Consultants to: NATIXIS

Annual report on the Greek Ferry Industry

"Positive developments and encouraging prospects on a fertile ground"

August 2007

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- Increase in the participation of foreign investors,
- Improvement of the sector's creditworthiness towards Financial Institutions

1 Introduction

For the Greek ferry sector 2006 was another year punctuated by the yet to come full implementation of the state law 2932/2001 which would fully deregulated the sector from the State's intervention is a series of different operational as well as financial aspects. This is the main issue of concern for all ferry companies which is expected to lead to a competitive environment and to their strengthening of the market's financial profile.

This period is also characterized by the effort of ferry operators to adjust to the new competitive environment via the restructuring, rearrangement of their itinerary routes, management techniques and operations in general. In more detail, the modernization of management practices relates to:

- sale and purchase of vessels,
- the restructuring of debt liabilities (short – term and long – term),
- the optimization of itineraries' schedules,
- the exploitation of opportunities for potential mergers, acquisitions, synergies and other ways of co-operations between operators.

Examples of this include the cases of HELLENIC SEAWAYS, C-LINK, BLUE STAR and ANEK which related greatly with a series of different mergers and acquisitions out of which some did materialize. Special reference should be made to the notable strategies employed by Mr. Laskaridis, NEL and GRIMALDI GROUP.

In more detail, in 2007 Mr. Laskaridis purchased ATTICA GROUP's 22.5% stake holding in HELLENIC SEAWAYS, increasing his total share in the company to 34.7%. In the same context in 2006 NEL merged with C-LINK and GRIMALDI GROUP purchased 14.23% of ANEK's stake. In contrast, since the beginning of 2006, the market has been witnessing Attica Group's defensive strategy through its gradual exit from the North European markets. In 2006 the market witnessed operators overcoming negative pressure deriving from a number of exogenous factors such as the increase in the prices of bunkers and lubricants and the decrease in demand in the Adriatic and North Sea.

Bunkers and lubricants negatively affected financial results by more than -20% due to the significant increase in their prices. The inelasticity of the specific factor to the operations of the ferry companies has found shelter through the bunker surcharge implemented by the Greek State for the second year in a row.

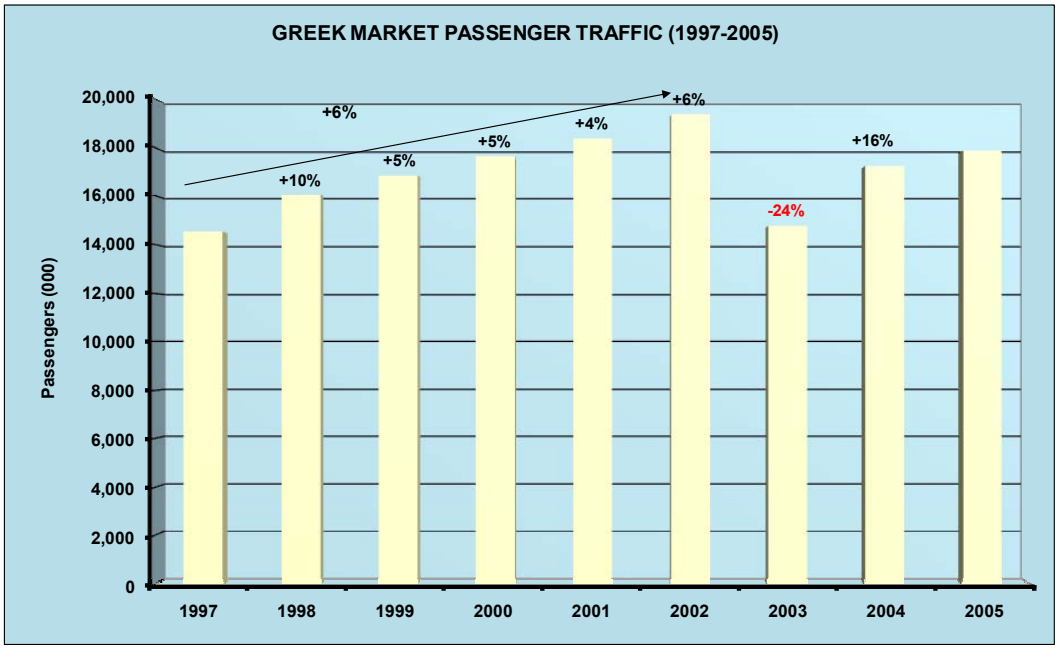
Present report examines the traffic and financial results of the Greek ferry market for 2006 focusing on the five (5) listed companies to the Athens Exchange and the non-listed Hellenic Seaways. Reference is also made to smaller in terms of size companies playing a significant role in the market.

Greek Ferry Market Overview

According to published data of the National Statistical Service of Greece (NSSG) ferry operators transported 17.8 million passengers in 2005 in the Greek market. This figure excludes passenger traffic served by operators is short distances (less than 5 nautical miles and straights). Passenger traffic since 1997 has been increasing on an annual basis, with an average increase trend of 6% up to 2002 (Figure 1).

In 2003 a decrease of -24% in passenger traffic was recorded, "corrected" in 2004 with an increase of +16% mainly attributed to the Athens Olympic Games. In 2005 there is an additional increase of +4% which is mainly due to an increase in the tourist traffic which was increases by +5% compared to 2004. Traffic data for the year 2006 has yet to be published by the NSSG. Present report focuses on the analysis of the five companies listed in the Athens Exchange and HELLENIC SEAWAYS which in total represent more than 55% of the passenger traffic in the Greek Market.

Figure 1: Passenger Traffic in Greece (1997 – 2005)



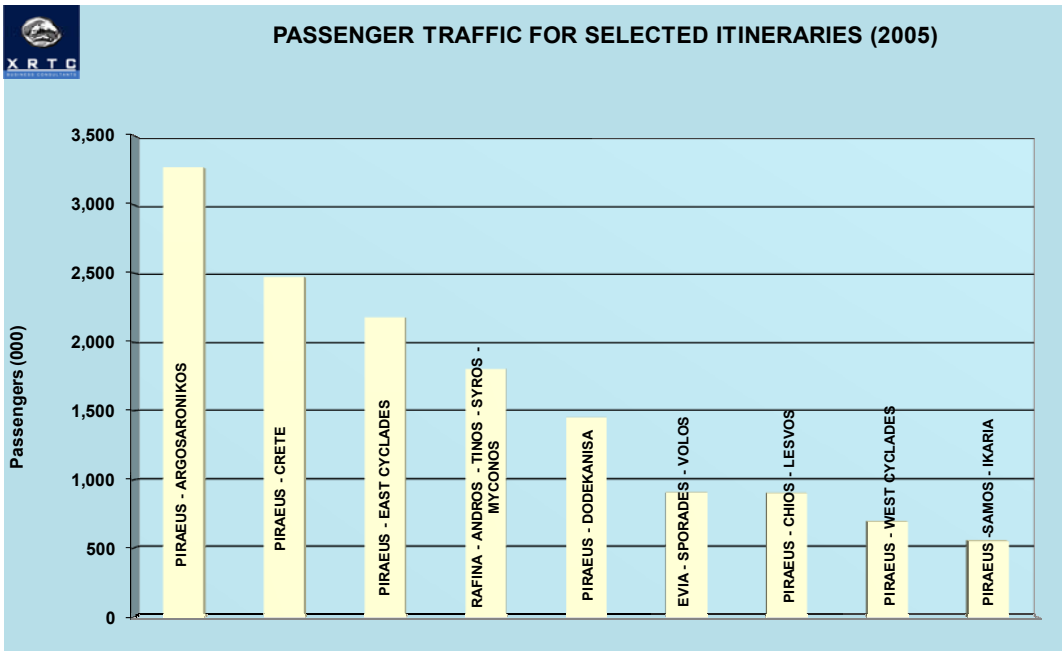
Source: NSSG

According to the analysis of the same data, the top ten Greek itineraries (total passenger traffic excluding short distance and straights itineraries) based on passenger traffic are (Figure 2):

- Piraeus – Saronic (3.4 million)
- Piraeus – Crete (2.5 million)
- The area of East Cyclades which includes two itineraries:
    - Piraeus – Siros – Tinos – Mykonos – Paros – Naxos (2.2 million).

- Rafina – Andros – Tinos – Syros – Mykonos (1.7 million).

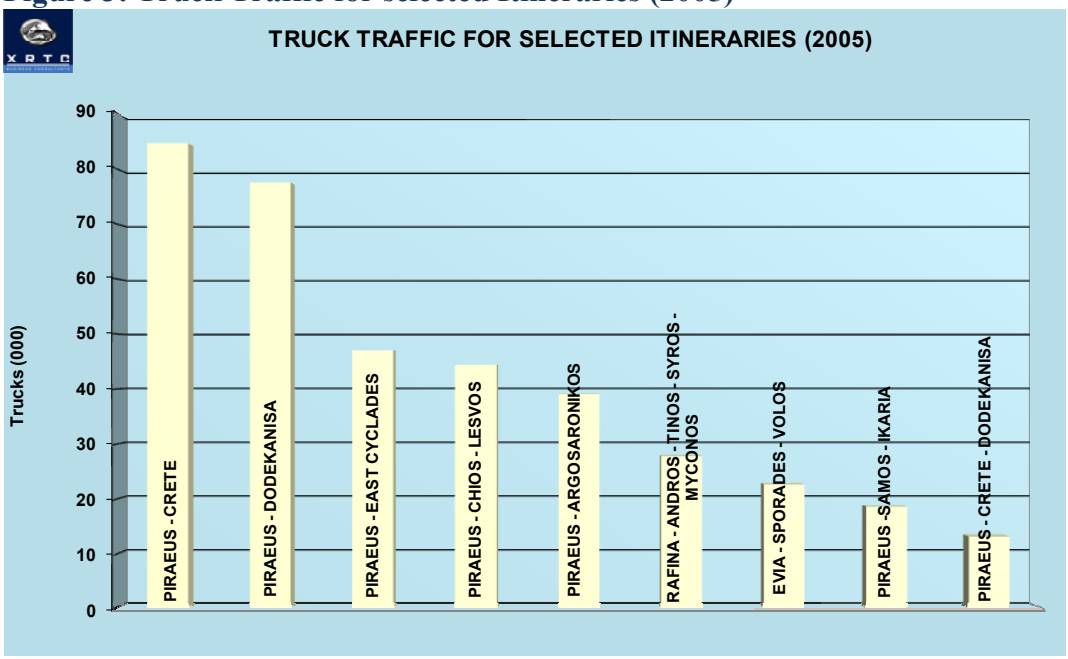
Figure 2: Passenger Traffic for selected Itineraries (2005)



Source: NSSG

In reference to the truck traffic, the itinerary of Crete shows the biggest volume with 82 thousand trucks. Second is the itinerary of Dodekanisa with 78 thousand trucks followed by the itinerary of East Cyclades with 47 thousand trucks. Finally, forth is the Chios – Mytelene itinerary with 45 thousand trucks (Figure 3).

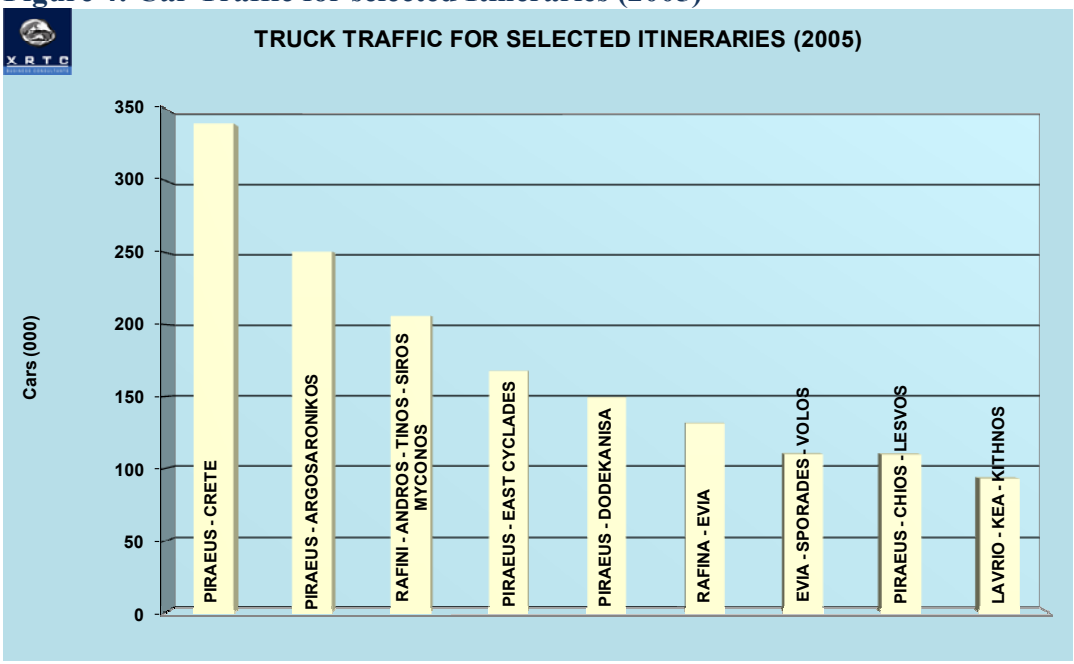
Figure 3: Truck Traffic for selected Itineraries (2005)



Source: NSSG

In terms of car traffic volumes for the year 2005 the Cretan itinerary is the largest with 340 thousand cars, followed by the Saronic (250 thousand) and Rafina – Cyclades (200 thousand) itineraries (Figure 4).

Figure 4: Car Traffic for selected Itineraries (2005)



Source: NSSG

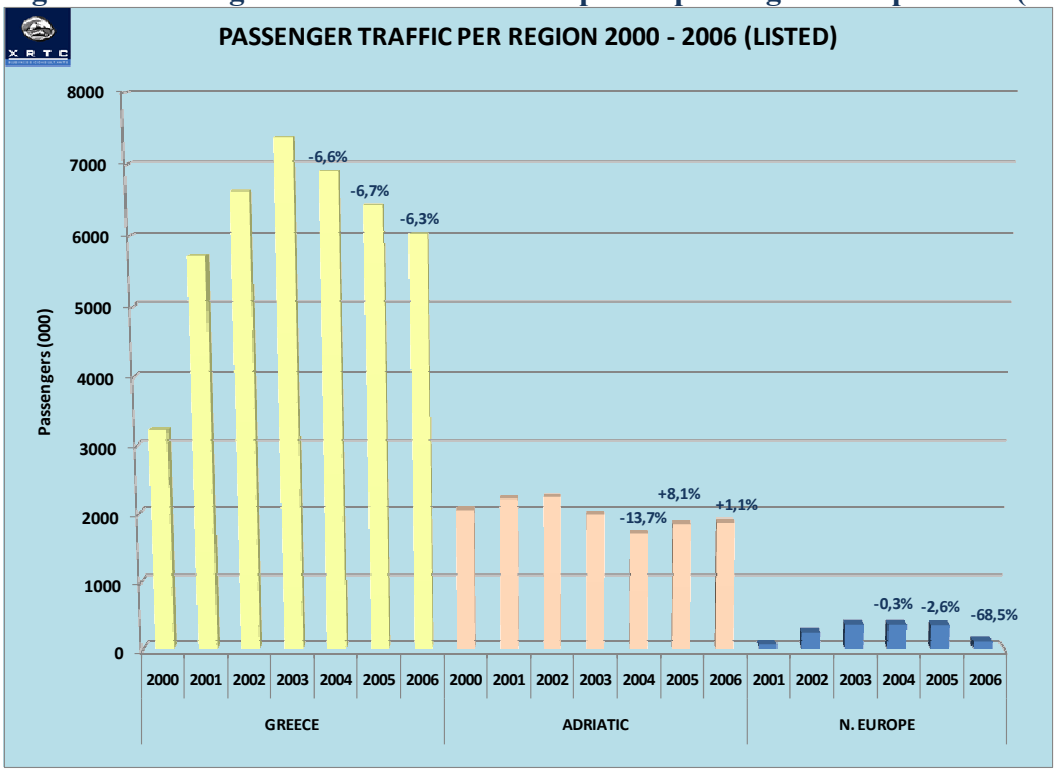
2 Traffic Analysis

The analysis relates to the five companies listed in the Athens Exchange (ATTICA GROUP, BLUE STAR, ANEK, MINOAN LINES, NEL) and HELLENIC SEAWAYS. Both the analysis of traffic in terms of passengers, cars and trucks and the analysis of offered capacity focus on the areas these companies operate; Greece, Adriatic and North Europe (Baltic and North Sea).

2.1 Listed Companies Traffic Analysis per Region of Operation

As presented in Figure 5 the reduction in the passenger traffic in the Greek market for the listed companies continued in 2006. Adriatic passenger traffic remained at the same levels compared to 2005 showing a marginal increase of +1.1%, whereas in North Europe the decrease in passenger traffic is the biggest due to the gradual exit of Attica Group from the specific market.

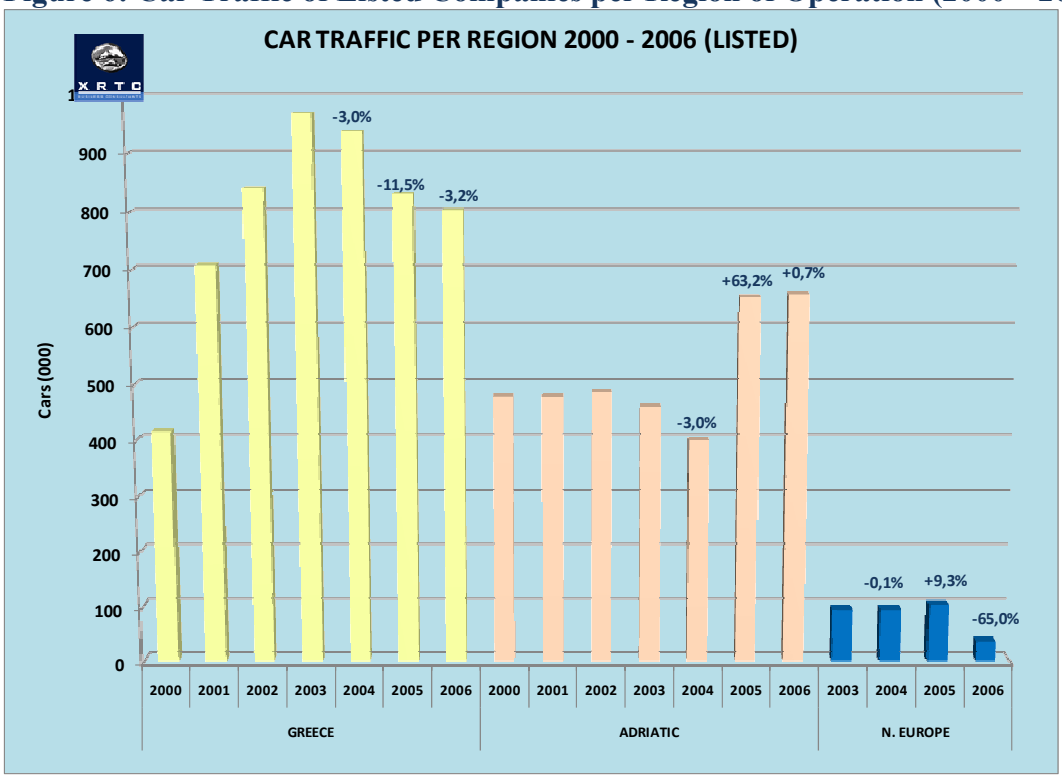
Figure 5: Passenger Traffic of Listed Companies per Region of Operation (2000 – 2006)



Source: XRTC Business Consultants

Car traffic follows the same trend with that of the passengers. In the areas of Greece and North Europe there is a decrease of -3.2%, and -52% respectively, whereas in the Adriatic Sea there is a marginal increase of +0.7% compared to 2005 as presented in Figure 6.

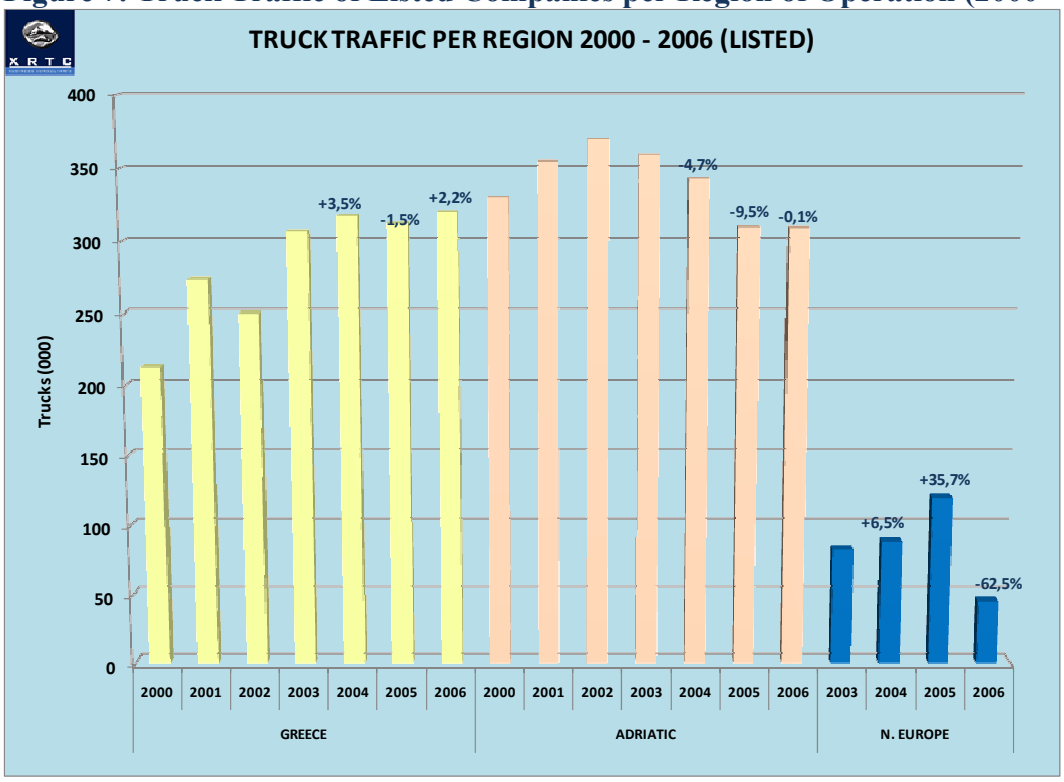
Figure 6: Car Traffic of Listed Companies per Region of Operation (2000 – 2006)



Source: XRTC Business Consultants

Truck traffic recorded a marginal increase of +2.2% in the Greek market, stabilization in the market of the Adriatic Sea and significant decrease in North Europe due to the gradual exit of ATTICA GROUP from the specific market (Figure 7).

