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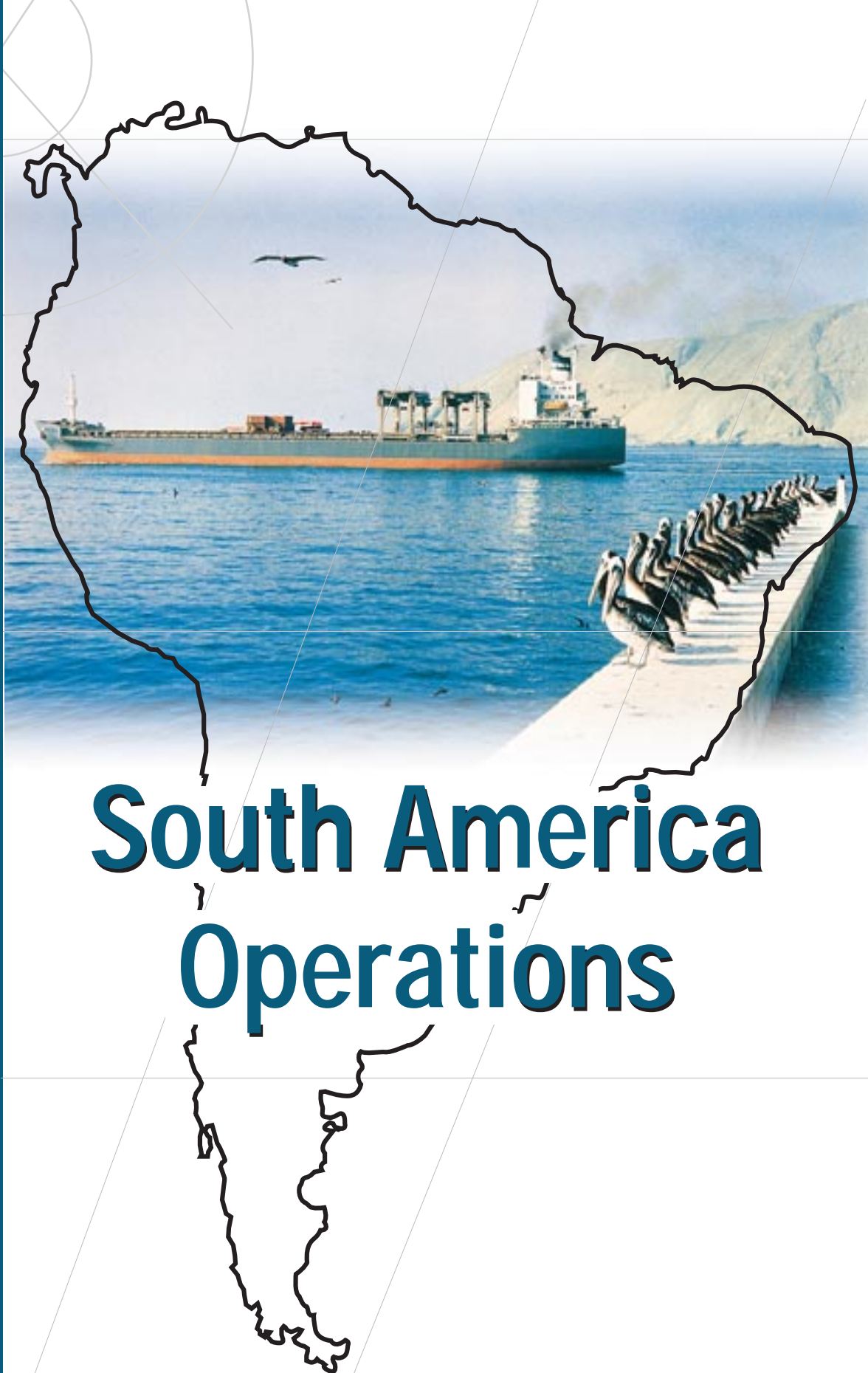
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South America Operations



Strategic changes

The beginning of 1999 has been eventful for Leif Höegh & Co ASA, with the increased stake in Gorthon Lines AB and the Bona Shipholding Ltd. merger with Teekay Shipping Corporation Ltd. as two of the most visible events. The transactions are supportive by our strategy by having a competitive presence in attractive shipping segments. Leif Höegh & Co ASA aims to restructure and/or merge our business units in such a way that they are best positioned within their segment.

Gorthon Lines AB operates in a niche of the forestry segment which we already know well through our open hatch activities. Furthermore, the company is solid and financially sound with a professional management. Our stake in the company can give us possibilities for geographical expansion and provide synergies with our RO/RO activities.

The merger between Bona and Teekay is based on our view that the shipping industry must adapt to meet the changing needs of our customers. The two companies are similar in many ways, in terms of operating philosophies, excellent management and homogenous fleets. The new company will be able to achieve economies of scale, superior flexibility, responsiveness and greater market reach. The commercial activities of Bona will be moved to London, while maritime and technical activities will remain in Oslo. The management of the two companies are currently creating the future shape of the new company.

I believe that Leif Höegh & Co ASA is a company better equipped to meet the challenges of the industry as a result of these two transactions.

T.J. Guttormsen
President Leif Höegh & Co ASA

Alpha cadets visit our office in Manila

Effective from summer 1998, Höegh Fleet Services and Bona Shipping jointly entered into an agreement with the University of Cebu (UC) to establish a company specific education system (see Höegh Dialogue no. 2, 1998).

The two Project Alpha classes (one deck and one engine with 25 cadets in each class) have now almost finished their first year in school. They are now scheduled to go on board our vessels for a 10 months sea-service before they return to UC for another two years in school.

Representatives from Höegh Fleet Services visited UC several times in 1998 and in February 1999 the 30 HFS cadets came to see our office in Manila for the first time.

Accompanied by their coordinator, Josie S. Riviera, the cadets took the ferry from Cebu to Manila and toured our office 19-20 February.

During this visit, the Project Alpha HFS Cadet Orientation Seminar was arranged and directed by our Safety/QA & Training Manager Emanuel F. Tinio Jr.

The main purpose of the seminar was to give the cadets:

- general information about the company
- information about our office in Manila
- the chance to get to know the HFS-P staff
- detailed information about the forthcoming sea-service

It was a hectic two-days seminar with fruitful discussions and many questions. The cadets, who could be future HFS senior officers, will finish their basic safety training before they embark our vessels within June for 10 months sea-service.

We look forward to seeing them on board!



Michelin Man 100 years!

