

SPECIAL ADVERTISING SECTION

greece ^{Part II}

Unwavering Commitment to Growth

A follow-up on IPS' July 2008 Special Section,
Rush for the Blue Gold

Greece: Unwavering Commitment to Growth

The Olympic Games in 2004 were the cornerstone for Greek economic development and gave the country the incentive it required to invest in many new infrastructure programs.

The Games did indeed deliver improved infrastructure but they also carried a hefty bill. The country is presently battling a current account deficit that is the highest in the Eurozone.

However, the know-how in hosting international complex events established an investment-friendly environment for the private sector and growth continues in private investment and exports. A new Investment Incentives Law and a new framework for Public Private Partnerships have both contributed to sustained growth that is twice that of the average in the Eurozone.

Organizations such as the Organization for Economic Co-operation and Development, the European Economic Community and the European Commission have forecast that, although many countries will have zero growth rates for some time to come, Greece will sustain growth of 2% through 2009. Unemployment stands at 7.2% and is on a downward trend.

"There is great potential for the Greek economy.



Evangelos Antonaros,
Government Spokesman for the
Hellenic Republic

We are on the right track," says Evangelos Antonaros, Government Spokesman for the Hellenic Republic.

"One of our advantages is our key geopolitical position. Greece is a gateway to the fast-growing market of southeastern Europe," says Mr. Antonaros. The country has emerged as a banking hub with more than 2,300 branches of Greek banks operating in the region.

"With the new trans-Balkan pipeline connecting Greece with the Black Sea, it also forms an energy hub," he continues, "and with the largest fleet in Europe and the third largest in the world, it is a maritime and shipping hub. We also have excellent relationships in the Middle East."

Back at home, there is a careful course to be steered in all key areas. The current financial crisis has not yet completed its cycle and although the Greek economy has not been adversely affected, it is feeling the tremors.

Mr. Antonaros considers that Greek shipping will not be a main contributor to GDP growth in the next few years, but it is an export industry that has always played a critical role in the development of the Greek economy. Tourism and construction are also under pressure.

"We must be very careful how we react," says Mr. Antonaros, "Our policy is to preserve and promote the cultural, religious, athletic, and environmental profile of our country while sustaining development."

In the banking sector, while the EU is calling for increased regulation, Greek lenders appear to have enough flexibility to manage without capital injection from the state.

"The Greek banking system is completely solvent. We did not have any bank coming to us and asking for our support," explains Mr. Antonaros, "However, as a member state of the European Union, we have a wider responsibility and were one of the first governments to introduce a financial support plan to guarantee liquidity for the real economy."

The 28-billion-euro plan includes a government commitment to guarantee up to EUR15 billion worth of bond issues by Greek banks. To reinforce confidence, it has given a 100,000-euro guarantee on banking deposits, double the 50,000 euros insisted upon by the EU.

"Our primary goal is to shield the Greek economy

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against a crisis," says Panayotis Thomopoulos, Deputy Governor of The Bank of Greece. "Greek banks have been able to weather the storm because the Bank of Greece has been insisting that they have a high capital adequacy ratio," he explains. "They did not generally invest in the toxic products that many international banks did."

The recent acquisition of almost 30% of Proton Bank by Pireus Bank, and the fact that the Marfin Investment group has raised 5 billion euros in a public offering on the local stock exchange for possible acquisitions, is an indication that, though the trend towards consolidation continues, the outlook for the future is positive. ●

HSBC: A Strategic Advisor

One of the fastest growing financial organizations in the last decade, HSBC is among the world's largest banks in terms of market capitalization.

Well diversified geographically and a strong competitor in the local environments in which it operates, HSBC is able to offer a level of service and consistency that you would expect from a global bank combined with solid local know-how.

"We are a point of reference and reassurance even in turbulent times like these," says Dimitris Politis, HSBC's Managing Director and Head of Global Banking.

"In these turbulent times we are outperforming most of our peer group. We have strength in depth and are able to put our global positioning in action for the benefit of our local customers."

HSBC has been established in Greece for more than 25 years, offering client services across the board.

"We are strategic advisors within the wholesale sector and the quality of our products and the consistency of our proposition makes us trusted service providers within the retail sector," says Mr. Politis. "We are also quite strong in shipping and corporate banking."

HSBC is well positioned to serve its international clients from its presence in Greece, and due to its well-established relationships with major local corporate clients, it has a clear perspective on the Greek financial sector.

"I see Greece demonstrating its attractiveness by combining the low risk and solid fundamentals of a developed European market with the still untapped potential of a developing one."

