



Höegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC)

No 2 - 2002

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Leif Höegh & Co ASA 75 years

LEIF HØEGH

1896 — 1974



LHC moves on

While the world is still shattered by unrest in various regions, the economic indicators have turned up in major markets – the US in particular - giving hopes for a positive rebound. I have previously expressed concerns for the development in 2002, but cargo flows have so far developed positively resulting in satisfactory first quarter results. We shall keep an eye on clouds still lingering on the horizon, but utilize opportunities to strengthen our position where we can.

Another era in the history of the company is coming to an end: A year ago Høegh Lines exited multipurpose liner shipping when the liner service was delivered to its new owners. Now we have decided to transfer the commercial operation of the open hatch fleet from Høegh Lines to Saga Forest Carriers, thus contributing to create a larger and more powerful unit in the forest product carrier industry. Høegh entered the open hatch segment with the five M-class vessels in 1977 based on long-term contracts with Weyerhaeuser. The current fleet of 10 vessels will remain in our ownership. The commercial operation in our offices will be scaled down. I would like to take this opportunity to thank the employees in Høegh Lines and in PCL for their efforts, dedication and loyalty.

We are moving towards the focused company we have set out to form. Some of the decisions along the way may be painful, but it is my conviction that we are forming a stronger entity better positioned for profitable growth.

T.J. Guttormsen
President
Leif Høegh & Co ASA

Silicon anti-fouling

Ever since the days of the windjammers, anti-fouling has been an issue. To prevent sealife adhesion to the hull, lime and later arsenic were used. Later, modern chemical substances have made it possible to manufacture highly effective anti-fouling paints, mostly by use of metallic compounds and particularly TBT (tributyltin).

It is now a well proven fact that these compounds persist in the marine environment after being "washed" off the hull, causing damage to sealife and possibly entering the food chain. Research and development has therefore been focused on developing anti-fouling systems which are non-poisonous and thereby environmentally sound.

-Anti-fouling (TBT free) can be of self-polishing or ablative type, or totally poison free type as the silicon-based, Fleet Manager Stein Eriksen explains. -Self-polishing and ablative anti-fouling paints work by releasing poisonous compounds (e.g. copper) in different ways. Silicon based anti-fouling is completely environmental friendly with no release to sea, but has been regarded costly to apply up to date.

-We have looked into the costs related to both application and touch-up, and since we want 5 years paint intervals, the ablative option is not relevant, guaranteeing efficiency in 36 months only, Stein Eriksen continues. -Insecurity has also been attached to the endurance of silicon based paint, but we have tested the system for 5 years on the reefer Summer Bay, and we are confident that this system will perform according to our standards, as well as being the best alternative for the environment.

-Our comparative calculations between self-polishing paint and silicon-based anti-fouling concludes in favour of silicon, although this is the more expensive paint to apply. The profitable side of silicon-based anti-fouling is that no full re-coating is necessary, whereas for the self-polishing type full re-coating is necessary every 5 years. In fact, the gain by using silicon-based systems will be some 60%, Thereby giving us the possibility to save money while choosing the best alternative for the environment, Stein Eriksen concludes.

-As recommended by the 21st session of the IMO Assembly, the Conference agreed to an effective implementation date of 1 January 2003 for a ban on the application of organotin-based systems, and our efforts will now turn to ensuring the Convention is brought into force as soon as possible.

IMO Secretary
General William A. O'Neil

Intersleek 700 system



Product Description
A unique fouling control technology.

Features

- Ultra smooth, slippery, easy clean surface with potential reductions in applied scheme hull roughness via central application
- Brushes are not used to control fouling
- Can be applied over existing SPC anti-fouling systems in good condition
- Chemically durable
- Excellent colour retention

International Marine Coatings



Benefits

- Control of hull efficiency and speed
- Control of maintenance costs
- Environmental compliance
- Freedom from current and future local restrictions
- Control of treatment and disposal costs for wash-water (blasting abrasive or subsequent hydroblasting)
- As a water coat for the existing anti-fouling and as a Life Coat for the Intersleek scheme
- Control of conversion costs to Intersleek Fouling Release system
- Flexibility in dry-docking schedule (up to 60 months)
- Surface remains smooth if not subjected to abrasion or mechanical damage
- Visual appearance

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DAIICHI NIPPON PAINT **AKZO NOBEL**

www.intersleek700.com

Environmental report - first issue



Westye Høegh presenting the environmental report.

Leif Høegh & Co published its first separate environmental report along with the annual report 8 April 2002. Previously environmental efforts have been presented integrated in the annual report, but this first issue represents a new trend, initiating a series of annual environmental reports.

-This first issue concentrates on the work we do according to our ISO-14001 certification, Westye Høegh says. - We want to develop a kind of template which can be readily expanded in the years to come, as environmental efforts and regulations will grow in complexity.

-The environmental report is distributed internally and externally along with the annual report, hence giving everyone the possibility to take a closer look at our environmental work. The report includes our environmental policy, we list international conventions and certifications and we also list environmental impacts, action plans and objectives. Furthermore, we explain how we organise environmental work and how we do environmental accounting, and we also presents environmental investments and expenditures. All in all, I hope this report will express our environmental conscientiousness and willingness to take responsibility, Westye Høegh concludes.



Winner of photo competition

Capt. Augustin Rodolfo G. Garfin, winner of our annual photo contest, receives his prize from Sebjørn Dahl. The winning picture, which shows an unusual deck cargo on board Mascot, is to be found in Høegh Dialogue #1 - 2002.



