	1 278	12	1 290
Laurence W. Odfjell (resigned as Director as from Dec 3rd 2007)	200	-	200
Ilias A. Iliopoulos (elected as Director as from Dec 2nd 2008)	-	-	-
Peter G. Livanos (resigned as Director as from Dec 2nd 2008)	-	-	-
Marianna Moschou	200	-	200
Irene Waage Basili (elected as Director as from Dec 2nd 2008)	-	-	-
Katrine Trovik (resigned as Director as from Dec 2nd 2008)	-	-	-
Reidar Lien	225	-	225
<b>Total</b>	<b>1 903</b>	<b>12</b>	<b>1 915</b>

As a result of increasing tank terminal activities, we established a separate management for tank terminals, as from January 1st 2008. Laurence W. Odfjell took charge of Odfjell Terminals, headquartered to Rotterdam. From the same date, our parcel tanker activities were gathered in a new ship operational structure (Odfjell Tankers) that also includes certain staff functions previously placed at corporate level. Jan A. Hammer, as Chief Operating Officer, is heading up Odfjell Tankers. Finance/Accounting/Communication/ICT, headed by Haakon Ringdal, and Corporate Investments/ Projects/Newbuildings, entrusted Tore Jakobsen, continued their respective corporate functions, with overall Odfjell Group responsibilities.

The Executive Management Group consists of Terje Storeng, Jan A. Hammer, Laurence W. Odfjell, Haakon Ringdal and Tore Jakobsen.

**Compensation and benefits to the President/CEO and managers reporting directly to him in 2008:**

	Salary	Bonus	Pension cost	Other benefits	Total
President/CEO, Terje Storeng	3 284	808	644	197	4 933
Chief Operating Officer, Odfjell Tankers, Jan A. Hammer	2 505	625	431	189	3 749
President Tank Terminals, Laurence W. Odfjell	2 063	-	184	-	2 246
Senior Vice President/CFO Haakon Ringdal	1 767	431	485	139	2 822
Senior Vice President Corporate Investments, Tore Jakobsen	1 731	431	416	139	2 717
<b>Total</b>	<b>11 349</b>	<b>2 296</b>	<b>2 160</b>	<b>664</b>	<b>16 468</b>

In accordance with his employment contract, Terje Storeng has elected to resign from his position as President/CEO of Odfjell SE, effective as from the Annual General Meeting on 5 May 2009. The Board of Directors has appointed Haakon Ringdal new President/CEO as from that same date.

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 have a non-funded pension obligations related to the President/CEO and managers reporting directly to him for salaries exceeding 12G (presently 12G equals NOK 843 072 ), up to 66% of 18G.

The Management shall be offered competitive terms of employment in order to ensure continuity in the Management and to enable the Company to recruit qualified personnel. The remuneration should be composed so that it promotes the creation of values in the Company. Bonus schemes must be linked to individual or collective performance criteria. The remuneration should not be of such a kind or such an amount that it may damage the company's reputation.

The remuneration may consist of basic salary and other supplementary benefits, hereunder but not limited to payment in kind, bonus, termination payments and pension- and insurance schemes. Basic salary is normally the main component of the remuneration. The Company does not have any option schemes or other schemes as mentioned in the Public Limited Companies Act section 6-16 subsection 1 no. 3. There are no specific limits for the different categories of benefits or for the total remuneration to the Management.

**Auditors remuneration for:**

(NOK 1 000 exclusive VAT)

	2008	2007	2006
Statutory auditing	1 802	1 601	1 365
Other assurance services	66	41	54
Tax advisory services	1 088	986	1 082
Non-audit services	620	912	1 128
<b>Total remuneration</b>	<b>3 575</b>	<b>3 540</b>	<b>3 629</b>

**NOTE 4 NON-CURRENT ASSETS**

(NOK 1 000)

	Cost 1.1.2008	Investment	Sale book value	Accumulated depreciation prior years	Depreciation this year	Book value 31.12.2008
Real estate	150 214	5 191	-	(46 204)	(6 763)	102 439
Newbuilding contracts	256 641	-	(256 641)	-	-	-
Office equipment and cars	89 933	43 937	(98 064)	(30 161)	(5 645)	-
<b>Total</b>	<b>496 788</b>	<b>49 128</b>	<b>(354 705)</b>	<b>(76 365)</b>	<b>(12 407)</b>	<b>102 439</b>

**Depreciation periods:**

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

**NOTE 5 OTHER INCOME (EXPENSES)**

Other income (expenses) include payments, provisions and reversal of unused provisions in connection with the antitrust case and related matters, these were zero in 2008 and 2007, compared to NOK 35 million in 2006.

**NOTE 6 FINANCIAL INCOME AND EXPENSES**

(NOK 1 000)

	2008	2007	2006
Income on investment in subsidiaries	869 166	993 226	841 604
Inter-company interest income	187 675	201 872	198 965
Other interest income	27 785	24 894	13 431
Changes in the value of financial non-current assets	-	46 345	-
<b>Total financial income</b>	<b>1 084 626</b>	<b>1 266 337</b>	<b>1 054 000</b>
Changes in the value of financial non-current assets	600	-	-
Inter-company interest expenses	49 082	68 868	65 818
Other interest expenses	163 928	177 118	195 610
Derivative financial instruments not qualifying for hedging	494 216	-	-
Net gain/(loss) on available-for-sale investments	33 217	1 833	-
Other financial expenses	4 919	17 193	2 739
<b>Total financial expenses</b>	<b>745 961</b>	<b>265 011</b>	<b>264 167</b>

## NOTE 7 SHARES

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

(NOK 1 000)	Registered office	Share/voting rights	Book value
<b>Subsidiaries</b>			
Odfjell Management AS	Norway	100%	100 014
Odfjell Maritime Services AS	Norway	100%	1 014
Odfjell Chemical Tankers II AS	Norway	100%	483 164
Odfjell Tankers AS	Norway	100%	111 522
Odfjell Terminals SE	Norway	100%	175 000
Odfjell Insurance & Properties AS	Norway	100%	5 450
Odfjell Projects AS	Norway	100%	100
Norfra Shipping AS	Norway	100%	-
Odfjell Asia Pte Ltd	Singapore	100%	-
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%	135 527
Odfjell Japan Ltd	Japan	100%	-
Odfjell Korea Ltd	Korea	100%	306
Odfjell Brasil – Representacoes Ltda	Brazil	100%	10 702
Odfjell Chemical Tankers Ltd	Bermuda	100%	2 648 349
Odfjell Peru S.A.C	Peru	100%	316
Odfjell Ship Management (Philippines) Inc	Philippines	100%	1 081
Odfjell Argentina SA	Argentina	90%	129
<b>Total</b>			<b>3 858 041</b>

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

Impairment of shares in Odfjell Insurance & Properties AS was NOK 0.6 mill in 2008. Otherwise there was no impairment necessary as Recoverable Amounts were higher than book values.

Other shares	Registered office	Share/voting rights	Book value
Odfjell Ahrenkiel Europe GmbH	Germany	50%	2 053
Oiltanking Odfjell Terminals Singapore Pte Ltd	Singapore	50%	162 250
Odfjell & Vapores Ltd	Bermuda	50%	38
Odfjell Y Vapores SA	Chile	49%	3 792
Odfjell Terminals (Dalian) Co Ltd	China	50%	45 837
Odfjell Dong Zhan Shipping (Shanghai) Co Ltd	China	49%	31 095
V.O.Tank Terminal Ningbo Ltd	China	12.5%	7 463
<b>Total</b>			<b>252 529</b>

## NOTE 8 CURRENCY GAINS (LOSSES)

(NOK 1 000)	2008	2007	2006
Currency hedging contracts	(62 396)	11 210	12 048
Non-current receivables and debt	(228 402)	84 138	74 882
Cash and cash equivalents	266 870	(58 071)	22 444
Other current assets and current liabilities	(20 110)	44 293	4 823
<b>Total currency gains (losses)</b>	<b>(44 038)</b>	<b>81 571</b>	<b>114 196</b>

## NOTE 9 TAXES

(NOK 1 000)	2008	2007	2006
<b>Taxes:</b>			
Foreign tax	2 939	-	-
<b>Total tax expenses</b>	<b>2 939</b>	<b>-</b>	<b>-</b>

Taxes payable:	2008	2007	2006
Net result before taxes	280 724	1 119 486	882 026
Permanent differences	(891 811)	(854 448)	(421 741)
Changes temporary differences	527 508	(76 114)	(78 939)
Used tax-loss carried forward	-	(188 924)	(381 346)
<b>Basis taxes payable</b>	<b>(83 579)</b>	<b>-</b>	<b>-</b>

Specification of deferred taxes (deferred tax assets):	2008	2007	2006
Non-current assets	(22 250)	5 115	(20 628)
Pension fund (liabilities)	-	(99 735)	(95 217)
Provisions	-	(60 307)	(115 195)
Other long-term temporary differences	4 630	3 946	5 448
Financial instruments	(483 018)	-	-
Differences related to current assets	(33 217)	-	-
Tax-loss carried forward	(83 579)	-	(29 647)
Contingent tax liability related to non-taxable gain <sup>1</sup>	50 000	-	-
Adjustments related to earlier years	-	-	6 736
Temporary differences not accounted for	567 433	150 981	248 504
<b>Net temporary differences</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tax rate	28%	28%	28%
<b>Total deferred tax (deferred tax assets)</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Contingent tax liability is related to business transfer to 100% owned subsidiaries Odfjell Management AS and Odfjell Maritime Service AS. The gain is non-taxable in pursuant to regulations of tax-free transfer between companies in the same group.



**NOTE 10 SHAREHOLDERS' EQUITY**

(NOK 1 000)	Share capital	Treasury shares	Share premium	Other equity	Total equity
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)
<b>Shareholders' equity as per 31 December 2006</b>	<b>216 922</b>	<b>(8 278)</b>	<b>473 905</b>	<b>965 674</b>	<b>1 648 224</b>
Net result 2007	-	-	-	1 119 486	1 119 486
Share repurchases	-	(344)	-	(13 625)	(13 969)
Other adjustments – related to correction of previous years	-	-	-	(161 330)	(161 330)
group tax contribution	-	-	-	(173 538)	(173 538)
Proposed dividend	-	-	-	-	-
<b>Shareholders' equity as per 31 December 2007</b>	<b>216 922</b>	<b>(8 622)</b>	<b>473 905</b>	<b>1 736 667</b>	<b>2 418 873</b>
Net result 2008	-	-	-	283 663	283 663
Share repurchases	-	(1 383)	-	(18 846)	(20 229)
Sale of shares	-	10 005	-	334 459	344 464
Other adjustments – related to correction of previous years	-	-	-	1 833	1 833
financial instruments	-	-	-	(86 769)	(86 769)
Proposed dividend	-	-	-	-	-
<b>Shareholders' equity as per 31 December 2008</b>	<b>216 922</b>	<b>-</b>	<b>473 905</b>	<b>2 251 008</b>	<b>2 941 835</b>

**NOTE 11 INVESTMENT IN AND SALE OF NON-CURRENT ASSETS**

(NOK 1 000)	2008		2007		2006		2005		2004	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Real estate	5 191	-	8 347	-	13 907	-	32 447	-	18 845	-
Ships and newbuilding contracts	-	256 641	368 490	505 007	761 898	1 025 615	410 944	-	245 930	-
Office equipment and cars	43 937	98 064	41 225	-	16 974	2 610	7 241	711	7 307	1 355
<b>Sum</b>	<b>49 128</b>	<b>354 705</b>	<b>418 062</b>	<b>505 007</b>	<b>792 779</b>	<b>1 028 225</b>	<b>450 632</b>	<b>711</b>	<b>272 083</b>	<b>1 355</b>

**NOTE 12 LOANS TO GROUP COMPANIES**

(NOK 1 000)	Currency	Currency amount 1 000			
		2008	2008	2007	2006
Odfjell Asia II Pte Ltd	USD	352 464	2 466 928	2 864 570	2 667 142
Odfjell Terminals SE	NOK	6 606	6 606	32 170	32 170
Odfjell Terminals SE	USD	50 798	355 541	220 481	45 112
Odfjell & Vapores Ltd	USD	-	-	-	1 881
Odfjell Chemical Tankers AS	USD	-	-	-	125 378
Odfjell Chemical Tankers AS	NOK	-	-	2 568	137 722
Odfjell Chemical Tankers II AS	NOK	587 547	587 542	500 086	-
Odfjell Chemical Tankers II AS	USD	-	-	-	1 074 489
Odfjell Chemical Tankers (Germany) GmbH	EUR	5 224	51 547	11 148	41 292
Oiltanking Odfjell Terminals Singapore	SGD	42 000	204 960	15 104	32 806
Odfjell Terminal (Jiangyin) Co.Ltd	USD	12 000	83 989	35 127	-
Odfjell (UK) Limited	USD	-	-	76 469	-
Odfjell Tankers AS	USD	-	-	80 811	-
Odfjell Dongzhan Shipping (Shanghai) Co.Ltd.	USD	111	731	-	-
Norfra Shipping AS	USD	37 473	263 177	78 257	35 733
<b>Total loans to group companies</b>			<b>4 021 022</b>	<b>3 916 790</b>	<b>4 193 725</b>

**NOTE 13 RECEIVABLES AND DEBT**

(NOK 1 000)	2008	2007	2006
<b>Non-current receivables:</b>			
Employees	-	8 281	8 054
Loan to external companies	111 986	-	-
Other	-	1 430	1 401
<b>Total non-current receivables</b>	<b>111 986</b>	<b>9 711</b>	<b>9 455</b>

Loan to external companies is secured by a 2nd priority mortgage in vessel Bow Santos.

Receivables with a maturity later than one year:	2008	2007	2006
Loans to group companies	3 817 976	3 825 738	4 061 363
Non-current receivables	111 986	8 055	7 844
<b>Total</b>	<b>3 929 962</b>	<b>3 833 793</b>	<b>4 069 208</b>

Non-current liabilities with a maturity later than five years:	2008	2007	2006
Loans from group companies	67 826	252 723	889 729
Long-term debt	1 525 962	1 319 931	2 651 620
<b>Total</b>	<b>1 593 788</b>	<b>1 572 654</b>	<b>3 541 349</b>

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

Non-current interest bearing debt as per 31.12.2008	4 354 173
Repayment schedule:	
2009	437 697
2010	423 299
2011	880 177
2012	678 804
2013 and thereafter	1 934 197

The average term of the Company's outstanding long-term interest-bearing bank-debt as per 31 December 2008 was 3.5 years (3.7 years in 2007).

