ANNUAL REPORT **2007**

ODFJELL

Contents

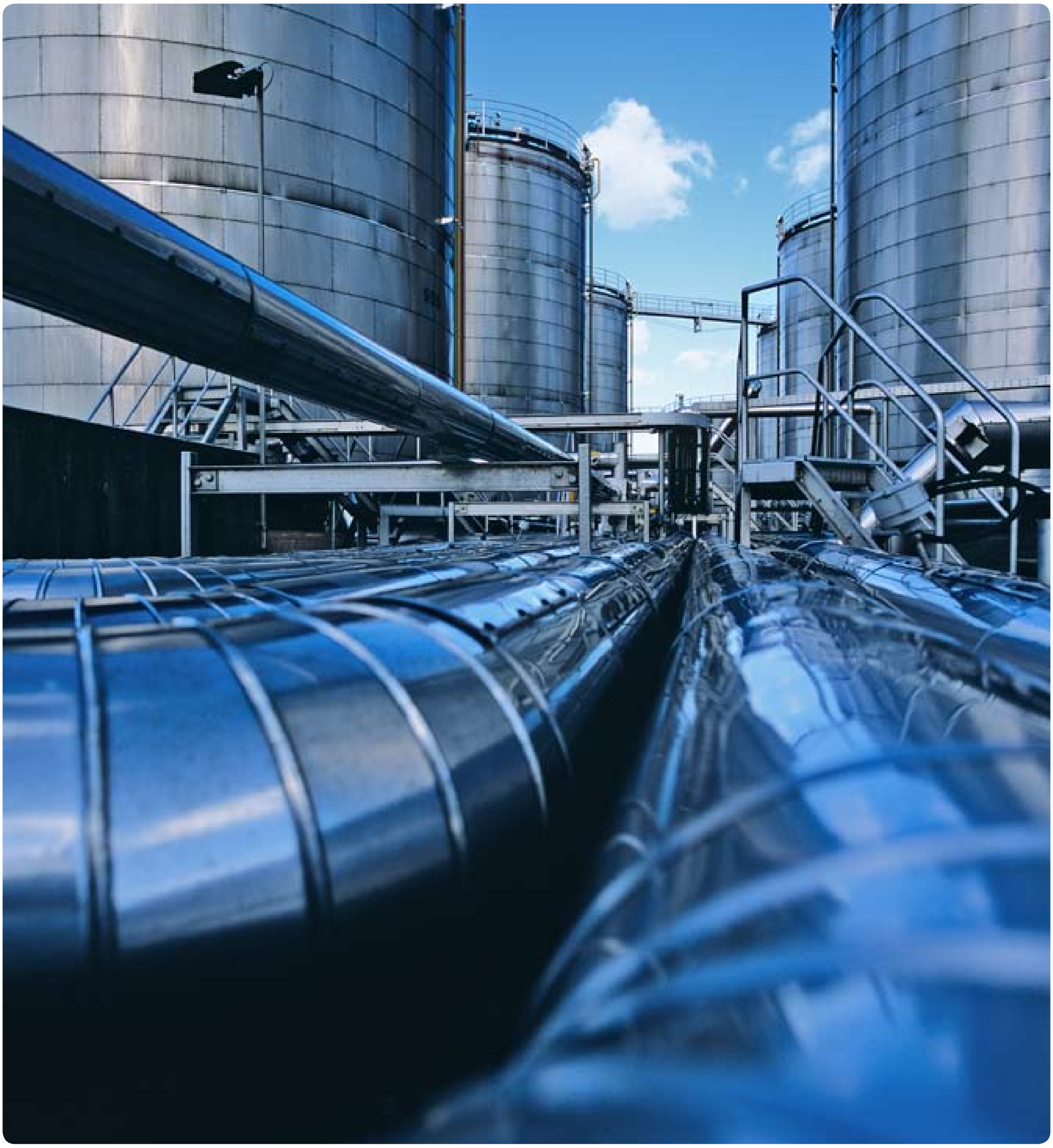
FINANCIAL CALENDAR

5 May 2008	Annual General Meeting
5 May 2008	Report First Quarter 2008
13 August 2008	Report Second Quarter 2008
27 October 2008	Report Third Quarter 2008
5 February 2009	Preliminary Result 2008

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

Front page photo taken on board M/T Bow Summer. All photos by Thomas Kohnle.

Mission Statement



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

Profile

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

Odfjell's strategy is to continue developing our position as a leading logistics service provider with customers worldwide. We are aiming at maintaining this position through efficient and safe operation of deep-sea and regional parcel tankers and tank terminals. Our long-term newbuilding program consists of altogether 18 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 twelve ships are operated out of Singapore. Furthermore we have eight ships employed in the inter-European trade and six ships along the coasts of South America.

Odfjell's specialized fleet consists of 92 ships and 18 newbuildings with a total capacity of about 3.2 million dwt. A turnover of USD 1 063 million was generated in 2007.

TANK TERMINALS

Our terminal operations yield synergies with our transportation activities and improve quality and efficiency control throughout the transportation chain. Our tank terminal operations also offer opportunities to develop new markets where the infrastructure for specialised bulk liquids has been limited to date. Odfjell has direct investments in fully owned tank terminals in Rotterdam and Houston as well as in partially owned terminals in Singapore, Onsan in Korea, and three in China. We also work closely with seven terminals in South America through associated companies. We are currently expanding our tank terminal activities with new facilities under construction in Iran and Oman. The terminal business generated a turnover of USD 180 million in 2007.

Odfjell Executive Management Group

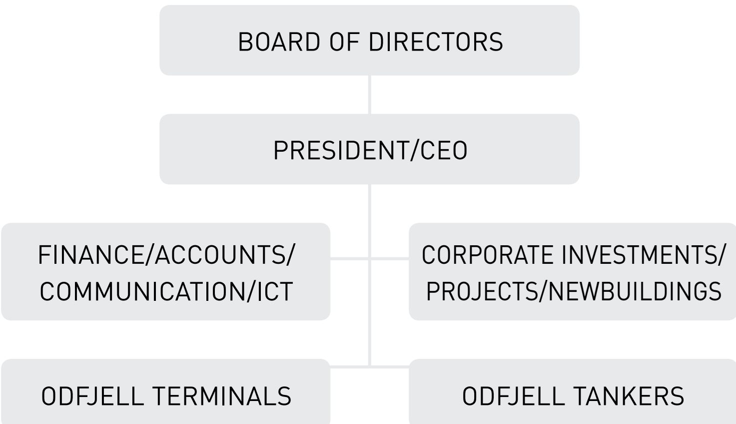
TERJE STORENG
President/CEO
Born 1949. President/CEO since 2003. Previously Managing Director of AS Rederiet Odfjell. 72 672 shares. No options.

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

TORE JAKOBSEN
Senior Vice President, Corporate Investments
Born 1951. Mr. Jakobsen joined Odfjell in October 2005. Previous position as President/CEO of Westfal-Larsen & Co A/S in Bergen. 10 000 shares and no options.

LAURENCE WARD ODFJELL
President Tank Terminals.
Born 1965. Board Member 2004 to 2007. Mr. Odfjell is the son of B. D. Odfjell, the Chairman of the Board. He has previous experience working with tank terminals in South America. 30 513 140 shares (incl. related parties) 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 terminal activities. No shares and no options.



Greener Shipping

TERJE STORENG
President/CEO, Odfjell SE

Sea transportation is widely recognised as being among the most environment-friendly ways of carriage compared to alternative modes of moving goods. An Intertanko study shows that truck transportation releases ten times more CO2 relative to moving the same mass over the same distance on an aframax tanker. On the other hand, knowing that 90% of all goods are carried by sea and that most ships run on fuel containing sulphur and other impurities, we still have to acknowledge that seaborne transportation is a major source of pollution in the transport industry. A 2008 UN study calculates that annual emissions from the world's merchant fleet have already reached 1.12 billion tonnes of CO2, about 4.5% of global CO2 emissions, which in comparison is almost twice that of the airline industry. Unless a new course is set, marine CO2 emissions are forecast to rise by a further 30% within 2020.

Modern ships' design and improved operation have made the marine transportation more efficient, and a lot safer. Hence, some of the potential savings in pollution in our industry has already been reaped. However, despite these improvements, the shipping industry will have to take part in future regulatory, technical and operational developments aimed at further reducing ships emissions. There is still a great efficiency potential through better ship utilisation, developing new engine and hull technologies, reducing fuel consumption and by using cleaner, less polluting fuel. Considering the current record-high fuel prices, any such initiative has the added advantage of also improving voyage earnings and thus, in the long run the bottom line results. In addition the emissions of sulphur and soot have to come down, either through exhaust cleaning or by using cleaner, less polluting fuel.

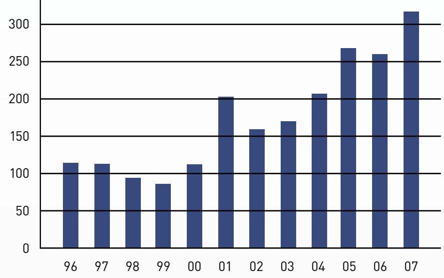
All participants in the transportation value chain must take responsibility and pull in the same direction to improve our industry's environmental performance. Each and every one of us needs to keep a focus on what we can do to support a greener future.

At Odfjell we are actively looking for ways in which we can contribute to reducing the adverse consequences of shipping on the environment; be it emissions to air and water or spills and other types of pollution. Our HSE programme focuses on how to reduce spills and provides for safe and efficient operation of the ships. We are also taking steps to try to reduce our overall fuel consumption. Late 2007 Odfjell decided to reduce the speed of sixteen of our 37 000 Dwt ships by half a knot. This gives a fuel consumption reduction of about five tonnes per ship per day during a sea voyage, with the added benefit of reducing the CO2 emissions some 10-12%. This is only one example of a minor adjustment that can make a difference.

In 2008 Odfjell will bring our environmental efforts further, and we will establish a new corporate strategy on how to manage environmental challenges and energy consumption. Our definite ambition is to ensure that energy management becomes embedded throughout the organisation as part of everyday considerations made by all employees worldwide. It should be evident that our energy-saving and environmental efforts are not limited to our sea-borne colleagues, but are equally important for shore-based staff be it at a terminal or one of the offices. We can all make positive contributions. Let us think and act both safe and green!

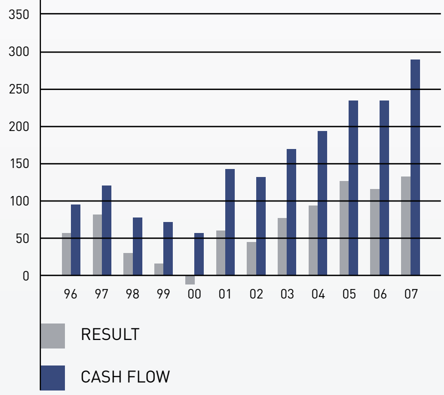
EBITDA

USD Million



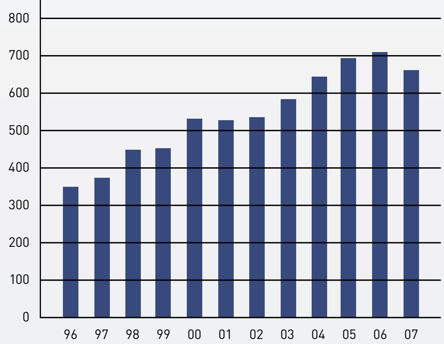
RESULT/CASH FLOW (BEFORE EXTRAORDINARY ITEMS)

USD Million



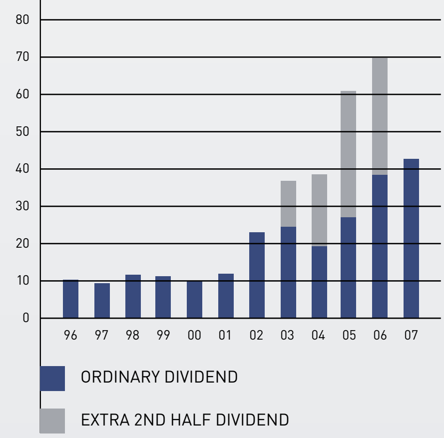
SHAREHOLDERS' EQUITY

USD Million



DIVIDEND

USD Million



Highlights 2007

FINANCIAL PERFORMANCE

Gross Revenue of USD 1 239 million.
EBITDA of USD 315 million.
EBIT of USD 204 million.
Retroactive tax cost USD 140 million.
Net result of USD (10) million.
Cash flow of USD 291 million.

MACRO VARIABLES

Asia, and particularly China, remained the world's main growth engine also in 2007. In 2007 China for the first time surpassed the Euro area and the US as the largest contributor to world GDP growth.

The major shipping segments continued to experience strong markets also in 2007, including dry bulk, container ships and the tanker sector.

Record high bunker prices.

ASSET DEVELOPMENT

Delivery of M/T Bow Saga (40 000 dwt), last in a series of eight stainless steel ships from Stocznia Szczecinska Nowa in Poland.

M/T Bow Omaria (19 900dwt/2007), M/T Bow Olivia (19 900dwt/2007) and M/T Bow Octavia (19 900 dwt/2007) delivered to pool with Ahrenkiel.

M/T Bow Lima (19 900 dwt/2007), delivered on long-term T/C from Japanese owners.

Declared option to buy Bow Santos (19 997 dwt/built 2004).

Sale of Bow Asia / Bow Singapore (9 900 dwt/built 2004), now on bareboat charter to Odfjell for 7 years.

Sale of two older ships, OWL Trader (12 450 dwt./built 1982) and Bow Lady (32 225 dwt./built 1978).

SHAREHOLDER ISSUES

The Odfjell share price fell by about 23% expressed in Norwegian kroner, and the year-end market capitalisation came to about 7.2 billion (USD 1.3 billion).

During 2007 Odfjell acquired 76 000 treasury A-shares at an average price of NOK 104, and 61 527 treasury B-shares at an average price of NOK 98.50.

A dividend of NOK 3.00 per share was paid out in May 2007.

Key Figures/Financial Ratios

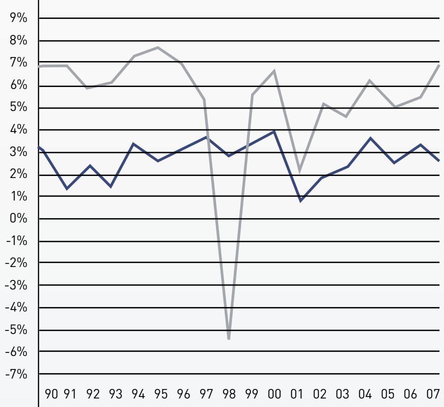
ODFJELL GROUP	Figures in	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
From Profit and Loss Statement											
Gross revenue	USD mill.	1 239	1 088	1 045	943	907	850	852	696	551	533
EBITDA (1)	USD mill.	315	260	264	207	170	159	203	112	86	94
Depreciation	USD mill.	(136)	(119)	(107)	(100)	(92)	(87)	(83)	(69)	(56)	(48)
Capital gain (loss) on non-current assets	USD mill.	25	15	14	7	(0)	1	4	-	16	12
EBIT (2)	USD mill.	204	156	170	114	78	72	124	44	46	58
Net financial items	USD mill.	(61)	(41)	(28)	(9)	7	(12)	(55)	(54)	(30)	(26)
Net result allocated to shareholders' equity before extraordinary items*)	USD mill.	130	116	127	94	77	45	60	(12)	16	30
Net result allocated to shareholders' equity	USD mill.	(10)	116	127	94	22	45	60	(12)	16	30
Net result	USD mill.	(10)	116	128	95	22	46	60	(12)	16	30
Dividend paid	USD mill.	43	72	60	53	24	22	11	10	11	12
From Balance Sheet											
Total non-current assets	USD mill.	2 048	1 815	1 656	1 568	1 482	1 314	1 301	1 292	990	892
Current assets	USD mill.	331	374	300	260	233	315	299	321	281	274
Shareholders' equity	USD mill.	666	702	692	639	578	535	526	530	451	447
Minority interests	USD mill.	6	6	-	4	4	4	4	5	-	-
Total non-current liabilities	USD mill.	1 362	1 225	1 008	951	949	981	968	961	749	648
Current liabilities	USD mill.	343	256	255	244	184	110	103	117	71	70
Total assets	USD mill.	2 379	2 189	1 956	1 872	1 715	1 630	1 601	1 613	1 271	1 166
Profitability											
Earnings per share - basic/diluted - before extraordinary items (3)	USD	1.6	1.4	1.5	1.1	0.9	0.5	0.6	(0.1)	0.2	0.3
Earnings per share - basic/diluted (4)	USD	(0.1)	1.4	1.5	1.1	0.3	0.5	0.6	(0.1)	0.2	0.3
Cash flow per share (5)	USD	3.2	2.8	2.7	2.2	2.0	1.5	1.4	0.6	0.8	0.9
Return on total assets - before extraordinary items*) (6)	%	8.5	8.2	8.6	6.9	6.3	5.0	7.0	3.3	4.8	6.2
Return on total assets (7)	%	2.0	8.2	8.6	6.9	3.0	5.0	7.0	3.3	4.8	6.2
Return on equity - before extraordinary items*) (8)	%	19.0	16.6	19.2	15.4	13.8	8.6	11.4	(2.4)	3.6	7.4
Return on equity (9)	%	(1.5)	16.6	19.2	15.4	4.0	8.6	11.4	(2.4)	3.6	7.4
Return on capital employed (10)	%	12.0	9.5	11.6	8.4	6.0	5.7	9.8	3.8	4.9	7.4
Financial Ratios											
Average number of shares	mill.	83.34	84.23	86.77	86.77	86.77	89.73	98.75	95.02	87.39	87.39
Basic/diluted equity per share (11)	USD	8.00	8.41	7.98	7.36	6.66	6.17	5.75	5.13	5.16	5.11
Share price per A-share	USD	16.47	18.34	20.26	17.54	5.54	3.95	3.74	3.79	3.11	1.91
Cash flow (12)	USD mill.	266	235	235	194	170	132	143	57	72	78
Interest-bearing debt	USD mill.	1 347	1 293	1 037	1 000	943	957	960	954	749	647
Bank deposits and securities (13)	USD mill.	165	242	190	233	203	230	213	232	218	213
Debt repayment capability (14)	Years	4.9	4.8	3.8	4.1	4.4	5.5	5.4	12.7	9.4	6.5
Current ratio (15)		1.0	1.5	1.2	1.1	1.3	2.9	2.9	2.7	4.0	3.9
Equity ratio (16)	%	28	32	35	34	34	33	33	33	35	38
Other											
USD/NOK rate at year-end		5.40	6.27	6.76	6.04	6.68	6.96	9.01	8.90	8.04	7.60
Employees at year-end		3 634	3 487	3 296	3 416	3 316	3 201	3 088	2 755	1 743	1 667

*) Extraordinary items are antitrust fines in 2003 and retroactive tax in 2007.
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.

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

The Directors' Report

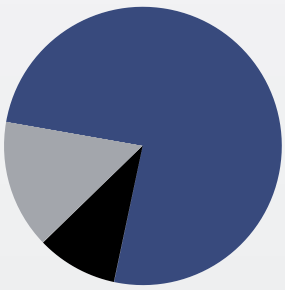
GDP GROWTH



source: DnBNOR

FLEET DISTRIBUTION

Parcel Tankers



Odfjell's consolidated net pre-tax result 2007 was a profit of USD 143 million compared with USD 115 million in 2006. The result after tax in 2007 was a loss of USD 10 million compared to a profit of USD 116 million in 2006. Gross revenue increased by USD 151 million to USD 1 239 million.

From our shareholders' point of view, 2007 can only be described as a very disappointing year. The Norwegian Government's sudden decision to a retroactive 2007 tax bill, which will be fully explained later on in this report, forced us to cut the dividend and will impair our future investment capacity due to reduced equity. Combined with a negative yield, negative both in absolute terms of the share price and relative to the Marine Index, the overall return for our shareholders in 2007 became dissatisfactory.

Despite the net loss for the year, the Board approved at its discretion the payment of bonuses of in total USD 11 million to our on-shore staff and seafarers.

For deep-sea shipping in general, however, 2007 proved a boom year. Our segment within that industry is clearly still lagging, with earnings insufficient to justify current high specialized parcel tanker replacement costs. Not that further new build stainless steel tankers need be ordered, enough ships are on order, for delivery the next 3 – 4 years.

The parcel tanker market started the year with healthy activities, both within the chemical trades and by way of transportation of clean petroleum products (CPP). Activities later in the year, especially in the market of CPP, became weaker. By the fourth quarter, bunker prices increased to record high levels, heavily impacting our time-charter results. The weakening USD and the dramatically increasing costs (within the shipping industry) negatively affected our results for 2007. Our tank terminal business, however, turned in another solid result in 2007, with increasing demand for storage services at most of our tank terminals.

We took delivery of the eighth newbuilding from Stocznia Szczecinska Nowa, Poland. M/T Bow Saga, is of 40 000 dwt with stainless steel tanks and state-of-the-art equipment and was the last in that series, which deliveries started in 2003. Odfjell had in fact options for further two such ships to be delivered in 2010. As a result of very high stainless steel prices, however, and the relatively high Euro, the price for these optional ships became unsupportable high, and we decided therefore to let the options expire.

In 2007 we took delivery of another new fully stainless steel parcel tanker of 19 900 dwt through long-term charter from Japanese owners. Additionally, our partner Ahrenkiel, Switzerland, delivered three 19 900 dwt similar tankers into our pool of such ships.

One ship was sold for demolition, two were sold with bare-boat charter back and one older ship was sold to a third party for further trading. These sales yielded in total capital gains of USD 25 million.

Early 2008 we bought out our 50%-partner in Flumar, the Brazilian shipping company, based on a total asset price for four ships, on a 100% basis, equalling about USD 50 million.

Our tank terminal projects and expansions in China progressed well in 2007, and both the enlarged Dalian terminal and the newly completed Jiangyin terminal are now in operation, whilst our new green field projects in Iran and Oman are under construction. We are also undergoing major expansions in Houston, Rotterdam, Korea and Singapore.

The Annual General Meeting (AGM) held 3 May 2007 re-elected Bernt Daniel Odfjell, Marianne Moschou and Reidar Lien for a two year period. In an Extraordinary General Meeting held on 3 December 2007 the shareholders changed the composition of Directors so as to comply with the Norwegian Companies' Act that, as from January 1 2008 requires that each gender be represented by minimum 40% on the Board. Stein Pettersen was replaced by Katrine Trovik, both lawyers by profession and Laurence W. Odfjell stepped down, having accepted the position as President of Odfjell Terminals, headquartered at Rotterdam as from January 1 2008. The Board would like once again to thank Stein Pettersen and Laurence W. Odfjell for their valuable contributions to the Company.

At the Annual General Meeting in May the shareholders decided to transform Odfjell ASA from a Norwegian Joint Stock Public Company (ASA) to a European Joint Stock Public Company (Societas Europea, hereafter called "SE company"). By such transformation the Board aims for future flexibility regarding localisation of the holding company. Such flexibility may well contribute to the development of the company's international business.

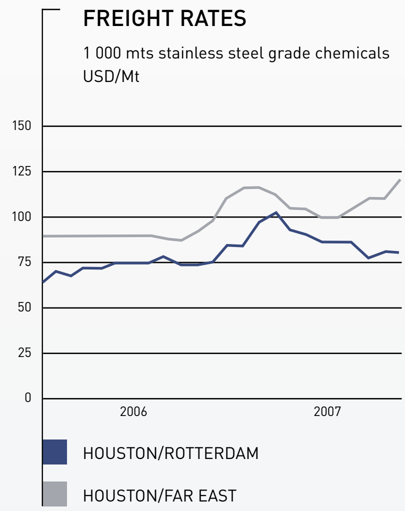
During 2007 the Odfjell share price fell by about 23% expressed in Norwegian kroner (NOK), and the year-end market capitalisation came to about NOK 7.2 billion (USD 1.3 billion).

BUSINESS SUMMARY

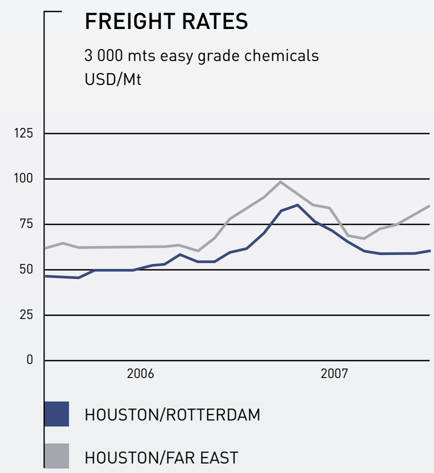
We remain committed to a long-term strategy of enhancing our position as a leading specialty bulk liquids logistics and service provider. Through a newbuilding program and the safe and efficient operation of global and regional parcel tankers, we aim to further consolidate our position, increasingly benefiting from our expanding tank terminal activities. The fleet operates with complex and extensive trading patterns and our customers expect and demand the highest standards in our transportation and storage services. 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 record USD 1 063 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) however was negatively impacted by considerably increased costs and came to USD 242



Source: Quincannon Associates, Inc.



Source: Quincannon Associates, Inc.

million. The operating result (EBIT) was USD 150 million. Total assets at year-end amounted to USD 1.7 billion. Time-charter income expressed in USD per day increased by about 8% compared to last year.

The year started on a healthy note, with lower bunker prices and a firming market. Bunker prices in January were on average below USD 240/ton between Rotterdam, Houston and Singapore. Subsequently bunker prices, so important for our profitability, increased throughout the year. The CPP market started and ended the year on a positive note, peaking with a strong second quarter/mid year market, when the earning potential of our New Poland Class ships was demonstrated, in particular. Demand for parcel tankers was generally high during the first half, lifting the spot market, and allowed for renewal of contracts at improved terms. With more employment alternatives available, efficiency and port-time also improved.

The year ended slower, as activity and volumes came down. Bunker-prices climbed to USD 400/ton and more to record levels, absorbing in large measure what we had gained by way of improved spot and Coa terms earlier during the year. Interestingly, 2007 became the year when we saw the traditional back-haul trades producing the best voyage results. Exports from Asia, Middle East and South America were more rewarding than most voyages outbound, from Europe and the US. We were well positioned to benefit from this situation.

The average cost of bunkers in 2007 was USD 329 per tonne (including compensation related to bunker escalation clauses and hedging), compared to USD 288 per tonne the preceding year. Operating expenses on a comparable fleet basis were about 19% higher in 2007 than in 2006. We expect operating expenses to continue at high levels, reflecting the weak USD, general price increases, higher crew costs and the increasing maintenance and upgrading costs. In addition, we also experience cost increases through delays relating to dockings, due to high activities at the repair yards.

In 2007 two incidents in particular had a negative influence on our results. Early February the Bow Favour (37 438 dwt/ built 2001) suffered a main engine breakdown outside the Seychelles. The ship was under repair until mid August. In September the Bow Star (39 832 dwt/2004) grounded off Batam, Indonesia. These incidents whilst causing no injuries or pollution, alone represented off-hire totalling 259 days.

At year-end 2007 our parcel tanker fleet consisted of 72 ships over 12 000 dwt, of which 47 were owned – and additionally 20 smaller ships, of which 12 were owned.

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 have been refunded from the yard, interest included. Odfjell will further claim full compensation for its costs and losses caused, on account of wilful misconduct and massive contract breaches by the Yard. Unless the matter is solved amicably between the parties, the issue will be solved by arbitration in Sweden, as provided for in the contract.

Early in 2008 Odfjell signed agreements with the Chuan Dong Shipyard to build a series of six plus an optional four 9 000 dwt stainless steel chemical tankers for delivery in 2010-2012 at a total price for the first six vessels of USD 180 million. These ships will operate in our regional trades in Asia and Europe, and will replace smaller vessels currently trading in these areas.

Our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co. Ltd has signed a contract for the building of an 8 200 dwt chemical tanker. The ship is a fully coated IMO II type carrier that is being built by the Zhoushan Penglai Shipbuilding and Repairing Company. The construction of the ship has already started, and delivery is scheduled for the end of November 2008. The ship will join Bao Hai Tun (3 845 dwt/ built 2006) and service the domestic market in China.

From Japan, Odfjell currently holds contracts for sixteen long-term time-charter newbuildings, ranging in size from 19 000 dwt to 33 000 dwt. Nine ships are already in operation, of which one was delivered during 2007. The remaining seven will be delivered in 2008 and 2009. We have fixed price purchase options on most of these ships.

In 2007 Odfjell took delivery of two second-hand chemical tankers with stainless steel cargo tanks, M/T "Brage Pacific" (17 460/1997) and M/T "Brage Atlantic" (17 460 /1995). The ships were renamed Bow Oceanic and Bow Atlantic.

