



22nd Annual Report on the Greek Ferry Market 2023

Greek Ferry Market 2023:

«Render unto Caesar the things that are Caesar's»
Profitability or Derailment



August 2023



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.

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XRTC has been honored 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 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.

The contained information in the Study are reportedly dated June 2023 (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 public sources. The information relating to the other companies’ fleet and itineraries came from their websides and Association of Passenger Shipping Companies (SEEN). These companies do not release their financial or other results.

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Sources:

- ANEK LINES (2022), Annual Financial Report
- ATTICA GROUP (2022), Annual Financial Report
- MINOAN LINES (2022), Annual Financial Report
- ASSOCIATION OF PASSENGER SHIPPING COMPANIES (SEEN) (2023)
- XRTC LTD (2023), Greek Ferry Market Database
- XRTC – Greek Ferry Market Annual Reports 2001-2023

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SUMMARY

"Render unto Caesar the things that are Caesar's" is the title of this year's Report, or give credit where credit is due. Having noticed the passengers' annoyance for the high ferry ticket prices of this summer, we analyzed once again the actual financial situation of the Large Size Companies. The Greek ferry companies, despite the gloomy economic results, continue their ships' operation without interruption, connecting our islands with the mainland throughout the year. That is why the time has come, to recognize the role of these private companies and to call once again all stakeholders and parties involved, to modernize the policies and operational planning of the Greek Ferry Market.

In the last 15 years, the Greek ferry companies have gone through, like all transportation companies, a series of domestic and international crises, resulting to unavailability of Equity to finance the renewal of their fleets, being an essential prerequisite, according to the current environmental regulations aiming at zero carbon footprint ships.

The demand for ferry services in Greece, continues its upward trend after the coronavirus pandemic, without yet reaching the 2019 record transportation volume. Even though 2022 was a year with a fairly large increase in traffic, the inconsiderable increase in fuel prices affected the financial results of the companies, leading them to financial losses.

The initial estimates for traffic volume in 2023 are that the upward trend observed in 2022 will continue, so that passenger traffic will reach the levels of the year 2019. However, the challenges posed by inflationary pressures, the evolution of the energy crisis, the rapid increase in the cost of money and the general negative effects of the war conflicts in Ukraine, are unsettled factors that may negatively affect the financial results of the ferry companies.

The high cost of fuel in 2022 caused an increase of up to 35% in fares prices. In mid-July 2023, following citizen protests over the maintenance of high-ticket prices at 2022 levels, the government requested immediate reductions of around 20% from the representatives of the ferry companies, especially in the main ports (Piraeus, Rafina, Thessaloniki, Kavala, Volos). Following government intervention, companies moved to comply through special package offers or family offers.

Each company, following its own commercial policy, proceeded to formulate discount packages according to its capabilities and social sensitivity.

GREEK FERRY MARKET TRANSPORTATION VOLUME

The passenger transport volume in 2022 was increased by 36%, reaching 17.5 million passengers, while the increase in vehicle traffic was increased by 12%, reaching 3.7 million vehicles.

Although during the two months of January-February 2022 the transportation volume showed an increase compared to the relevant period of 2021, the invasion of Russia in Ukraine on February 24, 2022 and the gloomy events that followed, negatively affected the global economy leading to huge increases in fuel price, other essential commodities and raw materials, while supply chains, transportation and capital markets were disrupted, bringing great uncertainty about the immediate future.

Following successive increases in international oil prices and a more than doubling of marine fuel prices, ferry tickets in the summer of 2022 were up 35% compared to 2021.

FUEL PRICES

In 2022 the average fuel price VLSFO Bunker Prices (0.5% Sulphur), Rotterdam reached \$729 compared to \$506 in 2021. The relevant price since the beginning of 2023 has been set at \$555, which although decreased by 24%, still remains in high levels.

Table 1: Average fuel price VLSFO (2020-2023)

YEAR	VLSFO Bunker Prices (0.5% Sulphur), Rotterdam \$/Tonne
2020	\$328
2021	\$506
2022	\$729
2023 (*)	\$555

Source: XRTC / Clarksons Research

Fuel cost in normal times made up an average of 40% of ships' operating costs. With skyrocketing fuel price hikes starting in the fourth quarter of 2021, fuel costs have soared to 56% of ships' operating costs, according to data from the Large Companies.

According to the ferry companies, the recent decision of HELLENiQ ENERGY to change the calculation of marine fuel pricing, is a negative factor for the reduction of prices in 2023, while in addition, the price of Marine Gas Oil (MGO) will cease to be used as a benchmark, as it is formulated internationally.

The price of Very Low Sulfur Oil (VLSO) is now used as a benchmark. According to the ferry shipowners, this change at this stage is equivalent to an increase of around 100 dollars/ton and a rate of 20% for the basic marine fuel used by the Greek shipping companies (VLSO, which is the low sulfur fuel that ships without scrubbers are using). HELLENiQ ENERGY has responded that it is adapting to what its suppliers and competitors are doing, and argues that with this change, marine fuel will not become more expensive, but may become cheaper.

INTEREST RATES INCREASE

The euro's main interest rate was raised by 25 basis points on July 27, 2023, for the ninth time since July 2022, and now stands at 3.75%, its highest level since January 2001. However, Goldman predicts that the main interest rate will reach 4%, as the latest estimates point to inflation remaining at high levels.

These continuous increases cause an increase in the interest on the ferry companies' loans, resulting in the difficulty of the companies in repaying their loan obligations.

ENVIRONMENTAL CHALLENGES -FUEL EU MARITIME

The Regulation "on the use of renewable and low-carbon fuels by the maritime transport sector" which is part of the legislative package "Fit for 55" published by the European Commission on July 14, 2021, seeks to promote the use of cleaner marine fuels by ships sailing to or departing from European ports. The aim is to reduce the intensity of greenhouse gas emissions from the energy used by ships by up to 75% by 2050, by promoting the use of renewable and low-carbon fuels in maritime transport.

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14, 2021, seeks to promote the use of cleaner marine fuels by ships sailing to or departing from European ports. The aim is to reduce the intensity of greenhouse gas emissions from the energy used by ships by up to 75% by 2050, by promoting the use of renewable and low-carbon fuels in maritime transport. However, ships operating on the Patras-Italy lines and to islands with more than 200,000 inhabitants, from 2024 will have to apply the two regulations of the European Union concerning the ETS (Emission Trading System) and the "FuelEU Maritime ».

The EU emissions trading system (EU ETS) is an essential part of the EU's policy to combat climate change. The EU ETS is a “cap and trade” scheme where a limit (the cap) is placed on the right to emit specified pollutants over a geographic area and companies can trade emission rights within that area. This means that the ferry companies are obliged to hold an allowance for each ton of CO₂ or other carbon equivalent gases they emit. The money from the sales of allowances will be used for EU's green fund.

ETS will have a significant impact on the cost base for the industry and the increased cost will need to be absorbed by the market.

While in ocean shipping the advantage of the ETS pollution trading buyout is that this responsibility passes to the charterer (the polluter pays), however this is not the case for coastal shipping as the companies themselves are also the managers of the ships.

The Greek Shipowners Association for Passenger Ships (SEEN) in the context of its purposes and actions to promote research, technological and/or development programs and projects for Passenger Shipping continues to finance with its own resources the development of research projects through contracts assignment to Universities and Research Centers of the country.

SEEN signed a three-year Cooperation Agreement with the National Technical University of Athens (Maritime Transport Laboratory/School of Naval Mechanical Engineering) aiming at optimal development and operation structure of integrated onshore power supply systems (O.P.S.), on passenger shipping vessels in Greek ports and abroad in which the members of the association are active.

The Maritime Chamber of Greece has a similar activity and acts as an advisor to the Ministry of Shipping. The two parties are investing hundreds of thousands of Euros in the Research and Development of the coastal ferry industry by researching alternative fuel sources.

FLEET RENEWAL

Given that 41% of the Greek ferry vessels currently in service will be over 40 years old in 2035, the renewal of the ferry fleet is one of the biggest challenges that the industry has to face.

Provided that there are no second-hand ships available that meet environmental regulations, the only solution is the construction of new ships. The problems posed are varied, the most important being what type of fuel these new ships will use and how they will be financed. The reluctance of the banks to finance the shipping market as well as the difficult financial results of the ferry companies are a brake on the renewal of the fleet.

In addition, the ferries that can operate in the port infrastructures of the Greek islands must be of specific specifications in terms of size and capacity, adapted to the needs of the Greek ports.

While the deadlines for achieving the reduction of gaseous pollutants have been set, the technologically sustainable solutions for their replacement by renewable sources, such as electricity, biofuels, ammonia, hydrogen, methanol, etc., have not yet been achieved.

The plans for the construction of new ferry ships are very limited. Attica group alone completed in 2022 the construction of three small Aero Catamaran ships, which were launched on the lines of the Argosaronic Sea, marking the end of the era of the "flying dolphins" that for more than 40 years served the transportation needs of the islands.

The Ministry of Shipping is proceeding with the planning and establishment of the criteria for the replacement of ferry vessels, with the aim of reducing gas emissions and the "green" transition of the fleet. For this reason, it aims to create a private fund for the renewal of the ferry fleet by hiring a technical consultant through an international tender that will be financed by the EU Recovery Fund. The consultant should proceed with drafting a study that identifies the financial needs for the renewal of the fleet accompanied by the necessary accompanying documents concerning the proposed technology and the characteristics of the existing fleet.

The central idea of the planning is that any shipowner who receives financing through the special fund that will be created, will be obliged to route the ship for all years in the Greek area and will not be able to lease or sell it to another country. The ferry companies hope that multi-year public service contracts can be used to help bank financing in conjunction with the aforementioned financing tools.

In Italy they have already drawn up a fleet renewal and green transition program having already secured approval from the EU for their financing with €500 million from the Italian state budget as part of the Recovery Fund.

Attica Group has developed a Sustainable Development Policy that describes the principles regarding the sustainable development and management of social and environmental issues as well as governance issues (ESG) in 3 main Dimensions (Governance, Social, Environmental) and 5 Modules (Governance, Society, Employees, Customers, Environment).

SEAPLANES

Although the law for the waterways licensing calls has been voted from the Greek parliament ten years ago, several amendments and additions to the legal framework have been required to overcome a multitude of obstacles. According to the Ministry of Development and Investments, the first test routes of the seaplanes will start in the summer of 2023.

The waterways in Patras, Paxoi and Corfu have got the "green light" for the start of seaplane operations following the successful completion of inspection procedures by the relevant committee. The operating body of the Corfu and Paxoi network is the Northern Ionian Waterways Company, in partnership with Hellenic Waterways and the Corfu Port Authority S.A.

ANEK RESCUE PLAN

The Plenary Session of the Competition Commission gave the green light for the merger by absorption of ANEK by Attica group. Attica Group had reached an agreement with the shareholders and creditors of ANEK for its absorption on 26/9/2022. Attica Group will take on some €80 million in ANEK debt and will give the Cretan company's shareholders shares equal to an 11.5% stake in the group. The agreement was approved under the provisions on rescue of firms (failing firm), i.e. without

requiring a change in the way the two companies operate, a possible withdrawal from coastal shipping lines or the sale of ships.

The decision is based on the recommendation received by the Competition Commission. According to the proposal, the “merger of the two companies will not significantly limit the operation of competition in the relevant markets for the provision of marine transport services for passengers, passenger cars and trucks in the Greek territory. Furthermore, no vertical relationships were found.”

It is noted that Piraeus Bank had rejected the takeover proposal from member companies of the Seajets shipping firm to acquire ANEK. Piraeus Bank in its response letter to the proposal of the Seajets companies, cited the lack of sufficient funds that would ensure the company’s survival as a reason for the rejection.

