



# Höegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC)

No 2 - 2003

## CONTENTS

- New Director on the Board 2
- LHC privatized 3
- Opinions 4
- Iraq war preparedness 5
- HUAL with SUV 6
- Environmental report 7
- Höegh and Saga 8
- Kiwi 10
- HD 5 years 11
- HFS Billboard 12
- Market outlook 14
- Quarterly report 15



# A rising Kiwi star



## A difficult start of 2003

The first quarter of 2003 was marked by turbulence: the war in Iraq created uncertainty in the Middle East region and the SARS virus spread fear. General effects of the worldwide uncertainty comprised factors also affecting our results, such as high oil prices and hence high bunker prices and stock markets have continued to tumble.

The first quarter results of the company were disappointing. The strong operating performance continued with e.g. growth in freight revenues, but the results were affected negatively by a number of circumstances. I have already mentioned bunker prices, in addition we have had several vessels in dry dock for maintenance. The capacity lost with HUAL Europe had to be replaced with more expensive substitutes and we have taken a write off from the sale of vessels. Six of the reefer vessels were sold with delivery in the third quarter of this year.

We continued fulfilling our commitments and serving our customers in the Persian Gulf without disturbance during the unrest in the region. Safety has never been compromised and the professionalism demonstrated by our crews has been excellent considering the stress, which may occur in such situation.

The SARS virus constitutes a potential threat to our health and to the operation of our fleet. We have established a special task force to follow the development and instructions are given to the vessels in the fleet based on the information available. All necessary precautions should be taken by each and every one of us to avoid SARS.

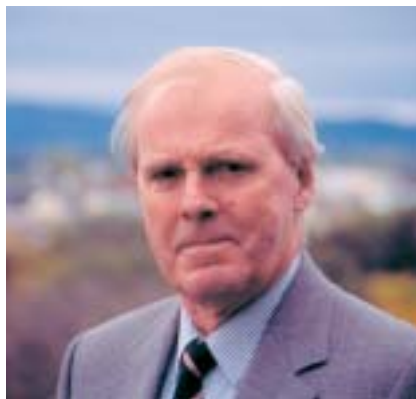
**T.J. Guttormsen**  
President  
Leif Høegh & Co ASA

## Thank you, Truls Bergersen

Leif Høegh & Co ASA expresses sincere gratitude for the efforts rendered to LHC during Truls Bergersen's long time association with the company. At the Annual Shareholders' Meeting 10 April, Truls Bergersen informed that he is retiring from his position as a Director of the Board and member of the Audit Committee.

Westye Høegh, Chairman of the Board, says: -Truls Bergersen joined the company in 1966 and held key positions, latest as a member of the Board. We respect his decision and on behalf of the Høegh family and the Directors on the Board, I thank Truls Bergersen for his valuable contributions and his dedication to bring the company forward.

Bergersen was an officer in the Royal Norwegian Navy and worked for the Norwegian Shipowners' Association, when he joined the administration in LHC in 1966 and engaged in the training of personnel and shipmanagement, information technology and Human Resources. He resumed responsibility as Vice President for the Administration Department in 1969. Truls Bergersen was President in HUAL AS from 1977 to 1978 before he became President of LHC. He joined the Board of Directors in 1987.



## Welcome, Lone Fønns Schrøder

Leif Høegh & Co ASA is welcoming Lone Fønns Schrøder as a Director on the Board. She was elected at the Annual Shareholders' Meeting 10 April. Lone Fønns Schrøder is Danish, age 42 and brings along valuable experience of more than 20 years in leading positions in A.P.Møller.

Schrøder combined a degree of Master in Economics from Copenhagen Business School with a Bachelor of Law from the University of Copenhagen. She held positions in Mærsk Air and was Managing Director of Star Air, until she in 1991 was called by Mærsk McKinney Møller to take responsibility of various shipping divisions in A.P.Møller. In 2002 she joined CMC Biotech as part owner and Financial Director, but has left now for personal reasons. She is a member of several Boards and chairs the Board of IT company Open Mind A/S in Denmark.

-Lone Fønns Schrøder was identified through a dedicated effort to find an additional Director with complementing and relevant international and shipping experience. I am convinced that she will bring a lot to the table and contribute to our development of a professional Corporate Governance structure, says Chairman of LHC, Westye Høegh.



## Leif Høegh & Co is privatized



On 28 April the Høegh family announced that the family controlled company Aequitas has entered into agreements to buy more than 83.2% of Leif Høegh & Co and intends to make a voluntary offer for all remaining shares. Leif O. Høegh is Chairman and Morten W. Høegh a Director of Aequitas. This move shows their strong commitment to bring LHC forward.

If Aequitas is successful, the company will seek to de-list LHC from the Oslo Stock Exchange. Leif and Morten Høegh say: -Our grandfather founded LHC almost exactly 75 years ago. We are very excited by the prospect of bringing the company back into private ownership and look forward to continue to support the growth of this business for the benefit of all involved.

The family also emphasizes that the privatization of the company will have no consequences for any of the 2,200 employees on board, on leave or in the offices around the world. Primarily this is a change in the ownership structure of the company, while corporate governance will continue as before. Westye Høegh will continue as Chairman of LHC and the future shall be built on the existing strategy, management and organization and, according to Leif and Morten Høegh, on the excellence and dedication of LHC's employees.

Thor Jørgen Guttormsen, President of LHC, expressed excitement about the development: -I am very happy and impressed with the dedication of the third generation Høegh family members. They demonstrate willingness to invest and take risks based on confidence in our organization. We share a strong belief in the strategy of LHC and look forward to continuing the good work as a privately owned company.

A presentation was given to the employees ashore in Oslo on the 28 April with the key message being "Business as usual". The business does not change, only the ownership and the financing. At the time of writing the response received from the organization as well as from the investor community has been positive and Aequitas has acquired close to 95% of the shares.

### HØEGH DIALOGUE:

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# OP!N!ONS

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

## A dream came true!

I saw the uniformed senior officers doing their job seriously on board, when I first joined a foreign vessel as an OS in late 1987 and I dreamed that I would be one of them some day. Anyhow, I thought that was only a dream. Without the hard work, this would never come true.

