

Investor's Guide Angra do Heroísmo





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Preface



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Located in the North Atlantic, 1,450 km from the Portuguese mainland, the Azores is an archipelago consisting of nine islands and a total of 250,000 inhabitants. Angra do Heroísmo is located on the Terceira island.

The region benefits greatly from its geostrategic position, extensive Exclusive Economic Zone (EEZ) and rich biodiversity. It is well-placed for developing space technologies and is already home to a growing “blue economy” sector (related to ocean resources) with enormous potential and a thriving tourism industry.

The agro-food sector is also essential to the region’s economy. Local production of dairy products, wine and canned fish can offer true competitive advantage and an additional source of wealth.

Just like other European island regions, the Azores benefit from specific measures in areas such as agriculture, state support and taxation. These measures help mitigate the impact of the island regions’ physical and geographic constraints, and accelerate their economic growth.

Between 2012 and 14, Azorean companies showed significant levels of innovation, above the European average (49.4% vs. 49.1%).

However, the region faces a set of challenges. Although it has improved over the past year, the high unemployment rate among young people, the low qualification levels, and high rate of premature school dropouts are key unresolved issues.

In addition, the Azores region generates relatively low Gross Added Value (GAV). This is evident from the GAV generated by Azorean companies in high- and medium-technology sectors,

“ Angra do Heroísmo offers investors opportunities for product diversification, supply integration and access to complementary sectors, while allowing them to enjoy the Azores’ innovative character.”

which have stronger connections to other parts of the Portuguese economy (according to information taken from the Portuguese National Statistics Institute, Instituto Nacional de Estatística [INE]). In the 2013-15 triennium, technology companies’ foreign sales contributed 20.6% of the Azores’ total turnover generated on the international market).

The Angra do Heroísmo municipality generates annual turnover of around €603m (12.8% of the Azores region’s turnover) and is home to more than 26,000 companies employing close to 9,000 people. More traditional sectors, such as agro-food, construction and tourism, now have the opportunity to reinvent themselves and be at the forefront of the latest global trends. The same opportunity presents itself to the business services sector and the sea economy, which have been identified by the municipality as sectors with highest technological development and are now capitalizing on their potential.

Above all, there is a new strategy to reinvigorate the city by capitalizing on its unique advantages, creating new opportunities for its citizens and attracting (and retaining) better-qualified human resources. This will support investment in innovation in the most traditional sectors, attract investment to emerging and value-added sectors, and ensure close co-operation with other island municipalities and neighboring countries. These aims are in line with the Portugal 2030 objectives and the European Union’s (EU’s) new cohesion policy.

The Municipality of Angra do Heroísmo



José Gabriel do Álamo de Meneses

Mayor of Angra do Heroísmo

Since its establishment, the municipality of Angra do Heroísmo has been closely linked to economic dynamics. In fact, between the 15th and 18th centuries, the city's urban center was one of the world's key commercial junctions. It linked the various mercantile trade routes established during this period by the great European empires, widening their influence to the East and West Indies.

This period of great trade made Angra do Heroísmo, in Gaspar Frutuoso's words, the "universal scale of the West Sea" and put this small town, located in the heart of the Atlantic, at the center of the era's commercial interests. With the advent of steam navigation, Angra do Heroísmo's influence in the global economic panorama shrunk. However, that has not prevented this city from developing and combining a wealth of characteristics that make it attractive for investment today.

Although the Azores are relatively distant, Angra do Heroísmo benefits from an excellent geostrategic position, lying at a natural junction between the European and American continents. We have a more favorable fiscal framework than other Portuguese regions and we benefit from a system of incentives for private investment that is among the most competitive in the EU.

Our municipality also has several investment support mechanisms, which are explored in this guide. In addition to the municipal incentives that you can learn about in this document, we have an incubator of companies, StartUp Angra, which operates nationwide. The Terinov-Technological park of Terceira Island will soon be operational. We also benefit from intensive training in computer

"Angra do Heroísmo benefits not only from a geostrategic position between the European and American continents, but also from an investment-friendly fiscal framework and incentive systems."

programming through the Terceira Tech Island program promoted by the Government of Azores.

To all of this, there is the esteemed quality of life that characterizes our municipality. That includes high-quality services provided to families in areas such as education and health, the impressive biodiversity and beautiful landscape, and the cultural dynamics that prompted UNESCO to classify the city as a World Heritage Site in 1983. Those are just some of the many factors that make life in our municipality particularly enjoyable.

Angra do Heroísmo is therefore a good bet for your investment.



Why Angra do Heroísmo

01

Location and geographic positioning

Central location in the North Atlantic
Accessible by sea and air, with free connections within Azores
Framed on Terceira Island, enjoys 985,000 km² of EEZ

05

Incentives and autonomy

The municipality's distant location means it benefits from specific national and EU incentives
Integrates an autonomous region of Portugal, with a relevant level of autonomy in setting economic policies



02

Natural and cultural resources

Abundance and diversity of natural resources, being the island with the highest percentage of territory classified as protected area of the archipelago

First Portuguese city classified as a UNESCO World Heritage Site

Diverse panoply of international festivals and traditional parties

03

Fiscal differentiation

Enjoys a differentiated tax regime (tax reduction and specific tax benefits) as an integral part of the autonomous region of Azores

04

Diversified and attractive offer

Diversified service offerings for businesses and families
High business density

06

Stability, safety and conditions

Stable social, economic and political systems

Excellent security and safety, with low crime levels

High quality of life, with access to good housing, education, culture, health, justice and recreation

