Eurofin
Lateral Thinking

NEWSLETTER

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Business Opportunity Outlook

Greece

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

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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

- The average per capita annual income of Greeks dropped to €18,747 in 2011, showing a reduction of 5.9 % compared with the previous year, according to provisional data published by the Hellenic Statistical Authority (ELSTAT).
- Greece has taken measures worth almost €63 billion (31 % of the country's gross domestic product) since entering the bailout era back in 2010, through which it has achieved a fiscal adjustment of €27 billion, according to data of the Ministry of Finance.
- Negotiations between Greece and its foreign lenders regarding a possible lightening of Greece's debt load and its fiscal program for 2015 and 2016 will begin in the summer, according to European Economic and Monetary Affairs Commissioner Olli Rehn.
- According to the Prime Minister, Greece's stated objective this year is to return to the money markets and the European Stability Mechanism (ESM) is set to play a key role in that effort, despite European Commission officials and investment managers Pimco saying that they don't expect Greece to return to the markets before 2015.
- While Greek bond interest rates have dropped below 8 %, the tug of war between Athens and its creditors is raging over the country's return to the markets and the use of the excess funds set aside for the bank recapitalization, as the government is trying to avoid a third bailout agreement.
- Greek government bonds, the highest-yielding in the euro area, may now be safer than Portuguese securities, according to Insight Investment Management Ltd.
- Greece managed to cover the EU funds absorption target set for 2013 by 118 %, as the total amounted to €4.6 billion, compared with a target of €3.89 billion as set out in the country's bailout agreement. When the national contribution is added, the sum exceeds €5 billion.
- Labor Ministry data announced that the Greek labour market expanded by almost 20,000 salaried jobs in December. Minister Yiannis Vroutsis is expressing optimism that unemployment will start contracting within 2014.
- Greece sold € 1.625 billion ($2.22 billion) of six-month treasury bills in January to roll over a maturing issue. The T-bills were priced to yield 4.10 %, down from 4.15% in a December auction. The sale's bid-cover ratio was 2.07, down from 2.11 in the previous sale. The amount raised included €375 million in non-competitive bids.

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FINANCIAL MARKETS NEWS

- Nonperforming loans (NPLs) in Greece will rise to a staggering 40% by the end of 2014, according to Price Waterhouse Coopers experts who used the same parameters that BlackRock Solutions did during local banks' last stress tests.
- Bank deposits posted a notable increase of about €1 billion in December according to data collected by the country's major commercial banks, to reach €162 billion.
- Banks expect 2014 to bring sweeping changes to the corporate map of Greece, as the reduced cash flow and the exhaustion of the fat created in the growth years mean that lenders and enterprises will have to make radical decisions.
- The flow of funds into the Greek stock market from abroad has been constantly increasing since the fears of a Greek exit from the Eurozone subsided. In the last 16 months (August 2012 - December 2013), some €2.44 billion in foreign funds has been invested on the Greek bourse, meaning that foreign investors now control 49.6% of the local market.
- Greece's biggest lender National Bank (NBG) will axe about 20% of its workforce through a voluntary exit plan, becoming the latest lender to cut jobs as the sector restructures after years of crisis.

