World Report

# Greece

15 SEPTEMBER 2007

## A financial and business hub for New Europe


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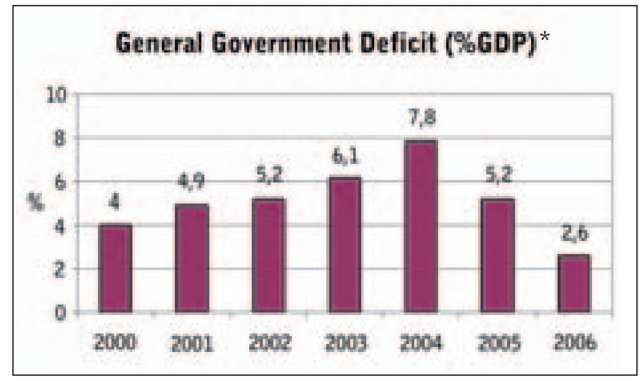
# Expansion abroad puts Greece at the forefront of regional growth

**With** its own economy growing faster than the eurozone average, Greece is looking outwards and assuming an increasingly important role in the emerging economies of the new Europe

**GEORGE ALOGOSKOUFIS**
Minister of Economy and Finance

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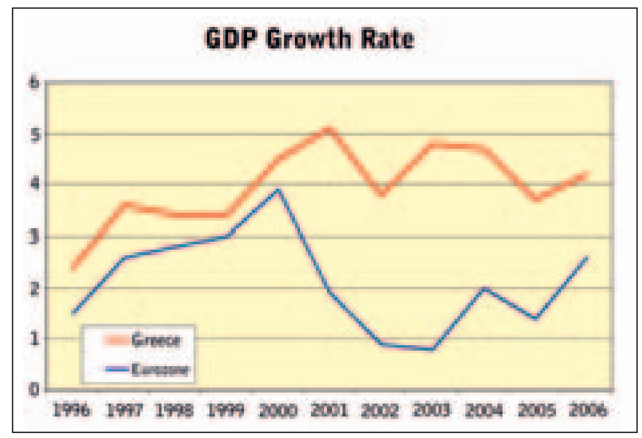


International investors are looking at Greece in a different way these days. They no longer see it as a small market of 12 million people, but rather as a hub for the region with a population of 300 million. This is a reflection of the strong presence that Greece has established and is continuing to develop in the New Europe of emerging central, south-eastern and eastern states.

Greece itself, an EU member since 1981, is no longer geographically isolated from the rest of the community since the accession to membership of Bulgaria and Romania. Greek companies, and particularly Greek banks, are stepping up the export of their expertise and organisation to new and would-be EU member states that are just beginning to find their own economic feet. Analysts predict that in 10 years time these companies will be doing more business outside Greece than inside. Greek banks are expanding in the region at double-digit rates of growth every year.

George Alogoskoufis, the Minister of Economy and Finance, says that Greece is at the forefront of the region's economic growth and development. "We are one of the leading foreign investors in Albania, Bulgaria, FYROM, Romania and Serbia. Moreover, Greece has a mature and well-organised stock exchange that can serve as the platform through which leading southeast European companies can gain access to international capital markets. With the know-how it possesses in capital markets, Greece can also be a valuable partner for every local company seeking to reach international investors."

Greece's own economic performance is impressive, with a rate of growth faster than the eurozone average. The currency is stable and borrowing costs are low. Levels of unemployment, which were above 11 per cent in 2004, the year the government took office, are at their lowest since the late 1990s.

Mr Alogoskoufis attributes this success to the implementation of economic and fiscal reforms. Privatisations and the liberalisation of the economy have stimulated competition. The country's budget deficit has been reduced to well below the EU's limit of 3 per cent of GDP, and the business environment has been improved by the introduction of new corporate governance legislation, the adoption of international accounting standards, incentives and a cut in corporation tax.

Foreign direct investment, which totalled barely 0.1 per cent of GDP in 2003, reached EUR4.3 bln, or 2 per cent of GDP last year, helping to increase economic growth by 4.3 per cent. Christos Megalou, Managing Director of Credit Suisse Securities (Europe), says there is a general perception in the international market that Greece is a place where investors can make money. "I have never seen so much interest in and activity related to the Greek market as I have in the last two years," he states.

Certainly, investor interest was high when 31 Greek companies participated in London last year in the first of what is intended to be a series of annual roadshows for listed companies organised by the Athens Exchange in collaboration with Bloomberg. A second roadshow is scheduled to be held in October.

According to Notis Mitarachi, a financial analyst at Fidelity Investments International and Chairman of the Hellenic Bankers Association UK, London has become the predominant financial hub for Greece. "Any of the key transactions happening now in Greece, either in investment banking or in the capital market or investing in Greece, go through London," he says.

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FOREIGN TRADE

# Economic extroversion is success

In an era where products, services, capital and people circulate all the more on a global scale, economic extroversion is key to the health of national economies. That is why the Greek Ministry of Economy and Finance implements a model based on entrepreneurship, extroversion and competitiveness.

In this light, the Hellenic Foreign Trade Board (HEPO) has been assigned with a substantial mission. To operate as a platform for Greek enterprises, especially the small and medium sized ones, support them and provide all the assistance they need in order to gain access to foreign markets and compete effectively.

With great confidence in the quality of Greek products and services, as well as in the potential of Greek enterprises, HEPO coordinates the participation of Greek enterprises in international exhibitions, organizes business and trade missions, road shows, symposia, conferences, conventions and other promotional activities.

The export figures since 2004 show that Greece has the capability as well as the will to successfully face up to the challenge of economic extroversion.

