Corporate Participants

Petros Pappas
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Hamish Norton
Star Bulk Carriers - President

Simos Spyrou
Star Bulk Carriers - Co-Chief Financial Officers

Christos Begleris
Star Bulk Carriers - Co-Chief Financial Officers

Presentation

Operator:
Good afternoon, ladies and gentlemen. Thank you for standing by and welcome to the Star Bulk Carriers Conference Call for the second quarter financial results and to update on recent developments.

We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Simos Spyrou and Mr. Christos Begleris, Co-Chief Financial Officers of the Company.

And this time, all participants are in the listen-only mode. There will be a presentation followed by a question-and-answer session. At which time, if you wish to ask a question, you will need to press star and one on your telephone and wait for your name to be announced.

I must advise you the conference is being recorded today. And we now pass the floor to one your speakers, Mr. Pappas. Please go ahead.

Petros Pappas:
Thank you, operator. I'm Petros Pappas, Chief Executive Officer of Star Bulk Carriers and I would like to welcome you to the Star Bulk Carriers Conference Call regarding the completion of the $51.5 million common equity offering, as well as our second quarter 2016 financial results. Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on Slide number 2 of our presentation.

Please turn to Slide 3 for a corporate update. Today, we're happy to announce that we have reached agreements with our 15 banks and export credit agencies to defer all bank debt principal payments until June 30, 2018, as well as waive or substantially relax our financial covenants until the end of 2019.

As part of our agreement with the banks on Wednesday, September 14, 2016, we launched a public offering of $51.5 million of common equity, which was taken up pro rata by Oaktree Capital Management, Caspian Capital and my family. On Tuesday, September 20, we announced the successful completion of these equity offering.

Having said that, I will now pass the floor to one of our Co-CFO, Simos Spyrou, for an update on our Q2 results.

Simos Spyrou:
Thank you, Petro. Let us now turn to Slide number 4 of the presentation for a summary of our second quarter 2016 financial highlights in comparison to the same period last year. In the three months ending June 30, 2016 net revenues, adjusted for non-cash items less voyage expenses amounted to $35 million, 24.1 percent less than the $46.1 million for the same period last year.

Adjusted EBITDA for the second quarter 2016 was $1.6 million versus $6.3 million in the second quarter 2015. It is worth mentioning that we are reporting positive adjusted EBITDA in this freight market with a fully spot fleet. Excluding non-cash items and one-off expenses, our adjusted net loss for the second quarter amounted to $30.2 million or $0.69 loss per share versus $22.3 million adjusted net loss or $0.59 loss per share in the same quarter last year. These figures take into account the recently affected 5-to-1 reverse stock split.

Our time charter equivalent rate during this quarter was $6,463 per day compared to $8,616 per day in the same quarter last year. Our average daily operating expenses, excluding $300,000 of non-recurring pre-delivery expenses were $3,796 per day, a reduction of 12 percent compared to the similarly adjusted figure of $4,311 for the same quarter last year.

Slide number 5, highlights Star Bulk's differentiating strengths. Our agreement with the banks and the equity injected by our shareholders brings our liquidity to approximately $200 million and reduces our breakeven to approximately $7,800 per vessel per day.

We present a highly desirable platform for investors as we provide A, Scale, as one of the largest US listed dry bulk operators with strong commercial presence and operational efficiency, and a wide and modern fleet that covers the needs of all the clients in dry bulk shipping; B; One of the lowest cost operators without sacrificing quality of service; C; In-house technical and commercial management that guarantees alignment of interest with shareholders; and D; Strong track record of support by major shareholders and financial institutions.

Slide 6 summarizes the strong liquidity position that Star Bulk enjoys after the agreement with our lenders and the equity injection from our shareholders. Our all-in cash breakeven, which includes operating expenses, corporate overhead, interest, principal, and drydock provision, is expected to be reduced significantly from approximately $10,900 per day per vessel to $7,800 per vessel per day. We believe that this reduction of approximately 28 percent will significantly decrease cash burn in the current weak market and should enable the Company to have positive cash flow, should the market improve slightly.

