

Flash Note - Construction Services - Croatia - September 10, 2008

## Dalekovod

Target Price: HRK / Current Price: HRK 812.00

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### Dalekovod announced a new deal worth HRK 376mn

Croatian construction company Dalekovod announced that it placed the best offer construction of bypass around city Rijeka. Contract of overall value HRK 376mn yet needs to be signed with Highway Rijeka-Zagreb, investor of the project, which when happens will be the second major contract signed within the period of two weeks. Contract considers construction work on an 8.8 kilometers long bypass around city Rijeka. Construction works is related to supply and installment of electro equipment and 110 kilovolt pipeline. Deadline for all construction work to be finished is set at June 1.

In our point of view signing of this contract is positive for the top line and seems company is on track of reaching its planned sales level of around HRK 2bn for year 2008 or 13% y/y growth (on the 1H level company had around 40% of FY08 plan). Mentioned contract represents 21% of FY2007 sales and is the second one of the same value signed within two weeks. What seems to be even more important is the deadline for both contracts which is in June 2009. However both deals are signed with government's companies HAC and Highway Rijeka-Zagreb, which does not strengthen current client base and could make some pressure on margins.

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