Eurofin
Lateral Thinking

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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

- Eurozone experts are now raising Greece’s expected fiscal gap for 2015 to €4 or €5 billion. DeputyFinance Minister Nadia Valavani’s dramatic call for people to pay their taxes highlights the problem of the revenue shortfall since the start of the year.
- Greece's tax revenues slumped 23% below target in January as citizens held off on paying taxes.
- A shortfall in January state revenues amounting to some €1 billion, according to officials at the General Accounting Office, has seen the Finance Ministry rallying the tax collection mechanism in an effort to cover the budget gap. Adding last January’s €1 billion hole to tax revenue losses of €1.3 billion from 2014, the revenue shortfall for the 2015 budget stands at €2.3 billion.
- Greece's current account deficit widened in December compared to the same month a year earlier, while tourism receipts rose slightly, according to Central Bank data. The deficit stood at €0.87 billion ($0.98 billion) versus a deficit of €0.24 billion in December 2013, due to lower inflow of EU funds.
- Deflationary pressure increased, with the consumer price index posting a decline of 2.8% in January 2015 compared to the same month in 2014, according to the Hellenic Statistical Authority (ELSTAT). This was the 23rd consecutive month of deflation in the Greek economy,

which in combination to the other economic developments constitutes an additional barrier to recovery.

- The European Union forecasts a growth rate of 2.5% for the Greek economy in 2015, down from a previous estimate of 2.9%, which was also the forecast of the Finance Ministry; this reduced forecasted increase is despite the fact that the economy grew even more than expected last year, by 1.2% against an estimate for 0.6%. However, the recent standstill following the elections could further affect growth and some pundits predict that the economy is likely to suffer a decline during 2015.
- Investment, tourism, consumption and exports contributed to Greece's 1.2% year-on-year economic growth in the last quarter of 2014 according to figures released by the ELSTAT.
- The agreement to extend Greece's financing contract up to four months significantly reduces the near-term risk of a breakdown in relations between the Greek government and the country's official creditors, according to Fitch Ratings.
- The government is looking at all possible sources to boost revenues in the short term. Prime sources will target undeclared funds but also through the introduction of measures aiming to obtain immediate settlements of debts to the state by offering haircuts on overdue taxes from taxpayers by up to 50%. The Finance Ministry is now planning an amnesty on undeclared capital abroad, aiming however to tax it – but not necessarily to repatriate it.
- Cancelling €100 billion ($113 billion) of Greece's debt would enable the country to cut the load in line with targets set by the international authorities that bailed out the nation, the country's debt adviser, Lazard Ltd's Matthieu Pigasse, said in a radio interview.
- A Greek proposal to swap government debt for bonds with interest payments linked to economic growth got a sceptical reception from Eurozone officials.
- Greek households lost €13.9 billion from their gross disposable income in 2013, with their disposable income falling by 10.2%, compared to 2012 where it fell from €136.5 billion to €122.6 billion, according to ELSTAT.
- A new repayment scheme being drafted by the SYRIZA-led government for the settlement of debts to tax authorities and social security funds provides for a maximum of 100 instalments, as per current legislation, but states that these should not exceed 20 or 30% of a debtor's previous year's annual income.
- Greece and the OECD agreed to work together on reforms to the Greek economy, but Athens insisted on not letting outsiders decide what policies it should adopt.
- Standard & Poor's Ratings Services announced that it downgraded Greece's rating by one notch (from B to B-) and maintained its outlook at "negative," on account of "liquidity constraints" that have "narrowed the time frame during which Greece's new government can reach an agreement with its official creditors on a financing program."
- The government is planning stiff penalties for tax dodgers, which could even include the confiscation of assets in Greece and abroad that have not been declared to the authorities.

FINANCIAL MARKETS NEWS

- The Bank of Greece is in favour of the creation of a "specialized entity" for the management of nonperforming loans (NPLs), saying in its annual report that such an option would assist banks in "financing healthy entrepreneurship."
- Greek bank deposits plunged the most since the country joined the euro area as renewed political instability led savers to withdraw their money. Deposits held by households and businesses fell 7.7% in January to €148 billion, their lowest level since August 2005, according to Bank of Greece data.
- Three of Greece's four major banks have started to tap emergency funding from the Greek central bank as some depositors have withdrawn their money due to political uncertainty.
- Domestic banks calculate the cost of having being to rely on emergency liquidity assistance (ELA) from the Bank of Greece at €600 million per year. This dependence came as a result of the European Central Bank's decision to stop accepting Greek bonds as collateral for liquidity.
- Greek bankers said that deposit outflows have slowed in February after they increased sharply a month earlier, but savers remain uneasy over the new government's standoff with its official lenders.
- The bulk of deposits withdrawn from Greek bank accounts in the last two-and-a-half months due to political and financial uncertainty have stayed inside the country, stashed away in safe deposit boxes, mattresses and investment products. Banks estimate that only a small part,

about 20%, of the funds that came out of depositors' accounts has been sent to banks abroad.

