20th Annual Report on the Greek Ferry Market 2021

« THE GREEK FERRY SECTOR IN TURBULENT TIMES »

August 2021

XRTC Business Consultants Ltd. has been active since its establishment (1999) in Shipping Finance and in the provision of advisory services to maritime companies. XRTC has been a commercial representative of international banking groups in the Greek Shipping Market, such as the French banking institutions Credit Lyonnais and Natixis, as well as a consultant to National and International Organizations and international shipping companies.

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, 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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NOTE TO THE RECIPIENTS

This study (the "Study") has been exclusively prepared for presenting information related to the review and analysis of the Greek Ferry Sector by emphasizing on the 2 listed companies to the Athens Stock Exchange (ANEK LINES, ATTICA GROUP) and MINOAN LINES also covering important aspects of the development and recording of general data of the other companies that make up the remaining of the Greek coastal market regarding the fleet and traffic level ("Other Companies").

The contained information in the Study are reportedly dated June 2021 (unless stated otherwise). The content of the information in the Study is derived from information published by the Ferry Companies through their Annual Reports, including information that came from from public sources. The information relating to the Other Companies' fleet and itineries came from their websides and Association of Passenger Shipping Companies (SEEN). These companies do not release their financial or other results.

This Study containes a number of references to laws, agreements and documents. Accurate and complete descriptions of laws, agreements or documents to which the Study is reported to, are not mentioned. Nevertheless, these are reported predominantly throughout the text of laws, agreements or documents.

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Sources:

- ANEK LINES (2020), Annual Financial Report
- ATTICA GROUP (2020), Annual Financial Report
- MINOAN LINES (2020), Annual Financial Report
- ASSOCIATION OF PASSENGER SHIPPING COMPANIES (SEEN) (2021)
- XRTC LTD (2021), Greek Ferry Market Database
- XRTC – Greek Ferry Market Annual Reports 2001-2021

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EXECUTIVE SUMMARY

In 2020, the spread of the COVID-19 pandemic had a negative impact on the global economy and caused the suspension or slowdown of the activities of important sectors of the economy. Efforts to address it led to a slump in economic activity, while the implementation of emergency measures caused travel restrictions and large revenue losses in maritime transport services, tourism, as well as accommodation and catering services.

Given the urgency of the situation, the EU drew up a plan to deal with the vertical downturn in the economy and set up the EU Recovery Plan and the Recovery and Resilience Facility. The so-called "Recovery Fund" in Greece, totaling € 750 billion, aimed to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable and resilient to confront the new challenges and opportunities in the transition to the new green and digital era.

In the passenger shipping industry, the negative effects of the pandemic in 2020 were particularly pronounced, resulting in an unprecedented loss of traffic volume and revenue. Passengers and vehicles, except trucks, were forbitten to travel to islands from the end of March 2020 to mid-May 2020, followed by the reduced passenger protocol on ships after the lifting of restrictive measures. Respectively, in the Adriatic Sea the measures included the ban on the movement of passengers and vehicles from mid-March to the end of June 2020.

It was perhaps the first time that it was realized by everybody that coastal shipping plays a critical role in the territorial cohesion of our country and ensures the maintenance of the maritime transport network, the regularity in the supply and the movement of passengers and workers.

Measures to limit the spread of the coronavirus have led to a vertical drop in passenger traffic volume on both the Adriatic and coastal lines. In addition, the significantly reduced duration of the tourist season and the implementation, during the summer, of a reduced passenger protocol on ships after the lifting of restrictive travel measures, further contributed to the contraction of the transportation volume. The state support measures, along with the reduction of costs, covered only a part of the operational loss that arose from the need for the smooth execution of the ships' itineraries.

International crude oil prices hit a record low in the first half of 2020, with Brent prices hovering below $30 /bbl on average and falling below $ 20/bbl during April 2020, falling $ 45/bbl from the beginning of the year. Since May, they have recorded a gradual recovery following the agreement of the major oil producing countries worldwide. The decrease in the demand for marine fuels due to the reduction of the itineraries and the immobility of the ships reached 40% last year, a fact which in combination with the fall of its price brought about a redemptive reduction in the operating expenses of the companies.

The most important point to be emphasized, however, is that during the pandemic, none of our islands was left without a ferry connection thanks to the enormous effort made by both the shipping companies and the state.

Due to the slump in passenger traffic, 30% of the available fleet remained stationary, which put significant pressure on companies to maintain shipping records and high maintenance costs.

Given the large decline in tourism in the third quarter, but also the new restrictive measures due to the outbreak of the pandemic in the last two months of the year, the decline in passenger traffic on the domestic routes in 2020 amounted to 53% compared to 2019, while in vehicles (total cars and trucks) the reduction was 28%. In the Adriatic market, the negative impact was more pronounced on passenger traffic, which decreased by 69%, in contrast to the movement of trucks and vehicles, which decreased by 8%.

The decline in passenger and vehicle traffic significantly affected the turnover of companies in the sector, which showed a decrease of 45% in inland lines and 30% in the Adriatic lines with the loss-making results for 2020 exceeding € 130,000. 000 and the liquidity of companies to be limited.

The state, in addition to the horizontal measures that applied to all sectors affected, such as tax suspensions, repayable advances, etc. subsidized the employers' contributions of the ferry companies from 1/7/20 to 30/9/20, an amount amounting to approximately € 6 million and reimbursed a small part of the losses of the itineraries that had to be performed to serve the islands. These compensations for 2020 amounted to € 31 million compared to € 55 million which were announced because this amount includes VAT, while 25% concerned channel crossing ferries.

In addition, the companies have received € 50m compensation for Public Service itineraries although the State had announced that the compensation amount should be more than € 70m based on the executed itineraries. It is also worth noting that the ships were obliged on April 1, 2021 to double the hotel staff with travel being prohibited except for exceptions.

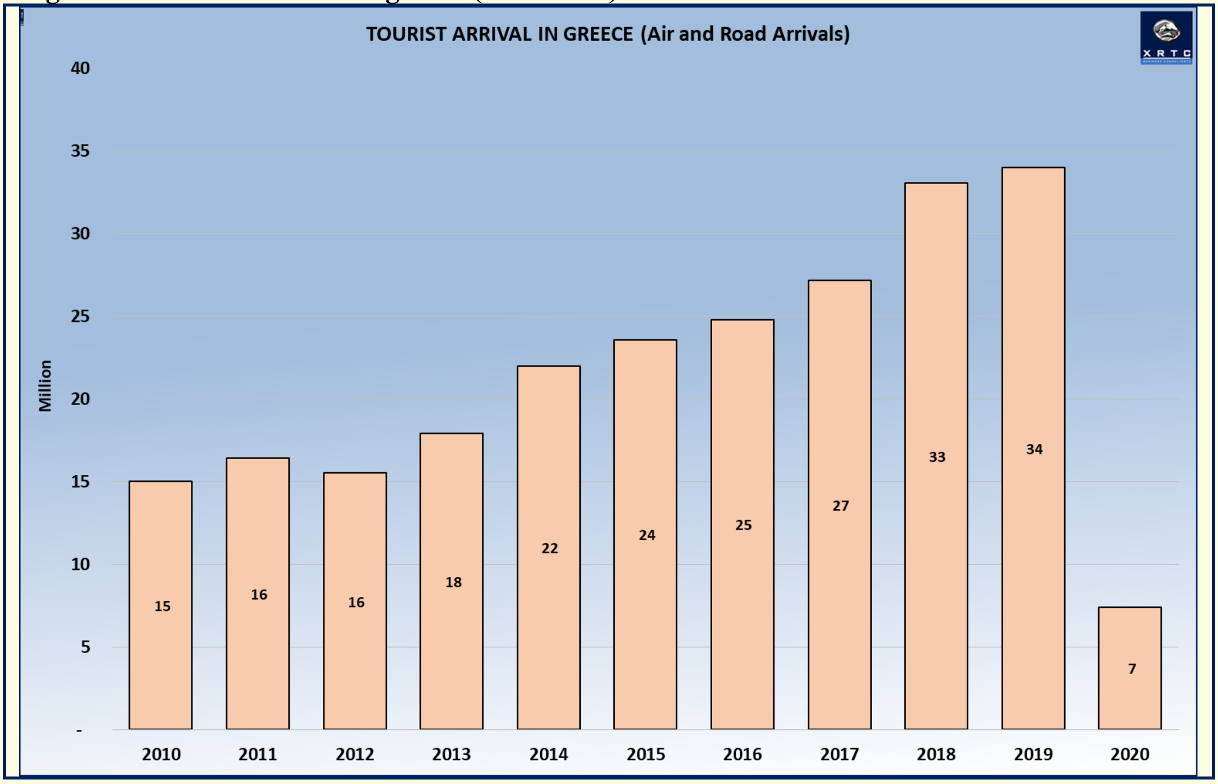
1. TOURIST ARRIVAL IN GREECE

Both tourism and transportation have been severely affected by the pandemic, with the result that the rise they have shown in recent years has been halted. The pandemic has proved that our country's dependence on individual industries makes its economy vulnerable.

Before the appearance of the COVID-19 pandemic, the prospects for Greek tourism were particularly encouraging as the incoming tourist traffic in 2019 reached the historic level of 34 million visitors. According to EU data tourism had a comparatively larger contribution to the reduction of economic activity in the countries of southern Europe (Greece, Spain, Italy, Portugal).

According to the data of the World Tourism Organization (UNWTO), 2020 is the worst year for world tourism, with international arrivals decreasing by 74% compared to 2019. In Greece, the incoming tourist traffic decreased by 78%, thus only 7.4 million people visited our country last year (Figure 1).

