

Improved visibility

- ▶ On 2 July 2010 MG completed the acquisition of Endesa's 50.01% stake in Endesa Hellas for EUR140m in cash
- ▶ On 4 August 2010 MG also finalised a mutually positive agreement with PPC over ALG electricity tariff
- ▶ Hence, the only major issue still pending for MG is the full commercial operation of its CHP (Combined Heat Power) plant

Previous uncertainties now successfully resolved

1) Acquisition of Endesa's 50% stake in Endesa Hellas for EUR140m

On 2 July 2010 MG completed the acquisition (originally announced on 17 March) of Endesa's 50.01% stake in EH (the 50/50 JV between MG and Endesa in the domestic power generation sector) for EUR140m in cash, paid in 5 semi-annual interest-free instalments starting in July 2010 (EUR40m) until July 2012. The deal also involves the sale to Endesa of 14MW of installed RES capacity (currently owned by EH) for EUR20m in cash, paid in July 2010. As a result, the total cash outflow for MG will be EUR120m.

EH's assets include a 430MW CCGT (Combined Cycle Gas Turbine) plant in St Nicholas, currently under construction, 27MW of installed RES capacity (17MW wind and 10MW hydro), over 1,000MW of RES capacity in different stages of development, a production licence for a c400MW CCGT plant in Volos, Central Greece, an electricity trading licence of 310MW and a CO2 trading platform.

In more detail, MG agreed to buy back Endesa's 50.01% stake in EH for a cash consideration of EUR140m, hence implying a 32% discount to a total of EUR205m in cash that Endesa had already contributed to EH through successive capital increases. The amount will be paid in 5 semi-annual interest-free instalments starting in July 2010 (EUR40m) until July 2012 (another 4 instalments of EUR20m each). We expect MG to finance the cash outflows from operating cash flows and existing cash balances, hence not resorting to further bank debt. The deal also involves the sale to Endesa of 14MW of installed RES capacity (6MW wind and 8MW hydro), currently owned by EH, for EUR20m in cash, received in July 2010 (hence implying an equity value of EUR40m for 100% of those assets). As a result, MG's total cash outflow from this deal will be EUR120m. On balance, the deal implies an equity value of EUR280m for 100% of EH.

We overall believe that the deal is positive for MG since it removes a long-standing uncertainty and renders MG the leading IPP in the domestic market with c1.2GW of thermal power (MG also fully owns a 334MW CHP plant, currently in operation and controls 65% in a 437MW CCGT

plant currently under construction) and 18MW of windfarm capacity. That said, in our view, the deal also increases the group's risk profile as MG now loses an experienced strategic energy partner. Finally, given the favourable payment structure, we expect only small pressures in MG's consolidated balance sheet in the short term, namely until MG's thermal power plants start to generate cash flows. This should partly have alleviated previous investor concerns over the deal financing.

MG finalised mutual agreement with PPC over ALG electricity tariff

Following lengthy negotiations/arbitration, on 4 August 2010 MG and PPC finally reached an agreement regarding ALG's electricity tariffs, based on which PPC will supply ALG with 4,710 hours (54% of total yearly hours) of electrical power at a weighted average fixed tariff of EUR40.7/MWh (deriving from PPC's low and intermediate tariffs during the night and weekends/public holidays), effective as of 1 July 2010. The balance will be supplied by MG's fully-owned CHP plant at cost (on our estimates, based on prevailing LNG prices, the cost per MWh at MG's CHP is currently around EUR43/MWh).

In our view, this is an overall positive development for MG since it: a) lowers ALG's overall electricity cost; b) provides a shield against sudden increases in natural gas/LNG prices as 54% of total needs will now bear a fixed tariff; c) enables the gradual increase in aluminium production back to c165kt in 2012e; d) takes out a long-term uncertainty factor for MG; and removes all barriers in the relationship between MG and PPC.

Note also that up until 1H10, MG conservatively provided for a EUR55/MWh cost in its Profit & Loss account; hence, *ceteris paribus*, the agreement should have a positive impact of

cEUR11m on H2 2010 EBITDA (assuming an average benefit of EUR12/MWh).

MG and PPC also agreed on the terms of the cash settlement for ALG's EUR82.6m debt to PPC, resulting from past electricity bills (since August 2008). Based on the agreement, MG will pay EUR20m upfront and the remainder in monthly instalments, bearing an interest rate of Euribor plus 1%.

MG/MOH finally achieve natural gas market liberalisation

MG and Motor Oil Hellas (MOH) completed the shipment on 11 May 2010 of a 140 m3 Liquefied Natural Gas (LNG) cargo to the Hellenic Gas Transmission System Operator's (DESFA) LNG terminal in Revithousa island. Of this quantity, 20 m3 was delivered by MOH, 70 m3 by MG and 50m3 by the Natural Gas Supply Company (DEPA).

This move signalled the long-awaited effective full liberalisation of the domestic natural gas market following the recent change in the management codes for the operation of the natural gas system in Greece. This development is overall positive for all parties involved given the current price differential between spot LNG (also including storage costs) and natural gas based on long-term contracts.

Last pending issue is CHP's full commercial operation

The full commercial operation of MG's CHP plant is subject to the finalisation of the relevant co-generation electricity codes, which should mainly resolve the following two critical issues: a) the amount of co-generation capacity that may have a priority dispatch; and b) the price at which this capacity will be sold, which could eventually range from a low of the SMP wholesale price to a maximum of the RES feed-in tariff.

Upgrade to OW(V)

- ▶ SOTP-based target raised to EUR7.0 (from EUR6.5) largely owing to higher ALG/Metka valuation; we upgrade to OW(V) from N(V)
- ▶ Diversified business portfolio, now well-balanced between EPC, aluminium smelting and thermal power generation assets
- ▶ The commercial launch of MG's CHP plant is a key positive catalyst, in our view

MG's sum-of-parts valuation

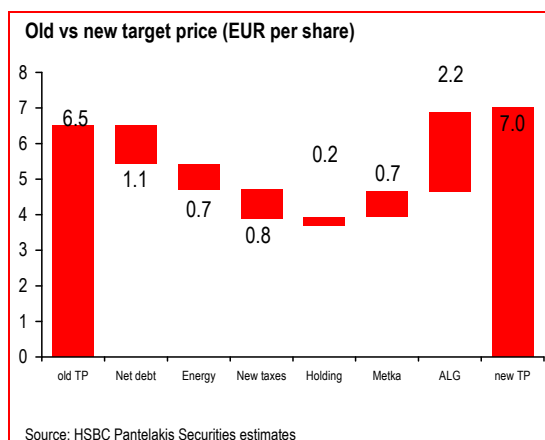
	-Target Equity Value-		Valuation details	-----Target equity value of MG stake-----			
	EURm	% stake		EURm	Revision	EUR/share	% of total
Metka (EPC)	675	56.2%	DCF (60% weight) + P/E-based (40%)	379	25%	3.6	46%
ALG (Metals & Mining)	418	100%	DCF (11.5% WACC, 1% LTG)	418	131%	3.9	50%
Energy (100% EH + MG's fully-owned assets)	473	100%	Valuation per project	473	-14%	4.4	57%
ELVO	45	43%	Acquisition cost	19	0%	0.2	2%
Holding company	-460	100%	Mgt fees minus overheads, net debt & taxes	-460	-63%	-4.3	-56%
Total appraised equity value				829	8%	7.78	100%
<i>Minus: Holding discount</i>				10%			
Total appraised equity value after discount				746	8%	7.00	