Over the last three years Greek exports have grown impressively. More precisely, during the period 2004-2006 the country's exports increased by 34.4%. In 2006 the total value of Greek exports rose by 18.2% compared to 2005. Furthermore, the figures for the first five months of the current year show that the total value of Greek exports increased by 7.1%, compared to the same period of 2006.

More important than figures is the fact that this rise is not coincidental but the result of the successful policy of the Greek Ministry of Economy and Finance for the improvement of the extroversion of the Greek economy and of the competitiveness of Greek enterprises, as well as the result of the important efforts undertaken by the Greek companies and HEPO.

It is by now clear that a competitive Greece, the adoption of business dexterity, the balanced support of private initiative after development projects, the emphasis on quality, the out-of-borders orientation of commerce and services, the approach of markets with contemporary marketing and communication terms, have become our national strategic goals.

# Foreign firms target listed companies

The Athens stock exchange has seen a huge increase in trading volumes over the last few years. Average daily trade, which in 2004 was EUR140 mln, jumped to EUR210 mln in 2005, then to EUR340 mln in 2006. This year, volumes are averaging EUR450 mln, with banks and state-controlled corporations the most heavily traded.

More than half of the transactions originate from outside Greece, according to Spyros Capralos, the Chairman of Athens Exchange. "Our growing international presence has strengthened our market and that is continuing on a daily and on a monthly basis," he says.

International investors now hold over half of market capitalisation on the Athens Exchange, compared to 35 per cent in 2006. "They are not only investing in the Athens Exchange, but are committing themselves for the long term, as the recent acquisition of Emporiki Bank by Credit Agricole indicates," observes Mr Capralos. The net inflow of international capital in 2006 exceeded EUR5.5 bln, not including the Credit Agricole transaction, which was Greece's largest-ever privatisation.

Foreign investment firms are increasingly targeting Greek companies, according to Sotiris Constantinou, a senior partner with Athens-based branch of British chartered accountants Grant Thornton. "Analysts predict that in three years from now all profitable listed firms will have been targets of acquisitions by competitors, either Greek or foreign," he says.

The most tempting targets are the major Greek banks such as NGB, Alpha Bank, Eurobank EFG and Piraeus Bank, which have built up strong positions in the emerging markets of southeastern Europe. Foreign interest is not limited only to the banks and the other big-cap companies on the FTSE/ATHEX 20 index, however. Mid-cap firms with growth potential are also of interest, as was apparent at last year's Athens Exchange roadshow in London.

**Daily transactions** increasing rapidly on the Athens stock exchange and more than half of them are being made by international investors

**The Athens Exchange** relocated to a new office complex on Athinon Avenue earlier this year.

**SPYROS CAPRALOS**
Chairman of the Athens Exchange

"Many of the investors who attended did not chose the FTSE/ATHEX 20 companies, but were interested in the smaller FTSE/ATHEX 40 companies," says Mr Capralos. "The roadshow gave them the opportunity to meet some of the medium-sized Greek companies and gave the Greek companies the opportunity to see what international investors are looking for. The results have been very good and there has been a lot of activity in the shares of these companies represented in London."

Efforts to make the bourse more competitive are paying off. A new European

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modelled regulatory framework has been introduced with the aim of strengthening the transparency and reliability of what is now a single market, comprised of three segments, in which companies are classified according to their market capitalisation and other criteria. Trading hours have been extended in order to accommodate foreign investors and trading fees have been cut.

"We have made the whole environment friendlier to international investors," says Mr Capralos. "The government has helped by privatising some companies through the exchange and reducing the sales tax on the transactions and the corporate tax."

Memorandums of understanding have been signed with a number of foreign exchanges, including New York, Cyprus, FYROM, Belgrade and Montenegro. The ATHEX supports initiatives aimed at integrating EU capital markets. Since October last year the exchange has been sharing a common electronic trading and clearing platform with the Cyprus Stock Exchange, whose trading volumes have increased considerably as a result.

Mr Capralos hopes it will become the first step in a regionwide initiative. "We firmly believe that a strong Southeastern European capital market can only emerge through the collaboration of the region's exchanges, and today Athens Exchange has the know-how, the technology and market size to become the hub of our neighbourhood."

# Still potential at home as banks widen their expansion abroad

**Greek** banks are pursuing opportunities at home and abroad as they face the prospect of increasing competition from foreign rivals

Greek banks have been opening branches and buying up other banks in the region since the late 1990s. Now, having invested heavily in Balkan neighbours like Bulgaria, Romania, Serbia, FYROM and Albania, they are extending their activities to bigger countries such as Poland, the Ukraine and Turkey. The total number of branches of Greek banks abroad is currently in excess of 1,000, and by the end of this year will be twice that number in Greece.

Finance Minister George Alogoskoufis says: "This trend is set to continue for many more years, since our neighbouring countries are significantly under-banked and under-monetised, thereby creating good prospects for the banking sector."

According to Michael Hadjipavlou, Chief Executive Officer of Deloitte Greece, 2006 was "one of the landmark years of the Greek banking industry." In terms of expansion abroad, the headline event was the pioneering entry into Turkey by the National Bank of Greece, the largest of the Greek banks. NGB's $2.8 bln acquisition of a controlling stake in Finansbank was the first Greek takeover of a Turkish bank. A country of 72 million people, whose underdeveloped banking sector offers huge potential for growth, Turkey is a highly attractive target for the next phase of Greek expansion now that historically strained relations with Greece have improved.

Eurobank EFG, another major Greek bank, rapidly followed NBG's example last year by acquiring 70 per cent of Turkey's Tekfenbank – in addition to entering the Polish and Ukrainian markets. Other notable foreign acquisitions by leading Greek banks included Piraeus Bank's takeover of Egyptian Commercial Bank and ATE Bank's purchase of a controlling stake in Romania's Mindbank.

