

Leaping Forward

We asked for a relaxing summer but once again we were faced with events that affected us. First, a very tragic and unforeseen accident in North Korea with our M/V Canterbury Star. It does show as always that disaster strikes when you least expect it to happen and that there are a series of smaller and consecutive events that differentiates between success or failure, life or death and tears or smiles. We learnt that STAR cares, that STAR can never rest and STAR must progress with close attention to details. STAR thanks everyone that contributed and supported the ship and crew during these days. Second, we



could on a more progressive note make public our acquisition of the five Director ships from Great White Fleet Ltd, the logistical subsidiary of Chiquita International Brands of the US. We look at this as a partnership project and hopefully this is a project beyond ships. It is an example of STAR wishing to synergize and to accompany our customers in their obvious need for quality low cost and predictable services. This ship acquisition strengthens our fleet portfolio and will improve our operating margins. Finally, it will improve our earnings and our ability to serve our customers in the future. (Cont. on page 5)

Emergency Drill

Accidents and mishaps are an unfortunate part of everyday human lives. Stringent safety and operational policies can only generate greater awareness amongst the ship staff on board and



minimize the frequency or the severity of the incident. Sadly, it cannot completely eradicate the possibility of another mishap taking place. We cannot live in a dream world and hope that these accidents only happen to others. (Cont. on page 5)

STAR Reefers acquires five reefers from Great White Fleet

STAR Reefers has entered into an agreement to purchase five reefer vessels from Great White Fleet Ltd, a subsidiary of Chiquita International Brands, for USD 54 million. The vessels are built between 92 and 94 and have a capacity ranging from 411.000 cuft to 480.000 cuft. Two vessels will be taken back on medium term time charters at some 55 cent. The vessels will be deployed by NYK STAR Reefers Inc from January 1st 2003. Chiquita International Brands is a leading fruit and banana producer and distributor. For SRI this represents an opportunity to evolve further to become a service provider for the perishable food industry as such.



New Zealand Liner Service

(Kevin Harding, NYK STAR Reefers Inc.)

Until this season, exports of deciduous cargoes from New Zealand had been controlled through a "single desk" requiring that all exports be shipped through ENZA. However, in 2002 legislation changed in New Zealand to allow an open-market and NYK STAR Reefers were able to take advantage of this opportunity by offering a liner service to Europe. (Continue on page 4)

Bad bunker in St.Petersburg

(Hallvard K. Engøy, DNVPS Oslo)

In July this year, Scottish Star bunkered bad fuel in St. Petersburg. During this case it was demonstrated how important it is to follow the ship manager's/ DNVPS' method for fuel sampling. By following correct procedure, a lot of money can be saved in getting compensation from the bunker supplier. A drip sample was taken during the bunkering and shipped to DNV Petroleum Services (DNVPS). The analysis report showed high levels of water (1,6 %) and cat-fines (95 ppm), with the latter being considered as more serious, as the water content was fresh. To confirm the result of the bunker sample, samples from the fuel system and HFO-tanks were collected. (continue on page 4)



Market so far

The effect of a buoyant 1st quarter, in which we saw daily earnings peaking 7-10% higher than during the same period last year, partly evaporated during the beginning of the 2nd quarter. The deciduous fruit volumes continued much as expected during this peak shipping period whereas the export volumes of bananas was down due to abnormal cold and rainy weather throughout Central America. The demand for vessels fell due to short supply of bananas and growers trying to jack up FOB prices. The markets, however, stabilised in May and June despite the fact that some owners were frantically trying to reposition tonnage for the upcoming lay-ups.

We were, however, not dramatically affected by the market gyrations due to the forward cover within NYKSTAR and our medium term charters to LauritzenCool. The effect was more paramount in the Jumbo Pool where four of our vessels are deployed in cooperation with LauritzenCool. This pool contribution was some 20% lower than for the comparable period last year.



