

METKA S.A.

Sector:	Industrial Goods & Services
Issue Date	June 29, 2010
New Target Price	11.30 €
	(Previous Target Price: 13.00€)
Rating	Outperform
	(Unchanged)

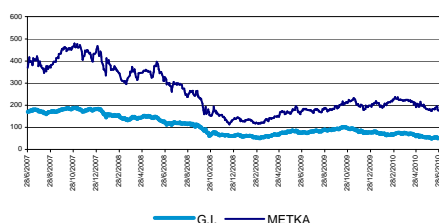
Rating	Outperform
Target Price	11.30 €
Of which Dividend 10e (net)	0.34 €
Last Price	8.35 €
Total Expected Return	35.3%
Of which Dividend Yield 10e (net)	4.1%

Stock Data

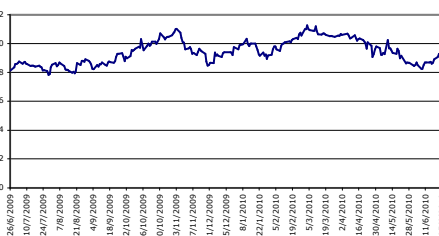
Bloomberg Code	METTK GA
Reuters Code	MTKr.AT
52 week high	11.28 €
52 week low	7.84 €
1m performance	-3.58%
YTD performance	-14.45%
Number of shares	51,950,600
Market Capitalization	433,787,510 €
Average Daily Volume (52w)	48,697
Free Float	42.6%

Performance	Metka	GI
1m performance	-3.6%	-7.8%
6m performance	-11.3%	-34.5%
3m performance	34.2%	-13.4%
12m performance	2.5%	-33.1%
YTD performance	-14.4%	-34.1%

Metka's Relative Performance



Metka's Performance - 52 week



Emi Moundrou
Equity Analyst
+30 210 36 77 000
e.moundrou@prelium.com

Valuation model adjusted for new projects, ETADE's sale and changes in the tax legislation in Greece

Since the day of our last report, Metka delivered a relatively weak set of results for 2009, due to execution delays of signed backlog and a strong first quarter for the current year on the back of both accelerated backlog execution and significant one-off revenue from the sale of ETADE. Metka's backlog stands currently at approximately €2b, c. 81.1% of which involves projects abroad. The recently added project in Turkey with Borasco-OMV (signed in February and valued at €475m) and the two defense systems contracts of \$51.6m total value (signed early January) counterbalanced the retreat in Metka's order-book after the sale of ETADE and subsequently its 90% share in the Megalopolis project. Metka has secured significant work in process for the following 3 years and 2010 is expected a very strong year on the back of simultaneous execution of 7 major projects (Romania, Syria, Corinthos Power, RWE / Turkas, OMV / Borasco, St. Nicolas and Aliveri).

2009 Financial Results: Metka's revenue stood at €339.4m, down 11% y-o-y due to significant delays in the execution of signed backlog. Group EBITDA slipped to €60.6m, down 9.4% vs 2008 EBITDA with EBITDA margin at 17.8%, improved vs the previous year's levels (17.5%). Despite the single-digit decrease in EBITDA, reported net profit retreated by 14.9%, further burdened by the c. €4m one-off tax imposed upon 2008 corporate earnings. If we adjust however for these one-off tax charges, normalized net profit's retreat was milder, at -5.2% to €39.3m, benefited by lower financials and minorities.

Q1 2010 Financial Results: Backlog execution accelerated significantly during the last 3 quarters, which along with the €32.4m one-off gain from ETADE's sale, recognized as sale of construction contracts and booked in revenue, led top line results to more than double and stand at €137.9m, +175.2% (compared to the €50.1m reported in Q1 2009). Even if we adjust for the non-recurring gain from the sale of ETADE, normalised group revenue stood at €105.5m, double that of Q1 2008. Reported EBITDA in Q1 2010 stood at €50.8m, 6 times up the €8.5m reported in Q1 2009, including however the above mentioned €32.4m one-off gain from ETADE's sale (booked in revenue). Adjusting for the above mentioned extra-ordinary gains results in a normalised EBITDA of €18.4m, up 117% and an adjusted EBITDA margin of 17.4%, higher than the 16.9% reported for the first 3 months of 2009 and despite the fact that the management fee the parent company paid to Mytilineos increased to 3% from 2.5%. Pre-tax profit stood at €50.9m (+657% y-o-y) and at €16.3m (+141.7%) if we normalize for the one-off gains mentioned above. Finally, reported net profit stood at €37.6m vs €4.9m in Q1 2010, while normalized net profit stood at €10m (vs €4.9m in Q1 2009), adjusted for the €34.7m non-recurring gain from ETADE's sale and the c. €1.2m one-off tax charges imposed on 2009 pre-tax profit.

New tax bill voted in Greece: The current 10% withholding tax on dividends imposed on shareholders will be replaced by a 40% corporate tax imposed to Greek companies on distributed profit. On top of that, the Greek parliament approved a windfall tax of approximately 10% on corporate profit that will burden 2010-2012 financial results. We assume that Metka will keep the 2009 low pay-out ratio of 29%, which we estimate corresponds roughly to the 35% minimum pay-out defined by law for 2010 (after allowing for income taxes and statutory reserve requirements). We believe however that the management will find alternative ways to compensate shareholders, i.e. stock buybacks or share capital returns. Under the 29% payout assumption, Metka's effective tax rate rises to above 30% for the following 3 years to retreat again to below 30% levels in 2013, when the 3-year one-off tax charge obligation for Greek companies will expire.

Adjusting our model for the recent developments (subsidiary sale, new projects and the new tax law in Greece) resulted in a p.a. 4.5% and 9.0% retreat in our reported and normalized 2010-2012 EPS estimates respectively. We still expect however a strong performance up to 2013, with normalized revenue, EBITDA and net profit CAGR at 18.9%, 16.9% and 22.1% respectively on the back of heavy backlog execution.

Valuation: Despite our EPS cuts and the shares' significant outperformance vs Athens G.I. (Metka: -14.4%, GI: -34.1%), we remain positive on Metka's investment case on the back of good visibility for the following 3 years, rising exposure abroad (> 80%) and strong balance sheet. We re-iterate our Outperform rating as our new lower target price of 11.30 € implies still a significant upside potential of 35.3%.

