Star Bulk **24th November 2009**

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Presenters

- Akis Tsirigakis
- George Syllantavos

Operator: Thank you for standing by ladies and gentlemen and welcome to the Star Bulk conference call on the Third Quarter and Nine Months 2009 Financial Results. We have with us Mr Akis Tsirigakis, Chairman and Chief Executive Officer and Mr George Syllantavos, 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 24th November 2009. We now pass the floor to one of your speakers today, Mr Akis Tsirigakis; please go ahead, sir.

Akis Tsirigakis: Thank you and good morning ladies and gentlemen and welcome to the Star Bulk conference call. I am Akis Tsirigakis, the Chief Executive Officer of Star Bulk and with me today is George Syllantavos our Chief Financial Officer.

I wish to use this introduction to make several brief overall points.
Our Company remains financially strong with modest leverage, ample liquidity and positive cash flows and we maintain excellent relationships with our lenders.

We were able to declare a dividend of $0.05 per share for the Third Quarter of 2009, which we intend to maintain quarterly. I'm pleased to say that we are well on the way of meeting the regional covenants of our loans. Hopefully these will have occurred by the end of the year.
We had undertaken a cost reduction effort which has produced tangible results. We recently announced that we have completed the process of

taking in-house the technical management of our fleet. In-house technical management will reduce costs going forward, as evidenced already in this Quarter being reported. Indeed, evidence of our cost cutting effort is also visible in the reduction of G&A expenses reported.

If you could please turn to slide 3 of our presentation to discuss our Nine Month and Third Quarter 2009 financial highlights. For the Third Quarter 2009 gross revenue was $33.6 million. The difference compared to the same period last year was mainly due to lower charter rates for most of our vessels.

We report a net loss of $72.9 million, which however includes a non-cash loss of $75.1 million related to the impairment loss of the vessel Star Alpha, which has been classified as an asset held-for-sale, plus a non-cash loss of $10.1 million attributed to the unamortised fair value of above market acquired time charter on the vessel Star Ypsilon due to earlier delivery from its charter. Excluding these two items, net income for the Third Quarter 2009 would have amounted to $12.4 million, representing $0.20 per share basic and diluted.

Our first call consensus for the Third Quarter was $0.02 per share. The difference is partly explained by a cash gain on FFAs of $2.8 million and a cash gain on Star Ypsilon's charter termination of $5 million. If we were to exclude these one-off extraordinary items our net income would be $4.6 million or $0.07 per share, still higher than the consensus. Adjusted EBITDA for the Third Quarter 2009 was $28.3 million. The time charter equivalent for the Third Quarter of 2009 was $29,474 per day.

For the Nine Month period ended 30th September 2009 we achieved gross revenue of $111.1 million. Net loss for the Nine Month period for 2009 amounted to $53.9 million. Excluding non-cash items such as impairment loss in connection with the sale of the vessel Star Alpha, amortisation of fair value of below and above-market acquired time charters and the amortization of stock-based compensation, net income would have amounted to $16.8 million, representing $0.28 per share basic and diluted.

Adjusted EBITDA for non-cash items was $69.6 million. The time charter equivalent rate for the Nine Month period of 2009 was $31,515 per day. Our CFO George Syllantavos will of course discuss our financials in more detail later in our presentation.

Please turn to slide 4 for some selective financial data. In this slide we selected some key points to illustrate that we continue to believe our Company enjoys a very comfortable financial position. Our market capitalisation is $211 million as of market close on 20th November 2009. We estimate the charter-free value of our fleet is currently $325 million and the total adjusted value of our fleet is approximately $400 million. Our senior debt currently stands at about $247 million and our current cash position is approximately $59 million. Star Bulk also maintains a net debt to total assets ratio of 25% which is considered low compared to most companies. We have repaid our December loan instalment early to save on interest expense, so we have zero principal debt repayments for the remainder of 2009.

Going forward; our principal repayment for 2010 is $60 million, for 2011 it is $32 million and roughly $25 million annually thereafter, while we have no other capital expenditure commitments such as newbuildings. These factors underline Star Bulk's solid financial position.

Let us turn to slide five which provides an update of our Company since our last conference call. On 16th November 2009 we declared a $0.05 dividend for the Third Quarter of 2009 which will be paid on 4th December 2009 to shareholders of record as of 27th November 2009. We were the very first shipping company to reinstate its dividend programme after having suspended it.

