Annual Report on the Greek Ferry Sector
(2009-2010)

"Cruising through a minefield"

July 2010

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1. Introduction

Uncertainty, uncertainty, uncertainty… This is probably the best way one could describe the current market conditions not only for the Greek Ferry sector but for the Greek economy as a whole during the last 18 months. These conditions are not expected to change in the near future with prospects for the Greek economy being rather vague.

The transformation of the global financial crisis to national debt turmoil, with the Greek economy being the first victim among the Euro-zone member states, creates significant uncertainty in the national business era. The austerity measures imposed by the I.M.F. are expected to affect the Greek Ferry market considerably.

The announcement of similar measures in other Euro-zone (such as Spain, Italy, Portugal, Island, France and Germany) and non Euro-zone countries (such as Denmark, Poland and United Kingdom) is expected to worsen the business environment leading to higher unemployment rates and shrinking of the purchasing power for the majority of consumers.

Given the fact that these measures will affect the aggregate demand of products and services as they aim at the shrinking of family income, the Greek Ferry sector is expected to be affected significantly not only due to the decrease in passenger traffic but also due to the decrease in cargo demand.

The Greek Ferry sector for third year in the row is under significant pressure due to the global economic conditions as well as due to the fierce competition that takes place among companies in selected itineraries. The three ferry shipping companies, which were forced to exit the market due to the high levels of competition and bureaucracy by the Greek state fall in this tragic reality. SAOS FERRIES and G.A. FERRIES, with a total fleet of 22 vessels exited the market for a number of reasons such as the high competition levels, the lack of swift response to external environment changes and the extreme reliance on subsidised itineraries. The new method of state subsidy payment by the Greek Government created problems to the companies' cash flow due to significant delays in payment. KALLISTI FERRIES is the third company, which stopped its operations from the Aegean Sea for similar reasons.

The exit of these companies resulted in the decrease of capacity offered and worsened even further the level of the service provided in the rather complex ferry network of the Aegean Sea. As a result small islands, distant from the metropolitan centre, have found themselves isolated for long periods of time despite the efforts of local authorities.

In addition to the above macroeconomic factors, the increased fuel prices in combination with the currency risk and the lack of credit are some of the factors that have affected the operations of Greek Ferry companies. The devaluation of Euro against US Dollar at levels below €/$1.20 and the stabilisation of the barrel price around $70 are some of the issues these companies need to continuously address without being always successful.

As the national GDP growth is predicted to be at -4% for the year 2010 companies try to adjust their strategies in order to be able to survive under these severe economic conditions. Significant mergers and acquisitions took place during 2008 and 2009 aiming at the exploitation of economies of scale and scope via geographic differentiation. These actions are expected to continue within 2010 and the years to come as the market have been matured and fragmented.

The selection of the best strategy by ferry operators has become a conundrum with passenger and cargo traffic volumes decreasing and competition rising in key itineraries of the Aegean and Adriatic Sea. Among the factors that have contributed to the high competition levels is the aggressive strategies adopted by foreign companies. Characteristic is that of Grimaldi Group where geographic diversification strategies are applied in Europe and worldwide. The majority, if not the total of the Greek ferry operators, have abandoned geographic diversification strategies focusing on the efficient and effective exploitation of their current fleet. The chartering of vessels from abroad and vice-versa in combination with co-operations (as is the ANEK LINES – HELLENIC SEAWAYS case) are among the efforts of minimising operating costs.

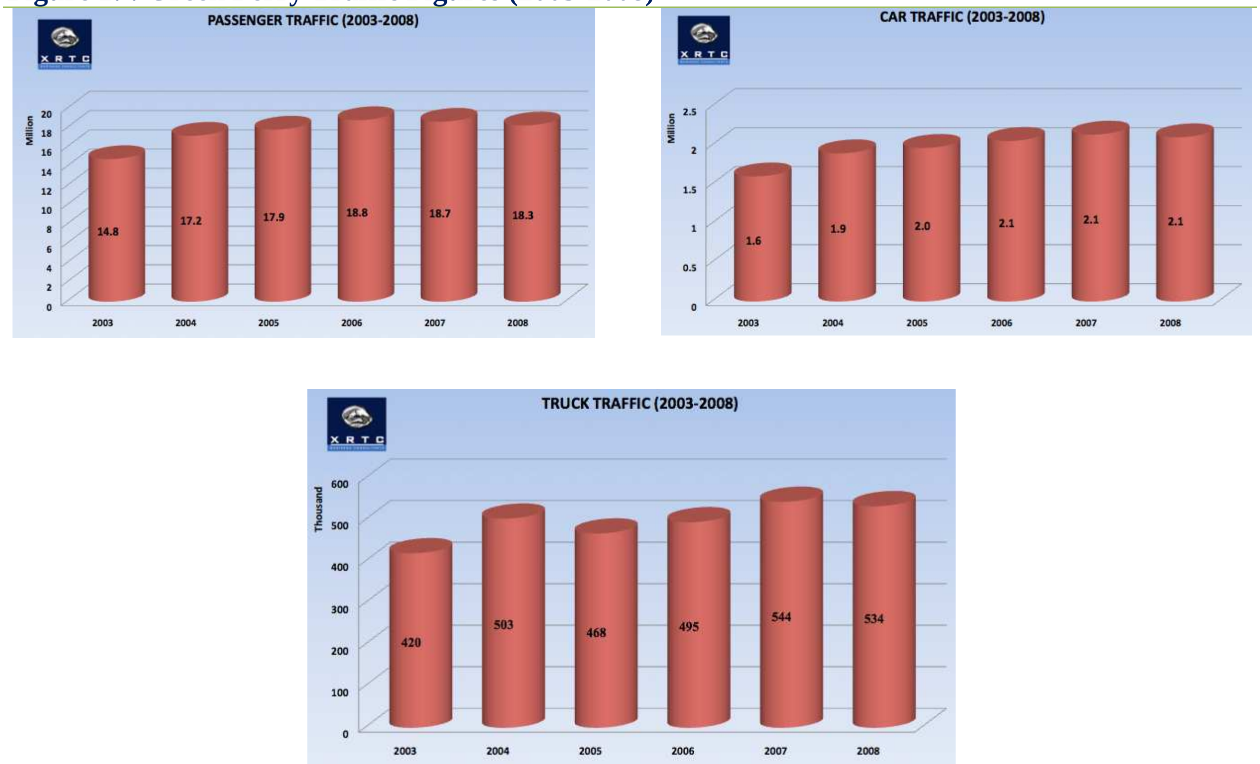
The present study is composed of five sections. After the introductory section the illustration of the Greek ferry market is shown in terms of supply, demand and overall market structure (section 2), followed by the financial analysis of the market (section 3) and the presentation of the main listed and non-listed to the Athens Exchange companies (section 4). Section 5 focuses on the status of the subsidized itineraries, which contribute to the Greek social cohesion. Finally, conclusions and suggestions for the future prospects of the sector are given.

2. Greek Ferry Sector Market Presentation

2.1. 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 traffic figures in passengers, cars and trucks present signs of marginal increase especially during the last three years (Figure 1). The average annual growth between 2003 and 2008 is around 0%, 4% and 0% for passengers, cars and trucks respectively. It must be clarified that in this set of data, traffic related to short distance- mainly commuting services, is not included.

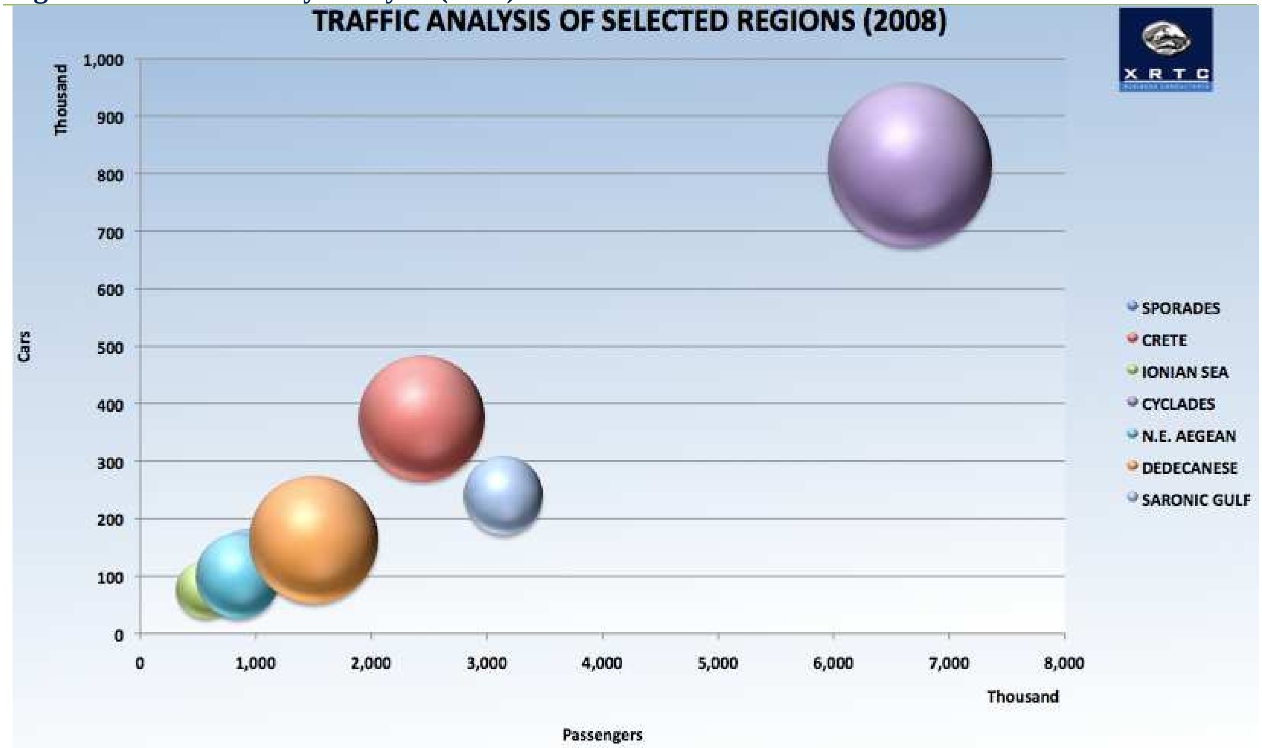
Figure 1: : Greek Ferry Traffic Figures (2003-2008)



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

A more detailed presentation of the main itineraries is presented in Figure 2. As seen their analysis is based on annual passenger, car and truck traffic volumes. It is clarified that passenger traffic is shown on the horizontal axis, car traffic on the vertical axis and truck volume is depicted on the bubble size. Cyclades appear to be leading with Crete, Saronic Gulf and Dodecanese following. In the last positions we found the areas of the N.E. Aegean, Sporades and Ionian Sea.

Figure 2: Main Itinerary Analysis (2008)

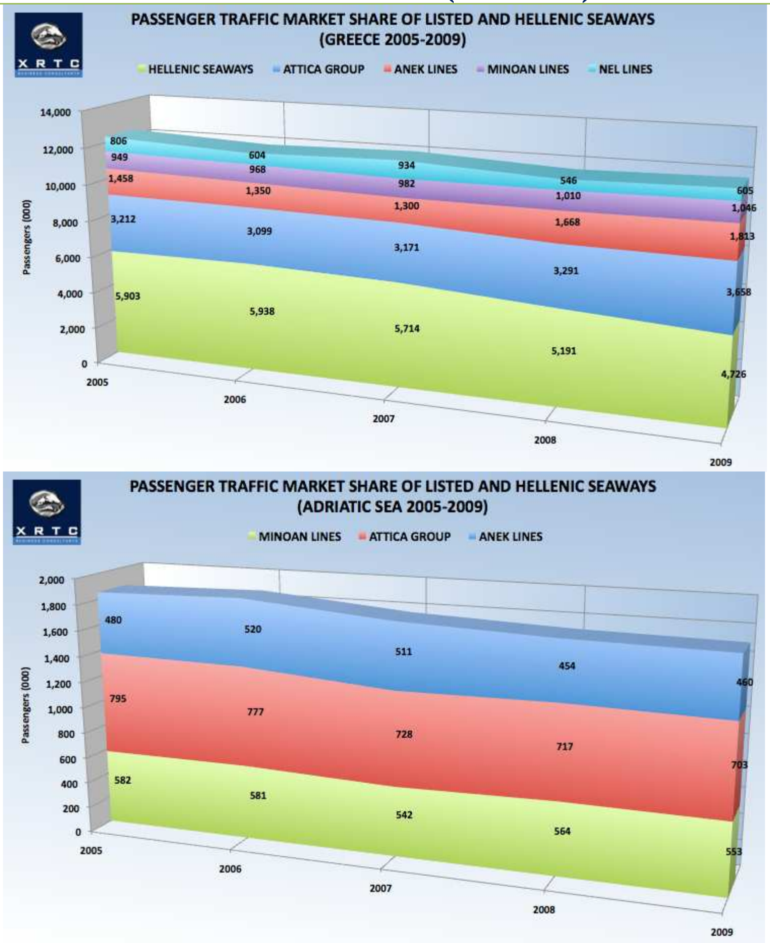


Source: XRTC Ltd. based on N.S.S.G and Port Authority data

2.2. Demand Analysis of Listed Companies and HELLENIC SEAWAYS

The analysis that follows encapsulates the ferry companies listed in the Athens Exchange and HELLENIC SEAWAYS. The results presented in this section focus on the traffic numbers of Greece and Adriatic Sea area.