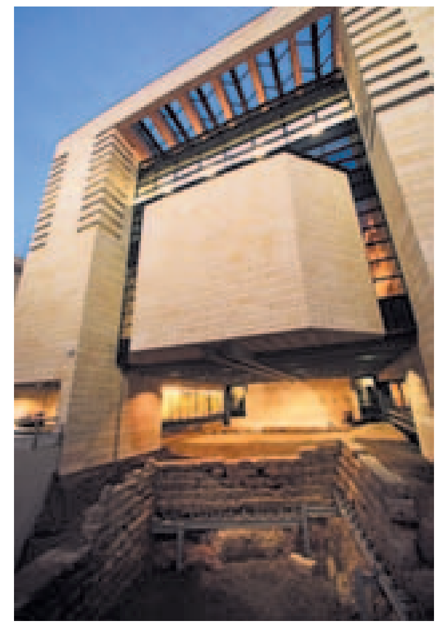
The other headline event of 2006 took place at home, when Emporiki Bank, another of Greece's leading financial institutions, was taken over by Credit Agricole, the second largest banking group in Europe. George Alogoskoufis, Minister of Economy and Finance, describes the French bank's entry into the Greek banking system as "a milestone signifying the transformation of Greece into an investment friendly destination."

State-owned banks were at the top of the government's privatisation agenda last year, which also saw the flotation of the Greek Postal Savings Bank and the reduction to 77 per cent of the government's holding in ATE Bank.

Greek banks are among the European banking sector's top performers. Boosted by their income from abroad, the major banks enjoyed record profit levels last year, and the trend has continued with better-than-expected results for the first half of this year.

Profit increases can be expected to slow eventually as the domestic market matures, particularly as competition increases with the entry of foreign institutions. Mr Hadjipavlou says: "It is almost certain that the emergence of new players in the market such as Credit Agricole, the Marfin Popular Bank Group and Societe Generale, coupled with the intensification by all banks to grow their market share, will undoubtedly create pressures on margins and affect profitability. Hence, the expansion of practically all banks into the growth and promising markets of the region and their intensified efforts to reduce costs."

In the meantime, there is still plenty of potential for growth at home. In comparison with its European counterparts, Greek retail banking is still underdeveloped. Consumer borrowing has increased but Greece still trails the eurozone in terms of total lending as a percentage of GDP – 80 per cent against the EU average of 125 per cent.

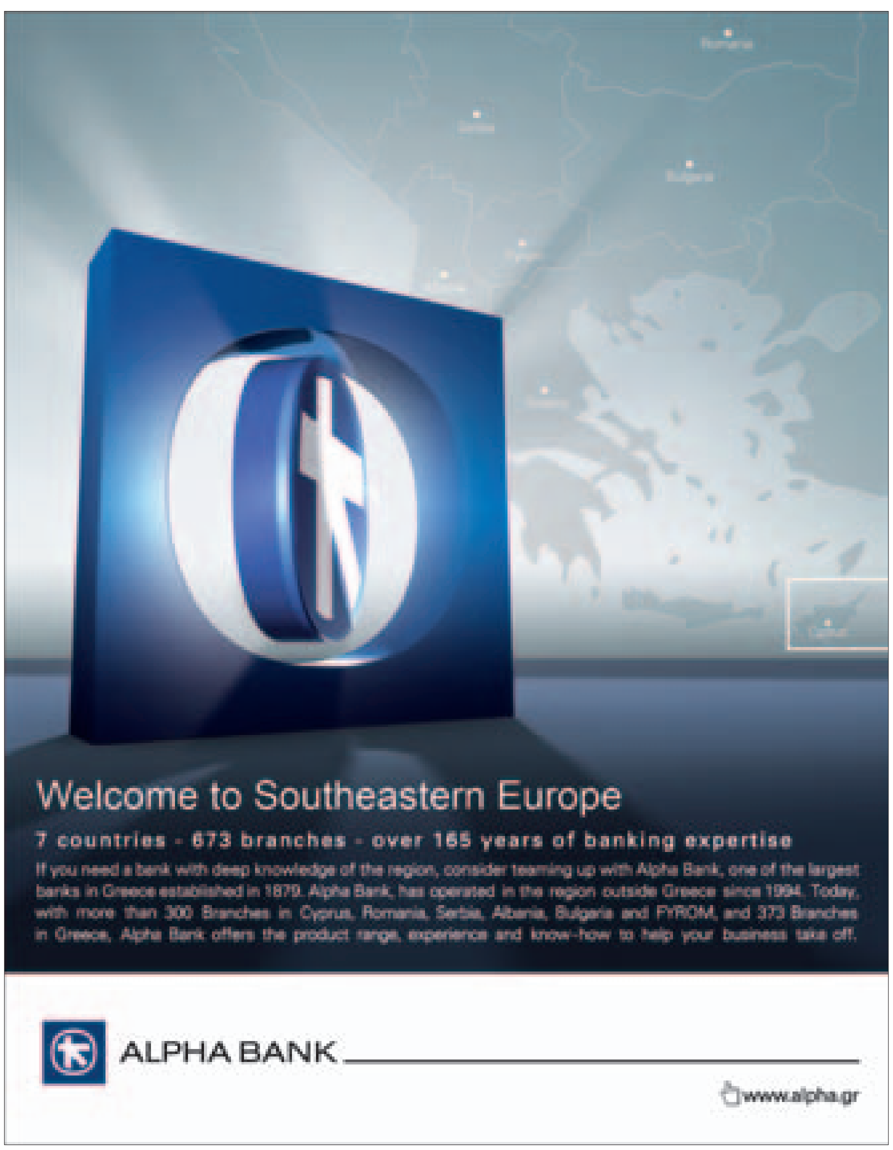


**National Bank of Greece** made a pioneering move into Turkey last year.

Panayotis Varangis, Deputy Governor of ATE Bank, says there is a percentage of the Greek population that is underbanked. "Mortgages were unknown almost 10 years ago, and consumer loans were a very small amount of lending. Now as they are growing there is an opportunity."