In mid 2001, I was lucky enough to be given a chance to serve as Second Mate Officer on SG Enterprise, a HFS vessel. During the serving period, I experienced and understood what was the true scientific and human management system. I strongly feel that the company's policy "To provide a first class service level towards its customers and focus on safety of the personnel, the environment, the vessel and the cargo" has been running well and efficiently on board and on shore as well. I told myself that HFS was the company I longed for. The company would help me to realize my goal. So I made a study and training schedule for myself and strictly followed it from then on. I seized every chance to enrich my navigation knowledge and skills from my colleagues on both domestic and foreign vessels. And I also seized every chance to practice English communication skills, as I knew that, to be an international seafarer, English is very important. My dream was starting to become true.

My second assignment in HFS was to serve on HUAL Trapper and I am now still working on this vessel. Thanks for the trust, the excellent training and support from HFS. I was promoted to Chief Officer on 2 December 2002. I am very proud about myself and at the same time I know my responsibility, as a Chief Officer, is very great. I will do my best to support the Master and to coordinate with other officers and ratings to fulfil HFS tasks the best possible way.

I am lucky to be part of HFS. I do hope to serve HFS life long.



HUAL Trapper  
Liu Rong Xian  
Chief Officer

## HUAL Tracer



Høegh Dialogue has received a short message from HUAL Tracer and Master Wang Qin-ping stating the importance of a magazine like Høegh Dialogue.

The picture is taken onboard HUAL Tracer when Geir Paulsen gave instructions of Hualization and P3 training.



## Iraq war preparedness

Long before the first missiles and bombs hit Baghdad Wednesday 19 March 2003, plans were made and scenarios drawn in companies world wide fearing to be affected by the war to come. LHC and HUAL were no exceptions.

LHC and HUAL continued operations in the Persian Gulf throughout the Iraq conflict, but never compromising on company security and safety standards. The company decided to act in accordance with Norwegian authorities' recommendations - Norway not taking part in the conflict and applied a policy of not carrying military cargo. LHC maintained contact with the Contingency Planning Section in the Norwegian Shipowners Association and internal Emergency Planning Groups assessed the situation continuously. The areas of operation, including Kuwait, were considered safe all through the war.

The vessels calling the area were given available information and guidance and all vessels carried out safe operation without interference. -The war came as predicted and in retrospect we can confirm that our assessments and decisions were right, Senior Vice President in HUAL Jan Ellingsen comments. -Now, when the actions of war are over in Iraq, we can conclude that shipping in the Persian Gulf has been working normally and it was beneficial for our company and our clients that we continued regular operations in the Gulf during the Iraq war.

-During the war we were the only RO/RO transporters calling Kuwait City, whereas some other companies entered the Gulf, but discharged in other Gulf ports, Ellingsen says. I believe this is not about being daring or taking risks, but it is decisions based on thorough preparations and assessments.

When the war was planned and announced by the United States, LHC appointed a Situation Assessment Team and HUAL establis-

hed the HUAL Middle East Emergency Planning Group. LHC had Høegh Galleon leaving the Persian Gulf 6 March and Høegh Minerva calling Kuwait in the beginning of April. HUAL has 4 vessels per months to Kuwait.

-Before the war, we supplied all our seafarers with gas masks and established procedures to transmit the latest news to the vessels, Ellingsen explains. - We are regularly in touch with the Contingency Planning Section in the Norwegian Shipowners' Association (NR), which updates us on the latest available information from the Government and from NATO. Furthermore, we made operational actions, e.g. topping up bunker in Far East to reach beyond the Middle East.

When all necessary practical pre-cautions were made, LHC and HUAL started to draw scenarios for operations and the future development in the Gulf region based on analysis made by the Centre for Strategic and International Studies in Washington. The scenarios included oil price fluctuations, bunker availability, military and political obstacles as well as possibilities for the RO/RO trade related to rebuilding efforts in the region after the war.



Jan Ellingsen explains about operations and preparedness related to the Iraq war.

# HUAL with SUV-modifications



Over the last few years SUV or Sport Utility Vehicle is introduced as a new category of cars. These cars have grown immensely in popularity and HUAL as transporters must relate to this development and adapt its fleet to the new situation.

In fact, close to 90% of the Nissan cars carried by HUAL from Japan to Europe are already SUVs. Nissan offers already 5 different SUV models and Korea is following close behind in the development with e.g. Daewoo launching several SUV models.

The SUVs built in Japan are in general 165 to 175 cm high, so the prime objective has been to optimise the capacity for these vehicles onboard HUAL vessels. In the United States SUV has a slightly different definition and the SUV-modification described here is hence not necessarily suitable for their SUVs.

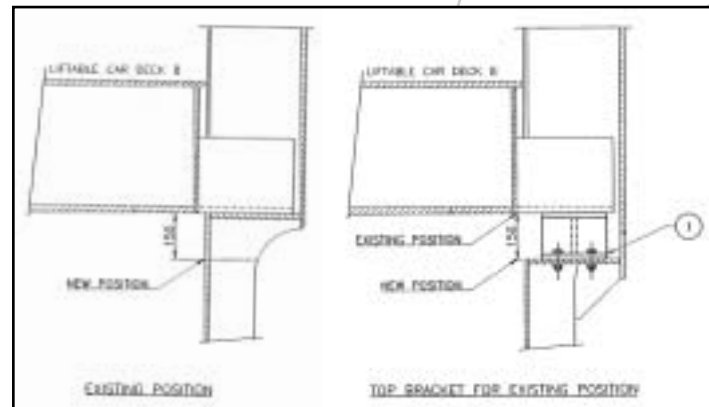
Svein Krane is port captain for HUAL in Seoul, where he covers China, Taiwan and Korea. He has been in charge of the process to modify the HUAL vessels and has developed a relatively simple and cost efficient solution, together with experts from HFS.

All the vessels in the HUAL fleet have 2 - 4 liftable car decks with 170 cm height. The prevailing international principle for car transportation by sea is 10 cm clearance above the cars, thus the challenge was to increase the available height by some 15 - 20 cm on the liftable decks.

The solution is to lower the "chairs" on which the liftable deck rests. And by introducing a designated bracket, the deck can also be operated in the original height. One obvious consequence of this modification is that the deck below will be correspondingly lower. This flexibility of course puts an extra burden on the port captain, but they are helped by using the P3 (HUAL's computer Stowage System).

-Flexibility has always been important to us, Vice President Leslie Hoddevik says. -And I believe we are recognised in the market with flexibility as one of our strongest features. We are presently finishing the implementation of this new system in all our vessels. This work has been carried out in two different ways. On some vessels we have done the modifications during dry docking, whereas when possible we have sent mechanics onboard with prefabricated brackets and equipment on journeys with little cargo, and the vessel has been ready when calling the next loading port.

