

INSIDER VIEW

MONACO

THURSDAY, APRIL 10, 2003

Offering a winning combination

CONSIDERING that it is only about as large as New York's Central Park, the Principality of Monaco has been extraordinarily successful in attracting worldwide attention.

Extending over an area of less than one square mile, it is the second smallest independent state in the world, after the Vatican City. Size, however, is more than compensated for by the Principality's location on the Côte d'Azur, just 11 miles east of Nice.

Monaco has long been known as one of the world's most glamorous destinations. In recent years, however, it has enjoyed a growing reputation as a center for business, attracting international companies due to its access to European and Mediterranean markets, advanced telecommunications services, and well-developed financial sector.

In addition to political stability, Monaco offers investors and entrepreneurs a winning combination of a high standard of living, low taxes, and a prestigious pro-business environment. The close proximity of everything from government agencies to financial institutions adds to the Principality's appeal to investors.

Monaco has no natural resources of its own to exploit. Instead, the Principality has had to rely on innovation and ingenuity to create a dynamic and diversified economy, focused primarily on tourism, finance, and trade.

Although not a member of the European Union, Monaco has adopted the euro as its official currency and enjoys unlimited access to the EU market through full monetary and customs union with France. It has been an official member of the United Nations, with full voting rights, since 1993.

"The Principality is widely recognized as a true economic center," says Michel Pastor, Chairman of the Economic Development Chamber of Monaco (CDE), which promotes the economy by supporting the expansion of local companies and working with investors.

"Political stability, security of property and people, and respect for the quality of life and the environment all contribute to its harmonious development," he adds.

State monopolies exist in sev-

PRESTIGIOUS ENVIRONMENT THE TINY PRINCIPALITY OF MONACO HAS LONG BEEN A MAGNET FOR THE RICH AND FAMOUS. TODAY IT ATTRACTS ATTENTION AS A NOTABLE INTERNATIONAL BUSINESS AND FINANCIAL CENTER, WITH A DYNAMIC AND DIVERSIFIED ECONOMY AND A MODERNIZED INFRASTRUCTURE



PORT PLAN The extension and refurbishment of Port Hercule, currently under way, will boost the luxury yachting sector and increase cruise tourism

eral sectors, including tobacco, the telephone network, and the postal service, but the private

sector labor force outnumbers those working in the public sector by almost ten to one. Some

4,500 companies operate there, including 1,500 retail traders.

Economic development has intensified under Prince Rainier II, whose dedication to expanding the Principality's infrastructure

through a policy of strong public investment has earned him the nickname the "Builder Prince."

Monaco has successfully diversified into services and small, high-value-added, non-polluting

industries. The Principality is home to more than 100 industrial enterprises—most of them to be found in Fontvieille, a newly constructed area reclaimed from the sea.

There are no mines or heavy industry. The authorities favor the establishment of non-polluting companies with a high

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World-class events raise the Principality's profile

A CONSTITUTIONAL monarchy, Monaco is ruled by one of Europe's oldest royal families. The reign of the House of Grimaldi began more than 700 years ago in 1297 and has continued more or less ever since; Monaco was under French control from 1789 to 1814.

The current chief of state is Prince Rainier III, who acceded to the throne 53 years ago. In 1956, the Prince made headlines all over the United States when he married movie star Grace Kelly. They were

one of the world's most famous couples until her death in 1982.

The monarchy continues to contribute to Monaco's high-status image today. However, the Principality's international profile is also regularly highlighted by a series of world-class sporting events.

Monte Carlo is synonymous with motor racing—the legendary Monte Carlo Rally will celebrate its centenary in 2011. In May, Monte Carlo's

narrow, winding streets are packed with spectators for the Monaco Formula One Grand Prix, one of the most thrilling and challenging motor racing spectacles in the world.

The Principality's natural sheltered harbor, currently undergoing extension and refurbishment, is one of the most attractive and frequented in the Mediterranean. It's beauty has made the exclusive Monaco Yacht Show

another high point of the yachting calendar. With its focus on superyachts, the show attracts the world's premier vessels and thousands of sightseers.

