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.

NATIONAL ECONOMY NEWS AND TRENDS

- Greece fell short of its budget targets last year. The country posted a budget surplus before interest payments of 0.4% of GDP according to the Hellenic Statistical Authority, compared to a target of 1.5% set out in the terms of its bailout package.
- Greece's current account deficit widened in February compared to the same month a year earlier despite the fact that tourism receipts rose slightly, according to Central Bank data. The deficit stood at €929 million ($1.00 billion) versus a deficit

of €729 million ($786.30 million) in February 2014, due to a smaller surplus in the services balance and a deficit in the income account after higher interest and dividend payments.

- Cash-strapped Greece has garnered a little over €147 million ($158 million) via a debt forgiveness scheme designed to bolster the states near-empty coffers. The Finance Ministry said that over 150,000 private individuals and companies had hastened to settle or partially repay debts to the state dating back to the 1970s.
- According to European Commission's latest report, the political uncertainty resulting from the decision of Greece to hold early elections hit the economy and led the European Commission to cut its estimates for the Greek GDP in 2015 to 0.5% from the previous estimate of 2.5%.
- The government in Athens is planning to implement a single value-added tax rate abolishing all existing exemptions, according to Brussels officials. Sources from the seat of the European Commission speak of a flat 18% VAT rate for all services and commodities with the exception of medicines, to come into force by the second half of the year. For now Athens categorically refutes such a scenario, noting that negotiations are still ongoing.
- FTSE Group announced in the March 2015 results of the Country Classification interim review that Greece retained its developed market status but was maintained in the watch-list for possible demotion to advanced emerging and will be reviewed at the next annual review in September 2015.
- The first-quarter primary budget surplus came to €1.7 billion, against a target for just €119 million. However this surplus was entirely due to the €1.5 billion reduction in expenditure. According to sources, the state spent just €43 million by the end of March on paying past due debts to its suppliers, while suppliers had received some €500 million from the state in the first quarter of 2014.
- Standard & Poor's Ratings Services cut its credit ratings on Greece deeper into junk territory, saying it expects the country's debt and financial commitments to be unsustainable without deep economic reform. The credit rater, which lowered its ratings by one notch to triple-C-plus, added the outlook is negative given the risk that liquidity is likely to worsen.

FINANCIAL MARKETS NEWS

- Greek banks are sailing in uncharted waters as they hope for a swift agreement between the government and its Eurozone peers to lift the current uncertainty. Deposits have declined to their lowest levels since the outbreak of the crisis. Bank officials said that the flight of deposits, previously at a rate of some €700 million per week, has now doubled, taking the balance of deposits close to a historic low of €130 billion. As a result, the ECB decided to raise the ELA ceiling by €1.5 billion, to €75.5 billion.
- Fairfax Financial Holdings said recently that it is confident that Greece will reach a deal with its counterparts in the Eurozone and remain part of the currency bloc. Fairfax last year became a key player in the bailout of one of the country’s largest lenders, Eurobank, after it bought a 13.6% stake in the bank. The Toronto-based firm recently boosted its position in the bank further, even as Greek banks suffered deposit outflows in the face of fears over the Greek government’s extended standoff with Eurozone partners over reforms.
- Fitch Ratings downgraded four Greek banks' long-term issuer default ratings (IDR)

to 'CCC' from 'B-', following the recent downgrade of the country's sovereign rating. Fitch downgraded long-term IDRs and viability ratings of National Bank of Greece SA, Piraeus Bank SA, Eurobank Ergasias SA and Alpha Bank AE.

