Consultants to:

Report on the
Greek Coastal Ferry Market Status in 2006

"Time for clear cut measures"

May 2006

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A. Introduction

This report, in line with XRTC's publication of annual ferry reports, draws conclusions for a vital sector of the country's transportation industry.

Looking back at the reports of the past four years, we can establish the sector's main development stages in an effort to clearly comprehend its current status and express rational recommendations for its future.

In the 2002 XRTC report reference was made to the sector's "restructured course" along with the uncertainty for its future due to its "fragile nature" as perceived from the financiers at the time based on the notable investment made from the companies in newbildings from 1997 to 2001. The report implied that financings concluded at that time should have been perceived as project financings instead of "vanilla" type mortgage finance which did not cover for the sector's needs.

Having completed a series of loan re-structurings from across the board in 2003, we witnessed the listed companies' financial status improving and moving away from the "fragile nature" they found themselves into the year before. It was at that time that the law 2932/01 was initially analyzed especially in reference to the maximum age limit allowed for ferries operating in the Greek market and the imminent "danger" of limiting tonnage offered was published for the first time.
Ferry companies had - at the time – started to report positive net results while market demand was developing bringing the sector in an upgrading orbit. 2003 XRTC report concluded with the great need for the State to accelerate the market de-regulation process.

In the 2004 XRTC report the message published was "Continuous development at a slow pace" presenting the macro-economic pressures encountered by the sector (e.g. increased bunker prices) while anxiously pushing for a full market liberalization. The Union of Greek Ferry Operators calls for the state – through the Ministry of Merchant Marine – to harmonize the Greek legislative framework (Greek law 2932/01) with the European one (European Law 3577/92).

2005 XRTC ferry report stressed the "Need for new investment". Both sides – the state and the ferry companies – negotiate for the finalization of the market's liberalization which has proven to be the sole solution for the sector's reform and wellbeing. The lack of tonnage due to the max age limit through the relevant Greek law was - and still is - directly leading into new investment.

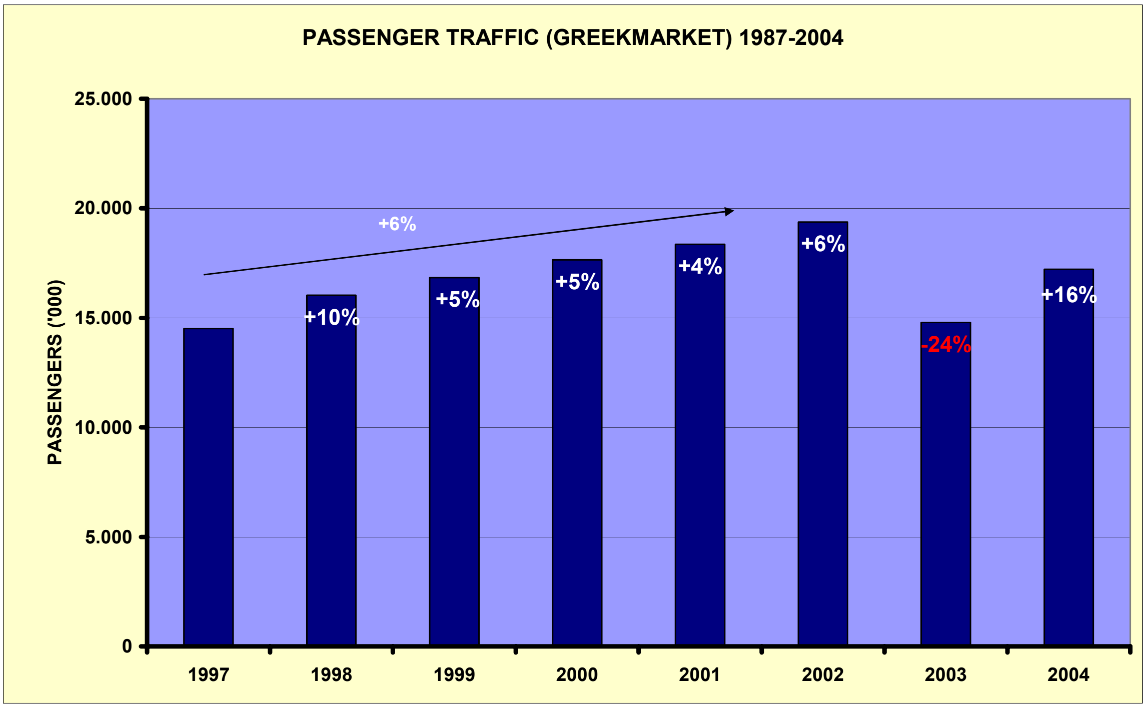
During the past days, the conclusion a common decision from the Minister of Merchant Marine and the Minister of Aegean was published relating to the liberalization of the ferry fares from six major Greek ports (including Piraeus) to 27 destinations in total. A move which clearly shows the state's effort to fully harmonise the Greek ferry legislative framework to the European one but we have yet to see relevant full and complete harmonization which now seems to be the only way for the state to reform the sector.

In this report the development during the past year is carefully examined and presented in both the operational and financial level for both the market as a whole as well as each and every company individually.
The conclusions drawn from this report are carefully "distilled" based on the data published from the companies themselves, the data obtained from the Greek Statistical Bureau and XRTC ferry database.

B. Traffic results

Total Greek market traffic

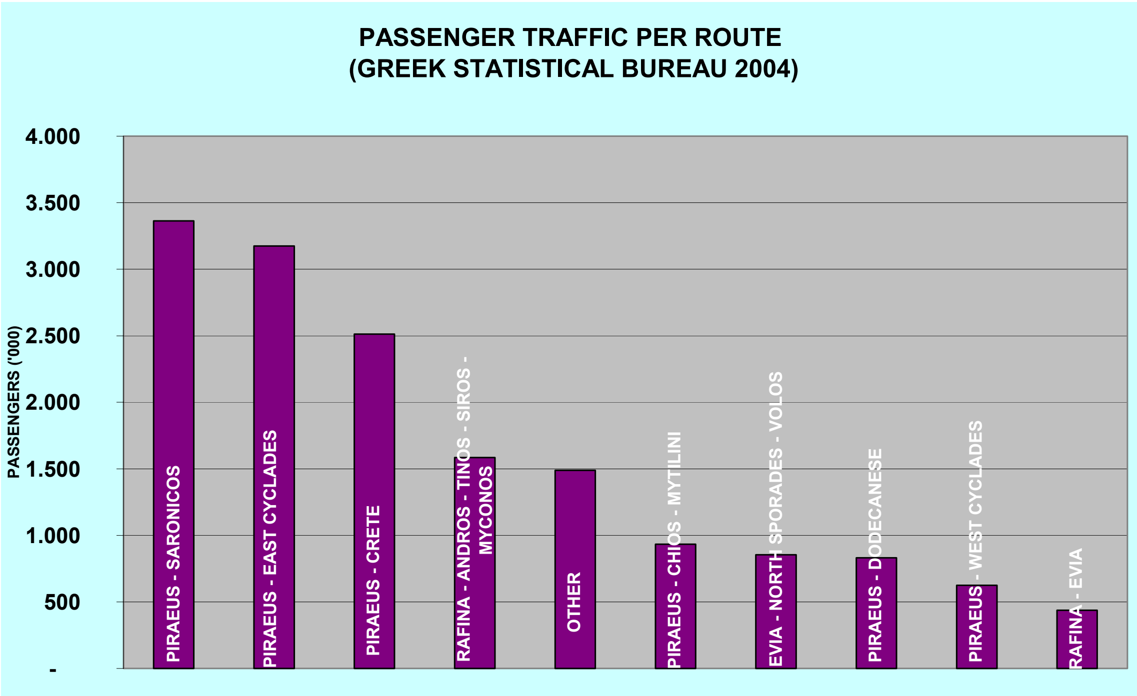
Analyzing the traffic statistical data published by the Greek Statistical Bureau, we note that total size of the Greek ferry market in 2004 (includes all traffic transported by Greek ferry companies excluding the ones operating in short – i.e. less than 5 miles – straights) totaled to 17 million passengers.
Vessels active in the Greek domestic market in 2004 also transported 500,000 trucks and 2 million cars.
Passenger traffic since 1997 has been increasing on an annual basis, with an average increase trend of 6% upto 2002.
In 2003 a decrease of -24% in passenger traffic was recorded, partially "corrected" in 2004 with an increase of +16% mainly attributed to the Athens Olympic Games.
We note that the Greek Statistical Bureau changed its reporting method during the 2004 traffic results publication making comparison with the previous years' results an impossible task (complete change of routes altogether in 2004 as compared to the previous years).
Despite the fact that 2005 traffic results have yet to be published from the Bureau, we can project a potential reduction from their 2005 levels since the majority of this traffic consists of the one transported from the five listed companies (ANEK, NEL, BLUE STAR, MINOAN LINES) and Hellenic Seaways. Thus, and based on the fact that the traffic of these five companies in 2005 declined by -5% a fair projection implies that entire traffic in the local market has also declined in 2005.



Source: XRTC.

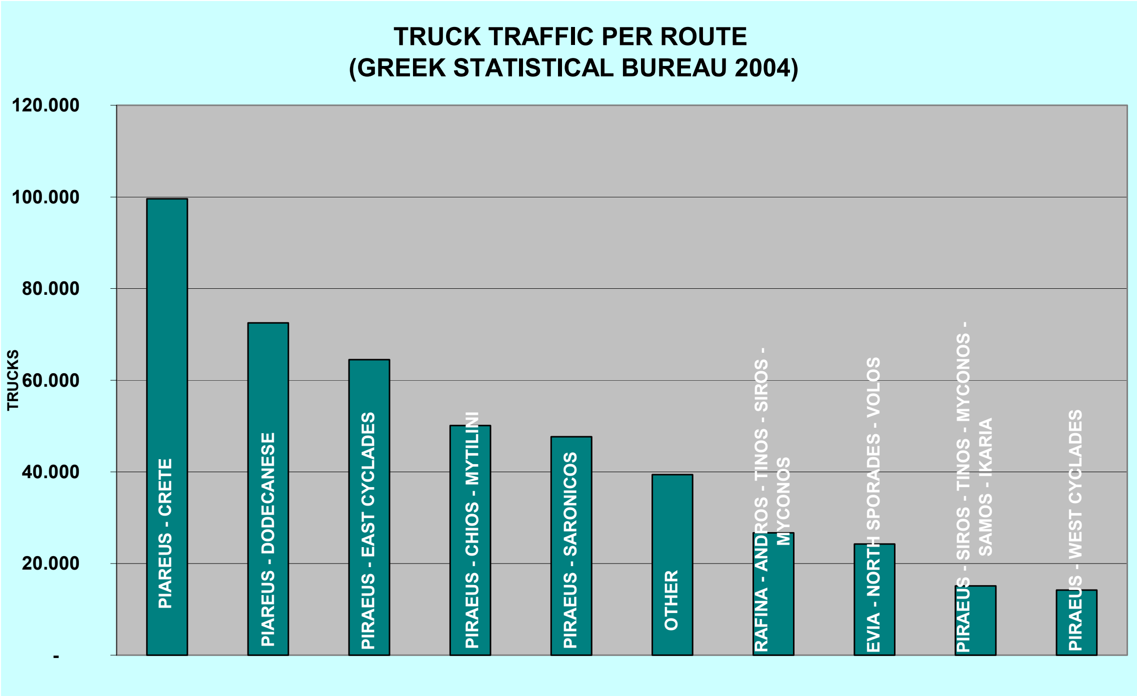
As per the further analysis of the same data, the ten largest Greek routes in terms of passenger traffic are ranked as follows:

- The Saronic routes with 3,4 million passengers,
- The East Cyclades complex of islands with 3,2 million passengers which includes the route starting from Piraeus to the islands of Siros, Tinos, Myconos, Paros, Naxos. We note that Rafina port is also the origin of another route to the islands of Andros, Tinos, Siros, Myconos with a total traffic of 1,6 million passengers. Thus, the sum of the two routes (i.e. from Piraeus and Rafina) does indeed rank as first in terms of total traffic however as there are different ports of origin we also categorize the two routes as being different,
- Third route in terms of traffic is the one of Crete with total of 2,5 million passengers:



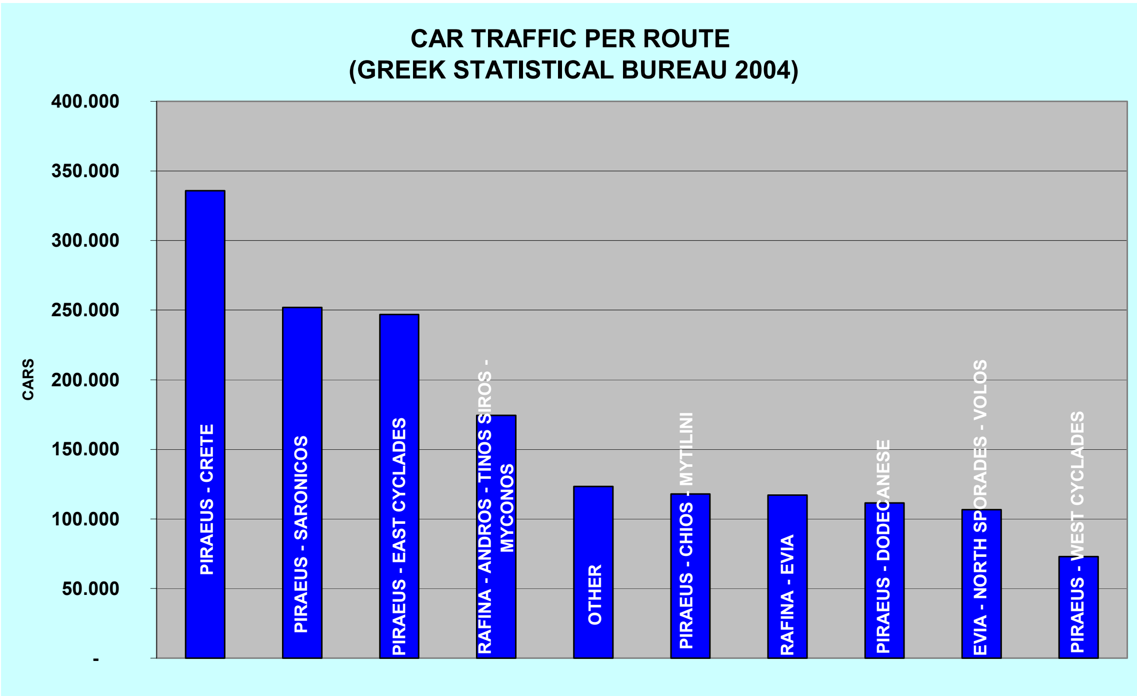
Source: XRTC

In terms of truck traffic the Crete route has the largest volume with 100,000 trucks followed by the Dodecanese line with 72,000 trucks. Third ranks the East Cyclades islands complex with 65,000 and last is the Chios, Mytilini route with 50,000 trucks:



Source: XRTC

In terms of car traffic the Crete line ranks first with 335,000 cars, while the Saronic routes come second with 251,000 and the East Cyclades complex of islands rank third with 247,000:



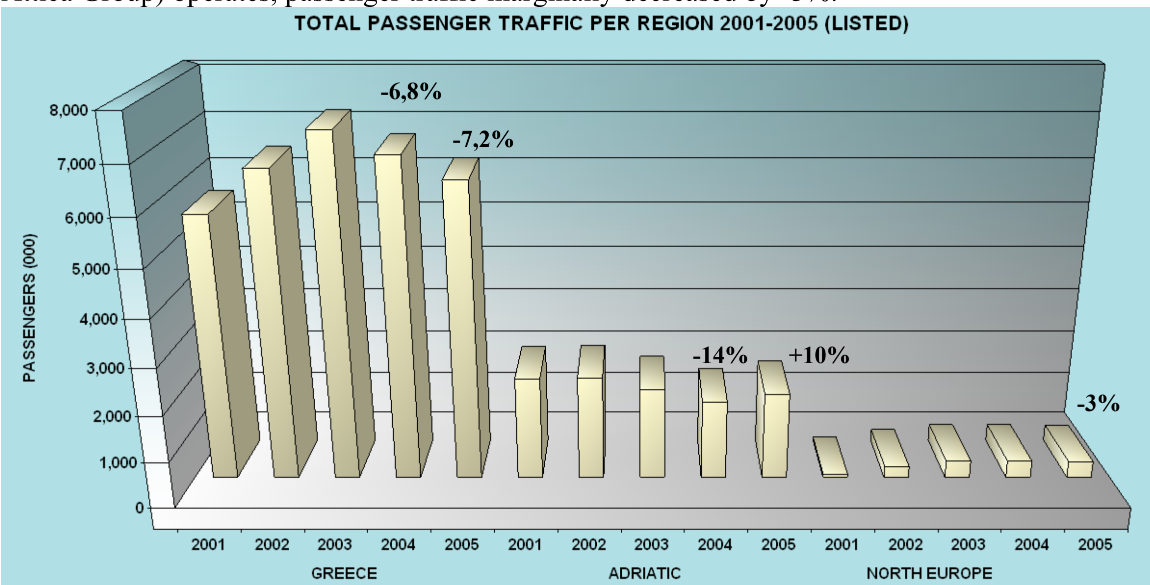
Source: XRTC

Listed companies traffic – Market analysis

The reduction in the total passenger traffic transported from all five listed Greek ferry companies continued in 2005 (as was the case in 2004) mainly attributed to the fleet reduction due to either the sale of modern or withdrawal of older vessels.

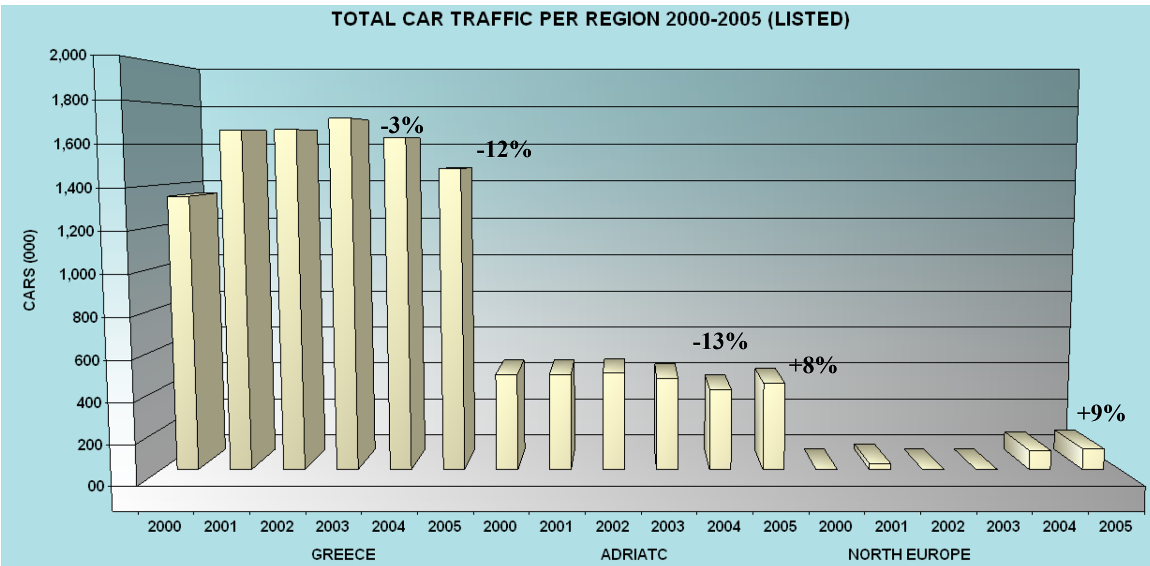
On the other side the Adriatic traffic increased by +10% mainly due to the Balkan political stabilization as well as the enhancement of the Greek commercial and tourist traffic.

In the North European markets (North Sea and the Baltic) where only Superfast (the subsidiary of Attica Group) operates, passenger traffic marginally decreased by -3%:



Source: XRTC

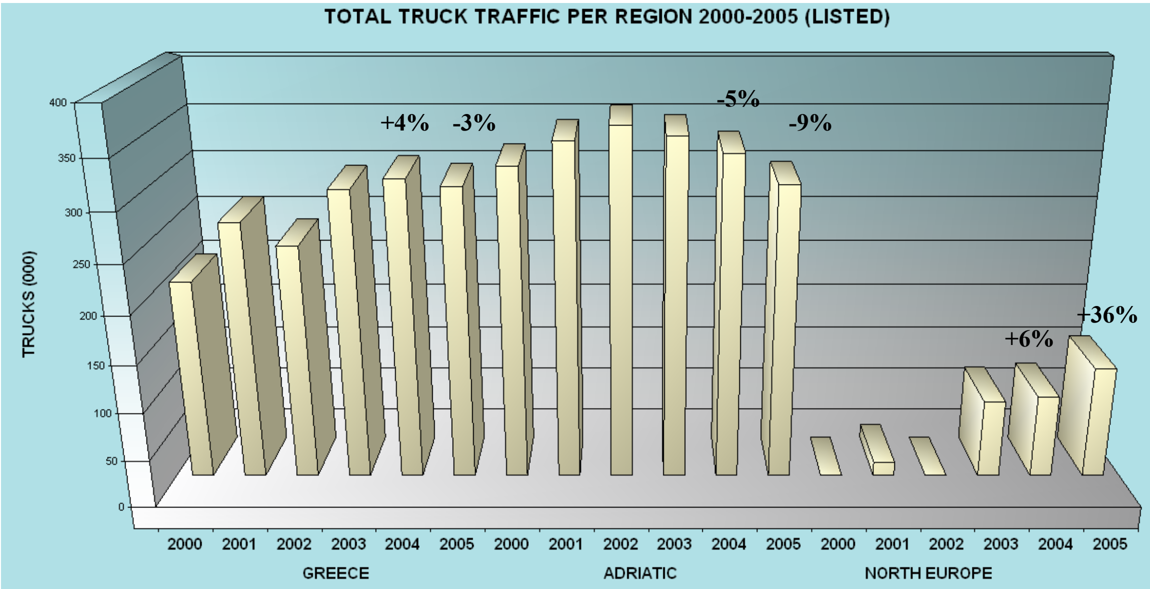
Car traffic trends in 2005 were also in line with the passenger traffic ones:



Source: XRTC

-12% in car traffic in the Greek market, while in the Adriatic we note an increase of +8% as compared to the 2004 traffic levels.
In the North European market, Attica increased the total number of cars transported in 2005 by +9%.

Looking at the truck traffic we note a different trend pattern in 2005 than the one compared with the passenger and car traffic.
Both the Greek as well as the Adriatic traffic were reduced in 2005 by -3% and -9% correspondingly, while the North European market truck traffic increased by a surprising +36%.
It is worth noting that both the Scotland to Belgium route as well as the Germany – Finland one relate to mainly commercial traffic (and not as much as tourist).



