

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS OF BLUE STAR MARITIME S.A. ON THE FULL YEAR CONSOLIDATED RESULTS OF 2005

Dear Shareholders,

Last year was an important year for the Group, during which the Management's decisions regarding fleet renewal, choice of routes and emphasis placed on the quality of services helped to increase the Group's returns. The above resulted in a considerable improvement in revenue across the routes on which our ships are active as well on operational profitability for the Group despite the considerable increase in the average price of fuel oil in the course of 2005.

Specifically, following its restructuring in 2004, which included the sale of four (4) older vessels, the focus on profitable routes and the improvement in infrastructure through the installation and operation of a new Enterprise Resource Planning system (SAP), the Group achieved greater returns on its modern fleet while managed to maintain its leading position in the markets in which it operates. The year-round operation of the Group's fleet contributed once again to the continuous servicing of passenger and commercial needs between the mainland and the Greek insular community, which shows the strong social responsibility of the Group.

The most important developments for the passenger shipping sector in 2005 were:

- The rapid increase in the average price of fuel oil, which still remains at high levels through the beginning of 2006.
- The continuing delay in the harmonization of the Greek institutional framework to the European Regulation 3577/92, despite the reasoned opinion sent by the European Commission to the Greek government. This delay prohibits operators from applying a flexible commercial policy that would balance the increase in operating expenses caused by the unforeseen increase in the price of fuel oil.

The current Greek institutional framework, places controls over a series of issues such as the obligation on shipping companies to submit for approval to the Ministry of Mercantile Marine the composition of their itineraries and any alteration thereof, imposes out-dated requirements on the size and allocation of accommodation classes on board vessels, on the number and length of crew's employment and imposes various non-reciprocal fees on passenger and vehicle fares thereby exorbitantly increasing fare levels. The above underline the strong state intervention which inhibits the development of full and viable competitive market conditions and prevents new investments and the renewal of vessels operating in the Greek Islands.

In addition to the aforementioned developments for the sector, the most important events for our Group in 2005 were:

In March 2005, the Group strengthened its presence in the Greece-Italy routes with the redeployment of Blue Star 1 from the Piraeus – Chania route to the Patras – Igoumenitsa – Corfu – Bari route. The Bari route was therefore served daily in tandem with Blue Horizon.

In June 2005, the Group issued a € 200mln secured bond to be used for the prepayment of the existing bank loans as well as for the repayment of its € 30mln convertible bond. The credit terms achieved through the reorganization of the Group's capital structure were more favorable than the existing ones.

In June 2005, the Group repaid the € 30mln convertible bond issued in 2002.

In September 2005, Blue Star Ferries was voted the "Best Ferry Company in Greece" by the readers of Voyager magazine. The company received top votes by the readers of the magazine across the categories of staff/service, cabins, feeling of security, cleanliness, length of journey.

The Group was active on the following routes:

Greece – Italy routes

Patras – Igoumenitsa – (Corfu) – Bari with vessels BLUE HORIZON and BLUE STAR 1 offering daily services throughout the year. The ships called at the port of Corfu only during the summer months.

Greek Domestic Market routes

Piraeus – (Syros) – Paros – Naxos – (Ios) – Santorini – (Amorgos) with vessels BLUE STAR PAROS and BLUE STAR NAXOS offering two round-trip sailings daily. Regular calls were also made to the islands of Iraklia – Schinoussa – Koufonissia – Astypalaia – Kalymnos.

Piraeus – Syros – Tinos – Myconos with BLUE STAR ITHAKI offering daily departures throughout the year. Extraordinary sailings were also made on the Piraeus – Paros route during the summer months.

Rafina – Andros – Tinos – Myconos with SUPERFERRY II offering daily departures throughout the year.

Rafina – Tinos – Myconos – Paros with SEAJET 2 offering up to two departures per day in the summer months.

Piraeus–(Cycladic Islands) – (Patmos) – (Leros) – Kos – Rhodes with BLUE STAR 2 offering four round-trip sailings per week throughout the year.

Piraeus – Chania, Crete with BLUE STAR 1 offering daily round-trip sailings. The route was discontinued in March, 2005 as the vessel was redeployed to the Greece – Italy routes.

In total, the Group's fleet carried 3,478,082 passengers, 422,975 private vehicles and 123,079 freight units which correspond to a 9.7% decrease in passengers, 20.6% in private vehicles and 5% in freight units compared to 2004.

The decrease in volumes carried is due to the decrease of the number of sailings by 25.5% following the sale of four older vessels in the course of 2004 as well as the redeployment of one ship from the Greek Islands' routes to the Greece – Italy routes. The decrease in volumes carried is smaller than the decrease in sailings executed which indicates the significant growth in load factors attained.

In detail, on the Greece – Italy routes, the Group's fleet carried 266,185 passengers, 40,104 private vehicles and 41,901 freight units and on the Greek domestic market routes the fleet carried 3,211,897 passengers, 382,871 private vehicles and 81,178 freight units.

2005 was the first fiscal year reported under the International Financial Reporting Standards (IFRS). The basic accounting principles followed are described in the Notes to the Financial Statements.

Group revenue stood at Euro 133.4mln against Euro 128.5mln the previous year, increased by 3.8%. Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) rose to Euro 37.6mln from Euro 30.4mln (23.8% increase) while Net Profit after Tax rose to Euro 17.5mln against Euro 10.5mln in 2004, an impressive increase of 66.4%.