- The central banks of Albania, Bulgaria, Cyprus, Romania, Serbia, Turkey and the Former Yugoslav Republic of Macedonia have all forced the subsidiaries of Greek banks operating in those countries to bring down to zero their exposure to Greek risk (bonds, treasury bills, deposits to Greek banks, loans etc.) in order to shield themselves and minimize the danger of contagion in case the negotiations between the Greek government and the Eurozone do not bear fruit.
- Demand for new consumer and mortgage loans was at particularly low levels in the first quarter of the year. In the January-March period, housing loans to the entire domestic banking system amounted to just €75 million. According to senior bank officials no more than 750 mortgage loans were issued in the first quarter of this year, compared to the "golden era" of 2006-2007 – before the start of the financial crisis – when 800 mortgages were issued every day on average.
- Piraeus Bank announced that it is absorbing the healthy part of Panellinia, a small cooperative bank that failed to complete its required share capital increase. Piraeus stated that it won the tender launched by the Bank of Greece and will now absorb a deposit balance of €574 million and loans after provisions that amount to €280 million. It will also absorb a network of 26 branches with 163 employees, whose jobs Piraeus has guaranteed.
- Piraeus Bank has decided to write off consumer loans and credit cards debts of up to €20,000 taken up by those of its clients who qualify to benefit from the government's measures against the humanitarian crisis. The bank will also freeze debts from mortgages for the same category of citizens.
- Piraeus Bank announced that the agreement with KKR for the management of €1.2bn assets held by Piraeus Bank will not be completed. According to the announcement, the binding exclusivity period of the agreement has expired and despite the fact that negotiations had reached an advance stage, they were not completed as a result also of the latest political/macro developments.
- Banks are expected to have an even smaller role in the financing of residential property transactions in the first half of the year, weighing on the already tough market conditions. The Bank of Greece expects the lending criteria to become even stricter in the second quarter of the year as a result of the challenging financial conditions in the country and the credit crunch that the local banking system is experiencing.
- Greek five-year credit default swaps have been recently trading at more than 2,600 basis points, implying a default probability of almost 90%, according to data. That compares with 8.8% in Spain, 11.5% in Italy and 13.5% in Portugal, as contagion chances appear limited.

BUSINESS NEWS

- Athens International Airport (AIA) continues to break records one after another, as passenger traffic through the country's biggest terminal posted a 24.5% increase in the month of March to climb to 1.1 million for the first time since 2010. A total of 693,756 international passengers passed through AIA, up 20% from the same month last year, while the rise in domestic traffic was even greater, amounting to 33.2% from March 2014, coming to some 405,000.

- Greece remains in the high-risk zone as far as corporate bankruptcies are concerned, being among the global leaders in insolvency cases in recent years. The forecasts by international credit insurance company Atradius point to the maintenance of bankruptcy cases at a high level this year, amounting to 459 cases against 463 cases last year, or a marginal decline of less than 1%.
- COSCO Pacific has embarked on a series of strategic moves to attract more multinational companies to Piraeus in using the country's main port as an alternative route for the supply of markets they operate in. While the tender for the sale of the majority stake in Piraeus Port Authority (OLP) is set to start early next month, the Chinese shipping group is already further developing the model of combined transport it has set up with the Greek railway system and road and air transport.
- Container traffic recovered in March at the two terminals managed and operated by Chinese giant COSCO Pacific in Piraeus. COSCO's local subsidiary, Piraeus Container Terminal, announced that it handled 266,500 containers last month, against 220,500 in March 2014, posting an increase of 21%.
- Another international container shipping company, Taiwan's Yang Ming Lines, is about to expand its use of the installations of Piraeus Container Terminal (PCT), the local subsidiary of China's COSCO Pacific. Yang Ming follows the example of MSC, Maersk and Cosco itself, while other firms, such as France's CMA CGM, occasionally use Piraeus too.
- Greek exports to the United States in 2014 enjoyed their second-best year since 2007 in terms of growth and exceeded $1 billion for the first time in that period, according to data from the US International Trade Commission (USITC).
- There are two main reasons for the impressive 9.8% annual growth in exports to the US: the decline of the euro against the dollar, which increased the competitiveness of Greek products, and the constant growth in Greek companies resorting to exports as the domestic market remained frozen.
- Greece's fish-farming sector is expecting significant developments in the coming months as the deal between Nireus and its creditor banks, the completion of the restructuring process at Selonda and a possible agreement for Dias's debt restructuring suggest that the sector will only have a future.
- Athenian Brewery announced recently it was launching Heineken beer exports to the Chinese and Italian markets, as the first batch set off on its long trip to the Far East. The beer for export will be produced at the brewery's Patra production unit, in an investment project amounting to €2 million. The decision was made in association with the parent company in Amsterdam and will boost employment in local communities as it involves the use of Greek raw materials.
- Imports posted a decline for a second consecutive month in February, sliding 14.6% compared to the same month in 2014. When fuel products are excluded, the annual decline amounts to 6.7%, according to data released by the Hellenic Statistical Authority (ELSTAT). The reason for the drop is mainly due to the lack of liquidity available to Greek enterprises and the pressure on them from foreign suppliers. A key component in this drop is the remarkable decrease in fuel product imports, which is connected to the decline in production activity and the return to economic contraction after a year of relative growth in 2014.
- Greece's high unemployment rate posted a minor decline in January compared with the previous month, slipping to 25.7% from 25.9% in December 2014, according to data released by the Hellenic Statistical Authority (ELSTAT).
- Athens-listed firm Loulis Mills SA announced the formation earlier this month of a new subsidiary named "Hellenic Baking School," with €30,000 of starting capital.

