



CFA Institute

CFA Institute Research Challenge

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CFA Society of Greece
University of the Piraeus



Date: 20/02/2015

Ticker: AEGN GA (Bloomberg)

Current Price: €7.50

USD/EUR: 0.877

Recommendation: BUY (43% Upside)

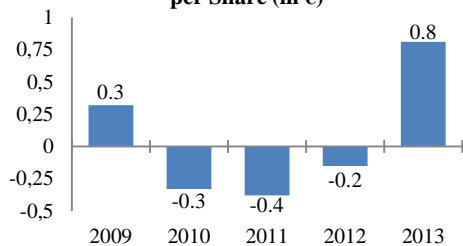
Target Price: € 10.40 (USD 11.86)

Market Profile

Closing Price (€)	7.50
52 – Week Price Range (€)	5.02 - 8.16
Average Daily Volume	40,2
Shares Outstanding (m.)	71.4
Market Capitalization (€ m.)	535.6
Annual Dividend Yield	-
Institutional Holdings (%)	24.1
P/E	6.9
P/B	2.3
Total Debt to Total Capital	21.7
ROA 2014E (%)	12.5
ROE 2014E (%)	35.0

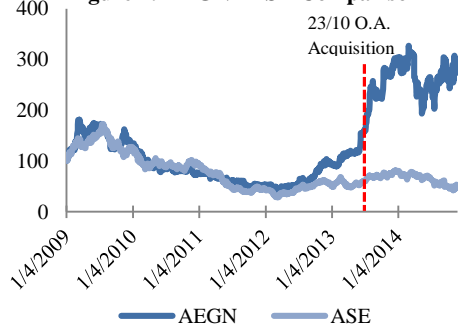
Source: Bloomberg, Team Estimates

Figure 1: Aegean Airlines Earnings per Share (in €)



Source: Company Data

Figure 2: AEGN - ASE Comparison



Source: Company Data

Aegean Airlines SA

The largest Air Carrier in Greece and one of the most successful companies in the European Airline Industry. The company has been awarded five times with the SKYTRAX award (latest 2014), as the best Regional Airline in Europe. In 2013, was ranked 30th in top 100 Airlines worldwide.

We issue a buy recommendation for Aegean with a one year target price (TP) of €10.40. This offers a 43.0% upside from its closing price of €7.50 on February 20, 2015. To arrive in the target price we weighted equally two methods, discounted free cash flows to the firm (DFCFF) and relative valuation. DFCFF method provided us with a TP of €9.60 and relative valuation with a TP of €11.20.

Growth Drivers & Potential Dangers

Aegean Airlines future growth and profitability is subject to many factors. The main driver of its sales is Greek Tourism, which is expected to grow vastly in the following years based on SETE¹. Moreover, lower fares and improvement in connectivity through Olympic Air (O.A.) takeover, has led to an increase in the number of passengers (8.8m 2013 - 6.6m 2009). However, the presence of Low Cost Carriers (LCCs - i.e. Ryanair) has decreased the market share of the company (including O.A.) to 26.0% in April 2014 from 33.0% in 2008 and may cause significant concerns if they decide to lower their fares at even lower levels.

Surpassed Crisis and Became Larger

Aegean not only successfully avoided getting drown in the middle of the crisis, but managed to overcome the fiscal difficulties of the Greek economy by making strategic movements. The company shifted to International Markets, transferring in 2013 4.0m international passengers (42.9% more than 2009). However, the milestone in 2013, was the acquisition of O.A. for €72.0m, rendering Aegean a monopoly in the Domestic market, while extending its fleet from 30 to 45 aircrafts (A/Cs). Aegean's course through the crisis was an amazing turnaround story, as the company recorded net losses for 3 consecutive years up until 2013, when it showed a net profit of €52.3million.

Strong Financial Position

Aegean's financial position constitutes a major advantage for the company and it was a valuable source of cash during the crisis. In 2013, Aegean Group had €226.9 in cash and no loan liabilities except for the 4 A/Cs currently under finance lease. The company prefers to have most of its A/Cs under operating lease, thus keeping them off-balance sheet. Despite the fact that the company was not able to distribute dividends since 2010 due to the lack of positive net results, a share capital return was agreed in 2013, returning €71.4m to its shareholders. We estimate that Aegean will start distributing dividends again from 2014, as the company has sound cash flow generation and relatively low capex requirements.

Risk Factors

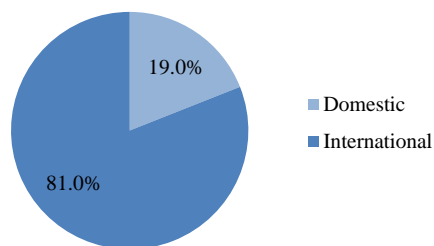
Aegean is exposed to unfavorable fluctuations on interest rates and foreign exchange, through its operating and finance leases as well as from its needs for Refined Crude Oil (Kerosene). Furthermore, the unstable macro-political environment, the Aviation Sector regulatory changes and other unpredictable events (i.e. Wars, Infectious Diseases) may have undesirable effects on Aegean's regular way of operation.

Key Performance Indicators	2012 A	2013 A	2013 PF	2014E	2015E	2016E	2017E
Total Pax (in millions)	6.1	6.8	8.8	10.0	10.3	10.7	11.2
International Pax (in millions)	3.5	4.0	4.3	4.8	5.0	5.2	5.4
ASKs (in millions)	9,139.0	9,809.0	10,732.0	12,078.6	14,131.9	14,838.5	15,580.4
Load Factor	74.3%	79.4%	78.3%	77.2%	68.7%	71.0%	74.4%
RASK (in € cents)	6.2	7.0	8.0	7.9	7.0	7.2	7.6
CASK (EBITDAR lvl, in € cents, excl fuel)	3.4	3.4	4.2	3.8	3.1	3.2	3.3
Pre-tax margin	-1.9%	10.7%	8.3%	11.7%	12.3%	9.1%	8.7%
Net Profit margin	-1.6%	8.3%	6.2%	8.7%	9.1%	6.7%	6.5%

¹ SETE 2013: Tourism Strategic Planning 2013-2021

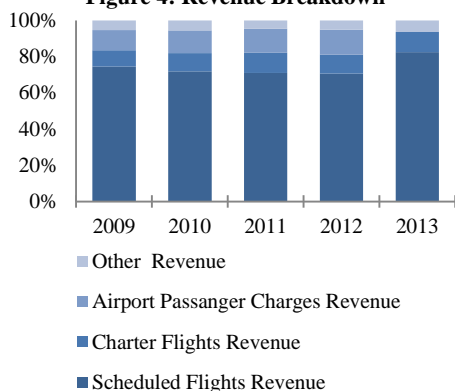
Business Description

Figure 3: Revenue Breakdown per Geography as of December, 2013



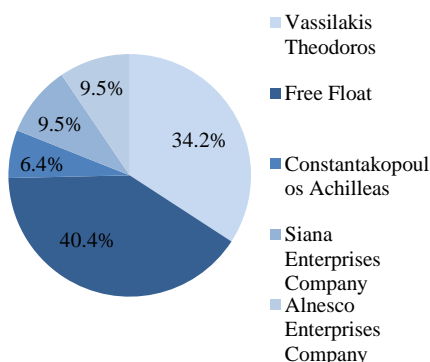
Source: Company Data

Figure 4: Revenue Breakdown



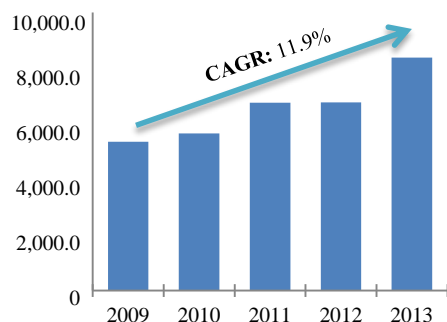
Source: Company Data

Figure 5: Shareholder Structure as of February, 2014



Source: Hellenic Exchanges

Figure 6: Traffic in RPKs (bn) as of December 31, 2013



Source: Company Data

Aegean Airlines Company (AEGN) was founded in 1988. It was a limited liability Company, named Aegean Aviation and it was the first Greek private airline issued an independent air operator's license. In 1994, it was acquired, by the Vassilakis Group of companies and it operated until 1999 under non-scheduled "air-taxi" flights in new owned Lear-jet. After the start of scheduled passenger services in 1999, with 2 new aircrafts (AVRO RJ-100) the company was renamed to Aegean Airlines. Its first scheduled travel was from Athens to Heraklion and Thessaloniki in May 1999.

Aegean expanded aggressively between 1999 & 2003, due to market deregulation and a successive order of M&As. In December 1999, Aegean acquired Air Greece, increasing its aircraft's fleet to 9 and managing to serve 10 domestic destinations during that year. In 2001, Aegean was transferred to the Athens International Airport and in April of the same year, it merged with Cronus Airlines. In 2003, Aegean turned marginally profitable and it was the first Greek airline to introduce e-tickets. It also managed to raise its passenger traffic by almost 800.0% to 2.8 million passengers in 2003 from 310 thousand in 1999.

In November 2005, Aegean became Lufthansa's regional partner in Greece, becoming the first Greek carrier closing an agreement with an international carrier. In 2007, its order to purchase and lease 25 Airbus was finalized. On June 29, Aegean's IPO completed, offering 17.9 million shares at price of €7.60 and raised €135.0 million. By 2008, Aegean had become the largest air carrier in Greece, with total passengers' traffic measuring up to 6.0 million. On June 30 2010, the company joined the Star Alliance and in 2011 managed to have a homogeneous fleet of Airbuses. In 2012, Aegean Airlines served international flights from 8 bases in Greece, with its total passenger traffic being 6.1 million, while it agrees with Marfin Investment Group (MIG) to acquire O.A., which was subject to approval by the European Competition Commission.

On October 23, 2013 Aegean acquired the O.A. for €72.0m, after the approval of the European Competition Commission. Aegean added to its fleet 15 more A/Cs, while its current amount of A/Cs approximated the 50 (36 Airbuses & 14 Bombardiers). In 2013, Aegean was awarded the SKYTRAX 2014 World Airline Award for the fourth consecutive year and five times in total (2009, 2011, 2012, 2013 and 2014) as the Best Regional Airline in Europe.

Shareholder Structure

Aegean has a strong shareholders' base. It includes a number of high profile Greek entrepreneurs (i.e. Vassilakis Theodoros & Constantakopoulos Achilleas) known for their investments across many industries. Vassilakis Family, is the biggest shareholder with a 34.2% stake (23.6% directly through Evertrans and 10.6% through ASE-listed Autohellas). Alnesco Enterprises Company and Siana Enterprises Company both hold a stake of 9.5%, while Constantakopoulos Achilleas holds a stake of 6.4%.

Company strategies

Aegean strategy was always to offer quality services to its customers in order to reduce the rate of loss of customers and build their loyalty. As a result, it constantly invests in renewing its fleet, in obtaining new technology and in personnel training. It is a member of the strongest airlines alliance, in order to offer its clients an excellent experience.

The goal of the company is to continue to be the market leader in the domestic market by fully covering the domestic transport needs, by competing Ryanair's effort to gain control of the Greek aviation market and by extending its network of international routes mainly from Athens. In addition, the company will also attempt to take advantage of the increase in tourists' arrivals in Greece and the high demand for different types of tourism that arises. Aegean will also focus on a more efficient cost structure, by taking advantage of the **synergies** resulting from the acquisition of O.A.

Corporate Governance & Social Responsibility

Corporate Governance

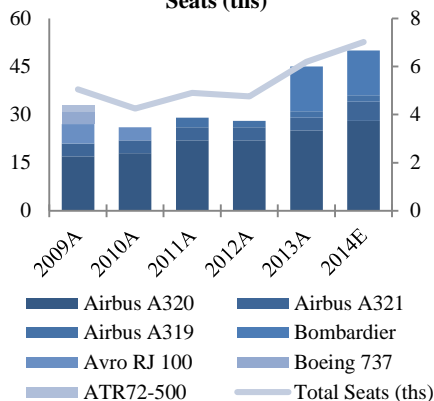
Aegean, is committed on maintaining the highest level of corporate governance to ensure the future viability of the Group and to build long term value for its shareholders. Corporate Governance is of critical importance for assuring enhanced transparency towards shareholders and helps cultivating continuous trust with its management. The Company applies the principles and specific practices for listed companies that are foreseen in the Greek Corporate Governance Code that was drafted and published by Hellenic Corporate Governance Council. (Appendix 20)

Table 1: Total (Domestic & International) Passenger Traffic by Air

Year	Passengers	
	Arrivals	Departures
2009	19,746,105	19,899,381
2010	19,083,347	19,220,226
2011	19,322,847	19,508,474
2012	18,260,312	18,397,819
2013	19,173,277	19,284,064

Source: HCAA

Figure 7: Number of A/C - Total Seats (ths)



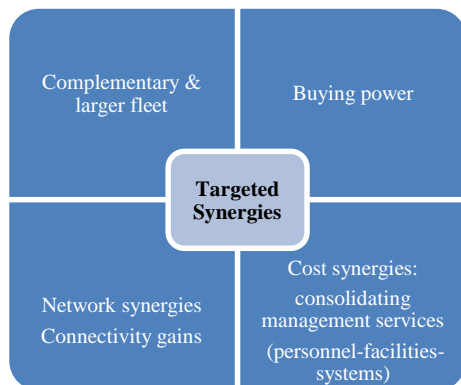
Source: Company Data, Team Estimates

Table 2: International Tourist Arrivals by Air at Main Greek Airports (2014)

Greek Airports	Tourist Arrivals
Athens	3,388,322
Thessaloniki	1,576,661
Rhodes	1,931,005
Kos	1,010,644
Heraklion	2,606,472
Chania	950,316
Corfu	1,072,849
Kalamata	109,107

Source: SETE

Table 3: Acquisition of Olympic Airlines – Synergies (Appendix 19)



Source: Company Data

Social Responsibility

Aegean tries every year to make an impact on society and in 2014 as a reward for its efforts, it was bestowed the Corporate Social Responsibility Award by the Athens Chamber of Commerce and Industry (ACCI). Social responsibility for Aegean has always been an important part of the company's culture and its effects are obvious mainly in three areas: Education, Tourism and Environment. In education, the most important program is "Close to young people" where 250 students last year and 500 students this year benefited from. For tourism, Aegean is taking initiatives, through coordinated efforts with organizations, to enhance the good image of Greece. Last, its' environmental protection efforts are obvious since an Atmosphere 2014 ranking placed Aegean as the 4th most climate efficient regional airline. (Appendix 20)

Industry Overview and Competitive Positioning

Increased Air Travel Demand leading to high growth of the aviation industry

Since 1970, air travel demand measured by RPKs flown, has risen 10-fold compared to a 4-fold expansion of the world economy (GDP), according to IATA's report (2013)¹. There are several reasons for this fast growth, such as the deregulation of the aviation industry in the USA, Europe and elsewhere and the development of new technologies in aircraft manufacturing which led to higher fuel efficiency of aircrafts and hence lower passengers' fares. Also, the deregulation led to the appearance of LCCs with further significant reductions in fares, higher utilization of airplanes and higher load factors. All these, combined with an increase in people's disposable income greatly stimulated the demand for air-traffic.

....but also to lower profitability

It is obvious, that value is being created for customers, but the problem is that the low tickets prices have left airline equity investors unrewarded for providing their capital. In fact the global aviation industry as a whole has on average one of the lowest profitability performance compared to other industrial sectors. According to the IATA's report (2013), the returns on invested capital (ROIC) have only improved from 3.8% in the 1996-2004 cycle to 4.1% in the 2004-2011 cycle, which was well below their weighted average cost of capital (WACC) that more or less remained at the range of 7.0-10.0%, depending on the type of the business model (FNSC or LCC) and on the type of the geographical market (North America, Europe, Asia-Pacific and Latin America). Although the profitability of an airline firm is sensitive to the business model adopted, the maturity of the market in which it operates, and the governments' intervention, according to a previous study of IATA (2011)² there are two more important factors that limit the profitability of the whole sector. The first factor, is connected with the fact that aviation industry suffers from the high power of all 5-Forces (a situation which is rarely encountered in the majority of other sectors) under the framework of Porter's structural analysis. The second factor, is associated with the fact that the other companies' position, with whom an aviation company interacts in the supply chain³, is much better in relation with the 5-Forces of Porter's analysis.

The industry outlook

The airline industry needs to tackle its poor performance that is mainly attributed to the way airlines compete among themselves. Price is a key driver of consumer choice, but access to information has made price transparency almost absolute, which has led to the extinction of price differences between similar products. The solution to the low profitability problem is to change the nature of competition. Airlines must increasingly compete not on price and volume alone but by differentiating their product. This would increase value to consumers but also provide more opportunities for airlines to capture a part of that value creation in the growing airline industry. According to the IATA study (2011), 40 years ago the industry's two largest markets were still the United States and Europe, but over the next 20 years the airline industry is expecting to triple or quadruple its services in order to serve the demand for air travel and cargo services generated by the expansion of the middle income classes in Asia-Pacific and emerging economies in Latin America, MENA and Sub-Saharan Africa. As air travel becomes accessible to more regions and sections of society, the industry has to ensure that it keeps ahead of the rising demand curve and that airport capacity will not be an impediment to the airline industry's ability to satisfy customer demand.

Competitive positioning of Aegean

The Company managed to increase its revenues by an average of 12.9% (CAGR) per year in a decade (2004 – 2013) and a total of 198.9% at €847.4 million (2013). The total assets increased by an average of 17.6% (CAGR)⁶ per year and a total of 331.2% at €561.4 mil (2013) from 2004 until 2013. It also has a strong financial position in terms of liquidity, high profit margins compared to FSNCs and almost zero debt.

The determinants of Aegean's strong growth over the last years are...

A clever and carefully designed business model which offers high quality services for its customers at reasonable prices. As a reward for its efforts, the company was awarded by SKYTRAX as the best Regional Airline in Europe in customer service for the years 2009, 2011, 2012, 2013 and 2014. Reducing the rate of loss of customers and building loyalty are the major growth engines of the company, as they helped them to invest in new routes and to increase their share over the years.

A series of takeovers of smaller competitors (Air Greece and Cronus Airlines) and the elimination of the largest domestic competitor, namely the O.A., by acquiring it from MIG. The acquisition of O.A., also enabled them to gain at least temporarily a monopolistic position in the domestic flights segment, since the peripheral small airports on many of these routes can only be accessed by using the fleet of Bombardiers' aircrafts of the former O.A.

¹ IATA Economics Briefing No10, Profitability and the air transport value chain

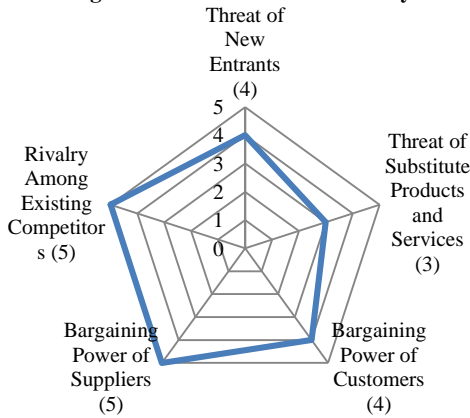
² IATA, Vision 2050

Table 4: Aegean’s Key Strategic Priorities

Extrovert	Unit Costs/Flexibility	Ancillary Revenue
Expand ATH route portfolio	Olympic Air synergies	Air (baggage/unbundling)
Coverage in incoming leisure on key Greek bases	Distribution	Third party sales (hotel, car etc.)
Focus on connectivity value	Leases	Value cycle loyalty enhancements
Capture markets potential	Technical	
	Handling	
	Light seats project	

Source: Company Data

Figure 8: Porter Five Forces Analysis



Source: Team Estimates

Table 5: SWOT Analysis (Appendix 17)

Strengths	Weaknesses
Strong financial position	High degree of operating leverage
Great customer service efficiency	Exposed to exit barriers imposed from governments in non-profitable markets
A balanced geographical exposure	Vulnerable, to high input costs
Larger than any other rival in the domestic market	Air-travel demand is mainly based on external factors
A Star Alliance member	Weak competitive position regarding the 5-Forces
Opportunities	Threats
Political instability in competitor countries	An exit of Greece from the Eurozone
Recovery of the Greek economy	Continuation conflicts in countries the company operates
Higher share in Cyprus market	An increase in oil price and the continuing devaluation of € will increase its costs
Fall in the oil price	An increase in competition
Undervaluation of the € against the US\$ and the GBP£	Heavy environment tax charge
Entrance in the emerging markets (i.e. China)	
Improvement of conditions in countries the Company has routes	
Increase domestic destinations	

Source: Team Estimates

The strategy of Aegean to join the strategic alliance Star Alliance in 2010 gave them specific benefits such as the opportunity to provide their clients lower fares and at the same time a “from anywhere to anywhere” service, something that could not be achieved by its own fleet. This gave the company the opportunity to expand its base of clientele, while at the same time enjoying the operational benefits through the common use of terminals and facilities.

The increase in tourist arrivals in Greece over the last 3 years, was driven by a shift to tourist destinations in the Middle East due to wars and political crises at a regional level and by a fall in the cost of services and goods in Greece following the “internal devaluation” program of Troika.

The profitability of Aegean and its sources

Aegean has sound EBIT margins, 4.2% over the last decade and 9.3% in 2013, which can be better compared with the margins of the LCCs than those achieved by FSNCs, as the IATA’s report (2011) indicates, given that the average EBIT margin of the FSNC over the last decade was only 0.7%. This was made feasible due to two main factors. The first is due to a more favorable position the company has in relation with the 5-Forces of Porter’s analysis especially in the domestic flights segment. The second factor is that although, Aegean typically belongs in the FSNC model it has a few characteristics of a Hybrid Carrier, since it offers point to point flights, it operates with a young fleet of mainly Airbus A-320, which generates economies of scale (e.g. in procurement and maintenance costs) that enables them to offer highly competitive ticket prices and at the same time provides to the customer a high quality of services differentiating the product it offers.

Where does Aegean stand in relation with the 5-Forces?

As it becomes clear from our detailed analysis (Appendix 16) for Aegean, the threat of new entrants is considered to be high to moderate depending upon the type of routes (international/domestic). Thus, in international routes the threat is high, while in domestic routes, the threat is moderate due to the recent entrance of LCCs (Ryanair). Since the domestic and international connections of trains, buses and ships is far from being effective with European standards, their threat is low. Moreover, customers exist in two main dimensions: the distributing channels and the end-customers. Since air-travel is considered as a standardized product and there are low switching costs for customers, their bargaining power is significant, especially in international routes. The suppliers of an airline are considered to have a high bargaining power, because of the few alternatives the airlines have. However, the position of Aegean is better regarding the MRO services that are performed mainly in-house, and the weak bargaining power of its employees’ unions, especially in a deep recessionary environment of the Greek economy. Aegean Airlines competes with many and differently structured airlines in the market of international routes, while in the domestic market of Greece, its main competitor is Ryanair, which is probably the strongest LCC in the world, so there are firm indications that the rivalry it is facing is high. Summarizing the above, we consider that the Company’s competitive position is much better than a typical FSNC at least in the short-term.

Competitive strategy of Aegean - A more or less hybrid business model

In our view, based on the above we consider that Aegean is successfully pursuing the so-called hybrid business strategy according to Porter, by which customers enjoy a relatively high added value at relatively low prices. Therefore, in the short term, it can effectively compete even with the strongest LCCs, such as Ryanair at least in the domestic routes, but that does not safeguard the company against the tactics of a pure LCC which can seriously squeeze their profit margins both on domestic and international flights markets.

