



STAR Reefers

STAR REEFERS INC.

REPORT FOR THE FIRST QUARTER 2010

26 April 2010 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its results for the quarter ended 31 March 2010, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

- **Net income of USD3.8 million (Q1 2009: USD14.8 million)**
- **EPS USD0.43 (USD1.68)**
- **EBITDA of USD9.6 million (USD21.0 million)**
- **Issuance of 890,660 new shares at NOK120 per share**
- ***STAR Endeavour*, the 11th newbuilding was delivered 24 February**

Comparative Financial Statements (Q1 over Q1)

STAR Reefers recorded net income of USD3.8 million (USD14.8 million for Q1 2009). Earnings per share was USD0.43 per share (USD1.68 per share).

Gross revenues were USD94.5 million (USD66.3 million) and capacity was up 5% to 66.8 million cbft (63.8 million cbft). The increase in gross revenues and voyage expenses are primarily due to more vessels being deployed in the spot market on voyage charter terms, following reduced availability of long-term time charters. Net operating revenues, after voyage expenses, were USD49.4 million (USD58.8 million) as a result of significant reduced freight rates.

Ship operating and administrative expenses were USD24.8 million (USD24.6 million).

Time charter and bareboat charter expenses were USD15.0 million (USD13.2 million), as a result of an increase in the capacity of chartered-in vessel and an increase in hire rates.

Depreciation and amortisation was USD5.5 million (USD5.4 million). The increase was due to the acquisition of the *Colombian Star* and *Cote D’Ivoire Star* in March/April 2009 and the effect of the annual reassessments of residual values as per IFRS.

Interest expense was USD0.5 million (USD0.8 million). The fall was due to the reduction in interest rates and lower average outstanding loan balances.

Statement of Financial Position

Following the issue of 890,660 shares raising USD17.8 million, Shareholders' equity was USD285.3 million as at 31 March 2010 (31 December 2009: USD263.8 million) or USD 29.57 per share (31 December 2009: USD30.13 per share). During the quarter, STAR Reefers repaid USD10.0 million to Siem Industries, bringing interest-bearing debt down from USD94.7 million at year end 2009 to USD84.7 million at 31 March 2010. During the 1st quarter 2010, the cash position increased from USD13.3 million year-end 2009 to USD26.0 million primarily due to the equity infusion. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments.

Private Placement and Subsequent Offering of Shares

In a private placement directed towards larger shareholders of the Company on 14 December 2009, a total of 875,000 new common shares were subscribed at NOK120 per share. In a subsequent repair offering, in March 2010, directed at shareholders of the Company that were not offered or invited to participate in the private placement, an additional 15,660 new common shares were subscribed at NOK120 per share. The gross proceeds were NOK106.9 million and the expenses relating to the share issues were NOK0.8 million. On 31 March 2010, STAR Reefers Inc. issued 890,660 new common shares to increase the number of issued and outstanding shares to 9,647,479.

Market

During the quarter, the specialised reefer business has undoubtedly been affected by price and conversion pressure from the container lines. Although it is a concern to see substantial modal switching in banana exports from Ecuador, this is only one of a number of factors which have contributed to the current poor spot market. Arguably the most substantial damages have been caused by high fuel prices, low squid catch, low volumes of frozen meat exports and weather-related reductions in the deciduous exports from Argentina and Chile.

According to Reefer Trends, the average spot market rate for larger vessels in Q1 2010 was 57 cents compared to 70 cents in Q1 2009, a decrease of 19%. In the first quarter in the segment of vessels with a capacity over 400,000 cbft., three vessels with total capacity 1.4 million cbft. were scrapped.

Operational Issues

In the first quarter, unplanned operational off-hire was 4.0% (2009: 1.0%). The technical off-hire was primarily due to fuel tank repairs, rudder repairs, main engine and turbocharger failures.

The present spot market rates are lower than ship operating expenses. To reduce the operating losses for vessels deployed in the spot market, STAR Reefers has laid-up one vessel at the end of March and is considering to lay-up a further six ships.

Our in-house ship management company, STAR Reefers Poland, has taken over the management of 6 vessels, previously managed by Dobson Fleet Management, Cyprus.