On the right hand side, we provide recent balance sheet information on our cash and debt positions. As of September 20, our total cash balance stood at approximately $201 million and we are also expecting approximately $6 million of committed sale proceeds from the recent sale of a 2004 Panamax vessel, which will boost our cash position. On the liability side, total debt as of same date stood at $969.7 million.

On the bottom of the slide, we provide an overview of our remaining CapEx going forward. We have $193.4 million of remaining CapEx for the five newbuildings on order. There are five Newcastlemax vessels that are due to take delivery of by early 2018; three in 2017 and two in early 2018. There are no other deliveries due in 2016.

Our expected total debt on these vessels is approximately $184.2 million. Three of the five vessels have committed bareboat financing, with fixed debt amounts, with no LTV test at drawdown. We have $120 million of committed debt via capital leases for these three vessels. We are currently in negotiations to finalize an additional commitment of up to $40 million with a similar bareboat structure.

Finally, we have one unfinanced newbuilding vessel that based on current market valuations and 60 percent financing, we target to incur approximately $24.3 million of secured debt. In case we do not manage to secure financing on a vessel, we always have the option to sell the unfinanced vessels in order to eliminate the equity CapEx.

I will now pass the floor to Christos for an update on our new debt principal deferral and the operational performance for the quarter.

Christos Begleris:
Thank you, Simos. Please turn to Slide 7, where we provide an overview of our debt repayment reduction post restructuring. Our agreements with our 15 banks and export credit agencies enable us to push back debt principal repayments totaling $223.9 million, which were due during the 25-month period from June 1, 2016 to June 30, 2018. Post debt restructuring, we will have no bank principal repayments until the end of Q2, 2018. As a result, we believe our cash balance should remain positive at today's [phase] rate well into 2019.

Please turn to Slide 8, where we summarize our operational performance for the second quarter of 2016. We continue taking a disciplined approach in order to have low cash breakeven rates and remain one of the lowest cost operators. We have improved our average daily OpEx to $3,796 per day per vessel in the second quarter of 2016, a reduction of 12 percent compared to one year ago. For the first half of 2016, we have reduced our OpEx to $3,692 per vessel per day.

In the middle graph, you can see that over 92 percent of our vessels have a maximum rating of 5 starts by Rightship. Our fleet is maintained in good condition to meet the requirements of our most demanding clients.

On the right hand side, you can see the evolution of our average daily net cash G&A expenses. Our expenses are similar to 2015 at approximately $1,150 per vessel per day. We believe that the combination of our in-house management abilities and the scale of the Group provide us with significant tangible advantages in terms of cost and quality that our stakeholders can enjoy.

Slide 9, shows that Star Bulk is one of the lowest cost operators amongst US listed dry bulk peers, based on latest publically available information for the first half of 2016. Star Bulk's operating expenses are approximately 23 percent below the industry average. We have worked hard to control the cost side in order to remain competitive and we will remain vigilant to keep it at low levels, but we have achieved most of the available cost savings already.

Slide 10 shows that dry bulk is cheap now. As illustrated by the graph of asset values of five year old Capes, Panamaxes and Supramaxes from 2009 until today. Even though the historically low prices were reaching the first quarter of 2016 in all vessel classes, looking over the past seven years, which excludes the super cycle period of 2006-2008, current vessel value still remain at very low levels.

I will now pass the floor back to Petros for an update on the market.

Petros Pappas:
Thank you Christos. Please turn to Slide 11 for a brief update on supply. During the first eight months of 2016, the dry bulk fleet has grown by 1.2 percent, a total of 33.4million deadweight was delivered and 24 million deadweight was sent for demolition. Limited ordering, cancellations and conversions have helped trim the dry bulk order book to approximately 13 percent from 19 percent during the same month last year.