Figure 3: Passenger Traffic Figures of Listed Companies and HELLENIC SEAWAYS (2005-2009)



Source: XRTC Ltd.

As presented in Figure 3 passenger traffic for the listed companies and HELLENIC SEAWAYS appears unchanged compared to 2008 with the Greek market increasing by 1% and the Adriatic sea continuing its recent years' decrease by -1%.

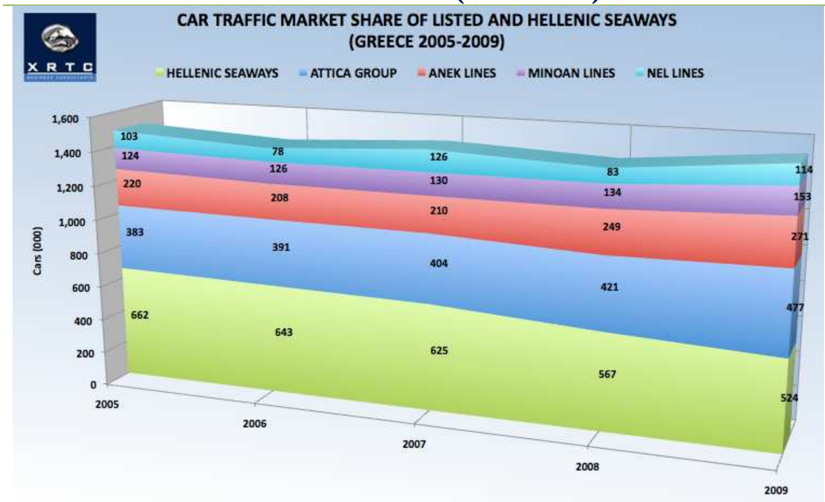
In the Greek market all ferry operators show increase in passenger traffic with the exception of HELLENIC SEAWAYS (-9%). ANEK LINES, NEL LINES, ATTICA GROUP and MINOAN LINES present increased figures by 9%, 11%, 11% and 4% respectively.

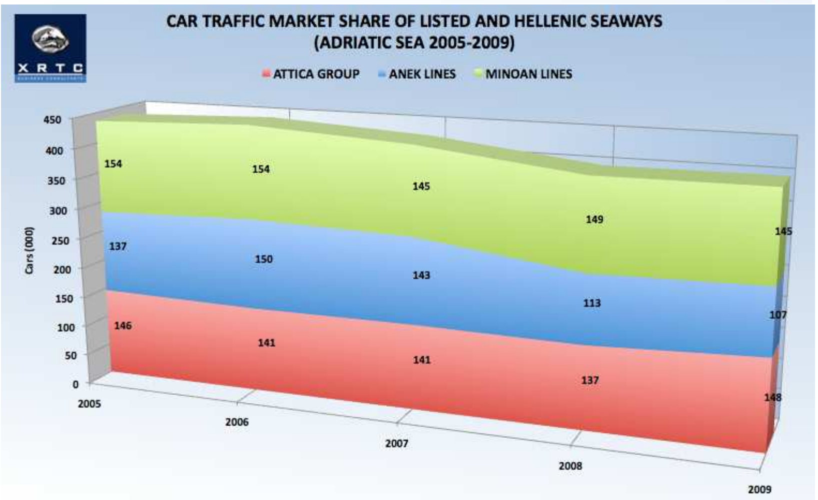
The numbers in Adriatic Sea remain rather disappointing with ATTICA GROUP and MINOAN LINES having decreasing passenger traffic figures by -2% while ANEK LINES has a marginal increase of 1%.

Figure 4: Car Traffic Figures of Listed Companies and

Cars traffic figures had an

HELLENIC SEAWAYS (2005-2009)





Source: XRTC Ltd.

increase of 6% in the Greek market and remained unchanged in the Adriatic Sea. (Figure 4).

In the local market all ferry companies illustrate increase in car demand with only exception HELLENIC SEAWAYS (-8%). ANEK LINES, NEL LINES, ATTICA GROUP and MINOAN LINES show increases of 9%, 37%, 13% and 14% respectively.

In Adriatic Sea the situation remains discouraging with ANEK LINES and MINOAN LINES reporting decreases of -5% and -3% respectively, while ATTICA GROUP reports an 8% increase.

It is worth pointing out that the significant increase in traffic numbers for NEL LINES compared to the rest of the companies is mainly due to higher utilisation of its fleet, which is attributed to the lengthen of the operating period of its high speed vessels, the return of chartered capacity from abroad and the introduction of vessels which were under significant repairs.

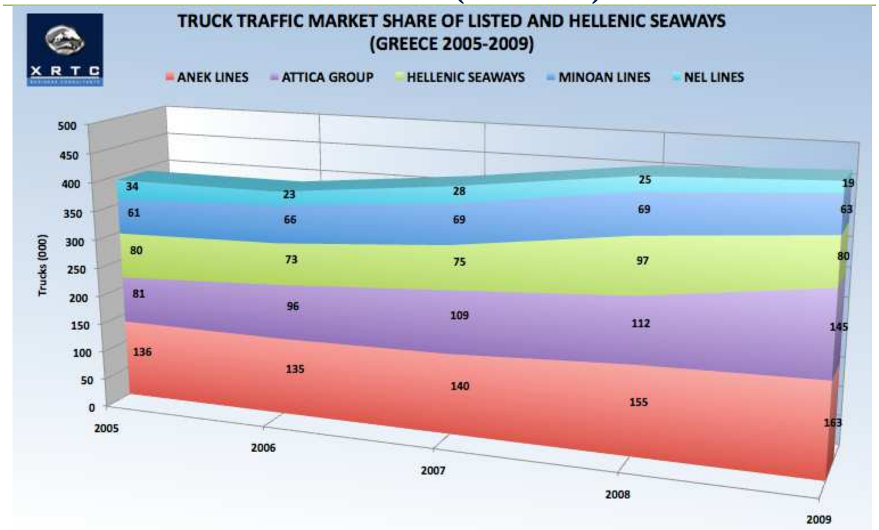
The increase of passenger traffic and cars in the Greek market is mainly due to the seasonal summer demand which by itself was not enough to revert the negative financial results as these will be presented and analysed in the section that follow.

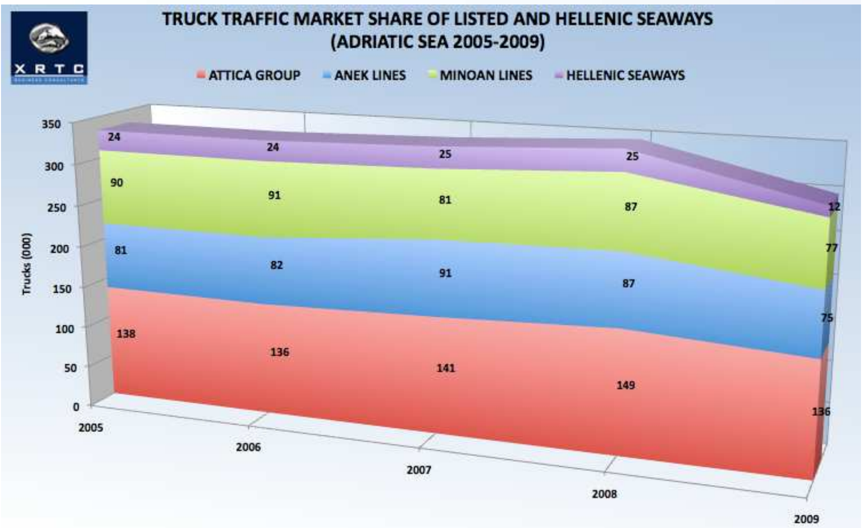
Of special interest are the continuously decreasing volumes in truck numbers in the itineraries of the Adriatic Sea (Figure 5). The average decrease of more than -11% is a headache for the ferry operators with ANEK LINES, MINOAN LINES and ATTICA GROUP reporting figures of -13%, -11% and -8% respectively.

Figure 5: Truck Traffic Figures of Listed Companies and

It must be mentioned that

HELLENIC SEAWAYS (2005-2009)





Source: XRTC Ltd.

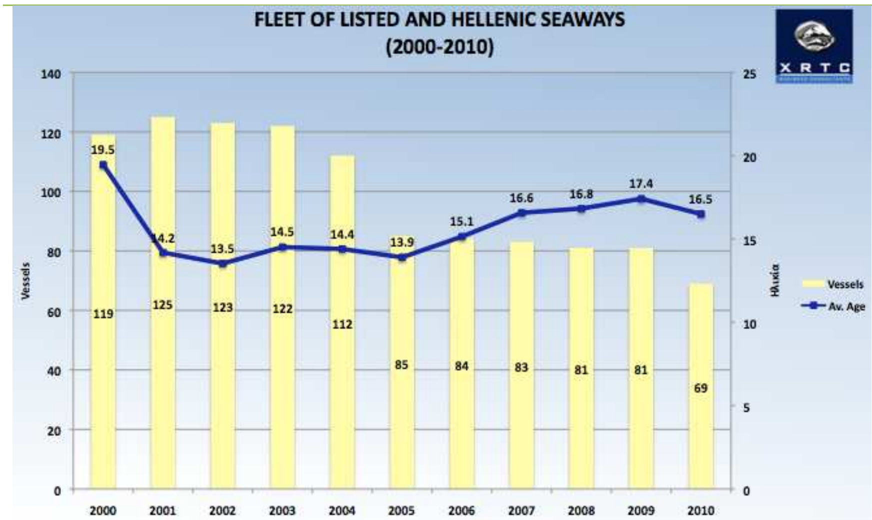
high levels of competition in the region have forced HELLENIC SEAWAYS to decrease its fleet number from a total of four vessels it operated in the Corinth-Venice itinerary to two vessels.

This year's unexpected result was the marginal increase by 3% in the truck traffic in the local market. This increase is mainly attributed at ANEK LINES and ATTICA GROUP which reported 5% and 29% growth respectively as NEL LINES, HELLENIC SEAWAYS and MINOAN LINES present significant losses of -25%, -17% and -9% respectively.

2.3. Supply Analysis of Listed Companies and HELLENIC SEAWAYS

As presented in Figure 6 after the period between 2005 and 2009 where fleet numbers appear to have stabilised, a sudden drop of -16% is present in 2010. This is attributed to two main reasons, the sale and purchase transactions effected by the Greek ferry operators, which have corrective character and the exit from the market of a number of companies, which were operating significant fleet sizes. The cases of SAOS FERRIES, KALLISTI FERRIES and GA FERRIES are characteristic examples of the latter.

Figure 6: Fleet Analysis of Listed Companies and HELLENIC SEAWAYS 2000-2010

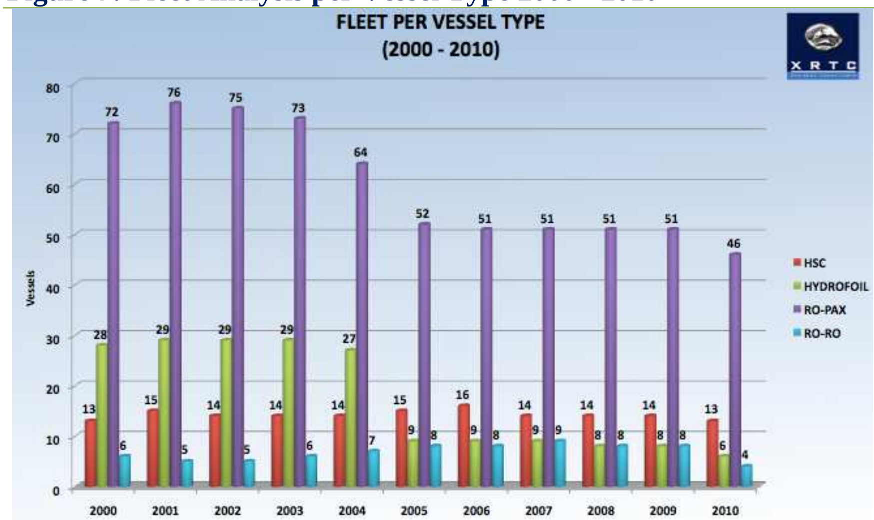


Source: XRTC Ltd.

