Corporate Participants

Spyros Capralos

Star Bulk – President and CEO

Simos Spyrou
Star Bulk – Chief Financial Officer

Conference Call Participants

Harsha Gowda
Blue Shore Capital

Presentation

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Conference Call on the First Quarter 2013 Financial Results. We have with us Mr. Spyros Capralos, President and Chief Executive Officer; and Mr. Simos Spyrou, Chief Financial Officer of the company. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions).

I must advise you that this conference is being recorded today, on Tuesday, May 28, 2013. We now pass the floor to one of our speakers today, Mr. Spyros Capralos. Please go ahead, sir.

Spyros Capralos

Thank you, operator. I'm Spyros Capralos, the President and Chief Executive Officer of Star Bulk Carriers and I would like to welcome you to the Star Bulk Carriers' first quarter 2013 financial results conference call.

Along with me today to discuss our financial results is our CFO, Mr. Simos Spyrou. Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number 2 of our presentation.

Before we begin the presentation and while you read our Safe Harbor statement, I would like to remind you that we recently announced a 75 million full backstopped equity rights offering. We'll touch upon this issue in more detail later in the presentation. However, I would like to share my belief that this offering allows us to grow our company as a low part of the shipping cycle, strengthen our balance sheet, and make sure Star Bulk's position among the healthiest and most promising companies in the dry bulk shipping industry.

Let us now turn to slide number 3 over the presentation for a preview of our first quarter 2013 financial highlights in comparison to last year's. In the three months ended March 31, 2013, net revenues amounted to 17.4 million representing a 17% reduction versus the same period of 2012. Our revenues were mainly affected by the low freight rate environment and the lower average number of vessels due to the sale of the Star Ypsilon. Net revenues represent our total revenues adjusted for non-cash items [less] voyage expenses.

The reason we refer to our net revenues is because this figure nets out any difference in the number of voyage charters we performed in each period and therefore is directly comparable to other periods.

General and administrative expenses were reduced by 34% to 2.1 million in Q1 2013 versus 3.2 million in Q1 2012. However, in 2012, the number included 1.3 million of stock-based compensation.

Our first quarter 2013 operating income stood at 3 million compared to 2.2 million during the first quarter of 2012. Overall, during the first quarter of 2013, the company had the net income of 1.2 million compared to a net income of 100,000 in Q1 2012.

Excluding non-cash items, our net income for the quarter amounted to 2.8 million compared to an adjusted net income of 6.1 million in Q1 2012. I would like to remind you that last year's adjusted net income includes a 6.5 million gain from the early time charter termination related to the Star Sigma, which is a non-recurring item.

Adjusted EBITDA for the first quarter of 2013 was 8.7 million compared to 18 million last year. Our time charter equivalent during this quarter was $14,316 per day compared to $16,809 last year indicative of the low freight rate environment previously mentioned.

Our average daily operating expenses were $5,531 per vessel, 1% lower than the same period last year. We adjusted net income of 2.8 million, which represents an adjusted earnings per share of $0.51 per share basic and diluted.

Please turn now to slide 4 to briefly discuss the company's recent announcement of the fully backstopped 75 million equity rights offering. On May 2, we announced that our Board of Directors approved the backstopped equity rights offering which will allow us to raise a minimum of 75 million. The proceeds of the offering are expected to be primarily used for orders of newbuilding, fuel-efficient dry bulk vessels.

As I understand that this way of raising capital is not very popular in the U.S., I will try to briefly analyze the process. Eligible participants with this offering, our shareholders of record as of May 15, eligible shareholders will receive at no charge non-transferable subscription right for each common shareholder. Each subscription right gives its holders the right to purchase 2.5957 Star Bulk shares at the price of $5.35 per share. We continue the equity rights offering to be one of the least dilutive ways away from capital for our existing shareholders.

