Corporate Participants

Petros Pappas
Star Bulk – Chief Executive Officer

Hamish Norton
Star Bulk – President

Simos Spyrou
Star Bulk – Co Chief Financial Officer

Christos Begleris
Star Bulk – Co Chief Financial Officer

Presentation

Operator:

Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers conference call on the second-quarter 2015 financial results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; and Mr. Simos Spyrou and Mr. Christos Begleris, Co-Chief Financial Officers of the Company.

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

I must advise you the conference is being recorded today, Monday the 31st of August 2015.

And we now pass the floor to one of your speakers today, Mr. Pappas. Please go ahead, Sir.

Petros Pappas:

Thank you, operator. I am Petros Pappas, Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers conference call regarding our financial results for the second quarter of 2015.

Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number 2 of our presentation.

Turning to slide 3, the second-quarter has continued to be very challenging, as reflected in our financial results. We are seeing a validation of our consolidation efforts with significant cost savings per ship improving our breakeven levels and our bottom-line. Furthermore, we are continuing to pursue a number of actions that will increase our liquidity position in the medium-term.

In the second quarter, we recorded an adjusted net loss of $22.2 million, an adjusted EBITDA of $6.3 million on net revenues of $46.1 million. Our fleet currently consists of 70 vessels on the water. We are continuing to take delivery of our eco-newbuilding vessels, adding four vessels in Q2 and 12 vessels year-to-date. We have 20 vessels remaining to be delivered, all by the end of 2016.

As part of our fleet renewal, we have agreed to sell 12 vessels since December 2014 for total net proceeds of approximately $113 million. During this quarter, we sold four 90's built vessels that did not fit our commercial profile, two Capesize and two Panamaxes. Net sales proceeds for completed vessel sales were approximately $18.9 million in Q2 and $44 million from December 2014 through today.

We also expect approximately $34.4 million of equity proceeds from the sale of a newbuilding vessel; one 90s built vessel, and the sale and charter back of a modern vessel to be received during 2015 and 2016. One year after the merger with Oceanbulk, we are seeing a direct economies of scale effect on our bottom-line.

We have been able to reduce our cost per ship significantly over the past year, and we will continue to do so as we take delivery of our fleet. OpEx for Q2 was $4,311 per day, down 17.2 percent from the same period last year. Our net cash G&A expense for the quarter continued to improve and was reduced to $1,110 per day per vessel, a 13.8 percent reduction from last year's respective figures.

On a fully delivered basis, we expect to have approximately $35 million in annual cost savings in OpEx and G&A expenses compared to Star's previous cost per ship. These figures clearly established us as one of the lowest cost operators in the dry bulk space.

During the year, we have continuously negotiated with our shipyards and have managed to agree on measures that benefit the Company by an estimated $392.6 million. We managed to defer $334.2 million of predelivery and delivery installments from 2015 into 2016, of which the equity portion was expected to be approximately $100 million.

In total, we shifted our newbuilding vessel delivery schedule by 91 months in aggregate for an average of 4.6 months per vessel. We also obtained purchase price reductions on a number of vessels for a total of $25.8 million.

In addition, we managed to cancel one newbuilding vessel with no penalty to the Company, which reduced our equity CapEx by $11.6 million. Delaying delivery of 10 vessels from 2015 to 2016 has an incremental benefit of increasing the resale value of these vessels by approximately $21 million in today's prices, due to the one-year reduction in age.

We continue to work in coordination with the CPRs to find measures that improve our liquidity in the near-term and enable us to take delivery of our vessels at a time when we expect rates will

have improved. Finally, we have completed the financing of our newbuilding program with agreed commitments in place for all our vessels. It is also worth noting that as of today, we have six unencumbered vessels in our fleet.

I would like now to pass the floor to one of our Co-Chief Financial Officer's, Christos Begleris, to walk you through our second-quarter and first-half 2015 financial statements.

Christos Begleris:
Thank you, Petros. Let us now turn to slide number 5 of the presentation for a summary of our second-quarter 2015 financial highlights in comparison to last year's. In the three months ending June 30, 2015, net revenues amounting to $46.1 million, 118.9 percent higher than the $21.1 million for the same period in 2014.

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 revenue recognition between the voyage charters and time charters, and therefore is directly comparable to other periods.