07

Local support and human capital

Office to support entrepreneurs

Availability of human resources

Availability of office and other commercial space

08

Infrastructures and knowledge

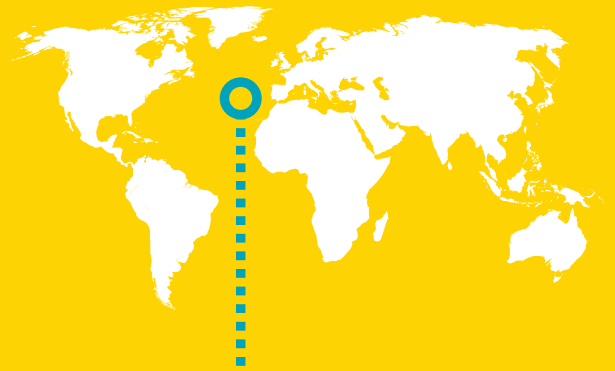
Spaces for business receptions

Consolidated know-how in the agro-food and sea economy

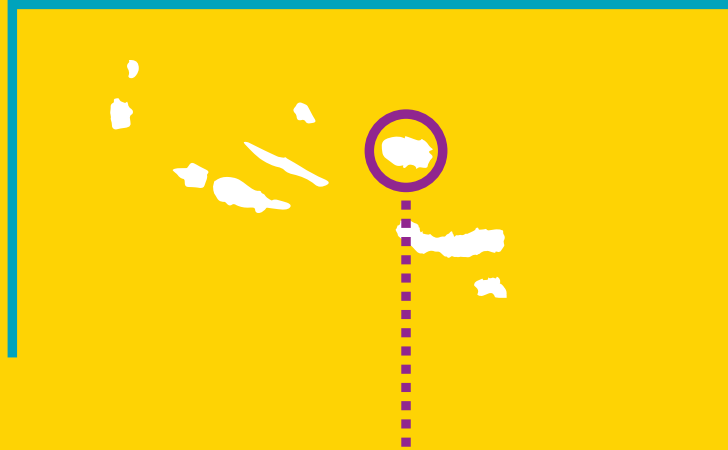
Internationally recognized knowledge and research centers



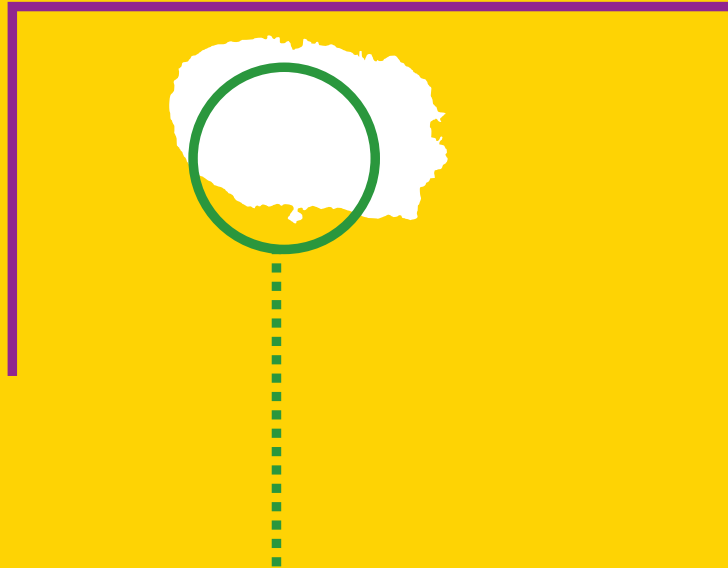
Municipality framework



Azores



Terceira Island



Angra do Heroísmo



The Azorean context of Angra do Heroísmo



2.5 hours
from the European
continent
5 hours
from the American
continent



**57% of
Portuguese EEZ**
and about 30%
of the EU EEZ



Biodiversity
on land and sea,
belonging to the
geographic group of
Macaronesia



3.2% individuals
with dual citizenship



400.3 km²
Terceira Island - the third
biggest in the Azorean
archipelago



22%
of Terceira Island
is national park
territory



**Angra
do Heroísmo City**
is the oldest of the archipelago
and was once the archipelago's
capital. Today it is one of the
administrative headquarters of
the autonomous region
of the Azores



**Geographic
central
location**

Source: Câmara Municipal de Angra do Heroísmo (CMAH); "A RAA em números", Governo Regional dos Açores; "Plano de Marketing do Turismo dos Açores", Governo Regional dos Açores.



**35,402
inhabitants**
is the resident population,
distributed across 19
parishes and by 239 km²



125 companies
per thousand
inhabitants, giving
the municipality
a higher business
density than the
Azorean average



48%
active population



73%
population employed in the
tertiary (services) sector



12.8%
contribution of Angra
do Heroísmo's companies
to the Azores' total
turnover

Source: INE, Censos 2011.

Political and institutional environment



Portugal

Portugal has been a member of the EU since 1986.

It is divided into three major territories: mainland Portugal, the autonomous region of Madeira and the autonomous region of Azores.



Currency
Euro (€)



Language
Portuguese

Autonomous region of Azores

This region enjoys political, legislative, administrative, financial and patrimonial autonomy and has two central entities that govern it:

- **Legislative assembly:** The legislative assembly is the region's representative body. It has legislative powers and supervises the regional government. It is composed of members elected by universal, direct and secret suffrage, in harmony with the principle of proportional representation and by electoral circles, under the electoral law, for a term of four years.
- **Regional Government:** The regional government, as in mainland Portugal, has executive power and responds directly to the legislative assembly. The presiding government is the president of the regional government, who chooses the remaining members for each work area.

