



## **STAR REEFERS INC.**

### **REPORT FOR THE FOURTH QUARTER AND FULL YEAR 2009**

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11 February 2010 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its preliminary results for the quarter and fiscal year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

#### **Highlights 2009**

- Net income for 2009 of USD16.2m (2008: USD42.4m)
- EPS USD1.86 (2008: USD4.84)
- EBITDA USD41.6m (2008: USD62.7m)
- Shareholders’ Equity up 7% to USD264m (2008: USD248m)
- Invested USD38m in 2 new ships (2008: USD14m in 2 new ships)
- Incurred significant costs after redelivery of 5 vessels under time charter following Sunway’s bankruptcy
- Received delivery of 4 newbuildings, *Star Standard*, *Star Trust*, *Star Care* and *Star Pride* under 10-year time charter agreements
- Chartered-out 3rd series of 4 newbuildings to Del Monte under 10-year contracts
- Raised NOK105m in December through a 10% private placement of shares at NOK120 per share

In March and April, STAR Reefers acquired the 1998-built specialised reefer vessels *Colombian Star* (565,325 cbft.) and *Cote D’Ivoire Star* (565,469 cbft.) for USD38 million.

Sunway had 5 vessels on long term charter from STAR Reefers. Following its bankruptcy, the vessels were redelivered to STAR Reefers which then had to deploy the vessels in the weak spot market experienced in 2009. This had a significant negative effect on STAR Reefers’ earnings in 2009.

During 2009, four newbuildings, *Star Standard*, *Star Trust*, *Star Care* and *Star Pride*, were delivered to STAR Reefers under 10-year charter-in contracts. The last two remaining time charter vessels in the series of 12 newbuildings will be delivered during first half of 2010.

In September, STAR Reefers entered into a contract with a subsidiary of Fresh Del Monte Produce Inc. to charter-out four of its new reefer vessels. All 12 vessels under the newbuilding program to which STAR Reefers committed are now employed on long-term time charters.

STAR Reefers Inc. raised gross proceeds of NOK105 million in a private placement directed towards larger shareholders of the Company on 14 December 2009. A subsequent repair

issue of 100,000 shares to all other shareholders is scheduled to be launched in February 2010.

In order to assist the Company to gain more synergies from being part of the Siem Industries Group, the logo has been changed.

The Company's strategy is 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 46 vessels with a capacity of 24.9 million cbft.

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

In 2009, STAR Reefers reported a net profit of USD16.2 million (2008: USD42.4 million), and USD1.86 earnings per share (2008: USD4.84 per share).

Capacity increased 6.5% from 253.3 million cbft to 269.8 million cbft while gross revenues decreased by 2% from USD267.9 million to USD262.4 million and net operating revenue decreased by 3% to USD205.5 million (USD212.7 million). The reduction in revenue was due to lower market rates and increased capacity being deployed into a weak spot market due to redelivery of 5 vessels previously on charter.

Ship operating expenses, including amortisation of drydock, and administrative expenses, including provisions for trade receivables, were USD112.0 million (USD92.4 million). Most of this increase was due to the acquisition of 2 modern vessels, the redelivery of 2 vessels previously chartered-out on bareboat terms, and certain repairs and maintenance expenses.

Time charter expenses decreased to USD50.4 million (USD53.7 million) as the capacity of vessels on time charter decreased by 10% which is more than rates increased. Bareboat charter hire was USD1.5 million (USD3.8 million) as the number of ships on bareboat charter decreased from 3 to 1 vessel in December 2008 and rates were lower.

Depreciation and amortisation was USD22.4 million (USD16.4 million). The increase was due to the acquisition of the *Cape Town Star* and *Durban Star* in December 2008 and the *Colombian Star* and *Cote D'Ivoirian Star* in 2009 and the annual reassessments of residual values as per IFRS.

Interest expense was USD2.2 million (USD4.4 million). The fall was due to the significant reduction in interest rates.

Other financial items were a net expense of USD0.7 million (net income of USD0.5 million).

