

Combis d.o.o.

(Member of the group T-HT Grupa)

CSR REPORT

COMMUNICATION ON PROGRESS

Zagreb, March 31, 2011

Contents:

- 1. Company Profile**
- 2. Responsibility towards the society**
- 3. Responsibility towards the employees**
- 4. Responsibility towards the users**
- 5. Responsibility towards the suppliers**
- 6. Responsibility towards the environment**
- 7. Awards and Recognitions**
- 8. Membership**
- 9. Implementation of Global Compact Principles**

1. COMPANY PROFILE

T-HT Grupa is the leading telecommunication service provider in Croatia and the only one offering their full spectrum: it unites the services regarding fixed telephony, mobile telephony, data transfer, Internet and international communication. The basic scope of business of the Hrvatski Telekom d.d. company and other dependent companies consist of providing telecommunication services and designing and building communication networks in the Republic of Croatia. Besides Hrvatski Telekom d.d., the members of the group *T-HT Grupa* are the companies Iskon Internet d.d., Combis d.o.o. and KDS d.o.o. In addition to providing the services of fixed telephony lines, the Group offers Internet services, including IPTV, data transfer services (line rental, Metro-Ethernet, IP/MPLS, ATM) and carries out business related to the GSM and UMTS mobile phone networks. The position on the market is also confirmed by the numbers achieved in 2010; during the stated period, the Group thus provided services to more than 1.4 million users in the fixed network, almost 2.9 million users in the mobile network, almost 630 000 broadband connections and nearly 300 000 users of IPTV.

In 2010 T-HT provided services to more than 1.4 million users in the fixed network, almost 2.9 million users in the mobile network, provided almost 630 000 broadband connections and provided nearly 300 000 users with the IPTV services.

Synergy of all parts of the Company

The focus on the user always comes first. We have, therefore, continued to develop new technologies and services in 2010, to follow the latest world trends in terms of telecommunications and to open new areas of doing business. The acquisition of Combis by which T-HT strengthened its position at the ICT market was thus completed in May 2010, after the business operations of T-Com and T-Mobile were united into one organization full oriented towards the user in the beginning of 2010. It is a part of strategy for the Company to become an important provider of information and communication technology and services in the Croatian business sector, but also to offer its users an overall service through the synergy of all parts of the Company.

Focus on the customer and quality

Hrvatski Telekom is constantly focused on the user satisfaction, quality of its services and further development of the broadband access and value-added services related to broadband access. We believe that such approach and further growth, increase of T-HT's potentials and maintenance and development of services will justify and strengthen our leadership on the market in the years to come. Today we are rightfully called one of the most powerful economic entities in the country and as such we were and have remained one of the key initiators of the Croatian economic development, as well as a respectable corporate citizen who, through its business and activities, keeps contributing to the society as a whole.

In 2010 Combis has placed significant focus on the user satisfaction and set strategic goals:

- Users are the reason for each activity
- Focused approach to the market and the offer of services adjusted to users' needs
- Creating a culture of friendly employees
- Developing processes focused on the maintenance or growth of income and efficiency

With the objective of reaching the stated strategic goals, with significant increase of the turnover and the number of users and providing a high level of services, in 2010 Combis has continued creating its product portfolio within its business lines.

In 2011 Combis will continue the development of its position of a leader in the segment of system integration and it will try to be recognized by the users as a company with developed relations towards the user which indicate the diversity of the approach, both through service quality and reliability and focus on the user.

Building a relationship and the diversity of the user approach will, combined with targeted offers, strengthen Combis' position as the provider of the best ICT service in Croatia.

Activity areas

Hrvatski Telekom's strategy of social responsibility, set on the level of Deutsche Telekom Group, has defined three areas on which we focus our activities and within which we set forth new standards:

- **First-class possibilities regarding communication and combination of personal life and work**

Enabling the best possible combination of personal life and work is the basis of our business operations. It is our goal to develop innovative telecommunication solutions and offer services which improve everyday life through first-class communication and connections.

- **Integration into the society of information and knowledge**

It is our goal to provide as many people as possible with the access to telecommunication services and integration into the society of knowledge. We want to make the advanced technologies available to everyone and at any moment.

- **Creating a low carbon society**

Some of our key goals regarding social responsibility are the environmental protection, responsible use of the resources and the decrease of the greenhouse gas emission.

Focusing on these three areas helps us concentrate on the further business activities and their development.

We are focused on the areas of activity:

- *First-class possibilities regarding communication and combination of personal life and work*
- *Integration into the society of information and knowledge*
- *Creating a low carbon society*

Foundation of responsible business

Corporate social responsibility is deeply rooted into all pores of the functioning of the Company and our business and **the Group** shows responsibility towards the company it functions in through its numerous activities. The dedication to the objective of becoming a leader in the society of responsible citizens is also reflected through a series of internal activities and guidelines T-HT uses to raise awareness and the engagement of its employees when it comes to socially responsible business operations, as well as to regulate the donation process. The leading principles, the compliance of the business with the law and other regulations, the code of conduct are only some of them, and by encouraging dialogue we additionally enhance our business, as well as the guidelines and activities directed towards our stakeholders.

Leading principles

Our corporate values are expressed through the five leading principles which give us direction in our everyday work and behaviour. They encourage our focus on the user, the responsible behaviour and

the achievement of the next result, team work and mutual respect. By complying with the leading principles we create a positive working atmosphere in which the effect, effort and dedication are recognized and valued, as well as an atmosphere offering the opportunity for individual growth and reaching one's own potential.

Leading principles image

Business compliance

Compliance with the laws and other regulations and abiding by the internal rules and the code of conduct are the basis of responsible corporative management, i.e. the necessary prerequisite for business success and an obligatory aspect of every business process. To prevent the potential negative consequences and ensure compliance of all business processes with the relevant regulations, we have been introducing modern processes and organizational structures to provide our employees and executives with the help to overcome to the challenges of modern business in the best way possible for several years now. That primarily relates to the promotion of the principles regarding ethical business through the frame of business compliance. By following the trends of corporative management, in 2009 Hrvatski Telekom has formed the function of business compliance through the *Business Compliance Officer, Business Compliance Department and Business Compliance Committee*. The importance of the business compliance is also confirmed by the fact that the employees have the opportunity to ask questions through the intranet and the "Pitaj me!" (Ask me!) portal and to report the detected irregularities anonymously through the "Reci mi" (Tell me) portal.

In 2010, within the Compliance Management System certification process regarding the entire Deutsche Telekom Group, Hrvatski Telekom was tested by the experts from the Ernst & Young consultant firm. The test results show that the function of compliance of Hrvatski Telekom has fully met the set requirements.

The Business Compliance Department has, together with the Internal Audit and Corporative Safety Departments, developed and introduced a process of processing the item whose objective is to make sure that damage is prevented, causes are removed and the Hrvatski Telekom's internal control system is improved.

In 2009, 594 employees of the T-HT Group, including 56 top managers, have attended the anti-corruption education. Additionally, in 2010, 152 executives have been introduced to the basics of business compliance and anti-corruption regulations.

Code of Conduct

T-HT's Code of Conduct sets clear standards of business conduct and it is based on the highest ethical principles. Internal gift policies have been adopted, the process of annual planning of activities, based on the assessment of the risk of (non)compliance pursuant to the modern technology which enables early detection of inappropriate business conduct and an appropriate reaction, has been introduced.

At the end of 2010 Combis has adopted T-HT's Code of Conduct. This was a logical sequence of the socially responsible business strategy. Namely, although Combis has always conducted business on the basis of ethical principles, Combis' effort regarding the socially responsible business was additionally confirmed, first by signing the Code of Ethics of the Croatian Chamber of Economy in 2009, and then T-HT's Code of Conduct.

Anti-corruption policy

At the end of 2010 an anti-corruption policy which efficiently deals with the issues of conflict of interest and corruption in business was adopted. This policy clearly defines the position of Hrvatski Telekom regarding all negative occurrences which might take place in the business and it provides a clear frame for the conduct of all its employees and management. This policy also provides all business partners with certain guarantees because it clearly defines T-HT as a reliable partner who bases its business on strong ethical principles.

Hrvatski Telekom has already had policies regulating the issues of accepting and giving gifts within business relations, which are in compliance with the relevant legal frame and which are connected to the anti-corruption policy, providing practical provisions on the allowed and unallowed business conduct.

The company regularly conducts educations on the topics of business compliance, as well as the protection of personal data and privacy.

Raising the awareness of responsible conduct and education

Hrvatski Telekom regularly holds education for the employees on the topic of business compliance. In 2010, within the work unit executives' education, the Business Compliance Department was presented through a detailed display of business processes and Department responsibilities, and the Corporative Safety Department has offered all the employees the course of e-learning on the topic of the control of access to the business premises. An intranet page with all the important information was established with the objective to clearly present the importance of responsible and ethical business to all employees and executives.

When it comes to personal data and privacy protection, the beginning of 2011 will be marked with the new general online education of the employees, regarding this topic, as well as organizing classes, all with the purpose of raising the awareness of the significance of this aspect within T-HT.

Combis has been continuously working on raising the awareness of responsible conduct and business through the monthly internal electronic journal intended for all employees. A regular column entitled "Combisovci mijenjaju svijet" (Combis people changing the world) was set up, communication topics related to ecology, social awareness, ethical business etc., with the objective of forming positive changes. The authors of the texts and articles are Combis' employees.

Donation procedure

Charity donations of Hrvatski Telekom are a part of the social responsibility. By donating financial resources, non-financial gifts and services, T-HT promotes education, science, culture, social care, sports and environmental protection. Donations must always be in accordance with the valid regulations of the Company and the relevant laws. Since the donations can be treated as an inappropriate influence, they must not be given to individuals, transferred to private accounts and given to persons or organizations which might cause damage to T-HT's reputation.

T-HT does not finance political parties, but it does help non-governmental associations fighting against corruption and its consequences. An example of such a cooperation is the long-term support given to *Transparency International*. In addition to the financial aid it provide, the Company also helps with the so called non-financial aid and, for example, by ensuring free web space to the non-governmental associations such as "OKO", an association of parents of children with damaged eyesight.

*T-HT directed its donation related activities towards **education, science, culture, social care, sports and environment.***

Encouraging dialogue with all stakeholders

The Company uses its activities to continuously encourage a two-way communication with the civil sector that is non-governmental associations, scientific and cultural institutions. Great significance is given to the dialogue with the Company stakeholders and of particular importance is the transparent communication with the investors for the purpose of gaining a realistic picture of the T-HT's status and potential. For that very reason in 2010, *Poslovni dnevnik* and the Zagreb Stock Exchange have recognized Hrvatski Telekom as the company building the best relations with the investors.

The increase of using the social networks as the way of communicating with the public marked the year 2010 and in October we presented the profiles of Hrvatski Telekom on the social networks of Facebook, Twitter, YouTube and Flickr, which we use on a daily basis to communicate with the users, provide support in solving problems and receiving feedback on the products and services we are offering.

