



## Annual Report on the Greek Ferry Industry “Opportunities and Contrasts stemming from a global crisis”



1999-2009

*10 Years*

XRTC BUSINESS CONSULTANTS

## Contents

<b>CONTENTS</b>	<b>2</b>
<b>LIST OF FIGURES</b>	<b>3</b>
<b>LIST OF TABLES</b>	<b>4</b>
<b>EXECUTIVE SUMMARY</b>	<b>5</b>
<b>1. INTRODUCTION</b>	<b>6</b>
<b>2. PRESENTATION OF DEMAND CHARACTERISTICS</b>	<b>8</b>
2.1 PASSENGER CHARACTERISTICS	8
2.2 FREIGHT CHARACTERISTICS	10
<b>3. GREEK FERRY SECTOR MARKET PRESENTATION</b>	<b>13</b>
3.1 MARKET OVERVIEW	13
3.2 DEMAND ANALYSIS OF LISTED COMPANIES AND HELLENIC SEAWAYS	15
3.3 SUPPLY ANALYSIS OF LISTED COMPANIES AND HELLENIC SEAWAY	17
3.4 MARKET SHAREHOLDER STRUCTURES	18
<b>4. MARKET FINANCIAL ANALYSIS</b>	<b>20</b>
4.1 COST ANALYSIS	20
4.2 TURNOVER FROM OPERATIONS	21
4.3 EBITDA	22
4.4 NET RESULTS BEFORE TAX	23
4.5 BANK DEBT	23
4.6 COMPANY COMPARATIVE ANALYSIS	25
<b>5. COMPANY PRESENTATION AND ANALYSIS</b>	<b>26</b>
5.1 LISTED COMPANIES	26
5.1.1 ANEK LINES	26
5.1.2 ATTICA GROUP	27
5.1.3 MINOAN LINES	29
5.1.4 NEL LINES	30
5.1.5 SAOS FERRIES	31
5.2 NON-LISTED COMPANIES	32
5.2.1 HELLENIC SEAWAYS	32
5.2.2 AEGEAN SPEED LINES	33
5.2.3 AGOUDIMOS LINES	33
5.2.4 G.A. FERRIES	33
5.2.5 KALLISTI FERRIES	34
5.2.6 LANE LINES	34
5.2.7 SEA JETS HSC JOINT VENTURE	34
<b>6. SUBSIDIES</b>	<b>35</b>
<b>7. THE ADRIATIC MARKET</b>	<b>36</b>
<b>8. CONCLUSIONS-RECOMMENDATIONS</b>	<b>38</b>
<b>REFERENCES</b>	<b>42</b>

## List of Figures

Figure 1: Tourist Arrivals and Per Capita Expenditure .....	9
Figure 2: Import-Export Trade Between Greece and E.U. ....	11
Figure 3: Trade Structure between Greece and E.U. ....	12
Figure 4: New Trade Corridors.....	12
Figure 5: Greek Ferry Traffic Figures (2003-2007).....	13
Figure 6: Main Itinerary Analysis (2007) .....	14
Figure 7: Traffic Figures of Listed Companies and HELLENIC SEAWAYS (2004-2008) .....	15
Figure 8: Domestic Traffic Market Shares of Listed Companies and HELLENIC SEAWAYS (2004-2008) .....	16
Figure 9: Fleet Analysis of Listed Companies and HELLENIC SEAWAYS (2004-2008) .....	17
Figure 10: Fleet Analysis per Vessel Type (2004-2008) .....	17
Figure 11: Shareholder Structure (2009) .....	18
Figure 12: Fuel Cost of Listed and HELLENIC SEAWAYS.....	20
Figure 13: Fuel Cost Contribution to Total Operating Costs.....	21
Figure 14: Turnover per Region of Operation for Listed and HSW (2004-2008).....	21
Figure 15: Turnover Contribution per Region for Listed and HELLENIC SEAWAYS (2004- 2008) .....	22
Figure 16: EBITDA for Listed and HELLENIC SEAWAYS (2004-2008) .....	22
Figure 17: Net Results for Listed and HELLENIC SEAWAYS (2004-2008) .....	23
Figure 18: Bank Loans of Listed and HELLENIC SEAWAYS (2004-2008).....	24
Figure 19: Bank Market Shares per Country of Origin (2008).....	24
Figure 20: Bank Portfolios in the Greek Ferry Sector .....	25
Figure 21: Market Financial Analysis (2004-2008).....	26
Figure 22: ANEK LINES Fleet (2000-2009).....	27
Figure 23: ATTICA GROUP Fleet (2000-2009).....	28
Figure 24: MINOAN LINES Fleet (2000-2009) .....	29
Figure 25: NEL LINES Fleet (2000-2009).....	30
Figure 26: HELLENIC SEAWAYS Fleet (2000-2009) .....	32
Figure 27: Ferry Subsidies 2000-2009 .....	35
Figure 28: Subsidies per Region (2009) .....	35
Figure 29: Traffic in Basic Destinations in Adriatic (2004-2008).....	37
Figure 30: Market Shares per Company in Adriatic (2004-2008).....	37

## List of Tables

Table 1: Basic Economic Indicators .....	6
Table 2: Markets .....	7
Table 3: Average Annual Change of Basic Tourist Indexes (2000-2007).....	9
Table 4: Tourist Expenditure of Main Countries .....	9
Table 5: 3 <sup>rd</sup> Quarter Passenger Seasonality.....	10
Table 6: Ticket Price Comparison Between Plane and Ferry .....	10
Table 7: Greek Imports and Exports .....	11
Table 8: Main Itinerary Market Shares (2007) .....	14
Table 9: Shareholder Stake Evolution (2005-2009) .....	19
Table 10: Greek Imports and Exports .....	19
Table 11: Company Comparison based on Financial Ratios (2007-2008) .....	25
Table 12: ANEK LINES Fleet Deployment (2009).....	27
Table 13: ANEK LINES Basic Figures (2007-2008) .....	27
Table 14: ATTICA GROUP Fleet Deployment (2009).....	28
Table 15: ATTIC GROUP Basic Figures (2007-2008) .....	28
Table 16: MINOAN LINES Fleet Deployment (2009) .....	29
Table 17: MINOAN LINES Basic Figures (2007-2008).....	29
Table 18: GRIMALDI GROUP Fleet (2009) .....	30
Table 19: NEL LINES Fleet Deployment (2009).....	30
Table 20: NEL LINES Basic Figures (2007-2008) .....	31
Table 21: HELLENIC SEAWAYS Fleet Deployment (2009) .....	32
Table 22: HELLENIC SEAWAYS Basic Figures (2007-2008).....	32
Table 23: AEGEAN SPEED LINES Fleet (2009).....	33
Table 24: AGOUDIMOS LINES Fleet (2009) .....	33
Table 25: G.A. FERRIES Fleet (2009) .....	34
Table 26: KALLISTI FERRIES Fleet (2009).....	34
Table 27: LANE LINES Fleet (2009).....	34
Table 28: SEA JETS HSC JOINT VENTURE Fleet (2009) .....	35
Table 29: Greek Ferry Destinations in Adriatic.....	36
Table 30: Demand Vs Supply Analysis in Adriatic.....	38
Table 31: External and Internal Environment Analysis.....	40

## **Executive Summary**

1. The global economic crisis influences the coastal market.
2. The offered capacity of older tonnage recovered due to the decrease in demand.
3. The building of new vessels shows no signs of improvement due to the financial crisis.
4. The demand of coastal services presents signs of maturity with revenues for ferry companies being significantly reduced.
5. Operating expenses are exposed to the fluctuations of oil prices which are expected to continue for the next 12 months.
6. The depreciation of the US currency compared to the Euro assists in the minimisation of the effects of the fuel oil prices.
7. Companies that have invested in new technology vessels will be the less affected by the high fuel prices.
8. A significant number of Greek ferries are deployed abroad.
9. There is limited scope for new merger or acquisition deals in the Greek market especially among companies of high capitalisation.
10. There is significant delay in the creation of cooperations with foreign companies or companies operating globally.
11. Increased bankruptcy danger for small companies due to delays in adopting new strategies at business and functional level. Cooperation with other companies of the sector along with internal restructuring are essential for their survival.
12. Worrying is the lack of full representation of the companies of the ferry sector.
13. Attention must be given to keeping smooth relations between labour unions and ferry companies.
14. Of special concern is the effectiveness of the improved system of the subsidised itineraries.
15. The new way of payment of the subsidised itineraries is rather inefficient.
16. The accumulation of significant debts especially of small companies to suppliers, insurance companies and others is a factor that needs special attention.
17. Opportunities of fleet deployment in other regions are present and can assist in the creation of new business.

## 1. Introduction

















This year's study finds the world's economy in one of its toughest times. The financial crisis which peaked around the middle of the last quarter of 2008 affected all economies around the globe regardless of size. The irrational exposure to high risk financial products resulted in the creation of liquidity problems to almost all industries affecting international trade and transportation.

The drastic decrease of most economic indicators in combination with the intense fluctuations present in the international financial markets are strong indications of the panic that prevails. Producers, investors and governments follow closely the new developments taking place at the global economy and try to interpret the available data hoping they will be able to adjust as swiftly as possible to the continuously changing environment.

As presented in Table 1 the sudden decrease in the P.C.I. (Price Consumer Index) in combination with the reduced G.D.P. (Gross Domestic Product) especially during the fourth quarter of 2008 forced the biggest economies to make use of monetary tools decreasing the interest rates in order to boost demand and avoid any deflation effects. It is reminded here that the economies of the U.S.A. and Japan are very close to deflationary phenomena.

Special attention needs to be given to the increasing unemployment rates worldwide, with the Euro-zone counties leading and the U.S.A., U.K. and Japan following. Of interest is the unemployment rate in the U.S.A. where it doubled compared to a year ago with estimations for 2009 reaching the level of 10%!

**Table 1: Basic Economic Indicators**

(a) Consumer Price Index			(b) Basic Interest-rates		
	Feb. 2008	Feb. 2009		Jan. 2008	Apr. 2009
	3.3%	1.2%		4.00%	1.25%
	4.0%	0.2%		4.25%	0.00%-0.25%
	2.2%	3.2%		5.25%	0.50%
	1.4%	-0.1%		0.50%	0.10%
(c) Gross Domestic Product			(d) Unemployment		
	Q3 2008	Q4 2008		Feb. 2008	Feb. 2009
	-0.2%	-1.5%		7.2%	8.5%
	-0.1%	-1.6%		4.8%	8.1%
	-0.7%	-1.6%		5.3%	6.5%
	-0.6%	-3.3%		3.8%	4.4%

Source: XRTC Ltd. based on <http://epp.eurostat.ec.europa.eu>, <http://www.fedstats.gov>, <http://www.statistics.gov.uk>, <http://www.stat.go.jp/english>

The high level of uncertainty and the lack of direction from the part of investors can be easily derived from the highly volatile financial markets around the globe during the last year (a year is considered between 01.04.2009 and 31.03.2009). The nominal values of the main stock market indexes have decreased by an average of 50% taking into account the highest and lowest values during the last year (Table 2). It is needless to point out that in the case where the highest values






of stocks and market indexes of longer periods are considered then the respective decreases are significantly higher.

**Table 2: Markets**

**(a) Main Stock Market Indexes**

	Annual* Δ%	Highest annual* level
<b>DJI</b>	-50.7%	13,136.69
<b>NASDAQ</b>	-50.4%	5,132.52
<b>FTSE100</b>	-45.7%	6,950.60
<b>DAX</b>	-50.3%	7,231.86
<b>CAC40</b>	-52.0%	6,625.40
<b>NIKKEI225</b>	-52.1%	14,601.30

**(b) Athens Exchange**

	Annual* Δ%	Highest annual* price
<b>General Index</b>	-24,9%	1,941.81
 <b>Attica</b>	-50,5%	€4.00
 <b>NEL LINES</b>	T.S.	€0.48
 <b>Mediterranean Shipping</b>	-33,4%	€4.64
 <b>Aegean</b>	-27,9%	€0.86
 <b>Blue Star</b>	-45,0%	€0.78

T.S.: Trade Suspended

**(c) Currencies**

	Annual* Δ%	Highest annual* price
<b>€/S</b>	-22.1%	1.5987
<b>£/S</b>	-45.9%	2.0060
<b>\$/¥</b>	-20.9%	110.0000

**(d) Oil**

	Annual* Δ%	Highest annual* price
<b>BRENT</b>	-76.3%	\$143.6
<b>W.T.I.</b>	-47.8%	\$145.3

\*A year is between 01.04.2008 and 31.03.2009

**Source:** XRTC Ltd. based on <http://market.ft.com>, <http://finance.yahoo.com>, <http://www.naftmporiki.gr>

Of interest are the volatility levels of BRENT and W.T.I. in combination with those of the currencies of Euro (€) and U.S. dollar (\$). Both BRENT and €/S exchange rate peaked during the first 10 days of July of 2008 with the former reaching \$143.6 and the latter €/S 1.5987. It must be mentioned here that these two world trade factors present correlation levels of 88% during the period between 01.04.2009 and 31.03.2009.

The whole of the transport industry (air, road, maritime) has been affected to a smaller or greater extent not only by the so far mentioned developments but also by the drastic decrease of demand. Characteristic is the case of the slump of the B.D.I. index which troughed at 663 points in December 2008 after it had peaked at 11,793 points just seven months ago resulting in a respective decrease of around 94% of the freight rates.

The increase in oil prices in combination with the exchange rate risk and the lack of credit due to the global financial instability have significantly affected the operations of all Greek ferry companies. The significant decrease in stock prices of the listed to the Athens Exchange companies is a strong indication of the pressure these companies have been under despite the marginal increase in the revenues of certain itineraries.

Apart from the global economic environment the Greek ferry sector is also affected by the prevailing national economic and social conditions. The estimates for the national economy are not encouraging enough with estimations for the G.D.P. growth rates for 2009 to be rather pessimistic. Companies for the first time after many years of demand growth and market expansion are expected to adapt to the new environment using survival strategies. Mergers and acquisitions that took place in 2008 aiming at the creation of economies of scale and geographical dispersion of fleet are expected to continue the coming years



The market is currently turning its attention to two main directions. The first is the summer season where passenger demand peaks due to the tourist period and the second is the movement of goods and commodities at both national and European level, where seasonality is limited. In the effort to understand the current and future market dynamics emphasis is given here in the analysis of the demand and supply market characteristics in order to identify the opportunities and threats stemming from the global economic environment. Special attention is given to passenger and freight traffic since these are the two main sources of business generation for the ferry companies.

The present study is composed of seven sections. In the first section the economic outlook is presented followed by the analysis of the main characteristics of the two main demand sources in the second section; passenger and freight. The illustration of the Greek ferry market is shown next in terms of supply, demand and overall market structure (section 3), followed by the financial analysis of the market (section 4) and the presentation of the main listed and non-listed to the Athens Exchange companies (section 5). Sections 6 and 7 focus on two main areas of concern with the former analysing the status of the subsidized itineraries, which contribute to the Greek social cohesion and the latter presenting the competition levels of the Adriatic sea market being one of the main revenue generators for the Greek ferry operators. Finally, conclusions and suggestions for the future prospects of the sector are given.

## **2. Presentation of Demand Characteristics**

One of the main characteristics that differentiate the ferry sector to the rest of the maritime industries is the ability to transport both passengers and freight each one requiring different transportation conditions. The understanding of the characteristics of these two sources of revenue for the ferry companies is essential for the documenting of the factors that these companies should focus on in order to be able to estimate and forecast the best way possible the dynamics of demand.

### **2.1 Passenger Characteristics**

Passenger demand stems from both the national and international market. Each of these two categories of passengers has different characteristics with the former making more frequent use of the ferry services since the latter mainly make use of ferry transportation during the summer period. National users, especially in cases where alternative modes of transport are non-existent, depend heavily on that service as they use it for business, social, medical and other reasons. Thus the willingness to pay expressed by each category of passengers for the provided ferry service is essential to be examined here in combination to the number of nights these plan to stay at their destination.

According to EUROSTAT data (2006, p. 12) Greece is at the seventh place among the 27 European member-states in terms of the number of overnight stays and revenues from foreign tourism. In order to get a feeling of the importance the tourist industry has at National and European level it is worth pointing out here that overnight stays in Greece are 1/6 when compared to the total number of overnight stays in Spain, while revenues are 1/3 of those created to the most popular European summer destination.