Nicholas Nanopoulos, Chief Executive Officer of Eurobank EFG, believes that mortgage provision will continue to expand quite rapidly, as will small business lending. Other promising areas include asset management and life insurance. "These sectors have been under-penetrated compared to other European countries," he says. "Greeks are still underinvested in more sophisticated financial products, and underinsured as far as life insurance is concerned. So there are opportunities in this sector as well."

At Deloitte, Mr Hadjipavlou identifies the critical factors that will drive future developments in the sector as the ability to cut costs further, improvements in staff recruitment and training, implementation of risk management systems in the light also of the international Basel II requirements, and further improvements in infrastructure, innovation and customer service.



# GPSB emerges as a dynamic new player

More than a quarter of the population have an account with the Greek Postal Savings Bank, a tribute to the enduring social character of an institution which has dedicated itself to serving those on middle and low incomes for more than a century. Over the last three years, however, the GPSB has been undergoing a transformation and is now emerging as a dynamic new player on the banking scene.

The key to the change is privatisation. Last year, the state sold 34.8 per cent of its majority holding in the bank through an initial public offering on the Athens Stock Exchange. The offering was oversubscribed 5.4 times. "Psychologically it was a boost," says GPSB President Panos Tsoupides. "It showed that people had an interest and it revealed the bank's true potential."

In July this year, the government offloaded a further 20 per cent through private placement with investors in Greece and overseas, reducing the state's holding to 34.4 per cent. Again, the offer was oversubscribed, this time by approximately three times.

Mr Tsoupides relishes the greater flexibility afforded by freedom from state control. He believes the bank has a very bright future. "There is huge potential. Right now we have a vast clientele with small deposit accounts for whom we do free consulting.


We do not have the systems, but in the future we will have them.

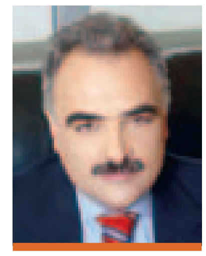
"We could do insurance. We are leading the market in some products," he says. "We were the first bank to offer a housing loan for 40 years, when the maximum here was 30 years. People thought we were crazy. Now all the banks are offering 40 years."

It's not hard to see why the chance to grab a share of the GPSB's future has proved so popular with investors. One of the bank's strongest assets is access to the largest distribution network in Greece – 138 branches spread throughout the country, allied with around 840 collaborating Hellenic Post Offices and a rapidly evolving ATM network.

Since 2004, the GPSB has undergone total restructuring. A full banking licence was acquired in 2006, since when the bank has

**GPSB has successfully projected a new image while retaining old loyalties among its customers**

been operating under the supervision of the Bank of Greece. Formerly a depository institution, the GPSB had an extremely low loans to deposit ratio of just 14 per cent – exclusively housing loans. "Up to 2004, 90 per cent of our results were coming from bonds," explains Mr Tsoupides. "As the interest rates went up, these profits would gradually vanish. We had to divert from bonds to loans."



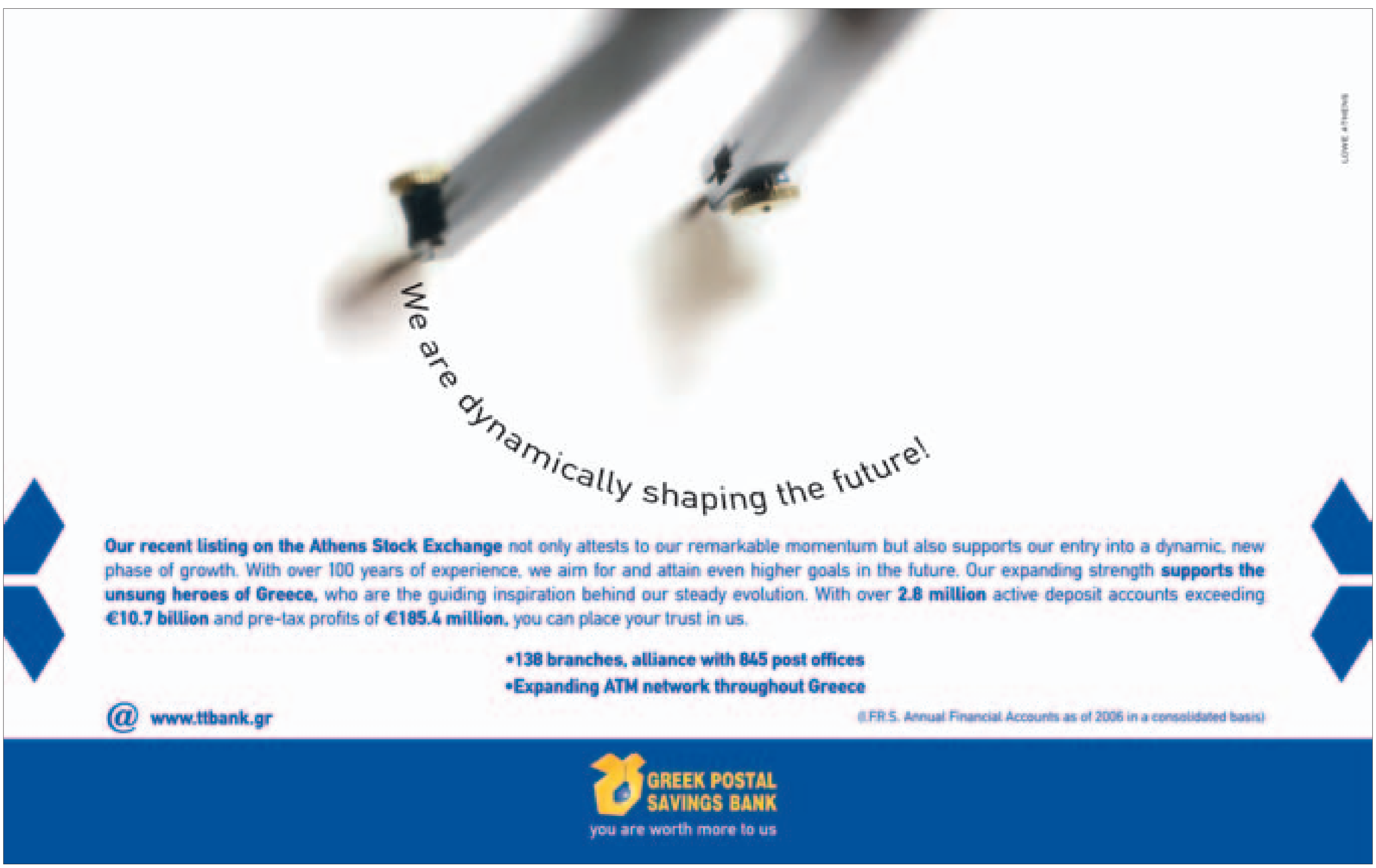
**PANOS TSOUPIDES**
President of Greek Postal Savings Bank

