



# STAR REEFERS INC

STRATEGY AND ACTION PLANS REVISITED

STRONGER SERVICES AND EARNINGS RECOVERY

OSLO 3 MARCH 2004



## Outline

- ★ Investment case
- ★ Reefer market fundamentals
  - ★ Brief introduction to the Reefer industry and its characteristics
- ★ Star Reefers Inc
  - ★ Star Reefers in brief
  - ★ Fleet and market position
  - ★ Key financial figures
- ★ Market drivers and outlook
  - ★ Demand and supply
  - ★ Structural changes
- ★ Star Reefers – Strategy and action plans revisited



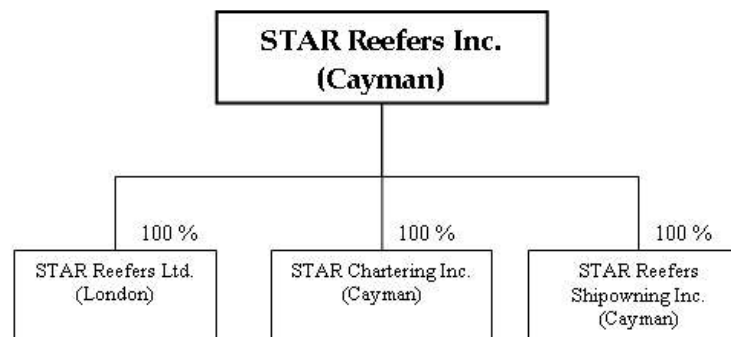
## Investment Case

- ★ Sales pressure over
- ★ Liquidity of shares enhanced
- ★ 10% private placement of shares at NOK 83 per share
- ★ Siem Industries reduced from 73% to 67%
- ★ Free float increased from 24% to 31%
- ★ Market capitalisation increased from \$66 million to \$100 million
- ★ Strategy to expand and consolidate
- ★ Positive reefer market fundamentals
- ★ Need stock market to realise strategy
- ★ Contract rates increased by more than 10% 03 to 04
- ★ Increased cargo demand
- ★ No new tonnage supply



## Star Reefers in brief

- ★ A leading provider of reefer transportation services
- ★ Operating a fleet of 37 large reefer vessels
- ★ Leading market position



### Board of Directors

Chairman Kristian Siem  
 Ole Martin Siem  
 Per Chr. Haukenes  
 Mike Delouche

### Management

CEO Aage Thoen  
 CFO Terje Aschim  
 SVP Chartering Kevin Harding  
 VP Fleet Management Kjetil Bruun-Olsen

### Shareholders

	# of shares	%
Siem Industries	5,612,015	67%
Deutsche Bank	882,956	10%
Vestey	210,500	3%
Toluma	200,000	2%
Aage Thoen Limited AS	175,000	2%
Statoil	170,800	2%
Odin Maritim	133,600	2%
Other	1,025,948	12%

### Total

<b>8,410,819</b>	<b>100%</b>
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## Reefer market fundamentals



## Reefer Market Characteristics over 350 000 cbft

- ★ Bananas, deciduous and citrus
- ★ South - North trades
- ★ Limited return cargo
- ★ High volume
- ★ Low value
- ★ Seasonal business
- ★ Technically challenging



Source: UN



## Trade patterns (Banana trade)



STAR Reefers AS, as managers for STAR Reefers Inc  
Rådhusgaten 23, N-0158 Oslo, Norway

