

INSIDER VIEW

Portugal

MONDAY, FEBRUARY 10, 2003

New agenda is focused on business

BACK ON TRACK PORTUGAL'S REFORMIST GOVERNMENT HAS MADE HELPING BUSINESS THE CORE OF ITS ECONOMIC STRATEGY. PUBLIC SPENDING IS BEING REINED IN AND STATE FIRMS SOLD OFF TO INCREASE COMPETITIVENESS AND ATTRACT INVESTMENT

A STABLE democracy on the south west part of the Iberian Peninsula, Portugal is well placed to be a gateway to Europe for U.S. companies. Its recent history is that of a European success story, with GDP growth between 1995 and 2001 well above that of Germany, the UK, France and Spain—and even the United States.

A telling indicator of the nation's far-reaching economic transformation is that Portugal is now a net exporter of investment, targeting markets in Africa, the United States and Latin America. At least \$10 billion has been invested by Portuguese companies in Brazil alone, as modern corporate strategies are built on historical ties.

During the last two years, as elsewhere in Europe, growth has moderated, due partly to the effect of a less favorable global trading environment. Under a new, reformist government, however, the Portuguese economy is moving back on track.

A gradual export-led recovery is projected for 2003 and according to the Organization for Economic Cooperation and Development (OECD), with private investment reviving, GDP growth could rise to around 2.5 percent by 2004. An Economic Operation Plan (2000-2006) aimed at reinforcing productivity and competitiveness is underway.

José Durão Barroso became Portugal's Prime Minister following elections last March, promising a combination of public sector prudence on the one hand and business incentives to promote trade and growth on the other.

Barroso's center-right Social Democratic Party (PSD) formed a coalition government with the conservative Popular Party (PP) after the Portuguese electorate voted out the previous socialist administration, which had been facing increasing criticism for its management of the economy.

Mr. Barroso is committed to firm control of public finances.



BRIDGE OF SIZE The longest bridge in the world, the 11-mile Vasco da Gama Bridge symbolizes modern Portugal's commitment to enterprise

Austerity measures are being introduced and the 2003 budget cuts current government spending by 10 percent in an effort to reduce the deficit to 2.8 percent of GDP.

Mr. Barroso describes Portugal as "well anchored" in the European Union and strongly committed to the conditions Europe has enshrined in its Growth and Stability Pact. "The government will deliver the necessary government budget results both in the short as well as in the medium terms," he pledges.

The government has made boosting the economy the cornerstone of its economic policy. The Prime Minister says, "We are enacting policies focused on increasing the efficiency of the Portuguese economy. In some

instances, we will deregulate; in others, we will create independent authorities to supervise competition and business practices."

A new privatization process has been launched to sell off public companies, and further measures are being brought in to modernize industry and boost the country's competitiveness.

Foreign investment is seen as the key to regaining high growth rates. Portugal is modernizing quickly, with well-developed infrastructure for transport and communication.

Mr. Barroso's emphatic message is that investors will find a business-friendly environment "The people and government understand that an economy open to outside investors is the

right way to growth and prosperity, raising our standards of living to the European Union average and beyond," he says.

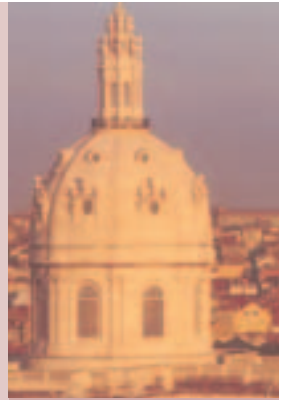
Portugal is already among the countries with the lowest corporate tax in the EU—at just 30 percent—and the government has been working on further incentives.

Reforms are being made in labor legislation to raise the productivity and competitiveness of Portuguese companies.

"To reinforce this positive path, we are conducting a major overhaul of labor laws in Portugal to make our labor market even more flexible so that companies can better adapt their strategies to the speed of change in the global markets," Mr. Barroso says.

He argues that the country's most important asset is the quality of its people, with their willingness to innovate and experiment. "Portugal has a flexible, productive and well-educated labor force increasingly able and willing to use

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FACTS & FIGURES

POPULATION
10 million

AREA
35,655 sq miles

CURRENCY
euro (EUR)

EXCHANGE
1 euro per 1 US\$

CAPITAL
Lisbon

GDP
\$174.1 billion (2001)
purchasing power parity

GDP GROWTH
1.9 percent (2001)

NATURAL RESOURCES
fish, forests, tungsten, iron ore, uranium ore, marble, arable land, hydropower

Photo: Lisbon Tourist Board

ATRAL - CIPAN GROUP

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General view of ATRAL - CIPAN facilities

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Shareholder value is the guiding principle

LIBERALIZATION of Portugal's telecom market began two years ago and is due to be completed this year. This has prompted all Portuguese telecom companies to make large investments in order to increase their competitive levels. So far those investments amount to around \$5 billion.

Portugal is way ahead of the European average in terms of telecom penetration, which is rated at 76 percent. In particular, the Portuguese have taken to mobile phones in a big way and—notwithstanding the high level of penetration already achieved, at about 80 percent—the cellular sector continues to show strong growth.

Internet services are fully liberalized and have expanded rapidly. Growth in internet use has been slower than in other western European countries, but this is changing as more and more Portuguese service providers (ISPs) offer free access.

The government is investing \$500 million to close the "digital divide" and bring internet access to the majority of Portuguese. European Union structural and cohesion funds should account for around \$150 million of this investment. Meanwhile, revenues from e-commerce are forecast to increase substantially.

The equipment market is expected to grow at an annual rate of 20 percent over the next two years. Imports constitute 73 percent of the market and there are many opportunities for American companies, the most promising subsectors being cellular terminals, switching equipment and fixed terminals.

The telecom sector is dominated by Portugal Telecom (PT), which has retained an overall share of more than 90 percent of

IN TOUCH THE TELECOMMUNICATIONS SECTOR IS THE MOST DYNAMIC IN THE PORTUGUESE ECONOMY. IN THE NEW COMPETITIVE ENVIRONMENT, FOLLOWING LIBERALIZATION, PORTUGAL TELECOM REMAINS THE DOMINANT PLAYER



WINNING STRATEGY A commitment to innovation, quality, and reliability is helping the company to stay ahead of its rivals in the market

fixed telephone services two years after the liberalization process started. The company, which is listed on the Lisbon and New York stock exchanges, boasts a diversified business portfolio, ranging from fixed communications to multimedia. Significantly, in the new competitive environment, it has reinforced its position as the benchmark operator for the top corporate sector.

In 2001, PT increased its customer base by three million to 16.5 million, 61 percent of whom are subscribers to the group's mobile services. One of three

players in the Portuguese cellular arena, PT boasts around half the market share.

