STAR REEFERS INC ("SRI")

REPORT FOR THE FOURTH QUARTER AND FULL YEAR

2006

- **Net income USD 37.7m, up from USD 31.2m in 2005**
- **Diluted EPS 2006 USD 4.32 against USD 3.59 last year**
- **Freight rates of 75 cents/cbft/30days ("cents") up 9% on 2005**
- **Shareholders Equity up to USD 159m (USD 120m in 2005)**
- **EBITDA of USD 58.9m used to pay down debt and acquire 4 vessels**
- **5 yr contract to charter out 4 newbuildings (2 delivered in 2006)**
- **In-house ship management started successfully in Poland**

Highlights 2006

In March and December 2006, STAR Reefers took delivery of two new specialised reefer vessels: "STAR First" and "STAR Prima". The specialised 617,000 cbft plus 192 FEU container vessels are on 10-year charters from a Japanese owner and are the first two in a series of four sister vessels. The remaining two vessels are scheduled to be delivered during the first half of 2007. The fleet renewal is part of the Company's strategy to secure modern long-term reefer tonnage to maintain its position as a leading specialist reefer operator, providing our customers with a high quality service.

The Company confirmed its policy of fixing vessels on long term deployment by agreeing, in principle, to enter into a contract to charter out the four newbuildings for five years to a large multinational banana company. The time charter rate for the last two years is subject to adjustment.

In December 2006, Star Reefers acquired the four reefer vessels, *Avelona Star* (1991-built 575,000 cbft), *Almeda Star* (1991-built 575,000 cbft), *Andalucia Star* (1991-built 575,000 cbft) and *Wellington Star* (1992-built, 424,000 cbft). The vessels have been on a bareboat charter to Star Reefers for several years and the Company's option to acquire the vessels was declared in June 2006. The aggregate adjusted purchase price for the vessels was USD 29.8 million.

The Company strengthened its balance sheet in 2006 by building up its level of shareholders equity to USD 159 million from USD 120 million and by reducing the level of interest-bearing debt from USD 167 million to USD 136 million. The equity ratio increased to 50% from 39% in 2005.

In February 2006, STAR Reefers established a subsidiary in Gdynia, Poland and successfully took over the ship management function of the eight vessels which previously had been managed by IUM.

Comparative Financial Statements (Q4 over Q4)

STAR Reefers posted a net income of USD 8.5 million in Q4 2006 (Q4 2005: USD 3.4 million). Diluted EPS was USD 0.97 (2005: USD 0.39).

Gross freight revenues increased 2% to USD 55.1 million (USD 54.1 million). Capacity employed increased 3% to 59.0 million cbft (2005: 57.3 million cbft). Freight rates were up 21% to 73 cents (2005: 60 cents).

Ship operating expenses, including amortisation of drydock expenses, were USD 16.1 million (USD 13.3 million) or USD 5,800/day. The USD 1,000/day increase over 2005, reflects both STAR Reefers' policy of upgrading its fleet to provide a high quality service for its customers and the general increase in operating expenses in the shipping industry.

Time charter expenses were USD 8.1 million (2005: USD 7.3 million) due to increased capacity and higher rates. Bareboat charter hire was USD 2.5 million (2005: USD 2.8 million) as the number of ships on bareboat charters decreased from 7 to 3 vessels in December.

Depreciation was USD 3.4 million (2005: USD 3.2 million) as 4 vessels previously on time charter were acquired mid-December 2006. Administrative expenses were USD 2.5 million (2005: USD 2.4 million).

Interest expense was USD 2.1 million as compared to USD 2.2 million prior year, primarily due to lower debt following net repayments USD 31.5 million of debt. The effect was partly offset by higher interest rates. Net financial items was USD -0.3 million (2005: USD -0.5 million). Taxes were a benefit of USD 0.3 million (2005: USD -0.2 million) due to adjustment of prior periods.

Balance Sheets at December 31, 2006 and 2005

Shareholders' equity was USD 159.0 million, or USD 18.16 per share, based on 8,756,819 issued and outstanding shares. The equity ratio was 50%. Bank deposits were USD 11.2 million, down from USD 17.6 million at the beginning of the year, as operational cash flow has been used to prepay debt and finance acquisitions. Interest-bearing debt decreased from USD 167.4 million to USD 135.9 million during the year and four vessels previously on bareboat charter were acquired for USD 29.8 million in December 2006.

Market

The average spot market rate in Q4 2006 was 83 cents compared to 25 cents in Q4 2005, an increase of some 230%. Rather than heralding a fundamental change to the supply/demand balance for specialized reefers, the exceptionally firm Q4 was caused by the concurrence of positive events.

An early and abundant Moroccan citrus season and a resumption of Argentinean and Brazilian beef exports, all driven by strong demand from Russia, helped to absorb tonnage. A good start to the southern hemisphere deciduous season, a healthy USA poultry market and strong fish and potato exports similarly bolstered demand and helped to drive rates powerfully upwards from the end of November.

Although the rate upturn in Q4 2006 is very welcome, it was effectively confined to the volatile spot market. In the short term, such events do not alter the fundamental characteristics of the reefer period market, the market segment which provides employment for the majority of our vessels. Underlining this point, we can report that all 2007 period deals concluded in Q4 2006 were fixed at rates similar to or slightly below the expiring rates.

Operational Issues

Overall fleet performance was satisfactory even with annual unplanned off hire going from 0.5% in 2005 to 0.9% in 2006. More intensive operations associated with improved market condition were the main causes. Greater attention and resources were invested in the fleet in 2006 in order to improve further the standard of the fleet and to reduce the probability of adverse incidents. The frequency of adverse incidents came down but one incident relating to a main engine problem and one relating to a rudder problem brought unplanned off hire up year over year. In addition Star Reefers policy of insisting that its third party Ship Managers focus on delivering the highest quality standards of service, with particular attention on safety and environmental issues, was reinforced.