*In accordance with the increasing significance of the social networks, corporative profiles have been made on **Facebook, Twitter, YouTube and Flickr***

HT's RESPONSIBLE BUSINESS APPLIED

The long-term strategy of the *T-HT Group* also implies corporative social responsibility. The common denominator of the series of projects we support in that sense or the activities we carry out is the focus on the charity activities, education and modern technology as their basic component. We make sure that the projects we support are long-term and many of them are of an external and internal character, meaning that the employees participate in them. We believe that by being imbued and reflecting internal responsibility towards the wider society we truly serve as an example of a good citizen, and we have directed our responsibility towards five leading segments: society we live and work in, our employees, users, suppliers and the environment. Combis' contribution to socially responsible business has remained strong in 2010. In June, the President of the Management Board, as the only representative from Croatia, took part in the annual conference Global Compact Leaders Summit. The focus of the conference was on the importance of socially responsible business and above all, on the significance of sustainability regarding the present and future business. The participation in the conference was used to present the contribution and deliberation of a Croatian company regarding socially responsible business.

2. Responsibility towards the society

Hrvatski Telekom cooperates with the educational, cultural, training and scientific institutions, non-governmental organizations taking care of people with special needs, persons who are in an unfavourable position and organizations promoting civil society values on a daily basis.

Besides the financial support, we also provide them with our services, expertise and technical resources. That way Hrvatski Telekom takes part in the numerous valuable charity projects and it provides many associations with charity telephone lines, giving up on the income in its entirety.

*In 2010 HT provided many associations with charity telephone lines, giving up on the income, thus enabling the gathering of **over 4 million kuna**.*

UNICEF

We are UNICEF's first partner in Croatia and our six-year partnership was reinforced through the project "Stop nasilju među djecom" (Stop violence among children). This project includes over 280 schools across the country and the programme results show that the implementation directly

influences the decrease of violence in schools. In addition to the corporative donation, by sending bills for the donations to the users of its service, T-HT enabled its users with the possibility to make a contribution to this valuable UNICEF project themselves.

*HT support the UNICEF project „**Stop nasilju među djecom**” (Stop violence among children) which is being conducted in **280** schools across Croatia.*

060 numbers - charity action support

Since 2001 T-HT has supported a large number of initiatives by providing charity telephone lines through which the whole public can be included and give their support. Among other things, in 2010 we have use this approach to help the "Sve za nju" Association, "Centar za epilepsiju" (Epilepsy Centre), "O-Zona" Association, "Zajednički put" Association and "Nada Vrbovec" Association to achieve their goals. T-HT gave up on its gain regarding all the afore mentioned initiatives and over 4 million kuna were gathered for charity. In 2010 Iskon provided the "Udruga za Sindrom Down Zagreb" Association with the toll-free charity phone number.

Donations to emergency medical services institutions

Instead of buying holiday gifts, Hrvatski Telekom gave the financial resources to important charity again in 2010. The Company support of the emergency medical services has begun in 2006, following the concept that speed and efficient communication are of key importance when it comes to saving human lives. The emergency medical services were chosen due to the general significance for the society as a whole as well as for the individuals, regardless the age, gender, residence or social status. In 2010, resources in the amount of HRK 800 000 were donated to the Čakovec County Hospital, Pazin Emergency and the medical centres of the Požeško-slavonska County and Korčula. From 2006 to this day, T-Ht Group donated almost HRK 11 million to the institutions for emergency medical services and medical centres throughout Croatia.

*The total value of the donations made so far to the emergency medical institutions throughout Croatia for the acquisition of medical devices, equipment, vehicles and educational projects amount to nearly **HRK 11 million**.*

Tportal's donation to Autonomna ženska kuća Zagreb

The threat of closing the largest Zagreb shelter for abused women has encouraged some of the greatest names of the Croatian music scene to direct their talent towards the gathering of the financial funds for Autonomna ženska kuća Zagreb at the end of the year. Tportal joined their action donating HRK 100 000 and inviting its fans on the social networks to support the initiative.

Relations with the local communities

Although this is a company which, as a telecommunication leader, operates on the entire territory of the Republic of Croatia, Hrvatski Telekom is constantly directed toward the local communities and plans activities with the objective of satisfying their needs.

Zajedno smo jači (Together we are stronger)

The donation project "Zajedno smo jači" (Together we are stronger) in which the Hrvatski Telekom employees had a key role in suggesting, selecting and making the final choice of the charity events to

which the company will award funds was conducted in 2010 for the fifth year in a row. 27 projects had been chosen among 198 applications received from all over Croatia and funds were awarded amounting to one million kuna. The financial resources were given to a series of associations and institutions including medical institutions and institutions working with disabled persons, older persons and children.

Society of knowledge

We wish to give our contribution to the strengthening of Croatia as the society of knowledge through the organization and support of numerous activities. We believe that every person can make a contribution within his or her possibilities and Hrvatski Telekom therefore, within its scope of business, wishes to encourage thee deliberation, debate, discussion and especially exchange and adoption of the new knowledge - tools and initiators of social growth and development.

*By supporting various events and initializing its own, such as the "Znanjem rastemo" (Growing through knowledge), "Net u školi" (Net in school), "HT stipendija" (HT scholarship), T-Ht wants to encourage **discussion, exchange and adoption of new knowledge.***

"Znanjem rastemo" (Growing through knowledge) conference

In September 2010 in Zagreb, T-HT's conference "Znanjem rastemo" (Growing through knowledge) was organized for the third time. By presenting the leading world speakers, the company wants to give the knowledge to the society, academic and business community, employees, users and media. Guest speakers in 2010 were the esteemed professor Jeremy Rifkin, an economist, social events commentator and the founder and president of the Foundation on Economic Trends, etc. Nicholas Christakis, a doctor and an acknowledged expert in the area of research of the personal and internet social networks and their influence on the attitude, behaviour and emotions.

Support to expert meetings and conferences

Hrvatski Telekom's focus on the development of a society of knowledge is visible in the support to the numerous scientific and expert gatherings, such as WinDays 2010, MIPRO conference, Vidi Web Top 100 competition, Combis conference, International Information Technology Interfaces ITI 2010, Cisco conference, Imagine Cup 2010 project, Telekom Arena and other events related to the telecommunication sector and its communities. T-HT has also, for the fifth year, financially supported the Mediterranean Institute for Life Sciences. Iskon has been a long-term partner of the CARNet annual conference entitled CUC.

Besides the financial support, we have helped a number of local and international forums and conferences by providing them with our infrastructure, technical support and equipment.

Cooperation with the academic community

T-HT's long-term cooperation with the Faculty of Electrical Engineering and Computing (FER) started in November 2006 by signing the Frame Contract on cooperation in scientific-research and development activity with a view to promoting transfer of knowledge and ideas between science and economy.

T-HT has also, in collaboration with the Faculty of Electrical Engineering and Computing, carried out a project *"Performanse transporta širokopojsnih usluga u pristupnoj mreži"* (Performances of transport of broadband services in the access network). Two studies were made: *"Statički plan upravljanja*

frekvencijskim spektrom" (Statistical plan for the operation of the frequency spectrum) and "Upravljanje spektrom DSL-a i migracija prema FTTH" (Operating the DSL frequency and migration towards FTTH). HAKOM experts and their expertise were also partially included in the project.

T-HT also awards the best students of the Faculty of Electrical Engineering and Computing (FER) and supports them at international expert student competitions. On the other hand, FER develops projects, studies and reports for the needs of T-HT. To sum up, the purpose of such collaboration is making a contribution to the strategic development goals of the contracting parties and the development of competences of its employees.

Apart from FER, cooperation has also been established with the Faculty of Law in Zagreb and cooperation with other faculties and universities is also planned for the future.

T-HT scholarship

Through the expansion of the former T-Mobile project, the Group announced the T-HT scholarship competition. 11 undergraduates who, besides the excellent results achieved at the university have the widest range of interests and are actively involved in different activities, have been chosen among top candidates from the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split and the Faculty of Electrical Engineering in Osijek.

Net in school

The Net in school project was initiated back in 2001. Within the project, T-HT, as the leading telecommunication services provider in Croatia, in collaboration with the Ministry of Science, Education and Sports, provides within this project free Internet access to all elementary and secondary central and branch schools in Croatia totaling 2635. The project has continued in 2010 as well.

<p><i>Since 2001 T-HT has, through the Net in school project, provided 2653 elementary and secondary central and branch schools in Croatia with free Internet access.</i></p>
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Support to the Croatian Informatics Clubs Association (HSIN)

T-HT has been cooperating with the Croatian Informatics Clubs Association (HSIN) since 1997, helping them organize summer and winter informatics schools, national competitions and informatics gatherings. Through the regular cooperation, in 2010 Hrvatski Telekom also awarded pupils who won acknowledgements at the Central European Olympiad in Informatics and the International Olympiad in Informatics.

Culture

We have recognized the significance of supporting culture, cultural manifestations and events taking place in Croatia as an important part of our responsibility, as well as initializing new projects with the objective of affirmation of young Croatian artists and support of their work, that is, empowerment of Croatian art.

Museum of Contemporary Art

Hrvatski Telekom has been the primary partner of the Museum of Contemporary Art (MSU). The partnership that has also continued in 2010 promoted modern technology in culture and the annual award for the best Croatian contemporary art work was also presented. Besides the financial aid, T-HT also supports the Museum by providing it with its telecommunication services.

In 2010, in collaboration with MSU, we organized an Open Day for the citizens, employees and business partners, workshops for children and series of other activities. As many as 15000 visitors participated in this event.

T-HTnagrada@msu.hr

The "T-HTnagrada@msu.hr" competition was held for the third year in a row.

T-HTnagrada@msu.hr is one the most prestigious annual awards in the field of contemporary art in Croatia. The number of works submitted in 2010 surpasses that of last year and an international jury traditionally decided on the best works. The awarded works were bought off and added to T-HT's collection exhibited in the new building of the Museum of Contemporary Art again this year.

The roman@tportal.hr prize

Tportal announced the competition for the literary prize roman@tportal.hr in the amount of HRK 100,000.00 for the third year in a row. 53 applications were received and the prize went to Sibila Petlevski for the novel "Vrijeme laži".

*A competition for the prestigious literary prize roman@tportal.hr which awards the winner with one of the most lucrative financial awards in the amount of HRK **100,000.00** took place for the third time.*

KulTunist

T-Com continued popularizing and supporting cultural events in Croatia for the sixth consecutive year with the "KulTunist" project. The season of 2010 began with the International Documentary Film Festival ZagrebDox and it continued with Pula Film Festival, Vukovar Film Festival, Split Summer and the Ulysses Theatre shows.

Theatres

T-HT continued with its long-lasting tradition of sponsoring Croatian national theatres in Osijek, Split, Rijeka and Varaždin and the Gavella City Drama Theatre in Zagreb.

Festivals

The manifestations of Špancifest and Varaždin Baroque Evenings were supported through the sponsorship of the city of Varaždin. T-HT was also the sponsor of the Rijeka Summer Nights. T-Mobile is one of the sponsors of the chamber music festival "Julian Rachlin & Friends".

Music

T-Mobile has been investing into and supporting first-class musical projects what has positioned it as a leader in terms of innovative combination of mobile technology and music. We will continue our support of music in 2010 as well, by supporting interesting projects that have even been recognized on the international level.

T-Mobile INmusic Festival

For the second consecutive year, T-Mobile has supported INmusic Festival, the largest Croatian open-air festival that counted over forty foreign and local performers on as many as six stages. Among other, the performances included Massive Attack, LCD Soundsystem, Billy Idol, Morcheeba, Alice in Chains, The Flaming Lips, Flogging Molly and many others.

*British daily newspaper The Times enlisted **T-Mobile INmusic Festival** onto the **top 20** European*

summer festivals list once again.

