



**GREECE: ECONOMIC ENVIRONMENT
& INVESTMENT PERSPECTIVE**

March 2017

The Greek Economy & Policies

During the last seven years, Greece is implementing an economic and financial program supported with a financing package by the EU, the ECB, the ESM and the IMF, in order to restore public debt sustainability and increase the competitiveness of its economy. This program has already brought both structural and fiscal reforms, while new growth priorities have been put in place, lately.

According to the latest European Commission Report, the Greek economy has been gradually growing since the conclusion of the first review of the ESM programme. Brighter economic sentiment is supporting recovery in domestic demand, reflected also in labour market developments. Public finances are performing better than expected and the overall macro outlook remains positive. According to the report, GDP growth stood at almost 0.3% in 2016, whereas projections for 2017 are encouraging as GDP growth will reach 2.7%. Growth was mainly driven by private consumption, investment and exports and according to European Commission, 2018 will be even better with GDP growth reaching 3.1%. Moreover, the successful recapitalization of banks with 9.4 billion Euro funds in total, under the new ESM program and the progress in the development of public assets are key parameters in exiting the spiral of economic recession. Despite ELSTAT's, the Greek Statistical Authority, early March announcement of a tiny contraction of 0,05% of the GDP for the whole year 2016, it is safer to wait for the final reporting expected to be announced later on in April. An additional and very important aspect of the Commission's Report is the further increase of exports and the realization of new investments in the tradable sector. Similarly, the labour market has been improving for the last two years, as employment grew by 2.4% on average in the first 10 months of 2016, and is projected to grow at a stable average rate of 2.2% until 2018. Unemployment is projected to have fallen to 23.4% in 2016, down from an annual average of 24.9% in 2015. FDI inflows, according to recent data by the Bank of Greece, show a very impressive increase in 2016 compared with those of 2015, as inflows reached the amount of 3.4 billion Euro last year, compared to 1.8 billion Euro in 2015.

Greece is transforming its economy, turning it from an essentially closed economy, to an economy based on Foreign Direct Investments and Export trade. Many important reforms and structural adjustments are still underway or remain to be done, but it is now evident to all that there is a strong commitment to change in Greece, enabled by:

- the political leadership, which actively fosters relations with international investors
- the business leaders, who are looking at the international markets and establishing lasting partnerships
- and quite importantly, the society as a whole which has embraced the narrative of change, and is supporting the changes and engaging with the global community

The Greek government has set a number of **key priorities for economic growth**:

a) To create high value and set the conditions for inclusive growth, b) To create new jobs by capitalizing on the high caliber of human capital, c) To attract foreign direct investment, d) To promote outward looking and export oriented sectors and d) to support innovative and dynamic companies through a lean and supporting public sector and a stable environmental friendly framework for investments.

The government is currently implementing a set of **policy measures**, which involve:

- the fast absorption of the available Structural Funds for the period 2014-2020
- the new Investment Law that supports new investments, through a multifaceted aid scheme,
- the cooperation with international financial institutions, like EIB, EIF, EBRD, IFC, Black Sea Trade and Development Bank etc., to increase liquidity and ease investment financing
- the creation of the New Development Fund to support SMEs through microcredit, guarantees and loans
- The effective management of the Non-Performing-Loans. A relevant framework is already in place
- The acceleration of the Privatization agenda
- Ease of licensing, with the cooperation of World Bank

Additionally, the **Fast Track law** provides an environment of transparency and security for the implementation of investments as it serves as a tool for the acceleration of the implementation procedure of strategic investments, whether these involve investments from the private sector or public private investment partnerships. The Fast Track procedure accelerates the licensing process through the shortening of deadlines by setting new and exclusive deadlines (with which the public administration must comply). The Fast Track procedure is a unique procedure for the implementation of strategic investments. It is not designed to include every investment plan into its provisions. It concerns large scale projects which have positive multiplier effects on Greece's economy. It concerns investments that highlight and advance the strategic geopolitical advantage of Greece on the world map. So far, 13 projects have been approved, with a budget of €3.5bn, and 7 more are in the pipeline, with a budget of more than €1 bn.

At a time when investors globally are looking back at the traditional markets of Europe, Greece offers a unique proposition, combining the advantages of a developed country, with the opportunities for growth usually associated with emerging economies.

