



Environmental protection

Report of T-HT Group 2007

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Message of the President of the Management Board

Dear readers,

This is T-HT's fourth annual report on environmental protection and the first that we have issued since our floatation on the Zagreb and London Stock Exchanges in October 2007. Since then, several hundred thousand small investors, the citizens of the Republic of Croatia, as well as Croatian and foreign institutional investors, have joined in the ownership of T-HT.

With such a diverse ownership comes a responsibility and obligation to keep shareholders and the wider public - informed of developments within the business in a spirit of openness and transparency.

As a socially responsible company we aim to issue regular reports on the Group's environmental impact. It is important both to the Company and to me personally that we strive not just to reduce our impact on the environment, but to actively improve it where we can.

T-HT's Environmental Protection Policy is central to our daily business life, encompassing as it does the prevention of pollution, adherence to legal regulations and constant improvement in our environmental performance.

We share the concern of the world community for the fate of our planet, which is endangered by ever more volatility in its climate, much of which has been caused by greenhouse gas emissions resulting from human activities.

Although the information and communication technology industry of which we are a part is considered a "clean industry", it is responsible for about 2 - 2,5% of greenhouse gas emissions worldwide.

T-HT is constantly reducing its own share of these emissions. Since energy consumption is the main cause of greenhouse gases, we adopted the T-HT Group Energy Policy last year, laying strong foundations for more rational and efficient energy consumption in T-HT's daily operations.

The result of this policy, along with investment to modernize our network and other energy-consuming technologies, is that over the last year we reduced the total energy consumption by 2,44% compared with the year before.

As a consequence, our CO₂ emissions were reduced by 1,87%, despite the fact that at the same time we achieved a huge increase of broadband Internet and MAXtv users in our fixed network, which resulted in the intense growth of the total data traffic.

In fact, during this period, we more than doubled the quantity of the transmitted bits - our main "product" - per Joule of energy spent.

In 2007 we also achieved a significant progress in other aspects of our impact on the environment. Vehicle fuel consumption dropped by 9,55%, and at the same time we renewed our fleet and introduced a fleet-management system to make it run more efficiently. Waste production fell by 32,92% and our total paper consumption declined by 23%.

One of the examples that show our active role in environmental improvement was a large ecological donation project called "Green Communication", which also included the direct involvement of T-HT Group employees in afforesting Croatia. We believe that, by doing this in a true team spirit, we demonstrated our awareness of the importance of environment protection in the best possible way.

We remain committed to reducing T-HT's impact on the environment and have set both general and specific targets for environmental improvements by 2010. Furthermore environment, improve our natural surroundings and do business in a way that is both sustainable and commercially responsible.

T-HT believes that to care for the environment today is to care for the wellbeing of Croatia and its people long into the future.

*President of the T-HT Management Board
Ivica Mudrinić*



1. Introduction

Awareness of the importance of environmental protection is permanently present in T-HT and built into the most important business processes

Environmental protection is a basic precondition of the long-term and sustainable development of every country. In European proportions, the Republic of Croatia has a well preserved environment and the task of our generation is to provide for protection and further improvement of the quality of environment we live in. Faced with global consequences of human influence on the environment, which is reflected through climate changes and global warming, environmental protection means protection of the future both for the humanity today and all the more so for generations to come. Prevention of further devastation of the environment in line with the best practice of developed countries is a guarantee of the Croatian economy competitiveness. Therefore, it is important to protect the environment in Croatia and, through sustainable development policy, use the quality of environment as a chance for development.

As hardly any European country, the Republic of Croatia is exceptionally rich in national natural resources such as water sources, rivers, lakes, the sea and forests, which represent the common good. It is especially important to pay full attention to the preservation of forests that fulfill economic, environmental and social function and have a substantial influence on both the quality of life, as well as to the preservation of water quality and protection to the benefit of the economy and citizens. Preservation of water quality, prevention of pollution - including the disposal of waste waters and the providing for adequate and stable water supply in compliance with the European standards on environmental protection and water quality - are strategic priorities because having stable and clear water sources in the future will be equally, or even more crucial than having oil sources, an energy source that powers the entire world economy of today.

Awareness of the importance of environmental protection has been permanently present in T-HT for years now and it is incorporated in the most important business processes oriented towards satisfying wishes and needs of service buyers and customers, as an integral part of the total business strategy and acting within a concept of sustainable development and a high level of social responsibility to the milieu it operates in. Accessing the UN's initiative on socially responsible business operation, Global Compact (World Agreement) in March 2007, T-HT additionally confirmed its commitment to these principles.

By adopting the General Guidelines for Environmental Protection Management in T-HT Group in January 2007 an internal regulatory framework was established for fulfillment of all the obligations in the area of environmental protection in the Company both regulated by the laws and other provisions, as well as those voluntarily assumed. While an environmental protection management system certified according to the international ISO 14001 standard has already been in successful use in T-Mobile Hrvatska d.o.o. for several years, adopted General Guidelines, which follow a management model prescribed hereby, will direct these activities in the rest of the Company until final introduction of the system certified according to the aforementioned ISO standard, and later on as well.

T-HT, considering its basic business, does not belong to the companies that pollute the environment substantially, but by its business activities it nevertheless exerts pressure on the environment to a certain extent, which is especially manifested through waste production and consumption of various forms of energy. Therefore, these environmental aspects were given the greatest importance in the Company Environmental Protection Policy.

Prevention of waste production, bringing its production down to the least possible extent, sorted collection and proper

disposal are everyday activities in the area of waste management in the Company. Last year the new Regulations on Waste Management and a whole series of regulations on disposal of individual kinds of waste were adopted on a national level. The most important among them for the company business are the Regulations on Electric and Electronic Waste - the type of waste most represented in T-HT business - the application of which started in the second half of the year. Even before that, the Company has had a system for the disposal of this kind of waste, so it only needed to adjust itself to the new system, to start reporting the amounts of directly imported EE equipment and paying the fee prescribed for its disposal later on.

In order to sort out collection of certain types of waste, a significant number of containers for paper, PET bottles, used cartridges, used batteries and small electric and electronic instruments and equipment were placed in the Company in 2007. Furthermore, containers to collect used motor oils, antifreeze, filters and oiled packaging were placed on several suitably distributed locations in the Company throughout Croatia, and the collecting of fluorescent lighting pipes and accumulators was also organized. Environmental campaign encouraging collection and disposal of used batteries among our service customers needs to be especially pointed out. The campaign called „Clean Communication“ was carried out throughout Croatia, on the occasion of which adequate containers for their disposal were placed in all T-Centers.

In order to prevent water and soil pollution, tanks for liquid fuel (heating oil) in the region North were measured, tested and calibrated. Also, tanks that were put out of function because of introducing another, environmentally more acceptable heating fuel (gas) were disposed of, and the remaining fuel and sludge were ecologically disposed of by an authorized contracting partner.

Consumption of various types of energy, particularly electric, is the most important aspect of T-HT's environment. Energy is consumed in telecommunications networks and IT systems (for power supply of equipment, air condition and ventilation of premises), for heating of working premises and the use of the fleet motor vehicles. Energy consumption, both directly and indirectly, generates greenhouse gases like carbon dioxide (CO₂) causing climate changes and global warming. During the last year T-HT was actively involved in the fight for climate protection by formulating and adopting its own Energy Policy with the purpose of defining attitude towards energy consumption management and laying foundations to define individual goals in terms of energy consumption control and greenhouse gases emission. With this Energy Policy T-HT Group demonstrates its dedication to the care for climate protection and slowing down of global warming as well as its support to the provisions of the Kyoto Protocol.

The Company's fleet, which already consisted to a great extent of motor vehicles powered by diesel fuel, has been substantially renewed during last year by procurement of new vehicles with a better CO₂ emission factor. Average age of T-

HT's company vehicles was reduced thereby to only 3 years and 3 months. Also, the IT based Fleet Management System was introduced last year. Beside providing better services to internal customers, the introduction of this system enabled better monitoring of all costs related to company vehicles, reduced fuel consumption, and thereby ensured the reduction of harmful emissions into the environment.

At the end of last year, the Management Board of the Company adopted the „List of Objectives and Targets in the Environmental Protection until 2010“ with programs/measures for their realization referring to (significant) environmental aspects as given in the General Guidelines for Environmental Protection Management in T-HT Group. Setting these goals enabled monitoring of performance as well as constant improvement in this respect, with the purpose to achieve reduction and/or prevention of influences on the environment by bringing them down to the least possible extent. Some of the adopted goals are a direct consequence of obligations imposed by legal regulations, whereas others are a result of T-HT's own orientation expressed in the Environmental Protection Policy, Energy Policy and the Charter on Sustainable Development of ETNO the Company voluntarily accessed.

Just as before, great attention was paid last year to keeping employees and external interested parties informed and educating the Company's employees on the importance of environmental protection and thereof raising their awareness. The third report in a row on environmental protection (for 2006) was prepared, which was adopted by the Management Board of the Company, and the internal electronic environmental leaflet called „Eko kuTak“ (Eco Corner) continued to be issued. Via this leaflet, employees were informed on the importance and need of environmental protection, methods of active involvement in environmental activities carried out within the Company, advice on environmental behavior and energy saving, and on interesting matters from public press and other media related to environmental protection.

In the area of environmental protection T-Mobile went beyond legal requirements having introduced the ISO 14001 system of environmental management as early as 2002, which commits the Company to develop awareness on environmental issues both within their employees and in broader public. The annual external audit of this system implemented in September 2007 has shown a high level of environmental awareness of employees and proved that environmental protection has been deeply incorporated in everyday business operation, confirming that T-Mobile is engaged in environmental issues systematically and with dedication. Like it was done in the previous years, through the campaign called „Nokia is More Than Simpa“ customers were offered a possibility to dispose of old mobile devices, together with their batteries, chargers and additional equipment. In compliance with the new legal regulations in the area of waste disposal, all T-Centers are equipped to receive old mobile phones from customers as well as their waste batteries.

“Clean Communication” - Excellent success of the campaign for disposal of used batteries

3. Environmental Protection Policy and Goals

Environmental protection policy of T-HT Group includes: waste, soil, energy, raw material, water and waste water, emission into the air, electromagnetic fields and noise



In accordance with the requirements of the ISO 14001 standard, The Management Board of the Company defines Environmental Protection Policy, which is a statement of the organization on its intentions and principles in relation to its total performance in the area of environmental protection. It provides a framework for actions to be taken and setting of common and specific goals and programs for their realization. The Policy is a declaration of the Management Board about its commitment to the principles of environmental protection. The policy defined in such a manner should be announced within and outside the organization, e.g. to business partners, suppliers etc.

Environmental Protection Policy should deal with the existing operations, products and services of the organization and should commit the organization to the process of constant improvement of its environmental protection performance. Moreover, it should include the obligation to prevent pollution and comply with all applicable laws and other provisions.

There must be a clear relation between the policy, goals and programs related to environmental protection. If the organization is a part of a wider group (as in our case where T-HT is a part of the DT Group) and if the latter has its own environmental protection policy, the relation to the Group policy should be clearly defined.

Environmental Protection Policy of T-HT Group

In June 2005, the Management Board of T-HT adopted the Environmental Protection Policy of the T-HT Group valid for the entire Group.

