

SPECIAL ADVERTISING SECTION

greece

Rush for the **Blue Gold**

An insider's view of two of Greece's most high performing sectors: finance and shipping

Rush for the Blue Gold

Continued growth and progress in the Hellenic Republic

A year into its second term in office, the New Democracy government of Prime Minister Kostas Karamanlis has wasted no time in adding to the raft of reforms that have made the Greek economy among the most competitive in Europe, and that have given it above-average growth rates.

No sooner had New Democracy taken office in 2004, than it passed tax reform legislation and a new investment incentives law to foster entrepreneurship, cut red tape, establish transparency in tax audits, spur private investment, and encourage innovation.

Economy and Finance Minister George Alogoskoufis also committed himself to achieving a balanced budget by 2010, by tightening spending and improving tax revenue to bring down the general government deficit to 2.7% of GDP. This year's deficit target is 1.6% of GDP.

Corporate tax rates have been reduced from 35% to 25%, and the tax code simplified.

Since then, through a series of strategic privatizations, the Greek government has decreased the state's participation in the economy, notably in banking, boosting competition and better utilizing state-owned property in the process.

"The new era of privatizations is characterized by a shift towards maximizing benefits for the economy," explains Mr. Alogoskoufis, the man who has overseen the reform of the Greek economy since 2004. In the last four years, privatization has generated €6.314 billion, "reintroducing Greece to the international investment arena, since 75% of the privatization revenues came from



George Alogoskoufis, Minister of Economy and Finance

The new era of privatizations is characterized by a shift towards maximizing benefits for the economy.

foreign investors," says Mr. Alogoskoufis, pointing out that foreign direct investment (FDI) has increased tenfold over the last decade.

The Athens Stock Exchange is playing a key role in attracting international capital and has assisted the government with its privatization program.

"I think the exchange has played an important role in the privatiza-

tion efforts of the government. Only last year, more than €10 billion was raised through the market, mostly from private companies in the form of secondary issues," says Spyros Capralos, chairman of the Athens Stock Exchange. He says that there are still more deals in the pipeline for secondary issues for companies listed on the exchange, like the recently approved deal of the Port Authority of Piraeus, as well as upcoming sell-offs in the utility sector.

The development of the Athens exchange mirrors the changes in the Greek economy over the last decade. It is a marketplace that has gone from being local and retail-driven as recently as five years ago, to one where international investors hold more than half of the market capitalization and account for more than 60% of daily transactions.

Greece's capital markets have been transformed by the EU's MiFID (Markets in Financial Instruments Directive) on financial services in 2007. One of the main provisions of MiFID is internalization, a term used to describe how a large securities firm can sell from the portfolio of one customer to the portfolio of another customer, with the transaction not taking place in the stock market. The MiFID is expected to strengthen crossborder competition, introduce greater competition in securities transaction, and promote transparency.

"We have also fully liberalized short selling and stock borrowing and lending, and we are making it as easy for international investors to deal in our market as it is for them to deal in any other developed

market," concludes Mr. Capralos.

The Greek government has also committed itself to fostering entrepreneurship and innovation through a number of structural reforms such as the Investment Incentives Law and the new framework for public-private partnerships.

"This legislation places particular emphasis on regional convergence and on the provision of important incentives for new investment projects, especially to small and medium-sized enterprises, and covers up to 60% of the investment," explains Mr. Alogoskoufis, adding, "Since 2005 around 4,500 private investment projects worth €9.7 billion have been approved. These are expected to create more than 23,000 new jobs."

Furthermore, he points out, the new framework for public-private partnerships will upgrade infrastructure and improve the provision

of services in Greece. So far, 34 projects valued at €4 billion have already been approved.

Looking to the wider region, a top priority of the government's reform agenda has been to encourage the international orientation of businesses, stimulate their cross-border activity, and further enhance their role in the region.

The country has taken full advantage of the opportunities in a region with a market of 50 million consumers, building up trade and channeling investment on to the wider region, investing more than €15 billion over the last five years.

Greece is also strategically placed on the East-West energy corridor. The Turkey-Greece-Italy (TGI) Interconnector brings natural



Spyros Capralos,
Chairman of the
ATHEX

gas from the Caspian Sea to Europe. Greece and Russia have also signed an agreement for the construction and operation of the Greek section of a natural gas project that will bring gas from Russia to Europe.