Agreements

The Azores is a member of the following institutions:

- European Union (**EU**)
- United Nations Organization (**ONU**)
- North Atlantic Treaty Organization (**NATO**)
- Organization for Economic Cooperation and development (**OECD**)
- Community of Portuguese-speaking countries (**CPLP**)
- Union of the Portuguese-Afro-American-Asian Capital Cities (**UCCLA**)

Regions

The Azores is composed of nine islands, divided into three distinct groups:

- **Western Group:** Corvo Island and Flores Island
- **Central Group:** Faial Island, Graciosa Island, Pico Island, São Jorge Island and Terceira Island
- **Oriental Group:** Island of Santa Maria and Island of São Miguel

Angra do Heroísmo is located in the central group, on Terceira Island, sharing the island's territory with the municipality of Praia da Vitória. Angra do Heroísmo is divided into 19 parishes: Altares, Nossa Senhora da Conceição, Santa Luzia, São Pedro, Sé, Cinco Ribeiras, Doze Ribeiras, Feteira, Porto Judeu, Posto Santo, Raminho, Ribeirinha, Santa Barbara, São Bartolomeu dos Regatos, São Bento, São Mateus da Calheta, Serreta, Terra Chã and Vila de São Sebastião.



Political parties

The political parties represented in the assembly, in accordance with the legislative elections of 2016, are the following:

- ▶ **Partido Socialista (PS)**: 30 representatives
- ▶ **Partido Social Democrata (PPD/PSD)**: 19 representatives
- ▶ **Partido Popular (CDS/PP)**: 4 representatives
- ▶ **Bloco de Esquerda (B.E.)**: 2 representatives
- ▶ **Partido Comunista Português and Partido Ecológico dos Verdes (PCP/PEV)**: 1 representative
- ▶ **Partido Popular Monárquico (PPM)**: 1 representative

In Angra do Heroísmo, the parties represented in the city hall are the following:

- ▶ **PS**: 5 representatives
- ▶ **PPD/PSD**: 2 representatives

In regard to the Municipal assembly, the mandates earned in 2017 were:

- ▶ **PS**: 12 representatives
- ▶ **PPD/PSD**: 7 representatives
- ▶ **CDS/PP**: 2 representatives

Immigration and visas

In the Azores, as in the rest of Portugal, it is compulsory to present a travel visa for entry into the territory. Visas are not necessary for citizens of EU member states, states in the European Economic Area or other states that have concluded an agreement on the free movement of people with the European community.

Golden visa: residence permit for investment activity

There may be the possibility of additional residence visa status in cases where, within five years of making the investment, the holder meets certain criteria related to capital, employment or real estate.

For more details about visa policy, you can access the website: schengenvisa.info.com/portugal-visa/.



Business environment and resources

Business environment

Portugal ranks 25th place out of 190 countries in the Business Environment Index (ease of doing business). This result reflects the country's security, social stability and reforms in areas such as reducing the time and cost of opening a company. On average, it takes five days to start a business, 113 days to get a construction permit and only one day to register a property.

The Azores, and consequently the municipality of Angra do Heroísmo, has a particularly attractive business environment thanks to its system of investment incentives, including tax benefits under contractual regime, a favorable tax differential and hiring support.

How to create a company

In Portugal, the creation of companies by quotas, single member companies by quotas or limited liability companies can be done online:

- ▶ Creating a company online costs a minimum of €220 and can be done via the citizen portal.
- ▶ Creating a company within one hour: This service is carried out at the "Empresa na Hora" stations, scattered throughout the country, in just under one hour for a fee of at least €360.

In the Azores, any citizen can get in touch with the Rede Integrada de Apoio ao Cidadão (RIAC), an integrated network for citizen support around creating a company or getting more information about the process. Terceira Island has 12 of these centers. One of them is located in Rua da Sé, in the city center of Angra do Heroísmo.

Registrations and licensing

For the creation of a business, depending on the area in which it operates, the company must undergo a registration or licensing process.

- ▶ Zero licensing: This document mentions that the coordination of the installation and modification authorization procedure rests with the Regional Directorate with competence in the field of trade.
- ▶ Industrial registration and licensing: All industrial units in the region are required to have a record of Direção Regional de Apoio ao Investimento e à Competitividade (DRAIC-regional directorate for investment support and competitiveness). Licensing is also the responsibility of this body.
- ▶ Licensing of tourist activity: This license can be obtained online via the Regional Directorate of Tourism.

Cost competitiveness

The minimum wage in the Azores is slightly higher than in mainland Portugal, corresponding to a monthly value of €630. This minimum wage applies in the municipality of Angra do Heroísmo.

Since 2016, Portugal has had price stability similar to the levels of Germany and Poland.

Finally, there is a package of benefits within the fiscal framework in place in the Azores.

25th

in Business Environment Index out of 190 countries

5

days to start a business

113

days to obtain a construction permit

1

day to register a property

101st

in acquiring credit out of 190 countries

4

new financing lines approved by the regional Government



Incentive system

There are many benefits and incentives to promote competitiveness in the Azores.

These are similar to what is offered in mainland Portugal in accordance with the European program Portugal 2020 and Horizon 2020. However, the present eligibility criteria and general conditions of access are more attractive because of the region's insular nature, classified as "European outermost region."

These incentives include:

- ▶ Pro-rural +: Aims to promote the competitiveness of the agro-food industry and rural development
- ▶ Programa Competir +: Aims to promote the Azorean economy sustainably and guide it towards export, reinforcing competitiveness and penetrating new market segments
- ▶ Projetos de Interesse Regional (PIR): Projects of regional interest that are considered relevant by the Government Council
- ▶ Incentives for job creation.

Entrepreneurship and innovation

Entrepreneurship and innovation have attracted a significant number of investments and support, especially in the areas of new business and products.