Off the water, there are exhibitions and plenty of opportunities for business in yacht services for representatives from shipyards, brokers, naval architects and designers, and service and equipment companies.

Other notable yachting events include the biennial Monaco Classic Week, organized by Crown Prince Albert and the

Monaco Yacht Club, and the Prada Challenge for Classic Yachts.

Also on the list of prestigious international sporting events are the annual Monte Carlo International Tennis Masters Series, the Delta Tour of Champions Senior Tennis Tournament, launched last year, and the annual Monte Carlo Pro-Celebrity Golf Tournament.

Celebrities from around the world are drawn to events such as the Monte Carlo Television Festival, now in its 43rd year, and the World Music Awards.

Yachting, golf and tennis draw sports professionals and sightseers

Monaco

A convenient and efficient place for business

THE ADVANTAGES that the Principality can offer to an international company are the reason Fedcominvest Monaco SAM, a leading supplier of sulphur and fertilizer products from the former Soviet Union (FSU), has chosen to locate there.

"We find it a real privilege to be in Monaco," says the company's founder and chairman, Alexei Fedoricsev. "Monaco is a

very convenient and efficient business center, and has all the business attributes that a large European city provides."

Since it was founded in 1996, Fedcominvest has focused on establishing a long-term strategic supply partnership with major phosphate producers within the FSU and with customers in the Mediterranean region.

"Our presence here in Mona-

WELL PLACED SULPHUR AND FERTILIZER PRODUCTS SUPPLIER FEDCOMINVEST FINDS MONACO THE IDEAL LOCATION FROM WHICH TO ESTABLISH LONG-TERM RELATIONSHIPS WITH ITS CUSTOMERS IN THE MEDITERRANEAN REGION AND NORTH AFRICA

co has allowed us to build a bridge between the FSU and the West," says Mr. Fedoricsev. "We are proud that in our small way we can mesh together the vast resources and export capabilities of countries like Russia and the Ukraine with the import

requirements of Europe and the Mediterranean region."

About 12 million tons of sulphur are traded annually on seagoing vessels, while equally sizeable quantities are moved by rail within the C.I.S., North America and Europe.

"We participate in about three million tons of that global transoceanic volume," says Mr. Fedoricsev.

Sulphur is an essential raw material used mainly in production of phosphate fertilizer products, and Russia has become one of the world's largest suppliers.

"Prior to the break-up of the former Soviet Union, exports of fertilizer products and sulphur did not take place in any noticeable volume," says Mr. Fedoricsev. "The introduction of such products to world markets in the early Nineties was quite challenging."

Fedcominvest started by entering into a long-term joint venture with Astrakhangazprom, the largest gas and oil refinery in Russia. "A sizeable investment was made in 1996 to construct sulphur granulation facilities there," says Mr. Fedoricsev.

"This enabled us to construct and produce around 1.5 million tons of granular sulphur a year. About 2.5 million tons of sulphur continue to be recovered in either liquid or crushed lumpy form."

Some 4.5 million tons of sulphur are produced annually in Astrakhan. Fedcominvest exports around three million tons to strategic users in the Mediterranean region, North and West Africa, and Brazil.

"Close to two million tons of this sulphur is still being shipped in crushed lumpy form," says Mr. Fedoricsev. "Plans already exist for constructing additional granulation facilities to comply with the increasing demand for this preferred grade by world users."

Fedcominvest is further consolidating its competitive edge by continuously enhancing its logistical systems. This involves long-term transportation agreements with railway systems, acquisition and chartering of river barges and seagoing vessels, as well as the establishment of terminals and large warehouses closer to shipping ports.

"Sulphur and fertilizer products are produced at distant locations within the FSU, while export markets are serviced by large ships loaded in the Black Sea. Fedcominvest has, and will continue to invest heavily in this regard," says Mr. Fedoricsev.

Thus far, Fedcominvest's major investments have been financed internally. As well as the granu-

Showing commitment by backing community events and activities

FEDCOM

FEDCOMINVEST S.A.M. Le Monte-Carlo Palace 7 Tel: (377) 97 97 00 00 Fax: (377) 97 97 00 08
MONACO Bd Des Moulins, 98000 Monaco www.fedcomgroup.com

Major suppliers of FSU sulphur and fertilizer products to major customers in the world.

