



HELLENIC REPUBLIC
MINISTRY OF ECONOMY AND FINANCE

Fact Sheet
on the Prospects of the Greek Economy

September 2005

Greece's Outward-Looking Economy and Comparative Advantages

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Economic Stability and Growth

✓ THE IMPLEMENTATION OF A NEW ECONOMIC MODEL

A new economic model is implemented, aiming to create a favourable business environment and to foster a climate of confidence and trust, based on the following three principles:

- *Entrepreneurship,*
- *International orientation,*
- *Competitiveness.*

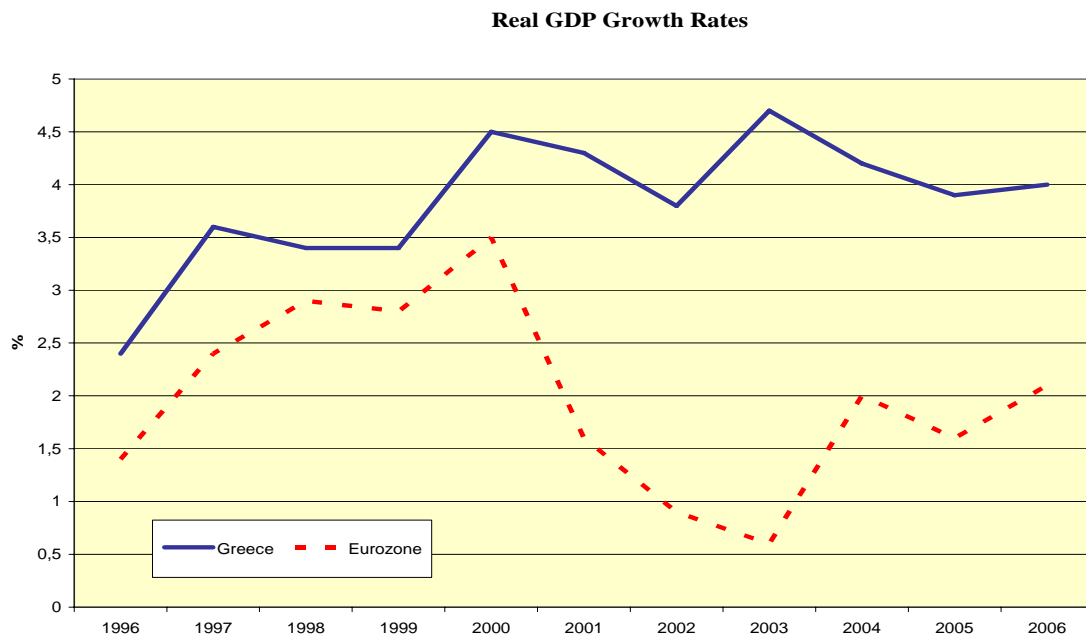
✓ BRISK ECONOMIC GROWTH

Greece has enjoyed several years of brisk economic growth based on:



- Supportive fiscal policies,
- Entry into the eurozone - accommodative monetary policy in the Eurozone – banking sector liberalization,
- The undertaking of the ATHENS 2004 Olympic Games and the heavy infrastructure spending associated with it,
- EU Community Support Framework (CSF) spending.

✓ AMONG THE HIGHEST GROWTH RATES IN THE EUROZONE



- Greece enjoys one of the highest rates of growth in the EU.
- Greece's high rate of growth is expected to continue into the near future, providing the platform for a growing domestic market.
- In the first quarter of 2005, Greece's rate of growth was 3.5% at an annual rate, the highest in the eurozone, despite predictions for a considerable slowdown in the post-Olympics era.

Economic Stability and Growth

✓ THE COMMITMENT TO FISCAL TRANSPARENCY & CONSOLIDATION

At the end of 2004, Greece, after having closely cooperated with the Eurostat, completed a thorough fiscal audit in order to:

- Achieve fiscal transparency,
- Develop, implement and monitor economic policies effectively,
- Pursue economic growth.

"Let me congratulate you (the Greek Government) for the courageous step you took and steps that you will take so that things can be back to order by 2006."