We also recently announced that we completed taking over in-house the technical management of the vessels previously managed by Bernhard Schulte Shipmanagement. Our operating expenses have decreased 20% compared to the Third Quarter 2008 and we are confident that our in-house technical management will be instrumental in implementing our quality objectives while eliminating vessel management fees.

I would also like to mention that our general and administrative expenses were also lower by 37% compared to the Third Quarter 2008. We recently announced that we have secured a period employment for two vessels of our fleet; the Star Epsilon and Star Kappa with excellent counterparties, specifically the Star Epsilon for one year at $16,000 per day and the Star Kappa for two years at $14,500 per day. The two vessels were previously time chartered until June 2014 to other charterers. We withdrew the vessels from some charterers' service for repudiatory breach of the time charter contracts by them. We commenced arbitration proceedings for both vessels against the charterers in London to pursue damages arising from such breach, which will include the loss of hire.

We also recently announced that we agreed with the present charterers of the Star Delta a further two-year time charter employment in direct continuation with the present one, due to expire in March 2010, at a gross daily rate of $14,000 per day.

Finally, as mentioned, we are pleased to announce that we have no principal debt repayments for the remainder of 2009, after paying the December loan instalments a couple of months early.

Turning to slide six; this slide illustrates our fleet employment chart which is also available on our website. I won't go into details as I believe it is self-explanatory. I would just like to mention that we previously agreed to sell the Star Alpha and the vessel is expected to be delivered to its new owners in December 2009; and that as we announced earlier in the year, the Company has entered into a further Contract of Affreightment, or COA, with Brazilian mining company Vale, which practically provides full time employment for one Capesize vessel for two years. That contract gives us the option to serve it either by our own or by chartering vessels.

Moving to slide seven; this graph shows our contracted operating days as well as our revenue visibility. Our long-term coverage continues to provide us with stable and visible cash flows in this current volatile market. Daily volatility of the dry bulk index does not currently affect our revenue generation very much. Our contracted coverage is now 100% for 2009, 85% for 2010 and 42% for 2011.

Please turn to the next slide where Mr Syllantavos, our CFO, will discuss our financials.

George Syllantavos: Thank you, Akis; good morning to everyone. Let us now move to slide nine for an overview of our balance sheet as of 30th September 2009. Our current assets were $69.7 million while our fixed assets amounted to $681.8 million and total assets amounted to $781 million. Our current liabilities were $71.6 million; our non-current liabilities amounted to $202.6 million and stockholders equity was at

$506.9 million. Total liabilities and stockholders equity of course totalled $781 million.

We can now turn to slide 10 to discuss the Third Quarter 2009 income statement. As Akis mentioned, the Third Quarter results include a non-cash loss related to the impairment charge of the vessel Star Alpha, which has been classified as an asset held-for-sale and the unamortised fair value of above market acquired time charter on the vessel Star Ypsilon, due to its early delivery date from the charterer. Adjusted figures exclude these non-cash items.

For the Third Quarter ended 30th September 2009 total revenues amounted to $33.6 million and our operating loss amounted to $70.7 million for the Third Quarter ended 30th September 2009. The net loss for the Third Quarter '09 was $72.9 million, representing a $1.19 loss per share calculated on 61,049,760 weighted average number of shares basic and diluted.

Included in the Third Quarter '09 results is a non-cash loss of $75.1 million or $1.23 per share related to the impairment loss of the vessel Star Alpha, which has been classified as an asset held-for-sale and a non-cash loss of $10.1 million or $0.17 per share related to the unamortised fair value of above-market acquired time charter on the vessel Star Ypsilon.

Excluding these two items, net income for the Third Quarter of 2009 amounts to $12.4 million or $0.20 per share calculated on 61,049,760 weighted average number of shares basic and diluted. I want to add that as a result of tighter cost controls, the G&A per vessel decreased by a substantial margin compared to the same period of last year.

Please turn to slide 11 to discuss our Nine Month period ending 30th September 2009 numbers. For Nine Months of 2009 total revenues amounted to $111.1 million. Our operating loss was $46.5 million; the net loss for the Nine Months was $53.9 million, representing a loss of $0.89 revenues per share calculated on 60,813,996 weighted average number of shares basic and diluted.

Excluding the above non-cash items including the impairment loss in connection with the sale of the vessel Star Alpha, amortisation of fair value of below and above-market acquired time charters and the amortisation of stock-based compensation, our net income for the first Nine Months of 2009 was $16.8 million, representing $0.28 earnings per share calculated on the 60,813, 996 weighted average number of shares basic and diluted.

