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**Investors should also look at the listed company's financial statements, annual report and other similar information, as well as risks related to its business and operations, in order to form a more analytical view about the company's fundamentals and prospects.**

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The following report is based on the publicly traded company's official financial statements, annual report, and presentation compiled in order to inform the communities of institutional investors and equity analysts. Valuation & Research Specialists (VRS) do not intend to express any views or judgments about the listed company / stock via this report.

## GEK TERNA GROUP S.A.

**Category:** Large Capitalization

**Activity Sector:** Holding, Real Estate, Construction, Energy

**Foundation Year:** 1959

**Share Price:**  
€ 1.30 (11 August 2011)

**Outstanding No of Shares:**  
85,882,688

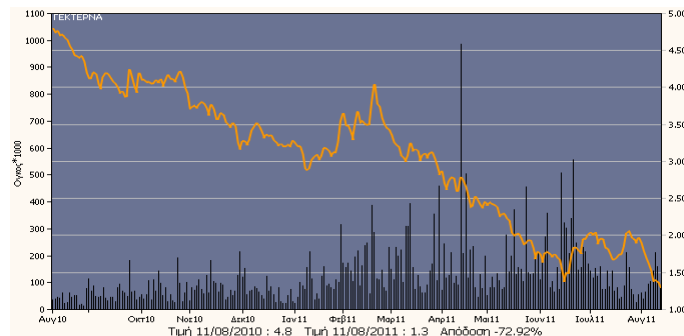
**Market Cap:** € 111.65 million

**Athens Stock Exchange**

**Reuters / Bloomberg:**  
HRMr.AT / GEKTERNA:GA

**Web-site:** [www.gekterna.gr](http://www.gekterna.gr)

**Share Price Graph** (August 2010 – August 2011) (Price in euro)



Source: [www.euro2day.gr](http://www.euro2day.gr)

## Company Profile

GEK TERNA is strategically placed in critical business sectors such as Constructions, Real Estate, Concessions, Energy, Industry, implementing strong investments that put the Group in a leading position in these sectors in Greece. For the Group, 2008 was a notable year, as the corporate transformations that simplified its structure and strengthened its capital base, were concluded. Specifically the subsidiary company TERNA S.A. was separated, with its construction activities absorbed by the company LITHOS S.A., which was further renamed to TERNA S.A., and its remaining activities were absorbed by the parent company GEK S.A., which was further renamed to GEK TERNA S.A.. According to the annual results of 2010, the Group's backlog of unexecuted construction projects had amounted to €2.1 billion approximately, of which 25% derived from the markets of Middle East and the Balkans. The construction turnover for third parties settled at € 502.3 m in 2010 vis-à-vis € 668.1 m in 2009, posting a decrease of 24.8%, whereas operating profitability (EBIT) of the construction sector lowered to € 22.8 million versus € 43.4 million in 2009.

In the real estate sector – consisting of logistic centers, industrial parks, offices, entertainment parks, second home properties, residential and commercial properties – turnover amounted to € 9.9 m versus 5.6 million in the year 2009 with operating losses accounting for € 0.3 million vis-à-vis operating profit of € 0.8 million in 2009.

In concessions, turnover amounted to € 29.3 m versus € 26.8 m in 2009, implying an increase of 9.3% year-on-year, whereas operating profit (EBIT) rose to € 2.7 million versus € 1.9 million in the previous year. The sector's revenues are mainly income from the Ionian Road and the operation of car parking stations.

In the field of energy production from thermal sources, the Group's revenues amounted to € 25 million vis-à-vis € 11.9 m in 2009, with the operating profit before depreciation (EBITDA) settling at € 3.1 million versus € 2.9 million in 2009. The Group's second unit which was built in Voiotia (HERON II with a capacity of 435 MW) is already in operation since the end of the previous year. It is reminded that the Group has sold a 50% stake in each of the two units to GDF SUEZ Group, with the two groups jointly managing the operation of the units.

