



Hoegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC)

No 1 - 2003

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Good operating performance in 2002

Although the books for 2002 are not closed at the time of writing, it is clear that the strong operating performance continued through 2002, particularly in our chosen core segments. Our strategy of focus was further strengthened during the year and the basis for growth improved.

2002 was a year with turmoil and uncertainty in many markets. The negative development in financial markets has been frequently referred to. However, several shipping markets experienced better demand conditions than macro economic data should indicate, mainly explained by the very strong growth in the Chinese economy and trade.

The segments, on which LHC has chosen to focus, RORO and LNG, are moreover less exposed to cyclical changes than most other shipping segments. These segments (RORO and LNG) are based on systems and know-how, long term commitments and relationships and with high entry barriers. During 2002 important relationships with customers were further strengthened, and we are particularly proud of having entered into prestigious long term contracts with AIRBUS for a RORO newbuilding and STATOIL with partners and TOTALFINAELF for two LNG newbuildings. At the end of the year newbuilding contracts for three large car/truck carriers (PCTC) were also concluded.

The sad loss of our proud ship HUAL EUROPE in a typhoon in Japan reminded us that however many precautions we take and how well we prepare ourselves, we are involved in complex operations with risks involved. We are at all times committed to do our utmost in order to avoid accidents.

In spite of uncertainties in world economy continuing into 2003, we look forward to steady and positive development in LHC.

I would like to thank all of you for your dedicated efforts contributing to the development of our company and wish all our readers the very best for 2003!

T.J. Guttormsen
President
Leif Høegh & Co ASA

The Board of Directors

Increasing focus on Corporate Governance has followed in the wake of financial scandals in the business world. In Leif Høegh & Co ASA we are pleased to recognize that we have in place a structure, which appears to satisfy standards of best practice.



From left: Westye Høegh, Truls Holthe, Karl Otto Gilje, Truls Bergesen, Jørgen Ekberg, Leif O. Høegh and Gunnar Reitan.

The Board of Directors

The Shareholders' Meeting, which is the company's supreme body, elects the Board of Directors. The Board of Directors, currently consisting of seven Directors, meets on a regular basis to discuss and agree on matters, which are specifically reserved for their decision. The Board's main tasks include establishment of corporate strategy including plans and budgets, make investment and disinvestment decisions, making sure the company is suitably organized and monitoring the financial situation and management. The Board is accountable to the shareholders for the good governance of the affairs of the group.

Board Committees

The following Board Committees are appointed by the Board of Directors to assist the Board of Directors in fulfilling its responsibilities.

Executive Committee

The Executive Committee ensures that preparations for the Board meetings and implementation of Board decisions are done timely and with the highest quality.

Audit Committee

The main tasks of the Audit Committee are assistance in

- assessing and managing business and financial risk
- overseeing legal and regulatory compliance
- monitoring annual and interim financial reporting
- assessing the performance of internal control and external auditors
- overseeing investor relations activities

Compensation Committee

The Compensation Committee's main tasks comprise reviewing the company's compensation and benefits strategy and succession planning.

The Directors



WESTYE HØEGH (60)
Chairman since 1984

Bachelor of Law from University of Oslo and MBA from Wharton School, University of Pennsylvania. Experience from banking and several positions within LHC. Has held commissions as President of the Norwegian Shipowners Association and Chairman of Intertanko.



LEIF O. HØEGH (39)
Vice Chairman since 2000, joint controlling shareholder in LHC

BA, MA Economics at Cambridge and MBA at Harvard. Experience in Investment Banking (UK and Canada) and as Management Consultant with McKinsey & Company. Management Director in Leif Høegh (UK) Ltd. in London, Chairman of Høegh Capital Partners and Parkveien 55 AS, Director of NeoMed Management and Teekay Shipping Corporation Ltd.



TRULS BERGERSEN (64)
Director since 1987

Royal Norwegian Navy Academy. Officer Royal Norwegian Navy and Instructor Shipping Employers' Federation. Held positions as President in Leif Høegh & Co. A/S and HUAL. Member of several boards.



KARL OTTO GILJE (66)
Director since 1995

MSc (Hons.) Chemical Engineering. International career in Upstream and Downstream functions of Exxon Corp. Held positions as Chairman and CEO of several Esso Companies in Europe, now retired. Previously President of the Norwegian Petroleum Society (NPF) and Board member of the Norwegian Employers Federation (NHO)



TRULS HOLTHE (54)
Director since 1995

BA Hons. Economics and Licensed as State Authorized Public Accountant. Experience as accountant, controller and financial director in several Norwegian companies. Member of several Boards.



JØRGEN EKBERG (43)
Director since 2000

MSc Economics and Business Administration. Senior Engagement manager for McKinsey & Co in Stockholm and Hong Kong. President & CEO in ASG /Danzas AB. Senior Partner in Litorina Capital Management AB. Member of several Boards.



GUNNAR REITAN (48)
Director since 2000

BA, Trondheim Business School. Experience as Consultant in Bergen Bank and Financial Manager in Overhalla Industrier AS and G. Handberg A/S. Managing director in AS Trondheim Trafikkselskap, Regional Manager, Vice President Fin&Adm. and Executive Vice President & Deputy CFO of the SAS Group. Member of several Boards.

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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.)

Loss or gain?

