

Opportunities in strategic sectors in Greece

Emil Yiannopoulos, Partner
Assurance leader Greece

2 December 2010 New York

Opportunities in Strategic Sectors in Greece

Shipping

- Greek leadership
- A global business that's growing

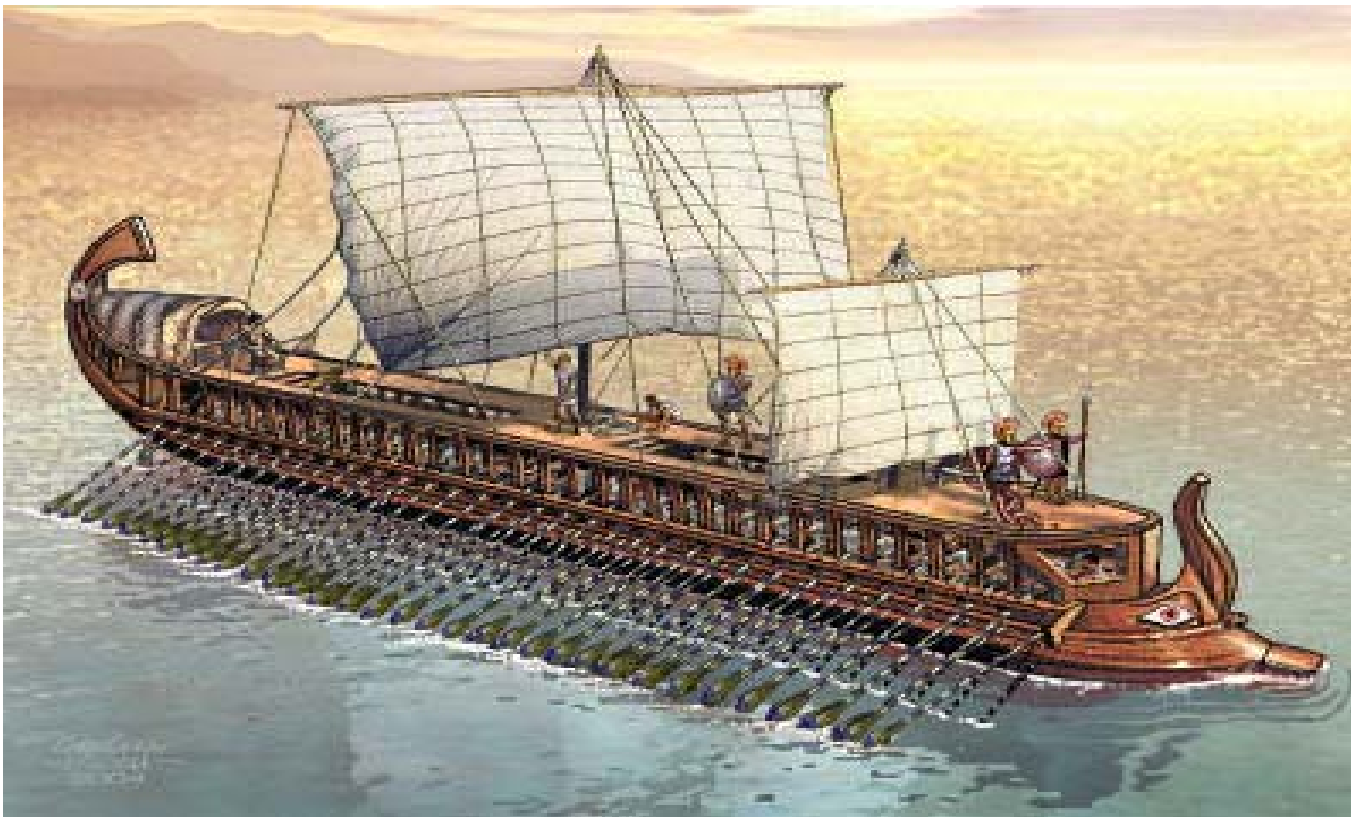
Energy

