



IN THIS ISSUE

- NATIONAL ECONOMY NEWS AND TRENDS
- FINANCIAL MARKETS NEWS
- BUSINESS NEWS
- TENDERS - PROCUREMENTS
- GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

## Business Opportunity Outlook

### Greece

*We are pleased to attach the tenth 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

- Economist Gikas Hardouvelis was named as Finance Minister in a recent cabinet reshuffle, signaling the government's intent to keep up a difficult reform drive demanded by foreign lenders funding the country.
- The revised rate of contraction of Greece's gross domestic product by 0.9% in the first quarter of the year may have generated more optimism that the government will be able to attain its target of returning to growth by year-end.
- Greece's current account deficit widened slightly in April from the same month last year, according to balance of payments figures released by the central bank.
- Greek consumer prices fell 2% in May, with the annual pace of deflation accelerating from a 1.3% fall in prices the previous month, according to data from the country's statistics service.

- Greece's creditors will not accept any changes to the core of the country's streamlining program, only limited peripheral fine-tuning, as is the case during every assessment of the program, according to a top Eurozone official in Brussels.
- Greece's Finance Ministry has insisted that the country is fully funded until the summer of 2015 in the wake of comments by German Finance Minister Wolfgang Schäuble that a new loan package of less than €10 billion would be needed.
- The Ministry of Finance revealed that during April the general government's outstanding debts increased to €5.296 billion, from €5.2 billion in March, of which €531 million are outstanding tax returns.
- The insurance fund debts increased to €3.03 billion in April from €2.925 billion in March. The debts of EOPY (National Organization for the Provision of Health Services) alone increased to €2.01 billion Euros from €1.88 billion in March. Hospital debts however decreased to €831 million from €885 million in March.
- Greece's central government posted a primary budget surplus of €711 million (\$968 million) in the first five months of the year, compared to a deficit of €970 million in the same period in 2013.
- Three different statistical sources confirm that the jobs market is firmly on the road to recovery, meaning that the estimates that started coming from the Labor Ministry last year regarding a halt to the growth of unemployment have been proved correct, despite reservations by the unions.
- Reforms in the market, taxation and competition could boost Greece's gross domestic product by about €25 billion within the next decade, a European Commission report has shown.
- Greece sold €1.625 billion (\$2.21 billion) of six-month treasury bills on Tuesday, the country's debt agency PDMA said. The T-bills were priced to yield 2.15%, down 55 basis points from 2.70% in the previous sale in May. The sale's bid-cover ratio was 2.70, up from 2.65 in the previous sale.

## FINANCIAL MARKETS NEWS

- A largely forgotten Greek financial derivative, the Greek gross domestic product warrants, issued in the context of the PSI+ bond swap program in early 2012 has risen by up to 475% since June 2012, becoming a leading measure of growing confidence in the local economy.
- The post-crisis picture shows that the domestic credit sector has undergone big changes, with almost 12,000 jobs gone and about 1,000 fewer bank branches, while 13 banks have disappeared from the banking map in what has been an unprecedented restructuring.
- The continuing improvement in Greece's economic climate saw bank deposits edge €275.2 million higher in April, according to figures of Bank of Greece, taking the account balance to €161.3 billion.
- Alpha Bank, Greece's fourth-biggest lender by assets, agreed to acquire Citibank's retail banking operations in Greece at a price of €2 million (\$2.72 million).
- The Alpha Bank warrants exercise has exceeded all expectations, as according to sources holders acquired an estimated 500m of the lender's shares from the Hellenic Financial Stability Fund (HFSF).
- Eurobank's €500-million four-year bond recently issued was more than twice oversubscribed as orders totaled €1.1 billion at an interest rate of 4.25%.
- Attica Bank has hired advisers to look for an investor to take part in a planned equity offering, as it becomes the fifth of the country's banks to tap international markets to plug a capital hole. Attica will issue new shares to raise about €320 million (\$436.85 million), more than twice its current market value, to cover a €397 million capital need revealed in a central bank stress test in March.

