



Höegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC)

No 3 - 2002

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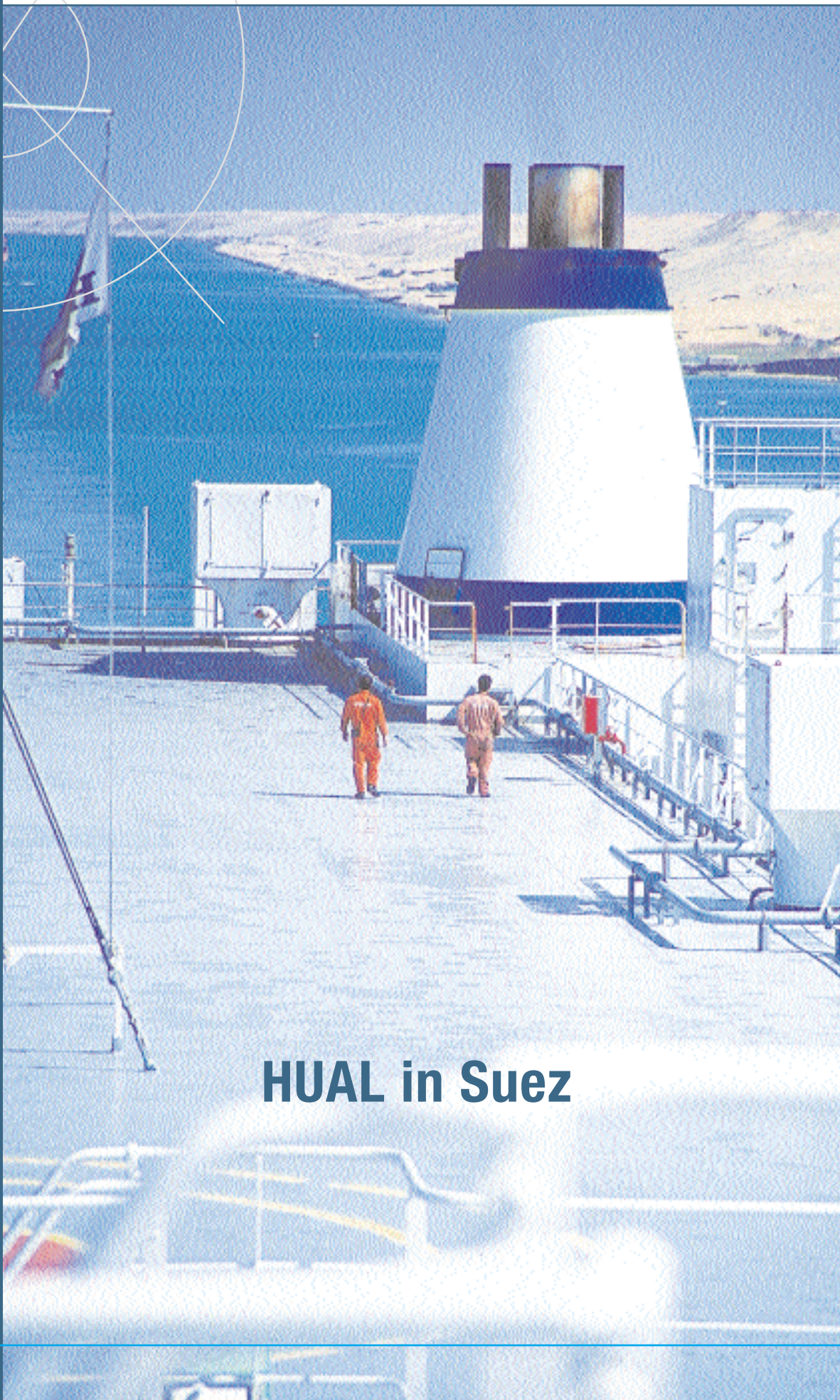
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HUAL in Suez



A good position in an uncertain world

In spite of great uncertainty in the world economy, we have just reported strong results for the first half of 2002.

A rebound in US economy has been hoped for and expected by many towards the end of this year. However, financial markets have continued to reflect uncertainty through e.g. the weakening of the US Dollar and falling share prices.

I am very happy that, even under these circumstances, the company has been able to deliver satisfactory results and a strengthening of the balance sheet. The 1st half results are presented in this issue of Høegh Dialogue.

Some projects reported at an early intentional stage have now been confirmed and I would like to take this opportunity to express my satisfaction with the dedication the teams involved have revealed in concluding these projects:

The contract for the prestigious AIRBUS project, outlined in an earlier issue of Høegh Dialogue, was finally signed in Toulouse on 29 May as a result of excellent teamwork in HUAL, CETAM and our 50% partner Louis Dreyfus Armateurs.

About a year ago LHC jointly with Mitsui O.S.K. Lines won the bid for an LNG carrier for the Snøhvit gas field development. Finally on 31 May this year, the ESA (European Free Trade Area's Surveillance Agency) approved the Norwegian Parliament's tax scheme for the development of the project and the contract was confirmed. In the meantime, a lot of work has been put in developing different aspects of the project. Well done!

Let us use the summer holidays to charge the batteries for the exciting challenges ahead!

T.J. Guttormsen
President
Leif Høegh & Co ASA

LHC 75 years

Thursday 13 June 2002, Leif Høegh & Co celebrated its 75th anniversary with an afternoon reception for employees and guests in Shippingklubben in Oslo. In the relevant environment overlooking the Oslo harbour, words were shared by the President Tor Jørgen Guttormsen and Chairman Westye Høegh emphasising the solid foundation for the future these 75 years have grown to be.



Clockwise from top: Chairman Westye Høegh and President Tor Jørgen Guttormsen. The view from Shippingklubben. Håvard Gimse and Tone Bråthen performing. Westye Høegh and Ove Høegh with their sons Morten and Leif O. respectively.



Snøhvit LNG vessel no.1 is unconditional!

Høegh LNG announces the removal of the final conditions of the Time Charter Party Agreement signed in December 2001, with the Snøhvit Seller Group, following the permission of the European Free Trade Area's Surveillance Agency (ESA) to use a controversial tax scheme in the development of the Snøhvit LNG project.

