

Company Update

March 24, 2010

Telecommunications/Croatia

T-Hrvatski Telekom

Reduce

Price 23.03.10	319.89
Price target	292.00
Volatility risk	medium
Year high/low	323.73/204.60
Currency	HRK
HRK/EUR	7.26
ADR rate	n.a.
Market capitalisation in EUR mn	3,608.9
Free float	38.4%
Free float in EUR mn	1,385.8
∅ daily turnover (12 m) in EUR mn	0.7
Index	CROBEX
ISIN code	HRHT000A0005
Bloomberg	HTRA CZ
Reuters	HT.ZA
Datastream	CR:HTH

Unsustainable dividend payments

In our view, this year will be even more challenging for T-Hrvatski Telekom than the last year due to several reasons. The Croatian GDP is expected to decline by 0.9% yoy and unemployment remains high. In our opinion, the stock's valuation is not adequate and the current high dividend payments are not sustainable. Therefore we maintain our "reduce" recommendation on the stock.

4Q 2009 results were relatively good taking into account the 5% yoy decline in Croatian GDP and the 6% tax applied on most mobile revenues from August 2009. The top line declined by 7.6% yoy in 4Q09. The major driver of the decline was a slump in mobile revenues by almost 17% yoy in 4Q09. EBITDA was impacted by exceptional items of HRK 163 mn of which HRK 152 mn was related to a redundancy provision and HRK 11 mn to reorganisation costs. Excluding these items EBITDA would have grown by 3.1% yoy and the EBITDA margin would reach 42.3% in 4Q09. The company will pay a dividend of HRK 34.05 per share on May 17, 2010. The record day for the dividend is planned to be April 21, 2010.

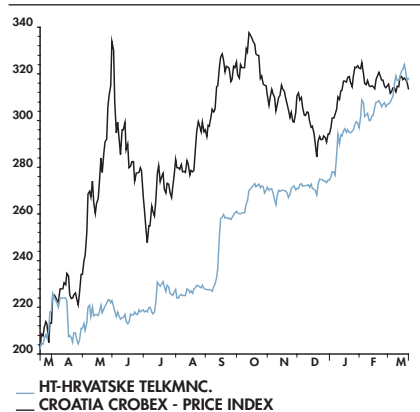
Outlook: In our opinion, the surge in the share price over the course of a few months has been related to declining government bond yields and the anticipation of a high dividend payment for this and next year. However in our opinion, the dividend payments of HRK 2.8 bn or about HRK 34 per share are not sustainable for the long term. We expect mainly mobile revenues to be under pressure this year due to an expected decline in MTR rates, roaming tariffs and given the practically saturated mobile market with a penetration rate of about 137% at the end of FY 2009. For this year, the management expects a moderate decline in revenues, some EBITDA erosion and lower capex, which might be revised during the year.

Valuation: Based on a DCF valuation and cross-check with EV/EBITDA multiples we set our 12-month cum-dividend price target at HRK 292 per share (from HRK 299).

Key ratios (IFRS)

In HRK	12/2008	12/2009	12/2010e	12/2011e	12/2012e
EPS reported	28.21	24.70	24.07	23.57	23.35
PE reported	7.1	11.1	13.2	13.5	13.6
Adjusted EPS diluted	28.21	26.30	24.07	23.57	23.35
Adjusted PE diluted	7.1	10.4	13.2	13.5	13.6
Operating cash flow per share	40.15	33.44	41.20	40.52	40.12
Price cash flow	5.0	8.2	7.7	7.9	7.9
Book value per share	151.91	146.69	136.70	126.27	126.63
Price book value	1.3	1.9	2.3	2.5	2.5
Dividend per share	29.99	34.05	34.00	23.00	23.00
Dividend yield	15.1%	12.4%	10.7%	7.2%	7.2%
EV/adjusted EBITDA	2.7	4.6	6.0	6.3	6.3

