



STAR REEFERS INC (“SRI”)

REPORT FOR THE FIRST HALF AND 2ND QUARTER 2009

Highlights 1st Half of 2009

- Net income of USD19.9 million (USD32.2 million)
- EPS USD2.27 (USD3.68)
- EBITDA of USD32.2 million (USD42.7 million)
- Debt repayment of USD14.5 million
- Acquisition of 2 modern reefer vessels for a total of USD38.0 million
- *Star Standard* and *Star Trust*, the 7th and 8th new buildings, were delivered during 1H under 10-year charters
- Termination of 5 charters following default of Sunway

Comparative Financial Statements (H1 over H1)

STAR Reefers recorded net income for the first half of 2009 of USD19.9 million (USD32.2 million for H1 2008). Earnings per share were USD2.27 (USD3.68).

Gross revenues were USD133.6 million (USD144.1 million) and capacity increased 3% to 133.0 million cbft (129.5 million cbft). The reduction in revenue was due to significantly lower market rates and increased capacity being deployed into a weak spot market as 5 vessels previously on charter were redelivered to the Company in Q2.

Ship operating and administrative expenses were USD53.7 million (USD46.2 million). Most of this increase was due to the acquisition of 2 modern vessels, the redelivery of 2 vessels previously chartered out on bare-boat terms and a provision for trade receivables.

Time charter expenses were USD26.2 million (USD26.3 million) and bareboat charter hire was USD0.8 million (USD2.0 million) as the number of ships on bareboat charter decreased from 3 to 1 vessel.

Depreciation and amortisation was USD11.1 million (USD8.1 million). The increase was due to the annual reassessments of residual values as per IFRS and the acquisition of the *Cape Town Star* and *Durban Star* in December 2008 and the *Colombian Star* and *Cote D’Ivoire Star* in 2009.

Interest expense was USD1.3 million (USD2.6 million) primarily due to lower market interest rates.

Comparative Financial Statements (Q2 over Q2)

STAR Reefers recorded net income of USD5.1 million (USD16.8 million for Q2 2008). Earnings per share was USD0.58 per share (1.92 per share)

Gross revenues were USD67.3 million (USD77.1 million) and capacity increased 7% to 69.2 million cbft. (65.0 million cbft.). The reduction was due to significant lower market rates and increased capacity being deployed in the spot market as 5 vessels previously on charter were redelivered to the Company in Q2.

Ship operating and administrative expenses were USD29.1 million (USD23.4 million). Most of this increase was due to the acquisition of 2 modern vessels, the redelivery of 2 vessels previously chartered out on bare-boat terms, and a provision for trade receivables.

Time charter expenses were USD13.4 million (USD13.6 million) and bareboat charter hire was USD0.4 million (USD1.0 million) as the number of ships on bareboat charter decreased from 3 to 1 vessel.

Depreciation and amortisation was USD5.7 million (USD4.1 million). The increase was due to the annual reassessments of residual values as per IFRS and the acquisition of the *Cape Town Star* and *Durban Star* in December 2008 and the *Colombian Star* and *Cote D'Ivoirian Star* in 2009.

Interest expense was USD0.5 million (USD1.0 million), primarily due to lower market interest rates.

Statement of Financial Position

Shareholders' equity was USD267.5 million (31 December 2008: USD247.6 million), or USD 30.54 per share (31 December 2008: USD28.28 per share). During the 1st quarter, STAR Reefers increased its interest-bearing debt by USD28.0 million to USD123.8 million to partly finance the acquisition of the 1998-built *Colombian Star* and *Cote D'Ivoirian Star*. During Q2, a scheduled instalment of USD14.5 million reduced the interest-bearing debt to USD108.7 million as of 30 June 2009. Cash increased from USD11.2 million at 31 December 2008 to USD18.5 million end of June 2009. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments (see note 5 to the accounts).

Termination of Charter Parties

STAR Reefers has had a long-term relationship with the St. Petersburg-based client, Sunway. Sunway has, since mid-2008, had 3 STAR vessels on 3-year time charters. Further, Sunway has had 2 vessels on 5-year bareboat charters since mid-2007. Due to the current difficult trading environment, Sunway recently experienced liquidity difficulties and the parties consequently agreed to terminate the charter parties for all 5 vessels. STAR Reefers has taken redelivery of the vessels. Despite forfeiture of deposits relating to the bareboat charters, the termination of the bareboat charters and the time charters will have a negative effect on STAR Reefers' earnings for 2009.