The long-term debt is a combination of debt guaranteed by subsidiaries and bonds in the Norwegian bond market. The long-term debt does 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 interest bearing debt does not contain any restrictions on the Company's dividend policy or financing opportunities. The interest bearing debt is generally subject to certain covenants which include that, in the Odfjell Group accounts, the book debt ratio shall at all times be less than 75% [excluding deferred taxes from debt] and that the liquidity shall always be minimum the highest of USD 50 million and 6% of interest bearing debt.

Average USD interest rate paid:	2008	2007	2006
Liabilities to financial institutions	4.07%	4.89%	5.37%

**NOTE 14 AVAILABLE-FOR-SALE-INVESTMENTS**

(NOK 1 000)	Currency	Book value	Market value	Average interest rate
Bonds and certificates issued by financial institutions	USD	531 376	531 376	3.7%
Bonds and certificates issued by corporates	USD	71 285	71 285	3.6%
		<b>602 661</b>	<b>602 661</b>	

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

**NOTE 15 RESTRICTED CASH AND BANK DEPOSITS**

(NOK 1 000)	2008	2007	2006
Restricted cash and bank deposit	-	14 139	13 170

**NOTE 16 SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS**

(NOK 1 000)	Number of shares	Nominal value (NOK)	2008	2007	2006
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
<b>Total</b>	<b>86 768 948</b>		<b>216 922</b>	<b>216 922</b>	<b>216 922</b>

All shares have the same rights in the Company, except that B-shares have no voting rights.

**20 largest shareholders as per 31 December 2008:**

Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1 Norchem ApS	25 966 492	1 041 176	<b>27 007 668</b>	39.53%	31.13%
2 ChemLog Holdings Ltd	13 802 366	20 500	<b>13 822 866</b>	21.01%	15.93%
3 DnB NOR Markets	5 662 149	2 430 631	<b>8 092 780</b>	8.62%	9.33%
4 Odin-fondene	-	4 803 901	<b>4 803 901</b>	-	5.54%
5 SIX SIS	2 142 700	2 184 850	<b>4 327 550</b>	3.26%	4.99%
6 Pareto-fondene	1 994 795	1 706 300	<b>3 701 095</b>	3.04%	4.27%
7 AS Rederiet Odfjell	3 497 472	-	<b>3 497 472</b>	5.32%	4.03%
8 Svenska Handelsbanken	1 443 680	1 382 930	<b>2 826 610</b>	2.20%	3.26%
9 Folketrygdfondet	786 000	1 960 200	<b>2 746 200</b>	1.20%	3.16%
10 Odfjell Shipping (Bermuda) Ltd	1 463 898	1 215 760	<b>2 679 658</b>	2.23%	3.09%
11 JP Morgan Chase	636 630	321 600	<b>958 230</b>	0.97%	1.10%
12 Mathilda A/S	600 000	150 000	<b>750 000</b>	0.91%	0.86%
13 Pictet & CIE Banquiers	463 400	252 800	<b>716 200</b>	0.71%	0.83%
14 AS Bemacs	314 000	352 000	<b>666 000</b>	0.48%	0.77%
15 Citibank	443 022	43 140	<b>486 162</b>	0.67%	0.56%
16 SES	24 000	439 000	<b>463 000</b>	0.04%	0.53%
17 Berger	432 400	-	<b>432 400</b>	0.66%	0.50%
18 Skagen-fondene	312 900	105 700	<b>418 600</b>	0.48%	0.48%
19 Holberg-fondene	-	378 821	<b>378 821</b>	-	0.44%
20 Frank Mohn A/S	-	350 000	<b>350 000</b>	-	0.40%
<b>Total 20 largest shareholders</b>	<b>59 985 904</b>	<b>19 139 309</b>	<b>79 125 213</b>	<b>91.32%</b>	<b>91.19%</b>
Other shareholders	5 704 340	1 939 395	<b>7 643 735</b>	8.68%	8.81%
<b>Total</b>	<b>65 690 244</b>	<b>21 078 704</b>	<b>86 768 948</b>	<b>100.00%</b>	<b>100.00%</b>
International shareholders	47 451 668	7 122 434	<b>54 574 102</b>	72.24%	62.90%

All treasury shares of 1 679 500 A-shares at the price of NOK 50 and 2 322 482 B-shares at the price of NOK 40 were sold in 2008 to DnB NOR Markets. Furthermore Odfjell SE entered into a Total Return Swap (TRS) with DnB NOR Markets for all the sold shares. During 2008 the amount of 103 500 Odfjell A-shares were acquired at an average price of NOK 43.71, and 449 700 B-shares were acquired at an average price of NOK 35.15. In 2007 the amount of 76 000 Odfjell A-shares and 61 527 B-shares were acquired and no shares were sold. In 2006 the amount of 1 500 000 A-shares and 1 811 255 B-shares were acquired and no treasury shares were sold.

The Annual General Meeting on 5 May 2008 authorised the Board of Directors to acquire up to 10 per cent of the company's share capital. This authorisation expires 5 November 2009. 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 (including related parties):

	A-shares	B-shares	Total
Chairman of the Board of Directors, B.D.Odfjell	3 537 472	2 000	<b>3 539 472</b>

**NOTE 17 PENSION COSTS AND LIABILITIES**

(NOK 1 000)

In 2008 Odfjell SE became a pure holding company. Previously Odfjell SE employed more than 240 people in administrative positions, within chartering, operations and ship management. Additionally, Odfjell SE employed more than 350 Norwegian and other West-European ship officers and trainees. Effective October 1st, Odfjell SE's 100% owned subsidiaries, Odfjell Management AS and Odfjell Maritime Services AS became operational. Odfjell Management AS and Odfjell Maritime Services AS assumed full responsibility for all employees in Odfjell SE, as well for the services previously provided by Odfjell SE.

Net pension costs:	2008	2007	2006
Present value current year service cost	20 829	23 807	24 627
Interest cost on accrued pension liabilities	10 461	11 579	11 496
Return on pension plan assets	(9 068)	(9 388)	(8 075)
Administrative expenses	1 845	-	-
Amortised effect of changes in estimates and pension plans, and differences in actual and estimated return on pension plan assets	1 343	(2 510)	3 313
Social security tax	3 134	3 666	3 954
<b>Net pension cost</b>	<b>28 542</b>	<b>27 154</b>	<b>35 315</b>

**Pension liabilities - funded obligations :**

Present value of accrued secured liabilities	-	245 823	230 340
Fair value of pension assets	-	(190 417)	(177 228)
Social security tax	-	7 812	7 489
Actuarial gains/losses not recognised in the profit and loss statement	-	(16 259)	(11 291)
<b>Net pension liabilities (funded)</b>	<b>-</b>	<b>46 959</b>	<b>49 310</b>

**Pension liabilities - unfunded obligations :**

Present value of accrued unsecured liabilities	-	54 427	48 394
Actuarial gains/losses not recognised in the profit and loss statement	-	(9 326)	(9 311)
Social security tax	-	7 674	6 824
<b>Net pension liabilities (unfunded)</b>	<b>-</b>	<b>52 775</b>	<b>45 907</b>

**Total net pension liabilities**

<b>Total net pension liabilities</b>	<b>-</b>	<b>99 734</b>	<b>95 217</b>
Under-funded pension scheme - booked as non-current liabilities	-	99 735	95 217
<b>Total net pension liabilities</b>	<b>-</b>	<b>99 735</b>	<b>95 217</b>

**The above calculation is based on the following assumptions:**

Discount rate	3.8%	4.7%	4.4%
Expected return on assets	5.8%	5.8%	5.4%
Actual return on assets	4.0%	8.5%	7.0%
Adjustments of wages	4.0%	4.5%	4.5%
Pension indexation (sailors)	1.5% (3.75%)	2% (4.25%)	1.6%

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

## Auditor's Report

The latest available asset allocation (per 3rd quarter 2008) is set out below :

	2008	2007	2006
Bonds/securities	61%	44%	64%
Equities	6%	30%	23%
Money market fund	16%	11%	0%
Property	17%	15%	13%

**NOTE 18 GUARANTEES**

(NOK 1 000)	2008	2007	2006
Subsidiaries and other companies	6 091 561	3 505 617	2 592 087
<b>Total guarantees</b>	<b>6 091 561</b>	<b>3 505 617</b>	<b>2 592 087</b>

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

**19 DERIVATIVE FINANCIAL INSTRUMENTS**

The company uses various derivative financial instruments to reduce fluctuations in earnings and cash flow caused by volatility in foreign exchange rates and interest rates. In addition the company enters into derivative financial instruments to reduce currency, interest and bunkers exposure in subsidiaries.

Odfjell SE had following off-balance sheet items as per 31.12.2008:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Duration
Interest swap	4.9%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Interest swap	4.5%	USD 6m LIBOR	USD 50 mill.	08.02.2008	5 years
Interest swap	5.2%	USD 6m LIBOR	USD 50 mill.	29.02.2008	5 years
Interest swap	3.7%	USD 3m LIBOR	USD 50 mill.	11.12.2008	5 years

Following instruments are entered into to reduce exposure in subsidiaries:

(NOK 1 000)	2008	2007	2006
Bunkers	281 900	-	-
Currency	106 776	-	-
Interest	78 545	-	-
Other	40 833	-	-
<b>Derivative financial instruments</b>	<b>508 053</b>	<b>-</b>	<b>-</b>

**NOTE 20 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 2008 Odfjell paid this company NOK 5.7 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 and buy administrative services from Odfjell SE in Bergen, for which Odfjell received NOK 0.5 mill. in 2008. 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 31.12.2008 were immaterial.

**NOTE 21 COMMITMENTS AND CONTINGENCIES****Capital Expenditures**

In 2004 Odfjell placed contracts with the large Russian "Sevmash" shipyard, located near Archangelsk, for up to twelve 45,000 tdw IMO type II coated product/chemical carriers. The initial fixed total contract price for all twelve vessels was approximately USD 500 million, later increased to USD 544 mill. Following serious delays in the construction process, combined with demands for further price increases from the yard, continuous cooperation problems as well as protracted negotiations, Odfjell decided, in February 2008, to serve formal notice of cancellation to Sevmash. The instalments paid were refunded by the yard, interest included. Yard supervision and other owner's expenses in an amount of USD 7 million were not refundable under the shipbuilding contracts, and this amount forms part of our claim against the yard for compensation for costs and losses caused, on account of wilful misconduct and massive contract breaches by the yard. The issue will be solved by arbitration in Sweden, as provided for in the contract.

**Contingencies**

The Company maintains insurance coverage for its activities consistent with standard industry practice. In relation to the antitrust case in the US and elsewhere the Company has made provisions for estimated contingent commitments. We have settled most antitrust issues with our US based customers. At this point in time it is not possible to estimate the financial impact of any 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 any of our customers, at market terms. Both in 2007 and 2008 net result has not been influenced by payments, provisions and reversal of unused provisions in connection with the antitrust and related matters. As per 31 December 2008 there were no provisions for future commitments. See the Board of Directors' report.

From the EU Commission Odfjell received a so-called Statement of Objections in April 2007. In May 2008 Odfjell was informed that the European Commission had closed the file in the Chemical Parcel Tanker case. The Commission's conclusion was that it lacked jurisdiction over the case due to the tramp exclusion contained in Regulation 4056/86, in line with what Odfjell consistently argued before the Commission.



To the Annual Shareholders' Meeting of  
Odfjell SE

**Auditor's report for 2008**

We have audited the annual financial statements of Odfjell SE as of 31 December 2008, showing a profit of NOK 283 663 000 for the Parent Company and a profit of USD 162 678 000 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 changes in 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 2008, 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 2008, 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, 11 March 2009  
ERNST & YOUNG AS  
Kjell Ove Røsek  
State Authorised Public Accountant (Norway)  
(sign)

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

## Financial Risk Management and Sensitivities

The global market is Odfjell's arena. We are therefore 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 has an active approach as to manage risk in the financial markets. This is done through long-term funding from diversified sources, maintaining high liquidity or loan reserves, and through a systematic monitoring and management of 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

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

The single largest monetary cost component affecting the time-charter earnings is bunkers. In 2008 it comprised about 60% of voyage cost. A change in the average bunker price of USD 100 per ton gives about USD 60 million (or about USD 2,300/day) change in time charter-earnings. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the CoA's. As per 31 December 2008 we have about 50% of our 2009 exposure hedged through options and swaps at an average price of about USD 430 per ton and for 2010 about 5% at USD 264 per ton.

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

The tank terminal activities have historically shown more stable earnings than our shipping activities. About 35% of the 2008 operating result came from tank terminals. A substantial part of the tank terminal costs are fixed costs and the main drivers for earnings within a tank terminal are the occupancy rate, the volume of cargoes handled through and by the terminal, and operational efficiency.

### INTEREST RATES

All interest-bearing debt, except the debt of our tank terminals outside the US, is denominated in USD. Bonds issued in NOK and SGD are swapped to floating USD. At the end of 2008 about 50% of our debt was floating, based on USD LIBOR rates.

The balance of the 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, fixed time periods on floating rate debt and liquidity are managed to be concurrent. Our interest-bearing debt as per 31 December 2008 was USD 1.5 billion, while liquid assets were USD 193 million.

### CURRENCY

The Group's revenues are primarily in USD; only tank terminals outside the US 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 operating result by roughly USD 15 million, before taking into account the result of any currency hedging. In addition the effect on the Norwegian back-taxes accounts for about USD seven million.

