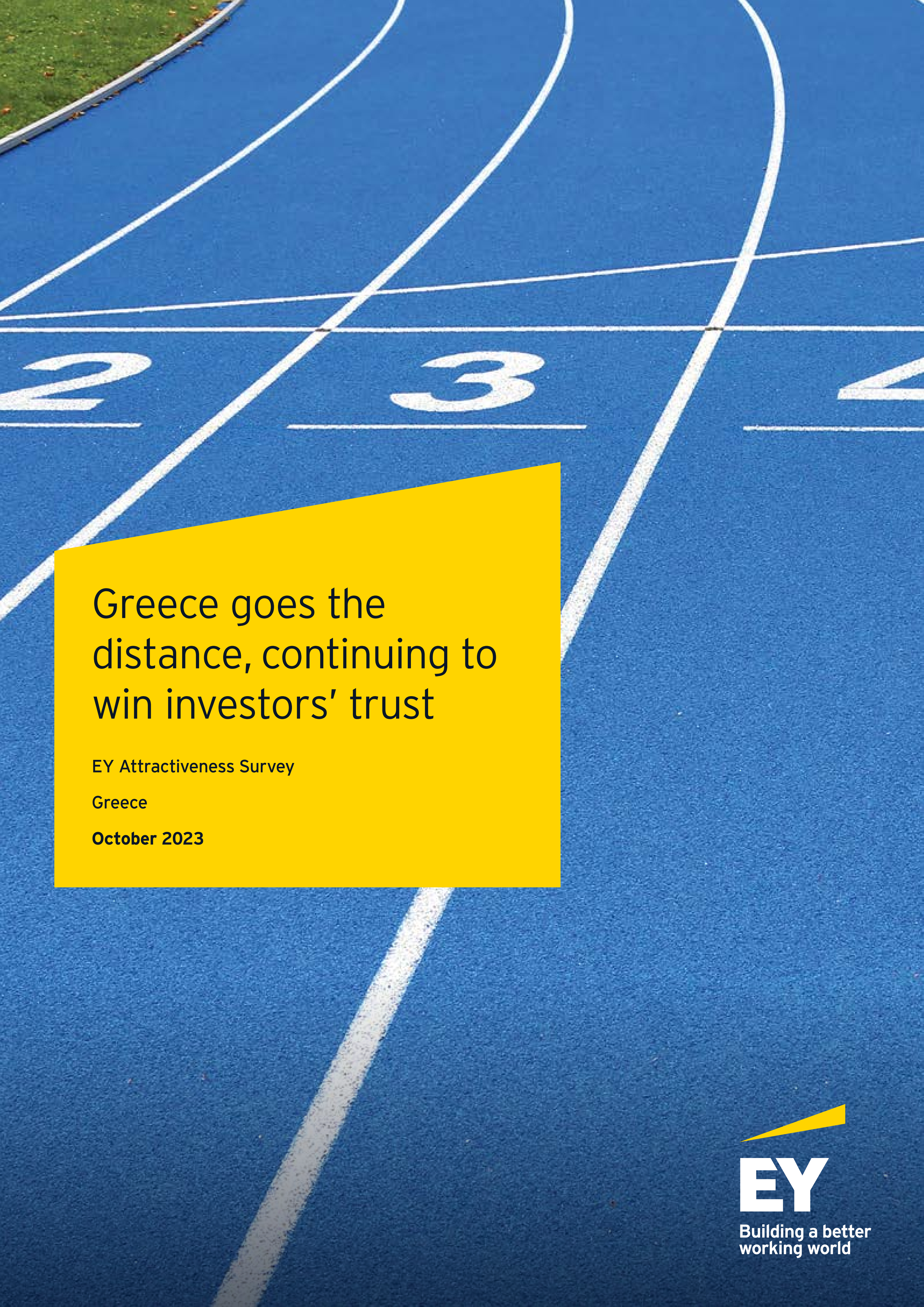


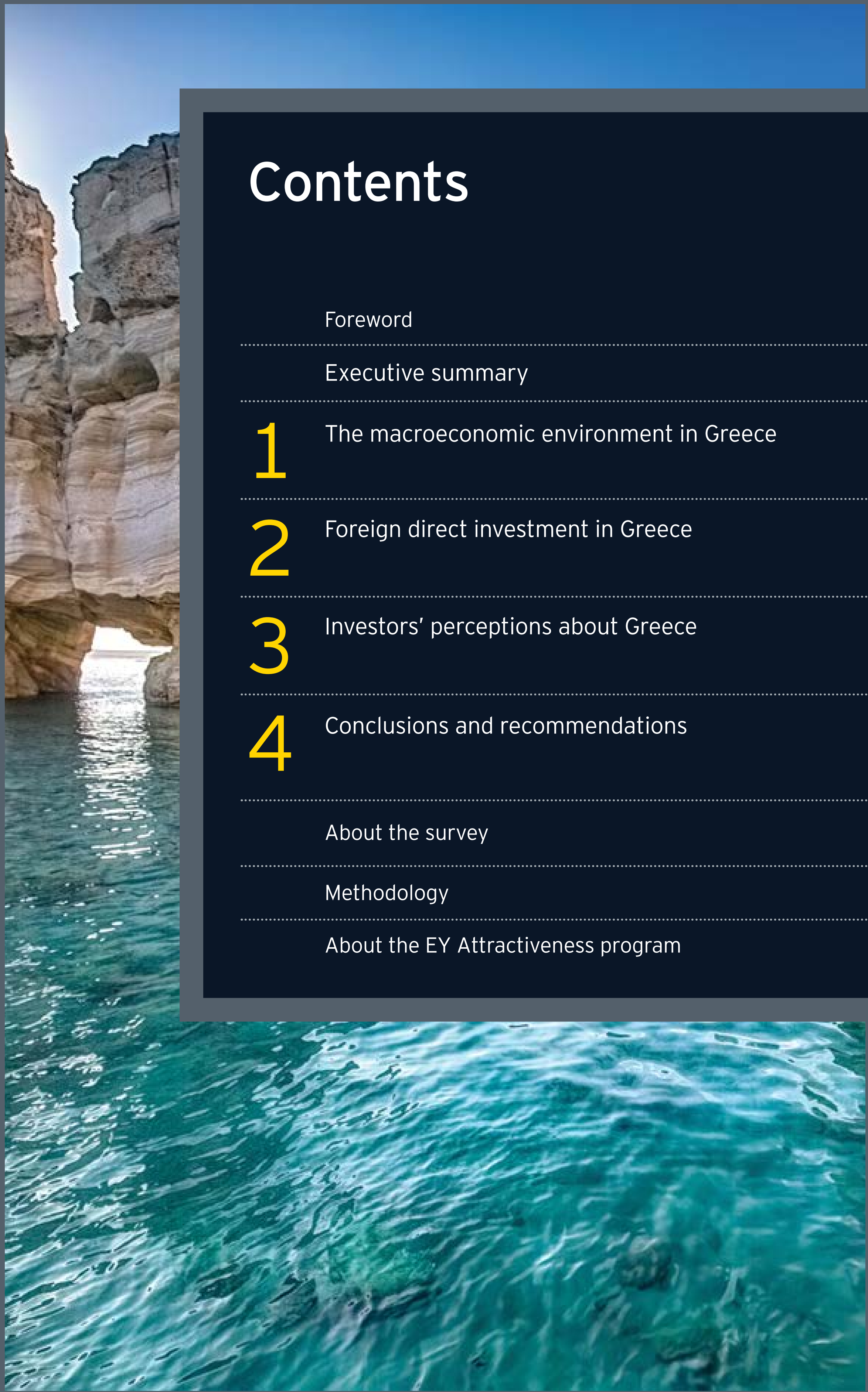
Greece goes the distance, continuing to win investors’ trust

EY Attractiveness Survey

Greece

October 2023

Building a better working world



Contents

Foreword

Georgios Papadimitriou

Greece Managing Partner

The EY annual survey, EY Attractiveness Survey Greece, which is already in its fifth edition, has become a reference point for monitoring the attractiveness of our country as an investment destination, as well as the trends in Europe and beyond, that influence companies' investment decisions.

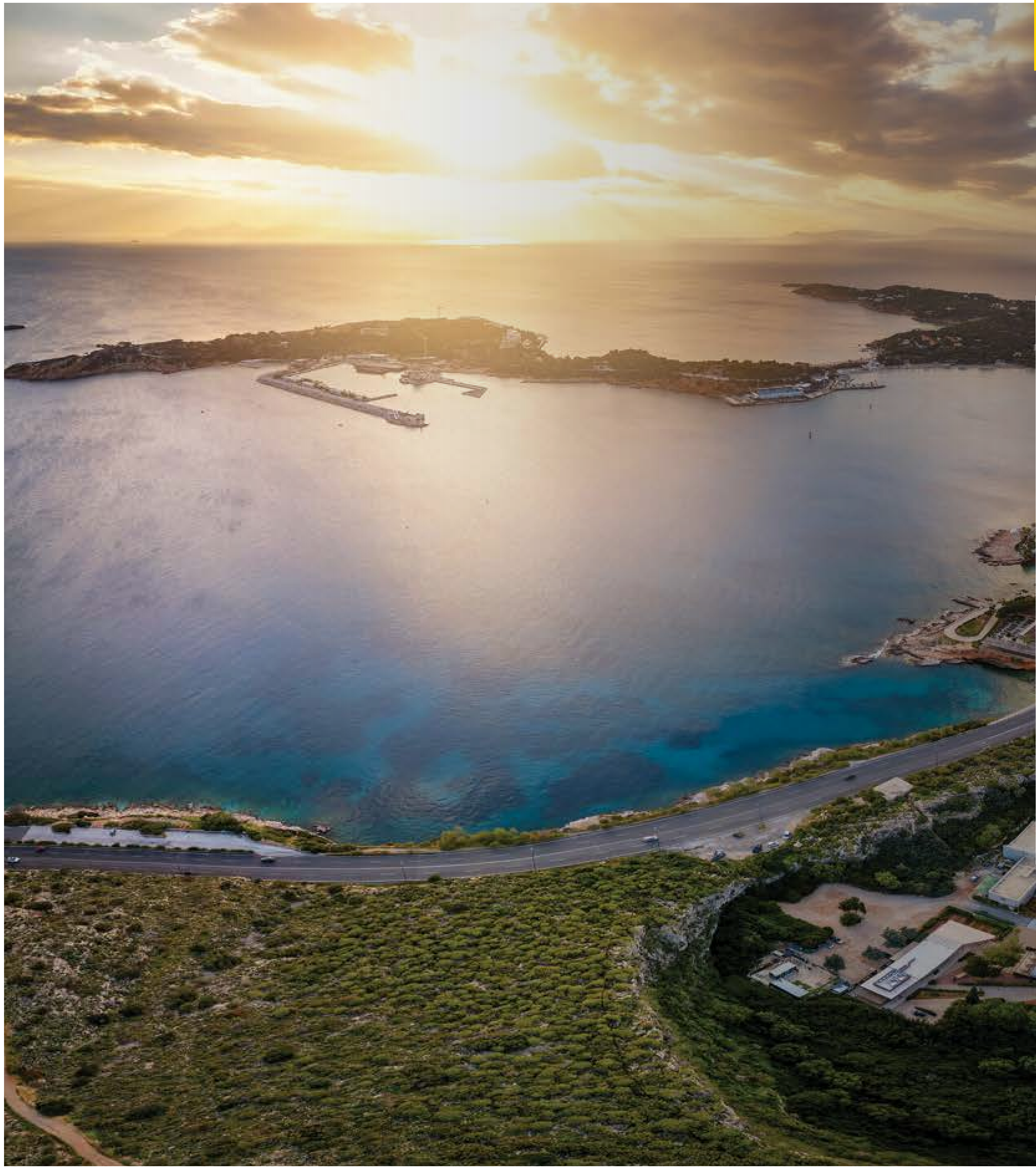
This year's survey confirms that Greece's performance is improving, and our country is gradually finding its place on the global investment map. The number of foreign direct investment (FDI) projects, as well as the intention for further investments, are increasing, while the qualitative composition of investments is improving. The share of respondents that expect the country's attractiveness to further improve over the next three years is among the highest in Europe.

The survey highlights areas where our country has comparative advantages, but also areas where there is still room for improvement.

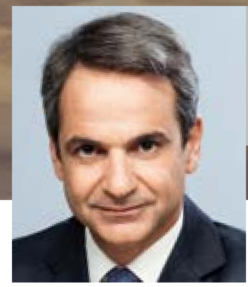
In a period of sweeping economic and geopolitical changes, businesses are reevaluating their strategies and criteria that determine the destination of their investments. To maintain and enhance its competitiveness, our country must closely monitor these changes and trends and adjust its strategy and priorities accordingly. A few years ago, the "battle" for attracting investments was primarily focused on taxation and labor costs. Today, key criteria for investment decisions include the diffusion of new technologies, talent and skills and a country's policies on sustainability and climate change.

The findings of our survey are clear. Greece's performance has improved significantly, however, at a time when all European countries are vying with the same intensity to attract investments, there is no room for complacency. We need to safeguard the achievements of recent years, build on our strengths, and, most importantly, intensify our efforts to address improvement areas.

Covering the lost ground of the previous decades requires time, unwavering commitment to the objective, and persistent efforts in implementing reforms.



External viewpoint



Kyriakos Mitsotakis
Prime Minister of Greece

After three years of unprecedented investments in our country, what lies ahead as Greece's next objectives?

In the midst of an ever-changing global landscape filled with geopolitical and economic challenges, Greece's economy has not only displayed remarkable resilience but has also achieved significant milestones. It has attained one of the highest growth rates within the Eurozone and attracted historically high levels of foreign direct investment, diversifying beyond traditional sectors. Furthermore, after 14 years, Greece has regained its investment grade status, fulfilling a crucial national aspiration.

To uphold and enhance this positive trajectory, we are tasked with pursuing ambitious new goals:

Accelerating the judicial process to align with the European average for the issuance of legal decisions. Vigorously combatting tax evasion to promote social justice. Investing in climate adaptation and mitigating the impact of natural disasters. Reconstructing the state to better serve our citizens. Advancing the green transition for more affordable and environmentally-friendly energy. Widespread digitalization of all government processes.

These initiatives go beyond attracting increased investments; they establish a resilient and sustainable Greece, instilling trust and confidence as we boldly and optimistically face the challenges of tomorrow.

Executive summary

For the second consecutive year, foreign direct investment in Europe recovered at a slow pace, after dropping by 13% after the outbreak of the pandemic in 2020. The number of foreign direct investment (FDI) projects in Europe increased by 5% in 2021 and a mere 1% in 2022.

Best performance by Greece in terms of number of FDI projects since the launch of the survey
Against this background, and despite the wider adverse economic conditions, the EY organization's European Investment Monitor recorded 47 FDI projects in 2022 in Greece, a 57% increase compared to 2021.

Number of FDI projects in Greece increases by

57% One of the highest growth rates recorded in Europe this year

This is the country's strongest performance since 2000, when the European survey was launched, and places Greece in the 19th place among European countries for 2022, confirming the positive trend of recent years.

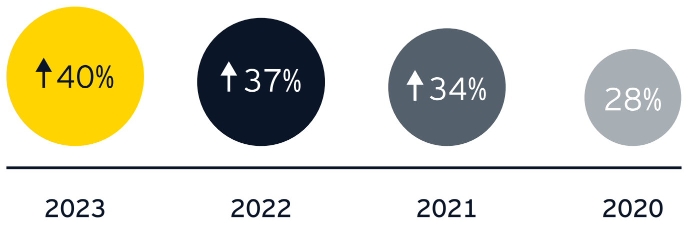
Cumulatively, the FDI projects of the last three years represent

35% of the total investment recorded by the study between 2000 and 2022

However, with investments in Greece representing 0.79% of total investments made in Europe, it is clear that for Greece to take its rightful place on the European investment map and to cover the investment gap created over the last 20 years, the current growth rate will need to be maintained, and even intensified, for many years to come.

These findings also indicate a continued improvement in the qualitative composition of investments, with a greater dispersion in more activities, and a significant percentage of investments being directed to knowledge-based activities with relatively high added-value, and sectors, such as software and IT services, which can play a significant role in changing the country's production model.

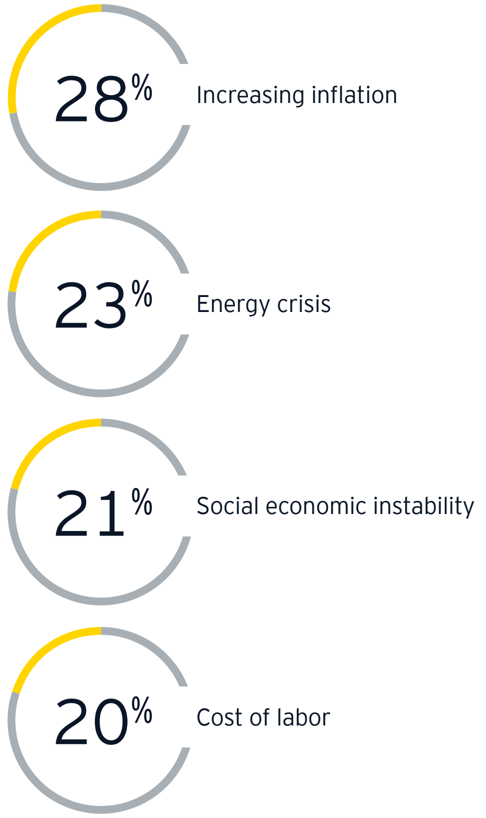
Appetite for investment continues to grow
According to this year's survey, which was carried out between 3 July and 26 July 2023, with the participation of 250 executives of foreign companies from all over the world, two out of five companies (40%) plan to establish or expand operations in Greece, during the next year. This percentage has been steadily increasing over the last three years, from 28% in 2020, to 34% in 2021 and 37% in 2022.



As in the rest of Europe, the most important economic risks that impacted companies' investment plans in Greece in 2023, according to the survey, were inflation and its impact on consumer demand (50%), as well as rising interest rates and tightening financial conditions (43%).

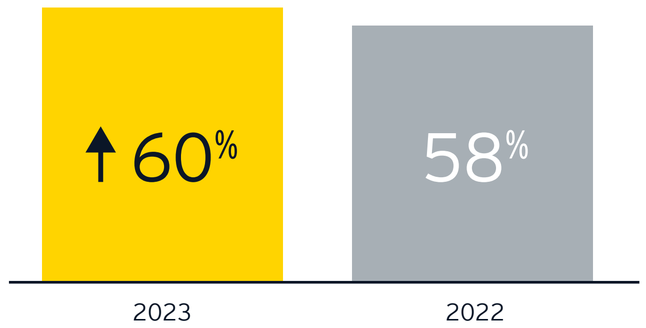
Asked to identify the sectors where they expect to increase their current investment footprint, over the next three years, companies already established in the country mentioned primarily business services (61%) and logistics (58%). One in three companies intend to increase their footprint in the critical area of research and development (R&D) in Greece (33%), compared to 64% across Europe, while 25% said they expect to reduce it.

With regard to the most important risks that could threaten Greece's overall attractiveness as an investment destination, the survey participants cited increasing inflation (28%), the energy crisis (23%), social economic instability (21%), and the cost of labor (20%).



Three out of five respondents saw an improvement in the country's attractiveness in the last year ...

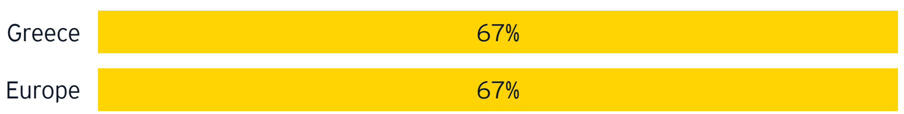
Sixty percent of respondents report that their perception of Greece as a location where their company might establish or develop activities has improved, with 8% saying that it has improved significantly. The total percentage of those saying their perception has improved has increased from 2022 (58%), and is the highest since the launch of the survey, with the exception of 2021, when it approached 62%.



… while optimism remains high for an improvement in the country's attractiveness over the next three years

Two out of three respondents (67%) expect that Greece's attractiveness will improve over the next three years, including 5% who expect a significant improvement, while 9% of respondents expect a slight deterioration and 2% a significant deterioration. These findings are in line with those for Europe as a whole (67% expect an improvement and 8% a deterioration).

Investors' perceptions on the attractiveness over the next three years



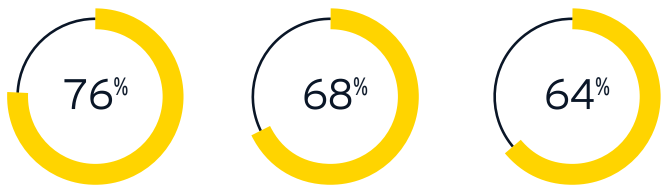
believe the country's attractiveness will improve over the next three years

The country's attractiveness policy is seen as effective, with room for further improvement

Three out of four respondents (76%) rate the country's attractiveness policy for attracting investment as "very" (16%) or "somewhat" (60%) effective. However, the high proportion of those characterizing Greece's attractiveness policy as "somewhat" effective, suggests that there is room for further improvement.

Among the individual attractiveness policies, respondents rank as most effective those for attracting companies (76%), innovative activities (68%) and human talent (64%), followed by attracting business headquarters (58%) and establishing global centers for competitiveness: world-class clusters (54%).

76% believe that Greece's attractiveness policy at attracting international investors is effective



Attracting companies

Attracting innovative activities

Attracting human talent

Sustainability, technology and talent

Respondents were also asked to evaluate Greece in comparison to other countries, based on a series of criteria linked to three critical factors that influence investment decisions today: sustainability, technology and talent.

For all specific parameters examined, the majority of respondents say that Greece performs as well as other countries. The best picture for the country emerges with regard to sustainability where, in five of the six sub-criteria, those who believe that Greece performs better than other countries outnumber those who say it performs worse than other countries. In contrast, in the criteria relating to technology and talent, the picture is more mixed, with roughly equal numbers of respondents saying that Greece is performing better and worse than other countries. These findings highlight the areas where further progress will need to be made in the coming years.

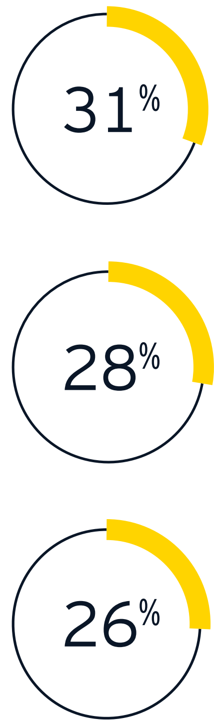
Investors appear positive about Greece's management of the energy crisis

Greece outperformed others in handling the 2022 energy crisis, according to respondents. Indeed, two out of five respondents were positive, with 36% saying Greece handled the crisis "slightly better" and 7% "significantly better" than other countries, while 22% felt that the management of the crisis was comparatively worse.

2 out of 5 believe that Greece managed the energy crisis better than other countries

Education and skills, taxation, high-tech industries and innovation remain key priorities

Asked about areas where the country should focus in order to maintain its competitive position in the global economy, respondents continue to prioritize three key areas: developing education and skills (31%), reducing taxation (28%) and supporting high-tech industries and innovation, including cleantech, etc. (26%).