Source: HSBC Pantelakis Securities estimates

We have raised our SOTP-based appraised fair value by 8% to EUR7.0/share (from EUR6.5) to account for: a) a 25% upgrade in our Metka valuation (since our last report on MG) to reflect the increase in backlog to record high levels, the maturity of projects and the sound prospects in the region; b) a 131% increase in our Aluminium of Greece (ALG) valuation to EUR418m largely owing to lower electricity costs, following the recent agreement with PPC; c) a slight decline in MG's energy portfolio valuation. Also, we now account for the recent acquisition of the 50% stake in EH for EUR140m. Importantly, we now adjust our valuation for MG's fully-owned CHP plant, as under the agreement with PPC, only c42% of output will be sold to the open market (the balance will be used to cover ALG electricity

needs, hence part of this value is inherently transferred to ALG); and d) we now include the negative impact from the recent crisis tax levy on Greek corporate earnings and the increase in taxation of distributed profits to 40%.

Finally, we continue to assign a 10% valuation discount to our appraised equity value to account for MG's holding status. Hence, we set our new TP at EUR7.0, which implies 67% potential return from current levels. Under HSBC's research model, for European stocks with a volatility indicator, the Neutral band is 10 percentage points above and below the hurdle rate of Europe ex-UK 8.5% (based on a risk-free rate of 4% and an equity premium of 4.5%). We therefore upgrade our rating on MG from N(V) to OW(V).



Diversified portfolio, well-balanced between energy, EPC and M&M assets

In our view, MG continues to offer a well-diversified business portfolio. Following our revisions, the latter now appears well balanced between energy/thermal power generation, EPC (Engineering, Procurement, Construction) and Metals & Mining (M&M) assets, vs an energy bias previously.

Based on our new estimates, energy assets now account for 37% of the group's gross appraised equity value before the valuation discount vs 53% previously. Metka (EPC) and M&M now represent 30% and 33% of total gross appraised value, respectively.

MG's appraised equity value breakdown per activity

	EURm	% of Previous total (EURm)	% of total	Rev
Metals & Mining **	418	33%	180	17%
EPC (Metka)	379	30%	304	29%
Energy (EH)	473	37%	550	53%
Gross appraised value	1,270	100%	1,034	100%
-Minus Other ***	-441		-264	67%
Appraised equity value*	829		770	8%

Note: * Equity value before holding discount of 10%. ** Includes ALG and Thoriki/Sometra. *** Includes holding company net debt and overheads, taxes, Metka mgt fees and ELVO

Source: HSBC Pantelakis Securities estimates

Visibility has improved/turnaround has begun

In our view, following the successful resolution of its two main uncertainties (EH and agreement with PPC over electricity tariffs), MG's medium-term earnings visibility has improved dramatically.

Based on our new estimates, MG's 2009-2012e recurring EPS should grow at a CAGR of 79%, including 227% growth in 2010e.

Moreover, we believe that consensus forecasts do not fully capture MG's 2011-12e growth potential; hence, we expect that potential upward earnings revisions in the short term will improve sentiment and provide support to the share price.

Valuation details

Aluminium of Greece (ALG)

In our DCF model, we have used a WACC of 11.5% (vs 9.7% previously on sharply higher sovereign bond yields) and a LT growth rate of 1% (unchanged). We have also lowered our long-term LME aluminium price assumption to USD2,300/t (from USD2,375/t) and EUR/USD parity forecast to 1.30 from 1.35.

ALG's fair equity value sensitivity analysis (EURm)

		Long-term aluminium price (USD/t) after 2013e				
		2,200	2,250	2,300	2,340	2,375
Long-term EUR/USD	1.20	458	520	583	633	677
	1.25	377	437	497	545	587
	1.30	302	360	418	464	504
	1.35	233	289	344	389	428
	1.40	169	222	276	319	356

Source: HSBC Pantelakis Securities estimates

We still assign zero value to Sometra (92.8%-owned, the largest zinc and lead producer in SE Europe, which suspended its operations in early 2009) and Thoriki (100%-owned, MG's pure metals trading business). Hence, our DCF returns an appraised equity value of EUR418m for MG's Metals & Mining division, implying an impressive 131% upgrade vs previously.

Note that revision derives mostly from our assumptions for considerably lower electricity costs, as our lower long-term EUR/USD forecast is broadly offset by a lower aluminium price.

Metka

In our primary DCF model (60% weight), we use a WACC of 12.1% and a long-term growth rate of 1.5%, while we assume a 14% long-term (post-2012) EBITDA margin and average long-term (2013-20) sales of EUR720m. Our DCF exercise returns a fair equity value of EUR13.2/share.

As our target PE multiple (40% weight), we take Metka's peer group 2010e weighted average PE of 12.5x and apply this to Metka's 2010e recurring net earnings of EUR59m. This implies a fair equity value for Metka of EUR745m or EUR14.3 per share.

The weighted average of our two methodologies (60% DCF, 40% target PE) produces a fair value of EUR13.7, to which we apply a 5% valuation discount so as to reflect Metka's execution risks and low share liquidity. We therefore set our target price at EUR13. We have an Overweight rating on Metka. For more details please see our latest flashnote on Metka, [OW: Strong investment case remains intact](#), 31 August 2010.