Fundamentals

(million €)	FY06a	FY07a	FY08a	FY09a	FY10e	FY11f	FY12f
Sales reported	294.1	284.2	381.5	339.4	646.1	693.5	728.9
Sales normalised *	294.1	284.2	381.5	339.4	613.7	693.5	728.9
EBITDA reported	60.8	57.1	66.9	60.6	105.6	120.3	121.3
EBITDA normalised *	60.8	57.1	66.9	60.6	105.6	120.3	121.3
EBITDA Margin norm.	20.7%	20.1%	17.5%	17.8%	17.2%	17.3%	16.6%
Net profit reported	40.6	36.8	41.4	35.2	88.0	68.6	73.6
Net profit normalised *	40.6	36.8	41.4	39.3	63.3	80.1	83.7
EPS (€) normalised *	0.78	0.71	0.80	0.76	1.22	1.54	1.61
DPS (€) (gross)	0.40	0.50	0.40	0.20	0.56	0.50	0.52
DPS (€) (net)	-	-	-	0.18	0.34	0.30	0.31
Valuation Ratios							
P / E (x) normalised *	10.7	11.8	10.5	11.0	6.9	5.4	5.2
P / BV (x)	3.5	3.1	2.7	2.5	1.7	1.5	1.2
EV / Sales (x)	1.5	1.5	1.1	1.2	0.6	0.4	0.3
EV / EBITDA (x)	7.1	7.5	6.4	6.8	3.4	2.5	2.0

Source: Company & Prelium Research Estimates

Notes: Normalised figures exclude one-off tax charges and non-recurring gain from the sale of ETADE (booked in 2010 both in revenue and financial results)

FINANCIAL DATA SUMMARY

(million €)	2006a	2007a	2008a	2009a	2010e	2011f	2012f
P&L							
Turnover	294.1	284.2	381.5	339.4	646.1	693.5	728.9
Gross Profit	68.3	67.9	82.0	78.1	148.6	159.5	167.7
EBITDA (reported)	60.8	57.1	66.9	60.6	138.0	120.3	121.3
EBIT (reported)	55.9	52.2	61.5	55.8	132.9	115.4	116.7
EBT (reported)	54.9	50.5	58.0	54.6	134.3	116.8	120.4
EAT&M (reported)	40.6	36.8	41.4	35.2	88.0	68.6	73.6
Turnover (normalised) *	294.1	284.2	381.5	339.4	613.7	693.5	728.9
EBITDA (normalised) *	60.8	57.1	66.9	60.6	105.6	120.3	121.3
EBIT (normalised) *	55.9	52.2	61.5	55.8	100.5	115.4	116.7
EBT (normalised) **	54.9	50.5	58.0	54.6	99.6	116.8	120.4
EAT&M (normalised) ***	40.6	36.8	41.4	39.3	63.3	80.1	83.7
Balance Sheet							
Net Fixed Assets	79.7	82.6	77.9	78.6	100.3	66.1	64.4
Cash & Cash Equivalents	5.0	27.3	17.7	31.3	81.8	144.4	196.7
Other Current Assets	141.2	243.6	239.3	372.8	460.9	516.3	521.5
Total Assets	225.8	353.5	335.0	482.8	643.0	726.7	782.6
ST Bank Debt	2.2	18.3	11.4	10.4	10.4	10.4	10.4
LT Bank Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ST Liabilities	73.2	160.4	99.9	280.7	323.6	360.7	362.8
LT Liabilities	27.6	35.6	65.6	18.4	55.0	58.9	61.5
Minorities	11.7	12.2	15.5	16.3	19.4	22.8	26.3
Equity	111.0	127.1	142.5	157.0	234.6	273.9	321.6
Total Liabilities	225.8	353.5	335.0	482.8	643.0	726.7	782.6
Net Debt	(2.8)	(9.0)	(6.3)	(20.9)	(71.4)	(133.9)	(186.3)
Cash Flow Statement							
EBIT	55.9	52.2	61.5	55.8	132.9	115.4	116.7
Adjustments	(16.7)	(5.0)	(25.8)	(3.2)	6.7	(10.0)	(38.3)
Δ Working Capital	(39.1)	(4.4)	(13.3)	(16.0)	(78.8)	(48.5)	(5.2)
Cash Flow from Operations	0.1	42.8	22.4	36.6	60.9	56.9	73.1
CAPEX	(3.3)	(1.9)	(1.8)	(2.5)	(3.0)	(3.0)	(3.0)
Proceed from the sale of investments	5.3	1.0	2.0	5.0	0.0	32.4	0.0
Cash Flow from Investing	(0.1)	(9.5)	0.8	(0.2)	0.0	35.0	5.1
Dividends paid	(16.4)	(20.8)	(26.0)	(21.9)	(10.4)	(29.3)	(25.8)
Δ Bank Debt	1.5	9.9	(6.7)	(1.0)	0.0	0.0	0.0
Cash Flow from Financing	(14.9)	(11.0)	(32.8)	(22.9)	(10.4)	(29.3)	(25.8)
Net change in cash	(14.9)	22.3	(9.6)	13.6	50.5	62.6	52.4
Per Share Data							
EPS (Reported)	0.78	0.71	0.80	0.68	1.69	1.32	1.42
EPS (Normalised) ***	0.78	0.71	0.80	0.76	1.22	1.54	1.61
EPS (Diluted)	-	-	-	-	-	-	-
DPS (gross)	0.40	0.50	0.40	0.20	0.56	0.50	0.52
DPS (net)	-	-	-	0.18	0.34	0.30	0.31
BV per share	2.14	2.45	2.74	3.02	4.52	5.27	6.19
Year end number of shares (mil. €)	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Weighted number of shares (mil. €)	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Valuation Data							
P/E (x) (reported)	10.7	11.8	10.5	12.3	4.9	6.3	5.9
P/E (x) (normalised) ***	10.7	11.8	10.5	11.0	6.9	5.4	5.2
P/BV (x)	3.9	3.4	3.0	2.8	1.8	1.6	1.3
Dividend Yield (gross) (%)	4.79	5.99	4.79	2.40	6.75	5.95	6.24
Dividend Yield (net) (%)	-	-	-	2.16	4.05	3.57	3.74
EV / Sales (x)	1.47	1.50	1.12	1.22	0.56	0.43	0.34
EV / EBITDA (x)	7.12	7.47	6.37	6.82	2.62	2.48	2.03
EV / EBITDA (x) (normalised) *	7.12	7.47	6.37	6.82	3.42	2.48	2.03
FCF Yield (%)	-0.30	8.60	8.69	4.63	3.11	5.66	16.38
Growth Rates (%)							
Turnover	-	-3.4	34.2	-11.0	90.4	7.4	5.1
EBITDA (reported)	-	-6.1	17.1	-9.4	127.9	-12.8	0.9
EBIT (reported)	-	-6.6	17.9	-9.3	138.3	-13.2	1.1
EBT (reported)	-	-8.0	14.9	-5.9	146.0	-13.0	3.1
EAT&M (reported)	-	-9.4	12.6	-14.9	149.7	-22.1	7.3
Turnover (normalised) *	-	-3.4	34.2	-11.0	80.8	13.0	5.1
EBITDA (normalised) *	-	-6.1	17.1	-9.4	74.4	13.9	0.9
EBIT (normalised) *	-	-6.6	17.9	-9.3	80.2	14.8	1.1
EBT (normalised) **	-	-8.0	14.9	-5.9	82.5	17.3	3.1
EAT&M (normalised) ***	-	-9.4	12.6	-5.2	61.0	26.6	4.6
Profitability Ratios							
Gross Profit Margin (%)	23.2	23.9	21.5	23.0	23.0	23.0	23.0
EBITDA Margin (%) (reported)	20.7	20.1	17.5	17.8	21.4	17.3	16.6
Net Profit Margin (%) (reported)	13.8	12.9	10.9	10.4	13.6	9.9	10.1
ROE (%)	36.6	29.0	29.1	22.4	37.5	25.0	22.9
ROA (%)	18.0	10.4	12.4	7.3	13.7	9.4	9.4
RoCE (%)	35.3	27.5	28.5	32.8	54.4	44.6	44.5
EBITDA Margin (%) (normalised) *	20.7	20.1	17.5	17.8	17.2	17.3	16.6
Net Profit Margin (%) (normalised) ***	13.8	12.9	10.9	11.6	10.3	11.5	11.5
ROE (%) (normalised) ***	36.6	29.0	29.1	25.0	27.0	29.2	26.0
ROA (%) (normalised) ***	18.0	10.4	12.4	8.1	9.8	11.0	10.7
RoCE (%) (normalised) ***	35.3	27.5	28.5	32.8	41.1	44.6	44.5
Debt Ratios							
Liabilities / Assets (%)	45.6	60.6	52.8	64.1	60.5	59.2	55.5
Bank Debt / Assets (%)	1.0	5.2	3.4	2.2	1.6	1.4	1.3
Interest Coverage (x)	101.5	29.8	19.0	38.4	144.9	-88.2	-32.6
Asset Turnover Ratios							
Cash Conversion Cycle	81	81	120	30	50	60	60
Liquidity Ratios							
Current Ratio (x)	1.9	1.5	2.3	1.4	1.6	1.8	1.9
Quick Ratio (x)	1.6	1.4	2.2	1.3	1.5	1.7	1.8