In addition, Greece serves as a shipping and transshipment hub. It owns the largest fleet in Europe and the third-largest in the world. Its ports are currently being upgraded to accommodate increasing transshipment needs.

"The Greek government is determined to continue implementing the necessary reforms in order to secure future growth. In the years ahead Greece is also poised to have an even more pronounced role in the development of south-eastern Europe and the eastern Mediterranean," says Mr. Alogoskoufis. ●

First among equals

The announcement in June of a 40% rise in the Greek banking sector's year-over-year first-quarter profits reflects this dynamic industry's ability to sustain growth, even at a time when the credit crunch is biting into the results of EU rivals.

National Bank of Greece reported net group profits of €401 million in the first quarter and expects to reach €1.8 billion for the year. Eurobank saw its first-quarter net profits rise to €215 million, with year-end earnings predicted at €960 million. Piraeus Bank reported consolidated net income of €138.5 million, with the management targeting more than €600 million this year, while Alpha Bank published group after-tax earnings of €205 million, with analysts' es-

timates converging at €870 million for 2008.

Over the last decade, the Greek financial system has benefited overall from strong economic growth, financial liberalization, and integration into the EU and Eurozone. The banking sector has expanded credit and enjoyed increased profitability.

Furthermore, the financial position of the Greek banking sector has strengthened since integra-

For more investment information and data:

Ministry of Economy and Finance

www.mnec.gr

Invest in Greece Agency

www.investingreece.gov.gr

Athens Stock Exchange

www.ase.gr

tion in the EU. Banks are generally well capitalized and profitable, with adequate liquidity. These developments reflect the growing share in lending to the private sector and a decrease in the share of state ownership (from more than 50% in the late 1990s to less than 20% now)

Having avoided contact with sub-prime related financial instruments, it looks like Greek banks will largely escape the direct consequences of the crisis in the United States—although the credit squeeze will be felt throughout the Eurozone.

"The banking sector is an example of something that really went well. It is a sector that was liberalized early, it was de-nationalized relatively early, it is a sector that is very

competitive and it's a sector that is outward looking and active outside Greece," says Gikas A. Hardouvelis, chief economist in Eurobank Group.

He describes the major players in the Greek financial industry as modern, competitive and dynamic. Now they are reshaping the region.

The investment push into southeastern Europe has been led by Greek banks, which now control on average more than 16% of the banking market in the region, with a network of more than 3,000 branches.

Bulgarian and Romanian banks are expected to post loan growth of 50% this year, for example. Greek banks have not only built up sizeable retail operations in nearby Balkan markets, but are also busily planting flags in farflung bigger markets such as Turkey and Ukraine. Both NBG and Eurobank have more branches in southeastern Europe than in Greece itself. Finansbank, NBG's

Turkish franchise, will account for around 30% of NBG's earnings this year alone. Eurobank expects to derive more than a third of its profits from its regional activities in 2010, up from an expected 7% this year.

To fund their growth, the larger banks have sought European Central Bank funding by securitizing part of their high-quality loan portfolios, as well as issuing senior bonds and preparing to issue covered bonds. National Bank of Greece raised US\$625 million dollars in early June from the U.S. retail market. It issued preferred shares with no voting rights, taking advantage of the fact it is listed on NYSE. Takis Arapoglou, the chairman and CEO of the bank, has said it may raise up to US\$2.5 billion this year.

There is no shortage of optimism within the sector. The bigger banks' extensive retail networks provide a useful hedge against

liquidity problems in capital markets. Capital ratios at Greek banks are high, enabling further acquisitions in the surrounding region: Piraeus Bank submitted an offer to buy Kreditprom, a Ukrainian bank, in May. And yet, Greek banks are themselves likely to become targets for mergers and acquisitions. There are few other ways to gain a substantial presence in Europe's most promising markets.

That said, Eurobank's Hardouvelis says that Greek banks have shown themselves more than able to hold their own: "The Greek banking sector is well organized and it can compete against anyone. In my time, everyone was thinking that the foreign banks would come in and shake up the system, but it turned out that foreign banks did nothing and competition evolved naturally among Greek banks." ●

Alpha Bank's measured approach pays off



Marinos Yannopoulos
General Manager &
CFO, Alpha Bank

A large part of Alpha Bank's growth over the last two decades that has made it Greece's second biggest bank has been fuelled by its expansion into southeastern Europe. Alpha Bank's ever expanding network in this rapidly developing region of 60 million people consists of more than 400 branches in Romania, Serbia, Bulgaria, Albania, FYROM, and Cyprus. First quarter pre-tax profit for 2008 from its activities in southeastern Europe reached €42.9 million, up 74%, and accounted for 16.5% of group profit before tax.

