



TERNA S.A.

INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD FROM 1
JANUARY TO 30 SEPTEMBER 2005

IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING
STANDARDS

TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand Euro, unless stated otherwise)

TERNA S.A.
BALANCE SHEET
30 SEPTEMBER 2005

	Notes	30 September 2005	31 December 2004
ASSETS			
Long term assets			
Intangible assets		6.015	6.142
Tangible assets		42.352	43.750
Investment Property		7.908	10.998
Participations in associated companies and joint-ventures		36.488	33.932
Other long term claims		147	144
Deferred income tax		8.660	4.653
Total long term assets		101.570	99.619
Current assets:			
Inventories		3.836	6.160
Trade receivables		103.815	112.842
Advance-payments and other receivables		16.977	16.239
Other financial assets		5.558	9.538
Cash and cash equivalents		11.924	3.918
Total current assets		142.110	148.697
TOTAL ASSETS		243.680	248.316
EQUITY & LIABILITIES			
Equity attributed to the parent's shareholders			
Share capital		53.319	53.319
Above par		35.922	35.922
Profit carried forward		32.715	33.879
Reserves		15.669	15.669
		137.625	138.789
Long term liabilities:			
Loans from financial leases		3.771	4.985

TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

Provisions	1.338	2.843
Provision for staff retirement indemnities	1.135	951
Other long-term liabilities	<u>30</u>	<u>30</u>
Total long term liabilities	<u>6.274</u>	<u>8.809</u>
Short term liabilities:		
Suppliers	58.859	50.727
Short term loans	27.087	38.697
Accrued and other short term liabilities	13.835	11.294
Total short term liabilities	<u>99.781</u>	<u>100.718</u>
TOTAL LIABILITIES AND EQUITY	<u>243.680</u>	<u>248.316</u>

The attached notes constitute an integral part of the consolidated financial statements

TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand Euro, unless stated otherwise)

TERNA S.A.
INCOME STATEMENT
FOR THE PERIOD ENDING ON 30 SEPTEMBER 2005

	Note	1.1-30.9 2005	1.1-30.9 2004	3 rd Quarter 2005	3 rd Quarter 2004
INCOME:					
Net turnover		112.875	186.370	31.170	62.899
Cost of goods sold		(97.779)	(150.551)	(30.640)	(44.606)
Gross profit		15.096	35.819	530	18.293
Administrative and distribution expenses		(9.934)	(7.325)	(4.524)	(1.954)
Other income/(expenses)		3.965	711	3.500	(1.251)
Net financial income/(expenses)		(665)	5.899	871	(6.034)
EARNINGS BEFORE TAX		8.462	35.104	377	9.054
Income tax		497	(6.547)	(785)	139
NET EARNINGS		8.959	28.557	(408)	9.193
Earnings per share (in euro)					
Basic		0,19	0,62	(0,01)	0,20
Diluted					
Weighted average number of shares basic and diluted					
Basic		45.964.500	45.964.500	45.964.500	45.964.500
Diluted					

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TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand Euro, unless stated otherwise)

TERNA S.A.

CASH FLOW STATEMENT

FOR THE PERIOD ENDING ON 30 SEPTEMBER 2005

	<u>1.1-30.9</u> <u>2005</u>	<u>1.1-30.9</u> <u>2004</u>	<u>3rd Quarter</u> <u>2005</u>	<u>3rd Quarter</u> <u>2004</u>
Cash flow from operating activities				
Earnings before tax	8.463	35.105	378	9.055
Readjustments for the agreement of the net flows from the operating activities				
Depreciations	3.237	3.109	971	198
Provisions	184	(1.706)	62	(2.786)
Interest and related income	(62)	(128)	(44)	(4)
Interest and other financial expenses	2.110	1.943	652	937
(Profit)/Losses from the sale and valuation of participations	0	0	30	0
Operating profit before working capital changes	<u>13.932</u>	<u>38.323</u>	<u>2.049</u>	<u>7.400</u>
(Increase)/Decrease in:				
Inventories	2.324	(1.775)	(292)	(522)
Trade receivables	9.027	(42.348)	7.508	(14.577)
Advance-payments and other short term receivables	(738)	(1.010)	(6.195)	6.188
Increase/(Decrease) in:				
Suppliers	8.132	(5.560)	14.996	(6.356)
Accrued and other short term liabilities	(5.148)	(14.126)	(811)	(6.480)
(Increase)/Decrease of other long term claims	(3)	4	(1)	4
Cash inflow from operating activities	<u>27.526</u>	<u>(26.492)</u>	<u>17.254</u>	<u>(14.343)</u>
Cash flow from investing activities:				
Purchase of tangible assets	(1.677)	(1.972)	(16)	0
Sale of tangible assets	0	0	(33)	0
Purchase of intangible assets	(38)	(69)	(6)	0
Interest and related income received	62	128	46	5
Other participations	(2.556)	1.650	(3.021)	1.059
Increase in the share capital of participation/Newly consolidated entities, Initial cash	(3.021)	(5.000)	0	(5.000)
Investment Property	3.090	0	3.090	0

TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

Cash outflows for investment activities	<u>(4.140)</u>	<u>(5.263)</u>	<u>60</u>	<u>(3.936)</u>
Cash flows from financial activities				
Net change of short term loans	(11.610)	42.390	(7.622)	28.763
Withdrawals/(Payments) from long term loans	0	0	0	0
Loan payments for financial leases	(1.214)	(1.929)	(399)	(992)
Dividends paid	(4.426)	(7.813)	(4.426)	(7.813)
Interest paid	(2.110)	(1.943)	(650)	(937)
Change of other financial receivables	3.980	1.031	1.608	150
Cash outflows for financial activities	<u>(15.380)</u>	<u>31.736</u>	<u>(11.489)</u>	<u>19.171</u>
Effect of exchange rate movements in cash	0	0	0	0
Net increase of cash	8.006	(19)	5.825	892
Cash at the beginning of the period	<u>3.918</u>	<u>9.142</u>	<u>6.098</u>	<u>8.231</u>
Cash at the end of the period	<u>11.924</u>	<u>9.123</u>	<u>11.923</u>	<u>9.123</u>

The attached notes constitute an integral part of the consolidated financial statements

TERNA S.A.
STATEMENT OF CHANGES IN EQUITY
30th of September 2005

Amounts attributed to the Parent's company shareholders

	<u>Share capital</u>	<u>Difference from issuance of shares above par</u>	<u>Reserves</u>	<u>Profit Brought Forward</u>	<u>Total</u>
1st of January 2005	<u>53.319</u>	<u>35.922</u>	<u>15.669</u>	<u>33.879</u>	<u>138.789</u>
Net earnings for the period				8.959	8.959
Dividend of the parent for 2004 paid in 2005				(10,113)	(10,113)
Transfers-Other movements charged directly on equity				(10)	(10)
30th of September 2005	<u>53.319</u>	<u>35.922</u>	<u>15.669</u>	<u>32.715</u>	<u>137.625</u>

The attached notes constitute an instegral part of the consolidated financial statements

TERNA S.A.
STATEMENT OF CHANGES IN EQUITY
30th of September 2005

Amounts attributed to the Parent's company shareholders

	<u>Share capital</u>	<u>Difference from issuance of shares above par</u>	<u>Reserves</u>	<u>Profit Brought Forward</u>	<u>Total</u>
1st of January 2004	<u>53.319</u>	<u>35.922</u>	<u>14.300</u>	<u>15.366</u>	<u>118.907</u>
Net earnings for the period				28.557	28.557
Dividend of the parent for 2004 paid in 2005				(7.814)	(7.814)
Transfers-Other movements charged directly on equity			(6)		(6)
30th of September 2004	<u>53.319</u>	<u>35.922</u>	<u>14.294</u>	<u>36.109</u>	<u>139.644</u>