Dry bulk contracting, if we exclude the 30 Valemax vessels, has been minimal with a total of only 300,000 deadweight ordered year-to-date. For as long as scrapping is much higher than ordering, this is a positive development, which along with further slippage and potential cancellations will support a dearth of supply of vessels during 2018 and 2019.

We expect, as a result, full-year net fleet growth to decrease from 2.4 percent during 2015, to approximately 1.7 percent during 2016, to below 1 percent during 2017, and to 0.5 percent in 2018.

Let's now turn to Slide 12 for a brief update of demand. Dry bulk trade flows during the first quarter of 2016 dropped mainly as a result of global destocking, expectations for decrease in commodity prices, and worldwide steel production cuts combined with accelerated tonnage deliveries. Nevertheless, after more than two years of strong declines, commodity prices appear to have reached a bottom during the first half of 2016 and have experienced a rebound during the last few months.

We expect that the ongoing monetary and fiscal stimulus presently taking place in China will boost steel consumption in the medium term. As a matter of fact home prices and building permits have been increasing, while steel mill profitability is estimated to have rebounded by approximately 20 percent, since the beginning of the year.

Furthermore, we find it very encouraging that both iron ore and coal production in China have recorded strong declines during the first half of 2016. This has partly been the result of government regulation, such as the 276 work-day restriction on coal mining that came into effect during 2016.

Over the past two months, China coal imports have rebounded by 24 percent year-on-year. Coal stocks at Chinese ports and power plants also stand at 10-year record low levels, meaning that imports may remain strong during the next few quarters. According to Clarksons, total dry bulk trade growth during 2016 is projected to stabilize and experience a marginal increase of approximately 1 percent.

From the middle of 2017, we expect iron ore, coal, bauxite and grain ton-miles to increase substantially due to an increase of Brazilian iron ore and West African bauxite exports, a reduction in substitution of Indonesian coal exports and healthy grain demand from the Pacific. We believe that the first half of 2016 will go on record as one of the most challenging periods in dry bulk history.

Despite the recent improvement in rates, we highlight once again that the most important factor for market balance is on supply discipline. Absence of ordering and increased demolition is gradually putting a cap on fleet growth for the next couple of years and is laying the foundation for a sustainable recovery to take place sometime in the not too distant future. If however, resume ordering newbuildings on the basis of misguided hope, a potential shipping spring will never take place.

Our core set of shareholders Oaktree, Caspian as well as my family and associates invested in the Company and this offering. We believe in the prospects of Star Bulk and are commitment to lead our Company out of this tunnel and into better times.

Without taking any more of your time, I will now pass the floor over to the operator to answer any questions you may have.

Operator:
Indeed. Thank you very much, Sir.

And just a gentle reminder, if you , if you wish to ask a question, you will need to press star and one on your telephone and wait for your name to be announced.

Your first question from Deutsche Bank comes from the line of Amit Mehrotra.

Jason Crescenzo:
Hey guys, it's actually Jason Crescenzo in for Amit. My first two questions are just regarding amortization. Can you tell me when the first payment is after 2H 2018?

Christos Begleris:
Actually, we commence again repaying debt principal in July 2018. So our debt principal is spread throughout the quarter with the majority of these being in the last month. So July 3 is the first repayment.

Jason Crescenzo:
And if you could just give a little bit more color concerning the repayment structure regarding the amount and timing?

Christos Begleris:
It doesn't change. It is as before, effectively all the amounts that were deferred have been added to the balloons. So, again, from the third quarter of 2018 onwards, we have approximately $23 million to $25 million per quarter of debt principal.

Jason Crescenzo:
And then my last question is, just can you give a little color on how your cash sweep is calculated?

Simos Spyrou:
Well, the cash sweep is any amount that exceeds $100 million, plus the minimum liquidity, plus the proceeds from the recent equity offering and any equity offering that we'll do in the future. Today, this amount is $200 million approximately.

