



## STAR REEFERS INC (“SRI”)

### REPORT FOR THE FOURTH QUARTER AND FULL YEAR 2008

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- **Net income 2008 USD42.4m (USD46.2m in 2007)**
- **EPS USD4.84 (USD5.28)**
- **Shareholders’ Equity up 21% to USD248m (USD205m 2007)**
- **Debt reduced by USD44.7m (Debt increased by USD4.5m in 2007)**
- **Investment of USD14m in 2 new ships (2007 USD60m in 2 new ships)**
- **STAR Service and STAR Quality, the 5<sup>th</sup> and 6<sup>th</sup> newbuildings, were delivered during Q1**
- **5 year contract to charter out 2<sup>nd</sup> series of 4 newbuildings from 2009**
- **STAR committed to 3<sup>rd</sup> series of 4 newbuildings, delivery 2009 - 2010**
- **Ice-strengthening of 5 vessels**
- **In-house ship management in Poland increased from 14 to 20 vessels**

#### Highlights 2008

All four vessels from the first series of newbuildings have joined the fleet and two vessels from the second series of newbuildings, *STAR Service* and *STAR Quality*, were delivered to the Company in January 2008 and March 2008. The two remaining vessels from the second series will be delivered during first half of 2009. During Q1 2008, STAR Reefers entered into a contract with Dole Fresh Fruit International to charter out this second series from 2009.

In April, STAR Reefers agreed with a Japanese owner to time-charter four more new reefer vessels, each with a capacity of 615,000 cbft and almost 200 FEU containers for a period of 10 years. The vessels will be STAR's third series of four vessels to be built at the Shikoku Dockyard in Japan, all of the same design and specification. The vessels will be delivered to STAR in 2009 and 2010.

The Russian fruit import market is heavily committed to the use of specialized reefers and require ice-strengthened vessels during the winter. In order to satisfy our customers’ demands STAR Reefers strengthened the hulls of 5 vessels to obtain ice trading certificates. The average off-hire for each of the vessels in undergoing ice strengthening was 43 days. Some of these vessels have since secured long-term contracts in the Baltic trades.

In December 2008, STAR Reefers acquired the reefer vessels, *Cape Town Star* (1993 built) and *Durban Star* (1993 built), from their current owner. The vessels have been bareboat chartered to STAR Reefers for several years, and the Company declared its option to acquire the vessels in June 2008. The aggregate exercise price for the vessels was USD 13.9 million.

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 and to provide our customers with a high quality service. STAR Reefers now controls a fleet of 48 vessels with a capacity of 26.1 million cbft.

During Q2, the number of vessels managed by STAR Reefers' in-house ship management subsidiary in Gdynia, Poland increased from 14 to 20 vessels.

### **Comparative Financial Statements (Q4 over Q4)**

STAR Reefers posted a net income of USD4.3 million in Q4 2008 (Q4 2007: USD8.3 million). EPS was USD0.49 (USD0.95).

Gross freight revenues were USD61.9 million (USD64.0 million). Capacity employed increased 4% to 62.6 million cbft (60.3 million cbft).

Ship operating and administrative expenses were USD25.3 million (USD21.6 million).

Time charter expenses increased to USD13.7 million (USD11.5 million) as the capacity of vessels on time charter increased 15% and the rates were up. Bareboat charter hire was USD0.8 million (USD1.2 million) as the number of ships on bareboat charters decreased from 3 to 1 vessel in December 2008.

Depreciation increased to USD4.2 million (USD4.1 million) mainly due to the acquisition of 2 vessels in December 2008.

Interest expense decreased to USD1.0 million as compared to USD1.8 million prior year due to lower average debt levels and interest rates.

### **Balance Sheets at December 31, 2008 and 2007**

The Company's balance sheet was strengthened in 2008 by the increase of shareholders' equity from USD205.2 million to USD247.6 million. The cash generated from operations made it possible to invest USD13.9 million in two new vessels and to repay interest-bearing debt by USD44.6 million from USD140.4 million to USD95.8 million. During 2008, the cash position decreased from USD17.2 million year-end 2007 to USD11.2 million. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments.

### **Market**

While the average spot market rate for larger vessels in Q4 2008 was up as compared to Q4 2007, the Company did not benefit from this increase as most of the vessels are deployed on longer term contracts.

Moroccan and Spanish citrus exports beginning in November, early Southern Hemisphere grape exports and ship delays to the discharge of Ukrainian poultry cargoes created a ship shortage around the Panama Canal, which enabled the market to benefit from a brief year end rate lift.

The effects of the global credit crisis were felt in the reefer sector. There are indications that banks are less willing to finance certain trading in perishables and this, combined with significant currency fluctuations, had a noticeable impact on volume flows and profitability.

## **Operational Issues**

For the whole of 2008, the Company recorded unplanned operational off-hire of 1.8% (2007: 2.1%) primarily due to off-hire arising from the remedial work needed to bring certain of our vessels up to the Star Standard. The Technical Management of these vessels was recently brought in-house to Star Reefers Poland.

In March, the *Uruguay Star* was delayed 6 days at the Panama Canal as a result of a problem with a tangled anchor and the *Ecuador Star* was alleged to have discharged oily water in the Bay of Biscay and was detained in Brest by French authorities. A court in Brest fined the Captain and the Company for violation of MARPOL.