This offering is backstopped mainly by Oaktree Capital Management and Monarch Alternative Capital. Oaktree is a well-known investment firm with approximately 77 billion of assets under management and a significant presence in shipping for quite some time. Monarch is an investment firm with approximately 5.5 billion of assets under management. These two companies are backstopping 45.5 million of the total offering. We welcome the participation of these two investment firms as we feel this is a testament from institutional investors regarding the sound prospects of our company.

Additionally, our largest existing shareholders including Blue Shore, Far View Capital; the two children of our Chairman, Mr. Pappas and the company's CEO, CFO and COO have committed to fully participate in the right offering. Proceeds from committed shareholders sum up to 15.9 million. Lastly, a group of other investors, including business associates of our Chairman, Mr. Petros Pappas, will be backstopping 13.6 million of the rights offering.

Depending on our existing shareholders' participation, the proceeds from this offering could range from a minimum 75 million to a maximum of 122 million with everybody of our existing shareholders subscribed. For more details on the offering, I urge our investors to read the recent F-1 filing, which is currently being reviewed by the SEC. Following the SEC's review and approval, the company will issue a press release informing shareholders on the subscription period. We expect to complete the offering within July 2015.

Please turn now to slide 5 to discuss our balance sheet profile. As of today, our total debt stands at 198.9 million, our current cash position stands at 27.6 million and our net debt stands at 171.3 million. Following the agreements with our lenders in early January 2013 on the principal repayment related to the sale of the Star Sigma, our remaining principal repayment obligations for 2013 stand at 8.6 million.

As you can see in the graph, our principal repayment so far this year stand at 25 million while our scheduled principal repayments for the next two years 2014 and 2015 stand at 18 million and 28 million, respectively. Therefore, we have a smooth loan repayment schedule with no balloon payments for the next three years.

Please turn to slide 6 for an overview of our fleet employment and our charter counterparties. Currently, we have secured 67% of our operating days in 2013 and 20% for 2014 with most of the open days in the Supramax category. Specifically, our time charter coverage in the Capesize segment was 88% for 2013 and 52% for 2014, while our Supramax coverage stands at 55% for 2013.

In addition, the average fixed rate of our Capesize vessels is $23,650 per day, significantly higher compared to current market levels. We report especially to the Cape's as this segment has been the most volatile and the most negatively affected so far. On the Supramaxes, our current strategy mostly focuses on short-term time charter employment so as to maintain our upside potential once the market recovers.

Overall, our total contracted revenue amounts approximately $115 million, while it's worth noting that we no longer have legacy charters from the high levels of [2008]. Lastly, I would like to highlight the high quality credit profile of our non-short-term charters with blue chip companies like Rio Tinto, Cargill, and Louis Dreyfus among our counterparties.

Please now turn to slide 7. Year-after-year we continued our efforts to improve our operational performance. Our cost cutting efforts in our operating and G&A expenses have played an important role in our financial and operating performance in these challenging market environments.

On the left graph, you can see the weighted average size of our vessels versus our average daily operating expenses. Since Q1 2009, our daily operating expenses have been reduced from $6,223 to $5,531 per day Q1 2013, an 11% cumulative decrease. At the same time, our average vessel size increased by 13% on a cumulative basis from 92,000 deadweight tons to 105,000 deadweight tons.

On the right graph, you can see the total carrying capacity of our managed fleet versus our G&A expenses, which exclude one-off severance payments and stock-based compensation. These G&A expenses are of course reflected of the in-house investor management capabilities we have developed since our inception. We have been growing our third-party vessel management capacity over the last year and we have also added two more third-party vessels under management this quarter.

We currently expect that we'll have four product tankers and two bulk carriers to our managed fleet by August. We estimate that until 2015, we would have a total of 35 new vessels under management further growing our revenues from this activity. Moving forward, we remain focused on further optimizing operating costs and implementing our quality objectives to the benefit of both our old fleet and our managed fleet and of course our shareholders.

Now, I'll ask Mr. Simos Spyrou, our CFO to discuss on the financials and give you an update on the market developments. Please go ahead, Simos.