- Piraeus Bank appears to be moving ever closer to a decision to fully absorb Geniki Bank, as its administration considers this the best solution not only for the subsidiary but also for the group's financial figures.
- Piraeus Bank SA has made €1.58 billion (\$2.1 billion) of loans on environmentally friendly projects since 2007, boosting jobs and helping the lender's bottom line, bank officials said.
- European Central Bank (ECB) funding to Greek banks fell in May by €8.18 billion, while emergency liquidity assistance from the country's central bank decreased by €3.12 billion down to zero, according to Bank of Greece. ECB funding to Greek banks dropped to €50.66 billion from €58.84 billion in April, while emergency liquidity assistance from the Bank of Greece was totally repaid.
- Bank loans approved in April via the funding instruments introduced by the Development Ministry, amounted to €1.6 billion, posting a 10% increase from previous month. Despite this positive development, credit expansion remained negative last month at a rate of -3.7%, slowing from -4.1% in March.
- Liquidity in the Greek economy is showing a sign of recovery, as a slow rise has been noted in the issue of loans for the first time after five years of contraction. Bank data point to a small increase in the flow of credit, mostly to enterprises, which are hoping to increase output thanks to the trend toward economic stability.
- Fitch Ratings has upgraded the state-guaranteed long-term senior debt rating of National Bank of Greece (NBG, B-/Stable), Alpha Bank (Alpha, B-/Stable) and Eurobank Ergasias (Eurobank, B-/Stable) to 'B' from 'B-'.

## BUSINESS NEWS

- Greece rolled out the red carpet for Chinese Premier Li Keqiang. Li's two-day official visit to Athens marks Beijing's renewed interest in Greece's investment prospects.
- For the first time since September 2012 the number of shops going out of business in Athens's main commercial district showed a decline in March this year, according to revised data presented by the National Confederation of Greek Commerce (ESEE).
- Food retail in Greece is starting to show the first signs of recovery this year, as turnover data for the sector's chains indicate that the slowdown in the decline of sales volume, which started last fall, continued into the first quarter of 2014.
- Greek industrial output fell 2.2% year-on-year in April, from a downwardly revised contraction of 2.7% in the previous month, according to the Hellenic statistics service.
- The government is putting pressure on banks to increase funding to enterprises in a bid to see the improvement of financial conditions reflected in the real economy.
- Dias Aquaculture announced its decision to apply for entry into the conciliation procedure under Chapter 99 of the Bankruptcy Law and the submission of an application asking for a creditor protection interim order in favor of the company and its subsidiaries.
- The Athens Water Supply & Sewage Company (EYDAP) reported first-quarter profit fell 79% as a one-time tax gain at the largest Greek water supplier wasn't repeated while net income also declined at the Thessaloniki Water & Sewage Co.
- The signing of a memorandum of cooperation between Greece's Merchant Marine Minister Miltiadis Varvitsiotis and South Korean Minister for Trade, Industry and Energy Yoon Sang-jick marks the first step toward Greek marine equipment companies launching exports to Korean shipyards.

- The improvement in the Greek economy is highlighted by the revival of mergers and acquisitions (M&A) in the local business sector: According to PricewaterhouseCoopers (PwC), there were 15 M&A transactions in Greece last year, with a total value of €3.3 billion.

## **Real Estate**

- The government has decided to sell off prime coastal real estate assets via the Hellenic Republic Asset Development Fund (TAIPED), rather than transfer the assets to the Attic Coastal Front company that was set up explicitly for that purpose. Amongst the assets which were transferred to TAIPED to be privatized are a 176-acre plot of land that extends from the Sport Center at Agios Kosmas until "Asteria" in Glyfada, a 20-acre plot in Glyfada and the 383-acre Aspro Lithari in Sounio.
- Local construction firms are considering an investment switch to luxury homes to respond to the growing demand by non-European Union citizens for this category of properties that come with a residence permit.
- House prices in Greece will drop an additional 15% in the medium term, according to Fitch estimation, taking the total decline since the peak of 2008 to 45%, according to the international ratings firm.
- The category of high-standard commercial properties will be the first to post a rebound in the local real estate market, according to a recent Bank of Greece report. In terms of demand, the greatest interest is to be found in tourism/hotel properties, office space and high-standard stores.

