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Business Opportunity Outlook

Greece

We are pleased to attach the ninth 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

- The Center of Planning and Economic Research (KEPE) expects Greece's economy to revert to expansion in the current quarter and that growth will amount to 0.5 % at the end of the year.
- Greece's debt needs to be lightened further if the country is to return to fiscal stability, according to a report by the Organization for Economic Cooperation and Development (OECD), which forecasts a 0.3 % economic contraction for this year against the 0.6 % increase in gross domestic product that Greek and European authorities are expecting.
- Greece sold €1.3 billion (US\$1.8 billion) of six-month treasury bills to roll over a maturing issue at the lowest funding cost since January 2010 when the country's debt crisis began.
- The general government primary budget surplus in the first quarter of the year amounted to €2.5 billion, according to data released by the Finance Ministry. That is three times the size of the primary surplus a year earlier, which had come to €770 million.
- Over €4 billion in revenues has been credited to the state budget since 2008 stemming from the support the state has been providing to Greek banks since the start of the recession. These revenues derive from dividends, commissions and payments to the state by domestic lenders in return for assistance.

- Greece's government denied it had instituted a retroactive tax on foreign holders of Greek bonds saying that capital gains booked from early 2012 to the end of last year were subject to the tax regime covering that period. Greek 10-year bond yields rose to near two-month highs, with traders citing a document detailing a retroactive tax on non-resident holders of Greek bonds.
- Greece's current account deficit posted a 96 % annual decline in March, according to data released by the Bank of Greece. The deficit shrank to just €44.4 million, compared with €1.2 billion in March 2013 and €2.1 billion in the same month in 2012.
- New debts to the Greek state are constantly mounting while the repayment of old ones has slowed down considerably. A Ministry of Finance document shows that only 9.3% of past debts were collected in the first months of 2014, against 12.3% last year, while new expired debts are being created faster than the old ones are being repaid, fed by a 63% jump in fines for administrative violations compared with 2013.
- The government is anticipating a fiscal gap of €1.9 billion in the 2015-2016 period, according to the revised midterm fiscal plan it submitted to Parliament, while expecting auxiliary social security funds to require some €580 million from 2014 to 2017 to cover their needs.
- The jobless rate in Greece is continuing to inch lower as in February it declined for the fifth month in succession on a yearly basis, dropping to 26.5 % from 26.7 % in the same month of 2013, according to Hellenic Statistical Authority (ELSTAT) data.

FINANCIAL MARKETS NEWS

- Nonperforming loans to enterprises and households in Greece peaked in the first quarter of the year, exceeding €71 billion. This amounted to a third of the banks' loan portfolios, which at the end of March added up to €215.9 billion, according to bank data.
- Bank of America Corporation's Merrill Lynch unit said in a report that the recent decline in share prices at the Greek bourse offers value as Greek banking recovers and that there is no prospect for an early general election before March 2015.
- The Cypriot banking group Bank of Cyprus has sold loans extended to Serbian real estate company Robne Kuce Beograd to Piraeus Bank of Greece. The bank, which sold its Greek operations to Piraeus in March 2013, said the sale consideration amounted to approximately €165 million (\$225 million).
- The 4 systemic Greek banks have strengthened their balance sheets by proceeding sizable share capital increases to meet the capital shortfalls identified in stress tests of Bank of Greece & BlackRock.
- According to bank officials, this year will be the year of stabilization for banks. National Bank and Alpha are expected to show a positive balance, while Piraeus will have a marginal net result. Eurobank will be the only systemic lender to post losses. In 2015 all banks will show significant profits, at a growing rate, while from 2016 onward earnings are expected to reach high levels.
- Depending on gross domestic product forecasts, banks estimate that either during the last quarter of 2014 or the first of 2015 will see the level of NPLs begin to decline.
- In the area of credit expansion, on an annual basis, 2014 will see a 3 % contraction in the issue of credit, as the first half of the year will be negative, the third quarter will show stability and the October-December period will witness a small increase in the loans balance.
- After the Greek government, country's corporations are also finding their way to the international money markets, illustrating the gradual restoration of confidence and of favorable liquidity conditions. National Bank took its turn following the share capital increases of Piraeus, Alpha and Eurobank, Public Power Corporation drew €700 million from two bond issues and Intralot sold 7 year bonds at a reduced rate.
- Piraeus Bank and Marfin Investment Group announced a €250-million strategic cooperation agreement that will considerably lighten the financial burden on MIG, allowing it to move ahead with its business planning with greater flexibility and efficiency. It will also make Piraeus Bank, MIG's biggest stakeholder with a 17.7 % holding.