Source: Company & Prelium Research Estimates

* Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue)

** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results)

*** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results) and one-off tax charges

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FY 2009 & Q1 2010 FINANCIAL RESULTS

2009 Financial Results

- Consolidated revenue for 2009 stood at €339.4m, down 11% y-o-y, due to significant delays in the execution of signed backlog, although H2 2009 saw a significant acceleration of the backlog execution, especially the Korinthos Power and the Romanian project.
- Group EBITDA slipped to €60.6m, down 9.4% vs 2008 EBITDA with EBITDA margin at 17.8%, improved vs the previous year's levels (17.5%).
- Despite the single-digit decrease in EBITDA, reported net profit retreated by 14.9%, further burdened by the c. €4m one-off tax imposed upon 2008 corporate earnings. If we adjust however for these one-off tax charges, normalized net profit retreated by 5.2% to €39.3m, a milder retreat than that of the group EBITDA, on lower financials expenses and minorities.

Q1 2010 Financial Results

- Backlog execution accelerated significantly during the last 3 quarters, which along with the €32.4m one-off gain from ETADE's sale* led top line results to more than double and stand at €137.9m, +175.2% compared to the €50.1m reported in Q1 2009. Even if we adjust for the non-recurring gain from the sale of ETADE, normalised group revenue stood at €105.5m, double that of 2008 Q1.
- Reported EBITDA in Q1 2010 stood at €50.8m, 6 times up the €8.5m reported in Q1 2009, including however the above mentioned €32.4m one-off gain from ETADE's sale, booked in revenue. Adjusting for this one-off gain results in a normalised EBITDA of €18.4m, up 117% and an adjusted EBITDA margin at 17.4%, significantly higher than the 16.9% for the first 3 months of 2009 despite the increase in the management fee paid to Mytilineos to 3% from 2.5%.
- Pre-tax profit stood at €50.9m (+657% y-o-y), benefited not only from the €32.4m one-off gain from ETADE's sale (booked in revenue) but also from another €2.2m gain related to ETADE's sale and included in financial results** (€2.27m income before taxes or €1.73m income after taxes which represents the difference between the valuation of the traditional activity of the subsidiary company and its original acquisition cost). Normalised pre-tax profit stood at €16.3m (+141.7%).
- Reported net profit stood at €37.6m vs €4.9m in Q1 2010, while normalized net profit stood at €10m (vs €4.9m in Q1 2009), adjusted for the €34.7m non-recurring gain from ETADE's sale and the c. €1.2m one-off tax charges imposed on 2009 pre-tax profit.

* The difference between the €8m acquisition value of the company and the €42.5m sale price discounted for the period until the collection of the price was recognized as sale of construction contracts and was booked in revenue.

** The difference between the valuation of the traditional activity of the subsidiary company and its original acquisition cost was recognized as a financial result in the consolidated P&L (€2.27m income before taxes or €1.73m after taxes)

Table 1: Quarterly Results

(million €)	3m 10a	y-o-y (%)	3m 09a	y-o-y (%)	6m 09a	y-o-y (%)	9m 09a	y-o-y (%)	12m 09a	y-o-y (%)
Sales reported	137.9	175.2%	50.1	-43.0%	101.8	-52.0%	203.0	-32.1%	339.4	-11.0%
EBITDA reported	50.8	499.5%	8.5	-48.8%	15.1	-61.0%	36.1	-30.0%	60.6	-9.4%
EBITDA Margin	36.8%		16.9%		14.8%		17.8%		17.8%	
EBT reported	50.9	656.9%	6.7	-53.7%	12.3	-64.0%	31.8	-28.9%	54.6	-5.9%
EBT Margin	36.9%		13.4%		12.1%		15.7%		16.1%	
Net profit reported	37.6	659.4%	4.9	-50.6%	8.1	-64.8%	19.9	-34.2%	35.2	-14.9%
EPS (€) (reported)	0.7231		0.0952		0.1562		0.3839		0.6783	
Normalised Sales *	105.5	110.6%	50.1	-43.0%	101.8	-52.0%	203.0	-32.1%	339.4	-11.0%
Normalised EBITDA *	18.4	117.0%	8.5	-48.8%	15.1	-61.0%	36.1	-30.0%	60.6	-9.4%
EBITDA Margin	17.4%		16.9%		14.8%		17.8%		17.8%	
Normalised EBT **	16.3	141.7%	6.7	-53.7%	12.3	-64.0%	31.8	-28.9%	54.6	-5.9%
EBT Margin	15.4%		13.4%		12.1%		15.7%		16.1%	
Normalised net profit ***	10.0	102.5%	4.9	-50.6%	8.1	-64.8%	19.9	-34.2%	39.3	-5.2%
Normalised EPS (€)	0.1928		0.0952		0.1562		0.3839		0.7564	
DPS (gross) (€)	-		-		-		-		0.20	
DPS (net) (€)	-		-		-		-		0.18	

(million €)	Q1 10a	y-o-y (%)	Q1 09a	y-o-y (%)	Q2 09a	y-o-y (%)	Q3 09a	y-o-y (%)	Q4 09a	y-o-y (%)
Sales reported	137.9	175.2%	50.1	-43.0%	51.7	-58.3%	101.2	16.0%	136.4	65.7%
EBITDA reported	50.8	499.5%	8.5	-48.8%	6.6	-70.0%	21.0		24.5	
EBITDA Margin	36.8%		16.9%		12.8%		20.7%		18.0%	
EBT reported	50.9	656.9%	6.7	-53.7%	5.6	-71.6%	19.4	87.3%	22.8	71.7%
EBT Margin	36.9%		13.4%		10.9%		19.2%		16.7%	
Net profit reported	37.6	659.4%	4.9	-50.6%	3.2	-75.7%	11.8	62.9%	15.3	37.3%
EPS (€) (reported)	0.7231		0.0952		0.0610		0.2277		0.2944	
Normalised Sales *	105.5	110.6%	50.1	-43.0%	51.7	-58.3%	101.2	16.0%	136.4	65.7%
Normalised EBITDA *	18.4	117.0%	8.5	-48.8%	6.6	-70.0%	21.0	63.1%	24.5	59.9%
EBITDA Margin	17.4%		16.9%		12.8%		20.7%		18.0%	
Normalised EBT **	16.3	141.7%	6.7	-53.7%	5.6	-71.6%	19.4	87.3%	22.8	71.7%
EBT Margin	15.4%		13.4%		10.9%		19.2%		16.7%	
Normalised net profit ***	10.0	102.5%	4.9	-50.6%	3.2	-75.7%	11.8	62.9%	19.3	73.7%
Normalised EPS (€)	0.1928		0.0952		0.0610		0.2277		0.3724	
DPS (gross) (€)	-		-		-		-		0.20	
DPS (net) (€)	-		-		-		-		0.18	