- The European Central Bank has given the green light to make up to €60 billion ($68.5 billion) in emergency liquidity available to Greek banks.
- Interest rates on deposits are continuing to fall at commercial Greek banks despite the credit sector's cash flow problems. Bank of Greece data showed that the average interest rate in December came to 1.82%, against 1.88% in November and 2.61% in early 2014. In January 2015 banks proceeded to a fresh interest rate reduction for fixed-term deposits that ranged between 1.60 and 1.70%.
- The uncertain outcome of Greece's standoff with its creditors prompted Moody's Investors Service to downgrade the ratings on five lenders, citing the reduced likelihood of state support, and said it may cut again. New York-based Moody's reduced National Bank of Greece, Piraeus Bank and Alpha Bank one level to Caa2 from Caa1. It also lowered Eurobank and Attica Bank to Caa3 from Caa2.

BUSINESS NEWS

- Athens International Airport continued to make progress in January. Passenger traffic increased by 27.9% from January 2014 to reach 975,455 people, while domestic traffic jumped by 43.9%. Traveling voters and the choice of air travel over other means of transport brought the rise in domestic passenger traffic through the country's airports.
- Swiss based Coca-Cola HBC (CC HBC), the world's second-largest bottler of Coca-Cola drinks, is cautious on Greece due to the macroeconomic and political uncertainty in the country but is committed to investing in the country.
- The government's announcement that it had cancelled the port of Piraeus's privatization has generated plenty of noise behind the scenes, as Cosco's interest in expanding its activity in the port remains strong while Denmark's APM Terminals is trying to prevent any negative developments. The two firms were believed to be the main suitors for the 67.7% stake in Piraeus Port Authority (OLP), which the privatization fund TAIPED had planned to sell off.
- Greece's new government will not block Canadian firm Eldorado Gold Corp.'s mining operations in the country's north but will review permits for a processing plant at the site.
- Exports posted a smaller-than-expected decline last year compared to 2013, as the last quarter witnessed a reversal of the course indicated over the rest of the year. ELSAT figures showed that the value of exports in 2014 reached €27.17 billion, against €27.57 billion in 2013, or a decline of just 1.4%.
- Greek manufacturing shrank at the fastest pace since 2013, as uncertainty about the country's political future mounted, threatening to undermine efforts by the European Central Bank to stimulate the euro-area economy. The Purchasing Managers' Index for Greece slipped to a 15-month low of 48.3. The measure has been below 50, the mark that separates expansion from contraction, since September 2014.
- Layoffs outnumbered hirings by 9,273 jobs in January, adding to the negative trend set in the last few months of 2014, according to the Labour Ministry's Ergani register.
- Greek industrial output fell by 3.8% year-on-year in December after an upwardly revised 2.5% rise in November, according to statistics service ELSTAT. The drop was mainly due to a 13.2% fall in mining output while electricity production declined by 18.6%. Manufacturing production rose by 2.1% from a year earlier.
- Greece's biggest toy retailer Jumbo posted higher first-half profit year-on-year and stuck to its forecast for a 4-6% rise in full-year sales despite recent political turmoil in Greece. The chain, which has 52 stores in Greece and 17 in its three foreign markets of Cyprus, Bulgaria and Romania, said group net profit rose by 6.3% to €62.7 million for the six months to December 31st.
- The Labour Ministry's new administration is preparing to take cautious steps in the context of broader planning for employment and enterprises, which will risk creating a shock in the domestic economy and employment market if the minimum salary is reinstated at €751 per month.
- Employer associations have objected to government plans to raise the minimum salary, but they do agree with the Labour Ministry that any changes will have to go through collective bargaining, which is set to be reinstated.
- Athens-listed Piraeus Port Authority (OLP) has confirmed a new record in container handling at the port's three terminals – Terminal I, which OLP operates, and Terminals II and III, managed

by Cosco subsidiary Piraeus Container Terminal (PCT). In 2014 3,585,155 containers passed through Piraeus, an all-time high which OLP attributes to the "contractual obligations" of PCT "based on the concession contract."

- Piraeus has made it into the top 10 of the European ports chart in terms of container handling, according to the adjusted figures for 2013 that were issued by Eurostat.
- Consumers are looking out for offers at supermarkets to cut costs, resulting in average savings of 11.7% on their purchases, which translates into a total benefit of €680 million or €160 per household every year, according to a survey conducted and published by the Research Institute of Retail Consumer Goods (IELKA).
- Production Reconstruction Minister Panayiotis Lafazanis promised sugar beets producers and Hellenic Sugar Industry workers to find €31 million to meet their demands and prevent a halt of the industry's operation. He even guaranteed the immediate payment of €7 million owed to producers for their 2014 crop.

