



.....Making a positive difference

Starboard

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Lighter Spring Days

We in the northern hemisphere are now experiencing lighter spring days and gradually feeling life coming back. Is this what we now are seeing in our markets too?



Yes, there are encouraging signs but the jury is still out. What this means is that we still have not restored the long term health of the market. Therefore we need to continue our efforts on regrouping and

consolidations. SRI made great achievements last year but we aim to continue with resolve this year too.

We have started this year looking inward on the road of continuous and lasting improvements. This was highlighted in our group management meeting in February and I was very pleased that we candidly could review our operations and agree on clear and defined action plans for this year. A series of initiatives will be launched during 2002 aiming for improving our cost platform and enabling us to strengthen our operating margins. We will be proactive in our markets and predictable and profiled in the equity markets.

We are indeed pleased about NYK STAR inaugurating their new liner service from New Zealand to Europe.

We have also now defined the SRI mission statements and listed our core values. These are presented in this issue and I would like to add that we see these as extremely important statements for our group. This is the way we wish to portray ourselves and this is also a way to create a common denominator for all of us who is part of the Star Team. Read these carefully and make them your guide for the future. We hope you will feel the energy and resolve that is within the pages you now will read and which you hopefully will find inspiring and interesting. Again, comments are welcomed whether you sit behind a desk or plows the sea onboard our ships.

Personal Regards
Aage Thoen
Chief Executive Officer

Starboard

In the first issue of our newsletter, we invited for a competition of getting a new name for the Newsletter. We received several creative proposals, but the naming committee ended up with Starboard as the winner.

Both Kenneth Ross and Lillian Olsson suggested this name.



Starboard, as we all know, refers to the right side of a ship. The word is derived from an old Norse word which found its way into the English language as "steor-bord" some time before AD 900, and at that time referred to the oar that was used to steer a vessel before the invention of the rudder. This steering oar was usually placed on the right side of the vessel and for this reason the right side became known as starboard. For a number of reasons we felt that this would be a good name for our company newsletter. It incorporates the "Star" name, has a maritime theme and importantly, it refers to the device that

Profit and Loss Account 2001

For the full year 2001 SRI reports a net profit of USD 4.7 million or USD 0.65 per share compared with a loss last year of USD 14.1 million, (excluding write-down of vessels in prior year). The results strengthened due to higher EBITDA, reduced depreciation and net financial items.

SRI entered the year 2001 with the view and declared strategy to move from a tonnage supplier into a reefer operator with ambition to tribute to the industry consolidation. These targets have been met.

In the middle of 2001 SRI acquired STAR Reefers in London. The transaction includes six mid 80-built reefers as well as 18 ships on charter totalling a fleet of 24 ships and the STAR marketing operation in London.

In the second half of 2001 SRI and NYK established NYK STAR Reefers, a new company

owned on a 50:50 basis. The company acts and operate as a joint pool and marketing vehicle responsible for all reefer chartering activities of the fleet presently owned and operated by STAR Reefers and NYK. The Pool commenced trading 1 November 2001.

NYK STAR Reefers is one of three major players in the reefer transport industry.

Below you have the profit and loss account which shows the big improvement year over year

USD Million	2001	2000
Operating revenues	85,4	52,2
Operating expenses	-60,8	-29,0
EBITDA	24,6	23,2
Depreciation / write-down	-11,5	-116,5
Operating Profit (Loss)	13,1	-93,3
Net Financial Items	-8,4	-15,8
Net Profit (Loss) before Tax	4,7	-109,1

Fleet Management Ltd.

An Extension of the Owner's Office

Fleet Management Ltd. (FML) in Hong Kong has the technical management for eight of STAR Reefers' vessels. From the time the company was founded in 1995 by Man. Dir. K.S. Rajvanshy, FML has grown to be a ship manager with abt. 70 vessels under management. He describes how it is possible to have such a growth for a young ship management company.