The decrease in capacity is also observed in the vessel types that companies prefer to operate. As illustrated in Figure 7, the number of RO/PAX and RO/RO, which have either remained idle or have been sold, has increased. 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. It is worth mentioning here that companies continue to focus on strategies of efficient asset utilisation via:

- The dual sale, purchase and charter of vessels
- The geographic diversification of the fleet at local and regional level

Figure 7: Fleet Analysis per Vessel Type 2000 - 2010



Source: XRTC Ltd.

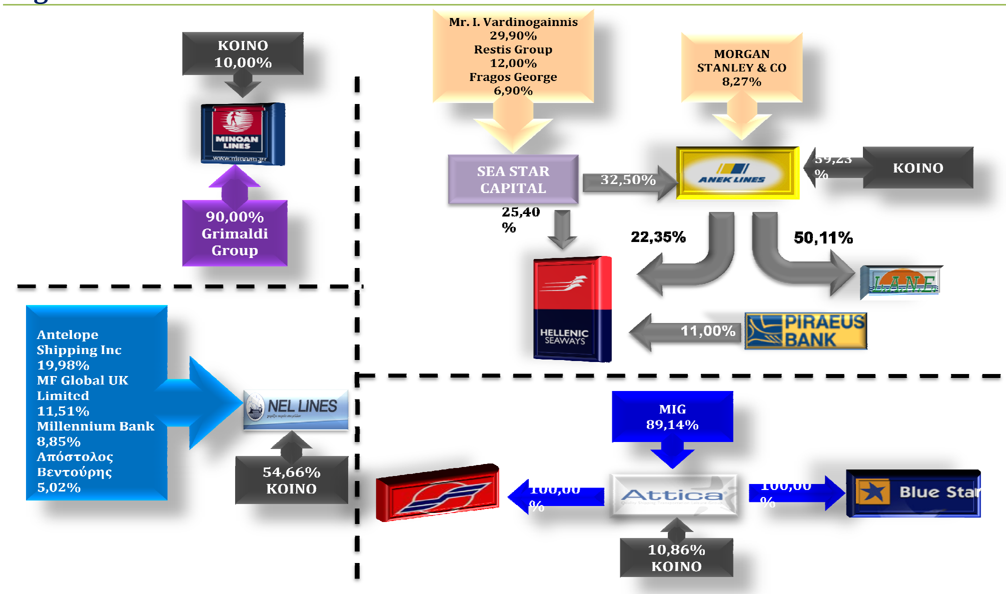
Characteristic examples are those of HELLENIC SEAWAYS, ANEK LINES, ATTICA GROUP and NEL LINES, which have adopted such strategies. HELLENIC SEAWAYS sold HIGHSPEED 2 and 3 at the beginning of 2010 purchased HIGHSPEED 6, while in parallel it chartered ARIADNI and ARTEMIS to ANEK LINES in 2009. ANEK LINES chartered abroad its vessel EL.VENIZELOS while it managed the vessels IERAPETRA and VINTSENTZOS CORNAROS of its subsidiary LANE LINES.

After a period of difficulties NEL LINES began a new effort in order to strengthen its presence in the market. The company sold PANAGIA TINOY and chartered AQUA JEWEL and EUROPEAN EXPRESS owned by ALPHA FERRIES and ROYAL DIAMOND SHIPPING respectively. Finally, ATTICA GROUP a company of MARFIN INVESTMENT GROUP is the only listed company, which has stayed away from any merger or acquisition actions. The company remains focused on its new building program with two new RO/PAX vessels built in S. Korea with expected delivery in 2011 and 2012.

2.4. Market Shareholder Structures

During the last 12 months significant is the recorded activity in the shareholder structures of the Greek ferry companies. Among the moves that have taken place are the involvement of PIRAEUS BANK with a stake of 11% in HELLENIC SEAWAYS, the increase of ATLANTICA DI NAVIGAZIONE (E. Grimaldi interest) stake in MINOAN LINES to more than 90% and the exit of Mr. Ventouris from NEL LINES. In the last case Mr Ventouris sold its stake at ANTELOPE SHIPPING (Miltiadis-Michael Vegger interests) and today holds only 5% stake via CERBERUS & PARTNERS. Today the Greek Ferry sector is dominated by four main groups of companies as presented in Figure 8.

Figure 8: Shareholder Structure 2010



Source: XRTC Ltd.

Table 1 presents a detailed road map of the strategies that has been adopted by ferry operators since 2005. The mergers, acquisitions and co-operations are the result of different reasons among which are market maturity levels, high competition levels and perceived business opportunities.

TABLE 1: SHAREHOLDER STAKE EVOLUTION (2005-2010)

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 HELLNIC SEAWAYS is estimated at 66%. Persons involved: E. Grimaldi/I. Vardinogiannis
09.2009	Sale of 19,98% stake Edgewater Holdings Inc in NEL LINES to Antelope Shipping Inc. Persons involved: A. Ventouris/Miltiadis-Michael Vegger
02.2010	Piraeus Bank participates with 11% in HELLENIC SEAWAYS Persons involved: SEA STAR/PIRAEUS BANK
05.2010	Grimaldi Compagnia di Nagigazione raises its stake in MINOAN LINES at 90% Persons involved: E. Grimaldi
05.2010	A. Ventouris represents via CERBERUS & PARTNERS 5.02% in NEL LINES Persons involved: A. Ventouris

Source: XRTC Ltd.

In Table 2 is presented the fleet size for each of the four main groups manages. It must be mentioned though that there are smaller companies size-wise with significant contribution to the market which are presented in the sections that follow. Our estimation is that there is still ground for more mergers and acquisitions in the immediate future, which are necessary for the survival of the companies under the new economic conditions.

TABLE 2: FLEET PER GROUP

	Fleet
SEA STAR CAPITAL	41
MARFIN INVESTMENT GROUP	14
MINOAN LINES	7
NEL LINES	7

Source: XRTC Ltd.

3. 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:

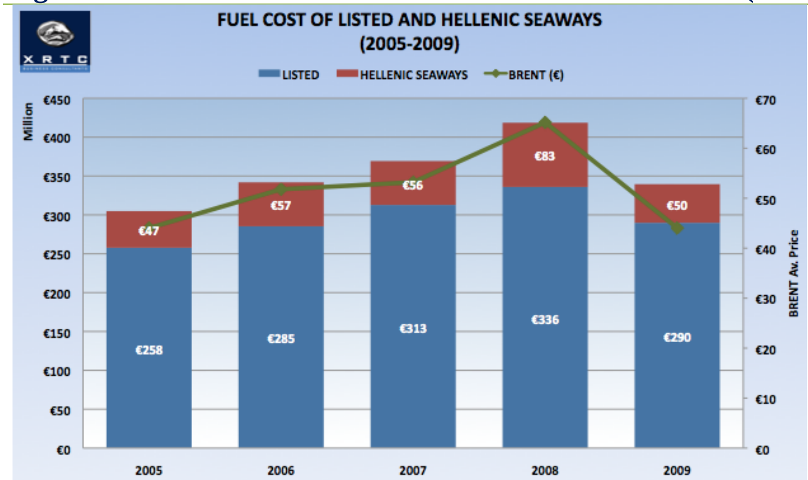
- Cost analysis,
- Total turnover from operations,
- EBITDA,
- Net results before tax
- Bank debt
- Financial ratios

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 also part of our analysis due to its fleet size, its numerous destinations as well as its financial performance.

3.1. 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. Figure 9 shows the bunker cost evolution since 2005 in absolute numbers along with the BRENT evolution during that period expressed in Euros.

Figure 9: Fuel Cost of Listed and HELLENIC SEAWAYS (2005 – 2009)



Source: XRTC Ltd.

A better understanding of the effect that bunkers have on the total expenses is provided in Figure 10. As seen the contribution of bunkers after a period of continuous increase from 32% in 2005 to 48% in 2008 declined slightly at 42% in 2009 despite the decrease in BRENT prices and the strong Euro.

Figure 10: Fuel Cost Contribution to Total Operating Costs for Listed and HELLENIC SEAWAYS (2005 – 2009)

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 just 1% between 2005 and 2009. This marginal increase is achieved via:

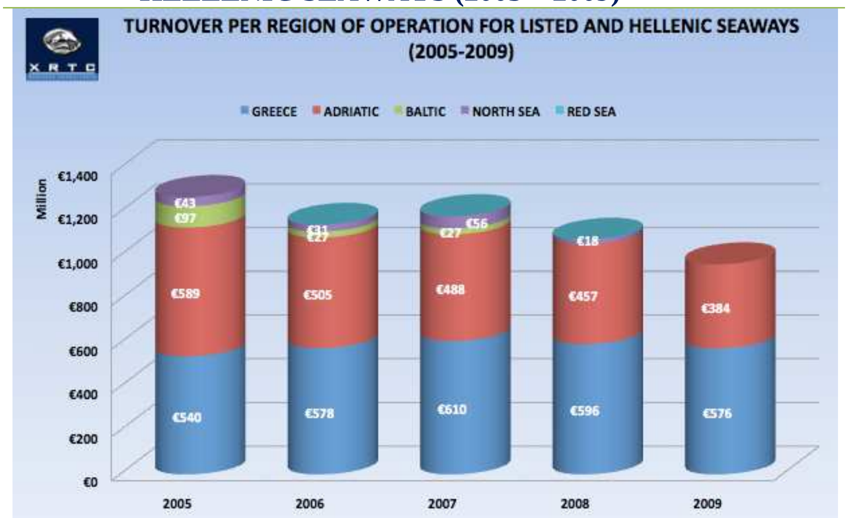
- The rationalisation of itineraries enabling high levels of capacity utilization
- Fleet optimization

- Optimization of the speed of the service provided
- Investment in new technology vessels

3.2. Turnover from Operations

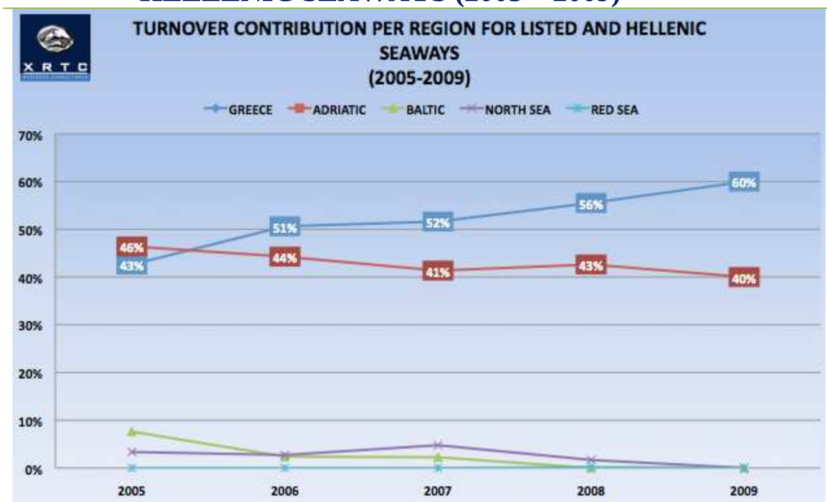
Revenues for the five listed companies and HELLENIC SEAWAYS appear to have dropped below €1 billion for the first time since 2005 (Figure 11). This decrease in revenues by -10% compared to 2008 is attributed mainly to the lack of geographic diversification strategies and to the decrease of income in the two main areas of operation; Greece and Adriatic Sea. It is worth mentioning that many companies charter their vessels abroad obtaining significant revenues. MINOAN LINES, HELLENIC SEAWAYS and NEL LINES are some of them.

Figure 11: Turnover per Region of Operation for Listed and HELLENIC SEAWAYS (2005 – 2009)



Source: XRTC Ltd.