Unarguably Greece presents a **unique investment proposition**, as it combines:

- **Timeless competitive advantages**, pertaining to its location at the crossroads of three continents - a natural Gateway to Europe, along with a wealth of natural resources
- **Being a Developed Country**, active member of all key international institutions, an established democracy with rule of law, and a highly developed infrastructure
- **With Great Growth Potential**, as a market opening up to investment, with market consolidation, opportunities to acquire assets and run operations at highly competitive costs, and growth opportunities in all key sectors.

These opportunities are supported by an exceptionally high-calibre human capital, which ensures that the operations will be run on all levels by employees of the highest quality. From technical skills to international experience, Greece offers high quality staff, required in a competitive global market. As a consequence of the crisis, this human capital can now be accessed at a cost which is significantly lower than other European competitors.

Investment Perspective: Opportunities, Financing, Deals

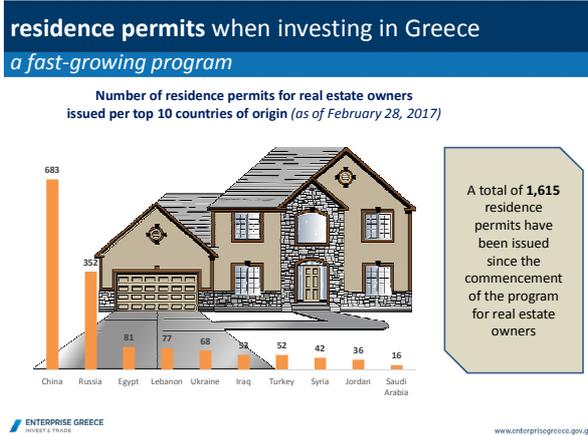
The international investor can find numerous Investment opportunities, which are now in the core of Greece’s long-term strategy of economic growth. These opportunities are offered in different sectors of the economic activity where competitive advantages have been identified. The opportunities are in the following sectors:

- **Tourism and Real estate:** Tourism is a central pillar of the Greek economy and by many analysts it is considered to be an “export champion” for Greece. According to the latest figures of the World Tourism Organization (WTO), Greece in 2015 ranked:
 - 15th in international arrivals,
 - 7th in tourism receipts balance globally,
 - 31st (among 141 countries) in Tourism Competitiveness globally and
 - 12th in Tourist service infrastructure.

In 2016, for a 4th consecutive year Greece broke again its all time records in tourist arrivals, by counting 25 million arrivals.

Greece possesses unique characteristics (climate, nature, history, culture, gastronomy etc) that offer a globally competitive tourist product. The gaps that exist between demand and supply of tourist services provide significant room for opportunity in many subsectors of the Greek tourism market (luxury resorts, tourism residences, marinas, cruise, golf tourism, etc).

During the past few years and in order to promote its real estate market, Greece has launched a **residence permit program** for third country citizens who own real estate in the country, the minimum value of which is **€250.000**. The permit can be renewed every five (5) years on the condition that the interested party keeps ownership of the property.



- **Food and Beverage:** Greek food and agriculture has been traditionally one of the major export sectors for Greece, with a strong presence in the European and a growing presence in new food markets. From olive oil to flour products, honey to processed meats and ready meals, Greek companies have leveraged the

competitive advantages offered by Greek primary production in order to competitively enter and remain in global markets, making food and agriculture one of the most dynamic and high-growth sectors in Greek manufacturing. Greece is very important today in the global food production because of its:

- 1) Brand value and positioning - Greek diet is regarded as a pre-eminent example of Mediterranean diet, which has been globally accepted as one of the healthiest and most nutritional.
 - 2) Geography and climate conditions – Greek geography and climate can sustain some of the most diverse, high-quality natural raw materials and produce, including such exotic ingredients as saffron and truffles
 - 3) Traditional high-quality ingredients – Greece has a number of recognizable POP or other local ingredients and foods whose quality is recognized by some of the greatest Chefs in the world
 - 4) Specialized know how and expertise – agriculture and food production is a traditional Greek occupation, which has led to a significant amount of food research departments, agricultural schools, trained food technologists and chemists, and skilled farmers.
 - 5) Research and Innovation - Greece’s universities and research institutes focus heavily on providing assistance to the food and beverage industry. A number of highly specialized research centers such assist manufacturers and processors in developing innovative solutions to meet the needs of today’s marketplace.
- **ICT:** Greece is in the 2nd position globally in the skilled labor readily available (WORLD IMD Talent report 2015) and ranked 3rd in percentage of graduates in Science (ITIF Report Jan 2016). It is no surprise that Greece has an important pool of well-educated and talented labour force with global experience and entrepreneurial drive. The ICT sector offers several opportunities of investment in high-end, value added services with a global reach. IT sector in Greece consists of a group of hard working, highly qualified professionals with global experience and entrepreneurial talent. The strength of this sector is the “versatile minds” of its people. Investors can recruit top talent at a highly competitive cost. Public and EU funds are available for cooperation and development. Many Greek start-ups are competing successfully abroad and major international players have a strong presence in the Greek market.
 - **Life Sciences:** Greece’s Life Sciences industry has been developing at a vigorous rate, with new start-up and spin-off companies increasingly pursuing international R&D collaborations for the development of competitive, technology-based products and services. Essential to this dynamic growth is the Greek R&D infrastructure, which includes internationally renowned Research Institutes, research teams and University Research Groups. There are several Greek companies already competing successfully in the international pharmaceutical markets, with a strong shift towards R&D, innovation and marketing. Greece has the potential for competing in the

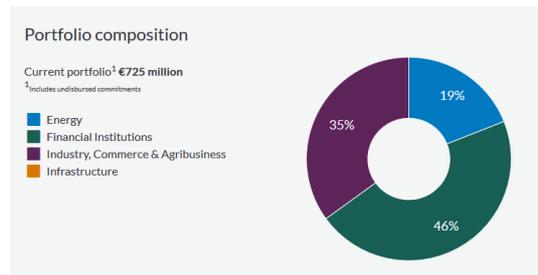
“middle market” of medical tourism, which is considered a fast growing sector internationally during the last decade.

- **Energy:** Today, the de-regulated Energy market in Greece provides many options for companies to participate in electricity production, the grid expansion, the transmission and distribution of natural gas and the hydrocarbons. The overall investments needed in the energy sector are estimated to 22.2 billion euro for the 2010-2020 timeframe, from which 16.5 bn. shall address new RES capacity. On fossil fuels, Greece will spend 2.1 billion euro for new «clean coal» (lignite in our case) power plants, while 3.3 billion will be invested in natural gas facilities. An additional budget of 5 billion euro will be needed for grid reinforcement and interconnections. Also, the petroleum market in Greece is evolving rapidly and the potential for Greece to develop hydrocarbon resources is promising. RES penetration has been recorded at 18% on a national level in 2016, with the relative total capacity steadily increasing over the last few years and the respective investment plans deploying accordingly, relative to the set targets.
- **Logistics:** Greece stands on the crossroad of three continents (Europe, Asia, Africa), being a strategic node for the development of transportation in the greater region. According to a recent study the Logistics sector in Greece accounts for almost 10% of Greece’s GDP strongly supporting economic activity in and through the country, and facilitating the country’s extroverted profile, by promoting its exports. With maritime transport accounting for 80 per cent of global trade by volume, Greece’s geographical position as a gateway between East and West render it highly attractive for investments in logistics and transport to take advantage of these increasing trade flows in an efficient and cost-effective manner. Privatisations in progress in this sector also provide new opportunities for investments.
- **Cultural and Creative Industries:** The particular sector has shown great resilience during the crisis. It’s a very diversified sector with many creative small and medium companies in Digital Design and Animation, Film, Plastic arts, museums, Fashion, Jewelry, silverware and crafts, Performing and visual Arts, and Video and computer Game.

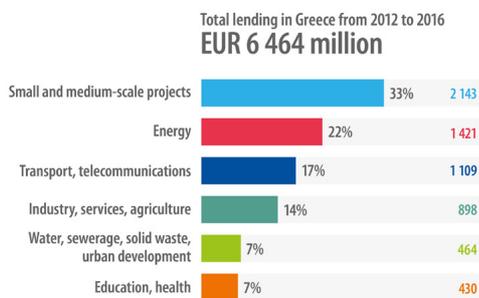
In order to get acquainted with specific investment projects in all these sectors and receive detailed information concerning their status, you may contact Enterprise Greece and get access to more than 650 investment opportunities that are looking for funds and cooperation.

