Eurofin
Lateral Thinking

NEWSLETTER

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Business Opportunity Outlook

Greece

IN THIS ISSUE

EUROFIN GROUP

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 economy grew by 0.8% in 2014, according to the country's statistics service's first estimate for the full year. GDP in real terms amounted to €186.5 billion compared with €185.1 billion in 2013.
- Crumbling tax revenues have led to a drastic reduction in the primary budget surplus at the start of the year, as the difference between the general government budget revenues and expenditure in January shrank to just €300 million against €2 billion a year earlier.
- The government submitted an amendment to Parliament to allow itself to utilize the cash reserves of state-controlled entities such as social security funds, while giving the managers of those entities its guarantee that those reserves will not lose their value.
- Greece's current account deficit widened by €511 million to €847 million in January 2015, compared to the year-ago period, according to the Bank of Greece. This development reflects an increase in the goods and services deficit and a decrease in the surpluses of the primary and the secondary income accounts.
- Standard & Poor's retained Greece's sovereign ratings at B- and on creditwatch negative for the next couple of months.
- Ratings agency Fitch has downgraded Greeces sovereign rating amid growing uncertainty over the new government's pledge to overhaul reforms needed to restart bailout loan payments and

avoid default. The agency said it had lowered the country's rating deeper into non-investment grade status from B to CCC, citing "extreme pressure on Greek government funding."

- Payments to state suppliers have stopped as the General Accounting Office has blocked any state expenditure not related to salaries and pensions as part of the efforts being made toward optimum cash management during the state's current liquidity crisis.
- The first part of the government plan to increase the minimum salary is expected to be implemented in October, taking the level up to €654 per month for all private sector workers. The government's election pledge to raise the minimum monthly salary to €751 will not be fulfilled before the second half of 2016.
- The Finance Ministry plans to sift through mortgage and consumer loans, share holdings, bank account transactions, dividends and insurance contracts in a bid to locate undeclared incomes. Hellenic Exchanges, Hellenic Post and companies that supply investment services have until March 31 to submit the above data to the Ministry in the context of the creation of the property register (Periousiologio), which will reflect taxpayers' income and asset profiles.
- Over 3.4 million taxpayers have either failed to fulfill their tax obligations or have avoided paying their dues to the state in the last couple of years. Since 2013 they have run up debts of €21.6 billion to the tax authorities, most of which concern arrears of below €3,000 each.

FINANCIAL MARKETS NEWS

- Tax inspectors will soon have full online access to all bank account transactions going back 10 years, as a Finance Ministry decision set to be issued will effectively abolish any sense of bank privacy when it comes to the tax authorities.
- Greece's main banks have set aside huge provisions in recent years – totaling €50 billion – to tackle the problem of nonperforming loans (NPLs). These are unprecedented provisions in the history of the Greek credit system, resulting from the country's equally unprecedented six-year crisis that has led gross domestic product into a 25% decline, while NPLs soared from 5% at the end of 2008 to 34.2% in September 2014, meaning that there are bad loans totaling €72 billion.
- Lenders saw their customers' deposits shrink further in February, according to Bank of Greece data, while the flight appeared to be continue in March. In this context, February drained Greek bank accounts of another €7.6 billion, taking the three-month decline since the end of November to €23.8 billion.
- The Bank of Cyprus group is putting up for sale a total of 41 properties across Greece which in most cases are leased out to third parties and belong to the group's subsidiary firm, Cyprus Leasing SA.
- European Central Bank chief Mario Draghi said that the ECB is prepared to restore a key channel of financing for Greek banks once Athens reaches a debt deal with its Eurozone partners.
- The European Central Bank is calling for changes regarding the recognition of banks' deferred tax assets, effectively raising the prospect of fresh share capital increases. Sector sources say that Frankfurt views the level of deferred tax assets acknowledged as part of the banks' capital as unrealistic and excessive and is asking for a drastic slash.
- Eurobank reported a jump in fourth-quarter losses as provisions for impaired credit weighed on its bottom line, while the pace of new bad debt formation was steady around third-quarter levels.
- National Bank of Greece plans to sell a further 13% stake in its Turkish subsidiary Finansbank by the end of 2015, bank officials told Reuters recently.
- Total credit in Greece shrank 1.3% year-on-year in January, with the pace of decline slowing from the previous month, according to Bank of Greece data. Credit extended to the government rose 8.6% after rising 7.3% in December, the Central Bank said. Lending to businesses and households declined by 2.9%, from a 3.1% drop in December.
- Piraeus Group head Michalis Sallas became the new president of the Hellenic Bank Association.
- The country's four main banks were forced to write off old and expired debts of more than €2.5 billion last year in an effort to clean up their financial accounts, abandoning expected revenues whose collection they deemed unlikely.

