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GREECE

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I OVERVIEW OF 2007/2008 M&A ACTIVITY

M&A activity in Greece in 2006 tripled compared with the year before and rose to €9.6 billion. The rise in Greek M&A activity continued in the first half of 2007, during which the total transactional value reached €5.5 billion. In the second half of the 2007, the Composite Share Price Index of the Athens Stock Exchange ('ATHEX') plummeted from its peak of 5100 to under 3000. This development froze the majority of the deals that were in the making. The initial M&A plans for late 2007 had to be revaluated given ATHEX's sharp drop. Despite the scarcity of M&A deals in the second half of 2007, Greek M&A activity picked up in the first half of 2008, with a number of big deals completed and a number still being negotiated. Since the beginning of 2008, the value of M&A transactions in Greece has exceeded €5.3 billion. The general tendency in Greece for M&A transactions remains strong and discussion are still open, with the issue of price remaining as the sole object of dispute.

In the banking sector the situation is unclear. Greek banks insist that they are not looking for M&A deals, but at the same time there is plenty of discussion for M&A transactions. Piraeus Bank & Marfin competed for the bank of Cyprus in 2007 with no results. Merrill Lynch, which expects M&A activities in the banking sector especially among smaller players with broader geographic presence, projects that Alpha Bank and Piraeus Bank have a high probability of being the object of an M&A deal. The infiltration of Centaurus Capital in the share capital of Alpha Bank and, as is rumoured, in the share capital of Marfin Investment Group stirred expectations of M&A activity, the former being at the forefront of possible M&A development. The National Bank of Greece has stated that it is unwilling to partake in a possible M&A transaction. However, it is doubtful it can remain indifferent once deals begin. Marfin Investment Group has

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raised large sums of funds and the scenarios for M&A transactions initiated by MIG are abundant.

Although M&A deals worldwide in the telecoms sector saw a drop in 2007, the Greek market witnessed a surprising increase in activity. There has been intense M&A activity in telecoms with ample deals, the biggest being the acquisition of the Greek Telecommunication Company ('OTE') by Deutsche Telekom. Earlier, we had seen OTE acquire COSMOTE. Other noteworthy deals are the acquisition of Tellas and TIM Hellas by Wind, NOVA by Forthnet and Teledom by Intracom, as well as the merger between Hellas Online and Unibrain. There are discussion for a possible merger between On Telecoms and Zinon. The prediction is that M&A work will intensify in the coming years due to the large number of players in a relatively small market and in combination with the current high cost of capital. The situation has driven the consolidation of the Greek telecoms market and the smaller players, who remain without strategic partners, will have great difficulty in remaining competitive in the market. Such an example is Lannet Telecommunication, which is currently in dire need of financing or a strategic partner and its future in the market is more than questionable as it is losing a large part of its market share. There are similar problems with Vivodi, On Telecom, Teledome, Netone and Algonet.

The construction sector has already seen a large number of M&A deals with a relatively high degree of concentration, which should most likely continue for the larger Greek construction companies. This consolidation will help the Greek construction sector become even more competitive in its efforts to win large projects in South East Europe, the Middle East and in North Africa. There are similar M&A scenarios in the media sector with the most probable candidates being the television station ALTER, Lambrakis Press ('DOL') and Pegasus Publishing. In the Fast Food Market there have been talks in connection with Grigoris, Creta Farm and Katselis. Vivartia, the leading food company was also 'implicated' in such scenarios.

II GENERAL INTRODUCTION ON THE LEGISLATIVE M&A FRAMEWORK.

