

Share Price (05/07/05) € 5.62

Share Number (,000)	45,964.5
Capitalization (€ mn)	258.3
Av. Daily Volume	64,199.5
Free Float	42.00%
Beta	0.99
Dividend '04	0.22
Div. Ret. '04	3.91%

Stock Statistics

Max 52 weeks	€ 7.24
Min 52 weeks	€ 4.10

Stock Return (%)

1 Month	-12.19%
6 Months	-11.64%
12 Months	-9.06%

Source: VRS

Turnover Breakdown 2004

(in EUR mn)

Civil engineering works	141.99
Roads, airports, railways	248.42
Hydraulic works	1.09
Electromechanical works	0.96
Electric energy production via wind energy production	8.28
Concrete based construction materials	9.19
Ready made concrete	2.27
Construction of metallic bodies	4.02
Idle quarry related products	1.17
Leasing of self-owned real estate	0.82
Wholesale trade	0.14
Leasing of machinery	9.21
Total Turnover	427.56

Share Price vs FTSE/ASE 40 (52 weeks)



TERNA

Sector: Construction - Energy

COMPANY REPORT

July 6, 2005

Key Investment Points

- Terna is a leading construction company in Greece (it holds a 7th grade certificate), having reaped important know-how from the implementation of large public and private projects. Greek Construction activity is expected to slowdown in the coming years; however, Terna will participate in many large public construction projects, utilizing its know-how and financial health.
- The Company has expanded operations in the Balkans, where we expect considerable funding of infrastructure and other public construction projects from EU (following its enlargement). The Company's target is about 25% of construction sales to derive from abroad by the end of fiscal 2008.
- Terna, has differentiated its activities, by entering the energy sector, through the construction and operation of wind parks and gas-fired plants. Today, the Company operates 5 wind parks with a capacity of 65 MW and a target of total 200 MW production capacity by the end of fiscal 2006 and 400-450 MW installed by 2009.
- For the fiscal 2005, we expect Group turnover to settle at € 355.9 mn, decreasing by 16.8% y-o-y due to Greek construction activity slowdown. In the coming years, international expansion and production of energy will outpace this slowdown, reinstating the Company to growth.

KEY FINANCIAL FIGURES & RATIOS

(in .000 €)	Sales	EBITDA	EAT	EPS	P/E (x)	P/BV (x)	EV / EBITDA	ROE %
2002 A	280.40	38.54	8.30	0.180	31.14	1.89	6.99	6.11%
2003 A	412.36	60.32	21.91	0.477	11.79	1.65	4.66	14.97%
2004 A	427.56	74.56	34.17	0.743	7.56	1.36	4.48	19.77%
2005 F	355.90	62.44	28.38	0.617	9.10	1.23	5.31	14.24%

Source: VRS

INVESTMENT CASE

Opportunities in the Construction Sector

- Tema holds a leading position in the Greek construction activity with regard to turnover, having reaped important know-how from the implementation of large public and private projects. Although we expect construction business to slowdown in 2005, as the Olympic projects have been completed, construction activity in Greece will remain strong, but only for the companies that have the expertise to undertake and successfully complete large and complex projects. We should state that in '04 approximately 55% of domestic construction activity referred to public works, 60% of which seems to have been executed by 7th grade certificate holders. Future growth in Greece, will mostly derive from the remaining construction spending from EU funds till 2007 (3rd CSF) that is estimated to € 16 bil., (roads & ports € 5,4 bil., - railways, city transports, airports € 2,1 bil., - peripheral infrastructure € 4,6 bil., - road Concessions € 4 bil.).
- In addition, Tema is seeking to enhance its order-book, through the undertaking of projects abroad (it has currently undertaken 3 projects of a total € 175 mil. in the Balkans). EU enlargement will benefit the Company, through the funding of infrastructure and other public construction projects in the Balkans. The Company's target is about 25% of construction sales to derive from abroad by the end of fiscal 2008.