-Our newbuildings will probably have 200 cm deck height in order to offer sufficient flexibility to this new, increasingly popular vehicle category. We must also acknowledge Svein Krane for developing this solution. Krane has been with HUAL as a superintendent since March 1980, and is always eager to contribute in a creative way to improve our operations, Leslie Hoddevik informs.



Principle sketch showing how the original "chair" is modified and thereby increasing the deck height by 15 cm. The left sketch shows how the deck can be operated in its original position using a designated bracket (1).

# Environmental report 2002

LHC published its second consecutive environmental report in March along with the company's annual report. The first edition from 2001 received strong approval both internally and externally, hence the 2002 edition had expectations to meet.



-It is correct that we have experienced positive response for our environmental report 2001, project manager Kristian Sandem informs. -The report received honourable mention when the best environmental report was awarded in Norway. And the Confederation of Norwegian Business and Industry, NHO, had our report participating in a similar competition in the EU "European Sustainability Reporting Awards".

-Our environmental report for 2002 is expanded compared to 2001, Sandem says. -It gives current status for our environmental work, and focuses in particular on selected matters, including social responsibilities like our contributions to the Filipino society and our assistance in bringing 246 Red Cross trucks from Norway to South Africa.

The 2002 edition of the environmental report is more explanatory - in order to educate and to increase consciousness of environmental matters. -We hope people will read and learn about actions and impacts, Kristian Sandem continues. -Our objective is to raise internal awareness and to show our sense of responsibility externally.

-A good example of the benefit of our environmental efforts is the ISO 14001 work and actions to reduce consumption of freon gases onboard. We had an objective to reduce this consumption by 50% from 2000 to 2002. The numbers show we reached 42,7% - meaning we have reduced the average freon consumption with 260 kilos per vessel annually. We are pleased with this result, but we will of course pursue the original objective of 50%.

Waste handling onboard vessels is another key issue for environmental work in LHC. Onboard LHC vessels, all kinds of waste except food waste should be either incinerated or brought to onshore treatment. So far, this has led to an 88% decrease in overboard discharge of paper and wood waste, 64% decrease for aluminium cans and 55% for glass and bottles.

-Another new section in this year's environmental report is about incidents in the past year with environmental relevance, Sandem says. -We are briefly describing the grounding and loss of HUAL Europe in Japan, as well as smaller but yet significant incidents in 2002.

-Our environmental efforts are continuously monitored and improved. In 2003 we will again expand our objectives and focus on new areas for improvement, Kristian Sandem concludes.



# Høegh Open Hatch and Saga Forest Carriers



In May 2002 LHC joined forces with Saga by transferring its commercial activities. This is a step in implementing the overall LHC strategy with focus on HUAL and Høegh LNG. Below is a review of Saga's history as well as the "new Saga" after LHC's entry into the pool.



Saga was established in 1991 by NYK and its Norwegian partners, Borgestad and Aaby. The core fleet consisted of 5 new open hatch vessels, which was expanded later on. The latest one was delivered in 2002. In 1994, Aaby left the Saga pool and changed status to tonnage supplier by chartering out vessels to Saga rather than staying on as a pool partner. Borgestad followed Aaby's example a few years later. At that point NYK became the sole owner of the Saga pool, which was operated with owned and chartered tonnage. Today Borgestad (they bought Aaby in 1996) has no tonnage operated by Saga.

Saga's head office was at first located in Oslo, but in 1994, when Aaby left the pool, a new head office location was established in Atlanta, USA. In 2001, the organizational structure was again changed and Hesnes Shipping in Tønsberg, Norway took over the day to day management of Saga Forest Carriers.

### Doubling the fleet

When LHC connected with Saga, they operated 12 open hatch vessels and in May, when all the LHC vessels have entered

Saga's commercial management, the total fleet is 22. In addition Saga may charter in - or out to others - vessels in order to meet tonnage requirements at any given time. After Gearbulk and Star Shipping, the Saga's fleet today ranks as the third largest fleet of open hatch gantry crane vessels in the world.

LHC has over time seen an increasing demand from its key customers - the forest product companies world wide - for additional and expanded services and geographical coverage, better frequencies and newer vessels. While these customer demands will prevail, the LHC strategy focuses on allocating the resources to other segments of shipping. LHC therefore needed to look for a partner within open hatch activities.

Due to LHC's entry into the pool, Saga achieved immediate fleet expansion and greater flexibility as well as an improved service network. LHC's lumber and steel service was coordinated with Saga's Pacific services. The service between Europe and Chile was expanded shortly after inclusion into the Saga system and operates four vessels today.

Saga's service structure  
Saga operates today four basic service "loops":



1. Trans-Pacific loop: Between Canada/USWC and the Far East
2. South American loop: Canada/USWC to USEC/Canada to ECSA to Far East
3. Big loop: Canada/USWC to Europe to Canada/USEC to Far East
4. Chile loop: WCSA to Med/North Europe to WCSA

Even with this expansion Saga needs further growth and has plans for expanding both service and fleet. LHC's entry was the first step in this process. Phasing in the remaining Høegh vessels was completed by the end of April.

Saga's head office is in Tønsberg (about one hour from Oslo) and is staffed with 17 people. Regional Saga offices is set up in Antwerp (5 people), Savannah (4,5), Vancouver BC (11,5), Tokyo (8), Santiago (3) and Rio de Janeiro (6).

The market for most shipping segments is presently uncertain and it is difficult to predict how this will be for the rest of the year. The Iraqi war may prolong the uncertainty. The spot market has been up during the last six months, but Saga does not benefit from this. With long term contracts requiring fixed service commitments, Saga will need a more stable world economy over time to prosper.

## Technical Conference for LNG Officers

On 11-12 March the first technical conference for LNG officers was conducted at Fornebu, Oslo. About 30 Croatian and Norwegian officers participated. The technical department emphasised the importance of continuous planning and reporting routines in Amos M&P. Docking preparation, budget specification, history reporting and purchase planning were main issues in the presentation and the following discussions.

Høegh LNG focused on two main issues at the conference: the different scenarios for the future LNG market and information about the background and importance of vetting inspections on LNG ships. Human Resources had a brief introduction about a new evaluation tool for officers currently tested on 4 vessels. It was also an update on the manning situation and challenges ahead. A lecture was also held regarding the ISPS CODE (International Ship and Port Facility Security Code) with the purpose to familiarize our seafarers with the requirement of the Code as well as the implementation deadline 1 July 2004.