BUSINESS NEWS

- Air arrivals from abroad during the first couple of months of the year posted a much higher growth rate than in rival destinations such as Spain, Turkey and Cyprus. Civil Aviation Authority data reveal that air arrivals from other countries to Greece in the year to end-February posted a 20% rise from the same period last year, reaching 714,804 passengers. Arrivals increased by 18.9% in February.
- Tens of millions of Euros remain unused in the coffers of the Institute for Growth (IfG) which intended to support Greek enterprises, as businesspeople appear particularly reluctant to ask banks for funding owing to the uncertainty that has reigned since the January election was called. As a result, no more than €25-30 million out of a total €200 million available has been utilized through bank financing.
- Piraeus Container Terminal (PCT) was responsible for a major part of parent company COSCO's earnings in 2014, the Chinese company confirmed while announcing its financial results at the Hong Kong Stock Exchange. Profits from the operation of container terminals II and III in Piraeus rose 25.7% from 2013 to reach €26.5 million. Revenues climbed 14.8% year-on-year to €163.7 million from €142.5 million in 2013.
- Greek consumer prices fell 2.2% year-on-year in February, with the annual pace of deflation slowing from a 2.8% decline in January, according to data from the country's statistics service. Greece's EU-harmonized deflation rate also decelerated, showing that prices fell by 1.9% in February.
- The government is making medium-term plans for the creation of a development bank whose exclusive function will be the funding of small and medium-sized enterprises (SMEs) and youth entrepreneurship, according to the Economy Minister Giorgos Stathakis. The government plan provides for a bank along the lines of Germany's KfW, known in this country for its contribution toward the creation of the Institution for Growth in Greece (IfG). In fact, having the new development bank cooperate with KfW and the European Investment Bank is one of the government's aims.
- Besides cash, the Greek economy is also running low on human resources as senior executives from the private sector are now seeking employment abroad. Already more than 5,000 so-called C-level executives (CEOs, COOs, CFOs etc) are in search of alternative employment solutions in other countries. This figure stems from the number of CVs submitted to specialized multinational human resources companies that are active in Athens.
- Local businesspeople expressed strong opposition to the government's legislative proposal to withhold tax amounting to 26% on corporate transactions with companies based in countries such as Bulgaria and Cyprus, asking for its immediate withdrawal. They argued that the clause violates both European Union rules and regulations pertaining to international contracts.
- Turkey has snatched the lead position in sea bass fish farming – leaving Greece in second place – while also vying for the top spot in bream production. The main reason for that growth has been the Russian embargo on European Union products, which the Turks have been making the most of by effectively becoming the sole suppliers of bass and bream to the huge Russian market.
- Greek refrigerator maker Frigoglass reported a smaller loss in the fourth quarter compared to the same period a year earlier helped by cost savings and lower input costs. The company, which sells coolers to beverage companies including Coca-Cola HBC and brewers in Europe, said its fourth-quarter net loss shrank to €6.2 million ($6.5 million) from €32.4 million in the same period in 2013.
- The decline in the export of agricultural products and losses resulting from the Russian embargo were offset last year by the increase in exports of industrial products and Greek products' improving penetration of new, wealthy markets such as Saudi Arabia, according to exports data for the last year issued by the Panhellenic Exporters Associations.
- The Greek industrial turnover index posted a dramatic annual drop of 16% in January, compared to a decline of 5.2% a year earlier, according to figures released by the Hellenic Statistical Authority.
- Greek unemployment started to rise again in December following 14 months of gradual decline, reaching 26% according to figures released by the Hellenic Statistical Authority. The number of employed people declined by 24,453 from November 2014, while the jobless number posted a marginal decline of just 296, bringing a small increase in the unemployment rate from November's 25.9%, whereas in December 2013 the rate had reached 27.3%.