slide no. 7



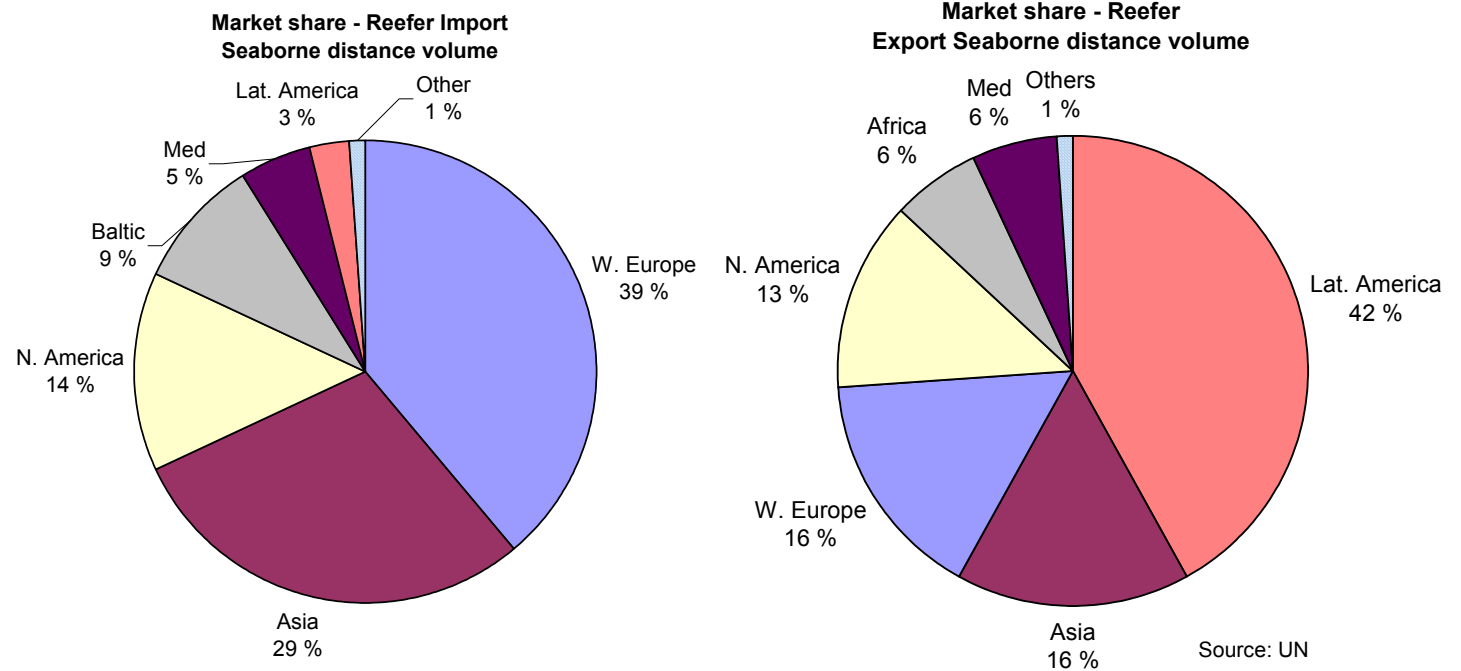
## Historic Developments Highlights

- ★ Influx of new buildings 80's and mid 90's
- ★ Impacts of El Niño and La Niña
- ★ Strong USD in 90s
- ★ EU quota system for bananas in 1993
- ★ Collapse of USSR / Asian financial crisis
- ★ Fruit majors suffering at end of 90's
- ★ Commission driven market players
- ★ High tech storage technology - controlled atmosphere
- ★ Container influx and penetration





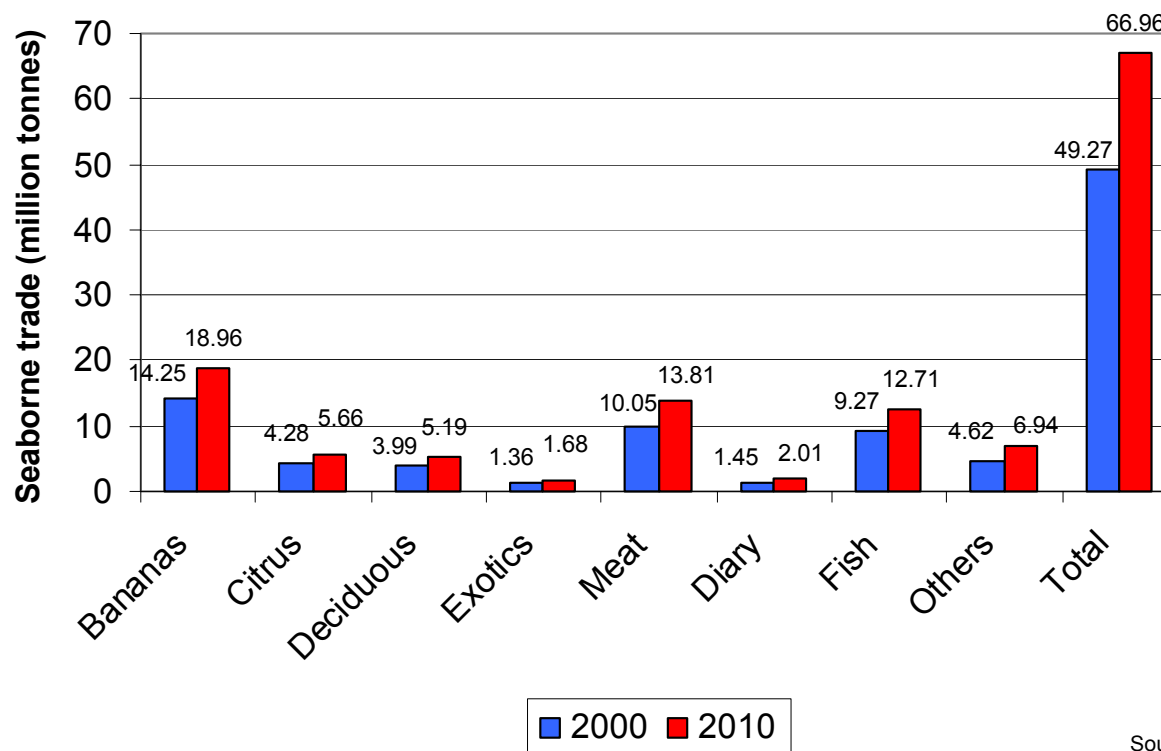
## Market share – Reefer import & export