In March 2008, it further extended its overseas presence by purchasing 90% of Ukraine's Astra Bank.

Now in the midst of implementing its Agenda 2010 business plan, Alpha Bank is boosting network investment to establish 1,500 branches in the region by the end of the decade, which will give it a 12% share

of the market in southeastern Europe.

"This fast-growing and rapidly maturing branch network is gradually producing strong returns while positioning Alpha Bank as a high quality, universal banking franchise in the region," says Marinos Yannopoulos, general manager and CFO of Alpha Bank.

Dating back to 1879, and restructured through a merger with Ionian bank in 2000, Alpha Bank remains true to its original values of credibility, reliability, and efficiency. This approach, combined with the bank's long-standing commitment in growing the balance sheet in a risk-balanced way, has protected it against the current international instability prompted by the subprime crisis in the United States.

Highly liquid, with a loan-to-deposit ratio of around 120%, Alpha Bank has a large deposit base of €36 billion. Its capital posi-

tion, currently among the highest in Greece, remains strong and able to support domestic and overseas growth. At the same time, says Mr. Yannopoulos, the bank's wholesale funding capacity is diversifying through the use of new instruments such as covered bonds and securitization.

A trendsetter over the years, Alpha Bank is credited with innovations such as telephone services, Internet banking, and cell-phone banking.

The bank also offers shipping services and a wide range of deposits and loan accounts. Together with the companies that comprise the Alpha Bank Group, it covers all aspects of the financial sector, providing comprehensive financial, investment, insurance, real estate, hotel, and shipping services.

Alpha Bank has also enjoyed sustained growth at home, where in the last quarter it grew both consumer and mortgage lending by 30.1% and 16.3%, respectively.

"Alpha Bank follows a measured risk-taking approach built around a culture of cost-control combined with long-term strategic vision," says Mr. Yannopoulos, adding: "This ensures that our growth initiatives translate to tangible and consistent shareholder returns. Our prudent strategy is evidenced by the growth in EPS reported in the first-quarter results of 17%, to €0.50, as well as our return on equity, which now stands at 24.5%."

Consumer demand remains strong in Greece, and Alpha Bank will continue to expand prudently to meet it, says Mr. Yannopoulos: "It is our belief that scale is an advantage in banking and we are well placed to participate in any consolidation in the sector if and when it may occur and so long as it creates shareholder value." ●



The advertisement features a large, stylized 3D logo of the Alpha Bank symbol (a blue square with a white circle containing a blue cross) in the foreground. In the background, a map of Southeastern Europe is shown in a light blue color, with small icons of the Alpha Bank logo placed over the following countries: Ukraine, Romania, Serbia, Bulgaria, FYROM, Albania, Greece, and Cyprus. The overall background is a gradient of light blue.

Alpha Bank. Your banking partner in an expanding Europe

8 countries - over 800 Branches and 165 years of banking expertise

If you need a bank with deep knowledge of the region, consider teaming up with Alpha Bank, one of the largest banks in Greece established in 1879. Alpha Bank has been operating in the Southeastern European region since 1994. Today, Alpha Bank has a wide branch network in Romania, Bulgaria, Serbia, Cyprus, Ukraine, Albania, FYROM and Greece and offers to corporate and private clients the product range, experience and know-how to help their plans take off.



ALPHA BANK

www.alpha.gr

Q&A Mrs. Sophia Staikou

The President of the Cultural Foundation of the Piraeus Bank Group and Head of Corporate Social Responsibility discusses the Group's new environmental project: GREENbanking4Life

IPS: To begin, could you provide some background on Piraeus Bank and the corporate social responsibility policies that led to the launch of GREENbanking4Life?

Mrs. Staikou: Piraeus Bank Group is one of the most dynamic and active financial organizations in Greece today. It has a growing international presence, focused in southeastern Europe and eastern Mediterranean, but also in the financial centers of London and New York. In particular, the Group is present in the U.S., the U.K., Albania, Romania, Bulgaria, Serbia, Ukraine, Cyprus, and Egypt.