- Sentiment in the labor market is continuing to improve as employers are optimistic that hirings will increase and income losses will be reduced within 2015, according to a survey conducted by Manpower and published recently.
- According to figures from ICAP's annual "Greece in Numbers" survey, Greek businesses suffered another loss-making year in 2013 as the nine biggest sectors (excluding banks) were hit with pre-tax losses of €850 million, although this was a far cry from the €2.63 billion in losses generated in 2012.
- New activity in Greek manufacturing last month posted the sharpest decline since July 2013, according to the Markit research firm's Purchasing Managers Index (PMI). The main reason for that is the negative impact of the ongoing political uncertainty on domestic and international demand. However, the increase in employment and the slower stock reduction kept the PMI index at almost the same level in February (48.4 points) as in January (48.3), in spite of the rapid drop in output and new orders.
- The penetration rate of organic products in the Greek market remains relatively low, according to an industry survey conducted by Infobank Hellastat (IBHS) which underscores the sector's turn toward exports for survival. The drop in consumers' disposable incomes resulting from the prolonged recession, along with delays in the start of new subsidy programs have slowed down the high rate of growth observed in previous years.
- The first occurrences of shortages in imported goods and raw materials have arisen as a result of Greek enterprises' inability to pay with cash in advance for the entire cost of the commodities they import; the situation is even worse than in 2012.
- Construction in Greece has suffered one of the biggest declines to have been recorded by any professional sector within just a few years, as business activity in the sector has dropped as much as 80% since 2008, a study by the Foundation for Economic and Industrial Research (IOBE) showed recently.
- COSCO is interested to create a ship repair unit on the island of Salamina. The Chinese company has chosen the Kynosoura peninsula – off which the 480 BC naval battle of Salamis between the Greeks and the Persians took place – right opposite the OLP-owned, COSCO-operated container terminals in Piraeus, for a project that could create thousands of jobs.
- Greece's OPAP, Europe's second biggest gambling firm based on market value, reported an annual 41% rise in 2014 net profit, boosted by the launch of new games and cost savings.
- Greek retail sales by volume fell 0.1% in January compared to the same month a year earlier, declining for the third month in a row against the backdrop of rising political tensions, according to the statistics service ELSTAT.

Real Estate

- The Council of State approved a major tourism development planned at Lasithi, eastern Crete. The "Itanos Gaia" project concerns the creation of a hotel and tourism installations on a plot of 22.1 square kilometers at Cavo Sidero and is the first such project to have reached such an advanced stage. The application for the project was resubmitted based on new law amendments in its favor following its previous cancellation in 2010.
- The regulation that the Finance Ministry is promoting to freeze home repossessions, in effect, protects even households with high incomes, as it covers not only the 90% of households whose main residence is valued up to €200,000, but also the minority that certainly require no protection.
- Listed firm Real Estate Development and Services (REDS) announced it has signed a contract with Thomas Nakas Publishing SA for the lease of a store at the former's Smart Park retail complex at Spata, eastern Attica. REDS also announced that Smart Park's net turnover posted annual growth of 15.8% in 2014.
- Investors are still drawn to the Greek property market despite the continued uncertainty, which may increase risk but also keeps prices low, experts say. This is evidenced by the anticipation of high interest in the bidding process for the portfolio of 41 Bank of Cyprus properties in Greece, and the recent €30 million bid by Invel for Amathus Beach Hotel on Rhodes.
- Greek landlords will still have to pay income tax in relation to rents that their tenants have failed to pay, at a rate ranging from 11 to 33%, according to a circular issued by the General Secretary for Public Revenues, Katerina Savvaidou.