Metka's target price sensitivity analysis (EUR/share)

		2013-20 average sales				
		665	692	720	750	780
Long-term EBITDA % after mgt fees	12.0%	11.9	12.0	12.1	12.3	12.4
	13.0%	12.3	12.4	12.6	12.7	12.9
	14.0%	12.7	12.8	13.0	13.2	13.4
	15.0%	13.1	13.2	13.4	13.6	13.8
	16.0%	13.4	13.7	13.9	14.1	14.3
		WACC %				
		11.1%	11.6%	12.1%	13.1%	13.5%
Long-term growth %	0.0%	13.2	12.9	12.7	12.1	11.9
	1.0%	13.5	13.2	12.9	12.3	12.1
	1.5%	13.6	13.3	13.0	12.4	12.1
	2.0%	13.8	13.5	13.1	12.5	12.2
	3.0%	14.2	13.8	13.5	12.7	12.4

Note: Target price is after the 5% valuation discount; DCF-driven fair value accounts for 60% of target price; the remaining 40% stems from target valuation multiples
Source: HSBC Pantelakis Securities estimates

Energy/thermal power generation

MG's energy portfolio consists of the following:

- ▶ A 334MW CHP plant in St Nicholas, adjacent to ALG's aluminium smelter, 100%-owned by MG. The plant is in a commissioning phase

since April 2009, awaiting regulatory approval of the relevant co-generation electricity codes for its commercial operation in the daily electricity market; we expect it to start commercial operations in late 2010.

- ▶ A 430MW CCGT natural gas-fired plant in St Nicholas. The plant construction has been completed and we expect it to be commissioned in the next few weeks (full commercial operation in Q4 2010). The plant is currently 100%-owned by EH.
- ▶ A 437MW CCGT natural gas-fired plant in Corinth, adjacent to Motor Oil Hellas' (MOH) refinery. The plant is currently under construction and we expect it to launch full commercial operations in Q4 2010. The plant is 65% owned by MG, with MOH owning the balance.
- ▶ A production licence for a c400MW CCGT natural gas-fired plant in Volos, Central Greece, as well as an electricity trading licence of 310MW. Both licences are owned by EH.
- ▶ 18.6MW of installed wind-farm capacity (Dong Energy), 100% owned by MG,
- ▶ 13MW of installed RES (Renewable Energy Sector) capacity (post the sale of 14MW to Endesa) as well as applications for production licences of more than 200MW of capacity, fully-owned by EH.

In terms of thermal power plants valuation: a) we now value MG's CHP plant at an equity value of EUR117m, implying a value of EUR242m for 100% (vs EUR293m previously) using a DCF, with a 9.2% WACC and 0% long-term growth. Following the deal with PPC over ALG electricity tariffs, we now expect ALG to utilise CHP for c48% of its electricity needs (the balance supplied by PPC). Hence, in our valuation we only account for the hours that the CHP will operate as a

MG's energy/thermal power generation division valuation (EURm)

	Equity value	MW	Valuation details	Previously	Rev
Endesa Hellas (EH)					
2nd CCGT in St Nicholas	311	430	EV of EUR338m (EUR0.8m/MW) minus remaining capex of EUR27m	264	18%
EH RES (ex-Dong)	43	150	13MW installed, target EV/capacity multiples for 137MW	86	-50%
Licence for Volos	30	400	As implied by the MG-MOH deal	30	0%
Trading licence	0	310		0	
Net cash/(debt) 2009a	(44)		Actual	2	nm
Total equity value EH	340		Total equity value EH	382	-11%
Cash paid for EH acquisition (adj for RES sale)	(120)				
Total equity value for EH	220		Equity value of MG's 49.9% stake in EH	191	15%
MG's fully-owned assets					
CHP plant (100%-owned by MG)	117	334	DCF, WACC 9.2%, LTG 0% (c50% of total value)	293	-60%
Dong Energy RES assets (100%-owned by MG)	28	18.6	Acquisition cost	28	0%
MG-MOH Corinth CCGT plant (65%-owned by MG)	108	437	EV of EUR344m (EUR0.8m/MW) minus capex of EUR177m	38	184%
Total equity value of fully-owned assets	253			359	-29%
Equity value for MG energy portfolio	473			550	-14%

Source: HSBC Pantelakis Securities estimates

merchant plant. Note that the additional value generated through the lower break-even at ALG, is captured in our ALG valuation; b) we now value EH's CCGT plant in St Nicholas and the MG-MOH CCGT plant in Corinth, using a EV/MW target multiple of cEUR0.8m (broadly unchanged vs previously), which implies a 10% discount to the GEK Group-GDF Suez deal for a similar plant back in 2009. Finally, we value EH's RES assets either at cost (ie Dong Energy, 18.6MW) or using the target multiples implied in our Terna Energy (TENr.AT, OW (V), EUR3.40) valuation methodology.

To sum-up, the aforementioned changes in our methodology have resulted in a 14% downgrade in our valuation for MG's energy assets to EUR473m, with the reduction in our CHP valuation broadly recovered by an equivalent increase in ALG's one.

ELVO

We still value ELVO (the largest Greek manufacturer and assembler of military vehicles) at cost, ie EUR19m. ELVO is a non-core asset, which we believe it would make strategic sense for MG to consider selling, although the company

has made no reference to this. Note that on 25 June MG withdrew from Elvo's management.

Holding (parent) company

a) We now estimate the NPV of future Metka-related management fees at EUR156m (vs EUR148m previously) using a WACC of 12% and long-term growth of 1.5% (vs 10.5% and 1.5%, previously, respectively).

b) We now calculate the NPV of MG's holding company fixed costs/overheads of cEUR16m pa at EUR92m using a 12% discount rate (vs EUR109m previously with a discount rate of 10.5%).

c) We now subtract MG's 2009a parent net debt (vs 2008a previously) of EUR437m, which includes the extra debt arising from MG's treasury stock, while adjusting accordingly MG's number of shares. Remember that as of 31 July 2010, MG held 10.37m shares (8.9% of total, bought for EUR110m) as treasury stock. Hence, we divide our appraised equity value of EUR770m with 106.6m shares vs total outstanding shares of 117.0m.

d) We now include the cumulative negative impact from the recent crisis tax levy on Greek corporate earnings (EUR36m or EUR0.3/share)

and the increase in taxation of distributed profits (ie dividends) to 40% (EUR53m or EUR0.5/share).

Future potential catalysts

In our view, MG's key *future potential catalyst* is the long-awaited full commercial launch of the CHP plant and EH's 430MW CCGT plant in St Nicholas within schedule (ie Q4 2010).

Other potential catalysts for MG include:

- ▶ The potential construction by EH of a fourth natural gas-fired CCGT plant in Volos (or elsewhere), for which EH already has a licence (which we value at EUR30m)
- ▶ The potential construction (possibly together with a partner) of a lignite-fired power plant in Northern Greece. This is subject to success in the Greek state's forthcoming Vevi lignite mine tender, with the view to soothe concerns expressed by the European Commission over persistent distortions and competition deficit in the domestic electricity market
- ▶ The potential abolition/decrease of the recent hike in the dividends distribution tax to 40% (distributed earnings were previously taxed at 25% at the corporate level with another 10% at the personal level) should increase MG's TP by up to EUR0.5/share.
- ▶ Note that we currently assign no value to the MG/MOH joint venture, active in LNG trading. Should this JV prove to be a big commercial success, it could contribute to MG's financials and valuation.