I would now like to pass the floor back to Akis for the continuation of the presentation.

Akis Tsirigakis: I would like to make some market related comments particularly on supply and demand for dry bulk shipping. Please if you would turn to slide 13 where we begin with an update on demand.

We continue to see signs that major world economies who are also key drivers for shipping, continued to improve since our last conference call in August. First of all, I would like to draw your attention to the top right graph, showing OECD and non-OECD leading indicators and volume industrial production, which as you can see have been closely correlated through all the years.

I believe this graph shows the potential of a strong and continued recovery in industrial production throughout the world in the coming months.
As you can see in the chart on the bottom of the slide, the Purchasing Managers' index, or PMI, paints a similar picture for industrial production in the world's major economies. The PMI was successful in forecasting China's early comeback. Historically, both manufacturing and steel production has followed the PMI closely, which is why they may be a useful leading indicator. This point is reinforced by the fact that many major steel mills around the world have been announcing utilisation increases.

On to slide 14; China has been absorbing every available ton of iron-ore produced globally, but as you can see in the graph on the lower left-hand side, total seaborne iron-ore trade has also been increasing by countries other than China including the EU and Japan. This is a positive sign for dry bulk shipping. On the other hand, on the lower right-hand chart you can see that iron-ore stockpiles in China are falling despite record high imports, indicating that steel production is at very high levels. Also domestic Chinese iron-ore production has been falling steadily, requiring a strategic and structural shift to imported iron-ore.

You have read in the news of the Chinese Government Directive to its steel industry to seek new sources of iron-ore. Overall as the world economy improves, we expect total seaborne iron-ore trade to be at record high levels, which would only be positive for freight rates.

Turning to slide 15; we see that the stimulus programme enacted by the Chinese Government has indeed worked and had a very positive effect on steel production. The combination of record high steel production and steel prices firming up, both point to the sustainability of present production levels and consequently high iron-ore import levels.

Now into slide 16; this slide shows the growth of thermal coal demand. As is indicated on the top two charts, China's and India's coal imports have grown significantly in 2009. China's enormous coal consumption creates potential for huge coal imports and we expect this to continue as long as China's domestic coal prices are at parity or higher than imported coal. We also expect India will continue to increase dependence on coal imports through 10 new coal-fired power plants on the coastline. Possible strengthening of the Chinese Yuan will further boost coal imports.

Going to slide 17, I would like to provide a quick update on the newbuilding deliveries. As you can see on the top right graph, 2009 newbuilding deliveries until mid-November have been at 45-50% lower than what was originally planned in the beginning of the year for 2009. Even though the year is not over, this data is not expected to change much. I will not enter into the numerous factors we analysed in previous presentations that can affect the actual deliveries. Indicatively, I will mention financial constraints, refund guarantees, delays, conversions and bankruptcies, et cetera. As a consequence we believe that at this point in time it is impossible to estimate the actual deliveries going forward. However, market conditions indicate a present tight balance between demand and supply, showing that 2009 newbuilding deliveries to date have been absorbed by the market.

If you take a look at current Capesize spot time charter rates, they are at around $77,000 per day, surely a very healthy level showing no signs of oversupply as of today. Increased congestion of loading and discharging ports recently has helped rates pick up.

Looking on slide 18, let me please reiterate that we believe to be Star advantages as one of the better fundamentally sound companies in the dry bulk sector. We have restructured and improved both our commercial profile and our cost base. We have reinstated our dividend programme - the first shipping company to do so after having suspended it. We are very well positioned in this economic climate with a healthy cash balance of $59 million.

Our high contract coverage for 2009 and 2010 limit our exposure to the volatility we are seeing in the shipping markets. We don't have exposure to newbuildings; we have a healthy balance sheet and a low net debt to total asset ratio. We continue to have our self registration for up to $250 million in securities in place, although unused to present.

All of these factors translate to our Company being financially healthy and well positioned going forward.

I'll not take any more of your time; thank you and I will now pass the floor over to the operator. If you have any questions both myself and George will be happy to answer them.

Operator: We will 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. If you wish to cancel your request please press the # key. Your first question comes from George Pitwell from Stephens.

George Pitwell: Akis can you tell me exactly when you took the technical management in-house during the Quarter?

