



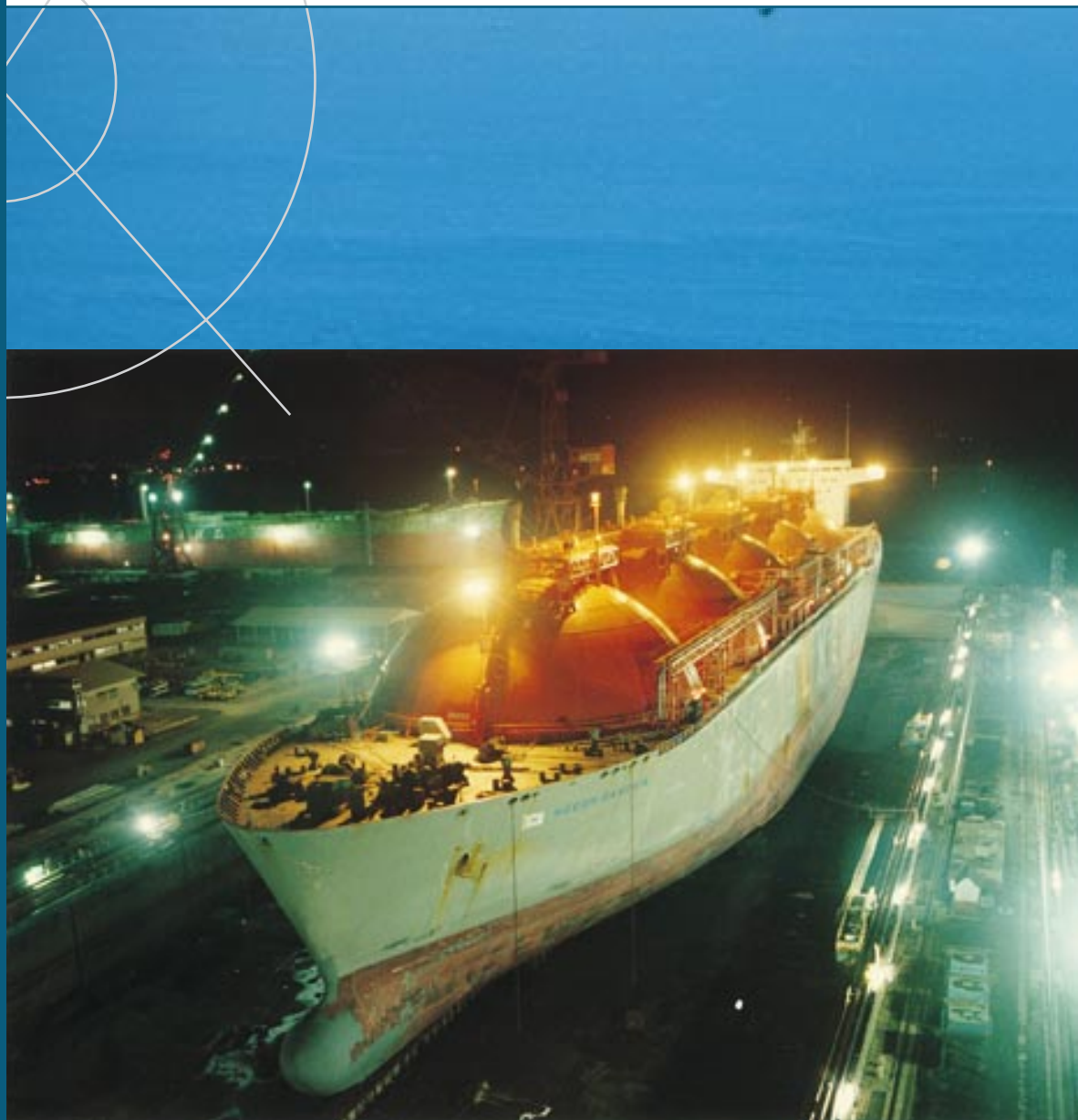
Höegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC)

No 4 - 1999

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This picture of HÖEGH GANDRIA in dry dock is the winner of Höegh Dialogues' photo competition. The photographer is Ole Fjærgård.



Welcome to the 21st century

I would like to start this issue by congratulating everybody who has been involved in the repairing and upgrading of NORMAN LADY with a job well done! Considerable effort has been put into this project by all parts of LHC and by external partners and we are happy to hear the report of a successful start to NORMAN LADY's charter party to Enagas.

The general market environment in many of our key segments has been unsatisfactory this year, a fact reflected in our financial results. However, there are encouraging signs both in Asia and South America, which may prove to be the beginning of a cyclical upturn.

The development of the shipping industry as a whole is one of consolidation in order to achieve profitability and stability. I believe that we are facing a period where we will see an emergence of larger shipping companies within the various segments of our industry. This restructuring will also have significant impact on brokers, agents, yards etc. We are actively positioning ourselves for these developments in our existing activities and by developing new projects.

Finally, I would like to take this opportunity to wish everybody a Merry Christmas and a happy New Year.

T.J. Guttormsen
President Leif Høegh & Co ASA

Site teams



The Site team discusses with representatives from the Classification company and employees of the Gdynia shipyard.

The Site team is a crucial participant in any newbuilding project. The team is of vital importance to ensure that the new vessel complies with all practical needs and quality standards. The team leaves for the pertinent shipyard and lives there for a period of approximately one year. In many cases, the family moves along, so to be part of a site team truly affects your environment. We have talked to Nils Reite, Project Manager for the Site team in Poland where HUAL TRANSPORTER was delivered from Gdynia Shipyard on 20 May 1999.

- The Site Team gathers initially in the office in Oslo as a Newbuilding team upon contract signing drawing approvals and makers list, Reite explains. - At this point, the team consists of the project manager, a captain or a chief officer, a chief engineer and an electrical engineer. For HUAL TRANSPORTER, the Newbuilding team was established in October 1997 and lasted for 6-7 months.

- When the steel cutting commences, the Newbuilding team is converted to

the Site team and they leave for the shipyard, Nils Reite continues.

- The composition of the team is basically unchanged, except for a paint superintendent who is added, and in, most cases, the electrical engineer is only present the last 3-4 months of the construction period.

The Site team then works closely with the shipyard throughout the whole



Lifting the main engine on board.

construction period. They make sure everything is carried out according to the plans, and they help solve difficulties which may arise during the building period. - In Gdynia the Site team was very warmly welcomed, and we were really impressed by the quality of their equipment and the work they carried out. We must consider HUAL TRANSPORTER a really successful project, Reite says. - I think the Gdynia Shipyard considers LHC a good customer. After all we built 8 vessels there around 1980, he recalls.

A family matter

Project Manager Nils Reite moved to Poland with his wife and two children. Capt. William Poppe also brought his family to Gdynia for the one year period it took to build HUAL TRANSPORTER.

- Some efforts and a positive attitude is of course imperative in order to settle in a foreign country and to feel included in the local society, Reite says. - Poland is a very friendly country, and the cultural distinction from Norway is not troublesome. We lived just like the locals in a residential area, and our children attended a private American school. Both the wives and the children made excellent contact with both local people and other expatriates. All in all it has been a very nice experience for the entire family to be part of a Site team abroad, Nils Reite sums up.



Members of the Site team checking paint thickness and installation details.