Market Outlook

For the period August to December 60% of the Company daily fleet capacity is fixed. This has enabled us to optimise fleet allocations and to charter short-term tonnage at low rates to our benefit. Now the pre-peak contracts are negotiated and the benchmark contracts now finalised have been concluded at rates 6% higher than last year. This bodes well for the upcoming high season. The low USD may give impetus to more fruit imports to the Eastern hemisphere but on the other hand this may be partly offset by the higher fuel prices that we are presently experiencing. In sum we are positive to the 2003 season. Our 2002 results will be better than last year even after compensating from one-time effects and our ship operating cost overruns.

Around the cargoes...

(Doug Spooner, NYK Star Reefers)

Last year was our first season carrying oranges from Australia to California for the Riversun Group and at the time of writing, we have completed five sailings this year and have a further two on the high seas. Citrus for this trade is grown in South Australia with a small percentage trucked through from New South Wales. It is interesting to note that the fruit from NSW

requires to undergo cold sterilisation to eradicate the risk of fruit fly. This involves carrying the cargo for 18 days at between 0 .5 degrees Celsius and 1.1 degrees Celsius NYKSTAR representative Rick



Scarr travels to Adelaide for the season and supervises the loadings from Port Adelaide, loading taking about 4 or 5 days , working the day and twilight shifts and the palletised oranges are generally carried at a temperature of approx 3 degrees Celsius. The vessels then sail around to Sydney for fuel bunkering and onwards across the Pacific Ocean to San Diego. The arrival in San Diego coincides with the completion of the cold treatment and once passed by the U.S.Dept of Agriculture, the vessel discharges her cargo in about 2 to 3 days. This season we will carry in excess of 20,000 pallets of navels and easy peelers for Riversun and it is particularly pleasing to be involved with such a shipper whose product is held in high regard and distributed throughout the West Coast of the States.

Ballastwater an international problem.

World Wide Fund for Nature (WWF) has for many years expressed concern over the health of the world's oceans and coasts. The introduction of alien species is regarded as one of the four largest



threats against the worlds ocean environment. When alien species are introduced to local ecosystems, they may some times get established and reproduce very rapidly. If local species are not able to defend themselves against such intruders, extensive

damage can occur. Ballast water from ships is the major source for the introduction of such alien species. A teaspoon of ballast water could be enough to cause irreversible changes to the ecosystem. Nevertheless, as of today, there are no regulations established in connection with how ballast water from ships in Norwegian waters should be handled. According to the UN Maritime organisation for ships – IMO – between 3000 and 5000 species are at all times being transported around the world in ballast water. The alga *Chattonella* has caused extensive fish death to fish farms on the southern part of Norway.

On a worldwide basis there are numerous examples of catastrophically effects to the environment due to alien species introduced with ballast water. WWF-Norway has a comprehensive ocean program where the problems connected to ballast water are a major issue.

STAR Reefers Inc. is also financially supporting this program.

Zero Tolerance Program

No one benefits from claims except from lawyers, surveyors and adjusters. Thousands of dollars are being drained each year to pay back for claims. In addition to the monetary aspects there is also the damaged reputation of the ship owners, managers and the ships staff of the vessel.

We have initiated a “Zero Tolerance Program” (ZTP) against cargo claims onboard the vessels, In which we will carry out the detailed root analysis of the various problems and implement corrective actions to totally eradicate the evils of cargo claims. In next issue of Starboard, we will give an in depth presentation of this program.