- The Mythos and Olympic breweries are in the final stretch of their merger process. The new company will bear the name Olympic Brewery and after the merger its share capital will amount to €15,187,495. Olympic Brewery – the company that currently produces the Fix brand – will absorb Mythos Brewery, but the latter's shareholders, that is the Carlsberg Group, will obtain 51% of the new company's shares. The remaining 49% will belong to the old Olympic Brewery shareholders.
- Czech KKCG Group said recently that it has raised its share in Greek lottery company OPAP. KKCG said it acquired an additional 22.35% stake in investment fund Emma Delta from ICT Holding, substantially controlled by Russian entrepreneur Alexander Nesis.
- Athens-listed firm Sarantis SA announced it has agreed to buy cleaning liquid Ava's rights in Greece from Procter & Gamble for €3.49 million.
- Greece's supermarket and cash and carry sector has declined at an annual rate of 3.7% over the last four years, hit – albeit to a lesser degree than other domains in the country's economy – by the financial crisis and a drop in demand, according to an annual survey conducted by ICAP.

Real Estate

- Construction has been hit harder than all other economic sectors during the Greek crisis years, with its added value losing 78% within five years (2008-2013), according to a recent study by the Foundation for Economic and Industrial Research (IOBE), compared to the commerce sector's 38% loss in the same period.
- Foreign buyers spent some €250 million on holiday homes in Greece last year, compared to €168 million in 2013, as prices in the popular but debt-hit tourism destination have fallen by 50% since the outbreak of the crisis. According to data from the association of Greek estate agents and chartered surveyors (EPPA), 60% of the properties went to European, Russian and Chinese buyers.
- Another survey by Engel & Volkers Athens North found that buyers last year spent an average of €77,500 to acquire a holiday residence in Greece. The most expensive property was sold for €850,000. Myconos and Santorini attract the most buyers, while demand remains strong in Crete, Rhodes and Corfu.
- The Greek housing market remained at the bottom in the Eurozone during the last quarter of the year, as the data of Bank of Greece published by EUROSTAT showed an average price decline amounting to 5.8% year-on-year. Newly built apartments (up to five years old) saw rates fall 5.4% while the prices of older ones decreased 6.1%.
- No more than 45,000 square meters of office space has been absorbed by the Attica market through new leases in the last couple of years, according to data compiled by Savills Hellas property services. This does not include existing contract renewals and renegotiations.
- The above type of leases, which concern Class A and B autonomous office buildings, corresponds on average to just one-third of the equivalent volume of new rentals recorded in the period between 2004 and 2008.
- The committee responsible for the adjustment of objective property values is in the final stretch of its task and will submit its proposals to the political leadership of the Finance Ministry before the end of May. Objective values (the property rates used by the state for tax purposes) will not be adjusted across the board, but rather depending on the region and zone, with the new values applying as of July.