Two older ships, OWL Trader (12 450 dwt/built 1982) and Bow Lady (32 225 dwt/built 1978) were sold in 2007. These two transactions represented a total capital gain of about USD 3 million. The Company declared options to buy Bow Asia and Bow Singapore (9 900 dwt, stainless steel, built 2004) for about USD 15 million each. Subsequently the ships were sold with a total capital gain of about USD 22 mill. However, this gain must be seen in the context of Odfjell having entered into a bareboat charter with the new owners for a period of seven years, with options to purchase the vessels or to extend the charter periods. These two ships will continue their present Asian trade, and now under ship management by Odfjell.

In combination with our worldwide transoceanic services, our regional business activities encompass four different geographical areas. Our largest regional operation is in Asia, where we employ 12 ships within several trade lanes, covering the Singapore – Japan/Korea – Australia/New Zealand range.

Asia represents a growth area for our business, with significant new chemical production expected to come on stream in the near future. 2007 was the first full year of operation for our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co Ltd. The vessel "Bao Hai Tun" (3 850 dwt/built 2006) is registered under Chinese flag and trades along the Chinese coast. We are looking towards increasing our activities within China.

Odfjell Ahrenkiel currently operates nine parcel tankers within inter-European trades, and this company has performed well.

In South-America, four ships are employed by 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 employed two vessels during 2007, mostly with coastal transportation of sulphuric acid.

Our type of shipping is one of the most challenging within the industry. During 2007 our ships transported more than 550 different products, and more than 5 100 parcels. Unlike container ships, for example, our ships have to call a number of customer-dictated berths, even within one and the same port. Put differently, whilst cargo chases ships in the container liner trades, the parcel trade is one of ships chasing cargoes, to and from very many ports. The problem is, however, that such operations are both time-consuming and costly, negatively impacting our time-charter results. Our aim therefore is increasingly to consolidate loading and discharging, ideally to our own or associated terminals. We believe that a future successful consolidation of cargoes and a more time-efficient operation would also benefit our customers.

TANK TERMINALS

Gross revenues from the tank terminal activities increased to record USD 180 million, EBITDA was USD 74 million and EBIT was USD 54 million. At year-end 2007, book value of our total tank terminal assets was about USD 700 million, an increase from USD 440 million in 2006.

Odfjell's existing tank terminals are located in Rotterdam, Houston, Singapore, Onsan in Korea, 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 and Korea. In October, Odfjell signed a contract to purchase AVR – Maritiem, Botlek-Rotterdam. The ownership of AVR – Maritiem was transferred to Odfjell in early January 2008, and the company was renamed Odfjell Terminals Maritiem B.V. (OTM). Located next to our Rotterdam terminal, one of the largest public tank terminal facilities in Europe, OTM will be a separate Business Unit within the Odfjell Group. It will continue to operate a Harbour Receiving Unit (HOI) for receiving and handling MARPOL mandatory slop and waste water from ships. Importantly, our large Rotterdam terminal (OTR) will have the advantage to use and operate the extra OTM berths. Furthermore, the OTM area may also be used for future expansions of OTR. Odfjell expects the activities at OTM to be enhanced by becoming integrated with OTR's commercial and operational network.

Further expansion comes in China with the newly completed relocation and expansion in Dalian, and with construction completion and the successful operational start-up end 2007 of our terminal in Jiangyin on the Yangtse River. With our partner in the Jiangyin terminal, and with the State Yangpu Industrial Development Agency on Hainan Island, South China, we have further agreed to jointly invest in a greenfield tank terminal within this deepwater port in order to service the tank terminalling needs of this strategically located free trade zone .
Together with our long-term partner in Dalian, Dalian Port Co., Ltd. (DPA), now a Hong Kong publicly listed company, we signed during 2007 an agreement with Caofeidian Industry Zone (CFDIZ) for the development of a new world class terminal for oil and chemical products, including chemical gases. Odfjell and DPA will form a joint venture company to design, build and operate this major tank terminal, located within the CFDIZ, importantly the largest reclaiming of port land in the history of China, totalling impressive 310 square kilometres. The area allocated by the Industry Zone to our terminalling joint venture is more than exceeding 750 000 square meters, with extensive waterfront including 15 meter water depth. With unique natural and geographical conditions, this tank terminal project will allow for ready access by deep-sea chemical and product tankers, allowing thus for important economies of scale in terms of future transportation logistics.

We are also expanding in the Middle East with new projects in Oman and at Bandar Iman Khomeini, Iran.

The strategy of Odfjell Terminals, now headquartered at Rotterdam, 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.

2007 RESULT

Gross revenue for the Odfjell Group came to record USD 1 239 million, up 14% from the preceding year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were USD 315 million compared to USD 260 million in 2006. Operating result (EBIT), including USD 25 million capital gain on assets, came to USD 204 million compared to USD 156 million in 2006, then including capital gains of USD 15 million.

The net pre-tax 2007 result came in at USD 143 million compared to a profit of USD 115 million in 2006. However, taxes were USD 153 million, of which USD 140 million as a result of the damaging changes to the Norwegian tonnage tax system, whereby taxes have been imposed retroactively for profits earned during the period from 1996 to 2006. The cash flow continued to be strong at USD 266 million, compared to USD 235 million in 2006.

Operating expenses as well as general and administrative expenses were higher than in 2006, partly because of general price increases and a weaker USD. Net financial expenses for 2007 were USD 61 million, compared to USD 41 million in 2006. The increase is caused by higher interest rates and higher net debt due to investments. The average USD/NOK exchange rate in 2007 was 5.86, compared to 6.41 last year. The USD weakened against the NOK from 6.27 at year-end 2006 to 5.40 at 31 December 2007.

The parent company, Odfjell SE, recorded a profit for the year of NOK 1 119 million. The main part of the profit relates to dividends from subsidiaries. The Board recommends a dividend of NOK 2 per share for 2007, in total NOK 174 million. The dividend will be covered by the 2007 profit, and the Board recommends that the balance of the profit, NOK 945 million, is transferred to Other Equity.
At 31 December 2007 total distributable reserves were NOK 1 737 million.

The A-shares, at the end of 2007, were trading at NOK 89 (USD 16.48), down 23 % compared to NOK 115 (USD 18.34) year-end 2006. The B-shares were trading at NOK 71 (USD 13.15), down 25.5% from NOK 95.25 (USD 15.19) year-end 2006. A dividend of NOK 3.00 per share was paid out in May 2007. Adjusted for this dividend the A- and B-shares had overall negative returns of 20 % and 22 % respectively. By way of comparison, the Oslo Stock Exchange benchmark index rose by 10 %, the marine index increased by 10 % and the transportation index improved by 10.3 % during the year. The market capitalisation of Odfjell was NOK 7.2 billion (USD 1.3 billion) as per 31 December 2007.

The Annual General Meeting will be held May 5 2008 at 16:00 hours at the Company's headquarters. The Board recommends a dividend of NOK 2.00 per share, equal to NOK 173 million (about USD 0.37 per share, equal to USD 32.3 million). In line with the dividend policy in place, the Board will consider another dividend later this year. Based on the average share price in 2006 the direct yield, through dividend paid in 2007, equals about 2.8%.

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

FINANCIAL RISK AND STRATEGY

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

The single largest monetary cost component affecting time charter earnings is bunkers. In 2007 it amounted to more than USD 200 million (58% of voyage cost). A change in the average bunker price of USD 10 per ton equals about USD 5 million (or USD 290/day) change in time-charter earnings for the ships where we have a direct economic interest. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the Contracts of Affreightment. As per 31 December 2007 we had no additional hedging of our total 2008 bunker exposure through swaps or options.

All interest-bearing debt, except debt by our tank terminals outside the US, is denominated in USD. Bonds issued in non-USD currencies are swapped to USD. At the end of 2007 about 80% of our gross debt was floating, based on USD LIBOR rates. An increasing share of our debt is fixed either through fixed rate loans or through long-term interest rate swaps and, with our current interest rate hedging in place, about 50% of our loans is on a floating 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 and that of liquidity are managed to be concurrent.

The tax liability of NOK 759 million (USD 140 million) as per 31 December 2007 arising from the changes to the Norwegian tonnage tax system is payable over 10 years. 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 31.12.07, a 10% change in the exchange rate will impact unrealized gains/losses by about USD 14 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 receive income in non-USD currency. Our currency exposure relates to the net result and cash flow and arises from voyage related expenses, ship operating expenses and general and administrative expenses denominated in non-USD currencies, primarily in NOK and EUR. We have estimated that a 10% strengthening of the USD versus the NOK and EUR will improve the pre-tax result by roughly USD 14 million, disregarding then the result of any currency hedging.

Our currency hedging as per 31.12.2007, whereby we have sold USD and purchased NOK, covers about 18% of our 2008 NOK-exposure. The average USD/NOK exchange rate for open hedging positions as of 31 December 2007 was at 5.52. 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 2007 was USD 165 million compared to USD 242 million as of 31 December 2006. The decrease in liquidity was partly offset by an increase in undrawn credit facilities from USD 15 million to USD 64 million as per 31 December 2007. Interest bearing debt increased from USD 1 291 million year-end 2006 to USD 1 346 million per 31 December 2007. Net interest bearing debt was USD 1 181 million as per 31 December 2007. The equity ratio was 28% as per 31 December 2007 and the current ratio was 0.9. 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.

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

Since 2005 we have been more active in tapping the bond market, in addition to traditional bank and lease financing. In March 2007 we launched our third bond issue in the Norwegian market with a maximum amount of NOK 600 million. The first tranche issued was NOK 300 million (USD 49 million) with a tenor of three years and a coupon based upon the 3 month NIBOR + 0.70%. The bonds are listed on the Oslo Stock Exchange. This bond issue was combined with our offer to repurchase part of our first bond issue with due date 19 March 2008 at a yield equal to NIBOR + 0.25%. Based on this offer we acquired NOK 201 million out of NOK 300 million outstanding bonds.

In addition, we entered into new long term financing arrangements in the total amount of about USD 320 million through financial leases for four vessels and a bank loan for one vessel. The proceeds were used partly to repay three finance leases, in a total amount of about USD 150 million, and to repay revolving credit facilities.

KEY FIGURES

Before the aforementioned retroactive tax, the return on equity was 17.1% and return on total assets was 8.9%. The corresponding figures including retroactive tax were -1.5% and 2.8%. Return on capital employed (ROCE) was 12.3% in 2007.

Earnings per share before retroactive tax amounted to USD 1.56 (NOK 9.14) in 2007, compared to USD 1.38 (NOK 8.82) in 2006. Earnings per share after retroactive tax amounted to negative USD 0.12 (NOK 0.70) in 2007. Cash flow per share was USD 3.19 (NOK 18.69), compared to USD 2.79 (NOK 17.85).

As per 31 December 2007 the Price/Earnings ratio (P/E) was 10.0 before retroactive tax and the Price/Cash flow ratio was 4.9. Based on book value the Enterprise Value (EV)/ EBITDA multiple is 5.9 while, based upon stock-market value as per 31 December 2007, the EV/EBITDA multiple was 7.9. Interest coverage ratio (EBITDA/Net interest expenses) was 5.2, compared to 6.1 last year.

THE NEW SHIPPING TAX SYSTEM IN NORWAY

The new tonnage tax regime was approved by the Norwegian Parliament in December 2007. The new system is comparable to the tonnage tax systems implemented in a number of other European countries, and the effective tax rate is calculated as 0.6% based upon the 2006-results.

The current system, which was introduced in 1996, did not cause taxes as long as the shipping company continued to perform its shipping activities from Norway, and provided no dividend distributions were made to its shareholders. Odfjell chose to enter this system in 1996 with its subsidiary Odfjell Chemical Tankers AS, with the long-term intention to continue to operate under that system and, accordingly, no dividends have been distributed. Odfjell planned to continue operating under the 1996 system. Based upon that system, tax liabilities by all concerned have been recognized as zero. Untaxed profits within that tax system derives, partly from capital gains resulting from ships when sold into the system, as an internal transaction in 1996, and partly from operating results during the period from 1997 to 2006.

Transfer to the new regime will be based on damaging transition rules, whereby accumulated untaxed profits under the 1996 regime will be taxed. The transition tax for Odfjell will amount to approximately NOK 1 150 million (USD 213 million), which will be payable over 10 years. The discounted value of the tax is about NOK 759 million (USD 140 million), which has been accounted for as a tax cost in the profit and loss account for 2007.

Under the transition rules, up to 33% of the calculated tax payable may be waived by the tax authorities if amounts are spent on environmental investments within the end of 2016. For Odfjell qualifying environmental investments in an amount of NOK 384 million (USD 71 million) must be made in order to reduce the tax by the full 33%. Through our continuous efforts to improve our environmental performance it is the intention to make such investments. However, the way the rules are framed, 100% of the discounted tax liability is regarded as a liability until environmental investments are actually made. When qualifying environmental investments are made in the future, the tax liability will be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reduced accordingly.

Having entered the current shipping tax system in 1996, on the expectation of continuity and stability, we regret and are seriously disappointed, even shocked, to experience that the Norwegian Government - - perhaps even non-constitutionally, now punishes the shipping companies that chose to stay in Norway by such retroactive legislation. We expect that the legality of the transition rules in relation to Paragraph 97 of the Norwegian Constitution, which states that a law cannot be given retroactive effect, will be tested. Although there can be no assurance of the outcome of such a legal process, we will reserve our rights in relation to any result of this case.

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. In 2007 the total effect on the net result from customer settlements was immaterial, as compared with USD 13 million accounted for as reduced revenue in 2006.

In April 2007, Odfjell received a formal Statement of Objections from the EU Commission. Odfjell delivered its reply to the EU Commission in July 2007. We have cooperated closely with the Commission during the five-year period of investigations, and will continue to do so for the duration of this process.

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

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The "Corporate Quality Manual" was introduced in 2006, and in May 2007 it was enhanced with the "Corporate HSE Expectations". This manual shows how to work so as to comply with the high HSE standard we aim for.

Stringent environmental and safety requirements guide all our operations. To ensure that we have the needed competence, training of personnel working onboard, at terminals and ashore is our proactive way in this context. For our mariners more than 9 000 training days were held at the Odfjell Academy (Subic Bay, Philippines). HSE is a main issue, and we introduced a new set of courses for onboard training. Gas measuring instruments are now standardized on all our ships and, as an example of continuous new training requirements, a new course on use and maintenance of this equipment may be mentioned.

Public licences and approval to ISM (ship management), ISO 14001 (environment) and ISO 9001:2000 are maintained for all certified units.

Odfjell Terminals (Korea) received a national (Korean) safety award from the National Emergency Management Agency in November, for outstanding performances.

Odfjell Terminals (Houston) received a safety award from the Independent Liquid Terminals Association (ILTA), which represents 79 companies and partnerships that operate bulk liquid storage terminals in 43 countries and 41 States in the US.

In line with the ISO 14000 certification the various units have comprehensive annual plans for environmental protection.

Several projects have been initiated. On the vessels it is prioritised to reduce the luboil consumption and limit the use of waste incinerator too for less emission to the air.

The terminals are also focusing on how they may decrease emission to air. Equipment is already installed to achieve better vapour recovery and control, beyond what the industry generally is doing. Reduced emission during gas freeing of ships and barges is also an important terminal activity.

For 2008 energy conservation with optimization of fuel consumption will be a focus area.

There were no fatal incidents with Odfjell personnel during 2007, but the Lost Time Injury Frequency (LTIF) is slightly up from last year. This gives reason for concern. To revert to the positive trend of previous years, Lessons Learned and awareness campaigns have been important actions, and will continue to be so in 2008.

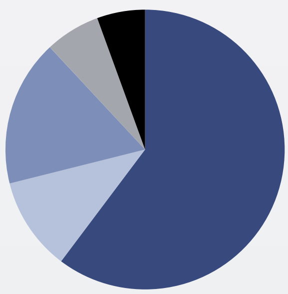
In February "Bow Favour" suffered a main engine break down after the automatic over-speed protection failed. The most significant damage was to the crank shaft. The ship

INDUSTRIAL METAL COMMODITIES INDEX

Source: Datastream and DnBNOR

EMPLOYEES

per 31 December 2007



(2194) SHIP CREW INTERNATIONAL

(390) SHIP CREW NORWEGIAN

(615) TANK TERMINALS

(234) HEAD OFFICE

(201) BRANCH OFFICES ABROAD

3 487 TOTAL

was in the Indian Ocean, and was subsequently towed to Bahrain for repairs. In September "Bow Star" grounded outbound from a port in Indonesia and sustained extensive bottom damage. There were no injuries or spill related to these incidents, but the repairs caused lost time and were both costly and extensive.

Several preventive actions have been implemented based on the experience from these and other incidents. One example is an onboard Training Performance Recording Book evidencing required and performed training for different machinery and equipment.

During 2007 there were some serious accidents onboard vessels on time-charter to us, and with repair yard personnel working onboard our ships. In these cases active experience feedback is used to improve the HSE performance of our suppliers.

No detentions or serious notations from any Port or Flag States have been reported for Odfjell managed vessels in 2007. It is welcome that our increased effort in this area seems to be yielding positive results.

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 a result of increasing tank terminal activities, we have established a separate management for tank terminals as from January 1 2008. Laurence 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, Ship Management, Chartering and Operation were gathered in a new ship operational structure (Odfjell Tankers) that also includes certain staff functions previously placed at corporate level. Human Resources, Market Analysis/Company Support and Quality/HSE/Compliance/ Legal/Insurance will continue to have some corporate responsibilities, although their main tasks will now be in the shipping operational structure. Jan A. Hammer, as Chief Operating Officer, is heading up Odfjell Tankers. As a result of these changes Odfjell Seachem AS will be renamed Odfjell Tankers AS. Finance/Accounting/Communication/ICT, headed by Haakon Ringdal and Corporate Investments/ Projects/ Newbuildings, entrusted Tore Jakobsen, will continue their respective corporate functions, with overall Odfjell Group responsibilities.

The new Executive Management Group will consist of Terje Storeng, Jan A. Hammer, Laurence Odfjell, Haakon Ringdal and Tore Jakobsen.

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 healthy diet. Work environment is considered good.

To be an attractive place to work both for women and men is Odfjell's aim. Gender-based discrimination is not permitted in recruitment, promotion or wage compensation. We maintain our policy of providing employees with the same opportunities to develop skills and find new challenges within our company. Out of about 240 employees at headquarters in Bergen, 69% are men and 31% women, whilst the corresponding global figures (for about 800 employees in our fully owned operations ashore) are 77% and 23% respectively. Recognizing that we employ relatively few women, we endeavour to recruit women to ship operations, chartering and ship management, and also to show that life at sea can offer attractive careers.

The recorded absence rate at Headquarters was 3.1%, down from 3.9% last year. For the Filipino mariners the absence rate was 7.2% and for European mariners it was 3.6%.

The Board takes this opportunity to thank all employees for their contributions to the company's progress during 2007.

STATEMENT ON SALARY AND OTHER BENEFITS TO THE MANAGEMENT FOR 2008 AND 2009

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.

The remuneration to the Management in 2007 was in compliance with the above guidelines.

The total remuneration to the management in 2007 was NOK 23.7 million. This total amount comprised fixed and variable remuneration as follows;

- Fixed remuneration 80%
- Variable remuneration 20%

Variable remuneration has been awarded by way of bonus based on the 2007 result for cash payment in 2008 and 2009. The main criteria for awarding variable salary were in line with company's incentive system as approved by the Board.

Please also see Note 3 to the Odfjell SE accounts for more details about the remuneration to the management in 2007.

WORLD SHIPPING CONTEXT

The major shipping segments continued to experience strong markets also in 2007, including dry bulk, container ships and the tanker sector. However, despite strong markets and reasonably favourable freight rates, earnings were hurt by new record-high bunker prices, rising from about US$ 280 per tonne at the start of the year to peak at USD 515 on average for main ports in early November. The spot bunker price on average was approximately 18% higher than in 2006, 43% higher than 2005 and 110% higher than 2004.

The dry bulk sector experienced particularly powerful rate improvements during the year, to reach unprecedented levels in November. Average earnings for the year as a whole were more than 120% higher than in 2006. Also the container lines had steadily increasing rates and earnings. The tanker owners experienced a strong first quarter, but over the summer and into the fall earnings showed a declining trend. Despite record rates the final six weeks of the year, average tanker earnings for 2007 were nevertheless down to their 2003 levels.

The varying market conditions are also reflected in the second-hand sales and purchase markets. In recent years the markets for second-hand tankers and bulk-carriers have followed quite similar patterns. In 2007 however, whilst the second-hand value of tankers have remained at high but still stable levels, prices on second-hand bulk-carriers have gone up by about 80%. This has triggered a large number of conversions of VLCC single hull tankers into mainly iron ore carriers. The market for newbuildings followed a similar trend but with less significant differences. Most well-reputed yards have full order-books well into 2010 and 2011, and prices for new ships remain very high, particularly for sophisticated non-standard vessels. Ship scrapping is still at a far too low level to balance the massive ordering of new tonnage, despite healthy demolition prices. However, the influx of modern ships combined with steadily stricter shipper requirements as to vessel age and standard will eventually force a larger share of the over-aged tonnage into recycling.

Current projections for world GDP growth in 2007 (IMF, January 2008) is 4.9%, slightly down from 5.6% in 2006. Asia remained the growth powerhouse also in 2007. As an example, the top six container ports in the world in terms of unit movements are all situated in the Far East. In 2007 China for the first time surpassed the Euro area and the US as the largest contributor to world GDP growth. More than two-thirds of global growth is being contributed to emerging markets and developing countries. Advanced economies have a more moderate expansion, projected at 2.6% as a whole for 2007.

Forecasts for 2008 indicate a world GDP growth of about 4.1%; a reduction from last year, but still a quite solid pace. Again Asian developing nations will experience the most rapid growth, particularly China whose economy is forecasted to expand by 10%. Russia and Africa are also expected to have a growth well above 5%. Although the growth rate for Chinese exports is reduced, it is still above 20%. Chinese authorities are taking action to reduce growth to a more sustainable pace of 7-8%, through regulating available liquidity and allowing for a moderate appreciation of their currency.

Advanced economies continue to have a moderate growth. The prospects for the US economy have been downgraded as a consequence of the damage inflicted by falling property prices and the following crises in sub-prime loans. This, combined with high prices of energy and negative balances in trade and budget, has led to a growing fear of a recession in the US economy. The US Federal Reserve is taking action by lowering key interest rates and by providing additional liquidity to the markets. At the same time, the US legislators are working on fiscal measures to spur growth and to fight the looming recession.

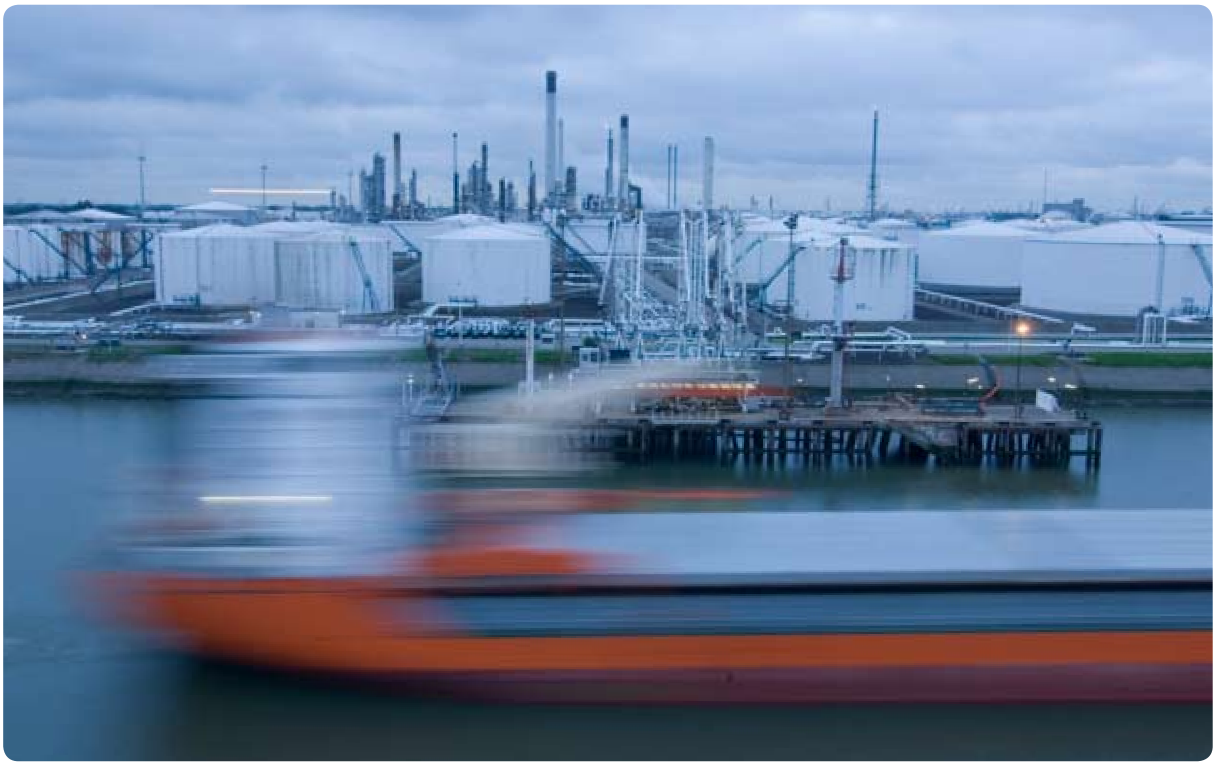
Soaring oil and mineral prices, more recently also combined by hefty increases in foodstuff costs, are creating inflationary pressures however. The inflation drivers are linked; higher energy prices combined with increasing concerns regarding emissions of greenhouse gases, and a focus on becoming less dependent upon oil from politically unstable regimes has led to focus on bio-fuel as a partial replacement of fossil fuels. This, combined with severe drought in Australia and increased demand of foodstuff, particularly in China and in India, has led to increased pressure on prices of food globally. In developing regions this has a dramatic impact as to the percentage of their income used on food.

THE CHEMICAL MARKET

For chemical producers in general 2007 turned out as yet another healthy year, despite high energy and feedstock costs. Chemical prices, although fluctuating, remained high for the year as a whole and demand continued strong. Production capacity continued to increase, not least in the Middle East benefiting from very competitive feedstock prices, and in China, mainly to serve the populous Far East region. US producers gained from the depreciating dollar thus with enhanced competitiveness, both at home and abroad.

Biofuels such as ethanol and to a lesser degree bio-diesel are adding to energy supply, with demand for vegetable oils and their input crops continuing to rise. However, the widespread optimism for continued rapid growth of biofuel now appears somewhat reduced. Several bio-diesel projects have been cancelled or delayed awaiting better margins.

In general the chemical seaborne and parcel tanker market was quite strong during spring, with spot freight rates escalating, particularly for cargoes from Europe to the US and to the Far East. However, following "summer doldrums" freights did not pick up again until the market experienced a sharp upturn in December. On average spot rates were 10-15% higher in 2007 than the year before. Contracts of affreightment were being renewed at increased rates. However, freight rate increases mostly reflect the rise in voyage cost, particularly related to bunker prices, more than any real market improvement. The time-charter market still remains firm, however.



The chemical carrier fleet grew by close to 8% during 2007, which is in line with the growth in 2006 but less than the increase in 2004 and 2005. In the deep-sea segment above 13 000 dwt, 83 chemical tankers totalling approx. 1.8 million dwt were delivered. 27 of these ships, totalling about 600 000 dwt, were stainless steel tankers, of which 60% were 19 900 tonners delivered from Japanese yards.

During 2007 shipowners continued placing orders for chemical tanker tonnage, despite very high newbuilding prices. The orderbook for such ships of 13 000 dwt and above now counts for about 410 units, totalling approximately 10.6 million dwt. This corresponds to almost 54% of the current fleet which, as these units enter the market within 2011-2012, will add importantly to supply. Although more than half of the ships on order are fairly unsophisticated coated ships (with limited number of tanks/segregations) also the core fleet segment will be facing a substantial addition of new tonnage the next four to five years. For the core deep-sea fleet the orderbook in total is now 45% of current carrying capacity, whilst the similar share for the deep-sea stainless steel fleet is 37%. Orders for the large "drug-store" type parcel tankers constitute 30% of current fleet, the same relative order size as for the short-sea segment below 13 000 dwt.