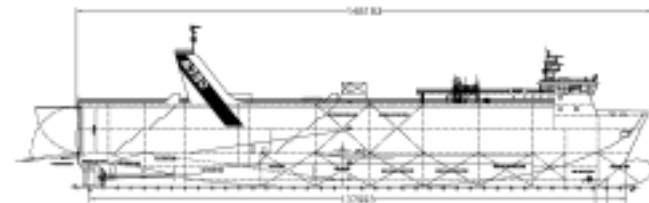
The Charter Agreement is for a 20 year charter of a 147.000 cm LNG vessel to be built by Mitsubishi Heavy Industries with delivery in 2005. The vessel will be operated by Høegh LNG/HFS and owned in a partnership with Mitsui OSK Lines and Statoil. Negotiations of a T/C agreement for a second LNG vessel for the Snøhvit LNG project are in its final stages. Høegh LNG is hoping for a confirmation and signing of this deal in the very near future. For more information about the Snøhvit gas field and LNG transportation, see Høegh Dialogue #1-2002.



Contract for Airbus' A 380 components

Airbus and FR.E.T.-CETAM SAS, a newly established French company owned 50/50 by Louis Dreyfus Armateurs (S.N.C.) and Leif Høegh & Co ASA, have concluded an agreement for the transportation of A 380 components between Hamburg, Cadiz, Mostyn, St. Nazaire and Bordeaux. The agreement has a duration of 20 years and can be extended another 10 years.

The agreement involves the ordering of an advanced Ro/Ro vessel at the Chinese shipyard Jinling. The vessel specifications make it possible to carry both aircraft components and other Ro/Ro cargo. The vessel will be delivered during the first quarter of 2004 and fly the French flag. Airbus has an option to call for an additional vessel to be built for delivery in 2007 as the production of A 380 aircrafts grows. (See also Høegh Dialogue #1-2002.)



LHC grants anniversary endowment



The Norwegian Seamen's Church in London is celebrating its 75th anniversary in June 2002. In recognition of this event, the Church has been completely refurbished and Leif Høegh UK was asked to make a donation. In light of Leif Høegh & Co ASA sharing the same anniversary, LHC has granted £10,000.

HØEGH DIALOGUE:

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Chairman of the Suez Canal Authority: Admiral Ahmed Aly Fadel

During HUAL's visit to Egypt 27 - 29 April, Høegh Dialogue got the unique opportunity to interview the Chairman of the Suez Canal Authority (SCA) Admiral Ahmed Aly Fadel. He holds a key position in Egyptian politics and national matters with a seat in the government and a direct line to the President of Egypt from his desk. In this exclusive appearance he states his opinion on both HUAL as a significant client in the canal as well as his view on terrorism in relation to 11 September 2001. We met him in the headquarters of the SCA in Ismailia where his office overlooks the canal and Lake Timsah.



Admiral Ahmed Aly Fadel received HUAL and President Karl Terjesen in his office in Ismailia.

May we ask about the Chairman's point of view on Norwegian shipping?

I believe Norway is very professional in international shipping. This is emphasised by the cooperation between SCA and Norway through decades. And it is our unambiguous view that HUAL conforms to this standard. HUAL ranges number 9 among our clients when it comes to the number of transits annually.

Does the Suez Canal still possess the same strategic political importance as its history implies?

Of course. And it will continue to be this way as long as we provide 100% safe conduct for all transiting vessels and as long as we are doing our best to deepen and widen the canal to be able to accommodate still larger ships.

The Suez Canal Authority is in a constant international spotlight. Who are the main collaborating organisations on this level besides the Egyptian government? (E.g. UN, IMO, EC, Panama Canal Management)

We are in touch with all the international associations. Anywhere

in the world where conferences or sessions concerning sea trade take place, you will find one of our representatives. Whether discussions are about liners or tourist cruises, we are participating. Speaking of tourism, we experience many Mediterranean and Canary Island cruise companies wanting to spend time in our warm and stable climate and sheltered waters. All in all, we do our best to be present wherever sea trade is discussed.

How did 11 September affect the Suez Canal and its operation?

In my opinion a recession started long before 11 September 2001 both in Europe and in America. The tragedy in the USA made this recession go quicker. We have also noticed this recession here in the canal and the insurance dues increased by 6% to cover anticipations.

Is the Suez Canal believed to be a target for international terrorism, and if so, which countermeasures are implemented or planned?

We have always had anti-terrorism in mind, not just since 11 September and not only here in SCA, but in Egypt as a whole. And if you go to the newspapers you will find that our President did his best to awaken the world's attention to this problem. No one listened at that time, even though we suffered from it.

But of course after the first incident, measures were taken against everything concerning terrorism. We are part of the country - and like everyone in Egypt we are responsible to take our place in the national plan against terrorism. It should be added that we nearly succeeded in eliminating the presence of terrorists in Egypt several years ago. We believe we are safe here now through our measures and precautions and we will be so also tomorrow.

The Canal has previously been closed due to complex international situations. Could something similar happen in a 2002 world society?

The closing of the canal in 1967 was due to only one reason - war. Today we have no enemies and we have no war. Egypt has suffered a lot from war. Over the last 50 years we joined about 5 wars. It cost us a lot. We are doing our best to develop our country and the last war was the last one. So there is no enemy, no war and no closing.

What is the price policy in the Suez Canal today in order to optimise canal traffic?

You see - we study everything concerning this matter carefully, 365 days a year. A basic principle is: if you can take an alternative route, we should be cheaper than this route. Not only cheaper, but 100% safe and we provide good service. For 2002, we decided in November 2001 that, based on our calculations, canal fees should stay unchanged from the 2001-level.

So we study a lot of aspects: world economy, world sea trade, world directions for ship construction, fuel costs, time charter prices, SDR-value etc. High technology is developing, also on board vessels and in shipbuilding, and we must consider the cost

of running every kind of ship through the canal. If you ask about anything, you will find it in our equation - really.

Are there any ongoing or upcoming major projects to enlarge, deepen or rebuild parts of the canal?

I think you may have noticed that the dredgers are working. We have a good fleet of various kinds of dredgers. We are continuously using this fleet to widen and deepen the canal. We ceased using subcontractors in the early 1990's. Ever since, we have done the work ourselves and we reached 54, 58 and now 62 feet depth with our own fleet. We reached 62 feet in June last year. We are now able to let 1,250,000 tons transit per day, compared to 1,000,000 tons per day before.