Høegh Lines was invited to the 100th anniversary of the Bibendum, the Michelin Man. The celebration in Asia was marked with a cocktail reception in Singapore, at the end of November 1998. In the photograph, the Michelin Man and Raymond Tan of SMPT/ Michelin Singapore, are flanked on the left by Vincent Tan of Harpers Shipping, Singapore and on the right by Per Dynes Jørgensen, Høegh Lines, Singapore. The Høegh Lines Liner Service is a major carrier of natural rubber for the Michelin tire factories in Canada and USA



New reception in Wergelandsveien

Lill Marion Kristiansen at work in the new reception in the Oslo headquarters. Eldbjørg Kjærnsmo was not present.

HØEGH DIALOGUE:

Published by:
Editorial staff:

Leif Høegh & Co ASA
Charles Jensen, Olav Geir Foss and Mot Vandenberghe. Tel. 22 86 99 56, fax 22 86 99 45,
e-mail: mav@hoegh.no

Journalist/editing:
Layout/graphic design:
Circulation:

Stian Aakre, e-mail: saakre@online.no
BRAVE Reklamebyrå as
2,800

OP!N!ONS

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

H... stands for Høegh & Henry



To most Masters & Officers whose ships have frequented the port of Bombay (now renamed Mumbai), Henry is a good friend.

For those of you who have not had the pleasure of meeting him, Henry is Høegh Lines ship-chandler in Bombay. He has been attending to the vessels of Leif Høegh since 1942. He recalls with clarity the tankers OHIO, OKINAWA and ALFRED CLEG. He continued to attend the vessels of Silver Line, Java Pacific, the Gama Service and continues his services to Høegh Lines.

Henry's memory is still vivid, and he can recall anecdotes from the past that most persons would have preferred to forget. He is a walking history book of Høegh's ships, masters and officers that have visited Bombay, and he has safely preserved a good few of the crew lists from those days.

On working days, Henry is always dressed in a white short sleeved shirt (with a Høegh Lines lapel pin in the collar), "naval" styled white shorts (with buckles in the front), white stockings and black shoes. He is recognised by all the port personnel and regulars by his attire. Many masters have asked Henry for the name and address of his tailor, but Henry has managed to keep this a closely guarded secret.

To those of you who have retired, or are working ashore and still remember "Henry of Bombay", let me give you a brief update:

- he is a sprightly young eighty-two-year-old
- still travels (occasionally) on the public transport system, much against the wishes of his wife Regina and son Andre
- come rain, hail or sunshine, he never

- misses a single day at the office
- He can still climb up any Høegh Line gangway and never fails to visit the Høegh ships in port
- his rendition of the song "Home on the range" is perfect and he sings it whenever encouraged, but only after the sunset over the yardarm
- Henry is still trying to get Andre married, but has as yet not been successful, though that is not for the lack of any effort on his part
- his most treasured possessions are still the Høegh give-aways, because as he puts it "H... stands for Høegh & Henry"

Through the pages of the Høegh Dialogue, Henry wishes to send all his friends and those of you who have never had the pleasure of meeting him, his best wishes and regards. He would like all of you to know that like "Johnny Walker.... (he is) still going strong".

Capt. Dady J. Mody
Owners Representative
Mumbai

NEWS WATCH

Gorthon Lines

Leif Høegh & Co gains control of the Board in Gorthon Lines. Thor Jørgen Guttormsen, President in LHC, becomes Chairman of the Board, Øyvind A Brøymer and Erik Falkenberg also joins as members of the Board. Lars Petersson is new Managing Director of the company as Mats Nilsson has left his duty.

New shareholder in Unicoool

Unicoool/Cool Carriers has been owned 50 % by LHC and 50 % by South African Marine Corporation Ltd. However, effective from 1 January 1999, South African Marine Corporation Ltd. has sold their shares to Capital Finance of Greece, controlled by Stamatis Restis.

Fire on board HUAL TRAPPER

26 January a fire started on board HUAL TRAPPER, probably caused by a short circuit in one of the cars on board. No personal injuries occurred, but several cars were damaged, and some steel

parts of the vessel were damaged. The ship docked in Singapore for the repairs, and left for loading in Japan 12 March.

Safety training on board

Marine Safety Services Ltd. from London is engaged to run theoretical and practical emergency training on board all the vessels in our fleet. This has already been tried out on board 7 vessels as a pilot project. The evaluation shows that this training is beneficial for the crew members in order to cope with emergency situations.

Extract from report per 1st Quarter 1999



Erik Norman, gives Høegh Dialogue quarterly reports.

Leif Høegh & Co. (LHC) Consolidated obtained for the first quarter an operating profit before sales gains and depreciation of NOK 164 million (NOK 216 million in 1998). The main contributor was once again the car sector although a larger fleet did not fully compensate for the weaker market conditions. Difficult market conditions for both Høegh Lines and Unicoool led to lower results than last year for these sectors. The

operating profit was NOK 107 million, which was a reduction of NOK 58 million from last year.

The published sale of LHC's 33.6% shareholding in Bona Shipholding Ltd to Teekay Shipping Corporation (Teekay) had a negative effect on result from associated companies, which was minus NOK 273 million. LHC's share of Bona's net profit was NOK 2 million (NOK 13 million in 1998), while the total loss from the sale of the shares was NOK 274 million. The share of Gorthon Lines' net profit was NOK 1 million.

Profit after financial items was minus NOK 215 million (NOK 59 million in 1998).

Activities

Gas

The lower operating profit was due to the planned docking of NORMAN LADY in the second quarter, the effect of which is split equally on all four quarters. The offhire will be substantially longer than for a normal docking due to upgrading work prior to commencing a long term timecharter to Enagas SA this autumn.

Dry bulk

General market conditions were weak with a small upturn towards the end of the quarter. Two vessels were chartered in to lift previously committed cargoes of coal and iron ore. This contributed to the improved result when compared to last year. A modern Capesize vessel was mid April chartered for two years, plus one year option, to meet i.a. committed contract cargoes. The vessels on long term charter to a company within the Shougang group in Hong Kong operated satisfactory without offhire.

Høegh Lines

Several factors affected negatively the first quarter operating profit. Three out of four D-vessels were transferred to Egon

Oldendorff oHG in connection with the sale of the liner operation. The vessels were chartered back for two years. The sales gains amounted to NOK 3 million. Docking of all the liner vessels started in the first quarter and will extend into the second quarter. Cargo volumes from Southeast Asia to North America were stable while volumes declined further in the opposite direction.