Scrapping remained low throughout the year, despite high demolition prices. Only eight deep-sea chemical tankers, in total about 245 000 dwt, were delivered for recycling in 2007, of which three were stainless steel ships. This very moderate scrapping pace is a reflection of the tight market, but is partly also because of the considerable transaction costs related to the much stricter safety and environmental requirements for delivering ships on to demolition, particularly on the Indian sub-continent. Over the next few years scrapping will most likely increase substantially. Non double-hull tankers will continue to be phased out because of revised MARPOL regulations, and new and modern tonnage will oust older and less efficient ships. Nevertheless, the age distribution of the current fleet indicates that demolition within the chemical tanker segment hardly can cancel the large-scale addition of new tonnage. Even if all pre 1990 built ships were to leave the market within 2013, the current order mass would still yield a net fleet growth of close to 28% for the chemical deep-sea fleet in total, and 22% for the core deep-sea fleet.

The market so far to a remarkable degree has been able to absorb new tonnage, and UK shipping consultants Drewry Shipping Consultants estimate an average annual chemical fleet demand growth to 2011 of about 4.7%. Increasing demand for seaborne transportation, through the movements of ethanol and other bio commodities, has required more ships. The globalisation of the chemical industry, resulting in more intercontinental cross-trade, has also added to vessel demand. This is not least the case in the Middle East, primarily an export area into which most ships have to ballast to load cargoes. The rapidly rising number of ships has also led to more congestion and thus more time in port. Such efficiency loss makes up for a quite significant fleet growth. Slow-steaming as a function of high bunker prices may also diminish supply. The increase in the number of ships also tightens the competition for skilled and motivated officers and ratings, in addition to onshore expertise. Likely this will limit the number of ships actually being capable of entering the core chemical transportation market. Hence, the supply/demand balance might not be affected as dramatically as the orderbook situation alone could indicate.

COMPANY STRATEGY AND PROSPECTS

As a leading niche player, we strive to provide safe, efficient, and cost-effective parcel tanker and tank terminalling services to our customers worldwide. Besides clear operational and commercial benefits from close cooperation between shipping and terminals, we consider terminals a stabilizing factor in the overall financial performance of the company, as their earnings are less volatile than our larger shipping activities.

Odfjell strives to stay competitive and flexible through a modern, versatile and safe fleet, adjusting to changing trade patterns through organisational competence.

The global economic slowdown has become apparent. The latest projection by the International Monetary Fund for world economic growth is 4.1% for 2008, but confidence is rather low. The US economy seems at the brink of recession. In China, growth is expected to remain at about 10%, but the soaring oil and mineral prices, more recently joined by foodstuffs, are creating inflationary dilemmas, also for China. The US Federal Reserve is taking action by lowering key interest rates and by providing additional liquidity to the markets. At the same time, the US legislators are working on fiscal measures to spur growth and fight recession. The Chinese authorities are acting to reduce growth to a more sustainable pace. Although the growth rate for Chinese exports is reduced, it is still high.

Deliveries of parcel tanker newbuildings continue strong. Despite new legislation and stricter customer requirements for parcel tankers, logically causing older tonnage technically and/or commercially obsolete, the net supply still seems increasing the next few years. High bunker prices and high ship operating expenses, the latter partly explained by the weak USD, will continue to weigh upon us, unless and until compensated for by higher freight rates.

We do expect tank terminal results to remain strong, but the net result from our shipping business will likely be somewhat weaker in 2008 primarily due to higher costs, a cost problem, however, that most of our industry is faced with.

Bergen, 4 March 2008

THE BOARD OF DIRECTORS OF ODFJELL SE

Marianna Moschou

B.D. Odfjell
CHAIRMAN

Peter G. Livanos

Reidar Lien

Katrine Trovik

Terje Storeng
President/CEO

PROFIT AND LOSS STATEMENT

(USD 1 000)

	Note	2007	2006	2005
Gross revenue		1 239 416	1 088 478	1 044 847
Net income from associates	4	108	60	101
Voyage expenses		(394 540)	(360 890)	(340 905)
Time-charter expenses	5	(145 423)	(144 782)	(156 354)
Operating expenses	6,8	(281 893)	(238 061)	(219 577)
Gross result		**417 668**	**344 805**	**328 112**
General and administrative expenses	7,8	(102 250)	(84 600)	(64 449)
Operating result before depreciation, amortisation and capital gain (loss) on non-current assets (EBITDA)		**315 418**	**260 204**	**263 663**
Depreciation	9	(135 888)	(118 681)	(107 449)
Impairment of goodwill	15	(538)	-	-
Capital gain (loss) on non-current assets	9	24 604	14 644	14 210
Operating result (EBIT)		**203 595**	**156 167**	**170 424**
Interest income	20	12 839	10 568	7 892
Interest expenses	9	(73 582)	(53 333)	(36 206)
Other financial items	10	(1 482)	(631)	(1 372)
Currency gains (losses)	11	1 515	2 114	1 783
Net financial items		**(60 710)**	**(41 281)**	**(27 903)**
Result before taxes		**142 885**	**114 885**	**142 521**
Taxes	12	(152 994)	1 056	(18 628)
Net result from continuing operations		**(10 109)**	**115 941**	**123 893**
Net result discontinued operations	13	-	-	4 376
Net result		**(10 109)**	**115 941**	**128 269**
Allocated to:				
Minority interests		-	-	777
Shareholders		(10 109)	115 941	127 492
Earnings per share (USD) - basic/diluted - continuing operations	14	(0.12)	1.38	1.42
Earnings per share (USD) - basic/diluted - discontinued operations	14	-	-	0.05

BALANCE SHEET

(USD 1 000)

ASSETS AS PER 31.12.	Note	2007	2006	2005
NON-CURRENT ASSETS				
Goodwill	15	10 663	10 327	9 470
Real estate	9	29 940	27 856	27 368
Ships	9	1 462 880	1 362 028	1 218 923
Newbuilding contracts	9	41 101	61 792	102 329
Tank terminals	9	480 539	340 188	286 292
Office equipment and cars	9	17 629	9 392	8 642
Investments in associates	4	1 402	1 299	1 241
Non-current receivables	17	3 748	2 078	1 746
Total non-current assets		**2 047 902**	**1 814 959**	**1 656 012**
CURRENT ASSETS				
Current receivables	18	137 275	113 670	94 019
Bunkers and other inventories	19	27 337	16 496	16 083
Derivative financial instruments	25	1 606	1 675	-
Available-for-sale investments	16	66 769	77 137	81 013
Cash and cash equivalents	20	97 947	165 287	108 840
Total current assets		**330 935**	**374 264**	**299 954**
Total assets		**2 378 837**	**2 189 223**	**1 955 966**

EQUITY AND LIABILITIES AS PER 31.12	Note	2007	2006	2005
EQUITY				
Share capital	21	29 425	29 425	29 425
Treasury shares	21	(1 170)	(1 123)	-
Share premium	21	53 504	53 504	109 955
Other equity		584 591	620 379	552 862
Minority interests		6 207	5 517	-
Total equity		**672 558**	**707 702**	**692 241**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	12	22 581	23 227	34 397
Pension liabilities	22	20 454	17 363	14 172
Non-current interest bearing debt	23	1 189 497	1 181 804	941 740
Other non-current liabilities	24	130 780	2 656	18 029
Total non-current liabilities		**1 363 312**	**1 225 050**	**1 008 338**
CURRENT LIABILITIES				
Current portion of interest bearing debt	23	157 348	111 582	95 558
Taxes payable	12	20 439	3 158	5 468
Employee taxes payable		6 939	5 503	6 238
Derivative financial instruments	25	6 501	1 696	1 311
Other current liabilities	26	151 740	134 533	146 811
Total current liabilities		**342 967**	**256 472**	**255 387**
Total equity and liabilities		**2 378 837**	**2 189 223**	**1 955 966**

Bergen, 4 March 2008

THE BOARD OF DIRECTORS
OF ODFJELL SE

B.D. Odfjell
CHAIRMAN

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Katrine Trovik

Terje Storeng
President/CEO

CASH FLOW STATEMENT

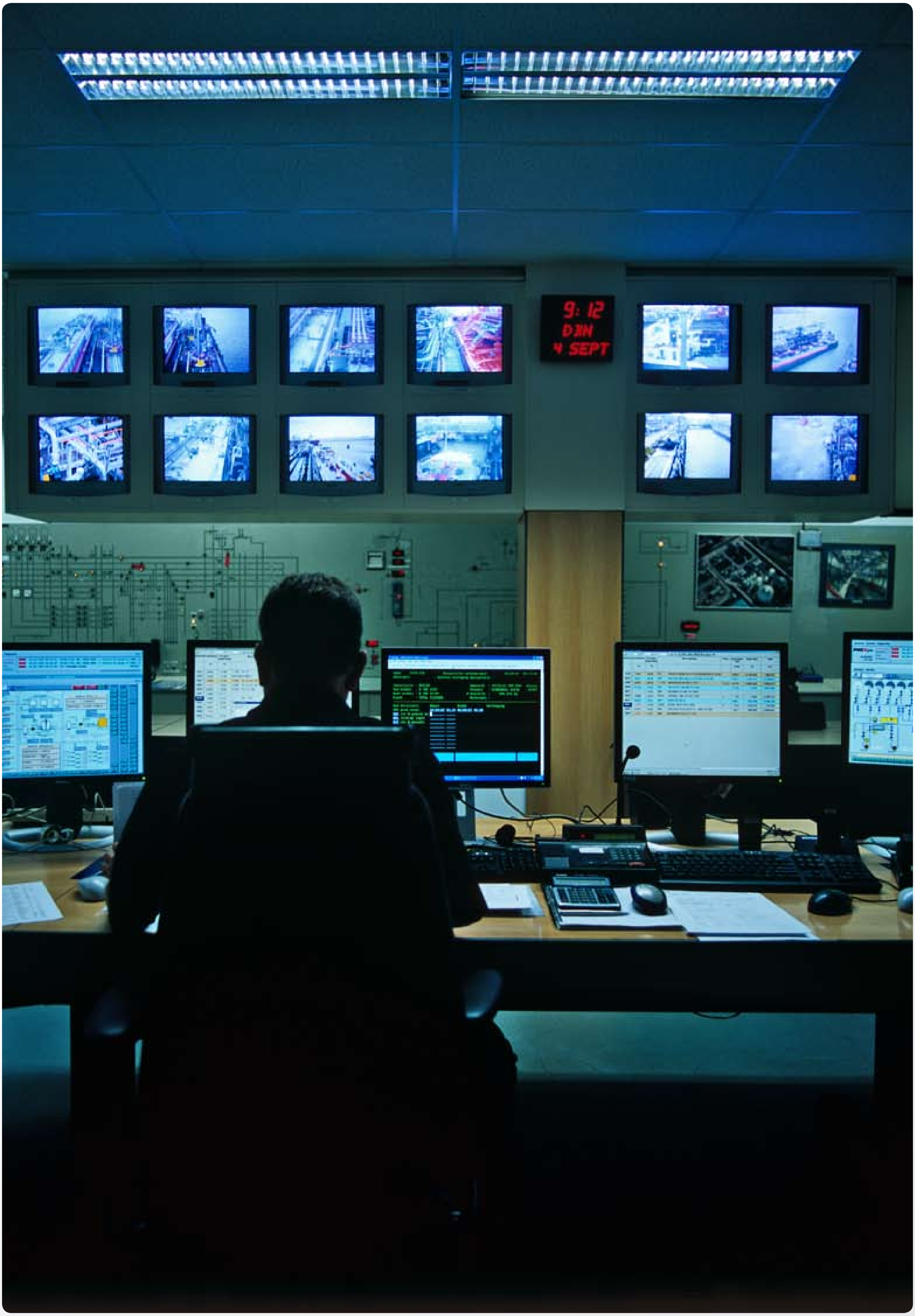
(USD 1 000)

	Note	2007	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES				
Operating result		203 595	156 167	170 424
Depreciation and impairment		136 426	118 682	107 449
Capital (gain) loss on non-current assets		(24 604)	(14 644)	(14 210)
Inventory (increase) decrease		(10 841)	(413)	(4 669)
Trade debtors (increase) decrease		(11 184)	(4 783)	(6 353)
Trade creditors increase (decrease)		14 069	(980)	9 204
Difference in pension cost and pension premium paid		836	1 859	(242)
Other current accruals		943	(38 241)	(15 332)
Taxes paid		(9 515)	(9 197)	(5 999)
Net cash flow from operating activities		**299 725**	**208 450**	**240 271**
CASH FLOW FROM INVESTING ACTIVITIES				
Sale of non-current assets		58 650	22 224	34 724
Sale of discontinued operation	13	-	-	13 176
Investment in non-current assets	9	(371 052)	(271 123)	(315 628)
Available-for-sale investments		10 265	3 818	23 998
Changes in non-current receivables		(1 244)	(332)	2 100
Interest received		12 839	10 568	7 890
Net cash flow from investing activities		**(290 542)**	**(234 845)**	**(233 739)**
CASH FLOW FROM FINANCING ACTIVITIES				
New interest bearing debt		265 835	533 941	313 320
Payment of interest bearing debt		(225 373)	(275 994)	(240 350)
Purchase treasury shares		(2 247)	(51 333)	-
Other financial expenses		(1 482)	(631)	(1 372)
Interest paid		(73 582)	(53 333)	(36 028)
Dividend		(41 327)	(72 467)	(59 896)
Net cash flow from financing activities		**(78 176)**	**80 183**	**(24 325)**
Effect on cash balances from currency exchange rate fluctuations		1 653	2 659	(2 229)
Net change in cash balances		**(67 340)**	**56 447**	**(20 022)**
Cash and cash equivalents as per 1.1		165 287	108 840	128 862
Cash and cash equivalents as per 31.12		**97 947**	**165 287**	**108 840**
Available credit facilities		64 000	15 000	-

STATEMENT OF CHANGES IN EQUITY

(USD 1 000)

	Attributable to shareholders' equity									
	Share capital	**Treasury shares**	**Share premium**	**Exchange rate differences**	**Fair value and other reserves**	**Retained earnings**	**Total other equity**	**Total share-holders' equity**	**Minority interests**	**Total equity**
Equity as at 1.1.2005	29 425	-	109 955	8 553	28 406	490 757	**527 717**	**667 097**	4 107	**671 204**
Cash flow hedges changes in fair value	-	-	-	-	478	-	**478**	**478**	-	**478**
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(27 975)	-	**(27 975)**	**(27 975)**	-	**(27 975)**
Net gain/(loss) on available-for-sale investments	-	-	-	-	(536)	-	**(536)**	**(536)**	-	**(536)**
Exchange rate differences on translating foreign operations	-	-	-	(13 298)	-	-	**(13 298)**	**(13 298)**	-	**(13 298)**
Income and expenses for the year recognised directly to equity	**-**	**-**	**-**	**(13 298)**	**(28 033)**	**-**	**(41 331)**	**(41 331)**	**-**	**(41 331)**
Net result 2005	-	-	-	-	-	127 492	**127 492**	**127 492**	777	**128 269**
Total income and expenses for the period	**-**	**-**	**-**	**(13 298)**	**(28 033)**	**127 492**	**86 161**	**86 161**	**777**	**86 938**
Dividend	-	-	-	-	-	(61 016)	**(61 016)**	**(61 016)**	-	**(61 016)**
Deconsolidation minority interests	-	-	-	-	-	-	-	-	(4 884)	**(4 884)**
Equity as at 31.12.2005	**29 425**	**-**	**109 955**	**(4 745)**	**373**	**557 233**	**552 862**	**692 242**	**-**	**692 242**
Cash flow hedges changes in fair value	-	-	-	-	3 843	-	**3 843**	**3 843**	-	**3 843**
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(115)	-	**(115)**	**(115)**	-	**(115)**
Net gain/(loss) on available-for-sale investments	-	-	-	-	162	-	**162**	**162**	-	**162**
Exchange rate differences on translating foreign operations	-	-	-	14 007	(94)	-	**13 913**	**13 913**	-	**13 913**
Income and expenses for the year recognised directly to equity	**-**	**-**	**-**	**14 007**	**3 796**	**-**	**17 803**	**17 803**	**-**	**17 803**
Net result 2006	-	-	-	-	-	115 941	**115 941**	**115 941**	-	**115 941**
Total income and expenses for the period	**-**	**-**	**-**	**14 007**	**3 796**	**115 941**	**133 744**	**133 744**	**-**	**133 744**
Share repurchases	-	(1 123)	-	-	-	(50 210)	**(50 210)**	**(51 333)**	-	**(51 333)**
Transfer of share premium	-	-	(56 451)	-	56 451	-	**56 451**	-	-	-
Consolidation minority interests	-	-	-	-	-	-	-	-	5 517	**5 517**
Dividend	-	-	-	-	-	(72 467)	**(72 467)**	**(72 467)**	-	**(72 467)**
Equity as at 31.12.2006	**29 425**	**(1 123)**	**53 504**	**9 262**	**60 620**	**550 497**	**620 379**	**702 186**	**5 517**	**707 702**
Cash flow hedges changes in fair value	-	-	-	-	(1 733)	-	**(1 733)**	**(1 733)**	-	**(1 733)**
Cash flow hedges transferred to profit and loss statement	-	-	-	-	(625)	-	**(625)**	**(625)**	-	**(625)**
Net gain/(loss) on available-for-sale investments	-	-	-	-	(756)	-	**(756)**	**(756)**	-	**(756)**
Exchange rate differences on translating foreign operations	-	-	-	20 963	-	-	**20 963**	**20 963**	-	**20 963**
Income and expenses for the year recognised directly to equity	**-**	**-**	**-**	**20 963**	**(3 114)**	**-**	**17 849**	**17 849**	**-**	**17 849**
Net result 2007	-	-	-	-	-	(10 109)	**(10 109)**	**(10 109)**	-	**(10 109)**
Total income and expenses for the period	**-**	**-**	**-**	**20 963**	**(3 114)**	**(10 109)**	**7 740**	**7 740**	**-**	**7 740**
Share repurchases	-	(47)	-	-	-	(2 200)	**(2 200)**	**(2 247)**	-	**(2 247)**
Consolidation minority interests	-	-	-	-	-	-	-	-	690	**690**
Dividend	-	-	-	-	-	(41 327)	**(41 327)**	**(41 327)**	-	**(41 327)**
Equity as at 31.12.2007	**29 425**	**(1 170)**	**53 504**	**30 225**	**57 506**	**496 860**	**584 591**	**666 351**	**6 207**	**672 558**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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 statements of Odfjell for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2008. The Odfjell Group includes Odfjell SE, wholly owned or controlled subsidiaries incorporated in several countries (see note 30 for an overview of consolidated companies) and our share of investments in joint ventures (see note 31).

Odfjell is a leading company in the global market of transportation and storage of chemicals and other speciality bulk liquids as well as 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) for the first time for the year-ended 31.12.2005. 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 30). Minority interests are included as a separate item in the equity, and are recorded as a separate allocation of the net result. The minority interests include the minority's share of the equity of the subsidiary, including any share of identified excess value on the date when a subsidiary is acquired.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. 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. The Company believes that there would have to be a sustained and material downturn in the markets before a material impairment of non-current assets occurs. Further details are given in note 2.14.

Taxes

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

Pension
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 2.25.

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

2.4 Changes in accounting principles
The following changes in accounting principles have been implemented in 2007 as a result of requirements stipulated in the accounting standards and IFRIC interpretations. The adoption of these standards and interpretations gave rise to additional disclosures, including revision of accounting policies.

• 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.

• IAS 1, Amendment – Presentation of Financial Statements
This amendment requires new disclosures to enable users to evaluate the Group's objectives, policies and processes for managing capital.

• IFRIC 8, Scope of IFRS 2
This interpretation requires IFRS 2 to be applied to any arrangement in which the entity cannot identify specifically some or all of the goods received. The interpretation has no impact for Odfjell.

• IFRIC 9, Reassessment of Embedded Derivatives
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract. The interpretation has no impact for Odfjell.

• IFRIC 10, Interim Financial Reporting and Impairment
This interpretation states that an entity is not allowed to reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

• IFRIC 11 IFRS 2, Group and Treasury Share Transactions
This Interpretation addresses two issues. The first is whether the some transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2. The second issue concerns share-based payment arrangements that involve two or more entities within the same group.

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 ac-

counting 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 tax 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 31) is included according to the gross method. Under this method the Group's proportionate share of revenues, costs, assets and liabilities are recognised with similar items in the financial statements on a line-by-line basis. The financial statements of the joint venture are prepared for the same reporting year as Odfjell. Adjustments are made to bring into line any dissimilar accounting policies that may exist. A review of the carrying values in joint ventures is carried out when there are indications that there is a need to recognise impairment losses or when the need for previously recognised impairment losses is no longer present.

2.10 Investment in associates

Associated companies are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associated companies (see note 4) are included according to the net method. Under this method the Group's share of the associated company's net result for the year is recognised in the profit and loss statement. The Group's interest in an associated company is carried on the balance sheet at an amount that reflects its share of the net assets of the associated company. The carrying value of investment in an associate will never be negative, unless the Group has incurred or guaranteed obligations in respect of the associated company. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The reporting dates of the associate and the Group are identical. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.11 Non-current assets

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

We estimate residual value at the estimated time of disposal for assets, which is generally at the end of their useful life. To assess the residual value of ships we use the current estimated demolition value. For terminals we use a best estimate for the value of the tank asset less dismantling expenses. The residual values are evaluated at least on a yearly basis and any changes have an effect on future depreciations.

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

Day-to-day repairs and maintenance costs are charged to the profit and loss statement during the financial period in which they are incurred. The cost of major renovations and periodic maintenance is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the asset. At the time of investing in a ship a portion of the purchase price is defined as periodic maintenance. The investment is depreciated over the remaining useful life of the asset and for the periodic maintenance part over the period until the next periodic maintenance. 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 29.

2.13 Goodwill

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

2.14 Impairment of assets

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 a normal timecharter earning and a normal level of operating expenses for each type of ship over the remaining useful life of the ship. All parcel tankers are interchangeable and are therefore seen together as a portfolio of ships.

Tank terminals

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

Goodwill

Goodwill acquired through business combinations has been allocated to the relevant cash generating unit (CGU). An assessment is made as to whether the carrying amount of the goodwill can be justified by future earnings from the CGU to which the goodwill relates. Future earnings are based on next year's expectations with a zero growth rate. If the"value in use" of the CGU is less than the carrying amount of the CGU, including goodwill, goodwill will be written down first. Thereafter the carrying amount of the CGU will be written down.

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 Discontinued operations

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

2.21 Equity

Paid in equity

(i) Share capital

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

(ii) 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.

2.22 Dismantling liabilities

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

2.23 Interest bearing debt

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

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

Interest expenses are recognised as an expense 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.

2.24 Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are based on best estimates. Provisions are reviewed on each balance sheet date and reflects the best estimate of the liability. 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.

2.25 Pension cost and liabilities

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

Defined benefit pension plans are pension plans with retirement, disability and termination income benefits. The retirement income benefits are generally a function of years of employment and final salary with the Company. Generally the schemes are funded through payments to insurance companies as determined by periodic actuarial calculations. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The net pension liability is calculated based on certain estimates with regards to interest rates, future salary adjustments etc. The estimates are based on historical experience and current market conditions. The cost of providing pensions is charged to the profit and loss statement so as to spread the regular cost over the vesting period of the employees. The effect of changes in estimates exceeding 10% of the highest of pension liabilities and plan assets is accounted for. Such changes are amortised over the remaining vesting period.

For defined contribution plans, contributions are paid to pension insurance plans. Once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the profit and loss statement in the period to which the contributions relate.

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

2.26 Earnings per share

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

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

2.27 Comparatives

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

2.28 Segments

The definition of main business segments, our primary reporting format, is based on the company's internal reporting. A business segment provide services that are subject to risks and returns that are different from those of other business segments. The Group's secondary reporting format, geographical segments, is provided for revenue, total assets and capital expenditure, as the reliability measurement criteria cannot be met for other items. Any single country contributing more than 10% of total revenue/asset/capital expenditure is reported separately. Our shipping revenue is allocated on the basis of the area in which the cargo is loaded. For the tank terminals the revenue is allocated to the area where the respective companies are located. Total assets and capital expenditure are allocated to the area where the respective assets are located while ships and newbuilding contracts are not allocated to a certain area as the ships sail on a worldwide basis. Financial information relating to segments is presented in note 3.

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

2.29 Events after the balance sheet date

New information on the Company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will materially affect the Company's position in the future are stated.

2.30 IFRS and IFRIC interpretations issued but not effective as per 31.12.2007

Odfjell expects following impact from new Standards or Interpretations that are not yet adopted by Odfjell.

IFRS 8, Operating Segments

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

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

The following new Interpretations will have no impact for Odfjell as of today:

- IAS 23 Borrowing cost
- IAS 27 (Amendment) Consolidated and Separate Financial Statements
- IFRS 2 (Amendment) Shared-based payments
- IFRS 3 (Revised) Business combinations
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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. Our Tank Container segment was sold with effect 1.1.2005 and was therefore reclassified and reported as discontinued operations. See note 13 for more details. Tank Containers are primarily being used for transportation of chemicals and liquids in small quantities and to locations with limited infrastructure.

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 world-wide.

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2007

(USD 1 000)

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

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2006

(USD 1 000)

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

BUSINESS SEGMENT DATA FOR YEAR ENDED 31 DECEMBER 2005

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

GROSS REVENUE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2007	2006	2005
USA	270 117	216 602	235 345
Other North America	-	2 176	4 994
Brazil	146 778	119 364	87 233
Other South America	90 848	88 020	82 349
Netherlands	189 477	157 807	153 136
Other Europe	93 733	94 211	85 504
Africa	103 769	101 327	88 550
Australasia	10 677	12 838	13 574
Middle East and Asia	334 016	296 134	294 163
Total gross revenue	**1 239 416**	**1 088 478**	**1 044 847**

TOTAL ASSETS PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2007	2006	2005
North America	127 602	121 457	126 521
South America	26 316	23 467	12 247
Norway	162 769	239 648	174 673
Europe	328 807	217 610	196 148
Middle East and Asia	229 362	163 222	125 126
Unallocated ships and newbuilding contracts	1 503 981	1 423 820	1 321 252
Total assets	**2 378 837**	**2 189 223**	**1 955 966**

CAPITAL EXPENDITURE PER GEOGRAPHICAL SEGMENT

(USD 1 000)	2007	2006	2005
North America	8 353	1 417	1 162
South America	4 012	505	6 011
Norway	9 163	5 287	7 074
Europe	75 432	23 494	68 436
Middle East and Asia	49 987	35 328	869
Unallocated ships and newbuilding contracts	224 105	205 093	232 076
Total capital expenditure	**371 052**	**271 123**	**315 628**

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 1.1.2005				1 140
Net income from associates 2005				101
Investment in associates 31.12.2005				**1 241**
Exchange rate differences on translation				(2)
Net income from associates 2006				60
Investment in associates 31.12.2006				**1 299**
Exchange rate differences on translation				(5)
Net income from associates 2007				108
Investment in associates 31.12.2007				**1 402**

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

(USD 1 000)	2007	2006	2005
Gross revenue	433	338	394
Net result	108	60	101
Assets	1 463	1 357	1 316
Liabilities	61	58	75
Equity	1 402	1 299	1 241

NOTE 5 TIME-CHARTER EXPENSES

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

(USD 1 000)	2007	2006	2005
Floating TC-expenses	68 350	56 947	72 911
Other TC-expenses	77 073	87 835	83 443
Total time-charter expenses	**145 423**	**144 782**	**156 354**

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)	2007	2006	2005
Salary expenses (note 8)	121 047	100 697	95 503
Bonuses[1]	3 120	-	2 100
Cost of operations terminals	46 251	38 187	32 261
Cost of operations ships	112 923	99 523	101 465
Tonnage tax	93	90	350
Currency hedging	(1 541)	(435)	(12 102)
Total operating expenses	**281 893**	**238 061**	**219 577**

[1] 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)	2007	2006	2005
Salary expenses (note 8)	59 561	49 125	41 802
Bonuses[1]	7 763	2 200	2 600
Other expenses	36 747	33 462	28 883
Currency hedging	(1 820)	(188)	(8 835)
Total general and administrative expenses	**102 250**	**84 600**	**64 449**

[1] Accrual in 2007 for payment in 2008 and 2009

Including in the above is auditor's remuneration for:

(USD 1 000 exclusive VAT)	2007	2006	2005
Statutory auditing	981	818	524
Other assurance services	97	13	11
Tax advisory services	285	283	154
Other non-audit services	945	252	239
Total remuneration	**2 308**	**1 366**	**928**

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)	2007	2006	2005
Salaries	147 167	119 012	109 413
Bonuses[1]	10 883	2 200	4 700
Social expenses	23 038	20 681	19 704
Pension expenses defined benefit plans (note 22)	8 269	8 325	6 441
Pension expenses defined contribution plans (note 22)	1 322	1 047	918
Other benefits	812	758	828
Total salary expenses	**191 491**	**152 024**	**142 004**

[1] Accrual in 2007 for payment in 2008 and 2009

As from 2006 the Company introduced a performance-related and incentive pay scheme for all employees at Odfjell Headquarters, overseas offices, sea officers and Odfjell Terminals Houston. The purpose is to motivate, encourage and stimulate to focus on bottom line result. Total achievable bonus ranges depending on job category and market competition. The bonus is based on predefined targets on a combination of Odfjell Group annual result, key performance indicators and individual performance. 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.