The present Site team in South-Korea



Presently this Site team is supervising the completion of building # 4426 at Daewoo in South-Korea. Delivery will be ultimo Jan. 2000. From left: Tore Hemstad, Dusan Pevec, Project Manager Oddbjørn Silnes, Henning Olsen and Vegard Hellekleiv.



HUAL TRANSPORTER almost ready for launching in Gdynia.

HÖEGH DIALOGUE:

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OP!N!ONS

In this column we intend to let the readers speak freely their opinions. (Opinions may be edited due to shortage of column space.)

DEVIATION REPORT

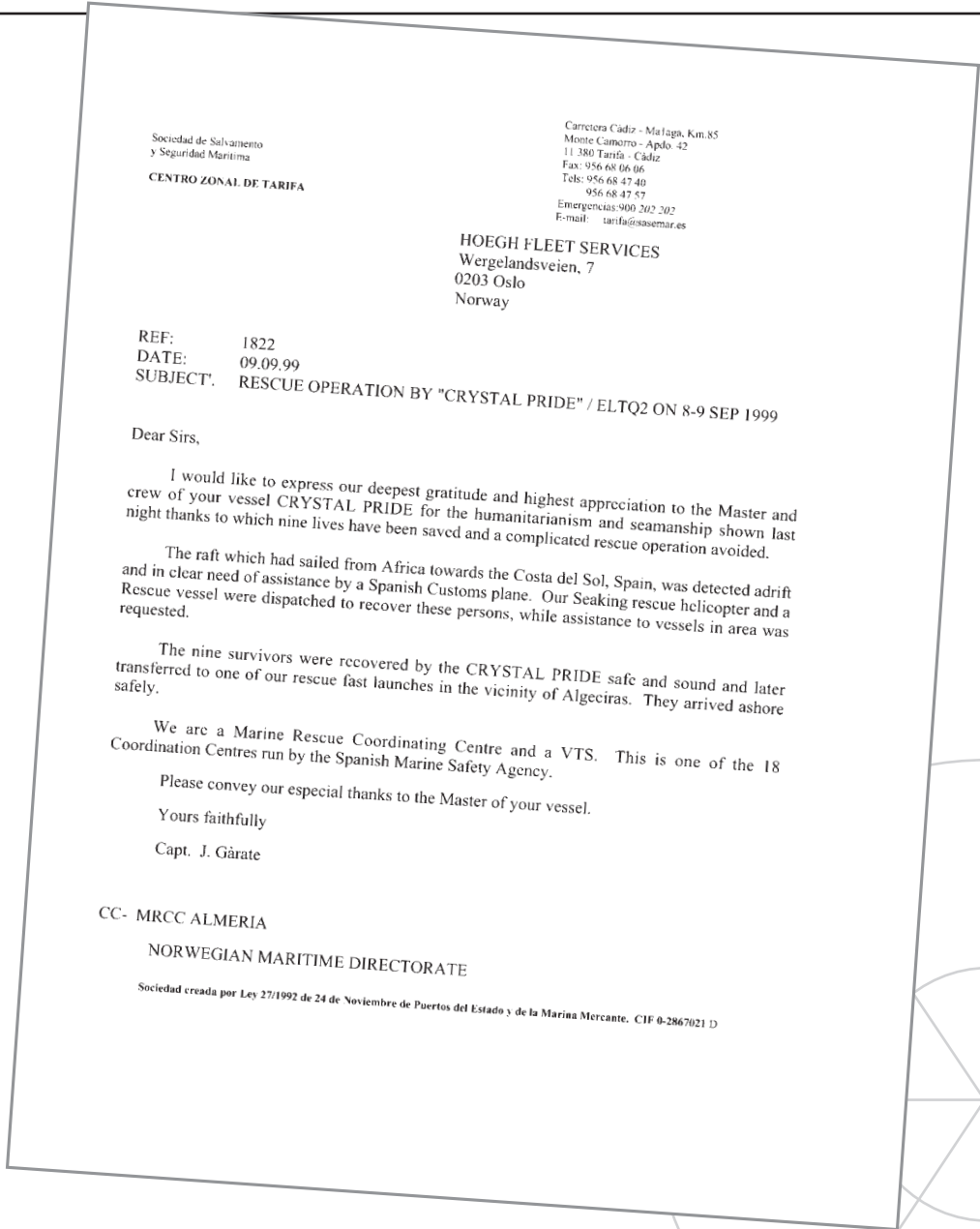
On 8 Sept., while vessel is proceeding to Montevideo coming from Marseilles, in position 36-14.8N, 003-37.5W at 1955H LT (1755Z), a distress call from Malaga radio was received. A small boat adrift in position 36-04N 003-36W with 10 persons on board needed assistance. They were 12 miles from us. We reported to Malaga radio at 2000H, stating our present position. We were instructed to proceed to the distress area. We were the 2nd vessel who responded to the distress call.

We organized extra lookouts on the bridge while third officer and deck cadet prepared the rescue boat. Wind direction was easterly, force 2 with low swell.

At 2042H, we sighted the boat. It was a rubber boat with outboard motor, yellow color and measuring about 6 meters in length. There were only 9 males on board. Chief officer coordinated the preparations of pilot ladder and accomodation ladder.

At 2105H, they were all safely on board. As they were of very suspicious character, we gathered them all on deck, searched them and inspected their belongings for concealed weapons. The search had no negative result. They were brought into the conference room, were served coffee and bread. Since they had no passport or ID with them, their names, date/place of birth and nationality were asked to be written down. They were Marroccan as could be read from their hard to decipher writings.

At 2117H, Cabo de Gata advised us to stay in position as they were sending a helicopter to airlift them. Helicopter checklist was prepared. We were informed at 2123H that rescue helicopter would be on the scene in 10 minutes. At 2140H, while the helicopter was hovering around us, Almeria rescue center informed us by telephone that to ensure safety of the survivors, it is better to stop south of Europa Point. The Tarifa rescue coordination center would organize the rescue and would inform us of the rendezvous point. At 2145H, we proceeded south of Europa Point.



The survivors were confined in the conference room with one crewmember watching over them.

At 0318H, vessel stopped 1.5 miles SW of Europa Point as per instruction of Tarifa rescue coordination center. The 9 survivors disembarked into the rescue vessel "Salvamar Algeciras" accompanied by a police boat.

At 0400H, vessel resumed its original voyage track.

Deviation time: 3 hrs. Dev. dist: 17 n.m.
Dev. FO cons: 1.07 mt



Capt. Bernardo D. Tan
MV Crystal Pride



Capt. Marcus Bull on board HØEGH AILETTE, 1966.

A faithful employee of really long standing retired in July this year. After close to 50 years of service Capt. Marcus Bull completed his last mission this summer - a 7 years term as General Manager for HUAL in Dubai. Now, it is time to enjoy the company of his wife Kari, family and grandchildren, to play golf and tennis, and last but not least to spend time in his holiday cottage on the southern coast of Norway.

Born in 1935 and raised in Trondheim in a family rich on seagoing traditions back to his great-great-grandfather, his rookie trip was as deck boy on HØEGH FLORE 1 January 1951 - just prior to turning 16! The liner service, and in particular the West-Africa Line was where Bull spent his seagoing years. He has participated in most of the development this business segment has seen since the start in the postwar years. He has seen the ships grow larger and the shore-based facilities improve, and of course seen major parts of the globe on his various voyages.

