



## STAR REEFERS INC ("SRI")

### REPORT FOR THE FIRST QUARTER 2005

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- **Net income of USD 12.0 m, up from USD 6.3 m last year**
- **EPS Q1 2005 USD 1.39 against USD 0.78 last year**
- **Average freight rates of 79 cents/cbft/30days ("cents") up 28% on last year's 61 cents**
- **Two additional newbuildings chartered in for 10 years**
- **Cash from operations of USD 14.2 m up 148% on last year**
- **USD 15 m of debt repaid**
- **Book value of shareholder equity up 31% on Q1 2004 to USD 100.9 m**

#### **Comparative Financial Statements (Q1 over Q1)**

Gross freight revenues were 11% higher, from USD 47.0 million to USD 52.1 million, despite a 10% fall in capacity to 56.0 million cbft. Net revenues after voyage expenses were up 16% from USD 37.9 million to USD 43.9 million.

The implementation of the programme to improve the standard of our vessels and the quality of our service will continue through 2005. The operating expenses, including the amortisation of deferred drydocking expenses, were USD 4,900/day up from USD 4,600/day last year.

The administrative expenses were USD 2.9 million as compared with USD 2.3 million last year. Administrative expenses comprise overhead in STAR Reefers, including severance payments, and shore side expenses charged from external ship managers.

Time charter expenses were up from USD 13.6 million to USD 13.8 million as higher rates more than counterbalanced the reduced number of ships. The bareboat hire rates, at USD 2.3 million for six vessels, were broadly unchanged from last year.

The interest expense, at USD 0.7 million, was approximately half that of last year primarily due to lower margins, lower debt and changes in market value of interest swap.

### **Balance Sheet**

Shareholders' equity increased 31% to USD 100.9 million (USD 11.64 per share) from last year's USD 77.2 million. Over the quarter the equity ratio increased from 43% to 49% and the bank deposits grew from USD 21.5 million to USD 22.2 million. During the quarter the USD 7.0 million loan from Siem Industries (72% shareholder of SRI) was repaid and USD 8.0 million of the Fortis Term Loan was prepaid. This brought interest bearing debt down from USD 99.4 million as of year end 2004 to USD 84.4 million as of 31 March 2005.

In March, 174,000 shares were issued under the Company's Employee Stock Option Programme. The total issued and outstanding number of shares as of March 31 2005 was 8,673,819 shares.

### **Market**

During the quarter the average spot rates were up 50% on Q1 2004 to around 105 cents. Even in January, normally a dull month, demand for vessels to transport bananas was such that rates came close to 90 cents.

The 2005 high season peaked at around 155 cents, which was 20% above last year's peak.

Increasingly we see willingness from customers to pay premiums for specialist reefer vessels over equivalent container reefer rates in order to benefit from the higher quality, and the more efficient and direct service provided by the specialist reefer operators. Low availability of reefer container space has also been a factor underpinning this trend.

### **Operational Issues**

STAR Reefers has continued to devote resources to upgrading the quality of its fleet and the service it delivers to its customers. This is designed to further improve the reliability and consistent quality level of the vessels in the fleet. In Q1 unplanned operational off-hire was 0.6% as compared with 0.8% last year. During the quarter the ice strengthening of two vessels in the fleet was completed.

### **Fleet Changes**

In Q1 2005 STAR Reefers agreed with a Japanese owner to charter two new reefer vessels, each with a capacity of 585,000 cbft, for a period of 10 years. The vessels will be built at Shikoku yard in Japan. The vessels are in addition to the two newbuildings, which were chartered from the Japanese owner at the end of last year.

The two additional vessels are scheduled to be delivered in the 1st and 2nd quarters of 2007.

## **Reporting according to IFRS**

The financial statements are presented according to International Financial Reporting Standards (IFRS). The effect of converting the statements from Norwegian GAAP to IFRS has been disclosed as a separate section of our Annual Report 2004. The IFRS translation has been audited and one minor change has been made. The Shareholders' Equity according to IFRS as of 1<sup>st</sup> January 2004 is reduced with USD 0.2 million to USD 61.6 million and the restated income according to IFRS in 2004 has been increased by USD 0.1 million to USD 16.2 million.

## **Outlook**

The outlook for the summer period citrus business looks promising with some contracts already fixed at rates over 50% higher than last year. The poor citrus crop in Spain combined with storm damage to the Florida citrus production has left some markets short of supply. Some exporters, particularly Argentina and South Africa, seem keen to fill this void and are looking for quality shipping space to the EU, Russia, Black Sea and Japan. These markets, predominantly serviced by specialist reefer tonnage, are expected to be robust during summer and we see no reason why this momentum should abate during the rest of 2005.

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Also download our web page [www.star-reefers.com](http://www.star-reefers.com)

Market data sourced from Orion Shipping

27 April 2005

The Board of Directors of Star Reefers Inc.

This release contains certain forward-looking statements regarding the intents, beliefs or current expectations. These forward-looking statements are based on information currently held. The Company assumes no obligation to update these statements. It is important to note that these forward-looking statements involve uncertainties about future performance. The Company's actual results may differ materially from these statements as a result of various important factors beyond the control of the Company.

