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Business Opportunity Outlook

Greece

We are pleased to attach the second edition 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

- Greece's net exports of goods and services deficit has shrunk from -14.1% of GDP in 2008, to -3.5% of GDP in 2012 and it is expected to fall further to -2.0% of GDP in 2013 and to -0.1% of GDP in 2014.
- Current accounts deficit (including net capital transfers) is expected this year to turn into a primary surplus of 0.2% of GDP, from a deficit of -2.2% of GDP in 2012, 8.6% in 2011 and 10.3% of GDP in 2009. Furthermore, this surplus is expected to increase to 1.6% of GDP in 2014.

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FINANCIAL MARKETS NEWS

- The expected current accounts primary surplus had a positive impact on the Greek Stock Market in recent weeks by increasing the net inflow of capital and improving the attractiveness of Greek shares to foreign investors. The Athens Stock Exchange Index is up 24% since the beginning of 2013 and turnover has increased dramatically for both stock and bonds.
- The hedge funds that were accused of swelling or even creating the Greek debt crisis by "playing" with the bonds' prices, are currently among the most positive and important players in the Greek market. In this context, a large influx of liquidity is observed lately, following the guidance of investment banks to hedge funds and emerging markets investors to participate in roadshows related to Greece.

- The interested investors were mostly hedge Funds, which based on the improved financials for the banks, as well as the country as a whole, anticipated increased capital gains both in the short and long term. Greece's stock market is due to join the MSCI emerging markets index in November, opening up opportunities for funds pegged to that index. Exotix, Paulson & Co, Baupost, Dromeus, York Capital, Eaglevale and Och-Ziff are among the hedge funds that have invested in Greek banks.
- An amount of €1 billion has been injected in the Athens Stock Exchange Market since the start of the year, while 70% of this amount has been directed to the purchase of banks' stock and warrants.
- The Athens Stock Exchange Market Index value has increased by 24% from the beginning of the year, showing a very good performance in comparison to Germany's DAX Index (15%) and the pan-European FTSEurofirst 300 Index (11%).
- Eurobank announced a voluntary exit program for 600-700 employees at a cost of €32-€33 Million. Eventual savings from this program plus additional synergies from branch closures are estimated at €100 million.
- Eurobank, the fourth systemic Greek bank, proposed a share capital increase of €2 billion. The goal is to be subscribed mostly by individual foreign and domestic investors, although it is believed that HFSF (Hellenic Financial Stability Fund) will also participate in order to reduce its original investment cost of €5.8 billion. Presently HFSF owns 96.6% of the bank, the highest percentage of all four systemic Greek banks and hopes to reduce it to 55%. Already three foreign funds (Fairfax, Third Point and Rothchild) have expressed interest to invest €600-700 million in the upcoming share capital increase, at a share price between € 0.30-0.50. The successful participation of individual investors in this issue will improve the climate for the remaining banks and, most importantly, will constitute the first real privatisation effort in the banking sector.
- The Bank of Greece, HFSF and MoFin have set up a special committee to ease some of the legal obstacles faced by the systemic banks for the sale of equity stakes or increases in share capital. The Troika is also closely involved to ensure that the improved law will be completed in the beginning of 2014.

