Louis Plc

Explanatory statement 2008

2008 was a difficult year for Louis Plc, because its results and especially those from cruising operations were very much affected by various external factors. The most important factors were the exchange rate fluctuations between the U.S. dollar and sterling pound against the Euro, the sharp increase in fuel and commodity prices, as well as the worldwide economic crisis.

More analytically, the sharp fall during 2008 of the exchange rate of the U.S. dollar resulted in a significant decrease in the Company's Euro-denominated revenues from chartering vessels (which were wholly in dollars during 2008), as well as the revenues of Louis Hellenic Cruises, which, due to the high percentage of passengers from the USA, were also mostly earned in U.S. dollars. The drop in the exchange rate of the dollar had an indirect negative impact on the revenues from services offered on Louis Hellenic Cruises vessels, due to the fall in the purchasing power of U.S.A. passengers and those of nationalities outside the Euro Zone, because of the substantial depreciation currencies against the Euro. The Company follows a hedging policy against exchange rate fluctuations of the dollar on a medium term basis through borrowing in dollars. The policy was partly effective (in contrast with previous years), due to the fact that the dollar, after its sharp decrease during the year, noted a significant increase at the year end, resulting in unrealised exchange losses, instead of exchange gains had the dollar remained at its lower levels at which it fluctuated during the year. Also, the sharp decrease in the exchange rate of the sterling resulted in a corresponding euro-denominated decrease in revenues from services offered on board the chartered vessels, where prices were in sterling pounds.

The worldwide economic crisis mainly affected American bookings since the summer of 2008, while the sharp increase in fuel and food prices caused an upward pressure on the operational costs of mainly the vessels, but also of the hotels. It is noted that, in the case of all chartered vessels, the charterer bears the cost of any increases in fuel prices. The fall in fuel prices during the last quarter of the year did not have a material positive effect on the results of 2008 due to the limited operations during this period. On the other hand, due to the worldwide banking crisis, loan interest rates increased substantially.

As a result of the above, the revenues of Louis Plc were lower from €315m in 2007 to €273m in 2008, a decrease of 13%. This is primarily attributed to the fall, by 14,5%, of the revenues from cruise operations. The rest of the decrease came from the reduction of Louis Hotel's revenues by 4% due to the decrease in the member of hotel units by four. The disposal of CTDC (Hilton) shares also contributed to the decrease in revenues.

The operating profit before interest, taxes, depreciation and hotel rents (EBITDAR) showed a corresponding fall, dropping from €56,8m in 2007 down to €39,0m in 2008.

As opposed to the cruising segment, Louis Hotels presented an increase in profits from operations before net finance costs from €6,2m to €8,3m (ie +34%), despite the decrease in revenues as noted above. The lower number of hotel units has not adversely affected the profitability of the hotel segment. However, the disposal of the shares held in Hilton Cyprus had a significant impact in 2007 as, in 2007, the Group included in its results the profits from the operation of the hotel, amounting to €1,8m.

The net loss attributable to the shareholders of Louis Plc for 2008 was €31,0m compared to profits of €12,9m in 2007. Considering the various non-recurring factors which affected the results of 2008 (the disposal, within the framework of upgrading the fleet, of the vessels Princesa Marissa and Serenade with a loss of €7,6m, the refinancing of the vessels Thomson Spirit and Thomson Destiny with a profit of €10,9m), as well as the results of 2007 (the disposal of shares of Hilton Cyprus Hotel and other properties with a profit of €20,9m), the negative variance between the two years amounts to €26,3m. A significant part of this variance amounting to €11,7m, was as a result of unrealised exchange differences.

Prospects 2009

The year 2009 is expected to be another difficult year due to the unprecedented worldwide economic crisis. The Company has incorporated in its forecasts reduced revenues and at the same time adopted a number of measures including the reduction of expenses and capital expenditure, the rationalization of routes of its cruise vessels and the application of a more effective, modern invoicing policy. Also, the Company is working more systematically towards a number of measures of a medium term horizon, such as the expansion of the chartering period of its vessels, the strengthening of the existing and the creation of new strategic alliances, the entrance into new markets and the operation of its vessels during the winter season. At the same time, the strengthening of the dollar, the significant decrease in fuel prices and the stabilization of food prices, are expected to improve the operating results of the Company. However, the increase in interest rates is expected to have a negative effect.

Based on the above, the Board of directors considers that it is not prudent at this moment to provide an estimate of the 2009 results.

Indicative – Un audited consolidated results for the year 2008

Condensed Consolidated Income Statement for the Year ended 31 December 2008	Un audited 2008 € 000	Audited 2007 € 000
Operating revenues	**273.147**	**314.748**
Operating profit before taxes, interest, depreciation and Hotel rent expense (EBITDAR)	**39.014**	**56.784**
(Loss)/profit from operations after net finance expenses	**(26.057)**	**(7.122)**
Loss on disposal of vessels, property plant and equipment	(7.608)	-
Realised exchange profit	538	799
Realised exchange profit on refinancing	10.903	-
Share of profit from associate company CTDC (Hilton)	725	376
Profit from disposal of shares of the subsidiary company Gerani A.E	-	5.456
Profit on disposal of shares in CTDC (Hilton)	952	15.447
Other non-ordinary and non-recurring expenses	(219)	(437)
Unrealized exchange (loss)/profit	(9.548)	2.118
(Loss)/profit before taxation	**(30.314)**	**16.637**
Taxation	(529)	(3.349)
(Loss)/profit for the year	**(30.843)**	**13.288**
Net (loss)/profit for the year attributable to the Parent company	**(31.019)**	**12.859**
Minority Interest	176	429
(Loss)/profit for the year	**(30.843)**	**13.288**
(Loss)/profit per share (cent)	**(7,29)**	**3,04**