Corporate Participants

Spyros Capralos
Star Bulk Carriers Corp. – President & Chief Executive Officer

Simos Spyrou
Star Bulk Carriers Corp. – Chief Financial Officer

Conference Call Participants

As per participants list

Presentation

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk conference call on the Fourth Quarter and Year End 2012 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 that this conference is being recorded today, Tuesday, March 19, 2013. We now pass the floor to one of your speakers today, Mr Spyros Capralos. Please go ahead sir.

Spyros Capralos – *Star Bulk Carriers Corp.*
Thank you, operator. I am Spyros Capralos, President and Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers Fourth Quarter and 12 Months 2012 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 for a preview of the Q4 2012 financial highlights. In the three months ended December 31, 2012, gross revenues amounted to $17.9 million, representing a 37% reduction versus the same period of 2011. Our revenues were mainly affected by the low freight rate environment and the off-hire of the *Star Polaris* that was undergoing main engine repairs. During Q4 the *Star Polaris* was off hire for 45 days, nearly half of the quarter. We are trying to recuperate the loss of hire from a claim to the shipyard which constructed the vessel. General and administrative expenses were reduced by 17% to $2 million in Q4 2012 versus $2.4 million in Q4 2011.

Overall during Q4 2012 the Company had a net loss of $1.4 million compared to a net loss of $69.9 million in Q4 2011, the latter including an impairment loss on *Star Sigma* and *Star Ypsilon*. Excluding non-cash items, our net income for Q4 amounted to $300,000 compared to an adjusted net loss of $3.1 million in Q4 2011. Adjusted EBITDA for Q4 2012 was $6.3 million compared to $12.7 million last year.

Our time charter equivalent during this quarter was $14,877 per day compared to $19,557 last year, indicative of the loss of hire of the *Star Polaris* and the low freight rate environment previously mentioned. Furthermore, our operating efficiency continues to yield tangible results as our average daily operating expenses were $5,730 per vessel per day, 5% lower than the same period last year. The adjusted net income of $0.3 million represents an adjusted earnings per share of $0.05 basic and diluted.

Please turn to slide number 4 of the presentation for a preview of our 12 months 2012 financial highlights. In the 12 months ended December 31, 2012, gross revenues amounted to $86.2 million, representing a 20% reduction versus the same period of 2011. G&A expenses amounted to $9.3 million versus $12.5 million last year.

Net loss for 2012 stood at $314.5 million, mainly due to the non-cash impairment charge of $303 million during Q3, compared to a net loss of $69.6 million in 2011 which was also affected by $62 million impairment charge. Excluding non-cash items, our net loss for the 12 months ended December 31, 2012, amounted to $279,000 compared to a net loss of $1 million for 2011. Our adjusted EBITDA for the same period stood at $40.4 million versus an adjusted EBITDA of $54 million last year. Our time charter equivalent during 2012 was $15,390 per day compared to $19,988 in 2011. Our average daily operating expenses were reduced by 5% to $5,361 per vessel. The adjusted net loss of $279,000 represents $0.05 loss per share basic and diluted.

Please turn now to slide 5 to briefly discuss the Company's recent highlights. As most of you read in today's press release, we have entered into a Definitive Agreement for the sale of our oldest Capesize vessel, the *Star Sigma*, for scrap for a contracted price of around $9 million. In view of the current low freight rate environment, the fact that the vessel was not under a time charter contract and her upcoming scheduled drydock, which was estimated around $2 million, we concluded that selling the vessel would be in the best interests of the Company and its shareholders.

On the financial side, in early January we announced that we had reached an agreement with our lenders for the deferral of an estimated $24 million of our principal repayments and the relaxation of the financial covenants during 2013 and 2014. In accordance with these agreements, we made a prepayment of $2 million late December and $7.4 million of pledged cash in early January and reclassified $7 million of restricted cash to free cash. Furthermore, pursuant to our agreements, the proceeds from the sale of the *Star Sigma* will be utilised to repay the vessel's loan while the remaining proceeds will be applied on a pro rata basis against the remaining principal instalments up to the end of 2014 of our HSH facility.

We believe these agreements demonstrate our lenders' support and confidence in Star Bulk, improve the Company's business prospects, secure our strength and competitiveness and provide the Company with significant liquidity and financial flexibility. These agreements will now let us focus on what we do best, that is owning and operating dry bulk vessels.