Mr. Politis is also highly optimistic about the future, believing that the volatility in the current financial climate, though it creates difficulties, will also bring new opportunities.

"At the moment, there is a growing dynamic for consolidation in the Greek banking sector," he explains. "I believe that Greek banks have a fair chance of coming out stronger when this period of instability is over." ●

Alapis: Generic Growth



Dr. Lavrentis Lavrentiadis,
President of BOD,
Alapis

When Dr. Lavrentis Lavrentiadis merged four of Greece's leading pharmaceuticals companies to create the Alapis Group in May 2007, one of the key growth areas he set his sights on controlling was the country's fast-growing, but still under-penetrated generic medicines sector.

As Dr. Lavrentiadis points out, most local players still lack the critical mass to make the most of the opportunities in generics. "To do that you have to be strong, and Alapis, by consolidating its companies, is now a very strong player in generics. We intend to control 50% of the Greek market," says the 37-year-old, adding, "The generic market is growing very fast. It will control the global healthcare market in the next 35 years."

Traded on the Athens Exchange, Alapis, which for the first quarter of 2008 reported turnover of \$208.1 million, a 320% increase compared to the same period in 2007, intends to build on its strong regional presence and further expand throughout and beyond southeastern Europe.



"It is important to understand that Greece is in a great location to do business with Asia and the Middle East. We have an excellent relationship

with Eastern Europe and Russia, as well as the Arabs and Chinese. The opportunities are really unique," he explains.

"I think in the next three years the generic market will unveil opportunities for acquisitions of companies in Europe and the United States. The most secure sector today is the healthcare sector, and generics is the most forward-moving sector within healthcare," he says.

Alapis is active in the veterinary, organic products, cosmetic and detergents, and health sectors, and Mr. Lavrentiadis says that while the cornerstone of the group's strategy is its pharmaceutical activities, there are significant synergies across its business areas that have created a vertically integrated platform and a "one-stop shop" for investors.

"We at Alapis have a unique opportunity not just to be a leader in the Greek market but also to be a global leader. We have an excellent base. We are among the very few companies that really use our acquisitions as platforms to create added value," he says. ●

Q & A

At the helm: **Paul D. Psomiades****IPS: To begin, could you talk us through the group's history?**

Mr. Psomiades: The company was established in 1944. In 1967, there was a venture with the Insurance Company of North America, INA, to sell life insurance in Greece, which was quite an innovation at that time. In 1972, INA became an independent company under the name Interamerican, which was the market leader. In 1976, I left Interamerican and I started with Aspis Pronia, the parent company of Interamerican. After ten years, I bought the company from the former owner of Aspis Pronia and we set up more companies in the insurance and financial fields. We established a non-life company, a stock brokerage company and after that we made a lot of acquisitions, which included 14 insurance companies. We then established our bank. Today, while the core of our business is insurance and banking, we are involved in many other fields. In total we are a group of 42 companies. We operate in insurance, banking, and real estate. The capital equity of our companies is about

The President and CEO of the Aspis Group of Companies discusses future economic prospects.

€800 million, our total assets are about €6 billion. We have 2,500 employees and 4,000 exclusive agents.

IPS: What is your opinion on the future of the Greek economy?

Mr. Psomiades: Right now there is a global downturn, but after the crisis is over Greece will continue to grow. In my opinion, this year we'll see GDP growth of approximately 3%. The country's potential in the services sector is great. The insurance field is doing well, and so are the banking, energy, tourism, shipping, and transportation sectors.

IPS: Of the three sectors your group of companies is active in—insurance, banking, and real estate—which is the most profitable?

Mr. Psomiades: In the broader sense, until last year, the most profitable sector was banking. But with us, it is also insurance, along with the real estate company we established four years ago.

IPS: Greece is becoming the destination for international investors looking for lucrative investments in the Balkans. Would you say that Greece has become a hub?

Mr. Psomiades: Yes, I would say that. Thousands of Greek companies have set up in Romania, Bulgaria, Albania, and throughout the Balkans, even in Turkey. We have a long relationship with those countries, and a business history also. Especially in Romania and Bulgaria, and in the southern part of Russia, like Crimea, where there has always been a large Greek community. A lot of people there speak Greek, or at least they understand

Greek. Greeks are quite popular in the Balkans, and we understand each other. It is good idea for businesses from the European Union who want to do business in those countries, to get together with a Greek company.

IPS: Are you expanding into the Balkans?

