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MEMBER
• HELMEPA •



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ΧΑΡΗΣ ΒΑΦΕΙΑΣ (VAFIAS GROUP)

Ο "μάγος" της ναυτιλίας

HARRY VAFIAS (VAFIAS GROUP)

The “wizard” of shipping

Interview: Stefanos Papandreou

Success is not just a matter of luck or some kind of magic formula, creative skill, careful research and appropriate strategy is needed.

We don't know of any other shipowner that has managed in the age of 28 to create a rapidly developing fleet exploiting the opportunities of the shipping markets.

This genius mind belongs to Mr Harry Vafias, founder, president and CEO of Stealth Maritime and StealthGas Inc., which is listed on the Nasdaq.

Harry Vafias career started in 1999 immediately after his studies in England. Taking advantage of a small equity injection of \$4m by his family he proceeded with the foundation of Stealth Maritime leading successfully the Vafias Group for the first time in the field of crude oil tankers. Following the booming tanker freight market Stealth maritime turned this small amount into huge profits in the range of \$400m, by trading in and out of tankers, that means a return of 1000%! compared to the originally invested fund.

He then created StealthGas Inc. which made him the largest shipowner of LPGs (handysize vessels) in the world.

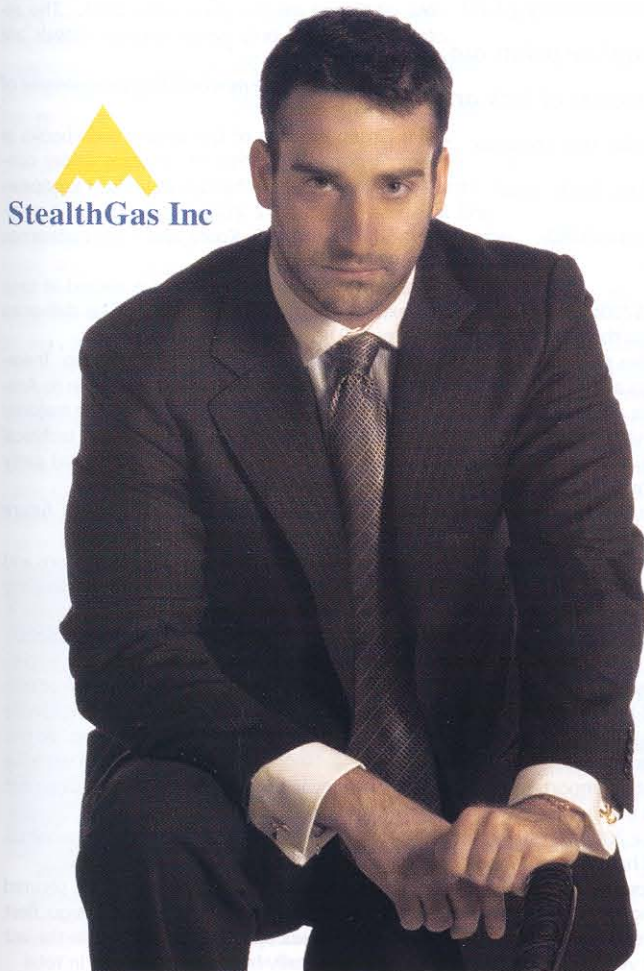
In the interview that follows we explain how the 28 year old today, Greek “Harry Potter” of gas, Harry Vafias expanded the 15 bulkers of the family business in 1999, to a fleet of 70 vessels (including n/b's) of various types bulkers, tankers and LPGs today making the VAFIAS GROUP one of the 5 largest companies in Greece.

For those that happen to know Harry Vafias have understood that he is a charismatic and restless personality that despite his tough schedule you can see him around his office in Kifissia or at his business appointments in Akti Miaouli, Piraeus.

Someone could bet that in Harry Vafias veins runs only sea water because of his so far successful career in shipping, but that is not 100% true.

Because of the influence of his mother that maintains the well known gallery “Selini”, Harry Vafias is a collector of modern and classic works of art while at the same time he has created one of the most expensive collections of cars previously owned by famous people, despite the fact that he is driving a BMW which is 15 years old!!!

In his collection belong one of the most luxurious cars of Prince Albert of Monaco, the famous actor Sylvester Stallone and the of Russian tycoon Lebedev partner of Khordovoski of Yukos. We have also learnt that Harry Vafias is a great supporter of healthy way of living as he does not smoke, does not drink alcohol and coffee and he is exercising almost every day. In addition to these, he is an excellent collector of vintage wine throughout the world.



Harry, how would you describe your business values?

