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EUROFIN GROUP

This Newsletter is the official newsletter published by 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

- Provisional 2015 figures published by the Hellenic Statistical Authority (ELSTAT) showed a 0.32% annual contraction for GDP, compared with a first estimate of 0.70%, although this still falls short of the budget provision for zero recession last year.

- Greece's current account deficit shrank in December 2015 from the same month a year earlier as a lower trade gap helped to offset a drop in the services balance surplus, according to the Bank of Greece (BoG). The deficit reached €780 million from €1.87 billion in December 2014.
- The money from the black economy that came back into the real economy following the introduction of the capital controls and the increase in electronic transactions are the main reasons behind the containment of last year's economic recession to just 0.32% of GDP, according to a National Bank of Greece report.
- Presenting his annual report on the economy, BoG Governor Yannis Stournaras outlined 10 steps that would help the country find its way out of the crisis and stressed that for Greece to get back on the road to recovery the creditors' bailout review must be wrapped up as soon as possible, while calling on the government to cut expenditure instead of raising taxes further.
- Instead of decreasing public spending, as demanded by creditors, the government foresees in the 2016 state budget an increase in spending of €450 million, compared to 2015.
- Central government registered a primary budget surplus of €1.19 billion in January 2016, beating its target by €886 million, helped by lower outlays and higher inflows by EU funds, according to Finance Ministry data.
- Greece's annual EU-harmonized inflation rate turned negative again in January 2016 after the first positive reading in the previous month that halted 33 straight months of deflation, as data from the country's statistics service showed. January's print of -0.1% was below market expectations.
- It appears increasingly likely that the introduction of the Asset Register (where all persons are required to set out all assets owned, including household valuables, such as paintings etc.) will be postponed until this fall, if not next year. Delays in the submission of the related clauses to Parliament and the limited capacity of the Finance Ministry's online Taxisnet system mean it is currently impossible to finish setting up the database to include all taxpayers' assets.
- Greece's IMF program has been terminated in January 2016, two months ahead of schedule, as it was announced recently.
- 42% of the income tax that is collected every year is paid by just 3% of taxpayers, according to figures published by the General Secretariat of Public Revenue. This 3% corresponds to the 267,480 taxpayers who declare annual incomes of over €30,000, totalling €35 billion.
- Standard & Poor's revised upwards Greece's Long Term ratings, on January 22, to 'B' from 'CCC+' with the outlook remaining stable. The upward revision is mainly attributed to the agency's expectation that Greece will meet the conditionality attached to the €86 billion bailout program, opening the way for discussions on official debt relief, despite differences between the government and its creditors.
- The state owes Greek businesses €5.38 billion, at a time when they still have to pay taxes on time and must now pay 100% of the tax on next year's income in advance.
- The figures released by the Finance Ministry show a €340 million decrease in state arrears to the private sector in December 2015 from the previous month, but they are 50% higher than at end-2014.
- The storm of fiscal measures introduced in the second half of 2015 hurt salaried workers and pensioners considerably, as they were forced to pay 11% more tax than a year earlier through the monthly withholding process, according to a report on 2015 tax revenues drafted by the General Secretariat of Public Revenue.
- At the same time, the changes to the VAT rates that brought hikes for most food items, taxi fares and a multitude of other commodities and services led to just a marginal increase in takings by 0.09%, or €12 million, for 2015 with the total level of VAT revenues at €13.6 billion.
- The Eurostat statistics agency said unemployment in the 19-nation Eurozone dropped to 10.4% in December 2015 from 10.5% in November 2015, its lowest rate since September 2011. Greece and Spain continued to have the highest jobless rates, at 24.5% and 20.8%, while economic powerhouse Germany was on 4.5%, compared with 10.2% in France where the economy continues to struggle.

