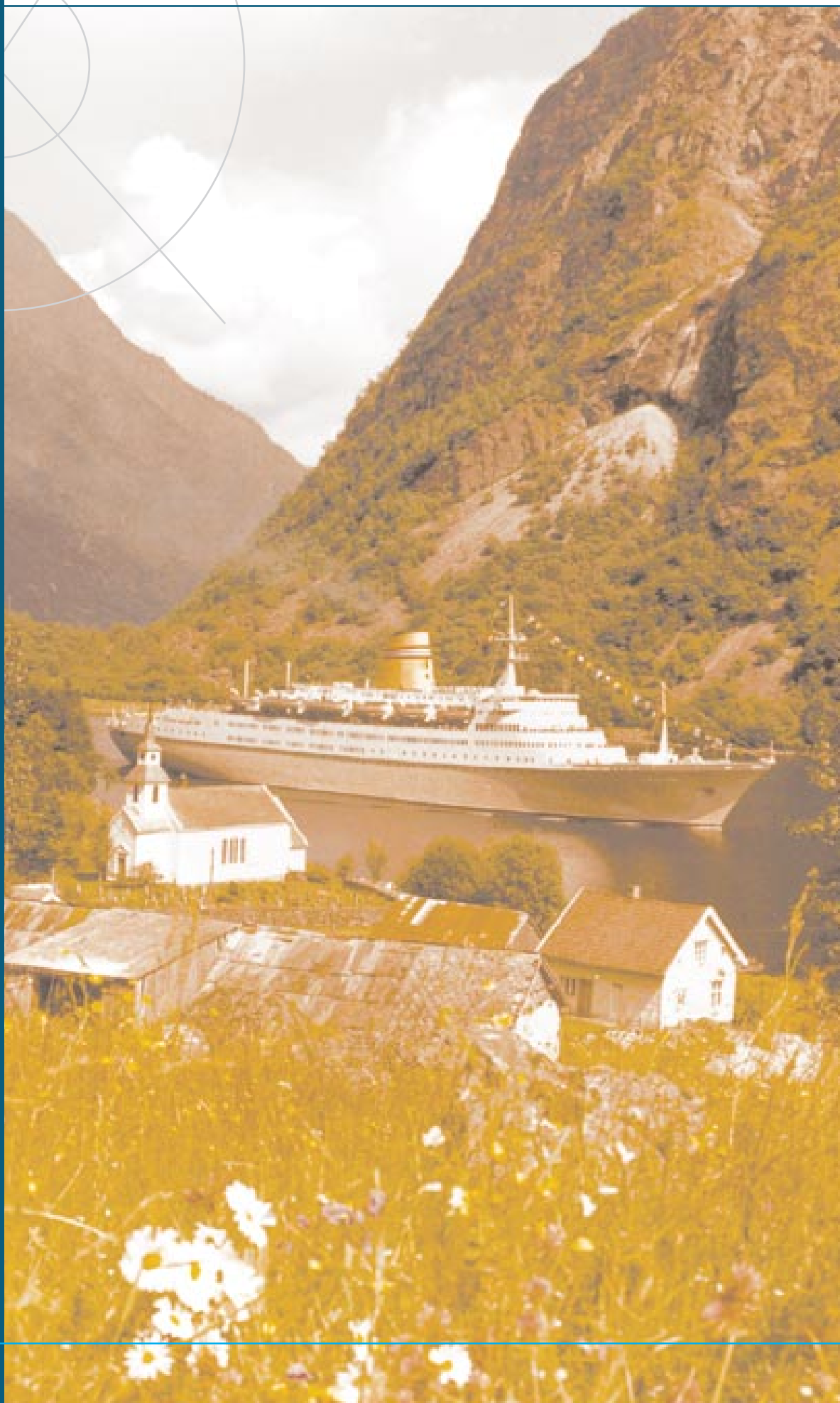
Höegh Dialogue

Newsmagazine for Leif Höegh & Co ASA (LHC) No 3 - 2000

CONTENTS

- Shipping Development 2
- Höegh Galleon 4
- Classification 6
- Opinions 8
- Captain Nils B. Lie 9
- Officers' Conference 10
- Quarterly Report 12
- Five Plus Star Cruising 13
- Market Outlook 14
- Fleet List 16





"Full speed ahead in HUAL"

Leif Höegh & Co has now been sole owner of HUAL for about 3 months. During this period, four initiatives have been taken: focusing on organisation, reporting, performance improvement and strategy. Project teams consisting of both LHC and HUAL personnel have been established within each focus area. Our ambition is to exploit synergies by co-ordinating processes and activities in HUAL and LHC, while at the same time maintaining the strong HUAL brand name and marketing independence.

To position HUAL for further expansion, both organic growth into new business areas as well as structural opportunities are being looked into. Both services complementary to the current deep-sea operations as well as new business areas will be examined.

The car carrier market is now well into the delivery program of 32 new ships this year, coming on top of the 28 ships that were delivered last year. So far, the market has shown a good ability to absorb the new-buildings. There are still a number of ships to be delivered, and we expect the market will also absorb these vessels, as replacement for older tonnage and to cover increased demand.

Despite high bunker costs, 2000 looks to be a good year for HUAL. With the common efforts and hard work from us all, I am confident that the success will carry on into the future!

T.J. Guttormsen
President Leif Höegh & Co ASA

Shipping Development

Based on an initiative from the Norwegian Shipowner's Association, researchers have looked into what developments the shipping industry and its markets will face over the next 20-30 years. Hôegh Dialogue tries in this article to extract some of the essence of this report. Three key factors for future development are identified:

- Information and communication technology (ICT)
- Globalization of economic operations
- Environmental considerations

The researchers believe these factors will dictate how future logistics are handled, which in turn will strongly influence shipping.

Development of ICT is believed just to have started, and the extended use of new applications will lead the way in globalization of manufacturing, transportation and communications. This will mean a development towards larger parties being able to demand greater and totally new solutions from their distribution systems.

For shipping it will be a matter of how to adapt to new logistics, finding the right place in intermodal chains of transportation. In addition to this, shipping must be aware of how this development can totally change the patterns of competition one is accustomed to.

There is a growing environmental concern in today's society. In its utmost consequence this could lead to drastic measures from politicians and international legislators. This must be kept in mind when planning ahead – but also in case this does not happen, shipping customers will continue their environmental focus, forcing the shipping industry to work acordingly. However, for shipping this could indeed give new opportunities and possibilities.

Let's look slightly closer at the three key factors mentioned above:

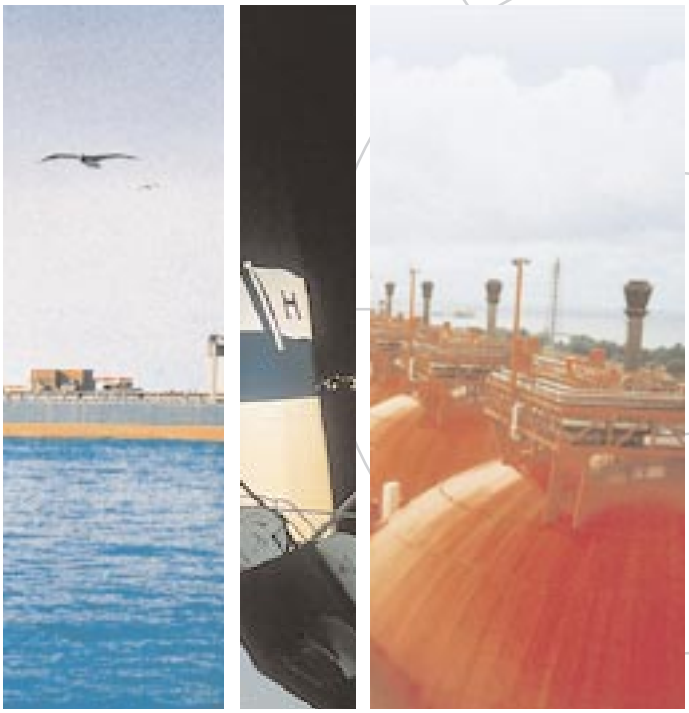
ICT

It seems this technology will affect global development in three ways:

- As technological platform for information and communications
- Presenting new possibilities for processes and process support in business communication
- As a trade of itself

The two first elements will probably impose the greatest influence on shipping, as a combination of technological solutions and making new ways of thinking and working feasible. New knowledge and new strategies for adapting to the markets will be the challenges for the shipping industry. In addition to these strategic questions, ICT will definitely provide a range of technical opportunities to our business - possibilities we already see beginning to develop in the industry today.