Tourism

- The political and economic uncertainty is negatively affecting tourism in Greece, with bookings from Germany and Britain showing worrying signs in March. Data from the Association of Hellenic Tourism Enterprises (SETE) showed that there were 25.8% fewer bookings from Germany in March than in March 2014, while in September there had been an annual rise of 82.1%.
- That being said, the increase in international flights to Greece is leading local tourism to another record season, as the industry's first-quarter data point to one more year of double-digit growth. International arrivals at the country's main airports posted a 28.8% annual increase in the period from January to March, coming to 810,750, according to the Association of Hellenic Tourism Enterprises (SETE) and the Civil Aviation Authority. Growth amounted to 28.7% in January, 24.2% in February and 32.2% in March.
- The possibility that a new luxury tax or "holiday" tax could be introduced drew a strong reaction from the Association of Hellenic Tourism Enterprises (SETE), which instead proposed the adoption of a series of measures to bring revenues of €500 million into the state coffers.
- Santorini has been voted by TripAdvisor users as the best island in Europe and the fourth in the world, according to the results of poll published by the biggest international travel website. Crete ranked third in Europe, with Zakynthos fourth..

Energy

- The government invited Chinese firms to bid in a Greek tender for deep-sea oil and gas exploration later this year after Athens extended the bidding process in March. The government has given investors two more months, until July 14, to submit their bids for test drilling in 20 offshore blocks in the Ionian Sea and off southern Crete in a bid to sound out more potential bidders.
- The Public Natural Gas Supply Company (DEPA) announced that gas prices for April 2015 will be reduced by at least 16% compared to March 2015 and assuming no unexpected change in the EUR/USD parity. According to DEPA, the aforementioned reductions are due to the decline in oil prices, as the formula for calculating the gas price is based on the international crude oil prices of last semester. The new reduced rates apply to the entire clientele of DEPA (households, industry, and power generation plants) for the quantities consumed from April 1, 2015 onwards.
- Energean Oil & Gas, Greece's oil and gas producer, may bid for exploration rights in 20 offshore areas in the country. The company is focused on developing the offshore Prinos basin in the north Aegean Sea, to raise production to 10,000 barrels a day by the end of 2016 from 1,800 barrels today. It spent $30 million for a new rig, part of its $200 million, three-year investment plan. Prinos has 30 million barrels of proven and probable reserves, according to ERC Equipose, an independent reservoir evaluation firm.
- Russia denied a German media report suggesting that it could sign a gas pipeline deal with Greece which could bring up to €5 billion into Athens' depleted state coffers.

Investments

- Alpha Bank announced that Wellington Management Group’s participation as of March 31 stood at 4.84% of the total voting rights excluding those held by the Hellenic Financial Stability Fund, dropping below the 5% threshold.
- The European Investment Bank (EIB) is said to have frozen funding for small and medium-sized Greek enterprises (SMEs), citing developments in the negotiations between Greece and its creditors, conditions in the local banking sector and the downgrading of the country’s credit rating. This complication is reminiscent of a similar issue that arose in 2012, when Greece had to tackle rumors about a Eurozone exit and a credit rating downgrade, leading the EIB to adopt a tough stance on financing for the country by freezing disbursements.
- Gold mine operator Eldorado Gold has resorted to the Council of State against the Ministry for Production Reconstruction, Environment and Energy, asking for protection of its investment plans at Halkidiki from the “political ambivalence” of the new government that allegedly counters “any sense of justice and state continuity by abusing its power."
- Around half of investors expect Greece to leave the Eurozone within the next 12 months, a survey by German research group Sentix showed recently. Sentix's Eurozone breakup index for Greece shot up to 48.3% in April from 35.5% in March, suggesting one in two investors is skeptical about pledges to keep Athens in the single currency bloc.
- Small though it may be, the Greek government bonds market could under certain conditions prove to be the success story of the year, especially for those attracted by risk. Its size, according to market professionals, is around €10 billion, growing to €14-15 billion with the addition of bank bonds and certain corporate ones (such as those of Public Power Corporation or Hellenic Petroleum), and it has recently started attracting the interest of an increasing number of foreign investment managers.
- Chinese investors bought €100 million worth of short-term Greek Treasury bills in a recent auction, Greece's deputy finance minister said, in a boost for the cash-strapped country.