This increase is attributable to the significant increase of the average number of vessels to 69.7 in the second quarter of 2015 from 17 in the second quarter of 2014. Adjusted EBITDA for the second quarter 2015 was at $6.3 million, a decrease versus last year's figure of $9.6 million. Net loss for the second quarter 2015 was $65 million or $0.34 loss per share versus a loss of $3 million or $0.10 loss per share in the respective period of 2014.

Excluding non-cash items and one-off expenses, our adjusted net loss for the second quarter amounted to a loss of $22.2 million or $0.12 loss per share versus $2.8 million adjusted net income or $0.10 gain per share in the second quarter of 2014. Our time charter equivalent rate during this quarter was $8,616 per day compared to $14,018 per day last year. This is an illustration of the weak second quarter of 2015 compared to last year's rally during the same period.

Our average daily operating expenses were $4,598 per vessel compared to $5,208 per vessel during the same period last year, representing an 11.7 percent reduction. The reduction is even bigger if we exclude approximately $1.8 million or $287 per day of predelivery expenses related to the delivery of our newbuilding vessels. Taking these adjustments into account, average daily operating expenses would've been $4,311 per day, a reduction of 17.2 percent compared to the second quarter 2014, similarly adjusted figure of $5,208 per day.

Our average daily G&A expenses, excluding non-cash items and including any management fees that we paid to third-party managers, were $1,110 per vessel day compared to $1,288 per day during the same period last year, representing an impressive 13.8 percent reduction.

Let us now turn to slide number 6 of the presentation for a summary of our first-half 2015 financial highlights in comparison to the similar period last year. In the six months ending June 30, 2015, net revenues amounted to $77.8 million, 92.7 percent higher than $40.4 million for the

same period in 2014. This increase is due to the increase of the average number of vessels to 67.5 in the first half of 2015 from 16.4 vessels in the first half of 2014.

Adjusted EBITDA for the first half of 2015 was $0.6 million, a decrease versus last year's figure of $17.4 million. Net loss for the first half of 2015 was $105.2 million or $0.61 loss per share versus a loss of $3.9 million or $0.13 loss per share in the respective period of 2014. Excluding non-cash items and one-off expenses, our adjusted net loss for the first half of 2015 amounted to a loss of $52.5 million or $0.31 loss per share versus $4.6 million adjusted net income or $0.16 gain per share in the first half of 2014.

Our time charter equivalent rate during the six-month period was $7,806 per vessel day compared to $14,172 per vessel day for last year's similar period. Our average daily OpEx were $4,665 per day per vessel compared to $5,410 during the same period last year, representing a 13.8 percent reduction due to synergies and economies of scale from operating a larger fleet.

If we exclude approximately $3.6 million or $293 per day of predelivery expenses, average daily operating expenses would have been $4,372 per day, a reduction of 17.1 percent compared to first-half 2014's similarly adjusted figure of $5,272 per day. Our average daily net cash G&A expenses were $1,120 per day per vessel compared to $1,377 per day per vessel during the same period last year, representing an impressive 18.7 percent reduction.

Both the reduction of our daily OpEx and in our daily G&A expenses are clear proof of the effect of synergies and economies from managing a larger fleet. We will continue to focus on having the lowest possible breakeven costs through lean and efficient operations.

Kindly turn now to slide number 7 for a review of our balance sheet as of June 30, 2015. Total cash balance, including restricted and pledge cash, stood at $299 million. As of August 26, we have a cash balance of $249.1 million as well as six debt-free vessels, which we can use as potential sale candidates or finance to further strengthen our liquidity if needed.

Our other current assets stood at $42.5 million, at similar levels to the previous quarter. Net fixed assets stood at $1.77 billion versus $1.63 billion in 2014. The 2015 figure includes a 69 vessels on the water as of June 30. Advances for vessels under construction stood at $337.7 million comprised of $248.3 million cash paid for newbuilding installments for our 25 remaining newbuildings as of June 30, 2015 and $16.7 million of capitalized borrowing and supervision costs.

As we have noted previously as well, in the process of consolidation with Oceanbulk, as per the US GAAP revision of previous combinations, a fair value adjustment of $72.6 million was recorded in this account on top of the cash newbuilding installment paid. On the liability side, total debt as of June 30, 2015 stood at $940 million versus $908 million in the previous quarter.