**Table 3: Average Annual Change of Basic Tourist Indexes (2000-2007)**

	Annual Average $\Delta\%$
Tourist Arrivals	5%
Annual Expenditure	6%
Per Capita Expenditure	1%

Source: XRTC Ltd. based on UNCTAD 2008 & NSSG 2009

As illustrated in Table 3 tourist arrivals present an annual average increase of 5% between 2000 and 2007 with the total expenditure to increase by 6% and the per capita expenditure to increase by just 1%.

The marginal increase in the per capita expenditure is attributed to the fact that between 2001 and 2004 (Year of Olympic games) the average increase is seen to be around 12%, whereas from 2005 onwards there is a significant decrease of -7% (Figure 1).

**Figure 1: Tourist Arrivals and Per Capita Expenditure**



Source: XRTC Ltd. based on UNCTAD 2008

The decreasing figures of global G.D.P. growth in combination to the increasing unemployment numbers and the respective decrease of the purchasing power of the citizens of the industrialised countries is expected to result in the further shrinking of the expenditure for tourism. Greece is expected to be significantly affected by these development since the main source of tourists come from countries such as Germany, U.K., Italy and France which have been significantly affected by the global economic crisis. As seen in Table 4 there is a continuous decrease in the expenditure from these countries with the exception of France.

**Table 4: Tourist Expenditure of Main Countries**

	2006 (Mil €)	2007 (Mil €)	2008* (Mil €)
Germany	€2452	€2039	€1943
U.K.	€2011	€2160	€1997
Italy	€867	€872	€850
France	€573	€718	€786

\*Estimate

Source: XRTC Ltd. based on NSSG 2009

Unfortunately the structure of the data does not allow a more in depth analysis which will enable the estimation of the effect the decrease in the expenditure will have on the ferry market since the amounts spent on ferry services is not known.

Since the majority of the travel packages combine air transportation with accommodation it could be assumed that the itineraries of the Adriatic Sea would be the most affected from the

decrease in tourist traffic figures. The revenues for the ferry operators in the Adriatic Sea is expected to shrink by the decrease in the demand from passengers who travel with their car or trailer. When taking into account the fact that significant revenues (in some cases close to 50% of the total revenues) come from the Adriatic Sea, the expected slump in demand is expected to ask significant pressure to the companies' financial results.

**Table 5: 3<sup>rd</sup> Quarter Passenger Seasonality**

	Passengers	Cars
Piraeus-Crete	40%	47%
Piraeus-Chios	46%	56%
Patras-Italy	45%	55%

**Source: XRTC Ltd. based on Greek Port Authorities**

**Table 6: Ticket Price Comparison Between Plane and Ferry**

To	Airplane	Ferry
Crete	€39	€32
Chios	€39	€31
Mytilene	€39	€35

*Prices refer to economy fares*

**Source: XRTC Ltd. based on Ferry and Airline Companies' Sites**

At this point it must be mentioned that the Greek tourist industry is heavily dependent on national demand since 88% of the Greeks prefer to spend their vacation in Greece instead of abroad (EUROSTAT, 2006: p. 38). This result when combined with the tendency of spending less time at the destination aiming at making shorter in terms of duration but more frequent trips during the summer period contributes to the seasonality effect present in all itineraries of the Adriatic and Aegean Sea. The seasonality effect is seen in Table 5 where during the 3<sup>rd</sup> quarter between 40% and 45% of the passenger and 47% to 56% of the car traffic takes place.

An additional factor that needs to be taken into account and is directly related to passenger traffic is the competition that has begun to take shape between ferry and airplane where the latter service is available of course. The increasing competition in the air transport industry after deregulation took place in Greece has resulted in the existence of three main players (Olympic Air, Aegean Airlines and Athens Airways) offering fares that are very competitive to those of the ship (Table 6) especially when travel duration is taken into account. The strategies of the ferry companies should probably begin to adjust to the flexibility present in the air industry.

In any case the consequences of passenger and car demand to the revenues of the ferry companies at local and international level should be examined along with freight demand which is analysed next.

## 2.2 Freight Characteristics

Freight demand is directly related to road transport which in each turn depends on the volume of exports and imports. A special characteristic of road transport is that in some cases it acts complementarily to the ferry sector and in other cases competitively when the transportation of containerships is used.

The revenues of Greek ferry operators depend heavily on the traffic stemming from transported freight units which presents significant levels of variability either due to traffic fluctuations or due to high competition levels in different areas and itineraries. Characteristic is the case of the Adriatic Sea where the prevailing geopolitical conditions in the 1990s in combination with the fact that non of the northern neighbouring countries to Greece were E.U. member-states at the time, enabled the creation of itineraries linking Greece with the rest of Europe via Italy.

Intra-European trade is one of the main revenue generators for the ferry sector since big volumes of trade are transported with the use of trucks. The dynamics that characterise freight demand is eminent from the growth that both imports and exports present since the early 1990s. UNCTAD data (2008, pp. 125,136) show that Greek imports from the E.U. have tripled in terms of value during the last 30 years whereas exports to the E.U. have doubled.

**Table 7: Greek Imports and Exports**

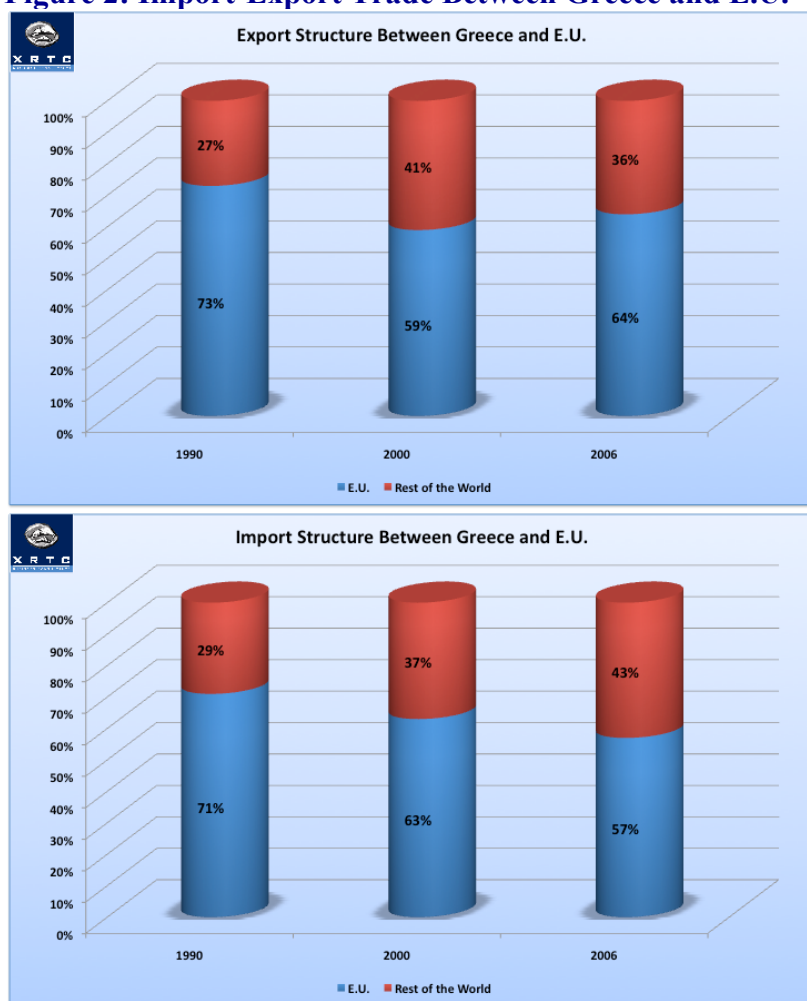
	Exports	Imports
1990	30%	70%
2000	27%	73%
2006	25%	75%

**Source: XRTC Ltd. based on UNCTAD 2008**

As presented in Table 7 the Import-Export ratio is 3 to 1 since the 1990s until today, with imports presenting an marginal increase. Exports have the opposite trend.

An additional point worth mentioning here, reflecting the importance of trade between Greece and the rest of the E.U. member states for the ferry companies, is presented in Figure 2. As seen both imports and exports from-to the E.U. account for the biggest share compared to the rest of the world.

**Figure 2: Import-Export Trade Between Greece and E.U.**

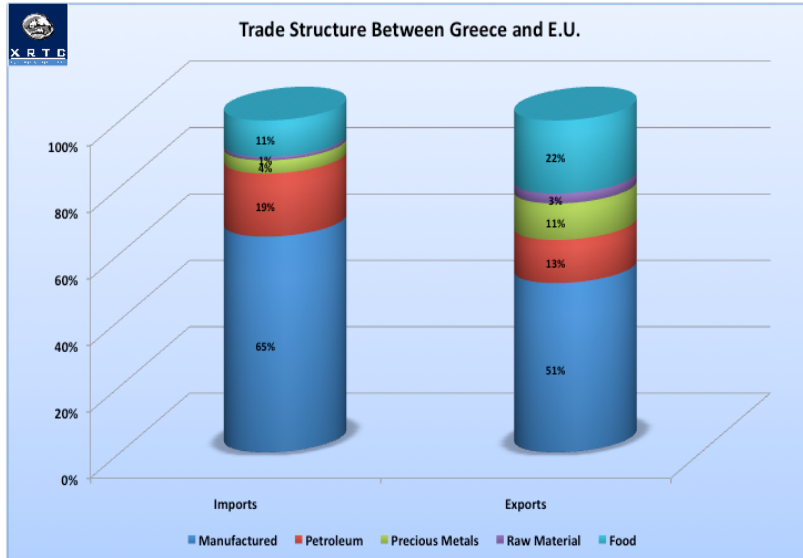


**Source: XRTC Ltd. based on UNCTAD 2008**

The majority of the transported products are finished goods possessing 65% of the imports and 51% of the exports. Petroleum products follow with 19% of imports and food with 22% of

exports and 11% of imports. Finally, raw material and precious metals possess together 5% of the imports and 15% of the exports (Figure 3). The main types of transported products via road are food and finished products. Under the food category are mainly fresh vegetables, dairy products and frozen products, whereas in the latter category we have tiles, furniture and home and office equipment. Petroleum products and raw material are transported in bulk and especially in the case of petroleum road transport is avoided due to the safety and cost issues involved.

**Figure 3: Trade Structure between Greece and E.U.**



Source: XRTC Ltd. based on UNCTAD 2008

**Figure 4: New Trade Corridors**



Source: XRTC Ltd.

The entrance of Bulgaria and Rumania to the E.U. since the 1<sup>st</sup> of January 2007 has brought a new reality in the geopolitical status in the Balcan peninsula affecting the trade among the 27 E.U. member states as well as the trade between the E.U. and the Eastern Mediterranean. The land access to Northern European countries which is enabled via these two countries brings closer than ever the possibilities of creating new trade corridors with North Africa, Middle East and Asia (Figure 4).

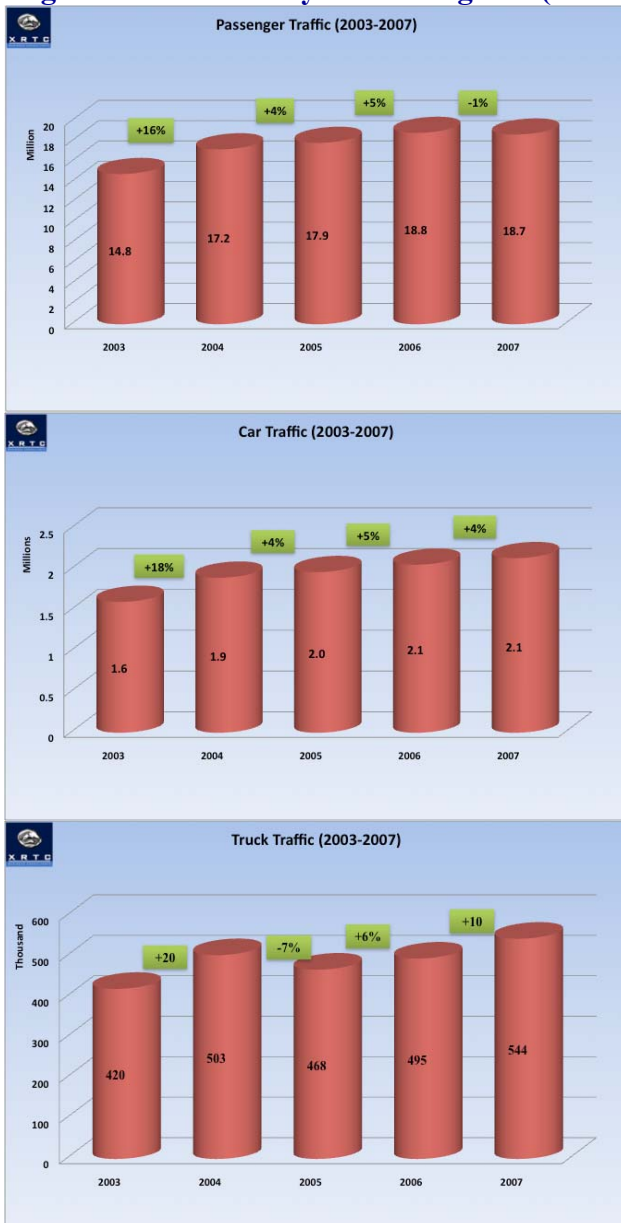
The development of the specific trade routes depends not only on the needs of commerce but also on the available infrastructure. The TEN-T program along with the MARCO POLO and MOTORWAYS OF THE SEA can assist to that direction creating business opportunities to the shipping industry and especially to the ferry sector

### 3. Greek Ferry Sector Market Presentation

#### 3.1 Market Overview

According to the National Statistical Service of Greece (N.S.S.G.) it can be seen that the Greek ferry sector has reached a maturity level since the traffic figures in passengers, cars and trucks present signs of marginal increase especially during the last three years (Figure 5).

**Figure 5: Greek Ferry Traffic Figures (2003-2007)**



**Source: XRTC Ltd. based on N.S.S.G and Port Authority data**

The average annual growth between 2005 and 2007 is around 3%, 4% and 3% for passengers, cars and trucks respectively. It must be clarified here that in these numbers the traffic taking place in short distances is not included.

Of special interest is the variability in passenger demand due to the characteristics that the specific category possesses. The specific demand category presents high levels of elasticity since it is affected to a higher extent from national and international economic, social and political factors compared to the cars and trucks. These factors in combination to the seasonality effect present during the summer period makes the task of capacity scheduling for ferry operators rather difficult. Thus companies prefer to organise their investment and schedule their services based on the type of demand that presents the less variability possible (see section 6 for details).

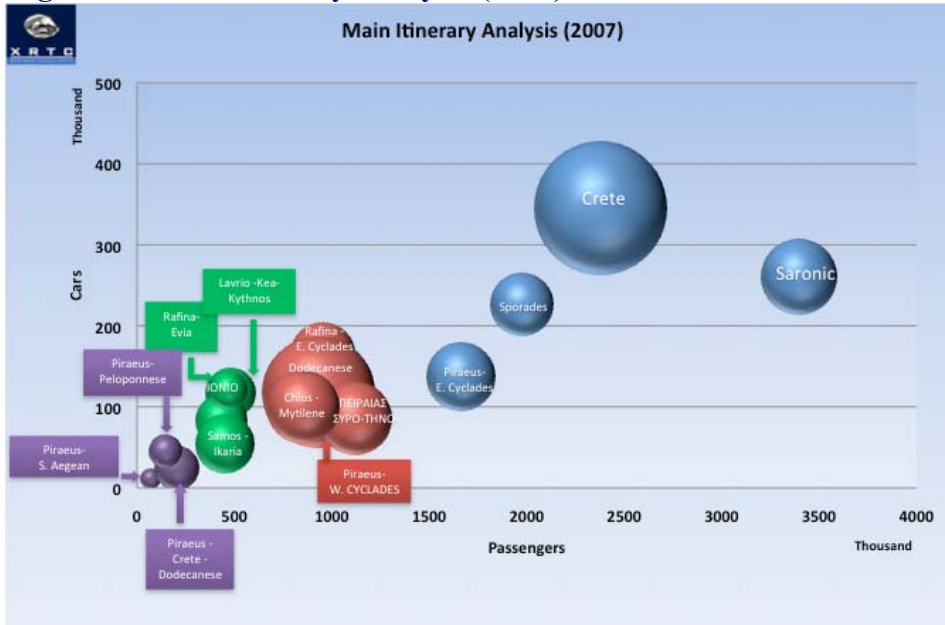
A more detailed presentation of the main itineraries is presented in Figure 6. As seen these are grouped in four categories based on annual passenger, car and truck traffic volumes. It is clarified here that passenger traffic is shown on the horizontal axis, car traffic on the vertical axis and truck volume is depicted on the bubble size.

