



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

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

- Following his agreement with the Independent Greeks' leader Panos Kammenos to form a coalition government, SYRIZA leader Alexis Tsipras formed his first cabinet after being sworn in as Prime Minister.
- Prime Minister Alexis Tsipras promised "radical" change as his new government swiftly moved to roll back key parts of Greece's international bailout, prompting a third day of losses on financial markets.
- Greece won't engage with officials from the troika of official creditors who have been policing the conditions of its rescue since 2010. The new government hopes for a new agreement with the European Union that will allow Greece to recover.
- Fitch warned on Thursday that it will downgrade the Greek economy at its next scheduled review on May 15 if Athens and the Eurozone do not reach an agreement soon.
- Greece's current account deficit widened in November compared to the same month of a year earlier despite the rise from tourism receipts, according to Central Bank data. The deficit stood at €0.997 billion (\$1.15 billion) versus a deficit of €0.753 billion in November 2013.
- With the state budget apparently already suffering revenue losses of more than €1 billion in the first month of the year, the new government will have to respond quickly to the major financial obligations concerning cash coverage and loan requirements and mainly the return of the tax administration – and taxpayers – to normality.

- Greek bond yields shot higher on Monday 26 of January, after the result of the vote that saw the anti-austerity SYRIZA party sweep to victory, but the European Central Bank's decision last week to launch a roughly €1 trillion quantitative easing program checked any wider contagion.
- European officials spoke in unison one day after the elections in Greece about their intention to cooperate and negotiate with the new government in Athens, but stressed that Greece has undertaken clear commitments, especially regarding the implementation of reforms.
- Greek consumer prices fell 2.6% in December, with the annual pace of deflation accelerating from a 1.2% drop in November, according to the country's statistics service.
- Greece's inclusion in the European Central Bank's bond-buying plan this year depends both on its new government sticking to a bailout program and to some debt-market arithmetic. ECB offers Greece the prospect of eligibility as existing securities roll off in the middle of the year in order for those redemptions to bring the country back below the ECB's cap at 33% of an issuer's debt imposed by ECB initial guidelines.
- The sharp decline of crude oil rates and the significant drop of the euro against the US dollar and other major currencies have provided an opportunity for an important boost to the country's competitiveness and Greek exports, while the drop in energy costs should improve the disposable income of citizens and therefore consumption.
- Over a third of Greek households (34.4%) had an annual income of less than €10,000 last year, according to a survey conducted by the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE). A remarkably high 52% of all households had pensions as their main source of income, against 42.3% in 2012 and 48.6% in 2013.
- The agreement between Greece and the United States Internal Revenue Service, providing for the mutual exchange of data regarding bank deposits, is in its final stretch. Greece has consented to the application of the Foreign Account Tax Compliance Act (FATCA) between Greece and the US, which would allow Greek authorities to ask the IRS to supply data on the deposits of Greek citizens in the States, while the American authorities can also demand information on US citizens' accounts in Greece.
- The inflexible payments Greece has to make to its creditors this year are set to peak in the summer. January is the easiest month, as the repayments due then amount to just €515 million, but the payables will increase almost every month that follows, reaching their highest in July and August, when €8.8 billion will have to be paid out in total.
- The primary budget surplus in January-November 2014 was two-and-a-half times higher than a year earlier and the state has repaid a significant portion of its arrears to third parties, but the country's social security funds are cash-strapped and showing a significant deficit, according to figures released by the Finance Ministry.
- Greece's central government fell far short of its projected budget surplus for 2014, according to the Finance Ministry, citing lower tax revenues and a stalled bailout review that prevented the disbursement of funds.
- The officially registered deficit of the country's social security funds for 2015 comes to €1.5 billion and is expected to top €2 billion if the "zero-deficit clause" for funds is abolished.

FINANCIAL MARKETS NEWS

- Greek bank stocks' main stakeholder, the state's Hellenic Financial Stability Fund, has lost more than €15 billion during the recent severe decrease in the value of the banks' shares on the Athens bourse.
- Standard and Poors announced the possibility to downgrade the creditworthiness rate of CCC + for the four major Greek banks.
- The management of Greek banks has set ambitious targets for 2015 and aims to boost their profits as well as to increase the financing made available to corporations and households. These may or may not be affected by political developments, which may lead to a loss of deposits. Barclays Bank estimates that €20 billion worth of deposits have been withdrawn already.
- As Greeks with loans in Swiss francs await an intervention from the new government, Greek banks are already attempting to contain their clients' losses by reducing the amounts paid in repayment installments ahead of the upcoming increase, which is expected to reach at least 10%.
- Total credit in Greece shrank 2.9% y-o-y in November, with the pace of decline slowing from the previous month, according to Bank of Greece data. Credit extended to the government fell

1.7% after shrinking 7.0% in October. Lending to businesses and households also declined, by 3.0%, from a 3.2% drop in October.

