

Report Second Quarter 2003



ODFJELL

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ODFJELL ASA –
CONSOLIDATED

- *Net result after tax for the first half 2003 nearly doubled compared to the same period last year*
- *Time-charter earnings stable compared to preceding quarters*
- *High bunker cost*
- *Strong results from tank terminal activities*
- *Continued low interest rates*
- *Positive contribution from currency hedging*
- *Joint-venture with Ahrenkiel for inter European trade*

Results

Odfjell's consolidated net result after tax was USD 41 million for the first half 2003 compared to USD 22 million in the same period in 2002. The freight levels remained stable during the first and second quarter 2003, but voyage costs were higher than in the same period last year due to high bunker cost. Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the first half 2003 were USD 81 million slightly up from USD 79 million for the first half 2002. Operating result (EBIT) was USD 36 million in the first half 2003, compared to USD 37 million in the same period in 2002.

Operating expenses as well as general and administrative expenses were higher than in the same period in 2002, mainly due to a weaker USD, extraordinary legal costs of USD 2.6 million and the incorporation of our 50% share of the new tank terminal in Korea. As from first quarter 2003 we have reclassified certain items from cost reduction to revenue. The accounts for previous periods have been

adjusted accordingly. The effect of this change has increased Revenue and General & Administration Expenses by USD 1.9 million in the first half of 2002.

Net interest expenses for the first half 2003 were USD 11 million compared to USD 14 million in the first half 2002, a reduction due to lower interest rates. The average USD/NOK exchange rate for the first half 2003 was 7.03 compared to 8.57 for the same period in 2002. The USD/NOK rate strengthened from 6.96 at year-end 2002 to 7.22 at 30 June 2003. Compared to 2002, the weaker average USD positively impacted our currency hedging portfolio, but increased our non-USD costs expressed in USD. The currency gain in the period was USD 13 million compared to USD 4 million the same period last year. Net taxes contributed positively by USD 2 million in the first half of 2003 due to reversal of currency gains on net USD-debt in the NOK-accounts caused by a stronger USD since year-end, and a restructuring of internal ownership of ships in the second quarter.

The second quarter 2003 net result of USD 23 million compares with a net result of USD 16 million in the second quarter 2002 and USD 18 million in the preceding quarter in 2003.

Business segments

Global trade

EBITDA for the first half 2003 was USD 49 million compared to USD 52 million the same period 2002. Operating profit (EBIT) was USD 19 million in the first half 2003 compared to USD 22 million in the first half 2002. Higher bunker cost lead to time-charter income expressed in USD per day being about 4% lower in the first half 2003 compared to the first half of 2002. The average price of bunkers in the first half 2003 was USD 153 per ton (incl. bunker clause compensations), compared to USD 125 per ton

the same period the previous year. Operating expenses on a comparable fleet basis were 7% higher in the first half 2003 than in 2002, primarily caused by a weaker USD.

On 1 August 2003, we took delivery of the 39.900 dwt. newbuilding M/T Bow Sun from Stocznia Szczecinska Nowa, in Poland. Bow Sun is the first ship in a series of six to eight newbuildings from the Polish yard.

Regional trade

EBITDA for the first half 2003 was USD 7 million, the same as in the comparable period last year. EBIT for the first half 2003 was USD 3 million, also at the same level as the first half 2002.

Odfjell has signed a letter of intent with Christian F. Ahrenkiel GmbH & Co. KG of Hamburg, Germany, to establish a 50/50 joint-venture for marketing and operation of chemical tankers in inter European trade. The plan is for the joint-venture to become operational by year-end 2003.

Tank terminals

EBITDA for the first half 2003 was USD 22 million, an improvement from USD 18 million in the same period last year. EBIT for the first half 2003 was USD 13 million up from USD 10 million in the first half 2002.

The EBITDA of Odfjell Terminals (Houston) was USD 9 million for the first half 2003, in line with the same period in 2002. Odfjell Terminals (Rotterdam) showed an EBITDA of USD 10 million for the first half 2003 compared to USD 6 million in the same period in 2002. Our share of the terminals in Ulsan, Korea, in Singapore and the two terminals in China made an EBITDA of USD 3 million.

Tank containers

EBITDA for the first half 2003 was USD 3 million compared to USD 2 million for the same

period last year. EBIT for the first half 2003 was USD 2 million compared to USD 1 million in the first half in 2002.

In line with industry practice the depreciation period for tank containers has been changed from 12 to 20 years as from 2003. This has a positive effect on the net result of USD 0.7 million for the first half 2003.

Key figures

Return on equity was 14.6%, return on total assets was 6.7% and return on capital employed (ROCE) was 5.8% in the first half 2003. Return on market capitalisation as per 30 June 2003 was 19.5%, caused by the share trading at a discount to book value.

