



STAR Reefers

STAR REEFERS INC.

REPORT FOR THE FIRST NINE MONTHS AND 3RD QUARTER 2011

21 October 2011 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its results for the quarter and the nine month period ended 30 September 2011, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

Highlights 3rd Quarter of 2011

- **Net loss of USD14.1 million (Q3 2010: net loss USD3.7 million)**
- **EPS USD -1.46 (USD-0.38)**
- **Net debt repayment of USD6.5 million during Q3 (USD9.3 million)**
- **High Court rules in favour of STAR Reefers in Charter Dispute**

Third Quarter Financial Statements

STAR Reefers recorded a net loss of USD14.1 million (Q3 2010: net loss USD3.7 million). Earnings (-loss) per share was USD -1.46 per share (USD-0.38 per share).

Gross revenue was USD69.6 million (USD52.2 million). Net operating revenue was USD32.7 million (USD40.5 million). The reduction in revenue was due to reduced rates, somewhat mitigated by increased capacity. The capacity increased by 3% to 62.1 million cbft. (59.9 million cbft.).

Ship operating and administrative expenses were USD22.2 million (USD20.7 million).

Time charter and bareboat expenses were USD17.4 million (USD17.5 million).

Depreciation and amortisation was USD4.5 million (USD5.5 million) primarily due to scrapping of vessels in 2011.

Interest expense was USD0.6 million (USD0.4 million). The effects of the increased margins on the loans offset the effects of lower average outstanding balances.

Other financial expenses were USD2.1 million (USD0.1 million). The company has entered into 5-year interest swaps to cover part of the interest rate exposure on the mortgage loan. Mark to market of the hedging instrument resulted in a loss of USD2.0 million.

Year-to-Date Financial Statements

STAR Reefers recorded a net loss of USD22.9 million (YTD 30 September 2010: net income USD3.9). Earnings (-loss) per share was USD -2.38, (USD0.41). The net loss includes a USD12.3million impairment charge on older inefficient vessels which are likely to be scrapped and a USD0.2 million gain on the sale of assets. The net loss excluding this charge and this gain was USD10.8 million (USD3.9 million).

Gross revenue was USD220.3 million (USD181.9 million) and capacity decreased 2% to 188.7 million cbft (192.0 million cbft). Net operating revenue was USD126.4 million (USD138.5 million).

Ship operating and administrative expenses were USD65.1 million (USD67.5 million).

Time charter and bareboat charter expenses increased to USD52.5 million (USD49.7 million) primarily due to the delivery of two new vessels on time charter in February and April 2010.

Depreciation and amortisation was USD15.4 million (USD16.6million).

During the second quarter 2011, the Company performed an impairment evaluation of the fleet resulting in an impairment charge of USD12.3 million.

Interest expense was USD1.8 million (USD1.3 million). The reduced interest expense was due to lower outstanding balances.

Other financial expenses increased to USD2.5 million (income of USD0.4 million), primarily due to mark to market of 5-year interest swaps.

Net gain on sale of vessels was USD0.2 million.

Statement of Financial Position

Shareholders' equity was USD258.7 million as at 30 September 2011 (31 December 2010: USD281.6 million), or USD26.81 per share (31 December 2010: USD29.19 per share). During the first 9 months of 2011, STAR Reefers repaid USD13.0 million of bank loans, reducing interest-bearing debt from USD65.0 million at year end 2010 to USD52.0 million at 30 September 2011. Cash increased to USD16.8 million at end of September 2011 from USD13.4 million at 31 December 2010. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments.

High Court rules in favour of STAR Reefers and against JFC in Charter Dispute

The *Almeda Star*, *Avelona Star* and *Cape Town Star* were chartered by Kalistad Ltd of Cyprus (a subsidiary of JFC Group Holdings BVI) in November 2008 for a period of 36 months. The High Court ruled that the charterer wrongfully terminated the charters on 15 September 2010 on the basis of spurious allegations relating to the performance of the vessels. STAR Reefers was found to have exercised proper diligence in its technical management and operation of the vessels.