The highlights of this effort are the start-up incubation center, the entrepreneurship competitions promoted by the regional government and the municipality, business angels, crowdfunding, and the Entrepreneur Support Office.

Financing

The following incentives are available in Azores to attract funding or investment:

- ▶ Financial incentives for investment and internationalization: Directed not only to the industry and services, but also to the agro-food and forest sectors and the sea economy
- ▶ Financial incentives for micro-investment: Loja +, support system for microcredit banking and micro projects
- ▶ VC and business angels: VC fund with Azores Ventures and Business Angels Club.

In addition to these benefits, in July 2017, the regional government of Azores approved four new funding lines to support companies, which will have access to €100m.

Internationalization

Currently, there are programs run by the Society for Business Development of the Azores (SDEA) that support the international expansion of Azorean companies, such as Azores Export 2017. These programs focus on the agro-food sectors and services, and they are implemented as part of the strategy to increase exports of regional products and services.

One of the best examples is the Marca Açores (an Azorean brand).

StartUp Angra	Accelerate Azores	Gabinete de Apoio ao Empreendedor	Portugal 2020	University of Azores	Professional courses
Collaborative networking and shared services	Crowdfunding	Entrepreneur Support Office	European incentive system	Angra do Heroísmo Campus	Tradition in vocational training

Business environment and resources

Science and technology infrastructures

The training and education opportunities available in the municipality of Angra do Heroísmo are diverse and reveal a strong interest in promoting the education and development of the resident population. There are education institutes with a background in vocational training as well as two internationally recognized research centers focusing on agrarian technology and biotechnology. The main institutions are listed below:

- ▶ University of Azores
- ▶ Training center of the Tomás de Borba elementary and secondary school
- ▶ Training Center for teaching and non-teaching staff
- ▶ Professional school of the Santa Casa da Misericórdia of Angra do Heroísmo
- ▶ School of tourism and hospitality training
- ▶ Professional school of Praia da Vitória
- ▶ Agricultural Research and Technology Center of the Azores (CITA-A)
- ▶ Biotechnology Center of the Azores (CBA) (University of the Azores, pole of Angra do Heroísmo)
- ▶ StartUp Angra
- ▶ Science and Technology Park of Terceira Island - TERINOV.

Human resources

It is important for investors to note the existence of different educational institutes in the municipality of Angra do Heroísmo. The municipality's educational offering is particularly differentiated because the University of Azores has a campus and research centers based there.

In Angra do Heroísmo, 13.2% of residents have completed higher education.

Most years, the highest number of graduates are from social sciences, trade and law, and health and social protection. The most relevant courses available at the university campus in Angra do Heroísmo are nursing and agrarian sciences.

As of December 2018, 1,527 people are enrolled in the employment center, of which 132 people are first-time job seekers, while 1,395 people are seeking a new job.

Incentive systems for job creation, such as the programs "PIIE - Programa de Incentivo à Inserção do Estagiário L e T" and "Emprego+" and Estabilidade Laboral Permanente (ELP), and favorable labor legislation, support the hiring of human resources. For more information, please refer to <https://www.investinazores.com/index.php/en/empregoprogram>.

Furthermore, there is investment in and commitment to training as part of the program "Terceira Tech Island," which will differentiate the island and promote its positioning as the region's technology hub. The program is an initiative of the Azores Government that aims to transform Terceira Island into a center for IT companies. Its goal is to create conditions to attract IT companies to Terceira Island by providing financial incentives for investment, improving infrastructure, promoting training in programming and supporting recruitment of qualified human resources.





Business environment and resources

Access by air

Angra do Heroísmo is 2 hours and 30 minutes flying time from the European continent (Portugal) and roughly 5 hours and 40 minutes from the American continent.

Between islands, a free connection system is in place, made possible by flights by TAP, SATA and Ryanair, departing from mainland Portugal and Funchal to any other island in Azores.

Access by sea

Terceira is connected by sea via both the port of Pipas in the municipality of Angra do Heroísmo and the port Oceânico in the neighboring municipality. The port of Pipas is important in the Azores, particularly with regard to the transporting goods and passengers on medium-sized cruises. Its excellent position and infrastructure allow it to play a major role in the region, when thinking about the mobility of goods between the islands of the archipelago.

Seasonally (from late March to late September), there is additional access by sea via ferries that connect the islands. It is anticipated that vehicle transport via ferry will soon be possible.

In addition, the municipality can be accessed via the recreational marina (Marina D'Angra), which attracts people interested in yachting and other maritime activities.

Road infrastructure

In general, there is good road infrastructure on Terceira Island. There are good transport connections between business and commercial areas.

Empresa de Viação Terceirense (EVT) provides the public road passenger transport service in Terceira Island. There are urban and suburban lines operating in Angra do Heroísmo and Praia da Vitória.

Telecommunications and energy

The municipality of Angra do Heroísmo is served by a robust telecommunications infrastructure, including a high-speed network with synchronous digital hierarchy (SDH) technology; fiber optic transmission network; bandwidth availability; 4G internet; private VPN solutions; and connection with the US, mainland Portugal and other islands via submarine fiber optic cable.

As far as energy is concerned, the electricity market is liberalized (as in mainland Portugal), and there are several suppliers and different intermediaries operating throughout the value chain. There are several renewable energy plants, such as the Energy Recovery Center of Terceira Island, which represents an important opportunity in the sphere of the circular economy.

Business accommodation

There are several industrial and commercial spaces suited to accommodating businesses. One notable example is the Industrial Park of Angra do Heroísmo, located near the city and adjacent to the main road connecting the two major hubs on the island.

This park also enjoys proximity to the Energy Recovery Center and has been recently renovated to better meet the needs of entrepreneurs.