Figure 7: Truck Traffic of Listed Companies per Region of Operation (2000 – 2006)



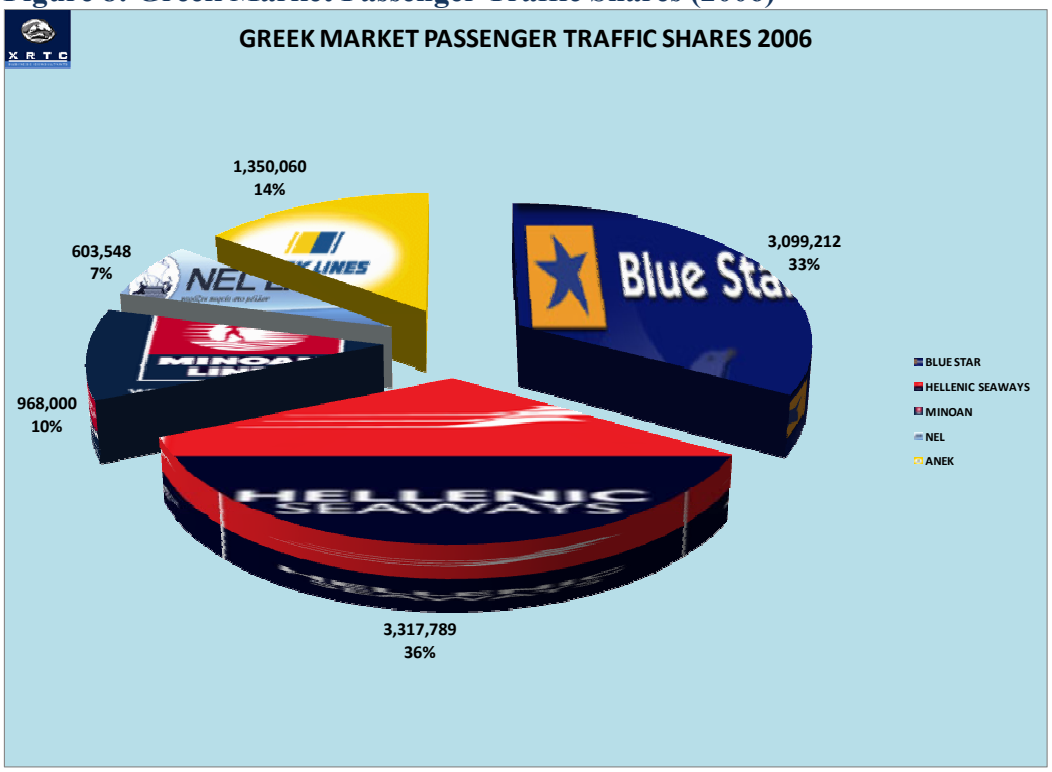
Source: XRTC Business Consultants

2.2 Traffic Analysis per Company

2.2.1 Greek Market

The per company traffic analysis of the Greek market shows the impressive market share of 36% (3.3 million passengers) of HELLENIC SEAWAYS, whereas all listed companies (BLUE STAR, ANEK, MINOAN LINES and NEL) have a total market share of 64% (6.3 million passengers) of the total passenger traffic in the specific market. It is worth mentioning that in the HELLENIC SEAWAYS passenger traffic excludes Saronic area traffic. As seen in Figure 8, BLUE STAR has the largest passenger traffic market share among the listed companies with 33% (3 million) in 2006. ANEK follows with 14% (1.3 million).

Figure 8: Greek Market Passenger Traffic Shares (2006)



Source: XRTC Business Consultants

Car traffic is somehow differentiated with BLUE STAR having a 36% (390,000) market share and HELLENIC SEAWAYS following with 26% (288,000). HELLENIC SEAWAYS Saronic area car traffic is not included. ANEK with 208,000 cars comes third as in the case of passengers (Figure 9).

Figure 9: Greek Market Car Traffic Shares (2006)

Source: XRTC Business Consultants

Finally truck traffic (Saronic exempted) ANEK has the largest market share with 36% (135 thousand) as presented in Figure 10. BLUE STAR follows with 26% (95.7 thousand) and HELLENIC SEAWAYS with 14% (50.7 thousand).

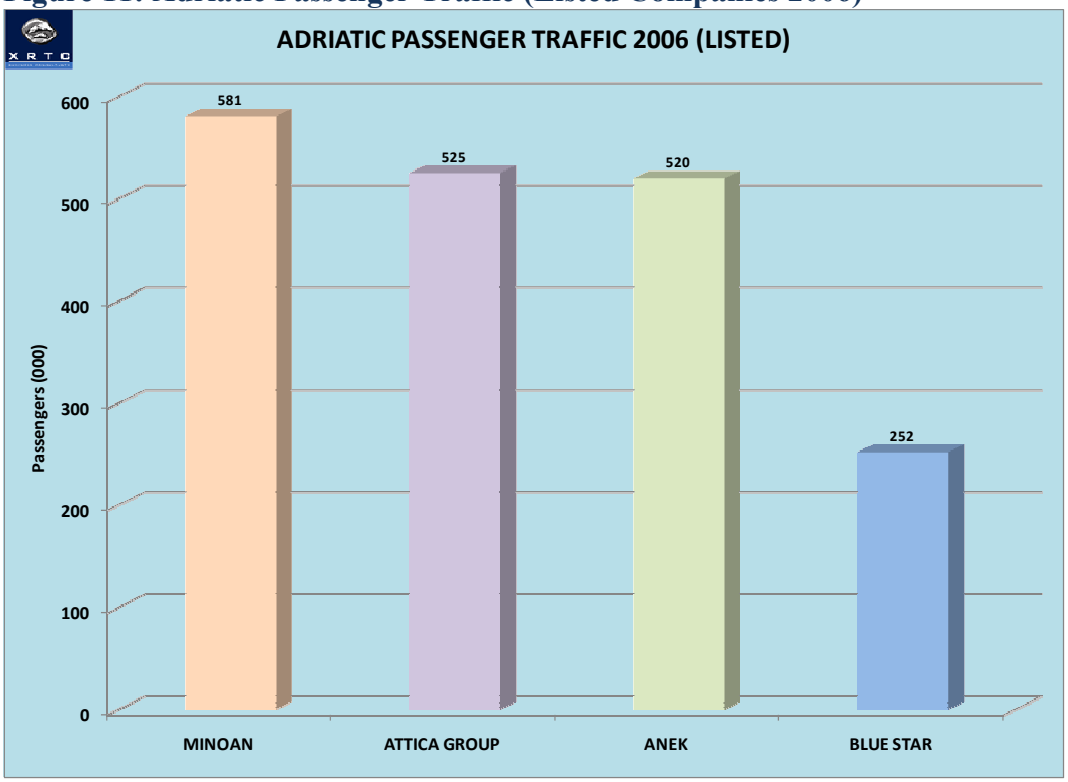
Figure 10: Greek Market Truck Traffic Shares (2006)

Source: XRTC Business Consultants

2.2.2 Adriatic Sea Market

Operators in the Adriatic market include ATTICA GROUP (through its subsidiary Superfast), MINOAN LINES, BLUE STAR, ANEK and HELLENIC SEAWAYS with two RO/RO vessels through its subsidiary HELLENIC SEAWAYS CARGO covering the Korinthos – Venice. As presented in Figure 11, MINOAN LINES transported the highest number of passengers in the area (581 thousand). ATTICA GROUP follows and ANEK and BLUE STAR come third and fourth respectively.

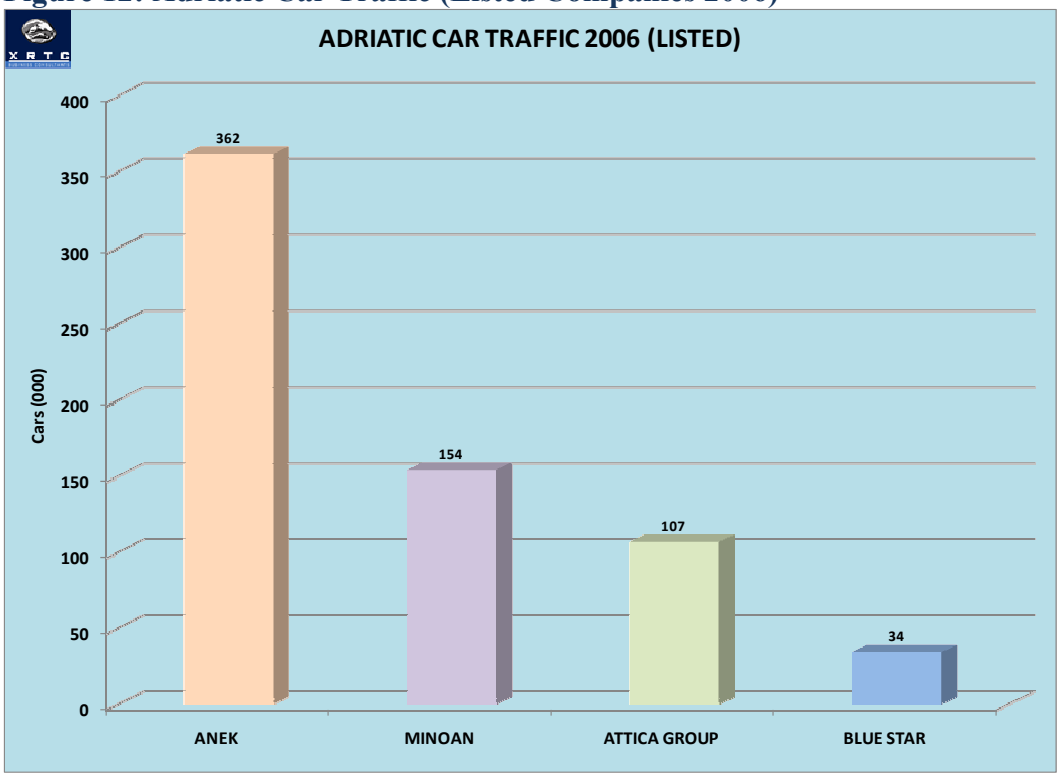
Figure 11: Adriatic Passenger Traffic (Listed Companies 2006)



Source: XRTC Business Consultants

In car traffic ANEK ranks first (362 thousand), MINOAN LINES and ATTICA GROUP follow with 154 and 107 thousand cars respectively and finally BLUE STAR with 34 thousand cars (Figure 12). Special attention needs to be given to the dramatic increase in the car traffic volumes of ANEK in 2006. The company transported 132 thousand cars in 2005.

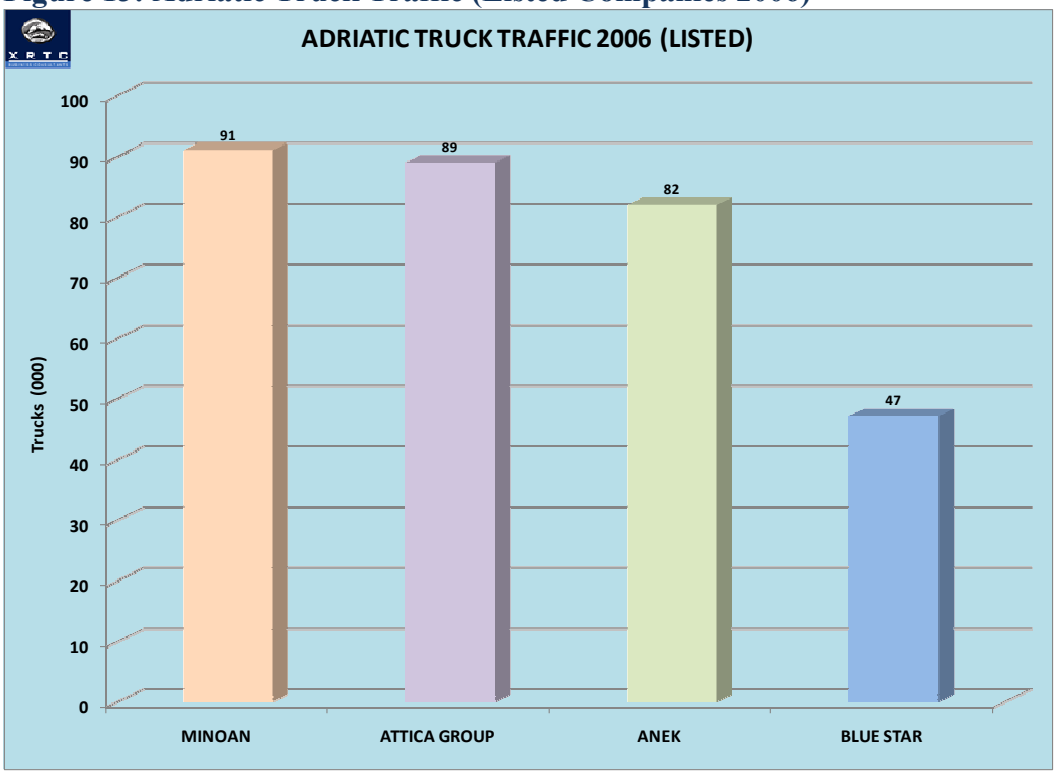
Figure 12: Adriatic Car Traffic (Listed Companies 2006)



Source: XRTC Business Consultants

Finally, in reference to the truck traffic MINOAN LINES obtains the first place transporting 91 thousand cars. Second is ATTICA GROUP transporting 89 thousand trucks and third and fourth are ANEK and BLUE STAR transporting 82 and 47 thousand trucks respectively (Figure 13).

Figure 13: Adriatic Truck Traffic (Listed Companies 2006)



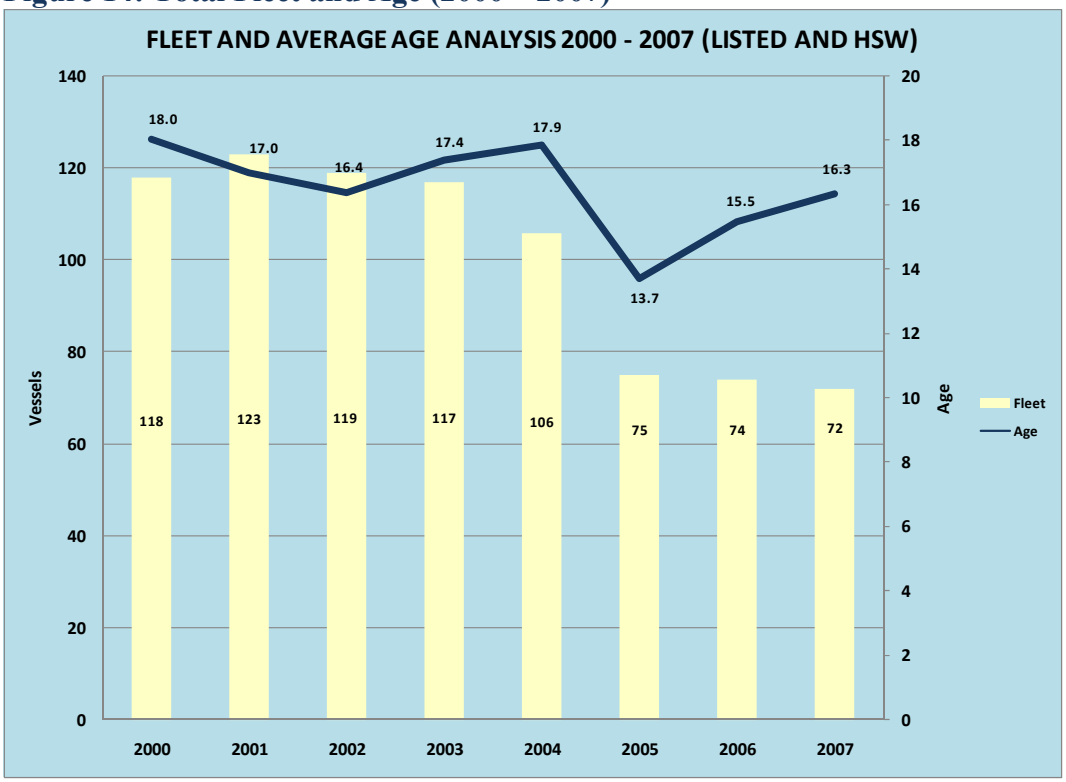
Source: XRTC Business Consultants

3 Supply Analysis

As seen in Figure 14 there is an evident decrease in the number of vessels in 2005 reaching the level of -30%. This decrease is mainly due to:

- the renewal strategies adopted by most of the ferry operators
- the provision of higher quality services with the use of modern vessels

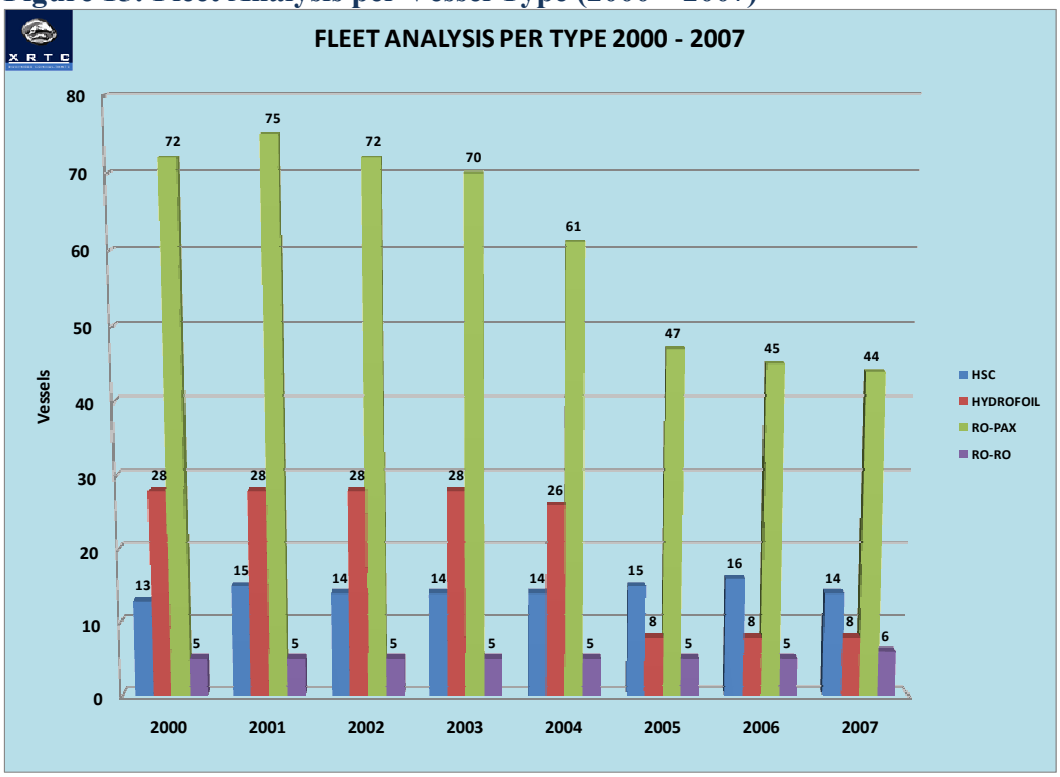
Figure 14: Total Fleet and Age (2000 – 2007)



Source: XRTC Business Consultants

There is also significant decrease in the number of HYDROFOILS and RO-PAX vessels as illustrated in Figure 15. This decrease took place mainly between 2004 and 2005 due to the fleet renewal strategy of HELLENIC SEAWAYS.

Figure 15: Fleet Analysis per Vessel Type (2000 – 2007)



Source: XRTC Business Consultants

Since 2002 onwards operators across the board did not continue the impressive investment plans adopted during the booming years of the Athens Exchange (i.e 1998-2000).

HELLENIC SEAWAYS, BLUE STAR and NEL added vessels to their fleets during the last three years each of them for different reasons:

- HELLENIC SEAWAYS purchased a series of second hand vessels and also had two new building projects,
- BLUE STAR via the acquisition of DANE LINES enlarged its fleet by an additional vessel, and
- NEL via the acquisition of C-LINK also enlarged its fleet by another three units.

The partial implementation of the markets deregulation via the state law 2932/2001 and the allowance of the 35 + age limit for the vessels gave a boost to ferry companies to implement strategies involving new investment programs.

4 Market Financial Analysis

According to European legislation 1606/2002 and based on the Greek state law 3229/2004 (as amended from state law 3301/2004) Greek companies are listed in any Stock Market (Local or abroad) are obliged to publish their consolidated financial statements based on the international financial standards as of 01.01.2005. Thus the financial data used in this report starting from 2004 onwards are published based on these international standards.