Technology- Communications

- The Greek e-Commerce Association (GRECA) announced the creation of a business cluster for international electronic commerce, aimed at supporting Greek e-shops in their export activity. The objective of the cluster will be the constructive exchange of knowledge among members on e-logistics, e-payments and e-legal issues, their cooperation on matters of international marketing and operations, and the development of skills that open the way toward international online trading, GRECA stated.
- The Greek Electronic Commerce Association (GRECA) announced the introduction of a “trustmark” for Greek online stores, in cooperation with the ELTRUN laboratory of the Athens University of Economics and Business.
- Greece’s political and economic uncertainty has had a negative impact on sales of computers and information technology equipment in the country, according to a study by the IBHS research company, which forecasts a decline for the 2015-2016 period. The survey has found that after the period of 2013-2014, when the market enjoyed a rebound, a two-year spell of decline will follow as the market will drop to €559 million by 2016 from €615 million at the end of 2014. This will signify a 9.1%

decline for the two years.

- Romania is investigating the country's national lottery and a Greek-controlled firm over illegal slot-machine gambling that prosecutors say has cost the state budget more than €100 million ($108 million). Loteria Romana CNLR carried out gambling activities without license and authorization by using 6,263 slot-machines partly supplied by Lotrom SA – a subsidiary of Greek firm Intralot SA – between 2006 and 2014, Bucharest's prosecuting office of the Court of Appeals said recently.

TENDERS - PROCUREMENTS

- Greece's government carried out its first privatization since coming into power three months ago, by selling a 20-year horseracing gambling license to Horseracing S.A., 100%-owned by the Czech-Greek company OPAP, for €40.5 million.
- Greece proposed a three-year cooperation plan to Beijing involving ports, ship building and repair, credit, supply chain and culture during Greek Deputy Prime Minister Yiannis Dragasakis's recent visit to China, according to the Chinese government. Beijing said that it expressed the desire to see a more detailed plan to pave the way for its signing as early as possible and made it clear that it expects the continuation and completion of the tender for the sale of the majority stake in Piraeus Port Authority (OLP).
- Despite Economy and Infrastructure Minister Giorgos Stathakis's assurances to contractors regarding the continuation of work on major highways, Alternate Minister Christos Spirtzis spoke recently about a renegotiation of contracts, "for the government to safeguard the public interest," he said.

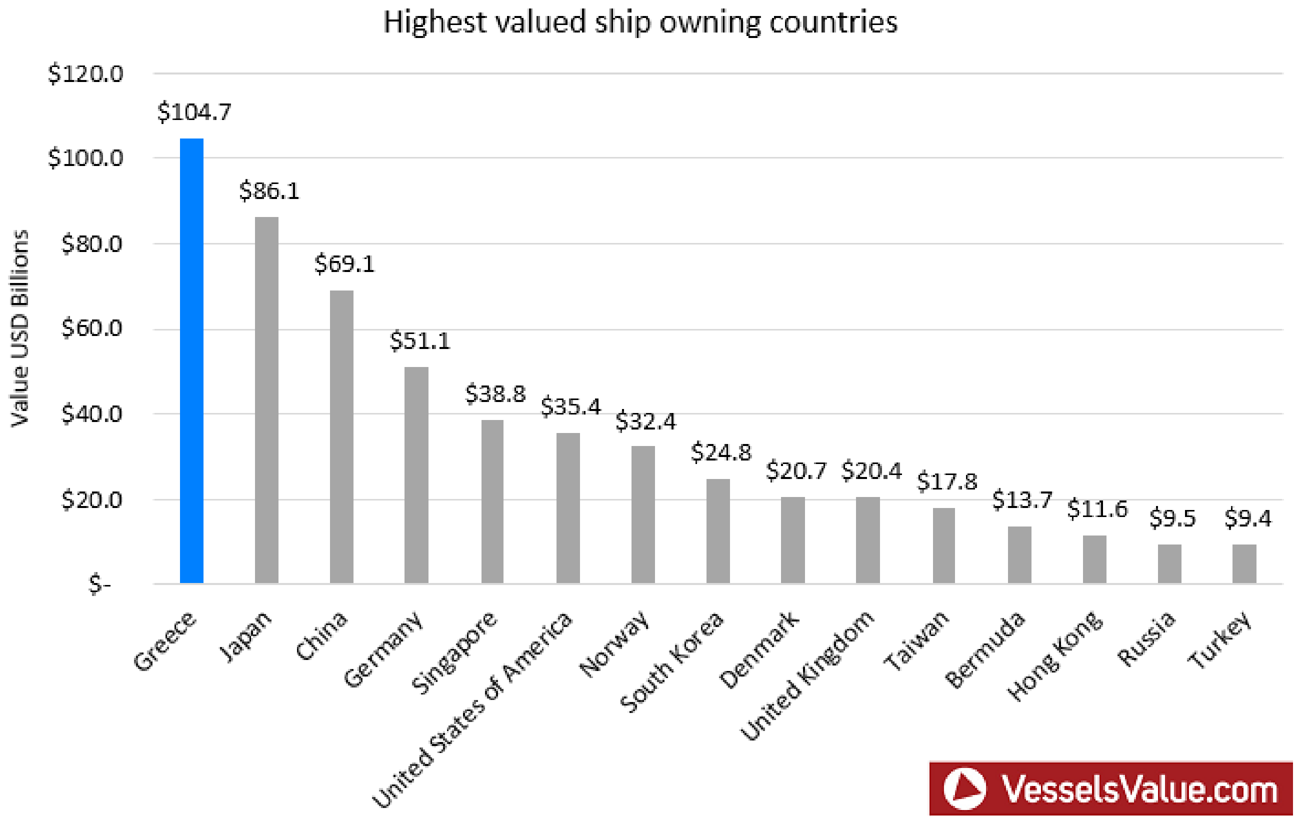
GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