The first group (in blue) is composed of the itineraries of Crete, Saronic, Sporades and East Cyclades. In the second group (in red) we see the itineraries of East and West Cyclades served from the ports of Rafina and Piraeus respectively. In this group the itineraries of Dodecanese, Chios-Mytilene and the itinerary connecting Cyclades (islands of Syros-Tinos-Mykonos) with islands of Samos and Ikaria are also included. In the third group (in green) belong the itineraries



serving the Ionian islands departing from the port of Patras, the itinerary of Samos and Ikaria islands, the Rafina-Evia itinerary and the Lavrion-Kea-Kithnos itinerary. Finally, the last group (in purple) includes the itineraries of Piraeus-Crete-Dodecanese, of South Aegean and Peloponnese.

### Figure 6: Main Itinerary Analysis (2007)



**Source: XRTC Ltd. based on N.S.S.G and Port Authority data**

From the above analysis the Piraeus-Crete itinerary appears to combine the highest traffic levels in passengers, cars and trucks. Table 8 presents the market share for 2007 of each itinerary based on the three demand types.

**Table 8: Main Itinerary Market Shares (2007)**

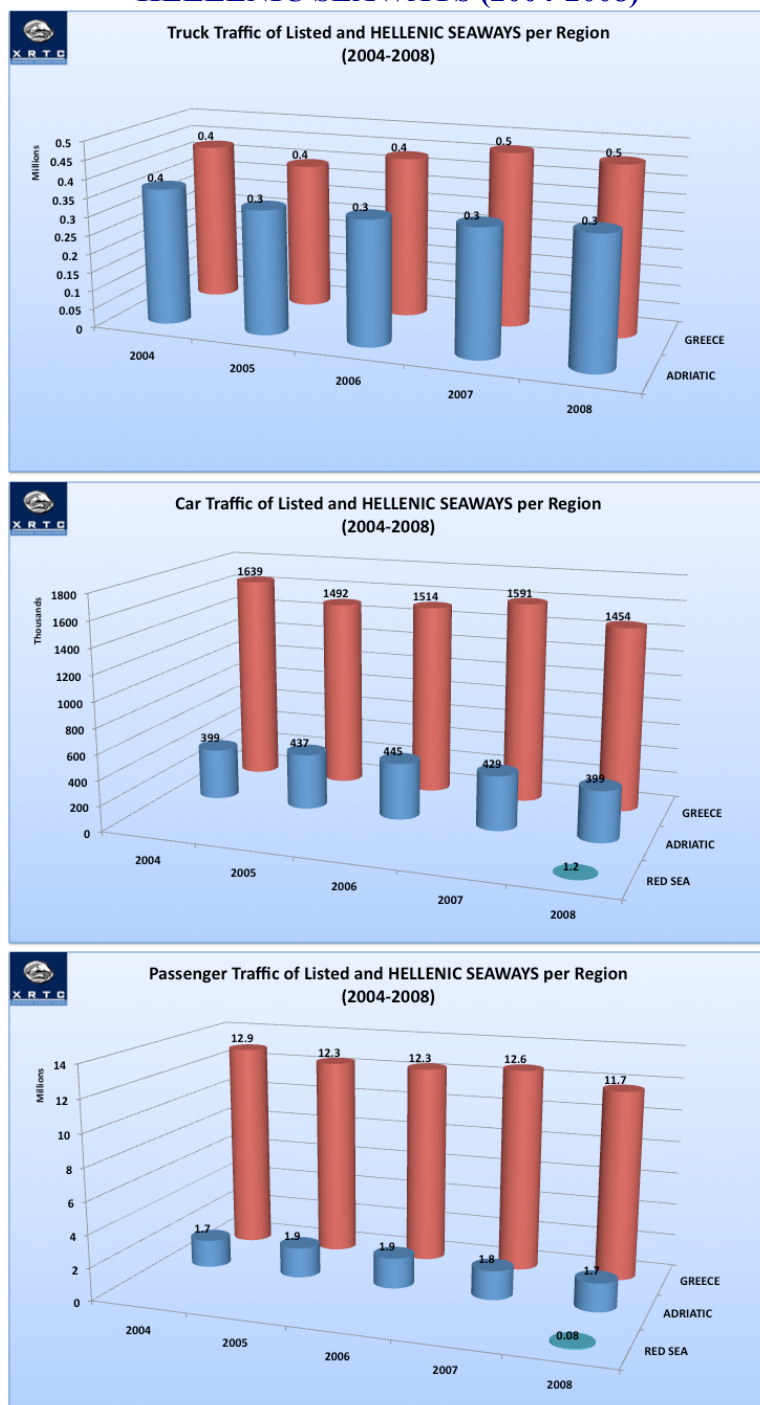
Itinerary	Passengers	Cars	Trucks
EVIA-NORTH SPORADESE-VOLOS	5%	8%	5%
LAVRIO-KEA-KYTHNOS	3%	5%	3%
PATRAS-IONIAN ISLANDS	2%	4%	3%
PIRAEUS-EAST CYCLADES	9%	6%	6%
PIRAUES-SARONIC	18%	12%	7%
PIRAEUS-WEST CYCLADES	5%	5%	3%
PIRAEUS-DODECANESE	5%	5%	15%
PIRAEUS-DODECANESE-SOUTHAEGEAN	0%	0%	0%
PIRAEUS-CRETE	13%	16%	21%
PIRAEUS-CRETE-DODECANESE	1%	1%	2%
PIRAEUS-PELOPONNESE	1%	2%	1%
PIRAEUS-SYROS-TINOS-MYCONOS-PAROS-NAXOS	6%	4%	6%
PIRAEUS-SYROS-TINOS-MYCONOS-SAMOS-IKARIA	2%	2%	4%
PIRAEUS-CHIS-MYTILENE	5%	5%	6%
RAFINA-ANDROS-TINOS-SYROS-MYCONOS	11%	11%	5%
RAFINA-EVIA	3%	6%	2%
OTHER	12%	7%	10%

**Source: XRTC Ltd. based on N.S.S.G and Port Authority data**

### 3.2 Demand Analysis of Listed Companies and HELLENIC SEAWAYS

The analysis that follows encapsulates the listed to the Athens Exchange companies with the exception of SAOS FERRIES which due to the problems it is facing has not been able to publish any results. HELLENIC SEAWAYS is also included despite the fact that is not a listed company since it is one of the key players of the Greek ferry sector. The results presented in this section focus on the traffic figures of Greece and Adriatic Sea area. Reference is also made to new areas of operation such as the Red Sea.

**Figure 7: Traffic Figures of Listed Companies and HELLENIC SEAWAYS (2004-2008)**

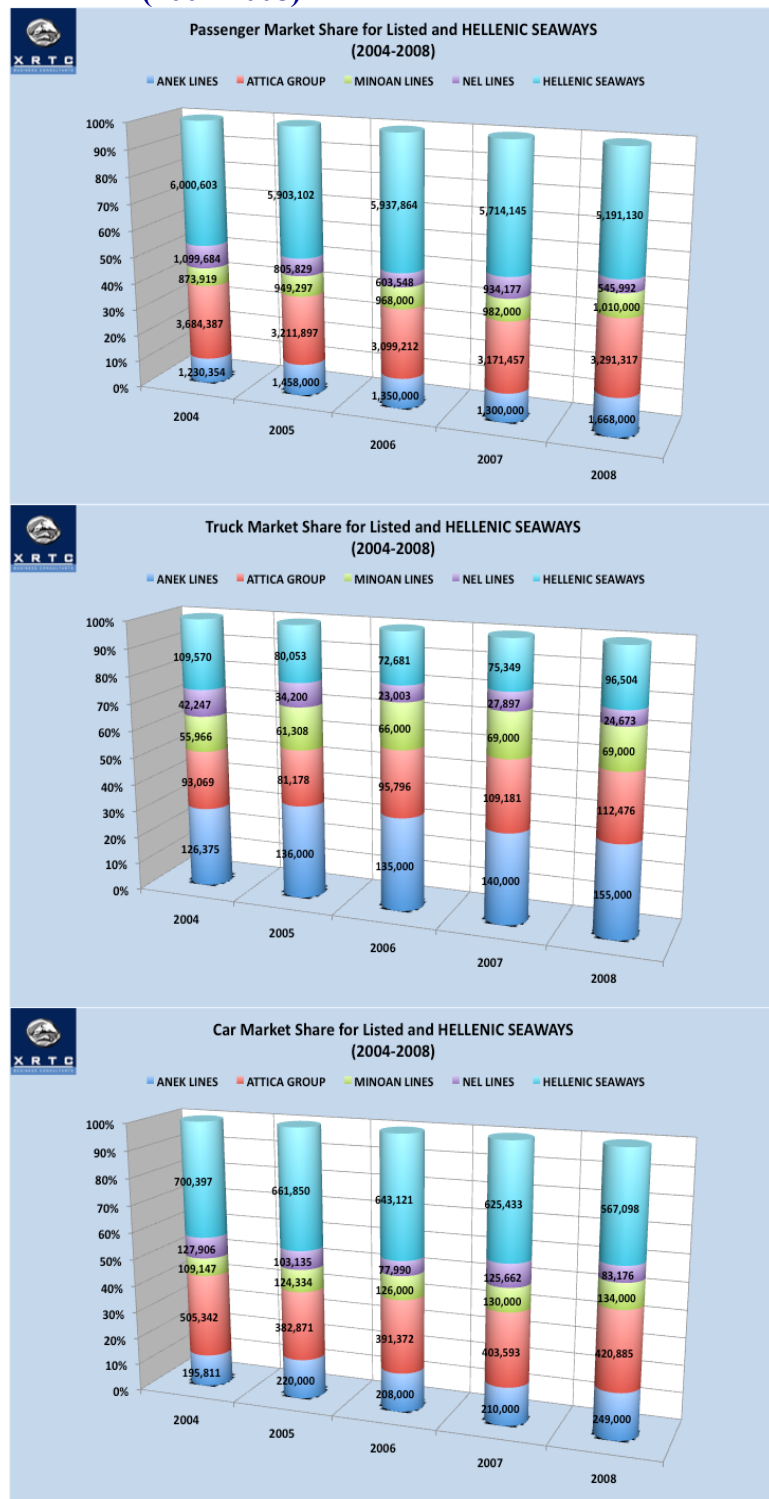


As illustrated in Figure 7 traffic figures for all listed companies and HELLENIC SEAWAYS, in all areas of operation (Greece and Adriatic) and for all demand types (passenger, car and trucks) show signs of maturity. More specifically, in the case of Greece passenger traffic is decreased by -7% while in the Adriatic Sea it reaches the level of -5.5%. In the case of cars demand has decreased by more than -11% in the domestic market and around -7% in the Adriatic area. Of interest are the truck traffic results where a marginal decrease of -2% is observed in the Greek market and a marginal increase of 3% in the Adriatic Sea.

Source: XRTC Ltd. based on N.S.S.G and Port Authority data



**Figure 8: Domestic Traffic Market Shares of Listed Companies and HELLENIC SEAWAYS (2004-2008)**



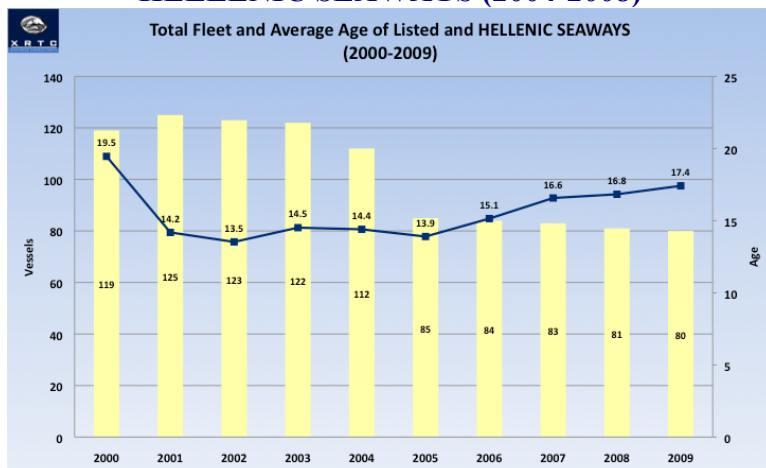
Source: XRTC Ltd. based on N.S.S.G and Port Authority data

In reference to the market shares that each of the under analysis companies has in Greece in terms of passenger, car and trucks there are presented in Figure 8.

In the case of passengers HELLENIC SEAWAYS leads followed by ATTICA GROUP, ANEK LINES, MINOAN LINES and NEL LINES. In the case of cars the ranking of the companies does not present any differences. Truck market shares are rather differentiated compared to passengers and cars. As seen ANEK LINES leads with the biggest market share with ATTICA GROUP, HELLENIC SEAWAYS, MINOAN LINES and NEL LINES following.

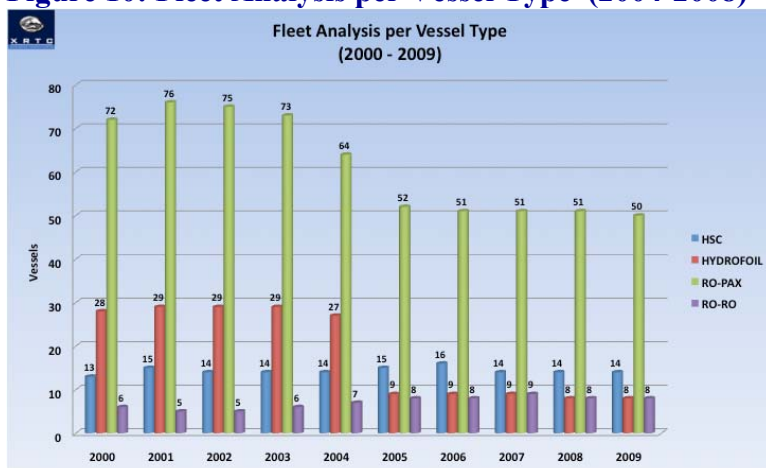
### 3.3 Supply Analysis of Listed Companies and HELLENIC SEAWAY

**Figure 9: Fleet Analysis of Listed Companies and HELLENIC SEAWAYS (2004-2008)**



Source: XRTC Ltd.

**Figure 10: Fleet Analysis per Vessel Type (2004-2008)**



Source: XRTC Ltd.

After a period of decreasing fleet numbers which begun in 2001, vessel numbers appear to stabilize as presented in Figure 9. This is due to the fact that the sale and purchase actions taken by the Greek ferry operators are of corrective character aiming at the implementation of strategies which relate to fleet renewal in order to offer services of higher calibre.

The limited action in fleet developments is also seen in Figure 10 where the structure of the fleet is presented. As seen there are hardly any changes to a year ago at any type of vessel with only exception the decrease of RO-PAX type by one vessel. This is the outcome of the sales of PASIPHAE PALAS and PANAGIA TINYOY and the purchase of SUPERFAST XII.

The non implementation of the 35 year old limit for ferry vessels by the state in combination with the deregulation of the market forced companies to seek for fleet renewal strategies in order to be able to stay in the market.

