XRTC

BUSINESS CONSULTANTS

16th Annual Report on the Greek Ferry Market 2017

"The Sector under lethargy waiting for prospects"

July 2017

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The Company has secured and organized with great success a large number of shipping loan agreements under various forms, through cooperation with International Banking Groups since its establishment.

Since 2009, XRTC cooperates with Chinese banking groups that are interested in investing in Greek Shipping Market. The company managed for the first time ever to secure the financing of a Greek interest Shipping Company, directly from the Chinese banking group China Development Bank.

XRTC's staff has knowledge and experience on a worldwide level, by offering high quality services throughout the duration of a transaction. The Company's Research and Development Department based on its knowhow is able to analyze in depth all the matters of International Shipping. As a consultant in Ferry Markets the company has undertaken many projects in Greece and abroad for both ship financing and further market development. XRTC cooperates with the largest export credit agencies in the world.

XRTC has been honoured by International and Greek firms for its contribution to the development of Shipping and Ferry Market; such as Lloyds Greek Shipping Awards 2010 as the "Best Shipping Financier of the Year" and the award by Transport Finance as the "Best Deal of the Year for Export Credit".

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This study (the "Study") has been exclusively prepared for presenting informations related to the review and analysis of the Greek Ferry Sector by emphasizing on the 4 major companies. The contained information in the Study are reportedly dated June 2017 (unless stated otherwise).

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"This Study is dedicated to the memory of an excellent friend and English Journalist
***Gillian Whitaker (1945-2017)**,*
who served our Shipping Industry with dignity, "meraki", love and left this life as a Greek Woman"

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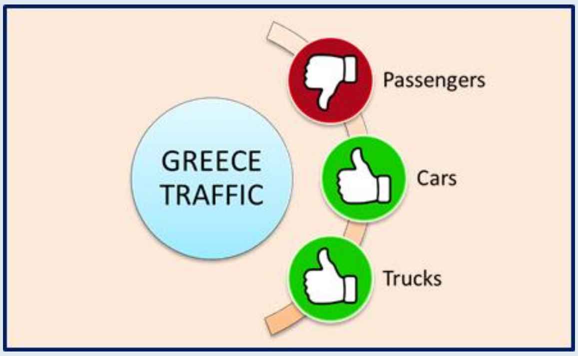
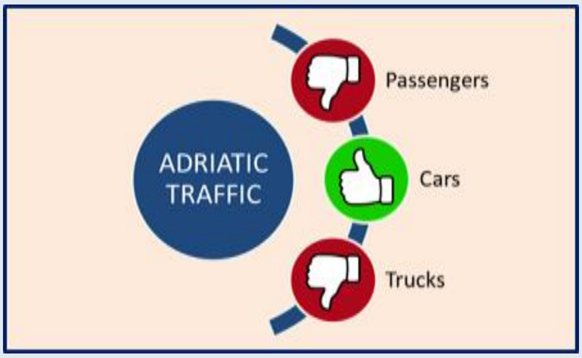
EXECUTIVE SUMMARY

1. The Greek Ferry Sector remains the main pillar for social cohesion and balanced regional development.
2. The Sector is characterized by high levels of resiliency despite the decrease in passenger traffic for seventh consecutive year. Passenger demand has shrunk by -46% between 2009 and 2016.
3. Ferry Companies have not been capable of capturing market share from seasonal tourist demand due to the high levels of competition from the airline industry.
4. Significant shrinking of business activities due to synergies and decrease it fleet numbers.
5. Companies continue to operate at high cost (not only due to the legal framework), which makes them vulnerable to external factors.
6. Bank capital controls and the prevailing economic environment impede local users from using ferry services.
7. There is lack of financial engineering tools due to the restrained cash conditions under which the local Banks operate.
8. Ferry tickets are expensive for the average Greek consumer compared to the respective tickets offered by the airline industry.
9. There is need for rebranding the ferry product.
10. The new IMO regulations on ballast water treatment and the use of low sulphur fuel, which are due in January 1st, 2020, are expected to ask pressure on operating expenses and ticket prices are expected to increase.
11. The Adriatic market shows signs of stability after a long period of decreasing demand.
12. The Greek flag has lost its competitiveness.
13. Adriatic Sea is no longer “Greek”, after Grimaldi Group withdrew the vessels of MINOAN LINES from the area. The only vessels in the area operating under Greek flag are those of the ANEK/ATTICA consortium since the beginning of 2017.
14. Grimaldi Group continues its efforts to acquire Hellenic Seaways via MINOAN LINES. The rival company is the investment group Eagle Mind Shipping headed by Seajets Group.
15. Piraeus Bank has either shares (directly or indirectly) or has financed three out of four of the big ferry companies making the bank a key player.
16. Low fuel price is the key factor for the positive financial results for 2016. The forecast for the 2017 results is less optimistic due to the significant increase in fuel price by 80% during the first two quarters of the year.
17. Smaller in size companies have managed to survive and increase their fleet.
18. Tourist demand in the North Aegean Islands has not recovered yet despite the decrease in refugee numbers.
19. The need for port infrastructure upgrades can create new investment opportunities for the Sector.
20. The Ferry Sector can take advantage of the modern logistics infrastructure and become active in multimodal transportation.

1. INTRODUCTION





The present study is the 16th annual comprehensive study on the Greek Ferry Market conducted by XRTC Business Consultants Ltd.

All these years we continuously highlight the fact that the Greek Ferry Market constitutes a very important pillar of the Greek State's cohesion. For this reason, we are strong supporters of the need of a central planning process for the Greek Ferry Network. Greek ferries consist the youngest and most modern ships in the EU, with their operations standing at 40 thousand trips on an annual basis, serving 46 million passengers and between 10 and 12 million tons of cargo, while connecting 100 islands.

Greece controls 19% of the European Ferry Market while it counts only for 2.2% of EUs population. According to EU data, the allocation of total passenger demand among the EU-28 member states show that Greece and Italy are the member states with the highest passenger volumes in 2016, with 17% and 19% market share respectively. In Greece, due to the Greek archipelagos, the number of ferry services and shipping lines is clearly higher compared to Italy.

Source: SETE/Liberal

Companies continue their difficult task in an adverse economic environment. The continuous decline in traffic, both in the Aegean and in the Adriatic Sea, marks the greatest proof that users of ferry services, who are domestic tourists and residents, cannot make use of ferry services due to high ticket prices and the competition faced by airline companies. Even though Ferry Companies implement discount policies, it seems that these are not enough when compared with air ticket prices.

For 2016, the conclusions stemming from SETE dataset (Greek Tourism Confederation) are revealing. Passenger demand in Dodecanese and North Aegean fell by -15.3% and -19.6% respectively on a y-o-y basis. The biggest drop though, was spotted in the Chios-Mytilini itinerary, which reached -26.6% y-o-y. This drop is not attributed to airline competition only, but to the refugee crises also, which has affected those islands the most.

Low oil price (since the 4th quarter of 2014) is the main reason for companies to report positive financial results the last couple of years. Fuel cost has been at 33% of vessel's total operational expenses in 2016. The sustainable percentage of fuel cost is close to 30% thus any increase in oil prices will seriously jeopardize their profitability in the future. It is worth highlighting that the average fuel price during the first five months in 2017 is 80% higher compared to the same period of 2016.

The only ferries of Greek interest operating in the Adriatic Sea belong to the ANEK/ATTICA consortium. As a result, the proportion of Greek Companies in the area shrinking.

However, it is worth noting the presence of Mr. Marios Iliopoulos' company, "Seajets", which, besides operating 11 high-speed vessels in the Aegean Sea, recently submitted an offer through the investment scheme Eagle Mind Shipping (of which he has a leading position), for the acquisition of HELLENIC SEAWAYS shares owned by Piraeus Bank.

The overview of the Companies analyzed in this Study is presented in Table 1.

TABLE 1: Overview of Listed Companies and HSW

COMPANIES	Number of Employees	Number of Vessels	Pax Transported	Cars Transported	Trucks Transported
Attica Group	1.058	16	3.268.148	433.421	275.201
Minoan Lines	308	4	1.030.508	191.954	128.730
ANEK	749	9	1.000.000	188.000	133.000
Hellenic Seaways	493	18	3.098.393	251.126	61.762
Σύνολο	**2.608**	**47**	**8.397.049**	**1.064.501**	**598.693**

COMPANIES	Turnover	EBITDA	Net Profit before taxes	Net Profit after taxes	Loans	Fleet Net Book Value
Attica Group	268.614.000 €	70.032.000 €	20.956.000 €	20.251.000 €	255.443.000 €	545.651.000
Minoan Lines	160.248.000 €	37.842.000 €	21.932.000 €	20.658.000 €	152.858.000 €	323.000.000
ANEK	157.583.000 €	25.572.000 €	1.883.000 €	1.270.000 €	285.598.000 €	247.026.000
Hellenic Seaways	131.542.000 €	18.368.000 €	6.744.000 €	6.701.000 €	164.384.000 €	252.500.000
Σύνολο	**717.987.000 €**	**151.814.000 €**	**51.515.000 €**	**48.880.000 €**	**858.283.000 €**	**1.368.177.000**

Source: XRTC Database

2. PRESENTATION OF GREEK FERRY MARKET

2.1. Market Overview

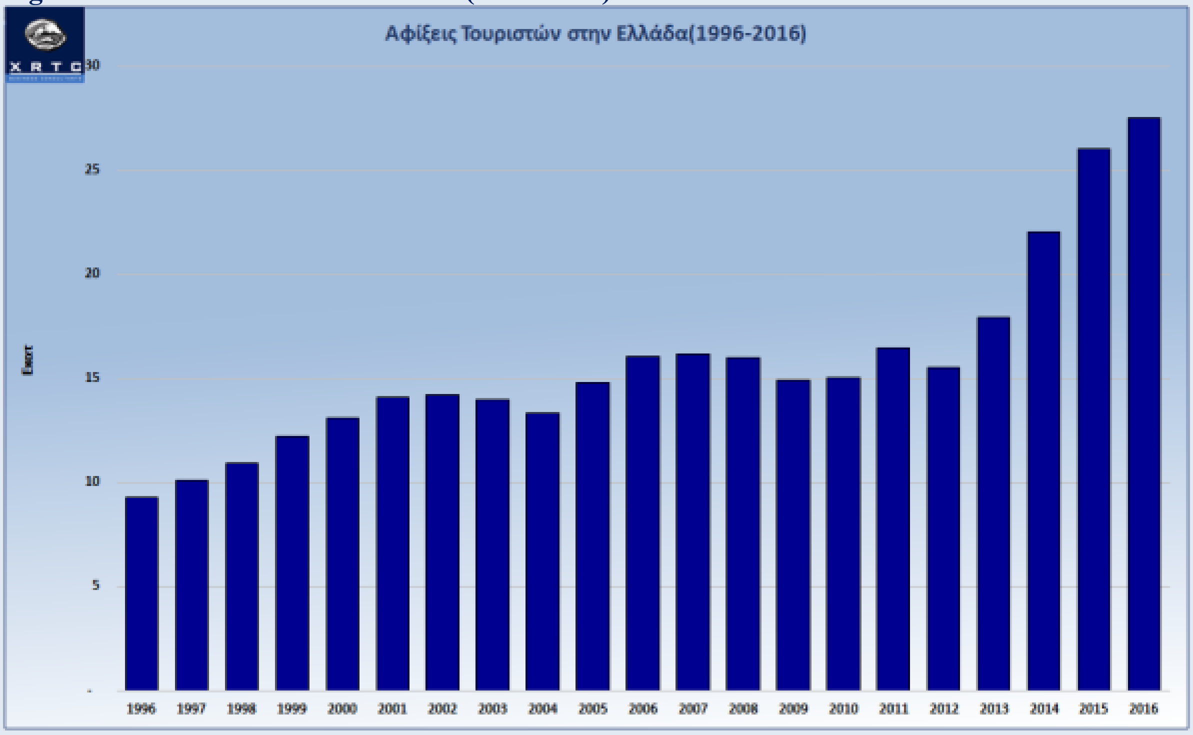
In this analysis 2009 is used as the base year, since this is the first time shipping companies recorded losses on their EBITDA results. Passenger demand in Greece is declining for the 7th consecutive year. Over the last seven years, passenger demand has dropped by **-46%,** a percentage which is extremely high. On the contrary, car and truck demand increased by **10%** and **6%** respectively.

Figure 1: Transport Volumes in Greece 2009-2016 (Listed Companies)

Sources: XRTC Database, Hellenic Statistical Authority and Port Authorities

As seen in Figure 2, while tourist arrivals in Greece tend to increase (by 6% in 2016), Greek ferry companies fail to attract demand from this customer base. Consequently, even though tourist arrivals in Greece have increased by 67% in the last seven years, passenger demand for ferry operators has declined by -46%. (Figure 1).

Figure 2: Tourist Arrivals in Greece (1996-2016)



Sources: XRTC database, Hellenic Statistical Authority

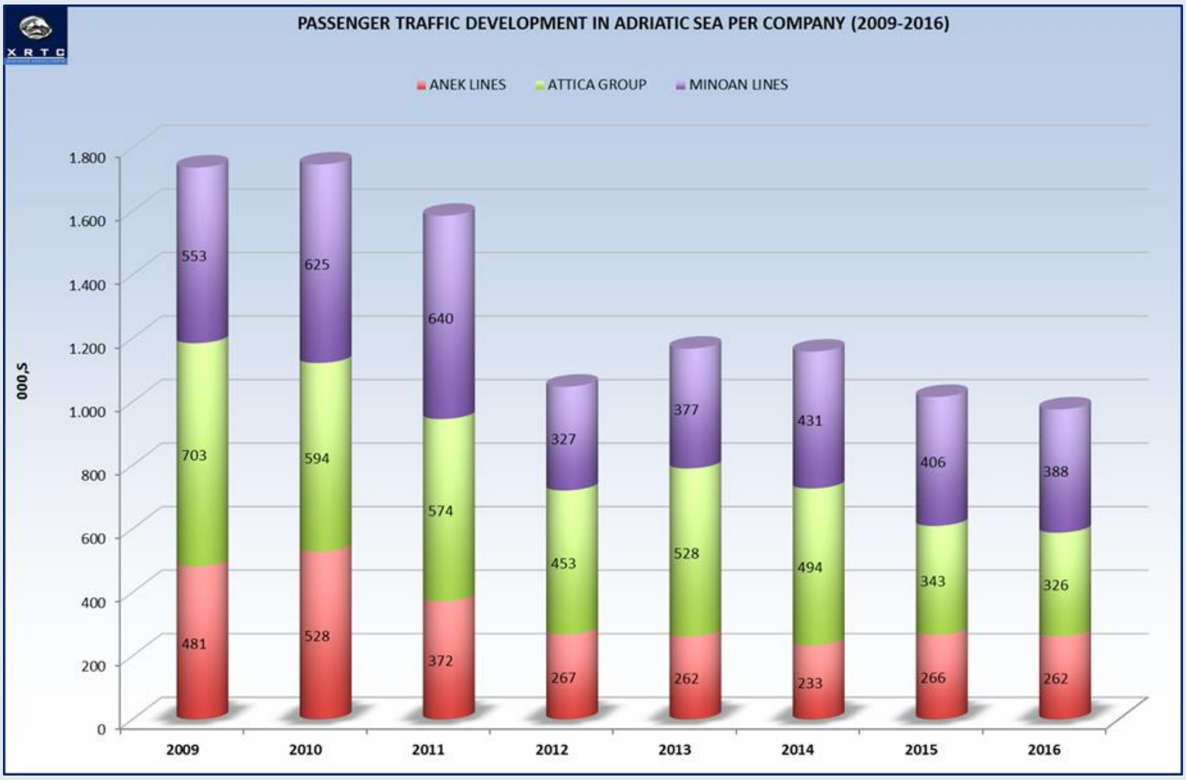
2.2. Demand Analysis of Listed Companies and Hellenic Seaways

This section includes those ferry companies listed in the Athens Stock Exchange and HELLENIC SEAWAYS. This analysis focuses on demand and the offered capacity in the Greek and Adriatic markets.

Figure 3 presents the continuous drop in the Greek market for seven years in a row. Although the decrease for 2016 stands at -6%, it needs to be pointed out that between 2009 and 2016 passenger traffic has declined by -46%. Most companies have reported decreased passenger numbers, with the exception of ANEK LINES, which has reported a slight increase. ATTICA GROUP and MINOAN LINES present a decline of -8% followed by HELLENIC SEAWAYS with a decline of -5%.

In the Adriatic market, all companies have reported a small decline in passenger volumes. The Greek Flag Registry has lost its competitive advantage and as a result Hellenic Seaways and MINOAN LINES decided to exit the market (HELLENIC SEAWAYS in 2016 and MINOAN LINES in early 2017). Specifically: ANEK LINES (-1%), ATTICA GROUP (-5%), MINOAN LINES (-4%).

