



#### IN THIS ISSUE

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

## Business Opportunity Outlook 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 and the Troika reportedly agreed to proceed with 3 different pieces of legislation that will allow for the settlement of overdue debt owed by businesses and households to pension funds, tax authorities and banks.
- Greece had a smaller than previously reported budget deficit last year, the European Union's statistics office said as it recalculated data under a new accounting system. Eurostat said that Greece had an overall budget deficit of 12.2 % of gross domestic product in 2013 rather than the 12.7% - under the old accounting system.
- The review of the country's gross domestic product by the Hellenic Statistical Authority ("ELSAT") may have cut last year's contraction rate to 3.3% but it also showed a dramatic contraction of 9% in 2011 against a previous estimate of 7%.
- Greece has achieved a primary surplus of €2.5 billion, or 1.4% of gross domestic product, between January and September this year, according to Government data.
- According to the annual World Bank report, Greece gets the award for the country with the greatest financial improvement, rising by 48 places from a dismal ranking as No 109 in the 2010 report to No 61 in 2014.
- The Development Minister said that there are European Commission funds of €12 billion that are immediately available to support growth in Greece by subsidizing projects across the country. These funds are from the previous and new community support framework programs, which will run in parallel at the end of 2015 and will help the country to reach its target of 2.9% growth next year.
- The latest International Monetary Fund forecast on joblessness in Greece revised its April estimations on the expected level of unemployment for this year down to 25.8% from 26.3% six months ago, and the figure for 2015 to 23.8% from 24.4%.
- More people lost their jobs than got new ones in September, while six in 10 hirings involved part-time or seasonal employment, according to data published by the Labor Ministry.
- Greece led the poverty league among its European peers once more last year, with 23.1% of its population being under threat of poverty, according to data published by ELSTAT. Taking into account the share of the population facing social exclusion, i.e. lacking at least four of the nine basic goods, poverty levels in Greece

soared to 35.7%

- The General Secretariat of Public Revenues has called on monitoring authorities to examine whether funds recently repatriated from abroad had been locked in time deposits or invested.
- The Labour Ministry announced the launch of an effort to simplify Greece's social security laws, which stretch to almost 39,000 pages and some of which date back to 1940.
- Tax debts to the Greek state hit a new record in September, reaching a total of €70.16 billion from €69.24 billion in August, according to the General Secretariat for Public Revenues. New debts in the January-September period came to €9.68 billion, added to a total shortfall of €60.48 billion dating from before 2013.
- Taxes have grown and incomes have declined in Greece during Q2 of the year according to data released by the ELSAT. The amount of taxes on incomes and properties in Q2 came to €4.79 billion, up €984 million from the first quarter of the year and €460 million from Q2 of 2013.
- While Greece came top among European Union states in terms of improving its value-added tax deficit in 2012, it still ranks among those with the biggest problems in actual VAT collection.
- There is an overall political uncertainty in view of the forthcoming election for the president of the Hellenic Republic due in February 2015 that requires a majority of 60% of MP's approving the selection. The ruling coalition has 155 MP's whose support it can count on but the President needs to be elected by a minimum of 180 MP's. Until the political situation becomes clearer and more stable, the appetite for investments in Greece remains fragile.