## Projected Seaborne Trade Developments

Growth trend reefer trade 2000 vs. 2010

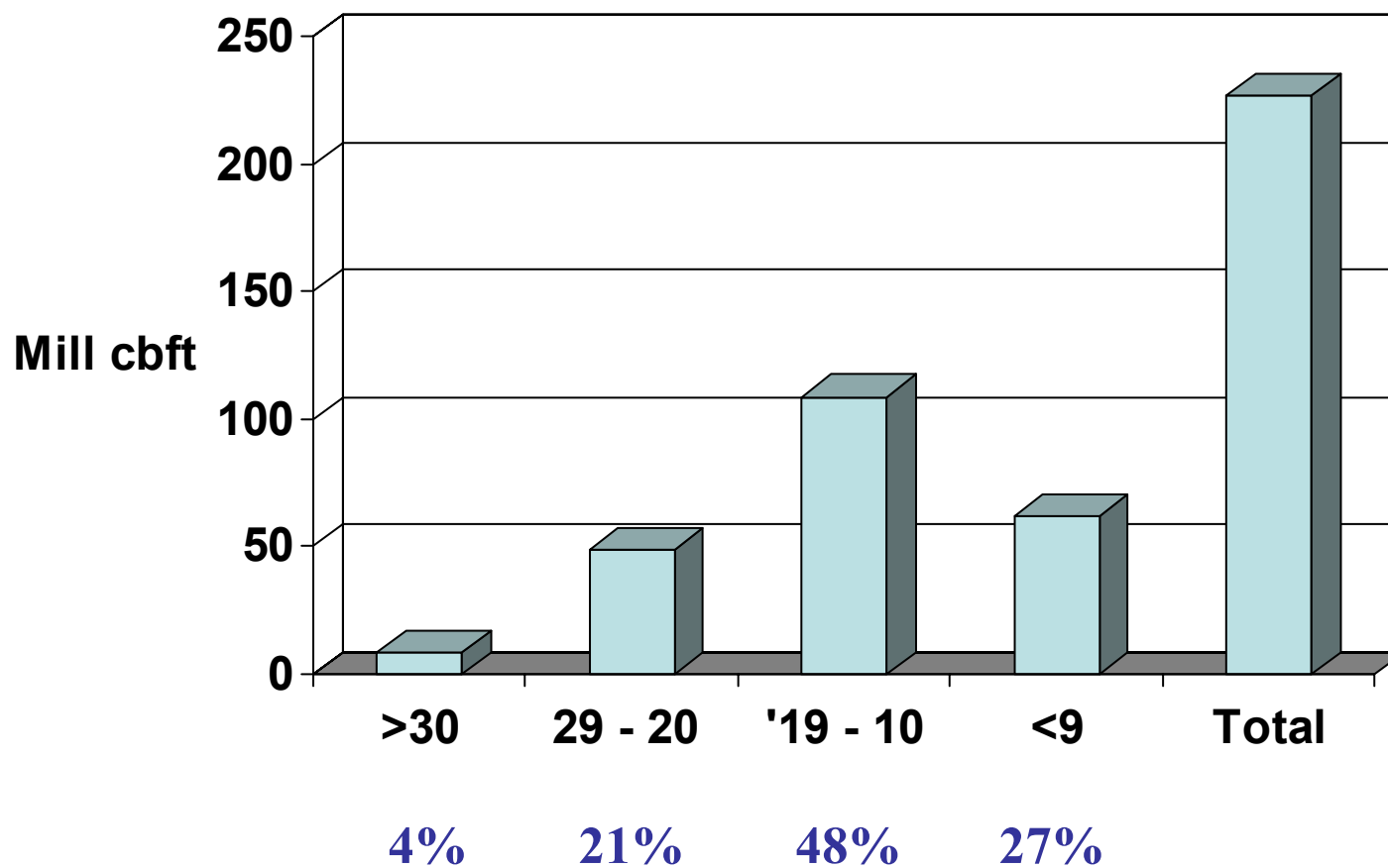


Source: Drewry

**Over 3% annual growth in seaborne reefer trade**

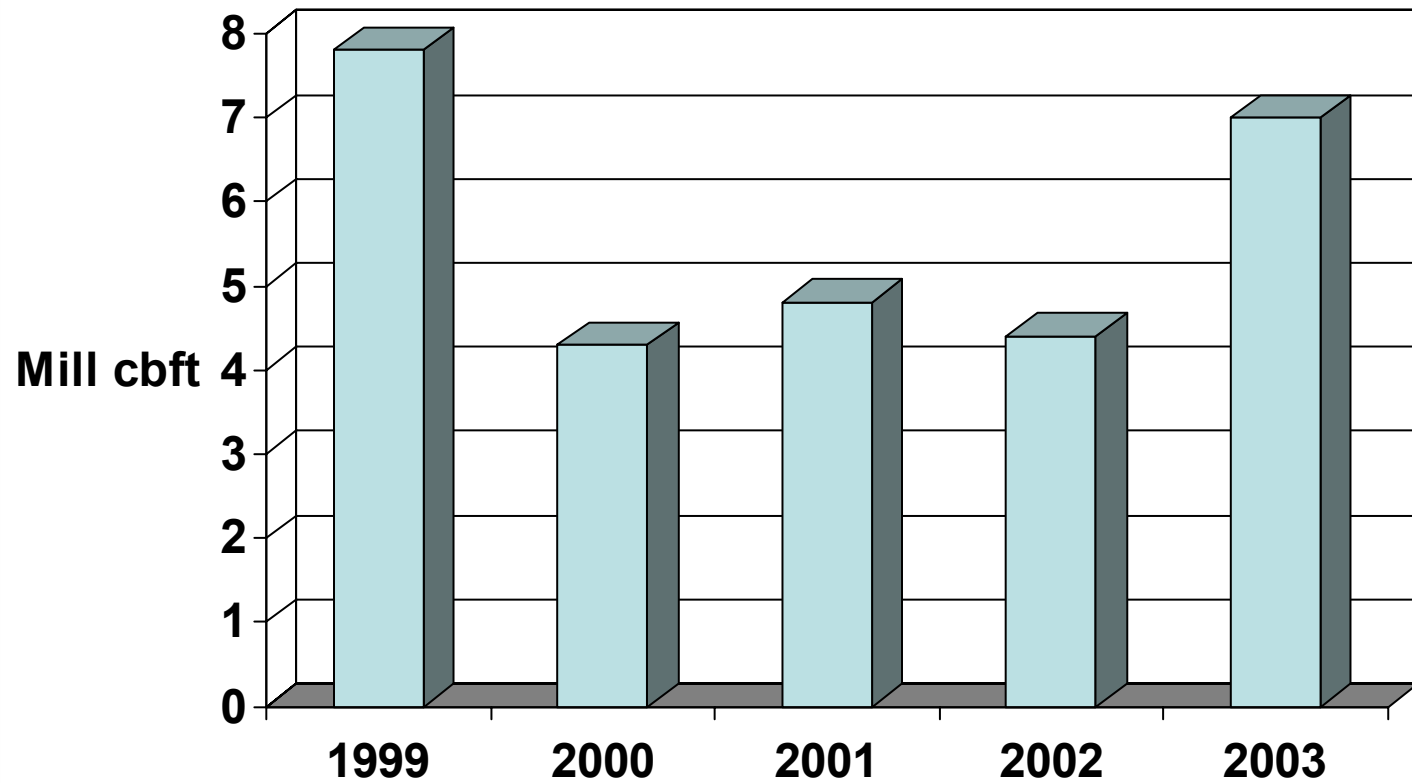


## Reefer Fleet above 300 000 cbft 2003 490 vessels at 227 mill. Cbft.





## Net Scrapping

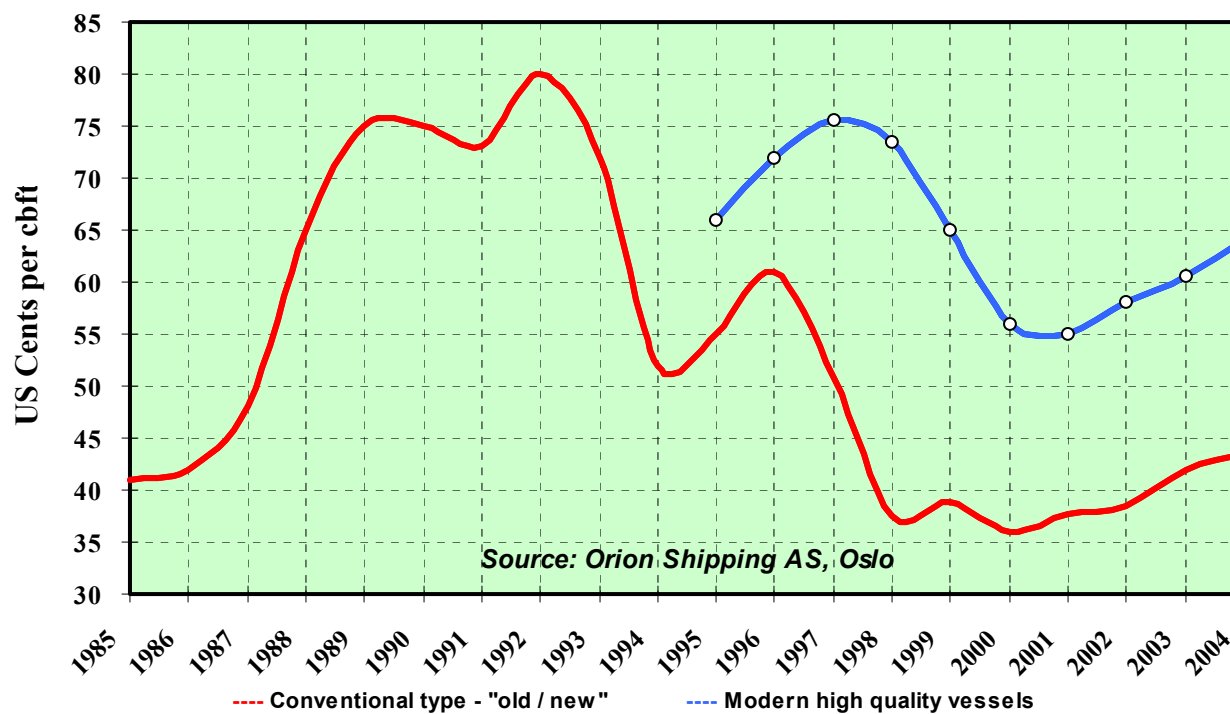




## 12 Months T/C rates

### REEFER 12 MONTHS ESTIMATED EARNINGS

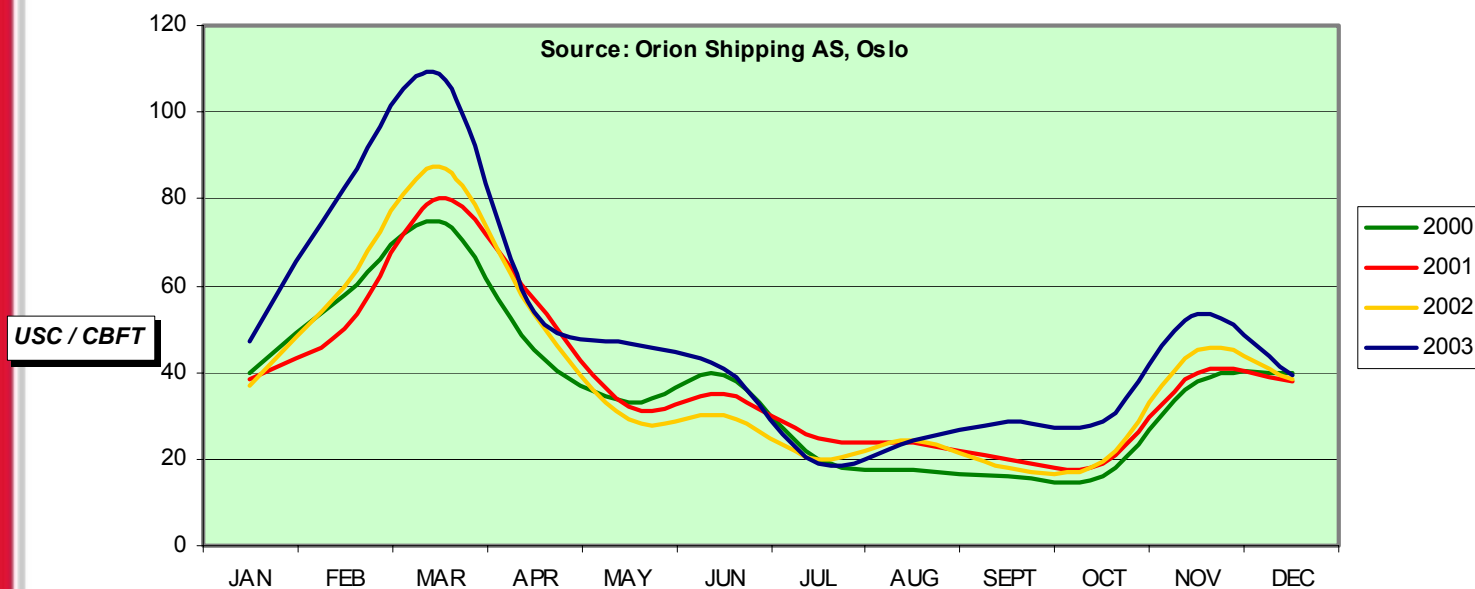
Size: 350-550.000 cbft vessel





## Seasonal spot rates

Timecharter spot rates for larger vessels



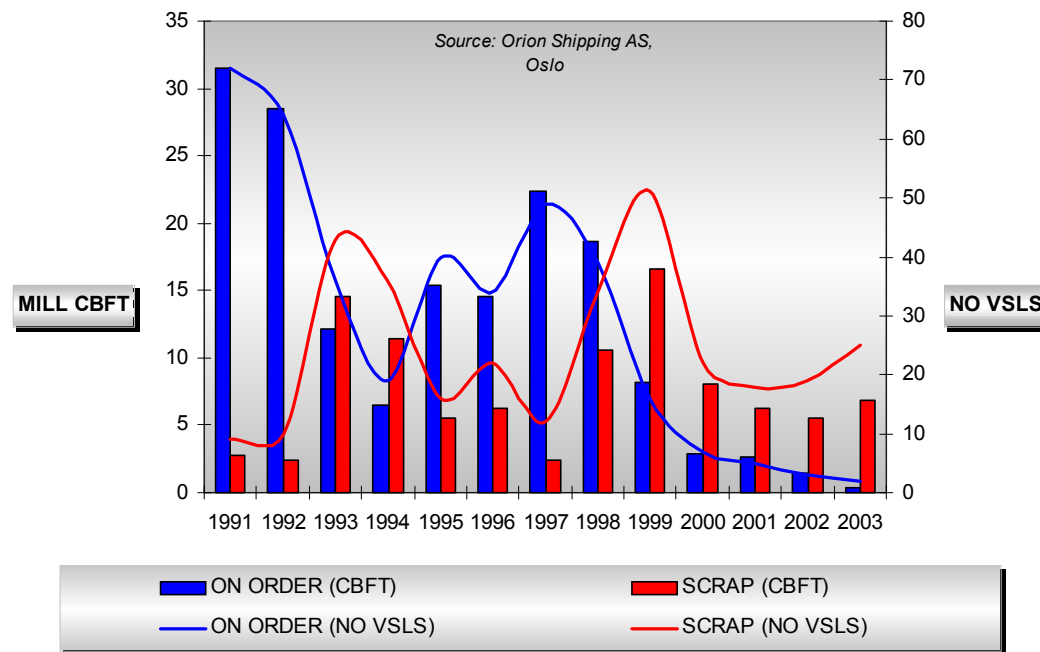
USC / CBFT

★ Steady increase in rates from historic low levels



## Factors influencing supply – Reefer vessels order book

### REEFER VESSELS ORDERBOOK -VS- SCRAP



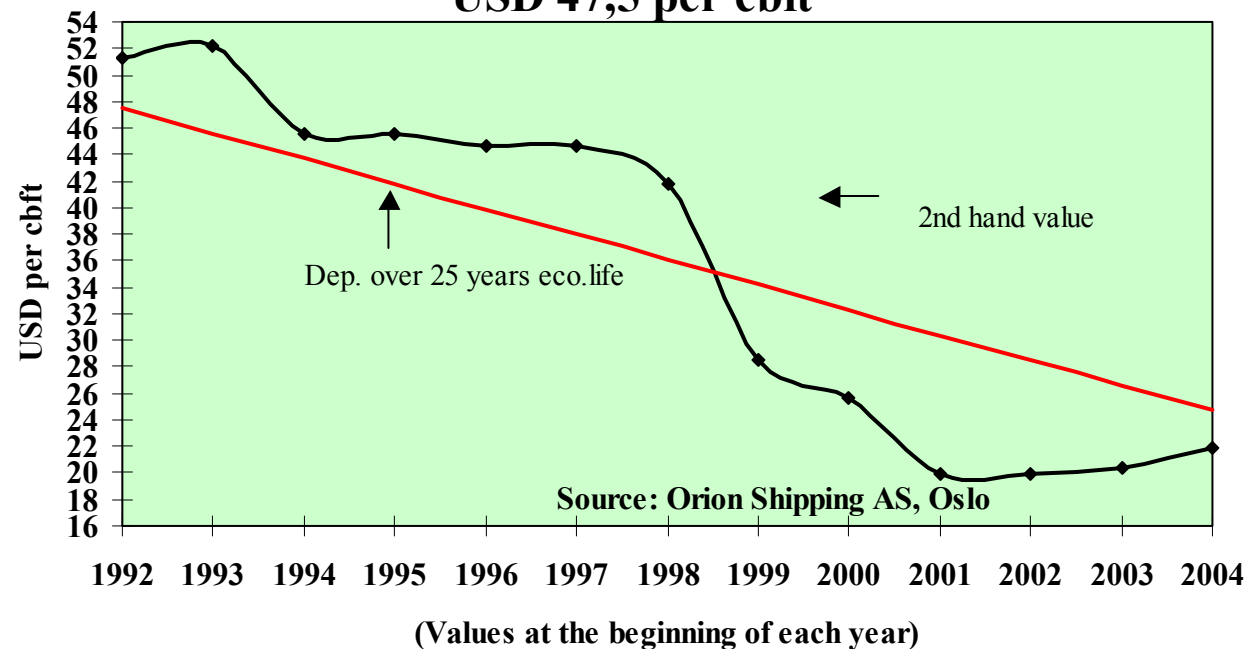