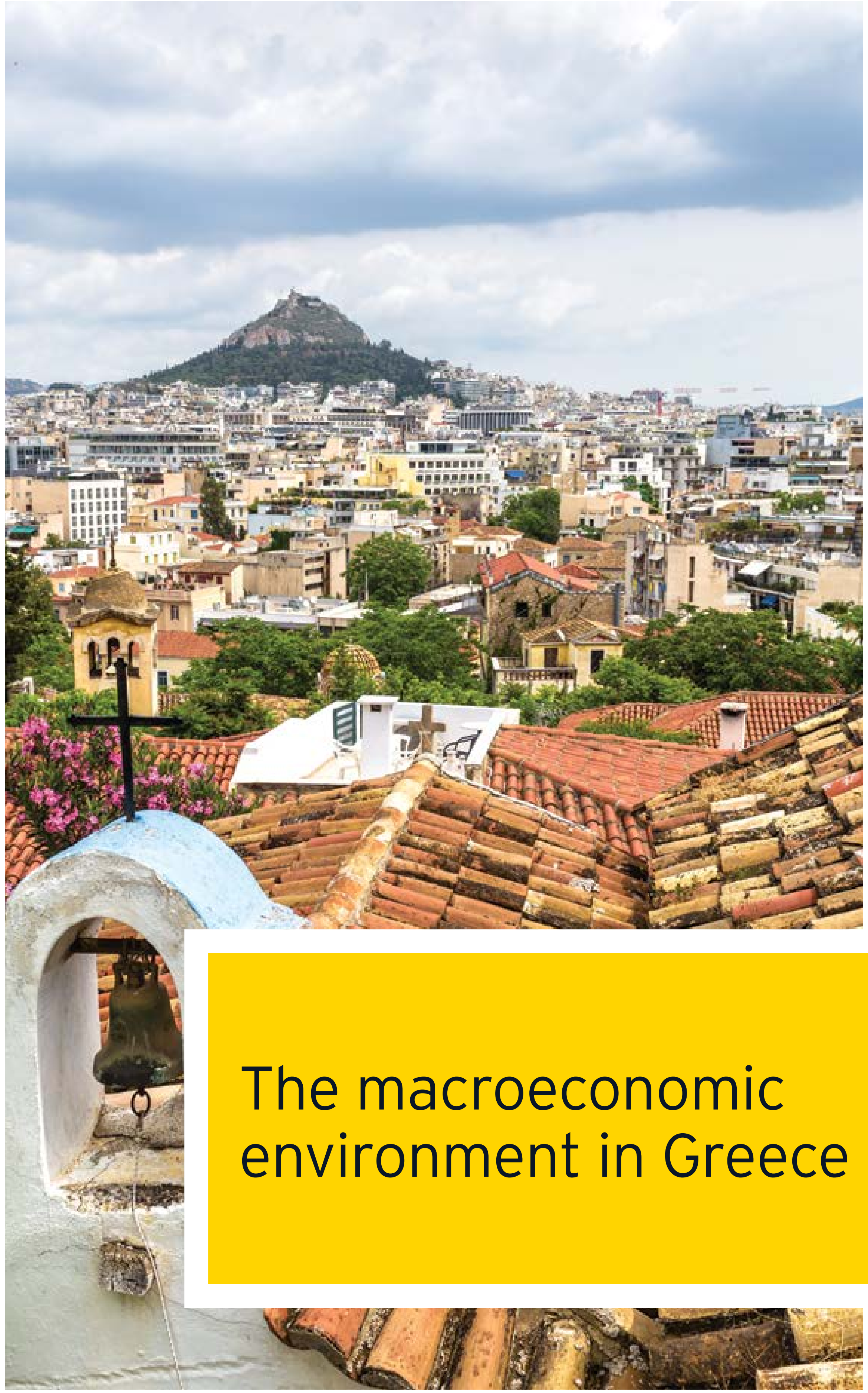
Develop education and skills

Reduce taxation

Support high-tech industries and innovation (cleantech, etc.)

Investment sentiment and July's wildfires

This year's survey coincided with the catastrophic wildfires which took place in July, in Rhodes and other areas around Greece, and were extensively covered by the international media. These events seem to have had a negative impact on companies that are not currently established in Greece, in terms of their willingness to invest in the country. The percentage of these companies that declared that they plan to develop activities in our country in the next year decreased from 49%, before the fires, to 2% after. By contrast, the intention to invest among companies already present in the country did not change significantly. This finding highlights the importance that the investment community now attaches to a country's ability to effectively deal with the enormous challenges created by climate change, and confirms the need to create a strategic plan to this end.



1

The macroeconomic environment in Greece

Gross Domestic Product (GDP)

5.9% GDP growth in 2022, with GDP exceeding pre-pandemic levels[1]

During the first half of 2023, GDP recorded an increase of

2.35% compared to the corresponding period of 2022[2]

Projections

2.4% 2023

1.9% 2024

GDP growth is expected to slow down[3]

Unemployment

Unemployment rate fell below 2010 levels in 2022[4].

12.4% 2022

Unemployment is expected to de-escalate[5] slightly to:

12.2% 2023

11.8% 2024

Inflation

9.3% 2022

During the first months of 2023, inflation decreased to:

7% January 2023

2.7% August 2023

Projections Annual inflation estimated[6] at around:

4.2% 2023

2.4% 2024

171.3% Public debt-to-GDP ratio in 2022, declined by about 35 basis points compared to 2020

Expected deceleration in 2023[7] to **160.2%**

0.1% Greek state budget primary surplus in 2022 (% of GDP)[8]

Current account deficit in the first quarter of 2023[9], decreased by **€3.1b** compared to the respective period of 2022

1. Governor's Annual Report 2022, Bank of Greece, 7 April 2023
2. Quarterly National Accounts, Hellenic Statistical Authority, 6 September 2023
3. European Spring Economic Forecast 2023, European Commission, May 2023
4. Governor's Annual Report 2022, Bank of Greece, 7 April 2023
5. European Spring Economic Forecast 2023, European Commission, May 2023
6. Monthly evolution of the Overall Consumer Price Index, 1959-2023 period (August), Hellenic Statistical Authority
7. European Spring Economic Forecast 2023, European Commission, May 2023
8. Hellenic Statistical Authority: Marginal primary surplus of 0.1% in 2022, ot.gr (Greek article), 21 April 2023
9. Bank of Greece: Current account deficit decreased by €3.1 billion in the first quarter, capital.gr (Greek article), 22 May 2023

External viewpoint

Kostis Hatzidakis
Minister of Economy and Finance of Greece

How can Greece capitalize on global challenges as opportunities for economic growth?

Global challenges, such as globalization, climate change, and the fourth industrial revolution, cannot leave government policy unaffected.

Greece has made remarkable progress in the past four years in all these areas. It achieved an impressive increase in foreign direct investment (FDI) and record export growth not seen in decades. It ranked seventh globally in the penetration of renewable energy sources (RES) in electricity production. It promoted the digitalization of the public sector at a pace never seen before.

The effort, though, will also continue during the government's second term, with Greece's comparative advantages on our side. These include political stability following the recent elections, the results of reforms already implemented, and, most importantly, the economic plan we will continue to apply. This reform plan emphasizes fiscal stability, a shift in our production model, the digital and green transition of businesses, strengthening the skills of our workforce, more efficient utilization of European funds and public assets, and attracting even more investments!

That is our strategy for a competitive and productive economy with strong growth dynamic!

In June 2022, the Eurogroup paved the way for the termination of the enhanced surveillance of Greece, welcoming the European Commission's intention not to extend the enhanced surveillance after its expiry in August 2022. This termination, combined with the full repayment of IMF loans in April 2022, returned the country to normalcy for the first time since 2010.

- Rating agency DBRS Morningstar lifted Greece's credit rating to investment-grade status, in September 2023, after 13 years. The upgrade reflects DBRS Morningstar's view that, in line with Greece's impressive track record, the Greek authorities will remain committed to fiscal responsibility, ensuring that the public debt ratio stays on a downward trend[10].
- Moody's raised Greece's rating by two grades, one step prior to the investment grade. By the end of the year, the respective decisions of S&P and Fitch are expected, both of which currently evaluate Greece one step prior to the investment grade[11].

National Recovery and Resilience Plan "Greece 2.0"

A key factor that is estimated to contribute to the growth of the economy is the faster capitalization of the resources of the National Recovery and Resilience Plan "Greece 2.0", which was approved by the European Commission on 17 June 2021. The Plan foresees a total of €30.5 billion in funds for the period 2021-26, with €17.8 billion to be channeled in grants, and €12.7 billion in loans[12].

It is worth noting that Greece is among the first countries that rushed to use the Recovery and Resilience Facility's resources, leading to a comparatively rapid disbursement of the tranches.

The resources that have flowed to Greece from the valuable development tool of the Recovery and Resilience Facility exceed

€11b out of the total €30.5b[13]

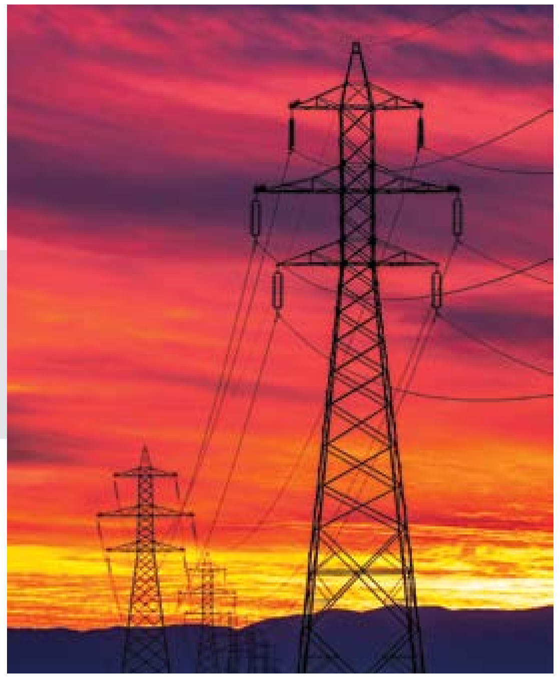
Energy

The floating liquefied natural gas (LNG) storage and regasification terminal (FSRU) off **Alexandroupolis** is expected to be completed by the end of 2023. Meanwhile, the second FSRU off **Corinth** is expected to be completed between late 2023 and early 2024, while three other terminals are estimated to be operational by 2025[14].

By the end of 2023, the annual transport capacity of the IGB pipeline is expected to increase to

5b m³ (compared to 3b m³ capacity at the beginning of 2023)

A permanent technical solution will be presented in the coming years with the completion of the compression station in Komotini by DESFA to interconnect the IGB with the Greek gas transmission system. With its construction and the smooth export of fuel through the Greek-Bulgarian pipeline, the project represents an important step for Greece to become a "gateway" for gas in South-Eastern Europe[15].



10. DBRS Morningstar Upgrades the Hellenic Republic to BBB (low), Stable Trend, DBRS, 8 September 2023
11. Moody's upgrades Greece's ratings to Ba1, outlook stable, Moody's, 18 September 2023
12. EU: The Greek plan for the RRF was approved, ethnos.gr (Greek article), 13 July 2021
13. Allocation of the €11.5 billion received by RRF, businessnews.gr (Greek article), 4 October 2023
14. Natural gas: First FSRUs in Greece within 2023, ot.gr (Greek article), 31 December 2022
15. The Greek-Bulgarian IGB becomes a gateway for Serbia as well - Increase of capacity until the end of 2023, energypress.gr (Greek article), 6 February 2023

Foreign trade

36.9%*

The total value of exports increased by 36.9% in 2022 (€54.7 billion), compared to 2021[16].

*21.7% increase, excluding petroleum products

January - July 2023

Reduction of the trade deficit[17] by

18.2%

(from €21.2 billion to €17.3 billion, compared to the corresponding period of 2022)[18]

Labor market

Total employment in 2022 increased by 5.4%	Wage employment in 2022 increased by 7.7%
Unemployment among young people aged 20-29 23.3% in 2022 (27.8% in 2021)	Unemployment among the long-term unemployed 7.7% in 2022 (9.2% in 2021)

Source: Governor's Annual Report 2022, Bank of Greece, 7 April 2023

More than

€3b

have been committed from the Recovery and Resilience Facility aiming to create new jobs, increase labor market participation, as well as reskill and upskill employees and the unemployed

16. Commercial Transactions of Greece Press Release: June 2023, Hellenic Statistical Authority, 7 September 2023
17. Ibid
18. Ibid

External viewpoint

Giannos Kontopoulos

CEO, Athens Exchange Group

How can the Athens Stock Exchange take on a more active role in attracting foreign investment to our country?

The favorable performance of the Greek economy and the imminent upgrade of the country's credit rating, present a unique opportunity for the Athens Stock Exchange to take on a more active role in attracting foreign investments to our country. The pivotal step in achieving this lies in fostering trust within the investment community, achieved through heightened transparency and robust corporate governance practices in the Greek business landscape. Simultaneously, modernizing processes will expedite the entry of new enterprises into the market, rendering it more appealing, while concurrently simplifying investor access to our investment products.

Furthermore, by strengthening international outreach and communication between global investors and Greek enterprises, and by promoting their sustainable, technologically innovative solutions, the Athens Stock Exchange can showcase the Greek business environment as a highly attractive investment opportunity on a global scale. On our part, we work in a coordinated manner toward all these objectives, and we have already observed a significant enhancement in the confidence of the international investment community toward the Greek capital market.

Infrastructure, transportation and logistics

According to the most recent estimates, the broader supply chain and transportation sector is one of the main pillars of the Greek economy, accounting for about

11% of domestic GDP, valued at almost €20 billion[19]

19th (42th in 2018) Logistics Performance Index (LPI)
World Bank Global Rankings 139 countries in 2023

The Port of Piraeus

51st place in the world, in productivity of port infrastructure in 2022, based on the latest World Bank data[20]

Based on the container throughput in Twenty-foot equivalent units (TEU)[21]:

5th place in Europe

2nd place in the Mediterranean, among the top 15 container ports in the EU in 2022

Tourism

Performance during January - July 2023
Compared to the respective period in 2022

€8.9b travel surplus (+19%)

16.2 million inbound travelers (+21.9%)

€10.3b travel receipts (+20.2%)

- +15.5% air travel
- +45% road travel
- +20.5% travelers from EU-27 countries
- +24.1% travelers from non-EU-27 countries
- +14.7% receipts from EU-27 travelers
- +27% receipts from non EU-27 travelers
- -1.8% average expenditure per trip

Source: Developments in the balance of travel services, Bank of Greece, 21 September 2023

19. How can Greece become a global leader in logistics, newmoney.gr (Greek article), 10 February 2023
20. The Container Port Performance Index 2022, World Bank Group, 18 May 2023
21. Top 15 container ports in European Union in 2022, porteconomics.eu, 17 May 2023

The macroeconomic environment in Greece

Climate law

The Climate Law, which was passed in Greece in May 2022, sets as a long-term goal the country's climate neutrality by 2050, which means balancing greenhouse gas emissions with their removals.

Intermediate target for 2030:
Decrease anthropogenic emissions by **55%**

Intermediate target for 2040:
Decrease anthropogenic emissions by **80%**

compared to 1990, taking into account the provisions of the National Energy and Climate Plan (NECP).

Taxation

The corporate income tax rate is now **22%**

0.5% capital duty is imposed on share capital increase of companies. It is expected that the rate will be reduced to 0.2%.

0.2% sales tax is imposed on the sale of shares listed in the Athens Stock Exchange. It is expected that the rate will be reduced to 0.1%.

Innovation and startup entrepreneurship

Today the Greek startup ecosystem accounts for 2,100-2,500 thousand businesses[22], recording rapid growth rates over the last five years, with a total value exceeding

€8.2b up from €1.1 billion in 2017[23]

According to international rankings, the Greek startup ecosystem climbed two places in the global ranking in 2023[24]

46th (48th in 2022) **4th** in Balkans (5th in 2022)

Three sectors with the highest number of registered startups[25]

1. Life sciences
2. Environment and energy
3. Marketing and advertising

Investment opportunities in Greece

Investments in the energy sector by Greek and foreign investors, mainly in the field of renewable energy sources, continue to progress with undiminished volume. According to the latest EY Renewable Energy Country Attractiveness Index (RECAI 61), Greece ranked 16th in terms of its attractiveness for investments in RES, for the second consecutive time.

16th out of 40 countries

Greece also posted its best-ever performance in the normalized index, which is based on GDP, showing which markets are performing above expectations relative to their economic size. In this way, the normalized index helps reveal ambitious plans in smaller economies, creating some attractive alternatives for potential investors.

1st 2nd in November 2022

Source: EY Renewable Energy Country Attractiveness Index (RECAI 61), EY, June 2023

Key macroeconomic indicators

	2019	2020	2021	2022	2023*	2024*
GDP (annual rate of change, %)	1.9	-9.0	8.4	5.9	2.4	1.9
GDP (€ billion)	183.8	167.2	181.3	192.1	196.7	200.4
GDP per capita (EU-27=100)	63.0	61.0	63.0	65.0	N/A	N/A
Private consumption (annual rate of change, %)	1.9	-7.7	5.8	7.8	1.6	1.4
Public consumption (annual rate of change, %)	2.1	2.6	2.2	-1.6	-0.2	-1.4
Gross fixed capital formation (annual rate of change, %)	-2.2	1.1	20.0	11.7	7.2	6.0
Exports (annual rate of change, %)	4.9	-21.5	24.1	4.9	6.5	5.2
Public debt (in relation to GDP, %)	180.6	206.3	194.6	171.3	160.2	154.4
Inflation (annual rate of change, %)	0.5	-1.3	0.6	9.3	4.2	2.4
Unemployment rate (%)	17.9	17.6	14.7	12.4	12.2	11.8

Source: European Commission, "European Economic Forecast, Spring 2023", Eurostat, Hellenic Statistical Authority
** European Commission forecasts*

22. Innovative/startup entrepreneurship: From the international environment to the Greek regions, Ioanna Sapfo Pepelasi, Professor Emeritus, Athens University of Economics and Business, Regional Policy Monitor, January 2023
23. EY: Greek startups worth €8 billion, imerisia.gr (Greek article), 14 July 2023
24. Global Startup Ecostystem Index 2023, StartupBlink
25. Seven "golden" sectors of startups that have raised €4 billion, businessdaily.gr (Greek article), 17 May 2023

External viewpoint

Dimitris Papalexopoulos
President of SEV,
Chair of the Board of Directors of Titan Cement International S.A.

How can we boost the Greek innovation ecosystem, so it can further advance?

One of the most hopeful recent developments in our country is the emergence of a dynamic and growing startup ecosystem. It is helping Greece become more extroverted, more innovative, more meritocratic.

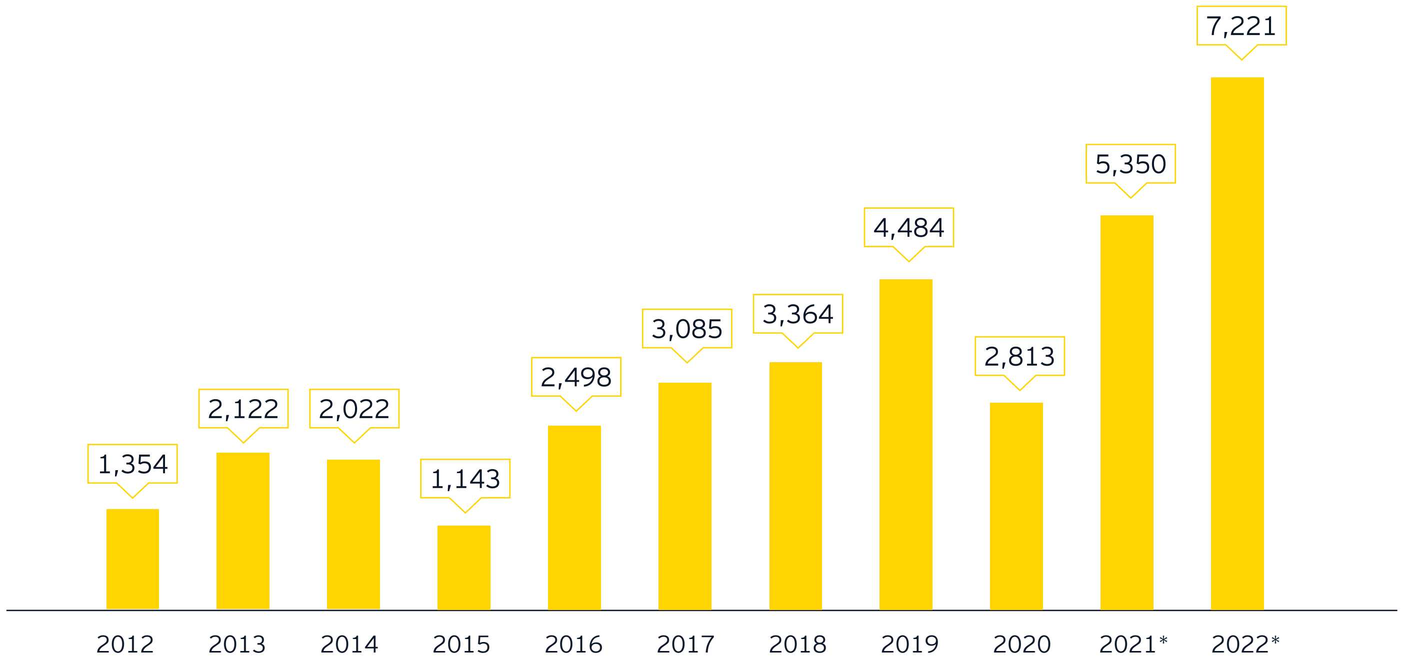
We can further accelerate the ecosystem's development by connecting it with established companies, the talent of the diaspora, the universities and financing institutions. The resulting multiplier effects will benefit all, especially the young.

2

Foreign direct investment in Greece

In 2022, global foreign direct investment (FDI) flows decreased by 12%, amounting to a total of $1.3 trillion. This was primarily a result of the war in Ukraine, high energy and food prices and stricter financing conditions due to escalating interest rates and increased uncertainty in financial markets[26]. Within this adverse environment, it is noteworthy that Greece's performance improved even further in 2022, with FDI showing a remarkable increase of 35% compared to 2021[27], or 61% above 2019 levels. In 2022, the net inflow of FDI exceeded €7.2 billion, of which mergers and acquisitions represented €2.3 billion (31.8% of the total), while €1.9 billion (27.3%) were spent on real estate acquisitions. In total, €1.9 billion (27.4% of the total) was spent on purchasing new shares, aimed at creating new productive investments or participating in equity expansions. This net inflow represents a significant increase compared to the same period in 2021 (€5.4 billion)[28]. This constitutes a record for net FDI inflows for Greece, conforming the upward trajectory of the Greek economy and the successful efforts made in recent years to attract foreign investments to the country.

Net foreign direct investment (FDI) inflows into Greece during the period 2012-22 (in million euros)



Source: Direct investment - Flows, Bank of Greece, data retrieved on 14 June 2023
* Temporary data

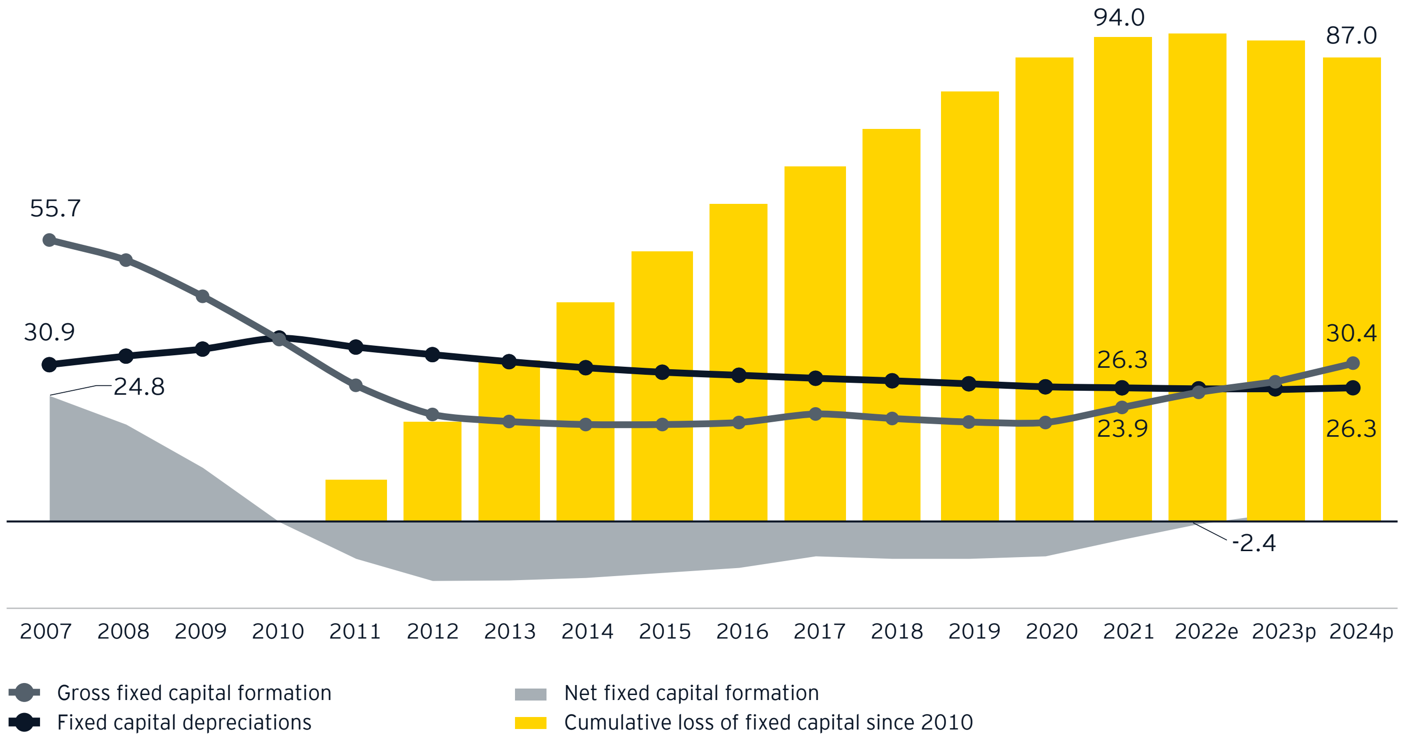
Net inflows of foreign investments in Greece are primarily concentrated on the tertiary sector, followed by the secondary sector. This mirrors the trend observed in most developed countries. More specifically, during the period 2012-22, foreign investments were focused on services, particularly in financial and insurance activities, real estate management, and storage and transportation activities, constituting 70% of net FDI inflows. The secondary sector accounted for 14% of the total flows during the 2012-22 period. Investors' interest was mainly observed in food, beverages, tobacco, pharmaceutical products, and, to a lesser extent, in electronic products, computers, machinery, equipment, and chemicals[29].