Source: T-HT, Raiffeisen estimates



Source: Thomson Financial Datastream

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Trigger	Momentum	Explanation
Macroeconomic situation	Negative	Our research team expects GDP to decline by 0.9% in FY 10 vs. an expected 5.0% yoy decline in FY09. The interest rate environment (current 10y government bond yield at 6.5%) is expected to remain stable
Competition & regulation	Neutral	MTRs declined by 17% in January 10 in comparison to March 2009 (negative) MTR at HRK 0.56 per minute or at 7.7 euro cents are still above average in Europe (negative) Roaming tariffs are expected to decline in line with EU regulations (negative) Currently the regulatory environment is rather soft and competition remains reasonable (positive)
KPI	Neutral	Fixed line churn remains low but accelerated in 4Q 2009 (neutral) Mobile ARPU declined by 16.3% yoy to HRK 98 in FY2009 (negative) Number of active SIM cards declined by 0.9% yoy in 4Q 2009 (negative)
6% fee (taxes) on mobile revenues	Negative	T-Mobile has to pay a fee of about 6% on approximately 70% of mobile gross revenues from August 2009 onwards.
Dividend payment	Positive	We expect T-HT to pay a dividend of HRK 34 per share for FY 10 - high dividend yield

Source: Raiffeisen Centrobank

4Q 09 results: high dividend payment confirmed

Top line declined by 7.6% yoy while adjusted EBITDA grew 3.1% yoy in 4Q09

The top line declined by 7.6% yoy in 4Q09. The major driver of the decline was a slump in mobile revenues by almost 17% yoy in 4Q09. The drop in fixed voice revenues of 12.5% yoy was compensated for by almost 22% yoy growth in Internet services. In other words, consolidated wireline revenues slightly grew in 4Q09. We remind that mobile revenues were impacted by a 6% fee on most of the revenues (about 70% of gross revenues) from August last year onwards. EBITDA was impacted by exceptional items of HRK 163 mn of which HRK 152 mn was related to a redundancy provision and HRK 11 mn to reorganisation costs. Excluding these items EBITDA would have grown by 3.1% yoy and the EBITDA margin would have reached 42.3% in 4Q09. Net profit was down by 22% yoy and was below our expectation due to lower financial income and higher taxes in 4Q09. On the balance sheet side the company had a cash and cash equivalents position of HRK 4.2 bn or HRK 51 per share. This gives the company a big cushion to pay dividend of HRK 34 per share again next year. Actually the proposed dividend of HRK 34.05 pre share was the most positive surprise related to 4Q09 results. The higher than expected dividend payment was enabled due to the legal merger of T-Com and T-Mobile, which enhanced accumulated retained earnings at the end of FY 2009. On the negative side CFO declined by almost 12% yoy due to lower net profit in FY 2009. In addition capex as % of revenues stood at 18.2% in FY 2009, which we consider as a very high figure.

in HRK mn	4Q08	4Q 09	+/- %	RCB est.	+/- %
Sales	2,156	1,992	-7.6	2,007	-0.7
EBITDA	772	679	-12.0	632	7.4
EBIT	419	325	-22.4	301	8.0
Net profit a.m.	421	277	-34.2	333	-16.8
EPS	5.1	3.4	-34.2	4.1	-16.8
EBITDA margin	35.8%	34.1%		31.5%	
EBIT margin	19.4%	16.3%		15.0%	
Net profit margin	19.5%	13.9%		16.6%	

Source: THT and Raiffeisen estimates

Outlook

In our opinion, the economic environment remains gloomy in Croatia

Our economic team expects Croatian GDP to decline by 0.9% yoy in FY 2010 despite a slump of about 5% yoy in FY 2009. In other words, the outlook for the Croatian economy with an unemployment rate above 16% remains gloomy. In our opinion, T-HT's share price has been supported by a significant decline in government bond yields.

In our opinion, the current dividend payment of HRK 34.05 per share is not sustainable in the long run

Moreover it seems that the market is pleased with a current dividend payment of about HRK 34 per share or with a dividend yield above 10%. The dividend should be paid on May 17 and the record day is planned to be April 21. However in our view, the current dividend yield is not sustainable. We expect the dividend to decline already in FY 2011 due to limited accumulated retained earnings. Moreover the company's capital expenditures well above 18% of consolidated revenues seem to be very high and limit free cash flow generation.