- The European Central Bank is putting the brake on the purchase of treasury bills from Greek banks by advising them to be cautious in managing their liquidity. Frankfurt's warning to the country's four systemic lenders arrived in Athens in the form of a document forwarded by the Single Supervisory Mechanism (SSM), which undertook the monitoring of the systemic banks in November in the context of the banking union.
- Greece's central bank has moved to protect its banks, asking the European Central Bank to approve a stand-by domestic emergency funding line.
- Europe's biggest banks have limited risk tied to Greece after selling local units and cutting holdings of the country's bonds, according to JPMorgan Chase & Co. Six banks in Germany and France have about €5 billion (\$6 billion) of credit to Greek clients. Credit Agricole SA (ACA) of France has the highest at €3.5 billion, mostly corporate loans.
- German banks have around €23.5 billion (\$28 billion) in credit exposure to Greece, but the systemic risk is limited as the biggest commercial banks, Deutsche Bank and Commerzbank, hold only a tiny fraction of that, according to figures gathered by Reuters.
- Greek banks are better prepared than in 2012 and a possible outflow of deposits will be manageable, according to a Fitch Ratings analysis. However the international firm noted that local lenders will face a greater risk from any prolonged political and economic uncertainty and a delay in reaching an agreement with the country's creditors.
- Banks are making plans for a significant increase in credit in 2015, following a year that saw just €650 million issued in housing and consumer loans.
- Greek investors who have withdrawn some or all of their deposits in the last month-and-a-half are not panicking, aiming, instead at finding investment targets that would secure them positive returns, at least for the first half of the year, according to sources.
- German bond yields hit record lows while fears about Greek banks sent the country's borrowing costs spiraling - signs of the fallout from the Swiss National Bank's shock decision to scrap its currency cap.

BUSINESS NEWS

- Airlines are seeking to cover the gap left by Cyprus Airways' recent sudden shutdown; Greece's leading carrier Aegean Airlines is making plans to increase its presence on the Eastern Mediterranean island.
- Athens-listed construction firm J&P Avax has landed a €125 million project in Malta. The project comprises the study, construction and operation of a plant for the import of liquefied natural gas (LNG), its storage and gasification on the Mediterranean island.
- Food group Chipita is relocating back to Greece from Cyprus, reversing the recent trend of major enterprises leaving the country. The move is based on the improvement in Chipita's net position and on the decision to relist the company on the Greek bourse, according to the company's CEO Spyros Theodoropoulos.
- Consumer confidence in Greece dropped three points in the last quarter of 2014, according to market research company Nielsen. The reading fell from 56 points in the third quarter to 53. This was the first decline for the index after three quarters of growth, showing that the country has been in a period of fragile recovery.
- A total of 2.987 million containers were handled last year by Piraeus Container Terminal, Chinese company Cosco's local subsidiary, at the second and third container terminals of Greece's largest port (according to figures released at the Hong Kong Stock Exchange, where Cosco Pacific is listed). The annual growth in containers handled amounted to 18.5% from 2013, when terminals II and III had handled just over 2.51 million containers.
- Some 70,000 enterprises and self-employed professionals have applied to have their debts to tax authorities and social security funds restructured, made possible by a recently passed law. Their entry into the payment scheme opens the way for the settlement of their debts to banks.
- Six in every 10 new cars being sold in Greece are diesel powered, according to the latest data of the Association of Car Importers and Representatives.
- Greek exports and industrial output posted a significant increase in November, the month before political uncertainty began to mount in the country, according to data released by the Hellenic Statistical Authority (ELSTAT). November was the second consecutive month of growth for Greek exports, assisted considerably by the decline of the euro against the dollar and other

major foreign currencies.

