



HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS

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PRESS RELEASE

2018 Financial results of HCAP Group

- HCAP recorded at company level for the first year of full operation operating profit of € 13.1 million against losses of € -3.1 million in 2017, the year in which its operation started from scratch in February 2017.
- At the Group level, losses are recorded after the first consolidation of a total of 13 large public companies (and a number of other subsidiaries or associates) that were included in HCAP's portfolio in 2018, against HRADF and ETAD which were consolidated during prior year.

Hellenic Corporation of Assets and Participations SA ("HCAP") published its separate and consolidated financial statements for the year 2018, along with the Annual Report, as approved by the General Assembly of the sole shareholder. The year 2018 has been a milestone for HCAP, as the Greek State's shareholdings in a number of subsidiaries and associates were transferred to the Company at the beginning of the year.

To manage this portfolio and provide the high-quality financial information required, HCAP, although organized from scratch as a start-up company, was able to formulate and rapidly develop a structure with efficient operations, professionalism and a modern corporate culture and in a short time build valuable know-how.

At company level

HCAP's operating profitability in 2018 was positively affected, as it was the first year in which the company began to gradually achieve full operations, revenue and profit. In this context, revenues of € 17 million and profits of € 13.1 million were recognized. This upward trend was further accelerated in the first half of 2019, with revenues of € 40.3 million and profits of € 37.9 million, results which are expected to be further enhanced by the end of 2019.

	COMPANY	
in € thousand	2018	2017
Turnover	16,998	0
EBITDA ¹	12,653	3,435
Net profits/ (losses)	13,060	-3,143
Total assets	20,910	7,720
Total equity	19,710	6,652

¹ EBITDA has been calculated as "Results before taxes, financial and investing results" plus depreciation of assets and government grants.

As a result of the significant improvement in profitability, 2018 was the first year from the results of which a dividend will be distributed to the Greek State.

At group level

For the first time in 2018, the State shareholdings (majority or minority) in 13 additional companies and a number of their subsidiaries or affiliates were consolidated through HCAP. On the contrary, in 2017 only the results of the subsidiaries HRADF and ETAD were consolidated.

in € thousand	GROUP	
	2018	2017
Turnover	1,045,876	57,888
EBITDA ²	98,549	23,427
Net profits/ (losses)	-132,542	19,373
Total assets	5,583,087	1,298,335
Total equity	3,540,729	905,733

The consolidation of these additional companies significantly affected the consolidated results and consolidated financial position as it multiplied:

- total assets from € 1.3 billion to € 5.5 billion,
- total equity from € 0.9 billion to € 3.5 billion,
- turnover from € 58 million, to over 1 billion, and
- EBITDA from €23 million to €99 million.

The net result for the first year incorporating the newly acquired shareholdings was a loss of € 132.5 million (despite the increase of EBITDA). This is mainly due to the recognition in the annual results of the share of losses from associates, while there are no deferred tax gains from the loss-making subsidiaries.

The consolidation of a large number of public companies for the first time in 2018 was a critical challenge, as the consolidated companies a) operate in different markets with each other, b) had adopted different accounting policies, c) had different financial statement preparation processes and systems and publication dates, while also in many cases the respective company departments were understaffed and without appropriate infrastructure and systems and many of them brought a number of qualifications and matters of emphasis to their Certified Auditors' reports.

In conclusion, the consolidated financial statements of HCAP are now prepared with accounting policies that reflect the position of the public companies that were transferred in 2018, some of which caused problems and losses that affected the final result.

The target of the first consolidation is to present the public property with appropriate accounting methodologies in accordance with IFRS but also with full transparency and accountability, as is the case of listed companies. This is for the first time and is the basis, on the one hand, for setting the objectives for the coming years, and on the other, for raising issues that will be of concern to the Coordination Mechanism (eg SGEI for OASA or universal

² EBITDA has been calculated as "Results before taxes, financial and investing results" plus depreciation of assets and government grants.

service for ELTA). These are the two largest companies that affect consolidated results, while PPC, ETVA VIPE and AIA are consolidated using the equity method.