Since then, the bank has made an aggressive foray into the retail banking market, with impressive results. "We managed to go from 1.4 per cent of the market to 6.4 per cent in three years. Our target is to go to 10 per cent by the end of 2009. By then we will have a ratio of 80 per cent loans to deposits. Two-thirds of our results will come from loans and the rest from treasuries. Once we reach that we will set a new target of 120 per cent. For the big private banks in Greece the ratio is 130 per cent."

The GPSB now provides a full range of banking products, including mortgages, personal loans, credit cards, mutual funds and almost all types of bank deposit / saving activities. Daily operations are now carried out online through a new integrated IT system.

Net profits for the group for the first half of this year were better than expected – up 25 per cent to EUR100 mln, exceeding analysts forecasts of EUR80 mln. The bank attributes the increase to solid lending growth, trading gains and improved cost control. The loans portfolio totalled EUR5,614 mln, compared to EUR4,862 mln at the end of last year, a rate of increase significantly higher than the corresponding market rate. The loans to deposit ratio continues to improve and at the end of June was 50.5 per cent.

Successful efforts have been made to enhance the GPSB's new image, but the loyalty of many of its customers can in part be explained by the bank's longstanding social dimension. Despite recent changes, it has retained the personal touch. Says Mr Tsoupides: "One of the strengths that this place has is that at the branch management level, the older employees have strong personal relationships with customers. It is almost a social thing."



# Piraeus revises its forecasts upwards

Estimates for the year are being revised upwards at Piraeus Bank following an impressive set of results for the first half of the year. At the same time, the bank's business plan for the next couple of years is being reassessed in the same direction to take account of a EUR1.35 bln share rights issue to raise additional funds.

Piraeus posted an increase in half-year profit after tax of EUR372.3 mln, a 43 per cent increase compared to the same period last year. Loans grew by 37 per cent and deposits by 25 per cent. The increase in loans year-on-year was EUR4.7 bln – almost as high as the increase for the whole of 2006. Net profit attributable to shareholders was EUR372 mln, up by 43 per cent.

**MICHALIS SALLAS**
Chairman of Piraeus Bank

"This positive course of H1 2007 results leads to the upward revision of our estimate for the full year 2007 both for business volumes and net earnings attributable to shareholders, which are expected to exceed EUR620 million versus EUR435 million in 2006," says Michalis Sallas, the bank's Chairman.

Business volume growth rates accelerated during the first half of 2007, while profitability continued to grow at a high pace, both in Greece and abroad. Together with strong prospects for the rest of the year, this encouraged the bank in June to offer stockholders new shares in a move to raise EUR1.35 bln in extra funding. According to Mr Sallas, the capital will be used "for the accelerated growth and the expansion to new markets and in parallel to sustain the group's capital adequacy ratio at a satisfactory level."

The bank's current business plan, based on organic growth for the group, targets a doubling of revenues by 2010 and net profits in excess of EUR1 bln. Forecasts and estimations in the plan are being "reassessed upwards" in view of the increase to its share capital. The bank has already invested heavily in IT and electronic banking systems that can support four to five times the volumes it is currently processing.

**Piraeus Bank** is present in nine countries abroad, including the UK and the US. Piraeus posted a remarkable 43 per cent increase in profit after tax last year, and this upward trend is expected to continue in 2007.

The fourth largest financial institution in Greece, Piraeus is present in nine countries abroad, with a rising total of 270 branches. It controls Atlas Banka in Serbia, Eurobank in Bulgaria and Egyptian Commercial Bank in Egypt, and has offices in Albania, Romania, Cyprus, the United States and London. In May, it entered the Ukrainian market with the purchase of a 78 per cent holding in the Ukrainian International Commerce Bank. Total assets abroad are approaching EUR5 bln, with more than 4,700 employees.

Over the last year, Piraeus has doubled its branch network in Romania and Serbia and has strengthened its market share in all countries, growing at a faster pace than the markets in which it operates.

"We have achieved outstanding results in our non-domestic investments and we believe this can be further accelerated in the future," Mr Sallas comments. "We estimate that the growth of activities and profitability derived from our foreign investments will exceed 30 per cent annually in the years to come."