Earnings per share amounted to USD 1.88 (NOK 13.19) in the first half 2003 compared to USD 0.94 (NOK 8.07) in the first half 2002. Cash flow per share was USD 3.93 (NOK 27.59) compared to USD 2.79 (NOK 23.93).

As per 30 June 2003 the Price/Earnings ratio (P/E) was 5.1 and the Price/Cash flow ratio was 2.5. Based on book value per share the Enterprise Value (EV)/EBITDA multiple is 7.8 while, based on market value per share as per 30 June 2003, the EV/EBITDA multiple is 6.8. Interest coverage ratio (EBITDA/Net interest expenses) improved in the first half 2003 to 7.4 compared to 5.4 the first half 2002.

Finance

Cash and bonds as of 30 June 2003 were reduced to USD 188 million compared to USD 230 million as of 31 December 2002. This as a consequence of repayment of debt during the first half 2003 of USD 107 million, payment of dividend of USD 24 million as well as investments in newbuildings. In the second quarter 2003 new loans of USD 46 million were drawn. Interest bearing debt was reduced from USD 957 million as per year-end 2002 to USD 900 million per 30 June 2003.

Net interest bearing debt was USD 712 million as per 30 June 2003. The equity ratio strengthened to 37% as per 30 June 2003 and the current ratio was 2.4.

Shareholder information

At 30 June 2003 the Odfjell A-shares were trading at NOK 139 (USD 19.3) up 26.4% from NOK 110 (USD 15.8) year-end 2002. The B-shares were trading at NOK 140 (USD 19.4) at 30 June 2003, up 27.3% from NOK 110 (USD 15.8) year-end 2002. By way of comparison, the Oslo Stock Exchange benchmark index rose 16.5% and the transportation index improved by 34.5% during the period. The A-shares traded between NOK 102 (USD 19.4) and NOK 144 (USD 19.9) during the period whilst the corresponding figures for the B-shares were NOK 102 (USD 19.4) and NOK 140 (USD 19.4).

The Annual General Meeting held 5 May 2003 decided a dividend of NOK 8 per share for 2002, equal to NOK 173.5 million (USD 23.8 million). The dividend was paid to the shareholders 20 May 2003.

Investigations by Competition Authorities

The Chemical Tanker Industry, including Odfjell, is still under investigation by the EU Commission and the US Department of Justice into possible breaches of relevant competition regulations. It is anticipated that this matter will still be ongoing for quite some time before any final conclusions are reached. We are fully cooperating with the authorities and are also conducting an internal investigation into the matter. Whilst the outcome of these investigations is pending the Board, in keeping with our corporate governance, has put in place a special Committee headed up by the Chairman. Any breaches of antitrust regulations in the EU and/or the US may lead to substantial penalties as well as potential civil lawsuits. Various lawsuits have been filed

against Odfjell in the US. Applications have been made to the courts in the US to extend these lawsuits to "class actions" against Odfjell, Stolt-Nielsen, Tokyo Marine and JO Tankers.

Prospects

World economic growth is still low, particularly in the OECD area. There is still uncertainty as to the future development of the world economy and its impact on the chemical tanker industry.

For the remaining half of 2003 we expect a result before extraordinary items and taxes in line with the result for the first half 2003.

Bergen, 15 August 2003

THE BOARD OF DIRECTORS
OF ODFJELL ASA

Odfjell is a leading company in the global market of transporting and storing of chemicals and related logistical services. The fleet totals 88 ships, trading both globally and regionally, of which 51 are owned by the group. Odfjell additionally owns and operates tank terminals and tank containers. Priority is given to further developing the company's integrated logistical services.