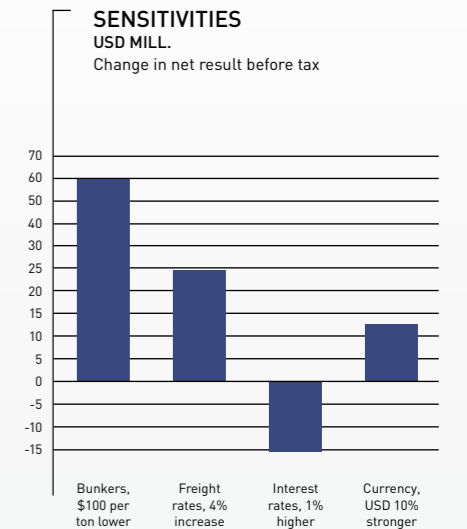
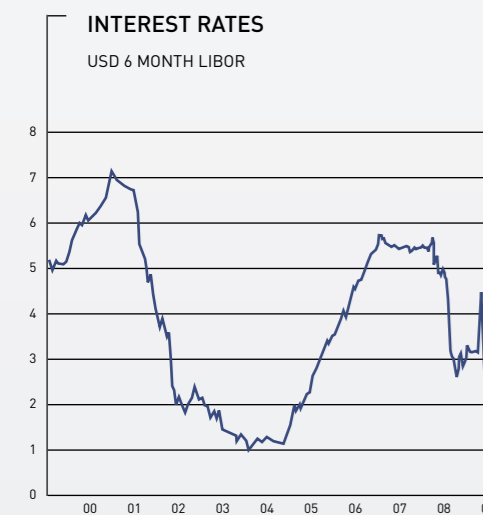
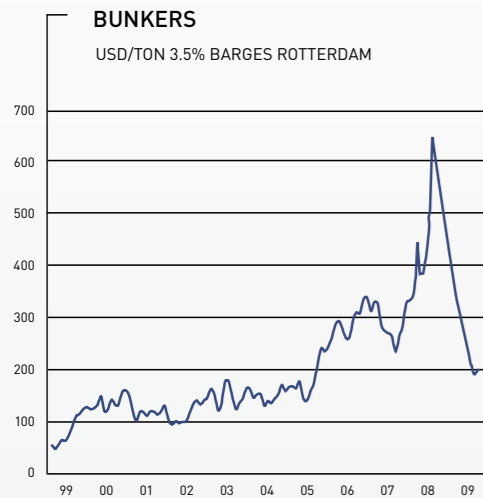
Our currency hedging as per 31 December 2008, whereby we have sold USD and purchased NOK and EUR, covers about 80% of the 2009 exposure relating to voyage, docking, operating and admin expenses. For 2010 we have hedged 43% of this exposure. The average exchange rates for open hedging positions as of 31 December 2008 for 2009 were 6.26 and 6.47 for 2010. Future hedging periods may vary depending on changes in market conditions.

### FINANCING AND LIQUIDITY

Odfjell has a stable debt structure established with major international shipping banks, with which we enjoy long-standing 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 6.1 years.

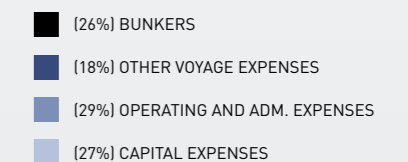
Odfjell's strategy is to maintain a high level of readily available liquidity. The liquidity is invested in bank deposits and high-grade certificates and bonds with floating interest rate.

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 Norwegian tonnage 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. The tax liability of NOK 518 million as per 31 December 2008 arising from the changes to the Norwegian tonnage tax system is payable over ten years from 2007, is mostly unhedged and will therefore increase the volatility of currency gains/losses. A 10% change in the USD/NOK exchange rate will impact unrealized gains/losses by about USD seven million.



### COST ANALYSIS

The major cost components of a typical large Odfjell parcel tanker:



# Corporate Governance

**Odfjell strives to protect and enhance shareholders' equity through long-term profitable business activities. Sound corporate governance is a central element in our strategy. This chapter describes the legal and operational limitations as to how Odfjell is governed. The Company's aim is to create sustainable values for shareholders and stakeholders alike. The Company is a SE Company (Societas Europea) subject to Act no. 14 of 1 April 2005 relating to European companies, and listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations.**

The framework for corporate governance is The Norwegian Code of Practice for Corporate Governance of 4 December 2007. The code builds on a "comply or explain" principle, which means that possible deviations from the code shall be explained. Odfjell's shareholder structure, where the founder's family controls more than 50% of the votes at the general shareholders' meeting, is such that certain of the code's provisions are not implemented, in full.

Below we comment on Odfjell's compliance as to each of the elements of the code, and the reasons for deviations, if any, are explained.

## REPORTING ON CORPORATE GOVERNANCE

The Board has decided that The Norwegian Code of Practice for Corporate Governance shall govern the Company's activities. 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. Odfjell has developed its own corporate Code of Conduct, which focuses on ethical behaviour in everyday business activities. All Odfjell employees are obliged to comply with our Code of Conduct.

## THE BUSINESS

"The object of the Company is to engage in shipowning and related activities, including the transportation of freight on the Company's own vessels or chartered vessels, the conclusion of freight contracts, co-ownership agreements and cooperation agreements, as well as taking part in share subscriptions and making partnership contributions, or in any other way establish or participating in other enterprises which may be significant to the development of the Company." This statement appears in article 1 of Odfjell's Article of Association. Further articles may be found on our website

www.odfjell.com. The Company's Mission Statement and strategy is discussed on page 3 and 4 of this annual report.

## EQUITY AND DIVIDEND

### Equity

Odfjell shall maintain an equity base deemed sufficient to support the Company's objectives and strategy, and shall be sufficient to withstand a prolonged period of adverse conditions in our markets. The target is that the equity shall be between 30 and 35% of total assets. The current equity ratio of 28% is on the low side, as a result of the retroactive tax imposed by the Norwegian Government in 2007. The Board therefore strives to improve the equity ratio.

### Dividend policy

Odfjell aims 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.

### Capital increase

The Board has not been assigned authority to issue new shares.

### Purchase of treasury shares

The Annual General Meeting on 5 May 2008 authorized the Board of Directors to acquire treasury shares of up to 10% of the Company's outstanding shares, at a minimum price of NOK 2.50 (par value) and a maximum price of NOK 250 per share. This authorization expires 5 November 2009. A renewal of this authorization for another 18 months will be recommended to the shareholders at the General Meeting in May 2009.

## EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

### Class of shares

Odfjell has two classes of shares. The A-shares each carry one vote at the Company's general meetings. The B-shares have no voting rights. With the present shareholder structure in place, converting to a single class of shares is not considered appropriate. In all other respects, the two classes of shares have equal rights. The shares are registered with the Norwegian Registry of Securities.

### Trading in treasury shares

Treasury shares are acquired in the market and trades are reported to the Oslo Stock Exchange.

### Transactions with related parties

Certain transactions are entered into with related parties. Such transactions are carried out as part of the ordinary course of business, and on commercially reasonable market terms.

### Guidelines for directors and corporate management

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 and non-public information.

### FREELY NEGOTIABLE SHARES

The shares are freely negotiable. The Articles of Association place no restrictions on negotiability.

### GENERAL MEETINGS

The Board is responsible for calling both annual and extraordinary general meetings. The Annual General Meeting is held in May each year, and 14 days' written notice is given. A notice is also published on the Oslo Stock Exchange and on the Company's website at least 21 days ahead of the General Meeting. Shareholders who wish to attend the General Meeting must notify the Company no later than five days before the General Meeting. It is possible to register for the Annual General Meeting by mail and telefax.

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

Each class A-share carries one vote. All resolutions are adopted by simple majority unless otherwise decided.

Representatives of the Board and the auditor participate in the Annual General Meeting. Management is represented by the Chief Executive Officer and the Chief Financial Officer. The Chairperson of the Board will chair the Annual General Meeting. The minutes of the General Annual Meetings are available on the corporate website.

The financial calendar is published to Oslo Stock Exchange, on www.odfjell.com and in the annual report.

The following matters shall be the business of the Annual General Meeting:

- adoption of the annual accounts and balance sheet.
- application of the year's profit or coverage of the year's loss in accordance with the adopted balance sheet, and the declaration of dividend.
- adoption of the remuneration of the Board of Directors
- statement on salary and other benefits to the Management.

Issues which shareholders want to be considered at a general meeting, must be submitted in writing to the Board of Directors in time to be included in the notice of the General Meeting. Extraordinary general meetings may be called in accordance with the provision of the Limited Liability Companies Act.

### NOMINATION COMMITTEE

Odfjell SE has not established a Nomination Committee. The Board has evaluated the possibility of establishing a Nomination Committee, but has concluded such a committee would hardly bring about added quality or value.

## CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Company has no Corporate Assembly. The Annual General Meeting elects the Board. The interests of the employees are being met by an agreement between the employees and Odfjell for the involvement of employees. The employees have established a permanent Employee Representatives Body (ERB) in order to attend to the employees' rights and obligations with Odfjell. The ERB consists of up to six representatives, partly from our tank terminal in Rotterdam, the head office in Bergen and the officers' council.

The scope of information and consulting procedures shall be on transnational issues, which concerns the group of employees either in the Company or in one or more of the subsidiaries.

Additionally, employee involvement is secured by various committees and councils on corporate level and in respective subsidiaries abroad, where management and representatives from the employees, both onshore and seafarers, meet to discuss relevant issues. According to the Articles of

Association the Company shall have 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.

In an Extraordinary General Meeting held on 2 December 2008, the shareholders changed the composition of Directors: Katrine Trovik was replaced by Irene Waage Basili, and Peter G. Livanos was replaced by Ilias A. Iliopoulos. The members of the Board are elected for two years at a time.

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. Bernt Daniel Odfjell represents the Odfjell family, the largest shareholder of Odfjell SE. Board member Ilias A. Iliopoulos represents Chemlog Holdings Ltd., the second largest shareholder. Reidar Lien, Marianna Moschou and Irene Waage Basili are independent Board members. Great caution is taken to avoid any conflict of interest in issues with related parties. In this connection the independent Board members represent valuable external viewpoints.

#### THE WORK OF THE BOARD

Ultimately the Board is 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 overall activities are of significant nature. Such matters include confirmation of the strategic guidelines, approval of the budgets as well as 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.

It is the responsibility of the Board to ensure 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. All issues are dealt with in plenary meetings.

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 and internal control. An Audit Committee is not mandatory under Norwegian legislation.

The Board held seven regular meetings in 2008. Apart from ongoing business, four of the meetings dealt with the quarterly financial reports, one covered strategic matters and one meeting reviewed and approved next year's budget. The auditor participated in the meeting of the Board of Directors that dealt with the annual accounts. One meeting is always held in May, in connection with the Annual General Meeting. 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 also hold special meetings, either by telephone conference or by written resolution at the request of the Executive Chairman, the President/CEO or by any two Board members.

The Board has not made any formal evaluation of its work.

#### RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Odfjell is kept updated on management and Company activities through reporting systems, including monthly financial statements. HSE is a fixed item on the Board's agenda. The Company is also subject to external control functions such as by the auditors, the ship classification societies, port and flag state control, and other regulatory bodies like IMO, ISM Codes, etc.

The Compliance Officer of Odfjell monitors that the Company acts in accordance with applicable law and regulations. Particular focus has been applied to competition law compliance, and regular updates are given to all relevant personnel.

#### REMUNERATION OF THE BOARD OF DIRECTORS AND OF THE SENIOR MANAGEMENT

The Annual General Meeting on 5 May 2008 resolved that the annual compensation to the members of the Board be NOK 1 290 000 for the Executive Chairman and NOK 200 000 for other members of the Board. The compensation was paid in cash. President/ CEO Terje Storeng received

compensation and benefits of totally NOK 4 933 000 in 2008. 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 may be found in note 3 of Odfjell SE's financial statements.

#### INFORMATION AND COMMUNICATION

Odfjell presents preliminary annual accounts early February. The complete accounts, the Directors' Report and the Annual Report are sent to shareholders and other stakeholders late March. Odfjell presents its accounts on a quarterly basis. The Financial Calendar is published on the Oslo Stock Exchange, on the corporate website and in the Annual Report. All shareholders are treated equally with regards to information.

Open investor presentations are conducted at least two times per year in connection with Odfjell's quarterly reports. The CEO reviews results and comments on markets and prospects. Odfjell's CFO also participates in these presentations. The presentations of the annual and quarterly reports are published at the Oslo Stock Exchange and posted on the corporate website at the same time as they are presented. The annual and mid-year results are presented in a live presentation in Oslo or Bergen, whereas reports from first and third quarters are made available through webcasts.

Odfjell also maintains an ongoing dialog with, and make presentations, to analysts and investors. Care is taken to maintain an impartial distribution of information when dealing with shareholders and analysts.

#### TAKE-OVERS

There are no defence mechanisms against take-over bids in Odfjell's Articles of Association, nor have other measures been implemented to limit opportunities to acquire shares in the Company.

#### AUDITOR

The auditor prepares an annual plan for the audit. The auditor is present during the Board's discussion of the annual financial statements. At the meeting, the Board is briefed on the annual accounts and any other issues of particular concern to the auditor, including any points of contention between the auditor and Management. The Board has a special session with the auditor without the presence of the Management. The auditor submits to the Board a written statement on fulfilment of the Statutory Audit Independence and Objectivity requirement in accordance with the Auditing and Auditors Act.

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



## Shareholder Information

### 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. However, as a result of the significant negative impact on the equity ratio of the retroactive taxation imposed by the Norwegian Government in 2007, the Board proposed cancellation of a second dividend in 2007 and 2008.

### SHARE PERFORMANCE

At year-end 2008 the Odfjell A-shares traded at NOK 43.5 (USD 6.22), down 51.1% compared to NOK 89 (USD 16.47) a year earlier. The B-shares traded at NOK 45 (USD 6.43) at year-end, down 36.6% from NOK 71 (USD 13.15) a year earlier. A dividend of NOK 2.00 per share was paid in May 2008. Adjusted for this dividend, the A- and B- shares had negative yields of 48.9% and 33.8% respectively. By way of comparison, the Oslo Stock Exchange benchmark index declined by 54.1%, the marine index declined by 62.2% and the transportation worsened by 61.7% during the year.

The market capitalisation of Odfjell was NOK 3.8 billion (USD 544 million) in 31.12.2008.

### TRADING VOLUMES

In 2008 about 22.8 million Odfjell shares were traded, spread over 15.4 million A-shares and 7.5 million B-shares. This represents about 26.31 % of the issued and outstanding shares.

### SHAREHOLDERS

At the end of 2008 there were 1 074 holders of Odfjell A-shares and 550 holders of Odfjell B-shares. Taking into account shareholders owning both share classes, the total number of shareholders was 1 332, a slight decrease compared to the preceding year.

### INTERNATIONAL OWNERSHIP

72.24% of the company's A-shares and 33.79% of the B-shares were held by international investors at year-end, equivalent to 62.9% of the total share capital.