We are planning to reach 66 feet by 2006 and we are really forcing this phase. Our next goal will be to reach 72 feet depth throughout the canal by approximately 2011.



Admiral Ahmed Aly Fadel studying a previous issue of Høegh Dialogue.

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.)

Mercy in mind, achievement in hand

Most seamen wish for ordinary days and memorable events, but even more for a good income, satisfactory working circumstances, perhaps a promotion at work and hopefully a comfortable relationship with co-workers.

My seaman's dream came true when I joined HFS on my first car carrier on 20 November 2001. Before departure from China, HFSC officers were reminded of the high hopes the company had for a smooth and efficient hand-over from Manila based staff to Chinese crew on board both HUAL Trapper and HUAL Tracer. Even after 3 years as 3rd mate on the SG Enterprise, I had trepidation when comparing the work on a bulk carrier to a car carrier: the deck machines, the cargo handling, the US Coast Guard inspection...

In the port of Singapore, I met Captain Quintin A. Mangohig, in command of HUAL Trapper, for the first time. He had a welcoming smile on his face, stood up and shook my hand, saying: "Welcome young man, I believe in you, I want you to be a winner and that's why you are here..."

All self-doubt and negative feelings left me and my confidence in myself was restored. Previous trips have learned me that others in command can make you feel incompetent and inadequate, they make you feel like a loser. But when you respect yourself, you have self-esteem. Onboard a vessel there is only one law and one rule, no matter what you are: a Pole, a Filipino, a Chinese or an Indonesian. We have common targets on board: Safety of crew and ship; Environmental protection; in other words teamwork! We should use speech to communicate ideas instead of anger, suspicions and resentments. Remember that most

people are good and decent. Do not lose faith in people or let failure ruin your joy for life!

Some seamen do not earn their living at sea from choice, which may cause homesickness and depression. In these situations, Captain Quintin A. Mangohig is a kind captain who showed us mildness and care, who learned us about social interactions and obligations and who particularly encouraged conversation to support the crew and to make a friendly atmosphere on board. I and most of the Chinese crew are thankful for Bosun James V. Everjuan, who prepared instructions on deck machines in the evening, in order to instruct the ratings the next day. Also C/E Victoriano A. Alojado, C/O Euclides C. Ladines, 2/E Nestorio R. Zulueta and OS Wenifredo Gutierrez shared their experiences with us and gave us interesting tips.

We are proud of our efforts and successes, our tireless work and good understanding as a team. I remember the day in the port of Jacksonville, when after careful inspection the US Coast Guard's senior office raised his thumb and said: "Great!" Yes, great is enough for us. I love my work on the HUAL Trapper and enjoy being a part of HFS.



3/O Wang Binggui
HUAL Trapper

THE GREEN EFFORT

Annual external audit ISO 14001

The first Annual Audit under ISO 14001 was carried out 29 April 2002. Opening meeting took place at 0845 and Lead Auditor Knut C. Frøysaa and his team worked all day with interviews and verifications within the various departments. During the closing meeting at 1545 the result of the audit, one Non-Conformity and four Observations, was presented to the management.

Non-Conformity Reference:

ISO 14001 4.4.6

Requirement Statement:

Procedure related to significant environmental aspects of goods and services used by the organization.

Deficiency: System/procedure is not adequately defined.

Objective evidence:

Assessment and approval of suppliers is not addressed regarding the following:

- environmental aspects concerning suppliers shall be identified by e.g. questionnaire.
- how often will this assessment and approval be carried out.
- how will the response from suppliers regarding the above be treated.
- how will the requirements be communicated.

Observations

1. Environmental aspects should be updated once a year. (So far, this has been done in June 2001 and is planned for January 2003) (ISO 14001, § 4.3.1)

2. New building projects do not (formally) include environmental issues. When products are delivered to the customers, an overview of significant environmental aspects should be made and communicated. The company should consider including this in hand-over documents. (ISO 14001, § 4.3.3)

3. When updating environmental aspects, the company should make a clearer distinction between environmental aspects, significant environmental aspects (i.e. those aspects demanding focus) and the chosen significant environmental aspects (i.e. those aspects the company includes in the environmental program and pledges to work on) (ISO 14001, § 4.4.3)

4. It is unclear how the company responds to relevant communication from external interested parties. It is also unclear if all communication is registered/documented. (ISO 14001, § 4.4.3)

The Auditors remarks:

The Company's Environmental Management System works well. The management and employees prove to be motivated and dedicated. However, it is important for the Company to communicate its environmental program and requirements to suppliers and contractors, in order to make these more aware of issues which affect the environment and can be dealt with. Similarly, it is important to include environmental issues in projects (newbuildings) and make these known to customers. All communication with external parties concerning environmental issues should be responded to in a structured way and should be registered.

The Auditors conclusion:

Høegh Fleet Services AS' Environmental Management System shows improvement and continued certification is recommended.



LHC in cooperation with WWF

LHC signed in May a cooperation agreement with World Wide Fund for Nature - Norway (WWF). The intention of the agreement is to improve LHC's work towards giving the fleet a leading environmental standard, as well as supporting WWF's work with global marine conservation work.

The agreement runs for three years from 1 June 2002 and will, if nothing else is agreed, be extended for another three years from 2005. It is believed that both parties will benefit from the agreement and the exchange of relevant information is a crucial part of the cooperative efforts. LHC will also have the right to use material produced by WWF both externally and internally. However, one party should not be made responsible for the other party's policies or activities.

There are five areas which the cooperation will cover in particular:

- Ballast water is an area where WWF is greatly involved in policy-making in order to promote regional, national and international actions. Synergy of the cooperation will result in better knowledge about cleaning technologies.
- TBT-free anti-fouling (see Høegh Dialogue #2-2002) is also important for both parties. WWF is working to get the TBT-convention ratified, and LHC has started their conversion to silicon (TBT-free) anti-fouling.

- Quality in shipping has been LHC's priority for decades. And WWF will contribute in processes related to enhancing fleet quality and reducing environmental impact.