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

STAR Reefers posted a net loss of USD2.4 million in Q4 2009 (Q4 2008: net profit USD4.3 million). The loss per share was USD-0.28 (2008: EPS USD0.49).

Gross freight revenues were USD62.5 million (USD55.3 million). Capacity employed increased 9% to 68.4 million cbft (62.6 million cbft).

Ship operating and administrative expenses were USD29.3 million (USD25.3 million).

Time charter expenses decreased to USD12.4 million (USD13.7 million) as the capacity of vessels on time charter decreased (13%) by more than rates increased. Bareboat charter hire

was USD0.4 million (USD0.8 million) as the number of ships on bareboat charters decreased from 3 to 1 vessel in the middle of December 2008.

Depreciation increased to USD5.6 million (USD4.2 million). The increase was due to the acquisition of 2 vessels in December 2008 and 2 vessels in 2009 and the annual reassessments of residual values as per IFRS.

Interest expense decreased to USD0.5 million as compared to USD1.0 million primarily due to lower interest rates. Other financial items were USD-0.8 million (USD0.3 million).

### **Statement of Financial Position December 31, 2009 and 2008**

The Company's balance sheet strengthened in 2009 as the Shareholders' Equity increased from USD247.6 million to USD263.8 million. During Q1, STAR Reefers increased its interest-bearing debt by USD28.0 million to USD123.8 million to partly finance the acquisition of the 1998-built *Colombian Star* and *Cote D'Ivoirian Star*. The cash generated from operations made it possible to invest USD10.0 million in two new vessels and to make net repayments of debt of USD29.1 million reducing the interest-bearing debt to USD94.3 million at 31 December 2009. During 2009, the cash position increased from USD11.2 million year-end 2008 to USD13.3 million. In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments.

### **Final Maturity of Interest-bearing Debt and Loan Agreements**

In 2010, scheduled repayments of USD24.6 million on the Fortis Loan are due during the year and the final maturity payment of \$57.1 million is due on 31 December 2010. The Company does not anticipate a problem with the refinancing of the Loan. As at 31 December 2009, STAR Reefers was in non-compliance with its working capital covenant according to the Loan Agreement with Fortis, this has been waived by the Bank.

The outstanding interest-bearing debt to Siem Industries as of 31 December 2009 was USD13 million. Of this amount, USD10 million was due and payable as of year end 2009, but the Company has been granted a deferral on the payment of this instalment. The final maturity of the loan is in June 2010.

### **Private Placement of Shares**

STAR Reefers raised gross proceeds of NOK105 million in a private placement directed towards larger shareholders of the Company on 14 December 2009. A total of 875,000 new common shares will be issued in relation to the private placement at a price of NOK 120 per share. A subsequent repair offering of up to 100,000 new shares at NOK 120 per share will be directed at shareholders of the Company that were not offered or invited to participate in the private placement. STAR Reefers will receive the proceeds from the issues in March 2010.

### **Termination of Charter Parties**

STAR Reefers had a long-term relationship with the St. Petersburg-based client, Sunway Group. Sunway had, since mid-2008, contracted in 3 STAR Reefers vessels on 3-year time charters. Furthermore, Sunway had 2 vessels on 5-year bareboat charters since mid-2007. Due to the current difficult trading environment, Sunway experienced liquidity difficulties and the parties consequently agreed to terminate the charter parties for all 5 vessels. STAR Reefers has taken redelivery of the vessels and employs them in the spot market. Despite receiving the forfeiture of deposits relating to the bareboat charters, the termination of the bareboat charters and the time charters had a significant negative effect of on STAR Reefers' earnings in 2009.

## **Related Party Transactions**

Siem Industries Inc. owns 72% of STAR Reefers. During 2009, the following transactions with this related party are discussed: In July 2009, a USD3 million short-term loan from Siem Industries was provided to STAR Reefers. The Loan, which was repaid in December 2009, was at market terms. During the 4th quarter, Siem Industries provided a 10-year secondary guarantee for the timely payment of charter hire for the *Star Care* (delivered October 2009) and *Star Pride* (delivered December 2009) in favour of the Japanese owner. The maximum guarantee amount for each vessel is USD 10 million. The fee for providing the guarantee is on market terms. In December 2009, Siem Industries granted the Company a deferral of repayment of a scheduled installment of USD10 million. The share issue, successfully completed in December, was directed towards larger shareholders of the Company. Siem Industries, the Company's largest shareholder, oversubscribed the placement and received subscription to 816,815 shares, or 93.4% of the issue.

