Eurofin
Lateral Thinking

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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.

IN THIS ISSUE

NATIONAL ECONOMY NEWS AND TRENDS

- January's snap elections have reignited talks about a possible Greek exit from the Eurozone, while statements from both major parties insisting that the next government will see Athens sticking to its commitments are also on the increase.
- Fitch Ratings warned that it may change Greece's rating due to political developments. It stated that the early elections have increased the risk of a change, meaning a downgrade, and estimated that the political uncertainty will likely remain high for "a few months."
- The International Monetary Fund said it was suspending financial aid to Greece under its huge rescue program until a new government is formed after elections slated for the 25th January.
- The local credit system's cash flow is sufficient to cover the needs of the state, enterprises and households at least until March, sources from the Central Bank as well as top lender officials assured.
- At the end of November Greece was on course to exceed its revised target for the primary surplus of the 2014 budget, with revenues exceeding expenditure by €3.5 billion or 2 % of gross domestic product. However December's target for €8.43 billion in revenues now appears very hard to attain, due to the drop in tax collections and political uncertainty, putting the execution of the budget in doubt.
- Greece scored 43 out of 100 points on the perception of corruption scale published by Berlin-

based NGO Transparency International, having made some progress from last year when it scored 40 points. The score of 43 also shows that Greece is seen as the most corrupt nation in the European Union – along with Bulgaria, Romania and Italy – far below the best-performing Denmark, which scored 92.

- The State can expect to receive €770 million from 71,000 debtors who have applied for entry into a new payment plan designed by the Finance Ministry for debt to tax authorities. Already 43,000 debtors have paid the first tranche, bringing €11 million into state coffers, money that would probably not have been forthcoming without the new regulations, which allows for debt repayments to be effected in up to 100 installments.
- Greece's creditors insist on a further reduction of the 700 tax exemptions that remain in place, with the governor of the Bank of Greece voicing his support. The cost of tax exemptions to the Greek state comes to €3.6 billion, down from about €8 billion before the financial crisis.
- Deflation persisted in the Greek economy in November for a 21st month, mainly due to the impact of the lower taxation on heating oil consumption and the global decline in fuel prices.
- According to data published by the Finance Ministry, tax revenues in the January-November period missed their revised target by €678 million, which is attributed to the significant reduction in income tax collections, put at €416 million. In total, the net revenues of the state budget posted a shortfall of €1.2 billion and it seems highly unlikely that the budget target will be reached by year-end.
- Unemployment fell to 25.5 % in the third quarter of the year, against 26.6 % in the second quarter of 2014 and 27.2 % in the third quarter of 2013, according to seasonally unadjusted data published by the Hellenic Statistical Authority (ELSTAT).
- The work of the European Commission's Task Force for Greece is to be completed at the end of February, with the formal completion of the bailout agreement, while a new European agency is expected to replace it.

FINANCIAL MARKETS NEWS

- Greek stocks suffered their worst day in decades on Tuesday 9 December 2014, as fears of a snap poll that could stall reforms and bring the country back to the brink of default resurfaced after the government brought forward the presidential election. Bond prices also declined considerably on the day. The Athens Exchange (ATHEX) general index closed at 902.84 points, shedding 12.78% from Monday's 1,035.08 points. The large-cap FTSE/ATHEX 25 index contracted 12.93 % to 292.16 points.
- In this context, anxiety that voters will kick out leaders committed to Greece's bailout wreaked havoc on markets, with a three-day slump in stocks making them this year's worst performers behind Russia.
- Alpha Bank confirmed it has reached an agreement for the sale of its Cypriot subsidiary Alpha Insurance. The cost of the sale amounts to €14.5 billion, with the transaction pending the necessary regulatory approvals.
- Attica Bank's general shareholders assembly voted to proceed with the lender's €433 million share capital increase. Stakeholders also agreed to the reverse split of Attica shares with a respective increase in their nominal value, while there was no news on attracting a strategic investor.
- Cypriot lender Hellenic Bank anticipates a listing of its shares on the Athens Stock Exchange in early 2015, according to its chairwoman, giving the bank access to additional market liquidity.
- Fitch Ratings has placed Piraeus Bank's mortgage-covered bonds' B+ rating on Rating Watch Evolving (RWE). The rating action follows the segregation of new assets that the issuer put into the cover pool by using loans originated by several banks acquired recently by it.
- Piraeus Bank has shut down 70 branches in the last few weeks as a part of the group's restructuring that has seen its network shrink from 1,350 branches in early 2013 to 800 today, or a reduction of 41 %.
- The recent political developments have also had a negative impact on hedge funds' appetite to invest further in Greece, especially on those that had bet on the country's recovery and can now see ominous clouds gathering overhead.
- The Bank of Greece has decided to maintain a precautionary capital reserve of €2 billion from the unused resources set aside for the recapitalization of the Greek credit system at the Hellenic Financial Stability Fund (HFSF).
- Greek bank deposits dropped slightly in November for the second month in a row, according to