T-Mobile also has its own policy of environmental protection which was adopted by the Management Board of HT in 2002 for the purpose of introduction and certification of the Environmental Management System according to the ISO 14001 standard in the segment of mobile communications.

After T-Mobile Hrvatska had been established as a separate company in 100% ownership of T-HT, its Management Board adopted the revised environmental protection policy for the purpose of renewing the certificate of their Environmental Management System.

Environmental Protection Policy of the T-HT Group is in line with the revised environmental protection policy and environmental protection umbrella goals of the DT Group.

The environment protection policy of the T-HT Group includes all Group environment aspects: waste, soil, energy, raw materials, water and waste water, air and air emissions, electromagnetic fields and noise. As climate protection is a very important issue (environment aspects, air and greenhouse gas emissions), special attention has been paid to these issues by adequately applying DT Group principles governing climate protection.

Environmental protection policy in the T-HT Group includes the following:

- Protection of the environment and of natural resources ranks high among T-HT's priorities. ■ T-HT manages environmental protection pursuant to the principles of best practice of European telecommunications operators and valid international standards for efficient implementation of environmental protection policy goals, with the final aim to introduce the environmental management system according to the HRN EN ISO 14001 standard in those parts of the T-HT Group where it has not yet been introduced. ■ T-HT's activities related to environmental protection comply with Croatian laws and other regulations. The specified requirements are regarded in the Company as necessary minimum in order to achieve even much better results. ■ T-HT permanently works on improving its activities related to environmental protection. ■ Procurement policy in T-HT implements the goals of environmental protection which are also reflected, wherever applicable, in our relations with business partners - suppliers and

- sub-contractors. ■ T-HT continuously seeks to reduce the impact of all of its recognized significant environmental aspects on the environment, and in particular to reduce the production of waste resulting from our regular activities and to dispose it properly, as well as to prevent and to reduce harmful emissions into the air, water and soil. ■ T-HT joins, within its possibilities, general efforts to protect climate and ozone layer by incorporating basic climate protection principles of the DT Group into its environmental protection programs to the extent appropriate for our business activities. ■ We try to design T-HT's products and services in such a way that applied solutions save energy and natural resources. ■ T-HT actively includes all of its employees into activities related to environmental protection in their working environment and trains them for it in an appropriate way. ■ T-HT informs the public and all interested parties about its efforts and achievements in environment preservation at least via annual report on environmental protection, instigating hereby a constructive dialogue.

This policy applies to the entire T-HT Group so that all the employees of T-HT are responsible for its implementation.

Environmental Protection Policy of the T-HT Group is available to the public.

Energy Policy of T-HT Group

As it has already been mentioned, in its Environmental Protection Policy T-HT Group committed itself to preventing pollution, observing the law and constant improving of the environmental protection, and among other things it laid great stress on the importance of climate protection and energy saving.

General guidelines for environmental protection management in the T-HT Group, adopted in 2007, judged energy consumption to be the most important individual environmental aspect of T-HT so the impact of this aspect on the environment in its regular business operation is thereby the highest. T-HT's permanent common goals regarding this environmental aspect

have been defined, and in order to make these goals concrete it is anticipated to adopt energy policy which defines attitude towards energy consumption management and establishes the basis for setting individual goals regarding control of energy consumption and greenhouse gas emission.

By the Energy Policy, adopted by the Management Board in 2007, the T-HT Group demonstrates its dedication to the care for climate protection and slowing down of global warming and its support to the provisions of the Kyoto Protocol. The purpose of activities to be undertaken by the T-HT Group in this direction is to achieve favorable environmental effects via optimizing total consumption of all forms of energy used in daily business, increasing energy efficiency and greater use of energy from renewable sources through reduction of greenhouse gas emission and economic effects through reduction of the Company's operation costs.

Adopted Energy Policy of the T-HT Group includes the following:

In the implementation of activities oriented towards optimizing the energy use and reducing the effect of global warming, the T-HT Group shall be governed by the following principles:

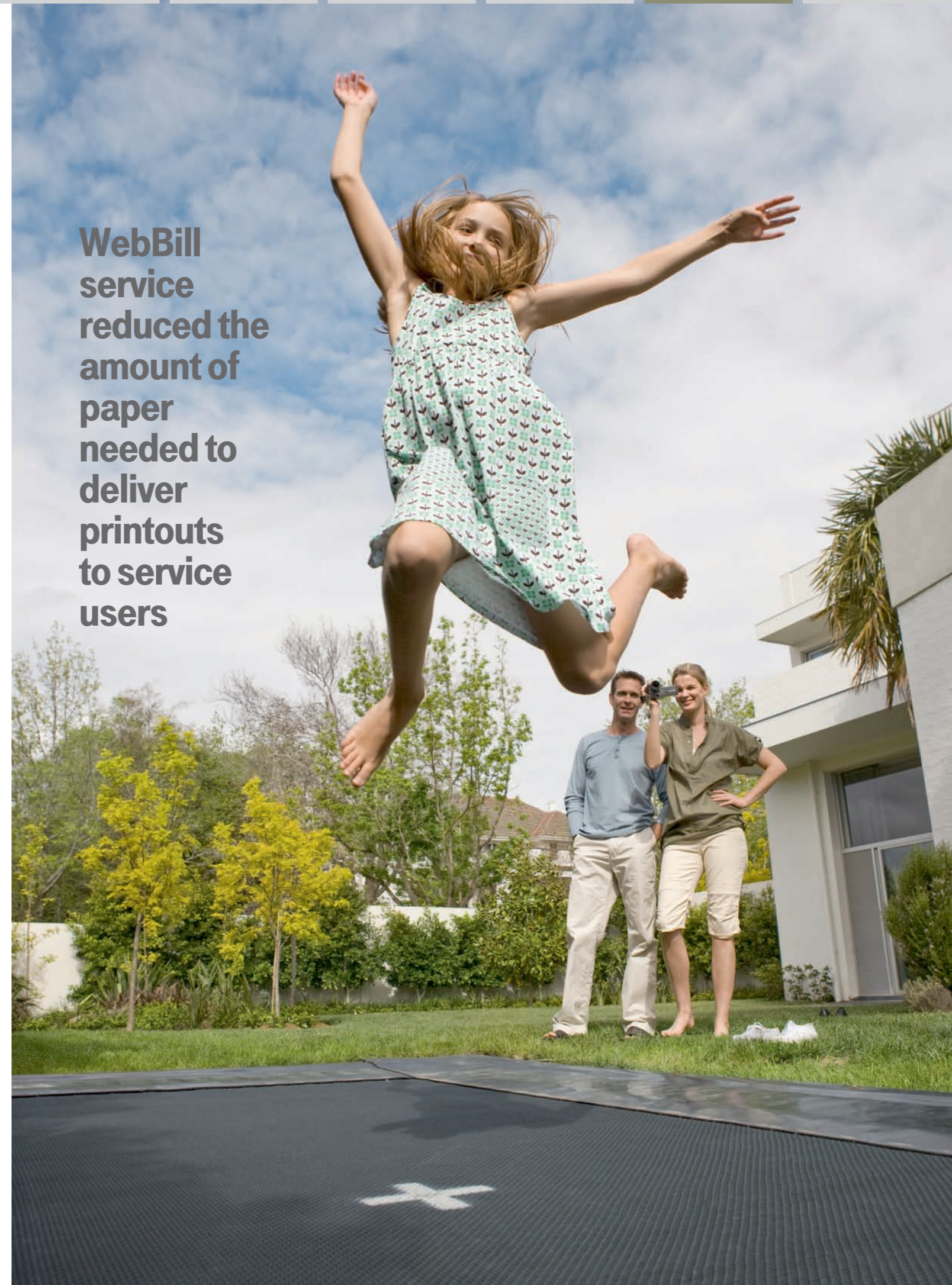
- Efficiently monitor and measure consumption of all kinds of energy (electric energy, motor fuels, gas, heating oil) in order to define areas of consumption where improvements are possible and to enable setting of concrete goals for these improvements.
- Recognize, monitor and measure all the main sources of greenhouse gas emission caused by activities directly or indirectly related to regular business operation of the T-HT Group and influence their reduction wherever possible by introducing adequate measures and procedures.
- Improve energy efficiency in all the major business processes (in networks, business facilities, transportation of people and freight, administration) and coordinate energy consumption with business growth.
- Plan and design projects for all the new equipment and all the new services, including terminals, elements of fixed and mobile networks, business facilities for instruments and offices, procurement of new vehicles, spare aggregates etc. according to the criteria of energy efficiency.
- Wherever possible use energy from renewable sources, and procure energy from suppliers delivering power sources producing less greenhouse gases per energy unit and at the most favorable price; acquire status of a privileged buyer for procurement of electric energy and use it while buying electric energy on the Croatian market.
- Incorporate criteria of energy efficiency into procurements processes, supplier and subcontractor selection and cooperate with suppliers in order to reduce energy consumption of instruments and equipment procured from them.
- Support and participate in initiatives and programs of EU, the Republic of Croatia, ETNO and DT oriented towards the increase in energy efficiency, reduction of greenhouse gas emission and prevention/slowing down of global warming and climate protection.
- Observe all the Croatian laws, regulations and standards referring to these problem issues.
- By internal and external communication, promote Company's ICT services having a potential of positive impact on climate protection and reduction of greenhouse gas emission, and inform on its activities in order to raise awareness of these topics within customers and employees.

Environmental Protection Goals

Based on the adopted Environmental Protection Policy and the umbrella goals of DT Group environmental protection applying to all companies in majority ownership of DT, general goals of T-HT in environmental protection were targeted for the period 2005 - 2008 with measures for their implementation. The following table presents the realization of targeted goals during 2007. Reductions and increases are given in relation to 2006.