Minival

T-HT has been encouraging talented demo performers for the fourth consecutive year with its Minival project. 11 concerts with 29 performers were held throughout Croatia as a part of the Minival project. We provided the winner with the opportunity to record a professional video to be broadcasted on MTV and to perform at the T-Mobile INmusic Festival.

Sports

Hrvatski Telekom shows responsibility towards the development of the Croatian society through its sponsorship, especially through the sponsorship activities in the field of sports. We are proud of our sports successes; we believe that the investments into sports also facilitate development of the Croatian society and that sports may be the most powerful promotional tool in Croatia which deserves all the attention and care it can get.

Croatian Olympic Committee

T-HT Group continued its long-standing collaboration with the Croatian Olympic Committee, being its main sponsor, thus connecting T-HT's values with the best Olympic Games tradition: fair competition and constant hard work leading towards excellence.

Volim nogomeT (I Love FooTball)

T-Com has supported the "Volim NogomeT" (I Love FooTball) project again in 2010, thus ensuring a more favourable surrounding for the development of sports as the most popular team sport in Croatia. Within the project, T-Com, besides the long-term sponsorship of the First Croatian Football League, also sponsors the Croatian National Football Team.

Sailing

In 2010 T-Mobile continued its active support of sailing. Apart from being a sponsor of the prestigious Easter Regatta, T-Mobile is also a personal sponsor of Ivan Kljaković Gašpić - Bambi. In 2010, Bambi won numerous medals at the European championship in Split and the World Cups in Palma de Mallorca, Hyeres, Medemblik and Kiel, in the Finn class.

Sportske igre mladih (Youth Sport Games)

We have been a long-standing sponsor of the Youth Sport Games within which different sports tournaments take place in more than the cities, all with the message of fighting drugs, alcohol and violence for a healthy life.

Sponsorships and donations in associated companies

Combis

As a company with a profound sense of well being, of both its users and employees and the wider social community, Combis gives a lot of attention to the continuous development of the community within which it operates, especially in the area of education, sports and art.

- in 2010, Combis donated information equipment to the elementary schools of "Slavko Kolar" and "Nikola Kvaternik", thus helping them, and the company expanded its donations to culture facilitating the organization of two international exhibitions of the Galženica Gallery in Velika Gorica.

- Through its donations, Combis also provided support to smaller sports clubs, the Croatian Academic Basketball Club "Mladost" (HAKK Mladost) and the Synchronized Skating Club "Zagreb Snowflakes". In addition to the donations, Combis acts socially responsible through sponsorships. Combis was thus a proud sponsor of this year's Hanžek Memorial, the International Athletic Meeting held in Zagreb.
- Besides the sports events, Combis traditionally supports vocational manifestations and it has thus supported partnership conferences of Cisco Expo, Windays conference, IBM Forum and Oracle The Information Age.
- Apart from promoting the information technology, This year Combis has also helped the educational segment of medicine and health. To be more exact, the company donated information equipment and provided technical support during the Third Central Europe Congress of Surgery which was held in Dubrovnik and it provided financial support to the Croatian Nurse Association (HUMS).
- The Combis conference gathered ICT experts from the entire region for the fourth year in a row, with the main topic being "Research. Innovation. ICT". The emphasis was made on the latest technological trends which might initiate new business opportunities and success.

Iskon

In 2010 Iskon supported a number of projects of social significance which are characterized by an urban approach what is in accordance with Iskon's corporative culture and the overall business strategy.

- The most significant projects is by all means the Motovun Film Festival which was, this year, held for the twelfth time. Iskon was the official sponsor of the telecommunication services and the online award for the best shot film for the second consecutive year.
- The objective of the project "Muzej ulične umjetnosti" (Street Art Museum) was to revive street art in Croatia by repainting Branimirova Street in Zagreb. Iskon was among the first to recognize and support this exceptional project which initiated a new era of street art in Croatia.
- Iskon also cooperates with the newly-opened Museum of Broken relationships, the first privately owned museum in Zagreb, which after successful guest visits to America, Europe and Africa gained its space in the very heart of Zagreb.
- This year, for the first time, Iskon sponsored the Atlantis Festival. It is a relatively new festival which was initiated four years ago in Split and which presents a combination of culture, sports and music, primarily attracting the young audience.
- Iskon has supported the World Theatre Festival for many years and this year it was also a sponsor of the Nu: Write Festival held Zagreb which for the very first time gathered the most interesting British theatre groups and the representatives of the new British drama.
- As a sponsor of the telecommunication services, in 2010 Iskon supported the concerts by Metallica and Seal and the GaGaiism conceptual exhibition organized for the occasion of Lady Gaga's concert in Zagreb.
- When it comes to sports, Iskon has been a long-standing partner of the Croatian National Football Team and a sponsor of the "Uvijek vjerni" fan club, as well as the HASTK Mladost Iskon Table Tennis Club. In 2010 Iskon was the official sponsor of the telecommunication services during the ATP Zagreb Indoors and Zagreb Open Tennis Tournaments for the second consecutive year.

3. Responsibility towards the employees

Only satisfied and dedicated employees can provide an answer to the users' needs with their friendliness, and the responsibility towards the employees is one of the elements of Company's responsible business. Besides the fact that last year T-HT has gone through two significant organizational and structural changes, transformation and new management, a highly important element of corporative responsibility towards T-HT's employees was the announcement of the so called year of peace, as well as a series of other activities and programmes which, followed by an open, transparent internal communication, take the employees' satisfaction into account and provide the best possible working conditions.

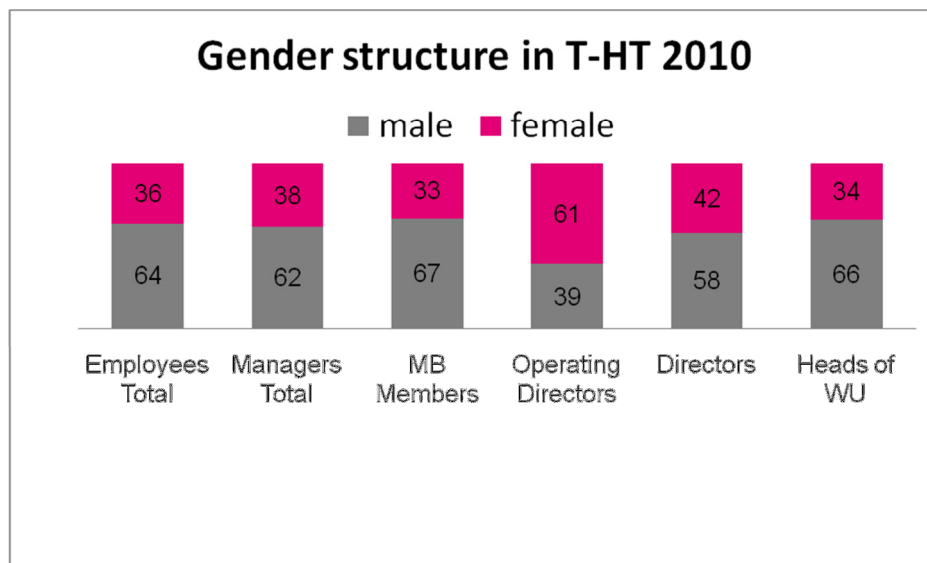
A big step for one company

Last year has presented human resources with great challenges - the integration of T-HT and T-Mobile into one Company demanded efficient management of the process of changes and adjusted solutions, both from the organizational and structural and the human point of view, with the every day business operations taking place at the same time. "Our best" is the motto of the integration workshops at which the teams openly communicated with each other and created foundations of an efficient cooperation. The transformation includes the Company values thus creating a stimulating surrounding of quality human relations with good results which are awarded.

Results of the spirit@telekom questionnaire in which most of the employees answered that they feel good at Hrvatski Telekom indicate the conclusion that the integration has been successfully implemented.

New management

On the basis of objective criteria, competences and effect, new management with 38% of it being women has been chosen. This number exceeds the percentage of women in the overall number of employees (36 percent), and it far from the average number of women in managerial positions in Croatia which, according to the research available at www.ured-ravnopravnost.hr/lib/attachment.php?id=57, amounts to only 6 percent in the 100 largest companies. Our Company has thus once again showed the consistent application of the principles it has decided on: respecting diversity and promoting equal opportunities.



*Women account for **38 percent** of the Company management, what is by far much more than the average of women in managerial position in Croatia which amounts to only 6 percent.*

Cooperation with social partners

Having the severe economic situation in the country in mind, as well as the high unemployment rate, the agreement with the social partners was made that there will be no surplus management programme in 2010.

The employees' rights and benefits are governed by the Collective Agreement and at the end of December 2010 a new Collective Agreement was signed with the social partners, for the period of two years.

Placing an emphasis on the employees and their working rights, i.e. the additional insurance of competitive working conditions, this Collective Agreement primarily expresses the Company's continuous social sensibility, particularly important at the time of crisis.

First choice employer

According to the survey of an independent portal *Moj Posao*, T-HT has been selected as first choice employer for five consecutive years and in 2010 it received recognition for being first choice employer from the respondents with university degrees.

After being the first choice employer in all categories for five years, in 2010 T-HT is undoubtedly the first choice employer for people with university degrees.

Combis has been recognized as a desirable employer with a high share of 62 percent of employees who have been working in the company for more than three years. At the same time, the number of employees in Combis has been increasing every year and at the end of 2010 it amounted to 289 employees employed for an indefinite period of time.

Employees' opinions matter

The quarterly questionnaire *spirit@telekom* conducted throughout the year is used to analyse the employees' opinion and the Group thus receives valuable feedback. An overall *Employees' Satisfaction Study* was also conducted in 2010 with an objective of getting a detailed picture of the main issues affecting the employees' satisfaction and by that their dedication to work as well. Special attention in the study was dedicated to the health issues in order to determine the areas which require improvements and to take measures to create a better working atmosphere. In addition to that, we use the internal channel, primarily Intranet, to conduct regular surveys and questionnaires to improve the working conditions, and all texts include an option of writing comments and sending remarks because the open communication and the opinion of our employees are highly important to us.

Uzor si Ti – promoting the culture of providing services within the company

With the aim to single out and award our colleagues who thrill the user with their friendliness and give more than they are expected to give, we have initiated a prize winning competition "Uzor si ti" (You are the role model) where the employees nominate their colleagues whose manner of providing services, whether to an internal or external user, thrilled them.

Our role models were chosen from the large number of nominees in the four rounds of the competitions held so far and they all stand out thanks to their friendliness towards the user, as well as their selflessness, dedication, self-initiative. They are the very representatives of the culture of friendliness cherished within the Company.

To single out the friendliest employees, the project "Uzor si ti" has been initiated, with the employees nominating their colleagues they see as examples of friendliness themselves.

Care for employees' health

In 2010 T-HT continued taking care of the health of its employees providing them with free medical check-ups and vaccination against influenza and the "healthy" intranet pages have also been initiated, among other things.

Free annual medical check-ups

Each year our Group provides its employees with a free annual medical check-up in one of the health institutions. Besides the medical check-ups, the Group has also contracted additional benefits in the health institution where the check-ups are being carried out, such as a discount on the price of every additional medical examination and the check-up the worker wants or, upon a physician's recommendation, should go through after the annual medical check-up. Members of the immediate family may also go through the annual medical check-up at significantly more favourable terms than those on the market.

After the completed annual medical check-up, the employees give their opinion of the service quality through a survey and they give proposals regarding the improvement which are taken into consideration while contracting the check-ups for the following period.