- Strongly correlated to GDP
- Market Liberalisation in progress

Insurance

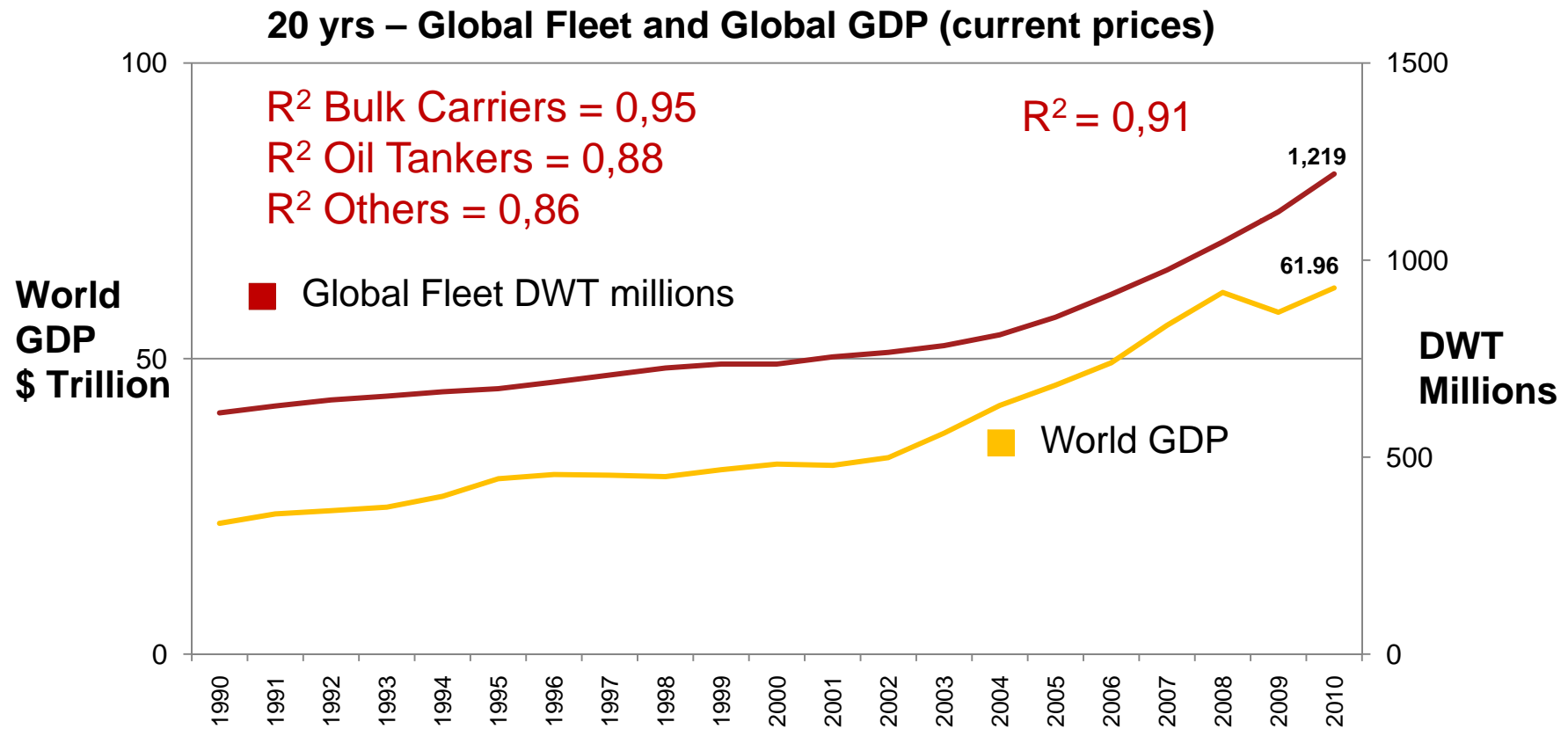
- New regulatory environment
- Significant under-penetration

Shipping and Trade is not new to Greeks



Greek fleet amounts to almost 4000 vessels,
around 15% in dwt of the Global fleet

