



STAR REEFERS INC (“SRI”)

REPORT FOR THE FOURTH QUARTER AND FULL YEAR 2004

- **Net income 2004 USD 12.4 million, up from USD 5.2 million 2003**
- **EPS 2004 USD 1.47 against USD 0.67 last year**
- **Freight rates 2004 of 54 cents/cbft/30days (“cents”) up 17% on last year 46 cents**
- **Gain on sales of assets of USD 5.2 million, USD 6.1 million last year**
- **Significant increase in fleet value**
- **Equity ratio 31 December 2004 of 41% up from 28% last year**

Highlights 2004

STAR Reefers entered into time-charters for two new reefer vessels, each with a capacity of 585,000 cbft, for a period of 10 years. Vessels will be built at Shikoku Yard in Japan and are scheduled to be delivered Q1 2006 and Q4 2006.

Shipbroker’s valuation of the STAR Reefers fleet had increased over the year to End-December 2004 by approximately 35%.

The Company continued to consolidate its operations during 2004 with the Technical Operations Dept moving to STAR Reefers UK Ltd.’s offices in London.

The unplanned off-hire was further reduced in 2004 to 1.1%, an improvement from 1.3% last year.

In December, STAR Reefers took delivery of the 1993 built specialised reefer vessel Regal Star (capacity: 526,250 cbft.). The vessel had until then been on time charter to STAR Reefers since delivery from the shipyard in Japan in February 1993.

In a private placement in Q1 2004, STAR Reefers issued 764,619 new shares at NOK 83/share.

STAR Reefers renegotiated its Term Loan and secured lower margins on debt of USD 92.4 million.

Two vessels were sold for USD 25.5 million in aggregate generating a profit of USD 4.8 million. The vessels were taken back on a 5 year time charter and fixed to an independent operator for a period of 3 years.

Comparative Financial Statements (Q4 over Q4)

STAR Reefers posted a net loss before gains on sales of assets of USD 3.3 million against a loss before gains on sales of assets of USD 6.3 million in 2003. The net loss was USD 3.1 million, compared with a net loss of USD 1.7 million last year. EPS was a loss of USD 0.36 per share against a loss of USD 0.22 per share last year.

Gross freight revenues increased from USD 37.3 million to USD 43.0 million or 15%. Capacity employed decreased from 65.4 million cbft, to 59.6 million cbft. Freight rates before pool fees were up 28% from 38 cents last year to 49 cents.

Ship operating expenses, excluding drydocking, were USD 5,400/day, or USD 700/day higher than Q4 2003. In general, operating expenses were negatively affected by a weak USD and strong shipping markets in general. Specifically, approximately USD 400/day of the increase is attributed to vessel upgrades undertaken to reduce the risk of breakdowns including the replacement of certain equipment and the reconditioning of the main engines on two vessels to reduce lube oil consumption. Aggregate drydocking expenses during Q4 were approximately USD 2.0 million as compared to USD 1.4 million in Q4 2003.

Time charter expenses (net of provision taken to income) increased from USD 8.3 million to USD 12.8 million as more ships were chartered in at higher rates than the year before. Bareboat hire increased from USD 1.7 million to USD 2.3 million as the number of ships on bareboat charters increased from 4 to 6 vessels.

Net interest expense was USD 0.9 million as compared to USD 1.9 million last year, primarily due to lower margins, lower debt and the expiration of an interest swap entered into in 2001.

Balance Sheet, End December 2004

Shareholders' equity was USD 82.6 million, or USD 9.71 per share, based on 8,499,819 issued and outstanding shares. The equity ratio was 41%. Bank deposits were USD

21.5 million, up from USD 20.2 million at the beginning of the year, due to increased operational cash flow, a private placement of shares in February, the sale of vessels and debt repayments. Proceeds were partly used to finance the acquisition of Regal Star. The balance of the purchase price of Regal Star was financed with a short term credit facility of USD 7.0 million from Siem Industries (74% shareholder of SRI and related party). Interest bearing debt was USD 99.4 million down from USD 130.1 million at the beginning of the year.

Market

In Q4 2004, the average spot rates for larger vessels were up some 50% compared to 2003. The key Ecuadorian banana market remained firm and the export of poultry from the US, fish from West Africa and grapes from South Africa all helped the market to remain strong throughout the quarter.

The 12 month time charter rates for 2004, for contracts entered into at the end of 2003 was up approx. 5% as compared with prior year. The 2004 spot market was the strongest since 1997 and the average spot rates for larger vessels were up 27% on 2003.

In May, the market picked up dramatically and freight rates stayed at levels considerably above the levels normal for the rest the year. The market was driven by high activity in the traditional reefer trades of fish, poultry and bananas. Additionally, a booming container market shifted the focus of the container carriers towards dry cargo. The general strength of the shipping markets made it attractive for specialized reefers to carry secondhand cars and general dry cargo.

In 2004, 25 vessels representing 6.0 million cbft were scrapped. During the year, only 4 new-buildings were commissioned.

The unexpected strong markets in 2004 and the prospect of the markets remaining strong into 2005 encouraged charterers to fix their 2005 charters earlier than usual and at rates 15%-30% over last year.

Operational Issues

Unplanned operational off-hire in Q4 was 0.9% as compared with 1.6% last year. The 2004 annual unplanned off-hire came to 1.1% an improvement from 1.3% last year.

Implementation of IFRS

As a listed company, Star Reefers will have to report according to International Financial Reporting Standards (IFRS) with effect from Q1 2005. Prior to releasing the

Q1 2005 Report Star Reefers will disclose restated 2004 P&L on a quarterly basis and restated balance sheets.

