

# **Greek Economy & Equities**

## **Quarterly Review, January 2007**

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## The Greek Economy

The Greek economy maintained its momentum in Q3 2006 recording a real GDP growth rate of 4.4% y-o-y, which was significantly higher than the respective 2.7% of the euro area. The highly dynamic investment activity and the robust consumer spending were the main driving forces of growth, boosting domestic demand. In particular, investment increased by 7.6% y-o-y in Q3 2006, supported by the rigorous pace of the equipment and construction sectors, including housing. Despite increased oil prices and fiscal consolidation, private consumption grew by 3.6% y-o-y, underpinned by generous real wage increases (of 3%), rising disposable incomes, increased household wealth and rapid credit expansion. Evidently, the fear of a substantial economic slow down following the Olympic Games has not materialized. On the downside, in Q3 2006 net exports negatively contributed to GDP growth (-0.2%), although this negative effect was smaller compared to Q2 2006 (-2.2%). Solid domestic demand resulted in a surge in imports, which significantly outpaced the 20.2% growth in exports in January-September 2006). Although tourism rebounded from the downward trend witnessed during the H2 2005, shipping's contribution to GDP growth gradually shrank under the burden of the correction in freight rates from their very high levels. Consistent with sustained growth, in Q3 2006 unemployment fell sharply to 8.3%, its lowest level since 1998 (from 9.7% in Q3 2005). Accordingly, employment increased by 1.6% y-o-y (Q2 2005: 1.2%).

GDP growth forecasts for 2007			
OECD	IMF	European Commission	Ministry of Finance
3.8	3.5	3.7	3.9

Looking forward, growth is projected to remain strong and only marginally decelerate in 2007 (3.9% from 4.0% in 2006), despite the envisaged tightening of monetary conditions. Economic activity is likely to be almost exclusively demand-driven. In particular, the main drivers will continue to be private consumption, partly due to cuts in personal income tax rates (see note 1) and solid wage growth and fixed capital formation, supported by the gradual lowering of company tax rates, the strength of investment in housing and the flow of EU structural funds under the CSF 2007-2013. Exports' volume is likely to increase as well, due to the continued strength of the euro area and the favorable demand conditions in the neighboring SEE economies. In this context, the annual unemployment rate is expected to

drop towards 8.5% for the first time in recent years. Overall, the government's priorities remain restoring fiscal balance, boosting productivity, investing in human capital, bolstering entrepreneurship, opening up domestic markets, and increasing employment.

[ **Note 1:** According to the Greek Ministry of Finance, the aim regarding tax reform in 2007 is twofold. Firstly, complete the first stage of the tax reform which includes reduced tax rates for companies from 35% to 25%, increased tax free personal income by €1000 to €11,000, increased tax cuts for donations and simplified tax code. Secondly, launch the second stage of the tax reform. This stage of the tax reform relates to personal income taxes. As of 2007, all citizens will start paying less taxes as: a) the tax free threshold for physical persons will be increased by €1000, reaching €12,000 and b) during the next three years (2007-2009), the central tax rate will gradually be reduced to 25% (from 30% today) and the highest tax rate to 35% (from 40% today). Simultaneously the bracket of the central tax rate will be widened to include incomes of €30,000, from €23,000 today. The highest tax rate of 40% will be maintained only for incomes exceeding €75,000. ]

#### **Significant acceleration of CSF funds absorption in 2006**

In 2006 a significant increase in the absorption of funds from the third Community Support Framework (CSF) has been achieved, according to data released on the 30th of December 2006. More specifically, 58% of the funds have already been absorbed and the binding contracts (legal obligations) amount to 90% of the total public expenditure. There will be no loss of funds for 2006 due to the n+2 rule.

The Greek authorities have recently revised up the level of GDP by 25%. The Greek statistical office has explained that this major revision is the result of improved measurement of the fast-growing services sector, while, contrary to the impression from many press headlines, the contribution from the inclusion of illegal activities was less than 1% of GDP. The revision, which is in the process of being verified by Eurostat, is based on more up-to-date and direct benchmarks, provided by the recent population census and various enterprise survey data.

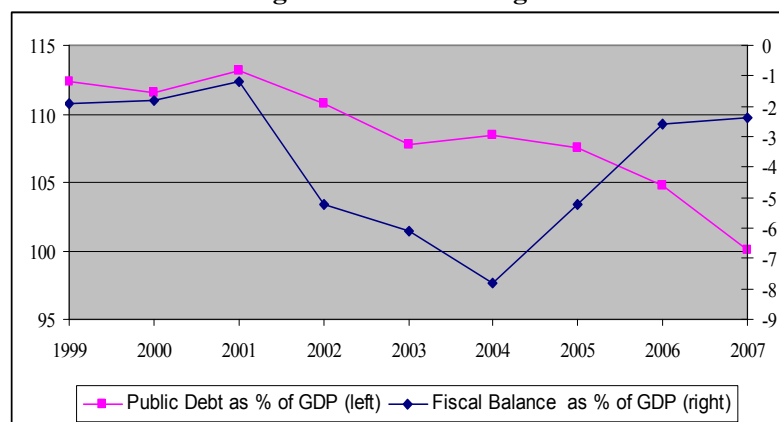
Turning to price developments, the recent correction in oil prices has contained inflationary pressures. In fact, headline inflation fell to 3.3% in 2006 (from 3.5% in 2005)

and is expected to continue its downward trend in 2007, while core inflation (i.e. headline inflation excluding fresh food and energy prices) which stood at 2.7% y-o-y in October 2006 will remain virtually unchanged next year, on the back of strong domestic demand and relatively generous collective bargaining agreement. As upside risks on the demand side remain, the ECB has raised its policy rate by totally 125 basis points since the beginning of 2006, in March, June, August, October and December increasing the minimum bid rate to 3.50%. A new increase is expected in March 2007.