The situation was more mixed for the open hatch/contract service, but all in all below expectations. The exports of forest products from North America to Japan remained negatively affected by the lack of economic recovery in Japan. Limited demand among countries on the South American west coast did not help either the restructured service between Chile, Europe and North America. The other services on South America performed as expected.

HUAL AS

The operating profit for HUAL was somewhat lower than in the first quarter last year. The strongest markets were again outbound from Japan/Korea to Europe and the USA, while volumes to South America were negatively affected by the economic difficulties in this region. Cargo availability eastward from both Europe and the USA to Southeast Asia was reduced as a result of the financial crisis in Southeast Asia.

Unicoool Ltd

The operating profit was substantially down from last year and somewhat lower than expected. The market conditions were particularly difficult in January and February as a result of delayed crops and the after-effects of bad weather in 1998. In March, increased shipments from Ecuador and other South American countries led to higher rates than last year.

Bona Shipholding Ltd

Lower freight rates both for the Aframax tankers and the Panmax OBO vessels weakened the net profit from USD 5.0 million last year to USD 0.9 million this year. A combination of oil production cuts and newbuilding deliveries reduced Aframax tanker rates from USD 18 727 per day to USD 15 568 per day. A continued weak dry bulk market combined with low demand for clean oil products in Asia reduced OBO Panmax earnings from USD 13 020 per day to USD 12 138 per day.

Prospects for the year

The first quarter development confirms the prognosis given in the Annual Report of a lower operating profit in 1999 compared to 1998. Net profit will also be affected by the loss from the sale of the Bona shares. The strengthening of the USD against NOK is all in all positive for LHC, although the unrealised foreign exchange loss affects negatively the bottom line.

Höegh Lines makes changes in South America operations



President Erik Falkenberg in Höegh Lines gives in this article an update on the situation in South America, the Norsul pool operations, and new trades in the region.

America West Coast) Services were part of the pool until the last part of 1998. The two smaller vessels, HÖEGH MISTRAL and HARMAC DAWN, covered the Express Service. The larger vessels, MASCOT and CIELO D'EUROPA, covered the Combi Service.

Changes in the Norsul pool operation

Towards the end 1998, all four vessels were operating in the Atlantic basin which means increased service level – double frequency – on the southbound service leg to Brazil and Argentina. The larger vessels proceed south to Buenos Aires where they load for the northbound leg. The space sharing arrangement, which the pool has with Gearbulk, initiated late 1997 on the northbound leg, remains intact. This arrangement ensures better port coverage and overall improved services for our customers.

The Chile/North America/Europe service

We were successful in obtaining a contract – starting in January 1999 – for transportation of pulp from Chile into the Mediterranean. Based on this contract we have initiated a new monthly service from Chile, which after having discharged in the Medi-

terranean will proceed to North Europe and load for the East Coast of North America and the West Coast of South America. This last southbound leg is the continuation of the Combi service, earlier part of the overall Norsul operation. The new service will be operated with three vessels, HÖEGH MERIT, HÖEGH MARLIN and a t/c vessel, in the initial stages of the operation.

Tough times ahead for the region

The net result of the changes is improved service level for both operations to and from the East Coast and the West Coast of South America. These changes coincide, unfortunately, with tough times for most of the countries in the region. The spin-off effects of the economic crises in the Far East and El Nino have had significant effect on most of these countries resulting in devaluation of the local currency and in large drops in imports. The benefit is an improved position for exports, at least to parts of the world where the economy remains stable, such as Europe and in particular the USA. The improved service level should put us in a better position to service these markets when the economic situation improves and the trade picks up again.

Our joint venture with Norsul in Rio – which was initiated in 1990 - has been going through changes over the years. As the trade requirements have changed, the pool operation has adapted to such changes. Both our Norsul Express (Atlantic only) and Combi (via South



Höegh Lines reception in Santiago. Norway's ambassador in Chile, Mr. Martin Tore Bjørndal (5th from right) and LHC President T. J. Guttormsen surrounded by representatives from our agent, B & M Agencia Maritima in Chile, and visitors from the Open Hatch department in Oslo.

Teekay Shipping to acquire Bona Shipholding

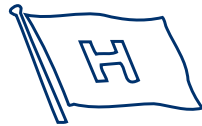
In Oslo on 29 March 1999, Leif Høegh & Co entered into an agreement to exchange its shares in Bona Shipholding Ltd. with shares in Teekay Shipping Corporation Ltd. Bona was established in 1992 by LHC. LHC's initial ownership of 42% has through capital distribution and Bona shares dropped to 33.6 %.

Teekay Shipping, Nassau, Bahamas, was established in 1973, and operates today 50 vessels. This is the world's largest modern fleet of medium-sized (Aframax) oil tankers. Through its international network of offices, Teekay transports crude oil and petroleum products for major oil companies, major oil traders and government agencies worldwide.

-We have identified the Atlantic Basin as an area of high potential growth for Teekay, and have already positioned six of our vessels there over the past year, says Bjørn Møller, President and CEO of Teekay.

-The agreement combines Teekay's leadership position in the Indo-Pacific Basin with the market strengths of Bona's Atlantic franchise. Bona currently controls a fleet of 26 vessels (including three Aframax newbuildings to be delivered by mid 1999). The combined company will thereby operate 76 vessels, and will be approximately three times larger than its nearest competitor.

Oslo, 29 March 1999



PRESS RELEASE

Leif Høegh & Co has entered into an agreement to exchange its shares in BONA Shipholding Ltd. with shares in Teekay Shipping Corporation Ltd.

Leif Høegh & Co (LHC) has accepted an offer from Teekay Shipping Corporation (Teekay) to exchange its 33,6% shareholding in Bona Shipholding Ltd (Bona) for shares in Teekay. The conversion is based on each Bona share being valued at 0.485 Teekay shares based on the closing price of the Teekay share of US\$15.1875 on Friday March 26, 1999. The closing price of the Bona share on March 26, 1999 was US\$4.66 (NOK 36). The agreement is part of an offer from Teekay to acquire all the outstanding shares in Bona for Teekay shares or cash in the amalgamation of the two companies. LHC's shareholding in Teekay will be approximately 10% and Leif O. Høegh, the present Chairman of Bona, will join the Teekay board. LHC has agreed to an initial lock-up period of six months during which LHC cannot sell shares, and a further six months during which a sale is subject to certain conditions. The book loss for LHC Consolidated will be NOK 275 million.

