

Terna Group

Reuters : TERr.AT Bloomberg : TERR GA

Sector: Construction & Energy

Ownership Structure:

GEK SA	54.22%
Free Float	45.78%

Source: Athens Exchange as of 6 October 2006

Stock Data

Price (4 October 2006)	€ 10.14
Mkt Cap (in mn)	€ 466.08
Shares (in mn)	45.965

Stock Ratios

	2004	2005	2006 E	2007 E
P / E	11.45	33.63	25.53	16.92
P / BV	2.95	2.89	2.78	2.66
EV / EBITDA	3.24	5.75	5.61	4.82
D / Y	1.68%	2.17%	2.57%	4.29%
ROE	25.80%	8.68%	11.09%	16.05%
ROIC	13.67%	4.70%	5.76%	7.46%
Net debt / Equity	0.61	0.44	0.72	1.01

Summary Financials

P&L (in mil €)	2004	2005	2006 E	2007 E
Revenues	428.0	245.2	260.0	410.0
Gross Profit	96.1	59.0	70.0	105.0
OPEX	22.6	21.8	23.4	36.9
EBITDA	80.5	42.1	51.6	73.1
Financial Results	-6.6	-6.8	-8.0	-9.0
Depreciations	9.8	12.3	12.4	15.6
EBT	64.1	23.0	31.2	48.5
EAT & Minorities	40.7	13.9	18.3	27.5

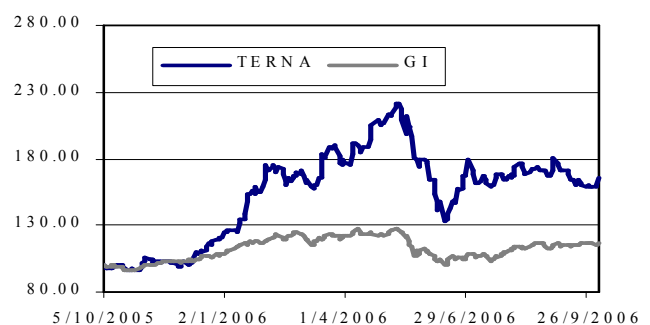
BS (in mil €)	2004	2005	2006 E	2007 E
Net Fixed Assets	191	194	240	282
Total Cur. Assets	319	274	272	360
Cash & Equivalent	37	49	54	43
Total Assets	510	468	512	643
Total Equity	158	162	168	175
L-Term Banks	29	54	55	55
S-Term Banks	111	76	120	165
Liability & Equity	510	468	512	643

Source: Company Data & VRS Projections

KEY INVESTMENT POINTS

- Backlog at 30 June 2006 stood at € 560 million compared to € 400 million at the beginning of 2006, whereas according to the management's guidance, it is expected to reach € 1 billion by the end of the year. **Backlog expansion, due to domestic market recovery, should boost revenue growth in the period 2006-2007.**
- Terna Group will bid for 3 new motorway concessions (with a total construction value of € 5 billion) in the coming months aiming at a significant stake of the 7 road tenders, valued at € 7.6 billion and expected to occur until end of 2006. **The Group's good track record leaves much optimism about a successful outcome.** It is noted that the parent company GEK SA (also listed on Athens Exchange) has been declared as the provisional contractor (along with FERROVIAL – CINTRA and ACS DRAGADOS) in Ionian Road concession (€ 1.1 billion – 33% participation).
- **In the energy business, bottom line performance is steadily improving,** with EBITDA from wind parks standing at € 5 million in the first six months of 2006 compared to € 2.5 million in the same period last year. Heron, which is the 147 MW gas fire plant owned by the Group (GEK and Terna own 50% each) generated sales of € 16.2 million and profit before taxes of € 6 million for the six months of 2006. The management has underlined the importance of the new law regarding the land planning of renewable sources of energy and the significant facilitation of installation procedures.
- **Geographic expansion of Group's construction activities should not be underestimated.** The first contract in Middle East was signed recently (valued at € 26 million), whereas TERNA is the preferred bidder in 1 additional project (this one valued at € 200 million).

Relative Performance versus ASE G.I. (52 weeks)



Dynamic Securities S.A.

6-10, Harilaou Trikoupi Str., 10679 Athens -Greece
Tel.: +30 210 3677 700, Fax: +30 210 3677 777
Mail: info@dynamicsec.gr, url: www.dynamicsec.gr

INVESTMENT CASE

- ❖ **Greek construction activity** is expected to recover in the following 2-3 years, in view of expected strong GDP growth (by 3%-4% on average basis), significant capital inflows in the form of subsidies from the European Union, and state / legal framework initiatives (such as in land development). Construction activity in Greece represents nearly 10% of GDP, and is lagging behind the European average. The good track record of GEK Group in the sector leads to the assumption that Terna will capture a significant stake of construction sector's broader recovery.
- ❖ **In the Greek energy sector**, the needs for power generation are constantly growing. In view of the latest legislation, the state has created a favorable framework, granting motives to private sector entities for utilization of renewable sources of energy. Terna is leader in wind energy production and is expected to further broaden its market share in the targeted wind farm capacity of 3,000 MW. Terna's capacity in wind farms is targeted at 120 MW by the end of 2006, whereas the Company owns 650 MW of wind power licenses.
- ❖ Terna, along with the parent company GEK SA, which acts as concessionaire company, has positioned successfully in the Balkan markets, currently accounting for 20% of total backlog. The Company has been awarded three projects in Romania, Bulgaria, and FYROM.
- ❖ During the first half of 2006, consolidated revenues rose by 25.4% y-o-y to € 123.4 million, with EBITDA up by 14.4% to € 26.7 million and net profit after taxes and minorities accounting for € 11.4 million down from € 17.4 million in H1 '05 due to a deferred taxation that positively affected last year's results.

