



STAR Reefers

STAR REEFERS INC.

REPORT FOR THE FIRST HALF AND 2ND QUARTER 2010

22 July 2010 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its results for the quarter and the six month period ended 30 June 2010, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

Highlights 1st Half of 2010

- **Net income of USD7.6 million (USD19.9 million)**
- **EPS USD0.82 (USD2.27)**
- **EBITDA of USD19.0 million (USD32.2 million)**
- **Debt repayment of USD22.3 million**
- **Issuance of 890,660 new shares at NOK120 per share**
- **Two more newbuildings were delivered during 1H on 10-year charter contracts**
- **7 vessels laid-up**

Comparative Financial Statements (H1 over H1)

STAR Reefers recorded net income for the first half of 2010 of USD7.6 million (USD19.9 million for H1 2009). Earnings per share were USD0.82 (USD2.27).

Gross revenues were USD129.7 million (USD133.6 million) and capacity decreased 1% to 132.1 million cbft (133.0 million cbft). The extra capacity of the two newbuildings that were delivered during 1st half was less than the effect of laying up 7 vessels. The reduction in revenue was due to lower market rates and decreased capacity.

Ship operating and administrative expenses were USD46.8 million (USD53.7 million). Most of the reduction was due to the lay-up of 7 vessels. Time charter and bareboat charter expenses were USD32.2 million (USD26.9 million) primarily due to the delivery of two new vessels on time charter.

Depreciation and amortisation was USD11.0 million (USD11.1 million).

Interest expense was USD0.9 million (USD1.3 million). The reduction was primarily due to lower market interest rates.

Comparative Financial Statements (Q2 over Q2)

STAR Reefers recorded net income of USD3.8 million (USD5.1 million for Q2 2009). Earnings per share was USD0.39 per share (USD0.58 per share)

Gross revenues were USD63.9 million (USD67.3 million) and capacity decreased 6% to 65.3 million cbft. (69.2 million cbft.). The extra capacity of the two newbuildings that were delivered during 1st half was less than the effect of laying up 7 vessels. The reduction in revenue was due to lower market rates and decreased capacity.

Ship operating and administrative expenses were USD22.0 million (USD29.1 million). Most of the reduction was due to the lay-up of 7 vessels.

The time charter plus bareboat charter expenses were up 25% at USD17.1 million (USD13.7 million) primarily due to the delivery of two new vessels on time charter.

Depreciation and amortisation was USD5.5 million (USD5.7 million).

Interest expense was USD0.4 million (USD0.5 million), primarily due to repayment of debt and lower market interest rates.

Statement of Financial Position

Following the issue of 890,660 shares raising USD17.7 million, Shareholders' equity was USD289.1 million as at 30 June 2010 (31 December 2009: USD263.8 million), or USD 29.97 per share (31 December 2009: USD30.13 per share). During the 1st half, STAR Reefers repaid USD10.0 million to Siem Industries and USD12.3 million to our Banks, bringing interest-bearing debt down from USD94.7 million at year end 2009 to USD72.4 million at 30 June 2010. The Company has agreed a deferral of the final maturity of USD3.0 million due to Siem Industries until end 2010. Cash increased from USD13.3 million at 31 December 2009 to USD18.5 million at end of June 2010. The final maturity date of the Loan from our Banks is 31 December 2010. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments (see note 6 to the accounts).

Private Placement and Subsequent Offering of Shares

In a private placement directed towards larger shareholders of the Company on 14 December 2009, a total of 875,000 new common shares were subscribed at NOK120 per share. In a subsequent repair offering, in March 2010, directed at shareholders of the Company that were not offered or invited to participate in the private placement, an additional 15,660 new common shares were subscribed at NOK120 per share. The gross proceeds were NOK106.9 million and the expenses relating to the share issues were NOK0.8 million. On 31 March 2010, STAR Reefers Inc. issued 890,660 new common shares to increase the number of issued and outstanding shares to 9,647,479.