Source: Orion Shipping

- ★ The reefer fleet (above 300 cub. ft.) consists of around 491 vessels, equivalent to around 227 million cub.ft. (Source: Drewry)
- ★ The reefer fleet reached its peak in 1993, and has slowly been reduced due to historic low rates in the period from 1998 – 2002, and consequently very limited newbuilding
- ★ The order book is presently at 0.5 million cub.ft.
- ★ The drop in second hand values for reefer ships has not been reflected in new building prices, hence little anticipated new building activity going forward



## Illustration of historic development of second-hand value

**Development of secondhand value of a modern self sustained reefer vessel  
abt. 527.000 cbft, built 1991, contract price abt. USD 47,5 per cbft**



Source: Orion Shipping





## New Building

- ★ First delivery 2007
- ★ Weak USD
- ★ Increased steel prices
- ★ Strong demand from tank/bulk/LNG
- ★ Few reefer operators can commit orders
- ★ Limited number of experienced yards
- ★ No new buildings at present rate levels
- ★ Estimated price 560 000 cbft \$ 35 million
- ★ 2nd hand values up 10-15% since Dec-03



## Star Reefers Inc



## Historic highlights

- ★ Jan. 01 : New equity USDM 44. Creditor write off USDM 55
- ★ Jul. 01 : Acquisition Star Reefers London
  - Commercial operator
  - 6 owned and 18 chartered vessels
- ★ Aug. 01 : Pool with NYK
- ★ Nov. 02 : Renegotiation of long term t/c
- ★ Nov. 02 : Dividend pay out of USD 0.10
- ★ 2001– 03: Sold 11 vessels for USDM 52
- ★ 2002 - 03: Acquisition of 9 vessels for USDM 114
- ★ 2003 : Stand alone from Jan. 04 (Pool with NYK terminated)
- ★ Feb 04 : Private placement of 764 619 shares at NOK 83 (10%)

