



STAR REEFERS INC ("SRI")

REPORT FOR THE SECOND QUARTER 2005

- Net income Q2 2005 USD 11.7 million, up from USD 6.3 million last year
- EPS Q2 2005 USD 1.34 against USD 0.74 last year
- Freight rates Q2 2005 of 76 cents/cbft/30days ("cents") up 29% on last year's rates of 59 cents
- Agreements to purchase 7 reefers for USD 132 million
- Debt repayment of USD 6 million in Q2 2005
- Equity ratio 30 June 30 2005 of 54%, up from 43% at end of 2004

Comparative Financial Statements (Q2 over Q2)

STAR Reefers posted a net income in Q2 of USD 11.7 million (USD 6.3 million). EPS was USD 1.34 per share (USD 0.74 per share).

Gross freight revenues increased 5% from USD 56.0 million to USD 58.8 million while net revenue after voyage expenses was up 14% from USD 37.6 million last year to USD 42.8 million. Capacity employed decreased from 63.4 million cbft, to 56.1 million cbft. Freight rates were up 29% from 59 cents last year to 76 cents.

Ship operating expenses, including amortisation of drydock expenses, were USD 4,700/day or USD 200/day higher than last year.

In Q2, total administrative expenses were USD 2.0 million (USD 2.2 million). Administrative expenses include overhead in STAR Reefers and administrative fees charged by external ship managers.

Time charter expenses were USD 14.1 million vs. USD 15.3 million last year, as a 20% decrease in vessels on time charter more than counterbalanced the increased rates. Bareboat hire relating to 6 vessels was USD 2.3 million both quarters.

Interest expense was USD 0.9 million (USD 0.3 million), primarily due to a change in the market value of interest swaps of USD 0.6 million. Excluding interest swaps the interest was on par year over year as lower outstanding debt and lower margins counterbalanced higher floating interest rates.

Balance Sheet

Shareholders' equity was USD 112.6 million, or USD 13.00 per share. The equity ratio was 54%, up from 43% as of year end 2004. Bank deposits were USD 26.8 million, up from USD 21.5 million at the beginning of the year. During Q2, the scheduled installment of USD 6.3 million, due end July 2005, was prepaid bringing interest bearing debt down to USD 78.2 million from USD 99.4 million as of year end 2004.

Market

The average spot rate in Q2 2005 was 82 cents, almost 20 % higher than Q2 2004 at 68 cents. The driving force in Q2 was the rates achieved in April which more than doubled those of April last year. The increase of 1.5 million additional banana cartons exported from Ecuador in April 2005 over April 2004 was the primary contributor to this strength of the spot market. By mid-May, Ecuadorian banana production volumes were beginning to decline as unseasonably low temperatures depressed production.

This continued until end June and was exacerbated by rising bunker prices which discouraged traders from speculating on a softening Mediterranean market as domestic fruit became available. The Ecuadorian government's announcement of the introduction of a licensing system designed to fix a floor level of US\$3/carton in late May did not directly affect the volume of bananas exported, but it did increase the uncertainty surrounding this key export market which temporarily discouraged traders from placing orders until the effect of the new law was assessed.

By early June, spot rates began to decline sharply as vessels accumulated at the Panama Canal as banana spot cargoes became scarce. Although Ecuador was a factor, the fall in spot levels was predominantly driven by fewer vessels being taken into dry trades and used car cargoes becoming relatively scarce. Short-term oversupply of citrus in Europe, Japan and Russia also hit demand for tonnage servicing the export markets in Argentina and South Africa. The 1-2% oversupply of vessels currently idling in the Atlantic is gradually being reduced as owners redeploy vessels into other trades and actively seek alternative cargoes.

Operational Issues

Unplanned operational off-hire in Q2 was 0.7% against 1.9% last year. Last year's high off-hire was due to the breakdown of the crankshaft on one of our ships which resulted in it being off-hire for 29 days.

Fleet Changes

In April, the Company entered into an agreement to acquire the 1991-built specialised reefer vessel, Consensus Reefer (capacity: 452,816 cbft.) for USD 14.2 million. The vessel will be renamed Viking Star and is scheduled to be delivered September this year.

Additionally, STAR Reefers entered into an agreement to acquire 6 specialised reefer vessels of the Polar Class, built 1992 and 1993, for an aggregate price of USD 117.3 million. The vessels are currently on time charter to STAR Reefers. Upon delivery of the vessels scheduled during Q3 2005, the time charters will be cancelled. The acquisition cost for the six Polar class reefer vessels will be partly financed with bank debt (approximately USD 85 million). The balance of the purchase price will be financed with a combination of internally generated funds and a short term loan from Siem Industries (72% shareholder of STAR Reefers).

Following the delivery of the Polar Class vessels and the Viking Star, STAR Reefers will own a fleet of 24 vessels, will have 6 vessels on bare-boat charter and will have 7 vessels on time-charter.

Additionally STAR has entered into time-charters for four new specialized reefer vessels each with a capacity of 585,000 cbft for a period of 10 years. The vessels will be built at Shikoku yard in Japan. The first vessel is scheduled for delivery in Q1 2006 and the last one in Q2 2007.

New Board Member

On July 15 2005, the Board of STAR Reefers Inc appointed Mr. Horst Schomburg as a non-executive director of the board of the Company. Mr. Schomburg is a partner and a Board Member of MPC Steamship, which manages the shipping business of the MPC Group. He previously held executive positions and chaired the Board of Hamburg Süd, a major shipping line and a specialist in the transportation of reefer cargoes.