At the same time, the TERINOV is intended for the incubation of companies, offering coworking spaces for cultural and creative industries, space for existing companies, as well as research and development laboratories for the agro-food industry, biotechnology, and innovation in dairy products. There will also be a center for monitoring spatial objects, as part of an international project involving the Portuguese state.

The use and expansion of these spaces will allow it to showcase the island's multi-sector focus.



Class A: Ports with a commercial function, with a minimum of 7.00 hydrographic zero and a berth of at least 400m



Class C: Ports that serve small trade, passenger transport and fisheries



Class D: Ports that are solely for fisheries



Lajes Airport



Industrial Park 1 of Angra do Heroísmo



TERINOV - Science and Technology Park of Terceira Island



Multi-sector Business Park of Terceira Island



StartUp Angra

Taxation in Portugal



Overview

In the municipality of Angra do Heroísmo, as part of the Archipelago of Azores, a tax differentiation applies. Indeed, the region has specific lower tax rates and tax benefits.

Taxation in Azores is based on the Portuguese tax system, with some adjustments such as the rates of corporate income tax (CIT), personal income tax (PIT) and value-added tax (VAT).

Other taxes may also apply, such as stamp duty, specific consumption taxes, and real estate transfer tax.

CIT

A 20% reduction on the current CIT rates should apply. In this context, companies resident in Angra do Heroísmo should be subject to:

- ▶ CIT at a rate of 16.8% (for small and medium enterprise, a 13.6% rate should apply to the first €15m of taxable income)
- ▶ A regional surcharge ranging between 2.4% and 7.2% when the taxable profit exceeds €1.5m

Although Angra do Heroísmo foresees a municipal surcharge, an exemption currently applies to companies with headquarters in this municipality.

PIT

Individuals resident in Azores may benefit from a reduction of between 20% and 30% on PIT rates. The marginal rate ranges from 10.15% to 38.4%. Also, an additional duty for solidarity may be imposed to income exceeding €80,000.

As a general rule, capital gains with the disposal of shares, or dividends received, by individuals with residence in Angra do Heroísmo may benefit from a PIT rate of 22.4%. Nevertheless, this type of income may also be taxed along with the professional income, provided some requirements are met.

Individuals classified as non-habitual residents may benefit from a special PIT rate of 16%. This applies to professional income (A category) and business activities (B category), if derived from the development of high value-added activities.

Additionally, this regime allows an exemption to be applied to income derived from outside Portugal, provided some requirements are met.

In particular, the non-habitual resident statute fosters an advantageous tax regime with regard to foreign pensions. These pensions may benefit from a double exemption (in Portugal and in the source state), provided certain conditions are met.

VAT

VAT should apply to goods and services transactions, provided that, according to the tax law, they are carried out in Portugal.

A 20% and 30% reduction in the standard and intermediate/reduced rates should apply respectively. This means that the following VAT rates should apply in Azores:

- ▶ Standard: 18%
- ▶ Reduced: 9%
- ▶ Intermediate: 4%

Tax benefits

Companies based in the Azores may enjoy the majority of the tax benefits and special regimes provided in Portuguese Tax Law. These include tax benefits that encourage investment, research and development. Additionally, the Double Tax Treaty network is also available to mitigate double taxation.

Further to the rate reductions above, companies based in Angra do Heroísmo may apply regional tax benefits, namely:



- ▶ A deduction by investment of retained earnings, up to the limit of the taxable amount, corresponding to 20% of the qualified investments
- ▶ Contractual tax benefits for investment projects valued more than €1m in productive units with creation of jobs, among other conditions (tax benefits correspond to a deduction of 30% of the relevant applications (with several possible increases), up to the limit of 90% of the collection, as well as reductions or exemptions from IMI and IMT, with certain conditions)''

In the municipality of Angra do Heroísmo, RETT and MPT incentives for projects in the regional interest may apply. For example, this could be an exemption from RETT and MPT for a 10-year period for buildings used or acquired by the promoters of those projects.

Other investment benefits

New tax regulation

To facilitate investment both at the monetary and bureaucratic levels, the city hall of Angra do Heroísmo launched a new regulation of municipal taxes that simplifies and relieves the investment process.

It has thus created a whole set of procedures to simplify the legal processes and documents that require local government approval.

The municipality of Angra do Heroísmo approved the new regulation around tax rates, which takes into account the current economic conjuncture. It also aims to support the projects that wish to be implemented in the council. The various changes that we can see are:

- ▶ Exemptions and reductions in urbanism, which may be wholly or partially the fees due for licensing, prior communication and authorization relating to the conduct of urban operations that:
 - ▶ Are aimed at eliminating architectural barriers to access for people with reduced mobility
 - ▶ Improvement the energy performance of buildings or enable use of renewable energy
 - ▶ Are aimed at eliminating termite infestation
- ▶ Exemptions and reductions in advertising in business initiatives developed by young entrepreneurs, with the possibility of exemption from advertising fees during the first year of activity and a reduction of 50% in their value over a stipulated period. These, and other exemptions, are available on the investment support website (investangra.com).

Changes to the business park regulation

Given the availability of space expansion of the Angra do Heroísmo Business Park and the intention to increase its attractiveness, the regulation was changed in order to improve the conditions it offers to investors, including reducing installation costs. Accordingly, this regulation increases the financial incentive for people looking to invest. For example, when the lot is transferred to full ownership, 85% of the price charged by the lot will be returned by the city hall of Angra do Heroísmo. If this is only a surface right, the return will be 85% of the installment for 10 years.

