

Good Job So Far

Lets shake hands for a good job so far. You will note from our financial section that we have reported a nice and steady progress for the first quarter. We expect continued progress and a positive news flow over the next few months. Needless to say this is due to the work and the



energy of all of you onboard and onshore. We can bask in the sun for some seconds and then move forward to meet new hurdles and opportunitites that we surely will face.

In this context I would like to highlight that we still are not totally happy with our cost base in some sectors of our company. This relates to ship operation costs were we are suffering from unforeseen events which kicks in on our maintenance costs. We have launched a series of initiatives and we are aware that lots of efforts are channeled to curtail this development. Our hope is that we all try to work smarter to pre empt this trend.

Although still a minor item we need to stall any negative uptick in claims and cargo damages. Here I would like to apply the zero tolerance terminology of NYPD. We will have a zero tolerance policy on cargo damages of any nature. You will recollect one of our core values says that we will treat the cargo with utmost care and as a consumer of same. Remember this if you accidentally step on a carton, when monitoring the temperature levels or when you buy a damaged apple in your favorite store.

With this in the back of our minds I would like once again to thank everyone for an exceptional effort and support and wish you all a happy and relaxing summer break

Personal Regards
Aage Thoen
Chief Executive Officer

Rescue at sea

On board Trojan Star, the early morning of 24th May, underway from Philadelphia to Moin, the Bosun Mr. Demit was walking on deck when he suddenly heard



somebody shouting for help from a small fishing boat nearby. Bosun alarmed the bridge and a few minutes later Captain Tibbot ordered change of course and start of the rescue operation. (continue page 4)

Cost savings in crane operations

All vessels in the fleet are involved in the "Crane Performance Program". For the time being we are abt. half the way through the program, and we do see improvements. But even with these precautions already taken, we still experience some problems. Following report have been received from M/V Tundra King:

"Prior commencement of cargo, after arrival in Flushing, the Crane Duty Officer observed no.3 and no. 4 crane were not working in twin mode. Individual operations of the cranes were satisfactory. The vessel was carrying containers which had to be discharged at Flushing. In order to save time and extra costs, the three containers were safely discharged by ships staff by operation the cranes in manual mode. All precautions were taken and slowly the containers were lifted and discharged ashore safely".

These cranes is in the process of being upgraded with new software to avoid similar situations in the future.

Profit and Loss Account

1st. Quarter 2002

Revenues increased 107% to USD 35.1 million in 2001 compared to USD 17.9 million in the same quarter 2001. Of this increase USD 18.9 million is due to the acquisition of STAR Reefers London, ef-

fective from 1 July 2001. In 2002 STAR Reefers owns 24 vessels as compared to 20 vessels prior year and additionally has 13 vessels on charter. Together with NYK of Japan STAR Reefers operates, through NYK STAR Reefers 70 vessels. Freight rates for the Company increased from 49 cents in 2001 to 58 cents in 2002. As customary in the reefer industry freight rates are quoted as cents per cubic foot per 30 days or

USD Million	2002 Jan-Mar	2001 Jan-Mar
Operating revenues	35,1	17,0
Operating expenses	-22,5	-8,7
EBITDA	12,6	8,3
Depreciation / write-down	-3,1	-2,6
Operating Profit (Loss)	9,5	5,7
Net Financial Items	-2,0	-1,8
Net Profit (Loss) before Tax	7,5	3,9

cents. Ships operating expenses for the owned fleet including dry-dock was in the 1st quarter USD 4,516 per day or 6% over budget. Overruns are primarily due to breakdown of engines and cranes. An operation improvement program was launched in 4th quarter 2001. Our aim is to bring expenses back in line with budget in 2nd half 2002.

Operating income in 2002 was USD 9.6 million, an increase from USD 5.7 million in 2001.

Interest expenses decreased quarter over quarter from USD 3.0 million to USD 2.1 million as decreasing interest rates more than compensated for increased borrowing.

The Board will propose a 10 cent dividends to the shareholders. This is the first time in the 10 years history of the company that dividends will be paid.

Swan River on a CA trip

Sunil Kapoor, Fleet Management Ltd.

