



ELLAKTOR REORGANIZATION Q&A

July 2018

We bring a tangible proposition to further build on ELLAKTOR's strengths

Our proposition

What is our plan?

- ▲ In last year's AGM, ELLAKTOR promised to strengthen its organization with an overarching goal to increase the value for our shareholders.
- ▲ ELLAKTOR's management team has **clear business targets**, and re-defines the corporate governance structure to better deliver on them.
- ▲ All this transformation takes place in a timely manner **without disruption to our "live" organization**.
- ▲ Our proposition **ensures stability and continuity to the BoD and the group's operations avoiding a risky shake up**.

Why us?

- ▲ ELLAKTOR's management team created one of the largest business groups in Greece, knows better than anyone else ELLAKTOR's strengths and is delivering a transformation program to further improve performance.
- ▲ Talent and know-how is a competitive advantage for our company especially in our core businesses, and should not be threatened in any way.
- ▲ We have already dealt with mediocre performance areas, we have already presented financial empowerment plans for our business.
- ▲ Our interests are aligned with the majority of the thousands of ELLAKTOR's shareholders, and they form a strong tie with company growth, limiting agency issues.
- ▲ **It is the uncontestable truth that recent financial results** are encouraging. Our business model is sound and consistent with the core businesses and with tangible growth opportunities within the economic recovery context.

We have clearly defined business targets for ELLAKTOR's way forward

Our business targets

What is our way forward?

- ▲ ELLAKTOR has already confirmed its **focus to the areas where we have a strong competitive advantage** and where we are **undisputable leaders**: Construction, Concessions and Environment.

Why we focus on our core strengths?

- ▲ **We are a leading construction firm with a dominant market position in Concessions.** We are the best positioned firm in the country to benefit from new concession projects worth more than 7 billion euro. **Construction capabilities are vital to win these opportunities.**
- ▲ **In Environment (combined Solid Waste and Wastewater) we are leaders** in Greece and we believe there is high potential worldwide to capitalize on our know-how. A new management team will lead the growth of this core asset of the group. As already clarified, the situation in Cyprus is under control, has no impact on the group and the performance of the contract in Cyprus is continuing properly on the basis of the existing contract and a supplementary one signed on May 2018, to include the management of additional waste.

How we plan to realize synergies across our business areas?

- ▲ ELLAKTOR, **instead of just promising results**, is already implementing a reorganization program to materialize such benefits, in the form of economies of scale and cost reduction.

How we plan to increase the returns for our shareholders?

- ▲ In tandem with the operational measures, ELLAKTOR's financial restructuring plan primarily aims to (a) deleveraging our balance sheet, (b) gradually restoring dividends/share buybacks, while (c) catering for investment needs in value-enhancing projects (namely Concessions) as the key areas for the deployment of capital raised.
- ▲ Transparent auction processes, decisions by a new BoD associated to non core asset monetization subject to securing beneficial offers, with the approval of shareholders for the more valuable assets, will ensure that decision-making processes are clear and fair to everybody involved

The target organization in preparation will support these business targets

Our target organization

What we try to achieve with our new organizational proposal?

- ▲ The future organizational chart of the group is developed with the help of Roland Berger, a leading management consulting firm. The goal of our new organizational structure is to:
 - a. Help us better implement our business targets
 - b. Lead to a highly competitive decision-making structure and unleash resources
 - c. Realize the high potential of synergies across ELLAKTOR

How are we dealing with our complex legal structure?

- ▲ The ongoing implementation of the reorganization project provides us with a process to optimize our legal structure, our cost control and the group's tax and capital base.

How we deal with “silos” within our organization?

- ▲ In the past, our leading executives had a strong say in the day to day business of the Business Units (BUs). This structure served its goal and helped us grow and become a regional leader in our core businesses. Now we move into the future and the decision for improving our corporate governance structure has already been made.

In addition, the corporate governance will be further strengthened

Our target governance (1/2)

Does ELLAKTOR propose strengthened corporate governance?

- ▲ We have since 2011 a corporate governance policy - In fact, ELLAKTOR's Annual Financial Report of 2017 includes among others (page 23), the **Annual Corporate Governance Statement**, which includes adequate information on the Code and the governance practices applied by the company, and which was approved **UNANIMOUSLY by the BoD on April 2018, without any reservations or remarks.**
- ▲ Recently, **ALL** key shareholders agreed to pave the way for more professional and independent management across all BUs of the group and ELLAKTOR has defined the steps, the milestones and the deadlines. Our strengthened governance plan is aligned with the new organogram, **and not just trying to cover existing gaps.**
- ▲ ELLAKTOR's envisioned governance structure includes a strong BoD at the Holding level, with additional Committees, in place to guide the management of the company. **Our target is to achieve a high level of independence at the BoD and relevant Committees, and to further enrich it with tenured executives from outside ELLAKTOR.**
- ▲ A strong CEO, dedicated CFO and CHRO are necessary at Holding level, as are BU-level Executives responsible for the execution of the BU strategy based on the Holding's guidance.
- ▲ For the transition to this new era a pre-determined interim period from the current status-quo will safeguard business continuity and will ensure the timely transformation of ELLAKTOR. However, **a critical condition for the adoption of a new corporate governance model is to have a corporate governance culture by implementing the existing corporate governance rules.**

Our proposal ensures stability and continuity to the Board avoiding a risky shake up

Our target governance (2/2)

Could a more radical approach to change be warranted by existing governance rules?

- ▲ The replacement of the entire BoD body at one General Meeting **contravenes ELLAKTOR's Corporate Governance Code**. According to art. 5.2 (Nomination of BoD Members), of Part A (Special Practices), of the existing Corporate Governance Code of ELLAKTOR (http://en.ellaktor.gr/corporate_governance/), as approved by the BoD: **"Replacement of the entire body at one General Meeting should be avoided and orderly succession of the BoD members should be made over time"**. – ELLAKTOR is a “live” organization with thousands of employees and sales of 1,9 billions euro and we want to ensure that we do not disrupt the orderly operation of our business.
- ▲ In accordance with the Greek Corporate Governance Code for Listed companies, October 2013 (the “Greek Code”): **Best practice suggests that the board's size and composition should reflect a balance between executive, non-executive and independent non-executive members such that no individual or group can dictate decision-making on the board of a listed entity.**
- ▲ While **independence** is important, it is not a panacea and the focus should also be on a BoD proposal with **real business substance; If not combined with adequate experience (especially in the complex infrastructure sector)**, adequate knowledge and leadership qualities, independence brings little value to a board. It is exactly for this reason that the Corporate Governance Code foresees an orderly succession of the BoD members, so that there are always members with experience and know-how relevant to the company's activities.
- ▲ We propose a BoD composition which enables the effective fulfilment of its responsibilities, demonstrates a high level of integrity, and reflects the size and activity of ELLAKTOR. Board composition should be driven by the fair and equitable treatment of all shareholders.
- ▲ Our BoD will include adequate number of executive and independent, non-executive members - Our proposal **does not include only one executive member, which is not in line with best practices of the Greek Code** (Special Practices - for listed companies with size similar to ELLAKTOR).