Bona was established by LHC in 1992 with the aim of creating a dedicated company capable of becoming a significant participant in the Panmax OBO and medium sized tanker markets. The company went public in 1993 and has since tripled its fleet with emphasis on the Aframax tanker segment. From an initial ownership of 42%, the LHC shareholding was reduced to 33,6% in 1997 through a capital distribution to LHC shareholders in the form of Bona shares.

The President of LHC, Mr. Thor Jørgen Guttormsen comments: "The global oil industry is going through a period of increasing consolidation. Consequently, the tanker operators are serving fewer but significantly larger customers. The Company, resulting from the amalgamation between Bona and Teekay, will be able in a more comprehensive way, to respond to these changing market conditions. It will be able to achieve improved economies of scale while providing their customers with superior flexibility, responsiveness and greater market reach. We strongly support this consolidation of the tanker market and are convinced that this is the best way to enhance the value of our allocated capital in this segment."

Vessel of the issue: **HÖEGH MORUS**



The vessel was built at the Mitsui Yard in Tamano, Japan and delivered to Leif Höegh & Co. in September 1997. The vessel is a sister ship of HÖEGH MONAL delivered 9 months earlier from the same yard. HÖEGH MONAL (now trading as SAGA CHALLENGER) entered a five year time charter with NYK, while HÖEGH MORUS initially serviced the West Coast of Canada to Japan trade in the PCL operation, and at the present time the vessel is servicing the Chile to Far East trade. This operation is based on a COA (Contract Of Affreightment) northbound for transportation of pulp with the largest Chilean forest products companies. On the return leg we have an arrangement with HUAL for transportation of vehicles from Japan to the West Coast of South America.

These open hatch gantry craned vessels represent upgraded and sophisticated versions of their older forerunners in our M-series of vessels (open hatch

vessels with M-names) of which we have seven in operation in our Liner and Open Hatch contract services.

The size

These vessels are Panamax size and the world's largest of this type with up to 57 000 dwt. and 2.380.000 cbft./67.354 m³ capacity. The total container capacity is about 2300 TEUS. Panamax size indicates the maximum that can pass through the Panama Canal, either restricted by the vessels beam, as in this case, or the tonnage.

The cranes

The two sophisticated gantry cranes have a lifting capacity of 40 tons each. The cranes' rain protection enables the vessels also to load and discharge cargo during rainfall. This is particularly beneficial in certain parts of the world – such as Chile and US Pacific North West/West Coast of Canada – where one otherwise will

encounter rain delays. With modern and efficient spotting arrangements, fast and safe cargo handling is achieved.

The cargo holds

The vessels have 11 cargo holds with a1 dehumidification system, which is perfect for most forest products, such as pulp, newsprint, paper and kraft liner board – and a variety of other products – giving good separation of cargo as well as reducing the risk of damage.

The engine

The main engine, a Mitsui B & W 6S60MC, produces 16 500 horse power. The hull has proven to be very efficient giving this large vessel, fully loaded, a service speed of about 17 knots. The auxiliary engines are three of the Ulstein Bergen KRG6 type.

The crew

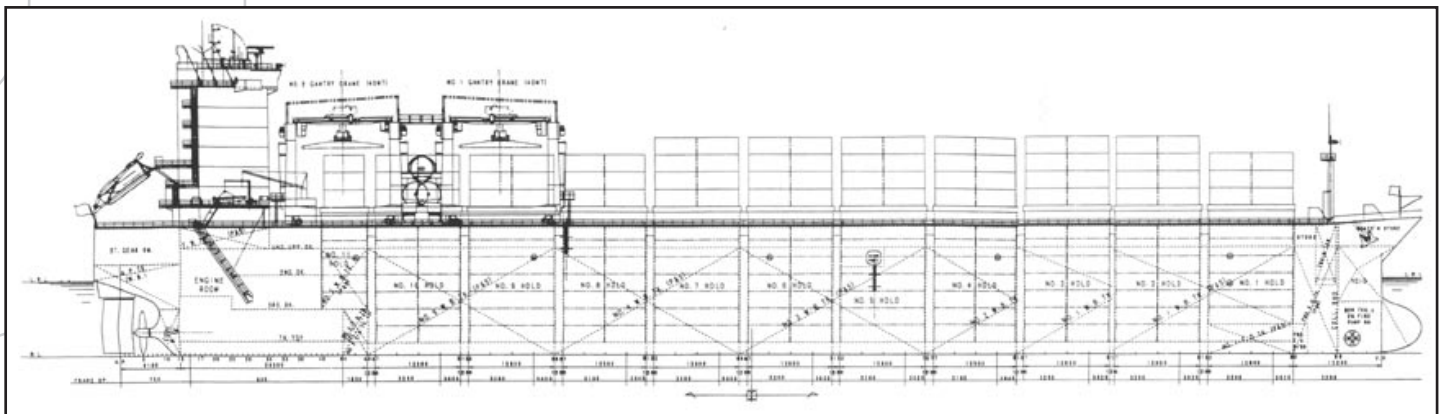
This vessel – as her sister ship HÖEGH MONAL/SAGA CHALLENGER – has had a

full Filipino crew since the delivery from the yard. Three fixed sets of Filipino senior officers constitute rotating crew teams for the two vessels.

IT onboard

In Höegh Dialogue 3/98 the advanced IT system of these vessels was presented. The key features of the systems are: a Diagnostic System for the main engine, EDIMAR reporting system of operational data and Sea Star, a weather routing system. There are also other features available in the system which have the potential to be further developed as the project continues into 1999. For further details on the project, we refer to the above mentioned article.

HÖEGH MORUS represents, as will be noted, the state of the art open hatch gantry craned vessel. The vessel type has proven to be fast and efficient with significant earning capacity due to size. With the general tough marked situation in most dry cargo trades – also in many forest products based trades – HÖEGH MORUS is a well functioning vessel waiting for the market to turn, in order to fully prove her earning potential.



M/V HÖEGH MORUS

Built by: Mitsui Eng. & Shipbuilding Co. Ltd., Japan
Delivered: September, 1997
Owner: Leif Höegh & Co. ASA
Flag: Bahamas
DWT: 57 000

Draft: 11.50 m
Length o.a.: 199.9 m
Beam: 32.2m
Engine: Mitsui B & W 6S60MC
Speed: 17 knots

THE GREEN EFFORT



Karl-Helge Røyter

Spills of oil and chemicals on board the vessels are unwanted incidents. Still they can occur from time to time, with different magnitude and impact. Høegh Dialogue discussed with Karl-Helge Røyter what kind of emergency preparedness the vessels have in case of an oil spill.


