

Transport News

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Changes in structure to sharpen focus

Samskip Iceland Samskip Global

The Board of Directors of Samskip has divided the company in two, Samskip Iceland and Samskip Global, and approved changes in the company's leadership. Chairman Geir Magnússon has been replaced by outgoing President of Samskip Ólafur Ólafsson. At the same time, Knútur G. Hauksson has become President of Samskip Iceland and Ásbjörn Gíslason has become President of Samskip Global.

"These altered points of emphasis in the operational system of Samskip have been in preparation for a long time and correspond to the changes in focus that have taken place in the operation of Samskip over the past few years," says Ólafur Ólafsson, Samskip's new Chairman. "Samskip used to be a shipping company but today it is an international transportation enterprise offering its customers all types of transport-related services, whether in the air, on land or across the sea."

Among the main tasks facing the new Chairman are co-ordination of the opera-

tions, strategy formulation and further development of Samskip, both in Iceland and globally.

Knútur G. Hauksson, responsible for the operation of Samskip Iceland, has a degree in chemical engineering from the University of Kansas and several years' experience in the Icelandic transport sector. As Managing Director at Olúfélagið Petroleum Company he was involved in the establishment of Olúdreifing Petroleum Distribution in 1995 and was President of that company until he was appointed Vice President of Samskip in January 2001.



Ásbjörn Gíslason, President of Samskip Global, Ólafur Ólafsson, Chairman of the Board of Samskip and Knútur G. Hauksson, President of Samskip Iceland.

Samskip Service Study:

Satisfied customers

A recent customer service study carried out by Samskip shows that the vast majority of customers are satisfied with the services. The service study was carried out in 2002 among Samskip customers using our Scandinavian Services between Benelux, Germany, UK, Norway and Sweden.

More than 70% of those who replied to the study had been using the services of Samskip for over two years. When asked: "How do you see Samskip as a company?", 60% replied: "As a sea freight and door-to-door transport company", and 20% replied: "As a total logistics company".

The results are an encouragement to the staff of Samskip and give valuable indications about the directions Samskip's employees can follow to further improve services.

Ásbjörn Gíslason is now President of Samskip Global. Ásbjörn graduated from the Faculty of Economics and Business Administration of the University of Iceland in 1995 and began working for Samskip upon graduation. He led Samskip's Export Division until autumn 1999 when he moved to Rotterdam to become Managing Director of Samskip BV. From 2000 he was Vice-President of International Sales and Operations.

SAMSKIP

The challenge of competition

Agnar Már Jónsson is the new Vice-President of Sales and Marketing of Samskip Iceland. He comes to the company from Iceland Telecom, where he occupied the same position.



Agnar Már Jónsson

It is a big jump from telecommunications to transportation, but Agnar finds it an exciting challenge. "I didn't know much about telecommunications when I joined Iceland Telecom," he says, "so I am in a similar position now. It is a challenge, but I am confident of succeeding with the help of all the good people around me here at Samskip."

Agnar qualified in Computer Science from the University of Iceland in 1991. He worked at "Opin kerfi", a computer company, from 1990 to 1997, including two years, 1995-97, as Sales and Marketing Manager. After a spell as Marketing Manager at another computer company Hugvit in 1997, he became Sales Manager for the European Division of IBM from 1997 to 1999 before joining Iceland Telecom as Manager of Sales and Marketing.

Agnar is not completely new to Samskip; in his previous job he sold the company both computer and telephone

services and technology. "Even though Samskip is a young company, it has longer history behind it. It has young and ambitious people working side by side with employees with long experience; this makes for a more efficient working environment, and in many ways it reminds me of Iceland Telecom," he says. "I have observed Samskip through the years, and I think it is magnificent how the staff has worked to build up a strong company in an environment where another firm virtually had a monopoly on the market," he says. "There are few lines of business where competition is as tough as on the transport market, and I find it thrilling to take part in the fight."

