Corporate Participants

Spyros Capralos
Star Bulk Carriers – President and Chief Executive Officer

Simos Spyrou
Star Bulk Carriers – Chief Financial Officer

Conference Call Participants

Natasha Boyden
Cantor Fitzgerald

Michael Pak
Clarkson Capital Markets

James Woods
FBR Capital Markets

Presentation

Operator
Thank you for standing by ladies and gentlemen and welcome to the Star Bulk Conference Call on the Third Quarter and Nine Months 2011 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 at which time if you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. I must advise you this conference is being recorded today, Wednesday, 9th November 2011. We now pass the floor to one of your speakers today, Mr. Spyros Capralos, please go ahead sir.

Spyros Capralos
Thank you, operator and good morning ladies and gentlemen or good afternoon wherever you are in this world. I am Spyros Capralos, the President and Chief Executive Officer of Star Bulk Carriers and I would like to welcome you to the Star Bulk Carriers third quarter and nine months

2011 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 Harbour statement on slide number 2 of our presentation.

Let us now turn to slide number 3 of the presentation to first discuss our balance sheet, which we'd like to highlight, because we believe it is one of the healthiest in the drybulk industry. As of today, our senior debt stands at 268 million, including the full withdrawable amounts from the Credit Agricole facility for the financing of Star Polaris that is going to be delivered next week. Important to mention is that we have zero Capex commitments from now on.

Our current cash position stands at $39 million. Star Bulk has resisted exposure to interest rate swaps and we're taking the full benefit of the prevailing low interest rates as all of our loans are based on floating rates. According to analyst consensus estimates on Bloomberg, our 2012 EBITDA is expected to be around 52 million. Our net debt amounts to around 230 million and so, our net debt stands at around 4.4 times consensus 2012 EBITDA.

Our principal repayment commitments for this year are down substantially compared to last year since our loan repayment schedules were intentionally designed to be front-loaded. Specifically, as you can see in the bar graph, during 2010, our principal repayments stood at 68 million, while our 2011 repayment commitments stand at 37 million out of which the remaining amount till year end stands at only $1.5 million. Our principal repayment commitments amount to 35 million for each of 2012 and 2013. We believe that these characteristics make Star Bulk one of the most financially solid players in the drybulk industry today.

Please turn to slide 4 to discuss our third quarter and nine months 2011 financial highlights. In the third quarter 2011, gross revenue amounted to 26.3 million and our net loss amounted to 3 million. Excluding non-cash items, such as amortisation deferred revenue and stock based compensation, our net loss for the third quarter amounted to 1.5 million. Adjusted EBITDA for third quarter 2011 was 11.9 million, while average daily operating expenses were $5,682 per vessel. The Time Charter equivalent was $18,808 per day. The adjusted net loss of 1.5 million represented 2c loss per share basic and diluted, which is above Bloomberg consensus.

For the nine months 2011, gross revenue amounted to 78.4 million and net income amounted to 0.4 million. Excluding non-cash items as well as a loss related to an early time Charter termination, our adjusted net income for the nine months 2011 amounted to 2.1 million. Adjusted

EBITDA for nine months 2011 was 41 million while average daily operating expenses were $5,478 per vessel. The Time Charter equivalent in the nine months 2011 was $20,165 per day. The adjusted net income of 2.1 million represents 3c earnings per share basic and diluted.

Slide 5 illustrates our high quality fleet of drybulk vessels consisting of 14 drybulk carriers with a fully funded Capsize newbuilding on its way to be delivered next week. Once we take delivery of our second newbuilding, we'll have increased our operating fleet by 75% in terms of cargo carrying capacity from the beginning of 2011. As you can see in the bar graph on the lower left hand side, we have managed to grow our fleets from the beginning of 2011 from 900,000 tons to just above 1.6 million deadweight tons by the end of 2011.

Our fleet growth will result in an increase in our ownership days with visible revenue in the volatile freight markets. It is also worth noting that in the process of growing our fleet we have also been renewing it. Since our inception, we have sold three of our older vessels, while acquiring eight younger vessels. As a result, we expect our fleet's average age to be 10.6 in December of 2011, only two months older than a year ago. So, we have achieved considerable growth while also renewing our fleets.

Please turn to slide 6 for an overview of our fleet employment and our counterparties. Currently, we have secured 94% of our operating days in 2011, 52% in 2012, and 38% in 2013, with most of the open days in the Supramax category. Specifically, our Time Charter coverage in the Capsize factor is 98% for 2011, 86% for 2012, and 73% for 2013, with the only Capsize open for employment being the Star Ypsilon whose Time Charter contract is expected to expire this December. We plan to opportunistically recharge our one cape size and our six Supramax vessels as the freight rate environment improves. Our total contracted revenue amounts to approximately $220 million, while it is worth noting the solid profile of our charterers with companies like Rio Tinto, Cargill and Louis Dreyfus among our counterparts.