Swan River carried a small portable controlled atmosphere (CA) unit during her voyage from New Zealand to Sheerness in March this year. This portable container was about 1/3rd of the 20ft container in size and weighs about 4 MT. This CA



unit is of a continuous flushing Nitrogen generator type and is of a very simple type producing 100m³/h of 98% of Nitrogen (2% oxygen). These types of portable units were basically used for shore installations and had never been used on ships. The CA or controlled atmosphere storage enables keeping the

fruits for increased time in fresh conditions. The respiration rate of living products during which oxygen is consumed and carbon dioxide is produced, can be slowed down by raising the CO₂ content of the air. But if the product is not to die, the CO₂ content must not become too high and there still has to be an

adequate supply of Oxygen. This is the underlying principle of storage in CA. It has been seen that the storage life can be increased by as much as 200 days – imagine munching your favourite apple whole year round. Another advantage of carrying fruits in CA system is that it is possible to exterminate any insects or rats that may be present in the holds. It also reduces the growth of molds.



This portable unit was quite successful, but future CA-units will most probably be modified for marine use. It seems we will be seeing more of these units on Star vessels in near future.

After 28 days when the holds were opened in Sheerness, the first bite from an apple brought smiles to the faces of every one, the apple was as fresh as a newly plucked one!

Market

In the first quarter of 2002, we saw considerable activity and an acceleration of rate improvements. The demand was caused by an increase in early season exports of bananas to the Baltic and far more activity in Argentina where local economy problems initiated a greater export of deciduous fruit. Traditional Chilean exports commenced slightly earlier as well and these collective factors saw a percentage rate increase for this first quarter of between 5% and 10%, as compared to the first quarter last year, despite the inevitable re-entry of many laid up ships.

SRI, Increases Market Share in South Africa.

South Africa is one of the key export markets for conventional reefers. It is also a classic example of how a changing regulatory environment can cause great turmoil in our segment.

Until 1997 South Africa had a single channel export market meaning that all exports were controlled by either Unifruico (deciduous) or Outspan (citrus). These organizations invested heavily in infrastructure and took long and short term freight contracts with various reefer operators to transport the enormous volumes of fruit they handled. In September 1997 the market was deregulated and almost overnight several hundred small exporters began to erode the market share of the previously monopolistic exporters. Some of the new exporters were subsidiaries of multinationals, others specialized in particular market segments such as grapes. (Cont. Page 4)

Owner minded commercial operations

As you will know Tokyo based NYK LINE and European based STAR Reefers, just after the acquisition by Swan Reefers ASA in Oslo, started a new venture named NYK STAR Reefers Inc. As the responsible for the reefer operations of NYK it was quite a heavy and challenging decision for NYK to cosponsor the new venture. The reason being that this was a merger of the operations of two companies with totally different backgrounds, a mixture of nationalities and different modes of operations. Additionally, this was the first combination of this nature NYK has undertaken. Once the joint office were started, just 3 months after signing the agreements, my concerns proved to be totally unnecessary and unfounded. Two teams have become one team with no major problems or hick ups. In this context I appreciate all efforts, cooperative attitudes and contributions to a good atmosphere and ambience by everybody inside NYK and STAR. The reefer markets have been depressed for a long time and we need to attempt to further strengthen and to create a better world and market conditions for the conventional reefers. Just as we have done with NYK STAR. We are of course concerned about the so called container invasion and the advancement of refrigeration technology. However, remember that the cargo volume for conventional reefers is not decreasing but marginally increasing. More encouraging is that many of our customers need new blood of conventional reefers and owner minded commercial operations. With this background I am ready to strengthen and to make a continued effort with STAR Reefers and other major shipping companies to improve the market conditions for this shipping sector. Best Regards

M Tamiya
Senior Managing Director
NYK Line, Tokyo

ACTIVE SERVICE AS

During June, STAR Reefers had the pleasure to include Active Service AS in our family of strategic partners. The Active Service Group is a full-service supplier of hoses, couplings, and tubing components with ancillary fittings, as well as custom designing, adapting, drafting and engineering services and custom product. The Group also focuses on troubleshooting, providing highly skilled specialists to solve problems in its target areas, the offshore, shipping and onshore industries. Active Service AS will take