Principal Risks

The Board currently believes that the 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, currency exchange rates, bunker prices, adverse climatic changes, diseases and crop harvests and the possible negative outcome of alleged pollution-based violation of the MARPOL convention. The Company is also exposed to changes in interest rates and the performance of customers, service providers and suppliers. The recent turmoil in the financial markets has increased the credit risks

relating to collecting receivables. This counterparty risk has so far this year had a negative effect on the Company as described above. The Company is of the opinion that STAR Reefers' other clients will perform according to contract. The risk of non-performance can however not be ruled out.

Auditing and Related Party Transactions

The half year financial report has not been audited or reviewed by auditors. Information on related party transactions is disclosed in the Annual Report 2008.

Market

During the beginning of the year, the export volumes of bananas from Central America, deciduous fruit from Chile and Argentina to Northern Europe, the fish catch in the South Atlantic and meat from the US to the Baltic and the Ukraine were all significantly lower than last year. This led to reduced demand for specialised reefer vessels, pressing the spot rates down. Additionally, the percentage of reefer goods transported in containers has increased as container lines target this segment to support their earnings in a depressed market. For Q1 2009 as a whole, the average spot market rate for larger vessels was 66 cents compared to 95 cents in Q1 2008, a decrease of 30%. By early April, the spot market experienced further significant volume and freight rate declines, as the open tonnage list increased, resulting in spot rates falling drastically to around 25 cents. Substantial reductions in banana exports from Costa Rica and Colombia drove banana prices up and reduced cargo volumes available for traditional spot players. The spot market rates in Q2 for larger vessels were 23 cents (Q2 2008: 107 cents).

Due to the very poor market, owners of older tonnage began to scrap and lay-up their vessels during what should have been the peak season. By the end of June, 10 large vessels (in excess of 400,000 cbft) and accounting for 5.2million cbft had been scrapped and over 40 vessels were in either full or commercial lay-up.

Operational Issues

During the first half of 2009, the operational off-hire was 1.0% (2008: 1.0%).

Fleet Changes and Deployment

In March, STAR Reefers entered into an agreement to acquire the 1998-built specialised reefer vessels *Colombian Star* (565,325 cbft.) and *Cote D'Ivoirian Star* (565,469 cbft.). The aggregate transaction price for the vessels was USD38 million and STAR Reefers' two banks provided USD28 million of financing for the acquisition. STAR Reefers is familiar with the two vessels as they have been on time charter to STAR Reefers since delivery from the shipyard in Japan in 1998. *Colombian Star* was delivered on 19 March and *Cote D'Ivoirian Star* on 2 April.

During 2008, STAR Reefers set out to fix the majority of its fleet long-term. Following the demise of Sunway and the subsequent redelivery of 5 vessels which had been on long-term charters, the Company is now more exposed to the spot market. At 30 June 2009, 80% of fleet capacity for 2009 had been fixed and 20% remains exposed to the volatile spot market.

Outlook

The first half of 2009 has not been easy for anyone in the specialized reefer sector. The spot rates today are the lowest in several years and we are considering laying-up part of our fleet. However, there are some reassuring signs that the challenges we have been through may abate as we go into 2010: banana exports are building again after the severe weather destroyed a

significant part of Central American banana production; the credit crisis is settling down – both in terms of the lack of liquidity and more stable currency markets; and scrapping and lay-ups have taken a lot of older tonnage out of circulation. It is possible that the 2010 rates for the more efficient and more reliable tonnage will surprise the market on the upside, potentially benefiting STAR Reefers as providers of modern tonnage.

23 July 2009

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 - HALF YEAR AND 2nd QUARTER REPORT 2009

STATEMENT OF COMPREHENSIVE INCOME

(in \$ thousand)

	2009		2008		2008	
	2Q	2Q	Jan-Jun	Jan-Jun	Jan-Dec	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	
Gross revenue	\$ 67,319	\$ 77,086	\$ 133,604	\$ 144,069	\$ 267,948	
Voyage expenses and other operating revenue	-13,258	-17,260	-20,732	-26,801	-55,281	
Net revenue	54,061	59,826	112,872	117,268	212,667	
Net operating revenues	54,061	59,826	112,872	117,268	212,667	
Ship operating and admin. expenses	-29,116	-23,384	-53,709	-46,232	-92,373	
Time charter hire	-13,380	-13,612	-26,181	-26,301	-53,741	
Op. income bef. depr. and bare-boat hire	11,565	22,830	32,982	44,735	66,553	
Bare boat charter hire	-355	-983	-759	-2,010	-3,833	
Depreciation and amortisation	-5,679	-4,073	-11,094	-8,148	-16,403	
Operating income	5,531	17,774	21,129	34,577	46,317	
Interest expense	-523	-1,007	-1,292	-2,553	-4,382	
Other financial items net	111	106	43	224	527	
Net financial items	-412	-901	-1,249	-2,329	-3,855	
Net income before tax	5,119	16,873	19,880	32,248	42,462	
Taxes	-18	-37	-24	-48	-47	
Net income	5,101	16,836	19,856	32,200	42,415	
Other comprehensive income	-	-	-	-	-	
Total comprehensive income	\$ 5,101	\$ 16,836	\$ 19,856	\$ 32,200	\$ 42,415	
Earnings per share (amounts in \$)	0.58	1.92	2.27	3.68	4.84	
Diluted earnings per share (amounts in \$)	0.58	1.92	2.27	3.68	4.84	
Wtd. avg. common shares outstanding	8,756,819	8,756,819	8,756,819	8,756,819	8,756,819	
Wtd. avg. common shares outstanding + assumed conv.	8,756,819	8,756,819	8,756,819	8,756,819	8,756,819	
Issued and outstanding shares	8,756,819	8,756,819	8,756,819	8,756,819	8,756,819	