-First of all, I would like to say that we have looked seriously into this matter over the last decade, Røyter explains. We have examined various incidents to learn from them, and of course we comply with the existing rules from the authorities regarding oil pollution prevention. The result of our work is that each vessel carries an extensive list of emergency preparedness equipment in case of oil spills.

-Bunkering is the most critical operation with respect to possible oil spills. Over-bunkering happens, and the philosophy is then to keep the spill on board and to prevent it from polluting the harbour area. A designated overflow tank for draining the surplus fuel is installed in our newer vessels, but the older ones do not have this equipment, Karl-Helge Røyter says. -Absorbing materials are the vital contents of our oil spill response equipment on board. This will prevent us from losing the spill over board. But in case

we are unable to prevent this, the routine is that we are obliged to notify the port authorities, and they will have their own response team to take care of the spilled oil. But the polluter will ultimately have to pay for the required measures.



Sheets of absorbing material collect spilled oil.

		SAFETY ON BOARD LIST OF STANDARD EQUIPMENT		Sect : QSM 2.9.5 Page : 1 - 1 Prep : SOF Appr : JT Date : 1998-09-01	
<u>OIL SPILL RESPONSE EQUIPMENT</u>					
THIS EQUIPMENT IS TO BE KEPT READY FOR USE IN CASE OF OIL SPILL EMERGENCIES, NOT FOR ORDINARY WORK					
No/ units	Text / description	Ref. to HFS QA system	Ref. to ITS List		
1 pce	Membrane pump with spares and hoses. Make: Sandpiper or similar.	QVRP 3.8			
1 pce	Portable chest/container for unused equipment.	QVRP 3.8			
4 pcs	Shovel scoops, oil resistant plastic.	QVRP 3.8			
4 pcs	Shovel scoops, aluminium.	QVRP 3.8			
4 pcs	Buckets, strong type, oil resistant plastic.	QVRP 3.8			
20 pcs	Waste bags, plastic.	QVRP 3.8			
2 pcs	Disposal bags, 1000 litres.	QVRP 3.8			
4 pcs	Absorbing oil booms, 3 m length, 20 cm diam. Make: Ergon type E 810 S.	QVRP 3.8			
1 pack	Absorbing sheets, 50 sheets 97 cm x 86 cm. Make: Ergon type E 50.	QVRP 3.8			
1 pack	Absorbing sheets, 200 pads 48 cm x 43 cm. Make: Ergon type E 200.	QVRP 3.8			
4 sets	Rain suits, jackets and trousers, oil resistant.	QVRP 3.8	ITS 267		
4 pairs	Protective boots, oil resistant.	QVRP 3.8	ITS 266		
4 pairs	Protective gloves, oil resistant.	QVRP 3.8	ITS 264		
1 set	Scupper plugs, full set as necessary.	QVRP 3.8			
6 pcs	Brooms, long handle.				
20 bags	Absorbing saw-dust.				

Officers' Conference

This Senior Officers' Conference was held at Puerto Azul Beach Hotel, South-West of Manila. A total of 38 of HFS's seniors and their wives attended the conference.

The first two days concerned matters which naturally fall under the "Ship-Shape" umbrella. The focus was set on improving the standard of our performance. To kick off the "Ship-Shape" part of the conference, a work shop, with focus on trust among team members, was conducted.

Further the attendees were informed about status and plans, both in HFS and LHC. And a thorough introduction to the different departments of HFS-P was given by the respective department leaders.

The latter part of day two was used to focus on the standard on board our vessels. This session was based on feedback from inspections and evaluations conducted by Marine Safety Services, on board 6 of our vessels, prior to the conference. Thereafter the Claims Manager focused on the consequences of the major accidents, which occurred 1997-99.

The next day, 10 officers from Bona joined the conference, and three representatives from Bergen Hull Club (BHC) conducted a crisis management drill, based on a fictive collision between SUMMER FLOWER and a laden tanker off the coast of USA. The vessel was manned by a captain, a chief officer, a chief engineer and a duty officer, all participants at the conference. In addition one representative of BHC acted as pilot and two representatives from HFS played the roles of Emergency Response Team (ERT) members.

Primary focus during the exercise was the reporting and the assistance, which in particular the master will receive, if he promptly makes a report to HFS about the emergency.

On the fourth day of the conference, the commercial operators were given a free hand to focus on matters of concern to them. Cool and HUAL ran full day programs for their seniors.

In addition, a motivation program was run for the wives of the seniors, who attended the Mermaid conference.

The conference was rounded up with a dinner party and a presentation of HFS Loyalty awards.



C. Manalaysay and L. Isulat during emergency rehearsal.



Officers' wives attending the Mermaid's conference



Officers also need a break and a good meal.



The following officers were awarded with the Loyalty Award (from left to right): Capt. Delfin T. Lopez Jr, C/E Mario G. Ozaraga, Mr Johannes Tvedte, Capt. Henry A. Chiong, Capt. Benedicto C. Gulliab, C/E Pericles M Rabaria Jr, C/O Fransisco J. Solatorio Jr, Mr Sebjørn Dahl. Sitting: Capt. Brummel D. Yambao, C/O Gil B. Sanchez, C/E Roberto S Suarez, C/E Leo Concepcion.

We would like to take the opportunity to thank them for their service in our company and we are looking forward to seeing them in our service for years to come.

Finance/accounting



Erik Norman, Finance Director

-The department can in many ways be considered as the heart of the company. Money is raised to buy the ships, freight income is collected, managed and distributed, providing a certain result for each business unit. This is how Finance Director Erik Norman in a brief summary describes the department he has headed since 1988, although his responsibility for Finance goes all the way back to 1982. The readers of Høegh Dialogue are already somewhat familiar with him through the quarterly reports, and in this presentation of his department, we get some of his financial views on LHC and shipping.

-We have a fairly simple corporate structure in LHC with a limited number of companies, Erik Norman continues. -This makes financing and accounting easier and is also well adapted to meet the requirements of the new Norwegian tax scheme for shipping companies, which was put into effect from 1996. The department is presently located on two floors but will as of this spring be reunited, an event everybody is looking forward to.

-The present financial situation of LHC is good with both the level of liquidity and solidity well within established guidelines. All newbuildings are financed on attractive terms, which gives the company a good platform for the future.