2005 - 2008 Goals	Realized in 2007
<p>Energy consumption (at the level of the Group) To introduce measures for more rational and efficient energy consumption, to reduce fuel consumption of vehicles</p>	<ul style="list-style-type: none"> ■ Energy Policy of the T-HT Group adopted ■ Electricity consumption increased by 1.35% ■ Heating oil consumption reduced by 25.6% ■ Total consumption of heating energy reduced by 12.54% ■ Consumption of vehicle fuel reduced by 9.55% with the increase in the number of vehicles by 4% and reduction of average age to 3 years and 3 months ■ Consumption of vehicle fuel /100 km reduced by 1.79%
<p>Paper consumption To reduce paper consumption for print-outs/copying, to reduce consumption for telephone books, to expand use of recycled paper for printing of promotion materials</p>	<ul style="list-style-type: none"> ■ 2006 Report on environmental protection printed in less copies, and published on a CD ■ Higher use of the service WebBill, which reduces the quantity of paper necessary for delivery of itemized bills to users of services, encouraged by special awards ■ Total paper consumption in tons reduced by 23% ■ Paper consumption for telephone books reduced by 37.3% ■ Paper consumption in kg per employee reduced by 10.2%
<p>Waste management To fully introduce waste management procedure and processes; to reduce total quantity of produced waste; to increase the quantity of collected old batteries, telephone devices and telephone books from customers; to double collected old paper and used printer cartridges for recycling; to increase the quantity of other collected useful waste to be delivered to authorized companies for recycling</p>	<ul style="list-style-type: none"> ■ Total amount of generated waste reduced by 44.31 % ■ Continued collection and disposal of larger quantities of written-off telecommunications devices and equipment within the area of responsibility of T-Com ■ Continued and expanded separate collection of toner cartridges on all major locations in the Company ■ Expanded separate collection of waste paper and PET bottles ■ Introduction of separate collection of used batteries in the Company and from customers in T-Centers ■ Introduction of separate collection of small electronic instruments and accessories ■ Introduction of separate collection of used oils and oiled packaging ■ Discarded containers were ecologically disposed of as well as the fuel/residue found therein
<p>Procurement To prepare instructions and introduce environmental requirements into the procurement process</p>	<ul style="list-style-type: none"> ■ No major steps forward in this area
<p>Air pollution To reduce air pollution by switching to natural gas and central heating instead of heating oil, wherever possible and economically justified</p>	<ul style="list-style-type: none"> ■ Reported CO₂ emission from stationary sources reduced by 11.4% ■ CO₂ emission from vehicle fuel consumption reduced by 8.77%
<p>Communication and building awareness To publish the annual environmental protection report; information about achievements and interesting facts from the area of environmental protection on the IntraNet portal; to include promotion of environmental benefits from T-HT's products into marketing campaigns; to work on building awareness of all employees of the need to protect the environment</p>	<ul style="list-style-type: none"> ■ Published 2006 Environmental Protection Report of the T-HT Group ■ Published 6 issues of internal ecological e-publication Eko ku Tak (Eco Corner) in the year 2007 ■ Ecological campaign called "Clean Communication" initiated and held in order to instigate collection of used batteries, press conference held

WebBill service reduced the amount of paper needed to deliver printouts to service users



T-Mobile Hrvatska set its own goals in 2007 within its Environmental Management System the realization of which is presented in the table below:

2007 Goals	Measures	Realized
Ecological disposal of obsolete or non-functional electronic equipment and instruments	<ul style="list-style-type: none"> ■ To ecologically dispose of old antenna equipment ■ Donate obsolete IT equipment ■ To ecologically dispose of non-functional office IT equipment 	<ul style="list-style-type: none"> ■ Old antenna equipment was ecologically disposed of: ■ metal waste 67,567 kg ■ electronic waste 18,375 kg ■ Obsolete IT equipment was donated ■ A total of 4,500 kg defective IT equipment was ecologically disposed of
To offer to customers a possibility to return back old mobile devices, together with waste batteries, chargers and other equipment	<ul style="list-style-type: none"> ■ Marketing campaign: to offer to customers a possibility to return back old mobile devices to the points of sale, together with waste batteries, chargers and other equipment ■ To collect and ecologically dispose of mobile devices from customers and their equipment 	<ul style="list-style-type: none"> ■ Marketing campaign called „Nokia is More Than Simpa“ was carried out ■ Collected old mobile devices and their equipment were ecologically disposed of
To equip points of sale for receipt of waste batteries from customers' mobile devices in line with the new legal regulations within waste disposal area	<ul style="list-style-type: none"> ■ To organize collection of waste batteries from customers' mobile devices ■ To inform customers on the obligation of separate disposal of waste batteries 	<ul style="list-style-type: none"> ■ Containers for collection of waste batteries from customers' mobile devices were placed in points of sale ■ Information on separate disposal of waste batteries were published on official web sites
Program for monitoring of environmental protection costs	<ul style="list-style-type: none"> ■ To improve monitoring of costs and revenues 	<ul style="list-style-type: none"> ■ Monitoring of costs and revenues further improved
Market research related to perception of EM radiation and environmental awareness of customers	<ul style="list-style-type: none"> ■ To perform market research 	<ul style="list-style-type: none"> ■ Market research performed in February 2007
External audit of Environmental Management System according to the ISO 14001 standard	<ul style="list-style-type: none"> ■ To perform external audit of Environmental Management System according to the ISO 14001 standard 	<ul style="list-style-type: none"> ■ External audit successfully performed on 28 September 2007
Constant improvement of internal informing about environmental protection (workshops, internal trainings, internal web page)	<ul style="list-style-type: none"> ■ Ongoing education of employees about the environmental management system and EM fields ■ Regular updating of internal web page contents 	<ul style="list-style-type: none"> ■ 200 employees were educated in 2007 on environmental management system and electromagnetic fields ■ Internal web page is constantly refreshed

Communication and Information

Environmental Protection Policy of the T-HT Group determines that T-HT shall inform the public and all the interested parties herein once a year on its efforts and achievements in environmental preservation via the annual report on environmental protection, thus instigating a constructive dialog. In 2007 the third such report was published referring to 2006, available as all the reports so far on the intranet and Internet portals of T-HT.

Beside the annual report on environmental protection, Annual Report on Business Operation of the T-HT Group for 2007 informs briefly both on activities in the field of environmental protection and those that belong to corporate social responsibility, and is also available on the intranet and Internet portals of T-HT (cf. Annual Report on Business Operation of the T-HT Group for 2007).

During the year, information on activities in the environmental protection were available via internal web portals



and via official web sites of T-HT and T-Mobile Hrvatska in special sections called „Ecology“ and „Environmental Protection“. Several articles and contributions were published on the intranet portal with actual campaigns and topics from the area of environmental protection. The same sections contain important adopted documents such as Environmental Protection Policy of the T-HT Group, Energy Policy and Charter on Sustainable Development of ETNO.

Bimonthly internal e-publication dedicated to environmental protection - „Eko kuTak“, initiated in 2006, experienced its first anniversary successfully fulfilling its mission and the basic aim to timely inform the employees of our company on all significant topics and events from the area of environmental protection, both within the company and those from public media. In 2007, all of the anticipated 6 numbers of this publication were issued, published on the company intranet in order to be available to all employees.

On the internal portal of T-Mobile Hrvatska there is a separate portal entirely dedicated to the environmental management system according to the ISO14001 standard, available to internal customers in T-Mobile. On the official web portal of T-Mobile Hrvatska the section called „Environmental Protection“ is regularly updated, bringing information on the ISO 14001 certificate, environmental protection in practice, electromagnetic fields and on disposal of waste mobile devices

and their batteries. Also, it is possible to ask questions regarding environmental protection via e-mail address: zelena.pitanja@t-mobile.hr and free phone 098 1543 (calls from T-Mobile HR network are free of charge).

Certain interesting information regarding environmental protection are transferred also via internal official organs of T-HT, and participation of T-HT in various donation and sponsorship activities could have been monitored via external printed and electronic media as well.

For the purpose of acquiring new locations in 2007 T-Mobile Hrvatska updated a professional brochure called „All about Aerials and Telecommunications Equipment“. This specific brochure is intended for detailed introduction to the way mobile network operates, setting up of an aerial and its visual appearance and influence of electromagnetic fields on health. A brochure called „Both Technology and Ecology“, which is intended for a broader public and describes environmental protection in T-Mobile dealing in particular with the topic of electromagnetic fields, was also updated.

Through their work in technical committees of the Croatian Standards Institute, employees of T-Mobile Hrvatska actively participate in the process of accepting professional standards as the Croatian ones, which is an inevitable step of the Republic of Croatia on its path of accession in the European Union.

T-Mobile enabled questions regarding environmental protection to be asked at phone number 098 1543

3. International Cooperation and Participation in International Initiatives

T-Hrvatski Telekom participates in numerous social initiatives and activities, environmental protection and sustainable business practice



European Telecommunications Network Operators' Association (ETNO)

T-HT has been a member of the European Telecommunications Network Operators' Association (ETNO) since its establishment in 1993 and among the first signatories of the 1996 ETNO Environmental Protection Charter.

In December 2004 ETNO promoted a new Sustainable Development Charter that replaced and supplemented the Environmental Protection Charter. This new Charter, which the member companies and those who are not the members are invited to access, invites the signatories to revise overall company policies with the aim to implement and integrate the principles of sustainable development policy into their business strategies and practices in the broadest possible way.

On 7 June 2005, the Management Board of T-HT passed a Decision on T-HT's joining this Charter.

By the end of 2007, 20 European telecommunications companies signed the Charter on Sustainable Development, among them also DT and members of the DT Group: Matav and Slovak Telekom. By joining the Charter, T-HT confirmed its commitment to pursue common goals of corporate social responsibility set forth through Sustainable Development Strategy of the DT Group and the principles of T-SPIRIT, which is reflected in our involvement and participation in a number of social initiatives and activities, environmental protection and sustainable business practice.

Since the beginning of 2005 the representative of T-HT actively participates in work of ETNO Working Group for Sustainable Development, which was established as early as 1996

as the Working Group for Environmental Protection with the goal to monitor and align the activities of ETNO members, signatories of Charter on Environmental Protection, in their efforts to implement the principles set out in the above Charter. The name of the working group was changed after a new Charter on Sustainable Development had been launched and its tasks were expanded. As a rule, the working group meets three times a year and its meetings are hosted by the telecommunications operators that are members of ETNO and signatories of the Charter. In the year 2007 the representatives of T-HT participated in all three such meetings.

In January 2007, the representatives of the Company attended a workshop in Brussels organized by ETNO on the occasion of 10th anniversary of adopting the Environmental Protection and Sustainable Development Charters. Apart from representatives of the signatories, the participants were also experts from institutions of the European Union, representatives of various interested parties like non-governmental organizations, assessment agencies and the like. The topic of the workshop was how can broader use of information-communication technologies contribute to the fulfillment of sustainable development goals of the European Union.

On the same occasion, the most recent Report of ETNO on Sustainable Development for 2006 was presented showing that even after 10 years environmental protection and sustainable development are still high among priorities of the member companies. Signatories to ETNO Charter keep substantially reducing their energy consumption and limiting thereby CO₂ emissions. The report for 2006 is the first one which - beside environmental

protection - also monitors progress on other areas of which sustainable development consists, including its social dimension.

DT Group

As a member of the DT Group, T-HT is obligated to implement the Group's policies and strategies referring to all of its members and, accordingly, the Group Sustainability Development Strategy which is based on the vision of a "better future" reified through the principles of T-Spirit. In the course of 2007 DT Group Sustainability Development Strategy was audited, and a roadmap was created defining DT Group sustainable development for the period until 2008. T-HT participated, together with other members of the Group, in the activities related to definition of this new Strategy and contributed to creation of the roadmap above. This year, too, we fulfilled our obligation on time and delivered data on some key indicators of T-HT's impact on the environment (consumption of heating energy sources, water, electric energy, size of the company fleet, mileage, consumed fuel, generated waste), as well as the report on realization of goals in the environmental protection. Together with data of other companies owned by DT these data and reports are used in preparing the annual report of the DT Group on sustainable development.

In September 2007 representatives of T-HT attended a regular and traditional Sustainable Development Day of the DT Group held in DT Headquarters in Bonn, an event that was renamed this year as the Corporate Responsibility Day, thus reflecting changes that happened in DT regarding organization and the way of perceiving this aspect of the Company's

business. This gathering, held with the aim to promote an open dialogue on important topics of sustainable development and corporate responsibility in particular, was attended by DT's employees from Germany and representatives of the companies owned by DT, but also by representatives of various interested parties (non-governmental organizations, environmental associations, international organizations involved in sustainable development issues, financial institutions etc.).