Globalisation

Improved global communication has rearranged the strategic patterns for multinational companies and hence led to an increased number of such enterprises. The trend is that so called transnational strategies become more important. This means imposing high pressure on low cost production and at the same time present well adapted products to the customers. These two variables - production cost and adaptation of products to markets - are the guiding factors for macroscopic strategy considerations.

However, most traditional shipping markets (oil, oil products, gas, coal, fertilisers, ore, steel, minerals and chemicals, pulp and paper) are exposed to a strong pressure for cost reduction (with the exception of grain). On the other hand, the pressure for locally adapted products is not particularly high for most of these segments - leading to what is called global strategies to rule the markets. Exceptions are ore and steel markets as well as finished goods, which also face relatively strong pressure for local adaptation and are run more by transnational strategies.

The transportation implication of global strategies is mainly moderate fragmentation of raw material flows. This fragmentation is even more visible for transportation when it comes to transnational strategies. Here the complexity is larger, and there will be a stronger need for higher-ranking logistical solutions.

The parts of international shipping strongest influenced by the globalisation of economic systems and multinational companies are the liner services and the market for specialised transport. However, changed patterns for raw material flows, with regards to cargo size and frequency rather than place of origin, will add new tasks to the liner services.

Combining ICT and globalisation

The development seems to be headed towards more fragmented systems of production, more intercontinental transportation of components and parts, and more regional transportation of finished products - in general a lot more complex transports. These are the new logistical challenges for the shipping industry.

It seems likely that new actors will appear on the scene: those who understand and can handle the complex flows of information. This could be a threat, but also an opportunity for those aiming at understanding both the ICT and the transportation business.

Environmental concerns

Over the next 20 years we will see an increasingly stronger focus on international environmental matters, and the big issue will be the greenhouse effect and the reduction of CO2 emissions. International policy will change accordingly, and most likely carbon based raw materials will be banned or heavily taxed. Consequences may be multiple:

- There will be a transfer from using coal and oil to gas and other sources of energy. Hydrogen based combustion is one very interesting alternative, but this will take time and money and is difficult to predict today.
- Energy taxation will strike the steel industry. Ore based production will be changed to scrap metal production. This will again reduce the need for coal and iron ore.
- The general technological development will make the world more energy-efficient. This will improve world trade, but further reduce the consumption of fossil fuels.

These three factors combined could lead to a reduction in oil and coal consumption and demand of about 20-30%. This will in turn cause difficulties for the world's tanker and bulk markets.

Source:
Future development in shipping and the shipping markets. (Norwegian Shipowner's Association, March 2000)

HÖEGH DIALOGUE:

Published by: Leif Höegh & Co ASA
Editorial staff: Charles Jensen, Olav Geir Foss and Mot Vandenberghe. Tel. 22 86 99 56, fax 22 86 99 45, e-mail: mav@hoegh.no
Journalist/editing: Stian Aakre, e-mail: saakre@online.no
Layout/graphic design: BRAVE Reklamebyrå as
Circulation: 2,800

Soon to be as good as new…

The LNG tanker HÖEGH GALLEON is presently docked at Karimun Sembawang Shipyard undergoing a total rebuild of the gas tanks as well as completing the upgrade and refurbishment of the rest of the vessel. The vessel will commence a new time charter in December, lasting 17 years. The Project Manager for the entire project is Jon Andreassen, who gives us the background and status in this article.

HÖEGH GALLEON was built in 1974 as LNG CHALLENGER for P&O and A.P Møller. She was the 2nd LNG-ship built with spherical tanks from Moss Rosenberg in Stavanger. Her sister, NORMAN LADY, was the first. The vessel has a trading history, which ranges from serving as LPG storage for some 4 years to several lay-up periods. In between she conducted LNG trades from Alaska to Japan, from Algeria and Indonesia to Boston and from Arun to Japan. During this period she changed her name to LNG POLLENGER, but remained under P&O management.

In 1987 she was acquired by a Japanese Consortium, the Pacific Gas Carrier Co., Ltd., and Mitsui OSK Lines took management of the vessel. The vessel was then renamed the ASAKE MARU and was trading in various LNG-trades in the Far East. In 1998 the vessel was docked at Kawasaki Heavy Industries Shipyard in Kobe for a major refurbishment before she should enter into a T/C with Cabot, a Boston-based LNG importer. During this refurbishment, in the summer of 1998, Leif Höegh & Co and Mitsui OSK Lines agreed that LHC should take management of the vessel. The ship was again renamed, this time to MYSTIC LADY (after the Mystic River, where Cabot's LNG terminal is located in Boston).

On 20 August 1998 a non destructive test (NDT) of the cargo tanks revealed many smaller hair-line cracks in the internal welds of the tanks. Several investigations were conducted, and it was soon concluded that the cracks were related to the environment inside the tanks during operation of the ship. The cracks were classified to be Hydrogen Induced Stress Corrosion Cracks, which may have been created under circumstances where water had been present inside the tanks for some time (at least 14 days), and it was further concluded or anticipated that the cracks were found in the heat affected zone of all internal welds of the five cargo tanks.

Beginning of the new start

Leif Höegh & Co acquired the vessel on 4 December 1998 from the Japanese Consortium after its decision to dispose of the vessel. LHC/HFS was of the opinion that it would be worth while to investigate possible opportunities for future utilisation of the vessel. At this stage we had discovered similar, but less severe cracks in the cargo tanks of Norman Lady and had initiated investigations of procedures for restoring the cargo tanks on this vessel.

The MYSTIC LADY was moved from Japan to Johore River in Malaysia, where she was laid-up, and various inspections and studies with regard to a future re-activation were conducted.

Apart from the cargo tanks the vessel was relatively sound, and the reports from Det norske Veritas after their Hull Evaluation Study and Condition Assessment Program (CAP) confirmed this. Most important - besides restoring the cargo tanks - was the necessity of renewing the coating system in the ballast tanks and various dry-tanks and pipe ducts.

As mentioned above, the vessel had been subject to a refurbishment at Kawasaki Heavy Industries' Kobe Yard from May -98. Prior to detecting the tank cracks, several systems on board had been totally upgraded with new, modern components, and others were repaired/refurbished as found appropriate, planning for a future shipment contract for the vessel lasting up to 10 years. The fact that this had been done, was important for the decision to keep the vessel , and hence, it was also the beginning of the total rebuilding of HÖEGH GALLEON.

The most demanding operation of the whole project was of course the rebuilding of the cargo tanks. Three different technical solutions were discussed, all having their advantages and disadvantages. The fall back was use of the vessel as spare parts for Norman Lady.

Alternative 1

Replacing the Cargo Tanks with new aluminium tanks. With new spherical aluminium tanks, the vessel would have a cargo containment system with a lifetime in excess of the 20 -25 years



HÖEGH GALLEON is now undergoing a rebuild of the gas tanks at Karimun Island. The final upgrading and refurbishing will take place at Sembawang Shipyard in Singapore.

anticipated for the rest of the vessel, where the ballast tanks and hull construction then would be the crucial areas. This solution was rejected due to the cost.

