Eurofin
Lateral Thinking

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Business Opportunity Outlook

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EUROFIN GROUP

This Newsletter is the official newsletter published by the Eurofin Group on a monthly basis. The purpose of the Newsletter is to provide an up-to-date summary and insight on current developments in both the private and public sectors in Greece and to highlight potential opportunities. The intended audience of the Newsletter is our clients, prospective investors and market participants all over the world.

The Eurofin Group is an investment banking boutique founded in 1984. With offices established in London, Athens and Singapore, Eurofin offers financial advisory services and assistance to corporates and individuals conducting business or considering investments in a number of different industries and countries.

Although the main focus of the Group has been the shipping industry, over the years, Eurofin has also been active in other sectors such as Real Estate, Energy, Telecoms and Tourism among others.

Having established and operated our Athens office for over 25 years, we have been witnessing, monitoring and analysing the developments in Greece. During the recent years nonetheless, where the country has been in the forefront of global news for all the wrong reasons, we have kept a close watch on these developments, in an effort to share our observations with our audience.

IN THIS ISSUE

NATIONAL ECONOMY NEWS AND TRENDS

- Greece and international creditors reached an agreement on terms needed to provide the country with a third bailout worth up to €86 billion. However, Greece may not need the entire amount. The bill for Greece's three-year aid program would be reduced if the country were to regain access to the capital markets and/or if the International Monetary Fund were to contribute with its own package. It is also not clear how much of the €25 billion set aside to recapitalize the banks will be needed.
- The shortfall in budget revenues for the first seven months of 2015 came to nearly €4 billion while government spending ground to an almost complete halt.
- The general government primary surplus recorded a dramatic decline in H1 2015, coming to

€238 million from €1.8 billion in H1 2014, mainly due to social security funds that posted a deficit of €1 billion this year against a surplus of €416 million in the January-June 2014 period, according to Finance Ministry data.

- Despite an increase in revenues from tourism, Greece's current account surplus shrank in June compared with the same month a year earlier, mainly due to the deterioration in the income balance, according to Bank of Greece statistics. The surplus stood at €1.0 billion vs. €1.25 billion in June 2014. Tourism revenues rose to €1.91 billion from €1.89 billion in the same month last year.
- Over €50 billion in cash was stashed away in homes and safe deposit boxes in July, the first full month when capital controls were in force in Greece. Banknotes in circulation went down by €400 million in July compared with June, the month when they reached their highest level in the last few years, at €50.5 billion.
- Deflation lingered in Greece for a 29th consecutive month in July, as the Consumer Price Index figures for the period released by the Hellenic Statistical Authority (ELSTAT) pointed to a drop in prices averaging out at 2.2% from a year earlier.
- Greece's GDP showed better-than-expected growth for the second quarter of 2015, with output 1.6% higher than the same period last year. The figures represent the largest year-on-year increase since 2008, while the rise has been put down to consumer fears of a deposit haircut, brought on by the referendum announcement and subsequent capital controls.
- Ratings agency Fitch upgraded its credit rating for Greece by one notch to 'CCC', saying the latest bailout deal the country struck with its foreign lenders reduced the chance of default.

FINANCIAL MARKETS NEWS

- Greek lenders saw deposits rise by €1 billion after capital controls were eased as they prepare to rebuild their buffers battered by the economic slump, said a Bank of Greece official with direct knowledge of the matter.
- The outflow of bank deposits was stemmed in August as a result of the capital controls introduced on June 28. Data from the Bank of Greece show that balances had stabilized at €123 billion by mid-August, up from €122 billion at the end of July.
- Bank officials say that the stabilization of deposits is still far from normal. The €60 cap on daily cash withdrawals helps to control the outflow of deposits from the banks, but the liquidity in the system is insufficient to meet the real needs of the economy.
- Greek banks will have restricted access to bailout funds until a fresh injection of equity to recapitalise them several months from now is approved. An initial €10 billion will be made available immediately to shore up confidence in Greek banks, but it will be placed in a restricted account, at least until a "stress test" is finished by the middle or end of October.
- The Finance Ministry allowed the country's listed banks to delay the release of first-half results by one month as European regulators are reviewing their balance sheets.
- While the government's previous plans to boost the use of credit and debit cards may not have been carried out, the introduction of capital controls did nevertheless lead to a surge in the use of plastic money in the last weeks. Within just one month the number of users soared by 1 million, while the monthly average of new cards issued before the banks closed had stood at just 100,000.
- Alternate Finance Minister has said that the government is considering connecting the tax-free threshold to card payments. The new plan would change the way taxpayers collect evidence toward claiming their annual €9,000 tax-free allowance, switching it from paper receipts to debit or credit cards. Banks would then inform the tax authorities of the taxpayer's annual expenditure.
- Kuwait's Al Ahli Bank received approval from the Egyptian central bank to buy Piraeus Bank's unit in the North African country. It will pay $150 million cash for a 98.5% stake in the business, helping Kuwait's seventh-largest bank by assets expand and giving Greece's Piraeus a much-needed liquidity boost.