-Shipping is a volatile environment to operate in, Erik Norman continues. You have to be able to resist the economic downturns in the business. You also

have to have the financial power and willingness to invest when you can buy cheaply – given that you have the right visions for the future. The shipping business has changed over the past years from long term contracts producing a steady income to shorter employment in the form of a spot market. This does more than ever require good financial planning and good reporting and accounting systems, which I believe we have, Norman concludes.

In the following paragraphs we present the different sections of the Finance/Accounting department a little more in detail.

The main task for Karine Pignatell, as Finance Manager, is to assure optimal financing of LHC's business activities either in the form of long/short term debt or equity. The debt secured on LHC vessels amounts to approx. USD 500 million, and is raised partly through traditional bank financing and partly through leasing. All loans are in USD in order to match the debt with the income stream. Most of our vessels were refinanced in 1997 through one single syndicated bank loan in connection with the adjustment to the new tax system. Separate financing has, however, been established for joint venture companies like Unicool and Joint Vessels Ltd. The latter, which is a joint venture between LHC and Ugland International Holdings, has been particularly active recently, investing in a number of new and second-hand car carriers.

Thomas Engelhart is an "institution" and has been involved in cash management within LHC for several generations. He monitors all money coming in and going out, and has the daily follow-up of the company's various bank accounts. A very important tool in this work is the electronic banking services, through which daily reports on all bank accounts are taken out. Based on these reports it's being verified that each account has sufficient funds and that surplus funds are being placed on time deposit or otherwise actively managed. The days of the cheques are gone and all payments are now executed electronically on behalf of the various companies. Another important task is the

back office function with regard to the management of securities, stocks and bonds. And last, but not least, the cashier function should not be forgotten, as it is maybe the most visible function, namely dealing with and controlling each employee's travel account.

The liquidity of the LHC Group, which normally amounts to NOK 800-1000 million, is managed by Erik Grundt Olsen. Most of it is invested in bonds and shares in accordance with established guidelines. The purpose of this strategy is to achieve a return in excess of bank deposit interest rates. The management of the bond and equity portfolios includes frequent use of financial derivatives normally applied to reduce the overall risk. Erik's job also includes following LHC's currency exposure. Although most of the income and expenses are in USD, the administration cost is in NOK and it is important to try to sell the USD for NOK when the USD is strong. Lars Hauge plays an important role in reporting and controlling whether Erik stays within his limits.

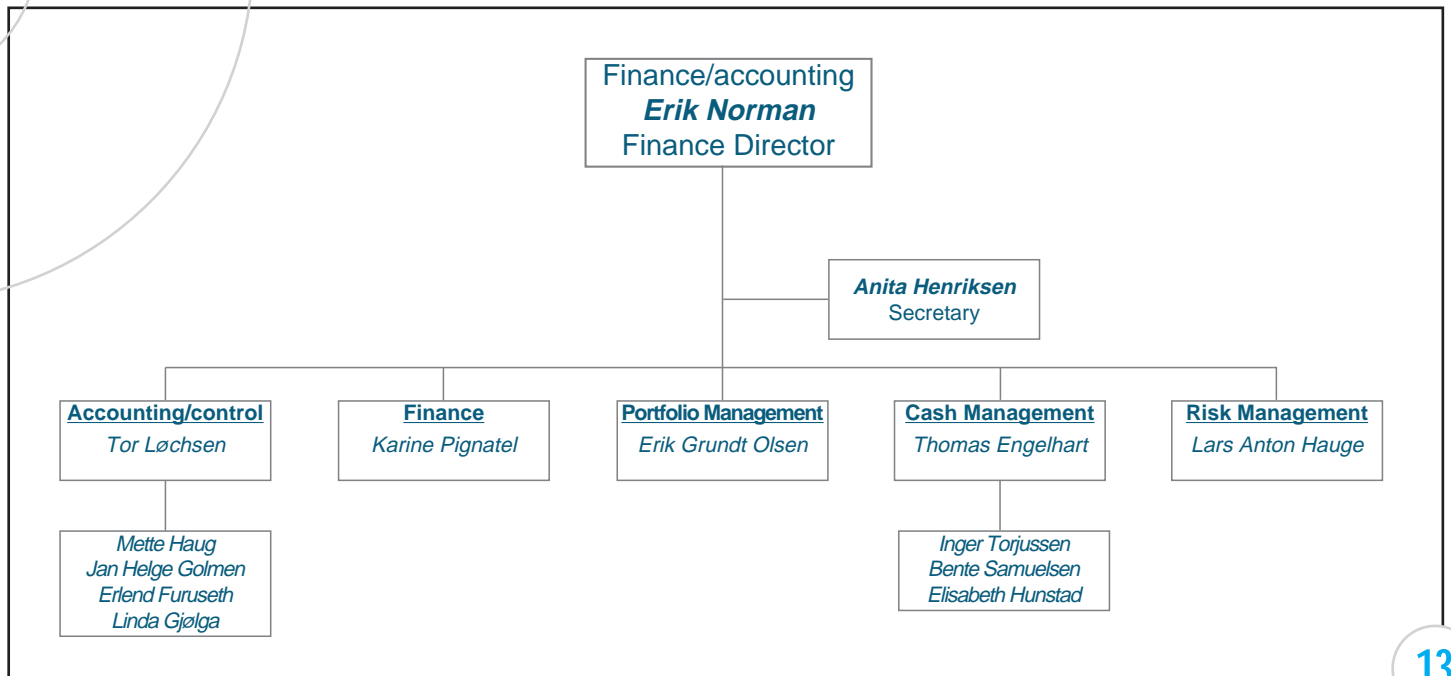
Tor Løchsen is also a veteran within LHC. He is responsible for budget and accounting, being Mr. Buco in person. He and his four colleagues are responsible for corporate accounting and budgeting for the LHC group. Responsibilities include the production of quarterly and annual reports for various companies managed from Oslo, including tax declarations for the same, as well as consolidated accounts and budgets. If you want to know LHC from the inside, Buco is the place to start. An important task is to develop and implement accounting systems and routines for the LHC group. 1998 has in that respect been particularly busy, with the planning of the new accounting system.

Anita Henriksen is holding the fort when nobody else is present, trying to keep track of everybody, which is not easy. With declining secretarial work, new tasks like reporting on all our currency transactions to Norges Bank are taken care of.

department



From left: Karine Pignatel, Erik Grundt Olsen, Anita Henriksen, Erik Norman, Thomas Engelhart, Lars Anton Hauge and Tor Løchsen.