The financial analysis to follow focuses on the following basic categories:

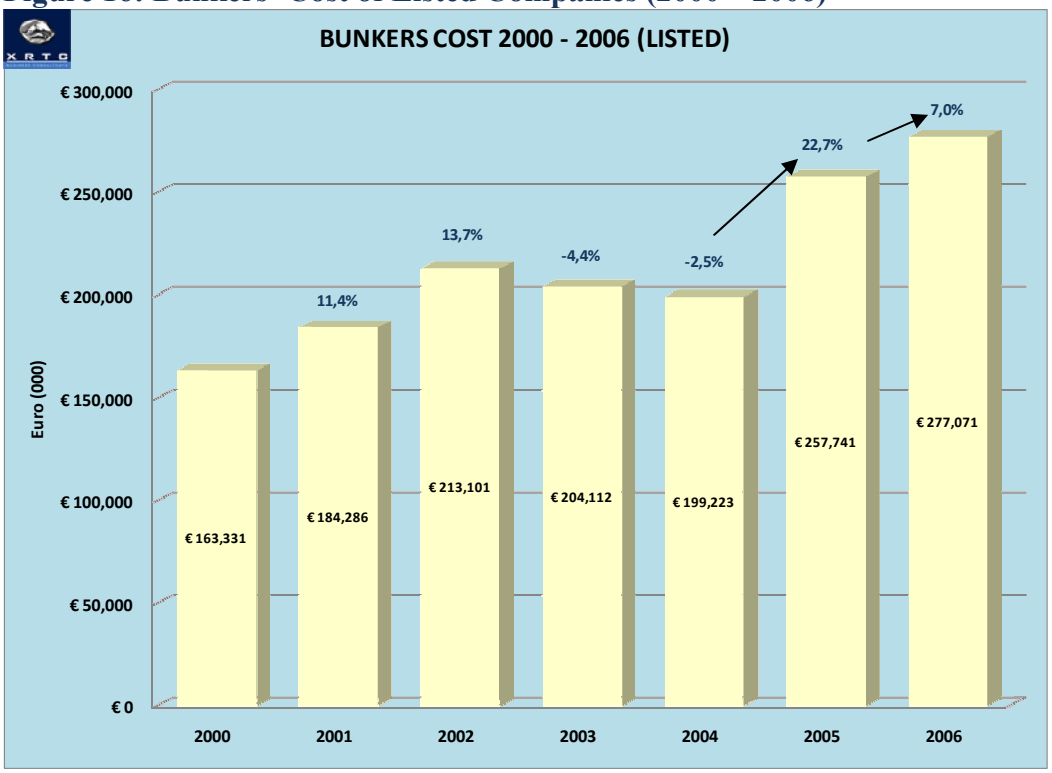
- operational analysis,
- total turnover from operations,
- EBITDA,
- net results before tax
- bank debt.

The report will initially present the market analysis which consists from data deriving from the five listed ferry companies in the Athens Exchange – namely ATTICA GROUP, BLUE STAR, ANEK, NEL, MINOAN LINES. The financial analysis of each and every company individually will then follow which will also include Hellenic Seaways, the sole non listed ferry company which is considered due to its fleet size, numerous destinations as well as financial performance and size.

4.1 Cost Analysis

The price increase of bunkers during the past three years has substantially burdened the financial results for each and every company individually and further more the results of the companies operating high speed vessels the consumption of which is notably higher than that of the conventional vessels and additionally the type of fuel consumed is also higher in price than that consumed by conventional vessels. In 2006 total fuel/bunker cost for all listed companies increased by 7% as compared to its 2005 levels, and as is presented in Figure 16 directly reflecting the increase in the price of the barrel of fuel.

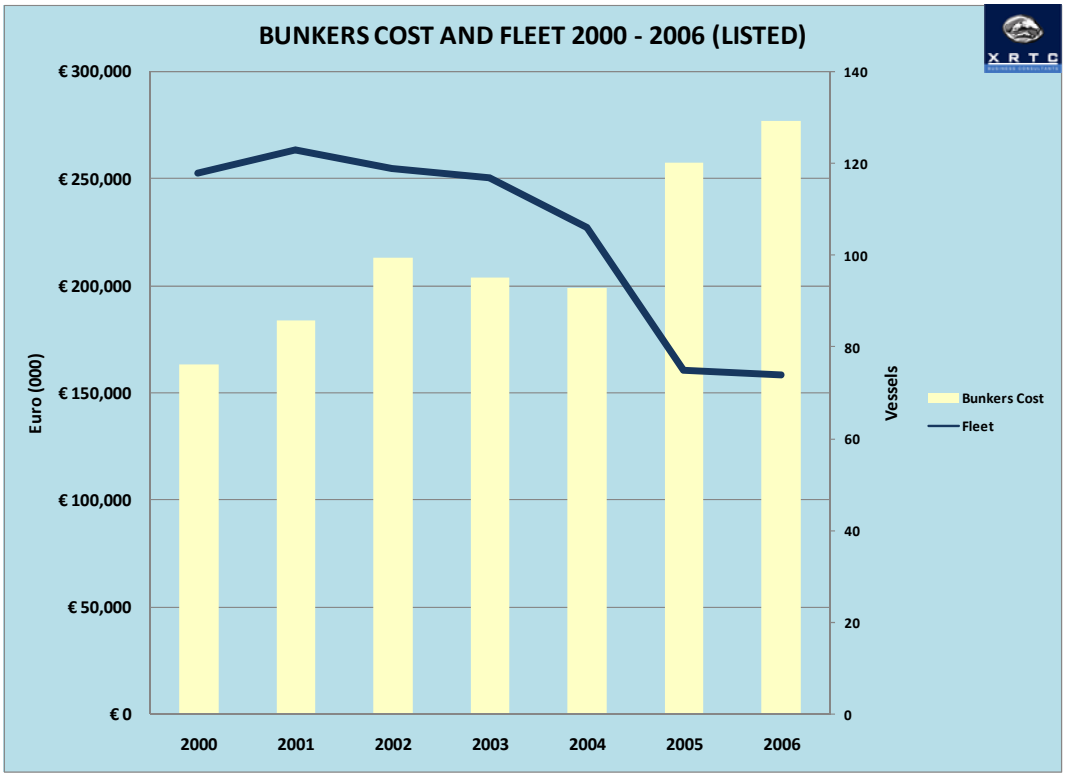
Figure 16: Bunkers' Cost of Listed Companies (2000 – 2006)



Source: XRTC Business Consultants

The importance of the increase in fuel prices is also presented in Figure 17 where it is clearly visible that despite the considerable decrease in the total fleet of the five listed companies during the past six years, total fuel cost increases considerably during the corresponding period.

Figure 17: Bunkers' Cost and Fleet Comparison of Listed Companies (2000 – 2006)

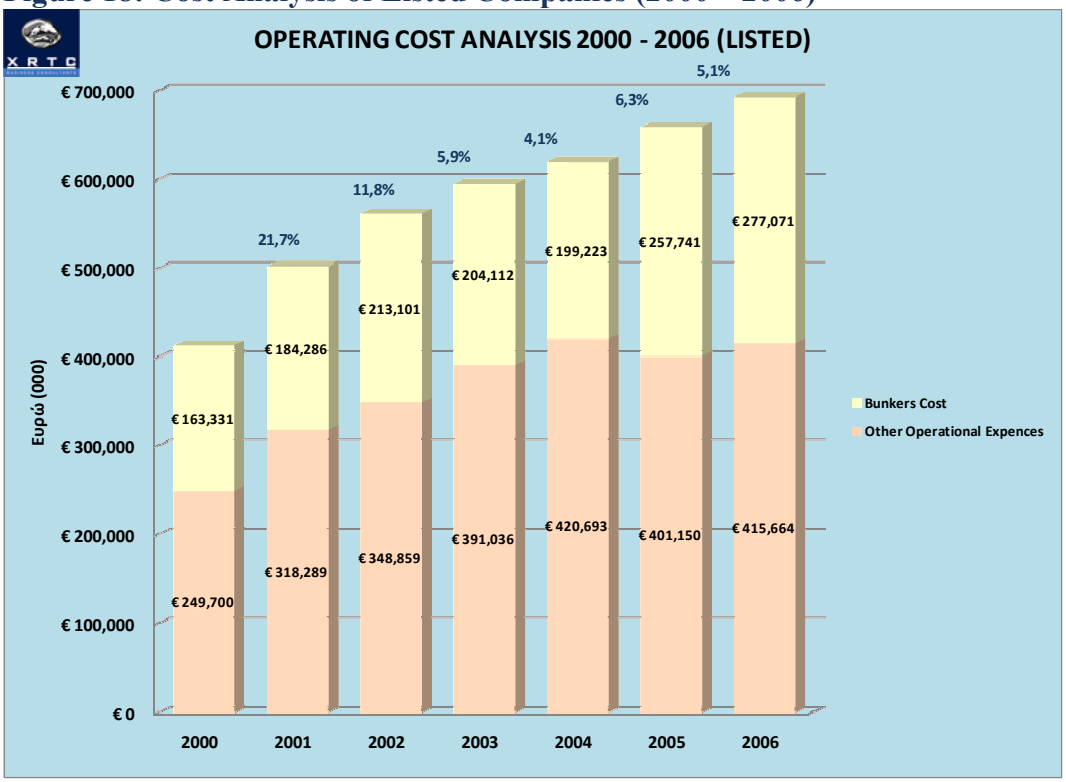


Source: XRTC Business Consultants

It is worth noting that despite the substantial burdening of the companies' operational expenses on the back of the increase in bunker costs, annual increase in total operational costs for all five companies for 2006 stands at +5% (Figure 18) clearly reflecting the companies' effort to "level" and "absorb" this cost centre in the total operational expenses through:

- The close monitoring and control of the other operational expenses,
- The use of hedging instruments in their fuel prices protecting the companies from negative macroeconomic influences,
- The implementation of an additional fuel levy incorporated in the fares prices.

Figure 18: Cost Analysis of Listed Companies (2000 – 2006)

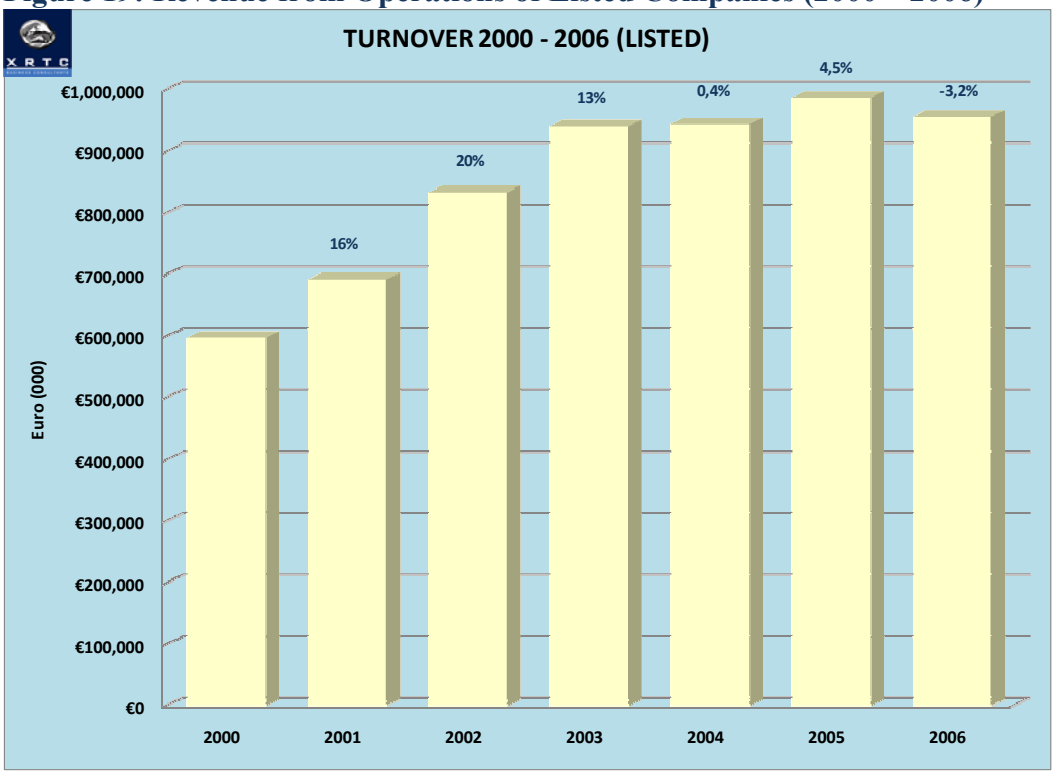


Source: XRTC Business Consultants

4.2 Revenue from Operations

As is presented in Figure 19, following a six year increase in the revenue from operations for all five listed companies, 2006 total revenue from operations marginally decreased by -3,2% as compared to its 2005 levels.

Figure 19: Revenue from Operations of Listed Companies (2000 – 2006)



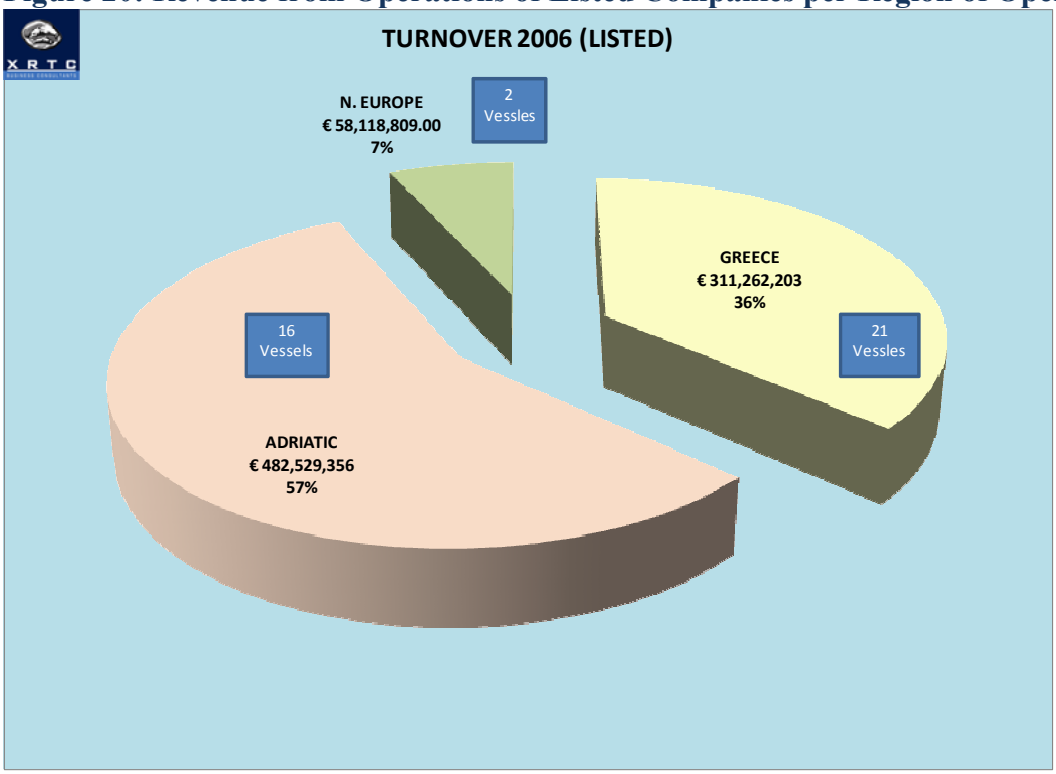
Source: XRTC Business Consultants

Attica Group's operational exit from the Baltic Sea was one of the reasons that negatively affected the sector's revenue from operations marginal decrease. At this point it should be mentioned that the areas of operation the listed companies highly expanded geographically due to chartering out of vessels in various European and Middle Eastern charterers.

Minoan, Hellenic Seaways, GA Ferries and C-Link chartered some of their vessels in various European companies gaining substantial profits from such transactions.

Still, the five listed companies have three different main areas of operation from which they generate their gross revenue from operations. Figure 20 clearly presents the geographical income division from such three areas. 57% of the total revenue from operations for all five listed companies derives from the Adriatic, 36% from the Greek market and 7% from Northern Europe (in which only Superfast a subsidiary of Attica Group only operated).

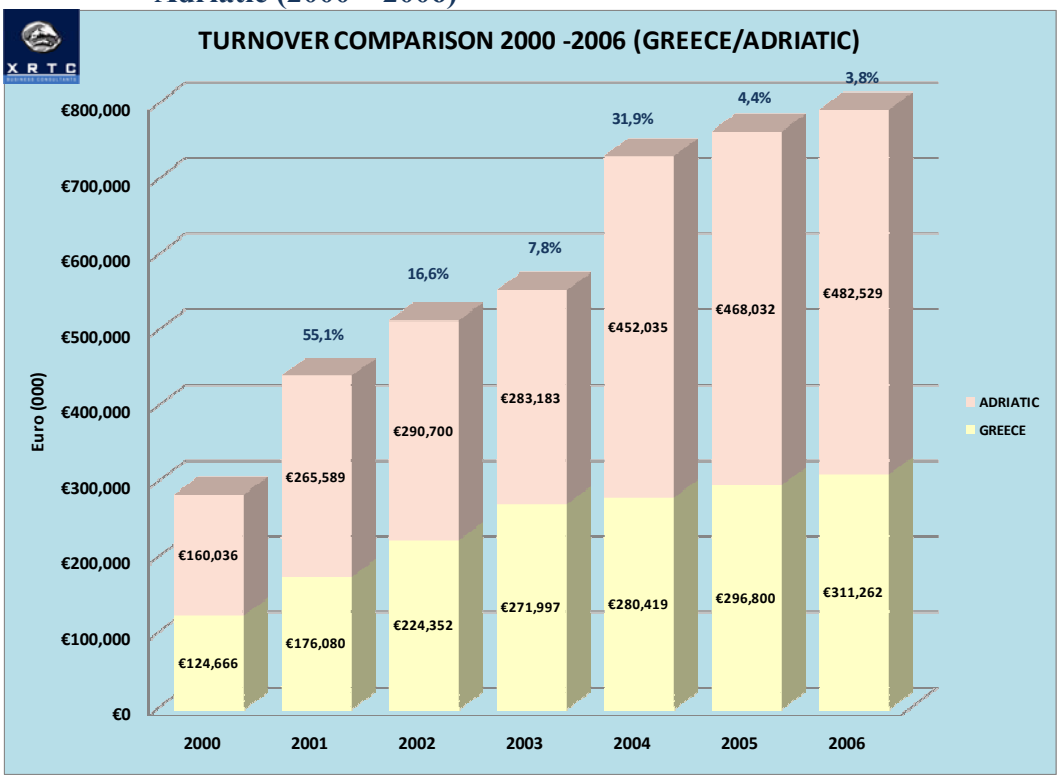
Figure 20: Revenue from Operations of Listed Companies per Region of Operation (2006)



Source: XRTC Business Consultants

Historically the Greek and the Adriatic areas have a 60-40 gross revenue from operations allocation as is presented in Figure 21 on the back of the to-date liberalized fare market of the Adriatic market as opposed to the regulated Greek one until 2005.

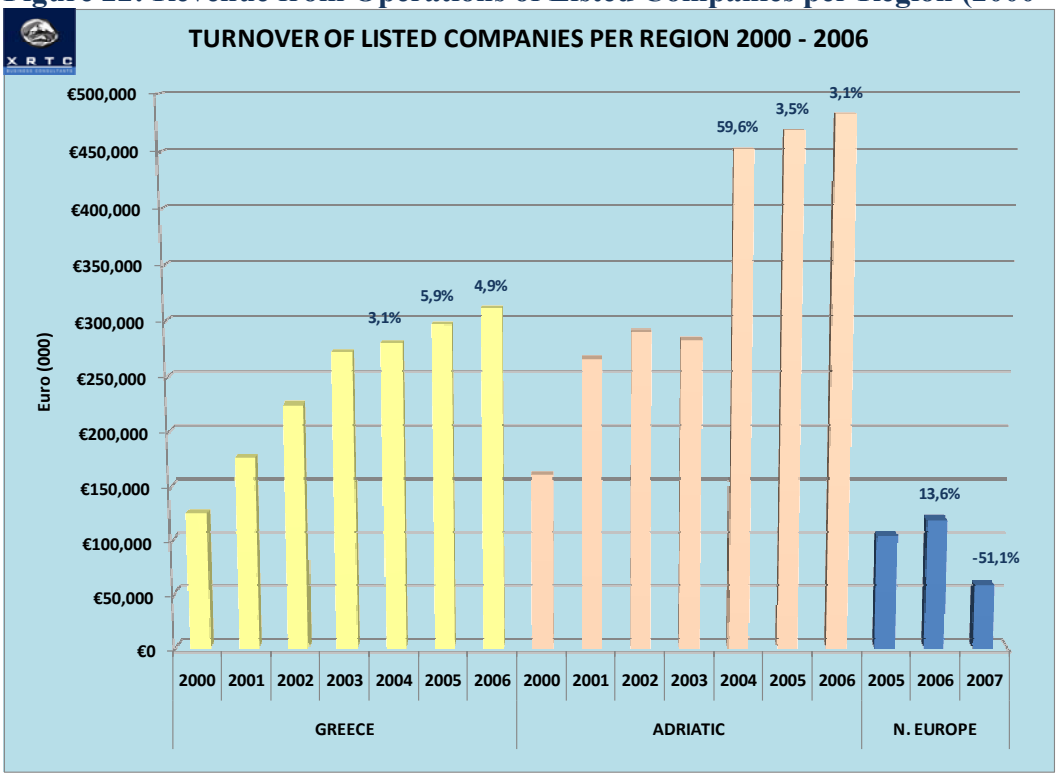
Figure 21: Revenue from Operations Comparison of Listed Companies between Greece and Adriatic (2000 – 2006)



Source: XRTC Business Consultants

Both the Greek as well as the Adriatic markets recorded increasing total revenues from operations for all five listed companies as is presented in Figure 22. In contrast the North European revenue from operations decreased.

