



## Press Conference

Spyros Capralos  
Chairman – Athens Exchange  
Athens, June 23<sup>rd</sup> 2008

I would like to thank you for your presence at this meeting; We are gathered here today, before the start of the summer vacation, and I would like to give you a general overview of all the issues that concern us. As you all know, we are in the middle of a difficult year, but we must meet both in when the times are good, as well as when the times are bad.

To start with, I would like to thank you for your cooperation and support for the work being done at Athens Exchange.

This work has been recognized by my peers, the heads of European Exchanges, who as you already know, have entrusted me with the FESE presidency for the next two years.

It is a great honor for our country to assume the presidency of such an organization at the European level. The responsibility is great, and the road ahead steep and difficult. FESE will, in the near future, face a number of issues of vital importance for the future of our industry.

The basic subject of conversation at the annual FESE meeting, held last week, was that our sector is changing too quickly. The traditional structures for trading and post trading are giving way to European Union pressure for cheaper transactions. Exchange members are investing in Direct Market Access and Algorithmic Trading systems, transferring an ever greater part of their turnover to electronic systems. Already, the indications to date are that worldwide, the activity is split 50-50 between electronically produced orders and traditional orders. This development is making the creation of new trading platforms easier.

Chi-X, the largest pan-European alternative trading platform in Europe, had, in April 2008, a turnover of €40bn compared to €200m a year ago. Thus it is responsible, on a daily basis, for more than 20% of transactions on the blue chips of the London Stock Exchange. The same is happening in markets in France and Germany, albeit in a smaller number of shares.

We believe that Project Turquoise will also grab a sizable market share, mainly from larger exchanges, when it begins operations at the end of 2008. Furthermore, a new Exchange –

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Borse Berlin – Equiduct just started operating, having stocks from all over Europe on its platform, while the American BATS is also joining the competition.

Exchanges from their side, in order to respond to this competition, have been reducing their fees, creating alternative platforms for stocks in their main market as well as for smaller companies, and are investing in technology in order to reduce the response time of their systems and handle order flows.

Depositories have also been at the eye of the storm. The general consensus is that they too will have to dramatically reduce their costs and the feeling is that Target 2 Securities by the European Central Bank will speed up developments in this sector.

The effects of MiFID, which are already significant, will be even greater in the future. The sense is that Europe will follow, in due time, the path followed by American markets. In order for you to get a better idea, in the American market, which has been unified for a number of years, today less than 30% of all transactions take place on the New York Stock Exchange. Another 25% of transactions is being done by NYSE competitor NASDAQ, while the remaining 45% is being done on new trade platforms.

All these are worrying signs, and if one combines them with the current crisis in international capital markets, the conclusions are all the more clear.

The feeling at FESE is that the structure, the rules of operation and the products that are traded off-exchange have been at the center of the crisis and have magnified its effects. These products have low liquidity and less strict rules for transparency and provision of information to investors.

We at Athens Exchange believe that it is urgent that a better understanding of the risks that result from the rules of operation of off-exchange transactions is gained.

In order to discuss all of these changes taking place world-wide, we have invited all market participants, with whom we will meet in the next fifteen days in order to discuss them. We intend on bringing up all of these issues and to gather their views and estimates concerning the markets.

Our common concern, and mine personally, as the Federation of European Exchanges, is to do whatever is possible in order to protect the interests of investors, because we believe that only organized markets can provide the best possible protection. All of these matters are at the top of FESE's agenda and I will be discussing them with my counterparts in future meetings.

Let us turn now to our market. As you know, last Friday, the process for the sale of the Slovenian Exchange was concluded. During that time, it was not possible for us to provide you with information, due to the confidentiality agreement that we had signed. Following the opening of the offers, it was announced that the price offered by HELEX was not the highest.

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We are sincerely disappointed that we were not able to acquire LJSE, despite our honest intentions and the significant effort that we expended, in order to enter the Slovenian exchange market.

While on the one hand, the addition of the Slovenian Exchange to the HELEX Group would have been important to us, for all of the growth and synergy prospects that could have opened up, on the other hand the interests of our investors had to be protected from the payment of too high a price, which would have, in all likelihood, negative repercussions for the Company, and would thus be regarded as a wrong move.

The price offered by our competitors was 42% higher than the price that we offered, and considerably higher than the highest price that was proposed by our consultants. At a time when HELEX is, according to analysts, trading at 12 times 2008 earnings, it would have been extremely difficult to justify to our shareholders why we should be offering a price for Ljubljana that is approximately 80 times earnings.

We fought the battle, but at the price that was paid for the exchange, we do not consider that we are the losers. We gave it our best. In the competitive environment that is shaping up worldwide, the valuations of the acquisition targets must be made with particular care. By adjusting our strategy to the recent developments, we believe that it is better for us to try and develop independently in Southeastern Europe, by attracting companies from those countries and transforming Athens Exchange in an entry point for capital into the region. At the same time, if in the future more opportunities for the acquisition of another exchange arise, we will explore the issue and decide.

As you probably already know however, a basic parameter of our strategy was and remains the development of our market and the increase of its competitiveness.

All exchanges worldwide, place at the root of their effort to increase their competitiveness the creation of new financial products geared towards the conditions and needs in effect today. We are also moving in that direction, in tune with the trends internationally, by introducing innovative products to the Greek market.

