LEIF HÖEGH & CO. ASA



Annual Report 1995

LEIF HÖEGH & CO. ASA *Annual Report 1995*

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FINANCIAL CALENDAR

Annual General Meeting	*17 April 1996*
Report 1st quarter	*25 April 1996*
Report 2nd quarter	*25 July 1996*
Report 3rd quarter	*24 October 1996*
Preliminary results 1996	*12 February 1997*

Corporate profile

Leif Höegh & Co. ASA (LHC) is one of the leading shipping companies in Norway with headquarters situated in Oslo. The company was founded in 1927 and is today a major participant in the international shipping industry. The Company's strategy is to provide marine transportation with efficient and flexible vessels in different markets based on quality and safety.

LHC and its subsidiaries operate a fleet of 68 technologically advanced vessels of which 34 are owned or partly owned and 17 timechartered for minimum 12 months. The company employs 1,330 people. 1,100 are employed at sea, of which 275 are Norwegians.

LHC is engaged, directly or through subsidiary companies, in the following major activities

- *Transportation of gas*
- *Transportation of cars and trailers*
- *Liner trade*
- *Transportation of forest products*
- *Transportation of reefer cargoes*
- *Transportation of dry bulk cargoes*
- *Ship management*

LHC is also involved in the transportation of oil and dry bulk through its 42% ownership in Bona Shipholding Ltd.

Leif Høegh 1896-1996



On 21st April 1996 we commemorate the centenary for Leif Høegh's birth.

At the time of Leif Høegh's death in 1974 he could look back on a carreer of challenges, ambitions and achievements. His company was at that time one of the largest in Europe, diversified into many areas of international shipping.

Leif Høegh was not born into the industry. With a formal education in political economy from the University of Oslo in 1916, his interest in trade and finance led him into the service of Kerr Steamship of New York and eventually to Wilh. Wilhelmsen in Oslo.

Attracted by the prospects of increasing oil consumption, and with the support of A.P. Møller and others, he formed his own company in 1927 with an 8,200 dwt motor tanker. Through a series of long-term charter deals for large tankers he emerged as one of the leading shipowners, with ample resources to expand into liner shipping. By 1939, twelve years after starting on his own, Leif Høegh controlled one of the larger shipping companies in Norway in terms of tonnage.

In the fall of 1939 he was given his first official task in shipping negotiations with Great Britain; after the war he was made leader of the Norwegian delegation to the United Maritime Authority (UMA), which controlled the allied shipping until the spring of 1946.

In the post-war period Leif Høegh directed a major part of his capacity towards international shipping politics, both as an official representative with Government delegations and on behalf of the Norwegian Shipowners Association. His engagement and character made him a highly respected person in shipping circles, and his international contacts were of significant value for the further development of his company.

Throughout his life he had a keen interest in political economy. Among his closest friends were people who held office in banking and academic life. Leif Høegh took an active part in the Society for Political Economy, which proved to be an important sounding ground for a shipping executive.

Out of a personal interest in literature and theatre in particular, he served for many years as a board member of the National Theatre in Oslo.

Leif Høegh was characterized by entrepreneurial determination and a tremendous working capacity, coupled with an ability to delegate authority. His main interest was primarily aimed at macro-economics and politics, as well as international trade and finance, which were interpreted into his own company strategy.

Under his leadership, Leif Høegh & Co. emerged from a single-ship operation in 1928 to an international shipping company. At the time of his death, no less than 43 ships flew the blue H house flag.

In deep appreciation we honour him on his hundred years birthday.

The year 1995

EVENTS

Delivery of the car carriers HUAL TRIDENT and HUAL TROOPER for a price of USD 51 million per vessel.

Purchase of 50% in the car carrier HUAL TRINITA for USD 5 million.

Acquisition of the remaining 49.9% of Cool Carriers AB at the price of SEK 150 million.

Purchase of four reefer vessels (CHIQUITA) for a total amount of USD 73 million.

Purchase of 60% in the reefer vessel CRYSTAL ERIKSON for USD 6.6 million.

Establishment of Höegh Fleet Services AS as a separate management company.

FINANCIAL INFORMATION

Operating profit increased by 167% to NOK 280 million.

Net profit increased by NOK 27 million to NOK 303 million (a price/earnings ratio of 10.3).

Consolidated cashflow of NOK 524 million (a price/cashflow ratio of 5.3).

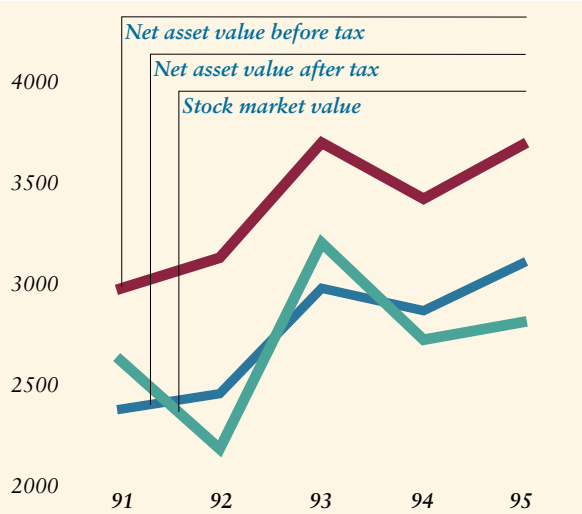
Proposed unchanged dividend of NOK 90 million (NOK 3.00 per share).

CONSOLIDATED VALUES

Net asset value before tax of NOK 3,673 million (NOK 122 per share).

Net asset value after tax of NOK 3,086 million (NOK 103 per share).

Stock market value of NOK 2,790 million (NOK 93 per share).



Financial summary

	Amounts in	1995	1994	1993	1992	1991
STATEMENT OF INCOME						
Freight revenues, net	NOK million	2,943	2,800	2,433	2,088	2,226
Operating profit before depreciation	NOK million	558	323	616	557	694
Operating profit	NOK million	280	105	359	309	462
Profit before extraordinary items	NOK million	292	150	335	248	458
Net profit	NOK million	303	276	244	173	369
BALANCE SHEET						
Current assets	NOK million	1,251	1,043	929	1,038	941
Vessels and other fixed assets	NOK million	4,331	4,243	3,035	3,258	3,492
Total assets	**NOK million**	**5,582**	**5,286**	**3,964**	**4,296**	**4,433**
Current liabilities	NOK million	601	769	559	587	559
Long term debt	NOK million	2,575	2,308	1,344	1,758	2,108
Deferred tax	NOK million	380	354	453	497	427
Equity at book value, including minority interests	NOK million	2,026	1,855	1,608	1,454	1,339
Total liabilities and equity	**NOK million**	**5,582**	**5,286**	**3,964**	**4,296**	**4,433**
Equity ratio	%	37	35	41	34	30
PROFITABILITY						
Operating margin [1]	%	17	7	26	25	33
Return on equity [2]	%	13	14	16	12	31
Return on total assets [3]	%	9	5	11	9	16
LIQUIDITY						
Cash and marketable securities	NOK million	1,172	964	898	982	884
Cashflow [4]	NOK million	524	359	518	491	546
Net interest	NOK million	(67)	(6)	10	(25)	(78)
Current ratio [5]	%	208	136	166	177	168
Debt service ratio [6]	%	48	86	285	97	60
CAPITAL						
Total assets at market value	NOK million	6,824	6,580	5,579	5,451	5,470
Net asset value before tax	NOK million	3,673	3,398	3,676	3,106	2,949
Net asset value after tax [7]	NOK million	3,086	2,844	2,955	2,433	2,354
Net asset value ratio before tax	%	54	52	66	57	54
Net asset value ratio after tax	%	45	43	53	45	43
FIGURES PER SHARE						
Market price 31 December	NOK	93.00	90.00	106.00	72.00	87.00
Earnings [8]	NOK	9.00	9.20	8.10	5.80	12.30
Cashflow	NOK	17.50	12.00	17.40	16.40	18.20
Net asset value before tax	NOK	122.40	108.00	122.50	103.50	98.30
Net asset value after tax	NOK	102.90	90.70	98.50	81.10	78.50
Price/Earnings ratio		10.3	9.8	13.1	12.4	7.1
Price/Cashflow ratio		5.3	7.5	6.1	4.4	4.8

«Leif Höegh & Co. Consolidated» is used in the report to describe the parent company and the principal subsidiaries referred to under point A in the Accounting Principles.

1) Operating profit as percentage of income on T/C-basis.
2) Profit before extraordinary items less tax as percentage of average shareholders' equity including minority interests.
3) Profit before extraordinary items plus financial expenses in percent of average total capital.
4) Profit after financial items plus depreciation, less profit associated companies, less tax payable (without adjustments for minority interests).
5) Current assets as a percentage of current liabilities.
6) Cashflow as percentage of interest-bearing debt (excluding newbuilding obligations) less liquid assets.
7) Equity at book value, plus the difference between market and book values of assets, plus unrealized currency exchange gain on mortgage debt/lease obligations at year-end foreign exchange rates adjusted for 22% tax.
8) Profit before extraordinary items, less tax, less minority interests, plus/minus tax on extraordinary items.

The Board of Directors



Westye Høegh (53) Chairman



Truls Bergersen (57)



Per A. Flaate (68)



Carl Otto Gilje (60)



Truls Holthe (48)



Ove Høegh (59)



Einar Kloster (59)



Thor Jørgen Guttormsen (47) President

Report of the Board of Directors

ACTIVITY

Leif Höegh & Co. (LHC) Consolidated produced improved results in 1995. This was due in particular to a larger fleet and improvement within the car carrier segment, but also to a positive trend for most of the other activities. The operating profit more than doubled compared to 1994 and equalled the profits of 1991 to 1993 when adjusting for the demerger of Bona Shipholding Ltd. Substantial investments were made within the reefer segment through acquisition by Avrista Ltd of the remaining shares of Cool Carriers AB (Cool) and through the purchase of additional reefers. Avrista is owned 75% by LHC. The Consolidated company's total assets have increased from NOK 3,964 million at the end of 1993 to NOK 5,582 by year-end 1995. This increase is due to investments in activities such as Arcade Shipping AS, Cool Carriers AB, car carriers, open hatch newbuildings and reefer vessels. In spite of these investments the company's net asset value ratio remains satisfactory.

The LNG carriers NORMAN LADY and HÖEGH GANDRIA have had stable income for many years from long term charterparties. Last year was, however, the end of a 20 year employment for NORMAN LADY in the transportation of LNG from Abu Dhabi to Japan. The vessel has subsequently been fixed on a charterparty to A.P. Møller for 1996-1998, for trading in the LPG/LNG market, before entering a 20 year charterparty to ENAGAS S.A. for the transportation of LNG from Trinidad to Spain. Upon expiry of the charterparty the vessel will be approx. 45 years old! There are subjects related to this contract which are, however, expected to be lifted during the first half of 1996.

The car segment had a substantial increase in activity. The vessels are being marketed and operated by Höegh-Ugland Auto Liners A/S (HUAL) in a pool where the activity approximate 26 vessels, of which seven are normally being supplied by LHC and seven by the Ugland Group. There were several reasons for the improvement. HUAL obtained good shipment volumes on its traditional main trades. New lines were established with good results, in particular the line from the Far East to the east coast of the USA. HUAL has in 1995 successfully adjusted the activity to different transportation patterns resulting from lower shipment volumes from Japan to Europe and higher volumes from Korea. The newbuildings, HUAL TRIDENT and HUAL TROOPER, were delivered during the first quarter at a price of USD 51 million per vessel, bringing the basic tonnage supplied by LHC back to seven vessels. The vessels are the largest in the HUAL fleet with a cargo capacity of 6,260 standard passenger car equivalents. LHC and the Ugland Group bought, on a 50/50 basis, HUAL TRINITA (built in 1983), which has a cargo capacity of 5,850 cars. A sister vessel will be acquired on the same basis for delivery in April/May.

Höegh Lines operated during the year an unchanged fleet of seven vessels. The result improved from last year which was, however, caused by all vessels being drydocked in 1994 and none in 1995. To achieve a satisfactory result the line is dependent on good cargo volumes in both directions. Outbound from North America to the Far East the vessels are largely full due to high volumes of both containers and break bulk, which also allowed for somewhat higher rates. Inbound, the situation was more mixed with i.a. lower volumes of cocoa beans and more competition. Persistent port problems in Bombay also created delays and upset the scheduling of the vessels, which had a negative effect on the result.

The result of the open hatch vessels developed positively in 1995. Four vessels are being operated by Pacific Commerce Line (PCL), which is owned 100% by LHC, between the west coast of USA/Canada and Japan. Strong demand in Japan for forest products, which are the main cargoes for this line, resulted in high capacity utilization of the vessels. One vessel operated between Argentina/Brazil and North Europe under a cooperation agreement with Norsul Internacional in Rio de Janeiro. One more vessel was chartered to this service in February 1995 to handle additional cargo volumes. A third vessel is employed under a freight contract for forest products from Chile to North Europe.

The activity within the reefer segment increased in 1995. The remaining 49.9% of the shares in Cool was acquired in September 1995. The price of SEK 150 million included a shareholder loan from the previous owner to Cool. When buying Cool, provisions were made for anticipated losses in 1994, 1995 and 1996 for charterparties and guaranteed minimum rates applying to some of the vessels in the pool. While the provisions for 1994 were too low, the provisions for 1995 turned out to be too high. The market improved considerably in 1995 and this trend seems to continue in 1996. During the autumn four reefer vessels were bought at a total price of USD 73 million.

The result of the Ro/Ro trailer vessels was unsatisfactory. This was primarily due to the docking costs of the two remaining vessels, which turned out to be substantially higher than anticipated. The third and oldest vessel, BASSRO STAR, was sold in February. The vessels have otherwise operated on short term charterparties at satisfactory rates within Europe with containers, trailers and other rolling stock.

The dry bulk activity achieved a satisfactory result. One chartered Capesize vessel was redelivered in June with a positive contribution for 1995. The only owned vessel, IRON MASTER, is fixed on a charterparty until the beginning of 1997.

HÖEGH FLEET SERVICES AS

The ship management/newbuilding sector of LHC was separated as a wholly owned subsidiary, Höegh Fleet Services AS (HFS), to focus more on cost efficiency both vis-a-vis suppliers and customers. The main objectives remain the same, being ship management, recruitment and training of personnel for the vessels, technical consultancy services and project development. At the end of 1995 HFS was responsible for 28 vessels with an average age of 13 years. The operation of the vessels was satisfactory, except for one car carrier which grounded, resulting in 43 days off-hire. Six vessels were drydocked. The insurance premiums went down as a result of strong competition combined with good claims statistics. Safety and quality programmes continued to be given high priority.

BONA SHIPHOLDING LTD

Bona is an independent, quoted tanker company owned 42% by LHC. The company experienced strong expansion during the year, increasing the commercially operated fleet to 34 vessels (3.4 million dwt.), of which 13 were Panmax OBOs and 21 tankers. The acquisition of all shares in Smedvig Tankships Ltd added 11 tankers, while three Panmax OBOs came from independent owners. Bona has thereby implemented its original strategy and has become one of the world's largest operators of medium-sized tanker and combination tonnage.

Earnings improved compared to 1994, but were still not satisfactory. The dry bulk market was strong throughout most of the year, which contributed to a good result for the combination carriers. The tanker market also improved. The net income for Bona was USD 16.3 million (USD 0.9 million in 1994) and the cashflow was USD 42.7 million (USD 22 million in 1994). The shares, which were issued at NOK 66.69 (USD 9.00) were quoted at year-end at NOK 64.00 (USD 10.13). Net asset value per share was NOK 70.66 (USD 11.18).

RESULTS AND EQUITY

Operating profit before depreciation was NOK 558 million (NOK 323 million in 1994) and operating profit NOK 280 million (NOK 105 million in 1994). The strong improvement was caused by a larger fleet and better results for most of the activities, in particular the car carriers.

The financial result was satisfactory. Both the stock and bond markets developed positively throughout the year, which contributed to the good result. The weakening of the USD from 6.76 to 6.32 caused a foreign exchange loss on USD liquidity. The opposite item of unrealized foreign exchange gains on long term debt and receivables, not included in the accounts, amounted by year-end to NOK 87 million.

Net financial items were minus NOK 29 million (NOK 42 million in 1994). Unrealized gains on bonds and shares, not included in the accounts, amounted to NOK 5 million (NOK 17 million in 1994).

Profit before extraordinary items was NOK 292 million (NOK 150 million in 1994).

Net profit for the year was NOK 303 million (NOK 276 million in 1994). Earnings per share were NOK 9.00 (NOK 9.20 in 1994).

Net asset value increased during the year from NOK 3,398 million to NOK 3,673 million before tax and from NOK 2,844 million to NOK 3,086 million after tax. Vessel values expressed in USD decreased slightly during the year and the increase in net asset value was therefore due to the Consolidated company's cashflow. The net asset value ratio is calculated to be 54% before tax and 45% after tax.

LIQUIDITY AND FINANCING

Liquidity in the form of bank deposits and marketable securities increased from NOK 964 million to NOK 1,172 million, of which the liquidity in Cool represented NOK 129 million.

During the year the equivalent of NOK 386 million of mortgage debt and lease obligations were repaid and the equivalent of NOK 1,049 million in new loans raised to finance delivered newbuildings, the purchase of reefers and otherwise to benefit from advantageous borrowing conditions during the year.

OTHER MATTERS

Further efforts are being made in strengthening and developing the organization. As part of this process an Executive Committee has been formed with Westye Høegh and Thor Jørgen Guttormsen as well as Leif O. Høegh of Leif Höegh (U.K.) Ltd as members.

LHC Consolidated has for 1995 changed the accounting principle applying to upgrading in connection with classification of the vessels. Such upgrading costs required for classification, have been capitalized and will be depreciated over the period until the next classification/drydocking. The same applies to expenses related to the class certification. These expenses were previously charged when occured. As a result of the change there is in the

accounts for 1995 an extraordinary income of NOK 48 million, of which NOK 20 million refers to Bona. Ordinary maintenance is charged the operation directly as before.

The Group Management Board, which includes representatives of the employees, has been presented with the company's accounts and budgets and has discussed issues relevant to personnel and ship management.

Working conditions in 1995, both at sea and ashore, were satisfactory. To ensure manning of the fleet with well qualified officers and crew, great importance is attached to the recruiting and training of personnel.

The company's landbased activites caused no form of environmental pollution. The activities at sea adhere to national and international rules and regulations.

As regards the remuneration of the Board and President, reference is made to Note 2 to the Accounts of Leif Höegh & Co. ASA. The major shareholders are listed under «Shareholder Relations».

FUTURE INDUSTRIAL POLICIES

There is a real danger of future shortage of qualified officers in international shipping. It is therefore important that the shipping companies take an active attitude towards recruitment and training. LHC's main emphasis in this respect is focused on Asian crews.