BUSINESS NEWS

- Aegean Airlines carried 19% more travellers in July than a year earlier, adding 240,000 passengers to reach 1.473 million. International flights again provided the greatest lift for the company, posting an increase of 28% in traffic from the carrier's nine hubs around the country.
- One thousand bitcoin ATMs are to be installed in Greece to help firms overcome the restrictions imposed by capital controls, according to reports. The CoinTelegraph website reported that bitcoin service provider and exchange Cubits has partnered with Greek bitcoin exchange BTCGreece to install the units to help small and medium sized businesses move money.
- Soft drink bottler Coca-Cola HBC said recently it was optimistic about the rest of the year, with conditions in some markets beginning to show improvement. In addition the European company, which bottles and sells Coca-Cola drinks in 28 countries, reported a 31% increase in core profits and a slight decline in first-half revenue.
- Capital controls have been blamed for a new 15-year high in dismissals for July of this year. According to the Labour Ministry's "Ergani" database, dismissals surpassed new hires by 16,658 in July. A climate of insecurity has also changed the nature of work. Out of 143,972 new hires in July, only 16.1% or 23,127 were for full-time positions. The majority (47.3% or 67,714 positions) were on rotating contracts, with the remaining 53,131 (36.9%) being part-time.
- Full-time employment has shrunk by about half a million workers in the last five years, while part-time work has almost doubled to become the norm in terms of employment for many people, according to a report by the General Confederation of Greek Labour (GSEE). Part-time employment has soared by 90% since 2010, with women representing 57% of this increase. It appears to have replaced temporary work as the main alternative to full employment.
- Athens-listed furniture trading company Dromeas has signed its second 2015 contract to cover the furniture requirements of the German Army. The value of the new project is some €1 million and was preceded on February 25 by a contract to supply the German military with furniture worth €1.7 million.
- Folli-Follie Group announced the expansion of its brand portfolio, with the exclusive representation and distribution of Shiseido products in Greece and Cyprus.
- Markit Economics said its factory Purchasing Managers' Index fell to 30.2 from 46.9 in June, where a reading below 50 indicates contraction. A gauge of new orders plunged to 17.9 from 43.2, also a record low.
- Greece has signed a deal with the European Investment Bank (EIB) for a €1 billion loan to support the recovery of the country's economy. The loan will cover Greece's participation in the 2014-20 National Strategic Reference Framework (ESPA) program.
- The Economy Ministry is racing against the clock to avoid losing European Union funds totalling approximately €2 billion from the National Strategic Reference Framework (ESPA) scheme for 2007-13. The Public Investment Program has already delayed payments from the scheme between January and July 2015 to the tune of €1.4 billion.
- Greek blue chip GEK Terna reported a 13.7% annual increase in earnings before interest, tax, depreciation and amortization (EBITDA) in the first half of the year to €53.8 million, against €47.3 million a year earlier. The sales of the group, which is active in the construction and energy sectors, increased by 15.5%.
- Insurance companies in Greece recorded a year-on-year turnover increase of 1.8% in the first six months of 2015. The rise is attributed to sales of health and life insurance programs, while an increase in general insurance was seen for the first time in June, halting the downward trend of previous months.
- Monsanto said it would abide by Latvia's and Greece's requests under a new EU opt-out law to be excluded from its application to grow a genetically modified (GM) crop across the European Union, but accused them of ignoring science.
- Radical changes in retail trade, such as the non restriction of sales periods and pharmacy ownership and the prohibition of transporting bulk spirits without documentation are in immediate effect with the new memorandum agreement.
- The local market is expecting to face shortages this September in all sectors except for food and drugs, as the lack of raw materials, or their slow rate of import, is hampering production. Although the situation after the recent easing of capital controls has improved compared to the

first few weeks of July, raw material imports continue at a very slow pace, with entrepreneurs saying that "the damage is already done and we are just trying to minimize the consequences."