## **Tourism**

- As the tourism season heats up, it is becoming increasingly clear that 2014 will be a record year for Greece both in terms of arrivals from abroad and tourist revenues. According to the Association of Hellenic Tourism Enterprises (SETE), average spending per trip will exceed €700 this year, compared with €660 in 2013 (not including cruise visitors), while the number of arrivals from abroad will reach 19 million and climb to 21.2 million when cruise visitors are added. SETE expects tourism revenues to grow to €13.5 billion this year from €12.2 billion in 2013.
- Greece is among the main emerging destinations for Chinese tourists, the latest report by Union Pay International has found, including this country among those with an annual growth rate of about 200 % in arrivals from the Asian nation in the last three years.
- Greece is the third most popular destination in Europe among cruise passengers, according to the annual survey by the Cruise Lines International Association (CLIA) for 2013. Greek ports received 4.6 million cruise visitors last year, with the most popular being Santorini, Corfu and Mykonos, which also bagged all three top spots as the most attractive cruise passenger destinations.
- As the peak of the tourism season approaches, charter flights to Greek destinations are on the rise, even from countries like Moldova that until recently had no direct connections.
- Editors of travel guide Lonely Planet are predicting that Greece will be the top travel destination in Europe this year, as the country shows strong signs of bouncing back from a turbulent few years marked by political instability and anti-austerity protests.
- Expectations that tourist arrivals from abroad will soar this year are supported by the first statistics for May concerning two of Greece's main regional airports. Rhodes Airport enjoyed an 11.4% increase in visitors from abroad compared to last May, reaching 237,873, partly thanks to the 33 % jump in arrivals from Germany. Corfu witnessed an 11.3% rise in foreign arrivals, to 121,306, boosted by growth from the British and German markets.
- TUI and the Robinson Club are making plans for new investments in their hotels in Greece and are interested in making the most of new destinations within the country, revealed TUI's director after a meeting of the German-Hellenic Chamber of Commerce and Industry in Athens.

## Energy

- Energean Oil & Gas, the operator of the Prinos-Kavala oilfields, announced an agreement to participate with a 25% stake in exploration and exploitation licenses in the regions Sara and Myra in deep waters in Israel.
- The Ministerial Committee for Strategic Investments gave the green light for 12 energy projects with a total budget of €11.5 billion to be licensed through the fast-track process. The projects include the Trans Adriatic Pipeline (TAP) and the ITGI pipeline network to transmit natural gas across northern Greece toward Italy; the interconnection of the grids of Israel, Cyprus and Greece; the Interconnection Greece-Bulgaria project to link the two countries' gas transmission networks; and a pipeline to carry natural gas from a Cypriot offshore area to the Greek mainland via Crete.
- Major firms, including Qatar Petroleum and Gazprom, appear to be interested in creating the infrastructure to supply liquefied natural gas to ships in Piraeus.
- Greece will invite major oil companies next month to conduct offshore test drillings, launching the debt-laden country's most ambitious attempt so far to develop its untapped hydrocarbon potential.
- Greece's dominant electricity producer PPC reported a higher-than-expected 65% profit rise for the first quarter, helped by lower prices for natural gas supplied by Russia's Gazprom.
- The TERNA group signed a Memorandum of Understanding with Sinohydro Corporation and Industrial & Commercial Bank of China, covering a partnership between the three companies on investments in renewables. The first project under consideration is the "Amari Hybrid Scheme", a power project in Crete that combines hydro operation and electrical energy production.

## Investments

- Allianz SE, Europe's largest insurer, and Munich Re's primary insurance unit Ergo Versicherungsgruppe AG are in talks to buy Agrotiki Insurance from Greece's Piraeus Bank SA, according to people familiar with the matter.
- Chinese, French, German and Spanish firms are vying to build an €800-million airport on the island of Crete, one of a number of projects planned by Greece as it recovers from a recession.
- The world's largest investors, Fidelity, are putting their trust in Greece's government bond market as record-low yields across Europe compel them to invest in the country that sparked the region's sovereign debt crisis.
- Several of the major international firms that have chosen Piraeus to be their products' gateway to Europe are apparently close to moving along to the second step, which is the creation and operation of assembly lines in Greece, while foreign groups with activities in the forwarding and logistics sectors are preparing to take their own positions, and exporters from third countries are mulling the option of bringing their distribution centers to Greece.
- The first disbursements of funds to small and medium-sized companies by the Institution for Growth in Greece will take place around September, according to the Development Minister. The Greek fund is being developed in association with Germany's state-owned KfW development bank, with each side contributing €100 million. The European Investment Bank has pledged €50 million, while the Onassis Foundation has also pledged €30 million to the fund.
- The performance of the Greek residential mortgage-backed securities (RMBS) market was stable during the three months ended April 2014, according to the latest indices published by Moody's Investors Service.
- The European Investment Bank (EIB) said recently that it would be providing another €200 million for Greek small- and medium-sized enterprises (SMEs) through local banks.



## **Technology- Communication**

- Illegal gambling activities in Greece probably make more money than the country's legal market, the president of the sector's watchdog, Evgenios Giannakopoulos, has admitted.
- The government announced that it plans to start handing out vouchers to people on low incomes to purchase computers and pay for Internet connections.
- Corporations IBM and Dow Chemical announced a significant deal which is set to upgrade interest in Greece. The two multinational giants have agreed that Dow Chemical will also utilize IBM's service center in Athens as a base from which to offer electronic support concerning its global activities.
- Local mobile networks Vodafone and Wind Hellas have forged a common front against Emirates International Telecommunications (EIT), the biggest shareholder at Greece's main alternative fixed-line service operator Forthnet. Instead of battling each other for control of the operator, they are now joining forces to get full control of the company, which also owns pay TV platform Nova.