Outlook

2005 has started well. Approximately 80% of the Company's business for 2005 has been fixed, primarily in the form of time charters and contracts of affreightments, at better rates than achieved in 2004.

The optimism in the marketplace is strong. There is an expectation that the significant and growing demand for fresh produce over the next few years together with a shrinking fleet will more than counterbalance the adverse factors of higher oil prices and increasing dry-docking and repair costs.

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Also download our web page www.star-reefers.com
Market data sourced from Orion Shipping

28 February 2005

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 - FOURTH QUARTER REPORT 2004

PROFIT AND LOSS STATEMENT

(in \$ thousand)

	2004	2003	2004	2003
	4Q	4Q	Jan-Dec	Jan-Dec
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Gross revenue	43,044	37,310	196,243	\$ 166,074
Voyage expenses	-15,242	-13,246	-66,785	-54,228
Net revenue	27,802	24,064	129,458	111,846
Other operating revenue	342	316	657	490
Net operating revenues	28,144	24,380	130,115	112,336
Ship operating expenses	-13,227	-13,320	-44,137	-43,681
Time charter hire	-12,939	-9,198	-54,767	-43,627
Provision taken to income	101	856	201	1,712
Administrative expenses	-265	-1,274	-1,726	-3,693
Op.income bef. depr. and bare-boat hire	1,814	1,444	29,686	23,047
Bare-boat charter hire	-2,345	-1,731	-9,274	-6,293
Depreciation and amortisation	-2,052	-2,819	-8,932	-9,449
Gain (loss) on sale of vessels/subsidiary	235	4,579	5,228	6,056
Operating income	-2,348	1,473	16,708	13,361
Interest income	134	84	428	363
Interest expense	-1,005	-1,988	-4,436	-7,077
Other financial items	-58	-1,446	-148	-1,558
Foreign currency exchange gain (loss)	216	103	-94	56
Net financial items	-713	-3,247	-4,250	-8,216
Income bef. taxes and minority interest	-3,061	-1,774	12,458	5,145
Taxes	-	42	-43	41
Net income	\$ -3,061	\$ -1,732	\$ 12,415	\$ 5,186

Earnings per share (amounts in \$)	-0.36	-0.23	1.49	0.68
Diluted earnings per share (amounts in \$)	-0.36	-0.22	1.47	0.67
Weighted average common shares outstanding	8,486,189	7,646,200	8,348,912	7,646,200
Weighted av. common shares outst. + assumed conversions	8,602,588	7,710,616	8,447,236	7,686,850

BALANCE SHEET

(in \$ thousand)

	2004	2003
	31 Dec.	31 Dec.
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Inangible fixed assets		
- Goodwill	\$ 1,922	\$ 2,306
Tangible fixed assets		
- Vessels	157,507	168,015
- Other fixed assets	155	384
Financial fixed assets		
- Pension funds	556	560
- Deferred financing fees	382	-
- Long term receivables & other assets	2,445	3,536
Inventory	3,209	3,967
Current assets		
- Receivables and other current assets	11,525	14,001
- Bank deposits	21,530	20,212
Total assets	199,231	212,981
EQUITY AND LIABILITIES		
Equity		
- Share capital	85	76
- Additional paid-in capital	58,338	48,720
- Retained earnings	24,150	11,736
Total equity	82,573	60,532
Provisions	-	201
Interestbearing debt	99,437	130,110
Short-term liabilities	17,221	22,138
Total provisions and liabilities	116,658	152,449
Total equity and liabilities	\$ 199,231	\$ 212,981

CASH FLOW STATEMENT (in \$ thousand)	2004	2004	2003	2003
	4Q (unaudited)	Jan-Dec (unaudited)	4Q (unaudited)	Jan-Dec (audited)
Cash flow from operating activities	143	14,946	2,063	12,040
Cash flow from investing activities	-18,023	7,418	4,798	11,066
Cash flow from financing activities	7,252	-21,046	-7,050	-20,590
Net change in cash	\$ -10,628	\$ 1,318	\$ -189	\$ 2,516
Cash at beginning of period	32,158	20,212	20,401	17,696
Cash at end of period	21,530	21,530	20,212	20,212

CHANGE IN EQUITY (in \$ thousand)	2004	2003
	Jan-Dec (unaudited)	Jan-Dec (audited)
Equity at beginning of period	60,532	55,346
- Share issue	9,626	-
- Net profit for the period	12,415	5,186
Equity at end of period	82,573	\$ 60,532

Note:

The quarterly report has been prepared in accordance with the accounting standard regarding periodic accounts and the same accounting principles have been applied as in the annual report for 2003.

Fleet Capacity (in cbft)

	1Q	2Q	3Q	4Q	Total
2004	ACTUAL	ACTUAL	ACTUAL	ACTUAL	
Owned vessels	27,366,484	27,438,835	24,279,705	23,240,670	102,325,694
Bare-boat chartered vessels	9,829,380	9,815,040	9,918,728	9,748,113	39,311,261
Timechartered vessels	24,918,662	26,125,587	26,720,672	26,618,976	104,383,897
Total 2004	62,114,526	63,379,462	60,919,106	59,607,759	246,020,853

Fleet Capacity (in cbft)

	1Q	2Q	3Q	4Q	Total
2005	FORECAST				
Owned vessels	24,718,582	25,115,106	25,455,139	25,682,294	100,971,121
Bare-boat chartered vessels	9,721,365	9,829,380	9,600,413	8,712,915	37,864,073
Timechartered vessels	21,638,919	21,879,352	21,641,757	21,355,841	86,515,869
Total 2005	56,078,866	56,823,838	56,697,309	55,751,050	225,351,063

