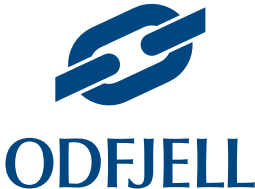


ANNUAL REPORT 1998



# C O N T E N T S

## Introduction

- Odfjell - a profile \_\_\_\_\_ 3
- Highlights \_\_\_\_\_ 4
- Key figures/financial ratios \_\_\_\_\_ 5

## Annual accounts

- Report of the Board of Directors 6
- Profit and loss statement \_\_\_\_\_ 15
- Assets \_\_\_\_\_ 16
- Liabilities and shareholders' funds 17
- Cash flow statement \_\_\_\_\_ 18
- Notes to financial statement \_\_\_\_\_ 19
- Auditor's report \_\_\_\_\_ 27

## Analysis

- Analytical information \_\_\_\_\_ 28
- Shareholder information \_\_\_\_\_ 30

## Business areas

- The chemical market \_\_\_\_\_ 32
- Global trade-lanes \_\_\_\_\_ 34
- Regional trade-lanes \_\_\_\_\_ 36
- Tank containers \_\_\_\_\_ 37
- Tank terminals \_\_\_\_\_ 38

## Management and operations

- Ship management \_\_\_\_\_ 40
- Organisational structure and  
management \_\_\_\_\_ 43
- Health, safety, and the  
environment \_\_\_\_\_ 44

## General

- Fleet and terminal overviews \_\_\_\_\_ 46
- World map with offices \_\_\_\_\_ 47
- Glossary \_\_\_\_\_ 48
- Addresses \_\_\_\_\_ 49

## FINANCIAL CALENDAR

4 May 1999 Annual General Meeting

4 May 1999 Interim report for the first quarter

17 August 1999 Interim report for the second quarter

26 October 1999 Interim report for the third quarter

7 February 2000 Preliminary year-end results

Supplementary information on Odfjell can be found on the Internet at: <http://www.odfjell.no>

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3 pm at the company's office at Conrad Mohrs veg 29, Minde, 5072 Bergen, Norway on Thursday 4 May 1999. Shareholders wishing to attend the Annual General Meeting must notify the company by Thursday 29 April 1999 as set out in Article 4 of the company's Memorandum and Articles of Association.

**[www.odfjell.no](http://www.odfjell.no)**

# ODFJELL - A PROFILE

Odfjell is a leading player in the global market of transporting chemicals and related logistical services. Originally set up in 1916, the company helped pioneer the development of the chemical tanker trade in the late 1950s. Odfjell is run on a long-term industrial basis, with a focus on customer needs and regulatory requirements at every stage of every operation. Priority has been given to further developing the company's integrated logistical services, both globally and regionally. Today Odfjell owns and operates chemical tankers, tank terminals and tank containers.



## Global trade-lanes

The intercontinental transportation of chemicals and other liquids is our core business and as one of only two operators we provide a worldwide service. Our operations are fully integrated, with dedicated functions for technical management, operation and chartering. Odfjell currently controls around 18% of the world intercontinental chemical tanker fleet. Our fleet consists of 49 vessels with a total capacity of about 1.6 million dwt and generated a turnover of NOK 3 453 million in 1998.



## Regional trade-lanes

Odfjell has nine vessels dedicated to regional trade, with six vessels currently operating in the US Gulf, the Caribbean and along the west coast of South America. We are currently developing regional operations in Asia, with headquarters in Singapore. Three vessels already operate in this area, with three newbuildings due to be delivered in 1999. The objectives are to ensure more efficient fleet utilisation through our transshipment activities and to serve our regional markets. Regional trade-lanes generated a turnover of NOK 356 million in 1998.



## Tank terminals

Odfjell has direct investments in a wholly owned tank terminal in the USA as well as partially owned terminals in China, and also works closely with six terminals in South America through associated companies. Terminal operation brings substantial synergies with our transportation activities and improves quality control throughout the transport chain. Our tank terminal operations also open up opportunities to develop new markets where the infrastructure for carrying chemicals has been limited to date. Odfjell Terminals (Baytank) Inc in the USA generated a turnover of NOK 211 million in 1998.



## Tank containers

Odfjell transports chemicals and liquids in tank containers through the Hoyer-Odfjell BV joint venture company. Having started operating on 1 January 1999, this company serves the global market and plays an important role in Odfjell's broad range of integrated transportation services. The tank container operation is still under development and the joint-venture company currently operates about 2 600 tank containers, equivalent to an intercontinental market share of approximately 6%.

# HIGHLIGHTS

## Financial performance

- Turnover: NOK 4 021 million
- Operating profit: NOK 391 million
- Group profit: NOK 317 million
- Cash flow: NOK 645 million

## Vessels

- Delivery of two newbuildings, the M/T Bow Flora and M/T Bow Cecil (both 37 500 dwt), from Kværner Florø, Norway. Total investment: USD 140 million.
- Delivery of one newbuilding, the M/T Bow Master, from Stocznia Szczecinska SA, Poland in January 1999. Total investment: USD 21 million.
- Sale of the M/T Bow Spring (built 1976, 28 060 dwt). Net capital gain: NOK 97 million.

## Tank terminals

- Opening of the Dalian Marine Tank Terminal Co Ltd in China (44% stake). Total storage capacity: 60 000 m<sup>3</sup>. Total investment to Odfjell: USD 13 million.

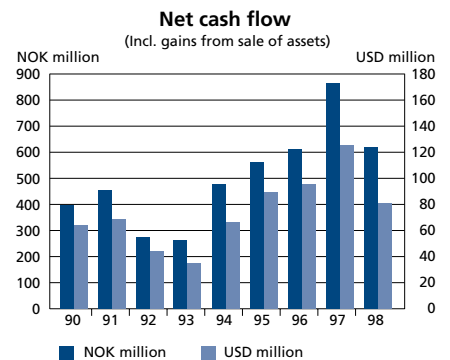
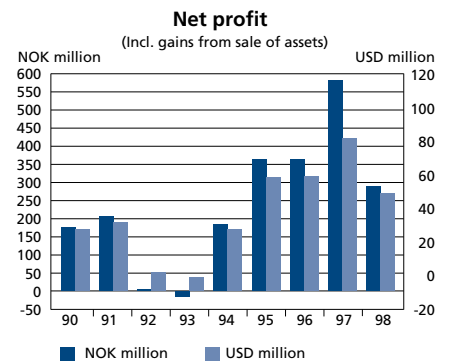
- 19% increase in capacity at Odfjell Terminals (Baytank) Inc, Houston in the USA. Total storage capacity after expansion: 230 000 m<sup>3</sup>. Incremental investment: USD 15 million.

## Tank containers

- 50% stake in a new joint venture, Hoyer-Odfjell BV, which operate 2 600 tank containers in intercontinental trade. Initial investment to Odfjell: approximately USD 10 million.

## Organisation

- Merger of the operations and chartering divisions responsible for vessels in global trade-lanes at the group's Bergen headquarters.



# KEY FIGURES/FINANCIAL RATIOS

ODFJELL GROUP		Numbers in	1998	1997	1996	1995	1994	1993	1992	1991	1990
<b>From Profit and Loss Statement</b>											
Operating revenues	NOK mill.	<b>4 021</b>	3 858	3 520	3 192	2 758	2 441	2 265	2 622	2 527	
Operating result	NOK mill.	<b>391</b>	518	487	465	259	91	88	321	336	
Depreciation	NOK mill.	<b>-328</b>	-278	-247	-205	-284	-283	-274	-247	-230	
Profits from sale of assets	NOK mill.	<b>97</b>	227	0	0	0	0	0	56	121	
Net financial items	NOK mill.	<b>-172</b>	-131	-123	-101	-77	-98	-113	-106	-157	
Net profit (1)	NOK mill.	<b>289</b>	581	365	364	188	-13	7	208	179	
<b>From Balance Sheet</b>											
Current assets	NOK mill.	<b>2 080</b>	1 994	1 575	1 434	1 245	1 181	1 187	951	894	
Vessels and other fixed assets	NOK mill.	<b>6 244</b>	5 214	3 830	3 599	3 162	3 157	3 028	2 824	2 704	
Current liabilities	NOK mill.	<b>536</b>	505	293	321	210	225	191	174	240	
Long term liabilities	NOK mill.	<b>4 923</b>	3 975	2 867	3 157	2 893	2 943	2 782	2 385	2 439	
Shareholders' equity *	NOK mill.	<b>2 864</b>	2 728	2 245	1 555	1 304	1 169	1 242	1 214	918	
Total balance	NOK mill.	<b>8 323</b>	7 208	5 405	5 033	4 407	4 337	4 215	3 774	3 597	
<b>Profitability</b>											
Earnings per share incl. profit from sale of assets (2)	NOK	<b>13.23</b>	26.58	16.52	16.56	8.48	-0.69	0.26	9.41	7.84	
Earnings per share excl. profit from sale of assets (3)	NOK	<b>8.77</b>	16.17	16.52	16.56	8.48	-0.69	0.26	6.82	2.29	
Cash flow per share incl. profit from sale of assets (4)	NOK	<b>28.26</b>	39.32	27.82	25.94	21.48	12.28	12.80	20.72	18.35	
Cash flow per share excl. profit from sale of assets (5)	NOK	<b>23.80</b>	28.91	27.82	25.94	21.48	12.28	12.80	18.14	12.81	
Return on total assets (6)		<b>7.3 %</b>	12.9 %	11.0 %	11.8 %	7.2 %	3.4 %	4.0 %	10.6 %	12.7 %	
Return on equity (7)		<b>10.3 %</b>	23.3 %	19.2 %	25.5 %	15.2 %	-1.1 %	0.6 %	19.5 %	18.6 %	
<b>Financial Ratios</b>											
Average number of shares	mill.	<b>21.85</b>	21.85	21.85	21.85	21.85	21.85	21.85	21.85	21.85	
Equity per share (8)	NOK	<b>131</b>	125	103	71	60	54	57	56	42	
Net cash flow incl. profit from sale of assets (9)	NOK mill.	<b>617</b>	859	608	567	469	268	280	453	401	
Net cash flow excl. profit from sale of assets (10)	NOK mill.	<b>520</b>	632	608	567	469	268	280	396	280	
Interest-bearing debt	NOK mill.	<b>4 918</b>	3 975	2 859	2 739	2 564	2 673	2 499	1 947	1 797	
Bank deposits and securities	NOK mill.	<b>1 619</b>	1 603	1 318	1 275	1 066	1 237	1 153	891	794	
Debt repayment capability (11)		<b>6.4</b>	3.8	2.5	2.6	3.2	5.4	4.8	2.7	3.6	
Current ratio (12)		<b>3.9</b>	4.0	5.4	4.5	5.9	5.2	6.2	5.5	3.7	
Equity ratio (13)		<b>34 %</b>	38 %	42 %	31 %	30 %	27 %	29 %	32 %	26 %	
<b>Other</b>											
Employees		<b>1 667</b>	1 667	1 711	1 550	1 407	1 333	1 363	1 387	1 418	
Volume shipped, global trade-lanes	1 000 tons	<b>11 619</b>	11 326	10 764	9 882	8 923	8 592	8 327	9 266	9 964	
Number of products shipped, global trade-lanes		<b>389</b>	368	360	364	355	301	350			
Number of consignments shipped, global trade-lanes		<b>5 306</b>	5 356	4 824	4 497	3 792	3 727	3 665			
Harbour calls, global trade-lanes		<b>2 486</b>	2 367	2 095	2 275	2 070	2 311	2 245			
Number of vessels within global trade-lanes		<b>49</b>	50	48	47	41	44	39	39	44	
Number of vessels within regional trade-lanes		<b>9</b>	8	-	-	-	-	-	-	-	
Total dwt, fleet within global trade-lanes	1 000 tons	<b>1 567</b>	1 596	1 528	1 477	1 262	1 306	1 179	1 179	1 369	
Total dwt, fleet within regional trade-lanes	1 000 tons	<b>71</b>	65	-	-	-	-	-	-	-	
Tank terminals (owned)	1 000 m <sup>3</sup>	<b>355</b>	255	214	195	171	171	150	150	150	

Historical figures per share have been adjusted for bonus issues. We have not calculated earnings per share fully diluted because it would constitute less than 1 % of the share capital if converted in 1999.

\* - Figures for 1990: Book equity plus 72 % of equity with deferred tax liability.

1. Net profit before currency gain (loss), extraordinary items and taxes, but after currency gain (loss) on forward exchange contracts.
2. Net profit less minority interest divided by number of shares per 31.12.1998.
3. Net profit less minority interest less profit from sale of assets divided by number of shares per 31.12.1998.
4. Net profit plus depreciation less minority interest divided by number of shares per 31.12.1998.
5. Net profit plus depreciation less minority interest less profit from sale of assets divided by number of shares per 31.12.1998.

6. Net profit plus financial expenses divided by average balance of total assets.

7. Net profit divided by average book equity and minority interest.

8. Equity divided by number of shares per 31.12.1998.

9. Net profit plus depreciation less minority interest.

10. Net profit plus depreciation less minority interest less profit from sale of assets.

11. Interest-bearing debt less bank deposits and securities, divided by net cash flow (9).

12. Current assets divided by current liabilities.

13. Book equity plus minority interest divided by total assets.

# REPORT OF THE BOARD OF DIRECTORS

**Group profit before exchange rate gains/losses, extraordinary items and tax came to NOK 317 million in 1998, against NOK 614 million in 1997. Although the year was characterised by a downturn in the deep-sea chemical transportation market, the company's contract coverage and focus on fleet utilisation contributed positively to the result. Tank terminalling continued to improve. Odfjell has adequate liquidity reserves. Capital expenditure towards a continuous fleet modernisation, and the further integration of our transportation services, is firm.**

## Strategy

Odfjell is a long-term global provider of chemical transportation services.

Although chemical tankers will continue to dominate our operations, the company is set to increase its focus on integrated transport solutions, and has plans to step up its commitment to the regional transportation of chemicals, to tank terminals and to the development of its tank container operation. Odfjell's strong financial position enables it to implement stable and long horizon action plans, high quality being the emphasis of all operations, be it in terms of our vessels, terminals, staff expertise or organisational systems.

Fleet development is an important part of our business. The objective is a gradual renewal of vessels to ensure we maintain our market share. This is vital if we are to safeguard Odfjell's market position so as to maximise long-term earnings. Maintaining and investing in a fleet of state-of-the-art chemical tankers is capital-intensive. In January 1994 we embarked upon a comprehensive newbuilding programme, and another two vessels were delivered in 1998. One more sister vessel will be delivered in 1999, and one further such Kværner Flørø vessel in 2000. Our technical ship

management policy is based upon regular, long-term, preventive maintenance. We set ourselves demanding standards, often beyond regulatory requirements.

The use of our own vessels, for regional transportation and transshipment, is a key element in our strategy, with Asia a particular focus-area in this respect. Two time-chartered vessels operated in this region in 1998, and four newbuildings are due to enter service in 1999. The company also dedicated a great deal of time and effort to integrating Andino Chemical Tankers (ACT) during 1998. Acquired in 1997, ACT entertains extensive regional trade in the US Gulf area, the Caribbean, Central America and along the west coast of South America.

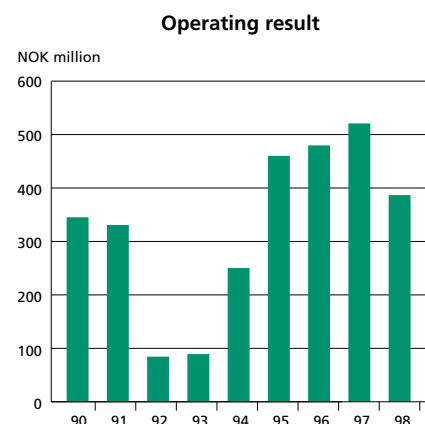
Tank terminals play an important role in our integrated system of transportation services. Odfjell's objective is to invest in terminals in areas with potential of high returns and substantial synergy with our transportation operations. Investing in tank terminals also plays a key role in developing the chemical market of newly industrialised countries.

In 1998 Odfjell decided to move into the field of tank containers in the form of a joint-venture with Hoyer GmbH in Germany, long on experience in operating tank containers. The tank container operation complements our chemical transportation services and should prove beneficial to some customers.

Odfjell attaches great importance to maintaining close and long-term relationships with its customers, and it is indeed such relationships that act as the driving force behind the company's efforts to develop new services.

## Financial performance 1998

Group profit of NOK 317 million (NOK 614 million) before currency gains/losses, extraordinary items and tax, includes NOK 97 million of capital gain



In the course of one year  
12 million tons of chemicals and  
liquids are transported by the  
Odfjell fleet in a global network  
of sailings.

on the sale of one of our vessels (NOK 227 million). Operating profit for the year totalled NOK 391 million (NOK 518 million). The drop in profit was on account of a weaker market, following a lower rate of growth in the world economy, largely because of the downturn in parts of Asia. The result was a reduction in freight levels due to falling industrial demand for chemicals. Furthermore, much new tonnage was delivered whilst at the same time very few vessels were scrapped.