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	1.1-31.3	1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6	1.1-31.12
Profit and Loss Statement	2003	2003	2002	2003	2002	2002
(USD mill)						
Gross revenue	219	221	208	440	405	850
Voyage expenses	(79)	(76)	(68)	(155)	(128)	(279)
Time-charter expenses	(40)	(41)	(46)	(82)	(90)	(190)
Operating expenses	(44)	(47)	(43)	(90)	(82)	(169)
Gross result	56	57	52	113	105	212
General and administrative expenses	(16)	(17)	(14)	(32)	(26)	(53)
Operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	41	40	39	81	79	159
Depreciation	(22)	(22)	(21)	(44)	(42)	(87)
Gain (loss) on sale of fixed assets	(0)	0	0	-	0	1
Operating result (EBIT)	18	18	17	36	37	72
Interest income	2	1	2	3	5	9
Interest expenses	(7)	(7)	(9)	(14)	(19)	(35)
Other financial items	(0)	0	(0)	(0)	(1)	(1)
Currency gains (losses)	7	7	8	13	4	15
Net financial items	1	1	1	2	(12)	(12)
Result before extraordinary items and taxes	19	19	19	39	26	61
Taxes	(1)	3	(3)	2	(4)	(15)
Net result before minority interests	18	23	16	41	22	46
Minority interests	0	0	(0)	0	(0)	(0)
Net result	18	23	16	41	22	45
	31.3			30.6	30.6	31.12
Balance Sheet	2003			2003	2002	2002
(USD mill)						
Intangible assets	14			14	16	15
Ships	947			928	1 003	969
Newbuildings	24			31	36	11
Tank terminals	265			281	229	262
Tank containers	18			19	19	18
Other fixed assets	22			23	22	21
Other long-term receivables	18			17	14	19
Total fixed assets	1 311			1 313	1 339	1 314
Short-term receivables	79			83	77	76
Bunkers	7			7	4	10
Bank deposits and marketable securities	135			188	211	230
Total current assets	222			278	292	315
Total assets	1 533			1 591	1 631	1 630
Paid in equity	139			139	141	139
Retained earnings	415			442	412	396
Total shareholders' equity	554			581	553	535
Minority interests	4			4	4	4
Accrued liabilities	24			21	9	23
Long-term debt	852			871	981	957
Short-term debt	98			114	84	110
Total liabilities	974			1 006	1 074	1 091
Total liabilities and shareholders' equity	1 533			1 591	1 631	1 630

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	1.1-31.3	1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6	1.1-31.12
Key Figures	2003	2003	2002	2003	2002	2002
Average number of shares (mill)	21.69	21.69	22.87	21.69	22.87	22.43
Earnings per share (USD)	0.83	1.05	0.70	1.88	0.94	2.02
Cash flow per share (USD)	1.86	2.07	1.63	3.93	2.79	5.90
Equity per share (USD)	25.54	26.80	24.16	26.80	24.16	24.67
Share price per A-share (USD)	15.10	19.26	16.04	19.26	16.04	15.81

Financial Ratios

Equity ratio	36.4%	36.8%	34.1%	36.8%	34.1%	33.1%
Current ratio	2.3	2.4	3.5	2.4	3.5	2.9
Return on total assets	6.3%	7.5%	6.2%	6.7%	5.1%	5.0%
Return on equity	13.2%	16.1%	11.8%	14.6%	8.0%	8.6%
Return on capital employed	5.7%	5.8%	5.4%	5.8%	5.7%	5.7%
Debt repayment capability (Years)	4.4	3.8	5.2	4.0	6.0	5.5
USD/NOK rate at period end	7.29	7.22	7.48	7.22	7.48	6.96

Cash Flow Statement

(USD mill)						
Net cash flow from operating activities	35	53	32	87	76	156
Net cash flow from investing activities	(22)	(20)	(58)	(42)	(86)	(107)
Net cash flow from financing activities	(106)	20	12	(86)	(2)	(49)
Effect on cash balances from currency exchange rate fluctuations	(1)	0	10	(1)	10	17
Net change in cash and cash equivalents	(95)	52	(4)	(42)	(2)	17
Opening cash balances	230	135	215	230	213	213
Ending cash balances	135	188	211	188	211	230

Segment Reporting

(USD mill)						
Global trade	150	147	145	297	283	595
Regional trade	30	33	30	63	57	119
Tank terminals	28	29	24	56	46	97
Tank containers	11	13	9	24	19	39
Total gross revenue	219	221	208	440	405	850
Global trade	25	24	25	49	52	101
Regional trade	3	4	4	7	7	15
Tank terminals	11	11	9	22	18	38
Tank containers	1	1	1	3	2	5
Total operating result before depreciation and gain (loss) on sale of fixed assets (EBITDA)	41	40	38	81	79	159
Global trade	10	9	10	19	22	41
Regional trade	1	2	2	3	3	7
Tank terminals	7	6	5	13	10	22
Tank containers	1	1	0	2	1	2
Total operating result (EBIT)	18	18	17	36	37	72

Shareholders' Equity

(USD mill)						
Opening balances	535	554	532	535	526	526
Net result for the period	18	23	16	41	22	45
Repurchase own shares	-	-	-	-	-	(18)
Changes in translation adjustments	1	5	5	6	5	7
Proposed dividend	-	-	-	-	-	(25)
Ending balances	554	581	553	581	553	535

Accounting Principles

All items in the periodic financial statements have been reported, valued and accounted for in accordance with the Accounting Act, generally accepted accounting principles in Norway and the preliminary accounting standard regarding periodic accounts. The same accounting principles have been applied in the periodic accounts as in the annual accounts for 2002. The periodic accounts are unaudited.



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