Karl Helge Røyter lecturing during the first technical conference.



# A rising Kiwi star

In a market where barriers to entry have been considered high and economy of scale is considered vital, Kiwi Car Carriers is the exception that proves the rule.

The Kiwi team in Chiba, Japan. From left: Terry Riches (President), Giles Legg, Mika Ogawa, Miyuki Aiso, Jordi Vollom and Lee Sayer.

The Kiwi team of five in Chiba and seven in Auckland have in less than 10 years achieved a prominent reputation as specialists in the second hand car trade from Japan to Australia and New Zealand, the world's largest used vehicle import market. Kiwi Car Carriers is now a widely recognised name in the market, a reputation achieved through a marketing strategy around value added services, high levels of customer contact and service, along with promotion through two different branding phrases "Ship Kiwi and experience the difference" and "The better service".

The company motto is simple: "Service, service, service", and the success owing to people, people and people. Enthusiasm, dedication and creativity are words that spring to mind when meeting with the Kiwi teams in NZ and Japan.

### Peter Bissett

When shipping entrepreneur Peter Bissett started the company from humble beginnings by chartering reefer tonnage, he embarked on a journey that had the odds stacked against it. A one tradelane operator should in theory not be able to compete with the majors. However, not only have Kiwi been able to compete, but they also enjoy the highest freight rates and the highest market share among all the operators in the trade.

After years of hard work, Peter Bissett moved the head office from Japan to New Zealand and handed over the daily running to Terry Riches in 2000. It also became evident that it would take another owner to bring the company further, and a meeting with HUAL was set up. The rest is, as they say, history and Kiwi Car Carriers has now been part of the Leif Høegh & Co group for the last 15 months. The basic philosophy and approach to the business remains the same however and the brand name very much intact.

Kiwi is today headquartered in Auckland, whereas the Kiwi office in Chiba co-ordinates Japan activities, with Senwa shipping acting as general agents. The Kiwi concept offered to the second-hand market is today more advanced than what is normally offered to the new car market, and certainly cutting edge in the second-hand car market,

including own terminals, bio security inspection (a requirement from NZ Ministry of Agriculture and Forestry), insurance, survey, etcetera.

### Ring-fencing

Terry Riches, President, explains: -We "ring fence" our customers by giving them meaningful logistic benefits, as well as all-in rates and door-to-door packages and the best customer service. I believe we have proved that distance does not matter when it comes to business and decent people working for common goals, such has been the experience since joining the Oslo and worldwide LHC/HUAL family."

Kiwi operates a three vessel programme, providing service about every 12 days. Being incorporated into the HUAL-family, a wider network of trade routes are available, and through the cooperation of Seaway Shipping, joint Kiwi and HUAL agents in Australia, an increasing number of vehicles are also now shipped across the Tasman Sea.

Other synergies between HUAL and Kiwi are found in purchasing, chartering, IT and product development. The two brands are however maintained and kept intact, because down under there is no stronger name than Kiwi.



Kiwi Car Carriers' New Zealand staff - from left: Christine Edge, Malcolm Hansen, Nadia Kennington, Andrew Robertson, Neil Lay Yee and Anna Whitham.

# Høegh Dialogue 5 years

**Leading the way...**

A crucial part of any ship throughout the world is the guidance of the pilot. They know their waters like the palm of their own hands, and they ensure safe and efficient passage of ships to, through and from ports. It is an ancient tradition, and although they now operate in a high-tech context including helicopters, they still rely on the knowledge built up through centuries. In Rotterdam, the largest port in the world, the Loosdrecht has ruled for 400 years. Port of Rotterdam offers a number of challenges for their pilots, such as extremely heavy traffic, shallow waters, rough weather conditions, tidal currents etc. We have peeked into their world.

In spite of the long traditions, it was not until 1988 that the certified pilots in the Netherlands were united in the national Loosdrecht. This has now developed into a modern market, and customer-oriented business distributed in four regional corporations, where the Rotterdam Blijmerend Region is the largest, being equipped with 200 certified pilots in addition to one helicopter to serve the 60,000 annual ship arrivals.

The market, and customer adapting development is lively visible through the efforts made to improve quality and reliability on the regional services. New equipment, improved training of the pilots comprising the Thematic Education program, 24-hour services, organisational developments, such as Safety Management System and Total Quality Management make sure the Loosdrecht pilots can cope with the increasingly busy and computerized working environment.

**STOEL**

When we are talking about education and training, the STOEL Foundation is worth mentioning. This is the certified pilot, own training institution, comprising all levels of pilot education and in-service training in the Netherlands, the basic education of a pilot includes the theoretical part of the exam, the practical part of the exam of 200 pilot missions under every weather condition imaginable.

Once a certified pilot, training in the manoeuvring simulator is a significant element. Every year 250 of the 400 pilots go through this practice in order to improve their handling of different kinds of vessels in variable weather and traffic conditions. This is also part of the Loosdrecht's compliance to the ISO 9001 norm.

**Computerized piloting**

Within the Loosdrecht, they have 175 pilots certified in remote, shore-based piloting. Sometimes it is not possible for the pilot to reach the arrival of ships. Most frequently this is due to bad weather. The solution to this is to be guided by a pilot who follows the vessel's movement on computerized radar, and instructs the bridge on board directly via modern communication channels. Every three years these pilots also refresh and update their knowledge of STOEL.

**Advanced navigation aids**, are also utilized by the specialised pilots responsible for the deep-draft vessels. These vessels must follow the deeper Europe which spans 40 kilometers off the coast. In order to stay in the deeper part of the channel into the European, where they must dock due to their draft, the ships are guided simultaneously by two certified European pilots.

**Helicopter service**

Since 1971, the Loosdrecht offers pilots to be brought on board by helicopter, if the vessels have helicopter facilities. This service can save time, and especially for ships not allowed to enter shallow waters, the helicopter transfer offers an efficient when regular services are suspended due to bad weather. The chopper service is also used in addition to the pilot. They are in service 24 hours a day, 365 days a year.

In order to ensure safe and efficient helicopter service, the Loosdrecht keeps a library of documents and aerial photos of vessels regularly calling in Rotterdam. The pilots also offer to supply pilots in vessels without a designated heli-deck, in particular to container vessels. They are advised to arrange three 40' containers sideways next to each other with the three masts forming a flat rectangular platform. This platform must be secured to a towing ring, and harnessed with a target colored net on the "hoor". Then everything is set for the air-sea pilot.