On the operational side, during Q4 Star Bulk undertook the operational and technical management of two additional third party vessels, one Supramax and one Capesize bulk carrier, earning a daily management fee of $750 per vessel. I would like to note that these two vessels are expected to add a total of $550,000 of revenues in the form of management fees on an annualised basis. We therefore have a total of three third party vessels managed, which will secure us a total of $800,000 in revenues per year. You can see that our strategy of having a wholly owned, in-house management company has started to pay off, not only in terms of increased efficiency, flexibility and transparency but also in the form of additional revenues.

Please turn now to slide 6 to discuss our balance sheet profile. First of all, I would like to point out that in a period when cash reserves are extremely valuable, we have zero capital expenditure commitments related to newbuildings as well as no exposure to interest rate swaps. In other words, we have and continue to take full advantage of the prevailing low interest rate environment. As of today our total debt stands at $211.4 million. Our current cash position stands at $26.1 million and our net debt stands at around 4.6 times 2012 EBITDA. These debts and cash balances are exclusive of any repayment of the *Star Sigma* outstanding loan balance [foreign exchange].

Following the agreements with our lenders discussed in the previous slide and excluding the principal repayment related to the sale of the *Star Sigma*, our remaining principal repayment obligations for 2013 stand at $13.2 million. As you can see in the graph, our principal repayments so far this year stand at over $12 million while our scheduled principal repayments for 2014 and 2015 stand at $18 million and $28 million respectively. So, as you can see, we have a smooth loan repayment schedule with no balloon payments for the next three years.

Please turn to slide 7 for an overview of our fleet employment and our charter counterparties. Currently we have secured 64% 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 is 88% for 2013 and 52% for 2014, while our Supramax coverage stands at 49% 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 refer especially to the Capes 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 charter employment. Overall, our total contracted revenue amounts to approximately $128 million while it is worth noting that we no longer have legacy charters that would be extremely difficult for our charters to service.

Lastly, I would like to highlight the high quality credit profile of our non-short term charters with blue chip companies, like Rio Tinto ... Louis Dreyfus and Northern among our counterparties.

Please turn to slide 8. Year after year we continue 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 this challenging market environment. On the top right graph you can see that, while the weighted average size of our vessels increased slightly during the 12 months of 2012, our average daily operating expenses declined by 5%.

To put this into perspective, since 2009 our daily operating expenses have been reduced from $6,903 in 2009 to $5,361 in 2012, a 22% cumulative decrease. At the same time, our average vessel size increased by 15% on a cumulative basis from 92,000 dwt to 160,000 dwt. On the bottom right graph you can see that, while the average number of employees increased by 29% from 42 people during the 12 months of 2011 to 54 people in the 12 months of 2012, our G&A expenses, excluding the one-off severance payment and stock based compensation, decreased by 5% from $8.2 million to $7.8 million.

We have been consistently monitoring our management efficiency performance to determine the actual benefit from the management of third party vessels. The way we compare our performance is subtracting the management fees we receive, which are shown as "other revenues" on our income statement from the core G&A expenses, meaning we exclude non-cash and non-recurring items and divide the result by the total days in our own fleet. According to this method, daily Q4 G&A expenses per own vessel were reduced by 23% YoY.

While we have been prudently containing our expenses, our ship management quality standards have been maintained at high levels. The lower left-hand side graph shows Star Bulk's average deficiencies per port days control inspection versus the industry average. As you can see, we have consistently outperformed the industry and we try to improve our quality standards every year. Moving forward, we remain focused on further optimising operating costs and implementing our quality objectives.

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

Simos Spyrou – *Star Bulk Carriers Corp.*
Thank you, Spyros. Let us now move to slide 10 for an overview of our balance sheet as at December 31, 2012. Our total cash balance stood at $31.8 million, other current assets were $15.7 million and our fixed assets, following the $303 million impairment loss during Q3, amounted to $291.2 million. Fair value of our bulk market acquired time charters stood at $14.3 million and other non-current assets at $1.6 million. Summing up the above, total assets amounted to $354.7 million. Total debt stood at $224.1 million, other liabilities were $13.8 million and stockholders' equity was at $116.7 million.

If we can now turn to slide 11 to discuss our Q4 2012 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 Q4 2012, non-cash adjusted revenues amounted to $19.5 million compared to $30.2 million in the same period last year. In particular, non-cash items include $1.6 million related to the amortisation of our bulk market acquired time charters.