In pay television, PT has more than 85 percent of market share and it is the leading company in broadband and in ISP portal space. Telepac, a PT-owned company, is the country's principal ISP and controls more than 78 percent of the market.

PT has invested in several Portuguese-speaking countries, notably Brazil, where last year it

launched a 50/50 joint venture with Spain's Telefonica Moviles, creating the largest wireless operator in South America. The venture has already attracted almost 13 million subscribers.

"We are the undisputed market leader in all the segments of our business," says Miguel Horta e Costa, PT's President.

The company is committed to a strategy of differentiating itself from its competitors through innovation and the quality and

reliability of its services. Mr. Horta e Costa believes this has enabled it to stay ahead despite the difficulties suffered by the industry worldwide.

"Our strategy has been paying off and so we intend to continue with more of the same, but with increased focus on cost cutting, capital investment control, debt reduction and maximization of cash flow," he says.

Formed from the merger of three companies—the then state-owned Telecom Portugal, Telefones de Lisboa and Teledifusora de Portugal—PT underwent



MIGUEL HORTA E COSTA
President of Portugal Telecom

privatization between 1995 and 1999. Today, it is a fully private company, run by independent managers appointed by its private shareholders, with the state retaining a 1.5 percent share.

Shareholder value is the company's lodestar and Mr. Horta e Costa believes that even faster growth can be achieved. He talks of an "aggressive restructuring program" aimed at heightening the company's ability to face the challenges to come and to react to opportunities in a pro-active way.

"Not only our shareholders, but our customers are aware that the company is changing its image and its style," he says.

Among those opportunities will be the third generation mobile technology UMTS (Universal Mobile Telecommunications System) which brings together information and broadband.

"The Portuguese like state-of-the-art technologies," says Mr. Horta e Costa. "For many people it was a surprise how the Portuguese reacted to mobile phones—we became one of the leading European countries in mobile communications. I believe UMTS will also be a success. It will bring new services to our users and revenue opportunities for us."

PT is the benchmark operator for the top corporate sector

Continued from page 1

English as a working language," he says.

The government is committed to structural reforms and the free market. "We want to make our economy less dependent on the state, more flexible, so that capital and labor can adjust to changing market conditions," Mr. Barroso says.

Revenue from privatization deals is expected to total \$1.47 billion this year. On the list is the state airline TAP—the government aims to transfer a 39 percent share to a strategic partner by the end of 2003.

Other state enterprises being put up for offer include energy company Galp Energia, national electricity grid operator Rede Electrica Nacional (REN), water utility

company Aguas de Portugal (AdP), paper company Portucel and companies in the portfolio of state investment holding Investimentos e Participações Empresariais (IPE).

The privatization process has already had a positive effect on capital markets. Mr. Barroso says, "Capitalization has increased significantly with the presence of the newly privatized companies, which are today among the most traded stocks and represent, altogether, almost 68 percent of market capitalization of the main index of the Lisbon Stock Exchange."

He concludes, "We are part of a new generation that believes that Portugal will be among the most developed countries in Europe. I know of not a single reason that would prevent us from achieving this goal."

One-stop shop is designed to save investors time and money

A NEW investment agency has been launched by the government to boost foreign investment in Portugal.

The Portuguese Investment Agency (API) is targeting foreign companies who can bring new technology into the country and increase exports.

Created to save investors time and money, the agency is the only address foreign firms will need. Based in Porto and with an office in the capital, Lisbon, it is a one-stop shop for both domestic and foreign investors.

It will identify investment opportunities in Portugal and handle all the required administrative procedures, including applications for financial and tax incentives, licens-

ing and installation processes, and the negotiation of special contract regimes.

Foreign companies are being offered quicker start-up times—it will take 20-50 days to license a new company instead of the 14-20 months it has sometimes taken in the past.

Economy Minister Carlos Tavares acknowledges that bureaucracy has been a contributory factor to falling rates of foreign investment in the country in the last two years. Now that is changing.

"Investments in Portugal have simply taken too long," he says. There are hopes for the completion of one or two major investment projects this year.

Production costs in Portugal are among the lowest in the European Union—40 percent lower in the automotive sector, compared to neighboring Spain. The country's record for industrial relations is among the best in Europe.

Foreign businesses can establish themselves in almost all sectors of the economy open to private enterprise, and there are two foreign trade zones/free ports in the autonomous regions of the islands of Madeira and the Azores.

Along with 10 other member states of the EU, Portugal has adopted the single currency, the euro. As a full member of the European Union since 1986, it offers access to the world's largest economic market.

It was a founding member of the European Free Trade Association (EFTA) and there is no restriction on the free flow of goods, services, and capital with its EU neighbors. Portugal is also a member of the Organization of Economic Cooperation and Development (OECD) and NATO.

Most foreign investment in Portugal comes from other EU states, notably the UK and France. The U.S. is the largest non-EU investor. The bulk of investment goes to the manufacturing sector.

Major foreign companies that have invested in the country include General Motors, Volkswagen, Visteon, Delphi, Microsoft, IBM, Lear and Mitsubishi.

Pharmaceutical firms seek markets further afield

WIDER WORLD WITH A LIMITED MARKET AT HOME, PORTUGUESE DRUGS COMPANIES ARE LOOKING FOR GROWTH THROUGH FOREIGN SALES. THE ATRAL-CIPAN GROUP EXEMPLIFIES WHAT CAN BE ACHIEVED

THE pharmaceutical industry plays an important role in Portugal's economy, supporting the national health system and accounting for an increasing share of expenditure on health care. It is also a sector capable of attracting foreign technologies and investment to the country.

The government considers the health sector a priority. In recent years, many new hospitals have been built and others have been renovated and the process is continuing in line with EU standards. At present, Portugal has 215 hospitals, 388 health centers and 512 medical posts.

Portugal's pharmaceutical industry employs around 10,000 people. Local companies have raised their market share—from 8 percent to 15 percent in the last 10 years—by building manufacturing plants and acquiring new equipment and technology. However, the industry remains dominated by big multinationals that concentrate mostly on importing finished products.

Not surprisingly, the more ambitious Portuguese pharmaceutical companies are increas-

ingly turning to global markets to expand their business.

The Atral-Cipan Group sought out foreign markets from its early years and has continued to do so. From humble beginnings as a small pharmacy in a poor neighborhood in Lisbon half a century ago, it has evolved into a supplier of products to countries around the world, with markets from the United States to Asia and the Middle East.

"We have sought out markets all over the globe," says the group's Chairman, Sebastião Alves. "The United States is the largest in which we operate and we are well aware of its demands and possibilities."

Granted a license to set up a pharmaceutical laboratory, Laboratórios Atral, in 1948, the company hired technicians and purchased and developed a wide set of technologies.

In 1958, it was approved as a finished pharmaceutical formulation company by the U.S. Food and Drug Administration. Cipan started operating as a bulk antibiotic manufacturer in 1963.