BUSINESS NEWS

- Coca-Cola Hellenic Bottling Company, the world's No 2 bottler of Coca-Cola Co drinks, posted a bigger-than-expected quarterly loss, hurt by currency losses mainly in its Ukrainian operations. The bottler reported a net loss of €35.8 million in the first three months of the year, excluding restructuring and other one-off items, versus analysts' average forecast of a €17-million loss in a Reuters' poll.
- The consumer confidence index posted a spectacular recovery in Greece in the first quarter of the year, according to a survey conducted by Nielsen in 60 countries. Compared with the last quarter of 2013, the index has risen by as many as eight points to reach 53, which is the highest reading of the last four years.
- The Greek Prime Minister is calling on manufacturers of traditional foods and beverages, from fish-roe producers to honey makers, to play a bigger role in transforming the country into an export economy. Greece, which saw exports fall 0.2 % to €27.3 billion (\$37.5 billion) in 2013, needs food and beverage companies to catch up with export-oriented industries like fuels and do more to help pull the country out of a six-year recession.
- The local steel industry has reached the point of no return according to market experts, as the companies' course toward closure cannot be reversed despite their efforts to stay alive. Government measures appear to be too little, too late and employees are expecting the worst possible scenario.
- Greek factory activity expanded in April thanks to the first rise in employment in six years and faster increases in output and new orders, a Markit survey showed recently. Manufacturing activity has veered between contraction and growth since it logged its first month of expansion since mid-2009 in January.
- The local insurance market is bracing for a challenging summer as the Bank of Greece has decided to force all of the sector's companies to take part in stress tests to be conducted by the European Insurance and Occupational Pensions Authority (EIOPA) this fall.
- Restructuring the Greek business sector will require some €25 billion for the viable enterprises to stand out from the unsustainable ones, PricewaterhouseCoopers (PwC) estimates in a report presented in Athens.
- Greek retail sales by volume rose 0.6 % in February compared to the same month last year, according to statistics service ELSTAT.

Energy

- The Hellenic Petroleum (ELPE) Aspropyrgos Refinery is set to receive natural gas supplies following a deal signed between its operator, Hellenic Petroleum, and the Hellenic Gas Transmission System Operator SA.
- ELPE announced the successful completion of its two-year US dollar bond issue amounting to \$400 million with a fixed rate of 4.6%. Demand exceeded \$1.4billion, while 50% of the book offers came from institutional investors.
- High- and medium-voltage power consumers in Greece will soon be able to enjoy lower electricity rates resulting from the obligatory auction of some 20 to 30 % of the Public Power Corporation's (PPC) thermal and hydroelectric output to independent suppliers.
- Public Power Corporation (PPC) has decided to launch a subsidiary in Turkey as it turns to cross-border energy trade in a bid to offset the loss of market share in Greece now that the local industry is entering the stage of full liberalization.
- Greece approved a request by Italian energy major Enel to search for oil and natural gas in three onshore areas in the west of the country. Other oil firms will now be invited to submit rival exploration offers for the same three blocks later this year, in line with Greece's "open-door" hydrocarbons licensing rules. The 90-day deadline to do so is expected to begin in July, the Energy Ministry said in a statement.
- Consortiums signed the formal agreements with the Greek state for hydrocarbons surveying and utilization in three regions of the country, laying the groundwork for the creation of a new and promising market that will benefit the local economy. The first drillings in the surveying will start off the coast of Katakolo in the western Peloponnese within two years, with retrievable reserves estimated at 5 million barrels. Within three years there will be up to three drillings near Ioannina in the country's northwest area and in the Patraikos Gulf, western Greece, with total retrievable reserves at 300 million barrels.

Real Estate

- The city center of Athens is set to see developments in its hotel market thanks to the major increase expected in tourism, already evident this year too, as Omonia and Syntagma are in line for the opening of landmark units that could change the face of the capital's two main squares.
- Building activity fell by 20.7 % in February, compared to a year earlier, as measured by the number of permits issued, according to the Hellenic Statistical Authority.
- Foreign buyers invested €285 million in Greek properties in the 2012-2013 period, confirming the view expressed recently by a number of analysts that the housing market recovery will start in the holiday home sector. For now, the majority of buyers comes from Northern Europe, and especially from France, the UK, Germany and Scandinavia, but there is also increasing buying interest from Russians and Chinese.
- Following the reduction in the transfer tax to 3 % since the start of the year, Greece has shown a considerable improvement in the European chart of countries based on total property transaction charges. According to data analyzed by Global Property Guide, Greece now ranks 20th among 40 countries according to the costs associated with buying a used home, while last year it was the ninth most expensive country in Europe.
- Rental rates for offices in Athens posted a fresh year-on-year decline of 14.5 % in the first quarter of 2014, according to a survey conducted by certified surveyors Geoaxis.

