



STAR REEFERS INC (“SRI”)

REPORT FOR THE FOURTH QUARTER AND FULL YEAR 2007

- **Net income up 23% to USD 46.2m (USD37.7m in 2006)**
- **Diluted EPS up 22% to USD5.28 (USD4.32)**
- **Shareholders’ Equity up 29% to USD205m (USD 159m 2006)**
- **EBITDA up 13% to USD66.5m (USD58.9m) and used to pay down debt and purchase 2 vessels**
- **STAR Best and STAR Stratos delivered in the first half of 2007**
- **Commitment made to a second series of four new vessels, delivery 2008 - 2010**
- **More resources devoted to meeting customers’ needs by further improving the quality of the fleet**
- **In-house ship management in Poland increased from 8 to 14 vessels**

Highlights 2007

In March 2007, STAR Reefers agreed with a Japanese owner to time-charter four new reefer vessels, each with a capacity of 615,000 cbft and almost 200 FEU container capacity, for a period of 10 years. The vessels will be STAR’s second series of four vessels to be built at the Shikoku Dockyard in Japan and are scheduled to be delivered in the period between early 2008 and early 2010.

Two vessels from the first series, the *STAR First* and *STAR Prima*, were delivered in 2006, the third vessel *STAR Best* was delivered in March 2007 and the fourth the *STAR Stratos* was delivered in May 2007.

During the second quarter, STAR Reefers chartered out the 478,000 cbft vessels *Tudor Star* (1983 built) and *Trojan Star* (1984 built) to a St. Petersburg based client on bareboat terms. The agreement is for 5 years with an upfront payment to STAR Reefers and with a purchase option at the end of the 5 year period.

In November 2007, STAR Reefers acquired the *Solent Star* and *Southampton Star*, both with a capacity 506,228 cbft and built in 2000 and 1999, for an aggregate amount of USD60 million. Previously, the vessels had been on time charter to STAR Reefers since delivery from Shikoku Dockyard in Japan.

These transactions are 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. STAR Reefers now controls a fleet of 44 vessel with a capacity of 23.7 million cbft.

The Company balance sheet was strengthened in 2007 by the increase of shareholders' equity to USD205 million from USD159 million. The cash generated from operations made it possible to invest USD60 million in two new vessels with a limited increase in interest-bearing debt from USD136 million to USD140 million during the course of the year.

During 2007, the number of vessels managed by STAR Reefers' in-house ship management subsidiary in Gdynia, Poland increased from 8 to 14 vessels.

Comparative Financial Statements (Q4 over Q4)

STAR Reefers posted a net income of USD8.3 million in Q4 2007 (Q4 2006: USD8.5 million). Diluted EPS was USD0.95 (2006: USD0.97).

Gross freight revenues increased 16% to USD64.0 million (USD55.1 million). Capacity employed increased 2% to 60.3 million cbft (2006: 59.0 million cbft).

Ship operating and administrative expenses were USD21.6 million (USD18.6 million).

Time charter expenses increased to USD11.5 million (2006: USD8.1 million) as all 4 newbuildings on charter have been delivered and this increase was partly offset by 2 S-Class vessels previously on time charter that were purchased in November 2007. Bareboat charter hire was USD1.2 million (2006: USD2.5 million) as the number of ships on bareboat charters decreased from 7 to 3 vessels in December 2006.

Depreciation increased to USD4.1 million (2006: USD3.4 million) mainly due to the acquisition of S-Class vessels in Q4 2007.

Interest expense decreased to USD1.8 million as compared to USD2.1 million prior year due to lower average debt levels and interest rates.

Balance Sheets at December 31, 2007 and 2006

Shareholders' equity was USD205.2 million or USD23.43 per share, based on 8,756,819 issued and outstanding shares. The equity ratio was 53%. The Company took on USD50 million in interest-bearing debt from Siem Industries (72% shareholder of STAR Reefers) at market interest rates and flexible payment terms to partly finance the USD60 million acquisition of the 2 vessels previously on time charter. The balance of the purchase price was financed by internally-generated funds. Interest-bearing debt, however, only increased to USD140.4 million from USD135.9 million at the end of 2006 as the Company made debt repayments of USD45.5 million. Bank deposits were USD 17.2 million, up from USD11.2 million at the beginning of the year.

Market

The average spot market rates for larger vessels in Q4 2007 were 42 cents as compared to 83 cents rate in Q4 2006 or down some 50%, according to Orion Shipping. During the quarter, we witnessed a sharp increase in the bunker price, up an average of 70% over Q4 2006 and up 25% over Q3 2007. This had a negative effect on voyage returns even as the Ecuadorian banana freight rates rose steadily through the quarter and gross rates for Moroccan citrus cargos were on par with 2006.

Despite an indifferent spot market, the demand for the modern fuel-efficient vessels continued, but fewer vessels have been fixed on 12 month time charters for 2008 than as compared to a year ago.

Operational Issues

For the whole of 2007, we recorded unplanned operational off-hire of 2% (2006: 0.9%) of which 1.6% 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.