The future framework for the shipping industry in Norway will also to a large degree be defined by the Government's new «Shipping Bill», which is still not ready. However, according to various signals it seems that the new bill will not meet the needs of the Norwegian shipping industry, neither when it comes to manning, nor securing new capital.

EXPECTATIONS FOR 1996

The 1996 operating profit is expected, based on today's market situation, to be in line with that of 1995. There will be a deterioration in the gas trade due to the upgrading of NORMAN LADY and lower timecharter rates. The market for reefers is, on the other hand, improving.

Higher debt will increase the net interest charge. The USD/NOK rate of exchange will as always influence the operating and financial results. Profit after financial items is expected to be lower than in 1995.

LEIF HÖEGH & CO. ASA

Profit after financial items was NOK 205 million and net profit was NOK 211 million.

The Board will propose to the Annual General Meeting that a dividend of NOK 3.00 per share is paid for 1995.

Proposed allocation of net profit:	
Dividends	90
Group contribution	140
Legal reserves	21
Non-distributable reserve	(39)
Retained earnings	(1)
Total disposed	**211**

Board of Directors
Leif Höegh & Co. ASA
Oslo, 22 March 1996

Truls Bergersen

Westye Høegh
Chairman

Per A. Flaate

Karl Otto Gilje

Truls Holthe

Ove Høegh

Einar Kloster

Thor Jørgen Guttormsen
President

Statement of Income

Consolidated Companies

(NOK million)	Note	1995	1994	1993
OPERATING INCOME AND EXPENSES				
Freight revenues, net		2,943	2,800	2,433
Voyage expenses		(1,316)	(1,276)	(1,037)
Income on T/C-basis		**1,627**	**1,524**	**1,396**
Charterhire expenses		(620)	(766)	(269)
Crew expenses		(150)	(137)	(174)
Other operating expenses		(265)	(257)	(294)
General administrative expenses	2	(34)	(41)	(43)
Operating profit before ordinary depreciation		**558**	**323**	**616**
Ordinary depreciation		(278)	(218)	(257)
OPERATING PROFIT		**280**	**105**	**359**
Profit associated companies		36	3	0
FINANCIAL INCOME AND EXPENSES				
Interest income		54	72	81
Realized foreign exchange gain/(loss)	3	(75)	(58)	6
Unrealized foreign exchange gain/(loss)	3	31	96	(53)
Interest expenses	4	(121)	(78)	(71)
Other financial items	5	82	10	65
Net financial items		**(29)**	**42**	**28**
PROFIT AFTER FINANCIAL ITEMS		**287**	**150**	**387**
Profit/(loss) on sale of vessels/newbuildings	6	5	0	158
Profit/(loss) on sale of other fixed assets		0	0	(310)
PROFIT BEFORE EXTRAORDINARY ITEMS		**292**	**150**	**335**
Extraordinary items	7	47	0	0
PROFIT BEFORE TAX		**339**	**150**	**335**
Tax payable		(7)	(6)	(126)
Change in deferred tax		(27)	99	35
Tax	8	**(34)**	**93**	**(91)**
CONSOLIDATED PROFIT		**305**	**243**	**244**
MINORITY INTERESTS		(2)	33	0
NET PROFIT		**303**	**276**	**244**

Balance Sheet

Consolidated Companies

(NOK million)	Note	31.12.1995	31.12.1994	31.12.1993
ASSETS				
Bank deposits	9	383	150	121
Marketable securities	10	789	814	77
Bunkers and other inventories		53	49	16
Other current assets	11	26	30	15
Total current assets		**1,251**	**1,043**	**929**
Shares	12	906	873	837
Long term receivables		29	48	12
Vessels	13	2,591	1,614	1,370
Newbuildings	14	562	1,325	757
Goodwill	15	133	299	12
Pension assets	19	8	7	0
Other fixed assets	15	88	63	47
Deferred tax benefit		14	14	0
Total fixed assets		**4,331**	**4,243**	**3,035**
TOTAL ASSETS		**5,582**	**5,286**	**3,964**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current portion of long term debt	18	227	218	186
Current portion of newbuilding obligations	14	50	1	20
Provision for dividends		90	90	90
Tax payable		0	1	121
Provision for losses on T/C contracts		4	130	0
Other current liabilities	17	230	329	142
Total current liabilities		**601**	**769**	**559**
Mortgage debt/lease obligations	18	1,988	1,163	894
Newbuilding obligations	14	482	869	450
Pension obligations	19	51	52	0
Other long term debt	20	54	224	0
Deferred tax	8	380	354	453
Total long term debt		**2,955**	**2,662**	**1,797**
Minority interests	21	52	94	0
Share capital		60	60	60
Legal reserve		323	302	211
Non-distributable reserve		40	79	118
Retained earnings		1,551	1,320	1,219
Total shareholders' equity	21	**1,974**	**1,761**	**1,608**
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY		**5,582**	**5,286**	**3,964**
Guarantees and long term T/C commitments	23	662	1,043	431

Cashflow Statement

Consolidated Companies

(NOK million)	*1995*	*1994*	*1993*
CASHFLOW FROM OPERATIONS			
Total generated from operations	319	16	481
Movement in current assets/liabilities	(68)	(14)	177
Net cashflow from operations	**251**	**2**	**658**
CASHFLOW FROM INVESTMENTS			
Acquisition of companies	0	164	0
Investments in fixed assets	(559)	(225)	0
Sale of fixed assets (sales price)	36	0	415
Movement in other investments	125	(3)	(41)
Payment on newbuilding contracts	(264)	(170)	(287)
Net cashflow from investments	**(662)**	**(234)**	**87**
CASHFLOW FROM FINANCING			
Loans raised	1,049	384	148
Loans repaid	(386)	(213)	(560)
New minority interests	(44)	127	0
Net cashflow from financing	**619**	**298**	**(412)**
NET CASHFLOW FOR THE YEAR	**208**	**66**	**333**
Cash balance per 01.01.	964	898	982
Removal of Bona	0	0	(417)
CASH BALANCE PER 31.12.	**1,172**	**964**	**898**
GENERATED FROM OPERATIONS			
Net profit of the year	303	276	244
Profit associated companies	(36)	(3)	0
Reversal of provision for losses on T/C contracts	(129)	(157)	0
Minority interests	2	(33)	0
Loss/(gain) on sale of fixed assets	(5)	0	52
Ordinary depreciation	278	218	257
Unrealized currency exchange loss/(gain)	(31)	(96)	53
Changes in deferred tax	27	(99)	(35)
Dividends	(90)	(90)	(90)
Total generated from operations	**319**	**16**	**481**

Accounting principles

The accounts have been prepared in accordance with accounting principles generally accepted in Norway. The most important accounting principles followed by the company are described below.

A) PRINCIPLES OF CONSOLIDATION

Consolidated companies

LHC Consolidated includes the parent company LHC and companies in which LHC directly or indirectly holds a majority of the voting capital (see C, however). The following companies are consolidated according to the guidelines above:

- Leif Höegh (U.K.) Ltd
- Höegh Holdings B.V.
- H Shipping Ltd
- PCL Holding Ltd
- International Reefer Ltd
- Avrista Ltd
- Cool Carriers AB
- Lawhill Shipping Ltd
- Höegh Lines AS
- Höegh Car Carriers AS
- Höegh Fleet Services AS

As specified in Note 12, LHC has also further subsidiares than those included in the consolidation. These companies are agent offices and/or subsidiaries with limited activity and are immaterial to the consolidated accounts.

Elimination of intercompany balances, transactions, profits and shares

In the consolidated accounts all intercompany balances, transactions and profits arising between the consolidated companies have been eliminated.

The cost of shares in subsidiaries has been eliminated against equity in the subsidiaries at the time of acquisition or establishment. If the real values in the acquired activities differ from the book values, the real values are used as basis for the various assets and debt items.

Conversion of accounts of foreign subsidiaries

The accounts of foreign subsidiaries are converted into NOK at average rates of exchange during the year as regards the statement of income and at year-end rates as regards the balance sheet. Exceptions are made for vessels, which are converted at historical rates and long term debt, which are converted at historical or year-end rates, whichever is the higher. The conversion difference is in reality currency exchange gain or loss and has been included in the financial items.

B) INVESTMENTS IN OTHER COMPANIES

The company's participating interests in foreign single purpose companies are accounted for in the consolidated accounts using pro rata consolidation as these are joint ventures. The pro rata method implies that revenues, expenses, assets and liabilities are included in the accounts with the share owned by LHC.

Other companies, in which LHC owns between 20% and 50%, are included in the consolidated accounts according to the equity method, provided the investments are of a long term nature.

Other long term investments in shares and in limited partnerships are included with the net investment.

C) POOL-AGREEMENTS

A number of vessels owned by LHC Consolidated are operated through various pools. The participants in these pools are the companies contributing vessel capacity to the pools and include, in addition to LHC and subsidiaries, outside partners. The pools are to be regarded as joint ventures. Revenues, assets and liabilites of the pools are included in the consolidated accounts to the extent of the consolidated companies' participating interests. This pro rata consolidation principle is applied also when the consolidated companies act as operators and LHC Consolidated has a majority ownership in the pool.

D) DEPRECIABLE FIXED ASSETS

Depreciable fixed assets are stated in the balance sheet at cost, less ordinary depreciation.

The straight-line method is used for ordinary depreciation of vessels based on an economic lifetime of normally 20 years from delivery of the vessel as new. The gas vessels are depreciated over about 30 years. The scrap value at the end of the depreciation period has not been included. Depreciation on office equipment is charged to the operation as administrative expenses. Goowill is depreciated over 10 years.

E) NEWBUILDING CONTRACTS

Newbuilding contracts are included under fixed assets at the estimated cost, excluding interests during the building period. Corresponding liabilities, less instalments paid, are entered as debt.

F) FOREIGN EXCHANGE

All current assets and current liabilities in foreign currencies, except the current portion of long term debt, are recorded at year-end rates of exchange. Exchange gains or losses are included as financial items in the statement of income.

Forward foreign exchange contracts have been valued at year-end, based on the lowest of forward and market rates on a portfolio basis. Net unrealized loss is expensed.

Long term debt (including current portion) and long term receivables (including current portion) are valued together per currency. The net amount is recorded at historical or year-end rates, whichever is the higher, if the amount is a debt and vice versa if the amount is a receivable. When

Accounting principles

currencies in which the group has debt (mainly USD) strengthen against NOK, unrealized losses are recorded. If currencies weaken, or loans are repaid, resulting in realized exchange gains/losses, previously charged unrealized losses are reversed as income. Unrealized currency exchange gains/losses are shown separately under financial items. Realized exchange gains/losses are calculated based on the difference between the historical rate of exchange and the rate when repayment is made.

Following year-end rates of exchange are used:
USD 6.32
SEK 0.95

G) LEASING

Asset values and obligations in respect of vessels financed through lease agreements, where the company has the option to buy the vessel for the remaining principal amount outstanding of the lease debt, are capitalized and classified as vessels and long term debt.

The interest element of a lease payment is included in interest expenses and the capital element of a lease payment is treated as repayment of debt.

The lease liability is the remaining principal amount outstanding. Realized and unrealized exchange gains and losses are included in the statement of income according to the principles applied to long term debt (see F).

H) MARKETABLE SECURITIES

Current assets in the form of shares and bonds are regarded as two separate portfolios and have been valued at the lower of cost or market value on a portfolio basis.

I) REVENUE RECOGNITION

Income and expenses related to uncompleted voyages are accounted for on a percentage of completion basis.

J) T/C CONTRACTS AND FREIGHT CONTRACTS

Timecharter contracts and other freight contracts are valued at year-end and any estimated loss is being provided for.

K) CLASSIFICATION EXPENSES

LHC Consolidated has for 1995 changed the accounting principle applying to upgrading in connection with classification of the vessels. Such upgrading costs required for classification have been capitalized and will be depreciated over the period until next classification/drydocking. The same applies to expenses related to class certification. These expenses were previously charged the operation in the year of the docking. Maintenance costs are, as before, charged to the operation as they occur.

L) BUNKERS AND OTHER INVENTORIES

Inventories are valued at cost or market value, whichever is the lower.

M) EXTRAORDINARY ITEMS

According to the criteria for classifying income and expenses under this category the items must be both unusual, irregular and substantial in order to be classified as extraordinary. The effect of changes in accounting principles is, according to the above, considered as extraordinary items.

N) PENSION COSTS AND PENSION LIABILITIES

Pension costs and pension liabilities are included in the statement of income and the balance sheet according to the preliminary Norwegian accounting standard. Net pension costs for the year includes pensions earned during the period, including future wage increases and estimated interest on the liability, reduced with the estimated yield on the pension assets together with possible effects of changes in plans and estimates. Estimated values at book closing are used when evaluating the pension fund and measuring the accrued liabilities. These estimates are regularly adjusted in accordance with actuarial calculations. The effect of changes in the estimates and differences between estimated and actual return, is charged the operation over the average remaining accrued period (assumed to be 15 years) only when the accumulated effect exceeds 10% of the larger of the pension assets and the pension liabilities.

Net pension cost is classified as wages in the statement of income. In the balance sheet net pension assets within the company scheme is presented as fixed assets, while net pension obligations not covered are classified as long term debt.

O) DEFERRED TAX/ DEFERRED TAX BENEFIT

Deferred tax is calculated, based on the timing differences in each of the tax groups within LHC existing at year-end, between financial and taxable asset values, and the taxable deficit carried forward. Negative and positive timing differences, including deficit carried forward, which will or can be reversed in the same period, are set off and netted. Exceptions are made for positive temporary differences and deficits carried forward in the acquired companies, which have not been paid for. Such items are recorded as income when used for tax reduction purposes.

Notes

Consolidated Companies

NOTE 1 **INVESTMENTS IN AND SALE OF COMPANIES**

After having bought 50.1% of the shares in Cool Carriers from Bilspedition AB through Avrista Ltd (75% LHC and 25% Tufton Oceanic Ltd) per 01.01.94, the remaining 49.9% was acquired end September 1995.

NOTE 2 **GENERAL ADMINISTRATIVE EXPENSES**

The administrative expenses of LHC Consolidated related to marketing and operation of the vessels are included in «Voyage expenses» and «Other operating expenses», respectively. The item «General administrative expenses» therefore consists of expenses related to the company's top management and the president's office in addition to the finance and accounting department.

NOTE 3 **FOREIGN EXCHANGE GAIN/(LOSS)** **(NOK MILLION)**

	1995		*1994*		*1993*	
	Realized	*Unrealized*	*Realized*	*Unrealized*	*Realized*	*Unrealized*
Current assets/liabilites	(40)	0	(6)	0	26	0
Forward contracts	(43)	27	(34)	(32)	8	0
Mortgage debt/lease obligations	8	4	(18)	128	(28)	(53)
Total	(75)	**31**	(58)	**96**	**6**	(53)

A substantial part of LHC Consolidated's liquidity is invested in Norwegian bonds and shares. The currency exposure is, however, in USD through forward purchases of USD against NOK. Unrealized loss on forward contracts is related to forward purchases of USD 79 million against NOK for delivery during 1996 at an average exchange rate of 6.38.

NOTE 4 **INTEREST EXPENSES**

Interest expenses include only interest on mortgage debt and lease obligations. Other interest expenses are immaterial and are netted under «Interest income».

NOTE 5 **OTHER FINANCIAL ITEMS** **(NOK MILLION)**

	1995	*1994*	*1993*
Dividends	9	3	4
Gain/(loss) shares/bonds	57	21	48
Value regulation shares/bonds	17	(15)	24
Other items	(1)	1	(11)
Total	**82**	**10**	**65**

NOTE 6 **GAIN/(LOSS) ON SALE OF VESSELS/NEWBUILDINGS** **(NOK MILLION)**

Sales price BASSRO STAR	35,534
Book value BASSRO STAR	(31,023)
Gain on sale of vessels	**4,511**

NOTE 7 **EXTRAORDINARY ITEMS**

In connection with the change in the accounting principle (see K under Accounting principles) regarding classification expenses to a capitalization/depreciation principle from charging the costs directly to the operation, an extraordinary item will occur for the first years until all vessels have drydocked once after the change.

Docking expenses have been charged the operating profit as if the principle had already been implemented in previous years. Calculated «depreciation» in 1995 on what should previously have been capitalized and for capitalization made in 1995 have therefore been treated as docking expenses in 1995.

The treatment is in accordance with §11-10 in the Company's Act which does not allow fixed assets to be booked at a higher value than in the previous balance. Depreciation on the part that previously should have been capitalized has been reversed as an extraordinary item amounting to NOK 27 million. In addition, the Consolidated company's share of the extraordinary item in Bona Shipholding Ltd (associated company) which is also related to the change in the accounting principle regarding docking expenses, has been included as an extraordinary item of NOK 20 million.

Notes
Consolidated Companies

NOTE 8 **TAX** **(NOK MILLION)**

	1995	*1994*	*1993*
Profit before tax	339	150	335
+/- Permanent differences	(48)	(3)	(2)
+/- Changes in temporary differences	(98)	357	168
Use of taxable deficit carried forward	(177)	(481)	(52)
Tax basis	**16**	**23**	**449**
Tax payable abroad	7	6	5
Tax payable in Norway	0	0	121
Total tax payable	**7**	**6**	**126**
Changes in deferred tax	27	(99)	(35)
TAX	**34**	**(93)**	**91**
Various current items	**21**	**(47)**	**30**
Accelerated depreciation	843	776	795
Gain/loss account	384	526	663
Classification fund	0	17	69
Self-insurance fund	76	69	60
Pension obligations not covered	(51)	(52)	0
Other	37	(77)	0
Total long term items	**1,289**	**1,259**	**1,587**
Total temporary differences	**1,310**	**1,212**	**1,617**
Deferred tax	380	354	453
Deferred tax benefit	14	14	0
Tax rate used	28%	28%	28%

In addition, LHC has negative temporary differences of about NOK 300 million in foreign subsidiaries which, according to the company's accounting principles, are not offset against the positive temporary differences.

NOTE 9 **BANK DEPOSITS** **(NOK MILLION)**

Specification per currency:	*1995*	*1994*	*1993*
USD	296	104	67
NOK	51	16	43
Other	36	30	11
Total	**383**	**150**	**121**

Of total bank deposits an amount equal to NOK 4 million was blocked.

Notes

Consolidated Companies

NOTE 10 **MARKETABLE SECURITIES**

Includes Norwegian and foreign bonds in mortgage companies, industrial companies and municipalities, as well as Norwegian and foreign shares.

Specification			*(NOK million)*
	1995	*1994*	*1993*
Certificates	155	0	8
Bonds	327	637	645
Shares (see separate specification)	307	177	124
Total	**789**	**814**	777

Unrealized gain, not booked, in relation to the share and bond portfolio was NOK 5 million per 31.12.1995.

