



## STAR REEFERS INC (“SRI”)

### REPORT FOR THE THIRD QUARTER 2007

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- **Net income of USD10.1 million (USD5.8 million), up 74%**
- **EPS USD1.15 (USD0.66), up 74%**
- **Agreement to purchase 2 reefers for USD60 million**
- **Debt repayment of USD21.6 million during Q3 (USD12.4)**

#### **Comparative Financial Statements (Q3 over Q3)**

STAR Reefers recorded net income of USD10.1 million (USD5.8 million for Q3 2006). Earnings per share was USD1.15 per share (USD0.66 per share).

Gross revenues were USD70.9 million (USD57.4 million) and capacity increased 4% to 59.9 million cbft. (57.7 million cbft.).

Ship operating and administrative expenses were USD19.0 million (USD18.0 million).

Time charter expenses were USD12.0 million (USD7.2 million). The number of vessels on time charter increased from 8 in Q3 2006 to 10 in this quarter as all 4 of the first series of newbuildings on charter have now been delivered. Bareboat charter hire was USD1.1 million (USD 2.9 million) as the number of ships on bareboat charter decreased from 7 to 3.

Depreciation and amortization increased to USD3.7 million (USD3.4 million), primarily as vessels previously on bareboat charter were acquired in December last year.

Interest expense was USD1.6 million (USD2.1 million). The reduced interest expense is primarily due to lower debt levels following repayments made during 2006 and 2007.

#### **Balance Sheet**

Shareholders' equity was USD196.9 million, or USD 22.49 per share (31 December 2006: USD159.0 million, or USD 18.16 per share). The equity ratio was 60%.

During Q3, STAR Reefers repaid/prepaid USD21.6 million of debt. Interest-bearing debt was USD94.4 million as of 30 September 2007, down from USD135.9 million at end of 2006.

#### **Market**

The average spot rates for larger vessels in Q3 2007 were 44 cents compared to 43 cents in Q3 2006, an increase of 2% (source: Orion Shipping).

The sideways movement in the spot market was mainly due to the lack of banana activity. Most major charterers had sufficient tonnage under contract to cover their own requirements and the high exit prices for bananas out of Ecuador reduced the spot market activity. Certain

charterers started reletting their own tonnage in the market, putting pressure on rates. Export of citrus out of South Africa, poultry from US Gulf and fish from West Africa and Chile caused more activity in the spot market as compared with last year.

### **Operational Issues**

During Q3 2007, we recorded unplanned operational off-hire of 2.9% (0.7%) of which 2.4% was due to crank shaft failure on the main engine of *Tauranga Star*. The rest of the fleet performed satisfactorily, only encountering minor problems, most of which resulted from the intensity of operations.

### **Fleet Changes**

STAR Reefers has entered into an agreement to acquire the *Solent Star* and *Southampton Star*, both with a capacity 506,228 cbft. and built in 2000 and 1999, respectively, for an aggregate amount of USD60 million. STAR Reefers is familiar with the vessels as they have been on time charter to STAR Reefers since delivery from Shikoku Dockyard in Japan. The vessels are scheduled to be delivered in Q4 2007.

### **Outlook**

The market outlook remains optimistic for the balance of 2007. Moroccan shipments have commenced strongly at rates in line with last year and Ecuadorian banana shipments are expected to increase in volume.

The supply of high-quality, efficient vessels suitable for year-round banana-trading remains tight. It is likely therefore that the October / November contract renewal negotiations will result in higher rates.

Some vessel scrapping resumed in Q3; two vessels over 400,000 cbft. They were built in 1973 and had a total capacity of 1.1 million cbft.

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Also download our web page [www.star-reefers.com](http://www.star-reefers.com)  
Market data sourced from Orion Shipping

24 October 2007

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 2007 (IFRS)**

<b>PROFIT AND LOSS STATEMENT</b> <i>(in \$ thousand)</i>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>3Q</b>	<b>3Q</b>	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>Jan-Dec</b>
Gross revenue	\$ 70,889	\$ 57,365	\$ 193,059	\$ 165,626	\$ 220,690
Voyage expenses and other operating revenue	-23,662	-18,146	-46,305	-36,715	-48,947
Net revenue	47,227	39,219	146,755	128,911	171,743
<b>Net operating revenues</b>	<b>47,227</b>	<b>39,219</b>	<b>146,755</b>	<b>128,911</b>	<b>171,743</b>
Ship operating and admin. expenses	-18,995	-18,007	-58,974	-53,683	-72,252
Time charter hire	-12,014	-7,217	-31,621	-21,479	-29,612
<b>Op. income bef. depr. and bare-boat hire</b>	<b>16,218</b>	<b>13,995</b>	<b>56,159</b>	<b>53,749</b>	<b>69,879</b>
Bare boat charter hire	-1,154	-2,854	-3,456	-8,422	-10,941
Depreciation and amortisation	-3,733	-3,377	-10,811	-10,123	-13,559
<b>Operating income</b>	<b>11,330</b>	<b>7,764</b>	<b>41,891</b>	<b>35,204</b>	<b>45,379</b>
Interest expense	-1,608	-2,081	-5,528	-6,388	-8,449
Other financial items net	338	148	1,562	596	637
<b>Net financial items</b>	<b>-1,270</b>	<b>-1,933</b>	<b>-3,966</b>	<b>-5,792</b>	<b>-7,812</b>
<b>Income bef. taxes and minority interest</b>	<b>10,060</b>	<b>5,831</b>	<b>37,925</b>	<b>29,412</b>	<b>37,567</b>
Taxes	-6	-77	-11	-225	99
<b>Net income</b>	<b>\$ 10,055</b>	<b>\$ 5,754</b>	<b>\$ 37,914</b>	<b>\$ 29,187</b>	<b>\$ 37,666</b>

