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Business Opportunity Outlook

Greece

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

EUROFIN GROUP

Celebrating 30 Years! (1984 - 2014)

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

- Data on the course of Greece's economic output from 2000 to last year reflect the dramatic consequences of the recession and the fiscal adjustment. Hellenic Statistical Authority (ELSTAT) figures show that Greece's per capita GDP came to € 12,354 in 2013, returning to 2001 levels and recording a loss of €5,020 from five years earlier.
- Greece's economic contraction in 2013 has been revised to 3.85% of gross domestic product from a previous estimate for 3.7% according to figures announced by the ELSTAT, while National Bank estimates in its report that the country's economy will rebound 0.7% this year.
- The Bank of Greece announced a budget primary surplus of €1.68 bln for the first couple of months of this year.
- The country's return to the international money markets with a new bond issue is the next big challenge for the government after its agreement with its creditors. The Prime Minister wants the new bond to be issued "as soon as possible," according to officials familiar with the matter, and this could take place at the end of April.
- Alpha Bank's estimate for this year is for a 1.1% expansion of gross domestic product, against a 0.6% official forecast in the state budget.

- The same Alpha report further forecasts deflation of 1.1% on average as prices will be expected to start rebounding from November 2014 at a rate of 0.2%, to post full-year inflation of 0.4% in 2015.
- ELSTAT data announced that Greece's deflation cycle completed 12 consecutive months in February, when prices posted a 1.1 % year-on-year decline.
- The Labor Ministry's Ergani register has recorded almost 20,000 more hirings than sackings in February. The market reforms Greece is expected to promote will lead to the creation of 190,000 jobs over the next five years and see the country's gross domestic product grow by 5.4 percent, according to a recent European Commission report.
- Standard & Poor's (S&P) announced it is not changing its sovereign rating for Greece (it remains at B-) or the country's outlook, which it continues to rate as "stable."
- Greece sold €1.137 bln (\$1.57 Bln) of six-month treasury bills to roll over a maturing issue, the country's debt agency PDMA said. The T-bills were priced to yield 3.60 percent, down from 4.0 percent in a February auction. The sale's bid-cover ratio was 2.31, unchanged from the previous sale. The amount raised included €262.5 Mln in non-competitive bids.

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FINANCIAL MARKETS NEWS

- The additional capital requirements of Greece's lending institutions total €6.382 bln, according to the results of the stress tests that BlackRock Solutions carried out on the loan portfolios of National, Alpha, Piraeus and Eurobank along with five smaller lenders late last year, according to a Bank of Greece announcement.
- Eurobank has secured the pledge of three consortiums as long-term investors providing funds up to €4 bln to be invested in the Greek lender's upcoming share capital increase, exceeding the required amount of €3 bln. Strong interest in the increase has also come from major investment funds, private investors as well as state funds from the Persian Gulf countries and Norway.
- The management of Greece's bank bailout fund (HFSF) has reacted strongly against Eurobank's decision to call an extraordinary general meeting of shareholders for a share capital increase based on the existing legal framework. The fund argued that if it does not participate to the share capital increase, its interests – and therefore those of taxpayers – will be harmed.
- The new code of practice for the handling of bad loans, which the Bank of Greece has published for consultation, provides for borrowers who cannot repay loans secured against their home to be able to remain at their property by renting it after transferring the ownership to the bank.
- The National Bank of Greece, owner of Turkey's Finansbank, has purchased the Crystal Tower in Istanbul for \$303 Mln, according to a daily Hurriyet report.
- A mixture of hedge funds are backing Greek lender Piraeus Bank's return to the public bond market after a four-year hiatus, fueling hopes that the country and its banks are on the road to recovery.