FINANCIAL SITUATION OF THE LARGE FERRY COMPANIES

The 2022 highlights of the Audited Financial Statements of the 3 Large Ferry Companies are shown in Table 2.

Table 2: Financial Highlights of the Large Ferry Companies 2022

COMPANIES	TURNOVER FROM OPERATIONS	COST OF SALES	EBITDA	NET RESULTS BEFORE TAX
ATTICA GROUP	530,242,000 €	-463,555,000 €	57,750,000 €	17,488,000 €
ANEK LINES	180,012,000 €	-169,471,000 €	800,000 €	-19,981,000 €
MINOAN LINES	92,885,000 €	-90,561,000 €	2,331,000 €	-18,344,000 €

Source: XRTC Ltd/Companies Annual Reports

Total consolidated losses of the three companies in 2021 amounted to €71m while relevant amount for the years 2020-2022 amounts to €155m.

The consolidated profit of Attica Group of 2022, that stands at €17.05m is attributed to the fuel hedging transactions of the group (€26.65m), otherwise the group would present losses of €9,6m.

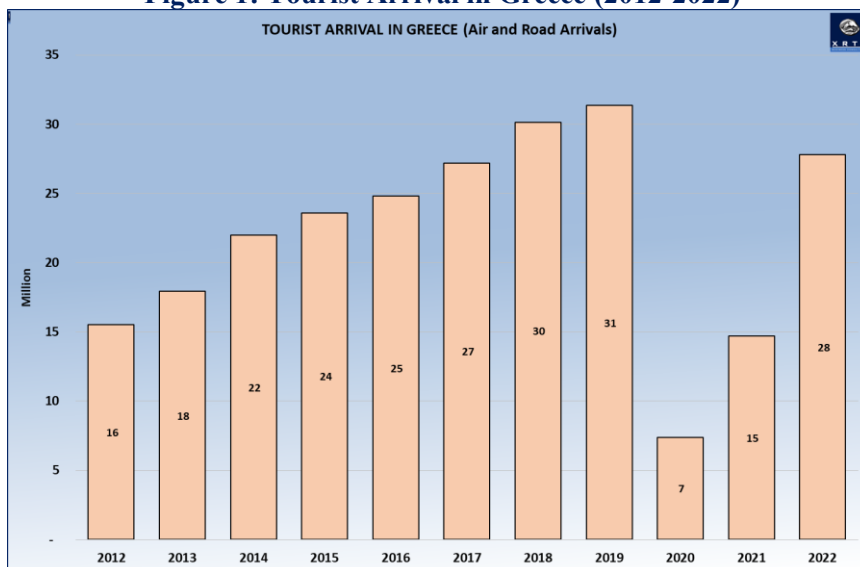
The stabilizing trends in fuel prices since the beginning of 2023, accompanied by expert opinions on stability and downward trends in the value of oil at the global level during the year, create an optimism for the economic path of companies. Nevertheless, the rise of inflation and interest rates as well as other volatile factors including geopolitics pose risks to the financial strength of companies.

TOURIST ARRIVAL

In 2022, inbound tourist traffic amounted to 27,8m people, increased by 89% compared to 2021 level, a number that is close to the highest of 31m tourists in 2019.

Travel receipts in nominal terms increased by 68.3% in 2022 compared to 2021, reaching 97.2% of the corresponding level of receipts in 2019. But their increase in real terms, as approximated by the weighted consumer price index for tourism, for 2022 rose to 48.9% compared to 2021, with a recovery rate at constant prices of 90.2%. In 2022 non-resident arrivals recorded an increase of 89.3% over 2021, with a recovery rate of 88.8%. Compared to competitor countries, Greece remained in fourth place in terms of arrivals (after Spain, Italy and Turkey), having increased its share of traveler arrivals compared to competitor countries.

Figure 1: Tourist Arrival in Greece (2012-2022)



Source: XRTC Ltd

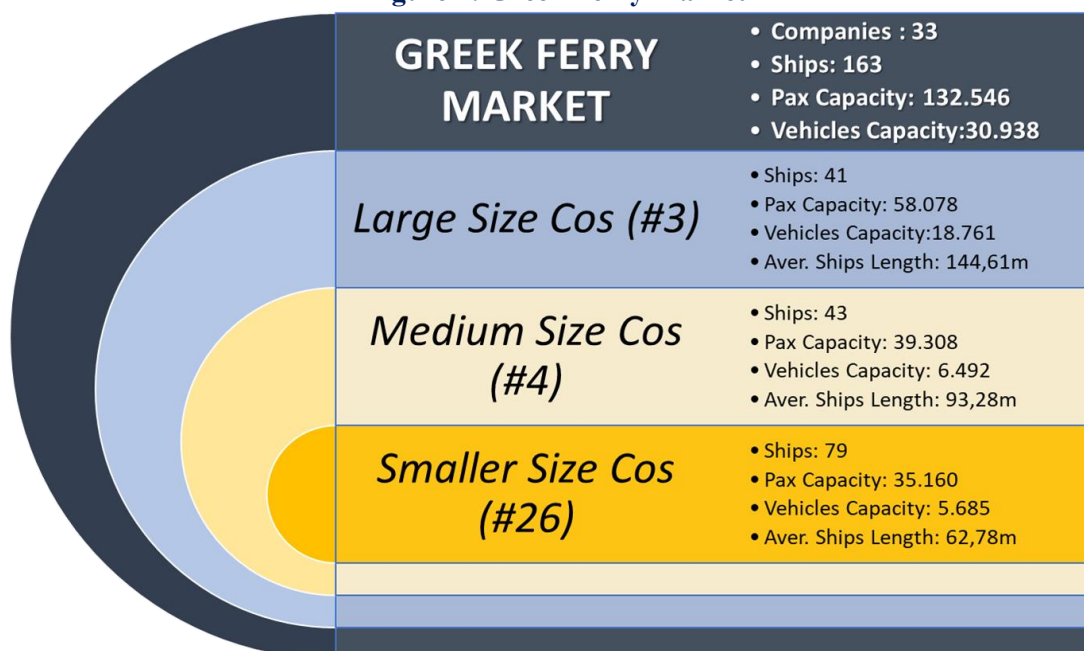
According to the Mr. Giannis Stournaras, Governor of Bank of Greece, moderate optimism is expressed for the course of Greek tourism in 2023. The recovery of the tourism sector is expected to continue, but at a slower pace, due to inflationary pressures, sluggish economic growth and ongoing Russia-Ukraine war, the report points out and adds: "The increased cost of living is expected to lead to a shift in travelers' preferences towards cheaper destinations closer to where they live."

PRESENTATION OF GREEK FERRY MARKET

MARKET OVERVIEW

In the current summer of 2023, 150 ferries serve 115 islands of Greece daily, either connecting them to the mainland or making connections between them. We categorized the 33 ferry companies in 3 categories according to the type of their ships and their characteristics as well as the publication of their Financial Statements (Graph 2)

Figure 2: Greek Ferry Market



Source: XRTC Ltd

In the first category of Large Size Companies, ATTICA, ANEK (both listed in ASE) and MINOAN (member of the Grimaldi Group) are included.

Seajets, although is the largest private Greek ferry company is included in the Medium Size Companies as it does not release financial or other data, thus it cannot be analyzed properly.

Large Size Greek Ferry Companies

In this category we included ANEK, ATTICA, and MINOAN, the business models of which are described below:

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.

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),

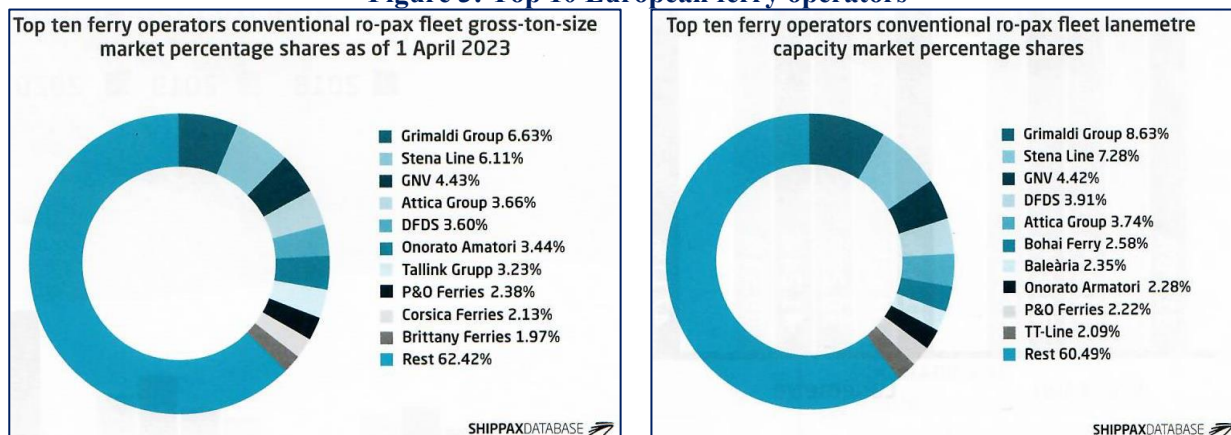
ANEK LINES ITALIA S.r.l. (Agency and representation of shipping companies - tourism sector).

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.

Since 2015 these companies’ fleet has not fluctuated much. The delivery of the three Aero Catamaran brought the number of the fleet to 45 vessels whose average age is steadily rising to 25 years.

According to Shippax Market 2023 magazine (Figure 3), Grimaldi Group ranks first, having the biggest percentage share among the ferry operators conventional ro-pax fleet both in terms of GT size as well as in lanemetre capacity while Attica group ranks in the 4th and 5th place. These rankings prove the quality of the two ferry groups, operating in Greek ferry market.

Figure 3: Top 10 European ferry operators

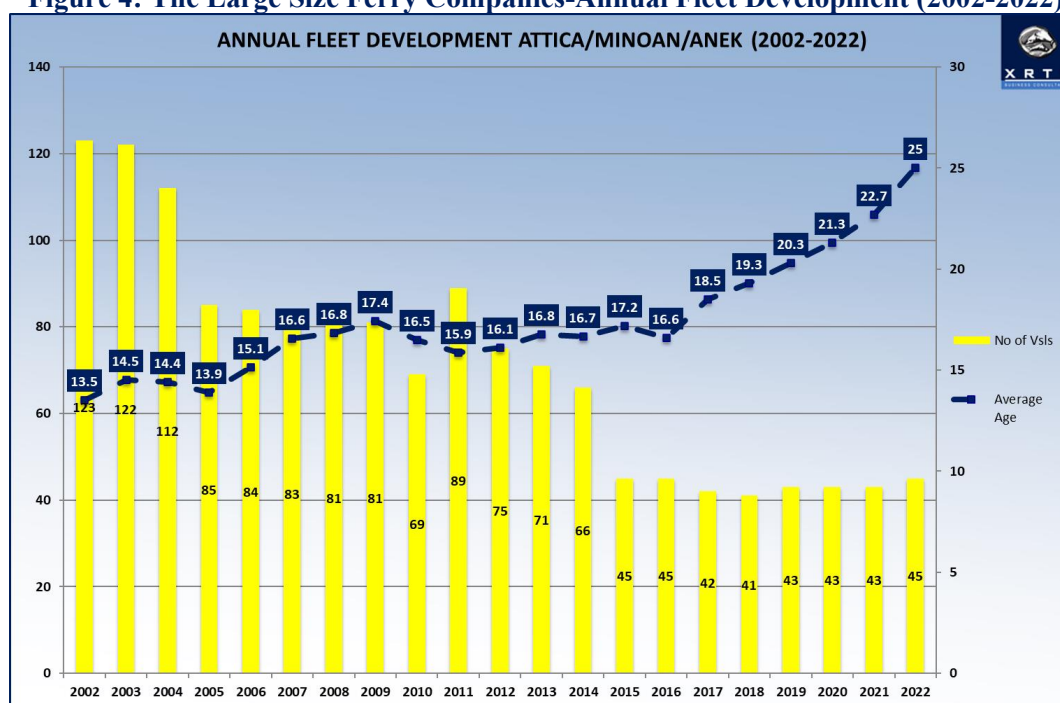


Source: Shippax

Table 3: The Large Size Ferry Companies (Fleet size & Transportation Volume)

COMPANIES	Number of Vessels	Pax Transported	Cars Transported	Trucks Transported
Attica Group	33	6,100,000	1,000,000	420,000
Minoan Lines	4	906,000	161,000	84,000
ANEK	8	809,000	186,000	115,000
Total 2022	45	7,815,000	1,347,000	619,000
Total 2021	43	3,626,129	640,805	498,408
δ %		116%	110%	24%

Πηγή: XRTC ΕΠΕ

Figure 4: The Large Size Ferry Companies-Annual Fleet Development (2002-2022)


Source: XRTC Ltd

The 45 ships of the Large Size Companies are the pillars of the market since they transport passengers and above all most of the cargo to and from the islands. They cover throughout the year the needs of the inhabitants of the island country uninterruptedly with large passenger/ferry ships whose average length is 145m.