T-Mobile Hrvatska actively participates in the work of the task force for health and electromagnetic fields and in the work of the task force for eco-management within T-Mobile International. Guidelines on electromagnetic fields are defined for the whole T-Mobile group in order to develop a joint strategy concerning this issue.

Global Compact (World Agreement)

In March 2007, T-HT joined Global Compact (World Agreement), an initiative started in 2000 by the former General Secretary of UN Koffi Annan, supporting basic social values through ten principles of responsible business operation referring to the issues of human rights, workers' rights, environmental protection and anti-corruption fight. This Agreement has been implemented so far in over 100 countries of the world and it has 3,800 members, among which there are 2,900 companies.

Global Compact principles are based and derived from:

- Universal Declaration of Human Rights
- International Labour Organization Declaration on Fundamental Principles and Rights at Work
- Rio Declaration on Environment and Development
- UN Anti-Corruption Convention

Global Compact requires from companies to adopt, promote and apply basic values, within their spheres of influence, i.e. ten principles divided in the following four basic areas:

Human rights

1. Companies should support and respect protection of the international human rights within their areas of influence; and
2. take care that human rights are not violated.

Working rights

3. Companies should support the freedom of merging and real acknowledging the right to collective negotiations;
4. abolishment of all forms of forced labor;
5. actual abolishment of children labor; and
6. abolishment of discrimination regarding employment and choice of profession.

Environment

7. Companies should support precautionary attitude towards challenges in the area of the environment;
8. start initiatives in order to promote higher responsibility towards the environment; and
9. instigate development and expansion of technologies not harmful to the environment.

Anti-corruption fight

10. Companies should work on suppressing corruption in all its forms, including extortion and bribery.

Participation in Global Compact brings numerous benefits with it, both for business sector and for other members. It is a matter of the following:

- By advocating the initiative of promoting general principles and socially responsible business operation, sustainability is improved and involvement of the world economy is achieved;
- Possibility of acquiring knowledge on practical solutions to modern problems related to globalization, corporate management, socially responsible business operation and sustainable development, with participation of all interested parties, creating inter-sector partnerships;
- Risk management by taking proactive attitude towards key issues, and business cost management through solution of problems directly increasing the costs, such as corruption, destruction of the environment, inadequate health protection of employees, poor education system, etc.;
- Easier access to international business networks and connection with key copartners through UN;
- Exchange of good customs and cognitions with other companies and members, and improved access to business opportunities.

The companies that do not report on the implementation of Global Compact principles have also proven to be ranked lower on financial markets. Also, copartners are today less and less satisfied with being on the average, and they ask for "excellence" in business operation extending itself to the areas such as human and working rights, customer rights, environmental improvement and protection, and the like.

Eventually, all the mentioned benefits influence the improvement of company's/product's reputation, workers' morale and productivity, as well as business efficiency.

Working on developing socially responsible business in Croatia, UN representatives perceived together with the representatives of Croatian companies the need to involve business sector and its leaders more actively in encouraging positive changes in the society. Joining Global Compact creates platform for companies to act on a broader level, and gives them a chance to become a part of the global network.

Issues of interest for the business sector in Croatia have already been relatively clearly defined, and there is a substantial level of agreement on their significance for the society as a whole. Adoption of the economy of knowledge, anti-corruption fight and promotion of transparency, flexibility of knowledge and skills of work force, better public administration and employment of the young show up equally frequently on the lists of priorities of both private and public sector.

On 20 March 2007, in the Regent Esplanade Zagreb hotel, there was a ceremony celebrating 74 companies, business associations, academic communities and non-governmental organizations from Croatia, having joined the world initiative of Global Compact, which marked also the start of activity of the Croatian network of Global Compact. T-HT was among them as well, thus proving its commitment to the principles of sustainable development, socially responsible business operation and environmental protection.



T-HT is among the first signatories to the ETNO Environmental Protection Charter in 1996

4. T-HT Group Profile

T-HT Group provides fixed and mobile telephony services, wholesale, internet and data services via two business units - T-Com and T-Mobile



Overview

T-HT Group is the leading provider of telecommunications services in Croatia. It provides fixed and mobile telephony services, as well as wholesale, Internet and data services through its business units, T-Com (which is not a separate legal entity) and T-Mobile (T-Mobile Hrvatska d.o.o.). Business operation of T-HT Group is organized in corporate and business units. The business units create and provide products and services, and the task of corporate units is to integrate business operations and management on the Group level. Since 2006, Iskon Internet d.d. has become a member of T-HT Group. Iskon is one of the leading alternative providers of telecommunications services in Croatia.

Foundation and History

HT - Hrvatske telekomunikacije d.d. (HT d.d. or Company) were founded on 28 December 1998 in the Republic of Croatia pursuant to the provisions of the Act on Separation of Croatian Post and Telecommunications into Croatian Post and Croatian Telecom, in which process the business operations of the former company Croatian Post and Telecommunications ("HPT with full liability") were separated and transferred to the two new joint stock companies: HT - Hrvatske telekomunikacije d.d. (HT d.d.) and HP - Hrvatska pošta d.d.. The Company started its business operations on 1 January 1999.

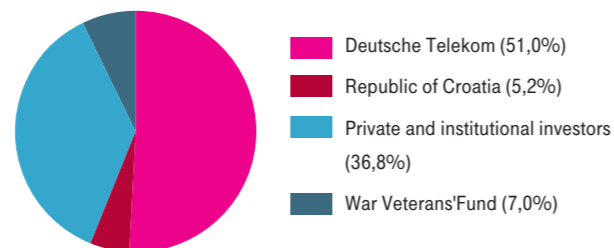
On 5 October 1999, the Government of the Republic of Croatia sold 35% of HT d.d. shares to DTAG. On 25 October 2001, DTAG purchased further 16% of HT d.d. shares.

During 2002, HT mobile communications d.o.o. (HT Mobile) was established as a separate company and subsidiary wholly owned by HT d.d. for provision of mobile telecommunications services. HTmobile started its commercial activities on 1 January 2003, and in October 2004 the company changed its registered name into T-Mobile Hrvatska d.o.o. (T-Mobile).

On 1 October 2004, the Company was re-branded as T-HT and became a member of the global "T" family of Deutsche Telekom. The change in identity at the corporate level was followed by creation of trademarks of two separate Group segments: fixed network operations business unit, T-Com, which also provides wholesale, Internet and data services, and mobile communications business unit, T-Mobile.

In October 2007, the initial public offering was conducted and since then T-HT shares have been listed on the Zagreb Stock Exchange, and global depository receipts representing T-HT shares have been listed on the London Stock Exchange.

Ownership Structure



The majority shareholder of HT d.d. is Deutsche Telekom AG with 51% share in ownership. The Government of the Republic of Croatia owns 5.2% of share, the Fund of Croatian War Veterans of Homeland War owns 7% of share, and 36.8% of share is owned by private and institutional domestic and foreign investors.

Environmental Protection Organization and Responsibilities

Environmental Protection organization and responsibilities are regulated by General Guidelines for Environmental Protection Management in the T-HT Group.

The environmental protection is defined as a function of special importance for the entire Company and pursuant hereto it is organized on a corporate level as a support to the Management Board of the Company and all parts of the Company in performing their tasks and authorizations herein. Responsibilities in the area of environmental protection extend from the Management Board of the Company, over all managing levels in the Company to every employee, and the level of this responsibility depends on tasks they perform and their possible impact on the environment.



The Management Board of the Company defines corporate environmental protection policy, organization structure necessary for implementation of this policy, and provides for necessary resources (human, material and financial). The Management Board of the Company shall nominate a representative of the Management Board for the environment and an environmental manager, it shall examine the system (upon its introduction) which it shall make an Assessment of, and control the fulfillment of goals of the environmental protection policy upon consideration and adoption of regular annual reports on environmental protection. The Management Board of the Company shall pass also other decisions and by-laws (regulations, instructions) regarding environmental protection in the Company pursuant to corresponding general by-laws of the Company.

A representative of the Management Board for the environment shall be responsible and authorized to introduce, operate and maintain the environmental protection management system in the Company and he/she shall report to the Management Board on the implementation of goals of the environmental

protection policy and on the operation of the entire system. A representative of the Management Board for the environment shall be appointed by the Management Board of the Company among its members.

An environmental manager is authorized by the Company in the field of environmental protection management in the Company who takes care of the implementation of environmental protection pursuant to applied standards, legal and other regulations and internal by-laws of the Company and reports to the Management Board via the Representative of the Management Board for the environment on the operation of the environmental protection management system in order to examine it and provide for the basis of improvement. The environmental manager shall be appointed by the Management Board of the Company by its decision on the proposal of the Representative of the Management Board for the environment.

The environmental manager shall coordinate all the environmental protection activities in the Company and manage the Environmental Protection (and Sustainable Development)

Section, and for his/her work he/she shall be responsible to the Representative of the Management Board for the environment and via him/her to the Management Board of the Company.

Environmental Protection (and Sustainable Development) Section performs professional tasks in the field of environmental protection on the level of the Company and by its activity it provides support to the environmental manager in performing his/her tasks. According to the valid Regulations on Organization of HT the Section operated in 2007 within the Quality Assurance and Support Department in the Sub-Unit for Network of the Business Unit for Fixed Network and Broadband (T-Com), and waste disposal activities remained within the responsibility of the Central Procurement and Logistics Department within the Corporate Unit for Finance.

Management Boards of the companies within the T-HT Group are responsible for all aspects of environmental protection management in the area of their responsibility; they define their own environmental protection policy in line with the corporate policy, organization and responsibilities for the implementation of its goals and provide for all the necessary resources.

Depending on their regular authorizations and responsibilities in a business process, executive directors and directors of departments participate in planning, implementation and maintenance of the environmental protection management system in their areas to the extent to which business processes under their management have or might have direct or indirect impact on the environment, and they provide for the operational implementation of the goals of the Environmental Protection Policy.

Managers of various organizational units (geographical areas, sections, field teams, groups and the like) are responsible

within their authorizations and responsibilities for initiation, implementation, control and supervision of operational measures for environmental protection.

Environmental protection representative in a region is a professional person who performs professional tasks in the field of the environmental protection in a region, he/she takes care of the implementation of the environmental protection measures in a region, gives instructions for work and interpretations of legal provisions and internal regulations to managers of organizational units in a region and attends inspection examinations and comments the findings. In his/her work he/she closely cooperates with an environmental manager and the Environmental Protection Section regarding all technical issues in relation to the environmental protection.

All employees of the Company are responsible, within regular daily activities, for the implementation of environmental protection measures according to their knowledge, skills and experience. They are requested to follow the instructions regarding environmental protection; they report on circumstances and

Environmental protection has been defined as a function of special significance for the Company

events not in compliance with ecological standards and ask for instructions and advice from their superiors if they are not sure how to act in certain concrete circumstances or situations.

T-Mobile

The organization of environmental protection activities in the business unit for mobile communications (T-Mobile) did not change in 2007 with regard to the previous situation.