So in reality, on September 30, if our free cash balance exceeds $200 million, any amount above the $200 million will be swept towards repayment of deferred amount; any amount that have been deferred from June 1, up until September 30 pro rata.

Jason Crescenzo:
OK, thank you for that. That's all for us. I appreciate the time guys.

Operator:
Your next question from J.P. Morgan from the line of Noah Parquette.

Noah Parquette:
Thanks. With you guys cleaning things up and you can look forward to the dry bulk market for the next couple of years, I want to just ask you, you brought up a point towards the end of the presentation about supplier restrain and owners restraining from ordering.

We saw that in like 2014 where orders came ahead of a recovery, in anticipation of a recovery. What gives you confidence that we don't see something like that again this time?

Petros Pappas:
Thank you Noah. Well, people will order when they see the market improving. The market does not seem like it is improving presently and therefore that's one constraint. The second constrain is that there is not a lot of bank loans at this point and therefore that stops ordering as well.

Now, if we see the market going up in the future, then things may change. But for the time being, as time goes by, basically future orders will be for the more distant future and therefore the later they come in, when they do, the better for the market.

Christos Begleris:
Yes, and Noah there is another factor which is that if you look at where the equity came from for a lot of those orders in 2014, a lot of that equity came from institutional investors and it's going to be a long time before an institutional investor is going to try to put projects for speculative orders if dry bulk newbuildings pass this investment committee. I suspect you would agree with that.

Petros Pappas:
And one more reason, second hand prices basically are low right now and there is available supply of such vessels and therefore there is no reason for someone to go ahead and order a newbuilding. We saw a number of newbuildings ordered at the end of 2012 and during 2013, exactly because they were no available second hand vessels to buy.

Noah Parquette:
It all makes sense, especially when you think about newbuild prices. I mean, that goes to the point of, how do you think the shipyards evolve in terms of dry bulk capacity? Do you see a lot of shipyard capacity being removed permanently? Is it a temporary thing? Is it mostly in China? How does that affect things compared to last time?

Petros Pappas:
Well, taking the countries one-by-one, Japan has already an order book and I think that first availability for newbuildings would be somewhere in 2019, beginning of 2019 or thereabouts. And in any case, Japan doesn't have very high capacity.

Then going to Korea, Korea is basically not building dry bulk vessels for some time now or a very few. And I'm seeing a curtailing of shipyard capacity taking place already there. So, I don't think there is much opportunity to order in Korea as well.

Now, China actually is hungry for orders. But first of all, I think the only yard that would have a chance would be first class yards because on the second rate yards, the banks wouldn't lend. And I think that the number of them will also go bankrupt going forward and it is going to be a problem also with refund guarantees. They won't be able to get the refund guarantee. So basically, we do not see a lot of possibility to order dry bulk vessels on mass going forward.

Noah Parquette:
OK. And I just had one quick one hopefully is -- you talked a little bit about the bauxite trade. It looks like that's changing quite a bit. How much of a factor is that and is that mostly affecting the smaller ships?

Can you just talk a little bit about what you're seeing in the trade?

Petros Pappas:
OK, bauxite, well we're seeing mines in West Africa basically, which will increase ton-miles. And I think we are seeing a slowing down of exports from countries that are closer to China. So, I think that we may see increased bauxite imports in China.

You remember a few years ago, when there was -- two or three years ago, I think it was, when China actually -- they created large stocks of bauxite, exactly because the exporting countries nearby were changing their policies and they wanted to be building aluminum plants. So they've stocked big quantities of bauxite which were consumed as time went by.

Now, I think this is already over and we expect that bauxite as well as iron ore and coal and grains will add to ton-miles going forward. It will not be an abrupt process. It will be taking place as time goes by, but we think that this is going to be the main booster of demand going forward, that's increased ton-miles.

Noah Parquette:
OK, thanks. That's all I have.

Operator:
Thank you very much, indeed, Sir.