MTR remains high at EUR 0.077 in Croatia despite 17% cut in January of the FY 2010

We expect mainly mobile revenues to be under pressure this year due to an expected decline in MTR rates, roaming tariffs and a practically saturated mobile market with a penetration rate of about 137% at the end of FY 2009. In addition, we expect that government measures like the 6% fee on approx. 70% of gross revenues, which has applied since August 2009, to fully impact mobile revenues and consequently EBITDA this year.

The management expects moderate decline in revenues and some EBITDA erosion this year

On the regulatory side MTR were cut by 17% to about EUR 0.077 per minute - or HRK 0.56 per minute - in January in comparison to March 2009. Currently MTR are still above average in Europe. The average European MTR stood at EUR 0.063 per minute in July 2009. However, there is a recommendation for NRAs from the EC to slash MTR to at least EUR 0.03 per minute by the end of FY 2012. The lower MTR might induce more intense competition on the Croatian market. In addition, some wholesale prices (e.g. shared LLU and single tandem termination fees) related to the wireline business were recently cut and are expected to negatively impact wireline wholesale revenues this year.

For this year, the management expects a slight to moderate decline in revenues, some EBITDA erosion and lower capex, which might be even revised during the year. We expect the consolidated top line to decline by 4.2% yoy and reported EBITDA to slip by 0.9% yoy while we assume capex to drop by almost 9% this year. For the period 2010-2012 we expect the top line to decline by a CAGR of 1.4% while reported EBITDA should drop only by 0.6% due to the ongoing cost-cutting program.

Estimate changes

We mainly reduced mobile revenues for this year and next

We made several moderate changes in our model after 4Q09 results. We mainly reduced mobile revenues because mobile ARPU was a little bit lower than we anticipated. T-Mobile also lost 25k mobile users in 4Q09, which we did not anticipate. In addition, we newly assumed visitors' roaming revenues to decline because roaming tariffs are scheduled to decline in the EU and Croatia is expected to enter the EU in 2012. On the wireline side we reduce our estimates for voice revenues due to higher

churn and wholesale revenues due to a reduction of wholesale prices (e.g. the price for shared LLU declined by 4% yoy and the single tandem interconnect fee declined by 11% from January 2010). On the costs side we merged service and merchandise expenses together into one item called material expenses. This is in line with the more condensed quarterly presentation of T-HT. On the positive side we reduced the expected number of employees and consequently staff costs due to faster than expected headcount reduction in 4Q09 and a HRK 152 mn redundancy provision. In other words, we assumed 6,045 employees at the end of FY 2010 and then 250 and 110 employees to leave in FY 2011 and FY 2012, respectively. We remind that severance payments in the past reached HRK 320k or about EUR 44k per employee and are high in a regional comparison. We did not assume T-HT to create additional provisions in the period FY10e-FY12e due to the already higher than expected provision in 4Q09. We assumed capex as % of gross revenues to reach 16% in FY 2010 and then to decline to 15% in FY 2011e-FY2012e.

Estimate changes

In HRK mn	Old		New		Comment	
	2010e	2011e	2010e	2011e		
Sales	8,618	8,607	8,159	8,162	8,153	Lower mobile revenues
EBITDA	3,710	3,583	3,663	3,644	3,630	Lower revenues, cost-cutting in headcount area
EBIT	2,333	2,180	2,263	2,256	2,257	Lower EBITDA in FY 2010 and higher EBITDA in FY 2011
Net profit	2,141	1,986	1,971	1,930	1,912	Lower financial income
DPS (HRK)	26.0	24.0	34.0	23.0	23.0	Improved retained earnings after T-Mobile and T-Com merger
Capex	-1,592	-1,497	-1,416	-1,328	-1,334	Lower revenues

Source: THT and Raiffeisen estimates

Key assumptions and estimates

Gross revenues (HRK mn)	2009	2010e	2011e	2012e
Fixed voice revenues	2,506	2,253	2,061	1,979
Wholesale services	1,049	997	997	997
Internet services	1,149	1,296	1,424	1,548
*Dial-up revenues	37	19	6	0
*ADSL revenues	771	885	986	1,095
*Other internet related revenues	341	392	431	453
Data	183	178	178	178
Other	157	157	157	157
T-Com (gross)	5,044	4,880	4,816	4,858
T-Mobile (gross)	4,189	3,969	4,036	3,985
Gross revenues	9,233	8,849	8,852	8,842
Eliminations	-716	-690	-690	-690
Consolidated revenues	8,517	8,159	8,162	8,153
Other operating revenues	382	380	380	380