Figure 3: Passenger Demand 2009-2016 (Listed Companies & HSW)

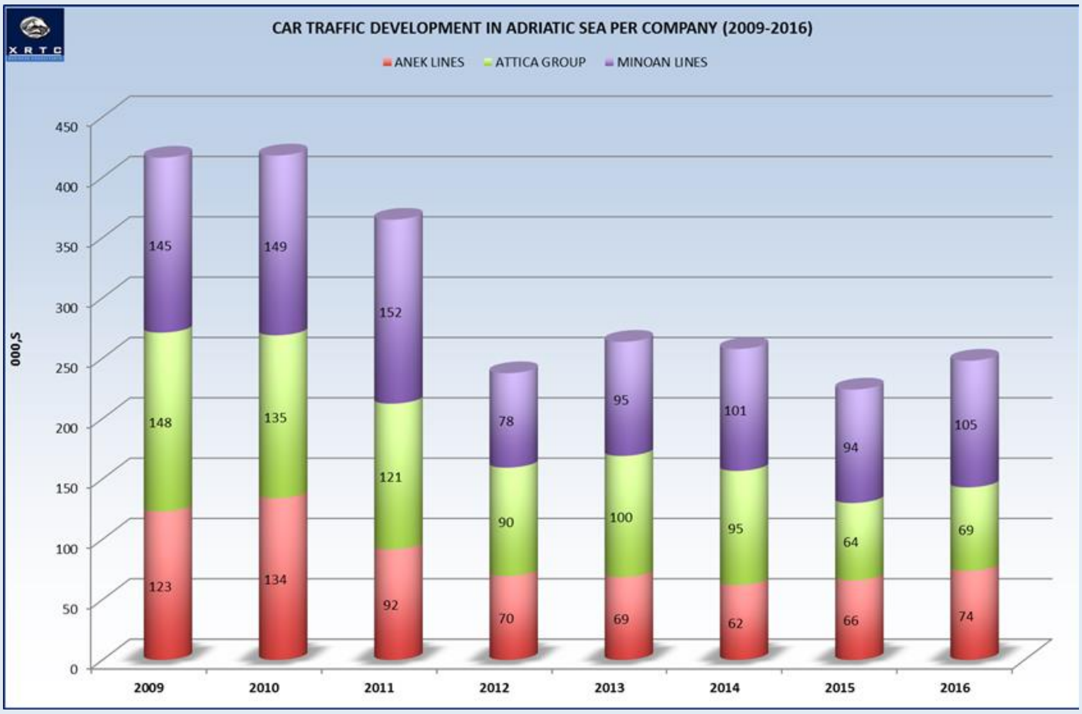


Source: XRTC

The increase in car traffic in the Greek market implies that the pricing policy imposed by ferry companies has a positive effect on car users. The increasing car volumes (10%) as opposed to passenger ones seem to indicate that many passengers choose to travel by plane, while they decide at the same time to ship their cars by ferries (Figure 4). Specifically: ATTICA GROUP (7%), ANEK LINES (4%), HELLENIC SEAWAYS (19%), MINOAN LINES (4%).

The same picture is presented in the Adriatic market, where companies recorded an average increase of 11% in terms of car volumes. Specifically: ATTICA GROUP (8%), ANEK LINES (12%), MINOAN LINES (12%).

Figure 4: Market Share of Car Demand 2009-2016 (Listed Companies & HSW)

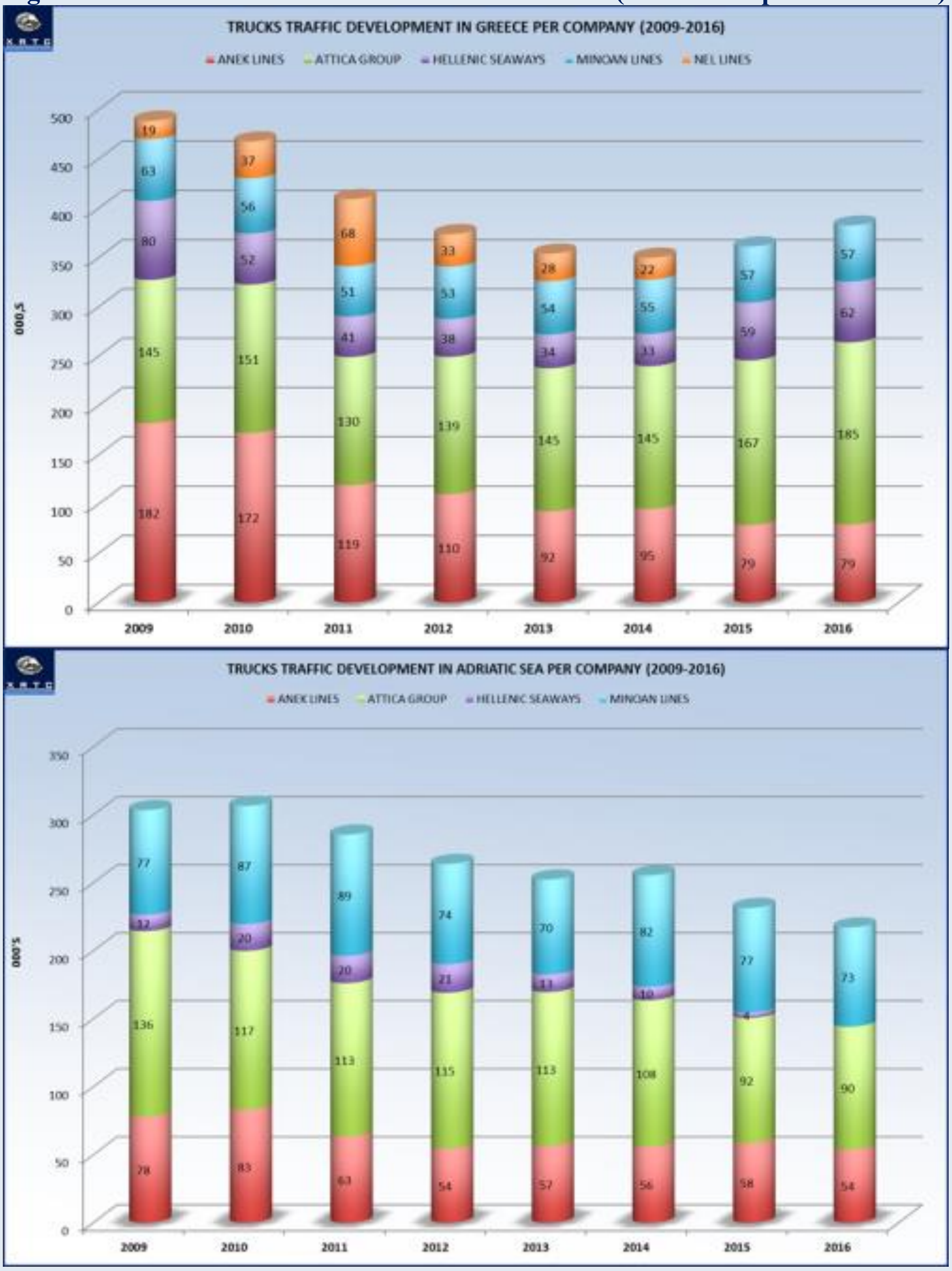


Source: XRTC

In relation to truck volumes the situation seems to be different in comparison to the previous two categories. The increase in the Greek market it attributed mainly to the increased tourist demand, while the decline observed in the Adriatic market is related to a drop in exports.

In the Greek market, truck traffic continues the upward trend which began in 2015, of about +6% (Figure 5). More analytically the Greek market is as follows: ATTICA GROUP (11%), HELLENIC SEAWAYS (5%), ANEK LINES (1%), MINOAN LINES (1%). Truck traffic in the Adriatic market does not follow the same trend since it has been declining by -6%. Specifically: MINOAN LINES (-5%), ANEK LINES (-8%), ATTICA GROUP (-2%).

Figure 5: Market Share of Truck Traffic 2009-2016 (Listed Companies & HSW)



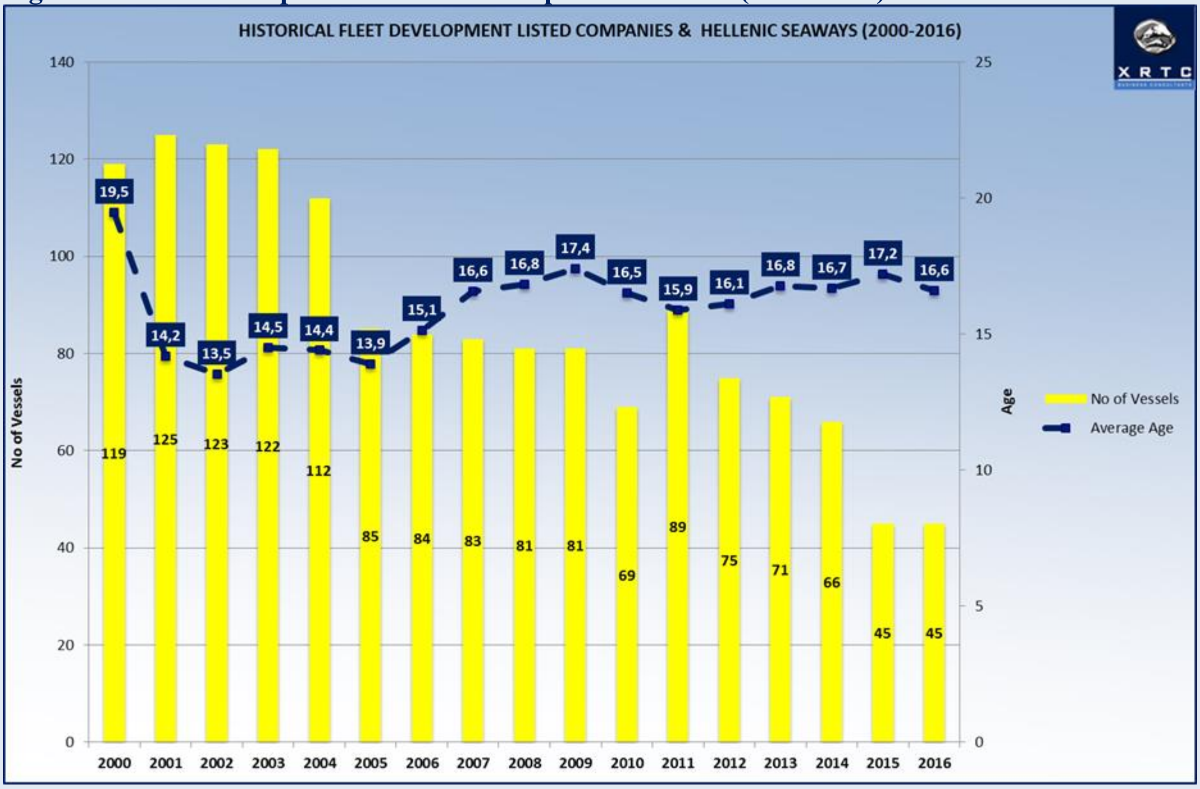
Source: XRTC

2.3. Offering Capacity Analysis of Listed Companies and Hellenic Seaways

Despite the fact that there have been some adjustments in the ferry fleet, the total number of ships operating in the Greek and the Adriatic markets, owned by the companies analyzed in this study has not changed compared to 2015.

It is worth mentioning here that there are vessels owned by smaller in size companies, which operate in the Greek market. As mentioned in Section 4.2.2 of this Study, those vessels count to approximately 50, raising the total number to about 95 vessels.

Figure 6: Fleet Development of Listed Companies & HSW (2000-2016)



Source: XRTC

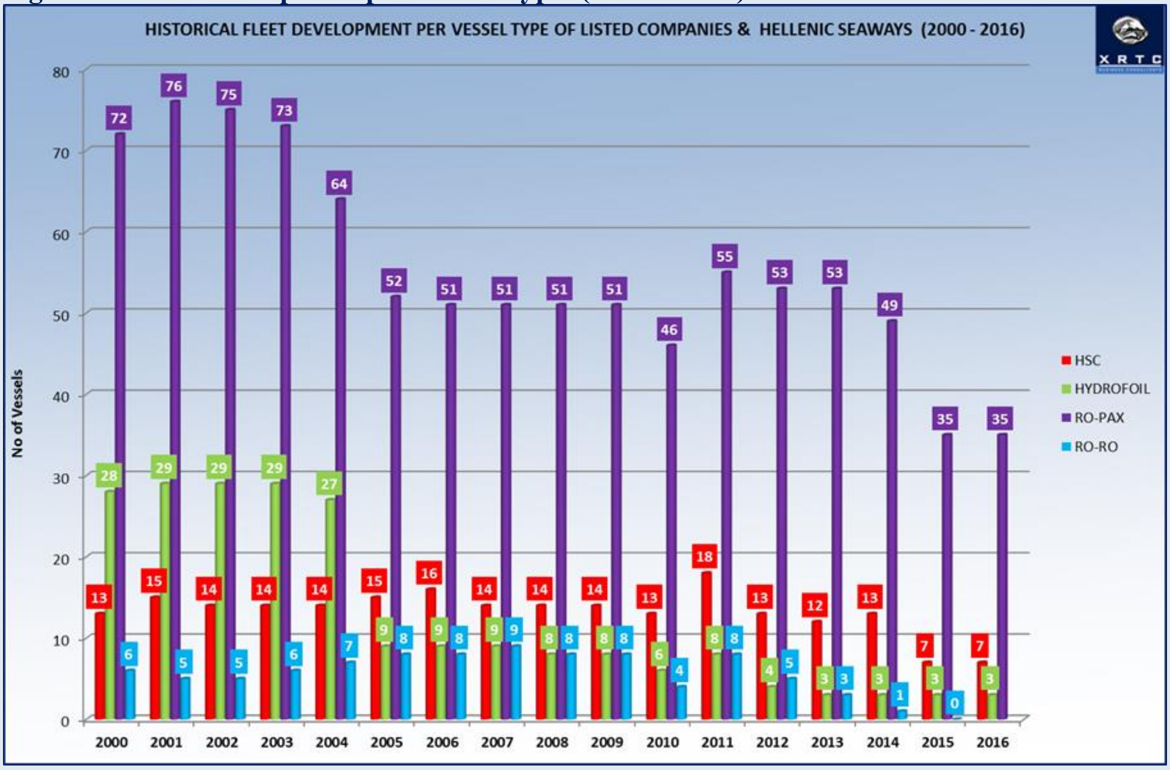
The fleet structure of listed companies and HELLENIC SEAWAYS is downward. Companies have managed to reduce their fleets by following network rationalization strategies, avoiding practices of the past, which led to overcapacity issues. It is important to mention that in the last five years the total fleet has decreased by 44 vessels (a -49% drop). This percentage change is totally in line with the reduction in demand by -46% compared to 2009 as already mentioned.

Table 2: Fleet per Company (Listed companies & HSW)

Companies' Fleet						
Company	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
ANEK	14	13	14	14	7	9
ATTICA	13	14	13	13	12	12
MINOAN	7	7	7	7	5	4
HELLENIC SEAWAYS	33	29	25	20	21	20
NEL	22	18	16	12	-	-
TOTAL	**89**	**81**	**75**	**66**	**45**	**45**

Source: XRTC

Figure 7: Fleet Development per Vessel Type (2000 – 2016)



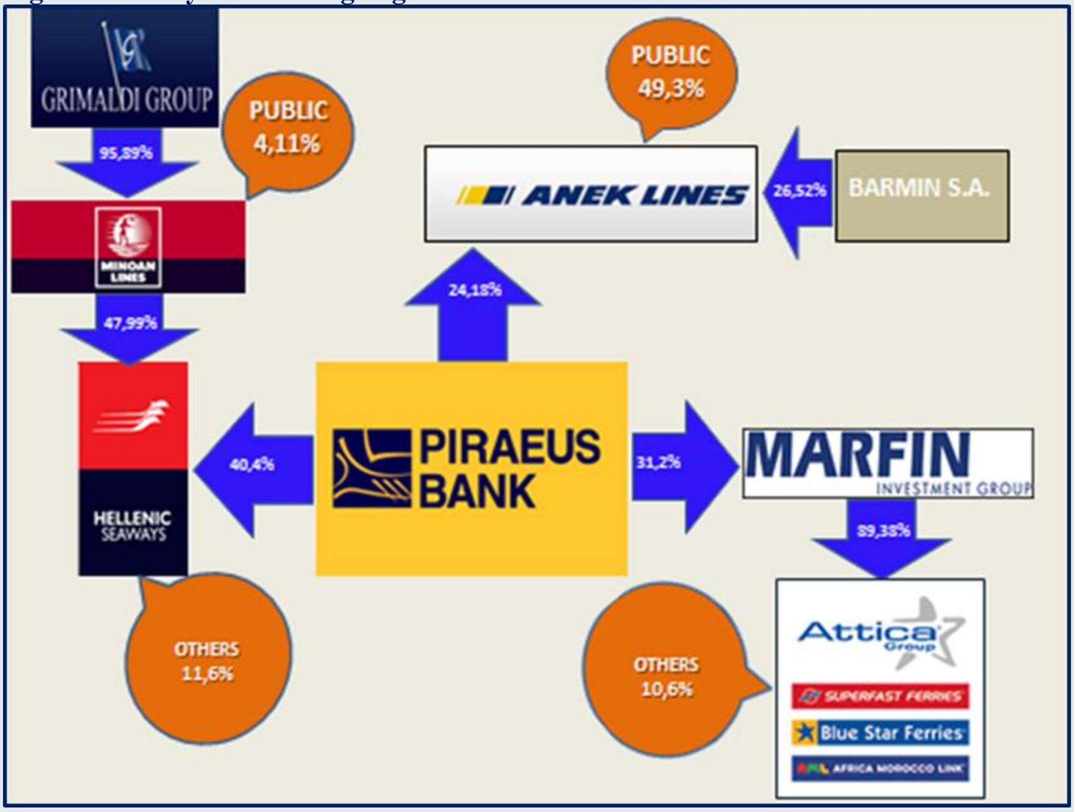
Source: XRTC

The offered capacity from the four main players examined in this study, serves the largest share of the Greek Ferry Market. The fleet has high potential, especially when taking into consideration its low average age and its modern design. Needless to say, if and when port infrastructure improves, vessels' productivity and consequently the offered services to passengers would definitely be of higher quality.

One worrying aspect is the lack of motivation for further investments in fleet, since the ongoing lack of demand justifies that attitude from the shipowners' perspective. Furthermore, the important aspect of lack in bank financing completes the grim picture of fleet renewal, as foreign banks have already exited the sector leaving space only for the Greek banks, which also seem to be reluctant.

2.4. Shareholding Structure of the Sector

Figure 8: Analysis of Voting Rights 2016



Source: XRTC

The shareholding structures of ANEK LINES, ATTICA GROUP and MINOAN LINES have not changed by more than 1% while the "battle" for controlling HELLENIC SEAWAYS continues. In February 2016, MINOAN LINES, which for many years participated in HELLENIC SEAWAYS with a 33% participation, but without a decisive presence in HELLENIC SEAWAYS management, began an effort to acquire the majority of the shares by submitting an Open Public Offer. As a result, it gradually achieved to gather an additional 14% of the shares, which belonged to small shareholders, controlling today 47% of the company. MINOAN LINES offer reached the amount of €30 million, but failed to ensure the majority of the shares.