Figure 1: Tourist Arrivals in greece (2010-2020)



Source: ELSTAT

In terms of Greece's revenues from tourism, in 2020 they showed a decrease of 76.5% compared to 2019 and amounted to € 4.3 billion. This development is due to the decrease of receipts from residents of EU-27 countries by 70.8%, which amounted to € 2.8 billion, as well as receipts from residents of non-EU-27 countries by 82%, which amounted to € 1.434 billion.

2. GREEK FERRY MARKET VOLUME

The development of our islands is based exclusively on coastal shipping. Out of the 95 islands served by ferries, only 25 have an airport, while 85% of the supplies needed to be transported to and from the islands are covered by ferries.

TABLE 1: PASSENGERS VOLUME COMPARISON PER ITINERARY (2019-2020)

ITINERARIES	2019	2020	δ %
Argosaronikos	2,437,938	1,252,141	-49%
Piraeus-Peloponissos	54,874	39,238	-28%
Piraeus-Crete	1,981,814	1,002,440	-49%
Piraeus-Crete-Dodekanise	347,434	68,859	-80%
Piraeus-Dodekanise	800,970	485,860	-39%
Piraeus-West Cyclades	847,704	527,341	-38%
Piraeus-East Cyclades	3,153,328	951,820	-70%
Piraeus-Mykonos-Tinos-Samos	1,099,416	699,457	-36%
Piraeus-Chios-Mytilini	563,640	294,092	-48%
Patras - Ionian Islands	518,982	310,198	-40%
Rafina-Evia-Andros-Tinos	2,494,719	934,050	-63%
Volos-Sporades-Kymi	850,238	432,143	-49%
Zakynthos-Kyllini	1,096,001	486,616	-56%
Kyllini-Poros Kefallonia	547,231	296,967	-46%
Others	2,262,331	1,110,501	-51%
TOTAL	**19,056,620**	**8,891,723**	**-53%**

TABLE 2: VEHICLES VOLUME COMPARISON PER ITINERARY (2019-2020)

ITINERARIES	2019	2020	δ %
Argosaronikos	320,233	408,812	28%
Piraeus-Peloponissos	14,621	13,256	-9%
Piraeus-Crete	554,013	392,252	-29%
Piraeus-Crete-Dodekanise	38,258	24,420	-36%
Piraeus-Dodekanise	224,065	177,655	-21%
Piraeus-West Cyclades	143,343	104,269	-27%
Piraeus-East Cyclades	374,626	203,429	-46%
Piraeus-Mykonos-Tinos-Samos	194,870	176,172	-10%
Piraeus-Chios-Mytilini	144,106	106,083	-26%
Patras - Ionian Islands	155,123	117,535	-24%
Rafina-Evia-Andros-Tinos	446,150	277,678	-38%
Volos-Sporades-Kymi	179,207	119,339	-33%
Zakynthos-Kyllini	318,022	136,078	-57%
Kyllini-Poros Kefallonia	187,924	92,099	-51%
Others	249,604	212,630	-15%
TOTAL	**3,544,165**	**2,561,707**	**-28%**

Source: XRTC / ELSTAT

The statistical data published by the Hellenic Statistical Service (ELSTAT), confirm the large reduction in passenger and vehicle traffic in 2020 compared to 2019. In terms of passengers, it reached -53% while in terms of vehicles (cars and trucks) reached -28%. (Tables 1/2). It is noted that ELSTAT has not made public the separation of cars and trucks. However, according to the data of the Listed Shipping Companies and the Minoans, the reduction of the traffic of the cars is much bigger than that of the trucks since the movement of the passengers was stopped but not of the goods.

3. PRESENTATION OF GREEK FERRY MARKET

3.1. Business Models Description

The Group of ANEK consists of:
- Parent Company ANEK S.A. (passenger shipping sector),
- AIGAION PELAGOS THALASSIES GRAMMES SHIPPING COMPANY (passenger shipping sector),
- ETANAP S.A. (Production and sale of bottled water - bottled water sector),
- LEFKA ORI S.A. (Packaging and trading agricultural products and packaging materials – industry sector),
- ANEK HOLDINGS S.A. (Tourism, consulting etc. - tourism sector),
- ANEK LINES ITALIA S.r.l. (Agency and representation of shipping companies - tourism sector).

Attica Holdings S.A., under the distinctive title "Attica Group", is a holding company and as such its income arises mainly from dividends and interests.

Minoan Lines Shipping S.A. under its discrete name “MINOAN LINES” is a member of the Grimaldi Group which is based in Palermo – Italy and became overlying parent company which has control of both the Company and the Group. From 2008, the majority of the Company’s shares are held by “Grimaldi Group S.p.A”, a member of the Grimaldi Group. The consolidated financial statements and the consolidation method includes Minoan Lines and its subsidiary Minoan Italia S.p.A.

3.2. Demand Analysis

There are now two listed companies in the sector for 2020, ANEK and ATTICA after the exit of MINOAN from the Athens Stock Exchange on April 23, 2019. However, in the analysis of this Study we examine all 3 large companies ANEK, ATTICA and MINOAN which are the only ones who publish their Balance Sheets and their traffic data.

TABLE 3: OVERVIEW OF LISTED COMPANIES & MINOAN

COMPANIES	Number of Employees	Number of Vessels	Pax Transported	Cars Transported	Trucks Transported
Attica Group	1,412	30	2,588,129	418,805	308,408
Minoan Lines	415	4	541,000	107,000	69,000
ANEK	700	9	497,000	115,000	121,000
Total 2020	**2,527**	**43**	**3,626,129**	**640,805**	**498,408**
Total 2019	**2,449**	**43**	**7,543,460**	**1,041,574**	**555,241**
δ %			**-108%**	**-63%**	**-11%**

Source: XRTC

The reduction in the transported volume of the above companies is obvious. Only truck traffic shows the smallest drop -11% and is the main source of revenue for 2020 for the 3 companies.
Comparing the transported volume in Greece of the Listed companies with that of the “Other companies”, we observe its continuous contraction. Thus, the Listed Companies carried 41% of the passengers and 44% of the vehicles, while the remaining 59% of the passenger traffic and 56% of the vehicles are covered by the Other Companies mentioned in the Study below.
The data of Figure 2 come from ELSTAT regarding the total traffic of passengers and vehicles and from the annual Prospectus of Listed and MINOAN regarding the traffic of these companies. Consequently, the difference that results from their subtraction concerns the traffic volume of the Other Companies that are active in Hellenic Shipping.

Figure 2: Passengers and Vehicles Volume in Greece 2020

Source: ELSTAT/Listed & Minoan

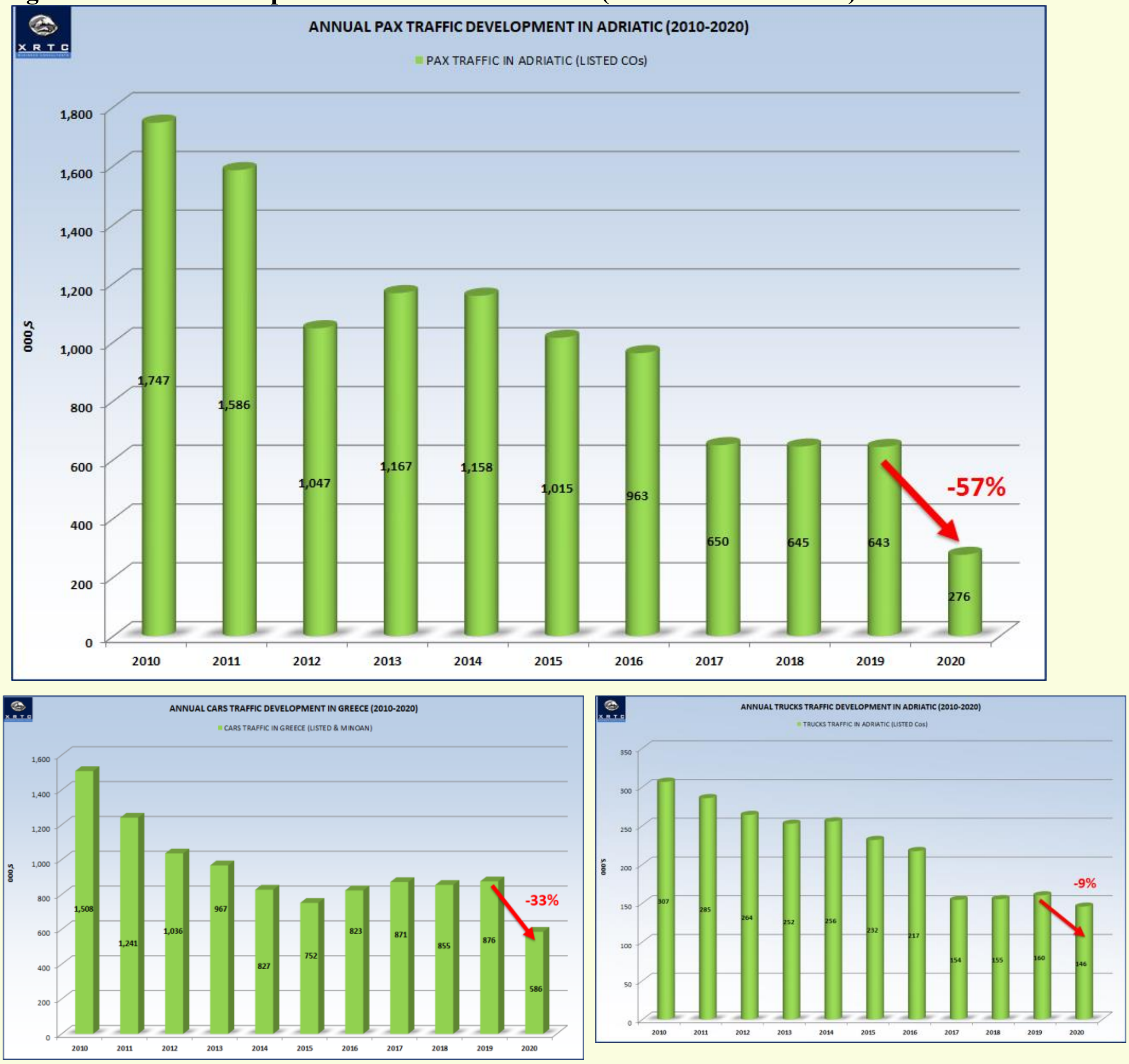
In detail, the decline of the transport project in Greece of Listed and Minoan is shown in Figure 3. A 50% reduction in passengers, 33% in cars and 11% in trucks for 2020 compared to 2019.