26. World Investment Report 2023, UNCTAD, 5 July 2023
27. Foreign Direct Investment Flows, Bank of Greece, 2022 (Note that UNCTAD, in a recent report reevaluated upwards its original figures for 2021, which may not yet be reflected in the Bank of Greece provisional figures)
28. Ibid
29. Foreign Direct Investments, Enterprise Greece, 10 March 2023

The aforementioned sectors are reflected in the index of gross fixed capital formation (GFCF), which recorded an annual increase of 18.2% in Greece in 2022, well above the EU average of 12.2%. However, the total formation of fixed capital as a percentage of GDP in Greece lags behind the international and European average, standing at 13.7% of GDP, while the average for Eurozone and EU countries is 22.8%[30].

According to the European Commission, Net Fixed Capital Formation (NFCF) remained negative after 2010, with the cumulative loss of fixed capital at the end of 2021 reaching €94 billion - in 2015 values. Greece is called upon to cover this cumulative loss of fixed capital, expected to decrease to €87 billion by the end of 2024, in order to steer the country toward a path of stable and sustainable growth in the coming years. The positive aspect is that the significant upward trend in investments observed in 2022 is likely to reverse this situation, with the GFCF expected to surpass annual depreciations in 2023, creating the conditions to gradually bridge the investment gap.

Fixed capital formation (€ billion fixed 2015 values)



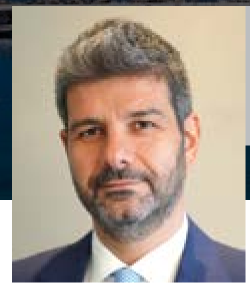
Source: Outlook of the Greek economy: Its Actual State, Risks And Perspectives, diaNEOsis, March 2022

Investments leading to the establishment of new facilities or the creation of new job positions, commonly referred to as greenfield investments, are on the rise, although they continue to constitute a small percentage of total investments. These investments entail a higher degree of business risk, as potential issues may arise regarding environmental permits, archaeological findings, or property ownership. Beyond these investments, a comparable interest has been observed for internet data centers[31].

Furthermore, according to data from the Bank of Greece, direct foreign investment in real estate increased by 68% in 2022, compared to 2021[32]. In this context, the "Golden Visa" program attracts significant investment interest, as it allows non-EU citizens to obtain residence permits by purchasing properties exceeding €250,000 in value. In 2022, privatizations played a crucial role, with significant developments, such as the acquisitions of major Greek companies in the energy and gas sectors, as well as the receipt of the first installment from the sale of the former international airport of Hellinikon[33].

30. National Accounts, Eurostat, 13 June 2023
31. Shadows over the record in foreign investments, kathimerini.gr (Greek article), 11 April 2023
32. Real estate: where prices are rising and falling in Greece, ot.gr (Greek article), 3 April 2023
33. Shadows over the record in foreign investments, kathimerini.gr (Greek article), 11 April 2023

External viewpoint



Marinos Giannopoulos
CEO, Enterprise Greece

What do foreign investors ask for and how can we attract them?

While Greece was setting a 20-year record in 2022 by recording €7.2 billion in foreign direct investment, already - since 2019 - at Enterprise Greece we had begun to see a steady recovery of the international investment interest. This interest continued to grow in the three years that followed, while at the same time we saw the domestic investment environment steadily improve on an annual basis too, as depicted through the annual surveys conducted by EY teams. In reply to the question posed and from our experience so far, we have seen a wide range of requests from investors, which differ vastly according to their specific sector of interest. We could, however, isolate some common general investment characteristics, such as the availability of qualified human resources, the stability of the institutional framework and the positive economic and investment outlook of the country. The continuation of the reforms, the achievement of the investment grade, the completion of the ongoing major infrastructure projects and the promotion of new investment opportunities in Greece as they are taking shape in the current economic situation, I believe are key elements for the effective attraction of new investments in our country.

EY European Investment Monitor data

EY teams, through the EY European Investment Monitor (EIM) database, monitors and records all direct foreign investment made in Europe each year and analyzes emerging trends. This database is based on a targeted methodology that focuses on investments leading to the creation of new facilities and job positions (greenfield projects). These investments are essential for Greece to achieve and maintain high growth rates, continue to reduce unemployment, and ensure the transformation of its economy. The database does not include portfolio investments, mergers and acquisitions, as well as privatizations. It also excludes investments in tourist facilities, potentially underestimating the absolute values of foreign direct investment in Greece. Nevertheless, given that the same methodology is consistently applied to all countries covered by the survey, it remains an exceptionally useful tool for monitoring and understanding the evolution of investments over time, as well as the comparative performances of European countries.

This data is annually presented in the EY Attractiveness Survey Europe[34], along with an in-depth analysis of investors' perceptions about Europe's attractiveness as an investment destination and trends concerning the factors that influence investment decisions. Since 2019, the data for Greece is incorporated in the corresponding Attractiveness Survey Greece.

34. EY Europe Attractiveness Survey, EY, 21 June 2023

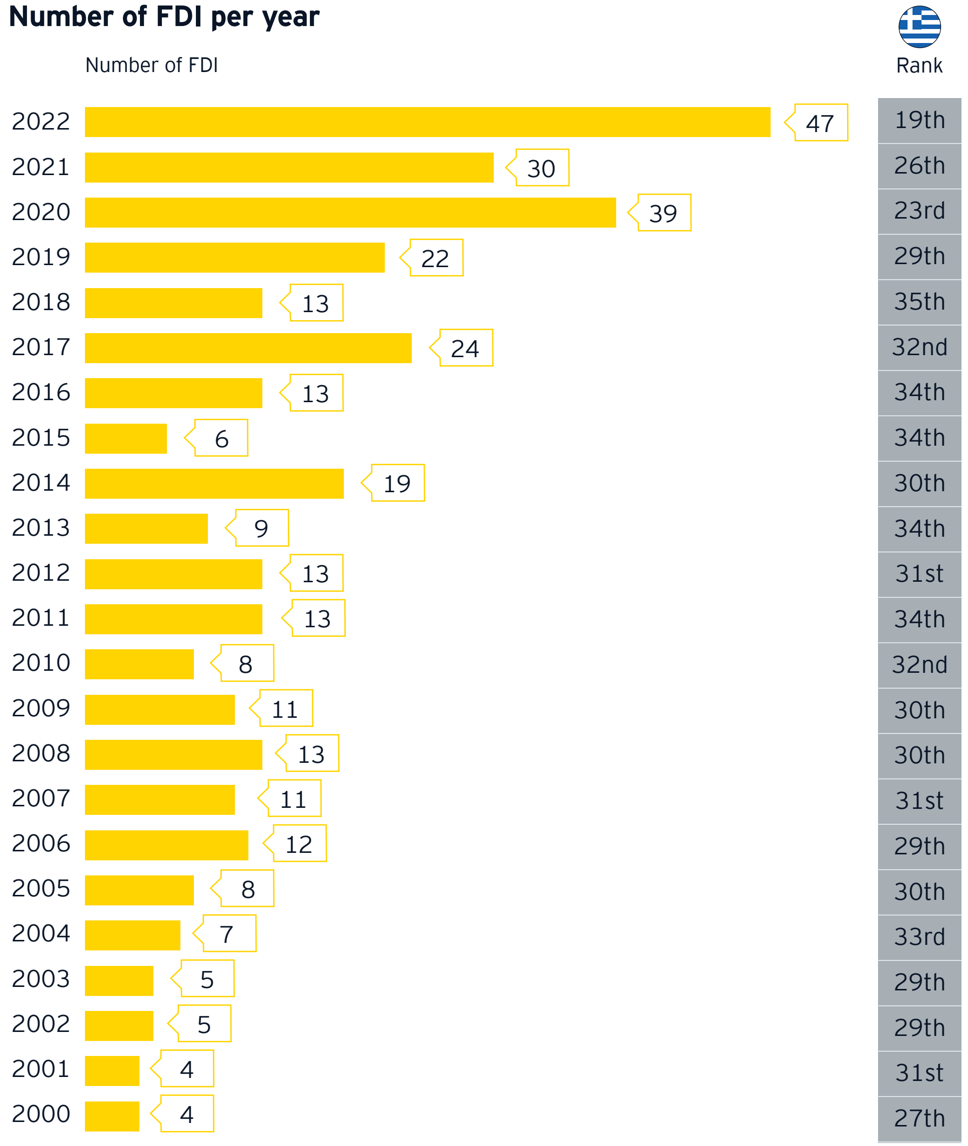
Greece marks the highest ever number of FDI in 2022

According to the data from the EY European Investment Monitor, in 2022, the number of FDI projects announced in Europe increased marginally by 1%, after a 5% increase in 2021. This performance is 7% below 2019, the year before the pandemic, and by 10%, below the all-time high of 2017. The number of jobs created by these investments was down 16% year-on-year.

Against this background, FDI projects in Greece increased by 57%, with 47 projects announced, compared to 30 in 2021.

This marks the county's strongest performance since 2000, the year the European survey was first conducted, leading to a sense of optimism regarding the future trajectory of investments. These investments represent 0.79% of the total number of investments in Europe, up from 0.51% the previous year and 0.70% in 2020, placing Greece, for the first time, among the top-20 investment destinations, specifically at the 19th position, up from the 26th and 23rd position in 2021 and 2020 respectively, confirming the strong upward trend of recent years, despite the adverse global environment.

Number of FDI per year



Foreign direct investment in Greece

Cumulatively, foreign direct investment (FDI) of the last three years account for 35% of the total investment recorded by the survey between 2000 and 2022. It should be noted that the 57% increase in the number of investments in 2022 occurred during a year when overall investment in Europe increased by only 1%, amidst heightened competition among European countries to attract investments.

Top 20 host countries for FDI projects in Europe in 2022

Rank	Country	2022	2021	2020	Change 2021/22	Market share (2022)
1	France	1,259	1,222	985	3% ↑	21.1%
2	United Kingdom	929	993	975	-6% ↓	15.6%
3	Germany	832	841	930	-1% ↓	14.0%
4	Spain	324	361	354	-10% ↓	5.4%
5	Turkey	321	264	208	22% ↑	5.4%
6	Portugal	248	200	154	24% ↑	4.2%
7	Italy	243	207	113	17% ↑	4.1%
8	Poland	237	193	219	23% ↑	4.0%
9	Belgium	234	245	227	-4% ↓	3.9%
10	Ireland	184	152	165	21% ↑	3.1%
11	Netherlands	147	151	193	-3% ↓	2.5%
12	Finland	104	124	92	-16% ↓	1.7%
13	Austria	101	103	76	-2% ↓	1.7%
14	Serbia	74	73	70	1% ↑	1.2%
15	Romania	69	37	57	86% ↑	1.2%
16	Sweden	68	48	75	42% ↑	1.1%
17	Switzerland	58	75	91	-23% ↓	1.0%
18	Hungary	50	76	48	-34% ↓	0.8%
19	Greece	47	30	39	57% ↑	0.8%
20	Lithuania	47	41	53	15% ↑	0.8%

Changes in the qualitative composition of investments

Moreover, alongside the significant growth in the number of investments, there is a continuous improvement in their qualitative composition, as well as a greater dispersion of investments across various activities, possibly indicating a trend toward a more balanced growth model. Based on the type of activity, a significant proportion of investments is directed toward knowledge-based activities with relatively high added value, potentially playing a significant role in the transformation of the economy's production model. At the top of the ranking, accounting for 26% of the total, up from 13% in 2021, are business services, an activity with great potential, which ranks second in Europe as a whole. Other activities that stand out include internet data centers (13%, compared to 3% last year and just 1% in Europe), shared services centers (13%, compared to 3% in Europe), and research and development (11%, compared to 7% in previous years and 10% in Europe). Meanwhile, sales and marketing offices – which between 2000 and 2021 had attracted 49% of total investments – accounted for just 13% in 2022, close to European levels (14%). The impressive 30% of investments directed toward the establishment of headquarters in 2021 dropped to 11% in 2022, but is still higher than Europe as a whole (8%). However, on the downside, the participation of manufacturing and logistics has dropped to 6% each, from 20% and 17% respectively in 2021, reaching lower levels compared to the past two decades (20% and 8% respectively), as well as the overall European levels (29% and 10%).

Activity	Number of projects	Greece 2022	Greece 2021	Greece 2000-21	Europe 2022
Business services*	12	26%	13%	5%*	24%
Internet data centers	6	13%	3%	1%	1%
Shared services centers	6	13%	-	0.34%	3%
Sales & marketing	6	13%	17%	49%	14%
Research and development	5	11%	-	7%	10%
Headquarters	5	11%	30%	7%	8%
Logistics	3	6%	17%	8%	10%
Manufacturing	3	6%	20%	20%	29%
Education & training	1	2%	-	0.34%	1%
Contact centers	-	-	-	2%	1%
Testing & servicing	-	-	-	1%	1%

*The category was included for the first time in 2020

External viewpoint

Nikos Vettas
Director General, Foundation for Economic and Industrial Research
Professor, Athens University of Economics and Business

In a high-cost production environment, how can we attract more high-quality investments to promote the country's reindustrialization?

In order to place the Greek economy on a higher growth trajectory in the coming years, we need to attract investments that support innovation and high productivity, which, in turn, will require an increase in expected profitability for such investments. As this should not be achieved by compressing labor wages – indeed, the country's growth should be accompanied by wage increases – an increase in expected profitability must be achieved through other means, specifically a shift toward high-value productive activities and by an institutional framework that effectively supports businesses' operations. Producing high-value products and services is critical, especially considering that the domestic market is relatively small. The challenge lies not so much in the volume of production, but rather in whether it operates at the forefront of technology and innovation to satisfy demanding customers on a global scale.

Regarding the sectors of the economy that attracted investments in 2022, the notable presence at the top of the ranking of software and IT services is highly encouraging, accounting for 40% of total investment, compared to 17% the previous year, 10% in the preceding two decades, and 20% in Europe. This reaffirms the country's potential to evolve into an innovation hub and accelerates its digital transformation. Additionally, business services and professional services also took a significant share (19%, compared to 15% in the previous two decades, and 13% in Europe), along with utility supply (9%, compared to 3% and 5% respectively).

Sector	Number of projects	Greece 2022	Greece 2021	Greece 2000-21	Europe 2022
Software & IT services	19	40%	17%	10%	20%
Business services & professional services	9	19%	7%	15%	13%
Utility supply	4	9%	7%	3%	5%
Leisure, culture & tourism	3	6%	-	2%	1%
Transportation & logistics	3	6%	20%	10%	7%
Transportation manufacturers & suppliers	3	6%	3%	4%	8%
Agri-food	1	2%	20%	12%	5%
Construction	1	2%	-	2%	2%
Electronics	1	2%	3%	0.3%	5%
Finance	1	2%	3%	9%	5%
Health & social work	1	2%	-	0.3%	2%
Oil & gas	1	2%	7%	4%	0.3%
Chemicals, plastics & rubber	-	-	-	5%	4%
Consumer products	-	-	3%	0.3%	2%
Electrical products	-	-	-	3%	-
Furniture, wood, ceramics & glass	-	-	-	-	2%
Information, communication & media	-	-	-	2%	-
Machinery & equipment	-	-	7%	3%	6%
Medical devices	-	-	-	-	2%
Metals & minerals	-	-	-	1%	2%
Pharmaceuticals	-	-	-	3%	4%
Telecommunications	-	-	3%	1%	2%
Textile, clothing & leather	-	-	-	-	1%
Wholesale, retail & distribution	-	-	-	3%	2%

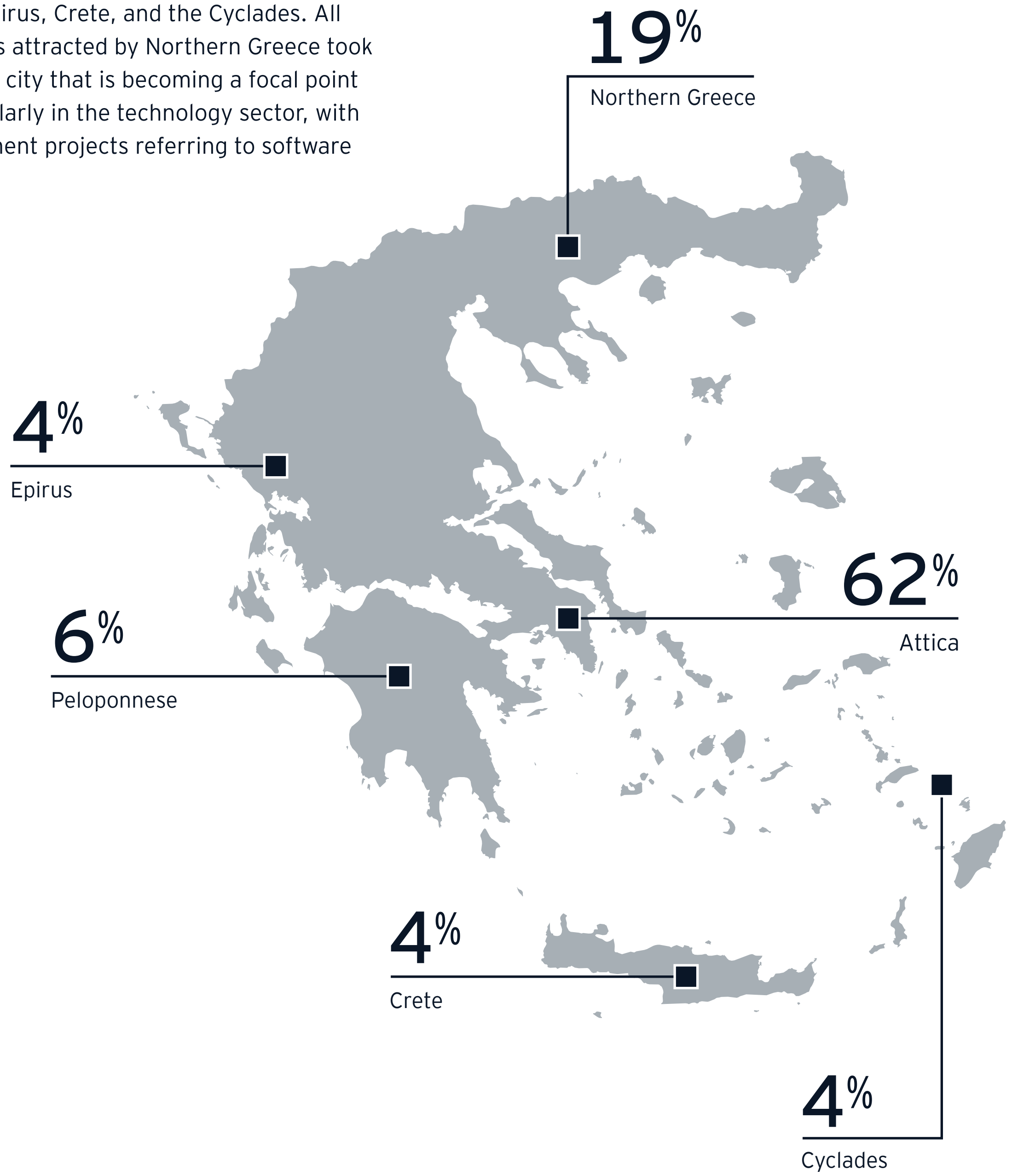
Increased US participation in investment

The participation of the United States in investments made in Greece in 2022 surged to 40%, up from 23% in 2021, with half of these investments related to software and IT services. This percentage is nearly twice than for the rest of Europe. Similarly, the proportion of foreign direct investment (FDI) originating from Europe, accounting for 60% of total FDI in Europe, was 51% in Greece, of which 38% from the EU. Germany was the second largest investor in 2022 (13% from 7%) surpassing the United Kingdom (11% from 17%). France, Italy, Saudi Arabia and Spain (4%) were also among top investors, while the list includes countries that were absent last year, despite being among the top six major investing countries in Europe as a whole; notably France, the Netherlands, and Switzerland.

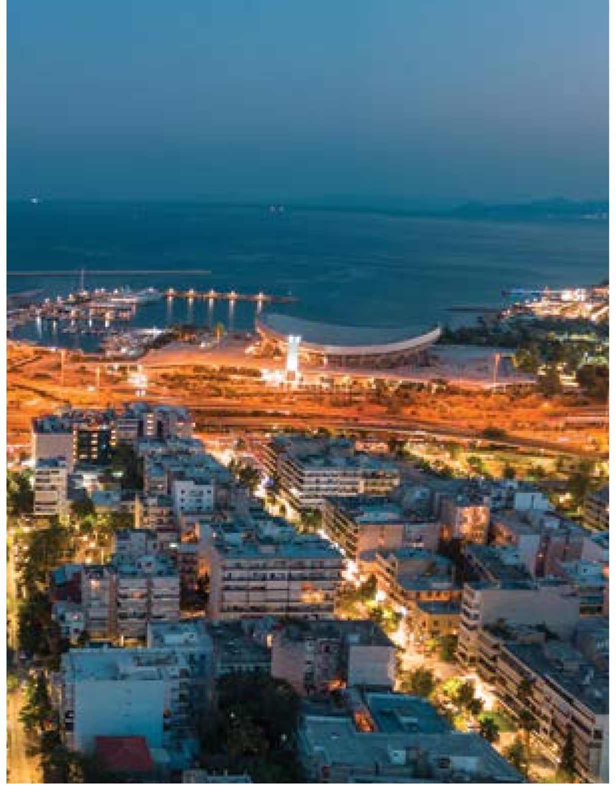
Origin country	Number of projects in 2022	Share of FDI in 2022	Share of FDI in 2022
USA	19	40%	23%
Germany	6	13%	7%
United Kingdom	5	11%	17%
France	2	4%	-
Italy	2	4%	7%
Saudi Arabia	2	4%	
Spain	2	4%	7%
Austria	1	2%	7%
Belgium	1	2%	-
Cyprus	1	2%	3%
Japan	1	2%	-
Luxembourg	1	2%	-
Netherlands	1	2%	-
Romania	1	2%	3%
Switzerland	1	2%	-
UAE	1	2%	-
Denmark	-	-	13%
India	-	-	7%
Israel	-	-	3%
Turkey	-	-	3%

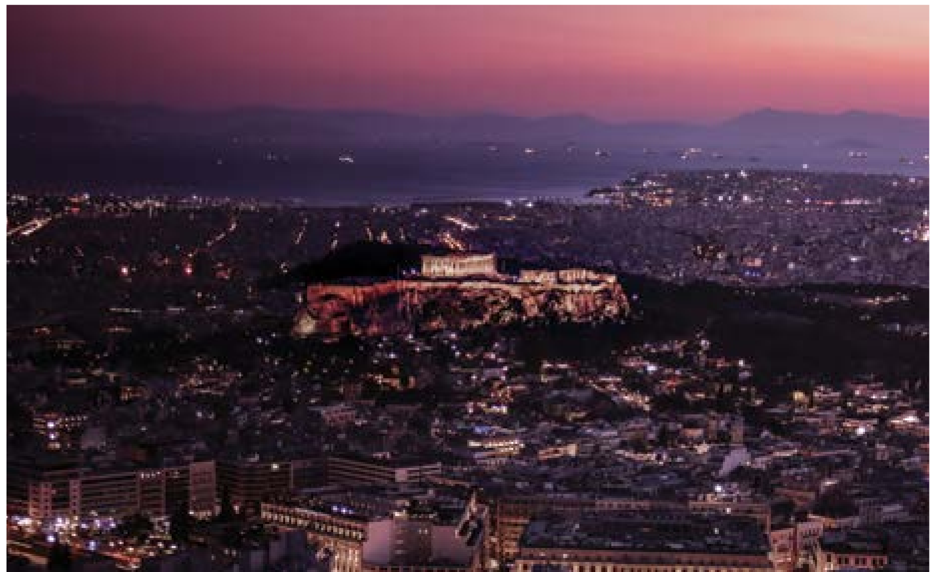
Geographical distribution of investments

For yet another year, the majority of investments (62%, down from 70% in 2021) were directed toward the Attica region. One out of five investments (19%, up from 10% in 2021) were made in Northern Greece, 6% in the Peloponnese and 4% each in Epirus, Crete, and the Cyclades. All the investment projects attracted by Northern Greece took place in Thessaloniki, a city that is becoming a focal point for investment, particularly in the technology sector, with five out of nine investment projects referring to software and IT services.



