

To  
the Honorable  
President of PASOK  
Mr. Evangelos Venizelos

Halandri, April 26, 2012

Honorable Mr. President,

We appeal to you in order to ask you to consider a critical issue concerning the survival of the pharmaceutical industry and to prevent the sizing of conditions which will surely hinder patients' direct access to important medicines. This is the destructive effect the inclusion of the bonds of pharmaceutical companies in the PSI 2 will have on their financial status and their viability.

The aforementioned inclusion is foreseen by Law 4050/2012 which provided for the haircut of the bonds. The bonds given to the pharmaceutical companies for the settlement of their claims were also included in the above provision. However, these bonds should have been excluded from the PSI for the following reasons:

- 1) **The bonds of Law 3867/2010 ("Bonds of L.3867") were one of the tools for addressing Greece's fiscal problem:** Unlike all other Greek Government bonds that were subject of the PSI 2, Law 3867 bonds were issued after Memorandum 1 was adopted. That is, these bonds represent repayment of obligations incumbent upon the Greek Government, having been taken over by the latter after the magnitude of the fiscal problem was revealed. The inclusion of Law 3867 bonds in PSI 2 runs against the legitimate expectations of the suppliers, who - instead of taking legal actions – accepted the substitution of their claims vis-à-vis Public Hospitals with bonds that would be redeemed in full.
- 2) **Law 3867 bonds were not acquired for investment purposes but were rather issued in lieu of payment, thus they are "special type" bonds:** Law 3867 bonds are "special type" bonds and not investment bonds. Their issuance served the purpose of debt repayment by Public Hospitals. The acquisition of these Bonds was not an investment choice made by suppliers, but a virtually forced solution that would ensure the full satisfaction of their claims on public hospitals. Therefore, the inclusion of Law 3867 bonds in PSI 2 caused their holders to suffer the consequences of an investment that they did not choose but which was instead forced upon them.
- 3) **Holders of Law 3867 Bonds have already suffered an impairment of the nominal value of their claims:** Law 3867 bonds were issued in 2010 to cover suppliers' verified claims on public Hospitals dating back to 2007, 2008 and 2009, and repayable over a horizon of more than four years, i.e. in 2011, 2012 and 2013 respectively. That is, the bonds represent claims which, although overdue, were repayable free of interest within about four years of their due date, implying a financial cost for suppliers. Therefore, the inclusion of L.3867 bonds in PSI 2 causes automatically even higher losses to their holders, who have already lost a substantial part of their original claims.

4) **Risk to the survival of companies and to hospital supplies:** The chronic failure of public hospitals to fulfill their obligations vis-à-vis suppliers in combination with the inclusion of the L.3867 bonds in PSI 2, jeopardize directly the survival of suppliers and therefore the smooth supply of public hospitals. Those of Law 3867 bondholders that pledged their bonds as collateral to secure bank financing for their business, face – once again - the risk to their survival following the sharp and involuntary impairment of the nominal value of the L.3867 bonds, which automatically reduces their available collateral value. The inclusion of these bonds in the PSI will lead to the termination of lending facilities of companies obliging them to close down under the weight of debts that cannot be refinanced.

Mr. President,

The inclusion of pharmaceutical companies' bonds in the PSI is not only an unfair and disastrous development for a dynamic sector of the economy that supports the development of the country, but it also has broad implications in the pharmaceutical market, as it will cause shortages of medicines. Given the gravity of the situation, SFEE would like to know the position of PASOK on this issue, namely the timetable and the way you intend to deal with it.

We believe that after having considered all parameters you will take the necessary decisions in order to restore justice and ensure the developmental add-in value of an industry that can greatly contribute to the financial recovery of our country.

Faithfully yours,

Konstantinos M. Frouzis  
President

Kostas Evripides  
Vice President