Fleet Changes and Deployment

STAR Endeavour, the 11th vessel in the series of 12 newbuildings, was delivered to STAR Reefers under a 10-year charter-in contract on 24 February. The last of the newbuildings, *STAR Leader*, is scheduled for delivery at the end of April.

In January 2010, STAR Reefers entered into an agreement to charter-out *Sun Light* and *Sun Genius* (previously *Trojan Star* and *Tudor Star*) on 3-year bareboat charters, with two options for the charterer to acquire the vessels at the end of the charter party.

As of 30 March 2010, 64% of fleet capacity for the remainder of 2010 had been fixed and the remaining is exposed to the spot market.

Litigation

In January 2007, STAR Reefers was informed that the U.S. Coast Guard carried out inspections and interviewed members of the crew onboard the vessel *Valparaiso Star* whilst the vessel was in port in the U.S.A. The inspection was prompted by an alleged pollution-based violation of the MARPOL Convention. The U.S. authorities decided not to indict STAR Reefers but indicted the vessel's third party technical manager, Fleet Management Ltd. (Fleet), a company belonging to the Noble Group Ltd based in Hong Kong, which was responsible for the vessel at the time.

In November 2009, Fleet entered into a plea bargain with U.S. federal prosecutors, pleaded guilty and paid a fine. At or about the same time, Fleet pleaded guilty to similar charges relating to its technical management of the MV Cosco Busan and paid a substantial fine.

Fleet commenced arbitration proceedings in Norway against STAR Reefers to recover its costs based on its understanding of the indemnity provisions in the technical management agreement. STAR Reefers is disputing Fleet's claim and has commenced arbitration against Fleet for full recovery of its costs and expenses relating to this incident. All the technical management agreements between STAR Reefers and Fleet were terminated by STAR Reefers in the summer of 2008.

Outlook

By early April, the spot market had seen further significant freight rate falls as the open tonnage list increased, resulting in spot rates falling to levels well below operating costs. It is hoped that the seasonal poultry, fish and citrus produce may help to support the market over the summer whilst early signs of an increase in the volumes of Ecuadorian bananas may help to stimulate market rates. In addition, it is quite possible that the scrapping and lay-up of older tonnage which began in earnest last year will continue or accelerate this year. If this were to materialise, it would help to bring supply and demand into balance.

26 April 2010

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 - 1st QUARTER REPORT 2010

STATEMENT OF COMPREHENSIVE INCOME <i>(in \$ thousand)</i>	2010	2009	2009
	1Q	1Q	Jan-Dec
	Unaudited	Unaudited	Audited
Gross revenue	\$ 94,549	\$ 66,285	\$ 262,364
Voyage expenses and other operating revenue	-45,142	-7,474	-56,896
Net revenue	49,407	58,811	205,468
Net operating revenues	49,407	58,811	205,468
Ship operating and admin. expenses	-24,804	-24,593	-111,953
Time charter hire	-14,682	-12,801	-50,415
Op. income bef. depr. and bare-boat hire	9,921	21,417	43,100
Bareboat charter hire	-366	-404	-1,527
Depreciation and amortisation	-5,537	-5,415	-22,354
Operating income	4,018	15,598	19,219
Interest expense	-484	-769	-2,222
Other financial items net	229	-68	-728
Net financial items	-255	-837	-2,950
Net income before tax	3,763	14,761	16,269
Taxes	-2	-6	-24
Net income	\$ 3,761	\$ 14,755	\$ 16,245
Other comprehensive income	-	-	-
Total comprehensive income	\$ 3,761	\$ 14,755	\$ 16,245
Earnings per share, basic and diluted (amounts in \$)	0.43	1.68	1.86
Wtd. avg. common shares outstanding	8,766,715	8,756,819	8,756,819
Issued and outstanding shares	9,647,479	8,756,819	8,756,819
 STATEMENT OF FINANCIAL POSITION	 2010	 2009	 2009
<i>(in \$ thousand)</i>	31 March	31 March	31 Dec
	Unaudited	Unaudited	Audited
ASSETS			
Tangible non-current assets			
Vessels	\$ 351,431	\$ 354,787	\$ 357,291
Other non-current assets	270	262	228
Other non-current assets			
Pension funds	200	180	205
Long-term receivables and other assets	-	288	-
Current assets:			
Inventory	11,073	6,634	10,762
Receivables and other current assets	20,522	48,196	18,061
Bank deposits	26,001	15,705	13,271
Total assets	\$ 409,497	\$ 426,052	\$ 399,818
 SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity:			
Share capital	\$ 96	\$ 87	\$ 87
Additional paid-in capital	78,687	60,984	60,984
Retained earnings	206,536	201,286	202,776
Total Shareholders' equity	285,320	262,357	263,847
Interest bearing debt, long-term	-	84,101	-
Interest bearing debt, short-term	84,402	39,118	94,258
Other short-term debt	39,775	40,476	41,713
Total liabilities	124,177	163,695	135,971
Total Shareholders' equity and liabilities	\$ 409,497	\$ 426,052	\$ 399,818