Real Estate

- Athens-listed Grivalia Properties, formerly Eurobank Properties, announced the acquisition of the buildings hosting the stores of the Makro cash-and-carry chain, which has now been acquired by the local Sklavenitis supermarket chain. Grivalia paid a reported €60 million for the nine Makro buildings across the country in a sale-and-lease-back deal.
- The Finance Ministry is examining a plan to horizontally slash official property prices, known as objective values, by 25 to 30%, given that the new objective values will have to be ready in four months according to the decision by the Council of State.
- Even after six years of recession, from 2008 to 2013, the sale prices of newly built houses in the northern suburbs of Athens are proving remarkably resistant to pressure. Data released by the Hellenic Valuation Institute (ELIE) on the course of the property market in 2014 showed that in areas such as Kifissia, Politia, Neo Psychico, Halandri and Maroussi the new apartments are sold at prices near or even above so-called objective values, or the official rates used for tax purposes.

Tourism

- The hitherto positive course of cruise tourism in Greece appears to be changing. Market professionals say that international developments in the sector and the apparent inability of the Greek market to improve its services and infrastructure are contributing toward the gradual shift of holidaymakers to other routes and destinations.
- The top countries in air arrivals to Greece last year were UK (2.5 million tourists), Germany (2.2 million), Russia (1.14 million) Italy (940,000) and France (785,000), according to the Association of Hellenic Tourism Enterprises. Germany rose by 23% while Russia fell 13%.
- Growth in tourism bookings from Germany has shown a remarkable decline in recent weeks according to the Association of Hellenic Tourism Enterprises (SETE).
- Representatives of the Church of Greece's Holy Synod and of the Hellenic Association of Travel and Tourism Agencies (HATTA) met last week to discuss ways to jointly promote religious tourism in Greece.
- Bank of Greece figures confirmed that local tourism's record year 2014 brought 22 million visitors and €13.44 billion in travel receipts. This represents a 23% increase in tourists and a 10.6% rise in revenues from 2013.

Energy

- The new government will support the Trans Adriatic Pipeline (TAP), for the transport of natural gas, but will seek to maximize Greece's benefits from the project, Energy Minister Panayiotis Lafazanis said after meeting with Azeri Ambassador in Athens Rahman Mustafayev and Socar Energy Greece, CEO, Anar Mammadov.
- The Azeris opposed demands made in Baku by Greek Energy Minister with regard to the collection of transit fees for the TAP and the reduction in the rates for Greece of Azeri natural gas. Moreover, the conditions attached to the third demand from Athens for the state to participate in the TAP consortium also amounted to a rejection.
- The tenders for hydrocarbon surveying in three blocks in Western Greece did not involve any foreign companies. Following the withdrawal of Shell, Total and Repsol amid the uncertainty that arose from the elections and the change of government in Greece, Enel also announced

that it was dropping out of the relevant bidding process. Greek companies Hellenic Petroleum and Energean Oil were the only suitors in the tender to survey for and utilise hydrocarbons in these three land blocks in Western Greece.

- The Energy Minister challenged the planned sale of Public Power Corporation (PPC), which has seen its arrears rise to above €1.7 billion. The government will try to impose a reduction in electricity rates between 20-40%. He also heralded a halt to the planned privatization of gas firm DEPA and the Independent Power Transmission Operator (ADMIE).
- Bulgaria and Greece have agreed to take a final investment decision by the end of May to pave the way for a gas pipeline aimed at reducing Sofia's dependence on Russian gas, according to Bulgaria's Energy Minister.
- Greece will review tenders offered on 20 offshore oil and gas blocks in the Ionian Sea and off Southern Crete due to be signed by the end of the year, according to Energy Minister Panagiotis Lafazanis.
- The draft of the new collective labour agreement by the union of employees of Public Power Corporation (PPC) provides for a return to increased union benefits and perks, and for the union (GENOP-DEI) to be funded compulsorily from the salaries of employees, a measure that was abolished in 2008.