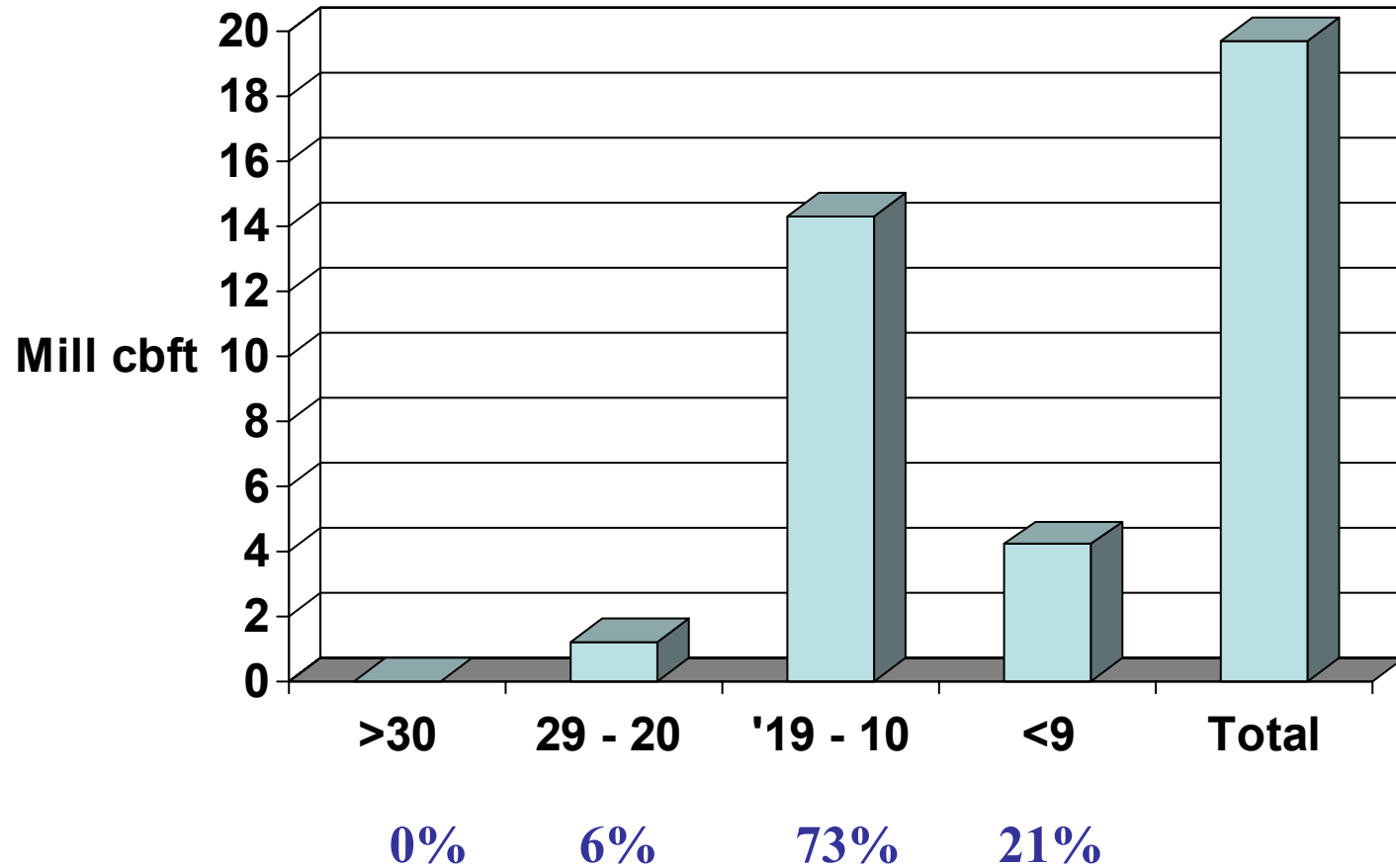


## STAR Fleet Jan 2004

	# of Ships	Capacity (mill cbft.)	Average Age	Average Size 1 000 cbft.
Owned	18	9.2	13	511
Bare Boat Charter	6	3.2	11	540
Time Charter (long term)	13	7.3	10	511
Time Charter (short term)	3	1.4	18	478
<b>Total Fleet</b>	<b>40</b>	<b>21.1</b>	<b>12</b>	<b>527</b>



## STAR Reefers Core Fleet 37 vessels 19.7 mill. Cbft.





## Tonnage analysis – Sale & Purchase 2003

	OLD	NEW
	Swan class	C Class
Built	1979	1997
Capacity cbft	473 000	565 000
Revenue cent	¢ 28	¢ 59
Ships opex per day	4 100	3 850
Revenue	1,6	4,0
Opex excl. drydock	-1,5	-1,4
<b>EBITDA</b>	<b>0,1</b>	<b>2,6</b>
<b>Asset Value</b>	<b>\$ 2,7</b>	<b>\$ 19.5</b>
<b>EBITDA / Investment</b>	<b>3,4 %</b>	<b>13,3 %</b>
ROE	negative	26 %



## Profit & Loss Account

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net operating revenues	\$ 112.3	\$ 109.0	\$ 85.5
Ships operating expenses	-43.7	-41.6	-35.2
Time charter hire	-43.6	-45.4	-29.3
Provisions taken to income	1.7	4.0	7.2
Administrative expenses	-3.7	-3.5	-3.5
EBITDAR	23.0	22.5	24.7
Bare boat charter hire	-6.3	-0.3	
Depr. and amortization	-9.4	-11.0	-11.5
Gain sale ships subsidiary	6.1	1.7	
Operating profit	13.4	12.9	13.2
Interest expense	-7.1	-7.8	-10.3
Other financial items	-1.1	0.2	1.8
<b>Net income</b>	<b>\$ 5.2</b>	<b>\$ 5.3</b>	<b>\$ 4.7</b>
<b>EPS</b>	<b>\$ 0.68</b>	<b>\$ 0.69</b>	<b>\$ 0.65</b>