T-Mobile defined through Environmental Management System the structure of and responsibilities for environmental protection activities within the scope of its activities. It starts from the Management Board of T-Mobile, whereby the Management Board nominated one of its Members as the Management Board representative for environmental protection. The environmental manager shall be responsible for reporting to the Management Board on functioning of the Environmental Management System, so that the Management Board can assess and recommend improvements of the System on the basis of the above mentioned report. The Management Board shall ensure the resources necessary for the implementation and monitoring of the Environmental Management System, which include employees, technology and financial sources. The Management Board shall also ensure implementation of environmental management general goals. The directors of departments shall be responsible for implementation and maintenance of the Environmental Management System, for implementation of general and individual objectives, for implementation of work control, for supervision of processes related to significant environmental aspects, for employees training process, for monitoring of costs related to environmental protection and for a whole range of additional activities which are described in more detail in the Manual and associated procedures. The Management Board appointed the task force for construction, maintenance, documentation and improvement of the Environmental Management System. The Management Board also appointed an environmental manager who is at the same time the task force leader and who coordinates the activities of the task force members and is in charge of reporting on the status of the System to the Member of the Management Board responsible for environmental protection. In order to achieve and maintain a high level of ecological awareness among its employees, T-Mobile constantly holds internal training courses. Each new employee is trained on how to implement environmental protection, while all other employees participate in periodical additional trainings. In 2007, 200 employees were trained on the environmental management system and electromagnetic field effect.

Environmental Campaigns and Projects in Social Community

T-Hrvatski Telekom, as a socially responsible company, actively taking care of the environmental protection, initiated in March 2007 the ecological campaign "Clean Communication!". It wished to encourage the citizens thereby to collect old batteries and dispose of them appropriately. Within the project, on its points of sale - in T-Centers, T-HT placed containers for disposal of old used batteries by citizens without a fee and collected old batteries shall be disposed of by a company authorized for battery collection. Moreover, T-HT shall internally additionally encourage its

employees to collect used batteries. Therefore, containers for disposal of old batteries are placed in all large business facilities of T-HT as well. T-HT proved its social responsibility also through the projects „Green Communication“ and “Together We Are Stronger“, planned and started in 2007, and realized in the current year. Green Communication is an environmental project within which, in cooperation with the Croatian Forests (Hrvatske šume), twenty hectares of forest land were afforested in total, and the company's employees contributed additionally by volunteer work to the project realization. Four different locations in Croatia were afforested with pedunculate oak and black pine. Total value of the project amounts to 500 thousand Kuna.

Unlike Green Communication, which was conceived to be exclusively environmental, four projects out of the total number of rewarded projects of various contents within the project Together We Are Stronger elaborated on environmental issues. Drava society of natural sciences from Virovitica was provided support for realization of the Population Monitoring project of bank swallows and ernes in the area of the river Drava; Institute for Oceanography and Fishing from Split support for scientific-research project of establishing the retention time of E. coli as an indicator of sea pollution; Faculty of Humanities and Social Sciences in Split support for philological and anthropological research of Adriatic culture and a preparation program for establishment of the Virtual Maritime Museum Adriatika; and Eco-Centre Caput-Insulae Beli from Rijeka support for Research-Education Centre for the Protection of Nature (population of griffon vultures). The total value of four environmental projects of the campaign Together We Are Stronger amounts to 320 thousand Kuna.

T-Mobile and the association „Bicikl“ (Bicycle) carried out in the school year 2006/2007 a joint educational campaign in 16 elementary schools throughout Croatia titled “Go to School by Bike”, to support traffic security and development of traffic culture among elementary school pupils. T-Mobile, an important sponsor of cycling, started this project to raise the level of awareness of traffic security and to promote bicycle as a healthy, environmentally friendly means of transport suited for children. Led by the idea that mobility and communication are often crucial in protection and rescue of human lives, T-Mobile organized in 2007, together with the ambulance service of Osječko-Baranjska County, the educational project „Halo, Ambulance!“. The project helped educate 1000 pupils from twenty elementary and secondary schools of Osječko-Baranjska County on the importance of timely provision of the first aid. T-Mobile took part in this campaign because of the increased importance of mobile communications in calling an ambulance. Socially responsible behavior is particularly emphasized when it is taken into consideration that the largest number of emergency calls come right from mobile networks - expressed in numbers, during 2007 there were 200,000 emergency calls per month on the average.

In April 2007, T-Mobile became godfather to Zagreb Elementary School „Nad lipom“ and thus supported the school in candidacy to get the status of an international eco-school. The leading Croatian mobile operator decided to take this step, in line with its socially responsible business operation, in order to help educate elementary school pupils on the importance of taking care of the environment they live in. International eco-schools are special

programs designed to educate and train the children regarding the importance of taking care of the environment. The status is granted by the International Coordination for Eco-Schools on the proposal of the Croatian Committee of the Environmental Education and Training Fund. Certificates on getting the status were awarded on 27 April in Zagreb.

As a godfather to the school who is going to support them in future campaigns, T-Mobile joined pupils and teachers in the activities of the Planet Earth Day celebration. On this occasion T-Mobile's employees, together with pupils, collected and disposed of bottles and old batteries thrown away. Collected money was paid in favor of demining campaign of Croatia „A Square of Mines for a Square of Peace“. Trees were planted around the school during the campaign, and painting a small wall around the school was particularly joyful. Anyway, the elementary school „Nad lipom“ is a school with the oldest tradition of educating children with special needs and it is very active in various ecological activities. T-Mobile was glad to accept the invitation of the school to help it get the status of an international eco-school, and in the subsequent ecological projects as well because it itself takes care of the environment and encourages others to do so.

Main Network Indicators

The main indicators of the status of fixed telecommunications network capacity owned by T-HT at the end of 2007 as well as the indicators of traffic realized in the said networks in the same year are shown in the following table:

	2007.	2006.
Total number of lines in the fixed network (in 000)	1.624,9	1.659,3
POTS (including FGSM)	1.500,8	1.521,4
ISDN	114,0	125,2
Public payphones	10,1	12,7
Total traffic (in 000 minutes)	4.241.870	4.828.331
National calls	3.519.864	3.979.120
Calls to national mobile networks	433.595	533.610
Calls to value added services	75.863	68.424
Calls to international networks	147.560	173.368
Other traffic	64.988	73.810

The table below shows the capacities and the traffic generated in T-HT's Internet network in 2007:

	2007.	2006.
Internet access users		
Internet access subscribers	482.867	409.556
Dial-up users	746.652	732.574
Dial-up users - active	137.942	193.808
ADSL lines	344.925	215.748
IPTV users	43.734	5.805
Permanent Internet line users	881	799
VPN access points	1.383	877
Total number of online minutes for dial-up users (in 000)	1.188.865	1.639.995



Number of subscribers in T-Mobile networks in 2007, market share and generated traffic and revenue per subscriber are shown in the following table:

	2007.	2006.
Total number of mobile subscribers (in 000)	2.384,8	2.158,0
Number of prepaid customers, T-Mobile	1.700	1.603,3
Number of postpaid customers, T-Mobile	684,8	554,7
Market share, T-Mobile (%)	46,7	49,1
Mobile network penetration (%)	115,0	100,4
MOU (minutes of use per average subscriber)	127,4	117,2
ARPU (average revenue per user) in HRK	131,1	136,0

Basic Financial Indicators

In the past year too, the Croatian telecommunications market saw an increasingly rigorous regulatory environment, strengthened competition, the introduction of new, technologically advanced products and a general fall of prices. Despite these and other challenges, the T-HT Group further holds the leading market position and delivers very good financial performance.

More details on business results of the T-HT Group can be found in the Annual Report 2007 available on the official Internet pages of T-HT (<http://www.t.ht.hr/pdf/godisnje-izvjesce-2007.pdf>).

Revenues per business segments (in mil. HRK):	2007.	2006.
Fixed network revenue	3.219	3.558
Carrier operations revenue	832	665
Data services revenue	211	209
Internet services revenue	678	490
Mobile network revenue	3.778	3.708
Total revenue	8.838	8.636
Other revenue	253	203
Total core-business revenue	9.091	8.839
Total core-business expenditures	6.572	6.268
Staff expenditures	1.278	1.243
EBITDA	3.955	4.041
Added value (EBITDA + staff expenditures)	5.233	5.284
EBIT (profit from regular activities before taxation)	2.519	2.571
Net profit	2.471	2.214

Comment: Financial data from the T-HT Annual Report 2007

Projects “Green Communication” and “Together we are stronger” prove T-HT social responsibility

5. Legislative Framework

With implementation of its environmental protection activities T-HT complies with all relevant laws of the Republic of Croatia and other regulations governing this field

The awareness about the need for environmental protection in Croatia slowly turns into a clear, comprehensive and long-term concept, especially due to the process of accessing the European Union (EU) where environmental protection is one of the key topics. The current environmental protection system in Croatia is based on the Constitution of the Republic of Croatia, which guarantees environmental protection (Article 3.).

Declaration on Environmental Protection in the Republic of Croatia contains guidelines for strong commitment to the development of a legal system in line with the international treaties and standards of the European and world community, which will fully ensure permanent, systematic and efficient environmental protection. The Declaration served as the basis for enactment of the Environmental Protection Act which provides for the basic principles of the Croatian environmental legislation and systematically and fully regulates environmental protection.

Comprehensive acts on protection of the environment, air, waste disposal and water management and on chemical substances were also passed in the Republic of Croatia:

- Nature Protection Act regulates individual protected parts of the nature, the manner of management, protection and control;
- Air Protection Act regulates measures, method of organization and implementation of air protection and air quality improvement in a coherent and comprehensive manner;
- Waste Act regulates the rights and obligations of physical and legal persons with respect to waste management;
- (Land) Water Act regulates the legal status of water and water resources, method and conditions of water management and

■ Chemicals Act regulates the procedure of reporting new substances, their sorting out, packing and labeling chemicals that are hazardous to human health and to the environment, exchange of data on chemicals, the manner of assessing potential risks to people and the environment, bans and restrictions regarding their distribution and use and conditions of production, distribution and utilization of hazardous chemicals.

Pursuant to the stated acts, a number of implementational regulations were passed which apply to a whole range of offences and provide for higher fines for the offences committed in the field of environmental protection. Last year, a new Environmental Protection Act was adopted for the purpose of further harmonization with *acquis communautaire* of EU in the process of accession.