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 continuing threat to the global economy from the credit crisis and possible protectionism, predatory 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 ongoing effect of the financial crisis and recession has increased the credit risks relating to collecting receivables.

Auditing and Related Party Transactions

The half year financial report has not been audited or reviewed by auditors. The outstanding interest-bearing debt to Siem Industries of USD3.0 million was due and payable as of 30 June 2010, but the Company has been granted a deferral on the payment of this instalment until 31 December 2010. Other information on related party transactions is disclosed in the Annual Report 2009.

Market

The first half of 2010 proved to be extremely challenging in the specialised reefer market. The ongoing effects of the financial crisis, and in particular unfavourable USD exchange rates, have dampened demand for imported perishables into Europe, Russia and Mediterranean markets.

A number of factors have contributed to the current poor spot market. Banana exports from Ecuador, a key driver of the spot market for reefers, fell by some 6% during the period. Banana pricing in all main markets came under severe pressure in H1 with quay prices in EU, Mediterranean and Russian markets dropping by 17%, 6% and 13% respectively. However, arguably the most substantial damages have been caused by high fuel prices, low squid catch, low volumes of frozen meat exports and weather-related reductions in the deciduous exports from Argentina and Chile.

According to Reefer Trends, the average spot market rate for larger vessels in the 1st half of 2010 was 52 cents compared to 49 cents in 1st half of 2009, an increase of 6%. The average rates when trading in the spot market are lower as the quoted market rates do not take the freight seeking days (the idle days whilst the vessel is waiting for cargo) into account. The poor rates achieved have resulted in more vessels going into lay-up and being sold for scrap. In the first half of 2010 in the segment of vessels with a capacity over 400,000 cbft., nine vessels with total capacity 3.9 million cbft. were scrapped as compared to 10 vessels with a total capacity of 5.2 million cbft. in same period last year.

Operational Issues

During the first half of 2010, the unplanned operational off-hire for technical reasons was 3.2% (2009: 1.0%). The technical off-hire was primarily due to fuel tank repairs, rudder repairs, main engine, and turbocharger failures.

The present spot market rates are lower than ship operating expenses. To reduce the operating losses for vessels deployed in the spot market, STAR Reefers has laid-up seven vessels as of end of June 2010.

Our in-house ship management company, STAR Reefers Poland, now manages 24 vessels after having taken over the management of six vessels, previously managed by Dobson Fleet Management, Cyprus, .

Fleet Changes and Deployment

STAR Endeavour and *STAR Leader*, the 11th and 12th vessel in the series of 12 newbuildings, were delivered to STAR Reefers under 10-year charter contracts on 24 February and 25 April, respectively.

In January 2010, STAR Reefers entered into an agreement to charter-out *Sun Light* and *Sun Genius* (previously *Trojan Star* and *Tudor Star*) on 3-year bareboat charters, with two options for the charterer to acquire the vessels at the end of the charter party.

As of 30 June 2010, 72% of fleet capacity for the remainder of 2010 had been fixed and the remaining is exposed to the spot market.

Litigation

In January 2007, STAR Reefers was informed that the U.S. Coast Guard carried out inspections and interviewed members of the crew onboard the vessel *Valparaiso Star* whilst the vessel was in port in the U.S.A. The inspection was prompted by an alleged pollution-based violation of the MARPOL Convention. The U.S. authorities decided not to indict STAR Reefers but indicted the vessel's third party technical manager, Fleet Management Ltd. (Fleet), a company belonging to the Noble Group Ltd based in Hong Kong, which was responsible for the technical operation of the vessel at the time.

In November 2009, Fleet entered into a plea bargain with U.S. federal prosecutors, pleaded guilty and paid a fine. At or about the same time, Fleet pleaded guilty to similar charges relating to its technical management of the *MV Cosco Busan* and paid a substantial fine.