Investment opportunities



Agro-food

Livestock

Relevance of beef cattle (meat production-cattle) and milk husbandry (milk extraction)

48,8%

Sales volume of meat, milk and dairy products in manufacturing industry

Powdered milk

Most relevant by-product in dairy products market

"Vaca feliz"

Cows raised outdoors on extensive pastures

Forest

Generates more than €1.8m with the sale of woody material and contributes €10.9m to the industrial transformation sector in the Azores

27%

Percentage of the Azorean forest industry located on Terceira Island

21.7%

Percentage of the Azorean agricultural area on Terceira Island

68%

Percentage of the municipality occupied by agricultural production

Protea

Widely produced flowers in Angra do Heroísmo and in the Azores

1.3 million

Protea stems exported in 2016

Crops

Subtropical and citrus fruits, vine, potato and corn

Strengths and opportunities in the agro-food industry



Liaison with research centers

Designed for innovation in the agro-food industry



Forestry resources

Resources with exploitation value and areas with high preservation



Growing (global) concerns around health and food

Growing demand for lactose-free milk, freeze-dried fruit, organic production and whey protein



Quality and differentiation of products

Denominação de Origem Protegida (DOP) - protected designation of origin products, such as honey in multiflora variety and honey of incense.

Indicação Geográfica Protegida (IGP) - protected products of certain geographical origin, such as meat from the Azores

"Marca Açores" (certified by nature) also for forest products



Strong know-how in the sector

Reflects a long tradition of advancing techniques and knowledge, especially in dairy products



New products

Donkey milk, organic production and use of agro-products in other areas (cosmetics)

Source: SREA; INE; Governo dos Açores.



Construction

8% of GAV

Contribution by the construction sector in Angra do Heroísmo (including real estate promotion, civil engineering and specialized activities)

€17m

Turnover of the construction sector in the municipality of Angra do Heroísmo (in 2015)

228

Establishments in the sector in the municipality of Angra do Heroísmo (in 2015)

7%

Of the Azorean population works in construction

Know-how

Acquired through the need for reconstruction that, in recent decades, has forced deep interventions (earthquake of 1980, UNESCO World Heritage status, etc.)

More than 25%

Growth of cement consumption in the Azores between January 2017 and the homologous period

Strengths and opportunities in construction



Recent growth

Increase in the number of new constructions projects (in 2015 and 2016), albeit at a relatively constant pace



Work execution time

Holds the record for the shortest deadline in the country for completing works – 12 months in 2016, significantly below the national average of 21 months



Sector investment

Urban policies geared toward urban rehabilitation and EU incentive lines linked to energy efficiency and sustainability



Urban rehabilitation and revitalization

Opportunities to develop the sector through the redesign of the Lajes military base and the growth in tourism demand

Investment opportunities

Tourism

Domestic tourists

Represent about 52% of visitors, followed by Spanish at 11.9% and Americans at 11.5%

282,000

Total number of nights tourists spent on Terceira Island in 2016

24%

Occupancy bed rate in 2015-16 on Terceira Island

Tours

Focus on the island's natural beauty and the architecture in the city of Angra do Heroísmo, which became a UNESCO World Heritage site in 1983

€26.6

Revenue per available room (RevPAR) in 2016 on Terceira Island

€9.7m

Income from tourism on Terceira Island in 2016

Strengths and opportunities in tourism



Density and diversity of resources and infrastructures

Natural resources including the Azorean native forest

Urban environment that improves the quality and experience of the stay

Heritage and cultural dynamics, with traditional festivals and international celebrations



Air and sea transport

Market entry by low-cost companies
Increased cruise tourism



Success indicators

Rise in the income of hotel establishments
Increased number of guests



Maritime-tourist activities

Diverse offer and high quality of services rendered



Development of rural tourism and local accommodation

Increased duration of stays
Changing visitor profile



Sea economy

Areas of activity

- ▶ Port activity and maritime transport
- ▶ Fisheries and aquaculture, processing and marketing of fish products
- ▶ Shipbuilding and naval repair
- ▶ Tourism: maritime-tourist activities

Fisheries industry

Represents 9% of the turnover and 10% of the GAV in the Portuguese sea economy

Naval repair

Tradition of repairing the recreational fleet

Fishing

Represents 12% of the catches of Azores
Red Seabream, the most caught fish, represents 36% of the total catches of Terceira Island

Port activity

Ports with good conditions, especially the ports of Pipas and S. Mateus da Calheta
Proximity and relationship with the ocean port of Vila de Praia da Vitória

Awards

Quality Coast Award (the bay and customs courtyard of Angra do Heroísmo was selected as one of the Quality Spots) and LIDE Preservar

20%

Increase of the crew movement of non-local recreational craft in 2016

Strengths and opportunities in the sea economy



Extensive EEZ and geostrategic location

Represents 57% of the Portuguese EEZ and 30% of the European EEZ, with an abundance of available maritime resources and a maritime observatory



Environmental quality and high marine biodiversity

Blue Flag-winning beaches and option to participate in water sports



Fishing and scientific community

Includes the port with the greatest fishing activity in the Azores (Port of S. Mateus da Calheta)



Naval repair

Know-how related to the recreational fleet, namely in wintering (protection of vessels during the winter)



Marina d'Angra and Port of Pipas

Good conditions, mainly associated with tourist maritime activities



Aquaculture

High potential for development, with several projects approved and underway and other applications submitted

Investment opportunities

Business services

17%

Percentage of Azorean establishments located in Angra do Heroísmo

839

Establishments in the business services sector located in the municipality of Angra do Heroísmo

73%

Population employed in the tertiary (services) sector

€15m

Volume of business produced by the business services sector (in 2015)

11.7%

Growth in business volumes between 2010 and 2015

Strengths and opportunities in business services



Fiscal regime

A more attractive regime compared to the continent
Enjoys differentiated support schemes as a national and European outermost region



Geostrategic position

Central position between European and North American continents
Extensive EEZ of Portugal
Historical relations with the EU, US and Canada



Resources and business accommodation

Improvement and growth in supply of physical spaces suitable for business development
Training and knowledge centers to address residents' training needs



Tradition in the provision of services

Public services caters to the needs of the community and are provided through an administrative centrality to families and businesses

Source: INE; CCP "Business Services em Portugal", EY, 2017.