DFM - a new partner

On 19th of September, after a long period of evaluation of several ship management companies, STAR Reefers signed a ship management agreement with Dobson Fleet Management Limited (DFM) for full management of the five reefers acquired from Great White Fleet Ltd. DFM established in 1993, was the first British controlled Ship Management Company to be headquartered in Limassol, Cyprus and considers itself very much “A New Generation of Ship Manager”. Other Group office locations include the United Kingdom, United States, Latvia, Poland and, more recently, China. Today, DFM manages a diversified fleet of some 80 vessels comprising of 18 different vessel types and the employment of 2,500 seafarers. DFM manages 24 reefer vessels ranging in size from 185,000 – 670,000 cu.ft. This includes the five

“Director” class reefer vessels soon to be acquired by Star Reefers. The *Dobson* name has been associated with the marine refrigeration business for over 35 years, and DFM provides a wealth of experience in the management of reefer vessels. DFM views the relationship and close co-operation with STAR Reefers, just like FML and IUM, very much as a “partnership” in which the respective roles of Owner and Manager are clearly defined, with both partners pursuing their roles as one team in order to achieve the required overall results and objectives, namely, a quality service providing a safe, reliable and profitable mode of transportation.

STAR Reefers boiler suits

All vessels in the STAR- fleet have now been supplied with new boiler suits.



Officers and Crew of MV Tundra Trader in new STAR boiler suits

These are light blue, with STAR Reefers logo on the side of the chest, and STAR Reefers in red letters on the back. Each crew member has received one boiler suit with short sleeves and one with long sleeve. These suits will be a part of our new profile. During port stay all staff working on deck and engine room to be in STAR boiler suit. At all time during port stay all officers to be in uniform.



Officers in uniform .

New Zealand Liner Service(Cont. from page 1)

The service consisted of 10 sailings starting with our "Polar Colombia" loading in New Zealand at the end of February and concluding with the "Logan" which discharged her cargo in Europe at the end of July. Overall, the 10 vessels had a utilization in excess of 98% which was due in no small part to the excellent co-operation of all participants - growers, shippers, pack-houses and our Owners Rep and Agents in New Zealand. Additionally, most voyages offered on-deck container possibilities - further enhancing the service.

Prior to the service starting-up, we undertook extensive research into the requirements of the trade and, after careful consultation, selected load ports of Napier and Nelson and discharge ports of Antwerp and Sheerness. All ports and terminals have worked very well and we are pleased with the decisions made. We canvassed all of the newly-independent exporters in New Zealand and were delighted to received the full support of key players such as Fresh NZ, D M Palmer and Vision Fruit - together with a host of other exporters/importers such as Capespan. By putting their trust in NYK STAR Reefers to carry



their fruit, we had a challenge provided to us to ensure we did not let them down. Having now had feed-back from them following the end of the season, we are happy to learn that not only did we live-up to these requirements but we exceeded their expectations in many areas of the service.

The co-ordination of the service is vital to ensure that last-minute changes are accommodated and, in this regard, the appointment of a first-class Owners Representative and General Agent in New Zealand was essential. Oceanic Navigation was selected as General Agents - a name well-known and heavily respected in New Zealand and a company with whom NYK STAR were very familiar with. Likewise, the appointment of John Malyon (a Director and part-Owner of Oceanic) as the Owner's Representative for NYK STAR Reefers was an obvious choice - according to Kevin Harding , Senior Vice President of NYK STAR Reefers Inc.- who has known John Malyon for in excess of 12 years.

Our attention is now on the future. We are keen to continue - and indeed expand - the service in 2003 and beyond. We are now working closely with the exporters - and all other parties involved - to further improve the service and look forward to the start of the 2003 season with great excitement.

Bad bunker in(Cont. from page 1)

With several samples collected from different sources by different people and analysed by different laboratories, a summary of the results which was confusing. In such cases it is important that you can trust the original bunker samples preferably **taken as continuous drip sample at the receiving vessel bunker manifold.** ISO 8217 sets out the requirements "at the time and place of custody transfer". DNV PS recommends suitable sampling device, e.g. line sampler, to ensure correct and representative sampling. The best way would be, if possible, that both supplier's and receiving vessel's crew together set up the cubitainer, seal the line sampler and obtain a joint total sample of the bunkering. After the bunkering the breaking of the seal should also be done jointly. The further splitting of the continuous drip sample is of course also very important. The total sample should be split, little by little, into the sample bottles, to avoid separating different qualities of fuel into different sub-samples.