Source: T-HT and Raiffeisen estimates, note: *estimates even for FY2009

Key operating figures and assumptions	2009	2010e	2011e	2012e
Total fixed lines ('000)	1484	1404	1344	1294
Decline	-4.3%	-5.4%	-4.3%	-3.7%
Av fixed lines ('000)	1517	1444	1374	1319
Fixed line ARPU (HRK)	138	130	125	125
ADSL customers ('000)	555	625	690	770
Av ADSL customers ('000)	514	590	657.5	730
ADSL's ARPU (HKR)	125	125	125	125
Other internet revenue growth rate	37.0%	15.0%	10.0%	5.0%
Data revenue growth rate	-8.0%	-3.0%	0.0%	0.0%
Wholesale revenues growth rate	-8.0%	-5.0%	0.0%	0.0%
Other revenue growth rate	8.3%	0.0%	0.0%	0.0%

Source: T-HT and Raiffeisen estimates

Mobile selected key operating figures	2009	2010e	2011e	2012e
T-Mobile SIM cards eoy	2,859	2,848	2,818	2,788
T-Mobile market share	47.2%	47.0%	46.5%	46.0%
Av T Mobile SIM cards ('000)	2,775	2,854	2,833	2,803
Blended ARPU (HRK) excluding visitors roaming	98.0	92.5	95.5	95.0
Roaming visitors revenues growth rate*	-6.2%	-6.0%	-3.0%	0.0%
Visitors roaming as % of revenues*	10.5%	10.4%	9.9%	10.0%

Source: T-HT and Raiffeisen estimates. Note: *The figures for FY 2009 are also estimated because the company does not disclose visitors' roaming revenues.

Operating costs (HKR mn)	2009	2010e	2011e	2012e
Material expenses	-2,320	-2,227	-2,228	-2,226
Other expenses	-1,472	-1,420	-1,420	-1,419
Staff costs	-1,302	-1,115	-1,135	-1,144
Bad debts	-110	-114	-114	-114
Total opex	-5,204	-4,876	-4,898	-4,903

Group opex as% of sales	2009	2010e	2011e	2012e
Material expenses	-27.2%	-27.3%	-27.3%	-27.3%
Other expenses	-17.3%	-17.4%	-17.4%	-17.4%
Staff costs	-15.3%	-13.7%	-13.9%	-14.0%
Bad debts	-1.3%	-1.4%	-1.4%	-1.4%
Total opex	-61.1%	-59.8%	-60.0%	-60.1%

Source: Raiffeisen estimates

Risks to our planning model

Harder regulatory environment represents the main downside risk

We assumed that the mobile 6% fees on most of mobile gross revenues will be abolished by the end of this year. A shortened period of this special tax would be positive for the stock.

We see a potential business risk if the regulatory environment becomes harder, which would mean higher than expected pressure on revenues and profitability.

T-HT does not have all necessary building and use permits for ducts infrastructure (DTI) and is not registered as the owner of the majority rights to ducts in the Croatian land registers. Currently, for example, the City of Zagreb is claiming ownership of the telecommunication distribution infrastructure and seeking compensation of HRK 120 mn plus statutory interest. However, the management of T-HT believes that the claim is without merit.

Higher dividend payments would be positive

Higher than expected dividend payments would be positive for the stock's performance. Retained earnings might again limit the dividend payment from net profit in FY2011.

Lower interest rates or lower equity market premium would be positive for our valuation. An improved capital structure would have a positive impact on our valuation due to lower WACC. In our opinion, a share buyback could support the share price depending on the average execution price.

Valuation

We set our 12-month cum dividend price target at HRK 292 per share

We have valued the T-HT stock based on a discounted cash flow model and for cross-checking purposes we used a relative valuation. Currently, the T-HT stock is traded with an expected EV/EBITDA multiple of 6.0 for FY 2010. Even if we deduct the expected dividend payment for FY 2010, the ratio at 5.3 would be well above the current multiple for Magyar Telekom and TPSA stocks. In addition, expected P/CF multiple of 7.7 for this year also seems too excessive. Therefore we rather expect a downward correction, which could be spurred by 1Q 2009 results. At our ex-dividend price target of HRK 258 per share, the stock would be traded with expected EV/EBITDA of 4.7 and 5.0 for FY 2010 and FY 2011. We consider these multiples more reasonable.