When the message of Hual Europe's grounding came to my ears, the astonishment was hardly less than the news of the WTC attack on 11 September. With the vessel finally disappearing in a fire, the dust has settled and my mind has calmed down, so now I can review this whole event. From another perspective, there are some positive elements in every accident. Here follows my personal view, you should probably take this with a grain of salt.

Test the Hual body's emergency response ability.

The emergency response team (ERT) was swiftly mobilized in the ERO to clear the priority policy (safety of crew- protection of environment - vessel and cargo). Active and energetic support to and co-ordination with the captain was given to initiate rescue and contact was made with local authorities and parties for outside assistance. The Bahamas authorities, the P&I Club, DNV class and DNV Emergency Response Service were also contacted. Because of ERO the operation above was successful: all Philippine crew were rescued by helicopter and no environmental pollution occurred. This was not a drill or full dress rehearsal, but a real situation. Europe's grounding gave us the chance to verify the virtual efficiency of our emergency response system and to get a lot of tangible experience to boot.

Enhanced the Hual body's resistant power

Shortly after the accident, we received an important notice from the Fleet Manager with early lessons learnt. Our Master immediately gathered the senior officers to study and discuss this notice and adapted it to our vessel's actual state. In addition, representatives from the Head Office in Oslo brought us the "hualization" spirit, carried out a stricter audit, made an

on-the-spot investigation of each position and took an overall inspection. We improved step by step through focussing on and following up on the essence of HFS. I'm honoured to join Hual and I can say that we have never been so close to the Hual criteria and HFS standard as today. The alarm has sounded on every Hual vessel and it reminded us to keep vigilant and alert at all times. Today, Hual's body has been vaccinated and the immune system seems to function better. Hual's body is stronger and healthier.

The "Titanic"sank in 1912, it didn't stop the marine development, on the contrary it made us pay greater attention to safety. In 1986, the space shuttle "Challenger" exploded and fell, it didn't hinder the NASA's pace, instead, it stimulated to move forward faster and safer. We lost a vessel, but we gained a lot of experience.

M/V Europe has disappeared, but the "HUAL" mark will be permanently engraved on people's hearts, we firmly believe that the logo "HUAL" will be seen in every corner of the world.



Hong Jin
Chief Engineer
HUAL Trapper



Freefall practice

In compliance with Solas requirements, the freefall lifeboat was launched during HUAL Transporter's stay in Hitachinaka, Japan 11 December 2002, Master Roberto C. Satiada reports.

HUAL signs new bunker contract

Last December HUAL signed a new contract for bunker delivery in 2003 and 2004. Shell is chosen as partner and the contract is worth approximately 18 million USD per year.



Celebrating the new contract, from left: Nikos Pappos, Jan Ellingsen, Lars Inge Lunde, Anders Kristoffersen, Ole Petter Bjørdal and Fritz Jakob Fredriksen. In front Inger Lise Fagernes.



Jan Ellingsen and Lars Inge Lunde signing the contract.

-Presently, we consume 450,000 tons of fuel oil per year and this number is increasing with our growing fleet, Vice President Jan Ellingsen explains. -The Shell contract will cover about 140,000 tons and it is therefore very important for us to have a bunker supplier with global coverage and a consistent quality on the product range.

-Shell Marine Products supplies globally 8,000 vessels with 14 million tons marine fuel every year, Director Lars Inge Lunde in Shell says. -We also focus heavily on related topics to bunkering itself. Health, Safety and Environment is important

to us and we develop this continuously, e.g. through the ongoing project in cooperation with HUAL. (See additional coverage.)

-I strongly agree, Jan Ellingsen says. -A bunker contract is more than a price tag. We also buy processes of a certain quality as part of the deal. This was a crucial criterion in the selection process we have gone through, ending up with Shell. In addition, it is an important quality asset that Shell owns and runs its own terminals and controls barges in the areas where HUAL bunkers most frequently.

Improved bunker supply process

Shell and HUAL have joined forces in a project aimed at enhancing quality, communication, professionalism, service and ownership in the bunkering process. The project was initiated simultaneously with last year's contract negotiations.

Prices offered between the various suppliers were quite similar. The goal for the project is to jointly identify all aspects connected to bunker supply, from planning to payment of invoices - and then to create processes for all parties involved with respect to communication lines, responsibilities etc.

The importance of such a mapping is illustrated by the fact that delays of bunker to a vessel may be more costly than price difference between various suppliers.

Furthermore, over 10 different companies may be involved in a single bunker supply of a vessel, and the project will streamline routines, minimize risk for potential delays to the vessel and manage a learning process to avoid repetition of earlier errors.

3+2 HUAL newbuildings

On 17 December, the official signing ceremony between Daewoo and Leif Høegh & Co ASA took place, marking the end of a four months process with specification writing and reading, yard screening and tough negotiations.

The background for this contract is HUAL's substantial demand for flexible and large PCTC vessels in services worldwide. In addition, several less flexible vessels of more than 20 years old, need replacement.

-The competition involved yards from Korea, Japan and Europe, fighting intensively and enabling us to reach a very competitive

price for the vessels, Øistein Dahl in HUAL says. -High yard PCTC building skills combined with good quality and early delivery were also important selection criteria. We were very satisfied that it was one of the world's leading PCTC yards, Daewoo, which proved most competitive in the end, enabling us to further develop our good relationship.

