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Business Opportunity Outlook

Greece

We are pleased to attach the eighth 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

- Greece's Finance Ministry announced that its first return to the markets in 4 years registered strong demand, with the country raising €3 billion through 5-year bonds at a coupon rate of 4.75% with nearly 90% of the sale being to international investors.
- The yields of the 13-week treasury bills Greece auctioned off returned to levels not seen since before the country asked for a bailout in 2010, declining to 2.45% from 3.10% in March in a sure sign that the successful five-year bond issue has set T-bill rates on a new basis.
- Greece's current account deficit widened slightly in February from the same month last year, according to balance of payments figures released by the Central Bank. The deficit stood at €709 million (\$978.88 million) from €684 million in February 2013.
- Tax reductions for individuals and corporations, a further decrease in social security contributions, the promotion of labour market flexibility, support of enterprise incubators and accelerating and improving the application of justice are among the measures included in Greece's national growth model whose draft was presented at the recent Euro Working Group meeting.
- In the primary sector, emphasis will be placed on increasing manufactured agricultural products and their promotion in international markets, while in the energy industry the priority is improving the energy mix, along with the management of mineral wealth, the sustainable utilization of renewable energy sources, better waste management and energy saving.
- Greece's Central Government posted a primary budget surplus, before interest payments, of €1.6 billion (\$2.22 billion) in the first quarter, increasing the margin from the same period last year by more than three times, according to Deputy Finance Minister Christos Staikouras.
- The signs of an economic rebound are becoming increasingly tangible among the general population, as the Hellenic Statistical Authority announced on Thursday that the jobless figure has finally started to decline while retail prices fell in March for the 13th consecutive month. The number of unemployed people in Greece fell by 17,446 in January from December 2013, with the jobless rate coming down to 26.7% compared with 27.2% in the last month of 2013. However, the rate still posted a small rise on an annual basis, as in January 2013 the unemployed accounted for 26.5 % of the work force. Notably, the jobless rate among people aged up to 24 declined to 56.8% in January from 60.4% a year earlier.
- The economic mood in Greece has returned to pre-recession levels as the Sentiment Index of the Foundation for Economic and Industrial Research (IOBE) rose from 94.8 points in February 2014 to 97.5 points last month, the highest since summer 2008. The survey also recorded a rebound in business expectations in industry and construction, a decline in retail commerce and relative stability in services.

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FINANCIAL MARKETS NEWS

- In the context of implementing its business plan, Greece's fourth-largest lender Alpha Bank said that it is looking into business proposals, including the possible acquisition of the operations of Citibank in Greece.
- The National Bank of Greece board confirmed the plan for the coverage of the lender's capital requirements and for its share capital increase. Sources say that the increase will amount to about €2.5 billion and be supplementary to the strategy for creating capital through the sale of assets.
- Credit Agricole Leasing Greece, Credit Agricole SA's remaining business in the country, is seeking buyers for around €400 million (\$554 million) of loans mostly backed by real estate, according to people with knowledge of the matter.

- European Central Bank (ECB) funding to Greek banks fell further in March, according to figures released by the Bank of Greece. ECB funding to Greek banks fell to €57.81 billion at the end of March from €59.42 billion the previous month, while Emergency Liquidity Assistance (ELA) from the Bank of Greece dropped to €2.88 billion from €8.57 billion over the same period.
- Greek lender Eurobank announced it planned to sell up to €3 billion (\$4.1 billion) worth of new shares to plug a capital hole. Eurobank, which is almost fully-owned by Greek bank bailout fund HFSF, has a capital shortfall of €2.95 billion, according to the results of a stress test of Greek lenders unveiled last month by the country's Central Bank.
- Fairfax, Capital Research and Management, Wilbur Ross, Fidelity, Mackenzie and Brookfield are the strategic investors comprising the consortium that covered 35% of Eurobank's share capital increase. Offers exceeded € 8 billion against the 2.86 billion that the bank was aiming for. The price of the new shares was shaped at € 0.31 per share. About 270 investors from the US, Canada, Europe and Asia participated in Eurobank's share capital increase. Besides the group of strategic investors, half of the participating investors are long-term institutional investors, as well as state portfolios from Europe and Asia.
- Turkish lender Finansbank borrowed \$500 million through a five-year Eurobond issue, which had a final yield at 6.37%. The lender, owned by National Bank of Greece, had mandated Citi, HSBC, Morgan Stanley and Standard Chartered for the issue.
- The Institution for Growth in Greece will start financing small and medium-sized enterprises in June with €200 million provided by the Greek state and Germany's KfW. The fund will refinance existing loans and issue new credit to SMEs.