The price of bunker fuel oil fell sharply in 1998, during the second half of the year in particular, which positively impacted voyage costs. Bunker prices peaked at USD 77 per ton, but fell to USD 51 per ton at their lowest point. The average price was approximately USD 65 per ton, a drop of USD 29 per ton, or 31% on 1997.

Technical management and maintenance costs were stable. Our costs are high relative to other segments of the shipping industry on account of the complexities of equipment and expertise required in handling sophisticated cargoes, and our programmed 30-year ship lifespan. Administration costs rose 10% on last year, mainly on account of enlarged group operations.

Current assets and liabilities are maintained in USD. As such, the various items in the profit and loss statement and balance sheet are affected by changes in the USD/NOK exchange rate. 1998 saw the USD/NOK rate rise from NOK 7.32 to NOK 7.60 at year-end, with the average rate being NOK 7.54, a substantial increase on the NOK 7.05 of a year earlier. This had a positive impact on the operating profit. Net exchange rate losses on forward contracts covering operating costs totalled NOK 27.7 million. Exchange rate losses relating to balance sheet adjustments totalled NOK 61 million.

The parent company recorded a loss of NOK 8.7 million in 1998. In accordance with the new tax system as implemented in 1997, the parent company acts as a fully integrated management company for the ship-owning companies of the

group. It also acts as the borrower for the majority of the group's loans from the various financial institutions.

The board proposes that the Annual General Meeting approve an unchanged dividend of NOK 4 per share, thus a total dividend pay-out of NOK 87.4 million. The parent company received group contributions of NOK 0.1 million. The combined dividend payment and loss, of NOK 96 million, in total, is proposed covered through distributable reserves.

### Financial position

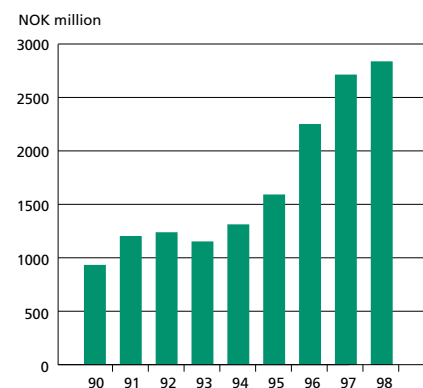
Odfjell's cash flow is healthy, with surplus cash totalling NOK 1 619 million at year-end, corresponding to about 33% of interest-bearing debt. Interest-bearing debt amounted to NOK 4 918 million, NOK 943 million up since 1997. Capital expenditure totalled NOK 1 484 million and unused drawing facilities amounted to NOK 304 million at year-end.

The company's loan structure is stable and long-term, all loans raised through recognised Norwegian and international shipping banks. Such financing, which also extends to our newbuilding programme, is largely arranged on an unsecured basis, and on favourable terms. Loans are denominated in USD, and rates of interest are based mainly on LIBOR. The average maturity of our loans is about six years.

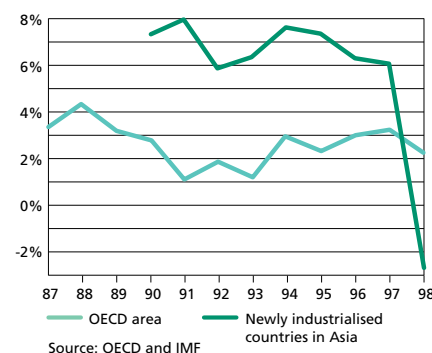
Book equity amounted to NOK 2 864 million at year-end, corresponding to an equity/assets ratio of 34%. The return on equity was 10.3%, against 23.3% in 1997. As our fleet is made up of special-purpose vessels with a limited second-hand market, our policy remains not to calculate value-adjusted equity.

With the US dollar as our main currency, we endeavour to reduce our exposure to all other currencies. The company's cash management policy is to invest in highly liquid low-risk interest-bearing instruments, and to make deposits only with highly reputable financial institutions. These deposits are generally tied up for periods equivalent to the interest periods of the company's long-term loans.

Shareholders' funds



Growth of real GDP



ANNUAL ACCOUNTS  
ANALYSIS  
BUSINESS AREAS  
MANAGEMENT AND OPERATIONS  
GENERAL

**Business areas**

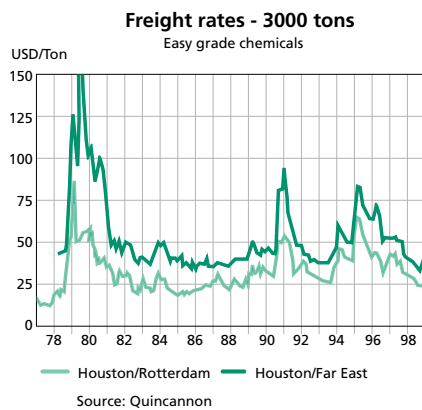
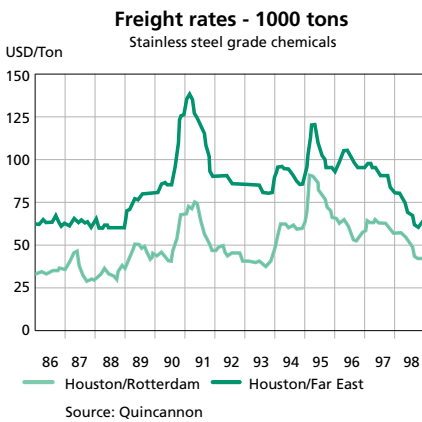
GDP growth of OECD countries came to 2.2% in 1998, as against 3.2% in 1997. While the European economies held steady and the US economy expanded, the Japanese and South Korean economies contracted sharply, as did the economies of the newly industrialised countries in Asia.

Sea-borne trade dropped by an estimated 0.7% in 1998 in volume terms, compared to an increase of 5.1% in 1997. Economic growth in the Far East has become important for the shipping industry, and many countries in this region suffered GDP setbacks in 1998, reduced industrial output and, not least, a fall in domestic demand. While the situation is expected to stabilise somewhat in 1999, there still remains uncertainty surrounding these markets. Furthermore, the economic situation of Brazil and other South American countries is now subject to greater scrutiny.

contracts up for renewal during the year. The spot market declined steadily throughout the year.

At year-end, Odfjell's deep-sea fleet comprised 49 vessels, 30 of which were owned by the company, with the other 19 on time charters. 12 of the 19 chartered vessels are owned by our long-standing partner National Chemical Carriers Ltd Co (NCC) of Saudi Arabia. Odfjell is responsible for marketing, operating, maintaining and manning these vessels. The vessels are operated under time charters in separate pools made up of similar types of ships. Each vessel receives its relative share of pool earnings, allocated on the basis of the number of on-hire days.

In 1998 we carried 11.6 million tons of cargo, split between more than 5 306 consignments, from over 400 customers. While volumes rose by 2.6% relative to 1997, the number of consignments fell by 1%. 390 different types of cargo were transported, with our vessels making 2 490 port calls, and passing through the



Odfjell now has four integrated business areas:

- Global trade-lanes
- Regional trade-lanes
- Tank terminals
- Tank containers

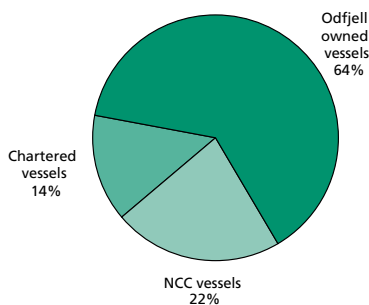
The company's core business of operating large chemical tankers within global trade-lanes accounts for approximately 80% of total fixed assets. Our other operations benefit from synergies, thus help support our overall market position, and increase efficiency. Integrating services in this way is a major advantage in a market where customers are making ever tougher demands in terms of efficiency, frequency, flexibility and competitiveness.



canals 250 times. Volumes and rates are spread over spot and contract cargoes, oftentimes moving in different directions, particularly in the short term. Our performance is also affected by our own efficiency and fleet utilisation.

The world core fleet of chemical tankers over 10 000 dwt increased by around 10% in 1998. Scrapping was insignificant. At the end of the year, pending newbuilding deliveries amounted to just over 19% of the existing fleet. However, lead-times on deliveries of this type of vessels are long, and based on current estimates gross fleet growth will be about 10%, 7% and 2% over the next three years, respectively. Assuming that vessels are scrapped after

**Fleet distribution**  
(Global trade-lanes)



**Global trade-lanes**

The global trade-lanes operation accounted for 86% of total turnover in 1998. Its profit represented 82% of total earnings. Our trade-lanes cover all key areas worldwide, and held steady relative to 1997. Contract coverage was about 55%. The market weakened in 1998, resulting in a reduction in freight rates of



their 25th year of operation, scrapping is expected to account for approximately 3% each year, over the next three years.

In 1998 Odfjell took delivery of two newbuildings: the Bow Flora in April and the Bow Cecil in October. The vessels are performing well in our global trade-lanes and have helped consolidate our market position. These newbuildings are part of a series of 13, state-of-the-art chemical tankers contracted from the Kværner Group in Norway. All vessels are approximately 37 500 dwt with cargo tanks primarily made of homogenous stainless steel, with a total of 47 to 52 segregations. Each vessel costs around USD 70 million. The remaining two vessels in the series are due to be delivered in 1999 and the year 2000. NCC owns three of the newbuildings. The Bow Spring (28 060 dwt/1976) was sold in March as part of our fleet renewal programme, generating a net capital gain of NOK 97 million. At the same time the vessel was chartered back for a period of seven years.

Although our ships are normally dry-docked every 30 months, maintenance work is undertaken continuously at sea. Ten of our vessels were off-hire for a total of 242 days for dry-docking purposes during the year, compared with 13 vessels and 333 days in 1997. Good prices on the sale of older vessels confirm the value of our maintenance programme.

Although a number of product tankers designed to carry commodity-type chemicals entered the market in 1998, these had a limited impact on our operations. This is a trend which we expect to continue. On the supply side, the structure of the chemical tanker

market remained stable, with the five largest operators controlling around 65% of the chemical tanker fleet, of 10 000 dwt upwards. However, the various players on the demand side showed a tendency to merge and integrate. Odfjell continues to enjoy a strong position in the market, commanding a market share of around 18%.

### Regional trade-lanes

The regional trade-lane operations accounted for 9% of total turnover during 1998. Its profit represented approximately 2% of total earnings. A total of nine vessels were deployed in such services, four of which are owned by Odfjell.

Despite the economic downturn in Asia, we expect demand for the transportation of sophisticated chemicals to increase in the region. Odfjell's focus on regional tonnage in the Far East is based on the need for quality throughout the transportation chain.



Smaller transshipment vessels are vital not only in terms of meeting efficiency targets for the fleet as a whole, but also for accessing berths with physical limitations preventing larger vessels from entering port. Our activities in Asia are managed from the Odfjell office in Singapore.

In January 1999 we took delivery of the Bow Master from Stocznia Szczecinska SA in Poland. This vessel is the first in a series of four state-of-the-art chemical tankers, with the remaining three to be delivered during 1999. All four vessels will be employed in our regional service in Asia, and each will have a capacity of 6 000 dwt with 14 segregations, all cargo tanks made of stainless steel. The cost of

each vessel is around USD 21 million. We will also be chartering in additional tonnage in developing this service.

Through our wholly owned subsidiary, Andino Chemical Tankers, we also provide regional services in the US Gulf area, the Caribbean, Central America and along the west coast of South America. The vessels are operated out of Houston, USA. Six vessels are employed in this service, three of which are owned by Odfjell. We have continued to integrate ACT into the group, since its acquisition in 1997. During the year the company carried nearly one million tons of cargo split between 1 300 consignments. This represents increases of 34% and 44% respectively on 1997 figures. Much of the increase can be attributed to extended trade-lanes in the region. ACT managed to secure high contract coverage, with contracts of affreightment accounting for 75% of all cargo shipped.

#### **Tank terminals**

Organised as a separate division with its head office in Houston, the tank terminal operation generated turnover equivalent to 5% of group turnover in 1998. Its profit represented 16% of total earnings. In addition to the US terminal, we have also invested in terminals in China.

Our most important terminal in terms of size, turnover and location is Odfjell Terminals (Baytank) in Houston. This terminal also generates substantial synergies with our shipping operations,



and these synergies has increased as a result of the acquisition of ACT. The terminal continued to perform well during the year, reporting a 32% increase in earnings to USD 7 million (USD 5.3 million). Seven new tanks were commissioned in August 1998, equivalent to a 19% increase in capacity to 230 000 m<sup>3</sup>, at a total cost of USD 15 million. This expansion is financially viable, as it ensures more efficient use of previous infrastructure investments. Baytank is now the world's largest privately owned stainless steel tank terminal, and still has a substantial area available for future development. Work to increase the storage capacity further will get underway in 1999.

Odfjell has long planned to expand its terminal operation in China, and April saw the opening of the DMTC terminal in Dalian in Northern China. Odfjell has a 44% stake in this terminal, and investment in the first phase of development totalled USD 30 million. Odfjell was responsible for the project's construction and technology, and is now managing the terminal. Although the new terminal experienced high levels of activity and capacity utilisation, low prices during the start-up phase resulted in a loss for the year, our share of which totalled USD 366 000.

Very low levels of activity and utilisation meant that 1998 became another difficult year for the VOTTN terminal in Ningbo in Central East China. Odfjell's 12.5% stake resulted in a loss of USD 122 000, which is much the same as last year.

Odfjell is to have a 5% stake in a terminal planned for Zhuhai in Southern China. The necessary permits have been obtained, and pending the outcome of an ongoing market study the terminal will be constructed. Odfjell's share of the total investment of USD 56 million for the first phase will be USD 2.8 million.

#### **Tank containers**

Conceptualised in 1998, Hoyer-Odfjell BV started operating on 1 January 1999. The company provides a worldwide tank container service and currently has a world market share of around 6%.

Hoyer-Odfjell operates 2 600 containers which previously were part of the international operations of Hoyer GmbH. Odfjell has a 50% stake in the new company, and the initial investment will be approximately USD 10 million. Hoyer-Odfjell will benefit not only from Hoyer's expertise in operating and managing tank containers but also Odfjell's global network and knowledge of the market. With its head office in Rotterdam, the company is also represented in other key areas, cohabiting with Odfjell's offices in some cases. The tank container segment currently features many operators and we expect to see an increasing degree of consolidation.

### Health, safety and the environment

Odfjell's policy is to maintain and develop the company's position as a supplier of high-quality and environmentally efficient transportation services, involving low environmental risks. The stringent environmental and safety requirements which apply to all our operations helped ensure that there were no accidents involving major mishaps or environmental damage during the year. The company's quality assurance system also extends to organisational matters.

The Safety and Improvement Reporting (SAFIR) system, used to register and report non-conformance's, and the causes of accidents, worked well in 1998. This also prompted the company to implement some corrective measures when necessary.

Since 1 July 1998, all tankers and bulk carriers over 500 gross ton were required to have an operational quality assurance system which meets the requirements laid down in the International Safety Management (ISM) Code. Odfjell meets all these requirements. We view the introduction of the code as a major step forward as it makes it more difficult to operate and run substandard tonnage.

Odfjell welcomes quality inspections both from the authorities and its customers. In 1998 Det Norske Veritas inspected the quality assurance systems for all company's vessels. Odfjell also

undertook 31 internal audits, while customers carried out 135 ship inspections, 40 through the Chemical Distribution Institute and 95 through the Oil Companies International Marine Forum. Inspections by the classification societies and port authorities are supplementary to the above.

Quality, the environment and safety also play a key role in our terminal operation. In September 1998 Odfjell Terminals (Baytank) was the first US terminal to become a partner in the Responsible Care® programme with the support of two key customers. The programme is run by the Chemical Manufacturers Association and recognises companies that have gained distinction for their commitment to environmental standards and safety over and above current regulations.

### Human resources and organisation

Odfjell's operations are complex, both in terms of technology and of organisation. Our vessels are trading worldwide with long distances from our head office. This requires expertise and decisiveness throughout the group. Odfjell attaches great importance to implementing a human resources policy which ensures that our seafaring and onshore staff are skilled and highly qualified. The company aims to develop a homogenous corporate culture that crosses cultural and geographical



boundaries for all staff throughout the organisation.

Predominantly our vessels are manned by experienced Norwegian officers and Filipino crew recruited on the basis of continuity and experience. We operate a long-term crewing policy and emphasise onboard training and specialist courses.



The introduction of the revised International Convention on Standards of Training, Certification and Watch-keeping for Seafarers (STCW 1995) under the governance of the International Maritime Organisation highlights the importance of such measures. Our comprehensive recruitment programme extends to both young officers and trainees, with a total of 126 Norwegians undergoing training at year-end.

Odfjell recognises that industrial shipping makes considerable demands on management, both at sea and onshore. A management development programme for captains was launched in 1997 which was continued in 1998. We also focus on the effective use of IT, which is extremely important in our business where there are considerable distances between customers, vessels, terminals and overseas offices.