Operators of technologically advanced logistical systems and terminals in key regions of Russia and the Ukraine.

The official sponsor of A.S. Monaco Football Club



A.S. MONACO F.C.



An international center for banking

ECONOMIC growth and political and social stability have been reflected in the considerable development of Monaco's banking and financial services industry in recent years.

Monaco is home to almost fifty banks—a ratio of one bank for every 640 residents. The sector includes branches of French banks, such as Credit Lyonnais and BNP Paribas, and major foreign institutions like American Express, ABN Amro, Barclays, Lloyds TSB, and Banco di Roma.

The banks have been joined by a rising number of finance and asset management companies, and the total deposit base has swelled to around \$65 billion.

More recently, commercial and retail banking services have grown substantially—notably in real-estate lending and shipping—but private individuals still comprise the banks' main customers. Currently, many of them live out-

side the Principality—around 90 percent of accounts are held by non-residents.

Monaco's financial sector maintains its international reputation through a combination of high performance, strong management, and confidentiality.

Product diversification has attracted additional business, with highly-developed services available for portfolio management, currency trading, stocks, bonds, and estate planning.

Integration into the French monetary, customs and banking system is a distinct advantage, enabling easy movement of funds. French banking law provides the foundation of much of the legal basis of banking in the Principality. Regulation is carried out by the Bank of France and the Monégasque authorities.

The government has strengthened the integrity of the sector by actively combatting crime and money laundering.

Monaco

lation facilities at Astrakhan, these include the TIS terminal in Yuzhny on the Black Sea, which started out as a fertilizer export terminal and is now being developed as a world-class grain terminal, and the company's current investment in a new terminal in Ust Donetsk.

"These are all investments made with the earnings generated from our marketing activities," says Mr. Fedoricsev.

Sulphur, as a low unit cost commodity, is highly sensitive to fluctuations in transportation and ocean freight rates. Fedcominvest's position in the Black Sea enables the company to remain competitive due to the freight advantage it has over suppliers from more distant supply regions.

"Our commitment to invest heavily in the upgrading of our product and the logistics involved in handling it, ought to enhance our ability to remain competitive in world markets," says Mr. Fedoricsev.

The company's two largest buyers are phosphate producers in Tunisia and Morocco. These account for around two-thirds of the Fedcominvest's exports. The balance is sold, under long-term supply agreements, to customers in Israel, Greece, Italy, Lebanon, Turkey, and Egypt.

Recently the company has entered into supply contracts with key customers in Senegal, Brazil, and India.

"Our current contracts add up to more than three million

tons in total," says Mr. Fedoricsev. "We have also supplied the bulk of sulphur requirements of Société Financière et Industrielle d'Egypte (SFIE) in Egypt in the last two years. South Africa is the only other major importer of sulphur in the African continent that we do not have business with.

"Other than that, Africa represents more than two-thirds of our total exports. Our African customers are very strategically important for our future growth, and we have every intention of sustaining the excellent relationships we have developed for several years now."

Mr. Fedoricsev still sees plenty of potential for growth in the company's existing market without having to look further afield. "Our market share in the Mediterranean/North African region is not much above 50 percent on average," he says. "Therefore we can still afford to grow vertically in these strategic markets before we consider further horizontal expansion in distant markets."

Fedcominvest's commitment to Monaco is exemplified by its sponsorship of the Monaco soccer team, AS Monaco—and reflects the interest of the company's founder, a former player with Dynamo Moscow.

Fedcominvest also contributes to other community activities and organizations, including the beach soccer tournament, the ATP Tennis Masters tournament, the police, and the Red Cross.