In March 2017, Piraeus Bank launched a tender to sell its 40.5% participation in HELLENIC SEAWAYS. Two offers were submitted; MINOAN LINES and the investment scheme Eagle Mind Shipping, led by Mr. Marios Iliopoulos of Seajets are the rivals. The tender evaluation process has not yet been completed by the Bank.

Undoubtedly, Piraeus Bank is in an extremely crucial and sensitive position since it remains a shareholder and lender for the three out of four of the major ferry companies.

3. FINANCIAL ANALYSIS OF THE MARKET

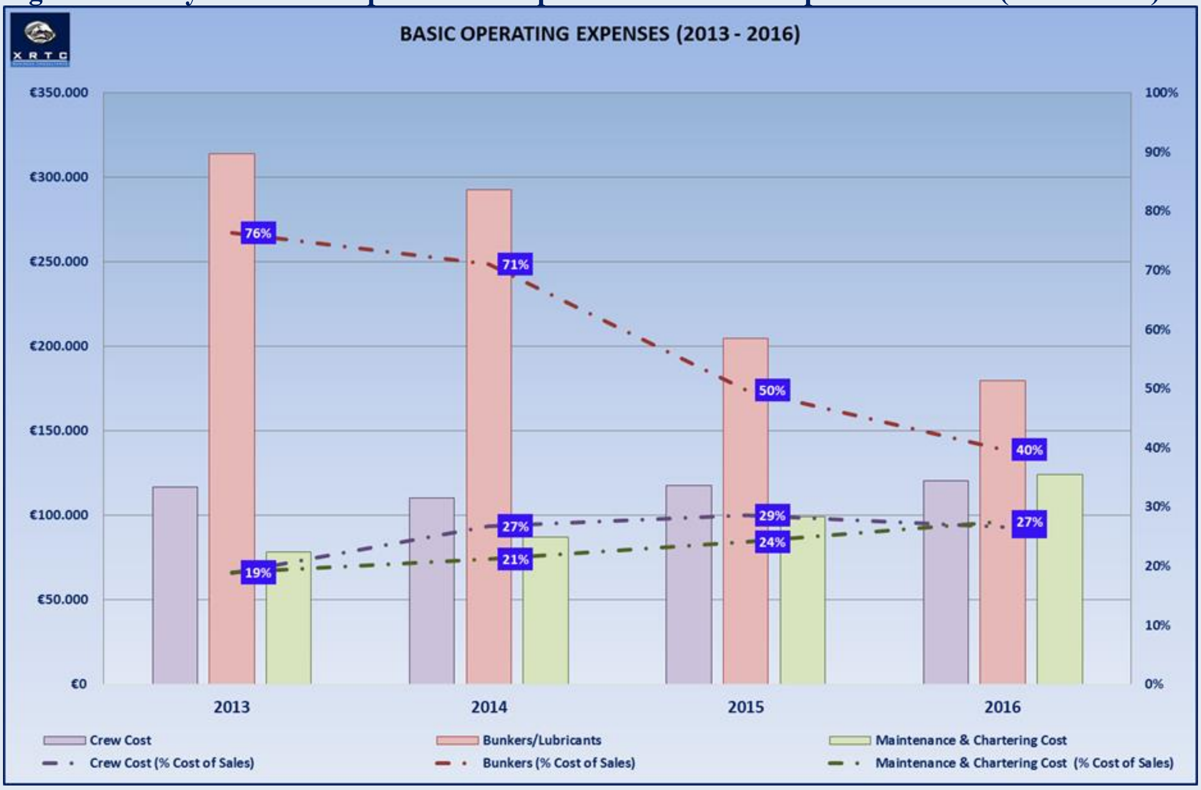
The financial analysis of the Greek Ferry Market includes the listed companies (ANEK LINES, ATTICA GROUP, MINOAN LINES) and HELLENIC SEAWAYS which consists one of the major market players.

3.1. Operational Cost Analysis

Due to the decrease in global oil prices over the past four years fuel cost has shrank significantly for ferry operators. An increase in maintenance cost is observed though, which is directly related to the fleet age structure. Maintenance requirements in conjunction with the new fuel-related legal framework are predicted to increase further maintenance costs, while crewing cost shows signs of marginal increase due to the revised legal framework.

As presented in Figure 9, despite imposing significant cost saving strategies, through wage restructurings and layoffs, crewing costs remain at high levels, especially when taking into account the performance of the Greek economy.

Figure 9: Analysis of Basic Operational Expenses of Listed Companies & HSW (2013 - 2016)

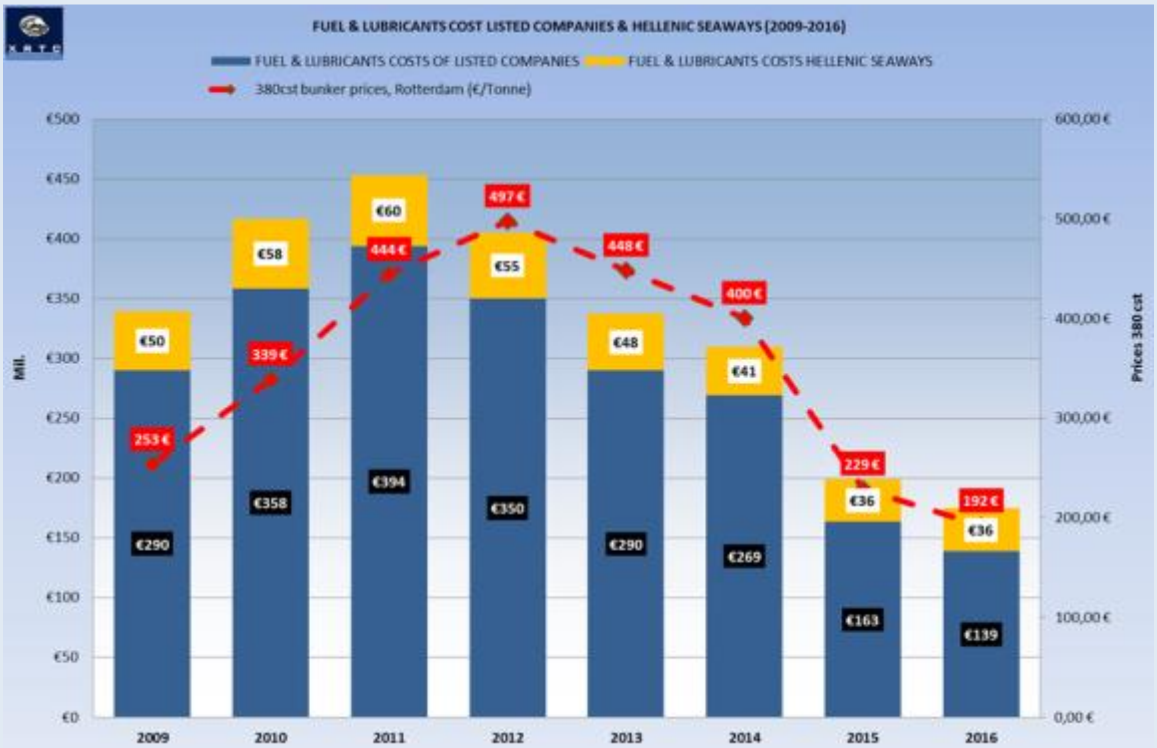


Source: XRTC

3.2. Fuel Cost Analysis

Fuel cost consists one of the most important parameters in ship management. The difficulty in managing such type of cost lies on its exposure to the high volatility levels of Brent crude oil prices as well as the exchange rate risk. Figure 10 illustrates the evolution of fuel and lubricant cost of the four largest ferry companies. The decline observed for fifth consecutive year is attributed to the drop in fuel prices by **-16%** in **2016** compared to **2015** giving a sign of relief to the Sector.

Figure 10: Fuel Cost Evolution of Listed Companies & HSW (2009 - 2016)

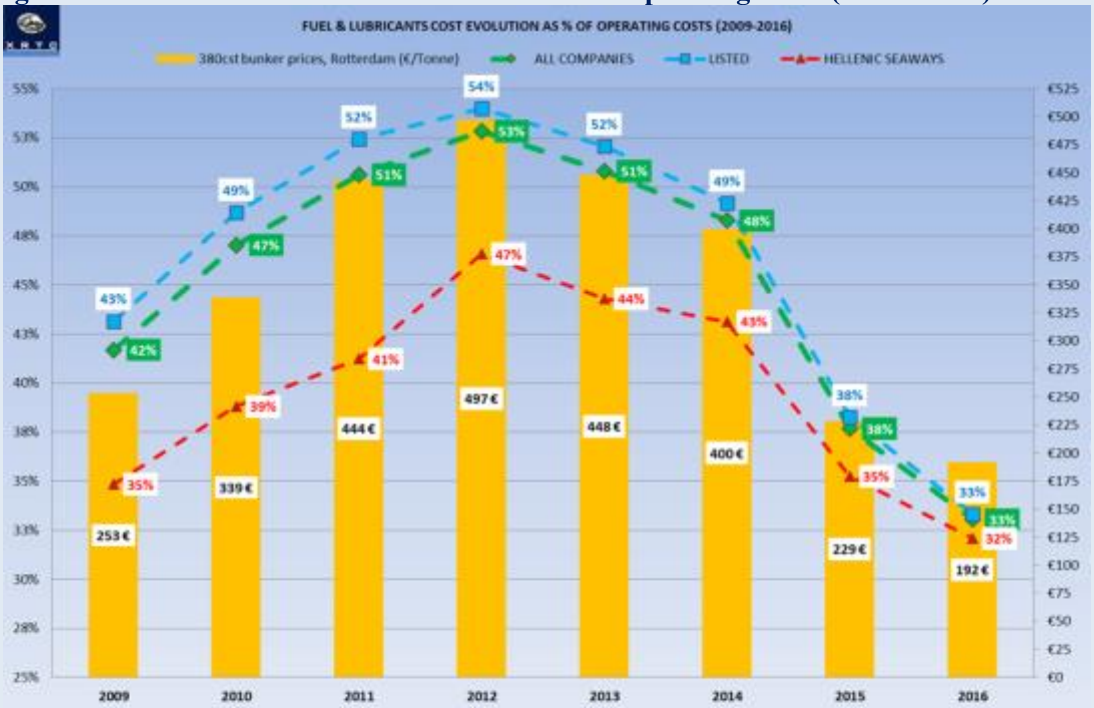


Source: XRTC

The cost reduction is also evident in the 380CST fuel price presented in Figure 11. The graph clearly shows the impact of the reduction in fuel and lubricant prices. Three years ago, when global oil prices were above USD120 per barrel, fuel costs reached 48% of the total operating expenses, which resulted in significant losses for the companies.

Falling oil prices since mid-2014 is the main reason Greek ferry companies achieve positive financial results. Consequently, the proportion of fuel and lubricant cost to the total operating cost has particularly shrunk; from 53% reported in 2012 (its highest point in the last eight years), to approximately **33%** in **2016**.

Figure 11: Fuel and Lubricants Cost in relation to Operating Cost (2009 - 2016)



Source: XRTC

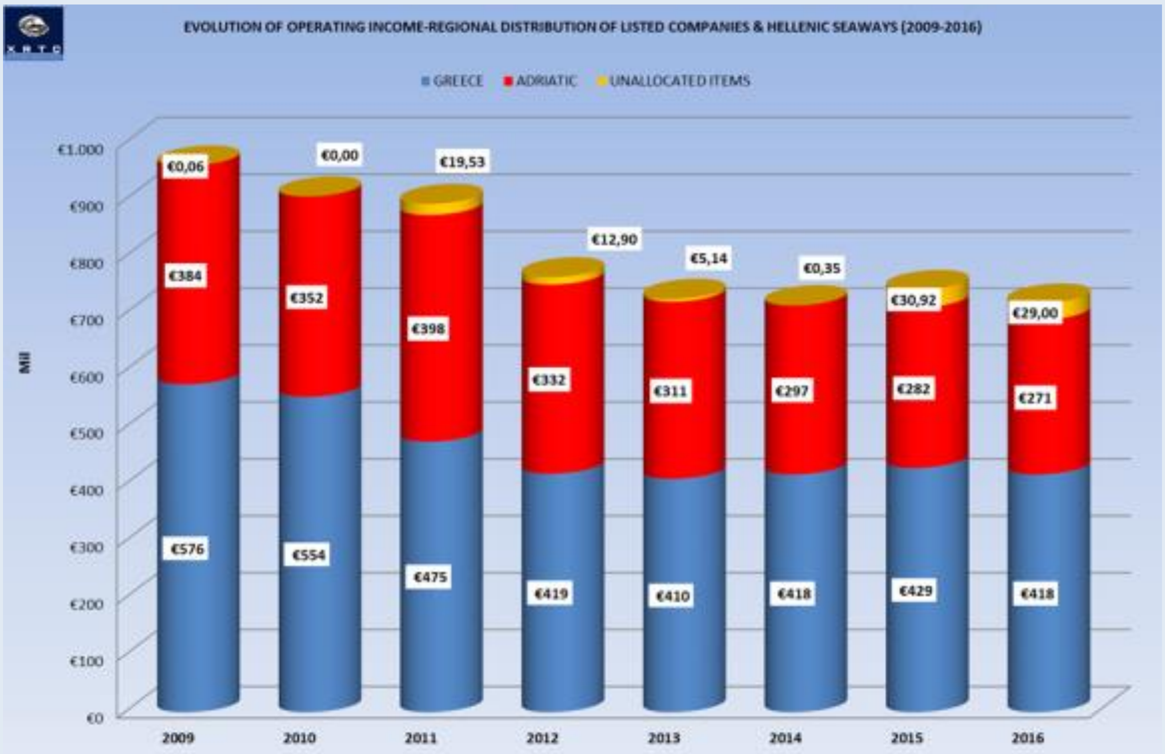
3.3. Turnover from Operations

Turnover from operations continues its downward trend and hovers slightly over **€700 mil** (Figure 12) for a second consecutive year. This trend lies on the continuing drop in demand that has led to a fleet reduction by **-42%** since **2009**.

Falling demand prevails at passenger level not only in the Adriatic but also in the Greek market, while there is a mixed picture with marginal fluctuations per region in relation to car and truck traffic. The strategic choices of ferry operators, continue to be similar to those mentioned in previous studies, among the many operating in regions outside Greece taking into account the geopolitical risks and the conditions of the Global economy related to probable default risks by Charterers.

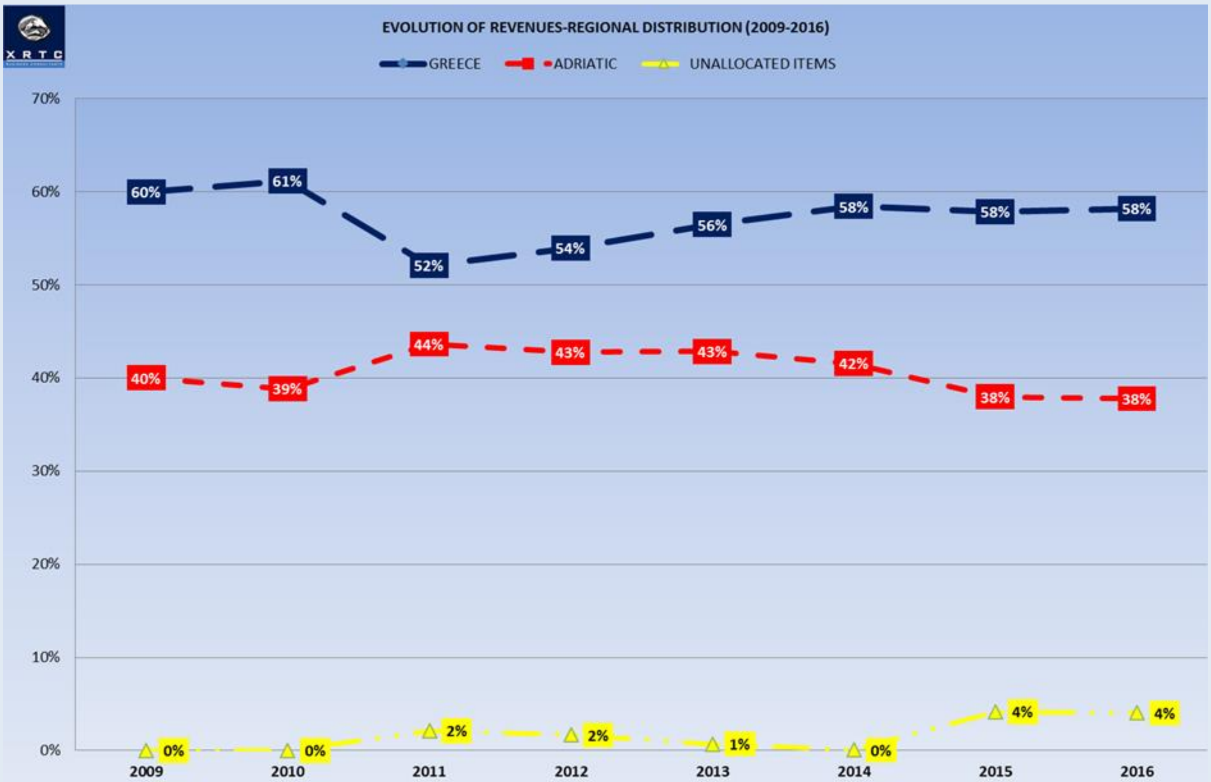
Considering the results presented in Figures 12 and 13, it is clearly seen that operators focus on two markets; the Greek market contributing nearly 60% of the revenues and the Adriatic market the rest.