Tourism

- Air seats to Greece have increased by 10 % this year as not only low-fare airlines are choosing the country as a destination despite Athens International Airport's high costs, but established carriers are now returning to the country's airspace in response.
- The Association of Greek Tourism Enterprises (SETE) said that it is confident Greece will meet its target of attracting 18.5 million visitors, generating €13 billion in revenues, this year. SETE made the statement based on airport arrival figures for the first quarter of the year. Arrivals at Athens International Airport were up 36.1 % on last year. The tourism organization sees this as confirmation of its forecast that around 700,000 more tourists will visit Greece this year than in 2013.
- British Airways will operate direct flights from London's Heathrow Airport to the Greek islands of Myconos and Santorini for the high season starting on May 3. The airliner has also added a Thessaloniki-London Gatwick Airport service four times a week.
- The number of visitors to take on the trek through Crete's famed Samaria Gorge skyrocketed by over 100 % in April compared to the same period last year.
- The latest report by GBR Consulting on Greek tourism and hotels reveals that two major global players in the hotel industry, Banyan Tree and Fairmont, are getting ready to enter the Corfu market.
- The Greek ministers for tourism, development and the environment approved the creation of a tourism accommodation complex on the island of Milos with a capacity for 216 beds by Axsite SA. It will include a five-star hotel, fully furnished tourism accommodation and a spa center.
- The number of direct flights between Athens & New York is on the rise, with Delta Airlines to have started its daily summer service linking the Greek capital with New York's JFK. Meanwhile the Greek Tourism Ministry has announced that the first direct flights between Athens & Shanghai will take off on June'15.

Investments

- Local companies, investors and traders are bracing for the start of operation of the new corporate bond market in the alternative market of the Athens Stock Exchange. Over 15 firms have expressed an interest in participating in the new market.
- The first €200 million in funding from the Institution for Growth in Greece (IfG) will start flowing to small and medium-sized enterprises in September, offering loans with lower interest rates through the country's banks, according to a government recent announcement.

- Fairfax Financial Holdings founder and chief executive Prem Watsa has expressed optimism regarding the course of the Greek economy, while he said that he was impressed by government's efforts to improve conditions in the country. As for future investment plans, he said that Fairfax will continue to look for good investment opportunities, underscoring that Greece's future is bright as long as political stability is maintained so as to continue the implementation of reforms, and pointed to the recent sovereign bond issue as a sign of investors' satisfaction with recent Greek reforms.
- Fitch Ratings upgraded Greece one notch from B- to B, with a stable outlook, stressing that the fiscal streamlining, as confirmed by its primary surplus in 2013 – which is set to grow bigger this year – will allow the country to enjoy more funding flexibility.
- Japanese ratings agency R&I has upgraded Greece to B- from CC, while retaining a stable outlook.
- Greece's fourth-largest lender, Alpha Bank, said in a statement Paulson & Co Inc had disclosed a 5.4 % stake in the bank, without giving further details.
- Greece's biggest water utility, Athens Water (EYDAP), separately said in a bourse filing that Paulson's fund held a 10 % stake, worth €99 million.
- Saudi Prince Al-Waleed bin Talal bin Abdulaziz al Saud, the owner and chief executive of Kingdom Holding Company (KHC), expressed the Four Seasons luxury hotel chain's strong interest in the Astir Palace Resort in southern Athens during a meeting at Greek Prime Minister Antonis Samaras's office. Saudi Arabia has expressed an interest in participation in other hotel chains across Greece through KHC. It is also eyeing the privatization of enterprises such as Public Power Corporation, ports and railways via the holdings KHC has in consortiums with other investors.
- The foreign ministers of the United Arab Emirates and Greece, Sheikh Abdullah bin Zayed Al Nahyan, and, Evangelos Venizelos, signed a memorandum of cooperation between the two states for the mutual promotion and protection of investments, seen as a message of trust from the UAE to Greece.
- A strategy being drafted by the Development Ministry to promote innovative entrepreneurship includes joint investments by the New Economy Development Fund (TANEO) with business holdings funds, as well as tax incentives to attract foreign investments to newborn enterprises. For investments in venture capitals, the ministry is planning to use €500 million from European Commission subsidies, while some €1.17 billion will be required for the general target of boosting innovation in the next seven years, i.e. the next EU funding period.