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FINANCIAL MARKETS NEWS

- Greek banks are about to increase considerably their provisions for nonperforming loans in the last quarter of 2015, which along with the incorporation of a series of expenditures will lead to a notable rise in losses. In practical terms, this means that the lenders will load their 2015 losses so as to minimize the emergence of significant losses for the current year.
- Citizens who keep cash outside the banking system are running in droves to bank branches to ask for details and clarifications on reports that the ECB is planning to withdraw 500-euro notes.
- December's €2.5 billion monthly rise in Greek bank deposits proved to be no more than a blip, as almost half of that money that entered the system then went on to leave it in January 2016. In total, deposits have risen by just €1.4 billion since the capital controls were introduced in late June.
- The ECB lowered the cap on emergency liquidity assistance (ELA) Greek banks can draw from the domestic central bank by €100 million to €71.4 billion, according to the BoG.
- Moody's considers the sale of Finansbank credit positive for National Bank of Greece (NBG) as it raises the bank's liquidity by c. €3.5 billion which should allow NBG to repay ELA.
- Moody's announced that it upgraded the credit rating of Greece's four systemic lenders after their successful recapitalization and the prospect for improved funding in the near future. NBG, Alpha, Piraeus and Eurobank had their senior unsecured debt rating upgraded by the agency from C to Ca, and the baseline credit rating from Caa3 to Ca, while their deposit rating was affirmed at Caa3, with a stable outlook.
- NBG said it had agreed to sell stakes held directly or indirectly in 11 funds to Deutsche Bank Private Equity and Goldman Sachs Asset Management for €288 million.
- The BoG's main objective is reducing nonperforming loans by 30% up to 2018. For bad loans to drop by almost a third from 2016 to end-2018, it will mean that their rate must go down from 35.5% in December 2015 to just 25% in the next 34 months. In euro terms, NPLs added up to €72.3 billion at end-2015, from a total loan portfolio of €208 billion and should go down to about €52 billion by the end of 2018.

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BUSINESS NEWS

- Aegean Airlines carried 24% more passengers on international flights in 2015, beating the growth in total air arrivals to Greece last year (6%) and confirming its contribution to tourism and the economy.
- Air China is planning to upgrade the air link between Greece and China. Next month it will start using bigger aircrafts for the Athens-Beijing service, which in early summer will become more frequent and later on a direct one, according to Chinese Ambassador in Athens Zou Xiaoli.
- LOT Polish Airlines announced that it is resuming its direct Warsaw-to-Athens service as of March 2, following the Polish flag carrier's restructuring.
- Greek businesses are not ready for the expansion of plastic money through the compulsory use of credit and debit cards for everyday transactions. A large proportion of stores still don't have the card terminals, or PoS (Points of Sale), required for card payments, while plastic is accepted by very few doctors, plumbers, electricians, lawyers and others who tend to account for the lion's share of tax evasion recorded in the country.
- Soft drinks bottler Coca-Cola HBC announced that its sales volumes in its established Western European markets rose last year for the first time in five years as a result of gains in Italy and Greece.

- Greek banks appear to have found a way to restructure dairy company Mevgal, which is currently unable to repay its large loans, and to possibly help the northern Greek firm to survive. Mevgal's management will be taken on by two investment funds (Sankaty Advisors, a Bain Capital subsidiary, and Bartons) that could be awarded a performance-related bonus, while the company's existing loans will be granted an extension.
- The Business and Consumer Survey of the Foundation for Economic and Industrial Index (IOBE) showed recently that Greece's consumer confidence index took a tumble in January 2016, as developments on the social security front have dented forecasts for household finances for the 12 months ahead.
- Economic sentiment index showed a significant improvement last month, climbing to 91.6 points from 87.1 points in December, while still lagging the 95.9-point level of a year earlier.
- Manufacturing is in a consolidation phase, as the purchasing managers index (PMI) by Markit showed. Operating conditions remained the same in January 2016 as in December 2015, albeit there was acceleration in the job creation rate to the fastest level seen since July 2007, albeit still quite weak.
- Greek industrial output rose 5.2% in December 2015 compared to the same period in 2014, after an upwardly revised 2.0% increase in the previous month, according to ELSTAT. Manufacturing production rose 3.3% from the same month a year earlier, ELSTAT said.
- The debts of the corporate sector in Greece to banks and the state add up to some €150 billion, putting at risk the existence not only of the private companies but also the country's entire economy. That figure does not even include the debts companies owe to each other.
- Estimates by the Hellenic Confederation of Commerce and Enterprises (ESEE), based on official data, put the debts of corporations to the tax authorities at €58.5 billion up to early January 2016, plus another €3.7 billion owed to the customs authorities.
- In an interview with Bloomberg, Environment Minister Panos Skourletis accused Eldorado Gold CEO Wright of shorting his own firm's shares in January and Eldorado of blackmailing the government and environmental authorities in Greece. Paul Wright announced his intention to press charges against the Greek Environment Minister for his statements against the Canadian mining company's CEO in the interview with Bloomberg.
- Greeks see entrepreneurship as a way out of their financial difficulties, according to a survey on the domain in Greece for 2014-2015 conducted and presented by the Foundation for Economic and Industrial Research (IOBE). The poll, which surveyed people aged 18 to 64, showed that 7.8% were in the early stages of entrepreneurship in 2014, up from 5.2% in 2013, while the early results for 2015 indicated a drop to 6.9%.
- Exports contracted 5.1% last year to a total value of €25.8 billion, against €27.19 billion in 2014, according to ELSTAT figures. The main reason for this decline – besides the capital controls introduced in June – is the drop in global oil rates which has resulted in a decrease in the prices of oil products that Greece exports. When fuel is excluded, the value of Greek exports amounted to €18.28 billion, up 8.2% year-on-year.
- The losses sustained by exporting companies, and therefore the national economy, as a result of the capital controls and the consequent block on access to foreign banks are even bigger than the much-debated social security system deficit. The Pan-Hellenic Exporters Association argues that if growth rates of exports (excluding fuel products) recorded up to June 2015 had been maintained, Greece would have collected €2.3 billion more than in 2014, with a positive impact on public revenues, social security contributions and the maintenance if not creation of jobs.
- According to the president of the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE), some 6,000 Greek enterprises have moved to Bulgaria in the last couple of years alone. At the same time, the GSEVEE chief says, Greeks are behind about 60,000 new tax registrations and bank accounts in the neighbouring country.
- Greek cooler maker Frigoglass said it has terminated an agreement to sell its glass operations to GZI Mauritius Ltd after the prospective buyer did not secure necessary financing for the transaction.
- Euler Hermes expects the number of Greek companies going bankrupt to rise 5% this year compared with 2015, when there was an increase of 10% from 2014.