Figure 3: Traffic Development in Greece 2010-2020 (Listed Cos & Minoan)

Sources: XRTC Database, Hellenic Statistical Authority

The evolution of the traffic development in the Adriatic of the Listed Companies is shown in Figure 4. The data of the traffic volume concern only the Listed companies ANEK and ATTICA. MINOAN is active only in Greece. The parent company Grimaldi operates with its own ships. Based on the published data, there is a decrease of 57% in passenger traffic, 64% in cars and 9% in trucks for 2020 compared to 2019.

Figure 4: Traffic Development in Adriatic 2010-2020 (Listed Cos & Minoan)

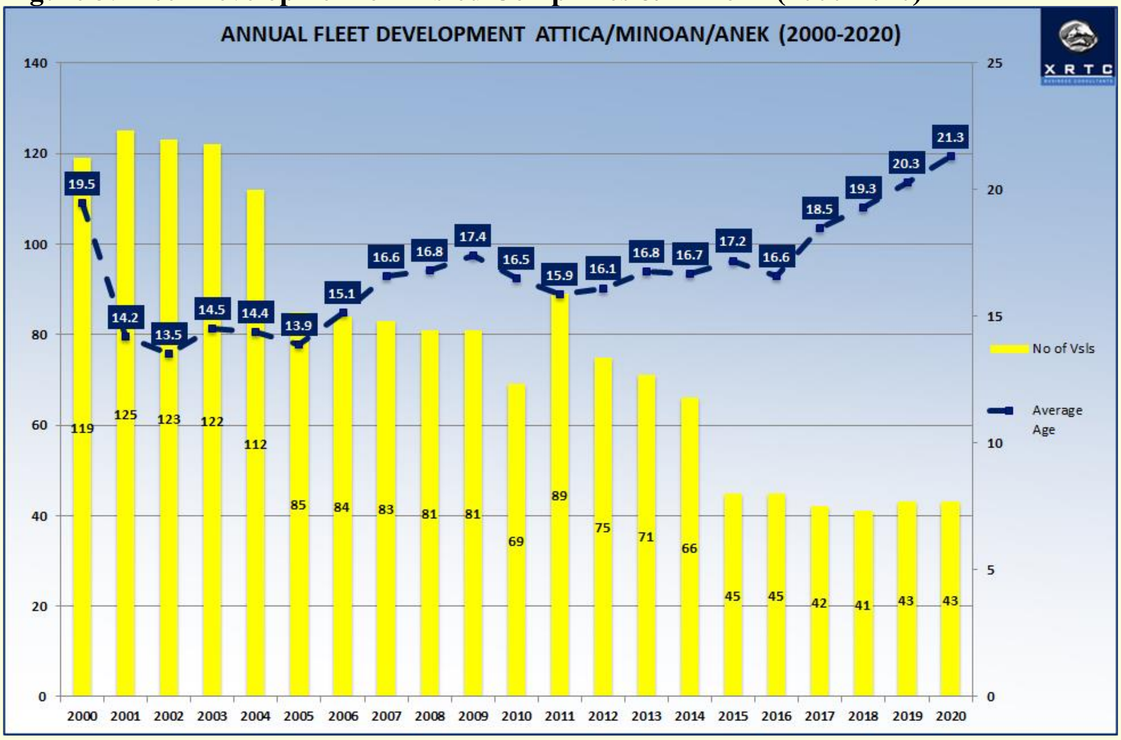


Sources: XRTC Database, Hellenic Statistical Authority

3.3. Offering Capacity Analysis

Since 2011 the fleet of Listed Companies and MINOAN is constantly shrinking. In recent years the fleet has been reduced by more than half, from 89 ships in 2011 we reached 43 in 2019, a number that remained the same in 2020 (Figure 5).

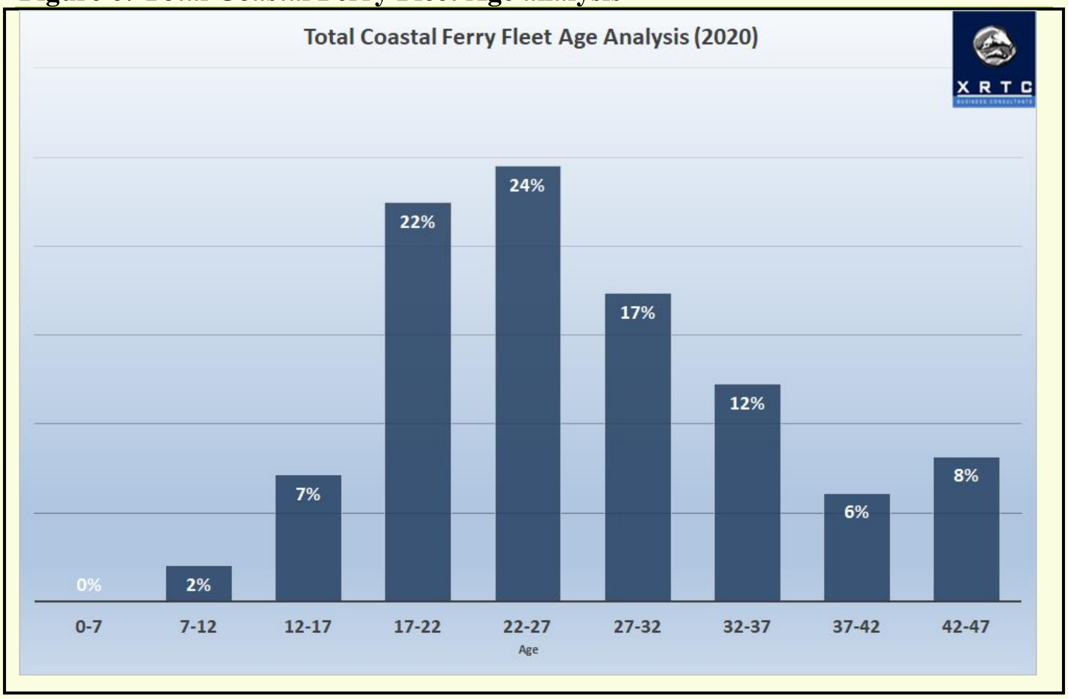
Figure 5: Fleet Development of Listed Companies & Minoan (2000-2020)



Source: XRTC database

The fleet seems to be overaged (Figure 6) with 67% being over 22 years old while one out of four ships is over 30 years old.

Figure 6: Total Coastal Ferry Fleet Age analysis



Source: XRTC database

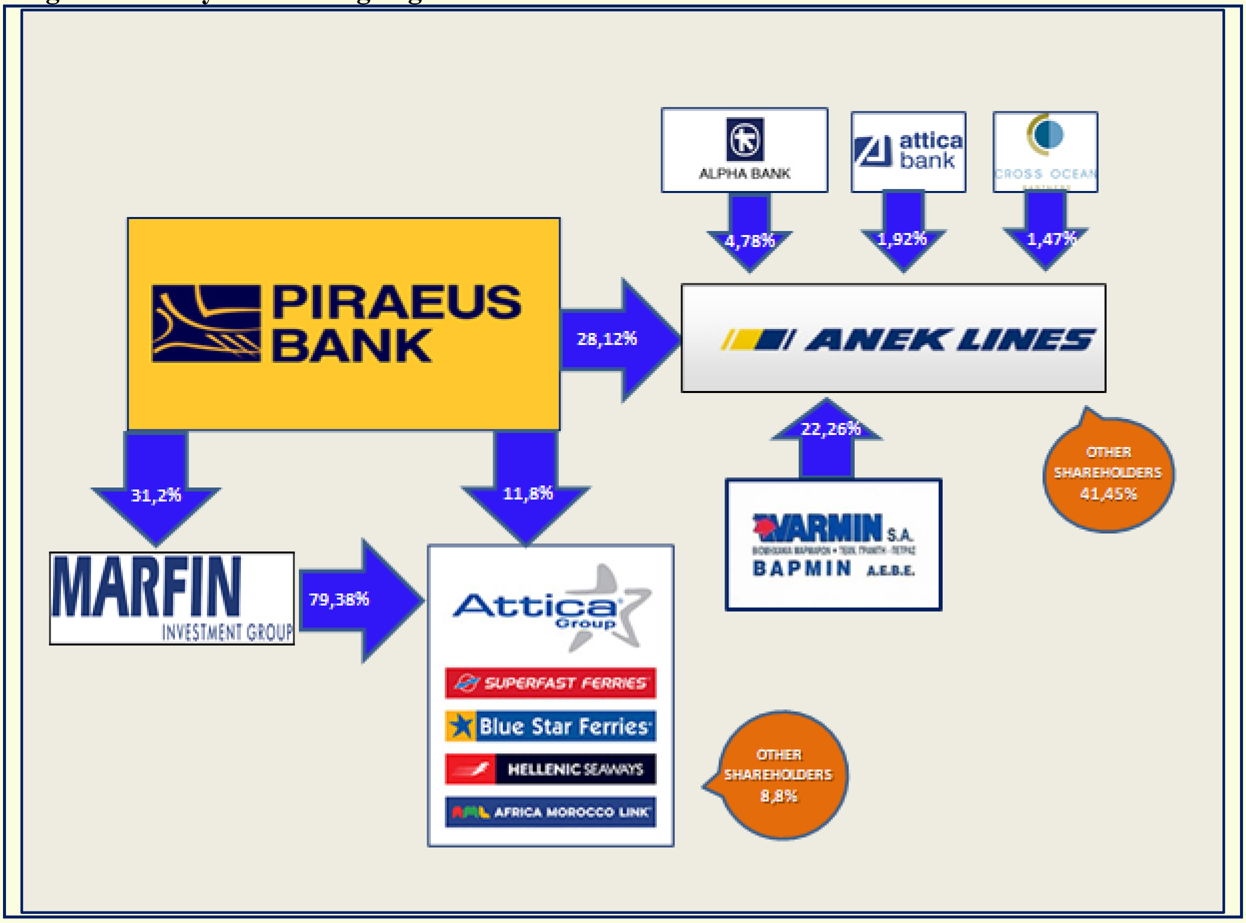
It is noteworthy that 22% of the ships are between 17 and 22 years old which could be characterized as middle-aged. The median age is 25 years which means that 50% of ships are between 8 and 25 years old and 50% of ships are between 26 and 49 years old. Assuming that ships of this type have a life cycle of 35 years, the median age clearly shows the need for fleet renewal.