In the renewable energy sector, the Group via TERNA ENERGY, subsidiary of GEK TERNA S.A., operates renewable energy production parks and facilities with a total capacity of 181.5 MW, whereas an additional capacity of 243 MW is currently under construction, of which 177 MW will be units located in Greece, and 66 MW in Eastern Europe. At the same time, TERNA ENERGY will commence, by the year end, the construction of an additional capacity of 178 MW in the United States of America (USA). Revenues from renewable energy production settled at € 33.3 million, lower by 1% y-o-y, whereas profit before depreciation (EBITDA) settled at € 18.7 million in 2010 versus € 20.9 million in 2009.

On June 17, 2011 GEK TERNA Group announced four new projects in Bahrain with a total budget of € 106 m while at the same time the Group is expanding its activities in Saudi Arabia, following its presence in the United Arab Emirates, Qatar and Bahrain. Specifically, the 100% subsidiary TERNA S.A. undertakes the following new projects:

1. Construction of a luxury residential complex with a budget of € 23 m. The relevant agreement was signed following the recent completion of a luxury residential complex for the same employer with a budget of € 104 m, which consists of 350 villas, also in Bahrain. It is worth noting that in the context of this specific project, TERNA also provided significant financial support to the investor – owner of the complex, utilizing the financial robustness of GEK TERNA Group, and ensuring the smooth financing and completion of the project. Recently, the project was completed and TERNA S.A. was fully paid. The exceptional construction quality and financial strength of GEK TERNA Group were assessed positively by the client, who directly proceeded with assigning the new residential project of € 23 m.
2. Construction of a luxury residential complex with a budget of € 23 m. TERNA S.A. signed an agreement for the construction of yet another luxury residential complex with 20 stories in Bahrain.
3. Construction of a car park station with a budget of € 25 m.

TERNA is soon expected to sign an agreement for the construction of a car park station, amounting to € 25 m, following a respective project of € 23 m recently completed and delivered by the company, also in Bahrain.

4. Construction of a hangar valued at € 35 m at the Bahrain airport. TERNA emerged as the lowest bidder for the construction of the specific project and soon the relevant agreement is expected to be signed. As mentioned above, TERNA is also expanding its activities in Saudi Arabia where it has established a subsidiary, which has already participated in the first bids with the objective of undertaking projects in the largest Middle Eastern market.

Moreover, GEK TERNA Group is continuing its investment plan. In 2010, the Group's total investments amounted to € 339 m, while during the first quarter of 2011, € 61 m were invested, mainly in energy activities.

Sources: Company 12M 2010 Financial Report, Press Releases, Presentation at the Association of Greek Institutional Investors (July 2011).

## Review of Financial Results

Consolidated turnover settled at € 606.1 m in 2010 versus € 764.9 m in 2009, posting a decrease by 20.7% year-on-year, mainly due to the lower performance of the sectors of construction and industry.

Consolidated EBITDA settled at € 62 m versus € 91.2 m, lower by 32% as compared to 2009, and was mainly affected by the construction and industrial sectors. Total operating profit (EBIT) amounted to € 28.1 m versus € 62.9 m in 2009, decreased by 55.3% year-on-year. EBT posted a drop of 94.6% and settled at € 5.5 m versus € 101.5 m in the previous year. It is noted that the comparison between the two years 2009 and 2010 is not favorable, since during 2009 the Group had recorded extraordinary profit from the sale of its participation by 50% in the electric power production units HERON 1 & 2. Net earnings after minority rights settled at € -8.3 million versus € 71.9 million in 2009 (also affected by extraordinary tax charges of € 4.5 m following Greece's latest legislation). The Group's total investments during the period under consideration reached € 339.4 m and mainly concerned the sectors of Energy and Concessions. Net debt accounted for € 481.8 m, since the Group's cash and cash equivalents amounted to € 393.4 m and total bank debt settled at € 875.2 m. Shareholders' funds accounted for € 718.9 m.

### GEK TERNA Group Q1 2011 Results

According to the financial statements of 31/03/2011, the 1st quarter results of 2011 for the GEK TERNA Group are as follows:

Consolidated sales amounted to € 171.6 m compared to € 137.6 m during the 1st quarter of 2010, posting a 24.6% increase mainly due to increased sales from the construction sector and the sector of thermal energy production.