The contract comprises three firm vessels plus two optional vessels. A rolling option program is also established, which means that HUAL obtains a new option when declaring a previous one. The delivery of the vessels will be with 3 months intervals, starting from January 2005.

-The design of the newbuildings is very similar to the HUAL Asia/HUAL Trader type, Øistein Dahl continues. But we have included quite a few modifications, such as adjustment of payloads and heights of the decks for increased flexibility and loading of higher units. We have done modifications to some internal ramps, enabling increased load/ discharge speed rates to the connected decks and we are applying a new high friction, anti skid system on all ramps and thereby removing the steel fish bones.

-In order to improve handling and manoeuvring, the mooring is system improved with increased winch holding power and

mooring line strength and reading of mooring line loads. (Mooring winches will be of the electrical type.) The bow thruster capacity is increased by close to 40%. Furthermore, we have improved the navigation system and the satellite communication system as well as the UHF communication system onboard.

In addition, we are focusing on green aspects, such as oil & waste handling, ballast water treatment, steam and cooling water treatment to reduce the use of chemicals and to improve the main engine emission to air and lub oil consumption.



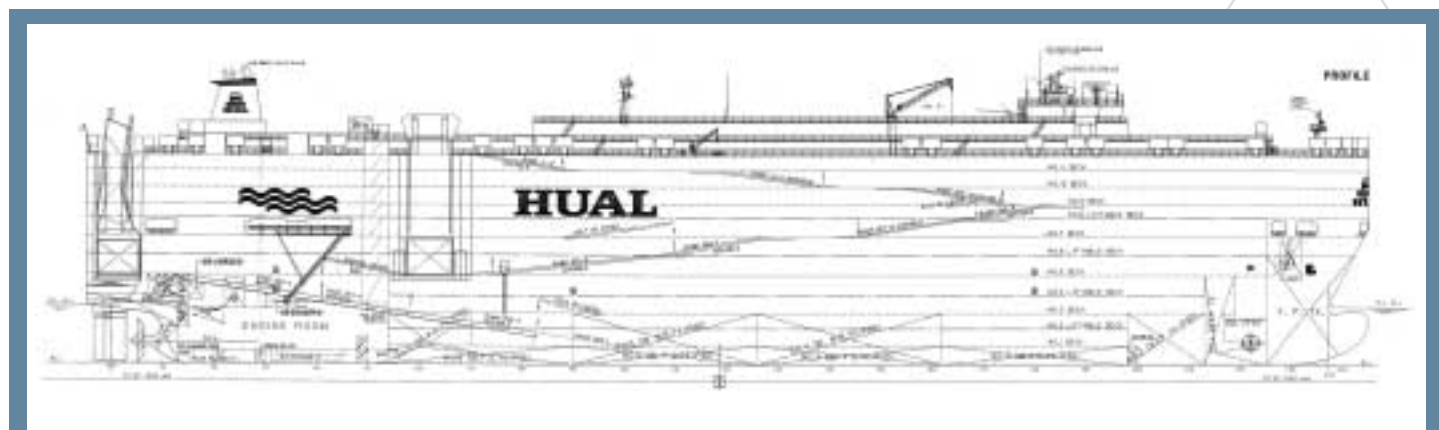
Øistein Dahl.



Mr. T.J. Hwang, Director Ship Marketing Division II assists President & CEO S.L. Jung while Erik Grinnes assists Thor J. Guttormsen.



President & CEO S.L. Jung and President Thor Jørgen Guttormsen closing the deal.



The newbuilding's main particulars:

Length over all	199.9 m	Design/scantling draft	9.0 / 10.0 m
Breadth	32.26 m	Car deck area, appr.	54,000 sqm.
Depth mld. to upper deck	32.59	Service speed	20.5 knots
		Stern ramp capacity	150 tons

Nils B. Lie awarded



The King's Order of Merit was bestowed upon Nils Bertram Lie for 52 years of faithful service. He signed on aboard Høegh Belle 23 May 1950 as deckhand, only 15 years old. He obtained the Mate's certificate in 1957 and took the examination for Master's certificate in 1959. In 1963 he got the Master's certificate and took over Høegh Arielle as captain.

In February 1970, he went on shore and worked for the West Africa line as he had done for years at sea. He concluded his career as Senior Trade & Marketing Manager in February 2002.

Thor Jørgen Guttormsen presenting the King's Order of Merit to Nils Bertram Lie accompanied by his wife, Kjersti Lie.

New Høegh Building in Oslo

For some years now, LHC, HUAL and HFS have been located in two different buildings in Oslo (Wergelandsveien 7 and Dronningensgate 40). This solution has proved not to be ideal for efficient operations, hence the wish to relocate into common premises.



HWR Arkitekter

Høegh Invest, the proprietor of Wergelandsveien 7, has signed the contract for erecting a new building in Drammensveien 134, Oslo. The total area in the new building will be 18,000 sq. meters, whereof 10,000 sq. meters is office space and shopping areas, while 8,000 sq. meters is underground parking space.

-The upper three floors of six will be dedicated to accommodate LHC, HUAL and HFS, project manager Charles Jensen explains. -We see that this solution can provide us with several positive benefits and synergies; by gathering our activities in one location in Oslo, we will simplify communication between our companies, we will utilise service operations like mail, phone and IT more efficiently and most importantly, we will provide our staff with the best possible working environment.