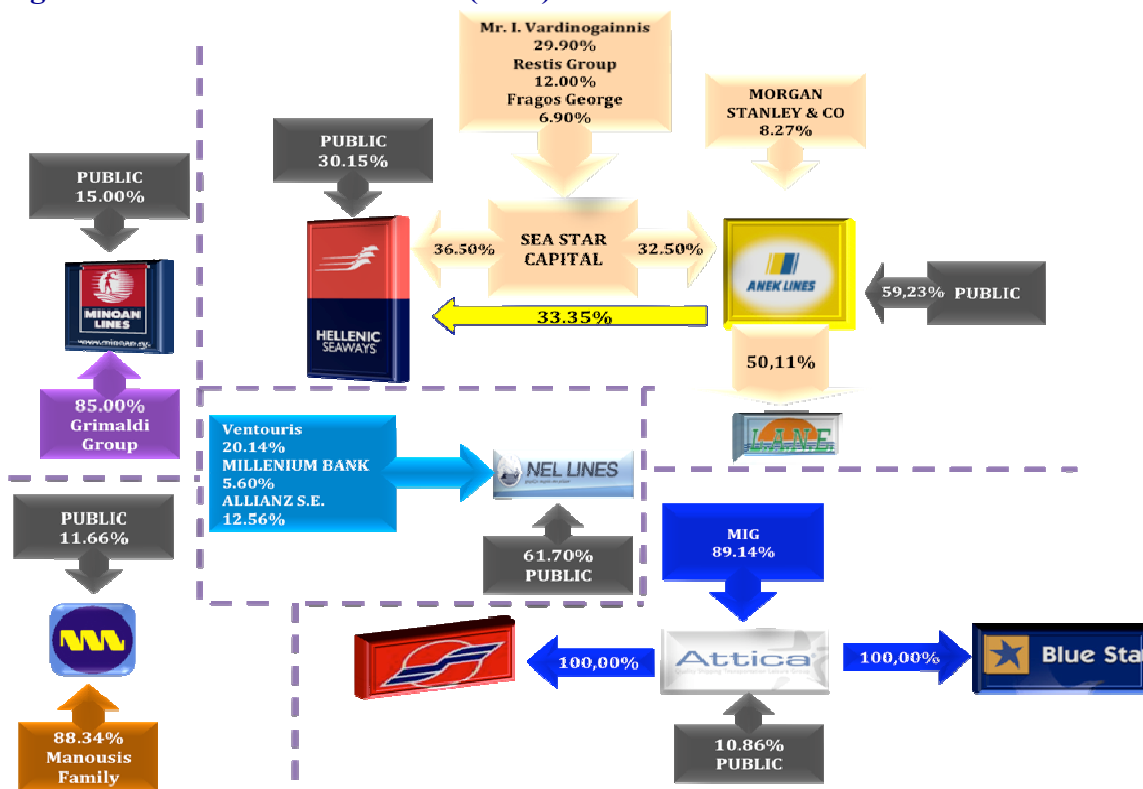
Among the strategies that have been followed by companies in order to be able to compete in the new environment so far, apart from the implementation of fleet renewal strategies, are mergers, acquisitions and cooperations with other companies of the sector. Characteristic are the examples of the acquisitions of C-LINK by NEL LINES in 2006 and of ATTICA GROUP and BLUE STAR FERRIES by MARFIN INVESTMENT GROUP. The merger of ATTICA GROUP with BLUE STAR FERRIES was completed in 2009.

### 3.4 Market Shareholder Structures

During the last 12 months significant is the recorded activity in the shareholder structures of the Greek ferry companies. The merger of SUPERFAST FERRIES with BLUE STAR FERRIES under ATTICA GROUP, which belongs to MARFIN INVESTMENT GROUP (MIG), the mutual exchange of shares between MINOAN LINES (E. Grimaldi) and ANEK LINES (I. Vardinogiannis) and the sale of the of 33.35% of E. Grimaldi's stake in HELLENIC SEAWAYS via MINOAN LINES to ANEK LINES are the strategic moves standing out during this period.

The changes in the shareholder structures resulted in the creation of five main ferry groups the creation of which has been considered as essential not only for their survival but for the smooth operation of the market as well. As seen in Figure 11 the five groups are MIG which controls via ATTICA GROUP the merged companies SUPERFAST FERRIES and BLUE STAR FERRIES, SEA STAR CAPITAL (I. Vardinogiannis and V. Restis interests) which controls ANEK LINES and the non-listed HELLENIC SEAWAYS, ATLANTICA DI NAVEGAZIONE (E. Grimaldi interests) controlling MINOAN LINES and finally, NEL LINES and SAOS FERRIES.

**Figure 11: Shareholder Structure (2009)**



Source: XRTC Ltd.

Table 9 presents a detailed road map of the strategies that have been adopted by ferry operators since 2005. The mergers, acquisitions and cooperations are the results of different reasons among which are market maturity levels, high competition levels and perceived business opportunities.

**Table 9: Shareholder Stake Evolution (2005-2009)**

02.2005	ATTICA GROUP owns 9.51% of MINOAN LINES
05.2005	Participation by 18.9% of Edgewater Holdings Inc in ANEK Lines Persons involved: A. Ventouris/ I. Vardinogiannis
09.2005	ATTICA GROUP owns 11.61% of MINOAN LINES
02.2006	Acquisition of C-LINK by NEL LINES Persons involved: A. Ventouris
02.2006	Acquisition by Laskaridis group 12.23% of HELLENIC SEAWAYS Persons involved: P. Laskaridis/P. Panagopoulos
07.2006	BLUE STAR FERRIES purchases DANE ships
12.2006	Participation by 14.24% of ATTICA GROUP in MINOAN LINES
02.2007	Participation by 22.25% of ATTICA GROUP in MINOAN LINES
03.2007	Participation of ATLANTICA DI NAVIGAZIONE in ANEK LINES Persons involved: E. Grimaldi/I. Vardinogiannis
07.2007	Acquisition by Laskaridis group 22.25% of MINOAN LINES Persons involved: P. Laskaridis/P. Panagopoulos
10.2007	Acquisition of ATTICA GROUP by MIG (51.64%) Persons involved: A. Vgenopoulos/P. Panagopoulos
12.2007	Laskaridis exits the ferry sector. Sale of MINOAN LINES and HELLENIC SEAWAYS stakes Persons involved: P. Laskaridis/I. Vardinogiannis
01.2008	MIG raises its stake in ATTICA GROUP at 91.1% and at BLUE STAR FERRIES at 84.45%
02.2008	Exchange of share stakes between MINOAN LINES and ANEK LINES Persons involved: E. Grimaldi/I. Vardinogiannis
04.2008	Participation of ANEK LINES in NEL LINES Persons involved: A. Ventouris/I. Vardinogiannis
12.2008	Merger of BLUE STAR FERRIES and ATTICA GROUP under ATTICA GROUP
04.2009	Agreement of purchase of the MINOAN LINES stake in HELLENIC SEAWAYS by ANEK LINES. ANEK LINES participation in HELLENIC SEAWAYS is estimated at 66%. Persons involved: E. Grimaldi/I. Vardinogiannis

**Source: XRTC Ltd.**

In order to obtain a better understanding of the size of each of the five groups analysed here Table 10 presents the number of vessels each group controls. As seen SEA STAR CAPITAL operates the biggest and most diversified fleet as it will be shown later, since it controls ANEK LINES and HELLENIC SEAWAYS. MIG follows after the merger of BLUE STAR FERRIES and ATTICA GROUP.

**Table 10: Greek Imports and Exports**

	Fleet
SEA STAR CAPITAL	47
MARFIN INVESTMENT GROUP	13
ATLANICA DI NAVEGAZIONE	5
NEL LINES	7
SAOS FERRIES	11

**Source: XRTC Ltd.**

It must be mentioned here though that there is a number of smaller in size companies which are important players of the Greek ferry sector and are presented in later sections of this study. It is our estimate that these players should also move towards the direction of cooperations, mergers and acquisitions as well.

These moves are essential for their survival since they will be able to create economies of scale and scope which are essential especially in difficult periods like those we are going through. Due to the current financial instability with limited liquidity perhaps the best way to go forward at the present is via cooperations. Nevertheless in the future, as the global markets will begin to

stabilize, there will be opportunities for more decisive actions since the market size and structure will impose this.

## 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 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:

- Cost analysis,
- Total turnover from operations,
- EBITDA,
- Net results before tax
- Bank debt
- Financial ratios

The report will present the market analysis which consists from data deriving from the five listed ferry companies in the Athens Exchange – namely ANEK LINES, ATTICA GROUP, BLUE STAR FERRIES, MINOAN LINES, NEL LINES and HELLENIC SEAWAYS, the sole non-listed ferry company which is considered due to its fleet size, numerous destinations as well as financial performance. SAOS FERRIES is not included in the analysis since no data have been published by the company.

### 4.1 Cost Analysis

The price increase of bunkers during the past years has substantially burdened the financial results for each and every company individually. Companies operating high speed vessels the consumption of which is notably higher than that of conventional vessels and additionally the type of fuel consumed is also higher in price compared to that consumed by conventional vessels are those that suffer more. Despite the 70% increase in the barrel prices in 2008 compared to 2007 the cost was significantly mitigated by the strong Euro currency.

**Figure 12: Fuel Cost of Listed and HELLENIC SEAWAYS**

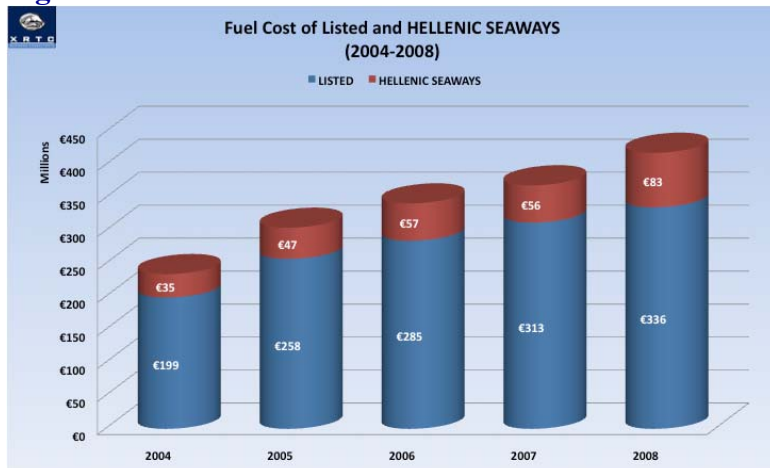
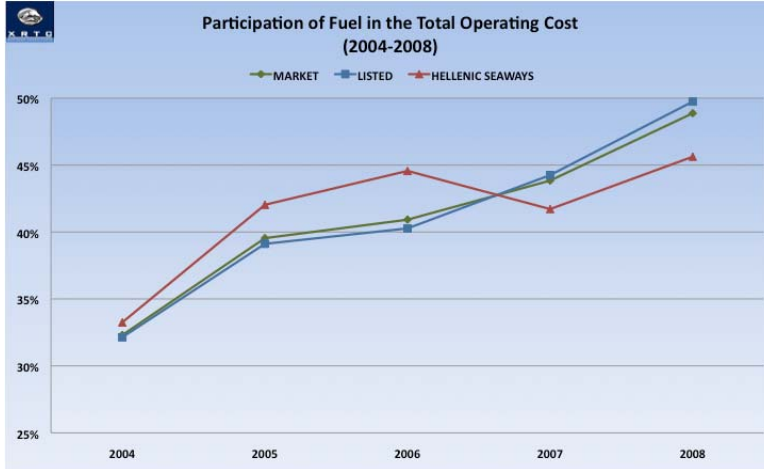


Figure 12 shows the bunker cost evolution since 2004 in absolute numbers where a steady annual increase is observed. A better understanding of the effect that bunkers have on the total expenses is given by Figure 13. As seen the contribution of bunkers has risen from 32% in 2004 to 48% in 2008 when the whole of the market is taken into account despite the positive effect of the strong Euro.



Source: XRTC Ltd.

**Figure 13: Fuel Cost Contribution to Total Operating Costs**



Source: XRTC Ltd.

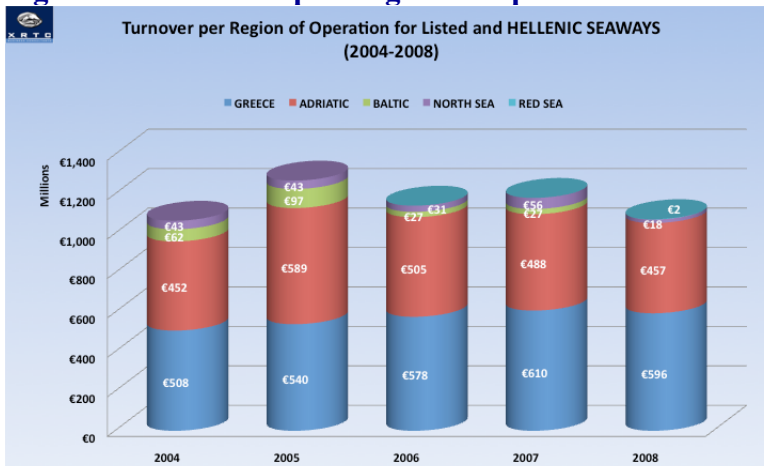
In order to be able to cope with the increasing bunker costs companies focus on the minimisation of the rest of their operational expenses. These costs present an annual average increase of 4% between 2004 and 2008. This marginal increase is achieved via:

- The rationalisation of itineraries enabling high levels of capacity utilization
- Fleet optimization
- Optimization of the speed of the service provided
- Investment in new technology vessels

## 4.2 Turnover from Operations

Revenues for the five listed companies and HELLENIC SEAWAYS appear to have stabilized above €1 billion during the last three years (Figure 14). The revenues come mainly from the Adriatic Sea and Greece since North Europe was abandoned by ATTICA GROUP. The exit from North Europe in combination to the decrease in demand in the rest of the regions has resulted in the decrease of 2008 revenues compared to 2007. It must be clarified also that Greek ferry operators charter their vessels abroad. Companies such as MINOAN LINES, HELLENIC SEAWAYS and NEL LINES obtained significant revenues via the adoption of such practices.

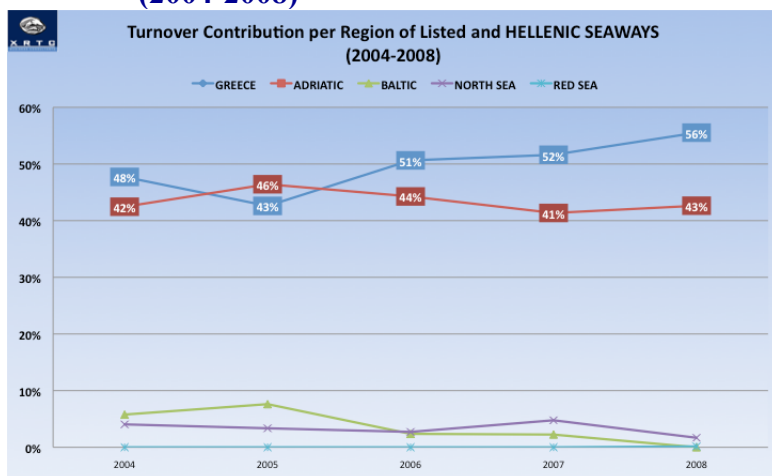
**Figure 14: Turnover per Region of Operation for Listed and HSW (2004-2008)**



Source: XRTC Ltd.

As presented in Figure 15 the main source of revenues for the companies operating in both Greece and Adriatic Sea is the former with the exception of 2005 where the contribution appears to be rather balanced. Of interest is the fact that from 2006 until today there is a marginal but steady increase in the revenues coming from the domestic market reaching the level of 56% in 2008. The decrease in demand in combination to the high levels of competition in the Adriatic area are among the reasons that led to the decreasing revenues from this area. It is worth pointing out here the effort of NEL LINES to operate in the Red Sea area where revenues are reported around €1.6 million.

**Figure 15: Turnover Contribution per Region for Listed and HELLENIC SEAWAYS (2004-2008)**

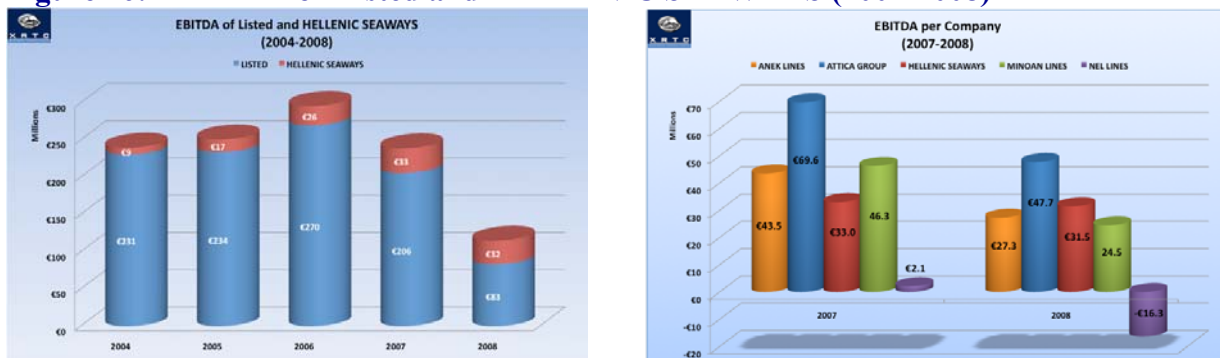


Source: XRTC Ltd.