The early years

Western Africa, in the early years, is maybe the era which brings back the most exotic memories to Capt. Bull. When the vessels were smaller, they sailed far up the great West-African rivers to load bagged cargo. He also recalls with amusement when they loaded logs and other timber products anchored off shore. Logs up to 30 tons were brought out packed as rafts and hoisted directly out of the sea.

In 1955 he went home to Trondheim to complete first his mate's examination, and then his master's examination in

Capt. Marcus Bull

1958. During a 6 months shore stay in the office in 1960, he also completed a school of commerce to be adequately set for the life of a high ranking liner officer. He sailed out again as mate, and later became chief officer. 21 March 1966 he became one of the youngest captains ever in LHC when he was appointed Master of HØEGH AILETTE at the age of 31.

On shore in 1968

After 2.5 years as a sailing captain, Marcus Bull decided to go on shore in autumn 1968. He and his wife had suffered the tragedy of losing a child, and in order to support his family he started his shore-based career in the Education Department before he moved to the Personnel Department in 1972. Many former and present employees will remember him from these years as responsible for e.g.

officers' conferences and recruitment work. - Of course I have missed the life at sea after I had to go on shore in the late sixties, but I have always had a lot to do with our vessels and our sailors, Capt. Bull says. - I also feel I have got very nice contact with the new nationalities we have on board our ships now. Also throughout my assignment for HUAL in Dubai, I made many good friends and I greatly enjoyed working in the Middle East in spite of the apparent mutual need of cultural adaptation.

And just his friendly manner, his righteous and respectful appearance is what has distinguished Capt. Marcus Bull in his professional career. A proof of that is reflected in the Middle East, where several of the people he recruited to shipping, Muslims and Hindus alike, call him "father"!



Capt. Marcus Bull, 1999.

LHC in Shanghai, China



From left to right: Daisy Gee, Rachel Lin, Johnny Xia, Capt. Zheng Xin Hua, Laser Huang and Brook Au (sitting in the front)

Leif Høegh Shanghai office was established in 1996. The office represents LHC and its affiliated companies' various industrial shipping activities in the enormous Chinese market. We have built up strong relations with important shippers, cargo receivers and ship owners in the greater China region. The office is now staffed with 6 people – all Chinese.

I, Brook Au, am the overall manager, Daisy Gee is in charge of reefer cargo activities, while Johnny Xia assists her. Laser Huan takes care of the commercial side of dry bulk, open hatch and car carriers, Capt. Zheng organises port operations and attends the vessels when calling on China, while Rachel Lin does the administration and accounting.

We are in close contact with major Chinese steel mills such as Shougang and Baosteel. Our updated input on the developments of these mills, including organisational changes and iron ore shipments, has undoubtedly been useful for LHC's Dry Bulk Dept.

utilizing our strong connections with related parties. As a part of LHC's whole strategy, we have been aiming at Chinese crew manning and submarine cable installation as well as other interesting projects. Being the only office of LHC in China, we also represent LHC's affiliated companies, especially Cool Carriers and PLC in both commercial activities and port operations.

During the past 3 years, we have achieved a very favourable position for Cool Carriers – reefer cargo sector – and we are getting more and more inquiries from the Chinese fruit market and Chinese/overseas customers. Besides our monthly banana market report we are keeping Cool Carriers updated on Chinese banana market, enabling Cool Carriers and its affiliated companies to position themselves in the Chinese fruit transportation market.

We are working on the Chinese export of garlic, apples, chestnuts, vegetables and so on. With the support from Cool Carriers and its affiliated companies such as Arctic Reefer and EcoShip, we have shipped out garlic from June to August, representing 56% of the total garlic shipments out of China this year. We trust we can make further contrib-

utions to Cool Carriers and its affiliated companies in the forthcoming years.

In the open hatch and handy size bulk market, we are making steady progress in assisting PCL to extend its pacific service to China. Different kinds of cargo, such as steel products (bar, channel, pipe), trailers, yachts, veneers, jumbo bags, have been booked leaving China to the USWC-BC. The contribution from these eastbound cargoes is already having a significant positive impact on the voyage results. For the car/vehicle segment, many Chinese car manufacturers have been familiar with HUAL in general. We are receiving more and more inquiries from different manufacturers/shippers. We have reason to believe that the expanding Chinese car market will soon give sufficient inducement for HUAL.

Besides the above-mentioned commercial activities, we are acting as protective agent and looking after LHC's (and its affiliates') vessels calling on Chinese ports. During the first 8 months of 1999, we attended 32 vessels/calls including capesize bulkers, reefers, and open hatch carriers.

Mail office in Oslo



From left: Britt Nitschke, Jorun Bræin and Leif Elde.

Leif Elde has now been the head of the mail department for decades, and he has seen the change over the years. - We used to forward quite a lot of mail from Norwegian families, this is of course different now with the diversity in nationalities we have on our crews, Elde explains. - But all mail to the vessels goes through our department, also from Asian families, so we still have an important social role to play. Especially Filipinos are very diligent postcard-writers. The biggest decrease we can see is the number of Christmas presents.

"Kosten og posten"

- The practical aspects of mail delivery have also changed over the past years. Earlier, with mostly Norwegian sailors, they passed through our office to pick up mail to the ship they were on their way to board, Leif Elde says. - Now the airlines have strict rules for passengers not to carry parcels they did not pack themselves, also there are very few sailors passing through our office these days. So



In the old days, mail was the most important means of contact between the ships and people on shore. Nowadays we have access to several new channels of communication, but still mail – and hence the mail department – is a vital vein to family, friends and different offices for our sailors.

we rely extensively on parcel delivery companies such as DHL to bring mail to the ships. But I have to say that the superintendents are kind enough to carry whatever they can when they leave to visit the ships, Elde continues. – After all, as we say in Norwegian, the most important on board a ship far from home is still "kosten og posten" – the food and the mail!

Officers on board "D/S Børøysund"



On Thursday 19 September at 1200 fifteen Norwegian officers and some representatives from the office put to sea. With good food and nice weather there were a lot of smiling faces. On behalf of the Company, Mr. Olav Foss thanked every one for their services,

and gave the officers a gift of appreciation from Leif Høegh & Co. Once again we take the opportunity to express our thankfulness for their loyal service, we wish them all the best and bon voyage in the future!

A number of Norwegian officers have been affected by the internationalisation process which has taken place over the last years, and the decision to sell Høegh Lines. To show the Company's appreciation for the service of those Norwegian officers affected, we invited them for a trip on the Oslo-fjord with the old vessel "D/S Børøysund".



From left: Ole Osmundsen, Erling Magnus and Kristian Garshol.



From left: Bjarne Holen, Svein Helge Fossmo, Kolbjørn Halås and Olav Foss.

Vessel of the issue: **HÖEGH GANDRIA**



HÖEGH GANDRIA is the largest of the three LNG/LPG-tankers in the LHC-fleet. Built by Howaldtswerke – Deutsche Werft in Kiel, Germany in 1977, HÖEGH GANDRIA is also slightly newer than NORMAN LADY (presented in Höegh Dialogue #3/98) and MYSTIC LADY. HÖEGH GANDRIA is just past half-way on her 20 years contract with the Indonesian government-owned oil company Pertamina lasting until 2006. During 1999 she has successfully delivered her 250th cargo to Pyeong Taek outside Seoul in South Korea.

HÖEGH GANDRIA sails between Blang Lancang on North Sumatra and Pyeong Taek. This journey takes 7 days each way, and including loading and unloading she completes a round trip in 16 days.

