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The Investment Potential in Greece

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ATTICA VENTURES

ZAITECH FUND
INNOVATION VENTURE CAPITAL FUND

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The economic environment in Europe

- Slow down of development rates
- Prospective rigidity of Bank loan policies in relation to SME (Basel II, guarantees, etc.)
- Strong currency - Monetary stability
- Market potential through EU enlargement (10 new member states)
- Lower competitiveness -increased competition
- Political instability and uncertainty of EU
- Recession cycle ?

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The Greek paradox…….

- Monetary stability through EMU membership
- Increased subsidies, grants and three EU structural funds available for 25 years
- Leading among the EU countries in terms of GDP growth
- Privileged geographical and cultural position of Greece in relation to the new EU members
- Labor cost advantage for more than 20 years among the 15 EU member states

3 The expectation........

Greece to be ranked on the top of competitiveness among the EU countries

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The statistics* (1) ………

15/15 in R&D expenditures as % of GDP
14/15 in patents and IP
27/32 in Innovation Scoreboard (EIS)

19/20 in venture capital investments and funds raised
70/104 in macroeconomic stability
50/51 in foreign direct investments

15/15 in long term unemployment
32/36 in labor market efficiency
14/15 in labor productivity

* Sources: World Bank, World Economic Forum, European Union, EVCA, Ministry of Development

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The statistics* (2) ………

34/36 in Economic Freedom (IEF)
35/50 in Capital Access Index (CAI)

44/51 in new business creation and development
111/146 in minimum initial capital for new businesses
90/146 in costs related to new business
135/146 in procedures needed for new business

* Sources: World Bank, World Economic Forum, European Union, Ministry of Development

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....and the reality

Greece is ranked LAST in competitiveness among the EU countries

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Why is that ? The key determinants of competitiveness

- Innovation of firms
- Business environment
- Productivity

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Innovation of firms

- ↑ ↓ Product development - R&D expenditure and personnel
- ↓ Firms/Universities and Research Centers collaboration
- Customer driven - long term strategy
- ↓ Continuous differentiation- repositioning
- ↑ ↓ Clustering (complementarity, coordination)
- Business Innovation is critical – technology innovation is not enough
- Innovative firms not industries
- ↓ Thing global - act local

↓: Low performance of Greek firms ↑ : New policies implemented

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Business environment

- ↑↓ Tax rates policy (Romania 16%, EU enlargement countries up to 25%)
- ↑↓ Legal framework (development law, closing business framework, M&A etc.)
- ↑↓ Focused strategy on comparative advantage - Enforce clustering & exports
- ↓ Emphasis on efficiency and development not only absorption
- ↑↓ Economic freedom – structural changes – open markets
- ↓ Capital access and financial products
- Anti Trust committee and policies
- ↑↓ Incubators – Venture Capital- Private Equity

↓: Low performance of Greek policies ↑: New policies implemented

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Productivity

- ↑ ↓ Number of patents, IP - Quantitative methods of R&D evaluation
- ↓ Continuous development programs – training
- Corporate governance – incentives
- ↑ ↓ Quality of education-business schools, research and technology centers
- ↓ Internal competition – How firms compete
- ↓ Export levels
- ↓ Foreign direct investments
- ↑ ↓ Labor markets compliance – mobility
- ↑ ↓ Infrastructure quality – IT, telecoms, etc.

↓ : Low performance of Greek policies ↑ : New policies implemented

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Explaining the Greek paradox - A historic view……

- Historically high correlation of GDP increase and public expenditures
- Recent GDP increase based in public infrastructure and construction projects
- Weak exports and innovation………in year 2005 Greece still an infrastructure economy
- Concentration in many markets- oligopoly and monopoly are there
- 25 years of EU subsidies and support but….
  …….no market with solid competitive or comparative advantage
- Structural changes when decided do not create competition (open markets)
- Entrepreneurship was until recently penalized-almost ……..prohibited
- Corporate tax 35%-40% in the last 20 years

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Signs of potential (1).....

- Deregulation and structural changes in many markets are underway (telecoms, energy etc.)
- Lower tax rates (27% in 2007)
- The new development law
- The draft law on joint ventures in the public and private sectors
- New framework to simplify new business creation procedures
- 2005 year of competitiveness
- Competition Committee new framework
- TANEO - venture capital framework ranked 4th in Europe in 2004

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Signs of potential (2).....

- **Expected financial turnaround of the Balkan Economies.**
- **Privileged geographical and cultural position of Greece in relation to the new EU member states.**
- **Focused strategies for exports development through Ministry of Foreign Affairs and other organizations (OPE, Trade Associations etc.)**
- **Reforms in labor relations**
- **Quantitative criteria for R&D evaluation-Changing culture**
- **Strategic focus on Research Centers and Technology Parks**
- **Recent efforts to enhance technology transfer and the linkage of applied research to business use**