Medium Size Companies

In this category we have included 4 companies that are active in the area both on main and barren and inter-island lines.

Our reporting here is based at fleet level only, as these companies do not release financial or other data. The data on the fleets comes from the websites of the companies, while the data on the buying and selling of ships comes from the internet and from market sources.

The companies Fast Ferries, Levante Ferries and Golden Star Ferries operate with conventional ferries throughout the year. Seajets operates most of its high-speed ships only in the high tourist season.

Table 4: Medium Size Companies (2023)

COMPANIES	Owned ships	Ships in Operation
SEAJETS	29	16
FAST FERRIES	4	4
LEVANTE FERRIES	6	4
GOLDEN STAR FERRIES	4	3
TOTAL	43	27

Source: XRTC Ltd (Press/Web pages)

SEAJETS

Seajets owned by Mr. Marios Iliopoulos is the largest private Greek ferry company with a fleet of 29 ships (24 high-speed ships and 5 conventional). It has the largest fleet of high-speed ships in the Aegean and serves 33 islands in the Cyclades both with connections from Piraeus, Lavrio, Crete, Thessaloniki, Rafina and with intra-Cycladic connections. Even though its fleet consists of 29 ships, only 16 of them operate in the current summer.

In 2022 the company bought «Speedrunner 3», the last vessel of Aegean Speed, while in November of 2022, the vessel «Superstar II» (ex-Color Viking) was bought by the Norwegian company Color Line against €8m (VesselsValue). The vessel which has transportation capacity of 1.460 passengers and 340 cars (510 lane meters), was built in Denmark in 1985 (Nakskov Skibsværft) ordered by DSB Færger.

The company adjusts its itineraries every year and adds new ones during the high tourist season when this is required. It therefore enjoys the special advantages of the high-speed ships that operate only in the high season.

Mr. Marios Iliopoulos, head of Seajets, tried to abort the merger of ANEK with Attica Group, being controlled by Piraeus Bank, which was unanimously approved by the Competition Commission in August 2023. After attempts to thwart the transfer of Attica to Strix Holding, he proceeded with MIG share buybacks to prevent Piraeus Bank from gaining control. He finally sold the package of MIG shares that he had bought after the bank's public offering. Finally, he submitted two purchase proposals for ANEK, which were rejected by the creditors as they were considered having high risks of execution, future operation, and low price.

FAST FERRIES

Fast Ferries was founded by Panagiotis and Yiannis Panagiotakis and operates today with 4 ships, 3 conventional and one high-speed ferry in the lines Rafina - Andros - Tinos - Mykonos, Naxos, Paros, Koufonisia and Piraeus, Syros, Mykonos, Naxos.

Fast Ferries cooperates with Minoan Lines by providing an itinerary program with combined routes from Piraeus to Cyclades – Heraklion and the island hopping services, with up to 56 island connections. Services are offered with the high-speed vessels, «HSC Thunder» and «HSC Santorini Palace»

LEVANTE FERRIES

Levante Ferries, owned by Giorgos Theodosios, operates on the line Patras/Kyllini - Zakynthos-Kefallonia, Ithaca with 6 ships.

The company bought and refurbished «Smyrna di Levante» that begun its operation in October 2022 connecting Thessaloniki with Smyrna. Unfortunately, 50 days later the company announced the

suspension of the itinerary. The main reasons for the collapse of this venture are that the vessel begun its operation in a low tourist period, while at the same time the energy crisis and the increased cost of fuel made the route unprofitable. In addition, the low price of fuel used by trucks in Turkey due to government subsidies has reduced the competitive advantage of the sea transportation.

GOLDEN STAR FERRIES

The company bought in March 2022 the ship «Silver Queen» from the Japanese company K-LINE. After the completion of her conversion and her renaming to «Andros Queen», she was launched on the Rafina-Cyclades route. The company also proceeded to the purchase of «Gotlandia II», a Monohull high speed vessel, which was built in the Italian shipyards of Fincantieri in 2006. Its capacity is 6554 GT and its draft is 3.3 meters. Its length overall (LOA) is 122 meters, and its beam is 16.65 meters. It can carry up to 780 passengers and 160 vehicles and develops a speed of 35 knots.

Small Size Companies

In this category we have included 26 companies that are active in the area mainly in barren and intra-island lines. Our reporting here is based at fleet level only, as these companies do not release financial or other data. The data on the fleets comes from the websites of the companies, while the data on the buying and selling of ships comes from the internet and from market sources.

Table 5: Small Size Companies (2023)

	Legal Entity Name	Conventional	High Speed	Total	Average Age
1	AEGEAN FLYING DOLPHINS		3	3	35
2	AEGEAN SEA LINES	1		1	43
3	AGIA MARINI	1		1	43
4	AGIOREITIKES GRAMMES	7	2	9	
5	ALPHA LINES		1	1	21
6	ANE KALYMNOU	2		2	26
7	ANENDYK	6		6	36
8	ANES FERRIES	4		4	40
9	ANMEZ AE (ZANTE FERRIES)	2		2	35
10	DODEKANISSOS SEAWAYS	1	2	3	26
11	GOUTOS LINES	1		1	51
12	IONIAN SEA FERRIES	5		5	
13	IONION P.LINES	1	1	1	34
14	JOY CRUISES	1	1	2	32
15	KARYSTIA	1		1	38
16	KERKYRA LINES	9	1	10	30
17	KERKYRA SEAWAYS	6		6	30
18	LAFASI	2		2	
19	NOBEL MARITIME	3		3	39
20	SAOS FERRIES	4		4	20
21	SARONIC FERRIES	5		5	26
22	SEBECO LINES	2		2	5
23	SKYROS N.E.	1		1	36
24	SMALL CYCLADES LINES	1		1	37
25	STAR GEM	1		1	19
26	TRITON FERRIES	2		2	36
	TOTAL	69	11	79	32

Source: Association of Passenger Shipping Companies

Aegean Sea Lines of the Evgenidis group bought the cruise ship "Rosella" which was built by Wärtsilä Turku shipyard, Finland for SF Line in 1980. The ship, which after its refit was renamed

«Anemos», sailed to the Western Cyclades. The group returned to coastal shipping after the sale, in April 2022, of «Speedrunner III» to Mr. Marios Iliopoulos' Seajets.

We must emphasize that many of the above companies, even though they are local in nature, present innovative management structures, adopt privilege card programs, online reservations, Web check in, e-tickets like the larger companies developing the cruise product. We also emphasize that most of these companies repair or in some cases build their ships in Greece, a fact that needs special support from the state and all public bodies. However, a basic condition is the development of a corporate profile that will enable them to raise bank debt.

DEMAND ANALYSIS

The development of our islands is based exclusively on coastal shipping. Coastal shipping connects 115 habitable islands where 14.6% of the country's population lives. Out of the 115 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.

The statistics published by the Hellenic Statistical Service (ELSTAT) confirm an increase in passenger and vehicle traffic in 2022 compared to 2021. In terms of passengers, it reached 36% while in terms of vehicles as a whole (cars and trucks) reached 12%. (Tables 6,7). It is noted that ELSTAT has not made public the separation of cars and trucks.

Passenger and vehicle volume demand has been steadily increasing since 2013, with the exception of 2020 which dropped dramatically due to the pandemic. The largest percentage of demand is concentrated in the summer months.

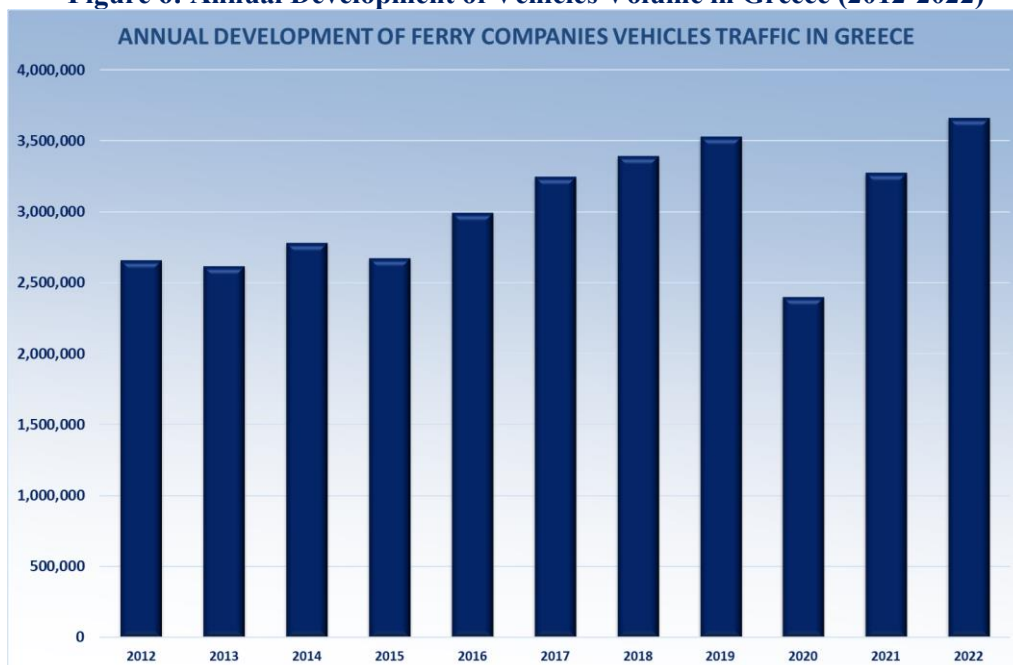
The 36% increase in passengers in 2022 compared to 2021 is a very large percentage which translates to 4.7 million more passengers.