## Balance sheet

	<u>31-Dec-03</u>	<u>31-Dec-02</u>
Vessels	\$ 168.0	\$ 168.3
Other fixed assets	6.8	6.5
Other current assets	18.0	16.1
Bank deposits	20.2	17.7
<b>Total assets</b>	<b>\$ 213.0</b>	<b>\$ 208.6</b>
<b>Equity</b>	<b>\$ 60.5</b>	<b>\$ 55.3</b>
Provisions	0.2	1.9
Interest-bearing debt	130.1	134.2
Short term liabilities	22.2	17.2
<b>Total equity and liabilities</b>	<b>\$ 213.0</b>	<b>\$ 208.6</b>
<b>Equity ratio</b>	<b>28%</b>	<b>27%</b>
<b>Equity per share</b>	<b>\$7.91</b>	<b>\$7.23</b>





## Star Reefers – 2004 platform

- ★ Improved and modern fleet – Average 12 years / Banana Type
- ★ Improved operational cost base
- ★ Quality name
- ★ Positive market outlook
- ★ Largest owner of ships and contracts (10% above 300 000 cbft.)
- ★ Consolidation paused
- ★ 40 ships fleet and ranked as a number 3 among reefer operators
- ★ Equity issue
- ★ Fixed 70% of 2004 revenue
- ★ Spot rates +/- 5%: \$2 million
- ★ Ships operating expenses +/- 5% \$2 million



## Market drivers and outlook

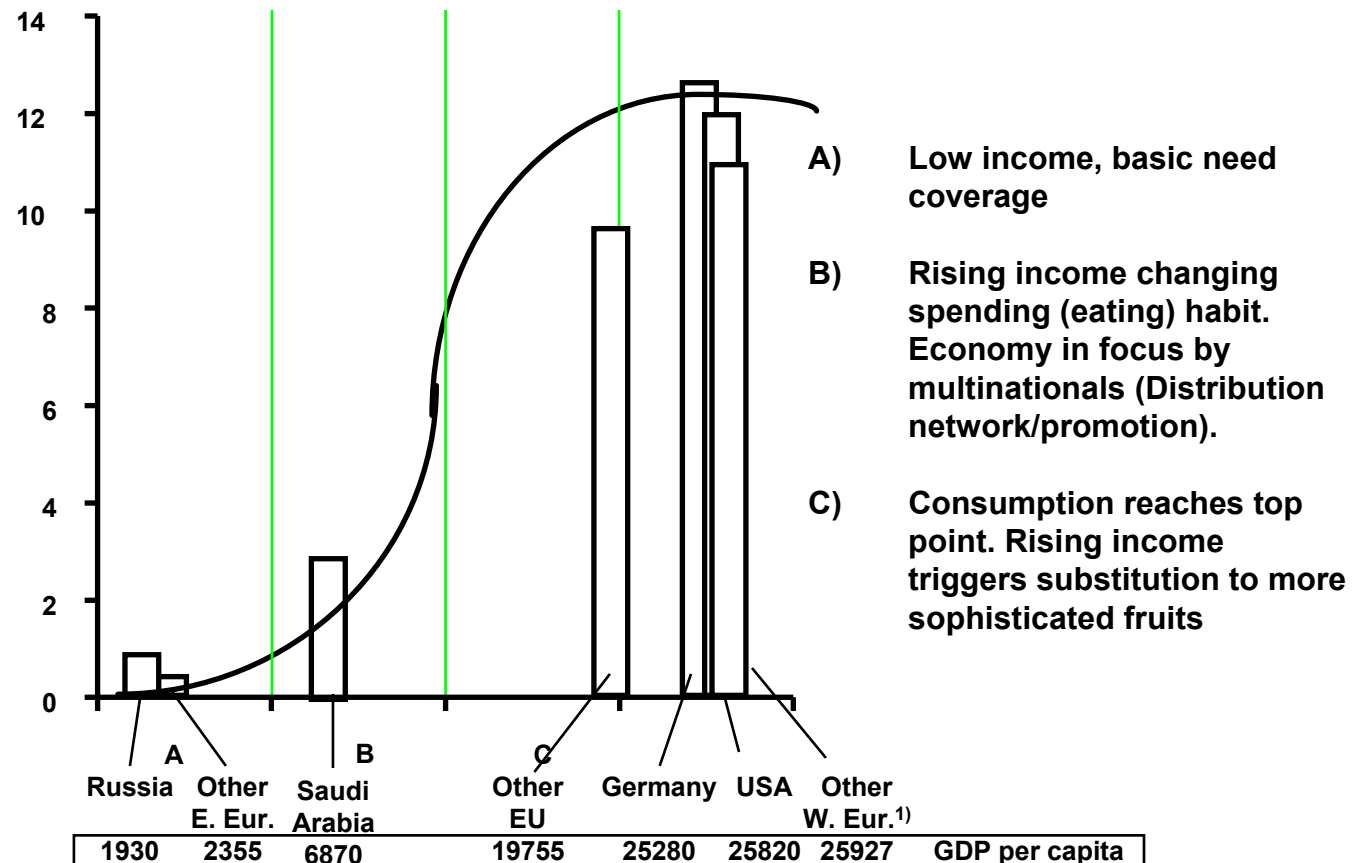


## Factors influencing demand

- ★ Consumer expenditures and general economic conditions

Consumption  
pr. capita

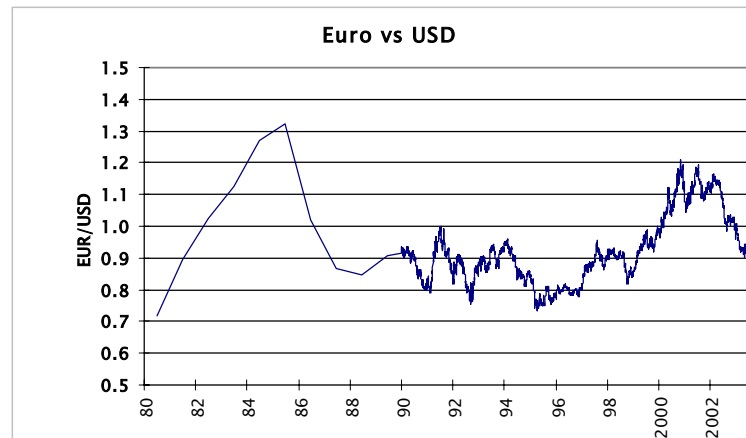
### A Theoretical Approach





## Factors influencing demand cont.

- ★ Currency exchange rates
  - ★ Since the main export areas are USD economies and the largest import areas are EUR economies, USD/EUR fluctuations have a significant impact on consumers demand of reefer products



