

**THIRD SNAME INTERNATIONAL SYMPOSIUM ON “SHIP OPERATIONS,
MANAGEMENT & ECONOMICS “ IN ATHENS, OCTOBER 7 & 8, 2010**

Keynote speech by Harry Vafias, CEO Stealth Gas, Inc, Athens

Thank you for the brief introduction, number one. Number two, I am very honored to give you the keynote speech.

I did not know a lot about SNAME but I got impressed from what I read and heard from some of my colleagues, so congratulations! I think you have done a very good job and keep it up.

I was invited to speak about Shipping; Freight, Capital Markets and the Future Prospects. I think it is a very interesting period of time for 2 reasons; not only because the shipping markets are in general in turmoil, but also because the current state of Greece is, as you know well, in turmoil, as well.

So, before starting with a small analysis of the shipping markets and the capital markets, I would just tell you my feeling about the Greek economy and the current state of it. Number one, I think that the current government has done a very good job, anyway until now. They have taken some very, very drastic measures which have started to bear fruit. Some of them needed very strong implementation and I am happy that the Prime Minister and the ministers had the courage to do it.

Unfortunately, the two main problems have not been tackled sufficiently and, at least for me, the two main problems are: number one, the huge amount of civil servants and number two, the lack of income from taxes which, of course, the government has taken the measures to increase it, but we have not yet seen a huge differentiation happening. I believe that if the government tackles those two main issues successfully, we will be able to improve significantly the current state of the Greek economy and proceed in the future in a much better state.

Of course, this situation affects the psychology of the shipowners who are based in Greece and their Headquarters are in Greece and their employees, the majority of them, are Greek. So, even if the shipping markets are doing well, which at the moment they are not, we get affected by this current situation and it creates a feeling of pessimism which is not good for the business spirit.

Now, let's move to the main topic of the speech which is first of all, the shipping and freight markets. Let's begin from the dry side which, as you might have seen, has been the star performer of the last 4-5 years. Everybody and all the analysts, if you read their reports in the last 2-3 years, were all pessimistic because of the huge orderbook

They were saying it is not possible for the dry market to remain that strong with so many ships being built and being delivered so fast from all the major shipyards in the world and mainly in China and Korea. We felt the same and, therefore, we sold nearly

our whole dry bulk fleet. And until now, anyway, it seems that everybody was wrong. The dry market at the moment is performing much better than the tanker or container market.

Despite the huge of order book, you see panamaxs making about 25.000 dollars a day and capes making about 35.000 dollars a day. And, if you compare that to tankers, the results are far, far better, just to compare an aframax today makes 6.000 dollars and a VLCC, which is the largest type of crude tanker, makes today 8.000 dollars. 8.000 dollars with a breakeven, all inclusive breakeven, all about 50.000. So, if you have a VLCC today and is not on a period charter, you basically lose 42.000 dollars per day, per vessel!

The worrying thing on the dry side is that not only the order book is huge, but people continue to order ships; they are unstoppable. You see Greeks ordering ships, you see other Europeans ordering ships, you see the Chinese to continue ordering ships, which for me is unbelievable. I mean, if somebody wanted to invest in dry, they should either buy a modern second-hand ship or an existing ship on order in order not to overburden the order book. At the moment, the order book is region 65 per cent of the current fleet which for everyone's standards is very big. So, again my opinion is that the market will fall, but, as I said, everybody was wrong in the timing of this weakening. I think we are going to see it happen in 2011 for the dry side.

On the tanker side the order book is smaller, it is not very small. It is region 25-30 per cent of the existing fleet. It is much smaller than the dry side, but in realistic terms, it is not small. We are experiencing the weakness as we speak. All the tanker sizes are at the moment loss making, unless, of course, you have a ship for a very long time and the debt is already repaid or you have secured a decent time charter.

Some ship owners were optimistic that in the fourth quarter the rates will go up because always there is a seasonal strengthening. Anyway, until now we have not seen that. So, many people that have paid expensively for ships recently are a bit desperate and they are looking to try and find period of employment, even if that period of employment is not really profitable.

Again, we think that in order for the balance to come, we need to see more of the older vessels scrapped and there are a few single hulled tankers out there and we also think that owners should not order more ships and if someone has the money and the appetite to invest, they should go for second hand ships or re-sales that some other people have ordered in various yards.

The last segment, the last major segment, is container ships which have been a nice surprise because two years ago they had also a very, very big orderbook and the prospects were very bleak. Last year there were hundreds of them laid up. Many big liner companies had problems and either they were saved by their shareholders and lending banks or they had to renegotiate the charter rates and create a problem to the owners who had pre-agreed the charter for 5 or 10 years. From the beginning of 2010 we have seen gradual strengthening of the freight rates for containers and we have seen an unbelievable strengthening in vessel values to the tune of region 20-40 per cent which again is a very big jump in just nine months. Again, the order book is big but because it is a growing business, if the owners are sensible and do not order more

ships, then, maybe, this segment will exit the crisis period much faster. Unfortunately, we are reading again of new orders for container ships so, I do not know, if that would happen sooner rather than later.

Moving on to the capital prospects and the stock markets, as you know, especially the Greeks have been the pioneers of raising money in foreign stock markets. Unfortunately, the Greek stock market in its current state cannot support the Greek shipping companies because there is a big need for equity and these numbers, I do not think exist in Greece.

So, for companies and entrepreneurs that want to raise money quickly, I think that the US is the only option. At the moment, there are approximately 23 or 24 Greek shipping companies listed abroad. Out of the 23, 20 are in the US and 3 are in London. London is not such a liquid market and the investors there do not know shipping as well as the Americans. So, some of these London-listed companies want to move across and list in the US. At the moment the stock markets are virtually closed. I don't think you can raise money from an IPO in the US, if you are a shipping company, unless you have to offer a very good, different story from the rest or you are going to sell your company at a very big discount which why would anybody do it, unless, of course, he has financial problems. So, at the moment I think that the stock markets are closed but, of course, that is a situation that changes very quickly and the Greeks are always prepared and ready, and so, when the window is open again, you will see, I think, more IPOs and secondary offerings happening in the US from Greek owners.

What are the future prospects? I think that for the people that have not overinvested during the good years of 2004-2007, the future is quite bright. The people that have kept liquidity, the people that have fixed their ships on period, the people that have sold ships at the peak of the market and have not reinvested all their money, these people are the ones that are going to take advantage of the current bad times and that applies to all the segments, dry, wet and containers, and if you combine that with the hopefully opening of the capital markets some time in 2011 or 2012, you will see new companies growing, either slower, if they are private companies or much faster, if they are listed and they use their own combined with their shareholders' money.

The point is that the Greek ship owners are very flexible and that's why even today, in the heart of the crisis, we see them in the majority of the cases doing very well and in some cases expanding, despite the fact of the Greek economy and despite the fact that the banks are in general far more difficult in lending money and especially, the Greek banks who have been hit very hard by the crisis and at the moment are virtually closed and even if you ask them for a very small amount of money, I don't think that they will be able to accommodate you, except if they charge you approximately two times what a foreign bank would charge you.

This is it very briefly. One more point: Since there is a gathering of technical people here, we are looking for experienced technical people that want to get involved in the shipping side. There is always room for good people

So, if anyone has an interest, you know, he should contact me. Thank you very much.