



STAR REEFERS INC ("SRI")

REPORT FOR THE THIRD QUARTER 2003

- making a positive difference

- Revenues up by USD 6.2 million as earnings increase from 36 c/cbft to 38 c/cbft from the same period last year
- Operating costs increase due to weakening USD, higher insurance costs, new requirements from regulatory bodies and prior year expenses.
- Net income falls to a negative USD 2.4 million or a negative 32c/share as provisions taken to income are reduced from USD 3.5 million to USD 0.9 million year over year.

Financial Statements

Gross freight revenue increased from USD 34.6 million in Q3, 2002 to USD 40.8 million in Q3 this year. After voyage expenses the net revenue increased by almost 8% to USD 23.3 million, compared to USD 21.7 million last year. The available capacity, measured in cubic feet, was 62.2 million cbft. (58.8 million cbft. in Q3 2002) as a direct result of the fleet replacements and improvements made to the age profile of the fleet. Since Q3 2002, the Chiquita vessels and two younger Star vessels have been acquired and the jumbo sized vessels have been sold. Freight rates in the 3rd Quarter were 38 cents per cbft, compared to 36 cents in 2002.

The operating expenses of the ships, including dry dock for the fleet of owned and bareboat chartered vessels, came to USD 4,466 per day. The higher cost level was due partly to weakening USD, higher insurance costs, and requirements from regulatory bodies and to prior year expenses.

Time charter hire expenses were broadly unchanged from last year at USD 11.2 million, (USD 11.0 million in 2002). These were partially offset by the release of provisions (USD 0.9 million) for loss making time charters. The release in 2002 was

USD 3,5 million, made possible by the renegotiation of significant loss making time charters to a lower rate with a longer duration.

The decrease in depreciation from USD 2.4 million to USD 2.2 million this year was due to the sale and leaseback of 4 vessels and the sale of older vessels partly offset by new additions to the fleet.

In December 2002 Star Reefers entered into a long term bare boat charter with purchase options for four vessels. In the 3rd quarter USD 1.5 million was paid on bareboat charter expenses.

Swan Stream, Swan Lagoon and Swan Ocean were sold in August generating a gain of USD 0.8 million.

As a result of the above factors the Company posted a net loss of USD (2.4) million for the 3rd Quarter (USD 1.3 million Q3 2002). Earnings per share was a loss of USD (0.32) (USD 0.18 Q3 2002).

Balance Sheet

Total assets as at 30 September 2003 decreased to USD 206.5 million from USD 212.5 million at the year end. Interest bearing debt was USD 120.6 million, down from USD 134.2 million at year end. Shareholders' equity was USD 65.4 million or USD 8.56 per share. The equity ratio was 32%. Bank deposits were USD 20.4 million, up from USD 17.7 million at the year end.

Market

At the start of the 3rd Quarter, the combination of high prices for bananas in Ecuador and falling prices in consumer areas had the effects of forcing bonus shipments off the market and driving spot freight rates to their lowest point for the year. The market picked up as demand for citrus fruits - especially from Russia - continued to drive the South African and Argentinean export programs. The off-season freight rates were on average 17% and 11% up for modern and older vessels respectively compared to last year. The strength of the market was further highlighted by the fact that almost 30% fewer vessels were laid up than last year (50 vessels or 19 million cbft in 2003, 70 vessels or 28 million cbft. in 2002). Despite high demolition prices, scrapping this year was a modest 3.9 million cbft, - owners seemed to be anticipating a strong market next year. During 2002, 19 vessels representing 5.4 million cbft were scrapped.

Operational Issues

Unplanned operational off hire for the 3rd Quarter was 0.9% (3.3% last year). The off hire was primarily due to problems with main engines on some of the older vessels, which have since been sold. The operating expenses were forced up by irregularities with the main engines, prior year expenses, increased insurance expenses, unfavorable exchange rates and additional requirements from various regulatory bodies. The increased focus on the importance of achieving higher levels of operational efficiency has resulted in a 30% reduction in the number of incidents.