Figure 12: Turnover Contribution per Region for Listed and HELLENIC SEAWAYS (2005 – 2009)



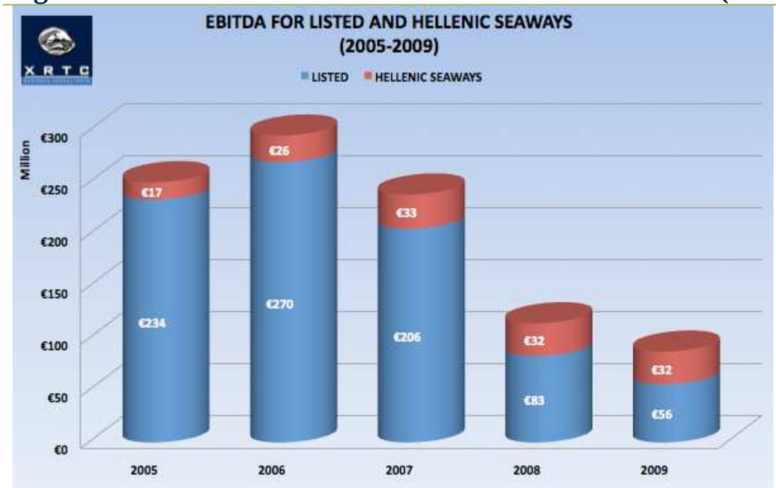
Source: XRTC Ltd.

As presented in Figure 12 the main source of revenues for the companies operating in both Greece and Adriatic Sea markets come from 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 60% in 2009. The decrease in demand in combination with the high levels of competition in the Adriatic area, are among the reasons that led to the decreasing revenues derived from this area.

3.3. EBITDA

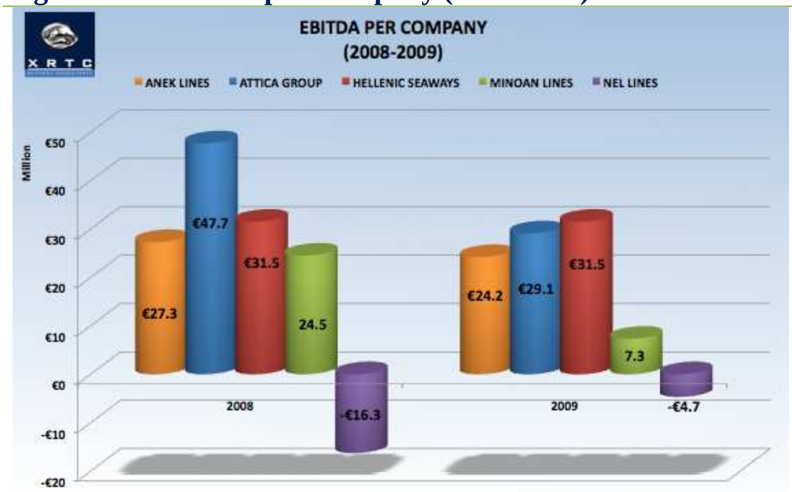
EBITDA results continue their declining trend since 2006. Compared to 2008 the decline reaches -23% while compared to 2006 is more than -70%! (Figure 13).

Figure 13: EBITDA Listed and HELLENIC SEAWAYS (2005-2009)



Source: XRTC Ltd.

Figure 14: EBITDA per Company (2008-2009)



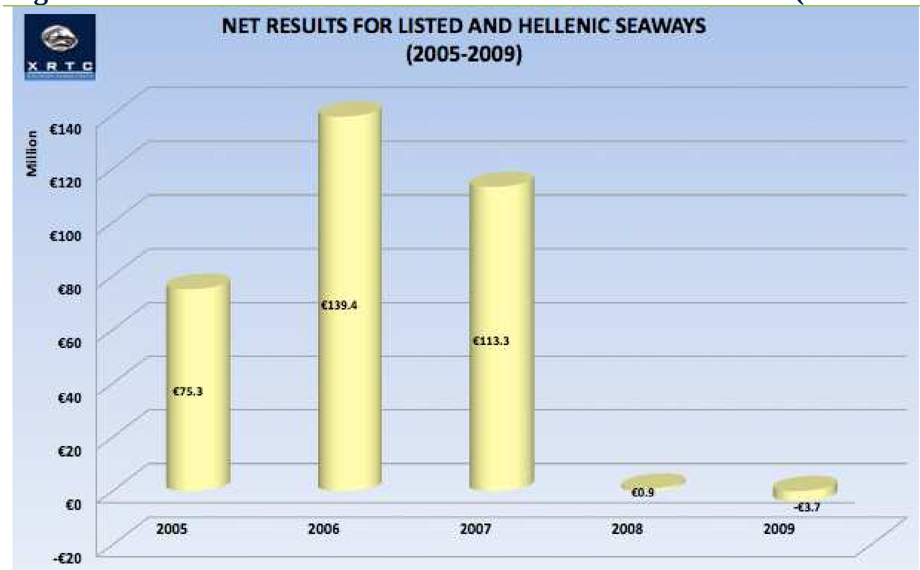
Source: XRTC Ltd.

This is mainly due to the fact that all ferry companies reported significantly lower results. For instance ANEK LINES reported -17%, MINOAN LINES -70% and ATTICA GROUP -39%. NEL LINES is the only company, which has reported improved EBITDA results by 70%, while HELLENIC SEAWAYS shows no change. The high fuel cost along with the decrease in demand in all areas of operation will continue to push EBITDA results for some time in the future (Figure 14).

3.4. Net Results before Tax

Net results are bound to continue the negative trend, which began in 2007 as seen in Figure 15. Most companies report negative net results before tax (ANEK LINES, ATTICA GROUP NEL LINES) with only exception MINOAN LINES and HELLENIC SEAWAYS.

Figure 15: Net Results for Listed and HELLENIC SEAWAYS (2005 – 2009)



Source: XRTC Ltd.

3.5. Bank Debt

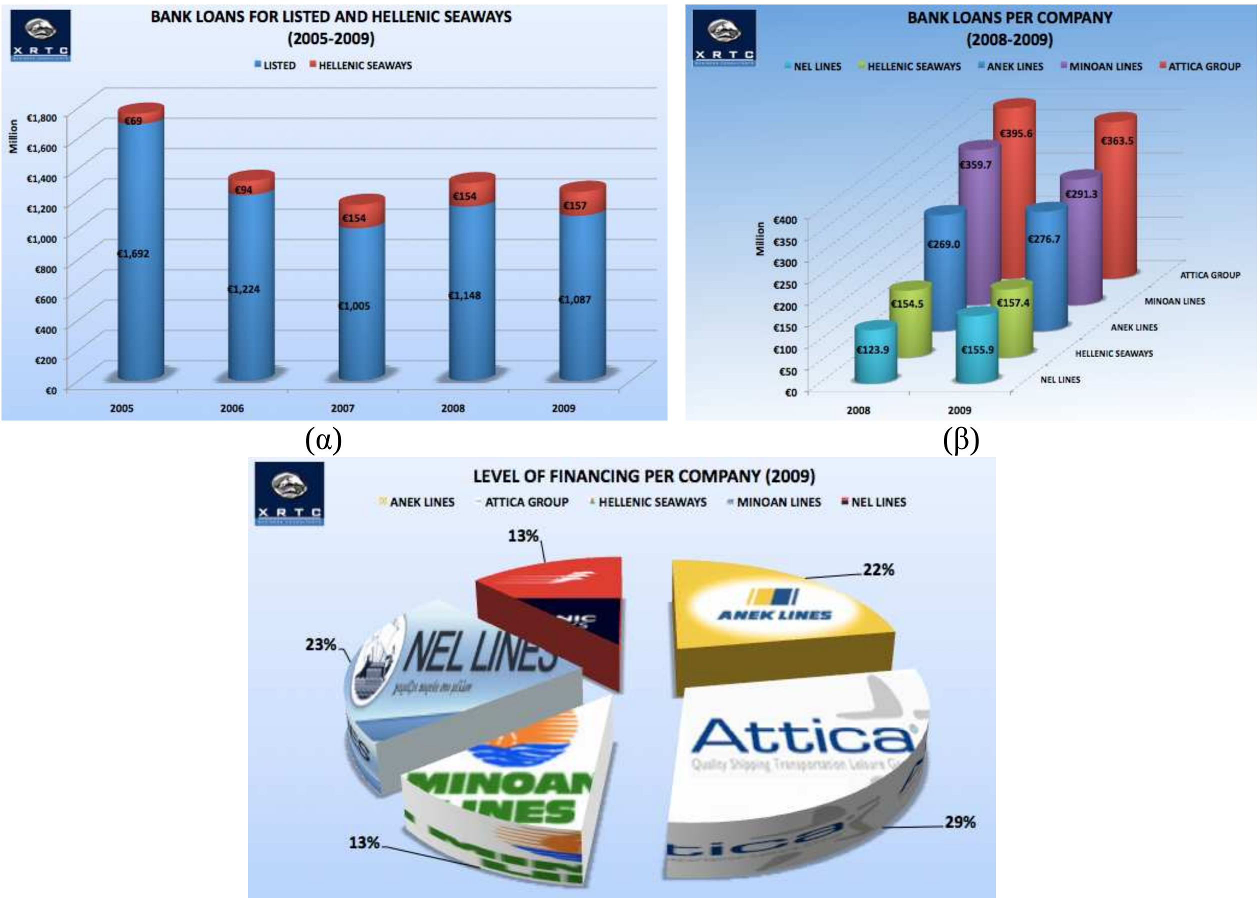
As presented in Figure 16a, bank liabilities decreased by 5% compared to 2008. Bank loan levels have decreased significantly during the last years due to:

- loan restructuring and smooth payment of liabilities
- sale of vessels where part of the cash received was used for the reduction of loan exposure

More specifically in 2009 bank exposure in the ferry sector shows a marginal decrease due to the decrease in loan bank debt exposure by MINOAN LINES and ATTICA GROUP (Figure 16b) which for MINOAN LINES was achieved via the sale of PASIPHAE PALAS and for ATTICA

GROUP via the sale of SUPERFAST V. As presented in Figure 16c in 2009 ATTICA GROUP has the biggest exposure (29%) followed by NEL LINES (23%) and ANEK LINES (22%).

Figure 16: Bank Loans of Listed and HELLENIC SEAWAYS (2005-2009)

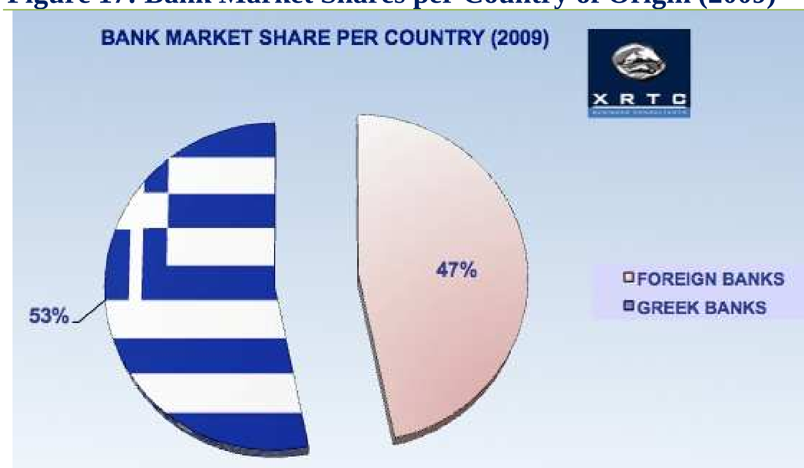


(α) (β)

(γ)

Source: XRTC Ltd.