Source: XRTC

Listed companies traffic – Per company analysis

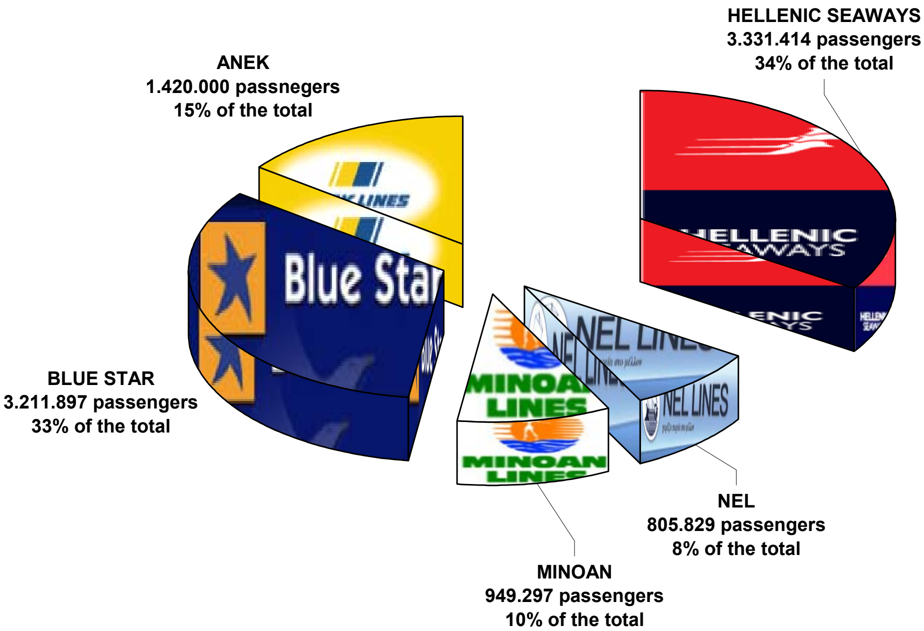
The Greek market (Listed companies and Hellenic Seaways)

When examining traffic development per company, it is worth noting Hellenic Seaways' domestic passenger traffic as compared to the total of the five listed ferry companies.

In more detail, Hellenic Seaways transported 3,3 million passengers or 34% of the total passenger traffic transported by: itself, ANEK, MINOAN, NEL, BLUE STAR. The last four transported in total 6,3 million passengers or 66% of the total traffic.

Hellenic Seaways passenger traffic presented does NOT include the Saronic Bay passenger traffic.

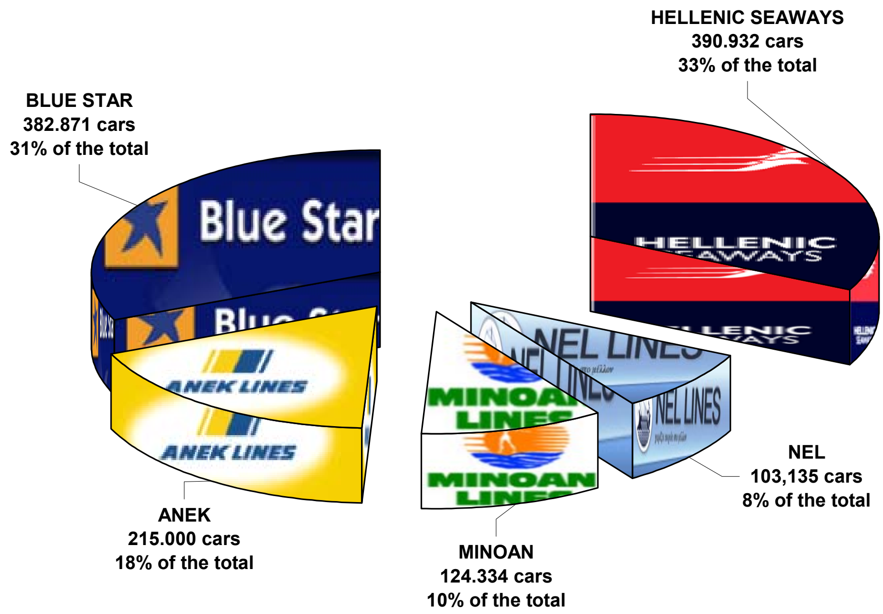
Blue Star's passenger market share is the largest amongst the listed companies – as presented in the following graph – with a total of 3,3 million passengers or 33% of the total traffic in 2005, and ANEK follows with a total of 1,4 million passengers or 15% of the total traffic:



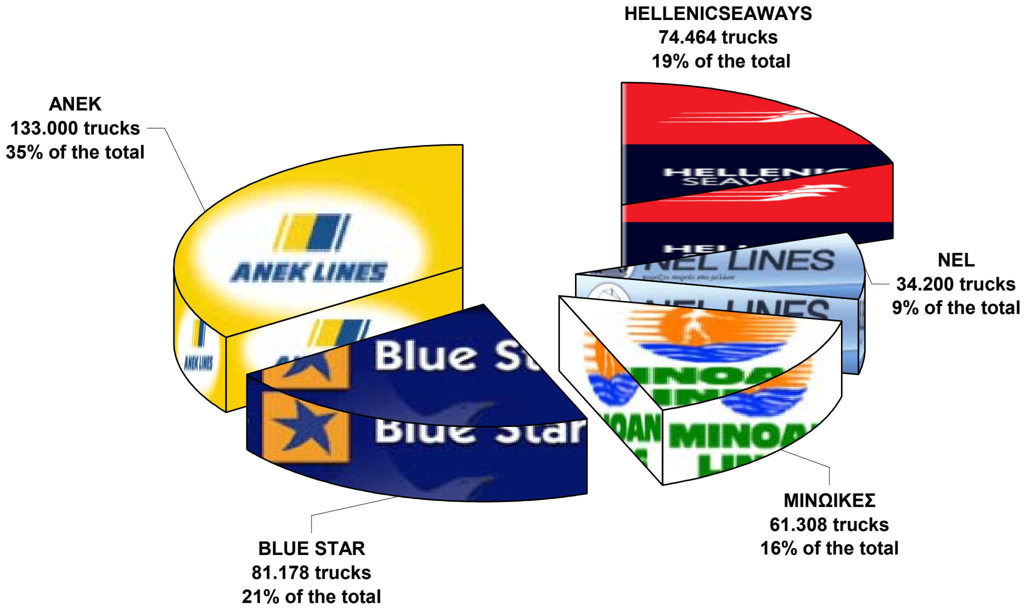
Car traffic market shares directly correspond the passenger's one, with Hellenic Seaways ranking first in terms of the total cars transported in the domestic market, having a 33% market share or a total of 390,900 cars while the rest of the companies together totaling to 825,300 cars or 68% market share.

From the four listed ferry companies, Blue Star has the largest market share with 382,000 cars while ANEK ranks second with 215,000 cars.

Hellenic Seaways car traffic presented does NOT include the Saronic Bay car traffic.



Truck traffic market shares differ from the one of the passengers' and cars' as presented in the following graph. Hellenic Seaways' market share totals to 19% of the market or 74,000 cars, while all the listed companies' truck traffic totals to 309,000 trucks or 81%.
From the listed companies, ANEK ranks first with 133,000 trucks transported or 35% while Blue Star ranks second with 81,000 trucks or 21%.
Hellenic Seaways truck traffic presented does NOT include the Saronic Bay truck traffic.



Adriatic market (Listed companies)

Following companies operate in the Adriatic market: Attica Group (through its subsidiary Superfast), Minoan Lines, Blue Star and Anek.
It should be stressed that both the annual itineraries number of each and every one of them, along with their destinations differ and thus, a traffic comparison per market route is not possible.
In more detail, the companies call at the following destinations:

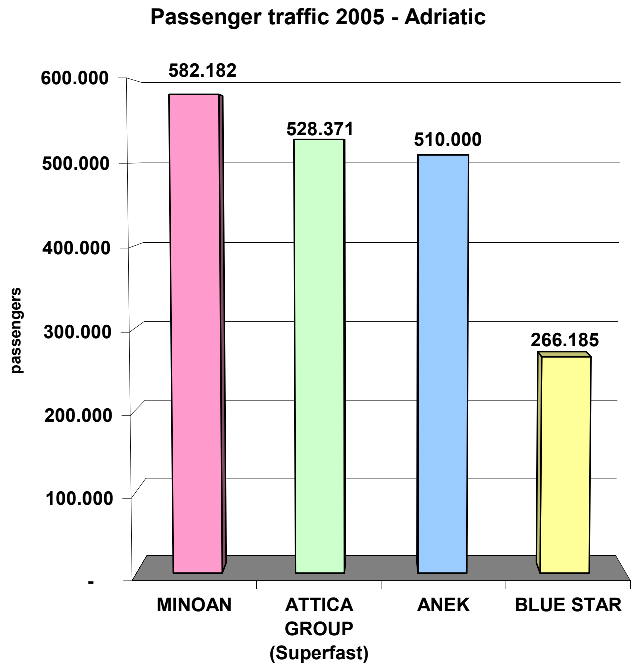
ANEK
Patras – Igoumenitsa – Ancona
Patras – Igoumenitsa – Corfu – Venice

ΜΙΝΩΙΚΕΣ
Patras – Igoumenitsa – Ancona
Patras – Igoumenitsa – Corfu – Venice

BLUE STAR
Patras – Igoumenitsa – Corfu – Bari

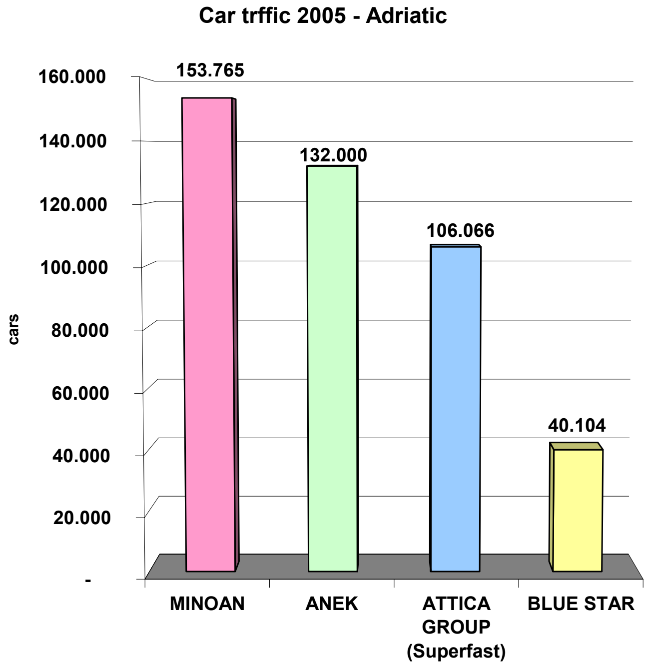
SUPERFAST
Patras – Igoumenitsa – Ancona

However, in an effort to establish a clear picture in terms of their traffic performance, their results can be consolidated as per the total annual traffic transported to all destinations per company, both for passengers as well as for cars and trucks.
As presented in the following graph, Minoan Lines ranks first in terms of its passenger traffic in the Adriatic with a total of 582,000 passengers, followed by Attica Group through its subsidiary Superfast, ANEK ranking third and Blue Star fourth:



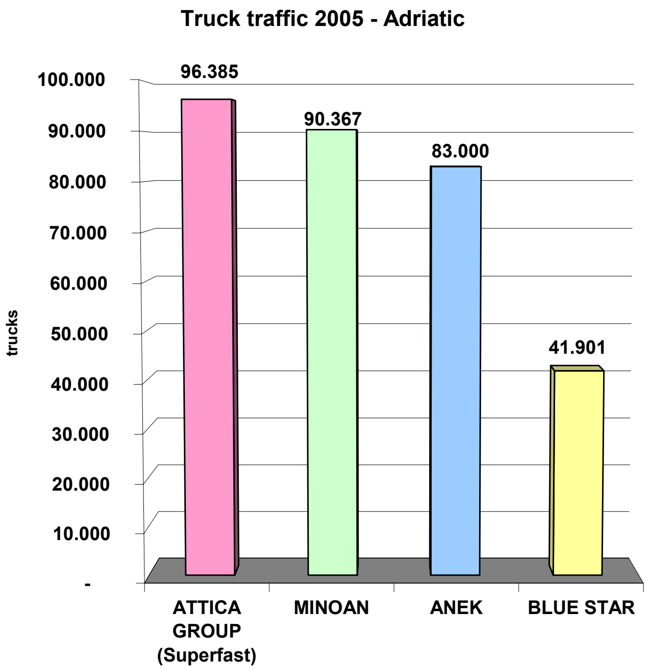
Source: XRTC

Minoan again ranks first in the Adriatic car traffic with a total of 153,00 cars with ANEK second with 132,000. Attica and Blue Star follow:



