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## Business Opportunity Outlook

### Greece

*We are pleased to attach the third issue of Eurofin's monthly Greek Newsletter providing business news and highlighting investment opportunities in Greece.*

#### EUROFIN GROUP

The purpose of this newsletter is to provide an up-to-date summary of current developments in both the private and public sectors in Greece and highlight areas of potential interest for prospective investors all over the world.

The Eurofin Group is an investment banking boutique established in 1984. With offices in London, Athens and Singapore, Eurofin offers advisory services and assistance to companies and individuals conducting business or considering investments in a number of different industries and countries.

Although the main focus of the Group is in the shipping industry, over the years Eurofin has also been active in other sectors such as Energy, Telecoms and Tourism among others.

Having established our Athens office in 1989, we have kept a close watch on the developments in Greece, especially in the past few years as the country has been in the forefront of global news due to all the wrong reasons.

## NATIONAL ECONOMY NEWS AND TRENDS

- Increased tax inspections and the restructuring of the tax collection mechanism have resulted in public revenues beating their target for the nine month period after the beginning of the year, according to the recent official data provided by the Greek Government.
- According to preliminary data, October was the best month so far this year for the state coffers as 700 million Euros more was cashed in than expected. This positive development continued during the first 10 days of November and it is now becoming increasingly evident that the full-year primary surplus will exceed the 344 million Euros projected by the government and the Troika.
- Greece sold 1.3 billion Euros (\$1.74 billion) of three-month treasury bills on 12<sup>th</sup> of November to roll over a maturing issue. The T-bills were priced to yield 3.90 percent, down from 3.95 percent in an October auction. The sale's bid-cover ratio was 2.03, up from 1.89 in the previous sale.
- In a report on the competition conditions observed in retail, tourism, construction materials and food processing, the OECD identified 555 outmoded regulations, which the government is now eager to do away with. These market distortions concern legal clauses that do not allow, among others, for a drop in prices of commodities such as bread, milk, laundry detergents, drugs, books and fuel.
- Greece has secured European Union funds amounting to 36.5 billion euros in current prices from the new EU budget for the 2014-20 period as approved on Tuesday by the plenary of the European Parliament.

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## FINANCIAL MARKETS NEWS

- National Bank of Greece (NBG), the country's largest lender, has agreed to sell a majority stake in its real estate arm Pangaia to private equity firm Invel Real Estate in a 653 million Euros deal. The sale is part of the restructuring efforts by the National Bank aimed at boosting its capital base.
- Four consortiums were short-listed on Tuesday in the tender for the majority stake in the Astir Palace hotel at Vouliagmeni, southern Athens, which is 80 percent-owned by National Bank of Greece and 20 percent-owned by the Greek state. The candidates are an American-Cypriot consortium comprising Colony Capital Acquisitions LLC and Dolphin Capital Investors Ltd, the Jermyn Street Real Estate Fund IV LP supported by six investors of mostly Arab origin, Greece's Lamda Erga Anaptyxis SA, and Plepi Holdings Ltd controlled by members of the Constantakopoulos family from Greece and the Olayan family from Saudi Arabia.
- Credit to small and medium-sized enterprises via various funding tools missed the target set for October by 137 million Euros. It therefore appears extremely unlikely that banks will meet the 2-billion-euro target for credit given to SMEs by the end of the year, a goal now postponed to end-February 2014.
- It appears that the growth rate of new non-performing loans (NPLs) is easing. However, it is estimated that the bad loans came to 32 percent of all loans at the end of September, from 30 percent at the end-June. This means loans that have not been repaid for at least 91 days add up to over 70 billion Euros – more than twice the sum of the Greek banks' capital.
- Provopoulos, Bank of Greece governor, said in October that there were another 8 billion to 9 billion Euros of bailout funds available to the country's lenders. He also added that he feels confident that when the results of BlackRock's report are published there will be enough leeway to cope with any capital need.