Contributing factors to the Group's increased revenue were the increase in load factors on the Dodecanese and Cycladic Islands' routes where there was a significant growth in volumes carried over approximately the same number of sailings as in the previous year as well as the growth in tourist traffic, both in passengers and in private vehicles, in the Greek Islands' market. High load factors were also achieved on the Greece – Italy routes during the summer period where the increase in volumes carried was greater than the increase in the number of sailings resulting from the addition of one more vessel to the route.

It should be noted that competition has increased on the Patras – Igoumenitsa – (Corfu) – Bari route since the summer of 2005 due to the entry into the market of a new competitor with two recently refurbished vessels with large carrying capacity. Our Group in view of the increased competition on this route has taken the necessary commercial decisions which will allow it to maintain its high volumes and market shares.

The Group's operational profitability (EBITDA) improved considerably despite the significant increase in the price of fuel oil. This is mainly attributed to:

- The sale of the fleet's older vessels whose operation had a negative contribution to the Group's results.
- The curtailment of the cost of sales, except fuel costs, as well as of administrative expenses.
- The focus on profitable routes, which allow for the vessels' optimum operational efficiency.

The Group's management in addressing the effect of high fuel oil prices on operational profitability, undertook:

- The reduction in cruising speed on some domestic market services so as to reduce fuel oil consumption.
- The imposition of a fuel surcharge on passenger, private vehicle and freight fares on the Greece–Italy routes. The surcharge was introduced in July, 2005 and revised upwards in September, 2005.

The 66.4% increase in Net Profit after Tax is also due to the significant reduction in financial expenses following the successful debt refinancing of the Group and the repayment of the Group's Euro 30mIn convertible bond. It should also be noted that Net Profit for 2005 does not include any profit from the sale of vessels (Euro 4.8mIn in 2004), which further highlights the sound management undertaken throughout 2005.

Profit (loss) for 2005 is attributed to the Group's companies as follows:

	<u>In Euro thousand</u>
BLUE STAR MARITIME S.A.	576
BLUE STAR FERRIES MARITIME S.A.	17,015
STRINTZIS LINES SHIPPING LTD	7
WATERFRONT NAVIGATION LTD	---
THELMO MARINE S.A.	---
BLUE STAR FERRIES JOINT VENTURE	---
BLUE STAR FERRIES S.A	---
BLUE ISLAND SHIPPING INC.	<u>(98)</u>
TOTAL	<u>17,500</u>

Total Equity for the Group stood at Euro 200.6mIn against Euro 190mIn the previous year, while Total Liabilities fell to Euro 213.9mIn from Euro 228.4mIn. Liabilities over Equity coverage dropped to 1.06 from 1.20 in 2004, which is very low compared to other companies of the sector. Cash and Cash Equivalents rose by 11.5% and stood at Euro 49.2mIn. The above data indicate the financial strength of the Group which improved across all measures in 2005.

Reference to parent company Blue Star Maritime S.A.

The Company with a fleet of three (3) vessels, was active on the Greece–Italy routes with vessel Blue Horizon and on the Rafina–Cycladic Islands routes with vessels Superferry II and Seajet 2.

The Company's vessels carried 955,917 passengers, 111,385 private vehicles and 31,992 freight units. Compared to 2004 volumes carried dropped by 24% in passengers, 42.4% in private vehicles and 27.2% in freight units.

It should be noted that traffic volumes carried dropped due to the decrease by 37.8% in the number of sailings executed, following the sale of three vessels in 2004.

Consequently, Company's Revenue has dropped, as were the Earnings before Interest, Tax, Depreciation and Amortization, while Dividend received from subsidiaries increased considerably. Net Profit after Tax rose to Euro 8.4mIn increased by 20.7% compared to 2004.

Further analysis of the financial data of the Parent Company is not deemed necessary as the same factors and conditions which affect and determine the financials of the Group, hold for the Parent Company as well.

Securities

The financial assets held for trading by the company as at 31st December 2005 were:

1,679,272 shares of "HERMES" Dynamic Domestic Equity Fund acquired at Euro 46.16 each and valued at Euro 27.4 thousand at 31st December, 2005. These shares were sold in January 2006 for Euro 41.1 thousand. The profit from this transaction will be posted in the first quarter results of 2006.

Future Outlook for the Group

The Group achieved the goals set in the previous year and continues to examine the development of new routes in the Greek domestic services and abroad through the acquisition or building of modern conventional fast vessels, provided market conditions allow. The Group's Management continuously examines developments in the Greek domestic market and the trends of the shipbuilding industry and studies the possible deployment of vessels on new routes with a view to further increase the Group's results.

As regards the Group's dividend policy, this will be determined in consideration to the Group's results, the outlook for the current year and the broader macroeconomic and market conditions, to the long-term benefit of the Company and its shareholders.

Dear Shareholders,

The above information together with the financial statements submitted to you for year 2005, provide a complete assessment of the Group's operations and of the Board of Directors activities during the period under review, allowing you to decide on the approval of the financial statements.

Thank you,

Voula, 14th February, 2006
The Authorised Director

Spiros Ch. Paschalis

AUDITORS' NOTE

We confirm that the above Report of the Board of Directors to the Annual General Shareholders' Meeting which consists of 6 pages is that which is referred to in our Auditor's Report dated 21st February, 2006.

Athens, 21st February, 2006

The Certified Public Accountant

Athos Stylianou
SOEL No.: 12311
DRM STYLIANOU S.A.
Member of RSM International