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BUSINESS NEWS

- The Economic Sentiment Index of the Foundation for Economic and Industrial Research (IOBE) climbed to its highest level in five-and-a-half years in February. Still, consumer confidence posted a marginal decline, reflecting households' concern about the future.
- Industry: The IOBE forecasts for the short-term outlook of output and estimates on the current levels of orders and demand are gaining ground, with the product stock index remaining unchanged.
- Services: The IOBE estimates on the current activity of enterprises are improving, as are those on current demand and forecasts for their short-term outlook.
- Retail commerce: The IOBE survey says that the negative estimates about current sales are diminishing. This is also the case with the unfavorable forecasts on their short-term outlook, but with estimated stock levels rising.
- Construction: The IOBE survey says that the negative forecasts regarding the scheduled activities of enterprises in the sector remain at the same level, but the employment index is rising again and driving the overall sentiment index for construction higher.
- According to another survey, Greek manufacturing activity expanded for the second consecutive month in February, boosted by a rise in output and new orders.
- Greek start-up enterprises currently number 144, from just 16 in 2010, having created a total of 1,500. Based on the outlook to date, one in every four existing start-ups has considerable growth prospects, generating jobs and added value, according to Endeavour Greece, which has been recording the development of this niche market.
- Arrivals from abroad at the country's two main airports of Athens and Thessaloniki posted an impressive 28.8 % increase in the first two months of the year on an annual basis, according to data published on Monday by the Association of Hellenic Tourism Enterprises (SETE).
- According to Andreas Stylianopoulos, the cruise sector representative of the SETE, tourism from cruises in Greece will not post an increase before 2015. Mediterranean cruises are expected to take an 18.9 % share of global schedules for the year, down from 21.7% in 2013.
- Santorini has been chosen as the location for the second InterContinental hotel in Greece. This will be the group's first expansion in Greece after a three-decade presence in Athens.
- Greece will post significant growth in foreign tourist arrivals this year as bookings from the German market are already showing a jump on last year, German Travel Association (DRV) chief Juergen Buechy said in the context of the ITB travel fair.
- According to a report published by Russia's statistical authority, Rosstat Greece earned a third place in the Russian tourists' list of favorite destinations in 2013, ahead of countries like China, Thailand and Spain. Turkey and Egypt topped the list.
- The Hellenic Statistical Authority's turnover index for the accommodation and catering sector showed an increase in 2013 for the first time after three consecutive years of decline, posting a 4.8% annual growth from 2012.
- Greece's travel and tourism sector will enjoy growth of 3% this year compared to 2013, when the sector's contribution to the country's gross domestic product amounted to €28.3 Bln or 16.3%, according to a report by the World Travel & Tourism Council.
- The Libra Group, a diverse international business group comprising 30 subsidiaries active on five continents and with a particular interest in travel and hospitality, will be the principal investor in 50 percent of Coco-Mat, forming a joint venture with the leading Greek manufacturer of specialist mattresses, other natural sleep products and furnishings.
- The Chinese consortium comprising Friedmann Pacific Asset Management (FPAM) and Shenzhen Airport announced it intends to acquire the majority stake in and management of Athens International Airport, adding that AIA can become a source of considerable investment and growth for Greece.
- The Chinese companies active in Greece, whose numbers are on the rise, are creating a new, exclusively Chinese chamber of enterprises. The sectors they are mainly interested in are transport, shipping, telecommunications, energy, tourism, commerce and real estate. Chinese banks are also preparing to establish a presence in Greece in activities beyond shipping, where they have already obtained a significant share.
- Prime Minister Antonis Samaras attended the signing ceremony of an agreement between Chinese global telecommunications giant ZTE and Chinese shipping firm Cosco that will see the former using the latter's cargo terminal in Piraeus as a distribution center for its products. Following the deal ZTE products will reach markets in 12 European states, including Austria, Hungary, Bulgaria, Romania, Italy and Spain, via the Greek port city.