Central Bank data. Business and household deposits dropped 0.12 % month-on-month to €164.3 billion from €164.5 billion in October.
- Greek government bonds with longer maturities are worth keeping through a period of volatility as snap elections approach, Morgan Stanley said.

BUSINESS NEWS

- For the first time in five years, November traffic at Athens International Airport (AIA) exceeded 1 million passengers. Figures released by AIA showed that 1.04 million passengers used the country's main air terminal last month, up 27.4 % from November 2013.
- British American Tobacco Hellas, the local subsidiary of the multinational tobacco giant, is planning to invest more than €30 million in Greece in the 2015 financial year, according to the chairman and chief executive officer Gianpiero Pazzanese.
- Burger King, America's second-biggest fast food chain, with a presence in over 100 countries worldwide, has announced its intention to enter the Greek market through the joint venture Burger King Southern and Eastern Europe SA, set up to promote activities in Italy, Poland, Greece and Romania.
- Greece's exports volume is only expected to shrink by 2-2.5 % this year compared with 2013, according to the Panhellenic Exporters' Association, as some signs of a small recovery in the sector have been observed in the last quarter of the year.
- Soft drinks manufacturer Pepsico-Ivi is seeking a bottler in the Greek market to take on the exclusive rights of production and sale of its brands, as the Pepsico group wishes to disengage from its loss-making activity in Greece.
- The German government will stop issuing credit guarantees for exports to Greece at the end of the year because private insurers have signaled they are ready to cover the risks of non-payment themselves.
- Listed Diagnostic and Therapeutic Center of Athens Hygeia SA announced it has acquired the remaining 12.4 % of its Hygeia Tirana SH.A. unit for €3.8 million to obtain 100 % control of Hygeia Tirana's shares.
- In the last days foreign suppliers have again started asking for the full cost of commodities exported to Greece to be paid in advance by their local representatives, in a picture reminiscent of the state of external trade from late 2011 to the 2012 elections.
- Greek industrial output fell 0.7 % year-on-year in October after an upwardly revised 4.9 % contraction in September, its eighth straight month of decline, according to statistics service ELSTAT. The drop was mainly due to a 5.6 % decline in mining output and a 13.1 % fall in electricity production. Manufacturing production rose 3.5 % from a year earlier.
- The Greek yogurt market has virtually stopped its declining course of previous years, as IRI market research data showed. In the first 10 months of the year the total value of yogurt sales declined by just 1.2 % year-on-year from a year earlier. Sales turnover reached €206.8 million but the swing in favor of traditional and fresh tastes saw the products of smaller yogurt makers – accounting for about 10 % of the market between them – record a 0.8 % increase in volume and a 1.6 % increase in turnover on a annual basis.
- Global conglomerate Libra Group, with origins in Greek shipping, is pressing ahead with its $500 million investments in Greece despite the country's political turmoil, its chief executive said.
- The gap between large commercial enterprises and small and medium-sized businesses is growing bigger, an annual report by the National Confederation of Commerce and Entrepreneurship (ESEE) has shown. While large companies are returning to an increase in turnover and profits, smaller ones continued to face the risk of closure by the end of 2014.
- Turnover in Greek wholesale commerce recorded a rise for a second consecutive quarter in the period from July to September, according to Hellenic Statistical Authority data.
- The annual employment report from the Labor Ministry illustrates the lack of innovation in Greek entrepreneurship, as those setting up a business tend to resort to easier activities in the service sector such as commerce and catering. It also points to the decimation of many small enterprises and the fact that the majority of people in employment work for just 1.6 % of employers.
- World olive oil production will fall to the lowest in 15 years in the season through September 2015 on plunging output in Spain and Italy, the biggest growers, according to the International Olive Council forecast. However in Greece, the third-biggest olive oil producer, volumes climbed

substantially to 300,000 tons from 131,900 tons, while Tunisia's production may rebound to 260,000 tons from 70,000 tons, based on the forecast.