Ship Management industry is getting more and more competitive. We need to retain our competitive edge if we wish to maintain our position as a leading Ship Manager in the industry.

Our operating costs have to be reasonable, our operating standards have to be high, we have to constantly improve on our IT skills and most importantly we have to continue to provide personalised service to our principals.

We look upon ourselves as an extension of the owner's office. To put it more simply to the owner's Technical Department. There is no 'us' and 'them'..... it is 'us' all the way. It is the same philosophy which we impart to all our staff on-board.



*Mr. K.S. Rajvanshy,
Man. Dir. FML*

In order to move ahead, we have to build at all levels in the organisation the philosophy of providing first class personalised service to all our clients. Their success is our success.

It has been a herculean and uphill task to win the confidence of our valued customers. We have achieved success but we do not rest on our laurels. It does not end here. We shall continue to provide unparalleled service to our customer

A wise man once said:

The vision must be followed by the venture. It is

Core Values in SRI

In STAR Reefers Inc. (SRI), we have developed core values which describe the company culture and the values that we will be recognised by:

COMMUNICATION

SRI communicates in an open, straightforward, honest and trustworthy manner

SRI fosters an open dialogue and a sense of belonging

INTEGRITY

SRI has a strict observance of laws, best practices and acts responsibly in the environment

SRI treats all people with respect and equality

SRI believes in the value and benefit of individual and cultural differences

SRI will never compromise on safeguarding the individual life, health or safety



RESPONSIBILITY

SRI treats the cargo with utmost care and as consumer of same

SRI takes pride and ownership in our work, ships and in satisfying all our customers needs

SRI employees and crews are accountable for the use of resources and cargo entrusted them

SRI is assessed on long term results and providing appropriate returns to shareholders

ATTITUDES

SRI encourages teamwork and recognises employees for their contributions to SRI

Mission Statement

STAR Reefers Inc. will make a positive difference in servicing the total transportation needs of the global perishable produce industry and will deliver added value for all our stakeholders.

Market Outlook

The first few weeks of the year are traditionally slow in our business. This year proved to be no different and by mid January there were numerous reefer ships waiting around the Panama Canal for business. Argentina and South Africa were slow to start exporting and Chile had largely covered ahead. Gradually these ships began to be fixed however and rates improved from USC 30-35/cft to around USC 40/cft by the end of January.



By the beginning of February the market was beginning to look much more balanced. Many of the modern ships were being delivered into seasonal business in Chile and sendings from Argentina increased dramatically compared to the same period last year, despite the disruption caused by their economic problems. Throughout this period fruit prices have remained buoyant and we understand that pear prices are particularly high in Europe.

Although it is difficult to draw any conclusions about the coming season after only 8-9 weeks of trading in 2002 one can safely say that the market so far has been significantly better than during the same period last year.

At the time of writing, quality modern ships are in short supply and can demand USC 65/cft for February and in excess of USC 90/cft for March. While not high by historical standards it is at least USC 10/cft higher than at the same time last year. Weaker currencies in Argentina and South Africa and better selling prices, have certainly contributed to greater demand for conventional reefers, but one should not underestimate the effect of consolidation among the operators.



JOTUN, SRI'S Strategic Paint Supplier

STAR Reefers and Jotun has come to an agreement for supply of paint to all SRI's reefers. A Paint Management Program has been developed, which will result in a reduction of paint and thinners from a number of 45 to 13. Standard colours to be used, and all together this will give substantial reduction in the painting costs. The new thin free environmental friendly antifouling system SeaQuantum, will most probably be used in the future for SRI's reefers.

Great interest in SeaQuantum

Jotun Paints has met great interest with their five year system for tin-free antifoulings.

The marine coatings industry has invested huge sums in developing tin-free self-polishing antifoulings that can match up to the performance of their tin-based counterparts. The year 2000 saw Jotun launching SeaQuantum, its tin-free antifouling.