This case ended up in a disagreement, and the supplier did only accept the sample from the bunker barge, which was OK. The result will be that the bunker will be pumped ashore for charters account.

Catalytic fines in Heavy Fuel Oil

Aluminium and Silicon, catalytic fines (cat fines), are particles from catalytic cracking in the refinery. These particles are extremely abrasive and can cause severe wear in the engine/fuel system. The ISO 8217-standard states that maximum cat fines level (Aluminium + Silicon) is 80 ppm mass (parts per million = mg/kg). Although up to 80 ppm is accepted by the specification, it is very important that this level is significantly reduced through settling and separation in the fuel system before use. Most engine manufactures states that maximum acceptable level of cat-fines before main engine is in the range of 10 – 20 ppm.



Financials

In the 1st half of 2002 net profits increased 51% to USD 11.6 million from USD 7.7 million in the same period last year. The results strengthened due to higher capacity, higher freight rates and lower interest expenses. EPS increased from USD 1.13/share to USD 1.53/share or 35% compared to the same period last year.

USD Million	2002	2001
	Jan-Jun	Jan-Jun
Operating revenues	67,5	32,7
Operating expenses	-45,4	-15,7
EBITDA	22,1	17,0
Depreciation	-6,7	-5,2
Operating Profit (Loss)	15,4	11,8
Net Financial Items	-3,8	-4,1
Net Profit (Loss) before Tax	11,6	7,7

Total assets now stand at USD 219 million. Interest bearing debt as of 30 June 2002 is USD 133 million. After the completion of the sale of both the Belgian Reefer and Brazilian Reefer, STAR Reefers will be brought down to USD 124 million at the end of 3rd quarter 2002. Shareholders' equity as of June 30 2002 is USD 64.4 million or USD 8.51 per share. The equity ratio has strengthened from 25% to 29%.

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In this context we are observing the wide use of industrial Mantras such as "door to door, full service providers, logistics, liner systems" or whatever other acronyms that can be made up. STAR realizes the significance of services and can easily comprehend the long term direction of the markets. The balance between cost and quality requires skilful handling by itself. If one adds the fact that the markets also require flexibility and predictability at the same time we as STAR simply wish to cooperate, follow and assist our customers as their needs change and evolve in the future. STAR may even on a project to project basis take the lead provided that risks are defined and reasonably shared between all parties. It is with this attitude all of us should attack all our daily tasks and assignments.

NYK STAR organized this month a Representatives and Agent meeting in London giving the opportunity for everyone to raise their voices. It was extremely pleasing to observe the vigour and involvement. We are thankful to all the support and good work done out in the battlefields. STAR will attempt to provide you with the quality ships and onboard operations you obviously need, to sell a first class service. We wish a dialogue with you and any dialogue that can improve ourselves from ship operations to customer relations are welcome. Looking back to where we started in the beginning of year 2001 we can only say

that we have come a long way and even with bumpy times ahead we have the stamina to continue.

As to ship operations we are now seeing, albeit slowly, the effects of some of the operational initiatives being made. Again the onboard support is instrumental to the outcome of these initiatives. Lets roll and enjoy the results later.

Personal Regards

Aage Thoen

Chief Executive Officer

Emergency Drill (cont. from page 1)

"Emergency preparedness" is a vital and important aspect not only on board ships but also in our offices ashore. As part of our emergency preparedness we recently carried out a "Emergency Drill" along with one of our principals - Star Reefers AS, Oslo. In order to create a realistic atmosphere, one of their vessels, the "Swan Lagoon" was selected as the site of the emergency. The scenario was an overflow of HFO while bunkering at Long Beach, USA resulting in about 10 cu.m of oil going into the water. In a live simulation of an actual spill, emergency response



teams were initiated by all the concerned parties and all relevant parties including operators—

NYK STAR Reefers, QI—OOPS Inc and the P & I club were contacted. During the drill, the Master, Owners and Operators were badgered by simulated barrage of questions from the media as well as other concerned parties like the Coast Guard, etc. The drill was a huge success and all parties benefited from it. We look forward to conducting more such drills with our other principals too.



