

STORLI - A BRIEF PRESENTATION

Storli ASA is a major world-wide carrier of all types of chemicals. Storli's strategy is focused on ownership and management of chemical tankers and chemical tank terminals.

Storli is a fully integrated shipping company, handling all related functions, such as ship management, operation and chartering. The company is one of the four leading players in the world-wide parcel tanker trade. Through its wholly owned subsidiary, Odfjell Tankers, the company operates a fleet of 48 chemical tankers, aggregating approx. 1.5 million dwt. Storli is the owner of 29 of these vessels. The fleet operates in world-wide trade, and is committed to the long-term shipping requirements of the petrochemical industry through Contracts of Affreightment with many of the world's leading chemical producers.

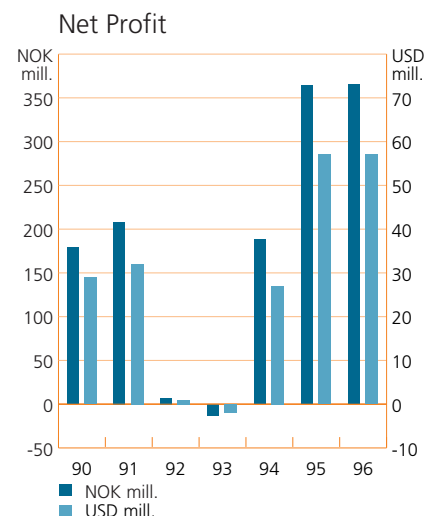
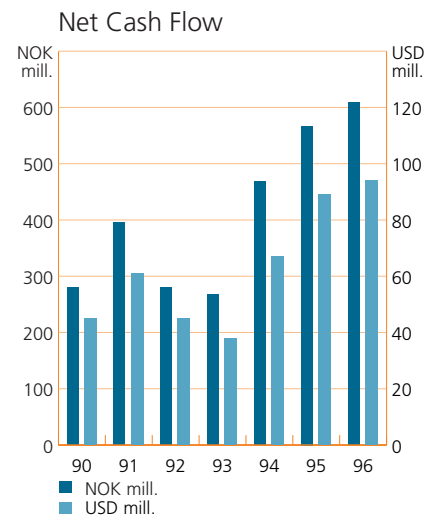
Storli's tank terminal Baytank in Houston and the newly established terminals at Dalian and Ningbo in the People's Republic of China, has increasingly become an integrated part of Storli's operations.

Storli is dedicated to meeting the customers' stringent requirements as to quality and safety. The vessels are operated by Norwegian senior officers with foreign crew.

Storli, founded in 1916 as a family business, went public in 1985 and obtained a listing on the Oslo Stock Exchange the following year. Operations are governed by high standards as to quality and safety, often in excess of what is required by national and international regulations.

HIGHLIGHTS

- Firm rates and volumes throughout the year.
- Net profit before balance sheet adjustments and taxes of NOK 365 mill. Net cashflow of NOK 608 mill.
- Earnings per share of NOK 16.52 and cashflow per share of NOK 27.82
- Delivery of M/T "BOW CEDAR" from Kværner Florø, Norway.
- Increased tank terminal activities through approved expansions at Baytank, USA and Ningbo, China as well as construction of a new terminal in Dalian, China.
- Improved financial structure through an unsecured bank loan of USD 400 mill.
- New tax regime for shipping companies in Norway as from 1 January 1996.



KEY FIGURES/FINANCIAL RATIOS

STORLI GROUP	Amount in	1996	1995	1994	1993	1992	1991	1990
From Profit and Loss Statement								
Operating result	NOK mill.	487	465	259	91	88	321	336
Depreciation	NOK mill.	-247	-205	-284	-283	-274	-247	-230
Profits from sale of assets	NOK mill.	0	0	0	0	0	56	121
Net financial items	NOK mill.	-123	-101	-77	-98	-113	-106	-157
Net profit (1)	NOK mill.	365	364	188	-13	7	208	179
From Balance Sheet								
Current assets	NOK mill.	1 575	1 434	1 245	1 181	1 187	951	894
Vessels and other fixed assets	NOK mill.	3 830	3 599	3 162	3 157	3 028	2 824	2 704
Total assets	NOK mill.	5 405	5 033	4 407	4 337	4 215	3 774	3 597
Current liabilities	NOK mill.	293	321	210	225	191	174	240
Long term liabilities	NOK mill.	2 867	3 157	2 893	2 943	2 782	2 385	2 439
Shareholders' equity *	NOK mill.	2 245	1 555	1 304	1 169	1 242	1 214	918
Total liabilities and shareholders' equity	NOK mill.	5 405	5 033	4 407	4 337	4 215	3 774	3 597
Profitability								
Earnings per share incl. profit from sale of assets (2)	NOK	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	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	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	27,82	25,94	21,48	12,28	12,80	18,14	12,81
Return on total assets (6)	%	11,0 %	11,8 %	7,2 %	3,4 %	4,0 %	10,6 %	12,7 %
Return on equity (7)	%	19,2 %	25,5 %	15,2 %	-1,1 %	0,6 %	19,5 %	18,6 %
Financial Ratios								
Average number of shares	mill.	21,85	21,85	18,32	10,92	10,92	10,92	10,92
Net cash flow incl. profit from sale of assets (8)	NOK mill.	608	567	469	268	280	453	401
Net cash flow excl. profit from sale of assets (9)	NOK mill.	608	567	469	268	280	396	280
Interest-bearing debt	NOK mill.	2 859	2 739	2 564	2 673	2 499	1 947	1 797
Bank deposits and securities	NOK mill.	1 318	1 275	1 066	1 237	1 153	891	794
Debt repayment capability (10)		2,5	2,6	3,2	5,4	4,8	2,7	3,6
Current ratio (11)		5,4	4,5	5,9	5,2	6,2	5,5	3,7
Equity ratio (12)	%	42 %	31 %	30 %	27 %	29 %	32 %	26 %

Historical figures per share have been adjusted for bonus issues.

* - Figures for 1996: Include deferred tax reversal of NOK 409.3 mill.

Figures for 1991: Book equity plus 72% of equity with deferred tax liability.

1. Net profit before balance sheet adjustments (currency gain (-loss)) and taxes.
2. Net profit less minority interest divided by number of shares per 31.12.1996.
3. Net profit less minority interest less profit from sale of assets divided by number of shares per 31.12.1996.
4. Net profit plus depreciations less minority interest divided by number of shares per 31.12.1996.
5. Net profit plus depreciations less minority interest less profit from sale of assets divided by number of shares per 31.12.1996.

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. Net profit plus depreciation less minority interest.
9. Net profit plus depreciation less minority interest less profit from sale of assets.
10. Interest-bearing debt less bank deposits and securities, divided by net cash flow (9).
11. Current assets divided by current liabilities.
12. Book equity plus minority interest divided by total assets.

THE BOARD OF DIRECTORS' REPORT

1996 was a good year for Storli. After two years of growth, the market for chemical tankers evened out in the summer of 1996.

During the year we increased our fleet with the addition of two newbuildings. At the turn of the year, Storli was operating a fleet of 48 vessels corresponding to about 1.5 mill. dwt. Carrying capacity thus increased by about 6.4% during 1996.

In 1996 we strengthened our involvement in tank terminals through the expansion of our Baytank, Houston, and Ningbo, China, facilities. We are now in the process of building a new chemical tank terminal in Dalian, North China.

During the past year, new tax rules have been introduced for Norwegian shipping companies. With effect from 1996, shipping companies will be subject to a tonnage tax. In addition, there will be a 28% tax on distributed dividends and on net financial revenues. For Storli this is a positive development.

Storli's pre-tax consolidated net result before currency gains (- losses) amounted to NOK 363.4 mill., compared to NOK 364.0 mill. in 1995. Operating result rose to NOK 486.6 mill. from NOK 465.4 mill. in 1995. Storli's cash position remains good. Cash and liquid instruments amounted to NOK 1,313.4 mill., corresponding to 46% of the outstanding interest-bearing debt. Book equity amounted to NOK 2,244.8 mill., an increase of NOK 689.7 mill. since the end of 1995. Of this figure, deferred tax reversals amounted to NOK 409.3 mill. Gross investments in 1996 amounted to NOK 488.1 mill., corresponding to 9 % of the total assets.

WORLD ECONOMY AND THE SHIPPING INDUSTRY

Growth in the OECD countries was somewhat stronger in 1996 than in the previous year. GNP rose by 2.4% compared to 2.0% in 1995. This is in

line with average annual growth over the past 10 years. Industrial production increased by 1.9% compared to 4.3% in 1995.

The economic growth of the recently industrialised nations in the Far East, particularly China, has become important for the shipping industry and also for the chemical tanker trade. GNP in these countries rose by between 6% and 10% in 1996, approximately the same as the previous year. Growth in industrial production in 1996 remained at the previous year's level of approximately 6%.

As 1997 commences, economic growth both within the OECD countries and the newly industrialised nations in the Far East appears to be steady, and this should have a positive impact on the demand for maritime transportation services.

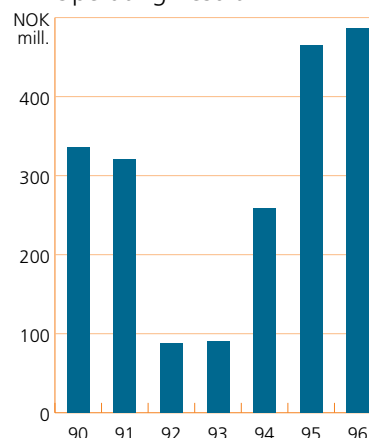
In terms of physical volume, goods transported by sea in 1996 increased by 2.2%, a decline from 3.8% in 1995.

CHEMICAL TANKER MARKET

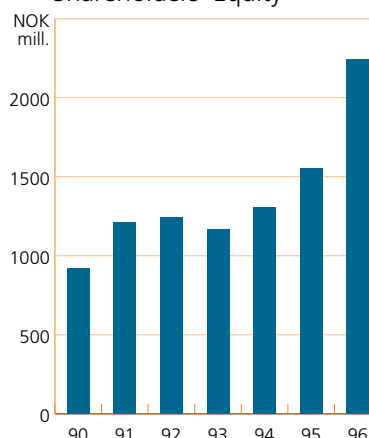
The chemical tanker trade has become a global industry. While increasing their domestic production capacity, the large US and European producers are also establishing themselves internationally. The demand for transportation of chemicals is largely determined by the stage of development of national economies. The growth in both GNP and industrial production has resulted in rising consumption as well as in increased transportation of chemicals.

The spot market for chemical carriers fell through most of 1996. However, it was not until the autumn that the market began to rise again to reach the same level as at the beginning of the year. Storli's contract coverage was more than 50% in 1996, and earnings are therefore affected only to a limited degree by short-term spot rate developments. However, time-charter earnings for comparable tonnage fell by 4% compared to the year before.

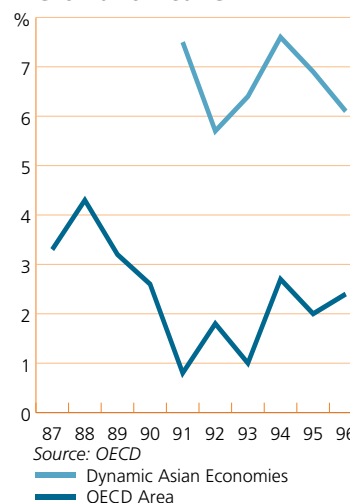
Operating Result



Shareholders' Equity



Growth of real GNP





The fleet of dedicated chemical tankers over 10,000 dwt increased by 8-9% in 1996. Scrapping was insignificant. Additional tonnage was contracted during 1996, and at the end of the year newbuilding orders amounted to about 1,000,000 dwt, corresponding to approx. 18% of today's fleet. However, lead time for delivery of this type of vessel is long, and fleet additions will be spread evenly over the next three years. If vessels are scrapped when they are 25 years old, we expect the net increase to be about 5% p.a. over the next three years. A number of advanced product tankers for easy chemicals have also been contracted.

These are expected to have a limited effect on our market.

Viewed in relation to 1995, the market structure among the main competitors remains stable, with the four largest operators controlling 60% of the chemical tanker fleet over 10,000 dwt. Storli's position is satisfactorily established with a 20% market share.