Acts and Regulations of the Republic of Croatia Important for T-HT

In the implementation of environmental protection activities T-HT is obliged to comply with all the relevant acts of the Republic of Croatia as well as other regulations governing this area. In this respect, the following acts and regulations passed at the state level are of special significance for T-HT (status as at 31.12.2007):

- Nature Protection Act (Official Gazette 70/2005),
- Environmental Protection Act (Official Gazette 110/07),
 - Regulations on Environmental Impact Assessment (Official Gazette 56/00, 136/04 and 85/06),
 - Regulations on Environmental Emission Inventory (Official Gazette 36/96),
 - Environmental Protection Emergency Plan (Official Gazette 86,99, 82/99, 12/01),
- Air Protection Act (Official Gazette 178/04),

- Regulations on Control of Pollutant Emissions from Stationary Sources into the Air (Official Gazette 01/06),
- Ordinance on Limit Values of Pollutant Emissions from Stationary Sources into the Air (Official Gazette 21/07),
- Ordinance on Substances Depleting the Ozone Layer (Official Gazette 120/05),
- Ordinance on the Ozone in the Air (Official Gazette 133/05),
- Ordinance on Limit Values of Pollutant Substances in the Air (Official Gazette 135/05),
- Ordinance on Critical Levels of Pollutant Substances in the Air (Official Gazette 133/05),
- Ordinance on Bio-Fuel Quality (Official Gazette 141/05),
- Water Act (Official Gazette 107/05),
- Waste Act (Official Gazette 178/04 and 111/06),
 - Ordinance on Waste Categories, Types and Classification with Waste Catalogue and the List of Hazardous Waste (Official Gazette 50/05),
 - Regulations on Packaging and Packaging Waste (Official Gazette 97/05 and 115/05),
 - Regulations on Waste Tire Management (Official Gazette 40/06),
 - Regulations on Waste Oil Management (Official Gazette 124/06),
 - Regulations on Waste Batteries and Accumulators Management (Official Gazette 133/06),
 - Regulations on End-of-Life Vehicles Management (Official Gazette 136/06),
 - Regulations on Waste Management (Official Gazette 23/07, 111/07),
 - Regulations on the Method and Procedures of Waste Management Containing Asbestos (Official Gazette 42/07),
 - Regulations on Waste Electric and Electronic Devices and Equipment Management (Official Gazette 74/07),

■ Act on the Environmental Protection and Energy Efficiency Fund (Official Gazette 107/03),

- Ordinance on Unit Charges, Corrective Coefficients and Detailed Criteria and Benchmarks for Determination of Special Environmental Charge for Motor Vehicles (Official Gazette 02/04),
- Regulations on the Method and Terms of Special Environmental Charge for Motor Vehicles (Official Gazette 20/04),
- Ordinance on Unit Charges, Corrective Coefficients and Detailed Criteria and Benchmarks for Determination of the Charge for Emission of Sulfur Oxides as Sulfur Dioxide and Nitrogen Oxides as Nitrogen Dioxide into the Environment (Official Gazette 71/04),
- Regulations on the Method and Terms of the Charge for Emission of Sulfur Oxides as Sulfur Dioxide and Nitrogen Oxides as Nitrogen Dioxide into the Environment (Official Gazette 95/04),
- Ordinance on Unit Charges, Corrective Coefficients and Detailed Criteria and Benchmarks for Determination of the Charge for Emission of Carbon Dioxide into the Environment (Official Gazette 73/07),
- Regulations on the Method and Terms of the Charge for Emission of Carbon Dioxide into the Environment (Official Gazette 77/07),
- Ordinance on Unit Charges, Corrective Coefficients and Detailed Criteria and Benchmarks for Determination of the Charge for Waste Ballast in the Environment (Official Gazette 71/04),
- Regulations on the Method and Terms of the Charge for Waste Ballast in the Environment (Official Gazette 95/04),
- Act on Non-Ionizing Radiation Protection (Official Gazette 105/99),

- Regulations on Power Limit of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (Official Gazette 183/04),
- Regulations on Protection against Electromagnetic Fields (Official Gazette 204/03 and 15/04),

- Act on Noise Protection (Official Gazette 20/03),
 - Regulations on Maximum Permissible Levels of Noise in the Environment Where People Work and Live (Official Gazette 145/04),
- Chemicals Act (Official Gazette 150/05).

Apart from the above stated, there are a number of ancillary provisions (regulations and ordinances) which define in more detail the implementation of statutory acts and different regulations adopted at a county or municipal/district level with increasing importance in the near future.

Environmental Protection and Energy Efficiency Fund - Ecological Fees

The Environmental Protection and Energy Efficiency Fund was founded on the basis of provisions as defined in Article 60 paragraph 5 of the Environmental Protection Act ("Official Gazette", No. 82/94 and 128/99) and Article 11 of the Energy Act ("Official Gazette", No. 68/01). The Environmental Protection and Energy Efficiency Fund Act was published in the "Official Gazette" No. 107/03, and it applies as of 01 January 2004.

According to the provisions of the Environmental Protection Act the Fund was founded in order to provide for additional resources to finance projects, programs and similar activities in the field of preservation, sustainable use, protection and improvement of the environment.

According to the provisions of the Energy Act the Fund was founded in order to participate with its resources in financing national energy sources programs bearing in mind achievement of energy efficiency and use of renewable energy sources.

According to the provisions of the Environmental Protection and Energy Efficiency Fund Act the Fund was founded in order to finance preparation, implementation and development of programs, projects and similar activities in the field of preservation, sustainable use, protection and improvement of the environment, as well as in the field of energy efficiency and use of renewable energy sources.

The Fund was established as an extra-budgetary Fund in the capacity of a legal person and with public authorities determined by law. Its public authorities concern passing of administrative acts related to payment of fees and special charge, keeping the register of parties subject to payment of fees, regulating conditions which have to be fulfilled by the Fund beneficiaries as well as conditions for the allocation of funds.

The Environmental Protection and Energy Efficiency Fund Act regulates the following:

- environmental polluter fee
- environmental user fees
- fee for waste ballast in the environment and
- special environmental charge for motor vehicles.

The stated fees and the special charge shall be paid for the calendar year and under conditions and in the manner as provided by the Environmental Protection and Energy Efficiency Fund Act and regulations and ordinances passed pursuant thereto.

- As of 2007 T-HT pays the fees for:
- electric and electronic waste management,
 - packaging waste disposal and
 - the emission of carbon dioxide into the environment.

6. Environmental Protection Management

Responsibilities, measures and resources for environmental protection are defined by general guidelines for environmental protection management in T-HT Group



Environmental Protection Management in T-HT Group

The environmental management system according to the international ISO 14001 standard has not been introduced so far in the T-HT Group as a whole, however, the Group member, T-Mobile Hrvatska d.o.o. has introduced this system, which has been certified externally as well, as described in more details in item 6.2.

In January 2007, the Management Board of T-HT adopted the „General Guidelines for Environmental Protection Management in the T-HT Group”, a document to govern and regulate all the activities regarding environmental protection management in the company in order to provide for the implementation of requirements from national laws and other legislation and internal requirements of the DT Group in this area. These General Guidelines are based on relevant documents of the DT Group (Sustainable Development Strategy, Environmental Protection Policy, Code of Conduct), of T-HT (Corporate Strategy, Environmental Protection Policy) and of ETNO (Sustainable Development Charter). Definitions of requirements for environmental protection management in this document rely on the requirement of the international ISO 14001 standard, following its principles and structure.

The purpose of preparing these General Guidelines was to clearly define responsibilities, measures and resources (human, material and financial) on the level of the Company necessary

for practical application of principles of the Environmental Protection Policy of the T-HT Group and of the Sustainable Development Charter of ETNO.

These guidelines shall apply throughout the T-HT Group until standardized environmental management system is established and they refer to all the organizational parts of the Group, including T-Mobile HR as well (though adjusted to organizational circumstances and documentation of the Environmental Protection Management System applied in T-Mobile HR), and to all business partners (suppliers, subcontractors).

Environmental Management System in T-Mobile (EMS) according to ISO 14001

In September 2002 T-Mobile Hrvatska introduced, in line with the HRN EN ISO 14001:1996 standard, an Environmental Management System that identified and defined goals related to environmental protection to be achieved and the manner in which they are to be achieved. In the same year the system was certified by Cro Cert, an authorized certification company.

The ISO 14001 certificate shows that T-Mobile Hrvatska is actively involved in environmental protection, but it is also a proof that T-Mobile is systemically and wholeheartedly committed to ecological issues. T-Mobile continuously adjusts every part of its business to the latest European and global ecological standards.

In April 2005 T-Mobile Hrvatska also acquired the right to the prestigious certificate for environment issued by the largest international association of certification agencies - IQNet (International Quality Network).

In September 2007 the certification company Cro Cert successfully implemented external audit in the Company.

The Environmental Management Policy of T-Mobile includes definition of significant aspects and impacts on the environment in the area of mobile communications, constant analysis of environmental aspects, permanent harmonization with the valid acts and subordinate legislation, taking adequate measures to reduce potential harmful impacts on the environment and constant improvement and prevention of harmful impacts on the environment.

T-Mobile implements this policy through ongoing training of management staff and employees in order to develop environmental literacy and awareness, it introduces new, ecologically acceptable technologies and processes, undertakes preventive measures in order to improve environmental protection performance, maintains the highest degree of control over the aspects in the processes of project-designing and construction, improves and streamlines the Environmental Management System, conducts evaluation and adjustment procedures as well as repair activities, reduces waste production and monitors attainment of the set goals and harmonizes its operations with the guidelines for sustainable development in the use of resources, direction of investment and technical development orientation for the purpose of their mutual alignment and meeting the needs and expectations of the existing and future users of services.

ISO 14001 documentation was updated in May 2007 and it was adjusted to the changes in business processes and organization within T-Mobile Hrvatska d.o.o. Operating instruction was made on control of the activities related to boiler-room maintenance that might influence the health of people and the environment.

In the campaign of replacing old mobile telephones with new models called “Nokia is More Than Simpa” organized by T-Mobile Hrvatska and the Croatian representative of Nokia Mobis Electronic customers were offered a possibility to dispose of old mobile sets, together with their batteries, chargers and additional equipment. Apart from a special offer, the purpose of the campaign was to encourage environmental awareness of mobile telephone users.