### SHARE REPURCHASE PROGRAM

During 2008, 103 500 Odfjell A-shares were acquired at an average price of NOK 42.71, and 449 700 B-shares were acquired at an average price of NOK 35.15. In 2007, 76 000 treasury A-shares at an average price NOK 104 and 61 527 B-shares at an average price of NOK 98.50 were acquired and no shares were sold.

All treasury shares of 1 679 500 A-shares at the price of NOK 50 and 2 322 482 B-shares at the price of NOK 40 were sold in 2008 to DnB NOR Markets. Furthermore, Odfjell SE entered into a Total Return Swap (TRS) with DnB NOR Markets for all the sold shares.

The Annual General Meeting on 5 May 2008 authorized the Board of Directors to acquire up to 10% of the Company's share capital. This authorization expires 5 November 2009. 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.

### INVESTOR RELATIONS

Correct and timely information is of vital importance in order to create credibility and confidence. The demand for information is ever increasing, and our policy is to provide the market with relevant information. 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. For more information, please see page 88 under Corporate Governance.

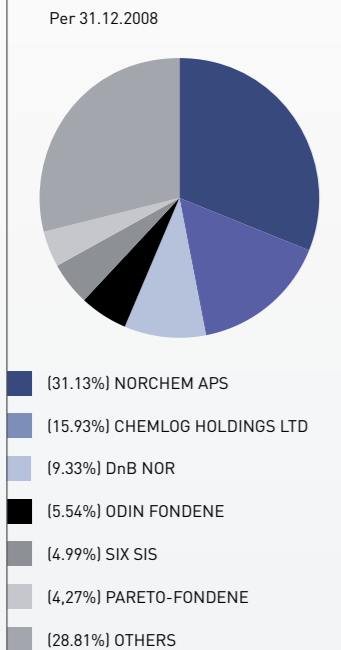
The Financial Calendar for 2009 is as follows:

5 May 2009	Annual General Meeting
5 May 2009	Report 1st quarter 2009
12 August 2009	Report 2nd quarter 2009
28 October 2009	Report 3rd quarter 2009
8 February 2010	4th quarter result 2009

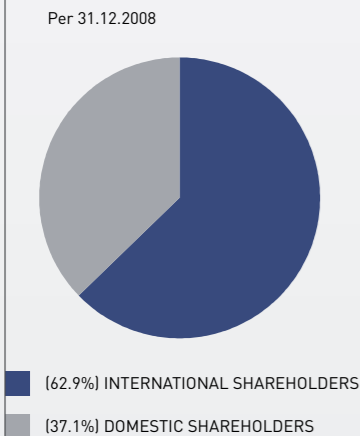
### SPECIAL INFORMATION FOR NORWEGIAN SHAREHOLDERS

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.

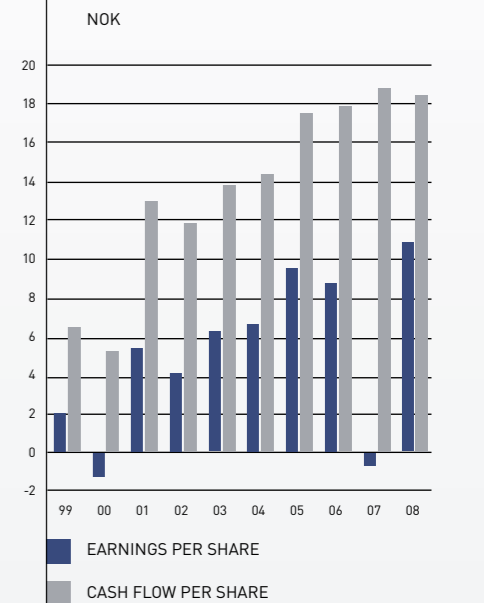
### SHAREHOLDER STRUCTURE



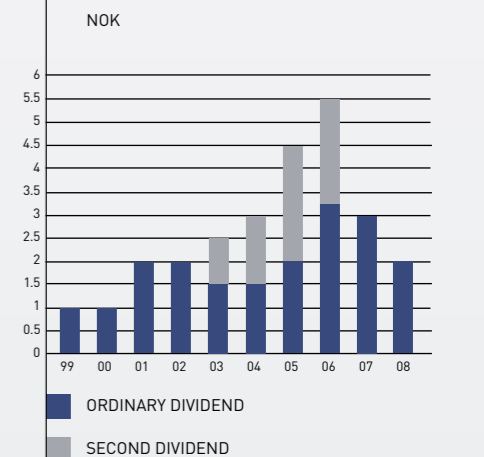
### SHAREHOLDER DOMICILE

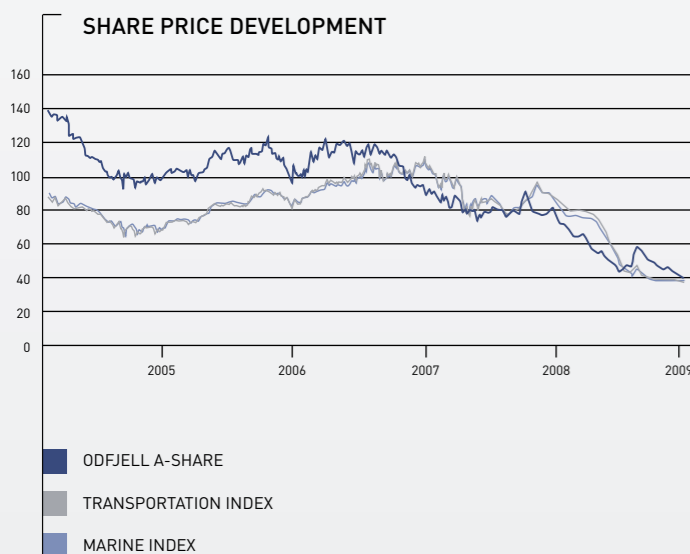
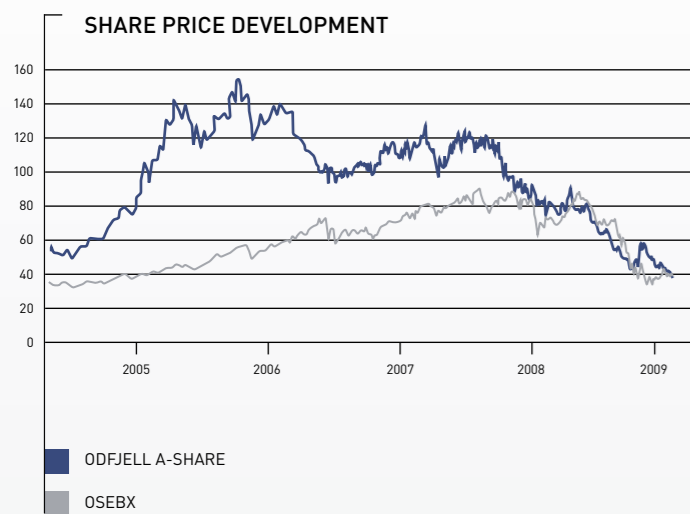


### EARNINGS/CASHFLOW PER SHARE



### DIVIDEND PER SHARE





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 splits of the shares that took place in 2004 and 2005.



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

**20 LARGEST SHAREHOLDERS AS PER 31 DECEMBER 2008**

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.	13 802 366	20 500	13 822 866	21,01%	15,93%
3 DnB NOR	5 662 149	2 430 631	8 092 780	8,62%	9,33%
4 ODIN-fondene		4 803 901	4 803 901	0,00%	5,54%
5 SIX SIS	2 142 700	2 184 850	4 327 550	3,26%	4,99%
6 Pareto-fondene	1 994 795	1 706 300	3 701 095	3,04%	4,27%
7 AS Rederiet Odfjell	3 497 472		3 497 472	5,32%	4,03%
8 Svenska handelsbanken	1 443 680	1 382 930	2 826 610	2,20%	3,26%
9 Folketrygdfondet	786 000	1 960 200	2 746 200	1,20%	3,16%
10 Odfjell shipping (Bermuda) Ltd.	1 463 898	1 215 760	2 679 658	2,23%	3,09%
11 JP Morgan Chase	636 630	321 600	958 230	0,97%	1,10%
12 Mathilda A/S	600 000	150 000	750 000	0,91%	0,86%
13 Pictet & CIE Banquiers	463 400	252 800	716 200	0,71%	0,83%
14 AS Bemacs	314 000	352 000	666 000	0,48%	0,77%
15 Citibank	443 022	43 140	486 162	0,67%	0,56%
16 SES	24 000	439 000	463 000	0,04%	0,53%
17 Berger	432 400		432 400	0,66%	0,50%
18 Skagen-fondene	312 900	105 700	418 600	0,48%	0,48%
19 Holberg-fondene		378 821	378 821	0,00%	0,44%
20 Frank Mohn A/S		350 000	350 000	0,00%	0,40%
<b>Total 20 largest shareholders</b>	<b>59 985 904</b>	<b>19 139 309</b>	<b>79 125 213</b>	<b>91,32%<sup>9</sup></b>	<b>91,19%</b>
Other shareholders	5 704 340	1 939 395	7 643 735	8,68%	8,81%
<b>Total</b>	<b>65 690 244</b>	<b>21 078 704</b>	<b>86 768 948</b>	<b>100,00%</b>	<b>100,00%</b>
International shareholders	47 451 668	7 122 434	54 574 102	72,24%	62,90%

**SHARE CAPITAL HISTORY**

Year	Event	Amount NOK	Share Capital After Event NOK
1916	Established	517 500	517 500
1969	Capitalisation bonus issue	382 500	900 000
1969	Merger with A/S Oljetransport	900 000	1 800 000
1981	Capitalisation bonus issue	1 800 000	3 600 000
1984	Capitalisation bonus issue	3 600 000	7 200 000
1985	Merger with Skibsaksjeselskapet Selje	3 320 000	10 520 000
1985	Merger with Odfjell Tankers & Terminals A/S	2 000 000	12 520 000
1985	Capitalisation bonus issue	6 260 000	18 780 000
1985	Public offering	9 390 000	28 170 000
1986	Capitalisation bonus issue	2 817 000	30 987 000
1988	Capitalisation bonus issue	6 197 400	37 184 400
1989	Capitalisation bonus issue	7 436 880	44 621 280
1989	International private placement	10 000 000	54 621 280
1990	Capitalisation bonus issue	54 621 280	109 242 560
1994	Capitalisation bonus issue	109 242 560	218 485 120
2000	Private placement	49 267 340	267 752 460
2001	Redemption of treasury shares	-13 657 500	254 094 960
2002	Redemption of treasury shares	-25 409 490	228 685 470
2003	Redemption of treasury shares	-11 763 100	216 922 370
2004	Share split 2:1	0	216 922 370
2005	Share split 2:1	0	216 922 370
2006	No events	0	216 922 370
2007	No events	0	216 922 370
2008	No events	0	216 922 370



# Chemical Transportation and Storage

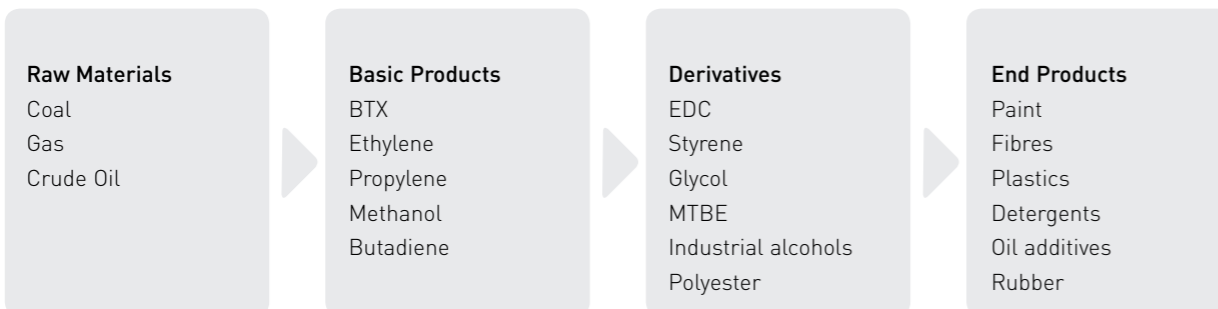
**Petrochemicals are clearly a part of modern life, and in many ways our societies and most industries now depend on such products. The petrochemical sector has for many years been subject to solid growth, and the worldwide use of chemicals has increased considerably. While the industrial nations have 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. The manufacturing companies in the Middle East on the other hand, have clearly stated that their intention is to develop their business in the direction of further down-streaming.

Chemical production facilities have traditionally been located in areas with easy access to the 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.

## ORGANIC CHEMICALS



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 is a major player in chemical tanker segment, and as such are operating in all major trade lanes. Whilst chemical tankers only represent a small percentage of the total world fleet of ocean-going tankers, for which the main cargo is crude oil, there is 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 handysize tankers. Handysize tankers are ships employed for carriage of clean petroleum products such as naphtha, gasoline, diesel and gasoil.

A chemical tanker is designed and constructed for handling of a multiple of different types of cargoes simultaneously

and as such, combines different customers' requirements under single voyages. Different customers' products are always kept segregated. Chemical tankers are often evaluated in two different categories; ships with all or the majority of 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 a result thereof, be able to adjust to changing market requirements.

Odfjell carries nearly 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.

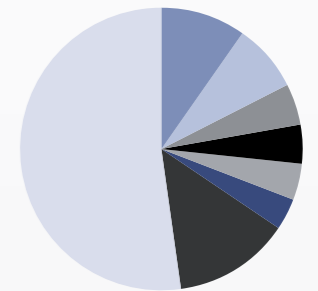
With frequent presence in all major trade lanes Odfjell is able to offer unique and flexible services allowing customers to ship small parcels from 100 to 150 tons to full cargoes of up to 40 000 tons. By entering into so called contracts of affreightments (CoA), the customer can plan regular shipments 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 transshipment purposes and in tank terminals at major ports such as Houston, Rotterdam, Singapore and Onsan play an important role in this respect.