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BUSINESS NEWS

Energy

- Natural gas consumers in Attica will only get an 8% discount in their bills, or €0.004 per kilowatt/hour, from the recent deal between the Public Gas Corporation (DEPA) and Russian supplier Gazprom, as half of the discount will go toward various taxes, carriage fees and profit margins.
- Italy's Enel has sought permission to explore for oil and gas in Greece, according to an announcement by the Greek Government. Enel has expressed interest in three onshore areas in the western part of the country, Greece's Energy Ministry said, adding it would duly decide on the Italian company's application. If permission is granted, Athens will give other oil firms at least 90 days time to submit rival offers for the same areas.
- Greece's coastal shipping sector has set a target of having at least one liquefied natural gas-fueled vessel operating in the next two years, according to a recent meeting between Merchant Marine Minister Miltiadis Varvitsiotis and sector associations.
- Public Power Corporation (PPC), Greece's largest electricity company, obtained a €2.2 billion (\$3 billion) syndicated loan to refinance debt. The company got the five-year facility from a group of Greek banks.
- Public Power Corporation has tapped the markets with the issue of a corporate bond of €500 million. The Energy Ministry is also eagerly awaiting the issue, as it is hoping it will enable the full clearance of electricity market debts, which according to the bailout agreement is due by end-2014.
- The Trans Adriatic Gas Pipeline Group (TAP) said that it was re-launching a procurement process for goods and services that the project requires to transport Azeri gas into the European Union toward the end of this decade.

Real Estate

- An increasing number of commercial property experts predict an end to the drop in sales prices and rental rates for office spaces, shopping malls and stores in the second half of the year. The first signs of an improvement in the market started emerging in the second half of 2013 with an increase in investment appetite in the market. Surveys showed that the amount of commercial property transactions for the whole of 2013 exceeded €1 billion.
- Construction activity continued to fall in January, showing that the recovery recorded in October and November 2013 was temporary. The figures released by the Hellenic Statistical Authority revealed significant drops, 35.3 % in the number of permits, 38.2% in surface area and 40% in volume from the same month in 2013.
- A survey by Savills has revealed increased interest in Corfu's property market. The Savills analysis shows that property prices on the island have declined by 30% on average since the start of the financial crisis in 2008.
- The drop in residential property prices last year was smaller than in 2012, as, according to a survey by the Remax estate agency network, the decline in the prices of new homes came to an average of 7% in 2013, while those of older residences fell 8%.

Tourism

- The new airport at Kastelli in Iraklio, Crete, will be ready in four years' time and will manage to avoid, as per its concession agreement, the high charges seen at Athens International Airport, which have resulted in reduced traffic.
- Two major European corporate award ceremonies will take place in Athens for the first time in the coming months. They are the European Business Awards, which recognize the continent's most innovative enterprises, and the World Travel Awards for Europe, known as "the Oscars of the travel industry."
- The Association of Greek Tourism Enterprises (SETE) has set its target for this year's tourist arrivals from abroad at 18.5-19 million and revenues at €13 billion, as bookings from foreign markets continue to show a strong rise.
- Greek tourism has hit the ground running this year following 2013's major increase, as revenues have grown by 17.3% in the first two months from the same period last year to reach €294.1 million, the Bank of Greece announced recently. Those travel receipts also include revenues from cruise activities, which posted an annual increase of 11.5%.
- There was a 15.5% increase in visitor arrivals last year compared to 2012, according to the Bank of Greece's border survey. Germany provided the most visitors (12.7%), followed by the United Kingdom (10.3%) and Russia (7.5%).

Investments

- Investment from abroad is picking up in Greece as the country has plenty of opportunities to offer as it struggles to emerge from its six-year recession. The latest examples are international investment fund Fairfax's acquisition of retailer Praktiker Hellas, and the \$50 million investment in Greek fish farming by New York-based Onex Technologies.
- Ellaktor's subsidiary "Aktor" has secured the biggest construction project ever obtained by a Greek company abroad by signing the contract for the study and construction of the Gold Line Underground metro line in Doha, Qatar, worth €3.2 billion.
- Greek gambling monopoly OPAP posted a bigger-than-expected drop in its 2013 net profit, hurt by a new tax the country imposed on the firm to help plug its budget shortfall. Greece slapped a 30% levy on OPAP's gross gaming revenue last year to meet the terms of its €237bn international bailout.

