

Transition to IFRS

Opening Balance Sheet as of 1 January 2004

(USD 1000)	Note	NGAAP 31.12.2003	Effect of transition to IFRS	Reclassi- fications	IFRS 01.01.2004
			(unaudited)		
ASSETS					
Goodwill		2.306	-	-2.306	-
Vessels	1	168.015	-1.092		166.923
Other fixed assets		384	-		384
Pension funds	4	560	-232		328
Deferred drydocking	1/2	-	4.279		4.279
Long-term receivables & other assets		3.536	-	2.306	5.842
Inventory		3.967	-		3.967
Receivables and other current assets		14.001	-		14.001
Bank deposits		20.212	-		20.212
Total Assets		212.981	2.955	-	215.936
EQUITY AND LIABILITIES					
Paid-in capital:					
Share capital		76	-		76
Share premium reserve		48.720	-		48.720
Retained earnings		11.736	1.330		13.066
Total Shareholders' Equity		60.532	1.330	-	61.862
Provisions		201	-		201
Mortgage debt	6	127.610	-	-15.500	112.110
Other long term interestbearing debt	6	2.500	-	-2.500	-
Current portion of interestbearing debt	6	-	-	18.000	18.000
Other short-term liabilities		22.138	1.625		23.763
Total Liabilities		152.449	1.625	-	154.074
Total Equity and Liabilities		212.981	2.955	-	215.936

Transition to IFRS Profit and Loss 2004

(USD 1000)	Note	2004 NGAAP	Effect of transition to IFRS	Reclassi- fications	2004 IFRS
			(unaudited)		
Gross revenue		196.243	-		196.243
Voyage expenses	6	-66.785	-	4.737	-62.048
Net revenue		129.458	-	4.737	134.195
Other operating revenue	6	657	-	-126	531
Net operating revenue		130.115	-	4.611	134.726
Ship operating expenses	2	-44.137	931	2.193	-41.013
Time charter hire		-54.767	-		-54.767
Provision taken to income		201	-		201
Administrative expenses	4/5/6	-1.726	-46	-6.897	-8.669
Op. profit before depr. and bare-boat hire		29.686	885	-93	30.478
Bare-boat charter hire		-9.274	-		-9.274
Amortisation		-384	-		-384
Depreciation	1	-8.548	1.873		-6.675
Gain (loss) on sale and writedown of fixed assets		5.228	-172		5.056
Operating profit (loss)		16.708	2.586	-93	19.201
Interest income		428	-		428
Interest expense	3	-4.436	1.086		-3.350
Other financial item	3/6	-242	-58	93	-207
Net financial items		-4.250	1.028	93	-3.129
Net profit (loss) before tax		12.458	3.614	-	16.072
Taxes		-43	-		-43
Net profit (loss) for the year		12.415	3.614	-	16.029
Earnings per share:					
- Basic		1,49	0,47		1,92
- Diluted		1,47	0,47		1,90

Transition to IFRS

Balance Sheet as of 31 December 2004

(USD 1000)	Note	NGAAP 31.12.2004	Effect of transition to IFRS	Reclassi- fications	IFRS 31.12.2004
			(unaudited)		
ASSETS					
Intangible assets:					
Goodwill	6	1.922	-	-1.922	-
Total Intangible Assets		1.922	-	-1.922	-
Tangible fixed assets:					
Vessels	1	157.507	499		158.006
Other fixed assets		155	-		155
Total Tangible Long-term Assets		157.662	499	-	158.161
Other long-term assets					
Pension funds	4	556	-247		309
Deferred financing fees		382	-		382
Deferred drydocking	1/2	-	5.320		5.320
Long-term receivables & other assets	6	2.445	-	1.922	4.367
Total Long-term Assets		3.383	5.073	1.922	10.378
Total Non-current Assets		162.967	5.572	-	168.539
Inventory					
		3.209	-		3.209
Receivables and other current assets					
		11.525	-		11.525
Bank deposits					
		21.530	-		21.530
Total Current Assets		36.264	-		36.264
Total Assets		199.231	5.572	-	204.803

Transition to IFRS

Balance Sheet as of 31 December 2004

(USD 1000)	Note	NGAAP 31.12.2004	Effect of transition to IFRS	Reclassi- fications	IFRS 31.12.2004
			(unaudited)		
EQUITY AND LIABILITIES					
Paid-in capital:					
Share capital		85	-		85
Share premium reserve		58.338	-		58.338
Total Paid-in Capital		58.423	-	-	58.423
Sharebased compensation	5	-	54		54
Retained earnings		24.150	4.944		29.094
Total Retained Earnings		24.150	4.998	-	29.148
Total Shareholders' Equity		82.573	4.998	-	87.571
Long-term liabilities:					
Mortgage debt	6	92.422	-	-6.863	85.559
Other long term interestbearing debt	6	7.015	-	-7.015	-
Total Long-term liabilities		99.437	-	-13.878	85.559
Short-term liabilities:					
Current portion of interestbearing debt	6	-	-	13.878	13.878
Other short-term liabilities	3	17.221	574		17.795
Short-term Liabilities		17.221	574	13.878	31.673
Total Liabilities		116.658	574	-	117.232
Total Equity and Liabilities		199.231	5.572	-	204.803