## **Market Full Year**

It was to be expected that the worst economic crisis in 70 years would affect the specialised reefer industry, and in fact, the scale and speed of the decline made 2009 a very challenging year to all concerned.

Unstable financial markets and the inability to obtain credit has seen world trade fall sharply during 2009. It has been estimated that container imports to USA, Europe and Japan during 2009 fell by 15 -18% versus 2008 and even within our own core business banana imports to the EU and USA (up to August 2009) reduced by 6% and 12% respectively. Russian banana imports too have dropped by around 5% over the same period. It is estimated that the container market is over-supplied by up to 20%, resulting in container liners turning their attentions to the reefer sector.

Poor climatic conditions in Central America during 2009 had a negative impact with a shortage of fruit compounded by poor selling prices resulting in a diminished number of "spot" requirements to traditional free market areas like the Eastern Mediterranean. The frozen chicken trade from the USA to Russia decreased from 2008 when almost 1 million tonnes were shipped to around 750,000 tonnes in 2009. In addition the 2009 South Atlantic squid catch was poor by comparison to 2008.

This low demand for capacity resulted in very low freight rates. The average spot rates for larger reefer vessels in 2009 were 38 cents, or down 46% on 2008 spot rates (70 cents). The downturn in trade has also resulted in less time charter renewals during 2009 than was expected.

## **4th Quarter**

The average spot rates for larger reefer vessels in Q4 2009 was 39 cents (Q4 2008: 53 cents) as the quarter was dominated by the shortage of bananas in Ecuador that depressed chartering activity and caused a consistent high level of available ships in the Cristobal area. Alternative areas of employment for larger vessels were more limited than expected and, as an example, Moroccan citrus exports to Russia and USA were concentrated on shipments sizes rarely exceeding 2000 pallets. The politics of poultry exports to Russia did not offer any encouragement as the 2009 quota ended in December with no news as to when sales would recommence. There was also bad news from Chile and South Africa where cold climatic conditions delayed the early season grape crops.

## **Operational Issues**

For the whole of 2009, the Company recorded unplanned operational off-hire of 1.4% (2008: 1.8%).

## **Fleet Changes and Deployment**

In March, STAR Reefers acquired the 1998-built specialized reefer vessels *Colombian Star* (565,325 cbft.) and *Cote D'Ivoirian Star* (565,469 cbft.). The aggregate transaction price for the vessels was USD38 million and STAR Reefers' two banks provided USD28 million of financing for the acquisition. STAR Reefers is familiar with the two vessels as they have been on time charter to STAR Reefers since delivery from the shipyard in Japan in 1998. *Colombian Star* was delivered on 19 March and *Cote D'Ivoirian Star* on 2 April.

During 2009, four newbuildings, *Star Standard*, *Star Trust*, *Star Care* and *Star Pride*, were delivered to the Company under 10-year charter-in contracts. The two remaining vessels, in the series of 12 newbuildings, will be delivered during first half of 2010.

In September, STAR Reefers entered into a contract with a subsidiary of Fresh Del Monte Produce Inc. to charter-out the last four of the reefer newbuilds. The charters are for a 10-year fixed period at a profitable rate. The *Star Care* and *Star Pride* were delivered to the charterer upon delivery from the yard in the 4th quarter 2009 and the remaining 2 will be delivered in 2010. All 12 vessels under the newbuilding program to which STAR Reefers had committed are now employed on long-term time charters.

During 2008, STAR Reefers set out to fix the majority of its fleet long-term. Following the demise of Sunway and subsequent redelivery of 5 vessels which had been on long-term charters, the Company became more exposed to the spot market. As of 31 December 2009, 57% of fleet capacity for 2010 had been fixed and the balance is exposed to the spot market.