Figure 22: Revenue from Operations of Listed Companies per Region (2000 – 2006)

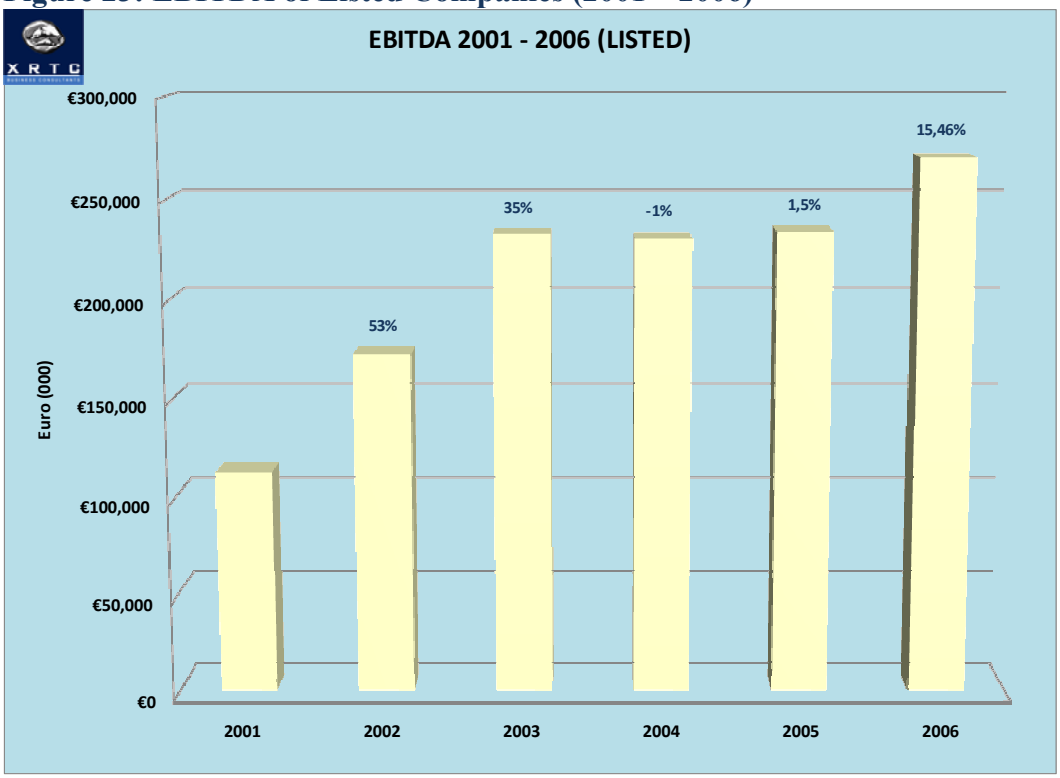


Source: XRTC Business Consultants

4.3 EBITDA

Total EBITDA for the five listed companies recorded a notable +18% increase in 2006 as presented in Figure 23.

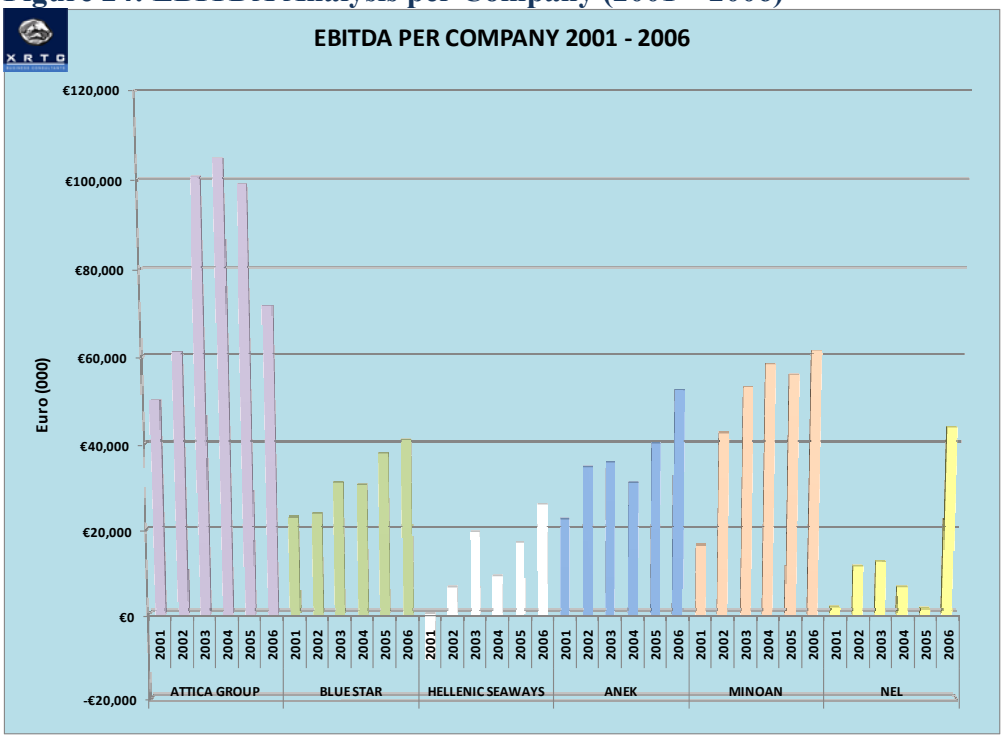
Figure 23: EBITDA of Listed Companies (2001 – 2006)



Source: XRTC Business Consultants

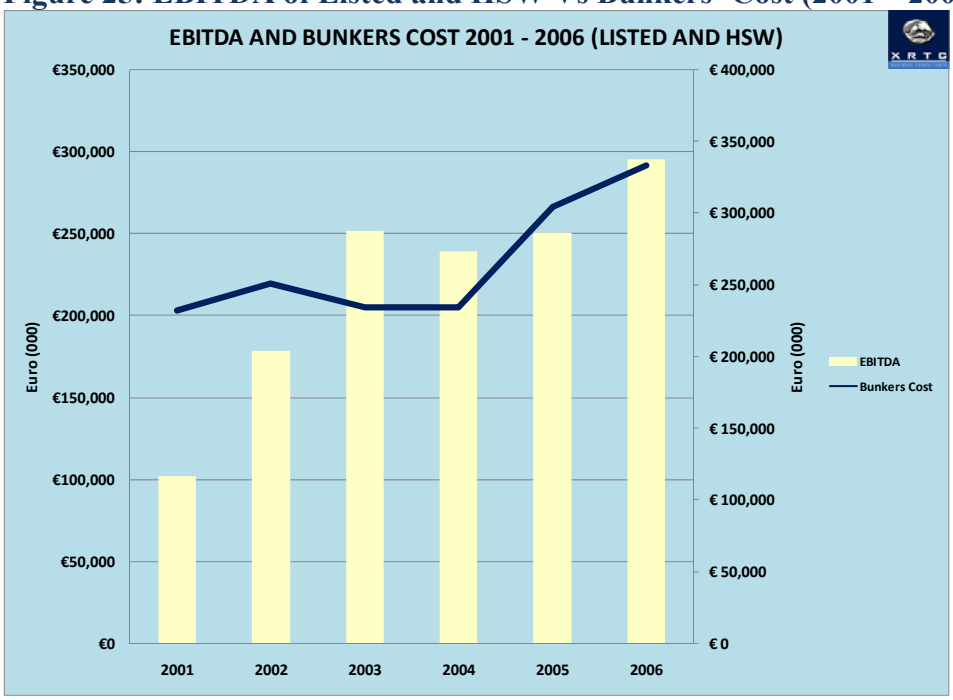
Figure 24 presents EBITDA results per company for the past five years in which all companies except Attica Group present improved EBITDA with NEL's standing out since its results were highly favored from its loans' write off as well as the compensations received from the repairs of its three Corsaire type vessels. In contrast ATTICA GROUP's notable decrease in EBITDA is a result of the company's strategic exit from the North European and the Adriatic markets through the sale of a series of ferries operating in those areas.

Figure 24: EBITDA Analysis per Company (2001 – 2006)



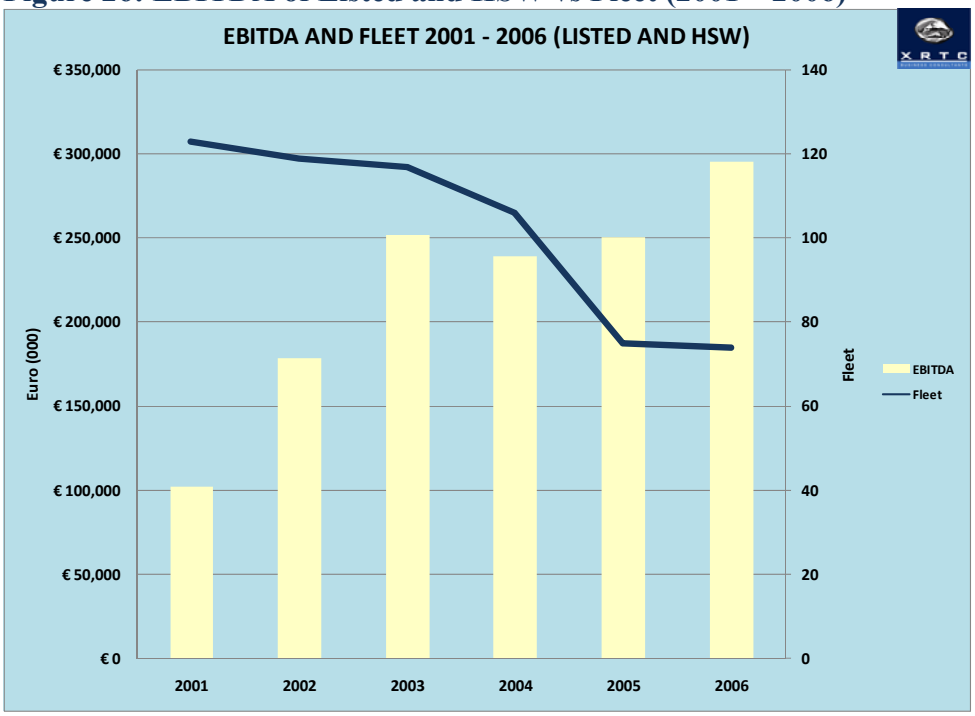
Source: XRTC Business Consultants

Figure 25: EBITDA of Listed and HSW Vs Bunkers' Cost (2001 – 2006)



Source: XRTC Business Consultants

Figure 26: EBITDA of Listed and HSW vs Fleet (2001 – 2006)

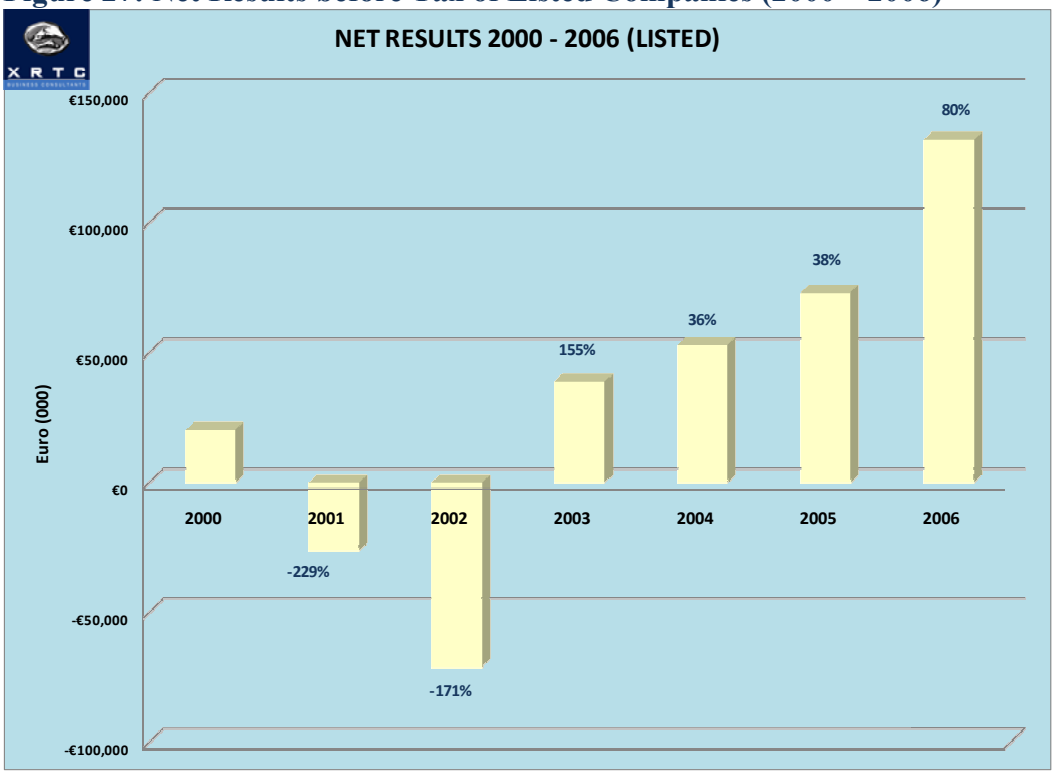


Source: XRTC Business Consultants

4.4 Net Results

Total net results for all five listed companies also present improved levels as presented in Figure 27. +80% improvement in 2006 as compared to their year before levels continuing their improvement trend from 2003.

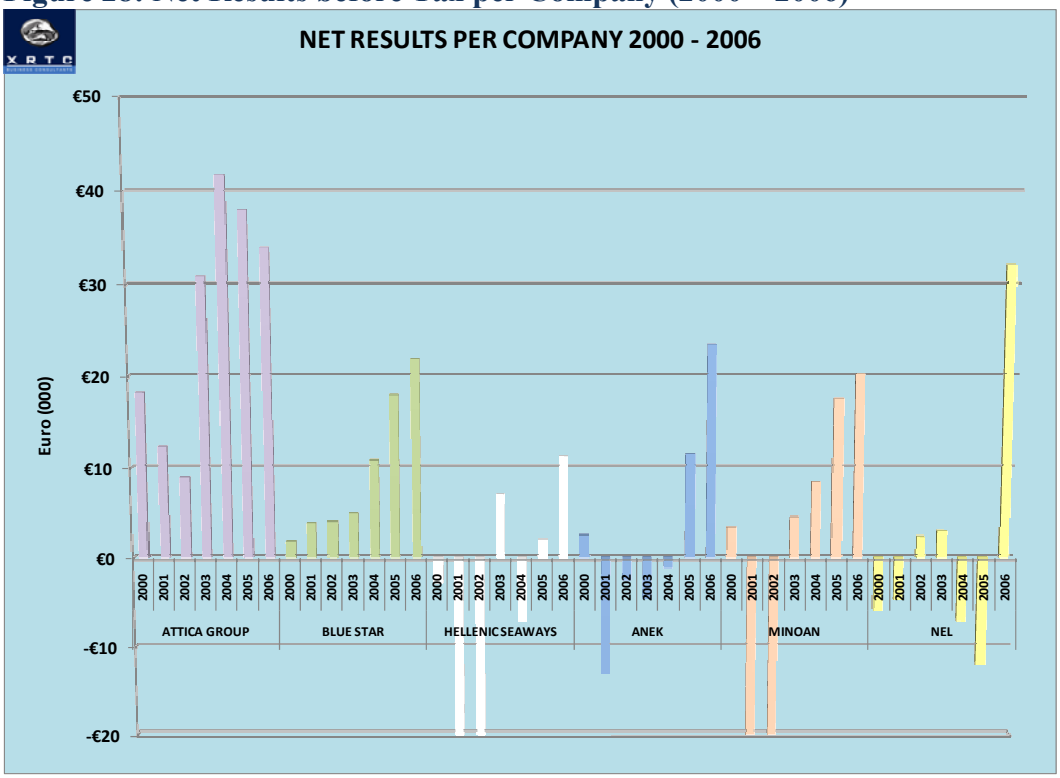
Figure 27: Net Results before Tax of Listed Companies (2000 – 2006)



Source: XRTC Business Consultants

In more detail, Figure 28 clearly presents this improvement for all four companies except ATTICA GROUP again on the back of the latter's exit from both the Adriatic and the North European markets.

Figure 28: Net Results before Tax per Company (2000 – 2006)



Source: XRTC Business Consultants

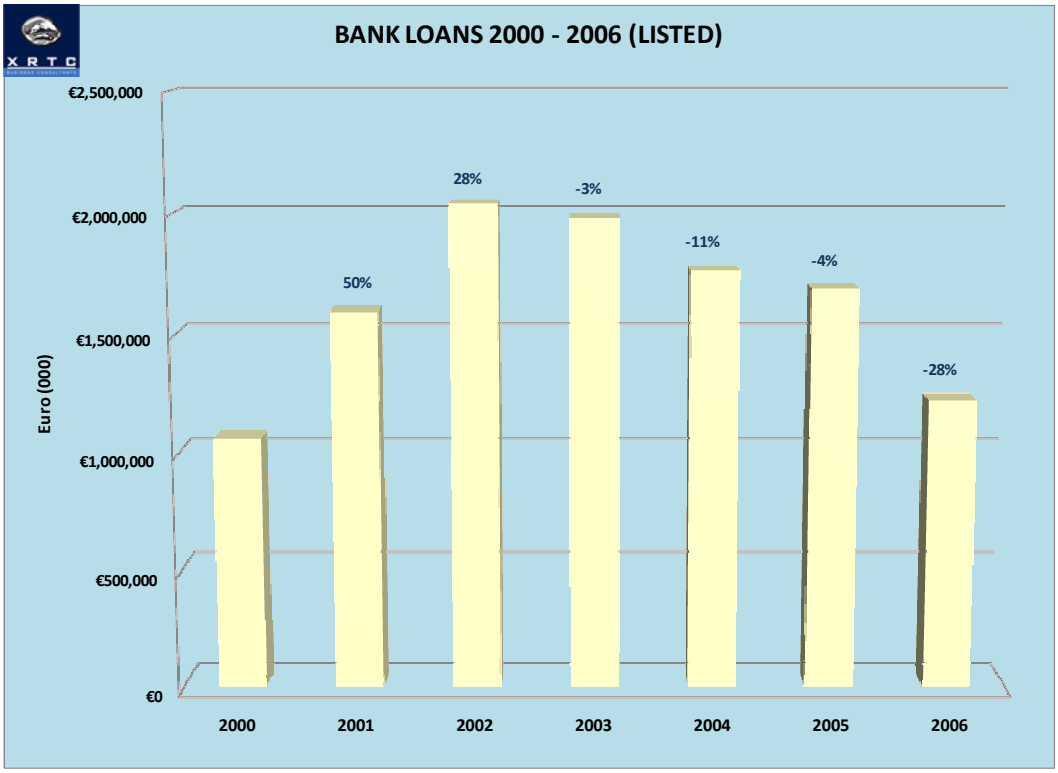
4.5 Bank Loans

The restructuring process of loans for all listed companies has been a long term process which has finally been completed across the board in 2006. Common driver for this process was the reduction of the unrealistically increased debt repayment installments and the rationalization of the outstanding debt profiles from the financing banks.

These restructurings provided to the companies the opportunity to enter into a new "upgrading orbit" course providing comfort for the future performance of the ferry companies since the latter along with the financing banks are in a parallel course of development. As a result current bank loan outstanding for all five listed companies decreased considerably as compared to its 2000 levels by -28% as presented in Figure 29 mainly due to:

- The rational annual repayment profiles following the restructurings,
- The sale of assets thus the repayment of corresponding loan portions.

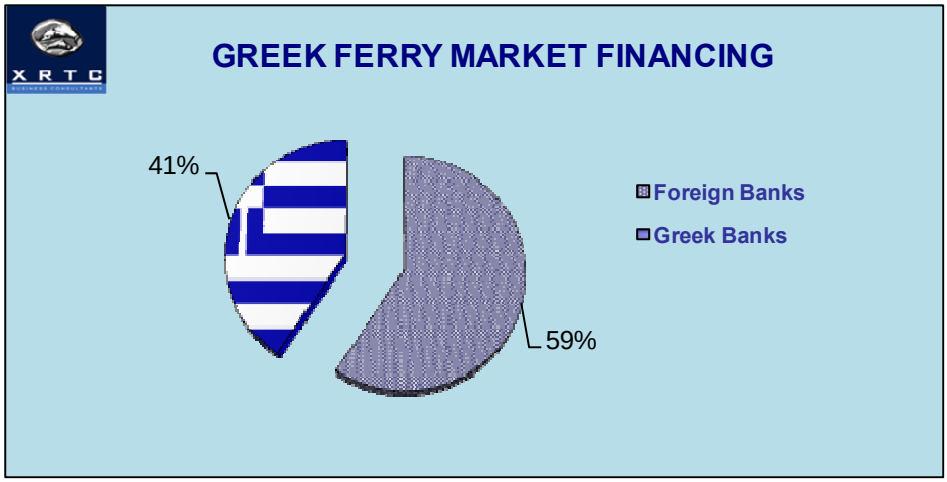
Figure 29: Bank Loans of Listed Companies (2000 – 2006)



Source: XRTC Business Consultants

Foreign banks active in the financing of the Greek ferry sector are more than the Greek ones. 41% of total financing derives from Greek banks while 59% derives from foreign as presented in Figure 30. It is worth noting that for a considerable amount of time the Greek ferry sector was excluded from the areas of interest of both Greek as well as foreign banks due to its regulated status as well the long restructuring process.