-The potential in common localisation has become clear during the last six months of preparation, Charles Jensen

continues. -The total demand for space is reduced by co-localisation of our companies - we lease 9,200 sq. meters in total today, and we will end up with 6,900 sq. meters in the new building. Thereby, this solution will not be more expensive than today and the bottom line will show a considerable gain taking the benefits mentioned above into account.

-Drammensveien 134 is also a very good location in Oslo when it comes to public transportation and other relevant infrastructure. Trolleys, buses and trains including the Gardermoen airport express stop outside the front door, so to speak. The main highway through the city is also within close radius. Altogether, we are very happy with the solution as it looks now, Charles Jensen says, adding acknowledgement to the internal project group consisting of Gerd Moe, Brit Glemmestad, Sebjørn Dahl, Tore Miøen and Mette Ervik.



Architect Tore Witzøe discussing the new building with Charles Jensen.



HWR Arkitekter

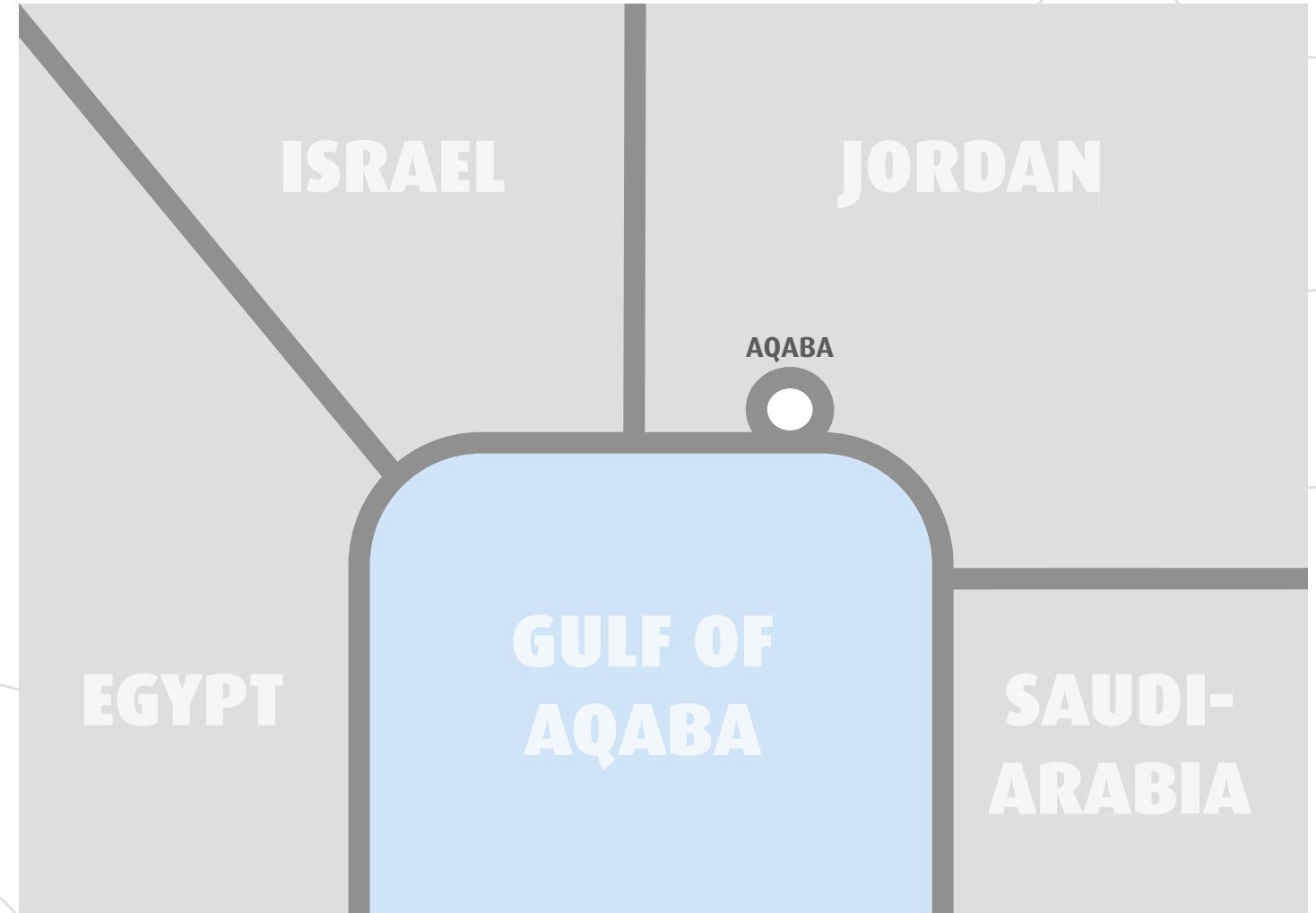


HWR Arkitekter

Aqaba - a nodal point



HUAL Tribute berthed in Aqaba, Jordan.



Located at the crossroads between four countries and three continents, Aqaba is again playing an important role in the Middle East. The city has a history dating 5,500 years back and has experienced rises and falls. Today, Aqaba is the centre of a special economic zone and is developing rapidly.

Already from the 8th century B.C, Aqaba was the maritime gate to South Arabia, Egypt and through the Arabian Gulf to India and China. It is also believed that Aqaba was the base for King Solomon's large merchant fleet. After being incorporated in the Roman Empire in 106 A.D, the city became a thriving community linking the sea trade to Amman and Damascus.