Specification shares):*	*Total no. of shares in the company (in 1,000)*	*LHC's share No of shares*	*Book value (NOK 1,000)*	*Market value (NOK 1,000)*
Norske Skogindustrier	26,531	250,000	45,050	46,375
Hafslund Nycomed - B	39,927	214,833	37,263	35,018
Nera	13,148	67,200	15,182	14,179
Steen & Strøm Invest	15,908	150,000	13,650	15,000
Skipskredittforeningen	1,700	65,000	13,182	13,314
Elkem	49,280	165,000	11,592	12,045
Norsk Hydro	229,073	40,000	10,735	10,760
Aker - B	39,801	121,000	9,594	9,347
Oslo Reinsurance	1,200	33,000	8,410	6,848
Bolig- og Næringsbanken	9,754	49,400	7,627	7,361
Uni Storebrand - Pref.	100,000	673,000	7,541	7,874
Tandberg Data	10,480	195,000	7,135	9,506
Sparebanken Nord-Norge (grunnfondsbevis)	6,443	51,800	5,834	6,915
Havtor	182,785	288,500	5,765	5,669
Sparebanken Rogaland (grunnfondsbevis)	7,440	41,600	5,688	6,094
I.M. Skaugen	162,787	1,251,000	5,648	4,504
Hafslund Nycomed - A	60,608	29,186	5,288	4,896
Kværner - A	33,700	20,575	4,513	4,650
Nomadic Shipping	10,475	340,000	4,433	4,352
Saga Petroleum - B	34,083	58,900	4,279	4,653
Kverneland	8,964	40,000	4,210	5,020
Fokus Bank	65,688	118,000	3,929	4,053
Storli Skibs - B	6,975	37,400	3,747	3,534
Moelven Industrier	70,544	471,000	3,499	3,109
Bonheur	11,490	25,000	3,410	3,550
Nordlandsbanken	6,202	30,300	3,335	3,106
Kværner - B	9,649	15,500	3,233	3,309
Fesil	7,999	46,800	3,064	2,808
Norske Skogindustrier - B	6,084	17,000	2,979	2,984
Det norske Luftfartselskap	6,291	10,000	2,738	2,810
Seatex	7,577	110,800	2,595	3,102
Veidekke	5,698	19,400	2,469	2,459
Hunsfos	5,139	44,414	2,411	2,265
Aker - A	39,801	29,800	2,388	2,511
Nydalens Compagnie	17,178	85,000	2,387	2,508
Awilco Shipping - B	17,472	35,000	2,287	2,100
Sparebanken Midt-Norge (grunnfondsbevis)	6,000	17,500	2,285	2,721
Ekornes	6,446	30,000	2,212	2,100
Atlantic Container Line	6,500	25,000	2,031	2,019
Other shares	-	-	61,546	61,677
Option premiums received	-	-	(37,780)	(38,600)
Total			**307,384**	**308,505**

*)Options bought/sold for parts of the portfolio

Notes
Consolidated Companies

NOTE 11 **OTHER CURRENT ASSETS**

Consist mainly of trading accounts with agents, outstanding freights and accruals.

NOTE 12 **SHARES**

		100% basis		*LHC per 31.12.95*		
Company		*Share capital*	*No. of shares*	*No. of shares*		*Book value (1,000)*
Shares in associated companies: (see specification below)					NOK	900,980
Shares in other companies:						
Harpul Höegh Lines	SGD	100,000	500,000	50,000	NOK	2
Höegh Lines US	USD	10,000	1,000	1,000	NOK	63
Pac. Oriental Terminal Inc.	USD	2,500	250	84	NOK	6
Lateen Shipping Inc.	USD				NOK	2,571
Other companies					NOK	2,807
Subtotal					**NOK**	**5,449**
TOTAL					**NOK**	**906,429**

Specification associated companies: *(NOK 1,000)*

Company	*Holding %*	*Book value 01.01*	*Increase 1995*	*Retirement 1995*	*Profit 1995*	*Book value 31.12*
Bona Shipholding Ltd	42.3	828,486	-	-	43,808	872,294
Euro Marine Carrier B.V.	24.5	190	-	-	(190)	0
Crystal Primadonna N.V.	40.0	0	-	-	-	0
Crystal Privilege N.V.	40.0	0	-	-	-	0
Crystal Prince N.V.	40.0	13,184	-	-	128	13,184
Crystal Pride N.V.	40.0	11,795	-	-	61	11,856
Frigorifico Frutero SA	22.0	3,357	-	-	161	3,518
Kezia Ltd	25.0	17	-	-	(17)	0
Total		**857,029**	**-**	**-**	**43,951**	**900,980**

Notes
Consolidated Companies

NOTE 13 **VESSELS** **(NOK MILLION)**

Cost 01.01.95	3,172
Investments	1,251
Sale	(36)
Cost 31.12.95	**4,387**
Accumulated depreciation 01.01.95	1,558
Depreciation this year	243
Sale	(5)
Accumulated depreciation 31.12.95	**1,796**
Book value 31.12.95	**2,591**

Vessels owned/financially leased:	*Ownership %*	*Cost*	*Book value*
NORMAN LADY	50	44	11
HÖEGH GANDRIA	39	282	154
HUAL TRACER	100	113	64
HUAL TRAPPER	100	113	64
HUAL TRAVELLER	90	247	90
HUAL TROTTER	90	246	92
HUAL TRIBUTE	100	182	109
HUAL TRIDENT	100	346	331
HUAL TROOPER	100	343	329
HUAL TRINITA	50	31	28
HÖEGH CAIRN	80	92	9
HÖEGH CLIPPER	80	96	8
HÖEGH DENE	100	132	73
HÖEGH DRAKE	100	132	73
HÖEGH DYKE	100	132	73
HÖEGH DUKE	100	285	121
HÖEGH MIRANDA	100	129	23
HÖEGH MARLIN	100	124	0
MASCOT	100	127	0
HÖEGH MINERVA	100	117	12
HÖEGH MERCHANT	100	2	0
HÖEGH MERIT	100	8	2
HÖEGH MUSKETEER	100	15	5
HÖEGH MISTRAL	100	145	93
SPRING BRIDE	100	88	77
SPRING DREAM	100	88	80
CHIQUITA BARACOA	100	116	112
CHIQUITA BARU	100	110	107
SUMMER MEADOW	100	119	115
SUMMER WIND	100	119	115
ERIKSON CRYSTAL	100	68	65
ARCADE EAGLE	100	49	38
ARCADE FALCON	100	49	38
IRON MASTER	100	99	78
Total		**4,387**	**2,591**

Notes
Consolidated Companies

NOTE 14 NEWBUILDINGS AND NEWBUILDING OBLIGATIONS (NOK MILLION)

The newbuildings are as follows:

Name	*Yard*	*Delivery*	*Cost price*
HÖEGH MONAL	Mitsui Engineering & Shipbuilding Co., Japan	4th quarter 1996	281
HÖEGH MORUS	Mitsui Engineering & Shipbuilding Co., Japan	3rd quarter 1997	281
Total			**562**

The contract prices are in USD. The newbuilding obligations in the amount of NOK 532 million consist of the unpaid portion of cost price as per year-end. NOK 432 is covered by agreed long term financing.

NOTE 15 OTHER FIXED ASSETS AND GOODWILL (NOK MILLION)

Other fixed assets:	
Cost 01.01.95	135
Additions	41
Sale	(22)
Cost 31.12.95	**154**
Accumulated depreciation 01.01.95	72
Depreciation this year	3
Sale	(9)
Accumulated depreciation 31.12.95	**66**
Book value 31.12.95	**88**

Other fixed assets consist mainly of shares in limited partnerships, cars, office equipment and capitalized classification expenses.

Goodwill:	
Cost 01.01.95	332
Adjustments	(136)
Cost 31.12.95	**196**
Accumulated depreciation 01.01.95	33
Depreciation this year	30
Accumulated depreciation 31.12.95	**63**
Book value 31.12.95	**133**

The capitalized goodwill has been reduced by an amount equal to the payment under a guarantee from Bilspedition AB and a partial reversal of provisions for losses on T/C-contracts.

Notes

Consolidated Companies

NOTE 16 INVESTMENTS IN AND SALE OF FIXED ASSETS (NOK MILLION)

	1995	1994	1993	1992	1991
Investments (cost price)	1,251	422	1,123	23	236
Sales (sales price)	(36)	0	(1,239)	0	(538)
Net investments	**1,215**	**422**	**(116)**	**23**	**(302)**

NOTE 17 OTHER CURRENT LIABILITIES (NOK MILLION)

Holiday pay, tax withheld and social security	21
Suppliers	47
Short term loans	9
Debt to pool partners and to external ship management	52
Provision for losses on forward foreign exchange contracts	5
Accrued ship management and administrative expenses	14
Accrued interest on long term debt	41
Miscellaneous current liabilities	41
Total	**230**

NOTE 18 MORTGAGE DEBT/LEASE OBLIGATIONS (AMOUNTS IN MILLION)

Specification of currency	*Currency*	*Currency Amount*	*Average exchange rate*	*Recorded in NOK*
	USD	336	6.605	2,215

Repayment schedule:

Less than one year	227
Between 1 and 5 years	1,146
More than 5 years	842
Total	**2,215**

The debt is secured by first priority mortgages in vessels owned (Note 13).

Notes
Consolidated Companies

NOTE 19 **PENSION SCHEME**

LHC has its own pension fund for the employees. The fund provides for a retirement pension of 66% of annual salary (limited to 12G) at the time of retirement after 30 years of service. In addition, the fund provides disability pension and pension to spouses and children. All pensions are coordinated with expected payments from the State Pension Scheme.

In addition to the pension obligations covered by the insured scheme, the company has uninsured pension obligations. These obligations cover pensions for wages above 12G and early retirement pensions.

Future pension obligations are estimated based on the following assumptions:	
Discount rate	6%
Expected return on pension fund	7%
Wage regulation/inflation	3%
Pension regulation	3%

This year's pension cost is as follows:	*(NOK million)*
Net present value of this year's pension earnings	(4)
Interest on pension obligations	(12)
Expected return on pension fund	11
Amortization	1
Net pension cost	**(4)**

Pension obligations and pension assets per 31 December 1995:	
Pension obligations	(197)
Pension assets	171
Net pension assets/(obligations)	**(26)**
Effect of changes in estimates, difference between expected and actual return and changes in pension plan, not booked	(17)
Net pension assets/(obligations) in the Balance Sheet	**(43)**

Notes
Consolidated Companies

NOTE 20 OTHER LONG TERM DEBT (NOK MILLION)

Bilspedition AB	27
SE-Banken	8
Container leasing	7
Other long term debt	12
Total	**54**

NOTE 21 SHAREHOLDERS' EQUITY (NOK MILLION)

	Share-capital	*Legal reserve*	*Non-distributable reserve*	*Retained earnings*	*Total*	*Minority interests*
Equity per 31.12.94	60	302	79	1,320	1,761	94
Transfers/additions/retirements			(39)	39	0	(44)
Net profit of the year		21		282	303	2
Dividend				(90)	(90)	
Equity per 31.12.95	**60**	**323**	**40**	**1,551**	**1,974**	**52**

NOTE 22 RELATED PARTIES

Leif Höegh & Co. ASA rents office space in Wergelandsveien 7 from Höegh Invest A/S, a company owned by the Høegh family. The contract includes 3,953 m², plus basement/storage rooms and garage at a total rent of NOK 13 million per year (1995). The lease has recently been renewed until 31 December 2004 at reduced rent. In addition, the company rents, for representative use, Prinsessealléen 8 from A/S Gadus, also a company owned by the Høegh family. The yearly rent is NOK 1.2 million, and the contract runs until October 1998.

NOTE 23 GUARANTEES AND LONG TERM T/C COMMITMENTS

LHC Consolidated is, as a participant in limited partnerships, liable for uncalled capital of NOK 31 million.

LHC Consolidated guarantees USD 6.8 million (25.5%) of a loan drawn by Euro Marine Carriers B.V. (EMC) in connection with the financing of two vessels. EMC is owned 24.5% by Höegh Holdings B.V.

LHC Consolidated has long term timecharter commitments of USD 93 million expiring between 1996 and 1999.

Statement of Income

Leif Höegh & Co. ASA

(NOK million)	Note	1995	1994	1993
OPERATING INCOME AND EXPENSES				
Freight revenues, net		786	1.234	1.199
Voyage expenses		(166)	(443)	(362)
Income on T/C-basis		**620**	**791**	**837**
Charterhire expenses		(14)	(57)	(41)
Crew expenses		(100)	(129)	(110)
Other operating expenses		(175)	(244)	(198)
General administrative expenses	2	(30)	(37)	(26)
Operating profit before ordinary depreciation		**301**	**324**	**462**
Ordinary depreciation		(148)	(177)	(155)
OPERATING PROFIT		153	147	307
FINANCIAL INCOME AND EXPENSES				
Interest income		30	57	69
Realized foreign exchange gain/(loss)		(70)	(66)	5
Unrealized foreign exchange gain/(loss)		50	112	(64)
Interest expenses		(66)	(77)	(66)
Other financial items		108	47	102
Net financial items		**52**	**73**	**46**
PROFIT AFTER FINANCIAL ITEMS		**205**	**220**	**353**
Profit/(loss) on sale of vessels/newbuildings	7	5	0	138
PROFIT BEFORE EXTRAORDINARY ITEMS		**210**	**220**	**491**
Extraordinary items	3	23	0	54
PROFIT BEFORE TAX		**233**	**220**	**545**
Tax payable		(5)	(6)	(126)
Change in deferred tax		(17)	99	(26)
Tax	**4**	**(22)**	**93**	**(152)**
NET PROFIT		**211**	**313**	**393**
PROPOSED ALLOCATION OF NET PROFIT				
Dividends		90	90	90
Group contribution		140	0	0
Transferred to legal reserves		21	94	113
Transferred from non-distributable reserves		(39)	(39)	(40)
Transferred to/(from) retained earnings		(1)	168	230
TOTAL DISPOSED		**211**	**313**	**393**

Balance Sheet

Leif Höegh & Co. ASA

(NOK million)	Note	31.12.1995	31.12.1994	31.12.1993
ASSETS				
Bank deposits		265	104	96
Marketable securities	5	688	665	777
Bunkers and other inventories		17	22	12
Other current assets		0	89	24
Total current assets		**970**	**880**	**909**
Shares in consolidated companies	6	455	204	134
Other shares	6	826	832	882
Loan to consolidated companies		174	102	0
Other long term receivables		10	17	7
Vessels	7	1,386	1,437	1,369
Newbuildings	8	562	1,325	757
Pension assets	12	5	6	0
Other fixed assets	9	70	47	32
Deferred tax benefit		14	15	0
Total fixed assets		**3,502**	**3,985**	**3,181**
TOTAL ASSETS		**4,472**	**4,865**	**4,090**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current portion of long term debt	11	141	212	186
Current portion of newbuilding obligations		50	1	20
Provision for dividends		90	90	90
Tax payable		0	1	121
Other current liabilities		152	213	97
Total current liabilities		**433**	**516**	**514**
Mortgage debt/lease obligations	11	1,029	1,102	894
Newbuilding obligations		482	869	450
Loan from consolidated companies		169	163	167
Pension obligations	12	51	52	0
Group contribution		140	0	0
Other long term debt		9	2	0
Deferred tax		365	349	446
Total long term debt		**2,245**	**2,537**	**1,957**
Share capital		60	60	60
Legal reserve		323	302	211
Non-distributable reserve		40	79	118
Retained earnings		1,371	1,371	1,230
Total shareholders' equity	**13**	**1,794**	**1,812**	**1,619**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,472**	**4,865**	**4,090**
Guarantees and long term T/C-commitments	14	549	170	431

Cashflow Statement

Leif Höegh & Co. ASA

(NOK million)	Note	1995	1994	1993
CASHFLOW FROM OPERATIONS				
Total generated from operations		94	189	407
Movement in current assets/liabilities		91	(189)	230
Net cashflow from operations		**185**	**0**	**637**
CASHFLOW FROM INVESTMENTS				
Acquisition of companies		0	62	0
Investments in fixed assets		0	(48)	(165)
Sale of fixed assets (sales price)		36	0	921
Movement in other investments		(84)	(45)	(851)
Payment on newbuilding contracts		(264)	(170)	(287)
Net cashflow from investments		**(312)**	**(201)**	**(346)**
CASHFLOW FROM FINANCING				
Loans raised		501	316	148
Loans repaid		(150)	(219)	(511)
Net cashflow from financing		**351**	**97**	**(363)**
NET CASHFLOW FOR THE YEAR		**224**	**(104)**	**(72)**
Cash balance per 01.01.		769	873	945
Removal of companies		(40)		
CASH BALANCE PER 31.12.		**953**	**769**	**873**
GENERATED FROM OPERATIONS				
Net profit		211	313	393
Loss/(gain) on sale of fixed assets		(5)	0	(138)
Ordinary depreciation		148	177	155
Unrealized currency exchange loss/(gain)		(50)	(112)	64
Changes in deferred tax		20	(99)	23
Dividends		(90)	(90)	(90)
Group contribution		(140)	0	0
Total generated from operations		**94**	**189**	**407**

Notes

Leif Höegh & Co. ASA

NOTE 1 **CHANGES IN ACCOUNTING PRINCIPLES**

Some wholly owned subsidiaries registered in low tax countries have previously been included in the accounts of the parent company. As from 1995, separate accounts are prepared for these companies and they are consequently not included in Leif Höegh & Co. ASA's accounts. The figures for 1994 and 1993 have not been changed accordingly.

NOTE 2 **GENERAL ADMINISTRATIVE EXPENSES**

The administrative expenses of LHC related to marketing and operation of the vessels are included in «Voyage expenses» and «Other operating expenses», respectively. The item «General administrative expenses» therefore consist of expenses related to the company's top management and the president's office in addition to the finance and accounting department

Remuneration and wages paid by LHC:	*(NOK 1,000)*
The Board of directors (not LHC employees)	300
The President	1,258
Audit fee	909

Salaries and social expenses amounted to NOK 50 million, compared to NOK 52 million in 1994.

NOTE 3 **EXTRAORDINARY ITEMS**

In connection with the change in accounting principles (see K under Accounting principles) regarding classification expenses to a capitalization and depreciation principle instead of charging the expenses directly to operation, an extraordinary item will occur for the first few years until all vessels have been drydocked once after the change. In 1995 this item amounted to NOK 23 million.

NOTE 4 **TAX** **(NOK MILLION)**

	1995
Profit before tax	233
Group contribution	(140)
+/- Permanent differences	(10)
+/- Changes in temporary differences	(65)
Tax basis	**18**
Freight tax payable abroad	5
Tax payable in Norway	0
Total tax payable	**5**
Changes to deferred tax	18
Adjustment previous year	(1)
TAX	**22**
Various current items	21
Various long term items	1,224
Total temporary differences	**1,245**
Deferred tax	365
Deferred tax benefit	14
Tax rate used	28%

Notes
Leif Höegh & Co. ASA

NOTE 5 **MARKETABLE SECURITIES**

Includes Norwegian and foreign bonds in mortgage companies, industrial companies and municipalities, as well as Norwegian and foreign shares.