Company’s prospects

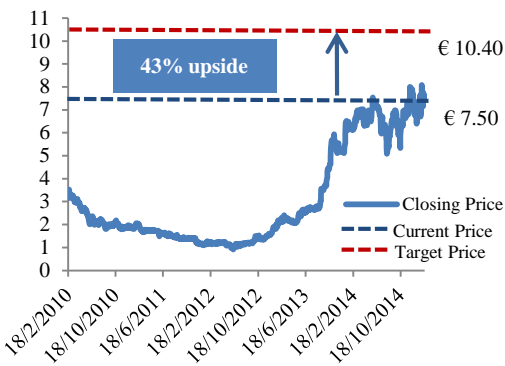
Tourist arrivals in Greece show strong signs of recovery as the world starts to overcome the recession. As a result, the air travel demand for Greece will keep growing, due to the fact that almost 70.0%⁷ of tourists that come in Greece are using airplanes. We expect that Aegean will benefit the most from this situation, by bearing in mind that the company’s international traffic is 85.0% of its total (domestic and international) traffic. The segment of emerging markets of Asia also shows a great growth potential that the company can take advantage of being a Star Alliance member, while the recent expand in Cyprus, after the default of its national carrier, gives the company the opportunity to increase its capacity in this country, covering the already existing demand for air-travel.

Investment Summary

We issue a BUY recommendation on Aegean Airlines Company (AEGN), with a target price of €10.40, applying a combination of the Discounted Free Cash Flow to Firm method (50.0% weight) and the Multiples approach. This offers a 43.0% upside from its closing price of €7.50, on February 22, 2015.

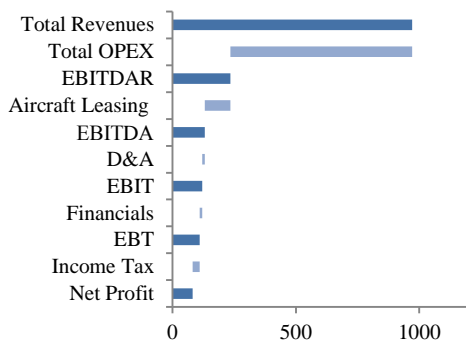
Aegean is the best-in-class Greek airline, which has Full Service and Low – Cost Carrier (LCC) characteristics, due to its low cost policy. Following the O.A. acquisition and its strategic shift to international markets, we believe that Aegean is coming out of the crisis bigger and stronger.

Figure 9: Aegean daily stock price (in €)



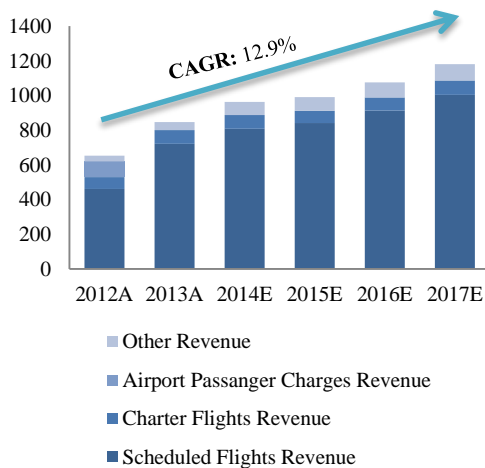
Source: Team Estimates

Figure 10: P&L for 2014E (€ m.)



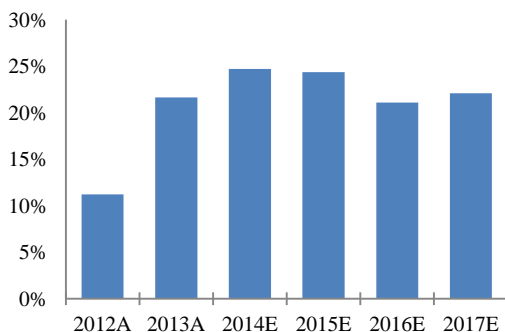
Source: Team Estimates

Figure 11: Total Revenue Breakdown (€ m.)



Source: Team Estimates

Figure 12: EBITDAR Margin



Source: Team Estimates

Despite the increased competitive capacity and the entrance of new airline companies in the domestic market (e.g., Ryanair, Norwegian Air in 2015E etc.), we expect Aegean to be the key beneficiary of improving market and industry trends.

Additionally, we await an even larger expansion of its investing activities towards international market for 2015, so as for the following years. The Company has already announced that four of its aircrafts will be available on a daily basis at its air base, at Larnaca's International Airport, in order to serve international and domestic destinations, with the number of Available Seats to reach 1.5mil; and all these by taking advantage of Cyprus Airways bankruptcy.

Best-in-class Carrier, Combining Full-Service and Low Cost Carrier Advantages

Even though Aegean's main flights are mostly short-haul, within a 3 to 4 hour from Greece, its unit Revenues per ASK (RASK) of €0.078 level stands above LCC standards, meanwhile its average ticket price of €90.0 resembles more of a Full – Service Carrier (Ryanair €66.7, EasyJet €87.4). Furthermore, with the Cost per ASK (CASK) –excluding fuel costs– of €0.042 in 2013, Aegean can be compared comfortably with Full – Service Carriers, since it stands at a relative disadvantage to most Low – Cost Carriers (CASK ex-fuel for Ryanair €0.034 & EasyJet €3.39). The already mentioned characteristics can be explained by Aegean's small scale, full service offering and high airport charges, especially in Athens International Airport (El. Venizelos). Recapitulating the above statements, we have reached the conclusion that Aegean ranks well both network carriers and LCCs, with an EBITDAR margin of 21.7% and aircraft fuel costs expressed as a percentage of revenues 26.4%.

Right Strategic Choices in order to Increase Growth & Exploit Positive Market Trends

Aegean's growth strategy for 2014E – 15E concerns the addition of 7 new aircrafts and 17 new international destinations in 2014E, 14 of which will depart from Athens International Airport. Moreover, the frequency of the flights will be boosted, mostly due to the aforementioned expansion of Aegean's operations in the Cyprus market. Additionally, we expect Aegean to stay focused on the international market segment. Also, following the acquisition of OA, Aegean has included in its strategic planning to stimulate domestic demand, with some aggressive pricing in routes that were previously served only by OA (monopoly). Lastly, the above mentioned merger of OA with Aegean Airlines, offers the latter the opportunity to capitalize the benefits of both merger synergies and economies of scale generated by the acquisition.

Intensifying Competition is a Concern

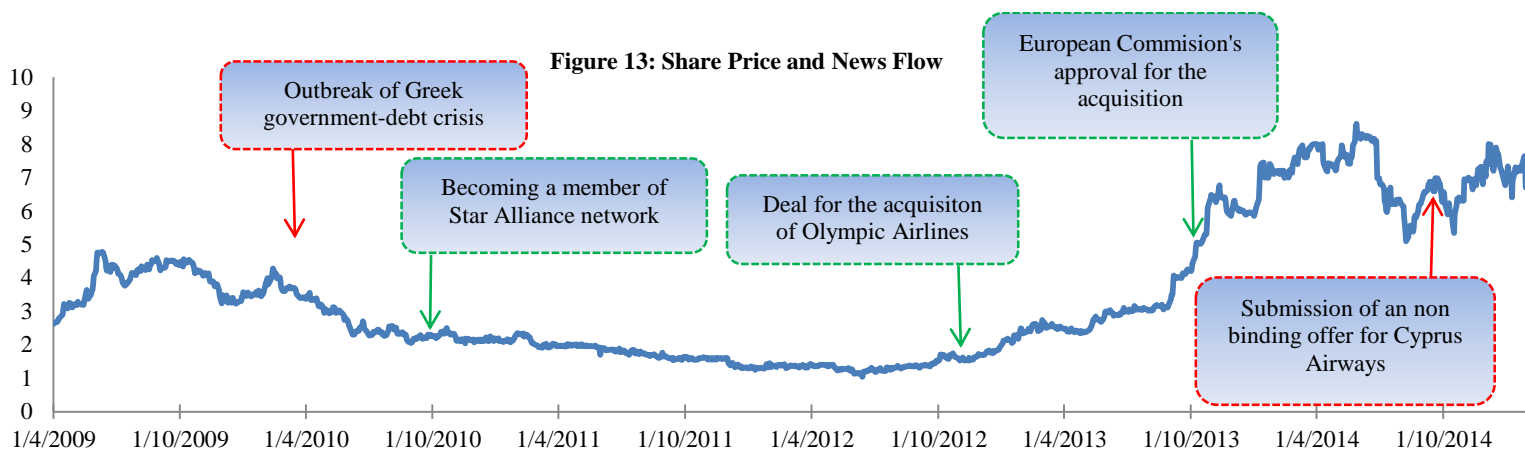
The Aegean's competition in terms of international routes has decreased a little, under the scope of the macroeconomic risks in Greece and competitors' capacity constraints. Nonetheless, we believe that the encouraging signs of incoming leisure traffic combined with Aegean's solid operating activities are about to lead to a significantly greater capacity. Furthermore, we think that new competitors will enter the domestic market in the foreseeable future and this might suppress Aegean's margins. Ryanair has already made an aggressive entrance in the domestic market, with bases in Athens, Thessaloniki & Chania, meanwhile other Low – Cost Carriers, such as Norwegian Air, are considering entering the Greek market, and EasyJet is planning to increase its available seats in Greece.

Drivers of Volatility in Earnings

According to our research, the number of passengers, the Load Factor and the Kilometers that the company flies, are the main drivers to volatile Aegean's revenues. On the one hand, we assume that the key economic factors, which affect the annual passengers and the load factor, are the tourist flows in the domestic market and the European GDP in the Euro – market (Appendix 9). On the other hand, the key indicators that contribute to the annual kilometers fluctuation are the destinations, the frequency in each destination and the number of slots that Aegean has in every airport.

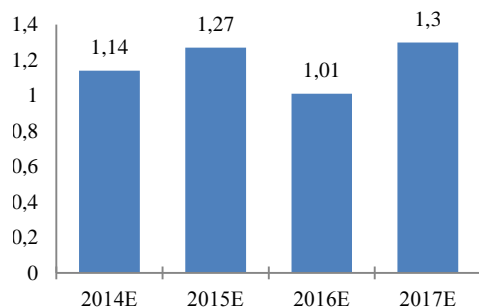
Possible Investment Risks

The basic airline industry risks that Aegean is called to deal with are: the geopolitical turbulence due to terrorist attacks and wars in the broader area, the observed variability at the commodity markets, especially the one which concerns the crude oil prices, and the intense volatility in currency markets. Among the previously mentioned potential hazards, the macro – political risk is placed in a prominent position, because the realization of Greece's departure from the Eurozone is going to catastrophically influence the Company's future.



Source: Bloomberg, Company Data

Figure 14: Estimated Earnings per Share (€)



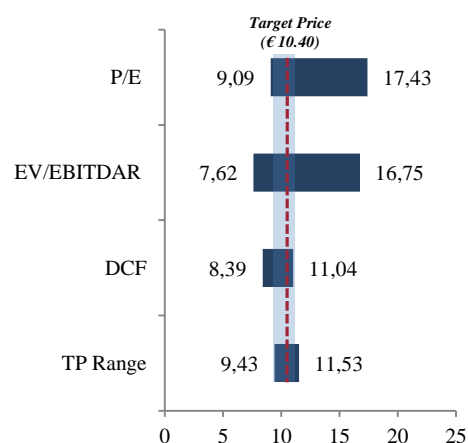
Source: Team Estimates

Table 6: WACC Components (Appendix 8)

Aegean Airlines	
Risk Free Rate	0,46%
Beta	0,67
Equity Risk Premium	5,74%
Country Risk Premium	16,36%
Cost of Equity	15,09%
Interest Rate	0,54%
Cost of Debt (pre-tax)	0,54%
Tax Rate	26%
Cost of Debt (after-tax)	0,4%
WACC	14,97%

Source: Team Estimates

Figure 15: Target Price Range (€)



Source: Team Estimates

Valuation

DCF Valuation

We conducted the discounted free cash flow to the firm valuation technique (DFCF) in order to estimate the enterprise value of the company. We calculated equity value, by subtracting net debt from enterprise value. We arrived at a €9.60 price per share by dividing equity value with the total number of shares

We forecasted the Enterprise Value using a two-stage growth model. The first stage, includes a year to year free cash flow forecast for 2014 to 2019. Meanwhile, the second stage involves a constant growth model in order to calculate the terminal value

DCF Core Components (Appendix 9)

Revenues (Sales): We estimated revenues by forecasting estimated passengers and Available Seat Kilometer (ASK). We also assumed that Yield will remain at the same level as 2014 and that Available Seats will increase for years 2014 & 2015 and then remain constant until 2018. Passenger were broken down in two categories, domestic & international, which we assumed that are driven by Greek GDP Growth and Estimated Tourist Arrivals respectively. ASK was assumed to have a stable growth for years 2016 to 2020, while years 2014 and 2015 increase, was based on team's estimates and company's management guidance

Operating Expenses (OPEX): We estimated OPEX ex-fuel by providing each expense with the suitable driver. The main drivers were ASK, Revenues and Number of Passengers

Aircraft Fuel: We consider Aircraft Fuel to be the most important expense and as a result, it was treated differently, by forecasting Brent Crude Oil prices and Foreign Exchange. In our analysis we assumed that no hedging will take place from the side of Aegean Airlines

Tax: In calculating the tax paid, we assumed the marginal tax rate 26.0%

CAPEX: The Company has only 4 A/Cs under Financial Leasing and it is not expected to obtain more under this way of leasing. As a result, the Capex for each year is calculated as the sum of Disposals and Depreciation in order to sustain Fixed Assets at 2014 levels

Subsidiary Expenditures: For the acquisition of O.A., that took place on October 23 2013, Aegean Airlines paid the amount of €20,000,000. The remaining liability, €52,000,060, was agreed to be paid in five equal annual installments on the following dates: October 23rd 2013 the first one, 15.10.2014 the second one, on 15.10.2015 the third one, on 14.10.2016 the fourth one and on 16.10.2017 the fifth one

Depreciation: Depreciation was assumed to be slightly higher than 2014 9m levels

Terminal Growth Rate: We assumed a conservative perpetuity growth of 2.0%, based on the nominal GDP growth of a mature economy (i.e. USA market)

Dividend Policy – Return on Capital: Aegean Airlines has not given any dividends since 2010, since the company had net losses instead of profit. As net profit returned to positive levels in 2013, we assume that Aegean Airlines will start paying dividend to its shareholders again. We forecasted a 60.0% on Net Profit dividend policy for 2015 and forth, as company's cash generation capacity will be at very high levels. However, for year 2014, we assumed a 30.0% on Net Profit dividend, as Aegean Airlines returned the amount of €71.4m to its shareholders this year. We assume no return on capital in the future, as this policy lies on the discretion of Aegean Airlines management.

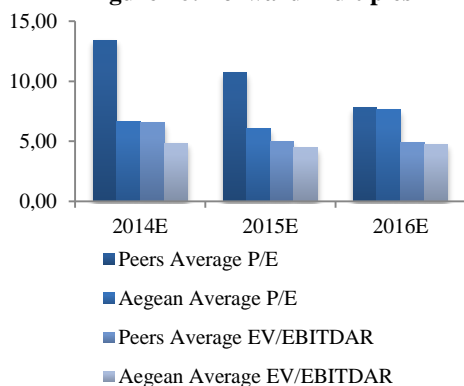
WACC: The cost of equity was calculated using the CAPM model. For the risk free rate the 10y German bond was used. The beta and Country Risk Premium were calculated by our team. Equity Risk Premium was calculated by subtracting Risk Free Rate from the Average European Risk Premium. For the cost of debt was picked the weighted average interest rate that Aegean Airlines pays for its finance lease liabilities, as it is the only debt that the company currently holds. Capital Structure was calculated by dividing Aegean Airlines debt (finance lease obligations) with debt plus Market Cap as of Feb 20.

Table 7: Group of Peers

Company	Stock Price (€)	Market Cap. (€ m.)
Lufthansa	15.125	7,001.74
Air France/KLM	7.985	2,345.61
International Airlines Group	745.42	13,515.75
Turkish Airlines	3.52	4,835.10
EasyJet	2377.10	8,475.44
Ryanair	10.56	13,914.90
Norwegian	34.47	1,208.19

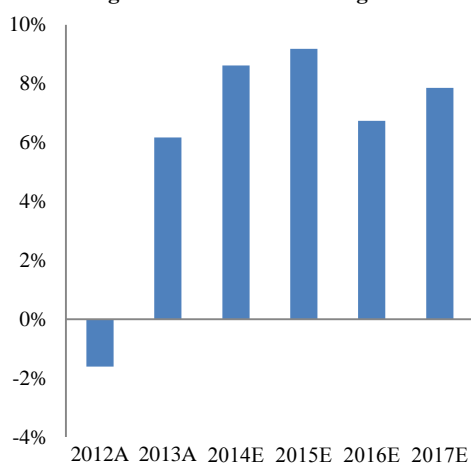
Source: Team Estimates

Figure 16: Forward Multiples



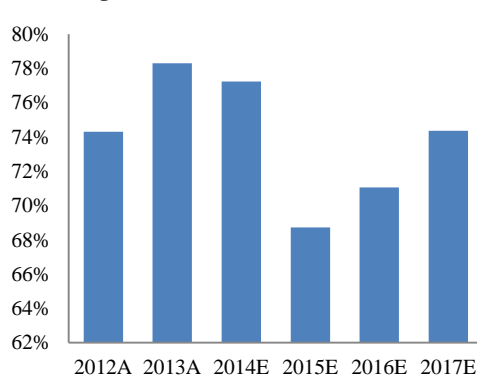
Source: Bloomberg, Team Estimates

Figure 17: Net Income Margin



Source: Team Estimates

Figure 18: Load Factor - Scheduled



Source: Team Estimates

Relative Valuation

Given the fact that Aegean Airlines constitutes a Full Service Network Carrier (FSNC), while having some Low Cost Carrier (LCC) characteristics, and by taking into our consideration Aegean's Management views regarding their direct peers, we decided to come up with the final relative valuation price by weighting both FSNCs & LCCs (see Appendix 11). More specifically, the price was calculated by the median multiple price of all FSNCs and LCCs.

In calculating Equity Value for EV/EBITDAR, we made an adjustment by subtracting, except Net Debt, the **capitalized operating leases**¹ (x8 multiple) from Enterprise Value as proposed by Moody's (Appendix 12).

Through our relative valuation, we arrived at a €11.20 target price, by weighting 25.0% the P/E multiple and 75.0% the EV/EBITDAR multiple. The appraised equity value for P/E was €15.70 and for EV/EBITDAR €9.70. (Appendix 12).

Company	P/E			EV/EBITDAR			Dividend Yield %		
	FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
Aegean Airlines	6.0x	5.9x	7.4x	4.8x	4.5x	4.8x	-	5.1%	8.1%
Peer Median	15.3x	12.4x	7.9x	5.8x	5.1x	5.3x	0.4%	1.6%	2.4%
Premium/Discount	-60.7%	-52.1%	-6.4%	-16.3%	-12.4%	-10.0%	-	210.4%	237.7%

For years 2014 and 2015 on P/E, Aegean trades at more than 50.0% discount against a set of both FSNCs and LCCs, but in 2016 the discount greatly narrows given the peer group's higher profitability growth profile. In terms of EV/EBITDAR, the discount is at 16.3% and 12.4% in 2014 and 2015 respectively and is expected to decrease further.

Dividend Yield of Aegean for the following years is expected to be exceptionally higher than its peers, as the company had not given dividends since 2010, mainly due to the lack of achieving positive figures in Net Profit level.

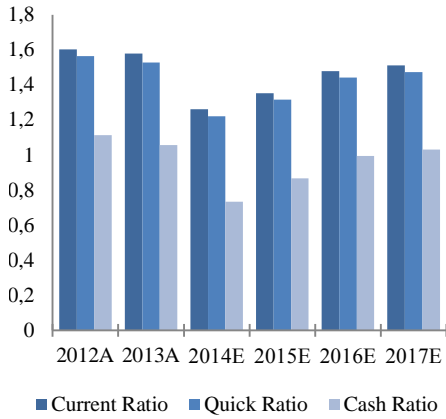
Financial Analysis

RATIOS	2012 A	2013 A	2013 PF	2014 E	2015 E	2016 E	2017 E
Profitability							
EBITDAR margin	11.2%	23.2%	21.6%	24.8%	24.4%	21.1%	20.7%
Lease Rentals margin	10.8%	10.4%	10.7%	11.0%	11.0%	11.0%	11.0%
EBITDA margin	0.5%	12.8%	10.9%	13.8%	13.4%	10.1%	9.7%
RoA	-2.6%	10.3%	9.3%	12.5%	12.1%	9.2%	9.1%
RoE (spot year)	-6.8%	27.1%	24.6%	35.0%	30.2%	22.0%	21.3%
Liquidity							
Current ratio	1.6x	1.6x	-	1.4x	1.6x	1.7x	1.7x
Acid test/Quick Ratio	1.6x	1.5x	-	1.4x	1.5x	1.6x	1.6x
Cash Ratio	1.1x	1.1x	-	0.9x	1.1x	1.2x	1.2x
Activity							
Receivable turnover	13.9x	9.1x	-	9.4x	9.4x	9.4x	9.4x
Average receivables collection days	26	40	-	39	39	39	39
Working capital turnover	32.5x	33.8x	-	31.7x	32.4x	72.9x	63.9x
Asset turnover	1.6x	1.2x	1.5x	1.4x	1.3x	1.4x	1.4x
Financial Leverage							
Leverage (total liab/equity)	1.6x	1.6x	-	1.8x	1.5x	1.4x	1.3x
Debt/Equity	0.5x	0.3x	-	0.2x	0.1x	0.1x	0.1x
Net Debt/Equity	-0.5x	-0.9x	-	-1.0x	-1.1x	-1.2x	-1.3x
Net Debt / EBITDAR ¹	-1.0x	-1.1x	-	-1.0x	-1.4x	-1.8x	-1.9x
Net Debt+Capitalized leases / EBITDAR	6.67x	2.44x	-	2.57x	2.24x	2.40x	2.41x
Net Debt / EBITDA ²	-25.1x	-2.1x	-	-1.7x	-2.5x	-3.7x	-4.0x
Equity Multiplier	2.6x	2.6x	2.6x	2.8x	2.5x	2.4x	2.3x
CFO/EBIT	-2.0x	1.3x	1.3x	1.2x	1.1x	1.0x	1.0x
Shareholder Ratios							
Earnings Per Share	-	0.8	0.7	1.2	1.3	1.0	1.1
Dividends Per Share	0.0	0.0	0.0	0.0	0.4	0.6	0.6
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	5.1%	8.1%	8.6%

¹Moody's Global Standard Adjustment to Capitalize Operating Leases

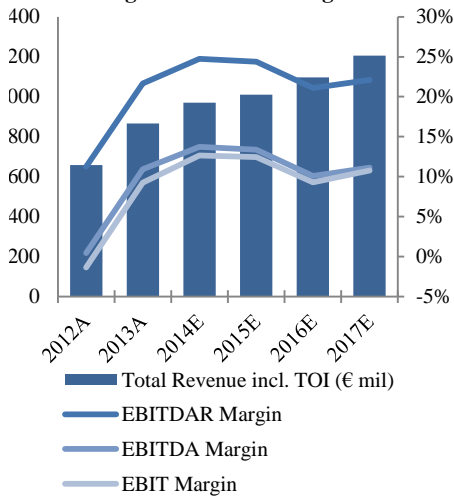
²Net debt Ratios are negative as cash are more than debt

Figure 19: Liquidity Ratios



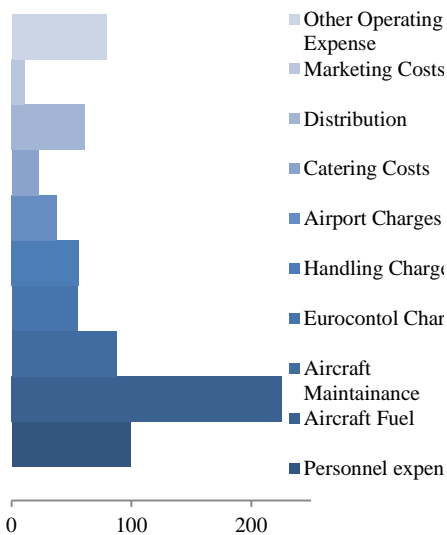
Source: Team Estimates

Figure 20: Stable Margins



Source: Team Estimates

Figure 21: Total OpEx Breakdown of 2014E (€ mil)



Source: Team Estimates

Drivers of Revenue | Conservative Growth of Net Profit

The main driver of growth is the increase in Greek tourism which has a significant contribution in the international passenger traffic, representing the 85.0% of total traffic in 2013, and leading to an increase of revenues at €847.4 million (Total Revenues CAGR 2009-2013: 8.1%). In the projected years, a conservative pattern is followed in the growth of Total Revenues because of the nature of the industry (Forecasted Total Revenue: 7.2% CAGR in 2014E-2020E). We assume the preponderant drivers of revenue to be the Greek tourism as mentioned and Greece’s GDP which affects directly the domestic passengers.