Through medieval times Aqaba was reoccupied by the Muslims and lost its importance as a trade centre when the Caliphs moved their capital from Damascus to Baghdad. Aqaba remained more or less a fishing port until the early 20th century.

Today, Aqaba finds itself as a neutral port in a troubled part of the world. Modern development is speeding due to the city's strategic location. A revival of the old trade routes, e.g. to Syria

from the Gulf of Aqaba, is also a result of conflicts in the Middle East, contributing to Aqaba's importance.

Import/export traffic via Aqaba covers a multitude of destinations such as Russia, Ukraine, the UK, the USA, Australia, Pakistan, Bangladesh, India, Indonesia, Malaysia, the Philippines, Singapore South Korea, China, Egypt, Morocco and Saudi Arabia.

A special economic zone is developed in Aqaba by the Government in Jordan, simplifying regulations and taxation for entrepreneurship and settlement of foreign enterprises. Also for HUAL, Aqaba has developed into an important destination with approximately 3 calls per month from Europe, Far East and the US. In 2002 HUAL loaded about 18.500 cars and 1,600 High and Heavy vehicles, containing stationary cargo, but very little was discharged. All HUAL vessel and cargo handling are co-ordinated with HUAL's agent in Aqaba.



Port of Aqaba, Jordan

Latitude: N 29° 31'
Longitude: E 35° 01'

- Capacities:
- 23 berths
 - Dry bulk: 75,000 dwt
 - Container: Panamax
 - Oil terminal: 406,000 dwt

From left: Operations manager Namir Moammar of Amin Kawar & Sons Co, HUAL manager Knut Eivind Fodnes and Operations assistant Nazem Al Hasan of Amin Kawar & Sons Co.

HFS BILLBOARD



1st International Employers' Award

On 21 November 2002, HFS received the 1st International Employers' Award in Manila. HFS received the award for employing Filipino landbased workers and seafarers and providing them with exemplary terms and conditions of work, which contribute to the workers' increased productivity and quality performance. The recipients of the award have also established a good reputation among the Filipino worker.

Picture above: Johannes Tvedte receiving the award from Secretary of labour Patricia A. Sto Tomas together with Undersecretary of Labour Josephus B. Jimenez, on 21 November 2002, at Manila Peninsula Hotel.



HFS Stars

Gathered during the last Officers' Conference:
 First row: Mildred Yambao, Myrna Aguila, Elna Reyes, Lourdes Sanchez and Flora Zulueta.
 Second Row: Capt. M. F. Tinio, Edelisa Riego, Daisy Acosta, Evalyne Quita, Perlita Clemente, Teodora Dator, Hermelina Genete, Elpidia Mapa, Benedicta Dela Peña and Ruel Montenegro



Senior Officers' Loyalty Awardees

First row: Capt. Joselito Reyes and Ch. Eng. Crisostomo Aragoza
 Second row: Ch.Off. Anacleto Riego, Ch. Off. Francisco Solatorio Jr., Eng. 2 Rodolfo Acosta Jr., Capt. Franco Soriano, Eng. 2 Nestor Zulueta and Ch. Off Nicanor Dela Peña.
 Third Row: Capt. Delfin Lopez Jr., Ch. Off. Albert Cañete, Eng. 2 Felix Genete Sr., Eng. 2 Junelio Gautier, Eng. 2 Mario Echarri, Sebjørn Dahl, Johannes Tvedte and Capt. M.F. Tinio.



Junior Officers' Loyalty Awardees

First row: Off. 2 Erwen Barilla, Off. 3 Francis Badilla, Off. 3 Leonides Badilla, Eng. 3 Ricaredo Amarillas, Eng. 4 Roy Dela Cruz and Eng. 3 Narciso Gonzales.
 Second row: Off. 3 Geronimo Jugao, Eng. 3 Renato Gibas Jr., Capt. Delfin Lopez Jr., Sebjørn Dahl, Johannes Tvedte, Off. 2 Pablo Dela Cruz, Elec. Reynaldo Coranez, Off. 2 Dennis Obillos, Off. 2 Laureano Gatuteo and Off. 3 Alexander Ceballos.



Presidential Award of Distinction

On 22 November 2002, HFS received the Presidential Award at Heroes Hall, Malacanang Palace in Manila. HFS has received the award for having the best comprehensive program, which looks after the seafarers welfare and benefits together with their families. The award was conferred by President Gloria Macapagal-Arroyo.

Picture above, from left: Undersecretary of Labour Manuel G. Imson, Secretary of Labour Patricia A. Sto. Tomas, President Gloria Macapagal-Arroyo, Johannes Tvedte.



Visit to EUROS in Rijeka, Croatia

From 15 to 17 October 2002, Senior Vice President Sebjørn Dahl and Manager Jan Erik Hofslie visited the offices of EUROS. This company is the manning agent for HFS in Croatia and currently employs 36 officers, serving onboard the LNG carriers managed by HFS. The office is managed by Capt. Mario Zorovic supported by his wife Vojka, Dunja Zmivic, Natasa Sirola, Denis Mrak and from 2003 on, former Norman Lady 2nd Engineer Marin Gobic.

From left: Capt. Mario Zorovic and his wife Vojka, Dunja Zmivic, Jan Erik Hofslie, Sebjørn Dahl, Natasa Sirola and Denis Mrak.