In August 2011, the High Court in London ruled in favour of STAR Reefers and issued a High Court Order that the major Russian fruit importer JFC Group Co. Ltd, an Associate of Kalistad Ltd., which provided a guarantee for the charter, must pay STAR Reefers damages in the sum of USD16.5 million plus legal costs. No payment has yet been received.

Market

According to Reefer Trends, the average spot market rate for larger vessels in Q3 2011 was 16 cents compared to 32 cents in Q3 2010, a decrease of 50%. Despite extensive scrapping of vessels by owners of reefer ships since January and an estimated 30 units entering lay-up, the average TC return remained at a low level. High bunker prices were a major contributing factor to the low TC returns which was also impacted by the aggressive pricing of container lines to secure additional cargo volumes for their excess capacity by further penetrating the traditional reefer trades.

Decreases in Ecuadorian banana production and the inroads made by the container lines in obtaining Latin American banana cargoes eroded the available market share for conventional reefers and as a result rates fell. Poultry cargoes remained infrequent with rates mirroring low banana freights whilst extra liner services meant limited availability of spot Southern Hemisphere citrus cargoes.

Banana export volumes from Ecuador and Central America has, since April, been in a state of near collapse due to weak economies, early hot weather conditions in the Mediterranean and political disturbances in North Africa which had a negative impact on demand for perishables. Non-EU Mediterranean banana selling prices were reported to be under US\$7 per carton for extended periods this Summer when the total cost of supplying the bananas including freight was about \$10 per carton. As a result many traders withdrew from the market.

In the first 9 months of 2011 in the segment of vessels with a capacity over 400,000 cbft., 12 vessels with total capacity 5.9 million cbft. were scrapped, representing 4.2% of the fleet, as compared to 16 vessels with a total capacity of 7.9 million cbft. in the same period last year.

Operational Issues

During the first nine months of 2011, the unplanned operational off-hire for technical reasons was 2.0% (2010: 2.2%).

During Q3, *Afric Star* was detained on grounds of alleged oil pollution in Algeciras, Spain and *Nelson Star* was involved in a minor oil spillage which was rapidly collected with no damage to the environment in Dutch Harbour, Alaska.

Fleet Changes and Deployment

In January 2010, STAR Reefers entered into an agreement to charter-out *Sky Glider* and *Sky Pegasus* (previously *Trojan Star* and *Tudor Star*) on 3-year bareboat charters, with options for the charterer to acquire the vessels. In Q2, the options were exercised generating a profit for the Company of USD0.8 million.

During Q1 2011, STAR Reefers had 7 vessels in lay-up in the Gdansk area. At the end of March, the Company re-activated the ice-classed vessels, *Scottish Star* and *Canterbury Star*, as a consequence of a perceived opportunity from improved rates. In Q2, STAR Reefers sold the *Canterbury Star* in Fujairah for scrapping; its sales price was USD2.9 million and the net loss was USD0.6 million. The *Scottish Star* was sold, in Fujairah for scrapping on 30 September for USD3.0 million with no profit and loss effect, except for the impairment charge made in Q2.

The *English Star* has been sold in Fujairah for scrapping in Q4 2011 at a price of USD3.0 million with no profit and loss effect, except for the impairment charge made in Q2.

At 30 September 2011, 63.0% of fleet capacity for the remainder of 2011 had been fixed and the balance is exposed to the spot market.

Outlook

So far, 2011 has been one of the most challenging years on record for the specialised reefer sector with a number of negative factors present, including depressed economies, increasingly desperate competition from the container lines, disruption in the Mediterranean and high bunker prices. Some reefer owners have reacted to these challenges by placing some of their older and less efficient vessels into lay-up or using the high steel prices to scrap some of their older vessels. But many reefer owners have chosen to carry on trading at rates which are frequently below operating costs. It is possible that more reefer owners will choose, in 2012, to withdraw their vessels from the market if continued trading does not make economic sense.