Tourism

- Just a few days before the start of the tourism season, the Economy and Tourism Ministry has shut down 86 hotels in the Dodecanese. The ministry's regional authority for tourism in the Dodecanese temporarily revoked the operating licenses of the hotels on the grounds that their fire safety certificates were out of date, and told local police stations to enforce the decision and prevent the possible illegal operation of the units.
- Vacation bookings for Greece among Germans have increased by 12.8% compared to last year, according to data presented by the country's tourism chief Andreas Andreadis in Berlin.
- Four-star hotels posted the biggest profit margins among the top three categories of hotels (three to five-star units) in Greece in the five years from 2009 to 2013, amounting to 26.7%, according to a study by the ICAP Group. Five-star hotels registered an average profit margin of 14.7%.
- The number of visitors at Greek museums was up by 15.8% in November 2014, while the cultural institutions saw a 25.4% increase in their receipts compared to the same month last year, according to the Hellenic Statistical Authority.
- Tourism bookings from Russia this season have so far shown a massive annual decline of 50 to 60% at Greece's popular destinations, according to the president of the Association of Hellenic Tourism Enterprises (SETE), Andreas Andreadis.
- Athens is among the top destinations both in Europe and the world for 2015 according to leading international travel website TripAdvisor. Athens ranks 20th among the top 25 destinations in the world for 2015, and 10th in the list of top European destinations. The No 1 destination in the world is Marrakech, in Morocco, while for Europe the top choice is Istanbul.
- Turnover in the accommodation and catering sector posted a 13.7% increase last year compared to the year before, according to data released yesterday by the Hellenic Statistical Authority.

Energy

- Production, Reconstruction and Energy Minister Panayiotis Lafazanis informed deputies that the Public Gas Corporation (DEPA) will reduce its natural gas rates 'significantly' next month.
- Minister Lafazanis signed the relevant licenses for the construction of the Ptolemais lignite plant. He said that the government will seek to reduce the cost of the plant.
- Greece's main electricity utility Public Power Corp. (PPC) returned to profitability in 2014 though hefty provisions for overdue bills pushed its results below market expectations. The 51% state-owned company reported a net profit of €91.3 million ($98.8 million) after a €225.3 million loss in 2013 when a one-off tax hit earnings.
- The Regulatory Authority for Energy (RAE) intends to restore subsidies to private-owned natural gas-operated electricity production units amounting to €500 million per year.
- Greece's Energy Minister said that major Russian firms will take part in a Greek tender for deep-sea oil and gas exploration, after the cash-strapped country extended the bidding process by two months.

Investments

- Hellenic Exchanges SA announced that its earnings before interest and tax in 2014 amounted to €16.7 million, versus €24 million in 2013. Its net profit reached €21 million against €32.3 million a year earlier, and its total consolidated revenue came to €45.1 million versus €79.9 million in 2013.
- As Morgan Stanley strategists give up on Greek sovereign bonds, there's at least one investor who says he's determined to ride out the storm. Paul Kazarian, the founder of Japonica Partners & Co., is unruffled by a standoff between Greece's government and the organizations behind the country's bailout loans, becoming more optimistic about Greece's future and saying that the current turmoil is caused by a deliberate short-term cash crunch, while the longer-term debt picture is more positive.
- The European Commission's Directorate-General for Competition (DG Comp) considers the Greek state subsidies received by COSCO's subsidiary in Piraeus to be illegal as they do not comply with European Union law. Brussels deems the tax exemptions that Piraeus Container Terminal (PCT) has enjoyed since signing its agreement with Piraeus Port Authority in 2008 to be state subsidies.

- Supermarket chains Sklavenitis and Veropoulos have agreed to the acquisition by the former of a 60% stake in the latter, thereby creating a national champion in the local market. The formal announcements of the deal, reached a few days ago, are expected to be made in the next couple of weeks.

Technology- Communications

- Deputy Prime Minister Yiannis Dragasakis expressed recently the government's full support for the investment plans of Hellenic Telecommunications Organization (OTE), while the management of OTE and its major shareholder Deutsche Telekom promised Athens they would support the country's strategy in the context of the European Commission's "Digital Agenda 2020" initiative.
- Vodafone and Wind Hellas aim to create a major rival to fixed-line telephony market leader OTE through the absorption of Forthnet and Cyta Hellas, which would start with a subscription base of 2 million clients as well as over 500,000 pay-TV subscribers. Between them the two cell phone networks control 40% of Forthnet and are seeking the acquisition of the remaining 60% of the company that has an extensive triple-play network including leading satellite TV platform Nova. Wind has also submitted an offer to the Cyprus Telecommunications Authority (Cyta) for the buyout of its subsidiary in Greece.
- Listed Greek telecom firm Forthnet announced it has maintained its 2014 group revenues stable (down 0.1%) from 2013, against a backdrop of tough competition and a drop in the fees of several telecom companies.