Figure 5: Annual Development of Passengers Volume in Greece (2012-2022)



Source: XRTC data – Hellenic Statistical Service

Figure 6: Annual Development of Vehicles Volume in Greece (2012-2022)



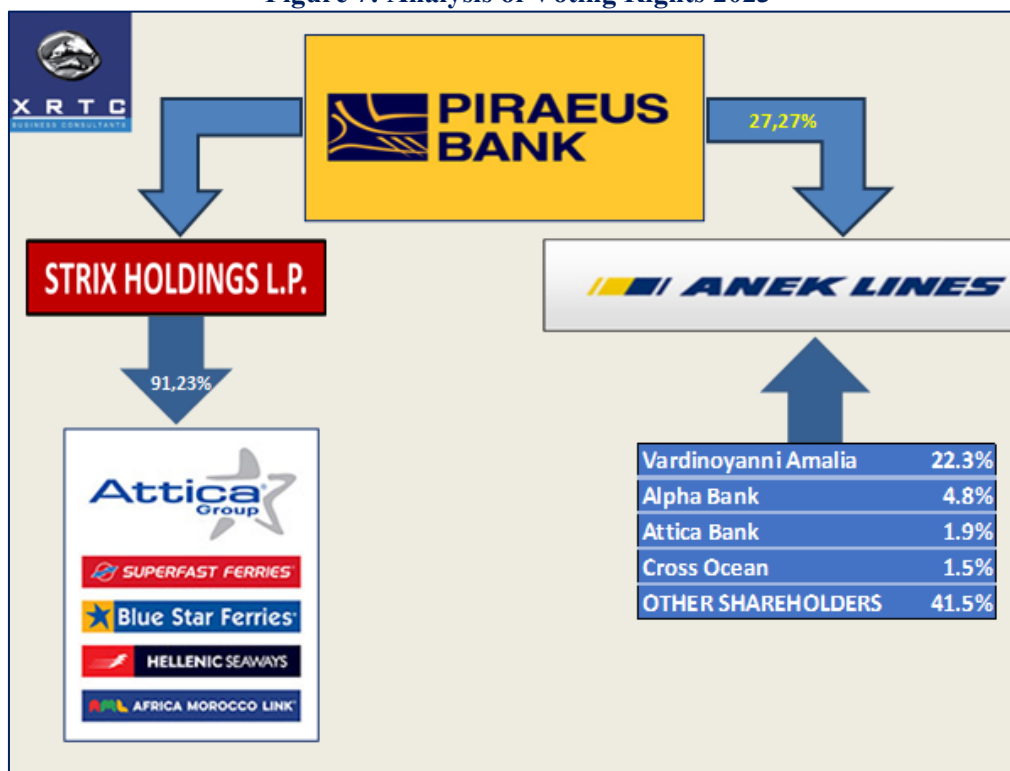
Source: XRTC data – Hellenic Statistical Service

THE LARGE SIZE COMPANIES (ATTICA/ANEK/MINOAN)

SHAREHOLDING STRUCTURE

The shareholding structure of ATTICA and ANEK is presented in Figure 7, while we further report the recent developments.

Figure 7: Analysis of Voting Rights 2023



Source: XRTC Ltd

ATTICA

The increase in 2022 traffic for vehicles may not be as spectacular as for passengers, but it is large since it reaches 12%, which translates into 382 thousand vehicles more than in 2021. In addition, vehicles exceeded the corresponding number of transported vehicles of 2019, a record year of traffic.

Bank of Piraeus planning for its subsidiary companies MIG and Attica Holdings S.A. was aiming to the write off debts of MIG to Bank of Piraeus amounting to €443,8m in exchange of the 78,4% of Attica Holdings S.A. An Irish company, Strix Holdings L.P. was used for the completion of said transactions. This company, being related to Bank of Piraeus, is controlled through a number of companies (Strix Holdings (GP) Limited, Strix Asset Management Limited, Likoma Holdings Limited, Blantyre Special Situations Fund II ICAV, Blantyre Special Situations Fund II LP, Blantyre Fund II GP Limited), by Blantyre Capital (Cayman) Ltd, which in turn is controlled by Mr. Mubashir Mukadam.

In 2022 the following transactions took place between Bank of Piraeus and Strix Holdings L.P.:

- In 21/7/2022 Piraeus Bank contributed to Strix Holdings L.P. the total number of its owned shares of Attica (25.559.429 voting rights representing 11,8437% owning stake).
- In November 2022, Piraeus Bank contributed into Strix its MIG loan balances amounting to €443,8m) book value, in exchange for additional limited partnership interests. As a result, the loans were derecognized from Piraeus' balance sheet.

PIRAEUS BANK – MIG – STRIX (Debt for Equity Exchange Agreement)

- Piraeus Bank continued the purchase of MIG's shares through the ASE and having 53,5021% in February 2023, submitted a public proposal to the remaining shareholders of MIG. This effort was tried to be blocked by Mr. Marios Iliopoulos, founder of Seajets, who managed to gradually acquire 12.9% in MIG with the aim of firstly preventing the "de-dependence" of Attica Group from MIG and secondly the absorption of the financially struggling ANEK from Attica. Mr. Iliopoulos made repeated efforts in the context of the general meeting of MIG shareholders, but also in court, filing applications for temporary injunctions, so that the agreement to exchange shares of the Attica Group shipping company owned by MIG with its debt owned by MIG does not go ahead Strix. Finally, the group of Mr. Iliopoulos, responding to the public proposal of Piraeus, canceled its participation in MIG.
- The result of Piraeus bank's public proposal to the shareholders of MIG, the main shareholder of Attica Group, for the redemption of their securities, made the bank's percentage in MIG to 87.7%, a percentage that cost Piraeus Bank around €110m
- The exchange agreement between Marfin Investment Group (MIG) and Strix Holdings was signed on 13/5/2023, whereby the former gives the latter Attica Group shares corresponding to 79.4% of the shipping company's share capital, against loans of €443.8m of MIG held by Strix. With the completion of the agreement, MIG zeroes out its debt, and Strix Holdings becomes the main shareholder with a percentage of 91,2269% of Attica Group; this is because Strix already owned an 11.3% share of the shipping company.
- Strix having 91,2269% of Attica Holdings submitted a public proposal to the remaining shareholders of Attica at a price of €2,64 per share.

ATTICA MERGER WITH ANEK

The Plenary Session of the Competition Commission gave the green light for the merger of the ATTICA group and ANEK on August 5th, 2023. The agreement was approved under the provisions on rescue of firms (failing firm), i.e., without requiring a change in the way the two companies

operate, a possible withdrawal from coastal shipping lines or the sale of ships. Attica Group had reached an agreement with the shareholders and creditors of ANEK for its absorption a year ago. Attica Group will take on some €80 million in ANEK debt and will give the company's shareholders shares equal to an 11.5% stake in the group.

Piraeus Bank - as the representative of the creditors of Anek Lines - had rejected the offers of Mr. Marios Iliopoulos of Seajets to acquire ANEK that included:

- Immediate payment of €82,000,000 for the acquisition of all of the of the Company's loan obligations with the provision of collateral
- Acquisition of all the shares of the main shareholders against the price of € 0.2220 per share.
- Securing loans from Piraeus Bank

The proposals were rejected by Piraeus Bank as they were considered to have high risks of execution, future operation and low price.

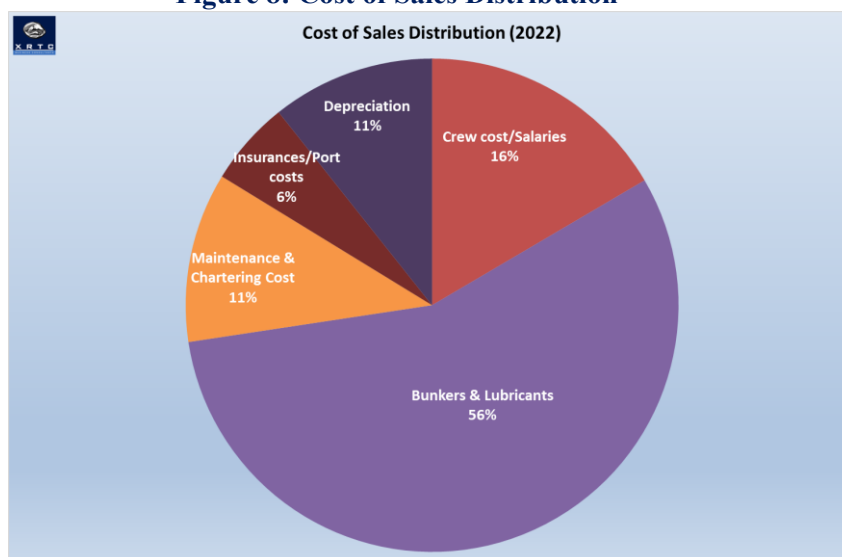
FINANCIAL ANALYSIS OF THE LARGE SIZE COMPANIES

The financial analysis includes the groups ATTICA, ANEK and MINOAN.

Operational Cost Analysis

Fuel is the higher operational cost of companies since it constitutes 56% of operating expenses in 2022 compared to 42% in 2021. The crew/salaries cost follows, being 16% against 21% in 2021 and the repairs / maintenance constituted 11% of the operating expenses against 15%. Companies, in their effort to cope with the exorbitant cost of fuel, continue to redesign their ships' itineraries by taking measures to reduce their other operating expenses.

Figure 8: Cost of Sales Distribution



Source: XRTC Ltd

The increase in Operating Expenses of Large Companies for 2022 reaches 40% compared to 2021, which translates into €200m in additional expenses. Of course, we observe the biggest increase in fuels/lubricants, which amounts to 78%. At the same time, the other costs have also increased. Specifically, crew costs have increased by 12%, repairs by 19% and insurance/port costs by 12%.

Table 6: Comparison of the Large size Ferry Companies Cost of Sales (2021-2022)

Cost of Sales	2021	2022	6%
Bunkers & Lubricants	228,060 €	405,664 €	78%
Maintenance & Chartering Cost	67,685 €	80,535 €	19%
Insurances/Port Costs	35,832 €	40,246 €	12%
Crew Cost/Salaries	106,927 €	119,744 €	12%
Depreciation	78,724 €	77,398 €	-2%
ΣΥΝΟΛΟ	519,249 €	725,609 €	40%

Source: XRTC/Annual Financial Reports

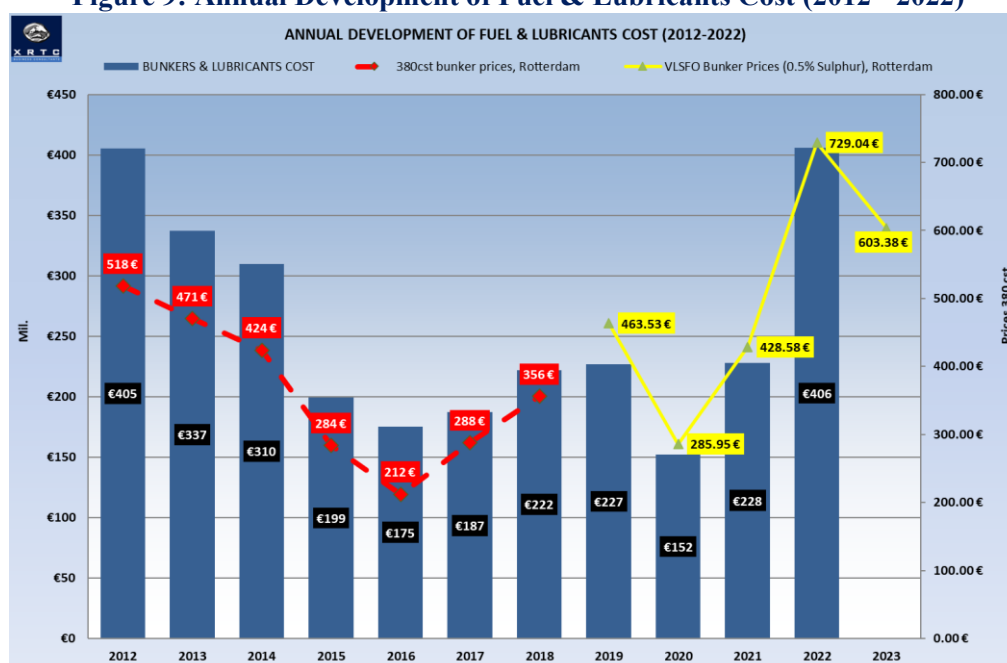
Fuel Cost Analysis

Fuel cost is one of the key parameters in ship management since it is exposed to increased levels of volatility in the Brent price level as well as foreign exchange risks.

