

## HELLENIC SEAWAYS A.N.E.' Board of Directors and their Management Report to the Ordinary General Shareholders Assembly for the fiscal year 2009.

Dear Shareholders,

The Company's Board of Directors presents and submits for your judgment the company and consolidated financial statements for the fiscal year 2009. This report makes particular reference to the consolidated financial statements.

### 1. The Company's position in the market

In 2009, Hellenic Seaways maintained routes in the Cyclades, the NE Aegean, the Sporades and the Saronic Islands. Besides coastal shipping, it continues to maintain a presence on the Corinth – Venice route through its subsidiary company, HELLENIC SEAWAYS CARGO N.E. (for the transport of unaccompanied trucks with Roll on – Roll off vessels). The total items regarding the Group's shipping activities for 2009 are presented in the table below:

	2009	2008	%
Number of ships	26	30	
Average age of ships (in years)	17.2	16.4	
Passengers	4,726,192	5,190,873	-9.0%
Private automobiles and motorcycles	524,081	567,098	-7.6%
Trucks	92,223	121,670	-24.2%

It should be noted here that the reduction in the Company's transportation business is mainly due to the reduction in the number of vessels being used since the *Highspeed 1* and *Artemis* vessels did not sail and were chartered to third parties during the fiscal year and to the fact that the ships, *Hellenic Carrier* and *Hellenic Trader* did not sail.

### 2. Financial results for fiscal year 2009

The Company and Group's financial statements were compiled in accordance with the International Financial Reporting Standards. The accounting principles applied are described in detail in the Notes in the Annual Financial Statements that are an inextricable part of these statements.

The year 2009 was an especially difficult year for the Greek economy, a fact that significantly affected the tourism sector and the economic recession acutely affected cargo transport. These facts notwithstanding, the Group reacted immediately to the new conditions that have developed and with a significant rearrangement of its ships and routes, the company managed to improve its profitability despite the adverse financial climate.

The Group's turnover totaled €178.33 million, which was a 19.4% decrease vis-à-vis the fiscal year 2008. This is mainly due to:

- The substantial reduction in ticket prices in relation to 2008, a decision the Group made due to a reduction in the price of fuel;
- The general reduction in cargo shipping on the Adriatic routes, which resulted in two of the Roll on – Roll off vessels being moth-balled which were used last year.

The ships' operating costs were limited to €142.52 million vis-à-vis €181.01 million for the previous fiscal year, a 21.3% reduction. This was due to the more efficient routing of the ships and also to the decline in the price of fuel.

Earnings before interest, taxes, depreciation & amortization (EBITDA) totaled €31.5 million, remaining at the same level as 2008.

The Group's financial costs presented a substantial reduction of 56.2% and totaled €4.63 million compared to €10.56 million. This fact was mainly due to a decline in the EURIBOR rate and to the reduction in long-term bank loans.

Net profits totaled €12.69 million vis-à-vis profits of €10.72 million for the fiscal year 2008. This represented an increase of 18.43%.

Based on the fiscal year's results, the Company's Board of Directors recommends to the Ordinary General Shareholders Assembly, a dividend distribution of €0.08 per share. The total dividend amount shall be €6.2 million, a 167% increase in relation with the previous fiscal year.

### **3. Items on the Balance Sheet and Cash Flow Statement for the fiscal year 2009**

The Group's net financial position totaled €238.48 million, a 4.5% increase. This fact is mainly due to profit for the fiscal year. During the fiscal year 2009, there were changes in the tangible assets due to the integration of the EasyCruise Life cruise ships and the high speed craft (HSC) *Hellenic Wind* passenger and car ferry into the Group's fleet. Despite new investments, The Group's bank loans amounted to €157.44 million, just 1.9% relative to 2008 which this was due to an increase in short-term borrowing in order to cover the Group's temporary working capital needs.

The Group's positive cash flow from operating activities came to €30.63 million vis-à-vis €17.67 million for 2008. Cash outflows to cover the Group's investment activities amounted to €20.93 million, mainly to cover the purchase of the Easy Cruise Company, the acquisition of the *Hellenic Wind* passenger and car ferry and the remodeling of the *Hellenic Voyager*. The available cash at the end of the fiscal year amounted to €23.91 million, a 76% increase compared to the previous fiscal year (€13.55 million).

### **4. Financial Ratios**

- Earnings before interest, taxes, depreciation & amortization (EBITDA) / turnover ratio came to 17.7% in 2009 compared to 14.2% in 2008.
- The EBITDA / financial expenses ratio came to 8.47 times in 2009 compared to 3.41 in 2008.
- Return on Equity (R.O.E.) was 5.3% in 2009 compared to 4.7% in 2008.
- Return on Assets (R.O.A.) was 2.9% in 2009 compared to 2.8% in 2008.
- The leverage ratio (equity / borrowed capital) was 1.24 in 2009 compared to 1.27 in 2008.