Alternative 2

Replacing the existing spherical cargo tanks with a new GTT Membrane System. This alternative came late in the process, and may have been somewhat controversial. Daewoo Heavy Industries, Okpo (DHI) proposed to fit a completely new forepart of the vessel. This conversion would have included new cargo tanks of the GTT Membrane System and a new hull-construction from the engine room bulkhead to the bow.

The new hull would have been built according to the latest design for DHI LNG tankers, but with the same dimensions as for the present hull of the HÖEGH GALLEON. For a while this alternative looked very tempting, but the price for the "new" ship became too high, and the idea was abandoned.

Alternative 3

Rebuilding existing cargo tanks by a complete excavation of all cracks in the heat affected zone on both sides of the internal welds and then re-welding the tanks internally. Many studies and analysis were made, and it became more and more evident that this alternative would bring the vessel back to its "full design potential" if the re-building procedures were followed. In this process Det norske Veritas and Chicago Bridge & Iron (CBI) were working closely together with LHC/HFS in developing the procedures. In order to test out all the procedures, it was decided to conduct a pilot project, where _ of one tank would undergo a complete restoration of all welds. In late October 1999, the vessel was moved from Johore River to Karimun Sembawang Shipyard, and CBI was engaged to carry out the pilot project. Very early in the process it was clear that the procedures made for this project were working well, although some adjustments were made along the road. On 31 December 1999 the pilot project was completed. All tests carried out on the restored welds proved successful, and therefore the vessel was ready to undergo a full scale rebuilding/refurbishment.

Discussions with potential charterers of the vessel had been carried out in parallel with the technical investigations. Based on the positive prospects for employment and the conclusion from technical evaluation, it was decided to move gradually from the pilot project to a full scale rebuilding and to continue the commercial discussions towards a firm long term contract.



Superintendent Bernhard Næss inspecting the rebuilding progress, and showing the need for new hull coating.



All the old welds in the gas tanks are removed, and the tanks are then re-welded back to their full design potential.

In the next articles we will deal with the challenges involved in removing cracks in 20 km of heat affected zone and refurbishing the other parts of the vessel to meet the standards of LHC and the LNG industry.

LNG Officers' Conference 2000-01

HFS Oslo arranged its first bi-annual conference in the new millennium. 16 officers from the three gas vessels attended the conference which was conducted May 24-25 at Slottsparken Hotel in Oslo.

The conference focused on the new projects in the LNG segment as well as updates from the various departments of LHC and HFS. Espesially the refurbishment of HÖEGH GALLEON was well received by the officers.

The conference was concluded with an official dinner. During this event, Chief Engineer Per Hansen were presented with a Gold medal from the Norwegian Shipowners Association for 30 years of service on board vessels belonging to members of the Association.

Captain Per S. Pedersen was honoured by the company for his long service, as he has indicated that he will retire after his next trip on board HÖEGH GANDRIA.

The classification societies

The classification societies have a long history. They also have a unique history, because they make their own rules. Rules by which their own authority abides and rules which we should follow. If we submit to their controll an pass the test, they sertify us. Anyhow - they are an important part of the marine society today, and they have developed a strong position since the beginning in the 1860's.

It started back then when a lot of ships and cargoes were lost, and the need for a documentation of the vessels' seaworthiness arose. It started with the creation of mutual clubs, where the risk was shared between a large number of owners and ships. Out of the need for technical supervision evolved the idea of several mutual clubs jointly forming a separate body, which could take upon itself the task of carrying out this control. This body was to be known as a classification society.

The insurance companies were crucial in the establishment of the classes, and the concept was originally exclusively designed to serve the interests of insurers. And to this day you automatically lose your insurance if you lose your class certificate.

The development

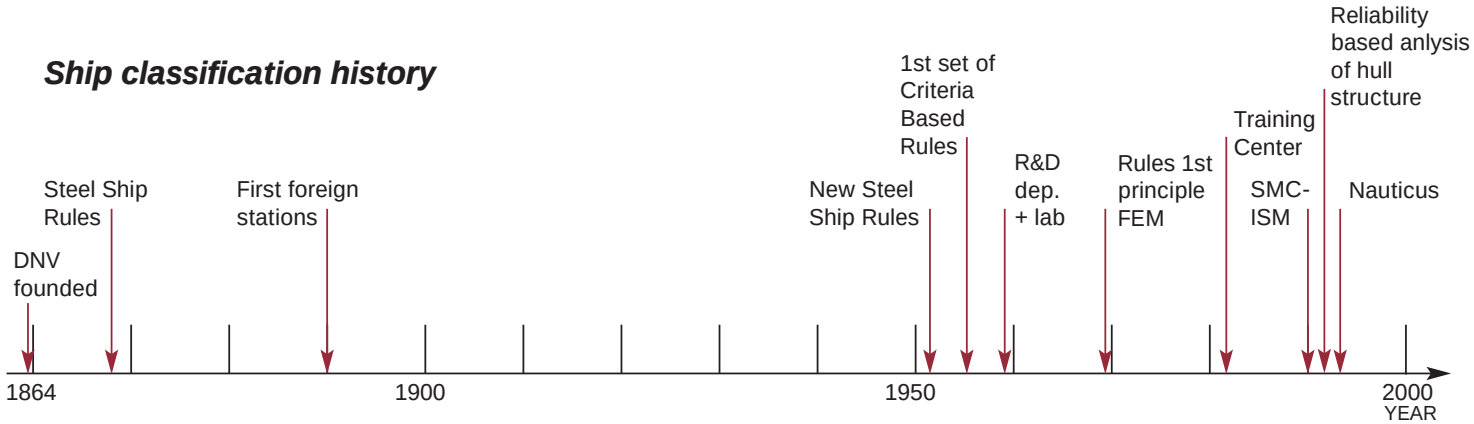
In order to see the important role of the classification societies, we have to consider the the shipping industry's technical development during the last 150 years. The technological challenges facing the societies today are distinctly different from those of the windjammer era. The very first set of rules was based on wooden sailing vessels, and consisted of 12 separate parts of the vessel that had to be surveyed. Examples were planking, standing rig, running rig etc. The separate items were given a quality number, the sum was calculated, and the class and insurance premium were decided.

As a curiosity, we may mention that when the ships started to be built in iron, the class rules were based upon the assumption that this material would not deteriorate to any significant extent. This was proved not to be the case!

Over the years, quality and reliability assessments have indeed developed into advanced sciences, and the development is still going on stronger than ever. Presently, to further improve safety at sea, special emphasis is put on (DNV):

- Hydrodynamics (loads)
- Response calculation (FEM)
- Global analyses based on direct wave load calculation and FEM models of the whole ship structure utilising Product Modelling Technology
- More use of Formal Safety Assessment (FSA) evaluations
- Utilising ultimate strength evaluation
- Higher transparency between members of the shipping community utilising common data

Ship classification history



OBITUARY Oiler *ALVIN SYFU MORANTE* born 12 August 1963.



On 7 June we received the sad message from Hual Trotter that the oiler ALVIN SYFU MORANTE had passed away. Morante had served our company since 8 July 1997, serving first as wiper on Hual Trooper.

We convey our deepest sympathy to his family and colleagues.

Höegh Fleet Services AS
Fleet Personnel

A complex scene

In particular the last item on the above list illustrates the complexity of the shipping scene, where authorities such as Flag State and Port State have diversified some of the control responsibility from the class onto themselves, but at the same time also made the shipping community more complex for the shipowners. Today, in average, a vessel will need some 12 - 15 certificates, half of these are class certificates, and half are imposed by other authorities. Seen from a shipowner's point of view, higher transparency is desirable, but also a more homogenous world of certification would be gratifying.

One advantage with this complexity, is that the self justice the classification societies must live by - in order to be completely objective towards the aim of safety at sea - can be put in further perspective. The strive for quality in the classification societies is obvious for the shipowners. Over the years many dubious classification companies have emerged and there has arisen the need to enhance their quality. Therefor, in 1968, they founded IACS, a classification society union, where strict quality standards were mandatory for membership. Today there are 10 members and 3 associates.