Outlook

As Q3 begins, the tonnage is slowly clearing from Panama and the mood of the market is still cautious. Spot rates are down on last year and it now looks as if the summer spot market of 2005 may not be as fruitful for the operators as the sustained period of high rates which we have seen since September / October 2004 might have suggested.

Despite the dull summer season, owners remain confident that healthy increases can be achieved on the period renewals since there is an evident shortage of modern quality units suited to regular scheduled fruit trades. With less than 2% of fleet capacity on order until 2009 this situation is unlikely to change.

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

Market data sourced from Orion Shipping

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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 - QUARTERLY REPORT 2005 (IFRS)

PROFIT AND LOSS STATEMENT <i>(in \$ thousand)</i>	2005 2Q	2004 2Q	2005 Jan-June	2004 Jan-June	2004 Jan-Dec
Gross revenue	\$ 58,823	\$ 55,952	\$ 110,889	\$ 102,965	\$ 196,243
Voyage expenses	-16,373	-18,340	-24,441	-27,419	-62,048
Net revenue	42,450	37,612	86,448	75,546	134,195
Other operating revenue	347	31	214	46	531
Net operating revenues	42,797	37,643	86,662	75,592	134,726
Ship operating expenses	-10,093	-9,994	-20,509	-20,118	-41,013
Time charter hire	-14,101	-15,265	-27,937	-28,891	-54,767
Provision taken to income	-	-	-	-	201
Administrative expenses	-2,031	-2,196	-4,915	-4,469	-8,669
Op. income bef. depr. and bare-boat hire	16,572	10,188	33,301	22,114	30,478
Bare-boat charter hire	-2,317	-2,299	-4,609	-4,597	-9,274
Depreciation and amortisation	-1,756	-1,875	-3,519	-3,785	-7,059
Gain (loss) on sale of vessels/subsidiary	-	411	-	411	5,056
Operating income	12,499	6,425	25,173	14,143	19,201
Interest income	139	96	273	167	428
Interest expense	-895	-277	-1,578	-1,511	-3,213
Other financial items	-47	-28	-107	-47	-148
Foreign currency exchange gain (loss)	-25	50	-85	-110	-59
Net financial items	-828	-159	-1,497	-1,501	-2,992
Income bef. taxes and minority interest	11,671	6,266	23,676	12,642	16,209
Taxes	-	-	-	-41	-43
Net income	\$ 11,671	\$ 6,266	\$ 23,676	\$ 12,601	\$ 16,166

Earnings per share (amounts in \$)	1.35	0.74	2.75	1.53	1.94
Diluted earnings per share (amounts in \$)	1.34	0.74	2.70	1.51	1.91
Wtd. avg. common shares outstanding	8,673,819	8,435,819	8,602,681	8,227,923	8,348,912
Wtd. avg. common shares outstanding + assumed conv.	8,715,978	8,521,123	8,756,875	8,324,730	8,447,236
Issued and outstanding shares	8,673,819	8,435,819	8,673,819	8,435,819	8,499,819

BALANCE SHEET <i>(in \$ thousand)</i>	2005 30 June	2004 30 June	2004 31 Dec.
ASSETS			
Tangible fixed assets			
- Vessels	\$ 161,045	\$ 167,050	\$ 163,326
- Other fixed assets	113	193	155
Other long-term assets			
- Pension funds	274	292	309
- Deferred financing fees	416	378	382
- Long term receivables & other assets	3,447	5,044	4,367
Inventory	7,140	4,976	3,209
Current assets			
- Receivables and other current assets	11,141	14,198	11,525
- Bank deposits	26,776	32,231	21,530
Total assets	210,352	224,362	204,803
EQUITY AND LIABILITIES			
Equity			
- Share capital	87	84	85
- Additional paid-in capital	59,757	57,896	58,338
- Sharebased compensation	98	-	54
- Retained earnings	52,691	25,451	29,015
Total equity	112,633	83,431	87,492
Provisions	-	201	-
Interestbearing debt, long-term	71,609	104,158	85,559
Interestbearing debt, short-term	6,545	15,703	13,878
Other short-term debt	19,565	20,870	17,874
Total provisions and liabilities	97,719	140,931	117,311
Total equity and liabilities	\$ 210,352	\$ 224,362	\$ 204,803

CASH FLOW STATEMENT <i>(in \$ thousand)</i>	2005 2Q	2004 2Q	2005 Jan-June	2004 Jan-June	2004 Jan-Dec
Cash flow from operating activities	11,247	6,834	25,472	12,576	14,946
Cash flow from investing activities	-365	526	-365	509	7,418
Cash flow from financing activities	-6,269	-7,750	-19,861	-1,066	-21,046
Net change in cash	\$ 4,613	\$ -390	\$ 5,246	\$ 12,019	\$ 1,318
Cash at beginning of period	22,163	32,621	21,530	20,212	20,212
Cash at end of period	26,776	32,231	26,776	32,231	21,530

CHANGE IN EQUITY <i>(in \$ thousand)</i>	2005 Jan-June	2004 Jan-June	2004 Jan-Dec
Equity at beginning of period	87,492	61,646	61,646
- Share issue	1,408	9,184	9,626
- Share based compensation	57	-	54
- Net profit for the period	23,676	12,601	16,166
Equity at end of period	\$ 112,633	\$ 83,431	\$ 87,492

Note:

The quarterly report has been prepared in accordance with International Financial Reporting Standards (IFRS). The quarterly and year to date Profit and Loss and Balance Sheets for 2004 previously reported according to Norwegian GAAP have been restated to IFRS. The quarterly figures are unaudited, but the effect of the transition to IFRS has been audited.

