



## STAR REEFERS INC (“SRI”)

### REPORT FOR THE THIRD QUARTER 2008

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- **Net income of USD 5.9 million (Q3 2007: USD10.1 million)**
- **EPS USD 0.68 (USD1.15)**
- **Docking of 5 vessels to obtain ice trading certificates**
- **Debt repayment of USD18.2 million during Q3 (USD21.6 million)**
- **Spot rates in Q3 2008 down some 40% over Q3 2007**

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

STAR Reefers recorded net income of USD5.9 million (Q3 2007: USD10.1 million). Earnings per share was USD0.68 per share (USD1.15 per share).

Gross revenues were USD68.6 million (USD70.9 million). This reduction was due to significantly reduced spot rates which fell 40% year over year. The top line capacity increased around 12% year on year, however, the net capacity increased only 3% to 61.6 million cbft. (59.9 million cbft.) due to the strengthening of the hulls of 5 vessels to obtain ice trading certificates, scheduled dry-dockings and unplanned off-hire.

Ship operating and administrative expenses were USD20.8 million (USD19.0 million).

Time charter expenses were USD13.8 million (USD12.0 million) as the capacity of vessels on time charter increased 12% and the rates were up. Bareboat charter hire was USD1.0 million (USD1.2 million).

Depreciation and amortisation increased to USD4.1 million (USD3.7 million), mainly due to the acquisition of S-Class vessels in Q4 2007.

Interest expense was USD0.8 million (USD1.6 million). The reduced interest expense is due to lower interest rates and debt levels following repayments made during 2008.

#### **Balance Sheet**

Shareholders' equity was USD243.3 million or USD27.79 per share (31 December 2007: USD205.2 million or USD23.43 per share).

During Q3, STAR Reefers repaid/prepaid USD18.2 million of debt. Interest-bearing debt was USD96.8 million as of 30 September 2008, down from USD140.4 million at end of 2007. During 2008, the cash position increased from USD17.2 million year-end 2007 to USD19.5 million due to strong operational cash flow. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments.

#### **Market**

The average spot rate for larger vessels in Q3 2008 was 27 cents compared to 44 cents in Q3 2007, a fall of close to 40%. The spot market declined sharply from its June levels during July

and stayed low during much of the third quarter - as banana production dropped in Ecuador from 4.50 million boxes per week to nearer 4 million boxes per week. Elsewhere, there was little good news with subdued trading of frozen chicken and beef cargos and a premature end to the South African citrus season. However, the general shortage of quality vessels has ensured that the rates obtained for the period charters for 2009 and beyond have remained robust – despite the weakness in the spot market.

So far in 2008, in the segment for vessels above 400,000 cbft, 19 vessels representing 9.0 million cbft of capacity were scrapped. These vessels accounted for 6% of the fleet and had an average age of 29 years.

### **Operational Issues**

During Q3 2008, unplanned operational off-hire was 2.1% (2.9%) primarily due to off-hire arising in connection with the transferral of vessels to our in-house ship manager, STAR Reefers Poland.

### **Fleet Changes**

The Russian fruit import market is heavily committed to the use of specialized reefers and, during the winter, ice-strengthened vessels are required. In order to satisfy our customers demand STAR Reefers has, during Q3, strengthened the hulls of 5 vessels to obtain ice trading certificates. The average off-hire for each of the vessels in undergoing ice strengthening during the quarter was 28 days. Some of these vessels have since secured long-term contracts in the Baltic trades.

### **Outlook**

The credit crisis and the volatility in the global financial markets have had an adverse impact on world trade. Estimates for worldwide GDP growth and expectations of trade flows have been cut back significantly. The effects on the general shipping sector have already been reflected in severe reductions in some rates, cancellation of options to build new ships, and some relatively new vessels going into lay-up. This will not be an easy period for shipping companies. Specialised reefer shipping will not be immune from this trend. However, the longer term market outlook for the quality specialist reefer operators with modern, efficient and cost-effective fleets is likely to remain reasonable.