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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.)

Facts of life



For the past 75 years, LHC has succeeded in making a difference in the lives of all the people involved with the company. By recruiting and training seafarers in the Philippines, many Filipino families are better prepared to face the uncertainties of the future, their dreams and aspirations.

These family members are complimenting their loved ones, who are working at sea, with their support and correspondence. Lifestyles change just like you are changing clothes. Just like the terrorist act on WTC, like the coming of inevitable new technology. Because of these events the economy in every nation is affected. Effects, which will be remembered especially by the shipping industry, are cost reduction implementation, changing of crew nationalities and

even merging of companies to make them competitive in the future. All of these are signs that the Facts of Life can work to a person's advantage or work against that person.

So let us hope that the company LHC/HFS remains inspired and that we will work hand in hand towards a bright future for all.

Respectfully yours
Gilbert J. Estabaya

Høegh Merchant - Master

The Gålå Management conference 2002

Two management seminars involving all group companies and divisions are arranged annually in Leif Høegh & Co: a strategy seminar in August/September and the winter seminar focusing on goals and challenges. The president, Thor Jørgen Guttormsen, welcomed 29 managers from LHC, HUAL, HFS and Høegh Lines, as well as the Chairman and Vice-Chairman, to the winter seminar at Gålå – a beautiful mountain panorama setting. The President emphasized organisational challenges and goals in the wake of changes resulting from the prevailing strategy.

The weekend following the management conference included outdoor activities for the managers and their families such as luge racing.



The President confirmed the company's strategy of focus on roro (HUAL) and contract shipping (LNG and Bulk), and reviewed goals categorized as strategy formulation and implementation; financial performance, leadership, external relations, succession and board relations. These goals are distributed to respective units and departments where they are further specified.

The CFO, Roar Flom, presented the 2001 results, which were considerably improved from the year before. However, pointing to the fact that sales gains amounted to a substantial portion of the net result. A number of specific items in the accounts were commented and analysed. In particular, the results from each business unit were discussed in detail and showed inter alia that the return on vessels' book value was high for the Gas and Open hatch segments and below expectations for the Bulk and Reefer segments. HUAL produced an acceptable return on book values in 2001 after a difficult 1st quarter.

The budget was briefly reviewed, also with an emphasis on making comments about each business unit. To view the budget in a broader perspective, a presentation was given regarding the world economy and financial markets.

The conclusion was that leading indicators seem to have turned in a positive direction, although a big question mark still remains about the situation in Japan.

The business units reviewed highlights from the past year, expected market development and challenges ahead. From HUAL the V.P. Business Development, Tore Røysheim, presented ongoing processes for strategy refinement and tonnage planning. The Gas department presented a video suggesting a novel concept to expand in the LNG chain; The Shuttle and Regasification Vessel (SRV). The concept comprises on board vaporizers and export directly to pipeline through a buoy, eliminating the need for onshore receiving terminals. The concept is currently being presented to potential partners.

Other issues discussed during the conference included expectations in the newbuilding market, LHC environmental policy, an attitude survey and leadership training. The seminar was followed by a family weekend with skiing and outdoor activities hosted by "uncle Charles" (Jensen).

Leif Høegh & Co ASA 75 years

In spring of 1927, Leif Høegh put his ambitions and his capital in ordering a tanker from Odense Staalskibsverft in Denmark. In order to raise the entire amount, he invited investors to subscribe for shares in Skibsaktieselskapet Atlantica, formally established 3 June 1927. Educated in economics and with shipping experience from Wilh. Wilhelmsen, Leif Høegh reached his first goal at the age of 31. The tanker commenced business in August 1928 and was named Varg. With his sincere interest and understanding of finance and economy, Leif Høegh came to be a highly respected shipping profile. He passed away in 1974, leaving his descendants a shipping company with more than 40 vessels and 1,300 employees.

Leif Høegh recognised from the very beginning the possibilities in tanker shipping and this became the core activity in the company for several decades. The success with Varg was immediate and by making the most of market trends, the LHC fleet comprised 13 vessels by the beginning of World War II. During these years, Leif Høegh saw liner operations as an option to stabilise the profit of the tanker business. Assisted by Kerr Steamship in New York LHC was in 1937 allowed in the Silver-Java Pacific Line from India to the American west coast, indicating the beginning of more than 60 years continuous liner operation in the company. Høegh Lines was established after the war, expanding company liner operations to include American east coast to India and the Arabic Gulf. The West Africa Line was established in 1948 and was not sold until 1991.

Through an internal development in the 1960's, the Board of Directors was redesigned to consist of professional managers from the former composition of entrepreneurs and pioneers. General shipping development and technological progress led the company from tanker and liner operations to a more diversified platform. The tanker operation developed towards combined tank/bulk vessels and gas tankers, while a thrust in the car/bulk trade resulted in specialised pulp and paper vessels and ro/ro carriers for cars. HUAL (Høegh-Ugland Auto Liners) was established in 1970, and rose soon to be one of the leading independent car carrier companies.

The new strategy and second generation management gave LHC good results through the major shipping recession in the 1970's. However, the 1980's would turn out to be more difficult due to a combination of heavy financial obligations, an extensive renewal program and declining markets. But with the modern fleet, LHC was able to gain rapidly from the good market arising in 1987. A new development could begin.