Simos Spyrou

Thank you, Spyros. Let us now move to slide number 9 for an overview of our balance sheet as of March 31, 2013. Our total cash balance stood at $30.7 million, while other current assets were $9.8 million. Star Sigma, which represents the vessel held for sale, was at 8.4 million and the remaining fleets, our fixed assets amounted to 279.1 million.

Fair value of above market acquired time charter stood at $12.8 million and other non-current assets at $1.5 million. Summing up the above, total assets amounted to $342.1 million. Total debt stood at $211.4 million and other liabilities were at $12.8 million and stockholders' equity was at $119 million.

If we can now turn to slide 10 to discuss our first quarter 2013 income statement, I would like to point out that our results include non-cash items, which are depicted in the middle column while the adjusted figures exclude them.

For the first quarter of 2013, non-cash adjusted revenues amounted to $20 million compared to $29.6 million in the same period last year. In particular, non-cash items include a $1.6 million related to the amortization of above market acquired time charters for the vessels Star Big and Star Mega with a long-term charter in a well known (inaudible).

Voyage expenses amounted to $26 million for the Q1 2013 from $8.7 million in the first quarter of 2012. Adjusted net revenues, net of voyage expenses, amounted to $17.4 million this quarter compared to $20.9 million the same period last year, a reduction of 17%.

I believe that this number is an accurate measure of our actual comparable revenue as it nets out the effect of the voyage charters on the revenue and the voyage expenses lines. This 17% reduction was mainly due to our smaller other number of vessels during the quarter and our higher spot market exposure under a low freight rate environment.

Vessel operating expenses stood at $7 million versus $7.5 million the same quarter last year. Drydocking expenses amounted to approximately $272,000 versus $96,000 last year. However, drydocking expenses are generally not comparable as they mainly relate to the number of vessels drydocked each period or to advanced payments of forthcoming drydocking.

G&A expenses, adjusted for non-cash stock-based compensation, totaled $2.1 million during the first quarter 2013 compared to $1.9 million during the first quarter of 2012, due to an increase in our number of employees to support our current and upcoming managed fleet growth. Excluding one-off items, core daily G&A expenses per managed vessel in the first quarter of 2013 reduced by 1.7% versus the same quarter last year.

Other operational loss and other operational gain represent mainly commercial claims that the company had initiated in the past and again from hull and machineries in our non-recurring items. Nonetheless, the company had the cash inflow of $700,000 this year. Overall, the company's adjusted net income amounted to $2.8 million compared to an adjusted net income of $6.1 million same quarter last year.

I would like to remind you that in the first quarter of 2012, the adjusted net income includes the 6.5 million non-recurring gain from the early time charter termination related to the Star Sigma.

I would like now to give you a brief update on the dry bulk markets and please turn to slide 12. After four years of consecutive record high deliveries, the dry bulk fleet has outfit demand forcing rates to plummet. There is no doubt that the dry bulk market is currently in a difficult position with low freight rates, low asset values and all the consequential difficulties for all shipping companies. The dry bulk shipping industry is undoubtedly in one of the worst possible position in terms of supply and demand balance. Just to put this into perspective, the dry bulk fleet has grown from 418 million deadweight tons in the beginning of 2009 to 697 million deadweight tons in the beginning of this month. This represents a massive cumulative net growth of around 67%.
Also, keep in mind that this number is taken into account approximately 82 million deadweight tons of scrapping during this period. While deliveries have dropped in more sustainable levels with last six months, it remains to be seen how this will develop going forward.

An encouraging element in the supply side is the reduction of the average speed of the fleet or slow steaming with effectively reducing the available fleet carrying capacity. High fuel prices and low time charter rates make it more economical for ships to save fuel and therefore to operate at the lower more eco-friendly speed.

According to Fearnley's, the average speed of the dry bulk fleet stood at 11.1 knots in 2012 compared to 14 knots in 2009. On the other hand, dry bulk demand is very much dependent on the global economic growth, which is still trying to recover.