Referring to my advantages I would say that speed, proper study and persistence in my goals are most of them. My disadvantages are my ego, and hastiness, but always I have learnt to support what is fair and legal and who ever supports us as family we will support him multiple times.

Vafias Group operates a diversified fleet of crude oil carriers, bulk carriers and LPG carriers operator and what are the advantages of this policy?

I believe that a Maritime Group has to be flexible and not to have “all the eggs in one basket”. Since we hail from the island of Chios in our mind and blood we believe that to get in and get out in the right time from any single market is part of the game.

As it is well known the Vafias Group was founded in 1972 from my father Nikolaos and until 1999 was focused exclusively on dry cargo.

When in 1999 I entered in the workforce of the Group after my studies (bachelors and masters) I saw that the prices of crude oil tankers were extremely low and then I decided with a small capital of \$4m to establish Stealth Maritime.

In just 5 years from 1999 to 2004, Stealth Maritime, the tanker arm of Vafias Group, had developed into one of the most prominent tanker companies with a fleet of 6 VLCCs, 2 panamax and 7 aframax tankers. In 2004 close to the peak of the freight markets we decided to sell 11 tankers realizing a profit of about \$400m from the sale and the trading of these vessels.

Today Stealth Maritime's fleet includes exclusively double hull crude oil tankers, 1 VLCC and 4 aframax. The family appreciating what I had achieved decided to let me reinvest 1/4 of these profits. I spent my summer of 2004 studying various markets of shipping, tankers, bulk carriers, containers, chemicals and LPGs and I decided that in the long term the most promising sector was that of the gas carriers so I invested the money in this field.

In December 2004 I established StealthGas Inc. which after eleven months was listed on the Nasdaq.

Which factors and conditions guided you to create an LPG company and to move to the listing of StealthGas in the Nasdaq?

The factors that guided me to invest in liquefied petroleum gas carriers were the following:

- Small orderbook for newbuildings compared to the other markets
- Handysize LPG carriers is a niche and fragmented market where there are small players and no real consolidator.
- I would not face competition from my compatriot shipowners.
- Finally, I believe liquefied petroleum gas and natural gas, are the energies

of the future. It is worth mentioning that the LPG is a sub product of natural gas. In every tonne of natural gas 10% is LPG. StealthGas was listed in Nasdaq in October '05 gathering \$116m and breaking three world records.

- a) The founder of the company is the youngest worldwide CEO among listed companies.
- b) StealthGas is the first pureplay gas carrier company that is listed in any stock market.
- c) Finally, it is the only listed company that tripled its fleet in 9 months from 9 to 28 vessels. Now it has 34 vessels and is the No1 handysize LPG company worldwide in the 3-8.000 cbm category.

Can you refer to the key-people that decisively supported you to achieve the listing of your company?

The persons that supported me where my father, my two main banks DNB and Fortis, the underwriter Cantor Fitzgerald and especially Mr. Ant. Argyropoulos, the personnel of the Group from the CFO Mr. Simmons down to the last accountant who all believed in this dream.

Do you feel justified from the response of the investors?

I feel totally justified. Let's not forget that in the U.S. there are many funds with high liquidity. The investors are open to big projects and have perfect knowledge of the markets. However I wanted to express one complaint. Despite the fulfillment of all our promises the share price is trading at a \$3 discount to our net asset value.

Market experts say that it is not easy to calculate the NAV's (Net Asset Value) of listed shipping companies. Do you believe that this fact is an important obstacle in the listing of the shipping companies?

It is true that shipping companies are smaller business entities compared to biotech and telecommunication companies therefore, the investors do not spend much time to study and understand the real advantages of the shipping market. Nevertheless NAV is not difficult to be calculated, basically you take the vessels values, you deduct the loans/debts and you add the free cash.

Can you give us your company's financial results?

StealthGas stock market capitalization is about \$200m while the fleet's value is about \$470m. The loans come up to \$170m while the revenue was \$74m (for '06). The net profit was \$19m (for '06) and \$11m will be distributed as dividends this year, therefore our shareholders make a 6% annually return on their money. I expect that from 2009 when most worldwide projects of natural gas will be completed our share price will increase dramatically as well as the freight rates of LPG vessels.

What are your estimations regarding freight markets for tankers and LPG vessels? What is your policy?

