



# STAR Reefers

## STAR REEFERS INC.

### REPORT FOR THE FIRST QUARTER 2011

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29 April 2011 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its results for the quarter ended 31 March 2011, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

- **Net income of USD2.4 million (Q1 2010: USD3.8 million)**
- **EPS USD0.25 (USD0.43)**
- **EBITDA of USD8.7 million (USD9.6 million)**

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

STAR Reefers recorded net income of USD2.4 million for Q1 2011 (USD3.8 million for Q1 2010). Earnings per share were USD0.25 per share (USD0.43 per share).

Gross revenues were USD71.9 million (USD65.7 million) and cargo capacity was down 6% to 62.7 million cbft (66.8 million cbft). The increase in capacity from the delivery of the newbuildings, delivered to the Company in February and April 2010, was offset by a greater reduction in capacity from the older vessels the Company had in lay-up during the first quarter of 2011. The increase in gross revenues and voyage expenses is 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 USD48.0 million (USD49.4 million) mainly as a result of the higher costs incurred when operating in the spot market.

Ship operating and administrative expenses were USD21.7 million (USD24.8 million). Most of the reduction of these expenses was due to the lay-up of 7 vessels during most of the quarter.

Time charter and bareboat charter expenses were USD17.6 million (USD15.0 million), as a result of an increase in the capacity of chartered-in vessels and an increase in the hire rates of the additional newbuildings delivered in February and April 2010.

Depreciation and amortisation was USD5.5 million (USD5.5 million).

Interest expense was USD0.6 million (USD0.5 million). The effects of the increased margins on the loans offset the effects of lower average outstanding balances.

## **Statements of Financial Position**

Shareholders' equity was USD284.1 million at 31 March 2011 (31 December 2010: USD281.6 million), or USD29.44 per share (31 December 2010: USD29.19 per share). The cash position during the quarter increased from USD13.4 million year-end 2010 to USD18.4 million. In addition to the liabilities on the balance sheet, STAR Reefers has significant long-term charter commitments.

## **Market**

After a slow market in January, the reefer market picked up in weeks 5-7 and the average spot market rate for larger vessels in Q1 2011 was approximately 50% higher than in Q1 2010. Extra cargo flow from the fruit markets of Argentina and Chile and more banana volumes moving to the Mediterranean increased the demand for tonnage. Furthermore, there was an increase in the number of frozen chicken shipments to Russia. However, the significant driver to raising the market rates seems to have been the year-on-year cargo capacity reductions arising from the lay-up and scrapping of vessels which has taken place over the past two years. The high bunker prices have made it uneconomical for owners of older, less efficient vessels to break lay-up.

In the segment of vessels with a capacity over 400,000 cbft., one vessel with a capacity of 0.4 million cbft. was scrapped during Q1 2011.

## **Operational Issues**

In the first quarter, unplanned operational off-hire was 0.9% (2010: 4.0%). The technical off-hire was particularly high in Q1 2010 due to fuel tank repairs, rudder repairs, main engine and turbocharger failures.

To reduce the operating losses for vessels deployed in the spot market, STAR Reefers decided to keep 7 vessels in lay-up for most of the quarter.

## **Fleet Changes and Deployment**

During Q1 2011, STAR Reefers had 7 vessels in cold lay-up in the Gdansk area. At the end of March, the Company re-activated the ice-classed vessels, *Scottish Star* and *Canterbury Star* as a consequence of a perceived opportunity from improved rates. All options for the future of these and the remaining vessels in lay-up are being considered.

As of 31 March 2011, 63% of fleet capacity for the remainder of 2011 has been fixed and the remaining capacity is exposed to the spot market.

## **Outlook**

The recent improvement in market conditions has represented a reprieve in one of the longest and deepest recessions experienced by the conventional reefer sector. In reality, however, the rate improvements have been needed to cover the high bunker prices being experienced by the shipping industry. As Summer begins in the Northern hemisphere and freight rates subside, the sector is continuing to suffer from these high bunker prices. This will have an impact on the whole of the reefer sector but particularly on those older vessels which are energy-inefficient. STAR Reefers has one of the youngest and most energy-efficient fleets but it will not be immune from this continuing pressure.

29 April 2011  
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 2011**

**STATEMENTS OF COMPREHENSIVE INCOME**

*(in \$ thousand)*

	2011 1Q Unaudited	2010 1Q Unaudited	2010 Jan-Dec Audited
Gross revenue	\$ 71,891	\$ 65,749	\$ 240,497
Voyage expenses and other operating revenue	-23,936	-16,342	-60,437
Net revenue	47,955	49,407	180,060
<b>Net operating revenues</b>	<b>47,955</b>	<b>49,407</b>	<b>180,060</b>
Ship operating and admin. expenses	-21,680	-24,804	-89,771
Time charter hire	-17,215	-14,682	-65,838
<b>Op. income bef. depr. and bare-boat hire</b>	<b>9,060</b>	<b>9,921</b>	<b>24,451</b>
Bareboat charter hire	-365	-366	-1,483
Depreciation and amortisation	-5,478	-5,537	-22,084
<b>Operating income</b>	<b>3,217</b>	<b>4,018</b>	<b>884</b>
Interest expense	-570	-484	-1,669
Other financial items net	-195	229	874
<b>Net financial items</b>	<b>-765</b>	<b>-255</b>	<b>-795</b>
<b>Net income / (-loss) before tax</b>	<b>2,452</b>	<b>3,763</b>	<b>89</b>
Taxes	-8	-2	-22
<b>Net income / (-loss)</b>	<b>\$ 2,444</b>	<b>\$ 3,761</b>	<b>\$ 67</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income / (-loss)</b>	<b>\$ 2,444</b>	<b>\$ 3,761</b>	<b>\$ 67</b>
Earnings / (-loss) per share, basic and diluted (amounts in \$)	0.25	0.43	0.01
Wtd. avg. common shares outstanding	9,647,479	8,766,715	9,430,304
Issued and outstanding shares	9,647,479	9,647,479	9,647,479