The tanker/bulk operation was sorted out to form Bona Shipholding in 1992, a company which would play a significant role within the OBO and Aframax segment. Reefer operations commenced in 1994 with the acquisition of Cool Carriers. Turning 70 in 1997, LHC was a diversified shipping company engaged in container/bulk, liner, LNG, car, tanker and reefer operations.

The development thereafter came to be characterised by the recession in Asian economy and the increased competition. Globalisation and liberal market access have led to more

specialised operators. LHC has acted upon this, selling weaker businesses and enhancing the focus. Bona Shipholding merged with Teekay Shipping in Canada, and LHC sold all shares.

The increase in container shipping has made regular liner trade no longer profitable and operations from North American east coast to Southeast Asia and India were shut down in 2001. Høegh Lines continued to operate open hatch/bulk carriers across the Pacific and between Europe and South America for another year. Today Open Hatch has joined forces with Saga Forest(see opposite page). Also reefer operation required change and Cool Carriers was sold to Lauritzen Reefers in 2001, while ownership of 15 reefers remains in LHC.

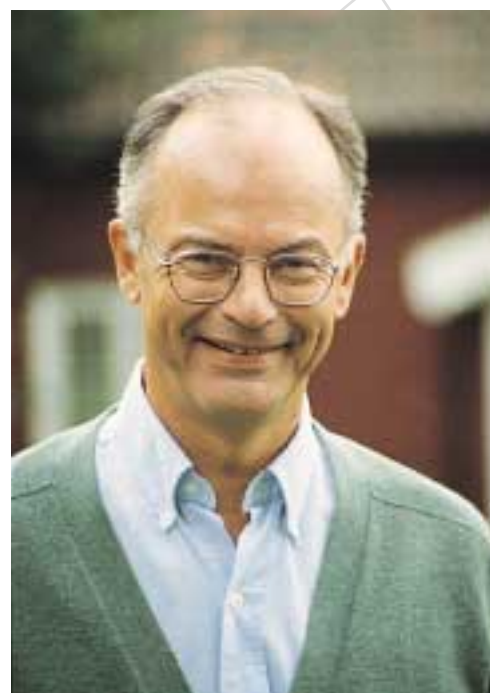
Basing business on long term charter contracts is a way of stabilising cash flow through declines in world economy. LHC has hence acquired two large bulk carriers with long term agreements and has renewed long term contracts for two older LNG vessels. LHC is part of the Snøhvit development transporting gas to the markets from the Barents Sea.

Most importantly, LHC has acquired 50% of the shares in HUAL from Ugland International and is the sole owner after 30 years of prosperous co-operation. Being a major investment, it was considered necessary in order to develop the market possibilities.

Ship management and new building projects are handled by Høegh Fleet Services, in order to obtain a more concentrated and systematic organisation as well as improved operations and reduced costs. At the same time, development of seagoing personnel has been a key element. In the Philippines, LHC has established an office for manning, training and education, supplying competent and loyal crews. Recently, a similar process is started in China, ensuring able sailors and officers in the future.

Today, Leif O. Høegh and Morten W. Høegh control Leif Høegh & Co ASA with equal stocks, representing a third generation of owners. At 75, LHC appears highly specialised with a slimmer organisation. The result for 2001, being the best ever, makes the future look bright.

Westye Høegh



HØEGH Lines and SAGA Forest carriers are joining forces

Through an agreement with Saga, Høegh Lines is taking part in a consolidation in the open hatch gantry crane vessel segment. The new venture will be a strong number three among the world wide forestry operators with expanded services and well positioned for growth.

In March, Høegh Lines and Saga finalized an agreement to join forces. The commercial head office for the venture will be Saga's office in Tønsberg, Norway. Saga and Høegh's present commercial operations – with the exception of our pool with Norsul in Rio – will be included in the new venture.

Saga Forest Carriers was established as a joint venture about 10 years ago between NYK, Aaby's Rederi and Borgestad. Aaby and Borgestad have later left the venture and various changes have taken place in the process. Two years ago the Saga head office moved from Atlanta GA, USA to Tønsberg, Norway.

Saga operates three "service loops" today: "Trans Pacific loop", "East Coast South America loop" (Argentina/Brazil to Far East and North America East Coast to Brazil) and the "Big Loop" (West Coast North America to East Coast US and Europe with Europe/East Coast North America back to Far East). These operations will be supplemented by our West Coast South America to Mediterranean/North Europe service. In the Trans Pacific, our service – operated today by PCL – on the eastbound leg from the Far East will be included in an expanded Saga Trans Pacific operation.

14 open hatch gantry craned vessels are today operated by Saga. Initially 6 of our vessels will be included in the new service structure. As other vessels from our fleet of 10 open hatch vessels become available from their present commitments, they will also enter the Saga operation.

The forest product industry has gone through a major consolidation the last few years and this trend is likely to continue. Both companies have so far independently operated their open hatch vessels, but by joining forces the new venture will be better positioned to meet the shippers' increasing demand for improved and expanded service level. With increasing service demands from the customers and with



our ageing fleet composition, it became clear that carrying out a fleet renewal program and needed service expansion on our own, would not meet our financial goals long term and therefore should not be part of the LHC long term core strategy.

LHC's strategy has become increasingly focused as regards allocation of resources – financial and human resources – on further development of the ro/ro segment (HUAL) and within the gas sector. As a consequence of this agreement with Saga, LHC will continue its core strategic focus, while also remaining part of a key player in the forest products segment.