Source: XRTC

Superfast ranks first in terms of 2005 truck traffic with 96,000 items and Minoan ranks second with a total of 90,000 items:



Source: XRTC

C. Market characteristics

Following table presents the characteristics of the Greek ferry market in 2005 through a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats):

Strengths	Weaknesses
• Quality management practices with long-term experience in the sector, • Fleet replacement need, • Modern, highly competitive fleet in the Adriatic, • Realistic debt structures following re-structurings, • State intention to modernize local port network, • Entrance of new Greek entrepreneurs in the sector , • Fare deregulation from the central port of Piraeus (for certain destinations).	• Over-aged and reduced fleet in the local market, • Increased company leverage despite debt restructurings, • Delay in the state's final legislative framework, • "Poor" port and terminal infrastructure in both central and remote destinations, • Reduced itineraries in remote destinations of reduced traffic (subsidized lines).
Opportunities	**Threats**

• Room for further consolidation, synergies, M&As creating new, highly competitive "poles" ready to withstand further competitive pressure,
• Further reduction of the fleet through the max age limit imposed through the law N2932/01 leading to the need of new investment,
• State support in:
  ▪ Gradual fare de-regulation,
  ▪ Gradual support in port and terminal modernization and upgrading.
	• Global marco-economic pressure affecting both traffic as well as the companies' financial results (bunker costs) with no state support,
	• Euro-US Dollar exchange rate,
	• Companies' lobbying.

Route differentiation:

The market in which the Greek ferry fleet operates includes a series of different lines, which can be categorized as follows (all being highly influenced by the seasonality effect):

- Local highly profitable and competitive routes which have increased tourist as well as commercial traffic. The East Cyclades complex of islands route (Siros, Tinos, Myconos) is the most popular line of this type in which expensive, modern, fast and of high quality vessels have been employed. Room for new entrants is restricted to the minimum and competition "drives" out of the market the existing ones that fall behind in any of the above entioned ingredients of their service,

- Local, remote and with reduced traffic routes thus having reduced return for the operators. These routes are subsidized by the state thus the winner of the bidding process for a given line renders services on a fixed income for a certain period, with set itineraries and destinations. The North East Aegean routes are an example of this type where older ferries of "lower" quality are employed and are subsidized for their operation,

- Local, of average profitability routes which have as their main characteristic reduced traffic. The Sporades complex of islands routes are an example of this type of routes,

- International routes: Adriatic, North Sea, Baltic. These are highly competitive routes with different characteristics from the local ones the main being lack of state regulation.

Shareholding structures:

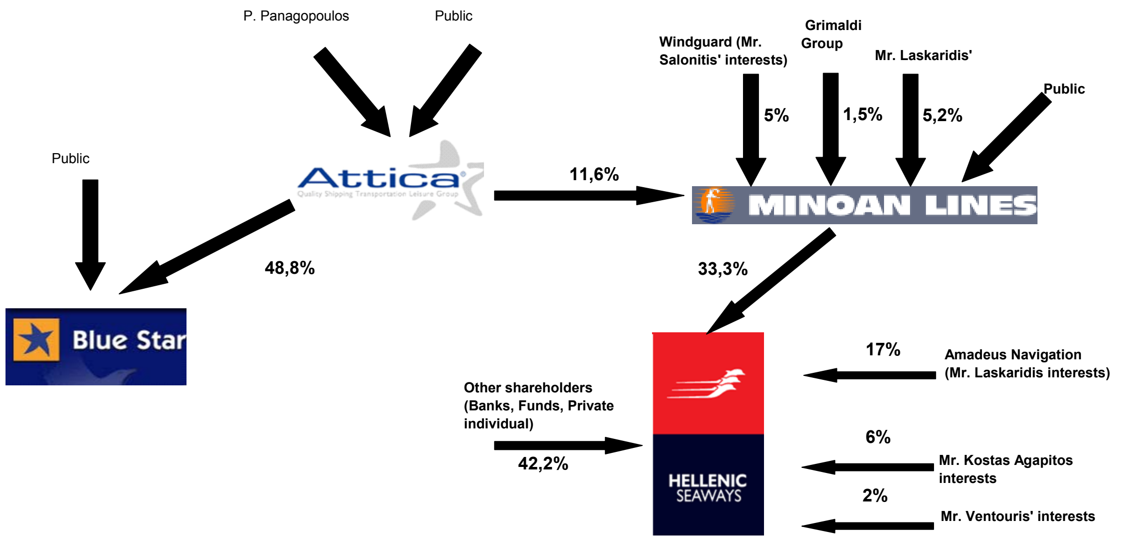
The changes occurred in the shareholding structure of both the listed and non-listed ferry companies in 2005 are indeed important not only on percentage basis but in real substance since its punctuated by the entrance of new investors.

Greek entrepreneurs have acquired considerable shares in both listed as well as non-listed ferry companies proving that the sector is no longer being perceived as a quasi-profitable service provider one, but as a fully competitive sector with enough profitability room to justify moves as such.
2005 found Mr. Laskaridis entering into Hellenic Seaways' and Minoan's shareholding structure and Mr. Arvanitis entering in NEL Lines.

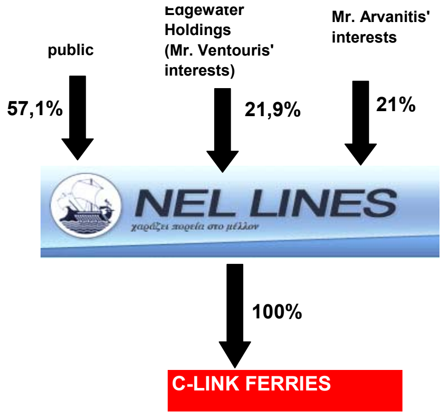
The entrance of new investors can only be perceived positively. Its' gradual de-regulation along with the continuous improving managerial practices from each and every ferry company prove to be sufficient ingredients and at the same time motives for new investment originating from Greek entrepreneurs which to date have turned down the sector manly due to its role and consequent profitability.

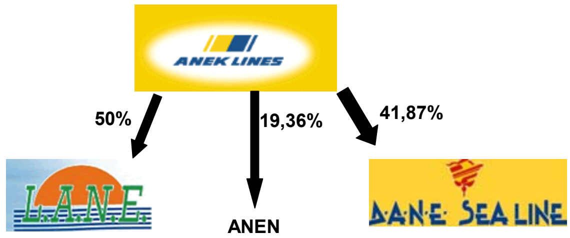
On a contrasting context, it is worth noting Attica Group's gradual "exit" from the sector in a two-fold way:

- In the Greek market through the sale of stake holding in other Greek ferry companies (e.g. the sale of 11,6% of Hellenic Seaways),
- In the European market through the gradual sale of more than half of its vessels. During the past three years a total of seven vessels have been sold seriously "weakening" the Group's presence.



Source: XRTC





Both ANEK's as well as NEL's subsidiaries fleets consist of over-aged vessels which will all need to be withdrawn from service within the next seven to ten years unless the current legislative framework will be amended (Law 2932/01). Thus, both of these companies will find them selves in front of the dilemma of either renewing their fleet (a rather costly option) or reduce their fleet consequently loosing considerable market share (the "dangerous" option in terms of the intense competition).

Closing this section it is worth noting the liquidation of Minoan's participations in ANEK, Forthnet, and Aegean Airlines resulting to the improvement of their financial position.

D. Fleet development for all listed companies and Hellenic Seaways

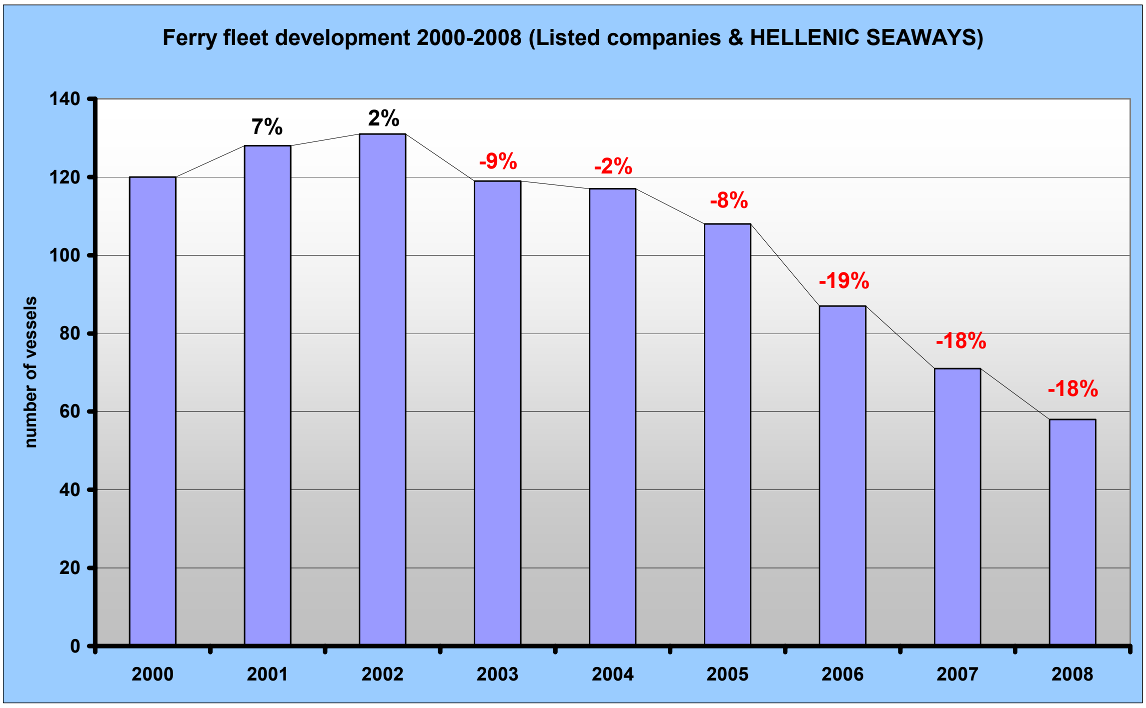
Despite the fact that all listed companies during the past years have been operating in a rather stable market which does not justify dramatic changes in neither its size nor its traffic trends, all of them have highly invested during the past six years in an effort to upgrade their fleet consequently upgrading the quality of their services all based on the market de-regulation which was set to take place since 2004.

The investment made by all listed companies across the board for new ferries in the period 1999-2002 cost approximately USD 3,5 billion.
This investment was negatively affected by:

- the Athens Exchange's decline in 2000,
- the "poor" average annual traffic increase in the local market,
- the regulated fares in the local market.

However, all companies through the support of their financiers did manage to overcome their "poor" financial situation in the past years and have entered into a new era facing the future with more confidence.

The withdrawal of the over-aged ferries is one of the main issues that ferry companies have to tackle for the past 4 years and until 2008 at which time the max age limit for ferries operating in the local market will be 30 years.
Total number of vessels in operation from the listed companies and their subsidiaries has been reducing dramatically during the past five years through the withdrawal and/or sale of overaged tonnage. Following graph presents this reduction of the fleet in the coming years as per the current profile of the feet itself (excludes potential acquisitions):



Source: XRTC

We note that in 2002 total listed companies' fleet along with Hellenic Seaways' one amounted to 131 ferries (all types) while this number has currently dropped to 87.
The average age of the fleet of the listed companies has been improving as a result of the related sales and current average age stands at 12 years while in 2000 corresponding figure was 17,6 years.