### 4.3 EBITDA

Market EBITDA results present a significant decline of -51% in 2008 compared to 2007 after the significant increase of 18% in 2006 compared to 2005 (Figure 16). This is mainly due to the fact that all ferry companies reported significantly lower results. For instance ANEK LINES reported -37%, MINOAN LINES -47%, ATTICA GROUP -31% and NEL LINES reported a decrease in their EBITDA results of -867%. Only HELLENIC SEAWAYS reported marginally improved results of 5%. The high fuel cost along with the decrease in demand in all areas of operation have contributed to the worst results ever with NEL LINES standing out (see section 5.1.4 for more details).

**Figure 16: EBITDA for Listed and HELLENIC SEAWAYS (2004-2008)**



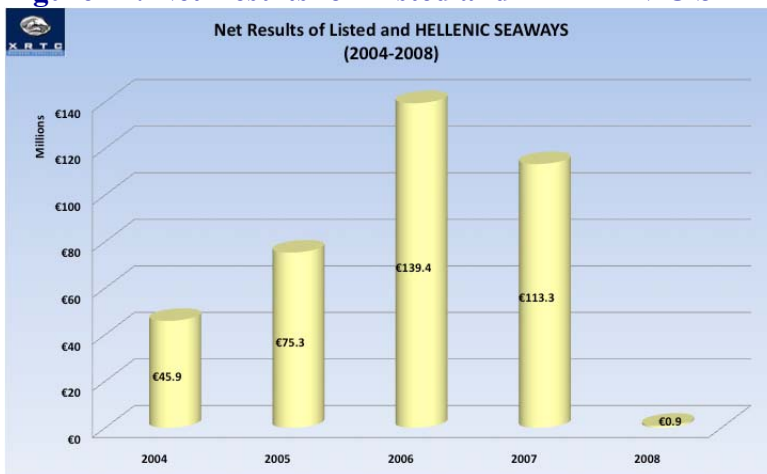
Source: XRTC Ltd.



#### 4.4 Net Results before Tax

Net results are lower by -99% in 2008 compared to 2007, as presented in Figure 17. After an impressive improvement of the net results for two consecutive years between 2004 and 2006, where a record of 80% increase is reported, companies seem to be affected by fuel prices and by the high competition levels that exist in some itineraries. Characteristic is the case of ANEK LINES stating that revenues were affected in the itinerary of Piraeus – Chania due to competition. All ferry operators have reported lower net results with NEL LINES standing out with -196%, and ANEK LINES, MINOAN LINES, ATTICA GROUP and HELLENIC SEAWAYS following with -152%, -80%, -64% and -39% respectively.

**Figure 17: Net Results for Listed and HELLENIC SEAWAYS (2004-2008)**



Source: XRTC Ltd.

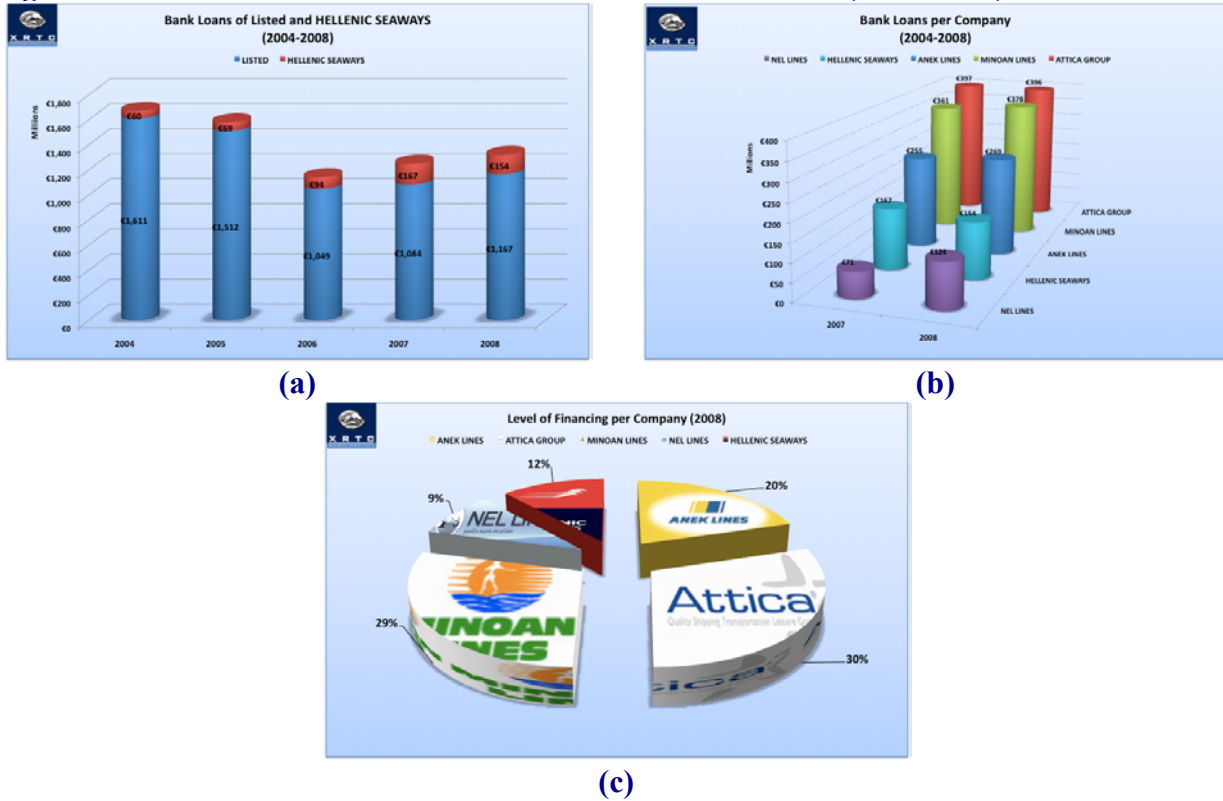
#### 4.5 Bank Debt

As presented in Figure 18a, bank liabilities increased by 5.6% compared to 2008. Bank loan levels have decreased significantly during the last years due to:

- loan restructuring and smooth payment of liabilities
- sale of vessels which assisted in the reduction of loan exposure

In 2008 bank exposure in the ferry sector shows a marginal increase despite the fact that overall banks appear to have decreased their portfolios in the specific market. This increase is due to the increase in the bank debts of NEL LINES by 75%, MINOAN LINES by 4.5 % and of ANEK LINES by 5.6% (Figure 18b). In the case of NEL LINES the main reason for this significant increase is the incorporation of AEOLOS KENTERIS in the company' s fleet, whereas in the case of MINOAN LINES is the restructuring of the €375 million syndicate bond loan, which provided the company with necessary liquidity. Finally, in 2008 the biggest bank loan exposure is seen in MINOAN LINES followed by ATTICA GROUP and ANEK LINES.

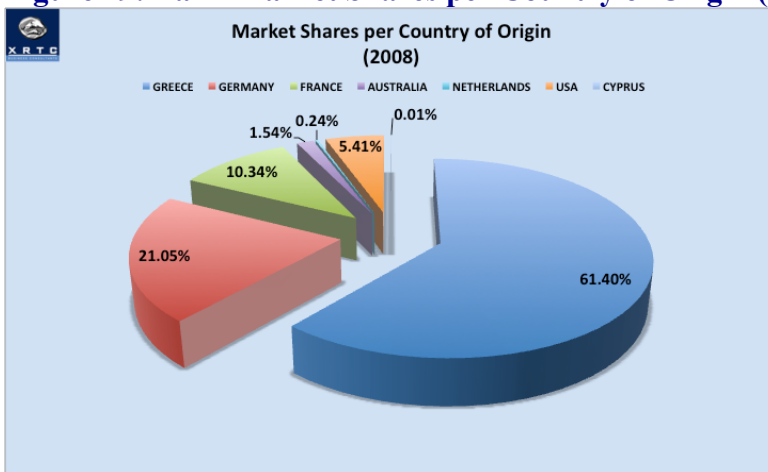
**Figure 18: Bank Loans of Listed and HELLENIC SEAWAYS (2004-2008)**



Source: XRTC Ltd.

The main supporter of the Greek ferry sector are Greek banks as illustrated in Figure 19 controlling around 60% of the market. German banks follow with 23%, French with 10% and American with just 5%.

**Figure 19: Bank Market Shares per Country of Origin (2008)**

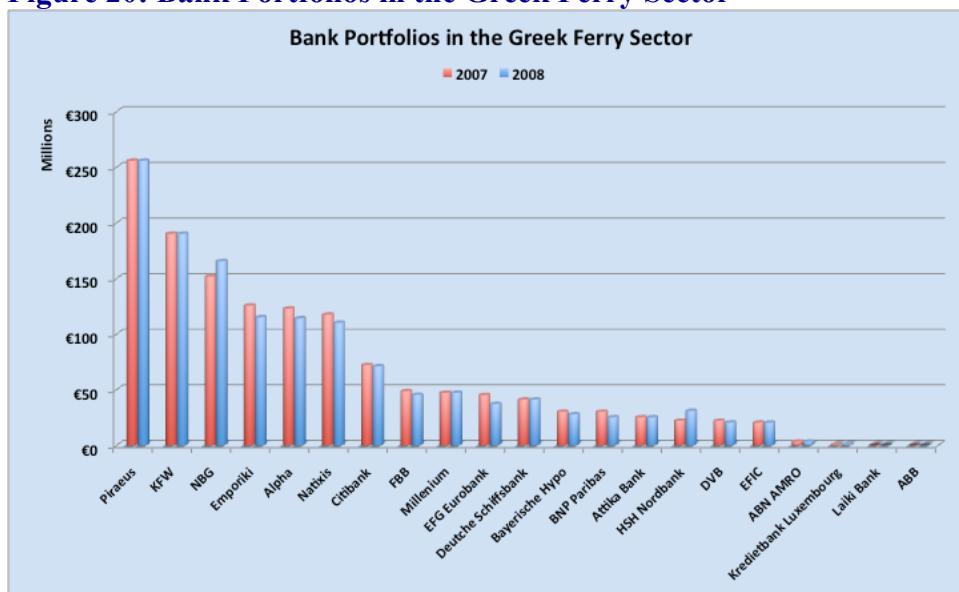


Source: XRTC Ltd.

As observed in Figure 20 only seven banks have portfolios of more than €50 million while seven out of the top ten banks are of Greek interests with Piraeus Bank leading. It is worth mentioning here that Piraeus Bank appears to have played an important role in the recent deal providing

guaranties of €125 million to ANEK LINES for the acquisition of Grimaldi's stake at HELLENIC SEAWAYS.

**Figure 20: Bank Portfolios in the Greek Ferry Sector**



Source: XRTC Ltd.

## 4.6 Company Comparative Analysis

Table 11 presents a comparative analysis of the listed companies to the Athens Exchange and HELLENIC SEAWAYS aiming at providing a clearer view of the financial status of each company individually and of the sector as a whole. As seen, ANEK LINES and HELLENIC SEAWAYS present the highest equity results and ATTICA GROUP the lowest.

**Table 11: Company Comparison based on Financial Ratios (2007-2008)**

FINANCIAL RATIO	YEAR	ANEK LINES	ATTICA GROUP	HELLENIC SEAWAYS	MINOAN LINES	NEL LINES	SAOS FERRIES
Revenues/	2008	1.42	0.65	0.97	0.77	0.80	
Total Equity	2007	1.17	0.62	0.80	0.70	0.83	0.44
Bank Loans/	2008	0.83	0.89	0.86	0.87	0.79	
Total Liabilities	2007	0.69	0.80	0.78	0.50	0.73	0.36
Cost of Sales/	2008	0.82	0.77	0.82	0.76	1.06	
Revenues	2007	0.76	0.70	0.74	0.62	0.86	0.94
Total Equity/	2008	0.60	1.13	1.27	0.67	0.26	
Total Liabilities	2007	0.71	1.14	1.15	0.69	0.56	1.24
Net Results Before Tax/	2008	-0.34	1.08	1.08	6.44	-4.32	
Interest Expense	2007	0.69	2.63	2.42	0.66	-1.86	-4.76

Source: XRTC Ltd.

In terms of bank debt NEL LINES has the lowest index 0.79. The rest of the companies are at the same level around 0.8. These results are not of any concern for the companies since they are far from the danger zone of not being able to meet their loan liabilities.

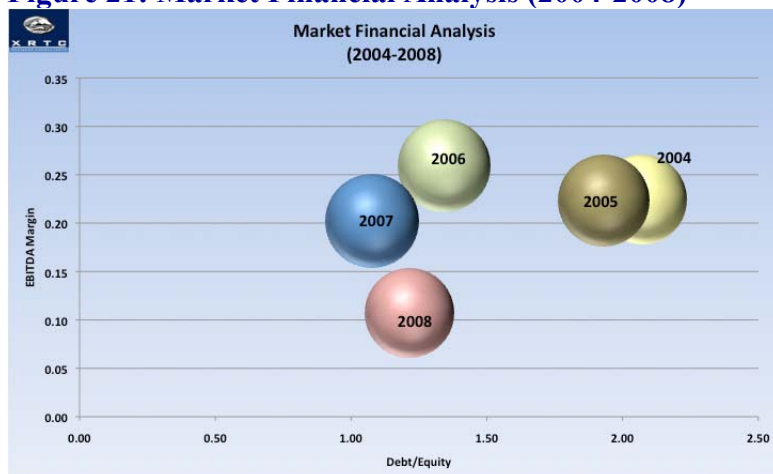
Special attention needs to be paid by the ferry operators to their cost structure since it is at high levels compared to their revenues. All companies report significant increase of their cost ratio.

with NEL LINES standing out (1.06). ANEK LINES, HELLENIC SEAWAYS, ATTICA GROUP and MINOAN LINES follow with 0.82, 0.82, 0.77 and 0.76 respectively.

The trend of decreasing bank debt is clearly seen in the Total Equity/Total Liabilities ratio. As seen ANEK LINES, NEL LINES and MINOAN LINES increased their bank liabilities in 2008 compared to 2007. On the contrary ATTICA GROUP and HELLENIC SEAWAYS present the lowest levels of bank liabilities.

Finally, in terms of their ability to cover any interest expenses the results are mixed. The majority of the companies present no worrying signs, with just one company being in the danger zone due to the significantly negative results of the last financial year.

**Figure 21: Market Financial Analysis (2004-2008)**



Analysing the market as a whole (Figure 21) a decrease of -9.5% in the revenues of 2008 is seen compared to 2007, reaching the levels 2004. EBITDA results present also a decrease of -50% after a four-year period, which they vary between 21% and 26%. The main reasons leading to these results are the global economic crisis, the increasing fuel prices and the decreasing demand.

Source: XRTC Ltd.

Since 2005 companies have begun an effort to minimizing their bank loans either via the sale of vessels or via the restructuring of their loans. In 2007 the lowest levels of bank loans are observed during the last five years with 2008 not showing any signs of recovery. It must be mentioned here that the very limited activity in bank loans is also due to the fact that banks are reluctant in providing any loans due to the financial crisis.

## 5. Company Presentation and Analysis

### 5.1 Listed Companies

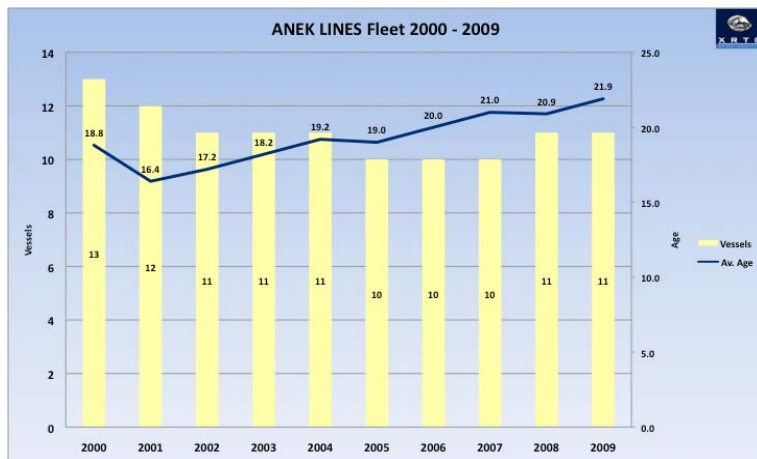
#### 5.1.1 ANEK LINES

The acquisition of the Ro/Pax ELYROS is one of the recent developments which has taken place as part of the restructuring program the company follows during the last years. The company continues its fleet renewal strategy from the second-hand market which explains the high average age of the fleet as presented in Figure 22.