Average number of employees	2007	2006	2005
Europe	928	918	900
North America	137	127	122
South East Asia	2 064	1 864	1 628
South America	316	356	332
Other	117	128	296
Total average number of employees	**3 561**	**3 392**	**3 277**

At the end of 2007 the Board of Directors consist of 5 members, where of one new Director was elected and two Directors resigned during 2007 (in 2006 the Board of Directors consisted of 6 members). Compensation and benefits to the Board of Directors:

(USD 1 000)	2007	2006	2005
Salary	359	359	315
Pension cost (note 22)	-	-	25
Other benefits	6	3	2

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

(USD 1 000)	2007	2006	2005
Salary	2 319	2 095	2 098
Bonus[1]	798	398	1 012
Pension cost (note 22)[2]	636	381	394
Other benefits	290	237	250
Total compensation and benefits	**4 043**	**3 111**	**3 754**
Average number of managers included	8	8	9

[1] Accruals in 2007 for payment in 2008 and 2009

[2] In 2006 and 2005 the pension cost is the same as the pension contribution.

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

The President/CEO and managers reporting directly to him is included in the Company's defined benefit pension plan, see note 22. The Company also has unfunded pension obligations related to senior management for salaries exceeding 12G (presently 12G equals USD 117 751), 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.

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 1.1.2007	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**
Net carrying amount 31.12.2007	**29 940**	**1 438 475**	**65 506**	**480 539**	**17 629**	**2 032 089**
Cost	36 665	1 797 134	50 370	487 092	34 999	**2 406 260**
Accumulated depreciation	(8 810)	(423 684)	-	(146 904)	(25 607)	**(605 005)**
Net carrying amount 1.1.2007	**27 855**	**1 373 450**	**50 370**	**340 188**	**9 392**	**1 801 255**
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)**
Net carrying amount 31.12.2007	**29 940**	**1 438 475**	**65 506**	**480 539**	**17 629**	**2 032 089**
Net carrying amount 1.1.2006	27 368	1 279 460	41 792	286 292	8 642	**1 643 554**
Investment	999	173 788	38 493	53 271	4 572	**271 123**
Sale at book value	-	(18 114)	(469)	-	(474)	**(19 057)**
Depreciation 2006	(1 602)	(66 825)	(29 517)	(16 571)	(4 167)	**(118 682)**
Exchange rate differences	1 090	5 141	72	17 196	819	**24 318**
Net carrying amount 31.12.2006	**27 855**	**1 373 450**	**50 370**	**340 188**	**9 392**	**1 801 255**
Cost	34 576	1 636 319	41 792	416 625	30 082	**2 159 394**
Accumulated depreciation	(7 208)	(356 859)	-	(130 333)	(21 440)	**(515 840)**
Net carrying amount 1.1.2006	**27 368**	**1 279 460**	**41 792**	**286 292**	**8 642**	**1 643 554**
Cost	36 665	1 797 134	50 370	487 092	34 999	**2 406 260**
Accumulated depreciation	(8 810)	(423 684)	-	(146 904)	(25 607)	**(605 005)**
Net carrying amount 31.12.2006	**27 855**	**1 373 450**	**50 370**	**340 188**	**9 392**	**1 801 255**
Net carrying amount 1.1.2005	21 509	1 116 073	30 246	311 838	9 756	**1 489 422**
Investment	8 723	239 768	43 526	20 774	2 837	**315 628**
Sale at book value	-	(13 157)	(9 194)	(11 209)	(131)	**(33 691)**
Depreciation 2005	(1 489)	(63 224)	(22 786)	(16 984)	(2 966)	**(107 449)**
Exchange rate differences	(1 375)	-	-	(18 128)	(854)	**(20 357)**
Net carrying amount 31.12.2005	**27 368**	**1 279 460**	**41 792**	**286 292**	**8 642**	**1 643 554**
Cost	27 547	1 475 982	30 246	425 188	28 230	**1 987 193**
Accumulated depreciation	(6 037)	(359 909)	-	(113 350)	(18 474)	**(497 770)**
Net carrying amount 1.1.2005	**21 509**	**1 116 073**	**30 246**	**311 838**	**9 756**	**1 489 423**
Cost	34 576	1 636 319	41 792	416 625	30 082	**2 159 394**
Accumulated depreciation	(7 208)	(356 859)	-	(130 333)	(21 440)	**(515 840)**
Net carrying amount 31.12.2005	**27 368**	**1 279 460**	**41 792**	**286 292**	**8 642**	**1 643 554**

Capital gain (loss) on non-current assets
In 2007 capital gain from sale of ships was USD 24.6 mill. (2006: USD 2.8 mill related to sale of ships and USD 11.8 mill related to relocation of Dalian tank terminal).

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

-Real estate.. up to 50
-Ships.. 25 - 28
-Periodic maintenance .... 2.5 – 5
-Main components of tank terminals................. 10 - 40
-Office equipment and cars................................. 3 - 15

Fully depreciated non-current assets
Assets with a total cost price of USD 1.4 mill. have been fully depreciated as at 31 December 2007, but are still in use.

Assets financed under finance leases
The carrying amount of ships financed under finance leases were USD 301.9 mill. and USD 242.7 mill. at 31 December 2007 and 31 December 2006 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 3.2 mill. in 2007 and USD 6.3 mill. in 2006.

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 2007 or 2006.

Change in depreciation periods
The management reviewed the depreciation periods for ships in 2006 and 2005. This has led to 24 ships that previously was depreciated over 25 years now being depreciated on average over 28 years. This has been accounted for as a change in estimates, and decreased depreciation expenses of USD 1.3 mill. in 2006 and USD 1.9 mill. in 2005. No changes in depreciation period in 2007.

Change in residual value
The residual values are evaluated on a regular basis and any changes have an effect on future depreciations. During 2007 the market value for demolition of ships has been changed from USD 410 per ton at the beginning of the year to USD 500 per ton at the end of the year.

NOTE 10 OTHER FINANCIAL ITEMS

(USD 1 000)	**2007**	**2006**	**2005**
Other financial income	1 175	427	223
Other financial expenses	(2 823)	(992)	(1 502)
Realised gain/losses on available-for-sale-investments	166	(66)	(93)
Total other financial items	**(1 482)**	**(631)**	**(1 372)**

No hedge contracts were ineffective in year 2007.

NOTE 11 CURRENCY GAINS (LOSSES)

(USD 1 000)	**2007**	**2006**	**2005**
Currency hedging contracts	1 996	760	769
Non-current receivables and liabilities	(1 018)	(247)	(478)
Cash and cash equivalents	1 653	2 659	(2 229)
Other current assets and current liabilities	(1 115)	(1 058)	3721
Total currency gains (losses)	**1 515**	**2 114**	**1 783**

NOTE 12 TAXES

(USD 1 000)	2007	2006	2005
Taxes payable, Norway – ordinary tax	(79)	(586)	(2 008)
Taxes payable, Norway – within shipping tax system	(140 491)	-	-
Taxes payable, other jurisdictions	(13 148)	(9 721)	(3 798)
Change in deferred tax, Norway – within shipping tax system	18	9 255	6 730
Change in deferred tax, Norway – ordinary tax	-	2 377	(15 987)
Change in deferred tax, other jurisdictions	706	(269)	(3 565)
Total taxes	**(152 994)**	**1 056**	**(18 628)**

Impact of proposed new shipping tax system in Norway:
New tonnage tax regime was approved by the Norwegian Parliament in December 2007. The transition tax for the Odfjell-group will amount to USD 213 million, which will be payable over 10 years. Under the transition rules, up to 33% of the calculated tax payable will be waived by the tax authorities if spent on environmental investments within the end of 2016. For Odfjell-group, environmental investments in an amount of USD 71 million need to be made in order to reduce the tax by the full 33%. It is Odfjell-group's intention to utilize the option to cause such investments, but the way the rules are framed, 100% of the discounted tax liability is regarded as a liability until environmental investments are actually made.
The discounted value of the tax is USD 140 million, which has been accounted for as tax cost in the profit and loss account for 2007. Should the environmental fund qualify as equity under International Financial Reporting Standards (IFRS), the tax cost will be reduced by USD 38 million.

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

(USD 1 000)	2007	2006	2005
Pre-tax profit	142 885	114 885	142 521
Tax assessed at the tax rate in Odfjell SE's country of registration (28% in 2007, 2006 and 2005)	(40 008)	(32 168)	(39 906)
Difference between Norwegian and rates in other jurisdictions	(775)	(1 104)	(1 209)
Tax related to non-deductible expenses	(889)	(520)	(2 540)
Tax related to demerger of Norwegian shipping tax company	-	13 703	-
Tax payable, Norway – transition new shipping tax system	(140 491)	-	-
Tax related to non-taxable income	29 169	21 145	25 026
Tax expense	**(152 994)**	**1 056**	**(18 628)**
Effective tax rate *	**8.75%**	**(0.9)%**	**13.1%**

* Effective tax rate for 2007 is estimated without the extraordinary tax related to 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)	2007	2006	2005
Revaluation of investments to fair value	1 489	1 929	-
Pensions	18 455	15 189	12 359
Provisions	12 905	20 122	31 322
Deferred gain related to sale of non-current assets	1 269	-	-
Loss carried forward	3 367	33 782	110 646
Temporary differences not accounted for	(20 406)	(40 245)	(97 477)
Total negative temporary differences	**17 079**	**30 777**	**56 850**

Differences related to depreciation of non-current assets	79 480	92 306	96 321
Deferred loss related to sale of non-current assets	-	-	24 753
Unrealised currency related to non-current receivables and liabilities	13 959	18 232	51 988
Other	-	35	(1 883)
Total positive temporary differences	**93 439**	**110 573**	**171 179**
Total recognised deferred tax liabilities	**22 581**	**23 227**	**34 397**

The Group has a total loss carried forward of USD 2.3 mill. at 31 December 2007 (2006: USD 33.8 mill.), that are available indefinitely to offset against future taxable profits of the companies in which the losses arose. The material changes from 2006 to 2007 in temporary differences not accounted for are related to positive operating results and sale of ships from one tax regime to another. 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 2007 are as follows:

(USD 1 000)	**1.1.2007**	**Changes in temporary differences**	**31.12.2007**
Revaluation of investments to fair value	(1 929)	440	(1 489)
Pensions	(15 189)	(3 266)	(18 455)
Provisions	(20 122)	7 217	(12 905)
Loss carried forward	(33 782)	30 415	(3 367)
Temporary differences not accounted for	40 245	(19 839)	20 406
Differences related to depreciation of non-current assets	92 306	(12 826)	79 480
Deferred gain/losses related to sale of non-current assets	-	(1 269)	(1 269)
Unrealised currency related to non-current receivables and liabilities	18 232	(4 273)	13 959
Other	35	(35)	-
Total	**79 796**	**(3 436)**	**76 360**
Tax rate		(17-35%)	
Tax booked through income statement		724	

Accumulated non-taxed income within Norwegian shipping tax systems

(USD 1 000)	**2007**	**2006**	**2005**
Balance of untaxed income at entry into the shipping tax system	-	397 814	387 559
Accumulated untaxed operating income	-	320 778	310 623
Accumulated untaxed income	**-**	**718 592**	**698 181**
Deferred tax liabilities	-	-	-

Se earlier comments in this note regarding taxation of accumulated untaxed income.

NOTE 13 DISCONTINUED OPERATIONS

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

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

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

NOTE 14 EARNINGS PER SHARE

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

(USD 1 000)	**2007**	**2006**	**2005**
Net result from continuing operations	(10 109)	115 941	123 116
Net result from discontinued operations	-	-	4 376
Net result allocated to shareholders	**(10 109)**	**115 941**	**127 492**
Average weighted number of shares (1 000)	83 342	84 227	86 769
Basic/Diluted earnings per share from continuing operations	(0.12)	1.38	1.42
Basic/Diluted earnings per share from discontinued operations	-	-	0.05
Basic/Diluted earnings per share (USD)	**(0.12)**	**1.38**	**1.47**

NOTE 15 GOODWILL

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

(USD 1 000) **In relation to acquisition of CGU**	**Cost 1.1.2007**	**Investment**	**Sale**	**Impairment 2007**	**Exchange rate effect**	**Book value 31.12.2007**
Odfjell Terminals (Rotterdam) BV	5 169	-	-	-	574	**5 743**
Flumar Transportes de Quimicos e Gases Ltda	537	-	-	(537)	-	**-**
Oiltanking Odfjell Terminal Singapore Pte Ltd	4 621	-	-	-	299	**4 920**
Total goodwill	**10 327**			**(537)**	**873**	**10 663**

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

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

The management has evaluated the need for potential impairment losses in accordance with the accounting principles in note 2.14 for each CGU. In 2007 the goodwill related to Flumar Transportes de Quimicos e Gases Ltda was written off. No impairment was necessary in 2006 or 2005. For tank terminals it has been determined based on a normalised result for each terminal. We have calculated the "value in use" based on five years' EBITDA and a residual value after five years. For shipping companies it has been determined based on a normal timecharter earning and a normal level of operating expenses for each ship over the remaining useful life of the ship. The net present value of future cash flows was based on a weighted average cost of capital ("WACC") of 6.3% in 2007 and 6.4% in 2006.

NOTE 16 AVAILABLE-FOR-SALE INVESTMENTS

(USD 1 000)	Currency	Average interest rate 2007	Book value 2007	Book value 2006	Book value 2005
Bonds and certificates issued by financial institutions	USD	5.25%	54 448	52 419	56 934
Bonds and certificates issued by corporates	EUR	-	-	4 426	3 986
Bonds and certificates issued by corporates	USD	5.24%	12 321	20 291	20 093
Total available-for-sale investments			**66 769**	**77 137**	**81 013**

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 2007 unrealised losses of USD 0.7 mill. were recognised directly to equity (unrealised gain of USD 0.2 million in 2006 and unrealised losses of USD 0.5 million in 2005). Bonds and certificates generally have interest rate adjustments every three months.

NOTE 17 NON-CURRENT RECEIVABLES

(USD 1 000)	2007	2006	2005
Loans to employees	1 768	1 505	1 254
Other non-current receivables	1 980	573	492
Total other non-current receivables	**3 748**	**2 078**	**1 746**

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

(USD 1 000)	Total	Not past due nor impaired
2007	**3 748**	**3 748**
2006	2 078	2 078
2005	1 746	1 746

No non-current receivables were past due or impaired.

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 5%, while other employee loans are currently calculated at 5% 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 5 years. The president/CEO and managers reporting directly to him have loans from the Company as follows:
Terje Storeng (USD 0.2 mill.), Jan Hammer (USD 0.2 mill.), Helge Olsen (USD 0.1 mill.), Haakon Ringdal (USD 0.1 mill.), Jan Didrik Lorentz (USD 0.2 mill.), Brit Bennett (USD 0.05 mill.) and Atle Knutsen (USD 0.2 mill.).

NOTE 18 CURRENT RECEIVABLES

(USD 1 000)	2007	2006	2005
Trade receivables	106 985	94 020	80 157
Other receivables	30 036	21 489	5 863
Pre-paid costs	5 932	4 185	13 216
Provisions for impairment	(5 679)	(6 025)	(5 216)
Total current receivables	**137 275**	**113 670**	**94 019**

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 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
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
2005	86 019	51 036	18 535	5 452	2 720	8 276

Movement in provisions for impairment:

(USD 1 000)	2007	2006	2005
Total provision for impairment per January 1st	6 025	5 216	3 733
This year's expenses	500	569	968
Write-off this year	(968)	446	687
Reversed provisions	122	(205)	(172)
Total provision for impairment per December 31st	**5 679**	**6 025**	**5 216**

The table below summarizes total current receivables into different currencies:

(USD 1 000)	2007	2006	2005
USD	85 310	79 884	70 512
EURO	34 535	22 144	15 345
SGD	2 536	1 676	1 660
RMB	733	591	294
WON	795	761	417
Other currencies	13 367	8 613	5 793
Total current receivables	**137 275**	**113 670**	**94 019**

NOTE 19 BUNKERS AND OTHER INVENTORIES

(USD 1 000)	2007	2006	2005
Bunkers	26 450	15 486	15 194
Other inventories	888	1 009	888
Total bunkers and other inventories	**27 337**	**16 496**	**16 083**

NOTE 20 CASH AND CASH EQUIVALENTS

Cash at banks earn interest at floating rates based on bank time deposit rates. Short-term deposits and other liquid investments are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term rates. Restricted cash of USD 2.6 mill. (USD 2.1 mill. in 2006) consist of funds for withholding taxes relating to employees in Odfjell SE. The cash and cash equivalents do not include available credit facilities.

(USD 1 000)	2007	2006	2005
Cash at banks and in hand	64 831	68 339	50 616
Short-term deposits	13 900	84 372	50 500
Other liquid investments	17 564	9 916	9 952
Effect from currency exchange rate fluctuations	1 653	2 659	(2 229)
Total cash and cash equivalents	**97 947**	**165 287**	**108 840**
Available credit facilities	**64 000**	**15 000**	**-**

NOTE 21 SHARE CAPITAL AND PREMIUM

	Number of shares (thousand)			Share capital (USD 1 000)			Share premium (USD 1 000)		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
A-shares	65 690	65 690	65 690	22 277	22 277	22 277	40 507	40 507	83 244
B-shares	21 079	21 079	21 079	7 148	7 148	7 148	12 998	12 998	26 711
Total	**86 769**	**86 769**	**86 769**	**29 425**	**29 425**	**29 425**	**53 504**	**53 504**	**109 955**
Treasury shares									
A-shares	1 576	1 500	-	535	509	-	-	-	-
B-shares	1 873	1 811	-	635	614	-	-	-	-
Total outstanding	**83 320**	**83 458**	**86 769**	**28 255**	**28 302**	**29 425**	**53 504**	**53 504**	**109 955**

The number of shares are all authorised, issued and fully paid. Nominal value is NOK 2.50, equivalent to USD 0.46 as at 31.12.2007. 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):

	2007		**2006**		**2005**	
	A-shares	**B-shares**	**A-shares**	**B-shares**	**A-shares**	**B-shares**
Chairman of the Board of Directors, B. D. Odfjell and Board Member Laurence W. Odfjell (resigned as Director as from Dec 3rd 2007)	29 463 964	1 041 176	29 463 964	1 041 176	29 467 964	1 045 176
Member of the Board of Directors, Peter G. Livanos	16 513 396	20 500	16 503 396	20 500	16 484 396	20 500
President/CEO, Terje Storeng	70 560	2 112	70 560	2 112	70 560	2 112
Senior Vice President, Asia, Atle Knutsen	11 712	2 336	11 712	2 336	11 712	2 336

Dividend paid (USD 1 000)	**2007**	**2006**	**2005**
A-shares	33 102	54 862	46 193
B-shares	9 936	17 604	14 823
Total	**43 038**	**72 467**	**61 016**

Dividend paid per share was NOK 3.00 in 2007 and NOK 5.50 in 2006.

Based on the result for 2007, the Board has proposed a dividend of NOK 2.00 per share, a total of NOK 173 million equivalent to USD 32.3 mill.

20 largest shareholders as per 31 December 2007:

	Name	**A-shares**	**B-shares**	**Total**	**Percent of votes**	**Percent of shares**
1	Norchem ApS	25 966 492	1 041 176	27 007 668	39.53%	31.13%
2	ChemLog Holdings Ltd	16 513 396	20 500	16 533 896	25.14%	19.06%
3	Odin-fondene	-	4 984 201	4 984 201	-	5.74%
4	SIS Segaintersettle	2 135 600	2 178 400	4 314 000	3.25%	4.97%
5	Folketrygdfondet	1 721 500	1 960 200	3 681 700	2.62%	4.24%
6	AS Rederiet Odfjell	3 497 472	-	3 497 472	5.32%	4.03%
7	Odfjell Chemical Tankers AS	1 576 000	1 872 782	3 448 782	2.40%	3.97%
8	Pareto-fondene	1 628 820	1 681 300	3 310 120	2.48%	3.81%
9	Odfjell Shipping (Bermuda) Ltd	1 321 200	1 215 760	2 536 960	2.01%	2.92%
10	Svenska Handelsbanken	953 400	954 000	1 907 400	1.45%	2.20%
11	JP Morgan Chase	781 300	439 600	1 220 900	1.19%	1.41%
12	Ingeborg Berger	764 380	330 880	1 095 260	1.16%	1.26%
13	Mathilda A/S	600 000	150 000	750 000	0.91%	0.86%
14	Pictet & CIE Banquiers	463 400	252 800	716 200	0.71%	0.83%
15	AS Bemacs	314 000	342 000	656 000	0.48%	0.76%
16	Citibank	502 558	44 065	546 623	0.77%	0.63%
17	Skagen Fondene	363 300	100 000	463 300	0.55%	0.53%
18	Frank Mohn A/S	-	350 000	350 000	-	0.40%
19	State Street Bank & Trust	128 373	161 509	289 882	0.20%	0.33%
20	Storebrand Livsforsikring AS	280 470	-	280 470	0.43%	0.32%
Total 20 largest shareholders		**59 511 661**	**18 079 173**	**77 590 834**	**90.59%**	**89.42%**
	Other shareholders	6 178 583	2 999 531	9 178 114	9.41%	10.58%
Total		**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
	International shareholders	50 217 988	7 078 290	57 296 278	76.45%	66.03%
	Treasury shares	1 576 000	1 872 782	3 448 782	2.40%	3.97%
	Cost price treasury shares (USD 1 000)	25 971	27 432	53 403		

All treasury shares were acquired during 2007 and 2006, and no treasury shares were sold during period. The Company did not acquire or sell any treasury shares during 2005.

The Annual General Meeting on 3 May 2007 authorised the Board of Directors to acquire up to 10 per cent of the Company's share capital. This authorisation expired 3 November 2008. The purpose of purchasing treasury shares is to increase shareholders' values. The Board of Directors regularly considers investments in treasury shares when it may be beneficial for the Company

NOTE 22 PENSIONS LIABILITIES

The Group operates a number of defined benefit and contribution plans throughout the world. The most significant defined benefit pension plan is in Norway. The foreign plans include both defined contribution and defined benefit plans. The main benefit from the defined benefit pension plan in Norway is a pension of 66% of the final salary limited to 12G (G = indexation of the public national insurance base amount, presently G equals NOK 66 812) and a 30-year accrual period. The plan also includes survivor/dependants and disability pensions. As at 31 December 2007, the different plans had 762 members. The commitment is calculated using straight-line accrual.

The year's pension costs:

(USD 1 000)	**Norway**	**USA**	**Netherlands**	**2007**
Service costs	4 405	354	3 218	**7 977**
Interest cost on accrued pension liabilities	2 143	375	1 743	**4 261**
Estimated yield on pension assets	(1 737)	(410)	(2 256)	**(4 403)**
Amortisation of past service cost	(2 146)	(8)	-	**(2 153)**
Amortisation of actuarial gains/losses	1 681	70	836	**2 588**
Social security tax	678	-	-	**678**
Total pension cost	**5 025**	**381**	**3 542**	**8 947**
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**
Total pension cost	**5 510**	**362**	**3 071**	**8 942**
Actual yield on the pension assets	7.0%	12.2%	3.2%	

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

Obligation in financial statement:

(USD 1 000)	Norway	USA	Netherlands	2007
Pension liabilities – funded obligations:				
Present value of accrued secured liabilities	45 487	6 993	38 286	**90 766**
Fair value of pension assets	(35 235)	(5 368)	(36 440)	**(77 044)**
Social security tax	1 446	-	-	**1 446**
Actuarial gains/losses not recognised in the profit and loss statement	(3 009)	375	(2 271)	**(4 905)**
Funded obligation	**8 689**	**1 999**	**(426)**	**10 263**
Pension liabilities – unfunded obligations:				
Present value of accrued unsecured liabilities	10 071	-	-	**10 071**
Social security tax	1 420	-	-	**1 420**
Actuarial gains/losses not recognised in the profit and loss statement	(1 726)	-	-	**(1 726)**
Unfunded obligation	**9 766**	**-**	**-**	**9 766**
Net asset – classified as other long term receivables			426	**426**
Net recognised liabilities	**18 455**	**1 999**	**-**	**20 454**

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

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

Changes in the present value of the defined benefit obligation:

(USD 1 000)	**Norway**	**USA**	**Netherlands**	**Total**
Defined benefit obligation at 1 January 2005	38 760	3 902	16 955	**59 617**
Service cost	2 973	270	2 755	**5 998**
Interest cost	1 719	286	693	**2 698**
Actuarial (gains)/losses	4 588	1 275	2 808	**8 672**
Benefits paid	(887)	(56)	-	**(943)**
Exchange differences	(4 150)	-	(2 511)	**(6 661)**
Defined benefit obligation at 31 December 2005	**43 003**	**5 678**	**20 701**	**69 382**
Service cost	3 842	340	3 398	**7 580**
Interest cost	1 794	328	1 063	**3 185**
Actuarial (gains)/losses	(6 463)	599	(2 537)	**(8 401)**
Benefits paid	(1 048)	(191)	-	**(1 239)**
Exchange differences	3 335	-	1 924	**5 259**
Defined benefit obligation at 31 December 2006	**44 463**	**6 754**	**24 549**	**75 767**
Service cost	4 063	354	2 993	**7 410**
Interest cost	1 976	375	1 622	**3 973**
Past service cost	(2 306)	-	(375)	**(2 681)**
Actuarial (gains)/losses	1 105	(598)	5 414	**5 921**
Benefits paid	(1 166)	(80)	-	**(1 246)**
Exchange differences	7 424	-	4 082	**11 506**
Defined benefit obligation at 31 December 2007	**55 559**	**6 804**	**38 285**	**100 648**

Changes in fair value of plan assets:

(USD 1 000)	**Norway**	**USA**	**Netherlands**	**Total**
Fair value of plan assets at 1 January 2005	24 008	4 072	15 201	**43 281**
Expected return	1 298	155	801	**2 254**
Actuarial (gains)/losses	(1 520)	-	-	**(1 520)**
Contribution	3 267	242	2 663	**6 171**
Benefits paid	(526)	(56)	-	**(582)**
Exchange differences	(2 559)	-	(2 101)	**(4 660)**
Fair value of plan assets at 31 December 2005	**23 969**	**4 413**	**16 564**	**44 946**
Expected return	1 260	521	1 390	**3 171**
Actuarial (gains)/losses	(1 080)	-	(504)	**(1 584)**
Contribution	2 827	238	4 619	**7 683**
Benefits paid	(639)	(191)	-	**(830)**
Exchange differences	1 936	-	2 024	**3 960**
Fair value of plan assets at 31 December 2006	**28 271**	**4 981**	**24 093**	**57 345**
Expected return	1 602	410	1 673	**3 685**
Actuarial (gains)/losses	(897)	(598)	3 675	**2 179**
Past service cost	(699)	-	-	**(699)**
Contribution	3 058	280	3 333	**6 671**
Benefits paid	(813)	(80)	-	**(893)**
Exchange differences	4 713	-	3 667	**8 380**
Fair value of plan assets at 31 December 2007	**35 235**	**4993**	**36 440**	**76 668**

Estimated contribution in 2008 is USD 6.9 million.

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

	Norway			**USA**		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Equities	30%	23 %	22 %	16%	11 %	12 %
Bonds/securities	44%	64 %	43 %	80%	69 %	69 %
Money market fund	11%	-	24 %	4%	20 %	19 %
Property	15%	13 %	11 %	-	-	-

The plan assets in the Netherlands are invested by an insurance company with a guaranteed investment return from year-to-year. The return for 2008 will be 3.9%.

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

	Norway			USA			Netherlands		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Discount rate	4.7%	4.4%	4.0%	5.72%	6.0%	7.0%	5.25%	4.5%	4.0%
Expected return on assets	5.75%	5.4%	5.0%	8.0%	8.0%	8.0%	5.0%	5.0%	5.0%
Adjustment of wages	4.5%	4.5%	3.5%	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%
Pension indexation (Sailors)	2%(4.25%)	1.6%	3.0%	4.5%	3.5%	3.5%	2.0%	2.0%	1.5%
Mortality table	K2005/KU	K1963/KU	K1963/KU	1994 GAM	1983 GAM	1983 GAM	GMB/V 2000-2005	GMB/V 1995-2000	GMB/V 1995-2000

Expected return on assets is generally the discount rate adjusted for the effect of the allocation of plan assets. When calculating the pension cost in Norway mortality table K1963 has been used. We estimate that use of more update mortality figures would not have material effect on the pension cost.