J. Barroso, EU Commission President, on Greece's Economic Initiatives
April 18, 2005

✓ A STRATEGICALLY REVISED STABILITY & GROWTH PROGRAM (SGP)

The revised Stability and Growth Programme promotes important reforms to:

- Rationalize public spending while providing quality services,
- Increase State revenues with the least possible repercussions to the economy.
- Attain the following budget structure:

	Primary Expenditure Reduction	Government Revenues Increase
2004	44.8% of GDP	41.8% of GDP
2005	43.7% of GDP	42.7% of GDP
2006	43.4% of GDP	43.3% of GDP

The rationalization of public spending is based on:

- A significant reduction in the growth of current general government expenditure,
- Moderate increases in wages and pensions,
- A restrictive hiring policy in the public sector,
- Expenditure control in Public Sector Enterprises.

The establishment of more efficient controls on public expenditure leads to a significant reduction of public spending and the saving of resources equivalent to 1.0% to 1.5% of the annual GDP (i.e. 1.7 to 2.5 billion euros a year).

The current objective is to reduce the share of the public sector in GDP by 1% every year to further encourage entrepreneurship.

The increase in revenues is based on:

- Enhancing the effectiveness of the Ministry of Finance with the implementation of the provisions of a New Tax Law.
- Increasing the VAT rates by 1 percentage point.
- Restructuring the Excise Taxes on tobacco and alcoholic beverages.
- Combating tax evasion.

"The Greek government must be praised not only for implementing the 2005 budget with rigour but also for announcing additional measures for this year. Taking into account the existing risks, I welcome its commitment to present a budget for 2006 in which the deficit would be brought below 3% of GDP."

J. Almunia, EU Economic Affairs Commissioner, on the Revised SGP
April 6, 2005

Economic Stability and Growth

✓ POSITIVE ECONOMIC PROSPECTS

	2003	2004	2005*	2006*	2007*
Real GDP Growth Rate	4.7%	4.2%	3.9%	4.0%	4.2%
Real Exports Growth Rate	1.0%	10.0%	7.8%	8.0%	7.0%
Inflation Rate	3.4%	2.9%	3.2%	3.0%	2.7%
Employment Growth Rate	1.3%	2.8%	1.5%	1.5%	1.6%
Unemployment Rate	10.4%	11.0%	10.5%	9.8%	8.9%
Labour Productivity Growth Rate	3.3%	1.3%	2.3%	2.5%	2.6%
General Government Deficit, % of GDP	5.2%	6.1%	3.5%	2.8%	2.2%
General Government Debt, % of GDP	109.3%	110.5%	108.0%	103.9%	99.9%

(*) Forecasts

A policy of gradual fiscal adjustment has been adopted in order to contain budget deficits that could destabilize the economy in the future, but also safeguard short-term economic growth.

✓ THE FOCUS ON PRIVATIZATIONS & THE OPENING OF THE MARKETS

Realized Privatizations from March 2004 to August 2005			
Company	Action	Date	Revenues
Hellenic Petroleum Group	Placement of 8.21% of total shares	July 2004	192 million euros
National Bank of Greece	Placement of 7.46% of total shares (full privatization)	Nov. 2004	562 million euros
OPAP S.A. (Hellenic Organization of Football Prognostics)	Placement of 16.44% of total shares	July 2005	1,266 million euros (80% the 2005 Privatizations Budget)
OTE (Hellenic Telecommunications Group)	Placement of 10% of total shares	September 2005	835 million euros

“This is the largest placement that the Greek State has ever accomplished. With this placement our structural reforms program has gained considerable momentum and it constitutes solid proof of the faith that Greek and foreign investors have in this administration. At the same time, public debt will be reduced substantially. We are determined to step up the reforms that our economy needs in order to spur growth, create more and better jobs and enhance social cohesion”.

G. Alogoskoufis on the OPAP placement
Greek Minister of Economy and Finance
July 18, 2005

Economic Stability and Growth

✓ THE FOCUS ON PRIVATIZATIONS (*continued*)

Another indication of the confidence investors have in the current Greek administration was the successful placement of the own shares of Emporiki Bank which generated 145 million euros for the Bank.