OPERATIONS

At the end of 1996, Storli was operating a fleet of 48 vessels. In total, we carried 10.8 mill. tons of cargo distributed over 4,800 consignments,

consisting of 360 different types of cargo and servicing more than 400 customers. Our vessels made 2,095 port calls and passed through the Suez and Panama canals a total of 180 times.

Our industry is becoming increasingly complex, with increasingly stringent requirements from customers and government authorities alike. Our results are to a large extent directly influenced by our own efficiency and fleet utilisation, as well as by volumes and rates. Further, volumes and rates are spread over the spot and contract markets, where developments may vary, particularly within a limited time frame. Time-charter earnings are therefore a result of rates, volumes and efficiency.

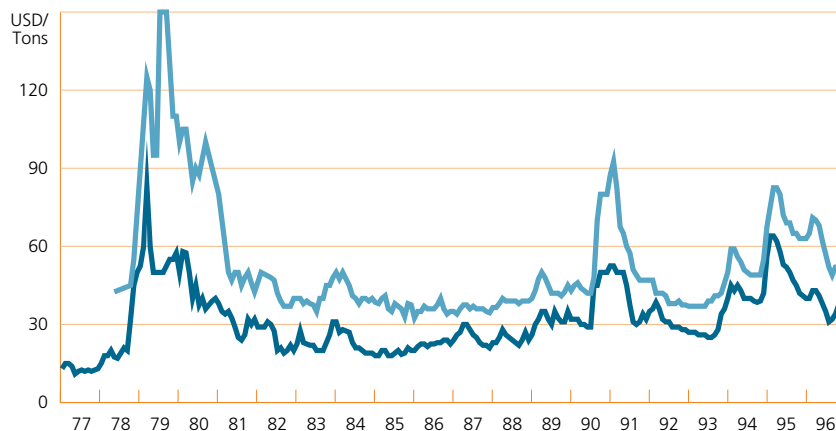
Bunker prices have been high during 1996, varying from USD 88 to USD 119 per ton. The average price for the year was about USD 106 per ton, an increase of USD 10 per ton compared to 1995, or an increase of about USD 370 per day per vessel.

We currently operate 12 vessels for our pool partner National Chemical Carriers Ltd. (NCC). Storli is entrusted with the marketing, operation, maintenance and manning of these ships. The vessels are operated under time charters in separate pools of similar types of ships. Each vessel receives its relative share of pool earnings, based on the actual number of days on hire.

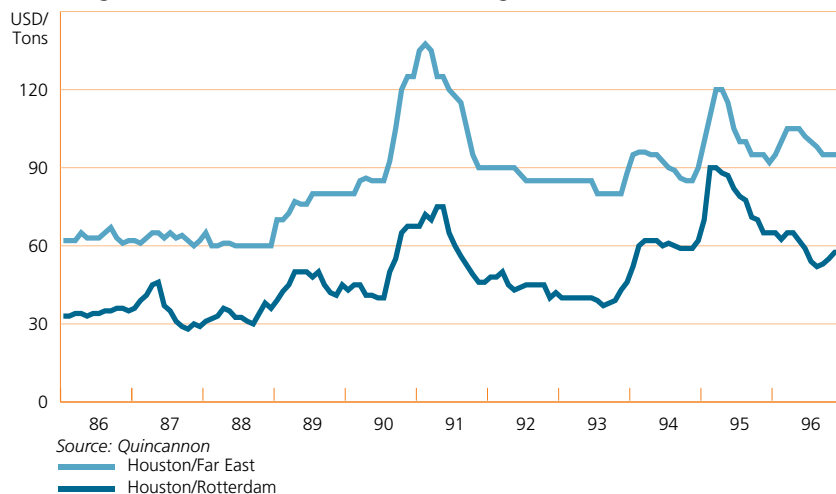
FLEET DEVELOPMENT

Storli took delivery of the newbuilding "BOW CEDAR" in April 1996, while NCC received the "NCC JUBAIL" in October 1996. These vessels are performing well and have contributed to strengthening our position in a growing market. The ships are part of a series of advanced chemical tankers contracted at Kværner, Florø.

Freight rates - 3000 tons easy grade chemicals



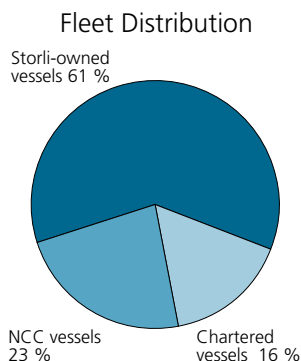
Freight rates - 1000 tons stainless steel grade chemicals



All the vessels are 37,250 dwt with cargo tanks primarily in homogenous, acid-resistant steel, with a total of 52 segregations each. The number of sister ships in the series has now reached 11, with the delivery of four vessels still remaining, all of which are owned by Storli.

Yard no.	Estimated delivery
134	April 1997
135	November 1997
136	May 1998
137	November 1998

During the year, we redelivered the M/T "CHUY" (24,083/83) which we had had on time charter. Furthermore, the "LADY INA" (31,500/75) and the "BOW GERD" (31,500/75) were taken out of the fleet at the beginning of 1997. We chartered the "ARABIAN WIND" on a medium-term time charter, and this vessel will be delivered to us in March 1997. The vessel was built in 1991, is 15,000 dwt, and has 22 tanks, primarily in stainless steel. Construction of the two 16,000 dwt. chemical tankers for Blue Flag Navigation has been further delayed. We do not expect to take delivery of the vessels on time-charter to Storli before 1998.



Transportation of sophisticated chemicals to, and to some extent also from South-East Asia and the Far East is growing, requiring us to call at more ports in this area. This creates a need to transship cargo as well as to provide better quality transshipment tonnage. In addition, smaller tonnage is required to enable us to provide efficient service to an increasing number of ports with substantial depth restrictions.

In view of this, we have decided to invest in our own transshipment tonnage. This activity will be managed from Singapore, and we are in the process of expanding our organisation in order to take care of, both our own and any chartered tonnage. In this connection, we have entered into an agreement with Stocznia Szczecinska S.A., Poland, to build four advanced 6,000 dwt chemical tankers. All the tanks in these vessels will be constructed of acid-resistant stainless steel and each will have 14 segregations. The cost price per vessel will be about USD 21 mill. The agreement with the Polish yard was entered into in January 1997, and includes options to build a further four such vessels. Delivery of these vessels will commence in the 2nd half of 1998 as follows:

Yard no.	Estimated delivery
579-I/1	September 1998
579-I/2	February 1999
579-I/3	June 1999
579-I/4	October 1999

During the year, we docked 10 vessels. The extent to which ships are docked is largely dependent on the quality requirements of both customers and government authorities. The Storli fleet was offhire for a total of 428 days in 1996, compared to 517 days in 1995.

TANK TERMINAL ACTIVITIES

In a large and global business such as ours, there exists a synergy between the operation of ships and the operation of terminals. This is particularly true in newly industrialised countries where the infrastructure is often inadequate. By investing in tank terminals in these regions, we are able to enter the market at an early stage. In addition, such facilities lead to increased transport volumes, which in turn will affect the utilisation and profitability of our vessels. This synergy will also be clearly apparent to our customers.

Baytank - Houston, USA

The recent upswing has continued throughout 1996, resulting in a profit of USD 4.6 mill. compared to USD 2.9 mill. in 1995. The construction of 6 new tanks (Bay 14) in 1996 increased Baytank's capacity by 19,000 cbm, or 17%. Towards year-end, we resolved to further expand the tank terminal by, the construction of 7 new tanks (Bay 6) with a total storage capacity of 35,000 cbm, giving a further increase in storage capacity of 19%. This work will commence during the first half of 1997 and is expected to be completed in the autumn of 1998. The expansion will result in better utilization of the earlier investments in the infrastructure. Baytank still has room for further expansion.

DMTTC - Dalian, China

In order to participate in the continued growth of the Chinese economy, we are constructing a new tank terminal in Dalian in North China. In future, this terminal will become an important point of consolidation for our shipping activities in the Far East. The Chinese authorities have designated Dalian as one of China's four principal ports, making substantial investments in the infrastructure. The favourable geographical position means that the

terminal will service both North and Central China, at the same time acting as an important transit point in a growing "Intra Far East" market.

In the first stage of its construction, Dalian Marine Tank Terminal Co. Ltd. will have a capacity of about 60,000 cbm distributed in 35 tanks. Total investment at this first stage will amount to around USD 30 mill. The terminal will meet strict quality and environmental requirements, with due regard to safety and efficiency. With its 44% share, Storli is the principal shareholder and responsible for the terminal's technology, development and operations. Other participants in this project, apart from Storli, are the Dalian Port Authority, Mitsui & Co. Ltd and Van Ommeren. The terminal will become operative during the autumn of 1997.

VOTTN - Ningbo, China

1996 was the second full year of operation at the Ningbo terminal, where the company has established itself as a terminal of high technical standards. Storli owns 12.5% of this terminal, and our share of the 1996 profits amounted to USD 134,000. In this region, the market for terminal services remains spot-oriented, and volume was lower in 1996 than in the previous year. It has been decided that the terminal's capacity should be increased from 24,400 cbm to 65,450 cbm, an expansion we expect will be completed during the autumn of 1997.

OPERATIONS/SAFETY/ ENVIRONMENT

Storli's objectives are based on a stable, long-term operations policy to maintain an overall high standard of services in order to meet our customers' requirements for the safe and efficient transportation of chemicals. Both national and international regulations impose increasingly stringent demands requiring higher standards in the manning of our vessels, the technology used, and in the administration of our organisation.

Our maintenance policy is based on a long-term, regular and preventative maintenance programme. Our ships are normally docked every 30 months. At the same time, maintenance work is carried out continuously while at sea.

In order to continue to improve the overall quality of our services, we have established a quality programme that also includes organisational matters. In February 1994 we received our quality accreditation from Det norske Veritas. This work was continued in 1995, and by 1996, all our ship's have been certified. This programme encompasses SEP (Safety and Environmental Protection), as well as compliance with ISO 9002. Vital to the quality programme is the way in which we deal with non-conformities. Through SAFIR reporting (Safety and Improvement Reporting) we register all non-conformities, identifying the cause and implementing corrective measures. This quality programme is an effective tool for improving efficiency and profitability.

In November 1993, increased international focus on safety at sea resulted in a new international quality standard being drawn up by IMO. This standard is called "The ISM Code - International Safety Management Code", and was included in chapter 9 of SOLAS (Safety of Life at Sea). Storli already meets the requirements laid down in this standard, which must be met by the world-wide fleet over 500 grt by 1 July 1998. After that date, the operation of substandard tonnage will become very difficult - a positive development indeed.

Storli supports increased safety and quality controls both by the authorities and by customers. During 1996 DnV carried out 23 inspections of the quality systems used on our

vessels, and we ourselves completed 33 internal audits. In 1996 our customers carried out 133 inspections of our vessels, 41 by CDI (Chemical Distribution Institute) and 92 by OCIMF (Oil Companies International Marine Forum). In addition, inspections are conducted by the classification companies and the port states. We believe that - over time - this will give us a competitive edge.



Storli is keenly aware of environmental issues, and the prevention and containment of pollution at sea is a major concern. Our vessels were not involved in any accidents with any significant environmental impact in 1996.

ORGANISATION

Storli attaches great importance to having a manning policy that enables us at all times to have qualified staff on board our ships as well as ashore. Our ships are manned mainly by Norwegian officers with long experience in operating chemical tankers. When hiring our Philippine crew members, we emphasize the importance of continuity and experience.



Our policies are long-term, and recruitment is thus an important aspect. We have an extensive recruitment programme that includes both junior officers and trainee cadets. We believe that on-board training as well as relevant training courses are of major importance.

Industrial shipping require high quality leadership, both ashore and at sea. Management training and organisational development is therefore important. We have

established a management training programme for our ships' masters. Currently we are focusing on effective use of new information technology, a vital factor to us when the distances separating our customers and us, our vessels and our overseas offices are taken into consideration. This requires a willingness on the part of our staff to adjust to changes and will also affect the way in which we organise our work in the future.

At the turn of the year, a total of 1,711 people were employed in the Group, an increase of 161 since 1995, as a result of increased activities.