The group has been involved in many technology transfer/



GROWTH STRATEGY From small beginnings, Atral-Cipan has expanded to become a supplier of products to countries all over the world

turnkey projects. In 1965, it established Laboratórios Atral del Peru for the production of pharmaceutical specialties. It set up the Brazilian antibiotics company Cibran in 1976 and Cesquisa in Spain in 1981.

Projects involving chemical synthesis and a sterile block were carried out in the 1980s for Acofarma in Egypt, ACAI in Iraq and Darou Pakhsh in Iran. More recently, in 1997, Cipan was involved in the establishment in Madras in India of a plant to manufacture 1,200 tons of penicillin G potassium per year.

The international pharmaceutical market is highly competitive and quality is a crucial ingredient for success. "The chemical-pharmaceutical industry has always been demanding," says Mr. Alves. "Maximum quality is the trademark of our production and is an indisputable advantage."

Regarding itself as a medium capacity operation, Cipan has never sought to compete with the big international companies.

"We prefer to position ourselves in areas which are of less interest to the major companies," Mr. Alves says. "There are many produc-



tive areas that are of little or no interest to the bigger firms."

The Atral-Cipan group does not seek joint ventures, but Mr. Alves says it would consider them if the circumstances are right. "The group is open to collaborations, either through co-production, or co-marketing, in both raw and finished products, provided the business is to the advantage of both parties," he says.



SEBASTIÃO ALVES
Chairman of the Atral-Cipan Group

Local companies have almost doubled their market share in ten years

A technology-led approach and a commitment to quality

FROM its beginning almost half a century ago, the metalworks company Adira has given high priority to investing in a pioneering technology-led approach. It has always been concerned not just to perfect existing products for its customers but also to develop new ones.

"Companies look for what is best from the point of view of technology, as well as according to price," says José Bessa Pacheco, the company's President. "We believe we have been successful in ensuring high quality for our products at a price that is still attractive."

Based in Porto, the company has three factories with state-of-the-art capabilities and laser technology. It manufactures a great variety of machines for sheet metal forming and produces tailor-made products ranging from precision engineered components to railway lines.

It has close ties with Oporto University, notably the Oporto Engineering Faculty. "These days we are also linked to the



IN DEMAND Adira's competitiveness is demonstrated by the impressive roster of high-level clients it satisfies with its products

Engineering Faculty in Lisbon, which is helping us develop technically," Mr. Pacheco says.

Adira exports to countries throughout the world. "The Portuguese market is extremely small, so automatically we had to look towards exports. Foreign sales represent about 70 per-

cent of our company's business.

"This has meant that we had to keep up with the evolution of the main manufacturers of this type of equipment. Because we participated frequently in specialist fairs, we were able to see what sorts of developments were necessary for

our products to be competitive."

The United States has been Adira's first or second export market for some years. "It's a crucial market for us, both in terms of sales and because of the demands of the market itself," says Mr. Pacheco. "Being such a huge market, it obliges

us to have the capacity to be able to compete with others."

Adira's competitiveness is demonstrated by its distinguished role call of clients, including Boeing, Lockheed, Air France, TAP Air Portugal, Alfa Laval, Ariston, Efacec, Motorola, Thyssen, Carrier, U.S. Navy,



JOSÉ BESSA PACHECO
President of Adira

Auto Europa and the White House.

Over the next three years, the company aims to win an important share of the business in plate, as well as laser cutting machinery. "Laser technology is our prime focus in the short term," Mr. Pacheco says.

He adds: "More and more, what distinguishes products is the level of service. We are developing our ability to offer good service to the client, while at the same time concentrating on all possible productivity gains, in order to remain competitive in an ever more difficult market."

Long tradition of innovation and experiment lives on today

NEW DIRECTION THE BARROSO ADMINISTRATION SHOWS GREATER AWARENESS OF THE ROLE THAT SCIENTIFIC RESEARCH AND DEVELOPMENT NEED TO PLAY IN A MORE COMPETITIVE PORTUGUESE ECONOMY

DURING the 15th and 16th centuries, Portuguese explorers were responsible for the discovery of a great part of the world. This went hand-in-hand with a spirit of scientific inquiry that led to developments in navigation, instrumentation and shipbuilding.

"One of the features of the Portuguese people, as history has shown, is their eagerness to innovate and experiment," Prime Minister José Durão Barroso said when he addressed the New York Stock Exchange recently.

Mr. Barroso quoted two modern examples. One was the advanced freeway payment system, pioneered by the Portuguese in the early 1990s,

Around 60 percent of national spending on R&D is in the Tagus Valley

that allows automatic payment of toll fees without the need for vehicles to stop. The other was the prepaid system for mobile phones, again first introduced in Portugal, whereby customers buy phone time before use.

Around 60 percent of Portugal's national research and development (R&D) expenditure is centered on the Tagus Valley region, where the Lisbon Science and Technology Park, Taguspark, was established in 1992. Set up by the government as a private company, Taguspark has shareholders from the banking sector, university and R&D institutions, the enterprise sector, local authorities and central government agencies.



Photo: Lisbon Tourist Board



MAKING PROGRESS Portugal's pioneering spirit is celebrated in the overseas discoveries monument and lives on in today's scientific research

The park encourages and supports entrepreneurship and promotes the commercialization of the technology and technological services of its tenants. It has more than 130 tenants, including three universities, five R&D institutions, several large companies and a business and innovation center.

Of the 5,000 people who work

there, 1,700 of them work in the innovation center in more than 100 small and medium-sized technology companies concentrating on information and communications technology.

Fernando Ramoa Ribeiro, President of the Lisbon-based Foundation for Science and Technology (FCT), says the spirit that drove the Portuguese explorers

is still present in the country today. "That capacity for innovation is still there," he asserts.

The foundation provides grants for students to study for PhD degrees at foreign universities. "Of those students who choose to go abroad—about 45 percent of the total—the highest number choose the United Kingdom and the next highest choose

the United States," Prof. Fernando Ramoa Ribeiro says.

"Many of our students who go to the United States are considered brilliant and complete their PhDs in very short times. They are our best ambassadors."

At present, Portugal has too many students in the field of human sciences, where jobs are difficult to find, while the number

Experience gives local companies competitive edge

MEDINFAR, an independent pharmaceutical company established in 1970, has experienced substantial growth in recent years by focusing on increased production, a wide product range, new development projects—both its own and in cooperation with other enterprises—and a firm commitment to quality.

The exclusively Portuguese-owned company provides prescribed drugs for general medicinal, cardiological, gastroenterological and dermatological use. However, a major slice of its business is also focused on over-the-counter drugs and in supplying equipment to hospitals and clinics. It also produces herbal products and food supplements.