Transition to IFRS

Changes in Equity and Notes

	Note	Share capital	Share premium reserve	Retained earnings	Total equity
Total 31 December 2003 NGAAP		76	48.720	11.736	60.532
- IAS 16 Decomposed drydock from ships cost and revised salvage values	1			-1.092	-1.092
- IAS 16 Deferred drydock vs. actual cost expensed	1/2			4.279	4.279
- IAS 39 Financial instruments marked to market	3			-1.625	-1.625
- IAS 19 Pension obligation and funds	4			-232	-232
Total 31 December 2003/1 January 2004 IFRS		76	48.720	13.066	61.862
- Share issues net of issue costs:					
- Private placement		8	9.003		9.011
- Options exercised		0	287		287
- Options exercised		0	327		327
- IFRS 2 Share based compensation 2004	5			54	54
Net income 2004 IFRS				16.029	16.029
Total 31 December 2003 / 1 January 2004 IFRS		85	58.337	29.149	87.572

Notes:

General

The European Union in 2002 approved an Accounting Regulation requiring all EU listed companies to follow IFRS in their consolidated financial statements starting in 2005. STAR Reefers has adopted IFRS from 1 January 2005 and has prepared an opening IFRS balance sheet at 1 January 2004, "the transition to IFRS". The quarterly results and balance sheets for 2004 have been restated according to IFRS in order to be able to present comparable figures in 2005.

1. Vessels

The vessels are carried at cost less accumulated depreciation and impairment. Ordinary depreciation is on a straight-line basis and determined by an estimate of the remaining useful economic life of the vessel. The vessels presently owned by STAR Reefers are considered to have an economic life of 30 years. In accordance with IAS 16 and the cost model, drydock is considered a separate component of the ships' cost at purchase with a different pattern of benefits and therefore needs to be depreciated separately. Drydock is amortised over the period until the next scheduled drydock, ranging from 3 to 5 years.

When calculating ships depreciation, the Company previously deducted an estimated scrap value from the depreciation base. The residual values have been revised at 31 December 2003 and 31 December 2004 based on brokers' estimate of scrapping values at the reporting date. Under IFRS, the residual value has to be reassessed at least once a year. The revised residual values were higher than those used previously which resulted in reduced depreciation expense for 2004 when compared to NGAAP.

Gain on sale of vessels in 2004 has been adjusted based on revised book values under IFRS.

2. Drydocking

Under NGAAP, the Company expensed actual drydocking costs when incurred. In accordance with IAS 16, drydocking costs are deferred and amortised over the period until next scheduled drydocking (see also note 1).

Transition to IFRS

Changes in Equity and Notes

3. Financial Instruments

According to IAS 39 all financial assets and financial liabilities, including all derivatives must be recognised in the balance sheet and the criteria for qualifying as a hedge are much stricter under IFRS. The Company has previously reported the interest rate swaps and interest caps as hedges and disclosed the market value in a note. At 31 December 2003 and all reporting dates in 2004, the market value of these instruments was negative. Under IFRS, the negative value has been recognised as a liability and the value changes are included in interest expense.

Certain forward currency contracts no longer qualify as hedge instruments and any gain or loss on such contracts has been classified as a financial item under IFRS.

4. Pension obligation and funds

At the date of transition to IFRS, all cumulative non-expensed actuarial changes in estimates for pension liabilities have been booked to equity.

5. Share-based compensation

According to IFRS 2, all share-based payment transactions must be recognised in the financial statements, using a fair value measurement basis. In 2001, the Company introduced a stock option program and has since then granted a total of 380,000 options to board members and employees. The option values have not previously been reported by the Company and IFRS 2, therefore, only applies to those options that were granted after 7 November 2002 and not yet vested at 1 January 2005. 130,000 stock options were granted in July 2004 and were not yet vested at 1 January 2005. The fair value of these options at grant date has been calculated using the Black Scholes option pricing model. The option value is expensed over the vesting period of the options.

6. Reclassifications

- Next year's instalments of long-term debt have been classified as short-term liabilities.
- Foreign currency hedge
Certain forward currency contracts entered into in order to reduce the risk of currency fluctuations do no longer qualify as hedge contracts under IFRS. Gain on such contracts in 2004 has been classified as financial income.
- Overhead expenses relating to the operation of the STAR Reefers Pool have been reclassified to administrative expenses.
- External ship management fees have been reclassified from ship operating expenses to administrative expenses.
- The Company acquired the shares in Caribbean Shipping Inc., owner of the Caribbean Star and the Costa Rican Star, for USD 10.9 million. The purchase price was allocated to the two vessels based on appraisal values from ship brokers. Under NGAAP, the excess value was classified as goodwill but, under IFRS, it is classified as a deferral and expensed over 6 years.