### **5. Important events in fiscal year 2009**

- On 25/6/2009, the Ordinary General Shareholders Assembly decided, among other things, to distribute dividends from the profits for 2008, a total of €2.3 million that was equal to €0.03 per share. Payment of the dividends to all beneficiaries began on 21/8/2009.
- During the first half of the year, the company chartered the vessels, Highspeed 1 and Artemis to the A.N.E.K. Shipping Company A.N.E.
- In July, the company received the high speed craft (HSC) *Hellenic Wind* (former Viking) passenger and car ferry which is 100 metres long and has a service speed of 35 miles and a capacity of 800 passengers and 175 vehicles.
- In August, the Company purchased the company, Easy Cruise L.T.D. Besides the cruise ship easyCruise Life, with a capacity of 574 passengers, Hellenic Seaways acquired from the easyGroup the exclusive use of the easyCruise logo for all its Mediterranean destinations.

## 6. Main risks and uncertainties

The main business risks and uncertainties are:

### i. Credit Risk

The Company and Group estimate that there are no significant concentrations of credit risk given that there is a satisfactory diversification of receivables from customers. Simultaneously, the company has implemented credit control procedures which include setting a credit limit for each customer and it has received from certain customers, letters of guarantee from banks regarding the payoff of loans.

### ii. Liquidity Risk

The Company and Group have adequate cash reserves and adequate bank credit limits that have not been used.

### iii. Risk of Market Conditions

The Company and Group are exposed to risks in interest rate changes on their loans. This risk, however, is not particularly significant for the Group given the low leverage of its balance sheet and its level of borrowing as well as the easy coverage of its net debit interest rates with its operating cash flows.

Also, the Company and the Group are exposed to the risk of increased fuel costs given the significant share of fuel costs in utilization costs. This risk is partially counterbalanced by the adjustments in charter prices. Simultaneously, the Company and the Group periodically enter into agreements to counterbalance this risk depending on market conditions.

## 7. Important events since the end of the fiscal year until the date of this report

- In the first quarter of 2010, the Group sold the vessels, *Highspeed 2*, *Highspeed 3* and *Hellenic Carrier*. Revenues earned from these sales was used to pay off bank loans and enhance the Group's liquidity; a fact that allows the company to take advantage of investment opportunities in the near future.
- Over the past few months, work is continuing on the truck & car ferry, *Hellenic Voyager*, which will be rebuilt as a passenger & car ferry and will sail on the Dodecanese routes, thus inaugurating a new market for the company.

## 8. Corporate Social Responsibility

Hellenic Seaways is acutely sensitive to issues of social responsibility. The values that govern this Company's philosophy are engrained in its company choices and determine its daily practices. In this way, it combines its corporate sense with its practical social responsibility by stating as its goal, the creation of required conditions for the implementation and application of activities that centres on people and the environment, both natural and social.

Social responsibility is part of Hellenic Seaways' identity. The company considers activities towards attaining these goals as an investment and not a cost. Indicatively, we will refer to the following activities:

- We transport 500,000 passengers who are members of vulnerable social groups on our ships. We offered these passengers free or discounted tickets.
- We support athletic and cultural groups both financially and by transporting their members for free.

Our sensitivity for the protection of the natural environment is not limited to simply complying with Greek and European Community legislation; it also extends to taking dynamic initiatives.

Hellenic Seaways:

- Participates in integrated recycling programs by systematically collecting used and waste paper and other recyclable material.
- Implements strict anti-pollution regulations in all the ships' operations including training the crew in how to handle all materials that are hazardous to the environment.
- Is currently developing an environmental management system in accordance with ISO 14001.

## **9. The Company's and Group's Prospects**

Recent developments in the Greek economy make it very clear that the effects of the financial crisis will be very adverse in the current fiscal year. This fact will lead our country into a recession, something that is expected to have significant consequences in the coastal shipping industry. Simultaneously, during the past few months, fuel prices have shown strong upward trends. Indicatively, it must be mentioned that during the first quarter of 2010, the price of fuel oil increased by 65% compared to the same period the previous year.

Despite the adverse economic environment, management believes that it has taken appropriate measures so the Company can successfully meet all the challenges in this time. Simultaneously, it is continuously monitoring market developments and is studying new investments with the objective of strengthening the Group in markets where it is active even further and to expand into new markets.

Most esteemed Shareholders,

From this data that we have reported on above and from the financial statements that accompany this management report by the Board of Directors, you can formulate a complete picture regarding the activities and growth of both the Company and the Group for the fiscal year 2009.

Piraeus, April 15<sup>th</sup>, 2010

THE BOARD OF DIRECTORS  
and at the behest of

The President,  
Ioannis I. Vardinogiannis