Tank terminals are an integral part of the chemical 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 FLEET

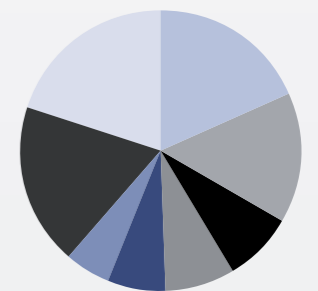
Ships 13 000 dwt. and above  
Total fleet about 25.1 million dwt., 954 ships



- (9.6%) Odfjell
- (7.9%) Stolt-Nielsen
- (4.6%) Eitzen
- (4.5%) Brostroem
- (4.2%) Fairfield Lino
- (3.6%) Tokyo Marine
- (13.1%) Other majors
- (52.3%) Others

## THE CORE CHEMICAL TANKER FLEET

Ships 13 000 dwt. and above  
Total fleet about 13.1 million dwt., 509 ships



- (18.4%) Odfjell
- (15.1%) Stolt-Nielsen
- (8.1%) Eitzen
- (7.8%) Fairfield Lino
- (6.9%) Tokyo Marine
- (5.3%) IMC/Aurora
- (18.5%) Other majors
- (19.8%) Others

A core chemical tanker is defined as:  
- IMO 2 capacity  
- Average tank size ≤ 3 000 cbm  
- Commercially controlled by core chemical operator  
- or ≥50 % stainless steel capacity

# Worldwide Activities



## Parcel Tankers

The Odfjell fleet currently consists of 93 ships, of which 81 are operated by Odfjell Tankers, our fully owned chartering and operating company. Odfjell Tankers, headquartered in Bergen, Norway, is represented with overseas offices in 16 different countries all over the world, each with the purpose of marketing and providing customer service. Most offices serve dual purposes, dealing with both commercial and operational issues. Many of the overseas offices are co-located and have close cooperation with our terminals. Odfjell's Singapore office has also the commercial and operational control of 12 ships employed in intra-Asia trades, in addition to being responsible for ship management of most of our coated ships.

The Odfjell Tankers fleet consists of a variety of ship types, in terms of size, degree of sophistication, number of tanks, tank configuration and coating, and a number of other criteria of importance for our operations and ability to serve different customer requirements. Fleet development and optimal vessel utilisation, therefore, are critical success factors in the day-to-day management and employment of Odfjell Tankers.

Flexibility and inter-changeability of ships between geographical areas and trade-lanes is an integral part of Odfjell's business model, facilitated by our large and sophisticated fleet. Odfjell ships trade in most relevant waters, calling major ports in Europe, the US, Asia Pacific, Africa, Middle East and South America. The 16 state-of-the-art 37,500 dwt mostly stainless steel parcel tankers, and the eight fully stainless steel 40,000 dwt parcel tankers that were delivered from Poland between 2003 and 2007, are among the most advanced and flexible ships in the market, which contribute to our emphasis on safety, efficiency and customer service. Since 2002 we have further strengthened our carrying capacity through long-term time-charters of Japanese built and owned stainless steel tonnage; 12 19,900-tonners and six 33,000-tonners, of which only one remains to be delivered.

In addition to the one remaining Japanese 33,000 dwt time-charter ship, which will be delivered in 2009, Odfjell's order book currently consists of seven units. Six (plus optional four) 9,000 dwt stainless steel chemical tankers were ordered early 2008 at the Chuan Dong Shipyard in China, for delivery in 2010-2012. These ships will be operated in our regional trades in Asia and Europe, and as such, will replace smaller vessels currently traded in these areas. An 8,200 dwt IMO II chemical tanker with coated tanks is also in order and under construction, and will be delivered to our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co. Ltd. This vessel will be operated in the Chinese domestic market. As newbuilding prices seem to be falling to somewhat more reasonable levels, due to little new ordering and declining steel prices, we are closely monitoring further opportunities for fleet renewal.

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

During the last year Odfjell Tankers has strengthened the competitive position particularly in the South American markets. This is not least due to having committed sufficient quality tonnage to and from the US and to and from Europe, the regional services provided by Flumar and Odfjell y Vapores, and the connections with the associated Odfjell family terminals in Brazil, Argentina, Peru and Chile. South America is an important market, with a rapidly developing petrochemical industry, the expanding ethanol exports and the large vegetable oil exports.

Repeated piracy attacks in the Gulf of Aden during the summer and autumn made Odfjell choose to sail around Africa when going between Europe and Asia instead of going through Suez, despite the additional time and bunker costs involved. Although several of our competitors followed suit, this had nevertheless only a marginal impact on the market balance. Increased naval escort presence has improved the safety level to such an extent that we now have decided to resume sailings through Suez and Gulf of Aden. However, we are following the situation closely, and Odfjell is very concerned about the safety of crew, ship and cargo also when trading in other piracy-infested waters, such as parts of West Africa and the Malacca Strait.

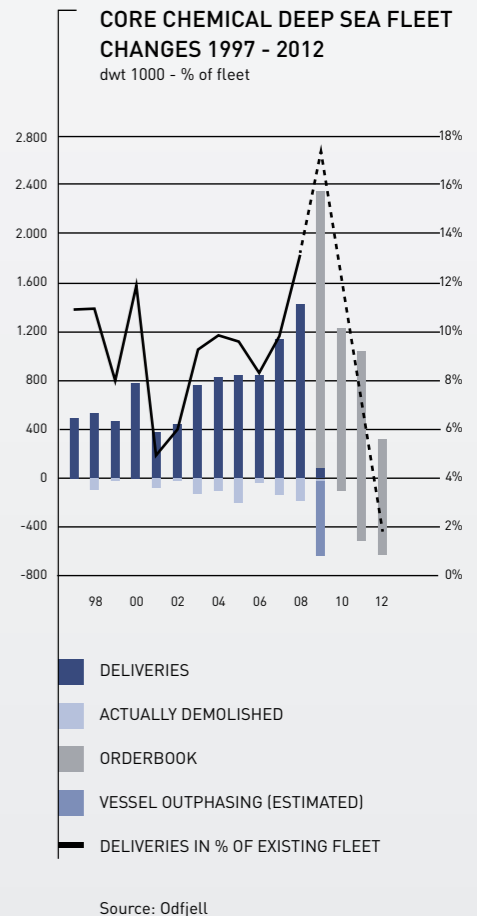
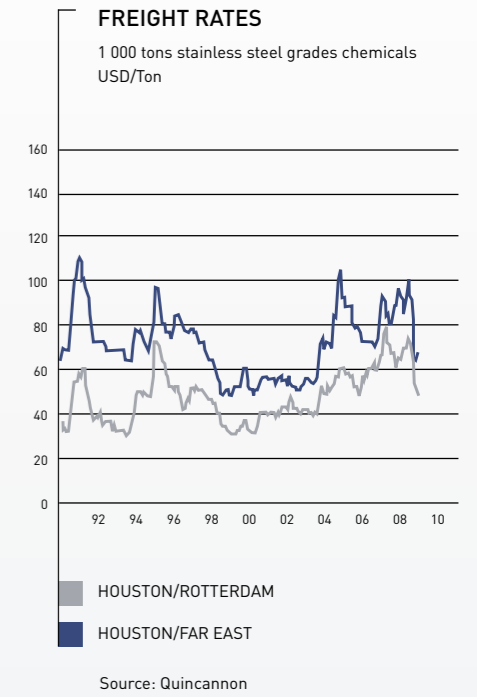
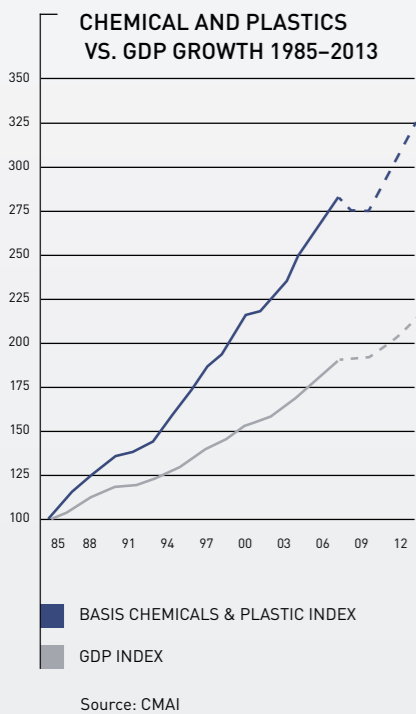
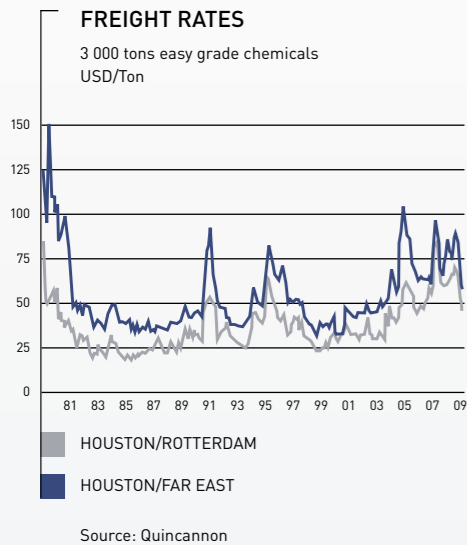
Port congestion and excessive waiting time for our ships has been a growing problem for the chemical tanker industry, and port time continues to take up a disproportionate part of many voyages. In part owners are able to compensate this cost disadvantage through collection of demurrage. Nevertheless, to achieve more efficient port operations, and thereby also saving the environment through limiting unnecessary ship emissions, berthing and cargo handling capacities should be further developed.

The 12 ships operated out of our Singapore office are traded within and between North East Asia and South East Asia. Despite the current slowdown following the financial crisis, petrochemicals trade to and from China continue to be of major importance. Our Singapore office is also running parcel services between the Asia Pacific region and Australia/New Zealand as well as to and from AG/India/Africa.

In addition to wanting a major position in the important inter Asian trades, Odfjell Tankers also aims at offering our global customers transshipments to ports with limited draft or dock facilities. Consolidation of loading and discharging operations for the deep-sea fleet is also a crucial element. By reducing port calls and thereby reducing the risk of delays, Odfjell Tankers is able to offer a more reliable and economical service to our customers.

### ODFJELL AHRENKIEL

The 50/50 joint venture with our German partner Ahrenkiel for marketing and operation of chemical tankers in inter-European trade has been in service since 2004. Odfjell Ahrenkiel, based in Hamburg, Germany, also offers sailings between Europe, including the Mediterranean, and West Africa. The company currently operates six advanced Multitank ships of 5,870 dwt and one fully stainless steel 10,160 dwt tanker, and is firmly established as a reliable carrier in the European market. Odfjell Ahrenkiel carried about 0.6 million tonnes of cargo in 2008.





#### FLUMAR

In February 2008 Odfjell acquired the remaining 50% of the Brazilian shipping company Flumar, which then became a 100% owned subsidiary. Operating out of São 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 three chemical tankers and one LPG ship, ranging in size from 4,400 dwt to 13,800 dwt. These ships are now being transferred from external management to being managed by Odfjell. Combined, Odfjell and Flumar are able to provide our customers with enhanced service capabilities. Furthermore, the extensive network of associated terminals in Brazil and Argentina adds important flexibility towards our customers' logistics requirements. Flumar carried about 1 million tons of cargo in 2008.

#### ODFJELL Y VAPORES

The 50/50 joint venture company Odfjell y Vapores operates one parcel tanker of 18,652 dwt, primarily carrying sulphuric acid along the Chilean coast. In 2008 the Company carried some 0,5 million tons.

PARCEL TANKERS	Figures in	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Gross revenue	USD mill.	1 247	1 063	939	915	814	739	714	728	604	489
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	191	242	202	216	159	120	116	164	90	71
Operating result (EBIT)	USD mill.	129	150	106	138	85	47	48	100	31	36
Total assets	USD mill.	2 000	1 757	1 739	1 597	1 467	1 296	1 260	1 294	1 346	1 130
Volume shipped	1 000 tons	19 622	19 502	20 658	22 156	22 614	21 232	22 123	21 083	19 633	11 037
Number of products shipped		575	550	562	551	587	593	535	545	579	515
Number of parcels shipped		6 108	6 443	6 351	6 760	5 612	5 137	4 881	4 818	5 138	4 669
Port calls		5 730	5 884	6 030	6 234	3 991	3 704	3 586	3 699	3 316	2 606
Number of ships		93	92	92	93	95	98	86	88	85	63
Total deadweight	1 000 tons	2 460	2 391	2 362	2 393	2 447	2 480	2 335	2 413	2 339	1 716

## Tank Terminals

**Odfjell has eight fully or partly owned terminals at strategic locations around the world. In addition we cooperate closely with eight associated terminals in South America plus one in Canada (IMTT Quebec). In total, our tank terminal network now employs more than 1 000 people and offers more than 3.0 million cbm of storage space in over 1 000 tanks in 17 ports around the world. This makes us one of the world-leaders in offering both shipping and storage services.**

We have a strategy of expanding the tank terminal activities along Odfjell's major shipping lanes. We also focus on important ports in newly industrialized countries, in order to enhance 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 as part of our cargo-consolidation programs with the purpose to reduce the time our ships spend in port. Commercially, the combination of shipping and tank terminals gives Odfjell a unique position to offer increased safety, reliability and efficiency to our customers. We experience that the demand for cargo-consolidation has steadily increased as a result of the industry's ongoing pursuit of improving efficiency in the supply chain.

### **ODFJELL TERMINALS (HOUSTON) LP - HOUSTON, 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 has been through a considerable expansion period. The capacity, including the ongoing construction of six additional tanks of totally 49 300 cbm, has gradually increased with the market over the years. The expansions have improved the profitability through a better utilization of already existing and costly infrastructure.

Following the completion of the ongoing expansion the tank terminal will have 98 tanks ranging from 340 cbm to 9 500 cbm and have a total capacity of about 320 000 cbm. The tank terminal comprises the largest stainless steel storage capacity of any privately owned tank terminal in the world, in total 82 000 cbm.

The facilities' unused land and existing infrastructure still provide opportunities for further expansion, with potential storage capacity of totally around 125 000 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.