He emphasises the importance of organic growth as well as acquisitions. "It is impossible to have healthy growth only by means of acquisitions," he says. "Acquisitions abroad have been followed by organic growth in each market the bank has entered."

Piraeus is in the process of establishing a 10-year exclusive bancassurance partnership with ING Group, with whom it has had a strategic relationship for the last five years. This will allow Piraeus exclusive distribution of ING life, employee benefits and pension insurance products through its branch network in Greece, while ING will promote the bank's retail products through its own network. Piraeus also holds a 30 per cent stake in the ATHEX-listed insurance company European Reliance, with whom it has a cooperation agreement in non-life insurance activities.

# Alpha Bank focuses on expansion of branch network

WITH its emphasis on rapid expansion of its branch network abroad, Alpha Bank aims to more than double the contribution of southeastern Europe to its profits to 20 per cent by 2010. The addition of 132 branches this year will take the bank closer to increasing its market share in the region from 6 per cent to 10 per cent.

Michael Massourakis, Group Chief Economist, says the strategy of establishing critical mass in the region is the right one. By the end of the year, the bank will have more branches abroad than in Greece. "We prefer expanding fast by opening branches, rather than having to pay high valuations for acquisitions."

As for the potential of the region, he says: "Southeastern Europe is an area where spreads and growth are much higher than in Greece and will remain high. These countries have a low ratio of loans to GDP of about 25 to 35 per cent, which is less than half of what it is in Greece. Over the next 15-20 years they will continue to grow, peoples' disposable income will be rising and with that, the demand for financial services. If you are in these countries and you are successful, you are bound to reap the benefits."

With their high profitability and exposure abroad, it is easy to see why Greek banks are "the darlings of the investors," he adds. "When you buy a Greek bank you buy the growth and the high spreads in Greece, and exposure in southeastern Europe, which is a rapid growth area. You will not find many companies that will return 20 to 25 per cent on equity."

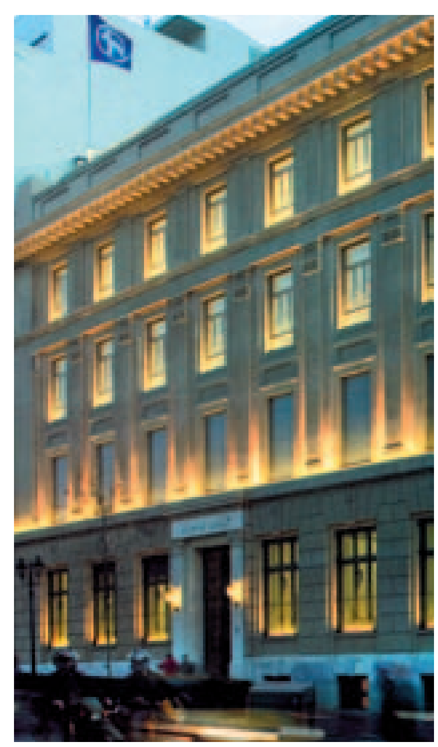
Alpha Bank went to southeastern Europe early – it was the first foreign bank to invest in Romania back in 1994. Today, the bank is represented in Romania, Bulgaria, Serbia, Albania, and FYROM, as well as in Cyprus and Turkey. By the end of the year, it expects to have expanded its network abroad to 447 branches. The bank aims to strengthen its foreign operations further with the inclusion of the Turkish Abank via a joint venture with Anadolu Group, one of Turkey's major industrial groups.

At the same time as expanding abroad, Alpha Bank is further developing its retail banking activities at home in Greece. In the domestic market, it has a share of around 16 per cent and has been enjoying remarkable growth in mortgages, consumer credit and small business lending.

One of the highlights of last year was the sale of Alpha Insurance to AXA, Europe's largest insurance company. The deal, which provides for the long-term exclusive distribution of a wide range of insurance products through the bank's branch network, is seen as a great opportunity for substantial revenue growth for both organisations.

The bank's net profit for the first half of 2007 increased by 48.4 per cent to Euro454 mln. Gross loans rose by 21.3 per cent to EUR37.5 bln. Consumer loans were up by 33.8 per cent, ahead of market growth, mortgages by 21.1 per cent and lending to small businesses by 17.4 per cent. Lending in southeastern Europe grew by 70.5 per cent, accounting for 15 per cent of the total loan portfolio.

Alpha Bank's Chairman, Yannis Costopoulos, describes 2007 as "a milestone year" in which new business generation is accelerating in line with the bank's Agenda 2010 plan.



**Alpha Bank** aims to have twice as many branches abroad as in Greece by year end

# Top 20 index is dominated by banks

GREEK BANKS account for almost half of the total market capitalisation on the Athens Exchange and nine of entries on the blue-chip FTSE/ATHEX 20 Index. Others on the list are a mix of private and part state-owned enterprises.

The largest non-banking firm on the index is Viohalco, the holding company of Greece's biggest metals processing group, which has production facilities in Greece, Bulgaria, Romania and the United Kingdom, and accounts for approximately 9 per cent of Greece's total exports.

Close behind is the Hellenic Telecommunications Organisation (OTE), the dominant telecoms group, whose privatisation the government made one of its priorities for this year. The significantly oversubscribed placement of a 10.7 per cent stake in OTE to institutional investors netted the state EUR1.1 bln. Also from the telecoms sector is Cosmote, the mobile operator with the widest presence in South East Europe, with more than ten million customers in Greece, Albania, Bulgaria, FYROM and Romania.

In third place on the index in terms of size is gaming giant OPAP, the partly state-owned sole operator of numerical lottery and sports betting games, which dominates the highly lucrative Greek gaming market (see page 8). Another star performer is power generator Public Power Corp (PPC), in which the state has a 51 per cent holding. PPC is the largest power generator and the country's sole power supply company, providing electricity to approximately 7.1 million customers.