Today the company operates a fleet of 11 Ro/Pax vessels, of which four are deployed in the Adriatic Sea, another four operate in the Piraeus-Crete itineraries, one is deployed in the N.E. Aegean area and one in the area of Dodecanese. Additionally, one is chartered to the Tunisian company COTOVAN (Table 11). During the last couple of years the management team explores

the possibilities of new business opportunities via the operation in new geographic areas since the competition levels in the Domestic market and the Adriatic Sea has intensified. The charter of one of the vessels to COTOVAN is within the strategy of best possible asset utilization.

**Figure 22: ANEK LINES Fleet (2000-2009)**



Source: XRTC Ltd.

**Table 12: ANEK LINES Fleet Deployment (2009)**

Type	Number	Area
RO-PAX	4	Adriatic
RO-PAX	4	Crete
RO-PAX	1	N.E. Aegean
RO-PAX	1	Dodecanese
RO-PAX	1	Chartered

Source: XRTC Ltd.

For second consecutive year the financial results are rather negative. As seen in Table 12 both EBITDA and net results have significantly decreased compared to 2007 while fuel expenses follow an opposite path. The impact of fuel costs on the company's results can be easily observed since despite the increase in revenues by 9.67% due to the increase in passenger (17%), car (25%) and truck (14%) traffic, net results have worsened.

**Table 13: ANEK LINES Basic Figures (2007-2008)**

	2007	2008	Δ%
Passenger Traffic	1,811,000	2,121,684	17.15%
Car Traffic	353,000	361,749	24.78%
Truck Traffic	231,000	241,996	13.61%
Revenues	€254,332,000	€ 278,936,000	9.67%
EBITDA	€43,500,000	€ 27,300,000	-37.24%
Net Results	€12,284,000	-€ 6,413,000	-151.21%
Cost of Sales	€194,059,000	€ 227,934,000	17.47%
Fuel Cost	€74,592,000	€ 115,920,000	55.41%
Long-term Liabilities	€216,957,000	€ 343,016,989	58.10%

Source: XRTC Ltd.

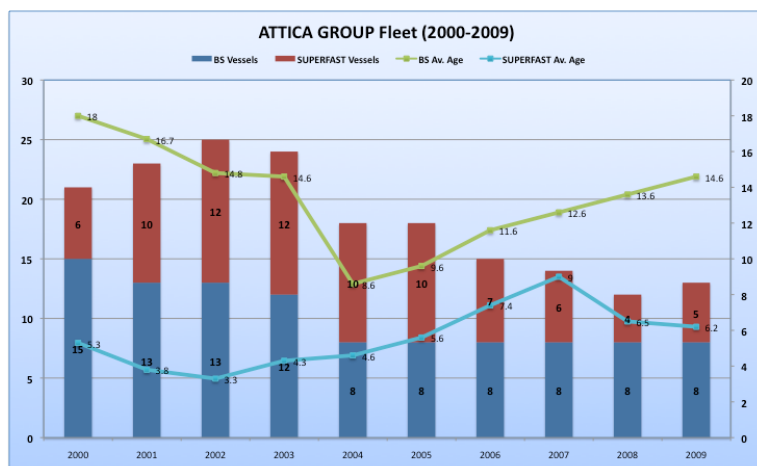
In 2008 ANEK LINES reached an agreement with E. Grimaldi on the purchase of the stake MINOAN LINES had in HELLENIC SEAWAYS. With this agreement I. Vardinogiannis controls via SEA STAR CAPITAL both ANEK LINES and HELLENIC SEAWAYS. In the coming months the SEA STAR CAPITAL is expected to take action at financial and operational level via the expansion of its operations in new markets.

## 5.1.2 ATTICA GROUP

The completion of the triple merger among ATTICA GROUP, BLUE STAR FERRIES and SUPERFAST FERRIES, at the beginning of 2009 is the final step after the acquisition of ATTICA GROUP by MARFIN INVESTMENT GROUP in 2007. Today the company operates a fleet of 13 vessels out of which five belong to SURERFAST FERRIES and eight to BLUE

STAR FERRIES (Figure 23). The average age of these vessels does not exceed 10 years since the philosophy of the company is to operate new-building vessels offering services of the highest calibre. The order of two new Ro/Pax vessels in 2008 is the proof of this philosophy with one of them operating already in the Adriatic Sea. The second is expected to be received in 2009. The company operates in Adriatic sea with five vessels, with four vessels in Cyclades, three in Dodecanese and one in Crete (Table 14). After the arrival of the second new-building vessel in 2009 a second vessel is planned operate in the Piraeus-Crete itinerary.

**Figure 23: ATTICA GROUP Fleet (2000-2009)**



Source: XRTC Ltd.

**Table 14: ATTICA GROUP Fleet Deployment (2009)**

Type	Number	Area
RO-PAX	5	Adriatic
RO-PAX	4	Cyclades
RO-PAX	3	Dodecanese
RO-PAX	1	Crete

Source: XRTC Ltd.

The financial results of 2008 have been affected by the recent crisis as well. As presented in Table 15, the high fuel prices have affected significantly the results despite the marginal increase in revenues by 3%. A number of strategic decisions which have played an important role to the company's results must be mentioned. These are:

- The sale of the four Ro/Ro vessels
- The exit from the North Sea market
- The deployment of BLUE STAR 1 in the Dodecanese area
- The addition of SUPERFAST I in October 2008

**Table 15: ATTICA GROUP Basic Figures (2007-2008)**

	2007	2008	Δ%
Passenger Traffic	3,977,488	4,008,410	0.78%
Car Traffic	597,093	558,195	-6.51%
Truck Traffic	264,690	261,406	-1.24%
Revenues	€316,313,000	€325,911,000	3.03%
EBITDA	€69,600,000	€47,700,000	-31.47%
Net Results	€62,092,000	€22,262,000	-64.51%
Cost of Sales	€221,652,000	€250,498,000	13.01%
Fuel Cost	€94,575,000	€125,211,100	32.39%
Long-term Liabilities	€361,754,000	€361,537,000	-0.06%

Source: XRTC Ltd.

With the purchase of two new Ro/Pax vessels the leading role of company in the market is strengthened. ATTICA GROUP is among the pioneers in the Adriatic area able to identify business opportunities on the spot. The deployment of the vessels in new areas along with the

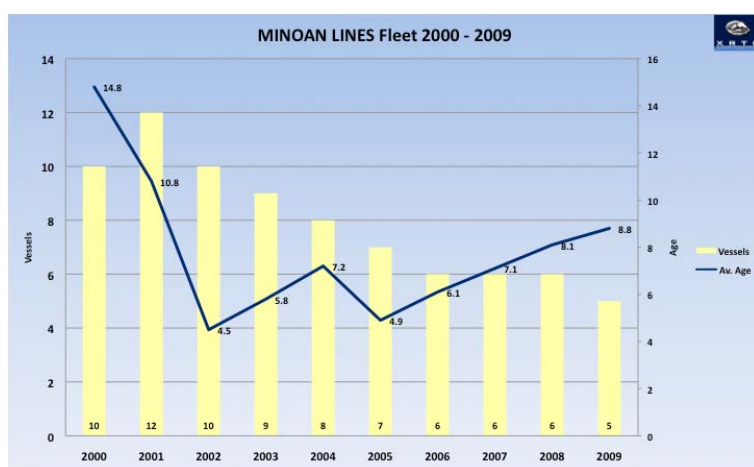


purchase of the two new-building vessels are the answer to the increasing competition levels in Greece and Adriatic achieving lower operating costs to competitors.

### 5.1.3 MINOAN LINES

Since 2003 the fleet of MINOAN LINES presents a decreasing trend. After the new-building investment program which ended in 2001 the company was forced to proceed in significant restructuring processes in order to be able to stay competitive. Among the actions taken are the sale of a number of vessels with most recent the sale of Ro/Pax PASIPHAE PALAS in 2009 to the French company SNCM for \$75 million. The company shares the same philosophy with ATTICA GROUP in operating new vessels as illustrated in Figure 24

**Figure 24: MINOAN LINES Fleet (2000-2009)**



Source: XRTC Ltd.

**Table 16: MINOAN LINES Fleet Deployment (2009)**

Type	Number	Area
RO-PAX	3	Adriatic
RO-PAX	2	Crete

Source: XRTC Ltd.

The acquisition of the company by GLIMALDI GROUP in 2008 has not changed the areas of operation continuing to giving emphasis in the Adriatic Sea. The recent sale of PASIPHAE PALAS is within the overall planning of the Group which includes a new-building program of 30 new Ro/Ro and Ro/Pax type vessels and are estimated to be deployed in the Mediterranean Basin. In the Greek market the company operates two vessels in the Piraeus-Irakleion itinerary (Table 16).

**Table 17: MINOAN LINES Basic Figures (2007-2008)**

	2007	2008	Δ%
Passenger Traffic	1,524,000	1,574,000	3.28%
Car Traffic	275,000	283,000	2.91%
Truck Traffic	150,000	156,000	4.00%
Revenues	€195,940,000	€ 213,782,326	9.11%
EBITDA	€46,300,000	€ 24,500,000	-47.08%
Net Results	€16,360,000	€ 3,316,612	-79.73%
Cost of Sales	€121,750,000	€ 161,821,843	32.91%
Fuel Cost	€57,038,678	€ 76,835,418	34.71%
Long-term Liabilities	€210,501,182	€ 343,016,989	62.95%

Source: XRTC Ltd.



In reference to the financial results these have been affected by the high fuel prices despite the fact that the company has managed to increase the traffic volumes in passengers, cars and trucks, which resulted in a 10% increase in revenues.

**Table 18: GRIMALDI GROUP Fleet (2009)**

Type	Number
Car	12
Ro/Ro	69
Ro/Pax	26

Source: XRTC Ltd.

As mentioned GRIMALDI GROUP has a new building program of 30 vessels. CRUISE EUROPA is one of these vessels, which will be operating under MINOAN LINES soon in the Adriatic Sea.

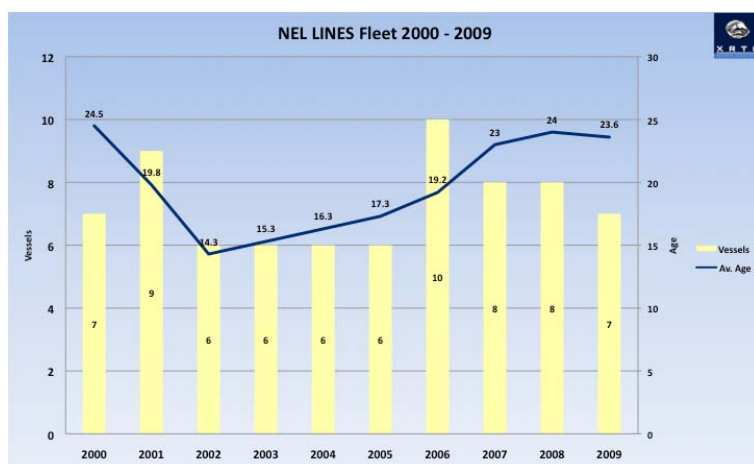
Apart from MINOAN LINES, GRIMALDI GROUP controls a number of companies among which are GRIMALDI LINES, FINNLINES, MALTA MOTORWAYS OF THE SEA and ACL CONTAINERS, operating one of the biggest fleets globally (Table 18). This fleet of 107 vessels gives the ability to operate in different areas globally such as the Mediterranean Sea, North Sea, West Africa and at the East Coast of North and South America.

MINOAN LINES is the first Greek company which is now owned and operated by foreign interests. The Italian company is one of the strongest groups in the maritime industry with significant expertise which guarantees the future of the MINOAN LINES. Characteristic is the strategic choice of strengthening the company's and further to that the group's presence in the Adriatic Sea with new-building vessels.

#### 5.1.4 NEL LINES

The company operates a fleet of seven vessels, after the sale of Ro/Pax PANAGIA TINOS in February of 2009, with average age of 23.6 years (Figure 25). The restructuring program which began four years ago is still under way with the most recent development the geographic diversification via the operation in the Red Sea area. As presented in Table 19 the main areas of operation are Cyclades, N.E. Aegean and the Red Sea.

**Figure 25: NEL LINES Fleet (2000-2009)**



Source: XRTC Ltd.

**Table 19: NEL LINES Fleet Deployment (2009)**

Type	Number	Area
RO-PAX	3	Cyclades
RO-PAX	3	N.E. Aegean
RO-PAX	1	Red Sea

Source: XRTC Ltd.

According to the results presented in Table 19, the company appears to be among the operator's mostly affected by the global economic crisis since both EBITDA and net results appear to be significantly worse to a year ago. Apart from the economic crisis the results have been also affected by the accident of Ro/Pax THEOFILOS at the Chios-Inouses strait. The above factors have resulted in the decrease of passenger, car and truck demand by -40%, -11% and -46% respectively.

**Table 20: NEL LINES Basic Figures (2007-2008)**

	2007	2008	Δ%
Passenger Traffic	934,177	560,614	-39.99%
Car Traffic	125,662	67,818	-46.03%
Truck Traffic	27,897	24,917	-10.68%
Revenues	€45,090,546	€33,007,926	-26.80%
EBITDA	€2,120,003	-€16,267,252	-867.32%
Net Results	-€9,830,001	-€29,091,760	-195.95%
Cost of Sales	€38,760,973	€35,124,481	-9.38%
Fuel Cost	€18,959,124	€17,981,582	-5.16%
Long-term Liabilities	€62,383,243	€115,174,083	84.62%

**Source: XRTC Ltd.**

An additional factor which appears to have affected the financial results apart from the Ro/Pax THEOFILOS accident which costed €1.8 million, is the writeoff of €2.6 million of liabilities to the company the Ro/Pax AEOLOS KENTERIS was leased, which were never cashed in since the vessel was returned to the company. The company estimates that the demand in the Red Sea will significantly assist in the future revenues since the so far results are satisfactory. Nevertheless the company should not stop considering alternative regions for its operations. The participation and charter of the its high-speed vessels in subsidized itineraries is a good strategy which enables the utilization of these vessels for much longer periods of time compared to the 60 days these used to operate in the past due to the very high fuel prices.

Among the negative points for the company is its stock trade suspension in the Athens Exchange for some time now due to the controversial financial results. The company is expected to take part in the new merger and acquisition wave which is estimated to take place in the months to come.

### 5.1.5 SAOS FERRIES

The company filed for bankruptcy under the article 99 of the Greek state law 3.588/2007 due to the financial difficulties it is facing since 2008. This development resulted in the suspension of the company's stock in the Athens Exchange and its inability to publish any annual results. Despite the fact the initial strategy of operating in the areas where there was very limited or no ferry activity in the Aegean Sea was successful, the company's obsession in operating mainly in subsidized itineraries without showing any interest in other areas of operation was proven detrimental.

The company was faced with significant financial problems despite the low levels of liabilities and the long-term employment of part of its fleet which guaranteed significant revenues. The delayed payments by the Greek state in combination with the purchase of vessels for the renewal of its fleet resulted in significant liquidity problems.

Recent developments found the company accusing members of the Greek Government for bribery in the calls for subsidized itineraries in the Aegean Sea. This action created bigger

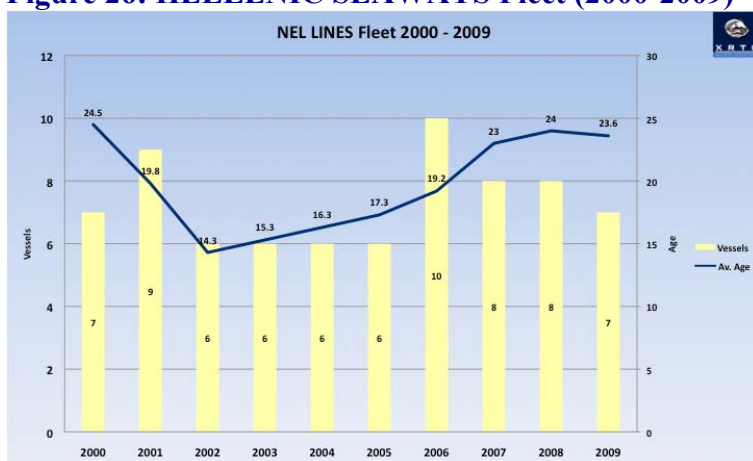
problems to the company since investors' faith is deadened. This does not necessarily mean that companies should not act to the best of their interests revealing any bad practices.