Several other strategically planned privatizations / listings in the Athens Stock Exchange are planned to take place in the near future:

- The Postal Savings Bank
- The Athens International Airport
- The Agricultural Bank of Greece

It is estimated that in 2005, privatizations will generate more than 1.6 billion euros in revenue for the Greek State (1% of GDP).

“(Over the last few years), the Greek economy earned a lot from investments in the public sector and is now ready to focus on the private sector.”

G. Alogoskoufis
Greek Minister of Economy and Finance
Interview in the French newspaper ‘Le Figaro’
May 9, 2005

✓ THE UPGRADE OF KEY ORGANIZATIONS

Greece is currently upgrading key organizations such as:

- The *General Secretariat for Information Systems*,
- The *General Secretariat of National Statistical Service of Greece*,
- The *Hellenic Center for Investment*,
- The *Hellenic Foreign Trade Board*.

For instance, in the context of the Hellenic Foreign Trade Board activities, Greece has a strong presence in world exhibitions such as EXPO 2005 in Aichi, Japan.



“I would like to thank Greece for being, once again, so brilliant, warm, and... Greek in this world exposition in Japan this year.”

B. Testu, President of General Commissioners

Strategic Geopolitical Location

✓ THE CROSSROADS

Thanks to its key geographic location, Greece links the east with the west, the Mediterranean with the Balkans, and serves as the ideal location for investments and trade.



✓ THE BUSINESS HUB

Greece: The Gateway to S.E. Europe & the Middle East for Multinational Corporations

Greece serves as the business hub for some of the biggest multinational companies. For example, business giants such as the *AIG Group*, the *Coca-Cola Co.*, *Diageo*, *Ernst & Young*, *Kodak*, *Siemens*, *Toyota*, and *UPS* established in Greece their regional headquarters for the Central and Eastern Europe, the Mediterranean and/or the Middle East.

“Siemens has recognized the potential of Greece, its geopolitical position, but also the infrastructures it has developed in the past years (telecom, transportation, energy etc). The country also has the necessary financial and legal structures, and being part of the EU family, can act as a hub in South-Eastern Europe and the Mediterranean. The know-how that was accumulated in Greece during its modernization in the past decades can also help the neighbouring Balkans in their development towards the European standards. But most importantly, Greece possesses highly educated and qualified personnel, with great capacity for creativity and flexibility, assets necessary for a company at the forefront of technology which prides itself in innovation and learning.”

M. Christoforakos
Chairman Siemens Group Greece
May 2005

Greece: The Leading Foreign Investor in the Balkans

- Greek Foreign Direct Investment contributes to the development and the stabilization of the region with a dynamic network of Greek companies that do business in the Balkans and the Eastern Mediterranean, especially in view of the accession of Romania and Bulgaria to the E.U. and Turkey’s European perspective.
- In less than ten years, Greek investment in S.E. Europe has exceeded 8 billion euros.
- Greece is the leading foreign investor in Albania, Bulgaria and FYROM and ranks among the first three leading foreign investors in Romania.