Ratings Loyalty Awardees

First row: Ftr. Domingo Bibe, Olr. Romeo Mascarenas, Olr. Diosdado Alejandro, AB Rodolfo Tapales Jr., Bsn. Roman Romero, AB Jesus Maghari, AB Rodolfo Aquino, AB Reynaldo Santiago and AB Edgardo Batingal.
 Second row: Olr. Leterio Zolina, AB Antonio Gascon, Ftr. Benito Tamayo, Bsn. Eimer Fabula, Olr. Ernesto Del Castillo, Cck. Ronaldo Besido and AB Fernando Mercado.
 Third row: Capt. Delfin Lopez Jr., Olr. Ariel Rojo, Olr. Nestor Calinog, AB Lino Dimayacyac, Olr. Alexander Trangia, Cck. George Mansueto, Ftr. Antonio Mallari, Olr. Lauro De Chavez, Bsn. Nolito Bruzon, AB Menandro Jasmin, AB Rizal David, AB Mario Buladaco, Olr. Wilson Gautier, AB Leopoldo Solizar, AB Virgilio Ala and Capt. M.F. Tinio.



HFSP won Magkaakbay Basketball Tournament

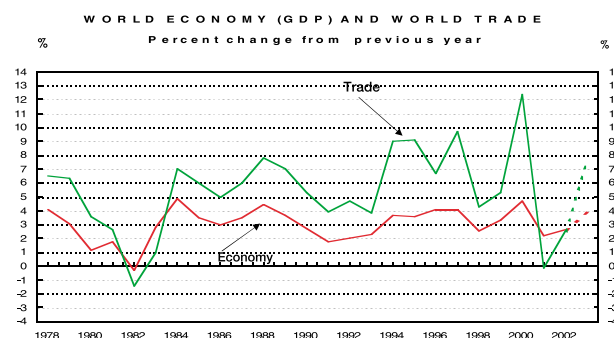
With only seven players left available the team was able to sustain its winning form in the final elimination rounds as well as the deciding final game. It was really a hard-earned championship for the whole team as well as the HFSP cheering team with their able support during each game. Composition of the HFSP basketball team was: BJ San Luis, Capt. Jun Tinio, Capt. Butch Lopez, Capt. Al Agustin, Capt. Somosot, Capt. Noel Sulibet, Capt. Bobby Timtiman, CE Don Gilbuena, CE Vicvic Mahinay, Eng. Alden Pomperada, Eng. Noel Igama, Messm. Raymond Sanchez, Trainee Abemar Sobretodo and Trainee Jerome Inciso.

Market outlook

World Economy and Trade

The global economy increased by 2.6% in 2002, only marginally higher than the 2.2% growth in 2001. World trade grew by 2.5% after no growth at all in 2001. However, several shipping markets experienced better demand conditions than these weak economic data indicate. This can primarily be explained by the strong growth in the Chinese economy and trade, which is expected to continue this year. The current forecast for world economic growth in 2003 is 3.8%, see Graph 1. However, this is based on the assumption that a war in Iraq, if any, will be of short duration.

LEIF HØEGH & CO



Graph 1 Source: IMF/OECD

The Oil Market

At the time of writing, oil prices are still under pressure due to the situation in both Iraq and Venezuela. OPEC increased output in the final quarter in 2002 and is currently in the process of expanding output more in order to bring prices down. However, due to the loss of almost 3 million b/d from Venezuela, OPEC's excess capacity has been reduced considerably. A drawn out war in Iraq would lead to much higher prices, which would have a devastating impact on the fragile world economic recovery.

The Car Carrier Market

US auto sales climbed 10% in December 2002 from a year earlier, reflecting a year-end blitz of incentives by auto makers battling to improve market shares. This limited the decline in full year sales to less than 2%. The year-end blowout is likely to lead to reduced sales during the next few months, particularly since many of the discount programs expired December 31. Auto sales in W. Europe also jumped in December, led by a surge in Italy and the UK, limiting the annual decline in sales to less than 3%. Global sales in 2002 reached 56.9 million units, only a marginal decline from 2001. Although Korean exports fell last year, Japanese exports increased by an estimated 8%, which, combined with a continued growth in shipments of used cars and a high level of high & heavy imports by several countries, led to a tight tonnage situation in the car carrier market through most of 2002. Global new-car sales in 2003 is currently forecast to remain at the high 2002 level.

The car carrier orderbook at end 2002 totalled 44 units with a capacity of 258,950 cars, representing 13.9% of the existing fleet.

The LNG Market

A number of global plans for developing large LNG projects progressed in 2002, spurred in part by a rebound in the US spot price for natural gas. In addition to new projects, several LNG producers are currently embarked on major expansions of existing facilities. It is estimated that the global trade in LNG reached around 150 bcm in 2002, which is a 3-4 % increase from the previous year. The expansion of the Trinidad facility contributed to a large degree to this increase. Based on existing contracts the trade will reach 189 bcm by 2006. Nine new LNG carriers were delivered and 20 new orders were placed in 2002, giving an orderbook at end year of 58 units with a capacity of 7.7 million cbm, representing 49.4% of the existing LNG fleet.

The Dry Bulk Market

2000 became the year during which China really became the strong driving force in the dry bulk market. The country's steel production increased by as much as 24%, which led to a corresponding increase in iron ore imports. In addition, China imported large quantities of steel products from Russia, Japan and other Asian countries. This contributed to the increase in global steel production which took place in 2002. China's steam coal imports also increased substantially. The country's import requirements in 2002 benefited particularly the Capesize segment. A positive development of the trading patterns for grain and steel products also benefited the smaller segments.