Specification			*(NOK million)*
	1995	*1994*	*1993*
Certificates	54	0	8
Bonds	327	637	645
Shares (see separate specification)	307	177	124
Total	**688**	**814**	777

Unrealized gain, not booked, in relation to the share and bond portfolio was NOK 5 million per 31.12.1995.

Specification of shares:
See Note 10 to the Consolidated accounts.

NOTE 6 **LONG TERM INVESTMENTS IN SHARES**

		100% basis		*LHC per 31.12.95*		
Company		*Share capital*	*No. of shares*	*No. of shares*		*Book value (1,000)*
SHARES IN CONSOLIDATED COMPANIES:						
Höegh Fleet Services AS	NOK	1,000,000	1,000	1,000	NOK	1,000
Arcade Shipping Invest AS	NOK	50,000	50	50	NOK	50
Avrista Ltd	GBP	2,000	2,000	1,500	NOK	17
Höegh Holdings B.V.	NLG	6,000,000	6,000	6,000	NOK	131,165
Höegh Lines AS	NOK	50,000	50	50	NOK	50
International Reefer Ltd	USD	12,000	12,000	12,000	NOK	81
Höegh Car Carriers AS	NOK	50,000	50	50	NOK	50
H Shipping Ltd	USD	1	1	1	NOK	207,082
Liquimarine Gandria Chartering Ltd	USD	10,000,000	100,000	39,000	NOK	42,495
Liquimarine Gandria Shipping A/S	NOK	100,000	100,000	39,000	NOK	0
Methane Carriers Ltd	USD	500,000	500,000	250,000	NOK	49,973
Leif Höegh (U.K.) Ltd	GBP	100,000	100,000	100,000	NOK	0
Pacific Commerce Line	USD	2,717,725	500	500	NOK	22,940
Subtotal					**NOK**	**454,903**
SHARES IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES:						
HUAL Trinita Ltd	USD	1,000,000	1,000	500	NOK	3,132
Bona Shipholding Ltd	USD	28,549,791	28,549,791	12,000,000	NOK	822,473
Harpul Höegh Lines Pte. Ltd	SGD	100,000	500,000	50,000	NOK	2
Höegh Lines (U.S.) Inc.	USD	10,000	1,000	1,000	NOK	63
Höegh-Ugland Auto Liners A/S	NOK	1,000,000	100	50	NOK	500
Pac. Oriental Terminal Inc.	USD	2,500	250	84	NOK	6
Other companies					NOK	11
Subtotal					**NOK**	**826,187**
Total					**NOK**	**1,281,090**

Notes

Leif Höegh & Co. ASA

In 1986 a 20 year timecharter agreement (plus up to two years' extension at charterer's option) commenced for the LNG/LPG vessel HÖEGH GANDRIA with the Indonesian state-owned oil company Pertamina. One of the conditions for the charterparty was that there thould be Indonesian interests involved with ownership in the vessel. Consequently, an agreement was made between the shareholders in Liquimarine Gandria Chartering Co. Ltd and Liquimarine Gandria Shipping A/S and an Indonesian company for a gradual transfer of 49% of the shares in the two Liquimarine companies. The transferred shares will not be entitled to any share of the result and will have no voting rights in the companies until after the expiration of the initial 20 year charter period.

NOTE 7 VESSELS

	(NOK MILLION)
Cost 01.01.95	2,092
Investments	689
Sale	(36)
Cost 31.12.95	**2,745**
Accumulated depreciation 01.01.95	1,216
Depreciation this year	148
Sale	(5)
Accumulated depreciation 31.12.95	**1,359**
Book value 31.12.95	**1,386**

Gain/(loss) on sale of vessels/newbuildings:	
Sales price BASSRO STAR	35,534
Book value BASSRO STAR	(31,023)
Gain on sale of vessels	**4,511**

NOTE 8 NEWBUILDINGS AND NEWBUILDING OBLIGATIONS

See Note 15 to the Consolidated accounts.

NOTE 9 OTHER FIXED ASSETS

	(NOK MILLION)
Cost 01.01.95	112
Additions	37
Sale	(20)
Cost 31.12.95	**129**
Accumulated depreciation 01.01.95	65
Depreciation this year	3
Sale	(9)
Accumulated depreciation 31.12.95	**59**
Book value 31.12.95	**70**

Other fixed assets consist mainly of shares in limited partnerships, cars, office equipment and capitalized docking expenses.

Notes

Leif Höegh & Co. ASA

NOTE 10 INVESTMENTS IN AND SALE OF FIXED ASSETS (NOK MILLION)

	1995	1994	1993	1992	1991
Investments (cost price)	689	0	0	0	0
Sale (sales price)	(36)	0	(924)	0	3
Net investments	**653**	**0**	**(924)**	**0**	(3)

NOTE 11 MORTGAGE DEBT AND LEASE OBLIGATIONS (AMOUNTS IN MILLION)

Specification of currency	Currency	Currency Amount	Average exchange rates	Recorded in NOK
	USD	176.8	6.62	1,170

The debt is secured by first priority mortgages in vessels owned (Note 7).

NOTE 12 PENSION SCHEME

See Note 19 to the Consolidated accounts.

NOTE 13 SHAREHOLDERS' EQUITY (NOK MILLION)

	Share-capital	Legal reserve	Non-distributable reserve	Retained earnings	Total
Equity per 31.12.94	60	302	79	1,371	1,812
Transfers			(39)	39	0
Group contribution				(140)	(140)
Net profit of the year		21		190	211
Dividend				(90)	(90)
Equity per 31.12.95	**60**	**323**	**40**	**1,371**	**1,794**

NOTE 14 GUARANTEES AND LONG TERM T/C COMMITMENTS

The company is, as a participant in limited partnerships, liable for uncalled capital of NOK 31 million.

The company guarantees loans in the total amount of USD 82 million to International Reefer Ltd.

Auditor's report

ARTHUR ANDERSEN

TRANSLATION FROM NORWEGIAN

AUDITORS' REPORT FOR 1995

To the Annual General Meeting of
Leif Höegh & Co. ASA

Arthur Andersen & Co.
Statsautoriserte Revisorer

Drammensveien 134
Postboks 228 Skøyen
0212 Oslo
22 92 80 00 Telefon
22 92 89 00 Telefax

Medlemmer av Norges Statsautoriserte
Revisorers Forening

We have audited the annual accounts of Leif Höegh & Co. ASA for 1995, showing net income of NOK 211 for the company and net income of NOK 303 for the group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, statement of cash flows, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Chief Executive Officer.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net income and equity transfers, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31 December 1995 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Morten Drake (sig.)
State Authorised Public Accountant (Norway)

Oslo,
March 22, 1996

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Terje Bjerkan, 6880 Stryn
Jensen & Co ANS, 9002 Tromsø
Møller Andersen & Co as, 3101 Tønsberg

The Fleet



Dry bulk

Reefer

LNG/LPG

Multipurpose

Ro/Ro

Open Hatch

Car

TOTAL FLEET OPERATED BY LEIF HÖEGH & CO. CONSOLIDATED PER 31 DECEMBER 1995

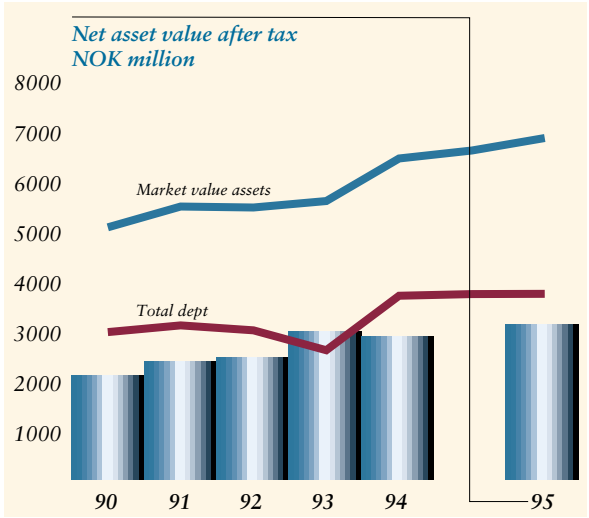
	Owned and leased	*Managed*	*Chartered*)*	*Total fleet* *Vessels*	*Dwt.*
LNG/LPG	0.9	1.1	-	2.0	122,552
Car carriers	7.3	0.2	-	7.5	128,224
Multipurpose	6.6	0.4	-	7.0	272,598
Open Hatch	7.0	-	-	7.0	299,257
Reefers	6.5	17.0	17.0	40.5	376,486
Ro/Ro	2.0	-	-	2.0	13,350
Dry bulk	1.0	-	-	1.0	127,774
Total	**31.3**	**18.7**	**17.0**	**67.0**	**1,340,241**

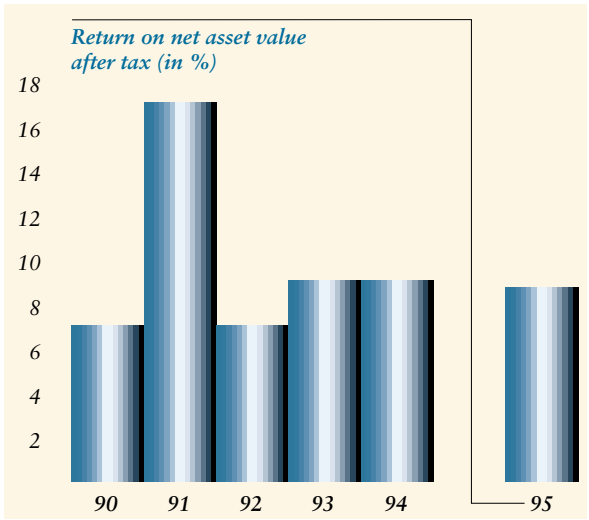
*)T/C-period over 12 months.

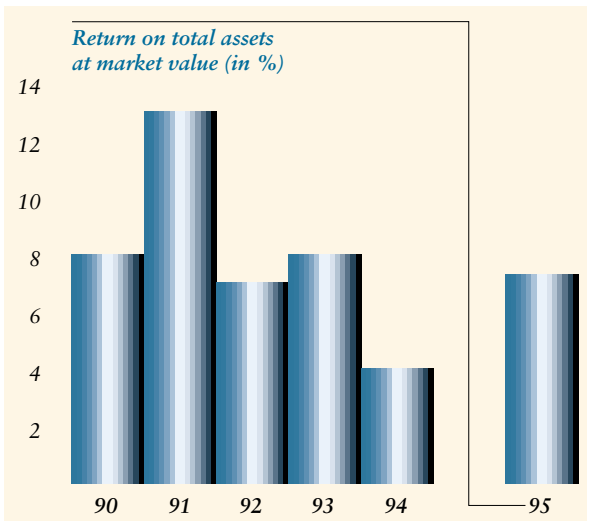
TOTAL FLEET OWNED/LEASED BY LEIF HÖEGH & CO. CONSOLIDATED PER 31 DECEMBER 1995

Vessel name	*Type*	*Size*	*Built*	*Ownership %*	*Operation/ Charterer*	*Spot market values USD mill.*	*Expiry of C/P*
						100% basis	
Vessels owned/leased:							
NORMAN LADY	LNG/LPG	87,657 m^3	1973	50.0	A.P. Møller	37.5	1998
HÖEGH GANDRIA	LNG/LPG	125,903 m^3	1977	39.0	Pertamina	70.0	2006
HUAL TRACER	Car	12,969 dwt.	1981	100.0	HUAL pool	12.6	
HUAL TRAPPER	Car	12,961 dwt.	1981	100.0	HUAL pool	12.6	
HUAL TRAVELLER	Car	15,370 dwt.	1983	90.0	HUAL pool	14.6	
HUAL TROTTER	Car	15,370 dwt.	1983	90.0	HUAL pool	14.6	
HUAL TRIBUTE	Car	21,385 dwt.	1988	100.0	HUAL pool	35.8	
HUAL TRIDENT	Car	20,600 dwt.	1995	100.0	HUAL pool	56.0	
HUAL TROOPER	Car	20,600 dwt.	1995	100.0	HUAL pool	56.0	
HUAL TRINITA	Car	17,938 dwt.	1981	50.0	HUAL - T/C	10.0	
HÖEGH CAIRN	Multipurpose	31,507 dwt.	1979	80.0	Höegh Lines	10.4	
HÖEGH CLIPPER	Multipurpose	31,555 dwt.	1979	80.0	Höegh Lines	10.4	
HÖEGH DENE	Multipurpose	41,600 dwt.	1984	100.0	Höegh Lines	20.2	
HÖEGH DRAKE	Multipurpose	41,600 dwt.	1984	100.0	Höegh Lines	20.2	
HÖEGH DYKE	Multipurpose	41,600 dwt.	1984	100.0	Höegh Lines	20.2	
HÖEGH DUKE	Multipurpose	41,571 dwt.	1984	100.0	Höegh Lines	20.2	
HÖEGH MIRANDA	Multipurpose	43,571 dwt.	1979	100.0	Höegh Lines	13.7	
HÖEGH MARLIN	Open Hatch	45,063 dwt.	1977	100.0	CMPC/Arauco	11.0	1997
MASCOT	Open Hatch	45,063 dwt.	1977	100.0	Norsul Internacional	11.0	
HÖEGH MINERVA	Open Hatch	44,016 dwt.	1979	100.0	Pacific Commerce Line	13.7	
HÖEGH MERCHANT	Open Hatch	44,895 dwt.	1977	100.0	Pacific Commerce Line	11.0	
HÖEGH MERIT	Open Hatch	44,926 dwt.	1977	100.0	Pacific Commerce Line	11.0	
HÖEGH MUSKETEER	Open Hatch	44,892 dwt.	1977	100.0	Pacific Commerce Line	11.0	
HÖEGH MISTRAL	Open Hatch	30,402 dwt.	1986	100.0	Norsul Internacional	19.5	
SPRING BRIDE	Reefer	10,126 dwt.	1984	100.0	Cool Carriers	14.8	
SPRING DREAM	Reefer	9,891 dwt.	1984	100.0	Cool Carriers	14.7	
CHIQUITA BARACOA	Reefer	13,613 dwt.	1985	100.0	Great White Fleet	18.1	1996
CHIQUITA BARU	Reefer	13,556 dwt.	1984	100.0	Great White Fleet	17.5	1996
SUMMER MEADOW	Reefer	13,584 dwt.	1985	100.0	Cool Carriers	18.3	
SUMMER WIND	Reefer	13,636 dwt.	1985	100.0	Cool Carriers	18.3	
ERIKSON CRYSTAL	Reefer	6,100 dwt.	1989	45.0	Gustaf Erikson	10.0	
ARCADE EAGLE	Ro/Ro	6,680 dwt.	1981	100.0	Flota Suardiaz	7.4	
ARCADE FALCON	Ro/Ro	6,670 dwt.	1981	100.0	Flota Suardiaz	7.4	
IRON MASTER	Dry bulk	127,774 dwt.	1982	100.0	Frontline	14.5	1997
Subtotal						**664.2**	
Newbuildings:							
HÖEGH MONAL	Open Hatch	56,700 dwt.	1996	100.0		45.4	
HÖEGH MORUS	Open Hatch	56,700 dwt.	1996	100.0		45.4	
Subtotal						**90.8**	
Total						**755.0**	

Net asset value







The net asset value of LHC Consolidated is calculated at NOK 3,086 million per 31.12.95, which is NOK 250 million higher than last year. Vessel values expressed in USD decreased somewhat during the year and the increase is therefore due to the Consolidated company's cashflow. When calculating the tax liability it is assumed that all assets are sold per 31.12.95. The tax is then calculated as the net present value of future tax payables using a 5% discount rate. On this basis the tax will be about 22% of the value adjusted untaxed equity. This calculated tax liability is included in long term debt. However, based on a normal investment program, the real tax rate over time will be lower (15-20%).

The most important differences compared to book values are the market values of the vessels and the value of the charterparty for HÖEGH GANDRIA. In addition, at year-end 1995 there was an unrealized, not booked, currency exchange gain on long term receivables and debt amounting to NOK 87 million.

The market values of the vessels are based on the average assessment by four Norwegian shipbrokers, while the value of the charterparty is assessed by the company based on a discout rate of 11%.

Any added value relating to the car carrier operation through HUAL and the liner operation is not included in the net asset value calculation. Goodwill not yet depreciated from acquisitions, is included.

The net asset value after tax is 45% of the value adjusted total capital of NOK 6,824 million. Net asset value ratio before tax is 54%.

