STAR Reefers

STAR REEFERS INC.

REPORT FOR THE FIRST HALF AND 2ND QUARTER 2011

22 July 2011 – STAR REEFERS INC (the "Company"; OSE Symbol: SRI) announces its results for the six month period and quarter ended 30 June 2011, prepared in accordance with International Financial Reporting Standards ("IFRS"), as discussed below.

Highlights 1st Half of 2011

- **Net loss of USD8.9 million (H1 2010: net income USD7.6 million)**
- **Net profit before impairment charge and gain on sale of assets of USD3.2 million (USD7.6 million)**
- **EPS USD-0.92 (USD0.82)**
- **EBITDA of USD15.7 million (USD19.0 million)**
- **Debt repayment of USD6.5 million**
- **Impairment charge of USD12.3 million**
- **Sale of vessel for recycling**

Comparative Financial Statements (H1 over H1)

STAR Reefers recorded a net loss for the first half of 2011 of USD8.9 million (net income USD7.6 million for H1 2010). Earnings per share was USD-0.92 (USD0.82). The net loss includes an impairment charge on older inefficient vessels which are likely to be scrapped and a gain on the sale of assets. The net profit before this charge and this gain was USD3.2 million (USD7.6 million).

Gross revenues were USD150.7 million (USD129.7 million). Net revenues after voyage expenses were USD93.7 million (USD98.0 million). The reduction in net revenues was due to lower average rates and a net reduction in capacity by 4.2% to 126.6 million cbft (132.1 million cbft).

Ship operating and administrative expenses were USD42.9 million (USD46.8 million). Most of the reduction was due to more capacity being laid-up in 2011. Time charter and bareboat charter expenses were USD35.1 million (USD32.2 million) primarily due to the delivery of two new vessels on time charter in February and April 2010.

Depreciation and amortisation was USD10.9 million (USD11.0 million).

At 30 June 2011, the Company performed an impairment evaluation resulting in an impairment charge of USD12.3 million.

Interest expense was USD1.2 million (USD0.9 million). The effects of the increased margins on the loans offset the effects of lower average outstanding balances.

In Q2, the bare-boat charterer of *Sky Pegasus* and *Sky Glider* declared its options to acquire the vessels and STAR Reefers booked a gain on the transaction of USD0.8 million. The Company sold one of its older and smaller vessels, the *Canterbury Star*, for recycling at a net loss of USD0.6 million.

Comparative Financial Statements (Q2 over Q2)

STAR Reefers recorded net loss of USD11.3 million (net income USD3.8 million for Q2 2010). Earnings per share was USD-1.17 per share (USD0.39 per share). The net loss includes an impairment charge on older inefficient vessels which are likely to be scrapped and a gain on the sale of assets. The net profit before this charge and this gain USD0.8 million (USD3.8 million).

Gross revenues were USD78.8 million (USD63.9 million) and net capacity decreased 2% to 63.8 million cbft. (65.3 million cbft.). Net revenue after voyage expenses was USD45.8 million (USD48.6 million). The reduction in net revenue was due to lower average rates and decreased capacity.

Ship operating and administrative expenses were USD21.2 million (USD22.0 million).

The time charter plus bareboat charter expenses were USD17.5 million (USD17.1 million).

Depreciation and amortisation was USD5.4 million (USD5.5 million).

At 30 June 2011, the Company performed an impairment evaluation resulting in an impairment charge of USD12.3 million.

Interest expense was USD0.6 million (USD0.4 million).

In Q2 STAR Reefers recorded a gain of USD0.8 million on the exercise of options to acquire two of its vessel and a net loss of USD0.6 million on the sale of one of its older vessels for scrap.

Statement of Financial Position

Shareholders' equity was USD272.8 million as at 30 June 2011 (31 December 2010: USD281.6 million), or USD 28.27 per share (31 December 2010: USD29.19 per share). During H1 2011, STAR Reefers repaid USD6.5 million of bank loans, bringing interest-bearing debt down from USD65.0 million at year end 2010 to USD58.5 million at 30 June 2011. Cash increased from USD13.4 million at 31 December 2010 to USD24.9 million at end of June 2010. In addition to the liabilities on the balance sheet, STAR Reefers has significant long-term charter commitments.

Principal Risks

The Board currently believes principal risks and uncertainties for the Company include risks relating to the prospects for the specialised reefer industry such as the demand for fresh fruit, the threat to the global economy from the credit crisis and possible protectionism, competition from reefer container vessels, adverse climatic changes, crop diseases and crop harvests. The Company is also exposed to high fuel costs, the risk of piracy and to the performance of customers, service providers and suppliers. The recent turmoil in the financial markets has increased the credit risks relating to collecting receivables. Additionally, there is an inherent risk with the marine operation of ships and the possible negative outcome of alleged pollution-based violation of the MARPOL convention.

Auditing and Related Party Transactions

The half year financial report has not been audited or reviewed by auditors.