## FINANCIAL MARKETS NEWS

- Greek banks received what amounts to a virtually clean bill of health from the European Central Bank ("ECB"). The results of the ECB stress tests performed on the four systemic lenders of this country showed that Alpha and Piraeus Banks have completed the exercise successfully through their dynamic picture, and only Eurobank and National Bank of Greece need to cover additional equity in the negligible total amount of €291 million.
- Greek banks remain burdened by large problem loan portfolios, despite boosting capital and progress with their integration and restructuring plans, Fitch Ratings has said.
- Greece's fourth-biggest lender Alpha Bank said recently that about 21% of its 10,000 employees took up a voluntary redundancy offer the bank launched last month as part of moves to cut costs.
- Attica Bank has turned down buyout proposals from strong institutional portfolios and investors in recent months, setting the maintenance of the present shareholding and management structure of the Greek lender as a condition.
- ECB funding to Greek banks fell in September by €2 billion, according to Greek Central Bank data. ECB funding dropped to €42.56 billion last month from €44.56 billion in August.
- A Greek Central Bank official told Reuters that the ECB has reduced the haircut it applies on bonds submitted by Greek banks as collateral to borrow funds in a move to boost their access to liquidity.
- Greece should not be required to raise more than €10 billion from the markets next year in order to fully cover its obligations. The Finance Ministry has drafted a series of scenarios regarding the country's funding needs and it appears that after the completion of the bailout process Greece won't need to raise more than that amount from the markets, even if the International Monetary Fund ceases to finance Greece.
- The Turkish subsidiary of the National Bank of Greece ("NBG"), Finansbak, made a statement indicating that NBG will not use its right to buy the remaining minority stake of 0.19% following the IFC's put option exercise that increased NBG's stake to 99.81%. However it will offer to the minority shareholders the option of selling their shares at TRY 2.9882 per share over the next three months.

## BUSINESS NEWS

- Greek industrial output fell 5.7% year-on-year in August after a downwardly revised 1.1% contraction in July, its sixth straight month of decline, according to ELSTAT. The drop was mainly due to a 6.5% decline in mining output and an 18.1% fall in electricity production. Manufacturing production fell by 0.9% compared to the same month a year earlier.
- Greece's Purchasing Managers Index (PMI) fell last month to its lowest point this year, hitting 48.4 points – below the zero-change point of 50 points – according to Markit, which compiles the index.
- The Greek farming sector would be able to raise the value of its exports from the €4 billion a year as it stands at today to €10 billion if it adjusts production to international market demand, Foodstandard chief executive Stelios Drys told a press conference in Athens.
- The reduction in the value-added tax on catering has not only resulted in smaller-than-expected revenue losses for the state coffers, it has also stemmed the flow of restaurant shutdowns and is expected to create thousands of new jobs in the sector. Data collected by the association of restaurant owners (SEPOA) from the General Accounting Office for the August 2013 to June 2014 period showed the loss in VAT revenues from the reduction of the rate on catering services from 23 to 13% in August 2013 was two-thirds smaller than anticipated, reaching some €9 million per month.
- Unemployment and citizens' increased tax obligations sent the consumer confidence index to its lowest point in the last six months in September, in line with all other indices published by the Foundation for Economic and Industrial Research (IOBE).

- The consequences of the Russian embargo on European Union products quickly became clear in terms of Greece's exports, whose value declined 5.9% year-on-year in August, according to ELSTAT data.
- Works to lay the ground for the construction of a racing circuit to Formula 1 standards will begin by the end of the year near Patras in the northern Peloponnese, according to the president of Racetrack Patras SA, Evangelos Floratos.
- Greece is the No 1 European supplier to the United States in terms of a number of products, mainly in the food and agricultural sectors, and among the top suppliers for industrial goods from pipes to razors.
- Despite the prolonged deflation, basic goods are costing Greek households more, a survey by ELSTAT has suggested. Of the 54 food, house cleaning and hygiene products ELSTAT monitors, the cost of 31 has gone up from January 2011 to August 2014, at rates reaching as high as 13.75%.
- A new sector worth some €1 billion a year is expected to emerge thanks to a new strategy being adopted by Greek marine equipment manufacturers and exporters to boost their international profile, according to industry experts, provided their recent export-oriented policies bear fruit.
- Thessaloniki Port Authority (OLTH) expects 2014 to be the best year for the country's second port since OLTH was founded. It estimates that some 350,000 containers will have passed through the port by the end of 2014, with total load reaching 4.6 million tons.
- The OPAP gaming company reiterated its commitment to holding horse races in Greece, provided it lands the license for horse race betting in the country. The company is waiting to hear what the courts have to say on the matter after rival bidder Intralot appealed the state sell-off fund TAIPED's decision to award the license to OPAP.
- Sarantis announced the acquisition of Noxzema business in Greece from Procter & Gamble for a consideration of €8.7 million.
- Nearly half of the budget of the most ambitious plan to date for the funding of small businesses is at risk of going to waste, as about 60% of eligible small and medium-sized enterprises have not collected the subsidies and implemented their investments.
- The trade balance between Greece and Japan has shifted in the last few years as the drop in domestic demand in Greece and the increase in Greek exports have turned the country from a net importer of Japanese goods to a net exporter to the world's third-largest economy, according to Japan's honorary general consul in Thessaloniki, Haris Alexopoulos.