Vaccination

Within the initiative of preventing illnesses, free vaccination against seasonal influenza is organized for all interested parties and the employees which may come into contact with ticks will also be provided with free vaccination and additional vaccination.

Zdravko

This year, the continuous care of employees' health has been added new intranet pages dedicated to the preservation of health and prevention of illnesses with the Zdravko programme. Since most of our employees spend their working hours at the computer, a film containing exercises which the employees can do at the work place has been made by using our own resources. The "healthy" pages provide the employees with the opportunity to read interviews with physicians, specialists in a certain area and a series of useful advice regarding health care.

Sports and recreation

Our Company has been traditionally cherishing the culture of its employees being engaged in sports activities, providing particular resources for that purpose. There are plenty of opportunities of doing sports free of charge: fitness, football, table tennis, basketball, volleyball, bowling, badminton etc.

Not an insignificant number of people are seriously engaged in recreational activities throughout the year, what can be seen during the annual employees' sports gathering, T-HT days, a three-day gathering during which the employees have the opportunity to show off their skills through sports and fun.

The sports events exceed the borders of our country on more than a few occasions, in the form of friendly competitions with colleagues from other telecommunication companies.

Occupational health

Modern and quality means of personal protection, trainings in the field of occupational health, written instructions, prescribed medical capability exams, eye exams of workers who are working on the computer, participation in the projects of construction, reconstruction, adaptation and decoration of facilities, evacuation drills in case of real risk of fire with the cooperation and coordination of the fire brigade, which is also used to check the operational readiness of all participants in the drill of saving injured persons, and the fire protection status in the facility our employees work in, as well as

vaccination against seasonal and pandemic influenza, are only some of the activities related to occupational health, what finally results in a more permanent decrease of the number of work-related injuries and lost days of work due to sick leave.

Traditional annual employees' sports gathering, T-HT Days, gather all interested employees at a three-day event of sports and fun.

In 2010 all Combis employees have been qualified in terms of occupational health training and safe work on the computer. An eye exam for all employees who work on a computer for more than four hours a day has also been ensured.

Employees' education

Guided by the principle of being the place for high accomplishments and development, T-HT places great emphasis on the education of its employees. Through the organization of numerous lectures and programmes, the Company offers the employees a possibility of further professional growth, training and increase of one's own competitiveness. A series of expert educational programmes, education regarding the development of competences, programmes for the continuous growth of the heads of work units and intensive internal transfer of knowledge has counted more than 3000 employees.

That is the only way for the Company to not only attract but also keep its best employees, and achieve good business results as a good corporate citizen and a company of satisfied employees.

More than 3000 employees attended the educational programmes in 2010.

One of Combis' strategic baselines is certainly the successful keeping of quality employees through the possibility of reaching their full potentials.

Combis' Akademija project thus included more training for the employees with internal experts in the area of human resources management, presentation skills, and project management.

The regular Combis Akademija and Combis školica columns in the internal journal intended for the employees also share expert knowledge and experiences. The purpose of the column is not only to inform but to educate as well.

To sum up, Combis' goal in 2010 was to promote internal experts and internal knowledge, to develop team spirit and to continuously increase employees' competences.

Knowledge on Thursdays

A series of lectures held by the employees, experts from different fields, for their colleagues, is one of the ways to share knowledge and introduce the particulars of business to a wide range of employees. A large number of attendees witnessed the employees' desire and need to complete their primary knowledge with findings on the latest Company products and services and innovative technological solutions or to learn the complexity of financial markets. By learning one from another, they gain a better insight into the overall Company business and life and the employees also meet and introduce themselves.

E-learning

Employees have the always available and user-friendly interactive e-learning, which offers various contents from the know-how intended for specific groups of employees to the overview of the Company services and the T-HT glossary, at their disposal.

Programme RasT (GrowTh) – Development of Experts

The programme GrowTh gives experts the possibility to achieve higher levels of expertise and thus retain their personal competitiveness and mobility by investing into the know-how and competences.

This programme has expanded from the technical area it started from to other business areas. New development activities have been implemented; focused on the exchange of knowledge and broadening of the experience at the work place.

Performance management

The objective of the performance management system is that to award every worker in accordance with the results and thus connect every employee's performance with the strategic Company goals and its market success.

The system consists of several stages - setting individual goals for the ongoing year, semi-annual interviews, performance assessment and bonus determination and, finally, giving of the bonus. The amount of the bonus depends on the Company business results and the achieved levels of competence and individual performance.

Expertise, work, team spirit, care for the user, reliability, responsibility, open and friendly communication and being the winning type are the values which Combis' employees themselves pointed out as the most important ones for differentiation on the market and successful company development. For that very reason those are the elements which are taken into special account while assessing the work performance, twice a year. Each employee has the opportunity to express his or her own ambitions during the assessment and to agree on the goals for the upcoming period together with the superior. Such practice leads to successful keeping of quality employees by enabling them to reach their full potentials, as stated in Combis' mission.

Besides, Combis has adopted a system of stimulating income, as a motivating factor, in which the amount of income directly depends on the company's business results.

Additional Company care for the employees

Through the provision of a series of benefits in addition to those defined by law, T-HT continuously takes care of the interests of its employees. Reimbursement of the cost of travel to and from work, annual leave reimbursement, Christmas bonus, Easter voucher, awards given for long-standing work in the company, one-off financial aid, more favourable company services and mobile phones for each employee are only some of those benefits.

Balance between personal life and work

T-HT respects the importance of the balance between personal life and work by taking care of the employees and providing them with the opportunities to engage in sports and recreational activities, promoting health, preventing illnesses and supporting those who are parents. Human resources keep developing different programmes which deal with everyday issues important to our employees, such as health, personal finances etc.

HT's closed-end voluntary pension fund

Having the realistic situation regarding the surrounding in mind, and hoping to encourage the employees to invest into the future by saving money for the retirement, Hrvatski Telekom has, in cooperation with the Raiffeisen pension association for the management of voluntary pension funds, established the T-HT's Closed-end Voluntary Pension Fund.

In addition to the benefits the voluntary pension fund has to offer, such as the national financial incentives and fund yield, last year Hrvatski Telekom, as the fund patron, also provided incentives for every new member who joined the fund.

Hrvatski Telekom also made a one-off payment to the personal account of the members of the closed-end voluntary pension fund, pursuant to the patron's obligation.

In 2010, T-Mobile Hrvatska d.o.o. company was merged with the Hrvatski Telekom d.d. company and members of the closed-end voluntary pension fund of the T-Mobile company gained equal status, i.e. equal benefits.

PrijaTelj foundation

In order to improve the status of the T-HT Group's socially endangered employees and former Hrvatski Telekom d.d. employees, in 2009 HT d.d. established the PrijaTelj (Friend) foundation.

The purpose of the foundation is to provide financial support in case of increased costs of treatment of employees and members of the employee's immediate and wider family, members of a joint household and persons the employee is obliged to care for by providing financial support in case of natural and elementary disasters and other possible forms of damage to the assets as well as by providing other types of financial support which are in accordance with the purpose of the foundation.

In 2010, at the individuals' request and under exceptional circumstances and at its own initiative, the foundation's Board of Directors approved 92 cases of support.

Unlike 2009 when we alleviated the exceptional unplanned cost regarding the school book supply, in 2010 the support for the purpose of buying books was approved only to the those families who turned for help needing it the most. Most of the approved cases of support were intended to cover the increased cost of treatment, operation and medical tools which are not fully or partially covered by the Croatian Institute for Health Insurance (HZZO).

The foundation also gave financial support to the six workers whose residential facilities, and living conditions in general, were threatened by the floods affecting Zagreb County.

We ended the year by giving financial support to remove the damage caused by a fire in which a residential house burned to the ground.

Payments in the form of support to the children of the foundation's employees that had passed, any school-related support, any support regarding the supply of medical tools and aiding the foundation's former employees who need help due to their difficult financial situation or illness are, among other things, the best indicator of the purpose of the foundation.

In 2010, at the individuals' request and under exceptional circumstances and at its own initiative, the foundation's Board of Directors approved 92 cases of support

Open communication culture

There are several types of internal media in T-HT via which all employees are informed on the key events and changes within and outside the Company, and in addition to the open communication culture, a possibility of interactive communication has also been accomplished.

Internal publications

HT d.d.'s herald is the official Company herald in which general acts and decisions made by the Company's General Assembly, Supervisory Board and T-HT's Management Board are published. The annual reports of the Company include the main financial features and the main features of Hrvatski Telekom's business operations in the past business year. Besides the heralds publishing official acts and business reports, T-HT also has a tradition of publishing a company magazine which has changed

its title and form over the years but has always covered current topics and recorded significant events. As of 2004 our monthly magazine is called halo! and besides the employees of the Company, it is also intended for the media and business partners. Halo! follows and brings the important events within the Company, it includes interviews, features on the modern technological trends as well as interesting topics from the world of sports, culture and entertainment.

As of 2006 the employees have the internal electronic publication "Eko KuTak", offering interesting and useful topics regarding environmental protection, at their disposal. Different brochures are also being prepared within the Company both in printed or electronic form - such as the booklets "Uslužna kultura" (Culture of providing services), "Rodiljni i roditeljski dopust - sve što budući roditelji trebaju znati (Maternity and parental leave - all the things future parents must know), "Dobrodošli u Hrvatsku" (Welcome to Croatia) - a guide for foreigners working in the T-HT Group, "Korporativna metodologija upravljanja projektima" (Corporate methodology of project management), etc.

All brochures are available on the intranet pages.

Combis communicates with its employees via the monthly, electronic, internal journal. The creation of an internal journal is the Marketing and Communication Department's duty, and it functions as a media used by the employees to publicly share contents such as the official publications of the company Management Board, news and interesting information from Combis, educational contents and more everyday topics with the purpose of learning about the employees and encouraging a friendly and team work based atmosphere.

Besides, Combis used the monthly electronic journal to communicate with the public as well. The purpose of the journal is to provide information on novelties, current events, announce conferences and events, offer expert interviews etc.

IntraNet – daily company newspaper and data base

The central communication channel, an internal web page, Intranet, available to all employees of the Group, is constantly developing in the direction of an interactive media to fully perform the function of improving internal communication. IntraNet is the place where the Company employees meet, a place where ideas, business know-how and experiences are exchanged. At the same time, IntraNet is a source of current and useful information for all T-HT employees and the continuous development of the contents - informational, educational and entertainment-related - improves the quality of work and life within T-HT.

Through IntraNet all employees have unique access to public contents (information, documents, photos and videos, applications etc.) filed on the intranet network. IntraNet is also a platform supporting the realization of various business and communication projects (surveys, internal competitions, games, auction, etc.), ranging from the human resources projects and marketing and sales to projects related to corporate strategy.

The Human Resources web page unites the useful information related to work, career development, education, and various benefits for the employees, information on internal and external tenders, as well as interesting topics related to human potentials. Plenty of links enable direct access to the business applications and other contents necessary for performing everyday business operations, access to the intranet pages of certain organizational parts of the company with specific contents from the field of sales, finances, corporate safety, business compliance etc. and access to the DT 's intranet pages.

Combis shares all the information related to human potentials, marketing and communication and sales, i.e. reports, standards, forms, documents, templates, guides, decisions and prescribed procedures essential for the quality everyday performance of business tasks via the Quality Management application. The application unites updated and complete information available to all employees.