The operations and chartering divisions responsible for vessel deployment at the company's head office in Bergen were merged to form a single unit during the year. This has not only helped us to focus more clearly on customers, but has also resulted in further emphasis on our performance and improved operational fleet utilisation. It will also enable us to use our various resources and skills more efficiently. In the first half of 1998 we established a separate unit for business development and planning.

A total of 1 667 employees worked for the group at year-end.

### Information technology

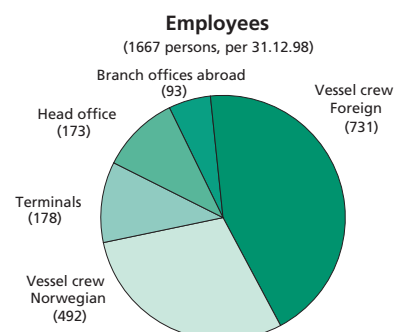
Odfjell firmly believes in the effective use of IT in its global operations, and features good communication solutions, linking the company's head office to its other offices and vessels.

Work continued during the year on a new information system for all functions involved in the operation and chartering of our fleet. Some parts of the system came on-line in 1998, with the remaining modules due to follow in 1999. The system is customised to Odfjell's operations and the ever increasing need for internal and external communication, as well as to the ongoing growth in the scope and complexity of the company's operations.

The company has also embarked on a project to deal with the Year 2000 problem both at its offices and on its vessels. The fact that the company's systems are generally fairly new will facilitate the transition to the new millennium. Work on analysing, testing and ultimately approving the electronic equipment on board our vessels is well underway. The company expects to have completed the project well before the end of the year at a cost of around NOK 6 million.

### Shares and shareholders

The company had a total of 1 638 shareholders at year-end, with B D Odfjell jr and family holding 7 677 885 shares (35.14%). No other investor had a shareholding in excess of 20%. Board members Terje Storeng, Jørgen Faye and Per Ivar Gjærum held 18 168, 2 800



(Vessel crew on ships not under technical ship management of Odfjell is not included, about 420 crew in total)

and 60 shares respectively at year-end. The president and companies within his control held a total of 39 800 shares. The auditor did not hold any shares at year-end. The company has a convertible loan of NOK 25 million from the company's Directors' and key employees. The loan may be converted to shares on 30 April 1999 and 28 April 2000 at a price of NOK 130 and NOK 135 per share respectively. However, these conversion rates are subject to a number of adjustments, including adjustment for dividends paid out as from the 1995 financial year.

Directors' remuneration and the auditor's fee are outlined in note 4 to the parent company accounts (page 20).

### Outlook

The company's strong financial position has ensured that it can continue to pursue its strategy and adopt a long-term approach to its operations.

The company's exposure is largely related to the global demand for

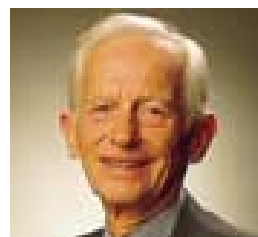
chemical transportation services, with economic growth and associated industrial output the driving forces behind such demand.

The overall supply of tonnage affects the market balance, and considerable new tonnage has been delivered over the last few years. The degree of scrapping and downgrading of vessels affects demand, and a weaker market could cause accelerated scrapping. More stringent quality requirements from both customers and the authorities may also exert itself in this context. Our own newbuilding programme will result in own fleet growth of 2.4% in 1999, and 2.3% in the year 2000, which the board considers as appropriate for our long-term market position.

Given the considerable increase in tonnage and uncertain growth in demand, the market outlook for the next few years appears weak. As such, the board is expecting weak earnings for 1999.



**BERNT DANIEL ODFJELL JR**  
Born 1938. Chairman of the Board. He has been with the company since 1963. Member of the founding family of the company.



**JØRGEN FAYE**  
Born 1926. Board Member since 1990. He has held various management positions in banking and before retiring he was Deputy Managing Director of Bergen Bank (which later through a merger became Den norske Bank).



**PER IVAR GJÆRUM**  
Born 1948. Board Member since 1986. Associate Professor and Vice-Rector at the Norwegian School of Economics and Business Administration, Bergen, Norway.



**BJARTE KVÅLE**  
Born 1948. Board Member since 1988. Previously he has held management positions in shipping companies. Currently he is working as a management consultant and private investor.



**TERJE STORENG**  
Born 1949. Board Member since 1994. He is the Managing Director of A/S Rederiet Odfjell, a privately held company of the Odfjell family.

Bergen 15 March 1999

The Board of Directors of Odfjell ASA

*Per Ivar Gjærum*

Per Ivar Gjærum

*B D Odfjell jr*

B D Odfjell jr  
Chairman of the Board

*Bjarte Kvåle*

Bjarte Kvåle

*Jørgen Faye*

Jørgen Faye

*Terje Storeng*

Terje Storeng

*Bjørn Sjaastad*

Bjørn Sjaastad  
President/CEO

# PROFIT AND LOSS STATEMENT

ODFJELL ASA		(NOK 1 000)			ODFJELL GROUP	
1997	1998		Note	1998	1997	1996
		<b>Operating revenues (cost):</b>				
		Gross freight revenue		3 787 745	3 648 756	3 327 804
		Voyage cost		(1 183 342)	(1 132 915)	(996 599)
		Freight revenue time-charter basis		2 604 403	2 515 841	2 331 205
		Time-charter cost	2	(1 085 958)	(924 027)	(815 516)
		Operating cost	3	(737 666)	(743 161)	(728 422)
		<b>Net profit from vessel operation</b>		<b>780 779</b>	<b>848 654</b>	<b>787 267</b>
125 633	125 546	Other revenue	5	233 297	208 874	192 243
-	-	Other cost	5	(114 595)	(97 575)	(91 371)
(110 618)	(112 740)	General and administrative cost	3,4	(180 250)	(163 825)	(154 671)
<b>15 015</b>	<b>12 806</b>	<b>Operating profit before depreciation</b>		<b>719 232</b>	<b>796 128</b>	<b>733 468</b>
(3 968)	(5 016)	Depreciation	10	(328 363)	(278 455)	(246 898)
<b>11 047</b>	<b>7 790</b>	<b>Operating profit after depreciation</b>		<b>390 869</b>	<b>517 673</b>	<b>486 570</b>
		<b>Financial income (cost):</b>				
158 813	217 882	Interest received	9	104 349	88 492	81 222
(151 493)	(235 042)	Interest and fees paid		(274 337)	(229 848)	(208 725)
104 986	3 463	Other financial items		(1 541)	9 975	4 337
<b>112 306</b>	<b>(13 697)</b>	<b>Net financial items</b>		<b>(171 528)</b>	<b>(131 382)</b>	<b>(123 166)</b>
<b>123 353</b>	<b>(5 906)</b>	<b>Net profit after financial items</b>		<b>219 340</b>	<b>386 291</b>	<b>363 404</b>
1 333 479	(45)	Gain(loss) on sale of fixed assets		97 326	227 471	-
<b>1 456 832</b>	<b>(5 951)</b>	<b>Net profit before currency gains (losses), Extraordinary items and taxes</b>		<b>316 666</b>	<b>613 762</b>	<b>363 404</b>
(32 576)	(2 590)	Currency gains (losses)	6	(88 658)	(166 433)	(7 802)
-	-	Extraordinary items	14	-	122 390	-
(22 236)	(147)	Taxes	19	(9 197)	1 289	404 726
<b>1 402 020</b>	<b>(8 688)</b>	<b>Net profit for the year</b>		<b>218 812</b>	<b>571 008</b>	<b>760 328</b>
		<b>Profit allocation and adjustments:</b>				
(87 394)	(87 394)	Dividend allocation				
158	83	Contribution from subsidiaries				
(186 382)	-	Legal reserve	16			
(1 128 402)	95 998	General reserve	16			
<b>(1 402 020)</b>	<b>8 688</b>	<b>Total</b>				

## ASSETS PER 31.12.

ODFJELL ASA		(NOK 1 000)			ODFJELL GROUP	
1997	1998		Note	1998	1997	1996
		<b>Current assets:</b>				
140 595	89 919	Cash and bank deposits	7,22	1 217 396	1 481 574	1 118 727
-	-	Bonds etc	22	401 907	117 237	194 667
4 200	-	Shares	8	17	4 217	4 217
9 826	10 055	Bunker fuel	22	33 790	42 304	44 955
32 879	68 450	Short term receivables	22	426 459	348 278	212 610
<b>187 500</b>	<b>168 424</b>	<b>Total current assets</b>		<b>2 079 569</b>	<b>1 993 610</b>	<b>1 575 176</b>
		<b>Fixed assets:</b>				
3 204 135	3 395 755	Shares in subsidiaries	8	-	-	-
46 988	50 780	Other shares	8	50 780	46 988	46 988
2 928 629	4 153 934	Loans to subsidiaries	9	-	-	-
27 654	20 004	Other long term receivables	9,21,22	122 792	125 599	60 922
-	-	Vessels	10,11	4 932 386	4 149 006	3 092 480
88 864	-	Newbuildings	10,11	302 381	133 464	39 322
-	-	Goodwill	10,11	49 894	57 904	-
-	-	Tank terminal	10,11	700 446	627 230	524 170
10 222	13 763	Office equipment and cars	10,11	19 424	16 148	10 452
52 104	58 287	Real estate	10,11	65 718	57 882	55 679
<b>6 358 596</b>	<b>7 692 524</b>	<b>Total fixed assets</b>		<b>6 243 821</b>	<b>5 214 221</b>	<b>3 830 013</b>
<b>6 546 096</b>	<b>7 860 948</b>	<b>Total assets</b>		<b>8 323 390</b>	<b>7 207 831</b>	<b>5 405 189</b>

Bergen, 15 March 1999

The Board of Directors of Odfjell ASA

Per Ivar Gjærum

B D Odfjell jr  
Chairman of the Board

Bjarte Kvåle

Jørgen Faye

Terje Storeng

Bjørn Sjaastad  
President/CEO

## LIABILITIES AND SHAREHOLDERS' FUNDS PER 31.12.

ODFJELL ASA		(NOK 1 000)			ODFJELL GROUP	
1997	1998		Note	1998	1997	1996
		<b>Current liabilities:</b>				
87 394	87 394	Dividend allocation		87 394	87 394	65 546
-	-	Tax payablt	19	19 175	14 075	14 366
20 057	12 898	Employee tax etc	22	13 571	20 793	26 159
111 999	135 822	Other short term liabilities	22	416 195	382 402	186 951
69 795	70 706	Due to subsidiaries		-	-	-
<b>289 245</b>	<b>306 820</b>	<b>Total current liabilities</b>		<b>536 335</b>	<b>504 664</b>	<b>293 022</b>
		<b>Long term liabilities:</b>				
30 618	30 765	Deferred tax	20	4 816	4 275	6 466
25 000	25 000	Convertible loan	12,13	25 000	25 000	25 000
2 862 871	4 256 000	Long term debt	13	4 893 154	3 946 166	2 835 916
<b>2 918 489</b>	<b>4 311 765</b>	<b>Total long term liabilities</b>		<b>4 922 970</b>	<b>3 975 441</b>	<b>2 867 382</b>
<b>3 207 734</b>	<b>4 618 585</b>	<b>Total liabilities</b>		<b>5 459 305</b>	<b>4 480 104</b>	<b>3 160 404</b>
		<b>Shareholders' funds</b>				
218 485	218 485	Share capital	15,16	218 485	218 485	218 485
380 032	380 032	Legal reserve	16	404 209	368 301	194 105
<b>598 517</b>	<b>598 517</b>	<b>Total undistributable reserves</b>		<b>622 695</b>	<b>586 786</b>	<b>412 590</b>
<b>2 739 845</b>	<b>2 643 846</b>	<b>Distributable reserve (general reserve)</b>	16	<b>2 241 390</b>	<b>2 140 941</b>	<b>1 832 195</b>
<b>3 338 362</b>	<b>3 242 363</b>	<b>Total shareholders' funds</b>		<b>2 864 085</b>	<b>2 727 727</b>	<b>2 244 785</b>
<b>6 546 096</b>	<b>7 860 948</b>	<b>Total liabilities and shareholders' funds</b>		<b>8 323 390</b>	<b>7 207 831</b>	<b>5 405 189</b>
500 270	699 985	Liabilities secured by mortgages	17	190 000	1 053 129	1 024 232
		Guarantees	18	61 252	61 580	72 743

# CASH FLOW STATEMENT

ODFJELL ASA		(NOK 1 000)		ODFJELL GROUP	
1997	1998		1998	1997	1996
		<b>Cash flow from operating activities</b>			
1 424 256	( 8 542)	Profit before taxation	228 005	569 719	355 602
-	-	Tax	( 2 190)	-	( 1 817)
(1 436 742)	45	(Gain) loss on sale of fixed assets	( 97 325)	( 227 471)	-
3 968	5 016	Depreciation	328 363	278 455	246 898
-	-	Depreciation of capitalised dry docking cost	135 321	-	-
34 791	( 229)	Inventory (increase) decrease	8 514	2 651	( 8 876)
131 212	-	Trade debtors (increase) decrease	30 486	( 42 120)	( 20 002)
( 58 089)	( 1 922)	Trade creditors increase (decrease)	( 14 922)	( 44 012)	( 54 535)
( 6 700)	8 302	Difference in pension cost and pension premium paid	8 302	( 6 700)	( 11 529)
31 433	15 410	Exchange rate fluctuations	5 715	241 932	44 511
67 955	( 11 874)	Other short term accruals principal items	( 59 369)	148 853	( 19 299)
-	-	Change in dry-docking accounting principle	-	( 122 390)	-
<b>192 084</b>	<b>6 206</b>	<b>Net cash from operating activities</b>	<b>570 900</b>	<b>798 917</b>	<b>530 953</b>
		<b>Cash flow from investing activities:</b>			
449	89 294	Sale of fixed assets	114 459	276 407	-
( 97 703)	( 15 215)	Investment in fixed assets	(1 483 564)	(1 458 992)	( 489 739)
( 1 816)	( 195 412)	Investment in trading shares	( 3 792)	-	( 42 550)
-	( 652)	Changes in long term liabilities	-	( 64 677)	-
(1 349 827)	(1 134 912)	Loans to subsidiaries	-	-	-
-	-	Reduction in secured bank deposits	-	-	58 144
<b>(1 448 897)</b>	<b>(1 256 897)</b>	<b>Net cash flow from investing activities</b>	<b>(1 372 897)</b>	<b>(1 247 262)</b>	<b>( 474 145)</b>
		<b>Cash flow from financial activities:</b>			
984 858	1 286 325	Long term debt raised	852 582	984 858	2 588 744
( 808 647)	-	Payment of long term debt	-	( 193 460)	(2 516 906)
-	83	Group contribution	-	-	-
( 65 545)	( 87 394)	Dividend	( 87 394)	( 65 545)	( 43 697)
<b>110 666</b>	<b>1 199 014</b>	<b>Net cash flow from financial activities</b>	<b>765 188</b>	<b>725 853</b>	<b>28 141</b>
<b>5 107</b>	<b>1 001</b>	<b>Effect of exchange rate fluctuations</b>	<b>57 301</b>	<b>7 909</b>	<b>20 689</b>
(1 141 040)	( 50 676)	Net change in liquid assets	20 492	285 417	105 638
1 281 635	140 596	Cash balances per 01.01	1 598 811	1 313 394	1 207 756
<b>140 595</b>	<b>89 920</b>	<b>Cash balances per 31.12</b>	<b>1 619 303</b>	<b>1 598 811</b>	<b>1 313 394</b>

# NOTES TO FINANCIAL STATEMENT

## 1. ACCOUNTING PRINCIPLES

All items in the financial statement have been reported, valued and accounted for in accordance with the Companies Act and Generally Accepted Accounting Principles in Norway.

### a. Consolidation

The consolidated accounts consist of Odfjell ASA and subsidiaries referred to in the notes. Common accounting principles are applied to all companies in the Odfjell Group. Intercompany transactions have been eliminated.

Foreign subsidiaries have been converted to NOK based on the rate of exchange at year end with respect to the balance sheet and average exchange rate for the profit and loss account.

### b. Classification of balance sheet items

Assets and liabilities related to the operation of the companies 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.

### c. Revenue and voyage related

Total revenues and voyage related cost are accounted for on the percentage of completed voyage basis.

### d. Periodical maintenance costs

Drydocking cost is capitalised and the cost is depreciated over the period until the next drydocking. This period is normally 30 months. When purchasing or building vessels a portion of the cost price is capitalised accordingly, representing the drydocking element. This item is classified as Vessels.

### e. Pension and accrued pension liability

Pension obligations are mainly covered through life insurance companies. The present value of the liability has been calculated based on actuarial principles. The difference between present value of

the calculated liability and the pension fund is included under long term assets or long term liabilities. In addition we have made separate pension arrangements with some former employees between the age of 65 to 67 years. Uncovered pension liabilities are calculated and included in the above calculation. Change in net pension liability is expensed in the profit and loss account.

### f. Debt issuance costs

Debt issuance costs are expensed in the year the debt is incurred.