The attached notes constitute an integral part of the consolidated financial statements

TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

TERNA GROUP

BALANCE SHEET

30 SEPTEMBER 2005

	Notes	30 September 2005	31 December 2004
ASSETS			
Long term assets			
Intangible assets		6.072	6.169
Tangible assets		148.876	149.855
Investment Property		26.278	29.368
Other long term claims		209	263
Deferred income tax		9.514	5.355
Total long term assets		190.949	191.010
Current assets:			
Inventories		17.268	14.528
Trade receivables		161.712	220.338
Advance-payments and other receivables		42.044	39.734
Other financial assets		6.813	7.174
Cash and cash equivalents		45.645	37.013
Total current assets		273.482	318.787
TOTAL ASSETS		464.431	509.797
EQUITY & LIABILITIES			
Equity attributed to the parent's shareholders			
Share capital		53.319	53.319
Above par		35.922	35.922
Profit carried forward		51.503	47.053
Reserves		21.483	21.483
		162.227	157.777
Minority interest		19.055	17.947
Total equity		181.282	175.724
Long term liabilities:			
Long term loans		39.687	28.673
Loans from financial leases		18.721	22.924
Provisions		1.642	3.059

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

Provision for staff retirement indemnities	1.406	1.193
Grants	15.024	12.822
Deferred Income tax	1.736	1.421
Other long-term liabilities	30	5.040
Total long term liabilities	<u>78.246</u>	<u>75.132</u>
Short term liabilities:		
Suppliers	85.567	120.584
Short term loans	88.087	110.840
Long-term Liabilities payable in the next period	133	527
Accrued and other short term liabilities	31.116	26.990
Total short term liabilities	<u>204.903</u>	<u>258.941</u>
TOTAL LIABILITIES AND EQUITY	<u><u>464.431</u></u>	<u><u>509.797</u></u>

The attached notes constitute an integral part of the consolidated financial statements

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand euros, unless stated otherwise)

TERNA GROUP
INCOME STATEMENT
FOR THE PERIOD ENDING ON 30 SEPTEMBER 2005

	Note	1.1-30.9 2005	1.1-30.9 2004	3 rd Quarter 2005	3 rd Quarter 2004
INCOME:					
Net turnover		172.625	317.302	74.139	59.759
Cost of goods sold		(140.427)	(256.330)	(67.501)	(50.103)
Gross profit		32.198	60.972	6.638	9.656
Administrative and distribution expenses		(15.612)	(15.463)	(7.355)	(5,345)
Other income/(expenses)		5.889	2.454	4.731	(997)
Net financial income/(expenses)		(5.966)	(4.750)	(3.325)	(3,333)
EARNINGS BEFORE TAX		16.509	43.213	689	-19
Income tax		(182)	(8.383)	(1.847)	2.358
NET EARNINGS		16.327	34.830	(1.158)	2.339
Distributed in:					
Shareholders of the parent company		14.563	31.034	(1.864)	2.071
Minority interest		1.764	3.796	706	268
		16.327	34.830	(1.158)	2.339
Earnings per share (in euro)					
Basic		0,32	0,68	(0,04)	0,05
Diluted					
Weighted average number of shares basic and diluted					
Basic		45.964.500	45.964.500	45.964.500	45.964.500
Diluted					

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TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand euros, unless stated otherwise)

TERNA GROUP
CASH FLOW STATEMENT
FOR THE PERIOD ENDING ON 30 SEPTEMBER 2005

	<u>1.1-30.9</u> <u>2005</u>	<u>1.1-30.9</u> <u>2004</u>	<u>3rd Quarter</u> <u>2005</u>	<u>3rd Quarter</u> <u>2004</u>
Cash flow from operating activities				
Earnings before tax	16.509	43.213	689	-19
Readjustments for the agreement of the net flows from the operating activities				
Depreciations	6.616	7.309	1.710	2.482
Provisions	213	117	71	(786)
Interest and related income	(335)	(348)	(137)	(85)
Interest and other financial expenses	5.552	4.058	1.348	1.596
(Profit)/Losses from the sale and valuation of participations	0	0	0	0
Amortization of grants	(864)	(626)	(286)	0
Operating profit before working capital changes	<u>27.691</u>	<u>53.723</u>	<u>3.395</u>	<u>3.188</u>
(Increase)/Decrease in:				
Inventories	(2.740)	(2.748)	(2.161)	984
Trade receivables	58.626	(67.076)	13.940	12.858
Advance-payments and other short term receivables	(2.310)	(5.984)	(11.207)	12.630
Increase/(Decrease) in:				
Suppliers	(40.026)	(7.007)	28.627	(35.597)
Accrued and other short term liabilities	(8.463)	(14.215)	(17.565)	(6.339)
Grants collection	2,719	0	0	0
(Increase)/Decrease of other long term claims	54	20	(1)	4
Cash inflow from operating activities	<u>35.551</u>	<u>(43.287)</u>	<u>15.028</u>	<u>(12.272)</u>
Cash flow from investing activities:				
Purchase of tangible assets	(4.489)	(13.242)	(2.399)	(3.505)
Sale of tangible assets	0	20	0	20
Purchase of intangible assets	(83)	(82)	(19)	(2)
Interest and related income received	335	348	137	85
Other participations	0	0	0	0
Increase in the share capital of participation/Newly consolidated entities, Initial cash	(621)	0	0	0
Investment Property	3.090	(1,524)	3.090	0
Cash outflows for investment activities	<u>(1.768)</u>	<u>(14.480)</u>	<u>809</u>	<u>(3.402)</u>

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

Cash flows from financial activities

Net change of short term loans	(22.753)	80.129	1.322	25.224
Withdrawals/(Payments) from long term loans	11.014	13.656	99	14.785
Loan payments for financial leases	(4.203)	(2.060)	(535)	(1.030)
Dividends paid	(4.423)	(8.079)	(4.423)	(8.079)
Interest paid	(5.552)	(4.058)	(1.002)	(1.596)
Change of other financial receivables	766	419	2.385	215
Cash outflows for financial activities	(25.151)	80.007	(2.154)	29.519
Effect of exchange rate movements in cash	0	0	0	0
Net increase of cash	8.632	22.240	13.683	13.845
Cash at the beginning of the period	37,013	27,697	31.962	36.092
Cash at the end of the period	45.645	49.937	45.645	49.937

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TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

TERNA GROUP

STATEMENT OF CHANGES IN EQUITY

30th of September 2005

	Amounts attributed to the Parent's shareholders				Sub Total	Minority Interest	Total
	Share capital	Difference from issuance of shares above par	Reserves	Profit Brought Forward			
1st of January 2005	<u>53.319</u>	<u>35.922</u>	<u>21.483</u>	<u>47.053</u>	<u>157.777</u>	<u>17.947</u>	<u>175.724</u>
Net earnings for the period				14.563	14.563	1.764	16.327
Dividend of the parent for 2004 paid in 2005				(10,113)	(10,113)		(10,113)
Dividend of 2004 paid in the minorities in 2005						(656)	(656)
Transfers-Other movements charged directly on equity							
30th of September 2005	<u>53.319</u>	<u>35.922</u>	<u>21.483</u>	<u>51.503</u>	<u>162.227</u>	<u>19.055</u>	<u>181.282</u>

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TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

TERNA GROUP

STATEMENT OF CHANGES IN EQUITY

30th of September 2005

	Amounts attributed to the Parent's company shareholders				Sub Total	Minority Interest	Total
	Share capital	Difference from issuance of shares above par	Reserves	Profit Brought Forward			
1st of January 2004	<u>53.319</u>	<u>35.922</u>	<u>15.242</u>	<u>20.018</u>	<u>124.501</u>	<u>13.403</u>	<u>137.904</u>
Net earnings for the period				31.034	31.034	3.796	34.830
Dividend of the parent for 2004 paid in 2005				(7.814)	(7.814)		(7.814)
Dividend of 2004 paid in the minorities in 2005						(323)	(323)
Transfers-Other movements charged directly on equity						(78)	(6)
				<u>72</u>	<u>72</u>		
30th of September 2004	<u>53.319</u>	<u>35.922</u>	<u>15.241</u>	<u>43.310</u>	<u>147.793</u>	<u>16.798</u>	<u>164.591</u>

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TERNA GROUP
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand Euro, unless stated otherwise)

1. ESTABLISHMENT AND ACTIVITY OF THE COMPANY

Terna SA (hereinafter the Company or TERNA) was founded in 1972 (Govt. Gazette 1338/04.07.72), is domiciled in Athens, 85 Mesogeion Str. and has a duration of 50 years, till 04.07.2022.