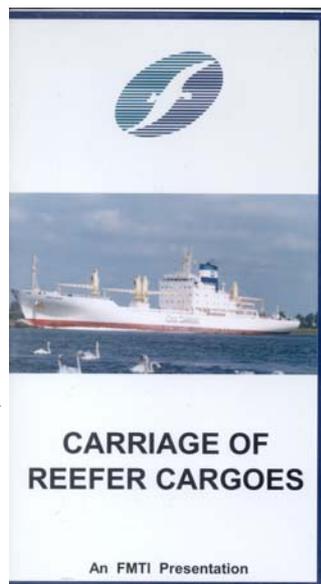
an important part of our ongoing "Crane Performance Project", where every hydraulic hose on each crane will get its unique number and description in the system, in order to better maintaining the crane and make it more reliable.



Carriage of Reefer Cargoes video training

The Carriage of Refrigerated Cargoes is highly specialized and requires the highest standard of performance from man and machine. For this reason, our managers have to take utmost care and effort to ensure that only experienced and well-trained staff is appointed onboard these specialized reefer vessels and that they are operated to the highest standards. Fleet Management (FML) was the first of our managers to produce their own in-house training video film which would provide the ship staff with adequate guidelines on the important aspects of preparing the vessel for receiving, stowage and carriage of refrigerated cargoes.

FML's Marine Supt. joined the vessel at her discharge port in USA and sailed with her to the load port in Chile. During the voyage all operations involving the carriage of reefer cargoes were captured



on video. Every aspect was covered, paying particular to critical areas like hold cleanliness, routine maintenance on refrigerating machinery, pre-cooling of holds, care during loading, stowage and securing the cargo and USDA cargo requirements. The video film was edited and processed at a professional studio in Mumbai, India where the audio inputs (voice and background music) were added to the finished product.

At Fleet Management's own Training Institute, viewing this training video now forms an important part of pre-joining briefing for every person joining a reefer vessel. In addition, a copy of this video is also placed on board each reefer vessel, a move which was highly appreciated by the ship's staff.

Rescue at sea (from page 1)

Few minutes later they sighted the fishing boat, and the crew rigged the pilot ladders on both sides before they approached the boat with 4 persons on board. Several attempts were made to carefully manoeuvres own ship close to the wooden boat which was virtually awash before finally stopping the vessel. The fishing boat overturned as the vessel manoeuvred close alongside the wooden boat.

Three men were quickly rescued. The last fisherman was so exhausted that he could not reach the life buoy at the pilot ladder and started drifting away. Without hesitation one AB, Mr. Macawiwili swam to his assistance with a lifebuoy, and shortly after he was also saved.

We would like thank you all onboard for a job well done. Especially we honour Mr. Macawiwili that came to rescue the last exhausted fisherman by bringing the life buoy to him in the seas.

This could have been the happy story of four fishermen from Haiti rescued by fellow seamen. Unfortunately, one of the rescued passed away before the vessel reached Moin. At the time of writing we do not know why this happened, but it was obvious that the person was very exhausted and he got weaker every hour. We bless his soul and are all grateful for the three survived.



South Africa (from page 2)

Most would agree however that the period that followed was like the "wild west". On the shipping side some operators (as Cool Carriers and SeaTrade) saw these events as an opportunity and started "liner" services to cater for the demands of the new exporters. These services are still running. Other operators (as NYK Star Reefers) decided to wait for rationalization and consolidation among the exporters which is now happening. There are still more than 300 active exporters but less than ten companies control more than 70% of the total export. One of the less desirable results of deregulation is that the container lines have been able to penetrate the deciduous market. This is mainly because this segment still contains a large number of small grape exporters who prefer to operate independently of each other.

Total Conventional Export Trade By Destination (Pallets)		
Ncont		639,000
Med		60,000
Baltic		57,000
USEC		26,000
FEast		72,000
MEast		178,000

In addition 585,000 pallets moved in containers.