**THE GREEN EFFORT**

**Environmental concerns in marine refrigeration**

Depletion of the ozone layer, greenhouse effect: these are notions we have all become familiar with through the past years. The ozone layer safeguards our planet and protects us from harmful ultraviolet rays. The depletion of the ozone layer is caused by chemical reactions initiated by man-made emissions. The greenhouse effect is also like a shield, but unlike the ozone layer depletion, this effect prevents global heat from escaping. If we discharge too much harmful gases that contribute to the greenhouse effect, we will most likely disturb the climate on our planet.

The present use of cooling agents in refrigerators, freezers and air conditioners is harmful both to the ozone layer and contributes to the greenhouse effect, and is thereby one of the most frequently debated environmental topics.

These destructive substances are commonly referred to as CFCs or HCFCs, depending on their chemical structure. It is a global task to avoid use of CFCs and HCFCs in the future. The phase-out of cooling agents harmful to our environment is regulated by the Montreal Protocol. For instance, in Norway, manufacturing of CFCs was terminated in 1995, sale of stocked or recycled CFC for topping up existing systems is banned from 31 December 1998, and topping up of such is totally banned one year later.

Availability of these cooling agents will differ somewhat throughout the world in the years to come, and as the shipping industry is truly international, balancing when to rebuild existing systems can be a difficult decision as the conversion to environmental friendly refrigerants.

The environmental concerns using these substances are twofold. First of all, the contribution to the depletion of the ozone layer. This is measured in Ozone Depleting Potential, ODP, and the goal is to find satisfactory working refrigerants with an ODP of zero. The second matter is the Global Warming Potential, GWP, of CFC and HCFC, i.e. their contribution to the greenhouse effect. It is important to also keep in mind that the power to operate marine refrigerant plants is generated by combustion of fossil fuels. Hence this exhaust will contribute to global warming even if the GWP of the refrigerant itself equals zero - the total contribution to global warming from marine plants is what must be considered. This sum is called Total Equivalent Warming Impact and is referred to as the TEWI.

A lot of research and development is dedicated to solving this issue. It is also of great importance that the shipping industry is truly international, balancing when to

Examples of Høegh Dialogue articles from the last 5 years.

You are now holding the fifth anniversary issue of Høegh Dialogue in your hands. The magazine has been regularly published four times a year since 15 May 1998. Høegh Dialogue was introduced to continue the mission of Høegh Tidende, the previous internal newsmagazine which ceased publication in 1985.

-Leif Høegh & Co is a larger and more diversified organisation than ever and already in 1998 we saw the need for an internal newsmagazine to inform and to unite, Charles Jensen says. Jensen has been chief editor throughout the five years, and continues: -Høegh Tidende was a relatively humble newsmagazine and was published only in Norwegian. With all our international offices and employees, we needed a publication to inform about all matters in our organisation, and in international English.

-We have been working to establish Høegh Dialogue as an element with high level of recognition in our working environment, Charles Jensen explains. -Through easily accessible articles and varied contents combined with regular publishing schedule we hope Høegh Dialogue is helping to link employees closer to the company and to each other.

Høegh Dialogue is still published with the same key elements as initially in 1998. Information from different management levels, economy updates, market outlooks, conference reports and letters from employees with an opinion are still crucial matters in every edition of the magazine. -In particular, we use Høegh Dialogue to inform about organisational changes, Charles Jensen says. -Such changes are not working properly unless all parts of the organisation are aware of them and are motivated to contribute. Our newsmagazine is a powerful tool to distribute this information to our employees worldwide.

-I believe the first five years with Høegh Dialogue proves our reason for existence, and I would like to take this opportunity to

urge everyone in LHC to use our magazine actively, as reader or as contributor. We are happy to publish your opinion, the editor concludes.

## HD in our opinion...

-Gives me a brief view of the system behind company management and development over the last 5 years.  
*Eng4 Rouie Mangussad*

-A rich source of information.  
*Capt. Manuel F. Tinio, Jr., HFSP Sr. Manager, Safety Quality & training*

-One can see the past, present and future in every issue. Even though we did not actually participate in company activities, we feel that we are a part. We are updated on the company's plans.  
*Capt. Odesor Mapa*

-It gives updated information about what is going on in the company's business, its plans and activities, and who the people are in the organization. It is good to see the faces behind the names.  
*Ms. Yolanda del Pilar, HFSP Sr. Manager, Finance & Control*

-A marketing arm of Høegh, a means of communication. A lifeline of the company distributing information. Even though we're in different parts of the world, we're still connected through Høegh Dialogue.  
*Ms. Ma. Luz Albarico, HFSP Manager, Fleet Personnel*



# HFS BILLBOARD



## Junior Officers' Conference

Thirty-two Junior Officers (12 Deck & 20 Engine) attended the first Junior Officers' Conference of the year from 17-18 March 2003 at the Höegh Building. The focus of the seminar and workshop was leadership and the shipboard role of Junior Officers. They also had a mini-seminar about the basic facts, modes of transmission, signs, symptoms and prevention of HIV-AIDS/STIs (Human Immuno-deficiency virus-Acquired Immuno-deficiency Syndrome/Sexually Transmissible Infections).

*Standing from left: Capt Delfin Lopez, Elec Marcelino Mencias, Eng4 Cecilio Besa, Eng3 Leonardo Cuervo, Eng3 Edward San Juan, Off3 Godfrey Alonday, Off3 Jimmy Tan, Eng3 Armando Adao, Off2 Nilo Tamano, Elec Allan Narvaez, Eng3 Librando Alimurong, Eng4 Conrado Mercurio, Off2 Eddie Caguimbaga, Off2 Fernando Dialogo and Capt Manuel F. Tinio Jr. Seated from left: Eng4 Henry Besinga, Off2 Bobby Bonono, Eng3 Dennis Montemayor, Eng3 Danilo Lupo, Off2 John Belicena, Elec Elmor de Guzman, Eng3 Solano Asistido (ex-awardee) and Eng3 Jesus Jejoy Laserna (ex-awardee).*



## Senior Officers' Conference

Thirty-five officers (HFSP/27, HFSC/6 & SCIT/2) joined the first Senior Officers' Conference this year. This was held in the Höegh Building in Makati City from 19-21 March. This is the first time that the Filipino officers were joined by their Chinese counterparts in a conference.