The key statutes regulating M&A activity are the following:

a Codified Statute 2190/1920 on Sociétés Anonymes, which sets out the ground rules for M&As, as amended in August 2007 by Statute 3604/2007;

b Statute 3401/2005 implementing Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading. It provides for the publication of a prospectus for placing and listing new shares;

c Statute 3461/2006, implementing Directive 2004/25/EC and regulating public takeovers. Article 32 of said Statute repealed Decision No. 2/258/5.12.2002 of the Hellenic Capital Markets Commission ('HCMC'), which previously regulated takeover bids. HCMC Decision No. 17/427/2007 regulates the procedure and the way the price is calculated in cases of mandatory bids under the provisions of Statute 3461/2006;

d Statute 3412/2005, which sets out the rules for cross-border EU mergers following the establishment of a European Company ('SE') (Council Regulation (EC) No. 2157/2001 on the Statute for a European Company);

e Statute 3340/2005 on the protection of the capital market from abuse of privileged information and market manipulation (Directive 2003/6/EC);

f Statute 3371/2005 on the admission of securities to official stock exchange listing and on information to be published on those securities (Directive 2001/34/EC).

g Statute 2515/1997, regulating mergers between Greek banks, the contribution of a Greek branch to a bank resident in an EU Member State and the transformation of a Greek branch of a foreign bank into a Greek bank; and

h the Athens Stock Exchange Rulebook, which sets out the procedural requirements for the listing of new shares.

For tax matters and incentives relating to M&As in Greece, see Section VIII, *infra*.

III DEVELOPMENTS IN CORPORATE AND TAKEOVER LAW AND THEIR IMPACT

The enactment of Statute 3461/2006 implementing Directive 2004/25/EC on takeover bids has arguably had an important impact on the M&A market. Indeed, M&A activity has enhanced considerably over the past year or so, especially in relation to takeover bids, both voluntary and mandatory.

Another development in corporate law related to M&A is the draft law announced for public consultation by the Greek Ministry of Development on 30 July 2008 (it expires on 20 September) implementing Directive 2005/56/EC on cross-border mergers of limited liability companies. The draft law under public consultation provides, for the first time, a unified and comprehensible piece of legislation regarding cross-border mergers with the participation of Greek companies. Greek companies will now be able to undergo restructuring within the EU, making the Greek economy more efficient and competitive, while at the same time Greek companies will be able to carry out their investments, through M&A transactions, on the basis of a modern legislative framework, given that cross-border mergers are one of the most compelling driving forces in the expansion and mobility of business in the EU.

The new draft law will apply to all cross-border mergers involving one or more Greek companies (i.e., Greek *sociétés anonymes* ('SAs'), limited liability companies, limited partnerships divided by shares and SEs with registered seats in Greece) with one or more companies established under the laws of another member state and have their registered seat, their central administration or principal place of business within the Community. The new draft law fully harmonises Directive 2005/56/EC.

IV FOREIGN INVOLVEMENT IN M&A TRANSACTIONS

Foreign companies face various challenges and administrative obstacles when trying to set up new businesses in Greece and in some sectors the barriers of entry are relatively high, requiring special knowledge of the particularities of the Greek market. If one considers that even newly established Greek companies have similar difficulties, one begins to understand the degree of difficulty in entering the Greek market through greenfield ventures. The ability for any new company to overcome these challenges and penetrate the Greek market quickly and effectively will to a large extent indicate whether it will be able to succeed in the Greek market.

Foreign investors to a greater degree in recent years prefer to enter the Greek market through the acquisition of Greek companies. The Greek market has seen an inflow of foreign investments through M&A transactions in almost every aspect of the economy.

In the telecoms sector, the largest companies in Greece are controlled by foreign investors. In addition to Deutsche Telekom acquiring 25 per cent of OTE in 2008, the past couple of years has seen a large number of M&A deals.

It has been reported that Capital and Fidelity (two US funds) acquired approximately 10 per cent of the Greek Public Power Corporation ('PPC') while at the same time RWE, the German energy company, is trying to forge a strategic partnership with PPC. In recent years, we have seen great interest in the energy sector, with Edison forming a joint venture with the Greek Petroleum Company; Endesa SA, the sixth-largest electricity company in Europe, joining forces with the Mytilineos Holdings, forming Endesa Hellas; and Italian Enel establishing a joint company in Greece with Prometheus Gas SA (a joint venture between the Copelouzos Group and Gazprom).