## Real Estate

- Astir Palace Vouliagmeni SA announced that Jermyn Street Real Estate Fund IV LP is the chosen bidder for the 90% majority stake at an offer price of €400 million in the tender organized by the National Bank of Greece and the government regulator.
- Alpha Bank, Greece's fourth-largest bank, plans to sell the Athens Hilton 506-room, five-star hotel, building this year for €180 million (\$230 million).
- The government is planning to gradually reduce the single property tax (ENFIA) by 30% from 2015. That would entail a €750-million drop in property tax revenues.
- Listed Grivalia Properties, formerly known as Eurobank Properties, intends to invest €500 million in the local real estate market over the next three years, company officials said recently during the presentation of its new brand name. The management's long-term target is to create a property company with assets adding up to €1.3 billion, compared with €726 million today.
- Non-EU citizens who invest in real estate in Greece will soon have the option of taking Greek citizenship if they spend at least €250,000 on property acquisitions, a senior Interior Ministry official announced recently.
- Fitch Ratings has discerned the first signs of stabilization in the Greek property market. In a recent report, Fitch forecasts a 6 % decline in prices at the end of the year following the 3.7 % drop already recorded in the first half of the year. Since peaking in January 2009, prices have fallen on average by 37.8%.
- Leading Greek property investment company NBG Pangaea is getting ready to spread its wings as it eyes the creation of a major portfolio worth up to €4 billion to be listed not only on the Athens bourse but also a foreign stock market.
- Piraeus Bank announced a mandatory public offer for the acquisition of 36.3 million shares or 66.2% of the share capital of Trastor Real Estate Investments (Real Estate Company affiliated with Piraeus bank). Piraeus Bank owned 33.8% of Trastor plus 37.08% of the company's voting rights which were acquired from PASAL Development in the context of a debt to equity transaction. Following the aforementioned transaction, Piraeus owns 70.97% of Trastor's voting rights which, based on existing legislation, triggers a mandatory public offer.
- Investors from Qatar acquired a portfolio of commercial properties in Greece worth €125 million a few months back in the utmost secrecy. The portfolio comprises a package of five or six major stores in major Greek cities.
- Direct investment in the local property market is expected to top €1 billion by the end of 2014, posting an increase of at least 334% from two years earlier, when it had amounted to just €230 million.

## Tourism

- The 390,000 additional hotel stays chalked up in Athens in the first eight months of the year compared to 2013, according to data presented by the Athens-Attica & Argosaronic Hotel Association, can be put down to the increased tourist arrivals in the Greek capital and translates into revenues of €142.8 million for the real economy, primarily via the sectors of hotels, commerce, catering and others.

- British Airways has reportedly announced that it will be adding new flights to popular Mediterranean destinations, including the Greek islands of Kos in the eastern Aegean and Corfu in the northern Ionian, according to the Breaking Travel News website.
- The Costa Navarino luxury resort is stretching its 2014 season up to December 15, as it will be hosting one of the biggest international corporate events ever seen in Greece in the next couple of months. Volkswagen has booked Costa Navarino's entire Westin Resort unit for the promotion of the German automaker's new Passat model.
- Online hotel rates in Greece are recording a significant year-on-year increase in October, according to the Trivago travel website. However, the average cost of staying at a hotel in Greece remains below the average both in Europe and at rival destination countries. The average online price per night for a double room at a hotel in Greece this October is €101 – 14.7% higher than this time last year.
- Medical tourism in Greece has vast potential that remains largely untapped. Despite efforts by the Ministries of Tourism and Health to create a legal framework for the expansion of this significant special form of tourism, which would also benefit other areas of the sector, little in the way of results has been seen, resulting in lost revenues for the country.
- Thessaloniki Hoteliers Association data for the year to end-August showed that the number of overnight stays in the city soared by 17.9% from the same period in 2013, to rise from 1,104,941 to 1,302,347.
- International travellers coming to Greece were up by 15.6% compared to 2013, according to a report released by ELSTAT. According to the report, arrivals from Europe, which account for the majority of arrivals showed an increase of 14.6% in the January-June 2014 period compared to the same time the previous year. At the same time, arrivals from European Union member states pointed to an increase of 17.7%.
- Tourism Minister Olga Kefaloyianni said that the government is trying to facilitate the development of large tourist resorts that will offer high-quality infrastructure such as golf courses, marinas, spas, conference centres and holiday accommodation.
- Leading European tour operator TUI is moving ahead with the creation of more than 10 hotels in Greece in cooperation with local hotel chains Grecotel and Atlantica, with which it has a long history in the joint development of hotel units, according to sources from TUI Hellas. This year TUI brought more than 2 million tourists into the country in cooperation with 2,800 hotels across Greece.
- The number of Turkish tourists visiting Greece this year is expected to reach a historic high, while the corresponding figure for Greek visitors to Turkey is also set to soar. The latest estimates see over 1 million Turkish tourists visiting Greece – a record number – while Turkey expects Greek visitors to reach 800,000 by year-end.