HUALization was incorporated in this conference. The deck officers discussed cargo operations and weather routing, while the engineers talked about bunkering and procedures. During the Fellowship Night with the STARS and the HFSP staff, officers were awarded bronze and silver plaques for loyalty.

*Standing from left: Capt Manuel F. Tinio Jr, Capt Delfin Lopez, Eng2 Gil Gentolea, Eng2 Edwin Ero, Cheng Virgilio Batac, Johannes Tvedte, Cheng Jesus Lape, Choff Apolinario Cruz and Sebjorn Dahl. Seated from left: Eng2 Teodoro Carandang, Eng2 Arnulfo Concepcion, Eng2 Jerrymar Velasco and Capt Autonomo Amano. Not present: Choff Joey Gomez.*



## Ratings' Conference

On 12 February, forty-six seafarers attended the Ratings' Conference held at Höegh Building in Manila. The conference focused on safety and housekeeping. During the Fellowship Night, a total of 25 ratings were awarded gold, silver and bronze plaques for their loyal service to the company.

*First row from left: OS Wenifredo Gutierrez, Messm Rosvias Medina Jr, Chcook Danilo Calma, Ftr Orlando Bagaporo, Olr Pablo Duran, AB Juan Roque Jr, and Ftr Vedasto Rudas. Second row from left: AB Antonino Manahan, AB Eufonio Erasmo, AB Dennis Dela Cruz, Chcook Joseph Balmaceda, Messm Jorge Alcoba, Messm Adelfo Vitalicio Jr, OS Valentin Laloy Jr, and Messm Guillermo Sta Ana. Third row from left: Capt. Delfin Lopez Jr, Olr Chester Directo, Olr Roger Mendoza, Olr Renato Lajara, Messm Julius Lisboa, Ftr Renato Oren, Ftr Jose Perez Jr, Ftr Leonardo Rivera, AB Juan De Castro, AB Romeo De Jesus, Chcook Lorenzo Arnel Juacalla and Capt. Manuel Tinio Jr.*



## Alpha graduation

All forty-six Project Alpha class 2003 cadets graduated with honours last 25 March at the University of Cebu. Eleven HFS cadets were bestowed the Magna Cum Laude award, while the remaining seventeen were conferred the Cum Laude award by the University of Cebu. Eighteen Teekay scholars were also awarded with honours.

Deck Cadet Jacob Calva (ex-MIRA) and Engine Cadet Leodemar Quiros (ex-TROT) were the HFS Deck and Engine Cadets of the Year respectively. They were given this honour for their exemplary academic performance.

*Seated from left: E/Cdt. Ervin Joy Barquio, D/Cdt. Tavera Efren Jr, E/Cdt. Eduardo Espeleta Jr, D/Cdt. Jacob Calva, D/Cdt. George Neil Paraoan, D/Cdt. Neil Calipay, E/Cdt. Arthur Malait and E/Cdt. Eros Godfrey Famador. Standing from left: D/Cdt. Jerson Capadgan, D/Cdt. Jifferson Abanggan, E/Cdt. Jay Marvin Sabas, D/Cdt. Desmond Emerson Pepito, E/Cdt. Herbert Galanida, E/Cdt. John Patrick Perez, D/Cdt. Christian Bertulfo, E/Cdt. Nigiel Loquez, D/Cdt. Marco Antonio De Dios, E/Cdt. Leonilo Undag, Jr. and D/Cdt. Geopet Salingay. Not present: Shem Baclay, Rodolfo Gerasol Jr, Agapito Tiongco Jr, Jaime Cabanes, Gerry Lou Dango, Roldan Lasit, Carlo Mondido, Sunny Napuli and Leodemar Quiros.*



## Captains' Conference

The first Captains' Conference for HFSP Captains was held at Island Cove in Cavite. 16 (11/HFS, 4/IUM & 1/Masumoto) captains attended. The conference focused on leadership, teambuilding, communication and company values.

*Seated from left: Ricardo Misa, Alberto Pilapil, Joselito Reyes, Avelino Baldomar, Jorge Rivera, Fernando Punay and Ponciano Acuna. Standing from left: Manuel F. Tinio Jr. Per Erik Moe, Luisito Sta Cruz, Sebjorn Dahl, Alfredo Sabado, Rodrigo Cabarles, Generoso Dequito, Eusebio Licudan, Henry Chiong, Romulo Macadagdag, Oscar Oracion, Manuel Noel Sulibet and Delfin Lopez.*

## Chinese trainees

Eight senior officers from China attended various in-house training courses at HFS Philippines' office in March and April including the NHC's Crisis Management Seminar and Senior Officers' Conference. They were also treated to a day tour in Manila and Tagaytay City (about 40 km south of Manila).

*Chinese trainees in Paco Park, Manila. Front row from left: Choff Wen Bin Zhao, Choff Rong Xian Liu, Ms. Josefina Neypes, Cheng Zhuo Zheng, Capt. Qiang Liu, Cheng Yang Ming Wu and Eng2 Yang Fu. Behind from left: Eng2 Fu Zeng Zhu, Cheng Jovencio Pajatin Jr and Choff Zhi Fang Chen.*





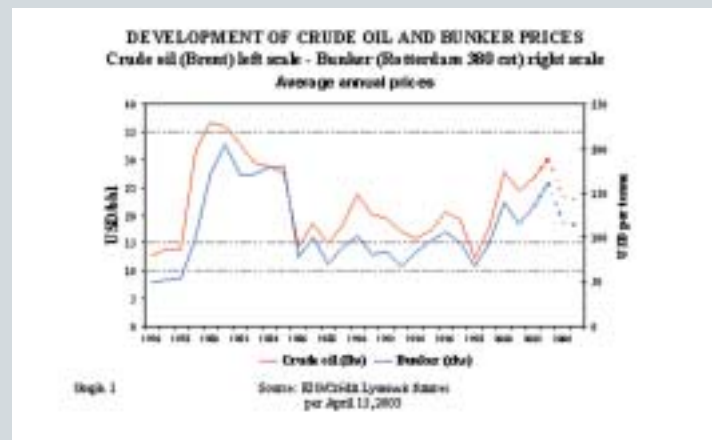
## MARKET OUTLOOK

### World Economy and Trade

Forecasts for economic growth both in USA and the EU have been reduced due to the Iraq war and the general harsher economic climate. The ripple effects of the SARS flu epidemic have prompted forecasters to scale back their estimates somewhat for Asia. The consensus is now forecasting a global economic growth this year of 3.2%, compared to the previous forecast of 3.7%.