In an effort to clearly establish the fleet replacement taking place during the past four years, three main reasons can be identified:

1. Sales of assets as a consequence of the gradual maximum age reduction from the present limit of 35 to 30 until 2008 as per Law 2932/01.
   There is a significant number of ferries still operating in the local market having an average age of circa 30 years which will in the coming years withdraw. It is calculated that out of the current 87 vessels presently in service, a total of 40 ferries will have to be withdrawn reaching their 30th year of life leaving only 47 ferries in operation (excluding potential acquisitions) by 2015,

2. Sales deriving as a result of the financial pressure stemming from increased loan repayments. We have witnessed ferry companies proceeding to the sale of their assets due to increased financial pressures coming from their annual capital and interest payments towards their banks,

3. Sales as a result of the change of strategy set four years ago due to market dynamism and legislative framework pressure.

E. Market financial trends

International Accounting Standards

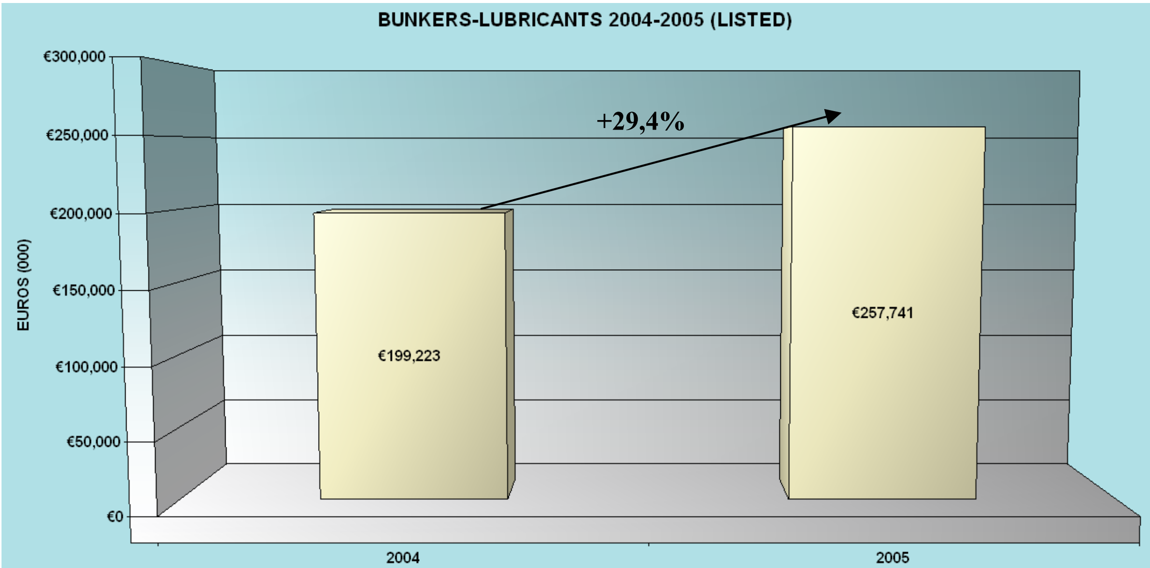
We note that as per the European Law 1606/2002 and under the local law 3229/2004 (as amended by the Greek law 3301/2004) Greek companies listed in any capital market (local and/or international) have to report their financial results as per the International Accounting Standards as of 1/1/2005.

Thus, 2005 financial statements of all Greek listed ferry companies have been published as per these standards and this report considers such figures for both 2005 and 2004.

2005 financial development (all listed companies):

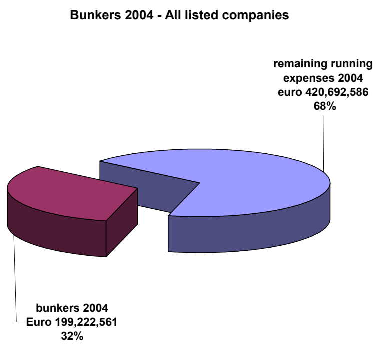
Bunker cost effect

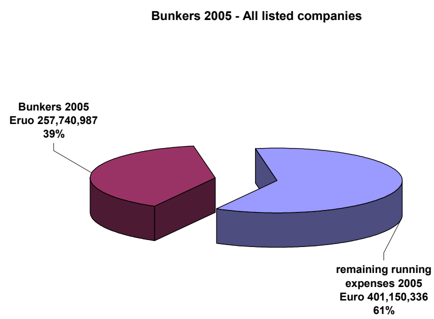
The increase of the bunker costs during the past two years has negatively affected the financial results of all Greek ferry companies and particularly the ones operating High Speed Crafts (HSC) which on one side have increased consumption rates and on the other they consume a more expensive type of fuel than the one consumed by the conventional ferries.
Total bunker costs for all five listed companies in 2005 increased by +30% as compared to its 2004 levels directly reflecting the increase in the crude barrel price during the same period:



Source: XRTC

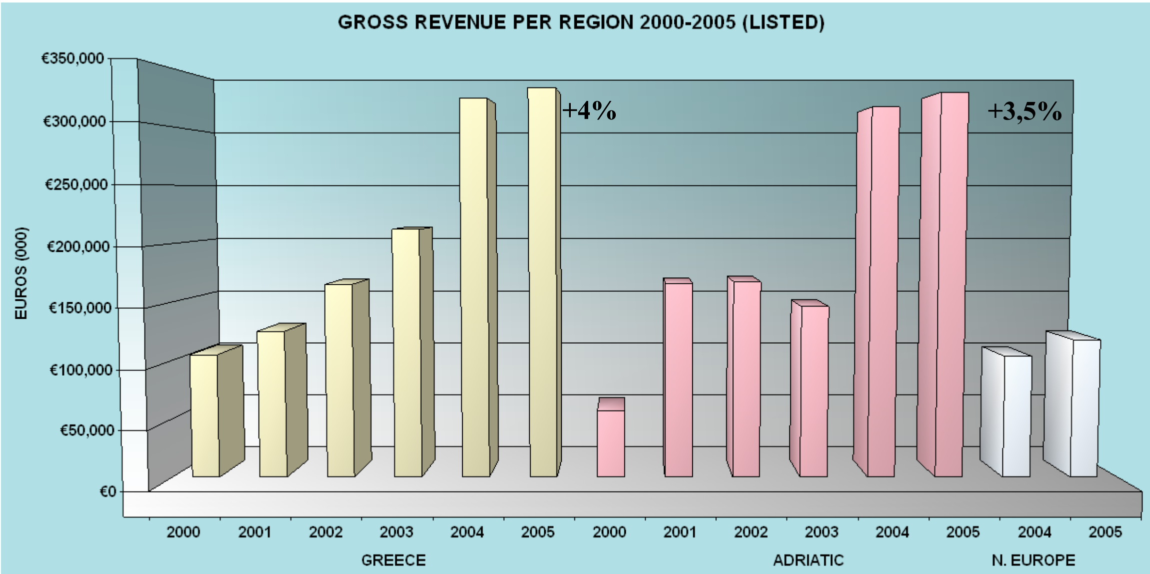
2004 bunker costs for all five listed companies amounted to Euro 199,2 m while in 2005 this figure increased to Euro 257,7 million.
2004 bunker costs amounted to 32% of total fleet running costs (crewing, insurance, maintenance, etc) of all five listed companies while in 2005 corresponding cost amounted to 39%:





Gross revenue

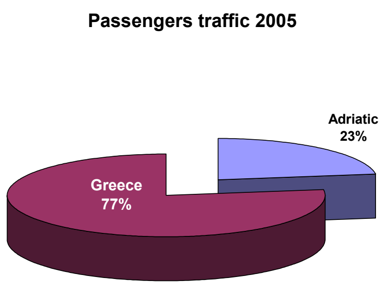
Despite the local traffic reduction recorded in 2005 by all listed companies as compared to the 2004 one, total gross revenue from operations in the local market for the same companies increased by +4% from its 2004 levels mainly due to the improved vessel load factors as a consequence of the reduced fleet in operation in 2005 as compared to 2004:

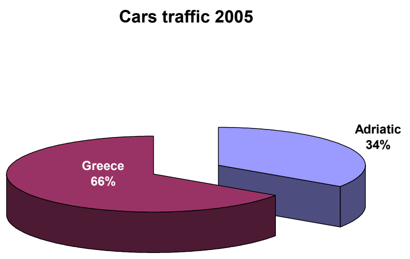


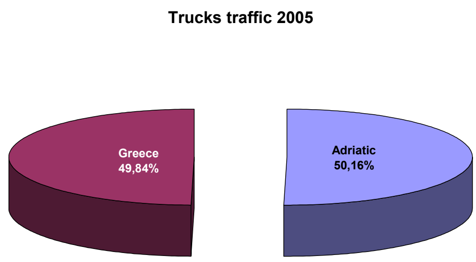
Source: XRTC

	%Δ	2005 - Total gross revenue from all listed Greek ferry companies	2004 - Total gross revenue from all listed Greek ferry companies
Greece	**+4,7%**	399.256.730	381.484.655
Adriatic	**+3,5%**	468.031.869	452.035.000

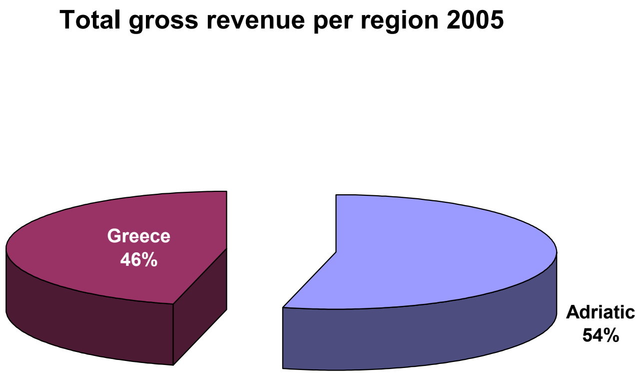
The regulated local market – through a series of state intervention schemes – amongst others it negatively affects gross revenue from operations as compared to that deriving from the Adriatic where there is no intervention at all.
Following graphs present traffic comparisons between the local market and the Adriatic in passengers, cars and trucks as well as the derived gross revenue from such traffic transported in both markets:







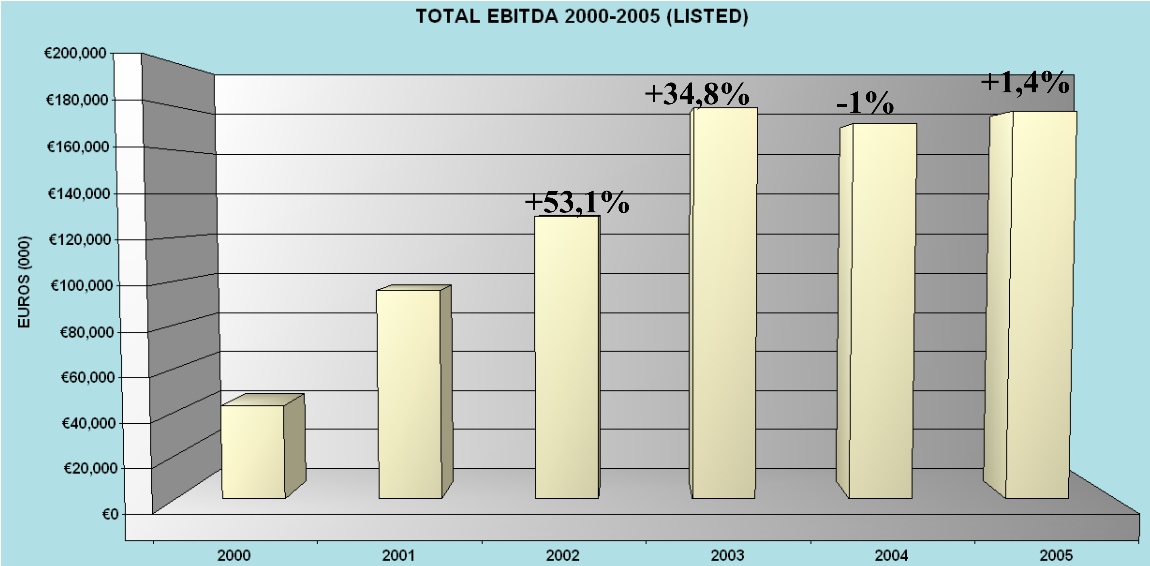
The gross revenue geographical origin for the ferry companies is indeed highly important since as presented in above graphs traffic transported in both passengers and cars in the local market highly surpasses the one transported in the Adriatic. Still gross revenue deriving from the later exceeds the one deriving from the local market as presented in the following graph:



Total gross revenue generated from the Adriatic market in 2005 for the listed companies operating in the area amounted to Euro Ευρώ 468 million while corresponding figure for the local market for the same year amounted to Euro 399,2 million or -14,7% lees than the Adriatic one.