The fiscal outcome improved in 2006, despite the fact that the economy continued to grow sharply. According to preliminary budget execution data, the general government deficit is expected to decline to 2.6% of GDP in 2006 (see note 2) from 5.2% in 2005 and 7.8% of GDP in 2004, mainly due to a sharp fall in capital expenditure and secondly due to restrained primary spending.

[ **Note 2:** This deficit reduction includes one-off revenues of 0.4% of GDP. ]

**Net lending and consolidated gross debt**



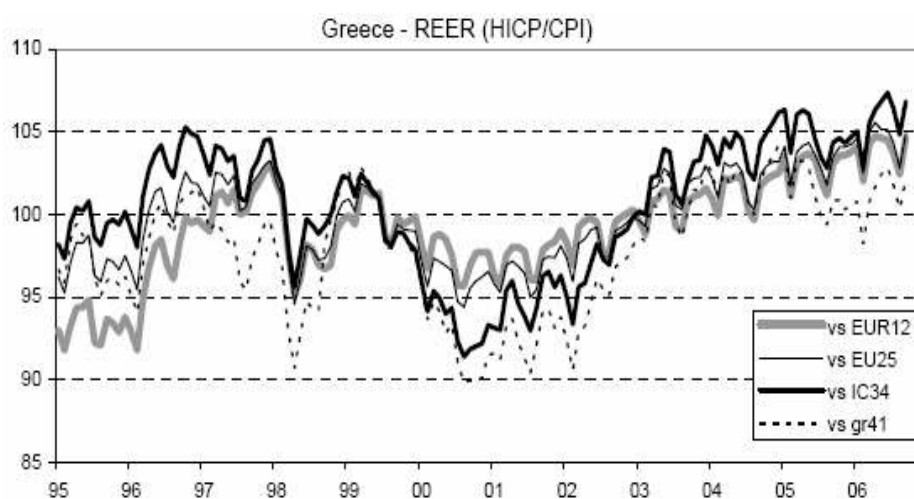
Source: European Commission and Ministry of Finance

The fiscal adjustment efforts and the improvement of the quality of public finances are expected to continue in 2007, further reducing the deficit to 2.4% of GDP, mainly through higher indirect tax revenues and social contributions and despite the announced corporate and personal income tax rate cuts. OECD has recently reported (Nov. 2006) that it is important for Greece, after having achieved a budget deficit of below 3%, in line with the European Council's recommendation under Article 104 (9) of the Treaty, to set goals of long-run fiscal sustainability, such as the achievement of substantial primary surpluses and

the reduction of public debt (the target for the debt set at 100.1% of GDP in 2007, 95.9% in 2008 and 91.3% in 2009). This could be feasible through wide-ranging reform of the pension and health care systems and the combat of tax evasion.

On the external front, the current account deficit is expected to exceed 10% of GDP in 2006 (OECD: 10.8% in 2006, 10.1% in 2007 and 9.7% in 2008), reflecting strong domestic demand and high payments for oil and ships' imports. In January-October 2006, the current account deficit widened dramatically by €8.1 billion compared to the same period in 2005 and reached €18.1 billion, reflecting mainly a rise in the trade deficit. In the same period, direct investment showed a net inflow of €768 million (compared with a net outflow of €670 million in the same period of 2005). In 2007, imports are forecasted to keep the pace with domestic demand, but somewhat moderate, while the positive differential in terms of unit labor cost growth is likely to worsen competitiveness and slightly slow down exports of goods. However, despite a cumulative weakening of price competitiveness, export growth remains robust in view of relatively buoyant international demand.

#### International competitiveness as measured by the real effective exchange rate



Note: Increase of the index shows loss of competitiveness vis-à-vis different trading partners groups. **Source:** European Commission.

In the same vein, conjectural indicators point to continuing robust growth in domestic demand. According to the latest figures, the turnover in retail trade increased by 9.3% at current prices in October 2006 as compared to October 2005, while the volume of retail trade (i.e. turnover in retail trade at constant prices) increased by 5.2% in the respective

period. Overall, retail sales volume growth accelerated to 11.1% in Q3 2006 the highest pace of the past 6 years. More impressively, durable goods sales increased by 26.1% y-o-y in Q3 2006. The recent entry of large European retailers (i.e. Media Markt, Dixon's and Fnac) contributed substantially to the increase of the retail sales' volume in 2006. Growth in manufacturing production was positive (1.1% y-o-y) for the period January-November 2006 despite the continuing substantial decline in the production of textiles and clothing, due to international competition. Amongst the different manufacturing sectors of the economy, of particular importance was the production increase in the food and beverages, basic metals and machinery & equipment industries. Business confidence as measured by the PMI index has remained relatively high. The volume of residential construction activity (as measured by building permits) registered a decrease of 2.3% in 2006, as the intensive activity in permit issuance in 2005 cooled down in the course of 2006.