Risks to our forecasts/rating

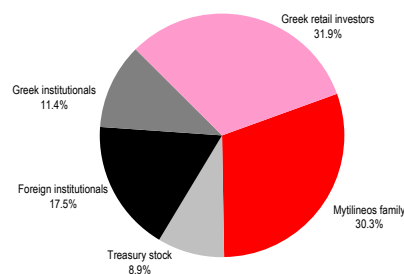
In our view, MG's key *negative* risk is protracted delays in the full commercial launch of its two power plants (CHP and St Nicholas CCGT), as this, in our view, would lower visibility in MG's

energy operations and prevent MG from crystallising their value in our sum-of-parts.

Investors should also consider the following downside risks:

- ▶ Exposure to the commodity cycle – ie a sharper than anticipated fall in base metals prices, hitting ALG earnings and valuation
- ▶ Potential EUR/USD volatility – we expect the rising revenue contribution of the energy division to reduce effectively the group's US dollar-related exposure
- ▶ Execution risks linked to the economics of thermal power plants, ie uncertainty over future gas prices, domestic system prices, etc. In our view, MG has to enhance its risk management capabilities relating to thermal plants, especially after the full control of EH and the loss of an experienced strategic energy partner.
- ▶ Potential stock overhang relating to MG's treasury stock of 8.9%, bought for some EUR110m or for cEUR10/share. In our view, MG keeps all its options open regarding these shares (ie cancellation, use as acquisition currency, issue of a convertible bond, etc).

MG's shareholding structure (as of June 2010)



Source: Mytilineos Group

Future potential catalysts and risks for Metka

In our view, increasing evidence of the timely execution of Metka's significant backlog together with successful cost control will emerge as Metka's key valuation and performance catalyst in the short term.

Other future potential *catalysts*, we believe, include: 1) a potential reduction/abolition in the (admittedly high, in our view) management fee of 3% of parent sales from 2010 onwards charged by the parent Mytilineos Group (unfortunately, not a short-term theme, in our view). To put things into perspective, we estimate that, *ceteris paribus*, the entire abolition of the 3% management fees from 2013e onwards would lead to a EUR1.2/share increase in our target price (or 9%) to EUR15.2 (the increase in the DCF-driven fair value would be even greater at 16% to EUR15.4/sh); and 2) the potential distribution of at least EUR1.0/share (12.5% yield) as a cash capital return sometime in late 2011e, due to its strong cash flow (FCFE of EUR67m in 2011e, implying a yield of 16%), further enhanced by the receipt of the EUR42m from GEK Group for the Megalopolis project, and the absence of major capex.

The greatest *downside risks* to our forecasts and rating include execution delays in existing projects and the 'freezing' of projects in the pipeline owing to constrained project financing. Weaker-than-anticipated margins, ineffective cost control (especially in light of its fast expansion overseas) and HR capacity constraints (ie, a failure to secure an adequate amount of skilled engineers) also represent key downside risks.

Strong growth outlook

- ▶ Solid 2Q10 interims beat our estimates and consensus; overall we expect 2010 to signal the return to a high growth trajectory
- ▶ We expect MG's strong earnings momentum to continue in 2011-12e as well; all in all, we forecast a 2009-12e EPS CAGR of 79%
- ▶ MG's future growth potential not fully captured by consensus; we expect potential upgrades to improve sentiment, support share price

MG is active in 3 business sectors: a) Metals & Mining: MG fully owns Aluminium of Greece (ALG), the largest aluminium smelter in SE Europe, while it also owns a lead and zinc producer in Romania, which (temporarily) suspended operations in early 2009; b) EPC (Engineering, Procurement, Construction), through its 56.2%-owned listed subsidiary Metka; and c) energy/ thermal power generation: MG fully owns a 334MW CHP plant (currently in a commissioning phase) and a 430MW CCGT plant in St Nicholas (expected by the company to come onstream in 4Q10). MG also controls 65% in a 437MW CCGT plant in Corinth (expected to

launch commercial operations in Q4 2011).

Solid 2Q10 interims beat our estimates and consensus

MG's Q2 2010 interims (released in early August) beat our estimates across the board, underpinned by solid Metka and ALG operations. Note that YTD, MG has been among the very few Greek market constituents to record such remarkable y-o-y growth rates.

In a nutshell, Q2 group sales rose 20% y-o-y to EUR210m, driven by strong Metka revenues, a substantial increase in aluminium prices and a more favourable euro/US dollar parity. More

Mytilineos Group Q2/H1 2010 results (EURm)

	Q2 2010a	Q2 2009a	y-o-y	Q2 2010e	Act vs est	H1 2010a	H1 2009a	y-o-y	H1 2010e	Act vs est	Q1 2010a	Q2 q-o-q
Reported sales	209.7	174.2	20%	196.0	7%	415.5	328.4	27%	401.8	3%	205.8	2%
Recurring sales	209.7	174.2	20%	196.0	7%	383.6	328.4	17%	369.8	4%	173.8	21%
Reported EBITDA *	46.1	26.7	73%	38.0	21%	111.4	47.7	133%	103.4	8%	65.4	-30%
Recurring EBITDA	46.1	26.7	73%	38.0	21%	79.5	47.7	67%	71.4	11%	33.4	38%
EBITDA margin	22.0%	15.3%		19.4%		19.1%	13.7%		19.3%		16.3%	
Reported net profits	12.7	9.2	39%	11.0	16%	39.7	10.2	290%	38.0	5%	27.0	-53%
Recurring net profits	20.5	9.2	123%	13.1	56%	34.9	10.2	243%	27.5	27%	14.4	43%
MG One-offs (pre-tax)	Q2 2010a					H1 2010a					Q1 2010a	
ETADE (Megalopolis) sale						31.9					31.9	
Capital gain from ETADE sale						2.3					2.3	
ETADE sale (after tax, incl cap gain and adjusted for Metka's minorities)						14.6					14.6	
Crisis levy		7.7				9.8					2.1	

Source: Company data, HSBC Pantelakis Securities estimates

importantly, however, Q2 group EBITDA picked up 73% y-o-y to EUR46.1m, 21% above HSBCe of EUR38m (consensus was EUR39m), again driven by Metka. Finally, Q2 recurring group net earnings (ie excluding EUR7.7m Greek crisis levy) rose 123% y-o-y to EUR20.5m, well exceeding our EUR13.1m forecast (consensus was EUR11m). Also on a positive note, MG's FCF reached EUR62m in 2Q10 (from -EUR37m in Q1), largely as a result of lower working capital requirements; hence, MG's net debt fell sequentially to EUR402m from EUR466m in 1Q10 and EUR431m at end-2009.