STAR Reefers was informed in January 2007 that the US Coast Guard carried out inspections and interviewed members of the crew onboard the vessel *Valparaiso Star* whilst the vessel was in port in the U.S. The inspection was prompted by an alleged pollution-based violation of the MARPOL Convention. The US authorities decided not to indict STAR Reefers but have indicted the Master, Chief Engineer and the ship's third party technical manager who was responsible for the vessel at the time. It is STAR Reefers' policy to operate fully in compliance with MARPOL and all other applicable legislation on all its ships.

Outlook

During 2007, in the segment of vessels with capacity above 400,000 cbft, four vessels totaling 2.2 million cbft were scrapped which represents 1% of the fleet. With demolition prices at a historical high level (USD 500 per ldt), the high bunker prices and escalating operating expenses, we expect scrapping to increase in the future. The order book is less than 4% and more than 20% of the vessels are older than 25 years. The yard situation worldwide is tight with only few available berths in the next three years

The delivery of new container vessels continues at a high pace and the estimated order book is now at around 50% of the existing fleet whilst the fleet of conventional reefers is expected to remain static. The container vessels have during the past few years increased their share of the reefer market at the expense of the reefers. Specialised reefers are, however, able to compete successfully by providing customised transportation solutions in niche trades where they offer shorter delivery times, provide flexibility in seasonal volume fluctuations and can service ports with limited infrastructure.

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

8 February 2008
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)

PROFIT AND LOSS STATEMENT <i>(in \$ thousand)</i>	2007		2006	
	4Q		4Q	
	Unaudited	Unaudited	Unaudited	Audited
Gross revenue	\$ 63,974	\$ 55,064	\$ 257,033	\$ 220,690
Voyage expenses and other operating revenue	-15,887	-12,232	-62,192	-48,947
Net revenue	48,086	42,832	194,841	171,743
Net operating revenues	48,086	42,832	194,841	171,743
Ship operating and admin. expenses	-21,570	-18,569	-80,544	-72,252
Time charter hire	-11,518	-8,133	-43,139	-29,612
Op. income bef. depr. and bare-boat hire	14,999	16,130	71,158	69,879
Bare boat charter hire	-1,153	-2,519	-4,609	-10,941
Depreciation and amortisation	-4,099	-3,436	-14,910	-13,559
Operating income	9,748	10,175	51,639	45,379
Interest expense	-1,781	-2,061	-7,309	-8,449
Other financial items net	310	41	1,872	637
Net financial items	-1,471	-2,020	-5,437	-7,812
Income bef. taxes and minority interest	8,277	8,155	46,202	37,567
Taxes	2	324	-9	99
Net income	\$ 8,279	\$ 8,479	\$ 46,193	\$ 37,666
Earnings per share (amounts in \$)	0.95	0.97	5.28	4.32
Diluted earnings per share (amounts in \$)	0.95	0.97	5.28	4.32
Wtd. avg. common shares outstanding	8,756,819	8,729,862	8,756,819	8,711,437
Wtd. avg. common shares outstanding + assumed conv.	8,756,819	8,740,919	8,756,819	8,728,074
Issued and outstanding shares	8,756,819	8,756,819	8,756,819	8,756,819

BALANCE SHEET

(in \$ thousand)

ASSETS

	2007	2006
	31 Dec	31 Dec
	Unaudited	Audited
Tangible fixed assets		
Vessels	\$ 336,872	\$ 289,268
Other fixed assets	219	205
Other long-term assets		
Pension funds	227	196
Long term receivables & other assets	769	1,153
Current assets:		
Inventory	7,813	5,360
Receivables and other current assets	22,002	12,413
Bank deposits	17,183	11,247
Total assets	\$ 385,085	\$ 319,842

EQUITY AND LIABILITIES

Equity:		
Share capital	\$ 87	\$ 87
Additional paid-in capital	60,984	60,984
Sharebased compensation	-	-
Retained earnings	144,116	97,923
Total equity	205,187	158,994
Interestbearing debt, long-term	118,263	109,715
Interestbearing debt, short-term	21,681	25,682
Other short-term debt	39,954	25,451
Total liabilities	179,898	160,848
Total equity and liabilities	\$ 385,085	\$ 319,842

CASH FLOW STATEMENT <i>(in \$ thousand)</i>	2007	2006	2007	2006
	4Q	4Q	Jan-Dec	Jan-Dec
	Unaudited	Unaudited	Unaudited	Audited
Cash flow from operating activities	8,351	15,609	61,310	54,087
Cash flow from investing activities	-59,739	-29,863	-59,788	-29,983
Cash flow from financing activities	45,903	5,570	4,414	-30,489
Net change in cash	\$ -5,485	\$ -8,684	\$ 5,936	\$ -6,385
Cash at beginning of period	22,668	19,931	11,247	17,632
Cash at end of period	17,183	11,247	17,183	11,247

CHANGE IN EQUITY <i>(in \$ thousand)</i>	2007	2006
	Jan-Dec	Jan-Dec
	Unaudited	Audited
Equity at beginning of period	158,994	120,321
- Share issue		1,013
- Share based compensation		-6
- Net profit for the period	46,193	37,666
Equity at end of period	\$ 205,187	\$ 158,994

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.