"Personally, I do not believe in concentrating on a core business," says João Almeida Lopes, Medinfar's Director General. "I prefer to put eggs in different baskets, to have different approaches and different practices. As long as they don't conflict with each other, we can spread our risks. We can respond to the market in a better way. Depending on what the



QUICK RESPONSE Medinfar adopts a variety of approaches and practices to enable it to meet the changing needs of its market

market wants, we can cater for its needs in a quick responsive manner and in a competitive fashion."

He believes that as a medium-sized company with experience of the local market, Medinfar has the edge over the big multinationals operating in Portugal.

"This is a very competitive sector, but we have the advantage that we have been in the

market for 12 years," he says. "We know the market better than foreign multinationals, we are familiar with the trends and thus have a greater degree of flexibility and faster response to its demands.

"We can get the whole company involved in the different products and the strategy or any shifts in market demand. It's a typical advantage of a medium-sized company—we have a greater

degree of sensitivity to market changes and can service niches that the multinationals cannot cater for swiftly enough."

Expertise gathered over time from working with leading international pharmaceutical corporations, plus ISO 9002 quality certification, makes Medinfar an attractive partner for any enterprise interested in introducing new drugs to Portugal, Mr. Almeida Lopes believes.

"We do co-markets with other companies that are in Portugal and we have licenses for other companies that are not here, such as Japanese, French or Italian firms. We fill the gap for foreign companies where it does not pay them to set up a subsidiary.

"We can facilitate distribution of their products by eliminating their red tape, we may open doors with authorities and we can speed up the process. We do

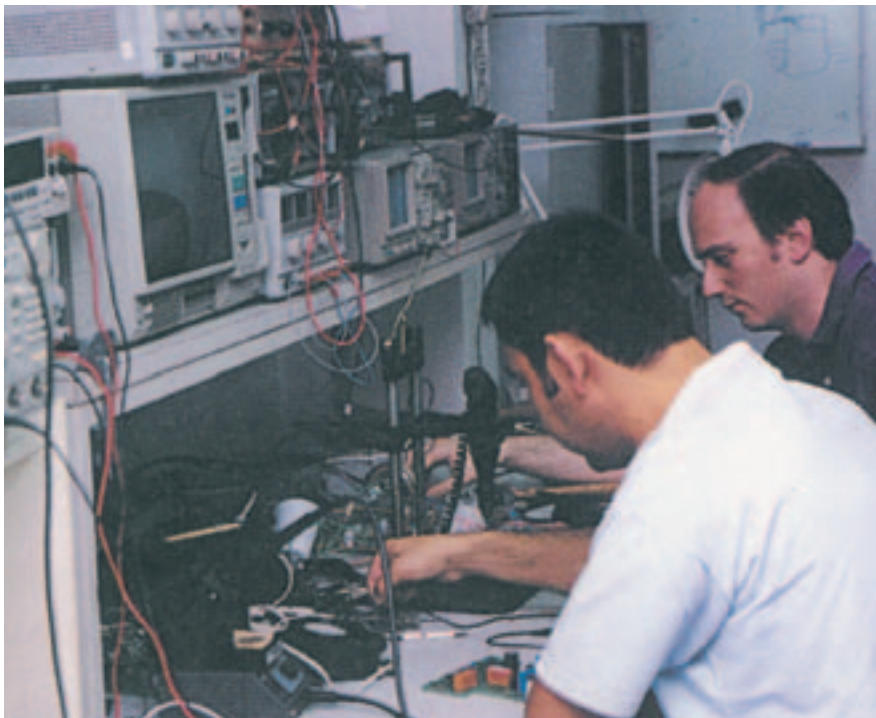


JOÃO ALMEIDA LOPES
Director General of Medinfar

this with local companies too."

The company is the promoter of an initiative to stimulate and reward the careers of young researchers within the EU. The Medinfar European Prize in Physiology is also designed to highlight the importance of Medinfar and of Portugal's pharmaceutical industry on the international arena.

Mr. Almeida Lopes would like to see more links between companies and the universities. "This transformation is slowly taking place. More researchers are getting opportunities to work with companies and more links are being established," he says.



MAKING CONNECTIONS INESC acts as an interface between the universities and the business sector

of young scientists and engineers is decreasing.

"There is a lack of engineers in certain fields such as informatics and we have to do something about attracting students who are 15-years-old and at the period when they have to choose between human science or science and technology," says Prof. Ramoa Ribeiro.

Together with the Gulbenkian Foundation, the FCT is launching a series of conferences around the country, in which experts in various relevant fields speak on their specializations.

Government action has brought the internet to all Portuguese schools and created an agency called *Ciência Viva—Science Alive*—to help secondary schools set up small research projects. However, Prof. Ramoa Ribeiro laments reduced cooperation between universities and Portuguese business and the lack of research laboratories in companies.

"As a result, science in Portugal is financed mostly by the state—about 75 percent—and only 25 percent or less by the companies, while in Europe the average is 40 percent by the state and 60 percent by companies," he says.

"The universities should be more open to solving industry problems and the companies should recognize the importance of in-house science and technology development."

The state runs a "PhDs for Industry" scheme under which it pays half the salary of any PhD engaged in industry for three years, while the FCT's own innovation agency promotes links between the universities and the business world. Prof. Ramoa Ribeiro believes these kinds of initiatives will create a



FERNANDO RAMOA RIBEIRO
President of FCT



JOSÉ TRIBOLET
President of INESC

new mentality in Portuguese industry.

"It is our wish that in five years' time, the role of the FCT in financing research and development may be less important than it is today. In a developing society that task will be taken over by private initiative and FCT will be a willing partner," he says.

The Institute for Systems and Computer Engineering, INESC, acts as an interface between the university system and the business sector. A contract-based research organization, it focuses on a wide variety of activities, ranging from R&D and technology transfer to advanced training.

Established in 1980, INESC is a non-profit making private association, owned in equal parts by academic institutions and busi-

nesses. Operating outside the state framework, it combines both corporate and university resources and provides high-level training in both the educational and vocational spheres.

"The idea was to create a tool to support dynamic research and development with freedom and capability of expansion, through a dynamic marriage between business and the universities," says founder and President José Tribolet.

"The concept was revolutionary in Portugal at the time of our foundation in 1980," he adds. "At that time, research and development was essentially done either through national laboratories or through scientific centers in the universities, all of them state-owned."

With his experience in the U.S., Dr. Tribolet believed it was possible to match unexploited capabilities and potential that existed in the universities with the need in Portuguese industry, services and administration for innovation in research and, above all, for people with skills.

"We were able to produce a whole generation of people with new skills in modern, digital communications that became the basis for the successful telecommunications revolution in Portugal."

Dr. Tribolet describes the period of the previous socialist administration as a difficult time for science and technology in Portugal. Today he is more optimistic. "We are now in a period of transition," he says.

