

Number: 3

November 2003

E ditorial

Highlight the last quarter was the split between NYK and ourselves that now become effective later this year. A mutual break clause triggered a time out and a moment of reflections for each of us. Pondering over the efficiency and future value creation we decided to proceed alone. This is not a sign that STAR is not open for cooperation or combinations that can enhance joint service capabilities, flexibility and improve our cost base even more. However, we believe that cooperation should be based on the "sharing of gain and pain" principles and that interests must be aligned. Ulterior motives will only create defocus, loss of direction and disharmony. We have our vision and mission statements to which we stay loyal.



STAR has a 37 vessel fleet, and we have invested more than USD 110 mill in fleet renewals during the last 12 months. Our fleet is becoming more strong and effective day by day. Our aim is quality and flexibility and to offer services to a very discriminating industry. We observe that market whispers aim to make us a financial vehicle. Needless, to say that we would not have gone through with our efforts if we were not driven by a desire to improve and to offer services to an industry who requires more services and additional values from us as an operator. The word logistics comes to mind - which has as many definitions as there are people - we can only say that there are different ways to skin a cat. Indeed, we are committed to services and will tailor make our services to the exact needs of any client or lane sector that we are servicing. This also goes beyond the traditional port to port dimension on which the conventional reefer industry is so far known.

Lastly, I would like to thank everyone onboard and onshore for their support, enthusiasm, energy release we are witnessing these days. It has never been more stimulating to work for STAR. Hope you will enjoy this issue and again we would like to see more input from our colleagues onboard the ships. **You are important to us.**

Personal Regards
Aage Thoen
Chief Executive Officer

AIS - A Revolution to Navigation

(Teresa Arosemena, International Communications, Panama Canal Authority)

Picture a precise navigation system with an overlaid electronic chart that includes an icon for every ship approaching and transiting the Panama Canal. Each icon provides the ship name, size of the ship, course and speed - information that improves safety and

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M ore Vessels in STAR Fleet

Two vessels recently joined the STAR fleet:



M/V Durban Star

(ex. Coral Reef) was delivered to STAR Reefers on 29 July 2003 in Gdynia, Poland. She sailed to Parangua, Brazil, to load cargo for Middle East.

M/V Cape Town Star

(ex. Caribbean Reef) was taken over on 9 September 2003 in Piraeus, Greece, and is now proceeding to South America.

The sister vessels built in 1993 in Stocznia Gdanska, Poland, were purchased from Leif Høegh Shipping ASA.

Both vessels were managed by IUM Shipmanagement AS, and will continue under same management after taken over by STAR. IUM is now managing 10 of STAR Reefers' vessels.

The Quest Continues

The zero damage campaign reports an about **30pct reduction** in cargo claims year over year.

The H&M claims have been **reduced by 28%** in the same period

The number of incidents has been **reduced by approximately 30 pct** the first 9 months this year compared to last year.

Well done and keep it up.

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security, and will assist in the management of critical canal resources. The Panama Canal Authority (ACP) announced on July 1 the formal implementation of the Automatic Identification System (AIS) - a revolutionary navigation aid that will do just that. AIS is now required equipment for all vessels transiting the waterway.

Like a hawk flying high above relaying to each vessel what's coming and who's ahead, the AIS will be of great value to the ACP and shippers. Many of the challenges of navigating the Canal will be alleviated because Canal pilots will now be able to better view all traffic transiting through the Canal - and it will be particularly valuable in narrow passages and low-visibility situations. In addition, the ACP will be able to improve its management of the Canal's traffic flow and reduce the length of intervals between transiting ships.

The AIS works in real time and transmits data to all AIS-equipped ships or shoreside facilities within VHF radio range, providing Canal authorities with a complete and precise view of all traffic in the Panama Canal. Position and other data are distributed instantaneously from the ship's sensors into the AIS system, where it is formatted and transmitted in a short data burst on a dedicated VHF radio channel.