SHIPPING TAXATION

We have implemented the necessary organisational and corporate structural changes in order to qualify for the new tax system for shipping companies in Norway with effect from 1 January 1996.

Briefly, these changes called for the transfer of all vessels which were owned by the parent company to ship-owning subsidiaries in February 1997. All employees in the Group in Norway are now employees of the parent company. As a fully integrated shipping company, Storli ASA provides operational, chartering, ship management and administrative services for the shipowning companies in the Group.

The main principle of the new tax rules is that shipping companies are to pay tax on the distributed dividends from, and net financial revenues for, the shipowning companies. In addition, a tonnage tax is levied on both owned and chartered tonnage. In 1996 this amounted to NOK 2.8 mill. Earnings linked to internal services provided to the shipowning companies within the Group are also considered taxable income.

In the 1996 accounts, deferred tax amounting to NOK 409.3 mill. has been listed as income in line with the transition to the new taxation scheme

for shipping companies. Deferred tax is booked as income on the understanding that the companies in the Group qualifying for this arrangement will remain within the scheme in the future, so that the present value of deferred tax is estimated to be close to zero.

At the same time organisational and corporate changes due to the new tax rules for shipping companies were carried out. The company used the opportunity to simplify the corporate structure. This was done by merging Odfjell Tankers KS and Odfjell Chartering KS and the merged company will be transformed from a limited partnership to a limited company. At the same time, the minority interest in Odfjell Chartering KS, totaling 6% was purchased by Storli with effect from 1 January 1997. The minority interest was owned by senior management, of which 2% was owned by the Managing Director.

FINANCES

Result

The Group's net result before currency gain (-loss) and taxes amounted to NOK 363.4 mill. After a currency loss of NOK 7.8 mill. and net positive taxes amounting to NOK 404.7 mill., the year's result shows a net result of NOK 760.3 mill. The portion attributable to minority interests was NOK 3.6 mill.

Time charter rates are about 4% lower than in 1995. Operating costs in NOK for comparable tonnage have risen by 8.1% compared to 1995. Ten ships were docked during the year.

Foreign currency

The USD/NOK rate of exchange has a significant effect on the company's profit and loss account and balance sheet. In 1996, the average exchange rate was NOK 6.45, a slight increase over last year's rate of 6.34. This has had a positive effect on our operating result.

The company's current assets and debts are expressed in USD. During 1996, the USD/NOK rate of exchange rose from NOK 6.32 to 6.44 at the end of the year. This change resulted in a foreign currency loss of NOK 35.3 mill. on the company's long-term debt, while the foreign currency gain on net current assets amounted to NOK 26.3 mill. In addition, currency gains amounting to NOK 1.2 mill. were realised on forward contracts entered into in order to secure the company's operating expenses expressed in USD. All of Storli's revenues are in USD. Similarly, the value of the ships is given in USD. Consequently it is Storli's policy to use the USD as its principal currency, thus reducing all other currency exposure.

Liquidity

The company's liquid reserves have increased further in 1996. At the turn of the year, these amounted to NOK 1,313.4 mill. as compared to NOK 1,207.8 mill. at the end of 1995. This improvement is due to a positive net cash flow from operations. In 1996, payments related to investments amounted to NOK 489.7 mill., while interest-bearing debts amounted to NOK 2,859.2 mill., an increase of NOK 125.2 mill.

Storli's financial management policy is based on USD deposits with highly rated financial institutions. These placements are generally made for interest periods that coincide with the interest periods of the company's long-term loans. When making these deposits, the company seeks a high degree of liquidity and limited credit risk.

Financing

In May 1996 Storli entered into an agreement for an unsecured bank-loan of USD 400 mill. to replace most of the company's foreign capital funding, as well as to cover loan requirements related to newbuildings in 1996 and 1997. This loan will run for 7 years from draw-down with no instalment for the first 5 1/2 years. Funding costs amount to 0.40% p.a. over USD LIBOR. This will improve Storli's flexibility considerably and will also reduce loan costs.

Equity base

At the end of the year, the Group's total book equity amounted to NOK 2,244.8 mill. after deferred tax reversals at 31 December 1996 amounting to NOK 409.3 mill. As our fleet is made up of special-purpose ships with only a limited second-hand market, we have adhered to our earlier practice of making no value adjustments to equity. However, the Board is of the opinion that the fleet's market value exceeds book value.



Parent company profit for the year

In 1996, the parent company made a profit before currency gain (-loss) and taxes of NOK 320.2 mill. After a currency loss of NOK 8.3 mill. and a net tax income of NOK 407.4 mill., the result for the year is NOK 719.3 mill. In line with the company's shareholder policy, the Board proposes that the General Meeting approve a dividend of NOK 3.00 per share, equivalent to NOK 65.5 mill., compared to NOK 43.7 mill. in 1995. The Board recommends allocating NOK 546.8 mill. to free reserves and NOK 107.0 mill. to statutory reserves.

MISCELLANEOUS

At the end of the year, the company had 1,694 shareholders. The Chairman of the Board and companies under his control own a total of 7,600,885 shares. No other shareholders own 20% or more of the company. Board members Terje Storeng, Jørgen Faye and Per Ivar Gjørørum own 3,168, 300 and 60 shares respectively. The Managing Director together with companies under his control owns 29,800 shares. The company's Auditor holds no shares in the company.

A convertible loan of NOK 25 mill. from company directors and executives is outstanding. The loan gives the right of conversion on 30 April 1998, 30 April 1999, and 28 April 2000, at the rate of NOK 125, NOK 130 and NOK 135 respectively.

Total remuneration to the Board of Directors in 1996 amounted to NOK 812,000. The Managing Director's salary in 1996 was NOK 1,523,147. The Auditor's fee for 1996 amounted to NOK 720,450, of which NOK 98,200 was for advisory services.



The Board of Directors of Storli ASA. From left: Per Ivar Gjærum, Terje Storeng, B.D. Odffjell jr. (Chairman), Jørgen Faye and Bjarte Kvåle.

PROSPECTS

Storli's strategy is firmly focused on being one of the leading carriers of chemicals world-wide.

Despite the fact that only a limited amount of tonnage was scrapped, the year under review witnessed positive developments in the chemical tanker market, resulting in a stable underlying balance of supply and demand. The positive demand in 1996 is expected to continue in 1997. Demand in the Far East is expected to rise more steeply.

The number of chemical tankers on order has increased and now amounts to about 18% of the existing fleet. This growth will be spread evenly over the next few years. Provided scrapping increases somewhat, we expect the tonnage balance to remain almost unchanged next year. In the longer term, this balance will depend on the extent to which tonnage is scrapped and demand maintained. In this context, stricter quality requirements from customers and government authorities alike will also have a significant effect.

Storli's newbuilding programme seems well adapted to market developments, and fleet structure, quality and the human resources at our disposal are satisfactory.

The Board expects results in 1997 to remain favourable, though somewhat lower than in 1996, primarily due to an increased number of dry-dockings.

Bergen 31 December 1996

4 March 1997

The Board of Directors of Storli ASA

Per Ivar Gjærum

Per Ivar Gjærum

B.D. Odffjell jr.

B.D. Odffjell jr.
Chairman of the Board

Bjarte Kvåle

Bjarte Kvåle

Jørgen Faye

Jørgen Faye

Terje Storeng

Terje Storeng

Bjørn Sjaastad

Bjørn Sjaastad
Managing Director

PROFIT AND LOSS STATEMENT

NOK 1.000		STORLI		STORLI GROUP	
Operating income (cost):	Note	1996	1995	1996	1995
Gross freight revenue		3 294 526	2 981 811	3 327 804	3 011 930
Voyage cost		(1 043 301)	(916 556)	(996 599)	(874 142)
Freight income time-charter basis	2	2 251 225	2 065 255	2 331 205	2 137 788
Time-charter cost	4	(794 000)	(738 999)	(815 516)	(758 652)
Operating cost	3	(729 936)	(646 612)	(728 422)	(645 021)
Net result from vessels' operation		727 289	679 644	787 267	734 115
Other income	5	20 158	23 434	192 243	180 053
Other cost	5	-	-	(135 990)	(129 888)
General and administrative cost	3	(106 355)	(110 250)	(110 052)	(114 110)
Depreciation	10	(222 380)	(183 284)	(246 898)	(204 787)
Operating result		418 712	409 544	486 570	465 383
Financial income (cost):					
Interest received		79 485	78 440	81 222	72 389
Interest and fees paid		(186 331)	(175 495)	(208 725)	(190 553)
Other financial income (cost)		8 356	16 741	4 337	16 767
Net result before currency gain and taxes		320 222	329 230	363 404	363 986
Currency gain (loss)	6	(8 304)	30 155	(7 802)	30 461
Net result before taxes		311 918	359 385	355 602	394 447
Taxes	19	407 394	(101 244)	404 726	(105 110)
Net result for the year		719 312	258 141	760 328	289 337
Revaluation and adjustments:					
Dividend allocation		(65 546)	(43 697)	(65 546)	(43 697)
Contribution from subsidiaries		-	1 467	-	-
Legal reserve	16	(106 959)	(43 326)	(107 005)	(43 326)
General reserve	16	(546 807)	(172 585)	(584 189)	(199 774)
Minority interest, portion of result	14	-	-	(3 588)	(2 540)
Total		(719 312)	(258 141)	(760 328)	(289 337)

BALANCE SHEET

ASSETS

NOK 1.000		STORLI		STORLI GROUP	
Current assets:	Note	1996	1995	1996	1995
Cash and bank deposits	7,22	1 086 968	854 816	1 118 727	892 523
Bonds etc	22	194 667	315 233	194 667	315 233
Shares	8	4 200	9 258	4 217	9 275
Bunkers etc.	22	44 617	35 794	44 955	36 079
Short term receivables	22	184 206	152 611	212 610	181 208
Total current assets		1 514 658	1 367 712	1 575 176	1 434 318
Fixed assets:					
Restricted bank deposits	9,22	-	58 144	-	58 144
Shares in subsidiaries	8	8 927	8 800	-	-
Other shares	8	46 988	4 565	46 988	4 565
Loans to subsidiaries	9	243 257	242 101	-	-
Other long term receivables	9,22	43 621	46 694	60 922	65 819
Vessels	10,11	3 092 480	2 880 509	3 092 480	2 880 509
Newbuildings	10,11	39 322	41 209	39 322	41 209
Tank terminal	10,11	-	-	524 170	482 399
Office equipment and cars	10,11	8 178	7 350	10 452	8 906
Real estate	10,11	49 639	50 782	55 679	57 352
Total fixed assets		3 532 412	3 340 154	3 830 013	3 598 903
Total assets		5 047 070	4 707 866	5 405 189	5 033 221

Bergen, 31 December 1996

 4 March 1997
 The Board of Directors of Storli ASA

Per Ivar Gjærum

B.D. Oddfjell jr.
 Chairman of the Board

Bjarte Kvåle

Jørgen Faye

Terje Storeng

Bjørn Sjaastad
 Managing Director

LIABILITIES AND SHAREHOLDERS' EQUITY

NOK 1.000		STORLI		STORLI GROUP	
Current liabilities:	Note	1996	1995	1996	1995
Dividend allocation		65 545	43 697	65 545	43 697
Taxes payable		1 916	1	14 366	12 632
Employee taxes etc.	22	25 340	23 500	26 159	24 324
Other short term liabilities	22	170 088	206 399	185 285	239 820
Due to subsidiaries	6	22 784	18 278	-	-
Total current liabilities		285 673	291 875	291 355	320 473
Long term liabilities:					
Deferred tax liabilities	20	6 466	415 773	6 466	415 773
Convertible loan	12	25 000	25 000	25 000	25 000
Long term liabilities - Mortgage debt	13	2 448 135	2 347 188	2 835 916	2 715 924
Total long term liabilities		2 479 601	2 787 961	2 867 382	3 156 697
Total liabilities		2 765 274	3 079 836	3 158 737	3 477 170
Minority interests	14	-	-	1 667	1 013
Shareholders' equity:					
Share capital	15,16	218 485	218 485	218 485	218 485
Legal reserve	16	193 650	86 691	194 105	87 097
Temporary restricted reserve	16	-	30 037	-	30 050
Total undistributable reserve		412 135	335 213	412 590	335 632
Distributable reserve (general reserve	16	1 869 661	1 292 817	1 832 195	1 219 406
Total shareholders' equity	16,20	2 281 796	1 628 030	2 244 785	1 555 038
Total liabilities and shareholders' equity		5 047 070	4 707 866	5 405 189	5 033 221
Secured liabilities	17	676 310	2 406 724	1 024 232	2 776 444
Guarantees	18	463 121	445 593	72 743	68 233