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 2007, 450 members were covered by the plans. The contributions recognised as expenses equalled USD 1 322 000 and USD 1 047 000 in 2007 and 2006 respectively.

NOTE 23 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	2007	2006	2005
Loans from financial institutions – floating interest rates	5.0%	574 504	612 486	620 377
Loans from financial institutions – fixed interest rates	3.8%	274 783	244 754	136 833
Finance leases	4.7%	273 708	227 317	235 887
Bonds	6.0%	229 062	213 821	49 100
Total interest bearing debt	**4.9%**	**1 352 057**	**1 298 379**	**1 042 197**
Transaction cost		(5 212)	(4 993)	(4 898)
Current portion of interest bearing debt		(157 348)	(111 582)	(95 558)
Total non-current interest bearing debt		**1 189 497**	**1 181 804**	**941 740**

Average interest rate is the weighted average of interest rates, excluding hedges, as per end of 2007.

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 2007 USD 1.0 mill. (USD 0.7 mill in 2006) have been charged to the profit and loss statement.

(USD 1 000)	2007	2006	2005
Book value of interest bearing debt secured by mortgages	772 476	728 934	596 600
Book value of ships and terminals mortgaged	1 213 937	1 055 098	815 877

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 31.12.2007:

(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**
Total interest bearing debt	**157 348**	**87 199**	**142 485**	**266 862**	**85 942**	**612 220**	**1 352 057**

Maturity of interest bearing debt as per 31.12.2006:

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

Average maturity of the Group's interest-bearing debt is about 6.5 years (5.9 years in 2006).

The table below summarize interest bearing debt into different currencies:

(USD 1 000)	2007	2006	2005
USD	1 184 692	1 185 811	955 980
EURO	110 274	72 237	48 475
SGD	20 633	23 578	21 722
RMB	16 597	5 507	5 359
WON	16 318	11 246	10 661
Other currencies	3 543	-	-
Total interest bearing debt	**1 352 057**	**1 298 379**	**1 042 197**

The net carrying amount of assets under finance leases are USD 301.9 mill. as per 31 December 2007 (USD 242.7 mill as per 31 December 2006). 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 2007. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2007		2006	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within one year	26 773	14 376	20 591	8 758
After one year but not more than five years	114 315	71 254	110 105	71 380
More than five years	305 216	188 077	233 315	147 179
Total minimum lease payments	**446 304**		**364 011**	
Less amounts representing finance charges	(172 597)		(136 694)	
Present value of minimum lease payments	**273 708**	**273 708**	**227 317**	**227 317**

NOTE 24 OTHER NON-CURRENT LIABILITIES

(USD 1 000)	2007	2006	2005
Settlement with the US Department of Justice	-	-	16 700
Tax payable, Norway – transition new shipping tax system	127 109	-	-
Other	3 671	2 656	1 329
Total other non-current liabilities	**130 780**	**2 656**	**18 029**

NOTE 25 RISK MANAGEMENT AND HEDGING ACTIVITIES

Odfjell's results and cash flow are influenced by a number of variable factors. Our policy is to manage the risks we are exposed to, including, but not limited to market risk, credit risk, liquidity risk, currency risk and interest rate risk. Our strategy is to systematically monitor and understand the impact of changing market conditions on our results and cash flow and to initiate preventive actions where required.

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

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

By using derivative financial instruments to hedge exposures to changes in exchange rates, interest rates, and fuel costs, the Company exposes itself to credit risk. Credit risk is the risk that the counterparty might fail to fulfil its performance obligations under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, does not assume repayment risk. However, to mitigate the repayment risk the Company contracts only with high quality counterparties. In addition, the Company's hedging policy establishes maximum limits for each counterparty. The Group therefore regards its maximum risk exposure as being the carrying amount of trade receivables and other current assets (see note 18).

The Group has given guarantees for third parties' liabilities as shown in note 29.

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 22 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.

(USD 1 000)		Increase/decrease in exchange rate	Effect on pre- tax profit
2007	NOK	+ 10 %	USD 9 mill
	EUR	+ 10 %	USD 4 mill
2006	NOK	+ 10 %	USD 8 mill
	EUR	+ 10 %	USD 4 mill
2005	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.

(USD 1 000)	Increase/decrease in bunkers prices per ton	Effect on pre-tax profit
2007	+ 10 USD	USD 5 mill
2006	+ 10 USD	USD 5 mill
2005	+ 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.

(USD 1 000)	Increase/decrease in interest rate	Effect on pre-tax profit
2007	+ 1%	USD 9 mill
2006	+ 1%	USD 9 mill
2005	+ 1%	USD 8 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. All currency contracts designated as cash flow hedges are recognised at fair value. Changes in the fair value of effective hedging instruments are temporarily recognised in equity until the instruments expire and the effect is recognised in the profit and loss statement together with the transactions that the contracts are intended to hedge. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are shown immediately in the profit and loss statement. This also applies to any ineffective parts of a derivative financial instrument that qualifies as a hedge.

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

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

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

At 31.12.2006 the Group had following currency cash flow hedges (in thousands):

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

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

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

As per 31.12.2007 the Company had no open hedging contract related to bunkers.

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

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

Cash flow hedges – interest rates

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

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

-The Company had sold one receiver swaption where the counterparty had the right to put a fixed rate of 4.90% on the Company and receiving floating USD 6 months LIBOR on a notional amount of USD 50 mill. Effective date was 8 February 2008 for a five year period.

-The Company had sold one receiver swaption where the counterparty had the right to put a fixed rate of 4.50% on the Company and receiving floating USD 6 months LIBOR on a notional amount of USD 50 mill. Effective date was 8 February 2008 for a five year period.

-The Company had sold one receiver swaption where the counterparty has the right to put a fixed rate of 3.70% on the Company and receiving floating USD 6 months LIBOR on a notional amount of USD 50 mill. Effective date is 6 April 2008 for a five year period.

-One interest swap exchange floating USD interest rate to fixed USD interest rate of 4.91% on a notional amount of USD 52.5 mill., where USD 52.5 mill. falls due within one year.

-One interest swap exchange floating USD interest rate to fixed USD interest rate of 4.00% on a notional amount of USD 50 mill, where USD 50 mill. falls due within one year.

-One interest swap exchange floating USD interest rate to fixed USD interest rate of 3.77% on a notional amount of USD 50 mill, where USD 50 mill. falls due after one year but within five years.

-One interest swap exchange floating USD interest rate to fixed USD interest rate of 5.193% on a notional amount of USD 50 mill, where USD 50 mill. falls due after five years.

-One interest swap exchange floating EUR interest rate + 0.4% to fixed EUR interest rate of 4.0325% at present on a notional amount of EUR 30 mill, where EUR 30 mill. falls due after one year, but within five years.

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

-The Company had sold one receiver swaption where the counterparty had the right to put a fixed rate of 5% on the Company and receiving floating USD 6 months LIBOR on a notional amount of USD 50 mill. Effective date was 5.2.2007 for a ten year period.

-One interest swap exchange floating SGD interest rate to fixed SGD interest rate of 4.6% on a notional amount of SGD 36.4 mill, where SGD 6.4 mill. falls due within one year and SGD 30 mill. after one year but within five years.

Fair value hedges - currency

In connection with bonds issued in Norway and Singapore the Group has entered into three cross currency rate swaps. At 31.12.2007 the Company was committed to deliver USD 125.3 mill. and receive NOK 799 mill., thereof to deliver USD 16 mill. within one year and USD 109.3 after one year but within five years. In addition to deliver USD 104.1 mill. and receive SGD 160 mill. when the bonds expire after one year and within five years. At 31.12.2006 the Company was committed to deliver USD 109.2 mill. and receive NOK 700 mill. and to deliver USD 104.1 mill. and receive SGD 160 mill. when the bonds expire after one year and within five years. Fair value of fair value hedges are recorded in the balance sheet together with the underlying hedged items.

Fair value hedges – interest rates

As of 31.12.2007 the Group held the following interest rate derivatives documented as fair value hedging.

In connection with bonds issued in Norway and Singapore the Group has five cross currency rate swaps with termination within one year (one derivative) and after one year but within 5 years (four derivatives).

-Exchanging floating NOK 3 months NIBOR, currently at 6.9%, on NOK 400 mill. to floating USD 3 months LIBOR, currently at 5.9%, on USD 60.1 mill.

-Exchanging floating NOK 3 months NIBOR, currently at 7.2%, on NOK 300 mill. to floating USD 3 months LIBOR, currently at 6.2%, on USD 49 mill

-Exchanging floating NOK 3 months NIBOR, currently at 6.8%, on NOK 99 mill. to floating USD 3 months LIBOR, currently at 5.8%, on USD 16 mill. This falls due within one year.

-Exchanging floating SGD interest rate, currently at 3.7%, on SGD 110 mill. to floating USD interest rate, currently at 5.9%, on USD 71.5 mill.
-Exchanging fixed SGD interest rate at 4.2% on SGD 50 mill. to floating USD interest rate, currently at 5.9%, on USD 32.5 mill.

As of 31.12.2006 the Group held the following interest rate derivatives documented as fair value hedging.
In connection with bonds issued in Norway and Singapore the Group has three cross currency rate swaps with termination after one year but within 5 years.
-Exchanging floating NOK 3 months NIBOR, currently at 3.8%, on NOK 700 mill. to floating USD 3 months LIBOR, currently at 5.4%, on USD 109.2 mill.
-Exchanging floating SGD interest rate, currently at 3.5%, on SGD 110 mill. to floating USD interest rate, currently at 5.4%, on USD 71.5 mill.
-Exchanging fixed SGD interest rate at 4.2% on SGD 50 mill. to floating USD interest rate, currently at 5.4%, on USD 32.5 mill.

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

Fair values of financial instruments
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 fixed interest interest bearing debt 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:

	Carrying amount			Fair value		
(USD 1 000)	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Assets						
Cash and cash equivalents	97 947	165 287	108 840	97 947	165 287	108 840
Available-for-sale-investments	66 769	77 137	81 013	66 769	77 137	81 013
Derivative financial instruments	1 606	1 675	-	1 606	1 675	-
Current receivables	131 342	109 484	80 803	131 342	109 484	80 803
Non-current receivables	3 747	2 078	1 746	3 747	2 078	1 746
Other non-financial assets*	2 077 426	1 833 562	1 683 564	2 077 426	1 833 562	1 683 564
Total assets	**2 378 837**	**2 189 223**	**1 955 966**	**2 378 837**	**2 189 223**	**1 955 966**
Liabilities						
Other current liabilities	133 209	104 286	139 617	133 209	104 286	139 617
Derivative financial instruments	6 501	1 696	1 311	6 501	1 696	1 311
Interest bearing debt	1 346 845	1 293 386	1 037 298	1 331 917	1 271 702	1 026 422
Other non-current liabilities	-	-	-	-	-	-
Other non-financial liabilities*	219 724	82 153	85 499	219 724	82 153	85 499
Total liabilities	**1 706 279**	**1 481 521**	**1 263 725**	**1 691 351**	**1 459 837**	**1 252 849**

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

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
Balance sheet as at 1.1.2005	**754**	**2 442**	**25 210**	**-**	**28 406**
Fluctuations during the period:					
- Gains/losses due to changes in fair value	563	-	-	(85)	**478**
- Transfers to the profit and loss statement	(266)	(2 442)	(25 267)	-	**(27 975)**
Balance sheet as at 31.12.2005	**1 051**	**-**	**(57)**	**(85)**	**909**
Fluctuations during the period:					
- Gains/losses due to changes in fair value	2 922	-	1 436	(515)	**3 843**
- Transfers to the profit and loss statement	(257)	-	57	85	**(115)**
- Exchange rate differences on translating derivatives from non-USD subsidiaries	(94)	-		-	**(94)**
Balance sheet as at 31.12.2006	**3 623**	**-**	**1 436**	**(515)**	**4 544**
Fluctuations during the period:					
- Gains/losses due to changes in fair value	(1 733)	-	-	-	**(1 733)**
- Transfers to the profit and loss statement	295	-	(1 436)	515	**(625)**
- Exchange rate differences on translating derivatives from non-USD subsidiaries	-	-	-	-	**-**
Balance sheet as at 31.12.2007	**2 185**	**-**	**-**	**-**	**2 185**

Classification of financial assets and liabilities

(USD 1 000)	Derivatives held as hedge instrument	Loans and receivables	Available-for-sale-investments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	2007
Assets						
Cash and cash equivalents	-	97 947	-	-	-	**97 947**
Available-for-sale-investments	-	-	66 769	-	-	**66 769**
Derivative financial instruments	1 606	-	-	-	-	**1 606**
Current receivables	-	131 342	-	-	-	**131 342**
Non-current receivables	-	3 747	-	-	-	**3 747**
Other non-financial assets	-	-	-	-	2 077 426	**2 077 426**
Total assets	**1 606**	**233 036**	**66 769**	**-**	**2 077 426**	**2 378 837**
Liabilities						
Other current liabilities	-	-	-	133 209	-	**133 209**
Derivative financial instruments	6 501	-	-	-	-	**6 501**
Interest bearing debt	-	-	-	1 346 845	-	**1 346 845**
Other non-current liabilities	-	-	-	-	-	**-**
Other non-financial liabilities	-	-	-	-	219 724	**219 724**
Total liabilities	**6 501**	**-**	**-**	**1 480 054**	**219 724**	**1 706 279**

(USD 1 000)	Derivatives held as hedge instrument	Loans and receivables	Available-for-sale-investments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	2006
Assets						
Cash and cash equivalents	-	165 287	-	-	-	**165 287**
Available-for-sale-investments	-	-	77 137	-	-	**77 137**
Derivative financial instruments	1 675	-	-	-	-	**1 675**
Current receivables	-	109 484	-	-	-	**109 484**
Non-current receivables	-	2 078	-	-	-	**2 078**
Other non-financial assets	-	-	-	-	1 833 562	**1 833 562**
Total assets	**1 675**	**276 849**	**77 137**	**-**	**1 833 562**	**2 189 223**
Liabilities						
Other current liabilities	-	-	-	104 286	-	**104 286**
Derivative financial instruments	1 696	-	-	-	-	**1 696**
Interest bearing debt	-	-	-	1 293 386	-	**1 293 386**
Other non-current liabilities	-	-	-	-	-	**-**
Other non-financial liabilities	-	-	-	-	82 153	**82 153**
Total liabilities	**1 696**	**-**	**-**	**1 397 672**	**82 153**	**1 481 521**

(USD 1 000)	Derivatives held as hedge instrument	Loans and receivables	Available-for-sale-investments	Liabilities recognised at amortised cost	Non-financial assets/ liabilities	2005
Assets						
Cash and cash equivalents	-	108 840	-	-	-	**108 840**
Available-for-sale-investments	-	-	81 013	-	-	**81 013**
Derivative financial instruments	-	-	-	-	-	**-**
Current receivables	-	80 803	-	-	-	**80 803**
Non-current receivables	-	1 746	-	-	-	**1 746**
Other non-financial assets	-	-	-	-	1 683 564	**1 683 564**
Total assets	**-**	**191 389**	**81 013**	**-**	**1 683 564**	**1 955 966**
Liabilities						
Other current liabilities	-	-	-	139 617	-	**139 617**
Derivative financial instruments	1 311	-	-	-	-	**1 311**
Interest bearing debt	-	-	-	1 037 298	-	**1 037 298**
Other non-current liabilities	-	-	-	-	-	**-**
Other non-financial liabilities	-	-	-	-	85 499	**85 499**
Total liabilities	**1 311**	**-**	**-**	**1 176 915**	**85 499**	**1 263 725**

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 2007 and 31 December 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)	2007	2006	2005
Equity	666	708	692
Total assets	2 379	2 189	1 956
Equity ratio	28.0%	32.3%	35.4%
Cash and cash equivalents	98	165	109
Available-for-sale-investments	67	77	81
Available drawing facilities	64	15	-
Total available liquidity	**229**	**257**	**190**

NOTE 26 OTHER CURRENT LIABILITIES

(USD 1 000)	2007	2006	2005
Trade payables	35 814	30 094	20 129
Provisions	5 834	18 053	31 300
Other current liabilities	110 092	86 387	95 382
Total other current liabilities	**151 740**	**134 533**	**146 811**

Provisions relate to customer settlements in the antitrust issue. The provisions include amounts relating to settlement agreements and offers made by the Company where an agreement has not yet been entered into. These provisions are expected to be used in 2008. Additional provisions made during 2007 was USD 1.6 mill. and USD 13.9 mill. of the provisions was used. No unused amounts have been reversed during 2007.

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
2007	**151 740**	**113 447**	**33 026**	**555**	**238**	**4 474**
2006	134 533	95 932	35 330	829	1 270	1 172
2005	146 811	126 304	17 848	1 710	446	504

The table below summarize other current liabilities into different currencies:

(USD 1 000)	2007	2006	2005
USD	84 563	87 900	90 733
EURO	43 262	26 036	30 233
SGD	1 908	1 117	6 095
RMB	9 682	4 944	7 854
WON	1 868	4 238	1 201
Other currencies	10 457	10 299	10 695
Total other current liabilities	**151 740**	**134 533**	**146 811**

NOTE 27 GOVERNMENT GRANTS

Government grants from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seafarers of USD 1.7 million in 2007 (USD 0.9 mill. in 2006) is entered in the accounts as a reduction of operating expenses.

Gross revenue includes USD 0.3 million in 2007 (USD 1.5 mill. in 2006) from our Brazilian joint-venture, Flumar Transportes de Quimicos e Gases Ltda, in AFRMM (Additional Freight for the Merchant Marine Renewal), which is a freight contribution for cargoes shipped by Brazilian flag vessels on the Brazilian coast.

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

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

The Odfjell Group shares offices in Brazil with a terminalling company related to the Chairman of the Board, B. D. Odfjell. The Chairman's family also has ownership interest in companies in South America, which acts as port agents for Odfjell as one among many customers. In addition to reimbursement of actual expenses and expenditures incurred Odfjell Seachem paid these companies USD 1.0 mill. in agency fees (USD 1.0 mill. in 2006), while Flumar Transportes de Quimicos e Gases Ltda and Odfjell Brasil – Representacoes Ltds paid USD 0.6 mill. for administrative services in 2007 (USD 0.6 mill. in 2006).

AS Rederiet Odfjell, beneficially owned by the Chairman of the Board, B. D. Odfjell and his immediate family, rent office premises from Odfjell SE in Bergen, for which Odfjell SE received USD 0.1 mill. in 2007 (same as in 2006).

Transactions with related parties are settled on a regular basis and the balances as per 31.12.2007 were immaterial.

NOTE 29 COMMITMENTS, GUARANTEES AND CONTINGENCIES

Operating leases

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

The Group also has entered into operating leases for land, buildings and certain vehicles and items of machinery. Leases for land and buildings are generally non-cancellable and long term with remaining terms from 24 years to 33 years. Leases for certain vehicles and items of machinery have an average period of between 3 and 5 years with no renewal option in the contracts.

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

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

(USD 1 000)	**2007**
Within one year	79 906
After one year but not more than five years	374 080
After 5 years	350 975
Total	**804 961**

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 million. 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 already paid, in total USD 30.2 million, have been refunded by the yard, interest included. Odfjell will further claim full compensation for its costs and losses caused, on account of wilful misconduct and massive contract breaches by the Yard. Unless the matter is solved amicably between the parties, the issue will be solved by arbitration in Sweden, as provided for in the contract.

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 120.1 million.

Guarantees

(USD 1 000)	**2007**	**2006**	**2005**
Total guarantees	**25 821**	**22 854**	**21 777**

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

In relation to the antitrust case in the US and elsewhere the Company has made provisions for estimated contingent commitments. At this point in time it is not possible to estimate the total financial impact of this matter, but we believe that such settlements will not have a material impact upon future net result or cash flow. In 2007 gross revenue has been reduced by payments and provisions in connection with the antitrust and related matters of USD 1.6 million for future commitments. This amount is included in current liabilities. See note 26 and the Board of Directors' report.

NOTE 30 LIST OF SUBSIDIARIES

The following subsidiaries are fully consolidated in the financial statements as per 31.12.2007:

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

NOTE 31 INVESTMENTS IN JOINT VENTURES

The Odfjell Group has the following investments in joint ventures accounted for according to the gross method as per 31.12.2007:

JOINT VENTURE	Country	Business segment	Ownership share
Odfjell y Vapores SA	Chile	Parcel Tankers	49%
Odfjell & Vapores Ltd	Bermuda	Parcel Tankers	50%
Flumar Transportes de Quimicos e Gases Ltda	Brazil	Parcel Tankers	50%
Norfra Shipping AS	Norway	Parcel Tankers	50%
Odfjell Ahrenkiel Europe GmbH	Germany	Parcel Tankers	50%
Odfjell Dong Zhan Shipping (Shanghai) Co Ltd	China	Parcel Tankers	49%
Odfjell Makana SA	South Africa	Parcel Tankers	49.9%
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%
Exir Chemical Terminal (PJSCo)	Iran	Tank Terminals	35%
Oiltanking Odfjell Terminals Oman BV	Netherlands	Tank Terminals	42.5%
Oiltanking Odfjell Terminals & Co LLC (Oman)	Oman	Tank Terminals	30%

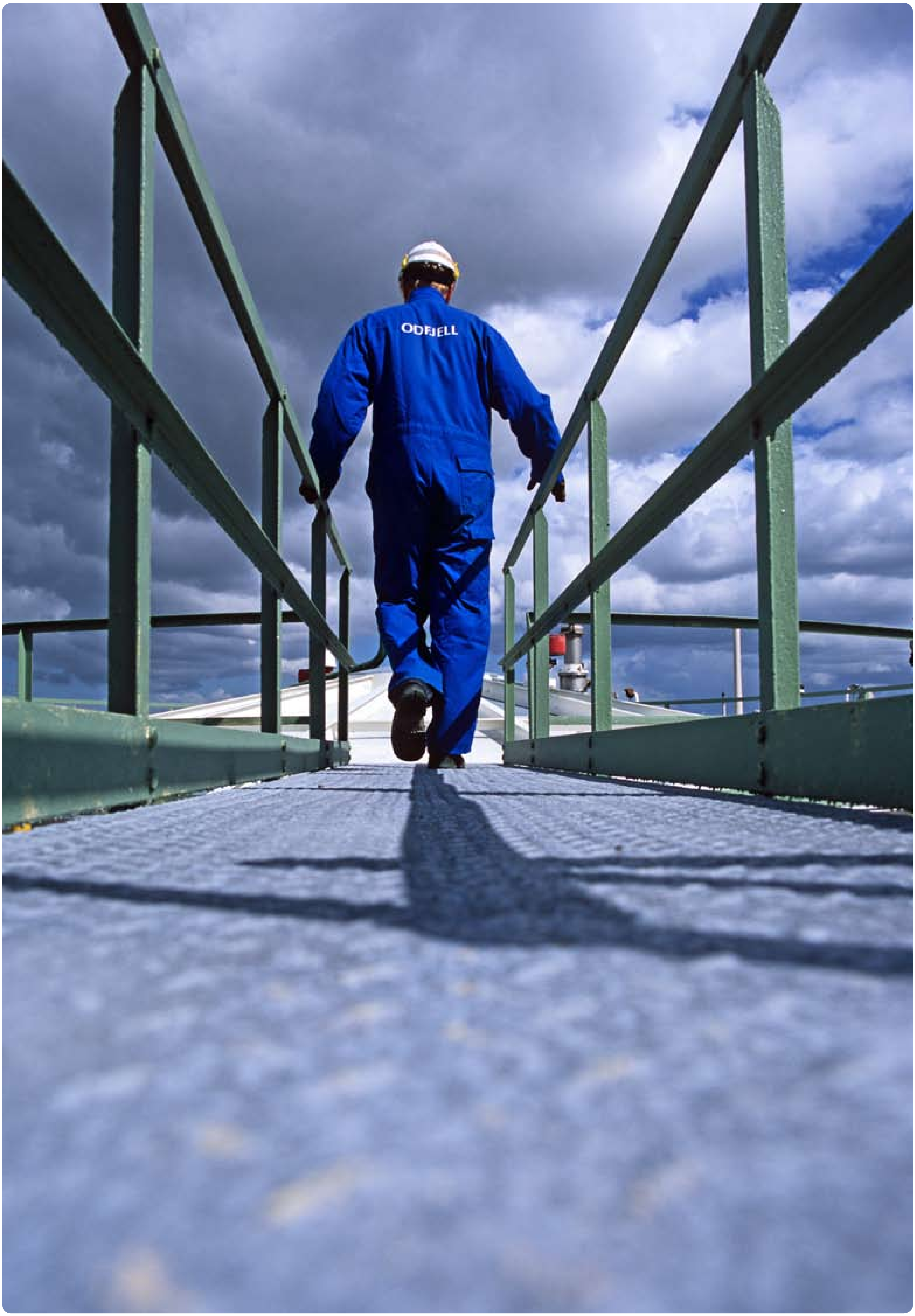
Exir Chemical Terminal (PJSCo) is in the project phase.

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:

		2007			2006			2005	
	Parcel Tankers	Tank Terminals	Total	Parcel Tankers	Tank Terminals	Total	Parcel Tankers	Tank Terminal	Total
Gross revenue	39 887	21 757	**61 644**	43 544	19 009	**62 553**	36 585	13 487	**50 272**
Operating expenses	(12 518)	(6 024)	**(18 541)**	(11 353)	(5 477)	**(16 830)**	(11 674)	(2 929)	**(14 602)**
Net financial items	486	(2 164)	**(1 678)**	327	(2 234)	**(1 907)**	288	(2 326)	**(2 038)**
Net result	108	4 550	**4 658**	5 340	15 404	**20 744**	2 775	2 529	**5 304**
Non-current assets	29 413	117 379	**146 793**	27 926	89 267	**117 193**	8 977	68 878	**77 856**
Current assets	18 612	20 378	**38 990**	16 103	32 268	**48 371**	9 595	12 915	**22 509**
Total assets	**48 026**	**137 757**	**185 783**	**44 029**	**121 535**	**165 564**	**18 572**	**81 793**	**100 365**
Equity opening balance	11 182	63 813	**74 995**	2 098	36 216	**38 314**	5 174	29 424	**34 598**
IFRS adjustments				-	-	**-**	-	(1 117)	**(1 117)**
Net result	108	4 550	**4 658**	5 340	15 404	**20 744**	2 775	2 529	**5 304**
Equity additions/adjustments	(2 979)	266	**(2 713)**	4 736	9 145	**13 880**	(5 417)	5 871	**454**
Exchange rate differences	34	2 018	**2 052**	(992)	3 048	**2 056**	(433)	(491)	**(925)**
Total equity closing balance	**8 345**	**70 647**	**78 992**	**11 182**	**63 813**	**74 995**	**2 098**	**36 216**	**38 314**
Non-current liabilities	29 419	43 903	**73 322**	26 376	42 445	**68 821**	9 722	39 535	**49 257**
Current liabilities	11 564	23 207	**34 770**	6 471	15 278	**21 749**	6 752	6 042	**12 794**
Total liabilities	**40 983**	**67 110**	**108 092**	**32 847**	**57 723**	**90 570**	**16 474**	**45 577**	**62 051**
Net cash flow from operating activities	5 411	18 937	**24 348**	6 857	23 434	**30 291**	3 997	5 997	**9 995**
Net cash flow from investing activities	(1 902)	(25 005)	**(26 907)**	(24 328)	(17 239)	**(41 567)**	(6 011)	(6 466)	**(12 477)**
Net cash flow from financing activities	(2 464)	(3 901)	**(6 365)**	19 367	542	**19 908**	2 212	1 665	**3 877**
Uncalled committed capital	-	-	**-**	-	-	**-**	-	-	**-**

NOTE 32 EXCHANGE RATES OF THE GROUP'S MAJOR CURRENCIES AGAINST USD

	Norwegian kroner (NOK)		Euro (EUR)		Renmimbi (RMB)		Singapore dollar (SGD)	
	Average	Year-end	Average	Year-end	Average	Year-end	Average	Year-end
2005	6.45	6.76	1.24	1.19	8.20	8.08	1.65	1.65
2006	6.41	6.27	1.25	1.32	7.97	7.85	1.58	1.53
2007	5.86	5.40	1.37	1.47	7.52	7.19	1.50	1.43


ODFJELL

PROFIT AND LOSS STATEMENT

(NOK 1 000)	Note	2007	2006	2005
OPERATING REVENUE (EXPENSES)				
Gross revenue	2	407 306	331 947	211 810
Operating expenses		-	-	(2 501)
General and administrative expenses	3, 19	(359 340)	(300 234)	(208 913)
Other income (expenses)	5	-	(34 949)	(224 201)
Depreciation	4	(11 377)	(19 043)	(16 468)
Gain (loss) on sale of fixed assets		-	276	30 704
Operating result (EBIT)		**36 590**	**(22 003)**	**(209 569)**
FINANCIAL INCOME (EXPENSES)				
Income on investment in subsidiaries	6	993 226	841 604	524 182
Interest income	6	226 766	212 396	157 537
Changes in the value of financial fixed assets	6,7	46 345	-	40 000
Interest expenses	6	(245 986)	(261 428)	(167 788)
Other financial items	6	(19 026)	(2 739)	(9 616)
Currency gains (losses)	8	81 571	114 196	(91 568)
Net financial items		**1 082 897**	**904 028**	**452 746**
Result before taxes		**1 119 486**	**882 026**	**243 177**
Taxes	9	-	-	(83 306)
Net result		**1 119 486**	**882 026**	**159 871**
Proposed dividend	10	(173 538)	(260 306)	

ASSETS AS PER 31.12.