- Safety along the Norwegian coastline. WWF has developed the document Particular Sensitive Sea Areas for the Norwegian coastline and will work to reduce environmental threats for this area.

- Air emissions from ships is another key issue in WWF's marine protection program. The first objective is that air emissions shall be regulated and reduced within 2005. WWF also participates in IMO's work to develop a shipping convention for greenhouse gases.



New interesting offshore oil pollution study

A panel convened by the National Academy of Sciences (USA) states in a new report that most oil pollution in North American coastal waters comes not from leaking tankers or oil rigs, but rather from countless oil-streaked streets, sputtering lawn mowers and other dispersed, but hard to prevent sources on land.

Thousands of tiny releases, carried by streams and storm drains to the sea, are estimated to equal an Exxon Valdez spill (10.9 million gallons of petroleum) every eight months, the report says. When fuel-use on water, either inland or offshore, is taken into account about 85 percent of the 29 million gallons of marine oil pollution in North America each year comes from users - such as drivers, businesses, boaters - and not from the oil industry.

The shift follows a substantial tightening of environmental regulations on oil exploration and shipping since the grounding of the Exxon Valdez in 1989. Worldwide, the panel estimated, 70 percent of marine oil pollution comes from fuel users, not producers or shippers.

The report also said more research should be done to understand the effect of oil seeping naturally from underwater deposits in the ocean. Humans release about 210 million gallons of petroleum a year into the seas while natural seepage adds 180 million gallons.

Source: www.nytimes.com

HUAL in Suez



27 - 29 April a delegation from the HUAL management went to Egypt. Scheduled activities were to meet the HUAL agent in Port Said and with their guidance visit the Suez Canal Authority in Ismailia and the Port Said Port Authority; everything aimed at developing relationships and paying courtesy to major service suppliers as well as learning more about the Suez Canal, which is an important gateway in the HUAL operations.

HUAL President Karl Terjesen, Vice President Operation Department Jan Ellingsen and Vice President Finance and Control Are Berg constituted the HUAL delegation and Høegh Dialogue travelled along to cover the event for our readers.

HUAL's agent in Suez through many years has been Port Said Shipping & Nav. Co. Their manager Elsayed Hegazy Hassan had put together an excellent program for the three-day-stay along the Canal, starting with a very interesting visit to the Suez Canal Authority SCA in Ismailia. During this day HUAL got to meet with the SCA management and the Chairman, Admiral Ahmed Aly Fadel. HUAL used this opportunity to express their delight with the new and more inexpensive canal fees for car carriers implemented by the SCA recently.

Furthermore, a visit to the Planning, Research and Studies Department was included. This department, managed by Director Galal A. El Deeb also hosts a ship simulator for canal navigation. HUAL has contributed to this installation with a car carrier simulation program.

Director of Transit Department, Aly Abdel Aziz Ibrahim guided the HUAL delegation during a trip on the canal with one of SCA's vessels. Ibrahim, who also gave the

tour through the SCA traffic control tower, made this an interesting excursion, relating the troubled history of the canal during acts of war as well as explaining and displaying procedures and equipment for maintenance and improvement of the canal.

Ultimately, HUAL was invited to lunch with the Chairman and his management in the house where the constructor of the canal, Engineer Ferdinand de Lesseps lived during the planning and building period in the 1860's.

From Ismailia it is about one hour drive along the canal embankment to Port Said. Only 20 meter from the Suez Canal inlet, overlooking the busy harbour, you will find the main office of Port Said Shipping. Included in the visit, Elsayed Hegazy Hassan arranged for HUAL to meet the Port Said Port Authority followed by a guided tour around the harbour by barge. Particularly interesting was the sight of a major statue of Engineer de Lesseps now stowed away on a secluded lot. Once erect by the canal inlet, this statue was blasted to pieces during the Suez Canal crisis in 1956. Now the statue is restored and waiting to be reinstalled on the still standing base by the inlet.

At night, the HUAL delegation met with the bankers handling the canal fees for HUAL, Commercial International Bank, Port Said Branch and thereby got the chance to discuss financial efficiency improvement procedures directly.

-We must say this was a very interesting and rewarding trip, Vice President Operation Department Jan Ellingsen sums up. -The visit gave us the chance to confirm and strengthen our good relationship with the Suez Canal. It was also an excellent opportunity for us to learn more about the canal itself, as it is of great importance to both world trade and our own business.



Top: The HUAL delegation on the Suez Canal guided by the SCA.

Middle, from right: Director of Transit Department Aly Abdel Aziz Ibrahim, HUAL agent Elsayed Hegazy Hassan, Director of Planning Galal A. El Deeb, Member of SCA Board Mohamed A. Bassyouni, Accountant Mortgy Ayoub, Are Berg, Jan Ellingsen, Karl Terjesen.

From left: Are Berg, Karl Terjesen, Elsayed Hegazy Hassan and Jan Ellingsen by the restored statue of Engineer Ferdinand de Lesseps in Port Said.

Bottom, from left: Jan Ellingsen, Elsayed Hegazy Hassan, Are Berg and Karl Terjesen by the HUAL model in the new offices of Port Said Shipping.

HFS BILLBOARD

HFS sponsors Filipino aid project



A Norwegian non-government aid organisation, The Development Fund, is working in many countries around the world on different aspects of poverty alleviation. In the Philippines they support the work of SEARICE, a progressive organisation working in Mindanao with a unique project called "Conserve".

The Conserve project works with farmers to conserve plant genetic resources and to promote ecological farming. The field activities include training farmers through Farmers Field Schools in Ecological Farm management, Participatory Plant breeding and participatory Varietal Selection. The project also organises and strengthens local People Organisations, giving the farmers confidence to learn and develop the agricultural technologies which are based on their own research and their local environment.

Up to the year 2000, the project has been able to reduce the use of pesticides in the lowland irrigated areas by 85% and converted 2% of the total irrigated rice area into an organic rice production area.

After seven years of successful project implementation in Cotabato, the project is expanding to Sultan Kudarat, also in Mindanao. The new expansion area is nicknamed SOS = Seeds of Survival.