Figure 12: Turnover from Operations per Region 2009-2016 (Listed Companies & HSW)



Source: XRTC

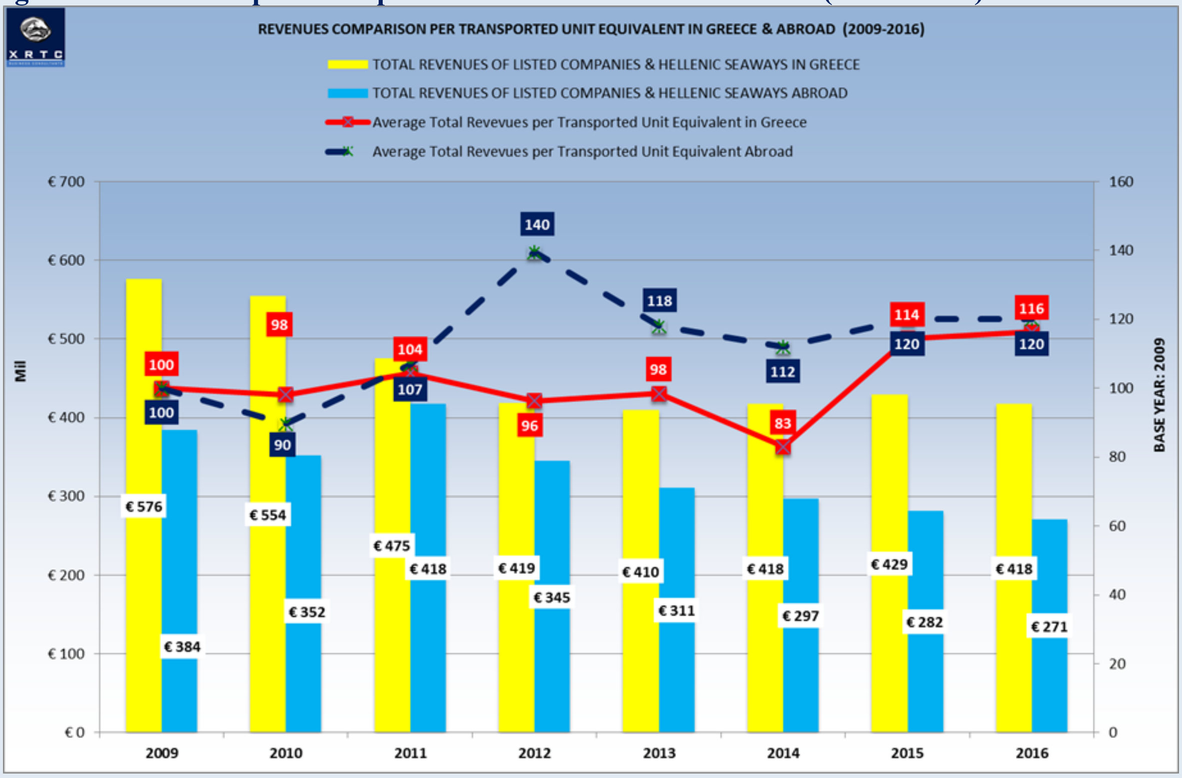
Figure 13: Turnover from Operations per Region of Listed Companies & HSW (2009 - 2016)



Source: XRTC

It is of high importance to mention that in the Greek market, the average revenue per Transported Unit (per ticket sold) has increased by 2% compared to 2015 levels, while it remained stable in the Adriatic market (Figure 14). A Transported Unit is defined as: "The total number of tickets of passengers, trucks and cars sold per year"

Figure 14: Revenues per Transported Unit in Greece and Abroad (2009 - 2016)



Source: XRTC

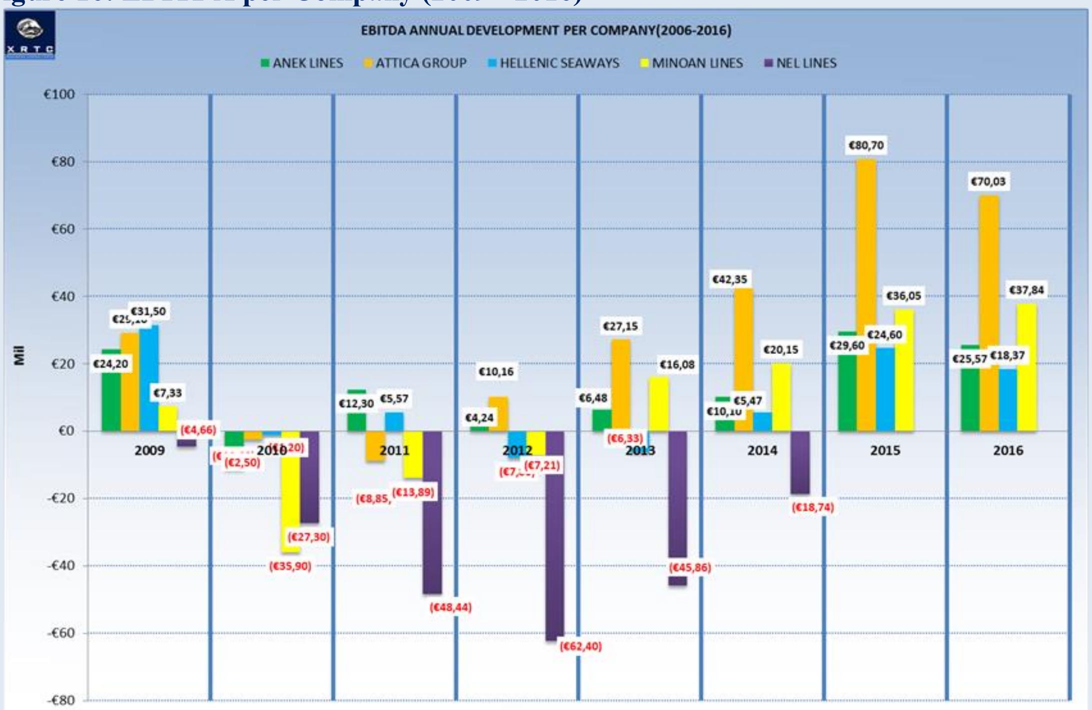
3.4. EBITDA Analysis

Although Earnings before Interest, Tax and Depreciation (EBITDA) have decreased by **-11%** compared to **2015** levels, they continue to perform positively at **€152** million. In Figure 15 it is clearly seen that “EBITDA per Transported Unit” ratio remains at very satisfactory levels, slightly decreased in comparison to 2015 levels.

Figure 15: EBITDA of Listed Companies & HELLENIC SEAWAYS (2009 - 2016)

Source: XRTC

Figure 16: EBITDA per Company (2009 - 2016)



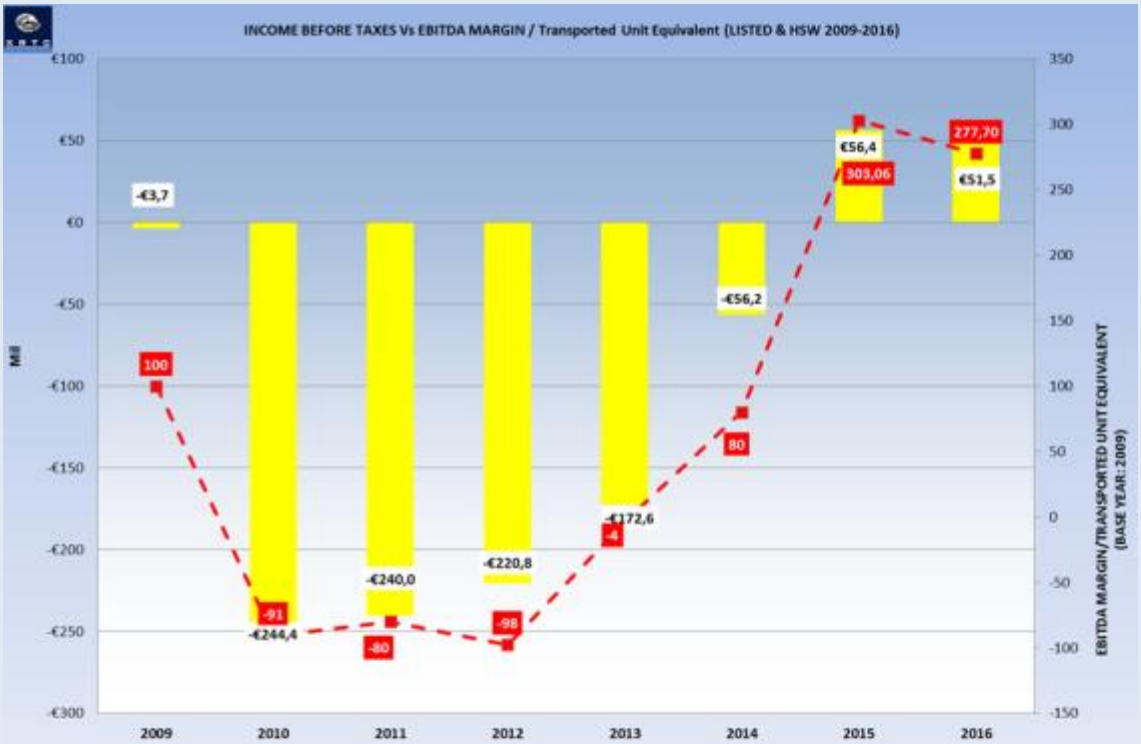
Source: XRTC

As in 2015, all companies reported positive EBITDA results, after seven years of negative results. Improved EBITDA results have been the outcome of successful business strategies and the lower fuel prices.

3.5. Net Results

Net Results before Tax continued their positive performance in 2016, following the EBITDA performance. For the year **2016** ANEK LINES, ATTICA GROUP, MINOAN LINES and HELLENIC SEAWAYS reported €**1.8**, **€21.0.**, **€22.0.** and **€6.7million** respectively.

Figure 17: Net Results (2009 - 2016)



Source: XRTC

3.6. Bank Debt

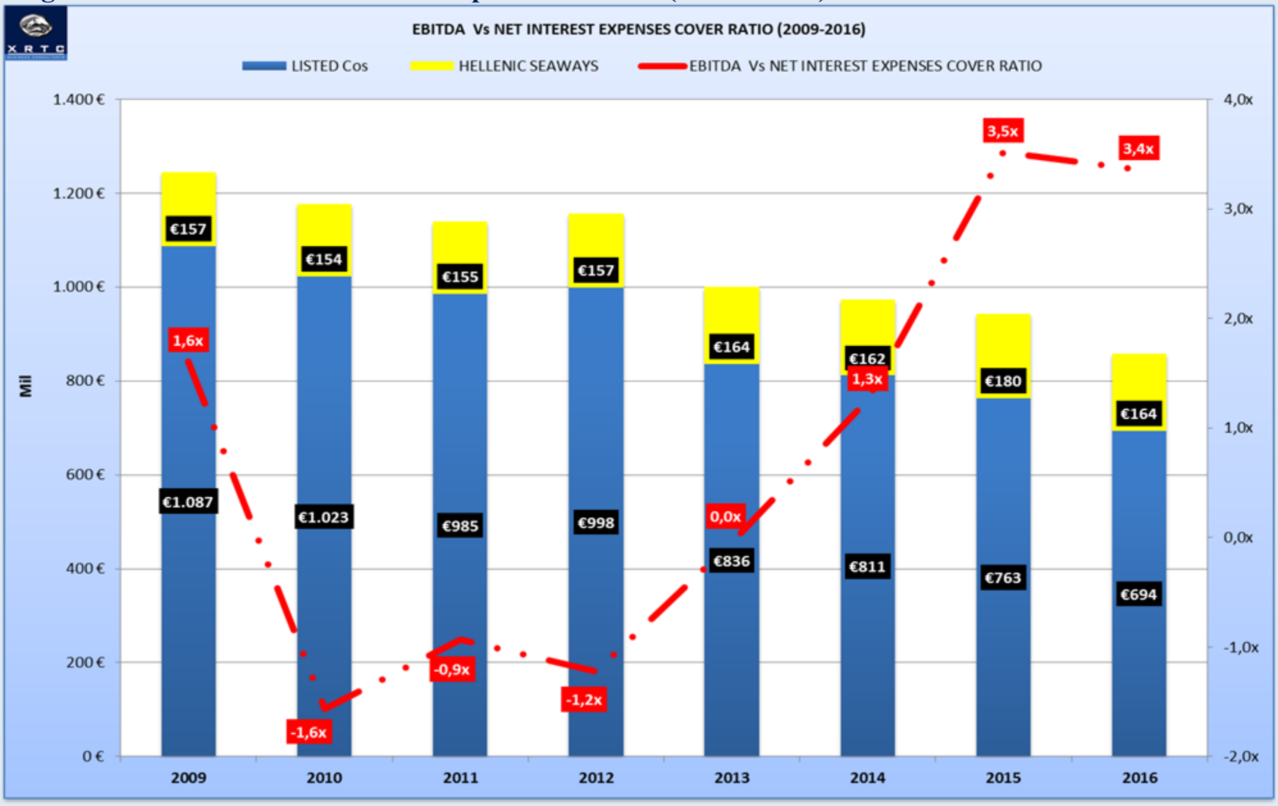
Bank debt decreased by **-9%** compared to 2015. By examining each company separately, MINOAN LINES and ATTICA GROUP presented the largest drop in their total liabilities by **-21,4%** and **-10,5%** respectively, with HELLENIC SEAWAYS following with a **-8,5%** decline and ANEK LINES presenting a marginal increase of +**0.7%** (Figure 18).

As a result, **2016** was a year when the debt of Greek ferry operators further decreased compared to 2015, due to:

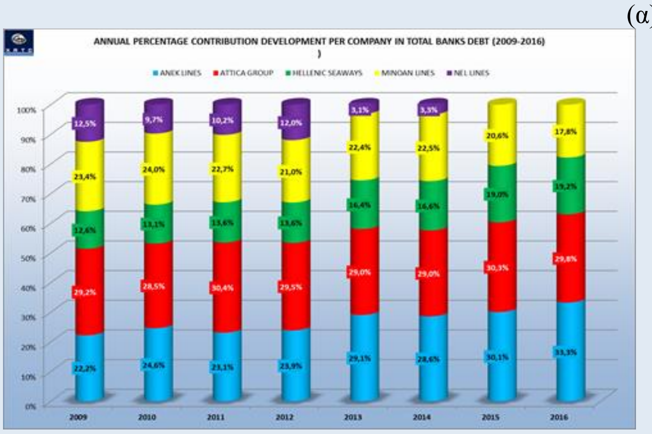
- Loan restructuring and
- Sale of assets, an action that helped reduce debt due to prepayments

Figure 18b is of high interest as it presents the market share of bank lending among key players of the Greek ferry market. It is clearly seen that there are no significant changes in the last five years with ATTICA GROUP and ANEK LINES presenting the largest exposure in bank lending.

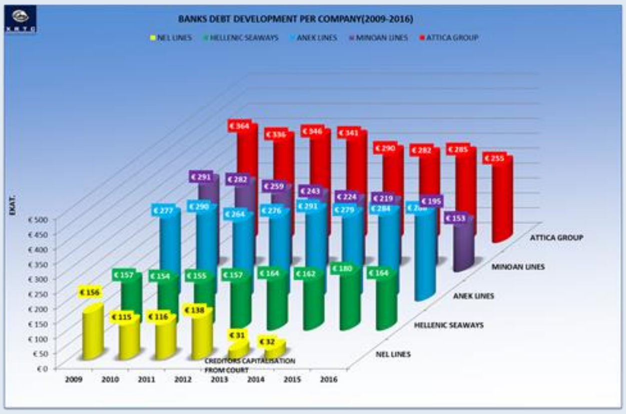
Figure 18: Bank Debt of Listed Companies & HSW (2009 - 2016)



(α)



(β)



(γ)

Source: XRTC

Intense efforts made by companies to keep their good relations with the financial institutions continue. This effort is not enough by itself to support the entire Greek Ferry Market, which unfortunately faces the lack of banking institutions, which could support the financing of the sector. The steady exit of banks from the market lies on internal and external factors such as:

- The Greek Ferry Market is directly correlated with risks stemming from the Greek Economy's Performance (Greek Risk).
- Domestic demand presents a decline, which is totally in line with the declining GDP.
- Foreign banking institutions, which provided support to the sector in the past are reluctant in providing any type of lending related to the Greek economy.

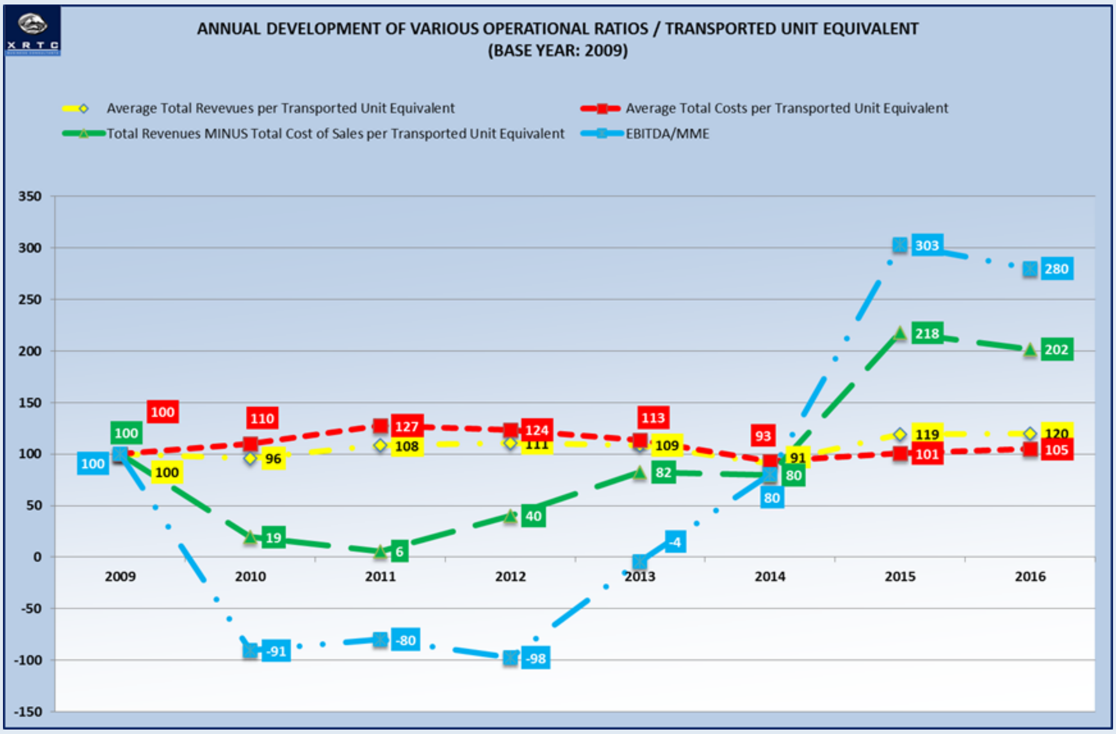
It is worth highlighting the interest of Foreign Private Investment Funds seeking investment opportunities in the Greek Ferry Market via the acquisition of bank debt at discounted levels. In 2014, ATTICA GROUP made the first step by reaching an agreement with Fortress Investment Group, which since holds a €70 million bond of Blue Star Ferries. The Fund has managed to increase its presence in MIG via this transaction (with MIG being the main shareholder of ATTICA) having as collateral ATTICA Holdings shares. There is no doubt that currently attracting foreign investments to the Greek Ferry Market is of high risk as it is correlated with the performance of the Greek economy. Thus, while it seems that the market itself creates investment opportunities, there are not many financial institutions willing to invest in the Greek Ferry Sector.