First I would like to say that the market for handysize LPGs does not have



Vafias Group - Maritime activities commenced 1972
 Ranked by number of vessels owned among the top 5 largest shipping groups in Greece
 The Group controls 65 vessels operating in dry, oil and LPG transportation sectors



Brave Maritime Corp. Inc.
 Established in 1987
 Specializing in Dry Bulk Transportation
 Current fleet: 3 vessels, 2 Bulker New Buildings ordered for delivery 2009
 10 New Building Gas vessels ordered for delivery between 2008 and 2010



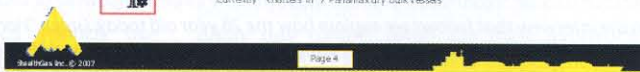
StealthGas Inc. (Ticker Symbol "GASS")
 Established in 2004
 Successfully listed on Nasdaq October 2005
 Current fleet: 29 vessels, 1 New Building or delivery Q4 07
 2 second hand vessels for delivery in Q3 2007
 Largest single owner of Handysize LPG vessels in the world with 12% market share



Stealth Maritime Corp. S.A
 Established 1999
 Currently operates 5 VLCC and Aframax Crude Oil Tankers all on long term charters
 2 New Building Product Tankers ordered for delivery early 2008



Brave Bulk Transport LTD
 Established in 2003 located in Australia
 Largest worldwide shipper by volume of grain to the Middle East
 Currently "chartered" w/ 7 Panamax dry bulk vessels



great fluctuations. These "turbulences" concern bigger categories of gas vessels. The ships that we manage in the weak market make at least \$6-7.000 per day while in the strong market \$12-13.000 per day.

Therefore, it can not be compared to the variations of crude oil tankers since for example a VLCC in the weak market can have an income of \$7.000 daily while in the good market can exceed \$100.000 per day!

How the 28 year old, Greek "Harry Potter" of LPG sector Harry Vafias transformed the family group of 15 bulkers in 1999 to powerhouse of 70 vessels of various types today? He points out that success is not just a matter of luck or some kind of magic formula, but creative skills, wide range studies, luck and careful strategy are needed

I believe that the LPG market will remain stable until 2009 and afterwards the market will improve. In the tanker sector because of the extensive orderbook the market will be relative similar to today until 2009 and maybe lower until 2011. The recovery will begin only when enough vessels are scrapped.

Can you describe the newbuilding programme of Vafias Group?

Vafias Group has one of the largest orderbooks in Greece, it numbers a total of 18 ships under construction of which 10 are handysize LPGs in European and Japanese shipyards, 2 VLGC's in S. Korea, 2 product tankers 50.000 dwt in S. Korea and 4 post panamax bulk carriers of 93.000 dwt in china.

The newbuilding program of the Vafias Group is valued at circa \$700m and its controlled exclusively by Brave Maritime. The deliveries begin this year and will end in mid 2010.

At this point it is worth mentioning some general facts of the Group. It employs about 100 people in its Kifissia offices, more than 20 people in its Australia and China branches and also employs about 1000 seamen the majority of which are specialized in gas. 1/3 of the LPG fleet is under the technical management of Stealth Maritime while 2/3 of the fleet is under 3rd party technical management for benchmarking reasons.

Can the Greek Stock Exchange cover some of your company's future investments?

It is a very good idea that can be materialized under the right conditions and fair terms. I simply do not know if there is enough liquidity for a company like StealthGas to be listed on Athens Stock Exchange, time will tell...

Can you tell us about Vafias Group activities in the dry cargo vessels field?

It is well known that in 2003 we founded Brave Bulk Transport (BBT), a company that started with a capital of just \$500.000. BBT is based in Australia and in one year period it developed into one of the greatest worldwide suppliers of grain and other raw materials to the Middle East region. At this moment BBT is controlled by a well known family from India and we have kept an important stake in the company in order to keep the management and the European representation.

Since 2003 BBT has chartered more than 110 bulk carriers, mainly panamax and handymax owned by Greek and foreign shipping groups. Following the freight rates boom and the end of the Iraqi war BBT secured rising profits and has expanded further. The Vafias Group dry cargo fleet currently includes 4 bulk carriers, 3 panamax and 1 capesize while in the last few years taking advantage of the historically high prices we sold in total

14 bulk carriers. The dry cargo arms of the Vafias Group (brave maritime and BBT) are run by my father Nikolaos, while the tanker and gas arms are run by me.

Do you agree that the next hot source of finance is the private equity which today stands for only \$40b compared to \$500b of total shipping finance?

Private equity is a clever way of raising funds provided that there is a very good story to present to the investors. If you control a successful shipping company which you want to develop, if you want to avoid getting listed or acquiring lots of debt (ie bond issue), private placement might be the ideal solution. At this point I must congratulate Mr. Vodourogrou for the successful private placement that he recently conducted in New York.

Has your life been changed as president and CEO of a listed shipping company?
In my professional life many things have changed. It is a matter of fact that I have to justify my decisions not only to my family, but to give full report to the board of directors which includes: Micheal Jolliffe (chairman), Thanassis Martinos and Markos Drakos (chairman of the audit committee). It is also essential that management has to travel at least two times a year to the US to inform shareholders of the latest developments. As far as my personal life is concerned not many things have changed, but it is a fact that I have less free time for my close friends.