In construction, companies such as ACS and Dragados from Spain and Vinci from France have joined forces in Greece in one form or another with Greek companies for large public projects. Vinci together with Hochtief of Germany and Greek companies, Elliniki Technodomiki - Aktor, J&P-Avax and Athena formed a joint venture for the Athens–Corinth–Patras–Pyrgos–Tsakona motorway concession.

In transportation, there is great interest from investments from Italy and the Middle East, while at the same time the government has received impressive offers from foreign investors for the operation of the cargo facilities in Greece's two largest ports, Piraeus and Thessaloniki. In particular, China's Cosco Pacific (the world's fifth-largest container port operator) submitted the top bid to run and upgrade Piraeus Port Authority's ('OLP') cargo facilities. Cosco offered €4.3 billion ($6.71 billion) for the contract to operate the port's commercial docks for up to 35 years, and will invest a further €620 million ($967.1 million) to upgrade them. Cosco's offer bettered the €4.06 billion bid made by Hutchison Port Holdings, a unit of port operator Hutchison Whampoa, which had said it would invest a further €354 million on upgrades.

In the banking sector, Crédit Agricole controls Emporiki Bank, Dubai Investment controls Marfin Popular Bank, Société Generale is at the helm of Geniki Bank and BCB controls Nova Bank. It is estimated that more than 40 per cent of Greek banks are in the hands of foreign investors. In the insurance sector, AXA acquired in early 2007 Alpha Insurance (the insurance subsidiary of Alpha Bank Greece) for €255 million. Greece has seen further deals in the insurance sector, including Groupama acquiring Phoenix Metrolife in 2007 for €95 million and Eureco acquiring a share in Interamerican Insurance.

Overall, foreign investors find the Greek market and Greek companies increasingly attractive following the country's decision to begin an ambitious privatisation programme, thus reducing the state's control and interference in the country's economy.

V SIGNIFICANT TRANSACTIONS, KEY DEVELOPMENTS AND HOT INDUSTRIES

Some of the key deals in the first half of 2007 involve the acquisition of:

a 44 per cent of Turkey's Finansbank by the National Bank of Greece for €1.7 billion;
b 100 per cent of Marfin Bank by Marfin Popular Bank for €617 million;
c 9 per cent of the Bank of Cyprus by Marfin Popular Bank for €502 million;
d 100 per cent of telecoms provider Tim Hellas by Weather Investments for €500 million;
e 26 per cent of cement manufacturer AGET Hercules by France's Lafarge for €322 million;
f 100 per cent of S&W Ready Mix Concrete by Titan America, a subsidiary of Titan Cement, for €177 million;
g 70 per cent of Tekfenbank by EFG Eurobank for €142 million;
h 30 per cent of Hellas Gold by European Goldfields for €132 million;
i 24 per cent of Neochimici by Sal Oppenheim for €105 million;
j 34 per cent of Lamda Detergent by Sal Oppenheim for €104 million;
k 99 per cent of Ukraine's Marine Transport Bank by Marfin Popular Bank for €104 million;
l 100 per cent of insurance company Phoenix Metrolife Emporiki by Groupama International for €95 million;
m 23 per cent of shipowner and operator Minoan Lines by Access Maritime for €95 million; and
n 52 per cent of Elmec Sport by Homeric Department Stores Holdings for €86 million.

Some of the key deals in the second half of 2007 involve the acquisition of:

a 33 per cent of Cosmote by OTE for €3 billion;
b 49.9 per cent of Attica Group by Marfin Investment Group ('MIG') for €286 million;
c 34.7 per cent of Hellenic Seaways ANE by Sea Star Capital Plc for €154.878 billion;
d 26.71 per cent of Minoan Lines by Sea Star Capital Plc for €92.4 million;
e 9.99 per cent of Marble Bar Asset Management LLP (MBAM) by Eurobank for €52 million;
f 49 per cent of Marinopoulos SA by Alapis ABEE for €18.5 million;
g 100 per cent of Diakinisis AE by Logistics Service Hellas AE for €44 million;
h 70 per cent of Sterling Shipholdings SA by Alma-Atermon for €7.7 million;
i 70 per cent of Pyramid Navigation INC by Alma-Atermon for €5.6 million;
j 100 per cent of Radiopliroforiki Politis MME AE by Imako Media SA for €4.3 million; and
k 68.25 per cent of Serbian Pharmaceutical 'Sumadijalek' by Eurobank for €2 million.