Source: Company

* Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue)

** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results)

*** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results) and one-off tax charges

BUSINESS DEVELOPMENTS & CONFERENCE CALL'S HIGHLIGHTS

Business Developments in 2010

- **Metka announced on January 8th this year the sale of its 100% subsidiary ETADE for a total consideration of c. €42.5m**

The significance of this sale hides in the fact that ETADE (active in manufacturing, energy/industrial projects and small hydro power plants) holds a 90% stake in the consortium for the construction of the Megalopolis project, budgeted at €500m with Metka holding the remaining 10%. Metka will continue to hold its 10% stake in the project as well as the ~€94m 6-year maintenance contract, scheduled to be signed by PPC up to 15/7/2010 the latest.

The management disclosed that this decision was taken due to the fact that after the more than 2 years suspension of the Aliveri project, its implementation coincided with that of the Megalopolis project, leading to the decision to free the resources of the Megalopolis project in order to establish the appropriate conditions for Metka's further expansion abroad.

Although this sale raises questions whether the company had at that time faced capacity constraints, we still think this is a very positive outcome for Metka for two main reasons:

- According to our calculations, Metka will still receive in present time ETADE's future profit from the 3-year implementation of the project (discounted at current WACC), without committing any resources.
- Secondly, Metka used free resources to successfully undertake the OMV-Borasco project in Turkey, which enjoys higher EBITDA margin (19% vs 16% - 17% of the Megalopolis project).

The logistical treatment of this sale is as follows:

- Valuation of the traditional activity of the subsidiary company, which preexisted at its original acquisition from Metka: the difference between the valuation of the traditional activity of the subsidiary company and its original acquisition cost was recognized as a financial result (€2.27m income before taxes or €1.73m after taxes) in the consolidated profit and loss account of the period.
- Discounting of ETADE's future cash flows from its participation in energy projects, an activity that the subsidiary company was engaged with after its acquisition by METKA: the difference between the acquisition value of the company (€8m) and the sale price (42.5m) discounted for the period until the collection of the price and realized in three installments in July, August and September 2011 (discounting cost recognized as a future interest of €2m) was recognized as sale of construction contracts for integrated energy projects incrementing respectively the Turnover and the profit before taxes of the company and of the Group by €32.4m and the profit after taxes of the company by 25m and of the Group by €27m.

- **Metka and Power Projects reached agreement with Borasco (OMV) in Instabul (4/2/2010)**

Metka and its 100% subsidiary, Power Projects, reached after extensive negotiations an agreement with Borasco, a wholly owned subsidiary of OMV, for the construction works and the supply of most of the equipment for a thermal power plant in Samsun, Turkey, valued at €475m. The share of the contract values for the 2 project contractors, Metka and Power Projects are the following: Metka €199.9m and \$172.3m and Power Projects €142.4m plus \$10.8m.

- **Metka signed two defense systems contracts of \$51.6m total value (4/1/2010)**

More specific, Metka won in cooperation with Raytheon Company/IDS and the US government a \$39.3m contract for the government of UAE (United Arab Emirates) as well as a \$12.3m contract for the government of Taiwan. Both projects concern the manufacture of major subassemblies of the PATRIOT air defense missile systems. Despite the projects' small top line contribution, significantly higher EBITDA margins than those of EPC translate into solid profitability and higher group EBITDA margins.

Highlights from the Conference Call and the meeting with the analysts

Metka held a conference call after the release of Q1 2010 financial results as well as a meeting with the analysts in June, where the management commented on financial figures and recent business developments. The main key points were the following:

- Concerning future projects' intake, the management expressed once more its orientation towards undertaking projects abroad, citing that the only two local projects that Metka is likely to express its interest are the Ptolemaida V and the Astakos projects, although any discussions for the Astakos project are premature.
- Mr Mytilineos expressed its scepticism as to why should Metka keep its corporate domicile in Greece since more than 80% of its backlog consists of projects abroad and the business climate in Greece has become very hostile after the recent austerity measures taken by the Government. Although Mr Mytilineos expressed his desire for Metka to keep operating in Greece, he admitted that this is an issue that troubles shareholders abroad.

Regarding Metka's compensation from PPC for the Aliveri project, the management had already pointed out during the conference call in March that an agreement package was reached in September 2009, which was subject to PPC's BoD. Due however to changes in PPC's BoD, the new BoD was expected to approve the package by mid April, no news from this front has appeared whatsoever.

BACKLOG BREAKDOWN

After the sale of ETADE, which owns 90% stake in the Megalopolis project (budgeted at €500m), the group's backlog shrank by €450m, the new agreement however with Borasco (OMV) for a project worth c. €475m brought backlog back up to €2b (3.1x2010e revenue), which breaks down as follows:

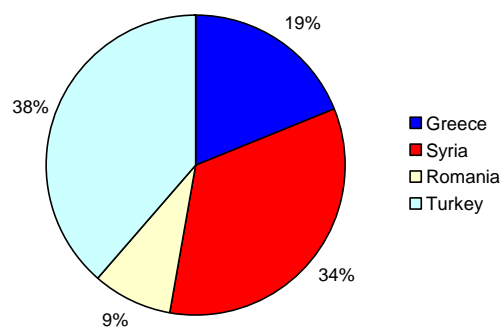
Table 2: Existing Backlog Breakdown by Sector & Project

Main Projects	Status	Region	Capacity (MW)	Budget	Remaining Backlog (€m)	% of total
EPC Projects				2,211.2	1,829.7	95.1%
PEEGT (CCGT plant)	Signed	Syria	700	650.0	650.0	33.8%
Corinthos Power (CCGT plant)	Signed	Greece	437	285.0	150.0	7.8%
OMV Petrom (CCGT plant)	Signed	Romania	800	210.0	169.0	8.8%
PPC - Aliveri (CCGT plant)	Signed	Greece	417	220.2	49.7	2.6%
Endesa Hellas, St. Nicholas (2nd CCGT plant)	Signed	Greece	430	232.0	19.4	1.0%
KESC Bin Qasim	Signed	Pakistan	220	114.0	0.0	0.0%
PPC - Megalopoli (replacement CCGT plant)	Signed	Greece	800	50.0	50.0	2.6%
RWE - Turcas (CCGT plant)	Signed	Turkey	775	450.0	449.9	23.4%
OMV (Borasco)	Signed	Turkey		324.8	291.8	15.2%
Other Energy related Projects				88.5	49.3	2.6%
Scrapping	Signed	Greece			20.0	1.0%
PPC - Aliveri	Signed	Greece		32.0	10.0	0.5%
PPC - Iliarion	Signed	Greece		28.5	19.3	1.0%
PPC - Mavropigi	Signed	Greece		28.0	0.0	0.0%
PPC - Megalopoli (6y maintenance contract)	Pending	Greece		94.0	0.0	0.0%
Total Energy projects				2,299.7	1,879.0	97.6%
Defence projects						
	Signed	Greece			35.2	1.8%
Infrastructure projects						
	Signed	mostly Greece			10.7	0.6%
Total Existing Backlog					1,924.9	100.0%
					3.1 x '10e Revenue	