The company's ability to act directly in the lucrative market of international flights through its expansionary policy allowed Net Profit (NP), in 2013, to soar at a record high of €52.3 million surpassing three years of consecutive losses. The losses that were caused during the years 2010-2012 were because of the Greek recession accompanied with the growth of LCCs, which led to a weak demand. We expect in the forecasted period, the acquisition of O.A. to offer economies of scale (NP 2014E: €82.6 million, +58.0% YoY). In 2015E, synergies in conjunction with the historic low fuel prices will have a positive impact on the NP reducing the corresponding account (NP 2015E: +9.1% YoY). This pattern will not continue in 2016E, because the growth in operating expenses is greater than the Total Revenue growth which is based on our assumption that aircraft fuel cost will rise. For the next years (2017E-2019E) we estimate that the destinations added in previous years under the expansionary policy to mature and contribute to both NP and Total Revenue. However, in 2018E-2020E we presume a decreasing growth rate of profits YoY, due to an increase in competition, especially from LCCs (2018E NP: +20.0% YoY, 2019E NP: +0.1% YoY, 2020E NP: -2.9% YoY).

Mediocre Levels of Margins

Aegean experiences low levels of margins because of the heavy cost structure that characterizes the airlines industry. More specifically, during the historical period 2009-2013, margins fluctuated considerably because of the changes in fuel prices and aircraft leasing costs (2009 EBIT margin: 3.1%, 2013 EBIT margin: 9.3%). In the forecasted period 2014E-2020E, the average EBITDAR margin will reach 21.8%. Generally, we expect in the short term (2014E-2015E) margins to increase because of the economies of scale that the acquisition offers. In 2016E, there will be a decrease of margins because we assume the fuel costs to rise. During the three final years of our forecasts, there will be a slight deterioration of margins for each year, because of the slower pace of increase in the total revenues. Even if margins are not very strong, the magnitude of earnings is satisfactory with the average Operational Cash Flows/EBIT ratio pointing to 101.0% (2014E-2020E).

The heavy cost-structure erodes margins: Leasing Costs | Fuel Costs | Personnel Expenses

Regarding leasing costs, Aegean is exposed to the interest rates fluctuations because aircraft finance leases are agreed on floating interest rates. Firstly, the cost of leasing is one of the main drivers that erodes margins. Aegean, in an attempt to manage the weak traffic demand due to the economic recession reduced its capacity, from 33 to 26 aircrafts in the period 2009- 2010. As the fleet boomed in 45 aircrafts (+14 aircrafts from the acquisition) in 2013, the cost of leasing also jumped by 29.0%. In the period 2015-2016 the company’s fleet will increase by 7 new aircrafts. Although the long term trend is unpredictable, in the forecasted years we suppose the cost of leases to rise in line with the company’s additional capacity plans. It is noteworthy that lease rates in 2013 were quite below their normal level.

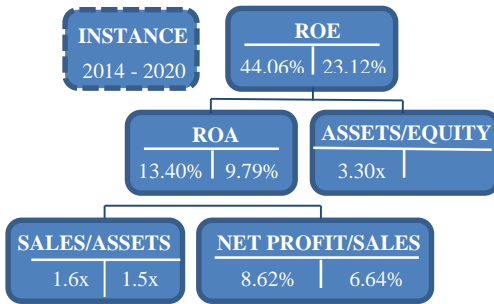
Secondly, the price of **jet fuel** has a significant role in the heavy cost structure of the industry. Oil price fluctuations influence the profitability of the company. To deal with this risk Aegean enters in derivative contracts in order to hedge a percentage of its jet fuel needs. Also, Aegean as a service provider company has increased **personnel expenses**. This kind of expenses represents the 20.0% (Average 2009-2013) of the total Operating Expenses (excluding leases).

High Liquidity | Exceptional Cash Position

The CCC (Cash Conversion Cycle) is negative in the analyzed period, even in the years of losses which indicates a strong market position. Working capital is handled in an efficient manner. Aegean receives cash faster from its clients comparing to the deadlines that have to be paid to the suppliers (Appendix 24). Cash Conversion Rate (computed as Operational FCF/Net Profit) in the estimated years is expected to reach 83.0% in 2020E (Average 2014E-2020E:73.0%). Cash in the airline industry is vital because of the increased capital needs.

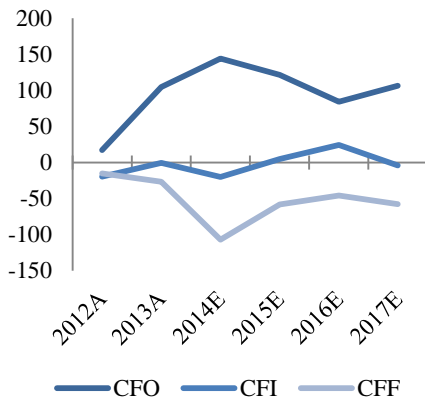
Operating activities represent the vast majority of cash flows (OCFs).The OCF/Sales ratio in 2013, reached a high level of 12.0% compared to the previous years, in which this ratio was at relatively low levels (OCF/Sales ratio 2012: 3.0%). In the foreseeable period, this ratio will be reduced because of the asymmetric rise in Total Revenue over OCFs (2014E OCF/Sales: 15.0%, 2020E OCF/Sales: 8.0%). In the analyzed historical period, CFF (cash flows from financial activities) were negative. The loan repayment and the dividend distribution in 2009, drove CFF to -€47.0 million. Also, in 2013, augmenting the loss (€-26.9 million) because of debt payback which led to zero bank borrowing.

Figure 22: Forward Du Pont Analysis



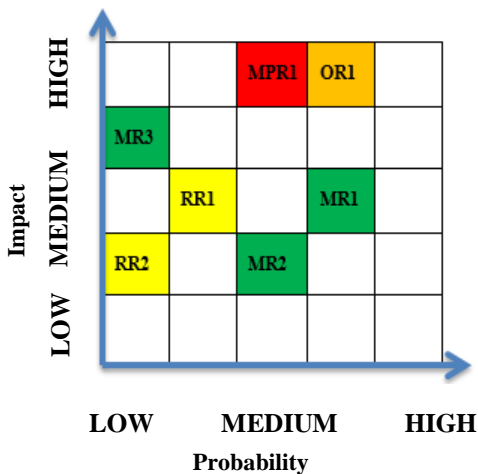
Source: Company Data, Team Estimates

Figure 23: Cash Flow Pattern



Source: Company Data, Team Estimates

Figure 24: Risk Matrix



Source: Team Estimates

In the foreseeable period, 2014E-2020E, CFFs are expected to remain negative mainly because of Dividend Payments. It is worth mentioning that in 2014E, CFFs have a sharp drop in -€82.5 million because of the share capital return amounting to €71.4 million.

DuPont Analysis suggests Profit Margin as the “Locomotive” of ROE (Appendix 23)

ROE in 2013 increased essentially and reached 24.6%. In the estimated years, the Average ROE is expected to reach 24.6% (the index reaches its maximum price in 2014E:35.0%). The Asset Turnover Ratio (computed as Total Revenue/Assets) has an upward performance reaching its peak in 2012 (165.0%). In the estimated period 2014E-2020E, the average Asset Turnover Ratio is expected to point 141.0%. The Equity Multiplier Ratio (calculated as: Assets/Equity) has been rising from 2009 and it is expected to reach its peak in 2015E (Equity Multiplier 2015E: 2.8x). The DuPont analysis suggests Profit Margin to be the main driver of profitability. Profit margin is the main driver not only for the company but for the aviation industry as a whole. The second driver but with a much less importance is the leverage ratio. This makes Aegean a healthy company and should maintain this trend by increasing profits and cash and keeping leverage at a minimum level.

Strong Balance Sheet Leads to Financial Flexibility

In 2013, Aegean airlines had a strong, loan free balance sheet as it finances its capital needs only by equity. The company’s net income is exposed to a high degree of variation due to the nature of aviation industry and requires a prudent capital structure. Contrary to the majority of airline companies, Aegean has not over-borrowed in the booming times of the economy, maintaining its financial flexibility to exploit investment opportunities in the future. Even if the company is not leveraged in terms of bank borrowing, it is exposed to a huge degree of leverage due to aircraft leases and operating leverage. The 10year average of operating leverage (computed as % Change EBIT/ %Change Revenue) climbed to 17.6x (Appendix 25). We estimate that the company’s debt ratio (computed as: Total Debt/Total Assets) will remain at zero levels in the forecasted years. The working capital ratio or current ratio reveals a high liquidity position, which in year 2013 was used for the acquisition of O.A. We expect that in the foreseeable years, cash & cash equivalents will remain at high levels (2014E: €266.7 million, 2020E: €613.8 million).

Investment Risks

Market Risk | Foreign Exchange Risk (MR1)

Company’s operations can be subject to significant direct exchange rate risks between the euro and the U.S. dollar, because a substantial portion of its operating costs (particularly those related to jet fuel purchases, aircraft leasing costs, maintenance costs and aircraft insurance costs) is incurred in U.S. dollars, while least of its revenues are denominated in U.S. dollars. Appreciation of the euro against the U.S. dollar positively impacts the Company’s operating income because the euro equivalent of its U.S. dollar operating costs decreases, while depreciation of the euro against the U.S. dollar negatively impacts operating income. It is the Company’s policy to hedge a significant portion of its exposure to fluctuations in the exchange rate between the U.S. dollar and the euro. To achieve this kind of hedging, the Company enters into forward currency exchange contracts with financial organizations. Recently, Aegean had entered into forward contracts to hedge 35.0% of its expected needs in US dollars for the period Oct 2014 – Dec 2016.

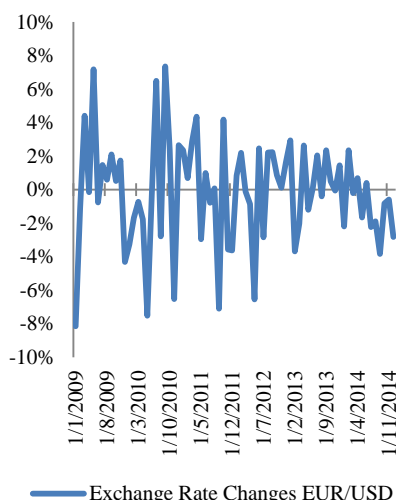
Market Risk | Interest Rate Risk (MR2)

Aegean Airlines is exposed to the risk of fluctuations in interest rates because of its cash deposits and debt obligations. It is also exposed to fluctuations in interest rates on finance leases of aircraft that have been agreed on floating interest rate. Hence, market volatility could change the cost of finance which may have an adverse effect on Company’s financial performance. The Company also enters into interest rate swaps to hedge against floating rental payments associated with certain aircraft financed through finance lease arrangements. Through the use of interest rate swaps, the Company has effectively converted a significant portion of those floating – rate rental payments into fixed – rate payments; more specifically the 49.0% of them for 2014.

Market Risk | Commodity Risk (MR3)

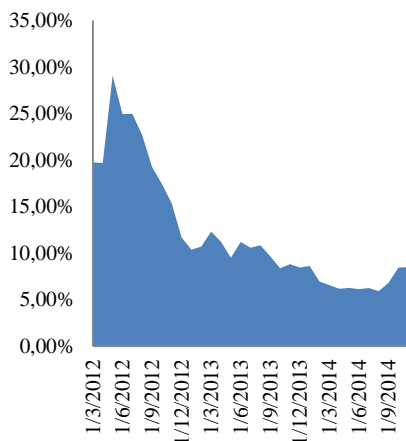
Changes in fuel costs and fuel availability affect the Company’s results and increase the probability of adverse impact to the Company’s profitability. Jet fuel costs are subject to wide fluctuations as a result of many factors and events occurring throughout the world that the Company can neither control nor accurately predict. Aegean has entered into arrangements providing for adequate protection against fluctuations in fuel prices, generally through commodity (jet fuel) swaps, covering the 34.0% of its estimated jet fuel requirements for the period Oct 2014 – Dec 2016. In parallel, the Company, when necessary, may impose fuel surcharges on domestic and international fares, in order to hedge the specific risk.

Figure 25: Exchange Rate Fluctuations EUR/USD



Source: Bloomberg

Figure 26: Greece 10-Year Bond Yield



Source: Bloomberg

Table 8: Risk Factors & Mitigation Strategies

Risks	Mitigating Factors
Market Risks	
Foreign Exchange Fluctuations	Entry into Currency (USD/EUR) Forward Contracts
Interest Rate Changes	Entry into Interest Rate Swaps Agreements
Jet Fuel Price Variation	Entry into Commodity Swaps Agreements
Regulatory Risks	
Additional Costs from Airport Taxes	Compliance with Airports' Pricing Requirements
Additional Costs from European Environmental Legislation	Compliance with European Union's Policies
Operational Risks	
Special Events (e.g. Natural Disasters, Wars etc.)	Constant Monitoring and Immediate Response
Macro-Political Risks	
Political Instability and Economic Turmoil	Achievement of a Solid Financial Position

Source: Team Estimates, Company Data

Regulatory Risk | Airport Taxes, Landing Fees and Security Charges (RR1)

Airport taxes, transit and landing fees and security charges represent a considerable operating cost to the airlines and have an impact on operations. While certain airport and security charges are passed on to passengers by way of surcharges (e.g., fuel surcharges), others are not (e.g., value – added tax). The Company is obligated to comply with the regulatory requirements of suppliers' pricing.

Regulatory Risk | Aviation Emissions (EU ETS) (RR2)

Since the start of 2012 emissions from all flights from, to and within the European Economic Area (EEA) are included in the EU Emissions Trading System (EU ETS). The legislative limitations in aviation emissions, introduced by European Union Emissions Trading Scheme, impose additional costs in the aircraft sector, by way of carbon charges, influencing the Company's operations. In 2013, the related cost for Aegean Airlines amounted to €1.5 million, in order to comply with the regulatory standards posed by the European Union's decisions. Additionally, Aegean has adopted an Environmental Management System, certified with the international standard, ISO14001:2004, with the purpose to minimize the impact of flying operations to the environment.

Operational Risks | Political Crises, Wars, Terrorist Attacks, Natural Disasters and Infectious

Hazards from political crises, wars, terrorist attacks, natural disasters, infectious diseases and similar events and developments cannot be anticipated. These external factors jeopardize the safety of flight operations, passengers and staff and by this have a fundamental effect on the Company's other interests. The already mentioned external factors therefore necessitate comprehensive risk analysis, monitoring and management; a process that requires timely risk identification and implementation of effective protective measures in advance.

Macro-Political Risk | Political Uncertainty & Economic Impacts (MPR1)

Any deviation from the country's fiscal adjustment, structural reforms, denationalizations and any renewed political instability could influence Company's domestic operations and incoming tourist traffic; while at the same time amplify the country's risk premium. Additionally, sovereign debt crisis in the euro area may have implications for the continued existence of the euro zone, which, via effects on the real economy and global trade, would in turn impact on the sales opportunities and financial profile of Aegean Airlines. A strong financial position supports the business through variations in the economic conditions for the aircraft sector. In order to respond instantly and shield its interests in such an event, the Company constantly monitors the security situation and current political developments around the world which might have an impact on the Company's activities.

Table 9: Effect of changes in Oil Price and Regulatory WACC on Target Share Price

WACC	Oil Price				
	72.00	76.00	80.00	84.00	88.00
14.0%	11.50	11.10	10.70	10.20	9.80
14.5%	11.30	10.90	10.50	10.10	9.70
15.0%	11.20	10.80	10.40	10.00	9.60
15.5%	11.00	10.60	10.20	9.90	9.50
16.0%	10.80	10.50	10.10	9.80	9.40

Source: Team Estimates

Table 10: Effect of changes in Oil Price and Foreign Exchange USD/EUR on Target Share Price

FX USD-EUR	Oil Price				
	72.00	76.00	80.00	84.00	88.00
0.789	12.60	12.30	12.20	12.10	11.90
0.833	11.70	11.40	11.30	11.10	10.90
0.877	10.80	10.50	10.40	10.20	10.00
0.921	9.90	9.60	9.50	9.30	9.10
0.965	9.00	8.70	8.60	8.40	8.10

Source: Team Estimates

Appendices

Appendix 1: Statement of Financial Position

In € Millions	2012 A	2013 A	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Intangible assets	26.79	57.09	55.80	55.80	55.80	55.80	55.80	55.80	55.80
Investment Goodwill	0.00	30.10	30.10	30.10	30.10	30.10	30.10	30.10	30.10
Tangible assets	89.24	81.00	77.13	68.81	60.67	57.24	53.81	50.38	46.96
Advances for assets acquisition	20.09	21.14	45.00	32.14	0.00	0.00	0.00	0.00	0.00
Advances for investing activities	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax assets	16.38	16.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	9.26	15.91	20.11	20.11	20.11	20.11	20.11	20.11	20.11
Hedging derivatives	0.00	0.11	8.16	8.16	8.16	8.16	8.16	8.16	8.16
Total non-current assets	181.77	222.21	236.30	215.12	174.84	171.41	167.98	164.56	161.13
Inventories	5.33	10.95	11.86	12.35	13.41	14.73	16.14	17.06	18.02
Customers and other receivables	47.09	76.94	101.18	105.33	114.35	125.67	137.64	145.49	153.66
Advances	4.45	4.93	17.88	18.62	20.21	22.21	24.33	25.71	27.16
Financial Assets at fair value	6.78	17.30	11.55	11.55	11.55	11.55	11.55	11.55	11.55
Hedging Derivatives	2.15	2.15	14.57	14.57	14.57	14.57	14.57	14.57	14.57
Cash and Cash equivalents	149.30	226.88	243.51	311.33	374.44	419.30	478.65	530.19	580.34
Total current assets	215.10	339.14	400.56	473.75	548.53	608.03	682.88	744.57	805.30
Total Assets	396.86	561.36	636.86	688.87	723.37	779.44	850.86	909.13	966.43
Equity									
Share Capital	46.42	46.42	46.42	46.42	46.42	46.42	46.42	46.42	46.42
Share premium account	144.77	144.77	72.78	72.78	72.78	72.78	72.78	72.78	72.78
Other Reserves	1.04	1.87	14.28	14.28	14.28	14.28	14.28	14.28	14.28
Retained profit / (loss)	(37.87)	19.81	77.66	110.95	135.81	168.63	207.62	246.69	284.76
Total Equity	154.37	212.88	211.14	244.43	269.28	302.11	341.09	380.17	418.24
Liabilities									
Long Term Loan Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance Lease Contracts Liabilities	61.66	51.49	40.08	31.61	23.15	14.68	6.22	0.00	0.00
Hedging Derivatives	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Liabilities	8.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Derivatives Contracts Liabilities	2.82	1.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions for retirements benefits obligations	6.35	7.51	5.36	5.36	5.36	5.36	5.36	5.36	5.36
Provisions	29.13	34.41	40.15	41.80	45.38	49.87	54.62	57.73	60.98
Deferred tax liabilities	0.00	0.00	14.13	14.13	14.13	14.13	14.13	14.13	14.13
Other Long Term Liabilities	0.00	38.53	28.13	17.73	7.33	0.00	0.00	0.00	0.00
Total long term liabilities	108.31	133.64	127.84	110.62	95.34	84.04	80.33	77.22	80.46
Suppliers	48.47	53.57	72.76	75.74	82.23	90.37	98.98	104.63	110.50
Long Term Loan Liabilities Payable Next Year	4.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short Term Loan Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Finance Leases Liabilities Payable Next Year	7.75	7.56	8.46	8.46	8.46	8.46	8.46	7.76	0.00
Other Short Term Liabilities	29.13	65.11	81.16	109.21	118.56	130.30	142.72	150.86	159.33
Liabilities From Tickets Sold but not Flown	26.20	45.89	85.94	89.46	97.13	106.74	116.91	123.58	130.52
Accrued Expenses	12.18	21.59	32.67	34.01	36.92	40.58	44.44	46.98	49.62
Hedging Derivatives	1.76	3.56	5.79	5.79	5.79	5.79	5.79	5.79	5.79
Current Income tax	0.00	10.22	5.81	5.85	4.37	5.77	6.85	6.86	6.69
Provisions	4.32	7.35	5.28	5.28	5.28	5.28	5.28	5.28	5.28
Total short term liabilities	134.19	214.84	297.87	333.81	358.75	393.29	429.44	451.74	467.73
Total liabilities	242.50	348.48	425.72	444.43	454.09	477.33	509.77	528.96	548.19
Total Equity & Liabilities	396.87	561.36	636.86	688.87	723.37	779.44	850.86	909.13	966.43