CASH FLOW STATEMENT

NOK 1.000		STORLI	STORLI GROUP
Cash flow from operating activities:	Note	1996	1996
Paid in freight income		3 277 371	3 489 385
Paid out voyage related expenses, time-charter and other operating cost		(2 469 028)	(2 553 952)
Paid out salary, pension, employer's part of social benefits and tax deduction		(227 930)	(285 032)
Paid in dividend from shares		4 845	1 025
Paid in interest from bank deposit etc.		82 584	85 156
Paid out interest		(189 339)	(213 092)
Paid in from sales of trading shares		7 462	7 463
Net cash flow from operating activities		485 965	530 953
Cash flow from investing activities:			
Paid out for investment in fixed assets		(432 149)	(489 739)
Paid out for investment in trading shares		(42 550)	(42 550)
Paid in from loan to related companies		1 917	-
Paid in reduction in restricted bank deposit		58 144	58 144
Net cash flow from investing activities		(414 638)	(474 145)
Cash flow from financing activities:			
Paid in new long term debt		2 572 620	2 588 744
Paid out repayment long term debt		(2 509 353)	(2 516 906)
Paid out dividend		(43 697)	(43 697)
Net cash flow from financing activities		19 570	28 141
Effect of foreign currency fluctuation		20 689	20 689
Net change in liquid assets		111 586	105 638
Liquid assets per. 01.01		1 170 049	1 207 756
Liquid assets per. 31.12	7,22	1 281 635	1 313 394
Result before taxes		311 918	355 602
Paid out taxes		-	(1 817)
Ordinary depreciation		222 380	246 898
Change in stock		(8 823)	(8 876)
Change in debtors and other current assets		(20 002)	(20 002)
Change in current liabilities		(36 311)	(54 535)
Difference in paid in pension premium and cost		(11 529)	(11 529)
Effect of foreign currency fluctuation		44 511	44 511
Change in other short term asset-liability items		(16 179)	(19 299)
Net cash flow from operating activities		485 965	530 953

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 Storli ASA and subsidiaries referred to in note 8. Common accounting principles are applied to all companies in the Storli Group. Intra-Group transactions (receivables, liabilities etc.) have been eliminated.

Foreign subsidiaries have been converted to NOK based on the rate of exchange prevailing at 31 December 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 expenses recognition

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

d. Periodical costs

Storli vessels are normally drydocked every 30 month. All related costs are expensed in the period they occur.

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 premium fund is included under long term assets or long term liabilities. In addition we have made separate pension arrangements with some former employees. 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 issue costs

Debt issue costs are expensed in 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 are based on the temporary differences between the result in the profit and loss statement and the tax statement. Deferred taxes are listed as long term liabilities.

h. Limited partnerships etc.

Storli has only majority owned limited partnerships included in the accounts, and two wholly owned foreign subsidiaries. These companies, listed below, have been reported on a gross basis.

Odfjell Tankers KS
Odfjell Chartering KS
Slaney Shipping Company Limited
West Coast Maritime Limited

i. Current assets

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

j. Foreign currency

Assets and liabilities are valued at year end exchange rate.

k. Shares

Shares in public companies are classified as current assets and valued at the lowest of historical and current cost.

l. Fixed assets - depreciation

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

m. Newbuilding contracts

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

n. Cash flow statement

The cash flow statement is based on the direct method.

o. Financial instruments

The company makes use of different financial instruments to reduce its exposure to foreign exchange and interest rate fluctuation. The following accounting principles apply:

Currency instruments:

The result of foreign exchange contracts is being accounted for consistent with the underlying nature of the hedged transactions.

Interest instruments:

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

p. Related parties

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

2 FREIGHT INCOME TIME-CHARTER BASIS:

Gross freight revenue represents freight earned for all vessels operated by Odfjell Tankers KS.

Voyage costs are the related costs for the same vessels.

3 OPERATING COST: (NOK 1,000)

Operating cost is related to the operation of the vessels and represents wages, repair, maintenance, insurance etc. for vessels owned by Storli. General and administrative cost for Storli is reported separately.

Included is the following salaries, wages, social and pension cost:

	1996	1995
Storli	297 619	288 576
Subsidiaries	59 305	60 626
Storli Group	356 924	349 202

4 TIME-CHARTER COST: (NOK 1,000)

Time-charter cost represents hire paid for vessels hired by Odfjell Tankers KS according to the fleet list on page 35.

Included in time-charter cost:	1996	1995
National Chemical Carriers Ltd. Co.	560 110	524 457
Other TC-vessels	255 406	234 195
Total time-charter cost	815 516	758 652

Time-charter hire paid to National Chemical Carriers Ltd. Co. was previously classified as - "Distributed to participating owners".

5 OTHER INCOME AND OTHER COST:

Other income for the parent company represents management fee and rental income from real estate.

For the Storli Group other income also include external income from foreign subsidiaries.

Other cost represents operating, general and administrative cost for the foreign subsidiaries.

6 CURRENCY GAIN (LOSS): (NOK 1,000)

The accounting policies with regard to the treatment of balance sheet items in foreign currencies are stated in note 1.

	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Repayment of debt	9 233	17 412	9 233	17 412
Forex contracts	1 166	466	1 166	466
Long term receivables-debt/mortgage debt	(44 511)	56 128	(44 511)	56 128
Result of changes in the accounting principles per 1/1, 1995	-	13 912	-	13 912
Cash and bank deposits	20 689	(50 489)	20 689	(50 489)
Other current assets-liabilities	5 119	(7 274)	5 621	(6 968)
Currency gain (loss)	(8 304)	30 155	(7 802)	30 461

7 CASH AND BANK DEPOSITS:

Included in this item is NOK 6,8 mill. of tax withheld from employees.

8 SHARES: (NOK 1,000)

Company name	Share capital	Our share	Number of shares	Nominal value	Market value	Cost	Book value	
							1996	1995
Shares (current):								
Nomadic Shipping AS	104 750	4,98 %	522 000	5 220	8 587	4 200	4 200	9 258
Total shares (current)					8 587	4 200	4 200	9 258

Shares in subsidiaries:

Storli Shipholding AS	50	100%	50	1 000		50	50	-
Odfjell Tankers AS	1 000	100%	1 000	1 000		970	970	970
Odfjell Chartering AS	100	100%	100	100		567	567	567
Jacob Christensens Assuranceforretning AS	50	100%	50	50		100	100	100
Odfjell Tankers (USA) Inc., Houston	USD 10	100%	1 000	USD 10		3	3	3
Odfjell Tankers BV, Rotterdam	NLG 60	100%	60	NLG 60		6 581	6 581	6 581
Odfjell Tankers (S) Pte Ltd., Singapore	SGD 100	100%	100 000	SGD 100		83	83	83
Odfjell Tankers (Japan) Ltd., Tokyo	JPY 10 000	100%	200	JPY 10 000		489	489	489
Slaney Shipping Company Ltd	GBP 0,1	100%	100	GBP 100		1	1	-
West Coast Maritime Ltd.	GBP 0,1	100%	100	GBP 100		1	1	-
Chemical Tankers (Delaware) Inc	USD 1	100%	1	USD 1		7	7	7
Storli (Bermuda) Ltd.	USD 12	100%	120	USD 12		75	75	-
Storli Singapore Pte. Ltd., Singapore	SGD 0,002	100%	2	SGD 0,002		-	-	-
Total shares in subsidiaries						8 927	8 927	8 800

Other shares:

V.O.Tank Terminal Ningbo Co. Ltd., China	CNY 57 000	12,5%	71 250	CNY 7 125		7 464	7 464	4 565
Dalian Marine Tank Terminal Company	USD 14 000	44%	6 160 000	USD 6 160		39 524	39 524	-
Total other shares						46 988	46 988	4 565

Total 60 115 60 115 22 623

Eliminated in the consolidated accounts (8 910) (8 783)

Storli Group 51 205 13 840

Wholly owned companies indirectly owned through subsidiaries: Odfjell Tankers (Brasil) Representacoes Ltda., Sao Paulo, Odfjell Tankers Guaranty Company, Baytank (Houston) Inc., Houston and Storli Chemical Tankers AS

9 LONG TERM RECEIVABLES: (NOK 1,000)

	STORLI	
	1996	1995
Restricted bank deposits:		
The deposits serve as security for mortgage debt related to Baytank (Houston) Inc.	-	58 144
Loans to subsidiaries:		
Odfjell Tankers (Japan) Ltd., Tokyo	JPY 35 725	1 965 2 787
Baytank (Houston) Inc., Houston	USD 37 450	241 292 239 314
Total Storli	243 257	242 101

Other long term receivables:

Onshore and seagoing personnel	807	1 027
Storli share of long term receivables in limited partnerships	1 173	10 771
Accrued pension funds	18 446	7 945
Other	23 195	26 951
Total Storli	43 621	46 694

10 FIXED ASSETS: (NOK 1,000)

	Cost 1/1	Invested (sale) book value	Accumulated depreciation prior years	Depreciation this year	Book value 31/12
Storli:					
Vessels and newbuildings	4 902 583	429 940	(1 980 865)	(219 856)	3 131 802
Office equipment and cars	22 435	2 209	(15 085)	(1 381)	8 178
Real estate	57 417	-	(6 635)	(1 143)	49 639
Total Storli	4 982 435	432 149	(2 002 585)	(222 380)	3 189 619

Subsidiaries:

Tankterminal	826 269	54 345	(332 955)	(23 489)	524 170
Office equipment and cars	7 769	1 307	(6 117)	(685)	2 274
Real estate	9 793	185	(3 594)	(344)	6 040
Total subsidiaries	843 831	55 837	(342 666)	(24 518)	532 484

Storli Group:

Vessels and newbuildings	4 902 583	429 940	(1 980 865)	(219 856)	3 131 802
Tankterminal	826 269	54 345	(332 955)	(23 489)	524 170
Office equipment and cars	30 204	3 516	(21 202)	(2 066)	10 452
Real estate	67 210	185	(10 229)	(1 487)	55 679
Storli Group	5 826 266	487 986	(2 345 251)	(246 898)	3 722 103

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

	1992		1993		1994		1995		1996	
Storli:	I	S	I	S	I	S	I	S	I	S
Vessels and newbuildings	405 465	-	265 614	-	435 724	-	542 326	-	429 940	-
Office equipment and cars	1 857	478	2 880	788	622	-	4 074	1 161	2 209	-
Real estate	-	-	1 220	-	132	-	29 726	-	-	-
Total Storli	407 322	478	269 714	788	436 478	-	576 126	1 161	432 149	-
Subsidiaries:										
Vessels and newbuildings	-	2 876	-	-	-	-	-	-	-	-
Tankterminal	24 024	80	46 686	-	38 410	939	50 307	-	54 345	-
Office equipment and cars	790	302	227	-	1 186	30	358	4	1 451	144
Real estate	-	-	-	-	-	-	35	-	185	-
Total subsidiaries	24 814	3 258	46 913	-	39 596	969	50 700	4	55 981	144
Storli Group:										
Vessels and newbuildings	405 465	2 876	265 614	-	435 724	-	542 326	-	429 940	-
Tankterminal	24 024	80	46 686	-	38 410	939	50 307	-	54 345	-
Office equipment and cars	2 647	780	3 107	788	1 808	30	4 432	1 165	3 660	144
Real estate	-	-	1 220	-	132	-	29 761	-	185	-
Storli Group	432 136	3 736	316 627	788	476 074	969	626 826	1 165	488 130	144

12 CONVERTIBLE LOAN:

The convertible loan of NOK 25 mill. from the Board of Directors and Management can be converted to shares per 30 April 1998, 30 April 1999 and 28 April 2000 at the rate of NOK 125, 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 DEBT - MORTGAGE DEBT: (NOK 1,000)

	STORLI	STORLI GROUP
Mortgage debt	2 448 135	2 834 154
Repayment schedule of total mortgage debt:		
1997	95 620	99 967
1998	95 620	99 967
1999 and following years	2 256 895	2 634 220

14 MINORITY INTEREST:

The Managing Director has a minority interest in Odfjell Chartering KS, with a 2% ownership.