Figure 17: Bank Market Shares per Country of Origin (2009)

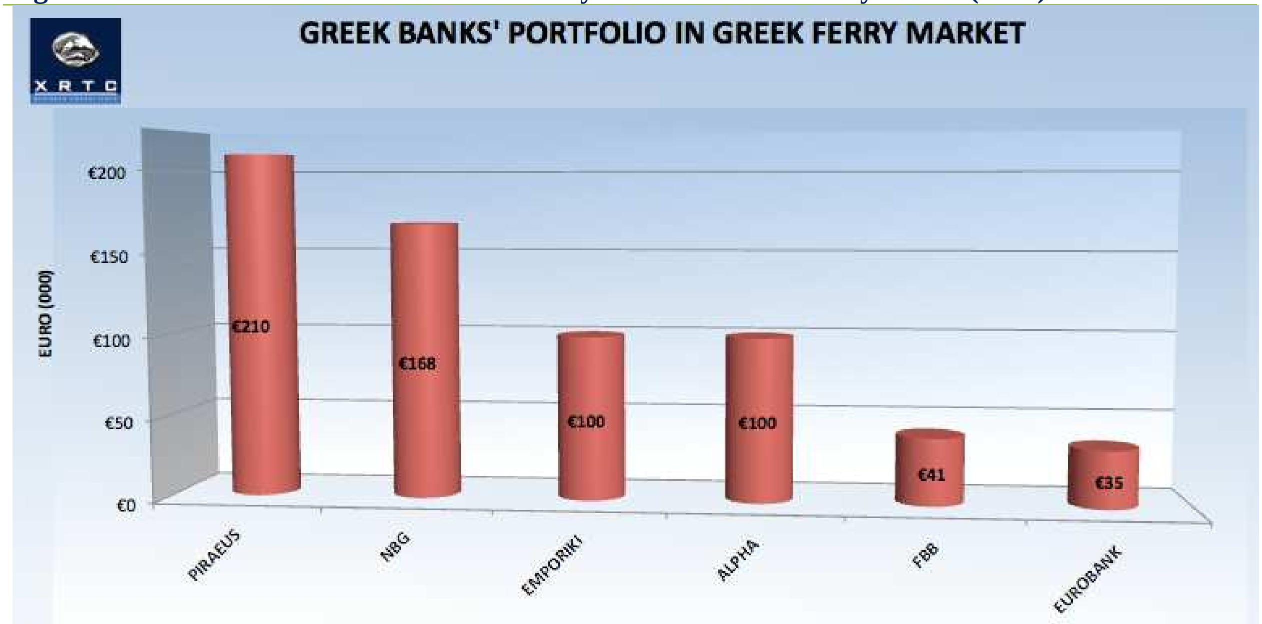


The main supporters of the Greek ferry sector are Greek banks as illustrated in Figure 17 controlling around 53% of the market.

Source: XRTC Ltd.

As observed in Figure 18, only four banks of Greek interests have portfolios of more than €50 million with Piraeus Bank leading followed by National Bank of Greece. The rest of the banks fall behind with portfolios of 15% (Emporiki Bank and Alpha Bank), 6% (FBB) and 5% (Eurobank).

Figure 18: Bank Portfolios of Main Greek Players in the Greek Ferry Sector (2009)



Source: XRTC Ltd.

One of the major problems that Greek ferry operators face is the lack of financing and their relations with their financiers. During the last 18 months most companies were obliged to restructure their debt for different reasons. Among the reasons were the sudden decrease of asset values and the worsening of the interest coverage ratios due to decreasing revenues in 2009.

The case of NEL LINES is the one that stands out. The company was forced by Millenium bank to an in depth debt restructuring obliging the main shareholder (Mr. A. Ventouris) to step down from the CEO position. The lack of confidence by the bank was mainly attributed to the continuously increasing debt of the company despite the positive actions taken by the CEO. Among those actions were the expansion of the company abroad and the significant share in subsidised itineraries.

One could easily say that ferry companies are victims of the uncertain market conditions and limitations of the banking sector. Unfortunately this is true and banks have imposed additional terms or have raised their margins by 50 or 100 base points even to companies that have had a very good long-term track record. Bank loans have reached their upper limit under the current circumstances with only big players such as ATTICA GROUP, MINOAN LINES and ANEK/HSW having access with much worse terms and conditions compared to a couple of years ago. We expect though that those banks working closely with shipyards will take the lead and make ship financing more accessible. Of course, this will be made feasible only when shipyards make more attractive offers to their customers. In addition State funding could assist towards this direction in order to boost both sectors (shipyard and ferry).

3.6. Company Comparative Analysis

Table 3 presents a comparative analysis of the listed companies in the Athens Exchange and HELLENIC SEAWAYS aiming to provide a clearer view of the financial status for each company individually and of the sector as a whole. As seen, ANEK LINES and NEL LINES present the highest equity results and MINOAN LINES the lowest.

In terms of bank debt ATTICA GROUP has the lowest index 0.79. The rest of the companies are at the same level ranging between 0.82 and 0.87. 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 all ferry operators to their cost controlling since it is still kept at high levels compared to their revenues. In 2009 all companies have managed to keep their costs as low as possible with NEL LINES, ANEK LINES and HELLENIC SEAWAYS standing out. In the contrary ATTICA GROUP and MINOAN LINES reported higher ratios with the latter showing an increase of 14% compared to 2008.

TABLE 3: COMPANY COMPARISON BASED ON FINANCIAL RATIOS (2007-2009)

RATIO	YEAR	ANEK LINES	ATTICA GROUP	HELLENIC SEAWAYS	MINOAN LINES	NEL LINES
Revenues/ Total Equity	2009	1.39	0.64	0.75	0.55	1.98
	2008	1.42	0.65	0.97	0.77	0.80
	2007	1.17	0.62	0.80	0.70	0.83
Bank Loans/ Total Liabilities	2009	0.83	0.80	0.82	0.86	0.87
	2008	0.83	0.89	0.86	0.87	0.79
	2007	0.69	0.80	0.78	0.50	0.73
Cost of Sales/ Revenues	2009	0.82	0.81	0.80	0.87	0.93
	2008	0.82	0.77	0.82	0.76	1.06
	2007	0.76	0.70	0.74	0.62	0.86
Total Equity/ Total Liabilities	2009	0.59	1.03	1.24	0.92	0.11
	2008	0.60	1.13	1.27	0.67	0.26
	2007	0.71	1.14	1.15	0.69	0.56
Net Resuts Before Tax/ Interest Expense	2009	-0.35	-1.48	2.82	3.17	-2.22
	2008	-0.34	1.08	1.08	6.44	-4.32
	2007	0.69	2.63	2.42	0.66	-1.86

Source: XRTC Ltd.

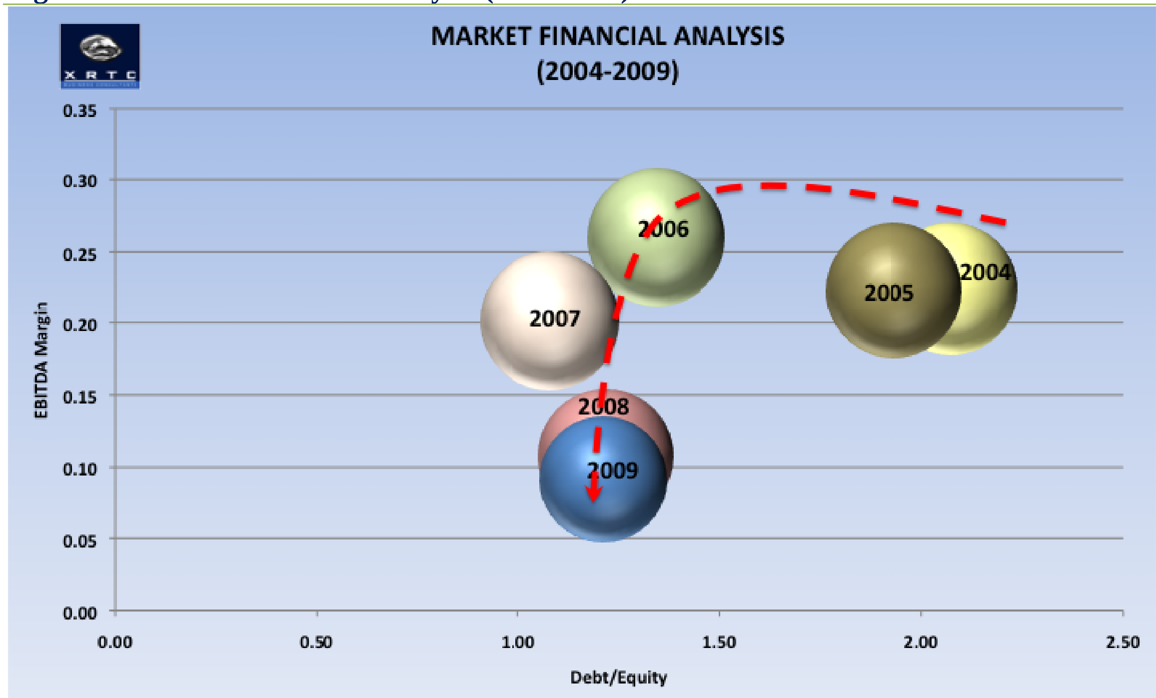
In terms of bank debt with the exception of NEL LINES, which has reported an increase of 15% on the bank loans to total liabilities ratio, the rest of the companies present marginal decreases

(ATTICA GROUP and HELLENIC SEAWAYS) or no changes at all (ANEK LINES and MINOAN LINES).

Finally, in terms of their ability to cover any interest expenses the results are mixed. Although companies present some worrying signs, just one company in 2009 was found in danger zone due to the significantly negative results of the last financial year.

Analysing the market as a whole (Figure 19) a decrease of -10% in the revenues of 2009 is seen compared to 2008, reaching the levels 2004. EBITDA results present also a decrease of -9% for fourth consecutive year. The main reasons leading to these results are the global economic crisis, the increasing fuel prices and the decreasing demand. Since 2005 companies have begun an effort to minimize 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 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 uncertain economic conditions.

Figure 19: Market Financial Analysis (2004-2009)



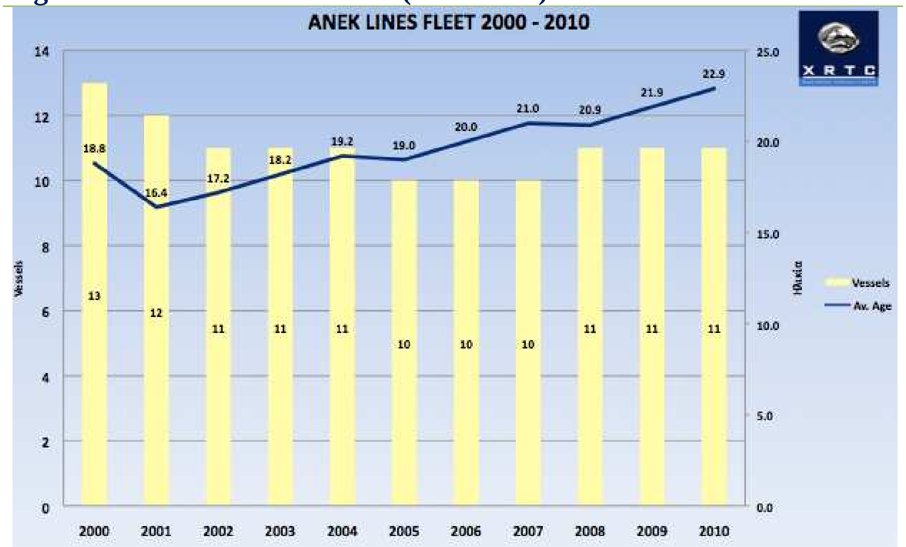
Source: XRTC Ltd.

4. Company Presentation and Analysis

4.1. Listed Companies

4.1.1. ANEK LINES

Figure 20: ANEK LINES Fleet (2000-2010)



Source: XRTC Ltd.

The acquisition of the Ro/Pax ELYROS is the last strategic decision in term of fleet management, 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 20

Apart from the 11 owned RO/PAX vessels, the company has chartered-in three vessels from the "sister" company HELLENIC SEAWAYS (HIGHSPEED 1, ARTEMIS and ARIADNI) in order to cover its needs. ARIADNI along with EL VENIZELOS are chartered for specific time periods to other companies abroad. In addition the company manages the two vessels (IERAPETRA and V. KORNAROS) of its subsidiary LANE LINES, which are operated in subsidised itineraries.

TABLE 4: ANEK LINES FLEET DEPLOYMENT 2010

Type	Number	Region
RO-PAX	4	Adriatic
RO-PAX	4	Crete
RO-PAX	1	N.E. Aegean
RO-PAX	2	Chartered
RO-PAX	4	Subsidised Itinerary (Crete-Cyclades-Dodecanese)
HSC	1	Sporades

Source: XRTC Ltd.

As presented in Table 4 in total the company manages 16 vessels of which four are deployed in the area of Adriatic Sea, four in Crete, one in N.E. Aegean, four are deployed in subsidised itineraries, one in Sporades and two are chartered abroad.