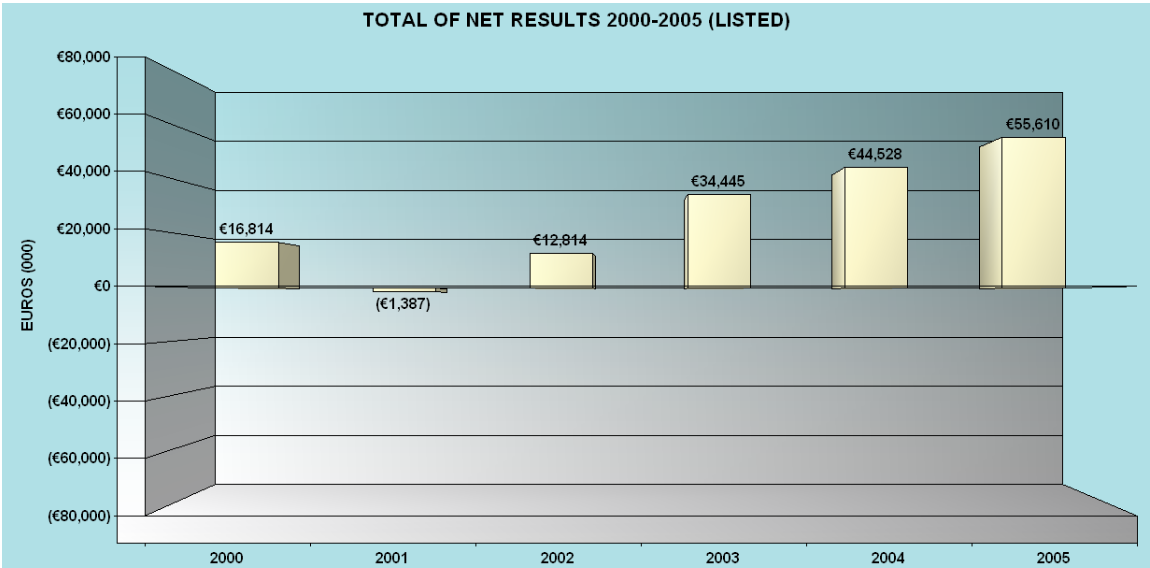
Profitability

Total reported Ebitda for all five listed companies in 2005 marginally increased from its 2004 levels by +1,4% (as reported according to the International Accounting Standards):



Source: XRTC

2005 net results were positively affected by both sale of vessels as well as improved cost controlling methods which proved to be "key" factors for the development of their net results:



Source: XRTC

In contrast to the reduced local traffic in 2005 as compared to 2004 and the extreme negative pressure from increased bunker costs, 2005 total net results for the five listed companies amounted to Euro 73,2 million an improvement of +38% compared to their last year results.

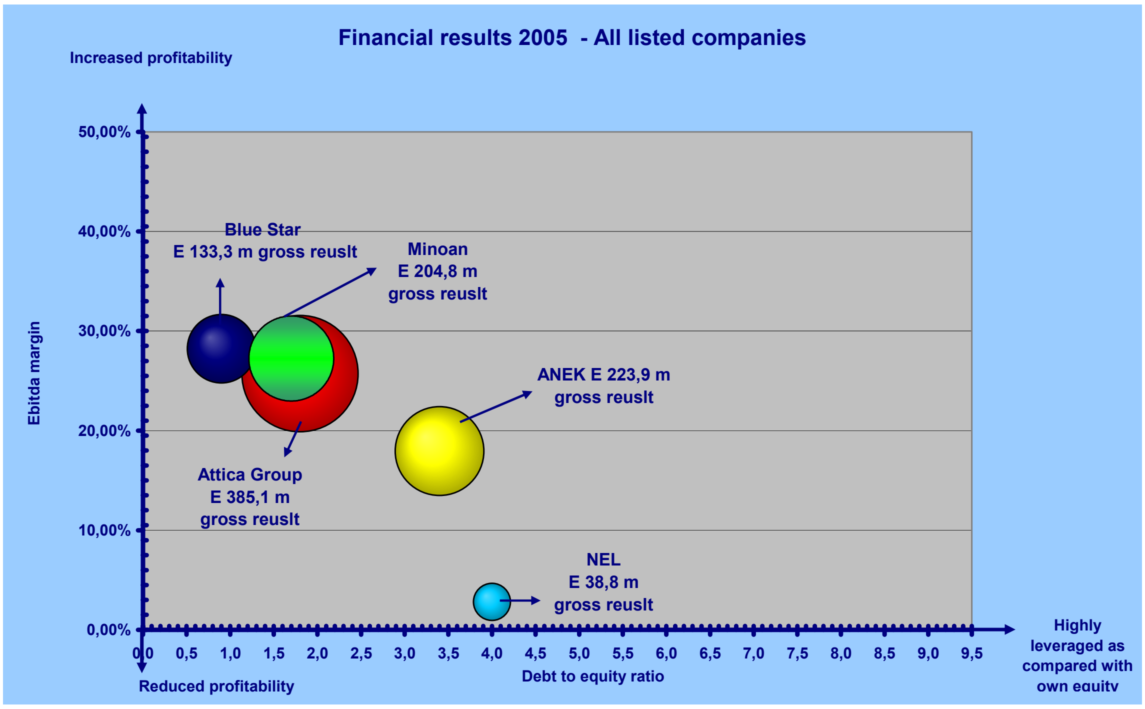
The following graph considers gross income for each and every company in the sector in direct relation to:

- Own equity,
- EBITDA margin,
- long term debt liabilities,

aiming in ranking them as per the above mentioned items[1].

It is clear from the graph that Attica Group's 2005 gross revenue from operations exceeds the one of all other companies and amounts Euro 385,1 million with ANEK ranking second with Euro 223,9 million.

However, while we note that Blue Star's gross revenue from operations amounted to Euro 133,3 million, the company clearly is the most profitable of all with ebitda margin at almost 29% and with the debt to equity ratio standing at 0,9x, which is the lowest amongst the rest of the listed companies.



Source: XRTC

[1] The size of the circle itself represents each company's gross revenue from operations FYE 2005. The vertical axis measures EBITDA margin. The higher to the axis the circle of each company is, the more profitable it is and vice versa. The horizontal axis measures debt to equity ratio. The closer to zero the circle of each company the less leveraged the company in relation to its own equity and vice versa.

Bank debt development:

The "gradual" exit from the "crisis" the ferry companies found themselves during the past years is confirmed from the improvement of their net results during this period and the completion of a series of debt re-structurings, positioning the sector at a more favorable location for its financiers. It is fair to say that the banking trust towards the Greek ferry sector has deteriorated during the "re-structuring" years, however the new "era" the sector has find itself into provides comfort punctuated by positive development both in the financial and operational level, providing that the effort that has been initiated from the three related parties (operators, banks, state) will be continued.

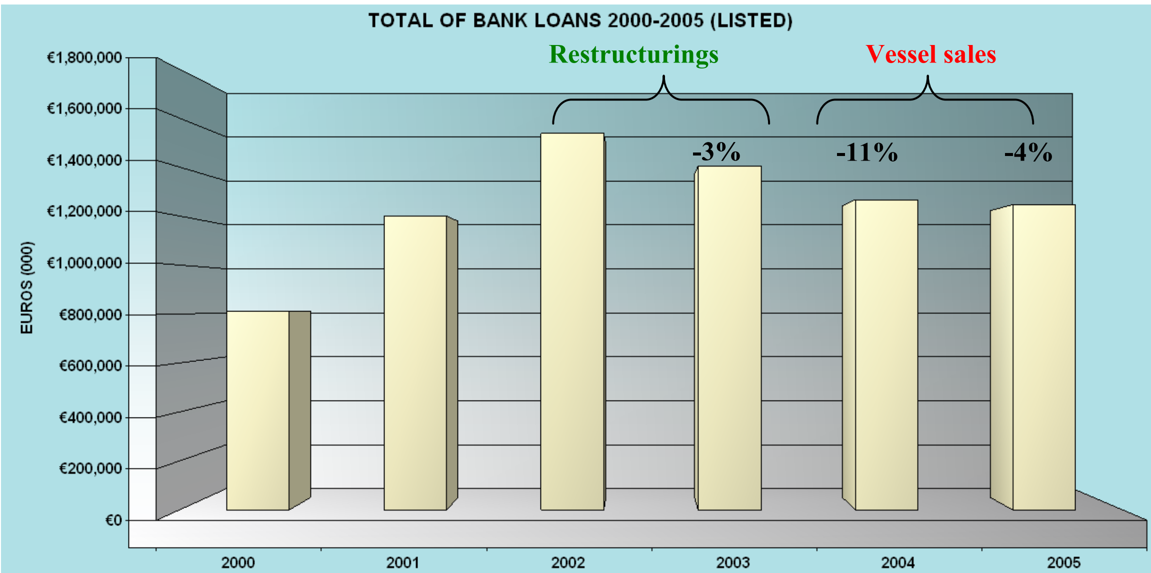
Current status of debt financing

The debt re-structuring process was a long and rather "painful" one and the common aspect of all of them was the reduction of the annual capital payments and the extension of the loan tenors. The finalization of this process has given the companies the comfort to enter into a new "upgrading era".

As per the published financial statements of the five listed ferry companies, their total debt liabilities in 2002 amounted to Euro 2.1 billion and this figure has since been declining reaching Euro 1,69 billion in 2005.

This reduction is mainly attributed to:
- the rational annual capital payments following the loans re-structuring process,
- the sale of vessels from all companies and corresponding debt repayment.

Following graph presents total debt development for all five listed companies from 2000 to 2005:



Source: XRTC

F. The development of the legislative framework

The market de-regulation for Europe took effect in 1992 through the European law 3577/92. Greece was given an extension until 2004 for economic and social coherence reasons.

2001 Implementation of Law 2932/01 referring to free sea transportation. (ΦΕΚ Α 145/27-06-01)

2002 As of Noveber 1st 2002 according to the Law 2932/01 all passenger vessels flying an EU flag are allowed to operate in Greek waters according to Greece's obligation to amend the Greek Law 2932/01 and bring it in line with the EU Law 3577/92

2004 Coastal Ferry Operators turn to the EU's State Council for the abolishment of Law 2932/01. All relevant judgements from the State Council are anticipated and at the same time Greece is under the threat of being taken to the European Court of Justice.

2005 European Union with a letter sent to Ministry of Mercantile Marine dated 13/12/2005 clearly states the aspects of the Greek law that are against EU Law.

1. Itineraries (obligation by the Ministry for the ferry companies to apply for their itineraries- Issuance of License),
2. Letters of Guarantees the ferry companies are obliged to issue as security for the fulfillment of their obligations under the License,
3. Crew composition and size,
4. Fares regulation,
5. Prices regulation for staff that is sold in the bars aboard the vessels.