TERNA S.A. holds a 7th grade construction certificate and its main activity is the uptake and execution of any kind of technical projects public and private. According to the legislation in effect, companies that hold a 7th grade construction certificate may undertake public projects only over 35,000 Euro. The budget of projects the Group may independently undertake has an unlimited upper-limit. Furthermore, TERNA is an owns and exploits a quarry and it trades aggregates.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS:

a. Basis for the preparation of the financial statements: The attached consolidated financial statements have been prepared according to the historic cost principle as this is amended by the readjustment of specific asset and liabilities items in fair values, with the exception of the value readjustment of specific fixed assets, which on the date of transition (1st of January 2004) to the International Financial Reporting Standards (IFRS), were fairly valued, and these values were used as implied cost in accordance with the IFRS 1 clauses “First-Time adoption of International Financial Reporting Standards”.

The attached consolidated financial statements have been prepared in accordance with IFRS, as these are published by the International Accounting Standards Committee (IASC), and their interpretation as published by the International Financial Reporting Interpretations Committee (IFRIC) of IASC. For the preparation the IFRS 1 “First-Time adoption of International Financial Reporting Standards” is applied with transition date the 1st of January 2004. No standards have been applied before their inception date.

b. Book Keeping: The Company keeps their accounting records in accordance with the Greek Law of Commerce, the Greek Generally Accepted Accounting Principles and the tax legislation. In sequence. the Company makes specific off balance sheet adjustment records in order to compile the attached consolidated financial statements in accordance with IFRS.

The basic off balance sheet records that were applied on the balance sheets on the 1st of January 2004 and on the 31st of December 2004, as well as on the income statement of the six-month period ending on the 30th of September 2004 in order to be adjusted to the IFRS and the important differences that are applied in the relevant consolidated financial statements are described in Note 11.

c. First-Time adoption of International Financial Reporting Standards: According to the Rule 1606/2002 of the European Union and the Law 3229/04, amended by the Law 3301/04, Greek companies listed in Stock Markets (home or abroad), are obliged from the 1st of January 2005 to compile their financial statements in accordance with IFRS.

Based on IFRS 1 and the aforementioned Greek law, the companies mentioned above are obliged to report comparative financial statements in accordance with IFRS for at least one fiscal year (31 December 2004).

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

Consequently the companies adopting the IFRS for the first time as previously mentioned, will as a rule have the 31st of December 2005 as compilation date for the first full set of IFRS financial statements and the 1st of January 2004 as transition date. The Company will prepare and publish the first full financial statements according to the IFRS within the institutional time-frame and the compilation date of the aforementioned financial statements will be the 31st of December, 2005.

In accordance with the relevant provisions of IFRS 1, a company compiling the first financial statements according to the IFRS must use the IFRS in effect at the closing date of the period covered by the first full financial statements for all the financial years/periods presented and for the transition balance sheet.

As a result, the attached financial statements have been compiled in accordance with the IFRS in effect on September 30th, 2005 and include judgments regarding the IFRS that are expected to be in effect at the first closing date (December 31, 2005).

For the compilation of the attached consolidated financial statements, the Group applied IFRS 1 “First-Time adoption of International Financial Reporting Standards”. Specifically:

- The Company decided not to apply IFRS 3 “Exploitations Combinations” retroactively for the combinations of companies that were formed prior to the IFRS transition date (January 1st, 2004).

As a result and based on IFRS 1 as regards to prior companies combinations, the Company:

- (i) Retained the same classification as in previous financial statements based on Greek Generally Accepted Accounting Principles (G.A.A.P.),
- (ii) Recognized, on the date of transition to IFRS, all assets and liabilities acquired or included in companies combinations except:
 - Specific financial assets and financial liabilities that had not been recognized under previous G.A.A.P. and
 - Assets, including goodwill, and liabilities that had not been recognised in the consolidated balance sheet of the Company based on previous G.A.A.P. and that also do not meet the recognition criteria according to the IFRS for the separate balance sheet of the acquired company.
- (iii) Excluded/wrote-off from its opening consolidated balance sheet based on the IFRS any item recognized according to the previous G.A.A.P. that does not meet the criteria for recognition as an asset or liability based on IFRS.
 - The Group decided to value specific lands, buildings and machinery at the date of transition to IFRS at fair values and used these fair values as implied cost at the specified date.
 - Regarding the provision for staff retirement indemnities, the total amount of cumulated actuarial losses and gains was recognized at the date of transition to the

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

IFRS, while for the actuarial losses and gains that arose in 2004 and thereafter the corridor approach was used.

- The estimates of the Group based on the IFRS at the date of transition to the IFRS were consistent with the estimates made for the same date based on the previous G.A.A.P. (after whatever restatements were made to reflect differences in accounting principles), except the cases where there was clear evidence that these estimates were incorrect.

(iv) *Effect of newly issued Accounting Standards (IFRS or IAS) and Interpretations (SIC):*

Revisions were published on December 18th, 2003 relating to:

- IAS 1 "Presentation of Financial Statements",
- IAS 2 "Reserves",
- IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors",
- IAS 10 "Events After the Balance Sheet Date",
- IAS 16 "Fixed Assets",
- IAS 17 "Leasings",
- IAS 21 "The Effects of Changes in Foreign Exchange Rates",
- IAS 24 "Related Party Disclosures"
- IAS 27 "Consolidated and Separate Financial Statements",
- IAS 28 "Investments in Affiliated",
- IAS 31 "Investments in Joint Ventures",
- IAS 32 "Financial Instruments: Disclosure Investments and Presentation",
- IAS 33 "Dividends Per Share",
- IAS 39 "Financial Instruments: Recognition and Evaluation",
- IAS 40 "Investments in Real Estate".

The application date for all the revised standards is January 1st, 2005 while earlier adoption is encouraged. The revised standards also replace the following Interpretations that are withdrawn:

- SIC 1 "Consistency - Different Cost Formulas for Reserves",
- SIC 2 "Consistency - Capitalisation of Borrowing Costs.",
- SIC 3 "Elimination of Unrealised Profits and Losses on Transactions with Affiliated",
- SIC 5 "Classification of Financial Products - Contingent Settlement Provisions",
- SIC 6 "Costs of Modifying Existing Software",
- SIC 11 "Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations",
- SIC 14 "Fixed assets - Counter Balance for the Depreciation or Loss of Items",
- SIC 16 "Equity - Reacquired Own Equity Instruments (Treasury Shares)",
- SIC 17 "Equity - Costs of an Equity Transaction",
- SIC 18 "Consistency - Alternative Methods",
- SIC 19 "Presentation Currency – Evaluation and Presentation of Financial

TERNA S.A.

NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

- Statements under IAS 21 and IAS 29”,
- SIC 20 “Equity Accounting Method - Recognition of Losses”,
 - SIC 23 “Fixed assets - Major Inspections or Overall Repairs”,
 - SIC 24 “Earnings Per Share – Financial Products and Other Contracts that May Be Settled in Shares”,
 - SIC 30 “Presentation Currency - Translation from Evaluation Currency to Presentation Currency” and
 - SIC 33 “Consolidation and Equity Method - Potential Voting Rights and Allocation of Ownership Interests”.

IFRS 2 “Share-based Payment” (which also replaced specific disclosure requirements in IAS 19 “Employees Benefits”) was issued in February 19, 2004. IFRS 2 applies to annual periods starting from January 1st 2005 onwards. Earlier adaptation is encouraged. IFRS 3 “Companies Combinations” (which replaced IAS 22 “Companies Combinations”), IFRS 4 “Insurance Policies” and IFRS 5 “Long-Pasting Assets Held for Sale and Discontinued Exploitations” (which replaced IAS 35 “Discontinued Exploitations”) were published on March 31st, 2004. Revisions to IAS 36 “Depreciation of Assets Value” and IAS 38 “Intangible Assets”, which are both related to IFRS 3, were also issued on March 31st, 2004. IFRS 3 is applied to all companies combinations that took place from March 31st, 2004 and onwards. Special transitory provisions are in effect for the previously recognized goodwill, negative goodwill, intangible assets and investments accounted for by the equity method. IFRS 5 must be applied in annual financial statements starting from January 1st, 2005 and onwards. Earlier adaptation is permitted provided that the necessary information for the application of the Standard was obtained when the relevant companies combinations were originally accounted for. The revised IAS 36 and IAS 38 must be applied in annual periods starting from March 31st, 2004 or onwards (or the date of adoption of IFRS 3 as regards goodwill and intangible assets that were acquired through companies combinations).

According to the relevant provisions of IFRS 1, for the compilation of the first financial statements based on the IFRS, companies must use the IFRS in effect at the closing date of the first full financial statements for all the financial years/periods presented as well as for the transition balance sheet. As a result, since the date of the first full financial statements of the Group based on the IFRS will be the 31st of December, 2005, all the revised or newly-issued Standards previously mentioned were used for the compilation of the attached consolidated financial statements.

The International Accounting Standards Committee and the Interpretations Committee have issued a series of new Accounting Standards and interpretations. The IFRS and IFRIC are mandatory for the accounting periods beginning from January 1st 2006.

- **IFRS 6. Exploration and evaluation of mineral resources:** It is applied to the financial statements beginning from January 1st 2006.
- **IFRIC 3. Rights for gas emission:** It is applied to the financial statements beginning from January 1st 2006.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

- **IFRIC 4. Determination of whether a receivable includes a lease:** IFRIC 4 applies to annual periods that begin from January 1st 2006. The Group has decided not to apply IFRIC 4 before that date. It will apply IFRIC 4 to the financial statements of 2006, based on the transitional provisions of IFRIC 4. Therefore, the Group will apply IFRIC 4 based on the events and conditions that were in effect on January 1st 2005. The implementation of IFRIC 4 is not expected to change the accounting treatment of any of the Group's current contracts.
 - **IFRIC 5. Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds.** It is applied to the financial statements beginning from January 1st 2006.
- (v) *Approval of the Financial Statements:* The attached financial statements were approved by the competent bodies of the company during the 28th of November 2005.
- (vi) *Use of estimates:* The compilation of financial statements based on the IFRS requires that the management proceed in making estimations and assumptions that affect the figures for the assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date as well as the figures for the income and expenses during the financial year/period. The true results may differ from these estimates.

3. SUMMARY OF KEY ACCOUNTING PRINCIPLES:

The main accounting principles adopted during the compilation of the attached consolidated financial statements are the following:

a) Participations in Subsidiary Companies: The participations in Subsidiary Companies are assessed to the acquisition cost deducting any accumulated losses of their value depreciation .

b) Participations in Affiliated Companies: The participations in affiliated companies are assessed to the acquisition cost deducting any accumulated losses of their value depreciation.

c) Other Investments: Other investments comprise interests in companies in which TERNA does not exercise control or significant influence over their operation. According to IAS 39 investments other than interests in subsidiaries, affiliated and joint ventures are classified as available-for-sale, financial instruments re- evaluated at fair value through the derived profit or loss or held-to-maturity investments. In general, available-for-sale investments and financial instruments re-evaluated at fair value through the derived profit or loss are valued at fair value with the resulting gains or losses being recognized as a separate item in equity for available-for-sale investments or through the consolidated income statement for financial instruments at fair value through the profit or loss.

Held-to-maturity investments are valued at net amortised cost using the effective interest rate method and the resulting discounting results are recognized in the income statement through the amortisation process or at disposal.

d) Financial Instruments and Risk Management: From January 1st, 2004 onwards the Group has adopted International Accounting Standard 39 "Financial Instruments: Recognition and Evaluation" for the recognition and evaluation of financial products. Primary financial assets and liabilities in the balance sheet include cash balances, receivables, bank loans and other

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

short-term liabilities. The accounting principles for the recognition and evaluation of these items are mentioned in the respective accounting principles, which are presented in this Note. Financial instruments are disclosed as receivables, liabilities or equity based on the substance and the contents of the relevant contracts from which they stem. Interest, dividends, gains and losses resulting from the financial products that are classified as receivables or liabilities are accounted for as expenses or income respectively. The distribution of dividends to shareholders is accounted for directly through equity. Financial products are netted-off when the Company, according to the law, has this legal right and intends to set them off (against each other) on a net basis or to recover the asset and sets the liability off at the same time.

- **Interest rate risk and exchange rate risk:** The Company's bank loans are denominated in euros and are subject to flexible interest rates. The Company does not use derivative to financial products in order to reduce its exposure to interest rate risk. The Management of the Company follows the development of interest rates and exchange rates and takes the necessary measures to reduce the risk.
- **Real Value:** The amounts appearing in the attached Balance Sheets for the cash balances, short-term receivables and other short-term liabilities approximate their respective real values due to their short-term nature. The real value of the short-term bank loans does not differ from their accounting value due to the use of floating interest rates.
- **Credit Risk Concentration:** A substantial part of trade receivables in general relate to agencies and entities of the Public sector with which there is no credit risk, per se. Regarding receivables from the private sector, the Company policy is to seek business with customers of satisfactory credit standing while the constant aim is to resolve any resulting differences within the frames of an amicable settlement. Moreover the credit risk concentration with respect to receivables from the private sector is limited compared to the total amount of trade receivables due to the great dispersion of the balances.

e) Foreign Exchange Conversion: The euro is the currency of operation and presentation of the Company (TERNA S.A.) Transactions in other currencies are converted into euros using the exchange rates in effect at the date of the transaction. At the date of compilation of the financial statements the monetary asset and liability items that are denominated in other currencies are adjusted so as to reflect the current exchange rates.

The profits and losses resulting from the end-of-year valuation of monetary items in foreign currencies are reflected in the attached consolidated income statement. The profits or losses resulting from transactions are also reflected in the consolidated income statement.

f) Intangible assets: Intangible assets mainly consist of quarry use rights, software acquisition costs and all expenses incurred to develop the software in order to bring it to operational status. Amortizations on the quarry use rights are accounted for using the straight-line method for the duration of the contractual right for the exploitation of the quarries (approximately 30 years) and within their productive use period, while amortization on software is accounted for based on the strable stable line method and within a period of three years.

g) Income recognition: Income is recognized to the extent that economic benefits will result for the Company and the relevant amounts can be credibly measured. The following specific recognition criteria must also be met for the recognition of income.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

Income from construction activities: The income from construction contracts is recognized in their accounting books based on amounts invoiced to customers, which result from the relevant partial certifications of work completed that are issued by the responsible engineers and correspond to the work completed up to the closing date. For reasons of compliance with the IFRS income from construction activity is accounted for in the attached financial statements using the percentage-of-completion method in accordance with the provisions of IAS 11 “Construction Contracts”.