During the last couple of years the company examines the possibility of extending its geographic diversification strategy. N.E. Aegean routes, along with the subsidised itineraries connecting Crete with other regional islands form the key areas of this strategy. An additional strategy is the chartering of vessels that cannot be fully utilised to companies abroad. ARIANDI and EL. VENIZELOS are chartered for specific time periods either abroad or are used for cruise purposes.

For third consecutive year the financial results are rather negative. As seen in Table 5 revenues drop by -2% and EBITDA by -11%. Clear is the effort of controlling operating expenses with fuel costs decreasing by -15% something that is also attributed to the decreasing fuel prices compared to a year ago. The improvement of long-term liabilities by 8% is attributed to the debt restructuring program.

TABLE 5: ANEK LINES BASIC FIGURES (2008-2009)

	2009	2008	Δ%
Passenger Traffic	2,273,000	2,121,684	7%
Car Traffic	377,990	361,749	4%
Truck Traffic	238,100	241,996	-2%
Revenues	€ 274,572,000	€ 278,936,000	-2%
EBITDA	€ 24,200,000	€ 27,300,000	-11%
Net Results	-€ 4,965,000	-€ 6,413,000	23%
Cost of Sales	€ 225,050,000	€ 227,934,000	-1%
Fuel Cost	€ 98,509,000	€ 115,920,000	-15%
Long-term Liabilities	€ 206,372,000	€ 224,906,000	-8%

Source: XRTC Ltd.

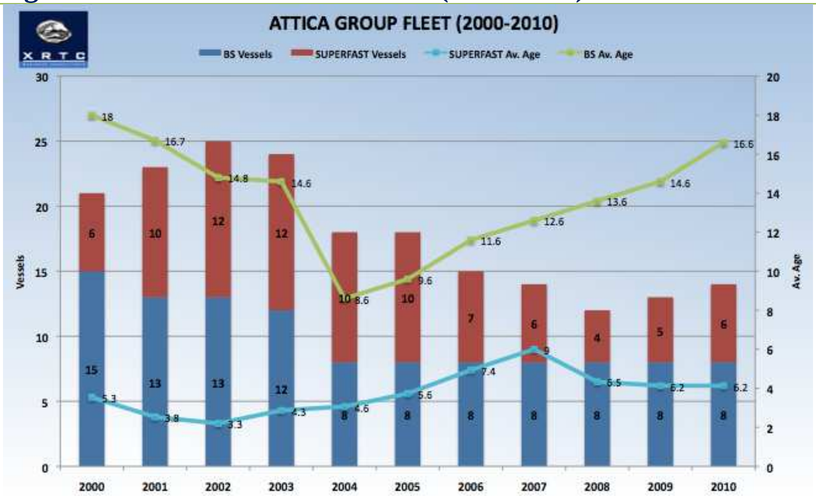
ANEK LINES can be characterised as the company, which led the decrease in ticket prices starting from the Crete itineraries. Acting swiftly to the entrance of ATTICA GROUP via Superfast ferries in the area it took advantage of its better marginal cost structure and managed to obtain its market share against its competitors (MINOAN LINES and ATTICA GROUP). The company also acted with agility when entered into the Dodecanese itineraries after the exit of GA Ferries from the market.

4.1.2. 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 14 vessels out of which five belong to SURERFAST FERRIES and eight to BLUE STAR FERRIES (Figure 21).

The company continues its new-building investment program with two new RO/PAX orders in 2009 at Daewoo Shipbuilding and Marine Engineering Co worthing €135 million. In addition, SUPERFAST V was sold in February 2010 at the French company Bretagne Angleterre Irlande of Roscoff. These actions show that the company remains loyal to its philosophy in operating a young fleet.

Figure 21: ATTICA GROUP Fleet (2000-2010)



Source: XRTC Ltd.

The company operates in Adriatic Sea with five vessels, four vessels in Cyclades, three in Dodecanese and two in Crete (Table 6).

TABLE 6: ATTICA GROUP FLEET DEPLOYMENT 2010

Type	Number	Region
RO-PAX	5	Adriatic
RO-PAX	4	Cyclades
RO-PAX	3	Dodecanese
RO-PAX	2	Crete

Source: XRTC Ltd.

The financial results of 2009 are not differentiated much from the market. As presented in Table 7, despite the increase in passenger, car and truck traffic numbers and the decrease in operating expenses by -2% and fuel cost by -12%, revenues appear to decrease by -7%. It is worth mentioning that when comparing revenue growth between Greece and Adriatic Sea the former market presents a growth of 19% whereas the latter a decrease of -17% mainly due to the increased competition in the region and the global economic crisis. Net results are reported significantly lower to 2008 due to:

- €6.4 million loss from interest rate derivatives
- €4.4 million loss from bunker derivatives
- €3.4 million loss from the sale of SUPERFAST V
- €2.9 million contribution to the Greek State as part of social responsibility fund

The strategic decisions in ordering new vessels, which offer better economies of scale and are cheaper to operate, have strengthened the company's position in the market. 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 aiming to achieve lower operating costs than its competitors. The entrance in the itineraries of Crete was a "no-recall" decision for ATTICA GROUP, since the competition in the other region of operation, namely Adriatic Sea, was fierce.

TABLE 7: ATTICA GROUP BASIC FIGURES (2008-2009)

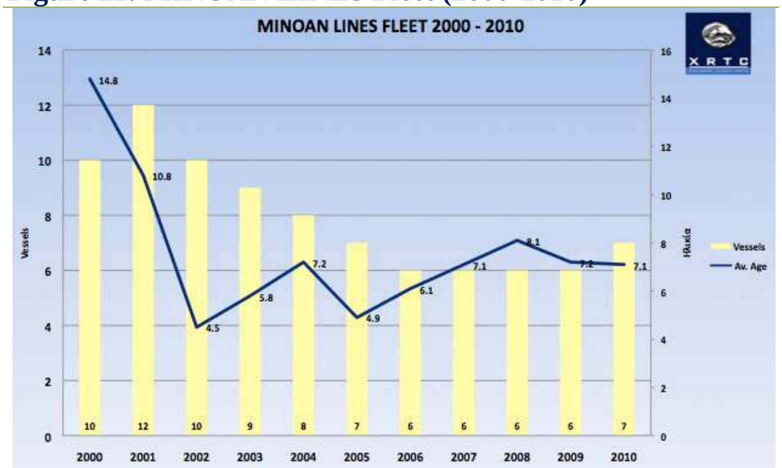
	2009	2008	Δ%
Passenger Traffic	4,361,833	4,008,410	9%
Car Traffic	625,497	558,195	12%
Truck Traffic	281,827	261,406	8%
Revenues	€ 302,478,000	€ 325,911,000	-7%
EBITDA	€ 29,100,000	€ 47,700,000	-39%
Net Results	-€ 23,880,000	€ 22,262,000	-207%
Cost of Sales	€ 246,183,000	€ 250,498,000	-2%
Fuel Cost	€ 110,184,000	€ 125,211,100	-12%
Long-term Liabilities	€ 332,362,000	€ 361,537,000	-8%

Source: XRTC Ltd.

4.1.3. MINOAN LINES

After the entrance of GRIMALDI GROUP in 2008, the company has not altered the regions of operations in Adriatic Sea using three vessels. The sale of PASIPHAE PALLAS is part of the overall new-building program of the group, which encapsulates 30 RO/RO and RO/PAX vessels. Part of these vessels are planned to be deployed in the Mediterranean Sea with CRUISE OLYMPIA and CRUISE EUROPA being among the first to operate in the region and more specifically in the Adriatic Sea. As seen in Figure 22 the company operates one of the youngest fleets in the market.

Figure 22: MINOAN LINES Fleet (2000-2010)



Source: XRTC Ltd.

At present the company operates two vessels in the Piraeus-Iraklion itinerary and five in Adriatic Sea (Table 8).

TABLE 8: MINOAN LINES FLEET DEPLOYMENT2009

Type	Number	Region
RO-PAX	5	Adriatic
RO-PAX	2	Crete

Source: XRTC Ltd.

As presented in Table 9 the company reports marginal increase in passenger and car traffic and decrease in truck traffic (-10%). The worsening of EBITDA results by -70% compared to 2008 is mainly due to the decrease in revenues by -20%. The decrease in operating expenses and more specifically of fuel cost by -15% was not enough to reverse this significant decrease.

TABLE 9: MINOAN LINES BASIC FIGURES (2008-2009)

	2009	2008	Δ%
Passenger Traffic	1,599,000	1,574,000	2%
Car Traffic	298,000	283,000	5%
Truck Traffic	139,700	156,000	-10%
Revenues	€ 171,278,000	€ 213,782,326	-20%
EBITDA	€ 7,330,000	€ 24,500,000	-70%
Net Results	€ 32,385,000	€ 3,316,612	876%
Cost of Sales	€ 149,834,000	€ 161,821,843	-7%
Fuel Cost	€ 65,605,000	€ 76,835,418	-15%
Long-term Liabilities	€ 7,025,000	€ 343,016,989	-98%

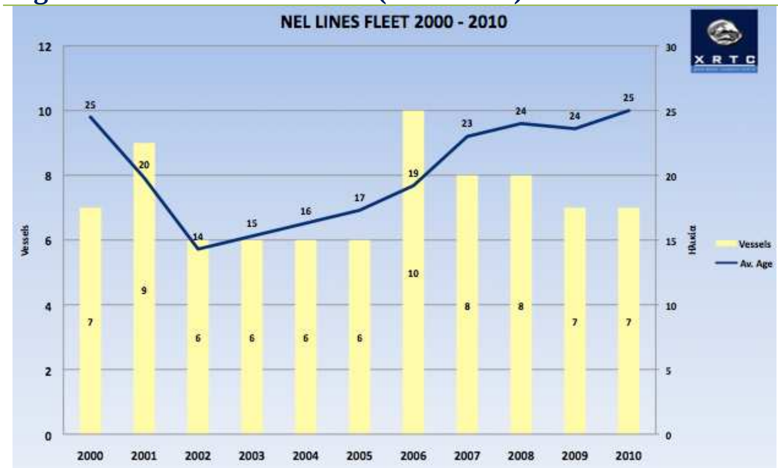
Source: XRTC Ltd.

Pre tax results are significantly improved mainly due to the sale of PASIPHAE PALLAS and its stake in HELLENIC SEAWAYS to SEA STAR CAPITAL. Long-term liabilities are reported lower due to the company's obligation to transfer these amounts at short-term liabilities as directed by the international financial standards since the EBITDA/net financial results ratio deviated from its target.

The company belongs to one of the biggest groups in Europe. Its investment decisions differ significantly from those of competitors in reference to geographic diversification. The focus in the Adriatic Sea is evident with Crete lagging behind without though losing significant market share from its competitors ATTICA GROUP and ANEK LINES where the company responds to the new challenges rather professionally. The company has the ability and knowhow to deal with the present economic conditions and fierce competition without running the danger of bankruptcy as neither of its competitors (ATTICA GROUP and ANEK LINES/HSW).

4.1.4. NEL LINES

Figure 23: NEL LINES Fleet (2000-2010)



Source: XRTC Ltd.

The company operates a fleet of seven vessels, with average age of 23.6 years (Figure 23). The restructuring program, which began four years ago, is still under way aiming at the strengthening of the company's presence in Greece.

As presented in Table 10, the main areas of operation are Cyclades and N.E. Aegean. The company is expected to operate in two new itineraries (Piraeus – Samos – Ikaria and Piraeus – Dodecanese) with RO/RO vessels.

TABLE 10: NEL LINES FLEET DEPLOYMENT 2010

Type	Number	Region
RO-PAX	5	Cyclades
RO-PAX	2	N.E. Aegean

Source: XRTC Ltd.

As illustrated in Table 11, the company is still under stress. Significant are the efforts of improving the financial position of the company via keeping operating cost at low levels and the increase of revenues (+19%). Net results and EBITDA appear to have improved by 30% and 70% respectively despite the fact that they are at negative ground. In reference to traffic numbers passengers and cars present a significant increase whereas trucks have an opposite trend due to the high competition levels.

The company's choice in operating its high-speed vessels in subsidised itineraries may not be the most appropriate due to the high operating costs, which in combination to the significant delay of up to 360 days in receiving the payment by the Greek State may worsen the company's cash conversion cycle. The replacement of these vessels with conventional ones is towards the right direction. Among the positive issues are the initiation of the trading of the company's stock in the ASE after months of inactivity and the new management under Mr. Miltiadis-Michael Vagger.