## **Energy**

- Greece is discussing additional liquefied natural gas supply from Algeria to cover shortages and help neighbouring nations if a gas dispute between Russia and Ukraine disrupts pipeline deliveries.
- Energy Minister Yiannis Maniatis met with officials from six leading shipping companies in the liquefied natural gas (LNG) sector, as he is weighing the possibility of Greece assuming a strategic role in LNG shipping thanks to the opportunities created by the new reserves of Israel and Cyprus and those anticipated in Greece, as well as the general geopolitical developments in the region.
- Greece's Public Gas Corporation (DEPA) is waiting for the Prime Minister's nod to reopen negotiations with Russian energy giant Gazprom on the issue of the rates that Greece is charged for natural gas.
- Soaring debts from unpaid electricity bills are not only threatening the Public Power Corporation but also the country's entire electricity market. According to data from the end of September, consumers owe a total of €1.7 billion, including customers in all categories, from socially sensitive groups to small industries, local authorities and even ministries.
- Energean Oil & Gas is becoming a leader in the Eastern Mediterranean region as it revives Greek production, adds new licenses, bids for offshore concessions and moves into Israel, Chief Executive Officer Mathios Rigas said. Energean, Greece's only hydrocarbon explorer and producer, has begun a \$225 million investment plan for 2014-2016 aimed at raising production in the Prinos basin in the north Aegean Sea to 10,000 barrels a day by the end of 2016 from 1,800 barrels today.
- Investor interest in Greek hydrocarbons is growing with the approach of the launch of the tender for the 20 blocks in the Ionian Sea and South of Crete. After France's Total, which was the first company to obtain the seismic data package, and British Petroleum, whose interest was personally expressed to Prime Minister Antonis Samaras by its head, Bob Dudley, during their recent meeting in Azerbaijan, Italy's Edison has now made its interest in the Greek hydrocarbon reserves known.
- Greece's dominant power utility PPC won approval from the energy regulator to produce electricity at two wind parks it plans to build in northern Greece, it said on Wednesday. The production license opens the way for the construction of the 106-megawatt-capacity parks in Rodopi, a project which is estimated to cost €127.2 million (\$161.47 million).

## **Investments**

- Jupiter Asset Management Ltd, which joined BlackRock Inc to buy Greece's government bonds in April, has sold all its holdings of the nation's debt.
- The European Union subsidy program for Greece covering the 2014-2020 period begins with almost €5 billion

flowing in from Brussels in the next couple of years.

- The heads of international investment firms were engaged in numerous contacts with their Greek counterparts in listed entities last week to get a first-hand evaluation of the recent plunge experienced by local stocks and bonds.
- Foreigners doubled their investment in Greek property, mostly holiday homes, in the first half of the year compared to the same period in 2013, Bank of Greece data show.