A reputation for excellence draws tourists and business travelers

GOLD STANDARD LONG-ESTABLISHED AS ONE OF THE WORLD'S MOST EXCLUSIVE RESORTS, EASY TO GET TO, AND POSSESSED OF A UNIQUE CHARM, MONACO SETS THE BENCHMARK FOR THOSE SEEKING TO EMULATE ITS SUCCESS

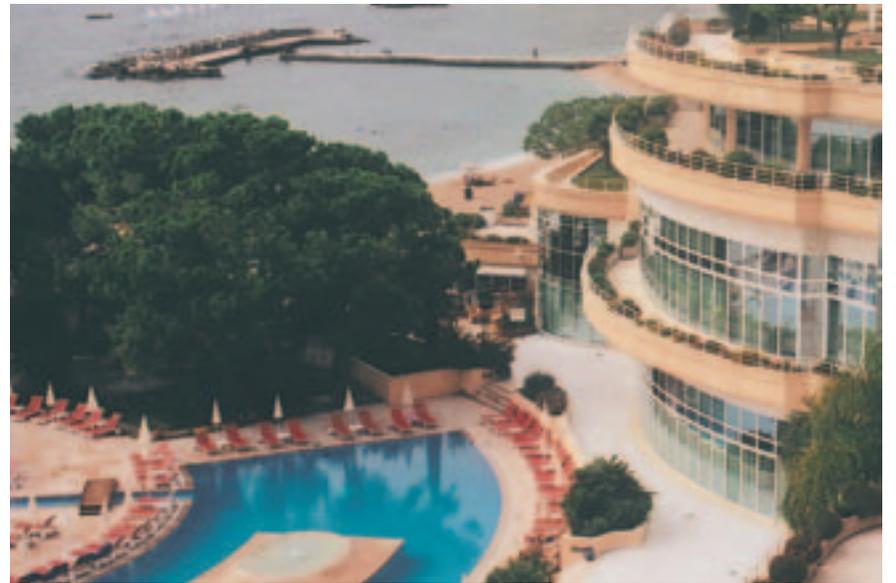
THE BEST way for New Yorkers to get to Monaco is to fly to Nice airport. From there, it is just a 40-minute bus ride along the highway, 20 minutes by train, or a seven-minute hop by scheduled helicopter.

Once in the Principality, visitors can almost abandon all forms of transport, if they wish. With so much to see packed into such a small an area, many tourists find they can walk practically everywhere they wish to go.

As a luxury destination, Monaco offers an open invitation to its visitors to spend money. In addition to the gambling at the casinos, including the legendary Monte Carlo Casino, there are plenty of exclusive restaurants and boutiques to explore. It is an ideal place to buy luxury goods—everything from cars to cosmetics, and glassware to jewelry.

Leading tourist attractions include the Royal Palace, the Cathedral, the old city, the Oceanographic Museum and the Aquarium, and the fabulous parks and gardens dotted around the Principality.

Monte Carlo is the main resort and residential area. In the evening



HIGH LIFE Visitors can depend on receiving top-quality service at the luxurious hotels, restaurants, and boutiques

there might be an opera, or a performance by the renowned Les Ballets de Monte Carlo, and there are numerous nightclubs, cinemas, discotheques, and variety shows.

Tourism in the Principality peaks in the summer months when the temperatures are in the upper 70s and the motor racing and the yachting regattas draw the crowds. With mild weather even in the winter months and easy access to the Alpine ski resorts, Monaco aims to attract sophisticated independent trav-

elers and business tourists all year round.

Over the past twenty years, a 30 percent rise in business tourism has raised annual occupancy rates from 40 per cent to 70 percent.

High-quality service is the hallmark of Monaco's tourism industry. "The Principality is a very agreeable and luxurious place," says Dario dell'Antonia, who recently retired from his position at the head of the Tourism and Convention Authority. "Once you have acquired a reputation for excellence, that is what is expected of

you and what you must provide."

That reputation attracts people to Monaco from all over the globe. American visitors are an important presence and tend to spend, on average, two days longer in the Principality than other visitors. They also spend more money.

"U.S. citizens are an essential part of the international flavor of Monaco, that is a fact," says Mr. dell'Antonia, adding, "We get a lot of stars over here for the World TV Awards ceremony."

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capital gains factor. Around half of total industry turnover is generated by the state-of-the-art chemical, pharmaceutical, and cosmetics sectors. Other notable sectors include plastic material processing, and electrical and electronic equipment manufacturing.