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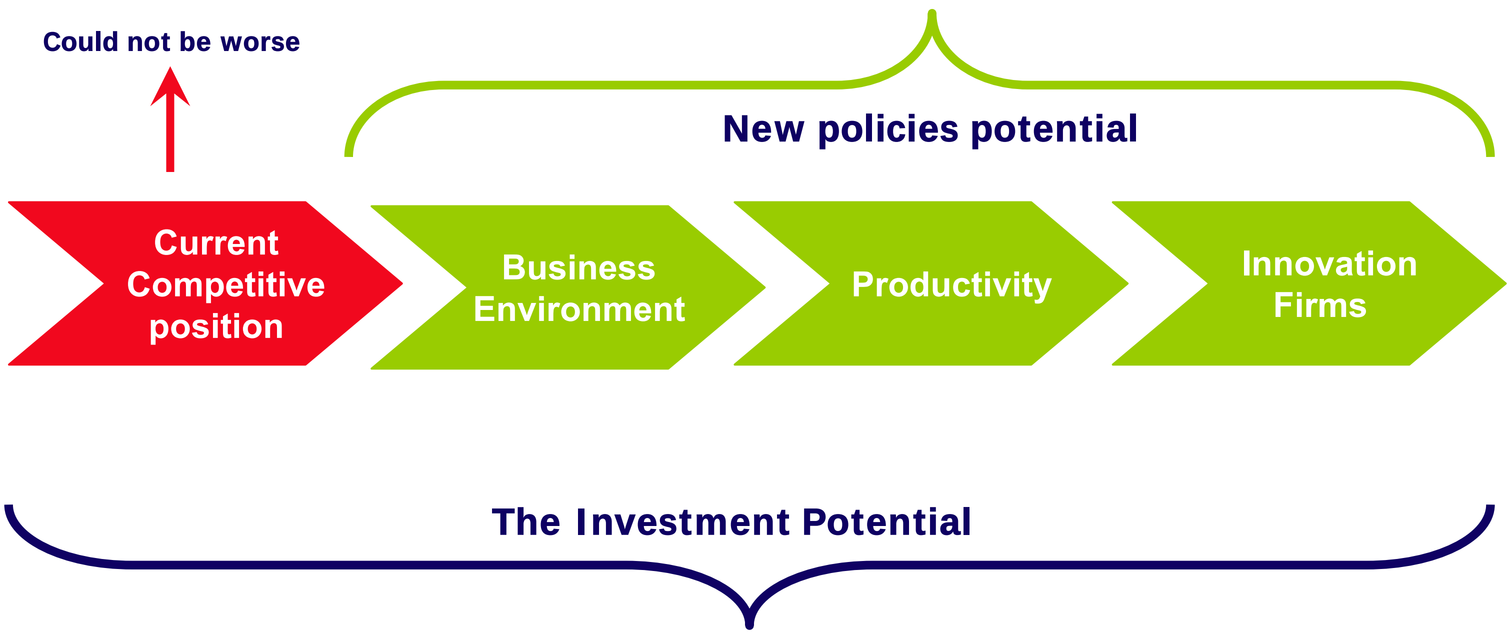
Signs of potential (3).....



.....so time for investments in Greece

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An example of competitiveness and potential....

mastihashop®
ΤΑΞΙΔΙ ΑΝΑΤΟΛΙΚΑ ΣΤΗ ΜΕΣΟΓΕΙΟ

- Unique product globally - medication use
- Producers Association over 50 years in operation. Stagnant prices– lost exports dynamics in Middle East in last decade
- In 2002 the Mastiha Producers Association decided to start a new business. Intention: the development of unique and high value products using mastiha as raw material.
- After creation of mastiha shop, mastiha price doubled in 2 years
- Strong R&D department in cooperation with 3 Universities around Europe (10 programs in progress)
- 200 product codes developed in cooperation with specialised producers
- Management, quality and packaging top priorities (received 10 awards so far)
- Exports strategy was there from the very beginning

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ATTICA VENTURES

- **Attica Ventures** is a venture capital management company incorporated precisely for the purpose of managing VC funds as stipulated by article 7 of Law 2992/2002.
- Attica Ventures is a subsidiary of Bank of Attica.
- More details about our management team, investment philosophy etc. at www.attica-ventures.com

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Funds under management - ZAITECH FUND

INNOVATION VENTURE CAPITAL FUND

Initial capital: 30 m € (TANEO, Bank of Attica)

Duration: 10 years (potential extension of up to 2 years).

Maximum investment per company: limited to 15% of the fund

Maximum investment per round: 1 m €

EVCA Reporting Guidelines level 1 and 2 are applied.

Target IRR: 20%.

Minimum amount for participation: 300,000 €.

Investment period: 5 years (potential extension).

Target enterprises: Small & SME (EU definition)

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Our practice so far

- **3 investments so far** (5 million € reserved) - will be 5 investments until end of June and 7 million € reserved) – more than 25% of the fund invested-reserved by year 1
- **450 business plan examined**
- **400 rejected at initial appraisal-first level**
- **50 of all at second level**
- **7 rejected the VC option at entry level**
- **14 projects at deep due dilligence-investment proposals underway**
- **3 seed - start up projects** [no sales (all), no legal entity (1 out of 3), product in place (all, not fully developed 2 out of 3), tested (2 out of 3)]
- **11 development phase projects at various stages (early, etc.)**
- **Various sectors: Health, energy, food, IT - software, IT- hardware, retail, cosmetics, logistics, construction industry related**

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Our practice-Main issues for start up and SME (1)

- Determination of key people (VC ´s do not invest in part timers)
- Clear view and accurate definition of the market (not feeling, evidence)
- Distribution-Sales channels (where and how)
- Differentiation of product (a remarkable PhD is not a valid business case).
- Family business model (especially in SME)
- Lack of managerial and marketing skills (crucial)
- Technology innovation and/or IP are not enough (business innovation is critical)
- Innovation is on business concept (differentiation, product mix, etc.)

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Our practice-Main issues for start up and SME (2)

- Innovation is not on existing markets (destabilize them)
- VC is a partner, not a thief of your ideas (trust it)
- Profitability is a main issue (VC is not subsidy, is result oriented)
- VC can not secure or dictate the business future (can assist)
- Accurate description of the use of funds needed (not just for security)
- Valuation comes last
- Do not reject an investment proposal because of valuation (milestones and ratchets are there)

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