NYK and Star Reefers traditionally had a share of the North Continent and Mediterranean markets but since deregulation this participation has been significantly reduced. Instead we have focused on "special markets" where the cargo volumes are less but where the specialized and modern vessels we operate can earn a higher return. Consequently we have dominated the USEC and Far East markets, both of which require "in transit cold sterilization" and specialized land based support. Through long standing connections with Middle Eastern trading houses we also participate heavily in this trade. Our market share in 2002 will be in the region of 12%. We expect that with further consolidation among the exporters and further growth of the multinationals we can continue to increase our market share in South Africa.

DREW MARINE DIVISION

After a most interesting presentation of a tailor made chemical management program for our vessels earlier this year, Drew Marine Division was chosen as our future strategic supplier of chemicals to our fleet. The program has a potential of 5-7% reduction of chemical used onboard. In addition, the agreement was competitive on terms.



For more than 75 years, Ashland Specialty Chemical Company's Drew Marine Division has led the industry with innovative technical assistance and services, responsible delivery, cost-effective solutions, a commitment to quality, research and development and environmental responsibility.



Front-End study between DNV-Fleet and STAR Reefers

DNV has after two months of carefully evaluation, decided to launch a pre-study for a new WEB based ship-management reporting system. The system is based on the Intra-net solution developed by Fleet and STAR Reefers. The idea is to have this as a special module in the already existing DNV-Exchange.



“The way this information is presented gives us in DNV a good view on how a professional ship manager is thinking, and is thus valuable in the development of DNV's own software portfolio”, comments Petter Mowinckel, DNV's Project Manager for the study. “Therefore, DNV wishes to co-operate with Fleet Management and STAR Reefers to scrutinize the possibilities lying within such a system”. A successful study will hopefully lead to further co-operation.



Sale of vessels

M/V Belgian Reefer and M/V Brazilian Reefer have been sold to Greek owners. The vessels are taken back on T/C by STAR and continue to be developed in to LauritzenCool Pool. M/V Belgian Reefer was delivered to the new owners mid June and M/V Brazilian Reefer in the beginning of July. The sale of the vessels is part of a plan of renewing the fleet.

Said about us

(from Lloyds List)

STAR Reefers has transformed itself from a near bankrupt supplier of reefer tonnage to an operating company preparing to pay shareholders a dividend within the space of 15 months. The company yesterday reported first quarter net profit of \$7.5m, up from 3.9 a year earlier, with revenues 107% higher at \$35.1m. Crucially, STAR Reefers is benefiting from a complete change of corporate strategy that has left it less vulnerable to the vagaries of the market place, says chief executive Aage Thoen.

World Wide Fund for Nature

STAR Reefers has developed a co-operation with World Wide Fund for Nature - WWF - one of the world's largest environmental organizations. The idea behind this co-operation is to demonstrate to the reefer environment that SRI takes the environmental challenge seriously. We also believe that the survivors in this competitive industry have to think environment. The mission of WWF is to stop the degradation of the planet's natural environment and build a future in which humans live in harmony with nature, by:



- conserving the world's biological diversity
- ensuring that the use of renewable resources is sustainable.
- promoting the reduction of pollution and wasteful consumption.

The oceans are resources with enormous renewable assets for fishing, aqua-culture, seaweed harvesting and pharmaceutical products. At the same time, oceans are exposed to increasingly negative influences from human activities. With help from, among others STAR Reefers, WWF is working to protect the ocean's natural assets for the benefit of future generations.

Bad Day

Think you had a bad day?

A woman came home to find her husband in the kitchen shaking frantically, almost in a dancing frenzy, with some kind of wire running from his waist towards the electric kettle. Intending to jolt him away from the deadly current, she whacked him with a handy plank of wood, breaking his arm in two places. Up to that moment, he had been happily listening to his Walkman.



We welcome

We welcome all personnel onshore and onboard our vessels to contribute with articles and stories to the Starboard news-letter. Our ambition is, as earlier mentioned, to increase the understanding of who we are, what we are trying to achieve and to facilitate our communication. To meet this ambitions, everybody has to contribute.

Have a nice summer...