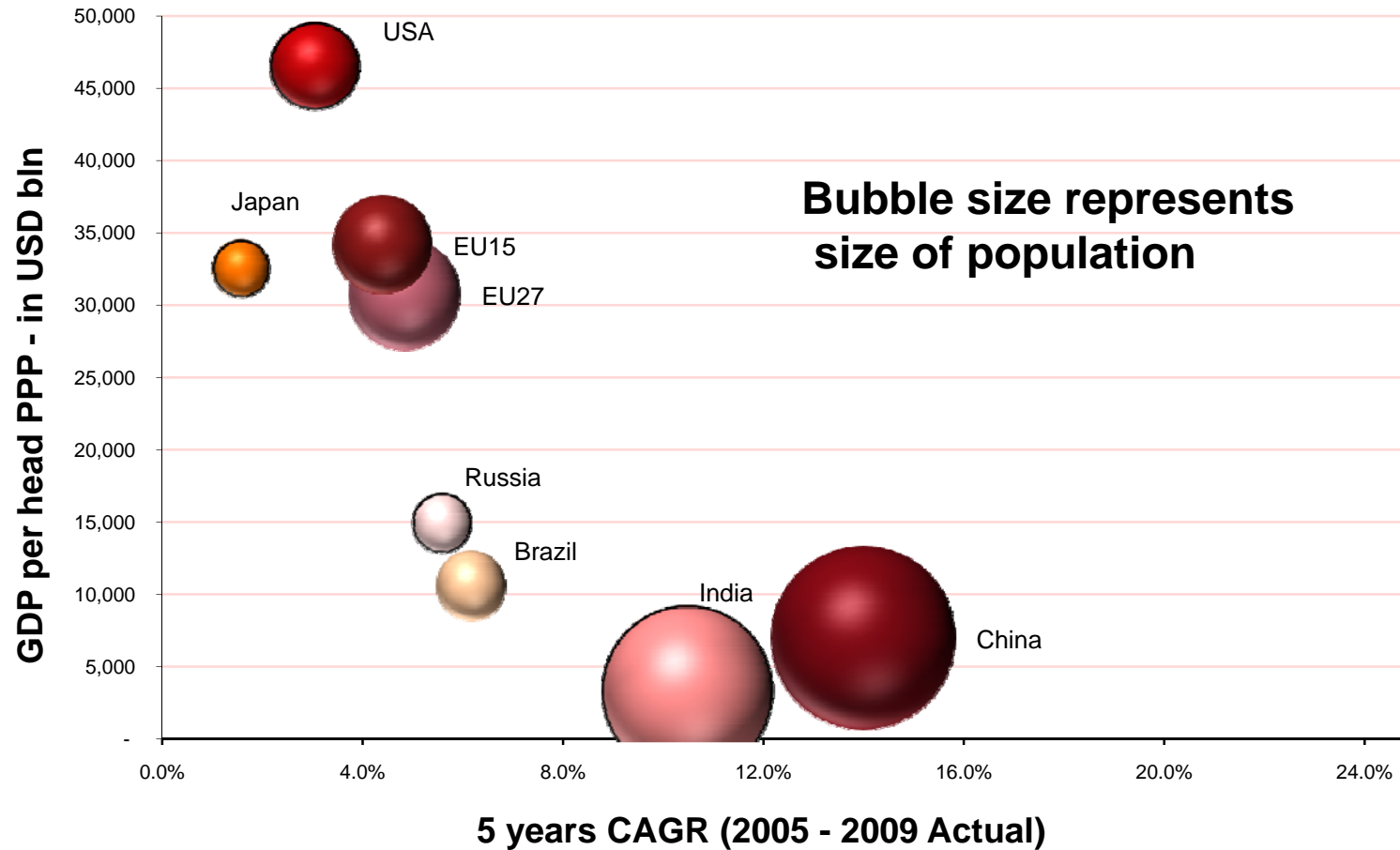
Shipping Market has an indisputable close relationship with Global economic activity



Source: Platou (dwt), IMF (GDP current prices)