China is expected to remain the driving force in the dry bulk market, which, combined with fewer bulk carrier newbuildings, is expected to result in an improvement in the capacity utilisation of the dry bulk fleet also in 2003.

The Open Hatch Market

Asia's growing import requirements in 2002 contributed to an improvement in the open hatch market, especially towards the end of the year. This was mainly as a result of China's demand for forest products and steel products, as well as other construction materials. However, the weak economy in Japan and Europe had a negative impact on the market.

Based on a recovery in world economy in 2003, the positive development in the open hatch market is expected to continue. Asia, and especially China, will again be the driving force. Few newbuildings will lead to only a modest increase in the open hatch fleet, which is expected to result in an improvement in the capacity utilisation of the fleet in 2003.

The Reefer Market

After a very short high season, the reefer market in 2002 became influenced by severe drought in important regions in Australia and South East Asia, as well as by hurricanes and floods in Central America and the Caribbean. There were also several incidents of plant diseases, which led to reduced exports of bananas from Ecuador and other exporters. Freight rates fell already in early April and remained weak through the summer.

The activities picked up again during the late fall, with good cargo volumes from the Southern Hemisphere and a pickup in the poultry trade from USA to Russia. Average spot rates in 2002 for large vessels (400,000 +cbft) were 4.7% higher than the year before.

New Quality Management system

LHC has signed a contract with ErgoEphorma AS for a new, electronic Quality Management (QM) system. The QM system is called DocMap and will be installed on computers onshore and onboard the vessels. The system is designed for easy and cost effective updates of QM/ISM information from shore to vessels via satellite. The system supports all the latest requirements in the ISO series and the ISM code.

-A quality management system should assist the organisation in developing business processes and visualising them for clients, partners and staff, project manager Pål Widerøe explains. -This is done by a QM system, which easily gathers and displays updated QM/ISM information. The system should be accessible from different computer environments around the globe. We have therefore carefully selected the system we are now implementing.

-In addition to updating the computers onboard the vessels with the newest revisions of ISM documents, the DocMap system also makes it possible for sea personnel to fill in ISM forms like checklists, logs, forms etc. directly on screen, says Widerøe. -The inserted information may be stored onboard and/or transferred back to the shore organisation via satellite for further processing.

-DocMap works in a web-based interface, which makes it possible for staff, customers and partners to access data whenever and from wherever they might be, Widerøe continues. - An important advantage with DocMap is that the interface

onboard and onshore is very intuitive. It is easy to look up information in the system, and therefore we believe that a minimum of training is required.

The first project meeting was held 16 January 2003 and the project group will consist of representatives from all parts of the LHC organisation. Høegh Dialogue will report further on the implementation at a later stage in the process



Pål Widerøe



Internal Audit of HFS China

As part of the ISM certification of HFS China Ltd. as a Branch Office of Høegh Fleet Services, Internal Audit was successfully carried out 12 October 2002. The Initial External Audit and certification will take place during spring 2003. The Internal Audit was carried out by Captain John S. Vestby.

Sitting from left: Lisa Zhang, John S. Vestby, Jeanette Chen
Standing from left: Frank Huang, Simon Yang, Captain G. F. Yang, Franky Wang



Westye Høegh 60 years

Our Chairman Westye Høegh turned 60 on 30 December 2002. The event was celebrated during the traditional Christmas lunch on 20 December in our main office in Oslo.

Westye received a personal gift from the President Thor J. Guttormsen on behalf of all the employees.

HFS and IUM fleet personnel onboard 15 January 2003

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 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 TRIBUTE
 HUAL TRIDENT
 HUAL TROOPER
 HUAL TROTTER
 HUAL TRANSIT
 HUAL TRADER
 HUAL TRANSPORTER

MASTER
 LU, ZHI JUN
 LI, GUI LIN
 GANGDAL, HANS PETTER
 HANSEN, LEIF STEINAR
 STRANDHEIM, OLAV
 HANSEN, ØIVIND
 SORIANO, FRANCO LAPIDARIO
 GALVE, ISMAEL SELAUSO
 NAZ, ELMER DE JESUS
 ESTABAYA, GILBERT JOHNS
 AGUILA, ALBERTO BRIONES
 PALACA, FILOMENO JR. IDULSA
 BOLOTAOLO, ALEJANDRO ESTANO
 DAROY, ADOLFO SUEZO
 LUMA-AD, PIPO UY
 AMANO, AUTONOMO ABELLAR
 ANDUJARE, DANTE DEVERATURDA
 ACUNA, PONCIANO JR. PARAGAS
 LUMACANG, FELIPE JR AGRIAM
 SANCHEZ, GIL BARRIOS
 BONIFACIO, ROMMEL HIPOLITO
 CLEMENTE, WILFREDO JAVIER
 PEREZ, RIZALDO MAGBANUA
 NIEDO, JULIUS VINCA
 TAN, BERNARDO DIAMANTE
 GUZMAN, ROLANDO BALDERAS
 CANDAVA, ROGELIO ILAGAN
 LORENZO, JESSIE MAGDAUG
 WANG, QIN PING
 YU, ZHI MING
 YUAN, GANG
 CABALLES, RAYMUNDO MAGHANOY
 CULAJARA, ZALDY CERVANTES
 JONOS, DIONISIO COMPANERO
 MAPA, ODNESOR CRUZ
 REYES, JOSELITO DOLAR
 MANALAYSAY, CESAR DUQUE
 SATIADA, ROBERTO CRUZ