In 2003, the board of the bank came out with the environmental policy statement. This was a commitment made by the chairman, Mr. Michalis Sallas, and the board in order to improve the environmental performance of the bank. It was a statement that incorporated pro-active and re-active actions to manage any impacts the bank had on the environment.

We asked ourselves: How much energy do we consume? What other resources do we use, like paper? We defined the parameters we wanted to measure, began to record our impacts, and then designed programs to mitigate them.

IPS: So, what exactly is GREENbanking4Life?

Mrs. Staikou: Supported by the European Commission's LIFE environment financial instrument, GREENbanking4Life is an innovative project that will implement a range of actions designed not only to reduce the bank's ecological footprint but also to create green business opportunities for its corporate and individual clients. It was an opportunity to put on paper what we wanted to do, and commit ourselves to a three-year project with measurable results.

IPS: How do you set out to define your goals, and how do you measure your results?

Mrs. Staikou: We established a three-pronged strategic approach that focuses firstly on the internal environment of the bank. The first task was to improve the footprint of the bank. We have already developed an integrated system for measuring and evaluating environmental impacts and compiled practical guides for managing environmental impacts. We started recycling paper, ink cartridges, plastic bottles, electronic equipment etc. Piraeus Bank is the single largest user of recycled paper in the Balkans,



using annually 390 tons of recycled-chlorine free office paper. This saves around 9,500 trees a year and also avoids the emissions of 433 tons of CO₂. We also recycled approximately 32 tons of used electronic devices, saving the environment from 2 tons of lead and 7.5 tons of plastic.

Secondly we focused on green products and green business. We designed and launched green banking products that promote

environmentally friendly investments and encourage businesses and private individuals to invest in renewable sources of energy. Piraeus Bank first introduced an integrated package for investors in photovoltaic systems in Greece. Recently we launched green loans for energy saving investments in private homes and small businesses.

Last but not least, we focused on the dissemination of our expertise. We place a lot of emphasis on educating and training our 13,000 employees. We will transfer this expertise to our subsidiaries in southeastern Europe and the eastern Mediterranean. We are also working to create a green client network that will help the rest of our clients, especially the SMEs, to improve their environmental performance.

IPS: The project is in place and will expire in 2009. What comes next?

Mrs. Staikou: We now know what our ecological footprint is. We have the tools and the procedures to reduce it. We will set new targets for all our facilities in Greece and abroad. In the long run, we aspire to becoming truly a carbon neutral bank, both in terms of how we operate and how we do business.

IPS: To conclude, what is the driving philosophy behind the project?

Mrs. Staikou: Conceived in accordance with our Corporate Social Responsibility strategy, GREENbanking4Life is a project that epitomises the bank's major philosophy: We can improve business when we can work in a healthy environment and a robust society. We know where we stand with regard to the environment and where we want to go. Our goal is to create real, measurable changes and encourage our clients and our peers to do the same.



PROTECTING THE ENVIRONMENT IS IN OUR NATURE

Piraeus Bank runs the
GREENbanking4Life project in Greece



What is GREENbanking4Life?

It's an innovative project supported by the European Commission and carried out by Piraeus Bank in partnership with the Ecological Recycling Society.

What are the goals of GREENbanking4Life?

To manage the Bank's direct and indirect environmental impacts, while sharing expertise.

What are the benefits of GREENbanking4Life?

- Improved energy performance and reduced carbon dioxide (CO₂) emissions.
- Green banking products for investments in renewable energy sources and energy efficiency.
- New green markets in Greece and the Balkans.
- Educated and motivated personnel to transfer expertise to clients, especially SMEs, and the general public.

Piraeus Bank has financed projects in Renewable Energy Sources which annually reduce CO₂ emissions by 538,215 tonnes. This is equivalent to the CO₂ absorbed by 80,000 hectares of forest.



**GREEN
BANKING**



Piraeus Bank
Corporate Social Responsibility

National Bank of Greece

The country's leading bank shows that it still has room to grow, both at home and abroad.

As the biggest bank in Europe's fastest-growing region, National Bank of Greece (NBG) has shown spectacular performance over the last decade, evidenced by its 64% rise in net profits for 2007, to US\$2.48 billion from US\$1.51 billion in 2006.

Aside from an ambitious expansion and acquisitions strategy in southeastern Europe, from where it already derives around 37% of profits, the bank's success is also due to the Greek economy's sustained growth, which has averaged 4% a year over the last decade.