Already, the start of 2008 saw trading start on the first ETF and the introduction of the Alternative Market, while the new few steps include the listing of structured financial products and shipping companies, about which I will talk about a little later. At the same time, the restructuring of the FTSE/ATHEX indices, the creation of new indices such as the new common index that will be created in cooperation with the Cyprus Stock Exchange in order for derivative products on the index to be created, as well as the possibility of secondary listings of securities at Athens Exchange, will form the basis for the renewal of the Greek market.

ETFs are popular products in developed markets abroad, and are of interest to both private investors as well as to passive institutional investors. We know that the climate internationally is not conducive to the introduction of new products, and that is why turnover in the first EFT remains low. We believe however, that the penetration of those products in Europe, where they account for 2.65% of total turnover, gives us an indication as to what we can expect for these products in our country.

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A new innovation in 2008 was the creation and operation of the Alternative Market. Already in this market the first six companies are being traded, and the aim is by the end of the year to have ten to fifteen companies. I believe that the interest in this market will be significant, and that we will have a number of new listings of companies in the near future.

We have embraced EN.A. from the very first day of its operation, and we would like to promote it to the investment community. The circumstances today are not favorable, and this does not help transaction activity in these markets. In contrast with the course of the General Index however, all companies trading on EN.A. are currently trading at a price higher than their IPO price.

The international financial circumstances, in conjunction with the low free float of the companies that are listed on EN.A. have led to extremely low turnover. For us this was not unforeseen. Everyone should however realize that all of us think of EN.A. as a nursery for small and mid sized companies, helping them grow and transfer to the organized market of Athens Exchange. I would like to note that in London's AIM, 60% of the companies have a market capitalization between €2.5 and €80m, and there is a similar issue concerning the low transaction activity for most of these companies.

Finally, in concluding this short briefing regarding the events of the current year, it would be an oversight on my part not to mention the recent review of the Rulebook of operation of our market, in which both the borrowing of securities and short selling were liberalized, as well as the regulatory framework for the listing of commercial shipping companies at ATHEX.

The listing requirements for commercial shipping companies have changed, and as a result today, all maritime companies can list on the Athens Exchange. We have succeeded in overcoming bureaucracy, and as a result the listing process can be completed in 2 to 3 months at most. We are optimistic that the government will soon pass a law liberalizing dual listing, thus making it possible to have secondary listing of commercial shipping companies that are listed on other exchanges.

We are happy to see that our efforts are being recognized by international assessment houses. Already Thomas Murray, one of the largest companies that are assessing depositories worldwide, has upgraded the risk assessment for clearing of the Greek market.

We hope that the FTSE review this coming September will be in the same direction. You are probably aware that, as part of the process of incorporating European directives, many peculiarities of our market have already been abolished. It is our view that, in this new competitive environment, markets cannot have such peculiarities. In this regard, all but one of the "peculiarities" of our market that had been indicated as such by FTSE, are no longer in place. Only omnibus accounts have not yet been implemented, because we are not convinced that they would benefit our market and our members at this time. In reality, we believe that through the introduction of OTC transactions, the liberalization of borrowing and the ability to transfer balances in our dematerialized securities system, that became possible because of MiFID, the problems that international institutional investors faced in the Greek market have been resolved. At the same time, with the implementation of the connections with other depositories that are being advanced through Link Up, we believe that the cost of accessing the

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Greek market will be further reduced. For these reasons, by the middle of 2009 we will be able to reevaluate whether there is a genuine need to introduce omnibus accounts.

For me, even though this is not related to the FTSE review, the largest “peculiarity” of our market today is the sales tax on transactions. The fact that it remains in effect makes it obvious that our market has a significant competitive disadvantage and that we run the risk that liquidity will migrate to off-exchange platforms, where this tax does not exist.

We intent on intervening whenever possible, and, one area where intervention is necessary, we believe to be that of reducing costs for our members in the clearing and settlement of transactions. For this reason, we are examining structural changes in the post trading processes, with the overall aim of separating clearing and settlement services. In addition, through the introduction of clearing members, we aim on the one hand to simplify relations between our members and their broker clients abroad and on the other hand to reduce the cost of counterparty risk for our market. Towards that same end, and in our wish to provide to our members the ability to clear cross-border transactions through a central system at a low cost, we have decided to participate, as a founding member, in the consortium of 7 European Depositories, namely Link Up Markets. The purpose of the new company is the creation and operation of a central system for mainly the provision of cross border settlement, custody and safekeeping of foreign securities. Our participation in this venture is concrete proof of our will to act in the interest of our investors and to try to improve the cross-border services offered, increase our liquidity and strengthen our market and our members.

In closing today's meeting, I would like to inform you that next Monday and Tuesday (June 30<sup>th</sup> and July 1<sup>st</sup>), we are organizing for the first time a roadshow of Greek listed companies in New York. Only large capitalization companies in our market were invited, and we will have with us 12 companies (Alpha Bank, National Bank of Greece, EFG Eurobank, Piraeus Bank, Bank of Cyprus, Postbank, Hellenic Technodomiki, OPAP, Intralot, Mytilineos, Motorl Oil and Coca-Cola 3E). I believe that in this difficult period, when international investors are continuing to be responsible for the largest part of the transaction activity, it will be of great help to our market, as well to the companies involved, to provide information to investors.

Thank you.