ΧΡΗΜΑΤΙΣΤΗΡΙΟ
ΑΘΗΝΩΝ Α. Ε.

# Southeast European Capital Markets

6th Banking Forum

Economist Conferences

Spyros I. Capralos

Chairman – Athens Exchange S.A.

Athens, February 7th 2008

Ladies and Gentlemen,

I would like to thank the organizers for granting us, the representatives of four capital markets of southeastern Europe, the opportunity to be here today. Today I would like to bring you up to speed about the latest developments within the European Markets regulatory framework and share my thoughts regarding the future developments of the Athens Exchange as well as within our region.

Over the last few years the European Union has been implementing a long term plan aiming to simplify investor access to European Markets, increase transparency as well as enhance competitiveness and contain transaction costs.

At the same time, traditional exchanges are continuously reevaluating their operations, as they aspire to remain a part of the new environment shaping up. One thing is certain: Stock exchanges today bare absolutely no resemblance to the exchanges of the past. And of course I firmly believe that in 5 years they will differ enormously. The majority of exchanges are no longer government institutions, shielded from the competition by the law and by the presence national borders; they are in most cases profit driven private companies operating within an open and extremely competitive market environment.

Despite these changes that have reshaped our industry, the fundamental role of Exchanges remains the same. Exchanges remain the place enterprises can raise capital efficiently and inexpensively, in order to grow their business and thus benefit the whole economy.

Of course, we also have been affected by the rapid structural changes currently taking place in Europe. The European Directive known as MiFiD, went into effect 3 months ago and will probably bring more change to the Exchange industry than all previous measures put together. The main change that MiFID will bring about is **internalization**, the possibility that opposing orders can be matched internally, by a broker, without necessarily going through an Exchange. With MiFID, the last barriers that protected Exchanges from competition were swept away.

On the other hand, the Code of Conduct signed 15months ago in Brussels is a voluntary agreement between European Exchanges and Depositories, and aims to liberalize charges, eliminate cross subsidies and allow the inter-operability between Depositories.

‘Life’ so to speak for traditional exchanges is expected to become even more complicated and demanding, but will also present opportunities for the most competent. Indeed, what we are seeing today in the Exchange industry is very similar to what we have already seen happen in the telecommunications industry where the ‘open’ market pushed companies to become more competitive. Similarly, the same dynamics will propel exchanges to improve services so as to effectively respond to the challenges presented within this new environment. Indeed, only those exchange organizations which will effectively invest in their infrastructure, particularly in technology, human resources and the development of new products will survive in an increasingly competitive environment. This transformation of the exchange business is producing significant benefits for issuers, investors, and intermediaries alike.

- **Issuers** can now choose the market in which to list their shares

- **Investors** constantly seek new investment choices while
- **Intermediaries** seek choices so as to effectively decrease transaction costs

The European Union initiatives, had an enormous effect on the industry, and are responsible in no small part for the consolidation drive that we are seeing today.

As you can see, however, markets are dynamic in the sense that they respond quite differently to what one may expect in theory. The competition which emerged, led towards cooperative agreements and acquisitions amongst exchanges. And now the US Exchanges are getting in on the act.

The speed of transformation of exchanges globally is remarkable. You are well aware of the merger between the New York Stock Exchange and Euronext, completed only 12 months ago. On the other hand, NASDAQ, following two consecutive failed attempts to acquire the London Stock Exchange, eventually sealed an agreement with the Dubai Stock exchange to take control of OMX, the Scandinavian markets operator meanwhile, the London Stock Exchange merger with the Italian Exchange was completed only a few months ago. As you understand, even if in the recent past there was talk of a pan European exchange, events have taken a different course.

We, at the Athens Exchange, realize that value can be created through cooperation agreements between exchanges, provided that these agreements lead to revenue and / or cost synergies

It is within this context that we initiated our cooperation with the Cyprus Stock Exchange almost 15 months ago now; with this agreement, stock trading at CSE is hosted on the trading platform of Athens Exchange. This cooperation was a win-win situation for both sides; in its first year of operation, the Cyprus Stock Exchange achieved significant operational cost reduction, while at the same time it saw transaction activity and the presence of international investors in its market sharply increase.

HELEX, the operator of the Greek capital market and the parent company of the Athens Exchange, was privatized four years ago. It is worth noting that today the Greek government doesn't own a single share in our company, while almost 65 % of our share capital is in the hands international institutional investors. In other words HELEX could at some point potentially become an acquisition target for a larger exchange.

In the meantime we, the management of HELEX, **strive to create value for our shareholders** by implementing our vision:

- To strengthen our market by offering new products and further improving the level of existing products and services

- To restructure and improve our internal operations in order to reduce costs

- To cooperate with other regional markets in southeastern Europe

As far as the first element of our strategy is concerned, the current year is particularly important. Just a few days ago, the first **Exchange Traded Fund**, was introduced. This first ETF tracks the FTSE/ATHEX 20 index, our large cap index. ETFs are quite popular in many markets, and we are confident that they will be well received in our market as well. This first ETF is the first in a number of ETFs that Athens Exchange plans on introducing.

At the same time, we have already established the new **Alternative Market**, similar to the AIM market in London. We aspire to attract smaller, companies based in both Greece and from the broader regions of southeastern Europe. Last but not least, this year we opened our market to **remote members**. Only a couple of weeks ago we approved applications submitted by Société Générale, Merrill Lynch and Deutsche Bank, granting them direct access to the Greek market, and I believe that they will begin operations within the next few weeks. I am confident that other large global banking institutions will follow suit, which in turn is expected to attract new investors to our market

Regarding the **operational restructuring** of the Group we have effectively decreased our operational costs by 40% over the past three years. With the relocation of the entire Group in the newly constructed company owned office building, a move which was completed in 2007, further synergies are expected to emerge which will further improve the cost side of our operations.

A few words about cooperation with other markets in our region. Our vision is to establish a single capital market in Southeastern Europe, which will retain the key characteristics of an emerging market. The very size of such a market will ensure that it effectively attracts part of the liquidity directed towards emerging markets.

This vision includes the operational independence of all exchanges that will participate in our effort. As part of this effort, and as we have already made public, we have decided to participate in an international tender in order to acquire a controlling stake of 65% in the Slovenian capital market operator, the Ljubljana Stock Exchange. This stake is being sold by a group of shareholders of the Exchange. As a matter of fact we have submitted our non binding bid today, as required by the first phase of the tender process.

Ladies and Gentlemen,

The dramatic changes which have taken place illustrate how much the Greek market has evolved in a very short period of time. The modernization of the regulatory framework, the extensive investments by Greek companies in the developing markets of southeastern Europe and the improvement in Greek economic indicators have attracted an increasing number of international investors.

The capitalization of the Greek Market today exceeds €170 billion euro with the average daily value of transactions in excess of €500 ml. To put this growth in trading volumes into perspective, international investors currently hold 52% of the total market capitalization and account for almost 60% of the Athens Exchange daily transactions. It is therefore apparent that we are talking about an international market that has the required liquidity that international investors need, and which can provide the amounts of capital that listed companies may require. In 2007, listed companies raised close to €11 billion euro in capital in our Exchange, an impressive amount indeed!

I would like to close today's presentation by noting that with the strategy we have drafted we aspire towards establishing a strong emerging market in southeastern Europe from which all participants will benefit. The size of this unified market will allow it to attract the attention of foreign investors. We hope that we will find support in the capital markets represented by the other speakers. Thank you.