- Greek toy retailer Jumbo said that net profit for the first half of its financial year to December 2015 rose 15.7% year-on-year to €72.5 million, helped by lower transport and commodity costs.
- Almost half of the new cars on Greek roads last year were purchased by rental companies, according to data by the Association of Hellenic Car Rental Tourism Enterprises (STEEA).
- Two of Greece's biggest supermarket chains, Sklavenitis and Marinopoulos, reached a deal for the former to undertake the management of the latter's 33 hypermarket stores, which account for a third of Marinopoulos's turnover.
- Supermarkets in Greece are estimated to have suffered a 3% drop in turnover last year compared to 2014, according to an analysis by market researchers ICAP, following 1.4% growth the year before. ICAP expects the sector to shrink further in 2016, a view shared also by businesspeople in the sector.
- The Anti-Corruption Prosecutor's Office filed charges against the previous administration of the state privatization fund (TAIPED), accusing its members of embezzlement in relation to the payment from the sell-off of gaming company OPAP.
- Stores have suffered a further drop in turnover over the winter sales as retailers estimate the sales have dropped by 20.8% compared to last year.

Real Estate

- Greek housing prices fell 5.1% in 2015, meaning residential properties are now worth 41.5% less than in 2008, before an enduring recession that forced the country close to bankruptcy, according to BoG data.
- Greece's Alpha Bank has launched a process to sell Athens-listed Ionian Hotel Enterprises, owner of the five-star Hilton Athens, a source familiar with the matter said. Alpha Bank, which holds 97.3% of IHE, wants to receive expressions of interest by a deadline of March 11.
- The investment in the development of the northern part of Zakynthos by Pimana SA, a company owned by Qatari Sheikh Hamad bin Khalifa Al Thani, has frozen for now. The multi-million-euro project has run into local claims on the 15-square kilometre area it purchased in 2014.
- The low rents and the availability of quality properties in the country's most popular shopping spots are convincing more and more retail chains to take the plunge in Greece or to expand their presence in the domestic market. That explains the rebound in rental rates recorded last year on a number of Athens's popular streets, especially as far as quality properties are concerned, according to the annual survey by NAI Hellas, a commercial property consultancy that is a member of NAI Global.
- BoG expects the local home and commercial property markets to continue their price slide in 2016. The adverse economic environment, the capital controls and the unstable tax status of the sector continue to hamper the property markets' recovery.

Tourism

- Air traffic continued to increase in January 2016, even though the first month of the year traditionally posts a decline. A total of 1.8 million passengers used Greek airports last month, posting an 11.5% increase from the same month last year, according to Civil Aviation Authority figures.
- The Ministry of Culture has approved the environmental and architectural studies for a major tourism investment that is now cleared for implementation in Corfu. The investment concerns the creation by KLC III Hellas SA of a tourism accommodation complex covering 205,000 square meters at Aghios Stefanos near Benitses.
- Greece is expected to reap significant benefits from the cruise sector in 2016, as the last few weeks have seen major cruise companies cancelling their routes planned for Turkey and replacing them with Greek destinations. The main reason for that development is the recent terrorist attack in Istanbul that resulted in the death of 10 German tourists, showing that the

security factor is even more important than port infrastructures as far as attracting more cruise passengers is concerned.

