



STAR REEFERS INC.

REPORT FOR THE FOURTH QUARTER AND PRELIMINARY FULL YEAR 2010

11 February 2011 – STAR REEFERS INC (the “Company”; OSE Symbol: SRI) announces its preliminary results for the quarter and fiscal year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

Highlights 2010

- Net income for 2010 of USD0.1 million (2009: USD16.2 million)
- EPS USD0.01 (2009: USD1.86)
- EBITDA USD23.0million (2009: USD41.6 million)
- Issued 890,660 new shares at NOK120 per share
- Received delivery of two more newbuildings under 10-year charter contracts
- Laid-up 7 vessels for commercial reasons
- Victim of wrongful termination of long-term charters for 3 vessels
- Refinanced existing debt with a new USD65.0 million credit facility

In a private placement in December 2009 and a following rights issue in March 2010, a total of 890,660 new common shares were issued at a subscription price of NOK120 per share. The net proceeds were NOK106.1 million, equivalent to USD17.7 million.

STAR Endeavour and *STAR Leader*, delivered in the first half of 2010, were the final two vessels in the series of 12 newbuildings, delivered to STAR Reefers under 10-year charter contracts. All 12 vessels under the newbuilding programme to which STAR Reefers committed are now employed on long-term time charters.

The specialised reefer vessels *Almeda Star*, *Avelona Star* and *Cape Town Star* have been on charter to Kalistad Ltd since November 2008. STAR Reefers believes that the charterers wrongfully terminated the charters in September 2010 on the basis of unsubstantiated allegations relating to the performance of the vessels. STAR will take all necessary steps to protect its position.

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 24.8 million cbft.

Comparative Financial Statements (Year over Year)

In 2010, STAR Reefers reported a net profit of USD0.1 million (2009: USD16.2 million), and USD0.01 earnings per share (2009: USD1.86 per share).

Gross revenues were USD240.5 million (USD262.4 million). The reduction in revenue was due to reduced capacity and reduced rates. The capacity decreased by 6% to 254.7 million cbft. (269.8 million cbft.). The increase in capacity of the newbuildings delivered was offset by a greater reduction from commercial lay-up of 7 vessels in Q2 2010. The reduction in revenue was due to reduced capacity, lower market rates and an increased part of the fleet being deployed into a weak spot market due to redelivery of 5 vessels previously on charter in 2009 and 3 vessels wrongfully redelivered to the Company in Q3 2010.

Ship operating expenses, including amortisation of drydock expenses, and administrative expenses, including provisions for trade receivables, were USD89.8 million (USD112.0 million). Most of this decrease was due to the lay-up of 7 vessels and an extensive cost-cutting programme.

Time charter and bareboat charter expenses increased to USD67.3 million (USD51.9 million) primarily due to the delivery of four new vessels on time charter (two in 2009 and two in 2010).

Depreciation and amortisation was USD22.1 million (USD22.4 million).

Interest expense was USD1.7 million (USD2.2 million). The fall was due to lower interest rates and repayment of debt.

Other financial items were a net income of USD0.9 million (net expense of USD0.7 million).

Comparative Financial Statements (Q4 over Q4)

STAR Reefers posted a net loss of USD3.8 million in Q4 2010 (Q4 2009: net loss USD2.4 million). The loss per share was USD0.39 (2009: loss per share USD0.28).

Gross freight revenues were USD58.6 million (USD62.5 million). Capacity employed decreased 8% to 62.6 million cbft (68.4 million cbft), primarily due to 7 vessels in lay-up.

Ship operating and administrative expenses were USD22.3 million (USD29.3 million) due to the 7 vessels in lay-up.

Time charter and bareboat charter expenses increased to USD17.6 million (USD12.8 million) as the capacity of vessels on time charter increased due to delivery of 2 vessels in Q4 2009 and 2 vessels during the 1st half of 2010.

Depreciation and amortisation was USD5.5 million (USD5.6 million).

Interest expense decreased to USD0.4 million (USD0.5 million) primarily due to lower interest rates. Other financial items were a net income of USD0.5 million (USD-0.8 million).