## 5.2 Non-listed Companies

### 5.2.1 HELLENIC SEAWAYS

HELLENIC SEAWAYS controls the biggest fleet among the Greek ferry operators. As illustrated in Figure 26, today the company operates 33 vessels of different types operating in the Aegean Sea.

**Figure 26: HELLENIC SEAWAYS Fleet (2000-2009)**



The fleet is the most diversified both in terms of type and in terms of areas of operation within the Aegean Sea area (Table 21).

The company operates in the areas of Cyclades, Saronic, Sporades, Crete, N.E. Aegean and Adriatic Sea with four Ro/Ro vessels focusing on the demand of trucks and cars.

Source: XRTC Ltd.

**Table 21: HELLENIC SEAWAYS Fleet Deployment (2009)**

Type	Number	Area	Type	Number	Area
RO-PAX	3	Saronic	HSC	11	Cyclades
RO-PAX	2	Cyclades	HSC	2	Sporades
RO-PAX	1	Sporades	HSC	2	Crete
RO-PAX	2	N.E. Aegean	HYDROFOILS	6	Saronic
RO-PAX	1	Chartered	HYDROFOILS	1	Sporades
RO-PAX	1	Crete	RO-RO	4	Adriatic
			RO-RO	1	Chartered

Source: XRTC Ltd.

As expected fuel costs in combination to the 10% decrease in passenger and car demand have affected the financial results of 2008 (Table 22). The increase of 21% in truck traffic figures and the significant 21% in revenues were not enough for any positive signs in the P&L results.

**Table 22: HELLENIC SEAWAYS Basic Figures (2007-2008)**

	2007	2008	Δ%
Passenger Traffic	5,714,145	5,191,130	-9.15%
Car Traffic	625,443	567,098	-9.33%
Truck Traffic	100,515	121,670	21.05%
Revenues	€182,334,699	€221,171,000	21.30%
EBITDA	€36,575,000	€31,500,000	-13.88%
Net Results	€17,643,185	€10,780,000	-38.90%
Cost of Sales	€135,359,424	€181,015,000	33.73%
Fuel Cost	€56,462,217	€82,588,000	46.27%
Long-term Liabilities	€155,422,709	€142,457,000	-8.34%

#### Source: XRTC Ltd.

EBITDA and net results before taxes decreased by -14% and -39% respectively partially due to the increase by 46% of the fuel costs. The company is exposed to the fuel prices since a significant part of the fleet it operates are high-speed vessels. Nonetheless via its dynamic management it managed to restrain the side effects stemming from fuel via the rescheduling and deployment of these vessels achieving higher capacity utilization levels. In addition a number of its vessels have been chartered to the sister company ANEK LINES strengthening the economics of the company.

### 5.2.2 AEGEAN SPEED LINES

AEGEAN SPEED LINES will be operating soon with five high-speed vessels after the introduction of SPEEDRUNNER IV in June and of SPEEDRUNNER III later this year in the Greek ferry market. All vessels operate in the West Cyclades area (Table 23). SPEEDRUNNER IV has a speed of 34 nautical miles and a capacity of 800 passengers and 170 cars or 145 cars and six trucks. Its shareholder base consists of Greek and foreign investors with Mr. Leonidas-Evgenidis Dimitriadis being the major shareholder.

**Table 23: AEGEAN SPEED LINES Fleet (2009)**

Type	Name	Year of Built	Area
HSC	SPEEDRUNNER II	1996	Cyclades
HSC	SPEEDRUNNER IV	1998	Cyclades
HSC	SUPERSEACAT III	1999	Cyclades
HSC	SUPERSEACAT IV	1999	Cyclades

Source: XRTC Ltd.

### 5.2.3 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 24) in the areas of Adriatic and Cyclades. The owner of the company is Mr. Mimis Agoudimos.

**Table 24: AGOUDIMOS LINES Fleet (2009)**

Type	Name	Year of Built	Area
RO-PAX	IONIAN KING	1991	Adriatic
RO-PAX	IONIAN SKY	1974	Adriatic
RO-PAX	CAPETAN ALEXANDROS	1962	Adriatic
RO-PAX	PENELOPE A	1972	Cyclades
RO-PAX	PENELOPE	1975	Adriatic

Source: XRTC Ltd.

### 5.2.4 G.A. 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 been significantly affected by the new system of payments of the subsidized lines facing liquidity problems which led to the detention of one of each vessels. The company operates seven RO-PAX vessels and one HSC.

The areas of operation are Dodecanese, Cyclades, Crete, Sporades and North Aegean as presented in Table 25.

**Table 25: G.A. FERRIES Fleet (2009)**

Type	Name	Year of Built	Area
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 Ltd.

### 5.2.5 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 North Aegean with the vessels CORSICA EXPRESS III and SARDINIA VERA (Table 26). So far the company is faced with problems in its developments due to its limited financial credibility and the ageing fleet.

**Table 26: KALLISTI FERRIES Fleet (2009)**

Type	Name	Year of Built	Area
RO-PAX	CORSICA EXPRESS III	1996	N.E. Aegean
RO-PAX	SARDINIA VERA	1975	N.E. Aegean

Source: XRTC Ltd.

### 5.2.6 LANE LINES

LANE Lines operates with two RO-PAX vessels in the areas of Dodecanese and N.E. Aegean (Table 27). Strategic partner is the company is ANEK LINES.

**Table 27: LANE LINES Fleet (2009)**

Type	Name	Year of Built	Area
RO-PAX	IERAPETRA L	1975	Dodecanese/N.E. Aegean
RO-PAX	VINTSENTZOS CORNAROS	1976	Dodecanese/N.E. Aegean

Source: XRTC Ltd.

### 5.2.7 SEA JETS HSC JOINT VENTURE

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 2 and SUPERJET) as presented in Table 28. 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 28: SEA JETS HSC JOINT VENTURE Fleet (2009)**

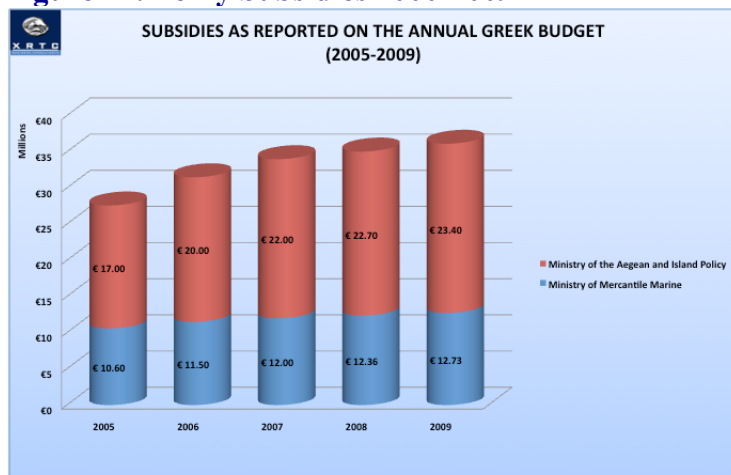
Type	Name	Year of Built	Area
HSC	SEA JET 2	1998	Cyclades
HSC	SUPER JET	1995	Cyclades

Source: XRTC Ltd.

## 6. Subsidies

The non – marketable conditions in many areas of the Aegean Sea which impede the operation of ferry operators impose the Greek State to the subsidization of a significant number of itineraries in order to achieve a minimum level of social and economic cohesion.

**Figure 27: Ferry Subsidies 2000-2009**



Source: XRTC Ltd.

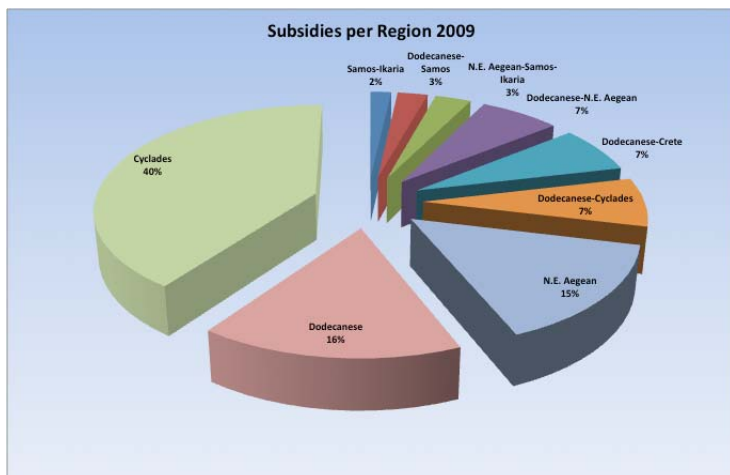
As seen in Figure 27 the amounts reported in the State's annual budget present an average increase of +7% since 2005. The criteria on ferry selection for the subsidized itineraries as stated in the new legislation (see XRTC 2007 Annual Greek Ferry Report) have significantly improved the provided level of service since it has given the incentives of companies such as ATTICA GROUP, HELLENIC SEAWAYS, ANEK LINES and NEL LINES to employ vessels of high standards.

The amount of public funds which in 2009 reach the level of €36.1 million for the coverage of these itineraries appear to be low since the level of satisfaction reported by the islanders is rather low. Among the many complains are the frequency of service, the quality of the vessels and speed. It should be pointed out though that the actual amount planned to be spent by the government to ferry subsidies in 2009 is €100 million.

**Figure 28: Subsidies per Region (2009)**

It is worth mentioning here that the





Source: XRTC Ltd.

General Secretary of Aegean and Island Policy of the Ministry of Mercantile Marine manages the amount of €62.8 million which are distributed among the different regions as presented in Figure 28. As seen 40% of the funds are given to the area of Cyclades with Dodecanese and N.E. Aegean following with 16% and 15% respectively. Of importance is the amount dedicated to the connection of different regions (i.e. Dodecanese-Crete) reaching the level of 27%.

Despite the fact that progress has been made towards the improvement of the system of subsidized itineraries via the establishment of new regulations which guarantee to a significant extent the upgrade of the provided service to the islanders, there are still issues that need special attention. The unification of the Ministry of Mercantile Marine with the Ministry of the Aegean and Island Policy along with the constructive participation of the ferry operators are among the positive steps that have been made. On the negative side is the new payment method which can take up to six months in some cases before the payment of the companies is made. The centralised system of payments may provide a better control to the State's budget but it creates bureaucratic distortions to the ferry sector since the flexibility level provided with the former accounts is not available any more.

## 7. The Adriatic Market

The Adriatic market needs special attention and analysis due to the high competition levels that have evolved through the years and the decrease in all types of demand. The main reason for the decreasing demand in passenger, car and truck traffic is the stabilization in the Balcan Peninsula after the Yugoslav war and the recent incorporation of Bulgaria and Rumania to the E.U. The company that pioneered in the area is ATTICA GROUP with its subsidiary SUPERFAST FERRIES. The companies BLUE STAR FERRIES, MINOAN LINES and ANEK LINES followed seeing the new business opportunity.

Today the Greek companies that operate in the area have not changed with only difference the fact that ATTICA GROUP controls both SUPERFAST FERRIES and BLUE STAR FERRIES after their merger under the MARFIN INVESTMENT GROUP. Another company which has a respectful presence is AGOUDIMOS LINES. The destinations each of the four Greek companies serve is illustrated in Table 29, where it is seen that competition is stronger in Ancona with Venice and Bari following and Brindizi last.

**Table 29: Greek Ferry Destinations in Adriatic**

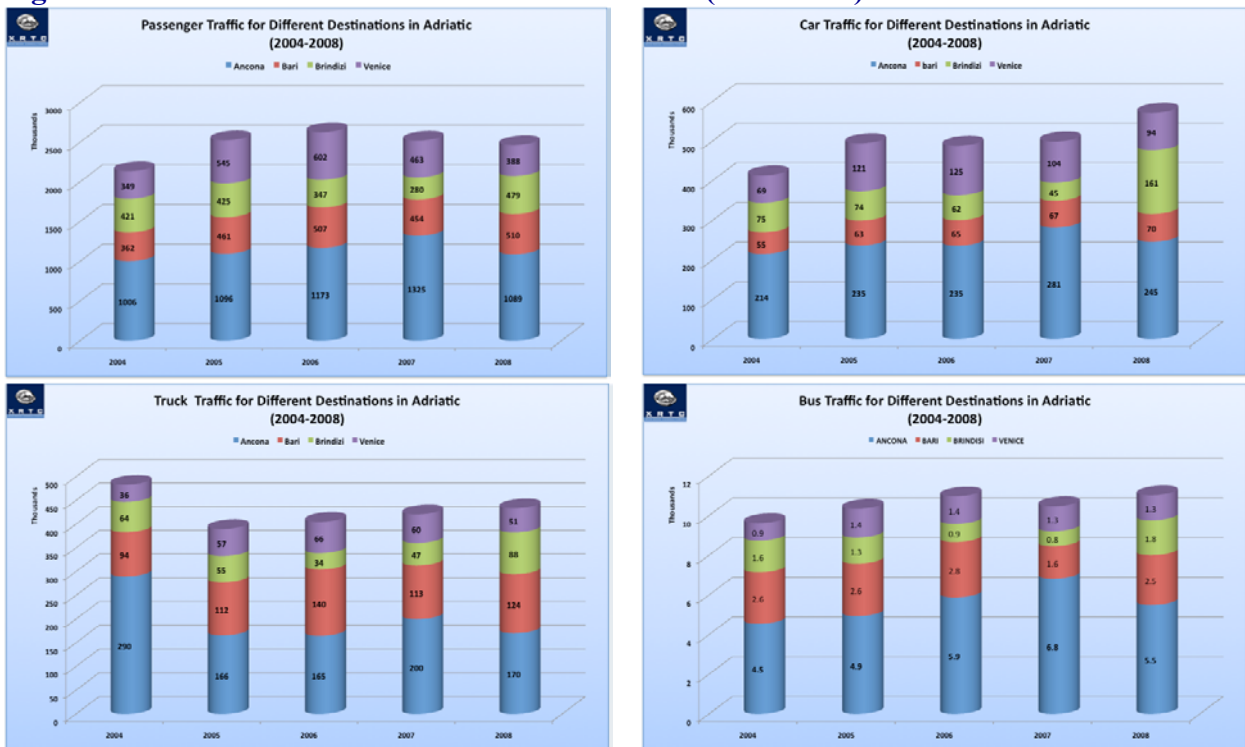
Company	Ancona	Venice	Bari	Brindizi
AGOUDIMOS LINES			☑	☑
ANEK LINES	☑	☑		
ATTICA GROUP	☑		☑	
MINOAN LINES	☑	☑		

Source: XRTC Ltd.



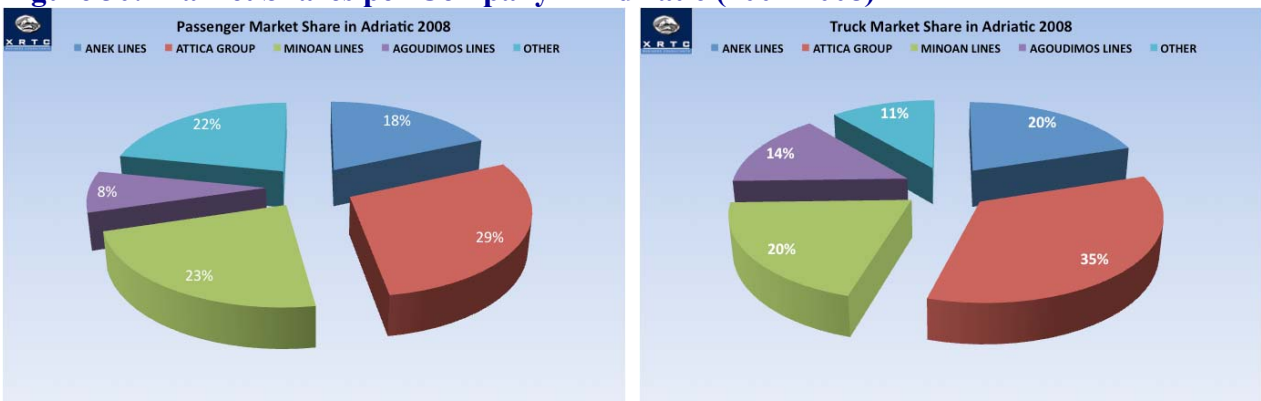
The preference of Ancona as destination from Greece is also revealed in Figure 29 where a comparison in terms of traffic among the four Italian ports is presented. The analysis shows that Ancona has the biggest share in passenger, car, truck and bus traffic. It is worth mentioning here that the market has reached a maturity level despite the marginal increase that some parts of the demand may have. Characteristic is the decrease in the passenger traffic which begun in 2006 when the highest levels are observed. Both Ancona and Venice have significant decreases compared to 2007 in contrast to Brindizi where some positive signs are reported in 2008. This increase is mainly attributed to the seasonal summer traffic of cars and buses. The former category has increased by four times compared to a year ago and the latter has doubled. In reference to the freight demand a steady gradual increase in reported since 2005 after a sudden drop of 20% between 2004 and 2005.