Abolish of fares for the itineraries leaving the ports of Rafina, Kimi, Lavrio and Elefsina.
An amendment of the relevant law allows the Ministry to sign 6 years exclusive subsidy for the non-profitable routes.

2006 Abolish of fares for 27 destinations from Piraeus port.

G. Company results

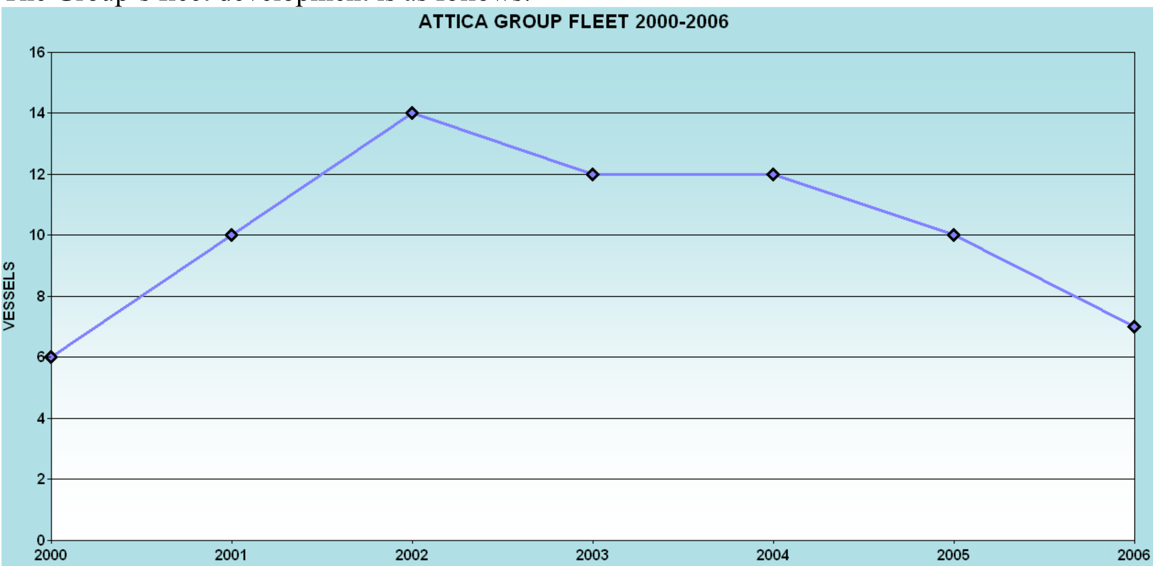
Attica Group

At the beginning of the current year Attica Group sold its participation in Hellenic Seaways with a total profit of Euro 6,5 million while it still retains its participation in Minoan Lines in which it is the largest shareholder with 11,6%.
The entrance of the Group in two new markets in 2005 along with the sale of three of its vessels altered its size as well as operational structure:

- January 2005: acquisition of two ro-ro type ferries and inauguration of the new route between Rostock, Germany and Uusikaupunki, Finland,
- April 2006: sale of Superfast VII, Superfast VIII, Superfast IX (operating in the Baltic Sea) to the Estonian ferry company AS Tallink Grupp. Main reason behind this sale is said to be the intense and growing stronger competition in the region from companies.

Fleet:

The Group's fleet development is as follows:



Source: XRTC

Current fleet consists of five vessels with an average age of 4 years.
Its "flexible" and rather "dare full" policy – being mainly punctuated by its withdrawal from the markets in which it operated – still maximizes shareholders' profit but has surprised the rest of the market which anticipates the next move without excluding possible moves referring to Mr. Panagopoulo's history and relating to the full and complete "exit" from the sector.

Markets of opration:

- Adriatic (Superfast),
- The Baltic (Superfast),
- North Sea (Superfast),
- Greece: Cyclades, Dodecanese (subsidiary company Blue Star).

Traffic development:

In the international markets the Group did not manage to increase passenger traffic as compared to 2004 levels, while both car and truck traffic improved:

	Passengers (Adriatic, Baltic, North Sea)		
	2004	**2005**	**Δ%**
Total traffic:	887.619	888.863	**+0,14%**
	Cars (Adriatic, Baltic, North Sea)		
	2004	**2005**	**Δ %**
Total traffic:	193.634	204.159	**+5,44%**
	Trucks (Adriatic, Baltic, North Sea)		
	2004	**2005**	**Δ %**
Total traffic:	202.427	216.302	**+6,85%**

Financial development:

2005 gross revenue increased by +4% mainly attributed to the impressive performance and consequent contribution of the Group's subsidiary Blue Star Ferries:

(Euro million)	**Δ %**	**2005**	**2004**
Gross revenue	4%	385,1	371,2
EBITDA	-5%	99,1	104,7
Net result (before taxes)	-7%	38,6	41,7

Ebitda reduced by -5% to Euro 99,1 million mainly due to increased bunker costs while net results also declined by -7% to Euro 38,6 million from the 2004 net results of Euro 41,7 million which included profit from the sale of vessels at that year.

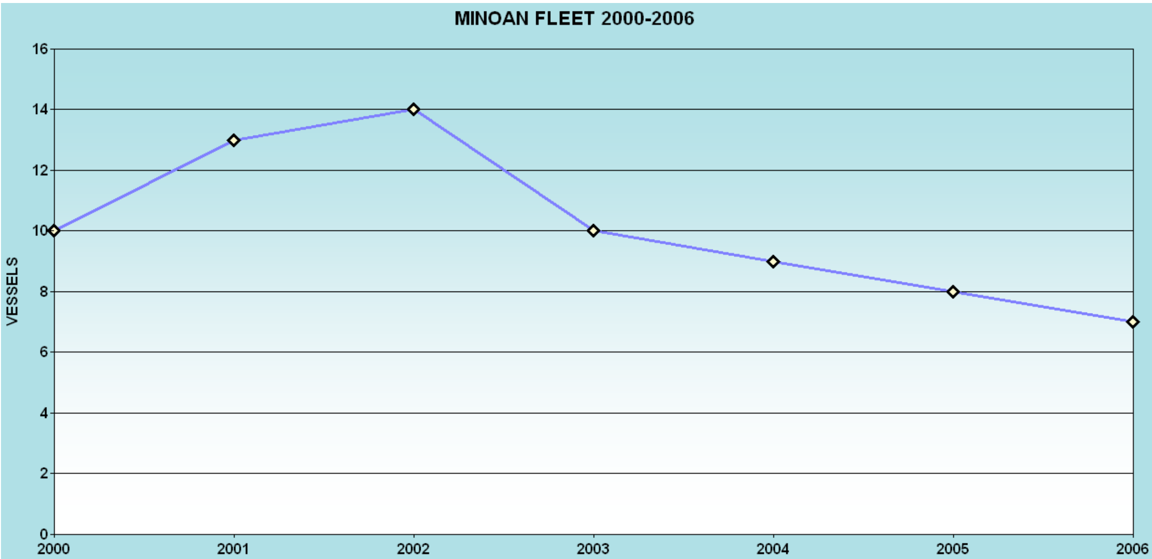
The sale of the three Superfast vessels to the Estonian company AS Tallink Grupp will drastically reduce long-term debt the effect of which will be fully presented in this year's financial statements.
Total price for the three vessels amounts to Euro 310 million leaving a profit of Euro 11 million.

Minoan Lines

In 2005 Minoan Lines liquidated its participation in three subsidiaries (Aegean Airlines, FORTHnet, ANEK) in an effort to reform itself improving its liquidity.

Fleet:

The company sold the ferry Dedalus in 2005 and thus its fleet consists of seven vessels with an average age of 6 years which is the youngest of the listed ferry companies:



Source: XRTC

Markets of operation:

- Adriatic,
- Greece: Crete.

Traffic development:

The company increased traffic transported in 2005 as compared to 2004 both in the local as well as the Adriatic market in both passengers and cars:

		Passengers (Greece, Adriatic)	
	2004	**2005**	**Δ%**
Total traffic:	1.411.699	1.531.479	**+8,48%**
		Cars (Greece, Adriatic)	
	2004	**2005**	**Δ %**
Total traffic:	250.089	278.099	**+11,20%**
		Trucks (Greece, Adriatic)	
	2004	**2005**	**Δ %**
Total traffic:	150.422	151.675	**+0,83%**

Financial development`t:

Gross revenue in 2005 amounted to Euro 204,2 million, the highest in the company's history and an increase of +6,6% from 2004 levels,
In line with the rest of the market bunker costs had a negative effect on its ebitda which totaled to Euro 56 million, down -5% from previous year's ebitda.

The sale of the ferry Dedalus decreased fixed assets item but had a positive effect on its results through the materialization of Euro 2,08 million profit which was added to the profit from the sale of the company's participation in Forthnet and ANEK amounting to Euro 7,17 million impressively increasing its net results by +40% to Euro 17,02 million.

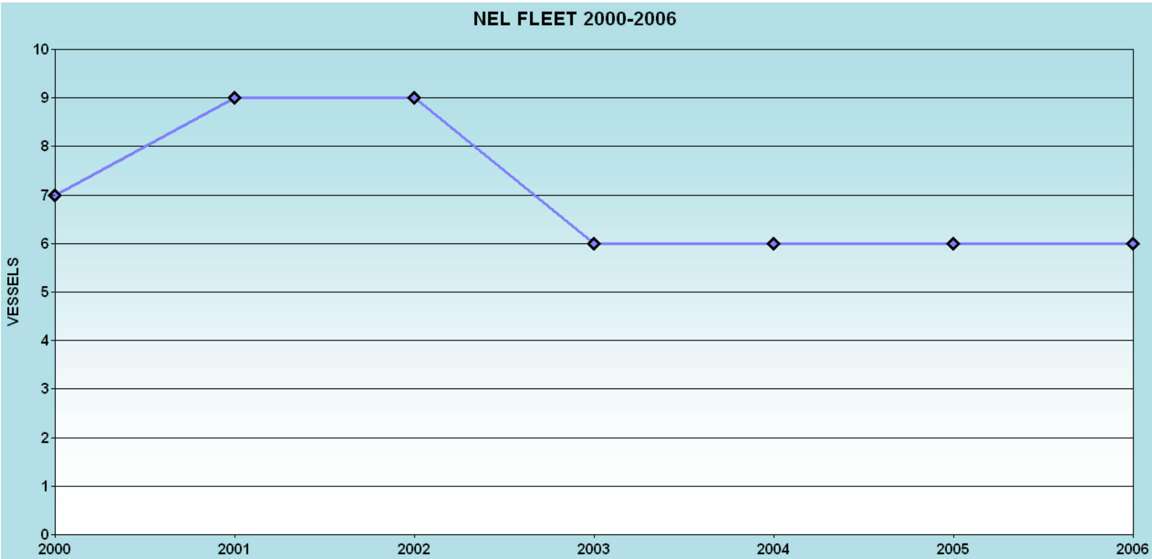
(Euro million)	**Δ %**	**2005**	**2004**
Gross Revenue	+7%	204,8	192,1
EBITDA	-5%	35,5	37,2
Net result (before taxes)	+111%	17,7	8,4

NEL Lines

The acquisition of ANEK's 19% share in the company from the new strategic investor (Mr. Ventouris) in May 2005, entered the company into a new "era" punctuated by modernisation and reforming.
In July 2005 a share capital increase raised almost Euro 20 million which mainly covered short-term liabilities and in February 2006 the company managed to renegotiate its long-term debt liabilities with its main financier Calyon aiming in discounting the outstanding amount. The final confirmation of this will be announced within the coming month.

Fleet:

The fleet consists of six vessels (3 conventional and 3 high speed) with an average age of 30 and 5 years correspondingly:



Source: XRTC

Serious mechanical problems with the 3 high speed vessels were encountered since their delivery. Two out of the three need to undergo re-engining which involves a costly procedure.
NEL is already in arbitration with SEMT Pielstick (the engine manufacturer) aiming in being compensated for the damages and the implied loss of income.