The large increase in fuel prices in the context of the broader energy crisis that exists worldwide, has led to an even greater opening of the price gap between the types of fuel that can be consumed by coastal ships.

Ships without scrubbers are required to use 0.5% low sulfur fuel (VLSFO) unlike ships with scrubbers who can use fuel with up to 3.5% sulfur (HFO). The price of fuel with a low sulfur content of 0.5% is significantly higher than the price of fuel with a sulfur content of 3.5% and 1%.

In Figure 9 the evolution of Fuel and Lubricants Cost is presented. The average price of VLSFO Bunker Prices (0.5% Sulphur), Rotterdam increased €178/ton in 2022 compared to 2021, while its average price for the first semester of 2023 although is lower, still stands in high levels.

Figure 9: Annual Development of Fuel & Lubricants Cost (2012 - 2022)


Source: XRTC Ltd

Table 7 lists the fuel costs of the Large Companies and compares them with the corresponding prices in 2021. The biggest difference is recorded by Attica due to the increase in the number of itineraries,

due to the demand's increase and the addition of its three new ships. Minoan Lines, which has installed scrubbers on all four of its ships, has the lowest burden compared to 2021.

Table 7: Fuel Cost Comparison (2021/2022)

FUEL COST	2021	2022	δ%
ATTICA GROUP	€ 138,119	€ 264,155	91%
ANEK LINES	€ 66,275	€ 105,806	60%
MINOAN LINES	€ 23,666	€ 35,703	51%

Source: XRTC Ltd

Turnover from Operations

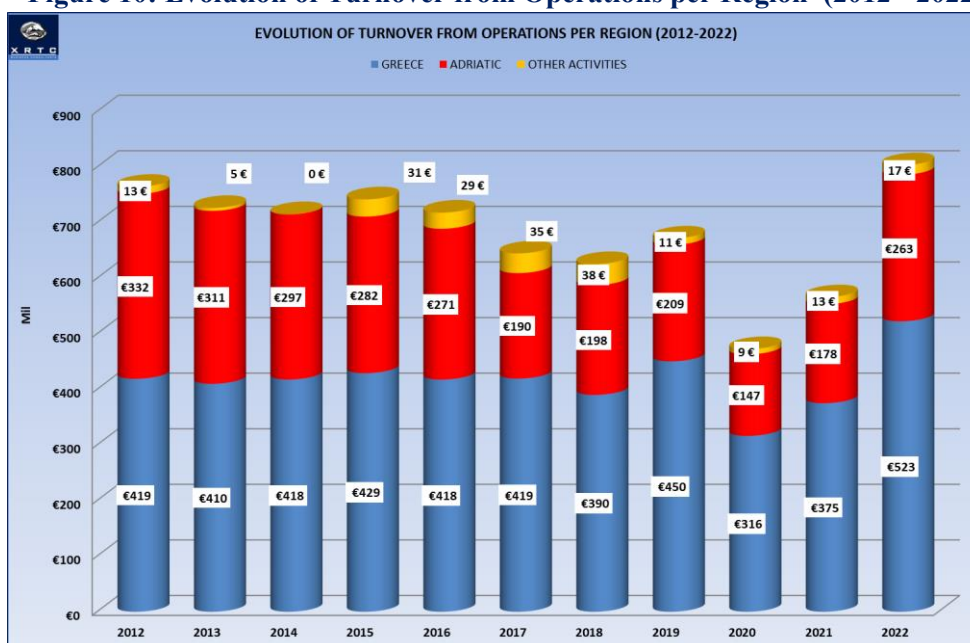
The total Turnover of the three companies increased by 24% in 2022 and stands at €803,13m from €565,6m in 2021 (Figure 10).

Attica Group's turnover in 2022 increased substantially compared to 2021 outweighing the increase in operating costs, mainly caused by the steep increase in fuel prices, as a result of the global energy crisis.

Turnover increased by 52.4% compared to 2021 fiscal year against a 49.3% increase in operating costs. At the same time, gross profit margin increased by 1.8% (12.6% in 2022 against 10.8% in 2021). The significant increase in turnover stems mainly from the increase in vessels utilization rate in all revenue streams, underpinned by the lifting, since mid-March 2022, of the state imposed reduced capacity protocol for passengers (due to Covid-19 restrictions), the increase in number of sailings by 28.6%, as well as the increase in fares, because of the surge in fuel prices.

The increase in Group's revenue counterweighed to a great extent the increased operating costs, which were burdened by the increased fuel prices, because of the energy crisis (the average price of fuel oil consumed in 2022 increased by 73% compared to 2021).

Figure 10: Evolution of Turnover from Operations per Region (2012 - 2022)



Source: XRTC Ltd

In particular, turnover, per geographical area, is as follows:

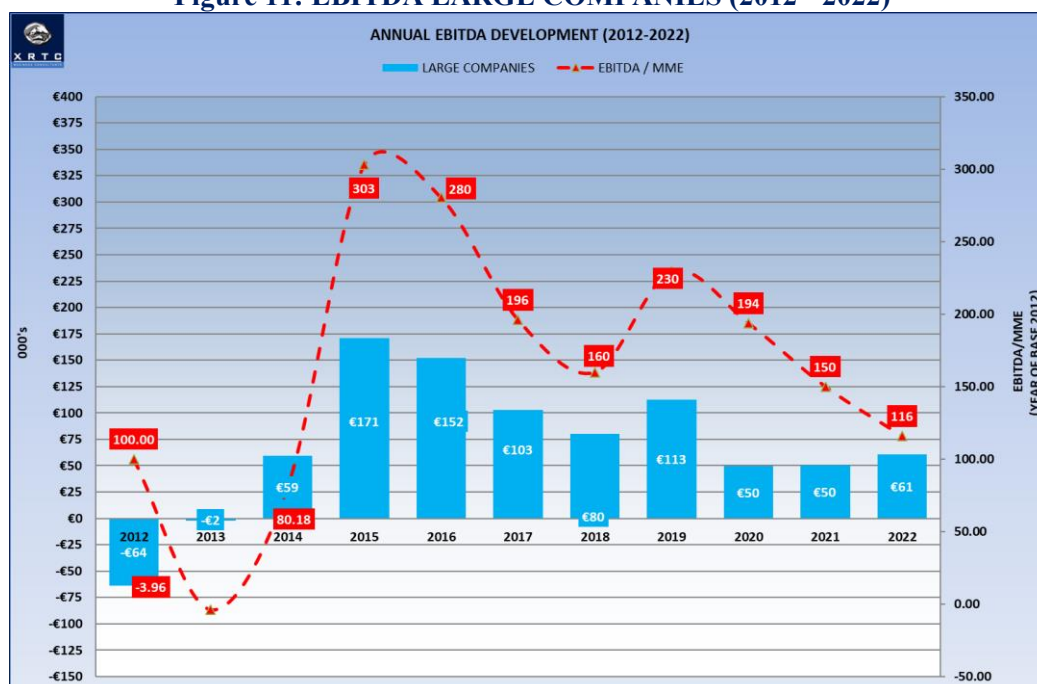
- In the domestic market, the Group's turnover in 2022 amounted to Euro 374.58mln compared to Euro 263.32mln in 2021, representing an increase of 42.26%.
- In international routes, the Group's turnover in the first half of 2022 amounted to Euro 154.10mln compared to Euro 84.59mln last year, representing an increase of 82.18%.

ANEK's turnover increased by 20% compared to 2021 against a 27% increase in operating costs and Minoan's turnover increased by 37% compared to 2021 against a 22% increase in its operating costs.

EBITDA Analysis

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) showed an increase of 21%, despite the 24% increase of 24% of the Turnover from operations and the 56% increase in the number of transportation units (Figure 11) due to the due to the huge increase in operating costs. It is worth noticing that all 3 companies have positive EBITDA.

Figure 11: EBITDA LARGE COMPANIES (2012 - 2022)



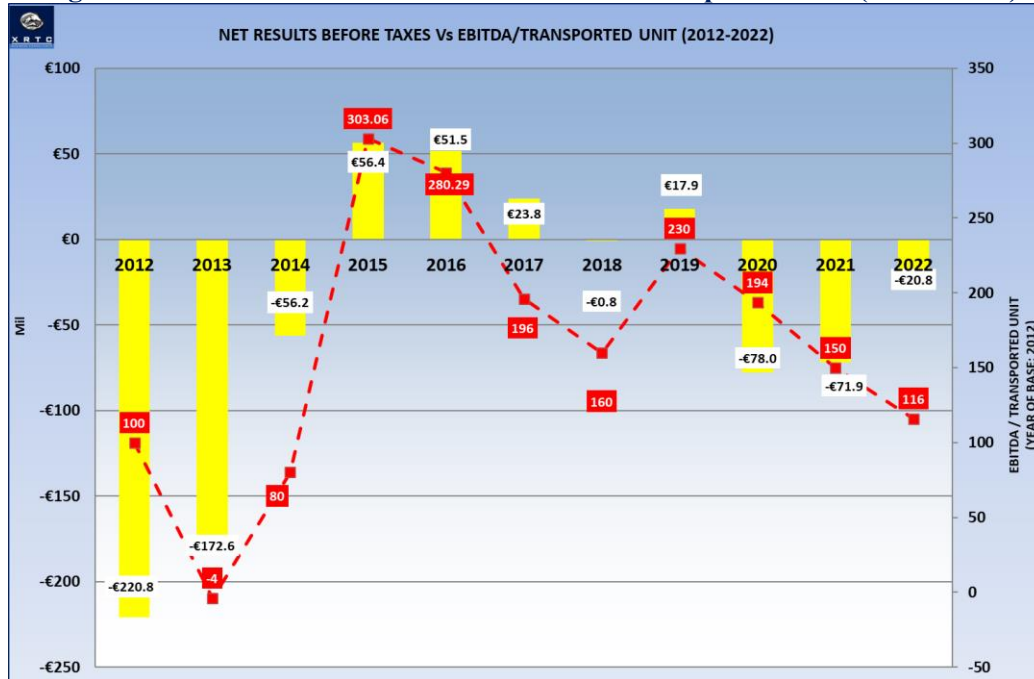
Source: XRTC Ltd

Figure 11 clearly shows that the EBITDA index per Transportation Unit (the sum of the absolute number of passengers, trucks and cars transported per year) is decreasing since 2019, reaching the lowest level since 2015 at 116 points, despite the increase of the transportation volume, due to the low EBITDA levels.

Net Results before taxes

Consolidated profits before taxes in 2022 for Attica stood at €17.05m against losses of €13.19m in 2021. The results recorded in 2022 were positively affected by partial hedging the risk of fuel oil price fluctuation. The Group performs hedging in fuel oil in the context of the policy approved by the Board of Directors (profits of €26.65mln in 2022 compared to profits of €12.99m in 2021). ANEK losses stood at -€20m against -€40m in 2021 and Minoan's losses stood at -€18,3m against -€18,6m in 2021.