- Revenues from the export of Greek products and services will grow between 5 and 5.5% during 2015 according to forecasts by international organizations, after 2014 has closed with an estimated decline of 2-2.5% according to Christina Sakellaridi, the president of the Association of Panhellenic Exporters.
- The economy is already on the course to recovery, according to an Alpha Bank analysis, but it would have seen a better performance if domestic output had improved as domestic demand expanded by 2.2% in the third quarter of 2014. Domestic output failed to match the rise in demand and an increase in collections from tourism and shipping, resulting in the reduction of stocks (that deducted 1.82% from the growth of the gross domestic product in the third quarter of 2014) and in the major rise in imports.
- Annual turnover at Greece's nine licensed casinos has shrunk by half a billion Euros over the past seven years, mainly due to the economic crisis but also to the growth of illegal gambling.
- Retail commerce saw Christmas turnover plunge €500 million compared to last year as the problem of diminished disposable incomes was exacerbated by the negative timing due to political uncertainty in the country.
- Trucks carrying olives from the Peloponnese have been ferried across the Adriatic Sea, as traders from Italy have for the first time bought not only olive oil in bulk but also olives, to cover the loss in Italian production that has reached 35% this year.
- Greece's biggest toy retailer Jumbo said recently that sales for the fiscal first half to December 2014 rose by 7.7% thanks to strong growth outside its home market.
- Orange production in Greece is set to decline after damaging rain in May and June, while Italy's output will also fall, according to the Foreign Agricultural Service of the U.S. Department of Agriculture.
- Last year produced a positive balance in terms of jobs, as within a year 99,112 more were created than those lost, even though dismissals outnumbered hirings by 91,761 in the last four months of the year, according to Labor Ministry data.
- Listed firm Selonda Aquacultures announced the signing of three corporate bond programs with banks, aimed at refinancing the fish farming company's debts. The bonds are worth €100 million, €8 million and €2 million respectively.
- Athens-listed company Yalco Constantinou SA announced the expansion of its operations in Cyprus. The distributor of household goods and hotel equipment has created a wholly owned subsidiary with €5,000 capital.
- Greek shipowners invested a total of €12.21 billion in the period from January to November 2014, either in ordering new ships from shipyards or on the acquisition of used vessels, according to Intermodal shipbrokers.
- Fewer commercial stores shut down in the center of Athens and other popular shopping districts around the city in 2014 than in 2013, but about three in every 10 remain without a tenant, while this rate is even higher in certain central streets.

Real Estate

- Athens ranks fifth out of 28 European city destinations for real estate investment in 2015, according to this year's annual survey by the Urban Land Institute (ULI). The Greek capital leapt from 28th position last year, as sector professionals expect it to be a magnet for property investments even though the local market is still only beginning to recover. Still, the survey was conducted in November 2014, before the onset of political uncertainty brought about by the early elections.
- The decline in construction activity continued in October 2014, according to data released by the Hellenic Statistical Authority (ELSTAT). Building permits declined by 19% y-o-y to 1,269, corresponding to 243,100 square meters of surface area (down 13%) and to 1,065,500 cubic meters of volume (down 6.5%).
- Ethniki Pangaea, the country's leading real estate investment company, has decided to freeze all its plans for the acquisition of properties and bourse listing until the political and economic developments in the country become clear.
- The sale prices of winter homes in the countryside have posted a mean decline of 49% since 2008, when they reached their peak, a survey by chartered surveyors Geoaxis has shown.
- Greek property prices posted the biggest drop in the entire European Union in the third quarter of 2014, according to Eurostat figures published in Brussels. The data reflected the picture shown by a Bank of Greece survey, which pointed to a 7% annual decline in the July-September period.

Tourism

- Greece enjoyed the biggest global rise in German visitors last year. According to German tourism publisher FVW, which cited figures from the German federal statistical authority, air arrivals to Greece from Germany grew by 19% compared to 2013 to exceed a total of 2 million.
- Greece now has a record number of 10,000 accommodation units (hotels, hostels and campsites), according to official data compiled by the Hellenic Chamber of Hotels.
- Fluctuating foreign currency rates may affect the number of tourism arrivals in Greece this season to a greater extent than in the last few years, according to the president of the Hellenic Hotel Federation, Yiannis Retsos.
- The booking rate for Greeks taking their holidays abroad as well as at domestic destinations is reminiscent of the time before the start of the financial crisis.
- Work gets under way on the expansion of the cruise terminal in Piraeus this year, set to make it the biggest cruise hub in the Eastern Mediterranean, allowing for the docking of the biggest and best cruise ships, whose length exceeds 300 meters.
- Greek tourism enjoyed a golden year in 2014, as both arrivals and revenues reached an all-time high, according to provisional figures for the period from January to November released by the Bank of Greece.
- International tourism arrivals in Greece reached a new record of 19 million in the first nine months of last year according to the Bank of Greece's border survey published by the Hellenic Statistical Authority (ELSTAT).
- Holiday bookings from the United States and Britain for this season are pointing toward an increase which has been boosted by the decline of the Euro against the US dollar and the British pound. Similarly the rise of the Swiss franc against the Euro is creating expectations of an increase in the flow of tourism from Switzerland, too.