Please turn to the next slide, slide 7, for an overview of our management and operational structure. Star Bulk is one of very few companies in the drybulk sector that has fully integrated in-house commercial and technical management capabilities. This integrated structure offers a number of advantages like increased operational flexibility, high standard quality control and maintenance, which leads to increase the fleet utilisation while reducing our operating expenses. We're able to achieve all of the above, while being totally transparent since we have practically eliminated any related party management transactions.

And now, I'll ask Mr. Simos Spyrou, our CFO to discuss on the financials and give you an update on the market developments. Thank you.

Simos Spyrou

Thank you, Spyros and good morning to everyone. Let us now move to slide 9 for an overview of our balance sheet as of September 30th 2011. Current assets were at 32.5 million, our fixed assets amounted to 703 million, and total assets amounted to 785 million. Current liabilities were 54 million while non-current liabilities amounted to 223 million and stockholders' equity was at 508 million as a result of our recent offerings.

If we can now turn to slide 10 to discuss our third quarter 2011 income statement, I would like to point out that our results include non-cash items amounting to 1.5 million, which is depicted in the middle column, and the adjusted figures exclude these non-cash items. In particular, there was an amount of 0.8 million related to the amortisation of above market acquired Time Charters, 0.1 million to freight derivatives, while there was also an amount of 0.6 million related to stock based compensation. For the third quarter 2011, total revenues amounted to 26.3 million while our operating loss amounted to 2.2 million. Net loss for the third quarter 2011 was 3 million or 4c per share basic and diluted. Excluding non-cash items, net income for the third quarter 2011 amounted to a loss of 1.5 million or 2c per share basic and diluted.

Please turn to slide 11 to discuss our nine months 2011 income statement. Non-cash items included in our nine months result amount to 1.7 million, which again are depicted in the middle column, and the adopted figures exclude these non-cash items. For the nine months 2011, total revenues amounted to 78.4 million while our operating income amounted to 2.9 million. Our voyage expenses were higher than last year due to the fact that we had one additional shipment related to our [cost] with Vale.

G&A expenses for the nine months 2011 totalled 10 million versus, 9.2 million during the same period last year. The increase in G&A expenses in the nine months 2011 is due to the non-recurring severance payments to the company's former CEO and former CFO totalling to 3.6 million. Excluding this one-off severance payment, G&A expenses would have been reduced by 30%. Net other operational gains amounted to 6.7 million on a cost basis and include 1.6 million from the early termination of the Star Cosmo and 5.1 million from a claim related to Star Beta.

Drydocking expenses for the nine months amounted to 1.6 million significantly below last year. I would like to mention here that during the third quarter of 2011, our Capsize vessel, Star Big passed the scheduled drydocking. As you recall, Star Big was delivered to us during this quarter, the third quarter, as one of our new acquisitions this summer. The vessel was delivered to the company while at the yard and that the respective expenses were capitalised. The amount of 0.2 million in drydocking expenses during the third quarter of 2011 relates the purchase of spares and other materials which will be used in drydockings in the future.

Overall the net income for the nine months 2011 was 0.4 million or 1c per share basic and diluted. Excluding non-cash items, net income for the nine months 2011 amounted to a gain of 2.1 million or 3c per share basic and diluted.

I would now like to turn our attention to the drybulk markets; please turn to slide 13 for an update of the drybulk supply. Drybulk vessel deliveries during the first 10 months of 2011 continued at a record high pace with a large order book still remaining for the remainder of 2011 and 2012. As you can see on the top right hand graph, deliveries in the first 10 months of 2011 point to a slippage rate of around 30%, a level very similar to the last year's slippage. On the bottom right hand graph, you can see the order book for the rest of 2011, 2012, 2013 and 2014. As you can see, the drybulk industry still has to go through a process of absorbing a very big number of new vessels that will come into the market in the next years.

What is important and encouraging is the fact that Bulk carrier demolition through October 2011 is more than three times that of 2010 and if the current scrapping rate continues scrapping could hit an all-time record of over 24 million deadweight tons in 2011. A pickup in scrapping slows down the fleet's net growth rate which effectively provides some relief to the [price] market. In other words, scrapping is not a correction mechanism in the shipping industry that helps to restore the supply demand equilibrium.

Please turn to slide 14 for an update on the coal trade. On the top right bar you can see past an expected future coal imports from India. As you can see, Indian coal imports have been increasing fast in recent years and we expect this trend to continue in the future. The two bottom hand side graphs show the electricity produced from thermal coal in China and Chinese coal imports. It is important to note that even though Chinese coal imports have been surging, they only represent around 5% of the total Chinese coal consumption. As a result, we believe that there is lot of room for further growth in this trade.