Voyage expenses amounted to $2.1 million for Q4 2012 from $5.5 million in the same quarter last year. Adjusted revenues net of voyage expenses amounted to $17.4 million this quarter compared to $24.8 million the same period last year, a reduction of 30%. I believe that this number is the most 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 30% reduction was mainly due to the off-hire related to the *Star Polaris* and our hire spot market exposure under a low freight rate environment plus the fact that we repositioned part of our Supramax fleet to the Atlantic.

Vessel operating expenses stood at $7.4 million versus $8.1 million last year. It is worth noting that on a per vessel basis operating expenses were reduced by 5% YoY from $6,028 daily in Q4 2011 to $5,730 daily in Q4 2012. Drydocking expenses amounted to approximately $2.7 million versus $1.5 million last year. However, these numbers are not comparable as they mainly relate to the number of vessels drydocked each period.

General and administrative expenses, adjusted for non-cash stock-based compensation, totalled $1.9 million during Q4 2012 compared to $2.3 million during Q4 2011. Excluding last year’s non-recurring severance payment of $254,000, G&A expenses were 5% lower YoY. Using the methodology Spyros described earlier on our management efficiency, our Q4 2012 daily G&A expenses per own vessel were reduced by 23% YoY. I would like to underline that this decrease was accompanied by a 5% increase in the number of our employees.

Other operational loss and other operational gain represent mainly commercial claims that the Company had initiated in 2009 and are non-recurring items. Nonetheless, the Company had a cash inflow of $0.9 million that partially offset the non-recurring loss off-hire resulting from *Star Polaris* grounding and engine failure. Overall, the Company’s adjusted net income amounted to $0.3 million compared to an adjusted net loss of $3.1 million same quarter last year.

Please turn now to slide 12 to discuss our 12 months 2012 income statement. Again non-cash items are depicted in the middle column and the adjusted figures exclude them. I will briefly go through this slide as the most important elements were explained in the previous slide. For the 12 months 2012, non-cash adjusted revenues amounted to $92.5 million while, subtracting the voyage expenses, net adjusted revenue stood at $72.9 million compared to $86.8 million in the same period last year.

Vessel operating expenses were higher. However, on a per vessel basis, they were 5% lower from $5,642 daily in 2011 to $5,361 daily in 2012. G&A expenses, adjusted for non-cash stock-based compensation, totalled $7.8 million during 2012 compared to $11.1 million during 2011. Excluding last year’s non-recurring severance payment, G&A expenses were 6% lower YoY. I would like to underline again that this decrease was accompanied by a 36% increase in the number of our employees YoY. Using our management efficiency monitoring, our 2012 daily G&A expenses per own vessel were reduced by 43% YoY.

As we explained during last quarter's conference call, during Q3 we recognised a non-cash impairment loss of $303 million, which directly reduced the book values of all our Supramax vessels and our oldest Capesize vessels. This does not have any effect whatsoever in the Company's operation. What this number indicates is how much asset values have dropped in the last few years. I am sure that this is no news to anyone following the dry bulk shipping industry. I also believe that the market has been constantly tightening the effect of the asset value changes on our share price as our current share price is only a fraction of the loss we incurred.

In my view, the impairment loss will have a cleansing effect as our current balance sheet is much more consistent with current market conditions and provides a much more accurate presentation of our Company's current assets and equity value. The gain on time charter agreement termination and the loss on sale of vessel refer to the *Star Sigma* and the sale of *Star Ypsilon* respectively. Both events took place earlier this year.

I would like now to give you a brief update on the dry bulk market. Please turn to slide 14. After four years of consecutive record high deliveries, the dry bulk fleet has outstripped demand, forcing rates to plummet. There is no doubt that the dry bulk market is currently in a difficult position, with freight rates often below running expenses, low asset values and all the consequential difficulties for all shipping companies.

We are undoubtedly in one of the worst possible positions in terms of supply and demand balance. Just to put this growth into perspective, the dry bulk fleet has grown from 418 million dwt in the beginning of 2009 to 688 million dwt in the beginning of this month. This represents a massive cumulative net growth of around 65%. Also keep in mind that these numbers have taken into account more than 78 million dwt of scrapping during this period. In my view, this magnitude of supply growth would be almost impossible to be met by an equal demand growth, especially during a period of global financial turmoil. While deliveries have dropped to more sustainable levels these last couple of 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, which effectively reduces the available fleet carrying capacity. High fuel prices and low time charter rates make it more economical for ships to save fuel and not time and, therefore, to operate at a lower, more eco friendly speed. According to Fearnleys, the average speed of the dry bulk fleet stood at 11.1 knots in 2012 compared to 14 knots in 2009.