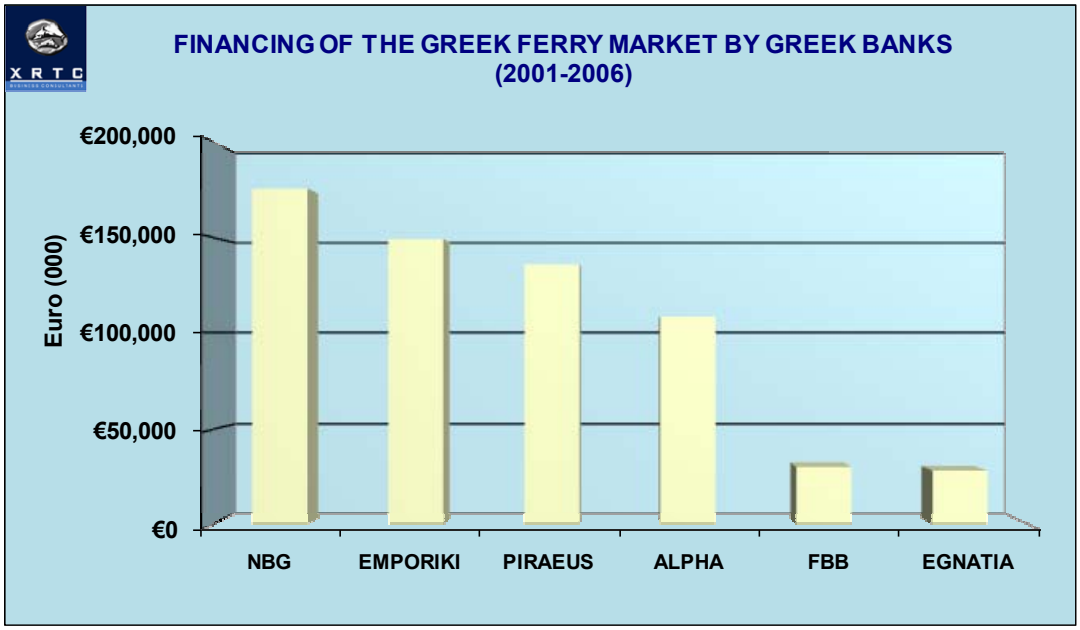
Figure 30: Financing of Greek Ferry Market



Source: XRTC Business Consultants

It is also worth noting that the banks with the largest shipping portfolio in the wider Greek shipping sector are not active at all in the financing of the Greek ferry sector – namely Royal Bank of Scotland and HSH. On the other side the foreign banks which are highly active in the sector are: Natixis, KFW, J.P. Morgan, ABN Amro, Citibank, Commerzbank, Deutsche Scheffsbank, and DVB and in terms of Greek banks we find National Bank of Greece (NBG), Piraeus Bank, Emporiki Bank and First Business Bank as presented in Figure 31.

Figure 31: Financing of the Ferry Market by Greek Banks (2001-1006)



Source: XRTC Business Consultants

Natixis' involvement in the sector has been notable since through a series of new band loans granted to several Greek ferry companies it gained a substantial market share backing new investment projects of a series of different companies. A considerable factor favoring the sector's credibility towards financial institutions was the signing of a bond loan of €154 million for Hellenic Seaways granted by Natixis bank, National Bank of Greece and Piraeus Bank along with the involvement of another two Greek banks.

The latest developments in the sector relating to shareholding structures and also to the forthcoming strategic developments from individual companies prove to be attractive features of the sector towards banks. It is expected that a new "round" of project financings will shortly materialize along certain restructurings which will further rationalize debt profile repayment structures.

4.6 Analysis of Key Financial Results

The financial analysis to be presented is based on the following three different financial ratios and results on a per company basis as well as for the entire market as a whole:

- Debt to equity,
- EBITDA margin,
- Gross revenue from operations.

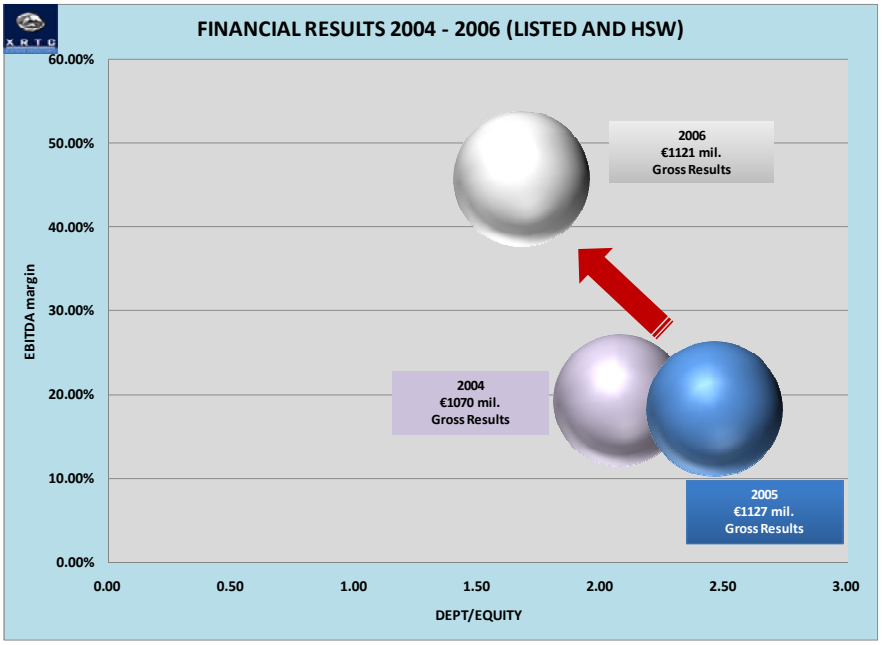
Market results (five listed companies):

Figure 32 presents a substantially improved image for the market as a whole with a marginal decrease in the total gross revenue from operations by -0.5% for all five listed companies and also the improvement in the EBITDA margin from 18.3% in 2005 to 45.8% in 2006 reflecting the liberalization of the sector's fares as well as the improvement of load factors of the vessels in operation (less vessels in operation – increase in traffic trends).

Lastly it is worth noting the decrease in the debt to equity ratio from 2.5 in 2005 to 1.7 in 2006 reflecting the decrease in the debt for all five listed companies due to:

- The repayment of loan outstandings,
- The write off of a substantial amount of debt from NEL Lines last year,
- The sale of a series of vessels from various companies and the repayment of the corresponding debt.

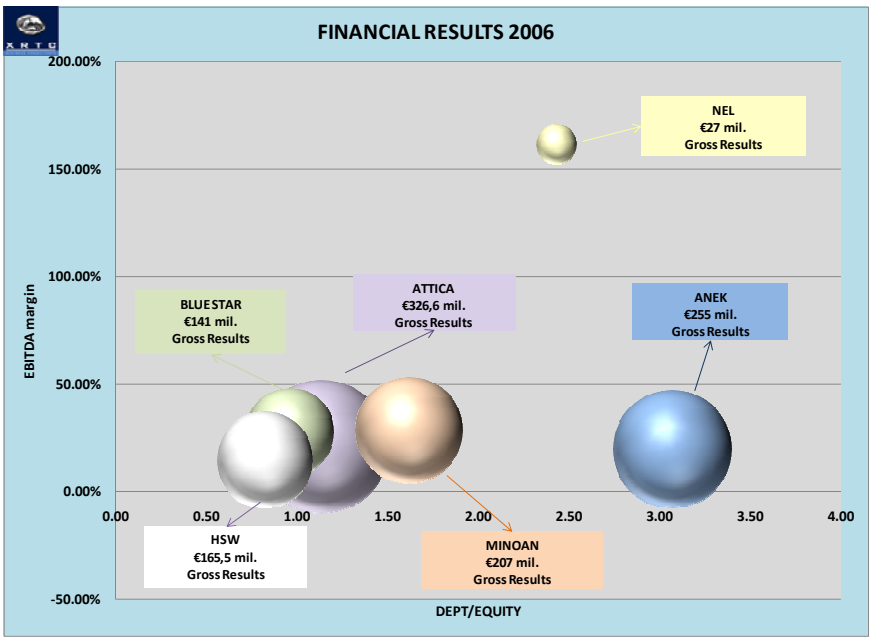
Figure 32: Financial Analysis of Listed and HSW (2004 – 2006)



Source: XRTC Business Consultants

The per company analysis, presented in Figure 33, shows NEL's positioning at the NE corner of the graph with highest EBITDA margin (162%) and the second best debt to equity ratio (2,43) after ANEK. It is worth pointing out that 4/6 of the companies (ATTICA GROUP, BLUE STAR, MINOAN LINES and HELLENIC SEAWAYS) are positioned at the SW corner of the graph.

Figure 33: Financial Analysis per Company (2006)



Source: XRTC Business Consultants

5 Shareholding Structures and Market Characteristics

The changes that took place during 2006 in the companies' shareholding structures were significant:

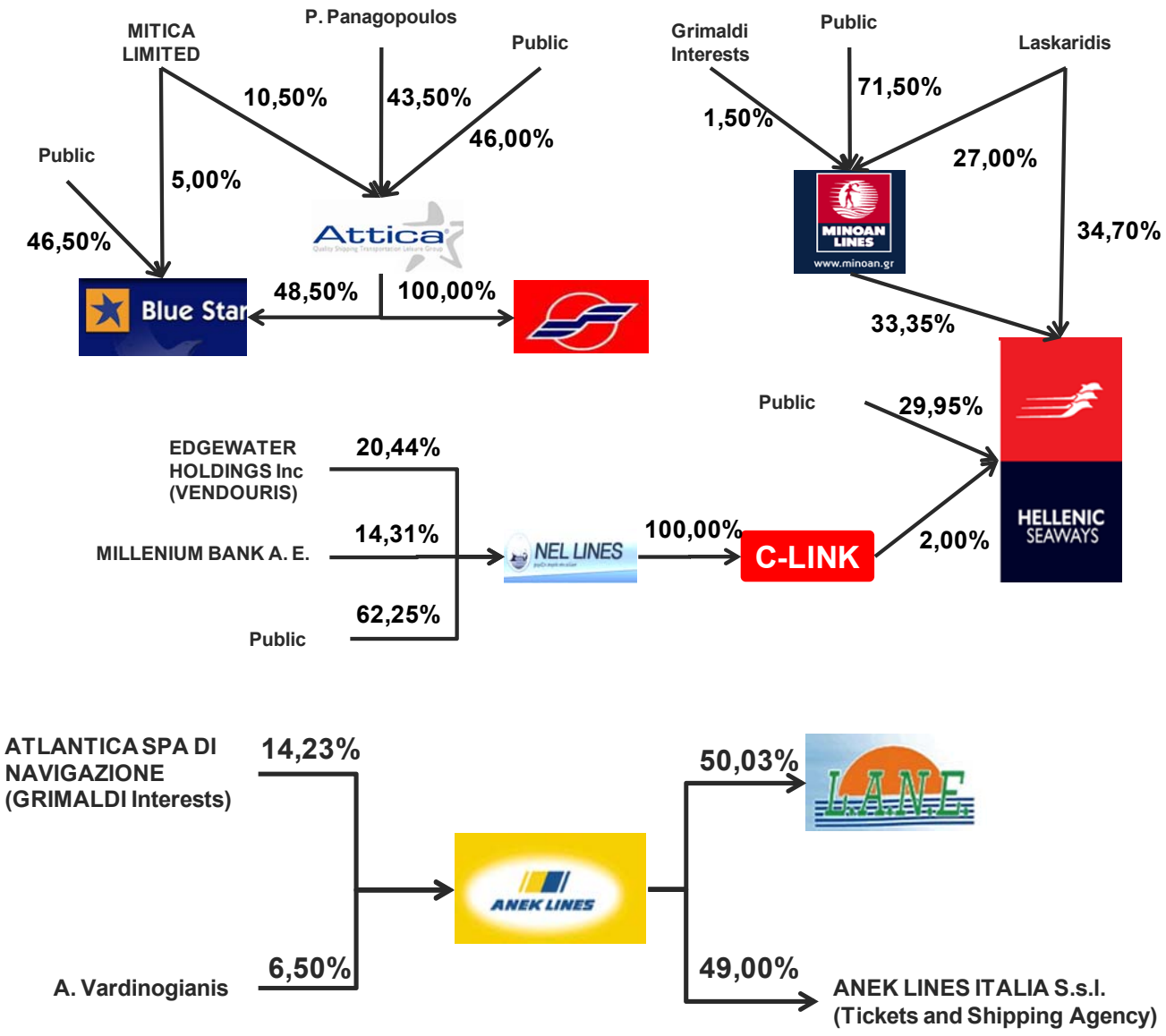
- ATTICA GROUP's sale of its share in HELLENIC SEAWAYS to Mr. Laskaridis who increased his participation in the company to 34.7%,
- the acquisition of C-LINK by NEL.

Similar changes are taking place in 2007 with Mr. Laskaridis acquiring ATTICA's stake in MINOAN LINES (27.0%) and GRIMALDI GROUP acquiring a 14.23% stake of ANEK through ANEK's latest share capital increase in the Athens Exchange. This entrance of new players in the market is attributed to the sector's deregulation and to the positive prospects of the sector resulting from the companies' restructuring efforts.

It is worth mentioning the defensive strategy adopted by η ATTICA GROUP through the gradual exit from the Baltic and the North Sea markets and the sale of shares of other Greek ferry operators (ATTICA GROUP in MINOAN LINES).

The shareholder structure of the Greek ferry market and a SWOT market analysis are presented in Figure 34 and Table 1 respectively.

Figure 34: Shareholder Structure Analysis (2006)



Source: XRTC Business Consultants

Table 1: S.W.OT. Analysis (2006)

STRENGTHS	WEEKNESSES
• Quality of management • Fleet replacement • Good relationships with banks • Improved financial results • Restructuring of operations • High level of service in certain itineraries	• Over-aged and reduced fleet in the Greek market • Low service levels in certain itineraries • Immediate taxes imposed on ticket fares • Inefficient subsidies' system
OPPORTUNITIES	**THREATS**
• New entrants in the market • Scope for more mergers and acquisitions • Gradual investments in port infrastructure • Possibilities for the creation on new itineraries at a European and Global level by Greek ferry operators • Need for new investments • Subsidies by the European Union and the Greek State for the development of Sea transportation • Trust by the banking sector to ferry operators	• Delay in the completion of the national ferry transportation network • Lack of port infrastructure • Lack of vessels in the global market • Fuel cost • Seasonality effect • Increased competition

Source: XRTC Business Consultants

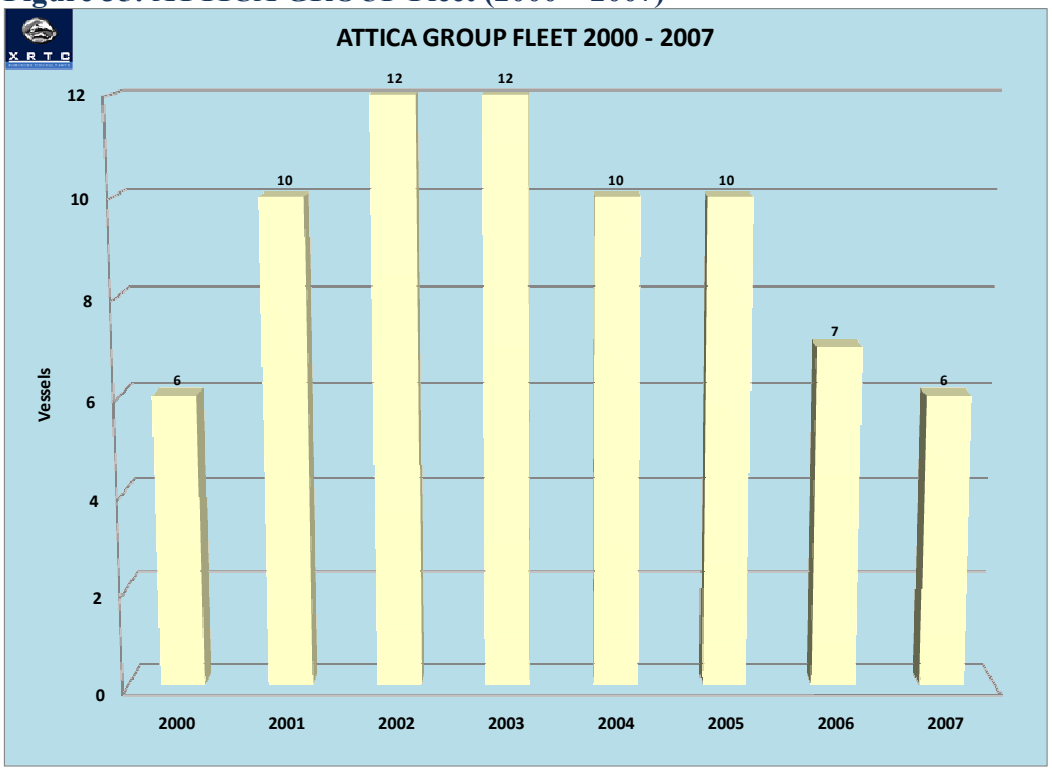
6 Per Company Analysis

The basic characteristics of each listed company (ATTICA GROUP, BLUE STAR, HELLENIC SEAWAYS, MINOAN LINES, ANEK, NEL) are presented in the analysis that follows. Emphasis is given in financial and traffic figures.

6.1 ATTICA GROUP

In 2006 the company reduced its fleet to seven vessels (Figure 35) through the sale of vessels SUPERFAST VII, VIII and IX, which operated in the Baltic Sea and SUPERFAST X which was deployed in the North Sea (this sale was completed in the beginning of 2007). The group's exit from North European markets was successful since the revenues from these sales have been significant. The company's fleet reduction gives the flexibility to the company to follow offensive or defensive strategic decisions such as new investments, mergers and acquisitions.

Figure 35: ATTICA GROUP Fleet (2000 – 2007)



Source: XRTC Business Consultants

As seen in Table 2 the company has a fleet of six RO-PAX and two RO-RO type vessels. The former are deployed in the Adriatic Sea and the latter in the Baltic Sea.

Table 2: ATTICA GROUP Fleet Analysis 2007

Vessel Type	Number	Area of Operation
RO-PAX	4	ADRIATIC
RO-RO	2	BALTIC

Source: XRTC Business Consultants

As illustrated in Table 3 the company's turnover and EBITDA decreased by -15% and -28% respectively due to:

- the exit from the markets of North Europe which reduced passenger, car and truck traffic by -28%, -31% and -38% respectively,
- the increase of oil prices, which have increased operating expenses by +22%.

The company's revenues showed significant improvement due to:

- the sale of the company's 22.5% stake holding in HELLENIC SEAWAYS (€6.5 million profit)
- the sale of SUPERFAST VII, SUPERFAST VIII and SUPERFAST IX (€12 million profit)
- the sale of SEAJET 2, PATMOS and RODOS which belonged to the subsidiary company BLUE STAR (€1.3 million profit)

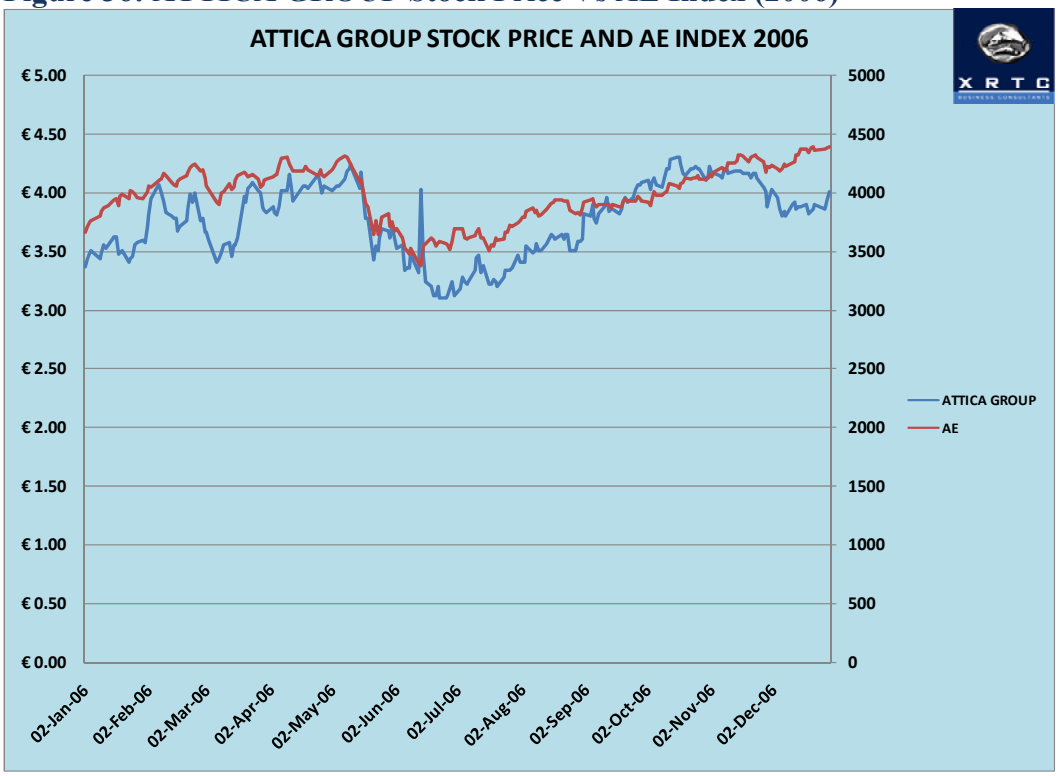
Table 3: ATTICA GROUP Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	10	7	-30.00%
Passenger Traffic	888,863	638,764	-28.14%
Car Traffic	209,360	142,911	-31.74%
Truck Traffic	216,302	133,929	-38.08%
Turnover	€ 385,118,000	€ 326,597,000	-15.20%
EBITDA	€ 99,104,000	€ 71,530,000	-27.82%
Net Results	€ 38,061,000	€ 34,027,000	-10.60%

Source: XRTC Business Consultants

The company's stock price recorded a significant variation between €3.00 and €4.30 during 2006 as presented in Figure 36. The stock's price was around €3.50 at the beginning of the year and despite the fact that it reached the level of €3.00 at the middle of the year it showed strong signs of recovery reaching the level of €4.00 by the end of it.