EBITDA amounted to € 19.3 m compared to € 21.1 mil during the respective period of 2010, posting a decrease of 8.5%, mainly attributed to the construction sector. EBIT of the Group amounted to € 8.9 m, compared to € 13.5 m during the 1st quarter of 2010, decreased by 34%. Earnings before tax posted a decrease of 74.4% and amounted to € 2.2 m compared to € 8.7 m during the respective period of 2010, while net earnings after minority interest, amounted to € 1 m compared to € 4.5 m during the 1st quarter of 2010, thus posting a decrease of 77%.

The Group's total investments during the period amounted to € 61.6 m and mainly refer to the energy segment. Total net debt amounted to € 558 m, as the Group maintained cash & cash equivalents of € 300.5 m, while total bank debt amounted to € 858.6 m.

## S.W.O.T. Analysis

### Strengths

- Diversification of the Group's activities offers a dispersion of risk and a less dependence of profitability on specific sectors
- Synergies are achieved between the different activities (i.e. self construction of energy production units, real estate projects etc.)
- Established in key markets outside Greece (S.E. Europe, Middle East region)
- Strong capital structure

### Weaknesses

- Greek economy's conditions are still unfavorable

### Opportunities

- Further geographical expansion
- Become the 1<sup>st</sup> integrated and diversified renewable energy producer in Greece targeting 1.2GW (installed or at later stages of construction) by 2013-2014
- Diversify and expand abroad in selected RES markets mainly Eastern Europe & US targeting 0.4GW capacity installed or at later stages of construction by 2013-2014

### Risks – Threats

- Market risk (volatility in exchange rates, interest rates market prices etc.), credit and liquidity risk, as well as wind and weather conditions

## Specific Parameters

### SPECIFIC FEATURES - Q1 SECTORS BREAKDOWN

**Construction Sector:** Backlog reached c€2.1 billion (16% outside Greece) and construction sales stood at €128.1 m vs €115.1 m in Q1 10. EBIT from construction stood at €2.4 m compared to €7.9 m in Q1 10. EBIT margins were burdened by the fact that construction of concessions was very low in Q1 11. It is underlined that construction of Motorway Concessions stopped in Q2 2011. CAPEX for this activity stood at €2.7 m and net debt stood at €123.2 m. It is expected that the net debt in construction will peak by mid-year, due to the fact that the construction of 2 CCGT plants for PPC is in progress, but the cash collections are scheduled for the second half of the year.

In the **Real Estate** segment, turnover amounted to €1 m versus €1.7 m in Q1 2010, while operating profit amounted to €0.3 m compared to €0.4 m during the first quarter of 2010.

In the **Concessions Sector**, turnover posted a 5.5% increase and amounted to €7.2 m compared to €6.8 m during the 1st quarter of 2010, while operating profit (EBIT) amounted to €1.2 m compared to €0.8 m during the respective period last year.

Income from the segment is attributed to the management of the Ionian Road project and from the management of car parks. As to what concerns the concession agreements for the highways where GEK TERNA Group is one of the shareholders (Ionia Odos, Kentriki Odos, Olympia Odos), and where construction works have temporarily been suspended, all parties involved (namely the Greek State, the concession groups and the banks) are currently in a process of reaching an agreement that will allow the resumption of the construction works.

For the segment of **Energy Production from Thermal Sources**, sales for the Group amounted to €24.3 m compared to €1.7 m during the 1st quarter of 2010, while earnings before interest, tax, depreciation and amortization (EBITDA) amounted to €6.3 m versus €0.8 m during the 1st quarter of 2010, reflecting the positive effect from the commencement of commercial operation of the Group's second unit in Viotia (HERON 2 – 435 MW capacity). It is noted that the Group has already transferred 50% of the two aforementioned thermal units to the Group GDF SUEZ, thus exercising joint management on such.

In the **Renewable Energy Sources (RES)** sector the Group, TERNA ENERGY, a subsidiary of GEK TERNA S.A., operates 202 MW of energy production facilities from Renewable Sources, while an additional 477 MW are currently under construction or ready for construction, from which 245 MW are in Greece, 54 MW in Eastern Europe and 178 MW in the USA. Income from the production of energy from RES amounted to €9.4 m, decreased by 5.6% while EBITDA amounted to €5.6 m during the 1st quarter of 2011, compared to €6.3 m in the respective quarter of 2010.

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