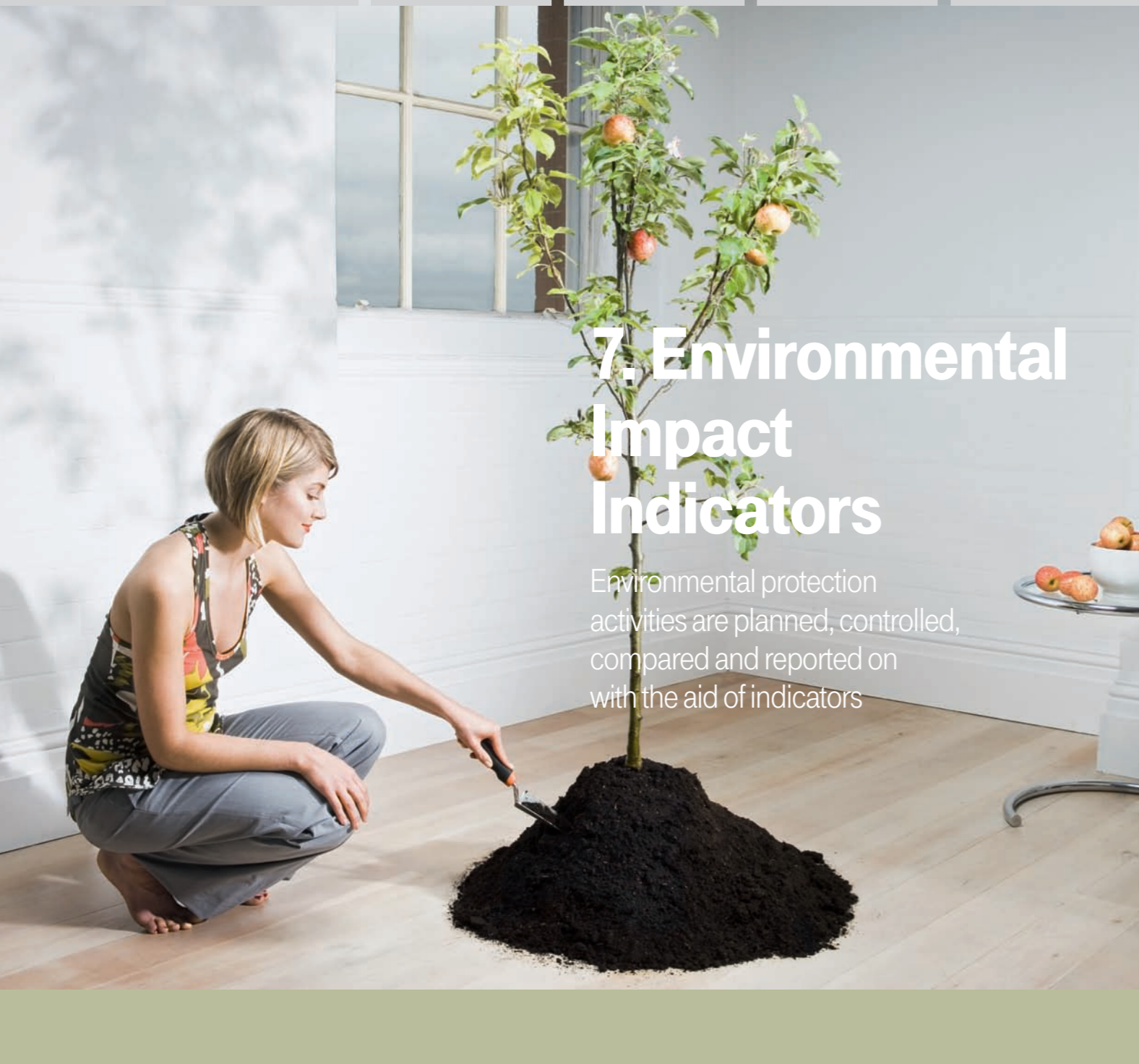
The employees of T-Mobile Hrvatska actively participate in work of the task force for health and electromagnetic fields and in the work force for eco-management, within T-Mobile International.

For the needs of acquiring new locations the specialized brochure called „All About Aerials and Telecommunications Equipment“ was updated. The purpose of this specific brochure is to provide more details on the mode of mobile networks operation, installation and visual appearance of aerials and on the impact of electromagnetic fields. The brochure „Both Technology and Ecology“, intended for wider public, was also updated. Internal education of the employees was further continued in order to encourage them to use natural resources more rationally and to preserve their own health.

The contents of the official web pages related to environmental protection and impact of electromagnetic fields are regularly updated. Customers' complaints, texts in public media and radio and TV programs are kept track of. Internally, information is provided via the intranet web page containing a wide array of data and documents related to this topic.



T-Mobile has introduced the international ISO 14001 standard, that is externally certified as well



7. Environmental Impact Indicators

Environmental protection activities are planned, controlled, compared and reported on with the aid of indicators

Environmental impact indicators, as a supplement to traditional financial indicators, are becoming more and more important for modern company management, regardless of the field of activities. These instruments are used for planning, control, comparison and reporting on environmental protection activities and they contain information that can be applied usefully in various tasks, such as setting of general and special goals and monitoring of their realization. They may be used to check the efficiency of use of natural resources, comparison of processes and their results within and across business departments, to produce evidence of compliance with legal requirements and finally, to inform the employees, external interested parties such as banks and insurance companies, investors, non-governmental organiza-

tions and the general public. Indicators that are recorded and presented must be directly linked to environmental aspects of a specific organization and they quantify the extent of a specific aspect's impact on the environment. According to the international ISO 14001 standard, "environmental aspect" refers to elements of the organization's activities, products and services that may have impact on the environment. According to the cause-effect relation between an environmental aspect and its impact on the environment, "impact" implies every change in the environment, either adverse or beneficial, which is fully or partially caused by the organization's activities, products and services.

With regard to the activities of T-HT as a telecommunications operator, the experience of other European telecommunications operators that are members of ETNO and the

experience of DT AG, the environmental aspects of T-HT may be divided in the following way:

- Use and pollution of ground (including buildings),
- Use of raw material (paper, cable, telephone poles),
- Use of electric power,
- Use of energy for heating and air-conditioning of premises,
- Use of fossil fuels for transport,
- Consumption of water ,
- Emissions into the air,
- Generation of waste,
- Generation of noise,
- Use of landscape,
- Generation of electromagnetic radiation.

The indicators in the text below which refer to the environmental aspect groups stated above describe their impact on the environment as a result of regular daily activities performed in T-HT. For some of these aspects impact is presented in the form of a description, as there are no exact numerical indicators for its quantification.

Cumulative Indicators on Environmental Impact within the T-HT Group

The table below provides a cumulative overview of all indicators of environmental impact within the T-HT Group for the year 2007 divided according to the environmental aspects stated above. The data were collected within the T-HT Group from the following units: T-Mobile Hrvatska, Central Procurement and Logistics Department, Real Estate Management Department, Fleet Management Department and relevant regional sections from all four Regions - North, West, South and East, with the support of Accounting and Reporting Department (corporate and T-Com).

Indicator	units	2007.	2006.
Water			
Water Consumption	m ³	180.870	171.366
Energy			
Total consumption (w/o vehicles)	TJ	465,5	477,2
Energy, electric power			
Electric power consumption	TJ	351,7	347,1
Energy, heating			
Consumption of energy for heating and for power units	TJ	113,8	130,1
Paper			
Paper total	t	326,1	424,0
Vehicles			
Number of vehicles		1.760	1.692
Fuel consumption	mil l	2,24	2,48
Mileage	mil km	33,9	36,9
Fuel consumption per 100 km	l/100km	6,56	6,7
Quantity of waste (excluding household waste)			
Total quantity of waste	t	869,9	1.296,8

Consumption of Resources

T-HT is not a production company. It provides telecommunications services to its customers and, therefore, does not use raw materials in the business processes in the traditional

sense, but it does use energy, paper, water, facilities, electric and electronic devices and equipment, metal and optical cables, etc. in all of its business activities (construction, maintenance and expansion of fixed and mobile telecommunications networks and IT systems and provision of services). The use of the ground for buildings, parking lots and warehouses produces various impacts on the environment which also need to be carefully considered.

Energy

The largest direct or indirect impact of the Company on the environment is the consumption of energy required for its business processes: electric power for the operation of telecommunications and IT equipment, energy for heating/air-conditioning of business premises and fuel for vehicles and diesel and electric power units etc. Energy distribution (excluding fuel for vehicles) shows that the T-HT Group uses mainly electric power (75% of the total energy consumption which amounted to 465.5 TJ in 2007). As for other types of energy, the share of environmentally acceptable types of energy (gas, central heating) prevails in comparison to heating oil, the share of which is falling.

Electric Power

For the T-HT Group, consumption of electric power as the major source of energy is of particular importance as it indirectly influences the environment via emissions generated with its production. The production capacities from which Croatian consumers (including the T-HT Group) are supplied with electric power consist of hydroelectric power plants (43% of generated power), thermo-electric power plants (38%) and nuclear power plants (19%). In the course of 2007 a total of 97.7 GWh of electric energy was consumed for operation of telecommunications and IT equipment, air-conditioning, heating, lighting, elevators and the like, which produced about 32,000 t CO₂. Within the T-HT Group, currently only T-Mobile uses energy from its own renewable sources: solar energy and wind energy for power supply of about ten base stations.

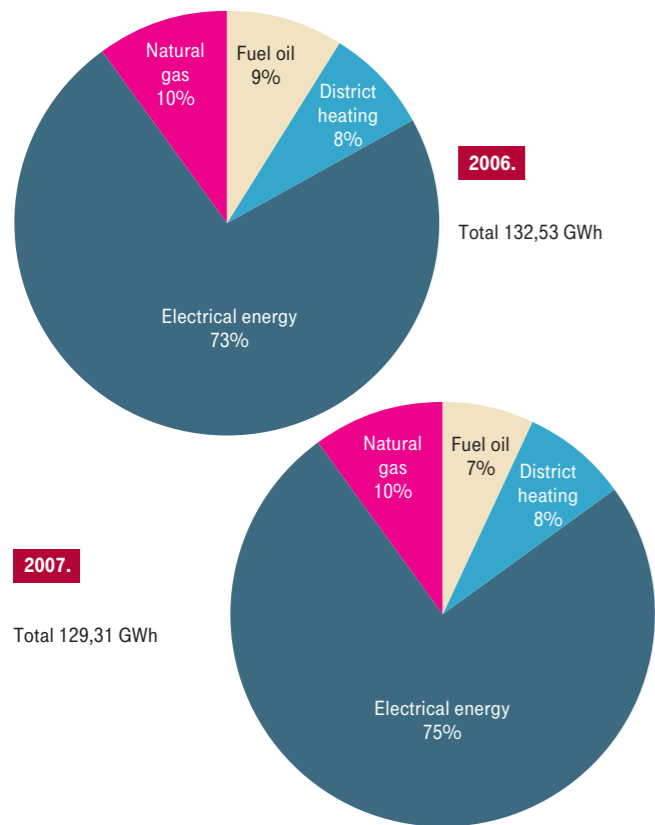
Heating Fuels

The combustion of heating fuels results in gases that contribute to the greenhouse effect. As for the emissions of waste gases (CO₂, SO₂ and NO₂) into the air, fuel oil combustion is the largest contributor to pollution. Besides, there is also a substantial risk in its transport and storage, considering the possibility of oil spillage and, as a result, pollution of soil and watercourses.

The heating fuels used by the T-HT Group are light fuel oil and gas, while a part of the facilities is connected to the district central heating system. Coal, which is the heaviest polluter, is not used by the T-HT Group for heating.

Energy source/heating type	units	2007.	2006.
Central heating	MWh	10.211	10.952
Gas	MWh	12.929	13.807
Heating oil	MWh	8.463	11.375
Total	MWh	31,603	36,134

Note: conversion ratio 1GWh = 3.6 TJ



While the total amount of energy consumed in 2007 was reduced in relation to 2006, the share of electric energy increased by 2% with minimum increase in consumption by 1.35%. The consumption of all other energy sources was reduced maintaining equal share in consumption as in 2006, except for the share of heating oil that was reduced, which is positive from ecological point of view and results in reducing the amount of direct emission of CO₂.

Vehicle fuels

By using the motor vehicles from its car fleet T-HT contributes to the greenhouse effect, to the emission of air-polluting waste gases and to the overall risk for the environment related to transport activity and use of fuel and lubricating oils.

	2007.	2006.
Total consumption of vehicle fuels	l 2.239.656	2.476.250
Gasoline	l 134.764	332.499
Diesel	l 2.104.892	2.143.751
Number of vehicles	1.760	1.692
Gasoline engine	pcs 113	255
Diesel engine	pcs 1.647	1.437
Passenger vehicles	pcs 1.237	1.128
Freight vehicles	pcs 523	564
Total mileage of Company cars	km 33.960.751	36.875.720
Gasoline engine	km 1.838.919	5.009.746
Diesel engine	km 32.121.832	31.865.974
Fuel consumption	l/100km 6,56	6,7

In the year 2007 the T-HT Group continued to renew the fleet reducing its average age to 3 years and 3 months. The data on fuel consumption and mileage indicate a significant progress in the reduction of fuel consumption per 100 km.