15 SHARE CAPITAL: (NOK 1,000)

	STORLI	
	1996	1995
A Shares 14.873.760 each NOK 10	148 738	148 738
B Shares 6.974.752 each NOK 10	69 747	69 747
Total Share Capital	218 485	218 485

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

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

	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Share capital				
Per 1 January	218 485	218 485	218 485	21 848
Per 31 December	218 485	218 485	218 485	21 848
Legal reserve				
Per 1 January	86 691	43 365	87 097	45 614
Added (used) this year	106 959	43 326	107 008	41 483
Per 31 December	193 650	86 691	194 105	87 097
Temporary restricted reserve				
Per 1 January	30 037	60 074	30 050	60 083
Transferred to distributable reserve (20%)	(30 037)	(30 037)	(30 050)	(30 033)
Per 31 December	-	30 037	-	30 050
Distributable reserve (general reserve)				
Per 1 January	1 292 817	1 090 197	1 219 406	980 099
From temporary restricted reserve	30 037	30 037	30 050	30 033
From (to) profit and loss account	546 807	172 585	584 189	199 774
Adjustment	-	(2)	(1 450)	9 500
Per 31 December	1 869 661	1 292 817	1 832 195	1 219 406
Total shareholders equity	2 281 796	1 628 030	2 244 785	1 358 401

17 SECURED LIABILITIES: (NOK 1,000)

	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Collateralized debt	676 310	2 347 188	1 024 232	2 716 908
Collateralized guarantees	-	59 536	-	59 536
Total secured liabilities	676 310	2 406 724	1 024 232	2 776 444
Book value - assets pledged as collateral	817 375	2 550 879	1 266 948	3 034 840

18 NOTE 18 GUARANTEES ON BEHALF OF: (NOK 1,000)

	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Baytank (Houston) Inc., Houston	389 238	369 720	-	-
Other subsidiaries	1 650	8 150	-	-
Uncalled committed capital in limited partnerships	47 292	47 292	47 802	47 802
Other guarantees	24 941	20 431	24 941	20 431
Total guarantees	463 121	445 593	72 743	68 233

19 TAXES: (NOK 1,000)

Deferred taxes are calculated based on the temporary differences between book value and tax value including any tax loss carried forward.

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.

In accordance with the accounting standard for tax treatment in relation to negative temporary differences which can not be settled, such differences must be classified as deferred taxes in the balance sheet.

Below is a specification of the differences between the net result before taxes and the basis for tax calculation.

	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Net result before taxes	311 918	359 385	355 602	394 447
Contribution from subsidiaries	-	1 467	-	-
Permanent differences	(2 085)	1 048	(2 085)	1 063
Changes in temporary differences	1 461 816	(81 991)	1 461 816	(81 381)
Utilisation of loss carried forward	-	(279 904)	-	(280 007)
Reversal prior year temporary differences	(1 473 706)	-	(1 473 706)	-
Current year result transferred to companies in the Group qualifying under the new tax scheme	(290 617)	-	(290 617)	-
Basis for tax calculation	7 326	5	51 010	34 122
Taxes payable				
Norway	(1 915)	(1)	(1 960)	(18)
Abroad	-	-	(2 623)	(3 849)
Total taxes payable	(1 915)	(1)	(4 583)	(3 867)
Deferred taxes:				
Norway	409 309	(101 243)	409 309	(101 243)
Abroad	-	-	-	-
Total deferred taxes	409 309	(101 243)	409 309	(101 243)
Taxes	407 394	(101 244)	404 726	(105 110)

20 DEFERRED TAX LIABILITY - BENEFIT: (NOK 1,000)

Deferred Tax:	STORLI		STORLI GROUP	
	1996	1995	1996	1995
Debt reserve	-	-	-	-
Loss on bonds etc.	(1 035)	-	(1 035)	-
Interest swap		21 061		21 061
Total short term items	(1 035)	21 061	(1 035)	21 061
Fixed assets	3 078	1 183 378	3 078	1 183 378
Profit and loss account	-	165 353		165 353
Accrued Pension Fund	21 048	9 063	21 048	9 063
Other long term temporary differences		106 050		106 050
Total long term items	24 126	1 463 844	24 126	1 463 844
Total temporary differences	23 091	1 484 905	23 091	1 484 905
Basis for calculation of temporary differences	23 091	1 484 905	23 091	1 484 905
Tax rate	28%	28%	28%	28%
Deferred tax liability	6 465	415 773	6 465	415 773

(Note 20 forts.)

Deferred tax related to the ship owning activity

Storli has decided to operate under the new tax scheme for Norwegian shipping companies with effect from 1/1, 1996. A net present value tax calculation based on the new regulations results in deferred tax being close to zero, given the following assumptions:

- Storli remains under the new tax scheme
- Payment of dividend is decided annually based on Group results and taking the company's investment requirements and future prospects into consideration. This is in line with the current dividend policy.

	STORLI	
	1996	1995
Untaxed reserve	16 625	1 069 132
Distributable reserve (general reserve)	2 265 171	558 898
Total shareholders' equity	2 281 796	1 628 030

21 PENSION COST AND ACCRUED PENSION LIABILITY FOR STORLI: (NOK 1,000)

	STORLI	
	1996	1995
Pension cost:		
Present value current year service cost	7 540	4 250
Interest cost on pension liabilities	4 071	4 155
Return on pension plan assets	(5 414)	(4 660)
Amortization	(4 240)	-
Net periodic pension cost	1 957	3 745
Employees social expenses	276	528
Total periodic pension cost	2 233	4 273

Accrued pension liability:

Actuarial present value of benefit obligation	(77 694)	(75 977)
Actuarial value of pension premium fund	83 487	80 884
Unrecognized gain -(loss)	12 653	3 037
Accrued pension funds -(liability)	18 446	7 944
Accrued employers social cost	2 601	1 120

The above calculation is based on the following assumptions:

Discount rate	6,00 %	6,00 %
Asset return	7,00 %	7,00 %
Inflation	2,50 %	2,50 %
Salary progression	2,50 %	2,50 %
Pension indexation	2,50 %	2,50 %

Pension cost for 1996 has been calculated on the basis of the new actuarial standard and according to generally accepted accounting principles in Norway. Changes in the pension fund, due to new calculation basis amounts to NOK 5.1 mill.. The total changes of NOK 11.9 mill. have been used to reduce the pension cost for 1996.

22 USD EXPOSURE FOR BANK DEPOSITS, RECEIVABLES AND DEBT: (NOK 1,000)

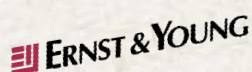
			STORLI GROUP	
			1996	1995
Cash and bank deposits	USD	163 641	1 054 338	888 350
Bonds etc	USD	30 213	194 662	315 233
Short term receivables	USD	24 323	156 713	157 046
Long term bank deposits	USD	-	-	58 144
Other long term receivables	USD	2 550	16 430	27 568
Total receivables	USD	220 727	1 422 143	1 446 341
Employee taxes etc.	USD	(2 816)	(18 143)	(10 245)
Other short term liabilities	USD	(30 574)	(196 988)	(133 837)
Long term debt - mortgage debt	USD	(438 313)	(2 824 050)	(2 703 205)
Total liabilities	USD	(471 703)	(3 039 181)	(2 847 287)
Net USD liability Storli Group	USD	(250 976)	(1 617 038)	(1 400 946)

23 OFF BALANCE SHEET ITEMS:

At year end the company had currency exchange contracts for sale of USD 19 mill. with maturity in 1997.
The company had per 31 December 1996 no interest rate contract with maturity after 1997.

24 AVAILABILITY UNDER CREDIT FACILITIES:

Availability under the USD 400 mill. revolving credit facility amounts to USD 25 mill. per 31/12, 1996.
In addition, availability under other credit facilities amounts to USD 6 mill.



To the Shareholders Meeting of
Storli ASA

■ Statsautoriserte revisorer
Ernst & Young AS

Lars Hillesgt. 20 A
Postboks 4284 Nygårdstangen
N-5028 Bergen

■ Revisornr. og Organisasjonsnr.:
NO 848 608 572

Tel. 55 54 70 00
Fax 55 54 70 05

Ansvarlige partnere:

Dag Døskeland, Tore Fyllingen, Tom W. Horne,
Inge Kr. Husby, Odd Monsen, Karl Erik Svanevik
Medlemmer av Norges Statsautoriserte Revisors Forening

Advokat/sivok. Espen Ommedal
Medlem av Den Norske Advokatforening (MNA)

AUDITOR'S REPORT FOR 1996

We have audited the annual financial statements of Storli ASA for 1996, showing a net income for the year of NOK 719 312 000 for the parent company and a consolidated net income for the year of NOK 760 328 000. 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 allocation of the net income and transfers between equity accounts complies with the provisions of the Norwegian Joint-Stock Companies Act.

In our opinion, the annual financial statements have been prepared in accordance with the requirements of the Norwegian Joint-Stock Companies Act and present fairly the financial position of the company and group as of December 31st 1996 and the result of its operations for the financial year, in conformity with Norwegian generally accepted accounting principles.

Bergen, March 12th 1996
ERNST & YOUNG AS

Karl Erik Svanevik
State Authorized Public Accountant (Norway)

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

■ Arendal, Bergen, Bodø, Bø, Drammen, Egersund, Finnsnes,
Harstad, Holmestrand, Horten, Kongsberg, Kragers, Kristiansand,
Larvik, Lillehammer, Mo i Rana, Moss, Narvik, Notodden, Oslo,
Otta, Porsgrunn/Skien, Sandefjord, Sandnessjøen, Sortland,
Stavanger, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

ANALYTICAL INFORMATION

Freight rates

Storli's results are influenced by the freight rates. A change of USD 1,000 per day will, on an annual basis, affect the results by approx. NOK 80 mill.

Rates of exchange

Storli is a USD based company. All revenues are denominated in USD and ship values are also expressed in USD. Storli therefore has a policy to maintain USD as its principal currency, and to reduce all other currency risks. The different items of the profit and loss statement will be influenced by the exchange rate between USD and NOK. An increase of NOK 0.10 in the average exchange rate will improve net result before tax by approx. NOK 18 mill.

On the other hand, a stronger USD exchange rate compared to NOK translates into a currency loss on the USD denominated loans and currency gain on the Group's current assets. Overall, due to a net debt position, this has a negative accounting effect. On the other hand a stronger USD exchange rate influences both the results as well as the real equity positively.

Interest

The Storli Group's outstanding long-term debt and liquidity reserves are USD based. The debt is fixed for short term periods through interest rate agreements. Changes in the floating LIBOR rates of 1% will

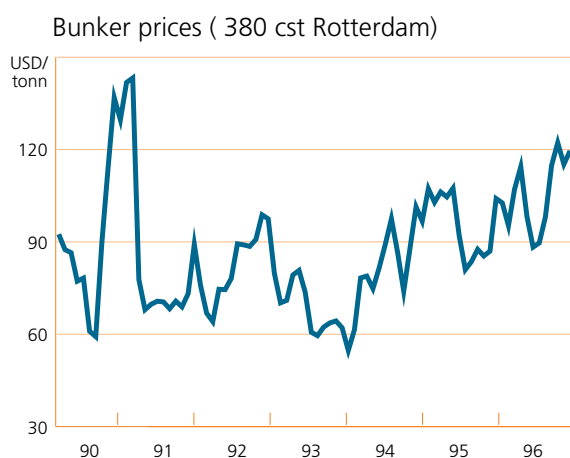
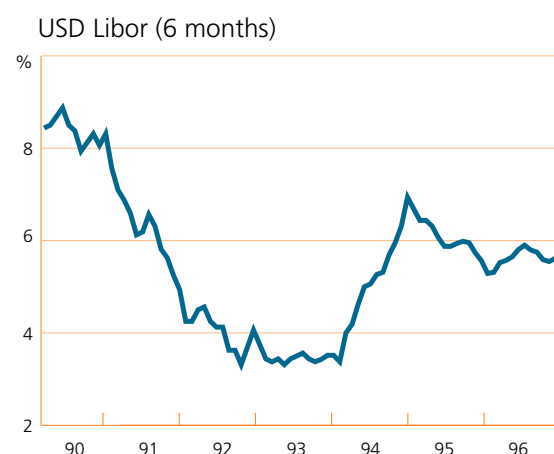
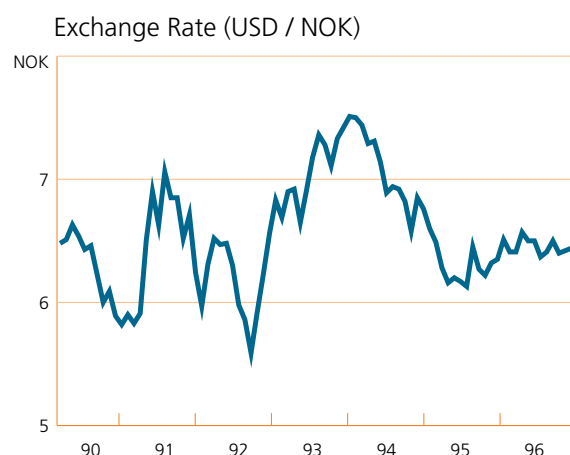
influence net financial items by approx. NOK 17 mill., at a constant debt level.