## **Fleet Changes**

In December 2008, STAR Reefers acquired the reefer vessels *Cape Town Star* (1993 built), and *Durban Star* (1993 built), from their current owner. The vessels have been bareboat chartered to STAR Reefers for several years, and the Company's option to purchase the vessels was declared in June 2008. The aggregate exercise price for the vessels was USD 13.9 million.

## **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 even some 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. We have noticed a more cautious approach from traders and customers which is expected to prevail until a clearer picture on the true extent of the recession is known. This difficult environment has resulted in a slow start to 2009. The spot market has been weak. Although there is more uncertainty surrounding demand for specialised reefers currently than there has been for some years, the fact remains that there is a shortage of the most efficient modern units required by the year-round banana business. Although progress remains uncertain in the short-term, we believe the outlook for vessels which can deliver perishables for a low landed cost remains positive.

Also download our web page [www.star-reefers.com](http://www.star-reefers.com)  
Market data sourced from Orion Shipping

11 February 2009  
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 2008 (IFRS)**

**PROFIT AND LOSS STATEMENT**

*(in \$ thousand)*

	2008		2007	
	4Q	4Q	2008	2007
	Unaudited	Unaudited	Jan-Dec	Jan-Dec
			Unaudited	Audited
Gross revenue	\$ 61,852	\$ 63,974	\$ 274,520	\$ 257,033
Voyage expenses and other operating revenue	-12,903	-15,887	-61,853	-62,192
Net revenue	48,949	48,086	212,667	194,841
<b>Net operating revenues</b>	<b>48,949</b>	<b>48,086</b>	<b>212,667</b>	<b>194,841</b>
Ship operating and admin. expenses	-25,292	-21,570	-92,373	-80,544
Time charter hire	-13,680	-11,518	-53,741	-43,139
<b>Op. income bef. depr. and bare-boat hire</b>	<b>9,977</b>	<b>14,999</b>	<b>66,553</b>	<b>71,158</b>
Bare boat charter hire	-832	-1,153	-3,833	-4,609
Depreciation and amortisation	-4,178	-4,099	-16,403	-14,910
<b>Operating income</b>	<b>4,967</b>	<b>9,748</b>	<b>46,317</b>	<b>51,639</b>
Interest expense	-983	-1,781	-4,382	-7,309
Other financial items net	317	310	527	1,872
<b>Net financial items</b>	<b>-666</b>	<b>-1,471</b>	<b>-3,855</b>	<b>-5,437</b>
<b>Income bef. taxes and minority interest</b>	<b>4,301</b>	<b>8,277</b>	<b>42,462</b>	<b>46,202</b>
Taxes	-12	2	-47	-9
<b>Net income</b>	<b>\$ 4,289</b>	<b>\$ 8,279</b>	<b>\$ 42,415</b>	<b>\$ 46,193</b>
Earnings per share:	0.49	0.95	4.84	5.28
Basic and diluted (amounts in \$)	0.49	0.95	4.84	5.28
Wtd. avg. common shares outstanding, basic and diluted	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

**BALANCE SHEET**

*(in \$ thousand)*

	2008	2007
	31 Dec	31 Dec
	Unaudited	Audited
<b>ASSETS</b>		
Tangible fixed assets		
Vessels	\$ 342,174	\$ 336,872
Other fixed assets	277	219
Other long-term assets		
Pension funds	173	227
Long term receivables & other assets	384	769
Current assets:		
Inventory	5,817	7,813
Receivables and other current assets	25,669	22,002
Bank deposits	11,194	17,183
<b>Total assets</b>	<b>\$ 385,688</b>	<b>\$ 385,085</b>
<b>EQUITY AND LIABILITIES</b>		
Equity:		
Share capital	\$ 87	\$ 87
Additional paid-in capital	60,984	60,984
Retained earnings	186,531	144,116
<b>Total equity</b>	<b>247,602</b>	<b>205,187</b>
Interestbearing debt, long-term	63,699	118,263
Interestbearing debt, short-term	31,767	21,681
Other short-term debt	42,620	39,954
<b>Total liabilities</b>	<b>138,086</b>	<b>179,898</b>
<b>Total equity and liabilities</b>	<b>\$ 385,688</b>	<b>\$ 385,085</b>

<b>CASH FLOW STATEMENT</b> <i>(in \$ thousand)</i>	2008	2007	2008	2007
	4Q	4Q	Jan-Dec	Jan-Dec
	Unaudited	Unaudited	Unaudited	Audited
Cash flow from operating activities	9,588	8,351	57,632	61,310
Cash flow from investing activities	-16,952	-59,739	-18,980	-59,788
Cash flow from financing activities	-988	45,903	-44,641	4,414
<b>Net change in cash</b>	<b>\$ -8,352</b>	<b>\$ -5,485</b>	<b>\$ -5,989</b>	<b>\$ 5,936</b>
Cash at beginning of period	19,546	22,668	17,183	11,247
<b>Cash at end of period</b>	<b>11,194</b>	<b>17,183</b>	<b>11,194</b>	<b>17,183</b>

<b>CHANGE IN EQUITY</b> <i>(in \$ thousand)</i>	2008	2007
	Jan-Dec	Jan-Dec
	Unaudited	Audited
<b>Equity at beginning of period</b>	<b>205,187</b>	<b>158,994</b>
- Net profit for the period	42,415	46,193
<b>Equity at end of period</b>	<b>\$ 247,602</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.

For further information please contact  
 Simon Stevens, CEO +44 207 747 0500  
 Terje Aschim, CFO + 47 23 22 05 00