### **Technology- Communications**

- According to a report on online trade in Southern Europe, published by Ecommerce Europe, electronic commerce turnover grew by 25% last year compared to 2012 and reaching €3.2 billion. This is attributed to the proliferation of online offers and discounts in the crisis period. This rapid increase in Internet purchases renders the e-commerce sector one of the fastest-growing in the Greek economy, with its contribution to the country's gross domestic product reaching 1.76%.
- Hong Kong-based telecommunications multinational PCCW Global has announced that it has bought out Greek start-up Crypteia Networks, aiming to incorporate its products into the group's portfolio.
- Standard & Poor's upgraded OTE telecom's credit rating from BB- to BB and revised its outlook from negative to stable, arguing that even in the unlikely event of a Greek default, OTE will service its debts.
- Samsung Medison, a subsidiary of the multinational giant, intends to create a training centre in the domain of healthcare equipment in Greece in cooperation with the University of Athens. The centre will aim at training doctors and technical experts from Europe, the Balkans and the Middle East in new technologies.

### **TENDERS - PROCUREMENTS**

- The Greek government and the country's international creditors agreed that repossessed properties as well as real estate being put up for sale by the state will have a starting price of two-thirds of their market value at auction, after the government convinced the Troika against an initial asking price of just one-third of the value.
- The privatization project for regional airports got under way with the submission of binding offers by investors interested in undertaking their operation for about 40 years. The same investors will also undertake the modernization of the terminals, which will involve investments of €200 million.
- Greece will raise €381 million from the sale of mobile phone frequencies to its biggest telecom operator OTE, Vodafone and Wind Hellas.
- Greece's state privatization fund TAIPED will attempt to raise €400 million (\$508 million) by securitizing real estate assets in a move that could attract much needed investment to the debt-stricken country.
- State sell-off fund TAIPED pledged to the country's creditors that it will have conducted 16 tenders by February with long-term revenues totalling some €1.5 billion. These privatization tenders concern the much-publicized projects of the Piraeus and Thessaloniki port authorities, the regional airports, rail companies Trainose and Rosco, and marinas, among others.

### **GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS**

October was a relatively challenging month for the Dry Bulk sector but towards the end of the month and as a result of the end of the National Day Holidays in China (that had resulted in a slowdown in iron ore buying appetite), the Baltic Dry Index managed to exceed 1,000 points. The wet sector remained stable and showed a small increase in specific segments like the VLCC's. In the gas market, the interest is still increasing; it's worth mentioning that during October Indonesia signed five natural gas agreements for domestic supply. Due to slow freight market there is also a declining investment appetite for newbuildings; the shipbuilding industry and specifically the Japanese shipyards are experiencing a significant drop in orders during September-October, compared with the first quarters of the year.

On the ship financing side, the German ship lenders passed with success the European Central Bank's asset quality review for Germany's biggest banks. Nevertheless the banks had to increase their provisions and according to Bloomberg, important German ship lenders saw their assets devalued by as much as 18%.

It is important to mention that during October, Commerzbank closed its Greek rep office, as the bank had already decided to cease all its ship financing activity. All existing Greek shipping relations during the run-off will be followed up by the bank's headquarters in Germany. On the other hand, during October, international bank, FIMbank, whose shareholders are from the Middle East, opened a rep office in Athens. The bank is focusing on trade financing and financing in relation to scrapping of ships.

Increased competition and interest is being witnessed from international ship financiers (such as Credit Suisse, ABN AMRO, DnB NOR, ING, DEKA and Deutsche Bank) to support top-tier Greek shipowners and this trend is reflected in a reduction in the overall pricing. Moreover, since Greek banks successfully passed the European Central Bank's stress tests, they have started to

re-enter the ship financing arena, looking mainly to serve the needs of mid-sized and small Greek shipowners.

Greek shipowners' interest to raise capital from the Equity Capital Markets or other Debt sources is still significant. Korean Export-Import Bank of Korea offered a US\$170M loan to Greece-based Oceanbulk Container after the company signed a US\$680M contract with Korean shipbuilder Hyundai HI for the purchase of eight container vessels.

Last week, DryShips Inc. offered 250 million common shares at a price of US\$1.40/share raising gross proceeds of US\$350 million. The principal, Mr. Economou agreed to backstop the offering by agreeing to purchase US\$80 million to acquire 57.1 million shares of the common stock at the offered price.

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