Overall, the Greek economy is well placed to withstand the current international crisis, and its two main exports of tourism and shipping are holding up well, due to the measured slowdown in Europe and continued demand for shipping from the emerging economies.

Moreover, NBG deputy CEO Yiannis Pehlivanidis says Greek households and businesses are still relatively underleveraged. "Combined with low real interest rates, I think credit growth will continue in our domestic market," he says, adding: "Greek banks' strong capital adequacy, and lack of exposure to high-risk products, will ensure continued growth."

NBG boasts a number of strategic advantages, above all high existing liquidity and the capacity to generate substantial levels of additional liquidity. Another strategic advantage is its solid capitalization; the NBG Group's Tier-1



Ioannis Pehlivanidis, Vice Chairman & Deputy CEO, National Bank of Greece

capital ratio of 9.2% at year-end 2007 is one of the highest among European banks (average Tier-1 capital in Europe is 7.7%).

In the case of NBG, a large and stable deposit base and high liquidity levels support its solid funding profile and continued healthy business development. According to Mr. Pehlivanidis, future growth is safeguarded by "strict credit lending criteria and best-in-class risk management practices, a policy which is an additional advantage in the current difficult international fiscal environment."

Key regional role

NBG continued its pioneering

role in opening up the economies of southeastern Europe, opening 220 new branches, mainly in Turkey, Bulgaria, and Romania.

As Mr. Pehlivanidis points out, over the past six years, the health and performance of the banking sector in all countries of the region have improved significantly: "This was the result of the implementation of bank reforms, including the restructuring and privatization of state-owned banks, the closure of insolvent banks, the write-off of non-performing loans, the adoption of new prudential regulations, and tighter supervision."

The region's banking sectors are now relatively well-regulated and supervised, highly capitalized, quite profitable, and fairly liquid, says Mr. Pehlivanidis, who believes that Turkey's regulatory and supervisory framework is an example for most emerging economies. "It is important to note that a large part of banks' operational improvement is due to the large share of foreign ownership, which has become important only in the past six years, and has brought capital, technical expertise, and competition into the system," he says.

Highlighting this expansive strategy is the purchase of 85% of Finansbank, Turkey's fifth-biggest bank, making it the largest foreign investor in the country. NBG's boldness in entering Turkey is thanks to its successful forays in the region and investors' support for its regional strategy.

The additional fact that

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—Mr. Pehlivanidis

around one quarter of NBG’s branches in southeastern Europe and Turkey are less than two years old is also important for the group’s continued profitability.

Foreign institutional investors in NBG, which is traded on both the Athens and New York bourses, have rewarded the bank’s regional strategy with higher valuations. As a result, NBG stock has soared over the

past five years by around 500%.

Mr. Pehlivanidis says that at home and abroad, NBG is focused on healthy business development, and will continue with its prudent policy of applying strict credit criteria and best risk

management over the risks of rapid market-share growth. “We will also foster profitability by enhancing the quality of the bank’s portfolio, which we consider of paramount importance for a stable and profitable future.” ●

MOVING TOWARDS REGIONAL LEADERSHIP

1,670	BRANCHES IN GREECE AND ABROAD
34,600	EMPLOYEES
12 mn	CUSTOMERS
90 bn	TOTAL ASSETS IN EUROS

National Bank of Greece (NBG) continues its successful course towards regional leadership in South Eastern Europe and the Eastern Mediterranean.

With total assets of over €90 billion, 579 branches in Greece, 1,091 branches in the region and more than 12 million customers in 8 countries with a population of 125 million, NBG is gradually strengthening its international profile, at the same time delivering value to its shareholders due to its high return on capital.

Strong organic growth and targeted acquisitions in high growth economies are resulting in an increased, yet more diversified, footprint in the region. Currently, about 35% of NBG profits are generated outside its traditional domestic market.

NBG boasts a number of competitive advantages, which are additionally important in the current turbulent markets, above all high liquidity, being one of the few banks internationally to have surplus liquidity as the loans-to-deposits ratio remains below 100%. Moreover, NBG’s capital adequacy is also high, standing at 9.2% at end year 2007, again among the highest levels for European banks. These advantages will help NBG continue on course in the years to come.

Looking ahead, NBG remains on track to meet its 2009 Business Plan targets, having quickly and efficiently integrated its most recent acquisitions, Finansbank in Turkey and Vojvodjanska Banka in Serbia, and has begun to exploit the many synergies that derive from these acquisitions.