INESC itself has undergone an effective process of restructuring to strengthen it financially and enable it to meet the country's needs. "INESC is not the whole solution, but it is certainly a very important part of the solution," Dr. Tribolet says.

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Portugal

ACROSS Europe, the insurance industry has been undergoing a period of fundamental change to meet the challenges of globalization, new technology and the changing needs of customers.

In Portugal, as elsewhere, an increasingly competitive sector has seen mergers, acquisitions and changes in strategy to deal with reduced margins and increased risks and the market for new products. At the same time, there is growing awareness of the opportunities for insurers in the future as state security systems come under pressure from demographic changes.

"We are in a market that has been consolidating quickly," says Peter de Brito e Cunha, President of Tranquilidade, one of the country's leading players. "If you look at the big names of Portuguese insurance, they are all disappearing."

However, Tranquilidade—a significant presence in the sector for more than 130 years—has bucked the trend and put its faith in its well-established reputation.

Part of the Espírito Santo Group for most of its existence, Tranquilidade was nationalized in 1975, but returned to the private sector in 1990, with Espírito Santo as its core shareholder. "We were the first company to be re-privatized," says Mr. De Brito e Cunha, "and it gave us a lead over the rest of the Portuguese companies."

Modernization and restructuring followed. In 1993, Tranquilidade turned its life insurance branch into an independent company, Tranquilidade-Vida. Within two years, it became the country's dominant life insurance player. The following year, it was decided to spin off the medical services side, leading to the incorporation of the specialized subsidiary, Esumédica.

Insurance companies are undergoing a period of change and consolidation

KEEPING CALM TIMES HAVE BEEN CHANGING FOR THE INSURANCE SECTOR AS MERGERS AND ACQUISITIONS ALTER THE LANDSCAPE. TRANQUILIDADE, HOWEVER, BELIEVES IT CAN RAISE ITS MARKET SHARE BY OTHER MEANS



HIGH RISE Tranquilidade has increased its market share through a strategy of organic growth and believes it will continue to do so over the next few years

In 1996 came a pioneering move when Espírito Santo Seguros was created to develop non-life bank assurance exclusively for private individuals who are customers of Banco Espírito Santo and Banco Internacional de Crédito.

"It was the first big thing that we did and made us look different from the rest of the market today," says Mr. De Brito e Cunha. "It also gave us an oppor-

tunity to grow faster than we would have done otherwise."

This strategy of organic growth has paid off. Tranquilidade's market share has grown from around 9 percent, when Espírito Santo took over, to between 15 and 20 percent.

"We are not against consolidation or acquisitions," says Mr. De Brito e Cunha. "It makes sense in other markets, but we felt that in Portugal,

in terms of the insurance sector and as a regional player with the brand that we had, we were not going to gain that much by taking over other players."

With its head office in Lisbon and its central services in Porto, Tranquilidade has 60 offices on the Portuguese mainland, Madeira and the Azores. In 1996,



PETER DE BRITO E CUNHA
President of Tranquilidade

it opened a branch in Madrid.

Last year, the company decided to shift towards the sale of risk and pension insurances, which are seen as guaranteeing long term customer loyalty and profitability levels that are higher than those for traditional savings products.

Mr. De Brito e Cunha believes Tranquilidade can increase its market share further over the next few years. "We are not number one in size, but I think we can call ourselves number one in terms of servicing and in terms of having the confidence of our clients," he says. "We believe we can develop our position by working our own client base."

Being the first to be re-privatized gave the company a lead over the others

Adding value brings success

AVS SEGUROS emerged from Jardine Insurance Services, which opened its first office in Portugal in 1988. The company was re-launched as AVS in 1996 when the Hong Kong-based Jardine group decided to sell the business and it was taken over by its Portuguese management team.

"Because the business had been developed by the local team and was not based on international clients, we did not lose clients with the change of ownership," says AVS President António Vilela da Silva.

"We developed the business and in five years we doubled the figures, because we didn't change the philosophy, the culture of the enterprise. At the end of the day, it's the same people, the same organization, so it was easy to make the necessary changes."

The company has its headquarters in Lisbon and offices in Porto, Coimbra, Leiria, Póvoa do Varzim and Funchal, and is growing both organically and by making acquisitions.

"We have been acquiring small agencies, not big operations," says Mr. Vilela da Silva, who is also



ANTONIO VILELA DA SILVA
President of AVS

President of the European Insurance Brokers' Association. "In the last two years we have made four acquisitions. The central region, Coimbra, is where we need to consolidate our operation."

This year AVS made the important strategic move of acquiring 9.75 percent of Capital Social da SGF, Sociedade Gestora de Fundos Pensões. "We are the first and the only broker to have a position in a pension management society like this," says Mr. Vilela da Silva. "We believe it represents a great business opportunity for us."

AVS deals in all classes of insurance, but specializes in the

tourism sector, including hotels and car hire.

"We are generalists, but in a market like Portugal you need to have some kind of specialization," says Mr. Vilela da Silva. "Ours is in all branches linked with tourism, which is one of the leading activities in Portugal. For us this is an important target market."

"It's not a question of price, it's a question of service. As brokers, we must provide a service to the client, we need to add value to the insurance product, and that is what we do."

AVS are brokers to ICEP, the government agency that promotes Portugal as a location for investment, a tourism destination and a producer of high-quality goods and services.

The company's clients also include Portuguese companies who invest in Mozambique and Brazil. "We follow them and offer the same service that we offer here," says Mr. Vilela da Silva.

AVS are also brokers to the Portuguese Industrial Association, AIP, and to the Portuguese Business Association, AEP.

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Chamber of Commerce has a finger on the pulse

CHRIS BARTON URGES U.S. FIRMS TO CONSIDER INVESTING IN PORTUGAL

THE European Union has a population 40 percent greater than that of the United States. Its common currency, the euro, has reached parity with the U.S. dollar, while its projected growth far exceeds anything the United States can even dream of.

So, what do you do—take them head on in all the competitive markets, lobby your congressman for a far-reaching trade embargo, or look for opportunities within their market?

If you happen to be in the latter camp, then your best springboard may be Portugal.

You will need to know something about the country—its location, people, customs, government and business climate. And the people with their finger on the pulse are the British-Portuguese Chamber of Commerce, based in the capital, Lisbon. The Chamber is a non-profit, non-partisan organization funded by the subscriptions paid by its members and by the services it provides.

It aims to promote trade and business opportunities between Portugal and other countries by assisting companies to gain access to appropriate services, and providing guidance and contacts for the furtherance of their business. The Chamber also aims



Photo: Lisbon Tourist Board

MARKET ACCESS Knowledge of the people and business climate is important for investors

to provide a forum for expressing views on topics affecting the business and social environment for people of all nationalities who use English as a business language.