Some of the key deals in the first half of 2008 involve the acquisition of:

a 25 per cent of OTE by Deutsche Telecom for €3 billion;

b 100 per cent of Netmed NV and Intervision (Services) BV by Forthnet for €490 million;

c 100 per cent of Nonni's Food Company Inc by Vivartia ABEE for $320 million;

d 100 per cent of Socib SpA by Coca-Cola for €270 million;

e 80 per cent of Russian Uniastrum Bank by Bank of Cyprus for €371 million;

f 50 per cent of Turkish Adocim Cimento Beton Sanayi ve Ticaret AS by Titan AE for €90.5 million;

g 49.9 per cent of Croatian Suence Koencen by Marfin Investment Group (MIG) for €90 million;

h 100 per cent of Lapin by Elmec Sport for €84.4 million;

i 100 per cent of Plus Hellas by AB Vasilopoulos for €69.5 million;

j 50 per cent of Group of Hospitals Safak by Diagnostic and Therapeutic Centre Athens Hygeia AE for €48 million;

k 99.9 per cent of Romanian Seferco Development SA by Eurobank Properties AEEAP for €39.8 million;

l 100 per cent of Importex SA by Industrial Commercial Real Estate SA ('BEK SA') for €35.5 million;

m 51 per cent of Romanian Capital Partners by Bank of Piraeus for €32 million;

n 85 per cent of Austria Card by Inform Lykos AE for €30 million;

o 100 per cent of portfolio of Dong Energy AS in Greece by Mytilineos Holdings SA for €27 million;

p 100 per cent of Ergotak AE by Sfakianakis AEBE for €7.5 million; and

q 100 per cent of Cypriot Evangelismos Hospital by Diagnostic and Therapeutic Centre Athens Hygeia AE for €7 million.

Some of the recent takeover bids made in 2007 according to Statute 3461/2006, which implemented Directive 2004/25/EC on public takeovers, are:

a the voluntary public offer from Info-Quest to the shareholders of Unisystems (the shareholding increased from 32.98 to 48.92 per cent);

b the mandatory public offer from Michaniki SA to the shareholders of Balkan Export SA (the shareholding increased from 50.45 to 51.66 per cent);

c the mandatory public offer from Company of Cereals of Northern Greece to the shareholders of Katselis ABEE (the shareholding increased from 34.32 to 88.51 per cent);

d the mandatory public offer from Asvavel Trading Limited to the shareholders of Tasoglou-Delonghi (the shareholding of 38 per cent did not increase);

e the mandatory public offer from Nireus SA to the shareholders of Kego SA (the shareholding of 40 per cent did not increase);

f the voluntary public offer from Tramountana II SA to the shareholders of Notos Com AEBE (the shareholding increased from 87.55 to 92.42 per cent);

g the mandatory public offer from J&P AVAX SA to the shareholders of Athena SA (the shareholding increased from 56.45 to 75.92 per cent);