HFSP employees

Back row from left: Benedict San Luis and Victor G. Prado III. Middle row from left: Gina P. Martillano, Maricar C. Baloy, Mary Ann C. Piopongco, Aleli M. Quimzon, Maria Tibigar and Celeste A. Dingle. First row from left: Florence P. Cuevo, Anne Lorraine M. Cabe, Lilibeth T. Garrido, Jessica V. Villan, Yolanda E. del Pilar and Rosanna M. Alvaniz.



LNG Conference in Åsgårdstrand

From 6 to 8 May the first LNG Officers' Conference of the year was conducted at Åsgårdstrand Hotel in Norway. LHC's Gas department presented ongoing projects and especially newbuilding projects. The participants were divided into groups to discuss how to better conduct abandon-ship-drills and how to increase the number of near-accidents reports. Since the focus at this conference was Safety and Training, Norwegian Hull Club participated in order to practise Crises Management. The conference room was transferred into a vessel in emergency and the officers got an opportunity to practise how to respond in different crisis situations.

Christopher Robin Smith receives his gold watch from Jan-Erik Hofslø.



Junior Officers' Conference 0202

From 28 to 29 May, 31 junior officers attended the second Junior Officers' Conference for the year. The main focus areas of the conference were Cost Control/Reduction, Safety, ISO 14001, Health/Nutrition and STD/AIDS. The officers of the ex-IUM managed car vessels joined their first HFS sponsored conference. Eight officers received bronze plaques and four officers silver plaques for their loyalty.

From left top: Jan-Erik Hofslø, 2/O Joel Bauzon, 3/E Solano Asistido Jr, 3/O Valerio Malinao Jr, 2/O Andrew Perez, Capt. Delfin Lopez Jr, Elec Windsor Palapar, Capt. Roberto Satiada, Capt. Manuel F. Tinio Jr.

From left kneeling: 3/O Josaphat Labuntog, 3/E Abelardo Sobretudo Jr, 2/O Adonis Austria and 2/O Andres Cerbo Jr.



Senior Officers' Conference 0202

Cost Reduction, Budget Process, IT Experience Feedback and ISO 14001 were the focus areas of this conference. Like the Juniors' Conference it was also held in the Høegh Building in Makati, Philippines. 32 officers attended.

The "Ship of the Year" contest was introduced: the company will select a vessel, which performs with the greatest excellence compared to other ships in the fleet. The winner will be announced by the end of each year.

On the third and fourth day of the conference, the STARS joined the senior officers for a session in "Interpersonal Sensitivity", Health/Nutrition and STD/AIDS. During the Fellowship Night held in the Intecon Hotel Manila, two gold loyalty plaques, two silver and five bronze plaques were awarded.



From left top : Capt. Delfin Lopez Jr, Johannes Tvedte, C/E Fidel Casama, C/E Arnel Santiago, C/O Renato Sy, 2/E Salvador Salarda, Sebjørn Dahl, Capt. Henry Chiong. From left kneeling: 2/E Alfredo Aragonas, Capt. Romulo Macadagdag, Capt. Zaldy Culajara, C/E Teodulfo Yangco Jr.



Norwegian Hull Club's Crisis Management seminar 0202

NHC's Loss Prevention Manager, Geir Skoglund and HFS' Insurance/Claims VP, Skule Adolfsen again conducted NHC's Crisis Management Seminar from 30 to 31 May 2002. 31 officers, 13 juniors and 18 seniors, participated in this seminar, the officers of ex-IUM managed vessels included.

In addition to the crisis management, the US Coast Guard's visit after an incident was also simulated. Selected participants played the role of junior and senior officers on board, while the organisers acted as the US Coast Guard. The seminar was both informative and educational for everyone.

HUAL Port Captains



Høegh Dialogue presents from time to time one department in LHC in more detail. This time we peek into the busy everyday life of the presently 9 port captains in HUAL Oslo, managed by Vice President Leslie R. Hoddevik.

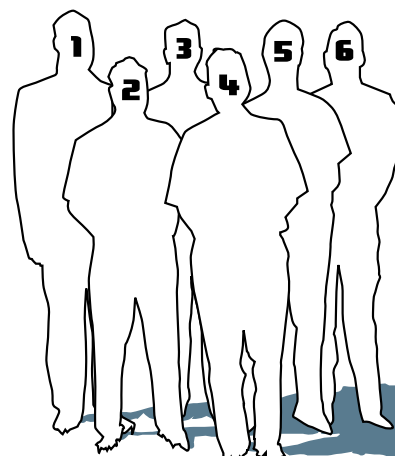
The port captains are organised in the Cargo Handling/Claims and Insurance department, where they cover cargo handling related to HUAL's activities in Europe. Overseas cargo handling is basically monitored by personnel in Korea, Japan, Caribbean, USWC, West Africa, South Africa and Dubai.

The port captains are a crucial part of the operations in HUAL and they find themselves in positions which require a very flexible attitude and a full time commitment. Facing a tight schedule, where vessels operate every day all year round, the port captains must be willing to follow their designated ship whether it is Christmas or their own wedding anniversary...

Each HUAL vessel is allocated a specific port captain prior to its first port of call in Europe. The port captain then carries out his tasks and follows the vessel from port to port until the ship leaves Europe again. The duties of a port captain include both office paperwork and port and vessel visits. The general responsibilities can be listed as follows (HUAL Company Operation Manual):

- To prepare cargo plans and ensure that the cargo for vessels assigned to him is safely loaded, secured and discharged, included stability considerations.
- To follow up cargo operations with reports and cost control of all services.
- To be fully updated on cargo related instructions and regulations concerning cargo acceptance and IMDG code.

In practice, this means that the port captain, upon being allocated to a vessel, prepares so called preloading plans for each load-port. This is done in the office and already at this stage a close cooperation with the Traffic and Operation departments is established. The communication with Traffic and Operation will persist through preloading, loading and discharging in all ports of the circuit.