LHC homogenized in 1998 its use of classification societies, and is now using exclusively Det Norske Veritas (DNV). Alfred Sælid (right) is our contact, and he has together with Stein Eriksen (left) given the background information of this article about the classification societies.

Dual roles

Nevertheless some situations occur where the class societies play a dual role. This is mostly due to the fact that the societies are considered highly competent in safety matters, and hence they are asked to develop guidelines and procedures for different legislative authorities and parties - and at the same time they represent the shipowners when they have approved their vessels. One example of this is when the classification societies are asked to assist the owner in a Port State conflict. Then the society may be on both sides of the table.

Another situation could be where the classification society is involved in quality management in a shipyard and at the same time want to assist a shipowner in their newbuilding project of the very same yard. These situations can of course be readily solved by playing straight and by "keeping the right hat on" in every situation.

Without any doubt whatsoever, the classification societies and the shipowners are mutually dependent on each other, and will definitely continue to prosperously coexist.

THE MARITIME SAFETY REGIME

Flag state	Provide and implement maritime safety regulations
Class	Enforcement through classification and certification
Shipowner	Ensure implemented standards being maintained
Port State	Verify implementation and enforcement

OBITUARY *HENRY FERNS* passed away peacefully on 19 May 00.

The Captains and Officers of the Hoegh Line ships would always say: "Bombay is not Bombay without our friend Henry." Henry never missed a day of work. Whether it was in the heat of summer, during the pouring rains of the monsoons or on the days when a "Bandh" was declared, he would go to work. On the day of the "Bandh" he went to work just to register and show his contempt. He was a totally committed person in everything he did. As a friend, I do not grieve his passing from this world alone; I grieve along with his beloved wife Regina and his loving son Andre. Rest in peace.

Dady J. Mody

OP!N!ONS

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

This is to inform you that the ship HUAL TRIDENT under my command participated in the International Sportsweek for Seamen 2000, while in Singapore (Sembawang Shipyard) undergoing maintenance call.

The affair was scheduled for 8-13 May 2000 and organized by the Maritime and Port Authority of Singapore in pursuance of a recommendation of the International Labour Organization to encourage recreational activities amongst seafarers. All ships in port during the above mentioned dates were cordially invited to participate in Soccer, Table Tennis, Basketball, Badminton and Track&Field Events.

As basketball is a very popular sport in the Philippines and also on Höegh ships, especially the car carriers, where there is always a basketball court on board, we decided to join the sport event. The games' venue was at Yio Chu Kan Stadium, which was not very far from Sembawang Shipyard. We only entered in the basketball tournament, since that was one game we had a chance of winning.

However, we only played one game on 9 May against a Singapore based Filipino team, and by hard work we won by about 6 points. We were supposed to come back the same day for another game, however due to earlier departure from Singapore, we were not able to play. A pity, the guys were looking forward to another exciting game.

It was a great opportunity for the crew to play on a whole court, since onboard we only play half-court. But even then we made a good account of ourselves despite no practice. The team was composed of Capt. J. Somosot, 2/O Dialogo, 3/O Malinao, AB Lambuson, AB Anolin, OS Malanum, OS Danas, 2/E Jaramilla, 4/E Besa, Elect. Sanchez, Msm Canopin, Deck Cdt Laplana and Eng. Cdt Ganuza. We had as our muse Mrs Lourdes Jaramilla, the lovely wife of 2/E Jaramilla who is presently onboard with her husband.

Thanks and best regards
Capt. Jeremias C. Somosot
Master HUAL TRIDENT





Group picture of HUAL TRIDENT Team W/C participated in the International Sportsweek for Seamen 2000 at Singapore 9 May 2000. Capt. Jeremias C. Somosot. (No.77, standing, 2nd from right) Shown also are two of our muses (Wife of 2/E Jaramilla and a Filipina student in the National University of Singapore.)



Capt. Jersom in action guarding against the opponent.

NEWS WATCH

Mr. Gian Babbini has been appointed Vice President and General Manager of PLC. Gian joined PLC in October last year. We wish Gian good luck in his new and challenging duties.

RICKMERS TIANJIN (ex HÖEGH CAIRN) and RICKMERS HOUSTON (ex HÖEGH CLIPPER) are sold to a company in the Rickmers Group for delivery in the US Gulf in June and August, respectively. The two sisters have serviced Höegh Lines from they were new in 1979 until 1997 and 1998, and have since been on time charter to Rickmers. With these sales, LHC is finalizing a very long history as owner of traditional liner vessels.

NEW EQUITY
As indicated in the first quarter report, the Board authorised end March to increase the share capital of LHC by NOK 450 million through issuing 6 250 000 new shares at a subscription price of NOK 72. The background for the capital increase was the desire to strengthen the company's equity in view of recent and planned investments. The issue was successfully completed beginning May and boosted the liquidity of the company by NOK 435 million, net of expenses.

HFS CHINA
The contract between CQC (China Quanzhou Corporation) and HFS (Höegh Fleet Services) was signed by Mr. Yang Zhi Qiang and Mr. Johannes Tvedte on 22 June 2000. HFS China Ltd. will officially open when we have received our business license, and the business scope is to recruit, train and employ Chinese seafarers for international vessels. HFS China Ltd. will be established in Quanzhou.



From the opening of the HFS CHINA LTD. office in Quanzhou.

50 years service in LHC!

Captain Nils B. Lie was born in February 1935 on Smøla, an Island on the North West Coast of Norway. Being raised on an island and being accustomed to boats and the sea already before learning to walk, heading for seamanship was a natural choice. Just after turning 15 he joined the training windjammer CHRISTIAN RADICH until signing on to his first Höegh vessel - HÖEGH BELLE - as a deck boy during her call in Oslo 23 May 1950. This vessel was employed in Höegh's West Africa Service.



That night, on his first "Dog-watch" from midnight to 04:00 hrs, he got his first and last attack of seasickness. -I had to leave the helm, run out on the bridge wing and do what had to be done. Then back to the helm and that was it. No more sea sickness - ever!

Other key dates in his career are: mate's certificate in 1955, master's examination in 1959, chief officer in 1962 onboard HÖEGH AILETTE, master in 1967 onboard HÖEGH ARIELLE at the age of 32.

In 1969 Captain Lie went ashore for a job as operations manager in Höegh West Africa Line, stationed part time in Oslo and part time in Lagos, Nigeria. -The time ashore from July 1969 until 1974/75 I spent each year from 3 to 7 months helping our Lagos office manager. This was a very interesting time in West Africa. It was just after the Biafra war and the ports in Nigeria were completely congested. In Lagos vessels waited 3 months - even up to one year - for berthing (government chartered vessels carrying cement), whereas our vessels berthed within one/two weeks. Being part of the Cowac/Ukwal Conference we obtained priority, Lie recalls. From 1976 onwards Lie served as one of the Africa Experts in the company and was involved in the RO/RO development, also being stationed in Paris where the West Africa Service operated around 1990. -One of my greatest satisfactions and feeling of pride was when HÖEGH BANNIERE, our first RO/RO vessel on her maiden voyage, berthed and landed her "Jumbo ramp" (52m long and 12 m wide) on the quay in Gothenburg in June 1980, and we could commence loading the first cargo, whereof all was prepared on "bolsters" (container platforms), in containers or on pallets in addition to rolling stock, for West Africa destinations.

Since July 1991 to date Nils B. Lie has been working in Oslo in the Open Hatch Department. Looking back at 50 years with the same employer he feels no regret: -having chosen shipping to be "my way", I do not regret that I by chance became employed in Leif Hoegh & Co throughout my working life. I do not believe that regularly changing employers would have given a more varied working experience. During the 50 years I have always had new challenges. Says the Captain who is still going strong, and has seen and participated in most of the development in the shipping segment over the post-war years.

Computer based training coming up!