Growth in total credit expansion is expected to continue at double-digit rates in 2007, despite the increase in interest rates. In October 2006, total credit eased at 15.7% y-o-y (Q4 2005:17%), reflecting, to a great extent, the decrease in credit supplied to the general government (October 2006: -0.9%, Q4 2005: 5.1%). Meanwhile, credit expansion to the private sector remained buoyant and reached 21.4% in October 2006, compared to 19.4% a year earlier (see note 3). Loans to domestic households reached 42.3% of GDP at end-September 2006, from 38% at end-September 2005, compared to 59% of GDP in the euro-zone at end-March 2006. Although total outstanding household credit in Greece (in percentage-of-GDP terms) remains well below the corresponding EU average, its rapid rise in recent years raises concerns over the potential risks a sudden adverse shock might have on the economy. The Greek banking sector seems to currently enjoy high solvency and capitalization ratios. However, one should not overlook the fact that high credit growth rates increase banking sector's vulnerability.

[ **Note 3:** These figures include loans, holdings of corporate bonds, securitized loans, as well as loan write-offs. ]

Main economic indicators Greece (annual % change, unless otherwise stated)				
	2004	2005	2006	2007
GDP at constant prices	4.7	3.7	4.0	3.9
Private Consumption	4.7	3.7	3.4	3.2
Public Consumption	2.8	3.1	1.9	1.7
Gross fixed capital formation	5.7	-1.4	6.3	6.2
Exports (goods and services)	11.7	2.9	6.6	5.9
Imports (goods and services)	9.3	-1.2	6.3	5.1
<i>Contribution to GDP growth (%):</i>				
Consumption	3.7	3.0	2.7	2.5
Investment	1.4	-0.4	1.6	1.6
Stockbuilding	0.0	0.0	0.1	-0.1
Domestic demand	5.1	2.7	4.3	4.0
Exports	2.3	0.6	1.4	1.3
Final demand	7.4	3.3	5.7	5.3
Imports	-2.7	0.4	-1.9	-1.6
Net exports	-0.4	1.0	-0.5	-0.3
Potential GDP gap	1.5	1.5	1.5	1.5
Employment	1.0	1.3	1.4	1.3
Unemployment	10.5	9.9	9.2	8.2
Real wages/head <sup>1</sup>	3.2	2.7	2.3	1.9
Labour productivity growth	1.7	2.3	2.3	2.3
HICP	3.0	3.5	3.3	2.9
Current Account Balance (as % of GDP)	-9.5	-9.2	-10.8	-10.1
General Government Balance (as % of GDP)	-7.8	-5.2	-2.6	-2.4
General Government Gross Debt	108.5	107.5	104.8	100.1
Real effective exchange rate (ULCM)	14.1	4.5	4.8	-
Real effective exchange rate (CPI)	1.9	0.5	1.3	-

<sup>1</sup> Private consumption deflator

Sources: IMF, European Commission, Bank of Greece, OECD, Ministry of Finance

**Note on Southeastern Europe (Bulgaria, Romania, Albania, FYROM, Serbia and Montenegro) and Mediterranean countries (Turkey, Egypt)**

**Bulgaria:** Bulgaria's economy expanded by 6.0% in 2006 (compared to 5.5% in 2005) and is projected to remain at the same level of growth in 2007. The main drivers were the exceptionally strong investment growth (17.5%) and the significant acceleration of exports. Private consumption also remained buoyant, despite the rise in consumer prices and the measures undertaken to restrict credit expansion. Although growth of exports outpaced that of imports, the trade deficit and, consequently, the current account deficit further deteriorated considerably to 20.5% and 13.9% of GDP, respectively. The announced cut of the corporate tax rate to 10% in 2007 from its current level of 15% is expected to attract investors and boost further the already strong capital inflows and FDI. This, coupled with expected higher EU transfers, might result in a modest narrowing of the current account deficit in 2007. Inflation, as measured by the CPI, increased to 7.0% in 2006 (from 5.0% in 2005), mainly due to a hike of excise duties, as a result of tax harmonization with the EU. Decreasing oil prices and the base-year effect of the tax increases is likely to reduce inflation to 3.5% in 2007. Unemployment fell for the first time in recent years to one-digit figure (8.9%) and is expected to continue its downward trend. Turning to fiscal policy, the government approved a future reduction of the budget surplus, which stood at 4.9% of GDP in October 2006, to 0.8% of GDP in 2007 and 0.6% in 2008, on the basis of EU accession-related expenditures. Since 1.1.2007 Bulgaria is a full member of the European Union.

**Romania:** Economic activity in 2006 bounced back strongly to 7.2%, after the slowdown to 4.1% in 2005, driven by a broad-based recovery in industrial activity, construction and agriculture. Domestic demand was boosted by post-flooding reconstruction and accelerated private consumption supported by extraordinarily high retail sales and credit expansion to the private-sector. Indeed, household credit grew by an incredible 85% y-o-y. Net exports remain a drag on the economy and despite the projected robust growth in export volumes, the current account deficit is expected to further widen considerably in the following years (from 10.3% of GDP in 2006 to almost 14% in 2008). Despite the strong economic growth, inflation fell to 6.8% in 2006 (from 9.1% in 2005), as a result of lower oil and food prices and the appreciation of the Leu (7% vs the euro and 17% vs the dollar).