Note: Percentages may not total 100% due to rounding (+/- 1%)





3

Investors' perceptions about Greece

For the fifth consecutive year, the EY Attractiveness Survey Greece 2023, explores the views of the global investment community regarding our country's attractiveness as an investment destination. The survey highlights Greece's comparative advantages and weaknesses, the investment intent of major multinational companies, the progress achieved in recent years, and the areas where improvement is needed to maintain and further enhance its competitiveness in attracting investments.

The findings for Greece presented in the following pages are compared with those of previous years, as well as with the relevant findings of the EY 2023 Europe Attractiveness survey, to the extent that many of the questions are common or similar. This approach reveals the long-term evolution of specific parameters that contribute to the country's attractiveness, as well as its performance compared to the rest of Europe.

About the survey

The survey records the views of 250 participants. Among these, 151 (60%, compared to 58% last year) represent companies already established in Greece, while 99 have no investment presence in the country so far. As in previous years, there is a significant divergence in the perceptions of these two subgroups within the sample, with companies established in Greece maintaining a noticeably more positive view of the country's attractiveness. This differentiation, which is also observed in other countries, is largely due to the fact that companies with a local presence tend to have a more comprehensive understanding of the country's developments and prospects. However, it should be noted that this phenomenon was much more pronounced in the early years of the survey for Greece, as many indicators now show a noticeable convergence between the two subgroups, suggesting that efforts to inform the international investment community are yielding results.

As in last year's survey, there is also a noticeable differentiation in perceptions based on the size of the company. Small and medium-sized enterprises (revenues < €150 million) appear more reserved in their assessment of the country's attractiveness and prospects, compared to large (revenues between €150 million and €1.5 billion) and very large (revenues > €1.5 billion) companies. This trend is observed across Europe and is probably connected to the perception that several European policies - particularly support from the European Recovery and Resilience Facility, which is a key tool on promoting investments - may not be sufficiently tailored to the needs of small and medium-sized enterprises.

The survey for Greece was conducted between 3 July and 26 July 2023, following the two national elections and before the country's credit rating - upgrade by DBRS on 8 September, for the first time since the 2009 debt crisis[35].

It is also important to note that this year's survey for Greece was conducted by a different provider (FT Longitude). Therefore, while comparisons with previous years and with the European findings, lead to valuable insights at a macroscopic level, they should be approached with caution for each question.

Furthermore, in this year's survey, both for Greece and other countries, as well as for Europe as a whole, the composition of the sample of respondents has been adjusted in terms of the industries they operate in, to align with the new business reality that has emerged in recent years.

Finally, the European survey as well as most of the national surveys, were conducted earlier in the year. Although significant events that could affect investor confidence did not occur during the interim period, individual comparisons should always be treated with caution.

35. Rating agency DBRS grants Greece investment grade, kathimerini.gr (Greek article), 8 September 2023

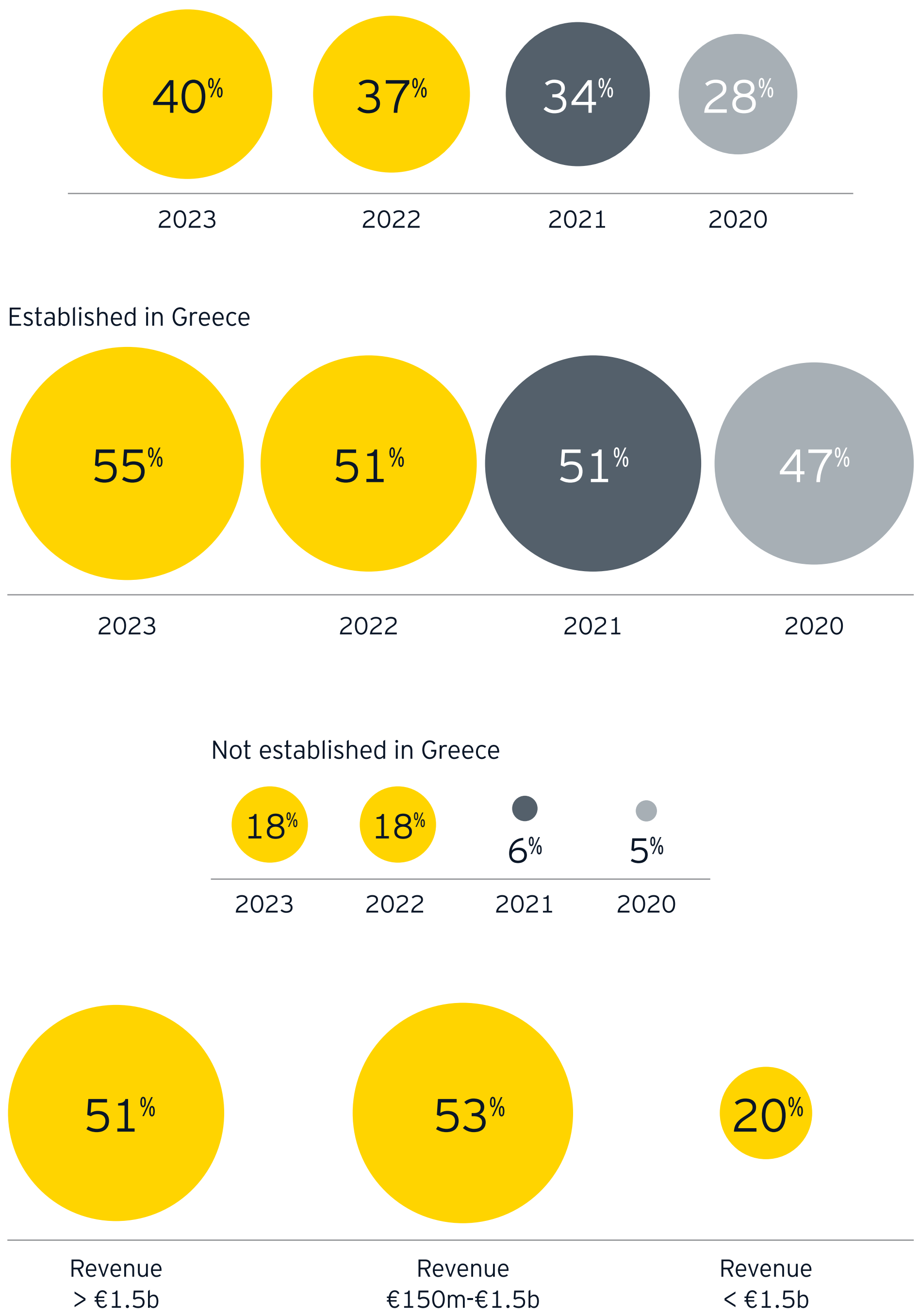
Appetite for investment continues to grow

Two out of five respondents (40%) stated that their companies have plans to establish or expand operations in Greece over the next year. This critical indicator shows a continuous improvement, having increased by 12 percentage points over the last three years. This is a significant development, as this indicator does not record theoretical opinions on the attractiveness of the country, but rather real intentions for investment or expanding existing operations.

The intention for investments remains significantly higher among the respondents who have already established businesses in Greece (55%) compared to those that currently have no presence in the country (18%). It is worth noting that while in 2022 the improvement in this indicator came from non-established companies, this year, the increased appetite for investments primarily originates from those already present in the country.

Does your company have plans to establish or expand operations in Greece over the next year?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Inflation and rising interest rates negatively affected investment decisions

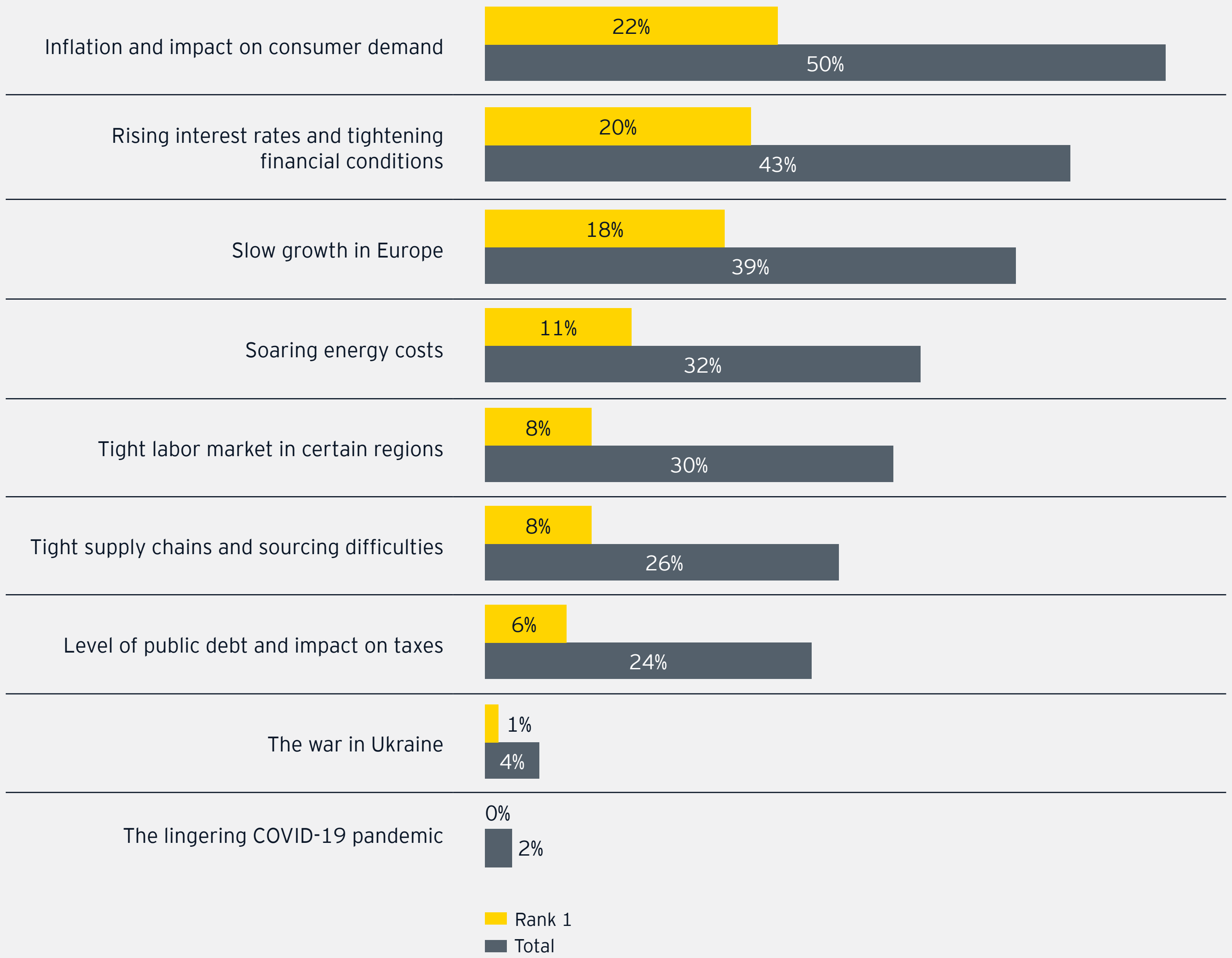
Participants in the survey were asked to identify the economic risks that impacted their 2023 investment plans in Greece the most. Two factors emerged at the top of the list: inflation and its impact on consumer demand (50% included this among the top three risks, while 22% consider it as the greatest risk) and the rising interest rates and tightening financial conditions (43% and 20% respectively). These two factors were also ranked as top risks in the European survey.

Slow growth in Europe (39%), soaring energy costs (32%), tight labor market in certain areas (30%), and tight supply chains and sourcing difficulties (26%), also had a negative impact on investment decisions. Furthermore, the level of public debt and its impact on taxes, is a concern for one out of four investors interviewed for the Greek survey (24%), compared to one out of three (36%) for the whole of Europe, where this risk ranks third. This finding may be attributed in part to the relative de-escalation of Greek debt as a percentage of GDP, partly due to strong economic growth, combined with concerns about increasing debt in other European countries.

Finally, the war in Ukraine and the lingering COVID-19 pandemic did not seem to significantly affect investment plans for Greece in 2023 (4% and 2%, respectively), while, for Europe as a whole, the corresponding percentages were 28% and 22%, respectively.

Which three of the following economic risks have impacted your 2023 investment plans in Greece the most? *(top three options)*

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece

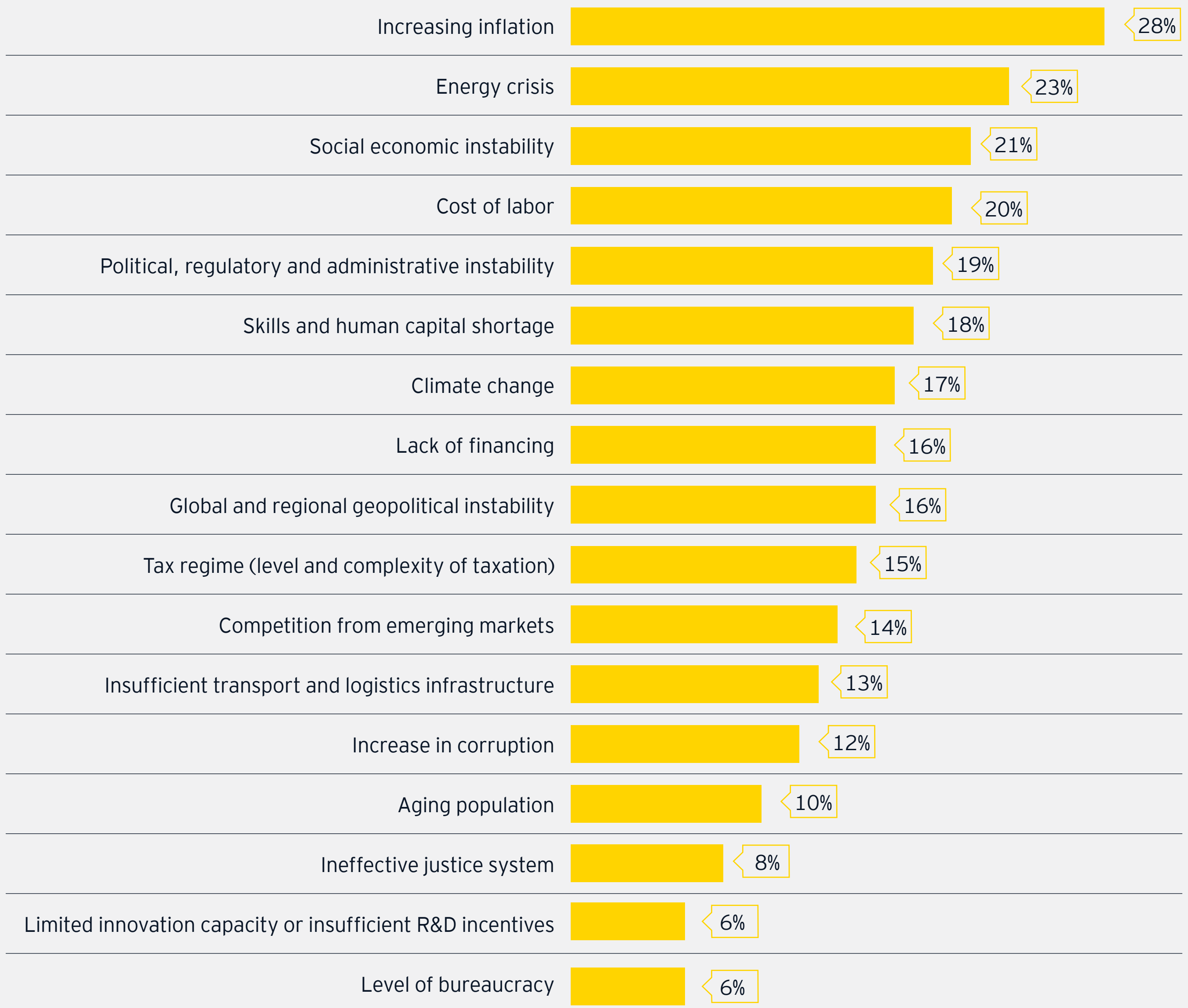


Participants in the survey were also asked about the most important risks that threaten Greece's overall attractiveness as an investment destination. The answers are clearly influenced by the current economic situation, with increasing inflation (28%) and the energy crisis (23%) taking the lead. Social economic instability (21%), cost of labor (20%), political, regulatory, and administrative instability (19%), and skills and human capital shortage (18%) are high in ranking as well. Climate change (17%), lack of financing (16%), global and regional geopolitical instability (16%), the tax regime (15%), competition from emerging markets (14%), insufficient transport and logistics infrastructure (13%), and increase in corruption (12%), were also noted as significant risks. An aging population, an ineffective justice system, the level of bureaucracy, and limited innovation capacity, combined with insufficient incentives for research and development, were considered as lesser risks.

Many of these factors, such as inflation, the energy crisis, skills shortages, competition from emerging markets, etc., relate to problems faced by Europe as a whole. Others, however, such as lack of financing, the tax regime, inadequate infrastructure, the judicial system, and bureaucracy, may specifically pertain to Greece. It is worth noting that this question was not included in the European survey, so direct comparisons cannot be made.

What do you perceive to be the most important risk regarding Greece's overall attractiveness as an investment destination? *(up to three)*

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Investors surveyed focus on business services and logistics

In previous surveys, participants were asked to specify the sectors of the economy in which they planned to invest in the coming year. In this year's survey, the question was slightly altered, and participants already established in Greece were asked to indicate how they expect to change their current investment footprint in the country over the next three years.

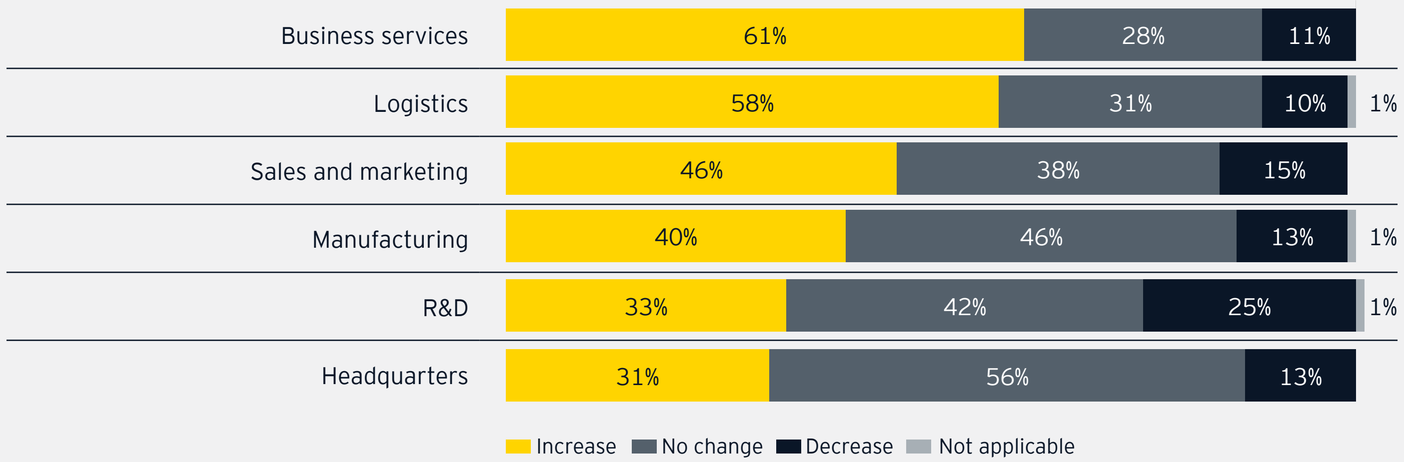
Business services (61%) and logistics (58%) top the list, followed by sales and marketing (46%), while 40% of respondents intend to bolster their presence in manufacturing.

In contrast, only one out of three (33%) respondents already operating in Greece plan to expand their research and development activities in the country, compared to 64% for the whole of Europe. The establishment of headquarters (31%) appears a lesser priority, though more so than for the rest of Europe (23%).

In the next three years, how do you expect to change your current investment footprint in Greece?

(one option per row)

Sample: 151 companies established in Greece



→ ey.com/attractiveness

Sectors that will drive Greece's growth in the coming years

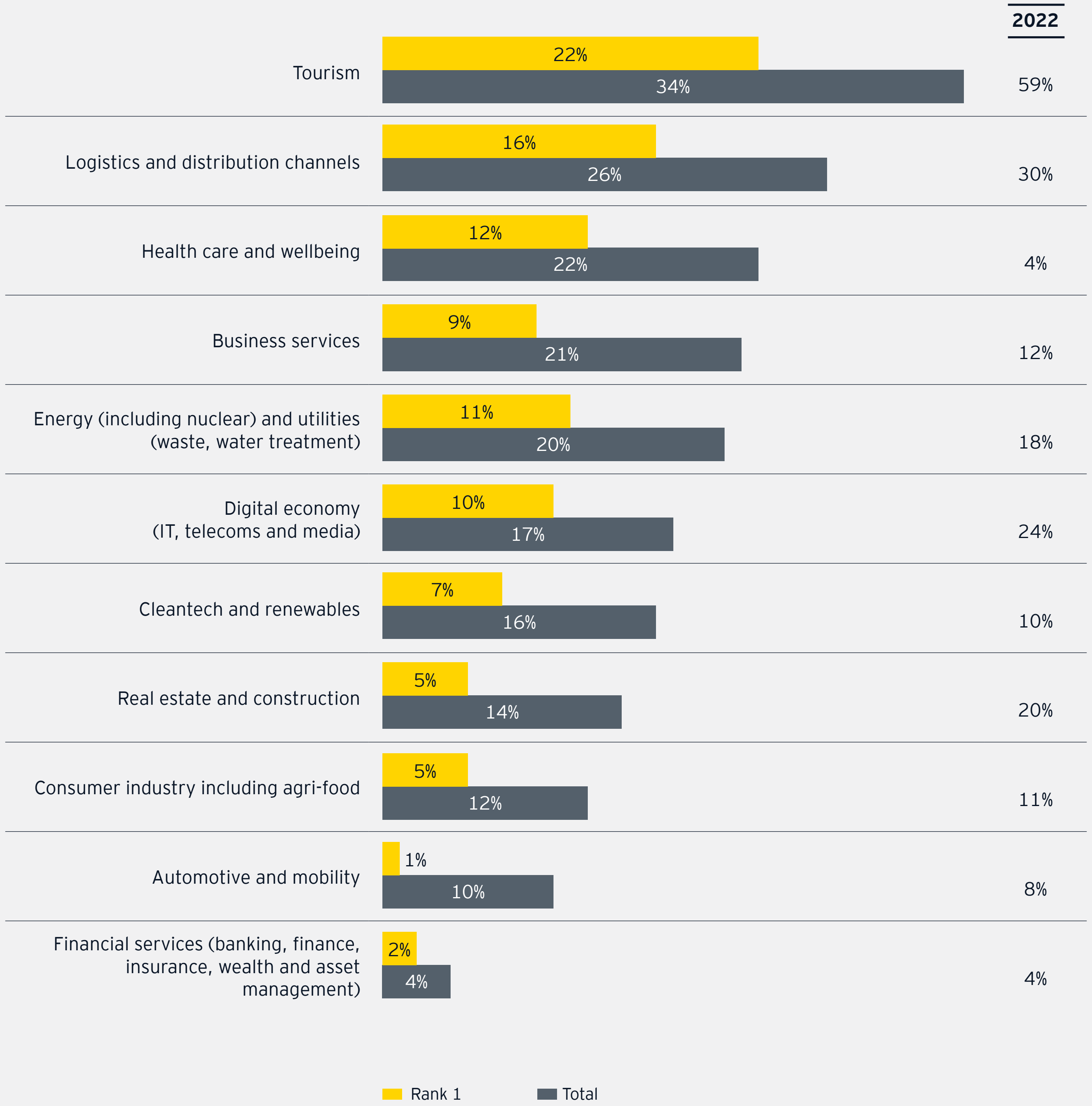
Participants were asked to provide their assessment regarding the sectors of the Greek economy they expect to drive the country's growth in the coming years. As in previous surveys, a large number of respondents (34%) selected tourism, with 22% of them listing it as their top choice. However, these figures are much lower than in 2022 (59% and 43% respectively), as well as previous years. Despite the strong recovery of the tourism sector in 2022, the perception of the Greek economy as almost exclusively dependent on tourism, seems to be weakening.