Akis Tsirigakis: We have actually begun the process some time ago back in May actually. The bulk of the ships came in, in the Third Quarter and we finished off with three ships in the actual Fourth Quarter and it was completed about close to a month ago. It was 11 ships in total that came in and out of those, seven came in the Third Quarter.

George Pitwell: So how should we think about your vessel operating expense line going forward? It seems like it should continue to go down from here from Q3 levels.

Akis Tsirigakis: I want to make a point on the operating expenses because we had received a number of questions in the past. We are one of the very few companies that expense their drydocking expenses for example. All other companies amortise their drydocking expenses over two and a half years depending on the Company, or three, between the drydocking periods. We expense it in the Quarter that it occurs. Therefore, we appear to have at times higher operating expenses, although that is because we account for it in that manner. However, the operating expenses going forward, I would say that we have achieved the bulk of the savings. I would imagine we have some room for optimisation going forward. I think this level of operating expenses should be pretty much what you should be taking into account going forward in your model.

George Pitwell: So you're selling the Alpha; you've got the Beta coming up; it is coming off of contract as early as March. Can you maybe talk about your plans for that vessel? Is it something where you would consider selling that, or put it into the COA with Vale?

George Syllantavos: We have various options to look into that as you well pointed out; the vessel has been freed up in about three months or so. Obviously we have available all our options and I guess we should make a decision by the end of the year. The options are either to charter it out to an operator, to some charterer, or appoint it to the Vale COA, or even to dispose of it if something makes sense. In reality the way that the fleet is positioned overall, we have flexibilities to do whatever and obviously we're looking at all kinds of alternatives right now for that vessel.

George Pitwell: You have all of the charts in there with global and Chinese demand spiking back up to pre-recession levels. It seems like based on your comments just in general it is stimulus driven. Can you maybe give your thoughts on what you think that looks like after the stimulus money runs up and maybe how that ties in with supply? Is there a situation where because demand is spiking due to stimulus funds, that we could have an overbuild situation on the supply side, and once that stimulus money runs up we're stuck with this excess capacity?

Akis Tsirigakis: I mentioned in my presentation and you probably read in the news that the Chinese Government has given a directive to their steel industry to source iron-ore elsewhere. They have done so in Venezuela, they just signed a big contract; Wisco is the third largest steel mill in China that did that. The Chinese have made some kind of an agreement – we don't have details – with Brazil and you've seen a lot of activity between Brazil and China and we expect that activity to increase. They have actually been trying to source iron-ore anywhere they can. Therefore, if we couple that with their own expectations and they seem to be really achieving their growth rate that they set out to do, I don't think it is a matter of the stimulus package running out and the whole thing running out of steam.

I think the growth rates that they have planned out – and they work in 5-year plans and longer – is going to be there and is going to be executed and that's why they need the iron-ore. Of course they don't just need the iron-ore; they need the coal as well. That is what they need as well very much because of energy consumption; so I'm very optimistic in demand, very optimistic in demand.

As I have been saying before, it is how much this will be coupled with the supply of ships, or how fast the supply catches up with that demand, if at all. It seems that now everybody had expected that deliveries in 2009, by the end of 2009, would have been a little bit softer and yet we see that the market is very strong because all the demand absorbed the existing supply.

Is it fair to say that you might even see more softening in 2010 or strengthening?   Anything is up in the works; I might say that the possibilities are more for a softening than for further strengthening, although the demand will increase and it has been surprising us year and again. It is very difficult for me to read the crystal ball except as I stated.

Operator: Our next question comes from Rob McKenzie from FBR Capital Markets; please go ahead.

Rob McKenzie: You mentioned the dividend, obviously the restatement of it in your prepared comments; what kind of situation would prompt you to consider raising the dividends?

Akis Tsirigakis: At these levels, I think the dividend is at close to 6%, if I would say; that's not a bad return. We have not seen the share price being affected very much by the dividend declaration. We have no plans right now to do anything further with the dividend; that's all I can say on that front.

Rob McKenzie: Your covenants go back to, or reset early next year; by all indications you guys should be well in compliance with those covenants. Once you pass that threshold, given your bullish view on the market, would it make sense to raise the dividend or do you look to use your cash more for acquisitions?

George Syllantavos: We cannot make a determination right now, Robert. I think it is very early to do that because we see some opportunities for acquisitions, therefore we have to weigh that at the juncture in a couple of months I guess; but at this time, there are no further plans like that. Of course as you said, we're going to be meeting most probably post end-year the original covenants of the loans. Therefore we are looking into requesting some relief on that end from banks, but I wouldn't like to pre-empt those discussions at this point. I would rather pick it up just after the end of the year.