ADJUSTED VALUE OF VESSELS IN DIFFERENT SECTORS (NOK MILLION)

Vessel type	*Spot values*	*Added value of T/C*	*Adjusted values*
LNG/LPG	291	154	445
Car carriers	1,291	-	1,291
Multipurpose	701	-	701
Open Hatch	557	-	557
Reefer	705	-	705
Ro/Ro	94	-	94
Dry bulk	92	-	92
Subtotal vessels	**3,731**	**154**	**3,885**
Newbuildings	559	-	559
Total	**4,290**	**154**	**4,444**

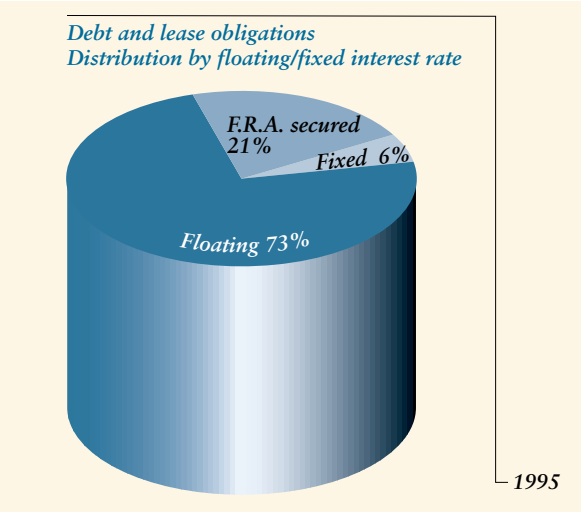
VALUE ADJUSTED BALANCE AFTER TAX (NOK MILLION)

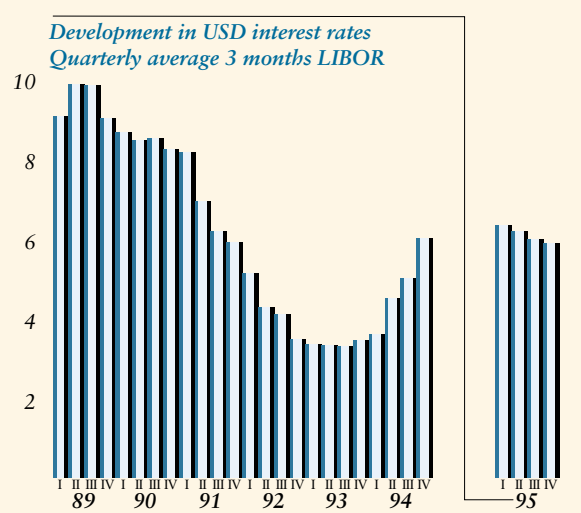
	31.12.1995		*31.12.1994*	
	Book value	*Value adjusted*	*Book value*	*Value adjusted*
Current assets	1,251	1,255	1,043	1,064
Vessels and newbuildings	3,153	4,444	2,939	4,222
Other fixed assets	1,178	1,125	1,304	1,294
Total assets	**5,582**	**6,824**	**5,286**	**6,580**
Current liabilities	601	601	769	769
Long term debt	2,955	3,085	2,662	2,875
Minority interests	52	52	94	94
Equity	1,974	3,086	1,761	2,842
Total liabilities and equity	**5,582**	**6,824**	**5,286**	**6,580**

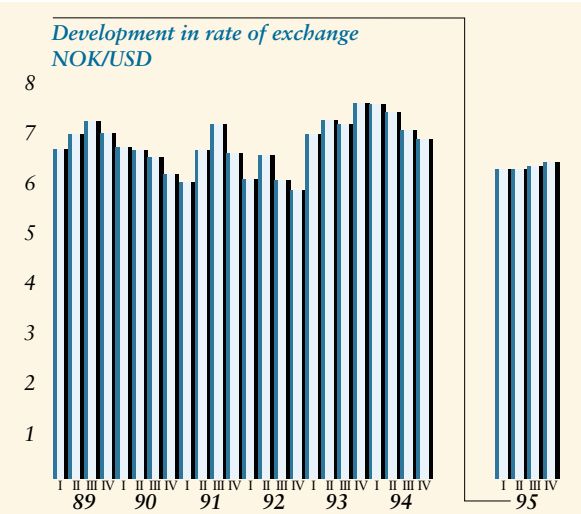
NET ASSET VALUE (NOK MILLION)

	31.12.95	*31.12.94*	*31.12.93*	*31.12.92*	*31.12.91*
Adjusted market value of vessels and newbuildings	4,444	4,222	3,589	4,317	4,452
Less book value of vessels and newbuildings	3,153	2,939	2,127	3,210	3,415
Added value	**1,291**	**1,283**	**1,462**	**1,107**	**1,037**
Equity	1,974	1,761	1,608	1,454	1,339
Excess value on stocks, bonds and forward contracts	4	21	73	48	0
Excess value other shares	(19)	(7)	80	0	0
Adjustments for long term debt and receivables	63	0	0	0	146
Adjustment for tax	(227)	(213)	(268)	(176)	(168)
Other adjustments (minority interests)	0	0	0	0	0
Net asset value after tax	**3,086**	**2,844**	**2,955**	**2,433**	**2,354**
Net asset value before tax	**3,673**	**3,398**	**3,676**	**3,106**	**2,949**

Analytical information







INTEREST RATES

The financing of LHC Consolidated by USD mortgage debt and lease obligations is carried out both at floating and fixed interest rates. The distribution between floating and fixed rates was at year-end 94% and 6%, respectively. However, interest rate futures for 5 years covering USD 70 million at an average rate of 6% plus margin reduced the portion of floating rate debt to 73%. Provided unchanged level of interest rate fixing, a change of 1% in the floating interest rate level will for 1996 influence the consolidated company's net financial items by about NOK 16 million.

RATES OF EXCHANGE

The results of LHC are generated mainly in USD and the different result items in NOK are therefore influenced by the rates of exchange between USD and NOK. An increase of NOK 0.10 in the average exchange rate will have the following effects on an annual basis (in NOK million):

Income on timecharter basis	14
Operating and adm. expenses	(4)
Operating profit	**10**
Foreign exchange gain/(loss)	9
Interest expenses	(2)
Other financial items	0
Profit after financial items	**17**

Foreign exchange gain/loss refers to current assets and liabilities. The income statement will also be affected by year-end exchange rates through unrealized exchange losses or reversal of previously unrealized losses on long term items. The investment of current assets and possible forward contracts against USD will also be a factor in this connection.

In addition to the above, a NOK 0.10 change in the exchange rate will directly influence the company's net asset value after tax by about NOK 36 million. The vessels' market value will change by NOK 70 million, while the effect will be the opposite by NOK 34 million for USD mortgage debt.

MARKET VALUES

In addition to the exchange rate between USD and NOK, the vessels' values will also be influenced by changes in the market, except for HÖEGH GANDRIA, where the charterparty determines the value. For vessels directly affected, a 10% change in market values will influence the net asset value by approximately NOK 340 million.

BUNKERS

An increase in the bunker prices will have a negative effect on voyage expenses short term. Over time, however, the effect will be limited to the extent that the freight contracts are subject to bunker surcharges as an adjustment to freights.

FREIGHT RATES

Based on the employment of the vessels in 1995, the effect of changes in net freights or in daily T/C-income is shown in the table below.

(NOK MILLION)

	Car carrier	*Multipurpose*	*Open Hatch*	*Reefer*	*Total*
1% change in freight rates	10	6	4	7	27
USD 1,000 change in T/C-income	16	16	16	14	62

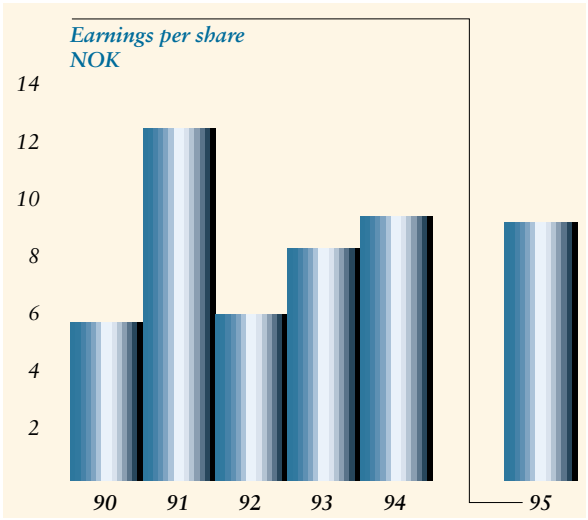
STATEMENT OF INCOME - USD

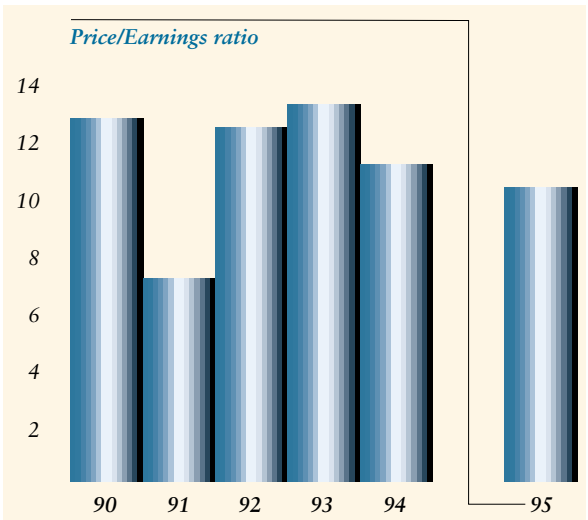
Below are shown the main figures in the statement of income in USD, which largely eliminates the effect of USD on the accounts in NOK:

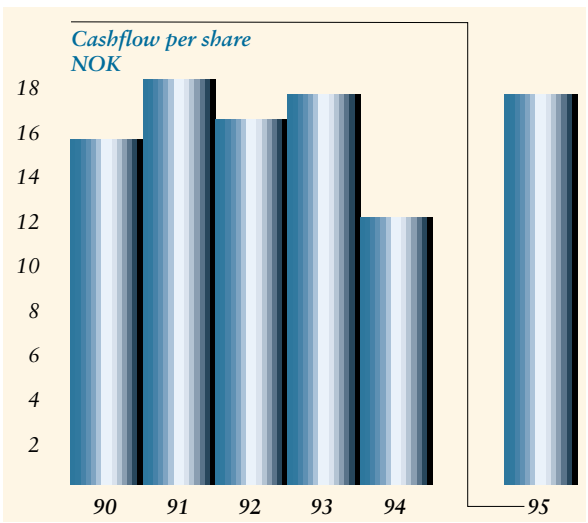
(USD MILLION)

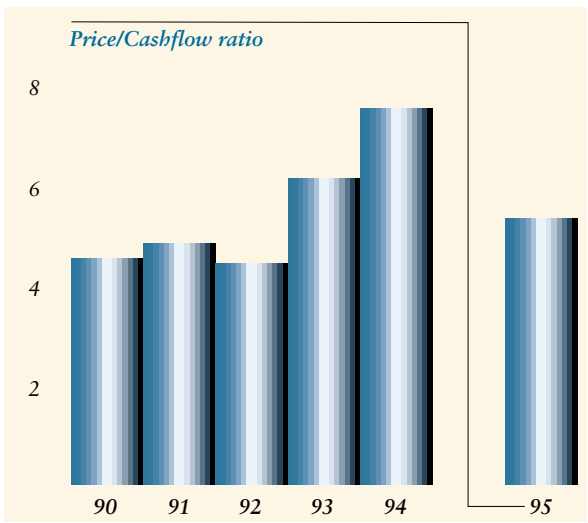
	1995	*1994*	*1993*	*1992*	*1991*
Freight revenues, net	464	398	344	336	344
Operating profit before ordinary depreciation	88	46	87	90	107
Operating profit	44	15	51	50	70
Net financial items	2	1	10	(7)	(13)
Profit after financial items	**46**	**16**	**61**	**43**	**56**
Sale of assets	1	0	(7)	0	21
Profit before extraordinary items	**47**	**16**	**54**	**43**	**78**

Shareholder relations









The price of the LHC shares quoted on the Oslo Stock Exchange increased during 1995 by 3% from NOK 90 to NOK 93. The share was traded at its lowest (NOK 81) in March, and at its highest (NOK 105) in September. The shipping index and the total index increased during the year by 2.5% and 11.6%, respectively. The stock market value of LHC per 31 December 1995 was NOK 2,790 million, which is an increase of NOK 90 millioner from the previous year.

During 1995, 23,3 million shares were traded (12,4 million in 1994). At year-end the number of shareholders was 1,621, down from 1,669 in 1994. Foreign shareholders reduced their ownership from 11% to 7%.

As in previous years the employees were offered the opportunity to buy shares in the company at a value of NOK 5,000 for NOK 4,000. 162 employees accepted the offer and bought 9,234 shares.

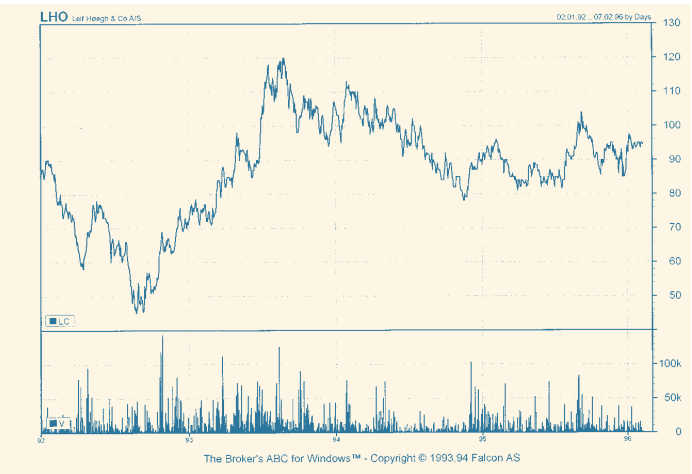
The company's policy is to give the shareholders a good return on their investments through a combination of dividend and capital appreciation of the shares. The payment of dividend will depend on the company's earnings and investment requirements in a volatile business. The Board of Directors has proposed to the General Meeting to pay a dividend of NOK 3.00 per share for 1995.

Shares owned or controlled by the Høegh family represented at year-end 53.3% compared to 54.3%. The other main shareholders in the company are listed in the table on the next page.

The share price at year-end gives a price/cash-flow ratio of 5.3 and a price/earnings ratio of 12.4.

LHC seeks to keep the shareholders and the financial community updated on the company's activities through regular information bulletins and meetings in Norway and abroad.

Dates for the publication of quarterly reports appear on page 2.



SHAREHOLDERS IN LEIF HÖEGH & CO. ASA PER 31 DECEMBER 1995

Shares owned/controlled by the Høegh family:	15,981,550	(53,3%)
Other shareholders		
Folketrygdfondet	1,314,500	
Leif Höegh's Stiftelse	949,800	
Vital Forsikring	856,200	
Gjensidige Livsforsikringsselskap	776,505	
Kommunal Landspensjonskasse	760,000	
Norsk Hydros Pensjonskasse	609,200	
Orkla	568,700	
Aksjefondet Avanse	443,800	
Uni Storebrand Livsforsikring	407,900	
Uni Storebrand Pluss	325,100	
Aksjefondet Avanse Kapital	286,000	
Oslo Kommunale Pensjonskasse	258,150	
Uni Storebrand Finans	248,200	
Gjensidige Norsk Skadeforsikring	240,600	
Morgan Stanley Trust Company	221,567	
Aksjefondet Avanse Spar	212,700	
Statoils Pensjonskasse	210,000	
Royal Trust Corp. of Canada	204,700	
GMO International Core Fund	203,420	
DnB Real-Vekst	193,100	
Subtotal	**9,300,142**	**(31,0%)**
1,582 shareholders owning less than 193,000 shares	4,718,308	(15,7%)
Total	**30,000,000**	**(100,0%)**

SHARES OWNED AND DIRECTLY CONTROLLED BY MEMBERS OF THE BOARD OF LEIF HÖEGH & CO. ASA

Truls Holthe	1,000
Einar Kloster	3,000
Total	**4,000**

The President, Thor Jørgen Guttormsen, had at year-end purchase options for 15,300 shares from other shareholders.

DISTRIBUTION OF SHARES PER 31 DECEMBER 1995

	Shareholders		*Shares*	
	No.	*%*	*No.*	*%*
1 - 100	488	30.1	26,473	0.1
101 - 1,000	755	46.6	320,123	1.1
1,001 - 10,000	263	16.2	928,381	3.1
More than 10,000	115	7.1	28,725,023	95.7
Total	**1,621**	**100.0**	**30,000,000**	**100.0**

Working Environment



Hual Oslo

Höegh Lines Jakarta

Höegh Lines Jeddah

Höegh Lines Bombay

PCL Vancouver

Hual Oslo

Cool Stockholm

Consolidated structure

Shareholders
Høegh family
53.3 %

Shareholders
Other
46.7 %

Leif Höegh & Co. ASA

The Board
Westye Høegh (Chairman)*
Truls Bergersen, Per A. Flaate, Karl Otto Gilje
Truls Holthe, Ove Høegh, Einar Kloster

President
Thor Jørgen Guttormsen*

Leif Höegh (U.K.) Ltd
Leif O. Høegh*

Group administration
Finance/Accounting
Erik Norman

President's staff
Olav G. Foss, Erik A. Grinnes, Tormod Skau, Knut Hundhammer, Mona Boug Kristiansen

Administration
Paul K. Thoresen

Höegh Fleet Services AS
Johannes Tvedte

Höegh Lines & Open Hatch/ Handy size bulk
Erik Falkenberg

Drybulk/Purchase & Sale
Trond Evju

Gas
Stephan Tschudi-Madsen

Cool Carriers AB
75 %
Mats Jansson

Höegh-Ugland Auto Liners AS
50 %
Øivind Larsen

Bona Shipholding Ltd
42 %
John Smådal

* *Executive Committee*

Report of the Management

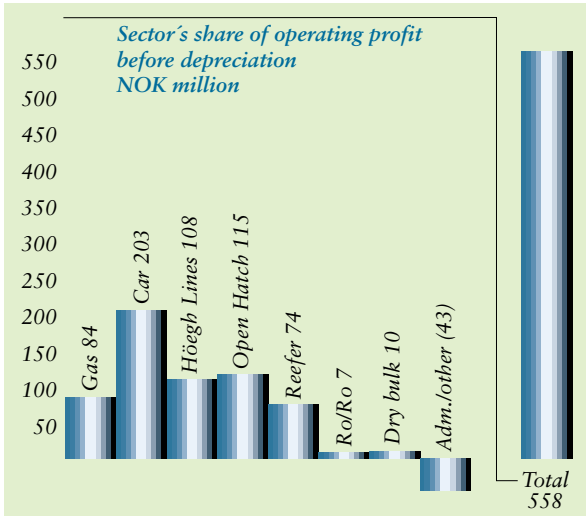
TOTAL FLEET OPERATING PROFIT BEFORE DEPRECIATION (NOK MILLION)

	1995	*1994*	*1993*	*1992*	*1991*
Freight revenues	3,120	2,995	2,831	2,467	2,757
Voyage expenses	(1,334)	(1,296)	(1,133)	(947)	(927)
Income on T/C-basis	**1,786**	**1,699**	**1,698**	**1,520**	**1,830**
Charterhire expenses	(611)	(759)	(262)	(178)	(249)
Operating expenses	(493)	(486)	(631)	(626)	(559)
Operating profit before depreciation	**682**	**454**	**805**	**716**	**1,022**
LHC Consolidated's share of fleet operating profit before depreciation	**558**	**323**	**616**	**557**	**687**

The total figures above are not aggregates of the figures from the individual services since they include fees and administrative items not related to the services.



Behind from left: Paul Kristian Thoresen, Olav Geir Foss, Knut Hundhammer. In front from left: Thor Jørgen Guttormsen, Erik Norman.





Leif O. Høegh (32) President Leif Höegh (U.K.) Ltd.



Stephan Tschudi-Madsen

Gas

Since 1968 LHC has built up extensive experience in the transportation of liquid gas, Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG). The present fleet consists of two LNG/LPG vessels, NORMAN LADY and HÖEGH GANDRIA, with a cargo tank capacity of 87,700 m³ and 125,900 m³ respectively.

NORMAN LADY has since 1976 been operating under a timecharter to Liquefied Gas Shipping Company Ltd (Abu Dhabi National Oil Company, Mitsui & Co., British Petroleum Company and Compagnie Francaise des Petroles). Up until June 1995 the vessel was employed in the LNG trade from Abu Dhabi to Japan. During the second half of the year and until redelivery from the current charterer in early 1996, the vessel was used for the transportation of LNG from Abu Dhabi to Europe.

Following drydocking in early 1996 the vessel will operate under a timecharter to A.P. Møller for the period 1996-1998. The charterer intends to employ the vessel in the LPG/LNG trade.

LHC has been awarded a 20-year contract for the transportation of LNG from Trinidad to Spain which will secure employment for NORMAN LADY from 1998/1999. A timecharter was signed signed with ENAGAS S.A. in early 1996. ENAGAS S.A. is owned by Gaz Natural, which is owned primarily by Repsol, where the Spanish state is the major shareholder. The contract is subject to the building of an LNG export terminal in Trinidad. This will be officially confirmed on June 5, 1996.

HÖEGH GANDRIA is operating under a 20-year timecharter until the end of 2006 to the Indonesian state-owned oil company Pertamina. The charterer uses the vessel for transportation of LNG from North Sumatra to South Korea.