(NOK 1 000)	Note	2007	2006	2005
FIXED ASSETS				
Deferred tax assets	9	-	-	-
Real estate	4, 11	104 010	102 797	95 674
Newbuilding contracts	4, 11, 20	256 641	393 157	656 874
Office equipment and cars	4, 11	59 772	22 791	21 353
Shares in subsidiaries	7	2 957 606	2 413 203	2 413 203
Other shares	7	196 182	219 795	198 445
Loans to group companies	12,13	3 916 790	4 193 723	3 797 858
Other long-term receivables	13	9 711	9 455	8 222
Total fixed assets		**7 500 712**	**7 354 921**	**7 191 630**
CURRENT ASSETS				
Short-term receivables		74 328	107 768	42 447
Group receivables		486 289	805 904	565 044
Inventory		6 507	6 912	6 117
Available-for-sale investments	14	290 897	108 275	151 329
Cash and bank deposits	15	362 489	211 429	43 695
Total current assets		**1 220 509**	**1 240 288**	**808 633**
Total assets		**8 721 221**	**8 595 209**	**8 000 263**

LIABILITIES AND SHAREHOLDERS' EQUITY AS PER 31.12.

(NOK 1 000)	Note	2007	2006	2005
PAID IN EQUITY				
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	973 905
Total paid in equity		**682 206**	**682 550**	**1 190 828**
RETAINED EARNINGS				
Other equity	10	1 736 667	965 674	646 303
Total retained earnings		**1 736 667**	**965 674**	**646 303**
Total shareholders' equity		**2 418 873**	**1 648 224**	**1 837 131**
LONG-TERM LIABILITIES				
Pension liabilities	17	99 735	95 217	83 560
Deferred income from sale of shares		1 028 164	-	-
Loans from subsidiaries	13	884 532	1 352 369	1 165 315
Long-term debt	13	3 165 432	4 293 748	4 194 267
Total long-term liabilities		**5 177 863**	**5 741 335**	**5 443 141**
CURRENT LIABILITIES				
Taxes payable		2 939	2 939	2 939
Employee taxes payable		30 275	27 045	36 626
Dividend payable		173 538	260 307	-
Other short-term liabilities		263 719	297 612	366 898
Loans from subsidiaries		654 014	617 749	313 528
Total current liabilities		**1 124 485**	**1 205 651**	**719 991**
Total liabilities		**6 302 348**	**6 946 986**	**6 163 132**
Total liabilities and shareholders' equity		**8 721 221**	**8 595 209**	**8 000 263**
Guarantees	18	3 505 617	2 592 087	2 766 674

Bergen, 4 March 2008

THE BOARD OF DIRECTORS OF ODFJELL SE

B.D. Odfjell
CHAIRMAN

Peter G. Livanos

Marianna Moschou

Reidar Lien

Katrine Trovik

Terje Storeng
President/CEO

CASH FLOW STATEMENT

(NOK 1 000)

	2007	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES			
Net result before taxes	1 119 486	882 026	243 177
Taxes paid	-	-	(2 624)
Capital (gain) loss on fixed assets/financial investments	-	(276)	(30 704)
Depreciation	11 377	19 043	16 468
Changes in the value of financial fixed assets	(46 345)	-	(40 000)
Inventory (increase) decrease	405	(795)	(245)
Trade creditors increase (decrease)	11 366	(5 127)	(12 759)
Difference in pension cost and pension premium paid	4 518	11 657	(1 197)
Exchange rate fluctuations	(406 677)	(183 215)	(91 725)
Dividends classified as investing activities	(828 169)	(144 786)	(524 182)
Other short-term accruals	348 539	(75 276)	(161 103)
Net cash flow from operating activities	**214 499**	**503 251**	**(604 893)**
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of fixed assets	505 007	1 028 225	711
Investment in fixed assets	(418 062)	(792 779)	(450 633)
Investment in subsidiaries and other shares	(603 458)	(21 350)	(279 271)
Share capital repaid from subsidiaries	-	-	-
Received dividend	828 169	144 786	524 182
Available-for-sale investments	(182 622)	43 054	(151 329)
Sale of shares in subsidiaries/joint ventures	1 158 259	-	118 540
Changes in long-term receivables	(256)	(1 233)	6 648
Loans to subsidiaries	(350 522)	(390 216)	274 353
Net cash flow from investing activities	**936 515**	**10 486**	**43 200**
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	1 577 405	1 480 559	2 337 716
Payment of long-term debt	(2 245 014)	(1 038 379)	(1 900 321)
Share repurchases	(13 969)	(343 419)	-
Dividend	(260 306)	(467 208)	(390 460)
Net cash flow from financing activities	**(941 884)**	**(368 446)**	**46 934**
Effect on cash balances from currency exchange rate fluctuations	(58 071)	22 444	13 065
Net change in cash balances	**151 060**	**167 734**	**(501 694)**
Cash balances as per 1.1	211 429	43 695	545 389
Cash balances as per 31.12	**362 489**	**211 429**	**43 695**
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 fixed assets. First year instalment of debt is included in long-term debt.

B. Pension and accrued pension liabilities
The present value of the pension liabilities under defined benefit pension plans has been calculated based on actuarial principles. The present value of the pension liabilities and the pension plan assets is included under long-term liabilities and long-term assets. Pension liabilities are mainly insured with life insurance companies. Unfunded pension liabilities are calculated and included in the pension liabilities. The change in net pension liabilities is expensed in the profit and loss account. The effect of changes in estimates exceeding 10% of the highest of pension liabilities and plan assets is accounted for. Such changes are amortised over the remaining vesting period.

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

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

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

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

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

The preliminary Norwegian accounting standard concerning impairment of fixed assets, equivalent to IAS 36, states that if the Recoverable Amount is lower than the book value, impairment has occurred and the asset shall be revaluated. The Recoverable Amount is the highest of the fair market value of the asset and the net present value (NPV) of future estimated cash flow from the employment of the asset ("value in use"). The NPV is based on an interest rate according to a weighted average cost of capital (WACC). The WACC reflects the company's long term borrowing rate and a risk free rate plus a risk premium for the equity.
We have made the following assumptions when calculating the "value in use" for material assets:

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

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

I. Cash flow statement
The cash flow statement is prepared using the indirect method. Cash balances include cash and cash equivalents such as cash in hand and in bank, deposits held at call with banks and other short-term highly liquid investments with short maturities of three months or less from the date of acquisition. The cash and cash equivalents amount in the cash flow statement 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 fixed assets.

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

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

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

L. Activities under joint control
Our share of activities under joint control is, in the accounts of Odfjell 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 19 for information about related party transactions.

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

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.

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

(NOK 1 000)

Salaries and other employee expenses:

	2007	2006	2005
Salaries	158 873	132 963	114 156
Bonuses[1]	26 650	10 800	8 700
Social expenses	26 686	22 104	22 138
Pension cost	23 488	31 361	23 006
Other benefits	4 967	4 516	4 888
Total salary expenses	**240 664**	**201 745**	**172 889**
Average number of man-labour years	**223**	**211**	**204**

[1] Accruals in 2007 for payment in 2008 and 2009

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.

In 2006 the company introduced a performance-related incentive pay scheme for all employees at Odfjell Headquarters, overseas offices and sea officers. The purpose is to motivate, encourage and stimulate to focus on bottom line result. Total achievable bonus ranges depending on job category and market competition. The bonus is based on predefined targets for a combination of the Odfjell Group result, key performance indicators and individual performance. 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.

Compensation and benefit to Board of Directors in 2007:

	Compensation	Other benefits	Total
B.D. Odfjell	1 278	15	**1 293**
Laurence W. Odfjell (resigned as Director as from Dec 3rd 2007)	200	19	**219**
Peter G. Livanos	-	-	**-**
Marianna Moschou	200	-	**200**
Katrine Trovik (elected as Director as from Dec 3rd 2007)	-	-	**-**
Stein Pettersen (resigned as Director as from Dec 3rd 2007)	200	-	**200**
Reidar Lien	225	-	**225**
Total	**2 103**	**34**	**2 137**

Compensation and benefits to the President/CEO and managers reporting directly to him in 2007:

	Salary	Bonus[1]	Pension cost	Other benefits	Total
President/CEO, Terje Storeng	3 064	1 054	588	198	**4 904**
President Parcel Tankers and Terminals, Jan A. Hammer	2 216	760	393	194	**3 563**
President Ship Management, Helge Olsen	1 383	466	353	150	**2 352**
Senior Vice President/CFO Haakon Ringdal	1 506	518	442	151	**2 617**
Senior Vice President Corporate Investments, Tore Jakobsen	1 580	561	392	150	**2 684**
Senior Vice President Quality Management, Jan Didrik Lorentz	1 244	425	666	200	**2 535**
Senior Vice President Asia, Atle Knutsen	1 578	545	343	539	**3 005**
Vice President, Human Resources, Brit A. Bennett	1 020	347	549	119	**2 035**
Total	**13 591**	**4 676**	**3 726**	**1 701**	**23 694**

[1] Accruals in 2007 for payment in 2008 and 2009

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

The President/CEO and managers reporting directly to him is included in the company's defined benefit pension plan, see note 17. The company also 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 801 744), 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)

	2007	2006	2005
Statutory auditing	1 601	1 365	974
Other assurance services	41	54	19
Tax advisory services	986	1 082	994
Non-audit services	912	1 128	690
Total remuneration	**3 540**	**3 629**	**2 678**

NOTE 4 FIXED ASSETS

(NOK 1 000)

	Cost 1.1.2007	Investment	Sale book value	Accumulated depreciation prior years	Depreciation this year	Book value 31.12.2007
Real estate	141 867	8 347	-	(39 070)	(7 134)	**104 010**
Newbuilding contracts	393 157	368 490	(505 007)	-	-	**256 641**
Office equipment and cars	48 708	41 225	-	(25 918)	(4 243)	**59 772**
Total	**583 732**	**418 062**	**(505 007)**	**(64 988)**	**(11 377)**	**420 423**

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 was zero in 2007, compared to NOK 35 million in 2006.

NOTE 6 FINANCIAL INCOME AND EXPENSES

(NOK 1 000)	2007	2006	2005
Income on investment in subsidiaries	993 226	841 604	524 182
Inter-company interest income	201 872	198 965	141 463
Other interest income	24 894	13 431	16 073
Other financial income	-	-	193
Changes in the value of financial fixed assets	46 345	-	40 000
Total financial income	**1 266 337**	**1 054 000**	**721 911**
Inter-company interest expenses	68 868	65 818	40 275
Other interest expenses	177 118	195 610	127 513
Other financial expenses	19 026	2 739	9 808
Total financial expenses	**265 011**	**264 167**	**177 596**

NOTE 7 SHARES

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

(NOK 1 000)

Subsidiaries	**Registered office**	**Share/ voting rights**	**Book value**
Odfjell Chemical Tankers II AS	Norway	100%	483 164
Odfjell Seachem AS	Norway	100%	261 522
Odfjell Terminals SE	Norway	100%	175 000
Odfjell Insurance & Properties AS	Norway	100%	6 050
Odfjell Projects AS	Norway	100%	100
Odfjell Asia Pte Ltd	Singapore	100%	157 040
Odfjell Singapore Pte Ltd	Singapore	100%	83
Odfjell USA Inc	USA	100%	177 972
Odfjell Netherlands BV	Netherlands	100%	6 581
Odfjell Chemical Tankers Netherlands BV	Netherlands	100%	731
Odfjell Chemical Tankers (Germany) GmbH	Germany	100%	263 640
Odfjell Japan Ltd	Japan	100%	-
Odfjell Korea Ltd	Korea	100%	306
Odfjell Seachem South Africa (Pty) Ltd	South Africa	100%	-
Odfjell Brasil – Representacoes Ltda	Brazil	100%	10 702
Odfjell Chemical Tankers Ltd	Bermuda	100%	1 413 189
Odfjell Peru S.A.C	Peru	100%	316
Odfjell Shipmanagement (Philippines) Inc	Philippines	100%	1 081
Odfjell Argentina SA	Argentina	90%	129
Total			**2 957 606**

Wholly-owned companies held indirectly through subsidiaries:

Odfjell Chemical Tankers AS, Odfjell Asia II Pte Ltd, Odfjell Terminals (Houston) Inc, Odfjell USA (Houston) Inc, Odfjell Terminals (Rotterdam) BV, Odfjell Terminals BV (Netherlands), Odfjell (UK) Ltd and Odfjell Australia Pty Ltd.

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

Other shares

Norfra Shipping AS	Norway	50%	-
Odfjell Ahrenkiel Europe GmbH	Germany	50%	2 053
Oiltanking Odfjell Terminals Singapore Pte Ltd	Singapore	50%	105 903
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
Total			**196 182**

The companies Flumar Transportes de Quimicos e Gases Ltda, Brazil and Odfjell Terminals (Korea) Co Ltd are indirectly 50% owned by Odfjell SE. Odfjell Terminal (Jiangyin) Ltd and Exir Chemical Terminal (PJSC) are indirectly owned 55% and 35% respectively by Odfjell SE. Oiltanking Odfjell Terminals Oman BV is indirectly owned 30% by Odfjell SE. Oiltanking Odfjell Terminals Oman BV and Oiltanking Odfjell GmbH are indirectly owned 42.5% and 50% respectively by Odfjell SE.

Impairment on shares in Odfjell Chemical Tankers II AS from 2003 was reversed in 2004, 2005 and 2007. Impairment on shares in Norfra Shipping AS and Odfjell Asia Pte Ltd in 2007. Otherwise there was no impairment necessary as Recoverable Amounts were higher than book values.

NOTE 8 CURRENCY GAINS (LOSSES)

(NOK 1 000)	2007	2006	2005
Currency hedging contracts	11 210	12 048	4 680
Long-term receivables and debt	16 211	28 579	(201 455)
Cash and cash equivalents	(58 071)	22 444	13 065
Other current assets and current liabilities	112 220	51 125	92 141
Total currency gains (losses)	**81 571**	**114 196**	**(91 568)**

NOTE 9 TAXES

(NOK 1 000)

Taxes:	2007	2006	2005
Change in deferred tax ordinary items	-	-	(80 682)
Foreign tax	-	-	(2 624)
Total tax expenses	**-**	**-**	**(83 306)**

Taxes payable:	2007	2006	2005
Net result before taxes	1 119 486	882 026	243 177
Permanent differences	(854 448)	(421 741)	(512 837)
Changes temporary differences	(76 114)	(78 939)	35 312
Used tax-loss carried forward	(188 924)	(381 346)	-
Basis taxes payable	**-**	**-**	**(234 348)**

Specification of deferred taxes (deferred tax assets):	2007	2006	2005
Fixed assets	5 115	(20 628)	(14 720)
Pension fund (liabilities)	(99 735)	(95 217)	(83 560)
Provisions	(60 307)	(115 195)	(211 773)
Other long-term temporary differences	3 946	5 448	(21 633)
Tax-loss carried forward	-	(29 647)	(410 993)
Adjustments related to earlier years	-	6 736	-
Temporary differences not accounted for	150 981	248 504	742 679
Net temporary differences	**-**	**-**	**-**
Tax rate	28%	28%	28%
Total deferred tax (deferred tax assets)	**-**	**-**	**-**

NOTE 10 SHAREHOLDERS' EQUITY

(NOK 1 000)	Share capital	Treasury shares	Share premium	Other equity	Total equity
Shareholders' equity as per 31 December 2004	216 922	-	973 905	703 354	**1 894 181**
Net result 2005	-	-	-	159 871	**159 871**
Approved dividend	-	-	-	(216 922)	**(216 922)**
Shareholders' equity as per 31 December 2005	**216 922**	**-**	**973 905**	**646 303**	**1 837 131**
Net result 2006	-	-	-	882 026	**882 026**
Share repurchases	-	(8 278)	-	(335 141)	**(343 419)**
Transfer of share premium	-	-	(500 000)	500 000	**-**
Approved dividend	-	-	-	(467 208)	**(467 208)**
Proposed dividend	-	-	-	(260 306)	**(260 306)**
Shareholders' equity as per 31 December 2006	**216 922**	**(8 278)**	**473 905**	**965 674**	**1 648 224**
Net result 2007	-	-	-	1 119 486	**1 119 486**
Share repurchases	-	(344)	-	(13 625)	**(13 969)**
Other adjustments – related to correction of previous years group tax contribution	-	-	-	(161 330)	**(161 330)**
Proposed dividend	-	-	-	(173 538)	**(173 538)**
Shareholders' equity as per 31 December 2007	**216 922**	**(8 622)**	**473 905**	**1 736 667**	**2 418 873**

NOTE 11 INVESTMENT IN AND SALE OF FIXED ASSETS

(NOK 1 000)	2007		2006		2005		2004		2003	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Real estate	8 347	-	13 907	-	32 447	-	18 845	-	1 715	-
Ships and newbuilding contracts	368 490	505 007	761 898	1 025 615	410 944	-	245 930	-	-	41 718
Office equipment and cars	41 225	-	16 974	2 610	7 241	711	7 307	1 355	10 501	1 610
Sum	**418 062**	**505 007**	**792 779**	**1 028 225**	**450 632**	**711**	**272 083**	**1 355**	**12 216**	**43 328**

NOTE 12 LOANS TO GROUP COMPANIES

(NOK 1 000)		Currency amount 1 000			
	Currency	**2007**	**2007**	**2006**	**2005**
Odfjell Asia II Pte Ltd	USD	530 064	2 864 570	2 667 142	2 330 449
Odfjell Terminals SE	NOK	32 170	32 170	32 170	32 170
Odfjell Terminals SE	USD	40 798	220 481	45 112	48 654
Odfjell Japan Ltd	JPY	-	-	-	2 056
Odfjell & Vapores Ltd	USD	-	-	1 881	27 045
Odfjell Chemical Tankers AS	USD	-	-	125 378	1 226 482
Odfjell Chemical Tankers AS	NOK	2 568	2 568	137 722	-
Odfjell Chemical Tankers II AS	NOK	500 086	500 086	-	-
Odfjell Chemical Tankers II AS	USD	-	-	1 074 489	47 328
Odfjell Chemical Tankers (Germany) GmbH	EUR	1 400	11 148	41 292	72 181
Oiltanking Odfjell Terminals Singapore	SGD	4 000	15 104	32 806	-
Odfjell Terminal (Jiangyin) Co.Ltd	USD	6 500	35 127	-	-
Odfjell (UK) Limited	USD	14 150	76 469	-	-
Odfjell Seachem AS	USD	14 953	80 811	-	-
Norfra Shipping AS	USD	14 481	78 257	35 733	11 494
Total loans to group companies			**3 916 790**	**4 193 725**	**3 797 858**

NOTE 13 RECEIVABLES AND DEBT

(NOK 1 000)

Other long-term receivables:	2007	2006	2005
Employees	8 281	8 054	6 953
Other	1 430	1 401	1 269
Total other long-term receivables	**9 711**	**9 455**	**8 222**

Employees are entitled to loans from the company. Employee loans are generally secured by property mortgages. Loans to the President/CEO and managers reporting directly to him are either interest free or they carry an interest of 5%, while other employee loans are currently calculated at 5% 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 repaid over 5 years. The President/CEO and managers reporting directly to him have loans from the company as follows: Terje Storeng (NOK 1.0 mill.), Jan Hammer (NOK 1.2 mill.), Helge Olsen (NOK 0.4 mill.), Haakon Ringdal (NOK 0.5 mill.), Jan Didrik Lorentz (NOK 1.3 mill.), Brit Bennett (NOK 0.1 mill.).

Receivables with a maturity later than 1 year:

	2007	2006	2005
Loans to group companies	3 825 738	4 061 363	3 722 604
Other long-term receivables	8 055	7 844	6 531
Total	**3 833 793**	**4 069 208**	**3 729 135**

Long-term liabilities with a maturity later than 5 years:

	2007	2006	2005
Loans from group companies	252 723	889 729	702 674
Long-term debt	1 319 931	2 651 620	2 219 905
Total	**1 572 654**	**3 541 349**	**2 922 579**

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.

Long-term interest bearing debt as per 31.12.2007	**4 049 964**
Repayment schedule:	
2008	416 385
2009	357 726
2010	622 638
2011	771 472
2012 and thereafter	1 881 742

The average term of the company's outstanding long-term interest-bearing bank-debt as per 31 December 2007 was 3.7 years (4.1 years in 2006).

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 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:	2007	2006	2005
Liabilities to financial institutions	4.89%	5.37%	3.61%

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	235 144	235 144	5.2%
Bonds and certificates issued by corporates	USD	55 752	55 752	5.3%
		290 897	**290 897**	

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

NOTE 15 RESTRICTED CASH AND BANK DEPOSISTS

(NOK 1 000)	2007	2006	2005
Restricted cash and bank deposit	14 139	13 170	18 648

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

NOTE 16 SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

(NOK 1 000)	Number of shares	Nominal value (NOK)	2007	2006	2005
A-shares	65 690 244	2.50	164 226	164 226	164 226
B-shares	21 078 704	2.50	52 697	52 697	52 697
Total	**86 768 948**		**216 922**	**216 922**	**216 922**

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

20 largest shareholders as per 31 December 2007:

Name	A-shares	B-shares	Total	Percent of votes	Percent of shares
1 Norchem ApS	25 966 492	1 041 176	**27 007 668**	39.53%	31.13%
2 ChemLog Holdings Ltd	16 513 396	20 500	**16 533 896**	25.14%	19.06%
3 Odin-fondene	-	4 984 201	**4 984 201**	-	5.74%
4 SIS Segaintersettle	2 135 600	2 178 400	**4 314 000**	3.25%	4.97%
5 Folketrygdfondet	1 721 500	1 960 200	**3 681 700**	2.62%	4.24%
6 AS Rederiet Odfjell	3 497 472	-	**3 497 472**	5.32%	4.03%
7 Odfjell Chemical Tankers AS	1 576 000	1 872 782	**3 448 782**	2.40%	3.97%
8 Pareto-fondene	1 628 820	1 681 300	**3 310 120**	2.48%	3.81%
9 Odfjell Shipping (Bermuda) Ltd	1 321 200	1 215 760	**2 536 960**	2.01%	2.92%
10 Svenska Handelsbanken	953 400	954 000	**1 907 400**	1.45%	2.20%
11 JP Morgan Chase	781 300	439 600	**1 220 900**	1.19%	1.41%
12 Ingeborg Berger	764 380	330 880	**1 095 260**	1.16%	1.26%
13 Mathilda A/S	600 000	150 000	**750 000**	0.91%	0.86%
14 Pictet & CIE Banquiers	463 400	252 800	**716 200**	0.71%	0.83%
15 AS Bemacs	314 000	342 000	**656 000**	0.48%	0.76%
16 Citibank	502 558	44 065	**546 623**	0.77%	0.63%
17 Skagen Fondene	363 300	100 000	**463 300**	0.55%	0.53%
18 Frank Mohn A/S	-	350 000	**350 000**	-	0.40%
19 State Street Bank & Trust	128 373	161 509	**289 882**	0.20%	0.33%
20 Storebrand Livsforsikring AS	280 470	-	**280 470**	0.43%	0.32%
Total 20 largest shareholders	**59 511 661**	**18 079 173**	**77 590 834**	**90.59%**	**89.42%**
Other shareholders	6 178 583	2 999 531	**9 178 114**	9.41%	10.58%
Total	**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
International shareholders	50 217 988	7 078 290	**57 296 278**	76.45%	66.03%
Treasury shares	1 576 000	1 872 782	**3 448 782**	2.40%	3.97%
Cost price treasury shares (NOK 1 000)	174 381	182 450	**356 831**		

All treasury shares are owned by Odfjell SE's subsidiary Odfjell Chemical Tankers AS (OCT). During 2007 the amount of 76 000 Odfjell A-shares were acquired at an average price of NOK 104, and 61 527 B-shares were acquired at an average price of NOK 98.50. No treasury shares were sold during 2007. In 2006 the amount of 1 500 000 A-shares and 1 811 255 B-shares were acquired and no treasury shares were sold. No treasury shares were acquired or sold in 2005. The Annual General Meeting on 3 May 2007 authorised the Board of Directors to acquire up to 10 per cent of the company's share capital.

This authorisation expires 3 November 2008. The purpose of purchasing treasury shares is to increase shareholders' value. The Board of Directors regularly considers investments in treasury shares when it may be beneficial for the company.

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

	A-shares	B-shares	Total
Chairman of the Board of Directors, B.D.Odfjell and Board Member Laurence W.Odfjell (resigned as Director as from Dec 3rd 2007)	29 463 964	1 041 176	**30 505 140**
Member of the Board of Directors, Peter G. Livanos	16 513 396	20 500	**16 533 896**
President/CEO, Terje Storeng	70 560	2 112	**72 672**
Senior Vice President, Asia, Atle Knutsen	11 712	2 336	**14 048**

NOTE 17 PENSION COSTS AND LIABILITIES

(NOK 1 000)

The company has set up a defined benefit scheme with a life insurance company to provide pension benefits for its employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 66% of the scheme pension-qualifying income limited to 12G (G = Indexation of the public National Insurance base amount, presently G equals NOK 66 812). The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is aged 67 years. The company may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations. The company also has pension obligations for the Senior Management Group at Minde/Norway with salaries exceeding 12G. These are funded obligations. The company also has established a separate tariff rated pension scheme for mariners. The retirement pension from 60-67 years of age under this scheme amounts to 60% of the pension qualifying income, including the Pension Insurance for Seamen, in the event of a full pension period (360 months). These are funded obligations. The company also has an early retirement pension agreement with the employees, which will pay out 66% of the salary between the ages of 65-67 years of age. These are non-funded obligations. Additionally the company has pension obligations for some pensioners. These are also non-funded obligations. All pension schemes are calculated in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds, will be accounted over the average remaining earnings period according to the "corridor" regulations. In the actuarial assumptions K1963 scale of rates has been used for the pension cost, and KU 2005 scale of rates for pension liabilities. According to Norwegian law the Company needs to have an occupational pension scheme.

Net pension costs:	**2007**	**2006**	**2005**
Present value current year service cost	23 807	24 627	20 008
Interest cost on accrued pension liabilities	11 579	11 496	11 565
Return on pension plan assets	(9 388)	(8 075)	(8 734)
Amortised effect of changes in estimates and pension plans, and differences in actual and estimated return on pension plan assets	(2 510)	3 313	167
Social security tax	3 666	3 954	3 220
Net pension cost	**27 154**	**35 315**	**26 226**
Pension liabilities - funded obligations :			
Present value of accrued secured liabilities	245 823	230 340	246 122
Fair value of pension assets	(190 417)	(177 228)	(162 059)
Social security tax	7 812	7 489	11 853
Actuarial gains/losses not recognised in the profit and loss statement	(16 259)	(11 291)	(54 675)
Net pension liabilities (funded)	**46 959**	**49 310**	**41 241**
Pension liabilities - unfunded obligations :			
Present value of accrued unsecured liabilities	54 427	48 394	44 627
Actuarial gains/losses not recognised in the profit and loss statement	(9 326)	(9 311)	(8 601)
Social security tax	7 674	6 824	6 292
Net pension liabilities (unfunded)	**52 775**	**45 907**	**42 319**
Total net pension liabilities	**99 734**	**95 217**	**83 560**

Under-funded pension scheme - booked as long term liabilities	99 735	95 217	83 560
Total net pension liabilities	**99 735**	**95 217**	**83 560**

The above calculation is based on the following assumptions:			
Discount rate	4.7%	4.4%	4.0%
Expected return on assets	5.8%	5.4%	5.0%
Actual return on assets	8.5%	7.0%	6.5%
Adjustments of wages	4.5%	4.5%	3.5%
Pension indexation (sailors)	2% (4.25%)	1.6%	3.0%

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

The latest available asset allocation (per 3rd quarter 2007) is set out below :

Bonds/securities	44%	64%	43%
Equities	30%	23%	22%
Money market fund	11%	0%	24%
Property	15%	13%	11%

NOTE 18 GUARANTEES

(NOK 1 000)

	2007	2006	2005
Subsidiaries and other companies	3 505 617	2 592 087	2 766 674
Total guarantees	**3 505 617**	**2 592 087**	**2 766 674**

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

NOTE 19 RELATED PARTIES

In the normal course of the conduct of its business, Odfjell enters into a number of transactions with related parties.
Odfjell shares offices in Brazil with a terminalling company related to the Chairman of the Board, B. D. Odfjell. In 2007 Odfjell paid this company NOK 3.1 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 2007. 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 31.12.2007 were immaterial.