NATIONAL BANK OF GREECE

Shipping

Presently in a boom period, the Greek shipping sector continues to modernize and expand, with bright prospects on the horizon.

There are few better barometers of the health of the global maritime industry than Posidonia, the world's leading shipping exhibition, held every two years in Athens. This year, between June 2-6, Greek shipowners welcomed a record 80 countries to the event's 21st edition.

As ever, Posidonia 2008 provided an opportunity for delegates to discuss the key issues in a fast-changing industry. A priority among these has been the decade-long growth cycle fuelled by emerging markets, which has led to an investment spree by Greek shipowners, who have committed around US\$50 billion to fleet renewal projects.

Most Posidonia delegates agreed that the credit crunch has had little effect on an industry boosted by emerging economies like Brazil, Russia, India, and China.

"We see growth continuing: China registered 9% growth officially in 2007. If you consider newbuildings scheduled for 2009 and 2010, I do not think there will be enough to cover the needs of trade," says John Pachoulis, president of the Hellenic Shipbrokers Association.

As a result of the new orders, Themistocles Vokos, chairman of Posidonia, notes that the Greek-owned fleet has become one of the most up-to-date in the world, staffed by modern operators representing the next generation of seafarers.

John Xylas, president and CEO of Ariston Navigation and Melissa Cement Transport, predicts that demand from the emerging economies will continue to drive growth in the sector, but is less sure about whether the huge number of ships being built will be needed.



Dr. John Tzoannos,
Secretary General of the
Ministry of Mercantile
Marine, the Aegean and
Island Policy

"We are now in the third year of a booming shipbuilding market. There have been a lot of new building orders, and these new vessels will start hitting the market this year, with more next year and even more in 2010 onwards," says Mr. Xylas.

But as Theodore Veniamis, chairman and managing director of Golden Union Shipping, points out, the industry needs to further modernize, and this means updating vessels.

Among the Greek shipping sector's biggest players, Golden Union today manages a fleet of 28 bulk carriers, and since its inception in 1977, has continually replaced over-aged vessels. It currently has 20 vessels on order.

"Our aim is to stay in shipping. We need to have a good order book, good new ships to replace the old tonnage because we don't build or buy a vessel for a few years; we take it for the long term and we have a long-term strategy also. We don't mind if tomorrow the market collapses or changes because they are cyclical markets. We do it because we want to stay with the next generation," explains Mr. Veniamis.

As vice chairman of the powerful Union of Greek Shipowners, Mr. Veniamis has criticized what he sees as the watering down of the Class rules in favor of shipbuilding efficiency. "The shipbuilder may be the one to build a ship, but the owner/operator is the one who will have to live with it, charter it, and maintain and repair it throughout its lifetime," he argues.

Greek shippers go public

The modernization of Greece's shipping industry has also shown itself through the growing number of companies going public. "It is an approach that looks set to continue," says Alexandros Tourkolias, general



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Prime Minister Kostas Karamanlis at the opening ceremony of Posidonia 2008

manager of corporate and investment banking at the National Bank of Greece. "The markets are always looking for new opportunities, and some Greek owners are trying to accelerate growth by sharing risks with investors," he says.

Over the last decade, Greek

shipping has gone from being an industry characterized by family-owned firms to multi-million-dollar companies running huge fleets financed by IPOs on the world's major capital markets. The global capitalization of the Greek merchant shipping industry has surged from

\$2.2 billion in 2002 to more than \$20 billion in 2007.

The first Greek shipper to go public was Tsakos Energy Navigation, which listed on the Oslo Stock Exchange in 1993, joining the New York Stock Exchange in 2002. As a result, owner Nikolas Tsakos' was

In 2006, George Karageorgiou and George Feidakis co-founded Globus Maritime with \$40 million seed equity and a clean sheet of paper. A year later the company was given a \$50 million IPO on the AIM, the London Stock Exchange's international market for smaller, fast-growing companies. In January this year, Globus received the prestigious "International IPO of the Year" award from the Quoted Companies Alliance.

Mr. Karageorgiou attributes the company's success to an increased demand for commodities, coupled with 20 years experience in the shipping industry and capital markets.

"The plan for Globus was to start small and gradually grow, using public equity. I did not want a big IPO, as I did not want to dilute the founders at such an early stage in the company's life, and when its valuation was still low," says Mr. Karageorgiou. A year later he says he can raise more equity at twice the IPO price.