Further down the FTSE/ATHEX 20 is Hellenic Petroleum. Thirty-five per cent state owned, the company is the leading player in Greece's hydrocarbon industry, it has just formed a joint venture with Italian energy company Edison to set up the second largest electric power operator in Greece.

Others on the index include Coca-Cola HBC, one of the largest bottlers of the ubiquitous soft drink in Europe, Titan Cement, Greece's leading cement producer, and Intralot, one of the world's biggest gaming services firms.

Rounding off the list is Hellenic Technodomiki, a diversified conglomerate with interests in construction, concessions, energy and real estate, and parent company to Aktor, the largest construction firm in Greece. Chairman Anastasios Kallitsantsis says construction concessions will grow rapidly in southeastern Europe and the company is currently eyeing new markets. "We have become successful bidders against big international players in tenders here in Greece, which proves our quality."

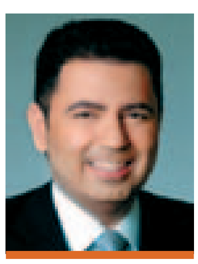
# New pharmaceuticals group has global ambitions

**New** ATHEX-listed pharmaceuticals group Alapis aims to make a big impact in the region's health care sector then seek new markets

So much confidence does the newly formed pharmaceuticals and chemicals group Alapis inspire among investors that its recent share rights issue achieved the largest increase in capital in the non-financial sector in Greek history. The issue raised EUR817 million, increasing the group's total equity to EUR1.57 bln.

Underwriting the transaction were Sal Oppenheim, Deutsche Bank, Emporiki Bank, ABN Bank, Piraeus Bank and Proton Bank. The bulk of the money raised will be used to finance the company's drive to become the leading pharmaceutical company in Greece and central and eastern Europe.

"It was easy for us to raise money as we had proven to the investors our profit capabilities," says Alapis President Dr Lavrentis Lavrentiadis. "We have managed to attract global players to become shareholders and Alapis is now considered not a local player, but an international player."



**LAVRENTIS LAVRENTIADIS**
Chairman of Alapis

The result of a four-way merger between Veterin, the leading animal health supplier in southeastern Europe, Lamda Detergent, EBIK and Elpharma, Alapis has indulged in a flurry of buy-ups across its initial target area.

Subsidiary companies have been established in Serbia and Hungary for the production and trade of veterinary medicines and foods. In July, Alapis was selected as the highest bidder by the Serbian Privatisation Agency for the sale of a 68.3 per cent stake in the pharmaceutical distribution company Sumadijalek.

In the same month, the group announced that it was holding preliminary talks with the German chemical and pharmaceutical company Bayer to acquire its pesticide plant in Viotia, in Greece. Alapis already has a partnership with Bayer for the production of veterinary drugs in Greece, Romania and Bulgaria.

Greek companies acquired by Alapis within the last few months include BioChem Diagnostics, one of Greece's largest diagnostics companies, Revold Healthcare Products, which has a network of 5,000 pharmacies, pharmaceutical wholesale distributor M Panou-Th Mavroudis, and pharmaceutical company Pharmalex, whose production facilities will be modernised and expanded to create a research and development laboratory.

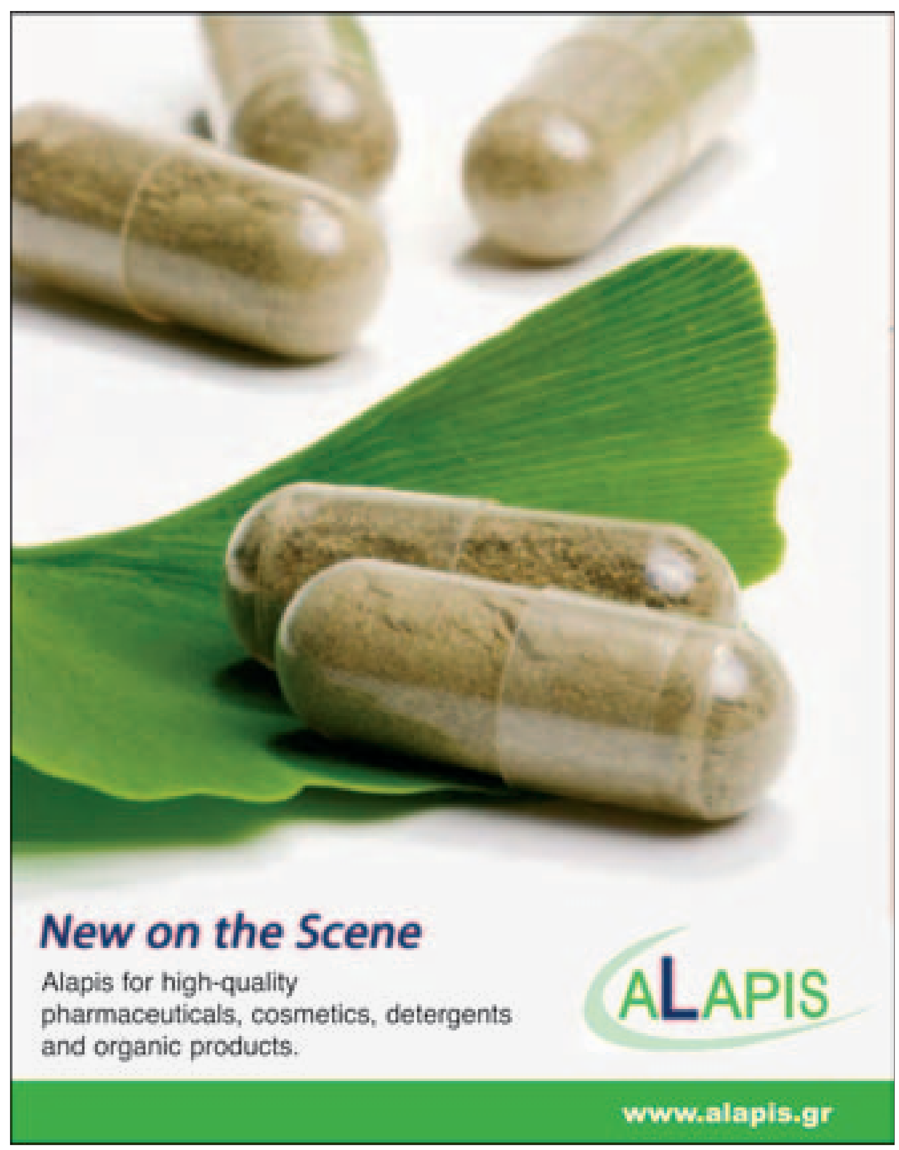
Alapis is already a market leader in the manufacturing and distribution of detergents and cosmetics, and one of the major suppliers of veterinary products in southeastern Europe. It also has a leading position in the human pharmaceuticals, medical devices and health materials sector, primarily through its participation in Greek and international companies.