### The Oil Market

At the time of writing, oil prices have declined somewhat, but are still under pressure due to the loss of Iraqi oil and continued reduced production in Venezuela and Nigeria. OPEC's first quarter production reached 26.8 million b/d, the highest quarterly average since third quarter 2001. It is expected that prices will remain volatile around a high level for some time yet. Although a decline is expected when market fundamentals start to work again, oil and bunker prices are likely to remain at a higher level than during the 1990s. See Graph 1.



### The Car Carrier Market

The war in Iraq accelerated the car industry's downward trend both in USA and in W. Europe during the first months of the year. Sales are still growing strongly in Asia and other areas. The demand for car carriers has so far this year benefited from a continued high level of imports in most regions. In the US market, imports took 20.3% of the market in the first quarter this year, compared with 19.6% a year ago. The shares of imported cars in the US market have varied over time, but have increased steadily since 1995 - see Graph 2. In the W. European market, Japanese brands increased their market share from 11.2% to 12.1% in the first quarter this year. South Korean brands reached 3.6% compared to 3.2% a year ago.

Strong incentives and a pent-up demand both in the US and several European countries are expected to boost new-car sales in the aftermath of the war in Iraq.

The current car carrier orderbook totals 50 units, of which 12 will be delivered this year. The orderbook represents 15.1% of the existing fleet.

### The LNG Market

The global trade in LNG reached 149 billion cbm in 2002, a 4.1% increase from 2001. The spot/short-term trading of LNG increased also last year and now amounts to around 9% of the total trade. USA, Spain and South Korea were the dominant players in the spot/short-term market in 2002.

Spurred in part by a rebound in the US spot price for natural gas, a number of global plans for developing large LNG projects are progressing. In addition to new projects, several LNG producers are embarked on major expansions of existing facilities. Based on existing import contracts the trade will reach 189 billion cbm by 2006, i.e. an average annual growth rate of 6.1%.

Two new LNG carriers have been delivered so far this year, three new orders have been placed and one newbuilding order has been cancelled. This gives a total orderbook at end April of 57 LNG carriers with a capacity of 7.8 million cbm, representing 49% of the existing LNG fleet.

### The Dry Bulk Market

China continues to be the driver in the dry bulk market, with the country's steel production so far this year 17% higher than in the same year-ago period. China's iron ore imports are predicted to grow by a massive 25-30 million tonnes this year, overtaking Japan. Asia's steam coal imports are also expected to rise over the next couple of years as coal-fired power plants are coming on stream. The growth in these raw material imports will benefit the Capesize segment in particular. Total dry bulk demand is forecast to grow by 3.2% and the fleet by 2.4% this year, implying an improvement in the fleet utilization rate also in 2003.

### The Open Hatch Market

The demand for open hatch tonnage continues to be driven mainly by Chinese import requirements of forest products. Japanese housing starts (a leading indicator) are expected to pick up again in the second half of the year. The seaborne trade in forest products is thus projected to increase by about 2% this year. A positive development of the trading patterns for grain and steel products is benefiting the conventional handymax bulk carriers.

### The Reefer Market

Seasonal crops in South America and other producing areas and a favourable exchange rate situation have led to good cargo volumes in most trades so far this year, resulting in a substantial improvement in the utilization rate of the conventional reefer vessel fleet. Average spot rates in the high season were thus the highest for many years.

Current fundamentals continue to be basically good, with good crops, favourable exchange rates into the EU market and a declining conventional reefer vessel fleet. The reefer market has also experienced less pressure from reefer capacity on containerhips due to the improvement in the containership market.



## QUARTERLY REPORT

### Report per 1st quarter 2003

The first quarter results for Leif Høegh & Co Consolidated (LHC) were substantially down from last year. The lower operating profit was due to higher bunker costs, higher operating and administrative expenses i.a. due to the weakening of the USD, more Ro/Ro vessels being dry-docked and the loss of HUAL Europe. The underlying market conditions for the core Ro/Ro business are, however, stable. The financial result suffered from negative developments in the financial markets. In line with company strategy, an agreement was reached beginning of April for the sale of six reefer vessels.

#### LEIF HØEGH & CO. CONSOLIDATED - KEY FIGURES

(USD 1 000)	1.Q.03	1.Q.02	2002
Freight rev., net	171 515	161 882	667 150
Operating expenses	(141 371)	(120 259)	(507 199)
Depreciation	(18 892)	(18 249)	(71 912)
Operating profit	11 252	23 374	88 039
Net financial items	(9 443)	(2 364)	(23 466)
Tax	(1 253)	(1 775)	(2 937)
<b>NET PROFIT</b>	<b>556</b>	<b>19 235</b>	<b>61 636</b>
Earnings/share (USD)	0.02	0.65	2.10
Total fixed assets	955 282	1 058 795	971 394
Total curr. assets	235 367	273 444	251 393
<b>TOTAL ASSETS</b>	<b>1 190 648</b>	<b>1 332 239</b>	<b>1 222 787</b>
Tot. shareh. equity	507 778	483 788	511 324
Tot. long term liab.	597 132	764 369	626 515
Tot. curr. liab.	76 266	77 717	75 088

#### SEGMENT INFORMATION

(USD MILLION)	1.Q.03	1.Q.02	2002
<b>Ro/Ro:</b>			
Oper.income	67	64	277
Oper.result	10	17	73
<b>Gas-LNG:</b>			
Oper.income	7	7	27
Oper.result	3	3	13
<b>Dry Bulk:</b>			
Oper.income	4	5	17
Oper.result	2	2	7
<b>Open Hatch:</b>			
Oper.income	7	8	31
Oper.result	1	2	8
<b>Reefers:</b>			
Oper.income	8	10	33
Oper.result	-	3	3



# HFS and IUM fleet personnel onboard 15 April 2003

## HFS

**VESSEL**

SG ENTERPRISE  
SG PROSPERITY  
HØEGH GALLEON  
HØEGH GANDRIA  
NORMAN LADY  
MATTHEW

AUGUST OLDENDORFF  
HØEGH MASCOT  
HØEGH MONAL  
HØEGH MORUS  
HØEGH MARLIN  
HØEGH MERCHANT  
HØEGH MERIT  
HØEGH MUSKETEER  
HØEGH MISTRAL

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  
ZHANG, GUO JIN  
MOLDESTAD, ATLE  
SPARRE KNUDSEN, SIMEN  
ZAAL, PER HENRY  
HANSEN, ØIVIND