With the objective of improving internal communication, connecting all Combis employees via T-HT's IntraNet is planned to occur in 2011.

Creativity and humanity at work

Hrvatski Telekom also internally supports its employees in their creativity as well as volunteering in socially valuable projects. In 2010 we have continued the already well-known and recognized activities.

FotoToranj 2010

In order to encourage the employees' creativity, an internal competition FotoToranj, a prize competition for the best T-HT Group employees' best photographs, was initiated in 2006. In 2010 the third FotoToranj cycle was held. The employees showed significant interest, creatively expressing themselves and revealing their vision and innovation through photography and all those who followed the competition on the IntraNet and in the "halo!" magazine enjoyed their work.

The prize for the overall impression in every round of the competition is awarded by an expert jury and its member, the famous professional photographer Damir Hoyka, awards a special prize for the aesthetics. Employees cast their vote for the prize given by the audience, IntraNet visitors. At the end of the entire competition, the expert jury chooses two works which are given the main extra prizes while the employees choose the audience's extra prize.

Just like in the previous years, around thirty best works of the FotoToranj 2010 competition were presented in an exhibition open for public. The additional value of FotoToranj is the action of donations in which T-HT and its employees join the resources from the company budget with the resources gathered in an internal auction of the best photoworks. Thus during FotoToranj 2010, through the joint action of the company and the employees, over HRK 80,000.00 was gathered and donated to the Croatian Association of the Blind to help them equip their "computer corner" at the Education and Rehabilitation Campsite in Premantura and the acquisition of the necessary tiphlo equipment.

T-HT's volunteers in ecological projects

T-HT's employees have been participating in the ecological projects carried out by the Company together with its partners for three consecutive years. This year during the project "Pošumljavanje opožarenih područja" (Afforestation of fire affected areas) twenty hectares of the forest area which had burned down during the summer forest fires over the past years has been afforested with young plants. Aleppo pine and cypress pine trees were used to afforest the locations on the forestry areas of Benkovac, Hvar, Makarska and Metković.

The employees of our Company gladly volunteer in the socially useful projects because, apart from enjoying themselves while planting young plants with plenty of songs, sun and good company, they also contribute to the socially responsible behaviour, making the public pay attention to the necessity of conscientious behaviour when it comes to fire protection and reminding of the importance of healthy and green forests which, by releasing oxygen and absorbing carbon dioxide, contribute to the quality of life of both this generation and those to follow.

*In 2010 the employees of T-HT participated in the afforestation of **20 hectares of forest area** which had burned down during the summer forest fires over the past years.*

4. Responsibility towards the users

We are encouraged by the users' excitement and that thought pushes us towards constant improvement of our products and services, on a daily basis. We are taking care of the professional

and correct relations with our users through series of activities, always striving to offer more, and we use the two-way communication to listen to their needs and their opinion.

Available 24/7

Caring for the users and their satisfaction are the main focus of T-HT's call centre. Its agents are ready to answer all questions or provide support on a 24/7 basis, by phone, e-mail, postal mail and fax. The call centre plays a key role in the maintenance of good relations with the users. Besides providing information, products and services created precisely according to the users' needs are sold.

T-Com's and T-Mobile's agents as well as Iskon's Customer Service are available 24/7.

The option of telephone sales within the Customer Service provide the user with an opportunity to quickly and easily request an activation of Hrvatski Telekom's services from their own home or a delivery of a requested device to their home address. Customer Service agents individually approach each user to be able to recommend the service package which is fully adjusted to user's needs.

If a user wants to file a complaint regarding the amount of an invoice or the quality of the provided T-HT services, the complaint is also filed to the Customer Service in written form by post, fax or e-mail. The Customer Service carries out the procedure of determining whether or not the complaint is founded and in written form informs the user whether the complaint has been accepted or declined within 15 days from receiving the complaint. If the user is not satisfied with the settlement of the complaint, he or she has the right to appeal to T-HT's Committee for the settlement of appeals regarding the decisions on the foundation of customer's complaint whose work is also shared by the representatives of the customer protection associations.

Systematic monitoring and analysis of the users' complaints which HT continuously conducts enable successful detection of the pattern of complaints and their removal and improvement of the procedure of processing complaints in order to make this process fully adjusted to users.

Aware of the fact that each contact with the user presents an opportunity and that a well received complaint in the eyes of a user can certainly become a positive experience, Combis has four communication channels, from direct, personal contact with the users, through the call made to the Service Desk and the web form on the official Combis website to direct e-mail sent to the company Board of Directors.

Service Desk is a department which is in direct contact with the users and whose task is to ensure controlled receipt and processing of users' calls with the objective to identify users' requests, solve the problems and forward the requests to the competent departments within the company. It meets the requirements of the ISO 9001:2000 standard.

In addition to the afore-mentioned, a web form has been created on the official website through which the users can send their comments, remarks, suggestions and questions.

Since the internet media is available 24 hours a day, enabling electronic communication, in 2010 Combis has used the official website to ensure a direct communication channel towards the Board of Directors as well, with the objective of getting more familiar with the users' needs and improving the quality of the services provided. Users thus have the opportunity to send every request, opinion, compliment or question directly to the company's Board of Directors as well.

Not only that, Combis, thanks to its nine repairment locations in Croatia, has the ability to reach any location in Croatia within one hour, 24/7.

Users' satisfaction surveys

To fully understand the users' needs and meet their expectations, T-HT has been continuously monitoring users' satisfaction and loyalty by the use of the TRI*M methodology. Systematic and continuous monitoring of users' satisfaction is a method used by T-HT to test the efficiency of the

business processes within the company and to precisely determine parts of certain processes which must be enhanced to meet or exceed users' expectations.

T-HT also systematically conducts external surveys regarding the users' satisfaction of the service and process quality by using the "Mystery Shopping" method. This method of research includes persons who were specially educated by an independent agency and which is through a role of a customer observed and then reviewed in terms of service quality and process in accordance with the criteria which had been defined in advance.

On the basis of the feedback information and the results of the research on users' satisfaction, T-HT has been continuously improving its products and services.

*T-HT conducts the user's satisfaction survey through the TRI*M methodology four times a year.*

Combis continuously conducts annual survey regarding users' satisfaction to determine the level of users' satisfaction with Combis as a whole, as well as with specific parts of the company and solutions, products and services. Namely, the objective is to single out the elements of business which the users are satisfied with, i.e. those they are not satisfied with, all with the ultimate goal to increase users' satisfaction and improve business.

First class quality and users' protection

Since our users come first, we have been continuously working on the enhancement of the products and the creation of services particularly intended for certain groups of users. Besides, we pay a lot of attention to users' protection through options such as cost control, call barring, protection for the internet users etc.

In 2010 Combis has maintained permanent focus on finding new technologies which are either functionally stronger or more acceptable in terms of price than the existing ones and it has thus enabled its users to achieve business goals. Combis has also continued to perfect the offer of its services adjusted to fit every user's needs.

Special services for the youth

- **Bonbon – new mobile brand of high quality and more favourable prices** – in October 2010 Hrvatski Telekom has launched a new mobile brand "bonbon" intended for mobile users in Croatia who highly value quality but are at the same time very sensitive when it comes to price. The brand uses the T-Mobile network of high quality and reliability which covers almost 100 percent of the territory of the Republic of Croatia. Bonbon users enjoy the fast and dynamic pace of life, use advanced technologies and spend a reasonable amount of time on social networks so the communication with them takes place through online channels. A user can find all the necessary information and support on the website (www.bonbon.com.hr), on the online bonbon forum, Facebook, Twitter and chat. Since bonbon users wish to make good use of every minute of their free time, bonbon does not have its own points of sale, instead it is sold through a webshop on the website and at the points of sale the users often go to, such as book stores, newspaper stands and coffee shops.
- **Fixed dialling** - Fixed dialling is a functionality of a mobile device which enables dialling of only certain numbers stored on a SIM card (a total of 10 numbers).

- **SMS Daj nazovi** (Call me back) - This service makes it possible for children to contact their family members even if they have less than 50 lipas on their Simpa account and to request a free call from any of the users of the T-Mobile HR network.
- **SMSbon (voucher)** - This service enables simple purchase of a Simpa voucher by a family member or friend who is a T-Mobile subscriber and an automatic payment to the Simpa account without having to enter a special code.

Special services for socially disadvantaged citizens

T-Com tariff package "Super 30" which offers the service of using a fixed telephone line under favourable conditions is intended only for users with low income. T-Com thus keeps showing its awareness of the social problems, being at the disposal to all users who find it more difficult to afford themselves the basic telecommunication service.

The package is intended for users, owners of telephone lines, who receive permanent support pursuant to the Social Welfare Act, and only one package can be activated per each household. The unit of account of the "Super 30" package is 1 second (with 1 minute as the minimum duration of the call) and it applies to all national and international calls and calls placed to mobile networks.

T-Com tariff package "Super 30" which offers the service of using a fixed telephone line under favourable conditions is intended only for users with low income.

Services for persons with special needs

- **Discount for disabled persons** - T-Com enables persons with special needs with discount on monthly subscription fee and on telephone calls within T-Com. The users that meet the requirements have to contact the Association of Disabled Persons or relevant association which will in turn officially contact T-Com and send the necessary documentation so that discount can be granted.
- **Discount for Croatian Homeland War disabled veterans** - Disabled war veterans are granted discounts while becoming subscribers, discount on their monthly subscription for the fixed telephone line and discount on telephone calls within the T-Com fixed network, depending on the degree of physical impairment. In order to realize the right to discount, they have to submit a disability certificate in a T-Centar point of sale in person or by an authorised association which will contact T-Com and send the necessary documents.
- **Telephone offer for older persons and persons with special needs** - T-Mobile and T-Com have enlisted phones adjusted for older persons and persons with special needs into their offer of phones for fixed and mobile network. These phones generally have large buttons for a simple and easy use, large letters on the screen, illuminated screen and keyboard and, in case of a mobile phone, a strong vibration and buttons instead of a menu on the screen.
- **Stores accessible to disabled persons** – From the total of 66 T-Centar points of sale, 55 are accessible to disabled persons. All 5 T-Kiosks are also accessible to disabled persons.

Call barring and cost control

For the purpose of protection from unwanted calls as well as cost control, all T-Com and T-Mobile users have the services of call barring which block certain groups of incoming and outgoing calls at their disposal.

T-Mobile's call barring service enables blocking of all incoming calls when you are a guest in another operator's network or blocking of all incoming calls and blocking all outgoing international calls or all outgoing calls with the possibility of contacting only the emergency services (police, fire brigade, emergency medical service).

T-Com offers free service of barring outgoing calls toward international networks, mobile networks, value added services and Internet access providers. Calls made toward emergency services (police, fire brigade, emergency medical service) are always allowed. The user or the operator can control the ban.

Protection from international calls of high risk

Protection from international calls of high risk which does not require a special request because T-Com automatically activates it enables safer making of calls in a simple way as well as sending faxes within the fixed telephony.

Upon the introduction of the protection, the calls towards certain international numbers which are on T-Com's list of calls of high risk, such as the satellite operators or exotic countries, must be additionally confirmed as they are being established.

The confirmation for the making of the calls is done by entering a four-digit code which is different for every call and which is given through automatic voice mail right after dialling the number. Only those calls which the user approves by entering the confirmation digits will be made.

T-Com keeps a list of numbers which are protected and changed as necessary.