Forecast revisions

As a general comment, forecast revisions vis-à-vis our previous forecasts on MG should be treated with caution owing to the change in the shareholding structure of Endesa Hellas and the positive deal with PPC over electricity tariffs.

2010e: full return to a high growth trajectory

We have left our previous 2010e sales estimates broadly unchanged to EUR0.99bn (up 49% y-o-y), slightly below MG's guidance of above EUR1bn. More importantly, however, we have raised our 2010e reported EBITDA forecast (ie

including EH and Metka's intragroup EBITDA), adjusted for Metka's EUR32m one-off gain, by 47% to EUR180m (+51% y-o-y) largely owing to ALG earnings upgrades and, to a lesser extent, Metka. Finally, we are now looking for MG's 2010 recurring group net profits (excluding crisis tax levies and other one-offs) to more than triple y-o-y to EUR73.5m (vs Factset consensus of EUR41m) positively affected by lower associate losses and net financials.

To sum up, we believe that: a) management's successful hedging operations in aluminium prices at cUSD3,200/t for almost 50% of 2010e production (vs a YTD average of USD2,130/t) and the EUR/USD parity; and b) Metka's smooth execution of its record-high backlog, have paved the way for positive earnings momentum, in a period when the majority of Greek companies are expected to record hefty earnings declines on the back of the ongoing financial crisis in Greece.

2011-12e: strong earnings momentum to continue (not priced in by consensus)

Based on our revised estimates, 2011 should be another good year for MG underpinned by: a) Metka's record-high profitability (owing to a

MG's forecasts revisions (EURm)

	2009a		2010e				2011e				2012e		2009-12 CAGR
	Actual	y-o-y	Old	New	Rev	y-o-y	Old	New	Rev	y-o-y	New	y-o-y	
Sales	661.8	-32%	971.4	988.3	2%	49%	1,073.3	1,499.4	40%	52%	1,716.8	15%	37.4%
Reported EBITDA*	118.9	1%	122.6	211.9	73%	78%	132.7	237.5	79%	12%	254.9	7%	28.9%
<i>EBITDA margin</i>	18.0%		12.6%	21.4%			12.4%	15.8%			14.8%		
Reported EBITDA adj **	118.9	1%	122.6	180.0	47%	51%	132.7	237.5	79%	32%	254.9	7%	28.9%
EBITDA (HSBC, adj)	89.3	-14%	101.6	153.0	51%	71%	86.2	224.1	160%	47%	254.9	14%	41.9%
<i>EBITDA margin</i>	13.5%		10.5%	15.5%			8.0%	14.9%			14.8%		
EBIT (adj)	69.8	-14%	73.8	130.9	77%	88%	58.6	197.2	236%	51%	228.0	16%	48.4%
<i>EBIT margin</i>	10.5%		7.6%	13.2%			5.5%	13.2%			13.3%		
Net financials	(19.9)	-27%	(22.8)	(12.1)	-47%	-39%	(23.0)	(16.5)	-28%	36%	(17.1)	4%	
Reported EBT	36.5	-25%	45.3	146.9	224%	303%	51.5	177.7	245%	21%	209.9	18%	
HSBC EBT	36.5	-22%	45.3	113.7	151%	212%	51.5	177.7	245%	56%	209.9	18%	79.2%
Reported net profits	13.7	-30%	23.6	79.5	236%	480%	26.5	97.7	268%	23%	112.4	15%	
HSBC net profits	22.5	49%	23.6	73.5	211%	227%	26.5	112.4	323%	53%	130.2	16%	79.5%
HSBC EPS (EUR)	0.19	49%	0.20	0.63	211%	227%	0.23	0.96	323%	53%	1.11	16%	79.5%
DPS (EUR)	0.00	-100%	0.10	0.10	0%	nm	0.15	0.20	33%	100%	0.30	50%	
Group net debt	430.9	17%	422.0	484.5	15%	12%	479.9	489.1	2%	1%	431.3	-12%	

Source: Company data, HSBC Pantelakis Securities estimates

*Reported EBITDA includes Metka intragroup profits and EH contribution, **Adjusted reported EBITDA excludes EUR31.9m ETADE gain

HSBCe vs consensus (as of 30 August 2010)

2010e	Sales	EBITDA	EBIT	Net	EPS (EUR)	DPS (EUR)
Consensus	999	133	108	41	0.47	0.13
HSBCe	988	153	131	74	0.63	0.10
% deviation	-1%	15%	21%	79%	34%	-24%
2011e	Sales	EBITDA	EBIT	Net	EPS (EUR)	DPS (EUR)
Consensus	1,205	172	146	58	0.64	0.20
HSBCe	1,499	224	197	112	0.96	0.20
% deviation	24%	30%	35%	93%	50%	2%

Note: 2010e consensus net profit figure may include a mix of clean and headline net profit figures, and may therefore not be directly comparable to our clean estimate.
Source: HSBC Pantelakis Securities estimates, Factset for consensus

marked acceleration in backlog execution and resilient margins); b) the decent performance of ALG on the back of lower electricity costs; c) the operation of the CHP plant; and d) the full contribution from EH's 430MW CCGT plant in St. Nicholas.

On balance, we now forecast MG's 2011e sales, reported EBITDA and recurring group net profits to soar 52%, 32% and 53% y-o-y to EUR1.5bn, EUR238m and EUR112m, respectively, well above consensus, which, in our view, fails to capture MG's full growth potential. Note that following company guidance, we no longer deduct from reported group EBITDA the CHP plant's steam-related sales (to ALG).

We also introduce in this report our new 2012e forecasts, which call for sales of EUR1.7bn, reported EBITDA of EUR255m and recurring net profits of EUR130m. On our estimates, energy-

related profits in 2012e should exceed for the first time those of the Metals & Mining division.

Sensitivity tables

The increasing contribution of Metka and the recent deal with PPC over ALG's electricity tariff gradually render MG less dependent on the macro environment. That said, aluminium and oil prices and the EUR/USD parity still have an impact on MG's financial performance.