"I am very proud of our maritime operations personnel. Their tenacity in getting this system up and running - considerably ahead of schedule - shows their dedication to continue to improve safety, security and waterway operations. Canal safety, reliability and efficiency are our top priorities and we will continue to look for other cutting-edge technologies that help us serve our customers," said Canal Administrator, Alberto Alemán Zubieta.

Other recently implemented ACP safety measures include the modification of the pre-arrival notification period of 96 hours in advance of arrival in the Canal.

Harvester Modification of Cargo Hold Gratings

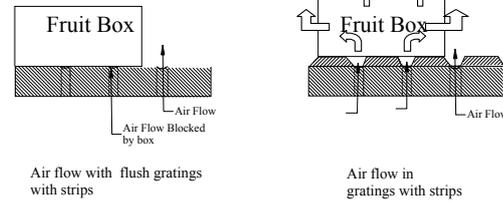
(Sunil Kapoor, Fleet Management Limited)

MV **Harvester** was designed with flush gratings in the cargo holds. This restricts the vessel to carry only palletised cargo and not break-bulk cargo in boxes. When the break bulk cargo is carried on flush type gratings it blocks the air holes thus reducing the total air flow.

When the break-bulk cargo is carried and placed on the corrugated gratings the air holes are not blocked. The air channel formed below the boxes allows air to travel upwards into the boxes to give uniform

cooling.

To enhance vessel's potential to carry both break-bulk and palletised cargo it was decided to modify the Flush gratings to corrugated gratings.



The job of sticking these grating strips was taken up during a ballast voyage.

The vessel was supplied with special wooden grating strips from Finland. These grating strips are highly hygienic and resistant to fungal and micro organism attack.

Hold gratings were cleaned and the surface was buffed for proper sticking of the strips. Damaged hatch cover areas were repaired before laying the strips. The strips were glued to the gratings and finally secured by nails. The steel frames on A deck and C deck were fitted with steel strips and wooden inserts.

The job was completed in a record time of 9 days by ship's crew working round the clock. Approximately 30,000 Mts of grating strips, 545,000 nails and 1200 tins of glue were used for this job.

The vessel has just loaded its first break bulk cargo, bananas in boxes, from Puerto Bolivar to Jeddah.

Serious Commitment to Training

(Capt. Arvind Karandikar, FML)

In order to provide ship's staff with structured training to enhance their professional skills thereby leading to safer and better shipboard operations, Fleet Management Ltd. has spent a substantial amount of money to install state of the art Full

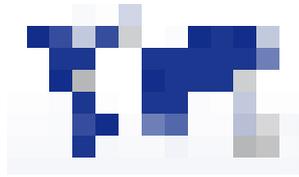


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Market Report

June/ September 2003

(J. Solomon, NYKSTAR)



Whatever one writes about the Reefer Market we cannot ignore the headlines i.e. the split of NYK and STAR and the future for both companies. This has become the main focal point for discussion. NYK are reporting to have a tonnage sharing arrangement with Laucool after buying 50% of LCL whilst STAR will be independent operators. It is an interesting point to note that logic suggests that after such a positive season with an overall increase of up to 20% - no one will wish it to drop and as there are very few new trades it suggests very little head to head competition in the future.

As to the market itself we have seen a much better off season at least volume wise. Due to the poor Turkish and Spanish lemon seasons, the Russians have bought in abundance from Argentina and South Africa which has overall led to a much more stable market. Whilst the market has been in the lower 20's for short period for bananas, it seems to have stabilized at the USC 30 mark consistently.

The recent purchase of the 5 Swans by the Russians will lead to further strengthening of the Russians as fellow operators. We believe though that the primary trade of these vessels will be bananas and not the fruit trade due to the economics of these vessels

Negotiations for the next season are already being contemplated and the feeling is that across the board there will be increases. This also suggests most if not all, the major Charterers will look to mitigate the possibility that next season will leave them short of tonnage i.e. placing Owners in an increasingly strong position.