The services sector—ranging from IT to insurance, telecommunications, transport, and shipping—accounts for almost half of the Principality's economic activity (46 percent). This is followed by the tourism and hotel sector (17 percent), retail (12 percent), industry (11 percent), banking (7 percent), and construction and public works (7 percent).

Unemployment is virtually nonexistent. Monaco has almost 40,000 jobs for its 32,000 inhabitants, and thousands of French and Italian nationals enter the Principality to work there every day.

The Principality is free of external debt and its foreign currency reserves are reported to be well in excess of \$1 billion.

One of the most obvious ways in which Monaco stands



PHILIPPE DESLANDES
Minister of the Interior

out is its approach to taxation. Direct taxation was abolished as long ago as 1869, and half of tax revenues come from Value-Added Tax.

There is no capital gains tax in Monaco, and no withholding tax on interest or dividends paid. There are no restrictions on the opening of accounts by residents, non-residents or offshore companies.

However, the Principality has no desire to be regarded as a tax haven and does not seek to promote itself as an offshore jurisdiction for businesses,

"A small country economy must find a means of differentiating itself from a large country economy," says

Philippe Deslandes, Minister of the Interior. "One of the possible levers to attain such differentiation is fiscal policy. However, all international agreements concerning taxation, money-laundering and so forth will be bound to have an effect on Monaco."

In a country where wealth is so concentrated, security and crime prevention are important considerations. Around 40,000 people cross Monaco's borders every day—during the Grand Prix, the number rises to more than 100,000—creating unique problems in protecting both the Principality's residents and its visitors.

However, top-level security, for people and for property, is one of Monaco's major assets. The ratio of one police officer to every 73 inhabitants is one of the highest in the world. Spot checks are carried out on the floating population and the Principality is extensively covered by both public and private surveillance systems.

"We have a policy of zero tolerance towards crime that is very similar to that of New York," says Mr. Deslandes.

SBM

Technology creating value

Single Buoy Moorings
24, avenue de Fontvieille - PO box 199
MC 98007 Monaco cedex
Tel.: +377 92 05 15 16 - Fax: +377 92 05 94 97
Website: www.singlebuoy.com

IHC CALAND

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Monaco

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Much of what Monaco has to offer is unique. "In my opinion, Monaco does not have direct competitors. We are a niche market, and there is no other place like Monaco in the world," says Mr. dell'Antonia.

"What is important is to main-



DARIO DELL'ANTONIA
Former President of the Monaco Government Tourist and Convention Authority

tain the very high quality of infrastructure here, the security, the cleanliness, our cultural events, and the sports events like the Formula One Grand Prix and the international tennis tournament.

"Rather than copying others, we have to be so good that they look to copy us," he says. "Our job is to set the benchmark."



BRIGHT PROSPECTS The recently-opened Grimaldi Forum is a major new landmark with facilities that are attracting increasing numbers of business visitors to the Principality

Forum hosts events on a grand scale

Skilled staff are easy to find

THE EASE with which companies are able to recruit skilled employees from the surrounding region and the wider world is an important factor that encourages them to locate there.

Single Buoy Moorings (SBM) is a major employer in the Principality, with a staff of 500—of which more than half are engineers and management. According to Didier Keller, the company's President and CEO, high quality human resources are readily available.

"Here we can assemble a multinational work force, as Monaco employment regulations offer great freedom in this respect," he says. "We need talented people and experienced engineers from all over the world, and it is fairly easy to recruit them, as the region is so attractive to live in.

"Monaco provides a favorable and business-friendly environment for our activities," Mr. Keller says. "The location is favorable for companies that want to attain high-level performance.

"We enjoy a good relationship with the government and receive serious support, attention, and encouragement. We feel welcome and appreciated."

SBM enjoys a global reputation for excellence in the design



DIDIER KELLER
President and CEO of Single Buoy Moorings

and supply to the international oil and petrochemical industries of loading and offloading marine terminals (SPMs), floating storage offloading systems (FSOs) and floating production storage, and offloading systems (FPSOs).