- The European Investment Bank (EIB) is making a €235-Mln loan to the Public Power Corporation (PPC) to improve Greece's electricity network. "The multi-Mln investment program covering the period 2013-15 aims at renovating and reinforcing the electricity distribution network, as well as extending it to enable some 186,000 new connections throughout Greece," the EIB said in a statement.
- In 2013 the value of Greek exports declined by 0.2% year-on-year, or 2.1% when oil products are exempted, while early estimates from the ELSTAT show that the decline continued in January 2014.
- After experiencing this decline the country's exports sector now needs to turn to products of high added value, according to an analysis published by Piraeus Bank. Products such as tobacco, fruit and vegetables, dairy products, fish and seafood, leather goods, fertilizers, unprocessed minerals, iron and steel have a high added value ratio, but Greek exports are dominated – to the tune of 35%– by oil products, which have a relatively low added value ratio.
- Chillbox, a Greek frozen yogurt company whose major shareholder is Dodoni Ice Cream SA, is heading to the United States. The company is penetrating the US market through a strategic partnership with Lymell Holdings LLC which has acquired a master franchise for the development of 100 Chillbox outlets across the US within the next four years.
- Greece wants to triple the share of generic drugs prescribed by the end of next year, closing the gap to targets set by international creditors under the terms of the country's bailout, Health Minister Adonis Georgiades said.
- Hellas Telecommunications (Luxembourg) II SCA's liquidators sued TPG Capital Management LP and Apax Partners LLP for more than \$1.3 bln, saying the private equity firms left the wireless company insolvent. Greece was one of Greece's first two wireless operators (originally operating under the name Telestet).
- Hellenic Seaplanes S.A., a new airline set to start flying tourists between Greek islands this summer, forecasts that sea-based commercial carriers could generate €1 bln (\$1.4 bln) in annual revenue as European travelers return to a country emerging from recession.
- House prices in Greece are set to slide anew in 2014, extending the crisis in the property market for one more year, according to an annual market report by Eurobank. Its baseline scenario foresees a 6 % price drop and a rebound from next year, while the extreme scenario provides for a 12% slump in prices and a return to growth in 2016.
- The gap between properties' market prices and their so-called objective values, used for tax purposes, is continuing to widen, as a number of older houses in the center of Athens have recently been sold for up to 70% less than their objective values. Stamp duties were still collected on the basis of their objective values.
- Property prices on Greek islands have dropped significantly in recent years, presenting major investment opportunities. The average price of houses at popular island destinations has dropped by a total of 33% since 2008, according to estate agents, while on large properties and luxury homes the decline is as much as 40-50%.
- The retail prices of commodities in Greece could decline between 3 and 15% if the country's logistics sector were developed, the ministers of development, Costis Hatzidakis, and infrastructure, Michalis Chrysochoidis, argued.
- The rise in the number of new cars on Greece's roads continued for a second straight month in February, confirming the market's forecast based on orders made since January.
- The London-based ITE Group announced that it will stage the first international exhibition and conference on oil and natural gas in association with local exhibition firm ROTA SA in Athens on 25-27 November at the Metropolitan Expo venue with the aim of making it an annual event.
- Greece's biggest telecoms company OTE reported a rise in revenues for the first time in five years, adding to signs that the country's recession-struck economy may be bottoming out.
- Greece launched an international tender for a study to assess the feasibility of a proposed pipeline to transmit gas from Israel and Cyprus in an effort to reduce dependence on Russian supplies. The Eastern Mediterranean Pipeline is designed to initially carry 8 Bln cubic meters a year of Israeli and Cypriot gas.
- Greece's energy-intensive industries will receive a discount on their electric bills of up to 20 percent for one year with the option of a 12-month extension, the Public Power Corporation (PPC) announced, as the government is seeking ways to ease energy costs for cash-strapped local industry.
- Qatar Petroleum International (QPI) paid GEK Terna \$48 mln for a 25% stake in Heron II, making the Qatari state company the third partner in the thermoelectric power plant in Viotia,

central Greece. GEK Terna still holds 25% of Heron II while Gaz de France Suez holds the remaining 50% stake.

- Private-label product sales grew at a rate of 5 percent per annum from 2010 to 2013 due to the economic crisis and the slide in disposable incomes that has driven consumers from big brands to such products, which include supermarkets' own brands, according to a survey by the Institute of Retail Consumer Goods (IELKA).
- One in every two small and medium-sized Greek enterprises is facing the threat of closure within 2014, while for very small businesses the risk concerns two out of three, according to a Marc survey conducted for the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE).
- Traffic on the cargo railway service between Athens and Thessaloniki has doubled since it started in December, with the latest data from rail service operator Trainose showing a 100% increase in freight, and now the company is planning to schedule more services on the route. Trainose is set to expand its cargo services even further by planning routes to Skopje and Belgrade twice a week.