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BUSINESS NEWS

- Demand from abroad has begun to contribute to a slow restart of the real estate market, since the capital inflow for real estate transactions has increased to €72.6 million during the first seven months of 2013 from €62.2 million during the same period of 2012.
- A breath of fresh air to the unemployment problem was injected through energy saving investments. Proponents of energy savings, see prospects in the European budget for 2014-2020, which foresees a doubling of funds for buildings' energy saving actions reaching a total of €23 billion. In Greece, it has been estimated that at least an annual amount of €200-300 million could be invested in public sector's buildings for energy saving measures during the next five to ten years, depending on the country's financial liquidity. In addition, more money could be invested in taking energy saving measures in the private sector. In any case, investment in this field could start moving ahead by using tools such as the Third Party Financing Schemes and the Energy Service Companies (ESCO).
- Based on current estimations, the total number of foreign tourists' arrivals in Greece, during 2013, will exceed 17.7 million, while revenue from tourism is expected to exceed € 11.5 billion.
- According to an announcement of TUI Travel, the largest tour operator worldwide, Greece has shown an impressive recovery in 2013 which is expected to continue during 2014. In this context, TUI alone is going to increase the number of its clients visiting Greece by 10%, approaching a total of 2 million visitors.
- The 2013 turnover of Greek companies involved in e-commerce activities is expected to reach a total of €3.5 billion, in comparison with the €2.9 billion recorded in 2012, suggesting that this is an industry promising further growth.
- KfW and the Sparkassen have started looking for SME entrepreneurs and sectors that they could finance in Greece. Renewable energy, tourism services and agricultural products are at the top of the list of

target sectors of the German banks as well as German SMEs that are looking to cooperate with or subcontract part of their activities to Greek counterparts.

- Following the visit of the Greek Prime Minister to Israel, cooperation in the energy sector between the two countries is set to form the basis for development of business relationships, including partnerships for the exploration of hydrocarbons fields and their transportation to the European energy markets.
- The Chinese ZTE Corporation, one of the five largest telecom products and services provider worldwide, announced that following the development of a logistics centre in Piraeus, it will also develop a maintenance centre, thus creating 400-600 new jobs. The latter will cover the Southeastern European needs, while it could be developed to a production unit in the future. Similar plans are expected to be announced in 2014 by Huawei, the second telecom products company on the world. Lenovo is also examining such a strategy for the near future.
- Hotels in Greece decreased their prices drastically in an effort to attract more visitors from abroad but also in order to "respond" to aggressive competition from neighboring countries. However this decrease has resulted in heavy indebtedness and the accumulation of severe losses running into several million Euros.
- A lot of businesses are up for sale in Greece (small, medium and large sized ones), including hotels, renewable energy production companies, food production and trading companies, stock market brokerage firms, etc.

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TENDERS PROCUREMENTS

- Three (3) investment groups expressed their interest to acquire 100% of the Hellenic Company for Rolling Stock Maintenance S.A. shares (ROLCO). These three investment groups are Alstom, Bombardier and the consortium of the Russian Railways (RZD) with the Greek listed company GEK-TERNA.
- The privatisation process of the Athens International Airport is expected to start during November by the Hellenic Republic Asset Development Fund (HRADF). HRADF is going to start negotiations with the parties that have expressed their interest for the finalisation of the terms of the tender process. The interested parties include Chinese investors, the Canadian investment company PSP and private equity funds. A share of up to 55% will be sold to the winning consortium.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Global Shortage of bank financing still poses a problem for many Greek shipowners. The few remaining active lenders target the same blue chip clients who are witnessing for the first time in 5 years a reduction in pricing. Given the dearth of traditional financing many Greek shipowners wanting to take advantage of the prevailing attractive prices for new and 2nd hand tonnage, continue to tap alternative sources of funding including stock listings, bond issues (in the US and Norway) and the formation of JVs with cash rich PE funds.

The strengthening of vessels' earnings, especially in the Dry Bulk sector in recent months has caused a rush for Newbuilding orders by Greek shipping interests. In the 2nd hand sector Greeks have acquired more than 300 ships this year, three times more than their nearest rivals, China.

Given the continued overcapacity in the traditional shipping sectors and the uncertainties it engenders, some Greek shipowners have decided to diversify their shipping interests in other "new" sectors such as Liquefied Natural Gas (LNG), Liquefied Petroleum Gas (LPG) and Offshore. The high entry price of these sectors and the recent positive developments in the US Shale Gas industry have pushed LNG and LPG earnings to attractive levels and are creating a strong positive outlook in these sectors.

Private Equity funds' interest for shipping continues unabated. In October we saw the Blackstone Group teaming up with the reputable Greek shipping company Eletson and forming a \$700 Million joint venture to invest in the LPG shipping sector.

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