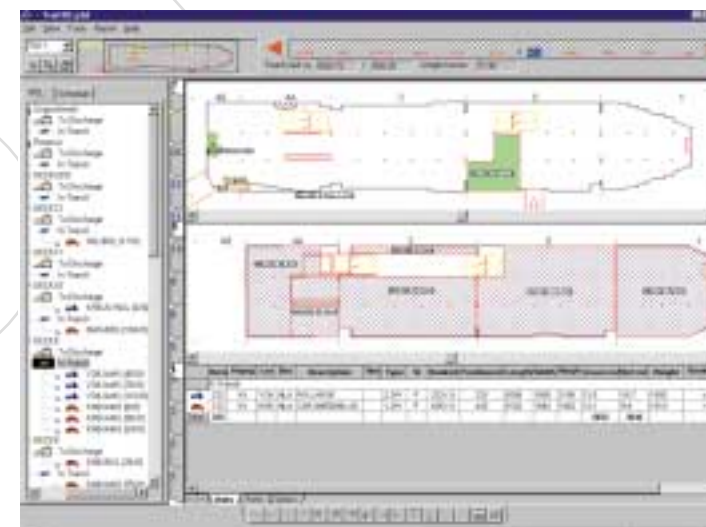
1. Kjell Arne Berger
2. Geir Paulsen
3. Bjørge Johansen
4. Per Henningsen
5. Christian Garshoel
6. Leslie Hoddevik

Once on site, the port captain conducts pre-load meetings with the ship's personnel, stevedores and agent/representatives. When loading commences, he monitors loading operation, making sure that the cargo is properly prepared for the voyage, tallied and that it is safely loaded, stowed and secured. When loading is completed, an after-load report, including relevant comments to ensure safe and efficient discharge, is produced and distributed to all involved parties.

The port captain concludes each circuit by reporting on special formats.

- Contractor's performance report
- Vessel's and crew performance report
- Vessel's appearance report
- Decision log
- Utilization report

-All in all a very demanding work day in addition to the sometimes awkward hours, Leslie R. Hoddevik underlines. -There is a vast number of aspects a port captain must keep in mind and hundreds of various decisions are to be made in the line of duty. We also have relatively advanced computer systems of invaluable help, which must be mastered fully.



-We are fortunate to have very able port captains in our company. All of them have sailing experience - something we consider a necessity when recruiting. Additionally they have maritime degrees and several are educated in economics, Hoddevik concludes in his presentation of the perhaps most frequent flyers in HUAL.

CARGO HANDLING CLAIMS AND INSURANCE

LESLIE R. HODDEVIK
VICE PRESIDENT

CARGO HANDLING
STOWAGE PLANNING
EUROPE

PORT CAPTAINS:

KJELL A. BERGER
FRODE FERAGEN
CHRISTIAN GARSHOEL
LEIF H. HANSEN
PER HENNINGSEN
GEIR PAULSEN
STEINAR FORNES
ALV ERIK STRENGEHAGEN
BJØRGE JOHANSEN



OBITUARY *FITTER ELEUTERIO T. PANGATUNGAN* born 18 April 1961.

On 28 May we received the message from the Master on HUAL Tricorn that Mr. Pangatungan was sent to hospital in Japan due to illness. His condition worsened and on 9 June we received the sad news that Mr. Pangatungan had passed away. Mr. Pangatungan joined the company on 6 July 1998, first on Ivory Dawn.

We convey our deepest sympathy to his family and colleagues.

Høegh Fleet Services AS
Human Resources

Market outlook

By Mona Boug Kristiansen

World Economy and World Trade

As expected, the pace of growth in the US economy slowed down in the second quarter, with the full year growth now projected to be limited to 2.7%, with a pick-up to 3.6% in 2003. The recovery in most Asian economies is clearly under way and economic indicators in some of the major European economies have been positive. World economy is thus projected to grow by 2.8% this year and by 4% in 2003. World trade, which fell by 0.2% in 2001, is expected to grow by 2.5% this year and by 6.6% in 2003.

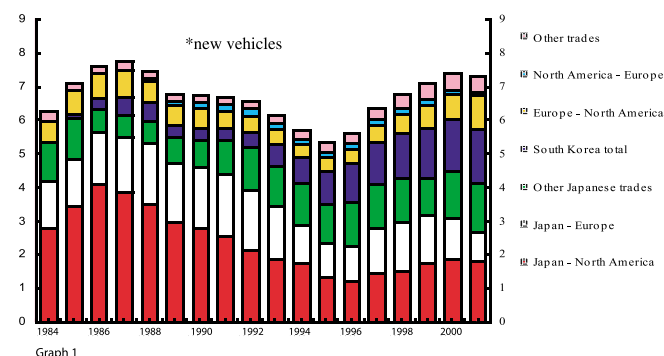
The Oil Market

Iraq's oil export strategies and the Israeli-Palestinian conflict contribute to oil prices at relatively high levels. OPEC's output has fallen to 24 million b/d, it's lowest level since mid-1993. Fundamentals imply prices to remain around current levels of USD 24-25/bbl over the next months, as oil inventories need to be replenished and oil demand starts to grow again in the second half of the year. However, OPEC price policy and unforeseen political events could distort this scenario.

The Car Carrier Market

The car carrier market has been quite tight so far this year. Imported cars have gained market shares in some of the major markets, and Japanese exports are 8.8% higher than a year ago. Shipments of used cars have continued to increase in several trades and imports of high & heavy Ro/Ro cargoes are also showing a positive trend in some areas. Changing trading patterns and longer round-trips continue to be positive for demand for car carrying tonnage. See graph 1 for seaborne shipments of new vehicles.

WORLD SEABORNE VEHICLE SHIPMENTS*
In million units



Global new vehicle sales will benefit from the world economic recovery which is expected to gather momentum in the second half of this year. This also applies to high & heavy Ro/Ro cargoes. Imported cars are expected to keep their market shares in the major markets, although this is to a certain extent dependent on the exchange rate situation.

The LNG Market

A number of global plans for developing large LNG projects are progressing, spurred in part by a rebound in the US spot price for natural gas. From a low level early this year, prices have now

rebounded to a level considered on the cusp of profitability for a number of projects – see graph 2. In addition to the new projects, several LNG producers are currently embarked on major expansions of existing facilities.

A total of 19 new orders for LNG carriers have thus been placed so far this year. At the time of writing the orderbook totals 64 vessels with a capacity of 8.6 mill cbm, which represents approximately 59% of the carrying capacity of the existing LNG carrier fleet. The extent of this orderbook means that relatively few additional new ships will be required over the latter part of the decade to serve the anticipated doubling of LNG traffic by 2010.