Financing options

Despite the recession, lately international financing institutions become increasingly involved with new projects in Greece, effectively providing a new spin to project development and financing. **EBRD** is investing in Greece in response to a request from the Greek authorities, to support reforms and the return to economic growth. Till today **821 million Euro** have been invested in 17 projects. In Greece EBRD focuses in helping Greek companies regain access to the finance they need to grow their businesses and promoting regional economic integration by bringing private sector knowledge and finance to such areas as the energy sector and infrastructure.



The **EIB** invested over **EUR 1.5 billion** in the Greek economy in 2016. Financing for small businesses accounted for 75%, with an additional 22% for innovation and 3% for infrastructure projects. Over the past five years (2012-2016), the EIB has invested **EUR 6.4 billion in Greece**.



The total investment of the EIB Group (the European Investment Bank and the European Investment Fund) in Greece in 2016 was EUR 1.63 billion.

The Investment Plan of the **Junker Plan**, has been another financing tool, focusing on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources. To achieve these goals, the plan is active in three areas: 1) mobilizing investments of at least **315 billion Euros** in three years, 2) supporting investment in the real economy, and 3) creating an investment friendly environment. By the end of 2016 nearly **2 billion Euros** have been absorbed for investment projects in Greece.

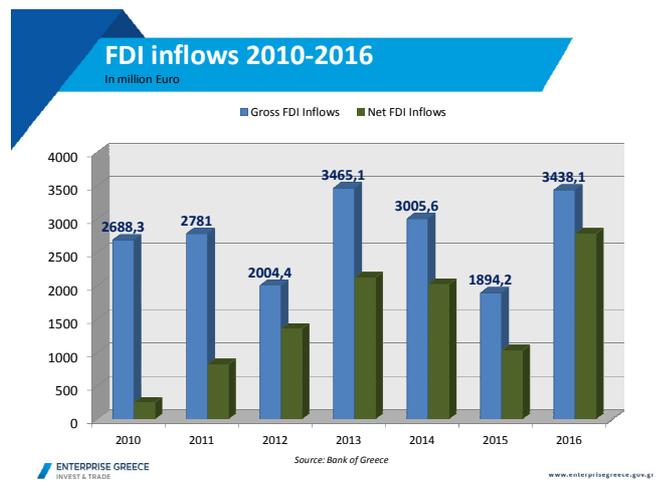
The **new Investment Incentives Law (L.4399/2016**, "Regulatory framework for the establishment of state aid schemes for private investments for the regional and economic growth of the country") aims to generate more than **11 billion Euro** in private investment by 2023 by providing incentives to the private sector. State aid may be provided in the form of a tax exemption, cash grant, leasing subsidy and subsidy for employee costs. The state aid may be provided to the beneficiary at the time the investment plan is completed and productive operations commence, or gradually. According to the impact analysis submitted to parliament, the initial budget of the development law will provide: **480 million Euro** in the form of cash-grants and subsidies during the period 2016-2022 and more than **3 billion Euro** in tax exemptions until 2031.

Indicative Recent Investments in Greece

August 2012 – March 2017

- China **COSCO Shipping Corporation Limited** acquired 67% of Piraeus Port Authority S.A.
- The Chinese **ZTE Corporation** established a logistics centre for its products in Piraeus port.