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BUSINESS NEWS

- According to estimates by senior bank officials, about 45% of the enterprises operating in the country today are plagued by such severe problems that have little hope of recovery. Another 30% of companies may be facing serious issues but it is believed that they will be able to finally stand on their own feet and emerge stronger from the crisis through combined interventions such increasing their own funds, along with mergers, loan reductions and other moves. The remaining 25% is the robust section of Greek business, consisting of companies with high productivity, an export-oriented character and rational management, which are the main hope for the country's corporate future.
- Traffic at Athens International Airport is showing clear signs of recovery, which bodes well at the start of 2014, a year when several foreign airlines are planning to return to the country's main airport.
- British Petroleum signed an agreement with the Greek state and Greek firm Energean Oil & Gas for the multinational to be the exclusive buyer of the oil output from the Prinos reserves in the northern Aegean for the next six years.
- British tourists are set for a dynamic return to Greece in 2014 as a report by the Association of British Travel Agents (ABTA) on the UK market shows, including Greece among the destinations that stand to benefit in the new season. Greece is also among the top destinations for British tourists for 2014 according to Britain's Expedia.
- The Coca-Cola Hellenic Bottling Company is moving ahead with investments totaling some €11 million in its domestic units, to restructure its production and adjust it to changes in the market resulting from the financial crisis.
- A number of Greek industrial firms are being forced to shift the production of orders from foreign markets to their units located outside Greece, as a result of these countries having considerably lower energy costs than at home. On the other hand, in the last few months, enterprises without production units abroad have been forced to a great extent to turn orders down as they cannot meet the energy and raw material costs involved.
- The government is planning measures that will meet Greek enterprises' longstanding demand for a reduction in industrial energy costs, particularly natural gas rates, according to announcements made by Development Minister Costis Hatzidakis.
- Dixons, the continent's No 2 electricals retailer, saw sales at its Greek business, Kotsovolos, rise 3% in the November 1 - January 4 period, driven by its wholesale business. However, sales at retail stores that have been open for more than a year fell 8%.
- Greek exports are teetering on the brink of ending 2013 with a decline compared with the previous year, as Hellenic Statistical Authority (ELSTAT) estimates for November point to a major 22.6% yearly slide when fuel is included and 7.9 % without it. That drop is considered particularly big even among the most pessimistic circles in the export industry as it constitutes the worst monthly performance in four years.
- Greece's industrial slump deepened and unemployment ticked up to a record high, as recent statistical data showed, highlighting the ravages of a six-year recession even as the debt-laden economy shows tentative signs of an economic recovery elsewhere.
- The Turnover Index in Industry fell 11.7% in November 2013 compared to a year earlier, according to data published by the Hellenic Statistical Authority (ELSTAT). ELSTAT also announced on Monday that the New Orders Index in Industry fell 8.9 % in November 2013 compared with a year earlier. The average New Orders Index in Industry for the 12-month period from December 2012 to November 2013 compared with the 12-month period from December 2011 to November 2012 decreased by 7%.
- According to provisional data published by the Hellenic Statistical Authority (ELSTAT), the total value of imports in November 2013 amounted to €3.67 billion against €4.33 billion in November 2012, recording a drop of 15.3%.
- The Greek housing market posted the second-worst performance among European Union countries in the third quarter of 2013, as according to Bank of Greece data, prices fell at an annual rate of 9.2 % following five years of decline.
- Funds from the United Arab Emirates and Qatar are seeking ways to get involved in funding

Greek small and medium-sized enterprises, as foreign interest in investing in Greece is growing on a number of fronts.

- Representatives of the Investment Corporation of Dubai (ICD) recently visited the heads of Greece's four systemic banks to discuss ways of investing in corporate loans adding up to €700 million. At the same time Qatar remains interested in investing €1 billion in the Hellenic Investment Fund, as evidenced by the fact that its government has sent a series of letters to Athens containing questions on technical matters.
- Low-budget Irish airline Ryanair announced on Tuesday that it will be adding nine new flights from two new bases that are to be opened in Athens and Thessaloniki as part of a $280 million investment in Greece.
- Tax evasion among Greek companies has dropped to a remarkably low 5.8 % according to 4,124 random checks performed by authorities in the period from January 6 to 19, with 1,845 in the domains of catering and entertainment, according to Finance Ministry data.
- Representatives of the Association of Hellenic Tourism Enterprises (SETE) estimated that foreign arrivals in 2014 will reach 18.5 million while tourism revenues will hit €13 billion.
- Foreign tourism arrivals in 2013 have beaten all records and expectations, as, according to SETE, the latest estimate for the whole of the year is a total of 17.7 million visitors to Greece. On the revenues front, SETE estimates that tourism has brought in €11.7 billion this year, one of the best results ever, while that number rises to €12.2 billion when takings from cruise passengers are also taken into account.
- Vodafone appears to have formed a common front with Arab company Forgendo to avert the acquisition of Greek telecommunication company Forthnet by rival Wind Hellas.
- Operating wind power capacity in Greece grew by 7.9 % in the second half of 2013, amounting to 1,864.6 megawatts (MW), according to market data released this week by the Hellenic Scientific Association of Wind Energy (ELETAEN). Five groups share about two-thirds of the installed power. They are EDF, TERNA Energy, Iberdrola Rokas, Enel Green Power and Ellaktor.