On the other side there is demand. Dry bulk demand is very much dependent on global economic growth. However, lending costs, unavailability of funds due to the banks deleveraging, disappointing growth rates in the developed economies, the governments' inability to address structural issues promptly and efficiently and, finally, the general uncertainty that dampens investor sentiment around the globe have managed to bring global growth down to lower levels.

As you can see on the right graph, China, India and the Eurozone countries have witnessed a significant slowdown in terms of GDP growth. Even though we believe that dry bulk demand growth will by far outperform GDP growth going forward, the global slowdown definitely prevents milestone demands from unleashing its potential. On the positive side, Chinese GDP rose to 7.9% in Q4 while PMIs for US, Japan and the Euro area have been rising for the last three/four months. Overall, we believe that the global economy will recover in the coming quarters, which will help global trade growth.

Please turn now to slide 15 for an update on the supply side. Dry bulk vessel deliveries have continued at a record high pace and have been keeping the BDI 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 slow down further going forward. As you can see on the top right-hand graph, deliveries in the period 2008 to 2012 had an average [rate] of around 30%. 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 have to come into the market in 2013 and 2014, the current order book stands at significantly lower levels.

What is important and encouraging is the fact that bulk carriers' demolition has stayed at record high levels the last couple of years. 2011 all-time record of 22.3 million dwt was by far being surpassed by 2012 scrapping activity of 33.7 million dwt. During the first two months of 2013, scrapping activities stood at around 4.8 million dwt. A continuing strength in scrapping activities should slow down the fleet's net growth rate, which effectively could provide some relief to supply pressure.

Please turn to slide 16. In my opinion, these two graphs sum up the long term demand trend 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 important ore can provide a significant support to iron ore trade, even with zero steel production growth. From the breakdown of Chinese iron ore imports by [shores], 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 tonne miles as China will be forced to import from other more distant sources.

On the right graph you can see how Chinese coal trade has evolved for the last eight years. The growth of this trade has been truly 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 300 million tonnes during 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 3.65 billion tonnes. So, as you can understand, the 300 million tonnes of net imports represent only around 8% of the total. As China continues growing, we expect the needs for energy in general and coal for 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.

Recently, due to persistently low natural gas prices in the US, coal producers have been increasingly turning to overseas buyers. This development is quite positive for the dry bulk industry as it has positive tonne mile implications.

Please turn now to slide 17. On the left graph you can see annualised Chinese iron ore imports versus steel production. In both cases the upward trend is totally clear. Iron ore imports grew by a healthy 9% in 2012 while January's imports were up 10% YoY. Crude steel production grew 4% in 2012 and 9% in January on a YoY basis. Another factor that is expected to have a positive effect on the dry bulk industry is the low iron ore stock piles in Chinese ports. From a high of over 100 million tonnes in January 2012, stock piles have fallen to below 70 million tonnes. We expect that demand will see a considerable improvement once steel mills start restocking.

Looking forward, we expect a significant amount of iron ore export capacity to come online towards the end of the year while many analysts believe that the dry bulk demand growth could outstrip 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 dry bulk demand prospects remain positive despite the adverse economic environment.

I would like now to pass the floor back to Mr Capralos for his closing remarks.

Spyros Capralos – *Star Bulk Carriers Corp.*
Thank you, Simos. In conclusion, as you can see on slide 19, we believe that Star Bulk is positioned to sustain through the current challenging environment. On top of our 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 an increase in our revenues going forward due to the management of third party vessels. We have an experienced and dedicated management team, a 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 relating to newbuildings and we have $26.1 million of cash in the bank. From a commercial perspective, our Capesize fleet is mostly covered for the next two years and at above market charter levels while our operating expenses are being continuously optimised. We believe Star Bulk has a good set of characteristics that places the Company among the most promising in the dry bulk industry.

In closing, I would like to thank our shareholders for their support and loyalty and reassure them that we will continue to do everything in our power to ensure the Company's long term viability and navigate safely through this challenging low 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.

Questions and Answers

Operator
Thank you. As a reminder, if you would like to ask a question, please press *1 on your telephone keypad and wait for you name to be announced. If you wish to withdraw your question, please press the # key. That's *1 to ask a question. Your first question today comes from the line of Noah Parquette from Global Hunter Securities. Please go ahead.