Higher lending costs, unavailability of funds due to the bank's deleveraging, disappointing growth rates in the developed economies, the government's inability to address structural issues strongly and efficiently, and finally the general uncertainty that dampens the investor sentiment around the world have managed to bring global growth down to lower levels.

As we can see on the right-hand side graph, China, India, U.S. The Eurozone countries have witnessed a significant slowdown in terms of their GDP growth. Even though we believe the dry bulk demand growth will by far outperform GDP growth going forward, the global slowdown definitely prevents ton-mile demand from un-leasing its potential.

On the positive side, U.S. Chinese GDP seemed to be bottoming out. Nonetheless, it remains to be seen whether this will prove to be the turning point. Overall, we believe that the global economy will recover in the coming quarters, which will help global trade growth.
Please turn now to slide 13 for an update on the supply side. Dry bulk vessel deliveries have continued at the high pace and have been keeping the DBI under pressure. We expect deliveries

in the remaining months of 2013 to continue at a slower pace compared to the last two years and should slowdown further going forward.

As you can see on the top right-hand graph, deliveries in the period between 2008 to 2012 had an average slippage rate of around 30%. Many analysts believe that this rate of slippage is likely to continue into 2013 due to the (inaudible) financing.

On the bottom right-hand graph, we provide the order book for the remainder of 2013, 2014 and 2015. As you can see, while the dry bulk industry still has to go through a process of absorbing a very large number of new vessels that has come into the market in 2011 and 2012, the current order book stands at significantly lower levels.

What is important and encouraging is the fact that bulk carrier demolition has stayed at record high levels in the last couple of years. 2011 all-time record of 22.3 million deadweight tons was by far been surpassed by 2012's scrapping activity of 33.7 million deadweight tons.

During the first four months of 2013, scrapping activity stood at around 9 million deadweight tons and implies an annualized 27 million deadweight tons scrapping. A continued strength in scrapping activity should slow down the fleet's net growth rate, which effectively could provide some relief to supply pressures.

Please turn now to slide 14. In my opinion, these two graphs sum up the long-term demand trends for the dry bulk industry. As most of you know, iron ore and coal are the two most important commodities for dry bulk shipping accounting for more than half of the seaborne dry bulk trade.

On the left graph, you can see how Chinese iron ore imports have evolved in the last eight years. As we have explained many times in previous presentations, Chinese domestic iron ore is of very low quality compared to international commercial mining standards. Therefore, we believe that the substitution of the expensive Chinese iron ore production with imported ore provide a significant support to iron ore trade even with zero steel production growth.

From the breakdown of Chinese iron ore imports by source, we can see that Indian exports have plummeted. Taking into account that India is China's closest major iron ore exporter, we expect this will have a positive effect on ton-miles, as China will be forced to import from other more different sources.

On the right-hand side graph, you can see how Chinese coal trade has evolved for the last eight years. The growth of this trade has been fully remarkable. China's increased energy needs have turned the country from a traditional coal exporter to the single biggest coal importer in the world in half a decade.

From significant coal trade surpluses up until 2005, China had a coal trade deficit of around 300 million tons during the last 12 months. What is even more impressive is the growth potential of this trade. China's coal production during the last 12 months was more around 3.85 billion tons. , as you can understand, the 300 million tons of net imports represents only around 7% of the total Chinese coal consumption.

As China continues growing, we expect the need for energy in general and coal-fired energy, in particular, to continue growing as well. We believe the potential for additional coal imports is large and so long as additional mining capacity comes online, we will continue rapid growth in this trade.

Please turn now to slide 15. On the left graph, you can see total seaborne iron ore exports from 2010 onwards. The first quarter is traditionally a weak quarter as Australia is often affected by ship loans and Brazil by heavy rain. Nonetheless, this year's first quarter mark yet another record high first quarter in terms of total seaborne iron ore exports.

Looking forward, a significant amount of iron ore export capacity is expected to come on line towards the end of the year, while many analysts believe the dry bulk demand growth could outfit supply growth towards the end of the year.