Based on a binder developed by NOF Corporation over a period of 25 years, the product has been

used in Japan since the mid-1990s and has proved that it is just as good

as tin-containing antifoulings. The polishing effect is also very good.

However the world's leading shipowners were sceptical for a long time. They knew what to expect from antifoulings that contain tin - dare they try something new? The Norwegian Shipowners' Association has embarked on a major project to test the new products by applying patches of tin-free antifoulings from the six largest suppliers in the world to seagoing vessels. Jotun is looking forward to the completion of the project as they believe that it will mark the end of any scepticism. This is vital as most ships around the world are still using tin-containing antifoulings.

SeaQuantum, is unique on the current market and has established Jotun as the leading technology supplier. The tin-free antifouling system causes less pollution to the sea, and is in line with the new IMO regulations banning tin from being used in antifoulings from 2003. SeaQuantum is a silyl-based self polishing antifouling system which lasts for up to 60 months, which is the same as for today's tin-based systems. Other tin-free products also launched to-

STAR Reefers Inc's Vision

.....Making a positive difference

Swan River invaded by Crickets

Swan River was calmly and safely at anchorage. All accommodation doors, stores and holds were locked shut as a precaution against stowaways and pirates and everyone felt safe and secure. It was raining since morning and by evening the rain had almost stopped. The sky was overcast with dark clouds and a cool breeze. The Captain and Chief Officer stood on the bridge wing discussing the next day's programme. No one realized that the ship was about to be invaded!

The decks were awash with lights; it started as a slow trickle of insects hovering around the lights. As dusk set in, more and more insects arrived, till the ship was covered by millions of these insects. Swan River was under attack by invaders of a different kind.

These insects are called GRILLOS in Spanish and they are a species of crickets, air-breathing arthropods with the body divided into three parts, head, thorax and abdomen. They have two antennae, are four inches long, brown in colour and found in the swamps of Guayaquil. They can harm cloth and vegetation and they make quite a racket by rubbing their feet together.

In the morning when the ship's staff stepped out on the decks, they found a living carpet of Grillos covering the decks. The whole day was spent in hosing

down these crickets from the decks and over 200 shovels, equivalent to 500kg were removed from corners and crevices of the ship. The local

authorities say that they have never seen an attack of this kind on a vessel by these Grillos from the dark swamps. But on the night of 4th Feb., the Grillos invaded three ships.

Surprisingly, the vessel was not attacked the next day. The ship was fumigated at berth and cargo loading was carried out without further problems. As the vessel sailed out, it left behind the unsolved mystery of why these insects left their swamps to invade the vessels! Or had they overheard that the Indians love Cricket!



Improvement Programs

STAR Reefers has, as other owners of reefer vessels, through the years, experienced problems with some of the equipment onboard. In order to increase our vessels' efficiency and predictability, we have through our external managers launched several improvement programs. Special focus has been made to Cargo Cranes. Hydraulic pumps and motors, frequency for change of hydraulic hoses, electronic circuit cards, gear boxes and hoisting wires are some of the items which are analysed. This program, together with new inspection routines prior to crane operations, will most probably solve some of the problems experienced last year.

Ice Manoeuvring Experience

Capt J R Maddela, Swan Bay, experienced manoeuvring in ice when the vessel called St. Petersburg for discharging of bananas in February. He has sent Starboard a letter:



The vessel heaved up anchor at 0530lt/23rd under advise from the pilot, and was allotted vessel slot no 6 in the day's inbound convoy.

Ice breaker "Muriok" passed by the vessel, loosening up the fast ice and cleared a channel up to the pilot station, a distance of 2.7 nm. Swan Bay followed the channel, but did not get far, as the ice was getting faster, and any delay in clearing the channel resulted in being beset by hard ice and then getting stuck.