To put things into perspective, on our forecasts, a 5bp increase in the EUR/USD parity (ie from 1.30 to 1.35) shaves EUR15m (or 6% of total) off MG's 2011e group reported EBITDA, *ceteris paribus*. In addition, a EUR3/MWh decrease in our base case electricity tariff assumption would add EUR5m (or 2%) to our 2011e group reported EBITDA forecast. Finally, a USD5/bbl increase in our base case oil price assumption of USD80/bbl would only

MG's group sales and EBITDA margin (2009-12e, EURm)

Group sales breakdown	2009a	% of total	y-o-y	2010e	% of total	y-o-y	2011e	% of total	y-o-y	2012e	% of total	y-o-y
Metka (clean, ie excl intragroup)	212.9	32.2%	-32%	455.4	46.1%	114%	682.1	45.5%	50%	730.3	42.5%	7%
Metals & Mining	444.8	67.2%	-33%	479.2	48.5%	8%	463.8	30.9%	-3%	493.7	28.8%	6%
Energy (clean, ie excl steam)	4.2	0.6%		53.7	5.4%	nm	353.5	23.6%	559%	492.8	28.7%	39%
Total group net sales	661.8	100.0%	-32%	988.3	100.0%	49%	1,499.4	100.0%	52%	1,716.8	100.0%	15%
Group EBITDA breakdown	2009a	% of total	y-o-y	2010e	% of total	y-o-y	2011e	% of total	y-o-y	2012e	% of total	y-o-y
Metka (incl intragroup)	68.0	57%	-9%	141.3	67%	108%	145.1	61%	3%	134.0	53%	-8%
Metals & Mining	70.8	60%	14%	85.1	40%	20%	55.7	23%	-35%	58.0	23%	4%
Energy (CHP, RES, EH, MG-MOH)	0.7	1%	-132%	3.3	2%	368%	55.0	23%	1571%	81.4	32%	48%
-Minus parent opex & other	(20.6)	-17%	23%	(17.8)	-8%	-13%	(18.2)	-8%	2%	(18.5)	-7%	2%
Reported group EBITDA	118.9	100%	1%	211.9	100%	78%	237.5	100%	12%	254.9	100%	7%
-Minus Metka intragroup EBITDA	(32.0)			(27.4)			(13.4)			0.0		
Group EBITDA (HSBC)	89.3		-14%	184.9		107%	224.1		21%	254.9		14%
Reported EBITDA margin	18.0%			21.4%			15.8%			14.8%		

Source: Company data, HSBC Pantelakis Securities estimates

marginally lower 2011e group reported EBITDA.

Sensitivity on MG's 2011e financials (EURm)

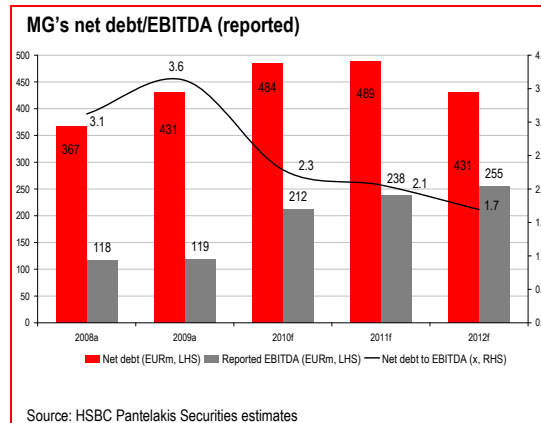
EUR/USD	1.20	1.25	1.30	1.35	1.40
Reported EBITDA	270	253	238	223	210
y-o-y change	27%	19%	12%	5%	-1%
% D vs central case	13%	6%	0%	-6%	-12%
Net profits (HSBC)	137	124	112	101	91
y-o-y change	86%	69%	53%	38%	24%
HSBC P/E (x)	3.6	4.0	4.4	4.8	5.3
Brent oil (USD/bbl)	70	75	80	85	90
Reported EBITDA	236	237	238	238	239
y-o-y change	11%	12%	12%	12%	13%
% D vs central case	-1%	0%	0%	0%	1%
Net profits (HSBC)	111	112	112	113	113
y-o-y change	51%	52%	53%	53%	54%
HSBC P/E (x)	4.5	4.4	4.4	4.4	4.4
Electr. tariff (EUR/MWh)	35	40	43	50	55
Reported EBITDA	254	243	238	221	210
y-o-y change	20%	15%	12%	4%	-1%
% D vs central case	7%	2%	0%	-7%	-11%
Net profits (HSBC)	125	117	112	100	91
y-o-y change	70%	59%	53%	36%	24%
HSBC P/E (x)	3.9	4.2	4.4	4.9	5.4

Source: HSBC Pantelakis Securities estimates

Moderate leverage, we see no funding risks

Based on our new estimates, MG appears moderately geared, with a net debt/reported EBITDA ratio of 2.1-2.7x in 2010-11e. We expect MG's leverage to fall to more comfortable levels of below 2x post 2011, ie after the commercial launch of the MG-MOH 437MW CCGT plant in Corinth. Note that due to complexity, we have not yet fully accounted for EH's full consolidation (vs equity consolidation previously) in our Balance Sheet forecasts. Having said that, we would initially expect EH's full consolidation to lead to group net debt greater than EUR550m at end-2010 vs our current EUR484m forecast.

That notwithstanding, we see no funding risks for the group. Remember that back in 2008, MG signed a EUR465m 5-year bond loan with a consortium of Greek banks to refinance old debt and the group's investment plans in energy, at a very competitive (ie pre-crisis) rate of Euribor plus 0.85%.



Regarding dividends, these are declared by the parent (holding) company, whose main sources of income are management fees (from Metka), dividends from subsidiaries (with one year lag) and capital gains.

Based on our new estimates, MG will distribute a EUR0.10 DPS for 2010 (DY 2.3%) vs 0 in 2009, before returning to a more generous payout in 2011-12e, courtesy of increasing dividend streams from all subsidiaries

ALG key assumptions and financials

Key assumptions	2009a		2010e				2011e				2012e	
	Actual	y-o-y	Old	New	Rev	y-o-y	Old	New	Rev	y-o-y	New	y-o-y
Aluminium price (USD/t)	2,890	0%	2,670	2,714	2%	-6%	2,200	2,250	2%	-17%	2,250	0%
EUR/USD	1.39	-6%	1.40	1.31	-6%	-5%	1.40	1.30	-7%	-1%	1.30	0%
Aluminium volume sales (kt)	135	-15%	135	138	2%	2%	135	150	11%	9%	165	10%
Alumina volume sales (kt)	470	-1%	467	467	0%	-1%	477	477	0%	2%	477	0%
Alumina price (USD/t)	242	-36%	290	319	10%	32%	319	326	2%	2%	326	0%
Electricity costs (EURm)	109.3	-14%	114.2	98.2	-14%	-10%	114.3	93.8	-18%	-4%	103.7	10%
Fuel oil (ex-steam) costs (EURm)	33.9	-60%	22.7	31.6	39%	-7%	24.5	33.5	36%	6%	35.0	5%
Bauxite costs (EURm)	47.9	-16%	48.3	48.6	0%	1%	49.5	51.3	4%	6%	53.2	4%
ALG key financials (EURm)	Actual	y-o-y	Old	New	Rev	y-o-y	Old	New	Rev	y-o-y	New	y-o-y
Sales	402.5	-14%	375.9	434.2	16%	8%	352.5	418.8	19%	-4%	448.7	7%
EBITDA	70.2	49%	24.5	85.1	248%	21%	(6.2)	55.7	nm	-35%	58.0	4%
Net profits	42.0	110%	7.7	53.2	589%	27%	(16.2)	30.8	nm	-42%	32.3	5%