- China hopes to turn the Greek port of Piraeus – where the Chinese shipping giant Cosco has a 35-year concession to hugely expand its two container terminals – into a new hub for trade with the continent. In this context, China signed a huge deal to finance a high-speed bullet train between Budapest and Belgrade, a key link in Beijing's expanding network for getting its goods to European markets.
- Piraeus Container Terminal, the local subsidiary of Chinese giant Cosco, is expected to handle a total of over 3 million containers in the January-December period of this year.
- Greece's third-biggest retail group, Sklavenitis SA, has announced the acquisition of a 60 % stake in the family-owned Cretan supermarket chain Halkiadakis, expanding its presence further after the takeover last month of Makro Cash & Carry.
- The first four funding contracts of the Institution for Growth in Greece (IfG) fund with small and medium-sized enterprises were signed in Athens in the presence of Prime Minister Antonis Samaras and the executive vice president of German investment bank KfW, Christian Funke. The four companies have signed deals with Piraeus Bank and Eurobank to receive loans of €300,000 to €500,000 with a competitive interest rate.
- The Greek Manpower Organization (OAED) is launching a pilot program to test a scheme created in cooperation with Microsoft and aimed at training jobless people in information technology for free, with the eventual aim of expanding to all registered unemployed. Regardless of age, specialization or any other parameters, the so-called IT Academy that OAED has developed with the US-based computer software giant will at first allow a number of those on OAED's unemployment register to develop their IT skills with free classes through Microsoft's international platform used by millions of people around the world.

Real Estate

- Fewer construction permits were issued in September year-on-year, but data released by the Hellenic Statistical Authority (ELSTAT) also showed that the buildings volume was up, pointing to the fact that those properties will be larger than average.
- The construction of new residential buildings across the country is expected to post a significant decline for one more year at the end of December, as in the first seven months only 5,637 new houses and apartment blocks were completed against 7,009 in the same period in 2013, according to data released by the Hellenic Statistical Authority (ELSTAT).
- The rate of the drop in rents across the country increased in the January-September period according to data from the Hellenic Statistical Authority and the Bank of Greece, which concur with estate agencies' conclusions. Rents started falling at a faster clip after 2012, when the annual rate of decline came to 2.1 %. In 2013 it reached 6.8 % and this year it came to 8.1 % in the first nine months compared with a year earlier.
- The prices of private islands in Greece are becoming ever more attractive to foreign buyers, having declined 40% on average since the start of the financial crisis at the end of 2008. One can now purchase an island under the sun at a similar price to that of an average-sized house in a London suburb.
- Any talks about new investments by foreign investors in real estate has frozen in light of the political developments in the country. It was apparent that problems were lying ahead as early as mid-October, with sector officials saying that a number of foreign investors interested in property had become more reserved then subsequently, putting their decisions on hold.

Tourism

- The total number of foreign visitors to Greece broke the barrier of 20 million in the first 10 months of 2014, reaching 20.8 million according to data released by the Bank of Greece. The figure includes cruise visitors and accounts for a 21.9 % annual increase.
- Greece enjoyed the fifth-biggest increase in Google searches from the UK market this year in the category of emerging holiday destinations, according to a chart published by the world's biggest online search engine. Italy was top, followed by Iceland and Portugal.
- The bad press Greece has recently received owing to possible political and economic developments has had an immediate impact on tourism bookings for 2015, according to the president of the Association of Hellenic Tourism Enterprises (SETE). Hotels are already reporting a slowdown in the rate of bookings, while the representatives of foreign tour operators are expressing concern to Greek hoteliers regarding the deposits they have paid in

case the Greek banking system is affected by developments in the country.