Agnar was born on 3rd January 1964. He and his wife, Soffía Dóra Sigurðardóttir, have three children: Eiríka Steinunn (9), Sigurður Andri (4) and Anna Kristín (2). Agnar's hobbies include fly-fishing and carpentry, and he is also very interested in sport. He takes over from Kristján Már Atlason, who is planning on further studies together with his work as a Manager in Samskip's Import Department.

Samskip's ferries on Icelandic stamps

Iceland Post has published series of stamps with Icelandic ferries. Two of the four ferries featured in the stamps are operated by Samskip, the ferries Sæfari and Herjólfur.

Ferries have been used in Iceland throughout the centuries but few are operating now except to service populated islands around the country, for instance the Westman islands, Grímsey, Hrísey, Æðey, Vigur and Flatey in Breidafjörður.

With increased tourism in Iceland, ferries are also required for various types of excursions, for example whale- and bird watching.

Iceland Post is a publicly-owned company that operates its own distribution system in Iceland. The company was formerly part of the Post and Telecom-

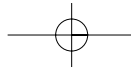
munications Authority in Iceland and has been publishing stamps for a century.

About Samskip's ferries:

Sæfari operates in Northern Iceland on the Grímsey route and cargo transportation to Hrísey. It was built in 1978 and is 367 GRT.

Herjólfur operates on the south coast on the route between the mainland and the Westman islands. The ship is 11 years old, built in 1992. It is 3,354 GRT.





Samskip in Asia:

Opens Offices in South Korea and China

Samskip has opened a sales office in South Korea and will open two more offices next month in China. The main focus will initially be on fish and temperature controlled cargo, with aim to expand into other trades for the global market. The size and importance of Asian markets warrants the opening of its own offices in these locations.



Yong-Jun Nam

Samskip opened a new company office in Pusan, South Korea, on 1 March this year and the company has already concluded major contracts for sizeable volumes of shipping. The company's turnover is estimated at ISK 600 million for its first year of operation there. Samskip Korea has four employees and its Managing Director is

Yong-Jun Nam. Like the company's other personnel, he has extensive knowledge of the market. Samskip offices are to be opened in Dalian and Qingdao in the People's Republic of China in April.

These offices will primarily handle shipping of raw materials to processing plants in China and Thailand, as well as transport of finished products to Europe, the USA and Japan. The Pusan office has an important role in this process, since a major portion of the raw materials goes through Pusan harbour. Samskip in Pusan works as a forwarder, its extensive knowledge of the market giving it a unique position.

The opening of offices in Pusan, Dalian and Qingdao is one more step towards strengthening and expanding Samskip's services to fisheries and other customers on a global scale. Samskip's offices in Europe, the USA and Russia have worked on substantially strengthening this aspect of their service in recent months. The merger of Samskip AS in Bodø, Norway, with Silver Sea in Bergen, Norway, was part of these efforts. The merged company, Silver Sea, is now a leader in frozen fish transport in reefer vessels on the North Atlantic. Its total shipping volume this year is expected to exceed 300,000 tons.



Jan Norum

A valued co-worker, Jan Norum, managing director of Samskip AS, died in September 2002 in hospital in Washington, USA. Jan, who worked for Samskip AS from 1998, was greatly respected for his unselfish contribution to the company.

His colleagues at Samskip send his family their sympathy.

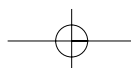
Agreement on harbour facilities in Immingham

Samskip has signed a three-year agreement with ABP Connect Shipping Services in Britain covering harbour facilities and services at the Exxtor Terminal in Immingham.

Graham Cook, head of ABP Connect, says he is pleased with the agreement. "We have enjoyed good contact with Samskip in the past, and we are interested in expanding business through Exxtor Terminal," he says.

Exxtor Terminal, a subsidiary of ABP Connect, is based on a site of over 30 hectares in the port of Immingham, and its facilities include 25,000 m² of warehouse space. In 2001 the terminal handled 3.5 m tons of cargo and 180,000 vehicles.

ABP Connect Shipping Services is part of Associated British Ports, a leading company providing services to ports in Britain that owns facilities in England, Scotland and Wales. ABP Connect operates forwarding services and provides services in port areas, including warehousing facilities.