Opportunities in the Energy Sector

- We expect Tema to become one of the largest private energy producers in the following 3 years, operating through its subsidiaries over 200 MW of wind park sites and a 400 MW gas-fired plant. Revenues from this business division will outpace expected decrease in construction revenues, and gradually (in about 5-6 years) will represent about 40% of total turnover.
- Tema Energy operates 4 wind parks with a capacity of 65 MW with another 58 MW of wind parks being currently under construction, (expected to generate income within 2005, beginning 2006). Its target is to install 200 MW by the end of fiscal 2006 and 400-450 MW by the end of fiscal 2009. The Company also expands in hydropower energy, having obtained already license for the construction of a 250 MW hydropower plant.
- The other subsidiary 'Heron Thermo-Electric', has already built a 147 MW gas-fired plant in Central Greece (completed in August 04), which is already connected to the national grid and operate as a peak load plant, trading at the same time excess capacity internationally. During 1Q 2005, this unit generated revenues of € 8.3 mil.. The subsidiary has already secured by the Regulatory Authority for Energy a power generation license for a gas-fired plant of 400 MW in Central Greece. The project has a budget of €200-220mn.

VALUATION & RESEARCH SPECIALISTS

COMPANY PROFILE

The Company was established in 1972 as a construction company and since then it has executed a broad spectrum of public and private projects. Its project portfolio includes the construction of railway and highway networks, high - quality office buildings, hospitals, museums, resorts, hydro-electric plants, dams, harbors, industrial facilities, etc. In 1999, the ASE listed construction company GEK, acquired majority stake in Terna establishing a strong overall Group, while in 2002 Terna acquired all construction activities of the Group.

Today, Terna is the construction and energy company of the GEK Group.

Construction Division: Terna is undertaking public and private projects of considerable budget and complex know-how, such as the construction of Railway and Highway networks, high - quality office buildings, hospitals, museums, resorts, hydro-electric plants, dams, harbors, industrial facilities. In the division of B.O.T., B.O.O.T and D.B.F.O. projects, GEK is the concessionaire and Terna the constructor. Among projects, the Group is participating in the construction and operation of nine (9) Underground Car Stations. In the Industrial sector, Terna is also active in steel structures, manufacturing of prestressed concrete sleepers and exploitation of quarries.

Energy Division: Since 1997, Terna expanded operations in the 'power - production sector'. Through its two subsidiary companies, Terna Energy (61.76% equity stake) and Heron Thermo-Electric (50% equity stake), it has been developing, licensing, financing, constructing and operating wind parks, hydro electric plants, Biomass- and waste- to – energy units, gas - fired plants, thermoelectric stations and cogeneration units. The Company has secured necessary production licenses for the development of MW595 (budgeted at €660mn) in several regions, scheduling to be wholly deployed by 2010.

THE GREEK ENERGY SECTOR

During 2003, thermal power plants contributed approximately 92% of total gross electric power produced (60.8TWh in 03), with RES providing the remaining 8% (wind farms (450MW), contributed only 3.6%). Following the "Kyoto Protocol" and the EU directive 2001/77/EE, Greece has made a commitment for a greater contribution of RES to the total domestic electricity of 20.1% in 2010. In order to reach this level the installed capacity should account for approximately 2,500 - 3,000 MW for the wind parks and to 300 MW for the small size hydroelectric stations.

Basic Economic Figures

(in € mn)	2004	2003	2002		2004	2003	2002
Turnover	427.56	412.36	280.40	Fixed Assets	149.70	115.24	109.42
Gross Profit	73.15	63.71	45.51	Current Assets	204.32	145.90	105.76
Gross Margin	17.11%	15.45%	16.23%	Cash	8.46	16.87	27.24
EBITDA	74.56	60.32	38.54	Total Assets	370.02	288.77	250.46
EBITDA Margin	17.44%	14.63%	13.74%	L-Term Liabilities	27.20	14.19	16.16
EAT	34.17	21.91	8.30	S-Term Liabilities	150.97	117.55	93.66
EAT Margin	7.99%	5.31%	2.96%	Shareholder's Equity	189.33	156.23	136.49

DISCLOSURE STATEMENT

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