



STAR REEFERS INC (“SRI”)

REPORT FOR THE SECOND QUARTER 2006

- **Net income of USD 11.2 million (USD 11.7 million)**
- **Diluted EPS USD 1.28 (USD 1.34)**
- **Average freight rates of 77 cents/cbft/30days (“cents”) up 2% on last year’s 76 cents**
- **Options exercised to purchase 4 vessels currently on bareboat charter**
- **Repayment of USD 17.8 million of debt**

Financial Results Q2 2006

STAR Reefers recorded net income of USD 11.2 million (USD 11.7 million for Q2 2005). Diluted earnings per share was USD 1.28 per share (USD 1.34 per share).

Gross freight revenues were USD 56.2 million (USD 58.8 million) and capacity increased 2% to 57.5 million cbft (56.1 million cbft). Freight rates were up 2% to 77 cents (76 cents).

Ship operating expenses were USD 15.4 million (USD 10.1 million). The number of vessels owned or bareboat chartered increased from 23 in 2005 to 30 in 2006. Ship operating expenses per day increased USD 800/day to USD 5,600/day, reflecting STAR Reefers’ policy of upgrading its fleet to provide a high quality service for its customers and the general increase in operating expenses in the shipping industry.

Time charter expenses were USD 7.5 million (USD 14.1 million). The number of vessels on time charter decreased from 13 in 2005 to 7 in 2006. Six Polar type vessels previously on time charter were acquired in the second half of 2005. Bareboat charter hire was USD 2.8 million (USD 2.3 million) as the number of ships on bareboat charter increased from 6 to 7.

Administrative expenses were USD 2.1 million (USD 2.0 million).

Depreciation and amortization was USD 3.4 million (USD 1.8 million) as the number of owned vessels increased.

Interest expense was USD 2.2 million as compared to USD 0.9 million prior year, primarily due to the financing of new vessels and higher interest rates.

Balance Sheet

Shareholders' equity was USD 144.2 million (31 December 2005: USD 120.3 million) or USD 16.55 per share (31 December 2005: USD 13.86 per share). In April, STAR Reefers

made a scheduled debt repayment of USD 12.8 million and a prepayment of USD 5 million, bringing interest bearing debt down to USD 143.3 million and the equity ratio up to 45% as at end Q2 2006.

Market

The average spot market rate in Q2 2006 was 55 cents, down 26% on the equivalent period in 2005. Despite an encouraging start to April with additional banana volumes from Ecuador, the beginning of May saw tonnage appearing as vessels were redelivered from seasonal contracts, a rise in the price of bananas in Ecuador and a decline in banana volumes . In South Africa, heavy rainfall affected citrus production and led to reduced exports to the Far East which, coupled with increased usage of containers to Europe, resulted in reduced demand for conventional reefers. This, together with significant increases in fuel costs (bunker prices were approximately 40% higher than Q2 2005), discouraged traders from chartering vessels. As a consequence, rates fell.

Operational Issues

In Q2 unplanned operational off-hire was 1.0% as compared with 0.7% last year. Most of the off-hire (19 days) was caused by a main engine breakdown.

Fleet Changes

STAR Reefers has exercised its option to purchase the four reefer vessels: Avelona Star (1991-built, 596,000 cbft), Almeda Star (1991-built, 595,000 cbft), Andalucia Star (1991-built, 595,000 cbft) and Wellington Star (1992-built, 424,000 cbft) from their present owners. The vessels have been bareboat chartered to STAR Reefers for several years. The aggregate purchase price for the vessels is approximately USD 31 million. The vessels will be delivered to STAR Reefers in December 2006.

Outlook

Despite the weak summer spot market, the first tentative negotiations for renewals of period peak season and annual contracts suggest that the demand for high quality tonnage experienced over the past 18 months is continuing.