Unemployment fell only moderately to 7.6% in 2006 (from 7.7% in 2005) and is foreseen to remain broadly stable. The general government deficit expanded to 1.4% of GDP in 2006 and is expected to reach the level of 2.6% of GDP in 2007, due to increasingly relaxed expenditure policy regarding social transfers, wage increases and public investment. Since 1.1.2007 Romania is a full member of the European Union.

**Albania:** Real GDP decreased by 5.0% in 2006 (from 5.5% in 2005), as a result of the post power crisis effects, the weakening of construction activity and the deterioration of the current account balance. Economic expansion has continued to be driven by private consumption and investment, based on rapid household credit expansion and financed by strong remittance inflows. Inflation over the past year has generally been within the Bank of Albania's target range of 2-4%. A wide range of macroeconomic indicators signal progress. Public debt as a percent of GDP is declining, inflationary expectations are firmly grounded at low levels, financial intermediation is rising and confidence is steadily increasing. Albania's fiscal situation has improved and the privatization process for the remaining large government assets is in progress. The challenge ahead will be not simply to maintain high growth but also to ensure its quality and sustainability over the longer term and further reduce the income gap with its neighbors. Expanding the export base and improving both infrastructure and regulatory frameworks are crucial. Increased export competitiveness, through more investment and better labor training, is necessary to lower the trade deficit and reduce the country's excessive reliance on remittances from Albanian workers abroad (40% higher than export value of goods). The strong competition in the textile sector from China, as well as the weak demand from Italy (the main export market) accounted for the worsened export performance. By most available measures of corruption, law and order, and efficiency of the public administration, Albania lags behind. The low level of foreign investment and exports as a percentage of GDP clearly indicates this.

**FYROM:** Economic growth slightly decelerated in 2006 to 3.8% from 4.0% in 2005, mainly due to weakness in manufacturing and construction sectors, but is expected to accelerate to 4.5% in 2007. Like the case of other candidate countries for EU membership, economic growth is likely to be driven by domestic factors, such as private consumption and investment, which will benefit from improved consumer and business confidence, as well as the plans of the new government to reduce individual and corporate tax rates. An important aspect of the economy is the significant inflow of private transfers, for example in the form of

workers remittances. These have helped the reduction of the current account deficit from 7.7% of GDP in 2004 to 1.4% of GDP in 2005. Inflation increased to 3.2% in 2006, reflecting higher energy prices and increases in excise taxes in tobacco and beverages, as a result of EU harmonization policies. Unemployment remained excessively high at 36.1% by mid-2006, as part of the new jobs was filled by increased labor supply. The public finances continued to remain close to balance.

**Serbia:** Economic activity slightly increased at 6.5% in 2006 (from 6.3% in 2005), based on rapid credit expansion which fueled domestic consumption. Export growth was also strong reaching more than 20% y-o-y in H1 2006. High inflation and current account deficits need to be brought under control without damaging the real economy through a careful balance of fiscal and monetary policies. Current account deficit narrowed in 2006 to 8.8% of GDP from 10% in 2005, due to strong export growth and remittances. FDI inflows remain particularly strong and are expected to increase further, as the privatization and restructuring program speeds up. Unresolved issues about the country's political future, notably concerning the status of Kosovo, are likely to distract attention from urgent economic reforms and progress towards EU integration.

**Montenegro:** While in union with Serbia, Montenegro generally enjoyed more stable, if lower, economic growth on average than its partner republic. Real GDP grew at 5.5% in 2006, recording the strongest performance since the start of transition. Consumer prices increased to 3.5% from 2.6% in 2005, but still compared to the hyperinflation of the past years (2000: 97.1%), inflationary pressures appear to be contained. The fiscal and current account deficits continued their declining trend. Montenegro has a relatively liberal trade regime and exports and services (mostly related to tourism) are forecast to rise sharply over the medium term. As a newly independent country, it has the potential to grow rapidly and continue attracting foreign funding. However, poverty remains a serious problem in much of the country and the administration's capacity seems to still be insufficient to implement a fully-fledged and ambitious reform program.

**Turkey:** The Turkish economy slowed down in 2006 to 6.0% compared to 7.4% in 2005, due to deceleration of private consumption and gross capital formation growth and is expected to stabilize around that level next year. Still, investment remained strong in 2006 growing at a rate of 11.3% and is expected to continue to increase as macroeconomic and

political uncertainty diminishes. The most worrying development has been the dramatic increase in inflation to 10.2% in 2006 (year's target: 5%) from 8.1% in 2005, reflecting in large part the depreciation of the Turkish lira vis-à-vis the euro and the dollar, estimated to be as much as 30% and the spikes in oil and fresh food prices. This shows that the exchange rate pass-through to inflation is high and a source of future concern, as it makes the Turkish economy vulnerable to external shocks. More than half of the exchange-rate loss was recovered by end-October but interest rates have remained high. The Central Bank reacted to the international financial markets turmoil and to the rise of inflation expectations by increasing its policy rate by more than 400 bps through successive interest rate increases. Confidence has recovered but remains fragile. Unemployment recorded a small fall to below 10.0%, while the public finances remained largely on track, achieving a primary surplus of 6.5% of GDP. Current account deficit is expected to deteriorate in 2006 to 8.1% of GDP, the highest level in recent years, reflecting strong domestic demand and higher import than export volumes. Nevertheless, it is expected to be financed relatively easy through private debt and FDI Parliamentary and Presidential elections are due in 2007.