We have not seen any period where there have been many vessels idle at Panama which suggests Owners are putting much more thought into long term planning, and we see less and less of the glorified spot traders. We can see the lack of newbuildings and the gradual scrapping through natural wastage coming into effect on the market. Whilst there is always a demand for quality vessels for period Charters it is still not enough to give Owners confidence to pursue any new building programmes.

There is definite optimism in this market!

Peril of the Sea - Happy Ending.

(Finn Haraldsen, STAR Reefers AS)

In every seaman's mind there is a fear of being taken ill in the middle of the sea with small chances of assistance besides from the medical "expertise" of the Master and/or the chief officer.

We are glad to report on an incident that could

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EXIT Swan Stream, Swan Ocean and Swan Lagoon - Historical Facts.

(Finn Haraldsen, STAR Reefers AS)

During some hectic days at the end of August history was written and old Swan Reefer sailors and shore personnel sheared memories when Swan Stream (Aug 20th) and Swan Ocean (Aug. 21st) were delivered to new owners at Gibraltar, while the Swan Lagoon (Aug. 28th) was delivered to the same new owners at Dubai.

The sister vessels were ordered by the Belgian Government back in 1978 and delivered by Boelwerf in Antwerp in 1979/80 under the names of Pocantico (Stream), Potomac (Ocean) and Pocahontas (Lagoon). In 1990 the vessels were bought by a Swedish company named Rederi AB Swan from which Swan Reefer ASA originated. During the years 1990 to 1993 the vessels were bare-boat chartered to Turbana trading with bananas from South America to USEC.

In the following years the vessels were operated by Cool Carriers participating first in the Leonina Pool and then the Artic Pool until late autumn 2001 when the vessels entered the NYK-STAR pool.

STAR Reefers, however, has a clear strategy of reducing the average age of the fleet and since the sale and purchase market has picked up considerably over the last 6 months, the management decided to sell the vessels for investments in more modern vessels.



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Mission Deck and Engine Simulators at their Training Center in Mumbai. These simulators are presently under manufacture and are scheduled to go on line by the 4th quarter of this year.

Recognizing the need to have their in-house facilities for training their own staff, this project fulfills all their needs to further augment the already existing training facilities.

In addition to the state-of-art deck and engine simulators, a Liquid Cargo Handling Simulator and a Reefer Ship Simulator are also being installed, making their Training Center a "one-stop-shop" for all their training needs.

A dedicated and well-trained faculty has already been inducted for handling all this modern equipment. Needless to say, this serious commitment to training will help us to have highly trained and motivated staff on board our ships.



"A friend in need is a friend indeed"

*(Shigeki Honda, Deputy General Manager
Marine Hull Department
Mitsui Sumitomo Insurance Co Ltd,)*

Mitsui Sumitomo Insurance Co. Ltd. was established as a consequence of a mega-merger between Mitsui Marine & Fire and The Sumitomo Marine & Fire in October, 2001 and is now one of the largest non-life insurance companies in the world.

The merger has proven to be very successful and in essence has seen the creation of a company with 813 offices throughout Japan, 260 claim-handling offices, and approximately 90,000 agents to form a sales network of the highest class in the industry. Additionally and on a global scale the company also offers its services in 36 countries and regions across the world.

The world's leading rating agencies, Standard & Poor's and Moody's Investors Service have rated us AA- and AA respectively which indicates an extremely high level of financial strength, and naturally we are very proud of this fact.

Mitsui Sumitomo Insurance is the largest provider of Hull Insurance products in the Japanese Market offering a full range of products for the shipping industry and the shipbuilding industry. These products include but are not limited to coverage against physical damage to ships, collision liability and damage due to war risks etc.

The company utilizes its unparalleled sales force

and product development capabilities to provide services that match client needs. We are always pleased to provide the finest products and services and value long term relationships with clients.