HUAL TRIBUTE and HUAL TRADER were selected to be the first two vessels to have Seagull Onboard library of Computer Based Training (CBT) modules installed. These CBT modules run on a stand alone computer onboard, which makes it possible for the crew and officers to train during their spare time.

The CBT concept gives the trainees the possibility to acquire the theoretical knowledge by means of a computer. (Most regular training is not computer-based.) The modules supplied in the library ranges from tailor made HUAL equipment on board car carriers to general modules such as navigation, fuel-oil handling and separators.

Presently the library consists of about 40 modules, an additional 40 will be available by the end of next year. Some covering entirely new topics, and some will cover advanced level of existing basic modules. The trial period is right now on the two vessels, and the response has been very good. More than 400 modules have been passed during the first month of use, and this positive feedback from the crew has been well noted at HFS.



AB Rufino R. Bonite was one of the first to undergo a CBT training module on HUAL TRIBUTE

Officers' Conference 2000-01

Magellan and Lapu-Lapu on Mactan Island

The history of the Portuguese navigator and soldier Magellan and his travels around the world is well known to us all. He sailed for the King of Spain, on a quest to acquire access to exotic spices in the Far East.

History has it that Mactan Island, although small, was a thriving community when the great Magellan was in Cebu. The brave Spanish navigator and soldier, upon learning that some inhabitants on the island Mactan across the channel from Cebu refused to recognize the King of Spain, took action. Spanish soldiers burned one of the villages in an attempt to force the community to support the King. Lapu-Lapu was one of the native leaders who refused to acknowledge the sovereignty of Spain over the Islands. When Magellan, "with three boatloads of Spaniards and twenty boatloads of Cebuanos" went to Mactan to help a friendly chief, Lapu-Lapu and his men armed with native fighting elements - wooden shields, bows and arrows, lances - met them. The invading soldiers were driven back to their boats, but their brave leader, Magellan, died in the hands of Lapu-Lapu on 27 April 1521.

As a part of the official dinner party at the first officers' conference of the year 2000, a modified version of the historical event was performed. This time the focus was on the friendship existing between the Philippines and Norway.





Visit from HFS Philippines

In an effort to build a closer link between the two offices of HFS in Oslo and Manila, the staff of the Manila office will all have the chance to visit the Oslo office this year. The focus during this visit has been the differences in business and identity. The second group of 7 staff experienced both low temperatures and snow during their brief visit 14-17 February. Judging from the feedback of their stay, they have enjoyed their experience in Norway



From left: Celeste A. Dingle, Gina P. Martillano, Maricar C. Baloy, Westye Høegh, Yolanda E. del Pilar, Jovely A. Diaz, Rufina V. Benoman and Josie N. Bosch.

Officers' Conference 2000-02



Official dinner on board MV CACUS on the Oslo Fjord.

The second conference for Filipino officers was conducted in Oslo. As with the first conference this year the focus was on crisis management and cost control.

Based on feedback from the officers, who attended the first conference this year, some minor changes were made to the program. The most evident changes was the use of several smaller cases in the crisis management part - as well as more time for discussions and feedback after each case.

Cool, Hual and Open hatch ran separate programs on the cargohandling and trades. Whilst the engineers attended seminars by Unitor and Alfa Laval.

The conference was concluded with an official dinner on board the M/V CASUS, a refurbished medical vessel. The participants were given a tour on the Oslo Fjord while enjoying both nice weather and Norwegian cuisine.



From left: C/E Crudo, Capt. Rivera, C/O Solatorio, Capt. Mangohig, Ms Garrido (HFSP Staff)

It's HFS Stars.....

In late April 2000, a competition to name the HFS family organization was launched. Several entries were submitted by the seafarers on board, on vacation and even the wives. The entries were so good and interesting that the panel of judges from HFS Phil. had a hard time choosing the most appropriate name. They were able to pick out two names but could not choose among the two entries so it was decided to ask the "Oslo jury" to help out in the selection. They came up with "HFS Stars" as the official name for the organization.

Stars guide seafarers on their ocean journeys, give light and a sign of good weather which the mariners are always hoping for. It also means a "leading role" or "one who excels". But whatever meaning or purpose the stars may have, we can proudly say that our family is our "STARS".

The winner, Mr. Kim Cortes, was awarded a basket of fruit, wine and perfume on 21 June 2000 at the HFS Phil. office for his effort. He joined the company as Chief Officer on board the CRYSTAL PRIMADONNA in October 1999 where he signed off in mid June. After his well earned vacation, he will again join CRYSTAL PRIMADONNA in mid August.

The committee would like to thank everyone who participated in the contest. To the winner, our warmest CONGRATULATIONS.

So it's official, from now on HFS family organization will be called "HFS Stars".



The winner of the Name Competition being awarded on 21 June. From left: Louie Albarico, Kim Cortes, Manuel Tinio.

Extract from report per 2nd Quarter 2000

As mentioned in the first quarter report, the numbers are not directly comparable to last year. Unicool is included on a 100% basis (50% in 1999) for the whole period while HUAL is included on a 100% basis from the end of the first quarter (50% in 1999). The rights' issue, for which the subscription period was from 31 March to 14 April 2000, was successfully completed and added gross NOK 450 million (USD 53 million) of new equity to the company. 6 250 000 new shares were issued at a subscription price of NOK 72.00. The new share capital amounts to NOK 72 500 000 divided into 36 250 000 shares at a par value of NOK 2.00.
To strengthen LHC's expertise within logistic systems, integration of transport services and capital rationalisation, the Annual General Meeting elected in April two new board members, Jörgen Ekberg (42) and Leif O. Høegh (36). Jörgen Ekberg is Senior Partner of Litorina Capital Management AB in Sweden and has extensive experience within transportation logistics. Leif O. Høegh is Managing Director of Leif Höegh (UK) Ltd.

RESULTS

First half year operating profit before sales gains and depreciation for Leif Höegh & Co. (LHC) Consolidated was USD 63.9 million (USD 38.8 million in 1999). HUAL in particular, but also Unicool and LNG contributed to the strong improvement. The operating profit was USD 36 million.
Result from associated companies includes predominantly LHC's share of Gorthon Lines' net profit.
LHC has during the quarter sold a share of its Teekay stocks as part financing of the HUAL and Unicool acquisitions. The book sales gains amount to USD 11 million. Unrealised gain, not included in the accounts, on the remaining stocks per 18 July (at a price of USD 42.25 per share) was USD 67 million.
Net financial items amounted to minus USD 12.7 million (minus USD 2.9 million in 1999). Reporting in USD eliminates unrealised foreign exchange gain/loss on mortgage debt in USD. Substantial liquidity in NOK led, however, to a foreign exchange loss of USD 2.9 million largely as a result of the continued weakening of the NOK against the USD. Interest expenses on mortgage debt was USD 27.6 million. Profit before tax was USD 23.5 million.

LIQUIDITY AND FINANCING

Liquidity in the form of bank deposits and marketable securities increased from USD 155 million beginning of the year to USD 235 million. The rights issue added net USD 51 million and the sale of the Teekay shares USD 20 million.
A short-term loan in the amount of USD 238 million was raised in March to finance the HUAL acquisition. An agreement has been reached to partly refinance this loan through a new USD 200 million facility expiring in September 2003.

ACTIVITIES

HUAL AS

The operating profit for the first half year improved from last year primarily as a result of the increased owning interest in HUAL as from the second quarter. The positive trend from the first quarter in most of HUAL's markets continued, however, leading to higher earnings per vessel. There were high shipment volumes in all cargo categories from Japan/Korea to Europe, the Caribbean and USA. South America developed also positively after recent years of economic difficulties in this region.
Services to the Middle East from both Europe and USA benefited from higher oil prices and the improved outlook for the economy in the Far East had a similar effect.