LHC gives high priority to quality and proper maintenance of the gas vessels. The vessels operated without major offhire in 1995.

Fleet operating profit NOK 558 mill.

84

MARKET CONDITIONS

Six new LNG vessels were delivered in 1995 and the world LNG fleet at the end of the year amounted to 90 vessels with a cargo capacity of 9.7 mill. m3. A further three LNG vessels were ordered in 1995 and the total orderbook currently amounts to 20 vessels with a cargo capacity of 2.6 mill. m3 in connection with new LNG projects.

At the end of the year six LNG vessels were idle, most of which are earmarked for future projects. A growing number of vessels currently employed will be available in the market over the coming years. By 1997 this number could theoretically reach 12 vessels, unless other employment has been found in the meantime.

MARKET OUTLOOK

A strong increase in the LNG trade is expected over the next few years. The largest growth in demand for



HÖEGH GANDRIA ready for departure after discharging LNG in Pyeong Taek in South Korea on a cold winter day.

GAS CARRIERS (LNG/LPG)

Vessel	*LHC share %*	*Built*	*Flag*	*Dwt.*	*Cargo capasity m³*	*On charter from*	*to*
NORMAN LADY	50	1973	Liberia	50,118	87,657	1996	1998
HÖEGH GANDRIA	39	1977	NIS	70,498	125,903	1986	2006

LNG will come from Japan, South Korea and Taiwan. Furthermore, India, Thailand, China and Israel could be interesting markets for LNG.

The opportunities to participate in new transportation projects are limited. This refers particularly to the transportation of LNG to the Far East, where local commercial interests, combined with political influence, restrict the possibilities for competition. To some extent this may be remedied by joint venture agreements, but most likely projects in the western hemisphere offer better prospects for independent owners/operators.

Prospects for increased used of LNG in Northwest Europe and in the USA are limited due to competition from gas transported in pipelines. However, a number of new gas consuming countries are emerging around the Mediterranean, such as Turkey, Greece, Spain and Portugal. These countries are located on the edge of Europe's gas network and some gas requirements are expected to be met through LNG imports.

The world trade in LNG is thus forecast to increase by an average annual rate of 3-5% over the next 15 years, depending on LNG's remaining competitive with other fuels. There is no shortage of gas fields suitable for development. The shipping costs for new projects have been highlighted as some existing exporters have been able to reduce costs substantially using fully depreciated 1970s built LNG vessels.

Furthermore, it is expected that a large part of the increase in the demand for LNG during the remainder of the 1990s will be covered from the extension/expansion of production in existing plants in Indonesia, Malaysia, Abu Dhabi and Australia. A certain amount of spare production capacity could therefore arise, suggesting a continuation of the «spot» short/medium-term market which has emerged over the last couple of years.

LHC's experience in the transportation of LNG is a valuable asset when competing for new contracts. The company carries out continuous assessments of the possibilities which could be offered by new LNG projects. The LPG segment is also considered to be of interest to the company.

RESULTS

Operating profit before depreciation decreased due to the weakening of USD against NOK. None of the vessels drydocked in 1995 and there were no significant off-hires. Operating profit for 1996 is expected to be lower than for 1995 due to off-hire in connection with drydocking of NORMAN LADY and a new charterparty at a lower rate.



NORMAN LADY arriving at Montoir in France in July 1995 after many years in dedicated trade between Arabian Gulf and Japan.

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*	*1993*	*1992*	*1991*
Freight revenues	259	291	262	239	243
Voyage expenses	0	0	0	0	(3)
Income on T/C-basis	**259**	**291**	**262**	**239**	**240**
Operating expenses	(64)	(71)	(68)	(71)	(66)
Operating profit before depreciation	**195**	**220**	**194**	**168**	**174**
LHC Consolidated's share:					
Operating profit before depreciation	84	94	84	67	72
Depreciation	(16)	(16)	(16)	(16)	(16)
Operating profit	**68**	**78**	**68**	**51**	**56**



Øivind Larsen
Höegh-Ugland Auto Liners AS

Car

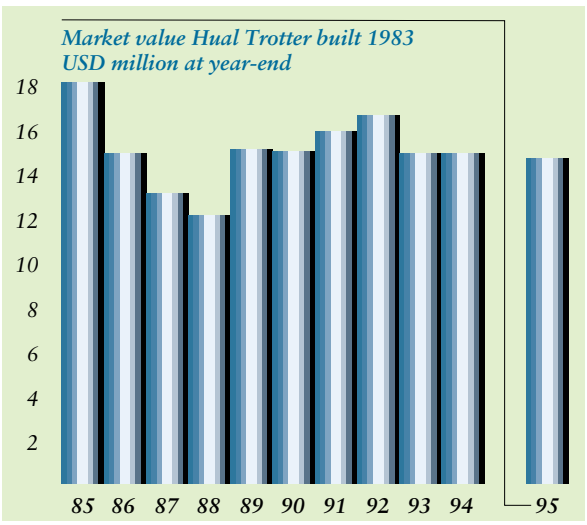
LHC is engaged in car transportation through a 50% interest in Höegh-Ugland Auto Liners A/S (HUAL).

At the end of 1995 the basic fleet of HUAL consisted of 14 PCTCs (Pure Car/Truck Carriers). The vessels operate in a pool, with LHC and the Ugland Group supplying seven vessels each. During the first quarter of 1995 LHC took delivery of the two newbuildings, HUAL TRIDENT and HUAL TROOPER, from Hyundai Heavy Industries in South Korea.

In addition to the basic fleet, HUAL charters in tonnage as required. In 1995 this extra tonnage represented approximately 12 vessels on an annual basis. During the first quarter of 1995 LHC and the Ugland Group jointly purchased HUAL TRINITA from Japanese interests. The vessel is operating under a timecharter to HUAL. It has also been agreed to purchase a sister vessel during the second quarter 1996. This vessel will similarily operate under a timecharter to HUAL.

The majority of HUAL's transportation volume is based on freight contracts with the manufacturers of cars and commercial vehicles, normally of one to three years' duration. The balance consists of spot and liner cargo, mainly high and heavy rolling stock such as earth-moving/roadbuilding equipment and agricultural machinery, as well as project cargoes, yachts, etc.

Technical offhire for HUAL's basic fleet was somewhat higher in 1995 than in previous years. This was primarily due to damage to three vessels, of which HUAL TROOPER's grounding in October followed by five weeks' drydocking was the most serious.



MARKET CONDITIONS

The sale of new cars in traditional markets showed considerable diversity in 1995, with growth in Japan, stagnation in Europe and decline in North America. In other markets - particularly in South East Asia and Latin America - sales of new cars were quite strong. A common feature, however, is that Japan's auto exports continue to fall and that new car manufacturing countries are coming more strongly into the picture.

Fleet operating profit NOK 558 mill.

203

HUAL's transportation volume in 1995 totalled 765,000 car equivalent units, which is a new record. This was due to good cargo availability in most of HUAL's traditional trades and increased shipping volumes on new trades established over the past years. This increase in activity, however, must be considered in the context of HUAL's basic fleet having increased by two vessels compared with the year before. In 1994 HUAL was also undergoing a period of adjustment in order to respond to structural changes in the car transportation market.

As regards HUAL's trades from the Far East, falling volumes from Japan to Europe were compensated for by increased shipments from South Korea. HUAL's total trade from the Far East to Europe therefore increased in 1995 after several years of decline. HUAL's trade from Japan and South Korea to South America also benefited from increasing volumes. During the year HUAL established a new trade from the Far East to US East Coast based on a long-term contract with a Japanese car manufacturer.

Cargo availability was good in all HUAL's trades from Europe in 1995. This applied particularly to South East Asia and Japan, where the sale of European cars increased strongly. Shipments from Europe to Africa and the USA also increased and in the trade to the Middle East cargo availability remained at a high level throughout the year.

HUAL's trade from the USA to Europe experienced growing shipping volumes in 1995, while cargo availability in the trade from the USA to the Middle East remained stable with improved rate levels.

MARKET OUTLOOK

Following the weak growth experienced in 1995, a recovery in global sales of cars is expected to gather pace in 1996 with a growth forecast of around 4%. The greatest potential is in the newly industrializing countries in the Pacific Rim and Latin America. The traditional markets in Europe and Japan are also expected to grow slightly next year, whereas stagnation in the sale of new cars is expected in the USA.

The production pattern within the car industry has changed considerably during recent years, as a greater proportion of the production takes place in locations closer to the traditional markets. This development, which is due to political as well as currency reasons, has particularly hit Japanese auto exports. From a peak of more than 6.5 million car and commercial vehicle exports in 1985, the number fell to below 4 million units in 1995, the lowest volume in 19 years. It is expected that Japan's auto exports will continue to fall .

However, South Korea is in the process of joining the ranks of the major car exporters, with shipping volumes which to a certain extent are compensating for the decline from Japan. The Korean car manufacturers are continuously searching for new markets and their exports are increasing to several areas, par-



Discharging of heavy rolling stock over the aft ramp.

CAR CARRIERS (PCTC) SUPPLIED BY LHC:

Vessel	*LHC share %*	*Built*	*Flag*	*Cargo capasity*)*
HUAL TRACER	100	1981	Bahamas	3,686
HUAL TRAPPER	100	1981	Bahamas	3,686
HUAL TRAVELLER	90	1983	Bahamas	3,824
HUAL TROTTER	90	1983	Bahamas	3,824
HUAL TRIBUTE	100	1988	Bahamas	6,030
HUAL TRIDENT**)	100	1995	Bahamas	6,260
HUAL TROOPER**)	100	1995	Bahamas	6,260

CAR CARRIERS (PCTC) SUPPLIED BY UGLAND:

Vessel	*Built*	*Flagg*	*Cargo capasity*)*
HUAL KARINITA	1980	NIS	5,334
HUAL INGRITA	1980	NIS	3,600
HUAL LISITA	1980	NIS	3,600
HUAL ANGELITA	1981	NIS	3,600
HUAL CARMENCITA	1983	NIS	4,400
HUAL FAVORITA	1987	NIS	6,030
HUAL MARGARITA	1988	NIS	6,030

CAR CARRIERS (PCTC) SUPPLIED JOINTLY:

Vessel	*LHC share %*	*Built*	*Flag*	*Cargo capacity*)*
HUAL TRINITA	50	1981	LIBERIA	5,805

**) Number of standard cars (6,7 m² excl. stowage factor).*

***) Delivered 1st quarter 1995*

ticularly to Europe and North and South America. From exports of close to one million units in 1995, the manufacturers' target is to double this number by the year 2000.

The changes in production patterns have furthermore resulted in growing exports of Japanese cars built in the USA to the Middle East, Japan and Taiwan.

All these factors have already had an impact on the transportation pattern for cars, in the form of a much higher degree of diversification as regards transportation routes and cargo mix. This requires higher efficiency from the operators, but also offers new opportunities. HUAL's success with the newly established trades is a good example.

There was an increase in contracting activity for new car carriers in 1995, and at the end of the year the orderbook amounted to 21 units with a total capacity of around 117,000 cars. This corresponds to less than 9% of the existing fleet. In comparison, the part of the fleet already more than 20 years old represents 3.5%. Overall a relatively stable development is expected in the car transportation market in 1996, with a good balance between supply and demand.

RESULTS

Operating profit before depreciation for 1995 was significantly above the 1994 figure. This was mainly due to the delivery end 1st quarter of the two newbuildings mentioned above, but also to improvement in HUAL's earnings because of a better adjustment of the activity to new trade patterns.



The car carriers' flexibility enables handling of most types of cargo - even yachts.

FLEET OPERATING PROFIT BEFORE DEPRECIATION FOR VESSELS SUPPLIED BY LHC

(NOK million)	*1995*	*1994*	*1993*	*1992*	*1991*
Freight revenues	985	801	892	873	938
Voyage expenses	(494)	(424)	(439)	(396)	(392)
Income onT/C-basis	**491**	**377**	**453**	**477**	**546**
Charterhire expenses	(202)	(218)	(198)	(148)	(148)
Operating expenses	(80)	(65)	(73)	(80)	(76)
Operating profit before depreciation	**210**	**94**	**182**	**249**	**322**
LHC Consolidated's share:					
Operating profit before depreciation	203	89	175	236	266
Depreciation	(88)	(56)	(62)	(75)	(61)
Operating profit	**115**	**33**	**113**	**161**	**205**



Erik Falkenberg

Höegh Lines

Fleet operating profit NOK 558 mill.

108

Höegh Lines maintained the same service pattern as in previous years between the US Gulf/North America East Coast and the Red Sea, the Indian subcontinent and South East Asia. Due to changes in market conditions and increased competition, some adjustments to the schedules were carried out, to the effect that a number of regular ports were cancelled and direct calls made at new ports. These adjustments resulted in improved cargo availability for the service.

The fleet consisted of the same seven multipurpose vessels as last year. The fleet performed satisfactorily in 1995, with minimal technical offhire.



Loading rice in jumbo bags for the Middle East.

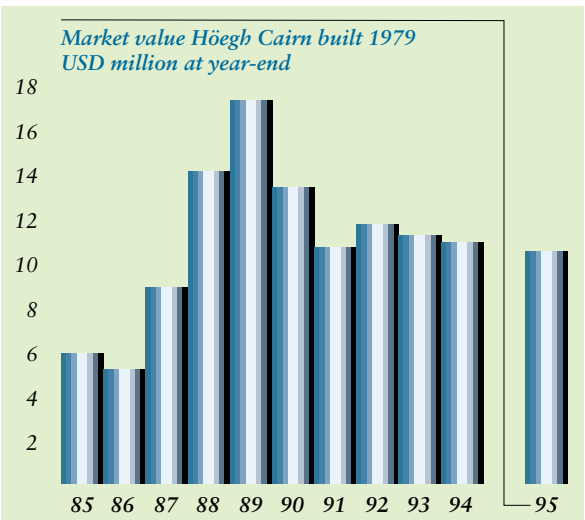


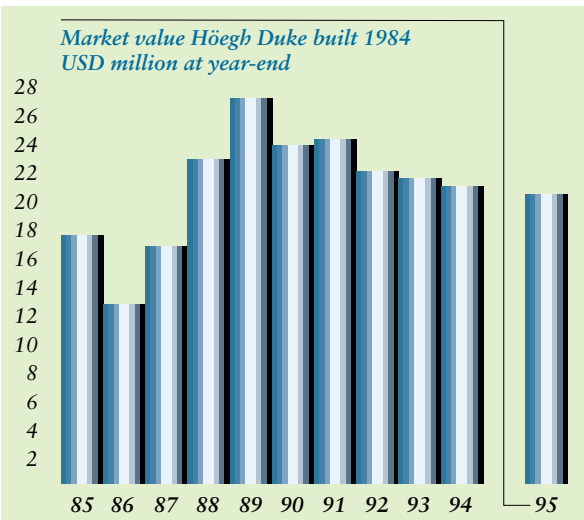
Höegh Lines' 40 foot containers loaded on deck

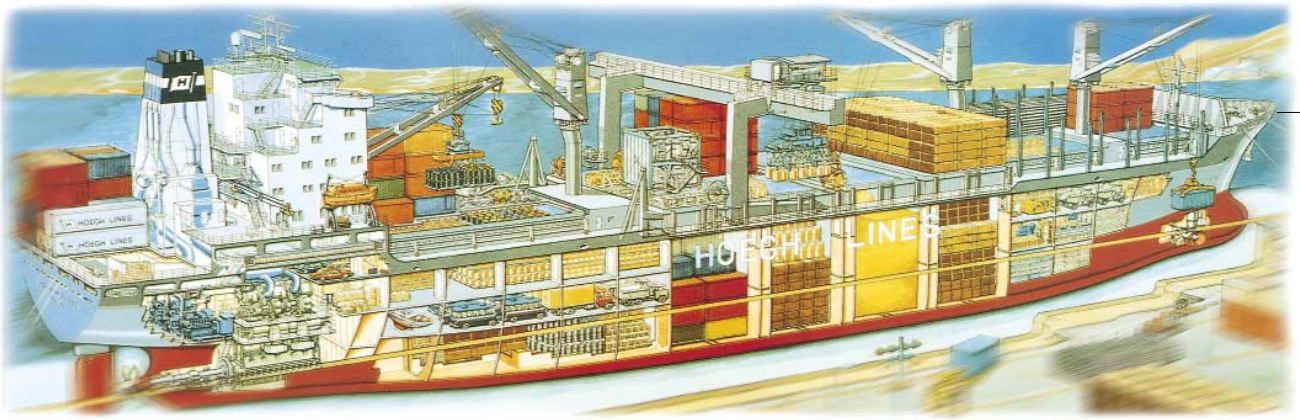
MARKET CONDITIONS

Economic growth in the USA and Canada slowed somewhat in the second half of the year. In Saudi Arabia deflationary measures continued, whereas strong economic growth continued in South East Asia and in India in particular.

Höegh Lines' export volumes from North America were at a high level throughout the year. Demand for transportation capacity to Saudi Arabia and South East Asia remained stable, whereas demand to India showed a considerable increase. This applied both to basic cargoes and project cargoes. However, due to problems in discharging/loading conditions in India, Höegh Lines could not fully satisfy this increase in the demand for transportation capacity. Overall, however, the vessels had a satisfactory capacity utilization rate on the east-







A cut through a «D» vessel showing the vessel's flexibility for transport of different types of cargo.

bound service leg in 1995. Due to the strong demand, there was an improvement in rate levels both for breakbulk and container cargoes.

As regards import volumes to North America the situation was more mixed. From South East Asia there was a considerable decline in imports of cocoa beans, in addition to increased competition. Transportation demand for rubber was relatively strong, although volatile prices resulted in somewhat uneven cargo availability. Certain changes in the service pattern were carried out in order to strengthen Höegh Lines' competitiveness in this area. The growth in volumes from India continued to increase, but so did competition. This resulted in pressure on freight rates, particularly in the second half of the year. The port conditions in Bombay were very difficult which resulted in longer port time than anticipated. This had a negative impact on the service schedule and the results.

MARKET OUTLOOK

It is expected that the North American economy will grow by around 2.5% annually over the coming years. This suggests a moderate growth in personal consumption, which again will result in moderate growth in import volumes. The current forecasts suggest a rise of around 5% in the USA's total import volumes both in 1996 and 1997, with continued considerable differences between the various types of cargo.

The improved competitiveness of American products and the relatively weak dollar is expected to contribute to growth in export volumes of 9-10% in 1996.



Rubber from Indonesia to USA loaded on to the vessel's tweendeck.