You may find the Chamber's business portal a useful tool at www.bpcc.pt. The site not only tells you all about the chamber, but is loaded with statistical data, events, networking opportunities, services like translations and debt collection, sectorial reports, business interviews and articles.

So, while your American busi-



CHRIS BARTON
CEO of the British-Portuguese Chamber of Commerce

ness colleagues are still scratching their heads over the threat or opportunity conundrum, you could be stepping off the plane and heading for fresh fields.

A wide range of products

CLEAR-HEADED decisions by foreign companies and by the banks will determine how Portugal's insurance sector looks in the future, according to Pedro Seixas Vale, Managing Director of Allianz Portugal.

"Some of the foreign companies who are failing to get a minimum of market share will leave the country," he says. "International insurance companies that own firms that are not producing enough of a return will sell them. Portugal is not a country of strategic importance for them.

"As for the Portuguese companies, their future depends not on the insurance market, but on changes in the banking sector, because they are owned by the banks. Some of the medium-sized banks may not remain as they have for the past ten years."

Allianz Portugal itself, part of the Allianz Group of Germany, was formed from the merger of five existing companies and in recent years has become one of the top five insurance firms in the market. Its own banking partner is BPI (Banco Português de Investimentos), which holds a 35 percent stake.



PEDRO SEIXAS VALE
Managing Director of Allianz

"We have made progress with our main targets," says Dr. Seixas Vale. "Of course, if opportunities arise—possibilities of buying new companies on the market—we will try to profit from them. I feel that in two or three years the market will start a new concentration process."

While BPI sells savings products, Allianz concentrates on traditional and more profitable insurance products, including life, motor, workers' compensation, fire and multi-risk insurance. It serves both individual and corporate clients.

"In both areas, we try to give our clients the widest possible

range of products possible, rather than being very specific with one product or another," says the company's MD.

He sees growing awareness of a need for an alternative to the public health system as an opportunity for the whole market.

"More and more people want to be assured of quality and some insurance programs provide a real alternative," he says.

"According to the latest statistics, almost 20 percent of the Portuguese population now has a private health scheme. Allianz made a strategic step in that direction when we started to be involved in health insurance schemes after 1999."

In conjunction with its insurance activities, one way in which Allianz Portugal has made an impression is through its support for cultural and sporting activities, particularly football.

The Allianz Group's sponsorship of the Formula 1 Championship has helped the company's profile in Portugal. "It has made a very positive impact in the market and with our clients," says Dr. Seixas Vale.



If you want to do business in Portugal, we've got two words for you: Portugal Telecom.

Portugal Telecom is the largest national telecommunications and multimedia group. It is leader in all the business areas in which it operates. PT is responsible for 40% of the transactions on the Euronext Lisbon stock exchange and is also listed on the New York Stock Exchange (NYSE).



Portugal Telecom

Stamp of approval helps companies compete

AS markets become more competitive, an independently assessed reputation for quality and high standards is an important advantage for companies seeking to attract new business, as well as a guarantee for their clients and customers.

The SGS (Société Générale de Surveillance) group are world leaders in verification, testing and certification services, with a global network of offices, subsidiaries and laboratories, 32,000 employees and a history going back more than 100 years.

SGS provides professional, independent verification and monitoring services for international trade in agricultural, mineral, oil, and consumer products. The group also provides certification and services to governments and international institutions. The SGS brand is recognized as the global benchmark for the highest standards of expertise, quality, and integrity.

SGS Portugal began 80 years ago, supervising the loading and unloading of grain in ports. Since then, it has expanded its areas of expertise over the years to provide services to various sectors, in particular the hotel, banking and insurance industries.

It has its own laboratories specializing in agri-foodstuffs, textiles and petrochemicals, and its services have expanded into consultancy on quality and environmental manage-

ment, accredited tests, technical inspections and audits in diverse areas.

The group includes SGS Qualitest Portugal, which deals with automobile assessment, SGS ICS, providing international certification services, CIAT Portuguesa, providing consultancy and training, and Lodge Services, which has experience in making companies more competitive.



ANA PINA TEIXEIRA
CEO of SGS Portugal

"Our growth markets are certification and consultancy," says Ana Pina Teixeira, SGS Portugal's Chief Executive Officer. "Relations between suppliers and clients are changing, and more and more there is a demand for product certification and company certification. Companies are outsourcing their activities, so we have to pay attention to that."

She notes that businesses are becoming increasingly concerned about their image in terms of social responsibility.

"They want someone to say they are complying with legal requirements, with regulations on labor and on sexual discrimination," she says. "They are eager to show to society that they have policies and are following them through."

Along with covering the Portuguese mainland, the Azores and Madeira, SGS Portugal manages SGS Cape Verde and SGS Angola, where clients include major oil companies like Texaco and Shell.

It competes with other certification bodies, including foreign companies. "It was a very emergent market a few years ago, so most of the certification bodies came here," says Ms. Pina Teixeira.

"We are number two in Portugal, and always fighting to be first. We want to be the leaders in agro-alimentation, oil, gas and chemicals, and also in certification. We expect to grow by 6 percent next year, and also to develop SGS Angola," she adds.

SGS Portugal's reputation for the highest standards of expertise and integrity is the basis of the high demand for its services, and its clients pay close attention to the findings of its auditors.

"There are companies that have changed quite a lot from one audit to another because they have taken into consideration the observations made and have made efforts to change," says Ms. Pina Teixeira.

Bank expands while staying true to its roots

MUTUAL RESPECT PORTUGAL HAS ONE OF THE BEST PRIVATE SAVINGS RECORDS IN EUROPE. CAIXA ECONOMICA MONTEPIO GERAL, ITS OLDEST FINANCIAL INSTITUTION, IS LOOKING TO THE FUTURE BUT REMAINS DEDICATED TO ITS ORIGINAL PURPOSE

A COMPETITIVE financial institution with a fundamentally social purpose, the Caixa Económica Montepio Geral stands out as unique among Portugal's banks.

What differentiates it is a firm commitment to the mutualist philosophy in which it has its roots. The Caixa Económica's origins lie in the foundation more than 150 years ago of what has become Portugal's most important mutualist institution.

Montepio Geral began operating in 1840. Four years later, its directors founded the Caixa Económica (Savings Bank) and it quickly became an essential instrument of the association, developing its banking activities and earning the funds the association needed.

"We are the oldest financial institution in Portugal," says António de Seixas da Costa Leal, Montepio Geral's Chairman. "We are even older than the Central Bank."

Today, the institution has more than 300 branches and is rated sixth in the banking sector, with an overall market share of around 5.5 percent. "We are the biggest of the small banks, and the second biggest of the totally Portuguese institutions," says Dr. De Seixas da Costa Leal.

The revenue from all its activities is used to improve and broaden benefits to Montepio Geral's members. It also supports various social entities and projects in the areas of health,



ANTONIO DE SEIXAS DA COSTA LEAL
Chairman of Montepio Geral

education and the arts.