Appendix 2: Statement of Comprehensive Income

In € Millions	2012 A	2013 A	2013 PF	2014 9M	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Scheduled Flights Revenues	461.45	575.85	721.60	600.95	808.78	841.92	914.04	1,004.52	1,100.24	1,162.98	1,228.30
Charter Flights Revenues	67.81	78.81	78.80	55.27	66.61	69.33	75.27	82.72	90.61	95.77	101.15
Airport Passanger Charges Revenues	90.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Revenues	33.60	44.26	47.00	79.83	76.12	79.24	86.03	94.54	103.55	109.46	115.60
Total Revenues	653.39	698.92	847.40	736.05	951.50	990.49	1,075.34	1,181.78	1,294.40	1,368.21	1,445.06
<i>Other income</i>											
Total Other Income	5.05	10.25	18.10	6.17	19.42	20.21	21.95	24.12	26.42	27.92	29.49
Total Revenue incl TOI	658.44	709.16	865.50	742.22	970.92	1,010.70	1,097.28	1,205.90	1,320.81	1,396.13	1,474.55
<i>OPEX</i>											
Personnel expenses	(69.88)	(73.78)	(103.10)	(74.28)	(99.07)	(104.05)	(122.64)	(148.12)	(177.69)	(198.53)	(221.46)
Aircraft Fuel	(185.98)	(198.41)	(223.30)	(185.00)	(224.56)	(204.86)	(259.98)	(272.98)	(286.63)	(300.96)	(316.01)
Aircraft Maintainance	(47.92)	(49.92)	(78.00)	(60.80)	(87.79)	(102.71)	(107.85)	(113.24)	(118.90)	(124.85)	(131.09)
Eurocontol Charges	(38.59)	(41.94)	(46.20)	(43.70)	(55.20)	(64.59)	(67.81)	(71.21)	(74.77)	(78.50)	(82.43)
Handling Charges	(32.57)	(37.94)	(50.20)	(40.10)	(56.50)	(66.10)	(69.41)	(72.88)	(76.52)	(80.35)	(84.37)
Airport Charges	(117.77)	(27.60)	(33.60)	(28.90)	(37.82)	(44.24)	(46.46)	(48.78)	(51.22)	(53.78)	(56.47)
Catering Costs	(18.15)	(16.89)	(20.10)	(16.40)	(22.58)	(31.14)	(32.20)	(33.70)	(35.16)	(36.57)	(37.97)
Distribution	(36.21)	(45.57)	(54.30)	(48.60)	(61.11)	(71.50)	(75.08)	(78.83)	(82.77)	(86.91)	(91.26)
Marketing Costs	(5.89)	(7.21)	(8.50)	(7.90)	(11.01)	(11.75)	(13.85)	(16.73)	(20.07)	(22.43)	(25.02)
Inventories' Consumption	(0.89)	(1.69)	-	-	-	-	-	-	-	-	-
Other Operating Expense	(31.17)	(45.77)	(64.80)	(51.30)	(79.15)	(78.87)	(89.30)	(102.99)	(118.18)	(128.48)	(139.51)
Total Opex	(585.04)	(546.73)	(682.10)	(556.98)	(734.77)	(779.82)	(884.57)	(959.46)	(1,041.91)	(1,111.36)	(1,185.58)
Total opex ex-fuel	(399.06)	(348.32)	(458.80)	(371.98)	(510.22)	(574.96)	(624.59)	(686.48)	(755.28)	(810.40)	(869.57)
EBITDAR	73.39	162.44	183.40	185.25	236.15	230.88	212.72	246.45	278.91	284.77	288.97
Aircraft Leasing & spare engines leasing	(70.45)	(72.66)	(90.90)	(66.40)	(104.67)	(108.95)	(118.29)	(130.00)	(142.38)	(150.50)	(158.96)
EBITDA	2.94	89.78	92.50	118.85	131.48	121.93	94.43	116.45	136.52	134.27	130.02
Depreciation & Amort & Impairment	(11.82)	(12.09)	(14.10)	(9.48)	(10.28)	(9.04)	(8.86)	(4.15)	(4.15)	(4.15)	(4.15)
EBIT	-8.88	77.69	78.40	109.37	121.20	112.89	85.57	112.30	132.37	130.12	125.87
Financial Income	8.09	17.38	4.00	12.29	12.29	2.95	3.37	4.16	4.82	5.45	6.12
Financial Expense	(8.93)	(16.40)	(5.70)	(16.24)	(16.24)	(1.73)	(1.40)	(1.07)	(0.74)	(0.44)	(0.15)
Net Interest	(0.84)	0.97	(1.70)	-	(3.95)	1.23	1.97	3.10	4.08	5.01	5.97
Exceptionals	(2.90)	(3.59)	(6.00)	0.00	(5.57)	(1.65)	(3.58)	(4.49)	(4.75)	(3.11)	(3.24)
Total Other Income	(3.74)	(2.61)	(7.70)	(3.95)	(9.51)	(0.42)	(1.61)	(1.40)	(0.67)	1.90	2.73
Profit / (Lose) Before Taxes	(12.62)	75.08	70.70	105.42	111.69	112.47	83.96	110.91	131.70	132.02	128.60
Income Tax	2.12	(17.32)	(18.40)	(26.74)	(29.04)	(29.24)	(21.83)	(28.84)	(34.24)	(34.32)	(33.44)
<i>Effective & Marginal Tax Rates</i>	-17%	-23%	-26%	-25%	26%	26%	26%	26%	26%	26%	26%
Minority Interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit	(10.50)	57.76	52.30	78.68	82.65	83.23	62.13	82.07	97.46	97.69	95.16
Dividends Paid	0.00	0.00	0.00		(24.79)	(49.94)	(37.28)	(49.24)	(58.48)	(58.62)	(57.10)
Retained Profit	-10.50	57.76	52.30	78.68	57.85	33.29	24.85	32.83	38.98	39.08	38.07

Appendix 3: Cash Flow Statement

In € Millions	2012 A	2013 A	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Profit / (Loss) before tax	(12.62)	75.08	111.69	112.47	83.96	110.91	131.70	132.02	128.60
<i>Adjustments for:</i>									
Depreciation of tangible assets	11.82	12.09	10.28	9.04	8.86	4.15	4.15	4.15	4.15
Provisions	1.96	1.63	5.57	1.65	3.58	4.49	4.75	3.11	3.24
Loss from impairment of tangible assets	0.00	1.17	1.29	0.00	0.00	0.00	0.00	0.00	0.00
Foreign currency exchange (gains) / losses	(2.41)	(3.20)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Profit) / Loss from FX investing activities	(2.45)	(3.52)	(12.29)	(2.95)	(3.37)	(4.16)	(4.82)	(5.45)	(6.12)
Finance Cost	4.38	3.91	16.24	1.73	1.40	1.07	0.74	0.44	0.15
Other Non Cash Adj	-	-	4.05	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow in operating activities before changes in working capital	0.68	87.15	132.77	121.93	94.43	116.45	136.52	134.27	130.02
Changes in working capital									
(Increase)/Decrease Change in inventories	0.64	(0.12)	(0.91)	(0.49)	(1.06)	(1.33)	(1.40)	(0.92)	(0.96)
(Increase)/Decrease Change in trade & other receivables	11.52	2.34	(24.24)	(4.15)	(9.02)	(11.32)	(11.97)	(7.85)	(8.17)
(Increase)/Decrease Change in advances	0.00	0.00	(12.95)	(0.73)	(1.59)	(2.00)	(2.12)	(1.39)	(1.44)
(Increase)/Decrease Change in hedging derivatives receivables	5.33	(0.11)	(20.47)	0.00	0.00	0.00	0.00	0.00	0.00
Increase/(Decrease) Change in trade payables	6.52	17.09	70.33	7.84	17.07	21.41	22.65	14.85	15.46
Increase/(Decrease) Change in other ST liabilities	-	-	16.05	28.05	9.36	11.74	12.42	8.14	8.47
Increase/(Decrease) Change in derivatives liabilities	(3.92)	1.50	2.23	0.00	0.00	0.00	0.00	0.00	0.00
Total Changes in Working Capital	20.08	20.70	30.04	30.53	14.75	18.50	19.57	12.83	13.36
Interest expenses payable	(3.33)	(3.04)	(16.24)	(1.73)	(1.40)	(1.07)	(0.74)	(0.44)	(0.15)
Tax paid	0.00	0.00	(2.47)	(29.20)	(23.31)	(27.43)	(33.16)	(34.31)	(33.61)
Net Cash Flows From Operating Activities	17.42	104.82	144.10	121.53	84.47	106.45	122.19	112.35	109.61
Cash Flow From Investing Activities									
Purchases/Sales of tangible assets	(1.73)	(1.61)	(6.40)	(0.72)	(0.72)	(0.72)	(0.72)	(0.72)	(0.72)
Advances from investing activities	(20.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Advances' reimbursement for the acquisition of tangible assets	0.00	(1.04)	(23.86)	12.86	32.14	0.00	0.00	0.00	0.00
Proceeds from sale of shares	0.00	(8.83)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of financial Assets	-	-	12.41	0.00	0.00	0.00	0.00	0.00	0.00
Purchases of subsidiaries	0.00	(10.40)	(10.40)	(10.40)	(10.40)	(7.33)	0.00	0.00	0.00
Cash of subsidiary	0.00	18.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest and other financial income earned	2.15	2.65	12.29	2.95	3.37	4.16	4.82	5.45	6.12
Other Long-term assets	-	-	(4.20)	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash Flow From Investing Activities	(19.58)	(0.38)	(20.17)	4.70	24.39	(3.89)	4.10	4.73	5.40
Cash Flow From Financing Activities									
Loans repayment	(7.52)	(19.21)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share capital return	-	-	(72.00)	0.00	0.00	0.00	0.00	0.00	0.00
Share capital increase expenses	-	-	-	-	-	-	-	-	-
Dividends paid	0.00	0.00	(24.79)	(49.94)	(37.28)	(49.24)	(58.48)	(58.62)	(57.10)
Finance leases capital repayment	(7.82)	(7.69)	(10.51)	(8.46)	(8.46)	(8.46)	(8.46)	(6.92)	(7.76)
Net cash flows from Financing Activities	(15.35)	(26.90)	(107.30)	(58.40)	(45.74)	(57.71)	(66.94)	(65.54)	(64.86)
Net increase / (decrease) in cash and cash equivalents	(17.50)	77.53	16.63	67.82	63.11	44.85	59.35	51.54	50.15
Opening Net Cash/(Net Debt)	166.80	149.30	226.83	243.51	311.33	374.44	419.30	478.65	530.19
Closing Net Cash/(Net Debt)	149.30	226.83	243.51	311.33	374.44	419.30	478.65	530.19	580.34

Appendix 4: Common-Size Statement of Financial Position

As % of Total Assets	2012 A	2013 A	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Intangible assets	6.8%	10.2%	8.4%	7.5%	7.1%	6.7%	6.2%	5.8%	5.5%
Investment Goodwill	0.0%	5.4%	4.5%	4.0%	3.8%	3.6%	3.3%	3.1%	3.0%
Tangible assets	22.5%	14.4%	11.9%	10.1%	9.2%	8.3%	7.3%	6.5%	6.2%
Advances for assets acquisition	5.1%	3.8%	6.8%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Advances for investing activities	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred tax assets	4.1%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long term assets	2.3%	2.8%	3.0%	2.7%	2.6%	2.4%	2.2%	2.1%	2.0%
Hedging derivatives	0.0%	0.0%	1.2%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%
Total non-current assets	45.8%	39.6%	36.0%	29.8%	23.8%	21.9%	19.9%	18.4%	17.4%
Inventories	1.3%	2.0%	1.8%	1.7%	1.7%	1.8%	1.8%	1.8%	1.8%
Customers and other receivables	11.9%	13.7%	15.3%	14.2%	14.6%	15.0%	15.2%	15.1%	15.1%
Advances	1.1%	0.9%	2.7%	2.5%	2.6%	2.7%	2.7%	2.7%	2.7%
Financial Assets at fair value	1.7%	3.1%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Hedging Derivatives	0.5%	0.4%	2.2%	2.0%	1.9%	1.7%	1.6%	1.5%	1.4%
Cash and Cash equivalents	37.6%	40.4%	40.3%	48.4%	53.9%	55.5%	57.5%	59.3%	60.4%
Total current assets	54.2%	60.4%	64.0%	70.2%	76.2%	78.1%	80.1%	81.6%	82.6%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Equity									
Share Capital	11.7%	8.3%	7.0%	6.2%	5.9%	5.6%	5.1%	4.8%	4.6%
Share premium account	36.5%	25.8%	11.0%	9.8%	9.3%	8.7%	8.0%	7.6%	7.2%
Other Reserves	0.3%	0.3%	2.2%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%
Retained profit / (loss)	-9.5%	3.5%	15.5%	22.3%	24.9%	26.9%	28.9%	31.1%	32.9%
Total Equity	38.9%	37.9%	35.7%	40.2%	41.9%	42.9%	43.7%	45.0%	46.1%
Liabilities									
Long Term Loan Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance Lease Contracts Liabilities	15.5%	9.2%	6.1%	4.2%	3.0%	1.8%	0.7%	0.0%	0.0%
Hedging Derivatives	-	-	-	-	-	-	-	-	-
Long Term Liabilities	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Derivatives Contracts Liabilities	0.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for retirements benefits obligations	1.6%	1.3%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%
Provisions	7.3%	6.1%	6.1%	5.6%	5.8%	6.0%	6.0%	6.0%	6.0%
Deferred tax liabilities	0.0%	0.0%	2.1%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%
Other Long Term Liabilities	0.0%	6.9%	4.3%	2.4%	0.9%	0.0%	0.0%	0.0%	0.0%
Total long term liabilities	27.3%	23.8%	19.3%	14.9%	12.2%	10.1%	8.9%	8.0%	7.9%
Suppliers	12.2%	9.5%	11.0%	10.2%	10.5%	10.8%	10.9%	10.9%	10.9%
Long Term Loan Liabilities Payable Next Year	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short Term Loan Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long Term Finance Leases Liabilities Payable Next Year	2.0%	1.3%	1.3%	1.1%	1.1%	1.0%	0.9%	0.8%	0.0%
Other Short Term Liabilities	7.3%	11.6%	12.3%	14.7%	15.1%	15.6%	15.8%	15.7%	15.7%
Liabilities From Tickets Sold but not Flown	6.6%	8.2%	13.0%	12.0%	12.4%	12.8%	12.9%	12.9%	12.9%
Accrued Expenses	3.1%	3.8%	4.9%	4.6%	4.7%	4.9%	4.9%	4.9%	4.9%
Hedging Derivatives	0.4%	0.6%	0.9%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%
Current Income tax	0.0%	1.8%	0.9%	0.9%	0.6%	0.6%	0.7%	0.7%	0.6%
Provisions	1.1%	1.3%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%
Total short term liabilities	33.8%	38.3%	45.0%	44.9%	45.9%	47.0%	47.4%	47.0%	46.0%
Total liabilities	61.1%	62.1%	64.3%	59.8%	58.1%	57.1%	56.3%	55.0%	53.9%
Total Equity & Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Appendix 5: Common-Size Statement of Comprehensive Income

As % of Total Revenue	2012 A	2013 A	2013 PF	2014 9M	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Scheduled Flights Revenue	70.1%	81.2%	83.3%	83.4%	81.0%	83.3%	83.3%	83.3%	83.3%	83.3%	83.3%
Charter Flights Revenue	10.3%	11.1%	10.3%	9.1%	7.4%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Airport Passenger Charges Revenue	13.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Revenue	5.1%	6.2%	5.5%	5.4%	10.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Total Revenue	99.2%	98.6%	99.2%	97.9%	99.2%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
<i>Other income</i>											
Total Other Income	0.8%	1.4%	0.8%	2.1%	0.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Revenue incl TOI	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>OPEXs</i>											
Personnel expenses	10.6%	10.4%	11.4%	11.9%	10.0%	10.2%	10.3%	11.2%	12.3%	13.5%	14.2%
Aircraft Fuel	28.2%	28.0%	25.7%	25.8%	24.9%	23.1%	19.2%	22.4%	22.8%	21.9%	21.7%
Aircraft Maintainance	7.3%	7.0%	8.3%	9.0%	8.2%	9.0%	10.2%	9.8%	9.4%	9.0%	8.9%
Eurocontol Charges	5.9%	5.9%	5.4%	5.3%	5.9%	5.7%	6.4%	6.2%	5.9%	5.7%	5.6%
Handling Charges	4.9%	5.3%	6.1%	5.8%	5.4%	5.8%	6.5%	6.3%	6.0%	5.8%	5.8%
Airport Charges	17.9%	3.9%	3.9%	3.9%	3.9%	3.9%	4.4%	4.2%	4.0%	3.9%	3.9%
Catering Costs	2.8%	2.4%	2.2%	2.3%	2.2%	2.3%	3.1%	2.9%	2.8%	2.7%	2.6%
Distribution	5.5%	6.4%	6.5%	6.3%	6.5%	6.3%	7.1%	6.8%	6.5%	6.3%	6.2%
Marketing Costs	0.9%	1.0%	0.9%	1.0%	1.1%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%
Inventories' Consumption	0.1%	0.2%	-	-	-	-	-	-	-	-	-
Other Operating Expense	4.7%	6.5%	6.2%	7.5%	6.9%	8.2%	7.8%	8.1%	8.5%	8.9%	9.2%
Total Opex	88.9%	77.1%	76.7%	78.8%	75.0%	75.7%	76.1%	79.3%	79.8%	79.1%	79.8%
Total opex ex-fuel	60.6%	49.1%	51.0%	53.0%	50.1%	52.5%	56.9%	56.9%	56.9%	57.2%	58.0%
EBITDAR	11.1%	22.9%	23.3%	21.2%	25.0%	24.3%	23.9%	20.7%	20.2%	20.9%	20.2%
Aircraft Leasing & spare engines leasi	10.7%	10.2%	10.3%	10.5%	8.9%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
EBITDA	0.4%	12.7%	12.9%	10.7%	16.0%	13.5%	13.1%	9.9%	9.5%	10.1%	9.4%
Depreciation & Amort & Impairment	1.8%	1.7%	1.6%	1.6%	1.3%	1.1%	1.0%	0.9%	0.8%	0.8%	0.7%
EBIT	-1.3%	11.0%	11.3%	9.1%	14.7%	12.5%	12.1%	9.0%	8.6%	9.4%	8.7%
Financial Income	1.2%	2.5%	0.0%	0.5%	1.7%	1.3%	0.3%	0.3%	0.4%	0.4%	0.4%
Financial Expense	1.4%	2.3%	0.0%	0.7%	2.2%	1.7%	0.2%	0.1%	0.1%	0.1%	0.0%
Net Interest	-0.1%	0.1%	0.0%	-0.2%	-0.5%	-0.4%	0.1%	0.2%	0.3%	0.4%	0.4%
Exceptionals	-0.4%	-0.5%	0.0%	-0.7%	0.0%	-0.6%	-0.2%	-0.3%	-0.4%	-0.4%	-0.2%
Total Other Income	-0.6%	-0.4%	-0.1%	-0.9%	-0.5%	-1.0%	0.0%	-0.1%	-0.1%	0.0%	0.2%
Profit / (Lose) Before Taxes	-1.9%	10.6%	11.2%	8.2%	14.2%	11.5%	12.1%	8.9%	8.6%	9.4%	8.9%
<i>Clean Profit Before Taxes</i>	-1.6%	10.9%	11.2%	8.8%	14.5%	12.1%	12.2%	9.2%	8.9%	9.7%	9.1%
Income Tax	-0.3%	2.4%	2.4%	2.1%	3.6%	3.0%	3.1%	2.3%	2.2%	2.4%	2.3%
Net Profit	-1.6%	8.1%	8.9%	6.0%	10.6%	8.5%	8.9%	6.6%	6.3%	6.9%	6.6%
<i>Clean Net Income</i>	-1.4%	8.4%	0.0%	6.5%	0.0%	15.2%	15.4%	11.6%	11.3%	12.3%	11.5%
Dividends Paid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	3.9%	3.8%	4.2%	3.9%
Retained Profit	-1.6%	8.1%	8.9%	6.0%	10.6%	8.5%	6.3%	2.6%	2.5%	2.8%	2.6%

Appendix 6: Key Financial Ratios

RATIOS	2012 A	2013 A	2013 PF	2014 E	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E
Profitability										
EBITDAR margin	11.2%	23.2%	21.6%	24.8%	24.4%	21.1%	20.7%	21.4%	20.6%	19.8%
Lease Rentals margin	10.8%	10.4%	10.7%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
EBITDA margin	0.5%	12.8%	10.9%	13.8%	13.4%	10.1%	9.7%	10.4%	9.6%	8.8%
Operating profit (EBIT) margin	-1.4%	11.1%	9.3%	12.7%	12.4%	9.2%	8.8%	9.6%	8.9%	8.1%
Pre-tax (PBT) margin	-1.9%	10.7%	8.3%	11.7%	12.3%	9.1%	8.7%	9.6%	9.1%	8.3%
Net profit margin	-1.6%	8.3%	6.2%	8.7%	9.1%	6.7%	6.5%	7.1%	6.7%	6.2%
Recurring Net profit margin	-1.4%	8.5%	6.6%	15.5%	15.7%	11.8%	11.5%	12.5%	11.7%	10.8%
RoA	-2.6%	10.3%	9.3%	12.5%	12.1%	9.2%	9.1%	10.1%	9.6%	8.8%
RoE (spot year)	-6.8%	27.1%	24.6%	35.0%	30.2%	22.0%	21.3%	23.2%	21.3%	19.1%
RoCE (average)	-1.4%	12.8%	-	14.4%	14.6%	11.3%	11.0%	12.2%	11.4%	10.5%
RoIC	-3.8%	28.6%	-	41.7%	26.9%	20.0%	20.3%	22.7%	20.3%	18.3%
Liquidity										
Current ratio	1.6x	1.6x	-	1.4x	1.6x	1.7x	1.7x	1.7x	1.7x	1.8x
Quick Ratio	1.6x	1.5x	-	1.4x	1.5x	1.6x	1.6x	1.7x	1.7x	1.8x
Cash Ratio	1.1x	1.1x	-	0.9x	1.1x	1.2x	1.2x	1.2x	1.3x	1.3x
CFO Ratio	0.1x	0.5x	-	0.5x	0.4x	0.3x	0.3x	0.3x	0.2x	0.2x
Defensive internal (Cash burn Rate) days	117	193	-	179	212	215	213	218	221	222
Activity Ratios										
Receivable turnover	13.9x	9.1x	-	9.4x	9.4x	9.4x	9.4x	9.4x	9.4x	9.4x
Average receivables collection days	26.3x	40.2x	-	38.8x	38.8x	38.8x	38.8x	38.8x	38.8x	38.8x
Working capital turnover	32.5x	33.8x	-	31.7x	32.4x	72.9x	63.9x	66.1x	106.7x	108.2x
Asset turnover	1.6	1.2	1.5	1.4	1.3	1.4	1.4	1.4	1.4	1.4
CFO/EBITDAR	0.2x	0.6x	0.6x	0.6x	0.5x	0.4x	0.4x	0.4x	0.4x	0.4x
Asset Efficiency Ratio CFO/Total Assets	0.0x	0.2x	0.2x	0.2x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x
CFO/CAPEX	13.7x	307.9x	-	19.3x	14.4x	14.0x	15.2x	17.8x	16.2x	16.0x
CFO/Sales	0.0x	0.1x	0.1x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x
FCF/CFO	-	-	-	0.4x	0.4x	0.5x	0.5x	0.6x	0.7x	0.7x
CFO/EBIT	-2.0x	1.3x	1.3x	1.2x	1.1x	1.0x	1.0x	1.0x	0.9x	0.9x
FCF Yield (%)	-	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.1
RATIOS										
Asset Management										
Inventory turnover days	3	7	-	6	6	6	6	6	6	6
Average collection period	26	40	-	38	38	38	38	38	38	38
Fixed assets turnover	3.6	3.2	3.9	4.1	4.6	5.9	6.6	7.3	7.9	8.3
Total assets turnover	1.7	1.3	1.5	1.5	1.4	1.4	1.4	1.5	1.5	1.5
Working Capital ratio	1.6	1.6	-	1.4	1.6	1.7	1.7	1.7	1.7	1.8
Cash Conversion Rate	-	-	-	0.6	0.6	0.7	0.7	0.8	0.9	0.8
Financial Leverage										
Leverage (total liab/equity)	1.6x	1.6x	-	1.8x	1.5x	1.4x	1.3x	1.3x	1.2x	1.2x
Debt/Equity	0.5x	0.3x	-	0.2x	0.1x	0.1x	0.1x	0.0x	0.0x	0.0x
Net Debt/Equity	-0.5x	-0.9x	-	-1.0x	-1.1x	-1.2x	-1.3x	-1.3x	-1.3x	-1.3x
Lease Adj. Gearing	3.2x	1.9x	-	2.6x	1.8x	1.7x	1.6x	1.6x	1.5x	1.4x
Net Debt / EBITDAR	-1.0x	-1.1x	-	-1.0x	-1.4x	-1.8x	-1.9x	-1.9x	-2.0x	-2.2x
Net Debt+Capitalized leases / EBITDAR	-8.7x	-4.7x	-	-4.5x	-5.0x	-5.9x	-6.1x	-6.0x	-6.3x	-6.6x
Net Debt / EBITDA	-25.1x	-2.1x	-	-1.7x	-2.5x	-3.7x	-4.0x	-3.9x	-4.4x	-4.9x
EBITDAR / (Net Interest + Rentals)	1.0x	2.3x	2.0x	2.2x	2.2x	2.0x	1.9x	2.0x	1.9x	1.9x
EBITDA/ (Net Interest + Rentals)	0.0x	1.3x	1.0x	1.2x	1.2x	0.9x	0.9x	1.0x	0.9x	0.8x
EBITDAR / Net Interest	87.3x	-166.8x	107.9x	59.8x	-182.6x	-94.2x	-66.3x	-59.6x	-51.0x	-44.3x
EBITDA / Net Interest	3.5x	-92.2x	54.4x	33.3x	-100.2x	-45.1x	-31.0x	-28.9x	-23.8x	-19.7x
EBIT / Net Interest	-10.6x	-79.8x	46.1x	30.7x	-92.6x	-40.9x	-28.3x	-26.7x	-22.0x	-18.1x
Loans to total assets	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
Loans to equity	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
Equity Multiplier	2.6x	2.6x	2.6x	2.8x	2.5x	2.4x	2.3x	2.3x	2.2x	2.2x
Per Share data										
Earnings Per Share	-0.1x	0.8x	0.7x	1.2x	1.3x	1.0x	1.1x	1.3x	1.3x	1.2x
Recurring EPS (€)	-0.1x	0.8x	0.8x	2.1x	2.2x	1.8x	1.9x	2.3x	2.2x	2.2x
BVPS (€)	2.2x	3.0x	3.0x	3.3x	4.2x	4.6x	5.0x	5.5x	6.0x	6.5x
FCFPS (€)	-	-	-	0.7x	0.7x	0.7x	0.8x	1.1x	1.1x	1.0x
Dividends Per Share	0.0x	0.0x	0.0x	0.0x	0.4x	0.6x	0.6x	0.8x	0.8x	0.7x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	5.1%	8.1%	8.6%	10.3%	10.3%	10.0%