If the user wants to deactivate this service, he or she must fill out a special request for the exemption from the protection.

Warning on increased traffic

With the objective to protect the users from potential misuse or unauthorised use, T-Com monitors the users' usual behaviour as they use the voice and internet telecommunication services and warns them on every unusual and sudden increase of the cost of using a certain service.

If the cost of use is twice the amount of an average use of the service in the last three months, an informational warning of the user will follow via automatic voice mail which includes the exact amount of the cost of the realized current traffic or, if its the Internet traffic, via e-mail.

This service also provides the user with better control of the cost incurred by the use of the telecommunication services over the past month.

SMSinfo account

The SMSinfo account service provides the T-Mobile subscribers with the possibility to find out the balance of their account at any time during the month and thus control their own costs more easily.

The received and sent SMSs are free of charge.

There are certain T-Mobile tariffs and options for which the users can learn the remaining amount of services included into his or her tariff model or package by sending an SMS to the same number.

Protection for Internet users

T-HT provides its users of Internet services with several types of protection for the ADSL and dial-up users. T-Com provides its ADSL users with free download of safety protections which include antivirus, antispam and firewall protection.

The antivirus protection and the protection of unwanted messages (antispam) can be tuned on and off in accordance with the user's needs and wishes. T-Com safety protection is administered through the user web page.

Firewall is the protection of the user's computer and Internet. It protects the computer by imposing a limit on the incoming traffic and blocks unauthorised access to the computer, without disturbing the authorised access. The service can be activated on the "Moj T-Com" web page.

The free of charge "Antidialer" protection from the so-called "dialer programmes" which misuse the user's telephone line and cause high phone bills is intended only for T-Com dial-up users who are not MAXadsl users. MAXadsl users are not in danger of they use only the ADSL connection to access the Internet.

Parental protection on MAXtv Iskon TV services

MAXtv users can activate the service Parental Protection which prevents access to contents that are inappropriate for children, such as pornography or violence. The activation of Parental Protection prevents children from viewing inappropriate TV channels and films from MAXtv video store. This feature is easily activated by entering the main PIN.

Child protection while using mobile phones

The society has become actively involved in the protection of children and youth through services and advice on how to correctly use the mobile technology through the website.

"Safe home"

All MAXadsl users have the "Siguran dom" (Safe home) service at their disposal through which the user can be in constant contact with his or her home at any time and from any place. The service is used via a computer and an Internet portal which the user can also access from his or her mobile phone.

"Siguran dom" enables movement detection (opening of the door or the windows), checking the room with a camera, notification via e-mail or SMS, access to the services over an Internet portal and contact with the home even in case of loss of electricity.

My "T"

To make it easier for the users to access different options and services for which they need to remember several user names and passwords, T-HT has created a unique ID for the identity confirmation. During the registration, each user chooses "Moj T" user name and password for the access to "Moj T-Com", i.e. "Moj T-Mobile" portal and that unique place gives him or her the opportunity to purchase new or upgrade the existing services, check his or her monthly bills and the detailed list of calls, administer his or her user accounts regarding telephone, mobile phone, Internet and television, and access T-Club and exchange points for rewards. With the "Moj T" user name the user can also access tportal's web services (Webmail, Chat, Webograd, etc.) and T-Mobile webshop.

T-Com service users can register at the moj.t-com.hr, and T-Mobile users at the moj.t-mobile.hr portal which contains all the necessary explanations.

T-Club

In the fourth quarter of 2010, T-Com and T-Mobile have provided users, who by using the services also gather points from the loyalty programme, with the possibility to add points gained through the use of T-Com and T-Mobile services, and the users can exchange them for plenty of rewards or

benefits of their own choice at one place, such as the additional free minutes of calls within the T-Com network, at one place.

T-Automated Payment Machine

The user can pay his or her bills for the T-Com and T-Mobile services in cash, quickly and easily at the T-platomat machines (Automated Payment Machine), a self-service payment machine for the collection of bills which have been set up in all T-Centar points of sale. The bills can be paid only through an original T-Com or T-Mobile slip.

E-bill

E-bill or electronic bill is a new way of delivery of bills via electronic mail. The delivery of bills printed on paper and sent by post and the delivery of a detailed printed list of calls stop with the activation of the e-bill and you receive the bill in the attachment of an e-mail. E-bill is activated through the "Moj T" user portal.

The electronic bill is a safe, digitally signed PDF document arriving by e-mail. It is convenient for payments made through Internet banking, ideal for those who pay their bills by a permanent transfer order and it also reduces fear from losing the bill because we no longer receive it printed on paper. The use of the e-bill services reduces the use of paper and contributes to the preservation of the environment. Millions of bills are printed in Croatia every month and one wood which is 15 - 20 years old is used for the production of cellulose for only about 2000 paper bills!

In 2010 Iskon also offered the possibility of receiving an electronic bill.

E-payment slip

In cooperation with Zagrebačka banka d.d, T-HT expanded the possibility payment of monthly bills - e-payment slip - with the service that sets new standards on the Croatian market.

The Zagrebačka banka service user will receive the stated e-slips, with the exact payment amount printed as well as the account number and reference number, via Internet (e-zaba) and mobile (/m-zaba) banking.

Paying the bills via SMS

Paying the bills via SMS is simple, quick and safe. The mPay T-Mobile service provides the subscribers and Simpa users with the possibility to pay the T-Mobile and T-Com phone bills, utility service bills, have insight into their bank accounts and the balance on the credit cards as well to purchase products and services by using a mobile phone. User's bank account or credit card are used for payment.

Automatic payment

A user can pay the bills for T-Com and T-Mobile services without any compensation through a permanent transfer order, by signing an agreement with one of more than 20 banks in the Republic of Croatia and credit card companies Diners Club or PBZ Card. The user can conclude the agreement on permanent transfer order in any T-Centar point of sale.

The user is no longer obliged to think about the payment date of the bill and he or she thus also avoids the unnecessary payment of penalty rates in case of late payment and he or she saves time by avoiding the long queues while making cash payment of the bills.

Continuous investments into the future

Aware of the necessity for continuous improvement of the service and products, and thus the users' satisfaction, the Company keeps continuously investing into the infrastructure and development of platforms for new services throughout the country.

With the aim of achieving strategic goals, and with significant increase of the turnover and number of users and provision of high quality services in 2010, Combis has continued investing into its Data Center which has, in terms of its size, reached first class capacities and ensured additional capacities necessary for testing of new technologies.

Besides, in order to ensure high level of data protection, an Information Security Management System has been introduced, in accordance with the international ISO 27001 standard.

Investments into infrastructure

Continuously working on modernisation and enhancement of the service quality, T-HT has significantly increased the maximum speed of Internet access. While 5 years ago the maximum speed on a copper access network amounted to 23Mb/s (ADSL2+ technology), today the speed of 100MB/s is achieved on the optical access network. Broadband Internet is available to 98% of the population in Croatia, and the optical infrastructure covers 80 thousand households. Besides the increased speed, the optical technology has significantly less occurrence rate of errors both in terms of infrastructure and platforms, what provides a higher level of reliability and service quality.

Broadband Internet is available to 98% of the population in Croatia and in the last 5 years the Internet access speed has significantly increased: from 23Mb/s to 100 Mb/s.

Network and platform development

A television, a mobile phone, a personal computer used to be separate devices with diametrically different user services. Today services on these interfaces intertwine and the level of integration has increased significantly. Considering the large number of the available telecommunication services, T-HT first and foremost abides by the simplified use of the user services, regardless the way the users access the interfaces. They can thus access the service by using the optical and copper network and 2G and 3G mobile networks.

The Company has been continuously developing its fixed network, at the same time investing into the mobile infrastructure, enhancing the 2G and 3G network to broaden the availability of broadband services. In 2010 T-HT has started testing advanced technologies, such as LTE which will enable greater speed of data transfer, convergence and use of advanced applications on mobile devices.

T-HT is working on the implementation of advanced technologies, such as LTE which will enable impressive speed of data transfer, convergence and use of advanced applications on screens of mobile devices.

LTE – fourth generation mobile network

LTE technology enables the continuation of a strong mobile network development, especially regarding services based on broadband access (for example, video content transfer). In 2010 T-HT has initiated testing of the fourth generation mobile technology (LTE) which increases the access speed and enables provision of new multimedia services and increase of the quality of the existing ones. It also enables better use of the spectrum resources in relation to the existing technologies and makes savings regarding the quantity of the installed equipment for the wanted capacity.

In terms of the mobile network, T-HT started the evolution of the radio access network: new multifunctional equipment is being installed which is more efficient in the implementation of new technologies and which minimizes the need for adding new network elements. These activities also result in the decrease of electrical power consumption.

MAXtv sat

Since December 2010 the MAXtv service has, apart through the IPTV technology, also been available over the satellite (Direct to Home technology). The new MAXtv sat service is intended for private users who until now had no technical possibility to use the MAXtv service through the IPTV technology. All those to whom this service was not available until now, for example, persons from smaller, rural towns or islands, will have the opportunity to enjoy the rich offer of local, regional and international TV stations.

Advertising

The Company continuously informs the public and its users on all its activities as well as the improvement of services and products. In the process we strongly abide by the Code of Advertising Standards which prescribes advertising rules and principles. In this respect, communication may not include anything that would offend the public with regard to generally accepted public morals and decency, neither may it abuse consumer trust or take advantage of their lack of experience or knowledge.

Through continuous advertising and press releases, Combis informs the public of its activities and products, services and solutions.

Press releases had thus been published throughout the year, containing all the news, events and other relevant information on which the public should be informed.

Open communication

The company also informs its users and the public on the problems with the network openly and in due time. In November 2010 there had been several unpredictable difficulties in the operation of voice mail as works on the improvement of the T-Mobile network took place. Hrvatski Telekom used the opportunity to constantly keep its users informed on what was going on through the website, social networks and by publishing a press release. After the difficulties had been removed, HT also announced its apology ad in the daily newspaper and it provided its users with free calls during a period of 48 hours thus apologizing to them.

5. Responsibility towards the suppliers

T-HT implements a Sustainable Procurement Programme for the purchase of products and services within the whole Company. The Group continuously tries to use the best value for the money invested while taking into account parameters such as price, quality, availability and functionality, impact of products and/or services on the environment, social aspects, working conditions and human rights.

In its relations towards the suppliers, Combis emphasizes transparency and ethics in business and business cooperation. With that goal in mind, legally, technically, economically and financially acceptable frames and criteria, pursuant to which it reviews the selection of suppliers and their offer, have been developed.

Sustainable procurement: from the programme towards the strategy

The sustainable procurement programme is a procedure used within the whole *DT Group* for the purchase of products and services, taking into account various aspects. Sustainable procurement guidelines represent development in the direction of defining the overall procurement strategy and policy in the future and it will apply to every member of the *DT Group*. This strategy will certainly

provide a platform for making decisions during selection of new and developing relations with the existing suppliers.

Programme components

The sustainable procurement programme includes supply chain management with regard to social and ecological risks and the possibilities for long-term benefit for the company, selection of suppliers according to common and clear defined minimum standards (e.g. Social Chart, Convention of the International Labor Organization). It also includes regular overview of predefined processes revised by responsible persons, taking efficient measures in case of non-compliance with the defined procedures including standard escalation procedure.