We are – at Høegh Dialogue press deadline – in the initial phases of the transfer process of operations to Saga. While the effective date of the agreement is 1 May, the transfer process to Saga will take more time. At this point I want to thank all our employees both here in Oslo and in the PCL office for their contribution, loyalty and strong efforts to produce good results over the years as well as for the support during the ongoing transfer process to Saga.

We will give the Høegh Dialogue readers further updates and information on this new and challenging venture in later editions.

Ancient communication...

Half a century ago the world seemed larger than today and sailors who got to see all corners of the world, were mythical and exiting. A school class in Moss, Norway, got the opportunity to write letters to seafarers on board large ships, and when they received replies, letters were read aloud in the classroom. One of the pupils, Per-Erik Clausen wrote to Second Officer on board Høegh Silvercloud and included a small gift for Christmas in 1950.

In April 1951 he got the reply from the 2/O on his way from Port Said. Per-Erik Clausen kept the letter all these years and thus we are able to give our readers a true peek at the past...



Nils B. Lie retired

He started his career in LHC in 1950 at the age of 15 and on his 67th birthday, 27 February 2002, he officially retired after close to 52 years of service!

But his rest proved to be of the very short kind; after two days he was back at the office to assist on a two days a week basis.

Before long he was back full time for a short while and now he is down to 3-4 days a week. This means he will easily exceed 52 years of service, to be celebrated 23 May 2002.



Nils B. Lie admits he has not yet had the time to think what to do when he really retires. However, house and garden, travelling and refreshing his French language skills are things which easily come to mind. Contribution to the local community through voluntary work is also an interesting option for Captain Nils B. Lie in the years to come.

HUAL Transporter ambassador for HUAL



HUAL Middle East sponsored a lunch party for senior officials, dignitaries and senior executives of shippers on board HUAL Transporter while the ship was in Kuwait 28 January. About thirty guests from different government agencies and private companies graced the occasion. They toured the vessel and had a glimpse of how their precious cargo was taken care of. All guests were impressed with what they saw on board.

Per Folkesson, General Manager for HUAL Middle East and Subcontinent, complimented the ship in his speech, stating that the vessel and crew were excellent ambassadors for HUAL.

Capt. Manuel F. Tinio Jr
Master HUAL Transporter

HUAL elected to Council of IBIA

HUAL's Bunker Manager Fritz J. Fredriksen was recently elected Councillor of The International Bunker Industry Association (IBIA). This association was established in 1992 to provide a forum to address the concerns of all sectors of the international bunker industry and works actively to:

- Improve and clarify industry practices and documentation
- Represent the industry in discussions with governmental and non-governmental bodies and to make the concerns of the industry known to such bodies
- Assist members in disputes by identifying the options and exploring the alternatives, and eventually provide a panel of experienced mediators and arbitrators
- Increase public awareness of matters concerning the bunker industry

- Increase the professional understanding and competence of those working in the industry

The association's worldwide membership covers the whole spectrum of stakeholders in the bunker industry, including shipowners, charterers, bunker suppliers, traders, brokers, barging companies, storage companies, surveyors, port authorities, credit reporting companies, lawyers, P & I clubs, equipment manufacturers, shipping journalists and marine consultants.



HFS BILLBOARD



Junior Officers' conference

The first Junior Officers' Conference in 2002 was held in Manila from 26 to 27 February at the HFSP Høegh Building. Twenty-nine (29) participants attended. It was a successful conference, which focused on SHIP-SHAPE (Cost control) and on how to satisfy our customers. There were also exercises on near accident reporting in order to attain a zero accident onboard.

Junior Officer Loyalty awardees, from left top: Capt. Roberto Satiada, 2/O Rommel Cruz, Capt Delfin Lopez Jr., 3/O Fernando Volante, ELEC Narciso Eugenio, 3/E Alex Maximo, 3/E Jessie Oliveros, 3/O Norman Sansolis, and 3/E Paterno Canon. From left bottom: 3/O Niel Obaniana, 2/O Jay babera, Supon3 Alden Pomperada, 3/O Roderick Ogot, 2/O Edgar Locaben and ELEC Menelco Danas.



Crisis Management training

A continuing focus on the improvement of leadership and crisis management filled the following two days, 28 February and 1 March 2002, for senior and junior officers. Norwegian Hull Club representatives discussed several aspects of crisis management.

Crisis Management Training conducted by the Norwegian Hull Club in Manila.

Senior Officers' conference

From 12 to 15 March 2002, the first Senior officers' conference was conducted in HFS Philippines Høegh Building. Around 32 senior officers attended the 4-day conference. According to the feedback, it was a successful conference and a two-way process. Meaning it is not only the personnel onboard who will adjust but the office personnel as well. There were lively discussions focused on cost control, ship-shape, near accident reporting and also the ISO 14001 Environmental Management System, which is an integrated part of our Quality and Safety System (SEMS). In addition, around 20 wives joined the officers for a day-and-a-half program.

Senior Officers Loyalty awardees, from left top: Capt. Roberto Satiada, Capt. Delfin T. Lopez Jr., Capt. Rafael Sibya, Johannes Tvedte, C/O Dennis Desabille, 2/E Eric Bantista, C/O Felix Astillo and Sebjørn Dahl. From left bottom: C/O Joseph Gabayne, C/O Roberto Lacanali and Capt. Pacifico Lasson.