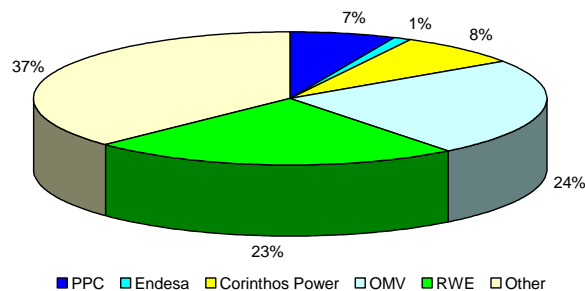
		Existing Backlog Breakdown	
Signed / Awarded	Signed	1,924.9	100.0%
	Awarded	0.0	0.0%
			100.0%
By Major Clients	PPC	128.9	6.7%
	Endesa	19.4	1.0%
	Corinthos Power	150.0	7.8%
	OMV	460.8	23.9%
	RWE	449.9	23.4%
	Other	715.9	37.2%
			100.0%
By Region	Greece	364.2	18.9%
	Syria	650.0	33.8%
	Romania	169.0	8.8%
	Pakistan	0.0	0.0%
	Turkey	741.7	38.5%
			100.0%
Local / Abroad	Greece	364.2	18.9%
	Abroad	1,560.7	81.1%
			100.0%

Source: Company (as of 31/03/2010)

Graph 1: Backlog Breakdown by Region



Graph 2: Backlog Breakdown by major clients



PRELIUM RESEARCH CHANGE IN ESTIMATES

- We adjusted our **backlog assumptions** to incorporate the sale of ETADE, the new project win in Turkey with OMV-Borasco and the two new defense projects. Metka's current backlog stands at c. €2b, with heavy work in process for the following three years.
- We adjusted our model to the **new tax legislation** in Greece, by plugging in a 40% corporate tax on distributed earnings and one-off tax charges for 2010, 2011 and 2012 imposed on pre-tax profit of 2009, 2010 and 2011 respectively.
- Despite our assumptions of significant cash generation in the following years, we trimmed our **dividend payout ratio** assumptions to 2009 levels of c. 29%, which according to our estimations corresponds roughly to the 35% minimum pay-out defined by law for 2010 (after allowing for income taxes and statutory reserve requirements). It is our understanding that the recently voted 40% corporate tax on distributed profit and its harsh negative effect upon net dividend yield will push the management towards lowering its dividend payout ratio and finding instead alternative ways to compensate shareholders (for example share capital returns or stock buybacks). Due however to low visibility regarding the management's future intentions, we have not plugged in such an assumption in our model yet.

Table 3: Metka Forecasts Revision

	FY09a	2010e			2011f			2012f			2013f		
		New	Old	new vs old	New	Old	new vs old	New	Old	new vs old	New	Old	new vs old
Reported Revenue	339.4	646.1	629.0	2.7%	693.5	798.8	-13.2%	728.9	957.9	-23.9%	678.7	-	-
Δ (%)	-11.0%	90.4%	85.3%		7.4%	27.0%		5.1%	19.9%		-6.9%	-	-
Normalised Revenue *	339.4	613.7	629.0	-2.4%	693.5	798.8	-13.2%	728.9	957.9	-23.9%	678.7	-	-
Δ (%)	-11.0%	80.8%	85.3%		13.0%	27.0%		5.1%	19.9%		-6.9%	-	-
Reported EBITDA	60.6	138.0	99.4	38.8%	120.3	121.0	-0.6%	121.3	143.0	-15.2%	113.0	-	-
Δ (%)	-9.4%	127.9%	64.2%		-12.8%	21.7%		0.9%	18.2%		-6.9%	-	-
Margin (%)	17.8%	21.4%	15.8%	5.56 b.p.	17.3%	15.2%	2.19 b.p.	16.6%	14.9%	1.71 b.p.	16.6%	-	-
Normalised EBITDA *	60.6	105.6	99.4	6.2%	120.3	121.0	-0.6%	121.3	143.0	-15.2%	113.0	-	-
Δ (%)	-9.4%	74.4%	64.2%		13.9%	21.7%		0.9%	18.2%		-6.9%	-	-
Margin (%)	17.8%	16.3%	15.8%	0.54 b.p.	17.3%	15.2%	2.19 b.p.	16.6%	14.9%	1.71 b.p.	16.6%	-	-
Reported Net Profit	35.2	88.0	66.4	32.5%	68.6	83.6	-18.0%	73.6	102.0	-27.9%	87.3	-	-
Δ (%)	-14.9%	149.7%	88.4%		-22.1%	26.0%		7.3%	22.0%		18.7%	-	-
Margin (%)	10.4%	13.6%	10.6%	3.06 b.p.	9.9%	10.5%	-0.58 b.p.	10.1%	10.7%	-0.56 b.p.	12.9%	-	-
Normalised Net Profit ***	39.3	63.3	66.4	-4.7%	80.1	83.6	-4.2%	83.7	102.0	-17.9%	87.3	-	-
Δ (%)	-5.2%	61.0%	69.0%		26.6%	26.0%		4.6%	22.0%		4.3%	-	-
Margin (%)	11.6%	9.8%	10.6%	-0.76 b.p.	11.5%	10.5%	1.08 b.p.	11.5%	10.7%	0.84 b.p.	12.9%	-	-

2010e - 2013f CAGR	New	Old	new vs old
Normalised Revenue CAGR	18.9%	-	-
Normalised EBITDA CAGR	16.9%	-	-
Normalised Net Profit CAGR	22.1%	-	-

Source: Company & Prelium Research Estimates

* Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue)

** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results)

*** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results) and one-off tax charges

INVESTMENT HIGHLIGHTS

<p>Significant know-how in energy, defence and infrastructure projects</p>	<p>Metka is member of the Mytilineos Group of companies since late 1998, when Mytilineos acquired its initial stake and has been involved in the management ever since. Mytilineos controls currently 55.81% of Metka and has managed during these years to help the company grow in size taking advantage of the synergies with the other Mytilineos group companies.</p> <p>Metka focused initially on metal constructions and was the local utility's (PPC's) main producer of electricity transmission pylons. Mytilineos' management expanded Metka's activities in engineering, infrastructure projects and energy fields as well as in the defence sector. Under Mytilineos' management, Metka transformed itself into an EPC leader in Greece, which means that it operates in the energy sector as an engineering, procurement and construction contractor (EPC), involved in all aspects of the energy projects, including design, supply, installation, start-up, operation and maintenance.</p> <p>Metka's experience and significant know-how in high value-added manufacturing projects for Energy, Infrastructure and Defence sectors is a considerable asset. The company has successfully established partnerships with foreign multinationals such as Alstom, General Electric and Siemens in the energy sector and Raytheon, KMW, Lockheed Martin and HDW in the defence sector. The company is thus well placed to undertake and execute large-scale EPC or defence/infrastructure projects either alone or jointly with other international partners.</p>
<p>Record-high backlog of c. €2b</p>	<p>Metka's focus on specialized EPC contracts in the Energy sector has delivered a record backlog of approximately €2b, including the last project in Turkey signed in February (OMV, Borasco) and the 2 new defence systems contracts, signed in January. The significant order-book secures strong organic profitability for the following years and a solid EPS growth, even despite the recent changes in Greece's corporate tax law, which had an adverse effect on our EPS estimates by significantly increasing effective tax rate (especially for 2010-2012).</p>
<p>Diversified Portfolio</p>	<p>Metka has proved it can successfully participate in international tenders by undertaking significant projects in Syria, Romania, Pakistan and recently in the promising energy market of Turkey, where significant investments are needed either in expanding or in upgrading the national energy grid in order to significantly increase its installed generation capacity to meet increasing demand. Its increasing international presence built during the last years a quite diversified energy portfolio, significantly reduced its dependence on Public Power Corporation (PPC) and minimised country specific risk.</p>
<p>Financially sound and cheap in relative terms</p>	<p>Metka demonstrates a debt free balance sheet (it usually reports a net-cash position), strong cash flows, high operating margins and high dividend yield (average 4-year historical dividend yield of 4.5%). Note that although we assume the management will reduce the dividend pay-out ratio to the minimum required by law, we believe it will find alternative ways to compensate shareholders who were enjoying up until now high dividend yield (for example share capital returns or stocks buybacks). We also expect double-digit estimated sales and EPS CAGR for 2010–13 (18.9% and 16.9% respectively, normalised figures). In our view the stock is attractively valued trading 6.9 x 2010e normalised EPS. In addition, Metka trades at considerable discounts relative to its closest peer group, even at our target price.</p>
<p>Weak profitability for 2009 ...</p>	<p>Following a strong 2008, 2009 was weak in terms of revenue due to delays in the execution of signed backlog, although accelerated backlog execution after the end of Q2 managed to bring full year results closer to those of the previous year.</p>
<p>...but a strong rebound in 2010 and a good visibility for the next couple of years</p>	<p>EPC business will significantly accelerate in the following quarters, a trend already obvious in the last 3 quarters' results. We expect 2010 to be a particularly strong year, largely on the back of significant second-year inflows from the Romanian and the Corinthos Power projects along with the heavy additions of the 3 new projects in Syria and Turkey, which significantly improved visibility from 2010 onwards. Metka's EPC order-book stands currently at c. €1.8m and consists of 7 projects in 4 countries (Greece, Syria, Turkey and Romania), not including the remaining 10% stake of Metka in the Megalopolis project (c. €50m budget) and the €94m 6-year maintenance contract for that project.</p> <p>The existing €2b backlog secures 3 years of significant work in progress for Metka, from 2010 to 2012, securing a solid EPS growth, despite the negative effect the new tax regime in Greece had on our EPS assumptions.</p>

Market trends:	
- Energy	<p>We are positive concerning Metka's future inflows as EPC market's future long term prospects remain positive. Demand for power is still solid in the SE Europe, in the emerging markets, in the Middle East and in Turkey, which has a significant potential for major investments in coal and gas fired powered plants.</p> <p>Concerning the local market, the need to replace old, highly-polluting technology facilities with new, environmental friendly ones and the energy market's liberalisation will increase the demand for new capacity. PPC has announced a heavy capex for the following years, which except from investing in new units involves the replacement of old plants as well, in order to meet EU environmental standards. Being the only local EPC contractor and taking in mind Metka's long established relationship with PPC the local utility, we expect Metka to gain a respectful share of the latter's new investments and capacity replacement program.</p> <p>Recent significant contracts' awards abroad proved that Metka holds the technical know-how and expertise to successfully participate in international offers as well, making us more confident that EPS growth is secure for the following years even in the negative scenario that local energy market will grow slower than expected. It is worth mentioning that Metka's current technology focus is gas-fired combined cycle plants and natural gas is expected to remain a key global energy source in the future. Given the record-high backlog and the significant potential in the EPC business, we believe that Metka, financially sound and of an excellent standing, offers exposure to the energy market in Greece and abroad at attractive valuations (x 2010f earnings).</p>
- Defence	<p>Metka has proven itself as the main co-producer for military equipment for the Hellenic Armed Forces and will benefit from any future defence or infrastructure projects as well. Note that Metka undertook in January 2010 two new defense projects, one for the United Arabs Emirates and the other for the Government of Taiwan. Both projects involve the manufacture of major subassemblies of the Patriot air-defense systems and are valued at \$39.3m \$12.3m and respectively. Despite the small contribution of these projects to top line results, EBITDA margin will see some improvement.</p>
Valuation	<p>Our target price is derived using a 100% DCF model with a WACC rate of 13.0% (RFR at 8.23%, ERP at 6.1%, Beta at 0.82) and a terminal growth of 1.5%. Our valuation model leads to an equity value of 10.96 € per share which along with the 0.34 € net dividend (2010e) implies a TP of 11.30 € and an upside potential of 35.3%.</p>
Risks	<p>The main risks involved in our valuation are: pressure on EBITDA margins, execution delays in existing projects and delays in the assignment of new projects as the current financial crisis increases the risk that major clients will postpone their investments.</p> <p>The stock's low liquidity could discourage new investors from investing in a high-return project. It is possible that the stock could not be traded quickly enough in the market to prevent a loss or make the required profit.</p>

VALUATION

Valuation

We value Metka using a 100% 3-stage DCF model. We discount the cash flows using a WACC of 13.0% on the assumptions of a risk free rate at 8.23% (3-months average 10-year Greek Government Bond yield), an equity risk premium at 6.1% and a beta at 0.82.

Table 4: DCF Valuation (million €)	2010e	2011f	2012f	2013f	2014f	2015f
EBIT	132.9	115.4	116.7	108.5	109.8	111.1
Notional Taxation on EBIT	(42.8)	(44.2)	(42.0)	(29.2)	(28.7)	(29.1)
NOPAT	90.2	71.2	74.6	79.4	81.1	82.1
Depr. & Amortization	5.1	4.8	4.6	4.4	4.3	4.1
Capital Expenditure	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Change in Working Capital	(78.8)	(48.5)	(5.2)	(23.6)	(2.2)	21.2
Free Cash Flow	13.5	24.6	71.1	57.2	80.1	104.3
WACC	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Discounted Cash Flows		21.7	55.7	39.7	49.2	56.6

PV of cash flow (FY 2011f - 2015f)	222.9
PV of Terminal Value	280.2
Enterprise Value (EV)	503.1
Plus: Investments & Associates (FY10e)	0.0
Minus: Net debt (FY10e)	71.4
Minus: Minority interests (FY10e)	(3.1)
Minus: Pension provisions (FY10e)	(2.0)
Equity value	569.4
Shares Outstanding	52.0
Equity value per share	10.96 €
Expected Dividend per share (FY10e) (net)	0.34 €
Target Price	11.30 €
Current Price	8.35 €
Total Expected Return	35.3%

Key DCF Assumptions	
Risk Free rate	8.23%
Equity Risk Premium	6.1%
Beta	0.82
Cost of Equity	13.2%
WACC	13.0%
Growth to Perpetuity	1.5%

Source: Company & Prelium Research Estimates

Valuation assumptions:

We value Metka using a 100% 3-stage DCF model.