Energy

- Public Power Corporation (PPC) has seen its cash flow enter the red as unpaid debts from bills have exceeded €2 billion, according to the official figures.
- Public Power Corporation (PPC) and a foreign consultancy firm are together examining the possibility of reducing PPC's electricity rates in a bid to respond to longtime demands by its major clients, as the power giant eyes the continuing drop in fuel rates (oil and natural gas) and the positive impact from changes to the wholesale market.

Investments

- Investments by Athens-listed companies expanded by almost two-thirds in the first nine months of last year compared with the year before, adding up to €2.5 billion against €1.5 billion in 2013.
- Three-quarter data showed significant growth in the investment of companies listed on the ATHEX with a capitalization of over €500 million, as the improvement in the economic climate allowed many of them to restart their investment programs aiming to retain their market shares and to strengthen their business activities abroad.
- Greece achieved one of the highest rates of European Union subsidy absorption in 2014, according to the Development Ministry, as it managed to avoid losing out on any contributions from Brussels from any funding program. The country invested €3.64 billion in EU funds last year to take its absorption rate from the 2007-13 funding period (extended by two additional years), to 87.97%. In total the country has absorbed €19.48 billion from the 2007-13 funds.
- Foreign investors were net buyers for the 26th successive month in December, with capital inflows totaling €219.11 million, while Greeks were net sellers, with capital outflows totaling €207.64 million. Foreigners accounted for 66.2% of market transactions, while Greeks accounted for 17.7% of transactions. Foreign investors slightly reduced their exposure on the Athens Stock Exchange in December, with their participation falling to 61.5% from 62.1% a month earlier.
- The election has drawn mixed responses from investors. Pacific Investment Management Co (PIMCO) and hedge fund Greylock Capital Management say the election of the anti-austerity SYRIZA party in Greece hasn't lessened their appetite for the country's bonds. Jeffrey Gundlach, co-founder of DoubleLine Capital, said that yields will increase. Fidelity Worldwide Investment cut its holdings before the election and is staying on the sidelines, as is billionaire hedge fund manager John Paulson.

- LNG Capital LLP, a London-based hedge fund that focuses on credit markets in Western Europe, says concerns Greece could exit the Eurozone are overdone and it closed some trades betting the nation's debt will fall.
- Investors, who have driven down Greek stocks since voters elected an anti-austerity government determined to re-negotiate the country's debts, may be overreacting, according to Nobel Prize-winning economist Robert Shiller.
- Investments and projects worth over €10 billion have ground to a halt in anticipation of the election result. The development of the Elliniko plot, the privatization of the port authorities of Piraeus and Thessaloniki, the Public Power Corporation and the water companies of Athens and Thessaloniki, the utilization of regional airports, mineral sources and railways, the beautification of Faliro Bay, sports infrastructure, major tourism developments such as that at Kassiopi on Corfu, the new Iraklio airport and the new national highways are all at a standstill as Greece awaits the new government moves.

Technology- Communications

- The Quest group has completed the acquisition of Cardlink SA from Alpha Bank and Eurobank, which split the price of €15 million that Quest subsidiary U-You Ltd paid out to buy 100% of Cardlink's shares. Cardlink is active in the banking sector, specializing in point-of-sales network services for electronic transactions with cards, being one of the main suppliers of electronic transaction products and services involving shops and banks.
- The average cost of a combined connection to a land line, a mobile line and broadband Internet amounts to 4.8% of the average annual income of Greek citizens, according to a survey by the International Telecommunication Union (ITU).

TENDERS - PROCUREMENTS

- The Greek government of SYRIZA will freeze plans to privatize the country's dominant power utility PPC, according to the new Production Reconstruction, Environment and Energy Minister Panayiotis Lafazanis.
- Before even undertaking his portfolio, the new government's Alternate Minister for shipping, Theodoros Dritsas, announced the cancellation of the privatization of Piraeus Port Authority (OLP). Dritsas stated that "the public character of the port will be maintained. The OLP sell-off stops here." He added that the state privatization fund (TAIPED) or its new form will suspend the process for the sale of the majority stake in OLP.
- The cancellation of Piraeus Port Authority's privatization is certain to signal the same fate for its Thessaloniki counterpart, which was also in line for a sell-off by TAIPED. If the new government chooses one mode of operation for OLP, it is likely that it will also impose the same on all of the country's ports.
- The online auctions of state properties that state privatization fund TAIPED has conducted in the last 18 months have fetched the sum of €26.2 million.
- According to the new energy minister, Greece's new government will reevaluate the plans of selling the state natural gas utility and is firmly opposed to a Canadian gold mine that is among the biggest foreign investment projects in the country.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