Hualization

On 18 and 19 March HUAL representatives from Oslo conducted Hualization for the Officers and some Bosun. They discussed correct cargo operation. On the second day of the conference of Hualization, the Engineers got their bunkering lecture and the deck officer had their P3 reloading program discussion.

Group of Hualization participated by Junior and Senior Officers.



HFSC seafarers' conference

On 19 March 2002 HFS China Ltd. arranged its first seafarers' conference with 41 participants. The staff at HFS China Ltd., Johannes Tvedte and Sebjørn Dahl from the head office in Oslo and the seafarers spent the day focused on the organisation in general, the Quality System, the importance of training, rules and regulations and the improvement plan for the year 2002. The seafarer conference was well organised by HFS China Ltd. and they are planning to arrange additional conferences in June and November this year.



Participants of the first seafarers conference in China arranged by HFS China Ltd.



From left: General Manager Simon Yang, Chairman HFSC Johannes Tvedte and Director of the Board HFSC Sebjørn Dahl.

HFSC recruiting

HFS China Ltd. located in Quanzhou has now supplied a full Chinese complement on board three of our HUAL car carriers. HFS has therefore during the last year intensified the recruitment of Chinese seafarers.

The seafarers have all gone through a tailor-made training package before embarkation on their assigned vessels. The training has been conducted at HFS China Ltd., various Chinese training centres and an in-house training at HFS Philippines Inc. in Manila.



Høegh Dialogue #1-2002 brought the news about HFS China being established 20 September 2001. Unfortunately, the location of this joint venture came out as Guanzhou, whereas the correct should definitely be Quanzhou, some 800 kilometres further north: We apologise and include a map to make it all clear.



Project Alpha and NIS Class Scholars at University of Cebu gathered at the campus during a pre-embarkation briefing.

Project Alpha

Project Alpha class 02 graduated in March 2002. For the first time in the history of the University of Cebu, Bachelors of Marine Transportation and Marine Engineering graduated with Cum Laude. In the HFS class 19 achieved Cum Laude and two achieved the Magna Cum Laude.

In addition one cadet of the NIS project - batch 6, attending JB Lacson in Iloilo, graduated with Cum Laude. We would like to congratulate on the excellent performance of these academics and wish you all the best for the future onboard HFS managed vessels.

HUAL Business Development Department

Over the last years, HUAL has had significant success and growth, also after becoming a wholly owned LHC company. As a tool to continue this positive trend, HUAL has formalised a Business Development Department, consisting of three people headed by Vice President Thore Røysheim.



Steinar Løvdal (left) and Vice President Thore Røysheim are currently the only two running the new Business Development Department. Cecilie Ragner is on maternity leave returning October 2002, while Trym Sjølie is on paternity leave, returning May 2002.

-Our tasks were earlier a part of the management function in HUAL, Røysheim says. -In order to further improve performance and market shares, the Business Development Department was established.

Strategy

-We have identified three main focus areas for the department: strategy, business development and market research, the VP continues. -Does the current strategic direction support future growth, and what are HUAL's future growth opportunities? These are crucial questions we aim to find answers to. This will be done through a strategy refinement project, in which the Business Development Department will play a leading role.

-We want to make the strategy process more visible to the HUAL organisation and make sure relevant units are involved where necessary. Our department will actively contribute in making strategic directions and ambitions better known and understood in HUAL, Røysheim promises.

Business development

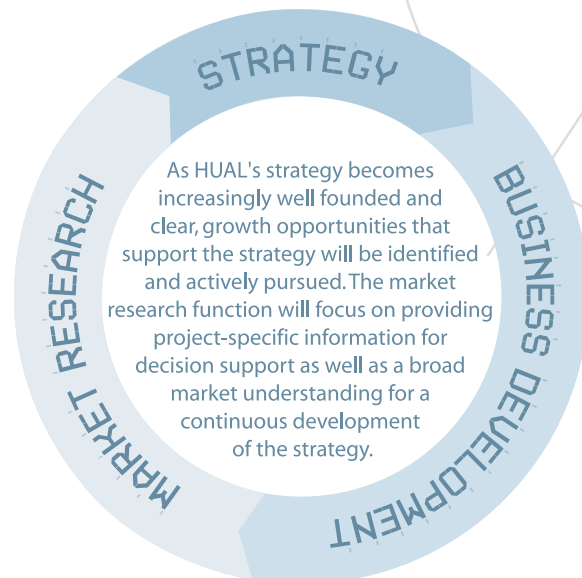
The Business Development Department will in this perspective work across the organisation to identify, structure, facilitate and implement new business opportunities in the line of the strategy.

-Facilitation is a key word, Thore Røysheim says. -We will also look for interesting and promising local initiatives, which might be of wider interest. It will then be possible to "HUALise" these ideas, although they will respectfully remain local even if used throughout the organisation.

Market research

-The department will be responsible for providing market information to support key decisions in the HUAL organisation. A crucial part of our focus will be to contribute in defining what kind of market information we need to track, where to find it and how to present it, Røysheim concludes.

In addition to these three main focuses, Business Development is responsible for the internet activities in HUAL, where the key factors are newly developed in the eClair project. (See Høegh Dialogue #4-2001.)