Regarding improved transparency and accountability, a specific reporting framework was established to monitor and control the financial reporting of HCAP's non-listed subsidiaries, with the requirement that they apply optimal accounting and auditing standards, prepare and monitor their budgets efficiently, along with monitoring their actual results through periodic financial reports. Although this sounds simple in practice, it is an extremely difficult and complex exercise, as it is the first time that financial information has been consolidated for such a large number of Greek State's companies, as well as in Greek business in general. This effort required:

- coordination between all the finance departments of 15 direct and other subsidiaries, some of which are groups of companies, thus consolidating their own subsidiaries,
- a long and continuous effort to identify differences in accounting policies that have been in place for years on similar issues and to initiate a process of homogenization,
- within a narrow timeframe, solving the largest possible number of problems described in the auditors' reports of these companies in the previous years (eg by reducing the subsidiary's qualifications and matters of emphasis from 35 to about 15),
- designing new processes and financial reporting tools and closely monitoring and training in their use, and
- significant increase in the speed of preparation and delivery of periodic financial information so that it is timely and relevant on the basis of best practice.

Strategic actions for the year 2018

Recognizing the important footprint that public enterprises have in key dimensions of the economy and the many challenges that have accumulated either as a result of the crisis, as a result of a lack of strategic and operational planning and an independent and transparent corporate governance framework, HCAP in 2018 launched actions targeted at 4 pillars:

(a) Board of Directors and Corporate Governance

Recognizing the strategic importance of good corporate governance and the effective functioning of the Boards of Directors, HCAP set up a Nomination Committee to evaluate the Boards of the subsidiaries, as well as to select suitable candidates to enhance their operation. In addition, much emphasis was placed on upgrading the role of Audit Committees, by appointing Chairmen to the Committees, specializing in accounting and auditing, as required by Laws 4449/2017 and 3429/2005.

(b) Strategic Plan and Business targets

Following a consultation process with the management of HCAP's subsidiaries, they proceeded with an update of their business plans. For the first time, key performance indicators were established for each subsidiary, which were incorporated into its three-year business plan (HCAP 2019-2021).

(c) Framework for Monitoring and Reporting Rules

A multi-dimensional reporting framework was created to monitor and control the performance of non-listed subsidiaries. It is now their responsibility to apply optimal accounting and auditing standards, to compile and monitor their annual budgets more efficiently, in conjunction with monitoring their actual performance through periodic financial reporting.

(d) Targeting modernization target (Operations, Technology and Social Value) with specific KPIs over a three-year period

Understanding that the Greek economy and large public companies face multiple technological challenges and lag behind European ones, HCAP promotes the development of a digital strategy for each company that does not yet have one, adapted to its particular features. HCAP has also set priorities and indicators for the environment and social return.

For 2019, in addition to promoting the above, HCAP is also focusing on launching the Coordination Mechanism, which will, inter alia, clarify how most public companies operate in relation to what the state has assigned to them and how they will be compensated for the services they offer. This is a crucial point in the financial planning of both the companies and the state, which is required to fund these services from its budget. Regarding HCAP's financial results, a significant improvement is expected in comparison with 2018.

HCAP's project is of major importance, complex and unprecedented for the Greek standards. Among other things it requires the coordination of the company itself with the Ministry of Finance which represents its sole shareholder, but also with all the Ministries involved and the Public Administration in general. It is for this reason that the launch of the Coordination Mechanism will promote HCAP's work, achieving faster results by implementing and targeting the government's sectoral, developmental and social policies.

After all, the key importance of professional and independent management of Public Property is being highlighted at European level, too, in order to improve the efficiency of public investments and thus to increase public revenue. This creates greater budgetary space, and therefore flexibility in economic policy. In addition, transparency and accountability are promoted by highlighting additional priorities in environmental protection and social responsibility.