"We are very different from other banks—we have no shareholders, no social capital—but we compete with them," says Dr. De Seixas da Costa Leal. "In a competitive environment, extending our capacity to serve the social economy requires us to adopt strategies geared towards competitiveness and profitability."

Private individuals make up the majority of the bank's clients and a substantial proportion of its loans are for mortgages and construction. "We are the biggest when it comes to housing loans—60 percent of our customer credit is for housing purposes," he says.

Recently, it has increased its focus on the corporate market—with considerable success. Lend-

ing to companies now accounts for around 33 percent of loans made by the bank.

An important stage in the Caixa Económica's evolution came with the removal several years ago of restrictions limiting its operations.

"We were authorized by the Central Bank to perform all the activities granted to the Portuguese banking system and thus allowed to operate like any other bank," says Dr. De Seixas da Costa Leal.

"Up to that time, we were limited to the national territory and unable to operate in foreign countries. Now we are an international small bank and have opened agencies in Paris, Geneva, Frankfurt and London."

The Caixa Económica now participates in financial operations in Portuguese-speaking countries, such as Mozambique and Guinea Bissau, and has decided to finance its expansion through international capital markets.

Currently devoting the three-year period 2001-2003 to consolidation and development, the bank remains true to its mission to transform "each customer into a member and each member into a customer."

"We aim to affirm mutualism as an appropriate response to the challenges and some of the problems of society," says Dr. De Seixas da Costa Leal. "We do not want

A substantial proportion of the bank's loans are for mortgages and building

Finding the right person for the job — it's all in a day's work

AT 10 million, the population of Portugal is small in comparison with the major European economies. This can make recruiting suitable staff a challenge, so using a professional service can be a good idea.

Finding the right people and putting them in the right job is all in a day's work for Mario Costa, President of Select, the largest human resources company in the country.

Part of the Dutch Vedior group, Select operates in 28 countries in Europe, as well in the United States, Asia and Australia.

Specialist staffing services generate higher margins and have greater growth potential. Select

specializes in several areas including IT, education, healthcare, administration and merchandising, as well as traditional fields of work such as construction, industry, and the hotel and catering trades.



MARIO COSTA
President of Select

The company has grown both organically and by acquisition, and in Portugal has 20 percent of market share. The Select and Vedior brands occupy first and second market positions, respectively.

"We go more for organic growth, but you can only grow so far," says Mr. Costa. "We reckon that every year we must branch into new areas."

With continuous change in the employment markets across Europe, there is an increasing demand for flexible labor forces.

At the same time, European Union legislation has provided greater protection for employees, whether on short-term contracts

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WHEN YOU NEED TO BE SURE

9 Portugal

to be the biggest, but we want to be the best at what we do."

A portfolio of investments in areas such as insurance, asset management and real estate helps Montepio Geral to diversify and complement its services.

In 1986, it established Lusitania Companhia de Seguros, the first private insurance company to be founded with totally Portuguese capital since 1947. Over the past ten years, Lusitania has acquired the business operations in Portu-

gal of the Swiss firm Baloise, and British companies Pearl, Guardian and Royal & Sun Alliance.

"We complement Montepio Geral in the insurance field," says José António de Arez Romão, General Manager and Chief Executive Officer. "Lusitania is directed at the Portuguese market where we show competitive advantages as a result of our knowledge of the country and our strongly personalized service. "We also support the local

interests of Portuguese enterprises established in Portuguese-speaking countries."

Like other Portuguese insurers, he believes health insurance represents the most important opportunity for business development over the next 10 years.

"It is possible that insurance activity will partially substitute for the state in this area," he says. "We will certainly launch new products in the health and life insurance areas."



WIDER INTEREST Caixa Económica Montepio Geral has opened offices in several European countries

or working part-time, which has forced companies to tailor their needs more exactly.

Select has 15,000 temporary workers on its books. A new Select company, called Fairplace Outplacement, was established in October to "help people move out of one company into another."

Mr. Costa says the worldwide economic slowdown has meant that staffing and recruitment agencies have had to adapt to new conditions as well as provide better-trained employees. As more Portuguese companies have been privatized, employers have become more selective and demanding.

Portugal has been isolated to a certain degree from the mainstream European economies because of its geographical loca-

tion and its language. Mr. Costa says the country is still catching up with other EU member states in many respects.

"We have to be practical. We cannot compete with Spain in every industry. So where can we compete? We can compete in services and in tourism. But we need capital and training for that, because the Portuguese are not used to service businesses. They are very open, but they must become professionals, and that's what we are lacking. We have to change people's mentalities. "We want to show the

big multinationals that we really want to make our country competitive," he adds. "We have been able to take advantage of funds from the European Union, but more could have been spent on training."

Employers have become more selective and demanding in staffing

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All the financing has the support of the Operational Program Science Technology Innovation and the Operational Program Information Society, which form part of the Community Support Framework III.

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EASY LIFE Portugal's beautiful beaches and pleasant waterside cafés are ideal for those seeking a relaxing vacation

Photos: Lisbon Tourist Board

Safe, sunny and plenty to see

ANCIENT AND MODERN THE LAND OF THE EXPLORERS OFFERS A WARM WELCOME TO MODERN TRAVELERS, WHETHER THEY COME FOR BUSINESS OR PLEASURE.

WORLD tourism organizations see a bright future for Portugal, predicting that it will play host to 40 million foreign tourists in 2010. If the forecast proves correct it will take its place among the world's top ten most visited countries.

There is plenty to tempt the tourist. Portugal offers some of Europe's most beautiful beaches and liveliest resorts, while its spectacular golf courses make it one of Europe's premier destinations for the sport.

It is a land of ancient, sun-drenched cities, castles and fortresses, palaces and cathedrals, divided into provinces of varied character. These include the beautiful Atlantic islands of Madeira and the Azores, the latter 760 miles due west of Lisbon.

Portugal is blessed with a temperate climate—cooler to the north, where the highest part of the country, the Serra da Estrela, is popular for skiing; warmer and drier in south, where the resorts and wide sands of the Algarve are to be found.

Lisbon has a history that goes back more than 1,000 years and is graced with reminders of the golden age of discoveries. It was from here that the great Portuguese adventurers set out in the 15th and 16th centuries to extend the boundaries of the known world.

At the same time, the Portuguese capital is a vibrant, modern European city and business hub, offering an abundance of sophisticated pleasures to its visitors, ranging from lively nightlife and entertainment to high culture. Somewhere in between, comes the fado—perhaps best described as a quintessentially Portuguese form of urban blues. Special events are staged in Lisbon throughout the year, including cultural and religious festivals, exhibitions and sports tournaments.