The table below shows the impact on our estimated target price if we change the EBITDA margin by +/- 200 bps from FY 2010 going forward. This can happen if, for example, the competitive and regulatory environment intensifies or softens.

Change in EBITDA margin

Change in EBITDA margin	-200 bps	0 bps	+200bps
12m ex-dividend price target based on DCFM	241	258	276
Dividend for FY 08	34	34	34
12m cum-dividend price target based on DCFM	275	292	310
Total expected return to a closing price of HRK 318 per share	-13.5%	-8.2%	-2.5%

Source: Raiffeisen estimates

FCF projection

in HRK mn	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
NOPLAT	1,811	1,805	1,805	1,763	1,753	1,709	1,675
Adj. NOPLAT	1,811	1,805	1,805	1,763	1,753	1,709	1,675
Depreciation of PPE & intangibles	1,399	1,388	1,373	1,360	1,350	1,340	1,300
Gross investment in PPE & intangibles	-1,416	-1,328	-1,334	-1,300	-1,300	-1,300	-1,366
Change in working capital		0.0					
NWC/Sales	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%
Change in LT provisions other than tax	0	0	0				
Net acquisitions & disposals	0	0	0	0	0	0	
Free cash flow to firm	1,798	1,865	1,844	1,824	1,803	1,749	1,610
Adj. free cash flow to firm	1,798	1,865	1,844	1,824	1,803	1,749	1,610
EV DCF, mid-year assumption		17,126.20	17,117.00				
MV of non-operating assets		367	367				
MV of net debt		-3,623.90	-2,829.90				
MV of minorities		0	0				
Adjustments to EV		0	0				
Fair value of equity		21,117.10	20,313.90				
Shares outstanding (mn)		81.9	81.9				
Price target per share per 01/01 (in CZK)		257.9	248.1				

Value drivers	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Consolidated sales yoy	-4.2%	0.0%	-0.1%	0.5%	0.5%	0.5%	1.0%
EBITDA margin	44.9%	44.6%	44.5%	43.5%	43.0%	42.0%	41.0%
Rate of taxes paid	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
Working capital/sales	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%
Capex/depreciation	101.2%	95.7%	97.2%	95.6%	96.3%	97.0%	105.1%
Free cash flow margin	22.0%	22.9%	22.6%	22.3%	21.9%	21.1%	19.4%

WACC	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Target capital structure (at MV)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Debt/equity ratio (at MV)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk free rate (local)	6.0%	5.6%	5.1%	5.4%	5.3%	5.3%	5.2%
Equity market premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Levered beta	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	11.4%	11.0%	10.5%	10.8%	10.7%	10.7%	10.6%
Cost of debt	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Tax rate	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
WACC	11.4%	11.0%	10.5%	10.8%	10.7%	10.7%	10.6%

Sensitivity analysis I

		Growth sensitivity (HRK)						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
WACC	9.1%	268.0	275.9	284.8	294.9	306.2	319.1	333.9
	9.6%	257.5	264.5	272.4	281.1	290.9	302.0	314.7
	10.1%	248.0	254.2	261.2	268.9	277.4	287.1	298.0
	10.6%	239.3	244.9	251.1	257.9	265.4	273.9	283.3
	11.1%	231.4	236.4	241.9	248.0	254.7	262.1	270.3
	11.6%	224.1	228.6	233.6	239.0	244.9	251.5	258.8
	12.1%	217.4	221.5	226.0	230.8	236.1	242.0	248.4

Sensitivity analysis II

		Margin sensitivity (HRK)						
		17.9%	18.4%	18.9%	19.4%	19.9%	20.4%	20.9%
WACC	9.1%	282.6	286.7	290.8	294.9	298.9	303.0	307.1
	9.6%	269.8	273.6	277.3	281.1	284.9	288.6	292.4
	10.1%	258.4	261.9	265.4	268.9	272.3	275.8	279.3
	10.6%	248.2	251.4	254.6	257.9	261.1	264.3	267.6
	11.1%	239.0	242.0	245.0	248.0	251.0	254.0	257.0
	11.6%	230.6	233.4	236.2	239.0	241.8	244.6	247.4
	12.1%	223.0	225.6	228.2	230.8	233.4	236.0	238.6

