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

- Greece's central government posted a primary budget surplus of 1.2 billion Euros between January and November, according to the country's deputy finance minister Christos Staikouras. The results exclude bond profits of 1.5 billion Euros realized from European Central banks, under the terms of its international bailout.
- Crisis-hit Greece has taken steps to fight corruption, according to the annual report of the graft watchdog Transparency International. Greece improved from number 94 to the 80th spot of the relevant list.
- Greece posted in November its highest deflation since monthly records began in 1960, as consumer prices fell 2.9 percent on an annual basis according to Hellenic Statistical Authority (ELSTAT) data.
- Greece will start borrowing on financial markets again in the second half of 2014, according to the country's deputy Finance Minister Christos Staikouras.
- Fitch Ratings affirmed Greece's long-term foreign and local currency issuer default ratings (IDR) at B-. The issue ratings on Greece's senior unsecured foreign and local currency bonds have also been rated at B-. The outlooks on the long-term IDRs are stable. The short-term foreign currency IDR has been rated at B and the country ceiling upgraded to B+ from B.
- Moody's upgraded Greece's credit rating two notches (from C to Caa3) and has maintained its stable outlook for the Greek economy, which means it does not consider a downgrade likely in the near future. However it does expect the recession to continue in 2014.
- Greece's gross domestic product (GDP) shrank 3.0 percent year-on-year in the third quarter of 2013, unchanged from a previous flash estimate published in November, according to the country's statistics service ELSTAT.
- For a second consecutive year, Greece is the champion of Europe in terms of reforms, according to a report by the Lisbon Council think tank presented in Brussels, in the presence of European Commission Vice President Olli Rehn.
- Greece's trade deficit is continuing to decline according to January-September data presented by Eurostat on Monday, as it fell to 14.5 billion Euros from 16.6 billion in the same period last year.

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FINANCIAL MARKETS NEWS

- Investors exercised about 2.4 percent of Alpha Bank's 1.23 billion outstanding warrants to buy shares in Greece's fourth-largest lender from bank rescue fund HFSF (Hellenic Financial Stability Fund), its major shareholder. These are investors who took part in the bank's recapitalisation in June and were given warrants as an incentive to take part in Alpha's share offering.
- The Bank of Greece decided to revoke the operating licenses of three cooperative banks and transfer their deposits to Alpha Bank, thereby strengthening further the capital base of the strongest systemic bank in the country.
- According to a plan that Eurobank's management and the current owner (the Hellenic Financial Stability Fund - HFSF) have examined, a strategic investor is foreseen participating in the lender's share capital increase with 750 million Euros. The rest of the funds for the 2-billion-Euro increase are seen coming from institutional and private investors from Greece and abroad.
- Moody's upgraded Greece's five biggest banks in the wake of the country's credit upgrading by two notches to Caa3 a week earlier. The international agency raised the credit rating of Piraeus, National and Alpha from Caa2 to Caa1, and their outlook from "negative" to "stable." The outlook has also improved for Eurobank and Attica Bank.h any capital need.

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BUSINESS NEWS

- Bank of Greece Governor Giorgos Provopoulos urged commercial lenders to proceed to the selective allocation of funding to healthy domains and enterprises so as to strengthen their competitiveness and support the country's new, export-oriented production model.
- The combined domestic air traffic secured by Aegean Airlines and Olympic Air last November was up 10 percent compared with November 2012, according to a parent company Aegean announcement.
- The Greek authorities are in a state of negotiations with Russian energy giant Gazprom, concerning both the price and quantities of natural gas sold to Greece's Public Gas Corporation (DEPA).
- Swiss travel retailer Dufry said it was buying the 49 percent stake in Hellenic Duty Free (HDF) it does not already own from Greek rival Folli Follie for 328 million Euros ($452 million), a vote of confidence in the austerity-hit economy. Dufry bought a controlling 51 percent stake in the Greek travel retailer in October 2012 for 200.5 million Euros, with an option to acquire the remaining 49 percent in 2016.
- Despite the fact that electronic commerce in Greece grew by about 25 percent on an annual basis in the first nine months of the year, the sector remains particularly small in the country, at just 3.2 billion Euros. The eCommerce survey, which has been conducted annually over the last five years, estimates that the turnover of the market could rise to 6 billion Euros under certain conditions.
- Greek exports posted a four-year low in October, confirming the forecasts of fatigue in the sector due to reduced cash flows and the slowdown in global trade. Hellenic Statistical Authority (ELSTAT) estimates showed that exports posted a considerable 12.2 percent annual decline.
- The distribution of hundreds of millions of Euros among the four consortiums that will restart works on major highways across the country have started as the European Commission approved the four agreements and the Infrastructures Ministry gave the green light for the disbursement of over 776 million Euros from national and European Union resources.
- House prices in Greece have plummeted 37.6 percent in real terms since the beginning of the financial crisis five years ago, according to a Bank of Greece's Monetary Policy report.
- Listed companies have seen their profits rise two and a half times this year compared with 2012, thanks to extensive cost-cutting and the increase in tourism arrivals. The good news from the 206 listed firms (85.8 percent of the total) that have issued their financial figures for the first nine months of 2013 is the 150.6 percent increase in net earnings compared to the same period last year. At the same time there is the 1.3 percent rise in obligations (72.41 billion Euros) and the 3.4 percent increase in their borrowing from banks, which has reached 42.56 billion Euros.