Fleet commenced arbitration proceedings in Norway against STAR Reefers to recover its costs based on its understanding of the indemnity provisions in the technical management agreement. STAR Reefers is disputing Fleet's claim and has commenced arbitration against Fleet for full recovery of its costs and expenses relating to this incident. All the technical management agreements between STAR Reefers and Fleet were terminated by STAR Reefers in the summer of 2008.

Outlook

The first half of 2010 has been challenging for the specialised reefer sector. Spot rates today are the lowest in several years. The market has responded logically to this situation by removing capacity through demolition and lay-up. Weak consumer demand across Europe and the Mediterranean is the main underlying contributor to the current market situation. The fortunes of the specialised reefer market have been inextricably linked to the slow and faltering economic recovery and the unhelpful exchange rate movements in Europe, Russia and the Black Sea. Nonetheless, as Europe's weak currency slowly recovers and as consumer demand picks up, it is possible that the market rates will surprise on the upside particularly for the more modern, cost-efficient and reliable tonnage provided by Star Reefers.

22 July 2010

The Board of Directors of Star Reefers Inc.

<p>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.</p>
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STAR REEFERS INC. GROUP - HALF YEAR AND 2nd QUARTER REPORT 2010

STATEMENT OF COMPREHENSIVE INCOME
(in \$ thousand)

	2010	2009	2010	2009	2009
	2Q	2Q	Jan-Jun	Jan-Jun	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gross revenue	\$ 63,945	\$ 67,319	\$ 129,694	\$ 133,604	\$ 262,364
Voyage expenses and other operating revenue	-15,359	-13,258	-31,701	-20,732	-56,896
Net revenue	48,586	54,061	97,993	112,872	205,468
Net operating revenues	48,586	54,061	97,993	112,872	205,468
Ship operating and admin. expenses	-22,010	-29,116	-46,814	-53,709	-111,953
Time charter hire	-16,768	-13,380	-31,450	-26,181	-50,415
Op. income bef. depr. and bare-boat hire	9,808	11,565	19,729	32,982	43,100
Bareboat charter hire	-370	-355	-736	-759	-1,527
Depreciation and amortisation	-5,506	-5,679	-11,043	-11,094	-22,354
Operating income	3,932	5,531	7,950	21,129	19,219
Interest expense	-393	-523	-877	-1,292	-2,222
Other financial items net	270	111	499	43	-728
Net financial items	-123	-412	-378	-1,249	-2,950
Net income before tax	3,809	5,119	7,572	19,880	16,269
Taxes	-9	-18	-11	-24	-24
Net income	\$ 3,800	\$ 5,101	\$ 7,561	\$ 19,856	\$ 16,245
Other comprehensive income	-	-	-	-	-
Total comprehensive income	\$ 3,800	\$ 5,101	\$ 7,561	\$ 19,856	\$ 16,245
Earnings per share, basic and diluted (amounts in \$)	0.39	0.58	0.82	2.27	1.86
Wtd. avg. common shares outstanding	9,647,479	8,756,819	9,209,530	8,756,819	8,756,819
Issued and outstanding shares	9,647,479	8,756,819	9,647,479	8,756,819	8,756,819

STATEMENT OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

	2010	2009	2009
	30 Jun	30 Jun	31 Dec
	Unaudited	Unaudited	Audited
Tangible non-current assets			
Vessels	\$ 344,788	\$ 367,387	\$ 357,291
Other non-current assets	248	250	228
Other non-current assets			
Pension funds	182	187	205
Long-term receivables and other assets	-	192	-
Current assets:			
Inventory	9,387	10,279	10,762
Receivables and other current assets	21,651	15,495	18,061
Bank deposits	18,484	18,529	13,271
Total assets	\$ 394,740	\$ 412,319	\$ 399,818