NOTE 20 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 million. 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 already paid, in total USD 30.2 million, have been refunded by the yard, interest included. Odfjell will further claim full compensation for its costs and losses caused, on account of wilful misconduct and massive contract breaches by the Yard. Unless the matter is solved amicably between the parties, the issue will be solved by arbitration in Sweden, as provided for in the contract. All shipbuilding contracts, including options, have been assigned to subsidiaries. When a shipbuilding contract is assigned to a subsidiary, the company generally remains liable for the subsidiary's performance under the contract.

Contingencies

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

In relation to the antitrust case in the US and elsewhere the company has made provisions for estimated contingent commitments. At this point in time it is not possible to estimate the total financial impact of this matter, but we believe that such settlements will not have a material impact upon future net result or cash flow. In 2007 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 2007 NOK 32 million are provisions for future commitments. This amount is included in short term liabilities. See the Board of Directors' report.

Auditor´s Report

ERNST & YOUNG

Statsautoriserte revisorer
Ernst & Young AS

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N-5892 Bergen

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To the Annual Shareholders' Meeting of
Odfjell SE

Auditor's report for 2007

We have audited the annual financial statements of Odfjell SE as of 31 December 2007, showing a profit of NOK 1 119 486 000 for the Parent Company and a loss of USD 10 109 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, 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 2007, 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.

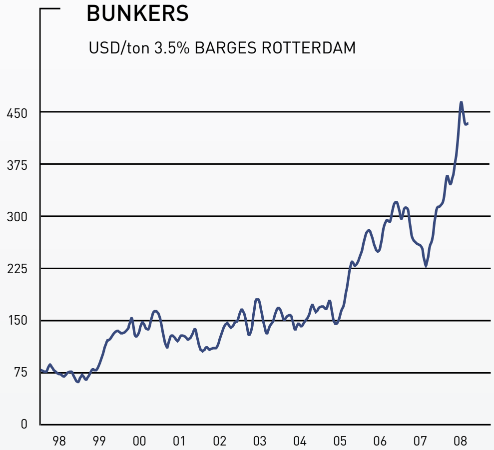
Bergen, 4 March 2008
ERNST & YOUNG AS
Kjell Ove Røsok
State Authorised Public Accountant (Norway)
(sign)

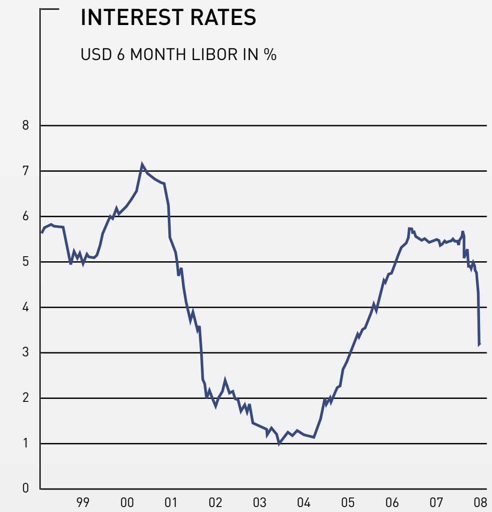
Note: The translation to English has been prepared for information purposes only.

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

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 managing risk in the financial markets. This is done through funding from diversified sources, maintaining high liquidity or loan reserves, and through a systematic monitoring and management of financial risks related to currency, interest rates and bunkers. Odfjell's net result and cash flow are influenced by our success at managing these risk factors.





EARNINGS

Time charter earnings within the chemical tanker markets are typically less volatile than many other shipping segments. The volatility is lower because we operate in a niche-market with specialized tonnage. 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, 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. It amounts to about 50% of voyage cost. A change in the average bunker price of USD 10 per ton gives about USD 5 million (or USD 290/day) change in time charter earnings for the ships with which we have a direct economic interest. A certain portion of our bunker exposure is hedged through bunker adjustment clauses in the CoA's. As per 31 December 2007 we do not have any additional hedging.

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 23% of the operating result comes 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 2007 about 80% of our debt was floating, based on USD LIBOR rates. Our debt is fixed, either through fixed rate loans or through long-term interest rate swaps. In order to reduce the volatility in net result and cash flow related to changes in short term interest rates, fixed time periods on floating rate debt and liquidity are managed to be concurrent. Our interest-bearing debt as per 31 December 2007 was USD 1 346 million, while liquid assets were USD 165 million.

CURRENCY

The Group's revenues are primarily in US Dollars; 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 pre-tax result by roughly USD 14 million, before taking into account the result of any currency hedging.

Our currency hedging as per 31 December 2007, whereby we have sold USD and purchased NOK and EUR, covers about 18% of the 2008 exposure. The average exchange rates for open hedging positions as of 31 December 2007 were at 5.52. Future hedging periods may vary depending on changes in market conditions. The hedging result is accounted for as part of the hedged exposure, i.e. ship operating expenses and general and administrative expenses.

FINANCING

Odfjell has a stable debt structure established with major international shipping banks, with whom we enjoy 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 6.5 years.

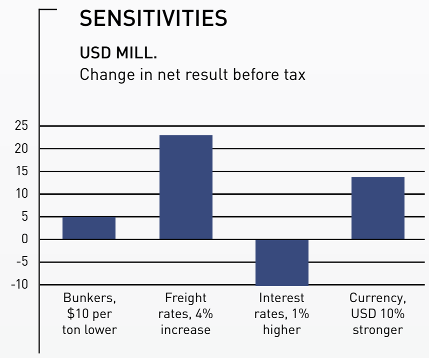
LIQUIDITY

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. In addition we have liquidity available from undrawn credit facilities.

TAX

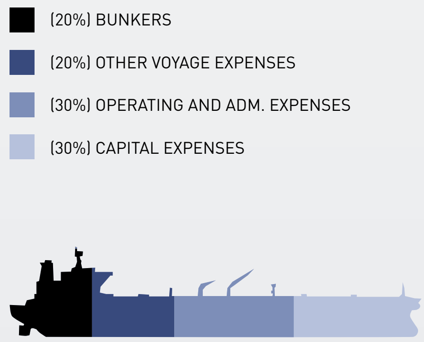
The Odfjell Group operates within a number of jurisdictions and tax systems. The shipping activities are operated in several countries and under different tax schemes, including the Norwegian ordinary tax system, the Norwegian tonnage tax system, the Approved International Shipping system in Singapore, 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 759 million as per 31 December 2007 arising from the changes to the Norwegian tonnage tax system is payable over 10 years, 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 13 million.



COST ANALYSIS

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



Corporate Governance

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

At the Annual General Meeting on 3 May 2007 the shareholders decided to transform Odfjell ASA from a Norwegian Joint Stock Public Company (ASA) to a European Joint Stock Public Company (Societas Europea, hereafter called "SE company"). By such transformation the Board aimed for future flexibility regarding localisation of the holding company. Such flexibility may well contribute to the development of the company's international business.

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

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

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.

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 approval of 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.

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

ELECTION AND TERM OF MEMBERS OF THE BOARD OF DIRECTORS

According to the Articles of Association the company has a Board composed of a minimum of five and a maximum of seven members. The members are elected by the shareholders at the Annual General Meeting. In an Extraordinary General Meeting held on 3 December 2007 the shareholders changed the composition of Directors so as to comply with the Companies Act which, as from 1 Jan. 2008 requires that each gender be represented by minimum 40% on the Board. Stein Pettersen was replaced by Katrine Trovik, both lawyers by profession, and Laurence W. Odfjell stepped down, having accepted the position as President of Odfjell Terminals, headquartered at Rotterdam, as from 1 Jan. 2008.

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 represent the Odfjell family, the largest shareholder of Odfjell SE. Board member Peter G. Livanos represents Chemlog Holdings Ltd., the second largest shareholder. Reidar Lien, Marianna Moschou and Katrine Trovik are independent Board members. Great care is taken to avoid any conflict of interest in issues with related parties. In this connection the independent Board members represent valuable external viewpoints.

The Board has evaluated the possibility of establishing a Nomination Committee, but concluded that such a committee would hardly bring about added quality or value.

MEETINGS OF THE BOARD OF DIRECTORS

The Board held seven regular meetings in 2007. 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 any two Board members.

COMMITTEE OF THE BOARD OF DIRECTORS

The Board has discussed the need for a specific Audit Committee, but has decided that since the Board is relatively small it is preferable that all Board members participate in discussions regarding Auditing. An Audit Committee is not mandatory under Norwegian legislation. In 2007 Odfjell's Compensation Committee consisted of the Executive Chairman Bernt Daniel Odfjell, the Board member Reidar Lien and the President/CEO Terje Storeng. All other issues have been evaluated by the full Board and consequently no other committee exists.

REMUNERATION

The Annual General Meeting on 3 May 2007 resolved that the annual compensation to the members of the Board be NOK 1 294 000 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 4 904 000 in 2007. 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.

INSIDERS' TRADING WITH SECURITIES

The Board has established a policy in respect of stock trading. The policy is in line with the guidelines for Insiders issued by the Oslo Stock Exchange and applies to the Board, the President/CEO and the Senior Management as well as to other employees who, in connection with their work, may gain access to price sensitive, non-public, information.

CODE OF CONDUCT

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

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

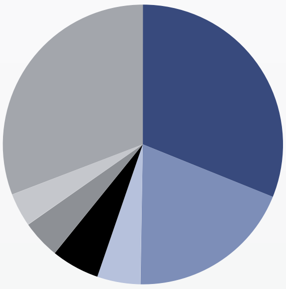
COMPLIANCE OFFICER

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

Shareholder Information

SHAREHOLDER STRUCTURE

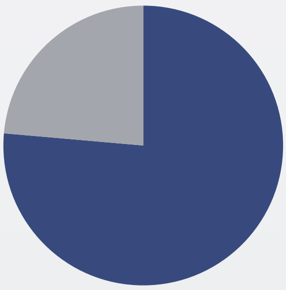
Per 31.12.2007



- (31.13%) NORCHEM APS
- (19.06%) CHEMLOG HOLDINGS LTD
- (4.97%) SIS SEGA INTERSETTLE
- (5.74%) ODIN FONDENE
- (4.24%) FOLKETRYGDFONDET
- (4,03%) AS REDERIET ODFJELL
- (30.83%) OTHERS

SHAREHOLDER DOMICILE

Per 31.12.2007



- (76.45%) INTERNATIONAL SHAREHOLDERS
- (23.55%) DOMESTIC SHAREHOLDERS

SHAREHOLDER POLICY

Odfjell's aim is to provide competitive long-term return to its shareholders. The company emphasises an investor friendly dividend policy based upon financial performance, current capital expenditure programmes and tax positions. The company strives for semi-annual dividend payments. However, in consequence of the significant negative impact of retroactive taxation, imposed by the Norwegian Government in 2007, the Board proposed cancellation of a second dividend in 2007.

SHARE PERFORMANCE

At year-end 2007 the Odfjell A-shares traded at NOK 89 (USD 16.47), down 23% compared to NOK 115 (USD 18.34) a year earlier. The B-shares traded at NOK 71 (USD 13.15) at year-end, down 25.5% from NOK 95.25 (USD 15.19) a year earlier. A dividend of NOK 3.00 per share was paid out in May 2007. Adjusted for this dividend, the A- and B- shares had negative yields of 20% and 22% respectively. By way of comparison, the Oslo Stock Exchange benchmark index rose by 10%, the marine index increased by 10% and the transportation index improved by 10.3% during the year.

The market capitalisation of Odfjell decreased by NOK 2.0 billion (USD 200 million) in 2007, from NOK 9.2 billion (USD 1.5 billion) as per 31 December 2006 to NOK 7.2 billion (USD 1.3 billion) as per 31 December 2007.

TRADING VOLUMES

In 2007 about 6.5 million Odfjell shares were traded, spread over 2.6 million A-shares and 3.9 million B-shares. This represents about 7.5 % of the issued and outstanding shares. The A-shares were traded on the Oslo Stock Exchange on 229 out of 250 trading days during the year.

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

SHAREHOLDERS

At the end of 2007 there were 1 124 holders of Odfjell A-shares and 591 holders of Odfjell B-shares. Taking into account shareholders owning both share classes, the total number of shareholders was 1 419, a slight increase compared to the preceding year.

INTERNATIONAL OWNERSHIP

76.78 % of the company's A-shares and 33.4% of the B-shares were held by international investors at year-end, equivalent to 66.2 % of the total share capital.

SHARE REPURCHASE PROGRAM

During 2007, 76 000 treasury A-shares were acquired at an average price of NOK 104, and 61 527 treasury B- shares were acquired at an average price of NOK 98.50. No treasury shares were sold during 2007. In 2006, 1 500 000 treasury A-shares and 1 811 255 treasury B-shares were acquired and no treasury shares were sold. No treasury shares were sold or acquired in 2005.

The Annual General Meeting on 3 May 2007 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 (i.e. par value) and a maximum price of NOK 250 per share. This authorisation expires 3 November 2008.

INVESTOR RELATIONS

Correct and timely information is of vital importance when wishing to create credibility and confidence. The demand for information is ever increasing, and our policy is to provide the market with relevant information. Odfjell is qualified for both the Information Mark and the English Mark from the Oslo Stock Exchange. We attach great importance to ensuring that shareholders receive swift, relevant and correct information about the company. Our aim is to provide a good understanding of the company's activities and its prospects so that shareholders are in a good position to assess the share's trading price and underlying values.

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

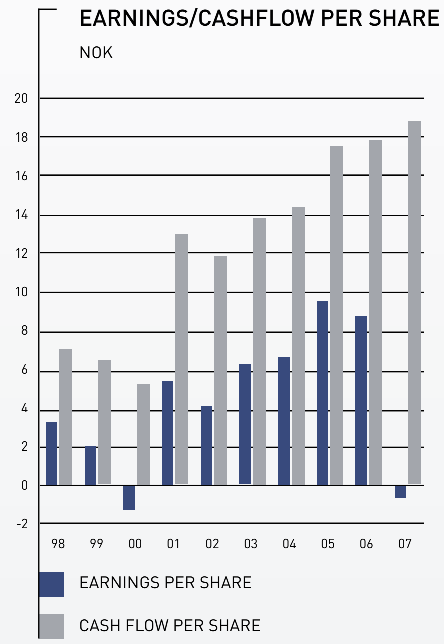
All reports and press releases, together with a detailed description of the company and our activities, are available on Odfjell's website at: www.odfjell.com

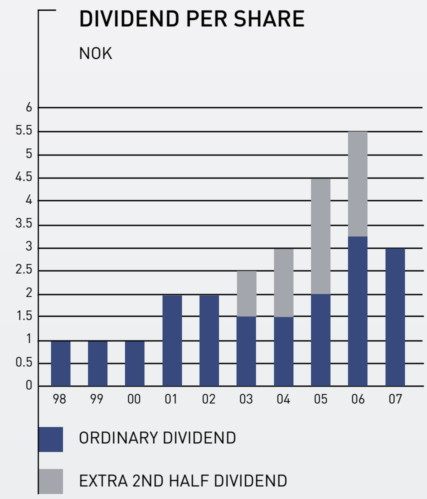
The financial calendar for 2008 is as follows:

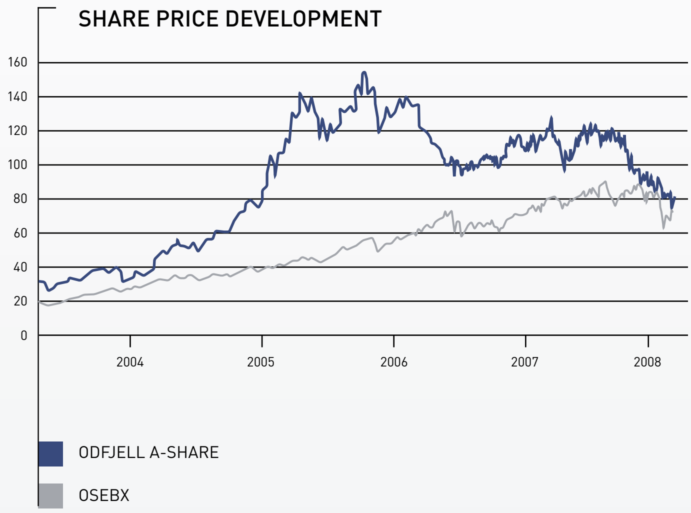
5 May 2008	Annual General Meeting
5 May 2008	Report 1st quarter 2008
13 August 2008	Report 2nd quarter 2008
27 October 2008	Report 3rd quarter 2008
5 February 2009	4th quarter result 2008

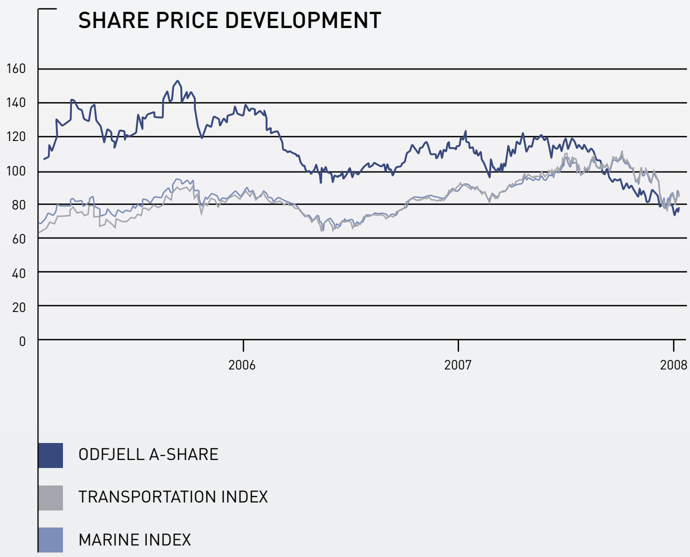
SPECIAL INFORMATION FOR NORWEGIAN SHAREHOLDERS

Under the tax reform of 1 January 1992 the cost of shares for tax purposes is to be adjusted annually to reflect the company's retained taxed earnings in order to prevent double taxation. The adjustment is named RISK-adjustment. This system was discontinued as from 1 January 2006, however, the RISK-adjustments for previous years still apply.









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

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

The reason why the RISK adjustments are negative (and reduce the cost price of the shares for tax purposes) is that the company has paid dividend in excess of taxable earnings in each particular year.

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

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

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

20 LARGEST SHAREHOLDERS AS PER 31 DECEMBER 2007

NAME		A-SHARES	B-SHARES	TOTAL	PERCENT OF VOTES	PERCENT OF SHARES
1	Norchem ApS	25 966 492	1 041 176	27 007 668	39.53%	31.13%
2	ChemLog Holdings Ltd	16 513 396	20 500	16 533 896	25.14%	19.06%
3	Odin-fondene		4 984 201	4 984 201	0.00%	5.74%
4	SIS Segaintersettle	2 135 600	2 178 400	4 314 000	3.25%	4.97%
5	Folketrygdfondet	1 721 500	1 960 200	3 681 700	2.62%	4.24%
6	AS Rederiet Odfjell	3 497 472		3 497 472	5.32%	4.03%
7	Odfjell Chemical Tankers	1 576 000	1 872 782	3 448 782	2.40%	3.97%
8	Pareto-fondene	1 628 820	1 681 300	3 310 120	2.48%	3.81%
9	Odfjell Shipping (Bermuda) Ltd	1 321 200	1 215 760	2 536 960	2.01%	2.92%
10	Svenska Handelsbanken	953 400	954 000	1 907 400	1.45%	2.20%
11	JP Morgan Chase	781 300	439 600	1 220 900	1.19%	1.41%
12	Ingeborg Berger	764 380	330 880	1 095 260	1.16%	1.26%
13	Mathilda A/S	600 000	150 000	750 000	0.91%	0.86%
14	Pictet & CIE Banquiers	463 400	252 800	716 200	0.71%	0.83%
15	AS Bemacs	314 000	342 000	656 000	0.48%	0.76%
16	Citibank	502 558	44 065	546 623	0.77%	0.63%
17	Skagen Fondene	363 300	100 000	463 300	0.55%	0.53%
19	Frank Mohn A/S		350 000	350 000	0.00%	0.40%
18	State Street Bank & Trust	128 373	161 509	289 882	0.20%	0.33%
20	Storebrand Livsforsikring AS	280 470		280 470	0.43%	0.32%
Total 20 largest shareholders		**59 511 661**	**18 079 173**	**77 590 834**	**90.59%**	**89.42%**
Other shareholders		6 178 583	2 999 531	9 178 114	9.41%	10.58%
Total		**65 690 244**	**21 078 704**	**86 768 948**	**100.00%**	**100.00%**
International shareholders		50 217 988	7 078 290	57 296 278	76.45%	66.03%

SHARE CAPITAL HISTORY

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

Worldwide Activities

Bergen
London
Hamburg
Rotterdam
Dalian
Tokyo
Ulsan/Onsan
Shanghai
Ningbo
Dubai
Riyadh
Mumbai
Manila
Singapore
Durban
Melbourne

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.

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

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

Odfjell is one of few companies offering the petrochemical industry a worldwide network of bulk shipping and storage services. Operating through offices at central locations around the world, Odfjell has a global market share of around 11 % of the 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 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

ORGANIC CHEMICALS

Raw Materials	Basic Products	Derivatives	End Products
Coal	BTX	EDC	Paint
Gas	Ethylene	Styrene	Fibres
Crude Oil	Propylene	Glycol	Plastics
	Methanol	MTBE	Detergents
	Butadiene	Industrial alcohols	Oil additives
		Polyester	Rubber

and as such, combine different customers' requirements under single voyages. Different customers' products are always kept segregated though. Chemical tankers are often evaluated in two different categories; ships with all or the majority of its cargo tanks made of stainless steel as opposed to ships with only coated tanks.

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

Ships with cargo tanks made of stainless steel are often built to handle a higher number of different products. These ships are used for the most specialised types of chemical products, which in addition to the stainless steel requirement, may also demand special handling in terms of temperature and pressure control. Stainless steel cargo tanks are also required for carriage of different types of acids. Odfjell has increasingly invested in ships with cargo compartments made of stainless steel.

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

Odfjell carries over 500 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.

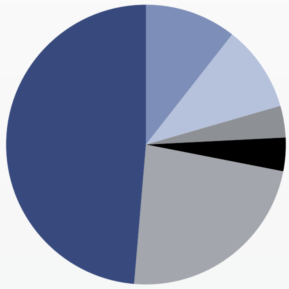
With frequent presence in all major trade lanes Odfjell is able to offer unique and flexible services allowing customers to ship small parcels from 100 to 150 tons to full cargoes of up to 40 000 tons. By entering into so called contracts of affreightments (CoA), the customer can plan regular shipments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

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

THE CHEMICAL TANKER MARKET

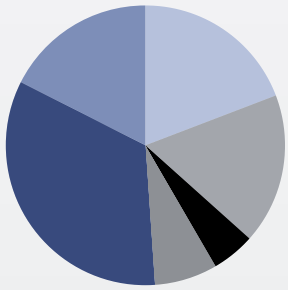
Ships 13 000 dwt. and above
Total fleet about 21.3 million dwt., 773 ships



(10.6%) Odfjell
(10.1%) Stolt-Nielsen
(3.6%) JO Tankers
(3.9%) Tokyo Marine
(23.4%) Other majors
(48.6%) Others

THE CORE CHEMICAL TANKER MARKET

Ships 13 000 dwt. and above
Total fleet about 11.9 million dwt., 447 ships

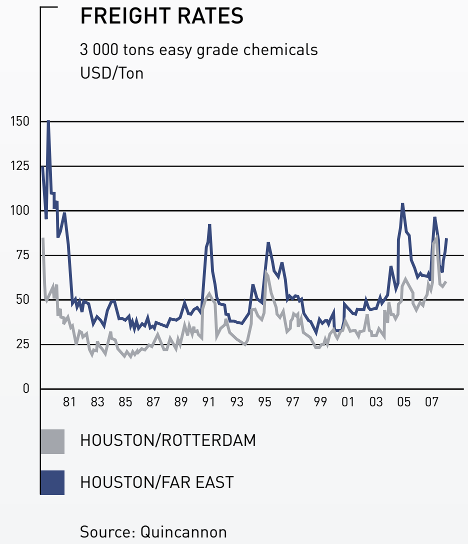


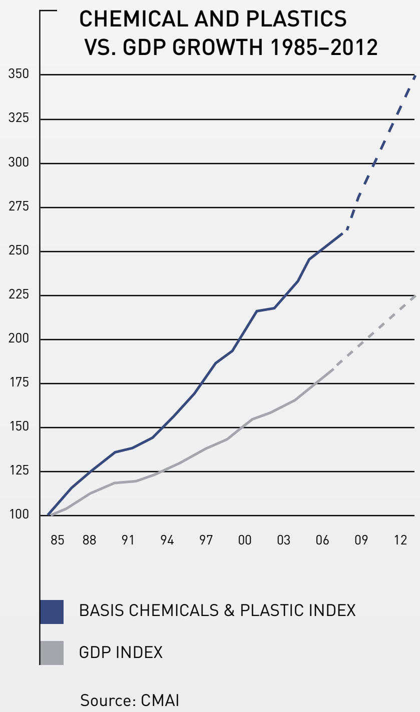
(19.0%) Odfjell
(17.7%) Stolt-Nielsen
(4.8%) JO Tankers
(7.3%) Tokyo Marine
(33.7%) Other majors
(17.5%) Others

DEFINED AS

- IMO 2 capacity
- Average tank size $\leq$ 3 000 cbm
- Commercially controlled by core chemical operator
- or $\geq$ 50 % stainless steel capacity

Parcel Tankers





The Odfjell fleet consists of 92 ships out of which 77 are operated by Odfjell Seachem, at present in the process of being renamed to Odfjell Tankers. Odfjell Tankers is our fully owned chartering and operating company with headquarters in Bergen, Norway. The company is represented with overseas offices in 13 different countries, each with the purpose of marketing and serving customers at their home turf. Several of these offices have a dual role as both commercial and operational issues can be dealt with. Our Singapore office has the commercial control of 12 ships employed in inter Asia trade.

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

Flexibility and inter-changeability of ships between trade lanes have always been an important factor. Some of the ships are involved in a "round the world" trade, servicing ports in Europe, the US, Asia Pacific and Africa. Our 16 state-of-the-art 37 500 dwt fully stainless steel ships constitute an important backbone of this service. Our 40 000 dwt newbuildings from Poland, of which all eight have now been delivered, have also successfully started to contribute to our overall ability to serve customers world-wide. These ships have 40 tanks, made of duplex stainless steel, and represent the highest level of flexibility yet to be built. Odfjell has contracts for another seven ships, six for long term time charter and one for inclusion on a pool basis. These are all newbuildings in sizes from 19 500 – 33 000 dwt; scheduled for delivery from different Japanese yards in 2008 and 2009.

Early in 2008 Odfjell signed agreements with the Chuan Dong Shipyard to build a series of six plus an optional four 9 000 dwt stainless steel chemical tankers for delivery in 2010-2012 at a total price for the first six vessels of USD 180 million. These ships will operate in our regional trades in Asia and Europe, and will replace smaller vessels currently trading in these areas.

Our 49% owned joint venture company Odfjell Dong Zhan Shipping (Shanghai) Co. Ltd has signed a contract for the building of an 8 200 dwt chemical tanker. The ship is a fully coated IMO II type carrier that is being built by the Zhoushan Penglai Shipbuilding and Repairing Company. The construction of the ship has already started, and delivery is scheduled for the end of November 2008. The ship will join Bao Hai Tun (3 845 dwt/ built 2006) and service the domestic market in China.