TABLE 11: NEL LINES BASIC FIGURES (2008-2009)

	2009	2008	Δ%

Passenger Traffic	605,183	560,614	8%
Car Traffic	114,356	67,818	69%
Truck Traffic	18,586	24,917	-25%
Revenues	€ 39,379,000	€33,007,926	19%
EBITDA	-€ 4,659,000	-€16,267,252	71%
Net Results	-€ 20,321,000	-€29,091,760	30%
Cost of Sales	€ 36,500,000	€35,124,481	4%
Fuel Cost	€ 15,551,000	€17,981,582	-14%
Long-term Liabilities	€ 131,004,000	€115,174,083	14%

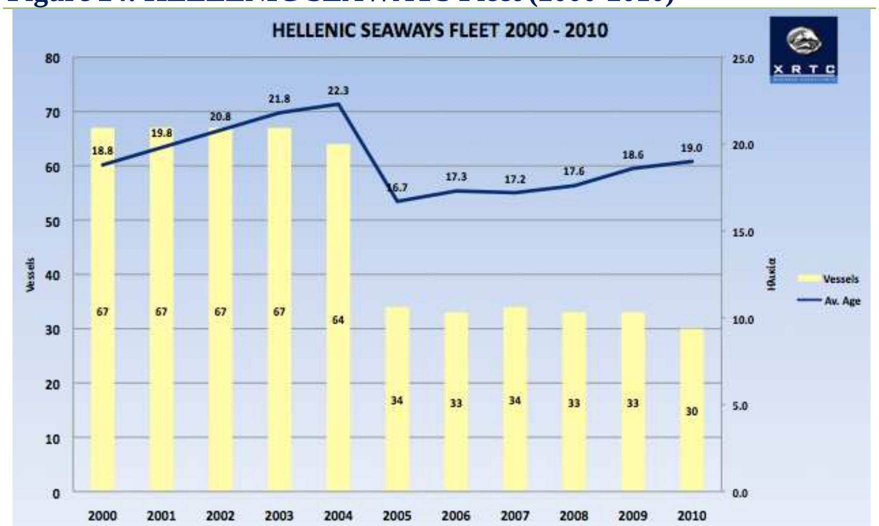
Source: XRTC Ltd.

4.2. Non-Listed

4.2.1. HELLENIC SEAWAYS

HELLENIC SEAWAYS controls the biggest fleet among the Greek ferry operators. As illustrated in Figure 24, today the company operates 30 vessels of different types operating in the Aegean Sea. Of those 10 are High-speed, six hydrofoils, 10 RO/PAX and four RO/RO.

Figure 24: HELLENIC SEAWAYS Fleet (2000-2010)



Source: XRTC Ltd.

As seen in Table 12 the company operates its fleet 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.

HELLENIC SEAWAYS presents the best company in terms of financial results compared to the rest, despite the significant decrease in passenger, car and truck traffic by -9%, -8% and -24% respectively which has contributed to a decrease in revenues of -19% compared to 2008 (Table 13). Net results are reported rather improved (21%) not only due to cost cuts and the better control of operating expenses but also due to a number of strategic decisions among which are:

- The chartering-out of ARTEMIS, ARIADNI and HIGHSPEED 1 to the sister company ANEK LINES

- The sale of HIGHSPEED 2 and 3 and HELLENIC CARRIER, where part of cash received fuelled the decrease of long-term liabilities
- The lay-up of two RO/RO vessels in Adriatic Sea due to decreased demand
- The deployment of HELLENIC VOYAGER in the Dodecanese Region
- The purchase of high-speed HELLENIC WIND.

TABLE 12: HELLENIC SEAWAYS FLEET DEPLOYMENT 2009

Type	Number	Region		Type	Number	Region
RO-PAX	3	SARONIC GULF		HSC	5	CYCLADES
RO-PAX	2	CYCLADES		HSC	3	SPORADES
RO-PAX	1	SPORADES		HSC	2	CRETE
RO-PAX	2	N.E. AEGEAN		HYDROFOILS	5	SARONIC GULF
RO-PAX	2	CHARTERED		HYDROFOILS	1	SPORADES
				RO-RO	2	ADRIATIC
				RO-RO	2	LAID UP

Source: XRTC Ltd.

The acquisition of Easy Cruise L.T.D. is a move of strategic importance, which enabled the company to use the name easyCruise at all destinations in the Mediterranean Sea. HELLENIC SEAWAYS is the only Greek player, which in a justified way can move towards new investments. The gradual geographic expansion along with the successful investments in new and modern vessels during the last three years enable the company to take advantage of the current gaps in the market emerged from the exit of smaller players. The participation of Piraeus Bank in the shareholding structure can be considered neither as pros nor as con since the Bank has stated its weakness in supporting the ferry market further.

TABLE 13: HELLENIC SEAWAYS BASIC FIGURES (2007-2008)

	2009	2008	Δ%
Passenger Traffic	4,726,192	5,191,130	-9%
Car Traffic	524,081	567,098	-8%
Truck Traffic	92,223	121,670	-24%
Revenues	€ 178,335,000	€221,171,000	-19%
EBITDA	€ 31,500,000	€31,500,000	0%
Net Results	€ 13,042,000	€10,780,000	21%
Cost of Sales	€ 142,519,000	€181,015,000	-21%
Fuel Cost	€ 49,645,000	€82,588,000	-40%
Long-term Liabilities	€ 129,542,00	€142,457,000	-9%

Source: XRTC Ltd.

4.2.2. Other Non-Listed Companies

Table 14 presents the status of the main non-listed players apart from HELLENIC SEAWAYS.

TABLE 14: FLEET OF NON-LISTED COMPANIES 2010

	Vessels		Area of Operation			
Company	RO/PAX	HSC	Cyclades	Crete	Dodecanese	Adriatic
Aegean Speed Lines	-	3	☑			
Agoudimos Lines	5	-	☑			☑
Lane Lines	2	-		☑	☑	
Sea Jets HSC Joint Venture	-	3	☑	☑		
GA Ferries	7	1	Bankruptcy			
Kallisti Ferries	2	-	Bankruptcy			

Source: XRTC Ltd.

AEGEAN SPEED LINES operates three high-speed vessels SPEEDRUNNER II, III and IV in the West Cyclades area. The company transported 390 thousand passengers and 50 thousand cars in 2009 reporting negative EBITDA (-€438,689) while following the market's trend. In December 2009 it was awarded by Lloyds List as the company with the best service level. Its shareholding base consists of Greek and foreign investors with Mr. Leonidas-Evgenidis Dimitriadis being the major shareholder.

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 international shipping operations operating a fleet of dry bulk vessels. Presently Agoudimos Lines operates a fleet of five RO/PAX vessels in the areas of Adriatic and Cyclades. The owner of the company is Mr. Mimis Agoudimos.

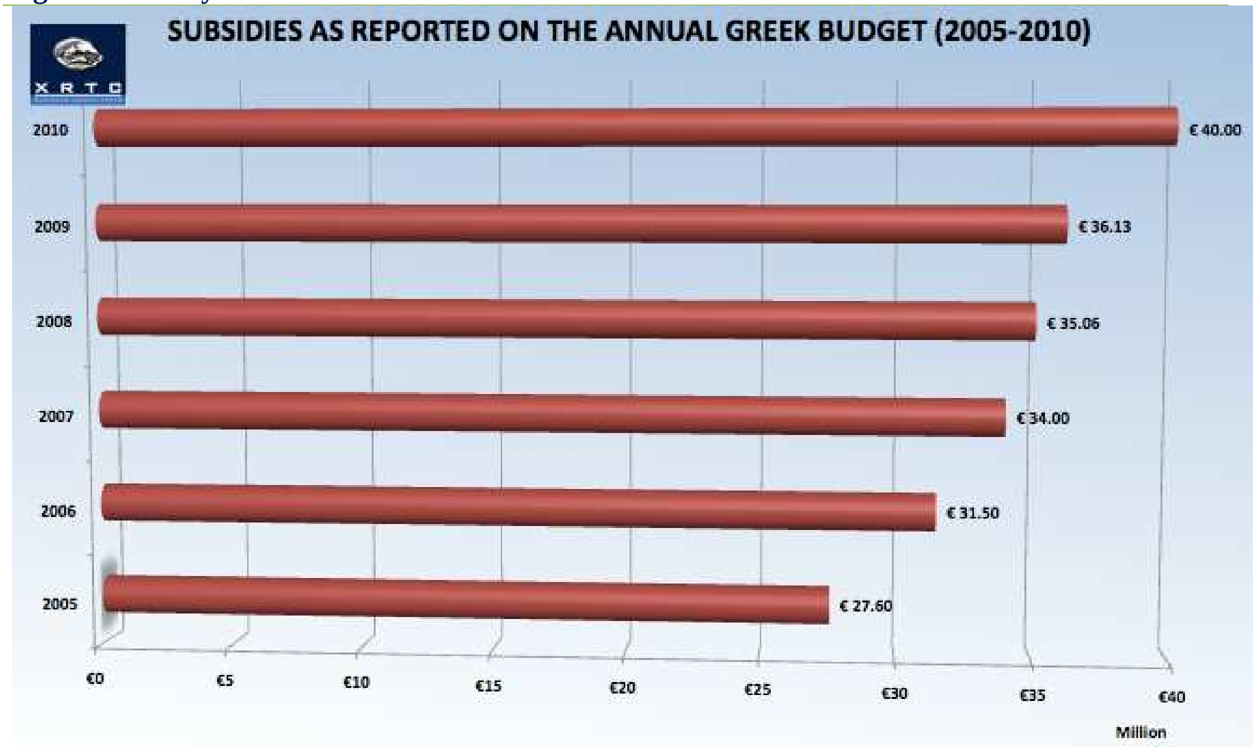
LANE Lines operates two RO/PAX vessels. Strategic partner of the company is ANEK LINES which has encapsulated them in its strategic fleet deployment in order to be able to cover its operating needs.

ILIOPOULOS GROUP started its operations in 1997 with the purchase of a high-speed vessel (MEGA JET). In 2003 the company purchased two high-speed vessels (SEAJET 2 and SUPERJET). Main shareholder is Mr. Marios Iliopoulos who operates a fleet of tankers as well.

5. SUBSIDIES

As seen in Figure 25 the amounts reported in the State's annual budget present an average increase of +9% since 2005. The Greek State continues its effort in strengthening the connection frequency and level of service without much success since significant are the delays not only in payments but also in the bureaucratic processes involved in completing the respective calls.

Figure 25: Ferry Subsidies 2005-2010



Source: XRTC Ltd.

The criteria on ferry vessels selection process intended to service the subsidized itineraries as stated in the new legislation (see XRTC 2007 Annual Greek Ferry Report) have significantly improved the level of service provided, since it has created the incentives to companies such as ATTICA GROUP, HELLENIC SEAWAYS, ANEK LINES and NEL LINES to employ their high standard vessels. As presented in Figure 26 these companies obtain an important chunk of the pie which is estimated at around €38 million. This new market development changed companies' attitude, since in the past those companies were not in favour of deploying their vessels in such itineraries as significant profits were exploited in other market segments. Since the decrease in revenues growth in the areas of Adriatic and Aegean seas, subsidised itineraries have turned into rather attractive source of revenue.

Figure 26: Subsidies per Company

Source: XRTC Ltd.

6. CONCLUSIONS

Year 2009 left behind some rigorous thoughts to all Greek ferry companies' management teams. As real economy continues to develop anemically especially in the developed world, demand for both passenger and cargo transportation is adversely influenced. Profits and relative margins in the whole sector are at their lowest levels in the past 6 years while its recovery prospects look rather gloomy given the extraordinary fiscal problems of the Greek economy and the burden that the stabilization programs put in the shoulders of the European taxpayers.