Unicool Ltd

The increase in operating profit was due to the combined effect of the higher owning interest and last years' expensive time-charter tonnage. Vessel earnings were lower, however, and the expected high season in March/April never materialised. A main reason was crop reductions in Chile and Argentine in combination with low demand in Europe due to large domestic crops and the strong Euro. Banana exports continued to increase both to Europe, Russia and the Far East. Unicool participates, together with by Mediteranska Plovidba, in a joint venture comprising two vessels, of which one, LADY RACISCE, was delivered during the first half of the year, while the sister vessel will be delivered during the second half. Unicool is participating with 20%.

Höegh Lines

The result as such was not satisfactory. This was particularly due to the liner service, which is presently operated in the name of Höegh Oldendorff Indotrans. Inbound volumes to USA remain high but the problem continues to be the outbound leg.
Open hatch, however, showed improvement with high volumes of forest products from South-America to Europe. The level of return cargoes varies, which impacts negatively the round voyage results. Volumes of forest products from North America to Japan continued to be low, which was only partly compensated by more return cargo, primarily of steel products.
An agreement has been reached with a company in the Rickmers Group in Hamburg for the sale of the two liner vessels RICKMERS TIANJIN (ex HÖEGH CAIRN) and RICKMERS HOUSTON (ex HÖEGH CLIPPER). Both vessels were previously employed in Höegh Lines, but have been chartered out to Rickmers since 1997. RICKMERS TIANJIN was delivered end June, while RICKMERS HOUSTON will be delivered in the beginning of August. Total sales gain will be approx USD 1.7 million.

Contract Shipping - LNG

Operating profit improved from last year due to NORMAN LADY obtaining a higher timecharter rate and more sailing days as the vessel had an extensive drydocking last year. NORMAN LADY, under its charterparty to Enagas S.A., is primarily trading between Trinidad and Spain.
HÖEGH GALLEON is rebuilding the tanks and will be delivered under the agreed 17-year charterparty to Enron in December.
Agreement was reached with Cabot LNG, Boston, for management of the LNG-carrier MATTHEW (126 000 m3). The agreement will further strengthen LHC's commitment to and expertise within the LNG-segment.

Contract Shipping - Capesize

Operating profit was in line with last year and reflected the long-term charterparties for the two wholly owned capesize bulk carriers. The charterer, a company in the Shougang group in Hong Kong, has changed the names of the vessels to the original SG ENTERPRISE and SG PROSPERITY after withdrawing from the ABC-pool.

SHAREHOLDER RELATIONS

The share price decreased during the first half year by 17% from NOK 95 to NOK 79. No dividend was paid this year, which must be viewed in the context of the rights issue and the wish to strengthen the equity of LHC following the investments in HUAL and Unicool. The shipping index at the Oslo Stock Exchange decreased during the same period by 1%. Cashflow per share was USD 1.62 (USD 1.20 in 1999) and earnings per share was USD 0.68 (minus USD 0.99 in 1999).

A peek at the past

Five Plus Star Cruising

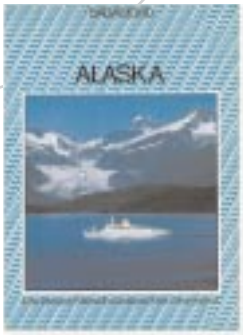
Throughout the brief period of operating and managing a cruiseline, LHC completed the rise towards excellence over the three years from 1980 to 1983. Involvement in cruising as such was not new to the company. Leif Høegh had been Chairman of the Norwegian America Line (NAL) from 1948 to the early 70's, and LHC also held a 40% stake in this company which in the mid 60's started to develop cruises upon Leif Höegh's initiative.

Then, in 1980, the time had come to either withdraw from cruising or to expand the involvement. Together with NAL, LHC established Norwegian America Cruises (NAC) to operate marketing, hotel and catering functions. Per A Flaate and Bjørn Fusche, both from LHC, were made Chairman and President of the new company. Later the same year, NAL had to pull out, and the cruise line became a sole LHC venture.

Höegh Dialogue met the former President, Bjørn Fusche, in his home outside Oslo, where he now is enjoying his recent retirement. -In 1980 we had to decide whether to sell or to stake, Fusche explains. -We then decided to try to develop the concept into something that would give us a better price for the enterprise. We actually never considered to stay in cruising even though we managed to create a success. This would have demanded too large an investment within something that was not really shipping.



President Bjørn Fusche dining with Lady Green from London, who attended several consecutive world cruises with NAC.



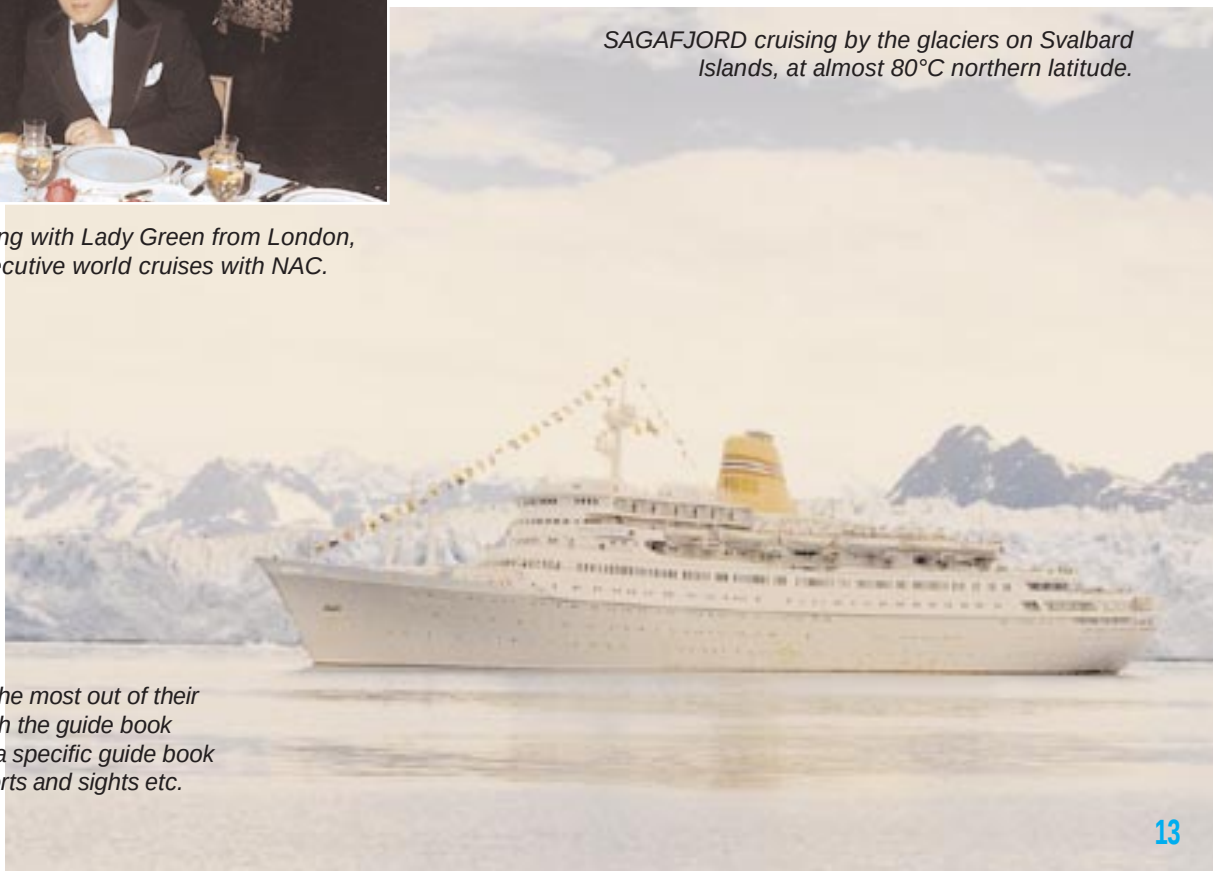
To make sure all guests got the most out of their cruises, NAC cooperated with the guide book publishers Berlitz to present a specific guide book for each cruise describing ports and sights etc.