Now from Clarksons Platou comes from the line of Herman Hildan.

Herman Hildan:
Hi, just two brief questions. The first one is, is it possible to provide some color on the covenant relaxation and waivers that you receive until 2018? -- I guess it's through 2019, actually.

Christos Begleris:
Sure. So basically, first of all, we have received relaxations on the loan-to-value clause of each facility and we're basically taking valuations as of today, and then we have a buffer of 20 percent from valuations of today for the first year until June 2017, until we have a breach in each of our facilities. So this gives us significant breathing room until there is a breach, actually 20 percent from very low levels.

And then in June 2017, we again take valuations and then we have a buffer of 15 percent from those valuations until June 2018. So for the second year, from the renewed valuations, we have another buffer 15 percent. And then from the second half 2018 onwards, we basically go back gradually to the original levels of each facility that basically vary from 120 percent to 140 percent, but this is only gradually. So for the second half of 2018, it's at 110 percent, goes then to 115 percent and then only in 2020, it go back to the original levels.

Herman Hildan:
And the final short question was, some of your peers that's been through a similar refinancing have received restriction on future growth, is there any restrictions on your ability in the future to add to the fleet, if these opportunities arise or are you flexible in that?

Christos Begleris:
Well, Herman, nothing restricts us from buying vessels at moderate leverage with newly raised equity.

Operator:
Thank you very much. Indeed, Sir.

Now from Morgan Stanley comes from the line of Fotis Giannakoulis.

Fotis Giannakoulis:
Yes. Hi guys and congratulations for the restructuring of your debt. I want to ask you about the recent recovery. We have definitely seen steel production both in China and worldwide improving. How confident you are about this improvement in steel production?

Where do you see steel demand? And how much of this increase in Capesize activity during the last few months is being driven by the strong fundamentals in the steel industry versus Chinese restocking? And do you see the inventories for iron ore having to grow even further?

Petros Pappas:
Well, high 40 percent. Production in China is going down, that's the one main thing. Now, steel production is going -- production of iron ore is going down, but steel production is growing up because we've seen building of house is going up. I think it has gone up by about -- new starts about 20 percent or thereabouts. So, it seems like China is trying to boost their economy that way.

So, I think that this is a major reason of why imports are increasing and we actually see record import of iron ore, but also the internal production is going down. So, it's two things that are boosting imports.

Now, as I've been saying all along, it is ton-miles which are more important. If we get this iron ore from Brazil, we may see a very strong market at some point in the future. If that additional iron ore comes from Australia, it is going to be of a lesser effect. One more thing is that and we actually had predicted that, coal imports are increasing and this is really very important.

We have a country where electricity and energy consumption continue to go up, not at the great degree, but they're going up and then at the same time, coal production capacity is being curtailed. And I think up to now this has been like 10 percent plus that with Indonesia and other nearby countries cutting down their exports because they need this coal for themselves, this coal will have come from further afar.

So the combination of these two things and the bauxite that we talked about earlier along with continuous decent grain trade, I think is giving us a chance that in the years to come, the markets will improve. I don't expect that the first quarter of next year is going to be a strong quarter. I think it's going to be better than 2016, but not a very strong quarter.

It's going to be the same thing as we see all the time. The first half of the year has much less trade activity than the second half. I think this is going to continue, but we believe that the fundamentals are improving slowly and that every year is going to be better than the one previously.

Fotis Giannakoulis:
Thank you, Petros. Can you also enlighten us on what do you think is the level that -- in a normalized market, rates can go. We saw the freight cost form Australia to China only increased by less than $1.5 per ton, but this $1.5 per ton translated to double charter rates, rates went from $6,000-$7,000 to $14,000 or above $14,000 in a very short period of time.

How much this freight cost from the $6 that is today can go and what would that mean for time charter rate equivalent?

Petros Pappas:
Well, I'm not a magician Fotis, but we have seen rates Australia to China just below $3. And we've seen them -- I don't know, I mean few years ago they were up to $45 or something.