Figure 12: Net Results before Taxes Vs Ebitda/Transported Unit (2012 - 2022)

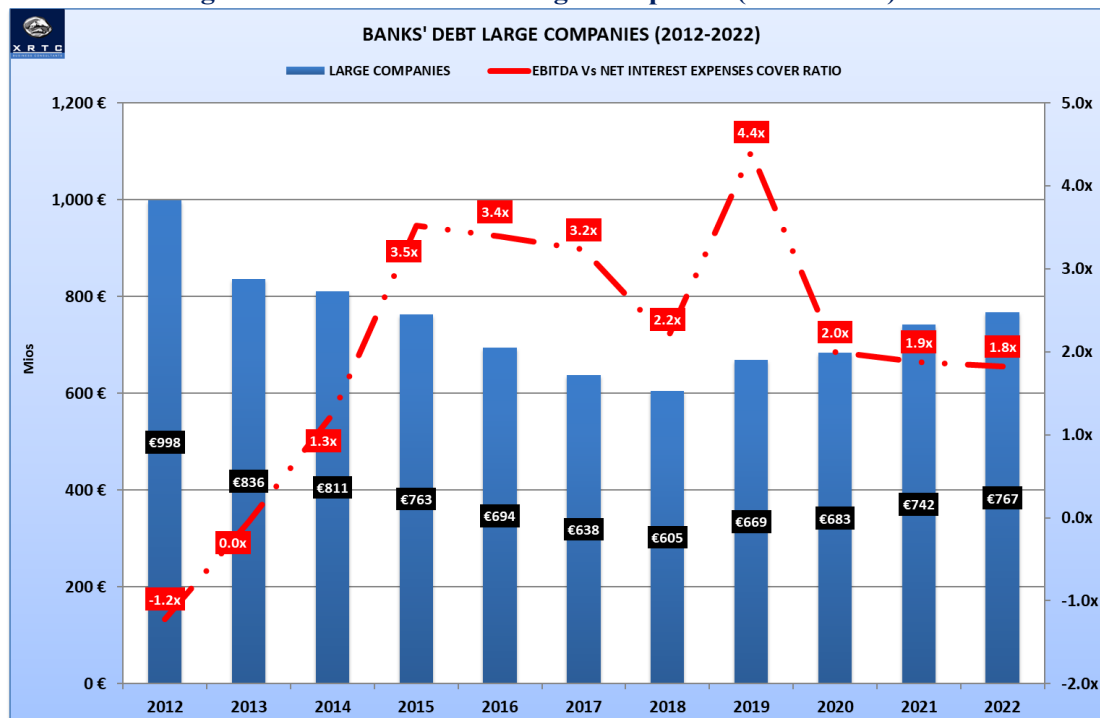


Source: XRTC Ltd

Banks' Debt

Loan liabilities in 2022 amounted to €767 million compared to €742 million in 2021 showing a 9% increase (Figure 13). Attica group loan liabilities stands at €497,7m in 2022 against €481,6m in 2021. The group has entered into bilateral credit facilities with three Greek credit institutions for a total amount of €210mln and tenors from five to seven years, successfully concluding the long-term refinancing of all Group's credit facilities maturing in 2022- 2023. The above agreements result in the reduction of the average interest rate margin of the Group.

Figure 13: Bank's Debt of Large Companies (2012 - 2022)



Source: XRTC Ltd

ANEK 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 short-term bank debt amounted to € 269,5m in 2022 compared to € 260,1m in 2021. The increase is due to the unpaid interest of 2022.

With the expected completion of the agreement between Piraeus, Alpha Bank and ANEK's creditors to the extent of the impairment of its loan obligations, ANEK will be saved. The plan includes the purchase of Alpha Bank's loans to ANEK by Piraeus, which will then, together with the remaining creditors, refinance the remaining impaired lending and transfer it to the newly enlarged Attica. The banks will write off approximately €150m while the other creditors will be fully paid.

Minoan's short term bank debt amounts to €7m.

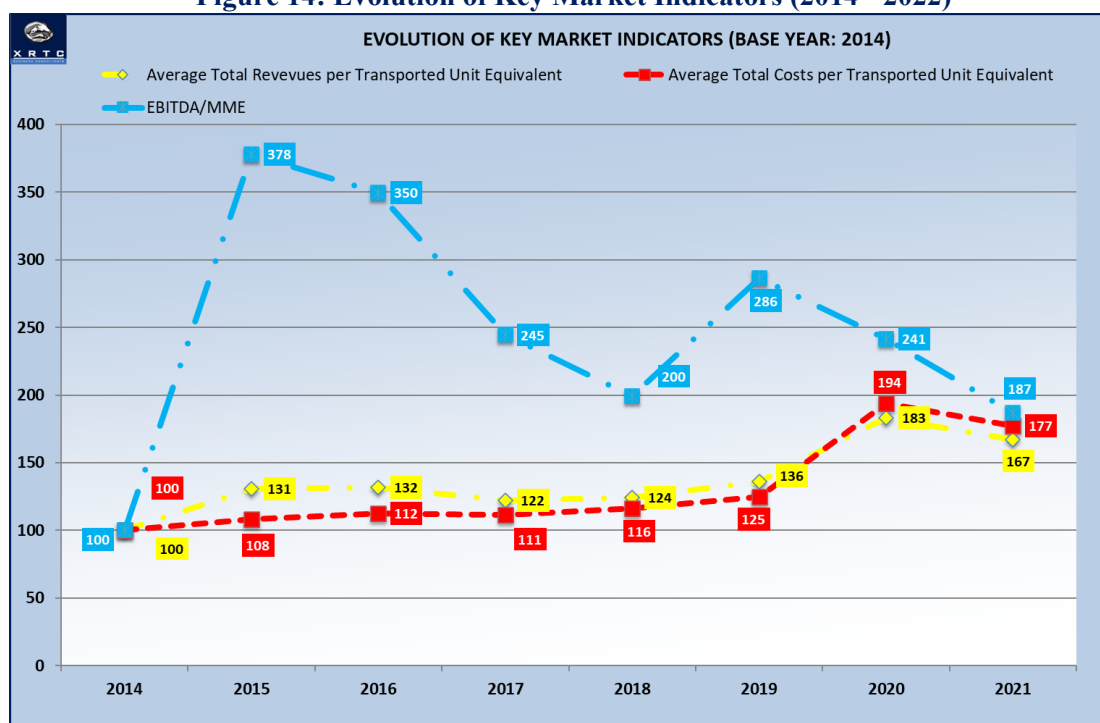
Market's Comparative Analysis

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".

Analytically the Ratios:

- **Average Revenue/Transported Unit** is decreased for 2022 (152) compared to 2021 (167) despite the fact that the transportation volume has been increased. The revenues of the companies include the compensations received from the state while there are no corresponding tickets.
- **Operating Cost/Transported Unit** is also decreased for 2022 (159) compared to 2021 (177) as the transportation volume may have been increased but the operating costs of the companies have also been increased,
- **EBITDA/MME** presents a significant decrease for 2022 (144) compared to 2021 (187)

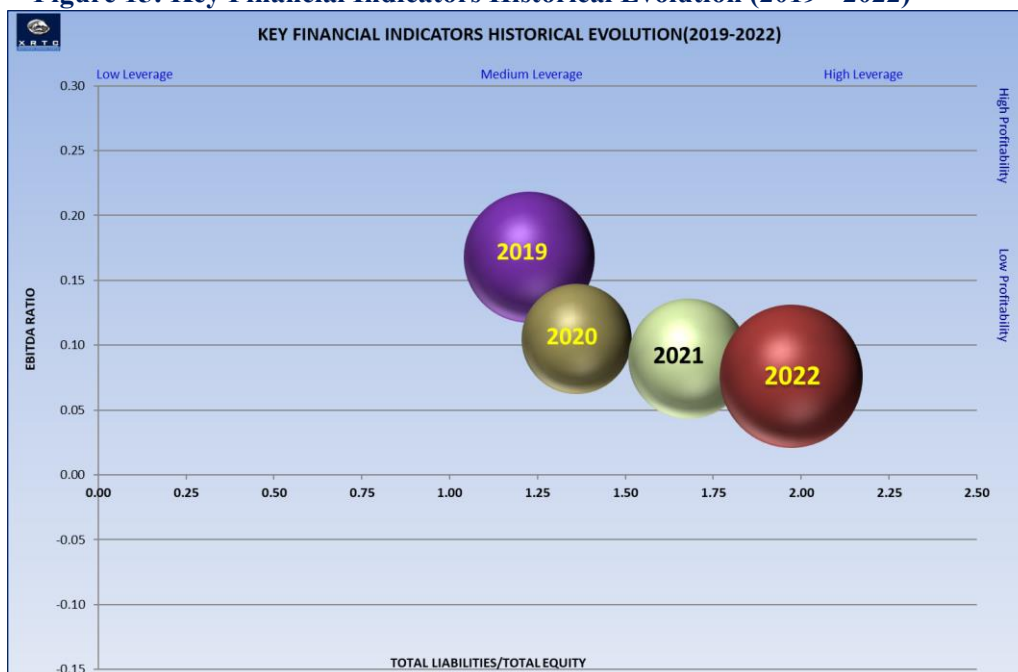
Figure 14: Evolution of Key Market Indicators (2014 - 2022)



Source: XRTC Ltd

As seen in Figure 15, the Liabilities/Shareholders Equity ratio increased in 2022, since total liabilities cover shareholders equity almost by 2 times. This increase of the ratio is attributed to the fact that the Equity of ANEK LINES company has been further reduced (- €61m in 2022 against -€30m in 2021).

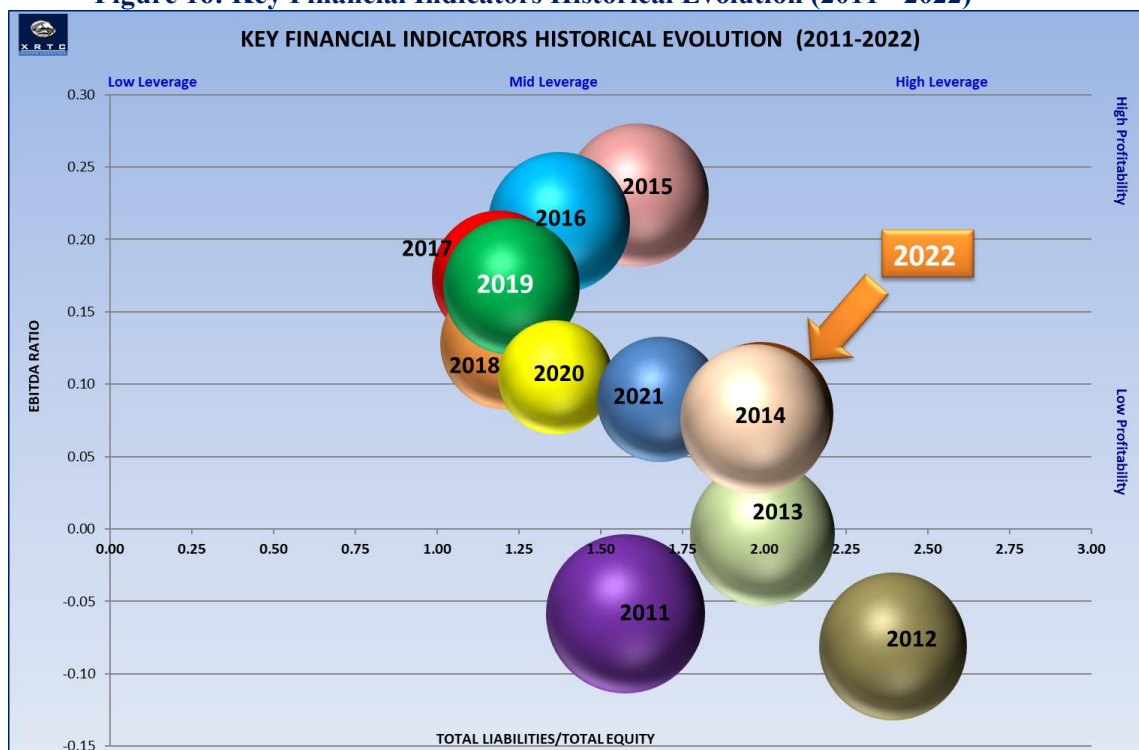
Figure 15: Key Financial Indicators Historical Evolution (2019 - 2022)



Source: XRTC Ltd

The increase in the Operations' Turnover is obvious compared to 2021 (size of the cycle). The EBITDA margin was reduced in 2022 to 8% from 9% in 2021, remaining at levels below 25%, a margin necessary for new investments, making it difficult for new investors to enter (Figure 16).