Prescribed requirements for the suppliers

The sustainable procurement programme within the *DT Group* prescribes requirements for suppliers to respect cultural, social, political and legal diversity of all nations and societies and imposes on them the obligation to protect internationally applicable human rights; recognizing the fundamental right to freedom of association and the right to collective bargaining within the existing national regulations and contracts, exclusion of any form of compulsory labour, taking the responsibility for non-exploitation and abolishing any form of child work and the guarantee that the minimum employment age complies with the regulations of respective country, elimination of any form of discrimination at work and explicit commitment to advocating equal opportunities and diversity of all employees, adequate payment based on contract in accordance with relevant national labour market and prescribing minimum salary guaranteed by the law, guarantee that relevant national regulations on hours of work and regularly paid annual vacation will be observed, support to employees' training and development for the purpose of maintaining a high level of work execution standard on all levels in the company, ensuring all necessary safe and healthy working conditions in accordance with the standards applicable in respective country and support to further development with a view to improving working environment.

The sustainable business questionnaire which is filled out by the suppliers enables us to learn their policies regarding sustainable business they carry out in their everyday business operations and to test whether or not the suppliers abide by the fundamental ethical principles of business.

Auditing the other side of contracted partners

By auditing of the other side, Hrvatski Telekom checks the performance of its contracting partners regarding the operational application of environmental protection. In 2010 audits had been conducted in 5 companies whose business operations include maintenance of vehicles, maintenance of tires for the vehicles and maintenance of the real estate (construction facilities and technical systems) owned by HT. After performing the audit in these companies, it has been established that they are conducting business pursuant to all valid legal requirements from the field of environmental protection, that they have the necessary permits and authorisations and that they keep prescribed records.

6. Responsibility towards the environment

T-HT Groups systematically operates in the area of environmental protection, trying to decrease its own influence on the environment keeping in mind the interest of future generations. Our approach to environmental protection is proactive. We think of the legal regulations as the minimum requirements we often surpass in significant amount. Our procurement policy is directed towards the goals of environmental protection and these goals also affect our behaviour toward the contracting partners. We try to find solutions for our products and services which save energy and natural resources. We

actively include our employees into the environmental protection measures and we inform the general public and interested parties on our activities, promoting a constructive dialogue.

The size and strength of Combis also include the responsibility to be included in the initiatives for the benefit of sustainable development. The company leadership is aware of the fact that the future of business as well as life is determined by the attempts to promote sustainable development.

Combis primarily deals with the offer of knowledge, solutions and services and we do not have the possibility to report on issues related to production, but through its business operations the company takes the environment into account and takes regular care of recycling, disposing the information equipment in a prescribed manner and promoting preservation of the environment.

ISO 14001 certificate

In 2010 T-HT decided to submit its activities regarding environmental protection to independent assessment. As a result of the independent assessment, in June T-HT was given the ISO 14001 Environmental Management Standard certificate, and it also obtained the prestigious environmental certificate issued by the largest international associations of certification agencies IQNet (*International Quality Network*). This certification continued T-Mobile's good practice, which was certified as early as 2002, and T-HT became the first and only telecommunication operator with the ISO 14001 certificate in Croatia. Besides the ISO 14001 certificate, certain parts of the Company have also been certified according to the ISO 9001 (quality) and ISO 27001 (information security) standards.

*In 2010 T-HT thus became the first and only telecommunication operator with the **ISO 14001 certificate in Croatia.***

Afforestation of fire affected areas

T-HT Group's effort to give its contribution to environmental protection and ecology has continued in 2010 with direct investments into the afforestation of fire affected areas. Through the project of donating young plants, a total of twenty hectares of the forest area that had burned down over the past year in the summer forest fires on the forest areas of Benkovac, Hvar, Makarska and Metković, have been planted. The project was initiated in June, with the beginning of the season with the high risk of fire, to make the public aware of fire protection.

Users - our partners in environmental protection

In 2010 a special emphasis was placed on users' needs and the promotion of e-business. In May and June 2010, T-HT organized an action of ecological disposal of used mobile devices during which more than 20 000 old mobile phones, old batteries and other accessories were gathered. Such actions have been organized since 2005 with an excellent response from the users what is proven by over 100 000 used mobile phones that have been disposed of.

T-HT added services affecting the reduction of the effects on the environment by the user to its offer: web bill (a detailed printout of the phone bill) and e-bill (delivery of the bill via e-mail, in electronic form). In 2010 T-HT opened a new e-mail address zastita.okolisa@t.ht.hr, available for users' enquiries which relate to the environmental protection area and T-HT's role in it.

For those users who wish to contribute to nature preservation, we have an offer of devices for which recycled materials were used during their production - LG GD 510, SE ELM and SE Cedar.

The necessity of preserving nature is build from an early age so the education and upbringing must begin at the earliest age. We have therefore supported the project "Pametno s mobitelima" (Carefully with the mobile phones) organized by the "Ivo Lola Ribar" elementary school from Labin. We used the project to educate pupils and their families on rational consumption while using the mobile phones, how to use them more safely and how to properly dispose of mobile phones and the necessity of

recycling mobile phones which are no longer used. Besides the education, the pupils also took part in the creation and handing out informational leaflets for parents and a very successful action of gathering old mobile phones, chargers and batteries was also organized.

More than 100 000 used mobile devices, batteries and other accessories have been gathered during the 5 years of the ecological disposal actions.

Optimization of space as a prerequisite for ecological real estate management

6000 employees are situated in T-HT buildings in 21 counties in more than 160 cities and neighbourhoods. Since the residential and non-residential buildings participate in the overall consumption of energy with as much as 40%, the savings potential in this segment and favourable effects for the environment is high. T-HT has joined the initiative for the improvement of energy efficiency in buildings and has been implementing the optimization of space. The optimization is used to achieve the adaptation of the employees' positions to work processes, to improve communication and to make significant savings in the consumption of energy-generating products. Interventions have also been made to reduce the energy effects: boiler rooms have been exchanged with the inverter air conditioning devices for heating/cooling and the initiative regarding work from home (home office) has also been introduced.

Users can send their questions regarding T-HT and environmental protection to the e-mail address zastita.okolisa@t.ht.hr

A step towards smart and energy efficient buildings

The real estate portfolio contains facilities of different year of construction and their construction and energy related status. T-HT approached the renewal of buildings applying technologies and solutions in the area of green construction and energy efficiency. The actions regarding the improvement of energy efficiency also include structural changes: improvement of the buildings' thermal insulation, renewal of the façades, building in the system of shades for sun protection, replacement of the carpentry/locksmithing with more efficient systems in terms of energy. T-HT can already boast of smart buildings in which the level of automatisisation of energy parameters has been lifted to the highest level: let us only mention that by introducing the smart system of lighting regulation a saving of as much as 30% has been achieved. Whenever possible, remote management of the energy performances of the facility is used, systems which automatically turn off the air conditioning devices as the windows are opened, have been set up, the light sensors, the smart heating systems and other solutions which in practice apply the principles of green building and reduce the effect on the environment.

T-HT can boast of smart buildings in which the level of automatisisation of energy parameters has been raised to the highest level.

Through education to the improvement of ecological indicators

Knowledge has been recognized as the basis of further development and when it comes to environmental protection, every employee's contribution matters. Therefore in 2010 an extensive programme of employee education has been initiated. More than 550 employees attended seminars on environmental protection and more than 1250 employees finished the online education (e-learning). The area of energy efficiency has not been left out: a part of the employees finished the *Modul 1* of the education regarding the energy certification of buildings. Although T-HT does not conduct the activities of energy certification, the acquired specialist knowledge are applied in everyday work.

In 2010 T-HT actively supported the global ecological initiative for the minimization of the climate changes "Sat zemlje" (Earth's hour) by shutting down the lights on locations throughout Croatia and the company product and service ads were also dimmed.

Climate protection as one of the priorities

Only in 2010 T-HT withdrew and ecologically disposed of more than 54 tons of equipment which contains chloro-fluorocarbonhydrogen. Fire extinguishing equipment containing halons has also been replaced. The older generation air conditioning systems have been replaced with more efficient ones which do not use substances harmful for the environment. Several boiler rooms have also been replaced and the new ones use ecologically more acceptable fuel, gas. The boiler rooms are equipped with automatic regulation which adjusts the parameters of consumption and contributes to the more efficient use of the resources and lower emission into the environment, while regular maintenance of the boiler rooms still presents the basis for the reduction of emission into the environment.

In 2010 T-HT started the preparations for the replacement of the systems which are using the cooling substance chlorodifluoromethane (also known as freon R22) in order to complete all the requested activities by the legally defined deadline (the year 2015).

*In 2010 more than **54 tons** of equipment containing chloro-fluorocarbonhydrogen were withdrawn from use and ecologically disposed of.*

Alternative energy sources - green energy

In 2010 a pilot project of using solar energy for the preparation of hot water with a tendency of expansion to the facilities where the climate conditions allow that. The project foresees the use of hot water for the employees of certain buildings, outside the heating season, with its preparation with solar energy, i.e. by using solar cells.

When it comes to technological spaces, T-HT has 11 wind and solar systems on the basic stations of the mobile network (the planning of 2 new systems has begun in 2010).

T-HT has 11 installed renewable electric power sources whose power is more than 50kW.

Car fleet - employees' safety and lesser impact on the environment

T-HT controls a car fleet of 1642 vehicles, with 220 vehicles with a gas engine. With the average age of the vehicle being less than 4 years, T-HT is continuously working on the increase of employees' safety and better indicators related to environmental protection. In 2010 the car fleet was renewed with the purchase of new vehicles with a better factor of the CO₂/km emission and the new vehicles comply with the strict criteria of the Euro V standard. The Euro V standard includes noise reduction, one of the important parameters of occupational health and environmental protection.

HT's car fleet also counts 220 vehicles with gas engines which contribute to the reduction of CO₂ emissions

Electromagnetic radiation in mobile networks

When it comes to electromagnetic radiation, T-HT fully abides by the valid Croatian regulations which are up to 6.25 times more strict than those in the European Union. All the research that has been conducted so far and the latest scientific findings show that the electromagnetic fields in the mobile communication systems have no harmful effects on human health, with the confirmation of the World

Health Organization. Independent measurements were conducted on more than 150 basic stations in 2010 and the results have been delivered to the Ministry of Health. All sources of the EM fields in the T-Mobile network have the resolution for their use which is issued by the Ministry of Health.

*T-HT fully abides by the valid Croatian regulations regarding the EM radiation which are up to **6.25 times more strict than those in the European Union***

Minimizing the impact on the landscape while building mobile networks

T-HT and other mobile operators, members of the Mobile Communication Association of Croatia (UPKH) have started the initiative of minimizing the number of actions taken within the landscape while building the basic mobile network stations. The Ministry of Environmental Protection, Physical Planning and Construction also supported this initiative and thus today mobile operators are building joint locations. Such activities minimize the mobile networks' impact on the landscape, especially in the protected parts of nature.

We are changing technologies and increasing energy efficiency

A large number of technologies and technological solutions from the area of mobile, fixed and Internet network present an immense challenge for T-HT when it comes to electric power consumption and energy efficiency.

Optical infrastructure – green technology

The optical network infrastructure, which covers over 80 000 households in Croatia, has been recognized as the "green" technology in the segment of environmental protection. Network platforms which use optical network infrastructure have a wider range of providing the end user with the services (the length of the optical user nod increases in relation to the range of the copper user nod) what enables the reduction of the number of access nodes and the number of access devices, and by that less consumption as well. The space requirements in cable canalization (DTK) are smaller since larger capacity can be achieved through cables of smaller diameter than compared to copper, and electromagnetic interferences are also avoided.