Appendix 7: Key Performance Indicators

Key Performance Indicators	2012 A	2013 A	2013 PF	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total Pax(in millions)	6.1	6.8	8.8	10.0	10.3	10.7	11.2	11.6	12.1	12.6
International Pax (in millions)	3.5	4.0	4.3	4.8	5.0	5.2	5.4	5.6	5.9	6.1
ASKs (in millions)	9,139.0	9,809.0	10,732.0	12,078.6	14,131.9	14,838.5	15,580.4	16,359.4	17,177.4	18,036.3
Load Factor	74.3%	79.4%	78.3%	77.2%	68.7%	71.0%	74.4%	78%	78%	79%
RASK (in € cents)	6.2	7.0	8.0	7.9	7.0	7.2	7.6	7.9	8.0	8.0
CASK (EBITDAR lvl, in € cents, excl fuel)	3.4	3.4	4.2	3.8	3.1	3.2	3.3	3.5	3.4	3.4
Pre-tax margin	-1.9%	10.7%	8.3%	11.7%	12.3%	9.1%	8.7%	9.6%	9.1%	8.3%
Net Profit margin	-1.6%	8.3%	6.2%	8.7%	9.1%	6.7%	6.5%	7.1%	6.7%	6.2%

Appendix 8: DCF Assumptions – WACC

Variable	Value	Source
Risk Free Rate 2014-2020	0.37%	German 10y bond
Beta	0.67	Team calculations
Equity Risk Premium	5.74%	Average European Risk Premium minus Risk Free Rate
Country Risk Premium 2014-2020	18%	Team calculations
Cost of Equity	16.1%	Team calculations
Interest Rate	0.54%	Weighted average interest rate as provided by Company
Cost of debt pre-tax	0.54%	Team calculations
Tax Rate	26%	Marginal Interest Rate
Cost of debt after-tax	0.40%	Team calculations
Capital Structure	8.79% Debt 91.21% Equity	Team calculations
WACC	15%	Team calculations

More specifically:

1. Risk-Free Rate

Risk-Free Rate for 2014-2020 was based on 10-year German Government Bond, with yield 0.46% as of February, 2014.

2. Beta

Beta was calculated with a regression of Aegean Airlines returns against the ATHEX returns from August 2007 to February 2015, using monthly data.

3. Equity Risk Premium (ERP)

Equity Risk Premium was calculated by subtracting the Risk Free Rate from the Average European Risk Premium.

4. Country Risk Premium (CREP) 2014-2020

The CREP for the high growth years was calculated by multiplying the Greece Relative Equity Volatility (REV) with Greece Default Spread, as Damodaran suggests. REV was calculated by dividing the Standard Deviation of the returns of the 10-year Greek bond yields with the Standard Deviation of the ATHEX returns from January 2000 to February 2015.

5. Cost of Equity

CoE was calculated by multiplying Aegean Airlines beta with the sum of CREP and ERP, then the result was summed with Risk Free Rate.

6. Cost of Debt (CoD) Pre-Tax – Interest Rate

Cost of Debt is equal to the interest rate that Aegean Airlines pays for its financial leases. The interest rate was sourced from 2013 Annual Report.

7. Tax Rate

As tax rate we used the marginal tax rate for corporation, 26%.

8. Cost of Debt After-Tax

CoD After-Tax was calculated by multiplying the CoD pre-tax with the Tax Rate.

9. Capital Structure

Capital Structure was calculated by dividing Aegean Airlines debt (finance leases obligations) with debt plus Market Cap as of February, 2014

Appendix 9: DCF Assumptions – Revenues & Costs

Revenues Forecast

The calculation of revenues was made on Total Revenues level. The Total Revenues were calculated by the formula below:

$$\text{Total Revenues} = \text{Yield} * \text{Load Factor} * \text{Total ASK (Available Seat Kilometers)}$$

1. Yield

Yield was kept at the same value as was reported in 2013PF. We made this assumption on the base that Yield is the most difficult element to forecast because it depends on market's capacity and overall demand for travel and both of these elements are pretty volatile in the airline industry, as highlighted by Aegean's Management.

2. Load Factor

The Load Factor was calculated by dividing Total Passengers with Available Seats

- Total Passengers were split into Domestic and International. Domestic passengers forecast was based on Greece GDP Growth Rate². International passengers forecast was based on tourist arrivals CAGR for years 2013 to 2021 as indicated by SETE's report for Greek Tourism².
- Available Seats for the years 2014 and 2015 were provided by Aegean Airlines. After 2015 available seats were kept flat as Load Factor on 2015, based on team calculation, was reduced by 9% and Aegean needs to rebound to its 2014 levels.

3. Total ASK

Total Available Seats Kilometers were calculated as follows:

- For year 2014 by multiplying the change between 2013 9m PF and 2013 PF with 2014 9m.
- For year 2015 by increasing 2014 Total ASK by 17%. As highlighted by Aegean Airlines, Available Seats will increase by 15% on 2015 but Total ASK will increase a couple of points higher, as the increase will come mainly from the international network
 - After 2015, Total ASK forecast was made by taking the average for years 2009 to 2013. Despite the fact that ASK was and will continue to be a very volatile variable, in the past it had a 5% increase on average and a 7% CAGR for years 2009 to 2013. In order to be conservative in our forecasts, we believe that a 5% increase year on year is a realistic assumption. For years 2019 & 2020 Available Seats were considered to increase by 0.5 million each year, so as the company can maintain its historical load factor.

Total Revenues were split into:

- Scheduled Flights
- Charter Flights and
- Other Revenues

The above were calculated as a percentage of Total Revenues using historical data.

Cost Calculations

Expenses – ex fuel	Driver
Personnel	Revenue
Aircraft Maintenance	ASK
Euro-control	ASK
Handling	ASK
Airport	ASK
Catering	Passengers
Distribution	ASK
Marketing	Revenue
Other	Revenue
Operational Leases	Revenue

1. Personnel Expenses

The forecast of Personnel Expenses was calculated as indicated below:

- For year 2014, by multiplying the change between 2013 9m PF and 2013 PF with 2014 9m.
- For years 2015 to 2020, by considering the expense to be the same percentage of Total Revenues as it was in 2013 PF
- The above percentage was increased every year by the growth of Total Revenues, as we assume that salaries and staff number will increase in time as Aegean Airlines grows.

2. Aircraft Maintenance

The forecast of Aircraft Maintenance was calculated as indicated below:

- For years 2014 to 2020, by multiplying the historic expense per ASK with the forecasted ASK for each year.

3. Euro-control Charges

Same Treatment as Aircraft Maintenance

4. Handling Charges

Same Treatment as Aircraft Maintenance

5. Airport Charges

Same Treatment as Aircraft Maintenance

6. Catering Expenses

The forecast of Catering Expenses was calculated as indicated below:

- For year 2014, by multiplying the change between 2013 9m PF and 2013 PF with 2014 9m.
- For years 2015 to 2020, by multiplying the historic expense per passenger with the forecasted number of passengers for each year.

7. Distribution Charges

Same Treatment as Aircraft Maintenance

8. Marketing Expenses

The forecast of Marketing Expenses was calculated as indicated below:

- For years 2015 to 2020, by considering the expense to be the same percentage of Total Revenues as it was in 2013 PF.
- The above percentage was increased every year by the growth of Total Revenues, as we assume that marketing will have to increase in a more aggressive way in order for Aegean to become more competitive.

9. Other Expenses

The forecast of Other Expenses was calculated as indicated below:

- For years 2015 to 2020, by considering the expense to be the same percentage of Total Revenues as it was in 2013 PF.

10. Operational Leases

The forecast of Operational Leases was calculated as indicated below:

- For years 2015 to 2020, by considering the expense to be the same percentage of Total Revenues as it was in 2013 PF.

11. Aircraft Fuel Forecast

	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Aircraft Fuel	(224.56)	(194.34)	(245.85)	(275.35)	(289.12)	(303.58)	(318.76)
Fuel Cost per ASK	0.019	0.014	0.017	0.018	0.018	0.018	0.018
Kerosene (€/Barrel)	93.95	69.50	83.73	89.31	89.31	89.31	89.31
Fx \$ to €	0.746	0.877	0.877	0.877	0.877	0.877	0.877
Jet Fuel Price (\$/Barrel)	126.00	79.23	95.45	101.82	101.82	101.82	101.82
Multiple	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Brent Oil Price (\$)	99.0	62.3	75.0	80.0	80.0	80.0	80.0

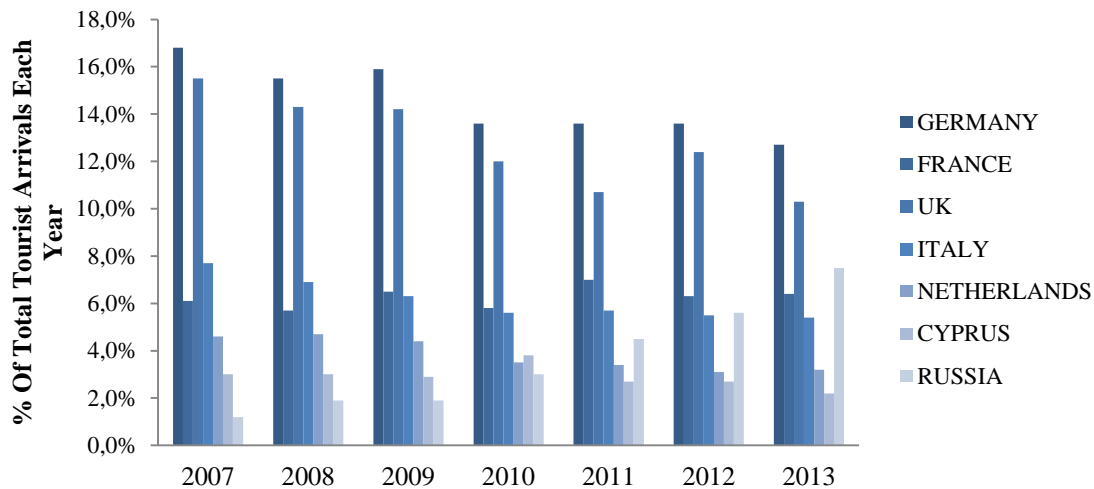
Assumptions:

- For Brent Oil prices, Bloomberg estimates were picked for years 2015 & 2016, while after 2016 we kept the price constant.
- Multiple: We use this number in order to convert Brent Oil to Jet fuel. The value of the multiple was taken from IATA's report for the Aviation Industry, March 2014.
- Foreign Exchange (USD/Euro) was taken from Bloomberg for year 2015 and then kept at the same level, as we assume that FX is not predictable for more than 1 year ahead.
- Fuel Cost Per ASK: the forecasted numbers are calculated by multiplying the value of the previous year with the change in Kerosene for current year versus the previous.
- Aircraft Fuel is calculated by multiplying Fuel Cost Per ASK with Total ASK for each year.
- We assume no hedging in Oil Prices, as it would be inaccurate to try and calculate the hedged portion of Oil Metric Tones bought for each year.

Appendix 10: Regression Analysis

Tourism has a significant role in the creation of revenue of Aegean Airlines. International flights represent a significant proportion of Total Revenues, which in comparison with domestic flights are highly related with tourist arrivals each year. Because of this we made a regression analysis to show the relation between the GDPs of the countries that Greece the higher arrivals and the total revenues of Aegean.

Top arrivals from tourists from 2007-2013



Source: SETE

Our equation:

$$X = \beta_1 * GER + \beta_2 * GRE + \beta_3 * FRA + \beta_4 * UK + \beta_5 * ITA + \beta_6 * NET + \beta_7 * CYP + \beta_8 * R + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

The dependent variable X is the % Growth of Total Revenues Q-o-Q.

Independent Variables*:

1. GER: %Growth of Germany Real GDP Q-o-Q
2. GRE: %Growth of Greece Real GDP Q-o-Q
3. FRA: %Growth of France Real GDP Q-o-Q
4. UK: %Growth of United Kingdom Real GDP Q-o-Q
5. ITA: %Growth of Italy Real GDP Q-o-Q
6. NET: %Growth of Netherlands Real GDP Q-o-Q
7. CYP: %Growth of Cyprus Real GDP Q-o-Q
8. RUS: %Growth of Russia Real GDP Q-o-Q
9. Q1: Dummy Numbers for Seasonality
10. Q2: Dummy Numbers for Seasonality
11. Q3: Dummy Numbers for Seasonality
12. Q4: Dummy Numbers for Seasonality

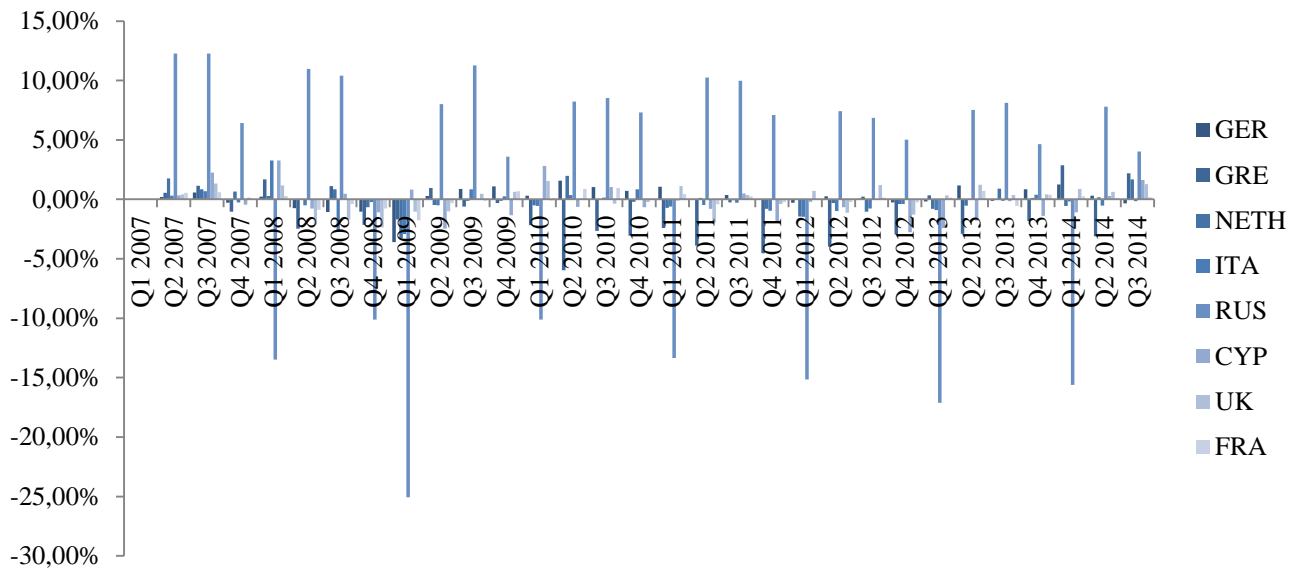
*In the equation the c, which is the X's intercept, is not included because we used 4 Dummies for the seasonality instead of 3.

Data availability for the Revenues begins from Q1 2007 until Q3 2014. The sample is composed by 31 observations of each variable.

The GDP calculation of countries

For the regression purposes was used Real GDP by Expenditure. Even if Real GDP by Income would be a more suitable variable it was not included because of lack of data in the GDP of Russia and Cyprus. The nominal GDP was deflated by CPI numbers. The base year was 2007, so the deflation was made by the average CPI of 2007 quarters.

Q-o-Q Changes in Real GDPs



Source: Bloomberg, Team Estimates

Next Step: Unit Root Tests for Every Variable with **Phillips-Perron** test statistic.

Variable	Probability	Test critical Values
REV	0.0000	1% Level
GER	0.0133	5% Level
GRE	0.0000	1% Level
FRA	0.0039	1% Level
UK	0.0020	1% Level
ITA	0.0007	1% Level
NET	0.0051	1% Level
CYP	0.0001	1% Level
RUS	0.0000	1% Level
Q1	0.0000	1% Level
Q2	0.0000	1% Level
Q3	0.0000	1% Level
Q4	0.0000	1% Level

Serial Correlation & Heteroskedasticity Tests

Breusch-Godfrey Serial Correlation LM Test:

F-Statistic	0.2009
Obs*R-squared	0.0926

Breusch-Pagan-Godfrey Heteroskedasticity Test:

F-Statistic	0.4377
Obs*R-squared	0.3779
Scaled explained SS	0.9862

In our attempt to find the optimal combination of variables we made several regressions (with different equations) and in each one we removed the less significant variable. Every next equation does not include the less significant variable (the one with the higher p-value). At the same time we observed the Swartz test to be reduced. When the Swartz test decreases it improves the regression. The next table shows this procedure. We followed this process according to the journal of Murray Z. Frank and Vidhan K. Goyal, "Capital Structure Decisions: Which Factors Are Reliably Important?" v. page 17.

Equation 1 (All GDPs are included):

$$X = \beta_1 * GER + \beta_2 * GRE + \beta_3 * FRA + \beta_4 * UK + \beta_5 * ITA + \beta_6 * NET + \beta_7 * CYP + \beta_8 * RUS + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equation 2 (GDP of Russia is excluded):

$$X = \beta_1 * GER + \beta_2 * GRE + \beta_3 * FRA + \beta_4 * UK + \beta_5 * ITA + \beta_6 * NET + \beta_7 * CYP + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equation 3 (GDPs of Russia, Greece are excluded):

$$X = \beta_1 * GER + \beta_3 * FRA + \beta_4 * UK + \beta_5 * ITA + \beta_6 * NET + \beta_7 * CYP + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equation 4 (GDPs of Russia, Greece, France are excluded):

$$X = \beta_1 * GER + \beta_4 * UK + \beta_5 * ITA + \beta_6 * NET + \beta_7 * CYP + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equation 5 (GDPs of Russia, Greece, France, Netherlands are excluded):

$$X = \beta_1 * GER + \beta_4 * UK + \beta_5 * ITA + \beta_7 * CYP + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equation 6- Final Equation (GDPs of Russia, Greece, France, Netherlands, Italy are excluded):

$$X = \beta_1 * GER + \beta_4 * UK + \beta_7 * CYP + \beta_9 * Q1 + \beta_{10} * Q2 + \beta_{11} * Q3 + \beta_{12} * Q4$$

Equations	P-value	Swartz Test Criterion
Equation 1	0.7411 RUS	0.387817
Equation 2	0.6886 GRE	0.280679
Equation 3	0.6192 FRA	0.175984
Equation 4	0.5749 NET	0.075273
Equation 5	0.4581 ITA	-0.002275
Equation 6-Final	-	-0.110535

We stopped removing the variable with the largest p-value because the remaining GDPs were those of Germany, United Kingdom and Cyprus. From the first two countries Greece has the highest tourist arrivals each year as shown on the table. And we kept Cyprus because has a significant influence on the profitability because Aegean recently increased its destinations there.

The results of the final Regression are shown in the following table:

Dependent Variable: REV

Method: Least Squares

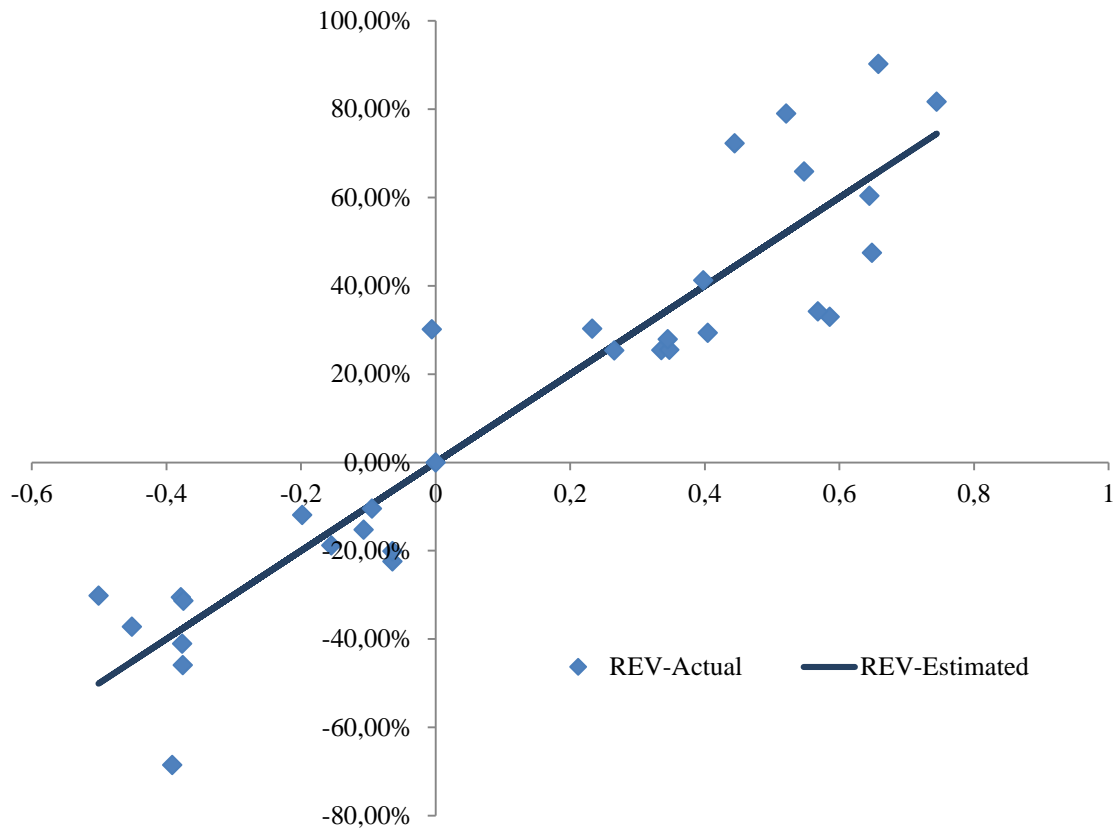
Variable	Coefficient	St. Error	t-Statistic	P-Value
CYP	-4.125	2.961	-1.392	0.1770
GER	-5.215	4.629	-1.126	0.2715
UK	7.577	4.505	1.681	0.1061
Q1	-0.140	0.007	-1.877	0.0732
Q2	0.637	0.007	8.881	0.0000
Q3	0.357	0.006	5.436	0.0000
Q4	-0.421	0.007	-5.451	0.0000

The Adjusted R-squared is:

R-Squared	0.8697
Adjusted R-squared	0.8357
S.E. of regression	0.1758
Sum squared resid.	0.7111

The Regression Line

The regression line confirms the seasonality of revenues because the only significant variables are those of seasonality (Dummy variables). We cannot extract any information for the relation between the growth of GDPs of those countries and the revenue growth of Aegean. A variable that explains more directly the purchasing power of consumers is the disposable income. We tried to use the disposable income of the above countries (instead of GDP growths) but there were no data for some countries.



