



STAR REEFERS INC (“SRI”)

REPORT FOR THE FOURTH QUARTER AND FULL YEAR 2003

- making a positive difference

For the year 2003 STAR reports a net profit of USD 5.2 million or USD 0.68 per share against restated USD 5.3 million or USD 0.69 per share for 2002. The profit for 2003 includes gain on sale of vessels and subsidiaries of USD 6.1 million (2002: USD 1.7 million) and a one time write-off of capitalised financing fees of USD 0.8 million (2002: USD 0 million) relating to refinancing of the Group’s loan facilities.

Average fleet freight rates for 2003 came to 45 cents/cbft; 53 cents/cbft during the high season and 38 cents/cbft during the low season.

Highlights 2003:

During 2003 STAR sold seven older ships at a total sales price of USD 32.6 million and acquired two modern ships at a total purchase price of USD 39.8 million as part of the Company’s strategy to renew and upgrade the fleet. The average age of the STAR fleet is reduced from 14 years to 12 years.

Total technical and unplanned off-hire came to 1.3%, which is a great improvement over 2002 (2.6%) and shows the effect of the efficiency programs that have been implemented.

The pool agreement between STAR Reefers and NYK was terminated with effect from 31 December 2003.

STAR currently controls a fleet of 40 ships totaling 21.1 million cbft and the Company has been awarded long term and seasonal contracts for 61% of the budget revenue for 2004.

With effect from 2003 STAR adopted the US-GAAP accounting standard for drydocking. Actual drydocking costs are now expensed when incurred instead of being deferred and amortized over the period till the next drydocking. Prior year periods have been restated accordingly in the Financial Statements.

In December 2003 STAR sold its 100 % owned subsidiary STAR Reefers I AS, owner of Durban Star and Cape Town Star. The deal was combined with a bare-boat charter back of the two vessels.

Profit and Loss Account 4th Quarter 2003:

Gross revenue increased from USD 31.4 million in 2002 to USD 37.3 million in 2003. Net revenue on a T/C basis increased by almost 19% to USD 24.4 million, compared to USD 20.5 million 2002. The available capacity was 65 million cbft against 62 million cbft 2002. Freight rates in the 4th quarter were 37 cents/cbft, compared to 34 cents/cbft in 2002.

Ship operating expenses for the owned and bare-boat chartered fleet excluding drydock in the 4th quarter were USD 4,740 per day (Q4 2002: USD 4,597 per day) and including drydock USD 5,324 per day (Q4 2002: USD 5.480 per day). A low USD and increased insurance premiums have negatively affected our operational cost base. Furthermore, some vessels have undergone major upgrading.

Time-charter hire, including provision taken to income, was USD 8.3 million compared with USD 10.3 million in 2002. The reduction year over year is primarily due to the acquisition of the Caribbean Star and Costa Rican Star, which were on charter in 2002.

As of end 2003 STAR had bare-boat charters with purchase options for 6 vessels. Bare-boat hire in the 4th quarter 2003 amounted to USD 1.7 million (2002: USD 0.3 million).

In the 4th quarter 2003 STAR sold its 100% owned subsidiary Star Reefers I AS, owner of Cape Town Star and Durban Star. The sale generated a profit of USD 4.6 million compared with gains on sale of subsidiaries in 4th quarter 2002 of USD 2.2million.

Net financial items were USD 3.2 million including a one time write-off of financing fees of USD 0.8 million relating to refinancing of the Group's loan facilities. Net financial items in 2002 were USD 2.2 million.

As a result of the foregoing factors the Company posted a net loss for the quarter of USD 1.7 million (2002: USD -8.2 million) or USD -0.23 per share (2002: USD -1.08 per share).

Balance Sheet:

Total assets as of 31 December 2003 increased to USD 213.0 million as compared to USD 208.6 million the year before. Interest bearing debt at year-end was USD 130.1 million, down from USD 134.2 million at year-end 2002. Bank deposits were USD 20.2 million, up from USD 17.7 million at year-end 2002. Shareholder's equity as of 31 December 2003 was USD 60.5 million (2002: USD 55.3 million) or USD 7.91 per share (2002: USD 7.24 per share). The equity ratio at year-end 2003 was 28% (2002: 27%).

Market:

The 4th quarter 2003 saw a slow and steady increase in spot rates until mid December when the market dipped slightly towards year end. Market rates increased 15% from the 4th quarter 2002

The 2003 spot market was the strongest since 1997; up more than 25% on 2002. The period market was up 10% on 2002. The optimism amongst reefer owners was the reason that some vessels were withdrawn from the contract market and placed on the spot market, which resulted in a build-up of spot vessels by year-end and a slight decline in rates.

In 2003, 25 vessels representing 6.9 million cbft were scrapped. The figures for 2002 and 2001 were 5.5 million cbft/19 vessels and 6.3 million cbft/18 vessels respectively. No ships have been ordered and the order book consists of 4 ships for delivery in 2004.

Operational Issues:

Unplanned operational off-hire in the 4th quarter was 1.6% (2002: 6.3%). The 2003 annual unplanned off-hire came to 1.3% (2002: 2.6%). The Company's various efficiency programs are beginning to take effect.