Total shareholders equity as of June 30, 2015 stood at approximately $1.49 billion versus $1.37 billion in the first quarter of 2015. Based on the above, our net debt was $641 million as of June 30, 2015, implying a net debt to capitalization ratio of 26.4 percent.

And now we'll pass the floor to my Co-CFO, Simos Spyrou, to continue with an update on our agreement with yards, operational performance, and liquidity position.

Simos Spyrou:
Thank you, Christos. Please turn now to slide number 9, where we summarize the agreements with our yards and their effect on the Company's liquidity.

Overall, we have been continuously cooperating with the yards, building our newbuilding vessels to further improve the payment terms and delivery schedules in the difficult market environment. Our agreements are summarized as follows.

Deferral of $334.2 million of pre-delivery and delivery installments from 2015 to 2016, approximately $100 million of which is equity CapEx. This is an important achievement which improves the payment and delivery schedule of our vessels. Equity savings of $11.6 million by the cancellation of one newbuilding vessel applies the cost to the Company. A further reduction of $25.8 million in CapEx, out of which $18.7 million in equity CapEx, through agreements with the yards to reduce the cost of newbuilding vessels. An estimated increase in the value of our newbuilding vessels by $21 million by shifting deliveries from 2015 into 2016 as the vessels will always be one year younger.

The graph illustrates both the shift in CapEx payments as well as the reduction in the total amounts the Company will need to pay to take delivery of its fleet. At the bottom of the page, you will also see our updated CapEx schedule as of August 26, 2015, adjusted for the agreed sale and cancellation of newbuilding vessels, changes in payment prices and delivery schedules.

Through this agreement, the Company has three distinct benefits. First, it took liquidity. Second, better timing and delivery of our eco-newbuilding fleet when charter rates may have improved; and third, increased resale value of these vessels in the long-term by taking delivery a year later.

Please turn now to slide 10 where we summarize our operational performance for the quarter. Unlike many of our competitors, we manage our vessels in-house, which provides us with a distinct advantage in terms of quality and cost. During the second quarter of 2015, we continue to see the positive effect of our economies of scale in practice, as the number of in-the-water vessels increased to 69 as of June 30, 2015.

In this difficult market environment, low breakeven rates are vital, and we aim to continue being one of the lowest-cost dry bulk operators going forward. On the bottom left graph, you can see that we continue to bring our other daily OpEx to the levels of $4,311 per day per vessel in the second quarter of 2015, a 17.2 percent reduction compared to one year ago.

On the bottom right-hand side graph, you can see the evolution of our other daily net cash G&A expenses per vessel. Our average daily net cash G&A expenses per vessel is lower than the same quarter in 2014 at $1,110 per vessel per day, which is a significant reduction of 13.8 percent.

This is another area where we have direct contributions to our bottom-line from the fact that we can spread the cost of our employees over a much larger fleet.

We are focused on maintaining the highest standards of vessel maintenance, safety and operation, with over 85 percent of our vessels having a maximum rating of 5 stars by RISING. We expect that as we continue taking delivery of our newbuilding vessels, many of which are sister ships, we will have further synergies across our fleet that will enable us to further reduce our operating expenses and G&A.

On a fully delivered basis, with a fleet of [nine new] vessels, we would have achieved $35 million in annual cost savings from OpEx and G&A expenses. Having this calculated on a 2014 cost structure and annual cost savings would be even higher if we were to use costs of previous years.

Moving now to slide 11, we want to provide an update on our liquidity and net debt as of August 26. Our total cash is $249.1 million. Total debt and capital lease obligations are at approximately $1 billion. Net debt is $762.5 million. Expected equity proceeds from the sale of vessels committed for sale are approximately $34.4 million, $20 million of which will be received in early September.

We currently also have six unlevered vessels, one Capesize, three Panamax, one Supramax and one Handymax vessel, which can be sold or financed if more liquidity is required. The graph at the bottom of the page provides an update of our repayment schedule of the debt on our vessels in the water. Scheduled principal repayments for vessel are smooth throughout 2019 for our fleet.

Having said that, I will now pass the floor back to Petros for a market update.