Please visit our web-site at <http://www.ms-ins.com/english/index.html> for more information

CSAV and STAR Reefers

(Kevin Harding, NYKSTAR)



Cristobal Rollan
Alberto Dale
Alberto Feres
Kevin Harding
Richard Dunlop

For many, many years STAR Reefers presence in Chile has been dominated by a strong working relationship with CSAV. Well-known names like Santiago Bielenberg and Alberto Feres have been great supporters of STAR Reefers and this support has developed into a first class working relationship. This relationship continued when STAR-Reefers formed a joint operation with NYK and, for the last 2 years, Richard Dunlop and Kevin Harding have made regular visits to Chile to look after CSAV - on behalf of NYK STAR.

Now that STAR Reefers is leaving the joint venture, the relationship in Chile has become even more important and we are delighted to announce that the first fixture made by "new" STAR Reefers was made with CSAV. A number of vessels have been fixed - on a multi-year basis - further strengthening the relationship between our two companies.

New names are now at the forefront of CSAV - Cristobal Rollan and Alberto Dale - whilst Alberto Feres still remains very much involved, but on a consultancy basis. It was therefore a great pleasure that on a recent visit to Chile - as part of the negotiations for the 2003/4 season - Richard and Kevin were able to enjoy some marvellous hospitality put-on by CSAV. A great day was spent with Cristobal, Alberto "F" and Alberto "D" in the Concagua region of Chile - including some time spent on the Montes vineyard. Naturally, the chance was taken to enjoy some of the "local product" in this most beautiful of regions. An

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agreement was finally concluded at a coastal hotel to the north of Valparaiso which some 15 years earlier had been where Margaret Thatcher and her husband stayed on their last visit to Chile. Photographs of her looked down on them as they negotiated!

STAR Reefers will continue to work with agents Patagonia Maritima in Chile and Alejandro Larrain, of Patagonia Maritima, will be the STAR Reefers Owner's Representative covering this area.

Around the Cargo

(Dough Spooner, NYKSTAR)

STAR's M.V. Southampton Star has just recently joined the Dole Hamburg service and is swiftly gaining a reputation for speed and reliability on this demanding trade. Every Saturday lunchtime a vessel arrives in Moin to discharge a full complement of empty containers and then loads fresh green palletised bananas in the port and also at Turbo by barge for Hamburg discharge. The service is very time sensitive as bananas have to be cut just prior to arrival in Central America and after the passage across to Hamburg, a large proportion of the fruit has to be trucked through to Scandinavia. The vessel leaves Turbo on a Wednesday and arrives at Hamburg Pilots ten days later in readiness for the Monday discharge. Approx 4 - 4,500 pallets are carried weekly on this trade and the vessels are fully self sustained - being able to load and discharge both containers and palletised cargoes with ships gear. Several reefer containers are also carried on the ships ain deck.



2nd Quarter 2003 Results

(Terje Aschim, STAR Reefers AS)

In the 2nd Quarter STAR Reefers posted a net result of USD 2.0 million against USD 4.1 million in the same period last year. The freight rates for the 2nd Quarter last year reflect high earnings on 4 vessels on old long term contracts that expired last year, which distorts the comparison. With such contracts effective through the first half this year, our result would have been USD 2.5 mill higher.

STAR Reefers operated a total fleet of 37 vessels through ownership or charters both years. The num-

ber of used cbft this quarter was 59.2 million this year as compared to 60.1 million used cbft last year as the average size of the vessels decreased following the sale of jumbo sized vessels this year. Freight rates in the 2nd Quarter were 51 cents as compared to 52 cents in 2002.

In August STAR entered into an agreement to sell three 79-80 built reefer vessels on private terms. The transaction will generate a profit and part of the net proceeds will be applied to prepay debt.