Honoured for loyalty

On 16 April, Thor Jørgen Guttormsen invited employees with 25 and 40 years of service to a dinner reception at Prinsesse Alléen 8 in Oslo. Thomas Engelhart and Per Arne Larsen were honoured for 40 years of service in the company. They both work in the accounting department. Marianne Fortun, Erik Grinnes, Steinar Jørgensen, Kai Knutsen, Johannes Mikalsen, Gerd Moe, Per Gunnar Nyseth, Svein Pedersen, Bjørn Wahlgren received the gold watch for 25 years of service.



Thomas Engelhart honoured for 40 years of service in the company. Per Arne Larsen honoured for 40 years of service in the company.

HUAL China shipment



On 14 March HUAL China loaded 200 light trucks and 21 passenger cars on board World Spirit at Shanghai. This is the first shipment out of China in 2002.

Market outlook

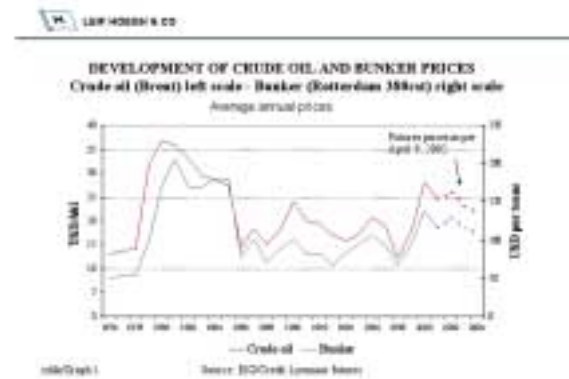
By Mona Boug Kristiansen

World Economy and World Trade

There has been a turnaround in expectations for world economic activity this year, led by the US, and the consensus forecast for global economic growth has risen to 2.2% for 2002 and 3.8% for 2003. The pace and magnitude of the global economic rebound remains uncertain, however, with the Middle East situation and the dire ecopolitical situation in Japan as two major risks.

The Oil Market

At the time of writing, oil prices have a premium of at least USD 4/bbl due to the Middle East situation. In addition, the fundamentals in the oil market - rapid depletion of oil inventories, growing oil demand and a continued cut in OPEC output - are now pointing towards a further firming of prices. An increase in both non-OPEC and OPEC output is therefore likely sooner or later. Graph 1 shows the correlation between crude oil prices and bunker prices.



The Car Carrier Market

Although there has been a decline in new vehicle sales in the USA so far this year, imports have increased by more than 12%, with higher volumes both from Japan, Korea and Europe. In the W. European market sales of Japanese cars have fallen slightly, whereas sales of Korean cars are higher than a year ago. New vehicle sales in Southeast Asia's top four markets are also increasing. In addition, sales in China continue to grow substantially. The anticipated recovery in global industrial activity will have a positive impact on the demand for high & heavy Ro/Ro cargoes, and shipments of used cars continue at a high level.

This positive demand situation will be met by only a modest growth in the world car carrier fleet this year. Based on scheduled newbuildings and planned scrapping, the fleet is forecast to grow by less than 3% this year. There is a large scrapping potential in the fleet and three vessels have already been sold for demolition so far this year.

The Reefer Market

This year's high season was influenced by growing volumes of key import and export cargoes, combined with a further contraction in the supply of specialised reefer vessels. In particular, shipments from Argentina, Ecuador, Chile and South Africa were at a high level. During the first quarter this year average spot rates were thus about 18% higher than a year ago, with both smaller and larger vessels enjoying a healthy market environment.

The outlook for the remaining part of this year will to a large extent be influenced by what happens to the Russian ban on poultry imports from the USA and the strength of the predicted forthcoming El Niño. In addition, a possible retaliation by the EU Commission to the steel import tariffs imposed by the USA could have a negative impact on US exports of several reefer commodities to the EU market.

The Open Hatch Market

The anticipated recovery in global economic activity is expected to lead to growing demand for forest products. In the key Japanese market, however, a projected 6% decline in housing starts will have a negative impact on the country's lumber imports also this year, although increased import volumes by other Asian economies will to a certain extent offset this decline. China's recent entry into the WTO is expected to further increase China's imports of forest products as well as steel products. The global steel products trade will, however, be negatively influenced by the steel import tariffs imposed by the USA and the EU retaliation.

The LNG Market

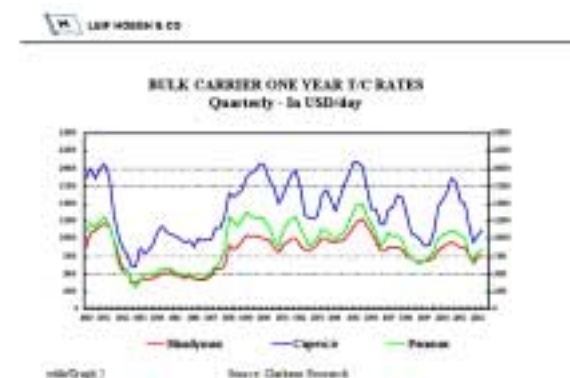
Expansion of existing LNG facilities in several countries, combined with new projects already under construction, will ensure a continued growth in the trade in LNG. New greenfield projects are steadily reaching the planning stage, and prospective new market entrants include Egypt, Venezuela and Angola.

Natural gas remains the world's fastest growing primary energy source, and the US Energy Information Administration in their latest forecast is projecting a virtual doubling in global consumption over the coming twenty years. On this assumption, the trade in LNG is forecast to grow by an average rate of 6 - 8% annually. The contracting activity for new LNG carriers has continued this year, and the total orderbook has reached 62 units, compared to the existing fleet of 129 units.