Logistics and distribution channels remain in second place (26% of overall references and 16% as the first choice), confirming the perception that changes in global supply chains create significant opportunities for Greece. The health care and wellbeing sector has climbed to the third place (22% and 12%, up from 4% and 2% respectively in 2022), followed by business services (21% and 9%) and energy and utilities (waste, water treatment, etc. - 20% and 11%). The digital economy has dropped three places (17% and 10%, from 24% and 14% respectively), a surprising finding, in view of the sector's continuously growing role worldwide and the recent wave of such investments in our country. On the contrary, the percentage of respondents that believe that cleantech and renewables will be among the sectors driving the Greek economy in the coming years has increased (16%).

Respondents also mentioned real estate and construction (14%), consumer industry including agri-food (12%), automotive and mobility (10%), and financial services (4%).

Please rank the top two business sectors that you expect to drive Greece's growth in the coming years.

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Investors' perceptions about Greece

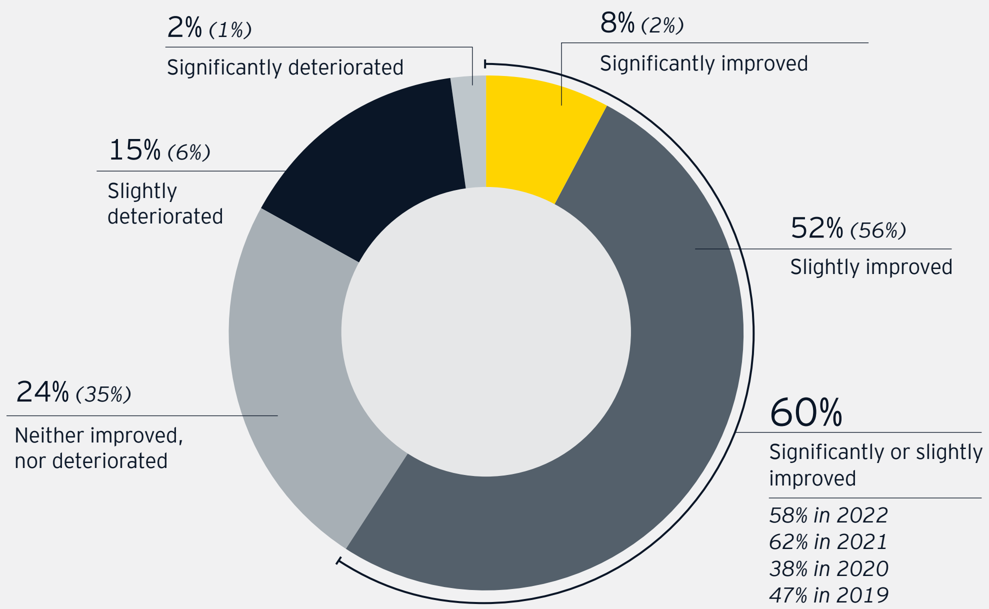
Respondents feel Greece's attractiveness has improved over the past year

Three out of five respondents (60%) reported that their view of Greece, as a place where their business could establish or expand its activities, has improved over the past 12 months, with 8% stating it has improved significantly.

The overall percentage of those seeing an improvement is the highest since the start of the survey, except for 2021 when it had reached 62%.

Over the past year, how has your perception of Greece as a location where your company might establish or develop activities changed?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



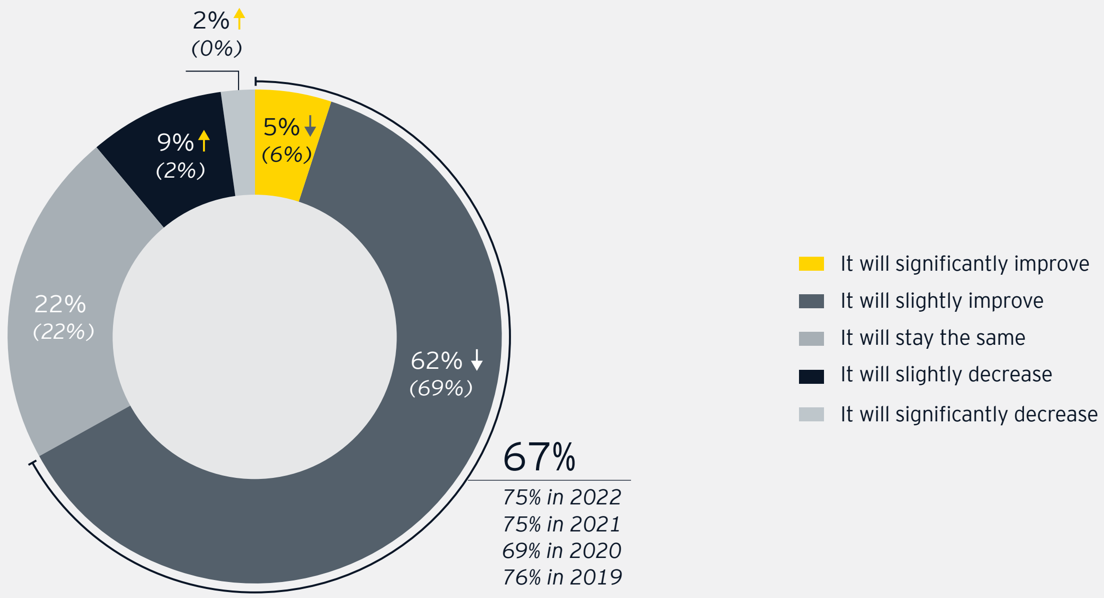
Optimism about Greece's attractiveness improving in the next three years remains high

Two out of three respondents (67%) stated that Greece's attractiveness will improve in the next three years, with 5% expecting significant improvement. In contrast, 9% of respondents anticipate a slight decrease, and 2% a significant decrease.

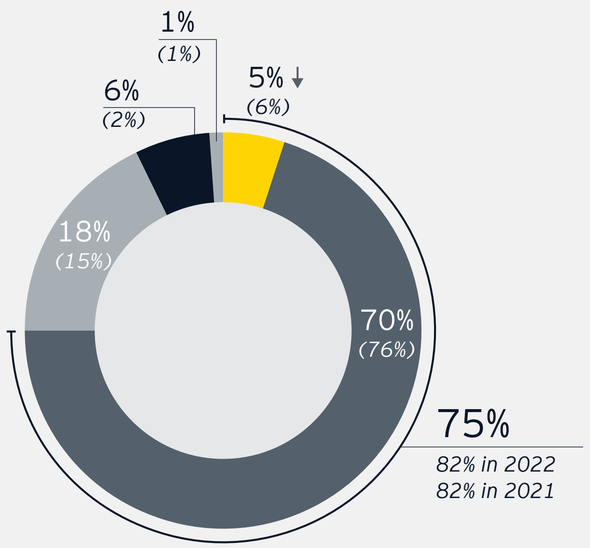
Once again, respondents established in Greece appear more optimistic, with 75% expecting improvement and only 7% expecting deterioration, compared to 56% and 15%, respectively, for respondents that do not have a presence in the country. The findings for Greece are in line with those of Europe as a whole, where 67% expect an improvement and 8% expect a decrease in attractiveness.

How do you expect Greece's attractiveness to evolve over the next three years?

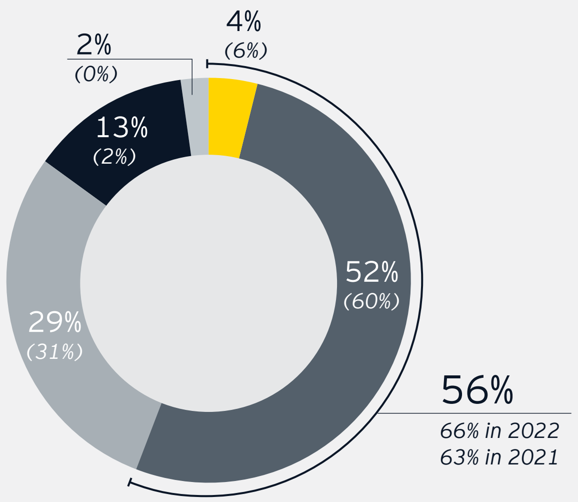
Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



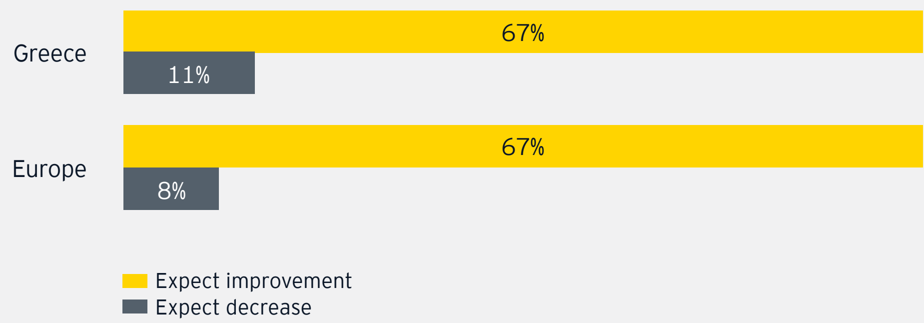
Established in Greece



Not established in Greece



Investors' perceptions on the attractiveness over the next three years



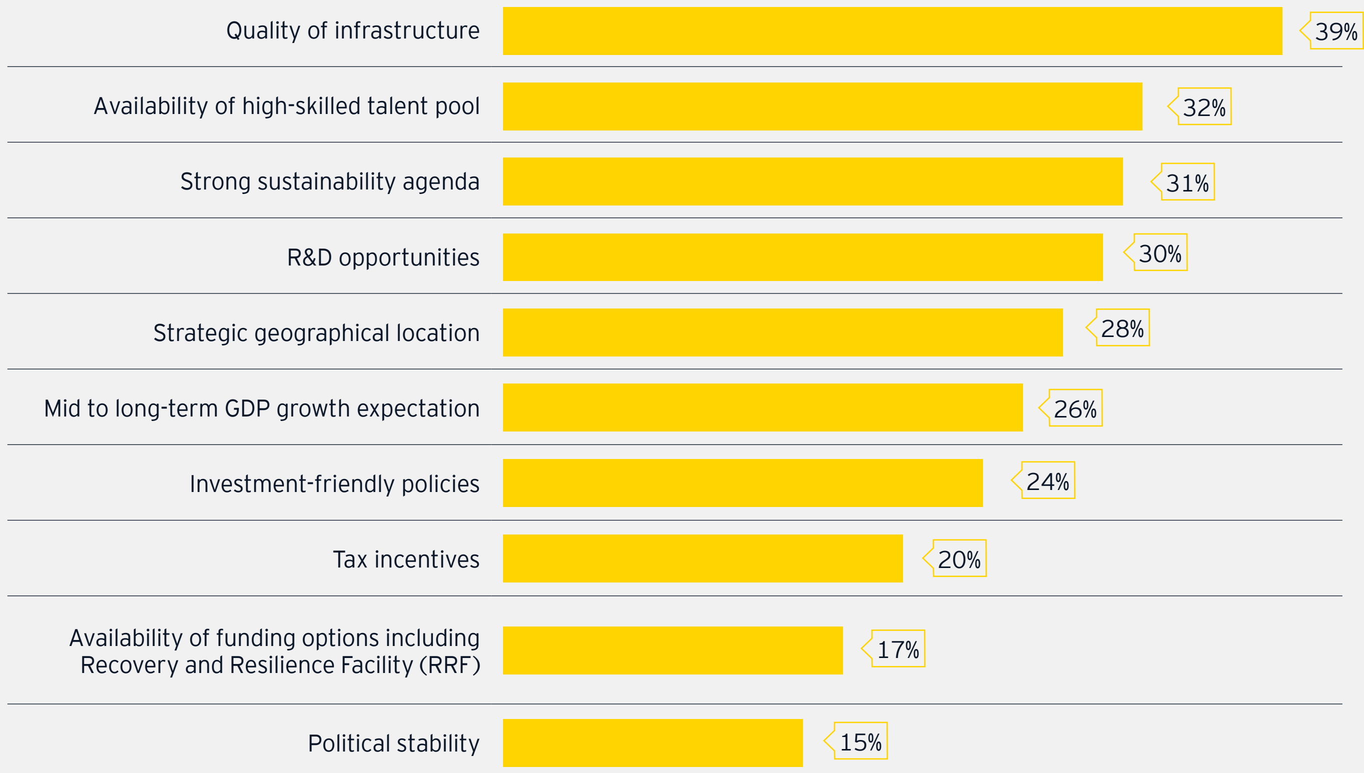
For the first time, this year, participants were asked to justify their expectations about the country's attractiveness over the next three years, citing the main reasons for their predictions.

Among those who believe that the country's attractiveness will improve, the main factors mentioned were quality of infrastructure (39%), availability of high-skilled talent pool (32%), strong sustainability agenda (31%), and research and development opportunities (30%). The strategic geographical location of the country (28%), mid to long-term GDP growth expectation (26%), investment-friendly policies (24%) and tax incentives (20%) were also seen as favorable factors, while availability of funding options including the Recovery and Resilience Facility (17%), and political stability (15%) were seen as less important factors.

On the other hand, those who anticipate a decrease in the country's attractiveness cited as key reasons the lack of skilled talent pool (54%), political and regulatory uncertainty (50%), increased costs (46%), reduction in market size (42%) and increased regulatory burden (42%).

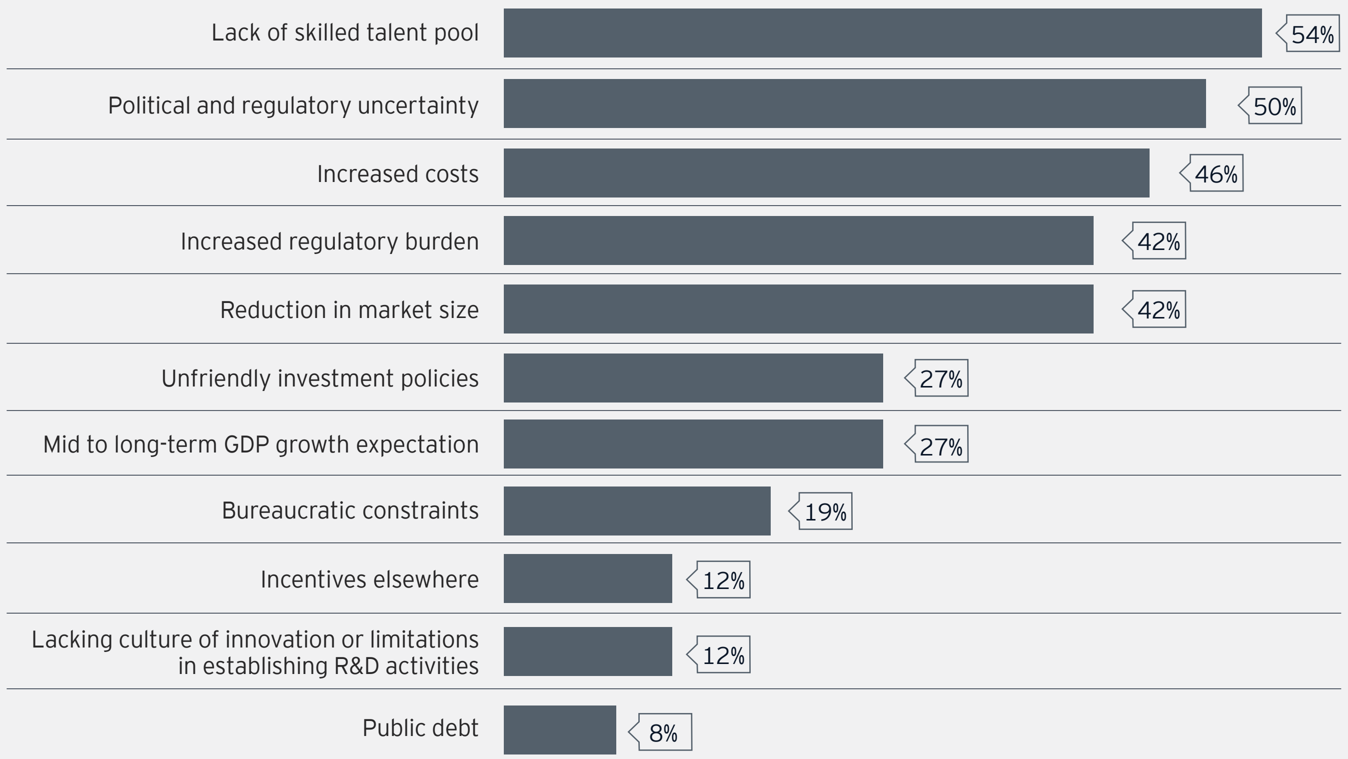
Why do you expect Greece's attractiveness to improve? *(selection of all that apply)*

Sample: 168 respondents, expecting Greece's attractiveness to improve



Why do you expect Greece's attractiveness to decrease? *(selection of all that apply)*

Sample: 26 respondents, expecting Greece's attractiveness to decrease



Greece's attractiveness policy seen as relatively effective

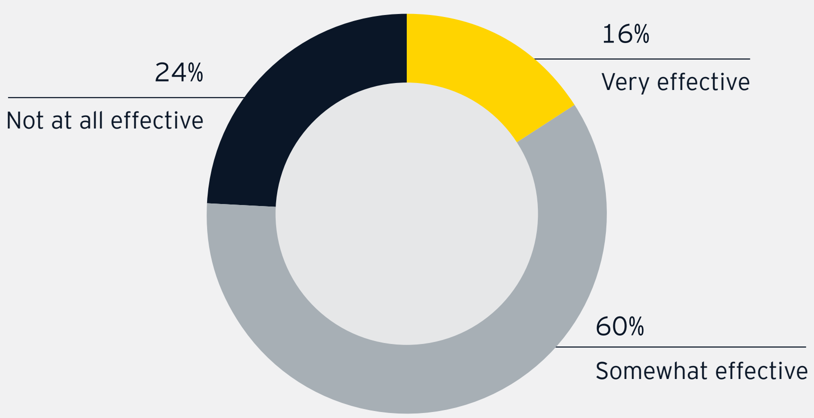
Three out of four respondents (76%) consider the country's attractiveness policy to be "very" (16%) or "somewhat" (60%) effective at attracting investments.

Respondents from companies already established in Greece appear more satisfied with the country's performance, as 85% consider the country's policies to be effective, compared to 64% of those that do not currently have a presence in Greece.

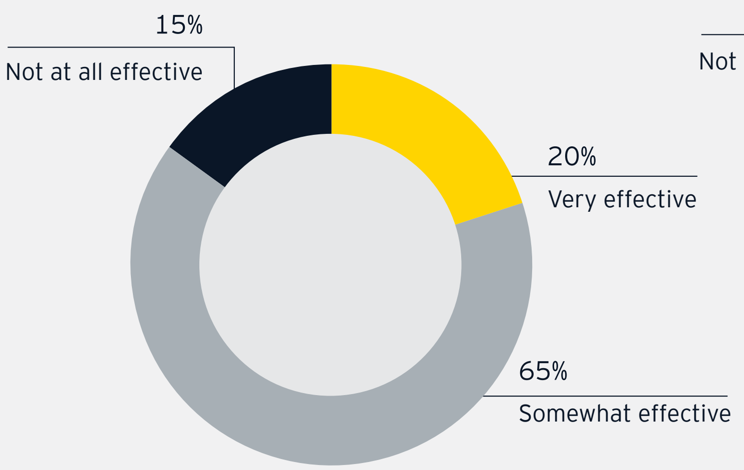
It is worth noting that this question was formulated in this manner for the first time in this year's survey. In previous surveys, participants were asked whether they believed that Greece (at the time) was implementing an attractiveness policy that attracted global investors. Compared to 2021, the last time this question was asked and to the extent that the two questions can be compared, this year's findings represent a relative improvement (71% in 2021).

How effective is Greece's attractiveness policy at attracting international investors?

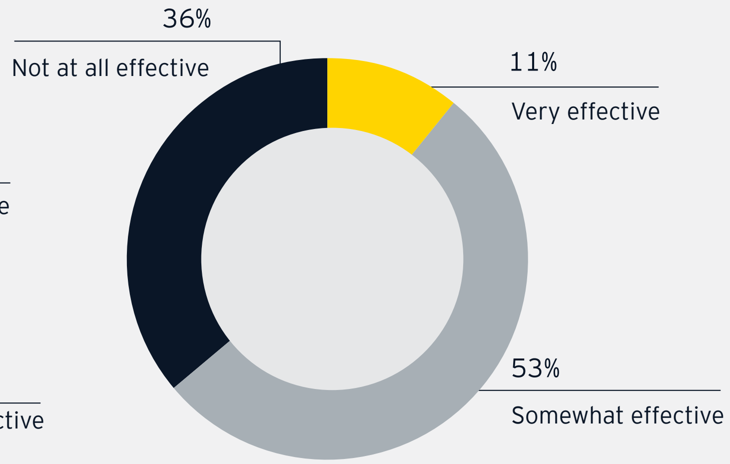
Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Established in Greece



Not established in Greece



Performance in different aspects

Expanding on the previous question, respondents were also asked to assess specific aspects of Greece's performance. As in previous years, respondents indicated that Greece was most effective in attracting companies (76%), followed by attracting innovative activities (68%), attracting human talent (64%) and attracting capital (61%).

Based on the percentage of respondents characterizing Greece's performance level as relatively or very good, the assessment of the country's performance in these specific aspects of attractiveness policies has significantly improved over the past five years. Particularly in the 2022 survey, there was an improvement of up to 20 percentage points in these indicators. This year's findings show a marginal deterioration, but remain significantly improved compared to all previous years. However, it should be noted that the percentages of those considering the performance level as "very good" have increased compared to 2022.

Regarding different aspects of Greece's performance, in your opinion, is Greece's level of performance very good, fairly good, fairly poor or very poor for each of the following?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece

	Very good	Fairly good	Fairly poor	Very poor	Total "good"	2022	2021	2020	2019
Attracting companies	38%	38%	20%	4%	76%	81%	61%	50%	48%
Attracting innovative activities	24%	44%	25%	7%	68%	75%	61%	45%	49%
Attracting human talent	17%	47%	26%	10%	64%	78%	66%	47%	46%
Attracting capital	21%	40%	26%	12%	61%	65%	60%	47%	32%
Attracting business headquarters	17%	41%	32%	10%	58%	58%	52%	44%	39%
Establishing global centers for competitiveness: world-class clusters	14%	40%	36%	9%	54%	55%	49%	43%	43%

Very good · Fairly good · Fairly poor · Very poor

Comparing Greece's performance in factors related to technology, sustainability and talent

A country's policies for the adoption of technology, the promotion of sustainability and the enhancement of human capital have become significant factors influencing investment decisions. In this context, the opinions of participants were sought regarding how Greece's performance compares to other countries, with regard to a number of specific factors.

The key takeaways from this group of three questions can be summarized as follows:

- The majority of respondents indicated that Greece is performing as well as other countries, in all factors examined.
- For most factors, the percentages of respondents who consider that Greece is performing better than other countries are higher than those who believe Greece is performing worse.
- Greece's performance is comparatively better in sustainability and somewhat less favorable in the areas of technology and talent.