Other investment areas

Health

The provision of health services has been consolidating, and quality has risen thanks to health centers, pharmacies, a hospital and more. In addition, there are programs and initiatives that promote health education and healthy lifestyles in schools.

According to INE, healthcare coverage has been improving from year to year. In 2016 there were 3.9 physicians for every 1,000 inhabitants in Angra do Heroísmo, the second highest rate in the Azores, surpassed only by Ponta Delgada (in the Azores overall the rate is 3.1). With a coverage of 15.7 nurses for every 1,000 inhabitants, Angra do Heroísmo outperforms the offer in the Azores and mainland Portugal (the 2016 rates for mainland Portugal and the Azores were 6.7 and 8.3 respectively).

Local healthcare provision also benefits from a hospital connected to the university (Universidade dos Açores). This enables the running of pilot projects to improve health among residents or seasonal visitors, with particular focus on seniors.

Environment and sustainability

The municipality is part of an archipelago that has been internationally recognized for its environmental quality and ecological excellence (the Azores were included in the Sustainable Destinations Top 100 List of Green Destinations in 2017 for the third consecutive time, and won the Quality Coast Platinum Award for the second time).

Natural resources add to the high level of conservation and preservation, representing an important differentiating factor within the Azores.

There has been significant uptake of renewable energies, such as Angra do Heroísmo's Energy Recovery Center that processes miscellaneous solid waste.

Finally, despite being in its infancy, the installation of the Atlantic International Research (AIR) Center, and in particular in Terceira, may present investment opportunities to develop businesses and partnerships related to oceans, space, the climate and energy.

Culture and heritage

The municipality has a vibrant cultural life, featuring internationally recognized heritage resources, (such as the UNESCO World Heritage Site), significant events (such as the Sanjoaninas, Folk Azores), and music and dance festivals (such as Angrajazz).

Museum spaces with educational activities and a wide range of sports equipment add to the array of recreational activities available. Highlights include the golf course and the recent interpretive center of Angra do Heroísmo, a work-in-progress project by the architect Siza Vieira. These are also associated with the value of local gastronomy and crafts.

Education and training

The offer of training and education available in the municipality of Angra do Heroísmo is diverse and reveals a keen interest in promoting the development of the resident population.

An organic unit of the University of Azores, professional schools and training centers work together with support initiatives by the regional government and municipality to improve residents' qualifications. For example, we highlight the program "Estudar +" which has municipal support for training the resident population in Angra do Heroísmo. Here, the population commits to remain in the municipality on completion of the program, serving the dual purpose of training and talent retention.

The municipality has a significant tradition of vocational training, which is supported by two research centers focused on agrarian technology and biotechnology. The research centers located here promote strong international ties, notably through exchanges.

Success stories: investment and innovation



Main public investments

Ro-Ro ship to Port of Pipas

There is an ongoing public procurement process to acquire a ship that meets the requirements for docking in the port of Pipas. As foreseen in the sustainable urban mobility plan of the autonomous region of the Azores, the ship will have capacity for 650 passengers and 150 vehicles for the base price of €48m.

Port of Pipas

Investments are underway for the construction of the ship Ro-Ro and ferry ramp, and the extension of the front of the dock. These are considered crucial for the competitiveness of the municipality and to seize opportunities in the cruise industry, particularly in the inter-island context.

Pico Alto Geothermal Plant

As renewable energies offer an investment opportunity in Azores, the regional Government inaugurated a geothermal plant with net power of 3.5 megawatts on Terceira Island. These were expected to meet 10% of the island's energy needs in 2018.

Multi-sectorial Park of Terceira Island

The expansion of the Fairs and Exhibitions Park of Angra do Heroísmo allows to configure the multi-sector park of Terceira Island. Inaugurated in 2018, it represents an important breakthrough in the provision of spaces for events, exhibitions and enclosures for publicizing and promoting companies, businesses and local products.

Information center of Angra do Heroísmo

This is a €2.5m project conceived by the award-winning architect Siza Vieira. It focuses on building a center that explains the genesis of Angra do Heroísmo, a UNESCO World Heritage Site, and its evolution. The project contributes to the process of reconstructing the city's downtown area.

TERINOV - Science and Technology Park of Terceira

This investment consisted of constructing nine buildings on roughly 5,500m² of land. The buildings provide space for the incubation of companies, co-working spaces, six areas destined for cultural and creative industries, eight spaces for existing companies, two wards of research and development laboratories for the agro-food industry and biotechnology, and a laboratory for innovation in dairy products.

Terceira Tech Island

Investment for this project was announced in October 2017, as part of Terceira Island's economic recovery and revitalization plan. The plan aims to enhance the competitive advantages that the island and the region can offer in the development of information technologies. The Terceira Tech Island project is one of the measures envisioned to mitigate the effects of reducing the activity of the Lajes Base.



Innovative examples

AIR Center

Comprising eight countries, universities, research and technology organizations, and several multinational companies, this project of scientific-technological research and international co-operation is led by Portugal and will have its headquarters on Terceira Island. The center's main objective is to promote knowledge about Earth observation, climate change, energy, oceans and data analysis. There are additional programs around marketing and business development, science and education for AIR center users and companies.