The Dry Bulk Market

The dry bulk market has recovered from the low levels in the second half of 2001. The key driver continues to be China. The country's steel production has maintained its robust expansion, leading to higher iron ore import volumes. The market has also experienced a significant lift from recent Chinese coal developments. With domestic demand soaring, Chinese coal exports to Asia fell sharply in early 2002 relative to their late 2001 level, opening the door for longer-haul supplies to take their place. Chinese agricultural imports have also given the market a boost.

The anticipated recovery of the world economy is expected to lead to increased trading volumes of all dry bulk commodities and a firmer market from the second half this year (see graph 2).



Report per 1st quarter 2002

- ▶ Operating profit before sales gain and depreciation increased by 25% to USD 42 million
- ▶ Profit before tax increased by 124% to USD 21 million
- ▶ Cooperation agreement with Saga Forest Carriers within the open hatch segment
- ▶ Net profit per share increased by 91% to USD 0.63
- ▶ Cash flow per share increased by 191% to USD 1.31

LEIF HØEGH & CO. CONSOLIDATED - key figures

(USD 1 000)	1.qu.02	1.qu.01	2001
Freight revenues, net	161 882	171 942	680 353
Operating expenses	(138 508)	(144 656)	(577 871)
Operating profit	23 374	27 286	102 482
Net financial items	(2364)	(17893)	(3 713)
Tax	(1775)	1557	(15 594)
NET PROFIT	19235	10950	83 175
Earnings/share (USD)	0.65	0.34	2.62
Total fixed assets	1 058 795	1 141 436	1 083 287
Total current assets	273 444	252 059	252 735
TOTAL ASSETS	1 332 239	1 393 495	1 336 022
Tot. shareh.equity	483 788	428 941	467 615
Total long term liabilities	764 369	906 550	782 594
Total current liabilities	77 717	53 830	79 952

Segment information		1.qu.02	1.qu.01	2001
(USD million)				
HUAL:	Oper.income:	64	56	258
	Oper.result:	17	8	61
Contr. Ship:	Oper.income:	12	10	44
	Oper.result:	5	4	17
H.Lines:	Oper.income:	8	12	46
	Oper.result:	2	1	13
Reefers:	Oper.income:	10	10	38
	Oper.result:	3	14	21



HFS and IUM fleet personnel onboard 15 April 2002

HFS

VESSEL

SG ENTERPRISE
SG ENTERPRISE
SG PROSPERITY
HØEGH GALLEON
HØEGH GANDRIA
NORMAN LADY
MATTHEW
AUGUST OLDENDORFF
HØEGH MONAL
HØEGH MORUS
HØEGH MARLIN
HØEGH MERCHANT
HØEGH MERIT
HØEGH MERIT
HØEGH MUSKETEER
HØEGH MISTRAL
MASCOT
MAX OLDENDORFF
HUAL ASIA
HUAL EUROPE
HUAL TRAILER
HUAL TRAMPER
HUAL TRAPEZE
HUAL TREKKER
HUAL TRICORN
HUAL TRICORN
HUAL TRITON
HUAL TRIUMPH
HUAL TRIUMPH
HUAL TROPHY
HUAL TROPICANA
HUAL TRUBADOUR
HUAL TRUBADOUR
HUAL TRACER
HUAL TRAPPER
HUAL TRAPPER
HUAL TRAVELLER
HUAL TRAVELLER
HUAL TRIBUTE
HUAL TRIDENT
HUAL TROOPER
HUAL TROTTER
HUAL TRANSIT
HUAL TRADER
HUAL TRANSPORTER

MASTER

ZHANG, GUO JIN
NG, CHOR KUEN
HSING, NAN YEN
BENTZRØD, KNUST
SPARRE KNUDSEN, SIMEN
VISTNÆS, JENSEN KJELL
HANSEN, ØIVIND
AMANO, AUTONOMO ABELLAR
NAZ, ELMER DE JESUS
GALVE, ISMAEL SELAUSO
AGUILA, ALBERTO BRIONES
ESTABAYA, GILBERT JOHNS
BOLOTAOLO, ALEJANDRO ESTANO

PALACA, FILOMENO JR. IDULSA
LUMA-AD, PIPO UY
DAROY, ADOLFO SUEZO
SORIANO, FRANCO LAPIDARIO
NIEDO, JULIUS VINCA
PILAPIL, ALBERTO SANORIA
BONIFACIO, ROMMEL HIPOLITO
LORENZO, JESSIE MAGDAUG
GUZMAN, ROLANDO BALDERAS
DELIARTE, BENITO ARROJADO
REYES, JOSELITO DOLAR
ANDUJARE, DANTE DEVERATURDA
TAYO, GORCONIO IZON
IBRAHIM, ZAIDE DELA CRUZ
ALCARAZ, REYNALDO LOPEZ
PEREZ, RIZALDO MAGBANUA
LUMACANG, FELIPE JR AGRIAM
YRIVERA, JORGE PARALEJAS

YU, ZHI MING
ZHAO, BO LONG

MAPA, ODNESOR CRUZ

ESPARTERO, VICENTE SR MAGTULIS
JONOS, DIONISIO COMPANERO
CULAJARA, ZALDY CERVANTES
SANCHEZ, GIL BARRIOS
CABALLES, RAYMUNDO MAGHANAY
CABARLES, RODRIGO JR DUMARAY
MANALAYSAY, CESAR DUQUE