"From Monaco, we carry out a large part of our R&D and engineering functions. In addition, we also run the offshore oil and gas operation of our FPSOs," says Mr. Keller.

"Since engineering and production operations are the most important functions of our group, the general management of our global business is also located here. That covers the supervision and coordination of all the offshore companies of the IHC

Caland Holding, including the main ones located in Houston and the Netherlands."

SBM also benefits in more subtle ways from the cachet of such a prestigious location. "Established clients enjoy coming to visit us in the Principality," says Mr. Keller.

The company, which moved to Monaco from the Netherlands in 1972, is a member of the IHC Caland Group, which is quoted on the Euronext Amsterdam Stock Exchange and has more than 50 percent of its shares held by U.S. investors.

SBM were pioneers in their field. Mr. Keller says, "In the late seventies, together with Shell, SBM was the first company involved in an FPSO. The second major milestone was in 1979 when, for the first time, the company promoted the concept of leasing an FPSO to an oil company."

Today, FPSOs have become SBM's core business. "The high demand for FPSO systems has fuelled our exponential growth through the last few years," says Mr. Keller. "We are now a highly specialized company, one of the world leaders in a field where technology and innovation are an essential requirement."

NEW HEIGHTS THE STATE-OF-THE-ART GRIMALDI FORUM RAISES MONACO'S CACHET AS A TOP DESTINATION FOR CONFERENCES, SEMINARS, AND TRADE SHOWS. IT IS ALSO MAKING A MAJOR CONTRIBUTION TO THE PRINCIPALITY'S CULTURAL LIFE

BUSINESS tourism is big on the Côte d'Azur, and Monaco has taken steps to increase its already generous share of it. The Principality already attracts about 30 percent of visitors coming to the region for conferences and seminars—hosting around 700 such events annually.

This represents around 30 percent of arrivals and hotel nights in the Principality, and is expected to rise to 40 percent over the next few years.

Monaco has numerous facilities for business events, including the Monte Carlo Convention-Auditorium Center and the Center for International Meetings, but the building of the new Grimaldi Forum has raised its profile as a venue for business meetings to new heights.

Built at the behest of Prince Rainier, and opened in June 2000, the Forum is one of the most striking and adaptable multi-purpose complexes in Europe, and a major

new landmark for the Principality.

A striking blend of contemporary architectural style and adaptable functionality, it enables Monaco to host large-scale events, allowing the Principality to compete with rivals in the European conference market such as Barcelona, Amsterdam, and Vienna.

The quality of the facilities and, of course, the prestigious location are expected to draw increasing numbers of business travelers to Monaco, and to produce a corresponding increase in hotel occupancy rates.

The six-level complex is situated on the shore between the Japanese Garden and the beaches. Architects Fabrice Notari and Frederic Genin incorporated all the facilities needed for tomorrow's event market.

The Forum boasts 376,344 square feet of usable space, and has been designed to host the largest conventions, symposiums, exhibitions, trade fairs, and banquets. Exhibition space extends

over 107,562 square feet, and is on several levels.

The Forum is more than just the perfect venue for any business event. It is also an important venue for arts and entertainment to be enjoyed by the Principality's residents and visitors.

There is an amphitheater that seats 1,900, two auditoriums seating 400 and 800, 24 meeting rooms, two restaurants, a foyer bar, a hall of 45,000 square feet, a TV recording studio, dressing rooms, rehearsal rooms, an ultra-modern business center with state-of-the-art communications systems, and postal and banking services.

Since its opening, the Forum has hosted a variety of prestigious events. Leading companies have used it for product launches, sales conferences and trade shows. It has hosted the Monte Carlo Television Festival, the International Festival for Digital Images, and the European IT Exhibition.

Designed to cater to the largest conventions and trade fairs

ERRATUM

In our recent report on Portugal, the photo of Mr. Antonio Henrique Ramos, President of Adira, was incorrectly identified as that of Mr. Jose Bessa Pacheco, General Director of Adira. Summit Communications sincerely regrets this error.

AN ONLINE VERSION OF THIS REPORT IS AVAILABLE AT www.summitreports.com/monaco