✓ THE ENERGY HUB

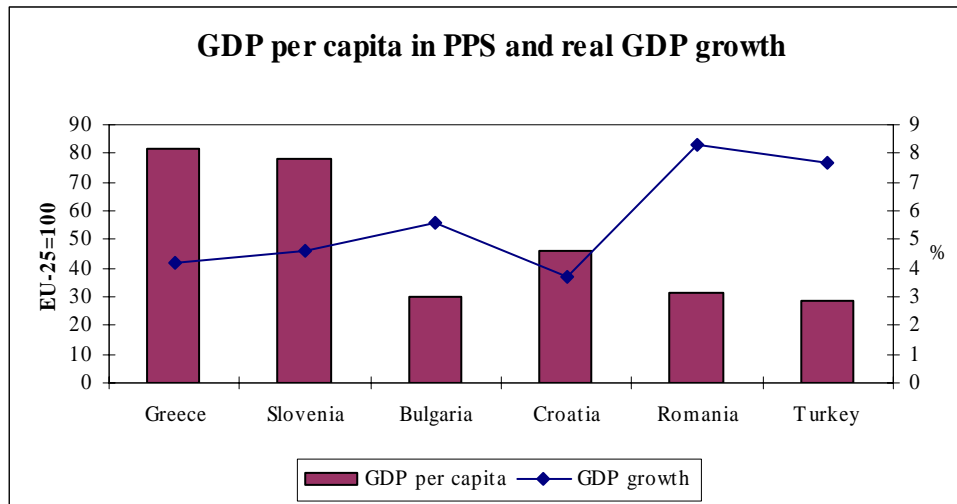
- In June 2005, Greece signed an agreement with Russia and Bulgaria for the construction of an oil pipeline connecting the Black Sea with the Mediterranean, reducing the costs of transporting oil.
- Additionally, Greece has signed an agreement with Italy to construct a gas pipeline connecting Greece with Italy.
- Furthermore, a pipeline connecting Greece with Turkey is already under construction.

Strategic Geopolitical Location

✓ THE LEADING POSITION IN A FAST DEVELOPING REGION

Greece neighbors with four rapidly developing economies that will soon join the E.U. and:

- Is the most developed country in one of the fastest growing regions in Europe.



- Is the only country in the region that is both an E.U. and EMU member providing foreign investors with the monetary stability they desire.
- Enjoys the most advanced infrastructure and the most sophisticated and well-trained work force in the region.
- Offers a stable political and financial environment.
- Implements the Plan for the Economic Reconstruction of the Balkans (HIPERB), a five-year development aid programme was launched in 2002 and will allocate a total amount of 550 million euros from the national budget to foster peace, stability and the European orientation of the Balkans. The benefiting states are the Federal Republic of Yugoslavia, the Republic of Bulgaria, Romania, FYROM, the Republic of Albania and Bosnia-Herzegovina. The program has been developed by the Ministry of Foreign Affairs in collaboration with the Ministry of Economy and Finance and the Ministry of Macedonia and Thrace.

New Legislative Framework Encouraging Foreign Investment

✓ NEW TAX REFORM

The Ministry of Economy and Finance prepared a new Tax Reform Law in December 2004 which aims to:

- Reduce the corporate tax rate from 35% to 25% by 2007,
- Simplify taxation regulations,
- Cut red tape,
- Establish transparency in tax audits,
- Spur private investment and encourage innovation.

The fact that in Greece there is no double taxation of dividends is also of great importance to businesses.

✓ NEW INVESTMENT INCENTIVES LAW

The Ministry of Economy and Finance developed and implemented a *Law for Private Investment Incentives for Economic Development and Regional Convergence* which funds up to 55% of the investments made by older or newly established companies and is expected to:

- Increase employment,
- Improve the competitiveness of the economy,
- Boost entrepreneurship,
- Encourage investment activities of middle and small size enterprises,
- Foster technological change,
- Achieve regional convergence,
- Simplify complex procedures for the evaluation of investment projects.

Facts and Figures: The new investment incentives law has been received very warmly by the business community. In the first five months of its implementation (end of March till end of August):

- 483 applications have been submitted accounting for 1.3 billion euros,
- 134 applications have been approved, accounting for more than 232 million euros,
- 1247 new full-time jobs are created.

"We applaud Greece's decision to make its economy more forward looking and competitive. Through a combination of incentives and corporate tax breaks, the new government's (Investment Incentives) Law promises to shift the focus of the economy to sectors that are open to international competition, such as tourism, information technology, financial services, and quality agricultural exports. "

C. Reis, US Ambassador in Greece, on the Investment Incentives Law
(April 7, 2005)

✓ NEW FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIPS

The new law for Public-Private Partnerships which was passed in the Greek Parliament on September 13, 2005 lays the foundations for the active development of state-owned real estate and the more efficient provision of public goods and services through partnerships with the private sector.