- Authorities on the island of Santorini are introducing a system to manage the flow of cruise traffic to the popular destination, which will allow a maximum number of 8,000 passengers per day, following a study on its capacity.
- The overall positive outlook for tourism, could still however, be affected, to a certain extent, by migration, as summer bookings, from certain key markets to some of the most popular tourism destinations in the Aegean, such as the island of Kos, are reduced.
- The ministries of Economy and Tourism and of Finance will cooperate on the drafting of a legislative framework for the taxation of leasing private homes as holiday accommodation, which has hitherto gone completely untaxed.
- Official data released by the BoG confirmed that 2015 was an all-time record year for Greek tourism, thanks to the significant contribution of revenues from US and British holidaymakers. Tourism takings last year amounted to €14.2 billion, posting annual growth of 6%.

Energy

- Official data by the Operator of the Electricity Market (LAGIE) show that alternative power suppliers Elpedison, Heron, Protergia, Green, Volterra, Watt+Volt and NRG Trading have raised their combined market share from 3.7% in January 2015 to 5.1% in December 2015, with a further rise reported in January.
- Energean Oil & Gas, Greece's only hydrocarbon producer, will seek financing from the nation's lenders to boost domestic production and expand internationally despite low crude prices, CEO Mathios Rigas said Energean has begun a $200 million investment plan for 2015-2018 aimed at raising production at the Prinos basin in the north Aegean Sea to 10,000 barrels a day by the end of 2017 from 3,000 today.
- The fuel market in Greece has continued to shrink over the first couple of months of this year, having declined by around 30% between 2009 and 2015.
- Greece will decide soon on the awarding of three onshore natural gas exploration licenses in the west part of the country in its second licensing round, according to Energy Minister Panos Skourletis.
- The Greek-Italian gas pipeline project, dubbed Poseidon, is returning to the forefront despite having lost to the Trans Adriatic Pipeline (TAP) in the battle for the transmission of Azeri gas. The project staged a comeback as Russian company Gazprom signed a MoU with Greece's DEPA and Italy's Edison on "the transmission of Russian natural gas from Russia – through the Black Sea and third countries – to Greece and then to Italy."
- Greece's biggest oil refiner, Hellenic Petroleum, will buy 60,000 barrels a day of crude oil from Iran, which could increase to 150,000 bpd, according to Iran's deputy oil minister.
- A financially and strategically crucial plan, which foresees the construction of a liquefied natural gas (LNG) station off the coast of Alexandroupoli in Thrace, has come a step closer according to a statement by the Public Gas Corporation (DEPA), with Energy Minister Panos Skourletis highlighting the significance of the project at the Athens Energy Forum 2016.
- A scheme to create "Small PPC," a subordinate rival to Public Power Corporation, by splitting away part of its production plants, network and clientele, is back on the table despite the government's expressed opposition to such a plan. Athens has seen every one of the alternative solutions it has proposed to open up the local electricity market being shot down, while the deadlines for the implementation of its bailout commitments become ever more pressing.
- Azerbaijan expects to secure in April full financing for the Trans Adriatic Gas Pipeline (TAP), according to the Azeri Energy Minister Natig Aliyev. The Southern Gas Corridor project, of which TAP is a part, is expected to cost around $45 billion and it is expected to cover a length of 550km in Northern Greece. The expected benefit to the Greek economy in the next 50 years has been estimated at € 17-18 billion, taking into account the construction work that will create

8,000-10,000 jobs and the operation of the pipeline maintaining 4,300 jobs.

Investments

- Fairfax Financial Holdings said that it plans to raise 735 million Canadian dollars through an equity issuance to fund its acquisition of interests in Eurolife ERB Insurance Group Holdings and ICICI Lombard General Insurance Co; in December 2016, Fairfax agreed to buy an 80% stake in Eurolife ERB Insurance from Greek lender Eurobank for € 316 million.
- The new investment incentives bill places an emphasis on small and medium-sized enterprises with innovative features, as well as incentives for large-scale investments that could immediately attract foreign capital.

Technology - Communications

- Athens-listed telecommunications firm Forthnet announced it had acquired the broadcasting rights for all three English soccer cup competitions for 2016 as well as the rights for all FA Cup games for the next two years for its satellite TV platform Nova.