- Tourism professionals vehemently oppose the government's intention to raise the value-added tax on accommodation from the current 6.5 % to 13 %. According to the calculations of the Association of Hellenic Tourism Enterprises (SETE), the hike would lead to moderate VAT revenue growth of €283 millions, but would also slash gross domestic product by up to €3.8 billion.

Energy

- The state is currently unable to pay the amount required for the acquisition of a 34 % stake in the country's Independent Power Transmission Operator (ADMIE), as provided for in a plan approved by the country's creditors. Public Power Corporation is supposed to transfer the 66 % majority stake to an investor through an ongoing international tender, with the remaining 34 % to be sold to the state at a price proportionate to that arranged with the strategic investor.
- Aktor, a subsidiary of Athens-listed company Ellaktor SA, announced the signing an agreement for the lease of a lignite mine in the Florina region of northwestern Greece. The contract provides for the extraction of 120 million tons of lignite and will bring above €150 million of net profits for the Greek state in the first 15 years.
- Fuel prices across the country may have dropped to the lowest level in recent years, but an Athens prosecutor launched an investigation to check the extent to which price reductions in Greece follow the course of global oil prices and to look for instances of profiteering.
- Fuel retailers are reporting that rising demand has come to a sudden halt this month, despite the drop in prices. The development is indicative of the negative impact that the climate of political uncertainty has had on the market.
- Natural gas will be 20 % cheaper for Greek consumers by March, while the first 5 % drop in rates will come in January thanks to the significant decline in the commodity's global prices, according to Environment, Energy and Climate Change Ministry.
- Israel is lobbying the European Union to decide on investing in a pipeline from its Mediterranean gas fields to Cyprus that would provide a new alternative to Russian energy supplies.
- Athens is seeking an exit formula for oil giant Shell from the Attica Gas Corporation due to the multinational company's intransigent attitude in negotiations for the liberalization of the natural gas retail market. Shell is the strategic investor in the Attica Gas Corporation, controlling 49 % of the country's biggest regional gas supplier. The Anglo-Dutch multinational reportedly started asking the Greek state for compensation from the very moment that the country's creditors raised the issue of abolishing the exclusive right to gas supply that the three respective gas corporations have in Attica, Thessaly and Thessaloniki – an exception to European Union rules.
- Kristalina Georgieva, the European budget commissioner, said recently that the European Union would speed up work to help provide more energy security for Southeastern Europe, including measures such as financing gas connectors between Bulgaria, Romania and Greece, after Russia announced it was dropping the South Stream project.
- Shareholders in the Trans Adriatic Pipeline (TAP) project for the transport of natural gas are working toward doubling its capacity in the aftermath of Russia ditching plans for the South Stream pipeline. British Petroleum, which heads up the consortium that controls the Shah Deniz natural gas field in Azerbaijan and owns a 20 % stake in TAP, has reportedly informed the European Commission and the Greek government of its intention to raise TAP's capacity from 10 billion cubic meters per year to 20 billion cubic meters per year from the start of its operation in 2020.

Investments

- Investors intending to place their money in Greece are waiting for the political uncertainty to clear, according to Deputy Development Minister Notis Mitarakis, but some applications for entry into the fast-track system are continuing to come in.
- In total the net flow from foreign direct investment (FDI) has increased by 43 % since 2012, which had seen a 64% increase from the year before. In the first 10 months of this year, according to Bank of Greece figures, the net inflow from FDI came to €1.3 billion.
- Hedge fund manager John Paulson, whose company Paulson & Co holds a 5 % stake in EYDAP and Eurobank, told the 16th Capital Link Invest in Greece Forum in New York that he is freezing his plans to invest further in the country due to the political instability.
- In addition, investors both in and outside of Greece are expressing concern about the recent

political developments in e-mails to the Finance Ministry, the Bank of Greece and the managers of the country's main banks. The correspondences from foreign funds refer to the suspension of their activities in Greece until the country's political situation becomes clearer.