Portugal currently receives around 12 million tourists annually, most of whom stay about a week. The sector makes a major contribution to the economy, accounting for more than 8 percent of gross national product and providing employment, either directly or indirectly, for 10 percent of the working population.

Total hotel capacity is 220,000 beds—39 percent in the southern part of the country, 24 percent in the capital and Tagus Valley area and 10 percent in Madeira.

The National Plan for Economic and Social Development 2000-2006 recognizes tourism as being fundamental to growth and to the improvement of the quality of life enjoyed by the Portuguese people.

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Allianz



Portugal



MONUMENTAL Lisbon cathedral is one of the sights of the capital

Most tourists and visitors come from Western Europe—particularly from Portugal's neighbor, Spain. The United States is the most important point of origin for tourists coming from outside Europe. Vacation-taking within the country itself has also been increasing.

Significantly, Portugal's tourism industry was not badly affected by the aftermath of 9/11. It is rightly perceived as a safe and secure place to vacation, an

aspect the authorities are understandably eager to promote.

Portugal enjoys an established image as a vacation destination for the high-quality, professional service it offers its visitors.

The country has built on the boost it received from Expo'98 and is looking forward to another leap forward when it hosts the European soccer championship in 2004. A new 65,000-

Continued on page 12

Home away from home and state of the art

SITUATED in the heart of Portugal's capital within easy reach of travel facilities, government offices, banks, shops and entertainment, Sheraton Lisboa is a popular choice for visiting business people and conference organizers.

"We believe in creating a home away from home for our customers, in addition to staying one step ahead of the competition with regard to service, innovative ways of doing things and technological features," says Jennifer Buhr, the hotel's Director General.

Panoramic views across the city and gourmet food add to the attraction, while on the top floors of the hotel, the Sheraton Towers offer an extra level of luxury, with personalized service, exclusive access to the Towers lounge and butler service.

The hotel has 375 rooms and suites. The rooms are divided into three classes—Classic, Smart and Tower. All are air-conditioned and have satellite TV, including TV message view and checkout and voice-mail.

For business clients, there is a recently introduced business and communication center, fitted with state-of-the-art audio-visual accessories. The meeting rooms are designed to complement the hotel's existing Smart bedrooms, which are designed to allow guests to work from their rooms.

"But life at the Sheraton is not only about work," Ms. Buhr is quick to add, "as our Towers concept, a small luxury hotel on top of a business hotel,

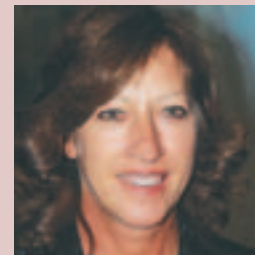


FINE SIGHT Panoramic views across Lisbon and gourmet food are among the attractions of the Sheraton

clearly proves. It's well-known for the service and facilities provided."

The key to the Sheraton's success is the personal approach. "We try to meet as many customers as possible during their stay with us and ascertain how well we are meeting their expectations," she says. This extends to a regular guest cocktail party at which the hotel team gets to meet with guests.

The hotel's guest loyalty scheme—known as Starwood Preferred Guest, or SPG—was voted Program of the Year for the third consecutive time during the prestigious annual



JENNIFER BUHR
Director General of Sheraton Lisboa

Freddie Awards for best frequent travel programs, earlier this year. SPG members are upgraded to a Towers room or suite whenever availability allows.

Despite recent setbacks to

the Portuguese economy and the effect of 9/11 on the industry worldwide, the Sheraton expects to meet its forecasts for the year.

"The hospitality industry has been challenged, but we believe that our predictions will be met," says Ms. Buhr. "Forecasts for 2003 indicate a stabilization of the economy and 2004 should be very positive, due among other things to the 2004 European soccer championship being held here.

"Portugal is a wonderful country, and should be promoted as one of the foremost European tourist destinations," she adds.

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Portugal

Continued from page 11

seat arena—named the Stadium of Light because the roof will be illuminated—is due to be completed next year.

Measures have been taken recently to further boost the sector, including the creation of a national investment agency, the Portuguese Institute of Tourism (ITP), which will work with Portuguese embassies abroad to promote the country.

The focus has shifted from the physical growth of the sector toward improving quality, diversification, competitiveness and sustainability.

Key elements in the new strategy include integrated planning at the national, regional and local level, promotion of regional diversity, development of both traditional and new tourism products, and encouragement of the competitiveness and modernization of tourism companies.



Customer satisfaction is the driving force

AVIS, the world's second largest general-use car rental business, has been operating in Portugal for more than 40 years and has seen its business grow as the country has attracted increasing numbers of tourists and business people. The company has 24 percent of the market, with leisure clients accounting for 60 percent of its activities and corporate clients for 40 percent.

Apart from its worldwide reputation, its success in the country is attributed by Humberto do Carmo, Managing Director of Avis Portugal, to being run by



HUMBERTO DO CARMO
Managing Director of Avis Portugal

Portuguese management. "This is the key to understanding the mentality of the market and offering the right product to the right demand," he says.

Local expertise has helped Avis provide complementary services in conjunction with other market leaders. Its partnership with TAP, the Portuguese airline, has been going for 22 years, and it has had agreements with Tivoli hotels and with pousadas (Portuguese small hotels) for 10 years.

"These are long-lasting relationships maintained with mutual interests," says Mr. Do Carmo. "It is important for us to choose a first-quality service supplier in order to offer added value to our customers. On the other side, our partners require the same quality service from us."

Avis is recognized as the industry leader in applying new technologies and is one of the world's top brands for customer loyalty.

"We care a lot about our customers," says Mr. Do Carmo. "We have incentive programs

and train our people to do the job right first time, so the customer gets the best service. The training programs are exactly the same in each country."

Questionnaires are sent to customers, and the answers are analyzed to pinpoint any weak points that might be improved. Vehicle quality is guaranteed by constant updating of the fleet. Customers are supplied with cars no more than six months old.

"When the cars are between four and six months old, we replace them," Mr. Do Carmo says. "Another advantage is that we offer a warranty before each car rental. This guarantees that the car has been checked on 25 security points before and after each rental agreement."

As a worldwide service, Avis is able to guarantee a full 24-hour assistance service, not just in Portugal but in all countries in Europe. "So, if an American customer wants to tour around, he or she can rent a car in Lisbon and if a breakdown occurs in another country, the car



AVIS PORTUGAL A worldwide reputation and local management expertise

will be immediately replaced."

An integrated computer system based in Denver allows Avis to have control of its fleet and the needs of its customers in real time via a satellite link. Customers can get automatic confirmation of a reservation of a vehicle for any location in the world, using the Internet.

Mr. Do Carmo says more Americans should consider Portugal as a vacation destination.

"I'd like to see more of the U.S. public coming here, taking advantage of our summer and the fact that our country is still a very safe place to travel to."

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