Investments

- Participation of foreign investors in January in the total Athens stock market capitalization reached 61.1% compared to 61.5% at the end of previous month, causing a decrease of 0.6%. Foreign investors were net sellers in January, with capital outflows totalling €24.7 million, while Greek investors were net buyers, with capital inflows of €24.30 million. Foreign investors in January 2015 accounted for 71.1% of total turnover.
- Sportsland SA, owned by two of Greece's most active entrepreneurs in tourism-related business – Theodoros Vassilakis and Achilleas Konstantakopoulos – is one of a number of firms to have submitted specific business plans and are still waiting for them to be processed by the Ministerial Committee for Strategic Investments (DESE).
- Four more investment plans have been submitted to DESE for the fast-track process but the committee has yet to convene to examine them. They are:
    - The construction and operation by Consortium Solar Power Systems of nine photovoltaic parks in Central Greece with a total capacity of 470 megawatts and a budget of €384 million. Sources say that this investment includes both Greek and foreign funds.
    - A tourism investment on the Aegean island of Chios by Keramia SA, with a budget of €150 million. The plan provides for the creation of a five-star hotel with 700 beds.
    - The creation of a fuel terminal station in southern Crete by Dutch-owned Royal Vopak NV, budgeted at approximately €500 million.
    - A tourism investment on the Ionian island of Ithaca by the Agyia firm, providing for the creation of a luxury resort named "Ithaca Resort" and featuring five-star hotels, a golf course and a marina.

Technology- Communications

- Intralot announced that it has reached an in principle commercial and strategic partnership agreement with Bit8, a Malta-based gaming platform solutions company. As per the same announcement, the agreement stipulates an exclusive, joint development and marketing approach in the international online platform market and the acquisition of a significant minority stake in the company.
- OPAP gaming company is moving apace with the creation of its "Play" network of gaming halls, which will focus its VideoLottery Terminals (VLTs), an electronic version of the slot machine.
- Greece's telecoms operator OTE will resume dividend payment four years after its fixed-line business at home stabilised for the first time in seven years.

TENDERS - PROCUREMENTS

- Italian Terna's CEO announced that the group withdrew its offer regarding the acquisition of the 66% stake in IPTO (ADMIE, i.e. the Independent Power Transmission Operator). Four schemes had qualified to the tender's second stage, in order to submit binding offers. However, the newly appointed Minister of Energy recently stated that IPTO's privatisation will be cancelled.
- Greece's top administrative court has blocked the sale of a luxury seaside resort outside Athens to an Arab-Turkish fund, according to court officials, dealing a further blow to the country's battered privatisation plan.
- Lamda Development, the winning bidder for the development of the old Athens airport plot at Elliniko, came out with a firm response to relevant Minister Panayiotis Lafazanis's claims of a "scandalous" acquisition, saying they are unfounded and that his attitude discourages much-needed foreign investment.
- Greece plans to review a €1.2 billion deal for German airport operator Fraport to run 14 regional airports, one of Greece's biggest privatisation deals since its debt crisis began in 2009. Fraport, in partnership with Greek energy firm Copelouzos, agreed with the Greek privatisation agency in 2014 to run airports in popular tourist destinations like Corfu. It expected to close its agreement with Athens in October.
- Just days after asking the top executives of sell-off fund TAIPED to quit their posts, Deputy Finance Minister Nadia Valavani surprisingly called on them to stay on until further notice and to postpone any significant decisions on privatizations for at least two to three weeks.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

February was marked by anaemic activity in the Dry Bulk chartering shipping side, partly due to the Chinese New Year holidays. During the last week of the month, the Baltic Dry Index (BDI) was at the lowest level in 30 years with the market in most dry bulk sectors caught up in a deflationary spiral with charterers holding out in the expectation of ever lower rates. On Friday February 27, BDI closed at 540 points, up by 5% from last week's closing and down by 57% from a similar week closing in 2014, when it was 1258 points.

In the tanker sector, conditions are much healthier and freight rates are at relatively high levels. All major tanker shipping segments, Very Large Crude Carriers (VLCCs), Suezmaxes, Aframaxes and Product Tankers benefited during February from the increase in the global oil demand on the back of the commodity's historically low price levels.

In the Liquified Natural Gas (LNG) shipping sector, spot rates have now dropped below the barrier of $50,000/day and at the time of writing they stood at $43,000/day.

Regardless of the difficulties the shipping industry is currently facing, the Greek-owned merchant fleet remains a world leader in terms of value. According to data compiled by VesselsValue.com, which specializes in ocean-going ship valuations, the value of the Greek-owned merchant fleet is estimated at $105.65 billion which is above the combined value of the fleets of the United Kingdom, Germany and Norway.

According to market data, during 2014, Greek shipowners implemented total capital investments of €8.41 billion on newbuilding orders mostly from Asian shipyards. Greeks placed a total of 230 new newbuilding vessels with a combined capacity of 24.1 million deadweight tons (dwt) last year, against orders for 348 ships in 2013, showing a year-on-year decline of 34%. The share of ships ordered by Greek shipowners from global orders dropped to 10% last year from 12% in 2013.

On the Greek ship financing front, we are witnessing an increased interest from International Shipping Banks and Financial Institutions to build and expand their Greek shipping portfolio. During the last couple of months, a number of these institutions have made marketing trips to Athens and Piraeus, meeting and discussing with members of the Greek shipowning community, in an effort to develop business opportunities in the shipping / ship-financing space.

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

Eurofin

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