Concluding, the Greek Ferry Sector is in need of the support of the Banking Sector. In particular, Greek Banks despite the challenges they face within the current economic environment, should keep supporting the Greek Ferry Sector in order in tis turn to continue its contribution to the development of the Greek Economy.

3.7. Market's Comparative Analysis

In Figure 19 the **Transported Unit** in relation to basic economic fundamentals such as operating cost, fuel cost, revenues and EBITDA is presented. A **Transported Unit** is defined as: "***The total number of tickets sold for passengers, trucks and cars sold per year***". Under this scope it is clearly seen that in 2016 the **Average Revenue/Transported Unit** is marginally improved compared to 2015 (120 and 119 respectively) while the **Operating Cost/Transported Unit** presents a marginal decrease. Nevertheless, the **EBITDA/Transported Unit** margin remains at very good levels in 2016 (280) compared to 2015 (303). This marginal decrease of the indicator is mainly attributed to the decreasing ticket numbers.

Figure 19: Evolution of Key Market Indicators (2009 - 2016)

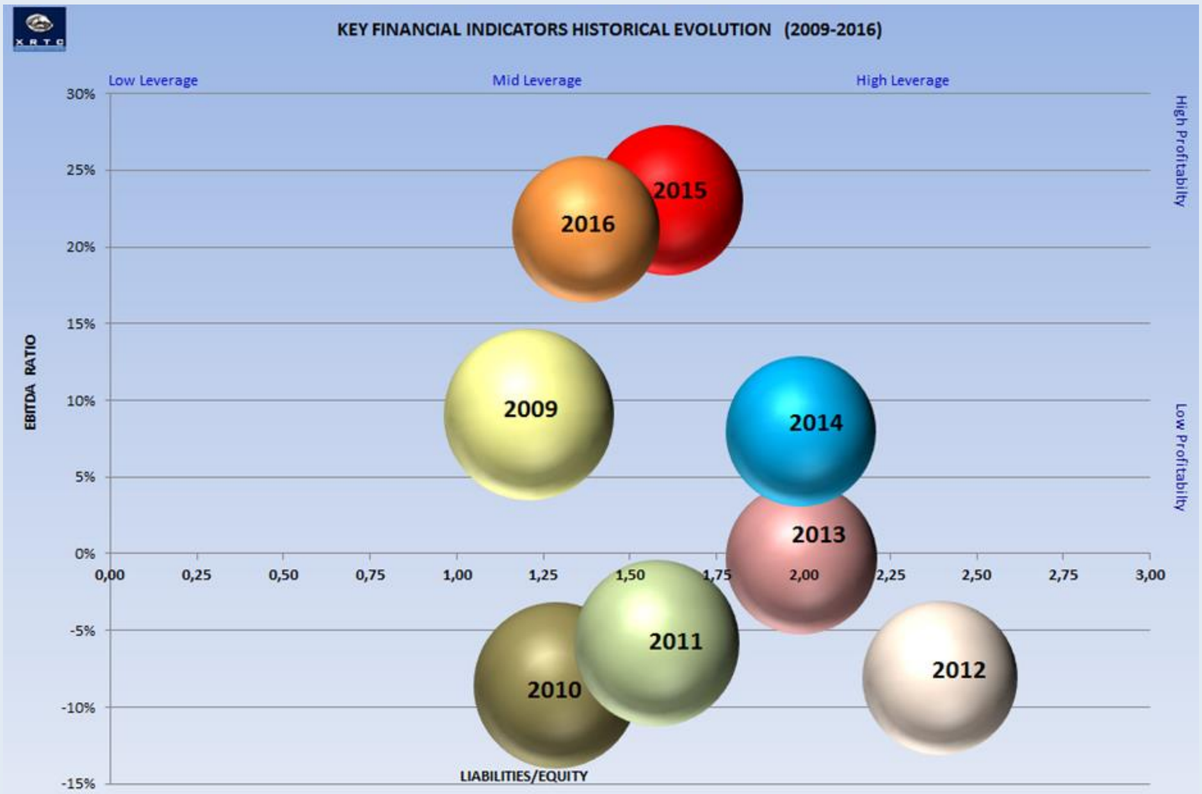


Source: XRTC

As seen in Figure 20, the **Liabilities/ Equity** ratio continues to improve in **2016**, since total liabilities cover shareholders equity by **1.4** times. It is worth pointing out that the same ratio in 2012 reached **2.4** times.

At this point, it is worth stressing our position that in order for the market to enter a new investment period, EBITDA margin must reach levels of at least **25%**. In 2016 it reached **22%**, which is a very pleasing development for the sector since for the second consecutive year EBITDA margin is close to 25%. Companies' debt level, although significantly improved compared to 2012, may be an obstacle for future investments in combination with the lack of banking financiers.

Figure 20: Evolution of Key Financial Indicatiors (2009 - 2016)



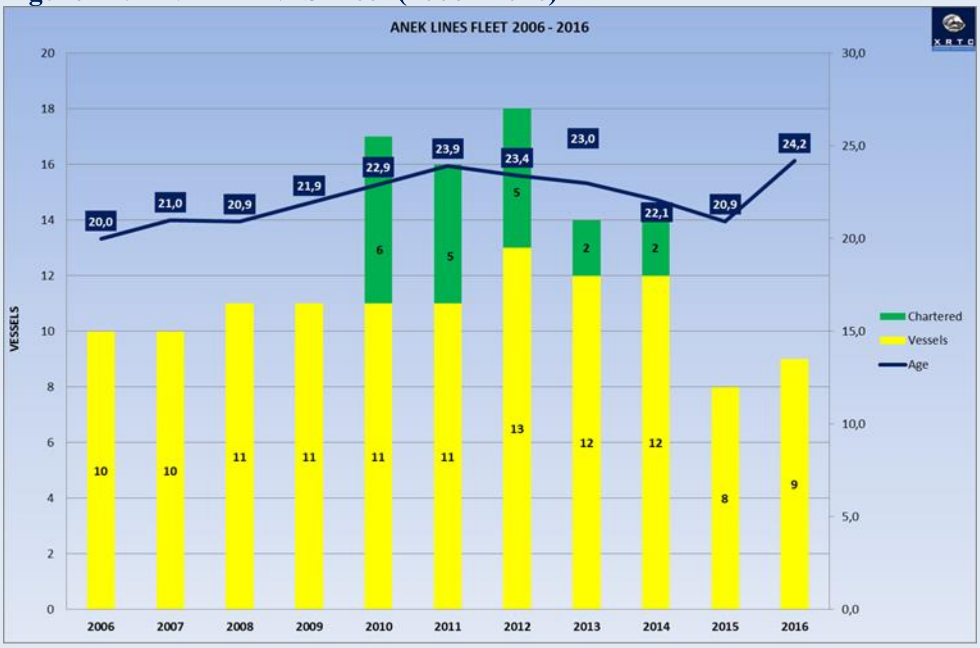
Source: XRTC

4. Presentation and Analysis of Companies

4.1. Listed

4.1.1. ANEK LINES

Figure 21: ANEK LINES Fleet (2006 - 2016)



Although in the annual financial report the company does not mention the number of vessels operated for **2016**, we consider the company operating 9 vessels, without knowing how many of them are owned and how many are chartered.

Source: XRTC

<u>Company's Position in the Market</u>

ANEK LINES operated in the itineraries of Adriatic Sea (Angona, Venice), Crete (Chania, Iraklion), Dodecanese and Cyclades. In Cyclades and Dodecanese, the company continued to serve subsidised itineraries. In reference to Crete and Adriatic markets, the group's vessels continued to offer a shared service with ATTICA GROUP. At the same time and under the frame of a more efficient fleet management, re-chartering of vessels took place. In April 2017, the vessel "KYDON" was chartered in Santo Domingo operating the Puerto Rico – Santo Domingo itinerary.

In 2016 ANEK LINES operated 9% less itineraries compared to 2015, served 1 million passengers, 188 thousand cars and 133 thousand trucks. The respective numbers for 2015 are 1 million, 176 thousand and 137 thousand.

<u>Financial Results</u>

In 2016 ANEK LINES retained its profitability, a sign of significant recovery, which started a year ago. The more efficient fleet utilization and itinerary management, cost rationalization and the lower oil price levels compared to previous years, were the main factors which allowed the Group to offset the consequences of the negative economic environment. Reduced operating costs have led to improved financial performance compared to previous years, with the Group returning into profitability in 2015 for the first time since 2007. The key financial figures for 2016 are the following:

- In 2016 the consolidated turnover from operations reached €157.6 mil. compared to €159.8 mil. in 2015. Turnover from operations is mainly split between the Greek and the Adriatic martket with market shares of 38% and 56% respectively, while the rest 6% comes from other activities.

- Cost of sales decreased by €0.7 mil. reaching €116.532 mil. compared to €117.200 mil. a year ago. This change is attributed to the significant drop of fuel prices.
- The Group's Earnings before Interest, Tax and Depreciation (EBITDA) reached €25.6 mil. in 2016 compared to €29.6 mil. in 2015.
- Consolidated earnings after taxes reached €1.3 mil. compared to €0.5 mil. in 2015, while net earnings after taxes reached €0.6 mil. remaining at the same levels of 2015.

Significant Events during the 2016 Use

In February 2016, the sale of the vessel "LATO" which belonged to the Parent Company was completed. In December 31st, 2015, the vessel was priced at its contractual sale value. After the sale process was completed, the company's bank lending was reduced.

Significant Events after the end of 2016 Use

In March 13th, 2017, an immediate General Meeting of the Company's shareholders took place, where the issue of a convertible bond of €22 mil., according to the provisions of the laws 2190/1920 and 3156/2003, with expiration in December 31st, 2023, was decided. A total of 22 million convertible bonds of a nominal value of €1 per bond was issued. It is noted that this convertible bond will refinance part of the company's bank debt. For the restructuring of the existing lending the preference rights of the old shareholders will be waived, as a part of the wider agreement.

Finally, in March 29th, 2017, the Parent's company long-term debt restructuring was successfully completed. Under the terms of the new contracts, repayment has been agreed to gradually take place until 2023, interest rate charge is significantly lower and part of interest payment is waived. Restructuring of bank lending ensures the financial stability of the Group, restoring its working capital and strengthening its capital structure. The write-off of interest payments in combination with the expected profitability of 2017 would lead to the improvement of the shareholder equity to total assets ratio.

Table 3: Key Indicators of ANEK LINES (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
Passengers	1.000.000	1.000.000	1.420.000	1.500.000	1.899.551	1.363.910
Cars	188.000	176.000	227.000	241.000	289.624	224.325
Trucks	133.000	137.000	151.000	149.000	164.371	146.874
Operating Revenues	€157.583.000,00	€159.845.000,00	€169.476.000,00	€178.039.000,00	€199.677.000,00	€172.924.000,00
EBITDA	€25.572.000,00	€29.600.000,00	€10.101.000,00	€6.477.000,00	€4.235.000,00	€15.197.000,00
Total Income before Taxes	€1.883.000,00	€954.000,00	(€18.855.000,00)	(€36.190.000,00)	(€60.432.000,00)	(€22.528.000,00)
Cost of Sales	€116.532.000,00	€117.200.000,00	€143.852.000,00	€154.782.000,00	€177.304.000,00	€141.934.000,00
Fuel & Lubs Cost	€40.968.000,00	€47.004.000,00	€68.821.000,00	€77.307.000,00	€95.678.000,00	€65.955.600,00
Banks Debt	€285.598.000,00	€283.561.000,00	€278.518.000,00	€290.750.000,00	€275.851.000,00	€282.855.600,00
Finance Expense	€14.227.000,00	€16.821.000,00	€17.734.000,00	€16.575.000,00	€16.291.000,00	€16.329.600,00
Total Equity	(€7.341.000,00)	(€8.555.000,00)	(€9.241.000,00)	€10.170.000,00	€47.053.000,00	€6.417.200,00
Total Non Current Assets	€270.003.000,00	€274.341.000,00	€296.460.000,00	€304.902.000,00	€324.410.000,00	€294.023.200,00

Source: XRTC

Table 4: Key Financial Indicators of ANEK LINES (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
EBITDA Margin	16,2%	18,5%	6,0%	3,6%	2,1%	7,1%
Total Income before Taxes Margin	1,2%	0,6%	-11,1%	-20,3%	-30,3%	-14,1%
Cost of Sales/ Operating Revenues	0,7	0,7	0,8	0,9	0,9	0,8
Cost of Fuels & Lubs/ EBITDA	1,6	1,6	6,8	11,9	22,6	10,4
Total Equity / Banks Debt	0,0	0,0	0,0	0,0	0,2	0,1
Banks' Debt/ Total Non Current Assets	1,1	1,0	0,9	1,0	0,9	0,9
EBITDA/Finance Expense	1,8	1,8	0,6	0,4	0,3	0,7
Operating Revenues/Total Equity	-21,5	-18,7	-18,3	17,5	4,2	-2,6

Source: XRTC

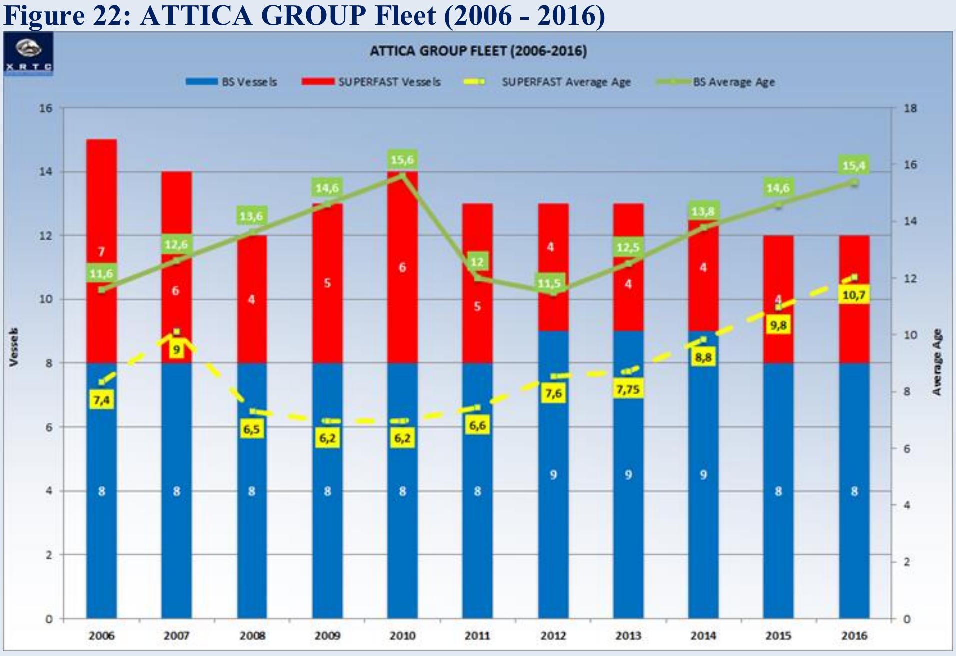
Remarks

For the second consecutive year the company reports profitable results. By maintaining the same traffic volumes as in 2015, the Company presents lower turnover from operations and EBITDA but, Net Earnings before taxes have doubled compared to 2015. Bank lending remains a difficult task to cope with but, during 2017 the Company managed to restructure it.

In reference to traffic volumes and turnover from operations ANEK LINES is at the same level with MINOAN LINES. It needs to be pointed out though that MINOAN's EBITDA is higher by €12 mil., while MINOAN's LINE fleet counts 4 vessels compared to 9 vessels of ANEK LINES.

4.1.2. ATTICA GROUP

Figure 22: ATTICA GROUP Fleet (2006 - 2016)



Source: XRTC

During 2016 the Group operated a fleet of 12 vessels, 4 of which belonged to SUPERFAST and 8 to BLUE STAR FERRIES (Figure 22). The Company operated 3 in the Adriatic market and 9 in the Greek market.

Company's Position in the Market

In the Greek market ATTICA GROUP operated in the itineraries of Piraeus-Cyclades, Piraeus-Dodecanese, Piraeus-Crete (in a consortium with ANEK) and Piraeus - North Aegean. According to Company data passenger traffic during 2016 declined by -10.8%, while car and truck traffic increased by 5.1% and 11.9% respectively. In the Adriatic market, passenger volumes recorded by the vessels Superfast XI, Superfast I and Superfast II (in a consortium with ANEK), declined by -3.7%, while car and truck volumes decreased by -0.8% and -1.3% respectively. The total number of trips offered declined by -1.1% in the Domestic market and increased by 0.9% in the Adriatic compared to 2015. In the itineraries of Crete and Adriatic, the Group's vessels continued to offer shared services under the consortium with ANEK LINES.

Financial Results

The key financial results for 2016 are the following:

- Turnover from operations reached €268.61 mil. compared to €277.63 mil. in 2015. The contribution to turnover from operations of the Greek and the Adriatic markets stands at 68.1% and 31.9% respectively, compared to 71.4% and 28.6% in 2015.
- Cost of sales reached €187.76 mil. compared to €183.50 mil. in 2015.
- The Group's Earnings before Interest, Tax and Depreciation (EBITDA) reached €70.03 mil. compared to €80.70 mil. in 2015.
- Profit of €2.05 mil. was reported in 2016 due to reversal of impairments of the Group's vessels (€ 3.05 mil. in 2015). These impairments have been reported in the Group's financial results of previous years.
- Furthermore, during 2016 losses of €2.41 mil. were reported, mainly attributed to the newly acquired Africa Morocco Links (AML) company.
- The Group's Profits after Taxes reached €20.25 mil. compared to €33.18 mil. in 2015.