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity:			
Share capital	\$ 96	\$ 87	\$ 87
Additional paid-in capital	78,687	60,984	60,984
Retained earnings	210,337	206,387	202,776
Total Shareholders' equity	289,120	267,458	263,847
Interest bearing debt, long-term	-	69,263	-
Interest bearing debt, short-term	72,229	39,433	94,258
Other short-term debt	33,391	36,165	41,713
Total liabilities	105,620	144,861	135,971
Total Shareholders' equity and liabilities	\$ 394,740	\$ 412,319	\$ 399,818

STATEMENT OF CASH FLOWS					
<i>(in \$ thousand)</i>	2010	2009	2010	2009	2009
	2Q	2Q	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Profit before tax	\$3,809	\$5,125	\$7,572	\$19,880	\$ 16,269
Depreciation and amortisation	5,506	5,679	11,043	11,094	22,354
Net drydocking costs	1,162	1,434	1,511	898	-23
Other	-5,725	23,728	-10,280	-655	2,016
Cash flow from operating activities	4,752	35,966	9,846	31,217	40,616
Purchase of vessels / Ice class	-	-18,519	-	-36,960	-36,960
Other	-3	-14	-71	-25	-54
Cash flow from investing activities	-3	-18,533	-71	-36,985	-37,014
Share issue, net of issue costs	-	-	17,712	-	-
New interest bearing debt	-	-	-	28,000	31,000
Repaid interest bearing debt	-12,274	-14,547	-22,274	-14,547	-32,095
Net changes in financing fees	8	-62	-	-350	-430
Cash flow from financing activities	-12,266	-14,609	-4,562	13,103	-1,525
Net change in cash	\$ -7,517	\$ 2,824	\$ 5,213	\$ 7,335	\$ 2,077
Cash at beginning of period	26,001	15,705	\$ 13,271	\$ 11,194	11,194
Cash at end of period	\$ 18,484	\$ 18,529	\$ 18,484	\$ 18,529	\$ 13,271

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY			
<i>(in \$ thousand)</i>	2010	2009	2009
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 263,847	\$ 247,602	\$ 247,602
- Share issue	17,712	-	-
- Net profit for the period	7,561	19,856	16,245
Shareholders' equity at end of period	\$ 289,120	\$ 267,458	\$ 263,847

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 2010 and 2009 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 2009. The consolidated condensed financial statements should be read in conjunction with the 2009 annual financial statements, which include a full description of the Group's accounting policies.

3 Tangible assets

<i>(in \$ thousand)</i>	30 June 10	30 June 09	31 Dec 09
Book value beginning of year	357,519	342,451	342,451
Additions	984	38,377	41,674
Depreciation and amortisation of dry docking for the period	-13,467	-13,191	-26,607
Book value end of period	345,036	367,637	357,519

4 Share capital and share premium

	Number of shares outstanding	Share capital	Additional paid-in Capital	Total paid in capital
At 31 December 2009	8,756,819	87	60,984	61,071
Shares issued on 31 March 2010	890,660	9	17,703	17,712
At 30 June 2010	9,647,479	96	78,687	78,783

5 Interest bearing debt

<i>(in \$ thousand)</i>	Fortis Syndicate	Siem Industries	Total
Balance (including financing fees) 31 December 2009	81,337	12,921	94,258
Repaid debt	-12,274	-10,000	-22,274
Financing fees	166	79	245
Balance (including financing fees) 30 June 2010	69,229	3,000	72,229
Balance (including financing fees) 30 June 2009	95,734	12,962	108,696

6 Charter commitments

From 1 July 2010 <i>(in \$ thousand)</i>	2010	2011	2012-2020	Total
Long-term charters	35,331	70,310	460,948	566,589

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

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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 2010 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.

22 July 2010

Ole Martin Siem (Chairman)

Kristian Siem (Board member)

Michael Delouche (Board Member)

Per Chr. Haukenes (Board member)

Ole Jacob Diesen (Board Member)

Simon Stevens (CEO)