STATEMENT OF CASH FLOWS*(in \$ thousand)*

	2010 1Q	2009 1Q	2009 Jan-Dec
	Unaudited	Unaudited	Audited
Profit before tax	\$ 3,763	\$ 14,755	\$ 16,269
Depreciation and amortisation	5,537	5,415	22,354
Net drydocking costs	349	-536	-23
Other	-4,555	-24,383	2,016
Cash flow from operating activities	5,094	-4,749	40,616
Purchase of vessels / Ice class	-	-18,441	-36,960
Other	-68	-11	-54
Cash flow from investing activities	-68	-18,452	-37,014
Share issue, net of issue costs	17,712	-	-
New interest bearing debt	-	28,000	31,000
Repaid interest bearing debt	-10,000	-	-32,095
Net changes in financing fees	-8	-288	-430
Cash flow from financing activities	7,704	27,712	-1,525
Net change in cash	\$ 12,730	\$ 4,511	\$ 2,077
Cash at beginning of period	\$ 13,271	\$ 11,194	11,194
Cash at end of period	\$ 26,001	\$ 15,705	13,271

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY*(in \$ thousand)*

	2010 1Q	2009 1Q	2009 Jan-Dec
	Unaudited	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 263,847	\$ 247,602	247,602
- Share issue	17,712	-	-
- Net profit for the period	3,761	14,755	16,245
Shareholders' equity at end of period	\$ 285,320	\$ 262,357	\$ 263,847

Notes to the Accounts

1 Basis for preparation

The consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim financial information for 2010 and 2009 are unaudited.

2 Significant accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009. The consolidated condensed financial statements should be read in conjunction with the 2009 annual financial statements, which include a full description of the Group's accounting policies.

3 Tangible assets

<i>(in \$ thousand)</i>	31 Mar 10	31 Mar 09	31 Dec 09
Book value beginning of year	357,519	342,451	342,451
Additions	907	19,022	41,674
Depreciation and amortisation of dry docking for the period	-6,725	-6,424	-26,607
Book value end of period	351,701	355,049	357,519

4 Share capital and share premium

	Number of shares outstanding	Share capital	Additional paid-in Capital	Total paid in capital
At 31 December 2009	8,756,819	87	60,984	61,071
Shares issued on 31 March 2010	890,660	9	17,703	17,712
At 31 March 2010	9,647,479	96	78,687	78,783

5 Interest bearing debt

<i>(in \$ thousand)</i>	Fortis Syndicate	Siem Industries	Total
Balance (including financing fees) 31 December 2009	81,337	12,921	94,258
Repaid debt	-	-10,000	-10,000
Financing fees	75	69	144
Balance (including financing fees) 31 March 2010	81,412	2,990	84,402
Balance (including financing fees) 31 March 2009	110,266	12,953	123,219

6 Charter commitments

From 31 March 2010 <i>(in \$ thousand)</i>	2010	2011	2012-2020	Total
Long-term charters	52,176	70,310	460,948	583,434

Also download our web page www.star-reefers.com

For further information please contact

Simon Stevens, CEO +44 207 747 0500

Terje Aschim, CFO + 47 23 22 05 00