Fleet Changes

In the first half of 2003 STAR Reefers sold the Anglian Reefer (703,000 cbft, 1988 built) and the Argentinean Reefer (703,000 cbft, 1988 built) for an aggregate amount of USD 20 million. Furthermore 5 Swan vessels built between 1979 and 1981 were sold in the second half of the year.

In the 3rd Quarter STAR took delivery of the Durban Star (516,530 cbft., 1993 built) and the Cape Town Star (514,095 cbft., 1993 built) for an aggregate amount of USD 21 million.

STAR has entered into an option agreement to purchase the Costa Rican Star (564,000 cbft., 98 built) and the Caribbean Star (565,000 cbft., 97 built) for an aggregate amount of USD 39.8 million. The vessels are today on long term charter to STAR Reefers at 63 cents per cbft. Upon exercising the option the charters would be cancelled.

These transactions are part of the Company's strategy to replace older tonnage with more efficient vessels thereby improving operating margins and the quality of service provided.

STAR Reefers Pool

Following the termination of the NYKSTAR Reefers pool, STAR will continue to provide transportation and logistics services to the food industry. This will be done on a stand alone basis, although STAR continues to favor industry consolidation.

2003 and beyond

Helped by a buoyant citrus market the off-season has been good. 2003 will probably turn out to be the best year since 1997. The market in 2004 looks as if it should be reasonable. Some of the fruit majors and other operators have fixed t/c tonnage to cover part of their seasonal period requirement at levels of between 5% and 20% higher than last year. This should more than counterbalance the probability that fewer ships will be taken out of the market (lay-ups plus scrappings) in 2004 than has been the case in 2003.

For further information please contact:

Aage Thoen, CEO +47 22 70 88 20 or + 47 915 60 601
Terje Aschim, CFO + 47 22 70 88 20

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

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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 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 - THIRD QUARTER REPORT 2003

PROFIT AND LOSS STATEMENT

(in \$ thousand)

	2003	2002	2003	2002	2002
	3Q	3Q	Jan-Sept	Jan-Sept	Jan-Dec
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Gross revenue	40,816	34,595	\$ 128,764	\$ 122,818	\$ 154,231
Voyage expenses	-17,470	-12,944	-40,982	-34,814	-45,885
Net revenue	23,346	21,651	87,782	88,004	108,346
Other operating revenue	-313	188	174	531	693
Net operating revenues	23,033	21,839	87,956	88,535	109,039
Ship operating expenses	-10,138	-8,318	-30,857	-28,130	-40,285
Time charter hire	-11,186	-10,991	-34,429	-34,500	-45,404
Provision taken to income	856	3,450	856	3,450	4,008
Administrative expenses	-637	-831	-2,419	-2,077	-3,477
Op.income bef. depr. and bare-boat hire	1,928	5,149	21,107	27,278	23,881
Bare-boat charter hire	-1,537		-4,562	-	-317
Depreciation and amortisation	-2,162	-2,383	-6,630	-8,375	-11,027
Gain (loss) on sale of vessels/subsidiary	833	1	1,272	-711	1,523
Operating income	-938	2,767	11,187	18,192	14,060
Interest income	84	74	279	307	347
Interest expense	-1,664	-1,777	-5,089	-5,832	-7,842
Other financial items	-10	-47	-112	-209	-482
Foreign currency exchange gain (loss)	22	313	-47	476	480
Net financial items	-1,568	-1,437	-4,969	-5,258	-7,497
Income bef. taxes and minority interest	-2,506	1,330	6,218	12,934	6,563
Taxes	76	-16	-1	-50	-55
Net income	\$ -2,430	\$ 1,314	\$ 6,217	\$ 12,884	\$ 6,508
Earnings per share (amounts in \$)	-0.32	0.18	0.81	1.70	0.65
Diluted earnings per share (amounts in \$)	-0.32	i/a	0.81	1.70	n/a