– This is a route through some of the most dangerous waters in the world when it comes to both pirates and typhoons,

Capt. Kjell Kvammen says. He has sailed as Master on HÖEGH GANDRIA for several years from 1986, and was boarded by pirates in the Strait of Malacca in 1988. In the middle of the night he woke up with 5 pirates in his cabin. They tied him down and gagged him before they searched the captain's cabin for valuables.

– Most parts of the South China Sea are high risk areas, Kvammen continues.

– This has led to quite a few precautions on board HÖEGH GANDRIA. They have now a permanent water hose system on board coupled to the fire hydrant. If the vessel is attacked, the water is turned on to make



boarding difficult. When it is dark, the entire aft deck is flood-lit, and there are lights all along the rim of the main deck. In addition to this, two men are constantly on the lookout for pirates in the high risk waters.



Another peculiarity about this freight is the climate changes experienced every trip in the winter time. All the way from Sumatra and north to Taiwan we sail in nice weather conditions with temperatures above 20°C and often into the thirties. But on the relatively short distance from Taiwan to South Korea it can drop to crisp winter chill.

Speaking of the LNG/LPG tankers in our fleet, there are obvious reasons to mention the age of the vessels and the long-term contracts they operate by. NORMAN LADY will be 46 years old when she terminates her ongoing assignment in 2019, and HØEGH GANDRIA will be 29 when finishing her contract in 2006. Thorough and preventive maintenance is the key to making this feasible. Although it is too early to conclude anything beyond the expiration of the Pertamina contract, options are looked into and considered.

HØEGH GANDRIA has Norwegian officers and a very stable Indonesian crew. At all times there are 31 people on board. It is widely known that there is a very nice atmosphere on board, and HØEGH GANDRIA must be called a happy ship.



Senior Vice President Stephan Tschudi-Madsen explains about HØEGH GANDRIA

-The HØEGH GANDRIA is sometimes referred to as "the jewel" of the fleet, at least by those who are most involved with the vessel. She represents a high technical standard and quality. Linked with professional management this ensures reliability and safety.

-Focus on industrial shipping is part of Høegh's strategy. In this respect the HØEGH GANDRIA reflects the company way of thinking. The industrial aspect is characterised by integration in a logistic chain, long-term commitments, dedication to the parties involved, stable cargo volumes and stable revenue.

-LNG shipping is extremely capital intensive. The HØEGH GANDRIA is no exception. It is therefore important to have a 1st class charterer. We are pleased to see that the vessel is generating a healthy revenue. Further, in view of the satisfaction expressed by the charterer with respect to performance, the personnel both onboard and ashore have reason to be proud of the vessel.

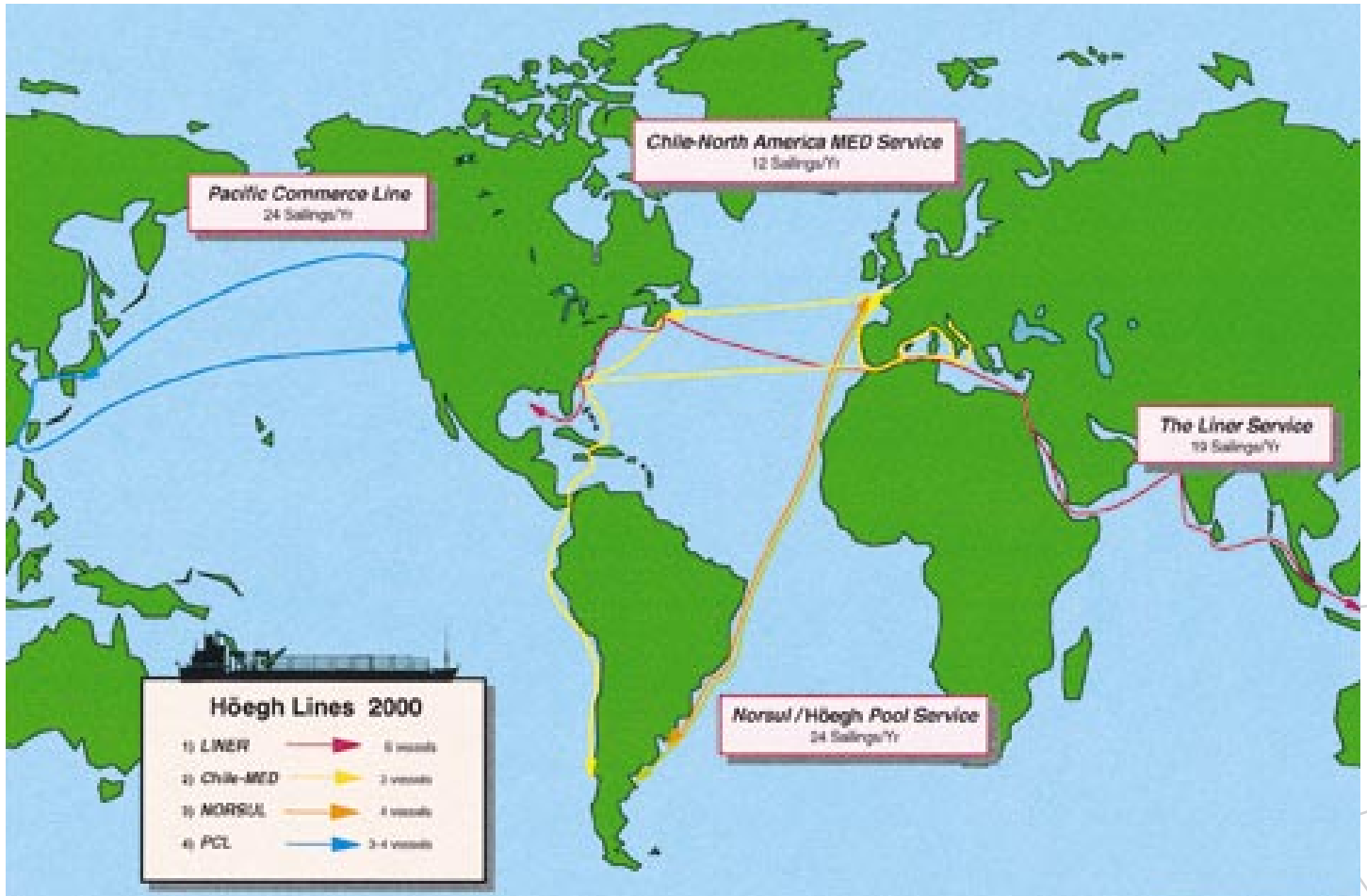
T.T. HØEGH GANDRIA

Built by: Howaldtswerke, Germany
Delivered: October, 1977
Owner: Leif Høegh & Co ASA, Norway
Flag: Norwegian
DWT: 71,630

Draft: 11.52 m
Length o.a.: 287.55 m
Beam: 43.40 m
Engine: Turbines, General Electric 40,000 SHP
Speed: 19.5 knots

Høegh Lines

– through changing times



President Erik Falkenberg gives in this article an overview of the long and prominent position of Høegh Lines as part of the LHC family – and points out the challenges ahead.

How it all started – in the 1930's

Describing Høegh's liner activities over the years in a brief article is virtually impossible. Høegh has been active in liner service for more than sixty years through war and peace, through ups and downs in economical cycles. The start of the liner activities was in the late 1930's when Høegh placed vessels on berth in cooperation with Kerr Steamship to trade in the Silver Java Pacific Line between the US West Coast and Southeast Asia, the Indian sub-Continent and Arabian Gulf ports. Since that time, Høegh Lines has maintained continuous services between the same regions although ports and focus have changed.