So I don't know, I don't think we'll see that $45 again. But just for the calculation you asked, every dollar that the market goes up for the China-Australia-China trip, this mean $180,000 more income. The trips are usually 45 days long. So if you divide $180,000 by 45 days, that's $4,000 a day. So every dollar up means $4,000 more income per day, per vessel.

Simos Spyrou:
And of course the fixed bunker price.

Petros Pappas:
Yes, at the same bunker price, all other things equal.

Fotis Giannakoulis:
That's very helpful. It shows the very significant leverage over the dry bulk shipping market. I want to jump to the fleet supply, you talked about the need for discipline and why you think that there are not going to be new orders? I want to ask about scrapping, we have seen that the scrapping activity in the last two-three months since rates started moving higher has started to slow down. At what point do you expect the fleet to start shrinking? It's still growing by around 2 percent year-over-year.

And also, what would be the impact of the Hanjin bankruptcy to the dry bulk market if any? I understand that they have something like more than 40 ships charter-in from the dry bulk sector. And I was wondering if any of these ships will be scrapped or if the banks are pushing for some of the older tonnage to be scrapped in order to avoid cost for dry docks or operating losses and pretty much, if you can point out, at what point of time the fleet will start shrinking?

Petros Pappas:
OK. Well, it all depends on how the market goes. So as we saw last year, the supply -- scrapping of vessels decreased between the middle of the year and until the November of that same year. And this is actually happening this year as well. I mean, we had like, I think, 20 million ton scrapped the first six months and we've only had the, like 3 million or 4 million tons scrapped in the last three months.

So, exactly the same thing is happening, it's normal, its expectations. People wait to see what will happen in Q4. They don't want to scrap ahead of a potentially decent Q4. The best thing that could happen to the market is, if in December it falls again, because then, people will start resuming scrapping and if Q1 is slow and Q2 is not very, very strong, then we'll see some more scrapping.

Now this year, we had a lot of vessels coming in and I think supply will increase by about what, 2 percent I think. Next year, as I said, there is less vessels coming in. I think the order book of the dry bulk sector is about 13 percent right now and people are saying that it's possible that about 2 percent of that might actually never deliver. So it is possible that the order book is 11 percent. So in short, if the market slows down, we'll see more scrapping and that's going to be actually a long-term benefactor for the market.

If the market improves, which I don't think it will improve very strongly anyway, we will continue to see scrapping and next year we'll not increase the -- the fleet will not increase by much more than 1 percent. And then, as we go to 2018, it might even get down to zero. So for me, probably somewhere 2018 or 2019, we'll get to zero or negative supply.

Now as far as Hanjin is concerned, I don't believe there's going to be a major effect. I haven't really studied their fleet of 40 vessels. For now, these vessels have (cargoes) on them, they cannot approach ports. So it's probably good for the market, because there are delays that are being experienced. Later on, in time, once they get back into the market, I don't think they will have a great effect, it is not too many vessels.

And I don't know -- just to be able to answer your question regarding how many of them will be scrapped.

Operator:
Thank you very much indeed. And before we move onto the last question, just a gentle reminder, its star and one if you wish to ask a question. And wait for your name to be announced.

So from Firestone Capital comes from the line of Eric Swergold.

Eric Swergold:
Hi, thank you for taking my question and congratulations on getting these covenants waived and pushed out, I think it extends the call optionality on your stock greatly. A follow-up to the last gentleman's questions, with regards to Hanjin, will your banks allow you to purchase any of their ships, if you're able to at advantageous prices rather than having them scrapped?

And then secondly, a follow-up question on the scrapping side, steel prices have rallied pretty nicely this year, has that created any extra impetus for scrapping of ships versus to offset the rising dry bulk prices that might slow the scrapping of ships? Thank you.