It is a concurrence of wider and unfortunate side-effects with various conflicts between economic sectors, institutions and professional categories, under the general pressure from the Troika (ECB, EU, and IMF) and its stabilization program which calls for radical structural changes in all parts of the Greek economy. Phase-out is considered to be a long-lasting and painful process for both tourist and commerce sectors. During last year important developments took place in the sector which in turn they created significant changes in the market. In brief, the most important of them are the following:

i. Grimaldi Group strengthened its position in Adriatic market through its subsidiary, Minoan Lines, with the deployment of 2 new large Ro-Pax vessels (Capacity of 300 pax and 250 cars/180 trucks). These vessels will inevitably put more pressure in this already very competitive market while the downward demand in cargo traffic levels will have an extra negative impact in the efforts to achieve substantial economies of scale.

ii. Adriatic Lines introduced a new ferry connection between Greece and Italy. Its departure port is Corinth like for Hellenic Seaways, which due to increasing competition was forced to reduce its service from 4 vessels down to 2.

iii. Market exit became evidence for 3 Greek ferry companies namely GA Ferries, Saos ferries and Kallisti Ferries. The direct impact in the domestic ferry market was the dramatic decrease in capacity and the limitation or absence in connections between remote small Aegean Sea islands and the mainland.

iv. The deployment of 2 vessels in Crete from Attica Group initially in Heraklion and lately in Chania routes has undoubtedly elevated significantly the competition levels which inevitably led all competitors to price dumping and eventually they saw all their operating profits substantially shrinking.

v. The orders of new Ro-Pax vessels made from Attica Group will pressure even more an already squeezed local ferry market.

vi. There has been initiation of chartering-out strategies from almost all Greek ferry companies in order to withstand the local market's shrinking conditions.

vii. Geographical expansion of all market players is no more part of their deployment strategies. They are struggling to retain their relative market shares or they are trying to attract market shares in routes which are traditionally serviced from other market players.

viii. Sea Star Capital controlling stakes in Hellenic Seaways and Anek Lines constitutes the largest partnership scheme in the ferry industry of Southeastern Mediterranean, while it operates one of the most diversified fleets.

ix. Ownership and management changes in Nel Lines led to the implementation of successful strategies, which improved the company's negative financial results. Moreover, new management further improvement of chartering-out strategy as well as deployment of new vessels is anticipated to have an extra positive impact in on-going re-engineering and restructuring process.

x. The abolishment of the Ministry of Merchant Marine and Aegean Islands Policy and its subsequent dispersion in other 3 Ministries, developed difficulties in the whole ferry system. The abolished Ministry used to be a vertically structured institution with concretized authorities where all its departments were interlinked in an efficient way. The dispersion of its jurisdictions put extra burden in the operating pressures of the ferry companies since the subsequent dispersion of the decision-making affects negatively their every day operating activities.

xi. The limited credit ability of the local and the foreign banking institutions. Though this fact is critical for all ferry companies, even more important is the fact that cost of their existing debt liabilities has been also increased from the banks in order to withstand the pressure felt in the frozen interbank lending markets due to sovereign debt crisis.

xii. The ability to raise fresh capital from the public markets is also extremely limited given volatile market conditions and investors unwillingness to commit funds in stocks.

Nevertheless, Greek ferry sector proves to be crisis resistant, while the market players have acquired the know-how to address the problems raised from the competition and the crisis (Table 15). The exploitation of economies of scale, wherever possible and the provision of high quality services from the majority of companies, helped them to absorb the losses from the shrinking demand and form different strategies which will enable them to survive even though the results for the 1st and the 2nd quarters of 2010 show substantial decrease compared with those of 2009.

TABLE 15: SWOT ANALYSIS

Strengths	Weaknesses
• Young Fleet. • Strong management teams. • Continuing, even though in decreasing trend fleet renewal. • Rationalization of itineraries. • Smooth loan repayments. • Economies of scale.	• Reducing liquidity. • Limited ability of funds raising. • Further reduction of the ferry fleet. • Weak and dispersed participation of companies and seafarers in their Union's bodies. (EEA/ΣEEN) • Increasing fleet's age trend. • Continuing negative EBITDA trends. • Limited geographical differentiation. • Limited public funding for peripheral ports infrastructure development. • Vague government policy-making for the sector.
Opportunities	**Threats**
• Decreasing trend in newbuilding construction cost. • Existence of many small ferry companies which could easily be an acquisition target. • Product differentiation. • Port Infrastructure. • Deployment of vessels in subsidized routes for enhancement of companies' liquidity problems. • Formation of strategic alliances with foreign ferry companies. • Revision of the regulatory framework in order to promote rationalization of service level/quality and reduction of companies' operating expenses.	• Continuing of decreasing demand trend in the local and Adriatic markets. • Persistent local economic recession and negative international economic climate. • Increasing fuel cost. • Extension of increased competition levels in all main routes. • Further price dumping, which will eventually lead to more losses. • Continuing in limited bank funding option. • Delays in subsidies payments from the State due to the current local adverse economic conditions. • Intense and abusive reactions from the Unions. • Negative stance of the traditional financiers to fund the sector.

Source: XRTC Ltd.

Current market conditions do not permit for any positive forecast in all companies' results. Given the status of the local and the European economies the demand in the sector will decrease further than the level of 2008-2009 while seasonality effects will be also greater. Thus, while the general traffic level of pax and cargoes for the period July-August 2009 was 37% down from that of 2008 for 2010 is expected to be almost 60% down especially in pax traffic. The frequent use of coastal ferry transport will decrease and accordingly the profits realized during the months of May, June, September and October will be vanished. Moreover, the fuel cost will remain high given the strengthening anticipations in the US$/Euro exchange parity. Inevitably, EBITDA trends will remain negative with minor changes relative to each company fleet and age mix.

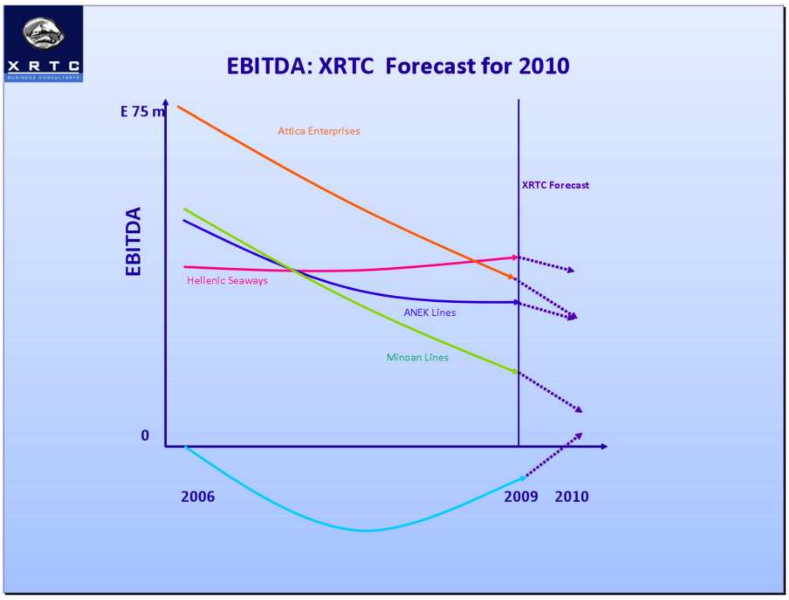
Analyzing further each one of the 4 big Greek coastal ferry companies we expect that their profitability will be further in strains while Anek Lines will find itself in a slightly better position from the rest mainly due to the lower consumption rates of its aged fleet. The decrease in Minoan Lines profitability will be bigger than in Attica Group and Hellenic Seaways will continue to be the leader given its significant competitive advantage gained from its HSC fleet which allows to the company to operate such vessels only in picking periods. On the other side, Sea Star Capital Group is forecasted to have a decrease in its revenues due to the implementation of reduction price policies but also due to the anticipated entry market costs in Dodecanese routes. For Nel Lines we forecast that their negative results will be slightly improved mainly because of its chartering-out strategy and its anticipated expansion in new routes with new low-cost aged vessels.

We see positive prospect signs for both Attica Group and Hellenic Seaways, for the former due to its strong financial position and for the latter due to its continuous accomplishment of good financial results. Minoan Lines prospects could only been attained through its synergies with Grimaldi Group. As for the rest of the big market players they will focus on chartering-out or strategic alliances with other companies not only in local but in international level as well.

Regarding other market players we have to note that, Aegean Speed Lines is anticipated to accomplish almost the same financial performance even though it made an entry in the competitive Cyclades market. The same will apply for Sea Jet Ferries even though there are signs of decreasing profitability due to the decreases in passenger traffic. Finally, for the very small ferry companies which deploy their vessels in the Adriatic market we anticipate serious challenges that they endanger their viability.

Undoubtedly, the development phase of the Greek coastal ferry sector is over. The whole sector looks like walking on a mine-field not because companies' business plans were recklessly drafted but mainly because their worst case scenarios failed to predict such adverse global economic conditions with persistent uncertainty and markets volatility. Inevitably and rather naturally, the economic extremes led the feeble market players as well as the bad managed ones, out of the market while the analyst has been remained puzzled with various factors and occasions in order to discern the main reasons for such an outcome. The general reasons that pushed the sector in such position are widely known; transport services exist and flourish in the demand is growing and stable provided a relative increase in individual's living level. When such conditions are substantially altered due to radical structural economic changes, the demand for transportation and collateral services is decreased. This situation is digested and partly absorbed in the companies' financial results. What has been afflicting the minds of the companies, the Greek State, the financiers and the users are the dangerous reactions of relevant professional categories or other professionals to government tighten fiscal policy which creates tensions, demonstrations and port blockages provoking further reduction in ferry services demand.

Figure 27: Forecast 2010



Source: XRTC Ltd.

The future prospects of the whole sector are in jeopardy unless this very negative economic climate is adverted even slightly. Reduction in companies operating expenses could not be attained easily. Financiers and investors should be convinced from companies' management that there are viability prospects. Moreover, seamen's union stance towards the sector should focus how to maintain their positions in the near future and not how to get the most each year. Their out-dated reasoning to support a remuneration system that is unbearable from the sector should look for serious grounds. Seamen's job, as any other job in market economies, is competition driven that is relative to demand and supply. Seamen in international shipping have been adapted perfectly to these market forces and enjoy the progress made during all these years. Besides that, during these negative economic conditions, the Greek government should think the sector's future and abolish irrelevant duties and taxes from the ferry tickets which inflate the problems and stagnate more the sector's status.

On the other side, ferry companies' pricing policies should reflect the overall reduction in Greek nation's purchasing power, imposed by the implementation of the measures included in the country's Stabilization Program. The average Greek ferry user either a simple passenger or a cargo transporter cannot afford any price increase or even preservation of the current price levels. Statistics derived from the Hellenic Coast Guard for July 2010, present a fall in 6.5% in passenger traffic from Piraeus port while for Rafina port the fall in passengers was 11% in relation to July 2009. As for trucks traffic from port of Piraeus, there was a fall of 33.3% in July 2010 from July 2009. It is estimated that the overall fall in traffic level for the 1st semester of

2010 is about 15%. However, what hurts most the local ferry market is the clear loss of 2 of its main characteristics, which had become a trend for the past 8 years:

a. The enlargement of the picking season and,
b. The frequency of ferry services use

On top of that, the local air transportation services were adapted quickly and in many itineraries ideally to the new economic climate and increased even more the competition in domestic passenger transportation market.

Undoubtedly, the liberalization of ferry market services in the past was planned in a way to promote healthy competition and reduce general price levels for the benefit of the users. However, as years passed by, it seems that the initial planning had failed in almost all aspects because in due course the market factors coupled with market extremes which the legislator could not predict in his initial planning. The situation evolved badly for the sector which has shrunk significantly and looks incapable to provide the same service level to the users even on a yearly basis. Hellenic Coast Guard's statistics for July 2010 say that the fall in the number of itineraries was 4% i.e. 33 itineraries less than those of July 2009. The probability that many isolated small Aegean islands will lose their current connection status with the mainland is very high. Their fate might go back to the connection practices noticed during 70's and 80's. It has to be generally digested that the repetitive launching of new vessels in the Greek coastal ferry market passed for good. The main objective behind any plan should be the viability of the existing fleet and the alignment of social needs to its current financial level and conditions.

The sector looks like an unarmored citizen walking apprehensively in a mine-field, meaning that prudence and technocratic maturity should reign again in the sector's managements. Fortunately, even during this summer, which is the most critical for the last 30 years, there are companies with prospects and survival abilities. They are able to maintain their market status, withstand the competition pressures and provide fairly good prices to the users. They are not moving towards mergers and or acquisitions, which will just lengthen their doomed fate for a couple of years like it happens in other transportation sectors. Of course, it is likely to be seen a merger in the sector in near or medium term, but this should be the outcome of strategic very planned decision which will not only take into account the company's financial viability but also the regional Ro-Pax and Ro-Ro transportation needs seizing potential opportunities derived from the current crisis. This business attitude in the shipping sector is the characteristic that made Greek shipowners unique in what and how they do.

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