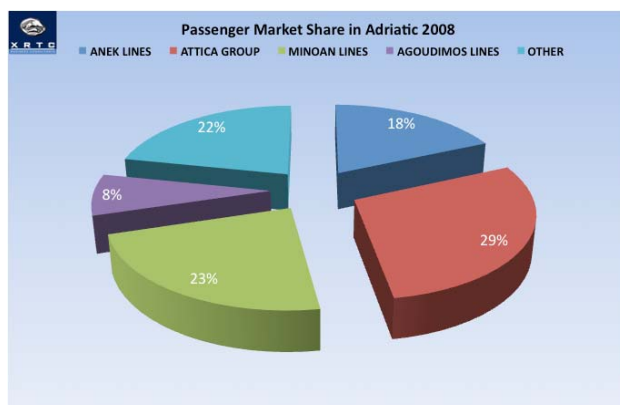
**Figure 29: Traffic in Basic Destinations in Adriatic (2004-2008)**



Source: XRTC Ltd. based on N.S.S.G. and Port Authorities

**Figure 30: Market Shares per Company in Adriatic (2004-2008)**





Source: XRTC Ltd. based on N.S.S.G. and Port Authorities

In terms of market shares ATTICA GROUP continues to be the leader in passengers and trucks with 29% and 35% respectively, with MINOAN LINES (23% passengers and 20% trucks) and ANEK LINES (18% passengers and 20% trucks) following. Only in the case of cars the market appears to be more evenly distributed among MINOAN LINES (26%), ATTICA GROUP (24%) and ANEK LINES (20%). HELLENIC SEAWAYS operates also in the area with four Ro/Ro vessels serving around 25 thousand trucks per year in the itinerary Corinthos-Venice (Figure 30).

The seasonality that characterizes most types of demand of the ferry services is analyzed in Table 30. Using the coefficient of variation index it is clearly seen that supply is adjusted to the type of demand that has the smallest variation during the year. Since smallest variation is reported in truck demand companies adjust their service frequency i.e. number of trips based on this demand.

**Table 30: Demand Vs Supply Analysis in Adriatic**

	Trips	Passengers	Trucks	Busses	Cars
Ancona	0.11	0.63	0.42	0.45	0.72
Venice	0.28	0.70	0.24	0.57	0.64
Bari	0.31	0.59	0.20	0.50	0.75
Brindizi	0.48	1.04	0.29	0.83	1.26

Source: XRTC Ltd.

## 8. Conclusions-Recommendations

As every unique economic sector, the Greek coastal ferry market struggles to adjust its footprints in the new economic conditions, which were brought about by the current economic crises. The present global socio-economic environment evolves a set of huge uncertainties not only related to the international capital/freight markets but also in various other levels of our political and social lives. These uncertainties create undoubtedly great skepticism to the investors and consumers throughout the world, negatively influencing the international trade patterns while demand for transportation for goods and passengers has been reduced extensively in all related sectors. All these global factors have been aligned with Greece's local market conditions, posing great pressure in ferry companies' financial results while their total EBITDA are the lowest of the last 5 years.

In 2008 Greek ferry companies concluded their strategic initiatives, which had been initiated in 2007. The corporate scenes that were emerged are quite differentiated relatively to what we have

been used to during the last years. In 2007 and 2008 we had noticed significant shareholding moves mostly from Mr. Panos Laskaridis who sold his shares both from MINOAN LINES and HELLENIC SEAWAYS and from Mr. Pericles Panagopoulos who sold his majority stake in ATTICA GROUP to MARFIN INVESTMENT GROUP. Another important shareholding transaction has been that of E. Grimaldi and I. Vardinoyiannis and of course the investment of SEA STAR CAPITAL in ANEK LINES. More recent moves but of equal importance are those of the merger between ATTICA GROUP and BLUE STAR FERRIES and the divestment of E. Grimaldi from HELLENIC SEAWAYS who sold his stake to ANEK LINES for €125 million. Undoubtedly, the most important and dynamic evolution of the last years is ANEK LINES market presence, which through acquisitions and series of investments succeeded to manage the largest and most diversified fleet in South-East Europe. ANEK LINES along with MINOAN LINES and ATTICA GROUP consist the main market players of the sector in the whole region. Neither ATTICA GROUP nor MINOAN LINES, with the latter belonging to the GRIMALDI GROUP stay idle but they rather have initiated certain strategic moves comprising of new fleet deployment structures and new-building investments. The former will try to intensify and concretize its presence in the domestic market buying two new-building vessels of very large capacity and operational efficiency while the latter (MINOAN LINES) will acquire two new-building vessels from the mother company in order to reinforce its deployment capabilities in the Adriatic Sea but also in the wider South-East Mediterranean.

Fleet redeployment strategies have been applied by the smaller Greek ferry companies like NEL LINES which successfully, so far, managed to develop in Red Sea itineraries through its local affiliate NEL-Egypt. The specific strategy provides a great paradigm of extensive regional synergies, which could be followed by the rest of the listed or private Greek ferry companies. The globalised political, social and economic conditions exert a wide array of pressure factors to the companies, intensifying the competitive levels and re-arranging the market field each and every next year. We are confident to believe that sooner or later we will witness another investment move of a big international to a Greek one, like this of GRIMALDI GROUP in MINOAN LINES. The ferry companies which will deprive themselves from following the diversified global and local economic conditions while focusing only in the attraction of Greek state ferry transport aids will find themselves in great strains in the subsequent quarters. Even though shipping finance has been minimized due to the unfavorable economic climate and uncertainty, there are potentials in finding financing when the project comprises concrete strategy and specific relevance to the market and company's know how.

In the field of the subsidized ferry itineraries the State progressed gradually in forward steps improving substantially the relevant procedure. Sporadic problems have been always emerging because of the very nature of the procedure but the fact that the management of the State's Special Accounts has been transferred from the Ministry of Merchant Marine to the Ministry of Finance poses great problems in the timely release of the specific funds to the companies. This year the State claimed to infuse through subsidies to the sector more than €100 million to the companies which is the highest amount ever provided for the local transportation needs. However, the specific amount as an absolute number is not a panacea for the recoverability of the local sector or the success of the scheme. The provision of such a service should be monitored extensively reducing red-tape factors, something that is showed evidently in the delays of the bidding processes. It is highly recommended that the State should initiate a dynamic evaluation system after its wider open discussion among all the relevant stakeholders (users, service providers, local authorities and experts). The level of importance of a coherent domestic coastal ferry transportation system is dictated primarily from the need of Greek citizens

to move, invest, trade and live in the famous Greek islands and not in a formal procedure dictated by red-tape rules which are to be followed strictly.

Future perspectives show great degree of uncertainty given the instability and the level of recovery of the global economic environment. The current season will prove a very significant “stress-test” for the companies while all types of traffic will be reduced at uncertain, so far levels. This estimate along with the observed signs of mature market conditions in Adriatic and Aegean Seas show the way towards extensive re-deployment strategies and in fleet specific characteristics. A very small number of the Greek ferry companies have already addressed the issues and have been differentiating their services geographically.

The evolution of the whole sector today has proven that the Greek ferry companies hold an important know-how in order to sustain the threats and seize the opportunities the market presents each time (Table 31). The economies of scale that apply along with the management of each and every company to attract their type of clientele provides a guarantee for their smooth exit of this very hard global crises. We stress one more time the need to adapt promptly and strategically to the intra-sector local competition but also to the competition of other relevant means of transport such as air (in passenger traffic) plus Ro-Ro vessels and small feeder vessels. Today there are very competitive transportation packages focusing in the wider transportation needs of the regional corporates and individuals showing the eventual change of the market conditions.

Port infrastructure conditions may pose great obstacles in the level and the characteristics of local competition but could also be proven a potential for a wider and more extensive development of the companies through integrated investment plans with other European companies, a fact that is promoted heavily by E.U. programs such as Marco Polo.

**Table 31: External and Internal Environment Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Strong and effective management.</li> <li>• Fleet replacement.</li> <li>• High capacity utilization due to restructuring of operations.</li> <li>• Revenues at satisfactory levels.</li> <li>• Smooth loan payments.</li> <li>• Operation in new markets.</li> <li>• Economies of scale.</li> <li>• High levels of specialisation in the provided service.</li> </ul>	<ul style="list-style-type: none"> <li>• Low liquidity.</li> <li>• Restricted access to capital.</li> <li>• Fleet reduction.</li> <li>• Weak representation of ferry operators</li> <li>• High fleet average age.</li> <li>• High level of competition for subsidized itineraries.</li> <li>• Danger of bankruptcy for small companies.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Strong State willingness to improve competitiveness</li> <li>• Decrease in vessel prices</li> <li>• New port investments</li> <li>• Decrease in new-building prices</li> <li>• Small companies are open to new investors</li> <li>• Customers with high service expectations</li> <li>• Product diversification</li> <li>• Existing port infrastructure</li> <li>• New system of subsidized itineraries</li> </ul>	<ul style="list-style-type: none"> <li>• Global economic crisis</li> <li>• Fuel cost</li> <li>• High levels of competition</li> <li>• Expected growth of air transport</li> <li>• Containerized market</li> <li>• Decrease in demand</li> <li>• Crisis in the financial markets</li> <li>• Bureaucracy</li> <li>• Delayed payments for the subsidized itineraries by the State.</li> <li>• Lack of port infrastructure</li> </ul>

**Source: XRTC Ltd.**

Especially in our era that the consumers cry for quality service levels in the lowest possible cost, Greek ferry companies should adjust their type and level of services accordingly in order to:

1. Adapt their fleet structure in relation to the picked itineraries and their specific characteristics.
2. Adapt their existing fleet in new markets.
3. Adapt their marketing strategies integrating their suppliers' network with that of their clients.
4. Adapt their corporate strategies to door-to-door activities while vertically integrating in the transportation of goods.

The current year has been characterized by strong political and corporate quarrels for the way that the supervision in the national network of sea transportation should be executed. The graft accusations, which intrigued the political life of the country, created a negative social climate for the sector and presented the eminent need for more investments and fleet renewals. It could be stated that all the recent political developments back warded the whole sector in the period before the partial implementation of the relevant E.U. directive. Even though all stakeholders have been negatively influenced by these developments, the market analyst should not neglect the crucial steps made all these years in regulatory and investment levels. While the sector was heavily under pressure and social attack, we should not omit that all the stakeholders involved in this sector have proven their records towards greater transparency and competitive regulation initiatives.

The desire of the Greek state to enhance the development of an integrated and well-planned national system of ferry transportation is evidenced by the large increase of the state aid amount dedicated to the subsidized ferry itineraries while there has been awarded for the service of these itineraries newer and more versatile ferry vessels upgrading considerably the quality of service. The impact of an on-going crisis is exerted in the financial position of the smaller ferry companies, which are struggling as much as they can for the subsidized itinerary bids in order to recap their losses. Thus the rivalry between them creates various quarrels and problems in the competition levels of the whole market, while they emerge the absolute need for greater transparency and quality improvement rules. The time calls for break-through at all levels and primarily at the Union of Greek Ferry Companies where it is an imminent need to include all the companies which belong to the sector. It is unthinkable for a sea nation like Greece whose citizens hold the most prominent positions in the transport related International Organizations and bodies to be rather negative in the role and the impact of their domestic ferry sector. Personal ambitions and inter-company quarrels should stay aside focusing only on the provision of quality services in a timely manner and at acceptable price levels given the range and the type of this crisis. On the same track, it is strongly advised to carry on the implementation of the E.U. Regulation in the subsidized bidding process and the continuous flow of information of the related parties in order to reduce all possible bottlenecks of the process. The bidding process of the subsidized routes should undoubtedly get a technocratic flair in substance and not stay in a regulatory format.

An additional factor, which has to be optimized in the whole process, is the payment schedule of the subsidized routes to the companies. While during the winter the companies, which provide such services struggle to fulfill their contractual obligations their financial position is jeopardized from the bureaucratic approach in the itineraries recognition process by the relevant authorities. The description in the timely provision of these state aids puts enormous pressure and creates several chain reactions to all these who work, supply, finance and travel with those vessels.



During the last year the market witnessed problems like ship arrests and lockups as well as stoppages in the re-fuelling process due to bankers and suppliers. The level of social importance of this service along with its strong seasonal patterns call for the return of the management of the relative special state accounts to the Ministry of Merchant Marine which holds the know-how of the whole system. In the past years mostly all Greek banks were extremely helpful in providing working capital to all ferry companies, which were on the brink of financial losses. However, this practice could not be considered suitable anymore not only because the on-going crisis put great pressure to banks' balance sheets but also because the role of subsidies has diminished greatly.

It is further suggested that the largest companies of the sector should expand both geographically and fleet wise covering unsatisfied existing needs and creating new demand. The competition is stronger domestically and besides the conditions prevalent from the ongoing crisis, the area of the South-East Mediterranean is bound to play a catalytic role in the transportation system. Given the continuous efforts for peace in the Middle East and the significant change of the role of Syria and Egypt, the expansion of the Greek companies in these markets with different types of tonnage is more than imminent. All the above-mentioned conditions could be proven profitable for the Greek companies, which will dare to take the step first, while they will be "immunized" further in the case of take-over or acquisition potential by an international player.

The progress made by each one of the Greek ferry companies forms of course the competition level that each of them can afford. The implementation of the relevant E.U. regulation kicked off all these conditions, which led to the technocratic management principles and deployment of modern vessels. Trying to address the need of higher service quality, greater capacity and punctuality, Greek ferry companies should put aside "moaning" behaviors and try to seize the opportunities in order to cover the aforementioned needs of their customers. The solution to all these problematic situations is not found in courts or in television shows but rather in the respect of the relevant institutions, whenever of course these institutions appraise their role and execute their powers in relation to what their regulatory power dictates.

## References

- ANEK LINES (2008), Annual Report
- ATTICA GROUP (2008), Annual Report
- BLUE STAR FERRIES (2008), Annual Report
- MINONAN LINES (2008), Annual Report
- NEL LINES (2008), Annual Report
- XRTC (2008), Ferry Data Base
- UNCTAD Handbook of Statistics 2008
- <http://epp.eurostat.ec.europa.eu>
- <http://www.fedstats.gov>
- <http://www.statistics.gov.uk>
- <http://www.stat.go.jp/english>
- <http://market.ft.com>
- <http://finance.yahoo.com>
- <http://www.naftemporiki.gr>





#### Piraeus Office

Mr. George Xiradakis	Managing Director	<a href="mailto:george.xiradakis@xrtc.gr">george.xiradakis@xrtc.gr</a>
Ms. Katerina Fitsiou	Relationship Manager	<a href="mailto:katerina.fitsiou@xrtc.gr">katerina.fitsiou@xrtc.gr</a>
Mr. Dimitris Dimitriadis	Relationship Officer	<a href="mailto:dimitris.dimitriadis@xrtc.gr">dimitris.dimitriadis@xrtc.gr</a>
Ms. Helen Moutsatsou	Administration Manager	<a href="mailto:eleni.moutsatsou@xrtc.gr">eleni.moutsatsou@xrtc.gr</a>

#### Chios Office

Dr. Ioannis Lagoudis	Head of Research & Development	<a href="mailto:ioannis.lagoudis@xrtc.gr">ioannis.lagoudis@xrtc.gr</a>
----------------------	--------------------------------	--