## **Outlook**

The market for specialized reefer vessels has started 2010 at a lower level than expected, with spot market rates below ship operating expenses. It is furthermore expected that the container industry will continue to target the reefer market and offer their services at unsustainably low rates.

However, there are some positive developments to be noted. During 2009, the EU finally reached an agreement with the Africa-Caribbean-Pacific (ACP) and dollar-banana nations on the question of the EU import tariff for bananas. This has seen the reduction in dollar tariff from Euro 176 per mt to Euro 148 per mt, which reduces further to Euro 114 per mt by 2017. This is seen as positive news for specialized reefers.

In addition the supply-demand balance is changing for the better. The scrapping in 2010 is expected to continue from the record levels seen in 2009 when, in the segment made up of vessels above 400,000 cbft., 19 vessel representing 9.7 million cbft. were scrapped.

There remains strong demand for modern efficient, self-sustaining reefer vessels with good container capacity. This was confirmed when Del Monte committed to four of STAR Reefers' vessels on 10-year charters recently rather than using modern container vessels - despite the fact that the charter rate for the container vessels was considerably lower.

11 February 2010  
The Board of Directors of Star Reefers Inc.

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

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 - 4th QUARTER REPORT 2009**

STATEMENT OF COMPREHENSIVE INCOME <i>(in \$ thousand)</i>	2009		2008	
	4Q	4Q	Jan-Dec	Jan-Dec
	Unaudited	Unaudited	Unaudited	Audited
Gross revenue	\$ 62,467	\$ 55,280	\$ 262,364	\$ 267,948
Voyage expenses and other operating revenue	-15,887	-6,331	-56,896	-55,281
Net revenue	46,580	48,949	205,468	212,667
<b>Net operating revenues</b>	<b>46,580</b>	<b>48,949</b>	<b>205,468</b>	<b>212,667</b>
Ship operating and admin. expenses	-29,305	-25,292	-111,953	-92,373
Time charter hire	-12,436	-13,680	-50,415	-53,741
<b>Op. income bef. depr. and bare-boat hire</b>	<b>4,839</b>	<b>9,977</b>	<b>43,100</b>	<b>66,553</b>
Bareboat charter hire	-384	-832	-1,527	-3,833
Depreciation and amortisation	-5,635	-4,178	-22,354	-16,403
<b>Operating income</b>	<b>-1,180</b>	<b>4,967</b>	<b>19,219</b>	<b>46,317</b>
Interest expense	-460	-983	-2,222	-4,382
Other financial items net	-795	317	-728	527
<b>Net financial items</b>	<b>-1,255</b>	<b>-666</b>	<b>-2,950</b>	<b>-3,855</b>
<b>Net income before tax</b>	<b>-2,435</b>	<b>4,301</b>	<b>16,269</b>	<b>42,462</b>
Taxes	-6	-12	-24	-47
<b>Net income (-loss)</b>	<b>\$ -2,441</b>	<b>\$ 4,289</b>	<b>\$ 16,245</b>	<b>42,415</b>
Other comprehensive income (-loss)	-	-	-	-
<b>Total comprehensive income (-loss)</b>	<b>\$ -2,441</b>	<b>\$ 4,289</b>	<b>\$ 16,245</b>	<b>\$ 42,415</b>

Earnings (-loss) per share (amounts in \$)	-0.28	0.49	1.86	4.84
Diluted earnings (-loss) per share (amounts in \$)	-0.28	0.49	1.86	4.84
Wtd. avg. common shares outstanding	8,756,819	8,756,819	8,756,819	8,756,819
Wtd. avg. common shares outstanding + assumed conv.	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

**STATEMENT OF FINANCIAL POSITION**

*(in \$ thousand)*

**ASSETS**

	2009	2008
	31 Dec	31 Dec
	Unaudited	Audited
Tangible non-current assets		
Vessels	\$ 357,291	\$ 342,174
Other non-current assets	228	277
Other non-current assets		
Pension funds	205	173
Long-term receivables and other assets	-	384
Current assets:		
Inventory	10,762	5,817
Receivables and other current assets	18,061	25,669
Bank deposits	13,271	11,194
<b>Total assets</b>	<b>\$ 399,818</b>	<b>\$ 385,688</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