Shipping - Global Economy will continue to grow in medium and long term

Population, GDP 5 years growth and GDP per capita - amounts in PPP

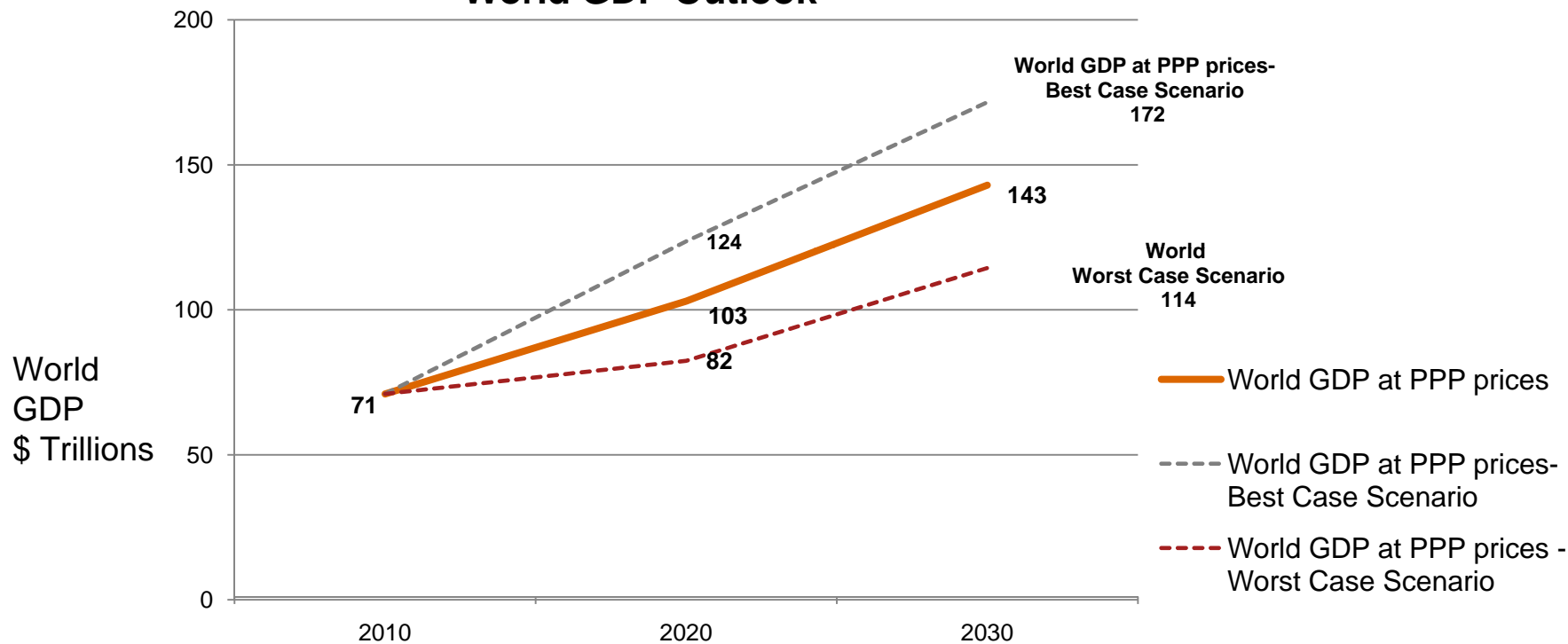


Source: EIU

October 2010

Shipping - Global GDP growth a certainty - ± 20% around base case

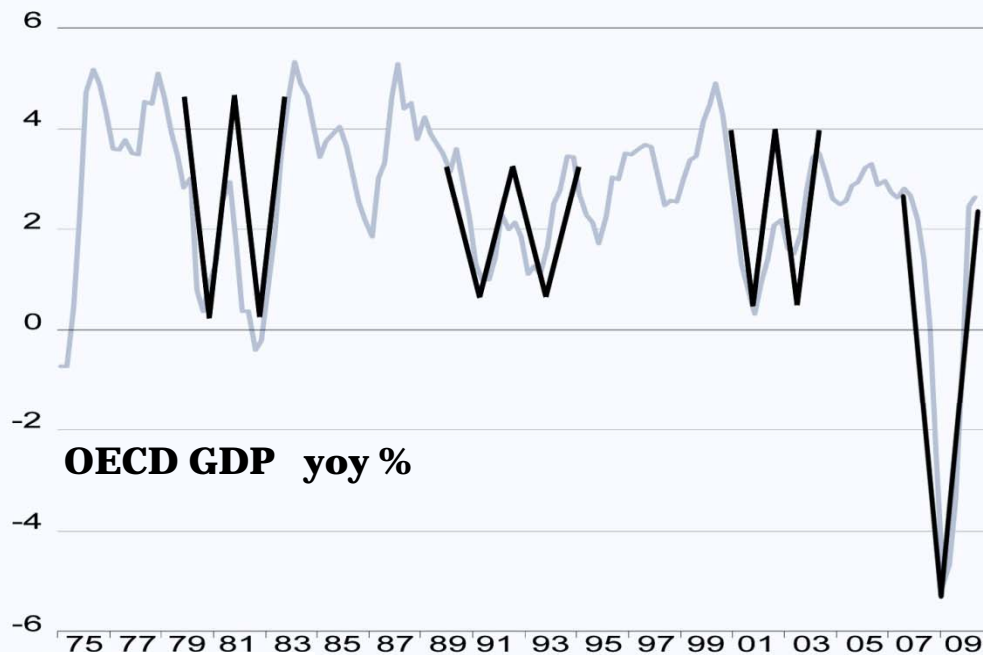
World GDP Outlook



	2010	2020	2030
World GDP at PPP prices	71	103	143
Number of vessels (approx.)	29.000	42.000	58.400