Statement of Financial Position and Refinancing

Following the issue of 890,660 shares raising USD17.7 million, Shareholders' Equity was USD281.6 million as at 31 December 2010 (31 December 2009: USD263.8 million), or USD 29.19 per share (31 December 2009: USD30.13 per share). The interest-bearing debt is down from USD94.7 million at year end 2009 to USD65.0 million at 31 December 2010. During the year, STAR Reefers repaid USD16.0 million to Siem Industries (73.5% shareholder of STAR Reefers) and USD24.5 million to its Banks. As of 31 December 2010, the final balloon payment of STAR Reefers' interest-bearing debt to its Banks of USD57.1 million was due. This amount was successfully refinanced by STAR Reefers with a 5-year USD65.0 million

new credit facility. Bank deposits were USD13.4 million at end of 2010 or approximately the same level as at the end of 2009 (USD13.3 million). In addition to the liabilities in the balance sheet, STAR Reefers has significant long-term charter commitments (see note 6 to the accounts).

Private Placement and Subsequent Offering of Shares

In a private placement directed towards larger shareholders of the Company in December 2009, a total of 875,000 new common shares were subscribed at NOK120 per share. In a subsequent repair offering in March 2010 directed at shareholders of the Company that did not participate in the private placement, an additional 15,660 new common shares were subscribed at NOK120 per share. The gross proceeds were NOK106.9 million and the expenses relating to the share issues were NOK0.8 million. On 31 March 2010, STAR Reefers Inc. issued 890,660 new common shares to increase the number of issued and outstanding shares to 9,647,479.

Wrongful Termination of Charters

The specialised reefer vessels *Almeda Star*, *Avelona Star* and *Cape Town Star* have been on charter to Kalistad Ltd, a member of the JFC Group, since November 2008. STAR Reefers believes that the charterers wrongfully terminated the charters in September 2010 on the basis of unsubstantiated allegations relating to the performance of the vessels.

For several months, Kalistad failed to pay hire punctually according to the terms of the charter and sought to engage STAR Reefers in discussions regarding the level of hire payable for the balance of the charter period, which is scheduled to conclude in November 2011. Throughout the charter period, STAR Reefers exercised the utmost due diligence in the technical management and operation of the vessels and attempted to engage in professional discussions with Kalistad senior managers relating to its evident cash flow problems. Regrettably, Kalistad elected to end these discussions and wrongfully terminated the charters. STAR Reefers will take all necessary steps to protect its position.

Related Party Transactions

Siem Industries Inc. owns 73.5% of STAR Reefers. During 2010, the following transactions with this related party took place: Outstanding interest-bearing debt to Siem Industries of USD3.0 million was due and payable as of 30 June 2010, but the Company was granted a deferral on the payment of this instalment until 31 December 2010. During Q3 2010, a USD3.0 million short-term loan from Siem Industries, due at the end of December 2010, was provided at market terms. As at 31 December 2010, all loans from Siem Industries had been repaid. Other information on related party transactions is disclosed in the Annual Report 2009.

Market

Full Year

The year 2010 was one of the poorest in the reefer industry's history with rates falling, costs increasing and the full impact of the economic crisis really being felt. For the first time in several years, 12-month time charter ships were redelivered to owners, as period charterers shed tonnage and corrected the size of their fleets to cope with the downturn. The banana traders, who had traditionally been significant takers of quality tonnage, also reverted to their more traditional role of price driven spot market players. Although it has been reported that the average rate for larger reefer vessels for 2010 was 43 cents, which is similar to the rates reported for 2009 (38 cents), the considerably longer waiting time for cargoes experienced by all owners in 2010 is not reflected in these figures.

The non-EU markets in the Mediterranean and Black Sea have been a mainstay for specialised reefers for many years. A lack of available credit and continuing unfavorable exchange rates contrived to cause this market to shrink from a pre-crisis of 65 million banana cartons to an estimated 30-35 million cartons in 2010. As these round voyages are 60% longer than voyages to North Europe the effect on demand for ships has been significant.

The year was also marked by continuing banana supply problems. Throughout the principal growing regions of Central America, temperatures have been lower than necessary for full production and wet weather (particularly in Costa Rica) has hampered harvesting. Exports from Costa Rica in Q1 2010 were reported to have been 22% below average. FOB prices for bananas were consistently high throughout 2010 as the fruit majors competed with spot players for the volumes needed to supply their core market commitments. Combined with high fuel costs (27% higher than the 2009 average) this represented a toxic mix for banana traders. Consequently, caution was the prevalent sentiment and demand remained muted for large parts of 2010.

The squid catch in the Falkland Islands once again disappointed and political friction between Russia and the USA created difficulties for the poultry trade. This trade which would normally have absorbed an annual quota allocation of 700,000 mt, mostly carried in reefers, ended the year with only half this figure.