Petros Pappas:
Thank you, Simos. Please turn to slide 13 for a brief update of supply. During the first seven months of 2015, more than 22 million deadweight has been scrapped and/or committed for demolition. This compares to 16.2 million deadweight demolished throughout 2014. The Capesize fleet stands today at similar levels to November 2014.

Reported new dry bulk orders for 2015 year-to-date are at 4 million deadweight. This compares with 55 million deadweight ordered during the first seven months of 2014. Owner's discipline during second-half 2015 and 2016 remains the key for a sustainable recovery to take place. The order book decreased from 25 percent to 17.5 percent of the fleet over the last nine months, and a significant share of the existing order book will never be delivered, as indicated by the increased conversion and cancellation activity that took place during the first half of 2015.

We therefore expect dry bulk fleet growth in 2015 to remain between 2 percent and 3 percent. Between 2016 and 2017, dry bulk supply should be limited between increased orders from other shipping sectors and consequent limited first-year yard capacity.

Let's now turn to slide 14 for a brief update of demand. Dry bulk trade growth during the first half of 2015 experienced a sharp slowdown, mainly as a result of the ongoing commodity price

correction that began in the second half of 2014. The steel industry is the most important sector for dry bulk trade and was significantly affected.

During the first half of 2015, global consumption of steel products experienced a decline that forced international steel producers to adjust production. This development consequently affected demand for raw materials related to the production of steel, and also led to a slowdown in energy consumption with a negative impact on thermal coal requirements. Dry bulk trade during the first half received additional negative pressures from higher consumption of stocks.

For example, China iron ore stocks at ports have decreased by 30 million tons compared to last year, while thermal coal stocks at major power plants have decreased by 35 million tons during the last nine months. As a result, during the first half of 2015, Chinese imports of iron ore and coal decreased by 1 percent and 38 percent, respectively.

The Chinese mining industry was also affected by the correction of raw material prices. Between January and June 2015, China domestic production of iron ore and coal have decreased by 10 percent and 8.5 percent, respectively. We believe that the above developments are bound to lead to higher import requirements in the near future.

According to Clarkson's latest report, total dry bulk sales for full 2015 is projected to grow at approximately 2 percent, and total iron ore trade is projected to grow at 3 percent. Total coal trade is projected to decrease by 2 percent. Chinese coal imports during the last month have been showing signs of stabilization. This year's strong decrease in Chinese coproduction, weaker hydropower generation, and depletion of coal stocks are all viewed as relatively positive developments for coal imports.

Total grain trade, including soybeans, is projected to increase by 1 percent year-over-year. Grain ton miles, though, are projected to increase by 3 percent, due to healthy import growth in the Pacific. Finally, total minor bulk trade is projected to grow at approximately 2 percent during full 2015, due to a recovery of bauxite and strong growth of steel exports from China.

Looking into 2016, we expect dry bulk trade to grow at a higher pace than 2015. A number of positive factors gradually emerge, and should lead to a stable recovery of global commodities consumption, and as a result, demand for dry bulk vessels. Low oil and raw material prices are expected to fuel the economy and translate into increased GDP growth rates.

According to the latest IMF outlook, global GDP growth for 2016 is projected at 3.8 percent, up from 3.3 percent for 2015. Moreover, the monetary stimulus stemming from a low global interest rate environment should lift growth in the real economy. Despite China's GDP growing at a slower pace, implementation of structural reforms and government incentives, including monetary stimulus by the central bank, are expected to support and boost real estate and infrastructure investment.

India's steel consumption growth is projected to be the highest among the major steel-producing nations, with 2016 consumption growth expected to accelerate to 7.5 percent versus 6 percent projected for 2015, and 2.2 percent estimated for 2014. The Asian infrastructure investment bank

plans to finance large-scale infrastructure projects across Asia starting from 2016. As these materialize, we expect that the Chinese steel industry will receive support from steel exports, and iron ore ton miles will accelerate due to higher exports from Brazil.

Coal ton miles for the Pacific region are expected to gradually improve, due to decreasing Indonesian exports. Lower international prices have shifted the Indonesian government's focus towards domestic consumption. The substitution to alternative sources is expected to result in a significant increase of latent distances for coal imports in the region.