### g. Taxes and deferred tax liabilities

Taxes are calculated based on the financial result and consists of taxes payable and deferred taxes. The calculation of deferred taxes is based on the temporary differences between the result in the profit and loss statement and the tax statement. Deferred taxes are estimated based on a net present value calculation except for the part of the Group which does not qualify under the new Norwegian tax scheme for shipping companies where we have used a nominal tax rate for calculating deferred taxes. A tonnage tax for our own tonnage is included in operating costs.

### h. Public contribution

Public contribution from the Norwegian Maritime Directorate related to the reimbursement system for Norwegian seamen is posted in our accounts as a reduction of operating cost.

### i. Current assets

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

### j. Foreign currency

Assets and liabilities are valued at year end exchange rate.

### k. Fixed assets - depreciation

Fixed assets including goodwill are depreciated over their estimated useful lives, based upon the straight line method.

### l. Newbuilding contracts

Newbuildings include payments made under the contracts together with other costs directly associated with the newbuilding program.

### m. Cash flow statement

The cash flow statement is based on an indirect method.

### n. Financial instruments

The company uses various financial instruments to reduce its exposure to foreign exchange and interest rate fluctuations. The following accounting principles apply:

#### *Foreign currency instruments:*

The result of foreign exchange contracts and currency options is accounted for in accordance with the underlying nature of the hedged transactions.

#### *Interest rate instruments:*

The result of interest rate swap contracts is amortized over the contract period.

### o. Related parties

Information about the related parties of the Odfjell Group and transactions between them is supplied in connection with the respective items in the financial statements.

### p. Area of activity

The company is a fully integrated shipping company with ship management, operation and chartering functions. The tank terminal activity represents a limited part of turnover and assets, and is an integrated part of the activity of the company.

### q. Activity under common control

Odfjell owns 49 % of the company Odfjell y Vapores SA. The activity is a joint venture and our share is included in the Group on a gross basis.

## 2 TIME-CHARTER COST(NOK 1 000):

Time-charter cost represent hire paid for time-charter vessels	ODFJELL GROUP		
	1998	1997	1996
National Chemical Carriers Ltd Co	602 412	633 117	560 110
Other TC-tonnage	483 546	290 910	255 406
<b>Total time-charter cost</b>	<b>1 085 958</b>	<b>924 027</b>	<b>815 516</b>

## 3 SALARIES, WAGES AND SOCIAL COST:

Salaries, wages and social and pension costs are included in operating and administration cost and amount to NOK 455.8 million in 1998, NOK 411.8 million in 1997 and NOK 356.9 million in 1996.

## 4 PAYMENT TO THE BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITOR (NOK 1 000):

	ODFJELL GROUP		
	1998	1997	1996
Board of Directors	1 033	963	812
Managing Director	1 396	1 852	1 523
Auditor, audit fee	751	770	622
Auditor, advisory services	305	327	98

## 5 OTHER INCOME AND OTHER COST:

Other income for the parent company represents management fees and rental income from real estate. For the Odfjell Group other income also includes external income from foreign subsidiaries. Other cost consist of the operating cost of the foreign subsidiaries.

## 6 CURRENCY GAINS (LOSSES) (NOK 1 000):

	ODFJELL ASA		ODFJELL GROUP		
	1998	1997	1998	1997	1996
Installments long term debt	29 070	( 1 575)	( 63 576)	( 9 896)	9 233
Forward exchange contracts	( 19 667)	( 4 083)	( 27 651)	( 33 112)	1 166
Long term accounts receivable and debt	( 13 278)	( 30 768)	( 74 774)	( 291 657)	( 44 511)
Cash and bank deposits	1 001	5 106	57 301	128 582	20 689
Other current assets and liabilities	284	( 1 256)	20 043	39 650	5 621
<b>Total currency gains (losses)</b>	<b>( 2 590)</b>	<b>( 32 576)</b>	<b>( 88 657)</b>	<b>( 166 433)</b>	<b>( 7 802)</b>

## 7 CASH AND BANK DEPOSITS:

Included in this item is NOK 8.7 million of withholding tax relating to employees.

## 8 SHARES (NOK 1 000):

Trading shares:	Share capital		Our ownership	Number of shares	Nominal value	Cost	Book value	
							1998	1997
Nomadic Shipping AS	-	-	-	-	-	-	-	4 200
Other trading shares	-	-	-	-	-	-	17	17
<b>Total trading shares</b>							<b>17</b>	<b>4 217</b>

### Shares in subsidiaries:

Odfjell Shipholding AS		3 200 000	95%	6 080 000		3 040 000	3 040 000	3 040 000	3 040 000
Odfjell Tankers AS		42 050	99%	41 429 760		41 430	153 392	153 392	153 392
Odfjell Tankers Komplementar ASA		1 000	100%	1 000		1 000	970	970	970
Odfjell Chartering AS		100	100%	100		100	567	567	567
Odfjell Insurance AS		50	100%	100		50	100	100	100
Odfjell Projects AS		100	100%	100		100	100	100	-
Odfjell Tankers Asia Pte Ltd, Singapore	SGD	41 500	100%	41 500 000	SGD	41 500	191 520	191 520	0
Odfjell Tankers (Singapore) Pte Ltd	SGD	100	100%	100 000	SGD	100	83	83	83
Odfjell Tankers (USA) Inc, Houston	USD	10	100%	1 000	USD	10	3	3	3
Chemical Tankers of America Inc, Houston	USD	1	100%	100	USD	1	1 816	1 816	1 816
Chemical Tankers (Delaware) Inc, Houston	USD	1	100%	10	USD	1	7	7	7
Odfjell Tankers (Netherlands) BV, Rotterdam	NLG	60	100%	60	NLG	60	6 581	6 581	6 581
Odfjell Tankers (Japan) Ltd, Tokyo	JPY	10 000	100%	200	JPY	10 000	489	489	489
Odfjell Tankers (Brazil) - Representacoes Ltda, Sao Paulo	BRC	2 600	100%	26 000	BRC	2 600	88	88	88
Odfjell & Vapores Ltd, Bermuda	USD	12	50%	60	USD	6	39	39	39
<b>Total shares in subsidiaries</b>							<b>3 395 755</b>	<b>3 395 755</b>	<b>3 204 135</b>

### Other shares:

Odfjell y Vapores, SA Chile	CLP	470 000	49%	490 000	CLP	230 300	3 792	3 792	-
Dalian Marine Tank Terminal Company Co Ltd, China	USD	14 000	44%	6 160 000	USD	6 160	39 524	39 524	39 524
V O Tank Terminal Ningbo Co Ltd, China	CNY	57 000	12,5 %	71 250	CNY	7 125	7 464	7 464	7 464
<b>Shares in other companies</b>							<b>50 780</b>	<b>50 780</b>	<b>46 988</b>

<b>Total</b>							<b>3 446 535</b>	<b>3 446 552</b>	<b>3 255 340</b>
Eliminated in the consolidated accounts								(3 395 755)	(3 204 135)
<b>Total Odfjell Group</b>								<b>50 797</b>	<b>51 205</b>

Wholly owned companies indirectly owned through subsidiaries: Odfjell Chemical Tankers AS, Slaney Shipping Company Ltd, Isle of Man, West Coast Maritime Ltd, Isle of Man, Andino Chemical Tankers Inc, Panama, Odfjell Tankers Guaranty Company, Houston and Odfjell Terminals (Baytank) Inc, Houston.

## 9 LONG TERM LOANS (NOK 1 000):

Loans to subsidiaries:	ODFJELL ASA			
			1998	1997
Odfjell Shipholding AS	USD	494 807	3 760 530	2 595 765
Odfjell Tankers Asia Pte Ltd, Singapore	SGD	19 349	89 354	-
Odfjell Terminals (Baytank) Inc, Houston	USD	36 868	280 198	272 161
Odfjell Tankers (Japan) Ltd, Tokyo	JPY	35 725	2 394	2 001
Odfjell & Vapores Ltd, Bermuda	USD	2 823	21 458	58 702
<b>Total loans to subsidiaries</b>			<b>4 153 934</b>	<b>2 928 629</b>

### Other long term loans:

Staff			2 315	1 391
Pension fund			16 008	24 310
Others			1 681	1 953
<b>Total other long term loans:</b>			<b>20 004</b>	<b>27 654</b>

Interest from inter-company loans amounted in 1998 to NOK 213 million.

## 10 FIXED ASSETS (NOK 1 000):

	Cost 01.01	Invested (sale) book value	Accumulated depreciation prior years	Depreciation this year	Book value 31.12.
<b>Odfjell ASA:</b>					
Vessels and newbuildings	88 863	( 88 863)	-	-	-
Office equipment and cars	15 429	7 292	( 5 206)	( 3 752)	13 763
Real estate	61 073	7 447	( 8 969)	( 1 264)	58 287
<b>Total Odfjell ASA</b>	<b>165 365</b>	<b>( 74 124)</b>	<b>( 14 175)</b>	<b>( 5 016)</b>	<b>72 050</b>
<b>Odfjell Group:</b>					
Vessels and newbuildings	6 321 490	1 326 089	(2 295 777)	( 282 878)	5 068 924
Periodical maintenance costs	168 902	132 262	-	( 135 321)	165 843
Goodwill	62 220	-	( 4 316)	( 8 010)	49 894
Tank terminal	1 011 470	108 263	( 384 240)	( 30 350)	705 143
Office equipment and cars	29 694	8 890	( 13 545)	( 5 615)	19 424
Real estate	71 033	8 777	( 12 582)	( 1 510)	65 718
<b>Total Odfjell Group</b>	<b>7 664 809</b>	<b>1 584 281</b>	<b>(2 710 460)</b>	<b>( 463 684)</b>	<b>6 074 946</b>

Depreciation periods:

Vessels 25 years, periodical maintenance cost 2.5 years, tank terminal 40 years, office equipment and cars 5-10 years, real estate 50 years and goodwill 5-10 years. A longer depreciation period for goodwill is based on an individual evaluation of the underlying activities.

## 11 INVESTMENT AND SALE OF FIXED ASSETS (NOK 1 000):

	1994		1995		1996		1997		1998	
	I	S	I	S	I	S	I	S	I	S
<b>Odfjell ASA :</b>										
Vessels and newbuildings	435 724	-	542 326	-	429 940	-	88 864	3 696 528	-	88 864
Office equipment and cars	622	-	4 074	1 161	2 209	-	5 246	449	7 767	430
Real estate	132	-	29 726	-	-	-	3 593	-	7 448	-
<b>Total Odfjell ASA</b>	<b>436 478</b>	<b>-</b>	<b>576 126</b>	<b>1 161</b>	<b>432 149</b>	<b>-</b>	<b>97 703</b>	<b>3 696 977</b>	<b>15 215</b>	<b>89 294</b>
<b>Odfjell Group:</b>										
Vessels and newbuildings	435 724	-	542 326	-	429 940	-	1 321 962	275 874	1 250 553	113 409
Periodical maintenance costs	-	-	-	-	-	-	168 902	-	130 436	-
Goodwill	-	-	-	-	-	-	62 220	-	-	-
Tank terminal	38 410	939	50 307	-	54 345	-	60 811	-	84 147	-
Office equipment and cars	1 808	30	4 432	1 165	3 660	144	10 406	533	9 028	430
Real estate	132	-	29 761	-	185	-	3 593	-	9 400	620
<b>Total Odfjell Group</b>	<b>476 074</b>	<b>969</b>	<b>626 826</b>	<b>1 165</b>	<b>488 130</b>	<b>144</b>	<b>1 627 894</b>	<b>276 407</b>	<b>1 483 564</b>	<b>114 459</b>

## 12 CONVERTIBLE LOAN :

The loan issued in May 1995 of NOK 25 million from the Board of Directors and management can be converted to shares per 30.04.99 and 28.04.00 at the rate of NOK 130 and NOK 135 per share respectively. The conversion rate will be adjusted for paid-out dividend and adjustments according to the guidelines by the Norwegian Society of Financial Analysts related to share issues, bonus issues, etc.

## 13 LONG TERM INTEREST-BEARING DEBT (NOK 1 000):

	ODFJELL ASA	ODFJELL GROUP
<b>Long term interest-bearing debt per 31.12.98</b>	<b>4 281 000</b>	<b>4 918 154</b>
Repayment schedule:		
1999	19 000	47 039
2000	44 000	72 039
2001 and following years	4 218 000	4 799 076

The average term of the company's long term interest-bearing debt is a little more than 6 years.

## 14 EXTRAORDINARY ITEMS:

In connection with changes in the accounting principles for treatment of dry-docking cost from a direct cost charging principle to a method of capitalisation and subsequent depreciation of such cost (see note 1d.), an extraordinary income in connection with the implementation of the new accounting principle arose. The implementation effect in 1997 amounts to NOK 122 million.

## 15 SHARE CAPITAL (NOK 1 000):

		ODFJELL ASA	
		1998	1997
A Shares	14 873 760 each NOK 10	148 738	148 738
B Shares	6 974 752 each NOK 10	69 747	69 747
<b>Total share capital</b>	<b>21 848 512 each NOK 10</b>	<b>218 485</b>	<b>218 485</b>

The B shares are identical to the A shares, except that the B shares do not carry voting rights.

## 16 CHANGES IN SHAREHOLDERS' EQUITY FUNDS (NOK 1 000):

		ODFJELL ASA	
		1998	1997
<b>Share capital</b>		<b>218 485</b>	<b>218 485</b>
Per 1 January		218 485	218 485
<b>Share capital per 31 December</b>		<b>218 485</b>	<b>218 485</b>
<b>Legal reserve</b>			
Per 1 January		380 032	193 650
Added (used) this year		-	186 382
<b>Legal reserve per 31 December</b>		<b>380 032</b>	<b>380 032</b>
<b>Distributable reserve (general reserve)</b>			
Per 1 January		2 739 845	1 869 661
Changed net profit (loss) for the year		( 95 998)	1 128 402
New tax system for shipping companies		-	( 258 218)
<b>Distributable reserve (general reserve) per 31 December</b>		<b>2 643 846</b>	<b>2 739 845</b>
<b>Total shareholders equity</b>		<b>3 242 363</b>	<b>3 338 362</b>

### New tax system for shipping companies

In connection with the new tax system for shipping companies in Norway, Odfjell established several new shipowning companies by the end of 1996. As a result of the transitional provisions a portion of the tax-related revenue for the Group was carried over to these new companies without accounting effect. The Norwegian tax authorities have noted that this would imply that revenues taxed within the new tax system were transferred to companies outside the new tax system. Consequently, we have in 1997 adjusted opening equity balances in the companies concerned to take account of this.

## 17 LIABILITIES SECURED BY MORTGAGES (NOK 1 000):

	ODFJELL ASA		ODFJELL GROUP		
	1998	1997	1998	1997	1996
Loans secured by mortgages	-	-	190 000	1 053 129	1 024 232
Other liabilities by mortgages	-	-	190 000	1 053 129	1 024 232
<b>Book value of liabilities by mortgages</b>	<b>-</b>	<b>-</b>	<b>258 051</b>	<b>1 411 912</b>	<b>1 266 948</b>

## 18 GUARANTEES (NOK 1 000):

	ODFJELL ASA		ODFJELL GROUP		
	1998	1997	1998	1997	1996
Odfjell Terminals (Baytank) Inc, Houston	448 875	437 040	-	-	-
Other subsidiaries	192 013	1 650	-	-	-
Uncalled committed capital in limited partnerships	-	-	-	-	47 802
Other guarantees	59 097	61 580	61 252	61 580	24 941
<b>Total guarantees</b>	<b>699 985</b>	<b>500 270</b>	<b>61 252</b>	<b>61 580</b>	<b>72 743</b>

## 19 TAXES (NOK 1 000):

Deferred taxes are calculated based on the temporary differences between book value and tax value including the tax loss carried forward (see specification below).

In note 20 the temporary differences and losses carried forward are specified as well as calculation of deferred taxes at the end of the financial year.

In accordance with the accounting standard for tax treatment, positive and negative temporary differences which are reversed or can

be reversed within a given period are eliminated and recorded at net value. Deferred tax is calculated based on the temporary differences and tax losses carried forward.

Below is a specification of the differences between the profit and loss statement before taxation and the basis for the tax calculation.