Figure 36: ATTICA GROUP Stock Price Vs AE Index (2006)

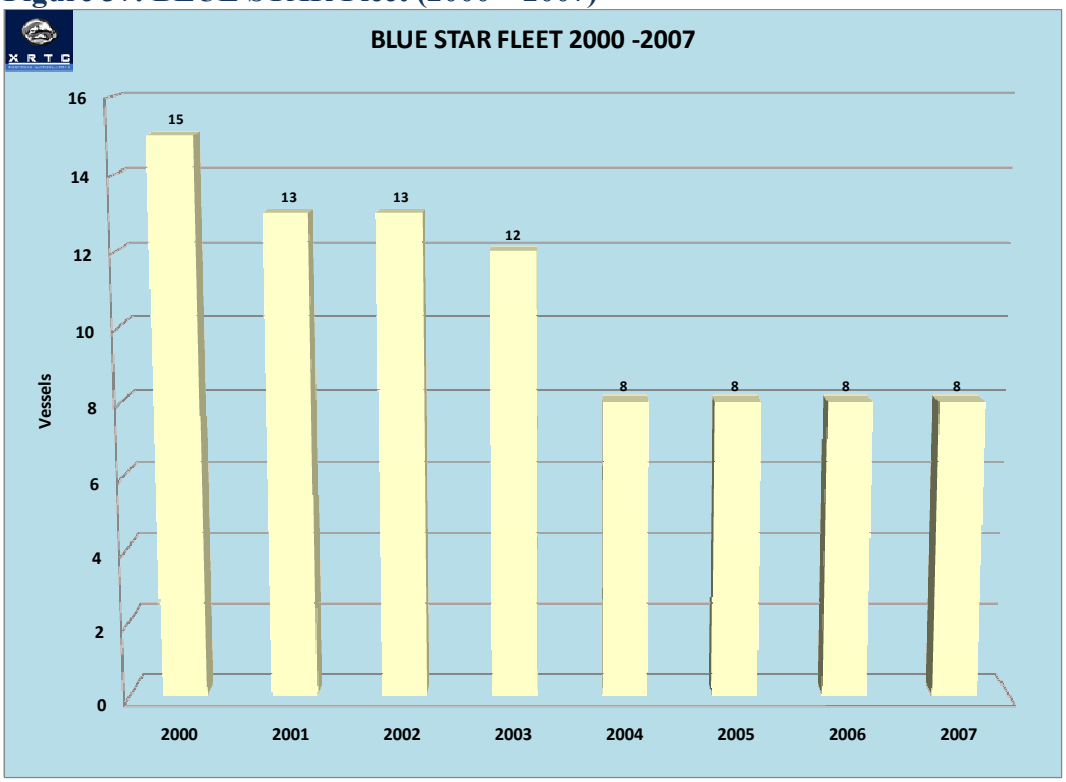


Source: http://www.naftemporiki.gr/markets/_glance.asp

6.2 BLUE STAR

In 2006 BLUE STAR continues the implementation of its strategic planning which begun in 2000. The planning focuses on the fleet renewal which has been implemented with the sale of SEAJET 2 and the purchase of three vessels by DANE (DIAGORAS, PATMOS AND RODOS). For the first vessel a bond release of €10 million was made and the other two were sold. Today the company operates a fleet of eight vessels (Figure 37) with average age of 11 years.

Figure 37: BLUE STAR Fleet (2000 – 2007)



Source: XRTC Business Consultants

All eight vessels are of RO-PAX type and are deployed in the areas of Adriatic, North Sea, Cyclades and Dodecanese are illustrated in Table 4. It is worth pointing out that it is the first time that BLUE STAR covers needs of the mother company ATTICA GROUP in North Europe with the vessel BLUE STAR 1. Additionally, the presence of the vessel DIAGORAS strengthened the company on the region of Dodecanese offering a daily service with two vessels.

Table 4: BLUE STAR Fleet Analysis (2007)

Vessel Type	Number	Area of Operation
RO-PAX	4	CYCLADES
RO-PAX	2	DODECANESE
RO-PAX	1	ADRIATIC
RO-PAX	1	NORTH SEA

Source: XRTC Business Consultants

As presented in Table 5 EBITDA and turnover results show significant improvement with +8.5% and +22% increases respectively despite the increase of +22% in the cost of fuel. This is mainly due to the restructuring strategies adopted during the last years and to the increase is car and truck traffic.

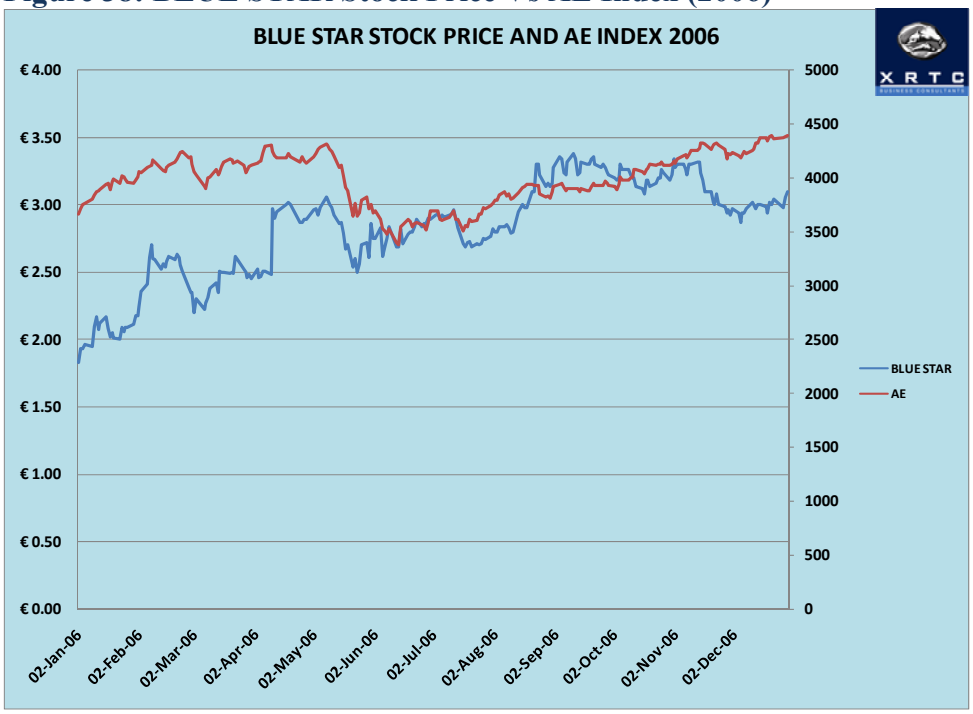
Table 5: BLUE STAR Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	8	8	0.00%
Passenger Traffic	3,478,082	3,351,170	-3.65%
Car Traffic	422,975	425,662	0.64%
Truck Traffic	123,079	143,042	16.22%
Turnover	€ 133,379,000	€ 141,160,000	5.83%
EBITDA	€ 37,641,000	€ 40,835,000	8.49%
Net Results	€ 18,016,000	€ 21,967,000	21.93%

Source: XRTC Business Consultants

During 2006 the stock price of BLUE STAR has shown a continuous increase as illustrated in Figure 38. Its price was around €1.80 at the beginning of the year reaching the €330 level by the end of it achieving an increase of 83%.

Figure 38: BLUE STAR Stock Price Vs AE Index (2006)

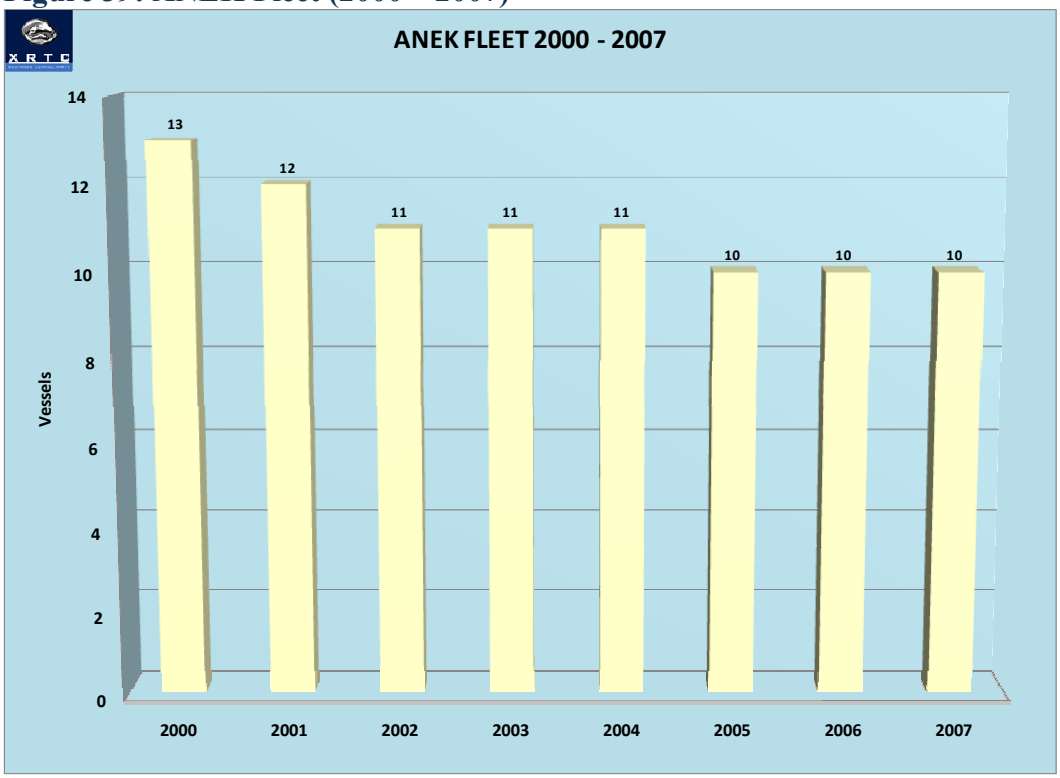


Source: http://www.naftemporiki.gr/markets/_glance.asp

6.3 ANEK

The sale of the vessel APTERA in 2006 slightly improved the company's average age which reaches the 20 years. The company's fleet is presented in Figure 39.

Figure 39: ANEK Fleet (2000 – 2007)



Source: XRTC Business Consultants

The company today operates 10 RO-PAX vessels as seen in Table 6. These are deployed in the areas of the Adriatic Sea and Crete and one (EL. VENIZELOS) is on bare boat contract by COTAVAN.

Table 6: ANEK Fleet Analysis (2007)

Vessel Type	Number	Area of Operation
RO-PAX	5	ADRIATIC
RO-PAX	4	CRETE
RO-PAX	1	Bare Boat

Source: XRTC Business Consultants

Both EBITDA and net results show remarkable improvement compared to 2005 with +30.41% and +102.98% increase respectively as seen in Table 7 despite the +17.5% increase in cost of bunkers and lubricants. The improvement in these results is mainly due to the restructuring of operations and the efficient and effective operation of the fleet.

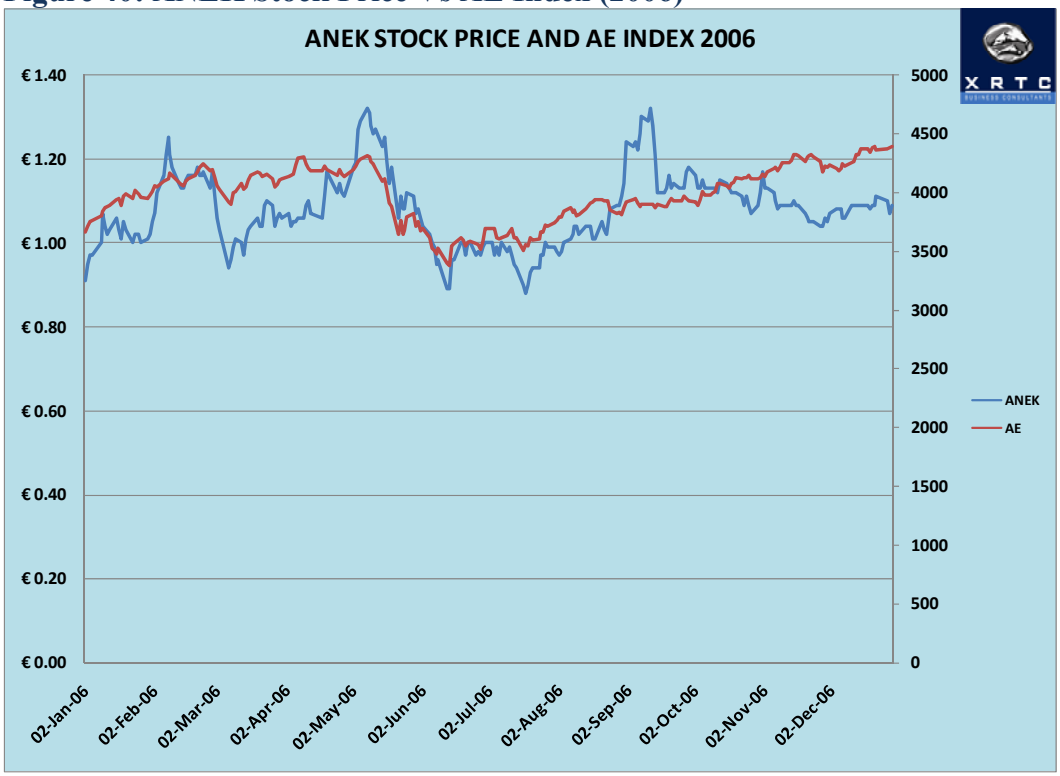
Table 7: ANEK Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	10	10	0.00%
Passenger Traffic	1,938,000	1,870,000	-3.51%
Car Traffic	572,000	570,000	-0.35%
Truck Traffic	217,000	217,000	0.00%
Turnover	€ 223,958,000	€ 254,718,000	13.73%
EBITDA	€ 40,203,000	€ 52,430,000	30.41%
Net Results	€ 11,603,000	€ 23,541,000	102.89%

Source: XRTC Business Consultants

The company's stock price shows significant correlation to the AE index as illustrated in Figure 40. The share's price was less than €1.00 at the beginning of the year reaching the level of €1.35 twice during the year. In 2007 the company realized an investment program of €101.5 million via the AE aiming at the improvement of its competitiveness via the fleet renewal, the expansion of its sales network and the improvement of its services. Via this new program ATLANTICA SPA DI NAVIGAZIONE (GRIMALDI interests) obtained the 14.23% of the company's shares. Vardinogiannis family position reached the 6.5%.

Figure 40: ANEK Stock Price Vs AE Index (2006)



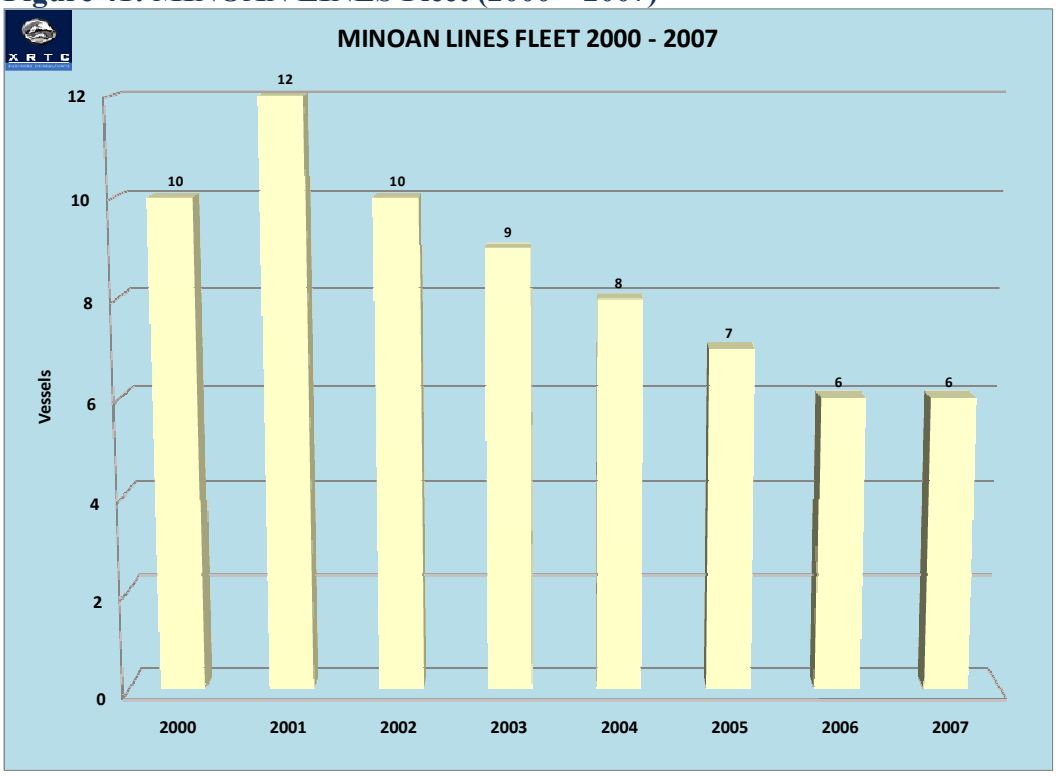
Source: http://www.naftemporiki.gr/markets/_glance.asp

ANEK is bound to play an active and main role in the sector due to its new strategic partner and due to the investment program with which the company may cover new needs in the Mediterranean area.

6.4 MINOAN LINES

The company operates the youngest fleet in the sector with average age of six years. MINOAN LINES owns six vessels which are deployed in the Adriatic and Aegean Sea. In September of 2006 the company sold F/B ARIADNI PALLAS to Italian interests.

Figure 41: MINOAN LINES Fleet (2000 – 2007)



Source: XRTC Business Consultants

All six vessels are of RO-PAX type with four of which operating in the Adriatic Sea and two in the Cretan route (Table 8).

Table 8: MINOAN LINES Fleet Analysis (2007)

Vessel Type	Number	Area of Operation
RO-PAX	4	ADRIATIC
RO-PAX	2	CRETE

Source: XRTC Business Consultants

EBITDA and net results improved by +9.14% and +12.9% respectively as compared to their 2005 levels despite the marginal increase of sales by just +1% and the significant increase in the cost of bunkers and lubricants by +15%.

Improved results are attributed to the decrease in the operational expenses through the decrease in number of vessel trips in the area of the Adriatic, to the sale of the vessel ARIADNE PALLAS and to the increase of the subsidiary's HELLENIC SEAWAYS earnings, which reached €10.14 million contributing to the Group's results. MINOAN LINES owns a 33.35% stake in HELLENIC SEAWAYS. Lastly, we note the reduction of the company's bank loans by -20% attributed to the re-payment of old loans and to the sale of ARIADNI PALLAS.

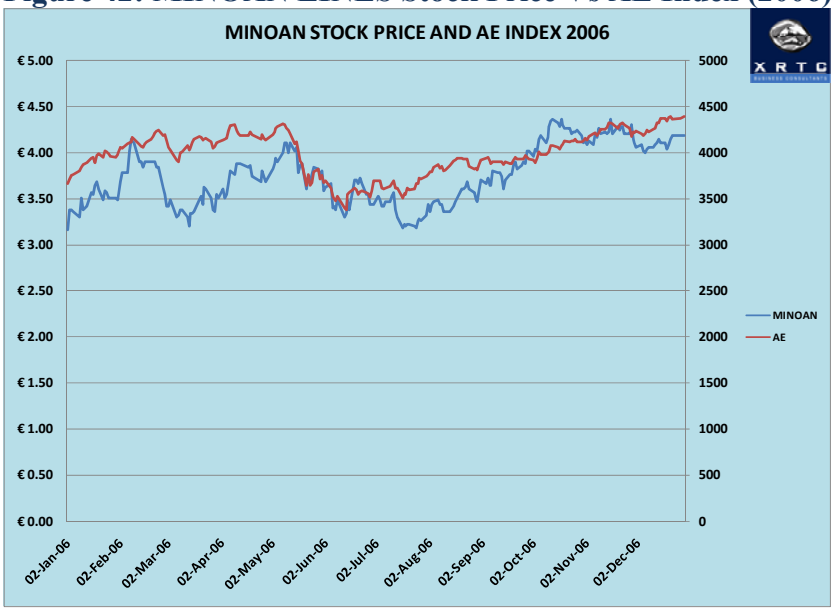
Table 9: MINOAN LINES Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	7	6	-16.67%
Passenger Traffic	1,531,479	1,549,000	1.13%
Car Traffic	278,099	280,000	0.68%
Truck Traffic	151,675	157,000	3.39%
Turnover	€ 204,808,782	€ 206,891,038	1.01%
EBITDA	€ 55,781,495	€ 61,393,830	9.14%
Net Results	€ 17,610,718	€ 20,237,367	12.98%

Source: XRTC Business Consultants

The stock price is highly correlated to the AE index as seen in Figure 42. It began trading at €3.16 at the beginning of the year excelling the €4.00 barrier twice during the year.