Mr. Psomiades: We are in Albania, and now we are trying to get our insurance business into Serbia. Our real estate company is in Bulgaria. The bank will be established in Bulgaria soon as well, once we get the approval of the Central Bank there. We are looking for new acquisitions in the Balkans. We are also well established in Cyprus, Sweden, and in the German and U.S. insurance sectors.

IPS: Aspis Pronia and Aspis Bank are publicly traded companies in Greece. How profitable are they?

Mr. Psomiades: We have never had to borrow money to buy a company, which shows how profitable our companies are. The balance sheets do not tell the whole story; because of our expansion and acquisitions, our profits are, in reality, quite high.

IPS: What final messages do you have to offer regarding the economic prospects of Greece?

Mr. Psomiades: I strongly believe that Greece is a land of opportunity. The prospects in our "neighborhood" and in the European Union are very good. Greeks are businesspeople by nature and want to achieve things, especially the younger, better-educated generation. Greece is really the place to get things done. ●



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With more than 60 years in the Greek insurance market, Aspis Pronia has evolved into the largest private insurance group in Greece. Today, the Aspis Group consists of 16 companies, operating in 6 European countries and providing the most sophisticated and comprehensive insurance, banking, finance and real estate services.

Premium income has reached €510 million with total reserves of €982 million and total assets of €6 billion. The Group has an extensive distribution network consisting of 300 agency and bank branches, 4,000 exclusive agents and 700 affiliated agents and brokers, serving over 1 million satisfied customers. Our goal is to continue on our path of constant development, both in Greece and abroad.



Cyprus: A Center of Economic Stability

With the initial shocks of the credit crisis now behind us, it is overwhelmingly clear that certain European countries have positioned themselves far better than others to manage the after-effects in 2009. Cyprus is one such country. When the crisis spread, Cyprus was not caught off-guard. Before joining the EU, Cyprus had enjoyed a long period of macroeconomic stability. The country's sound and robust financial system, and the banking sector's extraordinary performance, helped maintain growth. As recently as 2007, the per capita GDP growth was around 93% of the average for the EU's 27 member-states, driven by a real GDP growth of 4.4% in 2007. While the effects of the crisis are unavoidable, Finance Minister Charliaos Stavrakis notes that Cyprus is in a better position to weather the current storm than many other EU member states and that he expects relatively favorable growth rates for 2009.

Size matters and Cyprus being small has placed a tremendous amount of energy and resources on attracting FDI, which has ballooned from 873 million euros in 2004, to 1.5 billion euros in 2007. Special emphasis has been given to services-related sectors. These include banking, legal and financial services, ICT, energy, shipping, health and education, as well as R&D. This is possible, in part, thanks to the country's extraordinarily low corporate tax of only 10%, the lowest of any E.U. country, as well as agreements with over 40 countries for avoidance of double taxation.

Well known names dot this small nation, attesting to its seal of quality and providing evidence of the opportunities to be found here. PricewaterhouseCoopers Cyprus, with more than 950 employees and four offices across the island, is a clear example. The firm, which audits a number of companies that make up 40% of the capitalization of the companies listed on the Cyprus

Stock Exchange, posted an accumulative growth of about 95% over the last three years. The results reflect PwC's commitment to "recruiting and retaining talented people and developing them as the next generation of business leaders," explains Phidias Pilides, PwC's Country Senior Partner. PwC has been a pioneer in advising the international community in investing in Cyprus since setting up house in the capital of Nicosia and then expanding with offices in Limassol, Larnaka and Paphos.

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PricewaterhouseCoopers Cyprus is the leading consultancy on the island and has played a prominent role in the country's phenomenal transformation. "The most important aspect of our efforts in the market where we operate is the quality of our services," Mr. Pilides adds. "We specialize in financial services, consumer and industrial product services, technology, information, communications and entertainment as well as systems and process assurance."

As far as the future is concerned, Mr. Pilides is optimistic. Beyond the typical priority sectors of the government, most notably tourism, the new airports in Larnaka and Paphos will further strengthen Cyprus' position as a regional business hub and offer new opportunities in different sectors. "We are looking at the health and medical services sector, and because of the encouragement given by the state to the private sector to expand its R&D to support new technologies, we feel these are sectors with strong potential prospects."

The firm's work does not go unnoticed and it recently received the European National Tax Firm of the Year award. The success and prominence of PwC does not end in the business arena either. "Our strategy is focused on quality people who can offer quality services to our quality clients. At the same time, we do not forget that we have to be a part of our community," Mr. Pilides explains. "Corporate social responsibility is very high on our agenda." ●

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