LINER VESSELS

Vessel	*LHC share %*	*Built*	*Flag*	*Dwt.*	*Deeptanks (cbft)*	*Total bale capacity (cbft)*	*Container capacity (TEU)*
HÖEGH CAIRN	80	1979	Bahamas	25,640	78,000	1,314,000	914
HÖEGH CLIPPER	80	1979	Bahamas	25,640	78,000	1,314,000	914
HÖEGH MIRANDA	100	1979	Bahamas	44,016		1,670,000	1,708
HÖEGH DENE	100	1984	Cayman Islands	41,600	44,000	1,900,000	1,660
HÖEGH DRAKE	100	1984	Cayman Islands	41,600	44,000	1,900,000	1,660
HÖEGH DYKE	100	1984	Cayman Islands	41,600	44,000	1,900,000	1,660
HÖEGH DUKE	100	1984	Cayman Islands	41,571	47,000	1,900,000	1,660

The deflationary measures in the Saudi Arabian economy are expected to abate somewhat. This could lead to a moderate rise in import volumes following the decline during the past years. Growth in the Indian and South East Asian economies is expected to remain strong in 1996. The trade with the USA from these areas is therefore expected to be maintained at a high level with a continued increase in demand for transportation capacity.

Competition from the container operators is expected to continue in 1996 due to increased capacity. To achieve satisfactory results, Höegh Lines is dependent on good cargo volumes in both directions.

RESULTS

Operating result before depreciation improved significantly compared to 1994. This was due to no vessels being drydocked in 1995, which consequently reduced the operating expenses. Income on T/C-basis decreased slightly compared to 1994 due to the weakening of USD against NOK.



The worldwide trading pattern of Höegh Lines covers North America, Middle East , the Indian subcontinent and South East Asia.

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*	*1993*	*1992*	*1991*
Freight revenues	627	664	677	621	573
Voyage expenses	(400)	(425)	(397)	(355)	(360)
Income on T/C-basis	**227**	**239**	**280**	**266**	**213**
Charterhire expenses	0	0	(8)	(4)	0
Operating expenses	(115)	(146)	(88)	(78)	(96)
Operating profit before depreciation	**112**	**93**	**184**	**184**	**117**
LHC Consolidted's share:					
Operating profit before depreciation	108	92	174	175	113
Depreciation	(56)	(57)	(48)	(48)	(48)
Operating profit	**52**	**35**	**126**	**127**	**65**



Erik Falkenberg

Open Hatch

The open hatch fleet consisted in 1995 of seven wholly-owned vessels.

Four of the vessels were employed in a regular trade from the USA and Canada West Coast to Japan. This line is operated by Pacific Commerce Line (PCL), Vancouver, owned 100% by LHC. The line is based on contracts for the transportation of forest products. Shipping volumes were at a high level until the end of the third quarter of 1995, when demand for forest products in Japan declined considerably. Towards the end of the year the situation improved again. During parts of 1995 PCL had some spare capacity which was chartered out to other operators, resulting in satisfactory capacity utilization for PCL.

HÖEGH MISTRAL continued its employment under a cooperation agreement with Norsul Internacional in Rio de Janeiro. The vessel trades between Argentina/Brazil and Northern Europe. In the first quarter of the year MASCOT, previously in PCL, was chartered out to this operation in order to cover increased demand for transportation capacity in this area. Capacity will increase further in 1996 with a chartered-in vessel. HÖEGH MARLIN continued her employment under a freight contract between Chile and Northern Europe with Chile's two largest shippers of forest products.

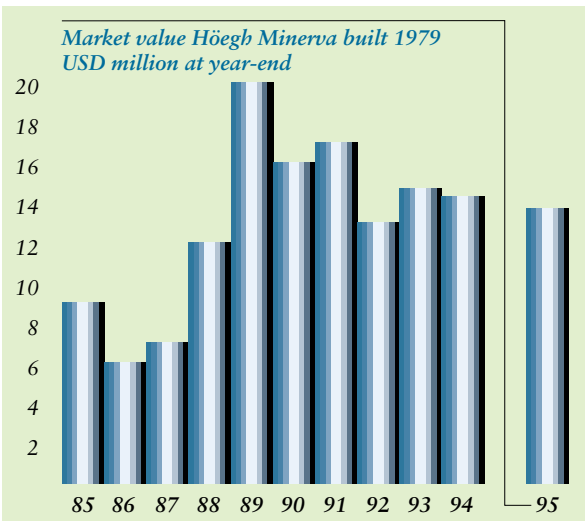
The two open hatch vessels which have been ordered by LHC at Mitsui Engineering and Shipbuilding Co. Ltd, Japan, are scheduled for delivery in December 1996 and August 1997 respectively. One of the vessels is secured five years' employment from delivery.

Fleet operating profit NOK 558 mill.

115

OPEN HATCH VESSELS

Vessel	*LHC share %*	*Built*	*Flag*	*Dwt.*	*Total bale capacity (cbft)*	*Container capacity (TEU)*
HÖEGH MERCHANT	100	1977	Bahamas	44,895	1,774,000	1,740
HÖEGH MERIT	100	1977	Bahamas	44,926	1,774,000	1,740
HÖEGH MUSKETEER	100	1977	Bahamas	44,892	1,774,000	1,740
HÖEGH MARLIN	100	1977	Bahamas	45,063	1,764,000	1,740
MASCOT	100	1977	Bahamas	45,063	1,764,000	1,740
HÖEGH MINERVA	100	1979	Bahamas	44,016	1,764,000	1,708
HÖEGH MISTRAL	100	1986	Panama	30,402	1,342,000	1,204
Newbuildings:						
HÖEGH MONAL	100	1996	Bahamas	56,700	2,359,000	2,247
HÖEGH MORUS	100	1997	Bahamas	56,700	2,359,000	2,247





Loading locomotives in Spain bound for South America

The fleet operated satisfactorily in 1995, with minimal technical offhire other than the drydocking of five vessels.

MARKET CONDITIONS

Market conditions in the forest products industry remained favourable during most of 1995. The strong economic growth in most of the Asian countries, combined with relatively favourable economic developments during most of the year in many countries in Europe and the USA, contributed to an increase in world demand for pulp and paper products. The demand for these products is very sensitive to fluctuations in the world economy. Pulp prices reached a record high in 1995, but started to fall again towards the end of the year. Indonesian pulp production capacity increased considerably during the year and the country focused on exports to the world markets.

The dry bulk market for handysize vessels in general was strong until the autumn of 1995. Towards the end of the year freight rates fell, primarily due to a considerable amount of newbuildings. Freight levels for open hatch vessels with gantry cranes remained strong during 1995 due to limited availability of such specialized tonnage in the market.



In addition to forest products and containers, the open hatch vessels are well suited for typical liner cargoes

MARKET OUTLOOK

The US economy is forecast to grow by an annual average of around 2.5% over the coming years. In Europe, however, the economic outlook for 1996 has deteriorated considerably. The economic situation in Japan is still difficult. This is likely to have a negative impact on demand for imports of forest products and other minor dry bulk commodities.

Continued strong economic growth in South East Asia and China will, however, be favourable for demand for both open hatch vessels and handysize bulk carriers in general. Increased economic activity in Latin America is also positive for this segment.

The long-term outlook for seaborne trade in forest products is promising, particularly for value-added products such as pulp and paper. These products' share of the total seaborne trade in forest products is steadily increasing.

Due to an increase in contracting activity for open hatch tonnage, several new vessels will enter the market over the next couple of years. However, these vessels will primarily replace vessels built in the 1970-1975 period.

The supply of regular handysize bulk carriers in general will, however, increase strongly over the next two years. This applies particularly to the so-called handymax sizes.

RESULTS

Income on T/C-basis was in line with last year in spite of the weakening of USD against NOK. Operating expenses fell somewhat compared to 1994, which contributed to the operating profit before depreciation increasing by NOK 8 million.



A large tank being loaded in Antwerp intended for a brewery in South America.

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*	*1993*	*1992*	*1991*
Freight revenues	428	433	366	290	311
Voyage expenses	(201)	(204)	(84)	(24)	(7)
Income on T/C-basis	**227**	**229**	**282**	**266**	**304**
Charterhire expenses	(2)	(4)	(3)	(3)	0
Operating expenses	(110)	(118)	(150)	(159)	(98)
Operating profit before depreciation	**115**	**107**	**129**	**104**	**206**
LHC Consolidated's share:					
Operating profit before depreciation	115	107	129	85	141
Depreciation	(20)	(30)	(38)	(36)	(35)
Operating profit	**95**	**77**	**91**	**49**	**106**



Mats Jansson
Cool Carriers AB

Reefer

Fleet operating profit NOK 558 mill.

LHC's activity within the reefer segment expanded considerably in 1995 through Avrista Ltd's acquisition of the remaining 49.9% of the shares in Cool Carriers AB (Cool). LHC owns 75% of Avrista Ltd. Cool now operates a fleet of 55 modern reefer vessels through its Leonina pool system, in which Cool is economically responsible for 20 chartered-in vessels.

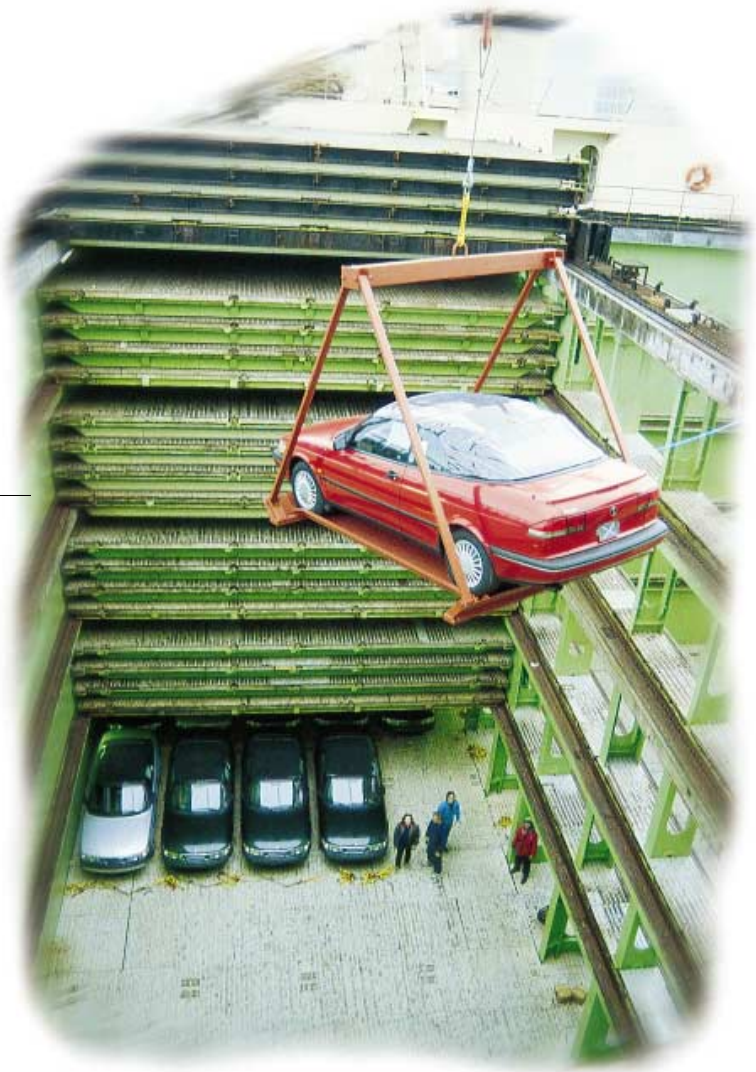
Furthermore, International Reefer Ltd (owned 100% by LHC) purchased four reefer vessels, CHIQUITA BARACOA, CHIQUITA BARU, CHIQUITA BOCAS and CHIQUITA BURICA. The vessels were built in 1984/1985. Delivery took place at the end of September 1995. The vessels were employed under a timecharter to the seller up to December 1995. Two of the vessels will continue under their timecharters until the end of 1996, while the remaining two vessels joined Cool's Leonina pool at the turn of the year.

In addition, a major interest in the reefer vessel ERIKSON CRYSTAL was acquired. The vessel was built in 1989.

The average freight rates in the Leonina pool increased by 20% on a T/C equivalent basis in 1995.

MARKET CONDITIONS

Following a slow start, the high season in the reefer market developed favourably, with average spot rates some 15% higher than in the comparable period in 1994. Consequently, fewer vessels were laid up than during the previous years, which had a negative impact on the rate levels when the off season started. Activity picked up towards the end of the year, however, resulting in an increase in both spot and contract rates.



Cars as return cargo in reefer vessels

Scrapping of old, inefficient reefer vessels did not reach the same volume in 1995 as in the previous year, but was sufficient to achieve a decline in the supply of tonnage. With an estimated 2.5% increase in the demand for vessels, 1995 turned out to be a year during which the fundamentals in the reefer market developed favourably.

Rates for twelve month timecharters signed at the end of 1995 for modern, pallet-friendly vessels were on average 15% higher than the year before. This still does not generate satisfactory returns for newbuildings.

MARKET OUTLOOK

The demand for reefer vessels is expected to increase by an average annual rate of about 2.5% during the coming years. Western Europe and North America will remain the main markets for consumption of bananas, apples and pears, which constitute the major part of the cargo transported in reefer vessels. The markets experiencing the largest growth, however, are Eastern Europe and South East Asia, particularly China.

In addition to fruit, vegetables and frozen products, a broader range of commodities is now using reefer space, such as onions, garlic, nuts, etc., particularly from Asia to Europe and South America.

The orderbook for reefer vessels currently amounts to 10.3 million cbft, representing less than 4% of the existing fleet. Approximately half of the orderbook is scheduled for delivery in 1996. However, the age profile of the existing fleet suggests



Special handling of pallets

REEFER VESSELS

Vessel	*LHC share %*	*Built*	*Flag*	*Dwt.*	*Total bale capacity (cbft)*
SPRING BRIDE	100	1984	Panama	10,100	470,000
SPRING DREAM	100	1984	Panama	9,891	454,000
CHIQUITA BARACOA	100	1985	Bermuda	13,613	589,000
CHIQUITA BARU	100	1984	Bermuda	13,556	589,000
SUMMER MEADOW*)	100	1985	Bermuda	13,584	590,000
SUMMER WIND*)	100	1985	Bermuda	13,636	589,000
ERIKSON CRYSTAL	45	1989	Bahamas	6,100	266,000

*)Previously CHIQUITA BOCAS and CHIQUITA BURICA, respectively

continued scrapping, and the net addition to the fleet next year is expected to be modest. An increase in the reefer fleet utilisation rate is therefore again expected in 1996.

Although the increase in the supply of reefer vessels is expected to remain modest over the next couple of years, expansion in reefer container box capacity has continued, indicating that container lines will seek to strengthen their position in the «traditional» reefer operators' domain.

RESULTS

Operating profit before depreciation was NOK 74 million after reversal of prior provisions for losses on T/C-contracts in the amount of NOK 130 million. Compared to 1994 the operating profit before depreciation increased by nok 123 million when the reversals for provisions for losses are not included. The increase is mainly due to improved earnings in Cool, with a rate increase of more than 20% in addition to a larger LHC owned fleet. Included in the depreciation of NOK 68 million is depreciation on goodwill with NOK 29 million



Maximum protection of the fruit during loading and discharging

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*
Freight revenues	744	711
Voyage expenses	(237)	(246)
Income on T/C-basis	**507**	**465**
Charterhire expenses	(394)	(484)
Operating expenses	(39)	(3)
Operating profit before depreciation	**74**	**(22)**
LHC Consolidated's share:		
Operating profit before depreciation	74	(22)
Depreciation	(68)	(39)
Operating profit	**6**	**(61)**

Ro/Ro

The oldest Ro/Ro trailer vessel, BASSRO STAR, was sold at the end of 1994 and delivered to new owners in February 1995.

ARCADE EAGLE and ARCADE FALCON continued under their timecharters to Flota Suardiaz in Madrid. Both vessels were chartered out for a period to P & O Ferries, which employed the vessels in the trade between Europoort and Felixstowe. Apart from that, the vessels were employed in the European market except for one transatlantic round voyage. The cargoes consisted mainly of rolling stock, but containers and general cargo were also transported.

Both vessels had some offhire during 1995, mainly due to technical problems with the stern ramp and cargo lift. The vessels were drydocked at the end of the year and the drydockings turned out to be considerably longer and more costly than anticipated. The vessels are now in good technical condition and satisfactory performance is expected in 1996.

The timecharters for ARCADE EAGLE and ARCADE FALCON expire at the end of second quarter 1996.

MARKET CONDITIONS

The market for small Ro/Ro trailer vessels was quite strong during 1995 and at approximately the same level as in the previous year. The trade between the UK and the Continent declined somewhat during the second half of the year, but this was compensated for by higher activity in other areas in Europe, particularly to the Baltic states.

Strong economic growth in several countries in Latin America and Asia resulted in increased market shares for Ro/Ro vessels in the intra-regional trade in these areas.

Fleet operating profit NOK 558 mill.

RO/RO VESSELS

Vessel	*LHC share %*	*Built*	*Flag*	*Dwt.*	*Lane meter*
ARCADE EAGLE	100	1981	NIS	6,680	1,200
ARCADE FALCON	100	1981	NIS	6,670	1,200



ARCADE FALCON with turnable aft ramp ready for loading

MARKET OUTLOOK

The demand for this type of tonnage is expected to remain at a high level in 1996, although negative economic developments in some European countries could, to a certain extent, exert a negative impact on the market in this area. The trade to the Baltic states is, however, expected to continue to grow in 1996. Furthermore, the economic outlook in the Asian market remains favourable. The same applies to several of the countries in Latin America. The intra-regional trade in these areas is therefore expected to grow.

Although contracting activity for Ro/Ro vessels increased during 1995, the orderbook for speculative orders remains small. The majority of the newbuildings will replace older vessels in fixed service patterns or enter into long-term freight contracts. Old vessels which are replaced by newbuildings are not expected to compete to any large degree in the market segment in which ARCADE EAGLE and ARCADE FALCON operate. However, the trend is towards new Ro/Ro vessels for intra-regional trades which are larger and faster than ARCADE EAGLE and ARCADE FALCON.

RESULTS

Operating profit before depreciation for 1995 was NOK 7 million. When comparing to the previous year it must be taken into account that the vessels were taken over only in the middle of the year and that one vessel was sold in January 1995. Both remaining vessels were drydocked end of 1995.



Discharging of high and heavy rolling unit.

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*
Freight revenues	36	28
Voyage expenses	0	0
Income on T/C-basis	**36**	**28**
Charterhire expenses	0	(1)
Operating expenses	(29)	(28)
Operating profit before depreciation	**7**	**(1)**
LHC Consolidated's share:		
Operating profit before depreciation	7	(1)
Depreciation	(15)	(10)
Operating profit	**(8)**	**(11)**



Trond Evju

Dry bulk

At the end of 1995 activity in this segment consisted of one Capesize vessel, IRON MASTER. The chartered vessel LA SIERRA was redelivered in June 1995 after having been employed on a two-year timecharter to LHC.

IRON MASTER continued under her timecharter during 1995 at a satisfactory rate. The vessel is in good technical condition. She is chartered out to Frontline AB until February/March 1997.

