



STAR REEFERS INC.

REPORT FOR THE FIRST QUARTER 2012

27 April 2012 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its results for the quarter ended 31 March 2012, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

- Net loss in Q1 2012 of USD39.000 (Q1 2011: net income USD2.4 million)
- 96.6% of fleet capacity is fixed for remainder of 2012
- Charter dispute in respect of JFC Group settled
- Impairment charge of USD5.6 million
- 7 smaller and less efficient vessels sold for scrap through April
- Decision taken during the quarter to scrap an additional vessel

Comparative Financial Statements (Q1 2012 over Q1 2011)

STAR Reefers recorded a net loss of USD39.000 for Q1 2012 (net income: USD2.4 million for Q1 2011). Earnings per share were USD-0- per share (USD0.25 per share).

Gross revenue was USD62.6 million (USD71.9 million). Net operating revenue was USD43.9 million (USD48.0 million). The reduction in revenue was due to reduced rates and vessels being scrapped or in lay-up which was mitigated by the settlement of a charter dispute with JFC relating to the early delivery of three vessels. The capacity decreased by 10% to 56.3 million cbft. (62.7 million cbft.).

Ship operating and administrative expenses were USD17.4 million (USD21.7 million). Most of the reduction of these expenses was due to the lay-up and scrapping of vessels.

Time charter and bareboat charter expenses were USD17.6 million (USD17.6 million).

Depreciation and amortisation expenses were down to USD2.8 million (USD5.5 million). The reduction is due to a reduced depreciation base following the impairment of assets of USD99.1 million in 2011 and the sale of vessels.

At the end of the first quarter, a decision was made to scrap the *Honduras Star* and an impairment charge was recorded to reduce the book value of the vessel to net realisable value. In addition, adjustments were recorded to reflect falling scrap prices and higher sales costs for those vessels already classified as held-for-sale. The aggregate impairment charges were USD5.6 million.

Net losses on sales of 3 vessels during the quarter were USD0.1 million.

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

Statements of Financial Position

Shareholders' equity was USD157.6 million at 31 March 2012 (31 December 2011: USD157.6 million), or USD16.33 per share (31 December 2011: USD16.34 per share). Following the sales of vessels, STAR Reefers prepaid USD5.3 million, reducing interest-bearing debt from USD52.0 million at year-end 2011 to USD46.7 million at 31 March 2012. The cash position during the quarter decreased from USD7.2 million year-end 2011 to USD5.9 million. In addition to the liabilities on the balance sheet, STAR Reefers has significant long-term charter commitments.

Market

In Q1 2012, the average market rates were 39 cents per cubic feet per 30 days (“cents”), down more than 50% on the same period in 2011 (85 cents) and for the first time in a decade, there has not been a high season. The highest fixture concluded in March was an isolated short 7-day charter at 80 cents and all other fixtures struggled to reach over 50 cents compared with rates of 110 cents in March 2011. The market is characterised by few requirements for tonnage and fierce competition from the container lines which have been willing to set-up new services at uneconomical freight rates. The dramatic increase in fuel costs since Q4 2011 has eroded operating margins.

Poor climatic conditions in Ecuador have led to a significant shortage of bananas of approximately 1,000,000 cartons per week equivalent to a loss of around 4 sailings per week if booked on conventional reefers. For Chilean-origin fruits, poor sales prices in USA resulted in 9% less fruit moving to USWC and 3% less fruit moving to USEC relative to the same period in 2011. Both of these destinations have traditionally made good use of conventional reefer ships but, following CSAV's tie up with MSC, the container lines has strengthened their position. Specialised reefer vessels now hold 37% of this market.

Argentinean deciduous exports are down by 20% due to high domestic inflation (30%). However conventional reefers have been able to maintain their position to Russia. To date there has not been significant chartering activity in the Atlantic squid and frozen fish sectors.

Settlement of Charter Dispute

The Company has achieved a mutually satisfactory solution to its dispute in respect of the JFC Group. The terms of the agreement are confidential. All parties have worked hard to achieve this and the Company is pleased that a constructive and amicable solution has been found.

Operational Issues

In the first quarter, unplanned operational off-hire was 0.3% (2011: 0.9%). In April 2012, it was decided that an additional 2 vessels, which are currently managed by a third party technical manager, will be transferred to the Company's in-house technical manager, Star Reefers Poland.

Fleet Changes and Deployment

In order to reduce the operating losses for vessels deployed in the spot market, 4 vessels entered lay-up during Q1 2012 and at least 2 more vessels are expected to enter lay-up during the year.

During Q1 2012, STAR Reefers sold 3 of its smaller and less efficient vessels; *Napier Star*, *Nelson Star* and *Viking Star*. During April, an additional 4 vessels; *Argentina Star*, *Brasil Star*, *Valparaiso Star* and *Tauranga Star* were sold for recycling and the Board has decided to scrap one additional vessel. The sales of vessels for recycling/scrap is a positive step, as part of the STAR Reefers' consistent strategy towards repositioning the Company by focusing on the more modern and energy-efficient tonnage.

As of 31 March 2012, following the scrapping and laying-up of vessels, 96.6% of fleet capacity for the remainder of 2012 has been fixed and the remaining capacity is exposed to the spot market.

Outlook

Given the current challenging environment, high bunker prices and generally pessimistic short-term outlook, a significant number of conventional reefers have already been sold for recycling. By mid-April, in the segment of specialised reefer vessels with a capacity over 400,000 cbft., 18 vessels have been confirmed sold with a further 10 vessels under negotiation. This number, 28, is expected to double by year-end (2011: 18). It is expected that the scrapping of these older, less efficient vessels will contribute to a better balance of the supply/capacity relationship and to other efforts undertaken to stabilise the reefer market. The reefer operators which emerge strongest from this deep trough in the market will be those which control modern and energy-efficient specialist reefers with good container capacity.