Business Sectors with Great Growth Potential

✓ THE PIONEERING SHIPPING SECTOR

- With over 3,800 ships of more than 1,000 tn, Greece's fleet is the largest in Europe, the 5th in the world and continues to develop even further.
- More than 260 new Greek ships are currently being built.
- In 2004, the Greek commercial fleet contributed more than 12 billion euros to the Greek economy.



✓ THE STRONG BANKING SECTOR

- Greek banks have been among the top performers in the European banking sector. The recently published 2Q 2005 results prove that the earnings momentum for the Greek banks remains intact.
- The core revenue growth (17% yoy for the combined three majors) was among the highest in Europe.
- The operations of Greek banks in the wider region, extending from S.E. Europe to Poland are expanding at double-digit rates of growth every year.
- With asset quality continuing to improve and core equity exceeding 9%, the banking sector is poised to provide positive results throughout 2005 and onwards.
- The five biggest banks (The National Bank, Alpha Bank, EFG Eurobank Ergasisas, Emporiki Bank and Piraeus Bank) recently reported net profits after tax of 1.24 billion Euros, an increase of 13.86% over the previous financial year.

✓ THE DYNAMIC TRADE SECTOR

According to the latest figures published by the National Statistical Service of Greece, in the first six months of 2005, the total value of exports was 6,389 million euros as compared to 5,950 million euros during the same time period in 2004, presenting a 7.3% increase.

Business Sectors with Great Growth Potential

✓ THE TOP QUALITY GREEK PRODUCTS

“If you disassemble Greece, eventually you will see that an olive tree, a vine and a ship still remain. Which means: using as much you may reconstruct it.”

Odysseus Elytis
Greek Poet, 1911-1996
1979 Nobel Prize in Literature

Greece is famous for its olive oil as:

- It is the largest producer of extra virgin olive oil in the world ,
- It is the 3rd olive oil producer in the world,
- It has the highest per capita consumption of olive oil in the world,
- It has 120 million olive trees which produce extra virgin olive oil of exceptional quality.



Greece's landscape physiognomy and climatic conditions are also ideal for the cultivation of the vine. Especially during the last years, progress in the winery and cellar has been spectacular and wine makers educated in France, Germany and the US heavily invest in Greek vineyards. A lot of emphasis is placed on the potential of indigenous varieties.

Other high-quality products that thrive in Greece include Greek honey, vegetables, and sweet-smelling fruits such as peach, apricot, grape, melon, kiwi, citrus, etc. Crocuses of exceptional quality in the area of Kozani, produce a rare saffron while a special type of mastic that has aromatic and therapeutic properties grows only on the island of Chios.

✓ THE BOOM IN THE 'RENEWABLE ENERGY RESOURCES' SECTOR

Investments in the Aeolian (wind) power market are highly encouraged and are expected to be extremely successful and profitable given:

- Greece's environment,
- The mapping of Greece's Aeolian potential by the Center of Renewable Energy Sources (www.cres.gr),
- The large part of Aeolian potential that remains unexploited,
- The increasing awareness of environmental issues,
- Greece's national goal to substantially increase the contribution of renewable resources to the balance of energy by 2010.

“... We will facilitate a major initiative in aeolian power, made by Japanese investors, in Lakonia (an area in Southern Greece) that was put on hold for 9-10 years...”

Costas Karamanlis
Prime Minister of Greece
Interview in the Greek newspaper KATHIMERINI
April 24, 2005

The water power is also exploited by means of large hydroelectric projects and many more minor ones, while 8 more major hydroelectric plants are scheduled for operation in the next five years. Investments in hydroelectric projects are highly encouraged given:

- The considerably increasing demand in the annual power consumption,
- The large proportion of unexploited water potential.

Several European and Asian power-producing companies are already in close collaboration with their Greek counterparts in various important investments of international proportions.

Business Sectors with Great Growth Potential

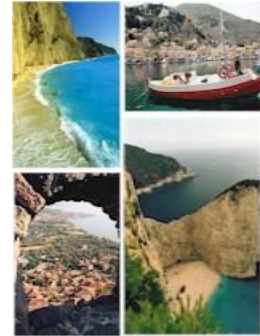
Tourism

✓ ONE TOURIST PER INHABITANT

Greece has a long tradition in tourism and receives more than 12 million tourists a year – which means more than one tourist per inhabitant.