h the mandatory public offer from Homeric Department Stores SA to the shareholders of Elmec Sport AVETE (the shareholding increased from 51.83 to 51.84 per cent);
i the mandatory public offer from Info-Quest to the shareholders of Unisystems (the shareholding increased from 61.29 to 90.04 per cent);
j the mandatory public offer from Marfin Investment Group SA to the shareholders of Vivartia SA (the shareholding increased from 59.12 to 91.47 per cent);
k the mandatory public offer from Dionysos Leisure SA to the shareholders of Regency Entertainment SA (the shareholding increased from 81.61 to 82.01 per cent);
l the voluntary public offer from National Bank of Greece to the shareholders of the Greek General Insurances Company (the shareholding increased from 76.92 to 99.23 per cent);
m the mandatory public offer from Fisheries Selonda AE and Wise Management SA to the shareholders of Perseas AE (the shareholding increased from 80.85 to 84.14 per cent);
n the mandatory public offer from Remco Touristic and Investment SA to the shareholders of Elbiemek Exploitation of Real Estate SA (the shareholding increased from 63.79 to 73.05 per cent);
o the mandatory public offer from Shop of Duty-Free Types SA to the shareholders of Elmek Sport SA (the shareholding increased from 54.74 to 90.22 per cent);
p the mandatory public offer from MIG Shipping SA (subsidiary company of Marfin Investment Group SA) to the shareholders of Attica SA (the shareholding increased from 52.26 to 91.08 per cent);
q the mandatory public offer from MIG Shipping SA (subsidiary company of Marfin Investment Group SA) to the shareholders of Blue Star SA (the shareholding increased from 48.85 to 84.45 per cent); and
r the voluntary public offer from OTE to the shareholders of Cosmote SA (the shareholding increased from 67.83 to 98.59 per cent).

Some of the deals in 2008 include:
a the mandatory public offer from Venture Ability SA to the shareholders of Lampsa SA;
b the voluntary public offer from Société de Participations Carnaudmetalbox SA to the shareholders of Crown Hellas CAN;
c the mandatory public offer from Alkmini Catering SA to the shareholders of Olympic Catering SA;
d the voluntary public offer from Alkmini Catering SA to the shareholders of Everest SA; and
e the mandatory public offer from Green Bidco SA to the shareholders of LV Laurentiadis SA.

Greek M&A activity was strong in the first half of 2007 where the total transactional value reached €5.5 billion for that period. However, in the second half of the 2007 the majority of the deals froze due to the drop of the Athens Stock Exchange. Greek M&A activity picked up again in the first half of 2008, the value of M&A transactions in the country exceeding €5.3 billion. Although the market is still volatile, with high cost of capital and difficulty in liquidity, there is still a strong tendency for more M&A work.

VI FINANCING OF M&A: MAIN SOURCES AND DEVELOPMENTS

In major merger deals, it is more likely to see a stock swap rather than cash payments. This is most likely in the banking sector if two large Greek banks decide to merge. In the event of acquisitions, there is usually a need for financing. There are no financing sources peculiar to acquisitions. Sources of financing are mainly the following:

a the acquiring company may be funded through loans from banking institutions established in Greece or abroad, or other (non-banking) companies, including other group companies. If a loan is concluded with affiliated companies, the terms of the loan and more specifically the level of interest charged must be set at arms' length, as if charged by an unrelated third party. Syndicated loans may be used for large-scale acquisitions. It should be noted that in the event of loans from abroad from non-banks, stamp duty and withholding tax issues will also have to be reviewed;

b an alternative way of financing for SAs is the issuance of bond loans. Such financing method provides more tax advantages both for the acquiring company receiving the loan as well as for the foreign lenders; and

c the acquiring company may increase its share capital by issuing new shares. This means of financing is subject to capital concentration tax at the rate of 1 per cent on the amount of share capital increase, and in the case of an SA, an additional duty of 0.1 per cent for the Competition Committee will also be due. In case of a capital increase, a specific formalistic procedure must be followed for both an SA and a limited liability company. In the case of limited liability companies, the amendment of its articles must be effected by means of a notarial deed.