- Greek exports excluding oil products recorded remarkable growth of 18% in June, before capital controls were introduced, according to data published by the Hellenic Statistical Authority (ELSTAT). Exporters' data show that the biggest increase in percentage terms was for olive oil and other forms of cooking oil, amounting to 174.3%, while imports recorded a decline in June that the market expects to have accelerated considerably in July (possibly by up to 50%) due to the capital controls.
- Greece's biggest betting firm OPAP posted a 36% rise in second-quarter core profit, helped by the launch of new games. Europe's second-biggest gambling firm by market value said earnings before interest, tax, depreciation and amortization (EBITDA) rose to €93.2 million ($105 million) from €68.6 million in the same period last year.
- The Piraeus Port Authority (OLP) has been without a tax clearance certificate for around one year due to its debts to several municipalities, including the Municipality of Piraeus. The confirmed arrears amount to €140 million, an enormous sum for a company with an annual income of roughly €100 million, of which €40 million comes in the form of payments from COSCO, which operates the port's terminals I and II. The absence of a tax clearance certificate, among other problems, has stalled investment in the port's cruise harbour.
- An action plan for changes to the procurement of public contracts must be ready by September this year to come into force in early 2016, according to the prerequisites agreed with Greece and its lenders, including a new central procurement system. The aim is to reduce administrative costs related to public contracts.
- Greek retail sales by volume slipped 0.4% in June compared to the same month a year earlier, led lower by pharmaceuticals, cosmetics and furniture sectors, according to statistics service ELSTAT.
- The coast guard has reported that 250,000 fewer passengers travelled through the country's ports in July and the first 15 days of August compared to the same period in 2014. Seagoing passenger traffic in these two months normally accounts for 40% of the total each year.
- SkyGreece Airlines announced the temporary suspension of its operations. The airline began operating round trip services from Athens and Thessaloniki to Toronto, Canada, in May and its decision to halt services was the result of "financial setbacks" resulting from the crisis, the company said in a statement released online.
- Supermarkets, bakers and other food stores have enjoyed an unexpected upturn in sales volumes since late July, amounting to almost €10 million over an 11-day period, thanks to the "solidarity cards" that the Labour and Social Solidarity Ministry has issued to recipients of state benefits as part of the government's program to tackle the humanitarian crisis.
- Car sales posted a rapid decline in July as the growth trajectory observed in previous months came to an end. The slide is expected to continue for the next few months, while the short-lived increase in sales was not enough to offset the losses recorded from 2009 to 2013.
- Western Union announced the resumption of its service for forwarding money abroad from Greece, with a cap of €500 per customer per month, following the latest easing of the Greek capital controls.

Real Estate

- Foreign private equity funds with no prior history in Greece are said to be looking for opportunities in the depressed Greek property market either through direct purchases from the owners or through bank foreclosures. Interest in the Greek market began to accelerate immediately after the announcement of the referendum, which sent prices plunging further and most of the interest is coming from the US and China.
- According to the periodical survey Global House Watch, issued by the IMF, Greece is showing the third-largest correction in house prices worldwide since 2007. Prices in Greece have fallen about 40%, with a corresponding drop in Latvia of 45% and Ukraine 70%.
- Demand for holiday homes on the country's two most popular islands, Myconos and Santorini, remains huge thanks almost exclusively to foreign buyers taking advantage of favourable changes to currency exchange rates. The weakening of the Euro against the US Dollar and the British Pound has rendered the domestic housing market particularly attractive for American

and British buyers.

- A survey by Geoaxis surveyors in the first half of the year showed that holiday home prices on the Cycladic islands fell by just 3%, against 10.4% last year. Were it not for Myconos and Santorini, the drop would have been steeper.
- Changes to the "ENFIA" property tax and levies on securities and overseas properties are being discussed by the government's economic team to increase public revenue in 2016. Among several new measures, the Ministry of Finance is considering reducing the "ENFIA" tax in 2016 for owners with lower property values and making up the shortfall in the government's €3.3 billion target through new tax measures.
- Taxpayers in Greece with property abroad will from 2016 be called to pay property tax to the Greek state. Those who already pay such tax in the country where the property is located will be exempt as long as they submit the relevant documents to the Greek tax authorities on an annual basis.