Figure 16: Key Financial Indicators Historical Evolution (2011 - 2022)



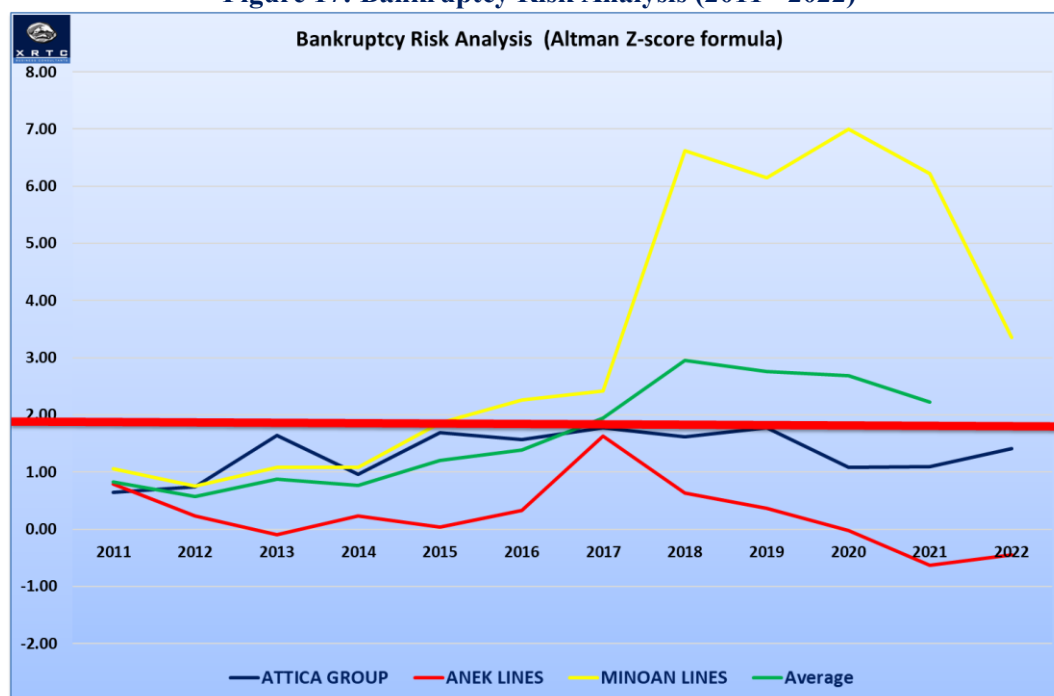
Source: XRTC Ltd

The status of the market is clearly illustrated in the results of Figure 20, where the possibility of bankruptcy of the main Greek ferry companies is presented, for the period between 2011 and 2022 using Altman's methodology. The Altman Z-score is a formula for determining whether a company, notably in the manufacturing space, is headed for bankruptcy. The formula considers profitability, leverage, liquidity, solvency, and activity ratios.

- MINOAN LINES presents a ratio of 3,36 (2021:6,23) proving its robustness. The index' reduction is due to an intercompany loan of €23 million.
- ATTICA GROUP presents a ratio of 1,41 (2020:1,09) reflecting the improvement of its financial results.
- ANEK LINES presents a ratio of -0,45 (2020:-0,63) being for another year in risky position

We point out once more that low liquidity levels combined with difficulties in raising capital compose the main risks for bankruptcy.

Figure 17: Bankruptcy Risk Analysis (2011 - 2022)



Source: XRTC Ltd

THE NEED OF THE FLEET RENEWAL

One of the main challenges facing the industry is the fleet aging. The average Greek ferry market fleet age is 28 years which is younger than the average age of the European ferry market fleet as per Table 8.

Table 8: Comparison European/Greek Ferry Fleet

FERRY FLEET	European	Greek
Average of ferry fleet	35	28
Share of fleet older than 20 years	65%	86%
Share of fleet older than 30 years	45%	41%
Share of fleet older than 40 years	25%	16%

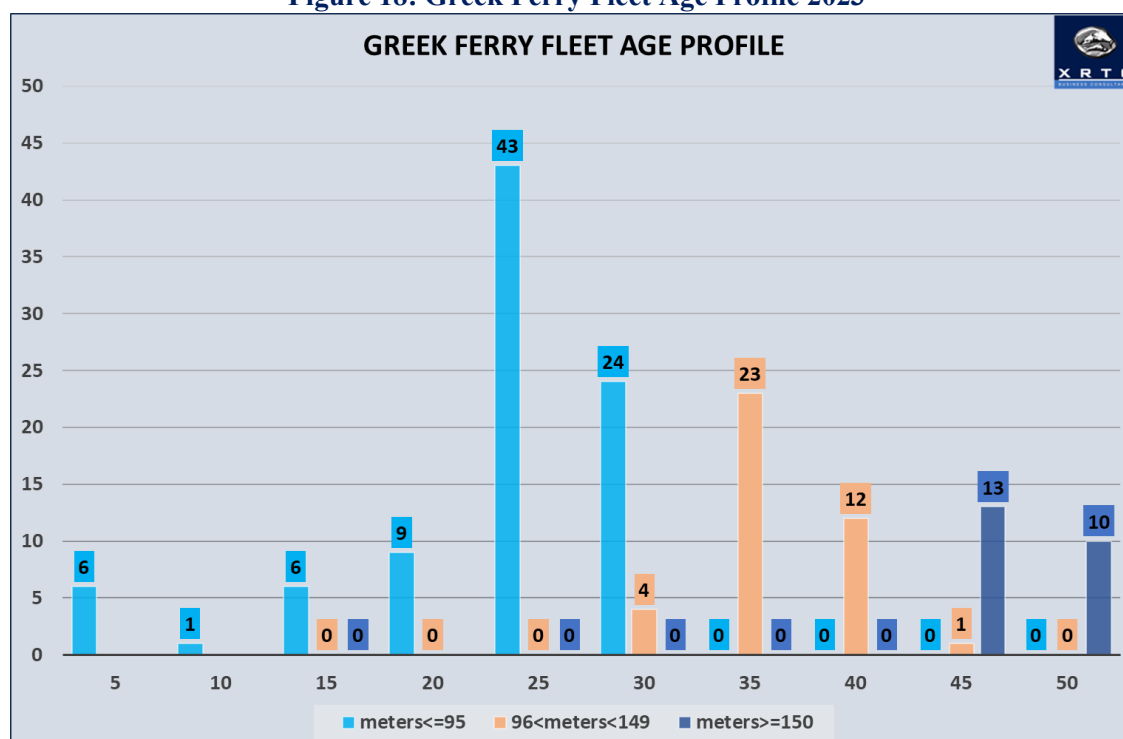
Source: XRTC Ltd/SIEMENS ENERGY/BELLONA 2022

The 86% of the Greek ferry market fleet is over 20 years, much higher than the corresponding European one, a figure that points out that the fleet renewal needs are more pressing.

Regarding the sizes of the ships, as shown in Figure 18, following ships are over 20 years old:

- 83% of ships with 95 meters length
- 88% of ships between 96-149 meters length
- 91% of ships above 150 meters length

Figure 18: Greek Ferry Fleet Age Profile 2023



Source: XRTC Ltd

The specific picture is slightly complicated by the uncertainty caused by all kinds of environmental and other regulations that affect strategic decisions such as, among others, the choice of operating fuel for ships. On the contrary, we are now in an era where the research and development of specialized companies are accelerating their studies in order to lead to ships that will have a minimal carbon footprint and competitive operating cost prices.

The last renewal cycle of the Greek ferry market fleet was completed in the mid-2000s. Since then, the ships replaced older ones, were secondhand vessels, elderly as the case may be, because of the impossibility of new investments due to the financial crisis and the lack of funding. However, the environmental regulations that are in force no longer justify such actions. It is worth noting that in advanced shipping states such as Japan, the operation of ships older than 10 years, in lines of public service, has been prohibited, while the same model is adopted by China.

The ferry market is called upon to find both technical solutions for the construction of new environmentally friendly ships, and significant funds to finance these projects. Currently there are no environmentally friendly medium and large size ships, since the technologically viable solutions to replace their fuels with renewable sources have not been yet achieved. While the research and

development of alternative fuels continues, the technical response to the offer of an environmentally friendly ship, exploits the economies of scale (e.g., the new-built vessels of the Grimaldi group in the Adriatic) as well as the reduction of the weight of the ship itself (e.g. the Aero ships of the Attica group launched in Saronic).

FERRY MARKET SEA TRANSPORTATION SAFETY

XRTC Business Consultants has highlighted in its annual reports that the ferry fleet renewal is one of the biggest challenges facing the industry. This is because while the deadlines have been set for achieving the reduction of gaseous pollutants, however, technologically sustainable solutions for their replacement by renewable sources, such as electricity, biofuels, ammonia, methanol, hydrogen, have not yet been achieved. etc.

Although E.U. is concerned for the 'green' fleet renewal, it has not actually been realized that the fact that these sustainable solutions have not yet been achieved, the renewal of the aging fleet is a difficult task. The 86% of the Greek ferry ships that are currently in service are over 20 years old, which assures us that the fleet renewal is imperative for all sizes of ships. The renewal of the fleet can only take place with new constructions and in any case not with old ships that will be bought from abroad. The new ships specifications can easily be adapted to current and prescribed future specifications, offering hybrid solutions that will be able to switch between different fuels.

The legislative framework is clear and up to date regarding the controls that should be carried out on Greek ferry fleet. Ferry companies must ensure that each ship has all the shipping documents required, the safety and protection certificates for the marine environment as well as class certificates from a recognized classification society. At the same time, the crews' and the authorities' training controls are also important.

It is also emphasized, however, that the Greek waters present a particular spatial configuration with a multitude of islands, islets, and reefs, while the sudden change in weather conditions, a common phenomenon for the Greek seas, in combination with the increased traffic density, constitute dangerous conditions for causing an accident.

In Greece, there is no maritime rescue mechanism, an integrated mechanism for managing maritime rescue incidents for ships in danger, while there is a lack of lifesaving tugboats that will be able to meet the modern needs of its territorial waters. The creation of stations to cover the maritime area of responsibility of Greece must be carried out as soon as possible. Investments in the construction of modern tugs, deterrents and lifeguards which will be able to meet the modern needs of the country's territorial waters are of vital importance for the protection of our seas and of course society and the economy.

The Presidential Decree on the technical specifications for Tugs and Lifeboats has fortunately been launched and its completion is expected, and what is important is finding the required funds and financing to build many ships in Greece.

It is also considered necessary to cover the installation of Lifeguard Stations in the Greek Seas by the Greek state through the relevant ministries. The co-responsibility for the smoothness of maritime transportation is required for the safety of citizens and of course the visitors and tourists as well as the properties.