Siem Car Carriers AS (Group) is indirectly wholly-owned by Siem Industries, the Company's largest shareholder. With effect from 5 January 2011, STAR Reefers has provided management services to Siem Car Carriers on an arm's length basis. Other information on related party transactions is disclosed in the Annual Report 2010.

Market

After a slow market in January, the reefer market picked up in February 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.

The container lines have targeted the Ecuadorian banana export to Russia and other European destinations. By the end of April, as vessels were redelivered from Chilean trades and spot voyages, charter rates began to decline sharply. Civil unrest in North Africa and the Eastern Mediterranean deprived the market of key demand drivers and the rates slipped below ship's operating expenses which themselves had suffered from a rapidly rising oil price. The result was a sharp reversal in earnings by May followed by a sideways movement in June. The average time charter returns in May and June were USD32 cents as compared with USD45 cents in the same period in 2010.

With Rotterdam bunker prices increasing, on average 31% in H1 2011 compared to H1 2010, this is the single most important factor effecting the market during the period.

In the first half of 2011 in the segment of vessels with a capacity over 400,000 cbft., five vessels with total capacity 2.3 million cbft. were scrapped as compared to nine vessels with a total capacity of 3.9 million cbft. in the same period last year.

Operational Issues

During the first half of 2011, the unplanned operational off-hire for technical reasons was 1.6% (2010: 3.2%).

There have been times during H1 2011 when spot market rates were lower than ship operating expenses. To reduce the operating losses for vessels deployed in the spot market, STAR Reefers had five vessels in lay-up at the end of June 2011.

Fleet Changes and Deployment

In January 2010, STAR Reefers entered into an agreement to charter-out *Sky Glider* and *Sky Pegasus* (previously *Trojan Star* and *Tudor Star*) on 3-year bareboat charters, with two options for the charterer to acquire the vessels. In Q2, the options were exercised generating a profit of for the Company of USD0.8 million.

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. In Q2, STAR Reefers sold one of its older and smaller vessels, the *Canterbury Star*, in Fujairah for recycling. The sales price was USD2.9 million and the net loss was USD0.6 million.

The *Scottish Star* is expected to be sold for scrap in Q3 2011.

At 30 June 2011, 61.6% of fleet capacity for the remainder of 2011 had been fixed and the balance is exposed to the spot market.

Outlook

The combination of relatively weak economic development, dampening demand for fruit and competition from container lines has resulted in lower rates for specialised reefer vessels. On top of this, the high fuel prices have further reduced the earnings. Large and fuel efficient ships continue to be in demand, but small and inefficient ships in many cases find themselves unable to trade at all. Some owners have taken the view that the depressed markets will continue for some time to come and have elected to scrap their vessels – in some cases when the vessels are as young as 18 years old.

The ability of the modern and efficient specialised reefer to better satisfy the service requirements of the tropical fruit trades as compared to the Container Lines has never seriously been questioned. The challenge is not on service levels. The challenge the efficient specialised reefer operators faces, as the Container Lines again enter a difficult trading environment, is to respond to the blunt weapon of unsustainably low prices the Container Lines use to buy market share and market dominance

21 July 2011
The Board of Directors of Star Reefers Inc.

STAR REEFERS INC. GROUP - First Half and 2nd QUARTER 2011

STATEMENTS OF COMPREHENSIVE INCOME *(in $ thousand)*	2011 2Q Unaudited	2010 2Q Unaudited	2011 Jan-Jun Unaudited	2010 Jan-Jun Unaudited	2010 Jan-Dec Audited
Gross revenue	$ 78,828	$ 63,945	$ 150,719	$ 129,694	$ 240,497
Voyage expenses and other operating revenue	-33,075	-15,359	-57,011	-31,701	-60,437
Net revenue	45,753	48,586	93,708	97,993	180,060
Net operating revenues	**45,753**	**48,586**	**93,708**	**97,993**	**180,060**
Ship operating and admin. expenses	-21,227	-22,010	-42,907	-46,814	-89,771
Time charter hire	-17,112	-16,768	-34,327	-31,450	-65,838
Op. income bef. depr. and bare-boat hire	**7,414**	**9,808**	**16,474**	**19,729**	**24,451**
Bareboat charter hire	-370	-370	-735	-736	-1,483
Depreciation and amortisation	-5,414	-5,506	-10,892	-11,043	-22,084
Impairment	-12,311	-	-12,311	-	-
Operating income	**-10,681**	**3,932**	**-7,464**	**7,950**	**884**
Interest expense	-625	-393	-1,195	-877	-1,669
Other financial items net	-244	270	-439	499	874
Profit / Loss on sale of vessels	239	-	239	-	-
Net financial items	**-630**	**-123**	**-1,395**	**-378**	**-795**
Net income / (-loss) before tax	**-11,311**	**3,809**	**-8,859**	**7,572**	**89**
Taxes	-9	-9	-17	-11	-22
Net income / (-loss)	**$ -11,320**	**$ 3,800**	**$ -8,876**	**$ 7,561**	**$ 67**
Other comprehensive income	-	-	-	-	-
Total comprehensive income / (-loss)	**$ -11,320**	**$ 3,800**	**$ -8,876**	**$ 7,561**	**$ 67**
Earnings / (-loss) per share, basic and diluted (amounts in $)	-1.17	0.39	-0.92	0.82	0.01
Wtd. avg. common shares outstanding	9,647,479	9,647,479	9,647,479	9,209,530	9,430,304
Issued and outstanding shares	9,647,479	9,647,479	9,647,479	9,647,479	9,647,479