The expansion – after WW II

After WW II, a large part of the world's liner fleet had been destroyed and the demand for modern tonnage and transportation services increased. During the following years, Høegh's fleet expanded and new services and joint operations were initiated, covering also Australia and the US East Coast in addition to the original scope of the Silver Java Pacific Line. After WW II Høegh also started to focus on the West African trade, and in 1948 initiated a service from Europe.

As operations grew and the trade developed, The West Africa/Europe (WA service) trade and the USA/Far East trade increasingly lived different lives and experienced different developments. The WA service became increasingly politicized. Partnerships, pools and changing conference affiliations became important challenges over the years. Eventually Høegh sold their interest in the WA trade in 1991. At the time this

was concentrated in the French Høegh subsidiary called Societe Navale de l'Ouest SA (SNO).

Time of frequent changes – the 1960's into the 1980's

As for the USA service, the association with Kerr Steamship came to an end in 1966 when Nedlloyd (a merger itself of two Dutch companies both involved with the Silver Line) became a partner in Høegh Lines. This partnership again was amicably ended in 1973 when Nedlloyd also became a partner in the ScanDutch service.

Effective from 1974, Høegh Lines Round-the-World Service (RWS) was initiated. While quite successful for some time, the RWS was again in the early 1980's separated into an East Coast (Gama Service – operating with O- and P-vessels to be followed by the C-vessels and t/c tonnage) and a West Coast service (AMEP – with the D-vessels from 1984).



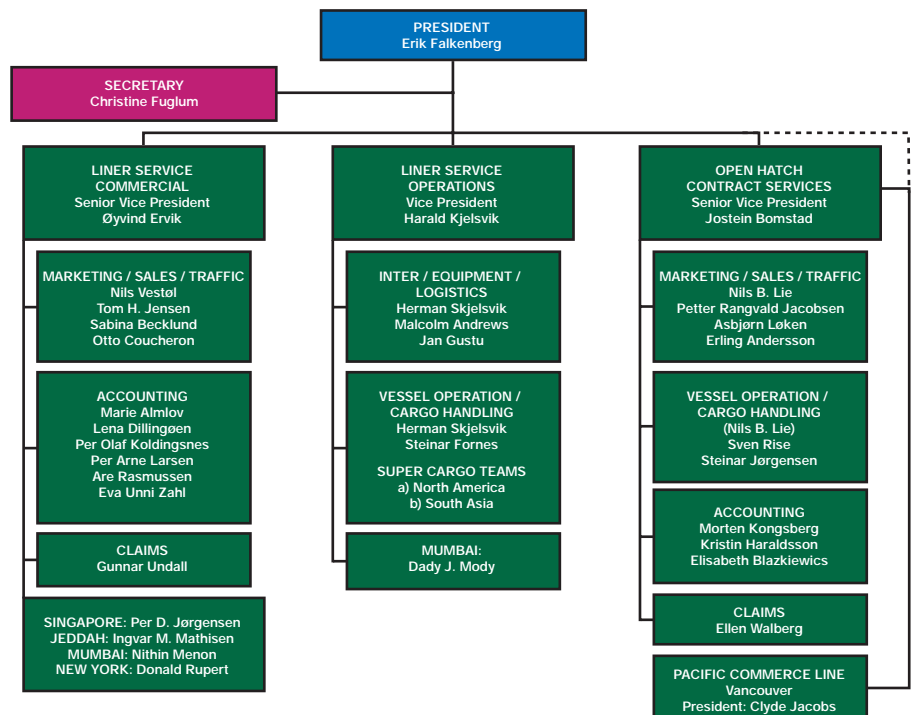
Høegh Lines of 1999. From left: President Erik Falkenberg, Sabina Becklund, Inger-Johanne Vestby, Christine Fuglum, Elisabeth Blazkiewicz, Eva Zahl, Marie Almklov, Lena Dillingøen, Kristin Haraldsson, Otto Coucheron, Øyvind Ervik, Jostein Bomstad, Morten Kongsberg, Nils B. Lie, Jan Gustu, Steinar Fornes, Ellen Walberg, Harald Skjelsvik, Per Olaf Koldingsnes, Nils Vestøl, Asbjørn Løken, Tom Jensen, Erling Andersson, Are Rasmussen, Sven E. Rise, Gunnar L. Undall, Malcolm L. Andrews, Steinar Jørgensen, Per A. Larsen and Petter R. Jacobsen. Herman E. Skjelsvik was not present.

In the late seventies, Höegh's overall liner activities expanded. The ro-ro services of SeaSpeed between the USA, Europe, Japan and the Middle East were operated on a management basis. Höegh Container Line (HCL) was a direct consequence of the t/c deal with Weyerhaeuser. Both these operations were short lived – but for different reasons. The SeaSpeed vessels were sold for the owner, which was a Kuwait investment company, while HCL was so successful that Weyerhaeuser – as their option provided for – took over the service and established their own shipping company called Westwood Shipping Line.

In 1989 the AMEP service was discontinued and the four D-vessels were transferred to the East Coast service. At the same time Höegh Lines was organized as the business unit to handle the Liner Service as well as the Open Hatch forest products operations and vessels. These vessels are known as the M vessels and - for many - associated with the longterm charters to the Weyerhaeuser Company. (See article on page 13 for more info).

Consolidation and refocus – the 1990's

During the last 10 years, the changes for Höegh's liner activities continued initially in terms of consolidation due to the result of the sale of the WA service and the discontinuation of the AMEP service. The



remaining Liner service – to/from North America's East Coast - performed well in the early and mid nineties and increased capacity was put into the service when two M-vessels were converted to multi purpose vessels with installation of tween decks in three of the hatches.

For the open hatch vessels, all of them were in 1990 out on t/c to other operators. This increasingly changed when the joint venture with Norsul was established in 1991, and new contract services established between Chile/Europe, Chile/Far East and later Chile/Med. Pacific Commerce Line was

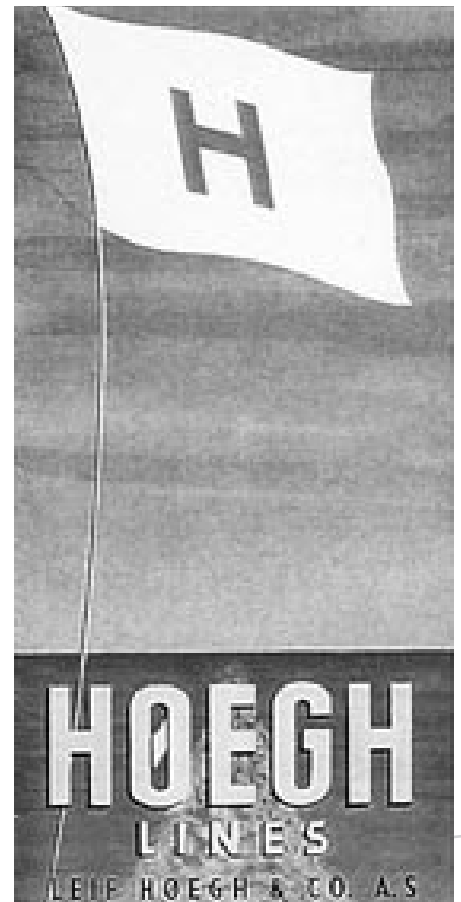
purchased in 1994. Initially five Høegh vessels were employed here while today three to four vessels are employed in this operation. All of these operations are based on contracts with forest products in one direction while in the other direction we focus on bulk and breakbulk parcels both spot and on contract basis.