According to the percentage-of-completion method the construction costs incurred up to the Balance Sheet date are compared to the total estimated cost of the project in order to determine the percentage of the project that has been completed. This percentage is applied to the total revised contract price in order to determine the cumulated income from the project, based on which the invoiced income to date is revised. The cumulated effect of the revisions of the total estimated construction cost and the total contract price are accounted for during the accounting periods in which they arise. In the cases of contracts where it is forecast that the total estimated cost will exceed the total contract price, the entire loss is recognised in the year during which the loss-making events become possible.

Non-invoiced accrued income relates to income recognized on the basis of the method described above that has not yet been invoiced. Non-accrued income comprises additional amounts invoiced up to the balance sheet date compilation over and above the income calculated using the percentage-of-completion method.

Project execution advance-payments represent amounts received by the Company upon signing the relevant contracts and are proportionally netted-off with the partial invoicings. The remaining amount appears as a liability in the attached consolidated financial statements.

Sale of goods: Revenue from the sale of goods, net of trade turn-over discounts, sales incentive discounts and the corresponding VAT, is recognized when the significant risks and benefits from ownership of the goods have been transferred to the buyer.

Rent Revenue: Rent revenue is recognized using the straight-line method, according to the terms of the lease contract.

Dividends: Dividends are accounted for when the right to receive them has been finalized by the shareholders by virtue of a General Meeting resolution.

Interest: Interest income is recognized on an accruals logistic basis.

h) Tangible Fixed Assets: As previously mentioned, the Company has valued certain land, buildings, machinery and vehicles at fair value on January 1st, 2004 and these fair values have been used as implied cost at the date of transition to IFRS. The resulting surplus was credited to the profits carried forward account. The remaining land, buildings, machinery and vehicles and the rest equipment are estimated at purchase cost less accumulated amortizations and any provisions for their value depreciation.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

Repairs and maintenance are booked as expenses during the year in which they are incurred. Significant improvements are capitalized in the cost of the respective fixed assets provided that they augment the useful economic life, increase the production level or improve the efficiency of the respective fixed assets.

Tangible fixed asset items are eliminated from the balance sheet on disposal or withdrawal or when no further economic benefits are expected from their continued use. Gains or losses resulting from the elimination of an asset from the balance sheet are included in the income statement of the financial year in which the fixed asset in question is eliminated.

It is noted that upon the withdrawal or disposal of a fixed asset that had been previously revalued according to what was previously described, the respective liquidated surplus is not recycled through the income statement.

Fixed assets under construction include fixed assets that are under construction and reflect their cost. Fixed assets under construction are not depreciated until the asset is completed and put into operation.

i) Depreciations: Depreciations are calculated according to the fixed method using coefficients that approximate the relevant useful economic lives of the respective assets. The useful economic lives per fixed asset category is as follows:

	<u>YEARS</u>
Quarries	30
Buildings and Construction projects	8-30
Machinery and Technical Installation	3-12
Transport Vehicles	5-12
Furniture and Other Equipment	3-12

j) Depreciation of Fixed Assets' Value: The book values of long-term asset items are audited for depreciation purposes when facts or changes in circumstances imply that the book value may not be recoverable. When the book value of an asset exceeds its recovery value, the respective depreciation loss is registered in the consolidated profit & loss account. The recovery value is defined as the largest value between the net estimated sale price and the acquisition value. The net sale value is the plausible income from the sale of an asset in the frame of a reciprocal transaction, in which all parties have full knowledge and willingness, after the deduction of each additional direct distribution cost for the asset while the acquisition cost consists of the net present value of future estimated cash flows expected to occur from the continuous use of the asset and from the income expected to arise from its distribution at the end of its estimated useful economic life. In order to determine the depreciation, the asset items are grouped at the lowest level for which cash flows are possible to be recognized separately.

An offset of depreciation loss for assets' values accounted for in previous years, takes place only when there are sufficient indications that such depreciation does not exist at the present or it has been decreased. In these cases the above offset is treated as income.

The Management assesses that there is no case for depreciation of the Company's fixed assets and thus the valuation of the assets' recovery value has not been made.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

k) *Investment property:* Investments in property (real estate) are registered at their real value. Profit or losses that arise from changes in the real value of investments in property, are included in the profit & loss account of the period/year during which they arise.

l) *Reserves:* Reserves are valued at the lowest price between cost and net liquidation value. The cost of finished and semi-finished products includes all the realized expenses in order for them to reach the current point of storing and processing.

The cost of raw materials and finished products is defined based on the weighted average. The net liquidation value of finished products is their estimated selling price within the Company's regular operation less the estimated costs for their completion and the estimated necessary costs for their sale. The net liquidation value of raw materials consists of their estimated replacement cost within the company's regular operation.

m) *Receivables Accounts:* Short-term receivables are accounted for at their nominal value less the provisions for doubtful receivables. At each balance sheet date all overdue or doubtful receivables are estimated in order to determine the necessity or not for a provision for doubtful receivables. The balance of the specific provision for doubtful receivables is appropriately adjusted to each balance sheet closing date in order to reflect the estimated relevant risks. Each write-off of customer balances is debited to the existing provision for doubtful receivables.

n) *Liquid Assets:* The Company considers time deposits and other high liquidity investments with an initial maturity less than three months, as liquid assets.

For the compilation of the cash flow statements, liquid assets consist of cash, deposits in banks and liquid assets as defined above.

o) *Long-term loan liabilities:* All long-term loan liabilities are initially registered to the cost, which is the actual value of the received payment less the considerable issuance expenses related to the loan. After the initial registration, interest-bearing loans are valued at the net book cost using the real interest rate method. The net book cost is calculated after taking into account the issuance expenses and the differences between the initial amount and the maturing amount. Profit and losses are registered in the net profit or loss when the liabilities are written off or devalued and through the depreciation procedure. Interest expenses are recognized on an accrued basis.

p) *Provisions for Staff Retirement Indemnities:* According to the provisions of L2112/20, the Company reimburses its retired or laid off employees, and the amount of the relevant indemnities depends on the years the employees worked in the company, the level of his/her wages and the grounds of departure (lay off or retirement). The liabilities for staff retirement indemnities are calculated on the discounted value of future benefits that are cumulated at the end of the year, based on the recognition of the employees' benefit rights during the duration of their expected working years. The above liabilities are calculated based on the financial and actuarial recognitions and are defined using the actuarial valuation method of the projected liability units (projected unit method). Net retirement costs for the period are included in the attached profit & loss account and consist of the present value of benefits accrued during the year, the interest on the benefits' liability, the cost of prior services, the actuarial profit or losses and any other additional retirement costs. The prior services costs are recognized on a constant basis in the mid period during which the program's benefits are provided for. The liabilities for retirement benefits are not financed. As at the 1st of January 2004 (transition date to I.F.R.S. and compilation of initial Balance Sheet) the Company, applying the exemptions provided for by I.F.R.S. 1 for the first application year for I.F.R.S., recognized the total accumulated actuarial losses as for the 1st of January 2004. During the compilation of subsequent financial statements TERNA, applying the general provisions of IAS 19, followed the "margin" method for the recognition of accumulated

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

actuarial losses/profit. Actuarial profit and losses are registered as income or expenses when the accumulated actuarial profit or losses for each program separately exceed 10% of the largest value between the liability of the defined benefit and the actual value of the program's assets. This profit or losses are systematically registered during the expected average of remaining working life of employees participating in the programs.

q) Government Pension Plans: The Company's staff is mainly covered by the main Government Social Security Fund that corresponds to the private sector (IKA) and which provides pension and medical-pharmaceutical benefits. Each employee is obligated to contribute part of his/her monthly wage to the fund, while part of the total contribution is covered by the Company. At the time of retirement, the pension fund is responsible for the payment of retirement benefits to the employees. Consequently, the Company has no legal or presumed liability for the payment of future benefits according to this plan.

r) Income Tax (Current and Deferred): Current and deferred taxes are calculated based on the financial statements compiled by the Company, according to the tax regulation effective in Greece or other tax frameworks under which the foreign subsidiaries operate. Income tax is calculated based on the earnings of the Company as such are reformed on the companies' tax reports, on additional income taxes emerging from the Tax Authorities' tax audits and on deferred income taxes based on the enacted tax rates factors.