Manager of Jónar Transport A/S and Samskip A/S:

Stronger following merger

Steen Osorio, Manager of the combined company Jónar Transport A/S and Samskip A/S, is 38 years old and has been involved in forwarding ever since he graduated from the Copenhagen Business School. His first job was with a Danish forwarding company, and he went to Iceland in 1995 to look into the possibility of collaboration with an Icelandic forwarder. Soon he was in contact with Flutningsmiðlun, one of the forerunners of Jónar Transport, and fruitful collaboration ensued. "This was at the time when consolidated container shipments were coming in," he recalls, "and together we managed to win a good place on the market here."



Steen Osorio

Steen made many more trips to Iceland, and in 1997 he moved to Iceland with his wife and two-year-old son to join Flutningsmiðlun (later Jónar Transport). "We were very happy in Iceland and have lots of Icelandic friends," he says. "After six months my son was speaking Icelandic, and my wife also learned the language well. My progress was slower, but then I was using English and

Danish a lot in my work." The family went back to Denmark in 2000 when Steen became Manager of Jónar Transport in Denmark, which has now merged with Samskip and is in charge of all Samskip's activity in Denmark.

Expansion in the Nordic countries

"We are keeping the name Jónar Transport as a brand name, which is very important for our customers. They will continue to get the same service and deal with the same people. What we are planning to do is to expand in the Nordic Countries. On 1st October 2002 we took over Danish Cargo System, which has put us in the lead in forwarding for the Faroese market. We are stronger after the merger and now deal with more than 1,000 exporters a year. We offer a complete range of services: forwarding, air freighting, marine freighting, warehousing and customs clearance. Most of our customers are small and medium-size companies, and we are very heavily involved in consolidated containerisation. After the merger, and with these additions, the company is now three times stronger, and we can provide more extensive services," says Steen Osorio.

Twenty people now work in the offices of Samskip A/S in Copenhagen and Aarhus. The Copenhagen office and air-freight warehouse are in Hvidovre, where Jónar Transport A/S used to be. The marine freight warehouse will continue to be located in the customs-free zone in Copenhagen. The Aarhus office is in Nordhavngade, where Samskip A/S was previously.

Henrik Nielsen has been appointed Departmental Manager of Samskip A/S in Aarhus and will be in charge of the company's operations there. He has 20 years' experience of sales and marketing in forwarding in Denmark and Sweden, including work with Blue Water Shipping A/S, Aaen Transport Ltd and Intercontainer Scandinavia AB.

Better service on Faroese market

Samskip A/S recently took over the operations of Danish Cargo System, a forwarding company specialising in the Faroese market, where it had been active for about 20 years. Two former employees of Danish Cargo System have already joined Samskip in Denmark. One of them is Lars Palm, a former owner of the company.

"The merger has made Samskip A/S one of the leading companies active in forwarding from Denmark in the North Atlantic market," says Steen Osorio. "Our colleagues from Danish Cargo System have a great deal of expertise in this market, and the purchase means we can offer a higher service level in this area, which has been our target for some time."

Discharging services in Norway

Samskip launched a discharging service in Norway last summer. The site chosen was Leknes, Lofoten, and the service, such as discharge, storage facilities and other services for ships, was provided by agreement with Lofotterminalen A/S.

The Norwegian company possesses well-equipped new freezer storage facilities on the quayside with a capacity of 5,000 t, and there are two berths, measuring 126 m and 80 m, with a draught of 7-12 m.

The first ship discharged 870 t on 5th

July, and the last on 25th September. Altogether, 5,400 t were taken ashore in 13 landings managed by Samskip.

Óskar Gíslason, of Samskip's Export Department, which was in charge of the landing service, says it involved supervising

the landings, supplying provisions, organising repairs and arranging various services and other things, including medical attention and crew service. "Co-operation with Lofotterminalen went very well, and those who made use of our services in Lofoten were pleased with the outcome," says Óskar. "The season 2003 looks very promising and goes in the direction of our great expectations for this service"

Positive future in a growing market

Samskip GmbH recently merged with the transport company Sotra Europa Transport GmbH, which specialises in break bulk and project shipments to and from Russia and other CIS countries. The merged entity reinforces Samskip's market position in Russia, CIS and the Caspian Sea.