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

Odfjell has been a supporter of high standards of chemical tankers since the inception of the industry and has therefore taken a proactive approach towards international regulatory bodies and major customers in order to improve safety. The three to four largest oil- and chemical companies typically inspect every ship once a year.

The 12 ships operated out of our office in Singapore are traded intra North East Asia, intra South East Asia and we are offering regular services between these two regions. Petrochemical trade to and from China continues to increase, and more and more ports for transfer of petrochemical products are being introduced. Our Singapore office is also responsible for running regular parcel services between Asia-Pacific and Australia/New Zealand as well as services between Asia-Pacific and AG/India/Africa.

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

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

ODFJELL AHRENKIEL

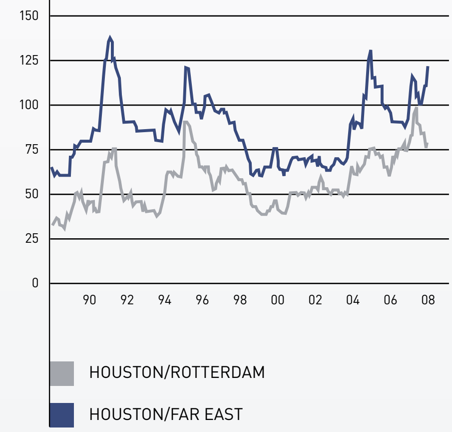
The 50/50 joint venture with Ahrenkiel for marketing and operation of chemical tankers in inter-European trade became operational in January 2004. As of recent times the company has also developed a trade between Europe, including the Mediterranean, and West Africa. Odfjell Ahrenkiel, based in Hamburg, currently operates a fleet of nine chemical tankers of which eight are the advanced Multi-tank ships of 5 870 dwt. Four of these ships were acquired by Odfjell in April 2005. The company is firmly established as a reliable carrier in the inter-European trade. Odfjell Ahrenkiel carried 0.6 million tons of cargo in 2007.

FLUMAR

Odfjell owned 50 % of the Brazilian shipping company Flumar until February 2008 when Odfjell acquired 100%. Operating out of Sao Paulo, Brazil, the company's core business is transportation of bulk liquid chemicals and gases primarily on the Brazilian coast and within the Mercosul area. Presently, the company operates three chemical tankers and one LPG ships, ranging in size from 4 400 to 13 834 dwt. Combined, Odfjell and Flumar are able to provide customers with enhanced service capabilities. Furthermore, the extensive network of associated terminals in Brazil and Argentina adds important flexibility towards our customers' logistical requirements. Flumar carried more than 0.8 million tons of cargo in 2007.

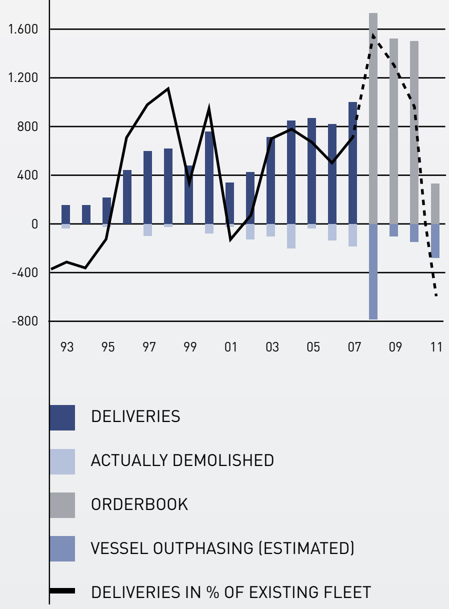
FREIGHT RATES

1 000 tons stainless steel grades chemicals
USD/Ton



Source: Quincannon

CORE CHEMICAL DEEP SEA FLEET CHANGES 1993 - 2011



Source: Odfjell

ODFJELL Y VAPORES

Through the 50/50 joint venture company, Odfjell y Vapores, we carried 1.4 million tons of cargo in 2007, primarily sulphuric acid along the Chilean coast.

PARCEL TANKERS	**Figures in**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Gross revenue	USD mill.	1 063	939	915	814	739	714	728	604	489	458
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	242	202	216	159	120	116	164	90	71	78
Operating result (EBIT)	USD mill.	150	106	138	85	47	48	100	31	36	48
Total assets	USD mill.	1 757	1 739	1 597	1 467	1 296	1 260	1 294	1 346	1 130	
Volume shipped	1 000 tons	19 502	20 658	22 156	22 614	21 232	22 123	21 083	19 633	11 037	11 619
Number of products shipped		550	562	551	587	593	535	545	579	515	389
Number of parcels shipped		6 443	6 351	6 760	5 612	5 137	4 881	4 818	5 138	4 669	5 306
Port calls		5 884	6 030	6 234	3 991	3 704	3 586	3 699	3 316	2 606	2 486
Number of ships		92	92	93	95	98	86	88	85	63	49
Total deadweight	1 000 tons	2 391	2 362	2 393	2 447	2 480	2 335	2 413	2 339	1 716	1 567

Tank Terminals

Odfjell has six fully or partly owned terminals at strategic locations around the world. In addition we cooperate closely with eight associated terminals in South America. In total, our tank terminal network now employs more than 860 people and offers more than 3.0 million cbm of storage space in about 980 tanks in 16 ports around the world. This makes us one of the world-leaders in offering combined shipping and storage services. We have a strategy of expanding the tank terminal activities along Odfjell's major shipping lanes. We also focus on strategic ports in newly industrialized countries, in order to 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 programme with purpose to reduce the time our ships spend in port. Commercially, the combination of shipping and tank terminals gives Odfjell a uniqe position to offer complete logistics packages to our customers. The demand for combined services has steadily increased as a result of the industry's ongoing pursuit of improving efficiency in the supply chain.

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

Houston is the major international hub for import and export of chemicals in the US. Our terminal in Houston was built by Odfjell in 1983, and since the mid 1990's has been through a considerable expansion period. The capacity, including the ongoing construction of six additional tanks of totally 49 300 cmb, has been increased by close to 100%. 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 350 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 90 000 cbm.

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

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

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

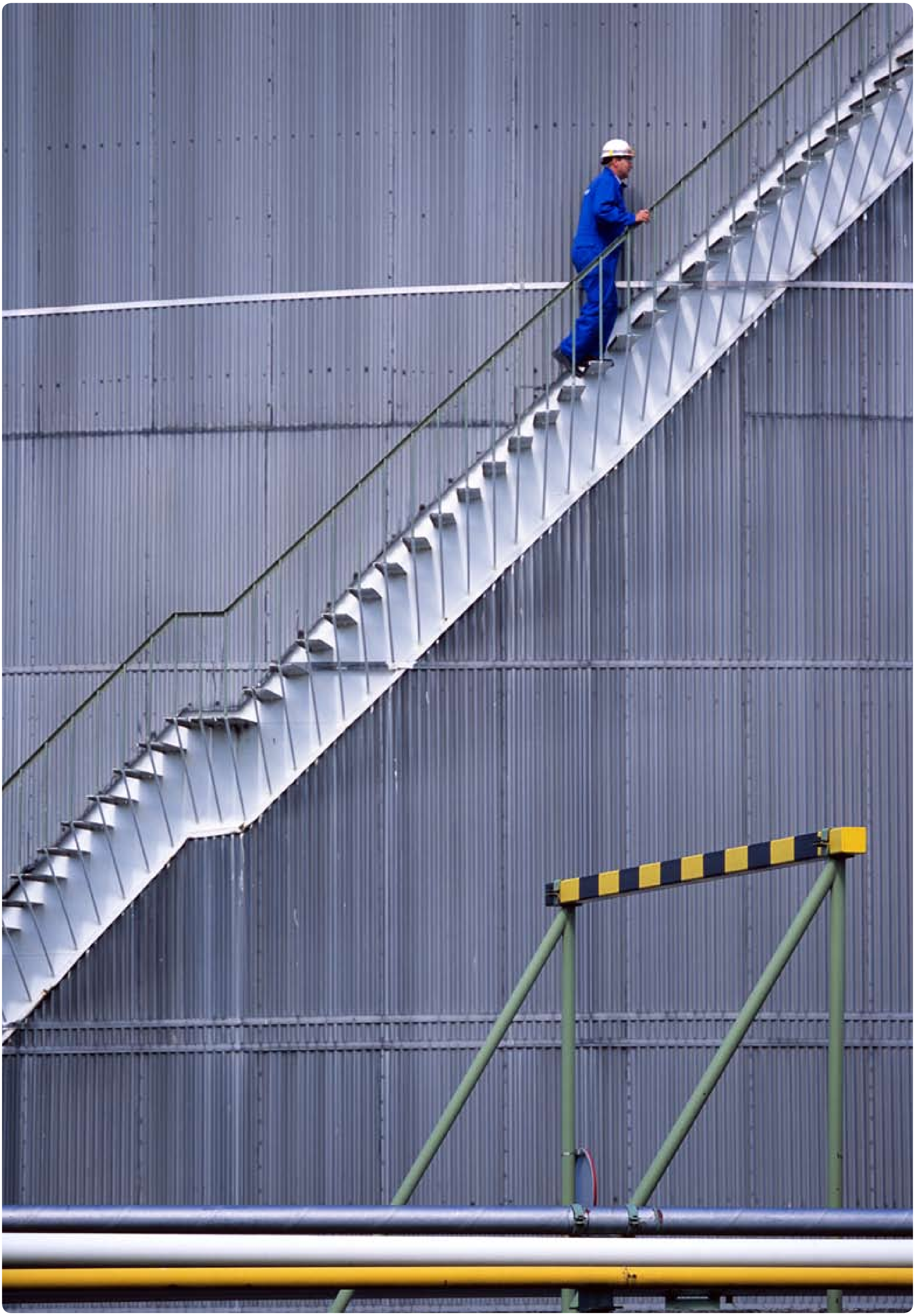
Located at the heart of Rotterdam harbor, the most important chemical distribution centre in Europe, Odfjell Terminals (Rotterdam) including ongoing expansion projects has a total storage capacity of about 1 635 000 cbm, and around 300 storage tanks. OTR is one of the largest facilities of its kind in the world. The tank terminal stores both chemicals and mineral oil products. The chemical storage capacity is 610 000 cbm, while the mineral oil capacity is about 1 025 000 cbm. In addition to the storage business, the facility has an industrial distillation plant, which retains a large market share of the independent product distillation market in northwest Europe.

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

Effective January 2008, OTR took over AVR, the next door so-called Harbour Receiving Unit. The business, renamed Odfjell Terminals Maritim BV, will become an integrated part of OTR, and will give the terminal access to an extra berth plus room for expansions when needed.

The tank terminal has excellent infrastructure, with 4 berths for seagoing ships and 11 berths for barges. Still on the other hand, it has been necessary to improve and expand the capacity. A major project for refurbishment and construction of two new jetties including a barge dock is therefore ongoing at OTR. It also has extensive facilities for the handling of trucks, rail cars and ISO-containers. The site has its own water treatment plant that also serves third parties.

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



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 around 5 000 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 (7 tanks) for chemicals and a bunkering facility which will comprise three tanks totalling 13 000 cbm. With access to additional land, the tank terminal can eventually grow to about 300 000 cbm. The terminal has two modern ship berths, and has access to another two berths.

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

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

Sohar Industrial Port is strategically located in Oman outside the Strait of Hormuz only a few hours driving from the petrochemical industry in UAE and Saudi Arabia. The port is hosting a refinery and several world scale petrochemical complexes and additional plants under construction. This development is driven by the desire of the Sultanate of Oman to exploit the nations gas reserves and create a strong "value added process economy" as opposed to 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 capture 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 35 % of the shareholding in OOT, with the other partners being Oiltanking (35%), Oman Oil Company (25%) and Seven Seas (5%). The company is jointly managed by Odfjell and Oiltanking and the first tanks will become operational in Q4 2008.

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

Odfjell Terminals (Korea) is strategically located in the most important petrochemical distribution and transhipment hub in Northeast Asia. Odfjell is one of the largest carriers of bulk liquid chemicals in and out of Korea with a significant number of port calls and transhipment operations in the region. The tank terminal became operational in 2002.

The tank terminal, including the recent expansion, has 64 tanks with a total storage capacity of 171 000 cbm and has still ample land for future expansions. The company is the owner of one berth and has access to a second berth, each with the capability of handling two ships at the time.

ODFJELL TERMINALS (DALIAN) 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. OTD is constructed in compliance with stringent quality and environmental requirements. From its start in 1998, the development of the tank terminal's business has been very positive, and the diversified customer base gives the terminal a good performance. Odfjell has a 50% stake and PDA Company Limited (50%) is the other shareholder in the company.

ODFJELL TERMINALS (JIANGYIN) CO LTD – JIANGYIN, CHINA (OTJ)

Odfjell Terminals (Jiangyin) Co. Ltd is located in Jiangyin Economic Development Zone on the south bank of the Yangtze River approximately 150 km west of Shanghai and 12 hours by ship from the entrance of Yangtze River. The 22 tanks / 99 800 cbm terminal, became operational late 2007 and will handle numerous different types of petrochemicals from ships, barges and trucks. The 1 780 m long jetty pipe rack and roadway has a jetty with length of three berths (625 m) which can handle ships up to 50 000 dwt ships and an additional jetty for two barges. Odfjell Terminals

TANK TERMINALS	Figures in	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Gross revenue	USD mill.	180	152	132	130	118	97	90	59	32	28
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	USD mill.	74	58	48	49	45	38	35	25	16	13
Operating result (EBIT)	USD mill.	54	51	33	29	27	22	23	16	11	8
Total assets	USD mill.	771	499	393	352	343	336	274	243	129	
Tank capacity	1 000 cbm.	3 000	2 256	2 256	2 256	2 256	2 155	2 155	1 917	354	315

(Jiangyin) Co.Ltd will provide complete terminal services in a safe way and to the highest environmental industry standards. Odfjell (55%) owns OTD 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 25 000 cbm chemical tank terminal in Callao, Peru.

These extensive tank terminal activities in South America provide an excellent complement to Odfjell's more than 8 million tons per year of shipping activities within the region. Where practicable, shipping and storage services are marketed from shared offices, facilitating logistical solutions as comprehensive as deemed convenient by our customers.

Ship Management

Ship Management manages and supervises about 60 ships and is fully integrated with fleet management, crewing, risk management and technology support. As ships account for about 75% of our total fixed assets, it is imperative that the fleet is managed and operated efficiently, assets are protected and values maintained.

Our ship management department manages Odfjell's ships and also three ships owned by National Chemical Carriers Ltd Co in Saudi Arabia.

The loyalty amongst our seafarers and the changes implemented within Ship Management organisation provides solid foundation for future performance. The continuous development of our shore team is considered as a successful approach to ensuring more direct interaction between our ships and offices. Our primary focus is on ensuring quality management.

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

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 cooperation with Det Norske Veritas (DNV) and is implemented through our computerised Planned Maintenance System supported by an in house specialist team.

Surface protection and maintenance of tanks, structures and machinery are based on thorough assessments, with periodical dry-docking carried out normally every 30 months.

CREW

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

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

Training of officers and crew are a key area to ensuring quality management. Odfjell allocates significant resources to training. During the last years we met our target of training/ man/ days at Odfjell Academy, and further development is in progress.

RISK MANAGEMENT

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

Every year Odfjell carries out regular internal audits of all ships. Customers make inspections through the Chemical Distribution Institute (CDI) and the Oil Companies International Marine Forum (OCIMF). Periodical surveys are carried out by various classification societies, flag states and port states. DNV performs ISM Code inspections of our ships' quality systems. When ships or offices report critical situations, accidents, non-conformances or possible improvements through our Safety and Improvement Reporting System proper response is prepared and corrective actions implemented. We view this system as an effective tool in our work to increase safety and to prevent injuries, damage and losses. During 2007 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 2007 and improvement of performance is achieved in a number of areas.

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 comply with higher level for some of the TMSA elements and has also put in place the processes to achieve the higher levels for several 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.

COMMUNICATION

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

Health, Safety and Environmental Protection

GENERAL

The new Corporate HSE Expectations outline requirements and guidelines on how to follow Odfjell's HSE policy and is a guide on our way to become a "Zero accident company". The manual is approved by the President/CEO. Divided into 12 elements it outlines how our work shall comply with the high HSE standard we aim for.

Training is one way to promote HSE work. Totally more than 9 000 training days for our mariners were held at Odfjell Academy (Subic Bay, Philippines). HSE is a main issue and a new set of courses and on board training was introduced in 2007. Gas measuring instruments are now standardized on all our ships and one example may be the new course on use and maintenance of this equipment. Another example is the new Training Performance Recording Book with required and performed training for machinery and equipment.

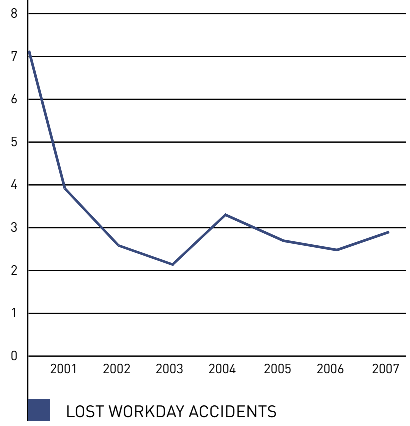
Odfjell strives to enhance and develop the working environment at sea and onshore. Yearly surveys are carried out and the results from these have high attention.

The recorded absence rate at Headquarter has been stable at about 3.5% for several years, but for 2007 it decreased to 3.1%.

The auditing program of our most important suppliers was extended in 2007 and will be followed up. We find that our customers increasingly focus on HSE.

LOST TIME INJURY FREQUENCY (LTIF)

per mill working hours
Ship Management department



FLEET

In 2007 there were no accidents causing death or permanent or long term disability to our seafarers. But, the number of injuries increased in 2007 compared to the previous 3 years. The Lost Time Injury Frequency (LTIF) was 2.9 compared to 2.5 in 2006. To come back on the positive trend from previous years, Lessons Learned and awareness campaigns have been important actions and this will continue in 2008.

A health program has been prepared and implemented for our seafarers and this is actively used on a number of our ships.

There have not been significant environmental issues with our ships.

In line with their ISO 14000 certification Ship Management has a comprehensive annual HSE plan and several environment projects started in 2007. Main goal has been to reduce number of leaks and spills. For 2008 focus will be on energy conservation.

No detentions or serious notations from any Port or Flag States have been reported for Odfjell managed vessels in 2007 and it is positive that our increased efforts in this area seems to give good results.

TANK TERMINALS

Many HSE activities have been performed to assure present requirements and to meet future requirements.

Odfjell Terminals (Rotterdam) has improved the training program for all new personnel, including hired staff and contractors. The terminal is certified to ISO 14001 and 9001:2000. Focus has been on environmental protection, improved efficiency of the waste water treatment plant and installation of emission reduction equipment e.g. inner float, vapour recovery (DVS) system, vapour control and clean up soil contamination.

Odfjell Terminal (Houston) received a safety award from the Independent Liquid Terminals Association (ILTA), which represents 79 companies and partnerships that operate bulk liquid storage terminals in 41 states in USA and 43 countries. The ISO 14001 and 9001:2000 certifications were maintained along with the Responsible Care designation, a global initiative of the International Council of Chemical

Associations which continuously focuses on improving the health, safety and environmental performance. Several projects focusing on safety and the environment were initiated, among them tank degassing and lightering vapour control.

Unfortunately the good trend from 2006 changed and the Lost Time Injury Frequency (LTIF) at the terminals is now back on the 2005 level. Both terminals have increased the HSE focus because of this and they are implementing HSE programs with the goal to eliminate future accidents. The last reports from 2007 are promising.

Odfjell Terminals (Korea) reached 1 550 days without Lost Time Injury (LTI). This is an extraordinary good result and the terminal received the national (Korean) safety award from the National Emergency Management Agency in November for their outstanding performances.

Odfjell Terminals (Dalian) successfully accomplished the relocation of the terminal. The demolishing of the old terminal started in July and many high risk operations were carried out in confined spaces where the operations had to focus on flammable and poisonous gases. These operations took four and a half months and no LTI's were recorded.

Fleet Overview

FLEET OVERVIEW as per 4th March 2008

	Ship	Year built	Dwt	Cbm	Stainless steel, Cbm	Number of tanks
OWNED:	Bow Saga[1]	2007	40 085	52 126	52 126	40
	Bow Sirius[1]	2006	40 048	52 126	52 126	40
	Bow Sea	2006	40 048	52 126	52 126	40
	Bow Summer	2005	40 036	52 126	52 126	40
	Bow Sky	2005	40 005	52 126	52 126	40
	Bow Santos	2004	19 997	21 846	21 846	22
	Bow Spring [1]	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
	Bow Bahia	1996	5 870	5 941	5 941	20
	Bow Querida	1996	10 115	10 956	10 956	18
	Bow Cedar	1996	37 455	41 608	34 329	52
	Bow 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
	Bow Hunter	1983	23 002	25 026	21 031	28
	Bow Maasstad	1983	38 039	48 866	-	22
	Bow Maasstroom	1983	38 039	48 866	-	22
	Bow Maasslot	1982	38 039	48 866	-	22
	Bow Fighter	1982	34 982	41 184	6 299	34
	Bow Pioneer	1982	23 016	25 965	20 969	28
	Bow Viking	1981	33 590	40 956	21 745	36
	Bow Lancer	1980	35 100	42 468	6 252	34
	Bao Hai Tun (49%)	2006	3 845	4 361	-	10
	Flumar Aratu	1997	13 834	15 831	15 831	29
	Angelim	1985	10 259	10 136	6 500	18
	Araucaria	1984	10 259	10 159	6 500	18
	Bow Pacifico (50%)	1982	18 657	22 929	10 849	31
	Jatai	1979	4 452	4 031	-	3

TIME-CHARTERED:	Bow Orelia[3]	2008	19 900	22 202	22 202	20
	Bow Omaria[3]	2007	19 900	22 202	22 202	20
	Bow Lima	2007	19 900	22 157	22 157	20
	Bow Olivia[3]	2007	19 900	22 202	22 202	20
	Bow Octavia[3]	2007	19 900	22 202	22 202	20
	Bow Fuji	2006	19 800	22 140	22 140	22
	Bow Ophelia[3]	2006	19 900	22 655	22 655	20
	Bow Plata	2006	19 807	22 143	22 143	22
	Bow Engineer	2006	30 086	35 548	35 548	28
	Bow Orania[3]	2006	19 993	22 050	22 050	20
	Bow Architect	2005	30 058	36 000	36 000	28
	Bow Rio	2005	19 990	21 408	21 408	22
	Bow Europe	2005	19 727	21 573	21 573	36
	Bow Asia[2]	2004	9 901	10 866	10 866	20
	Bow Singapore[2]	2004	9 888	10 867	10 867	20
	Bow Americas	2004	19 707	22 050	22 050	36
	Bow de Rich	2003	12 452	13 300	13 300	22
	Bow Wallaby	2003	11 951	13 485	13 485	22
	Bow de Feng	2002	12 514	13 289	13 289	22
	Bow West	2002	12 503	13 299	13 299	22
	Bow Andino	2000	16 121	17 270	17 270	30
	Bow de Jin	1999	11 752	12 296	12 296	20
	Multitank Batavia[3]	1998	5 870	5 941	5 941	20
	Multitank Badenia[3]	1997	5 870	5 941	5 941	20
	Multitank Bolognia[3]	1997	5 870	5 941	5 941	20
	Multitank Britannia[3]	1996	5 870	5 941	5 941	20
	NCC Jubail[3]	1996	37 499	41 488	34 209	52
	NCC Mekka[3]	1995	37 272	41 588	34 257	52
	NCC Riyad[3]	1995	37 274	41 492	34 213	52
	NCC Baha[3]	1988	24 728	32 458	19 662	25
	NCC Asir[3]	1983	23 001	24 965	20 969	28
	NCC Arar[3]	1982	23 002	24 965	20 969	28
	Number of ships:	92	2 390 639	2 768 327	1 792 892	

	Yard	**Delivery**	**Dwt**	**Owner**	**Comment**
ON ORDER:	NB Fukuoka	4/2008	19 900	Time-charter	
	NB Shin Kurushima	3/2008	32 500	Time-charter	
	NB Kitanihon	8/2008	33 000	Time-charter	
	NB Kitanihon	10/2008	33 000	Time-charter	
	Zhoushan Penglai	11/2008	8 200		49% owned
	NB Kitanihon	12/2008	33 000	Time-charter	
	NB Shin Kurushima	2/2009	32 500	Time-charter	
	NB Kitanihon	9/2009	33 000	Time-charter	
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		
	Chuan Dong	2010-2012	9 000		Options
	Chuan Dong	2010-2012	9 000		Options
	Chuan Dong	2010-2012	9 000		Options
	Chuan Dong	2010-2012	9 000		Options
	Number of newbuildings:	18	315 100		

[1] Vessel beneficially owned through financial lease.

[2] Vessel on bare-boat charter.

[3] Vessel on variable timecharter.

TANK TERMINALS	Location	Share	CBM	Stainless Steel, CBM	Tanks
Odfjell Terminals (Rotterdam) BV	Rotterdam, NL	100 %	1 615 000	33 000	300
Odfjell Terminals (Houston) Inc	Houston, USA	100 %	270 563	81 902	92
Odfjell Terminals (Jiangyin) Co Ltd	Jiangyin, China	55 %	99 800	30 000	2
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
Vopak Terminal Ningbo Ltd (Ningbo)	Ningbo, China	12.5 %	63 500	7 900	36
			2 552 613	192 712	616

PROJECTS AND EXPANSIONS TANK TERMINAL	Share	CBM	Ongoing Expansion	New Total	Estimated Completion
Odfjell Terminals (Rotterdam) BV	100 %	1 615 000	20 000	1 635 000	Q2 2008
Odfjell Terminals (Houston) Inc	100 %	270 563	49 290	319 853	Q1 2009
Oiltanking Odfjell Terminals & Co. L.L.C. (Oman)	29.75%		841 500	811 000	Q1 2009
Exir Chemical Terminals PJCCO (Iran)	35%		22 000	22 000	Q1 2009
Oiltanking Odfjell Terminal Singapore Ltd	50%	213000	152 000	365 000	
			1 084 790		

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.

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

DEEP-SEA (GLOBAL): Sea-borne trade that moves on intercontinental trade routes.

DEMURRAGE: Compensation paid by the charterer, supplier or receiver of the cargo for each day or pro rata for time spent in port during loading/discharging, in excess of the laytime stipulated in the Charter Party.

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

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

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

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

INORGANIC CHEMICALS: Chemicals which molecular structure contain no carbon atoms (other than as part of a carbonate-group), and are derived from sources other than hydrocarbons, such as sulphuric acid, phosphoric acid and caustic soda.

ISMC: International Safety Management Code. The first formalised initiative by IMO to provide a universal standard for the safety management systems of ships.

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

LIBOR: London Interbank Offered Rate.

MARPOL: The International Conventions governing Marine Pollution Prevention. It is a part of IMO.

M/T: Motor Tanker.

NIS: Norwegian International Ship Register

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

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

OPA-90: The US Oil Pollution Act of 1990. An American federal law that imposes strict requirements on shipping companies, ships and crews when trading in US waters.

OPERATING EXPENSES: Expenses for crew as well as all other expenses directly connected with the running of the ship, including insurance.

OPERATOR: A person in a shipping company whose duties amongst other things is to take care of the contact between the ship and the charterer, give instructions to the ship and the port agents concerning stowage, loading and discharging of cargo, and arranging purchase of bunkers etc.

ORGANIC CHEMICALS: Chemicals containing carbon, often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

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

PETROCHEMICALS: See organic chemicals.

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

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

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

SHIP MANAGEMENT: The administration of a ship, including services like technical operation, maintenance, crewing and insurance.

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

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

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

TIME CHARTER (T/C): The ship owner hires out a ship complete with the crew for a fee, payable as a specific sum per day or a specific sum per dwt per month. The party that hires the ship pays for bunkers, port and canal charges and any other voyage related costs.

TIME CHARTER EARNINGS: Gross freight revenues minus voyage costs. Usually expressed in USD per day.

TON: A gross registered ton is a volume of 100 cubic feet (2.83 cubic meters). Gross registered tonnage is basically the volume of the ship's closed areas, excluding the bridge, the galley and a few other rooms. Net registered tonnage is the gross tonnage less volumes needed for the operation of the ship (deck storage room, engine room etc.), i.e. the volume available for cargo.

TRADE: The geographical area where a ship mainly trades.

TRADING DAYS: The number of days a ship is not off-hire.

TRANSHIPMENT: Transfer of cargo to/from a ship from/to another ship. For example, cargo from a ship within global trade to a ship within regional trade bound for final destination/harbour.

VOYAGE CHARTER: 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.

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