3.4. Shareholding Structure of the Sector

The shareholding structure of ANEK and ATTICA is presented in Figure 7. The two poles that attract interest with their direct or indirect participation in Greek Ferry market are Piraeus Bank and MIG.

The two ferry companies ANEK and ATTICA are among the 14 listed companies of the Athens Stock Exchange, in which, due to loan debts, the banks have a position of major shareholder, with a minimum percentage of 5%.

Figure 7: Analysis of Voting Rights 2020



Source: XRTC Database

ANEK

Following the Share Capital Increase of the company and the partial conversion of bonds into shares held by Piraeus Bank, Alpha Bank, Bank of Attica and the Fund Cross Ocean AGG Company as the successor of the National Bank, the shareholding structure of the company is as follows:

TABLE 4: ANEK SHAREHOLDING STRUCTURE (2020)

SHAREHOLDERS	%
Piraeus Bank	28.12%
Alpha Bank	4.78%
Attica Bank	1.92%
Cross Ocean AGG Co	1.47%
Varmin	22.26%
Other Shareholders	41.45%

- Piraeus Bank now holds 63,236,307 voting rights, corresponding to 28.1298% of the total voting rights of ANEK shares, which include 1,929,210 voting rights exercised under the company's share pledge agreements.
- The second largest shareholder of ANEK, BARMIN SA (interests of Amalia-Anastasia Vardinogianni) after the conversion of the bonds into shares and the dilution now holds 22%, a percentage that is said to be pledged to Eurobank bank against secured loans of €90 million.
- Eurobank is trying to complete the tender for the sale of a loan of VARMIN SA, interests of Amalia Sifi Vardinogianni, but also loans of Sea Star, which are guaranteed by BARMIN. The above loans were transferred to Eurobank from the absorption of Proton Bank, with significant forecasts, while the bank has mortgages on 14 VARMIN properties and pledged 50 million shares of ANEK (22.3 % of the company).
- ANEK is in a very difficult position, as it has the worst balance sheet in the entire sector, with a negative net position. Nothing is ruled out for the future of the ferry company, whether it leads to a financial impasse or Piraeus Bank, which controls 28.12%, and the bondholders, might take drastic decisions, selling ANEK ships to save as much as possible or proceed to a more complex solution scheme. However, the case of the sale of the company cannot be ruled out.

ATTICA

- Piraeus Bank holds 11.8%, being also a creditor of the company and, mainly, the largest shareholder of Marfin Investment Group (MIG) with 31%, which in turn controls ATTICA.
- Piraeus Bank postponed once more the repayment of MIG loan obligations totaling € 253.8 million, by amending the terms of the loan and collateral agreements.

4. Financial Analysis Of Listed Companies And Minoan

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

4.1. Operational Cost Analysis

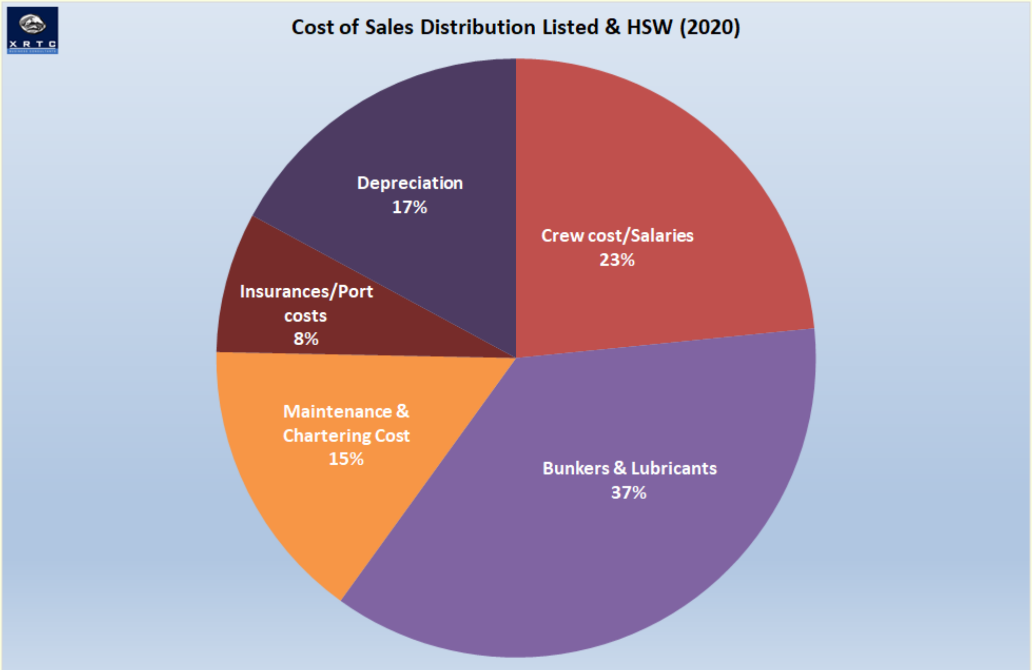
In the context of dealing with the COVID-19 pandemic, the companies proceeded to reduce and reschedule a significant number of routes and took a series of measures to reduce their operating costs. At the same time, with the reduction of their itineraries, there was a reduction in significant items of operating expenses, such as the fuel and lubricants cost, the supplies and the cost of crews.

Due to the above measures, the total operating expenses of the three companies decreased by 15% from € 508 million in 2019 to € 430 million in 2020.

Fuel is the higher expense of companies since it constitutes 37% of operating expenses. During the fiscal year 2020, the average price of marine fuels consumed was 19.7% lower compared to the fiscal year 2019, therefore fuel cost shows a decrease in the distribution of operating costs (from 42% in 2019 to 37% in 2020).

The crew/salaries cost follows, being 23% while together with the cost of fuel they constitute 60% of the expenses. The following are the repairs / maintenance which as a cost for 2020 constituted 15% of the operating expenses of the Listed and the Minoan. The lack of fleet renewal will be a major reason for this increase in the future as older ships need more repairs.

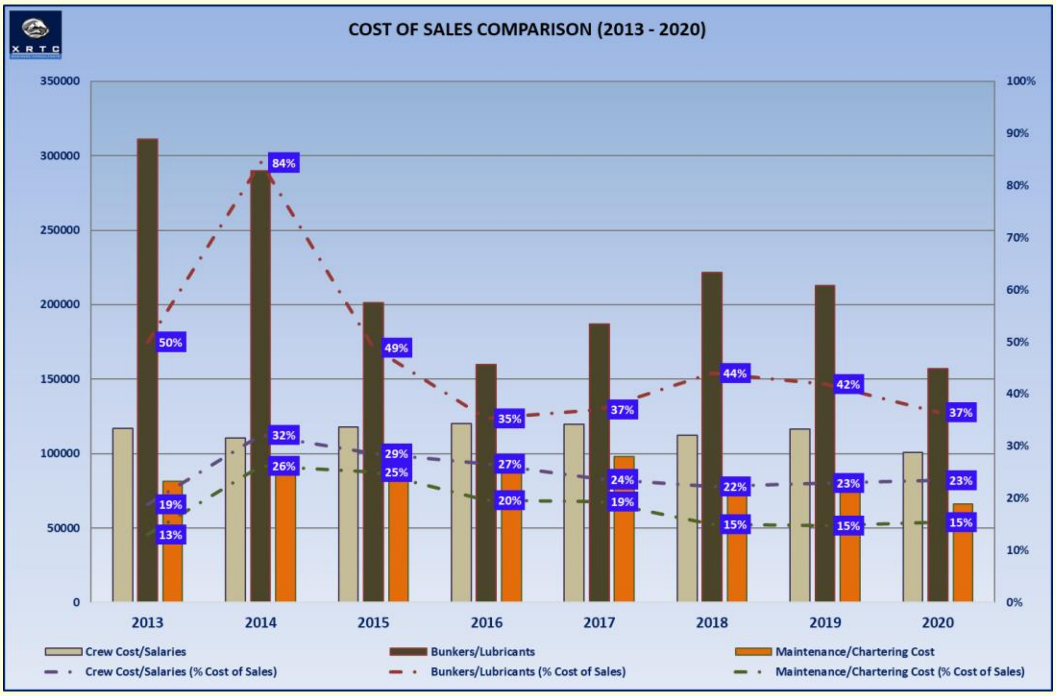
Figure 8: Cost of Sales distribution Listed & Minoan (2020)



Source: XRTC Database

Ferry companies are affected by exchange rates to the extent that the marine fuels they buy to operate their ships, are traded internationally in US Dollars.