First-class equipment, no less than a thorough knowledge of the market, is essential in a tough transport environment. Samskip GmbH now looks forward to further growth in its Russian, Baltic and Caspian Sea markets.

Harald Dönselmann, former owner of Sotra Europa Transport GmbH is the Deputy Managing Director of Samskip GmbH in Bremen. "We founded Sotra in 1992," he says, "but I have 25 years of experience with the Soviet market since I had been working for the Bischoff Group and Poseidon Schifffahrt (today Finlines) before founding Sotra. Sotra's main operational area was Russia and the CIS and the region around the Caspian Sea. We also offered charter business worldwide, mainly related to charter business from Russia."

Sotra was one of the main carriers of brewery equipment and beer tanks to Russia, offering complete transport solutions to the final destinations. These projects will now be taken over by Samskip. "Already in January this year, we had one big shipment of brewery equipment from Germany to the Black Sea Port of

Novorossijsk and next shipments directly to Moscow will follow as soon as the River Navigation starts.

Sotra was also transporting steel shipments for Severstal, one of the biggest steel mills in Russia, via St. Petersburg to Benelux, UK, Spain and Portugal. These transports are now in Samskip's hands and in the future we will be able to provide cus-



Harald Dönselmann

tomers with better services due to the existing agency network of Samskip in Russia," says Harald Dönselmann.

Hard winter

This winter has been especially hard in the Baltics and ice has made transport difficult, according to Dönselmann. "We have indeed had problems with the winter this year, especially in the Baltic for our shipments from St. Petersburg to European destinations. We can only use vessels that are classed in the highest Finnish ice class and there are not enough vessels available. Since the Northern part of the Caspian Sea also freezes in winter we have had some difficulties in Astrakan from where we are operating vessels with full loads of steel to Iranian ports."

This hard winter will allow the opening of the navigation period only at a later date compared with previous years. This will mean a delay of two to three weeks, probably until the beginning of May.

Still an expanding market

Harald Dönselmann is optimistic when it comes to discussing the future of Russian and Caspian Sea transport: "I can see many positive signs, not only for Russia but for the Caspian Sea as well. The Russian market is growing. We have already made contracts with oil and energy companies and are close to concluding further projects, so prospects are good. For example, a few weeks ago, we finalized Samskip's first time charter agreement involving two barges and two tug boats in the Caspian Sea with one of the biggest oil companies in the world. This intensive engagement of Samskip in the Caspian Sea will be further extended and we are already looking into the possibility of having our own representation in this region."

Samskip's Sotra ECSL division has a staff of five people based in the Bremen office. There, Harald is among former colleagues. "There are employees here that I know from former times with the Bischoff Group - so I am back in the family," says Harald Dönselmann.



Agreement between Samskip BV and Traffic BV:

Partnership with leading distributor

Samskip BV and the Dutch company Traffic BV have signed an agreement that will greatly expand Samskip's range of services to its customers. Under the agreement, Traffic BV now offers total solutions for freighting from the Continent to Iceland.

The agreement covers all services from the sender of consignments all the way to the warehouses of Samskip and Jónar Transport in Iceland. Use will be made of warehouse services in the Netherlands; Traffic BV operates excellently equipped ware-

houses and its facilities are regarded as among the best in Europe.

Traffic BV is part of the Gondrand Group, an international forwarding company with offices on all continents.



Traffic BV's warehouses are among the best in Europe.

Performance of Samskip in 2002:

An improvement of almost ISK 500 million compared to the previous year

Profit at Samskip was ISK 242 million last year, compared to a loss of ISK 249 million in 2001. The main explanations for this turnaround are a currency exchange profit instead of a considerable currency exchange loss in 2001, reorganisation and improved economy in operations and improved performance in the company's operations abroad. Currency exchange developments, however, also exercised a considerable negative impact on the company's income and the performance of the Icelandic operations before financial items. Consequently, Samskip's gross profit in 2002 was somewhat below the company's targets.