TENDERS - PROCUREMENTS

- Fraport AG said it may take until next year to complete the acquisition of airport assets in Greece as the new government reviews privatization plans.
- Greece's top administrative court has blocked the sale of the luxury seaside resort Astir Palace outside Athens to an Arab-Turkish fund, dealing a further blow to the country's battered privatisation plan.
- Although the Greek privatizations landscape remains unclear, Chinese interest in Athens International Airport remains strong. The head of Hong Kong-based Friedmann Pacific Asset Management Ltd (FPAM), Mike Poon, told Reuters that his company will call on the Greek government to immediately start the process for the privatization of the country's main airport.
- The deadline for expressions of interest for the construction of a new airport in Heracleion, Crete, expires on April 7th, but an extension (for the 5th time) is possible. Investors interest for this project, which is budgeted at over €700 million, is strong and all Greek construction groups intend to submit their expressions of interest, either as standalone entities or in consortiums, namely Ellaktor-Vinci, J&P Avax-Bouyges, Gek Terna-ACS and possibly Metka. It remains to be seen whether the two Chinese groups China State Construction Engineering Corporation (CSCEC) and Fosun Group will participate in the tender.
- The government is said to be trying to bring Moscow and Beijing to the negotiation table for the privatization of Piraeus and Thessaloniki ports, the Thrassio transit center and the rail service operator TRAINOSE in order to secure financial support.
- The government is closing down Attica Coastline SA while the Hellenic Republic Asset Development Fund (TAIPED) will be bolstered by the absorption of State Property Company SA (ETAD), according to the government's first law aimed at restarting the Greek economy.

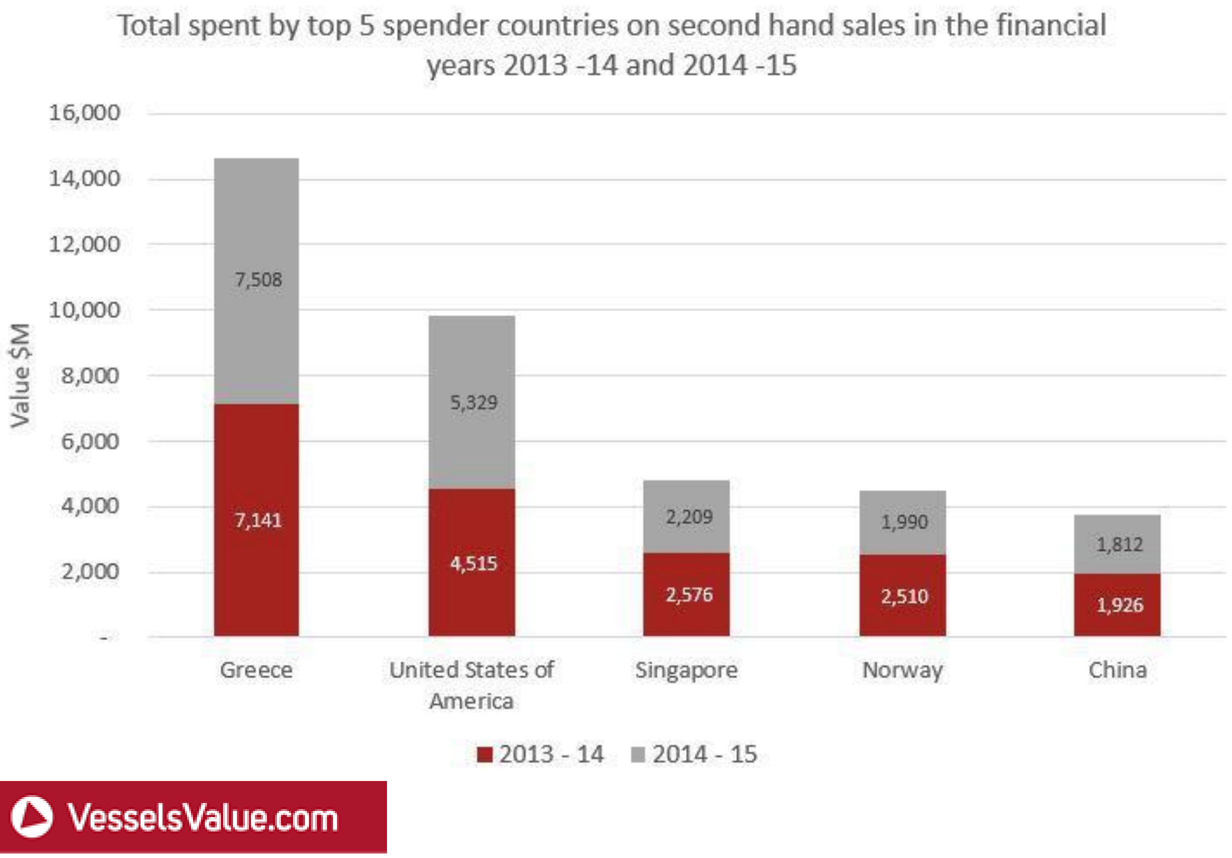
GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Freight rates in the Dry Bulk shipping sector remain at low levels with the Baltic Dry Index gradually inching towards the 600 points level as a result of a slight recovery in the Supramax / Handysize segments. On Friday, March 27th, the BDI closed at 596 points, up by 1% from last week's closing and down by 57% from a similar week closing in 2014. The sector keeps showing signs of weakness confirming indications of