The trade between North America and Southeast Asia became a trade for multipurpose/project- and container operators. LHC's vision focused on industrial shipping and of being a significant player in the selected segment. Multipurpose- and container operations did not fit into Høegh's definition of key focus areas. As a result, the strategic decision to exit the long history of traditional multipurpose liner trade was made. As is well known today, in the fall of 1998 we made a deal with Egon Oldendorff (EO) of Lubeck to buy the four D-vessels and take over the service after a transition period of two years. EO has a large involvement in multipurpose and handy size vessels and is looking for strong growth in the handy size segment through increasing involvement in own operations rather than chartering out to others.

The challenges – at the start of the next millennium

At the present time, the Høegh Lines challenge is twofold. The exit from the traditional liner operations represents an important - and for some of us an emotional - event. The task of transferring the service to EO over the next year or so is a key project for us. We are working for a smooth transfer which should benefit our customers and agents, Egon Oldendorff and Høegh. Having the market against us at the moment is making this a tougher task than anticipated.

The other challenge for Høegh Lines is to further develop the Open Hatch activities. Today, all but one of these vessels are operated in our own contract or joint venture services and in addition we take in vessels on trip and period charters as needed. The market situation this year has not been of much help for these services either, although the picture is more mixed than we have had for the Liner service. However, steps have been taken in various areas that should prove beneficial as we will enter the next millennium.



NEWS WATCH

While the hurricane "Floyd" was threatening the coast of Florida and finally striking the coast of the Carolinas, the open hatch group from Oslo gathered agent representatives from Chile, Equador, Peru, Belgium, Italia, Germany, The Netherlands, Canada and the USA for a two day meeting in Miami. The group is getting their plans ready for the year 2000 for the SAWC - North America - Europe service.

Høegh Fleet Services MarPers and LHC Gas held an Officers' Conference in Oslo 12 October. Issues discussed during the successful conference were: technical matters, personnel matters, and finally projects and markets.

At a prize giving luncheon in London recently, Bonnie Fulton of PCL in Vancouver BC has been awarded the The Clarksons Award of GBP 200 to the candidate gaining the highest marks in Foundation Diploma in Shipping - Dry Cargo Chartering.

Our Executive Vice President Øyvind Brøymer became world champion in single sculler in his class in Spain second weekend of September. Congratulations!

Leif Høegh & Co Shipping AS (LHS) has purchased for Euro Marine Carrier B.V. (EMC) two pure car & truck carrier newbuildings with cap. of 800 units. The vessels CITY OF ROME and CITY OF PARIS will be owned by LHS and bareboat chartered back to EMC (Amsterdam) for a period of 15 years.

NORMAN LADY returned in September from her three months docking with ASRY in Bahrain. During a reception in Barcelona 21 Sept. she was delivered from Enagas back to AP Møller, then from AP Møller to LHC, and finally from LHC back to Enagas for her 20 years charter assignment.

A peek at the past

From "car/bulker" to "con/bulker" – The M-vessels and the Weyerhaeuser connection



One of the M-vessels, HØEGH MERCHANT, with the Weyerhaeuser logo.

The designation "M-vessel" is today closely associated with our forest products- and open hatch vessel contract services. It has not always been that way - let us take a peek at the past.

Although vessel-names starting with M have been in the Høegh fleet as early as in 1934, the first series of M-vessels were delivered to the company in 1966/ 67. These vessels were called "car/ bulkers", a terminology which would not sound well today. The first series of M-vessels (MALLARD, MARLIN, MERCHANT, MERIT and MUSKETEER) were employed in the Europe/US West Coast trade carrying the "Beetle" and other makes from VW one way and forest products on the return leg to Europe.

Høegh's liner services have over the years been of great value as a listening post for trade trends, development, contacts, and indeed a catalyst for new business.

Our experience and market position led to a new order of three M-vessels of the car/bulker type in 1967. The forest products giant on the US West Coast, Weyerhaeuser Company of Tacoma, had been a major customer of Java Pacific Høegh Lines, later called Nedlloyd Lines-Høegh Lines. In 1969 the relationship was taken a step further with a five year contract for the shipment of their forest products to Europe in our car/bulkers. The vessels:

MIRANDA, MINERVA and MISTRAL were delivered in 1969, and started to service the COA with Weyerhaeuser, while the vessels serviced a COA with cars from Volkswagen in the other direction. Høegh's increasing involvement in car transportation led to the establishment of the joint venture Høegh Ugland Auto Liners in 1970, and the further development of this venture is well known.

The first COA with Weyerhaeuser expired in 1974 when Høegh sold the first five (1966 built) M-car/bulkers at top prices. The vessels had been built for about USD 4.2 million each while they were sold for about USD 8.0 million each eight years later.

Initially Høegh failed to renew the Weyerhaeuser contract, but after some time a major deal was concluded which led to the building of a total of six vessels. Three based on a 10 year COA, and another three based on a 15 year COA. The vessels were delivered in 1977 and represented a new generation of vessels with 10 fully box shaped hatches with two gantry cranes each. The old term "car/bulker" had now changed to the term "con/bulker" reflecting the new cargo mix of containers and bulk- and break bulk commodities. Cars were by this time mostly transported by pure car carriers (PCC) on a ro-ro basis. Five of these third series of M-vessels remain in our fleet today, and according to our technical people the vessels were so well constructed - and over the years also

well maintained - that their productive life in service easily will be 30 years.

In 1979 another two M-vessels, the MINERVA and MIRANDA, were delivered as part compensation for a cancelled LNG tanker. These two vessels were upgraded versions of their two year older sisters, equipped with dehumidification systems, rain protection and better crane capacities. Both entered a five year Weyerhaeuser COA for newsprint transportation between US West Coast and Japan.

Initially four of the new M-vessels were employed between US West Coast and North Europe, two to the Mediterranean and later the last two to Japan. The contracts were unique. They left it to Høegh to arrange for return cargo. This led to the establishment of Høegh Container Lines, which also space chartered slots from Weyerhaeuser on the eastbound leg. The service was so successful that Weyerhaeuser executed their option to take it over in 1981 and established their shipping subsidiary Westwood Shipping Lines. As part of a restructure of Westwood's European services in the early 80's, Høegh entered into a joint venture with Westwood called Westwood Transpacific Service. This venture was operated with two of the 1977 built vessels plus the MINERVA and MIRANDA until 1986 when Westwood continued alone.

The Weyerhaeuser/Westwood/Høegh connection, as can be seen from the above, has been an interesting and productive relationship over the years. It led to the development of the modern open hatch vessels with fully boxed hatches and gantry cranes as we still know them today - exemplified by our latest large open hatch vessels MORUS and MONAL - and it resulted in the creation of Westwood Shipping Line (WSL). WSL's key focus is to service the large transportation needs of Weyerhaeuser, but they also remain a significant factor in the Transpacific trades servicing both the container - and forest products markets in general. Today, Westwood is a competitor, for some commodity segments, to our own PCL subsidiary in the Transpacific, although our respective market focus and service structure differ.