Appendix 11: Methodology for Selecting Peers

Aegean's peers selection was based on the team's estimation that the Company combines characteristics from both Full Service Network (FSNCs) and Low Cost Carriers (LCCs). The already mentioned conclusion was reliant on Aegean's business model which offers characteristics like flying to primary airports, or dual class services (similar to FSNCs) & short-haul focus, with average radius in 3-4 hours from its bases or its relative low cost structure (similar to LCCs) due to the recent economic crisis in Greece.

Company	Ticker	Market Cap (€)	Price (€)	P/E			EV/EBITDAR			Dividend Yield %		
				FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
<i>Full Service Network Carriers</i>												
Lufthansa	LHA GR	6,233.5	13.4	11.30x	6.39x	5.26x	3.35x	2.84x	2.61x	2.95%	4.49%	5.64%
Air France / KLM	AF FP	2,137.3	7.1	N/A	14.17x	4.56x	3.12x	2.42x	2.06x	0.00%	0.32%	0.86%
International Airlines Group	IAG LN	15,186.8	744.8	18.55x	12.18x	9.57x	5.70x	4.42x	4.00x	0.00%	1.63%	2.39%
Turkish Airlines	THYAO TI	4,569.9	3.3	8.61x	7.69x	7.80x	5.78x	5.09x	6.23x	0.37%	0.74%	1.23%
<i>Low Cost Carriers</i>												
Easyjet	EZJ LN	9,407.3	2,368.4	15.28x	13.11x	11.69x	7.84x	7.02x	6.28x	2.50%	3.46%	3.49%
Ryanair	RYA ID	13,595.6	9.8	26.71x	16.26x	14.27x	12.20x	9.28x	8.08x	4.79%	2.80%	3.56%
Norwegian Air	NAS NO	962.7	27.4	N/A	12.39x	7.94x	10.02x	5.56x	5.29x	0.00%	0.00%	0.00%
Peer Median				15.28x	12.39x	7.94x	5.78x	5.09x	5.29x	0.37%	1.63%	2.39%
<hr/>												
Aegean Airlines	AEGN GA	535.6	7.5	6.01x	5.93x	7.43x	4.84x	4.46x	4.76x	0.00%	5.06%	8.07%
<i>Premium/Discount</i>				-60.7%	-52.1%	-6.4%	-16.3%	-12.4%	-10.0%	-	210.4%	237.7%

We believe that the selected peers, who are indicated at the above table, are the most comparable companies for our approximation. Even though they have got the same destinations with Aegean Airlines in the international market, some of them plan to establish in the domestic market (e.g. Norwegian Air). Meanwhile, others (e.g. Ryanair) have already bases in the Greek market and plan to increase them in order to increase its market share.

Appendix 12: Multipliers Pricing

In our multiples analysis, we use the peer group median because with this approximation, we have the opportunity to include companies with extremely increased or decreased multiples (see Ryanair FY 2015 P/E & Air France/KLM FY 2015 EV/EBITDAR in the above table), which will have been assumed as outliers with a weighted average approximation. So, by picking the median, we have all the information that we want, without an extremely high multiple.

Furthermore, in our analysis we used the FY 2015 P/E & F/Y 2015 EV/EBITDAR which will give us a potential 12 month outlook for the Company's fair value price.

Last but not least, the multiples terminal value was weighted with 25 % FY 2015 P/E & 75% F/Y 2015 EV/EBITDAR. The higher weight on EV/EBITDAR multiple can be justified by the fact that this multiple eliminates differences in capital structure, taxes, non-operating items affecting bottom line earnings and others between comparable companies. In other words, it gives you an indication of how the market values the entire firm based on pure operating profitability.

Capitalized Leases Adjustment

Because of the Aegean's low leverage, due to its strategy of leasing its airplanes with financial leasing, our team believes that in multiples approximation and especially in EV/EBITDA, which gives the 75% of the multiples terminal value, we have to do a Capitalized Leases Adjustment.

In order to implement this sophisticated approximation, we were consulted by Moody's' capitalized approximation model.

According to Moody's standard adjustment for Operating Leases is to apply a multiple to current rent expense, to calculate the amount of the adjustment to debt. So, to accommodate a wider array of useful lives and interest rates its analysts create the following table with a variety of multiples according each industry:

Industry	Multiple of Rent Expense
Aerospace / Defense	6
Automotive	6
Chemicals	6
Consumer Products	6
Energy: Electricity Cooperative	6
Energy: Electricity - Project Finance	6
Energy: Electricity - Non Project Finance	8
Energy: Oil & Gas - Drilling	5
Energy: Oil & Gas - Exploration & Production	6
Energy: Oil & Gas - Integrated	6
Energy: Oil & Gas - Merchant Energy	6
Energy: Oil & Gas - Midstream	6
Energy: Oil & Gas - Project Finance	6
Energy: Oil & Gas - Refining & Marketing	6
Energy: Oil & Gas - Services	5
Environment	6
Forest Products	5
Gaming / Lodging	8
Healthcare - Hospitals and Services	6
Healthcare - Medical Devices	6
Homebuilding	5
Leisure & Entertainment	8
Manufacturing	6
Media: Advertising & Broadcasting	6
Media: Diversified, Paid TV & Subscription Radio	6
Media: Printing & Publishing	6
Metals & Mining	5
Natural Products Processor	6
Packaging	5
Pharmaceuticals	5
Public Utility	6
Public Utility - Gas Distribution	8
Public Utility - Gas Transmission	8
Restaurants	8
Retail	8
Services - Business	6
Services - Consumer	6
Services - Contractors	5
Services - Processors	5
Services - Rental	5
Services - Towers & Satellites	5
Technology	5
Telecommunications	5
Transportation Services	6
Airline	8
Maritime Shipping	8
Transportation Services - Airports & Toll Roads	6
Wholesale Distribution	6

Our team takes as a benchmark the 8x multiple which was indicated for transportation services (Airlines, Maritime Shipping). This multiple, multiplied with the operating leases for each year, gives us the amount of capitalized leases each year.

By subtracting the net debt, the minorities, the preferred equity and the capitalized leases, we can calculate the Enterprise Value of the Company.

This approximation gives us a better view of the Company, because the leases as a form of debt and must be included in the Company's enterprise value.

Source: Guideline Rent Expense Multiples for Use with Moody's Global Standard Adjustment to Capitalize Operating Leases

Target Multiples Valuation – P/E

Applying a peer group median P/E of 12.4x as indicated above, yields an appraised equity value of €15.68 per share. In calculation of the appraised equity value we used the following formula:

$$\text{Value of Share} = \frac{\text{Implied Value of Equity}}{\text{Number of Shares}}$$

With

$$\text{Implied value of equity} = \text{Target} \frac{P}{E} \text{ 2015E} \times \text{AEGN Net Income 2015E}$$

Target P/E 2015e	12.4 x
Implied Value of Equity	1,120.1
Number of Shares (in mil)	71.4
Value of share (€)	€ 15.68
Current Price (€)	€ 7.50
Upside / (downside) potential (%)	109.1%

Target Multiples Valuation – EV/EBITDAR

Applying a peer group median EV/EBITDAR of 5.1x as indicated above, yields an appraised equity value of €9.65 per share. In calculation of the appraised equity value we used the following formula:

$$\text{Value of Share} = \frac{\text{Implied Value of Equity}}{\text{Number of Shares}}$$

With

Implied value of equity

$$\begin{aligned} &= \left(\text{Target} \frac{EV}{EBITDAR} \text{ 2015} * \text{AEGN EBITDAR 2015E} \right) - \text{AEGN Net Debt 2015E} \\ &- \text{AEGN Minorities 2015E} \\ &- \text{AEGN Preferred Equity 2015E} - \text{AEGN Capitalised leases 2015E} \end{aligned}$$

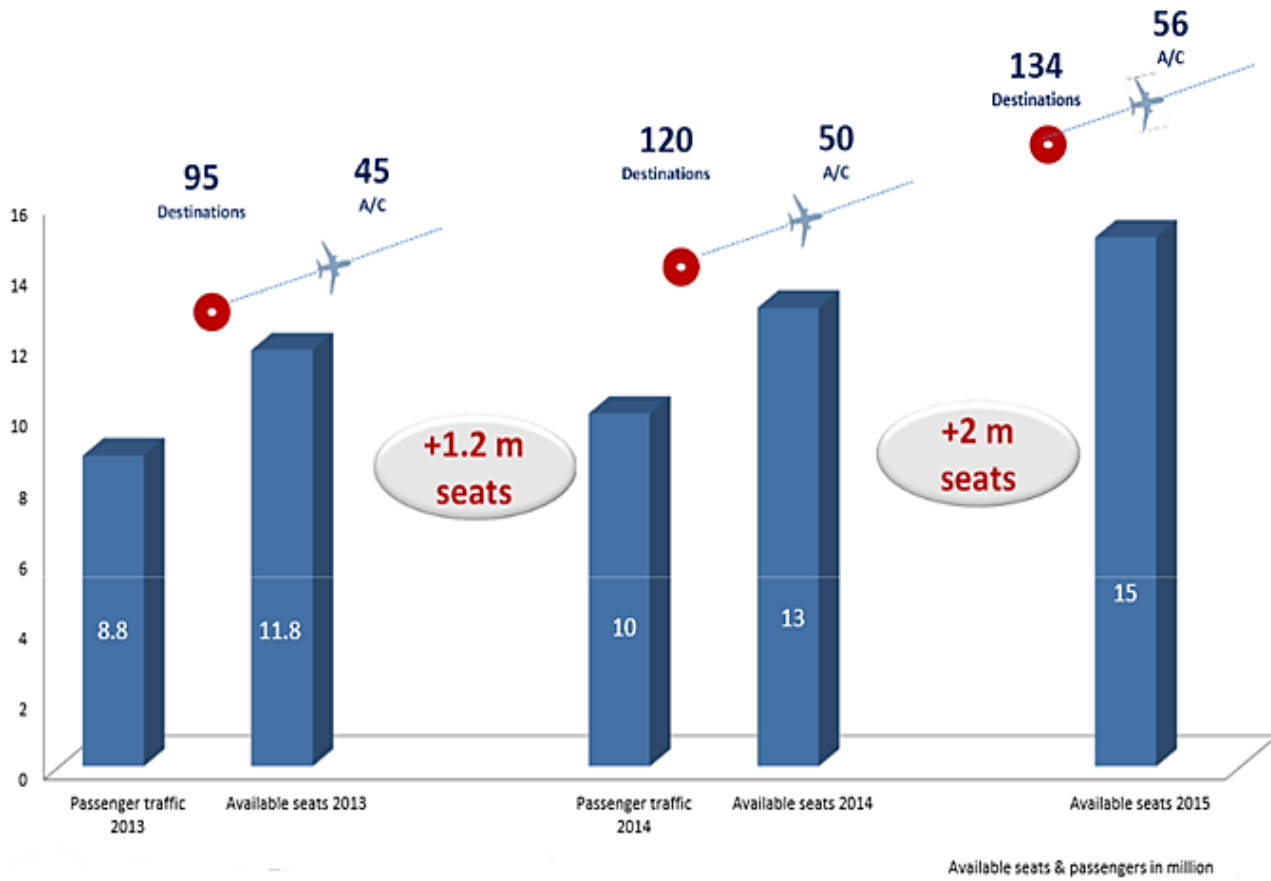
Target EV/EBITDAR 2015e	5.1 x
Implied Value of Equity	689.5
Number of Shares (in mil)	71.4
Value of share (€)	€ 9.65
Current Price (€)	€ 7.50
Upside / (downside) potential (%)	28.7%

Terminal Multiples Valuation Price

The multiples terminal values is €11.16, weighted 25% from P/E 2015E and 75% from EV/EBITDAR 2015E.

Value of Share with P/E 2015E	€ 15.68
Value of Share with EV/EBITDAR 2015E	€ 9.70
Terminal Multiples Value of Share	€ 11.16

Appendix 14: 2015 Plans: Number of Destinations – Seats & New Destinations



Source: Company Data

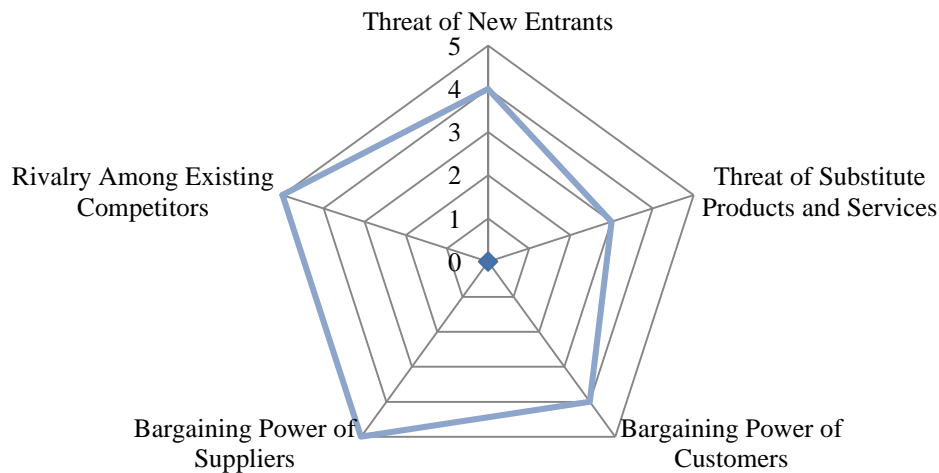
Appendix 15: PEST Analysis

Political	Economical
<p>There are legislative limitations in aviation emissions included in the EU emissions trading scheme since 2012, leading to higher costs for Aegean in order to comply with them</p> <p>The Athens International Airport is very expensive tax-wise, something that directly affects the fixed costs of Aegean and limits her ability of reducing fares' prices. Also, the planned privatization of peripheral airports in Greece, may lead to an increase in airport taxes and at the same time it will boost their capacity. However, the privatization may not eventually go through under the new coalition government in Greece.</p> <p>Unexpected political conditions, epidemics, wars and terrorist actions at a global level and not only in Greece in which Aegean has routes, can influence negatively both air travel demand and supply because of the tremendous fear these events provoke. On the other hand, negative events such as political turmoil and instability in other touristic destinations of the Mediterranean as we have seen happening the last 2 years (e. g. Libya, Syria, Egypt, Turkey, etc.) can bring more tourists and passengers in general in Greece.</p> <p>The decision of European Commission to claim back the government subsidies that Cyprus Airways (CA) has taken in the past effectively led to the bankruptcy of this Company. This gave the opportunity for Aegean to expand in Cyprus by adding 15 new routes to 8 different countries.</p>	<p>Although, the US economy is slowly recovering from a prolonged economic recession, the growth in Eurozone area is sluggish and in other countries such as Russia is falling dramatically. Bearing in mind that these are the main destination routes of Aegean, this will pose a danger about the sustainability of the demand for air traffic with direct negative consequences for the Company.</p> <p>Aegean acquires the majority of the aircraft fleet by leasing (mainly operational lease). Since leasing is done with floating interests rates, there is a risk that if interests' rates increase, this will eventually increase the interest payments that the Company has to make.</p> <p>The fuel costs are an important part of Aegean's costs. Since their price has fallen and it is expected to be kept low, the Company can increase its profit margin, but at the same time, her competitors will benefit. However, this can make up for a part of the losses inflicted to the Company by low cost competitors which led the Company to offer very low prices in the recent past. Furthermore, the current level of fuel prices cannot be sustainable in the medium term horizon.</p> <p>The Hellenic Ministry of Tourism recently announced efforts to open the market of China and as a result if this effort is successful, Aegean will be able to increase her number of passengers, by taking advantage of being a member of Star Alliance.</p>
Social – Demographic	Technological
<p>There is a high demand for different types of tourism, such as city breaks, scientific conferences and sports tourism. If Greece can manage to satisfy this demand, Aegean can substantially increase the number of passengers throughout the year and reduce seasonality which is a structural problem of Greek tourism and aviation for the Greek market.</p> <p>The demographics (e.g. birth rates, ageing population) in many European countries such as Germany and especially in Greece are not particularly benign for the future. On the other hand, the elders today are a big part of today's population who often have spare time and less obligations to meet. However, we consider that the positive effect of this factor may be limited due to the reforms in the pension system throughout Europe and especially for Greece, in which pensioners have recently shown their benefits being dramatically slashed with more undesirable and bleak consequences for the near future.</p> <p>Events as the latest accidents of aircrafts crashes can always provoke temporarily fear towards travelling by plane reducing eventually the air travel demand.</p> <p>As eco-friendly attitude is now growing, Aegean can advertise and take advantage of its eco-friendly technical base and its environmental concerns to maintain its position in this new market.</p>	<p>Aegean may have to comply with new regulatory standards for further reducing the fuel aircraft emissions. In this case it may have to acquire a new type of aircraft which will consume less fuel and produce fewer emissions. However, it will be expensive to replace her current fleet and this will undoubtedly lead- at least in the short and medium term- to significant increases in capital expenditure and possibly operational costs, with limited space for transferring this cost to the passengers.</p> <p>New technologies can also help to outreach directly to consumers through e-commerce via internet or smart phones applications As an Atmosphere report for IATA¹ states that by 2017, the 50% of online direct bookings is expected to be made through mobile devices. We consider that the Company is able to take advance on these evolutions.</p> <p>The technological growth led to services that were not available before, such as video conferences, which can negatively affect business travelers demand to travel by air.</p> <p>In a medium to long-term horizon, if the public or private sector invests effectively on a network of high-speed trains, Aegean may find that the demand for air-travel on domestic routes in the mainland of Greece may fall, since high-speed trains are close substitutes of air transport on short-haul destinations.</p>

Source: Team Estimates

¹ The Future Of Airline Distribution, A Look Ahead To 2017

Appendix 16: Porter's Five Forces Analysis



Source: Team Estimates

Threat of New Entrants

There can be two types of new entrants, namely new airlines and existing airlines that want to enter in the Greek market, both, from abroad and at a domestic level. With regards to the international routes of Aegean the threat of new entrants is quite high and is constantly changing. New Greek airline companies cannot be founded given today's economic situation, because of the huge capital investment required and new foreign air carriers should not aim to fly in Greece at least for a considerable period of time after the recent entry of Ryanair. Therefore, regarding the domestic routes of Aegean there is a low threat from new Greek air-carriers, with the exception of Hellenic Seaplanes which is expected to operate in 2016 with hydroplanes connecting destinations in Greek islands. The entrance of already existing airlines from abroad is a possible threat, but limited since already Ryanair has already entered the domestic market. Given the above, our assessment of the threat of new entrants is **LOW** regarding the domestic flights **but HIGH** regarding the international flights.

Threat of Substitute Products and Services

Substitutes of airplanes are trains, buses and ships. Although the domestic connection with train and buses is good, there are far from being effective with European standards. Furthermore, there are neither trains nor buses that link Greece directly with major European countries. Moreover, passenger ferries link effectively the Greek islands and due to the low fares they offer most travelers prefer them for they transportation, but in the connection between Greece and abroad they are still insufficient, except the ferry line to Italy. The main cost of substituting airplanes by other means of transport is the time the passenger sacrifices and since Aegean has reduced its fares, the money someone spends to travel with an airplane are the same with any other means of transport. As a result, the threat of substituting them decreases. However, a potential threat from the development of a network of high-speed trains in the mainland of Greece cannot be excluded in the next decade, in which case this could act as a close substitute for airlines in short-haul routes. Therefore, we assess the threat of substitutes to be **MODERATE**.

Bargaining Power of Buyers

Customers of an air-carrier exist in two main dimensions: the distributing channels and the end-customers (buyers of tickets). The channels are the traditional travel agents, the so-called aggregator websites and the Global Distribution Systems (GDS), as well as the direct sales via the airlines' own websites. Travel agents over the recent years have lost their dominant position at least for the individual travelers in favour of the other three channels. The end-customers are the individual ticket buyers travelling for leisure or making visits abroad for specific purposes (e.g. education, medical treatment, etc.) and business travelers of which its lower-end resembles a lot with the purchasing behavior of the other group in the sense that they are relatively price sensitive, flexible as to the length of their trip and they use all the above channels. The high-end business travelers are not so price sensitive, but they tend to have preferences for specific carriers and direct flights. Finally, there are the air-cargo customers who have professional criteria when they decide upon purchasing their tickets depending on their specific needs. Overall, websites channels have increased the transparency of prices and since air-travel is considered as a standardized product, there are in general low switching costs for customers. So, the customers' power by using these channels is considerably high. For Aegean, regarding the market of international flights the power of her customers is **HIGH**, and this can be seen as its market share is only 15% for international flights to Greece, but regarding the market of domestic flights, Aegean holds the 80%, we consider the power of customers to be **MODERATE** since, this market is literally a duopoly and even not a perfect one, given that Ryanair only flies in a few destinations in Greece domestically.

Bargaining Power of Suppliers

The suppliers of an airline are the aircraft and aircraft engine producers, the providers of the MRO (maintenance, repair and overhaul) services, the jet fuel suppliers, the airports and ground handling services, the providers of financing (lessors, banks and shareholders) and the labour unions. Regarding the large sized aircrafts the power of manufacturers is very high since there is effectively a duopoly (Airbus & Boeing), but for medium-sized aircrafts there are more alternative producers (e.g. Bombardier, Embraer, etc.). Aegean, after the acquisition of Olympic Air, heavily depends on aircrafts of the type of Airbus and Bombardier. The Company also heavily depends on a limited number of jet fuel suppliers (fuel cost depends on the global oil prices and comprises a large cost of its total operational cost) and suppliers of financial capital, especially in a period in which it is hard to raise in the Greek market. The Company is also exposed to the high costs of main airports (mainly the Spata airport in Athens which is very expensive tax-wise) and the ground handling costs imposed by a few providers. However, the position of the Company is better regarding the MRO services since they are performed mainly in-house, and the power of employees' unions which is not particularly strong. Due to the above reasons we perceive the bargaining power of suppliers to be **SIGNIFICANT** to **HIGH**.

Rivalry Among Existing Competitors

Aegean Airlines belongs to the group of the so-called Full Service Network Carriers (FSNCs) and competes in the market of international flights both with them (e.g. BA, Lufthansa) and the other group of the so-called point-to point carriers, in which Low-Cost-Carriers (LCCs) are a part of it (e.g. EasyJet, Ryanair). In the domestic market of Greece, Aegean's main competitor, after the acquisition of Olympic Air, has been (since April 2014) Ryanair, probably the strongest LCC in the world. Mainly, due to the influence of the indirect channels (e.g. GDS) air travel is increasingly perceived as a standardized commodity and hence there is limited product differentiation besides the price and schedule. This factor along with high sunk costs per aircraft, low marginal costs per passenger which are typical for aviation industry intensify the level of competition in this sector. Aegean tries to differentiate itself both from other FSNCs and LCCs, by keeping its costs down (by operating mainly one type of aircraft, low staff costs, etc.) and by offering at the same time a high level of flight safety, excellent staff services, a high level of precision in departure and arrival times combined with a relatively low average fare. However, despite this effort of the Company and the fact that it is a member of Star Alliance, for the above structural reasons we consider the rivalry of existing competitors to be **HIGH** in both international and domestic markets.