VII EMPLOYMENT LAW

There have been no legislative developments particular to M&A over the past year. The most recent developments in Greek employment law relate to: (i) Statute 3488/2006 implementing Directive 2002/73/EC on the application of the principle of equal treatment of men and women in relation to access to employment, professional training, working conditions and promotions; and (ii) Statute 3385/2005 on the support of employment arrangements. Statute 3385/2005 eased the formerly strict and costly regime of overtime work in Greece. It provides for a maximum of 40 working hours per week while making it possible for an employer to request extra work beyond this threshold and up to 45 hours per week. In such case, the employer must pay an increased hourly rate of 25 per cent. Any work beyond 45 hours constitutes overtime, for which an increased hourly rate of 50 per cent applies and prior permission must be obtained from the local Labour Authority or the Minister of Employment. If the total annual number of hours spent on overtime exceeds 120, the hourly rate increases by 75 per cent for any hour of overtime work in excess of the 120-hour threshold. If permission for overtime has not been obtained, the employer is liable to pay an increased hourly rate of 100 per cent for every hour of overtime work.

Regarding the regime applicable to employment relations in the case of M&As, the key piece of legislation is Presidential Decree 178/2002, which transposed into Greek law Directive 98/50/EC on the approximation of the laws of EU Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses. In line with the Directive, the Presidential Decree ensures, *inter alia*, that a merger or a transfer of an undertaking does not in itself constitute a ground for dismissal by the new or the old employer. Moreover, it provides that a merger or a transfer of an undertaking has no bearing whatsoever on the rights and obligations arising from collective agreements, contracts of employment or employment relationships existing on the date of the transfer or merger. In fact, the new and the old employer are held jointly and severally liable in respect of such obligations.

Moreover, the new Greek draft law that was recently announced for public consultation implementing Directive 2005/56/EC on cross-border mergers of limited liability companies (see Section III, *supra*) introduces new provisions regarding employees' participation rights. The new draft law provides that the company resulting from the cross-border merger shall be subject to Greek rules in force concerning employee participation. Notwithstanding the above, Greek rules do not apply in the following cases:

a if at least one of the merging companies has, in the six months before the publication of the draft law an average number of employees that exceeds 500 and is operating under an employee participation system according to Greek Presidential Decree 91/2006 (implementing Directive 2001/86/EC); or

b if Greek legislation does not:
- provide for at least the same level of employee participation as operated in the relevant merging companies, measured by reference to the proportion of employee representatives among the members of the administrative or supervisory organ or their committees or of the management group which covers the profit units of the company, subject to employee representation; or
- provide for employees of establishments of the company resulting from the cross-border merger that are situated in other Member States the same entitlement to exercise participation rights as is enjoyed by those employees employed in the Member State where the company resulting from the cross-border merger has its registered office.

VIII TAX LAW

Statute 2579/1998 provides (at Article 9) that the sale of shares of companies listed on ATHEX and effected through the stock exchange is subject to tax at a rate of 0.15 per cent on the transfer price. The above tax is also imposed on the sale of shares of companies listed on any other foreign recognised stock exchange by Greek individuals, legal entities and foreign companies with a permanent establishment in Greece.

Similarly, Statute 2238/1994 (at Article 13) provides for a tax imposed at the rate of 5 per cent on the higher amount between the contractual sale price and the deemed sale price of non-listed shares of Greek companies. The deemed price is determined by a specific formula specified by law. This tax does not apply if the seller of the shares is resident in a tax treaty country and does not have a permanent establishment in Greece; in case it has a permanent establishment, the 5 per cent tax will be imposed if the shares are an asset of the permanent establishment.

Statute 2578/1998, as amended by Statute 3517/2006, implements the EU Mergers Tax Directive (Directive 90/434 and Directive 2005/19 amending Directive 90/434) into Greek law and applies to mergers, demergers, partial demergers (transfers of one or more branches of activity), contribution of assets and exchange of shares between companies established in different EU member states, as well as to the transfer of the registered office of a European Company ('SE') or a European Cooperative Company ('SCE') from Greece to another EU Member State. The conversion of a branch into a subsidiary falls within the meaning of contribution of a segment. Although Greek company law has not been amended to accommodate cross-border mergers, with the exception of cross-border mergers for the formation of an SE according to Statute 3412/2005 implementing Council Regulation (EC) No. 2157/2001 (see Section II, *supra*) and the new Greek draft law that was recently announced for public consultation implementing Directive 2005/56/EC on cross-border mergers of limited liability companies (see Section III, *supra*), the tax benefits of Statute 2578/1998 should be applied, especially following the relevant case law of the European Court of Justice.