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TENDERS - PROCUREMENTS

- The process for the privatization of Piraeus Port Authority (OLP) will formally get under way with state sell-off fund TAIPED publishing the invitation for expressions of interest that will outline the tender framework for the sale of a 67% stake in OLP.
- Cosco is ready to submit its bid for the acquisition of the majority stake in privatization-bound Piraeus Port Authority (OLP), with the proposal also including investment and development proposals aimed at turning Piraeus into the biggest port in the Mediterranean.
- However, Cosco is not the only suitor for the majority stake in OLP and the port's development; a consortium from New Zealand, comprising Morrison & Co and ICM Limited, has also expressed an interest. Morrison & Co is responsible for the management and administration of listed investment group Infratil Limited. A third suitor cannot be ruled out, although Cosco's presence in Piraeus clearly gives it a comparative advantage.
- The completion of the agreement to transfer the majority stake (66%) in Greece's natural gas transmission network operator DESFA to Azeri state company Socar has been put off until at least August 2014 due to the close inspections being performed by the European Commission, with some estimates saying that if Brussels decides to use the whole of the period provided by the regulations, Socar will need to wait until October.
- After opening Lamda Development's bid for the development of the plot of the old Athens airport at Elliniko and deeming it unsatisfactory, state privatization fund TAIPED has asked the firm to raise its offer. The group improved its initial bid for the 99-year property lease by 25 percent, offering € 915 mln for the sale. TAIPED officials had told Reuters that the improved offer was satisfactory and would most likely be accepted by the agency's advisers. In the long term, the privatization and development of the old international airport plot at Elliniko, in southern Athens, is seen creating about 50,000 jobs and boosting the country's gross domestic product by 1.5%, according to a report by the Foundation for Economic and Industrial Research (IOBE).
- The plan for the creation of a smaller rival to the Public Private Corporation through the sale of production capacity to private investors, expected to be submitted in Parliament soon in the form of a draft law, has received some positive feedback from the market after parts of it were leaked to the media.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Greek Controlled Shipping – Market Developments

Despite the challenging freight rate environment in most shipping sectors, Greek shipowners maintain their leading position in the global shipping market by employing a counter-cyclical shipping investment approach. According to shipping reports, Greek ship-owners have set a new record of shipbuilding orders within the last 12 months. The number of orders made by Greek ship-owners is estimated at 25% of the global order book. A significant part of the necessary capital for the expansion of the Greek controlled fleet is sourced from the Equity Capital Markets, primarily in the US as well as from Private Equity funds.

According to market sources, during March 2014, the following five (5) Greek shipping companies have already started the necessary process, in order to proceed with an Initial Public Offering (IPO) in the US Capital markets during the next months:

1. **Oceanbulk**; the joint venture between Greek shipowner Mr. Petros Pappas and the US Private Equity fund Oaktree Capital Management. Oceanbulk currently has a fleet of 34 dry bulk vessels (11 trading and 23 on order) with an estimated value close to US\$ 1.4 bln.
2. **Quintana Shipping**; a dry bulk shipping company operating out of Athens, backed by the US investor Corbin Robertson and the private equity firm Riverstone Holdings. Quintana currently has a fleet of 9 bulk carriers (4 trading and 5 on order).
3. **Stalwart Tankers**; a shipping company involved in the Chemical Tankers' business controlled by D. Souravlas & K. Lanara. The company is in the process of raising US\$186 Mln through an IPO in order to repay debt and expand its fleet by placing more newbuilding orders.
4. **Eletson Gas**; the joint venture between Eletson Corp (Hadjieleftheriadis & Kertsikof) and the private-equity fund Blackstone. Eletson Gas already has a fleet of six LPG carriers trading and close to five newbuilding ethylene carriers' orders.
5. **Dorian LPG** (J.Hadjipateras), the world's second largest VLGC owner, filed with the SEC to raise US\$175 mln in an initial public offering in NYSE. Dorian LPG currently has on the water three modern VLGCs, one pressurized LPG vessel as well as 19 ECO VLGC newbuilding orders.

In addition to the above efforts by Greek shipowners to tap the US Capital markets and proceed with their IPOs, during March we saw Ocean Rig (NASDAQ: ORIG), an offshore deepwater drilling company controlled by Mr. G. Economou, successfully issuing a US\$ 500 Mln senior note due in 2019 with a coupon of 7.25%.

Meanwhile, the Greek government has tripled the mandatory tonnage tax on all vessels belonging to companies based in Greece, regardless of their flag. This three years tonnage tax contribution to the country's finances is obligatory in order to help Greece's current financial position.

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London

Eurofin International Ltd
Suite 217 Harbour Yard
Chelsea Harbour
London SW10 OXD
United Kingdom

Tel.: +44 207 751 5515
Fax.: +44 207 751 5516
eurofin@eurofingroup.com

Athens

Eurofin SA
11 Neofytou Douka
GR-106 74 Athens
Greece

Tel.: +30 210 36 23 334
Fax.: +30 210 36 40373
eurofin@eurofingroup.com

Singapore

Seafin PTE Ltd
8 Cross Street
PWC Building #28-00
Singapore 048424

Tel: +65 6850 7801
Fax: +65 6850 7801
seafin@seafin.com.sg



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greece@eurofingroup.com

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