



STAR REEFERS INC (“SRI”)

REPORT FOR THE SECOND QUARTER 2004

- **EPS 2Q 2004 USD 0.65 against USD 0.30 last year**
- **Freight rates of 59 cents/cbft/30days (“cents”) in 2Q up 13% from 52 cents last year**

Comparative Financial Statements (2Q over 2Q)

STAR Reefers posted a net profit of USD 5.5 million against USD 2.3 million in 2003, generating an EPS of USD 0.65 per share against USD 0.30 per share last year.

Gross freight revenues increased from USD 44.2 million to USD 56.0 million or 26.5%. Capacity employed increased from 59.4 million cbft, to 63.4 million cbft. Freight rates before pool fees were 59 cents against 52 cents last year.

Fleet operating expenses including drydocking, which is expensed when the drydock takes place, was USD 4,500/day, or USD 200/day higher than the year before.

Time charter expenses increased from USD 12.0 million to USD 15.3 million as more ships were chartered in at higher rates than the year before. Simultaneously, the bareboat hire increased from USD 1.5 million to USD 2.3 million as the number of ships on bareboat charters increased from 4 to 6 vessels.

The Company booked a gain of USD 0.4 million on the sale of two controlled atmosphere units.

Interest expense was USD 1.0 million as compared to USD 1.7 million last year, primarily due to lower margins and the expiration of an interest swap entered into in 2001.

Balance Sheet End June 2004

Shareholders' equity was USD 81.1 million or USD 9.61 per share, based on 8,435,819 issued and outstanding shares. The equity ratio was 37%. Bank deposits were USD 32.2 million, up from USD 20.2 million at the beginning of year, due to increased operational cash flow and private placement of shares which exceeded debt repayments. Interest bearing debt as of June 30 was USD 119.9 million (31 December 03: USD 130.1 million).

Market

After the usual seasonal reductions in April - around Easter time - May was exceptional. Spot rates climbed to a second peak for the year of 110 cents. This strong demand for tonnage continued into June which resulted in an average 2nd quarter 2004 spot rate of 70 cents - compared to the 2nd quarter 2003 average of 54 cents. This represents an increase of 30%.

Increased volumes of fresh fruit exports from Chile and Argentina, coupled with strong banana exports from Ecuador in mid-May, helped the market to climb as a scarcity of tonnage developed. This was compounded by the continued increase in the number of vessels operators and charterers put into their liner schedules. Consequently, some owners were forced to charter-in tonnage and the shortage of spot vessels intensified.

Additionally, the lack of reefer containers in both South Africa and New Zealand also contributed to increased demand for conventional reefer space.

Operational Issues

Unplanned operational off-hire in the 2nd quarter was 1.89% against 0.77% last year. The increase is due to the breakdown of the crank shaft on one of our ships which resulted in it being off hire for 29 days and this accounted for 1.31% of the total off-hire.

Fleet Changes

In May 2004 STAR Reefers entered into an agreement to sell the Swan Chacabuco (677,143 cbft., 1990 built) and the Chaiten (673,748 cbft., 1988 built) for USD 25.5 million in aggregate. Chaiten was delivered to the new owners end July 04 and Swan Chacabuco is scheduled to be delivered first half of August 04. The transaction will generate a profit of USD 4.4 million which will be recorded in the 3rd quarter. The transaction will improve the cash position by USD 11.4 million after repayment of USD 13.4 million in debt.

STAR Chartering Inc. will charter the vessels back from the new owner on a 5 year time charter. STAR Reefers has simultaneously profitably re-let the vessels, to an independent operator for a period of 3 years.

Organisational Changes

Star Reefers has recently relocated its technical operations to the offices of STAR Reefers UK Ltd. in London. The commercial and technical operation of the Group is now focused in London. Aage Thoen stepped down as CEO of the Company. The Board appointed Simon CG Stevens as Chief Executive Officer of STAR Reefers UK Ltd., and as such he assumed responsibility of the operational activities in the STAR Reefers Group. Simon CG Stevens is currently a Director of Siem Capital UK Ltd, and has long experience from senior management positions in finance and industry.

Market Outlook

As the 3rd quarter begins, the specialized reefer sector is showing robust signs of the much-needed recovery after many years of producing inadequate and unacceptable returns. Generally, it appears that spot tonnage availability remains in balance with cargo orders and it is possible that this will continue for the balance of the summer. There is a general sense of optimism in the market for the forthcoming period vessel renewals.

Nevertheless, this optimism must be tempered by the fact that the New Zealand deciduous crop was at similar levels to that of the 2003 season and Argentine citrus volumes could easily fall over the remainder of the season.