✓ UNIQUE ATTRIBUTES

- Captivating natural beauty,
- Ideal and mild climate,
- Long history, numerous archaeological sites, monuments and museums,
- Rich cultural heritage,
- Exceptional tradition in hospitality,
- Vibrant and modern lifestyle.



✓ UPGRADED & INCREASED TOURISM INFLOW IN THE POST-OLYMPICS ERA

- Tourism infrastructure was greatly upgraded as a result of hosting the Olympic Games and Greece is now perfectly equipped to meet high accommodation standards. Greece is gradually establishing itself as the ideal choice for hosting larger or smaller conventions, international exhibitions and other events as well as for major investments in the tourist industry, such as the development of big hotel complexes or the creation of specialized facilities (e.g. a golf course) attracting specific groups of tourists.
- In the first half of 2005, international arrivals increased by 8% (according to the Athens International Airport).

✓ DYNAMIC INTERNATIONAL CAMPAIGN

By capitalizing on the Olympic Games success and the repositioning of the country in the world map, Greece is currently running a dynamic international advertising campaign that aims to give a significant boost to the tourism industry.



✓ INVESTMENT OPPORTUNITIES

The tourism sector constitutes one of the main sources of Greece's national wealth as it contributes annually more than 18% to the GDP, promotes employment opportunities as approximately 700,000 jobs are offered every year and plays a decisive role in the development of the periphery.

Special organizations such as the Olympic Properties S.A. and the Tourism Development Co. (www.tourism-development.gr) have been established to ensure and facilitate the optimal development and use of Olympic and tourist infrastructure.

The 2004 Olympic Games and Greece's Ability to Deliver

✓ THE REPOSITIONING OF GREECE IN THE WORLD MAP



Greece's successful hosting of the Olympic Games was internationally acknowledged and gave the country a boost in its image, reflecting its modern, confident and dynamic profile.

International Headlines on the Success of the Athens Olympic Games

CNN: *"We were wrong, Greece overcame the world's paranoia to stage a glorious Games"*

REUTERS: *"Olympics-gold medal for Athens' security-with-a-smile"*

AGENCE FRANCE PRESSE: *"Greece positively suprised the whole world"*

DEUTSCHE PRESSE AGENTUR: *"Grand and Joyful Games Finale: Rogge praises Greeks for Dream Games"*

CHICAGO TRIBUNE: *"Greece's show brilliantly done"*

WASHINGTON POST: *"Proud Country Shows the World 'Great Things Greeks Can Do'"*

USA TODAY: *"Security issues and fears fade as games roll smoothly to close"*

THE TIMES: *"Shame on us for having little faith — Greeks pulled it off with style"*

INDEPENDENT ON SUNDAY: *"The ideal home"*

THE AGE: *"Greeks Grin and keep the dream alive"*

SYDNEY MORNING HERALD: *"Thanks Athens: you pulled it off"*

DIE WELT: *"Truly Moving Moments"*

EL PAIS: *"ATHENS 2004: a Games truly exceptional and worth-noting"*

✓ THE LEGACY OF THE GAMES

- The state-of-the-art sports facilities,
- The know-how in hosting international complex events,
- A well-qualified and experienced human capital,
- The excellent transport infrastructure that significantly eased traffic,
- The "...transformation of Athens into a sparking capital..." (The Wall Street Journal, May 11, 2005).

✓ INVESTMENT OPPORTUNITIES IN THE POST-OLYMPIC GAMES ERA

The legacy of the Games also includes the development of an investment-friendly environment. For example, the Olympic properties, i.e. buildings and sports venues with state-of-the-art equipment, can be used for a number of purposes relating to business activities, leisure and the hosting of major sports and cultural events.

"You have won. You have won by brilliantly meeting the tough challenge of holding the Games. (...) These were unforgettable, dream Games."

J. Rogge

International Olympic Committee President

Speech in the Closing Ceremony of the ATHENS 2004 Olympic Games

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