	ODFJELL ASA		ODFJELL GROUP		
	1998	1997	1998	1997	1996
<b>Basis for tax calculation:</b>					
Net result before taxation	( 8 541)	1 424 251	228 008	569 717	355 602
Permanent differences	2 160	(1 436 360)	2 160	359	( 2 085)
Contribution from subsidiaries	83	-	-	-	-
Changes in tax increasing temporary differences	8 955	90	6 603	90	1 461 816
Changes in tax reducing temporary differences	( 2 657)	-	( 2 657)	-	-
Reversal of prior years temporary differences					(1 473 706)
Income from shipping companies	-	-	( 234 114)	( 538 374)	( 290 617)
Financial income from shipping companies	-	-	10 118	-	-
<b>Basis for tax calculation</b>	<b>-</b>	<b>( 12 019)</b>	<b>10 118</b>	<b>31 792</b>	<b>51 010</b>
<b>Tax payable:</b>					
Norway	-	1 916	( 2 833)	1 476	( 1 960)
Abroad	-	-	( 5 822)	( 2 378)	( 2 623)
<b>Total tax payable</b>	<b>-</b>	<b>1 916</b>	<b>( 8 655)</b>	<b>( 902)</b>	<b>( 4 583)</b>
<b>Deferred tax:</b>					
Norway	( 147)	( 24 152)	( 147)	2 191	409 309
Abroad	-	-	( 394)	-	-
<b>Total deferred tax</b>	<b>( 147)</b>	<b>( 24 152)</b>	<b>( 541)</b>	<b>2 191</b>	<b>409 309</b>
<b>Tax</b>	<b>( 147)</b>	<b>( 22 236)</b>	<b>( 9 197)</b>	<b>1 289</b>	<b>404 726</b>

## 20 DEFERRED TAX LIABILITY (NOK 1 000):

	ODFJELL ASA		ODFJELL GROUP		
	1998	1997	1998	1997	1996
<b>Temporary differences:</b>					
Loss on bonds etc	-	-	-	-	( 1 035)
<b>Short term items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 1 035)</b>
Fixed assets	3 880	3 363	3 880	3 363	3 078
Other long term temporary differences	96 436	94 083	3 760	-	-
Accrued pension fund	18 265	27 738	18 265	27 738	21 048
<b>Long term items</b>	<b>118 581</b>	<b>125 184</b>	<b>25 905</b>	<b>31 101</b>	<b>24 126</b>
Loss carried forward for taxation purposes	( 8 707)	( 15 834)	( 8 707)	( 15 834)	-
<b>Basis for calculation of temporary differences and loss carried forward</b>	<b>109 874</b>	<b>109 350</b>	<b>17 198</b>	<b>15 267</b>	<b>23 091</b>
Tax rate	28%	28%	28%	28%	28%
<b>Deferred tax liability</b>	<b>30 765</b>	<b>30 618</b>	<b>4 816</b>	<b>4 275</b>	<b>6 466</b>

### Deferred tax related to the ship owning activity

Odfjell qualifies under the new tax scheme for Norwegian shipping companies with effect from 1 January 1996.

Given the below mentioned assumptions, the deferred tax is close to zero based on a net present value calculation:

- The company continuing under the new tax scheme.

- Payment of dividend being decided upon annually based upon Group results and taking the company's investment requirements and future prospects into consideration.

## 21 PENSION COST AND ACCRUED LIABILITY (NOK 1 000):

	ODFJELL ASA	
	1998	1997
<b>Pension cost</b>		
Present value current year service cost	8 926	8 311
Interest cost on pension liability prior to 1996	5 107	4 370
Return on pension plan assets	( 6 827)	( 6 318)
Implementation effect new pensioners	2 588	-
Amortization	183	205
<b>Net pension cost</b>	<b>9 977</b>	<b>6 568</b>
Payroll tax	1 407	926
<b>Periodic pension cost</b>	<b>11 384</b>	<b>7 494</b>

### Accrued pension liability:

Estimated present value of benefit obligation	( 96 987)	( 83 725)
Estimated value of pension premium fund	103 025	97 753
Unrecognized gain (loss)	9 970	10 281
<b>Estimated pension funds (liability)</b>	<b>16 008</b>	<b>24 309</b>
Estimated employers social cost	2 257	3 428

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

Discount rate	6,00%	6.00%
Expected return on assets	7,00%	7.00%
Inflation	2.50%	2.50%
Adjustment of wages	2.50%	2.50%
Pension indexation	2.50%	2.50%

Pension cost has been calculated on the basis of the actuarial standard and according to generally accepted accounting principles in Norway.

As of 31 December 1998 the pension plan include 680 persons.

## 22 USD EXPOSURE FOR BANK DEPOSITS, ACCOUNTS RECEIVABLE AND DEBT (NOK 1 000):

	ODFJELL GROUP				
		1998	1997	1996	
<b>Receivables:</b>					
Cash and bank deposits	USD	148 817	1 131 009	1 412 259	1 054 338
Bonds etc	USD	52 882	401 907	117 237	194 662
Short term accounts receivable	USD	38 050	289 180	249 198	156 713
Other long term accounts receivable	USD	13 252	100 715	70 629	16 430
<b>Total accounts receivable</b>	<b>USD</b>	<b>253 001</b>	<b>1 922 811</b>	<b>1 849 322</b>	<b>1 422 143</b>
<b>Liabilities:</b>					
Employee taxes etc	USD	( 1 953)	( 14 843)	( 18 524)	( 18 143)
Other short term liabilities	USD	( 31 348)	( 238 244)	( 191 701)	( 196 988)
Long term debt	USD	( 638 563)	(4 853 079)	(3 935 022)	(2 824 050)
<b>Total liabilities</b>	<b>USD</b>	<b>( 671 864)</b>	<b>(5 106 166)</b>	<b>(4 145 247)</b>	<b>(3 039 181)</b>
<b>Net liabilities</b>	<b>USD</b>	<b>( 418 863)</b>	<b>(3 183 355)</b>	<b>(2 295 925)</b>	<b>(1 617 038)</b>

## 23 OFF BALANCE SHEET ITEMS:

The company makes use of various financial instruments and derivatives to reduce its foreign currency exposure, interest rate risk on its long term debt, and bunkers risk.

### Foreign currency instruments/derivatives

Portfolio per 31 December 1998:

<i>USD against NOK</i>	1999	1999	2000	2000
<b>Hedging instruments</b>	<b>USD million</b>	<b>Rate</b>	<b>USD million</b>	<b>Rate</b>
Forward	100	7.58	150	8.31
Put options purchased	65	7.26	15	7.52
Call options written	130	7.80	30	8.13

### *USD against other currencies:*

The company also had forward contracts for sale of USD 7.5 million against DEM, NLG, ESP and SGD, maturing in 1999.

### Interest Rate Agreements/derivatives

Portfolio per 31 December 1998:

<b>Hedging instruments</b>	<b>USD million</b>	<b>Interest rate</b>	<b>Expiry</b>
F.R.A. - fixed rate payer	50	5.50	1999
I.R.S. - fixed rate payer	50	6.61	2007
I.R.S. - fixed rate payer	25	6.31	2008

### Bunker fuel instruments/derivatives

Portfolio per 31 December 1998:

<b>Hedging instruments</b>	<b>Period</b>	<b>Volume (mt)</b>	<b>USD Price</b>
Swap - fixed price payer	1Q 99	90 000	62.63
Swap - fixed price payer	2Q 99	45 000	61.50
Swap - fixed price payer	3Q 99	45 000	63.50

## 24 REVOLVING CREDIT FACILITY:

Availability under revolving credit facilities amounts to USD 40 million per 31.12.98.

## 25 RELATED PARTIES:

Odfjell ASA, together with a company controlled by the Chairman of the Board, shares office space in Sao Paulo, Brazil. The Chairman's family also has equity interest in companies in South America which act as ship agents for Odfjell ASA, being one among several costumers. Services are priced at market terms.

To the Shareholders Meeting of  
Odfjell ASA

Ansvarlige partnere i Bergen:  
Tage Dalsgaard, Torbjørn Fylling, Erlend Gjovdal, John W. Holm, Arne K. Jusby, Odd Monsen, Karl Erik Svanevik.  
Medlemmer av Utdannings- og Kvalifikasjonsrådet

Arbeidsnivå: Egen Omstilling  
Medlem av Det Norske Akkreditningsråd (NNA)

## AUDITOR'S REPORT FOR 1998

We have audited the annual financial statements of Odfjell ASA for 1998, showing a net loss for the year of NOK 8 688 000 for the parent company and a consolidated net income for the year of NOK 218 812 000. The annual financial statements, which comprise the Board of Directors' report, the profit and loss account, the balance sheet, cash flow statement, notes to the accounts and consolidated accounts, are presented by the company's Board of Directors and its Managing Director.

Our responsibility is to examine the company's annual financial statements, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and Norwegian generally accepted auditing standards. We have performed those audit procedures which we have considered necessary to confirm that the annual financial statements are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management and the content and presentation of the annual financial statements. To the extent required by Norwegian generally accepted auditing standards, we have reviewed the company's internal control and the management of its financial affairs.

The Board of Director's proposal for the settlement of the loss and equity transfers for the year is in accordance with the requirements of the Norwegian Public Limited Companies Act.

In our opinion, the annual financial statements have been prepared in accordance with the requirements of the Norwegian Companies Act and present fairly the financial position of the company and group as of Desember 31st 1998 and the result of its operations for the financial year, in conformity with Norwegian generally accepted accounting principles.

Bergen, March 17th 1999  
**ERNST & YOUNG AS**

Karl Erik Svanevik  
State Authorized Public Accountant (Norway)

Note: The translation into English has been prepared for purpose of information only.

# ANALYTICAL INFORMATION

## Freight rates

Odfjell's earnings are affected by changes in freight rates. A change of USD 1 000 per day for our deep-sea fleet and USD 500 per day for our regional fleet will impact on bottom-line profit with approximately NOK 115 million over the year as a whole.

## Exchange rates

All group revenues are denominated in US dollars, as are ship values. As such, Odfjell has a policy of maintaining the US dollar as its principal currency and of reducing its exposure to all other currencies. The various items in the profit and loss account are affected by changes in the USD/NOK exchange rate. For example, a NOK 0.10 rise in the average exchange rate will increase profit before tax and any hedging positions by around NOK 15 million over the year as a whole.

On the other hand, a stronger dollar rate translates into currency losses on USD-denominated loans and currency gains on current assets. Given the company's net debt position, this has a negative overall impact on the accounts. However, a stronger dollar has a positive impact both on bottom-line profit and equity.

## Interest

The group's long-term debt is denominated in USD, with the largest portion based on short-term floating interest rates. Cash and marketable securities are denominated in USD. Assuming a constant level of debt (and excluding any hedging positions), a 1% change in floating interest rates will have a NOK 29 million impact over the year.

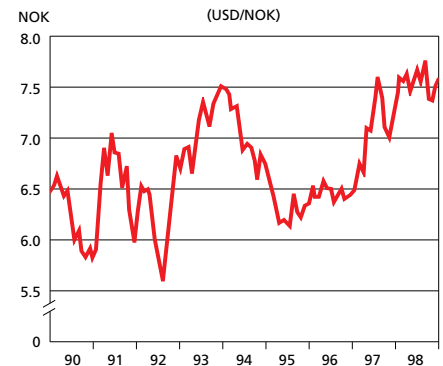
## Bunkers

Bunkering costs accounted for just over 30% of voyage costs in 1998. An increase or decrease in average bunker prices of USD 10 per ton per year will result in a NOK 26 million increase or reduction in voyage costs for those vessels in which Odfjell has a direct economic interest.

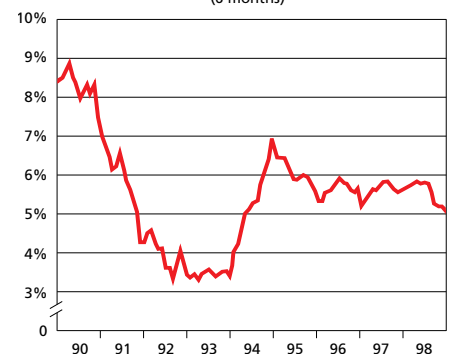
## Financing

The company has a stable long-term debt structure. The lending institutions are recognised Norwegian and international shipping banks with whom we enjoy long-term relationships. Financing, which also covers our newbuilding programme, is generally provided on an unsecured basis and on favourable terms. The average term of the company's loans is six years.

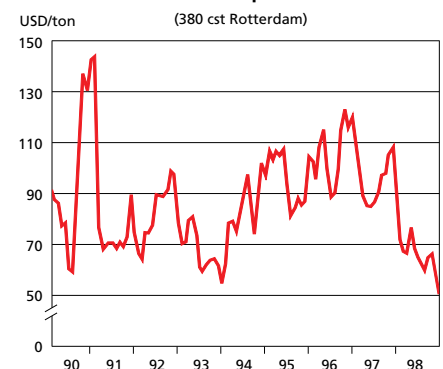
Exchange rate  
(USD/NOK)



USD LIBOR  
(6 months)



Bunker prices  
(380 cst Rotterdam)



ANNUAL ACCOUNTS  
ANALYSIS  
BUSINESS AREAS  
MANAGEMENT AND OPERATIONS  
GENERAL

A provider of reliable transportation services for the chemical industry needs thorough knowledge of numerous products. On a yearly basis nearly 400 different chemicals and liquids are transported, stored, and distributed by Odfjell.

# SHAREHOLDER INFORMATION

## Shareholder policy

Odfjell's stated aim is to provide a competitive long-term return for its shareholders. The company emphasises a shareholder-friendly dividend policy based on its financial performance, current capital expenditure programmes and tax matters. However, the increase in share price over time will likely account for most of the return on shareholders' investments in the company.

## Share performance

The Odfjell A-shares were trading at NOK 58 at the 1998 year-end, which represented a 55% reduction from NOK 129 a year earlier. B-shares were trading at NOK 62 at the year-end, a reduction of 50.4% from NOK 125 a year earlier. By way of comparison, the Oslo Stock Exchange shipping index fell by 45.5% during the year.

The A-shares peaked at NOK 127.50 and fell to NOK 53 at its lowest point during the year. Corresponding figures for the B-shares were NOK 127 and NOK 52.

## Trading volumes

A total of 15 177 437 Odfjell shares were traded during the year, spread over 12 487 012 A-shares and 2 690 425

B-shares and representing a 33% increase on 1997. The A-shares were traded on the Oslo Stock Exchange on 225 out of 251 trading days during the year. In addition to being listed on the Oslo Stock Exchange, Odfjell's shares traded on SEAQ International, a trading system for foreign shares on the London Stock Exchange. The ADR programme set up in the USA in 1994 enables Odfjell B-shares to be traded in USD.

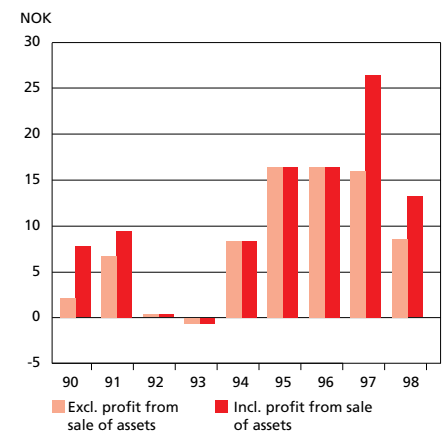
## Shareholders

At the end of 1998 there were 1 392 holders of Odfjell A-shares and 647 holders of Odfjell B-shares. Taking account of shareholders owning both categories, the total number of shareholders was 1 638. At year-end B D Odfjell jr and family directly or indirectly owned 35.1% of the company's share capital.

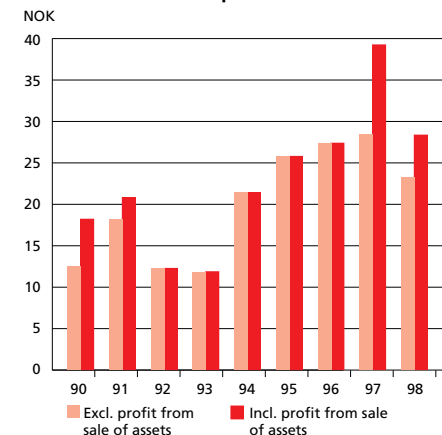
## Foreign ownership

15.5% of the company's A-shares and 26% of its B-shares were held by foreign investors at year-end, equivalent to 18.8% of total share capital, up from 16% at the 1997 year-end. Foreign companies controlled by B D Odfjell jr and family are not included as foreign shareholders in the afore mentioned figures.