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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 2006 (IFRS)

PROFIT AND LOSS STATEMENT

(in \$ thousand)

	2006	2005	2006	2005	2005
	2Q	2Q	Jan-June	Jan-June	Jan-Dec
Gross revenue	\$ 56.234	\$ 58.823	\$ 108.261	\$ 110.889	\$ 222.107
Voyage expenses	-11.746	-16.373	-18.179	-24.441	-68.213
Net revenue	44.488	42.450	90.082	86.448	153.894
Other operating revenue	-235	347	-390	214	113
Net operating revenues	44.253	42.797	89.692	86.662	154.007
Ship operating expenses	-15.386	-10.093	-31.011	-20.509	-44.988
Time charter hire	-7.541	-14.101	-14.262	-27.937	-46.197
Administrative expenses	-2.105	-2.031	-4.665	-4.915	-9.295
Op. income bef. depr. and bare-boat hire	19.221	16.572	39.754	33.301	53.527
Bare boat charter hire	-2.809	-2.317	-5.568	-4.609	-9.721
Depreciation and amortisation	-3.375	-1.756	-6.746	-3.519	-9.021
Gain (loss) on sale of vessels/subsidiary	-	-	-	-	2.045
Operating income	13.037	12.499	27.440	25.173	36.830
Interest income	209	139	375	273	671
Interest expense	-2.168	-895	-4.307	-1.578	-4.942
Other financial items	94	-47	103	-107	-272
Foreign currency exchange gain (loss)	82	-25	-30	-85	-810
Net financial items	-1.783	-828	-3.859	-1.497	-5.353
Income bef. taxes and minority interest	11.254	11.671	23.581	23.676	31.477
Taxes	-79	-	-148	-	-235
Net income	\$ 11.175	\$ 11.671	\$ 23.433	\$ 23.676	\$ 31.242

Earnings per share (amounts in \$)	1,28	1,35	2,69	2,75	3,62
Diluted earnings per share (amounts in \$)	1,28	1,34	2,69	2,73	3,59
Wtd. avg. common shares outstanding	8.711.819	8.673.819	8.701.062	8.602.681	8.639.892
Wtd. avg. common shares outstanding + assumed conv.	8.731.407	8.715.978	8.726.717	8.685.737	8.703.071
Issued and outstanding shares	8.711.819	8.673.819	8.711.819	8.673.819	8.678.819

BALANCE SHEET

(in \$ thousand)

	2006	2005	2005
	30 June	30 June	31 Dec.
ASSETS			
Tangible fixed assets			
Vessels	\$ 267.690	\$ 161.045	\$ 273.466
Other fixed assets	216	113	138
Other long-term assets			
Pension funds	228	274	229
Long term receivables & other assets	1.850	3.447	2.649
Current assets:			
Inventory	6.873	7.140	6.085
Receivables and other current assets	14.092	11.141	11.357
Bank deposits	29.544	26.776	17.632
Total assets	\$ 320.493	\$ 209.936	\$ 311.556
EQUITY AND LIABILITIES			
Equity:			
Share capital	\$ 87	\$ 87	\$ 87
Additional paid-in capital	60.311	59.757	59.848
Sharebased compensation	69	98	129
Retained earnings	83.690	52.691	60.257
Total equity	144.157	112.633	120.321
Interestbearing debt, long-term	117.925	71.193	134.860
Interestbearing debt, short-term	24.816	6.545	31.906
Other short-term debt	33.595	19.565	24.469
Total liabilities	176.336	97.303	191.235
Total equity and liabilities	\$ 320.493	\$ 209.936	\$ 311.556

CASH FLOW STATEMENT <i>(in \$ thousand)</i>	2006 2Q	2005 2Q	2006 Jan-June	2005 Jan-June	2005 Jan-Dec
Cash flow from operating activities	17.354	11.247	35.710	25.564	39.226
Cash flow from investing activities	-52	-365	-113	-365	-112.203
Cash flow from financing activities	-17.840	-6.269	-23.685	-19.953	69.079
Net change in cash	\$ -538	\$ 4.613	\$ 11.912	\$ 5.246	\$ -3.898
Cash at beginning of period	30.082	22.163	17.632	21.530	21.530
Cash at end of period	29.544	26.776	29.544	26.776	17.632

CHANGE IN EQUITY <i>(in \$ thousand)</i>	2006 Jan-June	2005 Jan-June	2005 Jan-Dec
Equity at beginning of period	120.321	87.492	87.492
- Share issue	409	1.408	1.512
- Share based compensation	-6	57	75
- Net profit for the period	23.433	23.676	31.242
Equity at end of period	\$ 144.157	\$ 112.633	\$ 120.321

Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

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 2005. The consolidated condensed financial statements should be read in conjunction with the 2005 annual financial statements, which include a full description of the Group's accounting policies.