BUSINESS NEWS (continued)

- The business sector in Greece is showing clear indications of recovery, but the extent to which local enterprises are seriously trailing their Eurozone peers in terms of innovation is also apparent, according to a National Bank of Greece survey on the country's small and medium-sized enterprises (SMEs).
- The Trans-Adriatic pipeline (TAP) project to bring gas from the Caspian region via Turkey into Europe is gearing up to tender in 2014 ahead of its planned construction start a year later. TAP will cross Greece and Albania before reaching Italy and is to be built by a consortium led by BP, Norway's Statoil and Azerbaijan's SOCAR.
- Up to 270,000 workers in Greece are receiving monthly salaries of less than 500 Euros, according to Labor Ministry data. According to the same data, a total of 196,695 companies currently employ 1,371,450 workers on open-ended contracts. Ninety percent of the businesses employ up to 10 workers.
- For the first time in the last few years, Greece's youth (15-24 age range) unemployment rate posted a decline – of 4.8 percent – in the 12-month period to end-September, according to a work force survey by the Hellenic Statistical Authority (ELSTAT).
- Greece's new Zoning Plan for Tourism provides for an increase in the network of marinas, small ports and harbours in the Ionian Sea, the Eastern and Southeastern Aegean, and the Saronic, Argolikos and Pagasitikos gulfs, among others. Moreover, the consulting firm McKinsey delivered a report to the Association of Hellenic Tourism Enterprises (SETE) concerning the development of Greek tourism that includes yacht tourism among its priorities. It argues that locations for the creation of another 15 to 20 marinas have to be found around the country, in addition to the marinas planned by state privatization fund TAIPED.

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TENDERS - PROCUREMENTS

- The privatization of Greece's Independent Power Transmission Operator (ADMIE) will be completed in one single stage and will secure the state's participation at 34 percent, according to a draft law put forward for public consultation by the Development Ministry. The tender for the private investor to buy the controlling stake will be launched in January and ADMIE's transfer will be concluded in the second quarter of the year.
- The privatization of the Public Gas Corporation (DEPA) will be delayed, according to the sell-off fund TAIPED (Hellenic Republic Asset Development Fund) chief Constantinos Maniatopoulos, given that Russia's Gazprom is the only interested party.
- Greece's Hellenic Republic Asset Development Fund is courting U.S. hedge funds as it seeks to lure investment in everything from ports to islands to finance the country's bailout.
- Azeri state energy company Socar signed in Athens the agreement for the acquisition of a 66 percent stake in Greece's natural gas transmission network operator DESFA. The completion of the agreement is still pending the approval of national and European regulatory authorities.
- State sell-off fund TAIPED intends to electronically auction real estate properties worth between 4 and 5 billion Euros, and to securitize the future revenues from some 1,000 properties, expected for the second quarter of 2014. The fund is taking the e-auction option in order to utilize nearly half the value of the 3,000 properties that will come under its jurisdiction.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

In December 2013, according to Lloyds List Intelligence, Greek shipowners maintained a leading position in the international maritime industry controlling a fleet with a total Dwt capacity of 243 Million. Japanese, Chinese and German interests followed the ranking, controlling 240, 152 and 134 million Dwt respectively.

As an indication, the total Number (Units) of Vessels acquired by Greek Shipowners during 2013 is analysed below:

	No of Newbuildings	Invested Capital	No of Second-hand	Invested Capital
Dry Bulk	147	4.1bl	200	3.3 bl
Tankers	88	2.4bl	101	2.2 bl
Containers	44	1.9 bl	55	781 mil
LPG	28	821 mil	8	246ml
LNG	11	1.9 bl	0	N/A

Throughout 2013, in view of the challenging conditions and capacity issues in the traditional debt ship-financing sources (i.e. European Shipping Banks being under strain) Greek shipowners investigated and successfully tapped a number of alternative capital sources for their shipping projects:

- On the *Debt side*, a number of Greek shipowners have secured financing supported by guarantees provided by **Export Credit Agencies (ECA)** such as K-Sure, GIEK, KEXIM and other agencies. Other Greek Shipping companies with a solid corporate structure such as Navios, Gas Log and Eletson successfully tapped the **US High Yield Bond** market whilst other, (such as Ocean Rig), were even more innovative, tapping the **US Term Loan B** market. Last but not least Greek shipowners were successful in taping the **US Debt market** (PST Tankers, a JV between Oaktree and Pappas family securing an $83.7m credit facility from US Lender, CIT).

- On the *Public Equity side*, the US Capital Markets played an important role as Greek shipping companies that were already listed, successfully raised additional capital through repeated **follow-on offerings**. Furthermore, Dynagas successfully completed its **IPO** in the US in 2013. The **Norwegian over the Counter (OTC) market** also attracted interest for Greek shipping companies and Dorian LPG successfully raised capital from this market.

- On the *Private Equity side*, Greek shipowners witnessed the "invasion" of **Private Equity funds, primarily from the USA**. A number of these funds joined forces with shipowners to form JVs (such as Oceanbulk – Oaktree, Costamare – York Capital, Poseidon – Kelso), which have invested money in modern tonnage at attractive prices.

At the same time, in view of their strong liquidity position and ship-management expertise, Greek shipowners have played an important role throughout 2013 assisting international shipping banks with a number of their problem loans. As an example, during December 2013 Navios agreed to assist HSH Nordbank with a Non-Performing Loan (NPL) facility of an estimated $390 Million against 10 tanker vessels.

Finally, despite the overall dearth of debt ship-finance globally, pricing on bank lending has actually decreased in 2013 for the most prominent Greek shipping names. It would appear that the few remaining banks are going after the same top tier shipping clients, pushing the cost of borrowing down to 225 to 250 bps over Libor range.

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