Source: Company data, HSBC Pantelakis Securities estimates

MG's earnings drivers

Metals & Mining

Aluminium of Greece (ALG)

For yet another year, we expect ALG to record solid profitability, on the back of successful management actions in commodity and currency hedging as well as the recent deal with PPC over electricity tariffs. On balance, we expect 2010e EBITDA of EUR85m (up 21% y-o-y), on volume sales of 138kt (implying a c84% utilisation rate). Note that in H1 2010, ALG's EBITDA were down 5% to EUR38m; that said we expect the recent deal with PPC, effective as of 1 July 2010, to add more than EUR10m to H2 EBITDA, *ceteris paribus*.

For 2011e, we expect ALG's EBITDA to decline

35% y-o-y to EUR56m largely on the back of lower aluminium prices. Following the deal with PPC, our assumption for average electricity cost in 2011e stands at EUR43/MWh (ie EUR40.7/MWh from PPC and EUR44.9/MWh from the CHP), while the deal should enable ALG to gradually increase its production capacity back to 165kt (ie 100% utilisation rate). Overall, on our forecasts, the deal with PPC has lowered ALG's aluminium break-even price (at the EBITDA level) at cUSD1,950/t, *ceteris paribus*.

Metka

The text below is an extract from our recent flashnote for Metka, *OW: Strong investment case remains intact*, dated 31 August 2010: "On August 4, Metka released yet another strong set of

Our forecast revisions for Metka (as published in our flashnote, *OW: Strong investment case remains intact*, dated 31 August 2010)

	2009a		2010e				2011e				2012e			
	Actual	y-o-y	Old	New	Rev	y-o-y	Old	New	Rev	y-o-y	Old	New	Rev	y-o-y
Sales reported	339.4	-11%	619.6	592.4	-4%	75%	749.3	749.1	0%	26%	723.2	730.3	1%	-3%
Sales adjusted *	339.4	-11%	619.6	560.0	-10%	65%	749.3	749.1	0%	34%	723.2	730.3	1%	-3%
EBITDA reported	60.6		103.7	129.9	25%	115%	123.7	123.9	0%	-5%	108.2	112.9	4%	-9%
EBITDA adjusted **	56.6	-9%	103.7	93.3	-10%	65%	123.7	123.9	0%	33%	108.2	112.9	4%	-9%
<i>EBITDA margin adj</i>	16.7%		16.7%	16.7%			16.5%	16.5%			15.0%	15.5%		
HSBC EBT	50.6	-13%	97.2	86.3	-11%	71%	117.4	117.6	0%	36%	102.1	106.7	5%	-9%
Tax rate on HSBC EBT	26.7%		26.0%	29.4%			25.0%	26.8%			24.0%	26.4%		
Reported net profits	35.2	-15%	101.9	84.9	-17%	141%	86.1	71.6	-17%	-16%	75.6	64.8	-14%	-10%
HSBC net profits	36.3	-12%	70.4	59.4	-16%	64%	86.1	84.1	-2%	42%	75.6	76.5	1%	-9%
<i>Net margin</i>	10.7%		11.4%	10.6%			11.5%	11.2%			10.5%	10.5%		
HSBC EPS (EUR)	0.70	-12%	1.35	1.14	-16%	64%	1.66	1.62	-2%	42%	1.45	1.47	1%	-9%
DPS (EUR)	0.20	-50%	0.40	0.30	-25%	50%	0.50	0.50	0%	67%	0.50	0.50	0%	0%

Note: Adjusted sales and EBITDA in 2010e exclude a EUR32.4m pre-tax one-off income from the sale of ETADE to GEK Group
Source: Company data, HSBC Pantelakis Securities estimates

1H10 interims, with sales, EBITDA and recurring net profits more than doubling y-o-y, driven by the timely backlog execution (backlog now stands at EUR1.99bn, or 3.6x 2010e sales) and improved margins.

We have lowered our 2010 sales forecast by 10% as we prefer to err on the conservative side on potential delays in backlog execution, while we have left our EBITDA margin estimate unchanged at 16.7% (flat y-o-y on a recurring basis, after excluding a EUR4m one-off booked in 2009 EBITDA). On balance, we still expect 2010 to be Metka's first year of reaping the benefits of its huge backlog expansion, with both adjusted sales (excluding EUR32.4m one-off) and adjusted EBITDA soaring 65% y-o-y to EUR560m (93% backlog-secured, 5% below consensus) and EUR93.3m (7% below consensus), respectively. Finally, we now expect Metka's recurring net profits (also excluding a EUR6.2m crisis tax levy) to jump 64% y-o-y in 2010 to EUR59.4m (4% above consensus), of which 54% should come from abroad.

2011-12e: it's all about execution: Clearly, timely execution of the backlog is the key factor to watch going forward. For 2011, we have left our previous forecasts broadly unchanged, and we now forecast Metka's sales and EBITDA to further grow by 34% and 33% y-o-y to EUR749m and EUR124m, respectively, on the back of strong revenues from the two projects in Turkey and the one in Syria, which we expect to account for c70% of total group sales. Note that following CEO comments in the 2Q conference call that Metka is not aggressively pursuing any new projects at present, with the exception of a second major project in Syria (similar to the one already signed), for which Metka has been declared preferred bidder and should start soon negotiations with the Syrian government, we now forecast zero revenues from new projects in 2011-

12. We now expect Metka's recurring net profits in 2011 to reach record levels of EUR84m (+42% y-o-y, 2% above consensus), of which 80% should derive from projects outside Greece.

Thermal Power generation

CHP plant (100%-owned by MG)

MG's CHP plant, commissioned since April 2009, generated total revenues of EUR59m in 1H10, with EBITDA of EUR8m. Under IFRS, the financial results of the CHP during the commissioning phase cannot be consolidated but they are capitalised instead.

We present below our key assumptions for MG's CHP plant, which we expect to start commercial operations in late 2010.