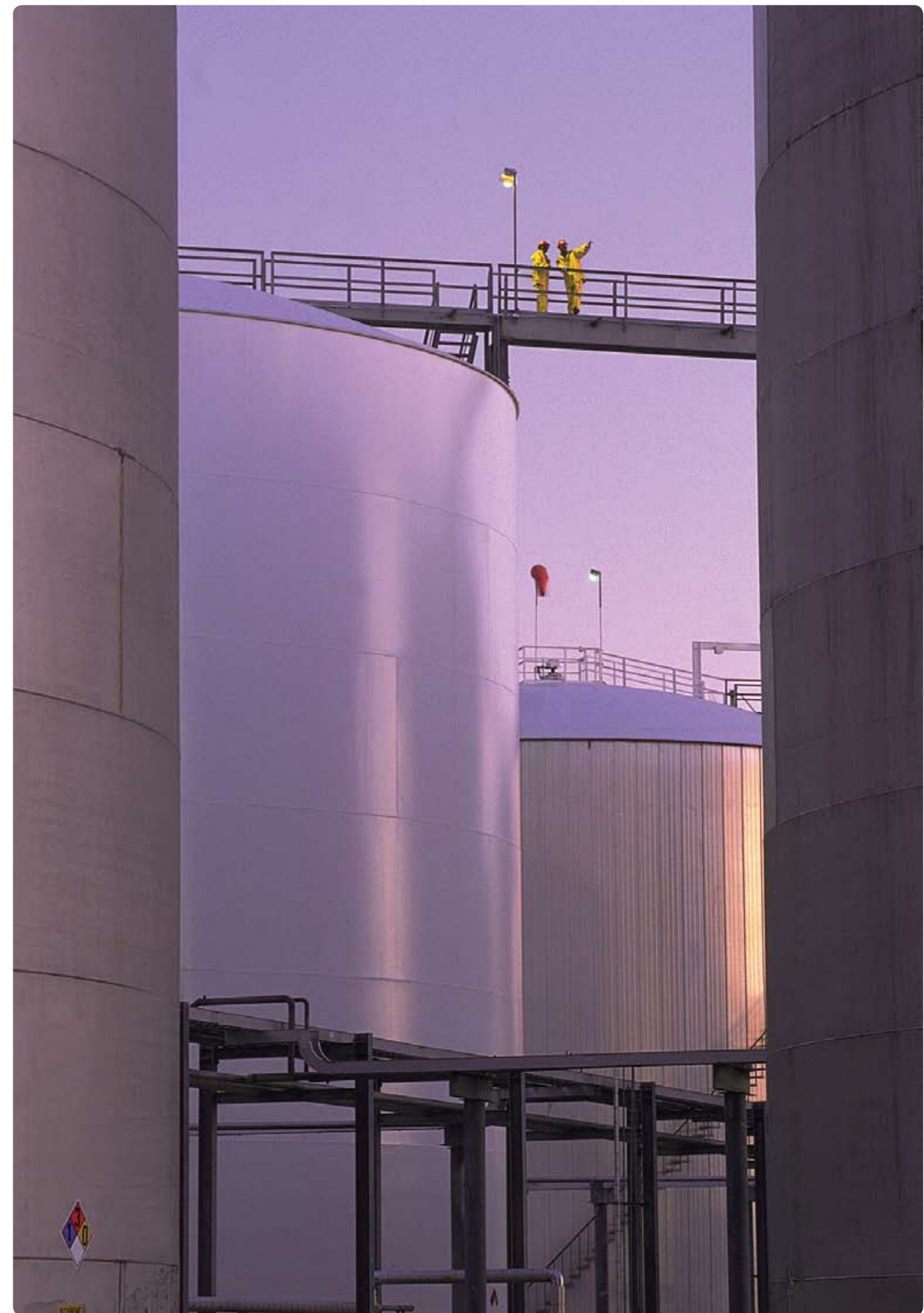
### **ODFJELL TERMINALS (ROTTERDAM) BV - ROTTERDAM, THE NETHERLANDS (OTR)**

Located at the heart of the Rotterdam harbor, the most important chemical distribution centre in Europe, Odfjell Terminals (Rotterdam) including ongoing expansion projects has a total storage capacity of about 1 635 000 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 810 000 cbm, while the mineral oil capacity is about 825 000 cbm. Part of the storage capacity can be shifted from one segment to another. This provides us a great flexibility and diversifies commercial risk.

In addition to the storage business, the facility has an industrial distillation plant, Odfjell Petrochemical Industrial Distillation (PID). Odfjell PID retains a large market share of the independent product distillation market in North West Europe. In 2008 a new state of the art unit became operational, bringing the number of distillation columns to four. The new column is a high vacuum tower, able to efficiently cope with chemicals and mineral oil products with high boiling points. Odfjell PID's total distillation capacity is 700 000 mtons per annum. Odfjell PID makes use of OTR's infrastructure and is fully integrated.

The tank terminal has excellent infrastructure, with four berths for seagoing ships and 12 berths for barges. A major project for refurbishment and reconstruction of two new jetties including a barge dock is ongoing at OTR. In 2008 we commissioned the reconstructed deep sea Jetty 10 and we took two new barge docks into service. During first semester 2009 the new 460 meter quay wall for deep-sea tankers will also be operational. The terminal 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 still to make it the primary hub for our global trade to and from Europe.



Effective January 2008, OTR took over AVR-Van Gansewinkel, the next door so-called Harbour Receiving Unit. The business, renamed Odfjell Terminals Maritiem BV, has become an integrated part of OTR, and provides the terminal access to extra berths.

#### **OILTANKING ODFJELL TERMINAL SINGAPORE PTE LTD – SINGAPORE (OOTS)**

As one of the busiest ports in the world, Singapore plays a major role for 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 13 520 cbm. More than 100 000 cbm of the capacity is committed on long-term contracts.

Also at OOTS in Singapore we have ongoing expansions; a total of 152 000 cbm (28 tanks) for chemicals. In addition, a bunkering facility which comprises three tanks totaling 13 000 cbm has been successfully commissioned. With access to additional land, the tank terminal can eventually grow to about 500 000 cbm. In addition to the two modern ship berths, and access to another two berths, OOTS is currently expanding marine facilities with another berth for ships up to 45 000 dwt.

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 between Odfjell and Oiltanking.

#### **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 from the petrochemical industry in UAE and Saudi Arabia. The port is hosting a refinery and several world scale petrochemical

complexes under construction. This development is driven by the desire of the Sultanate of Oman to exploit the nation's gas reserves and create a strong "value-added process economy" as opposed to an energy export economy.

OOT has the exclusive right to manage six liquid berths and provide bulk liquid storage within Sohar Industrial Port. Based on the requirements of the captive industry in Sohar and a strong market for storage of mineral oils, OOT has embarked on construction of in total 841 500 cbm of tankage for chemicals and oil products. Odfjell holds 30% of the shareholding in OOT. The company is jointly managed by Odfjell and Oiltanking and had 537 000 cbm operational by the end of 2008. The remaining capacity under construction will be commissioned for operation during Q2 2009.

#### **ODFJELL TERMINALS (KOREA) CO LTD – ONSAN, KOREA (OTK)**

Odfjell Terminals (Korea) is strategically located in the most important petrochemical distribution and transshipment hub in North East 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 has 64 tanks with a total storage capacity of 171 000 cbm. Also here we have an ongoing expansion that will add additional 79 920 cbm (eight tanks), and the terminal still has ample land for future expansions. The terminal owns and operates two berths with user rights to another two berths.

#### **ODFJELL TERMINALS (DALIAN) LTD - DALIAN, CHINA (OTD)**

Odfjell Terminals (Dalian) was relocated during 2007 from its old location to New Port in Xingang. In combination with the relocation the terminal has increased its capacity to 120 000 cbm. From its start in 1998, the development of the tank terminal's business has been very positive, and the terminal has delivered strong performance with the expanding petrochemical activity in the North East. Odfjell has a 50% stake and Dalian Port Co., Ltd. (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

<b>TANK TERMINALS</b>	<b>Figures in</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Gross revenue	USD mill.	232	180	152	132	130	118	97	90	59	32
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	95	74	58	48	49	45	38	35	25	16
Operating result (EBIT)	USD mill.	68	54	51	33	29	27	22	23	16	11
Total assets	USD mill.	808	771	499	393	352	343	336	274	243	129
Tank capacity	1 000 cbm.	3 100	2 553	2 256	2 256	2 256	2 256	2 155	2 155	1 917	354

Yangtze River, approximately 150 km west of Shanghai and 12 hours by ship from the entrance of Yangtze River. The 22 tanks / 99 800 cbm terminal, became operational late 2007 and handles numerous different types of petrochemicals from ships, barges and trucks. The impressive jetty has three berths (625 m), which can handle ships up to 50 000 dwt and two additional berths for barges. OTJ has signed an agreement to acquire additional 160 000 m2 land for future expansion. Odfjell (55%) owns OTJ together with Garson Group (45%).

#### **VOPAK TERMINAL NINGBO LTD, 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.

#### **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 chemical tank terminal in Callao, Peru.



## Ship Management

**Ship Management is fully integrated with fleet management, crewing, risk management and technology support. As ships account for about 65% of our total fixed assets, it is imperative that the fleet is managed and operated efficiently, assets are protected and values maintained.**

During the last four years the majority of all ships managed by external managers have been transferred to Odfjell Ship Management which now manages 57 and supervises three ships.

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

The loyalty amongst our seafarers and the changes implemented within Ship Management organisation provides sound foundation for future performance. The continuous development of our shore team is considered a successful approach to ensuring more direct interaction between our ships and offices. Our primary focus is on ensuring quality management. In January 2008, Odfjell further developed our internal superintendent and surveyor trainee program and also started an exchange programme with Det Norske Veritas (DNV) in which trainees from the two companies spend a period at the other party's offices.

### SHIPS

The implemented ship maintenance programme ensures safe and efficient operation, a long useful life and high second-hand values. The maintenance strategy is developed in co-operation with Det Norske Veritas (DNV) and is implemented through our computerised Planned Maintenance System supported by an in house specialist team.

### CREW

The safe operation of chemical tankers depends on highly qualified officers and crew. Our ships are mainly registered in Norway (NIS) and Singapore, and are 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 200 Norwegian, British or Filipinos seafarers are normally employed as trainees or cadets.

Odfjell first started its cadetship program in the Philippines with John B. Lacson Colleges Foundation in 2005. The formal inauguration of Odfjell's Bacolod Campus on the Philippines took place on 1 February, 2008.

Training of officers and crew are a key area to ensuring quality management. Odfjell allocates significant resources to training. During the last years we have implemented major upgrades of Odfjell Academy located in Subic Bay.

### 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. We view this system as an effective tool in our work to increase safety and to prevent injuries, damage and losses. During 2008 we have also increased our efforts in experience feedback to ships managed.

The implemented Key Performance Indicators have been actively measured and followed up during 2008 and improvement of performance is achieved in a number of areas, in particular related to near accident reporting, vetting performance, Port State Control, performance and Class rating.

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 Ship Management submitted several higher level achievement for a number of the TMSA elements in 2008 and has also put in place the processes to achieve the higher levels for more elements specified by the TMSA guide. The TMSA guide is considered to be a significant contribution to future improvement of the management of our vessels.

# Health, Safety and Environmental Protection

## GENERAL

Odfjell's "Corporate Quality Manual" enhanced with the "Corporate HSE Expectations" prescribes how to work in compliance with the high HSE standard we aim for.

Stringent safety and environmental requirements guide all our operations. Training of personnel working onboard, at terminals and ashore is our proactive way to ensure needed competence and awareness. Approximately 8 000 training days were held for our mariners, including 7 100 at the Odfjell Academy (Subic Bay, Philippines). The making and introduction of our new video "Understanding the Risks of Hazardous Chemicals and Burns" was a main effort in 2008.

Recorded absence rate at headquarters was 3.5%, which is less than half the average rate in Norway.

Operating units have renewed approvals to the International Safety Management (ISM) code (ship management), ISO 9001:2000 standard (terminals) and ISO 14001 environment standard. New for 2008 was that the terminal in Ulsan acquired ISO 14001 certification. The terminal in Jiangyin started operations in 2008 and is in process for both certifications.

## FLEET

### Environmental impact and figures for the Odfjell Fleet

The Odfjell fleet consumed some 640 000 metric tons bunkers in 2008, of which 4.5% were distillates and 5% were low sulphur fuel oil<sup>1</sup>. Totally the impact of SO<sub>x</sub> and CO<sub>2</sub> were about 32 000 metric tons and 1 950 000 metric tons respectively. The figures are based on the consumption from 94 vessels.

All fuel purchased by Odfjell is tested by Det Norske Veritas Petroleum Service. Test results of the bunkers purchased in 2008 states the average sulphur content was 2.43% - a small reduction from 2.47% in 2007 and 2.71% in 2006 (distillates not included).

### SO<sub>2</sub> - emissions

On average the Odfjell vessels emitted slightly less than 0.2 grams SO<sub>2</sub> per ton cargo transported per kilometre.

### CO<sub>2</sub> - emissions

Although variances are observed within the fleet, the average Odfjell vessel emitted slightly less than 11 grams CO<sub>2</sub>

per metrical ton cargo per transported kilometre in 2008.

### Environmental focus

Sea transportation is widely recognised as being among the most environmentally friendly ways of carriage compared to alternative modes of moving goods. However, knowing that 90% of all goods are carried at sea, we acknowledge that seaborne transportation is a major source of pollution in the transport industry.

Odfjell Tankers Environmental Council - OTEC, was established autumn 2008 to map Odfjell's environmental impact and follow-up actions. Odfjell's activities are various and impacts will in many respects be considered as substantial. An active approach to environmental issues is necessary, and OTEC shall ensure continuous improvements.

### Speed/consumption reduction scheme

From October 2007, 16 of our 37 000 dwt vessels were operated on reduced speed. In May 2008, 32 more vessels were included in the speed/consumption reduction scheme.

In 2008 the reduction scheme generated a net fuel saving of some 35 000 mt, which gave an emission saving of approximately 104 000 mt CO<sub>2</sub> and 1 800 mt SO<sub>2</sub>.

### Tank cleaning - chemical treatment

For years Odfjell Tankers Operations has invested in effective tank cleaning methods to meet the high industrial standards. This includes improvement in tank cleaning operation onboard and new cleaning chemicals. In addition to this Odfjell Tankers has intensified the use of our onshore team of experts onboard for supervision and training in tank cleaning operations.

The result of this effort is materialising and in 2008 we noted the following:

- consumption of detergents is reduced by 15%.
- reduction of pure cleaning chemicals is 44%.

### Energy Management Project - EMP

Odfjell started the Energy Management Project - EMP in 2008. The purpose is to reduce the energy consumption of Odfjell Tankers operated vessels.