**STATEMENTS OF FINANCIAL POSITION**

*(in \$ thousand)*

	2011 31 March Unaudited	2010 31 March Unaudited	2010 31 Dec Audited
<b>ASSETS</b>			
Tangible non-current assets			
Vessels	\$ 327,335	\$ 351,431	\$ 333,879
Other non-current assets	256	270	252
Other non-current assets			
Pension funds	215	200	202
Current assets:			
Inventory	13,901	11,073	11,494
Receivables and other current assets	22,480	20,522	25,454
Bank deposits	18,390	26,001	13,400
<b>Total assets</b>	<b>\$ 382,577</b>	<b>\$ 409,497</b>	<b>\$ 384,681</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' Equity:			
Share capital	\$ 96	\$ 96	\$ 96
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	205,287	206,537	202,843
<b>Total Shareholders' equity</b>	<b>284,070</b>	<b>285,320</b>	<b>281,626</b>
Interest bearing debt, long-term	51,451	-	51,529
Interest bearing debt, short-term	12,854	84,402	12,894
Other short-term debt	34,202	39,775	38,632
<b>Total liabilities</b>	<b>98,507</b>	<b>124,177</b>	<b>103,055</b>
<b>Total Shareholders' equity and liabilities</b>	<b>\$ 382,577</b>	<b>409,497</b>	<b>\$ 384,681</b>

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

	2011 1Q	2010 1Q	2010 Jan-Dec
	Unaudited	Unaudited	Audited
Profit / (-loss) before tax	\$ 2,452	\$ 3,763	\$ 89
Depreciation and amortisation	5,478	5,537	22,083
Net drydocking costs	1,091	349	1,435
Other	-3,847	-4,555	-10,668
<b>Cash flow from operating activities</b>	<b>5,174</b>	<b>5,094</b>	<b>12,939</b>
Other	-30	-68	-234
<b>Cash flow from investing activities</b>	<b>-30</b>	<b>-68</b>	<b>-234</b>
Share issue, net of issue costs	-	17,712	17,712
New interest bearing debt	-	-	68,000
Repaid interest bearing debt	-	-10,000	-97,672
Net changes in financing fees	-154	-8	-616
<b>Cash flow from financing activities</b>	<b>-154</b>	<b>7,704</b>	<b>-12,576</b>
<b>Net change in cash</b>	<b>\$ 4,990</b>	<b>\$ 12,730</b>	<b>\$ 129</b>
Cash at beginning of period	\$ 13,400	\$ 13,271	\$ 13,271
<b>Cash at end of period</b>	<b>\$ 18,390</b>	<b>\$ 26,001</b>	<b>\$ 13,400</b>

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

	2011 1Q	2010 1Q	2010 Jan-Dec
	Unaudited	Unaudited	Audited
<b>Shareholders' equity at beginning of period</b>	<b>\$ 281,626</b>	<b>\$ 263,847</b>	<b>\$ 263,847</b>
- Share issue	-	17,712	17,712
- Net profit for the period	2,444	3,761	67
<b>Shareholders' equity at end of period</b>	<b>\$ 284,070</b>	<b>\$ 285,320</b>	<b>\$ 281,626</b>

## 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 2011 and 2010 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 2010. The consolidated condensed financial statements should be read in conjunction with the 2010 annual financial statements, which include a full description of the Group's accounting policies.

### 3 Tangible assets

<i>(in \$ thousand)</i>	31 Mar 11	31 Mar 10	31 Dec 10
Book value beginning of year	334,131	357,519	357,519
Additions	162	907	3,593
Depreciation and amortisation of dry docking for the period	-6,701	-6,725	-26,981
Book value end of period	327,591	351,701	334,131

### 4 Interest bearing debt

<i>(in \$ thousand)</i>	Siem Industries Inc	ABN AMRO Syndicate	Total
Balance (including financing fees) 31 December 2010	0	64,423	64,423
Financing fees	0	-118	-118
Balance (including financing fees) 31 March 2011	0	64,305	64,305
Balance (including financing fees) 31 March 2010	2,990	81,412	84,402

### 5 Charter commitments

From 1 April 2011 <i>(in \$ thousand)</i>	2012	2013-2020	Total
Long-term charters	70,359	391,694	514,448

### 6 Related parties

The Company continues to lease office space from other Siem Group companies, shares joint office facilities with other companies in the Siem Group in the Cayman Islands and benefits from financial guarantees provided by Siem Industries. Siem Car Carriers AS (Group) is indirectly owned by 100% Siem Industries. With effect from 5 January 2011 STAR Reefers provides management services to Siem Car Carriers on an arm's length basis.

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

For further information please contact  
Simon Stevens, CEO +44 207 747 0500  
Terje Aschim, CFO + 47 23 22 05 00