STATEMENTS OF FINANCIAL POSITION *(in $ thousand)*	2011 30 Jun Unaudited	2010 30 Jun Unaudited	2010 31 Dec Audited
ASSETS			
Tangible non-current assets			
Vessels	$ 296,349	$ 344,788	$ 333,879
Other non-current assets	255	248	252
Other non-current assets			
Pension funds	203	182	202
Current assets:			
Inventory	15,490	9,387	11,494
Non-current asset held for sale	6,098	-	-
Receivables and other current assets	25,025	21,651	25,454
Bank deposits	24,850	18,484	13,400
Total assets	**$ 368,270**	**$ 394,740**	**$ 384,681**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity:			
Share capital	$ 96	$ 96	$ 96
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	193,967	210,337	202,843
Total Shareholders' equity	**272,750**	**289,120**	**281,626**
Interest bearing debt, long-term	44,933	-	51,529
Interest bearing debt, short-term	12,838	72,229	12,894
Other short-term debt	37,749	33,391	38,632
Total liabilities	**95,520**	**105,620**	**103,055**
Total Shareholders' equity and liabilities	**$ 368,270**	**$ 394,740**	**$ 384,681**

STATEMENTS OF CASH FLOWS

(in $ thousand)	2011 2Q Unaudited	2010 2Q Unaudited	2011 Jan-June Unaudited	2010 Jan-June Unaudited	2010 Jan-Dec Audited
Profit / (-loss) before tax	-$11,311	$3,809	-$8,859	$7,572	$ 89
Depreciation and amortisation	5,414	5,506	10,892	11,043	22,083
Impariment	12,311	-	12,311	-	-
Net drydocking costs	1,201	1,162	2,292	1,511	1,435
Other	-541	-5,725	-4,388	-10,280	-10,668
Cash flow from operating activities	7,074	4,752	12,248	9,846	12,939
Sale of vessels	5,984	-	5,984	-	-
Other	-20	-3	-50	-71	-234
Cash flow from investing activities	5,964	-3	5,934	-71	-234
Share issue, net of issue costs	-	-	-	17,712	17,712
New interest bearing debt	-	-	-	-	68,000
Repaid interest bearing debt	-6,500	-12,274	-6,500	-22,274	-97,672
Net changes in financing fees	-78	8	-232	-	-616
Cash flow from financing activities	-6,578	-12,266	-6,732	-4,562	-12,576
Net change in cash	**$ 6,460**	**$ -7,517**	**$ 11,450**	**$ 5,213**	**$ 129**
Cash at beginning of period	18,390	26,001	$ 13,400	$ 13,271	$ 13,271
Cash at end of period	**$ 24,850**	**$ 18,484**	**$ 24,850**	**$ 18,484**	**$ 13,400**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in $ thousand)	2011 Jan-June Unaudited	2010 Jan-June Unaudited	2010 Jan-Dec Audited
Shareholders' equity at beginning of period	**$ 281,626**	**$ 263,847**	**$ 263,847**
- Share issue	-	17,712	17,712
- Net profit for the period	-8,876	7,561	67
Shareholders' equity at end of period	**$ 272,750**	**$ 289,120**	**$ 281,626**

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

(in $ thousand)	30 June 11	30 June 10	31 Dec 10
Book value beginning of year	334,131	357,519	357,519
Additions	124	984	3,593
Disposal	-5,985	-	-
Reclassification - Assets held for sale	-6,098	-	-
Depreciation and amortisation of dry docking for the period	-13,257	-13,467	-26,981
Impairment	-12,311	-	-
Book value end of period	296,604	345,036	334,131

4 Interest bearing debt

(in $ thousand)	Siem Industries Inc	ABN AMRO Syndicate	Total
Balance (including financing fees) 31 December 2010	-	64,423	64,423
Repaid debt	-	-6,500	-6,500
Financing fees	-	-152	-152
Balance (including financing fees) 30 June 2011	-	57,771	57,771
Balance (including financing fees) 30 June 2010	3,000	69,229	72,229

5 Charter commitments

From 1 July 2011 *(in $ thousand)*	2011	2012	2013-2020	Total
Long-term charters	34,930	70,359	391,694	496,983

6 Related parties

The Company continues to leases 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

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

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2011 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of STAR Reefers' assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

21 July 2011

Ole Martin Siem (Chairman)

Kristian Siem (Board member)

Michael Delouche (Board Member)

Per Chr. Haukenes (Board member)

Ole Jacob Diesen (Board Member)

Simon Stevens (CEO)