China's economic slowdown as spot iron ore price continues to slide to $55/ton. In the Tanker sector, March ended with a downward trend in the Suezmax and VLCC segments. The Aframax tanker sector maintains its euphoria as tonnage supply shows a more balanced picture. The LPG freight market environment remains healthy, whilst LNG's spot rates are on record low of $45,000/day. The container market remains rather more stable.

The Greek shipowning community, especially top Greek shipping names, seem very keen to take advantage of the current low asset levels and have been very avid buyers during the last months. During March 2015, Minerva Marine (T. Martinos) appears to be busy expanding its tanker fleet; the company is being linked to the purchase of a third medium-range (MR) product tanker, bringing its fleet count in that segment to 17 vessels. Private Greek owner Goldenport Shipmanagement (P. Dragnis) is being linked to the purchase of a 2,496-teu boxship from ER Schiffahrt. The Anna Angelicoussis controlled Pantheon Tankers, is poised to add VLCC newbuildings to its orderbook at Hyundai Heavy Industries. Confirmation of the VLCCs would mark the owner's second tanker order at HHI during the first quarter of 2015. Olympic Shipping & Management (Onassis Foundation) has decisively renewed its industry presence and acquired from the hedge fund manager Oaktree Capital 2 x 319,869 dwt (ex-TMT) Ore-Oil carriers *Selma B* and *Camilla T* bought for a total capital outlay of about US$ 126 million.

The chart below provided by VesselsValue.com clearly shows that Greek shipowners have been very active over the past two years, taking advantage of low asset values. (Please click here for the full article)



On the shipping finance front, Diana Shipping (S. Palios) announced it signed a term loan facility with Nordea Bank. Through eight wholly-owned subsidiaries, it completed a drawdown of US$93.08 million, secured by 8 vessels. The proceeds will be used for the re-financing the existing indebtedness of 4 of these vessels in the amount of US$38.3 million, and for general corporate and working capital purposes.

On the US Capital markets front, during March 2015, the Peter Livanos' controlled, New York-listed, GasLog, announced its plans to raise $100 million through the issuance of 4 million redeemable preference shares at an interest of 8.75%. Credit Suisse Securities is the joint lead manager with UBS Securities, Morgan Stanley and Stifel acting as joint book-running managers. The proceeds will be used for general corporate purposes and possible vessel acquisitions. Gaslog has publicly announced its intention to expand its fleet from 31 vessels currently (if newbuildings, managed ships and GasLog Partners vessels are taken into account) to 40 LNG carriers by 2017.

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