Christos Begleris:
Just on Hanjin, basically we are able to buy ships with newly raised equity at moderate leverage, whatever the source. I don't anticipate we'll be doing that under our current conditions. And Petro, do you want to talk about scrapping versus steel prices?

Petros Pappas:
Yes. You asked me, where our scrap prices are going to go?

Eric Swergold:
And the impact of rising steel prices on scrapping rate?

Petros Pappas:
Yes. Well let's say that on average, Capesize vessels have about 20,000 to 25,000 light weight. So for example, $50 up on a scrap price would mean $1 million to $1.25 million additional money. Definitely they have a lot to do with people scrapping at higher prices. I don't think it's a major constituent of that decision, the higher prices of steel I think that -- unless if they come into hundreds of dollars.

I think what's more important is how the market is faring at that particular time. If the market is good, whether you will get $50 more or not, you basically don't scrap. If a market is bad, you obviously get advantage of those $50 or whatever and you do it. So I would say market is most important in the decision of the ship owners.

Now, whether prices of steel will go up? That I don't really know. This is not my sector and I couldn't really answer that, I think.

Eric Swergold:
OK, and then one last question on a separate issue. With regards to long-term contracts versus spot pricing, given how long disastrous this down cycle has been for the Group, without speaking specifically, necessarily to tipping your hand and your strategy, do you think the industry as a whole is going to be quicker to seize up ticks in prices as chances to lock in longer-term contracts versus spot for a larger percentage of their fleets than in the past or not?

Petros Pappas:
Everyone tries to fix long-term somewhere between August and October of every year, because they would like to get over Q1 and Q2 over the next year. But if the ship owner does like that then the charters on their side know very well how things work and they're not as easy. I mean we've been trying to fix our fleet forward, we had some success, but this is not an easy thing to achieve.

Now, of course, if the market goes up substantially in the next month or so, then charters may be obliged to fix vessels longer term, exactly because they will have to pay spot charter rates that are much higher. But that depends on how that market goes. Otherwise, yes we would love to be able to fix forward, not too long forward, because now everybody thinks that we may see a better market, second half next year, but it's not always feasible.

Christos Begleris:
Yes. And keep in mind that just because you fixed long doesn't mean that you're going to get that charter rate for the duration that was promised, unless you fix to a good credit and credit quality is a bigger issue in the dry bulk industry than it is, for example, in the tanker industry.

Eric Swergold:
OK. And then sorry to add on one last question. I know it's been a long call already, but there has been a number of articles on German banks being in trouble on a number of these shipping loans and unable to extend and [return] anymore. Should we see an acceleration in the demise of some of those credits, which would increase scrapping levels and improve pricing for the industry as a whole, given the condition those German banks are in?

Christos Begleris:
Well, I mean, we have no information greater than you've got, but it would clearly be a good thing for the industry, for banks to basically give up and that would encourage people to scrap. But we don't know what's going to happen.

Petros Pappas:
Eric, I think that the Germans actually would be scrapping a lot of container vessels, but I believe that their bulk carrier fleet is not that old to scrap, so I give it more chance that these vessels will be handed out to other owners as time goes by. Also we see that the quality of these vessel is not very good. They are mostly built in China, so they are vessels that consume a lot of fuel oil. So they're not very good performers.

So the banks have the task of getting rid of these vessels that are not that old, but to be scrapped, but at the same time they do not comment this in higher rates, exactly because of their lower quality as far as chartering characteristics and operational characteristics are concerned. So I think that probably -- I don't think we'll see those vessels go to the scrap yards. We'll see them in the market for some more time.

Operator:
Thank you very much indeed. And gentlemen, there are no further questions at this point, so I pass the floor back to you for closing remarks.

Petros Pappas:
No further remarks operator. Thank you very much.

Operator:
OK, thank you. And with many thanks to all our speakers today, that does conclude our conference. Thank you for participating and you may now disconnect. Thank you very much gentlemen.

Petros Pappas:
Thank you.

Operator:
All the best to you. Thank you. Bye-bye.

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