STATEMENT OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

	2009	2008	2008
	30 Jun	30 Jun	31 Dec
	Unaudited	Unaudited	Audited
Tangible non-current assets			
Vessels	\$ 367,387	\$ 327,856	\$ 342,174
Other non-current assets	250	212	277
Other non-current assets			
Pension funds	187	240	173
Long-term receivables and other assets	192	577	384
Current assets:			
Inventory	10,279	11,981	5,817
Receivables and other current assets	15,495	23,605	25,669
Bank deposits	18,529	29,956	11,194
Total assets	\$ 412,319	\$ 394,427	\$ 385,688

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity:

Share capital	\$ 87	\$ 87	\$ 87
Additional paid-in capital	60,984	60,984	60,984
Retained earnings	206,387	176,316	186,531
Total Shareholders' equity	267,458	237,387	247,602
Interest bearing debt, long-term	69,263	91,971	63,756
Interest bearing debt, short-term	39,433	22,551	31,710
Other short-term debt	36,165	42,518	42,620
Total liabilities	144,861	157,040	138,086
Total Shareholders' equity and liabilities	\$ 412,319	\$ 394,427	\$ 385,688

STATEMENT OF CASH FLOWS					
<i>(in \$ thousand)</i>	2009	2008	2009	2008	2008
	2Q	2Q	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flow from operating activities	\$ 35,966	\$ 18,687	\$ 31,217	\$ 38,305	\$ 57,632
Cash flow from investing activities	-18,533	-25	-36,985	-43	-18,980
Cash flow from financing activities	-14,609	-17,494	13,103	-25,489	-44,641
Net change in cash	\$ 2,824	\$ 1,168	\$ 7,335	\$ 12,773	\$ -5,989
Cash at beginning of period	15,705	28,788	\$ 11,194	\$ 17,183	\$ 17,183
Cash at end of period	18,529	29,956	\$ 18,529	\$ 29,956	\$ 11,194

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY			
<i>(in \$ thousand)</i>	2009	2008	2008
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 247,602	\$ 205,187	\$ 205,187
- Net profit for the period	19,856	32,200	42,415
Shareholders' equity at end of period	\$ 267,458	\$ 237,387	\$ 247,602

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 2009 and 2008 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 2008. The consolidated condensed financial statements should be read in conjunction with the 2008 annual financial statements, which include a full description of the Group's accounting policies. With effect from 1 January 2009, new standards, amendments to standards and interpretations have become effective. The adoption of these amendments, except for presentation changes as per IAS 1, have had no impact on the reported income or net assets of the Group.

3 Tangible assets

30 June 2009

(in \$ thousand)

Book value 01.01.09	342,451
Additions	38,377
Depreciation and amortisation of dry docking for the period	-13,191
Book value 30.06.09	367,637

4 Interest bearing debt

30 June 2009

(in \$ thousand)

	Fortis Syndicate	Siem Industries	Total
Balance (including financing fees) 31.12.08	82,496	12,970	95,466
New debt	28,000	-	28,000
Repaid debt	-14,547		-14,547
Financing fees	-215	-8	-223
Balance (including financing fees) 30.6.09	95,734	12,962	108,696
Long-term portion			69,263
Current portion			39,433

5 Charter commitments

From 30 June 2009

(in \$ thousand)

	2009	2010	2011-2020	Total
Long-term charters	25,265	67,932	531,720	624,917

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 2009 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.

23 July 2009

Ole Martin Siem (Chairman)

Kristian Siem (Board member)

Michael Delouche (Board Member)

Per Chr. Haukenes (Board member)

Horst Schomburg (Board Member)

Simon Stevens (CEO)

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

Market data sourced from Orion Shipping

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