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## BUSINESS NEWS

- Seismic data on hydrocarbon reserves in Western Greece published by Norwegian company PGS in the first week of November, are seen as being particularly encouraging and have already attracted the interest of major oil firms.
- The Norwegian company expects increased interest by the market after Christmas and by mid-2014, when it will have completed the processing of the data it has collected. To press on with the sale of its data package to oil companies PGS will set up centers in Athens, London, Oslo and Houston. Already France's Total and Hellenic Petroleum, as well as a third, unnamed company, have bought the PGS data.
- Nestle will create 500 employment opportunities for people under 30 years of age in Greece, half of which will be full-time jobs and the other half training and paid practical experience.
- Greek importers of commodities ranging from cars to electrical appliances and baby food are starting to report a warming in relations with their foreign suppliers or multinational parent companies thanks to the restoration of the country's image and credibility abroad over the last year.
- British Airways will operate direct flights next year from the British capital to the Greek islands of Myconos and Santorini for the high season from March until October.
- During the first seven months of 2013, there was a 17.2 percent increase in the number of visitors to museums and a 12.4 percent increase in the respective receipts, in comparison to the corresponding period of 2012. The number of visitors to archaeological sites during the first seven months of 2013 recorded an increase of 28.7%, compared to the same period in 2012, while the corresponding receipts rose by 19.5 percent.
- Greek property prices continued to fall sharply in the third quarter even as economic recession eased slightly, according to data showed by the Central Bank of Greece.
- Exports will be the basis for Greece's future growth and job creation, due to the limited domestic economy, according to American economist Jeffrey Sachs. Moreover, the country will be able to exploit its tremendous amount of talent, its advantage as one of the great tourist destinations, as well as its enormous untapped (mostly renewable up to now) energy resources.
- During the recent IMF conference in NY, the above views were strongly supported and strengthened by the interest shown from foreign investors for projects in energy, real estate, pharmaceuticals, tourism, food, banks, as well as banks' problem loans, as witnessed by the officials of the Bank of Greece and the other Greek commercial banks present.
- The Greek pharmaceutical, cosmetics, and detergents industry continues to improve their export performance in 2013, presenting a remarkable operational profitability in 2013.
- GlaxoSmithKline made a four year deal of 2.2 million Euros worth with the Greek pharmaceutical company FAMAR for the packaging of four new products.
- The five hundred most profitable companies in the country were able to significantly enhance their operating profits during last year and improve their turnover. Thus the large enterprises show a clear sign of recovery, after the negative results of recent years and are entering a new cycle of growth.
- According to Greece's Gaming Commission, five casinos have run up debts to the state totaling 40 million Euros over the last couple of years. Market professionals expect that the casinos that do not comply with the commission's requirements will have their operating licenses revoked.
- The US Commerce Secretary Penny Pritzker visited Athens and promised to support Greece's growth initiative by returning soon with a group of US businessmen. The activation of the US Import-Export Bank was also discussed as a potential tool for commercial activity in Greece by US businessmen. The main fields of interest centre on tourism, energy, pharmaceuticals and public works.

## TENDERS - PROCUREMENTS

- The Independent Power Transmission Operator (IPTO or ADMIE) S.A. is going to get privatized during 2014. The privatization procedures are estimated to begin in the first quarter of 2014. ADMIE undertakes the role of Transmission System Operator for the Hellenic Electricity Transmission System and as such performs the duties of System operation maintenance and development so as to ensure Greece's electricity supply in a safe, efficient and reliable manner.
- The privatization of DEPA (Public Gas Corporation), following the wreck with the Russian Gazprom, seems to be shifted to the middle of 2014 with the hope that by then the liquidity in the electricity market will be improved and the generating companies will be able to repay the company for the gas it supplies to them.
- Chinese shipping giant Cosco and the Piraeus Port Authority (OLP) reached an agreement on Tuesday for the former to invest another 230 million Euros in the country's main port.
- The official target for 2014 privatization revenues has been set at 3.56 billion Euros. The privatization fund (Hellenic Republic Asset Development Fund or TAIPED) has 14 sell-off projects in progress, with several more expected to start soon like EYDAP (The Athens Water Supply and Sewerage Company), Hellenic Petroleum, the Kavala oil reserve, marinas, 12 ports, Athens International Airport and Hellenic Post.

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## GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Greek shipowners have been rather active in the Sale and Purchase market this month with close to 40 second hand vessel acquisitions and newbuilding orders. Given the dearth of bank lending a substantial number of these acquisitions has been effected by modest debt-finance (if any) and invariably with the backing of Private Equity Institutional funds.

The spending spree of the Greek shipowning community continues unabated with increasing emphasis on the Dry and the Energy (LNG, LPG and Offshore) shipping sectors. Notable transactions in the energy shipping space during this month (involving Greek principals) are Dorian LPG (Hadjipateras family) acquisition of an 11-LPG unit fleet from Scorpio Tankers and Latsis' Group order of 2 + option 2 very large gas carriers (VLGCs) in South Korea at \$78m each. Furthermore, there is news that New York-listed Tsakos Energy Navigation (TEN), controlled by the Tsakos family is in the process of concluding long-term charter contracts for five Aframax-tanker newbuildings with Norwegian state oil company Statoil; vessels to be employed in the Pellegrino field and in the Campos Basin (offshore Brazil). Finally, Dynagas (Procopiou family) is in the shortlist of shipowners for the Yamal (LNG) project in Russia.

New bank loans YTD 2013 are close to \$65bn (out of a total of \$460bn outstanding) and continue to represent the most important source of funding for the shipping industry. However, the significant reduction in the availability of bank lending has created an opportunity for other institutions to enter shipping by providing the necessary funding. It is estimated that YTD 2013 Private Equity funds have invested \$4bn and there have been 21 equity offerings in New York worth \$2.5bn and 11 offerings in Oslo worth \$2.4bn.

During November we saw New York listed Navios (Frangou family) raising \$650 Million Senior Secured Notes through a private offering in the US whilst Dorian LPG raised \$250 Million through an equity private placement offering, on the over-the-counter (OTC) market in Oslo. Last but not least, an important development in the Greek shipping community during November was the successful completion of Dynagas LNG Partners LP (DLNG) IPO on NASDAQ. Dynagas, a reputable global LNG player controlled by the Procopiou family, successfully raised \$225 Million achieving an attractive pricing of 1.35x NAV.

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