A peek at the past

The fate of HÖEGH SILVERDAWN

The dreadful realities of World War II did not spare Leif Høegh & Co for any length of time. Less than a month after the breakout of the war, HÖEGH TRANSPORTER was lost in a British minefield outside Singapore in October 1939. One person died. The most tragic loss during the war was HÖEGH SILVERDAWN. 36 people died after the ship was attacked by a German raider. 22 people survived, 19 of them after one of the most heroic lifeboat journeys in history.

The Cargo Liner HøEGH SILVERDAWN was delivered from Burmeister & Wain in Copenhagen, March 1940. She was painted with Norwegian neutrality markings and managed to slip out of Scandinavia before the German attack of 9 April. She left to join her sisters in the Silver Java Pacific Line, partly to retain the commercial grip on the trade, and partly to keep such expensive ships in more protected waters.

Although the main parts of the Pacific and the Indian Ocean were generally considered safe areas from 1942 onwards, the enemy did strike unexpectedly. HÖEGH SILVERDAWN, with Capt. Edgar Waaler and his crew of 47 plus 11 passengers, was on her way from Fremantle in Australia to Abadan in the Persian Gulf. During the night of 15 June 1943, she was attacked by the German raider MICHEL. The first salvo hit the wheelhouse, and as the ship was continuously being shelled, passengers and crew abandoned the listing ship. Six survivors were taken prisoner by the Germans, but died when MICHEL was later sunk by an American sub-marine. Three sailors got away on a raft and were saved eleven days later by a US warship. 22 men including the captain managed to launch a damaged lifeboat – numerous bullet holes from the German attack made the small vessel work more like floating wreckage than a lifesaver. Still they made it through the fatal night of the attack inbetween the sinking HøEGH SILVERDAWN, burning flotsam, and the German raider circling around.



Høegh Silverdawn painted with Norwegian neutrality markings

"The Eastern horizon was on fire – sunrise. They all stared at each other but did not recognize familiar faces after several moments in the revealing daylight. Then they all stared down in the lifeboat that had stabilized with the gunnel five-six inches below the surface. The entire boat was submerged, but was floating on the

woodwork like a rotten barge which could not decide to sink or float, and therefore did neither. Here and there one could see blood, three men were injured. There was nothing to do – the blood did not coagulate in the water. One of the sailors tried to elevate the foot of one of the passengers out of the water so the blood could dry up, but it did not help. The swells flushed over everything, the sailor gave up, and the passenger smiled. -Thank you, he said. -It does not help very much, but thanks all the same!

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The oars were pulled in. They just drifted – rowing was impossible. Everyone looked at the captain. He was sitting astern examining the horizon. Not a life in sight, not even a seagull. -Bale! he suddenly said." ¹⁾

After more than 48 hours of baling and struggling to seal all the bullet holes with fabric from their shirts, the lifeboat was afloat and safe again. Due to an immensely fortunate jog-trot, a trait of character in general so strongly condemned by Capt. Waaler, canvas and some other equipment was found on board the lifeboat – left there after maintenance work. This made it possible to make a sail, and Waaler decided to head for Ceylon. Fremantle would be, although shorter in distance, heading against the weather.

The long journey started. Captain Edgar Waaler conducted strict discipline on board to keep the spirit and progression up. The supplies in the lifeboat were nearly enough to keep 22 people alive for such a long trip. But they shared what was available, they drank small

Market outlook 1999

amounts of salt water in order not to dehydrate, they collected rain water from the sail when it rained. Days passed, three men died from injuries they got in the German attack. Their bodies were respectfully lowered in the ocean with wishes of a peaceful rest.

The good spirits of the survivors suffered when after weeks they discovered they missed Ceylon. They had been sailing too far east and were heading into the Bengal bay. More days passed before they spotted a ship. They fired their distress signal rockets, but the vessel did not see them. This depressed them even more, but Captain Waaler mobilized their final strength when he told them that ships in war time sail close to the shore to possible avoid submarines. They were heading towards safety! Maybe they did not really believe it, but the captain was right again. Two hours later they spotted land.

Later on, when Captain Waaler met with a British admiral in India, the allied officer read Edgar Waaler's logbook:

"The admiral stared at the figures and repeated them to himself. Then he said: -3100 nautical miles, Captain. That is the distance from Liverpool to New York. That is not possible, You are lying, Captain! -No, Captain Waaler answered quietly. -It is true."¹⁾

1) Leif B. Lillegaard, Siste mann fra borde. Cappelen, Oslo, 1965.



The memory plaque in Wergelandsveien



By Mona Boug Kristiansen

World economy

Positive economic data are beginning to appear from several Asian countries, and it is now projected that most of these troubled economies will stabilise this year and show a positive – although modest – growth in 2000. Several other economies in the world remain in the doldrums, however. All in all, world economic growth, which fell to 2.5% last year from 4.1% in 1997, is now forecast to grow by around 2.5% also this year and by around 3% in 2000.

The car carrier market

The activity in the car carrier market is still at a high level, although the market is not as tight as previously. The slow-down in economic growth in some of the major markets is leading to lower new car sales and import volumes. A large number of newbuildings are scheduled for delivery during the remaining part of this year, which, combined with the weaker demand prospects, is leading to a declining utilization rate of the car carrier fleet.

The reefer market

Various weather related problems continue to affect the banana and citrus trades. Although other fruit and vegetable harvests seem favourable, the market is still affected by falling import volumes in Russia and most Asian

countries. In addition, the competition from container-ships in several of the traditional reefer trades is still intense. Scrapping of old, inefficient reefer vessels is offsetting newbuildings, and the specialised reefer fleet is not expected to increase much in 1999.

The liner/open hatch market

The imbalance in the Asian trades is continuing, although not to the same degree as experienced previously. The Asian export boom has depleted inventories of semi-processed materials needed to sustain production, and a pickup in exports both from the US and Europe to the region, has been noted over the past few months. Freight rates in the various liner markets are expected to remain low for some time yet, however, primarily due to a large influx of containership newbuildings. The open hatch market continues to be affected by falling housing starts in Japan.

The dry bulk market

During the past couple of months the dry bulk market has benefited from a strong grain export market, as well as a declining supply of vessels due to a high level of scrapping. However, total trade demand is likely to remain stagnant over the next months, as the global steel industry remains mired in a slump. Scrapping is continuing at a high level, however, which will limit the impact of the large number of newbuildings scheduled for delivery during the remaining part of this year.