## **TENDERS - PROCUREMENTS**

- The tender for the sale of the Independent Power Transmission Operator (ADMIE) is under way, while there are five suitors for ADMIE, and the shortlist for the next stage of binding offer submissions is about to be drafted. Interest has come from the China State Grid Corporation, Belgium's network administrator Elia, Italian operator Terna, Canadian fund PSP Investments and the Indian Power Company, the tender's outsider.
- The first suitors for Hellenic Post (ELTA) have already started to appear, even though the privatization process has been postponed due to delays. Sources say that CVC Capital Partners, which mostly manages capital from the US is interested in a controlling stake in ELTA, having already bought into the postal companies of Denmark and Belgium. In fact the Belgian postal company (De Post/La Poste) has also expressed an interest in ELTA.
- Eight candidates have stepped forward in response to the tender called by the state Hellenic Republic Asset Development Fund (TAIPED) for the 67% stake in the Thessaloniki Port Authority: APM Terminals, which is headquartered in The Hague, Munich-based Deutsche Invest Equity Partners GmbH, Swiss company Duferco Participation Holdings, International Container Terminal Services from the Philippines, Japanese giant Mitsui & Co, Dubai Port subsidiary P&O Steam Navigation Company, Russian Railways in association with local firm GEK Terna and Turkey's Yilport.
- Hellenic Republic Asset Development Fund is moving ahead with its plans for the utilization of three major state properties, the Olympic facilities at Galatsi and Markopoulo and the Sambariza property at Ermioni, all in Attica via concession contracts with a length of 40 years. Interested buyers can bid for one or both and the submission date for offers is set for 22<sup>nd</sup> September. The preferred bidder will be chosen based on the highest price at present values.
- Russian Railways chief Vladimir Yakunin explained that the Russian state company is not only interested in Greek service operator Trainose, but also in the country's rail infrastructure.
- A draft bill aimed at paving the way for the break-up and partial privatization of Greece's national electricity producer, Public Power Corporation (PPC), foresees the splitting of production capacity and clientele from PPC to form a smaller rival company that will be sold to a private investor.
- Agreements for privatization projects in the first quarter of the year amounted to €4.9 billion according to a recent report issued by the Hellenic Republic Asset Development Fund (TAIPED) following the sealing of the deal for the development of Elliniko.
- Greece canceled the transfer of a government stake in Athens Water Supply & Sewage Co (EYDAP) to the Hellenic Republic Asset Development Fund as the move was ruled unconstitutional.

## GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

During June, the Chinese Premier Li Keqiang visited Athens for 3 days to explore ways of strategic partnerships between the two countries. During his visit, Chinese and Greek delegations signed bilateral cooperation agreements in areas including energy and shipping worth about US\$ 4.6 Billion (an estimated \$2.6 Billion involved shipping deals).

Among the new Greek – Chinese ship financing agreements, the largest in monetary terms appears to be a \$1.5bn strategic co-operation and framework deal signed between China Development Bank and Greek container player, Costamare (NYSE: *CMRE*). Diana Shipping (NYSE: *DSX*) is close to signing a memorandum of understanding with ICBC Financial Leasing Company for \$200m. Thenamaris is signing a US\$300m financing framework agreement with the Export-Import Bank of China, while Oceanbulk Shipping's Petros Pappas is signing up with the Export-Import Bank of China for just over US\$57m in export credit for two capesize bulkers.

In the capital markets, Star Bulk Carriers Corp. (NASDAQ:SBLK) headed by Petros Pappas increased in size by combining its fleet with that of Oceanbulk to reach nearly 70 vessels, with the prospect of acquiring many more. The transaction creates the largest, diversified, ultra-modern U.S. listed dry bulk company with a fully delivered fleet of 69 vessels approximating 8.7 million dwt tones. Upon completion of the transaction, Oaktree will own 61.3% of Star Bulk's shares of common stock and the Pappas Investors will own 12.5% of Star Bulk's common stock.

Greek shipowners continue to be active in the gas sector and during June GasLog Ltd. announced that it has ordered two further new 174,000 cubic meter LNG carriers from Hyundai Heavy Industries in South Korea to be delivered in the second half of 2017.

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