TERAMB

It was Terceira Island's municipal environmental management and valuation company. The Energy Recovery Center was designed in 2010 and inaugurated in 2016. Its functions include the treatment and valuation of waste and materials; and guaranteeing the environmental, economic and social sustainability of the system.

Capitalizing on donkey milk production

In Angra do Heroísmo, companies like Asinus Atlanticus have been making money from donkey milk by selling it to the cosmetics industry. Its properties – such as richness in Omega 3 – make it valuable.

In the Azores and specifically on Terceira Island, this product differentiates itself even more by the greater nutrient content added by production in pastures. There is potential for diversification of products in this sector – such as goat's or donkey's milk – in Angra do Heroísmo, especially if products are branded as premium. This will result in a slightly lower production volumes with goods achieving higher prices in premium markets.

Entrepreneurship and innovation

Despite constraints due to the risk-averse culture – particularly the difficulty of accessing bank credit – the company Susiarte distinguished itself this year as the 14th largest company among SMEs in Portugal.

Supply and export of vegetable, fruit and flower products

Fruter is a co-operative for producers of vegetables, fruits and flowers. It recently invested more than €3m in the creation of new facilities in Vinha Brava.

This investment is aimed at creating spaces for receiving and preparing products, which will later be supplied to the local market or exported.



How can EY help?

Services for investors

With offices in Lisbon and Oporto, EY Portugal offers services in the areas of Assurance, Tax, Advisory, Transaction Advisory Services and People Advisory Services.

Our teams work together with the financial system, private equity, VCs and private sector companies in Portugal, and the EY network countries. This in-depth knowledge of domestic and foreign markets allows us to offer a set of services that covers all stages of the investment process:

Identification of investment opportunities and acquisition

- ▶ Support in the decision-making process with regard to new investments (geographic, product or market)
- ▶ Identification of a list of potential undertakings, based on the investor's requirement
- ▶ Development of initial contacts, with non-disclosure agreements, leading to detailed negotiations with target companies

Support in acquisition and integration

- ▶ Technical support in procurement negotiations
- ▶ Identification of local fund opportunities
- ▶ Identification of EU tax and financial incentives
- ▶ Design and implementation of transformation programs to enable a smooth and fast integration process
- ▶ Valuation of the value chain and identification of opportunities for logistics and fiscal improvement
- ▶ Evaluation of operations and identification of opportunities for performance improvements
- ▶ Evaluation of internal control processes, including IT
- ▶ Evaluation of the existence of compensation policies and package design in accordance with local regulation and investor policies

Validation of acquisition opportunities

- ▶ Financial, fiscal, commercial, environmental and regulatory due diligence
- ▶ Asset valuation
- ▶ Business model validation
- ▶ Evaluation and tax implications

Evaluating opportunities for starting projects from scratch

- ▶ Location selection according to business requirements
- ▶ Initial preparation of the business model, reflecting investment, and financial and operational costs based on localization
- ▶ Initial contacts with national and local stakeholders, and identification of funding opportunities, including tax and incentives from EU
- ▶ Preparation and assistance on site visits and formal contacts with local and national stakeholders
- ▶ Identification and selection of local suppliers, based on supply requirements

Continuous support

- ▶ Accounting and financial reporting
- ▶ External audit services
- ▶ Legal rules on corporate taxation and financial reporting

Competitiveness of companies and value chains

- ▶ Strategic decision advisory
- ▶ Thematic and sectoral studies
- ▶ Business and marketing plans
- ▶ Consumer and brand strategy
- ▶ Disinvestments



For the public sector

EY Portugal, like EY Global, has significant experience in working with governments, investment promotion agencies, regions, municipalities and public companies, in conducting diagnostics and context analysis, as well as in improving the attraction, support and monitoring of foreign direct investment (FDI).

EY supports public entities with:

Evaluation of attractiveness indexes

- ▶ Identification of attractiveness factors and existing constraints for FDI and international trade promotion (export)
- ▶ Location of investment (site location)

Investment promotion

- ▶ Identification and validation of targets for the promotion of FDI
- ▶ Compilation of investment brochures “Doing Business series” in several industries at a national or regional level, specific for each sector and investor
- ▶ Preparation of templates for regional business models for a specific sector
- ▶ Initial setup and definition of processes for updating data typically requested by investors
- ▶ Organization of roadshows and facilitation of one-to-one meetings with potential investors

Attractiveness of regions and cities

- ▶ Local and regional development strategies
- ▶ Attractiveness, re-functionalization and impact of equipment and heritage
- ▶ Studies on factors of regional development, local and tourism value creation
- ▶ Governance models and partnerships

Training and governance

- ▶ Training teams in generating investment leads, order handling, preparation of meetings, organization site visits and general management of investment projects
- ▶ Consultancy in the preparation and management of investor support services (investment decision and continuous support)
- ▶ Consultancy in the preparation and management of local investment councils, with the main stakeholders for the issues related with FDI

Support for investment intentions

- ▶ Business models validation
- ▶ Investor due diligence
- ▶ Evaluation of regional impacts
- ▶ Sustainability assessment

Continuous support

- ▶ Facilitation of focus groups with existing investors to assess satisfaction, identify risk relocation and expand opportunities
- ▶ Facilitation of meetings with investment councils
- ▶ Creating investment attractiveness dashboards to measure results

Effectiveness of public policies and investments

- ▶ Macroeconomic analysis
- ▶ Evaluation and analysis of impacts of programs and public policies
- ▶ Strategic plans for public goods and services
- ▶ Monitoring of sectoral programs and policies
- ▶ Technical assistance and support for public management



Relevant contacts

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