"Globus is unique on the AIM because it's the only shipping company where ships were bought from unaffiliated third parties, instead of reversing the shipowners' assets into a public company at a favorable price for the

GLOBUS MARITIME LTD (GLBS)



Mr. Karageorgiou (center) receiving the 2008 International IPO of the year award from Mary Nightinghale (ITN news) and Sunil Kakkad (right) of Lawrence Graham.

founder," explains Mr. Karageorgiou.

It is also the only company that manages its ships internally: "To avoid the conflicts of interest that arise when the fleet is managed by an affiliated private company, usually belonging to the founder," he says.

Globus' eight vessels provide seaborne transportation services for dry bulk cargoes, including iron ore, coal, grain, cement, and fertilizers.

With an average age of 11 years, versus the industry average of 15, Globus' ships are not

only more attractive to customers; investors also know that they are young enough to withstand two or three asset cycles.

The company's strategy is based on returning cash to shareholders in the form of dividends and growth. "Our target was initially to offer a dividend yield of 6-7%. Currently we offer double-digit dividend yields and keep enough cash in order to renew and grow the fleet organically," says Mr. Karageorgiou.

"We use leverage moderately. Our current ratio of loans to assets is 28%. Although the banks would allow us to increase that to 65%, I do not envisage a scenario where we would exceed 50%," explains Mr. Karageorgiou.

"Our policy is to repay loans quickly when the vessel is being used," says Mr. Karageorgiou: "This allows us to reduce the daily cash break-even point in future years when income is unknown."

The future looks bright as three out of five vessels that are on charters come up for renewal in the first quarter of 2009, while the three that are currently trading in the spot market are enjoying record daily rates. ●

able to purchase a modern, environmentally friendly, diversified,

ping worldwide.
"It was lonely for the first 10

The global capitalization of the Greek merchant shipping industry has surged from \$2.2 billion in 2002 to more than \$20 billion in 2007.

and versatile tanker fleet that he continues to renew and expand.

"After the Exxon-Valdez accident in the late 1980s, new legislation appeared regarding the designs for ships, double-hulled ships, which became effective in 1992. In 1993, we decided to build a company that would only use double-hulled ships," he says, adding that the company has not reported a loss-quarter in more than 14 years.

Mr. Tsakos also agrees the IPO trend has raised the profile of ship-

ping worldwide. "It was lonely for the first 10 years, from 1993 to 2003. But since 2003, about 20 companies have listed on the New York and London stock exchanges. It has become very helpful; our job now is much easier to explain what shipping is because other people are doing the same. The first 10 years was really an uphill battle trying to explain our business."

Villy A. Panayotides, chairman of Excel Maritime Carriers, which listed on the New York Stock exchange in 1998, also remembers those early years as a steep learning curve.

"As with most beginnings it was very difficult. We were inexperienced, and definitely benefited by learning from our mistakes. We gained a lot of experience about running a public company," he says.

Players like Omega Navigation Enterprises, which only went public in 2006, say the benefits of the bourse are clear: "Before the IPO we had only two ships, and today we have 13. The capital markets were the tool to grow the company," says CEO George Kassiotis.

Vassilios Terzis, managing director of Queensway Navigation, says he is considering an IPO to raise the cash to fund fleet renewal.

"Our strategy is to have vessels that are less than 20 years old on average, and secondly to increase our capacity. Through an IPO we believe we can replace older vessels to make our fleet more homog-

PASSION FOR SHIPPING

RESPECT FOR THE ENVIRONMENT AND OUR CHILDREN



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enous and to improve cost control. The market will guide us on when we have to do this. Now is the time to be stronger, larger, and healthier in order to enter into working honestly for the IPO and bringing in good results for prospective shareholders."

The appeal of a company like Queensway to investors is clear. As Mr. Terzis points out, its safety record is exemplary: "The only capital that we really have is our name and our word. If you can build on this you can improve performance in the future. We have been a non-claim company for many years, and get very good rates from our insurance companies because of the safety measures we take."

He says the company hasn't decided yet whether to go to London or New York.

"We will look at our levels and

see what the greater benefit is for us; now is too early. The markets in recent months have not been so stable, everybody's thinking, but I think shipping is here and it has a future."