**Egypt:** GDP growth has gathered additional momentum in 2006 (5.6% from 4.9% in 2005) and investment has picked up. A number of important privatization projects, including the Bank of Alexandria, were concluded, and FDI flows in recent months have exceeded expectations. Underpinning these developments is the continued confidence in the depth and breadth of the structural reforms underway in Egypt. The key macroeconomic challenge is the recent pick up in inflation, given the past experience of double-digit inflation rates in 2004 and 2005. The rising inflation since April 2006 is partly attributed to the impact of the Avian flu and adjustments in administered prices, particularly fuel prices in July, as well as to robust economic activity. In this regard, the tightening of monetary policy by the Central Bank of Egypt has been timely and appropriate and is estimated to bring inflation down to 4.1%. The current account surplus fell in 2006 to 2.0% from 3.3% in 2005. The government has already begun implementing a medium-term fiscal consolidation and reform program to reduce the budget deficit by at least 1% of GDP annually for five years through a mix of revenue and expenditure measures.

**Southeastern Europe – Summary of economic indicators**

<b>Greece</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	4.7	3.7	4.0	3.9
Consumer Prices	3.0	3.5	3.3	2.9
Unemployment	10.5	9.9	9.2	8.2
Current account (% of GDP)	-9.5	-9.2	-10.8	-10.1
Fiscal Balance (% of GDP)	-7.8	-5.2	-2.6	-2.4
Public Debt (% of GDP)	108.5	107.5	104.8	100.1
FDI (net, US \$ mill.)	1071.0	-848.7	1105.8	-

<b>Bulgaria</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	5.7	5.5	6.0	6.0
Consumer Prices	6.1	5.0	7.0	3.5
Unemployment	12.0	10.1	8.9	7.7
Current account (% of GDP)	-5.8	-11.3	-13.9	-13.5
Fiscal Balance (% of GDP)	2.7	2.4	3.3	0.8
Public Debt (% of GDP)	38.4	29.8	25.8	21.8
FDI (net, US \$ mill.)	2777	2298	3000	2800

<b>Romania</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	8.4	4.1	7.2	5.8
Consumer Prices	11.9	9.1	6.8	5.1
Unemployment	7.6	7.7	7.6	7.5
Current account (% of GDP)	-12.7	-8.7	-10.3	-11.8
Fiscal Balance (% of GDP)	-1.5	-1.5	-1.4	-2.6
Public Debt (% of GDP)	18.8	15.9	13.7	13.9
FDI (net, US \$ mill.)	6368	6587	8652	7300

<b>Albania</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	6.7	5.5	5.0	6.0
Consumer Prices	2.9	2.3	2.3	4.6
Unemployment	14.5	14.7	14.1	13.8
Current account	-4.7	-6.6	-7.5	-5.8
Fiscal Balance	-5.1	-3.6	-4.1	-4.8
Public Debt	55.9	54.8	55.1	54.7
FDI (net, US \$ mill.)	332	265	350	484

<b>FYROM</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	4.1	4.0	3.8	4.5
Consumer Prices	-0.3	0.1	3.2	2.0
Unemployment	37.2	37.3	37.1	36.2
Current account	-7.7	-1.4	-2.8	-3.4
Fiscal Balance	0.0	0.3	-0.6	-1.2
Public Debt	36.6	40.9	35.6	34.6
FDI (net, US \$ mill.)	156	97	300	202

<b>Serbia</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	9.3	6.3	6.5	5.0
Consumer Prices	10.1	17.3	14.3	9.7
Unemployment	31.7	32.6	32.3	32.0
Current account	-14.8	-10.0	-8.8	-9.7
Fiscal Balance	0.0	0.9	2.7	2.3
Public Debt	60.2	53.1	51.8	49.4
FDI (net, US \$ mill.)	966	1481	3500	1610

<b>Turkey</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	8.9	7.4	6.0	6.4
Consumer Prices	10.1	8.1	10.2	8.6
Unemployment	10.3	10.3	9.8	9.1
Current account	-5.1	-6.4	-8.1	-7.6
Fiscal Balance	-5.7	-1.2	-3.6	-4.0
Public Debt	76.9	69.6	69.4	66.1
FDI (net, US \$ mill.)	1800	8600	13700	12100

<b>Egypt</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real GDP	4.1	4.9	5.6	5.6
Consumer Prices	11.7	4.7	4.1	4.0
Unemployment	9.2	9.1	9.0	8.8
Current account	4.3	3.3	2.0	1.6
Fiscal Balance	9.5	9.0	9.0	8.4
Public Debt	65.7	64.6	64.3	63.8
FDI (net, US \$ mill.)	400	3900	5600	6400