On the European front, the euro depreciation against the dollar and ECB's quantitative easing, which will unfold throughout 2016, is expected to support euro area industrial production and exports.

Minor bulk volumes will also benefit from the low commodity price environment and have already been showing some initial signs of recovery. China bauxite and ingalorian imports are projected to recover due to stock depletion. Total minor bulk trade will gradually receive a ton mile boost from increasingly laden and balanced distances.

Finally, we highlight once again that the most important market improvement factor is on the supplier response. Absence of ordering and increased demolition during the first half of 2015 have capped fleet growth for the next couple of years. Owners' discipline will play an important role in ensuring a prolonged and sustainable recovery in utilization, freight rates and vessel values.

Before we close this presentation and pass the floor back to you for questions, Hamish will provide a summary of a few points which we feel differentiates Star Bulk from the competition. Hamish, the floor is yours.

Hamish Norton:
Thank you, Petros. So we've had obviously a very challenging first half of the year, but we've been actively improving our liquidity position through a variety of measures.

We've taken actions that we think increased our NAV by about $58 million through cancellations of vessels, price adjustments that we've achieved, and postponements of vessels delivery, which we think make the vessels, when delivered, more valuable. We've completed the sale of nine 90's built vessels that not fit our commercial profile, and we've agreed to sell three more vessels in 2015 and 2016, which will improve our liquidity.

We proactively went out to our banks and arranged waivers and relaxation of some corporate covenants until the end of December 2016, while we have now fully arranged all financing for our remaining newbuilding vessels. So, through these efforts, we have $249.1 million of cash as of August 26, which we believe will enable the Company to sustain a long downturn.

We have created an attractive platform with Star Bulk. As you know, it's the largest US-listed dry bulk operator, which has pretty significant scale at this point, and experienced and efficient in-house commercial and technical management. And the platform has the backing of more than

14 banks and two leasing companies, and a core shareholder base that has shown its commitment to the Company.

We have strong corporate governance. Our Board of Directors has a majority of its members nominated by institutional investors.

And finally, although the market environment has been challenging, we are looking into the future to improving market fundamentals, and hopefully, an opportunity for the dry bulk market to recover. We are confident that when a recovery comes, Star Bulk will be in a position to take advantage of the improved rate environment with its modern fleet, and to secure profit for its shareholders.

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

Operator:
Thank you very much indeed sir.

And as a reminder, to ask a question simply press star one on your telephone keypad and wait for your name to be announced.

Your first question from Deutsche Bank comes from the line of Amit Mehrotra, your line is now open

Amit Mehrotra:
Yes, thank you. Good afternoon everybody. Can you hear me?

Hamish Norton:
Yes, hi Amit.

Amit Mehrotra:
OK. Hi.

My first question is on the price concessions, I guess totaling just under $26 million that you guys were able to secure last month. I mean, I look at that as sort of a sign of your strong relationships with the shipyards, but I'm just trying to understand if -- was there anything that the Company had to give in exchange for those sizable concessions, either right now or in future commitments? And should we expect more announcements on this front, maybe in subsequent quarters?

Hamish Norton:
The answer, Amit, is that you are correct that this has to do with our being a big customer and having excellent relationships with our yards. And we achieved these price concessions without making any commitments or giving anything up. It's based on the relationship and the state of the market.

Amit Mehrotra:
OK. And then just the second part of that question -- is this all we should expect? Or is there more activity on this front that we can expect future announcements of?

Hamish Norton:
You know, we are always working to do better for the Company. And we may have more announcements of news in the future. At the moment, this is all we've got to talk about.

Amit Mehrotra:
OK. Just one more sort of industry-related question on the disruptions. If you've seen any disruptions recently, given some of the things that happened in China from the explosion in Tianjin, and then also the volatility in the markets, you are one of the few companies that are reporting results after those events. So, I'd love to get sort of your perspective on any impact you've seen, if anything, in terms of activity levels from a chartering perspective.

Hamish Norton:
Well, I mean, I –

Petros Pappas:
Hi, Amit. Not really a major effect for now as far as delays of vessels are concerned. Just a little bit only. Now, whether there is any damage to goods, I would suppose this is less damage to any dry bulk cargoes and probably more to other categories of vessels. So I don't think this will have a major effect.