Tourism

- The Association of Greek Tourism Enterprises (SETE) recorded a 6.5% year-on-year increase in airport arrivals in the first six months of 2015. Athens International Airport fared particularly well, with a 28% upswing in July alone and an overall 26.5% rise for the first six months.
- According to the president of the Association of Greek Tourism Enterprises (SETE) the tourism sector will survive the test of early elections as long as they result in a strong government. Revenues of approximately €3.2 billion are expected from around 5.5 million foreign tourists between September and October. For November and December, another one million tourists are expected.
- The Greek National Tourism Organization is taking action to further bolster tourism traffic from China after arrivals from the world's most populous country soared 63.4% in the first quarter of the year on an annual basis.
- The cruise market remained stable in Greece this summer despite the difficult economic and political situation, according to the country's Association of Cruise Ship Owners and Marine Agencies (EEKFN). The association estimates that if current conditions prevail, the cruise market will remain stable and grow from summer 2016 onward.
- An action plan to attract tourists to Greece all year round has been named "Dodeka," after the Greek word for 12, and has been drawn up by the Hellenic Association of Travel & Tourist Agencies (HATTA). It includes the creation of a route related to the 12 Gods of Olympus and the recreation of ancient Olympic sports.
- Average online double-room rates for Myconos hotels have risen above €500 per night for August, even exceeding luxury hotels in Monte Carlo, according to the latest data on holiday booking website Trivago.
- Trivago indicates that the average rate across Greece this month is €160 per night, almost on a par with the rate in August 2014. This is the fourth-highest average online rate among the 24 European countries listed on Trivago's chart. Switzerland tops the chart on €259, with Britain and Croatia following.

Energy

- Hellenic Cables is set to participate in a project connecting the Israeli, Cypriot and Greek power grids via undersea cable. The design for the EuroAsia Interconnector project has already been included in the European Union's Projects of Common Interest. The underwater cable with a total length of some 1,500 kilometres will be laid at depths of up to 2,000 meters below sea level with a capacity of 2,000 megawatts and it will transfer electricity produced from natural gas in both directions.
- Greek authorities have committed to reducing carbon dioxide emissions from the country's lignite-powered electricity plants by 50% by the year 2020.
- A part of the new memorandum with Greece's creditors comprises the liberalization of the retail electricity market by January 1, 2020, and the natural gas market by 2018. The aim of the measures is to allow new players to enter the market, thereby offering a wider choice for energy consumers.

- Regarding the natural gas market, by May 30, 2016, the Public Gas Corporation (DEPA) and the gas distribution companies (EPA) of Attica, Thessaloniki and Thessaly are required to submit plans for unbundling their activities for approval to the Energy Regulatory Authority to allow for a decision within three months from the submission date.
- The amount owed to the Public Power Corporation by its customers, tops 2 €billion, according to the head of the GENOP workers' union. Mr. Adamidis said the bulk (over €1.5 billions) is owed by households, while big business owes another €280, followed by the state, with debts of €220 million
- Public Power Corporation (PPC) has announced increased turnover and profitability for the first half of 2015, along with a new pricing policy for businesses and a total of €80 million in perks for loyal domestic customers. Of this, a total of €30 million will be returned to households who pay their bills on time. A new corporate invoice will also be put into effect from September 1 where the scheme will offer highly competitive rates to large companies and groups with a nationwide presence.

Investments

- Major foreign funds (like John Paulson, Wilbur Ross and other well-known US investors) with holdings in Greek listed firms (mainly banks) are keen to ensure their losses are contained. Ahead of the bank recapitalizations and following the major drop in stock prices during the last weeks, senior officials have arrived in Athens to get a better idea of the government's intentions and try to protect what is left of their investments.
- The Ifantis Group is planning a new private property investment for the centre of Athens. The investment is to be implemented in a listed building where the historic Pindaros hotel once operated. The project is an initiative of the parent company of Fresh Hotel Athens, Athens Holidays SA, which is controlled by the Ifantis Group.
- Grivalia Properties REIC is planning a total of €100 million in investments in hotel and tourism real estate through a new subsidiary company recently set up in Luxembourg. The new company, Grivalia Hospitality SA, will take the form of a consortium in which Grivalia will contribute €25 million in capital. Foreign investors will provide an additional €75 million.

Technology - Communications

- Athens-listed company Compucon Computer Applications SA announced that it will not proceed with a share capital increase at this stage, due to the negative economic conditions in Greece.
- Global US-based e-commerce site Groupon announced recently it was ceasing activity in Greece. The business, which operates by offering buyers discounts through purchased coupons, said it took the decision after making a detailed study of the Greek market. Greece's uncertain economic and the political climate appear to be the driving factors behind the company's withdrawal from the Greek market.
- Greece's biggest telecoms operator OTE posted a second quarter loss due to the one-off cost of a voluntary redundancy scheme and weak performance at its foreign operations.
- The local telecommunications market shrank 3% last year compared to 2013, according to data released by the industry's regulator. The National Telecommunications & Post Commission (EETT) estimated that the market's turnover in 2014 amounted to €5.24 billion, against €5.40 billion in 2013 and €5.92 billion in 2012.