Sources: Sources: European Commission, OECD, IMF, EBRD, NBG

### **The Greek Equity Market during 2006**

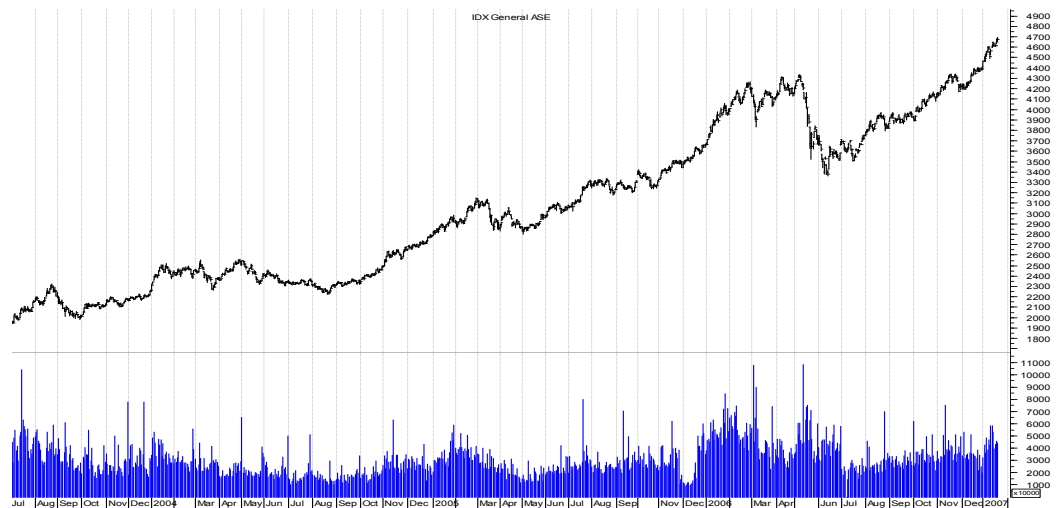
Positive developments continued in the Athens Exchange in 2006, for fourth year in the row, with the optimism remaining also in 2007 with the YTD performance of the Composite Index exceeding 6% already. In more detail, following the sell-off during the May-June period that was observed in all stock exchanges worldwide, the positive sentiment returned to Athens Exchange with the price of the composite index recording in December its highest value over the past five years. Specifically, the price of the composite index ended at the end of 2006 19.9% higher compared to the end of 2005. This development was accompanied by a significant increase (63.5%) in daily average turnover, amounting to € 343 million while foreign investors continued driving the demand, with their share in total market capitalisation reaching 46.6% having also increased their share in the small and medium size sectors. At the same time, they are responsible for nearly 60% of the overall trades, with the figure being even higher for large capitalisation shares. The successful corporate deals that took place in the market, especially in the banking sector with the listing of Postal Savings Bank, the privatization of Emporiki Bank, the expansion of National bank in Turkey, the fall in long-term interest rates, and the solid corporate earnings results were the main catalysts behind this development.

Overall, the Composite Index of the Athens Exchange reported the eighth performance among the stock markets of the euro area, out-passing the performance of the most significant stock markets worldwide. Also, the Composite Index of the Athens Exchange showed a moderate correlation with the general indices of the other exchanges in the euro area reflecting the lower degree of integration of the Greek market, an aspect that makes it attractive to investors' wishing to diversify their portfolios. Slightly worse performance was reported for the large-cap index (FTSE-20: 17.7%), while both indices significantly underperformed the mid (FTSE-40: 54.4%) and small cap (FTSE-80: 40.5%) indices of the market. Regarding sectoral index changes, only technology and oil & gas sectors recorded negative performance in 2006. From the remaining sectoral indices, spectacular performance was recorded for the health care, chemicals, financial services and basic resources indices, while many other indices recorded high digit returns. The aforementioned developments reflected the profitability developments of the Greek companies with shares listed on Athens

Exchange that increased by 58% y-o-y in the first half and by 52% y-o-y in the first nine months of 2006, with only 13 out of 52 sectors reporting negative changes in profitability. Also, expectations for the end of year profitability remain positive.

Looking at the performance of individual companies that constitute the three FTSE indices, among the high capitalisation companies the Bank of Cyprus and Marfin Financial Group are by far the most successful stories in 2006. Significant positive performance was also reported for Intralot, Bank of Piraeus, Greek Postal Savings Banks. On the contrary, four companies (Motor Oil, Hellenic Petroleum, Emporiki Bank and Agricultural bank of Greece) reported negative price changes. From the mid-cap FTSE-40 index, 7 companies reported more than 100% price change, while on the other hand, only 7 of them reported negative performance. Much better performance was observed for the small cap companies that constitute the FTSE-80 index with 15 of them recording exceptional performance while only 8 ended the year with losses.