-In spite of this, I think it would be fair to say we succeeded in developing the cruises into something unique. In fact, already in 1981, the Fielding's Guide to World Cruises stated: "I have awarded the top grade of five-plus stars to only two vessels; SAGAFJORD and VISTAFJORD."

-Running a high-class cruise line is a demanding task due to the complexity of the operations, Fusche continues. –But it is indeed rewarding as well, and we have a number of amusing memories to look back upon. The movie "Table for Five", starring Jon Voight, was recorded on board VISTAFJORD during one of the crossings. This film was later shown at the 1983 Royal Film Performance in London. Also memorable were some of the guests. Mrs. Mary B. Rankin stayed on board for three years, going temporarily on shore only when the vessel docked, Bjørn Fusche recalls with a smile.

-We operated the vessels in different corners of the world in order to meet demands from our potential customers. SAGAFJORD did the "Great World Cruise" every year from January until April. The rest of the year she mostly sailed the Pasific Ocean from Sydney in the south to Alaska in the north. VISTAFJORD, on the other hand, followed the good climate around Europe, from the Mediterranean up to Scandinavia and further north in the summer. VISTAFJORD also sailed the Indian Ocean, calling in Singapore, Hong Kong, Mombasa and Bombay among other ports.

After three years of successful cruising, NAC and the vessels were sold to Cunard in 1983, and towards the end of this year the cruise adventure was terminated in LHC. (Although LHC continued the manning of the vessels until 1996.) SAGAFJORD and VISTAFJORD can still be seen on the high seas.



SAGAFJORD cruising by the glaciers on Svalbard Islands, at almost 80°C northern latitude.

Market outlook



By Mona Boug Kristiansen

World economy and world trade

The global economy is expanding extremely rapidly in 2000, with all major regions forecast to post a better performance than in 1999. A slight global slowdown is expected in 2001, but this is almost entirely due to a policy-driven deceleration in the US. Much of the rest of the world will continue to see strong growth. World trade is growing at an annual rate of 7.1% this year and is projected to grow by 6.3% in 2001.

The Car Carrier Market

The car carrier market is holding up better than expected. New car sales in the USA and Europe so far this year are still above last year's levels, by 8.4% and 2.7% respectively, although the rate of growth is slowing down. Sales in both the Asia-Pacific region and in South America are enjoying healthy growth rates. Good volumes from the Pacific as well as within the Atlantic have therefore delayed scrapping of older car carriers. One small unit was committed to scrapping in May, however, and it is expected that the demolition activity will pick up this summer and fall, with 18 newbuildings arriving on the market.

The Reefer Market

The market conditions so far this year have proved to be disappointing for many reefer operators. Adverse weather conditions resulted in large reductions in the Southern Hemisphere apple harvests, both in Argentina, Chile and South Africa. In Chile, the weakness of the Euro resulted in overall exports being down by around 34% compared to shipments made between January and April last year. An oversupply of bananas in Ecuador led the government to impose a minimum export price, which prevented exporters from profitably marketing their bananas in non-EU countries. Banana exports from Costa Rica, the world's second largest producer, fell by 10% during the first five months of the year due to adverse weather.

Scrapping of older reefer vessels has been at a low level and the specialised reefer vessel fleet has increased by 0.6% so far this year. Average spot rates during the first five months this year were 15% lower than a year ago and there is still no improvement in the 12 months' timecharter market. Vessels placed in lay-up reached 40 units by end May and it is expected that several more will be laid-up during the summer and fall, removing surplus capacity from the market.

The Liner/Open Hatch Market

The forestry industry continues to benefit from improved economic climate both in Europe, Asia and South America. In the important Japanese market, the introduction of tougher quality standards associated with a 10-year housing warranty program has led to a higher reliance by Japanese builders on kiln-dried and engineered lumber, particularly from Europe and Canada.

The various liner markets will continue to be influenced by the large amount of new container vessels entering the trades, with the world containership fleet increasing by around 10% both this year and in 2001, twice the growth rate of 1999. So far this year, growth in the containerised trades has outperformed the fleet growth, leading to improved rate levels, particularly in the large size segments. It is expected that demand for multipurpose vessels will remain poor.

The LNG Market

Following the 9% growth last year, world LNG exports are projected to show strong growth in 2000 as well, with the build-up of new liquefaction trains, better exploitation of idle export capacities, and the economic recovery in Asia.

The international LNG trade now comprises 35 traffic flows, of which ten were new last year. The spot/short term trade, including swaps, more than doubled in 1999 from the previous year and is expected to grow further this year, particularly into the US market.

The orderbook now totals 18 LNG carriers + two options.

The Dry Bulk Market

There has been a healthy increase in global steel production so far this year, and it is expected that the full year growth will be in the 5% range. Seaborne trade in iron ore and coking coal is therefore enjoying healthy growth rates this year. In addition, seaborne trade in steam coal is likely to increase by close to 4%. The grain trade is also growing this year after the large decline in 1999.

The improved rates levels have led to a reduction in scrapping of dry bulk vessels, and the dry bulk fleet has increased by 1.3% so far this year. The volatility in the Capesize market is expected to continue.

The Tanker Market

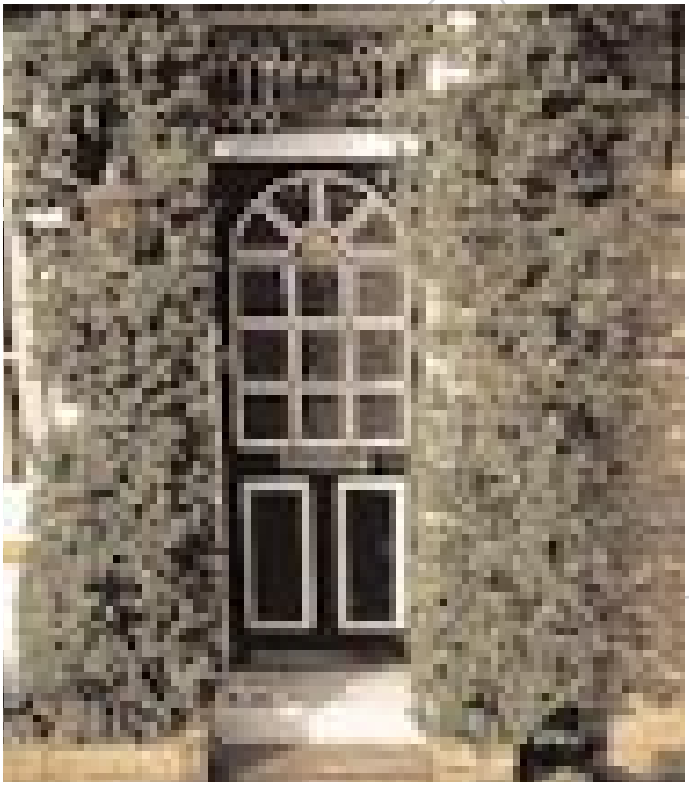
The fundamentals in the VLCC sector have improved considerably this year, with a 15% increase in Middle East oil production, combined with an almost unchanged VLCC fleet. The fundamentals in the Suezmax and Aframax sectors have not improved as much as in the large segment of the tanker market, but charterers' preference for modern tanker tonnage in the wake of the ERIKA disaster is having a strong impact in these sectors, principally in the Mediterranean market.

OPEC's recent decision to increase production will continue to benefit the Middle East producers, and OPEC's third quarter output (incl. Iraq) is now projected to average 28.5 mill. b/d, compared with second quarter's 27.8 mill. b/d. OPEC's new price "target" is USD 25/bbl for the OPEC basket, plus or minus USD 3/bbl.