TENDERS - PROCUREMENTS

- Greece has agreed to sell to Fraport AG the rights to operate 14 regional airports. The deal is the first in a wave of privatizations the government had until recently opposed but needs to make to qualify for bailout loans. The concession is worth €1.23 billion ($1.37 billion).
- The drive for the utilization of domestic hydrocarbons has been dropped from the political agenda following the announcement of early elections, despite pressure from the Greek

Hydrocarbon Management Company (EDEYA). The tender for 20 plots in the Ionian Sea and Crete, despite current low petrol prices, managed to attract bids for three plots and interest from a large multinational, rumoured to be France's Total. The company, together with Hellenic Petroleum (ELPE), submitted two bids for two different sites, while ELPE is bidding independently on another. The three bids were submitted on July 14 but the process has not been activated.

- Greece's privatization agency said that Azerbaijan's state-owned oil company SOCAR had confirmed its interest in acquiring a stake in Greek gas grid operator DESFA, with a deal possible by the end of the year.
- The governing board of sell-off fund TAIPED approved a blueprint on 30th July for the Asset Development Plan, or ADP, which provides for the privatization of all assets held in its portfolio as of December 31, 2014. Under the new loan agreement between Greece and its creditors, from now until the end of October 2015, TAIPED must identify dates for the submission of binding offers for the Piraeus Port Authority (OLP) and its Thessaloniki counterpart OLTH, railway transport operator TRAINOSE and the Hellenic Railways Organization (OSE) without material changes to the tender conditions.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

At the end of August the dry sector closed with a drop in the BDI to 903; the highest closing for the month was 1,222 which indicates the low levels that the dry market experiences. Nevertheless, the further drop during the end of the month was mainly due to upcoming celebrations in Beijing for the end of World War II whereby China has restricted steel production. In the tanker sector, there was a small drop mainly due to a seasonally slow down in Asian demand, however it is estimated that this will gradually improve again in the autumn due to preparations for winter. In the gas sector, the LNG spot market remains steady with rates being at their low levels, therefore most shipowners prefer not to fix their vessels for long periods. In the LPG sector, the employment rates are rather steady with only a small correction at the end of August. The spot freight market for very large product gas carriers remains at good, steady levels. The spot freight rates for containers shipped from Shanghai to Europe increased a bit during the last week of August. Asia-Europe $/TEU rates fell by 23% between the 1st and 2nd week of August, which meant a drop of 41% since the start of August. This has had a knock-on effect on the containership market

During August Greek shipowners were rather quiet in the Sale and Purchase Market with only a few transactions being concluded.

On the ship financing front, Greek banks remain closed for business and according to the Bank of Greece within this year a huge reduction has been recorded in Greek banks' shipping loans; specifically EUR 3.3bn (US$3.59bn) between April and May this year. The central bank notes that this reduction was partially due to the transfer of loans, as some foreign banks with branches in Greece that had been writing business locally decided, in view of the political and economic uncertainty, to shift these loans to their home base. Moreover, significant number of loans may have been repaid and a number of loans have also been sold by local banks to funds or other financial institutions. Greek shipowners needs for financing are mainly catered by foreign banks.

On the other hand, Greek shipowners remain active in the capital markets, albeit market fundamentals and market sentiment is not always supportive. Examples of recent Capital markets transactions include:

- **Poseidon Containers Holdings**' (G. Youroukos & **Kelso** & **Maas Capital Investments**) NYSE IPO was pulled (end of July) as it attracted an IPO price of $11 per share. The **Technomar Shipping** backed IPO was aiming to raise $214 million for a price range of $14 - $16 per share. The company had a full book of orders for shares but with the IPO price being below the $12 per share NAV price, it decided not to proceed.
- Nasdaq-listed bulk carrier and container ship owner, **Euroseas** (A. Pittas) is proceeding with a small (US$10 - US$ 20 million) rights offering to strengthen its liquidity position.

- **DryShips** (G. Economou) has announced it has repaid to affiliate, **Ocean Rig UDW** the outstanding balance of US$80 million it had borrowed. DryShips has transferred 17,777,778 shares of Ocean Rig previously owned by the company to Ocean Rig, as full payment of the outstanding obligation. Following this transfer, DryShips' stake in Ocean Rig is 40.4%.

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