

News Release

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Cypriot businesses project reserved optimism for the financial crisis

Cyprus-wide Survey of PwC Cyprus

Cypriot businesses face the world economic crisis with reserved **optimism, confidence and realism**. This was revealed in a large scale Cyprus-wide survey of PwC, the results of which were released on Monday, 4 May, in a special event for representatives of the media.

The survey which comprised of a qualitative and a quantitative part, took place in February and March and pioneered in its approach and analysis: More specifically, the quantitative part examined a) the opinions of larger Cypriot businesses (sample 49 businesses), b) the opinions of small to medium-sized businesses (sample 220 businesses). Through the qualitative part, the survey revealed the thoughts, concerns and expectations of productive teams of the population regarding the attitude of Cypriot businesses with respect to the economic crisis. For the planning and analysis of the results, PwC collaborated with the well-known communication specialists - strategists J. Loulis and J. Demakis, while the implementation of the survey was carried out by Synovate Ltd.

Introducing the results of the survey, Mr. Phidias Pilides, Chief Executive Officer of PwC, stressed that "Cyprus is clearly affected by the current global climate of uncertainty and the continuous emergence of new challenges. Cypriot businesses and the Cyprus economy in general, are called to demonstrate attributes of rapid adaptation towards the new demands. PwC Cyprus fully supports the Cyprus businesses during these difficult times. With professional dedication and by tapping into the knowledge and experience of our international network, we have extrovertly supported the development of our economy. Therefore, we considered it our duty and responsibility to research, analyse and interpret the prevailing perceptions in our market.

Following the introduction, Mr Philippos Soseilos, Member of the PwC Executive Board and Business Advisory Services Leader, presented the results and conclusions. Following the presentation, a discussion with the representatives of the media was held, in which Mr Stephanos Stephanides, member of the Executive Board and Advisory Line of Service Leader also participated.

According to the results of the survey, 19% of the large businesses express great optimism for their business during the crisis, while 65% are quite optimistic. In the small-medium size sector the corresponding percentages are 13% (very optimistic) and 53% (quite optimistic). These percentages are recorded despite the recognition that the Cypriot economy, by a percentage of 78% - 84% (Small-Medium - Large), will be considerably influenced by the crisis.

Generally, small to medium-size businesses feel greater concern and insecurity in comparison to the large enterprises, something reflected in almost all the questions of the survey.

The findings concerning job positions during the crisis are very interesting. In the question how will their own business act, large businesses in a percentage of 76% state that they will not proceed in reductions of job positions, while in the small -medium size sector the corresponding percentage was 40%. However when asked for their general assessment on this subject, a percentage of 96%-98% of the businesses estimate that reductions of work positions will arise amongst the Cypriot Businesses.

Regarding their predictions for salary increases in 2009 and 2010, an expectation of low salary increases is recorded (for 2009, 47% of the business consider the rage to be in 0-3%, while 25% in the rage of 4-6%).

Regarding the critical subject of the existence of a business strategy during the crisis, 67% of large businesses consider that they have a strategy in place while 29% are planning their strategy during this period. In the small - medium size sector percentages are reduced to 46% and 28% respectively.

Conclusions – Analysis of Results

The expressed **optimism** is based on the feeling that Cypriot businesses are **prepared and have a business strategy in place**.

The confidence mainly emanates from past successes: the economic and social recovery following 1974, Cyprus' accession in the E.U. in 2004, joining the EMU in 2008.

There is no doubt that these past successes are important, however, at the same time the crisis constitutes a completely new situation. An effective strategy for the utilization of opportunities and for managing the threats is required.

Tactical moves (eg. reduction of operational expenses) are essential, but are not sufficient. They do not constitute a business strategy for a long-lasting competitive advantage.

Optimistic, can be the enterprises that are properly prepared.

For many businesses the crisis presents the beginning of a cycle of change. We are experiencing a state of psychological readiness for change. Utilising this change readiness presents an additional opportunity for solid improvement of businesses' competitiveness and effectiveness.

These times call for a clear mind, patience, persistence and strategic thinking. The true winners in this crisis will be the businesses which will succeed in utilising their people effectively and offer their products and services at increased quality and reduced cost.

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