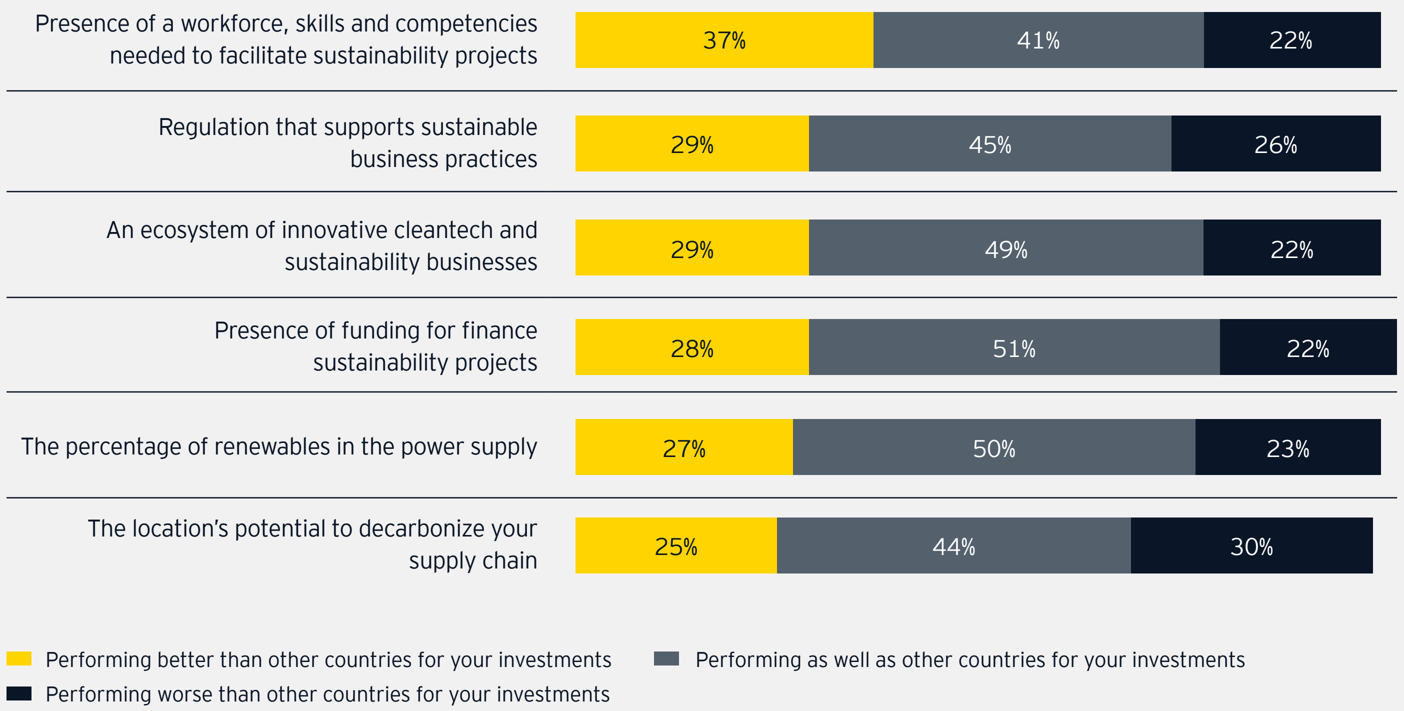
Sustainability

In five out of six sustainability-related factors, the percentages of respondents who stated that the country's performance is better than other countries exceed those who consider the country to be lagging in comparison. The best performance relates to the presence of a workforce, skills and competencies needed to facilitate sustainability projects, where 37% perceive the country's performance better than other countries, while only 22% view it as worse. Other factors where positive views outnumber negative views include regulation that supports sustainable business practices (29% compared to 26%), an ecosystem of innovative cleantech and sustainability businesses (29%, compared to 22%), the presence of funding to finance sustainability projects (28%, compared to 22%), and the percentage of renewables in the power supply (27%, compared to 23%).

The only factor where negative opinions prevail is the country's potential to decarbonize the company's supply chain (25% positive opinions compared to 30% negative), a surprising finding, given the significant participation of renewable energy sources in Greece's energy production.

In your view, how does Greece perform with regard to the following sustainability-related factors?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Investors' perceptions about Greece

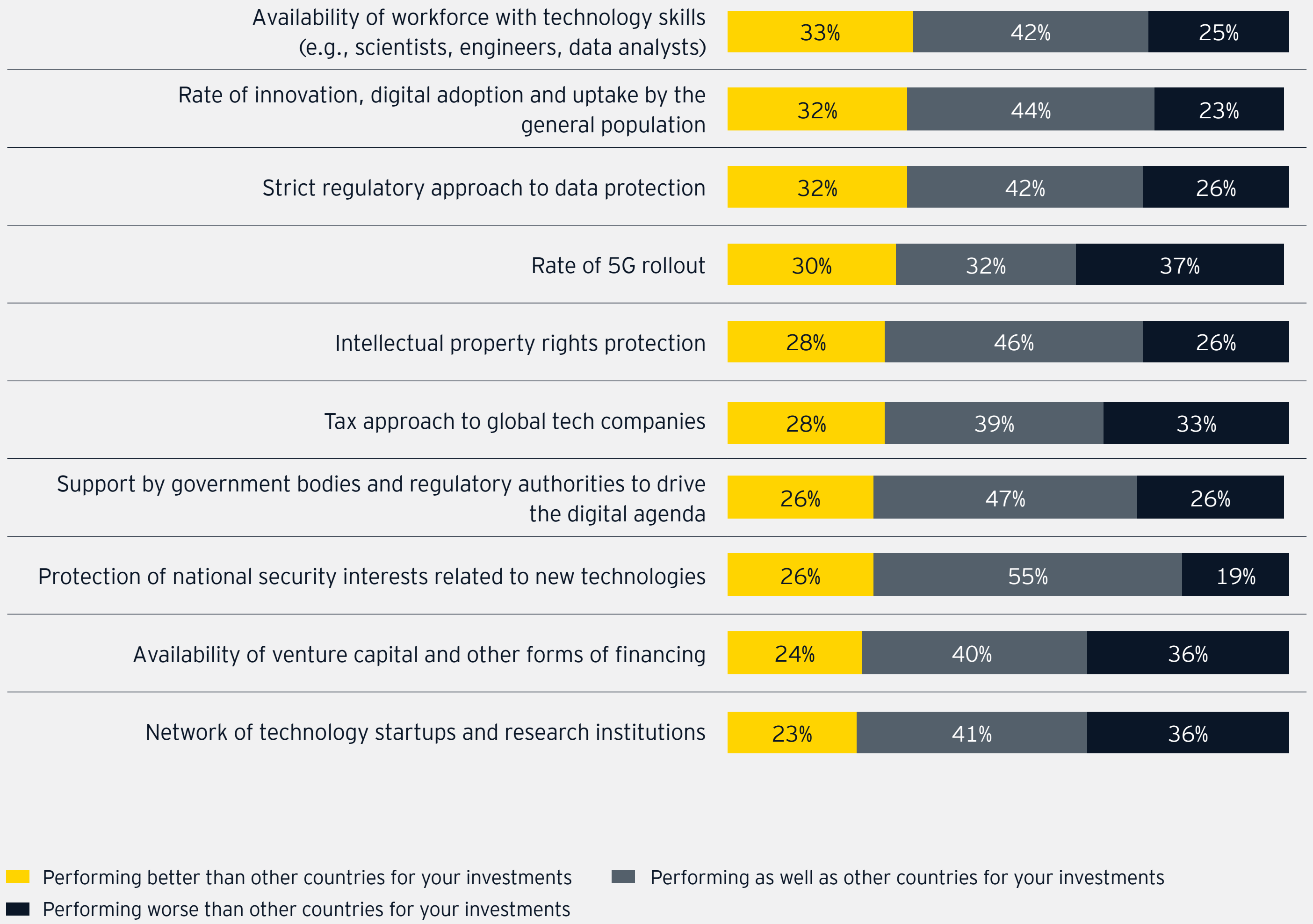
Technology

Regarding technology-related factors, the majority of respondents believe that the country's performance is on par with other countries. Those who believe that Greece is performing better than other countries outnumber those who hold the opposite view, in five out of ten factors, while in four out of ten the reverse is true. There is one factor in which the two views are equally split. The first group of factors includes the availability of workforce with technology skills (e.g., scientists, engineers, data analysts), a strict regulatory approach to data protection, the rate of innovation, digital adoption and uptake by the general population, intellectual property rights protection, and protection of national security interests related to new technologies.

On the contrary, less positive opinions prevail regarding the rate of 5G rollout, tax approach to global tech companies, the availability of venture capital and other forms of financing, as well as the network of technology startups and research institutions. Finally, opinions are evenly split regarding support by government bodies and regulatory authorities to drive the digital agenda.

In your view, how does Greece perform with regard to the following technology-related factors?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Investors' perceptions about Greece

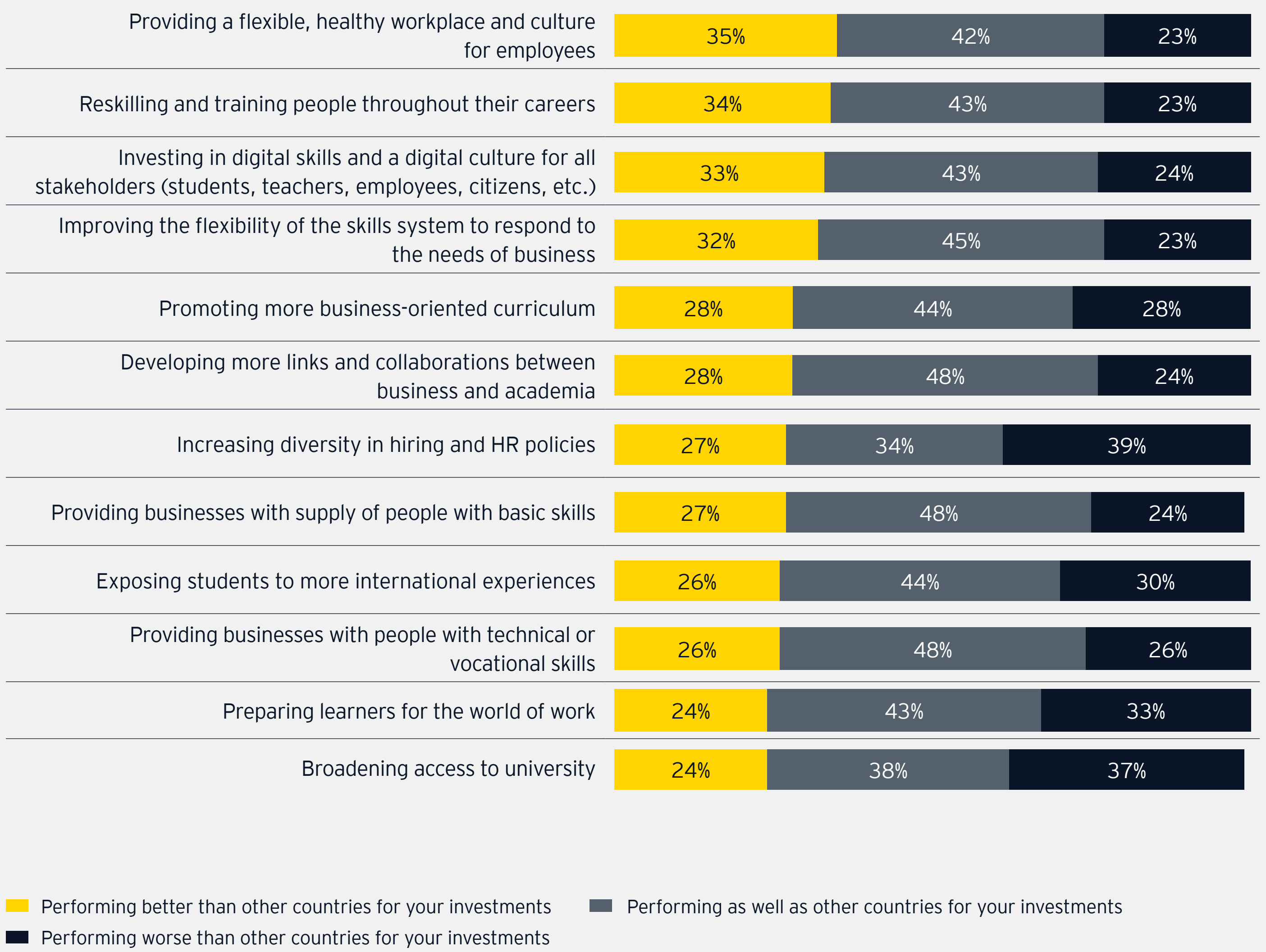
Talent

Among the 12 talent-related factors, respondents have positive views in six of them, negative views in five, while there are two factors in which positive and negative views are equally split. More respondents believe that Greece is performing better than other countries in terms of providing a flexible, healthy workplace and culture for employees, in reskilling and training people throughout their careers, investing in digital skills and a digital culture for all stakeholders, including students, teachers, employees, citizens, etc., improving the flexibility of the skills system to respond to the needs of business, developing more links and collaborations between business and academia, and providing businesses with supply of people with basic skills.

On the contrary, less positive opinions prevail with regard to increasing diversity in hiring and HR policies, exposing students to more international experiences, broadening access to university, and preparing learners for the world of work. Finally, opinions are evenly split regarding the promotion of more business-oriented curricula and providing businesses with people with technical or vocational skills.

In your view, how does Greece perform with regard to the following talent-related areas?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece

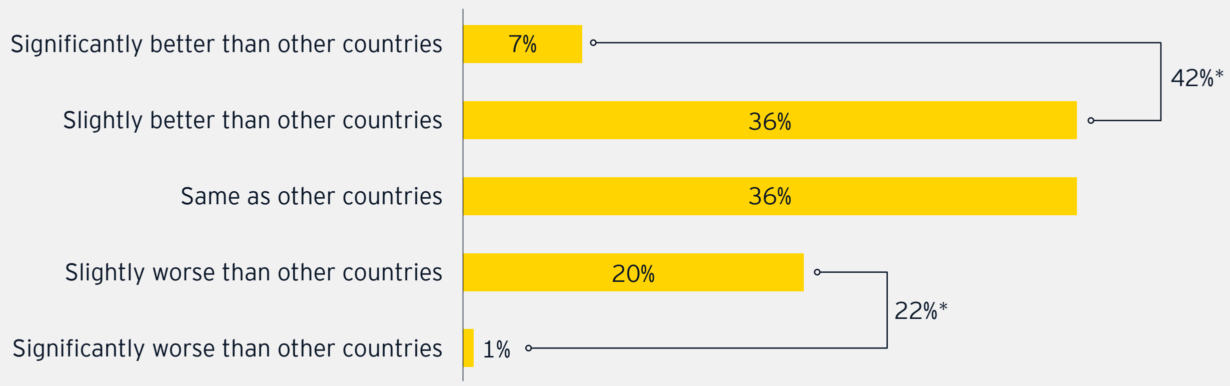


Respondents approve of the country's management of the energy crisis ...

In view of the significant impact of the energy crisis on the global economy, and investments in particular, participants were asked to give their views on the way Greece managed the energy crisis in 2022. Overall, more than two out of five respondents (42%) expressed positive views, with 36% stating that Greece managed the crisis "slightly better" and 7% "significantly better" than other countries, almost double those who considered the crisis management "slightly" (20%) or "significantly worse" (1%). One out of three investors (36%) reported that the crisis' management was comparable to that of other countries.

How did Greece manage the 2022 energy crisis compared to other countries where you operate?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



*Percentages may not total 100% due to rounding

These findings appear to confirm the country's positive performance in the field of renewable energy sources. According to the latest edition of the EY Renewable Energy Country Attractiveness Index (RECAI 61), which ranks the world's top 40 markets on the attractiveness of their renewable energy investment and deployment opportunities, Greece achieved the top position in the normalized index for the first time this year, while maintaining the 16th position in the overall ranking. The normalized index evaluates a country's prospects and opportunities, taking their GDP into account, thereby providing a more objective assessment, compared to the main index which naturally benefits the world's largest economies.

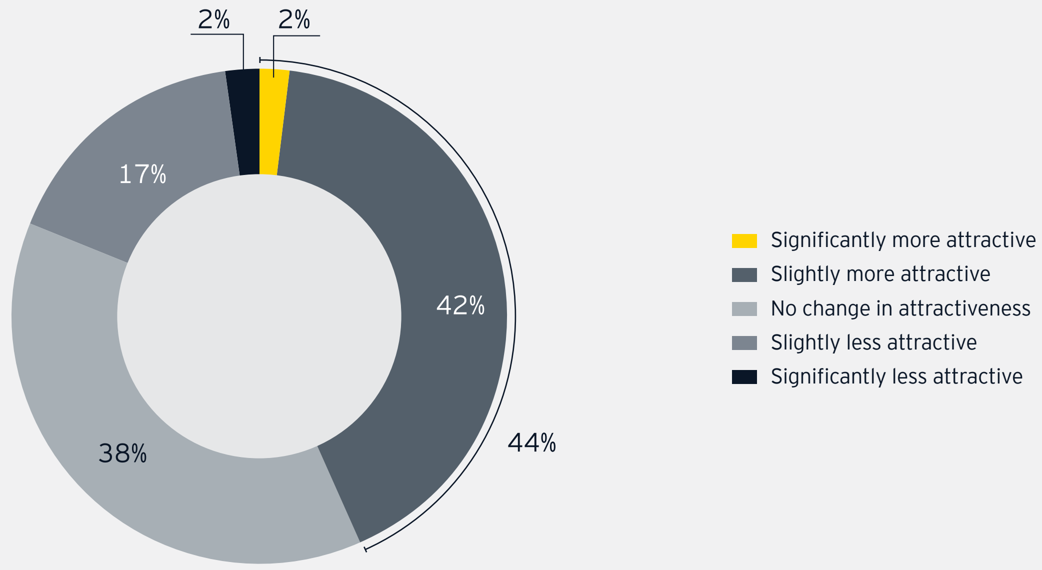
... and find that current tax policies are helping investment

Respondents were also asked to provide their assessment of the country's current tax policy, and, more specifically, whether it makes Greece a more or less attractive investment destination, compared to other countries. Forty-two percent of respondents stated that it makes the country slightly more attractive, and 2% significantly more attractive. In contrast, 17% of respondents believe that the country's tax policy makes it slightly less attractive, and 2% significantly less so. Among respondents from companies already established in Greece, positive opinions reach 57%.

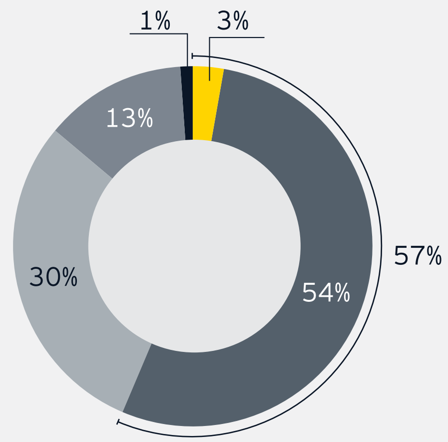
It is worth noting that in last year's survey, when asked whether Greece had become a more attractive investment destination in Europe due to the implemented or planned tax policies, only 23% of participants had responded positively. In comparison to these findings, this year's responses indicate a noticeable improvement.

Comparing Greece to other countries for your investments, does Greece's tax policy make it a more or less attractive investment destination for your company?

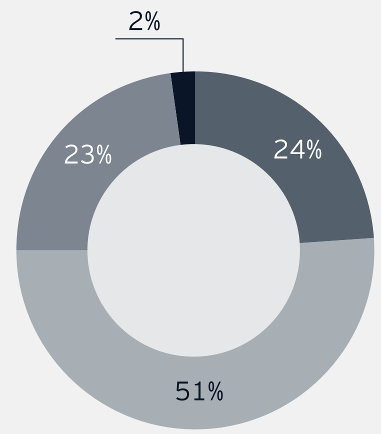
Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



Established in Greece



Not established in Greece



Changing supply chains

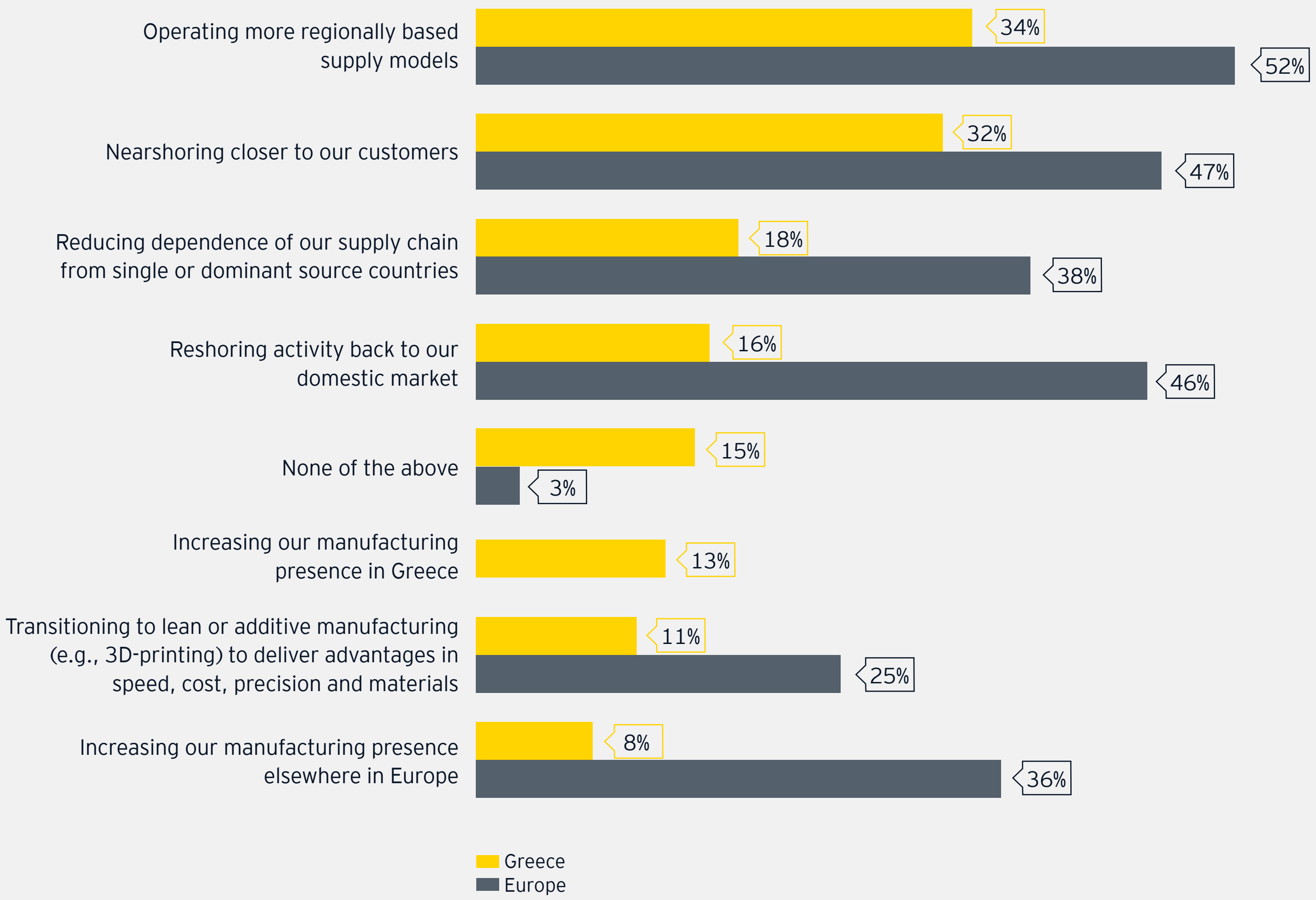
Disruptions in global supply chains caused by the pandemic have been intensifying as new destabilizing factors have emerged, including the war in Ukraine, sanctions against Russia, the rising cost of energy and freight, increased trade competition between the West and China, and the prioritization of strategic autonomy by the EU.

Against this background, companies worldwide are redesigning their supply chains and adjusting their investment decisions accordingly. Companies have been exploring different approaches, and, in many cases, opt for more than one alternative strategy. The most common choices among businesses surveyed in Greece include operating more regionally based supply models (34%) and nearshoring closer to customers (32%). These options were also ranked highest in the European survey (52% and 47%, respectively).

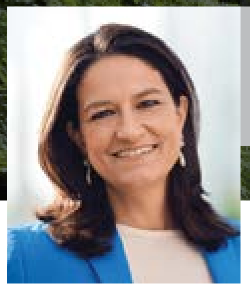
Only 18% of respondents in the Greek survey said they are reducing dependence of their supply chain from single or dominant source countries, or reshoring activity back to their domestic market (16%), significantly fewer than in the rest of Europe (38% and 46%, respectively). Thirteen percent of respondents stated that they are increasing their manufacturing presence in Greece, 11% are transitioning to lean or additive manufacturing (e.g., 3D-printing) to deliver advantages in speed, cost, precision and materials (Europe - 25%), while only 8%, compared to 36% in the European survey, reported that they would increase their manufacturing presence elsewhere in Europe.

How is your company transforming its supply chain globally? *(selection of all that apply)*

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



External viewpoint



Niki Kerameos
Minister of Interior of Greece

How the public sector can become an active ally in attracting foreign direct investment?

Through the comprehensive upgrade of the civil service, the Greek state realigns itself in order to respond to the real needs of its citizens and society. We are building a strong and competitive civil service, by implementing a new system of goal-setting and evaluation for civil servants, combined with productivity bonuses and staffing critical services in a rational and targeted way. We are building a civil service that contributes to a stable and friendly environment capable of attracting vitally important foreign direct investments.

At the same time, thanks to the significant work that has been done through the National Process Simplification Program and "Mitos", the National Registry of Administrative Public Services, potential investors can now be quickly and accurately informed about the steps they need to take, all required documents, and all service points they can consult in order to implement their investment plan. We continue to work toward the elimination of unnecessary bureaucracy and burdens.

Our civil service is being modernized and upgraded. We are steadily building a civil service that leads developments and contributes to the country's growth. A friendlier, faster, more responsive, and more efficient civil service. We are building the civil service our citizens deserve.

Education and skills, taxation and high-tech industries, and innovation, remain key priorities for investors

As in previous years, participants were asked to identify the areas in which the country should focus its efforts to maintain its competitive position in the global economy.