The Reefer Market

The high season was very short this year and rates fell already in April to 6 - 15% below the same year-ago month, with a continued slide in May. However, more cargoes generally are expected to enter the market over the coming months. The poultry trade between the US and Russia was effectively closed when the Russians put a ban on US imports in mid-March. In mid-April the ban was partially lifted and imports began to trickle back into Russia in May. This would provide further relief to vessels now in their off-season.

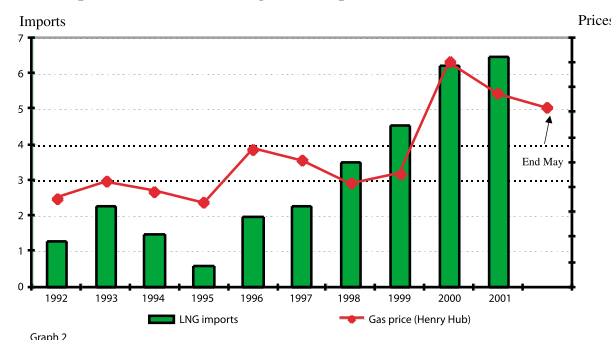
The Open Hatch Market

The open hatch market has been quite flat so far this year. The demand for forest products has not increased much, although China's import demand is steadily growing. However, in the important Japanese market, a continued decline in housing starts is having a negative impact on the country's lumber imports also this year. A global economic recovery in the second half of this year will have a positive impact on both the open hatch and the conventional handymax market. The containership market, which also influences the rates for open hatch vessels, is not expected to make a meaningful recovery until sometime in 2003.

The Dry Bulk Market

After a robust first quarter, the dry bulk market has sputtered over the past months. Panamax and Handymax rates have held on to most of their early 2002 gains, while Capesize spot rates have moved decidedly lower, though they remain well above their late 2001 lows. Although Asian steel production has remained quite strong over the past couple of months, there have been some negative development in other raw material trades. However, a projected recovery in trade demand during the second half of the year is expected to coincide with a positive development on the supply side, as deliveries of bulk carriers are projected to decline by more than 30% over the next nine months.

US LNG IMPORTS VS NATURAL GAS PRICES
Imports in bcm - Average annual prices in USD/million btu



Report per 2nd quarter 2002

- Operating profit before sales gain and depreciation increased by 5% to USD 82 million
- Profit before tax decreased by 17% to USD 45 million (which, however, must be seen in context with considerable sales gains in 2001)
- Cashflow increased by 9% to USD 80 million, while cashflow per share increased by 14% to USD 2.72
- Net interest bearing debt was reduced with USD 67 million to USD 536 million
- Considerable improvement for HUAL
- Restructuring continued through transfer of open hatch operation to Saga Forest Carriers

LEIF HØEGH & CO. CONSOLIDATED - key figures

(USD 1 000)	2.qu.02	1-2.qu.02	2001
Freight revenues, net	160 967	322 850	680 353
Operating expenses	(138 969)	(277 478)	(577 871)
Operating profit	21 998	45 372	102 482
Net financial items	1690	(675)	(3713)
Tax	(1866)	(3641)	(15 594)
NET PROFIT	21 822	41 056	83 175
Earnings/share (USD)	0.74	1.39	2.62
Total fixed assets	1 039 403	1 039 403	1 083 286
Total current assets	281 839	281 839	252 736
TOTAL ASSETS	1 321 242	1 321 242	1 336 022
Tot. shareh.equity	506 391	506 391	467 615
Total long term liabilities	742 511	742 511	782 594
Total current liabilities	65 484	65 484	79 952

Segment information

(USD million)	2.qu.02	1-2.qu.02	1-2.qu.01
HUAL: Oper.income:	66	131	122
Oper.result:	19	36	24
Contr. Ship: Oper.income:	11	23	22
Oper.result:	4	9	8
H.Lines: Oper.income:	9	17	24
Oper.result:	2	5	6
Reefers: Oper.income:	9	19	21
Oper.result:	1	4	18
Other: Oper.income:	1	1	2
Oper.result:	(4)	(8)	(3)



HFS and IUM fleet personnel onboard 1 July 2002

HFS

VESSEL

SG ENTERPRISE
SG PROSPERITY

HØEGH GALLEON

HØEGH GANDRIA
NORMAN LADY

MATTHEW
AUGUST OLDENDORFF

HØEGH MONAL
HØEGH MORUS
HØEGH MARLIN
HØEGH MERCHANT
HØEGH MERIT
HØEGH MUSKETEER
HØEGH MISTRAL
MASCOT
MAX OLDENDORFF
HUAL ASIA

HUAL EUROPE
HUAL TRAILER
HUAL TRAMPER
HUAL TRAPEZE

HUAL TREKKER
HUAL TRICORN
HUAL TRINITY
HUAL TRITON
HUAL TRIUMPH
HUAL TROPHY
HUAL TROPICANA
HUAL TRUBADOUR
HUAL TRACER
HUAL TRAPPER
HUAL TRAVELLER
HUAL TRAVELLER
HUAL TRIBUTE
HUAL TRIDENT
HUAL TROOPER
HUAL TROTTER
HUAL TRANSIT
HUAL TRADER
HUAL TRANSPORTER

MASTER

ZHANG, GUO JIN
LI, GUI LIN
HSING, NAN YEN
GANGDAL, HANS PETTER

JOHANSON, SVEIN IVAR
ZAAL, PER HENRY
STRANDHEIM, OLAV
SANDIK, INGE
SABADO, ALFREDO RIMANDO
AMANO, AUTONOMO ABELLAR
NAZ, ELMER DE JESUS
GALVE, ISMAEL SELAUSO
AGUILA, ALBERTO BRIONES
CHIONG, HENRY ALVAREZ
BOLOTAOLO, ALEJANDRO ESTANO
SIBYA, RAFAEL DIANSEN
GARFIN, AGUSTIN RODOLFO G.
DAROY, ADOLFO SUEZO
SORIANO, FRANCO LAPIDARIO
NIEDO, JULIUS VINCA