Given the difficult market conditions and high bunker prices, it is not surprising to note that 49 vessels, representing close to 6% of the reefer fleet above 400,000 cbft, were sold for demolition in 2010. A similar number remained in lay-up at end of 2010.

4th Quarter

The average spot rates for larger reefer vessels in Q4 2010 was 39 cents (Q4 2009: 33 cents). Although there was an increase in USA poultry being shipped to Russia and a steady supply of small parcels of USA destined Moroccan citrus, the supply of spot tonnage was rarely tested. Rates remained modest as a consequence.

Chilean and South African trades began to absorb tonnage by year-end helping to reduce the open tonnage list for the first time in Q4 and hence increase owners' time charter returns, especially for the more efficient modern tonnage.

Operational Issues

For the whole of 2010, the Company recorded unplanned operational off-hire of 1.9% (2009: 1.4%).

Our in-house ship management company, STAR Reefers Poland, now manages 24 vessels after having taken over the management of six vessels in 2010 that were previously managed by Dobson Fleet Management, Cyprus.

Fleet Changes and Deployment

In January 2010, STAR Reefers entered into an agreement to charter-out *Sun Light* and *Sun Genius* (previously *Trojan Star* and *Tudor Star*) on 3-year bareboat charters, with two options for the charterer to acquire the vessels at the end of the charter party.

STAR Endeavour and *STAR Leader*, the 11th and 12th vessel in the series of 12 newbuildings, were delivered to STAR Reefers under 10-year charter contracts on 24 February 2010 and 25 April 2010, respectively.

The spot market rates during 2010 were lower than ship operating expenses. To reduce the operating losses for vessels deployed in the spot market, STAR Reefers laidup seven vessels from the end of June 2010.

STAR Reefers' strategy has been to fix the majority of its fleet on a long-term basis. Following the demise of Sunway in 2009 and subsequent redelivery of 5 vessels which had been on long-term charters and the wrongful termination of 3 long-term charters by Kalistad Ltd, in 2010, the Company became more exposed to the spot market. As of 31 December 2010, 49% of fleet capacity had been fixed and the balance was exposed to the spot market.

Outlook

Rates for spot reefers for January 2011 appear to have improved by around 10 cents compared to the same time last year. Demolition and continued lay-ups have contributed to this slight strengthening of rates. Judged simply by the length of the open lists, the supply/demand, balance appears to have moved a little in the favour of shipowners. With scrap steel now obtaining USD500 per light displacement tonne, the scrapping in 2011 is expected to continue from the high levels seen in 2010 when, in the segment made up of vessels above 400,000 cbft., 19 vessels representing 7.8 million cbft. were scrapped.

On the demand side of the equation, there is less certainty. Production of bananas in Central America remains below average for the time of year. Consumer demand is muted, particularly in the EU and Eastern Europe. Unfavorable foreign exchange rates and fuel prices near historic highs may have a negative effect on demand from non-EU Europe. The market may have reached a trough but only the brave would forecast a rapid return to the pre-crisis boom years. The vessels which will be in greatest demand will be the modern, energy-efficient vessels which characterize the STAR Reefers fleet.

11 February 2011
The Board of Directors of Star Reefers Inc.

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

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 AND FULL YEAR REPORT 2010

STATEMENT OF COMPREHENSIVE INCOME

(in \$ thousand)

	2010 4Q Unaudited	2009 4Q Unaudited	2010 Jan-Dec Unaudited	2009 Jan-Dec Audited
Gross revenue	\$ 58,630	\$ 62,467	\$ 240,497	\$ 262,364
Voyage expenses and other operating revenue	-17,096	-15,887	-60,437	-56,896
Net revenue	41,534	46,580	180,060	205,468
Net operating revenues	41,534	46,580	180,060	205,468
Ship operating and admin. expenses	-22,283	-29,305	-89,771	-111,953
Time charter hire	-17,255	-12,436	-65,838	-50,415
Op. income bef. depr. and bare-boat hire	1,996	4,839	24,451	43,100
Bareboat charter hire	-374	-384	-1,483	-1,527
Depreciation and amortisation	-5,521	-5,635	-22,084	-22,354
Operating income	-3,899	-1,180	884	19,219
Interest expense	-375	-460	-1,669	-2,222
Other financial items net	485	-795	874	-728
Net financial items	110	-1,255	-795	-2,950
Net income / (loss) before tax	-3,789	-2,435	89	16,269
Taxes	-5	-6	-22	-24
Net income / (-loss)	\$ -3,794	\$ -2,441	\$ 67	\$ 16,245
Other comprehensive income	-	-	-	-
Total comprehensive income / (-loss)	\$ -3,794	\$ -2,441	\$ 67	\$ 16,245
Earnings / (-loss) per share, basic and diluted (amounts in \$)	-0.39	-0.28	0.01	1.86
Wtd. avg. common shares outstanding	9,647,479	8,756,819	9,430,304	8,756,819
Issued and outstanding shares	9,647,479	8,756,819	9,647,479	8,756,819