There has been limited term charter activity this year as charterers seemed generally inclined to shed tonnage wherever possible. The Fedex (Canary Island /N.Cont tomato export) renewed its 3-ship contract at a slight increase for 2011/12 whilst one 12-month 4-ship banana time charter was renewed for 2012 below the expiring rate which was fixed during the sector's previous peak.

Whilst there is still reasonable demand for the most efficient ships, many less efficient units face a daily price-driven battle with container lines who seem motivated only by market share. The specialised reefer fleet will inevitably emerge smaller and more focussed than at the start of the crisis.

20 October 2011

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 - 3rd QUARTER 2011

STATEMENTS OF COMPREHENSIVE INCOME (in \$ thousand)	2011	2010	2011	2010	2010
	3Q Unaudited	3Q Unaudited	Jan-Sept Unaudited	Jan-Sept Unaudited	Jan-Dec Audited
Gross revenue	\$ 69,615	\$ 52,173	\$ 220,334	\$ 181,867	\$ 240,497
Voyage expenses and other operating revenue	-36,901	-11,640	-93,912	-43,341	-60,437
Net operating revenue	32,714	40,533	126,422	138,526	180,060
Ship operating and admin. expenses	-22,206	-20,674	-65,113	-67,488	-89,771
Time charter hire	-17,054	-17,133	-51,381	-48,583	-65,838
Op. income bef. depr. and bare-boat hire	-6,546	2,726	9,928	22,455	24,451
Bareboat charter hire	-373	-373	-1,108	-1,109	-1,483
Depreciation and amortisation	-4,461	-5,520	-15,353	-16,563	-22,084
Impairment	-	-	-12,311	-	-
Operating income	-11,380	-3,167	-18,844	4,783	884
Interest expense	-577	-417	-1,772	-1,294	-1,669
Other financial items net	-2,095	-110	-2,534	389	874
Profit / Loss on sale of vessels	-	-	239	-	-
Net financial items	-2,672	-527	-4,067	-905	-795
Net income / (-loss) before tax	-14,052	-3,694	-22,911	3,878	89
Taxes	-3	-6	-20	-17	-22
Net income / (-loss)	\$ -14,055	\$ -3,700	\$ -22,931	\$ 3,861	\$ 67
Other comprehensive income	-	-	-	-	-
Total comprehensive income / (-loss)	\$ -14,055	\$ -3,700	\$ -22,931	\$ 3,861	\$ 67
Earnings / (-loss) per share, basic and diluted (amounts in \$)	-1.46	-0.38	-2.38	0.41	0.01
Wtd. avg. common shares outstanding	9,647,479	9,647,479	9,647,479	9,357,117	9,430,304
Issued and outstanding shares	9,647,479	9,647,479	9,647,479	9,647,479	9,647,479

STATEMENTS OF FINANCIAL POSITION (in \$ thousand)	2011	2010	2010
	30 Sept Unaudited	30 Sept Unaudited	31 Dec Audited
ASSETS			
Tangible non-current assets			
Vessels	\$ 293,069	\$ 339,695	\$ 333,879
Other non-current assets	310	250	252
Other non-current assets			
Pension funds	202	182	202
Current assets:			
Inventory	15,704	9,687	11,494
Non-current asset held for sale	1,940	-	-
Receivables and other current assets	25,174	19,271	25,454
Bank deposits	16,779	11,400	13,400
Total assets	\$ 353,178	\$ 380,485	\$ 384,681
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity:			
Share capital	\$ 96	\$ 96	\$ 96
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	179,912	206,637	202,843
Total Shareholders' equity	258,695	285,420	281,626
Interest bearing debt, long-term	38,465	-	51,529
Interest bearing debt, short-term	12,836	63,024	12,894
Other short-term debt	43,182	32,041	38,632
Total liabilities	94,483	95,065	103,055
Total Shareholders' equity and liabilities	\$ 353,178	\$ 380,485	\$ 384,681