Source: Raiffeisen estimates

Changes yoy	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Consolidated sales yoy	-0.2%	-3.4%	-4.2%	0.0%	-0.1%
EBITDA yoy	1.6%	-6.4%	-0.9%	-0.5%	-0.4%
EBITA yoy	3.1%	-11.9%	-1.3%	-0.3%	0.0%
EBIT yoy	3.1%	-11.9%	-1.3%	-0.3%	0.0%
EBT yoy	-4.9%	-12.8%	-4.0%	-2.1%	-0.9%
Net profit after minorities yoy	-6.7%	-12.4%	-2.6%	-2.1%	-0.9%

Margins	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Material costs margin	-45.2%	-27.2%	-27.3%	-27.3%	-27.3%
EBITDA margin	44.8%	43.4%	44.9%	44.6%	44.5%
EBITA margin	29.5%	26.9%	27.7%	27.6%	27.7%
EBIT margin	29.5%	26.9%	27.7%	27.6%	27.7%
EBT margin	33.4%	30.1%	30.2%	29.6%	29.3%
Net margin	26.2%	23.8%	24.2%	23.6%	23.5%

Balance sheet (HRK mn)	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Net working capital	-546	-61	-65	-65	-65
Net interest-bearing debt	-5,412	-4,454	-3,624	-2,830	-2,898
Capital employed	12,464	12,012	11,195	10,340	10,369
Market capitalisation	16,314	22,493	26,093	26,093	26,093
Enterprise value	10,535	17,672	22,102	22,896	22,829

Financing (x)	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Interest cover	126.6	99.9	0.0	0.0	0.0
Internal financing ratio	2.0	1.8	2.4	2.5	2.5
Net gearing	-43.5%	-37.1%	-32.4%	-27.4%	-27.9%
Quick ratio	3.0	3.2	2.8	2.3	2.4
Fixed assets cover	1.6	1.5	1.4	1.3	1.4
Capex/depreciation	1.2	1.1	1.0	1.0	1.0
Equity ratio	82.0%	83.0%	82.2%	81.0%	81.0%

Profitability	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Return on assets	15.3%	13.9%	14.0%	14.6%	15.0%
Return on equity	18.5%	16.5%	17.0%	17.9%	18.5%
Return on capital employed	18.6%	16.8%	17.0%	17.9%	18.5%

Per share data (HRK)	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Weighted avg. no. of shares (mn)	81.9	81.9	81.9	81.9	81.9
EPS reported	28.21	24.70	24.07	23.57	23.35
EPS pre-goodwill	28.21	24.70	24.07	23.57	23.35
Adjusted EPS diluted	28.21	26.30	24.07	23.57	23.35
Operating cash flow per share	40.15	33.44	41.20	40.52	40.12
Book value per share	151.91	146.69	136.70	126.27	126.63
Dividend per share	29.99	34.05	34.00	23.00	23.00
Payout ratio	106.3%	137.8%	141.3%	97.6%	98.5%

Valuation (x)	12/2008	12/2009	12/2010e	12/2011e	12/2012e
PE reported	7.1	11.1	13.2	13.5	13.6
PE pre-goodwill	7.1	11.1	13.2	13.5	13.6
Adjusted PE diluted	7.1	10.4	13.2	13.5	13.6
Price cash flow	5.0	8.2	7.7	7.9	7.9
Price book value	1.3	1.9	2.3	2.5	2.5
Dividend yield	15.1%	12.4%	10.7%	7.2%	7.2%
Free cash flow yield	10.2%	5.3%	7.5%	7.6%	7.5%
EV/sales	1.2	2.1	2.7	2.8	2.8
EV/EBITDA	2.7	4.8	6.0	6.3	6.3
EV/EBIT	4.0	7.7	9.8	10.1	10.1
EV/operating cash flow	3.2	6.5	6.6	6.9	6.9
Adjusted EV/CE	1.3	1.9	2.3	2.5	2.5
Adjusted EV/CE vs. ROCE/WACC			1.6	1.5	1.4