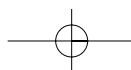
There was stiff and intense competition on the transportation market in the past year. The measures adopted by Samskip in 2001 to lower costs resulted in improved operations. Work is currently in progress on reorganising and improving the economic basis of operations. The company's transportation of heavy goods increased somewhat counted in tons last year, exports were similar to the previous years, whereas there was a considerable reduction in imports. Samskip's transportation system in Iceland continued to prove its value, demonstrating the impor-

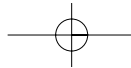
tance of offering frequent trips, flexibility and a high service level in transportation between the area of the capital and the provinces.

There is a continued effort to improve the services and operation of the company this year; for example the company's new reefer logistics centre will be taken into use in Iceland, honoring the large business contracts made last year and seeing the cost-cutting measures we have taken reflected in an improvement in performance. Abroad Samskip had adopted a policy of further expansion, which takes



into account the opportunities offered, in order to strengthen the company as a whole.





Samskip buys shipping company in Estonia

Samskip has bought a 50% share in T&E ESCO – Container Lines AS, previously operated under the name of Estonian Shipping Company Ltd (ESCO). The Tschudi & Eitzen Group will own the other 50% and will continue to own 100% of ESCO activities not related to container services.



Jon Edvard Sundnes, President of T&E ESCO and Ólafur Ólafsson, President of Samskip sign the agreement. Behind them, from left, are Niels Tolstrup, Managing Director of the new entity and Guðmundur Hjaltason, Vice-President of Finance at Samskip's global enterprises.

Samskip offices will soon take over the agency of T&E ESCO – Container Lines AS in Rotterdam and Germany. In addition, Samskip intends to open its own office in Antwerp, Belgium, in order to serve the local market better.

Ólafur Ólafsson, President of Samskip,

will be Chairman of the Board of the new entity. Niels Tolstrup from ESCO will take up the position of Managing Director of T&E ESCO – Container Lines in Tallinn where the operations of the company will continue to be based.

T&E ESCO – Container Lines operates four container vessels linking, twice weekly, Estonia, Finland and the East coast of Sweden to UK, Belgium, Holland and Germany.

Tschudi & Eitzen Group was established back in 1883 and is today still privately owned by the fourth generation of the founders. The Group employs approximately 4,000 people and has offices in 15 countries. Tschudi & Eitzen Group expanded rapidly during the last few years, mostly through acquisitions and development of new projects. Tschudi & Eitzen Group took full control of Estonian Shipping Company Ltd (ESCO) in 2002.

“The container lines of ESCO have seen a positive development in 2002 and it is our belief that our joint forces will strengthen the container lines even further



Facts about Estonia

Population: 1.4 million

Capital: Tallinn

Aug. 1991: Estonia declares its independence

Dec. 2002: Estonia is formally invited to join the EU in 2004

Economic Growth: +7% expected in 2003

Main trade industries: Textiles, food products, machinery and equipment, metals, foodstuffs, minerals, shipbuilding, paper.

Main trade partners: Finland, Russia, Sweden, Germany, Latvia

in a geographical area where we see many possibilities for continued development and expanded cooperation with Samskip's existing lines,” says Ólafur Ólafsson, President of Samskip.

Total transport in 2002 on the container services was 41,000 TEU's and estimated turnover for the year 2003 is USD 12 million.

Samskip AS merges with Silver Sea

Samskip's Norwegian subsidiary, Samskip AS, which is based in Bodø, and Silver Sea, based in Bergen, have merged. Samskip will hold a 40% share in the new company, the other main owners being Fylkisbaatene and Tormod Fossmark. The new company will operate under the name Silver Sea, and its Managing Director will be Tormod Fossmark. Ásbjörn Gíslason will be Chairman of the Board of the new company.

Both companies going into the merger are specialised in the operation of reefer vessels, carrying frozen seafood, and the new entity will be one of the two leading companies in this field in the North Atlantic. The name “Silver Sea” is derived from the product that forms the largest part of its cargo: herring, the “silver of the sea.”