STATEMENT OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

	2010 31 Dec Unaudited	2009 31 Dec Audited
Tangible non-current assets		
Vessels	\$ 333,879	\$ 357,291
Other non-current assets	252	228
Other non-current assets		
Pension funds	202	205
Current assets:		
Inventory	11,494	10,762
Receivables and other current assets	25,454	18,061
Bank deposits	13,400	13,271
Total assets	\$ 384,681	\$ 399,818

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity:		
Share capital	\$ 96	\$ 87
Additional paid-in capital	78,687	60,984
Retained earnings	202,843	202,776
Total Shareholders' equity	281,626	263,847
Interest bearing debt, long-term	51,529	-
Interest bearing debt, short-term	12,894	94,258
Other short-term debt	38,632	41,713
Total liabilities	103,055	135,971
Total Shareholders' equity and liabilities	\$ 384,681	\$ 399,818

STATEMENT OF CASH FLOWS
(in \$ thousand)

	2010 4Q	2009 4Q	2010 Jan-Dec	2009 Jan-Dec
	Unaudited	Unaudited	Unaudited	Audited
Profit / (-loss) before tax	-\$3,789	-\$2,417	\$89	\$16,269
Depreciation and amortisation	\$5,520	5,636	22,083	22,354
Net drydocking costs	\$324	-910	1,435	-23
Other	-\$1,211	1,506	-10,668	2,016
Cash flow from operating activities	844	3,815	12,939	40,616
Purchase of vessels / Ice class	\$0	-	-	-36,960
Other	-\$134	-2	-234	-54
Cash flow from investing activities	-134	-2	-234	-37,014
Share issue, net of issue costs	-	-	17,712	-
New interest bearing debt	\$65,000	-	68,000	31,000
Repaid interest bearing debt	-\$63,124	-3,000	-97,672	-32,095
Net changes in financing fees	-\$586	-148	-616	-430
Cash flow from financing activities	1,290	-3,148	-12,576	-1,525
Net change in cash	\$ 2,000	\$ 665	\$ 129	\$ 2,077
Cash at beginning of period	11,400	12,606	13,271	11,194
Cash at end of period	\$ 13,400	\$ 13,271	\$ 13,400	\$ 13,271

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

	2010 Jan-Dec	2009 Jan-Dec
	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 263,847	\$ 247,602
- Share issue	17,712	-
- Net profit for the period	67	16,245
Shareholders' equity at end of period	\$ 281,626	\$ 263,847

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 2010 and 2009 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 2009. The consolidated condensed financial statements should be read in conjunction with the 2009 annual financial statements, which include a full description of the Group's accounting policies.

3 Tangible assets

<i>(in \$ thousand)</i>	31 Dec 10	31 Dec 09
Book value beginning of year	357,519	342,451
Additions	3,593	41,674
Depreciation and amortisation of dry docking for the period	-26,981	-26,607
Book value end of period	334,131	357,519

4 Share capital and share premium

	Number of shares outstanding	Share capital	Additional paid-in Capital	Total paid in capital
At 31 December 2009	8,756,819	87	60,984	61,071
Shares issued on 31 March 2010	890,660	9	17,703	17,712
At 31 December 2010	9,647,479	96	78,687	78,783

5 Interest bearing debt

<i>(in \$ thousand)</i>	ABN AMRO Syndicate	Siem Industries	Total
Balance (including financing fees) 31 December 2009	81,337	12,921	94,258
New debt	65,000	3,000	68,000
Repaid / refinanced debt	-81,672	-16,000	-97,672
Financing fees	-242	79	-163
Balance (including financing fees) 31 December 2010	64,423	0	64,423

6 Charter commitments

From 1 Jan 2011 <i>(in \$ thousand)</i>	2011	2012	2013-2020	Total
Long-term charters	69,860	70,359	391,694	531,913

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

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