Bunkers

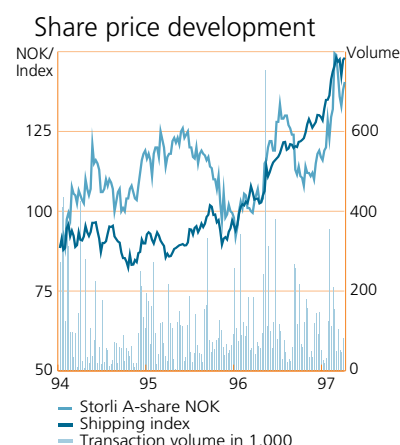
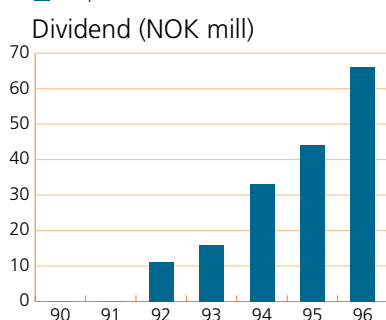
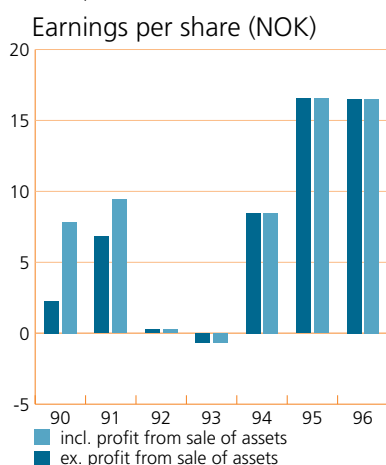
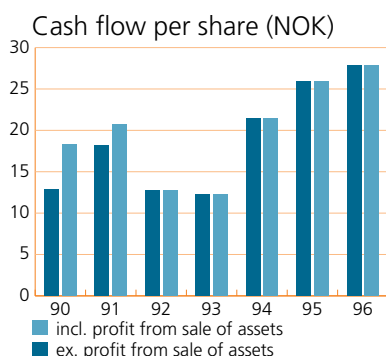
Bunkering cost represented about 37% of the voyage cost in 1996. A variation in bunker prices of USD 1 per ton annually will lead to approx. NOK 2.5 mill. change in voyage cost for the vessels where Storli has a direct economic interest.

Financing

The company finances its vessels with loans from some of the world's leading commercial banks, traditionally on an unsecured basis. The average repayment profile of the mortgage debt is approx. 7 years.



SHAREHOLDER INFORMATION



SHAREHOLDER POLICY

Storli's objective is to give a long-term competitive yield to its shareholders. The company emphasises a shareholder friendly dividend policy, based upon the company's performance, current investment programs as well as the tax situation. Return on capital will primarily be realised through share price developments.

REPORTING OF RESULTS

Storli attaches great importance to ensuring that essential information concerning the company's development is released without delay to our shareholders and the stock market. From 1997 onwards Storli issues interim reports of accounts on a quarterly basis. The financial calendar for the next year is outlined on the inside of the front cover page.

SHARE PRICE DEVELOPMENT

At the close of 1996, the price of Storli's A-shares was NOK 124.00, compared to the corresponding figure for 1995 of NOK 95.00. The increase in price was 30.5 per cent. B-share prices were NOK 120.00 and NOK 94.00 respectively, which was an increase of 27.7 per cent. During the same period the shipping-index on the Oslo Stock Exchange rose by 42.2 per cent. In 1996 the turnover totalled 14,255,763 shares, constituting 8,801,310 A-shares and 5,454,453 B-shares. Compared to the previous year, this represented an increase of approx. 22%. During 1996 the Storli A-share was traded at the Oslo Stock Exchange 249 out of 250 trading days. In addition to being listed on the Oslo Stock Exchange, the Storli shares were traded on SEAQ International, which is a trading system for foreign shares on

the London Stock Exchange. In 1994 an ADR-program for the Storli share was established in the US, which enables the shares to be traded in USD.

RISK-REGULATION

For the Storli-share the following RISK-adjustment has been established:

Per 1 January 1997 negative NOK 2.75 per share (calculated)
 Per 1 January 1996 negative NOK 2.00 per share
 Per 1 January 1995 negative NOK 1.50 per share
 Per 1 January 1994 negative NOK 2.49 per share
 Per 1 January 1993 NOK 0.00 per share

According to the Norwegian tax reform made effective 1 January 1992, the purchase price for shares acquired prior to 1 January 1989 can be adjusted upwards to NOK 61.64 for the A-share and NOK 59.45 for B-share respectively.

SHAREHOLDERS

At the end of 1996 there were 1,413 holders of Storli A-shares, and 724 holders of Storli B-shares. Adjusted for shareholders owning both categories, the total number of shareholders was 1,694.

FOREIGN INVESTORS

Foreign investors are entitled to own up to one-third of the total number of A-shares and all of the B-shares in the company. At the close of 1996, 12.5 per cent of the A-shares and 28.6 per cent of the B-shares were owned by foreign investors, which is equivalent to 17.7 per cent of the total share capital. At the end of 1995 14.9 per cent of the shares were held by foreign investors.

The 20 largest shareholders as per 31 December 1996

NAME	A-SHARES	B-SHARES	TOTAL	PERCENT OF VOTES	PERCENT OF SHARES
1 B.D. Odfjell jr. m/selskaper	7 357 591	243 294	7 600 885	49,47 %	34,79 %
2 Chase Manhattan Bank	733 600	477 300	1 210 900	4,93 %	5,54 %
3 Folketrygdfondet	559 700	635 000	1 194 700	3,76 %	5,47 %
4 Storebrand	532 304	653 500	1 185 804	3,58 %	5,43 %
5 Avanse-fondene	461 800	491 800	953 600	3,10 %	4,36 %
6 Odin-fondene	197 800	481 100	678 900	1,33 %	3,11 %
7 Gjensidige	205 995	380 500	586 495	1,38 %	2,68 %
8 Kommunal Landspensjonskasse	281 400	186 200	467 600	1,89 %	2,14 %
9 Svenska Handelsbanken	212 300	245 300	457 600	1,43 %	2,09 %
10 Vital Forsikring	384 240	45 920	430 160	2,58 %	1,97 %
11 Norsk Hydros Pensjonskasse	0	418 800	418 800	0,00 %	1,92 %
12 Skandinaviske Enskilda Banken	123 800	223 000	346 800	0,83 %	1,59 %
13 DnB Investor-fondene	214 128	96 300	310 428	1,44 %	1,42 %
14 Odfjell Shipping (Bermuda) Ltd.	23 680	282 500	306 180	0,16 %	1,40 %
15 ABN AMRO Bank	123 800	168 400	292 200	0,83 %	1,34 %
16 Morgan Guaranty Trust	104 580	148 500	253 080	0,70 %	1,16 %
17 Ingeborg Berger, London	73 920	153 770	227 690	0,50 %	1,04 %
18 Vesta	171 800	50 000	221 800	1,16 %	1,02 %
19 Frank Mohn AS	70 000	129 441	199 441	0,47 %	0,91 %
20 Samvirke Forsikring	0	142 000	142 000	0,00 %	0,65 %
Total 20 largest shareholders	11 832 438	5 652 625	17 485 063	79,55 %	80,03 %
Other shareholders	3 041 322	1 322 227	4 363 549	20,45 %	19,97 %
Total	14 873 760	6 974 852	21 848 612	100,00 %	100,00 %

Foreign shareholders 1 859 932 1 996 764 3 856 696 12,50 % 17,65 %

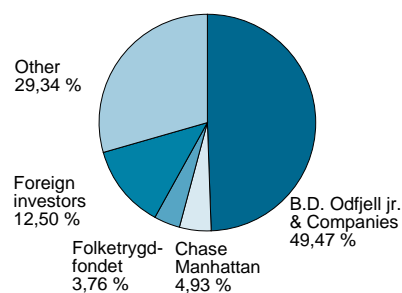
DISTRIBUTION

DISTRIBUTION

		A-SHARES			
	SHAREHOLDERS		SHARES		
NUMBER OF SHARES	NUMBER	PERCENT	NUMBER	PERCENT	
1 - 1.000	1 034	73,2%	342 180	2,3%	
1.001 - 5.000	240	17,0%	576 812	3,9%	
5.001 - 50.000	107	7,6%	1 727 988	11,6%	
50.001 - 100.000	17	1,2%	1 299 445	8,7%	
100.001 -	15	1,1%	10 927 335	73,5%	
Total	1 413	100,0%	14 873 760	100,0%	

		B-SHARES			
1 - 1.000	549	75,8%	119 787	1,7%	
1.001 - 5.000	89	12,3%	220 096	3,2%	
5.001 - 50.000	61	8,4%	1 115 964	16,0%	
50.001 - 100.000	7	1,0%	479 400	6,9%	
100.001 -	18	2,5%	5 039 505	72,3%	
Total	724	100,0%	6 974 752	100,0%	

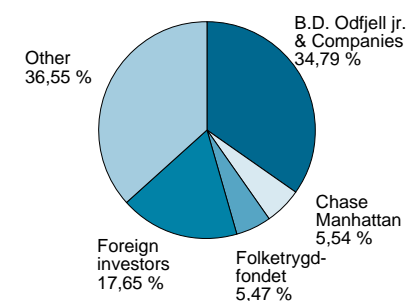
Shareholder structure A-shares
per. 31 December 1996



SHARE CAPITAL HISTORY - STORLI ASA

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

Shareholder structure A+B shares
per. 31 December 1996



CORPORATE STRUCTURE



Management:
Behind from left:
Olav Tangerås,
Jarle Haugsdal,
Jan Didrik Lorentz and
Åke H. Gregertsen
In front from left:
Atle Knutsen,
Bjørn Sjaastad
and Gudmund Valen