According to Moore Stephens' latest survey, confidence levels in the Dry Bulk shipping industry have fallen to their lowest level for two-and-a-half years, as freight rates remain below Operating Expenses (OPEX) levels, leaving a number of shipping companies under pressure for survival. Whilst part of this weakness is seasonal, China's slowdown and overcapacity pressure raise concerns on hopes for a near-term recovery.

In the Tanker sector, the environment is much healthier and freight rates are at relatively high levels boosting the confidence of tanker shipowners. On the Container sector, the Shanghai Container Freight Index remains less than the barrier of 1,000 points for four weeks now in row, from a prolonged recession in Asia-Europe route. LNG spot rates are at low levels compared to last year; close to US$30,000/day whilst the LPG market remains at very good levels.

Whilst some small and medium-sized Greek shipowners may be under pressure, due to the low freight rate environment, traditional, big Greek shipping players, with significant liquidity reserves seem to employ a countercyclical investment approach. According to public sources, reputable shipping names such as John Angelicoussis, George Procopiou, Lou Kollakis and Pandy Embiricos are capitalizing on historically low Dry bulk shipping assets' values by acquiring second-hand and resale quality tonnage (mainly Capesize and Kamsarmax bulkers of five years old or less).

The chart below provided by VesselsValue.com clearly shows that Greece continues to be topping shipowning tables, ranking 1st with a fleet worth $104.7 Billion; 21.6% and 51.5% more than the 2nd (Japan) and 3rd (China). (Data includes trading and newbuilding vessels as at April 2015).



The Greek shipowning community continues being successfully active in the US capital markets. More specifically, during April:

Tsakos Energy Navigation (N. Tsakos) raised US$85m through an offering of 8.75% Series D Cumulative Redeemable Perpetual Preferred Shares. TEN said it intends to use the net proceeds for general corporate purposes, which may include making vessel acquisitions or investments and repurchases of its common shares and preferred shares.

Capital Product Partners (E. Marinakis) raised US$133m from its latest follow-on offering. Cash raised will be used to pre-pay quarterly instalments for 2016 and 2017 under credit facilities dating from 2007, 2008 and 2011.

GasLog (P.G. Livanos) raised US$100m from a public offering of preferred shares. According to the company, proceeds from the offering will be used for general corporate purposes, which may include making vessel acquisitions or investments; GasLog has stated in the past that it is its goal to develop a fleet of 40 LNG carriers by 2017.

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