The Team after the drill

ASTICAN – "the reefer yard"

On our way back or from Europe to South Africa or South America, our vessels are passing close to the Canary Island. A Friday afternoon in February 1995, we got an emergency call from one of our vessels outside these, telling they had problems with their rudder and had to dry-dock. We struggled to find a suitable place to do the repair since everybody was booked up. ASTICAN in Las Palmas gave us the possibility, and by demonstrating the flexibility of the worlds biggest



The worlds biggest syncrolift, they solved our immediate docking problem. The performance of the yard was good, and with excellent conditions for painting work the yard ended up to be our favorite candidate for docking of our reefers. Since that time we have returned to ASTICAN for several of our vessels with experience of a quality yard. We hope for same good cooperation in the future.

Chiquita vessels names

It is always a very proud moment to take delivery of a vessel and exciting to think of appropriate names - the delivery to STAR Reefers of the Director Class fleet, from Great White Fleet was no exception. STAR Reefers has always tried to name classes of ships with a specific theme and for these vessels we chose "New Zealand" as the theme - reflected both past traditions in STAR Reefers and the current trading pattern of our fleet. Thus, the vessels will be named "Napier Star" (ex. "Chiquita Elke"), "Nelson Star" (ex. "Chiquita Jean"), "Tauranga Star" (ex. "Chiquita Frances"). "Chiquita Brenda" and "Chiquita Joy" are chartered back to Chiquita, and will keep their original names under this charter.

New employees

STAR Reefers has got four new employees:
In Oslo:

Eva Sunde is employed as Executive Secretary. Her previous employer was Norwegian Shipowners' Defence Club.

Randi Antonsen has been recruited as an accountant. She comes from Whilhemsen.

Rune Pedersen is employed as Assistant Tech./ Ops. Manager. His previous position was at Fugro Survey AS in Oslo.

In London:

Greg Thomas is appointed as Insurance and Claim Manager.

We wish them all welcome to STAR Reefers.

No Dogs Allowed

Two guys meet up in the park while walking their dogs, one has a doberman the other a Chihuahua. They are hungry, and the guy with a doberman goes "lets go eat at that cafe across the park."



The other guy replies "We can't. not with dogs."

The doberman dude says "Don't worry just follow my lead."

With that he puts on some dark glasses and approaches the cafe. The waiter stops him at the door and says "Sorry sir, no dogs allowed."

The chap replies "Ph this is my seeing eye dog."

The waiter says "A doberman? I never heard of that."

"The guy replies yes they use them these days, they're quite good."

With that the waiter shows him in.

Dude with the chihuahua tries the same, as he is walking in the waiter goes "come on no dogs!"

The guy replies "its my seeing eye dog."

The waiter replies. "oh yeah sure, a Chihuahua!"

To this the guy exclaims "WHAT!! they gave me a Chihuahua!!"



Said about us

Lloyd's List 25 Sept. 2002

//Details of the strategic review of the US foods giant (Chiquita Ed.remark) were presented to fund managers just days after Chiquita sold its five director-class ships to Star-Reefers. The \$54m deal will reduce the size of the Chiquita's fleet of reefer ships to 11, from about 30 in the mid 1990s. However, Chiquita will be exploring alliances with other companies, including banana producers and third party ship operators, as it seeks to lower logistics costs, said Bob Kisting, president and chief operating officer of Chiquita Fresh Group. Aage Thoen, chief executive of Star Reefers, said yesterday he considered last week's acquisition "a partnership transaction", and that the two sides would be exploring other business opportunities with each other.//