If anything, it will be very slightly positive. But I think that's about it. And probably they will need to affect some repairs, which obviously requires import of raw materials. But I don't consider it a major issue.

Amit Mehrotra:
OK.

Hamish Norton:
We had two vessels right near Tianjin when the explosion happened.

Petros Pappas:
Yes, we had two vessels there. I think the delay was minimal.

Hamish Norton:
Yes, exactly.

Amit Mehrotra:
Got it. OK, that's helpful. Just a couple more just quick ones. The $698 million of remaining newbuilding payments, how much debt are you guys expecting to draw down against those commitments?

Christos Begleris:
Hi, Amit. This is Christos. It would be approximately close to $600 million, given that a lot of the remaining newbuildings are the vessels where we have the bareboat financing from financial leasing institutions in China that give us 80 percent of the contract price.

Amit Mehrotra:
Right. OK, that's helpful. One last question is that we've got a month left, I guess, in the third quarter here. So if you can just give us some color on the TCE, how that's trending in the quarter? And I saw the utilization dip down, obviously, because of the drydockings. And if you could just give us an update on the drydockings in the second half of the year. And that's it for me. Thanks.

Petros Pappas:
Amit, the utilization is -- I mean, the incomes are better than the first quarters, I would roughly say to the tune of 20 percent or a bit more perhaps. We have drydocked this year -- we plan to drydock 34 vessels. We've already drydocked 20. But as the rules for the balance quarter, different plans are evolving. We may drydock a few more and leave a few others for next year. So there's going to be a few less drydockings than we expected.

Amit Mehrotra:
OK, got it. Thank you so much for answering my questions. Appreciate it.

Petros Pappas:
Thank you.

Operator:
Thank you very much, sir. Now from UBS your next question comes from the line of Spiro Dounis, your line is now open.

Spiro Dounis:
Morning gentlemen, thanks for taking the question.

Just wanted to follow-up on one of Amit’s questions there on purchase price reductions. Just wondering -- and I think you might have touched on this but I think I missed it -- just how should we be thinking about the $26 million in savings from a financing standpoint? Does that free up debt capacity? Or is most of that savings on the equity CapEx front?

Hamish Norton:
It frees up both debt and equity. And I think we gave the figure. Hold on, where is it?

Spiro Dounis:
I think I heard $18 million on equity but I wasn't sure.

Hamish Norton:
Correct.

Simos Spyrou:
I think I would say $18.7 million in equity CapEx.

Spiro Dounis:
Got it. OK, that's helpful. Last time I think when we spoke, I think we kind of mentioned a lot of the fundamentals are kind of going in the right direction in terms of layups and scrapping. And it seems to have continued but I guess slowed a bit, especially with rates going up. Just wondering from a layup perspective, have you guys seen a strong supply response when rates picked back up? Or have a lot of these vessels in layup stayed in layup?

Petros Pappas:
Yes, we didn't see that many vessels in layup. So, we do not think that there would be a material effect in the on the supply of vessels by too many vessels reactivating. What will happen is potentially ships and vessels will increase their speeds. But the market went up for about two weeks and then it's not -- it's down again. So, I don't think that ship owners react to such short-term fluctuations. So I don't think there's going to be much of a difference on the supply side from that.

Spiro Dounis:
Got it, got it, great. Well, yes, I mean, that's it for me. Pretty straightforward quarter. Nice job taking a few more boxes this quarter. Take care, guys.

Petros Pappas:
Thank you.

Operator:
Thank you very much, sir. Now from Stifel you have a question from the line of Ben Nolan, your line is now open, sir.

Ben Nolan:
Thanks. My first question has to do with your -- I suppose it's the efficiencies and the scale that you've been able to gain, and pretty remarkable cost per vessel on a -- certainly on an operating perspective, but, more importantly, I think maybe even on a G&A perspective. Curious to see if this is sort of the thinnest that you can cut things, or if there might be a little bit more to go?

And then maybe from an overarching perspective, I think it's always been the thought that economies of scale with respect to cost reductions are a challenging thing to actually effect in shipping in general. But, clearly, you've been able to do it. From a longer-term perspective -- and I know you have your hands full at the moment -- but from a longer-term perspective, is this something that -- does it makes sense to grow a fleet to 500 vessels or something like that if you can, in fact, realize these kinds of economies of scale?