Deferred income tax is calculated using the liability method on all temporary differences between the tax base and the book value of assets and liabilities during the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax receivables are recognized for all the exempted temporary differences and transferable tax receivables and tax losses, to the degree that it is likely that there will be available taxable earnings, which will be used against the exempted temporary differences and the transferable unused tax receivables and unused tax losses.

The deferred tax receivables are estimated at each balance sheet date and are reduced to the degree that it is not considered likely that there will be adequate taxable earnings against which part or the total of receivables from deferred income taxes may be used.

Deferred tax receivables and liabilities are calculated according to the tax rates that are expected to be in effect during the fiscal year the receivable will be realized or the liability will be settled, and are based on the tax rates (and tax regulations) that are effective or enacted during the balance sheet date.

The income tax that is related to items, which have been directly recognized in equity, is directly registered in equity and not in the consolidated profit & loss account.

s) Borrowing costs: The Company follows the basic accounting treatment provided for by IAS 23, "Borrowing Costs", according to which the borrowing costs are recognized as an expense within the period it corresponds to.

t) Financial Leases: Financial leases, which essentially transfer to the Company all the risks and returns related to the leased fixed asset, are capitalized during the inception of the lease based on the leased asset's fair value or, if it is lower, on the present value of the minimal leases. Payments for financial leases are allocated between the financial expenses and the

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

reduction of the financing liability, in order to achieve a fixed interest rate on the remaining portion of the liability. The financial expenses are debited directly to the results. Capitalized leased fixed assets are depreciated based on the useful economic life of the asset.

Leases where the leaser maintains all the risks and returns of the fixed asset's ownership, are registered as operating leases. The payments of operating leases are recognized as an expense in the consolidated profit & loss account on a constant basis for the duration of the lease.

u) Government Grants: Government grants that are related to subsidies of tangible fixed assets, are recognized when there is reasonable certainty that the grant will be received and all relevant terms will be met. When government grants are related to an asset, the fair value is credited to a deferred income account and transferred to the consolidated profit & loss account with equal annual instalments based on the expected useful economic life of the asset that was subsidized. When the grant is related to an expense it is recognized as income during the period deemed necessary to balance the grant on a systematic basis towards the expenses it is meant to offset.

v) Provisions, Contingent Liabilities and Contingent Receivables: Provisions are recognized when the Company has a present or implied liability resulting from prior facts, its clearing is possible through the outflow of funds and a reliable estimation of the liability can be made. The provisions are reconsidered on each balance sheet date and are adjusted in order to reflect the present value of expenses that are deemed necessary for the settlement of the liability. If the effect of the time value of money is significant, then provisions are calculated by discounting the expected future cash flows with a pre-tax rate, which reflects the market's current estimations for the time value of money, and wherever considered necessary, the risks related specifically to the liability. Contingent liabilities are not recognized in the consolidated financial statements but are notified, unless the possibility of an outflow of funds including financial benefits is small. Contingent receivables are not recognized in the consolidated financial statements but are notified when an inflow of financial benefits is likely.

w) Earnings per Share: The basic earnings per share (EPS) are calculated by dividing net earnings with the average weighted number of common shares that are outstanding during each year, with the exception of the average common shares acquired by the company as own-shares.

Diluted earnings per share are calculated by dividing the net earnings attributed to the shareholders (after deducted the interest on convertible shares, after taxes) with the average weighted number of common shares that are outstanding during each year (adjusted for the effect of the diluted convertible shares).

x) Information Per Business Activity: The distinction of the activities per sector of the Company constitutes business segments. The operating activities are organized and managed separately according to the nature of the products and services they refer to, with each section constituting a strategic business unit that provides different products and operates in different markets.

The Company presents information per activity sector its activities in construction, management of real estate, as well as the remaining activities. The basic notion for the presentation of assets and liabilities as well as income and expenses for each sector, which are not included directly in a specific sector, is their allocation to sectors according to criteria that are applied consistently.

4. GROUP STRUCTURE

The structure of the TERNA Group as at September 30th 2005 is as follows:

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

A) Direct Subsidiaries of the Parent:

COMPANY NAME	COUNTRY OF DOMICILE	PARTICIPATION PERCENTAGE
1. BIOMEK ABETE	GREECE	66.50%
2. TERNA ENERGY ABETE	GREECE	61.75%
3. STROTIRES AEBE	GREECE	51%
4. DIKEVE SA	GREECE	100%
5. ILIOCHORA SA	GREECE	100%
6. IRON THERMOELECTRIC SA	GREECE	50%

B) Subsidiaries of TERNA ENERGY SA:

COMPANY NAME	COUNTRY OF DOMICILE	PARTICIPATION PERCENTAGE
1. IWECO CHONOS LASITHI CRETE SA	GREECE	100%
2. TERNA ENERGY CRETE SA	GREECE	100%
3. TERNA ENERGY ABETE & BROS ENERGIAKI SERVOUNIO SA	GREECE	99%
4. TERNA ENERGY EVROS	GREECE	100%
5. PPC RENEWABLE- TERNA ENERGY SA	GREECE	51%

C) Joint-Ventures in which TERNA participates consolidated with the proportional consolidation method

1	J/V TERNA SA - ATHENA ATE
2	J/V PANEPITIMIOUPOLI HERAKLION
3	J/V ARTA PHILIPPIADAS DIVERSION
4	J/V TERNA SA - TH. KARAGIANNIS SA MINISTRY FOR THE ENVIRONMENT, PHYSICAL PLANNING AND PUBLIC WORKS CONSTRUCTION PROJECT
5	J/V UNDERGROUND CAR PARK THESSALONIKI
6	J/V THALES ATM SA - TERNA RENNOVATION OF TACAN STATIONS
7	J/V TERNA SA - PANTECHNIKI SA
8	J/V TERNA SA-THALES SA
9	J/V MAIN IRRIGATIVE CANAL D1
10	J/V TERNA SA - ATHENA ATE PROJECTS ARAHTHOS PERISTERI
11	J/V ANCIENT OLYMPIA DIVERSION (ALPINE MAYREDER BAU GMBH)
12	J/V PERISTERI METRO
13	J/V ATHENS CONCERT HALL
14	J/V TERNA SA AKTOR SA J&P AVAX
15	J/V TRAM ENGINEER PROJECTS (IMPREGILO)
16	J/V TERNA SA - KARAGIANNIS PROJECT TEFAA KOMOTINI

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

17	J/J EVINOS - AEGEK-METON SA-TERNA SA-EYKLEIDIS SA
18	J/V DEPA PROJECT
19	J/V ATHENS CAR PARKS
20	J/V TERNA SA-AKTOR SA - GOYLANDRI MUSEUM
21	J/V AKTOR, AEGEK, EKTER, TERNA, SPATA AIRPORT FACILITIES
22	J/V ARHIRODON HELLAS ATE - TERNA SA
23	J/V TERNA SA VIOTER SA
24	J/V AVAX-VIOTER (CONTRUCTION OF OLYMPIC VILLAGE)
25	J/V EDRACO ATE - TERNA SA Z. NIKOLOPOULOS
26	J/V TERNA SA - EDRACO ATE
27	J/V ETETH - TERNA AVAX PANTECHNIKI
28	J/V TERNA S.A. J&P AVAX - PANTECHNIKI
29	J/V SALONIKA PARK
30	J/V SIEMENS – AKTOR S.A. – TERNA S.A.
31	J/V TERNA S.A. – MICHANIKI S.A. – AGRINIO BY-PASS