Erik Falkenberg

Extract from report per 3rd Quarter 1999

Operating profit before sales gains and depreciation for the first three quarters for Leif Høegh & Co. (LHC) Consolidated was NOK 438 million (NOK 639 million in 1998). Høegh Lines' result declined by NOK 117 million from 1998. This was partly due to the markets (about NOK 80 million) and partly due to the effect of the sale of the four liner vessels beginning of the year combined with charter back (about NOK 37 million). Offsetting items as a result of the sale are lower depreciation and interest costs. Also the car and reefer sectors produced lower results compared to 1998. The operating profit was NOK 264 million (NOK 491 million in 1998).

Profit from associated companies was minus NOK 269 million, which includes a book loss from the sale of the Bona shares in the amount of NOK 274 million, LHC's share of Bona's net profit up to the sale and a share of Gorthon Line's net profit. Net financial items amounted to minus NOK 67 million (minus NOK 182 million in 1998). The USD weakened slightly against the NOK in the third quarter. However, the USD has so far this year strengthened from 7.60 to 7.77 causing a foreign exchange loss of NOK 25 million against a loss of NOK 27 million in 1998. Interest expenses on mortgage debt in the equivalent amount of NOK 4 107 million was NOK 154 million. Financial income increased from NOK 2 million in 1998 to NOK 112 million in 1999. Unrealised gain on the Teekay shares, not included in the accounts, fell during the quarter from NOK 51 million to NOK 10 million. Profit after financial items was minus NOK 72 million (NOK 347 million in 1998).

Activities

HUAL AS

The trend from the first half of the year with declining operating profit compared to last year continued in the third quarter. Volumes outbound both from the USA and Europe continued to decline, which was only partly due to seasonal factors like factory holidays and the introduction of new models. Continued low economic activity in South America affected negatively cargo volumes to that area. Volumes from the Far East to Europe and North America were relatively stable with, however, an increasing share of high and heavy rolling stock and secondhand cars.

Unicool Ltd

The market for reefer vessels continued to be weak, both relative to the first half year and to last year. The market in general was characterized by particularly low spot rates in July (10-15 c/cuft spot) due to reduced shipments of bananas to the Mediterranean and Russia. More vessels in lay-up led to substantial improvements in August/September with spot rates at 30-35 c/cuft, which was higher than seen for many years for these months. Unicool does in general perform better than the spot market.

Høegh Lines

As previously mentioned the result cannot be compared to that of last year due to the sale of the four D-vessels to Egon Oldendorff oHG. The vessels are chartered back for two years at rates above today's earnings. The market situation for the line is otherwise unchanged

with low cargo volumes outbound from North America to Southeast Asia and high capacity utilisation inbound.

The situation for the open hatch/contract service was also largely unchanged. Exports from South America were high, while import volumes were low, partly due to weak local currencies which led to poor vessel capacity utilisation. One is still waiting for the exports of forest products from USA/Canada's west coast to pick up. One positive element was an increase of return cargo from Japan of i.a. containers.

Gas

NORMAN LADY was returned from A.P. Møller in September and entered immediately a 13 + 7 year charterparty to Enagas S.A. The vessel is being employed in the transportation of LNG from Trinidad to Spain and loaded its first cargo on 2nd October. HØEGH GANDRIA operated without interruption under its charterparty to Pertamina.

Dry Bulk

The capesize vessels LAUDERDALE and JEDFOREST operated under their long term contracts to a company within the Shougang Group in Hong Kong.

Prospects for the year

For the full year the operating profit is expected to be in excess of NOK 300 million. As a result of the NOK 274 million loss from the sale of the Bona shares and negative net financial items, a zero-result for the full year is expected.

Market outlook



By Mona Boug Kristiansen

World economy world trade
The forecast for global economic growth has been revised upwards to 2.8% this year and 3.4% in 2000, compared with 2.5% in 1998. This development is projected to be accompanied by a growth in world trade of 4.5% this year and 7% in 2000, compared to 3.5% in 1998.

The car carrier market

Japan's total car exports have fallen by 5.1% so far this year. Although exports to the USA have been at a high level, exports to Western Europe have fallen by 3% and to the Middle East by 26%. There has been a veritable collapse in shipments to South America.

Although Korean exports so far this year are up 4% on the same period of 1998, total seaborne car shipments are likely to record a small decline in 1999. This will be

met by the delivery of 28 new PCCs, of which 20 units have already been delivered so far this year. This combination of weak tonnage demand and strong fleet growth is leading to a falling fleet utilization rate.

The reefer market

At the start of the off-season in this market, spot rates fell further than expected and reached rock bottom in July. This was mainly due to a combination of negative factors primarily in the banana market. In addition, last year's good backhaul trade with cars from Japan/Korea is not to the same extent supporting the off-season employment, as the increase in the supply of pure car carriers has reduced the reefer vessels' share in this market.

Increased activity in August and September helped firm the market and spot rates are now higher than a year ago. A 1.5% decline in the specialised reefer vessel fleet due to a high level of scrapping has also helped the market, as well as a record number of vessels in lay-up.

The liner/open hatch market

Demand for containership tonnage and multipurpose vessels has picked up fairly strongly so far this year due to continued buoyant growth in the USA, higher growth in Europe, Asia's economic recovery and the emerging stabilisation of the Japanese economy.

The open hatch bulk carrier market has enjoyed an increase in the trade of some forest products this year, particularly imports into Japan. An increase in housing starts in this country, combined with low inventory levels, has led to an increase in lumber imports, both from North America and Europe. It also appears that the trade in the largest minor bulk commodity – steel products – started to pick up in the second quarter this year, after having shown a great deal of volatility over the past year.

The LNG market

The first cargo of LNG from Trinidad took place in April this year and the first cargo of Nigerian LNG is slated to depart for France later in 1999, ushering in a new era in which these two countries have become gas exporters. The international trade in LNG reached 113 billion cbm in 1998, an

increase of 2% from the year before. The launching of the new projects in Trinidad, Nigeria, Qatar and Oman will ensure a continued growth in the trade in LNG over the coming years.

The spot/short term LNG market has been given a boost this year by a large jump in US imports. A large surplus of LNG on the world markets has made this possible.

The dry bulk market

After having fallen substantially over the past year and a half, the global steel market started to recover in July this year. This has had a beneficial effect on iron ore and met-coal trades. The trade in steam coal also started to pick up in the second half of the year. The Asian recovery has also boosted the region's grain imports.

At the same time, the bulk carrier fleet has only grown by 0.6% so far this year, as the scrapping activity has been at a relatively high level for most size groups. These developments in supply and demand have resulted in higher fleet utilization rates and improved rate levels, particularly for the Capesize segment.

The tanker market

The decline in tanker freight rates witnessed this year, is mainly in response to the high level of OPEC production cutbacks. This means that long-haul crude oil exports are running 5% and short-haul exports 1% below year ago levels. Oil inventories have fallen, but not enough, and OPEC, Mexico and Norway have agreed to continue the production cutbacks until March 2000. It remains to be seen to which extent OPEC will continue its high compliance rate.

The present freight market and bunker prices are encouraging owners of older tonnage to take the demolition option. So far this year, 20 VLCCs have been scrapped/converted and 19 Aframaxes. Despite a large number of newbuildings, the growth in the tanker fleet has thus been limited to 1.6%.