MANGOHI, QUINTIN ABANGAN
ACUNA, PONCIANO JR. PARAGAS
LORENZO, JESSIE MAGDAUG
LICUDAN, EUSEBIO JULATON

DELIARTE, BENITO ARROJADO
REYES, JOSELITO DOLAR
ANDUJARE, DANTE DEVERATURDA
CLEMENTE, WILFREDO JAVIER
IBRAHIM, ZAIDE DELA CRUZ
PEREZ, RIZALDO MAGBANUA
LUMACANG, FELIPE JR. AGRIAM
RIVERA, JORGE PARALEJAS
WANG, QIN PING
ZHAO, BO LONG
MAPA, ODNESOR CRUZ
YUAN, GANG
ESPARTERO, VICENTE SR MAGTULIS
JONOS, DIONISIO COMPANERO
SOMOSOT, JEREMIAS CORBITA
SANCHEZ, GIL BARRIOS
GULLIAB, BENEDICTO CASIGURAN.
LACSON, PACIFICO JR. DAGUIA
MANALAYSAY, CESAR DUQUE

CHIEF ENGINEER

ZHANG, YU
WANG, ZHI YI
YU, WEI GANG
MALMØ, BJØRN

PAULSEN, TARJEI
HAMMERVOLD, KARSTEIN

HANSEN, PER HANS
HUFALAR, CARLITO OFIAZA
BATAC, VIRGILIO DAVID
PAGULAYAN, REYMUNDO BANGAYAN
OCBINA, ISAGANI JALLORINA
RABARIA, PERICLES JR MALBAS
SANTIAGO, ARNEL SR DEL VALL
CRISTINO, MANUELO BERDOS
TERAZONA, FRANK PENAFIEL
VENTULA, REYNALDO GANIRON
PABULAYAN, DELFIN SAQUIBAL
ARAGOZA, CRISOSTOMO ASPER
YANGCO, TEODULFO JR LIM
LALIM, CONRADO WONG
ALOJADO, VICTORIANO AMILANGAN
BATIN, NELSON CARASCO
MORALINA, ROMEO QUIROZ
BARNACHEA, DOMINADOR BELARDO
PAJATIN, JOVENCIO JR CALPO
POLLENTE, CLAUDIO BASIL P
LEDESMA, REDEMOR PUNZALAN
ARCE, RAFAEL JR. MOLINA
CAWICAAN, LUIS DINOZO
ALTURA, RUBEN MORALES
TRASPORTE, ARNULFO MANZANO
LOZANO, CAMILO JR ORBES
NIEDO, ARCELIO JR VINCA
DING, SHENG PING
QIN, JING LU
LIU, JIAN GUO

DIAZ, THOMAS FRENCH
BALIDOY, JOSE BALANE
MAHINAY, VICTORINO JR GENTAPA
YORO, RAMONITO JABASA
IGNACIO, ALDEN GALANG
MASOCOL, EDWIN DENUM
OZARAGA, MARIO GOMEZ

CHIEF OFFICER

CHEN, HUAN
ZHAO, WEN BIN

DAHL, TOMMY JOHAN
PETTERSEN, JAN MORTEN
MOLUND, FREDDY
GRØTTING, KÅRE

IVANISEVIC, DALIBOR
CANETE, ALBERT MENDOZA

ENGCOY, ETCHEL PEREZ
DESABILLE, DENNIS PASTOR
LACANLALI, ROBERTO ROWAN
FERNANDEZ, FERDINAND MANALO
FLORESCA, LUCINO TIU
JARAMILLO, MARIO DELA CUADRA
BERTUMEN, ROGELIO ROSTROLLO
CARO, BERTRAND MARQUEZ
ASTILLO, FELIX LUENGO
ELPEDES, DANTE MORADA

JOSE, EDGARDO ABRIGO
BATOON, ELMER RICO M.
ENCLONA, MARIO JR AGAO
LAGLEVA, ERWIN ROMERO

ALISEN, NESTOR ALBAY
GABAYNE, JOSEPH COLLADO
EVANGELISTA, NECITO TADEO
YANEZ, HENRY CAPA
REFUERZO, GODOFREDO RABARA
QUITA, AMADOR JR CAMPOS
CARADO, RONILO CORMANES
KIERULF, MANUEL LUIS MENCIAS
ZHAN, WEN BIN
CUI, ZHI HUA
LIU, DA SHENG
ROMERO, ARNALDO BUSTALINO
RODRIGUEZ, EDUARDO PEREZ
CUETO, INGEMAR PABATAO
ASI, RANILO DE CHAVEZ
CORTES, KIM PADOR
LAMBUSON, PIO ARADO
DELA PENA, NICANOR SOMUDIO
ANG ESPINA, MAXIMINO JR OPPUS

IUM

VESSEL

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

MASTER

MAREK KULIK
WOJCIECH KSIAZKIEWICZ
TIMTIMAN, ROBERTO LAPUS
TAN, BERNARDO DIAMANTE
RAMBOANGA, DAVID CORPUZ
BALAN, JOSE JR TABUDLONG
OYALES, GEORGE GESULGA
DEQUITO, GENEROSO PALOMO
PARAGUYA, MIGUEL SILVA
HARE, JESSEL CALDEA
VIOLANGO, ADRIAN DALIT

CHIEF ENGINEER

ANDRZEJ LUKASIK
EUGENIUS S. WOZNIAK
ROBIN, ALEXANDER SANCHEZ
CHING, CHARLES BADONG
SANTOS, LAMBERTO ISTOMEN
PASADILLA, DIONE PELEGRINO
UMEREZ, GABRIEL VILISANO
BELTRAN, ALBERTO GOCOTANO
ALON, ROY YAP
ABARINTOS JR, ALIPIO DOLOR
PORRAS, ROBERTO PEDROSO

CHIEF OFFICER

KRZYSZTOF SZAGA
JERZY NIEWINSKI
BATAYOLA, JESSIE NECESARIO
ISULAT, LAURO JR MIRAN
BAGUIO, ULYSSES UY
CABANLIT, WILSON MAROLLANO
TENA, RADITO SUR
DIZON, JAMES IBANEZ
PASAPORTE, HARLEY ZAYCO
ARCAV, VERONICO FUDOTAN
DAYMIEL JR, BIENVENIDO MUIT