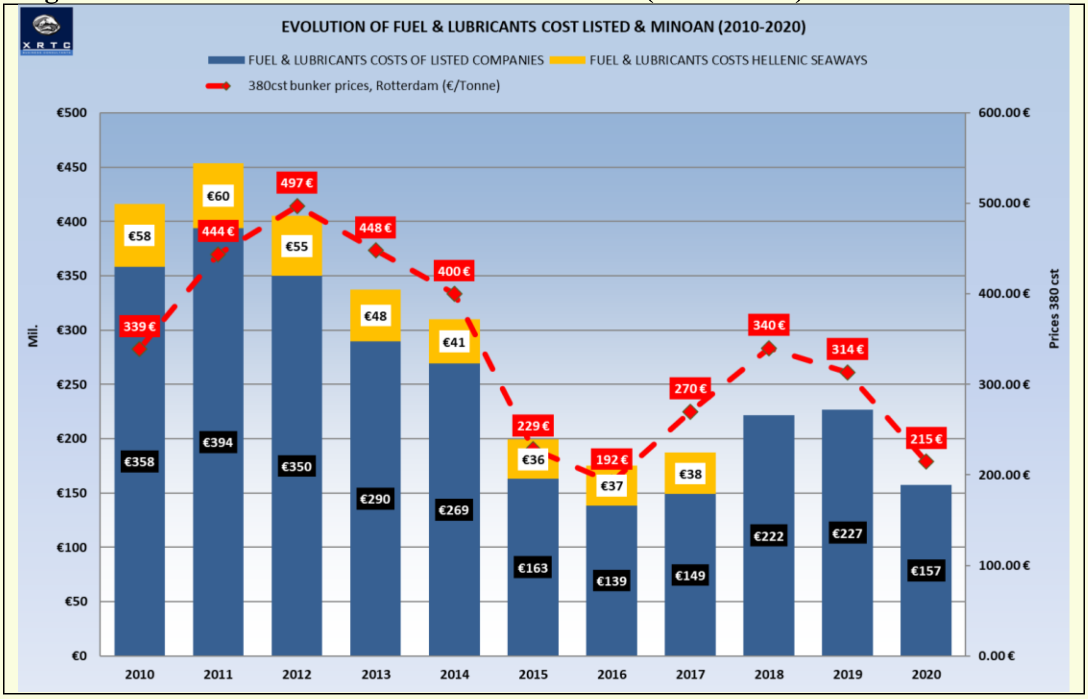
Figure 9: Cost of Sales Comparison per year Listed & Minoan (2013 - 2020)



4.2. Fuel Cost Analysis

Fuel cost is one of the key parameters in ship management. The difficulty of managing this cost is due to the fact that it is exposed to increased levels of volatility in the Brent price level as well as foreign exchange risks.

Figure 10: Evolution of Fuel and Lubricants Cost (2010 - 2020)



Source: XRTC Database

Figure 10 presents the evolution of the cost of fuels and lubricants of the Listed companies and Minoan. International oil prices in 2020 were lower than the previous year, resulting the reduction in the average price of fuel consumed in 2020 by approximately € 100 / ton, a development that worked positively in reducing corporate costs. From February to April 2020 there was a sharp decline in fuel prices with extreme fluctuations as a result of reduced demand due to the COVID-19 coronavirus pandemic and the imbalance between supply and demand in the fuel market.

From 1 January 2020, the use of marine fuel with a low sulfur content of 0.5% is mandatory for all Greek Ferry vessels in accordance with IMO regulations. The companies ANEK, ATTICA GROUP and MINOAN have decided the following for their compliance.

- ANEK: All ships of the group use fuel with a sulfur content of 0.5%, which burdens the cost of fuel. However, the sharp decline in international oil prices has led, at least for now, fuel prices to much lower levels than in 2019.
- ATTICA: On 7.7.2020, 28.7.2020 and 18.3.2021, the group announced that it has completed the installation of scrubbers in Blue Star Patmos, Superfast XI and Blue Star Delos.
- MINOAN: In the year 2019, the company completed an investment totaling approximately € 17 million for the installation of scrubbers in all its conventional ships, which allowed the consumption of cheaper fuel compared to the 0.5% sulfur fuel.

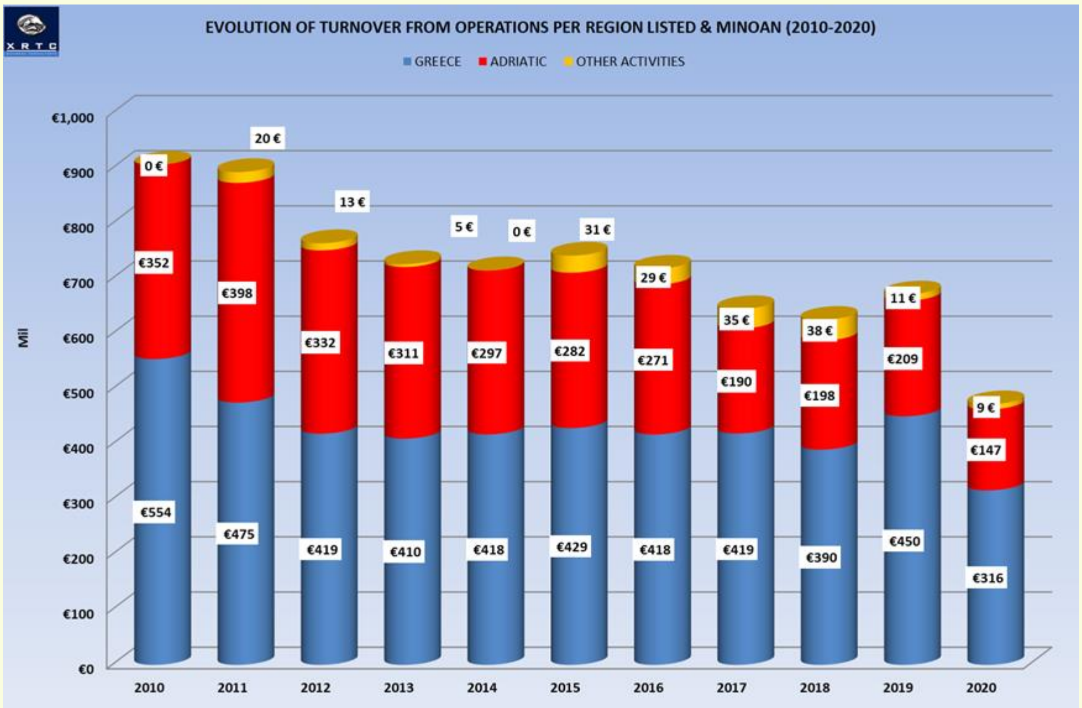
4.3. Turnover from Operations

The continued shrinking of the Listed and Minoan fleet has resulted respectfully the shrinking of the Total Turnover reaching €644 million. (Figure 11).

The shrinking in passenger demand in recent years by Listed and Minoan continues in both Adriatic and the Greek Market, while in the car and truck categories the picture is mixed with marginal fluctuations per region.

The strategic choices for the companies continue to be similar to those we highlight in recent years, including the operation in regions outside Greece, while taking into account the geopolitical risks and the conditions of the global economy related to risks of default and weakness of payments by charterers.

Figure 11: Evolution of Turnover from Operations per Region 2010-2020



Source: XRTC Database

In 2020, the Group's turnover amounted to € 290.40m compared to € 405.40m in 2019, directly affected, due to the COVID-19 pandemic, by the restrictive measures in respect of passenger movements and the implementation of a reduced passenger protocol on board of the vessels, which resulted, inter alia, in a reduced number of sailings by 27% compared to 2019. In particular, due to the COVID-19 pandemic, the Group cancelled over 5 thousand of scheduled vessel routes and redesigned a lot of routes in the context of the daily management of the fleet, with the basic criterion of the smooth transportation of goods to the islands and rendering services to their inhabitants.

It is to be noted that the turnover, and in particular in the geographical segment "Domestic Market", includes compensation a) for the execution of public service routes of the competent Ministry totaling € 34.3m versus € 31.4m in 2019, and b) due to COVID-19 amounting to € 12m for the execution of the minimum required routes to facilitate the uninterrupted provision of services. The geographical segment "International Routes" includes revenues from vessels chartering activities amounting to € 7.4m in 2020 compared to the corresponding revenues of € 12.4m in 2019.

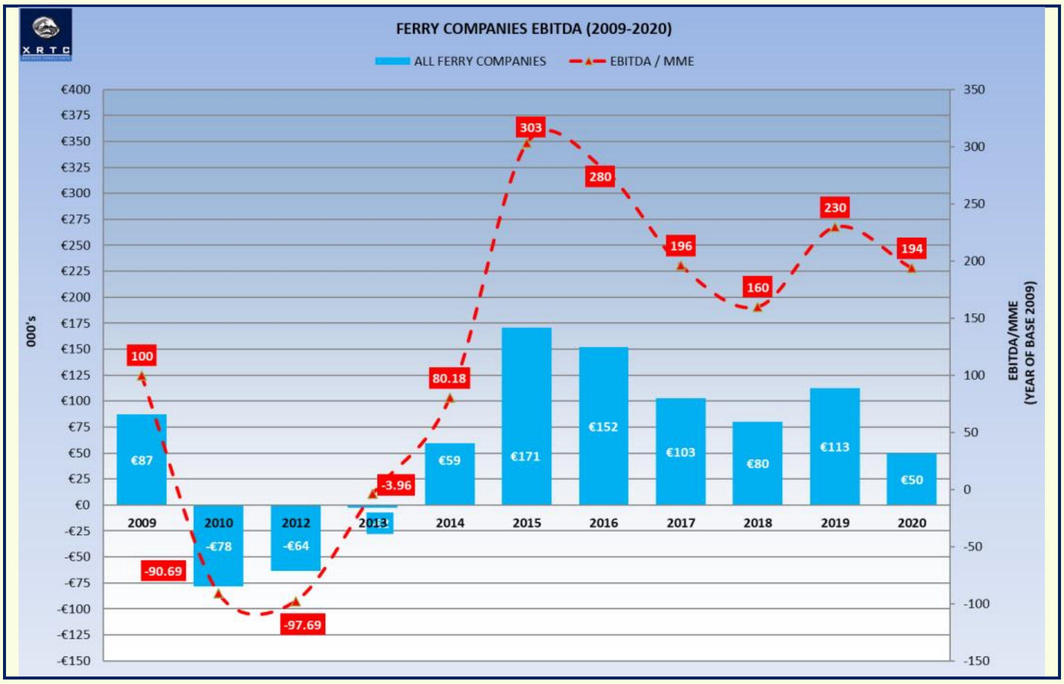
The turnover of the ANEK LINES group decreased by € 49.4 million in 2020 which amounted to € 124.5 million compared to € 173.9 million in the year 2019. Revenues from “Domestic Market” amounted to € 40 million compared to € 51 million in the previous year and from “International Routes” amounted to € 75.2 million compared to € 111.4 million, while revenues from other activities amounted to € 9.3 million in 2020 against € 11.5 million in 2019.