BUT... in the short term there will always be bumps

The last three global recessions were W-shaped



Source: Datastream, Sarasin

Short term bumps include:

- New Build Order-book

Offset by:

- Shrinking funding capacity by traditional Banks
- Port congestion

Shipping - Short term challenge - Absorbing the New Build Order Book

	2010	2011	2012
World GDP at PPP (\$ Trillion)	71	75	79
World Fleet # of vessels	29.000	30.595	32.431
New vessels able to be absorbed by forecast GDP growth*		1.595	1.836
Reported Order-book (as of October 2010)	1.477	2.871	2.130
Excess # of vessels to requirements		1.276	294

Sources:

GDP Growth according to IMF Forecast

Reported order book Clarksons

*New vessels based on current mix and conditions

Energy: Market dominated by State Controlled /Related Entities

Greek State Controlled/Related Entities Market Shares

	Electricity		Natural Gas	Renewables	Oil Refining
	<i>Production</i>	<i>Trading</i>			
PPC	86%	96%		10%	
DEPA			88%		
HELPE					70%

- Public policy has hindered liberalisation
- Private sector participation is particularly low in fossil fuel areas
- Bureaucracy has significantly hindered development of abundant renewable energy sources (Wind, Solar and Hydro)

Energy: A rapidly changing landscape – powerful change drivers - EU / IMF

- Unbundling - liberalisation of electricity market (EU 3rd Energy regulation)
- EU Green legislation - 20% of energy consumption from renewable energy sources by 2020 and 20 % reduction in CO₂ emissions
- Electricity wholesale market reforms
 - Lignite fired generator access to 3rd parties
 - CO₂ costs will change the order of merit
 - Pool market – compulsory ?
- Access to Natural Gas market by private sector

Overview of Greek Energy privatisation and market entry opportunities

Generation

Interventions on Public Power Corporation S.A. lignite-fired generation portfolio

GAS & Renewable Energy = Future Energy Mix in Greece

20/20/20- CO₂ Considerations

DEPA possible Privatisation

LNG infrastructure Investments

Transmission

Unbundling Electricity

Unbundling Gas

Privatisation of DESFA?

Distribution

New local gas distribution networks EPAs

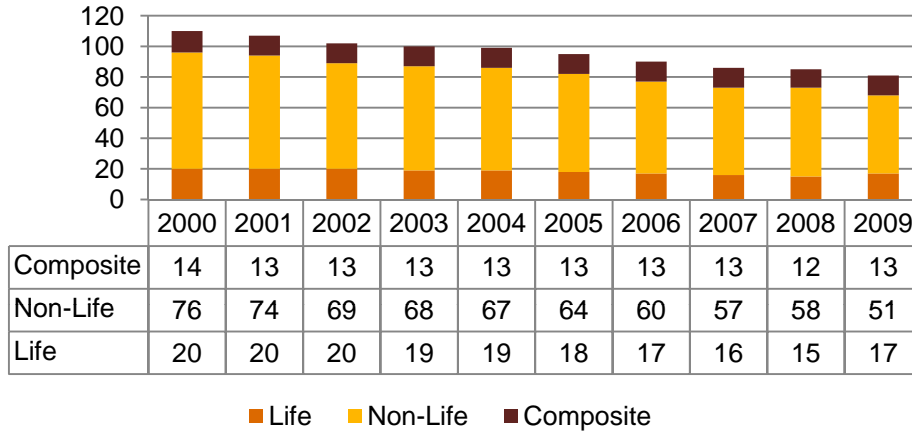
Retail Tariff - System Marginal Price based by 2012 -2013 opportunities to operate in the supply market