- Acquisition of the majority stake of the Greek pharmaceutical Group Pharmathen from **BC Partners** investment group.
- **Sah Deniz Consortium of Azerbaijan (SDC)** selected the Transadriatic Pipeline (TAP) for the transportation of natural gas from the giant Shah Deniz II field in Azerbaijan, via Greece and Albania, and across the Adriatic Sea to Southern Italy, and further to Western Europe.
- The Greek company Energean Oil & Gas announces that the newly established **Third Point Hellenic Recovery Fund** enters in the share capital of the only Greek hydrocarbon exploration and production company with equity capital of \$ 60 million.
- Strategic Agreement of **Qatar Petroleum International (QPI)** with the Greek GEK Terna in the Energy sector.
- A total of 3 million Euro new investment by **Nestle** in the ice cream and coffee factories.
- **Third Point LLC** invested in Dolphin Capital Investors and becomes the largest shareholder of a well established tourism developer in Greece.
- **Fairfax Financial Holdings Limited** acquired 75.35% of Eurobank Properties
- Folli Follie Group announced the signing of an agreement for the sale of 51% of the duty free shops to the **Swiss Dufry AG**
- The **American Diamond Resorts International** acquired all shares of Aegean Blue Holdings Plc.
- Eurodrip signed an agreement for the sale of 67.5% of its share capital to **Paine & Partners LLC**.
- **ArabSat** acquired Hellas Sat
- **PSP Investments** acquires shares in Athens International Airport "Eleftherios Venizelos"
- **Al Dahra agriculture** group acquires shares of Loulis Mills.
- The German **Delivery Hero** announced the acquisition of e-food.gr και the Turkish Yemek Sepeti.
- **Dunapack Packaging Division** acquired the Greek packaging production company ελληνικής 'Viokyt Packaging'.
- **British American Tobacco Hellas** chose Greece for the establishment of the group's strategic international centre. The company implements an ambitious business plan of 100 million Euro for the next three (3) years, while has decided to establish an International Logistic Hub in Piraeus στον
- **Oracle** created its fifth software development center for cloud technologies in Greece.
- **GMR-GEK** vies for Crete's main airport deal
- **NCH Capital Inc.** invests in the "Kassioppi" property
- **Ferrovie Dello Stato Italiane S.p.A** invests in the greek railway operator TRAINOSE
- **CMEC** invests in the public electricity company DEI
- **Slentel** (a Fraport subsidiary) acquired and is investing in 14 regional airports
- China's **State Grid** company acquired a 24% share for €500 mil. of ADMIE (the national HV electricity grid operator)
- **BA Vidro** (Portuguese group) acquired for €500 mil. the Yioula glassware company



Enterprise Greece

Enterprise Greece (www.enterprisegreece.gov.gr) is the official agency of the Greek State, under the supervision of the Ministry of Economy & Development (www.mindev.gov.gr), to promote investment in Greece, exports from Greece, and make Greece more attractive as an international business partner. In this framework Enterprise Greece operates a 24/7 Front office, which answers in 24 hours all inquiries received by e-mail or phone calls. **The World Bank has ranked the quality of services of EG's front office as the 3rd in the world, among all Investment Promotion Agencies, in 2012.**

Enterprise Greece is designed to assist foreign investors and enterprises to do business with Greece, to contribute to the outward looking orientation of the Greek economy, to attract foreign investment, to troubleshoot issues related to the public administration and to provide key investment and business information. Enterprise Greece promotes the entire range of investment sectors in which Greece excels.

Since 2009 and in order to enhance its services to the customers (Greek and foreign investors and businessmen), Enterprise Greece started to compile a **projects portfolio**, which currently consists of more than **650 projects** from both the public and the private sectors.

Projects from the **public sector** mainly include privatizations and tenders for concession agreements in sectors like infrastructure, tourism, real estate, energy, etc. Concerning the projects of the **private sector**, the portfolio includes investment opportunities in almost any sector of the Greek economy. The majority of projects are coming from **sectors like Tourism and Real Estate, Food and Beverage, Energy, Technology and high value export oriented manufacturing**. These projects are at different stage of maturity and consist of both business plans of established companies or Greenfield projects.

In addition, Enterprise Greece's aim is to promote Greek products and services to the global marketplace. Enterprise Greece helps Greek businesses reach new markets, find new business partners, and become more competitive and attractive. Enterprise Greece provides the full spectrum of services related to international business relationships and domestic business development for the international market. Following legislation that provided for its creation, Enterprise Greece has rolled out new services to investors and business partners, operating as an integrated and unified business development agency.

The creation of Enterprise Greece follows current international best practices in uniting the nation's outward-oriented support and promotion efforts to fully realise Greece's potential to attract foreign direct investment and, at the same time, to optimise the export efforts of Greek enterprises to reach global markets.

Enterprise Greece

Your partner
for growth

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