The turnover from operations and financial results when compared with 2015 are mainly attributed to the impact of refugee flows in the islands of the North Aegean and Dodecanese, as well as to the increasing competition in coastal shipping.

Significant Events during the 2016 Use

In June 16th, 2016, the Group announced the agreement with Morocco's "BMCE Bank of Africa Group (BCME)" for introducing new services connecting Morocco and continental Europe via the newly established company "Africa Morocco Lines" based in Morocco. The cooperation started by deploying two AML's Passenger/Ferry vessels in the service. It is highlighted that the signing of the final contractual documents as well as the acquisition of the 49% share in AML were completed in October 28th, 2016. In June 29th, 2016, ATTICA GROUP announced that in order for "Africa Morocco Links - AML" to meet the operational needs of the service between Tanger Med (Morocco) and Algeciras (Spain), reached an agreement with AML for the purchase of the vessel "DIAGORAS" by AML and its repurchase by ATTICA GROUP at an equivalent price.

In December 8th, 2016, the Group announced the signing of MoU (Memorandum of Understanding) with the Greek Public Gas Company (DEPA) on Liquefied Natural Gas (LNG). In particular, as part of an effort to widen the use of natural gas in shipping, the MoU was signed for using LNG in passenger vessels. The two companies will jointly study all the parameters and appropriate conditions of using LNG as a fuel in vessels that compose ATTICA's fleet. Depending to the results, the two companies will decide further cooperation.

At this point we should mention the interest of the US Fund, Fortress Investment Group LLC, which holds a Blue Star Ferries' bond of €70 mil. since 2014. The Fund's investment in the Group is increasing due to the purchase of MIG's bond (the main shareholder of ATTICA) with shares of ATTICA Holdings as collateral. The €150 mil. bond issued by Marfin Investment Group (MIG), was owned by Eurobank, and transferred to investment funds managed by Fortress Investment Group LLC, after an international tender, which ended on December 2nd, 2016. The bond is currently being served and may become convertible only and when it defaults.

In February 2017 Fortress Investment Group was acquired for $3.3 bill. by the Japanese Group of Telecommunications and Solar Energy, SoftBank Group Corp, owned by the billionaire Masayoshi Son.

Table 5: Key Indicators of ATTICA GROUP (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
Passengers	3.268.148	3.543.956	3.303.324	3.762.679	3.525.683	3.480.758
Cars	433.421	405.133	376.634	494.698	475.071	436.991
Trucks	275.201	259.410	252.479	258.389	254.112	259.918
Operating Revenues	€268.614.000,00	€277.625.000,00	€266.660.000,00	€260.160.000,00	€256.002.000,00	€265.812.200,00
EBITDA	€70.032.000,00	€80.700.000,00	€42.349.000,00	€27.146.000,00	€9.445.000,00	€45.934.400,00
Total Income before Taxes	€20.956.000,00	€33.399.000,00	€4.435.000,00	(€10.096.000,00)	(€53.187.000,00)	(€898.600,00)
Cost of Sales	€187.759.000,00	€183.502.000,00	€214.059.000,00	€219.055.000,00	€233.021.000,00	€207.479.200,00
Fuel & Lubs Cost	€65.368.000,00	€73.894.000,00	€113.854.000,00	€115.814.000,00	€128.585.000,00	€99.503.000,00
Banks Debt	€255.443.000,00	€285.256.000,00	€282.161.000,00	€289.940.000,00	€341.350.000,00	€290.830.000,00
Finance Expense	€22.603.000,00	€21.202.000,00	€15.940.000,00	€14.095.000,00	€11.370.000,00	€17.042.000,00
Total Equity	€401.589.000,00	€376.228.000,00	€339.817.000,00	€340.053.000,00	€350.371.000,00	€361.611.600,00
Total Non Current Assets	€558.101.000,00	€568.835.000,00	€582.951.000,00	€631.192.000,00	€708.955.000,00	€610.006.800,00

Source: XRTC

Table 6: Key Financial Indicators of ATTICA GROUP (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
EBITDA Margin	26,1%	29,1%	15,9%	10,4%	3,7%	13,6%
Total Income before Taxes Margin	7,8%	12,0%	1,7%	-3,9%	-20,8%	-0,6%
Cost of Sales/ Operating Revenues	0,7	0,7	0,8	0,8	0,9	0,8
Cost of Fuels & Lubs/ EBITDA	0,9	0,9	2,7	4,3	13,6	1,3
Total Equity / Banks Debt	1,6	1,3	1,2	1,2	1,0	1,2
Banks' Debt/ Total Non Current Assets	0,5	0,5	0,5	0,5	0,5	0,5
EBITDA/Finance Expense	3,1	3,8	2,7	1,9	0,8	1,9
Operating Revenues/Total Equity	0,7	0,7	0,8	0,8	0,7	0,7

Source: XRTC

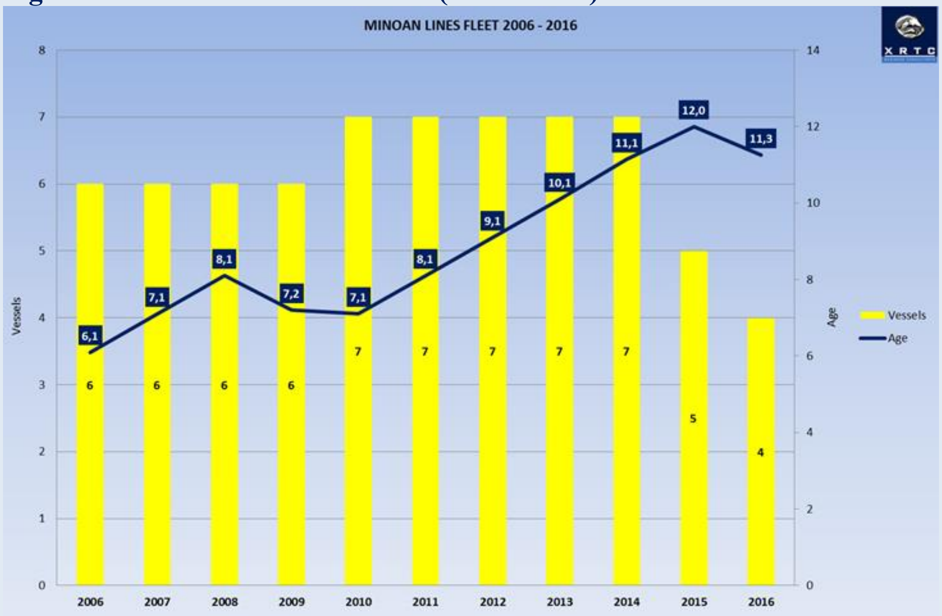
Remarks

The decline in passenger traffic has led to respective declines in turnover from operations and profits of the Group. Operating costs have increased despite the fact that the number of vessels operated remained the same and oil prices were at low levels. There is also an increase in financial expenses as a result of an increase in interest payments to issued bonds.

The Group's policy of expansion via entering other markets has proven to be a good strategy in the past. What remains to be seen, is the outcome of the new expansion of the group.

4.1.3. MINOAN LINES

Figure 23: MINOAN LINES Fleet (2000 - 2016)



Source: XRTC

The Company operates 4 vessels in the Greek market (Piraeus-Iraklion itinerary) and the Adriatic Sea. It should be highlighted that in January 1st, 2017 the company announced that Grimaldi Group will not proceed with the renewal of the charter of the vessels Cruise Europa and Cruise Olympia.

<u>Company's Position in the Market</u>

In the Adriatic market, the company managed to keep a high market share despite the negative economic environment and increasing competition during 2016. The company served 388 thousand passengers, 105 thousand cars and 73 thousand trucks. In the Piraeus-Iraklion itinerary the company maintained its strong position in the market. The company served 652 thousand passengers, 94 thousand cars and 57 thousand trucks.

In terms of economic performance there was significant improvement despite the economic crisis in Greece and the increasing competition among the companies of the Sector.

<u>Financial Results</u>

The key financial results for 2016 are the following:

- Turnover from operations declined by €12.2 mil., reaching €160.2 mil. compared to €172.4 mil. reported in 2015. This drop is mainly attributed to the decline in traffic during the economic crisis and the sale of the vessel "IKARUS PALACE" in May 2016.
- Cost of sales declined by €13.4 mil. reaching €112.4 mil. compared to €125.8 mil. reported in 2015. This change is mainly attributed to the significant drop of fuel prices.
- Management and distribution expenses increased by €3.9 mil. compared to the previous year, reaching €26.1 mil., mainly due to the increasing competition.
- Earnings before Interest, Tax and Depreciation (EBITDA) reported profits of €37.8 mil. compared to €36 mil. in 2015.
- Net Financial and Investment Results, declined by €346 thousand, reaching €1.959 mil. compared to €2.3 mil. in 2015. This change is mainly attributed to the repayment of long-term debt obligations.
- Profits after Taxes were at €20.6 mil. compared to €17.7 mil. in 2015.

Significant Events during the 2016 Use

- In February 2016, the company decided to increase its presence in HELLENIC SEAWAYS and acquired shares from shareholders who expressed interest. Until December 31st, 2016, the company had completed transactions of 15.02% of HELLENIC SEAWAYS shares, raising MINOAN LINES participation in HELLENIC SEAWAYS to 48.37%.
- In May 23rd, 2016, the Company sold the vessel “IKARUS PALACE” to “Grimaldi Euromed S.P.A”, where the vessel was chartered since July 2010. The net sale price of the vessel reached €55.000, while the net profit from its sale including the none-depreciable portion of the subsidy from the Norwegian State received by the company during the vessel’s shipbuilding period, was €3.518 mil. and is included in Q1 2016 financial results.

Significant Events after the end of 2016 Use

- Following the decision taken in February 2016 to increase its participation in HELLENIC SEAWAYS, the company proceeded with the purchase of shares by all interested shareholders of the company in 2017. By March 15th, 2017, MINOAN LINES total participation in HELLENIC SEAWAYS is 48.53%. It should be mentioned that HELLENIC SEAWAYS share acquisition process is in progress.
- In January 1st, 2017, the charter of the vessels “CRUISE EUROPA” and “CRUISE OLYMPIA” by Grimaldi Group was completed. The vessels operated in the Adriatic Sea (Patras-Igoumenitsa-Angona-Trieste). The Italian Group controlling MINOAN LINES in Greece, decided to withdraw MINOAN LINES from the Adriatic service, where the company has been present since 1981. The vessels “CRUISE EUROPA” and “CRUISE OLYMPIA” will be managed by the shipping company Grimaldi Euromed SpA, a subsidiary of Grimaldi Group. According to Grimaldi’s official statement, the two vessels will sail under the Italian Flag, but the current number of Greek seafarers onboard will remain unchanged (60% of the total composition of each vessel). Moreover, the number of MINOAN LINES employees and offices in Heraklion and mainland Greece will not change. The Group was driven to such a decision mainly due to the significant changes in economic conditions in the Adriatic market, such as the reduction of passenger traffic and the recent increase in fuel prices in combination with the depreciation of the EURO against the USD.
- The Company stated that in the case these two vessels were to continue operating under MINOAN LINES, the net results for 2017 would be reporting losses of around €1.6 mil., while EBITDA would report a loss of €1.2 mil., and revenues would be around €82.7 mil. The announcement also mentions that acting as an agent for the vessels “CRUISE EUROPA” and “CRUISE OLYMPIA” in Greece since January 1st, 2017, would have a positive impact, since net results will be improved by €2.9 mil., EBITDA will be also improved by €3.0 mil., while revenues would decline by €76.7 mil.
- MINOAN LINES has a fleet of 4 vessels, “FESTOS PALACE”, “KNOSSOS PALACE”, “PALACE EUROPA” and “OLYMPIA PALACE”. The two latter ones are chartered by Grimaldi Group and as a result the company now manages two vessels (Knossos Palace και Festos Palace) serving the Piraeus-Iraklion itinerary.

Table 7: Key Indicators of MINOAN LINES (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
Passengers	1.040.000	1.113.000	1.208.000	1.142.332	1.092.695	1.119.205
Cars	199.000	184.000	198.000	189.104	168.064	187.634
Trucks	130.000	134.000	137.000	123.972	126.860	130.366
Operating Revenues	€160.248.000,00	€172.432.000,00	€168.193.000,00	€161.571.000,00	€152.826.047,05	€163.054.009,41
EBITDA	€37.842.000,00	€36.049.000,00	€20.152.000,00	€16.076.000,00	(€7.208.240,08)	€20.582.151,98
Total Income before Taxes	€21.932.000,00	€17.939.000,00	€323.000,00	(€14.537.000,00)	(€51.404.000,00)	(€5.149.400,00)
Cost of Sales	€112.392.000,00	€125.842.000,00	€143.955.000,00	€140.354.000,00	€153.840.795,02	€135.276.759,00
Fuel & Lubs Cost	€32.282.000,00	€42.239.000,00	€66.024.000,00	€69.584.000,00	€83.841.698,60	€58.794.139,72
Banks Debt	€152.858.000,00	€194.540.000,00	€218.691.000,00	€223.960.000,00	€242.925.746,26	€206.594.949,25
Finance Expense	€2.128.000,00	€2.560.000,00	€4.512.000,00	€7.829.000,00	€10.023.189,24	€5.410.437,85
Total Equity	€280.195.000,00	€259.565.000,00	€241.844.000,00	€211.646.000,00	€176.352.952,91	€233.920.590,58
Total Non Current Assets	€402.692.000,00	€438.472.000,00	€454.507.000,00	€466.650.000,00	€484.772.598,51	€449.418.719,70

Source: XRTC

Table 8: Key Financial Indicators of MINOAN LINES (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
EBITDA Margin	23,6%	20,9%	12,0%	9,9%	-4,7%	4,8%
Total Income before Taxes Margin	13,7%	10,4%	0,2%	-9,0%	-33,6%	-10,5%
Cost of Sales/ Operating Revenues	0,7	0,7	0,9	0,9	1,0	0,9
Cost of Fuels & Lubs/ EBITDA	0,9	1,2	3,3	4,3	-11,6	-1,3
Total Equity / Banks Debt	1,8	1,3	1,1	0,9	0,7	1,0
Banks' Debt/ Total Non Current Assets	0,4	0,4	0,5	0,5	0,5	0,5
EBITDA/Finance Expense	17,8	14,1	4,5	2,1	-0,7	3,5
Operating Revenues/Total Equity	0,6	0,7	0,7	0,8	0,9	0,8

Source: XRTC

Remarks

For the company, 2016 was a period where its financial performance improved, especially after implementing a series of actions over the recent years aligned with the prevailing economic environment at domestic and regional level. It is indicative that despite the fact that the company operated one vessel less in 2016 compared to 2015, implying less capacity and therefore less sales and turnover from operations, MINOAN LINES managed to increase its net results.

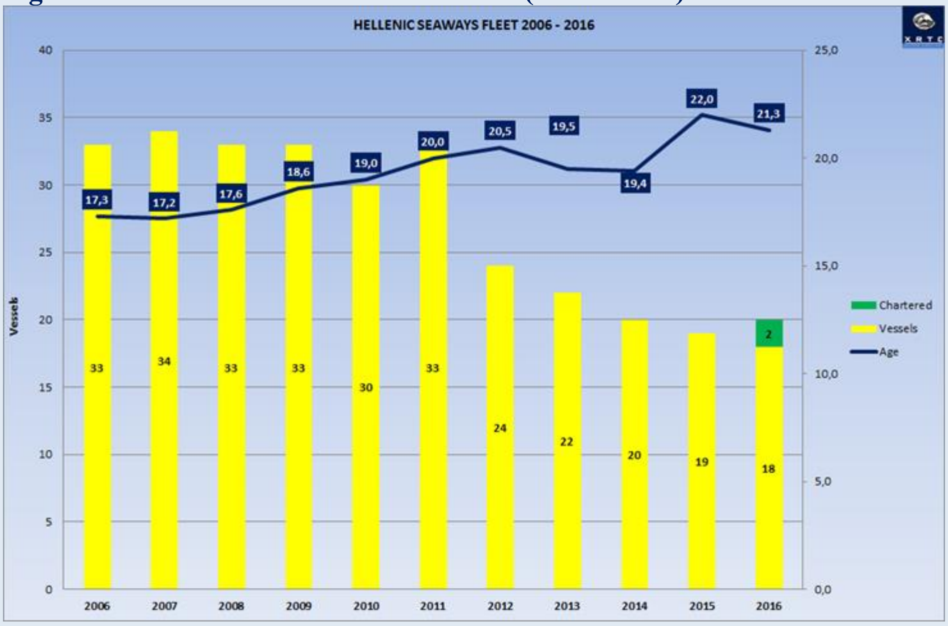
However, the reduction in Adriatic traffic has led the group to take the decision not to proceed with the renewal of the charter of "CRUISE EUROPA" and "CRUISE OLYMPIA" to Grimaldi; the vessels will continue their operations in the Adriatic Sea managed by a Grimaldi's subsidiary company. As a result, MINOAN LINES will operate only 2 vessels in the Aegean Sea for 2017. The company will be deprived of any revenues generated by this activity but, it would also be relieved of the relevant costs, while it will obtain revenues acting as an agent on behalf of the parent company Grimaldi.

The announcement of not renewing the charter of the two vessels and the subsequent focus on the Greek market implies that the only objective for MINOAN LINES is to acquire HELLENIC SEAWAYS share in order to expand in the Aegean market.

4.2. Non-Listed Companies

4.2.1. HELLENIC SEAWAYS

Figure 24: HELLENIC SEAWAYS Fleet (2006 - 2016)



Source: XRTC

The Company operated 20 vessels, of which 18 served the itineraries of Cyclades, North-East Aegean, Sporades and Saronikos, while 2 vessels were chartered.

<u>Company's Position in the Market</u>

The Group managed to increase significantly its market shares in the itineraries of Cyclades and North-East Aegean through the introduction of new services. The Group served -5.3% less passengers compared to 2015, increased its car volumes by 14.7%, while truck traffic declined marginally by -1.1%.