CORPORATE PROFILE

- ❖ Terna is the construction arm of GEK Group of Companies, which is leader in four business areas of the Greek market: construction, energy, real estate and concessions. The diversification of activities allows for significant synergies within the Group. Terna represents the construction and energy activities of the Group, whereas GEK is engaged in real estate activities and concessions.

COMPARATIVE RATIOS

Company	Country	Mkt Cap (mn)	P/E '06	P/BV '06
Hochtief AG	Germany	3,620	10.33	2.06
Vinci SA	France	20,708	42.21	3.67
Acs Activid. De Constru S.	Spain	13,197	14.44	4.94
Fomento Consty Contr (Fcc)	Spain	8,402	25.01	3.90
Grupo Acciona	Spain	7,454	16.85	2.32

Data: Bloomberg estimates for fiscal 2006. Share prices as of 4 October 2006.

DISCLOSURE STATEMENT

This document has been prepared and issued by DYNAMIC SECURITIES SA which is regulated by the Hellenic Capital Market Commission and is subject to the rules of conduct applicable to investment firms (EPEYs) as established under Greek regulations. DYNAMIC SECURITIES SA is not engaged in any agreement with the subject companies for the preparation of this document.

Dynamic Securities SA has prepared the above research material and its contents are for information purposes only and should not be construed as an offer to sell or a solicitation to buy any securities. The information contained in this report including any expression of opinion has been taken from sources believed to be reliable but it cannot be guaranteed and no warranty is given that such information is accurate or complete and it should not be relied upon as such and are subject to change without further notice. Dynamic Securities SA and/or its associated group companies or a person or persons connected with the company may from time to time act on their own account in transactions covered in its research reports. Dynamic Securities SA may do and may seek to do business with companies covered in its research reports. As a result, investors should be aware that the firm might have a conflict of interest that could affect the impartiality of this report. Investors should consider this report as only a single factor in making their investment decision. Securities mentioned in this report are subject to investment risks including the loss of initial capital invested. Dynamic Securities SA does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This report is addressed to professional investors only and no part of this report may be reproduced or passed on in any manner without prior permission.

- At the date of the issuance of this report (mentioned in the first page of the report) DYNAMIC SECURITIES SA does not hold more than 5% of a class of common equity securities on any company mentioned in this report.
- At the date of the issuance of this report (mentioned in the first page of the report) none of the subject companies mentioned in this report owns more than 5% of DYNAMIC SECURITIES SA or any of its affiliated companies. DYNAMIC SECURITIES SA does not act as a market maker for the securities of the company.
- DYNAMIC SECURITIES SA has not provided underwriting services to the company covered in the report.
- DYNAMIC SECURITIES SA has not received compensation from the company for financial advisory services during the past 12 months.
- DYNAMIC SECURITIES SA has not received compensation from the company for the preparation of the research report.

Internal procedures: a) The research department is situated in an area where only employees of the department have access in order to ensure secured confidentiality. The data and records of the department are out of reach of the other departments. Chinese Walls are set between the research department and other departments so that DYNAMIC SECURITIES SA can abide by the provisions regarding confidential information and market abuse.

Analyst Certification

The analyst responsible for the content of this research report (in whole or in part), certifies that a) all the views about the companies and securities contained in this report accurately reflect the personal views of the respective author and b) no part of our compensation was or will be directly or indirectly related to the specific recommendations or view of this report. The author of this report may have held or hold in the future shares of the company covered in its research reports. The analyst or at least one of the analysts mentioned in this report are Certified as "Analyst of Equities and the Market" by the Hellenic Capital Market Commission.

Analyst Stock Ratings

All of the above denote investment ratings (not recommendations) which refer to our overall view of the company based not only on valuation but on qualitative factors as well.

Dynamic Securities SA

Member of Athens Stock Exchange
Member of Derivatives Exchange
6-10 Harilaou Trikoupi Str.
106 79, Athens, Greece
Tel : +30 210 3677700
Fax : +30 210 3677777
E-mail : info@dynamicsec.gr

Equity Sales & Trading

Konstantinos Feggos +30 210 3677747
Dimitrios Kannelos +30 210 3677715
Katerina Tziafa +30 210 3677743
Olga Mpoziou +30 210 3677725
Barbara Abatzi +30 210 3677714

Derivatives Sales & Trading

Elias Mantoudiotis +30 210 3677740
George Christou +30 210 3677755
George Zoropoulos +30 210 3677746

Research Department

Nicholas I. Georgiadis (VRS) +30 210 3219557
Christophoros J. Makrias (VRS) +30 210 3219557
Nikolaos Kollias +30 210 3677795

Institutional Sales

Mary Anthopoulou +30 210 3677756
Michalis Stathikis +30 210 3677728

Investment Services

Christos Retsas +30 210 3677704