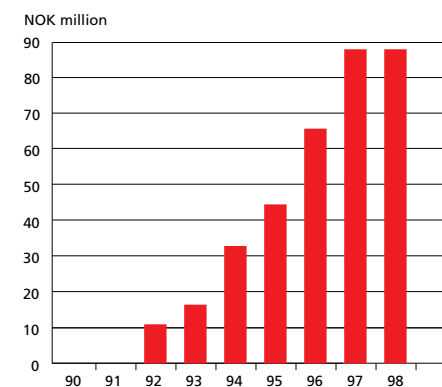
## Earnings per share



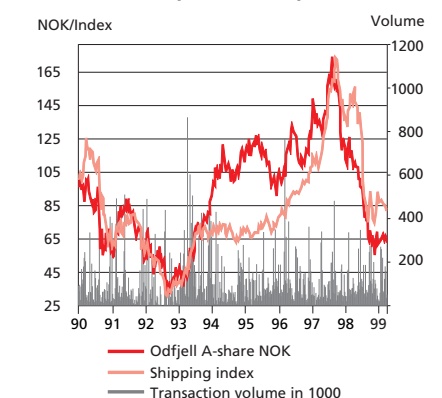
## Cash flow per share



## Dividend



## Share price development



## The 20 largest shareholders as per 31 December 1998

NAME	A-SHARES	B-SHARES	TOTAL	PERCENT OF VOTES	PERCENT OF SHARES
1 B D Odfjell jr and family	7 402 591	275 294	7 677 885	49.77%	35.14%
2 Odin-fondene	793 335	1 391 191	2 184 526	5.33%	10.00%
3 Storebrand	500 304	843 600	1 343 904	3.36%	6.15%
4 Folketrygdfondet	533 600	513 500	1 047 100	3.59%	4.79%
5 Chase Manhattan Bank	551 670	455 400	1 007 070	3.71%	4.61%
6 Kommunal Landspensjonskasse	464 650	315 700	780 350	3.12%	3.57%
7 Avanse-fondene	219 100	451 800	670 900	1.47%	3.07%
8 Svenska Handelsbanken	223 300	240 600	463 900	1.50%	2.12%
9 Odfjell Shipping (Bermuda) Ltd	100 019	322 700	422 719	0.67%	1.93%
10 Norsk Hydros Pensjonskasse	0	418 800	418 800	0.00%	1.92%
11 ABN AMRO Bank	203 800	198 400	402 200	1.37%	1.84%
12 Ingeborg Berger	96 620	153 770	250 390	0.65%	1.15%
13 Mathilda A/S	135 801	77 568	213 369	0.91%	0.98%
14 Bank Leu	108 400	90 000	198 400	0.73%	0.91%
15 DnB Investor	173 233	21 300	194 533	1.16%	0.89%
16 Morgan Stanley Trust Co	169 564	10 190	179 754	1.14%	0.82%
17 The Northern Trust Co	169 974	8 800	178 774	1.14%	0.82%
18 Storebrand Spar	117 450	53 400	170 850	0.79%	0.78%
19 Leif Høegh & Co Shipping	120 400	45 000	165 400	0.81%	0.76%
20 Vital Forsikring	126 490	18 320	144 810	0.85%	0.66%
<b>Total 20 largest shareholders</b>	<b>12 210 301</b>	<b>5 905 333</b>	<b>18 115 634</b>	<b>82.09%</b>	<b>82.91%</b>
Other shareholders	2 663 459	1 069 419	3 732 878	17.91%	17.09%
<b>Total</b>	<b>14 873 760</b>	<b>6 974 752</b>	<b>21 848 512</b>	<b>100.00%</b>	<b>100.00%</b>

Foreign shareholders 2 298 054 1 812 846 4 110 900 15.45% 18.82%

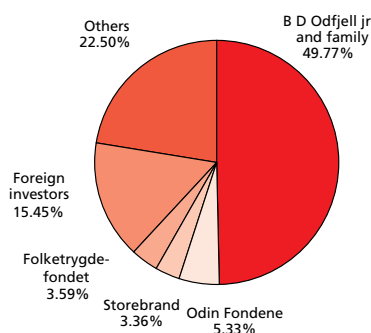
## SHAREHOLDER DISTRIBUTION

NUMBER OF SHARES	SHAREHOLDERS		SHARES	
	NUMBER	PERCENT	NUMBER	PERCENT
<b>A-SHARES</b>				
1 - 1 000	1 050	75.4%	339 673	2.3%
1 001 - 5 000	221	15.9%	546 284	3.7%
5 001 - 50 000	91	6.5%	1 521 393	10.2%
50 001 - 100 000	12	0.9%	922 926	6.2%
100 001 -	18	1.3%	11 543 484	77.6%
<b>Total</b>	<b>1 392</b>	<b>100.0%</b>	<b>14 873 760</b>	<b>100.0%</b>
<b>B-SHARES</b>				
1 - 1 000	513	79.3%	118 237	1.7%
1 001 - 5 000	66	10.2%	160 435	2.3%
5 001 - 50 000	47	7.3%	818 507	11.7%
50 001 - 100 000	6	0.9%	425 218	6.1%
100 001 -	15	2.3%	5 452 355	78.2%
<b>Total</b>	<b>647</b>	<b>100.0%</b>	<b>6 974 752</b>	<b>100.0%</b>

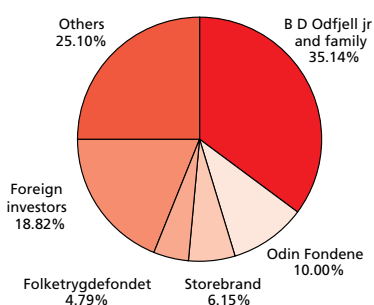
## SHARE CAPITAL HISTORY

YEAR	EVENT	AMOUNT NOK	SHARE CAPITAL AFTEREVENT, NOK
1916	Established	517 500	517 500
1969	Capitalisation bonus issue	382 500	900 000
1969	Merger with A/S Oljetransport	900 000	1 800 000
1981	Capitalisation bonus issue	1 800 000	3 600 000
1984	Capitalisation bonus issue	3 600 000	7 200 000
1985	Merger with Skibsaksjeselskapet Selje	3 320 000	10 520 000
1985	Merger with Odfjell Tankers & Terminals A/S	2 000 000	12 520 000
1985	Capitalisation bonus issue	6 260 000	18 780 000
1985	Public offering	9 390 000	28 170 000
1986	Capitalisation bonus issue	2 817 000	30 987 000
1988	Capitalisation bonus issue	6 197 400	37 184 400
1989	Capitalisation bonus issue	7 436 880	44 621 280
1989	International private placement	10 000 000	54 621 280
1990	Capitalisation bonus issue	54 621 280	109 242 560
1994	Capitalisation bonus issue	109 242 560	218 485 120

**Shareholder structure A-shares**  
(Per 31.12.98)



**Shareholder structure A+B shares**  
(Per 31.12.98)



## Own shares

An extraordinary general meeting on 8 February 1999 authorised the board of directors to acquire up to 10% of the company's share capital at a minimum price of NOK 10 (ie par value) and a maximum price of NOK 300 per share. This authorisation expires on 30 June 2000.

## Investor relations

Odfjell attaches great importance to ensuring that shareholders receive swift, relevant and objective information about the company. The aim is to provide shareholders with a good understanding of the company's activities and prospects so that they are in the best possible position to assess the share's trading price and underlying values. Information is primarily distributed through quarterly interim reports, the annual report and various presentations in Norway and abroad. All reports and press releases, together with a detailed description of

the company and its activities, are available on Odfjell's website at: <http://www.odfjell.no>

The financial calendar for 1999 is outlined on page 2.

## RISK adjustments

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

1 January 1999	minus	NOK 4.00 per share
1 January 1998	minus	NOK 4.00 per share
1 January 1997	minus	NOK 3.00 per share
1 January 1996	minus	NOK 2.00 per share
1 January 1995	minus	NOK 1.50 per share
1 January 1994	minus	NOK 1.25 per share
1 January 1993		NOK 0.00 per share

In accordance with the Norwegian tax reform which came into force on 1 January 1992, the price paid for shares acquired prior to 1 January 1989 may be adjusted upwards to NOK 61.64 for A-shares and NOK 59.45 for B-shares.

# THE CHEMICAL MARKET

**Petrochemicals have become a part of modern day life, and in many ways we are now dependent on such products. The petrochemicals sector has seen 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 also account for major increases in consumption.**

Historically, the production of petrochemical products has been based in the USA and Europe. However, production capacity has been growing in the Far East, South America, South Africa and particularly the Arabian Gulf where Saudi Arabia plays a leading role. These areas tend to produce commodity type chemicals, whilst the production of specialist petrochemicals is generally concentrated in highly industrialised countries.

The industry originated in areas which had the natural resources needed to produce petrochemicals. Also today most of the industry is located in such places. Historically, much of the petrochemical production has been coal-based. Naphtha is another raw material that is widely used, particularly in the Far East. Nevertheless, the most

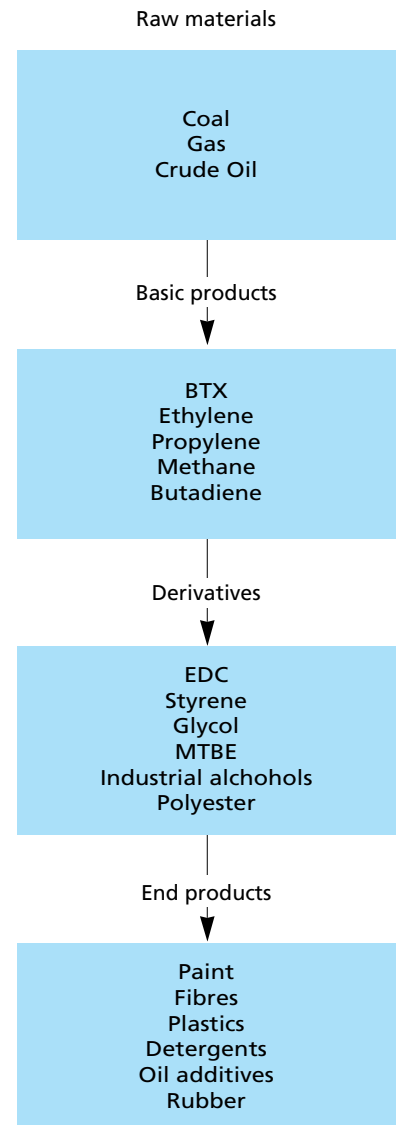
commonly used and most competitive raw materials are derived from natural gas. These days most new plants are built in areas where natural gas is readily available, which is why we are seeing major increases in production capacity around the Arabian Gulf.

North America, Europe and Japan are the main petrochemicals markets and these mature economies are the driving force behind the consumption of chemicals. The Far East is one of the areas where growth has been higher than average over the last few years, with annual growth figures in this sector of between 12% and 16%. However, the recent economic downturn in this region has led to excess capacity and downward pressure on prices, a situation which is expected to continue as more production facilities come on stream.

The petrochemical business is truly international; with production worldwide, global consumption, and new emerging markets. The last few years have seen the main producers globalising their operations to ensure that they benefit from the most optimal and financially viable supply chain. While there may have been room in the past for many players and logistical inefficiencies, these days the industry is moving rapidly towards optimisation through a sharper focus on costs and operational efficiency. We are now seeing the concentration of larger and global players and the marginalisation of companies that do not add value for their contractual partners.

As a result, the petrochemical industry is looking for service partners with the ability to provide a wide range of logistics solutions to carry chemical products from production facilities to end-customers. Today, a true logistics partner must be global both in its operations and the range of services it provides, and Odfjell is more than qualified for the job.

## ORGANIC CHEMICALS



ANNUAL ACCOUNTS  
ANALYSIS  
BUSINESS AREAS  
MANAGEMENT AND OPERATIONS  
GENERAL



Odfjell offers a complete range of transportation services of chemicals and liquids. The company handles products ranging from the finest wines and spirits to corrosive acids, and from vegetable oils to general commodity-type petrochemicals.

# GLOBAL TRADE-LANES

Odfjell provides the petrochemical industry with a worldwide network of shipping services and transports chemicals on a global basis. The services are marketed through Odfjell Tankers. Operating through offices at 14 central locations around the world, the company commands a market share of around 18% in the 10 000 to 40 000 dwt chemical tanker segment. The head office for commercial and operational activities are based in Bergen, Norway. Global trade-lanes, or so-called deep-sea trade, are intercontinental routes (eg between the USA and the Far East) and around the world routes.

A chemical tanker has to accommodate the different needs and requirements for the particular trade the ship is intended for. These requirements are related to the various segments of chemicals and liquids as well as sailing patterns. Vessels within global trade-lanes can thus roughly be classified as follows:

1. Vessels with 20-30 coated tanks
2. Vessels with 30-40 stainless steel and coated tanks
3. Vessels with 40-50 stainless steel tanks

The vessels in the first category are frequently referred to as swing tonnage as they carry clean petroleum products, vegetable oils, caustic soda or commodity-type chemicals. This type of tonnage generally carries commodity-type chemicals out of the US Gulf and the Arabian Gulf to the Far East. Return cargoes tend to be vegetable oils and clean petroleum products. This type of tonnage will shift away from the petrochemical market when demand for the transportation of clean petroleum products is strong, which has a positive impact on freight rates for chemical tankers.

The vessels in the second category carry products requiring more sophisticated

handling in stainless steel or coated tanks. These products are normally shipped in smaller quantities and may need tanks that can handle corrosive substances or possess other special features. These vessels can also carry full cargoes of phosphoric or sulphuric acid used in the fertiliser and mining industries.

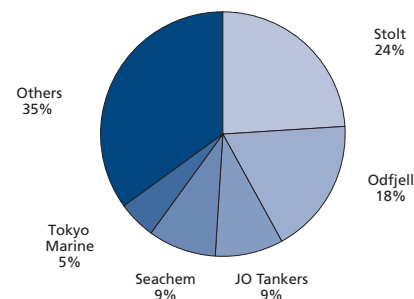
The vessels in the third category can handle the most sophisticated chemicals, and are designed to accommodate the needs for the transport of small consignments and at high frequencies. The cargo in this category not only require stainless steel stowage, but may also have special handling requirements in terms of temperature during loading and unloading and while in transit. Odfjell has increasingly invested in this latter type of vessels.



A global and long-term operator needs access to an efficient mix of vessels if it is to meet current and changing market requirements. The more sophisticated and expensive the vessels are, the more important it is to secure a high degree of utilisation to ensure a reasonable time-charter return.

Odfjell's strategy involves adopting a proactive approach to consolidating loading and unloading operations. Investing in and operating regional trade-lanes and tank terminals play an

**The chemical tanker market**  
(Vessels over 10 000 dwt, total approximately 8.5 million dwt)



important role in this respect. Odfjell Terminals (Baytank) in Houston plays a key role in our strategy of ensuring that time in port in the US Gulf is spent more efficiently. Using Odfjell Terminals in Houston as the hub for our regional trade-lanes in the US Gulf area, the Caribbean and Central America also improves the efficiency of our global services to and from this area. Similarly, our strategy in the Far East is to improve our efficiency by using our own transshipment tonnage in the region and consolidating at terminals where Odfjell is a partner.

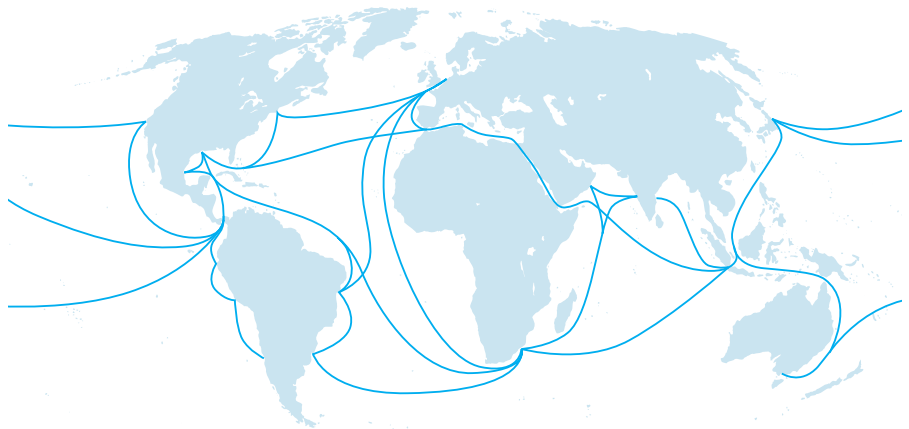
Several years of cooperation with tank terminals associated with the group has enabled Odfjell to improve its consolidation and efficiency in South America. In a move to obtain similar results at other ports around the world, Odfjell is looking to cooperate with terminals where we can best achieve our long-term goals.

Odfjell has adopted a proactive approach to developing and setting technical standards for chemical tankers. Over the years the company has worked closely with national and international regulatory bodies and organisations to improve safety and quality standards in the industry. Odfjell's stated aim is to provide its customers with a global service through a fleet that meets or exceeds customers' requirements for technical and operational quality and efficiency.

Odfjell carries around 400 different generic products every year, ranging from the finest wines and spirits to corrosive acids, and from vegetable oils to general commodity-type petrochemicals such as MTBE. Frequent sailings to all the main destinations used by the industry mean that the chemical parcel tankers offer a unique and flexible service whereby customers can choose between small shipments of 100-150 tons and full cargoes of around 40 000 tons. The combination of so-called contract of affreightments and spot cargoes enables customers to plan their shipments either to meet required delivery schedules or to take advantage of sudden price changes in the market.

Over the last four years Odfjell has taken delivery of 11 new state-of-the-art 37 500 dwt chemical tankers, with two new vessels still to come. These new-buildings are part of the company's policy of investing in highly sophisticated tonnage.

Odfjell offers a worldwide shipping service with frequent sailings on all main trading routes. The main routes run from the USA to Europe, the Far East, South America, and to the Indian subcontinent/Middle East via South Africa. Similarly, trade routes originating in the Arabian Gulf, with shipments to Europe, the USA and the Far East are also important. The main trade routes of the Odfjell fleet are illustrated by the below world map.



# REGIONAL TRADE-LANES

In addition to intercontinental trade routes, there are also large volumes of what is known as short-sea trading in which vessels up to 10 000 dwt normally are employed. Most short-sea trade is based around Northwest Europe, the Mediterranean, the Caribbean, the US Gulf, Central America and the Far East.