Transition to IFRS

Quarterly Statements 2004

STAR REEFERS INC. GROUP - QUARTERLY REPORT 2004 (IFRS)							
PROFIT AND LOSS STATEMENT <i>(in \$ thousand)</i>	2004 4Q	2004 3Q	2004 2Q	2004 1Q	2004 Jan-Dec	2004 Jan-Sept	2004 Jan-June
Gross revenue	43.044	50.234	55.952	\$ 47.013	\$ 196.243	\$ 153.199	\$ 102.965
Voyage expenses	-14.023	-20.606	-18.340	-9.079	-62.048	-48.025	-27.419
Net revenue	29.021	29.628	37.612	37.934	134.195	105.174	75.546
Other operating revenue	260	225	31	15	531	271	46
Net operating revenues	29.281	29.853	37.643	37.949	134.726	105.445	75.592
Ship operating expenses	-11.425	-9.470	-9.994	-10.124	-41.013	-29.588	-20.118
Time charter hire	-12.939	-12.937	-15.265	-13.626	-54.767	-41.828	-28.891
Provision taken to income	101	100	-	-	201	100	-
Administrative expenses	-1.900	-2.300	-2.196	-2.273	-8.669	-6.769	-4.469
Op. income bef. depr. and bare-boat hire	3.118	5.246	10.188	11.926	30.478	27.360	22.114
Bare-boat charter hire	-2.345	-2.332	-2.299	-2.298	-9.274	-6.929	-4.597
Depreciation and amortisation	-1.592	-1.682	-1.875	-1.910	-7.059	-5.467	-3.785
Gain (loss) on sale of vessels/subsidiary	234	4.411	411	-	5.056	4.822	411
Operating income	-585	5.643	6.425	7.718	19.201	19.786	14.143
Interest income	134	127	96	71	428	294	167
Interest expense	-781	-957	10	-1.622	-3.350	-2.569	-1.612
Other financial items	-58	-43	-28	-19	-148	-90	-47
Foreign currency exchange gain (loss)	190	-139	49	-159	-59	-249	-110
Net financial items	-515	-1.012	127	-1.729	-3.129	-2.614	-1.602
Income bef. taxes and minority interest	-1.100	4.631	6.552	5.989	16.072	17.172	12.541
Taxes	-	-2	-	-41	-43	-43	-41
Net income	\$ -1.100	\$ 4.629	\$ 6.552	\$ 5.948	\$ 16.029	\$ 17.129	\$ 12.500
Earnings per share (amounts in \$)	-0,13	0,55	0,78	0,74	1,92	2,06	1,52
Diluted earnings per share (amounts in \$)	-0,13	0,54	0,77	0,73	1,90	2,04	1,50
Wtd. avg. common shares outstanding	8.486.189	8.450.982	8.435.819	8.020.027	8.348.912	8.302.819	8.227.923
Wtd. avg. common shares outstanding + assumed conv.	8.602.588	8.544.489	8.521.123	8.122.277	8.447.236	8.392.785	8.324.730
Issued and outstanding shares				8.435.819	8.499.819	8.466.819	8.499.819
BALANCE SHEET <i>(in \$ thousand)</i>				2004	2004	2004	2004
				31 March	31 Dec.	30 Sept	30 June
ASSETS							
Intangible fixed assets							
- Goodwill				\$ -	-	-	-
Tangible fixed assets							
- Vessels				165.174	158.006	141.474	163.423
- Other fixed assets				337	155	175	193
Other long-term assets							
- Pension funds				305	309	291	292
- Deferred financing fees				367	382	403	378
- Deferred drydocking costs				4.053	5.320	3.780	3.627
- Long term receivables & other assets				5.444	4.367	4.645	5.044
Inventory				3.478	3.209	4.795	4.976
Current assets							
- Receivables and other current assets				13.998	11.525	14.035	14.198
- Bank deposits				32.621	21.530	32.158	32.231
Total assets				225.777	204.803	201.756	224.362
EQUITY AND LIABILITIES							
Equity							
- Share capital				84	85	85	84
- Additional paid-in capital				57.896	58.338	58.100	57.896
- Sharebased compensation				-	54	25	-
- Retained earnings				19.014	29.094	30.195	25.566
Total equity				76.994	87.571	88.405	83.546
Provisions				201	-	100	201
Interestbearing debt, long-term				112.110	85.559	85.560	104.158
Interestbearing debt, short-term				15.500	13.878	6.863	15.703
Other short-term debt				20.972	17.795	20.829	20.755
Total provisions and liabilities				148.783	117.232	113.351	140.816
Total equity and liabilities				\$ 225.777	\$ 204.803	\$ 201.756	\$ 224.362