

### How much business do you do?

HLB Hellas SA, the newly established Greek member firm of the HLBI network, runs its first year of operations, providing a wide range of services including, Audit & Assurance, Tax consulting and Financial advisory. The adverse economic conditions, as concisely presented below, undoubtedly affect the Company' s operations, which is focused on creating a distinct market advantage, specifically on the Tax sector<sup>(\*)</sup>.

The Company is currently serving international clients and reputable local business.

*(\*) It may be worth noting that recently, the examination of the tax affairs of the Greek mid-tier and large companies, has been passed on Accounting (Auditing) Firms, providing a chance of minimizing the adverse effects of the crisis on this sector. If you need more information about this development feel free to contact us.*

### Have your revenues been affected by the financial crisis?

The recent debt crisis has led Greece to adopt several austerity measures, to urgently face its deficit as a part of the fiscal stabilization program. We are currently running under this new regime which,

optimistically, may be considered as a new startup propelled by an inevitable "initial cost" of getting out of the tunnel. The cash shortage currently prevailing in the market has severely affected all businesses, particularly due to the problems confronted with by the domestic banks, which has inevitably resulted in credit 'suffocation' . In this context entities downsize continuously or may even go out of business. The key adverse factors involved in the process are the following:

- a) Greece attracts insufficient investment capital to build job-creating businesses
- c) Foreign inward investments are low
- d) Poor competitiveness and poor productivity, are inherent in the Greek economy
- e) There is cash shortage, due to bank problems

Implicitly revenue for accounting firms is stressed; the effect is however mitigated through new business gained in the tax examination process.

### How would you be affected if Greece left the eurozone?

Although this case is remote, more and more "worst case scenarios" are being

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taken into consideration in the companies' business plans and budgets in order to evaluate the potential consequences of a Greek euro-exit.

The adverse consequences of such an exit would be catastrophic not only for the companies and the financial environment but also for the Country itself. These consequences include but are not limited to:

- a) Sharp devaluation of the new national currency
- b) The Greek inflation would accelerate and it would be difficult to be brought under control
- c) Individual nominal and real income would rapidly decline
- d) The access to the capital markets would become even more remote
- e) Greece's public debt would effectively increase, following the devaluation of the local currency against the Euro
- f) The banking system would experience extreme stress
- g) The possible future "upside" (if any) would not be in the near future
- h) Last but not least, someone should consider the profound adverse political and social implications of a potential Greek exit

### **How do the Greek clients and those with interests in the country view this possibility?**

Generally our clients are optimistic. The vast majority believes that, although we are in financial and political uncertainty

for a long period of time, ultimately Greece will remain a eurozone member after the successful outcome of the negotiations between the ECB/EU/IMF and Greece, provided that the program will continue and the targets are achieved. The alternative scenario is too severe for both the EU and Greece, particularly under the light of the recent developments suggesting that debt is a problem for the entire Euro area and not the problem of individual EU member countries.

This optimistic approach lends hope that the major strong industries of Greece: shipping, tourism, agriculture, food manufacturing and energy, will ultimately provide opportunities for boosting revenues and employment, based on an investment friendly environment which will be the outcome of the Greek people efforts.

We also note that the Greek population supports the Country' s Euro prospect, even if it means that they have to suffer the burden of the accommodation to the ECB/EU/IMF program. This was reflected in the recent elections, where the Euro committed parties ultimately won, signaling the endorsement of pro Euro zone policies and at the same time, triggering a relief in the Country' s partners in EU.