GREEK FERRY MARKET AND THE NEW ERA IN THE GREEK SHIPBUILDING INDUSTRY

As the Greek ferry fleet renewal with new environmental specifications is particularly important, we must consider the country's shipbuilding industry revival and the possibility of building the new ships in Greece. On the one hand there are still small Greek shipyards, that based on their accumulated experience and know how, they continue to build small ships and export them to European countries. On the other hand, the new dynamic investments in the country's large shipyards such as Skaramangas, of Elefsina and Syros, will enable the Greek shipbuilding industry to be involved in the construction of new ferry ships.

Greece lends itself to the creation of more new shipbuilding units which can be developed respecting the environmental rules. These main features can attract the interest of international shipbuilding industries to establish partnerships and joint efforts with Greek yards. This applies currently for the construction of warships or another specialized watercraft. We must emphasize that the main problem of the development of the shipbuilding industry in Europe is the lack of space and human resources. Greece can provide available space for the development of shipyards and a qualified workforce if the necessary educational structures are created.

One of the undisputed strengths of the industry is now its technological leadership in the field of maritime transportation, especially in emission controls. The new ferry ships were the first to use alternative energy sources, such as electricity, wind energy, hydrogen, methanol etc. The R&D of the Greek universities and research centers as well as the strong interest of the maritime cluster in finding a new way of propelling ships is an additional strong advantage of the Greek shipping market that can assist the development and construction of new ships in Greece.

The revival of the national shipbuilding industry will be only achieved if it will be supported by the Greek state by alleviating bureaucratic problems and developing financial tools to accelerate the construction of ships and watercrafts.

The ferry fleet renewal is not only a national issue, but also a European one. This means that the dissemination and communication of the Greek shipping and shipbuilding know how with the European counterparts, will accelerate the attraction of funds and investors. After all, the European Union has already drawn up a huge investment program aimed at the development of new technologies in transport.

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.

Unfortunately, while we are in a period where investments in the ferry market is imperative, the companies' financing results and the financing capabilities are largely weak for many companies if not for all. This uncertainty in predicting the beginning of investments forces the analyst to call on all parts of the market to face its environment with particular care and rationality. In the current phase, there cannot and should not be extremities of political or trade union interests. Let's not forget that in the end, the user is the one who is asked to cover the cost of any investment in any novelty or innovation.

Table 9: SWOT ANALYSIS

Strengths	Weaknesses
<ul style="list-style-type: none"> • The maintenance of the Maritime transport network is Necessary and responds to social demands with satisfactory adaptability. • Development of new technologies to deal with Climate change. • State Support • Financial support from the European Union • High levels of ship management expertise • Flexibility of strategic decisions at the level of purchase and sale of ship exploitation • Development of international sea connections (Cyprus, Egypt, Italy, Turkey, etc.) • Steady development of transportation demand after the end of the Pandemic 	<ul style="list-style-type: none"> • Aging of the fleet • Market fragmentation with many small groups and few large ones • Increase in the cost of adapting to the new environmental provisions. • Lack of new investment schemes that will lead the market to the new investment cycle. • Increased shareholding participation of banking groups in the market prevents the entrance of new investors. • Limited transparency of market financial data • Shallow stock market • Weak financial position of the majority of companies • High cost of bank debt • New costs of implementing a management model adapted to ESG standards
Opportunities	Threats
<ul style="list-style-type: none"> • Recovery of Investment Grade for Greece • Steep increase in transportation demand after the Greek economic crisis and the mitigation of the effects of the pandemic • Rapid Development of the islands' economy through new investments • Necessity to renew and modernize the fleet. • Utilization of Environmental Policy of the European Union. • The financial programs of the E.U. for green growth offer new low-cost investment tools to comply with ESG standards. • Greek banks are being led to withdraw from equity relationships with the shipping market by inviting new investors. • Adjustment of the Greek and European shipbuilding industry so as that will be able to construct new ferries. • Boosting investments in the port industry and continuing the privatization of ports • Development of new ship technologies 	<ul style="list-style-type: none"> • Unforeseen geopolitical and geographical risks • Exposure to dangerous disasters due to climate change • Strong pressures from the uncertain economic environment due to Energy Costs, Inflation, and geopolitical developments • Lack of specialized knowledge and communication of market needs to users and regulators. • Prolonged risk of bankruptcy of private companies • Market concentration levels remain very high and have created oligopolistic and monopolistic conditions in certain lines. • Difficult or impossible access of ferry companies to the banking market except for companies that banks participate in their shareholding structure. • Weak financial position

Πηγή: XRTC ΕΠΕ

CONCLUSIONS - PROSPECTS

The facts and numbers presented in this report clearly prove that the ferry market is not speculating but is struggling to survive, despite the multitude of threats and weaknesses that faces. In the last fifteen years, the Greek ferry market has found itself in a trend of introversion, with fewer and fewer attempts to expand its activities, since the essential goal was to avoid bankruptcy and to maintain the ferry companies' operation. Their operation is the safety valve for cohesion maintenance of the Greek territory on the one hand and the country's connectivity with the European Union through the lines of the Adriatic Sea on the other hand.

A necessary condition for the success of this goal was, is and will remain, navigation's safety and at the same time the reduction of the fleet's environmental footprint. For these two reasons, we see continuous efforts for technological and management development. With the main characteristics of strong leadership, the continuous important government support as well as the understanding and tolerance of the ferry users, we see the quality development of the services provided. New ships of modern design take advantage of new technologies and economies of scale trying to achieve the environmental regulations for the benefit of society. Ferry companies' demand for new port infrastructures will improve the transportation services.

In contrast to the market's capabilities, being aware of the weaknesses and the threats of the market, one can discover its real opportunities. The current situation of the Greek ferry market is extremely worrying because the accumulated negative economic results of the last years do not allow the fleet renewal, which is more imperative than ever. On top of this, their financial distress threatens their survival due to the successive economic, geopolitical, and health upheavals.

Both the EBITDA margin and the revenue per ticket are decreasing. The EBITDA margin between the years 2018 and 2022 fluctuates steadily at 10%. We emphasize again, that a 25% EBITDA margin is necessary for a company to carry out new investment program such as fleet renewal. Given the fact that 86% of the Greek ferry ships currently in service are over 20 years old, the task of renewal seems daunting. In the current phase the renewal of the fleet should be carried out through newly built ships and in any case not with used ships of old technology.

The latest purchases of the Greek market are extremely disappointing if one considers that the newly acquired ships are of 30-40 years old. This setback in the market cannot be satisfactory, bearing in mind that twenty years ago the Greek ferry fleet was the youngest in Europe.

Referring to the lack of satisfactory profitability, we must note that the high fuel prices forced the companies to increase fares policy, which although unpopular, is the only way for the companies to cover their operational cost, avoiding the risk of bankruptcy. During the last decade the market faced the bankruptcy of NEL and other traditional names such as that of Gerasimos Agoudimos, Mimis Agoudimos, Kostas Agapitos, SAOS. We had projected these bankruptcies and presented them in our reports, just as in recent years we had also been projected ANEK's bankruptcy.

These latest developments have led the Greek shipping market to an extreme concentration of the number of companies creating intense oligopolistic conditions which may lead to higher ticket prices and probably to increased social costs that will result from the need to serve lines with reduced commercial interest. In other words, the companies will focus on the most profitable lines with even higher prices, indirectly seeking the government's support through the subsidies' programs to serve island areas with reduced commercial traffic.

The biggest development in the market was the Piraeus Bank dual contribution to Strix Holdings L.P. of its owned shares of Attica and its MIG loan balances amounting to €443,8m book value, in exchange for additional limited partnership interests. As a result, the loans were derecognized from Piraeus' balance sheet. Through these transactions the Debt for Equity Exchange Agreement between Piraeus Bank/MIG/Strix was completed, and the Plenary Session of the Competition Commission provided the official approval for the merger of the ATTICA group and ANEK. Attica group will leave behind the burdens of the past and will be able to move forward in designing the new era. The group although is facing an enormous bank debt ratio, it enjoys the advantage of the "shareholding" relationship with Piraeus Bank. This fact alone will be able to attract the interest of investors for the next day, being the renewal of its fleet, which now has an average age of 26 years.

In last year's study we pointed out that the levels of the market concentration bring threats of oligopolistic and monopoly effects. We insist on this point, due to the latest developments in the merger of the two large companies that for many years were competitors while at the same time both were listed on the Athens stock exchange.

On the other hand, the Greek ferry market nowadays is being led by two ferry companies that are in the table of the 10 largest companies in the world, the Grimaldi Group and Attica. However, apart from this, there is a fragmentation of the market in many companies that have a single-digit number of ships, which in most cases are old enough. It is very difficult for small companies to both raise capital from commercial banks and be supported by foreign trade organizations due to their small size. Therefore, these companies' restructuring becomes necessary, which can only be carried out if the market regulator imposes it. Similarly, all companies will be forced to implement modern management models adapted to ESG standards, in which emphasis must be placed on corporate governance and transparent management. The absence of this condition in the current phase is risky both for the market and for society and the responsibility does not fall only to the companies but also to the regulator, which in this case is the state.

The aim to reduce the intensity of greenhouse gas emissions from the energy used by ships by up to 75% by 2050, will be met through the renewal of the ferry fleet. This is one of the biggest challenges that the industry is facing. As the deadlines have been set for achieving the reduction of gaseous pollutants, technologically sustainable solutions for their replacement by renewable sources, such as electricity, biofuels, ammonia, methanol, hydrogen, etc. have not yet been achieved. In the present study we referred extensively to the opportunity presented to Greek and European shipping for the activation of the shipbuilding industry. The Greek shipbuilding industry is in a restart stage since following the Greek government's successful actions, new investors entered the field with new development strategies. With the certainty that the demand for new constructions is there, we believe that there are huge possibilities for synergies between small and large shipyards or between domestic and foreign shipyards.

A key factor in implementing the transition of the ferry market to its new phase, which will cover both the environmental compliance and the companies' financial results, is the smooth raising of funds through financing and new investments. This issue requires an understanding of the problem by all stakeholders involved, including E.E. financial tools. The country's development banks are unable to understand the environment of the maritime economy, including maritime transport, while in the country's regional development programs there is no support for coastal transportation market. Adaptability in this area is the key issue that can also become the solution to the problem.

In the ferry market financing field, the increase in interest rates creates headache. The staggered increase in interest rates is carried out with the aim of curbing inflationary pressures in the global

economy due to geopolitical and other strategic issues. Therefore, the increasing cost of borrowing may delay the execution of business plans or even cause a small wave of debt restructurings.

The Greek government's effort to tame the rising cost of ferry market fares was positive and was assisted by a slight reduction in fuel costs. In the first half of 2023 the average price of low sulfur fuel Rotterdam (VLSFO, 0.5% Sulfur) fell to \$555 per ton from \$729 per ton in 2022, while in the years 2021 and 2020 it was \$506 and \$328 respectively. The companies' response to the government's call was positive and even at the last minute an indicative reduction in tickets was achieved.

It must be realized that there is a possibility of derailing the market if it cannot be even marginally profitable. In the event of a derailment, the cost will undoubtedly burden society since the need for the ferry market transportation remains inelastic and therefore necessary. At the same time, however, the possibility of supporting the market by the state itself is limited and in accordance with the rules of European law. For example, there can be a subsidy on the barren lines, but this cannot happen on the lines that are of commercial interest and the fares' price is determined by the competition itself. The Competition Commission and all the regulatory authorities also have an important role in the structure of the market, which must be governed by transparent acts and clear rules.

Concluding this study, we tried to render "Caesar's to Caesar" in an impeccable way, respecting all the parties that make up the market and our long-term engagement with market analysis. We are convinced that the mature and experienced Leadership in cooperation with the Companies and the Users of the market will together manage to safely enter the next development cycle of Greek Ferry market.

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