Hamish Norton:

Let me take the first part and I'll pass it to Petros. Just to emphasize, on the G&A, we're not cutting. What we're doing is adding vessels to a nearly fixed G&A expense base. I mean not actually fixed, but the G&A is growing much more slowly than the vessels are increasing, which is how the G&A is coming down. And Petros?

Petros Pappas:
And then, we also need to sleep from time to time. You know?

To get to 500 vessels. I think it's important to have a bigger company. As Hamish says -- said also, we -- our G&A actually covers everything. We do everything in-house. So -- and as the Company grows bigger, we will do more things in-house. And therefore, that has the advantage of lower costs. And we also wave our flag, our own flag, so we avoid the intermediaries and stuff like that.

So this -- I think on the G&A front, first it will definitely get even lower as we get more vessels in. But it also helps a lot on the operating expense side exactly because we do everything directly.

Ben Nolan:
Yes. Well, and clearly, comparatively, you guys do a pretty good job of that. And I appreciate that you -- again, that you have to sleep and you have your hands full. But just maybe circling back around, I mean, is the -- do you feel like this is something that can be replicated in terms of continuing to add to a much larger scale over time?

Hamish Norton:
Well, look, Ben, we are continually working on improving the organization and making it easier for the organization to grow while allowing top management to get enough sleep. And as we further refine our organization, we should be able to grow the fleet significantly.

Ben Nolan:
OK. The -- my second question has to do this -- the one vessel that you guys have on sale-leaseback once it's delivered on a two-year basis. First, just kind of curious if you can give a little context around the economics, both in terms of -- well, primarily in terms of the charter rate that you have?

And then, looking forward, maybe is this something that you might would do even with a longer tenure perhaps, in terms of -- to sort of the point earlier, maybe growing the fleet, and then certainly also helping to offset some of the capital costs that you have?

Hamish Norton:
Yes. So I think we can't talk too much about that at this point. We're going to be making a more detailed announcement soon enough. Suffice it to say, is a sale with a charter back from Star, it's an operating charter, not a financial lease. So it's not particularly long-term. And we don't know if we'd do any more of those. It's not something that we are currently planning to do more of. But we will be getting details of that out.

Ben Nolan:
OK. OK, all right. I suppose I'll wait and see what you have to say there. But that does it for my questions. Thanks a lot, guys.

Operator:
Thank you very much indeed sir. And your next question from Morgan Stanley comes from the line of Fotis Giannakoulis, and your line is now open.

Fotis Giannakoulis:
Yes, hi gentlemen, and thank you.

I would like to follow-up on Ben's question about the impressive reduction in your operating expenses. Can you give us a little bit more details where these reductions have come from? And if you can also give us a guidance on your drydock schedule over the next year and a half.

Petros Pappas:
Fotis, it's Petros, hi. The reductions have actually come mostly from renegotiating contracts with various suppliers from insurances. I would say this is the most of the reduction we've managed to achieve.

As far as the drydocks are concerned, as I was saying before, we're going to do 34 drydocks this year and very few next year. I think next year would have been like three or four only. Now, we've already done 20. We'll do probably another seven, eight. And therefore next year, we should probably have about maximum 10 drydocks -- probably, yes.

Fotis Giannakoulis:
Thank you, Petros. So, is it okay to assume something like between $4,000 and $4,500 operating expenses going forward? I'm just trying to get an idea of how we should model the expense side.

Petros Pappas:
Yes, yes. That's a logical estimate.

Fotis Giannakoulis:
And regarding the order book, you mentioned that your view is that there are going to be a lot of delays and there have been already some conversions into other sectors. Clarkson still shows an order book of close to 20 percent over the next three years. What would you -- what would it be your best estimate about the order book, the real order book and the fleet growth next year?

Petros Pappas:
Well, the total order book is 133 million tons, so we calculated at 17.5 percent. I think that the order book for next year is about 60 million tons, but there is also going to be slippage from this year, probably around 25 million to 30 million -- very rough numbers. I don't have them in front of me.

So, in theory, the order book for next year could be 85 million tons. But if you deduct from that 25 million to 30 million tons of further slippage that will go to 2017, and then as I personally believe that the first six months of next year are going to be challenging again, as they were this year, I think we will see scrapping of about 30 million tons.