5. UNAUDITED FISCAL YEARS

The unaudited fiscal years of the companies of the TERNA Group which are consolidated with the method of the total and proportional consolidation have as follows :

TITLE	UNAUDITED FISCAL YEARS
1. TERNA ENERGY ABETE	2004
2. BIOMEK ABETE	2002- 2004
3. STROTIRES AEBE	2003-2004
4. DIKEVE SA	2003-2004
5. ILIOCHORA SA	2003-2004

TITLE	UNAUDITED FISCAL YEARS
1. IWECO CHONOS LASITHI CRETE SA	2002- 2004
2. TERNA ENERGY CRETE SA	2002- 2004
3. TERNA ENERGY ABETE & BROS ENERGIAKI SERVOUNIO SA	2002- 2004
4. TERNA ENERGY ABETE & BROS AIOLIKI DICHALOU SAPPON UNLIMITED GENERAL PARTNERSHIP	2002- 2004
5. PPC RENEWABLE- TERNA ENERGY SA	2002- 2004

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

6. NUMBER OF EMPLOYED STAFF

The employed staff on 30th of September 2005 had as follows :

	TERNA	GROUP
SALARIED	270	440
BUILDERS	206	225

7. TRANSACTIONS WITH ASSOCIATED PARTIES

TERNA GROUP

<i>INTRA - GROUP TRANSACTIONS</i>	
INCOME FROM INTRA- GROUP SALES	12.359
ASSETS UNDER CONSTRUCTION	784
COST OF INTRA- GROUP TRANSACTIONS	3.268

<i>INTRA-GROUP BALANCES OF RECEIVABLES-LIABILITIES</i>	
Suppliers	3.609
Customers	24.812
Short – term receivables against associated Enterprises/ of other holding interest Enterpr.	4.539
Liabilities to other of holding interest/associated Enterprises	11
Advance Payments to Suppliers	212
Advance Payments to Customers	1.950

8. CONTINGENT LIABILITIES

In the context of conducting its activities, the Company may face contingent legal claims from third parties. According to both the Management and the Company's Legal Consultant, any such claims are not expected to have a significant impact on the Company's operation and financial status as at the 30th of September 2005.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand euros, unless stated otherwise)

9. INFORMATION PER SECTOR OF ACTIVITY

The following table presents the separation of the Group's results on 30th of September 2004 and on 30th of September 2005 according to the main activities as follows :

TERNA GROUP 30th of September 2004	Construction	Energy	Real Estate	Industrial	Other	Total	Group	Group
(in thous, euro)	Sector	Sector	Sector	Sector	Sectors	Sectors	Deletions	Total
RESULTS OF FISCAL YEAR								
Turnover (Sales)	346.313	6.244	638	7.822	4.794	365.811	(48.509)	317.302
Cost of Sales and Services Rendered	(291.394)	(3.194)	(54)	(5.015)	(5.182)	(304.839)	48.509	(256.330)
Gross Operating Results	54.919	3.050	584	2.807	(388)	60.972	0	60.972
Other Income / Expenses (net)	(8.542)	(3.335)	0	(347)	(785)	(13.009)	0	(13.009)
Financial Income / Expenses (net)	6.647	(388)	(183)	(135)	(96)	5.845	(10.595)	(4.750)
Net Result before taxes	53.024	(673)	401	2.325	(1.269)	53.808	(10.595)	43.213

TERNA GROUP 30th of September 2005	Construction	Energy	Real Estate	Industrial	Other	Total	Group	Group
(in thous, euro)	Sector	Sector	Sector	Sector	Sectors	Sectors	Deletions	Total
RESULTS OF FISCAL YEAR								
Turnover (Sales)	145.366	18.280	551	4.264	7.643	176.104	(3.479)	172.625
Cost of Sales and Services Rendered	(125.013)	(9.320)	(50)	(3.864)	(6.640)	(144.887)	4.460	(140.427)
Gross Operating Results	20.353	8.960	501	400	1.003	31.217	981	32.198
Other Income / Expenses (net)	(7.120)	(1.891)	(98)	(144)	(1.112)	(10.365)	(1.106)	(11.471)
Financial Income / Expenses (net)	(806)	(1.992)	(235)	9	(96)	(3.120)	(1.098)	(4.218)
Net Result before taxes	12.427	5.077	168	265	(205)	17.732	(1.223)	16.509

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

In addition , the following table presents the separation of the items of the Group's Balance Sheet on 31st of December 2004 and on 30th of September 2005 according to its main activities as follows :

TERNA GROUP 30th of September 2004	Construction	Energy	Real Estate	Industrial	Other	Total	Group	Group
(in thous. euro)	Sector	Sector	Sector	Sector	Sectors	Sectors	Deletions	Total
ASSETS								
Intangible assets (net)	215	22	0	0	5.932	6.169	0	6.169
Tangible assets (net)	51.546	98.315	2.268	496	1.021	153.646	(3.791)	149.855
Investment Property	0	0	29.368	0	0	29.368	0	29.368
Other Long-term Receivables	366	411	121	31	4.703	5.632	(14)	5.618
Reserves	6.019	2.151	0	1.869	5.511	15.550	(1.022)	14.528
Trade receivables-customers	246.768	1.703	352	3.610	1.136	253.569	(33.231)	220.338
Advance payments - Other receivables	55.896	11.242	637	642	3.540	71.957	(32.223)	39.734
Other financial assets	41.779	10.106	0	6	0	51.891	(44.717)	7.174
Cash and cash equivalents	33.339	774	357	1.031	1.512	37.013	0	37.013
Total Assets	435.928	124.724	33.103	7.685	23.355	624.795	(114.998)	509.797
LIABILITIES								
Long-term loans-Leasing	20.637	22.390	8.570	0	0	51.597	0	51.597
Other Long-term liabilities	6.461	0	0	0	0	6.461	0	6.461
Provisions	4.132	4	0	115	0	4.251	0	4.251
Short-term loans	83.486	24.307	558	4	2.498	110.853	(13)	110.840
Liabilities Towards Suppliers-Other liabilities	165.169	53.059	1.787	4.956	2.995	227.966	(67.042)	160.924
Total Liabilities	279.885	99.760	10.915	5.075	5.493	401.128	(67.055)	334.073

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS
30st SEPTEMBER 2005
(Amounts in thousand euros, unless stated otherwise)

TERNA GROUP 30th of September 2005	Construction	Energy	Real Estate	Industrial	Other	Total	Group	Group
(in thous. euro)	Sector	Sector	Sector	Sector	Sectors	Sectors	Deletions	Total
ASSETS								
Intangible assets (net)	264	42	0	0	5.766	6.072	0	6.072
Tangible assets (net)	47.267	98.216	30	375	1.022	146.910	1.966	148.876
Investment Property	0	0	26.278	0	0	26.278	0	26.278
Other Long-term Receivables	544	356	35	32	8.756	9.723	0	9.723
Reserves	8.525	1.879	0	3.557	3.455	17.416	(148)	17.268
Trade receivables-customers	180.015	1.446	0	2.096	1.613	185.170	(23.458)	161.712
Advance payments - Other receivables	41.633	5.850	27	534	2.894	50.938	(8.894)	42.044
Other financial assets	43.297	16.496	0	356	0	60.149	(53.336)	6.813
Cash and cash equivalents	30.631	3.243	38	242	11.491	45.645	0	45.645
Total Assets	352.176	127.528	26.408	7.192	34.997	548.301	(83.870)	464.431
LIABILITIES								
Long-term loans-leasing	19.405	31.940	7.063	0	0	58.408	0	58.408
Other Long-term liabilities	1.005	761	0	0	0	1.766	0	1.766
Provisions	2.851	6	0	123	69	3.049	0	3.049
Short-term loans	65.220	20.867	0	0	2.000	88.087	0	88.087
Liabilities Towards Suppliers-other liabilities	149.461	17.766	783	4.286	1.312	173.608	(41.769)	131.839
Total Liabilities	237.942	71.340	7.846	4.409	3.381	324.918	(41.769)	283.149

10. OTHER INFORMATION

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

The Group is obliged to proceed to the rehabilitation of the areas in which it has installed the wind farms of power production. For the time being the Group is under the procedure of the above cost estimation. The amount which will derive will be present as fixed asset in the assets and as a provision in the liabilities. The fixed asset will be amortized in the profit and loss results for a time-period equal to the productive life of the wind farm. According to the Group's Management estimations the amount of the annual amortization is not significant for the consolidated results of the Group.

