

VALUATION & RESEARCH SPECIALISTS (VRS)

Share Price (07/10/05) € 5.98

Share Number (,000)	45,964.5
Capitalization (€ mn)	274.9
Av. Daily Volume	66,338.0
Free Float	42.00%
Beta	0.80
Dividend '04	€0.22
Div. Ret. '04	3.68%

Stock Statistics

Max 52 weeks	€7.24
Min 52 weeks	€4.50

Stock Return (%)

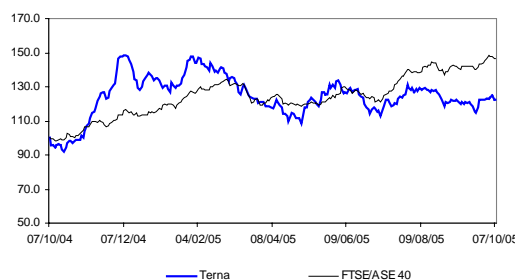
1 Month	0.34%
6 Months	4.18%
12 Months	22.54%

Source: VRS

Half Year Group Results

	6M 2005	6M 2004
Turnover	98.49	257.54
Gross Profit	68.02	201.40
Gross Margin	69.07%	78.20%
EBITDA	23.37	49.48
EBITDA Margin	23.73%	19.21%
EAT (a.m.)	16.72	30.63
EAT Margin	16.98%	11.89%

Share Price vs FTSE/ASE 40 (52 weeks)



TERNA

Sector: Construction - Energy

FLASH ALERT

October 7, 2005

Key Investment Points

- During the first half 2005, Group turnover reached € 98.5 mil., decreased by 61% compared to first half 2004 (€ 257.5 mil.), below our expectations. The decrease is attributed to the absence of Olympic Game construction projects, and the delayed initialization of large public projects. Energy sales from wind parks (65 MW current installed capacity – 41 MW generated sales in H1 05) accounted for € 3.9 mil., while another 58 MW of wind parks are currently under construction. Terna's target remains the 200 MW installed by end 2006 and 400-450 MW installed by 2009.
- In the first half of 2005, EBITDA reached €23.4 mil., decreased by 58% y-o-y, with EBITDA margin accounting for 23.7% from 19.2% in the first half of 2004, exceeding our estimates, which is attributed to the higher stake of energy revenues to the total group turnover (32% of total EBITDA in 1H 05 from 7% in 1H 04). In addition, earnings after tax reached € 16.7 mil. from 30.6 mil. in 1H 04, with EAT margin significantly improved, due to 12.4 mil positive tax difference compared to 1H 04.
- For the fiscal 2005, we expect Group turnover to settle at € 253.3 mil., decreasing by 40.8% 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	253.29	52.83	24.50	0.533	10.54	1.25	6.28	12.38%

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.

DISCLOSURE STATEMENT

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