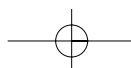
The new company will have ten ships at its disposal, and estimates for next

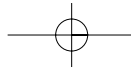
year a volume of 300,000 tons or more, consisting for the most part of frozen seafood. The main export markets served by the company are in Norway, Iceland and Shetland, and the main import markets are in Russia, the Baltic States and on the Continent.

“This merger with Silver Sea will mean a substantial boost to our operations, both in our traditional market areas in Iceland, Norway and Russia and else-

where in Europe,” says Ásbjörn Gíslason, President of Samskip Global. “We will be in a better position to serve the Icelandic market, which has been expanding in line with the growth in processing of frozen products based on pelagic species. Now we have access to a larger vessel fleet, which means more flexibility and greater capacity to meet our customers' needs.”

Ásbjörn says the Samskip offices in Murmansk, St Petersburg and Moscow will be receiving more business and will be able to expand their services to their customers in Russia, and the same applies to Samskip's offices on the Continent. The aim is to continue expansion in Norway, with offices located in Bodø and Bergen, as before.





Samskip joins forces with US shipping giants

Samskip's US subsidiary, Samskip Inc., has signed a co-operation agreement with Direct Container Line USA (DCL) for distribution and warehousing services in the USA and Canada. Co-operation with DCL is one more step towards improving Samskip's services to customers.

Under the agreement, Samskip will take over all DCL activities in Norfolk, Virginia, including both warehouse and freight booking services. Co-operation has already begun, initiated with joint utilisation of Samskip's warehouse in Norfolk last month. Samskip will also act as agent for DCL in Virginia and DCL's agents will handle receipt of Samskip's freight shipments at some 30 locations in the USA and Canada. "This will enable Samskip, as DCL agent, to offer its America shipping customers efficient and economical service and frequent shipments to most destinations in the world, both for LCL freight and containerised shipments," says Gunnar Kvaran, Managing Director of Samskip Inc. in Norfolk.

Direct Container Line USA

Direct Container Line is one of the largest non-vessel-operating common carriers in the USA, with agents throughout the world. It is owned by NACA Logistics Group, which in turn is one of the world's largest shipping companies. DCL was founded in 1978 to handle shipping from the USA to Australia. By taking advantage of the transition to containerisation, the company managed to consolidate its position considerably, and establish itself on the international market. In 1989 DCL received the President's "E" Award for Excellence in Exporting and the "E Star" in 1993.

Samskip in Norfolk

Samskip Inc. in Norfolk offers customers



Pétur Blöndal, Director of Logistics at Samskip Inc., Gunnar Kvaran, Manager of Samskip Inc. and Robert Sutton, Vice-President of NACA Logistics.

total shipping solutions, with emphasis on getting customers' products to their destinations rapidly and safely. The company has a fully-equipped 2,200m³ warehouse with three-hectare container enclosure for storage of containers and transport vehicles. Both long-term and short-term storage is available, as well as collection and distribution of goods to recipients. Samskip also offers door-to-door air freight services and provides all assistance with import - export documentation.



Knútur G. Hauksson, President of Samskip Iceland, turns the first sod.

Samskip's harbour facilities:

New Reefer Logistics Centre, longer quay, improved entrance

– best facilities in Europe to serve reefer trawlers

Knútur G. Hauksson, President of Samskip Iceland, recently turned the first sod for a new bulk storage facility in Samskip's harbour area in Reykjavik. It is planned to open the new facility, which will mainly serve factory vessels and trawlers, in June 2003.

Situated next to Samskip's Reefer Logistics Centre, Ísheimar, the new facility will make it possible to handle bulk cargo discharged directly from vessels at minimum cost. It will have space for about 3,000 t of seafood products, which is equivalent to about 3,000 pallets, and expanding this capacity to 6,000 t will be an easy matter. Extensive modifications are now being made to Samskip's harbour facilities at Vogabakki, where land reclamation in

Sundahöfn Harbour has made a vast improvement in the company's landing facilities. With the increased landing capacity, the company can now serve five trawlers simultaneously. Work on deepening the entrance channel is currently under way and should be completed in the spring. These changes will give Samskip one of the best facilities in Europe for landing, loading and other general services to the fishing industry.