SORIANO, FRANCO LAPIDARIO  
GARFIN, AGUSTIN RODOLFO G.  
GALVE, ISMAEL SELAUSO  
MACADAGDAG, ROMULO MIEDES  
CHIONG, HENRY ALVAREZ  
AGUILA, ALBERTO BRIONES  
SIBYA, RAFAEL DIANSEN  
ALCORIZA, DIODORO ESO  
DAROY, ADOLFO SUEZO  
LUMA-AD, PIPO UY

SABADO, ALFREDO RIMANDO  
ANDUJARE, DANTE DEVERATURDA  
IBRAHIM, ZAIDE DELA CRUZ  
LUMACANG, FELIPE JR AGRIAM  
SANCHEZ, GIL BARRIOS  
LICUDAN, EUSEBIO JULATON  
CLEMENTE, WILFREDO JAVIER  
RIVERA, JORGE PARALEJAS  
CABARLES, RODRIGO JR DUMARAY  
TAN, BERNARDO DIAMANTE  
GUZMAN, ROLANDO BALDERAS  
BALDOMAR, AVELINO GUBAN  
LORENZO, JESSIE MAGDAUG  
GAO, YONG LI  
YU, ZHI MING  
ZHAO, BO LONG  
GULLIAB, BENEDICTO CASIGURAN  
SOMOSOT, JEREMIAS CORBITA  
JONOS, DIONISIO COMPANERO  
MAPA, ODNESOR CRUZ  
ALTURA, RUBEN MORALES  
REYES, JOSELITO DOLAR  
MANALAYSAY, CESAR DUQUE  
LACSON, PACIFICO JR. DAGUIA

**CHIEF ENGINEER**

YU, WEI GANG  
WANG, ZHI YI  
SVENNING, TRULS ALBERT  
TOIVANEN, AULIS  
HAVEN, JAN  
SARHEMAA, HANNU KAARLO  
HANSEN, PER HANS  
ARAGOZA, CRISOSTOMO ASPER  
VENTULA, REYNALDO GANIRON  
DORADO, FELIMON JR. CAYETANO  
CASAMA, FIDEL HERNANDEZ  
SANTIAGO, ARNEL DEL VALLE  
RABARIA, PERICLES JR MALBAS  
TERAZONA, FRANK PENAFIEL  
CRISTINO, MANUELO BERDOS  
PABULAYAN, DELFIN SAQUIBAL

HUFALAR, CARLITO OFIAZA  
GILBUENA, DONATO GENOVA  
NAPILOT, GILBERTO LARGA  
ARCE, RAFAEL JR. MOLINA  
MILLAN, FERDINAND CANDADO  
NIEDO, ARCELIO JR VINCA  
MAIQUEZ, MARIO ALVARO  
LOZANO, CAMILO JR ORBES  
LEDESMA, REDEMOTOR PUNZALAN  
BATIN, NELSON CARASCO  
PERALTA, ISAGANI DAMASCO  
YORO, RAMONITO JABASA  
LOYOLA, BENEDICTO ARELLANO  
LIU, JIAN GUO  
HONG, JIN  
QIN, JING LU  
IGNACIO, ALDEN GALANG  
MAHINAY, VICTORINO JR GENTAPA  
BALIDOY, JOSE BALANE  
WU, YANG MING  
LIU, RONG XIAN  
TRASPORTE, ARNULFO MANZANO  
LALIM, CONRADO WONG  
MASOCOL, EDWIN DENUM

**CHIEF OFFICER**

CUI, JIAN HUI  
CHEN, HUAN  
PETTERSEN, JAN MORTEN  
MOLUND, FREDDY  
MØRK, HELGE ROGER  
GRØTTING, KÅRE

ASTILLO, FELIX LUENGO  
CRUZ, DANILO POLICARPIO  
DESABILLE, DENNIS PASTOR  
ENGCOY, ETCHEL PEREZ  
FERNANDEZ, FERDINAND MANALO  
LACANLALI, ROBERTO ROWAN  
JARAMILLO, MARIO DELA CUADRA  
BESARIO, CAMELO BALANCAR  
SOLATORIO, FRANCISCO JR JUANER

CANETE, ALBERT MENDOZA  
ANG ESPINA, MAXIMINO JR OPPUS  
CHIONG, BERNARD BOGO  
REFUERZO, GODOFREDO RABARA  
ATIAN, SALVADOR NO  
KIERULF, MANUEL LUIS MENCIAS  
CRUZ, APOLINARIO SAN PEDRO  
CARADO, RONILO CORMANES  
GABAYNE, JOSEPH COLLADO  
ALISEN, NESTOR ALBAY  
ESTOLAS, BENJAMIN MABUTAS  
ENCLONA, MARIO JR AGAO  
JOSE, EDGARDO ABRIGO  
YANG, HAO FANG  
WU, YI MIN  
ZHAN, WEN BIN  
QUITA, AMADOR JR CAMPOS  
ASI, RANILO DE CHAVEZ  
CUETO, INGEMAR PABATAO  
LAGLEVA, ERWIN ROMERO  
RIEGO, ANACLETO ROLLE  
ELPEDES, DANTE MORADA  
RODRIGUEZ, EDUARDO PEREZ

## IUM

**VESSEL**

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

**MASTER**

BALAN, JOSE JR TABUDLONG  
MISA, RICARDO DIAZ  
VIOLANGO, ADRIAN DALIT  
STA CRUZ, LUISITO ARGARIN  
HARE, JESSEL CALDEA  
DEQUITO, GENEROSO PALOMO  
DIZON, JAMES IBANEZ  
PARAGUYA, MIGUEL SILVA

**CHIEF ENGINEER**

REDOSENDO, ROY MARTE BAYLON  
ROBIN, ALEXANDER SANCHEZ  
RABAYA, NORMANDO C  
SANTOS, LAMBERTO ISTOMEN  
ALON, ROY YAP  
CATOLICO, ELY CIERVO  
PORRAS, ROBERTO PEDROSO  
CARPIO, EDWIN DOMINGO

**CHIEF OFFICER**

NAVARRO, ANTHONY JONES M.  
BATAYOLA, JESSIE NECASARIO  
CABANLIT, WILSON MAROLLANO  
BAGUIO, ULYSSES UY  
TENA, RADITO SURA  
GAGARING JR, AURELIO VILLARIN  
BATOON, ELMER RICO M.  
ARCAY, VERONICO FUDOTAN