Appendix 17: SWOT Analysis

Strengths	Weaknesses
<p>The main strength of the Company is its strong financial position, with minimum debt, low costs, high liquidity and strong profit margins compared with the industry average of FSNCs, approaching the performance of an average LCC.</p> <p>The Company's reputation for great customer service efficiency. This is obvious through the repetitive awards it is given from SKYTRAX as the best regional airline and its high ratings on customers' service.</p> <p>It is well diversified by flying in 42 countries abroad. This provides a balanced geographical exposure which helped her to survive when the domestic market collapsed.</p> <p>Aegean is larger than any other rival in the domestic market, which is effectively a duopoly (with Ryanair) for the time being, holding the higher share, almost 80%, in all domestic routes.</p> <p>The Company is a star alliance member enjoying the full benefits of a network of cooperation. The cooperation with other members of the alliance gives Aegean the opportunity to provide lower fares to her clients and at the same time a "from anywhere to anywhere" service, something that could not be achieved on her own fleet of aircrafts, resulting to higher customer loyalty for existing clients. It also gives the opportunity to expand the base of her clients.</p>	<p>The Company is exposed to a high degree of operating leverage due to the high proportion of fixed costs (e.g. leasing costs of expensive aircraft, maintenance) instead of owning her own fleet, as a few of its competitors do (Ryanair).</p> <p>It is highly dependent on the economic environment of Greece regarding the sources of finance and a high equity risk premium attributed to country risk. Thus, it is difficult to finance her expansion in new long-haul routes with high growth rates (e.g. China, India).</p> <p>Aegean is vulnerable as any other aviation firm, to higher input costs, as for example fuel costs which can be very volatile, as well airport taxes.</p> <p>It is highly dependent on demand for air-travel which can dramatically be based on external uncontrollable factors, such as political instability, epidemics and wars.</p> <p>It is exposed to exit barriers imposed by government and local communities in specific market niches (e.g. the domestic routes of Greek islands) which are not profitable.</p> <p>Like the majority of air-carriers (especially the FSNCs) the Company is facing a weak competitive position regarding the 5-Forces of Porter's analysis.</p>
Opportunities	Threats
<p>The persistence of political instability in certain countries of the greater Mediterranean area, in which Greek tourism competes, will continue to boost the demand for tourist arrivals in Greece.</p> <p>A recovery of the Greek economy will boost the revenues of the Company related with Greek travelers (both for leisure and business).</p> <p>The recent collapse of Cyprus Airlines gives her an opportunity for new destination routes covering the demand for air-travel for this country.</p> <p>The continuation of the fall in the oil price will lower even further the fuel costs. However, this effect is mitigated by the undervaluation of Euro against the US\$.</p> <p>The continuation of the undervaluation of the € against the US\$ and the GBP£, which is likely to persist because the ECB adopted a full QE program, and if the economic policy of domestic income undervaluation continues, Greece will attract more travelers in both from EU and outside the EU areas.</p> <p>Great potential in entering the emerging markets like China and India. In coordinated efforts with the ministry of tourism, Aegean can penetrate in emerging markets, through her ability to take correspondences from other star alliance members.</p> <p>If the political crisis in Ukraine is resolved and economic conditions in Russia improve, this will have a direct positive impact on the Company's revenues regarding the destination routes involved.</p> <p>After the acquisition of Olympic Air, Aegean added in her fleet the Bombardiers' type of aircrafts. This gives the opportunity to increase her domestic destinations as they can land in smaller airports.</p>	<p>Continuation of the Ukrainian crisis and other local conflicts in countries in which the Company is operating reduces significantly her revenues and profits.</p> <p>The fuel costs will significantly rise if the oil price increases and the devaluation of Euro continue to take place.</p> <p>A further increase in competition from LCCs will put pressure on Aegean's profit margins.</p> <p>In case a heavy environment tax surcharge is passed from European Commission in relation with carbon emissions from aviation industry, it will immediately create a cost to the Company which cannot easily be transferred to the customers' fare.</p>

Source: Team Estimates

Appendix 18: Aegean Airlines Business Model vs. Low – Cost and Full – Service Network Carriers

Aegean Airlines adopts a hybrid business model between the business strategies applied by Low – Cost Carriers and Full – Service Network Carriers. Despite the fact that the followed pricing policies by Low – Cost Carriers and Full – Service Network Carriers are becoming increasingly similar – speaking in terms of fares, their services are qualitatively different. The table below presents the Team’s Research findings, classified by type of services.

	Low – Cost Carriers (in Europe)	Aegean Airlines	Full – Service Network Carriers
Fleet			
Aircraft	New	New	Average
Utilization	High	High	Average
Product Offering			
Airport Lounge	No	Yes	Yes
Air Miles Program	No	Yes	Yes
Meals	Paid	Free	Free
Online Seating Location	No	Yes	Yes
Seating	High Density	Standard	Standard
Routes			
Air Fares	Low	Average	No
Code-Sharing	No	Partly	Yes
Primary Airports	No	Yes	Yes
Points of Sale			
Internet	High	High	High
Travel Agents	No	Yes	Yes

Source: Team Estimates

Most of the times, many Full – Service Network Carriers –including Aegean Airlines– use a hub–and–spoke system to route their plane traffic. The concept of the system a hub–and–spoke was to concentrate traffic to one airport- the major hub from smaller national airports (known as the spokes) or other means of transport, and then the gathered group of passengers would be transported from the major hub to another major hub. In opposition, LCCs follow another air transport tactic, the so called point –to– point, according to which those an airline travels directly to a destination, rather than going through a central hub.

As it was mentioned above, Aegean Airlines combines characteristics from both Full – Service Network Carriers and Low – Cost Carriers. For example, Aegean occupies a single type of frequently renewed fleet (Airbus A320), with a predetermined distance between seats. Additionally, it operates aircrafts configured with multiple passenger classes (first, business and economy class seating) and it offers a frequent-flyer program, and exclusive airport lounges. Moreover, within the frame of product differentiation, the Company focuses on providing comprehensive services. It also sells several products for specific customers segments, among which is a wide variety of high quality services, such as seat comfort, baggage transfer, free meals, internet access, primary airports etc.

Appendix 19: Acquisition of Olympic Air²: Details on the Procedure & Strategic Importance

On October 22nd 2012, Aegean and Marfin Investment Group (MIG) concluded to a preliminary agreement about the sale of 100% of Olympic Air to Aegean.

The agreement was subject to the granting of the necessary approval by the European Commission, which was finally granted on October 9th 2013. The final agreement was signed on October 23rd 2013, the same day the shares were transferred.

Upon the completion of the transaction, Olympic Air constitutes a subsidiary of the listed company Aegean Airlines. The administrative services were consolidated, aiming at achieving the necessary synergies, while at the same time targeting a more efficient fleet utilization and network planning for both companies. They will both preserve their name and brand, as well as distinct flying operations and fleet.

The acquisition for 100% of the shares was agreed to amount to €72,000,060 or €44.6512 per share, following negotiations between MIG and Aegean Airlines that resulted to preliminary agreement on the sale and purchase of shares dated 22nd 2012. Within the context of transaction, MIG had made specific warranties, whereas the completion of transaction was subject to the approval granted by the competent Competition Authorities.

Aegean determined the acquisition price mainly based upon the criteria of the expected synergies, generated by the acquisition. If management is efficiently applied and the right strategies are followed, these synergies will set the base for viable growth, while at the same time the high quality standards offered will be maintained. More specifically:

- Synergies and economies of scale are expected to occur at an administrative, commercial and technical base. In addition, increased buying power, benefits due to the abolition of the use of parallel systems and premises cost savings are expected. The synergies should contribute to the reduction in unit costs and set a base for viable growth.
- Network synergies will be developed from the strengthening of the domestic/international destinations connectivity, resulting in the better fleet management and higher load factors.
- The prospects for the gradual expansion of the international network, both from Athens as well as from regional airports, will be created with an increase in aircrafts bases.

Upon the signing of the Preliminary Agreement, dated October 22nd 2012, the amount of €20 mil was paid. The remaining amount of €52 mil was agreed to be paid in 5 equal annual installments on 23.10.2013, on 15.10.2014, on 15.10.2015, on 14.10.2016 and on 16.10.2017.

The acquisition of 100% of Olympic Air was financed by Aegean's cash reserves as the advance payment of October 2012 is concerned, while AEGEAN's operating cash flow is expected to more than cover the remaining annual installments of €10.4 mil each over the 2013-2017 years, without need to resort to external financing.

The main reasons for which the acquisition was pursued are the following:

- Obtain a sufficient size, which will allow it to compete efficiently in the global aviation field and should create the conditions for sustainable growth through the exploitation of expected synergies. From 2006 until 2012, during which period the European airline scene was changing radically, with the big European airlines growing either through mergers or organic growth, the 2 main Greek airlines did not have the opportunity to form a more powerful Greek air carrier. Both Aegean Airlines and Olympic Air are sub-scale when compared to their international competitors and dynamically growing companies in the region who are typically much larger and also show a significant and growing activity with flights to and from Greek airports.
- Both the economic hardship across Greece and the lack of the necessary economies of scale deprived, until recently, the two Greek companies of their potential to be competitive against the foreign companies at a more respective size basis and, mainly, of their ability to schedule and plan a course of sustainable and viable growth. Hence, the crisis in the Greek economy and the shrinking of the local market make the need for the two companies to join forces even more imperative.
- The synergies that will emerge from the acquisition will provide the potential for sustainable growth. Synergies and economies of scale are expected to be developed at an administrative, commercial and technical level. At the same time, increased buying power and consequent savings in basic categories of both fixed and variable expenses are expected, along with benefits from the abolition of the use of parallel systems for the two companies and savings in premises costs and joint supplies. The expected synergies shall contribute to the reduction in the unit cost, thus enhancing the group's competitiveness and ensuring sustainable growth.
- The synergies that will emerge are expected to result to multiple benefits for tourism, consumers and the country's economy. Within a steady economic environment, obtaining a sufficient size and reducing unit costs will allow the Company to follow a course of growth and gradual expansion of its network from Athens as well as from regional bases, thus supporting local employment and Greece's tourism as well as offering more choices to consumers. Additionally, the expected synergies and the reduction in unit costs will allow the offer of even more attractive fares and the full coverage of the country's domestic network.

² Aegean Airlines S.A, Prospectus related to the acquisition of Olympic Air S.A.

Appendix 20: Corporate Governance & Social Responsibility

Corporate Governance Statement

1. Principals of Corporate Governance

The Company has adopted the Principles of Corporate Governance in compliance with existing Greek legislation and international practices. Corporate Governance establishes a framework of rules, principles and control mechanisms based on which the Company conducts its business with transparency, aiming at the protection of the interests of its shareholders as well as general corporate interests.

2. Corporate Governance Code

The Company applies the principles and specific practices for listed companies that are foreseen in the Greek Corporate Governance Code that was drafted and published by Hellenic Corporate Governance Council and is available on Hellenic exchanges' website.

The Company complies with its provisions, subject to the deviations listed below.

3. Deviations from the Corporate Governance Code

Role and Responsibilities of the Board of Directors

The Board of Directors has not established a separate committee, which manages the procedure for candidates seeking election in the Board of Directors and prepares proposals in the Board of Directors concerning the compensation of the members of the Board of Directors given that the policy concerning these compensations is stable and formed.

Size and Composition of the Board

The 1/3 of the Board of Directors does not consist of independent non-executive members free of conflicts of interest with the company, and of close ties with the Management, the major shareholders or the Company. It consists of 3 executive members, 7 non-executive members and 2 independent non-executive members. With this balance the efficient and productive operation has been ensured during all previous years. The Board of Directors does not appoint an independent Vice Chairman, appointed by the independent members, but instead an executive Vice Chairman, as his contribution to the exercise of the executive duties of the Chairman is considered of utmost importance.

Duties and behavior of the members of the Board

There is no obligation of any disclosure of professional commitments of Board members (including important non-executive commitments to companies and non-profit institutions) before their appointment to the Board, or restriction on the number of Boards of listed companies in which they can participate, as long as all Board members can meet their duties, devote sufficient time to them and keep abreast of developments in the matters relating to their duties.

The appointment of an executive member to a company that is not affiliated or associated does not require an approval by the Board.

Nomination of candidates for the Board of Directors

There is no committee for selecting candidates for the Board of Directors, as due to the structure and operation of the Company this committee is not evaluated as necessary at this time.

Operation of the Board

In the beginning of each calendar year the Board of Directors does not adopt a calendar of meetings and a 12-month program of action, as the convergence and the meeting of the Board is easy, when the needs of the Company or the law render it necessary, without a predetermined plan of action.

The Chairman does not meet with the non-executive directors on a regular basis, without the presence of the executive members, to discuss the performance and remuneration of the latter and other related issues, as any matter is discussed in the presence of all members. There are no introductory programs in place by the Board for new Board members, or continuing training for other members, as only individuals with proven expertise and management skills are proposed for election as members.

There is no specific provision for supply of adequate resources to the committees of the Board to fulfill their duties and recruiting external consultants, as the resources are allocated from the Company's management per case, based on individual business needs.

Evaluation of the Board

There is no institutional procedure to evaluate the effectiveness of the Board and its committees or evaluation of the performance of the Chairman of the Board during which process is headed by the Vice Chairman or other independent non-executive board member in case of absence of an independent Vice-Chairman. This procedure is not considered necessary in view of the organizational structure of the Company. Members and non-executive directors do not convene without the presence of executive directors in order to evaluate the performance of the executive members and to establish their remuneration.

The Board does not outline in the annual corporate governance statement the evaluation procedure of it and of its committees, as there are no relative evaluation procedures.

Internal Audit

The Internal Audit office does not report to the Chief Executive Officer. The staff of the Internal Audit and the members of the Audit Committee perform their duties independently and hierarchically do not fall under any other department of the Company. The Head of Internal Audit is supervised by the Audit Committee. The Head of Internal Audit is appointed by the Board of Directors and has all necessary qualifications and experience.

The Internal Audit provides annual reports, rather than on a quarterly basis, which are reviewed and evaluated by the Audit Committee. The Board of Directors does not perform an annual evaluation of the internal audit procedures as the Audit Committee reviews and reports to the Board of Directors on the Internal's Audit Annual Report.

Audit Committee

The Audit Committee does not convene more than three (3) times per year.

There is no special or specific rule for the operation of the Audit Committee, as its main duties and authorities are adequately set from the law. No specific funds are given to the Audit Committee for the use of external consultants, as the composition of the committee and the specialized knowledge and experience of its members ensure its effective operation.

Remuneration

In the contracts of the executive members of the Board of Directors there is no provision that the Board of Directors may seek for a partial or full refund of the bonuses paid due to revised financial statements of previous years or generally wrong financial data used to calculate such bonuses. There is no compensation committee, comprising exclusively of non-executive members, independent in their majority, which aims at defining the compensation of the executive and non-executive members of the Board of Directors and thus there are no rules for the frequency of its convocations and other issues concerning its operation. The creation of such a committee has not been deemed necessary until now. Each executive member's remuneration is not approved by the Board of Directors after compensation committee's recommendations without the executive members being present, given that such compensation committee does not exist. Board's executive members' compensation is determined by the Board of Directors and in accordance to law 2190/1920. The members of the Board of Directors may receive compensation, the amount of which is determined by the Ordinary General Meeting of Shareholders. Remuneration to the members of the Board of Directors is paid by the Company if it is approved by the Ordinary General Meeting of Shareholders.

General Shareholders' Meeting

Summary of the minutes of the General Meeting of Shareholders is not available on the Company's website. The voting results of any decision of the General Meeting of Shareholders are announced within 15 days as of the end of the General Meeting of Shareholders in both Greek and English.

Social Responsibility

Overall ranking							
Rank	Airline	Country	EP* '13	EP* '12	EK* Type*	Pax (in Mio.)*	
1	Tunisair Express	Tunisia	84,6	83,8	B	Regional	0,1
2	TUIfly	Germany	83,3	83,7	B	Charter	4,8
3	MASwings	Malaysia	80,7	79,1	B	Regional	2,0
4	Monarch Airlines	UK	80,5	82,5	B	Charter	6,3
4	SunExpress	Turkey	80,5	-	B	Charter	6,4
6	Okay Airways	China	78,2	-	B	NetCarrier	2,3
7	Air Transat	Canada	76,3	72,8	C	NetCarrier	3,9
8	TAM Linhas Aereas	Brazil	75,1	77,0	C	NetCarrier	37,8
9	Air New Zealand Link	New Zealand	74,6	74,8	C	Regional	3,0
10	Pegasus Airlines	Turkey	74,3	70,2	C	Charter	13,1
11	Meridiana fly	Italy	73,6	61,6	C	NetCarrier	3,2
12	KLM-Royal Dutch Airlines	Netherlands	73,1	67,7	C	NetCarrier	25,8
13	Onur Air	Turkey	72,9	73,7	C	Charter	4,3
14	Japan Airlines	Japan	72,8	66,8	C	NetCarrier	23,9
14	Thomson Airways	UK	72,8	76,9	C	Charter	10,7
16	SriLankan Airlines	Sri Lanka	71,8	65,9	C	NetCarrier	4,3
17	Air Berlin	Germany	71,5	73,5	C	NetCarrier	33,3
18	China United Airlines	China	71,4	-	C	NetCarrier	3,2
19	Emirates	UAE	70,8	68,1	C	NetCarrier	39,4
20	Alaska Airlines	USA	70,7	68,1	C	NetCarrier	18,5
21	Jet Airways (India)	India	70,5	70,2	C	NetCarrier	16,9
22	Condor Flugdienst	Germany	70,4	78,1	C	Charter	6,6
23	Aegean Airlines	Greece	69,7	67,5	C	Regional	6,1
24	EVA Airways	Taiwan	69,6	71,5	C	NetCarrier	7,5
25	Corsair	France	69,3	65,6	C	Charter	1,2
25	Thai Airways International	Thailand	69,3	62,8	C	NetCarrier	20,6
27	S7 Airlines	Russia	69,1	66,8	C	NetCarrier	6,4
28	XL Airways France	France	69,0	71,7	C	Charter	1,1
29	Air Italy	Italy	68,8	69,5	C	NetCarrier	0,8
29	Corendon Airlines	Turkey	68,8	-	C	NetCarrier	1,2
31	Avianca	Colombia	68,4	60,4	C	NetCarrier	23,1
31	Bojing Capital Airlines	China	68,4	69,5	C	NetCarrier	5,1
33	Vietnam Airlines	Vietnam	68,3	67,0	C	NetCarrier	14,0
34	Icelandair	Iceland	67,9	66,4	C	NetCarrier	2,0
35	US Airways ¹	USA	67,8	62,6	C	NetCarrier	54,3
36	Aeroflot Russian Airlines	Russia	67,4	67,9	C	NetCarrier	17,7
37	Horizon Air	USA	67,2	-	C	Regional	7,0
38	Turkish Airlines	Turkey	66,9	65,1	C	NetCarrier	39,0
39	Air Europa	Spain	66,7	65,9	C	NetCarrier	8,1
40	Shenzhen Airlines	China	66,2	63,9	C	NetCarrier	21,5
41	Qatar Airways	Qatar	65,7	63,1	C	NetCarrier	17,5
41	Sichuan Airlines	China	65,7	66,8	C	NetCarrier	13,4
43	Air Maurtilus	Mauritius	65,4	66,8	C	NetCarrier	1,3
44	Asiana Airlines	South Korea	65,1	67,1	C	NetCarrier	15,5
45	Garda Indonesia	Indonesia	64,7	59,4	D	NetCarrier	17,6

*EP: Efficiency Points

*EK: Efficiency Charts

*Pax: Number of passengers

*Type: Based on Air Transport Intelligence and other sources

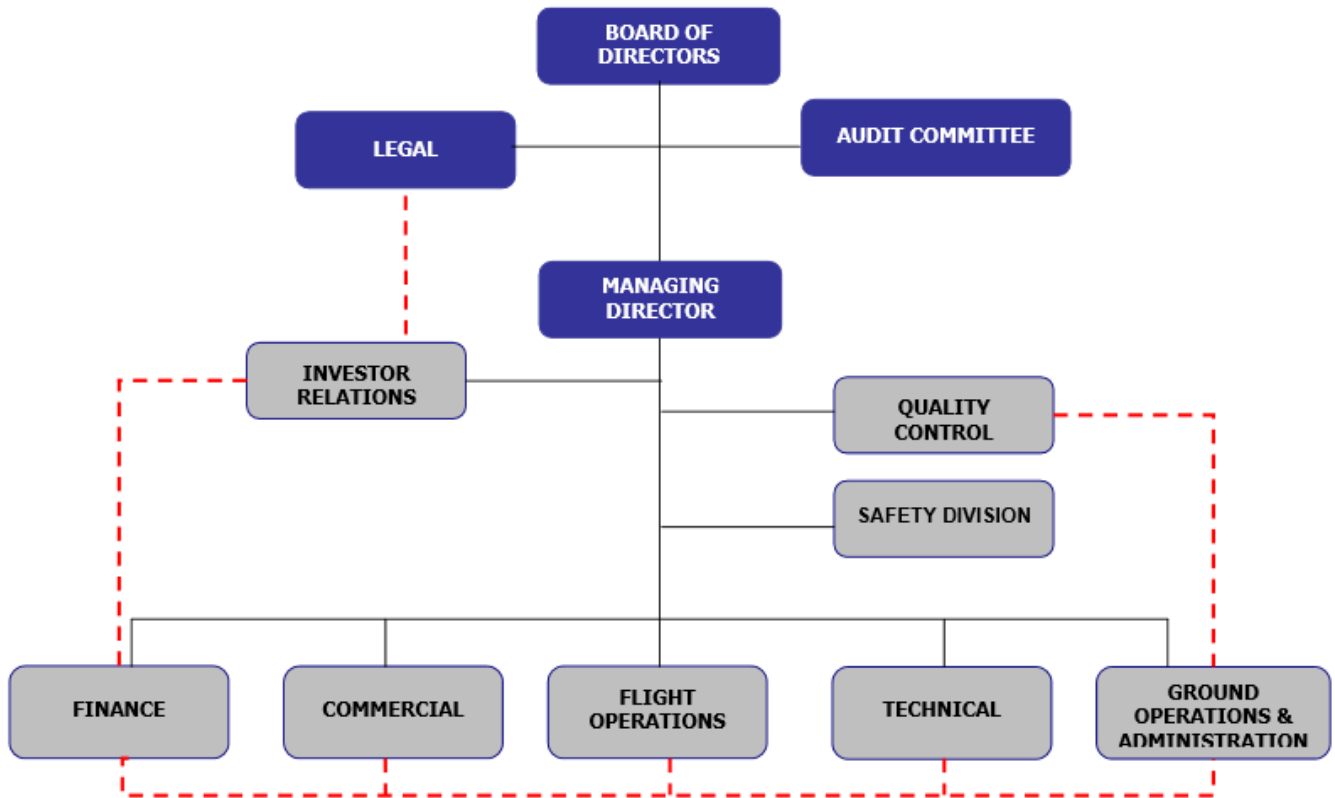
The Atmosfair Airline Index 2014 compares passenger airlines based on their climate efficiency when transporting payload passengers and co-loaded freight and assigns them a global ranking. Using methods employed by ICAO for its carbon calculator and compared on a city-pair basis, parameters include type of aircraft and engine, whether winglets are installed on aircraft, seating, cargo capacity, and passenger and co-loaded freight capacity utilization. Apart from ICAO, data has been sourced from OAG, JP Fleet Airlines, Piano-X, IATA WATS and others, with 2009 being the source year. The scope runs to 107 types of aircraft, 308 engine types and covers 92% of all worldwide flights.