23 October 2008

The Board of Directors of Star Reefers Inc.

This release contains certain forward-looking statements regarding the Company's intent, belief 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 including those beyond the control of the Company.  
Market data sourced from Orion Shipping.

**STAR REEFERS INC. GROUP - QUARTERLY REPORT 2008 (IFRS)**

| <b>PROFIT AND LOSS STATEMENT</b><br><i>(in \$ thousand)</i> | <b>2008</b>     | <b>2007</b>      | <b>2008</b>      | <b>2007</b>      | <b>2007</b>      |
|---|-----------------|------------------|------------------|------------------|------------------|
|   | <b>3Q</b>       | <b>3Q</b>        | <b>Jan-Sept</b>  | <b>Jan-Sept</b>  | <b>Jan-Dec</b>   |
|   | Unaudited       | Unaudited        | Unaudited        | Unaudited        | Audited          |
| Gross revenue   | \$ 68,599       | \$ 70,889        | \$ 212,668       | \$ 193,059       | \$ 257,033       |
| Voyage expenses and other operating revenue                 | -22,149         | -23,662          | -48,950          | -46,305          | -62,192          |
| Net revenue   | 46,450          | 47,227           | 163,718          | 146,755          | 194,841          |
| <b>Net operating revenues</b>                               | <b>46,450</b>   | <b>47,227</b>    | <b>163,718</b>   | <b>146,755</b>   | <b>194,841</b>   |
| Ship operating and admin. expenses                          | -20,849         | -18,995          | -67,081          | -58,974          | -80,544          |
| Time charter hire   | -13,760         | -12,014          | -40,061          | -31,621          | -43,139          |
| <b>Op. income bef. depr. and bare-boat hire</b>             | <b>11,841</b>   | <b>16,218</b>    | <b>56,576</b>    | <b>56,159</b>    | <b>71,158</b>    |
| Bare boat charter hire                                      | -991            | -1,154           | -3,001           | -3,456           | -4,609           |
| Depreciation and amortisation                               | -4,077          | -3,733           | -12,225          | -10,811          | -14,910          |
| <b>Operating income</b>                                     | <b>6,773</b>    | <b>11,330</b>    | <b>41,350</b>    | <b>41,891</b>    | <b>51,639</b>    |
| Interest expense  | -846            | -1,608           | -3,399           | -5,528           | -7,309           |
| Other financial items net                                   | -14             | 338              | 210              | 1,562            | 1,872            |
| <b>Net financial items</b>                                  | <b>-860</b>     | <b>-1,270</b>    | <b>-3,189</b>    | <b>-3,966</b>    | <b>-5,437</b>    |
| <b>Income bef. taxes and minority interest</b>              | <b>5,913</b>    | <b>10,060</b>    | <b>38,161</b>    | <b>37,925</b>    | <b>46,202</b>    |
| Taxes   | 13              | -6               | -35              | -11              | -9               |
| <b>Net income</b>   | <b>\$ 5,926</b> | <b>\$ 10,055</b> | <b>\$ 38,126</b> | <b>\$ 37,914</b> | <b>\$ 46,193</b> |
| Earnings per share:   |                 |                  |                  |                  |                  |
| Basic and diluted (amounts in \$)                           | 0.68            | 1.15             | 4.35             | 4.33             | 5.28             |
| Wtd. avg. common shares outstanding, basic and diluted      | 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        |