BALANCE SHEET

(in \$ thousand)

	2003	2002	2002
	30 Sept	30 Sept	31 Dec.
	(unaudited)	(unaudited)	(audited)
ASSETS			
Tangible fixed assets			
- Vessels	\$ 157,526	\$ 165,598	\$ 168,289
- Capitalised dry-docking	3,183	2,102	3,884
- Other fixed assets	442	508	563
Financial fixed assets			
- Pension funds	635	780	640
- Deferred financing fees	695		558
- Long term receivables & other assets	3,840	-	4,749
Inventory	4,463	3,238	3,410
Current assets			
- Receivables and other current assets	15,280	15,887	12,692
- Bank deposits	20,401	18,388	17,696
Total assets	206,465	206,501	212,481
EQUITY AND LIABILITIES			
Equity			
- Share capital	76	76	76
- Additional paid-in capital	48,720	48,105	48,720
- Retained earnings	16,651	17,567	10,434
Total equity	65,447	65,748	59,230
Provisions	1,157	2,471	1,913
Interestbearing debt	120,610	124,092	134,150
Short-term liabilities	19,251	14,190	17,188
Total provisions and liabilities	141,018	140,753	153,251
Total equity and liabilities	\$ 206,465	\$ 206,501	\$ 212,481

CASH FLOW STATEMENT (in \$ thousand)	2003	2003	2002	2002	2002
	Jan-Sept (unaudited)	3Q (unaudited)	Jan-Sept (unaudited)	3Q (unaudited)	Jan-Dec (audited)
Cash flow from operating activities	9,977	2,193	9,927	-1,453	7,489
Cash flow from investing activities	6,268	-13,669	12,807	6,467	-36,164
Cash flow from financing activities	-13,540	8,480	-33,908	-8,853	16,809
Net change in cash	\$ 2,705	\$ -2,996	\$ -11,174	\$ -3,839	\$ -11,866
Cash at beginning of period	17,696	23,397	29,562	22,227	29,562
Cash at end of period	20,401	20,401	18,388	18,388	17,696

CHANGE IN EQUITY (in \$ thousand)	2003	2002	2002
	Jan-Sept (unaudited)	Jan-Sept (unaudited)	Jan-Dec (audited)
Equity at beginning of period	59,230	52,864	52,864
- Dividend	-	-	-141
- Net profit for the period	6,217	12,884	6,508
Equity at end of period	65,447	65,748	\$ 59,230

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 2002.

Market Data

General market rates (average time charter earnings)

(cent/cbft/30days)	1Q 03	1Q 02	2Q 03	2Q 02	3Q 03	3Q 02	4Q 03	4Q 02
Larger modern vessels	84	67	52	42	28	24		38
Larger older vessels	75	56	43	33	20	18		31

(Source: Orion Shipping)

Banana rate Ecuador to St. Petersburg

	1st Q 2003		2nd Q 2003		3rd Q 2003		4th Q 2003	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
Banana Box Rate (\$/box)	\$ 6.00	\$ 2.20	\$ 5.00	\$ 2.60	\$ 2.60	\$ 2.10		
Cent/cbft/30days	117	22	107	34	35	22		
Time charter equivalent	\$ 17,000	\$ 2,500	\$ 15,600	\$ 4,900	\$ 5,200	\$ 3,200		
	1st Q 2002		2nd Q 2002		3rd Q 2002		4th Q 2002	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
Banana Box Rate (\$/box)	\$ 4.50	\$ 2.65	\$ 4.00	\$ 2.50	\$ 2.50	\$ 1.85	\$ 3.40	\$ 2.20
Cent/cbft/30days	90	38	80	35	29	11	55	18
Time charter equivalent	\$ 13,000	\$ 5,500	\$ 11,500	\$ 5,000	\$ 4,200	\$ 1,550	\$ 8,100	\$ 2,500