Short-sea tankers are designed in much the same way as deep-sea tankers, normally comprising up to about 30 tanks, some of which are stainless steel while others are coated. Vessels that handle more sophisticated products have generally all tanks made of stainless steel. The vessels generally trade on very short hauls, ranging from less than a day to five or six days. Most of this trade involves distributing products from local production sites to surrounding markets. Short-sea vessels also perform transshipment services for deep-sea vessels when it is more efficient to tranship cargoes or ports cannot be accessed due to physical limitations.

Odfjell views its short-sea vessel operations mainly as a means of consolidating loading and unloading operations and of limiting the amount of time spent in port by the deep-sea fleet. Regional trade is gaining in importance for Odfjell, and the company has established a presence in the Caribbean



and Central America and is in the process of building up a regional operation in the Far East.

## US Gulf/Caribbean/Central America

The US Gulf/Caribbean/Central American service operates out of Houston through Andino Chemical Tankers (ACT), a wholly owned subsidiary of Odfjell. The fleet consists of six vessels ranging from 6 000 dwt to 9 500 dwt. Our shipping service in the region calls at most countries around the US Gulf/Caribbean as well as the countries along the west coast of South America. There are obvious synergies between ACT's operations and Odfjell's other operations. Odfjell Terminals (Baytank) in Houston is the US Gulf hub for consolidating loads for the vessels in the company's global trade-lanes as well as for vessels in ACT's regional operations. Furthermore, our regional service puts Odfjell and the associated terminals in South America in an even stronger position.



## The Far East

The Far East service operates out of Singapore through Odfjell Tankers Asia. The fleet currently consists of three vessels ranging from 6 000 dwt to 10 000 dwt. In 1999 another three 6 000 dwt newbuildings will join the fleet. All vessels are designed to handle sophisticated chemicals and all are equipped with stainless steel tanks only. In addition to providing a transshipment service for the deep-sea chemical tankers in our global trade-lanes, the service also serves the growing petrochemical trade in the Far East. Rationalisation and cargo consolidation are becoming increasingly important in this area as several new ports with bulk liquid handling facilities are coming on stream in the coming years. The combination of our transportation and terminal operations in the region means that there are interesting opportunities to expand our services in a market with long-term growth potential.



ANNUAL ACCOUNTS  
ANALYSIS  
BUSINESS AREAS  
MANAGEMENT AND OPERATIONS  
GENERAL

# TANK CONTAINERS

**Hoyer-Odfjell BV, our new joint-venture company, reflects a greater commitment to our core business area of chemical transportation services. Together with our partner, Hoyer GmbH of Hamburg, Germany, we have set up a new and dynamic company which will focus on transporting chemicals and liquids in tank containers on a global basis. The company's objective is to make inroads into the rapidly growing market for this type of transportation, and Hoyer-Odfjell will ensure that we can offer fully integrated and cost-effective transportation services.**

While Hoyer-Odfjell's new headquarters is based in Rotterdam in the Netherlands, the company has already established a global network of marketing offices (in Houston, São Paulo, Jebel Ali and Shanghai) and agents. Hoyer-Odfjell currently operates about 2 600 tank containers, giving it a share of about 6% of the intercontinental market. The company also has a cleaning station and depot in Houston.

The market for tank containers currently comprises leasing companies and a range of small operators. Around 130 000 tank containers are in operation worldwide, 40 000-50 000 of which are deployed on intercontinental routes. Growth has averaged around 10% per annum since 1990 in terms of new containers. Demand for tank containers is driven not only by

an increasing need for transportation in general, but also by the need for efficient transportation and distribution solutions. As such, tank containers are increasingly being used for the transportation of chemicals and liquids instead of traditional barrels, but do not really compete with chemical tankers.



The tank container industry originated in Europe and intra-European trade is still the largest market. Elsewhere, transportation between Europe and the USA is the most important market, with 50-60% of deep-sea containers deployed in trade between these continents. The growth potential for such transport services is considered to be substantial in Asia, Central America, the Middle East and India. Production capacity is gradually being expanded in these areas and the growing need to transport small quantities can only benefit tank containers. Trade to and from Europe/the USA is also expected to increase, as is regional trade in these areas.

Hoyer-Odfjell's strength lies in its high standards and its ability to offer a one-stop transportation solution through its cooperation with the Odfjell group. The company is working with a Total Quality Management system and has been certified under ISO 9002 from its first day of operation on 1 January 1999. The experience and in-depth knowledge of the market of the parent companies are also an asset for Hoyer-Odfjell. It will benefit from Hoyer's expertise in operating and managing tank containers and Odfjell's global network of marketing offices and tank terminals.



# TANK TERMINALS

As an important part of the supply chain, tank terminals for chemicals provide a link between land-based and ocean transportation. As such, terminals are a natural extension of traditional shipping services. A tank terminal receives, stores and distributes various organic and inorganic chemicals, vegetable oils, alcoholic beverages, molasses and lubricating oils. Goods normally enter and leave terminals by ship, barge, rail, truck and tank container.

In addition to providing general terminal services, Odfjell Terminals plays an important role in our cargo consolidation programme to reduce the time our ships spend in port. Our investment in terminals is thus guided by the potential for realising synergies between Odfjell's shipping and storage operations, and by our aim of offering a complete logistical package to our customers. Newly industrialised countries with inadequate infrastructure also provide opportunities to invest in new terminals which, in turn, will have an impact on the volume of chemicals shipped in bulk.

## Odfjell Terminals (Baytank) - Houston, USA

Baytank is strategically located at the entrance of the Houston ship channel, one of the major international hubs for the production and export of chemicals. Servicing ships, barges, rail wagons, trucks and tank containers, the Baytank terminal was built by Odfjell in 1983 and has gradually been expanded ever since. It is a state-of-the-art terminal designed to comply with the highest standards for safety, quality and flexibility. Baytank is unique in many ways, including now operating pressurised tanks and advanced vapour return systems.

The terminal currently comprises 78 tanks ranging from 350 m<sup>3</sup> to 9 000 m<sup>3</sup> and has a total capacity of 230 000 m<sup>3</sup>. 60 tanks are constructed from mild steel or have epoxy/zinc coatings, with the remaining 18 constructed from stainless steel, giving a total stainless steel capacity of 45 000 m<sup>3</sup>. As such, Baytank has the largest stainless steel storage capacity of any privately owned terminal in the world. The terminal's unused land and existing infrastructure both provide good opportunities for further expansion, with potential storage capacity of around 350 000 m<sup>3</sup> in the existing area. The next

ANNUAL ACCOUNTS  
ANALYSIS  
BUSINESS AREAS  
MANAGEMENT AND  
OPERATIONS  
GENERAL



expansion phase, expected to be completed by the summer of the year 2000, will see the construction of ten new stainless steel tanks with a total capacity of 22 500 m<sup>3</sup>.

Baytank is the hub for Odfjell's global and regional trade-lanes to and from the US Gulf. The realisation of synergies has been prioritised and the company's joint transportation and terminal contracts have helped in this respect. The benefits of such services to our customers as well as to our own overall efficiency are many, and we will continue our joint marketing efforts and operations in the years to come.

Baytank has worked with its own Total Quality Management system since 1992 and was ISO 9002 certified in 1995. Odfjell's policy is to give top priority to safety and the environment. Baytank was the first US terminal to become a Responsible Care® partner in 1998. Responsible Care® is a trademark in the US petrochemical industry awarded by the Chemical Manufacturers Association to companies which demonstrate a commitment to safety and the environment over and above current regulations.

#### **DMTTC - Dalian, China**

Dalian Marine Tank Terminal Co Ltd was set up in 1998 and is a milestone that highlights Odfjell's commitment to China. The Chinese authorities have selected Dalian as one of four main ports to benefit from considerable investment in infrastructure and, as such, the port is set to become a centre for the distribution of chemicals to the northern and central provinces, as well as an important point of transit for the growing inter-regional trade in the Far East. Dalian is also expected to become an important harbour for consolidating our shipping operations in the region.

Following the first phase of construction, which complied with stringent quality and environmental requirements, the terminal has 35 tanks with a capacity of 60 000 m<sup>3</sup>. With a 44% stake, Odfjell is the main shareholder and is also responsible for management, operations and commercial activities at the terminal. Dalian Port Authority, Mitsui & Co Ltd and Van Ommeren NV are the other shareholders in the company.

#### **VOTTN - Ningbo, China**

This tank terminal started operations in 1994 and has managed to establish itself as a terminal with high standards. Located close to Shanghai, Ningbo is a key port for importing chemicals to the central east coast of China. The terminal services vessels, barges, rail wagons and trucks and currently has a capacity of 65 000 m<sup>3</sup>. Odfjell has a 12.5% stake in the terminal, with the other partners being Van Ommeren NV, Helm AG and local partners.

#### **VOPAK - Zhuhai, China**

Odfjell is one of the partners (5% stake) in a major new tank terminal planned for construction in Zhuhai, with the other partners being Royal Pakhoed, Van Ommeren NV and the local port authority. Sited on the Pearl River Delta not far from Hong Kong and Guangzhou, Zhuhai is strategically located to serve southern China. The first phase of construction is planned with 60 000 m<sup>3</sup> of storage capacity for chemicals, as well as substantial capacity for LPG and petroleum products. The necessary permits have been obtained, and pending the outcome of a market study the terminal will be constructed.

#### **Associated terminals - South America**

The Odfjell group has for many years worked closely with terminals in South America, owned privately by the Odfjell family. Six chemical terminals spread across Brazil, Argentina and Chile have a 35% share of the chemical storage market in South America. Where possible and practicable, shipping and storage solutions are marketed jointly, ensuring that we create a package that is as comprehensive as possible for our customers. The three Brazilian terminals are located in Santos, Rio Grande and São Luís, while the well-established Buenos Aires terminal in Argentina has recently been joined by a new state-of-the-art terminal in Campana, about 80 km up the Parana River from Buenos Aires. The Chilean terminal is located in San Antonio.

# SHIP MANAGEMENT

**Odfjell is a fully integrated company incorporating all the functions required to ensure the provision of reliable high-quality transportation services to its customers. Owning vessels and taking responsibility for chartering, operations and ship management ensure effective coordination and common priorities across all our operations. As ships account for around 80% of our total fixed assets, it is vital that the fleet is managed and operated efficiently.**

## Technical operation

Our fleet maintenance programme aims to ensure safe and efficient operation, a long useful life and high second-hand values. Ship maintenance is managed through our computerised Planned Maintenance System which is certified by Det Norske Veritas (DNV). The corrosion protection and maintenance of the inner structure of tanks and void space is based on thorough assessments and schedules, and is normally carried out during dry-docking every 30 months.

The ship management division is

responsible for all functions relating to the operation of Odfjell's own vessels, as well as the twelve vessels owned by National Chemical Carriers Ltd Co in Saudi Arabia. This includes crewing, technical operation and maintenance, purchasing, safety and insurance. Currently our ship management division is responsible for 42 vessels. We have also worked closely with Mare Maritime SA Co in Greece for many years and 11 of the vessels transporting commodity-type chemicals are currently operated by Mare.

## Crew

The safe operation of chemical tankers depends on highly qualified officers and crew. Most of our vessels are registered with the Norwegian International Ship Register and are manned primarily by Norwegian officers and Filipino crew with many years' experience of chemical tankers.

Odfjell attaches considerable importance to recruiting both qualified officers and crews and, as part of this strategy, has developed its own system for recruiting and training junior officers. In recent years this system has been expanded to include a number of probationary and cadet positions. At any given time around 100-150 employees are normally working as trainees or cadets.

## Safety, quality and ongoing improvement

All Odfjell vessels feature operating systems certified under ISO 9002 and DNV's Safety and Environmental Protection scheme, and also meet or exceed the requirements set out in the International Safety Management (ISM)



In 1998 more than 7 000 consignments of chemicals and liquids were transported by the Odfjell fleet within the global and regional trade-lanes.





code. The ISM code is governed by the International Maritime Organisation (IMO). Newbuildings are certified after they have been commissioned.

In addition to DNV's inspections of our vessels' quality systems we carry out regular internal audits of each and every ship. Customers also make inspections through the Chemical Distribution Institute and the Oil Companies International Marine Forum in addition to the inspections carried out by various classification societies, flag states and port states.

Formal procedures are adhered to by the company's vessels and offices when reporting critical situations, accidents, non-conformances and possible improvements, with the Safety and Improvement Reporting system playing a key role in this context. Our quality assurance board can also take action on important issues. We view this system as an effective tool in our work to increase safety and to prevent injuries, damage and losses.

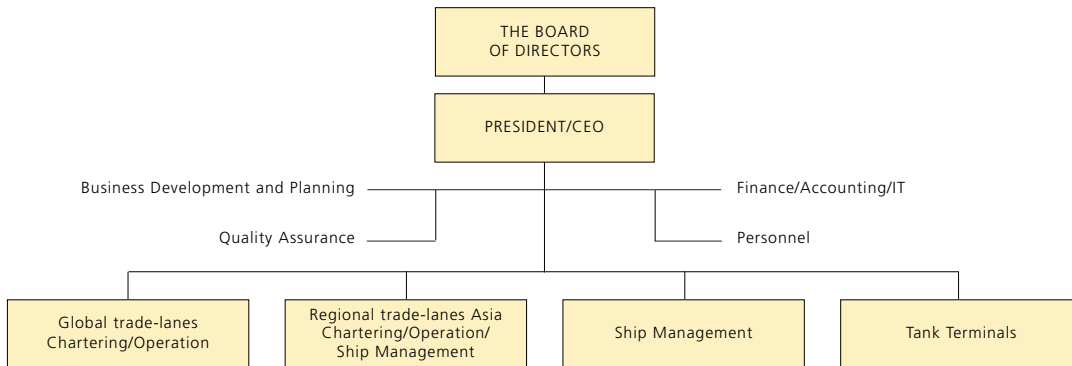
#### Communication

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



# ORGANISATIONAL STRUCTURE AND MANAGEMENT

## ORGANISATIONAL STRUCTURE

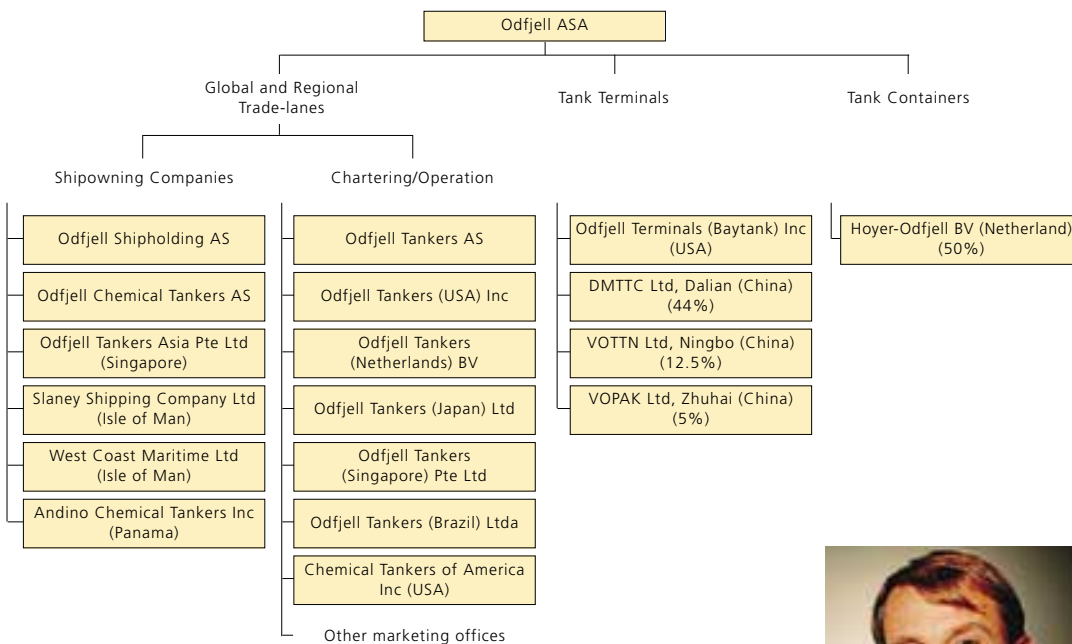


**BJØRN SJAASTAD**  
 president/CEO  
 Born 1957. Mr Sjaastad has been with the company since 1989 and has held his position since 1990. He is also President of the Norwegian Shipowners Association.



**ATLE KNUTSEN**  
 senior vice president, chartering/operations  
 Born 1950. Mr Knutsen has been with the company for over 25 years. He has held various management positions abroad and has been in current position since 1994.

## CORPORATE STRUCTURE



**JAN DIDRIK LORENTZ**  
 senior vice president, ship management  
 Born 1947. Mr Lorentz joined Odfjell in 1996. Previous position: Regional Manager for Det Norske Veritas (DNV).



**ÅKE H. GREGERTSEN**  
 senior vice president, tank terminals  
 Born 1955. Mr Gregertsen has been with the company since 1991. He previously held the position as Director of Finance/Accounting.