The rates in the spot market in the high season have been the highest since 1997, and therefore 2003 will yield a rate increase against average 2002. The spot rates in the high season have had a positive effect on approximately 10% of our tonnage as the NYK STAR reefers pool had committed most of its tonnage prior to the upswing in the market. High spot rates have affected the low season contracts. We also expect the high spot rate level so far this year to positively impact the contract renewal at the end of the season this year.

STAR Production and Yield Management

(Aage Thoen, STAR Reefers AS)

Are you tired of efficiency campaigns? Don't worry we have a new one for you!!

We are observing that our fleet efficiency can be strengthened, and we are in theory aiming for six figures improvements to our results.

We are here aiming to benchmark and monitor the ship production in terms of:

- *speed,*
- *navigational route planning,*
- *port turnarounds,*
- *crane operation and operational efficiencies in port.*

The objective is to avoid stoppages that reduce the production abilities of our fleet. It is not simply an operational matter, but is a fusion between the ship-board and office operations as well as between ship and terminal/stevedores. Ideally, it is a win win situation for our end users and ourselves as the cargo may arrive earlier and we can deploy the fleet more efficiently.

We will revert with more details, but in the meantime **remember that one hour lost is one hour lost for ever.** This is even more important in improving markets and now that we will enter the high season.

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have had a fatal ending recently onboard the Scottish Star.

On September 4th the vessel was nearly 2 days out of the Caribbean en-route Gibraltar when the AB felt critically ill with possible heart condition. The Master immediately contacted MEDICO service for advice. Due to symptoms described from the Master, the vessel was advised that landing of the crewmember was necessary.



The managers having executed Red Alert and manned the emergency room verified that Martinique was the closest point for landing the seaman, ordered the vessel to turn around in co-ordination with STAR Reefers AS, advising the Operators NYK STAR of same. At the same time the managers were in close contact with USCG and AMVER to see if there were any vessels nearby with doctor on board being cruise- or navy vessels or whether any long ranging planes were stationed within reach, enabling the managers to evacuate the sick seaman to Puerto Rico. Regrettably such assistance was not available.

Consequently the vessel maintained her course for Martinique keeping regular contact with MEDICO service for treatment advice, and the crewmember was constantly under observation by the Master.

When the vessel approached Fort de France on September 5th, she was met by a helicopter. While the helicopter was hovering along the vessel, a rescue officer was landed on the hatchcover arranging and safe guiding the lift of the stretcher. The AB was then hoisted into the helicopter. The AB was safely taken off the vessel and transported to the hospital, whereupon the vessel resumed the voyage towards Gibraltar.

Due to the rapid response of the Master and crew onboard Scottish Star and the advice received through MEDICO/USCG/AMVER the crewmember has recovered in the hospital and is shortly to return to his home.

We at STAR Reefers AS thank first of all Captain Robert Szymkiewicz and his crew for excellent seamanship, and then managers for quick and professional handling of an emergency situation.

Barents report shows oil risk

(Knut Frederik Horn, WWF)

The most environmentally vulnerable areas of the Barents Sea are in the exact same areas where new oil and gas development is set to take place, according to a new report from WWF.

The Barents Sea, which lies between Spitsbergen (Svalbard), Norway and Russia, is Europe's last unspoiled marine environment. and a home to unique sea bird colonies, the biggest cold water reef in the world, large populations of seals, whales and polar bears. It is one of the few ecosystems in Europe still relatively intact.

The oil industry opposes proposed plans for petroleum-free zones, claiming oil companies can operate without harming the environment.

"Oil and gas exploration and production is never a no-risk activity, and we prefer oil and gas companies to stay out of sensitive ecosystems, but where this is not possible, then oil and gas free zones must be put in place first," said Samantha Smith, director of WWF's Arctic Programme.

"The Norwegian Government still has the chance to set a precedent for oil and gas exploration in arctic waters," Samantha Smith added. "They must ensure that they complete full, proper and, crucially, independent biological assessment of areas, and where appropriate, petroleum-free zones created, before any go-head is given for oil and gas development."