First stage (up to 2012): we use explicit forecasts based only upon the company's existing backlog maturity and assume no new projects' intakes for this time period. Taking in mind the simultaneous execution of 5 major large-scale projects with a 2 to 3 year maturity, we do not expect Metka to undertake new projects before 2012.

Second stage (2013-2015): In 2012 Metka will be running only 3 out of the 5 major projects it currently executes (the Corinthos Power project and the 2 projects in Turkey), so it would have enough free resources to start another project execution. Regarding the availability of future projects, recall that:

- Metka was left the only interested party and is very close to win a second project in Syria (c.700MW, €700m), with the final decision expected in 2010.
- The Greek Government shut down recently one of Greece's oldest and most polluting power stations, the 50-year-old lignite-fired power plant Ptolemaida I (owned by PPC), as a move to show the government's determination to produce cleaner energy. In order to replace Ptolemaida I and other older plants to be shut down in the future, the Government announced the construction of Ptolemaida V and Melitis II (Florina). Metka has already bid for the Ptolemaida V tender, valued at approximately €1.3b (in consortium, with a possible stake of €300m - €400m). Note that the ministry's plan is to gradually close the lignite plants at Ptolemaida, Kardias, Amyntaios and Agios Dimitrios between now and 2024, with the exception of unit 5, which is relatively new and uses modern technology.
- Except from the Ptolemaida V (PPC), the management has noted that it could be interested for the Astakos project as well.
- The outlook of the energy market in Turkey is very promising for the following years, as significant investments are needed in expanding and in upgrading the national energy grid and Metka has a successful track record so far in this country. Except from Turkey, demand for power is still solid in the SE Europe, in the emerging markets and in the Middle East.

Taking in mind the above, we believe Metka has the expertise and the successful track record to win another set of large-scale projects to replace the current backlog maturing in 2011-12. The Syrian and the Ptolemaida projects alone count roughly up to €1b, half Metka's current backlog, while we are confident that Metka could win another 1 or 2 large-scale projects abroad. For this reason, we assume Metka's revenue in 2013 could stand at the levels of the 2010-2013 average revenue, increasing by 1% y-o-y.

Third stage (perpetuity stage): in the final stage we use a terminal growth of 1.5%, in line with forecasts for world energy consumption growth. Note that in our terminal value calculation we use the 6yr FCF average instead of the 2015 FCF, so as to make our target price less sensitive to one year's cash-flow fluctuations.

It should also be noted that due to the nature of Metka's core business, it is highly unlikely not only to correctly estimate future projects' awards but also to be precise in distributing the future stream of revenues into the following years. Our estimates on Metka's future intakes are thus indicative and rely solely on what we believe as the most likely scenario and in no case on actual piece of information derived from the company or elsewhere. Consequently, our estimates, especially in terms of top line results, are very sensitive to the company's announcements regarding winning new contracts or the status of existing ones and are subject to significant fluctuations.

▪ Sensitivity Analysis

We perform a sensitivity analysis on various scenarios of WACC and perpetuity growth rates.

Table 5: Sensitivity Analysis									
(million €)	WACC:			13.00%			14.00%		
	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%	1.00%	1.50%	2.00%
Terminal Growth									
PV of cash flow (FY 2011f - 2015f)	82.2	82.2	82.2	80.4	80.4	80.4	78.7	78.7	78.7
plus: PV of terminal value	520.1	547.6	577.8	468.4	491.2	516.0	424.8	444.0	464.8
Enterprise value	602.3	629.8	660.0	548.8	571.6	596.5	503.5	522.7	543.5
Plus: Investments & Associates (FY10e)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minus: Minority interests (FY10e)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)
Minus: Pension provisions (FY10e)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Minus: Net debt (FY10e)	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4
Equity value	668.6	696.1	726.3	615.1	637.9	662.8	569.8	589.0	609.8
Equity value per share	12.87	13.40	13.98	11.84	12.28	12.76	10.97	11.34	11.74
DPS (FY10e) (net)	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Target Price	13.21	13.74	14.32	12.18	12.62	13.10	11.31	11.68	12.08

Source: Prelium Research Estimates

INVESTMENT RISKS

Our valuation is subject to the following risks:

- **Execution delays in existing projects**
There are execution risks related to existing energy projects. The implementation of energy-related projects could be delayed either on bureaucratic issues or for reasons beyond Metka's control, as was the case with Aliveri.
- **Delays in the assignment of new projects**
The recent financial crisis could negatively affect the ability of Metka's clients to finance large-scale projects and materialize their CAPEX which could lead to the postponement of new tenders.
- **Changes or delays in the procurement practices of PPC**
PPC's potential delays in replacing its units or a shift of PPC's procurement policy to other suppliers will negatively affect Metka's backlog.
- **Increasing competition may put pressures on EBITDA margins**
Metka enjoys currently high EBITDA margins compared to its competitors. Increasing competition could have an adverse impact on EBITDA margins.

Finally, note the following:

- **Liquidity risk**
The stock's low liquidity could discourage new investors from investing in a high-return project. It is possible that the stock could not be traded quickly enough in the market to prevent a loss or make the required profit.


APPENDIX A
Full Financial Statements

(million €)