11. SUMMARY OF MOST IMPORTANT DIFFERENCES BETWEEN G.A.A.P. AND I.F.R.S.

The following table presents in summary, the effect of the most important adjustment entries on equity for 1.1.2004 and 31.12.2004, which were applied on the Company's statutory financial statements, in order to adjust the latter to I.F.R.S.

**ADJUSTMENT TABLE FOR INITIAL PERIOD's NET POSITION (1.1.2005 and 1.1.2004)
 BETWEEN GREEK GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (G.A.A.P.) AND
 INTERNATIONAL FINANCIAL REPORTING STANDARDS (I.F.R.S.)**

	TERNA GROUP		COMPANY TERNA	
	31.12.2004	1.1.2004	31.12.2004	1.1.2004
Initial period's net position according to G.A.A.P.	189.455	156.234	145.232	123.405
Recognition of staff indemnities provision according to IAS 19	201	(1.290)	(422)	(1.116)
Valuation at fair value of investment property & fixed assets	12.005	10.885	7.080	10.363
Write-off of intangible assets	(7.727)	(10.510)	(3.094)	(4.478)
Recognition of long-term construction contracts according to IAS 11	(7.257)	(2.357)	(12.625)	(7.413)
Accounting of deferred taxes	3.705	5.245	4.442	5.124
Recognition of financial leases	246	(1.949)	35	(2.072)
Provision for doubtful receivables	(12.270)	(12.972)	(5.234)	(12.719)
Transfer of grants to deferred income of next years	(12.822)	(12.165)	-	-
Consolidation of Joint Ventures & other companies based on the proportional method	851	(1.030)	-	-
Other	(194)	-	-	-
Recognition of 2003 dividend according to IAS	10.113	7.813	10.113	7.813
Increase of depreciation following restatement	(582)		(582)	
Initial period's net position according to I.F.R.S.	175.724	137.904	138.789	118.907

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

The following Reconciliation Table presents in summary the effect of the most important adjustment entries on the Company's net results for the period ending on the 31st of March 2004, which were applied on the Company's statutory financial statements, in order to adjust the latter to I.F.R.S.:

ADJUSTMENT TABLE FOR THE PERIOD'S (31.3.2004) RESULTS BETWEEN GREEK ACCOUNTING STANDARDS (G.A.S.) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (I.F.R.S.)

	TERNA GROUP	COMPANY TERNA
	30.9.2004	30.9.2004
Period's results according to G.A.S.	55.446	43.852
Recognition of staff indemnities provision according to IAS 19	390	492
Valuation at fair value of investment property & fixed assets	273	(69)
Write-off of intangible assets	2.149	1.033
Recognition of long-term construction contracts according to IAS 11	(7.499)	(4.036)
Accounting of deferred taxes	(909)	(539)
Recognition of financial leases	1.370	1.287
Provision for doubtful receivables	(288)	(490)
Provision for the period's income tax	(8.659)	(6.008)
Other – Tax of Consolidated J/V	(7.443)	(6.965)
Period's results according to I.F.R.S.	34.830	28.557

- a. Investment Grants:* According to Greek Generally Accepted Accounting Principles, grants that are received for the financing of the acquisition and/ or construction of Company fixed assets, are registered in equity and are depreciated according to the useful economic life of the fixed assets they refer to. According to I.F.R.S., the above grants and consumer participations are registered as deferred income of next years and are depreciated according to the useful economic life of the fixed assets they refer to.
- b. Recognition of income from technical projects based on the percentage-of-completion method:* For the recognition of income that arises from projects constructed by the Group, the percentage-of-completion method was applied according to IAS 11. Details on the accounting principle are included in Note 3.
- c. Intangible Assets:* According to G.A.P., many expenses categories related to pre-operating activities, acquisition of tangible assets, foreign exchange differences from loans for the acquisition of assets, interests of loans during the construction period and research and development, were capitalized and depreciated always within a five-year period. The entry and recognition of expenses in intangible assets (except for the procedure of corporate acquisitions and mergers) are subject to specific and strict rules according to IAS 38 and essentially only the recognition of specific research and development expenses are permitted under exceptional conditions. Therefore the majority of expenses that were capitalized according to the previous G.A.P. were written-off on the transition date, at the expense of the profit carried forward balance.

TERNA S.A.
NOTES ON THE INTERIM FINANCIAL STATEMENTS

30st SEPTEMBER 2005

(Amounts in thousand euros, unless stated otherwise)

- d. Provisions for Staff Indemnities:* According to Greek General Accepted Accounting Principles, Companies must make a relevant provision for a percentage of at least 40% of the cumulative liability that would be paid if the total staff had been fired on the 31st of December of each year, whereas according to I.F.R.S. such provisions should be made based on the relevant actuarial studies carried out according to IAS 19.
- e. Deferred Income Taxes:* The Greek accounting standards do not allow for the recognition of deferred income taxes, something which is mandatory according to the provisions of I.F.R.S.
- f. Financial leases:* The Company recognized the fixed assets acquired through financial leases contracts on its Balance Sheet, whereas according to the previous Accounting Principles financial leases were recognized as operating.
- g. Dividends:* Proposed dividends after the balance sheet closing date, which during the approval time of the financial statements by the Board of Directors were subject to approval by the Company's Shareholders, and which according to the previous Accounting Principles appear as a liability, were reallocated to the net position.
- h. Tangible Assets, Investment Property:* According to G.A.P., tangible assets (mainly plots and buildings, self-used or not) are valued at their readjusted values based on readjustments that took place every four years. Such readjustments are based on non-sectorial readjustment rates, which were specified by Presidential Decrees and applied on the acquisition value and cumulative depreciations of the relevant fixed assets, while the resulting surplus values were capitalized within a two-year period from the readjustment. Based on I.F.R.S. (and according to the admissible treatment of the I.F.R.S. 1) specific plots, buildings and mechanical equipment items were valued at fair value as at the transition date, a value that was used as implied cost. Furthermore, depreciations according to I.F.R.S. correspond to the useful duration of economic life of the relevant fixed assets, while depreciations according to G.A.P. were effected based on rates set by the tax regulation.
- i. Joint Ventures:* According to G.A.P., the participations in joint ventures were valued at acquisition costs in the consolidated balance sheet, while the account "Income from Participations" in the profit & loss account included the proportion of net profit or loss of the joint venture corresponding to the Group according to the relevant participation percentages. According to IAS 31 "Joint Ventures", joint ventures were mainly consolidated (main method) with the proportional consolidation method based on which consolidated financial statements include the participation percentage of the Group in the assets, liabilities and profit and loss accounts items of the consolidated joint ventures, which are consolidated with the proportional consolidation method.