Shareholders' Equity:		
Share capital	\$ 87	\$ 87
Additional paid-in capital	60,984	60,984
Retained earnings	202,776	186,531
<b>Total Shareholders' equity</b>	<b>263,847</b>	<b>247,602</b>
Interest bearing debt, long-term	-	63,756
Interest bearing debt, short-term	94,258	31,710
Other short-term debt	41,713	42,620
<b>Total liabilities</b>	<b>135,971</b>	<b>138,086</b>
<b>Total Shareholders' equity and liabilities</b>	<b>\$ 399,818</b>	<b>\$ 385,688</b>

**STATEMENT OF CASH FLOWS***(in \$ thousand)*

	2009 4Q Unaudited	2008 4Q Unaudited	2009 Jan-Dec Unaudited	2008 Jan-Dec Audited
Profit before tax	-\$2,417	\$4,301	\$16,269	\$42,462
Depreciation and amortisation	5,636	4,178	22,354	16,403
Net drydocking costs	-910	-2,259	-23	-2,400
Other	1,506	3,409	2,016	1,208
<b>Cash flow from operating activities</b>	<b>3,815</b>	<b>9,629</b>	<b>40,616</b>	<b>57,673</b>
Purchase of vessels / Ice class	-	-16,896	-36,960	-18,818
Other	-2	-56	-54	-162
<b>Cash flow from investing activities</b>	<b>-2</b>	<b>-16,952</b>	<b>-37,014</b>	<b>-18,980</b>
New interest bearing debt	-	-	31,000	-
Repaid interest bearing debt	-3,000	-1,164	-32,095	-44,682
Net changes in financing fees	-148	135	-430	-
<b>Cash flow from financing activities</b>	<b>-3,148</b>	<b>-1,029</b>	<b>-1,525</b>	<b>-44,682</b>
<b>Net change in cash</b>	<b>\$ 665</b>	<b>\$ -8,352</b>	<b>\$ 2,077</b>	<b>\$ -5,989</b>
Cash at beginning of period	12,606	19,546	11,194	17,183
<b>Cash at end of period</b>	<b>13,271</b>	<b>11,194</b>	<b>13,271</b>	<b>11,194</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***(in \$ thousand)*

	2009 Jan-Dec Unaudited	2008 Jan-Dec Audited
<b>Shareholders' equity at beginning of period</b>	<b>247,602</b>	<b>205,187</b>
- Net profit for the period	16,245	42,415
<b>Shareholders' equity at end of period</b>	<b>\$ 263,847</b>	<b>\$ 247,602</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 2009 and 2008 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 2008. The consolidated condensed financial statements should be read in conjunction with the 2008 annual financial statements, which include a full description of the Group's accounting policies. With effect from 1 January 2009, new standards, amendments to standards and interpretations have become effective. The adoption of these amendments, except for presentation changes as per IAS 1, have had no impact on the reported income or net assets of the Group.

### 3 Tangible assets

<i>(in \$ thousand)</i>	31 Dec 09	31 Dec 08
Book value beginning of year	342,451	337,091
Additions	41,674	25,198
Depreciation and amortisation of dry docking for the period	-26,607	-19,838
Book value end of period	357,519	342,451

### 4 Interest bearing debt

31 December 2009 <i>(in \$ thousand)</i>	Fortis Syndicate	Siem Industries	Total
Balance (including financing fees) 31.12.08	82,496	12,970	95,466
New debt	28,000	3,000	31,000
Repaid debt	-29,094	-3,000	-32,094
Financing fees	-65	-49	-114
Balance (including financing fees) 31.12.09	81,337	12,921	94,258

### 5 Charter commitments

From 31 December 2009 <i>(in \$ thousand)</i>	2010	2011	2012-2020	Total
Long-term charters	67,665	67,665	531,258	598,923

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

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