**STAR REEFERS INC. GROUP - QUARTERLY REPORT 2005 (IFRS)**

**PROFIT AND LOSS STATEMENT**  
*(in \$ thousand)*

	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>1Q</b>	<b>1Q</b>	<b>Jan-Dec</b>
Gross revenue	\$ 52.066	\$ 47.013	\$ 196.243
Voyage expenses	-8.068	-9.079	-62.048
Net revenue	43.998	37.934	134.195
Other operating revenue	-133	15	531
<b>Net operating revenues</b>	<b>43.865</b>	<b>37.949</b>	<b>134.726</b>
Ship operating expenses	-10.416	-10.124	-41.013
Time charter hire	-13.836	-13.626	-54.767
Provision taken to income	-	-	201
Administrative expenses	-2.884	-2.273	-8.669
<b>Op. income bef. depr. and bare-boat hire</b>	<b>16.729</b>	<b>11.926</b>	<b>30.478</b>
Bare-boat charter hire	-2.292	-2.298	-9.274
Depreciation and amortisation	-1.763	-1.910	-7.059
Gain (loss) on sale of vessels/subsidiary	-	-	5.056
<b>Operating income</b>	<b>12.674</b>	<b>7.718</b>	<b>19.201</b>
Interest income	134	71	428
Interest expense	-683	-1.234	-3.213
Other financial items	-60	-19	-148
Foreign currency exchange gain (loss)	-60	-160	-59
<b>Net financial items</b>	<b>-669</b>	<b>-1.342</b>	<b>-2.992</b>
<b>Income bef. taxes and minority interest</b>	<b>12.005</b>	<b>6.376</b>	<b>16.209</b>
Taxes	-	-41	-43
<b>Net income</b>	<b>\$ 12.005</b>	<b>\$ 6.335</b>	<b>\$ 16.166</b>

Earnings per share (amounts in \$)	1,41	0,79	1,94
Diluted earnings per share (amounts in \$)	1,39	0,78	1,91
Wtd. avg. common shares outstanding	8.530.752	8.020.027	8.348.912
Wtd. avg. common shares outstanding + assumed conv.	8.656.166	8.122.277	8.447.236
Issued and outstanding shares	8.673.819	8.435.819	8.499.819

**BALANCE SHEET**  
*(in \$ thousand)*

	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 Dec.</b>
<b>ASSETS</b>			
Tangible fixed assets			
- Vessels	\$ 156.354	\$ 165.174	\$ 158.006
- Other fixed assets	141	337	155
Other long-term assets			
- Pension funds	283	305	309
- Deferred financing fees	446	367	382
- Deferred drydocking costs	5.243	4.053	5.320
- Long term receivables & other assets	3.968	5.444	4.367
Inventory	4.042	3.478	3.209
Current assets			
- Receivables and other current assets	11.721	13.998	11.525
- Bank deposits	22.163	32.621	21.530
<b>Total assets</b>	<b>204.361</b>	<b>225.777</b>	<b>204.803</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
- Share capital	87	84	85
- Additional paid-in capital	59.757	57.896	58.338
- Sharebased compensation	69	-	54
- Retained earnings	41.020	19.185	29.015
<b>Total equity</b>	<b>100.933</b>	<b>77.165</b>	<b>87.492</b>
Provisions	-	201	-
Interestbearing debt, long-term	78.155	112.110	85.559
Interestbearing debt, short-term	6.268	15.500	13.878
Other short-term debt	19.005	20.801	17.874
<b>Total provisions and liabilities</b>	<b>103.428</b>	<b>148.612</b>	<b>117.311</b>
<b>Total equity and liabilities</b>	<b>\$ 204.361</b>	<b>\$ 225.777</b>	<b>\$ 204.803</b>

<b>CASH FLOW STATEMENT</b> <i>(in \$ thousand)</i>	<b>2005</b> <b>1Q</b>	<b>2004</b> <b>1Q</b>	<b>2004</b> <b>Jan-Dec</b>
Cash flow from operating activities	14,225	5,742	14,946
Cash flow from investing activities	-	-17	7,418
Cash flow from financing activities	-13,592	6,684	-21,046
<b>Net change in cash</b>	<b>\$ 633</b>	<b>\$ 12,409</b>	<b>\$ 1,318</b>
Cash at beginning of period	21,530	20,212	20,212
<b>Cash at end of period</b>	<b>22,163</b>	<b>32,621</b>	<b>21,530</b>

<b>CHANGE IN EQUITY</b> <i>(in \$ thousand)</i>	<b>2005</b> <b>1Q</b>	<b>2004</b> <b>1Q</b>	<b>2004</b> <b>Jan-Dec</b>
<b>Equity at beginning of period</b>	<b>\$ 87,492</b>	<b>61,646</b>	<b>61,646</b>
- Share issue	1,408	9,184	9,626
- Share based compensation	28	-	54
- Net profit for the period	12,005	6,335	16,166
<b>Equity at end of period</b>	<b>\$ 100,933</b>	<b>\$ 77,165</b>	<b>\$ 87,492</b>

**Note:**

The quarterly report has been prepared in accordance with International Financial Reporting Standards (IFRS). The quarterly and year to date Profit and Loss and Balance Sheets for 2004 previously reported according to Norwegian GAAP have been restated to IFRS. The quarterly figures are unaudited, but the effect of the transition to IFRS has been audited.