Figure 42: MINOAN LINES Stock Price Vs AE Index (2006)



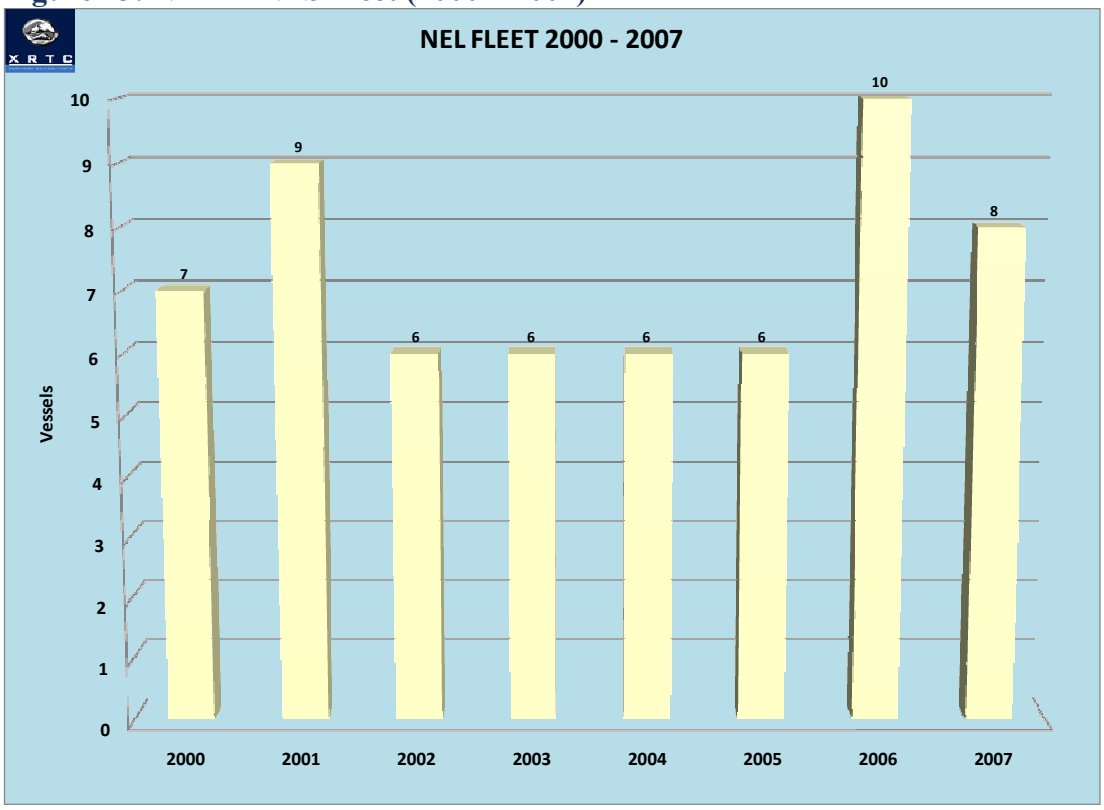
Source: http://www.naftemporiki.gr/markets/_glance.asp

The entrance of a new strategic investor in the company will make it one of the most active operators in the sector. The restructuring that has taken place at operating and management level will enable MINOAN LINES to create new strategies adapted to the modern regional and European level.

6.5 NEL LINES

NEL LINES managed to increase its fleet to 10 vessels through the acquisition of C-LINK in 2006 (Figure 43). During 2006 HSC AEOLOS KENTERIS I and HSC AEOLOS KENTERIS II did not operate at all whereas AEOLOS KENTERIS operated for a limited number of trips at the end of the summer season.

Figure 43: NEL LINES Fleet (2000 – 2007)



Source: XRTC Business Consultants

Today the company operates eight vessels. In March 2007 the vessels AEOLOS KENTERIS and PANAGIA PAROY, owned by NEL and C-LINK respectively were sold. The company operates three HSCs and five RO-PAX type conventional vessel operating in the Cyclades area, the North East . Aegean and in Crete (Table 10).

Table 10: NEL LINES Fleet Analysis (2007)

Vessel Type	Number	Area of Operation
HSC	2	CYCLADES
HSC	1	CRETE
RO-PAX	2	N.E. AEGEAN
RO-PAX	3	CYCLADES

Source: XRTC Business Consultants

Its 2006 financial results were greatly favoured by the write off of its CALYON debt thus EBITDA and net profit results presented a remarkable increase of +3908.44% and +365.76% respectively, despite the reduction of the turnover by -31% (Table 11). Also, significant contribution to the improvement of the financial results derived from the decrease of managerial costs by -43.7% and the reduced bunker cost by -19.5% compared to 2005 due to the rescheduling of itineraries.

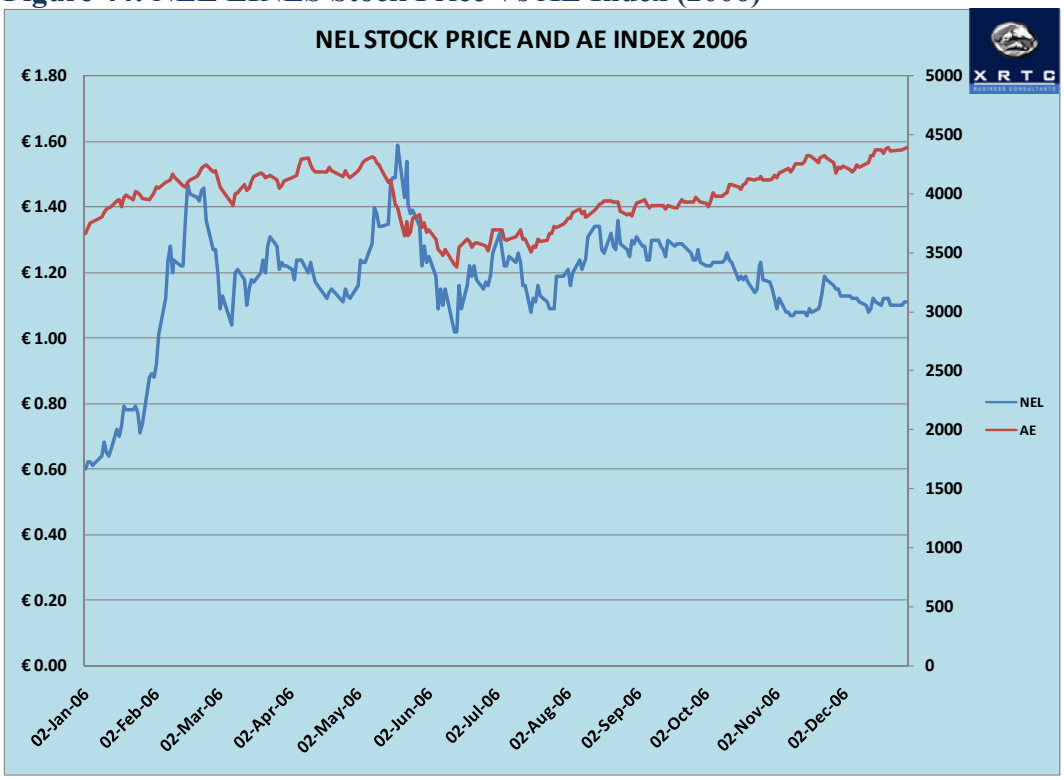
Table 11: NEL LINES Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	6	10	66.67%
Passenger Traffic	805,829	603,548	-25.10%
Car Traffic	103,135	77,990	-24.38%
Truck Traffic	34,200	23,003	-32.74%
Turnover	€ 38,897,816	€ 26,979,330	-30.64%
EBITDA	€ 1,092,014	€ 43,772,687	3908.44%
Net Results	-€ 12,070,319	€ 32,077,908	365.76%

Source: XRTC Business Consultants

The company's stock price presents a significant increase during 2006 as seen in Figure 44. At the beginning of the year the stock was trading at a price of €0.60 reaching the level of €1.60 at the end of the year. This increase reflects the strategic changes that have taken place in the company and the respective immediate improvement of the financial results.

Figure 44: NEL LINES Stock Price Vs AE Index (2006)



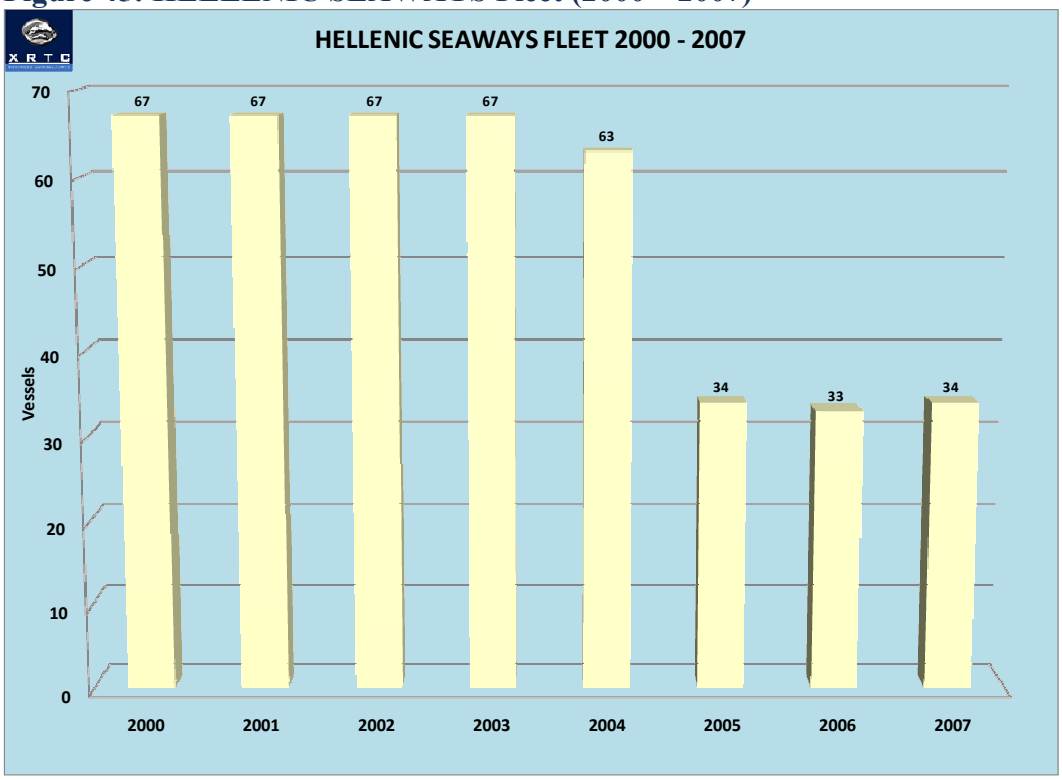
Source: http://www.naftemporiki.gr/markets/_glance.asp

NEL managed to restructure many of its operations and after years of inefficiencies not only to operate effectively but make decisions of high strategic importance such as the acquisition of C-LINK. The company shows the willingness of further co-operations, mergers or acquisitions with investors from local, European and Global market.

6.6 HELLENIC SEAWAYS

HELLENIC SEAWAYS owns and operates the largest fleet in absolute numbers compared to the rest of the companies presented above. The company owned 33 vessels in 2006, operating mainly in the Aegean Sea area. Since 2004 a major fleet renewal strategy is implemented encapsulating the sale of 32 older vessels and the modernization of the fleet through the purchase of second hand and new building ones. The purchases of the RO-RO vessels ARIADNI and CELTIC SUN and the new built RO-PAX NISSOS CHIOS are characteristic examples.

Figure 45: HELLENIC SEAWAYS Fleet (2000 – 2007)



Source: XRTC Business Consultants

Presently, Hellenic Seaways operates 34 vessels of which 11 are HSCs, eight are HYDROFOIL type, 11 are RO-PAX and four are RO-ROs deployed in the Adriatic, the Cyclades, the Saronicos, the Sporades, the North East Aegean and Crete (Table 12).

Table 12: HELLENIC SEAWAYS Fleet Analysis (2007)

Vessel Type	Number	Area of Operation
HSC	6	CYCLADES
HSC	2	SPORADES
HSC	2	SARONIKOS
HSC	1	CRETE
RO-PAX	5	SARONIKOS
RO-PAX	2	CYCLADES
RO-PAX	1	SPORADES
RO-PAX	1	N.E. AEGEAN
RO-PAX	2	Under Construction
HYDROFOILS	2	CYCLADES
HYDROFOILS	2	SPORADES
RO-RO	4	ADRIATIC

Source: XRTC Business Consultants

The 2006 rescheduling of itineraries leading to better utilization of the fleet which along with the liberalization and subsequent increase of the ticket prices led to the increase of the company's turnover by +17.2%. Significant improvement was also recorded in the company's EBITDA and net results which increased by +52.5% and +455.2% respectively despite the decrease in the traffic of passengers (-0.4%), cars (-26%) and trucks (0.9%) transported in 2006 by the company (Table 13). Among the company's priorities is its introduction to the Athens Exchange in the coming year as part of its growth strategy.

Table 13: HELLENIC SEAWAYS Key Figures (2005 – 2006)

	2005	2006	Δ%
Fleet	33	34	3.03%
Passenger Traffic	3,331,414	3,317,789	-0.41%
Car Traffic	390,932	288,986	-26.08%
Truck Traffic	74,464	75,124	0.89%
Turnover	€ 141,084,798	€ 165,406,164	17.24%
EBITDA	€ 16,840,558	€ 25,675,000	52.46%
Net Results	€ 2,042,261	€ 11,339,194	45.23%

Source: XRTC Business Consultants

Other Greek ferry companies

6.7 AEGEAN SPEED LINES

AEGEAN SPEED LINES is the sole Greek owned ferry company to operate high speed vessels flying a non-Greek flag. It owns two vessels operating in the West Cyclades area. Its shareholder base consists of Greek and foreign investors with Mr. Leonidas-Evgenidis Dimitriadis being the major shareholder.

Table 14: AEGEAN SPEED LINES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
HSC	**SPEED RUNNER I**	1990	CYCLADES
HSC	**SPEED RUNNER II**	1996	CYCLADES

Source: XRTC Business Consultants

6.8 AGOUDIMOS LINES

AGOUDIMOS LINES is a Greek traditional shipping company operating for more than 30 years in the sector. AGOUDIMOS LINES is the subsidiary of FLANMARE SHIPPING INC, a group which is active in tramp shipping operations operating a fleet of dry bulk vessels. Presently Agoudimos Lines operates a fleet of five RO-PAX vessels (Table 15) in the areas of Adriatic, Cyclades and NE Aegean. The owner of the company is Mr. Mimis Agoudimos.

Table 15: AGOUDIMOS LINES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
RO-PAX	IONIAN KING	1991	ADRIATIC
RO-PAX	IONIAN SKY	1974	ADRIATIC
RO-PAX	KAPETAN ALEXANDROS	1962	ADRIATIC
RO-PAX	PENELOPE A	1972	CYCLADES
RO-PAX	PENELOPE	1975	N.E. AEGEAN

Source: XRTC Business Consultants

6.9 GA FERRIES

GA FERRIES was founded by Mr. Gerasimos Agoudimos in 1988 with the purchase of two RO_PAX vessels; DALIANA and MILENA. The company has begun the implementation of an investment plan which focuses on the provision of quality services to the customer. The purchase in 2001 of the vessel ANTHI MARINA was the first step towards this direction. The company operates seven RO-PAX vessels and one HSC. The areas of operation are Dodecanese, Cyclades, Crete, Sporades and NE Aegean as presented in Table 16. The group of Captain Gerasimos Agoudimos operated in the Scandinavian market as well with the vessel Pride of Telemark (ex Alkmini A) which was sold in 2007.

Table 16: GA FERRIES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
RO-PAX	ANTHI MARINA	1980	DODECANESE
RO-PAX	DALIANA	1969	CYCLADES/CRETE
RO-PAX	MARINA	1971	CYCLADES/ N.E. AEGEAN
RO-PAX	MILENA	1969	CYCLADES/ N.E. AEGEAN
RO-PAX	RODANTHI	1973	DODECANESE
RO-PAX	ROMILDA	1974	CYCLADES
RO-PAX	DIMITROULA	1976	CYCLADES /CRETE
HSC	JET FERRY 1	1995	SPORADES

Source: XRTC Business Consultants

6.10 KALLISTI FERRIES

The company KALLISTI FERRIES was founded in 2007. The main shareholders are George Spanos and Pascal Lota. Both have long experience in shipping with the former being the owner of SPANOS MARITIME & TRADING GROUP and the latter being the main owner of CORSICA FERRIES and SARDINIA FERRIES. The company operates in the area of the NE Aegean with vessel CORSICA EXPRESS III (Table 17).

Table 17: KALLISTI FERRIES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
RO-PAX	CORSICA EXPRESS III	1996	N.E. AEGEAN

Source: XRTC Business Consultants

6.11 LANE LINES

LANE Lines operates with two RO-PAX vessels in the areas of Cyclades, Dodecanese and Crete (Table 18). Strategic partner is the company is ANEK.

Table 18: LANE LINES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
RO-PAX	MYRTIDIOTISSA	1975	CYCLADES DODECANESE CRETE

Source: XRTC Business Consultants

6.12 SEA JETS HSC JOINT VENTURE (ILIOPOULOS GROUP)

ILIOPOULOS GROUP started its operations in 1997 with the purchase of a high speed vessel. In 2003 the company purchased two high speed vessels (SEAJET I and SEAJET II) as presented in Table 19. Today it operates a fleet of nine vessels of which two are HSC and seven are Hydrofoils operating in the areas of Cyclades and Dodecanese. Main shareholder is Mr. Marios Iliopoulos who operates a fleet of tankers as well.

Table 19: SEA JETS HSC JOINT VENTURE Fleet Analysis (2007)

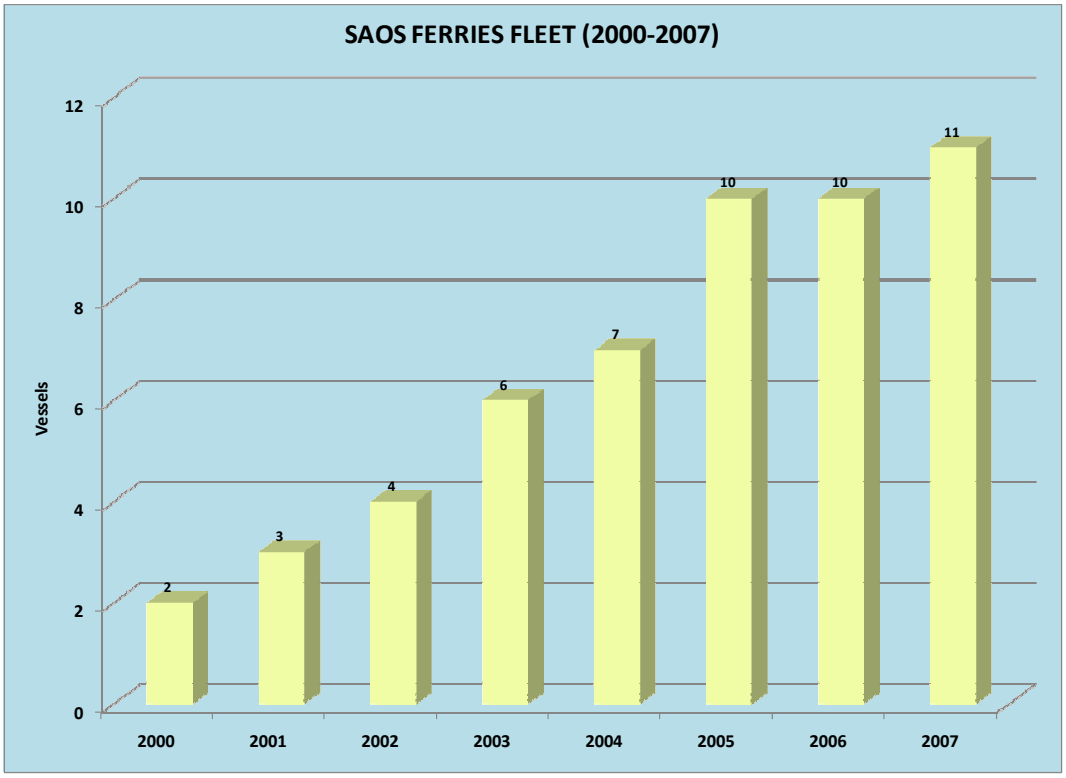
Vessel Type	Name	Year of Built	Area of Operation
HSC	SEA JET 2	1998	CYCLADES
HSC	SUPER JET	1995	CYCLADES

Source: XRTC Business Consultants

6.13 SAOS FERRIES

SAOS FERRIS was founded in 1975 as a public company from the citizens of the island of Samothraki located in the NE Aegean. The aim of the company was the connection of the island of Samothraki with the ports of Kavala and Alexandroupoli located in the East Macedonia Province in North Greece. The first vessel used for this purpose was RO-PAX SAOS. In 1999 the vessel SAOS II was built and the company was transformed to S.A. In 2001 Mr. Fotis Manousis family became the main strategic investor. Between 2000 and 2005 a group of companies is created under the name of SAOS SA with main investor Mr. Manousis The company presents an impetus growth since then as seen in Figure 46.

Figure 46: SAOS FERRIES Fleet (2000 – 2007)



Source: XRTC Business Consultants

Today it operates a fleet of 11 vessels (Table 20) in the areas of Cyclades, Sporades and NE Aegean.

Table 20: SAOS FERRIES Fleet Analysis (2007)

Vessel Type	Name	Year of Built	Area of Operation
RO-PAX	SAOS II	2001	N.E. AEGEAN/DODECANESE
RO-PAX	ARSINOI	1979	CYCLADES
RO-PAX	NONA MARY	1972	N.E. AEGEAN
RO-PAX	SAMOTHRAKI	1976	N.E. AEGEAN
RO-PAX	MANAGIA SOUMELA	1976	N.E. AEGEAN
RO-PAX	MACEDONIA	1989	-
RO-PAX	EXPRESS LIMNOS	-	N.E. AEGEAN
RO-RO	PANAGIA KRIMNIOTISSA	1978	N.E. AEGEAN
RO-RO	THESSALONIKI	1995	N.E. AEGEAN
RO-RO	PANAGIA AGIASOU	1973	-
HYDROFOILS	KAVIROS	1977	N.E. AEGEAN

Source: XRTC Business Consultants

In the first semester of 2007 the company was listed in the Athens Exchange through the acquisition of the 61% of the listed NIKOS GALIS Company. As presented in Table 21, the company has managed to

increase its traffic figures in three years (2004-2006) by 34%, 48% and 44% for passengers, cars and trucks respectively. It is worth mentioning that more than 50% increase in its turnover.