- York Global Finance Offshore BDH (Luxembourg) S.a.r.I. announced the acquisition of another 5,133,174 shares in blue chip Terna Energy on Thursday in a non-bourse transaction amounting to a 4.70 % stake in the Athens-listed company.
- The high rate of private consumption in Greece constitutes an obstacle to the strengthening of investments, according to a report published by Eurobank. In the report, the lender's analysts show that in 2013 the Greek rate of private consumption amounted to 71.21 % of the country's gross domestic product, while the average level among the 15 old members of the European Union amounted to 56.92 %.

Technology- Communications

- The online commerce sector is growing and maturing in Greece, especially in the business-to-consumer section. Consumers using the Internet for their purchases are on the rise and companies investing in online sales are being rewarded by buyers, the annual survey of the Electronic Trade Laboratory of the Athens' University (ELTRUN) has found. In 2014, Greek consumers raised the number of product categories they purchased electronically by about 10 % within one year, while the average frequency of online buys rose to nine purchases every six months against six in the same period last year.
- Wind Hellas said that the due diligence of rival telecommunications company Forthnet will soon be completed and a joint binding bid by Wind and Vodafone for the country's main alternative telecom supplier will come after the Christmas holidays.
- Greece's largest telecoms operator Hellenic Telecoms (OTE) has signed a new three-year contract with its main labour union, securing 7,000 jobs for the next three years. As part of a previous labour deal in 2011, OTE introduced a 35-hour working week, which meant an average 11 % wage cut, to avoid layoffs. The new 2015-2017 labour deal also introduces €755 ($920) a month entry salary for new hirings, much higher than the average minimum wage in the Greek private sector.

TENDERS - PROCUREMENTS

- State sell-off fund TAIPED launched the privatization process for Athens International Airport with the announcement that it has commissioned an independent consultant to assess the reasonable value of the rights to operate the airport for 20 years. The TAIPED plan is for the existing concession contract, which expires on June 11 2026, to be extended to June 11, 2046.
- The first major opening of the domestic hydrocarbon market happens to have coincided with the unexpected and rapid decline in global oil prices. This has raised concerns in the Energy Ministry about two tenders for the concession of 20 blocks in the Ionian Sea and South of Crete, as well as three blocks in Arta-Preveza, Aitoloakarnania and northwestern Peloponnese.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

Dry Bulk Shipping industry confidence levels fell during the last 3 months of 2014, to their lowest levels for 2 years as the Baltic Dry Index (BDI) persists below the psychological barrier of 1,000 points. On the Tanker sector, December ended with firmness in Freight rates for all shipping asset classes primarily for the VLCC segment. LNG spot rates remain steady at levels above US$67,000/day. Last but not least, on the container sector, December marks an unexpected firm recovery in Asia-Europe rates that climbed again over the $1,000/ TEU.

According to TradeWinds' research, during 2014 (up to the 15th of December), Greek shipowners had acquired 314 ships totalling 23.6 million Dwt and representing capital commitments of US$ 6.3 Billion. That compared with a reported 389 vessels of 28 million Dwt purchased in 2013 for around US$ 6.8 Billion. Greek owners maintained their focus in the traditional sectors and despite the tough conditions in dry bulk shipping, they acquired over 180 bulkers compared to 75 tankers.

Greek shipowners continue to see prospects in the industry and maintain their keen interest to capitalise on opportunities that currently exist in it. As a result, during December 2014 a number of Greek shipping companies continued to tap traditional Debt as well as US Public and Private Equity markets to fund their expansion plans.

More specifically, during December, Dynagas LNG Partners (G. Procopiou) filed a US$500 million shelf registration with the US regulators whilst it also moved its stock listing from NASDAQ to NYSE to capitalise on the exchange's larger pool of investors.

During December, US publicly listed Dorian LPG (I. Hadjipateras) announced that it successfully secured the support of KEXIM and K-Sure for the funding of its US$1.36 Billion newbuilding program involving 18 Newbuilding Very Large Gas Carriers (VLGCs).

On the Private Equity side, Tanker Solutions, a JV between Prime of Greece and US private-equity firm Castlelake, acquired during December 2 x modern LR1 73.700 Dwt tankers; according to sources the total capital outlay was US$60 Million. During November 2014 the company had secured US$64m from CIT Maritime Finance in the US.

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