Please turn now to slide 15 for an update on the iron ore trade. As you can see on the two graphs on the right, seaborne iron ore trade and global steel production have maintained a steady growth pattern in recent years. We believe that this trend will continue in the future supported by mainly the industrialisation and urbanisation of emerging economies. The most encouraging graph though is the one on the bottom hand left where you can see the expected additional iron ore export capacity. There is 1 billion tons of additional iron ore capacity that is expected to come online in the period from 2012 to 2015. We believe that this capacity expansion combined with the expansion projects in other commodities have the potential to absorb the net growth in carrying capacity of the drybulk fleet. We continue to be cautious and closely monitor all important developments related to the world economy, especially those related to the European crisis, which is the most urgent and rapidly unfolding at this moment. Even though this crisis does not affect Star Bulk or drybulk shipping directly, it creates an uncertain and unstable global economic environment that doesn't help emerging economies unlock their true growth potential.

Overall, we remain optimistic about the long-term prospect of the drybulk shipping demand, based on the growth prospects of emerging economies and the fact that demand for commodities like iron ore and coal are more dependent on domestic growth components like infrastructure and urbanisation than export related ones.

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 well positioned from a financial and operational point of view to not only sustain the company, but also take advantage of the opportunities in the drybulk markets. On top of our high quality, modern fleet, and significant time charter coverage, especially the volatile Capesize segment for the next two years, Star Bulk also has one of the most diverse group of high financially solid charters in the sector.

Our campaign to bring our fleet's management in-house has provided tangible results as it has led to a meaningful increase in our efficiency and transparency while lowering our daily vessel operating costs over the past year. We have a moderately leveraged balance sheet, a healthy liquidity profile and an experienced and dedicated management team.

Without taking anymore 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.

Questions and Answers

Operator

We'll now begin the question-and-answer session. If you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. From Cantor Fitzgerald, your question from Natasha Boyden. Please ask your question.

Natasha Boyden

You've done a lot of work over the past several months renewing your fleet, particularly the Capesize fleet and I'm just really wondering what the next step is here. Are you comfortable with what you've done with the time being or are more acquisitions attractive here given your level of leverage and where asset values are?

Spyros Capralos

Well, this year we've increased our fleet quite substantially. Right now we are digesting these acquisitions and I think that in this volatile market and especially if this market continues like that we'll be seeing a lot of distressed assets and opportunities for further growth, therefore that we'll be cautiously looking at the market and if the right opportunity arises, then I'm sure that our board and us will step and we'll continue our growth strategy.

Natasha Boyden

Okay. Just turning to the dividend, your yield right now is pretty substantial of around I think it's about 15%. How do you look at that in terms of getting benefit – shareholder benefit obviously with high yield and yet balancing that with growth for the company?

Spyros Capralos

Thank you for this question because dividend is something that is of big interest to all of our shareholders. First of all, we'd like to focus on the fact that Star Bulk is the only or certainly one of the very few drybulk shipping companies that maintained dividend payments through the past of couple of years, a challenging market period by all accounts. We are very proud of this fact. As we have mentioned in the past, our first priority is to ensure the company is in a position to sustain the challenging market environment that may prevail through the next year. So, to that effect cash preservation is important to ensure the company not only has the resources to survive, but also to take advantage of acquisition opportunities that will certainly develop during the next several quarters. Our plan is also to grow so that Star Bulk emerges as a major drybulk shipping company during the upcoming market recovery. Within this context we will review our dividend policy with our board early next year to determine the appropriate level that ensures dividend continuity as well as cash preservation to permit us to grow.

Natasha Boyden

Okay, great. Thank you very much.

Operator

From Clarkson Capital Markets, you have a question from Michael Pak. Please ask your question sir.

Michael Pak

Just a couple of questions here. You've got a quite a number of Supramaxes that are up for renewal during this quarter. How should we think about that in terms of do you feel you're going to be more involved in the period market or do you think you'll be more employed on the spot, you feel, as you look at the two employment situations here, two sides?

Spyros Capralos

Good morning, Michael. You are right on the Supramaxes, we have a few of our vessels that are going to be freed this last quarter of the year. We were not that pessimistic for the Supramax segment as the Capesize sector and that's why for the Capesizes we have almost all of them fixed for two years and more. On the Supramax, this part has been less volatile and we've not seen the ups and downs that we've seen on the Capesizes. However, if we have some opportunistic fixtures for periods of up to a year, we could go in and fix those vessels. However, I'm sure that we'll keep some of the vessels in the spot market to benefit from upticks in this market.

Michael Pak

Okay. It feels like a balanced approach. Maybe you could fix out to a year, but basically stay in the short term here it sounds like.

Spyros Capralos

Yes, we don't want to fix for longer-terms, longer periods of time because I think at a certain point shipping is a cyclical business and one will have this upturn in the market. We want some of our fleet to be in short fixtures so to benefit from the upside.