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TENDERS - PROCUREMENTS

- The road is opening up for an extension to Athens International Airport's concession contract, as it has finally been decided to include the issue in the agenda of the AIA governing board's next meeting, on the recommendation of Infrastructure and Transport Minister Christos Spirtzis to Panayiotis Roumeliotis, president of AIA's board of directors.
- State sell-off fund TAIPED formally accepted the binding bid submitted by Cosco Pacific for the majority stake in Piraeus Port Authority (OLP), while the port company's stock posted a significant increase on the Athens bourse in response to the Council of State's rejection of various objections to OLP's privatization.
- Merchant Marine Minister Theodoros Dritsas is keen to negotiate with the preferred bidder Cosco Pacific, in the sale of Piraeus Port Authority (OLP) in order to ensure more benefits for the state and to safeguard labour relations in the company. The draft law for the creation of the Piraeus Port Public Authority (DALP), currently being drawn up by Merchant Marine Minister Theodoros Dritsas, is seen by the market as a covert way of renationalizing Piraeus Port Authority (OLP), whose sale to Cosco has been approved by sell-off fund TAIPED.
- Greece has pushed back the deadline for binding bids to build and operate a new airport on the island of Crete by about two months to 6th May to give investors more time to prepare offers, an infrastructure ministry official said recently. Kasteli, a €850 million ($947 million) build and operate project, will become Greece's fourth-biggest airport in terms of traffic, replacing Crete's outdated Heraklion airport, which is struggling to handle nearly 2.6 million tourists a year.
- The tender for the construction of the first section of Line 4 of Athens metro will be launched in the next four months, according to the government. Transport and Infrastructure Minister Christos Spirtzis said that the first phase would account for 35% of the total project, which will stretch over 13.5 kilometres in a U-shape and link Goudi in eastern Athens with Alsos Veikou (Veikou Woods), northeast of the city centre.
- Privatisation fund TAIPED has seen major interest in the sale of a Mykonos-based Leto Hotelit controls, having cashed in more than €26 million in the last nine months from such assets.
- The Infrastructure, Transport and Networks Ministry and the Shipping and Island Policy Ministry in cooperation with the Hellenic Republic Asset Development Fund (TAIPED) are planning to grant licenses for the construction of waterways on the islands of Paxi, Zakynthos,

Cephalonia and Lefkada, as well as in Patras with the view to create the first network of waterways in Greece. The first waterway in Greece will operate at the port of Corfu, while procedures for the licensing of another 50 waterways are under way.

- The new deadline for the submission of binding bids for the Hellenic Company for Rolling Stock Maintenance (Rosco) is 15th March, as state sell-off fund TAIPED wants to coordinate the process with the privatisation of the national train operating company, Trainose. The deadline for the latter is April 26, after the announcement of the new tender.
- Market professionals are voicing concern that the new tender for Trainose may not be as attractive following a recent agreement signed with Rosco for the maintenance of carriages, with Rosco also about to be privatised. The deal renders Rosco more attractive, as it provides for a higher cost of maintenance, with a direct impact on Trainose's finances.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

During February the Dry Bulk sector remained at relatively low levels, with the Baltic Dry Index (BDI) closing at 329 points at the end of the month, an increase from the 290 reached in mid February. Dry bulk shipowners and their Lenders are trying to find solutions in order to sustain this rather difficult market; loan restructurings or layup solutions are under consideration at least for the near future. The tanker market had a small correction during February mainly due to the uncertainty regarding the oil price and the slowdown in activity during the Chinese New Year holiday period. LNG and LPG spot rates also came under pressure during February as a result of reduced activity. Rates in the container sector remained at relatively very low levels during February.

Ship financing activity for new projects remains subdued as a number of international and local shipping banks focus their efforts towards supporting their existing Dry Bulk shipping clients and trying to find solutions to a market, where revenues at best cover OPEX. According to market data, Royal Bank of Scotland is a step closer to offloading its ship finance assets; RBS has appointed Lazard to offload £3bn (US$4.32bn) of the bank's estimated £8bn book of shipping loans, the majority of which are with Greek owners. RBS has been trying to sell its ship finance division for a year and had originally set December 2015 as the date for the sale. Many of the traditional shipping banks are closed trying to solve their existing troubles and help their clients with the restructuring of their existing loans primarily for the dry market owners that are hit by the extended low market rates. At the same time, Greek banks are still closed for new projects.

During February due to the extended correction in the dry bulk sector, some of the US listed companies had problems maintaining the SEC requirements in relation to minimum price; more specifically:

- DryShips approved a plan to carry out a reverse split of the company's Nasdaq-listed shares.
- Nasdaq-listed Top Ships confirmed it had received a notification from Nasdaq that it is not in compliance with listing requirements due to its market value being below US$5m for the last 30 days.
- Navios Maritime Holdings said it will boost its stock price after being warned of a compliance breach by the NYSE.

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