Rotterdam



The largest port in the world is definitely more than its industrial sites.
Photo: Stian Aakre









HFS and IUM Fleet personnel on Board 1 July 2000

HFS

VESSEL	MASTER	CHIEF ENGINEER	CHIEF OFFICER
SG ENTERPRISE	TUNG, ON PO	QING, JING LU	CHIN, MAN CHEUNG
SG PROSPERITY	YEUNG, HOK MING	CHAU, WAN HING	CHUNG, FUI TSANG
CARIB STAR	PILAPIL, ALBERTO SANORIA	YORO, RAMONITO JABASA	RIEGO, ANACLETO ROLLE
HUAL ASIA	LACSON, PACIFICO JR. DAGUIA	YANGCO, TEODULFO JR LIM	SULIBET, MANUEL NOEL SOLLORAN
HUAL TRACER	SANCHEZ, GIL BARRIOS	SANTIAGO, ARNEL SR DEL VALLE	HOYUMPA, NESTOR CHAN
HUAL TRADER	CABARLES, RODRIGO JR DUMARAY	LALIM, CONRADO WONG	NIEDO, JULIUS VINCA
HUAL TRANSITA	ESPARTERO, VICENTE SR MAGTULIS	POLLENTES, CLAUDIO BASIL	LADINES, EUCLYDES CAMBAL
HUAL TRANSPORTER	YAMBAO, BRUMMEL DIVINAGRACIA	LAPE, JESUS ALQUEZA	ELPEDES, DANTE MORADA
HUAL TRAPPER	CABALLES, RAYMUNDO MAGHANOY	ALOJADO, VICTORIANO AMILANGAN	TALAMAN, DANILO CRUZ
HUAL TRAVELLER	GUBATON JR, MIGUEL MA-AYA	CONCEPCION, LEO QUIJANO	JOSE, EDGARDO ABRIGO
HUAL TRIBUTE	GULLIAB, BENEDICTO CASIGURAN.	LUMOCSO, ELEUTERIO BENDANILLO	ATIAN, SALVADOR NO
HUAL TRICORN	DELIARTE, BENITO ARROJADO	MAIQUEZ, MARIO ALVARO	REYES, JOSELITO DOLAR
HUAL TRIDENT	SOMOSOT, JEREMIAS CORBITA	MAHINAY, VICTORINO JR GENTAPA	GABAYNE, JOSEPH COLLADO
HUAL TROOPER	CULAJARA, ZALDY CERVANTES	BALIDOY, JOSE BALANE	CASIANO, DANILO NAVARRO
HUAL TROTTER	LICUDAN, EUSEBIO JULATON	NIEDO, ARCELIO JR VINCA	ENRIQUEZ, ELIGIO E.
HÖEGH GALLEON	HANSEN, ØIVIND	HANSEN, ROY	
HÖEGH GANDRIA	BENTZRØD, KNUT	PAULSEN, TARJEI	HØYDALSVIK, HALLVARD ANDRE
NORMAN LADY	SANDIK, INGE	TORP, JOHNY	GRØTTING, KÅRE
HÖEGH MINERVA	ALCORIZA, DIODORO ESO	SUAREZ, ROBERTO SODUSTA	CANETE, ALBERT MENDOZA
HÖEGH MIRANDA	AMANO, AUTONOMO ABELLAR	BATAC, VIRGILIO DAVID	ASTILLO, FELIX LUENGO
RICKMERS HOUSTON	PATILANO, DOUGLAS ARANETA	MASOCOL, EDWIN DENUM	TAGHAP, HERMENEGILDO JR. BET
RICKMERS TIANJIN	MAPA, ODNESOR CRUZ	PAJATIN, JOVENCIO JR CALPO	JARAMILLO, MARIO DELA CUADRA
HÖEGH MARLIN	CHIONG, HENRY ALVAREZ	OBAS, ROGELIO SUATICO	BONDOC, BENITO PANGAN
HÖEGH MERCHANT	BOLOTAOLO, ALEJANDRO ESTANO	RABARIA, PERICLES JR MALBAS	ESTABAYA, GILBERT JOHNS
HÖEGH MERIT	SIBYA, RAFAEL DIANSEN	TERAZONA, FRANK PENAFIEL	ASI, RANILO DE CHAVEZ
HÖEGH MISTRAL	LUMA-AD, PIPO UY	PABULAYAN, DELFIN SAQUIBAL	BISNAR, ANICETO VELASCO
HÖEGH MORUS	MACADAGDAG, ROMULO MIEDES	CASAMA, FIDEL HERNANDEZ	SY, RENATO JR PIOL
HÖEGH MUSKETEER	PALACA, FILOMENO JR. IDULSA	ALEGRADO, SOCRATES REGIDOR	ZENAROSA, DANTE BALANDRA
MASCOT	GARFIN, AGUSTIN RODOLFO GONZ	PATUNGAN, ALFREDO BOQUIRIN	SEDONIO, JOEBERT VILLACENDA
SAGA CHALLENGER	NAZ, ELMER DE JESUS	PAGULAYAN, REYMUNDO BANGAYAN	LACANLALI, ROBERTO ROWAN
CRYSTAL PRIDE	ORACION, OSCAR MARQUEZ	RABAYA, NORMANDO C	BAGUIO, ULYSSES UY
CRYSTAL PRIMADONNA	TAN, BERNARDO DIAMANTE	CHING, CHARLES BADONG	KIERULF, MANUEL LUIS
CRYSTAL PRINCE	BALAN, JOSE JR TABUDLONG	UMEREZ, GABRIEL VILISANO	ISULAT, LAURO JR MIRAN
CRYSTAL PRIVILEGE	STA CRUZ, LUISITO ARGARIN	ROBIN, ALEXANDER SANCHEZ	RAMBOANGA, DAVID CORPUZ
IVORY DAWN	OYALES, GEORGE GESULGA	CARPIO, EDWIN DOMINGO	CATUBIG, ISMAEL ALBERT TIU
SPRING BRIDE	TORRES, ROBERTO OMPOC	ALON, ROY YAP	DAYMIEL JR, BIENVENIDO MUIT
SUMMER BREEZE	VIOLANGO, ADRIAN DALIT	NOLOS, MARCELO MAGAHIS	ROLLO, EDGARDO OQUIZ
SUMMER FLOWER	MASNAYON, WILLARD PUNO	CATOLICO, ELY CIERVO	PUNAY, FERNANDO MONTERDE
SUMMER MEADOW	MISA, RICARDO DIAZ	LIBRERO, ANTONIO P.	DIZON, JAMES IBANEZ
SUMMER WIND	DEQUITO, GENEROSO PALOMO	RABANG , EDGARDO GABO	PASAPORTE, HARLEY ZAYCO

IUM

VESSEL	MASTER	CHIEF ENGINEER	CHIEF OFFICER
HUAL FAVORITA	BALDOMAR, AVELINO G.	VILLARIN, EUTIQUIANO E.	QUITA, AMADOR C. JR.
HUAL MARGARITA	GUZMAN, ROLANDO B.	PALMES, FERNANDO P.	LAGLEVA, ERWIN R.
HUAL CAROLITA	TAYO, GORGONIO I.	LEGASPI, DANI F.	CARADO, RONILO C.
HUAL ROLITA	WENCEL, WLODZIMIERZ	OSIECKI, GRZEGORZ	TROCHA KRZYSZTOF
HUAL INGRITA	BEREZECKI, PIOTR	KANIA, ANDRZEJ	STARK, JACEK
HUAL TRINITA	PEREZ, RIZALDO M.	LOZANO, CAMILO R.	REFUERZO, GODOFREDO R.
HUAL KARINITA	ANDUJARE, DANTE D.	CAWICAAN, LUIS D.	EVANGELISTA, NECITO
HUAL CARMENCITA	CAHILES, JUAN JR. L.	CASTELLANO,WENIFREDO	MANGUARDIA, DOMINGO
HUAL ANGELITA	LUMACANG, FELIPE A.	ALTURA, RUBEN M.	YANEZ, HENRY C.
HUAL LISITA	CANDAVA, ROGELIO I.	MACAM, DANILO C.	SANEZ, PETER P. R.