In MINOAN, the turnover from ongoing activities showed a decrease of € 34.6 million and amounted to € 57.4 million compared to € 92.1 million in the year 2019.

4.4. EBITDA Analysis

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) are significantly lower compared to 2019, reaching a decrease of -56%, (from €113 million down to €50 million) due to the increase in the price of fuel. Figure 12 clearly shows that the EBITDA index per Transportation Unit dropped from 280 points to 196.

Figure 12: Listed Companies & Minoan EBITDA (2009 - 2020)



Source: XRTC Database

4.5. Banks' Debt

Loan liabilities in 2020 amounted to € 683m from € 669m in 2019, showing a small increase of 2% (Figure 13). The increase is due to a 5-year term loan of € 20m signed with a banking institution.

ANEK LINES has been obliged to convert its long-term liabilities into short-term ones from 31.12.2018, after failing to service its lending obligations and based on the relevant agreements. The long-term loans of the parent company, with a total initial amount of € 264.5m, concluded in March 2017, are analyzed as follows:

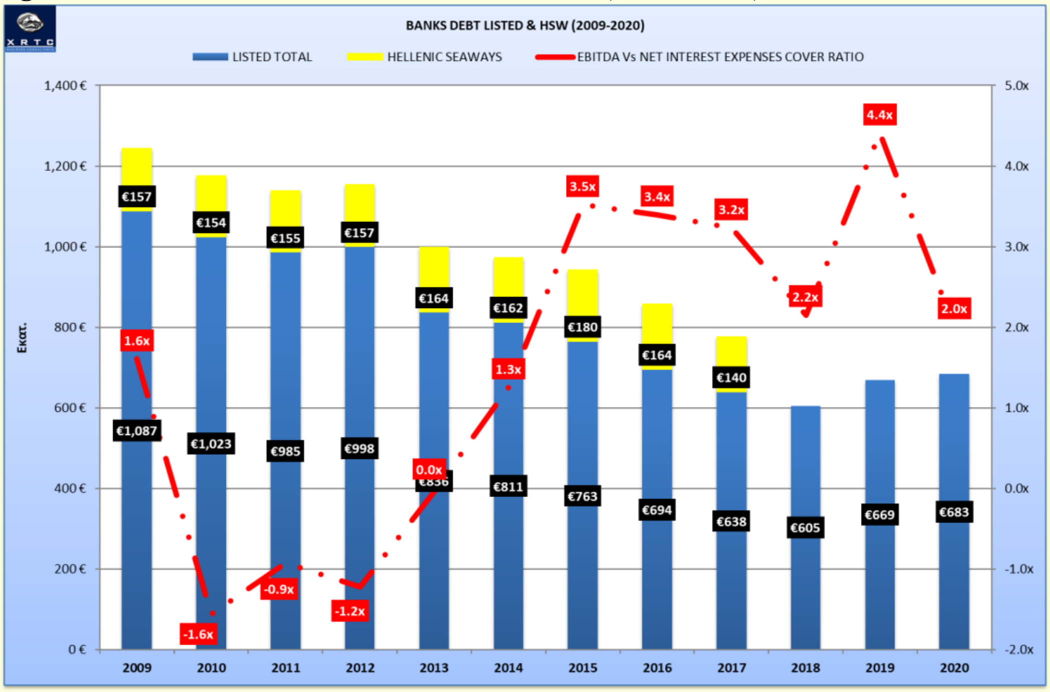
- Bond loan with a coalition of banks totaling € 219.9m (part of which amounted to € 22m as conditionally convertible).

- Bilateral loan of € 44.6m.

In August 2020, the process of converting part of the above bond loan into common shares was completed. With the conversion of these bonds, there was an increase in the share capital of the company by the amount of € 10.m with the issue of 36,146,665 new common voting shares with a nominal value of € 0.30 each.

MINOAN has zero bank debt after the full repayment of its bond loan.

Figure 13: Banks' Debt of Listed Cos & Minoan (2009 - 2020)

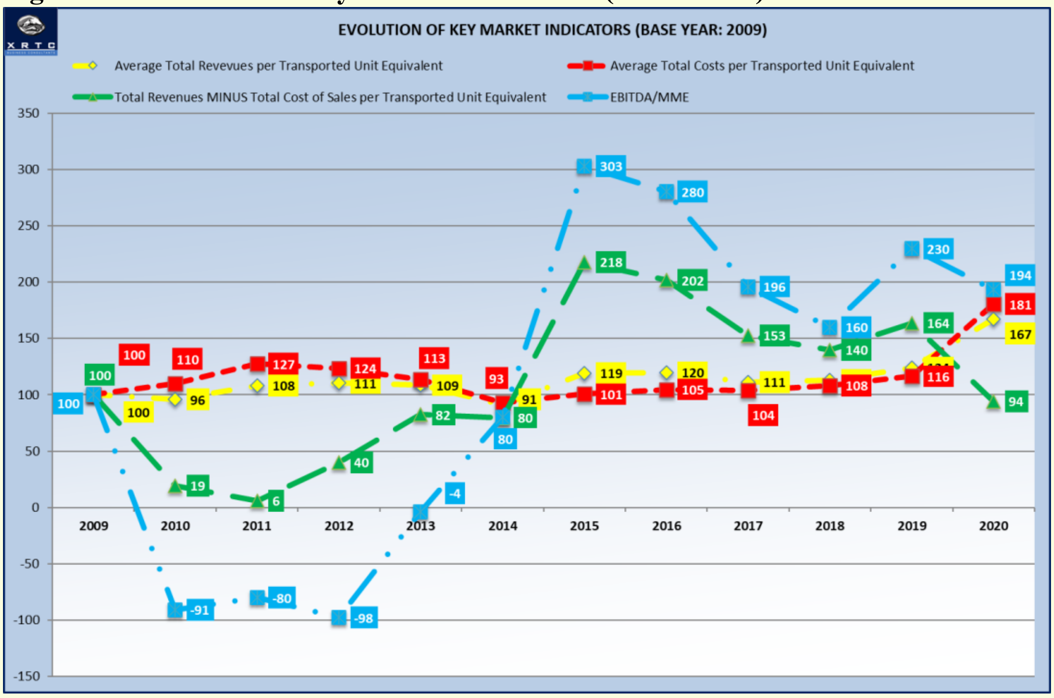


Source: XRTC Database

4.6. Market's Comparative Analysis

In Figure 14 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 -in absolute terms- of passengers, trucks and cars carried per year"**.

Figure 14: Evolution of Key Market Indicators (2009 - 2020)

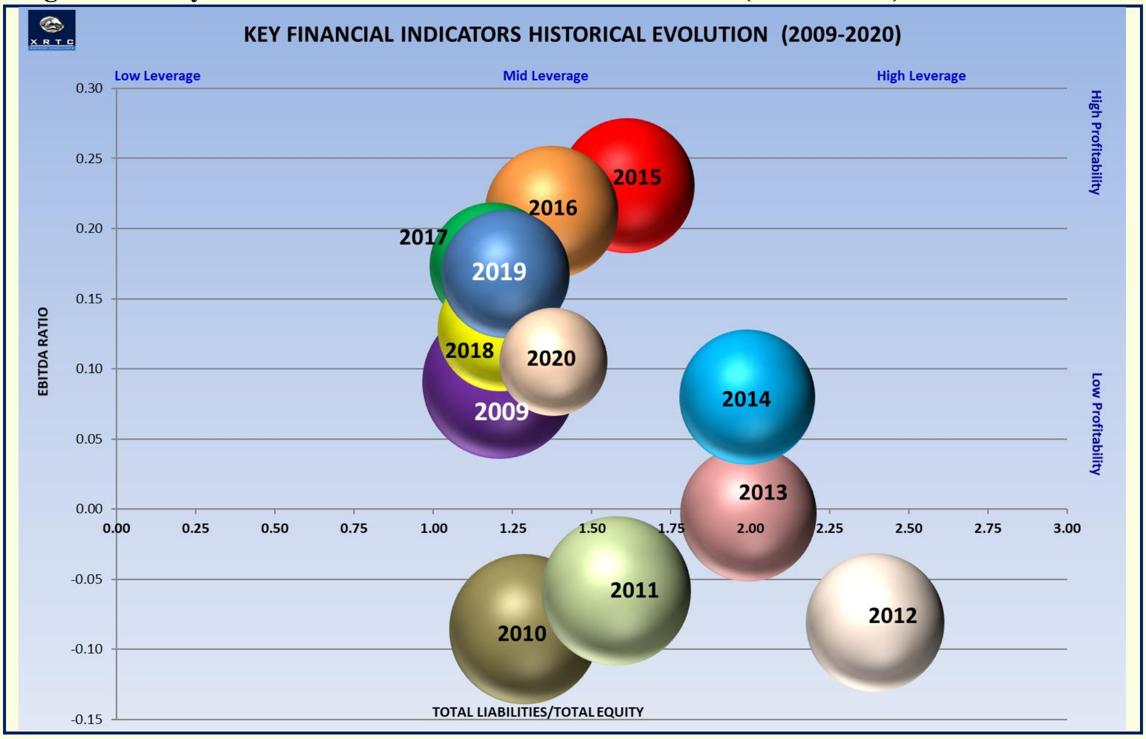


Source: XRTC Database

Analytically the Ratios:

- **Average Revenue/Transported Unit**: is increased for 2020 (167) compared to 2019(124) despite the fact that the transportation volume has been reduced. The revenues of the companies include the compensations received from the state while there are no corresponding tickets.
- **Operating Cost/Transported Unit**: is also increased for 2020 (181) compared to 2019 (116) as the transportation volume project may have been reduced but the operating costs of the companies were not reduced accordingly
- **EBITDA/MME:** presents a significant decrease for 2020 (194) compared to 2019 (230)
- **Total Revenues minus Total Cost of Sales per Transported Unit Equivalent:** presents a significant decrease for 2020 (94) compared to 2019 (164)

Figure 15: Key Financial Indicators Historical Evolution (2009 - 2020)



Source: XRTC Database

As seen in Figure 15, the Liabilities/Shareholders Equity ratio improved in 2020, since total liabilities cover shareholders equity by 1.38 times. This increase of the ratio is attributed to the fact that the Equity of ANEK LINES company remains negative by - €935,000.

ANEK LINES Auditors draw the attention to Notes 2 and 32 in the separate and consolidated financial statements which in particular indicate that the working capital of the Company and the Group is negative respectively by € 260,0 million and € 251,2 million, the equity of the Group remains negative by € 9,9 million while there are overdue liabilities towards credit institutions.

After the conversion of part of the Company's bond loan into common shares in August 2020, there was an increase of share capital by € 10,8 million which improved the Group’s capital adequacy, while the bond lenders reserve the right to convert the remaining amount of the convertible loan amounting to € 11,2 million. The management estimates that after the exit from the pandemic crisis, the Company can also produce internal capital based on operating profitability and gradually restore the integrity of equity.

The restructuring effort of ATTICA GROUP and MINOAN that started in 2010, resulted in the reduction of their turnover by half, through the reduction of the fleet in combination with the rationalization of their network and itineraries (Figure 15)

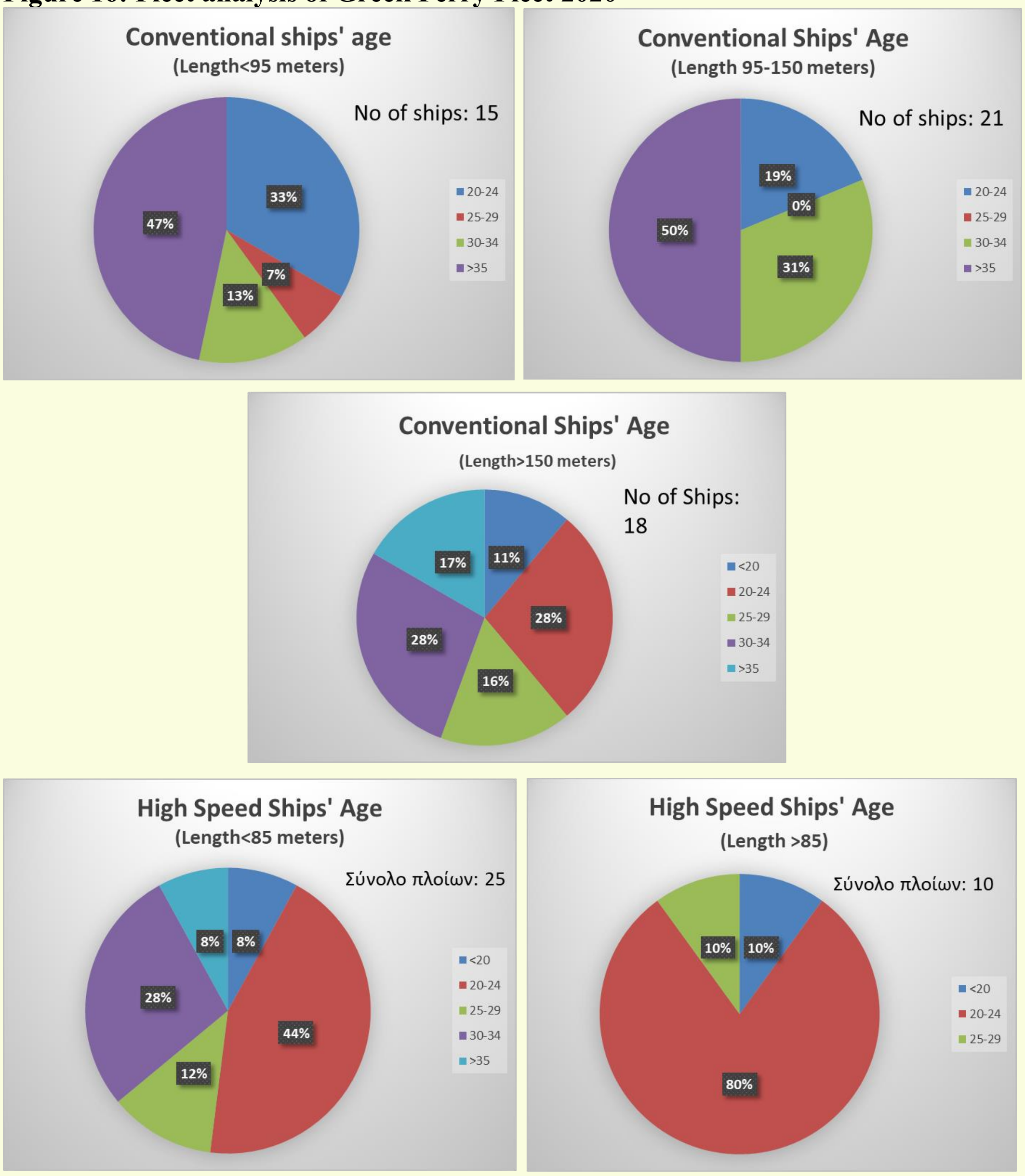
The leverage ratio (Total Liabilities / Total Equity) remains approximately at the same level as in 2010 despite the fact that their liabilities have been significantly reduced.

The EBITDA margin was reduced in 2020 to 10% from 17% in 2019, remaining at levels below 25%, a margin necessary for new investments, making it difficult for new investors to enter.

5. THE NEED FOR THE FLEET RENEWAL

The Greek ferry fleet has already completed the phase that began in the mid-late 1990s with continuing newbuilding orders that had never been placed not only nationally but also at European or even global level. Within 10 years between 1995-2005 the fleet was renewed by 90% in terms of tonnage and its age was reduced from an average of over 30 years to an average of almost 5 years. This success of this phase was also assisted by the expected entry of the country into EMU and the single currency, the undertaking of the Olympic Games and the flourishing of the small, usually weak Greek stock market, from which significant funds were raised for this new historic investment cycle in Greek Ferry Market.

Figure 16: Fleet analysis of Greek Ferry Fleet 2020

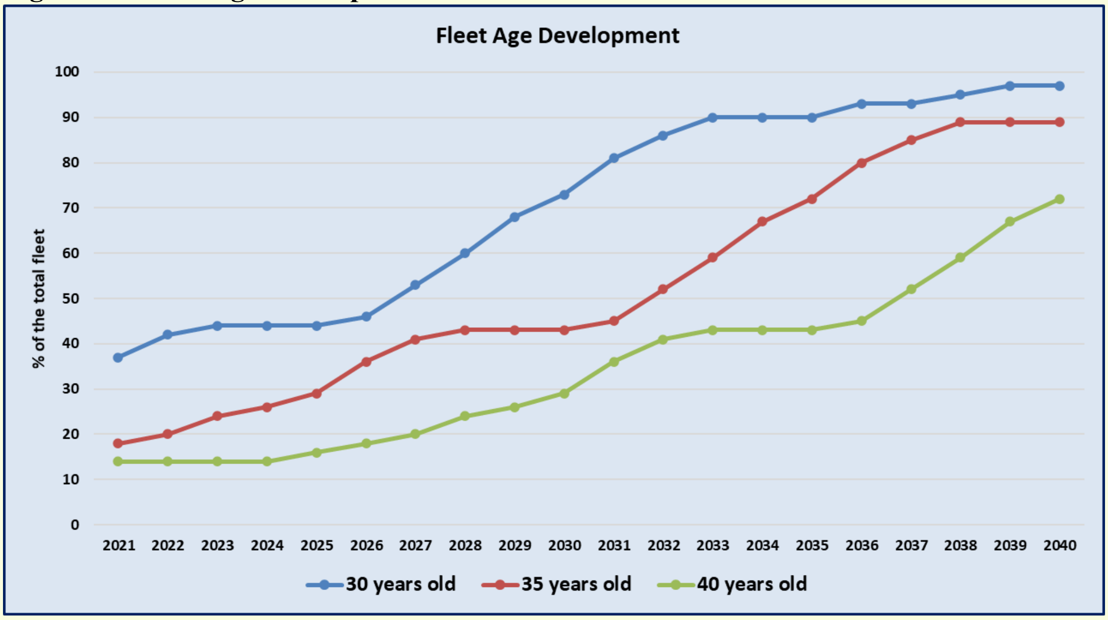


The above combination as well as the abolition of cabotage with the implementation as a law of the state of the European Directive 1932 which brought the liberalization of the operation of coastal ships attracted the interest of investors of the maritime economy and shipping who invested for the first time in the inland shipping market next to the traditional names of Greek Ferry market.