The tanker market

The current decline in tanker freight rates is primarily in response to OPEC cutbacks, the largest part of which are being carried out by the Middle East exporters. At the same time scrapping has picked up, due to a combination of the declining rates and the very large number of tankers reaching 25 years. If scrapping continues at this level, the tanker fleet will not increase much this year. OPEC cutbacks will determine the magnitude of the freight rate decline over the coming months. By end year, oil demand in Asia should rise again

Höegh Ships List - Personnel on board 6 April 1999

VESSEL	MASTER	CHIEF MATE	CHIEF ENGINEER
RICKMERS TIANJIN RICKMERS HOUSTON HÖEGH DUKE HÖEGH MARLIN MASCOT HÖEGH MINERVA	PATILANO, DOUGLAS ARANETA SORIANO, FRANCO LAPIDARIO JOHANSEN, JAN PEDER T AGUILA, ALBERTO BRIONES DAROY, ADOLFO SUEZO TAFTØ, TOR ANDREAS SABADO, ALFREDO RIMANDO BERTHELSEN, SVEIN ARVID AMANO, AUTONOMO ABELLAR AGMATA, RUBEN BALBUENA PALACA, FILOMENO JR. IDULSA GARFIN, AGUSTIN RODOLFO GONZ JAVIER, SEVERINO PASCUAL NAZ, ELMER DE JESUS GALVE, ISMAEL SELAUSO MANGOIG, QUINTIN ABANGAN LACSON, PACIFICO JR. DAGUIA ESPARTERO, VICENTE MAGTULIS PILAPIL, ALBERTO SANORIA JONOS, DIONISIO COMPANERO LORENZO, JESSIE MAGDAUG DELIARTE, BENITO ARROJADO CABARLES, RODRIGO JR DUMARAY CULAJARA, ZALDY CERVANTES MACABABBAD, GIL G. SATIADA, ROBERTO CRUZ TORRES, ROBERTO OMPOC PALCES, JR NEFTALI CORO TAN, BERNARDO DIAMANTE PARAGUYA, MIGUEL SILVA	ESTOLAS, BENJAMIN MABUTAS TAGHAP, HERMENEGILDO JR. BET MEEK, KOLBJØRN INGE ESTABAYA, GILBERT JOHNS SY, RENATO JR PIOL TSØROVIST, ULF KARL-GUNNAR CANETE, ALBERT MENDOZA GARSHOEL, CHRISTIAN ASI, RANILO DE CHAVEZ FERNANDEZ, FERDINAND MANALO ENGCOY, ETHEL PEREZ BERTUMEN, ROGELIO ROSTROLLO FLORESCA, LUCINO TIU BONDOC, BENITO PANGAN REYES, JOSELITO DOLAR NIEDO, JULIUS VINCA ROMERO, ARNALDO BUSTALINO RIEGO, ANACLETO ROLLE JOSE, EDGARDO ABRIGO CONCEPCION, ROLANDO VALEROSO ENRIQUEZ, ELIGIO E. SULIBET, MANUEL NOEL SOLLORAN GOMEZ, JOEY BARRIOS ATIAN, SALVADOR NO VERGARA, SATURNINO LANDICHO PUNAY, FERNANDO MONTERDE MORIEL, FERNANDO NIVAL ORACION, OSCAR MARQUEZ CATUBIG, ISMAEL ALBERT TIU DEMEGILLO, BENHUR ABERDE ALBA SR, MANUEL LINAZAN LUZANDE, DOMINGO PILAPIL TENA, RADITO SURA PASAPORTE, HARLEY ZAYCO FRANCISCO, LEODEGARIO NICHOLAS CHUNG, FUI TSANG LIU, WAN SUNG BERG, JOHN VISTNES JENSEN, KJELL GRØTTING, KÅRE	HUFALAR, CARLITO OFIAZA CATOLICO, ELY CIERVO OLSEN, ØVE JOHAN PAJATIN, JOVENCIO JR CALPO ZAMORA, ASTERIO BULATAO LILLEVIK, STIG ARILD ARAÑOZA, CRISOSTOMO ASPER RUÞTHAUG, BJARNE DIAZ, THOMAS FRENCH MORALINA, ROMEO QUIROZ BATAC, VIRGILIO DAVID GILBUENA, DONATO GENOVA PAGULAYAN, REYMUNDO B. LUMOCOSO, ELEUTERIO BENDANILLO SANTIAGO, ARNEL SR DEL VALLE LALIM, CONRADO WONG YANGCO, TEODULFO JR LIM YORO, RAMONITO JABASA VENTULA, REYNALDO GANIRON CIRERA, LEOPOLDO AGPAWA PATUNGAN, ALFREDO BOQUIRIN NAPILOT, GILBERTO LARGA CARAPATAN, ROLANDO SR. BATIN MAIQUEZ, MARIO ALVARO LEDESMA, RAMON JR P. CARPIO, EDWIN DOMINGO LUAREZ, EDMUNDO BALINSOGA PABLO, GERONIMO TAMPIL LIBRERO, ANTONIO P. CHING, CHARLES BADONG PASADILLA, DIONE PELEGRINO GUIBONE, ILDEFONSO MAGHUYOP NOLOS, MARCELO NAGAHIS ABARINTOS, ALIPIO DOLOR UMEREZ, GABRIEL VILISANO BELTRAN, ALBERTO GOCOTANO CHANG, SING KAUN WONG, HO YIN PAULSEN, TARJEI HAVEN, JAN HANSEN, ROY
SAGA CHALLENGER HÖEGH MORUS HUAL TRACER HUAL TRADER HUAL TRAPPER HUAL TRANSITA HUAL TRAVELLER HUAL TRIBUTE HUAL TROTTER HUAL TRIDENT HUAL TROOPER CARIB STAR AUTO CHAMP IVORY DAWN CRYSTAL PRIDE CRYSTAL PRIMADONNA CRYSTAL PRINCE	STA. CRUZ, LUISITO ARGARI CORNELIO JR, ANANIAS CAGATIN ALIVIADO, DANILO POBLETE MISA, RICARDO DIAZ TILLERMO, ENRIQUE SEVERINO HARE, JESSEL CALDEA MASNAYON, WILLARD PUNO TUNG, ON PO LIN, YU CHUAN PAULSEN, EDMUND SANDIK, INGE HANSEN, LEIF STEINAR	CRYSTAL PRIVILEGE SPRING BRIDE SUMMER BREEZE SUMMER FLOWER SUMMER MEADOW SUMMER WIND	
JEDFOREST LAUDERDALE HÖEGH GANDRIA NORMAN LADY			
MYSTIC LADY			

The Gallery

Photos from life at sea.