<u>Financial Results</u>

The key financial results for 2016 are the following:

- Turnover from operations reached €131.5mil. remaining at the same level of 2015 due to the successful redesign of itineraries, especially in high-speed vessels. The company has managed to remain resilient from developments such as the decline in refugee flows, the increasing competition in the coastal sector and the exit from the Adriatic market.
- Cost of Sales increased by €9.5 mil. (+9.3%) mainly due to the lengthening of the operating period of the vessels and despite the global drop of fuel prices by -17% compared to 2015.
- Gross results declined by €9.9 mil. compared to 2015, reaching €19.9 mil.
- EBITDA was reported at €18.4 mil., a decline of €6.2 mil. compared to year ago.
- Financial expenses dropped to €5.8 mil. compared to €8,0 mil. a year ago. This decrease is mainly attributed to the loan restructuring which took place in June 2015, which actually resulted in a significant reduction of the interest rate payments as well as a significant debt reduction of €15.2 mil. compared to 2015.
- Net results after taxes were improvement compared to 2015. For a second consecutive year the Group achieved net profitability of €6.7 mil., which is significantly higher to the €3.9 mil. achieved in 2015. Net results include:

  - Immediate profits of €0.8 mil. from selling the vessels "FLYINGCAT 1" and "APOLLON HELLAS", compared to losses of €0.8 mil. in 2015 as a result of selling the vessel "POSEIDON HELLAS".
  - Profits due to the reversal of impairment of the Company's fixed assets reached €5.9 mil. compared to losses of €0.8 mil. in 2015,
- Net results of the parent company reported profits of €6.3 mil. compared to losses of €20.4 mil. in 2015.

Significant Events during the 2016 Use

- In February "MINOAN LINES S.A" the company's second largest shareholder with a 33.4% participation at that time, proceeding with a share acquisition from other shareholders targeting to increase its participation in "HELLENIC SEAWAYS S.A". In December 31st, 2016, the participation of "MINOAN LINES S.A" was at 48.37%.
- In April, the vessel "HELLENIC HIGHSPEED" (ex. "HELLENIC WIND") introduced the Rafina-Cyclades service after being converted. During the last 6 years the vessel was chartered abroad.
- In June, the vessel "HIGHSPEED 7" returned to the Crete-Cyclades itinerary following the completion of its repair and conversion stage at Fincantieri Shipyards in Italy after a fire which took place in March 2015.
- In June 24th, 2016, the Annual General Shareholders Meeting elected a new Board of Directors.
- In July, the vessel "NISOS SAMOS" (ex. "IONIAN QUEEN") joined the company's fleet. The vessel was bought in December 2015 and became fully converted contributing to the enhancement of the company's trade/commercial presence.
- During the year the company sold the vessels "FLYINGCAT 1" and "APOLLON HELLAS", which are no longer part of the company's business strategy. Revenues from the sale of the vessels contributed to the reduction of the company's bank debt.

Significant Events after the end of 2016 Use

- In January 2017, the company sold the vessel "HIGHSPEED 6". Revenues from this sale contributed to the reduction of the company's bank debt, while the profit of €5.2 mil. that occurred will definitely have an impact on the results of the current year.
- MINOAN LINES attempt to take control of the majority of the HELLENIC SEAWAYS shares, was accompanied by judicial and extrajudicial allegations, including allegedly unethical and imprudent management by HELLENIC SEAWAYS. For the same acts attributed to HELLENIC SEAWAYS, the MINOAN LINES as a shareholder requested the convention of an immediate General Meeting. At the same time, according to the decision 1848/2017 by the Single Member First Instance Court of Piraeus, the application against the company and the members of its Board of Directors, referring to the immediate management control by its main shareholder MINOAN LINES, was rejected in relation to the request for a feasibility check. It also concluded that the management of HELLENIC SEAWAYS is not imprudent and does not contradict any moral standards.
- In May 16th, 2017, the immediate General Shareholders Meeting which took place, elected a new Board of Directors
- Two bids were submitted for the acquisition of the Piraeus Bank shares in the company. The first bid was from MINOAN LINES while the second from the investment scheme Eagle Mind Shipping, headed by Mr. Marios Iliopoulos of Seajets. The tender evaluation process has not been completed by Piraeus Bank as yet.
- Moreover, the company is in late discussions with its lenders regarding the approval of a short-term loan of about €5 mil. in order for the company to face possible liquidity issues due to the seasonality of the coastal shipping industry.

Table 9: Key Indicators of HELLENIC SEAWAYS (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
Passengers	3.098.393	3.269.958	2.933.532	2.866.016	2.913.910	3.016.362
Cars	251.126	210.718	205.552	203.297	220.196	218.178
Trucks	61.762	62.425	42.709	47.164	59.476	54.707
Operating Revenues	€131.542.000,00	€131.901.000,00	€104.276.171,43	€102.835.732,42	€111.419.332,85	€116.394.847,34
EBITDA	€18.368.000,00	€24.600.000,00	€5.470.516,76	(€6.334.772,94)	(€7.879.690,30)	€6.844.810,70
Total Income before Taxes	€6.744.000,00	€4.107.000,00	(€17.909.175,47)	(€52.762.188,39)	(€34.852.629,30)	(€18.934.598,63)
Cost of Sales	€111.618.000,00	€102.118.000,00	€94.226.831,75	€107.744.782,98	€118.509.338,12	€106.843.390,57
Fuel & Lubs Cost	€35.984.000,00	€36.003.000,00	€40.639.000,00	€47.737.000,00	€55.194.000,00	€43.111.400,00
Banks Debt	€164.384.000,00	€179.584.000,00	€162.012.508,15	€164.127.845,77	€157.420.131,15	€165.505.697,01
Finance Expense	€5.759.000,00	€8.003.000,00	€9.126.397,45	€8.637.449,90	€8.994.308,34	€8.104.031,14
Total Equity	€81.075.000,00	€71.088.000,00	€68.275.952,99	€86.184.768,62	€138.508.905,92	€89.026.525,51
Total Non Current Assets	€253.265.000,00	€231.577.000,00	€270.069.983,07	€267.202.138,08	€308.886.376,61	€266.200.099,55

Source: XRTC

Table 10: Key Financial Indicators of HELLENIC SEAWAYS (2012 - 2016)

YEAR	2016	2015	2014	2013	2012	5 YRS AVERAGE
EBITDA Margin	14,0%	18,7%	5,2%	-6,2%	-7,1%	2,9%
Total Income before Taxes Margin	5,1%	3,1%	-17,2%	-51,3%	-31,3%	-23,4%
Cost of Sales/ Operating Revenues	0,8	0,8	0,9	1,0	1,1	1,0
Cost of Fuels & Lubs/ EBITDA	2,0	1,5	7,4	-7,5	-7,0	1,0
Total Equity / Banks Debt	0,5	0,4	0,4	0,5	0,9	0,7
Banks' Debt/ Total Non Current Assets	0,6	0,8	0,6	0,6	0,5	0,6
EBITDA/Finance Expense	3,2	3,1	0,6	-0,7	-0,9	0,5
Operating Revenues/Total Equity	1,6	1,9	1,5	1,2	0,8	1,2

Source: XRTC

Remarks

Despite the ending of refugee flows, the increasing competition in the coastal sector and the exit from the Adriatic market, turnover from operations was reported at €131.5 mil. remaining at the same level of 2015 due to the successful redesign of itineraries and especially of high-speed vessels. It should be also noted that despite the rise of cost of sales by 9.3%, mainly due to the lengthening of the operation period of the vessels, and the decreased EBITDA compared to 2015, the company reported increased net results. This increase though is mainly attributed to profits stemming from the sale of the vessels "FLYINGCAT 1" and "APOLLON HELLAS" and from the reversal of impairment of the company's fixed assets which reached €5.9 mil.

The result of the tender for the sale of the Piraeus Bank's shares remains the biggest conundrum of the market as to whether the Italian Grimaldi Group will penetrate the Greek ferry market further or the Investment Scheme with Mr. Iliopoulos will evolve into a big player.

4.2.2. OTHER COMPANIES

Every year, we present those small-sized companies that continue to offer their services in the sector connecting bigger and smaller islands. Some of these companies operate throughout the year and others seasonally. Here we present the fleet information of these companies only, since they do not release their financial or other results.

- Golden Star Ferries Company after purchasing the vessel “SPEEDRUNNER IV” from Aegean Speed Lines, now operates in the Rafina-Cyclades itinerary with two conventional vessels and one high-speed vessel.
- Aegean Speed Lines continues its operations in Western Cyclades with one vessel deployed.
- Levante Ferries with two vessels so far instead of three compared to last year, offers limited services with departures from Kylini to Kefallonia and Zakynthos only.

For the rest of the companies there has not been observed any significant changes regarding their fleet or the itineraries they served in 2016.

Seajets Group

Marios Iliopoulos’ Seajets has become the largest private ferry company offering services in main itineraries covering the Cyclades with direct connections from Piraeus, Rafina and Crete. Its fleet of 12 vessels constitutes the largest high-speed fleet in the world, with capacity of more than 14.000 people.

Iliopoulos’ family entered the Greek ferry market in 1997 by purchasing a high-speed vessel having conventional speed of 50 knots. In 2003 the company purchased the vessels “SEAJET I” and “SEAJET II” and four years later, the company managed to operate a fleet of 9 high-speed vessels. Today the fleet counts 11 high-speed vessels. The family is also active in the oil tanker industry.

Mr. Iliopoulos through the fund Eagle Mind Shipping participated in the tender for the acquisition of the 40.44% HELLENIC SEAWAYS shares owned by Piraeus Bank. It should be mentioned that in 2012 the founder of SeaJets was near to entering the itineraries of Argosaronikos by undertaking HELLENIC SEAWAYS itineraries. The two sides were in discussions and many believed that a deal was reached at a price of €7 million. The deal was never reached.

The company redesigns the itineraries it serves depending on seasonality adapting to market conditions. According to the company’s announcement, in the summer of 2017 new services from Rafina to Tinos, Mykonos, Paros, Naxos are being introduced, and will be operated by “TERA JET”, the biggest high-speed vessel in the world, in terms of size and passenger capacity. “TERA JET” vessel, which has a capacity of 2.000 passengers and 500 vehicles, will operate daily services at a speed of 37 knots. Two more vessels, “CHAMPION JET 1” and “CHAMPION JET 2” with a capacity of 1.000 seated passengers are operating in the itinerary of Piraeus-Mykonos-Naxos-Santorini, reaching Mykonos in 2.5 hours.

TABLE 11: Small-Medium Sized Greek Ferry Companies

	COMPANY	Conventional Ferries	Highspeed	TOTAL	ROUTES
1	Sea Jets	1	11	12	Piraeus- Rafina-Lavrio- Cyklades-Heraklion
2	TWOWAY FERRIES	5		5	Sporades- Saronikos
3	Anes Ferries	2		2	Piraeus -Aegina/ Volos -Evia- Sporades
4	Fast Ferries	3		3	Rafina- Andros -Tinos -Mykonos
5	LEVANTE FERRIES	2		2	Kyllini- Cefalonia-Zante & Patras- Sami-Ithaca
6	ANE Kalymnou	3		3	Kalymnos-Kos-Leros-Patmos-Astypalaia-Lipsi-Samos-Agathonissi
7	ANMEZ S.A.	3		3	Cyclades- Ionian Sea Islands
8	Dodekanisos Shipping	1	2	3	Dodekanisa/Eastern Aegean Sea Islands
9	Aegean Speed Lines		1	1	Western Cyclades
10	Golden Star Ferries	2	1	3	Rafina-Andros -Tinos - Mykonos-Paros -Naxos
11	KEFALONIAN LINES	2		2	Kyllini- Cefalonia-Zante
12	GOUTOS LINES - Karthaia Shipping	1		1	Lavrio-Kea-Kithnos
13	NOVA FERRIES	1		1	Saronic Bay Islands
14	Agia Marini Shipping	1		1	Psara- Chios
15	Ionion Pelagos Shipping	1		1	Astakos - Cefalonia -Ithaca- Lefkada
16	Karystia	1		1	Lavrio-Kea-Kythnos
17	LANE	1		1	Piraeus- Kithira-Gytheio-Kissamos
18	PAROS ANTIPAROS SHIPPING	1		1	Ikaria-Fournoi-Samos
19	Skyros Shipping	1		1	Kimi- Skiros-Sporades -Volos
20	Leve Ferries	1		1	Saronic Bay Islands
21	Samothraki NE	1		1	Alexandroupoli-Samothraki-Limnos-Lavrio
22	KERKYRAIKES GRAMMES	1		1	Kerkira-Igoumenitsa
23	Aqua Ferries	1		1	Volos-Ag.Konstantinos-Skiathos-Skopelos-Alonissos
24	**Total**	36	15	51	

The companies presented in Table 11 complement the 100% of the Greek Ferry Market. They probably cover **1/3** of the market's demand and approximately **25%** of the sector's revenues. Under the rules imposed by the European Union in relation to the smooth operation of the market, it is of high importance that the results of these companies are reported and analyzed along with those of main players. This will assist in achieving greater transparency through the release of statistical data and will assist the task of companies and regulators.

It should be emphasized that many of the above companies, despite their regional nature, present innovative management structures and develop the Greek coastal shipping product in general. We also highlight the fact that most of these companies repair and in some cases, build their vessels in Greece. Such actions should be appreciated and obtain official support from the State and the relevant public agencies.

Finally, we should mention that many of the above companies operate seasonally, especially in high demand periods, which is an issue of concern to healthy competition. Unfortunately, there is not much choice here. It is clear that the implementation of European Provisions brings great profits not only to the users but also to the shipping companies. The Greek Ferry Market can become rather innovative as it brings the tourist and the ferry product together.

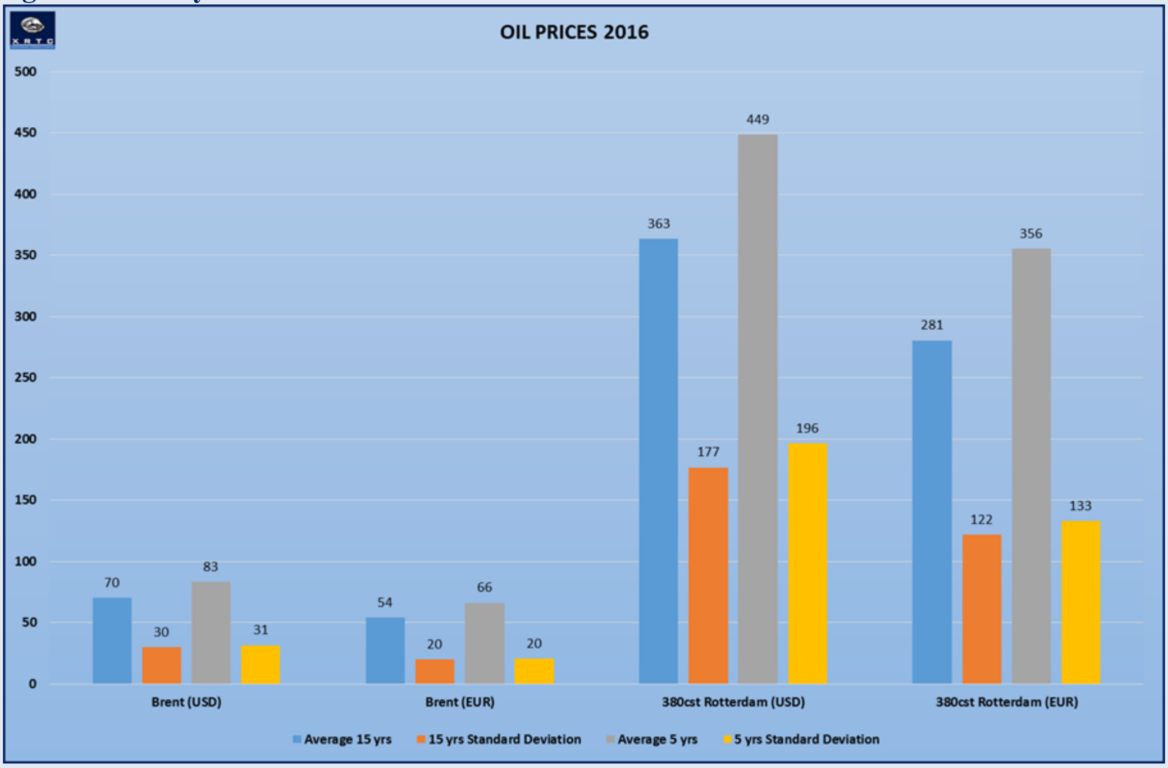
5. RISK ANALYSIS

The Study focuses on examining three key risks that affect the Financial Performance of the companies:

- Risk from Fuel Price Fluctuations
- Risk from Exchange Rate Fluctuations
- Risk of Bankruptcy

Fuel price fluctuations have a direct impact on the operational cost of the companies significantly contributing to profitability or losses. As seen in Figure 25a, the average oil price for both Brent and 380CST Rotterdam fluctuate, with prices of the last five years (**2012 – 2016**) to be relatively close to those of the fifteen-year period between **2002 and 2016**. The Coefficient of Variability results as presented on Figure 25b are of particular interest. According to the results, although oil prices have reached higher levels during the **2012 – 2016** period, they appear to fluctuate significantly less when compared with the last fifteen years.