Høegh Ships List - Personnel on board 6 nov. 1999

VESSEL	MASTER	CHIEF OFFICER	CHIEF ENGINEER
RICKMERS TIANJIN	SORIANO, FRANCO LAPIDARIO	MASOCOL, EDWIN DENUM	TAGHAP, HERMEGILDO JR. BET
RICKMERS HOUSTON	GUBATON JR, MIGUEL MA-AYA	OBAS, ROGELIO SUATICO	JARAMILLO, MARIO DELA CUADRA
HØEGH MARLIN	BOLOTAOLO, ALEJANDRO ESTANO	DIAZ, THOMAS FRENCH	ESTABAYA, GILBERT JOHNS
MASCOT	LUMA-AD, PIPO UY	PABULAYAN, DELFIN SAQUIBAL	BISNAR, ANICETO VELASCO
HØEGH MERCHANT	CHIONG, HENRY ALVAREZ	PAJATIN, JOVENCIO JR CALPO	GUBATON, MODESTO MA-AYA
HØEGH MERCHANT			NEAR, EDUARDO JR VALLE
HØEGH MERIT	PALACA, FILOMENO JR. IDULSA	ALEGRADO, SOCRATES REGIDOR	FLORESCA, LUCINO TIU
HØEGH MINERVA	AMANO, AUTONOMO ABELLAR	BATAÇ, VIRGILIO DAVID	ASTILLO, FELIX LUENGO
HØEGH MIRANDA	ALCORIZA, DIODORO ESO	SUAREZ, ROBERTO SODUSTA	CANETE, ALBERT MENDOZA
HØEGH MISTRAL	GARFIN, AGUSTIN RODOLFO GONZ	PATUNGAN, ALFREDO BOQUIRIN	SY, RENATO JR PIOL
SAGA CHALLENGER	MACADAGDAG, ROMULO MIEDES	CASAMA, FIDEL HERNANDEZ	BONDOC, BENITO PANGAN
HØEGH MORUS	NAZ, ELMER DE JESUS	PAGULAYAN, REYMUNDO BANGAYAN	LACANLALI, ROBERTO ROWAN
HØEGH MUSKETEER	AGMATA, RUBEN BALBUENA	TERAZONA, FRANK PENAFIEL	TUICO, DANILO T
IVORY DAWN	TORRES, ROBERTO OMPOC	SANTOS, LAMBERTO I	ROLLO, EDGARDO OQUIZ
CRYSTAL PRIDE	TAN, BERNARDO DIAMANTE	CHING, CHARLES BADONG	ORACION, OSCAR MARQUEZ
CRYSTAL PRIMADONNA	PALCES, NEFTALI JR CORRO	RABAYA, NORMANDO C	ARCAÏ, VERONIC FUDOTAN
CRYSTAL PRIMADONNA			CORTES, KIM PADOR
CRYSTAL PRINCE	STA CRUZ, LUISITO ARGARI	PASADILLA, DIONE PELEGRINO	RAMBOANGA, DAVID CORPUZ
CRYSTAL PRIVILEGE	BALAN, JOSE JR TABUDLONG	UMEREZ, GABRIEL VILISANO	CATUBIG, ISMAEL ALBERT TIU
CRYSTAL PRIVILEGE	PARAGUYA, MIGUEL SILVA		
SUMMER BREEZE	MISA, RICARDO DIAZ	ALON, ROY YAP	TENA, RADITO SURA
SPRING BRIDE	CORNELIO JR, ANANIAS CAGATIN	CARPIO, EDWIN DOMINGO	PUNAY, FERNANDO MONTERDE
SPRING BRIDE	OYALES, GEORGE GESULGA		
SUMMER FLOWER	HARE, JESSEL CALDEA	GARCIA, TEDDY QUEPPET	GATDULA, ARNALDO CALANO
SUMMER MEADOW	VIOLANGO, ADRIAN DALIT	NOLOS, MARCELO MAGAHIS	BATOON, ELMER MARTILLANO
SUMMER WIND	MASNAYON, WILLARD PUNO	CATOLICO, ELY CIERVO	DAYMIEL JR, BIENVENIDO MUIT
CARIB STAR	MACABABBAD, GIL G.	ENGRACIA, FEX S	NGILAY, JIMMY MUSA
AUTO CHAMP	DELIARTE, BENITO ARROJADO	LAPE, JESUS ALQUEZA	REYES, JOSELITO DOLAR
HUAL TRADER	YAMBAO, BRUMMEL DIVINAGRACIA	NAPILOT, GILBERTO LARGA	CRUZ, APOLINARIO SAN PEDRO
HUAL TRADER		ALOJADO, VICTORIANO AMILANGAN	CABALLES, RAYMUNDO MAGHANAY
HUAL TRACER	ESPARTERO, VICENTE SR MAGTULIS	OZARAGA, MARIO GOMEZ	TALAMAN, DANILO CRUZ
HUAL TRACER		SANTIAGO, ARNEL SR DEL VALLE	AGONIAS, ANTONIO MARANTAN
HUAL TRAPPER	POPPE, WILLIAM	NIEDO, ARCELIO JR VINCA	BONIFACIO, DANILO ORSENO
HUAL TRAVELLER	LICUDAN, EUSEBIO JULATON		CLEMENTE, WILFREDO JAVIER
HUAL TRAVELLER		YORO, RAMONITO JABASA	RIEGO, ANACLETO ROLLE
HUAL TRIBUTE	PILAPIL, ALBERTO SANORIA	CARAPATAN, ROLANDO SR. BATIN	CASIANO, DANILO NAVARRO
HUAL TRIDENT	CULAJARA, ZALDY CERVANTES	CRUDO, RENATO ALARCON	GABAYNE, JOSEPH COLLADO
HUAL TROOPER	SOMOSOT, JEREMIAS CORBITA	LEDESMA, RAMON JR P.	JOSE, EDGARDO ABRIGO
HUAL TROTTER	MAYO, SATURNINO SAMILLANO	CIRERA, LEOPOLDO AGPAWA	ATIAN, SALVADOR NO
HUAL TRANSITA	LORENZO, JESSIE MAGDAUG	LALIM, CONRADO WONG	NIEDO, JULIUS VINCA
HUAL TRANSPORTER	LACSON, PACIFICO JR. DAGUIA	HAVEN, JAN	VISTNÆS, JENSEN KJELL
NORMAN LADY	ZAAL, PER HENRY	ERIKSEN, ODD PER	BERG, JOHN
HØEGH GANDRIA	PEDERSEN, PER SIGURD		
MYSTIC LADY	BENTZRØD, KNUT	CHAU, WAN HING	CHIU, AH HOI
LAUDERDALE	LIN, YU CHUAN	WONG, HO YIN	CHIN, MAN CHEUNG
JEDFOREST	TUNG, ON PO		

The Gallery

The photo competition is now completed, and the jury has reached its conclusion. The winner is Ole Fjærgård, and his picture is found on the front page. The winner is rewarded a Canon Ixus Camera. Congratulations! The jury is impressed with the atmosphere in the picture of HØEGH

GANDRIA in dry dock. The technical execution is proper, and this allows the viewer to grasp both the dimensions of the vessel and the nocturnal thrill dwelling around her. The two pictures below are given honorable mention by the jury.



Photographer is Ellen Trøgstad. Her picture is rewarded for the graphical form, and the conventionalized composition. Colors and sharpness are also good.



Photographer is Ritchie Dennis E. Paraguya. He is commended for bringing people into the picture. In addition his picture has a very fresh and appealing expression. It also exposes the Høegh flag!