Noah Parquette – *Global Hunter Securities*

Good afternoon. I just want to ask about the Supramax please. You have been very vocal about keeping that open and you don't want to fix at the bottom right now but what kind of rates would you want to see before you start putting some ships away for six months to a year or something like that?

Spyros Capralos – *Star Bulk Carriers Corp.*

Hi, Noah. Listen, for the time being we don't see those rates. Therefore, we are charging our Supramax fleet with short term charters and I think we have done quite well in this low rate environment. Supramaxes have done much better than the Capesize vessels and now we are enjoying in the last month or so an improved market environment that has permitted us now to see and experience five digit numbers on the daily charter rates.

Noah Parquette – *Global Hunter Securities*

Then a follow-up. You were repositioning the ships last quarter. Where they are now, have you been able to kind of take advantage of this little pop in rates?

Spyros Capralos – *Star Bulk Carriers Corp.*

Yes, we have because some vessels that were in the Atlantic experienced much higher rates going forward. I can give you an example. For one of our vessels, we are getting a rate of $19,000 per day, which is much higher than what we have seen up to now. At the same time, I think the Atlantic is doing much better. The grain season in Brazil seems to be doing very well and I think there is lots of business in the Atlantic that will permit us to obtain higher rates. We sacrificed some of the rates that we would be getting in the Pacific by going to the Atlantic but this is paying off now.

Noah Parquette – *Global Hunter Securities.*

Okay. Then on the cost side, I just have two questions. You have done a good job of getting your G&A expenses and your vessel opex down. Do you see further potential for gains here or are we at the bottom?

Spyros Capralos – *Star Bulk Carriers Corp.*
I think that we will continue our efforts to reduce further our expenses. Of course, as the Company is growing and we are growing because we are taking under management more vessels, of course, some of our expenses will grow but they will grow less than the amounts that we'll be getting from the revenues that we receive for managing those third party vessels.

Noah Parquette – *Global Hunter Securities*
Thanks. Do you have any visibility on 2014 drydocking right now?

Spyros Capralos – *Star Bulk Carriers Corp.*
Well, we do have a few vessels that will go through drydocking even this year in Q4. It is scheduled and programmed to go through the various drydockings that we have. Right now I don't have it on the top of my head but I think for this year we have three Supramax vessels and one Cape, the *Aurora* that will through drydock in the Q3 and the Supramaxes will go for drydocking the last quarter, Q3 and Q4. Then next year we have again – and we can provide you with a list if you want with all the drydockings that we have.

Noah Parquette – *Global Hunter Securities*
That sounds great, thank you.

Operator
Thank you. Your next question today comes from the line of Harsha Gowda from Blueshore. Please go ahead.

Harsha Gowda – *Blueshore*
Good afternoon, gentlemen.

Spyros Capralos – *Star Bulk Carriers Corp.*
Hello, good afternoon.

Harsha Gowda – *Blueshore*

Great quarter, great job with the cost-cutting and also the fleet strategy. I think it has been clearly shown that your strategy in the past was good and it's paying off right now. My question is in line with the last one on what room is left on the cost side with daily operating expenses? Can we see similar drops or we are getting close to that bottom level?

Spyros Capralos – *Star Bulk Carriers Corp.*

I think that there is always room for improvement. By managing third party vessels, what we manage to obtain is additional synergies that reduce the costs, not only for those third party vessels but also for our fleet. By getting a much larger fleet, we can obtain economies of scale, especially on the prices that we pay when we buy spares, stores and other paints, lubricants. So I think that there is still room to further improve.

Harsha Gowda – *Blueshore*

Great and again a fantastic job. We expect no less from top management in the sector, so thank you.

Spyros Capralos – *Star Bulk Carriers Corp.*

Thank you very much.

Operator

Thank you. As a reminder, if you would like to ask a question, please press *1 on your telephone keypad. Once again, that's *1 to ask a question. It appears we have no further questions at this time, sir. Please continue.

Spyros Capralos – *Star Bulk Carriers Corp.*

Well, for all of you, thank you very much for taking the time to join us today for our earnings conference call. Our 2013 Q1 results are scheduled sometime in May and we look forward to having you at that time as well. Thank you very much and have a good day.

Operator

Thank you. That does conclude our conference for today. Thank you all for participating. You may now disconnect.