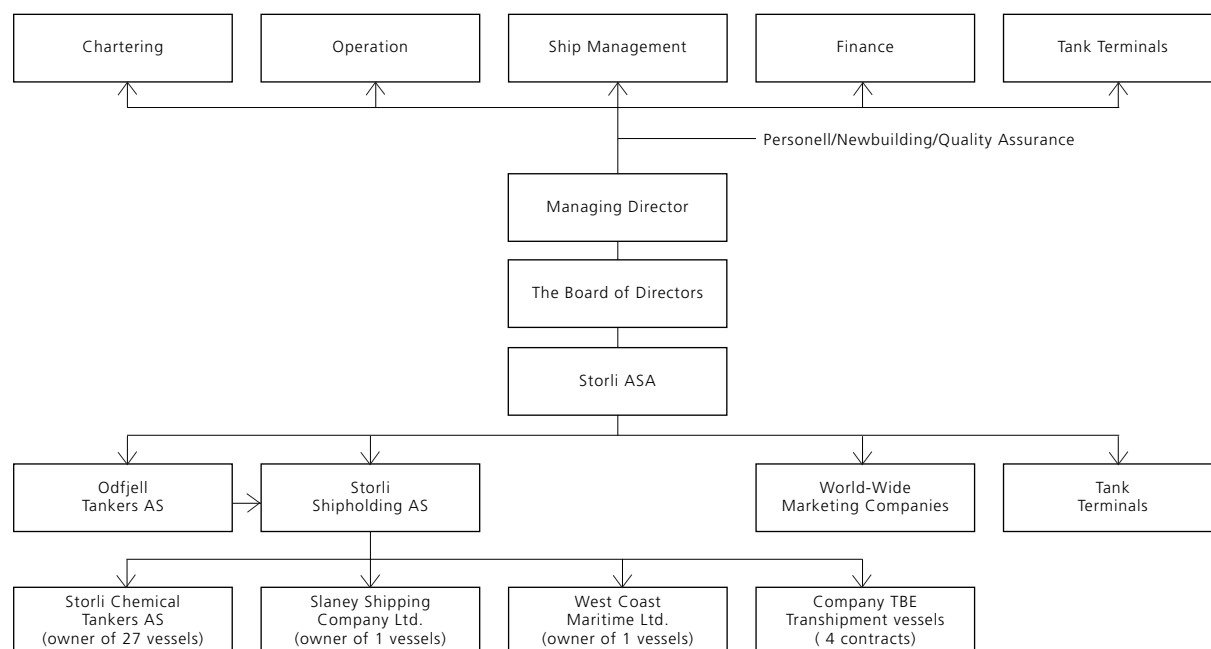
Storli is a fully integrated shipping company, handling all related functions, such as ship management, operation and chartering. The company is one of the four leading players in the world-wide parcel tanker trade. Through its wholly owned subsidiary, Odfjell Tankers, the company operates a fleet of 48 chemical tankers, aggregating approx. 1.5 million dwt. Storli is the owner of 29 of these vessels. The fleet operates in

world-wide trade, and is committed to the long-term shipping requirements of the petrochemical industry through Contracts of Affreightment with many of the world's leading chemical producers.

The company has developed overseas representation since 1975 and gradually established marketing and chartering offices in 14 major market areas. Odfjell Tankers is the con-

tractual partner with our customers, evaluate the total utilisation of the fleet and plan and implement the routing of the vessels. The tasks of Odfjell Tankers include loading and discharging of the vessels, co-ordination with ship masters and our own operation teams in key areas as well as co-operation with local agents. Cargo related rules and regulations are monitored by Odfjell Tankers together with freight and demurrage processing.

ORGANISATIONAL STRUCTURE



CORPORATE STRUCTURE

Storli Shipholding AS and subsidiaries are the owners of all the chemical tankers owned by the Storli Group. The companies were established as a consequence of the new tax regime for shipping companies in Norway.

The ship management division is responsible for all functions regarding the technical operation of Storli's own vessels, as well as the twelve vessels owned by National Chemical Carriers Co. Ltd.. This includes crewing, technical operation and maintenance, purchasing and insurance. At year-end 1996 the ship management division was responsible for the operation of thirty-three vessels.

Management

Bjørn Sjaastad, Managing Director
 Atle Knutsen, Director, Chartering
 Olav Tangerås, Director, Operations
 Jan Didrik Lorentz, Director, Ship Management
 Jarle Haugsdal, Director,
 Finance and Accounts
 Åke H. Gregertsen,
 Director, Baytank
 Gudmund Valen, Director, Far East

The Board of Directors

B.D.Odfjell jr., Chairman
 Jørgen Faye
 Per Ivar Gjærum
 Bjarte Kvåle
 Terje Storeng

Number of employees as of
 31 December 1996

Head office	157
Branch offices	79
Baytank	120
Vessel crew members:	
- Norwegian	530
- Foreign	825
<u>Total</u>	<u>1,711</u>





OPERATING PHILOSOPHY AND SAFETY

Storli's strategy is to operate as a fully integrated ship-owning company, incorporating all the functions required to ensure the efficient provision of our transportation services, at a high level of quality. By conducting the Chartering, Ship Management and Operations functions ourselves, in addition to ownership, we ensure effective communication and common priorities throughout the scope of our activities.

The operation of chemical parcel tankers imposes an exceptional demand for effort and expertise on Ship Management as well as on the crew, thus great importance is attached to this part of the organisation. Most of our vessels are registered with the Norwegian International Ship Register (NIS). The vessels are manned by Norwegian officers and Philippine crew. All our officers and crew possess the necessary practical experience needed for working on chemical tankers.

RECRUITMENT

Storli emphasises the need to ensure that both qualified officers and crews are recruited. For many years the company has had its own system for recruiting and training of junior officers. This program has been expanded as the size of our fleet has increased.

In addition we also established in 1991 a number of cadet positions to secure future recruitment. By the end of 1996 a total of 70 persons were included in the program.

TECHNICAL OPERATION

The vessels maintenance programs are based on high standards of quality and a long life span. The program is certified by the classification societies as Planned Maintenance System. Corrosion protection and maintenance of the inner structure of the ballast tanks and void space are planned based on thorough evaluations, and carried out normally at the dry-dockings every 30th month. Vessels which have been through Condition Assessment Program (CAP) according to DnV have achieved four points on a scale where five points are maximum.

SAFETY

Certification of the vessels operating systems are carried out according to ISO 9002 and DnV's Safety and Environmental Protection (SEP) program. The program, which involve all our vessels, was completed during 1996. The certification meets the standard of the IMO/ Solas ISM Code which will have to be implemented on vessels above 500 grt. by 1 July 1998. During 1996 DnV made 23 inspections of our quality system onboard our vessels. In addition we carried out 33 internal audits.

CONTINUOUS IMPROVEMENTS

We have established a system of formal reports (SAFIR reports) from the vessels. This system is integrated in our Total Quality Management system and facilitate transfer of experience related to critical situations, accidents, variances, and possible improvements. The SAFIR system has been an important tool in ensuring high levels of safety and quality at sea.

COMMUNICATION

Most of the communication between the vessels and land based organisation is done through E-mail.

INSPECTIONS

During 1996 a total of 133 inspections of our vessels have been made by our customers. CDI (Chemical Distribution Institute) carried out 41 of these inspections and 92 inspections were made by



OCIMF (Oil Companies International Marine Forum). In addition, classifications societies and port state control carry out inspections on our vessels. The CDI inspections are carried out by approved inspectors which adhere to common standards approved by the customers. These inspections will in the future gradually replace the inspections our customers today carry out themselves.

THE CHEMICAL TANKER MARKET

The parcel tanker market is mainly catering to the transport of organic and inorganic chemicals. The annual trade volume is estimated at about 55 million tons world-wide. In addition to that, the chemical tanker fleet serves the vegetable oil industry as well as lubricating oils, alcohol's and the increasing methanol and MTBE industry. The main trade-lanes are to the Far East, Indian subcontinent, Middle East and South America from both the US and Europe, as well as the Transatlantic route. In addition there is an extensive and growing trade out of the Arabian Gulf area to both eastern and western destinations.

HISTORY

The chemical trade dates back to the late 50's and the early 60's, and started off with smaller purpose-built tankers and larger converted tankers. Since then, the industry has increased tremendously and is today a mature and well regulated industry. Vessel sizes have increased from ships in the 4,000 dwt. class up to 40,000 dwt. capacity, and the degree of sophistication has improved considerably. At the same time the production areas have developed from being mainly a US industry into a global industry. Production takes place globally, but the major areas of activities are in the US, Europe, the Middle East and the Far East, which also means that there is a substantial level of cross trading.

THE MARKETS

The main building blocks for chemicals are coal, gas and crude oil. The main production areas are located in the US, Europe, the Middle East and the Far East. The areas where we experience the strongest increases in

production are in the Middle East and the Far East, whilst we see the strongest growth in demand for chemicals in the Far East area. It is estimated that this area will have an average annual growth of 8% in GNP for the period up to year 2000. In developing countries, the growth in chemical demand is normally superseding the GNP growth by a factor of 2,5, which indicates very strong demand for both imported as well as regional production of chemicals.

In the pure chemical carrier segment of the parcel business there are four major operators representing about 60% of the capacity. Storli, through Odfjell Tankers, has about 20% of the total market capacity and ranks as number two in this market segment. The Storli group is serving the chemical industry globally being one of only two groups providing world-wide services.

The state of the chemical tanker market is a balance between supply and demand. It is normally the supply side which impacts the market balance. We have seen an average growth in transportation of chemicals exceeding 5% annually over the past

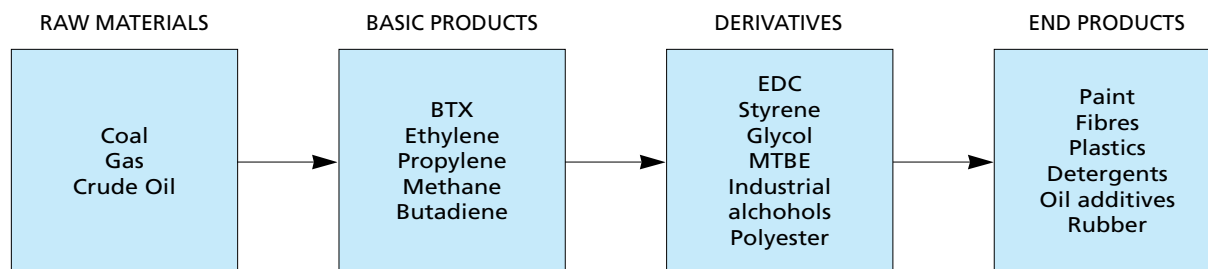
15 years. Earnings have been severely impacted by an oversupply of tonnage in part of this period. The size of the chemical tanker fleet doubled from 1981 to 1986; from about 3 million dwt. to 6 million dwt., counting vessels from 8,000 dwt. up to 40,000 dwt., a fact that took the chemical tanker market through a weak period. Over the past 10 years there has been a slower increase in tonnage, though the newbuilding programmes in recent years are now starting to impact the supply side. The comparable fleet is now at about 8,5 million dwt. As we are entering the end of the 1990's, the activity on the scrapping side will be important as the new additions to balance the growth. We do, however, not foresee any distinct growth in scrapping as long as the freight market maintains its present level.

The activity level through the year has been somewhat unstable with the best activity during the first four months. From mid 1996 and through the balance of the year activity levels slowed down and must be considered less active compared with the preceding years. However, towards the end of the year activities showed increased momentum. We see the major reason for the developments in activities to be the stocking and destocking in certain areas.

The chemical tanker market is demanding in terms of quality requirements both onboard and onshore. The chemical tankers are the pipeline between producers and customers and transport the majority of the products in small lot sizes to satisfy the industry's need for high frequencies and low inventories. The average lot size during 1996 has been about 2,200 tons. Equally important as the freight rate per metric ton, is the utilisation of the fleet/tanks.



ORGANIC CHEMICALS



In principle a sophisticated chemical tanker is never empty and the optimum utilisation of the capacity is provided for through high numbers of Contracts of Affreightment (CoA) and spot market business. The Group's CoA-ratio for 1996 was close to 55%. Estimate for 1997 is a CoA coverage at about the same level.

THE PARCEL TANKER

A chemical tanker is one of the most demanding type of vessel a shipbuilding yard can build. Such ships have a large number of independent cargo tanks with a variety of volume capacities in order to serve the demand for any cargo parcel size. It is increasingly common for new chemical tankers to have cargo tanks made of acid resistant stainless steel, although mild steel tanks coated with zinc or epoxy are often used in wing tanks and for easy chemicals. Double hull has been a standard in the industry for many years. Parcel tankers are distinguished by a considerable number of tanks with independent loading and discharging systems, which enable the vessels to carry anywhere from 20 to 52 different cargoes at the same time. Generally, vessels with tanks made of stainless steel are highly versatile for the carriage of sophisticated cargoes with individual demand for cargo handling. The necessary requirements for segregation and tank sizes lead to high newbuilding costs, especially when compared to ordinary tankers of similar size.

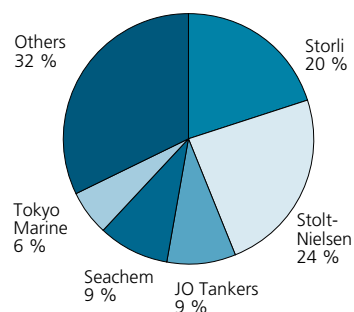
Loading and discharging a chemical tanker is controlled by automatic systems and monitored by complex systems for safe cargo handling and environmental control.