Michael Pak

Understood. My other question on the drydocking expense side, were there any other ships in terms of the timing perspective that you thought was going to be drydocked in 3Q, maybe it's going to be pushed to 4Q or 1Q or was it just mainly attributed to that one Star Big vessel?

Spyros Capralos

We had from the third and fourth quarters two vessels to go in drydocking; those were to Supramaxes which are less costly. Both of them will go in drydocking now in the last quarter of this year, while in the third quarter we had the bigger Capesize vessel.

Michael Pak

So you have two Supramaxes that are going to be in drydocking in 4Q?

Spyros Capralos

The one is already in drydocking and the other one will be in drydocking shortly.

Michael Pak

In terms of 4Q drydocking expense, how should we think about that? I take it will about a $1 million a ship?

Spyros Capralos

Yes, probably a little bit lower, but it safe to assume this number.

Michael Pak

Okay, great. And then, Simos if you can just update us on the financial covenants, your key financial covenants. Understanding that you guys are in your balance sheet is in good shape, just if you can remind us of the key covenants and maybe where you guys stand.

Simos Spyrou

Well, Michael the key covenants are the usual for the sector. We have a leverage ratio, so around…it depends on the facility, 65 to 70%. We have some minimum liquidity requirements and interest coverage ratios in some facilities. We have a market value of the [market] vessels over the leverage. Minimum liquidity is included in the balance sheet and as of November, as of the third quarter 2011, although we didn't have to pass any compliance tests, we are compliant with all our covenants.

Michael Pak

Great. And in terms of headroom can you just give us an idea in terms of where you stand in terms of the leverage ratio?

Simos Spyrou

You know, Michael, that this really depends on the valuations that you get and the valuations from broker to broker usually vary, so I wouldn't want to give an indication at this stage because it gives…it's too technical.

Michael Pak

Fair enough. Thanks for your time guys.

Operator

From FBR Capital Markets, you have a question from James Woods. Please ask your question sir.

James Woods

Hello there gentlemen; I'm dialling in on behalf of Rob MacKenzie. I had a quick question on expense priorities and the funding. You said that that you were going to be looking for opportunity to potentially grow the fleet in the downturn and come out a stronger tanker company on the other side. I wanted to understand a little bit better how you think about funding for that and how you weigh that priority against the dividend which is obviously something that's very important to you.

Spyros Capralos

Obviously this is a $1 million question, James. I think in this market there are going to be opportunities and then it's up to us and to the board to decide whether we move and acquire new vessels, whether we go for new building vessels, whether we go for distressed vessels and then also the financing of that and of course, the balance of that would determine our policy regarding dividend payments, how much the dividend is going to be, and also how we finance this whole thing. It can be financed again if, and it doesn't look like that right now, that if the equity market improves then maybe we could do more offerings, but I think right now with prices of stocks being and our stock trading well below net asset value, I think that this is not the appropriate of funding it. But I think that we'll be looking at different types of financing, through bank financing, traditional commercial bank financing or even if the debt markets permits, then to come out with a bond, we wouldn't exclude any bond or anything like that. But for the time being, equity markets are not good for us, but right now there is nothing specific in the pipeline. I think that later on we'll find many more opportunities in this market.

James Woods

Okay, that's really helpful. The other side of it is you've talked a good deal about the volatility of tanker markets and how the Supramax – I'm sorry drybulk, excuse me – and how the Supramax market has held up better than the Capesize. Now you're largely contracting the Capesize vessels and that's really where the order book is the most onerous. Could you talk to us a little bit about just from 10,000 feet what you see happening in the Supramax market into 2012 and '13?

Spyros Capralos

Well, it's difficult to predict what will happen, but this market because those types of vessels can carry different goods and commodities, those vessels have a much bigger use and therefore that's why we think that's less volatile. The Capesize sector is very limited to big and bulky products like iron ore and coal and therefore would depend there both on the supply, the new vessels coming in the market as well as the countries and markets who import iron ore and coal, which is mainly China and India, and that's why we've seen that big volatility. I think the market in addition to what Simos said earlier on, that we have improvement and also the scrapping has helped, also slow steaming has helped this market.

James Woods

Okay. That's all very helpful colour. I guess with that I'll turn it back. Thank you, gentlemen.

Operator

Once again, if you wish to ask a question please press *1 on your telephone and wait for your name to be announced. As there are no further questions, we now pass the floor back to your speaker, Mr. Spyros Capralos, for closing remarks.

Spyros Capralos

Well, if there are no more remarks, we are happy that the company has performed very well for one more quarter. We continue rewarding our shareholders with a nice dividend and we hope that in February when we'll be announcing the year-end results, we'll be having some good news also. Thank you very much.

Operator

That does conclude our conference. Thank you all for participating. You may now disconnect. Thank you, Mr. Capralos, Mr. Spyrou.