- ★ Non economic variables
  - ★ Changes in consumer preferences/taste/trends
  - ★ The effect of political decisions (Import ban, taxes)
  - ★ Availability of domestic volumes either from own production or from volumes in continued improved storage facilities
  - ★ Climatic factors
  - ★ Banana regime up for revision in 2006
  - ★ Market access for developing countries



## Strategic matrix – Reefers vs containers

### REEFERS

- ★ SOUTH – NORTH LANE
- ★ SPEED ADVANTAGE
- ★ PORT TO PORT
- ★ LOW DRAFT
- ★ GEAR
- ★ HIGH AVERAGE AGE
- ★ QUALITY PAYS
- ★ NO ORDER BOOK
- ★ HIGH VOLUME – LOW VALUE
- ★ BANANA TRADE
- ★ CHANGE OF BANANA REGIME 06
- ★ WEAK SERVICE & CHAIN MANAGEMENT

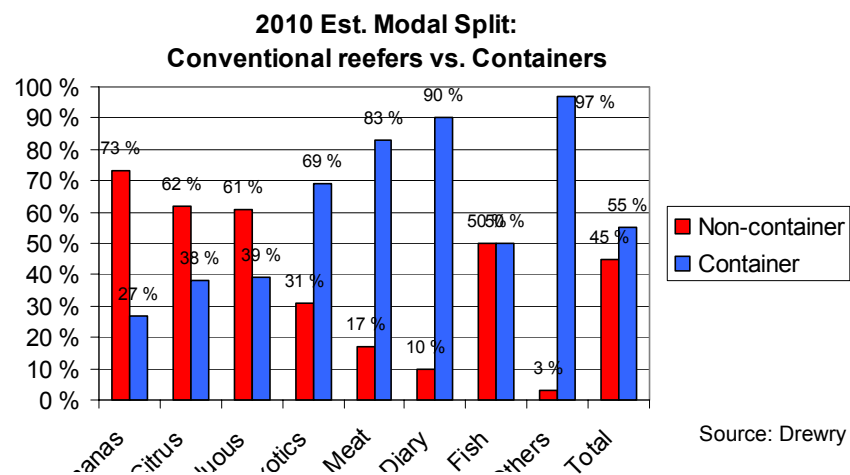
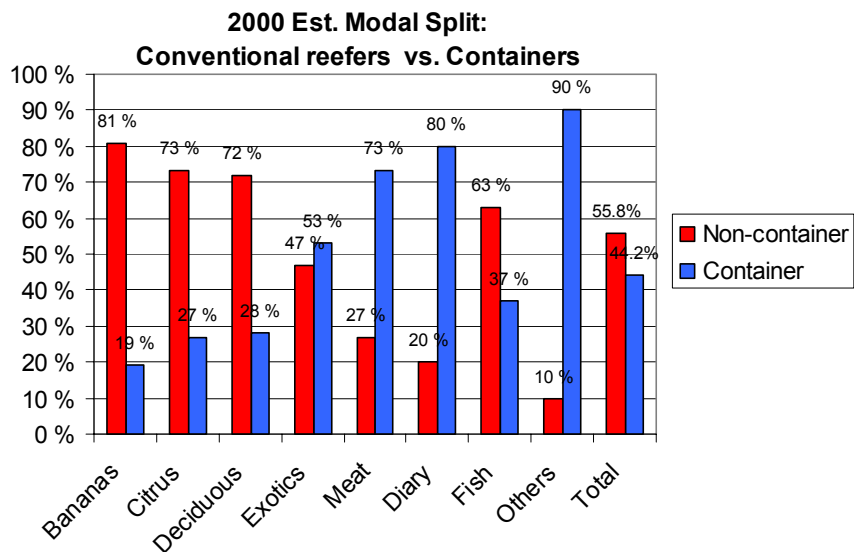
### CONTAINERS

- ★ EAST – WEST LANE
- ★ SPEED IMPROVEMENTS TO COME
- ★ TERMINAL TO TERMINAL / DOOR TO DOOR
- ★ DRAFT LIMITATIONS
- ★ NO GEAR
- ★ LOW AVERAGE AGE
- ★ ESTABLISHED QUALITY
- ★ HIGH ORDER BOOK IN 3000 TEU RANGE
- ★ LOW VOLUME – HIGH VALUE
- ★ NO BANANA TRADE EXCEPT FOR BRAZIL/USWC
- ★ NO IMPACT TO THE CONTAINER
- ★ STRONGER LOGISTICAL BASE



## Projected Seaborne Trade Developments

**Reefers still dominate  
the important fruit trades**



Source: Drewry



## Star Reefers - Strategy revisited

### TRANSFORMATION TO A STRONGER SERVICE PROVIDER

- ★ Ad hoc logistics / chain management
- ★ Dedicated services
  - ★ Trade sectors
  - ★ Reefer services
  - ★ Creative customer solutions
- ★ Rates on quality ships will increase
- ★ Worldwide representation
- ★ Improve operating efficiency
- ★ Market growth
- ★ Tapping the tonnage supply market
- ★ Alert to consolidation – opportunity knocks
- ★ Strategy of executing accretive acquisitions



## Impact to Star Reefers

- ★ Improved operating margins
- ★ Increased market control
- ★ Increase fleet efficiency
- ★ Increased top line revenue growth
- ★ Continued quality improvements
- ★ Continue Improving share liquidity and free float
- ★ STAR more attractive as a consolidation partner