**JARLE HAUGSDAL**  
 senior vice president, finance/accounting/IT  
 Born 1961. Before joining Odfjell in 1996, Mr Haugsdal held a similar position with another major shipping company.



**JAN HAMMER**  
 senior vice president, business development and planning  
 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.



**GUDMUND VALEN**  
 senior vice president, short-sea Asia  
 Born 1939. Mr Valen has been with the company since 1966. He has held various senior management positions within Odfjell, both in chartering and terminal activities.

# HEALTH, SAFETY AND THE ENVIRONMENT

**Odfjell's environmental strategy is to maintain and develop the company's position as a supplier of high-quality environmentally efficient transportation services involving low environmental risks. Given that the company adopts a long-term approach to providing global transportation services for the chemical industry, a conscientious HSE (health, safety and the environment) programme is vital for ensuring long-term profitability, stable employment and a safe working environment.**

Odfjell is part of the supply chain that extends from the production of chemicals to their consumption. Customers demand effective environmental systems and initiatives as part of their own efforts in this respect. We are also subject to various handling requirements for chemicals initiated by the authorities, investors, employees and other partners.

Our environmental policy is based around preventive actions to reduce the environmental risk of the chemicals that we transport and store.

## Organisation

Odfjell's quality assurance board is the company's highest governing body for environmental issues and comprises members of senior management who discuss ongoing quality and environmental matters, non-conformance reports, audits and statistics on accidents and the management of the company's operations. Odfjell has opted to delegate the further governance and execution of its environmental policy to the management teams of the group's various divisions and subsidiaries. Furthermore, the company's active involvement in

national and international regulatory bodies and committees reflects its view that it is important to contribute to the further development of regulations that require sound environmental standards and high levels of safety.

## Fleet

Ocean-going transport is very energy-efficient compared to other forms of transport. The efficiency of the Odfjell fleet has been further improved through our newbuilding programme, with CO2 emissions per nautical mile and deadweight ton falling by around 7% between 1997 and 1998. This was largely thanks to the delivery of newbuildings and the sale of older vessels. One of the newest vessels is testing a pioneering "intelligent engine" where a computer monitors and automatically optimises combustion in terms of energy consumption and emissions of carbon and nitrogen oxides. The company also employs a diesel engine specialist to optimise all engines with a view to



reducing energy consumption.

Speed and bunker fuel consumption are systematically followed up, with any deviation being analysed and reported. This gives the personnel in charge an incentive to ensure that the machinery remains in good condition and that fuel consumption is minimised. Modern self-polishing anti-fouling paint ensures that the smoothness of the hull is fully



maintained between dry-docking every 30 months. Tin-free anti-fouling paint is applied to newbuildings, while older ships which have been coated with paint containing tin are gradually being phased out. Propellers are polished during dry-docking and when otherwise appropriate.

The procedures set out in the company's Safety Management System are adhered to when dealing with solid waste and oily discharge water from the machine room, waste from the galley, and water used to clean the tanks. This system is approved by Det Norske Veritas as part of the company's overall quality assurance certification programme. Equipment for handling waste and residues is renewed as new requirements are issued. Odfjell has worked with reputable suppliers to develop improved systems to recover oil which can then be used to generate power onboard. All ships feature approved sewerage purification installations.

The latest additions to our fleet are fitted with optimised discharge pumps and tank-wells designed to minimise cargo residues in the tanks after unloading. All liquids used to clean the tanks are approved in accordance with environmental standards. Gases are not emitted into the atmosphere during loading and unloading as the vessels are equipped with advanced pipe systems that return vapour to onshore tanks. Each cargo tank is also fitted with a separate ventilating system with pressure and vacuum control valves to prevent gas

emissions while products are in transit.

The company's Safety and Improvement Reporting system is used to report onboard HSE matters and plays an important and valuable role in company analyses and the transfer of experience. Odfjell prioritises cooperation with suppliers, research institutions, classification societies and shipyards on the development of new and more environmentally friendly vessels.

### Tank terminals

Odfjell's focus on the use of the best possible systems and technology when constructing and upgrading its terminals ensures that it is well placed to meet future challenges in terms of environmental and safety issues as well as profitability. Tank terminals are fitted with effective pressure-control systems to prevent the evaporation of gases. Further, double tank bottoms with leak detection devices and liners in the tank bays prevents ground contamination in case of any accidents. Each terminal has its own environmental committee which reviews procedures and potential areas for improvement.

Odfjell Terminals (Baytank) is the only US terminal to become a Responsible Care® partner. This is a recognition from the Chemical Manufacturers Association of companies that have gained distinction in the petrochemical industry for their commitment to environmental standards and safety over and above current regulations. This is an ongoing focus area for our operations.

### Future plans

We are committed to pursuing a proactive environmental policy. Odfjell's environmental profile will be developed as a strong competitive advantage in the market, to society in general and when recruiting new employees. The company is also working to improve its environmental reporting systems which will ensure better classification of incidents and environmental initiatives for statistical purposes.

# FLEET AND TERMINAL OVERVIEWS

## GLOBAL TRADE-LANES/DEEP-SEA

		YEAR BUILT	DWT	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS	
OWNED:	Bow Cardinal	1997	37 500	41 200	34 100	52	
	Bow Cecil	1998	37 500	40 500	40 500	47	
	Bow Cedar	1996	37 500	41 200	34 100	52	
	Bow Clipper	1995	37 500	41 200	34 100	52	
	Bow Fagus	1995	37 500	41 200	34 100	52	
	Bow Faith	1997	37 500	41 200	34 100	52	
	Bow Flora	1998	37 500	40 500	40 500	47	
	Bow Flower	1994	37 500	41 200	34 100	52	
	Bow Andes (50 %)	1977	28 060	34 756	21 136	43	
	Bow Sea	1978	28 060	34 756	21 136	43	
	Bow Sky	1977	28 060	34 756	21 136	43	
	Bow Lady	1978	32 300	41 354	3 077	42	
	Bow Princess	1976	32 300	42 278	1 400	42	
	Bow Queen	1975	32 300	41 887	816	42	
	Bow Fighter	1982	35 100	41 193	6 353	34	
	Bow Heron	1979	35 100	42 107	5 884	31	
	Bow Lancer	1980	35 100	42 476	6 253	34	
	Bow Leopard	1988	40 263	47 593	-	29	
	Bow Lion	1988	40 263	47 593	-	29	
	Bow Panther	1986	40 263	47 593	-	29	
	Bow Hunter	1983	23 077	25 002	21 009	28	
	Bow Pioneer	1982	23 077	25 002	21 009	28	
	Bow Eagle	1988	24 700	32 458	19 663	25	
	Bow Mariner	1982	39 800	47 965	-	28	
	Bow Petros	1984	39 800	47 965	-	28	
	Bow Transporter	1983	39 800	47 965	-	28	
	Bow Saphir	1982	18 657	22 929	10 849	31	
	Bow Viking	1981	33 695	40 593	21 745	36	
	Bow Explorer	1975	31 500	36 683	-	34	
	Owl Trader	1982	12 450	14 482	8 070	22	
	TIME-CHARTERED:	NCC Jubail	1996	37 500	41 200	34 100	52
		NCC Mekka	1995	37 500	41 200	34 100	52
		NCC Riyad	1995	37 500	41 200	34 100	52
		NCC Jizan	1976	28 060	34 756	21 136	43
		NCC Jouf	1976	28 060	34 756	21 136	43
		NCC Madinah	1976	28 060	34 756	21 136	43
		NCC Najran	1976	28 060	34 756	21 136	43
		NCC Tihamah	1977	28 060	34 756	21 136	43
		NCC Yamamah	1977	28 060	34 756	21 136	43
		NCC Baha	1988	24 700	28 291	19 663	21
		NCC Arar	1982	23 077	25 002	21 009	28
		NCC Asir	1983	23 077	25 002	21 009	28
		Bow Merkur	1975	28 060	34 756	21 136	43
		Bow Saturn	1976	28 060	34 756	21 136	43
		Bow Spring	1976	28 060	34 756	21 136	43
		Bow Tribute	1995	41 330	48 746	-	20
		Bow Trigger	1993	41 330	48 746	-	20
		Bow Triton	1997	41 330	48 746	-	20
		Battery Park	1991	15 000	18 022	13 306	21
		<b>Number of vessels: 49</b>		<b>1 568 609</b>	<b>1 846 545</b>	<b>842 647</b>	
ON ORDER:		Yard no 138	5/1999	37 500			
		Yard no 139	1/2000	37 500			
		<b>Number of newbuildings: 2</b>		<b>75 000</b>			

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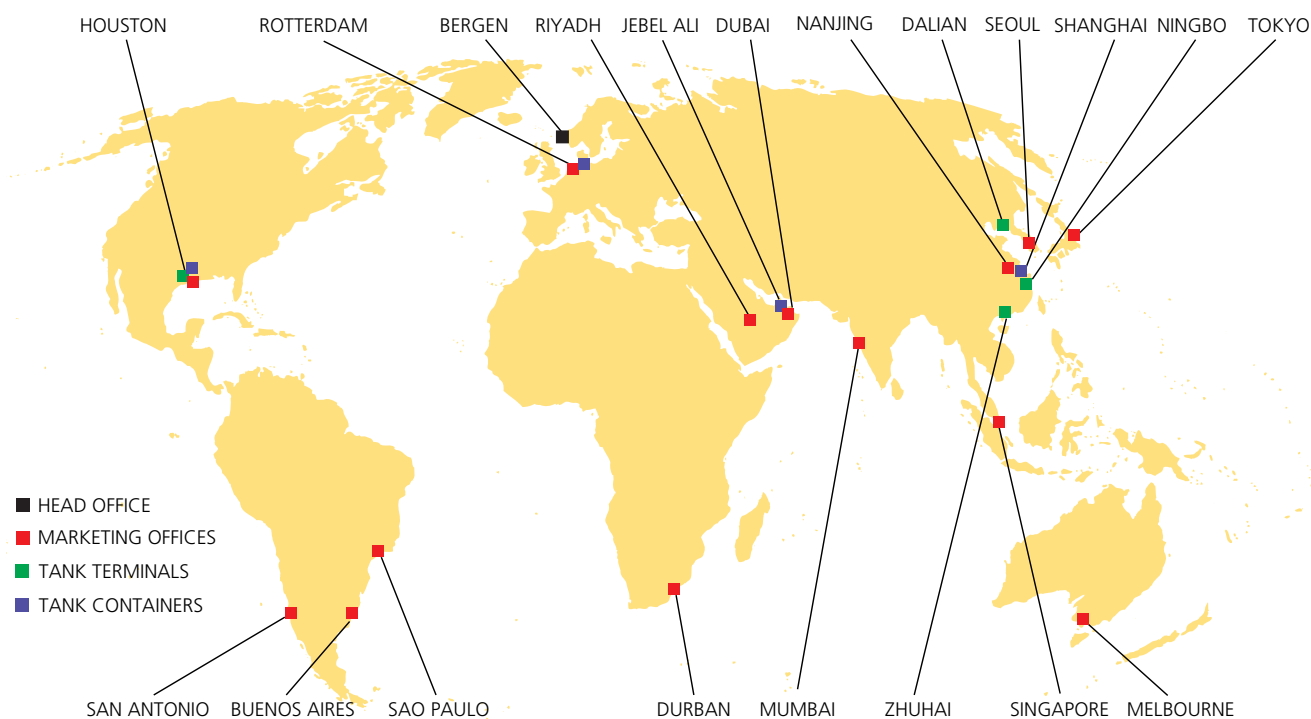
## REGIONAL TRADE-LANES/SHORT SEA

		YEAR BUILT	DWT	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
OWNED:	Bow Master	1999	6 046	7 036	7 036	14
	Antisana	1989	8 192	9 899	5 777	22
	Gorgonilla	1989	8 192	9 899	5 777	22
	Universal Apollo	1981	6 291	6 742	3 504	22
TIME-CHARTERED:	Andino Park	1989	9 013	9 568	9 568	15
	Tama Andina	1980	6 986	7 536	4 408	20
	Tama Caribbean	1980	7 003	7 520	4 408	20
	Aigran D.	1997	10 000	10 944	10 944	24
	Ilaria D.	1994	9 500	10 926	10 926	20
	<b>Number of vessels: 9</b>		<b>71 223</b>	<b>70 171</b>	<b>56 571</b>	
ON ORDER:	Yard no 579-I/2	4/1999	6 000			
	Yard no 579-I/3	6/1999	6 000			
	Yard no 579-I/4	10/1999	6 000			
	<b>Number of newbuildings: 3</b>		<b>18 000</b>			

## TANK TERMINALS

	LOCATION	STAKE	CBM	STAINLESS STEEL, CBM	NUMBER OF TANKS
Odfjell Terminals (Baytank) Inc	Houston, USA	100 %	230 929	44 512	78
Dalian Marine Tank Terminal Ltd (DMTTC)	Dalian, China	44 %	59 700	5 750	35
Van Ommeren Tank Terminal Ningbo Ltd (VOTTN)	Ningbo, China	12.5 %	65 250	7 900	36
VOPAK*	Zhuhai, China	5 %	60 000	1 500	28

\* Estimated to be constructed within year 2000.



# GLOSSARY

**ADR:** American Depository Receipt - an exchange system for foreign shares in the USA.

**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 vessel sails in ballast, or in order to provide stability.

**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 vessels.

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

**CAP:** Condition Assessment Program, Det norske Veritas' voluntary rating system for vessels describing and quantifying the standard of a vessel.

**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 vessel complies with its own rules, as well as those of national authorities.

**COATING:** Paint protecting the inside of a vessel's tanks. Usually epoxy or zinc based paints.

**COFR:** Certificate of Financial Responsibility. Certificate required by US Coast Guard for tonnage transporting oil products in the US economic zone (due to OPA 90). The certificate confirms that the owner can cover the full financial responsibility up to a specified maximum amount for any pollution caused by the owner's ships in US waters.

**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 vessel he will use.

**DAILY COSTS:** Expenses for crew as well as all other expenses directly connected with the running of the vessel, including insurance.

**DEADWEIGHT TON (DWT):** 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:** 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. The distance between these two can

be up to 2 meters. Such construction increases the safety during a possible grounding or collision. In this way leakage can be avoided. The double hull is also used for ballast.

**DRY DOCK:** Putting a vessel into a dry dock for inspection and repairs of underwater parts, and painting of vessels bottom. Done on a regular basis.

**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. Planned to be implemented by all countries by June 1998.

**KNOT:** A measure of the speed of the vessel. 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.

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

**NAFTA:** North American Free Trade Agreement. Free trade common market consisting of Canada, the USA, Mexico and Chile.

**NET REVENUE FROM SHIP OPERATION:** Gross freight revenues minus voyage costs. Usually expressed in USD per day.

**NIS:** Norwegian International Ship Register

**OECD:** Organisation for Economic Co-operation and Development, an information-gathering body. The 24 members are mainly industrialised countries in Western Europe, North America and the Asia/Pacific region.

**OFF-HIRE:** The time a vessel 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 far reaching requirements on shipping companies, vessels and crews when trading in US waters.

**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 loading and discharging of cargo, and arranging purchase of bunkers etc.

**ORGANIC CHEMICALS:** Chemicals containing carbon, and normally derived from hydrocarbon sources, usually either crude oil,

natural gas or coal. Often referred to as petrochemicals. Can be further divided into aromatic hydrocarbons, alcohols and glycols, monomers and esters, phenols, halogenated compounds, ketones, and saturated hydrocarbons.

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

**PETROCHEMICALS:** See organic chemicals.

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

**SEAQ:** Stock Exchange Automated Quotation. System for purchase and sale of foreign shares, operated by the London Stock Exchange.

**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 vessel, including services like technical operation, maintenance, crewing and insurance.

**SHORT-SEA:** 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.

**TANK CONTAINER:** A 25 m<sup>3</sup> cylindrical tank within a standard 20 feet container frame. Suitable for transportation on container vessels as well as trucks and rail cars designed for container transportation.

**TIME CHARTER (T/C):** The ship owner hires out a vessel 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 vessel pays for bunkers, port and canal charges and any other voyage related costs.

**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.

**TRANSSHIPMENT:** Transfer of cargo to/from a ship from/to another ship. For example, cargo from a vessel within global trade-lanes to a ship within regional trade bound for final destination/harbor.

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

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

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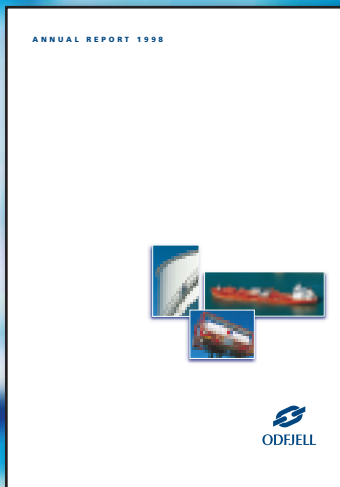
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**ODFJELL**

# Odfjell

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- Table of Contents
- Overview
- Summary 1998
- Key figures
- Report of the Board of Directors
- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Notes
- Shareholders Policy