We then had to call for ice breaker assistance a couple more times. The style of breaking the ice to make a channel, was that the ice breaker would pass off the vessel with a distance of 8-10 meters, making a clearing. The ice that was against our vessel would slip into this clearing, and "free" own vessel. The trick then lay in getting own vessel a distance of 5 cables or less behind, the ice breaker or the vessel ahead in convoy. This enables the vessel to traverse smoothly in the freshly broken ice. Maintaining a longer distance, results in larger broken pieces or huge chunks of continuous surface ice, closing in on this freshly



made channel, thereby retarding progress.

The Swan Bay also experienced heavy snow fall whilst in convoy, with near zero visibility, then the only option left was to follow the "history trail" on the radar, which is what vessel did. This is the only way you can ensure that, vessel gets to be in the "ice channel" made by the vessels ahead. A searchlight was also fixed, at night on the forecastle to illuminate the area immediately ahead of vessel.

The average ice thickness vessel traversed through was about 35-40 cm. At the completion of all manoeuvring, the pilot expressed satisfaction of vessel's excellent manoeuvring response in ice.

STAR Reefers and DNVPS

In order to have a quality control of the bunker oil supplied to us, we require a bunker oil sample to be taken before new bunker oil is used in any engine onboard our vessels. Earlier this year, SRI made a three years contract with Det Norske Veritas Petroleum Services (DNVPS).

DNVPS pioneered fuel quality testing in 1980 at a time when the market was seriously concerned with rising fuel costs and declining quality of marine fuels at many ports of the world. The



incidence of engine problems and failures attributed to substandard residual fuel was showing an alarming increase. Owners were reporting more and more cases of short delivery, incorrect density or viscosity, and unacceptable impurity level. Concern of the 80's regarding fuel quality has worsened with the impact of environmental awareness and industrial legislation in the 90's. Contaminants from industrial waste are now increasingly being detected in marine fuel as well.

The fuel cost account for 30 – 50 % of a ship operating costs. Poor fuel quality can cause significant operating problems. Quantity and density cheating is common.

DNVPS headquarters is located in Singapore. Today they have six, wholly owned, laboratories around the world. In addition DNVPS has several sales offices/agents around the world.

Carrying Cargoes Under Controlled Atmosphere .

Our first introduction to Controlled Atmosphere took place in the late Eighties, when two of our Snow Class vessels were on charter to Great White Fleet (GWF) and were employed on trades from Central America to the States carrying bananas. GWF were experimenting on 'putting the



fruit to sleep' for the passage and were carefully monitoring the voyage to see how fresh the fruit was on outturn.

To achieve this, they injected nitrogen into the holds via hatch access lids and sampled the level of nitrogen and oxygen via monitoring ports in the generator. It was important to keep the Oxygen between 3 % and 6 % and Carbon Dioxide between 0% and 6.5% with ideal conditions of Oxygen 3.5% (achieved through respiration of the fruit) and CO2 5% (increased through respiration of fruit).

To successfully carry cargo under controlled atmosphere the vessels gas tightness was of paramount importance and silicon sealant sales must have rose sharply as we tested and re-tested compartments! We knew that by richening good gas tightness, personal safety concerns would be minimized.

Indeed, safety concerns were uppermost in our minds, and all injected spaces were locked and notices posted. Even after venting for 12 hours prior to entry, pre entry checks were carried out by the safety officer!

Today's

Client to an expensive lawyer.

- Can I ask two questions for USD 500?
- Sure, you can. What is your second question?

Said About Us

In TradeWinds of February 22 we can read: London-Based owner Star Reefers Inc (SRI) is going head-to-head with containership companies by starting a liner service for the fruit trade between New Zealand and Europe.

The decision was made in a bid to capitalize on deregulation of the deciduous fruit industry in New Zealand.

The service will be weekly between Nelson and Napier in New Zealand and Antwerp, Belgium and Sheerness, UK.

The transit time is 26 days, which SRI says is about seven to 12 days faster than comparable container-liner services in the region.

SRI says the service has been well received and a majority of the capacity has been pre-sold. The service is due to start 22. February and will continue through the 2002 fruit high season.