Outlook:

Currently we are experiencing a slower start to the high season than was the case in 2003. This is due to a late harvest in the Southern hemisphere and so far fewer bananas coming from Central America. The surplus of spot tonnage has resulted in a repositioning of vessels to compete for fixtures in other load areas, which has affected freight rates unfavourably. The production is expected to pick up and may

eventually lead to a longer high season than normal. The trend is that quality tonnage is more in demand than a year ago.

STAR had very limited spot exposure in January and February as the majority of the ships were deployed on contract. STAR's forward contract cover for 2004 is also higher than at the same time last year.

A weaker spot market, especially for older tonnage, and the current all time high scrap value of USD 340 /ldt may stimulate more scrapping of old tonnage.

STAR has continued to renew its fleet in order to ensure the quality service to our customers, which is fundamental for the long term success of the Company. Our New Zealand service to Europe is commencing in March and during the end of the high season we are inaugurating more liner services between the Southern and Northern hemisphere.

Subsequent Events:

In February 2004, STAR issued 764,619 new shares at NOK 83/share bringing the total number of issued shares to 8,410,819. The share issue was fully subscribed by Deutsche Bank Global Value Fund, making it the second largest shareholder of STAR.

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 pages 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 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 2003

PROFIT AND LOSS STATEMENT

(in \$ thousand)

	2003	2002	2003	2002
	4Q	4Q	Jan-Dec	Jan-Dec
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Gross revenue	37,310	31,413	\$ 166,074	\$ 154,231
Voyage expenses	-13,246	-11,071	-54,228	-45,885
Net revenue	24,064	20,342	111,846	108,346
Other operating revenue	316	162	490	693
Net operating revenues	24,380	20,504	112,336	109,039
Ship operating expenses	-13,320	-13,937	-43,681	-41,651
Time charter hire	-9,198	-10,904	-43,627	-45,404
Provision taken to income	856	558	1,712	4,008
Administrative expenses	-1,274	-1,400	-3,693	-3,477
Op.income bef. depr. and bare-boat hire	1,444	-5,179	23,047	22,515
Bare-boat charter hire	-1,731	-317	-6,293	-317
Depreciation and amortisation	-2,819	-2,652	-9,449	-11,027
Gain (loss) on sale of vessels/subsidiary	4,579	2,234	6,056	1,686
Operating income	1,473	-5,914	13,361	12,857
Interest income	84	40	363	347
Interest expense	-1,988	-2,010	-7,077	-7,842
Other financial items	-1,446	-273	-1,558	-482
Foreign currency exchange gain (loss)	103	4	56	480
Net financial items	-3,247	-2,239	-8,216	-7,497
Income bef. taxes and minority interest	-1,774	-8,153	5,145	5,360
Taxes	42	-5	41	-55
Net income	\$ -1,732	\$ -8,158	\$ 5,186	\$ 5,305
Earnings per share (amounts in \$)	-0.23	-1.08	0.68	0.69
Diluted earnings per share (amounts in \$)	-0.22	i/a	0.67	n/a

BALANCE SHEET

(in \$ thousand)

	2003	2002
	31 Dec.	31 Dec.
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Tangible fixed assets		
- Vessels	\$ 168,015	\$ 168,289
- Other fixed assets	384	563
Financial fixed assets		
- Pension funds	560	640
- Deferred financing fees	-	558
- Long term receivables & other assets	5,842	4,749
Inventory	3,967	3,410
Current assets		
- Receivables and other current assets	14,001	12,692
- Bank deposits	20,212	17,696
Total assets	212,981	208,597
EQUITY AND LIABILITIES		
Equity		
- Share capital	76	76
- Additional paid-in capital	48,720	48,720
- Retained earnings	11,736	6,550
Total equity	60,532	55,346
Provisions	201	1,913
Interestbearing debt	130,110	134,150
Short-term liabilities	22,138	17,188
Total provisions and liabilities	152,449	153,251
Total equity and liabilities	\$ 212,981	\$ 208,597

CASH FLOW STATEMENT (in \$ thousand)	2003	2003	2002	2002
	4Q	Jan-Dec	4Q	Jan-Dec
	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flow from operating activities	2,063	12,040	-2,438	7,489
Cash flow from investing activities *	4,798	11,066	-48,971	-36,164
Cash flow from financing activities	-7,050	-20,590	50,717	16,809
Net change in cash	\$ -189	\$ 2,516	\$ -692	\$ -11,866
Cash at beginning of period	20,401	17,696	18,388	29,562
Cash at end of period	20,212	20,212	17,696	17,696
* Including vessel transactions	-	-	-	-

CHANGE IN EQUITY (in \$ thousand)	2003	2002
	Jan-Dec	Jan-Dec
	(unaudited)	(audited)
Equity at beginning of period	55,346	50,183
- Dividend		-141
- Net profit for the period	5,186	5,305
Equity at end of period	\$ 60,532	\$ 55,346

Note:

The quarterly report has been prepared in accordance with the accounting standard regarding periodic accounts. With effect from January 1, 2003 the Company has adopted the principle of expensing actual drydocking costs when incurred, instead of deferral and amortization over the period till next drydocking. Prior periods have been restated accordingly. Except for the change in principle relating to drydocking costs 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	44	38
Larger older vessels	75	56	43	33	20	18	37	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	\$ 3.80	\$ 2.48
Cent/cbft/30days	117	22	107	34	35	22	66	33
Time charter equivalent	\$ 17,000	\$ 2,500	\$ 15,600	\$ 4,900	\$ 5,200	\$ 3,200	\$ 9,800	\$ 4,800
	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