Statutes 2166/1993 and 1297/1972 provide tax incentives for mergers. Statute 1297/1972, which expires on 31 December 2008, provides exemptions from stamp duty, transfer tax on real estate and the deferral of income tax on gains arising from the revaluation of assets at the time of the merger until the dissolution of the company or the distribution of the gains. The incentives apply not only in cases where two or more entities are merged but also where an entity is converted from its existing legal form into either a Greek SA (*anonymous etaireia,* 'AE') or a Greek limited liability company (*etaireia periorismenis efthinis*, 'EPE'). Statute 2166/1993 also provides benefits for the transformation of companies (conversions, absorptions, mergers, demergers, contributions) and its main benefits are: (i) that assets and liabilities are transferred to the new company at book value confirmed either by a certified auditor or by the tax authorities, which results in no revaluation gain; and (ii) exemption from real estate transfer tax, stamp duty and other taxes imposed on contracts.

Incentives under Statute 2515/1997 regulating mergers in the banking sector are similar to those provided under Statute 2166/1993.

IX COMPETITION LAW

There were no developments in Greek competition law affecting M&A over the past year. Statute 703/1977 on the Control of Monopolies and Oligopolies and the Protection of Free Competition regulates competition issues arising from mergers and acquisitions. The provisions of the statute are enforced by the Hellenic Competition Commission, an independent regulatory body with administrative and financial autonomy, which is supervised by the Minister of Development. The statute applies to concentrations in general, including any kind of merger between two or more undertakings, to the acquisition of direct or indirect control of an undertaking by a person controlling at least one undertaking, and to joint ventures. A concentration is subject to:

a pre-merger notification if the parties have an aggregate worldwide turnover of at least €150 million and each of at least two participating undertakings has an aggregate turnover exceeding €15 million in Greece; and

b post-merger notification if the market share of the parties amounts to at least 10 per cent of the relevant market in Greece or if the aggregate turnover of the parties in Greece comes up to at least €15 million.

If the parties complete the merger or the acquisition before clearance by the Hellenic Competition Commission, a fine of at least €30,000 and of up to 15 per cent of the worldwide aggregate turnover of the undertaking under an obligation to notify may be imposed. Completion of the merger or the acquisition before the Commission's approval also constitutes a criminal offence for the legal representative of the breaching undertaking.

X FUTURE DEVELOPMENTS AND OUTLOOK

Despite the fact that M&A activity picked up in the second quarter of 2008 with the value of M&A transactions in Greece exceeding €5.3 billion in the first half of 2008, the outlook for the second half of 2008 is not very encouraging, with a sharp drop in M&A work being more than certain due to the credit market squeeze and volatile market activity after the collapse of the subprime mortgage market in the United States. Other factors having a negative impact on the development of M&A in Greece is the lack of liquidity and the high cost of capital. Many deals fall short due to the banks' unwillingness to finance the deals. On the other hand, the credit market squeeze and the high cost of capital may produce an opportunity for acquiring smaller companies which are easier targets. Given Greece's size, the current economic situation presents a definite opening for acquiring small and medium sized companies that were not readily prepared for the economic crisis.

Notwithstanding the above general economic overview, we may see some M&A activity in certain sectors due to particular factors in that sector. For example, although profits of Greek banks are at an all-time high, which raises the question as to whether any bank would really be interested in a merger or acquisition, the implementation of Basel II may be a driver of consolidation in the banking sector.

Moreover, Greek companies have focused their foreign investments thus far in the broader area of South East Europe and in the Middle East. If they wish to expand their interests further west in the European market, we may perhaps see further consolidation.