Source: Hrvatski Telekom, Raiffeisen estimates

Financial statements (IFRS)

<i>Income statement (PLN mn)</i>	<i>12/2008</i>	<i>12/2009</i>	<i>12/2010e</i>	<i>12/2011e</i>	<i>12/2012e</i>
Consolidated sales	8,816	8,517	8,159	8,162	8,153
Changes in inventories	0	0	0	0	0
Own work capitalised	0	0	0	0	0
Other operating income	274	382	380	380	380
Total revenues	9,090	8,899	8,539	8,542	8,533
Material costs	-3,987	-2,320	-2,227	-2,228	-2,226
Personnel expenses	-1,202	-1,302	-1,115	-1,135	-1,144
Other operating expenses	47	-1,582	-1,534	-1,534	-1,533
EBITDA	3,948	3,695	3,663	3,644	3,630
Depreciation of PPE and intangibles	-1,346	-1,402	-1,399	-1,388	-1,373
EBITA	2,602	2,293	2,263	2,256	2,257
Amortisation, impairment of goodwill	0	0	0	0	0
EBIT	2,602	2,293	2,263	2,256	2,257
Investment income	0	0	0	0	0
Net interest income	322	261	188	145	122
Other financial result	18	12	12	12	12
Financial result	340	273	200	157	134
Earnings before taxes	2,942	2,566	2,464	2,413	2,391
Taxes on income	-632	-542	-493	-483	-478
Extraordinary result	0	0	0	0	0
Net profit before minorities	2,310	2,024	1,971	1,930	1,912
Minority interests	0	-1	0	0	0
Net profit after minorities	2,310	2,023	1,971	1,930	1,912
<i>Balance sheet (PLN mn)</i>	<i>12/2008</i>	<i>12/2009</i>	<i>12/2010e</i>	<i>12/2011e</i>	<i>12/2012e</i>
Current assets	7,185	6,297	5,429	4,636	4,702
Liquid funds	5,436	4,454	3,624	2,830	2,898
Receivables	1,330	1,505	1,473	1,474	1,472
Inventories	314	255	249	249	249
Other assets	105	83	83	83	83
Fixed assets	7,934	8,129	8,145	8,085	8,046
Property, plant & equipment	6,428	6,507	6,566	6,551	6,544
Intangible assets	972	1,022	980	934	903
Goodwill	77	77	77	77	77
Financial assets	457	523	523	523	523
Deferred tax assets	60	46	46	46	46
Total assets	15,179	14,472	13,621	12,767	12,794
Current liabilities	2,298	1,904	1,870	1,871	1,869
Long-term liabilities	441	556	556	556	556
Shareholders' equity	12,440	12,012	11,195	10,340	10,369
Minority interests	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0
Total liabilities	15,179	14,472	13,621	12,767	12,794
<i>Cash flow statement (HRK mn)</i>	<i>12/2008</i>	<i>12/2009</i>	<i>12/2010e</i>	<i>12/2011e</i>	<i>12/2012e</i>
Earnings before taxes	2,881	2,566	2,464	2,413	2,391
Taxes paid	-576	-542	-493	-483	-478
Amortisation and depreciation	1,337	1,402	1,399	1,388	1,373
Other non-cash items	0	-370	0	0	0
Cash flow from result	3,642	3,056	3,370	3,318	3,286
Change in working capital	-354	-318	4	0	0
Operating cash flow	3,288	2,738	3,374	3,318	3,286
Capex PPE and intangible assets	-1,624	-1,553	-1,416	-1,328	-1,334
Acquisitions	0	0	0	0	0
Disposal of fixed assets (total)	0	0	0	0	0
Other items (investments)	0	245	0	0	0
Investing cash flow	-1,624	-1,308	-1,416	-1,328	-1,334
Dividend payments	-2,421	-2,456	-2,788	-2,784	-1,883
Other changes in equity	4	0	0	0	0
Change in interest-bearing financial assets	-2,413	46	0	0	0
Other items	2,605	22	0	0	0
Change net interest-bearing debt	-561	-958	-830	-794	68

Source: Hrvatski Telekom, Raiffeisen estimates

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