Technology- Communication

- In the wake of accusations by numerous Internet betting sites that the Greek state favors the OPAP gaming company, the Mont Parnes Casino near Athens has filed a complaint with the European Commission against the government for allowing smoking by punters at OPAP betting shops with video lottery terminals (VLTs). The letter argues that «the lifting of the smoking ban at the VLT gaming venues constitutes a clear advantage for OPAP as the exclusive owner of a VLT operating license.»
- OPAP subsidiary Ellinika Lachia SA announced the instant lottery's return to the Greek market under the name "Scratch." The new scratch cards, which were launched at the start of May, appear to constitute a priority for OPAP's Czech management and the flagship of Ellinika Lachia regarding sales strategy.
- The Greek government and members of the country's Information and Communication Technologies (ICT) industry signed a memorandum of understanding to help young people and potential entrepreneurs. The nine Greek Coalition partners commit to developing an Action Plan within the next nine months and include more partners in the near future (ICT businesses, universities, SMEs associations, public and private employment agencies). Greece is the sixth EU country to formally launch such a national coalition.
- Fitch Ratings on Wednesday assigned Intralot's recently issued €250ml 7-year bond a final BB-/RR3 rating. Athens-listed Intralot generates only 5 % of its revenues and less than 10 % of its EBITDA in Greece.

TENDERS - PROCUREMENTS

- Greek power grid operator ADMIE attracted five expressions of interest as the government seeks to sell a controlling stake. According to sources with knowledge of the matter, the possible suitors include Chinese grid operator China State Grid Corp (SGCC), Italy's Terna, Belgium's Elia, a Canadian investment fund and a company from India. Athens is selling 66 % of ADMIE, which runs about 11,000 kilometers of high-voltage power lines across the country.
- The privatization of horse-racing organization ODIE has hit a lease rate hurdle for the course at Markopoulo in eastern Attica. The company advising state privatization fund TAIPED appears to have proposed a lease rate that is prohibitive for interested investors: Planet had proposed a €500,000 monthly rental rate for the course which the racing-betting permit holder must pay according to the new contract for the concession of licenses.
- The medium-term fiscal plan submitted by the government to Parliament this week provides for revenues from privatizations to reach €1.5 billion within 2014. This will include the completion of sell-off projects such as the marinas of Chios, Pylos and Alimos, regional airports, the natural gas transmission network operator (DESFA), the Thessaloniki Water Company (EYATH), railway companies Trainose and Rosco, and horse-racing organizer ODIE.
- Socar is closely monitoring the implementation of the investment program of Greece's natural gas transmission network operator (DESFA) that the Azeri state energy company will soon control after agreeing to buy a 66 % stake in it. DESFA announced that the construction of a third tank on Revythousa will increase its liquefied natural gas (LNG) storage capacity by 73 %, from 130,000 to 225,000 cubic meters, allowing for more users to import and store gas quantities. It will also increase the temporary storage time for LNG beyond the current 18 days.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

The first four months of the year ended with an increase in newbuilding orders. Even though Greek shipowners have historically shown a preference for second-hand vessels, since the beginning of 2014 they have placed an estimated 148 newbuilding orders, representing capital commitments in excess of US\$ 5.5 Billion.

This represents a 164% increase in terms of orders compared to the same period in 2013 (56 newbuildings). This trend is mainly due to the freight market performance and general low values of newbuildings that give confidence to shipowners and other investors that the timing to invest is the right and that within the next years both the freight markets and values will pick up again. Having said that, freight markets have generally taken a dive in the last few months while newbuilding contracts are being entered at prices significantly higher than last year.

Greek shipowners continue to be very active in the Gas sector; during May, GasLog (P. Livanos) has returned to Samsung HI with an order for two plus two options 174,000cumtr gas carriers with delivery in August 2017. Moreover, Stealth Maritime (P. Vafias) during May has ordered two 22.000cm LPGs at Hyundai Mipco for US\$51 million each, with delivery at 2017.

In the financing market, there is still a shortage available for ship-finance. Existing banks are selling part of their portfolios to interested parties. At the same time private equity funds and other institutions are still interested in exploring investment possibilities in shipping. 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.

As an example, Royal Bank of Scotland (which is the biggest lender in Greek shipping market) announced a further reduction in its shipping portfolio; it shall be noted that at the end of 2013 they cut another US\$506m out of their portfolio.

It is worth mentioning that during May, the IPO of Dorian LPG Ltd. (NYSE: LPG) - (J. Hadjipateras) opened for trading at \$19.00 per share in NYSE. The Company intends to use all of the net proceeds from the offering to partly finance the construction of 19 Very Large Gas Carriers (VLGCs) being built in two Korean shipyards.

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