STATEMENTS OF CASH FLOWS					
<i>(in \$ thousand)</i>	2011	2010	2011	2010	2010
	3Q	3Q	Jan-Sept	Jan-Sept	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Profit / (-loss) before tax	-\$14,052	-\$3,694	-\$22,911	\$3,878	\$ 89
Depreciation and amortisation	4,461	5,520	15,353	16,563	22,083
Impairment	-	-	12,311	-	-
Net drydocking costs	-1,024	-400	1,268	1,111	1,435
Other	5,112	823	724	-9,457	-10,668
Cash flow from operating activities	-5,503	2,249	6,745	12,095	12,939
Sale of vessels	4,032	-	10,016	-	-
Other	-87	-29	-137	-100	-234
Cash flow from investing activities	3,945	-29	9,879	-100	-234
Share issue, net of issue costs	-	-	-	17,712	17,712
New interest bearing debt	-	3,000	-	3,000	68,000
Repaid interest bearing debt	-6,500	-12,274	-13,000	-34,548	-97,672
Net changes in financing fees	-13	-30	-245	-30	-616
Cash flow from financing activities	-6,513	-9,304	-13,245	-13,866	-12,576
Net change in cash	\$ -8,071	\$ -7,084	\$ 3,379	\$ -1,871	\$ 129
Cash at beginning of period	24,850	18,484	\$ 13,400	\$ 13,271	\$ 13,271
Cash at end of period	\$ 16,779	\$ 11,400	\$ 16,779	\$ 11,400	\$ 13,400

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY				
<i>(in \$ thousand)</i>	2011	2010	2010	
	Jan-Sept	Jan-Sept	Jan-Dec	
	Unaudited	Unaudited	Audited	
Shareholders' equity at beginning of period	\$ 281,626	263,847	\$ 263,847	
- Share issue	-	17,712	17,712	
- Net profit for the period	-22,931	3,861	67	
Shareholders' equity at end of period	\$ 258,695	\$ 285,420	\$ 281,626	

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 2011 and 2010 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 2010. The consolidated condensed financial statements should be read in conjunction with the 2010 annual financial statements, which include a full description of the Group's accounting policies.

3 Tangible assets

<i>(in \$ thousand)</i>	30 Sept 11	30 Sept 10	31 Dec 10
Book value beginning of year	334,131	357,519	357,519
Additions	2,474	2,640	3,593
Disposal	-10,144	-	-
Reclassification - Assets held for sale	-1,940	-	-
Depreciation and amortisation of dry docking for the period	-18,831	-20,214	-26,981
Impairment	-12,311	-	-
Book value end of period	293,379	339,945	334,131

4 Interest bearing debt

<i>(in \$ thousand)</i>	Siem Industries Inc	ABN AMRO Syndicate	Total
Balance (including financing fees) 31 December 2010	-	64,423	64,423
Repaid debt	-	-13,000	-13,000
Financing fees	-	-122	-122
Balance (including financing fees) 30 September 2011	-	51,301	51,301
Balance (including financing fees) 30 September 2010	5,985	57,039	63,024

5 Charter commitments

From 1 September 2011 <i>(in \$ thousand)</i>	2011	2012	2013-2020	Total
Long-term charters	17,465	70,359	391,694	479,518

6 Related parties

The Company continues to lease office space from other Siem Group companies, shares joint office facilities with other companies in the Siem Group in the Cayman Islands and benefits from financial guarantees provided by Siem Industries. Siem Car Carriers AS (Group) is indirectly owned by 100% Siem Industries. With effect from 5 January 2011 STAR Reefers provides management services to Siem Car Carriers on an arm's length basis.

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

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