The subsequent course of the industry unfortunately did not allow the necessary continuous renewal. The poor financial results of the ferry companies as a consequence of their intense competition but mainly the outbreak of the international financial crisis of 2008 and consequently the Greek debt crisis led the market to fleet reduction and its inevitable aging. This is seen in both conventional and high-speed vessels.

The aging picture presented allows the analyst to be optimistic for the start of a new investment cycle in the market either with the construction of new ships or the purchase of modern secondhand ships. We are leading this trend not only because of the need for renewal but also because of the need for the market itself to comply with the new environmental rules and regulations. The market is called upon to find as soon as possible the technical solutions for the construction of new environmentally friendly ships and funds for the planned new investments. The above should be planned immediately, because as shown in the chart below at the end of 2021 60% of the fleet is within the age limit of 30 years while the corresponding percentage in 2030 will be 26% with only 74% of fleet to be over 30 years old.

Figure 17: Fleet Age Development



Undoubtedly, we are entering a new cycle of fleet renewal that will require investments of € 2.5 billion to € 3 billion if we decide to renew all the existing ships of Greek Ferry market that are over 25 years old (34 conventional and 13 speedboats). Respectively, new investments are needed for the technological upgrade of the newest part of the coastal fleet under 20 years (20 conventional and 22 high-speed vessels) that serve lines of the Greek coastal market. With a simple estimate, the cost of these investments exceeds € 100 - 150 million.

The current picture can be seen as an opportunity for new investors to enter if it is combined with the gradual lifting of the pandemic measures in the next two years and the launch of both tourism product and Greek economy.

6. SWOT ANALYSIS

The analysis of the market environment is presented by recording its strengths and weaknesses as well as its opportunities and threats. Undoubtedly there are established characteristics of the market which we repeat in our annual analyzes while there are other characteristics that enter the table below depending on current developments.

TABLE 5: SWOT ANALYSIS

Strengths	Weaknesses
• An integral part of the cohesion of the Greek state and the EU. • Flexible administrative structures of shipping companies. • Constructive cooperation between the state and companies. • Smooth working relationships	• Increased shareholding participation of banking groups in the market from conversion of bond loans • Lack of financial data from half of the ferry operators • Difficulty in attracting investors due to increased investment risk of the industry • Lack of stock market depth. • Aging of the fleet • Weak financial position of the majority of companies
Opportunities	**Threats**
• New National Strategy for the Integrated Maritime Policy in the Island Area. • EU funding programs for green growth offer new low-cost investment tools. • Integration of the sector in sustainable supply chains and obligation of adaptation of Greek companies. • Necessity of renewal and modernization of the Fleet • Adaptation of management model to ESG standards and reform of the management model • Port privatization will be a pillar of new investment models and transport requirements	• Uncertain economic environment due to pandemic • Increased risk of bankruptcy of certain companies • High levels of market concentration - Risk of monopoly effects • Significant exposure to NPLs of several companies • Difficult access to the banking market. • Increased participation in the share capital of ferry companies by banking groups • Ferry companies can be the target of aggressive acquisitions • High borrowing costs • Increasing competition from airline companies

Source: XRTC Database

7. Conclusions – Prospects

The 20th study of Greek Ferry Market finds the industry at a particularly critical turning point which requires from all stakeholders responsibility, understanding of the situation in which it finds itself, analysis and forecasting of the future conditions that will prevail and finally, decision making that will determine the viability conditions of ferry companies directly. The crucial point, among others, is the pandemic which acted as a catalyst in the emergence of the market's chronic financial problems, which were overshadowed by the positive dynamics created by the steady upward trend of demand in the four years 2016-2019. Characteristically, the coastal passenger traffic in 2019, amounted to almost 19 million (domestic network), a development that resulted in returning to the level of 2009. Respectively, on the Adriatic lines, the number of passengers transported from Greek ports amounted to 1.5 million. in 2019. The upward trend of the transport volume was mainly due to the increase of the tourist flow from abroad but also the improvement of the psychology of the Greek users with the gradual improvement of the country's financial situation.

However, everything was turned upside down in 2020. The ferry sector, and especially the passenger sector, was the one that faced an unprecedented situation, that of fleet stagnation. On the other hand, trucks transport continued to produce work, continuing to supply the market in a smooth manner. Greek Ferry market imposed a restriction on the movement of passengers to the Greek islands from the end of March 2020 to mid-May 2020, followed by a reduced passenger protocol on ships after the lifting of restrictive measures. Respectively, in the Adriatic Sea the measures included the ban on the movement of passengers and vehicles from mid-March to the end of June 2020.

The Association of Passenger Shipping Companies (SEEN) in a letter addressed to the Minister of Maritime Affaires and Insular Policy requested imminent measures to strengthen and compensate the ferry market for the losses suffered. As pointed out in this letter, the passengers traffic volume in the first half of 2021 is lower than 2020, both on the local ferry routes and on the Greece-Italy lines. Taking into account this fact as well as the increase of fuel prices and the € 50 million due from the State for the execution of Public Service routes, Greek ferry companies' financial situation is really dramatic.

In terms of their financial results, we note for 2021 the increase in fuel prices which will negatively affect the results of 2021. Indicatively it is stated that the average price of 380cst / Rotterdam for the first half of 2021 has increased by 64% in compared to the corresponding half of 2020. In fact, it is estimated that at the end of the year, the average price will be increased by 60% to 70% compared to 2020, significantly burdening the companies already affected by the pandemic. The temporary pleasant climate of increased summer traffic may not be enough to cover the combined rising costs of the year we are going through.

380cst bunker prices, Rotterdam	
	US$/Tonne
1ο εξάμηνο 2020	$226.09
1ο εξάμηνο 2021	$369.98
Διαφορά (%)	64%

The state implemented some important legislative interventions, such as the draft law "Integrated maritime policy in the island area". According to the Ministry, this is a holistic strategic approach with specific development financing tools. This is what the market itself is anxiously waiting for, as the companies are obliged to proceed in new investments.

The Law 4770/2021 provides for the abolishment by August 2021 of the National Strategy for the Integrated Maritime Policy in the Island Area, constituting the "road map" of the country for the necessary policies and financing to the island area. In addition, it provides for the creation of three targeted financial instruments of a permanent nature that will cover the financing of critical public infrastructure and operations (ports, water management, ferry connections, etc.) or the provision of special programs to provide incentives to maintain small -mainly family- businesses on the islands of the country.

At the same time, the new framework invests significantly in the so-called "participatory" governance, giving incentives to the public dialogue of the islands' institutions and the promotion of collaborations, through the establishment of the National Register of Maritime Economy Bodies.

As evidenced by the economic analysis included in the Study, the loss of the passenger transport volume was mitigated by the transport of goods. The supply chain and logistics faced many challenges during the pandemic period for the proper supply and operation of the market. These industries had to adequately meet the needs under these extremely difficult conditions.

It turns out that in order for the supply chain to work, the domestic port industry has to respond. The launch of tenders for the development of regional ports is the most important event. After the ports of Piraeus and Thessaloniki, the ports of Alexandroupolis (sale of 67%), Kavala (sub-concession of part of the port Filippos II for 40 years) and Igoumenitsa (sale of 67%) are scheduled to attract significant investment interest from private investors.

One of the biggest challenges facing the industry is the renewal of the Ferry Fleet. According to a relevant study by NEE and SEEN, in 2030, 32.7% of the Ferry Fleet will be older than 40 years, with 18 ships being older than 50 years. Characteristic of the aging of the fleet is that the whole fleet is over 7 years old with a median age of 25 years. In practice this means that in the next 10 years 50% of the existing fleet will have to be replaced with the assumption that maintenance costs for ships over 35 years of age increase prohibitively. As smaller ships suitable for our coastal itineraries are not available for sale in the International Market, the only solution for fleet renewal is the construction of new ships whose cost is high mainly due to the new environmental standards, while the construction time exceeds 2-3 years. In the plan of the Recovery Fund there is a provision of € 1 million for the completion of a study that will reflect the total needs and the possibilities of financing the constructions.

Based on analyzes by XRTC Business Consultants, the required capital for the fleet renewal/upgrade over the next decade range between € 2.6 to € 3 billion while in addition more than € 100 million is needed to upgrade the fleet to newer ships. These amounts are large in themselves and is a challenge for the domestic shipbuilding industry which has gained momentum with the investment entry of experienced shipping investors. The necessity of new constructions but also the preference of Greek Ferry market for the construction and repair of ships in our country will push and accelerate the start of shipbuilding activity with a forecast to start new constructions within 3 years. We may definitely say that the Ferry market is going through a decade that started with the painful problems of the pandemic and will continue with all other problems already mentioned for which solutions must be found immediately.

This decade, which has a horizon of 2030, is a period of opportunities for companies in the industry to adapt to the new business environment. These opportunities arise from the financial tools provided by the EU. in the context of its policy regarding the environment and sustainable development as well as the willingness of the Greek State to assist in the effort to maintain the cohesion of the island area with mainland Greece. Another opportunity is the new ESG standards which in the near future will impose the change of operating culture and new management models of companies. Familiarity and compliance with these new practices will largely determine the viability of the ferry companies in order to facilitate their access to funds and lower costs.

Greek Ferry market is now in an environment of upheaval. Technologically everyone is trying to predict the "ideal" fuels that will allow them to operate the fleet in the coming decades, management companies are forced to turn to new forms of management respecting sustainable development, transparency, and social responsibility. On the other hand, their main target is the attraction of new investors' interest that will be able to realize the many opportunities. The anticipated necessity of market credit support not only at national but also European level gives a new optimism.

In this environment, mistakes cannot be forgiven as there are guarantees of success that start from the successful history of the industry and its continuous contribution to society as a whole. Hence the obligation of the state to support it.

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