CHP plant key financials

Key assumptions	2010e	2011e	2012e
SMP (EUR/MWh)	54.3	59.6	59.6
Oil price (Brent, USD/bbl)	80.0	80.0	80.0
Natural gas price (EUR/MWh)	30.4	30.6	30.6
EUR/USD	1.31	1.30	1.30
Net electricity production (GWh)	2,109	2,250	2,250
CHP financials (EURm)	2010e	2011e	2012e
Total sales	163.9	187.1	189.1
% change y-o-y		14%	1%
EBITDA	13.6	19.8	18.7
% change y-o-y		45%	-6%
<i>EBITDA margin</i>	8%	11%	10%
Net profits	4.7	9.6	8.8
% change y-o-y		105%	-8%

Source: HSBC Pantelakis Securities estimates

Endesa Hellas (EH, 100%-owned by MG)

At present, EH fully owns 13MW of installed RES capacity, which we expect to reach 75MW by end-2013 and 150MW by end-2015.

In 2009, EH recorded sales (under Greek GAAP) of EUR8.4m (down 6% y-o-y), with net losses of EUR6.0m (from EUR3.2m losses in 2008). As of end-2009, EH's shareholders' funds were EUR196m, with net debt of EUR45m (vs net cash of EUR2m in 2008), due to the construction of the St Nicholas CCGT plant.

We present below our key assumptions for EH. Post 2010, we expect EH's financials to be boosted by the operation of its 430MW CCGT plant in St. Nicholas.

EH's key financials (EURm)					
	2008a	2009a	2010f	2011f	2012f
RES					
RES sales	3.9	6.8	4.9	3.1	6.0
RES EBITDA	3.1	5.3	3.8	2.4	4.6
RES net profits	2.0	2.9	3.0	2.0	3.1
St Nicholas CCGT					
CCGT sales	0.0	0.0	13.1	167.5	167.5
CCGT EBITDA	0.0	0.0	4.3	44.7	42.2
CCGT net profits	0.0	0.0	2.1	27.2	25.7
Total EH					
EH sales	9.0	8.4	18.1	170.6	173.5
y-o-y % change		-6%	114%	844%	2%
EH EBITDA*	-5.6	-4.8	-0.4	38.6	38.3
y-o-y % change		-13%	-92%	nm	nm
EH net profits/(losses)	-3.2	-4.2	-2.1	22.1	21.7
y-o-y % change		33%	-51%	nm	nm

Note: In order to derive total EH EBITDA, we deduct EH overheads
Source: Company data, HSBC Pantelakis Securities estimates

We present below our key assumptions for the MG-MOH CCGT plant:

MG-MOH CCGT plant key financials			
Key assumptions	2010e	2011e	2012e
SMP (EUR/MWh)		59.6	59.6
Oil price (Brent, USD/bbl)		80.0	80.0
Natural gas price (EUR/MWh)		30.6	30.6
EUR/USD		1.30	1.30
CO2 cost (EUR/t)		15.0	15.0
Net electricity production (GWh)		399	2,391
Key financials (EURm)	2010e	2011e	2012e
Total sales	0.0	27.3	163.6
% change y-o-y			500%
EBITDA	0.0	7.3	41.2
% change y-o-y			466%
EBITDA margin		27%	25%
Net profits	0.0	4.1	23.2
% change y-o-y			462%

Source: HSBC Pantelakis Securities estimates

MG-MOH CCGT plant in Corinth (65%-owned by MG)

This 437MW CCGT plant is located in MOH's refinery near Corinth and is currently under construction (by Metka). We expect it to launch commercial operations in Q4 2011.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Vangelis Karanikas

Important disclosures

Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at www.hsbcnet.com/research. Details of these short-term investment opportunities can be found under the Reports section of this website.

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

Rating definitions for long-term investment opportunities

Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the risk free rate for that stock's domestic, or as appropriate, regional market and the relevant equity risk premium established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However,

stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

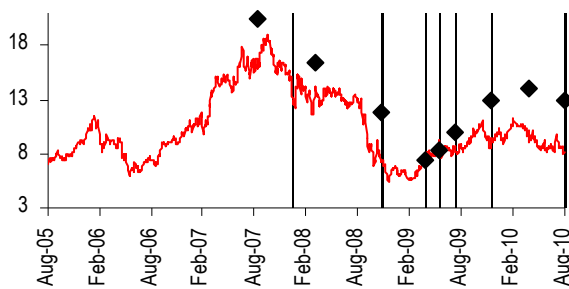
Rating distribution for long-term investment opportunities

As of 31 August 2010, the distribution of all ratings published is as follows:

Overweight (Buy)	50%	(21% of these provided with Investment Banking Services)
Neutral (Hold)	37%	(18% of these provided with Investment Banking Services)
Underweight (Sell)	13%	(18% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities

Metka (MTKr.AT) Share Price performance EUR Vs HSBC rating history



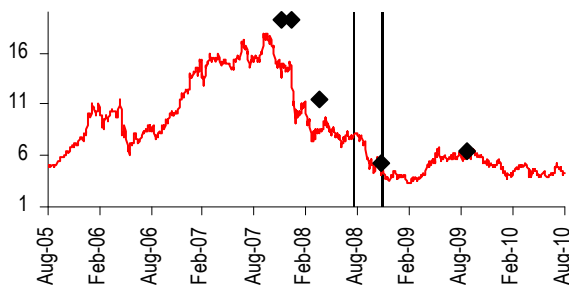
Source: HSBC

Recommendation & price target history

From	To	Date
Overweight (V)	Overweight	11 January 2008
Overweight	Overweight (V)	20 November 2008
Overweight (V)	Neutral (V)	23 April 2009
Neutral (V)	Underweight (V)	15 June 2009
Underweight (V)	Neutral (V)	11 August 2009
Neutral (V)	Overweight (V)	15 December 2009
Overweight (V)	Overweight	31 August 2010
Target Price	Value	Date
Price 1	20.50	12 September 2007
Price 2	16.40	03 April 2008
Price 3	11.80	20 November 2008
Price 4	7.50	23 April 2009
Price 5	8.30	15 June 2009
Price 6	10.00	11 August 2009
Price 7	13.00	15 December 2009
Price 8	14.00	23 April 2010
Price 9	13.00	31 August 2010

Source: HSBC

Mytilineos Group (MYTr.AT) Share Price performance EUR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
Overweight	Overweight (V)	13 August 2008
Overweight (V)	Neutral (V)	20 November 2008
Target Price	Value	Date
Price 1	19.17	07 December 2007
Price 2	19.17	11 January 2008
Price 3	11.50	18 April 2008
Price 4	5.30	20 November 2008
Price 5	6.50	18 September 2009

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
METKA	MTKr.AT	8.16	30-Aug-2010	2, 6, 7
MYTILINEOS GROUP	MYTr.AT	4.27	30-Aug-2010	2, 6, 7

Source: HSBC

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