Technology- Communication

- Telecom provider Hellas Online is reported to be very close to a buyout by Vodafone, while Cyta Hellas is expected to start the search for a "white knight" soon. This will be followed by the ultimate clash, between Wind Hellas and Vodafone, for control of Forthnet.
- Vodafone Group Plc's Greek unit has been sued by Greek company Mobile Trade Stores for €1.37 billion (\$1.89 billion) for damages the company said it suffered when Vodafone canceled franchise agreements.
- International technology giant IBM is moving ahead with the creation of a new corporate data analysis centre in Greece, aimed at providing solutions and strengthening the competitiveness of companies active in the country as well as the broader region. It will be one of a total of nine such centers that IBM operates around the world, but the only one in Southeast Europe. IBM Hellas has already started its search for staff to man the new centre, although it stresses that the larger its clientele, the more employees it will hire.
- The European Commission approved three significant investments to help get Greece thoroughly into the digital age with money from the European Regional Development Fund totaling €389.4 million. The first project concerns a complete technological overhaul of the country's Public Administration. The second aspires to get both the secondary and primary education systems online, and the third will allow for more than 600,000 Greeks living in rural and remote parts of the country to have access to high-speed Internet.

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TENDERS - PROCUREMENTS

- The governing board of the Public Power Corporation (PPC) started the process to seek expressions of interest in the 66% stake in the Independent Power Transmission Operator (ADMIE), eagerly anticipated by Italy's Terna, the State Grid Corporation of China, as well as an American network company and a US fund. The invitation for expressions of interest is open even to investors without experience in the administration of such projects, provided they will commit to conceding the ADMIE management to the Greek state for at least five years.
- French energy giant Electricite de France (EDF) expressed its interest in the privatization of Greece's Public Power Corporation (PPC), just as the government is poised to sell off part of the electricity company under a scheme dubbed "Small PPC."
- Greece is preparing a property portfolio valued at as much as €500 million (\$689 million) to offer to investors by the end of this year, according to the head of the Hellenic Republic Asset Development Fund. The properties will be worth at least €350 million and will include leased city buildings, homes and development land, Andreas Taprantzis, Executive Director at the Fund, said in an interview in Athens. UBS AG, Deutsche Bank AG and BNP Paribas SA are advising the Fund on the portfolio, he said.
- State sell-off fund TAIPED is proposing the sale of a 67% stake in Thessaloniki Port Authority (OLTH), while it plans to revise the existing concession contract in a bid to make it more functional.
- Overall six investment schemes expressed their interest in acquiring 67% of the Piraeus Port Authority SA according to Hellenic Republic Asset Development Fund. These schemes are the following: APM Terminals B.V., Cartesian Capital Group LLC, COSCO (Hong Kong) Group Limited, International Container Terminal Services Inc, Ports America Group Holdings, Utilico Emerging Markets Limited.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Greek shipowners have been rather quiet in the S&P market this month but they are keeping a watchful eye both on the S&P and freight market. In the freight market April ended with a decrease in dry bulk spot rates but a positive reverse in the wet market. The container sector still remains depressed.

In the shipbuilding front, the orderbook of Chinese shipbuilders grew 39% year on year to 148.7M dwt at the end of March 2014, up 13.5% from the end of the 2013. In Japan, however shipyards still have limited business.

It is worth mentioning that during April, the joint venture of the Greek based **Oceanbulk** and **Oaktree** increased their orderbook in the container sector to 10 vessels. It is estimated that the overall value of the investment in boxships could now be close to US\$900m.

Debt ship-finance availability still remains limited and many banks are selling part of their shipping portfolio, while other institutions and funds are still keen in shipping and are entering in the sector providing the necessary funding.

As an example this month the traditional shipping lender **Lloyds Banking Group** has reportedly found buyers for its final \$500m shipping loans sale. **Bank of America** and US hedge fund **Davidson Kempner** have been linked to the deal, at about 80% of loan value. Last year it has been reported that the bank had sold off a \$750m batch of loans to **Oaktree Capital**.

In the capital markets Greek shipowners have started being active during the first quarter of 2014.

Tsakos Energy Navigation Ltd. a crude, product and LNG tanker operator announced the closing of its successful follow on offering of 11,000,000 common shares at a price of US\$7.30 per share. The gross proceeds of the offering are \$80.3 million.

GasLog Partners LP also announced the commencement of an initial public offering of 8,400,000 common units for its Master Limited Partnership (MLP) vehicle. The estimated price range for the initial public offering is \$19.00 to \$21.00 per common unit.

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