Under the Atmosfair model, airlines receive efficiency points in the ranking and they are assigned to seven efficiency classes from A to G. Only greenhouse gas emissions are included, so factors such as noise and sustainability policies are not taken into account.

The CO₂ per payload kilometer for a city pair is compared with the best physically possible case and with the three times less efficient worst case. The airline which attains the best case on a city pair gets 100 efficiency points and worst zero points. The efficiency points on all city pairs are averaged to arrive at the global efficiency points of an airline.

Low-cost airlines have been excluded from the index as they raise methodological problems.

Appendix 21: Organization Chart



Source: Company Data

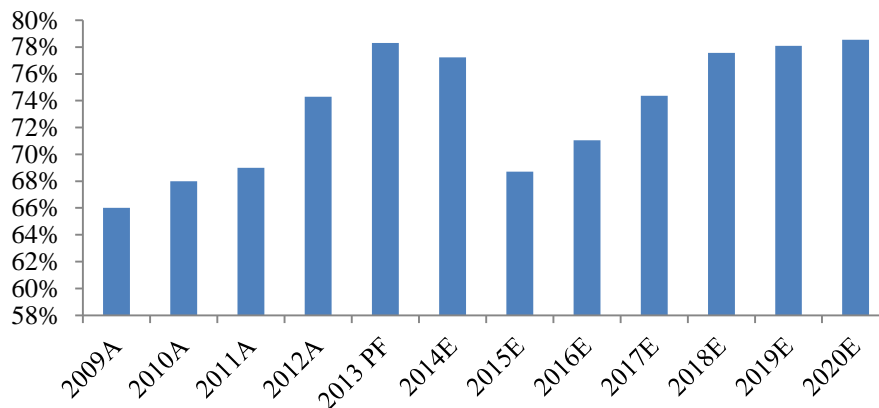
Appendix 22: Load Factor, RASK, CASK & Yield

Available Seat Kilometers – ASK: Measures the flight's passenger carrying capacity. It is calculated by multiplying to the number of seats available by the number of kilometers flown.

Revenue Passengers Kilometers – RPK: Measures the passengers carried an airline. It is equal to the number of passengers multiplied by the total kilometers flown.

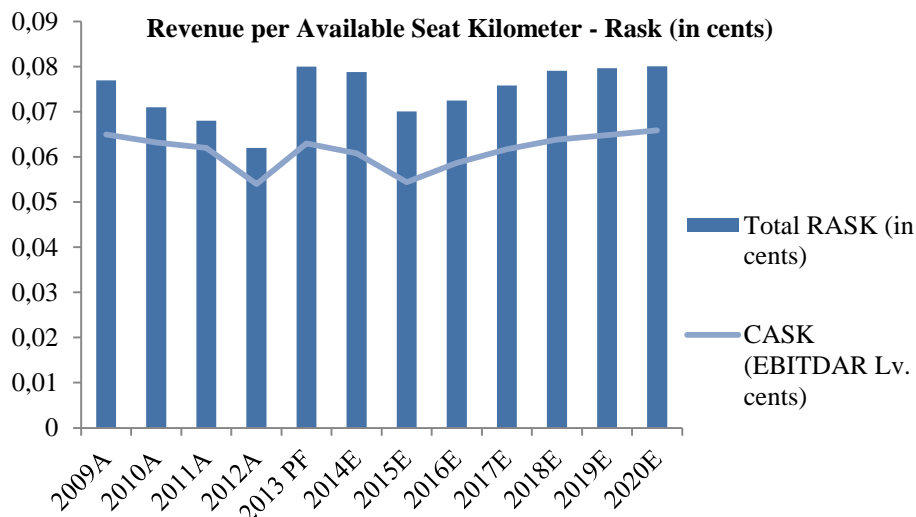
Load Factor: Represents the percentage of seats filled by passengers. It is calculated by dividing RPKs by ASKs.

Load Factor - Scheduled (RPK/ASK)



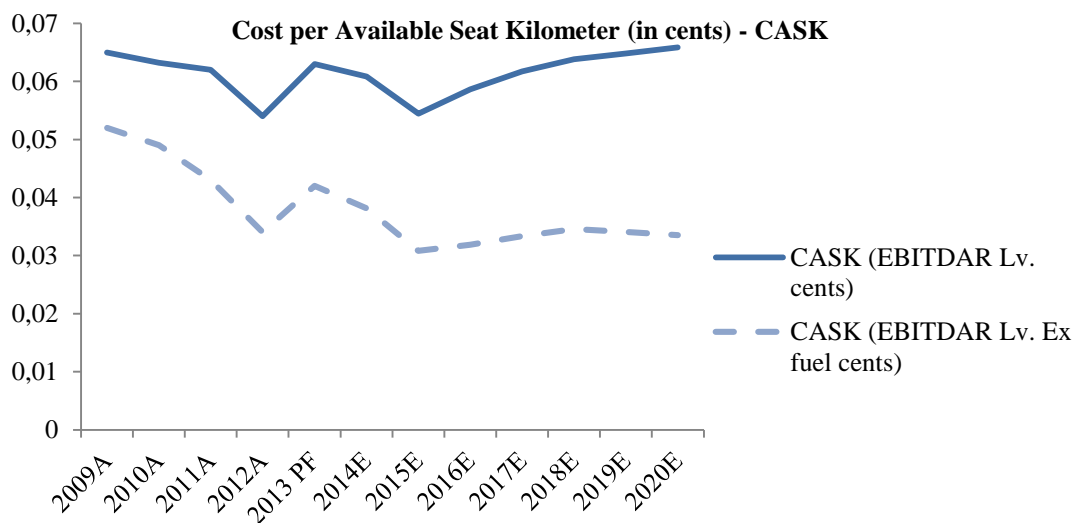
Source: Company Data, Team Estimates

Revenue per Available Seat Kilometer – RASK: It is computed by dividing operating income by available seat kilometers (ASK). An airline is more profitable when RASK increases.



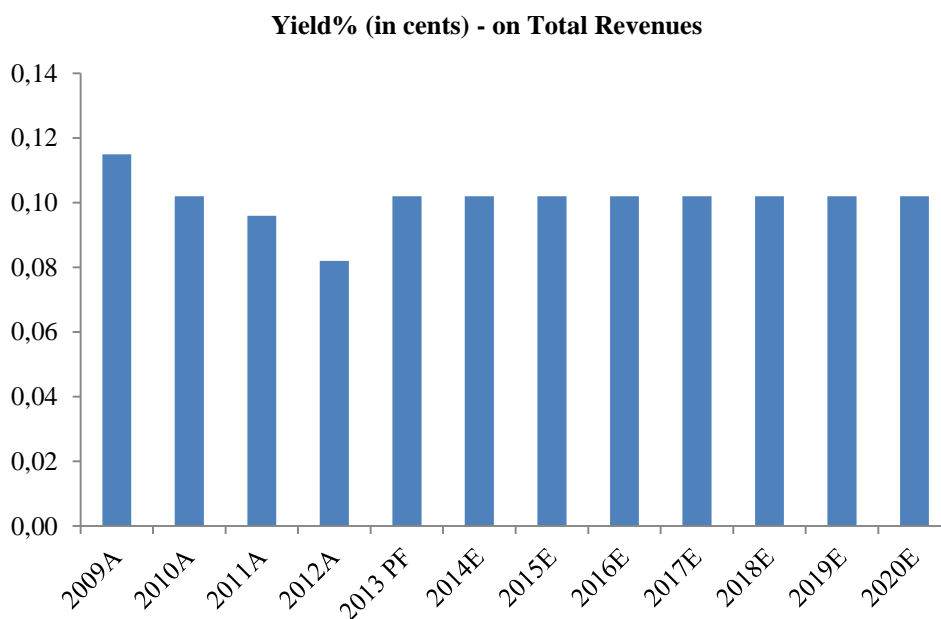
Source: Company Data, Team Estimates

Cost per Available Seat Kilometer – CASK: It is obtained by dividing the operating expenses by available seat kilometers (ASK). CASK indicates the cost of an airline company to fly an available seat one kilometer. The decrease of CASK boosts the profitability of the Company. Another similar index is CASK excluding fuel; in this case fuel costs are not included in the operating expenses.



Source: Company Data, Team Estimates

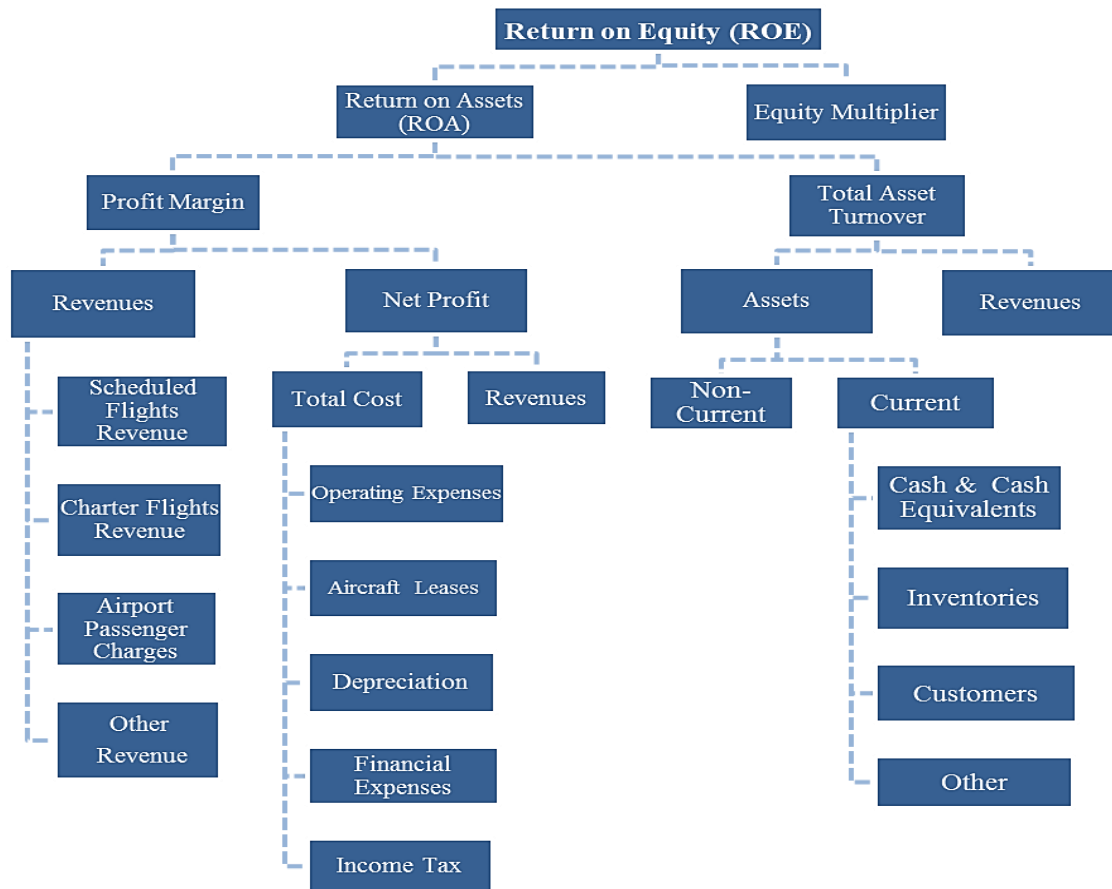
Yield: It is calculated by dividing total revenue by RASK. The measure is presented in cents per mile.



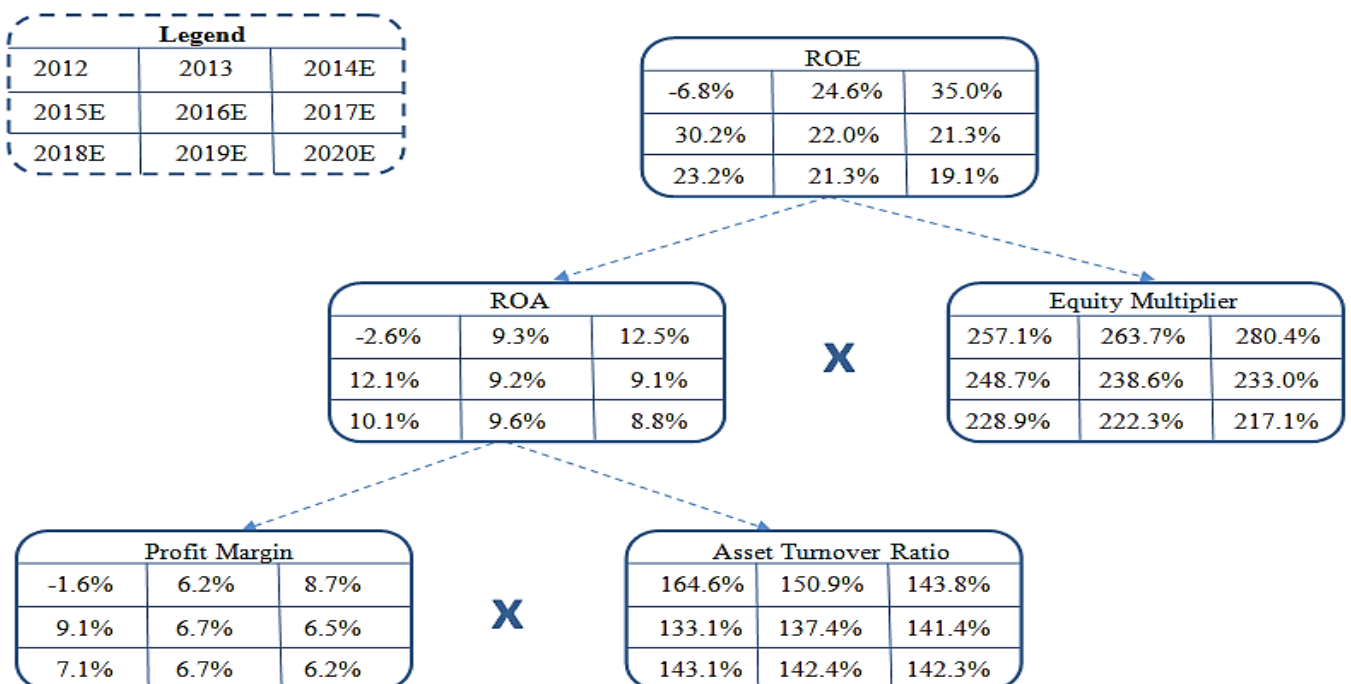
Source: Company Data, Team Estimates

Appendix 23: DuPont Analysis

The Structure of DuPont Analysis and its Components



DuPont Analysis-The Calculation of ROE



Source: Team Estimates

Appendix 24: Cash Conversion Cycle

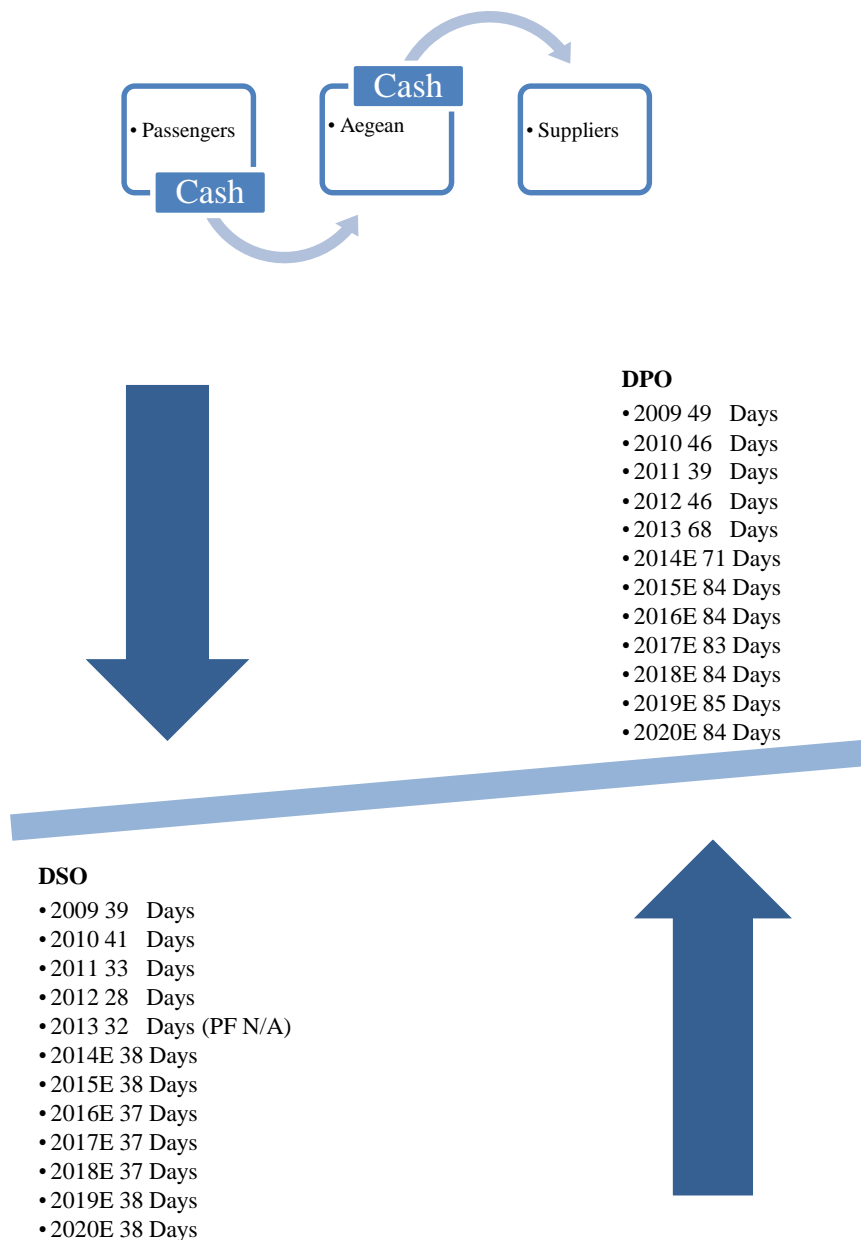
$CCC = DIO + DSO - DPO$, (DIO=0)

DIO=Days Inventory Outstanding

DSO=Days Sales Outstanding

DPO=Days Payables Outstanding

In our estimation of CCC the term DIO has not been included in the calculation of the index. Inventories do not represent the product for sale as Aegean is a service provider company. Inventories include aircraft spare parts and goods that contribute to the smooth operation of the entity.



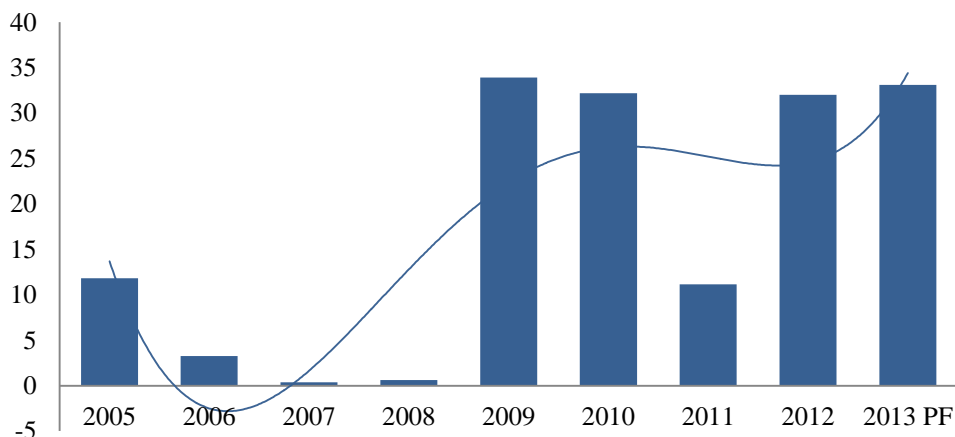
Source: Team Estimates

Appendix 25: Degree of Operating Leverage

The airline industry holds high operating leverage due to the structure of industry. Airline industry is full of risks; this factor explains the volatility of revenue. Additionally, revenues of Aegean are characterized by intense seasonality. The majority of revenues depend from the international passenger traffic. International traffic is highly correlated with tourism in Greece. Seasonality derives from tourism. During the upsurge in tourism more seats are demanded and vice versa. In the first case the higher the DOL the higher the change of profit. The degree of operating leverage is an important index that affects the sustainability of the firm.

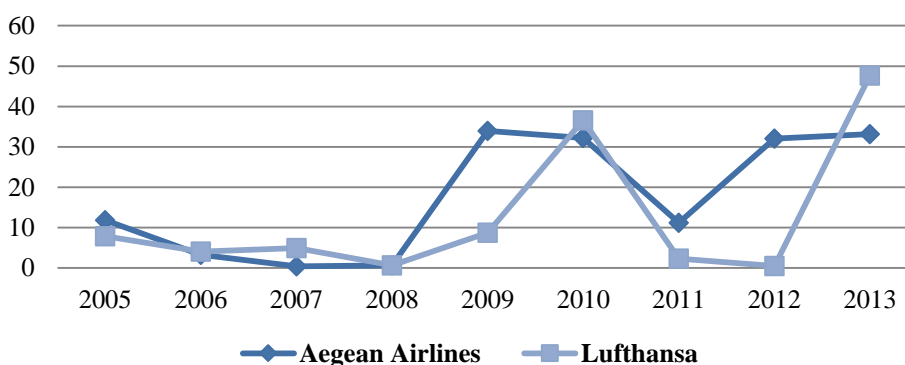
Degree of Operating Leverage = % Change EBIT / % Change Revenue

Aegean Airlines: Degree of Operating Leverage

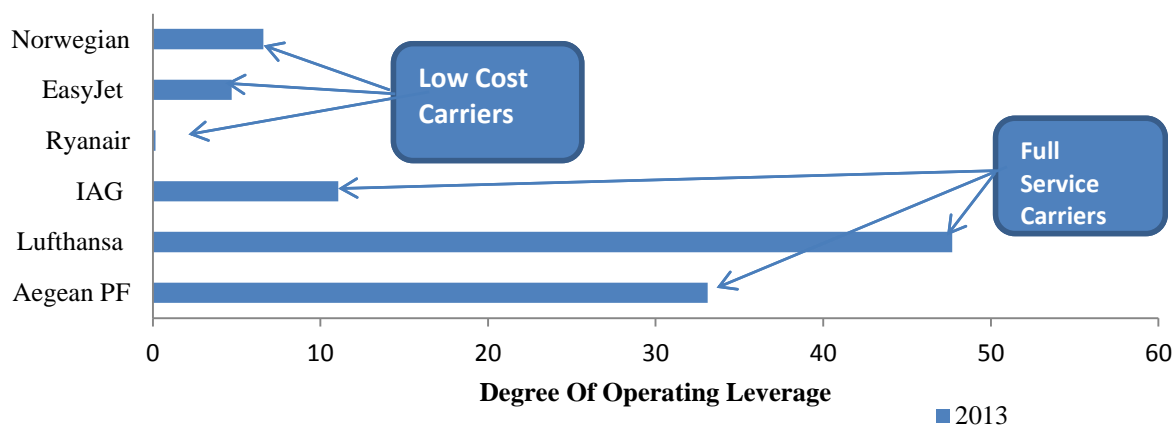


Source: Company Data

Aegean vs. Lufthansa



Source: Company Data



Source: Company Data

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