Figure 25: Analysis of Oil Prices



(a)

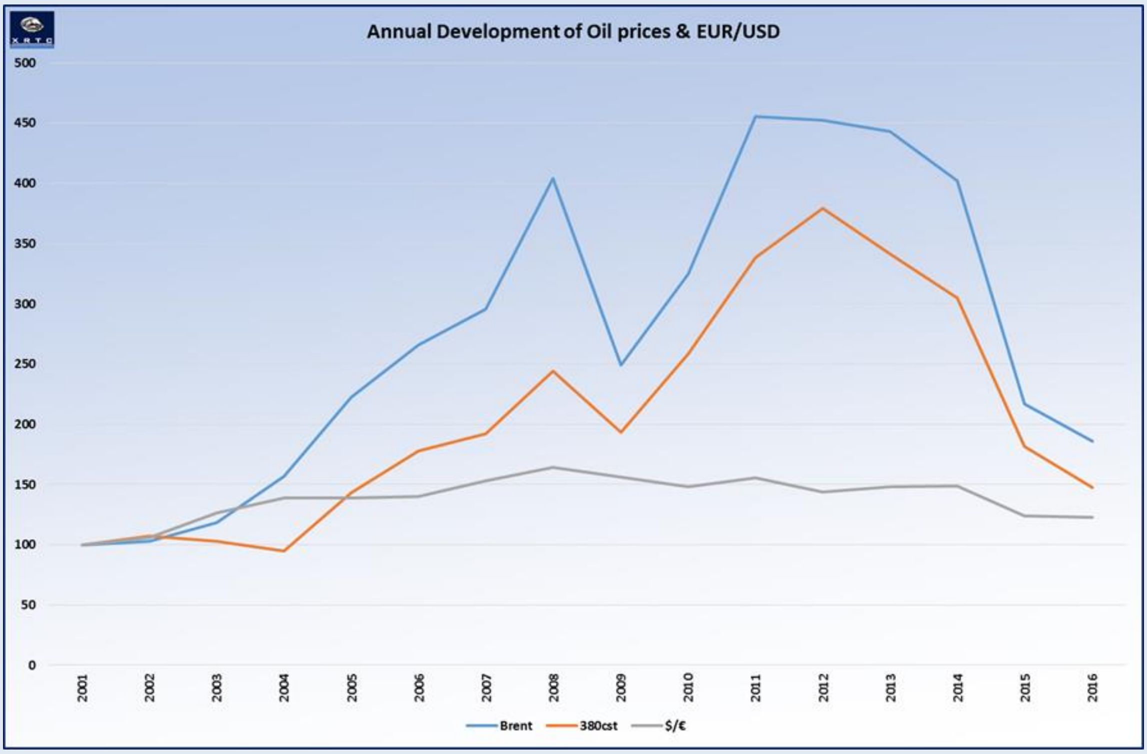
(b)

Source: XRTC

Exchange rate fluctuations of Euro/USD is also a significant risk for the industry since international fuel prices are set in US dollars. The fact that revenues of the Ferry market are mostly expressed in euros and a large proportion of expenses is expressed in US dollars, makes the need for implementation of technics and products for hedging the Euro/US Dollar exchange rate imperative. In the last five years the Euro/US Dollar exchange rate had a positive effect on companies' operational expenses, since the Euro was significantly appreciated in relation to the US dollar, absorbing a significant proportion of the global oil price increases. Since the second half of **2015** and during **2016** the Euro/US Dollar exchange rate has been reversed with the dollar appreciating. The impact of this change has slightly affected shipping companies because fuel prices remain at low levels.

In a more in-depth analysis of these two risks during the period **2001-2016**, we observe that oil prices have reached the **2004-2006** period levels. Characteristically, the Euro/US Dollar exchange rate acted as a hedging tool against high fuel prices during the period **2010 – 2014**. In the last two years when fuel prices are in decline, a sign of relief is provided to the financial performance of the companies' due to the continuous appreciation of the Euro against the US Dollar.

Figure 26: Evolution of Fuel Prices and EUR/USD Exchange Rate

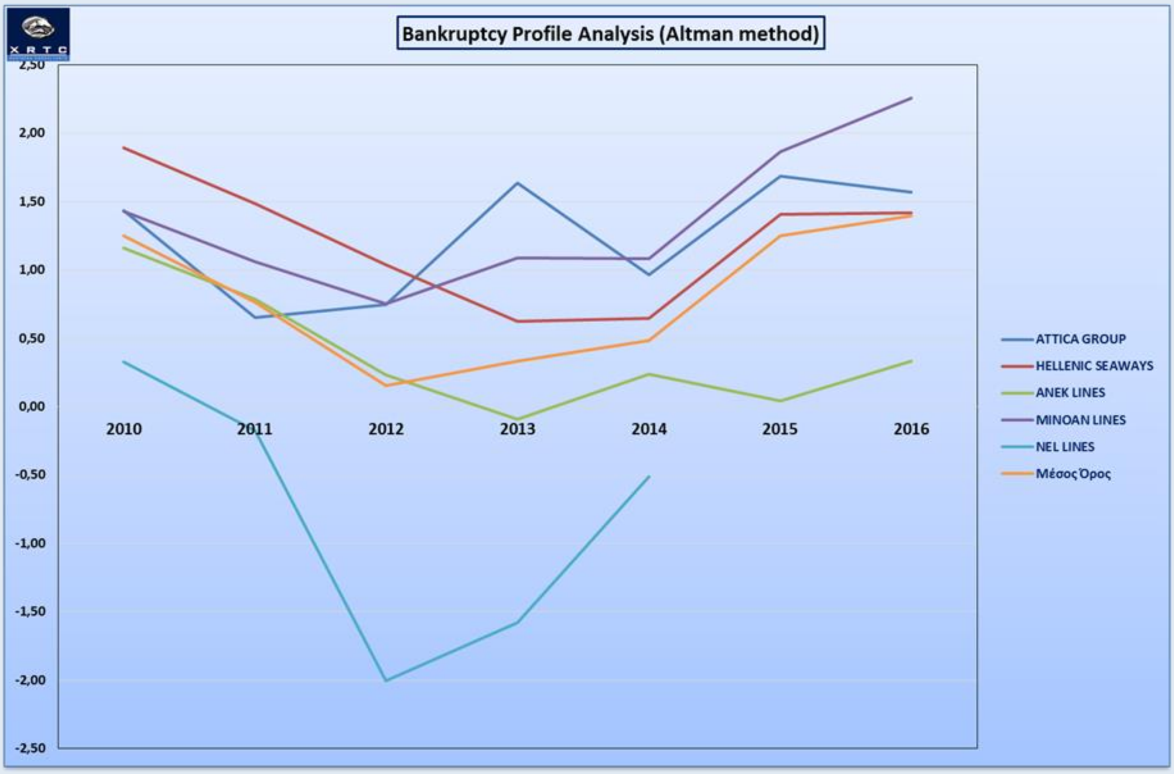


Source: XRTC

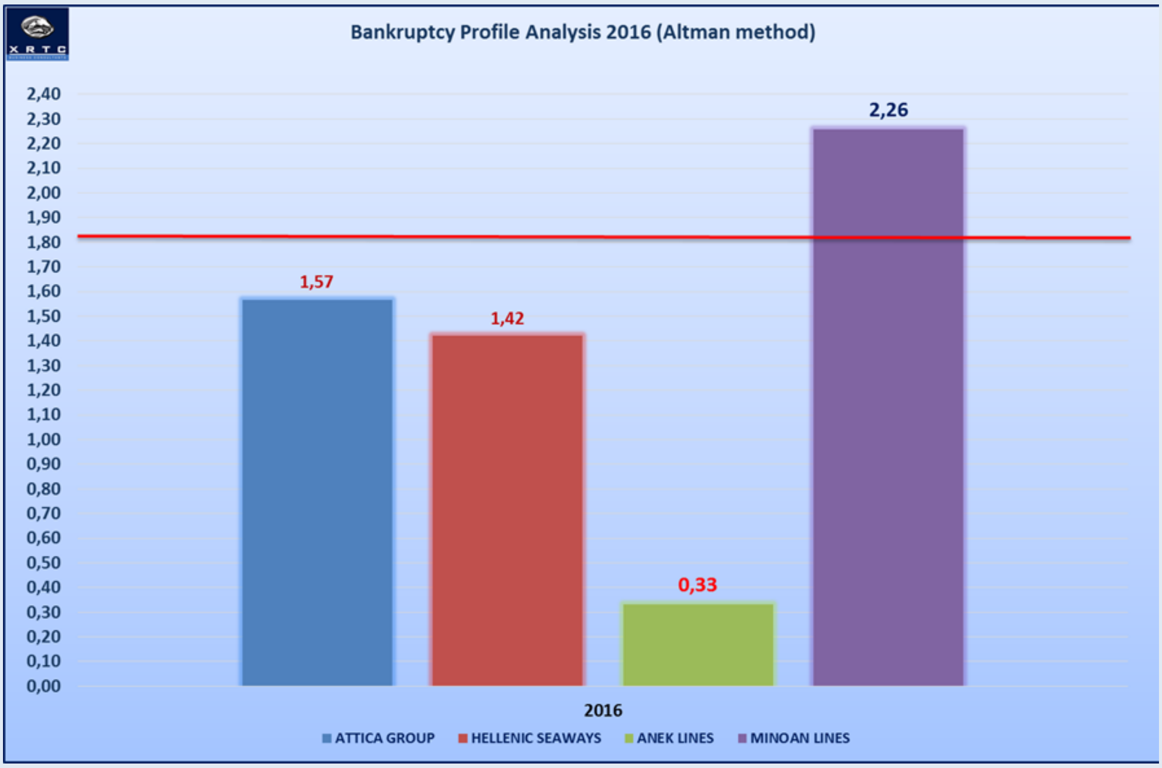
The current status of the market is clearly illustrated in the results of Figure 27, where the possibility of bankruptcy of the main Greek ferry companies is presented, for the period between **2010** and **2016** using Altman's methodology. All companies face significant challenges, as their performance is lower than 1.81 with the exception of MINOAN LINES, which has significantly improved its position (2.66). The difficulty of the Greek Ferry Market to achieve a substantial and long-term sustainability is clearly observed by the fact that the sector has not been able to achieve a score above 2.99, which according to the methodology is the value that reflects the good condition of a company, regardless the sector of its operation. The Greek Ferry Market is particularly correlated with the performance of the Greek economy. The significant decline in passenger traffic is mainly attributed to the shrinking of the average household income.

Despite the significant improvement in financial results, it should be pointed out that low liquidity levels combined with difficulties in raising capital compose the main risks for bankruptcy. ANEK LINES seems to be in a very risky position. Greek ferry companies should continue the intense efforts they have been making all these years to enter into a new steady course of development.

Figure 27: Bankruptcy Risk Analysis



High Possibility of Bankruptcy; Z<1,81 Warning Signs; 1,81<Z>2,99 Company in good Shape; Z>2,99



High Possibility of Bankruptcy; Z<1,81 Warning Signs; 1,81<Z>2,99 Company in good Shape; Z>2,99

Source: XRTC

6. SWOT ANALYSIS

The Greek ferry market is entering an era of different trends in reference to the dynamics and risks it is confronted with. Below is a brief analysis of the market.

TABLE 12: SWOT Analysis

Strengths	Weaknesses
• Youngest fleet in EU • Biggest ferry market in EU • Companies capable in crisis management • Smooth relationships with Banks • Satisfactory industry representation • Ability in operating in foreign markets • Rational fleet deployment and itinerary design	• High fuel prices • Low cash flow despite profitability improvement • Lack of funds • Lack of public infrastructure investments • Increased operating expenses due to legislative framework • Low subsidy levels • Difficulty in capturing market share from tourist seasonal demand. • Lack of depth in financial market • Low market capitalization • Incomplete sector statistical coverage
Opportunities	**Threats**
• Low fuel prices • Increasing trend in tourist demand • Port privatizations • Efforts in increasing seasonal tourist demand • Acquisitions of equity packages • Improvement of the European Ferry Sector • Low cost in Newbuilding projects • Change of fuel type and need of fleet modernization • Digital Business Solutions	• Reduced possibilities for improvement of the Greek economy • Psychology of users at very low levels • Ongoing imposed capital controls • Solid annual decrease in passenger and car demand • Trend of increasing competition from airline companies • Uncertainty on future fuel prices • Geopolitical developments in East Med • IMO regulations on ballast water treatment and low sulphur fuel • Difficulty in accessing working capital due to lack of bank financing • Sector's transformation to an oligopolistic market

Source: XRTC

7. CONCLUSIONS

XRTC Ltd Business Consultants is active in the Greek Ferry Sector since 2000. During the 16 years of publishing this annual report the sector has shown great levels of resiliency being able to adapt to the conditions that prevail the local and international markets. Even though during the last five years the sector is under extreme pressure from economical, geopolitical and legal perspective, it has managed to weather the storm and survive for another financial year.

The sector has managed to remain resilient due to several external factors such as the increased refugee flows, especially in 2015 and less in 2016, the decreased fuel prices and the geopolitical developments in the East Med region with the latter resulting in increased tourist flows in Greece. We would like to stress at this point that ferry companies have not managed to attract clientele from the increasing tourist demand. This practically means that revenue generation is based on local freight and domestic passenger demand, which show signs of weakness during the last decade or so. The geopolitical developments in the region need special attention since any development towards a positive or negative direction would impact the sector either way.

The shrinking of operations via mergers and other type of collaborations has been among the key strategic decisions, which have taken place during recent years in the Sector. These decisions have resulted in the shrinking of fleet numbers and have assisted in controlling operating expenses at levels enabling companies to improve their profitability during the last couple of years. Such decisions though have limited impact. This can be seen by the fact, that based on the so far data, the projections for the year 2017 are not so optimistic, with many companies expected to achieve negative results.

It has been repeatedly pointed out that companies have shrank their operations and face significant challenges in expanding them due to the lack of financing, because of the limited financing capabilities of the banking industry in recent years. Credit from suppliers is at all time low due to the bankruptcies of SAOS, GA Ferries, NEL LINES and others, which have resulted in the accumulation of significant amounts of unserved debt.

On the optimistic side, there are smaller in size companies, which have identified gaps in the market and invest in areas where there is potential for growth. The big companies follow those developments closely and are willing to ask pressure either via acquisitions or by applying practices forcing them to bankruptcy, a phenomenon which is frequent in competitive markets. These companies can be shielded against such practices via obtaining healthy balance sheets, being as transparent as possible and achieving continuous innovation. Significant opportunities can arise in connecting smaller islands and even in small island port investments. Subsidies should be kept at controllable levels to assist such investment initiatives. We would like to point out here that the State has not been consistent with its financial obligations in the past creating significant challenges to operators. Given the current financial situation of the Greek economy the situation is not expected to improve any time soon.

The sector is not only in need of introducing new pricing structures but of rebranding the ferry product also. The "NEW" ferry product should focus on the overall experience of the customer, which is not related with the quality of the vessel per se, but with the services the ticket encapsulates before, during and after the trip. Given the fact that ocean transportation cannot compete with air transportation in terms of time, except for certain cases, ferry companies should become innovative enough to rebrand their product based on their internal capabilities.

The legal framework should become an enabler in the effort of ferry companies to redefine their product. The Greek flag has lost its competitive advantage significantly in comparison to other flags. Despite the initiative of the Greek State to decrease the crew list numbers, the only vessels that fly the Greek flag in international waters are those of the ANEK LINES/ATTICA GROUP consortium. The change of flag of two MINOAN LINES vessels is a clear example of the lack of competitiveness of the Greek flag. This has been a move that makes perfect sense from a financial perspective and will assist the company in a new course when market conditions mature for acquisitions of equity packages. As a point of reference the Italian flag offers subsidies to employees' insurance packages and to truck tickets as long as vessels call in two Italian ports. The same incentives are applied in other parts of Europe as well, while in Greece such initiatives are limited. In addition, tax rates in Italy are lower compared to Greece.

A new challenge the sector will be faced with, relates to the IMO regulations on ballast water treatment and low sulphur fuel, which will be effective as of January 1st, 2020. Ferry companies have already expressed their concern from the implementation of such measures, claiming that these will have a negative impact on ticket prices since based on estimations the additional cost per passenger is expected to be at €5.4. The increase in ticket prices is expected to be around 27%.

The biggest challenge the sector is expected to be faced with though by 2020 is the fact the 32 out of the 45 vessels that are in operation today will be above 20 years of age, which implies that it may not be financially viable for these vessels to upgrade their ballast water and emissions treatment systems. The cost of those modifications is estimated between €7 and €11 millions per vessel. This practically means that most vessels may be forced to exit the Aegean Sea market.

Today, the Greek Ferry Sector is suffering the consequences of extreme competition practices from the past, which resulted in expensive investments and led to overcapacity, which in turn led to ticket prices of negative or zero margins. After years of decreasing operations, the Sector should be vigilant enough to avoid monopolistic market conditions. The fact that there is a single bank, which is directly or indirectly involved in three out of four of the biggest companies is a matter that needs special attention by all stakeholders. The appearance of new entrants is a positive sign for the needed levels of competition. Their size though is not a guarantor for these levels to be sustainable since they are vulnerable to external factors and to aggressive actions taken by the bigger players.

In the current prevailing economic environment among the business opportunities that arise are those related to investments in small ports in sequence to those of PPA and THPA. Such investments could create a very good opportunity for ferry operators to expand their business operations and offer an improved service to their customers. For such investments to take place though the industry is in need of corporate structures, which will have access to competitive financing. The debt exposure of the big four companies in association with the lack of interest for financing such projects from many financial institutions could impede such efforts. The creation of new corporate structures could facilitate the implementation of such strategies.

In the coming years that relationship between Ports and Ferry Companies is expected to create a new business environment for the sector. It is highly probable ferry companies to invest in ports and vice – versa depending on which party would have the financial capabilities.

It must be made clear that the contribution of the Ferry Sector to the Greek economy is much higher compared to the business activity created within the Sector. National and social interests demand a different approach to the problems the Sector is facing today, as well as the creation of policies, which will focus on promoting the seamless connection of the islands with the metropolitan centre. At this point we would like to stress that the Greek Ferry Sector:

- Contributes to the cohesion of the Greek State
- Greek companies control 18% of the European Ferry market while Greek population is just 2.2% of the EU population.
- Only 3% of the itineraries served by ferry operators are subsidized. In the rest of the itineraries free market conditions apply.
- The population of more than 200 islands accounts for 10% of the total Greek population, contributing 10% to the Greek GDP. Most of these islands are tourist destinations attracting almost 30% of the domestic and international tourist demand.

Taking the above into account, any future master plan for the development of the Greek economy should encapsulate the Greek Ferry Sector via offering incentives for growth. Such an initiative could potentially awake the Sector from the lethargy is under for some time now and become active again reversing the shrinking trend of the recent years. The country is entering in the era of multimodal transportation, which the Sector should take advantage of. For such an initiative to be achieved the participation of all stakeholders (users, State, Companies, Crew members, banks and investors) is needed. In order for their participation to be constructive they should be open-minded leaving all angulations behind.

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