Consumption is closely correlated to GDP

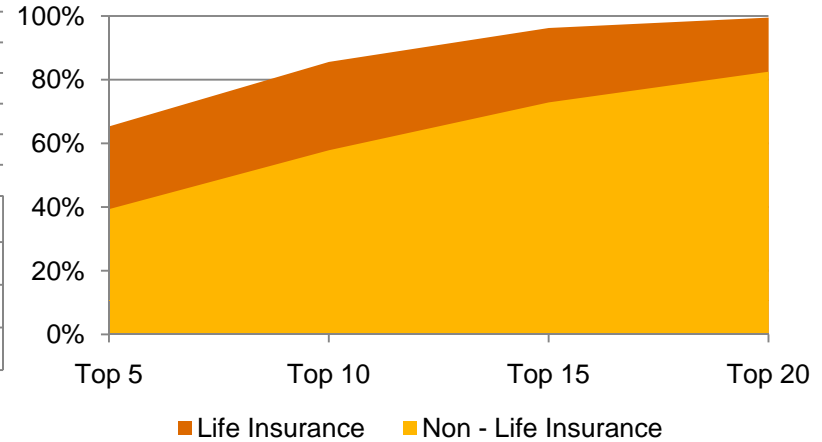
Supply

Insurance: Market in figures

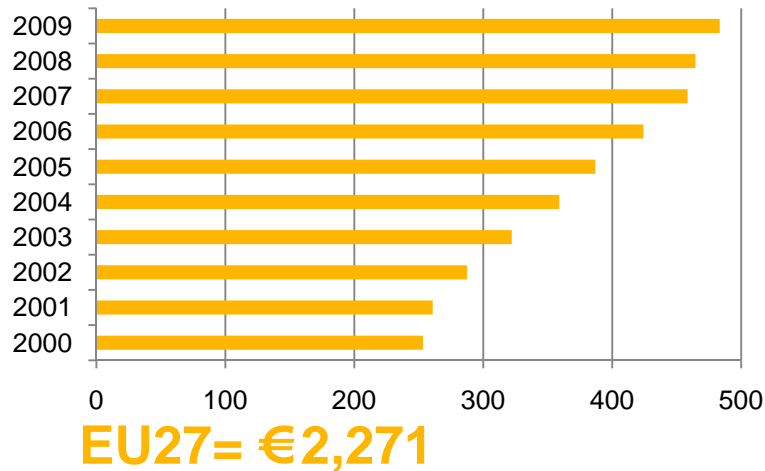
Number of Enterprises



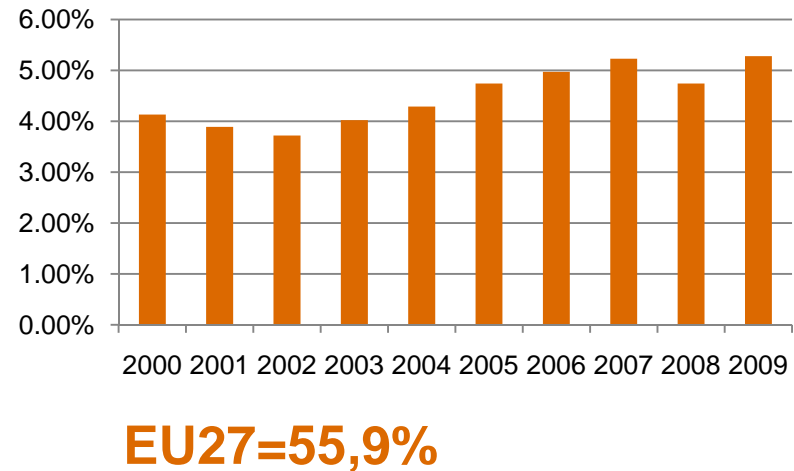
Market Concentration



Insurance Premium per Capita (in €)



Total Investments' share to GDP



Source: Hellenic Association of Insurance Cos

December 2010

Insurance : Current Situation/Developments

- Extreme adverse macroeconomic conditions in 2010
- Very limited tax deductibility of life and pension premiums means life insurance sector is significantly underdeveloped
- Inadequate regulation has led to a large number of poorly funded entities
- New Solvency II regulations -implementation and compliance by 2012
- Reform of the Greek Social Security Organisation - EU/IMF mandated – only 10% of private-sector staff are in an occupational pension plan, State system heavily in deficit - solution may be liability transfer to insurance companies

Insurance : What will happen in the short term

- New Regulator Bank of Greece, EU/IMF mandated will change the landscape with more stringent regulatory oversight
- Additional solvency capital will be required
- Consolidation /closures (too many players and high Solvency II costs)

Insurance : Expect growth from the following

- New redesigned products for SII effectiveness and sophistication (e.g. variable annuities)
- Better regulation will result in improved profitability for insurers as costs are passed to the policyholder , already evident in motor
- Poor state health system creates vacuum for private healthcare to flourish (products missing such as long term care)
- Savings culture for retirement will develop out of necessity and drive growth in the private pensions space
- Low life policy levels and density will converge to European levels

Final Thoughts

«Οι καιροί οὐ μενετοί της ημετέρας
βραδύτητος»

“Opportunities will not wait for our delay”

www.pwc.gr

PwC Greece

***Largest professional
services firm in
Greece***

Supporting clients to identify and
exploit opportunities

pwc