Dimitri Papadimitriou, chief executive of Liquimar Tanker Management and chairman of Dioryx Maritime Corp, has so far resisted the trend among Greek ship-owners to go public.

"Shipping is a complicated business, it is cyclical. It's not an industry one should enter for quick gains. Investors should plan to be long-term players in shipping," argues Mr. Papadimitriou, adding: "Shipping is not like venture capital, where someone has an idea, collects capital, implements it, and if it turns out well, then they find a big company to buy out, forget about it, and move on to something else."

Mr. Papadimitriou bought his

first tanker in 1989 while finishing his studies at the London School of Economics, and still in his early twenties, passed from the theory to the practice of shipping.

The company is currently in the midst of renewing its fleet, with 10 vessels at sea, three on order for next year, two due in 2010, and another two in 2011. The newbuildings program totals about 1.5 million dead weight tons, and represents an investment of more than US\$750 million.

Mr. Papadimitriou says that while he has no plans to go public any time soon, he agrees with the view that the IPO trend has helped raise the profile of shipping worldwide.

But he says it is too early to gauge what the long-term impact of IPOs will be.

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view, it's still an immature industry. Investors in publicly traded shipping companies often overreact to the stimulus of the core underlying market, and that means that shipping assets will at times shoot through the roof, while at other times they will fall sharply to levels that are not warranted or supported by market fundamentals," he says.

He believes that over time the stock markets will see shipping like any other industry. "At that point it will be treated as a mature industry, attracting considered investment rather than the more speculative investment it has attracted so far."

John Xylas of Ariston Navigation also highlights the cyclical nature of shipping, warning investors must be aware that they are in for the long haul.

"I think that there will always be cycles, and there will always be ups and downs, and this is what makes shipping interesting and exciting. The difference between a successful and an unsuccessful entrepreneur in shipping is taking advantage of both sides of the cycle," he says pointing to what he calls the current "supercycle."

Environmental concerns

Speaking on the last day of Posidonia 2008, the president of the Union of Greek Shipowners (EEE), Nikos Efthymiou, said that ship owners would "fully support any IMO initiative designed to wipe out any carbon dioxide emissions in the sector. We want solutions that will reduce CO2 emissions, solutions which will be universally accepted and immediately applicable," said Efthymiou.

Professor John Tzoannos, Secretary General of the Merchant Marine Ministry, says that as a global industry, Greek shipowners support international solutions to environmental issues.

"We have been very active in support of international rules on environmental protection. This is a cornerstone of our policy, primarily at the level of the IMO and the EU," says Mr. Tzoannos.

George Gratsos of the Hellenic Chamber of Shipping picks up the point: "We transport 90% of the world's trade. According to the Stern Report, we emit 1.4% of emissions. The airline industry cannot transport more than 3%, and yet its emissions are close to 1.8%."

Looking to the future

Another hot topic at Posidonia 2008 was the need to attract more young Greeks to the shipping industry. IDEM, Union of Greek Shipowners said that it was to begin a campaign to attract young Greeks to the maritime professions.

"We are trying to reverse the negative trend of fewer people going into the seafaring profession, with some

success. Last year we had more applicants vis-à-vis the previous year, but we are not satisfied," says Dr. Tzoannos, adding: "We are intensifying our campaign to attract people to the profession."

Liquimar's Dimitri Papadimitriou believes in fundamentals, and insists that the success of the Greek shipping industry will continue to depend on what he calls the human element: "The seafarers, the staff ashore, the idiosyncrasy of the Greek owners, and the way they set up and control their companies."

He describes a ship as a stand-alone unit and profit center. "Greek sailors have it in them to perform brilliantly in such an environment. The aim of every manager is to find qualified staff, and seafarers that give the best of what Greeks have in them. That is what we strive to do at Liquimar, and so far I think we are succeeding. We have a very low crew turnover on our vessels, and tend to keep our people for many years. They grow 'up the ladder' within the vessel and within the company," he says.

Vassilios Terzis of Queensway Navigation says that his company's policy is to train staff and select the crew itself. He cites the example of its Georgia affiliate, which works with a local academy to train mariners.

"The only way to operate is to train your crew, to always be on top of things, and maintain your vessels well. It is the only way I know to minimize the risk. We believe in quality with good performance, and at the lowest cost possible," he says.

"The solution is not simply offering better salaries. Our strategy is to bring new people into shipping, try to train the people in shipping, and to offer different benefits than salaries," he says. ●



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