Multi-service platforms and network evolution

Integration of mobile, fixed and Internet services is highly demanding in technical terms because the surrounding in which each network had its own individual services is transformed into a unique multi-service platform. The integration significantly decreased the number of network platforms and devices what results in an improvement of energy efficiency and decrease of impact on the environment.

T-HT shut down the old, insufficiently used fixed networks for data transfer: telex, X.25, Frame Relay. Migration of the users from the ATM network to the new IPMPLS/Ethernet based network infrastructure is also underway.

Energy efficiency in mobile networks

Pilot initiatives have been introduced within the project "Racionalizacija korištenja električne energije u pristupnim mrežama Hrvatskog Telekom" (Rationalization of using electric power in Hrvatski Telekom's access networks) which should result in more rational use of electric power: new design of mobile locations (construction only with external base stations), new generation of base stations (FLEX - i) which, according to the Nokia Siemens Networks specification, use less current, the use of programme solutions on the mobile network's core part which optimizes the use of base stations in accordance with the telecommunication traffic, and other initiatives.

Energy optimization of auxiliary systems

Besides the advanced telecommunication technologies where T-HT follows the latest world trends in telecommunications as well as environmental protection, the so-called auxiliary systems are also optimized: air conditioning (installation of the inverter air conditioning devices and a project on 20 locations of the mobile network which uses the method of forced ventilation with external air), replacement of signal lights with the LED technology on the existing antenna poles, application of new rectifying units which have greater utilisation and other initiatives.

T-HT also cooperates with the "Hrvoje Požar" Energy Institute in the field of energy efficiency, regarding the area of consumption and cost analysis of electric power. The main goals of this cooperation are the improvement of energy efficiency and preparation for participation on the electric power open market.

Fact sheet – data on the consumption of electricity, water, quantity of waste, motor fuel

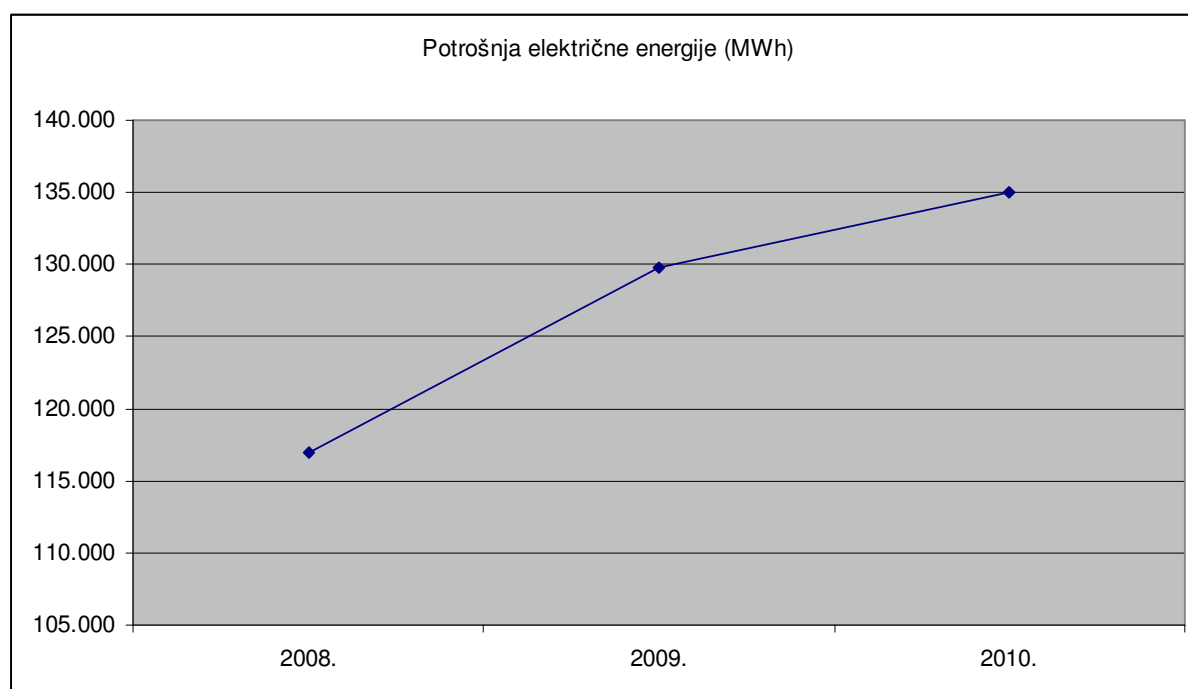
Numerical indicators – ecological indicators

Electric power consumption*

Development of new services, the increase of the network capacities and other global trends in the ICT sector cause constant increase of the electric power consumption. The consumption of electric power was increased in HT in 2010 but the growth was slowed down by the energy efficiency measures.

Indicator	2008	2009	2010
Electric power consumption (MWh)	116,957	129,751	135,053

*data for T-HT Group, not including Combis



Energy consumption for heating

Indicator	2008	2009	2010
Consumption of natural gas for heating (MWh)	13,339	12,518	13,459
Energy consumption for remote central heating/heating plant (MWh)	10,298	9,662	11,098
Consumption of fuel oil for heating (MWh)	8,931	8,898	9,455

*data for T-HT Group, not including Combis

Water consumption*

HT uses water for drink, for sanitary purposes, in the air conditioning systems and fire extinguishing systems (water is not used in technological purposes). Savings measures and education of the employees continuously reduce the consumption of water.

Indicator	2008	2009	2010
Water consumption (m3)	119,782	101,482	88,008

*data for T-HT Group, not including Combis

Waste disposal*

Indicator	2008	2009	2010
Total amount of waste - utility waste is not included (t)	726.09	1,303.86	1,294.63
Total amount of non-hazardous waste (t)	540.47	910.93	800.61
Total amount of hazardous waste (t)	185.62	392.93	494.02
Waste paper (t)	182.7	264.62	242.99
Technical waste (t)	216.74	297.27	285.44
Other types of waste (t)	141.03	349.04	268.17

*data for T-HT Group, not including Combis

Motor fuels and vehicles*

The efficiency and utilisation of the car fleet has been increased: the total number of vehicles was decreased and the mileage was increased. The measures of savings and the renewal of the car fleet with more efficient cars decreased the quantity of used fuel.

Indicator	2008	2009	2010
Total fuel consumption for the vehicles (L)	2,262,107	2,458,047	2,370,178
Gasoline (L)	6,989	243,818	307,545
Diesel (L)	2,259,118	1,970,716	1,817,985
Gas (L)	0	243,513	244,647
Number of vehicles (pcs)	1,725	1,746	1,642
Gasoline engine (pcs)	9	62	302
Diesel engine (pcs)	1,716	1,464	1,340
Gas engine (pcs)	0	220	220
Passenger vehicles (pcs)	1,152	1,073	981
Service vehicles (pcs)	573	673	661
Total mileage (km)	30,270,058	27,741,366	28,259,025
Gasoline engine (km)	103,784	2,231,585	2,920,258
Diesel engine (km)	30,166,274	23,572,846	23,300,038
Gas engine (km)	0	1,936,935	2,038,729
Average consumption (L/100 km)	7.47	8.86	8.38

*data for T-HT Group, not including Combis

3 images of an oak

2008

2010

Oaks planted in March 2008, during the action of afforestation which included T-HT's employees in the Sisak forestry.

7. AWARDS AND RECOGNITIONS

Poslovni dnevnik's award for best relations with the investors.

Croatian Chamber of Economy's (HGK) award for the best industrial stock in the category which includes sea, transport, connections and construction for the year 2009.

Trusted Brand Croatia 2010, an acknowledgement by Reader's Digest, given to T-Com in the category of an Internet provider, and to T-Mobile in the category of a mobile operator.

Eurobest 2010 award for the T-Mobile campaign "Matejev projekt-Najbolji Graffiti Jam".

Bronze Effie Award in the category of a telecommunication operator.

8. MEMBERSHIP

In 2007 T-HT joined the UN Global Impact initiative which supports the fundamental social values within ten principles of responsible business. In 2010 T-HT Group regularly reported on the implementation of these principles and introduced the public to the initiatives in the field of human and working rights and fight against corruption.

In 2008 a renowned agency for research and analysis of the corporate responsibility rating and compliance with sustainable development, Oekom research, enlisted T-HT into the category of companies with the Prime label.

In 2009 Hrvatski Telekom became a member of the CEERIUS sustainability index for the year 2010. CEERIUS (CEE Responsible Investment Universe) is a sustainability index of the Vienna Stock Exchange for the CEE region composed of the shares of the leading companies in reference to social and ecological quality, as well as economic performance. In 2010 HT became a member of the CEERIUS index for the year 2011.

T-HT is the member of the European Telecommunications Network Operators' Association (ETNO) since it was founded in 1993 and it is among the first to sign its Environmental Protection Charter in 1996. The Company regularly follows the association's activities in the area of development of new telecommunication products and services, legal regulation, sustainable development and environmental protection.

T-HT is a member of the Community for Environmental Protection in Economy in the Croatian Chamber of Economy (HGK) in which it actively participates in the promotion of principles of environmental protection applicable in the economy.

T-HT joined the Green Building Council of Croatia, a non-profit organization whose key goal is to lead the transformation of the Croatian market of construction and real estate towards sustainability, promoting programme of green building and technology as well as the integration of the available and acquired knowledge, experience and findings on green building into planning and design, construction and functioning of buildings in Croatia.

T-HT has been an active member of the Mobile Communication Association of Croatia (UPKH) since it was founded in 2003. UPKH tends to promote mobile communication as a successful, social responsibly, economic branch which takes care of environmental protection, citizen's health and the well being of the whole community. Through its operations, the Association conducts activities related to the enhancement and development of mobile communication and it deals with competitiveness of Croatian mobile communication on the world market, electromagnetic emissions, traffic security, social responsibility, electronic waste, responsible use of mobile phones in everyday life and sustainable development.

All authorised engineers (designers), depending on their vocation, are members of the Croatian Engineer Chamber.

T-HT is a member of a series of international associations: GSM Association, UMTS Forum, IEEE (Institute of Electrical and Electronics Engineers), RIPE (Réseaux IP Européens), ETSI (The European Telecommunications Standards Institute), MECMA (Mediterranean Cable Maintenance Agreement), PMI EMEA (Project Management Institute Europe and Middle East Area), etc.

9. IMPLEMENTATION OF GLOBAL COMPACT PRINCIPLES

Principle	Principle contents	Report chapter
Statement of the President of the Management Board of T-HT about adherence to the principles		www.t.ht.hr
Human rights		
Principle 1	Companies should support and respect protection of internationally recognized human rights	3.
Principle 2	Companies should make sure that they are not complicit in violations of human rights	3.
Worker's rights		
Principle 3	Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining	3.
Principle 4	Companies should eliminate all forms of forced and compulsory labour	3.
Principle 5	Companies should abolish child labour	3.
Principle 6	Companies should eliminate discrimination during recruitment and at work	3.
Environment		
Principle 7	Companies should support a precautionary approach to environmental challenges	6.
Principle 8	Companies should take initiatives aimed at promoting greater environmental responsibility	6.
Principle 9	Companies should instigate development and application of environmentally friendly technologies	6.
Combating corruption		
Principle 10	Companies should combat all forms of corruption, including extortion and bribery	1.