Table 21: SAOS FERRIES Key Figures (2005 – 2006)

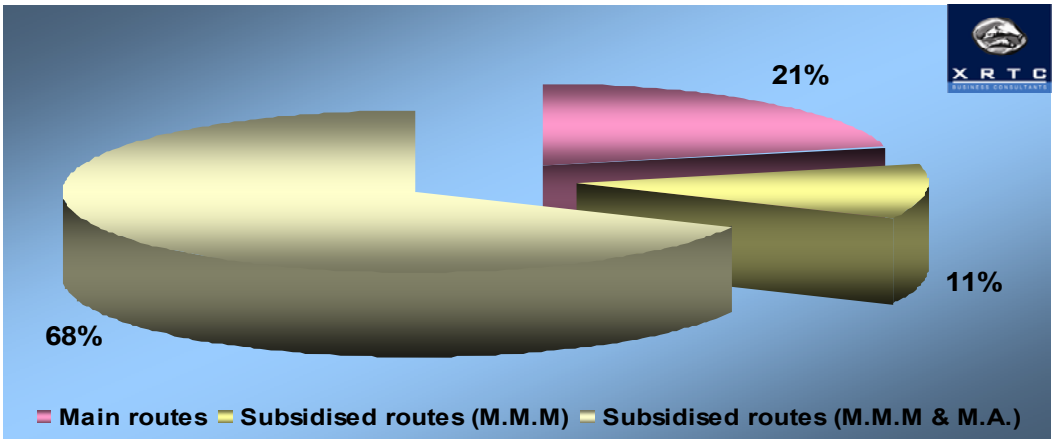
	2004	2005	2006	Δ% 2004-2006
Passenger Traffic	259,745	309,650	348,668	34.23%
Car Traffic	45,187	56,811	67,179	48.66%
Truck Traffic	28,371	35,648	41,008	44.54%
Turnover	€11,889,000	€15,572,000	€18,542,000	55.95%

Source: XRTC Business Consultants

7 Competition

Due to the special structure of the Aegean and the Ionian archipelagos the competition levels of the Greek ferry industry need a more in depth analysis. Among the 57 itineraries examined by XRTC Ltd., 68% are subsidized indicating that these itineraries are monopolistic by nature (Figure 47). It should be mentioned at this point that both the Ministry of Mercantile Marine (M.M.M) and the Ministry of the Aegean and Island Policy (M.A.I.P.) are responsible for the allocation of these subsidies. Also, 10.71% of the itineraries controlled by the MAIP are not subsidized and belong to the free market category (identified as main itineraries) based on the state law 2932/2001.

Figure 47: Greek Market Competition Analysis



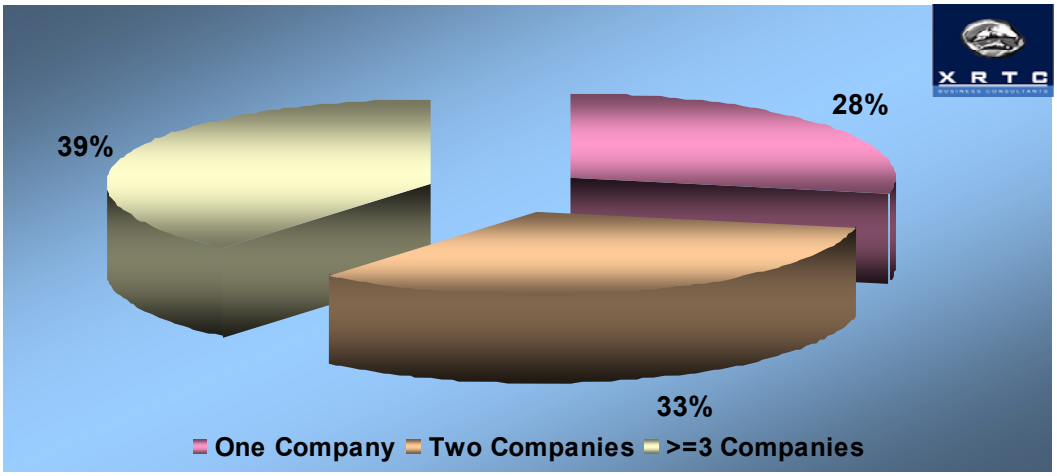
Note:
M.M.M.: Ministry of Mercantile Marine
M.A.: Ministry of the Aegean and Island Policy

Source: XRTC Business Consultants

The analysis of the 18 main itineraries shows that in 72% the criteria of competition are fulfilled based on the state law 2932/2001 since there are at least two operators in each itinerary (Figure 48). It is

worth mentioning that these itineraries cover the areas of Cyclades, North Aegean, Crete and Dodecanese having are departure port Piraeus, Lavrio and Rafina.

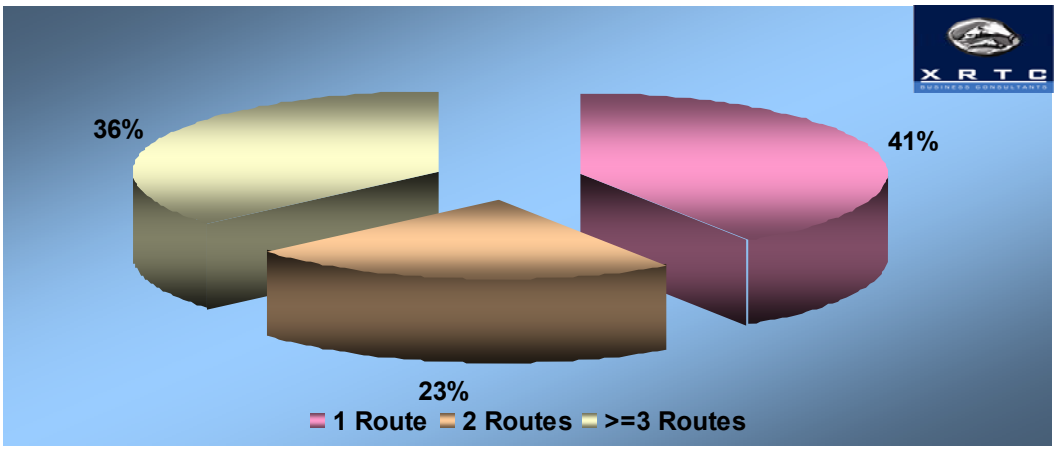
Figure 48: Analysis of Main Itineraries in Greece



Source: XRTC Business Consultants

Finally, it is worth stressing that 2/3 of the companies operating in the main itineraries adopt strategies of diversification since they serve at least two itineraries (Figure 49).

Figure 49: Number of Main Itineraries Companies Select to Operate in Greece

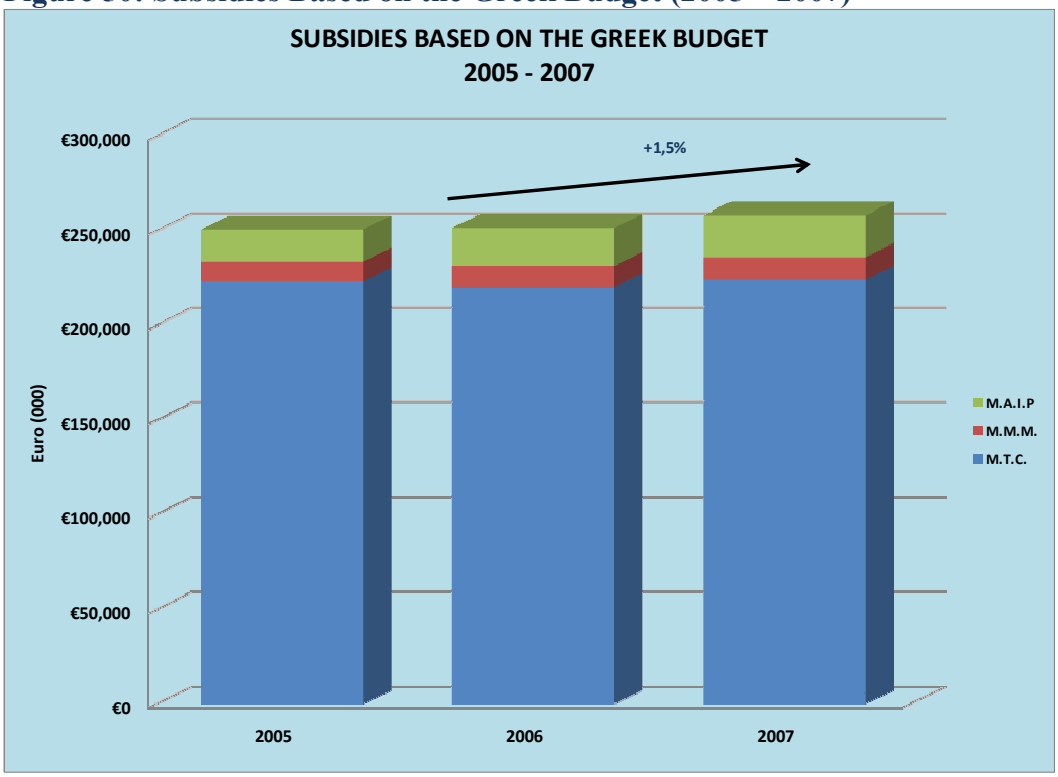


Source: XRTC Business Consultants

8 Subsidies

Within the social policy framework the Greek State subsidizes a number of transport modes (land, sea and air) aiming at satisfying different objectives in each case. As presented in Figure 50, the budgets used to cover these needs present an increase of 1.5% since 2005. The Ministries responsible for the allocation of these resources are the Ministry of Transport and Communications, the Ministry of Mercantile Marine and the Ministry of the Aegean and Island Policy.

Figure 50: Subsidies Based on the Greek Budget (2005 – 2007)



Source: XRTC Business Consultants

Based on the subsidies' results of 2005, 89% of was used by the Ministry of Transport and Communications to cover the needs of public transport (Buses, Regional trains, Metro etc.). The respective percentages for the years 2006 and 2006 are 87.5% and 86.8%. In order to achieve a level of significant cohesion of the Greek islands with inland Greece, the Greek state subsidizes itineraries that are not commercially viable. This is achieved via the Ministries of Mercantile Marine and Aegean and Island Policy. The total budget dedicated to this purpose by both Ministries is around 13% of the total subsidies' budget of all transport modes. The amounts in absolute numbers for the two Ministries are presented in Table 22.

Table 22: Ferry Subsidies Based on Ministry Budgets' (2005 – 2007)

	2005	2006	2007
M.M.M	€ 10,600,000.00	€ 11,500,000.00	€ 12,000,000.00
M.A.I.P	€ 17,000,000.00	€ 20,000,000.00	€ 22,000,000.00
TOTAL	**€ 27,600,000.00**	**€ 31,500,000.00**	**€ 34,000,000.00**

Source: XRTC Business Consultants (from Yearly Greek Budget Report 2007)

According to the present legislative framework the under subsidization itineraries are operated by the companies which express their interest in open calls. In these open calls operators are asked to bid for the itinerary of their interest. The company with the best bid is responsible to operating the specific

itinerary for a specified fee. The fee is per trip and depends on the length of the itinerary and the vessel's age. There are three age categories based on which the evaluation is made. These are:

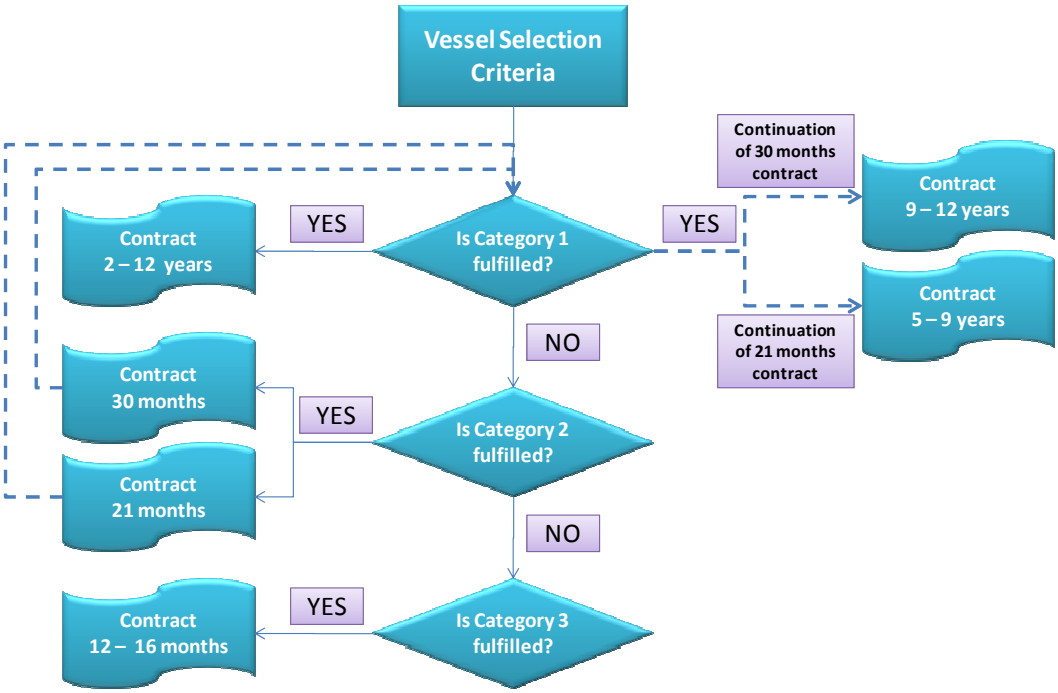
1. The first category encapsulates vessels of up to 8 years old (year of built 1/1/1999) and speed of 22 knots. The vessels belonging in this category can sign contracts of 2 to 12 years.

2. In the second category belong vessels that do not fulfill the criteria of category one. These vessels can achieve contracts of 30 or 21 months provided that by the end of the agreement these will be replaced with vessels that belong to category one. If this is true then the 30 month contract is renewed for a minimum nine year period to a maximum 12 year period, starting from the date of the first contract. The 21 month contracts are renewed for a minimum five year period to a maximum nine year period starting from the date of the first contract.

3. The third category encapsulates vessels that do not belong to any of the above categories. These vessels achieve contracts of 12 months with possible extension to 16 months.

Figure 51 presents the process of vessels selection diagrammatically.

Figure 51: Subsidies System



Source: XRTC Business Consultants

As illustrated in Table 23, in 2006 63 itineraries were subsidized (29 by MMM and 34 by MAIP) which were operated by 31 ferry operators.

Table 23: Subsidised Itineraries (2006)

	Number of Itineraries	Number of Companies
M.M.M	29	12
M.A.I.P	34	19
TOTAL	**63**	**31**

Source: XRTC Business Consultants

9 Conclusions – Discussion

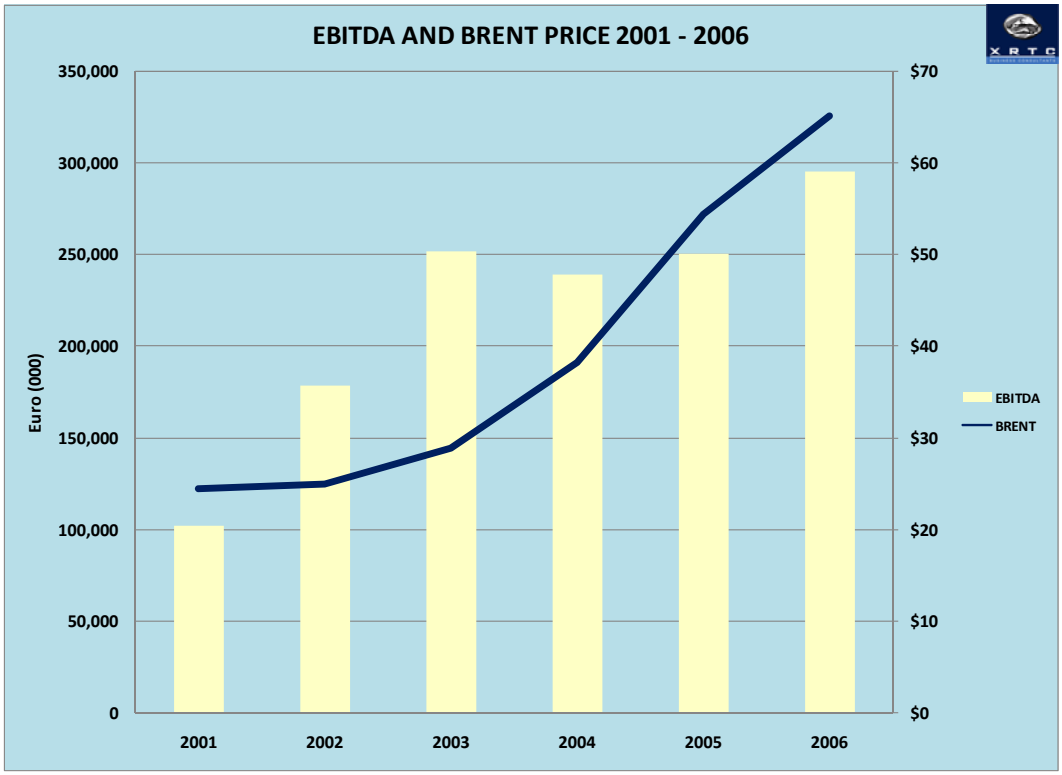
As this report is printed we find ourselves in the middle of the summer of 2007 and ferry companies make the most of passenger and car traffic seasonality obtaining high load factor levels for their vessels per trip in all destinations which will in turn result to improved financial results compared to past years. The gradual harmonization of the Greek legislative framework with the European legislation via the Greek state law 2932/2001 resulted in the creation of a new competitive environment in the Greek ferry sector presenting to all operators a new perspective.

All operators across the board encountered negative macroeconomic pressures including:

- stabilization of the to date increasing trend in traffic demand in the itineraries of the Adriatic Sea,
- the fierce competition in the Baltic Sea,
- the increase in the interest rates affecting debt repayments,
- the increase of the bunkers' cost.

Still, despite the above negative influences we note that improved EBITDA results - as presented in Figure 52 – were recorded mainly due to non – operational income sources (i.e. vessel sales) and due to the high fleet load factors achieved as a result of the shrinking of the total fleet (-32% in total vessel number as compared to 2004). Despite the fact that the need for new vessels is evident a limited number of companies managed to enlarge their fleet (Hellenic Seaways, SAOS and G.A. Ferries).

Figure 52: EBITDA of Listed and HSW Vs BRENT Price (2001 – 2006)



Source: XRTC Business Consultants

In 2006 we witnessed a series of mergers and acquisitions underlying the undisputed fact that the reforming of the market's "modus operant" is a fact presenting significant signs of maturity and offering opportunities for profitable business activities as opposed to its characteristics four years ago, at which time direct state intervention restricted operators from operating efficiently and effectively. More developments are expected in this area since operators will be seeking for economies of scale and economies of scope. The rationalization and re-engineering of operations that took place during the last couple of years was the first step towards this direction. Only healthy organisations can join forces and succeed. The on going rumours for the future strategic moves of Mr. Laskaridis and Mr. Ventouris are a significant proof. Both men entered the Greek ferry market having as number one priority the rationalisation of operations and modernisation of HSW and NEL respectively. This strategy has enabled them to start negotiating with other corporations both local and international the prospects of mergers, co-operations and even acquisitions. The dynamic entrance in the Greek market of GRIMALDI GROUP though ANEK and CORSICA FERRIES through KALLISTI FERRIES is a strong evidence of the international interest that the Greek market has created due to its expected positive prospects. The intentions of Mr. Panagopoulos (ATTICA GROUP) and Mr. Vardinogiannis (ANEK) should not be omitted since they have always played a critical role in the developments of the Greek ferry sector. Finally, it is worth keeping an eye on the efforts of smaller players such as SAOS FERRIES, GA FERRIES and AGOUDIMOS to make a stronger presence in the market.

It is recommended that the latest legislative framework implemented will only be complete if it is working in parallel with a "control mechanism" to be created, which will be on one side reassuring the competitive character of the sector itself and also will be "aligning" this legislative framework to the

needs and characteristics of the demand patterns originating from the wider network of Greek islands. Special attention needs to be given by the state in the creation of a ferry system which will be covering the needs of the island populations. The only way of achieving this is with the co-operation of immediate stakeholders and entities, both academic and industrial, which have the necessary experience. The creation of such a system will lead to:

- the cohesion of the Greek economy
- regional sustainable development
- the rationalisation of investments of the ferry sector

The future prospects for the Greek ferry sector look promising with new business efforts taking place. Sea transportation is the only way for the decongestion of the land transport in the European Union leading to further development in the sector. The "Marco Polo" experiment was completed with success and the need for further development of the maritime transportation is more than ever evident. Significant capital investments are expected in sea transportation in the coming years despite the significant bureaucratic barriers imposed by the E.U. Greek ferry operators should be optimistic and take advantage of the new opportunities stemming from the new business environment. Their experience is strong capability which enables them to act appropriately to the benefit of themselves and their shareholders. Characteristic are the Adriatic and North Sea examples where ferry operators managed to operate efficiently in purely competitive environments achieving significant profits. Despite the positive market outlook companies have to pay attention to a number of obstacles which could impede their growth. Among them are the increasing cost of fuel, the increase of new building prices and the increasing competition by European ferry operators.

The Greek state is obliged to continue supporting not only the sector but the populations leaving in the island complexes as well. The subsidies in specific itineraries should increase in order to achieve a satisfactory level of cohesion with the mainland. Another issue that needs special attention is the immediate charges imposed via the ferry tickets by the state. These result in the increase of the ticket prices which impede healthy competition conditions. In parallel the state should expand its successful port policy investing more in infrastructure.

The Greek ship – shipbuilding industry showed significant signs of possible recovery with the two Hellenic Seaways RO/PAX projects. The international environment conditions with the vessel construction costs rising continuously allow the Greek industries to be cost competitive. Obstacle to this effort can be the strong labour unions and the lack of support from the Greek banking sector.

Summarizing, the Greek ferry sector will continue to present investment opportunities which will result in further mergers and acquisitions as last year. New bigger and smaller more flexible co-operations will be formed making the market more competitive. Organizational transparency will lead to new entrants in the market and possible exits from it. The rime "When you can sell with significant profits, sell!" is supported by healthy competition markets and the Greek ferry market can be characterized as such. The prospects of the sector are based on a healthy and fertile ground.

* * *

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