For the third consecutive year, respondents continue to prioritize three key areas. Developing education and skills remains at the top of the list (31%, down from 40% last year). Reducing taxation (28%) is seen as the second main priority, up from third place last year (33%), followed by supporting high-tech industries and innovation (cleantech, technology, health care, smart electricity grids, etc. – 26%).

It is worth noting that these three priorities had been selected by higher percentages of respondents in last year's survey, while they are seen as even more important by participants from companies established in Greece (34%, 32% and 31% respectively).

Supporting small and medium-sized enterprises was seen as a priority by 22% of respondents, as companies feel that a strong ecosystem of SMEs is vital for the success of their investments. Eighteen percent of participants, up from 8% in 2022, mentioned reducing labor costs as a priority, while, controlling inflation, an issue included in the survey for the first time, was mentioned by 16% of respondents.

Other areas where Greece should focus its efforts include encouraging environmental policies and attitudes (14%), relaxing competition rules (14%), improving the legal system (13%), supporting struggling industries (12%), allowing regulation to keep pace with technological and other disruptions (11%), developing competitive energy solutions and sourcing (11%), and facilitating access to credit (11% down from 26%), possibly reflecting the strengthening of credit expansion in the past year.

Respondents appear to attach less importance to issues such as improving the quality of the country's products and the value-added of its services (9%), facilitating access to talent through collaborations with educational institutions, work permits, etc. (8%), improving the social and health care system (8%), and investing in major infrastructure and urban projects (8%). Finally, only 3% of participants mentioned the protection of supply chains and industrial sovereignty, as well as the need to reduce public debt (3%).

Investors' perceptions about Greece

In your view, where should Greece concentrate its efforts in order to maintain its competitive position in the global economy? *(up to three options)*

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece

		2022
Develop education and skills	31%	40%
Reduce taxation	28%	33%
Support high-tech industries and innovation (cleantech, technology, health care, smart electricity grids, etc.)	26%	37%
Support small and medium-sized enterprises	22%	27%
Reduce labor costs	18%	8%
Control inflation	16%	new
Encourage environmental policies and attitudes	14%	26%
Relax competition rules	14%	8%
Improve the legal system	13%	8%
Support struggling industries	12%	13%
Develop competitive energy solutions and sourcing	11%	new
Allow regulation to keep pace with technological and other disruptions	11%	10%
Facilitate access to credit	11%	26%
Improve the quality of its products and the value-added of its services	9%	13%
Facilitate access to talent (through collaborations with educational institutions, work permits, etc.)	8%	10%
Improve social and health care systems	8%	9%
Invest in major infrastructure and urban projects	8%	12%
Protect supply chains and industrial sovereignty	3%	new
Reduce public debt	3%	8%

Sources of information

In this year's survey, participants were asked, for the first time, to mention the primary sources from which they receive information and shape their perception of the country's attractiveness as an investment destination.

One out of two (51%) stated that they gather information from their business network. Forty percent obtain information through websites, mainly from government websites and blogs, with this percentage rising to 46% among businesses already established in Greece. Twenty-seven percent of respondents mentioned social media, while 26% said they collect information during their travels, and 23% by word of mouth. Finally, only 12% rely on the press for their information, while 4% stated that they do not regularly receive information about Greece.

Where do you receive information about Greece's attractiveness?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece

	Total	Established in Greece	Not established in Greece
Business network	51%	54%	46%
Websites (e.g., government sites, blogs)	40%	46%	32%
Social media	27%	23%	32%
Travel	26%	26%	25%
Word of mouth	23%	22%	24%
Press	12%	13%	11%
I do not regularly come across information about Greece	4%	2%	7%

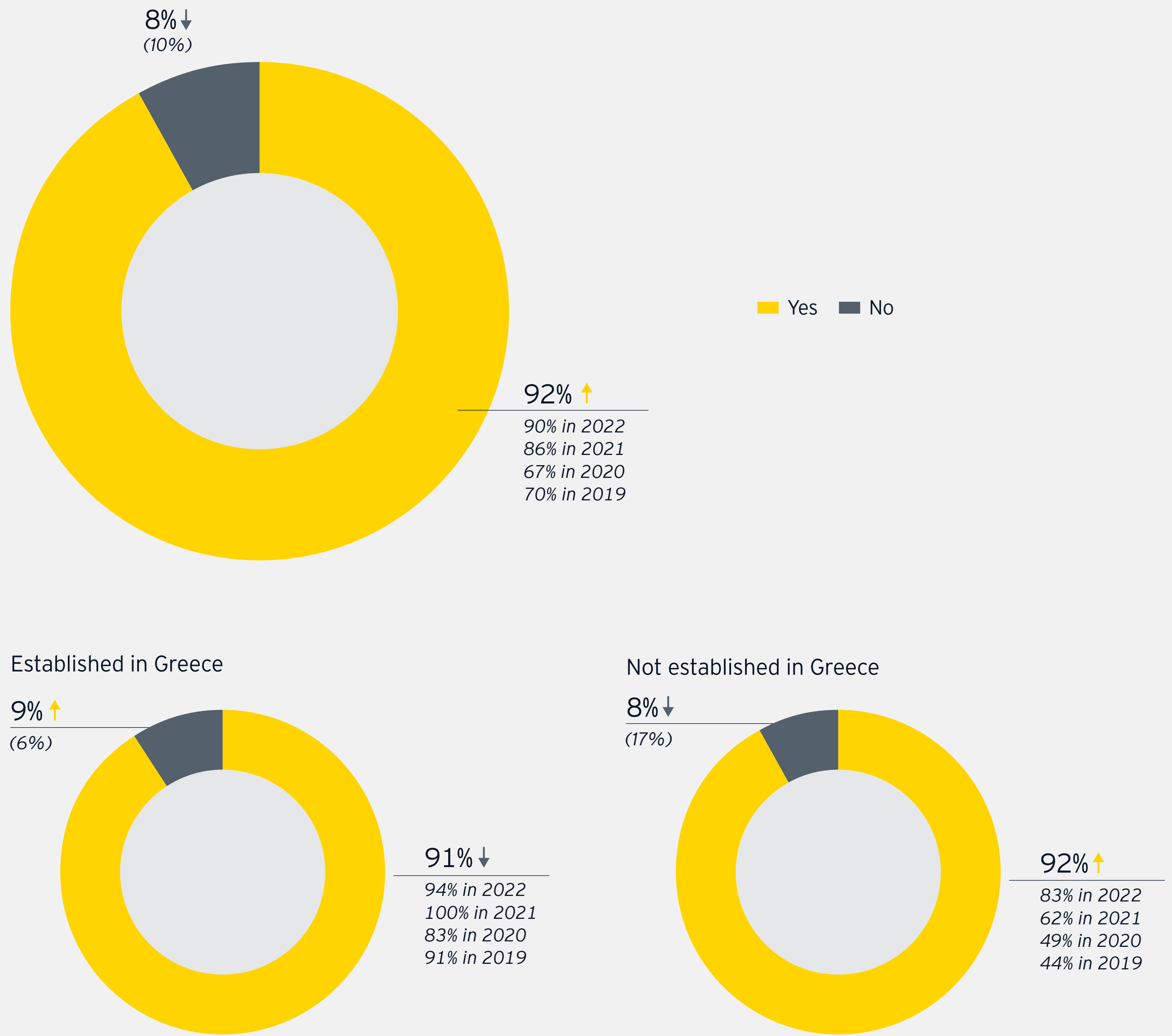
Dealing with the country's weaknesses will clearly increase the appetite for investments

In conclusion, participants were asked whether they would be more willing to invest in the country or proceed to further investments in the country if Greece addresses the issues mentioned earlier.

Ninety-two percent of participants gave a positive response (91% among respondents from companies already established in Greece). Positive responses to this question have significantly increased since 2019 when they stood at 70%. This increase is largely driven by participants from businesses not already established in the country, among which the percentage of positive responses has risen from 44% in 2019 to 92% this year.

If Greece addresses the issues you just mentioned, would you be more willing to invest in the country or proceed to further investments in the country?

Sample: 250 respondents - 151 companies established in Greece, 99 companies not established in Greece



4

Conclusions and recommendations

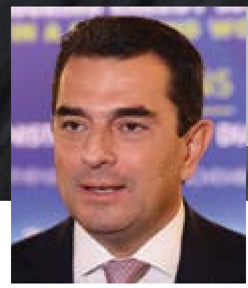
Throughout the world, and in all sectors of the economy, businesses are striving to strengthen their strategic and operational advantages. They are redesigning and fortifying their supply chains, accelerating their compliance with ESG (Environmental, Social, and Governance) standards, and reducing their carbon footprint, investing in new digital technologies and research and development, while also seeking for human capital with the skills required to achieve their strategic goals.

These choices directly impact the investment strategy of businesses and redefine the criteria by which they select locations to invest. The EY survey clearly highlights these specific trends, as well as the priorities and concerns of investors surveyed regarding factors that could potentially threaten the investment climate.

Greece must closely monitor and decode these changes and adjust its strategy for attracting investments accordingly. Messages from the investment community regarding areas where the country needs to improve including vis-à-vis its competitors must be taken into consideration and acted upon. The survey sheds light on these issues as well.

Based on the findings of both the Greek and the European survey, EY teams present a series of recommendations to enhance the country's attractiveness as an investment destination, which are centered on eight key pillars.

External viewpoint



Kostas Skrekas
Minister of Development of Greece

Which strategy do you plan to follow to attract even more foreign direct investment?

The administration of Prime Minister Mitsotakis has highly prioritized the strengthening of entrepreneurship and investments. Having assured stability on both the political and macroeconomic levels over the past four years, it has fulfilled a long-term strategy to attract FDIs which has consequently started to bear fruit as the 2023 European Attractiveness Survey confirms. Needless to say, regaining the investment grade status is tantamount to attracting new investors.

By transforming the country's energy mix, we rank 1st worldwide in attracting investors and 7th in terms of the renewables share in such a mix. Within this framework, we provide incentives for new investors by using financial instruments as well as RRF and EU structural funds. Furthermore, we promote reforms to enhance the efficiency of our judicial system and are quickly proceeding with the simplification and acceleration of licensing procedures, to allow investors to see that their efforts flourish within a short period of time. Sustainable development is our driving force that, in turn, paves the way for a resilient and inclusive society.

1 Strengthening Greece's image as a key destination for next-generation businesses

According to data from the European Investment Monitor (EIM) for 2022, there is a significant qualitative improvement in the composition of FDI in Greece, with an increasing share being directed toward knowledge-based sectors and activities with relatively high added-value. These investments can play a significant role in transforming the country's production model. In 2022, the software and IT services sector, one of the most dynamic globally, absorbed 40% of investments, compared to 10% between 2000 and 2021 and 20% for the whole of Europe. With regard to the type of activity, 63% of FDI were directed toward business services, internet data centers, shared services centers, and research and development.

This trend confirms the country's potential to emerge as a key destination for next-generation businesses. This includes the manufacturing sector, but with a shift in emphasis toward knowledge-based activities with high technological content. It is now clear that the Greek manufacturing sector, and the Greek economy in general, can no longer compete solely based on low labor costs and very low prices.

It is worth noting that, according to the survey for Greece, representatives of technology companies, which account for 20% of the sample, responded in a more positive manner to most questions, compared to the total sample. Among others, 46% of respondents from technology companies, as opposed to 40% of the total sample, stated that they plan to establish or expand their activities in Greece. Sixty-six percent of the survey's participants from technology companies, compared to 60% of the total sample, reported an improved perception of Greece's attractiveness over the past year, while 74%, as opposed to 67% of the total sample, believe that it will further improve over the next three years. Sixty percent of respondents from technology companies, compared to 44% of the total, were positive about the country's tax policy, while 80%, compared to 76% of the total, positively assessed the country's attractiveness policy for investments.

Finally, in response to questions about the country's comparative performance on factors related to technology, sustainability and talent, the percentages of positive evaluations among respondents from technology companies were, on average, higher by three, five, and one percentage points, respectively, compared to the sample as a whole.

To maintain this positive momentum, both in terms of investor perceptions and actual investments, Greece must convince investors that it is a destination where their future businesses will create long-term value in a digitally advanced, low-carbon economy over the next decade.

This involves, among others, upgrading digital infrastructure, speeding up the digitalization of the public sector, and supporting the digitalization of SMEs, strengthening the startup ecosystem, helping Greek companies participate in global value chains, establishing innovation zones, boosting technological skills, and digital literacy among the general population and tax incentives for angel investors.

External viewpoint

Dimitris Papastergiou
Minister of Digital Governance of Greece

How do you plan to leverage technology and innovation as incentives for attracting foreign investments?

Over the past four years, Greece has taken a giant leap in the digital realm. What is most impressive about this, is that, by general consensus, the public sector has been leading the way. By simplifying processes and continuously rolling out new digital services, we now have more than 1,580 services available on the gov.gr platform. Processes, such as authorizations or even the signing of private agreements, that previously required in-person visits to Citizen Service Centers (KEP) or other public services, can now be completed digitally. Every day, we enrich gov.gr by adding new services, and soon it will become even more user-friendly with the addition of artificial intelligence.

We are expediting digitalization and streamlining processes for the delivery of justice, a crucial factor for the smooth operation of the state and attracting investments. Significant telecommunications infrastructure projects are underway, and Greece was among the first countries to auction the 5G spectrum, fostering an innovation ecosystem. We are continuously advancing our cloud-first policy. Finally, Greece has been removed from the U.S. List 301 of countries using illegal software in the public sector. All of these efforts, create a business-friendly environment, attractive for innovation, as demonstrated by the long list of companies that have chosen to invest in Greece in recent years. And this is the way we intend to continue, moving forward.

2 Development of the next generation of talent and aligning skills with market demand

One out of four participants in the European survey (24%) ranks skills and availability of the workforce among the main criteria shaping investment decisions, while one out of four (18%) mentions facilitating access to talent as a top priority to maintain Europe's competitive position globally.

In an era of widespread shortages of qualified personnel, skills have indeed emerged as one of the most important factors in selecting the destination of an investment. The availability of high-level skills is recognised as a competitive advantage for Europe, with more than half of the respondents (57%) stating that Europe is more attractive than other regions in this regard. However, this advantage is currently under threat, among other things, by the massive expansion of tertiary education worldwide. At the same time, the rapid spread of artificial intelligence (AI) could also deprive regions with a high concentration of highly skilled individuals of their comparative advantage, as it would allow less specialized workers to perform similar tasks.

Developing education and skills was highlighted by participants, for the third consecutive year, as the top priority for improving Greece's position. It is noteworthy that, while companies established in Greece have a more positive overall view of the country in most questions, they seem to strongly acknowledge the need for improvement in this area (34% compared to 26%).

In a question regarding Greece's performance in a series of factors related to talent and compared to other countries, the findings seem to confirm that significant interventions are still needed. While the majority of respondents consider Greece's performance to be on par with other countries, many believe that Greece is lagging behind. If Greece aims to become a destination for next generation businesses and keep pace with Europe in digital transformation and green transition, attracting relevant investments, talent with the modern skills required by these sectors must be secured.

It should be noted that the problem of shortage in trained workforce intensified in the past decade, partly due to the massive emigration of young scientists during the economic crisis. However, the roots of the problem are deeper and are linked to the lack of full alignment between university education, businesses, and the labor market, an issue that had already been highlighted by the EY organization since 2017, in a relevant study[36].

Necessary interventions include the formulation of a national strategy for aligning tertiary education and the job market, updating curricula, increasing IT and STEM courses at schools, boosting financial literacy and soft skills, investing in reskilling and lifelong learning, reducing non-wage costs, continuously monitoring labor costs in comparison to competing countries, and providing incentives for the repatriation of Greek scientists and professionals, and attracting foreign employees.

The talent shortage issue has intensified in recent years due to significant changes in employees' expectations, a phenomenon triggered by the pandemic and still escalating, leading to what has been termed as the ''great resignation''. Employees today, in addition to decent remuneration, seek flexibility, a balance between their professional and personal lives, career prospects and working conditions that ensure wellbeing and mental health. According to the latest edition of an EY global survey[37], 50% of employees from 22 countries would like to work from the office only once a week, while employees reporting high levels of trust, empowerment and care, are 40% less likely to resign from their jobs.

It is, therefore, clear that, in order to attract and retain valuable talent, companies must create a flexible working environment and put the empowerment and wellbeing of their employees at the center of their strategy.

3 Focusing on sustainability and capitalizing on the country's comparative advantage in renewable energy sources

For the second consecutive year, in the European survey, a country's policies on climate change and sustainability are among the top three priorities for investment. In 2021, this criterion was ranked last-but-one.

The climate crisis and society and investors' expectations will dramatically change the rules of the global economy in the 2020s. As sustainability becomes a top priority, and companies worldwide seek to accelerate the adoption of ESG practices, factors such as the share of RES in a country's energy mix, the regulatory framework, incentives for green transition, the degree of awareness in society about the environment and the availability of relevant skills, will prove crucial factors for deciding on an investment destination.

Because of its climatic conditions, Greece holds a significant comparative advantage regarding the potential development of renewables. Solar and wind energy, including offshore, can turn the country into a net exporter of green energy, significantly contributing to the improvement of the balance of payments.

36. Tomorrow is already here. Is the leadership of the future?, EY Greece, February 2021
37. EY 2023 Work Reimagined Survey, EY, September 2023

According to the latest edition of the EY Renewable Energy Country Attractiveness Index (RECAI 61), which ranks the top 40 economies in the world on the attractiveness of their renewable energy investment and deployment opportunities, Greece was ranked 16th overall and 1st in the normalized index. This index evaluates countries' performances adjusted for their GDP size, providing a more objective evaluation, since the primary index, by its nature, favors the world's largest economies, which, due to their size, also have the largest renewable energy markets.

When asked about Greece's performance with regard to a number of sustainability-related factors, most respondents replied that the country is performing as well as other countries. However, significant percentages of respondents rated Greece's performance better than that of other countries. Specifically, they positively evaluated the presence of a workforce, skills and competencies needed to facilitate sustainability projects, the regulatory framework supporting sustainable business practices, the ecosystem of innovative cleantech and sustainability businesses, the presence for finance sustainability projects, and the percentage of renewables in the power supply. The resources from the Recovery and Resilience Facility, a significant portion of which is allocated to sustainability projects, present a unique opportunity for the country.

In addition to increasing the participation of RES in the energy mix, Greece must continue investing in infrastructure that will enhance its energy security and become an energy hub for the wider Southeastern European region. These infrastructure projects include storage facilities, and floating storage and regasification units for liquefied natural gas, cross-border natural gas pipelines, like the Greece-Bulgaria interconnector, underwater electricity interconnectors like the Euroasia and Euroafrica interconnectors connecting Greece and Cyprus to Israel and Egypt, and the EastMed pipeline.

Furthermore, it should be noted that policies for sustainability are not limited to promoting renewable energy sources. The overall picture also includes factors such as climate change resilience, energy retrofitting of building infrastructure, electric vehicle penetration in transportation, recycling, waste and water resource management, areas where Greece lags significantly, but also represent substantial investment opportunities in the coming years.

4 Strengthening research and development

Research and development are included in the next-generation businesses, which were extensively covered in the first set of recommendations of the chapter (refer to page 70). However, given the importance of this sector in the knowledge economy, and the significance attributed to it by businesses today, it requires specific attention and targeted measures.

So far, the country's performance in the field of research and development has lagged significantly. This is not surprising, considering that, according to the OECD, Greece has spent a significantly lower percentage of its GDP on research and development over the last two decades. Although this percentage increased from 0.56% of GDP in 2001 to 1.45% in 2021, it still falls below the OECD average of 2.71%[38].

Strengthening research and development will require an increase of relevant funds, along with combined efforts by both the public and private sector. Key priorities include, the full utilization of RRF and other EU funds, closer cooperation between the academic, research and business communities, strengthening the legal framework for intellectual property rights protection, creating new innovation zones, increasing funding for university research activities, attracting R&D centers of multinational companies, increasing companies' R&D budgets, encouraging the use of open data by the public and private sectors and increasing the number and scope of R&D projects of the public sector.

5 Strengthening support for small and medium-sized enterprises (SMEs)

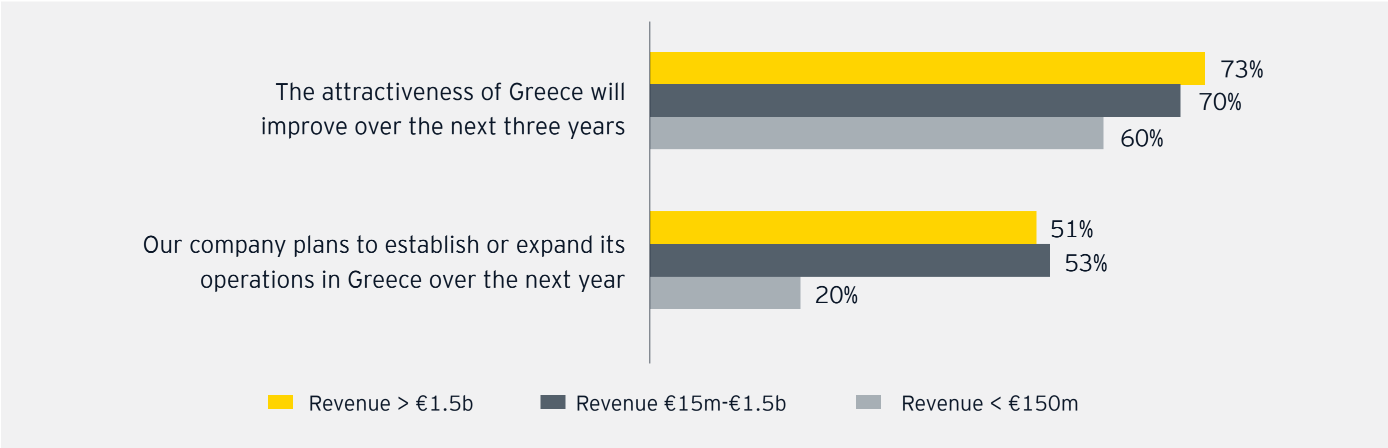
For yet another year, the support of small and medium-sized enterprises remains one of the four key priorities that, according to our survey, Greece should focus its efforts on to maintain its competitive position in the global economy.

The reason why foreign investors consider support for SMEs important is that the existence of a healthy ecosystem of modern small and medium-sized enterprises can significantly contribute, through the promotion of collaborations, to the success of an investment.

At the same time, according to the EY organization's survey for Greece, SMEs remain much more contained regarding prospects for improving the investment climate and their own investment plans. Only 20% of SMEs participating in the survey plan to establish or expand their operations in Greece, compared to 51% of very large enterprises. Moreover, only 60% of SMEs

38. Gross domestic spending on R&D: Total, % of GDP, 2000 – 2022, OECD

(compared to 73%) expect an improvement in Greece's attractiveness in the next three years. Similar caution among SMEs is observed in many other questions, while similar findings emerge from the European Attractiveness survey.



One of the explanations put forward for SMEs negative perceptions is that, at a European level, the Recovery and Resilience Facility, which is a key catalyst for investments in Europe today, is mainly oriented toward the needs and capabilities of larger enterprises. Smaller enterprises find it challenging to navigate through the complex procedures to access these resources.

The main problems faced by SMEs include fragmentation (a very high percentage of very small enterprises), low productivity, and a lack of extroversion. In reality, these problems are interrelated and jointly contribute to the current modest performance of SMEs. Therefore, to reverse the situation, a virtuous cycle should be put in place, through which increased extroversion will contribute to the scale-up of enterprises and the improvement of productivity. However, in order to set in motion this virtuous circle, a fourth, equally important challenge must be addressed: securing SMEs greater access to credit.

A wide range of interventions will be required to assist the scale-up of Greek SMEs: supporting SMEs access to capital markets and specialized private funds, accelerating the digital transformation and green transition of SMEs, facilitating access to skilled human resources and encouraging retraining programs for employees, promoting extroversion by targeting high-quality products and services, providing additional incentives for mergers, acquisitions, and partnerships, creating more industry clusters and industrial zones, integrating SMEs into the supply chains of larger enterprises, reducing administrative burdens and compliance costs for SMEs through further digitalization of taxation, and reducing bureaucratic obstacles and the complexity of public procurement processes, with the aim of attracting a larger number of SMEs.

6 Building trust through a modern tax and regulatory framework

Only one out of ten respondents (12%) in the European survey mentioned the tax environment among the main criteria they consider when making investment decisions. However, there is no doubt that aspects of the tax system continue to influence the flow of investments, particularly in critical sectors such as technology, research and development, and sustainability. The same applies to the broader regulatory framework for these investments.