With help from, among others STAR Reefers, WWF is working to protect the ocean's natural assets for the benefit of future generations.



A Day in the office with STAR Reefers

(Rashid Delgado, Far East Transport Co. Ltd.)

This past August in the blistering summer heat, I spent some valuable time within the "cooler" environs of the London and Oslo offices of STAR Reefers. I had been given this opportunity upon the kind consideration of an old friend of both my father's and Mr. Yoshiki's of Far East Transport, Japan, Mr. Aage Thoen. Over the past year, I have had the chance to meet and personally get to know Mr. Thoen. I was also able to welcome and meet Mr. Greg Thomas upon his recent visit to Tokyo

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this past July.

During my stay with STAR, I experienced first-hand many different aspects of STAR Reefer's operations. From insurance, chartering and commercial operations in London, vessel operations onboard the Trojan Star as well as technical operations and finance with the team in Oslo.



As a person with only a year's experience in the shipping industry, I was introduced to a wealth of information about the reefer market and trade and shipping as a whole. Among many things, I now know approximately how much it costs to ship the bananas for sale in my corner grocery market here in Tokyo, Japan!

I very much enjoyed my time with STAR Reefers, not only learning about its operations but also getting to know its people and company culture. I only hope that I will be able to repay your generous hospitality upon your next visit to Tokyo.

WE HAVE RECEIVED FOLLOWING MESSAGE FROM THE MASTER OF SWAN BAY:

(Sunil Kapoor, Fleet Management Limited)

"Kindly note that Mr. R. E. Whitaker, Port Engineer/Transit vessel Inspector boarded vessel at 1020 hrs and carried out thorough inspection of main engine, ahead and astern kicks (12nos) from ECR and also from Emergency stand (Engine side) and from Bridge controls, took all four AEs on load individually, checked the speed of rotation of the mooring winches and the windlass, tried out emergency fire pump and main fire and gs pump, tested steering gear from bridge and emergency steering, checked the fire alarm panel on bridge and also the CO2 room and individual hose/pipe connections, checked the international shore coupling and the status of fire extinguisher and fireman's suits, noted the condition of the radars and the VHF's. All trading certificates were also checked.

All found in order and no deficiencies noted."



Announcement

STAR Reefers are delighted to announce that our Chartering Team will be further strengthened with the arrival of **Jonathan Solomon** at the beginning of December. Jonathan has been working in the NYK STAR office for the last 2 years (and for NYK Reefers for 5 years prior to that) and has decided to transfer from NYK to STAR Reefers, following the termination of our joint arrangement. Jonathan has specialised in the trades from both Argentina and The Canary Islands and has a detailed knowledge of the Russian market. The experience he will bring to STAR Reefers will be invaluable in these particular trades - as will his all-round knowledge of the reefer market. "In view of the strong team at Star and their Company policies, this was a very easy decision for me to make. The marketing team is one of the strongest in the Reefer industry" said Jonathan.

Jonathan will be joining *Richard Dunlop, Peter O'Toole* and *Kenneth Ross* as the STAR Reefers team of Chartering Managers - an organisation which will have knowledge second to none and a first class reputation in the market place



New Truck

One day, Jimmy Joe was walking down Main Street when he saw his buddy Bubba driving a brand new pickup. Bubba pulled up to him with a wide grin.

"Bubba," said Jimmy Joe, "where'd you get that truck?"

"Bobbi Sue gave it to me," Bubba replied.

"She gave it to you? I knew she was kinda sweet on ya, but a new truck?" said his skeptical friend.

"Well, Jimmy Joe, let me tell you what happened. We were driving out on County Road 6, in the middle of nowhere. Bobbi Sue pulled off the road, put the truck into 4-wheel drive, and headed into the woods. She parked the truck, got out, threw off all her clothes and said,

"Bubba, take whatever you want. So, I took the truck!"

"Bubba, you are one smart man!" said Jimmy Joe.

"Them clothes woulda never fit you."