Therefore, overall, in my opinion, we will see about net deliveries for 2016 of between 27 million and 30 million tons, which would be about 3.5 percent of the fleet. So, and then the balance of about 60 million tons will be coming in 2017 and 2018. And depending on how much more people will order. And that's why we keep on saying here that it's extremely important that shipowners contain themselves and don't order going forward.

Fotis Giannakoulis:
And can you tell us how do you view the shipowners behaving beside your hope, given the fact that it seems that shipbuilding capacity is quite high and utilization of the shipyards are -- the recipients operate at very low utilization, have you seen any steep reductions in the pricing from -- of the newbuildings that can trigger a new wave of ordering in the next year?

Petros Pappas:
The order, if you had hopes that the market will compensate you, I mean, when the market is at where it is right now, it's not so difficult -- so easy to order. And that's why we've only seen like 3.7 million tons ordered up to date. I mean, otherwise people would have been ordering.

I think that CPR prices will probably drop a bit, and that's especially through in Japan. However, there's not so much yard availability right now. I mean, if 2016 also is closed, of course; 2017 is probably closed almost (90-plus-percent). So, what we would be talking about would be 2018, which is wide open.

And therefore, it depends on the behavior of shipowners for 2018. I think that for as long as the market is not showing great prospects, people will not order. I'm not talking about Vale, for example, because they have different reasons potentially to order, even -- although perhaps not even for them, it would be a good idea to order right now.

But as far as shipowners are concerned, you see orders very far apart and rather small ones, and I think that will continue. I mean, now if at some point you see $50,000 on the Capes, yes, people will start ordering again. But I don't see this happening very soon.

Fotis Giannakoulis:
Thank you, Petros. And can you explain to us what happened in the previous month that we saw rates for Capes moving up even up to $20,000 for a couple of days, what drove the market higher? Was it a restocking of China? Or is it more cargoes of -- from Brazil? And how do you see the flow of cargoes? Is Brazil delivering the increase in iron ore that it was expected? And how do you view this going forward?

Petros Pappas:
The reason the market went up very briefly was that the Atlantic didn't have many vessels. Therefore, they were -- charters were obliged to pay out to get the few vessels that were

available. And also Brazil was exporting, at a very high rate, iron ore. That's through what you said. And then Brazil stopped a couple of weeks ago, 10 days ago.

And as we know, Brazil is amazingly important for iron ore trade, because the voyage from Brazil to -- the round voyage from Brazil to China is 2.5 times longer than -- or 2.7 times longer than the one from Australia to China. And if that happens, it's going to be positive.

Now from what we read, Brazil is going to increase exports the second half of this year substantially. Also, Australia will have more capability of exporting higher quantities, but Brazil is more important. During the first half of 2015, Brazil only increased their participation of Chinese imports by only 1 percent, from 18 percent to 19 percent; where Australia went from (56 percent to 64 percent).

So, that didn't help us a lot. We are counting on the second half of the year because they have announced that they have 13 million tons extra to export. So, that's very important. And if it happens, we might see a relatively strong quarter.

Fotis Giannakoulis:
And my last question is if this improvement comes in the next quarter, do you think that this is going to give more opportunities for a period chartering? And would you be willing to lock some of your open capacity under period contracts? And at what levels that would be attractive for you?

Petros Pappas:
You just revealed our plan to the public.

Yes. Now under what levels, what we would be doing is we would be fixing forward, and then we'll have a huge leap, as you know. We might start at levels that make already sense, and then keep on fixing it as the market moves.

Now, you don't want me to start on specific levels and it's -- on this type of vessels, but I would say probably mid-teens on Capes would be different figures, and high-single figures on the other two types of vessels would be different figures.

Fotis Giannakoulis:
Thank you, Petros. Thank you, gentlemen.

Petros Pappas:
Thank you very much.

Operator:
Thank you very much indeed, sir. And if there are no further questions at this time, I shall pass the floor back to you for closing remarks.

Hamish Norton:
OK. Thank you, operator. Thanks, everyone, for listening, and thanks for the excellent questions.

Operator:
And with many thanks to all our speakers today, that does conclude our conference. Thank you all for participating. You may now disconnect.

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