During January 2015, the dry shipping market remained at historically low levels with the Baltic Dry Index (BDI) persisting below the 700 points, closing the month at 608, the lowest level since its introduction. At the time of the writing the BDI stands at 608, which is its lowest level in 28 years. It was last at these levels on August 1986. An upturn in freight rates is not expected in the near term, at least not before the end of Chinese New Year. The last week of January ended with an increase in dry bulk chartering activity, but the issue of overcapacity reversed the recovery. On the other hand, January was another great month for the wet sector with rates improving once again month-on-month. In the VLCC segment rates showed steadiness at the increased levels of the previous week at rates close to US\$ 70,000/day. The Container Freight Index remains above 1,000 points since December 2014. LNG spot rates are standing at US

\$75,000/day showing gradual recovery from the levels of May 2014.

when they were floating in the region of US\$60,000/day.

Orders at Japanese yards fell 37% year on year in December 2014, continuing another decline as investment appetite for newbuildings has been affected by the slow dry bulk market. Conditions in the debt ship financing industry remain challenging but ship financing circles expect these to stabilise in 2015 and begin to improve during 2016. Shipping companies are still very active in the capital markets and during 2014 it is estimated that they successfully raised US \$4.8 billion.

During the first month of 2015, there has been increased activity from Greek shipowners in the US capital markets, more specifically:

Euronav NV recently announced the commencement of its underwritten initial public offering in the United States from 13.5m shares to 16.2m, at an issue price per share of US\$12.25 for gross base proceeds of US\$199.1m. The company may use the net proceeds of this offering for general corporate purposes and working capital, which may include the acquisition of additional new or secondhand vessels.

Star Bulk Carriers Corp. announced the closing of its previously announced primary underwritten public offering of 49mln of its common shares, at a price of US\$5.00 /share. The aggregate proceeds to the company net of underwriters' commissions were approximately US\$242 million. The company intends to use the net proceeds from the offering for its newbuilding program and general corporate purposes.

DryShips is spinning off 10 tankers in a new US IPO aimed at raising up to US\$100m. The George Economou-led company has filed with the SEC to list Tankships Investment Holdings. It plans to list on Nasdaq under the TNKS ticker. Tankships has four suezmaxes and six aframaxs totalling more than 1.3m dwt and with an average age of 2.5 years. The company also said it expects to arrange a secured credit facility worth \$375m over seven years with unnamed lenders. This will fully refinance the bank debt of the existing fleet and finance part of the cost of acquiring three new tankers.

London

Eurofin International Ltd
Suite 217 Harbour Yard
Chelsea Harbour
London SW10 OXD
United Kingdom

Tel.: +44 207 751 5515
Fax.: +44 207 751 5516
eurofin@eurofingroup.com

Athens

Eurofin SA
11 Neofytou Douka
GR-106 74 Athens
Greece

Tel.: +30 210 36 23 334
Fax.: +30 210 36 40373
eurofin@eurofingroup.com

Singapore

Seafin PTE Ltd
8 Cross Street
PWC Building #28-00
Singapore 048424
Tel: +65 6850 7801
Fax: +65 6850 7801
seafin@seafin.com.sg

DISCLAIMER NOTICE

The information contained herein was prepared by Eurofin S.A., its affiliates and associates ("Eurofin") and gives a general overview of the Greek current financial and business market, based on private and publicly available sources that Eurofin believes to be accurate and reliable. All information contained in this e-mail are given in good faith, without any guarantees as to their accuracy or completeness. Whilst care and attention has been applied in the compilation of the information contained in this newsletter, no liability can be accepted by Eurofin for any loss or damage incurred in any way whatsoever by any person who may seek to rely on the information and views contained herein. For further and more detailed information/analysis as well as advice regarding topics discussed in this e-mail, please do not hesitate to contact the Eurofin Group Greek team:
greece@eurofingroup.com

Internet e-mails are not necessarily secure. Eurofin does not accept responsibility for changes made to this message after it was sent. Whilst all reasonable care has been taken to avoid the transmission of viruses, it is the responsibility of the recipient to ensure that the onward transmission, opening or use of this message and any attachments will not adversely affect its systems or data. Eurofin accepts no responsibility in this regard and the recipient should carry out such virus and other checks, as it considers appropriate.

Copyright © 2015 Eurofin S.A. All rights reserved.
Member of Eurofin Group of Companies
Please see www.eurofingroup.com for a detailed description of Eurofin Group.