Subsequent Events

STAR Reefers was informed that the US Coast Guard on 24th January 2007 carried out inspections and interviewed members of the crew onboard the vessel Valparaiso Star whilst the vessel was in port in Philadelphia, USA following allegations made by a disaffected crew member relating to a possible pollution-based violation of the MARPOL Convention.

It is STAR Reefers' policy to operate fully in compliance with MARPOL and all other applicable legislation on all its ships.

Outlook

2006 is the first year of the new EU tariff-based banana regime and a marked decline in banana prices and an increase in volumes has been witnessed. The large banana multi-nationals will probably wish to retain their market share at the expense of short term profit and it is likely that the increased volumes will stimulate demand for larger, more efficient and more flexible vessels.

In the segment of vessels with capacity above 400,000 cbft, four vessels totaling 2.2 million cbft were scrapped, equivalent to 1% of the fleet. With the order book in this segment at less than 2% and only 22% of the conventional reefer fleet less than 15 years old, the Company continues to believe its strategy of providing the highest quality service to the banana market remains valid.

The competition from the container lines will continue as new container vessels are delivered and the rate development for containers appears to be negative. However, irrespective of short term predatory pricing, we believe that most large, long term shippers understand that well run specialist reefer vessels represent the best alternative – in terms of flexibility, quality and overall costs.

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

12 February 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 2006 (IFRS)

PROFIT AND LOSS STATEMENT *(in $ thousand)*	2006 4Q	2005 4Q	2006 Jan-Dec	2005 Jan-Dec
Gross revenue	$ 55,064	$ 54,146	$ 220,690	$ 222,107
Voyage expenses	-12,178	-19,308	-48,501	-68,213
Net revenue	42,886	34,838	172,189	153,894
Other operating revenue	-54	-58	-446	113
Net operating revenues	**42,832**	**34,780**	**171,743**	**154,007**
Ship operating expenses	-16,085	-13,343	-62,996	-44,988
Time charter hire	-8,133	-7,258	-29,612	-46,197
Administrative expenses	-2,475	-2,434	-9,247	-9,295
Op. income bef. depr. and bare-boat hire	**16,139**	**11,745**	**69,888**	**53,527**
Bare boat charter hire	-2,519	-2,769	-10,941	-9,721
Depreciation and amortisation	-3,445	-3,190	-13,568	-9,021
Gain (loss) on sale of vessels/subsidiary	-	316	-	2,045
Operating income	**10,175**	**6,102**	**45,379**	**36,830**
Interest income	292	128	992	671
Interest expense	-2,061	-2,163	-8,449	-4,942
Other financial items	-251	-465	-355	-1,082
Net financial items	**-2,020**	**-2,500**	**-7,812**	**-5,353**
Income bef. taxes and minority interest	**8,155**	**3,602**	**37,567**	**31,477**
Taxes	324	-235	99	-235
Net income	**$ 8,479**	**$ 3,367**	**$ 37,666**	**$ 31,242**
Earnings per share (amounts in $)	0.97	0.39	4.32	3.62
Diluted earnings per share (amounts in $)	0.97	0.39	4.32	3.59
Wtd. avg. common shares outstanding	8,729,862	8,677,895	8,711,437	8,639,892
Wtd. avg. common shares outstanding + assumed conv.	8,740,919	8,717,661	8,721,865	8,703,071
Issued and outstanding shares	8,756,819	8,678,819	8,756,819	8,678,819

BALANCE SHEET *(in $ thousand)*	2006 31 Dec.	2005 31 Dec.
ASSETS		
Tangible fixed assets		
Vessels	$ 289,268	$ 273,466
Other fixed assets	205	138
Other long-term assets		
Pension funds	196	229
Long term receivables & other assets	1,153	2,649
Current assets:		
Inventory	5,360	6,085
Receivables and other current assets	12,413	11,357
Bank deposits	11,247	17,632
Total assets	**$ 319,842**	**$ 311,556**
EQUITY AND LIABILITIES		
Equity:		
Share capital	$ 87	$ 87
Additional paid-in capital	60,984	59,848
Sharebased compensation	-	129
Retained earnings	97,923	60,257
Total equity	**158,994**	**120,321**
Interestbearing debt, long-term	109,715	134,860
Interestbearing debt, short-term	25,682	31,906
Other short-term debt	25,451	24,469
Total liabilities	**160,848**	**191,235**
Total equity and liabilities	**$ 319,842**	**$ 311,556**

CASH FLOW STATEMENT *(in $ thousand)*	**2006 4Q**	**2005 4Q**	**2006 Jan-Dec**	**2005 Jan-Dec**
Cash flow from operating activities	15,609	6,905	54,087	39,226
Cash flow from investing activities	-29,863	18,478	-29,983	-112,203
Cash flow from financing activities	5,570	-26,517	-30,489	69,079
Net change in cash	**$ -8,684**	**$ -1,134**	**$ -6,385**	**$ -3,898**
Cash at beginning of period	19,931	18,766	17,632	21,530
Cash at end of period	**11,247**	**17,632**	**11,247**	**17,632**

CHANGE IN EQUITY *(in $ thousand)*	**2006 Jan-Dec**	**2005 Jan-Dec**
Equity at beginning of period	**120,321**	**87,492**
- Share issue	1,013	1,512
- Share based compensation	-6	75
- Net profit for the period	37,666	31,242
Equity at end of period	**$ 158,994**	**$ 120,321**

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 2005. The consolidated condensed financial statements should be read in conjunction with the 2005 annual financial statements, which include a full description of the Group's accounting policies.