| <b>BALANCE SHEET</b><br><i>(in \$ thousand)</i> | <b>2008</b>       | <b>2007</b>       | <b>2007</b>       |
|---|-------------------|-------------------|-------------------|
|   | <b>30 Sept</b>    | <b>30 Sept</b>    | <b>31 Dec</b>     |
|   | Unaudited         | Unaudited         | Audited           |
| <b>ASSETS</b>                                   |                   |                   |                   |
| Tangible fixed assets                           |                   |                   |                   |
| Vessels   | \$ 327,074        | \$ 279,791        | \$ 336,872        |
| Other fixed assets                              | 249               | 193               | 219               |
| Other long-term assets                          |                   |                   |                   |
| Pension funds                                   | 208               | 198               | 227               |
| Long term receivables & other assets            | 480               | 865               | 769               |
| Current assets:                                 |                   |                   |                   |
| Inventory                                       | 12,165            | 7,152             | 7,813             |
| Receivables and other current assets            | 24,806            | 15,117            | 22,002            |
| Bank deposits                                   | 19,546            | 22,668            | 17,183            |
| <b>Total assets</b>                             | <b>\$ 384,528</b> | <b>\$ 325,984</b> | <b>\$ 385,085</b> |
| <b>EQUITY AND LIABILITIES</b>                   |                   |                   |                   |
| Equity:   |                   |                   |                   |
| Share capital                                   | \$ 87             | \$ 87             | \$ 87             |
| Additional paid-in capital                      | 60,984            | 60,984            | 60,984            |
| Retained earnings                               | 182,242           | 135,837           | 144,116           |
| <b>Total equity</b>                             | <b>243,313</b>    | <b>196,908</b>    | <b>205,187</b>    |
| Interestbearing debt, long-term                 | 74,653            | 82,326            | 118,263           |
| Interestbearing debt, short-term                | 21,740            | 11,681            | 21,681            |
| Other short-term debt                           | 44,822            | 35,068            | 39,954            |
| <b>Total liabilities</b>                        | <b>141,215</b>    | <b>129,075</b>    | <b>179,898</b>    |
| <b>Total equity and liabilities</b>             | <b>\$ 384,528</b> | <b>\$ 325,984</b> | <b>\$ 385,085</b> |

| <b>CASH FLOW STATEMENT</b><br><i>(in \$ thousand)</i> | <b>2008</b>       | <b>2007</b>       | <b>2008</b>     | <b>2007</b>      | <b>2007</b>     |
|---|-------------------|-------------------|-----------------|------------------|-----------------|
|   | <b>3Q</b>         | <b>3Q</b>         | <b>Jan-Sept</b> | <b>Jan-Sept</b>  | <b>Jan-Dec</b>  |
|   | Unaudited         | Unaudited         | Unaudited       | Unaudited        | Audited         |
| Cash flow from operating activities                   | 9,739             | 11,025            | 48,044          | 52,959           | 61,310          |
| Cash flow from investing activities                   | -1,985            | -26               | -2,028          | -49              | -59,788         |
| Cash flow from financing activities                   | -18,164           | -21,628           | -43,653         | -41,489          | 4,414           |
| <b>Net change in cash</b>                             | <b>\$ -10,410</b> | <b>\$ -10,629</b> | <b>\$ 2,363</b> | <b>\$ 11,421</b> | <b>\$ 5,936</b> |
| Cash at beginning of period                           | 29,956            | 33,297            | 17,183          | 11,247           | 11,247          |
| <b>Cash at end of period</b>                          | <b>19,546</b>     | <b>22,668</b>     | <b>19,546</b>   | <b>22,668</b>    | <b>17,183</b>   |

| <b>CHANGE IN EQUITY</b><br><i>(in \$ thousand)</i> | <b>2008</b>       | <b>2007</b>       | <b>2007</b>       |
|--|-------------------|-------------------|-------------------|
|  | <b>Jan-Sept</b>   | <b>Jan-Sept</b>   | <b>Jan-Dec</b>    |
|  | Unaudited         | Unaudited         | Audited           |
| <b>Equity at beginning of period</b>               | <b>205,187</b>    | <b>158,994</b>    | <b>158,994</b>    |
| - Net profit for the period                        | 38,126            | 37,914            | 46,193            |
| <b>Equity at end of period</b>                     | <b>\$ 243,313</b> | <b>\$ 196,908</b> | <b>\$ 205,187</b> |

## 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 2008 and 2007 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 2007. The consolidated condensed financial statements should be read in conjunction with the 2007 annual financial statements, which include a full description of the Group's accounting policies.

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