### **Athens Exchange General Index** July 2004 – December 2006



## Greek Equities - Statistics

NAME	Price			Price			% change in 2006
	29/12/2006	52W High	52W Low	30/12/2005	%52W High	% 52W Low	
FTSE/ASE MIDCAP 40 INDEX	5,245.31	5,524.43	3,578.85	3,397.00	-5.1%	46.6%	54.4%
FTSE/ASE SMALL CAP 80 IX	880.58	917.36	621.85	626.64	-4.0%	41.6%	40.5%
ASE GENERAL INDEX	4,394.13	4,709.62	3,362.24	3,663.90	-6.7%	30.7%	19.9%
FTSE/ASE 20 INDEX	2,377.11	2,570.78	1,831.75	2,019.04	-7.5%	29.8%	17.7%
FTSE/ATHEX HEALTH CARE	12,596.69	13,762.42	5,661.48	5,000.00	-8.5%	122.5%	151.9%
FTSE/ATHEX CHEMICALS	9,978.52	10,614.81	5,495.73	5,000.00	-6.0%	81.6%	99.6%
FTSE/ATHEX FINC SERVICES	8,805.55	9,467.78	5,698.22	5,000.00	-7.0%	54.5%	76.1%
FTSE/ATHEX BASIC RESOURC	7,653.45	8,053.60	4,408.89	5,000.00	-5.0%	73.6%	53.1%
FTSE/ATHEX CONST & MATER	6,688.11	7,324.90	5,264.13	5,000.00	-8.7%	27.1%	33.8%
FTSE/ATHEX IND GOODS SRV	6,617.56	6,971.07	4,443.12	5,000.00	-5.1%	48.9%	32.4%
FTSE/ATHEX RETAIL	6,563.94	6,684.55	5,508.30	5,000.00	-1.8%	19.2%	31.3%
FTSE/ATHEX PER HOUS GOOD	6,295.76	6,452.90	4,381.81	5,000.00	-2.4%	43.7%	25.9%
FTSE/ATHEX FOOD & BEV	6,275.57	6,721.30	4,521.78	5,000.00	-6.6%	38.8%	25.5%
FTSE/ATHEX TELECOM INDEX	6,204.84	6,646.82	4,314.70	5,000.00	-6.6%	43.8%	24.1%
FTSE/ATHEX BANKS INDEX	6,194.47	6,797.10	4,597.65	5,000.00	-8.9%	34.7%	23.9%
FTSE/ATHEX INSURANCE IDX	6,127.97	7,421.36	4,856.25	5,000.00	-17.4%	26.2%	22.6%
FTSE/ATHEX TRAVEL & LEIS	5,585.53	5,964.90	4,492.83	5,000.00	-6.4%	24.3%	11.7%
FTSE/ATHEX MEDIA	5,289.49	7,090.75	4,180.79	5,000.00	-25.4%	26.5%	5.8%
FTSE/ATHEX UTILITIES	5,262.74	5,900.27	4,673.19	5,000.00	-10.8%	12.6%	5.3%
FTSE/ATHEX TECHNOLOGY	4,946.66	6,587.40	3,862.14	5,000.00	-24.9%	28.1%	-1.1%
FTSE/ATHEX OIL & GAS IDX	4,602.04	5,760.55	4,061.53	5,000.00	-20.1%	13.3%	-8.0%

FTSE-20 MEMBERS	Price			Price			% change in 2006
	29/12/2006	52W High	52W Low	30/12/2005	%52W High	% 52W Low	
BANK OF CYPRUS LTD	10.36	12.36	5.20	4.60	-16.2%	99.2%	125.2%
MARFIN FINANCIAL GROUP SA	39.98	55.00	20.12	19.90	-27.3%	98.7%	100.9%
INTRALOT S.A.-INTEGRATED LOT	26.50	29.32	16.60	14.80	-9.6%	59.6%	79.1%
PIRAEUS BANK S.A.	24.42	26.84	15.30	14.48	-9.0%	59.6%	68.6%
GREEK POSTAL SAVINGS BANK	17.86	19.72	12.50	12.55	-9.4%	42.9%	42.3%
VIOHALCO	9.44	11.14	6.40	6.80	-15.3%	47.5%	38.8%
FOLLI-FOLLIE SA-REG	29.90	31.96	16.62	22.50	-6.4%	79.9%	32.9%
ALPHA BANK A.E.	22.90	25.86	18.02	17.64	-11.4%	27.1%	29.8%
HELLENIC TELECOMMUN ORGANIZA	22.76	24.52	15.40	18.00	-7.2%	47.8%	26.4%
EFG EUROBANK ERGASIAS	27.44	30.56	20.40	22.27	-10.2%	34.5%	23.2%
TITAN CEMENT CO. S.A.	41.30	46.48	33.80	34.50	-11.1%	22.2%	19.7%
COSMOTE MOBILE TELECOMMUNICA	22.40	24.46	16.58	18.78	-8.4%	35.1%	19.3%
COCA-COLA HELLENIC BOTTLING	29.60	31.64	21.70	24.88	-6.4%	36.4%	19.0%
PUBLIC POWER CORP	19.20	22.02	17.20	18.46	-12.8%	11.6%	4.0%
NATIONAL BANK OF GREECE	34.90	41.60	25.88	33.57	-16.1%	34.8%	4.0%
OPAP SA	29.28	33.70	24.08	29.10	-13.1%	21.6%	0.6%
MOTOR OIL (HELLAS) SA	19.52	26.00	17.54	19.86	-24.9%	11.3%	-1.7%
HELLENIC PETROLEUM SA	10.44	13.16	9.00	11.88	-20.7%	16.0%	-12.1%
EMPORIKI BANK OF GREECE SA	23.30	31.80	21.60	28.70	-26.7%	7.9%	-18.8%
AGRICULTURAL BANK OF GREECE	3.90	6.26	3.38	4.99	-37.6%	15.4%	-21.8%