<sup>1</sup>Fuel purchased in Brazilian ports have low sulphur content by nature, but is not included in the 5 % low sulphur quantity in this report. Odfjell purchased approximately 12 % of the fuel in such ports in 2008.

Prioritized activities are:

- utilization of weather routing system making advantage of wind, weather and sea currents in coastal and overseas passages.
- optimal energy system scheme onboard including fine tuning of speed and fuel consumption and further effective utilization of heaters and auxiliary engines.
- electronic tracking and tracing of ships.

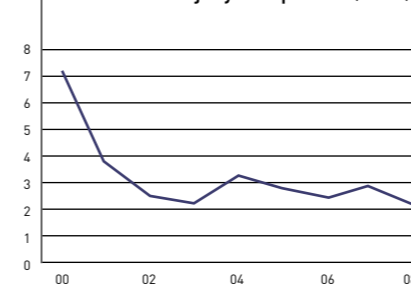
### Ship recycling

Fleet renewal is necessary to improve efficiency. Demolition of ships has not been regulated and the work often find place at poor conditions. This is a concern for both Odfjell and the shipping industry. The high expectations to Odfjell Tankers mean that all vessels regardless of age must maintain a certain quality. Therefore, when a ship is to be phased out from Odfjell Tankers, it is normally in a condition which makes sale for further trading a reasonable alternative. When ships are sold for further trading, without the purpose of demolition, Odfjell may not dictate future recycling facility. However, until the announced IMO Convention of Ship Recycling enters into force, Odfjell will follow the industry's own "Interim measures for shipowners intending to sell ships for recycling" with guidelines on yard selection, inventory of hazardous materials, gas freeing and reporting to flag state. For mapping of hazardous materials Odfjell uses the Green Passport Inventory concept developed by the classification societies. All Odfjell owned ships above 20 years of age shall have such an inventory list.

### Ship Management

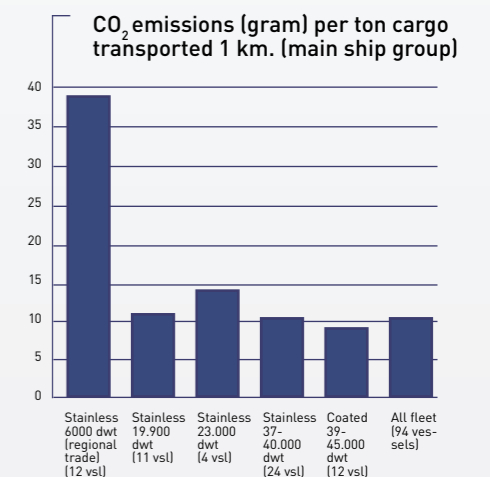
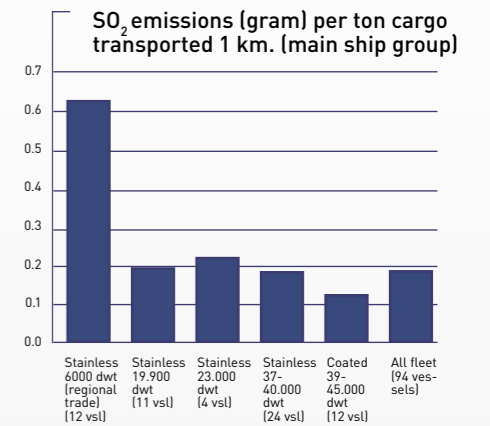
In 2008 there were no accidents causing death or permanent or long term disability to our seafarers. The Lost Time Injury Frequency (LTIF) decreased from 2.9 in 2007 to 2.3.

Lost Time Injury Frequency (LTIF)

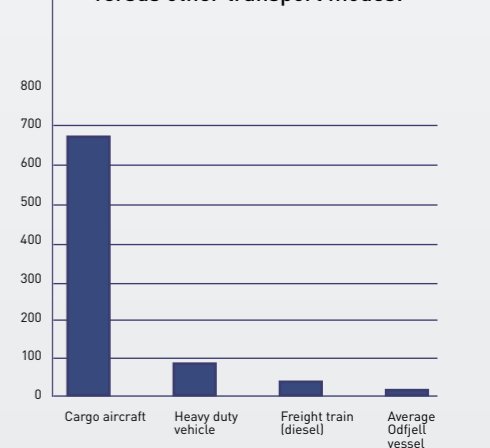


Ship Management holds the ISO 14001 certification which involves 51 ships of own management. The following technical projects reduce the environmental impact beyond the requirements in current regulations:

- implementation of an electronic lubrication system which gives up to 50% reduced lube oil consumption (11 of 13 vessels completed by end of 2008).
- installing ballast sampling points which means improved monitoring of ballast water (11 of 23 vessels completed by end of 2008).



Comparison of Odfjell vessel average versus other transport modes:



Source: Norwegian Ship owners Association



- dedicated tanks for water from air coolers give less bilge (nine of 16 vessels completed by end of 2008).
- installing oily water separator which reduces the oil content in bilge water overboard from 15 to 2 ppm (30 of 36 vessels completed by end of 2008).
- replace existing CO<sub>2</sub> based Inert Gas Plants with Nitrogen based plants. This reduces the need for tank cleaning and corresponding emissions from power consumption as well as reduced explosion risk (two of eight vessels completed by end of 2008).

#### Other measures:

- polishing of propeller is done as a part of the dry-docking scope for all ships.
- the upgrade to computer controlled main engine (E-Engine) on one ship was started in 2008 and will be completed in 2009. This will reduce emissions due to a more efficient running main engine.
- a feasibility study on how to reduce stern tube leakages started in 2008. The result will be evaluated in 2009.

#### FUTURE ENVIRONMENTAL ASPECTS

##### External activities involving Tankers

Through industrial organisations and flag state administrations Odfjell has actively contributed towards three specific industrial environmental initiatives, namely:

- reduction of inadvertent cargo vapour emission from ships.
- means to stop any illegitimate practice of draining shore cargo lines back to ships on completion of loading or unloading.
- enhance safety onboard by expanding current inert gas requirement to apply to all tanks loaded with low flash cargoes, independent of tank size, age of ship or categorisation of the cargo.

The Company's target is to actively support these initiatives and promote them to become industrial practice in the future, either through legislative changes or through new recognised industrial practice and guidelines.

##### Newbuilding programs

Odfjell will in the forthcoming period introduce projects related to newbuildings, which will reduce the impact on the environment. Among these are:

- hull Antifouling Project based upon smooth silicone painting with zero release of chemical compounds, and a predicted fuel saving between 5-10% (alternative higher average speed).
- ballast Water Treatment System for non-discharge of alien micro-organisms.
- oily Water Separator with ability to reduce the oil content to 5 ppm, well below the requirements of 15 ppm.

#### TANK TERMINALS

Odfjell Terminals B.V. was established as per January 1st, 2008 in Rotterdam as headquarters for the terminal business. During 2008 Odfjell Terminals B.V. has increased the focus on Health, Safety and Environmental throughout our global tank terminal network by establishing a Quality Board and increasing corporate support resources.

Odfjell Terminals (Rotterdam) is certified to ISO 14001 and 9001:2000. Focus has been on environmental protection and installation of emission reduction equipment, e.g. innerfloat roof, vapour recovery system, vapor control and continued clean up of soil contamination from prior to Odfjell's purchase of the terminal in 2000.

Odfjell Terminal (Houston) maintained the ISO 14001 and 9001:2000 certificates in 2008. They succeeded in bringing the LTIF substantially down to 3.7 in 2008. The HSE training program was improved by changing to interactive training for operations and safety. The incident investigation process was strengthened and is now conducted at the front line supervisor's level.

Odfjell Terminals (Korea) acquired the ISO 14001 certificate in December in addition to ISO 9001:2000. In addition to the above mentioned ISO certificates, both Odfjell Terminals (Dalian) and Oiltanking Odfjell Terminals Singapore (OOTS) passed the renewal of ISO 9001:2000.

Odfjell Terminals B.V. organized and carried-out "corporate terminal audits" at all terminals owned or managed by Odfjell in order to review quality status with respect to our Corporate Quality Management Manual. Odfjell audited five terminals with a methodology that contained a Quality Management System (QMS) review together with an on-site practical terminal inspection with regard to technical/operational/safety and housekeeping items. These audits form part of our efforts to consolidate a culture of continuous improvement and will be repeated regularly.

Odfjell Terminals B.V. is making significant investments in suitable systems to meet or exceed the increasingly strict environmental regulations in areas such as vapor control and waste water management.

#### CORPORATE SOCIAL RESPONSIBILITY

Odfjell's most important contribution to accepting corporate social responsibility is to conduct its business well in accordance with the international and national regulations which govern its operation. Odfjell's corporate social responsible balances the Company's economy, environmental and social responsibilities.

In 2008, Odfjell received the distinction "Best in Class" from Storebrand, which means that Odfjell scores among the 30% best companies on environmental and corporate social responsibility in an analysis for the marine industry.



#### Social Responsibility

Odfjell's social responsibility encompasses among other things ethics and business morals, employee and organisational development as well as supporting local communities.

#### Internal social responsibility

##### Code of Conduct

Odfjell has established a Code of Conduct that is meant to enforce ethical behaviour in everyday business and is applied by all employees, directors and representatives of the company, irrespective of their domicile.

##### Diversity

As a global actor with ships, terminals and offices all over the world the workforce at Odfjell is diversified when it comes to education, culture, nationality, religion, gender and age.

##### Training and development

Odfjell aims at giving employees development opportunities within the organisation. Employees are encouraged as internal candidates for vacant positions. In addition a wide range of training and courses are offered to employees.

Odfjell strives to develop an inspiring and interesting work environment both at sea and ashore. Odfjell carries out employee satisfaction surveys at headquarters in Bergen and other larger offices, and do ergonomics inquiries. All employees have a yearly appraisal with their manager. Also implemented is a programme for improved health care for seafarers, with focus on exercise and a healthy diet.

Odfjell has a trainee program for onshore positions and a program for apprentice at sea. In the Philippines the Odfjell Academy trains regular crew and the Odfjell Bacolod trains cadets.

#### Internal communication

Focus on internal communication is essential to create a good working environment and a common Odfjell culture. The Company magazine Quarterly and the Intranet are rated as the most important communication channels within Odfjell. An internal communication survey shows that the employees are overall quite satisfied with the internal information at Odfjell.

#### External social responsibility

Odfjell takes social responsibility within local communities in which Odfjell is represented. Odfjell supports small organisations and in some cases, Odfjell supports local initiatives together with partners or joint ventures/alliances.



E.g. Odfjell Makana sponsored Team Emtshezi from Durban with participation in Norway Cup in 2008.

# Fleet Overview

FLEET OVERVIEW as per 11th March 2009

	Ship	Year built	Dwt	Cbm	Stainless steel, Cbm	Number of tanks
OWNED:	Bow Saga <sup>1</sup>	2007	40 085	52 126	52 126	40
	Bow Sirius <sup>1</sup>	2006	40 048	52 126	52 126	40
	Bow Sea	2006	40 048	52 126	52 126	40
	Bao Hai Tun (49%)	2006	3 845	4 361	-	10
	Bow Summer	2005	40 036	52 126	52 126	40
	Bow Spring <sup>1</sup>	2004	39 942	52 126	52 126	40
	Bow Star	2004	39 832	52 126	52 126	40
	Bow Sun	2003	39 842	52 126	52 126	40
	Bow Firda	2003	37 427	40 515	40 515	47
	Bow Chain	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	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
	Flumar Aratu	1997	13 834	15 831	15 831	29
	Bow Querida	1996	10 115	10 956	10 956	18
	Bow Cedar	1996	37 455	41 608	34 329	52
	Bow Atlantic	1995	17 460	18 620	18 620	24
	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
	Angelim	1985	10 259	10 136	6 500	18
	Araucaria	1984	10 259	10 159	6 500	18
	Bow Hunter	1983	23 002	25 026	21 031	28
	Bow Maassroom	1983	38 039	48 866	-	22
	Bow Maasslot	1982	38 039	48 866	-	22
	Bow Fighter	1982	34 982	41 184	6 299	34
	Bow Pioneer	1982	23 016	25 965	20 969	28
	Bow Pacifico (50%)	1982	18 657	22 929	10 849	31
	Bow Viking	1981	33 590	40 956	21 745	36
	Jatai	1979	4 452	4 031	-	3

TIME-CHARTERED:	Ship	Year	Dwt	Cbm	Stainless steel, Cbm	Number of tanks
	Bow Hector	2009	33 694	37 386	37 386	16
	Bow Sagami	2008	33 641	37 238	37 238	16
	Bow Harmony	2008	33 619	34 698	34 698	16
	Bow Cape	2008	19 971	22 158	22 158	20
	Bow Kiso	2008	33 641	37 215	37 215	16
	Bow Heron	2008	33 707	37 365	37 365	16
	Bow Orelia <sup>3</sup>	2008	19 900	22 202	22 202	20
	Bow Omaria <sup>3</sup>	2007	19 900	22 202	22 202	20
	Bow Lima	2007	19 900	22 157	22 157	20
	Bow Olivia <sup>3</sup>	2007	19 900	22 202	22 202	20
	Bow Octavia <sup>3</sup>	2007	19 900	22 202	22 202	20
	Bow Fuji	2006	19 800	22 140	22 140	22
	Bow Ophelia <sup>3</sup>	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 <sup>3</sup>	2006	19 993	22 050	22 050	20
	Bow Sky <sup>2</sup>	2005	40 005	52 126	52 126	40
	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 <sup>2</sup>	2004	19 997	21 846	21 846	22
	Bow Asia <sup>2</sup>	2004	9 901	10 866	10 866	20
	Bow Singapore <sup>2</sup>	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 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 <sup>3</sup>	1998	5 870	5 941	5 941	20
	Multitank Badenia <sup>3</sup>	1997	5 870	5 941	5 941	20
	Multitank Britannia <sup>3</sup>	1996	5 870	5 941	5 941	20
	NCC Jubail <sup>2</sup>	1996	37 499	41 488	34 209	52
	NCC Mekka <sup>2</sup>	1995	37 272	41 588	34 257	52
	NCC Riyad <sup>2</sup>	1995	37 274	41 492	34 213	52
	Bow Baha	1988	24 728	32 458	19 662	25
	Bow Asir	1982	23 001	24 965	20 969	28
	Bow Arar	1982	23 002	24 965	20 969	28
	<b>Number of ships:</b>	<b>93</b>	<b>2 482 082</b>	<b>2 857 686</b>	<b>1 967 333</b>	

<sup>1</sup> Vessel beneficially owned through financial lease.  
<sup>2</sup> Vessel on bare-boat charter.  
<sup>3</sup> Vessel on variable timecharter.