Stealth-Gas is the only listed company that tripled its fleet in 9 months from 9 to 28 vessels. Now it owns 34 vessels and it is the largest handysize LPG owner in the 3-8.000 cbm segment

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Do you believe that China will develop in a great shipping strength in the near future?

A few years ago the Chinese had a small fleet of tankers, bulkers and containers, but lately they have invested heavily on newbuildings of all types, and on developing new shipyards and terminals. It is obvious that in the next 15 years Chinese shipping companies will dominate the market and India will follow with a significant time lag though.

If you had to select between a high risk and a low return investment what would you have chosen?

As I am conservative by nature and having adopted this behavior from my family I would certainly go for safer investments with lower returns. That is why more than 80% of the Vafias Group fleet is employed under time charters and the Group has decided to keep its bank debts to the minimum.

Do you have non shipping projects?

I always look for new investments. Since 2002 I founded the company "Estates Corporation inc" which is involved in real estate projects focusing in Athens, the Greek islands and European capitals. We think that real estate is a safe investment with potentially very good returns if your timing is correct.

Will the climate changes affect shipping?

We are also engaged in managing buildings and car garages. At the same time we control one of the most prominent travel agencies in joint venture with mr Nikos Vernicos.

For how many years do you think that oil will be the main source of energy?

With no doubt Oil is here to stay, I believe that it will remain in great demand and use for years to come. However, 20 or 30 years down the line natural gas, will take over and alternative energies like solar and wind power will also be greatly developed.

Shipping is a vital link of the world economy. What kind of initiatives can be taken to promote its image to the general public?

Unfortunately a simple person sees all shipping segments as the root of all evil, however it is not fair to burden the mercantile Marine sector with

excessive rules because ships provide the safest and cost efficient way of transporting goods.

The Greek state and other shipping nations such as Norway, Japan should invest on making the image of shipping better towards the general public. The EU has criminalized shipping accidents and that will pose a great threat to shipowners, managers and crew for the years to come....

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Vafias group fleet (excludes chartered in ships)

Vessel Name	Year Built
BRAVE SV	1999
BRAVE IMPERIALE	1999
CAPE BRAZIL	1981
LANCELOT	1982
BRAVE NV	1997
NORD STEALTH	2001
VL MALIBU	1989
PRIMOSTEALTH	2005
CV STEALTH	2005
CS STEALTH	2006
LPG 7,000 cbm NB 1	2007
LPG 5,000 cbm NB 1	2008
LPG 5,000 cbm NB 2	2008
LPG 5,000 cbm NB 3	2007
LPG 3,500 cbm NB 1	2009
LPG 3,500 cbm NB 2	2009
LPG 3,300 CBM SEMI REF NB 1	2008
LPG 3,300 CBM SEMI REF NB 2	2008
LPG 3,300 SEMI REF NB 3	2009
LPG 3,300 SEMI REF NB 4	2009
VLGC NB 1	2009
VLGC NB 2	2010
93,500 DWT BULK NB 1	2010
93,500 DWT BULK NB 2	2010
93,500 DWT BULK NB 3	2010
93,500 DWT BULK NB 4	2011
50,000 DWT MR NB 1	2008
50,000 DWT MR NB 2	2008
GAS COURCHEVEL	1991
GAS PRODIGY	1995
GAS PROPHET	1996
GAS SHANGHAI	1999
GAS TINY	1991
GAS ARCTIC	1993
GAS ICE	1992
GAS EMPEROR	1995
BIRGIT KOSAN	1995
GAS AMAZON	1992
GAS ORACLE	1990
GAS MONARCH	1997
GAS CRYSTAL	1990
GAS CHIOS	1991
GAS ETERNITY	1998
GAS LEGACY	1998
GAS CATHAR	2001
GAS MARATHON	1995
GAS SINCERITY	2001
CATTERICK	1995
GAS ZAEL	2001
GAS SPIRIT	2001
GAS CZAR	1995
GAS FORTUNE	1995
SIR IVOR	2003
LYNE	1995
GAS NEMESIS	1995
BATANGAS	1995
GAS FLAWLESS	2007
GAS HARALAMBOS	2007
GAS ICON	1995
GAS SOPHIE	1994
GAS EVOLUZIONE	1995



On 8th March 2006, President, CEO and Founder of StealthGas Inc., Mr. Harry Vafias was awarded a commemorative plaque as the youngest businessman that listed his company in Nasdaq