Overall, we remain optimistic on the long-term outlook of the dry bulk industry and we believe that the dry bulk demand prospects remained positive despite the adverse economic environment.
I would like now to pass the floor back to Mr. Capralos for his closing remarks.

Spyros Capralos

Thank you, Simos. In conclusion, as you can see on slide 17, we believe that Star Bulk is positioned to sustain through the current challenging environment. On top of a high-quality modern fleet, Star Bulk also has a diverse group of high-quality charters.

As we discussed earlier in our presentation, our in-house management has provided tangible results as it has led to a meaningful increase in our efficiency and transparency, a consistent decrease in operating costs, and lastly in an increase in our revenues going forward due to the management of third-party vessels.

We have an experienced and dedicated management team and moderately leveraged balance sheet and a healthy liquidity profile compared to the industry. We have secured our lenders' trust and support for the next two years. We currently have no capital expenditures related to newbuildings, and we have $27.6 million of cash in the banks.

Last but not least, our recently announced equity offering will supply the company with a minimum of 75 million additional ammunition to support our future growth plans. We believe Star Bulk has a good set of characteristics that placed the company among the most promising in the dry bulk industry.

Closing, I would like to thank our shareholders for their support and loyalty and reassure them that we'll continue our efforts to grow our fleet with high quality eco-efficient vessels and through the company's long-term viability and navigate safely through this challenging low freight rate environment.

Without taking any more of your time, I will now pass the floor over to the operator. In case you have any questions, both Simos and myself will be happy to answer them. Thank you.

Questions and Answers

Harsha Gowda – *Blue Shore Capital*
Hi. I have a few questions. Number one, can you give us an idea what type of vessels or the quantity of vessels you're looking to potentially buy with the capital that's been raised and also the targeted leverage ratio?

Spyros Capralos

We are looking to buy quality newbuilding vessels, therefore we are targeting some of the Japanese and top Chinese yards. We are going to remain in the dry bulk sector and always to the areas where we have a competitive advantage, we have a knowhow and knowledge how to operate them, and I mean the Capesize vessels and the Supramax vessels. Of course, those vessels are going to be more than vessels, probably a little bigger than the current size of our existing fleet and we think that we are aiming for deliveries in 2015.

The number of vessels will depend according to what we find in the market and of course, it has to do with the pricing of those vessels. So we'll be negotiating hard with the yards to get the best possible deal of a company.

Harsha Gowda – *Blue Shore Capital*
Okay, great. Then you have any view on how much leverage you expect or to target once you enter into these agreements…?

Spyros Capralos

Yes, relatively to second hand vessels, we think that in today's market conditions we can secure something around 60%, 65% leverage.

Harsha Gowda – *Blue Shore Capital*
Okay, great. Now you mentioned that you are expecting about 35 vessels to be managed – third party vessels to be managed by 2015, which – that's a very nice surprise. Are you going to maintain that, I guess, 750 a day pricing on these vessels?

Spyros Capralos

Yes, that is correct. The vessels that we have full technical and operational management, we charge $750 per day. For some others that we have only partial management which means that before the tankers, we only take the insurance of purchasing and accruing, we get $130 per day.

Harsha Gowda – *Blue Shore Capital*

Okay, great. Can you give us an idea what the rough range operating margin you expect from this business because it looks like it could become relatively significant?

Spyros Capralos

No, we cannot display at this point what type of margins we're having.

Harsha Gowda – *Blue Shore Capital*

Okay, great. I just want to commend you again on the great cost cutting. I think that's unique in the sector and I love to see that you keep working on efficiency especially in such difficult times today, so thank you for that and great job as usual. Thank you

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[No further questions]

Spyros Capralos

All right, thank you very much. If there are no questions, would like to thank you for joining for the conference call. Our 2013-second quarter results are scheduled sometime end of August and we look forward to have you with us at that time. Thank you very much for your attention and talk to you soon.