ON ORDER:	Yard	Delivery	Dwt	Owner	Comment
	Zhoushan Penglai	06/2009	8 200	Odfjell Dong Zhan	49% owned
	NB Kitanihon	09/2009	33 000	Time-charter	
	Chuan Dong	2010	9 000	Odfjell	
	Chuan Dong	2011	9 000	Odfjell	
	Chuan Dong	2011	9 000	Odfjell	
	Chuan Dong	2011	9 000	Odfjell	
	Chuan Dong	2011	9 000	Odfjell	
	Chuan Dong	2012	9 000	Odfjell	
	<b>Number of newbuildings:</b>	<b>8</b>	<b>95 200</b>		

## TANK TERMINALS

	Location	Share	CBM	Stainless Steel, CBM	Tanks
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	100 %	1 625 000	33 000	281
Odfjell Terminals (Houston) Inc	Houston, USA	100 %	271 000	82 300	92
Odfjell Terminals (Jiangyin) Co Ltd	Jiangyin, China	55 %	99 800	30 000	22
Odfjell Terminals (Dalian) Ltd	Dalian, China	50 %	119 750	18 350	51
Odfjell Terminals (Korea) Co Ltd	Onsan, Korea	50 %	171 000	15 860	64
Oiltanking Odfjell Terminal Singapore Ltd	Singapore	50 %	213 000	5 700	51
Oiltanking Odfjell Terminal & Co. L.L.C. (Oman)	Sohar, Oman	29,75 %	537 000	-	39
Vopak Terminal Ningbo Ltd (Ningbo)	Ningbo, China	12,5 %	63 500	7 900	36
<b>Total owned</b>			<b>3 100 050</b>	<b>193 110</b>	<b>636</b>

## Associated terminals:

Depositos Quimicos Mineros S.A.	Callao, Peru		46 680	3 200	37
Granel Quimica Ltda	Santos, Brazil		97 720	13 250	99
Granel Quimica Ltda	Rio Grande, Brazil		40 800	2 900	28
Granel Quimica Ltda	Sao Luis, Brazil		54 800	-	28
Granel Quimica Ltda	Ladario, Brazil		8 000	-	6
Odfjell Terminals Tagsa S.A.	Buenos Aires, Argentina		51 105	535	101
Odfjell Terminals Tagsa S.A.	Campana, Argentina		75 200	10 100	112
Terquim S.A.	San Antonio, Chile		32 840	-	25
IMTT-Quebec	Quebec, Canada	33%	202 979	5 496	46
<b>Total associated</b>			<b>610 124</b>	<b>35 481</b>	<b>482</b>

<b>Grand Total</b>			<b>3 710 174</b>	<b>228 591</b>	<b>1 118</b>
--------------------	--	--	------------------	----------------	--------------

## PROJECTS AND EXPANSIONS

### TANK TERMINAL

	Share	CBM	Ongoing Expansion	New Total	Estimated Completion
Odfjell Terminals (Rotterdam) BV	100 %	1 625 000		1 635 000	Q1 2009
Odfjell Terminals (Houston) Inc	100 %	271 000	49 290	320 290	Q1 2009
Oiltanking Odfjell Terminals & Co. L.L.C. (Oman)	29.75%	537 000	305 500	842 500	Q1 2009
Exir Chemical Terminals PJCCO (Iran)	35%		22 000	22 000	Q1 2009
Odfjell Terminals (Korea) Co. Ltd.	50%	171 000	79 920	250 920	Q3 2009
Oiltanking Odfjell Terminal Singapore Ltd	50%	213 000	152 000	365 000	Q1 2009
			<b>618 710</b>		

Upon completion of all tank terminal projects, Odfjell Terminals will operate 4 328 884 cbm tank capacity worldwide Odfjell also has planned projects in Hainan and Caofeidan in China

## 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.

**CO<sub>2</sub>:** carbon dioxide, the amount of carbon dioxide in the atmosphere may increase the temperature of the earth's surface - known as the greenhouse effect.

**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 routes 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.

**DETERGENTS:** A chemical used for washing

**DNVPS:** Det Norske Veritas Petroleum Service

**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 Conventions governing Marine Pollution Prevention. It is a part of IMO.

**M/T:** Motor Tanker.

**MT:** Metric tons

**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.

**PPM:** Parts per million (1ppm=0,000001 or 1mg/kg)

**SEGREGATION:** The division of a ship's cargo space into individual tanks.

**SEP:** Safety and Environmental Protection, classification system used by Det norske Veritas.

**SHIP MANAGEMENT:** The administration of a ship, including

services like technical operation, maintenance, crewing and insurance.

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

**SOLVENTS:** A liquid that can dissolve other substances

**SOx:** Sulphur Oxides (SOx), react with moisture in the air to form sulphuric acid

**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:** An agreement for 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.

## Offices and Addresses

### MAIN OFFICE ODFJELL

Odfjell SE - Odfjell Tankers AS  
Conrad Mohrsv. 29,  
P.O. Box 6101 Postterminalen  
5892 Bergen, NORWAY  
Tel: +47 5527 0000  
Fax: +47 5528 4741  
Fax: +47 5527 9070  
(Chartering/Operations)

### MAIN OFFICE TERMINALS

Odfjell Terminals BV  
Oude Maasweg 6, P.O. Box 5010  
Harbour Number 4040  
3197 KJ Rotterdam-Botlek  
The NETHERLANDS  
Tel: +31 102 953 400  
Fax: +31 102 954 719

### INTERNATIONAL OFFICES

Odfjell USA (Houston) Inc.  
12211 Port Road  
Seabrook, TX 77586, USA  
Tel: +1 713 844 2200  
Fax: +1 713 844 2211

### Odfjell Singapore Pte Ltd

6 Shenton Way, # 27-08/09  
DBS Tower 2  
SINGAPORE 068809  
Tel: +65 6349 1300  
Fax: +65 6224 2285

### Odfjell Japan Ltd

Ogawa Bldg. 8F  
2-2 Uchikanda 1-Chome  
Chiyoda-ku, Tokyo 101-0047, JAPAN  
Tel: +81 3 3259 8555  
Fax: +81 3 3259 8558

### Odfjell Netherlands BV

Oude Maasweg 6, P.O. Box 5010  
3197 XC Rotterdam-Botlek  
The NETHERLANDS  
Tel: +31 102 953 666  
Fax: +31 102 953 668

### Odfjell Brasil Ltda

Av. Paulista 460 - 18 andar  
CEP 01310-000 Sao Paulo SP,  
BRAZIL  
Tel: +55 11 3549 5800  
Fax: +55 11 3549 5808

### Odfjell Shanghai

Suite B, 13F  
Huamin Empire Plaza  
728 Yan An West Road  
Changning District  
Shanghai 200050, P.R. CHINA  
Tel: +86 21 5239 9469  
Fax: +86 21 5239 9897

### Odfjell Dong Zhan Shipping (Shanghai) Co.,Ltd

Suite C, 13F  
Huamin Empire Plaza  
728 Yan An West Road  
Changning District  
Shanghai 200050, P.R.CHINA  
Tel: +86 21 5239 5393  
Fax: +86 21 5239 9897

### Odfjell Argentina SA

Alicia Moreau de Justo 1960  
Office no. 202 - Puerto Madero  
1107 Buenos Aires, ARGENTINA  
Tel: +54 114 313 7837  
Fax: +54 114 313 4619

### Odfjell Australia Pty Limited

Suite 4, Level 1  
443 Little Collins Street  
P.O.Box 1279  
Melbourne VIC 3001 AUSTRALIA  
Tel: +61 3 9642 2210  
Fax: +61 3 9642 2214

### Odfjell India

A-26, Nandbhuvan Industrial Estate  
Mahakali Caves Road, Andheri  
(East)  
Mumbai 400093, INDIA  
Tel: +91 22 6695 4701  
Fax: +91 22 6695 4707

### Odfjell Durban (Pty) Ltd

The Sharaf House  
2 Sinembe Crescent La Lucia Ridge  
Durban 4051, SOUTH AFRICA  
Tel.: +27 31 5834470  
Fax: +27 31 5834488

### Odfjell Korea Co Ltd

13th fl. Dongbu-Dadong Bldg.  
#103, Da-Dong, Chung-Gu  
Seoul, KOREA  
Tel: +82 2 775 9760  
Fax: +82 2 775 9761

### Odfjell Korea Ltd.

136, Cheoyong-Ri,  
Onsan-Eup, Ulju-Gun  
Ulsan, KOREA  
Tel: +82 52 227 5527  
Fax: +82 52 227 5567

### Odfjell Philippines Inc.

4th Flr Atlantis Beacon Tower  
2315 Leon Guinto St.  
Malate, Manila 1004  
PHILIPPINES  
Tel: +6325280341  
Fax: +6325672256

### Odfjell Dubai

c/o Sharaf Shipping Agency  
Sharaf Building, Al Mina Road  
P.O. Box 576,  
Dubai, UNITED ARAB EMIRATES  
Tel: +971 4 351 9785  
Fax: +971 4 351 9756

### Odfjell (UK) Ltd

14 Headfort Place  
London SW1X 7DH  
UNITED KINGDOM  
Tel: +44 207 823 0605  
Fax: +44 207 823 0606

### Odfjell Peru

Av. Enrique Meiggs, 240  
Urb. Chacaritas,  
Callao, PERU  
Tel: +51 1 614 0800  
Fax: +51 1 614 0801

### Odfjell Chile

Puerta del Sol 55  
Las Condes, Santiago  
CHILE  
Tel: +56 2 8764205  
Fax: +56 2 8764202

### National Chemical Carriers Ltd Co

Room 301, 3rd Floor, Al-Akariyah  
Bldg No 1  
Sitteen Street, Malaz Area  
P.O. Box 8931  
Riyadh 11492, SAUDI ARABIA  
Tel: +966 1 477 3934  
Fax: +966 1 476 4328

### REGIONAL OFFICES

Odfjell Asia Pte Ltd  
6 Shenton Way, # 27-08/09 DBS  
Tower 2  
SINGAPORE 068809  
Tel: +65 6349 1300  
Fax: +65 6224 2285

### Odfjell Ahrenkiel Europe GmbH

An der Alster 45, Postfach 100 220,  
20099 Hamburg  
GERMANY  
Tel: +49 40 24838 307  
Fax: +49 40 24838 319

### Flumar Transportes de Quimicos e Gases Ltda

Av. Paulista 460 - 18 andar  
CEP 01310-000 Sao Paulo SP,  
BRAZIL  
Tel: +55 11 3549 5800  
Fax: +55 11 3549 5807

### TERMINALS

#### Odfjell Terminals (Rotterdam) BV

Oude Maasweg 6, P.O. Box 5010  
Harbour Number 4040  
3197 KJ Rotterdam-Botlek  
The NETHERLANDS  
Tel: +31 102 953 400  
Fax: +31 104 384 679

#### Odfjell Terminals Maritiem BV

Oude Maasweg 5  
Harbour Number 4020  
3197 KJ Botlek-Rotterdam  
THE NETHERLANDS  
Tel: +31 10 2951 300  
Fax: +31 10 2951 342

#### Odfjell Terminals (Houston) Inc.

12211 Port Road  
Seabrook, TX 77586, USA  
Tel: +1 713 844 2300  
Fax: +1 713 844 2355

#### Odfjell Terminals (Dalian) Ltd

New Port  
Economy & Technology  
Development Zone 116601, Dalian  
P.R. CHINA  
Tel: +86 411 8759 5500  
Fax: +86 411 8759 5549

### Odfjell Terminals (Jiangyin) Co Ltd

1314 West Binjiang Road  
Shizhuang  
New Harbour City, Jiangyin  
Jiangsu 214446 P.R. CHINA  
Tel: +86 510 8666 9111  
Fax: +86 510 8666 9110

### Odfjell Terminals (Korea) Co Ltd

136, Cheoyong-Ri  
Onsan-Eup, Ulju-Gun  
Ulsan, KOREA  
Tel: +82 522 311 600  
Fax: +82 522 376 636

### Oiltanking Odfjell Terminal Singapore Pte Ltd

1 Seraya Avenue  
SINGAPORE 628208  
Tel: +65 6473 1700  
Fax: +65 6479 4500

### Oiltanking Odfjell Terminals & Co. Llc.

P.O. Box 369  
PC., 322 Fajal Al Qubail  
Sohar, SULTANATE OF OMAN  
Tel: +968 2685 0412  
Fax: +968 2684 7738

### Vopak Terminal Ningbo Ltd.

No. 111 Zhaobaoshan Road,  
Zhenhai District  
Ningbo, P.R. CHINA  
Tel: +86 574 2769 5638  
Fax: +86 574 8627 5931

### ASSOCIATED TERMINALS

#### Granel Quimica Ltda

Av. Paulista 460, 18º andar  
CEP 01310- 000 São Paulo, SP  
BRAZIL  
Tel: +55 11 3549 5800  
Fax: +55 11 3549 5832

#### Tagsa S.A

Av. Alicia Moreau de Justo 1960,  
piso 4 Of. 402  
1107 Buenos Aires  
ARGENTINA  
Tel: +54 11 4001 9700  
Fax: +54 11 4001 9701

#### Terquim S.A

Blanco Encalada 840  
Dept 702, San Antonio  
CHILE  
Tel: +56 35 21 1050  
Fax: +56 35 21 1161

#### DQM S.A

Av.Enrique Meiggs, 240  
Urb.Chacaritas,  
Callao, PERU  
Tel: +51 1 614 0800  
Fax: +51 1 614 0801



**ODFJELL**

**ODFJELL SE**

Conrad Mohrsv. 29,  
P.O. Box 6101 Postterminalen  
5892 Bergen, NORWAY  
Tel: +47 5527 0000  
Fax: +47 5528 4741  
E-mail: [ir@odfjell.com](mailto:ir@odfjell.com)  
[www.odfjell.com](http://www.odfjell.com)  
Ent.no: 930 192 503