Markets of operation:

- Greece (North East Aegean)

Traffic development:

Due to the problems encountered with the high speed vessels of the fleet, the company faced intense competition in the lines in which it operated and thus, total traffic transported in 2005 was notably less than the one in 2004:

		Passengers	
	2004	**2005**	**Δ%**
Total traffic:	1.099.684	805.829	**-36,47%**
		Cars	
	2004	**2005**	**Δ %**
Total traffic:	127.906	103.135	**-24,02%**
		Trucks	
	2004	**2005**	**Δ %**
Total traffic:	42.247	34.200	**-23,53%**

Financial development:

The traffic transported reduction also negatively influenced the company's financial position:

(Euro Million)	**Δ %**	**2005**	**2004**
Gross revenue	-26,74%	38,9	49,3
EBITDA	-487,16%	1,09	6,4
Net result (before taxes)	41,67%	-12,07	-7,04

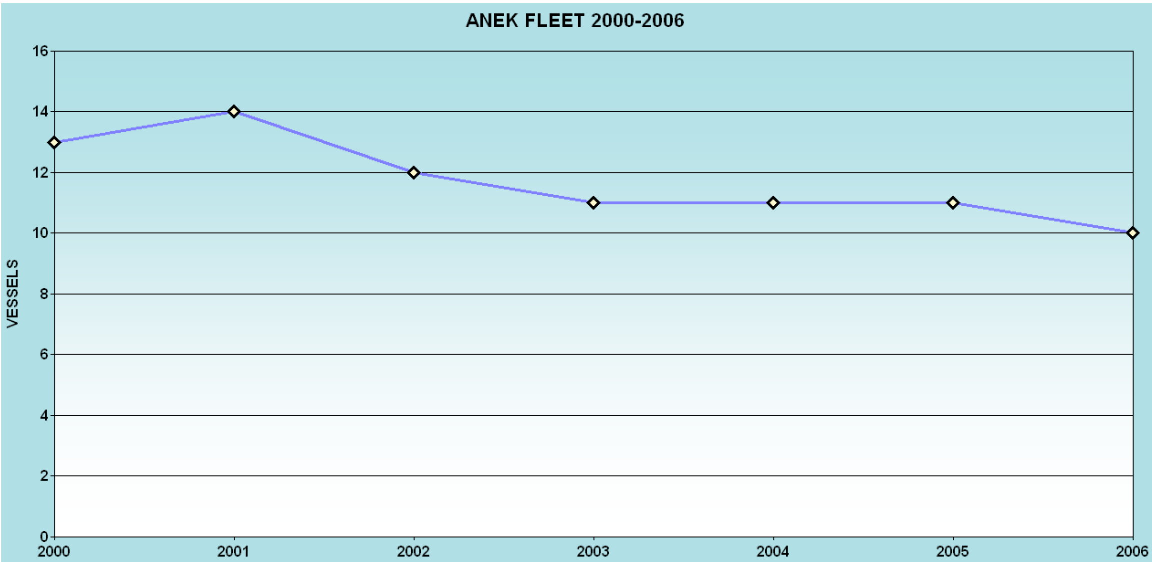
ANEK

The withdrawal of the competitor vessel Blue Star 2 for the Piraeus to Chania route highly contributed to the traffic transported increase in 2005 as well as to the improvement to the company's financials.

At the start of 2005 the company sold its participation to NEL Lines since after five years of being a 19% stakeholder there was no sufficient return towards ANEK.
In November 2005 Aptera ferry was sold with a profit of Euro 2,5 million.
ANEK presently participates in two subsidiary public companies, namely LANE and ANEN, both of which own and operate overaged vessels with an average age for both of their fleets of 31 years.

Fleet:

Following the sale of Aptera, the company's fleet consists of ten vessels with an average age of 20years:



Source: XRTC

Markets of operation:

- Adriatic,
- Greece: Crete.

Traffic development:

A total of 1,9 million passengers were transported in 2005 by the company, an improvement of +11,7% over 2004 mainly attributed to the withdrawal of Blue Star 2 from the Piraeus to Chania route.
In contrast both car as well as truck traffic transported reduced by -4,8% and -4% correspondingly due to increased competition in both local and the Adriatic:

		Passengers	
	2004	**2005**	**Δ%**
Total traffic:	1.727.521	1.930.000	**11,7%**
		Cars	
	2004	**2005**	**Δ %**
Total traffic:	330.485	347.000	**-4,8%**
		Trucks	
	2004	**2005**	**Δ %**
Total traffic:	224.884	216.000	**-4%**

Financial development:

The 2005 improved passenger traffic figures had a positive effect on the improvement of gross income which increased by +11% to Euro 202,6 million over Euro 202,6 million in 2004. 2005 gross margin also improved marginally to 21,9% over 20,1% of 2004.
Optimization of fleet operation along with cost control over operational expenses also had a positive effect on ebitda which increased by an impressive +30% in 2005 totaling to Euro 40,4 million and net result further improved mainly due to the profit deriving from the sale of the ferry Aptera.

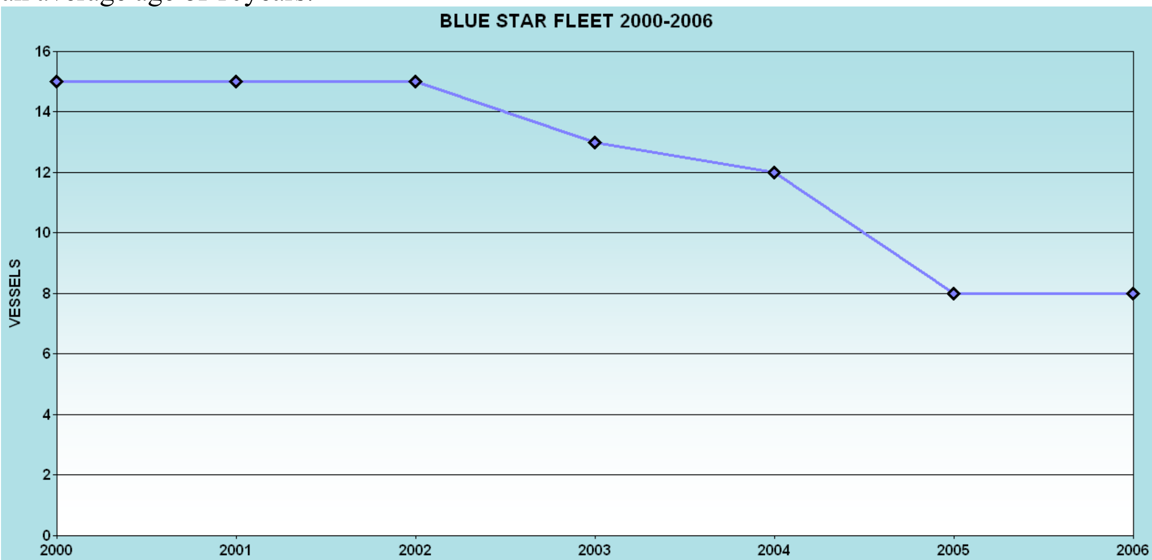
(Euro million)	**Δ %**	**2005**	**2004**
Gross revenue	11%	223,958	202,665
EBITDA	30%	40,203	30,906
Net result (before taxes)	+1000%	11,603	-1,058

Blue Star Ferries

The most important operational aspect for 2005 was the re-routing of the vessel Blue Star 2 from the Piraeus – Chania line to the Adriatic due to the fact that the company failed to concentrate a considerable market share after two years of operating the vessel in the Cretan route.

Fleet:

Following the sale of SeaJet 2 in March 2006, the company's fleet consists of eight vessels with an average age of 10years:



Source: XRTC

Markets of operation:

- Greece: Cyclades, Crete (until March 2005),
- Adriatic.

Traffic development :

Traffic transported in 2005 reduced as compared to 2004 levels in both passengers, cars and trucks mainly due to the intense competition in the local market and subsequent increasing market shares from competitive companies as well as due to the withdrawal of Blue Star 1 from the Piraeus to Chania route:

		Passengers	
	2004	**2005**	**Δ%**
Total traffic:	3.853.418	3.478.082	**-9.6%**
		Cars	
	2004	**2005**	**Δ %**
Total traffic:	533.044	422.975	**-20.2%**
		Trucks	
	2004	**2005**	**Δ %**
Total traffic:	129.619	123.079	**-4,2%**

Financial development:

2005 financial performance was indeed satisfactory for the company and this is manly attributed to the fleet's load factor improvement in the local market due to the withdrawal of competitor's vessels since 2004.
Gross sales increased to Euro 133,3 million over 2004's Euro 128,5 million (+4%) so did Ebitda which totaled to Euro 37,6 million from Euro 30,3 million, and impressive increase of +24%.
Net results also had a notable +66% increase totaling to euro 18 million:

(Euro million)	**Δ %**	**2005**	**2004**
Gross revenue	+4%	133,379	128,495
EBITDA	+24%	37,641	30,389
Net result (before taxes)	+66%	18,016	10,856

The main reasons behind the company's financial improvement are:
- sale of older vessels,
- control on operational expenses (besides bunker costs) and administration expenses,
- concentrating fleet operation in profitable lines.

H. Conclusions – Proposals

The importance of the establishment of the Greek public ferry companies in the 1970's was further enhanced from their entrance in the Athens Exchange in the 1990's.
It was at that time that their course took a new route towards transparency, strategic planning and new managerial practices.
In light of the planned market de-regulation, companies invested more than Euro 3 billion for new vessels' acquisitions. This large investment attracted foreign banks' interest and final support which along with the sector's traditional financiers – i.e. the Greek banks – took a leading role in the country's upgrading of its sea transportation services through their contribution amounting to more than Euro 2 billion in debt.
Despite both the notable investment size itself as well as the support from both local and foreign banks, the sector was "drawn back" due to the delayed state's enforcement of a free competitive market.
There have been five years since the last order of a newbilding vessel was recorded (apart from the ones originating from one company only and built in Greek shipyards) and still, the market has evolved and proceeded into a new "era" punctuated by modernisation and upgrading of the quality of services offered despite the fact that during these five years it was still highly regulated.

The reduced coastal fleet to date, offers improved load factors for vessels in service and yet regulated fares imposed by the state do not justify the acquisition of a newbuilding vessel. The operators' "cry" for the market liberalization which amongst other aspects raises this point and the request relates to the harmonization of the Greek legislative framework to that of the European law 3577/99.

This report analysed 2005 operational and financial performance for all as well as each and every company individually, concluding to the following points:

- Reduction of the traffic from the listed companies (-7% in passengers, -12% in cars, -3% in trucks),
- Reduction of the total fleet operating in the local market,
- Reduction in the total long-term debt,
- Considerable increase in the bunker costs for companies due to the increase in the crude barrel price (+30% in bunkers from 2004 to 2005 despite fleet reduction).

And also:

- Increase in total gross revenue of all listed companies (+4%),
- Increase in total net results of all listed companies (+38%)
- Improvement in profitability.

The new "era" in which the sector has gotten into is punctuated by a "two tear" market in which the high competitive high profitability lines co-exist with the low competition, low profitability subsidized lines. Both route categories have their own characteristics and different operators (usually listed and non-listed) service these two categories.

However, both categories are in need of de-regulation since margins for the operators in either of these categories are very small and their role as a social provider is not justified as per their past five years' upgrading course.

Thus, the effort for a "healthier" market status from the state is indeed essential for both the high profitability routes as well as the remote ones with lower returns.

This effort must also be acknowledged and further put into practice from the Greek as well as international banks. The former need to reconsider the new "status quo" of the sector and re-adapt their policy renewing their faith towards the ferry business. Their long experience along with the sector's financial revival prove to be solid ground for further support which will come both from within as well as from abroad – i.e. the foreign banks.

XRTC May 2006

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