Rob McKenzie: The former charters for the Epsilon and the Kappa re-chartered out to cargo; what date did those charters effectively get cancelled on? Should we expect any kind of bad debt expense or uncollectible debt in the Fourth Quarter?

George Syllantavos: I can provide you with dates in order to incorporate into your analysis, because there are different dates for both vessels just because the sequencing of the 15-day payment period was different for the two contracts; it was not [equiterminus] so I can give you that. Until the time we pulled the vessel, we expect those revenues to be receivable and to be part of our financials, but I can provide you with dates in an e-mail, so you know how to deal with it.

Rob McKenzie: Looking at the rest of your fleet, you do have some of the Supras still with charter parties at well above market, two with Korea Line, one with Norden, obviously the GMI one you negotiated an extension on. On the Korea Line ones and on the Norden one, how do you assess the risk of a similar occurrence happening on those three vessels?

Akis Tsirigakis: We don't think that we have an issue with those. I don't know what really to point out towards this question. I don't have an issue with Korea Line. Korea Line is a charterer with many other public companies. Norden; everything is performing just fine; and GMI, for them we have a higher rate vessel with them and a market rate vessel with them. I guess to them averaging out is some acceptable rate and they're a very strong group; we have no issues with them either, so we don't think there's an issue.

Rob McKenzie: In terms of filling the COA for Vale, if you decided to charter in a vessel for the year starting January through January ’11, where do you think you could charter in a Cape at today?

Akis Tsirigakis: It depends if you do it for a year and depends if it's 150,000 or 180,000, on the size of it. It could be anywhere from 30-33,000 for a year.

George Syllantavos: You could actually buy a vessel against that COA also, because that COA has equivalent TCE of above 30,000. It is like having a two-year time charter for 30,000 bucks or so. Therefore you could theoretically buy a vessel against that contract.

Operator: Your next question comes from Natasha Boyden from Cantor Fitzgerald; please go ahead.

Natasha Boyden: I think most of my questions have been answered, but I am wondering if you can just walk us through your depreciation; it came down a couple million Dollars in the Third Quarter. Was that due to the fact that you classified the Alpha as held-for-sale and that's why you took down the depreciation?

George Syllantavos: Yes; the Alpha in itself was contributing about $2.8 million per Quarter to the depreciation schedule. Therefore the portion for the time of the Quarter that is held-for-sale is its effect on that decreased depreciation number, so that was one other reason why it made sense to let her go, because obviously it was burdening the Quarter substantially over time. I can provide you, Natasha, with a new depreciation schedule, but overall without the Alpha on a whole Quarter’s time, the component is 2.8 million for the Alpha.

Natasha Boyden: Roughly depreciation should then be running at about $13 million.

George Syllantavos: That's right; I think the next Quarter’s will be around $13.15 million.

Operator: Your next question comes from Charles Rupinski from Maxim Group; please go ahead.

Charles Rupinski: Most of my questions have been answered. I just had a quick follow up on the Beta and I wanted to just ask if you've been talking to people potentially. I know you've got a lot of options here. On the sales option; how have you seen the S&P market just over the last month or so? Is this something that's heating up or do you think that prices are firming a bit and potentially could be something that would work in your favour? Also do you think that this is something that's sustainable? In other words would it make sense to sell now and then buy back later? I just wanted to get your views on that.

Akis Tsirigakis: I think you almost answered your own question in the fact that the market actually strengthened a little bit later in the Fourth Quarter. While we were seeing vessel prices softening, that slide has been reversed and indeed we have seen some firming up of prices, which actually brings to mind the fact that the Beta could fetch a better price possibly today than we were thinking a few months ago. Depending on whether this is a sustained or temporary spike in the chartering market, it is that reading that might dictate the move, let's say, of selling and buying at lower level; which is a principal scenario that we’re contemplating.

Operator: Once again if you wish to ask a question please press *1 on your telephone keypad. There are no further questions at this time.

Akis Tsirigakis: I have no further comments; I would just like to thank everyone for joining us today, and we look forward to speaking with you again when we discuss our Fourth Quarter 2009 financial results in about three months time. Thank you again and goodbye everyone.

Operator: That does conclude our conference for today. Thank you for participating; you may all disconnect.