CHIEF ENGINEER
 ZHAO, QING HAO
 WANG, ZHI YI
 HANSEN, ROY
 PAULSEN, TARJEI
 HAMMERVOLD, KARSTEN
 SVENNUNG, TRULS ALBERT
 HUFALAR, CARLITO OFIAZA
 OCBINA, ISAGANI JALLORINA
 PAGULAYAN, REYMUNDO BANGAYAN
 CALINAWAN, RONALDO FERMIN
 RABARIA, PERICLES JR MALBAS
 ALEGRADO, SOCRATES REGIDOR
 CRISTINO, MANUELO BERDOS
 PATUNGAN, ALFREDO BOQUIRIN
 VENTULA, REYNALDO GANIRON
 BATAK, VIRGILIO DAVID
 YANGCO, TEODULFO JR LIM
 CASTELLANO, WENIFREDO CASTOR
 ARCE, RAFAEL JR. MOLINA
 MILLAN, FERDINAND CANDADO
 NIEDO, ARCELIO JR VINCA
 OZARAGA, MARIO GOMEZ
 TRASPORTE, ARNULFO MANZANO
 MAIQUEZ, MARIO ALVARO
 BATIN, NELSON CARASCO
 PERALTA, ISAGANI DAMASCO
 MORALINA, ROMEO QUIROZ
 CONCEPCION, LEO QUIJANO
 DING, SHENG PING
 HONG, JIN
 QIN, JING LU
 ALOJADO, VICTORIANO AMILANGAN
 MAHINAY, VICTORINO JR GENTAPA
 CRUDO, RENATO ALARCON
 YORO, RAMONITO JABASA
 CAWICAN, LUIS DINOZO
 LALIM, CONRADO WONG
 LAPE, JESUS ALQUEZA

CHIEF OFFICER
 WANG, SHU CUN
 CHEN, HUAN
 DAHL, TOMMY JOHAN
 MOLUND, FREDDY
 MØRK, HELGE ROGER
 HØYDALSVIK, HALLVARD ANDRE
 PEREDO, GERONIMO ANTONIO V.
 SY, RENATO JR PIOL
 ENGCOY, ETCHEL PEREZ
 FERNANDEZ, FERDINAND MANALO
 BONDOC, BENITO PANGAN
 TAGHAP, HERMENEGILDO JR. B.
 BESARIO, CAMELO BALANCAR
 ADORNADO, ANDRES ALMARIO
 CRUZ, DANILO POLICARPIO
 CANETE, ALBERT MENDOZA
 ANG ESPINA, MAXIMINO JR OPPUS
 MAQUIRAN, NOE GREGORIO RAMOS
 CHIONG, BERNARD BOGO
 ESTOLAS, BENJAMIN MABUTAS
 EVANGELISTA, NECITO TADEO
 YANEZ, HENRY CAPA
 CARADO, RONILO CORMANES
 CRUZ, APOLINARIO SAN PEDRO
 ALISEN, NESTOR ALBAY
 LAMBUSON, PIO ARADO
 ENCLONA, MARIO JR AGAO
 KIERULF, MANUEL LUIS MENCIAS
 YANG, HAO FANG
 LIU, RONG XIAN
 ZHAN, WEN BIN
 QUITA, AMADOR JR CAMPOS
 ASI, RANILO DE CHAVEZ
 CASIANO, DANILO NAVARRO
 LAGLEVA, ERWIN ROMERO
 GOMEZ, JOEY BARRIOS
 ROMERO, ARNALDO BUSTALINO
 DELA PENA, NICANOR SOMUDIO

IUM

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

MASTER
 RAMBOANGA, DAVID CORPUZ
 TIMTIMAN, ROBERTO LAPUS
 STA CRUZ, LUISITO ARGARIN
 BALAN, JOSE JR TABUDLONG
 OYALES, GEORGE GESULGA
 HARE, JESSEL CALDEA
 MASNAYON, WILLARD PUNO
 PUNAY, FERNANDO MONTERDE
 PARAGUYA, MIGUEL SILVA

CHIEF ENGINEER
 BARNACHEA, DOMINADOR BELARDO
 ROBIN, ALEXANDER SANCHEZ
 NOLOS, MARCELO MAGAHIS
 SANTOS, LAMBERTO ISTOMEN
 PASADILLA, DIONE PELEGRINO
 CARPIO, EDWIN DOMINGO
 BELTRAN, ALBERTO GOCOTANO
 PORRAS, ROBERTO PEDROSO
 ABARINTOS JR, ALIPIO DOLOR

CHIEF OFFICER
 BATAYOLA, JESSIE NECESARIO
 ROLLO, EDGARDO OZUES
 ARBOLEDA, JOVAL MADARANG
 BAGUIO, ULYSSES UY
 PASAPORTE, HARLEY ZAYCO
 GARGANERA, EUSEBIO MAYO LOPEZ
 GAGARING JR, AURELIO VILLARIN
 BATOON, ELMER RICO M.
 DAYMIEL JR, BIENVENIDO MUIT