Allowing regulation to keep pace with technological and other disruptions (20%) and reducing taxation (19%) are, according to the survey, among the top five priorities that Europe should focus on to maintain its competitiveness.

Specifically, regarding taxation, businesses cite several parameters they consider crucial when making investment decisions. Topping the list for 2023, up from the fourth place a year ago, is the availability of R&D tax credits (39%). This finding reflects businesses' intention to strengthen their activities in Europe in this field over the next few years, but it may also be a response to the Inflation Reduction Act (IRA) in the United States, which introduced significant tax incentives to boost research and development.

Businesses also desire a higher degree of pragmatism and flexibility from tax authorities (37%), as well as further digitalization of tax authority systems (37%).

In general, businesses want tax rules to be as simple as possible to understand and implement and to favor stability (35%). Governments' commitment to maintaining a stable tax environment, even in difficult economic conditions, where the need to increase revenue through higher business taxes is significant, could have a tremendous impact on business confidence and investment.

Clarity and stability are also highly sought after in the regulatory framework. Especially in emerging issues such as artificial intelligence and low-carbon technologies, investors expect clear messages from policymakers about their intentions.

Forty-four percent of respondents in the Greek survey stated that the country's tax policy makes it a more attractive investment destination compared to other countries, while 19% said it makes it slightly less attractive. Among companies already established in Greece, positive opinions reach 57%.

However, 28% of respondents mentioned taxation reduction as one of the areas where Greece should focus its efforts to maintain its competitiveness in the next three years.

As global and European initiatives for tax rate harmonization gain ground, the level of tax rates will cease to be a significant tax tool for attracting investors. Instead, investors' attention will shift to issues such as digitalization, simplification, and stability of the tax system, as well as the tax and regulatory approach to technology, research and development, and clean energy.

It should be noted that shaping the tax and regulatory framework to promote sustainable development goals is an important tool for attracting investments, but also raises concerns among businesses that may bear a disproportionate burden and be negatively affected by sustainability policies. According to the European survey, 37% of respondents believe that Europe's attractiveness may be reduced in the coming years due to increased regulatory burdens. Similarly, in the survey about Greece, among respondents who believe that the country's attractiveness will decrease in the next three years, 42% cited increased regulatory burden as the reason.

Therefore, policymakers in Greece, as indeed in the European Union, should proceed carefully and seek a balance between enhancing sustainability and burdening businesses.

Tax policy should focus on the following areas: simplification of the tax system through increased use of technology, updating the tax framework by revising outdated tax legislation, such as stamp duty and integrating European legislation into domestic law, securing consistent interpretation of the laws to establish a sense of stability and predictability, modernizing and digitalizing judicial procedures to reduce delays in the delivery of justice, simplifying and digitalizing property transfer processes, intensifying efforts to combat tax evasion through extensive use of technological tools and artificial intelligence, further reducing the tax and social security burden on employees and retirees, and introducing a structured framework for environmental tax policy.

7 Improving infrastructure

The disruptions in global supply chains triggered by the pandemic have been intensifying over the last three years due to the war in Ukraine, economic sanctions against Russia, and broader geopolitical realignments. This has led companies to drastically reevaluate their priorities and investment decisions.

Our European-wide survey reveals three dominant trends among companies regarding supply chain redesign: creating more regionally based supply models (52%), nearshoring close to customers (47%) and reshoring activity back to domestic markets (46%).

These developments create significant opportunities for investment in our country, both in the logistics sector and in manufacturing, given its position at the southeastern gateway of Europe and relatively low labor costs. It is no coincidence that one out of four (26%) participants mentioned logistics and distribution channels as one of the sectors that will drive Greece's growth in the coming years, ranking second after tourism.

In this context, it is clear that improving a country's infrastructure is a fundamental prerequisite for attracting more investments. One out of four participants in the European-wide survey (24%) included the reliability and coverage of infrastructure among the top four criteria influencing investment destination decisions.

Indeed, investors have a positive view of our country's infrastructure. Thirty-nine percent of businesses that believe Greece's attractiveness will improve over the next three years attributed their evaluation to the quality of the country's infrastructure. In addition, only 8% of respondents included investments in major infrastructure and urban development projects among the sectors Greece should focus on to maintain its competitive position in the global economy.

Greece has made significant progress in recent years in both transportation and logistics infrastructure, as well as telecommunications and digital infrastructure. Specifically, in the field of logistics, Greece improved its position on the World Bank's Logistics Performance Index (LPI) climbing 23 places over the last five years and is now ranked 19th globally (2023 ranking).

However, major interventions are still required: modernizing the railway system by strengthening railway safety, completing the electrification of the network and improving its connection to Central European networks, major ports in the country and industrial zones. Completing the highway network, rationalizing the cost of tolls for freight transportation, completing private sector investments in regional ports through concessions, creating inland logistics infrastructure (hinterland) around ports, upgrading inland logistics infrastructure, with the rapid completion or creation of new, high-standard storage and distribution centers and logistics parks, improving connectivity to global trade routes and other hubs, primarily, and digitalizing the supply chain network are also important steps that need to be addressed in order to upgrade the country's infrastructure.

8 Strengthening the country against Climate Change

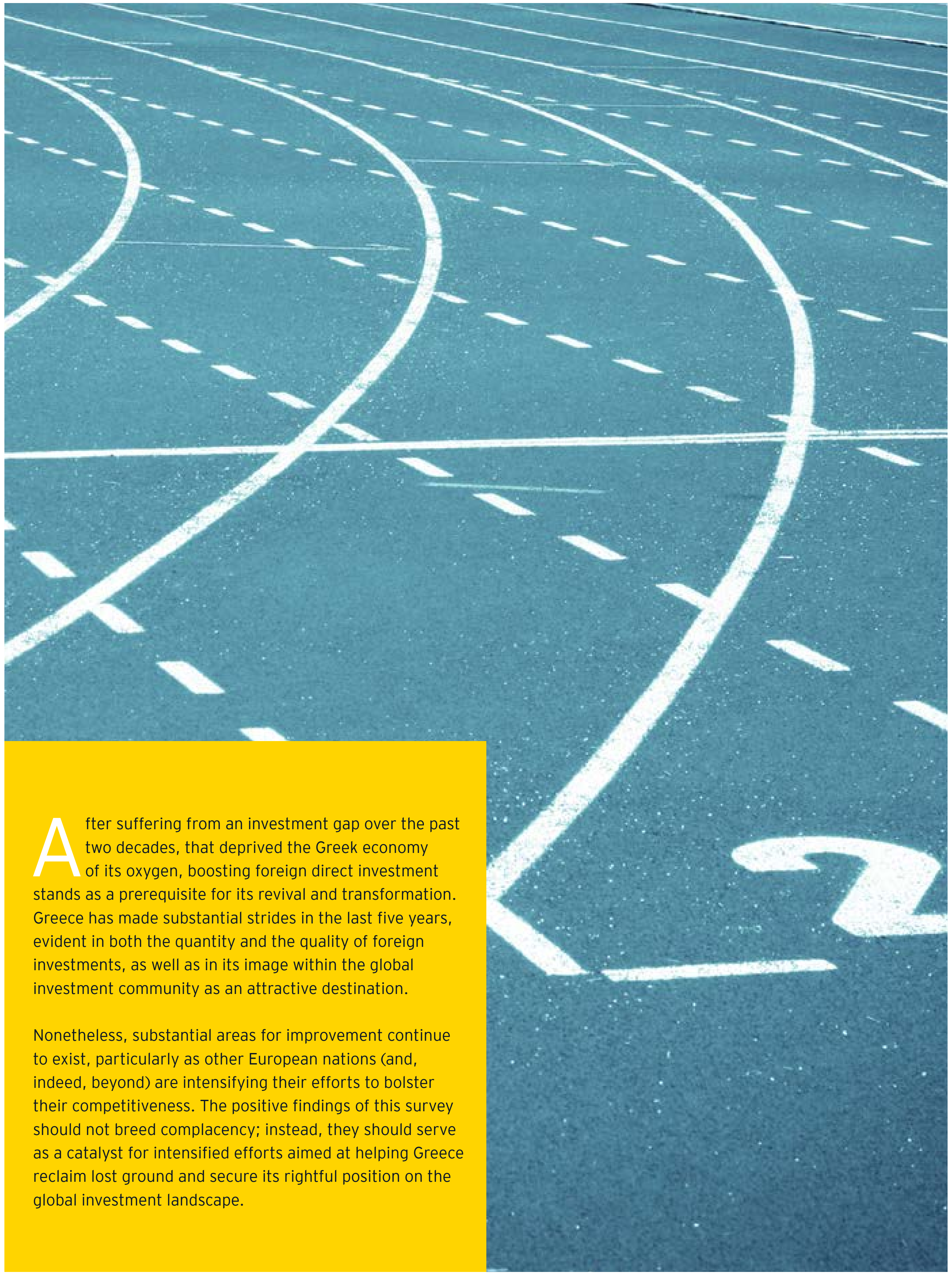
The recent catastrophic floods and forest fires resulted in the loss of human lives, properties, infrastructure and natural capital. This demonstrates that the country needs to increase its preparedness to address the consequences of climate change. The assessments of the Intergovernmental Panel on Climate Change (IPCC - AR6, 2023) confirm that extreme weather events will increase in intensity and frequency in the coming years. Strengthening the country's resilience against climate change is an urgent necessity to protect human lives, properties and the natural environment. It will also contribute to maintaining and enhancing the country's attractiveness as an investment destination.

The establishment of the Ministry of Climate Crisis and Civil Protection in September 2021, represents a necessary first step in the right direction, but more needs to be done. There is an urgent need to attract specialized scientific personnel and consolidate all coordination responsibilities within the Ministry, many of which are currently scattered among municipalities, regions, and other ministries.

The state has already announced a series of relevant initiatives, confirming that further strengthening the country against the impacts of climate change must be a top priority and a strategic goal for the country. However, beyond the state, local government, civil society, and the business community must also take responsibility and actively contribute to this effort.

However, given the size of the challenge, further measures are required: systematically assessing climate risks for all critical infrastructure, public entities and production activities, strengthening prevention with a focus on early warning systems, public awareness, and the development of emergency management plans, strengthening preparedness through the creation of a nationwide Geographic Information System (GIS), strengthening immediate response through the reinforcement of operational centers and the development of evacuation plans, focusing on ecosystem restoration and infrastructure design using nature-based solutions, prioritizing support for vulnerable groups and the immediate restoration of critical infrastructure, revising the building code and the General Urban Plans, informing insurance and banking institutions about the results of the nationwide Geographic Information System to enhance insurance coverage and promote investments in climate change adaptation.

Conclusions and recommendations



After suffering from an investment gap over the past two decades, that deprived the Greek economy of its oxygen, boosting foreign direct investment stands as a prerequisite for its revival and transformation. Greece has made substantial strides in the last five years, evident in both the quantity and the quality of foreign investments, as well as in its image within the global investment community as an attractive destination.

Nonetheless, substantial areas for improvement continue to exist, particularly as other European nations (and, indeed, beyond) are intensifying their efforts to bolster their competitiveness. The positive findings of this survey should not breed complacency; instead, they should serve as a catalyst for intensified efforts aimed at helping Greece reclaim lost ground and secure its rightful position on the global investment landscape.

About the survey

The survey was conducted by FT Longitude, the specialist research and content marketing division of the Financial Times Group, via online interviews between 3 July and 26 July 2023. The views expressed in this report are those of EY teams. In total, 250 interviews were conducted, of which 125 in Greece and 125 abroad. As 26 companies from the second category already have a presence in Greece, a total of 60% of the companies of the sample (n=151) have operations in Greece.

The companies interviewed are headquartered in 26 countries, representing the countries of origin for current and potential foreign investments in Greece.

Timeline of the survey

The survey was conducted between

3 July and 26 July 2023.

The survey was conducted after the two national elections of May and June 2023. It should be noted that the fieldwork of the survey coincided with the outbreak of catastrophic wildfires on the island of Rhodes and other areas in the country, which received significant international media coverage and may have influenced the respondents' psychology.

Participants in the survey

250 executives from foreign companies:

125 interviews conducted in Greece

125 interviews conducted outside of Greece

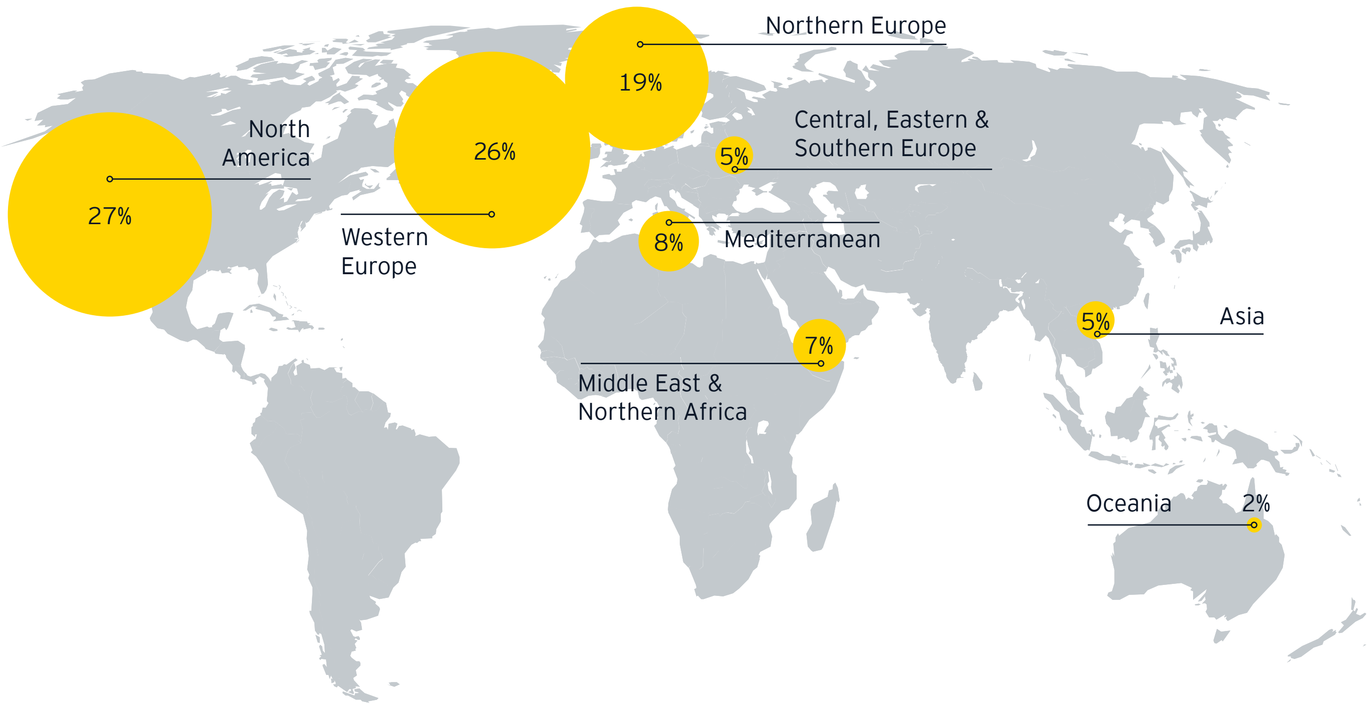
↳ 26 already have operations in Greece

In total, 60% of the companies surveyed (n=151) already have operations in Greece, while 40% (n=99) are not yet established in Greece.

Data collection

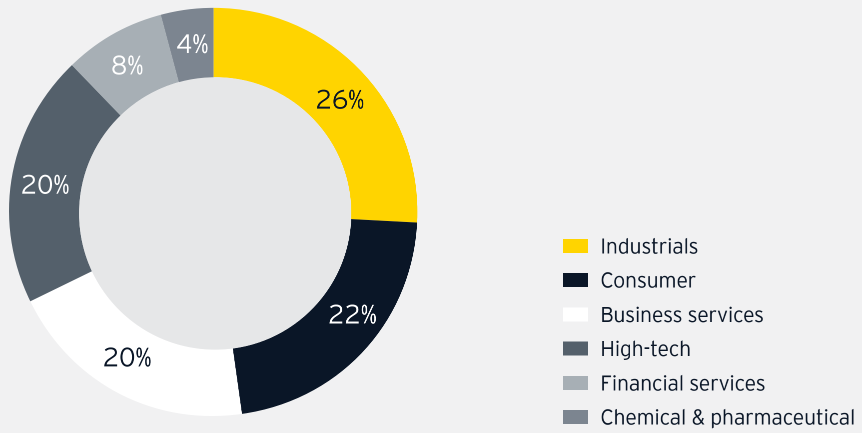
The survey was conducted via online interviews to executives from 26 countries.

Location of companies' headquarters



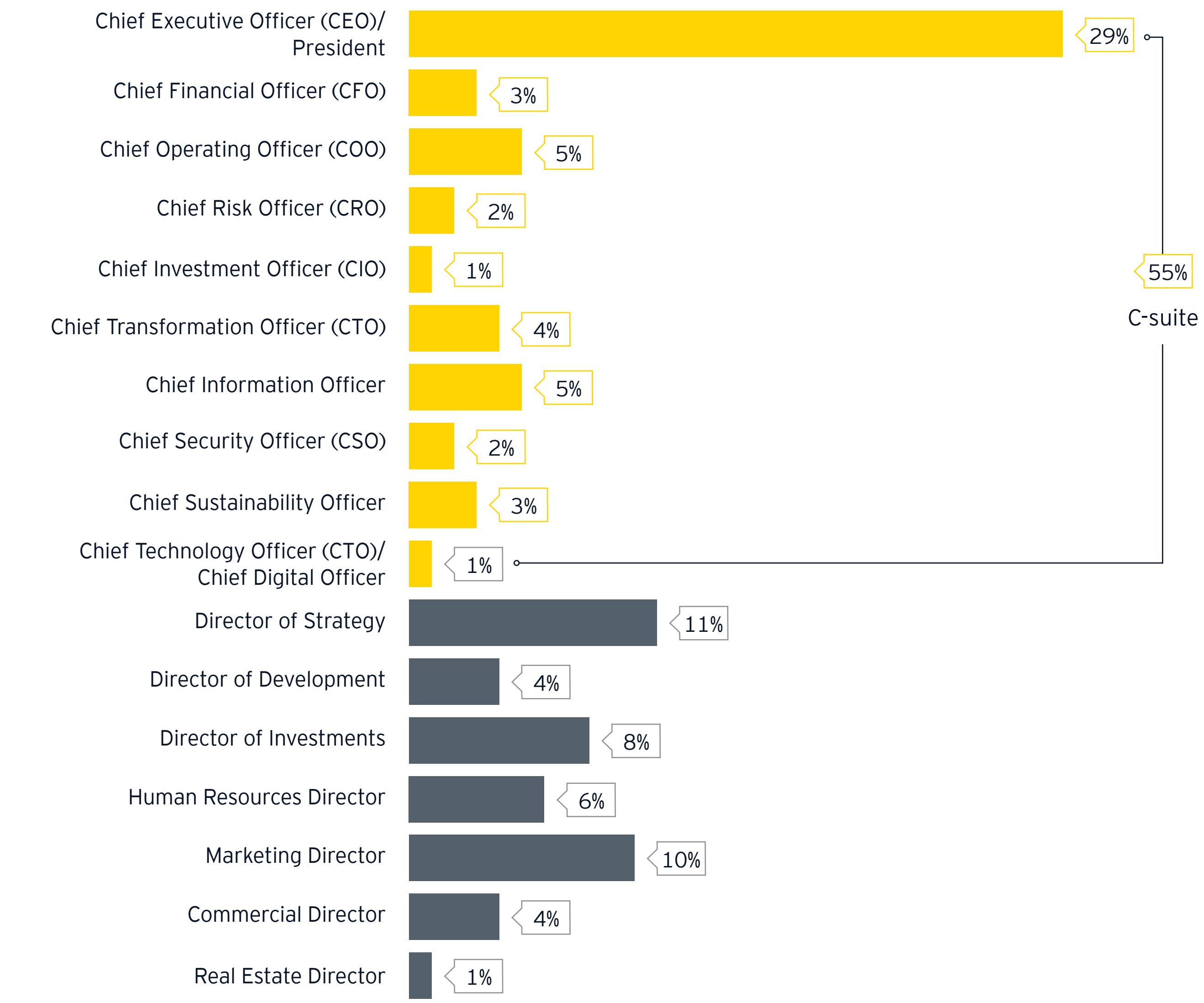
Sales turnover

Primary sector of activity



About the survey

Job title



Regarding comparisons:

This year's survey for Greece was conducted by a different provider, FT Longitude, compared to previous years and other European countries. Additionally, it should be noted that the fieldwork for the survey in Greece took place at a later period compared to the other national surveys. These factors should be taken into account when analyzing the comparisons.

Fieldwork dates and sample size by country		
Europe	01/02-20/03	508
United Kingdom	06/02-13/03	409
Italy	08/02-10/03	101
Ireland	22/02-27/03	153
France	15/02-15/03	204
Belgium	01/02-28/02	207
Portugal	07/02-06/03	202
Romania	02/02-06/03	103
Greece	03/07-26/07	250

Note: Percentages in some graphs of the survey may not total 100% due to rounding (+/- 1%).

Methodology

The evaluation of the reality of FDI in Europe is based on the EY European Investment Monitor (EIM), an EY proprietary database. This database tracks the FDI projects that have resulted in the creation of new facilities and jobs. By excluding portfolio investments and mergers and acquisitions (M&A), it shows the reality of investment in manufacturing and services by foreign companies across the continent.

Data on FDI is widely available. An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company's equity and takes a role in its management. FDI includes equity capital, reinvested earnings, and intracompany loans.

Our figures also include investments in physical assets, such as plant and equipment. This data provides valuable insights into:

- How FDI projects are undertaken
- What activities are invested in
- Where projects are located
- Who is carrying out these projects

The EY EIM is a leading online information provider that tracks inward investment across Europe. The EY EIM database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment. Projects are identified through the daily monitoring of more than 10,000 news sources, while in order to confirm the accuracy of the data collected, the research teams aim to directly contact more than 70% of the companies undertaking these investments.

This flagship business information tool is the most detailed source of data on cross-border investment projects and trends throughout Europe. The EY EIM is frequently used by government bodies, private sector organizations and corporations looking to identify significant trends in employment, industry, business, and investment.

The following categories of investment projects are excluded from the EY EIM:

- M&A and joint ventures (unless these results in new facilities or new jobs being created)
- License agreements
- Retail and leisure facilities, hotels, and real estate*
- Utilities (including telecommunications networks, airports, ports and other fixed infrastructure)*
- Extraction activities (ores, minerals, and fuels)*
- Portfolio investments (pensions, insurance, and financial funds)
- Factory and other production replacement investments (e.g., replacing old machinery without creating new employment)
- Nonprofit organizations (charitable foundations, trade associations and government bodies)

*Investment projects by companies in these categories are included in certain instances. For example, details of a specific new hotel investment or retail outlet would not be recorded, but if the hotel or retail company were to establish a headquarters facility or a distribution center, this project would qualify for inclusion in the database.

About the EY Attractiveness program

EY Attractiveness Surveys are widely recognized by clients, media, governments and major public stakeholders as a key source of insight into FDI. Examining the attractiveness of a particular region or country as an investment destination, the surveys are designed to help businesses make investment decisions and governments remove barriers to growth.

A two-step methodology analyzes both the reality and perception of FDI in the country or region. Findings are based on the views of representative panels of international and local opinion leaders and decision-makers.

The program has a 22-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

For more information, please visit:

ey.com/attractiveness #EYAttract

EY contacts

Georgios Papadimitriou
Country Managing Partner
+30 210 2886 417
georgios.papadimitriou@gr.ey.com

Andreas Hadjidamianou
Head of Assurance
+30 210 2886 519
andreas.hadjidamianou@gr.ey.com

Elias Vyzas
Head of Consulting
+30 210 2886 676
elias.vyzas@gr.ey.com

Stefanos Mitsios
Head of Tax
+30 210 2886 363
stefanos.mitsios@gr.ey.com

Tassos Iossiphides
Head of Strategy & Transactions
+30 210 2886 423
tassos.iossiphides@gr.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EYG no. 010932-23Gbl
ED None

ey.com

Legal Name: ERNST AND YOUNG Single Member Societe Anonyme for the Provision of Advisory Services
Distinctive title: ERNST & YOUNG BUSINESS ADVISORY SOLUTIONS
Legal form: Societe Anonyme
Registered seat: Chimarras 8B, Maroussi, 15125
General Commercial Registry No: 001576101000

Legal Name: ERNST & YOUNG (HELLAS) Certified Auditors-Accountants S.A.
Distinctive title: ERNST & YOUNG
Legal form: Societe Anonyme
Registered seat: Chimarras 8B, Maroussi, 15125
General Commercial Registry No: 000710901000