The most modern chemical tankers have unobstructed cargo tank interior, in order to facilitate safe and efficient gasfreeing and tank washing. Furthermore, there are facilities for heating and/or cooling of the cargo as well as tank drying plants for rapid dehumidification of the cargo tanks. Vapour return lines from each tank are used to avoid cargo vapour emission during loading. A sophisticated chemical tanker of approx. 37.000 dwt. with around 50 stainless steel cargo tanks cost almost as much as building a new VLCC. This is caused by the complexity of the vessel, the magnitude of tanks and equipment as well as the quality of materials. To build a product tanker of comparable size will cost around one-half of a chemical tanker because of the easier structure and the fact that a product tanker only have a few coated tanks and segregations.

Chemical tankers are governed by stringent international and national rules and regulations. Furthermore the ships are inspected by our customers and classification societies on a regular basis. This is not a new element but a requirement the industry has lived with for the last decades.

The Chemical Tanker Market



TANK TERMINALS

For a large and global business there are synergy between the operation of ships and the operation of terminals. Investment in tank terminals in newly industrialised countries, where the infrastructure is often inadequate, provides an opportunity to enter the market at an early point. In addition, such investments will produce increased transport volumes, which in turn will have an impact on the utilisation and profitability of the vessels. Customers will also experience considerably synergy.

terminals, we are able to provide our customers a full logistic service. Currently Storli has terminal investments in the US and China.

BAYTANK - HOUSTON, USA

Baytank is strategically located at the entrance of the Houston ship channel, one of the major hubs of the world for the production and export of chemicals. Baytank services both vessels, barges, rail cars and trucks, and is a state of the art terminal designed in accordance with the highest standards of safety, quality and flexibility. Baytank is unique with

190,000 cbm. The tanks are made of stainless steel, or black steel protected with zinc or epoxy coatings. So far the total investments amounts to more than USD 130 million. Unused land, and the considerable investment already made in the Baytank terminal infrastructure, provide good opportunities for further extensions. Within the existing area Baytank has the potential storage capacity of about 350,000 cbm.

In December 1996 Baytank completed six new storage tanks. These six new tanks represent 17 per cent added capacity. It has been decided to continue the expansion program by constructing seven new tanks of which three will be in stainless steel. The new capacity is planned to come into operation in 1998, and will represent a 20 percent increase in capacity.

In addition to performing general terminal services, Baytank has an important function in our cargo consolidation program to reduce vessel laytime in port, which in turn enhances the productivity of our ships. Baytank also function as a "home base" for Odfjell Tankers in the US Gulf area. This synergy concept was confirmed through several joint transportation-/terminal operations during 1996.

Baytank has implemented its own TQM system and is ISO 9002 certified. In accordance with Storli's philosophy, safety and environmental issues have the highest priority. In addition, the streamlining of the organisation and improvement in procedure had a high priority in 1996.

1996 was a good year for the American petrochemical industry with increased tonnage for export. Baytank benefited on this positive development by increasing total throughput with 13%. Baytank experienced an increase in traffic from ships, rail cars and trucks.

The main task for a chemical terminal is to receive, store and ship chemicals. The chemicals are transported in and out from the terminal by either trucks, rail cars, barges or ships. Most products are stored in tanks until they are shipped out, but the terminals also do direct moves usually between rail cars and ships. By extending our services to include operation of

respect to its pressurised tanks, the nitrogen compensation system as well as well as an advanced vapour return system. Baytank has permission to handle and store more than 600 different chemicals. The terminal is highly flexible with its deepwater docks with continuous concrete aprons. Baytank also has bunkering facilities.

The terminal consists of 71 tanks ranging in size 350 cbm to 9,000 cbm, and has a total capacity aggregating



Baytank has in 1996 continued the improvement and made a net profit of USD 4.6 mill. compared to USD 2.9 mill. in 1995. The increase in operating revenue is due to the expansion in capacity and a high utilisation of the facilities. The low interest level and the cost control also contributed to the improvement in net profit.

Baytank achieved the following result in 1996, compared with the last two years:

(USD MILL.)	1996	1995	1994
Revenue	25,7	23,2	20,3
Expenses	(14,2)	(13,6)	(12,4)
Depreciation	(3,6)	(3,2)	(3,0)
Operation result	7,9	6,4	4,9
Net interest	(3,3)	(3,5)	(3,6)
Net profit	4,6	2,9	1,3

DMTTC - DALIAN, CHINA

In order to participate in the future growth in China, the company decided to construct a terminal in Dalian in the northern part of China. In the future Dalian is expected to become an important point of consolidation for our shipping activities in the Far East.

The Chinese authorities have selected Dalian as one of main four ports to benefit from considerable investment in infrastructure. Its favourable geographical location will make it possible to service as a centre for distribution of chemicals to northern and mid-China, as well as an important point of transit in a growing Inter Far East market.

In the first phase the terminal will have a capacity of approx. 60,000 cbm in 35 tanks. Total investment for this phase is USD 30 mill. The progress and quality of the construction work is going well and the terminal is expected to start operation in 1997 as planned. The terminal is being built under strict quality and environmental requirements with regard to safety and

efficiency. Storli is the main shareholder with 44% and is also managing the construction and operation of the new terminal. In addition to Storli, the other participants are Dalian Port Authority, Mitsui & Co, Ltd. and Van Ommeren.

VOTTN - NINGBO, CHINA

The Chinese economy is still strong with a growth of about 9% in 1996. This is considerably lower than some years ago, but the main objective for the Government have been to keep inflation down by restricting credit.

terminal of high standards. Last year it was decided to increase the capacity of the terminal from 24,400 cbm. to 65,450 cbm. Completion of this expansion is planned in 1997. Storli's share of the terminal is 12.5 %.

The slowdown in the chemical import together with the increased capacity in 1996 has resulted in lower occupancy and lower profit in 1996 compared to the record year 1995. The net result for Storli share was USD 134,000 in 1996. Even though the profit level is down from 1995, the result is still considered satisfactory.



The credit restriction reduced the growth in import of chemicals in 1996. In the Ningbo/Zhenhai area the total volume of chemical throughput increased with about 25% to 500,000 mt., but the competition in the area has increased considerably. Total storage capacity in the area has nearly doubled in 1996 to reach 140,000 cbm.

The chemical terminal in Ningbo started operation in 1994, and has succeeded in establishing itself as a



FLEET OVERVIEW

31 December 1996

STORLI'S VESSELS	YEAR BUILT	DWT	CBM	STAINLESS STEEL CBM	NUMBER OF TANKS
Bow Cedar	1996	37 250	41 200	34 100	52
Bow Clipper	1995	37 250	41 200	34 100	52
Bow Fagus	1995	37 250	41 200	34 100	52
Bow Flower	1994	37 250	41 200	34 100	52
Bow Fortune	1975	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 Spring	1976	28 060	34 756	21 136	43
Bow Star	1976	28 060	34 756	21 136	43
Bow Sun	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 Eagle	1988	24 700	32 458	19 663	25
Bow Hunter	1983	23 077	25 002	21 009	28
Bow Pioneer	1982	23 077	25 002	21 009	28
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
Number of vessels: 29		926 905			

TIME-CHARTERED VESSELS

NCC Jubail	1996	37 250	41 200	34 100	52
NCC Riyad	1995	37 250	41 200	34 100	52
NCC Mekka	1995	37 250	41 200	34 100	52
NCC Jizan	1976	28 060	34 756	21 136	43
NCC Jof	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
Number of NCC vessels: 12		350 964			

Bow Gerd	1975	31 500	36 683	-	34
Lady Ina	1975	31 500	36 683	-	34
Bow Trader	1969	21 723	22 972	17 842	26
Bow Tribute	1995	41 330	48 746	-	20
Bow Trident	1992	41 330	48 746	-	20
Bow Trigger	1993	41 330	48 746	-	20
Bow Triumph	1992	41 330	48 746	-	20
Number of other vessels: 7		250 043			
Total number of vessels: 48		1 527 912			

NEWBUILDINGS	YARD	OWNER	DWT	DELIVERY
Yard no. 134	Florø	Storli	37 250	4/1997
Yard no. 135	Florø	Storli	37 250	11/1997
Yard no. 136	Florø	Storli	37 250	5/1998
Yard no. 137	Florø	Storli	37 250	11/1998
Yard no. 138 *	Florø	Storli	37 250	5/1999
Yard no. 139 *	Florø	Storli	37 250	11/1999
Option *	Florø	Storli	37 250	5/2000
Option *	Florø	Storli	37 250	11/2000
Yard no. 579-I/1	Stettin	Storli	6 000	9/1998
Yard no. 579-I/2	Stettin	Storli	6 000	2/1999
Yard no. 579-I/3	Stettin	Storli	6 000	6/1999
Yard no. 579-I/4	Stettin	Storli	6 000	10/1999

* - Contract entered into 11 March 1997.

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. 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.

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.

GATT: General Agreement on Tariffs and Trade. International free-trade agreement.

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.

ISM: 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.

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

M/T: Motor Tanker.

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.

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.

POOL: A co-operation between owners putting their vessels into a joint operation where net revenues are divided between the partners 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.

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

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. A deadweight ton (dwt) is a measure of the weight carrying capacity of the ship, and the total dwt is the weight of the cargo the ship can carry plus bunkers, fresh water, spare parts etc.

TRADE: The geographical area where a ship mainly trades.

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

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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FINANCIAL CALENDAR

29 April 1997	Annual General Meeting
12 May 1997	Report 1st Quarter 1997
19 August 1997	Report 2nd Quarter 1997
23 October 1997	Report 3rd Quarter 1997
Mid February 1998	Preliminary results for 1997

The Annual General Meeting will be held at the company's office, Conrad Mohrs veg 29, 5032 Minde, Norway on Tuesday 29 April 1997, at 3.00 p.m. Shareholders wishing to attend the Annual General Meeting should notify the company by Wednesday 23 April 1997, according to § 4 in the Articles of Association.

Financial information on Storli can also be found on Internet at:
<http://hugin.sol.no/STO/>

Storli

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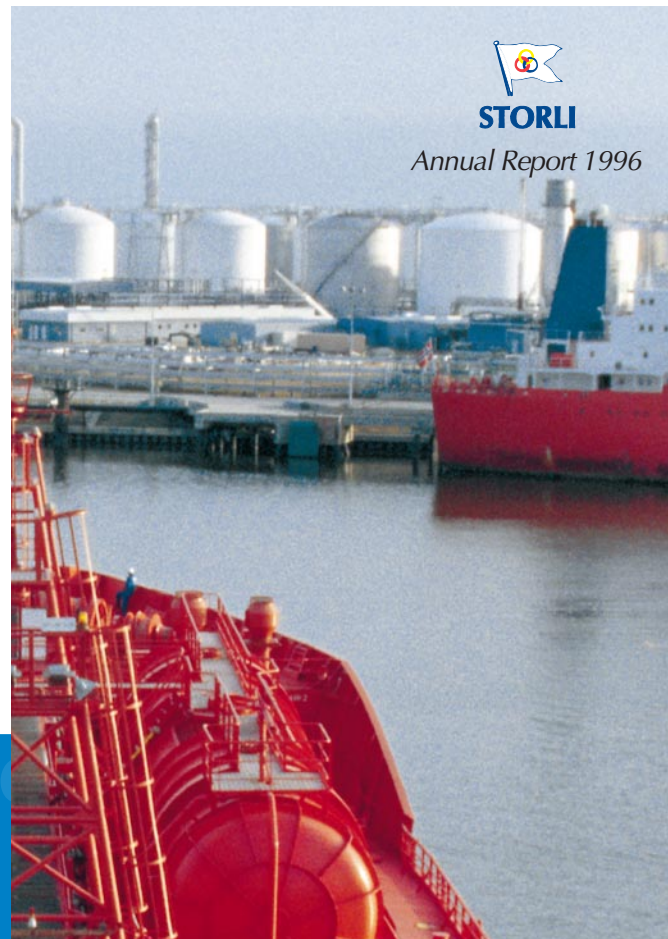
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Arsrappport CD
HUGIN 1996
<http://hugin.sol.no>

shipping

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Industry

Shipping