P&L	2006a	2007a	2008a	2009a	2010e	2011f	2012f
Turnover	294.1	284.2	381.5	339.4	646.1	693.5	728.9
<i>Normalised Turnover*</i>	294.1	284.2	381.5	339.4	613.7	693.5	728.9
Cost of Sales	(225.9)	(216.3)	(299.5)	(261.3)	(497.4)	(534.0)	(561.2)
Gross Profit	68.3	67.9	82.0	78.1	148.6	159.5	167.7
<i>Normalised Gross Profit*</i>	68.3	67.9	82.0	78.1	116.2	159.5	167.7
Other operating income	0.8	3.1	3.0	0.7	1.0	1.0	1.0
Total SGAs	(13.2)	(18.8)	(23.5)	(23.0)	(16.7)	(45.1)	(52.0)
EBITDA (reported)	60.8	57.1	66.9	60.6	138.0	120.3	121.3
<i>Normalised EBITDA*</i>	60.8	57.1	66.9	60.6	105.6	120.3	121.3
Depreciation	(4.9)	(4.9)	(5.3)	(4.8)	(5.1)	(4.8)	(4.6)
EBIT (reported)	55.9	52.2	61.5	55.8	132.9	115.4	116.7
<i>Normalised EBIT*</i>	55.9	52.2	61.5	55.8	100.5	115.4	116.7
Net interest	(0.6)	(1.9)	(3.5)	(1.6)	(1.0)	1.4	3.7
EBT (reported)	54.9	50.5	58.0	54.6	134.3	116.8	120.4
<i>Normalised EBT**</i>	54.9	50.5	58.0	54.6	99.6	116.8	120.4
Income tax	(14.4)	(13.2)	(13.2)	(17.6)	(39.2)	(33.2)	(33.2)
EAT&M (reported)	40.6	36.8	41.4	35.2	88.0	68.6	73.6
<i>Normalised EAT&M***</i>	40.6	36.8	41.4	39.3	63.3	80.1	83.7
Balance Sheet							
Total Assets	225.8	353.5	335.0	482.8	643.0	726.7	782.6
Total Intangible Assets	7.1	4.1	1.1	0.1	0.1	0.1	0.1
Total Fixed Assets	72.6	78.6	76.8	78.6	100.2	66.0	64.4
Tangible assets	67.1	68.4	64.8	62.4	60.4	58.5	56.9
Investments / Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	3.7	0.8	2.2	3.3	35.7	3.3	3.3
Total current assets	146.1	270.9	257.0	404.1	542.7	660.7	718.2
Inventories	23.1	21.8	15.3	12.8	27.3	29.3	30.8
Accounts receivables	111.8	208.5	213.1	333.1	403.5	456.0	459.3
Other receivables	2.0	7.6	4.3	3.6	6.8	7.6	8.0
Other ST Assets	4.3	5.8	6.7	23.4	23.4	23.4	23.4
Cash & Cash Equivalents	5.0	27.3	17.7	31.3	81.8	144.4	196.7
Total equity and liabilities	225.8	353.5	335.0	482.8	643.0	726.7	782.6
Total equity	122.7	139.2	158.0	173.3	254.0	296.7	347.9
Share capital	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Retained earnings & reserves	94.4	110.4	125.9	140.4	218.0	257.2	305.0
Treasury stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	11.7	12.2	15.5	16.3	19.4	22.8	26.3
Total long term liabilities	27.6	35.6	65.6	18.4	55.0	58.9	61.5
Retirement benefits / similar commitments	1.9	1.9	2.0	1.9	2.0	2.2	2.5
Long term bank debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	15.5	12.7	12.5	11.7	11.7	11.7	11.7
Other long term liabilities	10.3	21.0	49.8	4.1	40.7	43.6	45.9
Total short term liabilities	75.4	178.6	111.3	291.1	334.0	371.1	373.3
Provisions	0.2	0.4	0.1	0.0	0.0	0.0	0.0
Accounts payables	58.9	132.5	83.8	247.9	286.2	292.6	292.1
Tax payable	6.4	20.7	10.9	29.1	30.3	60.5	62.6
Short term bank debt	2.2	18.3	11.4	10.4	10.4	10.4	10.4
Short term portion of LT bank debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other ST liabilities	7.7	6.8	5.1	3.6	7.1	7.6	8.0
Cash Flow Statement							
EBIT	55.9	52.2	61.5	55.8	132.9	115.4	116.7
Depreciation and amortisation	0.0	5.0	5.3	4.8	5.1	4.8	4.6
Changes in retirement benefits	0.0	0.0	0.0	0.0	0.1	0.2	0.3
Changes in other provisions	0.0	0.9	0.2	0.2	0.0	0.7	0.0
Changes in net working capital:	(39.1)	(4.4)	(13.3)	(16.0)	(78.8)	(48.5)	(5.2)
Income taxes paid	(21.0)	(6.9)	(25.6)	(4.9)	(43.2)	(44.7)	(43.4)
Interest paid	(0.1)	(1.1)	(2.9)	(1.4)	(4.0)	(4.2)	(4.4)
Changes in deferred tax assets and liabilities	0.0	0.0	0.0	0.0	2.5	0.0	0.0
Changes in prepayments and deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Forex effects	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash items	0.0	0.0	0.0	0.0	43.9	33.1	4.4
Cash Flow from Operations	0.1	42.8	22.4	36.6	60.9	56.9	73.1
CAPEX	(3.3)	(1.9)	(1.8)	(2.5)	(3.0)	(3.0)	(3.0)
Interest received	0.3	0.3	0.5	1.1	3.0	5.6	8.1
Cash Flow from Investing	(0.1)	(9.5)	0.8	(0.2)	0.0	35.0	5.1
Dividends paid	(16.4)	(20.8)	(26.0)	(21.9)	(10.4)	(29.3)	(25.8)
Equity issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Bank Debt	1.5	9.9	(6.7)	(1.0)	0.0	0.0	0.0
Cash Flow from Financing	(14.9)	(11.0)	(32.8)	(22.9)	(10.4)	(29.3)	(25.8)
Net change in cash	(14.9)	22.3	(9.6)	13.6	50.5	62.6	52.4

Source: Company & Prelium Research Estimates

* Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue)

** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results)

*** Normalised for the non-recurring gain from the sale of ETADE (€32.400m booked in 2010 revenue and €2.270m booked in 2010 financial results) and one-off tax charges

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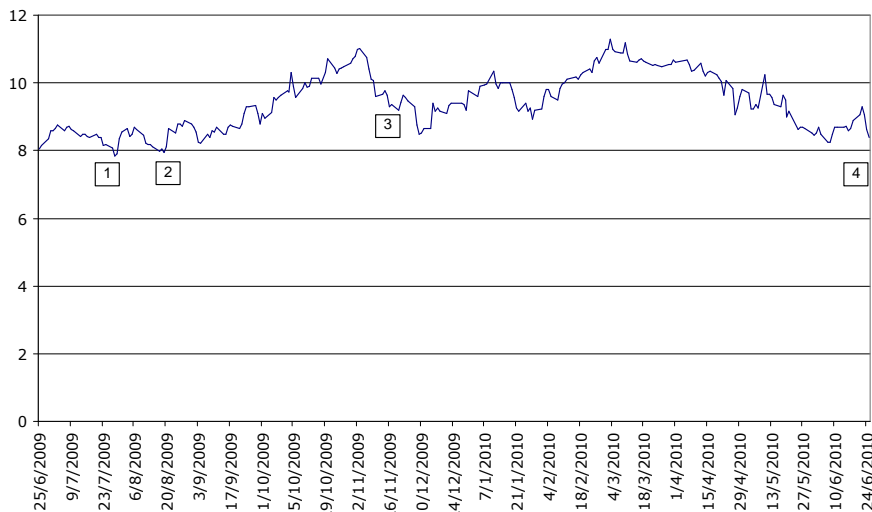
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Ratings	Date of Report	Share Price on date of issue	Target Price	Rating
1	13/7/2009	8.57€	11.50€	Initiation - Outperform
2	13/8/2009	8.18€	11€	Review - Outperform
3	17/11/2009	10.75€	13€	Review - Outperform
4	28/6/2010	8.35€	11.30 €	Review - Outperform



PROCESS OF VALUATION

Our valuation is based on a DCF model. We discount the cash flows with a WACC of 13.0%. We use a risk free rate of 8.23% (10-year Greek Government Bond yield 3-month average), an equity risk premium of 6.1% and a beta of 0.82.

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- Execution delays in existing projects
- Delays in the assignment of new projects
- Changes or delays in the procurement practices of PPC
- Increasing competition could pressure EBITDA margins

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Metka S.A.	METTK GA	Outperform	11.30 €	8.35€ / 28.06.2010	None

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Head Office: S. Davaki 1 & Kifisias Ave., 115 26 Athens, Greece, Tel. +30 210 36 77 000, Fax +30 210 69 26 403
e-mail research@prelium.com, www.prelium.com

INSTITUTIONAL SALES

Babis Angeletopoulos, b.angeletopoulos@prelium.com

RESEARCH DEPARTMENT

Emi Moundrou, e.moundrou@prelium.com

FOREIGN MARKETS

Nafsika Athanassiou, n.athanassiou@prelium.com

John Kanelopoulos, j.kanelop@prelium.com

ASSET MANAGEMENT

Konstantinos Asimakopoulos, K.Asimakopoulos@prelium.com

Dimitris Konstantos, d.konstantos@prelium.com

DERIVATIVES

Antonis Marselos-Masselos, a.marselos@prelium.com