Dr Lavrentiadis, who also heads ATHEX-listed chemical raw materials firm Neochimiki, says the main focus will be on the health sector. "Basically Alapis is a health care player," he says. "We need the other sectors in order to penetrate the human health sector more easily and to use them as a marketing tool. Our main focus will be in the human health sector."

In medium term, the aim is for 50 per cent of the products to be Alapis's own with the other 50 per cent coming from multinationals such as Bayer and Pfizer. "Our philosophy is to create value for our partners," says Dr Lavrentiadis.

While the group's medium-term goal is central and eastern Europe, its long-term strategy is global. Greece will remain the group's base because of its strategic location, but the majority of sales and profits in the future will come from outside Greece.

"The next 18 months will take us to Serbia, Croatia, Romania, Bulgaria, Hungary, Czech Republic, Slovakia, Ukraine and Poland and then we are going everywhere, all around the world," says Dr Lavrentiadis. "Our ambition is not just to become the biggest Greek company but one of the biggest European and global companies – a multibillion company. Our aim is to reach a target of over EUR1 bln in sales by 2009."



# OPAP beats the odds with strong half year results

**Impressive** results for the first half of the year and a multi-million euro IT deal signal good times ahead for the blue chip gaming company

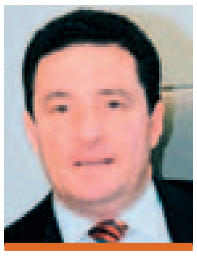
One of the most profitable companies listed on the Athens Exchange, gaming giant OPAP proved the bookmakers wrong last month when it announced its financial results for the first half of the year. Analysts had been predicting a rise of 14 per cent in net profits, but OPAP beat the odds by raking in EUR285.3 mln, a 25.1 per cent increase on the same period last year.

Revenues totalled EUR2,375.3 mln, up by 3.7 per cent. Earnings before interest, taxes, depreciation and amortisation were 20.6 per cent higher at EUR396.9 mln. The dividend yield expected for this year is 7.5 per cent – among the top five highest in Europe.

Basile Neiadas, OPAP'S Chief Executive Officer, attributes the impressive results particularly to the strong performance of the company's two biggest winners – the numerical lottery game Kino and the fixed-odds sports betting game Stihima. Revenues from Kino increased strongly, mainly due to the extension of playing hours and the installation of new terminals in the majority of OPAP's agents. This compensated for a comparative fall in revenues from sports betting games such as Stihima as a result of the lack of the strong additional income generated during last year's World Cup.

Payouts to lottery and betting winners increased by 6 per cent to EUR1,629.2 mln. Overall payouts as a percentage of operating revenues increased to 68.6 per cent. Improved technological infrastructure and supporting services also contributed to the impressive first half results, and Mr Neiadas says the figures "allow us to be optimistic about our future operational performance."

Founded to operate the national football pools, the Hellenic Organisation of Football Prognostics – OPAP – is today one of the largest companies listed on the FTSE/ATHEX 20 Index of blue chip firms and one of the biggest gaming firms in the world. The company dominates the EUR7 bln Greek gaming market with a 52 per cent share, holding an exclusive concession to operate numerical lottery and sports betting games, and the right of first refusal to operate and manage any new games. The licence runs until 2020. OPAP's distribution network for its nine games, comprising 5,400 agents, is the country's largest online retail network.



**BASILE NEIADAS**
CEO of OPAP

A series of privatisation transactions have gradually reduced the Greek state's holding in the company to 34 per cent. Institutional investors – half of them international – hold 57 per cent.

Successful measures to counter illegal gaming have helped to boost the legal gaming market in Greece, where gambling is part of the national culture. Greece numbers among the top ten gaming nations in the world. Greeks spend more per capita on fixed-odds betting than almost any other Europeans, and their disposable income is increasing, which can only be good news for OPAP.

The company has revitalised its franchise by increasing payouts, introducing live and over-under betting, and giving players the chance to bet on more sports, and even non-sporting activities, such as the Oscars and the Eurovision Song Contest. Betting on Greek domestic soccer matches is also now allowed, whereas it was formerly restricted to European matches.

New betting options are on the cards following the signing in July of a EUR96.5 mln IT agreement with OPAP's subcontractor to upgrade the company's computer hardware and software, and expand its services. Under the deal, OPAP secures a total of 29,400 new technology terminals for use by players, to be installed across the company's agency network. OPAP will be able to introduce new value-added services such as payment of utility bills and sale of tickets for sporting and cultural events.