FTSE-40 MEMBERS	Price			Price			% change in 2006
	29/12/2006	52W High	52W Low	30/12/2005	%52W High	% 52W Low	
NEOCHIMIKI LV LAVRENTIADIS	15.78	17.10	6.36	5.60	-7.7%	148.1%	181.8%
SIDENOR STEEL PROD.&MANUF.CO	8.88	9.08	3.66	3.20	-2.2%	142.6%	177.5%
HALCOR S.A.	4.14	4.68	2.27	1.86	-11.5%	82.4%	122.6%
FORTHNET SA	10.80	12.90	4.88	4.98	-16.3%	121.2%	117.0%
JUMBO SA	16.58	16.90	8.52	7.65	-1.9%	94.7%	116.7%
BABIS VOVOS INTL CONSTRUCT	29.20	30.50	13.56	13.90	-4.3%	115.3%	110.1%
LAMDA DEVELOPMENT SA	11.76	12.90	5.68	5.76	-8.8%	107.0%	104.2%
FRIGOGLASS SA	16.72	18.48	8.84	8.88	-9.5%	89.1%	88.3%
ATHENS MEDICAL CENTER	5.00	5.30	2.75	2.77	-5.7%	81.8%	80.5%
EGNATIA BANK SA	7.76	9.50	5.08	4.40	-18.3%	52.8%	76.4%
TERNA SA	12.80	13.74	7.90	7.40	-6.8%	62.0%	73.0%
BLUE STAR MARITIME SA	3.10	3.58	1.96	1.80	-13.4%	58.2%	72.2%
HELLENIC EXCHANGES SA HOLDIN	13.94	16.72	9.50	8.15	-16.6%	46.7%	71.0%
ELVAL ALUMINUM PROCESS CO.	3.48	3.90	2.04	2.08	-10.8%	70.6%	67.3%
MYTILINEOS HOLDINGS S.A.	30.00	33.94	14.18	18.24	-11.6%	111.6%	64.5%
PROTON BANK SA	10.96	11.36	6.22	6.68	-3.5%	76.2%	64.1%
HERACLES GENERAL CEMENT COMP	16.24	19.36	10.88	10.00	-16.1%	49.3%	62.4%
GEK GROUP OF COS SA	8.32	8.82	4.82	5.32	-5.7%	72.6%	56.4%
HELLENIC TECHNODOMIKI TEV SA	8.46	10.58	5.88	5.46	-20.0%	43.9%	54.9%
J&P-AVAX SA	6.00	6.88	4.02	3.98	-12.8%	49.3%	50.8%
C. ROKAS S.A.	19.30	19.86	12.64	13.32	-2.8%	52.7%	44.9%
VIVARTIA SA	14.44	16.78	9.36	10.02	-13.9%	54.3%	44.1%
FOURLIS SA	16.06	16.24	8.90	11.46	-1.1%	80.4%	40.1%
TELETYPOS SA MEGA CHANNEL	4.76	5.67	3.22	3.51	-16.1%	47.9%	35.7%
ALUMINIUM OF GREECE S.A.I.C.	18.14	21.90	13.38	15.24	-17.2%	35.6%	19.0%
ATTICA HOLDINGS S.A.	4.00	4.44	3.06	3.42	-9.9%	30.7%	17.0%
METKA SA	10.20	11.64	5.78	9.02	-12.4%	76.5%	13.1%
S & B INDUSTRIAL MINERALS SA	9.90	11.86	8.04	8.78	-16.5%	23.1%	12.8%
SARANTIS SA	8.04	9.46	7.10	7.16	-15.0%	13.2%	12.3%
HELLENIC DUTY FREE SHOPS SA	15.80	17.00	11.30	14.90	-7.1%	39.8%	6.0%
NOTOS COM HOLDINGS S.A.-REG	3.54	4.04	2.52	3.36	-12.4%	40.5%	5.4%
ETHNIKI GENERAL INSURANCE CO	5.58	7.80	5.00	5.30	-28.5%	11.6%	5.3%
ATHENS WATER SUPPLY & SEWAGE	7.22	8.74	5.62	7.20	-17.4%	28.5%	0.3%
INFO-QUEST SA	3.92	4.58	2.86	4.13	-14.3%	37.1%	-5.0%
ASTIR PALACE HOTELS SA	6.26	8.74	5.24	6.76	-28.4%	19.5%	-7.4%
INTRACOM HOLDINGS SA-REG	5.14	7.84	4.12	5.60	-34.4%	24.8%	-8.2%
LAMBRAKIS PRESS SA	2.82	4.62	2.40	3.16	-39.0%	17.5%	-10.8%
GENIKI BANK SA	8.80	12.96	7.30	9.98	-32.1%	20.5%	-11.8%
M.J. MAILLIS S.A.	2.70	4.26	2.25	3.38	-36.6%	20.0%	-20.1%
TECHNICAL OLYMPIC S.A.	2.54	5.74	2.19	4.70	-55.7%	16.0%	-46.0%

Notes

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