27 April 2012

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 2012

STATEMENTS OF COMPREHENSIVE INCOME

(in \$ thousand)

	2012 1Q Unaudited	2011 1Q Unaudited	2011 Jan-Dec Audited
Gross revenue	\$ 62,591	\$ 71,891	\$ 276,444
Voyage expenses and other operating revenue	-18,667	-23,936	-121,382
Net operating revenue	43,924	47,955	155,062
Ship operating and admin. expenses	-17,377	-21,680	-84,914
Time charter hire	-17,175	-17,215	-68,547
Op. income bef. depr. and bare-boat hire	9,372	9,060	1,601
Bareboat charter hire	-404	-365	-1,482
Depreciation and amortisation	-2,818	-5,478	-20,179
Impairment	-5,631	-	-99,102
Operating income	519	3,217	-119,162
Interest expense	-575	-570	-2,294
Other financial items net	128	-195	-2,761
Profit / Loss on sale of vessels	-103	-	239
Net financial items	-550	-765	-4,816
Net income / (-loss) before tax	-31	2,452	-123,978
Taxes	-8	-8	-30
Net income / (-loss)	\$ -39	\$ 2,444	\$ -124,008
Other comprehensive income	-	-	-
Total comprehensive income / (-loss)	\$ -39	\$ 2,444	\$ -124,008
Earnings / (-loss) per share, basic and diluted (amounts in \$)	0.00	0.25	-12.85
Wtd. avg. common shares outstanding	9,647,479	9,647,479	9,647,479
Issued and outstanding shares	9,647,479	9,647,479	9,647,479

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

	2012 31 March Unaudited	2011 31 March Unaudited	2011 31 Dec Audited
Tangible non-current assets			
Vessels	\$ 178,719	\$ 327,335	\$ 188,181
Other non-current assets	261	256	287
Other non-current assets			
Pension funds	198	215	197
Current assets:			
Inventory	13,673	13,901	16,762
Non-current asset held for sale	7,556	-	13,029
Receivables and other current assets	29,964	22,480	16,954
Bank deposits	5,869	18,390	7,194
Total assets	\$ 236,240	\$ 382,577	\$ 242,604

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity:			
Share capital	\$ 96	\$ 96	\$ 96
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	78,796	205,287	78,835
Total Shareholders' equity	157,579	284,070	157,618
Interest bearing debt, long-term	35,922	51,451	38,503
Interest bearing debt, short-term	10,140	12,854	12,833
Other short-term debt	32,599	34,202	33,650
Total liabilities	78,661	98,507	84,986
Total Shareholders' equity and liabilities	\$ 236,240	\$ 382,577	\$ 242,604

STATEMENTS OF CASH FLOWS

(in \$ thousand)

	2012 1Q	2011 1Q	2011 Jan-Dec
	Unaudited	Unaudited	Audited
Profit / (-loss) before tax	\$ -31	\$ 2,452	\$ -123,978
Depreciation and amortisation	2,818	5,478	20,179
Impairment	5,631	-	99,102
Net drydocking costs	1,406	1,091	1,537
Other	-11,232	-3,847	-1,674
Cash flow from operating activities	-1,408	5,174	-4,834
Sale of vessels	5,399	-	12,009
Other	-	-30	-130
Cash flow from investing activities	5,399	-30	11,879
Repaid interest bearing debt	-5,300	-	-13,000
Net changes in financing fees	-16	-154	-251
Cash flow from financing activities	-5,316	-154	-13,251
Net change in cash	\$ -1,325	\$ 4,990	\$ -6,206
Cash at beginning of period	\$ 7,194	\$ 13,400	13,400
Cash at end of period	\$ 5,869	\$ 18,390	\$ 7,194

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in \$ thousand)

	2011 1Q	2011 1Q	2011 Jan-Dec
	Unaudited	Unaudited	Unaudited
Shareholders' equity at beginning of period	\$ 157,618	\$ 281,626	\$ 281,626
- Share issue	-	-	-
- Net profit for the period	-39	2,444	-124,008
Shareholders' equity at end of period	\$ 157,579	\$ 284,070	\$ 157,618

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 2012 and 2011 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 2011. The consolidated condensed financial statements should be read in conjunction with the 2011 annual financial statements, which include a full description of the Group's accounting policies.

3 Tangible assets

<i>(in \$ thousand)</i>	31 Mar 12	31 Mar 11	31 Dec 11
Book value beginning of year	188,468	334,131	334,131
Additions	0	162	3,964
Disposal	0	0	-12,612
Reclassification - Assets held for sale	-1,376	0	-13,029
Depreciation and amortisation of dry docking for the period	-3,751	-6,701	-24,884
Impairment	-4,361	0	-99,102
Book value end of period	178,980	327,592	188,468

4 Interest bearing debt

<i>(in \$ thousand)</i>	Total
Balance (including financing fees) 31 December 2011	51,336
Repaid debt	-5,300
Financing fees	26
Balance (including financing fees) 31 March 2012	46,062
Balance (including financing fees) 31 March 2011	64,305

5 Charter commitments

From 1 January 2012 <i>(in \$ thousand)</i>	2012	2013	2014-2020	Total
Long-term charters	52,769	70,262	321,432	444,463

6 Related parties

The Company continue 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 benefit from financial guarantees provided by Siem Industries. Siem Car Carriers AS (Group) is indirectly owned 100% by Siem Industries. STAR Reefers provides management services to Siem Car Carriers on an arm's length basis.

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