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TENDERS - PROCUREMENTS

- Argentine billionaire Eduardo Eurnekian's Corp. America holding company is bidding for all of Greece's airports as the group looks to expand in Southern Europe and take advantage of discount prices after the crisis.
- The government tabled a law amendment in Parliament on Wednesday that implements the restructuring plan for Hellenic Defense Systems (EAS), one of the actions Athens must fulfill prior to obtaining its next bailout installment. The amendment provides the terms for the abolition, merging or splitting of companies, and for the extraction of assets from them to be given to other companies.
- The deadline for the submission of binding offers for the major privatization project concerning the development of the Athens's former international airport at Elliniko is apparently to be postponed to the end of February.
- The Hellenic Financial Stability Fund confirmed in a statement that the timetable for Eurobank's share capital increase will have to be changed to factor in the results of the stress test conducted by BlackRock Solutions, thereby dismissing claims that this would be due to possible legal consequences should banks be privatized on market terms.
- After receiving regulatory approval, National Bank of Greece has now completed the sale of a 66% stake in its real estate investment subsidiary Pangaia to Invel Real Estate Partners for about €653 million, as Invel confirmed, adding that it has secured York Capital Management as its institutional partner in the investment.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Greek Shipping maintains its global leading position. According to the International Maritime Organisation (IMO), over 90% of the world's trade is carried by sea. As Greek interests control the world's largest fleet by dwt (approximately 15% of global dwt capacity) this effectively means that 13.5% of all goods transported globally are carried on Greek ships.

Greek shipowners' surge of investment continues (in a number of cases jointly with their US Private Equity partners) and recent findings by Tradewinds reported that during 2013 Greek owners bought **389 second-hand** ships (about 28 million dwt) with an estimated value of $6.8 Billion. This represents a 62% increase over the number of vessels bought in 2012. The second most active buyers during 2013 were Chinese but they fall far behind with 115 vessels. In addition to their second-hand acquisitions, it is estimated Greek owners placed orders for more than **275 newbuildings** with an estimated value of $13 Billion. The total figure of 664 vessels is translated to **1.85 vessels being acquired daily** by Greek interests during 2013.

As per (second-hand vessel) findings, Navios Group (Ms. Angeliki Frangou) was the most active Greek buyer (25 vessels), followed by Mr. Petros Pappas' Oceanbulk (17 second-hand acquisitions during 2013) who has joined forces with US private equity Oaktree. Prime Marine (S. Topouzoglou) which has set up separate joint ventures with US Private Equity funds Perella Weinberg and Castlelake acquired 8 vessels during the year, followed by Blue Wall Shipping (a shipping investment set up by the Gourdomichalis Brothers and a European private equity) which acquired 6 vessels.

$101 Billion; this is the estimated value of the Greek controlled fleet as at January 2014 according to the vessel valuation service VesselsValue.com (the total world fleet is estimated at $660 Billion). This underlines the importance and increasing modernity of the Greek fleet which ranks 1st well ahead of the 2nd placed Japanese-controlled fleet, worth $89bn; Chinese shipping (including Hong Kong controlled vessels), is estimated at $72bn whilst in fourth place is the German-owned fleet, worth $53bn. **43%** of the market value of the Greek-owned fleet lies in dry bulk carriers **33%** in tankers and **10%** in containers. Greek shipowners increased investments in the LNG Gas carrier shipping sector is evident by their total estimated **$11bn LNG fleet**, topping that of both Japan at $10bn and Qatar at $7bn. Greeks are now estimated to have a 16.5% share of the world LNG fleet by value, compared with 17.8% of world tanker fleet value and 17.4% of international dry bulk fleet value.

A major development in Greek shipping during January 2014 was Euronav's (Peter Livanos) announcement that it will be raising **$1.1 Billion towards the acquisition of 15 Very Large Crude Carriers (VLCCs)** from Maersk Tankers. Funding will combine a $500m bank debt facility, $235m in mezzanine finance and a $350m capital increase (reputable institutional investors such as BHR Capital LLC, Glendon Capital Management LP, GoldenTree Asset Management LP, Solus Alternative Asset Management LP and York Capital are participating in the issue).

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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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