In August 1995 four cargo contracts were agreed for the transportation of coal from US East Coast to Europe up to the middle of 1996. Two of these cargoes have already been lifted, one in 1995 and one in January 1996, while the remaining two will be lifted by tonnage secured from the market closer to the date of shipment. Opportunities for further cargo contracts are continuously being assessed.

MARKET CONDITIONS

The dry bulk market was very strong during the first eight months of the year, despite an increase of 5.2% in the supply of vessels This represents the largest increase in the world bulk carrier fleet in over 10 years. However, the demand for vessels increased even more. The strong market was mainly driven by high industrial production both in the OECD area and in the industrializing countries in Asia. There was also a strong activity in the international grain market generated by high Chinese grain imports. The USA's coal exports increased by as much as 24.6% in 1995. This was primarily due to higher prices for coal on the export markets than in the domestic market.

In the final part of the year there was an industrial slowdown in the OECD area and a fall in activity in the international grain market. During the same period the dry bulk fleet, including combined carriers operating in the dry trades, increased strongly and both freight rates and market values fell.

Fleet operating profit NOK 558 mill.

10

MARKET OUTLOOK

The outlook for the dry bulk market in 1996 is not very favourable. Based on scheduled newbuilding deliveries and an increase in scrapping of old, inefficient tonnage, the supply of bulk carriers will increase by around 5%.

Lower demand for steel, combined with large inventories, began to have an impact on steel production in some European countries and in Japan in the last quarter of 1995. This development is expected to continue in 1996, which will result in a decline in im-

DRY BULK VESSELS

Vessel	*LHC %*	*Built*	*Flag*	*Dwt.*	*Cargo capacity (cbft)*
IRON MASTER	100	1982	Bahamas	127,000	5,200,000

port volumes of iron ore and metallurgical coal to these areas. Steel production in the growing markets in Asia is, however, expected to grow next year also.

The seaborne grain trade is not expected to increase much in 1996. World grain stocks are very low and high grain prices could restrict imports in some countries. Chinese grain import requirements are, however, likely to increase in the next year as well.

Steam coal is the only major dry bulk commodity expected to show any growth next year. One reason for this is a continued decline in the domestic production of coal in some of the major coal-consuming countries.

All in all, demand for dry bulk tonnage is expected to grow around 2% in 1996. Such weak demand growth, combined with the estimated increase in the supply of dry bulk tonnage, is likely to lead to a decline in the fleet utilization rate next year.

RESULTS

Operating profit before depreciation increased by NOK 11 million from 1994 to 1995. This was mainly due to changes in the fleet.

Based on the timecharter for IRON MASTER and the two remaining coal cargoes, the result for LHC's activity in this market in 1996 is expected to be the same as in 1995.



IRON MASTER loading coal in Australia

FLEET OPERATING PROFIT BEFORE DEPRECIATION

(NOK million)	*1995*	*1994*	*1993*
Freight revenues	47	69	34
Voyage expenses	(1)	(3)	(5)
Income on T/C-basis	**46**	**66**	**29**
Charterhire expenses	(12)	(52)	(32)
Operating expenses	(24)	(15)	0
Operating profit before depreciation	**10**	**(1)**	**(3)**
LHC Consolidated's share:			
Operating profit before depreciation	10	(1)	(3)
Depreciation	(12)	(6)	-
Operating profit	**(2)**	**(7)**	**(3)**



Johannes Tvedte

Höegh Fleet Services AS

As from 6th October 1995, the former Ship Management and Newbuilding sector of LHC was established as a wholly-owned subsidiary, Höegh Fleet Services AS (HFS).

The main objectives of the new company are to develop operational mangement models for vessels in which LHC holds interests, recruit and train officers and crews and advise associated companies on operational matters to the extent appropriate. In addition, technical consultancy services and project development are undertaken.

GENERAL

At the end of 1995 HFS was responsible for the technical and crewing management of a fleet of 28 vessels with an average age of 13 years. HFS also provides Norwegian officers for five cruise vessels.

During the year the fleet increased by four reefer vessels, all managed from Oslo. One Ro/Ro trailer vessel was sold, while two are still managed by Acomarit in Geneva. HFS has the overall responsibility for these vessels.

MARITIME PERSONNEL

Recruiting and training of new personnel in the Philippines intensified and the number of local courses increased during 1995.

MANAGEMENT

The performance of most of the fleet was satisfactory, although there was some unforeseen offhire also in 1995. One car carrier grounded and suffered hull damage leading to 43 days' offhire. Two Ro/Ro vessels required longer drydocking than anticipated. In addition there were a few minor incidents which required only minimal technical offhire .

Continuous maintenance is necessary to maintain the standard of the fleet. The employment of highly qualified officers and crew is also a key factor. Continuous training is therefore given high priority.

In 1995 there were four drydockings in the Far East and five in Europe.



Repairing a crossbar in the radar mast on board HÖEGH MUSKETEER

SAFETY AND QUALITY

Another vessel successfully passed the quality assurance audit in 1995 and received Det norske Veritas' SBM Class (Shipboard SEP Management System). Today nine vessels have obtained the SBM Class. Certification of a further ten vessels will take place during 1996 and the rest of the vessels are scheduled to be certified during 1997. The SBM Class obtained by the vessels managed by HFS meets the requirements of the ISM Code (International Safety Management Code).

During 1995 Canada introduced new requirements to the effect that all vessels entering Canadian waters must have safety plans for oil spills agreed with companies approved by the Canadian Coast Guard. HFS has entered into agreements with such companies for the vessels which are employed by Höegh Lines and PCL.

INSURANCE

There was ample capacity in the marine insurance market in 1995. Together with good claims statistics, this resulted in reductions in insurance premiums on renewals. Deductibles are still at a high level, but with high operating standards high deductibles have only a modest impact on operating costs.

RESEARCH

The two new open hatch vessels to be built in Japan have now been included as pilot projects in the R & D programme 'Maritime IT Ship Operation'. The results from this research programme will thus be installed and tested onboard the two newbuildings.

NEWBUILDINGS / PROJECTS

The delivery of the two car carriers, HUAL TRIDENT and HUAL TROOPER, from the yard in South Korea was slightly delayed in the first quarter 1995.

Work in connection with the two newbuildings in Japan is proceeding according to schedule. Delivery is now scheduled to take place on 19th December 1996 and 28th August 1997 respectively.



Checking the propeller for possible damages/ cavitation.



John Smådal

Bona Shipholding Ltd

Bona was demerged from LHC in 1993 and is today an independent shipping company, listed on the Oslo Stock Exchange. LHC owns 42% of the company. During the fourth quarter 1995 Bona acquired all the shares in Smedvig Tankships Ltd. This resulted in an increase in the fleet of 11 vessels - 8 Aframax tankers, two Suezmax tankers and one ULCC. One of the Aframax tankers and the two Suezmax tankers are owned 50/50 with the Portuguese company Soponata. All the vessels were commercially integrated by the end of the year, whereas manning and technical management will be taken over by end April 1996.

Furthermore, during the second half of 1995 the OBO pool was expanded by three vessels from the former Novoklav pool. One vessel is owned by Bona, whereas the two others are owned by a K/S in which Bona has a 10% share. C.H. Sørensen & Sønner A/S is responsible for the technical management of all three vessels.

The Aframax newbuildings planned at the Zaliv shipyard in Ukraine were cancelled at the yard's request. The reason was difficulties in obtaining the necessary financing.

At the end of 1995 the fleet operated on a commercial basis consisted of 34 vessels, of which 21 were tankers and 13 OBO vessels.

TANKERS

The two Panmax product tankers operated between the Middle East and Japan and were both fixed on a one-year timecharter during the fourth quarter.

The Aframax tankers operated both in the crude oil and oil products markets. During 1995 the vessels obtained increasing employment in the Far East and Pacific markets.

The timecharter between Bona and Amoco, which comprises three Aframax tankers, was extended to 7.5 years. The vessels traded to the US Gulf or US East Coast from short haul loading areas, mainly with the charterer's own cargoes.

At the end of the year, three of the former Smedvig Aframax tankers were employed in the transportation of clean oil products from the US Gulf to the Far East and crude oil from China back to the USA. Five of the remaining Aframax tankers are fixed on timecharters of up to 12 months' duration. The remaining vessels operate in the spot market in the North Sea, the Atlantic, the Mediterranean, the Caribbean and in the Far East.

Earnings in the Aframax segment in 1995 were better than in the previous year.

The Suezmax segment increased to three vessels. Two of the vessels operate in the spot market, while the third is operating under a timecharter until the middle of 1996, at a rate which fluctuates according to the spot market. The two vessels operating in the spot market were primarily employed in the trade between West Africa and US Gulf. Earnings were better than in 1994.

The former Smedvig ULCC has been fixed on a two-year timecharter as a storage vessel offshore Quatar. The vessel was delivered in November 1995.

OBO VESSELS

The vessels were employed in the transportation of clean oil products, primarily under two existing contracts from Algeria to the Continent and the USA, respectively. Coal and petcoke were the most common return cargoes.

Total earnings for the pool were satisfactory, primarily due to the strong dry bulk market in 1995.

The contracts for the transportation of clean oil products have been renewed.

MARKET CONDITIONS

During the first half of the year several factors depressed the tanker market, of which the most important was a substantial growth in short haul non-OPEC oil exports. This led to flat oil tonne-mile demand, despite an increase of more than 3% in seaborne trade in oil compared with the same period in 1994.

Although the growth in short haul oil exports led to an increase in the demand for Aframax and Suezmax tankers, the surplus of VLCCs exerted a downward pressure on the freight rates for medium-sized tankers due to the substitution factor. The concurrent fall in freight rates resulted in a large increase in the scrapping of old tankers and combined carriers, which again led to a decline in the oil-carrying fleet. This was particularly the case for the VLCC fleet, which declined by 2.3% during the first half of the year.

During the second half of 1995 activity in the tanker market picked up again, partly due to the US boycott of Iranian oil which led to heavy chartering of VLCCs by Iran. At the same time world oil inventories fell to a low level. The unrest in Nigeria and severe weather in Europe and North America resulted

in an increase in demand for Middle East oil. Both freight rates and values increased during the second half of the year, although the market was characterized by large rate fluctuations.

Scrapping activity consequently fell considerably during the second half of the year. For the full year 1995 scrapping of tankers and combined carriers amounted to 12.5 million dwt., compared with 15.7 million dwt. in the previous year. This led to an unchanged tanker fleet and a decline in the combined carrier fleet of 14.9%.

There was a continued improvement in the market fundamentals for the segments traded by Bona (Suezmax, Aframax and Panmax vessels) in 1995. This was due to only a marginal increase in the supply of vessels, while demand for the same increased by about 4% due to the growth in short haul oil exports.

The dry bulk market was very strong during the first eight months of the year, despite a considerable increase in the supply of vessels. The strong market was mainly driven by high grain imports, but there was also a large increase in shipments of iron ore, coal and other dry bulk commodities. US coal exports increased by as much as 24.6% in 1995, mainly due to more favourable prices for coal in the export markets than at home.

During the final part of the year there was an decline in the demand for dry bulk tonnage, mainly due to an economic slowdown in Europe and in Japan. During the same period the dry bulk fleet, including combined carriers operating in the dry trades, increased strongly and freight rates fell.

MARKET OUTLOOK

World oil demand is forecast to increase by about 2.5% in both 1996 and 1997. The strongest growth will come in the industrializing countries in Asia, which will result in continued high imports of both crude oil and clean oil products by this area. US oil imports are expected to remain at a high level in 1996, although the decline in domestic oil production could level out temporarily.

Oil production in the North Sea and other non-OPEC countries is expected to increase in 1996. This could result in further problems for OPEC, which will be exacerbated if Iraq returns to the oil market. The increase in the above mentioned production areas will result in greater demand for medium-sized tankers, while it is likely that the VLCC segment will continue to suffer from falling demand from the Middle East to Western destinations.

This means that some VLCC tonnage will compete with medium-sized tankers in the areas where this is possible. The potential for rate increases could therefore be limited for medium-sized tankers engaged in short haul trades. The growing oil import requirements in Asia, however, will be favourable for



the large tankers, as much of this oil will come from the Middle East.

A seasonal fall in freight rates during the first half of 1996 could lead to increased scrapping of old and inefficient tankers, as a considerable number of vessels are due to undergo not only the 20-year but also the 25-year special survey in 1996. Although many owners will upgrade their vessels, it is likely that tighter rules for quality assurance and stricter port controls will force many owners of unprofitable vessels to consider scrapping as an alternative. Based on scheduled deliveries of new tankers, it is therefore expected that the supply of tankers will not increase in 1996.

The positive development in demand for tankers, combined with the tonnage situation described above, is expected to lead to an improvement in the tonnage balance in the tanker market in 1996, particularly in the second half of the year.

The outlook for the dry bulk market in 1996 is not favourable. A considerable number of newbuildings will be delivered, while the demand for dry bulk vessels is likely to fall, mainly due to lower shipping volumes of iron ore and metallurgical coal. Steam coal is the only major dry bulk commodity expected to show any growth.

The combination of continued high US grain and coal exports, increased US oil imports and higher short haul oil production/exports is expected to lead to continued high demand for Panmax OBO vessels in 1996. It is likely, however, that freight rates for this segment will suffer from the increase in supply of pure Panmax bulk carriers over the next year.

LINER VESSELS

Vessel	*Ownership %*	*Built*	*Type*	*Dwt.*	*Oil (98%)*	*Loading capacity Dry bulk (cbft)*
OBO vessels:						
BONA FALCON	50.0	1981	Panmax	82,462	551,480	3,085
BONA FAVOUR	100.0	1981	Panmax	82,462	551,480	3,085
BONA FAIR	100.0	1981	Panmax	75,469	548,917	3,083
ATLANTIC PRESTIGE	0.0	1981	Panmax	78,507	532,413	2,994
ATLANTIC PRIDE	0.0	1981	Panmax	78,507	532,413	2,994
BONA FOAM	100.0	1981	Panmax	78,532	532,413	2,994
BONA FOUNTAIN	100.0	1982	Panmax	78,532	532,413	2,994
BONA FREIGHTER	30.0	1982	Panmax	75,395	567,471	3,174
BONA FORTUNA	40.0	1982	Panmax	78,532	544,993	2,994
ACINA	10.3	1982	Panmax	75,473	548,917	3,083
ARIEL	10.3	1983	Panmax	75,593	567,471	3,174
BONA FORUM	100.0	1983	Panmax	78,390	532,413	2,994
BONA FULMAR	100.0	1983	Panmax	78,585	532,413	2,994
Tankers:						
BONA BRAVE	100.0	1990	LR Product	84,040	557,464	
BONA BAY,	100.0	1990	LR Product	84,040	557,464	
VESTRI*)	100.0	1980	Aframax	97,115	748,126	
VENITA*)	89.1	1980	Aframax	87,549	666,699	
BONA SPARROW	100.0	1985	Aframax	94,706	664,288	
BONA SPRING	100.0	1986	Aframax	94,752	664,288	
VENLIZA*)	100.0	1986	Aframax	99,257	651,056	
VENTARES*)	100.0	1987	Aframax	99,335	651,056	
BONA SKIPPER	100.0	1988	Aframax	81,274	616,815	
BONA SPINNER	100.0	1988	Aframax	81,274	616,815	
BONA SHIMMER	100.0	1989	Aframax	81,274	616,815	
BORNES	50.0	1990	Aframax	88,950	649,163	
BONA SPRAY	100.0	1993	Aframax	106,266	727,351	
BONA SAILOR	100.0	1994	Aframax	106,236	727,351	
VENDONNA*)	100.0	1995	Aframax	95,400	667,787	
VENESSA*)	100.0	1995	Aframax	95,370	667,787	
VENTINA*)	100.0	1995	Aframax	95,420	667,787	
BONA LIV	100.0	1988	Suezmax	152,412	1,026,611	
ERATI	50.0	1992	Suezmax	159,719	1,132,162	
INAGO	50.0	1993	Suezmax	159,878	1,132,162	
MIMOSA*)	100.0	1977	ULCC	357,649	2,781,584	

*)To be renamed

Words and expressions



Aframax vessel
«Afra» = Average Freight Rate Assessment
Tanker about 80-105,000 dwt.

Bale
Cubic volume available in the holds for stowage of cargo.

Bareboat Charter
Chartering a vessel with all crew and operating expenses for charterer's account.

Capesize vessel
Dry bulk vessel over 140,000 dwt.

Charter a vessel
To hire a vessel (in or out).

Charterhire
The price paid to the shipowner for chartering a vessel.

Charter party(C/P)
An agreement about chartering a vessel for a single voyage (voyage charterparty) or for a longer period timecharter party).

DWT (Dead Weight Ton)
The vessel's cargo capacity measured in tons of cargo and supplies.

Dry bulk cargo
Mainly grain, coal and ore.

Freight income on T/C basis
Freight income less voyage related costs (excluding operating expenses).

General cargo
Liner cargo not being carried in containers.

Handymax vessel
Bulk vessel of 35-50,000 dwt.

Handysize vessel
Bulk vessel of 15-50,000 dwt.

Lane meter
A lane, 1.0 meter long and between 2.5 and 2.9 meter wide, i.e. the breadth necessary for stowing an ordinary truck/trailer on board.

LNG-vessel
A vessel carrying LNG (Liquefied Natural Gas) cooled to minus 160 degrees Celsius.

LPG-vessel
A vessel carrying LPG (Liquefied Petroleum Gas) cooled to minus 45 degrees Celsius.

Multipurpose vessel
General cargo vessel also equipped for carrying containers.

OBO-vessel
A vessel which can carry oil and oil products, or dry bulk commodities such as grain, coal and ore (oil-bulk-ore).

Open Hatch vessel
A vessel with hatches without overhang, used for carrying containers and bulk commodities, e.g. lumber and forest products (pulp and paper).

Operating expenses
Include crewing costs and all expenses related to the technical management of the vessels including insurance.

Panmax vessel
Maximum size of a vessel for the passage of the Panama Canal (about 80,000 dwt.).

Pool
A cooperation between owners who place vessels in a jointly controlled operational unit where freight income on timecharter basis is divided between the partners according to a predetermined key.

RoRo vessel
A vessel carrying rolling stock (Roll on / Roll off), such as car carriers, liner vessels or a combination.

Spot rate
Describes rate for single voyages agreed on the basis of today's market situation.

Suezmax vessel
A vessel constructed for maximum utilization of cargo carrying capacity through the Suez Canal (approx. 130-140,000 dwt., and approx. 1 million barrels).

TEU
Twenty feet Equivalent Unit, i.e. a 20 feet long container. A measurement for the vessel's container capacity.

ULCC (Ultra Large Crude Carrier)
Tanker over 300,000 dwt.

Voyage related costs
Mainly bunkers, port dues, canal dues, loading and discharging costs.

VLCC (Very Large Crude Carrier)
Tanker between 200,000 and 300,000 dwt.

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LEIF HÖEGH & CO

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1995