Currently, the low season contract renewal negotiations are commencing, supported by increased long term charter rates and increased cargo volumes. For the balance of 2004, 84% of our ship capacity has been pre-booked or committed. For further information please contact:

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

2 August 2004

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 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 - SECOND QUARTER REPORT 2004

PROFIT AND LOSS STATEMENT <i>(in \$ thousand)</i>	2004	2003	2004	2003	2003
	2Q	2Q	Jan-June	Jan-June	Jan-Dec
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Gross revenue	55,952	44,227	\$ 102,965	\$ 87,948	\$ 166,074
Voyage expenses	-19,505	-14,062	-29,769	-23,512	-54,228
Net revenue	36,447	30,165	73,196	64,436	111,846
Other operating revenue	30	301	213	487	490
Net operating revenues	36,477	30,466	73,409	64,923	112,336
Ship operating expenses	-10,102	-9,921	-20,542	-20,193	-43,681
Time charter hire	-15,265	-11,960	-28,891	-23,243	-43,627
Provision taken to income	-	-	-	-	1,712
Administrative expenses	-448	-932	-1,113	-1,782	-3,693
Op.income bef. depr. and bare-boat hire	10,662	7,653	22,863	19,705	23,047
Bare-boat charter hire	-2,299	-1,521	-4,597	-3,025	-6,293
Depreciation and amortisation	-2,348	-2,084	-4,732	-4,468	-9,449
Gain (loss) on sale of vessels/subsidiary	411	-	411	644	6,056
Operating income	6,426	4,048	13,945	12,856	13,361
Interest income	96	117	167	195	363
Interest expense	-1,040	-1,682	-2,486	-3,425	-7,077
Other financial items	-28	-50	-47	-102	-1,558
Foreign currency exchange gain (loss)	57	-36	-158	-69	56
Net financial items	-915	-1,651	-2,524	-3,401	-8,216
Income bef. taxes and minority interest	5,511	2,397	11,421	9,455	5,145
Taxes	-	-67	-41	-77	41
Net income	\$ 5,511	\$ 2,330	\$ 11,380	\$ 9,378	\$ 5,186
Earnings per share (amounts in \$)	0.65	0.30	1.38	1.23	0.68
Diluted earnings per share (amounts in \$)	0.65	0.30	1.37	1.22	0.67
Weighted average common shares outstanding	8,435,819	7,646,200	8,227,923	7,646,200	7,646,200
Weighted av. common shares outst. + assumed conversions	8,521,123	7,677,550	8,324,730	7,676,308	7,686,850

BALANCE SHEET <i>(in \$ thousand)</i>	2004	2003	2003
	30 June	30 June	31 Dec.
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS			
Inangible fixed assets			
- Goodwill	\$ 2,114	\$ -	\$ 2,306
Tangible fixed assets			
- Vessels	163,568	144,596	168,015
- Other fixed assets	193	496	384
Financial fixed assets			
- Pension funds	538	614	560
- Deferred financing fees	378	570	-
- Long term receivables & other assets	2,930	4,143	3,536
Inventory	4,976	3,960	3,967
Current assets			
- Receivables and other current assets	14,198	18,661	14,001
- Bank deposits	32,231	23,397	20,212
Total assets	221,126	196,437	212,981
EQUITY AND LIABILITIES			
Equity			
- Share capital	84	76	76
- Additional paid-in capital	57,896	48,720	48,720
- Retained earnings	23,116	15,928	11,736
Total equity	81,096	64,724	60,532
Provisions	201	1,913	201
Interestbearing debt	119,860	112,130	130,110
Short-term liabilities	19,969	17,670	22,138
Total provisions and liabilities	140,030	131,713	152,449
Total equity and liabilities	\$ 221,126	\$ 196,437	\$ 212,981

CASH FLOW STATEMENT (in \$ thousand)	2004	2004	2003	2003	2003
	2Q (unaudited)	Jan-June (unaudited)	2Q (unaudited)	Jan-June (unaudited)	Jan-Dec (audited)
Cash flow from operating activities	6,834	12,576	6,056	7,784	12,040
Cash flow from investing activities	526	509	10,003	19,937	11,066
Cash flow from financing activities	-7,750	-1,066	-14,545	-22,020	-20,590
Net change in cash	\$ -390	\$ 12,019	\$ 1,514	\$ 5,701	\$ 2,516
Cash at beginning of period	32,621	20,212	21,883	17,696	17,696
Cash at end of period	32,231	32,231	23,397	23,397	20,212

CHANGE IN EQUITY (in \$ thousand)	2004	2003	2003
	Jan-June (unaudited)	Jan-June (unaudited)	Jan-Dec (audited)
Equity at beginning of period	60,532	55,346	55,346
- Share issue	9,184	-	-
- Net profit for the period	11,380	9,378	5,186
Equity at end of period	\$ 81,096	\$ 64,724	\$ 60,532

Note:

The quarterly report has been prepared in accordance with the accounting standard regarding periodic accounts and the same accounting principles have been applied as in the annual report for 2003.

Fleet Capacity (in cbft)

	1Q	2Q	3Q	4Q	Total
2004	ACTUAL	ACTUAL	FORECAST	FORECAST	FORECAST
Owned vessels	27,366,484	27,438,835	25,062,850	23,599,099	103,467,268
Bare-boat chartered vessels	9,829,380	9,815,040	9,739,170	9,937,395	39,320,985
Timechartered vessels	24,918,662	26,125,587	27,599,180	28,138,436	106,781,865
Total 2004	62,114,526	63,379,462	62,401,200	61,674,930	249,570,118

Market Data