CHIEF ENGINEER

ZHANG, YU

WANG, ZHI YI
HANSEN, ROY
ERIKSEN, ODD PER
HAVEN, JAN
SVENNING, TRULS ALBERT
BATAK, VIRGILIO DAVID
PAGULAYAN, REYMUNDO BANGAYAN
OCBINA, ISAGANI JALLORINA
SANTIAGO, ARNEL SR DEL VALLE
CIRERA, LEOPOLDO AGPAWA
TERAZONA, FRANK PENAFIEL
CRISTINO, MANUELO BERDOS
ALEGRADO, SOCRATES REGIDOR
VENTULA, REYNALDO GANIRON
PATUNGAN, ALFREDO BOQUIRIN
ARAGOZA, CRISOSTOMO ASPER
LALIM, CONRADO WONG
YORO, RAMONITO JABASA
BATIN, NELSON CARASCO
MORALINA, ROMEO QUIROZ
BARNACHEA, DOMINADOR BELARDO
CONCEPCION, LEO QUIJANO
MAIQUEZ, MARIO ALVARO
PALMES, FERNANDO PANES
PERALTA, ISAGANI DAMASCO
CASTELLANO, WENIFREDO CASTOR

TRASPORTE, ARNULFO MANZANO
LOZANO, CAMILO JR ORBES
ALTURA, RUBEN MORALES
NIEDO, ARCELIO JR VINCA
HONG, JIN
QIN, JING LU

LAPE, JESUS ALQUEZA
LIU, JIAN GUO
DIAZ, THOMAS FRENCH
CRUDO, RENATO ALARCON
MAHINAY, VICTORINO JR GENTAPA
NAPILOT, GILBERTO LARGA
POLLENTES, CLAUDIO BASIL P
YANGCO, TEODULFO JR LIM
OZARAGA, MARIO GOMEZ

CHIEF OFFICER

CHEN, HUAN

ZHAO, WEN BIN
STRANDHEIM, OLAV
NIELSEN, KURT-PREBEN
MØRK, HELGE ROGER
HØYDALSVIK, HALLVARD ANDRE
CANETE, ALBERT MENDOZA
ENGCOY, ETCHEL PEREZ
SY, RENATO JR PIOL
BONDOC, BENITO PANGAN
FERNANDEZ, FERDINAND MANALO
FLORESCA, LUCINO TIU
JARAMILLO, MARIO DELA CUADRA
TAGHAP, HERMENEGILDO JR. BET
BERTUMEN, ROGELIO ROSTROLLO
SEDONIO, JOEBERT VILLACENDA
SOLATORIO, FRANCISCO JR JUANER
JOSE, EDGARDO ABRIGO
SULIBET, MANUEL NOEL S.
BATOON, ELMER RICO M.
ENCLONA, MARIO JR AGAO
LAGLEVA, ERWIN ROMERO
GOMEZ, JOEY BARRIOS
CRUZ, APOLINARIO SAN PEDRO
EVANGELISTA, NECITO TADEO
YANEZ, HENRY CAPA
REFUERZO, GODOFREDO RABARA

CHIONG, BERNARD BOGO
CARADO, RONILO CORMANES
RIEGO, ANACLETO ROLLE

ZHAN, WEN BIN
CUI, ZHI HUA
WANG, QIN PING
LIU, DA SHENG
ROMERO, ARNALDO BUSTALINO
ATIAN, SALVADOR NO
CASIANO, DANILO NAVARRO
ASI, RANILO DE CHAVEZ
ESTOLAS, BENJAMIN MABUTAS
LADINES, EUCLYDES CAMBAL
DELA PENA, NICANOR SOMUDIO
ANG ESPINA, MAXIMINO JR OPPUS

IUM

VESSEL

CRYSTAL PRIDE
CRYSTAL PRIMADONNA
CRYSTAL PRINCE
CRYSTAL PRIVILEGE
IVORY DAWN
SUMMER MEADOW
SUMMER WIND
SUMMER BAY
SUMMER FLOWER

MASTER

TIMTIMAN, ROBERTO LAPUS
TAN, BERNARDO DIAMANTE
RAMBOANGA, DAVID CORPUZ
STA CRUZ, LUISITO ARGARIN
PUNAY, FERNANDO MONTERDE
DEQUITO, GENEROSO PALOMO
PARAGUYA, MIGUEL SILVA
HARE, JESSEL CALDEA
MASNAYON, WILLARD EDWARD PUNO

CHIEF ENGINEER

ROBIN, ALEXANDER SANCHEZ
CHING, CHARLES BADONG
SANTOS, LAMBERTO ISTOMEN
PASADILLA, DIONE PELEGRINO
CARPIO, EDWIN DOMINGO
BELTRAN, ALBERTO GOCOTANO
ABARINTOS JR, ALIPIO DOLOR
LEGASPI, DANI FAVILA
CATOLICO, ELY CIERVO

CHIEF OFFICER

ROLLO, EDGARDO OZUES
ISULAT, LAURO JR MIRAN
CABANLIT, WILSON MAROLLANO
DEMEGILLO, BENHUR ABERDE
CATUBIG, ISMAEL ALBERT TIU
DIZON, JAMES IBANEZ
TENA, RADITO SUR
ARCAJ, VERONICO FUDOTAN
GARGANERA, EUSEBIO MAYO LOPEZ