Earnings per share (amounts in \$)	1.15	0.66	4.33	3.35	4.32
Diluted earnings per share (amounts in \$)	1.15	0.66	4.33	3.34	4.32
Wtd. avg. common shares outstanding	8,756,819	8,713,422	8,756,819	8,705,227	8,711,437
Wtd. avg. common shares outstanding + assumed conv.	8,756,819	8,730,727	8,756,819	8,727,837	8,728,074
Issued and outstanding shares	8,756,819	8,714,319	8,756,819	8,714,319	8,756,819

<b>BALANCE SHEET</b> <i>(in \$ thousand)</i>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>30 Sept</b>	<b>30 Sept</b>	<b>31 Dec</b>
<b>ASSETS</b>			
Tangible fixed assets			
Vessels	\$ 279,791	\$ 263,463	\$ 289,268
Other fixed assets	193	203	205
Other long-term assets			
Pension funds	198	208	196
Long term receivables & other assets	865	1,451	1,153
Current assets:			
Inventory	7,152	6,383	5,360
Receivables and other current assets	15,117	15,018	12,413
Bank deposits	22,668	19,931	11,247
<b>Total assets</b>	<b>\$ 325,984</b>	<b>\$ 306,657</b>	<b>\$ 319,842</b>
<b>EQUITY AND LIABILITIES</b>			
Equity:			
Share capital	\$ 87	\$ 87	\$ 87
Additional paid-in capital	60,984	60,349	60,984
Sharebased compensation	-	64	-
Retained earnings	135,837	89,444	97,923
<b>Total equity</b>	<b>196,908</b>	<b>149,944</b>	<b>158,994</b>
Interestbearing debt, long-term	82,326	105,549	109,715
Interestbearing debt, short-term	11,681	24,816	25,682
Other short-term debt	35,068	26,348	25,451
<b>Total liabilities</b>	<b>129,075</b>	<b>156,713</b>	<b>160,848</b>
<b>Total equity and liabilities</b>	<b>\$ 325,984</b>	<b>\$ 306,657</b>	<b>\$ 319,842</b>

<b>CASH FLOW STATEMENT</b> <i>(in \$ thousand)</i>	<b>2007</b> <b>3Q</b>	<b>2006</b> <b>3Q</b>	<b>2007</b> <b>Jan-Sept</b>	<b>2006</b> <b>Jan-Sept</b>	<b>2006</b> <b>Jan-Dec</b>
Cash flow from operating activities	11,025	2,768	52,959	38,478	54,087
Cash flow from investing activities	-26	-7	-49	-120	-29,983
Cash flow from financing activities	-21,628	-12,374	-41,489	-36,059	-30,489
<b>Net change in cash</b>	<b>\$ -10,629</b>	<b>\$ -9,613</b>	<b>\$ 11,421</b>	<b>\$ 2,299</b>	<b>\$ -6,385</b>
Cash at beginning of period	33,297	29,544	11,247	17,632	17,632
<b>Cash at end of period</b>	<b>22,668</b>	<b>19,931</b>	<b>22,668</b>	<b>19,931</b>	<b>11,247</b>

<b>CHANGE IN EQUITY</b> <i>(in \$ thousand)</i>	<b>2007</b> <b>Jan-Sept</b>	<b>2006</b> <b>Jan-Sept</b>	<b>2006</b> <b>Jan-Dec</b>
<b>Equity at beginning of period</b>	<b>158,994</b>	<b>120,321</b>	<b>120,321</b>
- Share issue		442	1,013
- Share based compensation		-6	-6
- Net profit for the period	37,914	29,187	37,666
<b>Equity at end of period</b>	<b>\$ 196,908</b>	<b>\$ 149,944</b>	<b>\$ 158,994</b>

***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 2006. The consolidated condensed financial statements should be read in conjunction with the 2006 annual financial statements, which include a full description of the Group's accounting policies.*