In 2007 the IT Fleet Management System has been implemented, a sophisticated application with a substantial effect

on the entire fleet business operation, processes of the Fleet Management Department and related control mechanisms and, finally, achievement of significant savings thanks to higher efficiency in this business segment.

The main features and advantages of the fleet management system are:

- Increase in security of vehicles and drivers and increase in customer satisfaction;
- Increase in efficiency of vehicles and business operation: the fleet is managed online, and at the same time data important for passing strategic decisions are being collected;
- Cost optimization: reduction of mileage, hourly rates, administration, costs of communication with drivers, of fuel, of maintenance;
- Vehicle route control and analysis via the Internet-portal;
- Simple communication between a driver and a logistics center;
- Cost control and analysis of creating preconditions for optimum fleet management;
- Automatic generation and management of work orders and other fleet administration (costs, traffic licenses, regular service repair, tires exchange and the like).

Paper

The production of paper, especially high-quality white paper, requires large quantities of energy, water and wood, which has a major impact on the environment. Old paper recycling generates savings in production and saves forested areas which are essential for preservation of the Earth's atmosphere. One ton of recycled paper can save 17 trees, 25,000 liters of water for its processing, 600 cm³ of space and as much energy as it would suffice in the area of moderate climate to heat an average house during a half-year period.

Paper	units	2007.	2006.
A4 (print / photocopy)	Million sheets	47,7	57,4
A4 (print / photocopy)	t	241,5	289,1
Telephone directories	t	84,6	135,0
Paper total	t	326.1	424.0
A4 (print / photocopy)	thousand sheets per employee	6,752	7,616
A4 (print / photocopy)	kg per employee	34,4	38,3

The improvement of office business processes, e.g. application of an electronic document flow system and mass usage of e-mail in internal and external communication, reduced A4 paper consumption in 2007 by 16.5% in relation to 2006. Paper consumption per employee, expressed in the number of sheets of print/photocopy paper, was also reduced by 10% despite headcount reduction in 2007.

Telephone Directories are printed on huge quantities of paper every two years (business and residential). Accordingly, and depending on Regions for which they are printed, the quantity of paper required for their printing varies from year to year. The publication of Telephone Directories on the Internet and CD release represent a useful alternative in saving paper as a resource.

Water

Water represents one of the most important natural resources of the Republic of Croatia. As measured by quantity of available healthy drinking water, Croatia is one of the richest countries in Europe. Therefore, water pollution, especially with waste water, is a huge environmental issue.

The T-HT Group uses water for sanitary purposes and as drinking water, in air-conditioning systems and fire-extinguishers, and none of its business processes poses a threat to watercourses. Waste waters from our facilities are drained off into the local sewage systems. In places where there is a risk of oil spillage into the sewage, separators are installed to prevent this (e.g. HoTo Business Tower).

The T-HT Group's water consumption in 2007 amounted to a total of approx. 180 thousand m³ of water, which represents an increase of about 5.5% in relation to the previous year.

Landscape and Ground, Real Estate

Impact on the environment: landscape appearance, spatial conditions and occupancy of the ground by real estates with impact on the ecosystem (bio variety) and natural balance of watercourses.

Local communities are particularly sensitive to disruption of landscape appearance caused by installation of mobile networks base stations. As for the impact on the landscape appearance, T-Mobile takes into account the existing ambience values. For instance, when erecting base stations and antennas on Adriatic islands, all interventions were harmonized with the natural and architectural features of the region and some of the erected antennas and base stations use solar or wind energy. Furthermore, it has become a well-established practice that in particularly valuable landscapes, e.g. national parks and nature parks, base stations antenna poles are used together with another operator in order to keep disruption of the landscape appearance at a minimum.

In the fixed telephony, aerial access networks often have an adverse impact on local landscape appearance. T-HT exerts a positive impact on improvement of local landscape appearance by removing aerial networks that are obsolete and that were devastated during the war and by constructing underground access networks instead of aerial ones.

For its regular operations, T-HT uses the real estates whose number and total useful area has changed with time. The Company has its own premises, leased premises, but also premises that do not fall in either of these categories. Roughly, we are talking about 372 thousand m² of net developed area used for offices, points of sale, accommodation of equipment, warehouses, garages and the like.

Emissions and Waste Waste Gas Emission

Waste gases that are emitted into the air include carbon dioxide (CO₂), which contributes to the generation of greenhouse effect, sulfur dioxide (SO₂), which contributes to the generation of winter smog and acid rain and nitric oxides (NO and NO₂), which contribute to the generation of summer smog and acid rains. The main sources of waste gases in T-HT are the

car fleet and the boiler rooms (stationary sources) used for heating of working premises, and to a lesser extent also stationary and mobile diesel-electric power generators.

A part of emissions of T-HT's car pool into the air related to CO₂ emission were calculated on the basis of fuel consumption and factors for respective fuel types (1 l diesel = 2.62 kg CO₂, 1 l gasoline = 2.32 kg CO₂; source: The 2004 Human Resources and Sustainability Report, DT AG).

Emission	units	2007.	2006.
CO ₂	t	5.827	6.388
CO ₂ /km	g/km	171,6	173,2

A reduced emission of CO₂ /km can be noted, which is the result of increased share of new technologically more advanced diesel vehicles that use less fuel in the total number of vehicles used by the T-HT Group. According to the law, when registering its vehicles T-HT must pay special environmental fee for motor-driven vehicles, charged by the Environmental Protection and Energy Efficiency Fund.

Pursuant to legal regulations, the emission of pollutants into the air from stationary sources is measured in regular time intervals at each stationary emission source exhaust. Measurements are performed by authorized organizations and reports are regularly sent to county offices for environmental protection that keep statutory environmental emission inventory. The inventory data serve as the basis for payment of fees for emissions of SO₂, NO₂ and CO₂ into the air by stationary sources charged by the Environmental Protection and Energy Efficiency Fund. The fee for CO₂ emissions started to be charged since mid-2007.

The following quantities of waste gases emissions from stationary sources for which such obligation exists were reported for the year 2007:

Emission	units	2007.	2006.
SO ₂	t	4,87	5,92
NO ₂	t	4,62	5,24
CO ₂	t	4.268,51	4.818,51

The total emission from stationary sources whose power is above 100kW has been reduced with regard to previous year due to lower consumption of energy sources and better maintenance of the heating system.

Waste

According to the Waste Act (Official Gazette 178/04), waste is any substance or object defined by waste categories prescribed by the implementational regulation of this Act, which a holder discards, intends or is required to discard. In general, waste puts a significant pressure on the environment, it impacts the quality of air, water and ground to an extent that depends on the way of disposal and/or the method of use.

The largest quantity of waste at T-HT is generated in the processes of improvement, restoration and reconstruction of parts of the telecommunications network and IT systems, their regular maintenance and phasing-out of some network platforms or

technological units when the dismantling of equipment creates specific quantities of excessive telecommunications and IT equipment and other material assets. A part of this equipment can be reused within T-HT (for original use or for spare parts) or sold or donated for charity purposes, while a part of obsolete, unnecessary or damaged telecommunications and IT equipment and other material assets is declared waste (mainly electric and electronic waste) which needs to be handled in the appropriate way in order to prevent pollution of the environment. Pursuant to the Waste Act this waste is classified into a group of separate waste categories. As some of its parts or components may contain hazardous substances, it is qualified as hazardous in the respective segment and needs to be handled accordingly, pursuant to the Act and special Regulations based thereon.

In order to dispose of production waste quickly and efficiently, there is the Waste Management Group at the Central Procurement and Logistics Departments operating by taking care that all employees are informed on time and get instructed on proper sorting of individual types of waste, as well as providing for sufficient quantity of adequate containers and timely removal of waste.

In compliance with the Regulations on Waste Electric and Electronic Devices and Equipment Management (Official Gazette 74/07) containers are placed on a large number of T-HT's locations for collection of small waste EE devices and equipment, e.g. calculators, CDs and DVDs, keyboards, various chargers and other devices and similar equipment not being registered as capital assets or small inventory. In each Region one container is placed for disposal of lighting fluorescent pipes (containing quicksilver), in T-Centers and 30 other premises of the company there are containers for disposal of used batteries, at 32 locations there are containers for disposal of waste paper, at 11 locations there are 84 containers for collection of PET packaging, 122 containers are placed for collection of waste toners, at 6 locations there is one container for collection of waste oil, antifreeze and oiled packaging.

Furthermore, the Waste Management Group takes care of conclusion of contracts with authorized firms, timely coordination of employees responsible for waste management in our Company, compliance with legislative documents and subordinate legislation in this field and their implementation, and compiles necessary documentation on waste. Pursuant to the Regulations on Waste Management (Official Gazette 23/07) the Minutes are taken on generation and cycle of electronic waste, so that information on the type and amount of disposed waste is available anytime.

The Regulations on Waste Electric and Electronic Devices and Equipment Management passed in 2007 specify that manufacturers and direct importers of electric and electronic devices, who place such devices on the market in the Republic of Croatia, are obliged to report this to the Environmental Protection Fund and to pay a disposal fee. This obligation refers to T-HT as well which, although it is not a large importer of the EE equipment, has been reporting imported quantities since August 2007 on a regular monthly basis and paying a prescribed fee amounting to 2.25 HRK/kg. Also, pursuant to the obligation from these Regulations, customers are granted the opportunity

on the occasion of buying an electronic device offered in T-Centers to return back a similar used device on the same place on a „one for one“ principle, which will then be properly environmentally disposed of.

During 2007 T-Mobile ecologically disposed of 85,942 kg of old antenna equipment (metal and electronic waste) and 4,500 kg of defective office IT equipment. After IT equipment in the Company had been modernized, old models were donated.

Paper, glass, PET and cardboard packaging are separated and collected in the Company, and then delivered for recycling or ecological disposal.

Waste quantity (excluding household waste)	units	2007.	2006.
Collected paper	t	165,82	198,27
Copper cable	t	16,69	1,44
Metal	t	153,45	225,34
Industrial waste	t	204,54	230,94
Other waste	t	190,73	196,90
PET/PHD pipes	t	1,45	121,67
Toners	t	4,48	1,60
Non-hazardous waste total	t	737,16	976,17
Various hazardous waste	t	32,99	4,87
Accumulators and batteries	t	99,73	315,77
Hazardous waste total	t	132,72	320,64
Total	t	889,88	1.296,80

Noise

Noise does not have a palpable effect on the environment, but due to its nature it does disturb living beings (humans and animals) that are exposed to it. Sources of noise in regular operations of T-HT can be motor vehicles and pieces of machinery within the T-HT car fleet, diesel-electric power generators and air-conditioning systems. In 2007 no complaints were registered from citizens regarding noise caused by T-HT activities and regular noise measurements within the activities of safety at work did not register any exceeding of the permitted level of noise prescribed by the Law and the Regulations.

Non-ionizing Electromagnetic Radiation

Similarly to noise, electromagnetic emissions are not palpable. According to present knowledge, non-ionizing electromagnetic radiation poses neither a hazard for humans nor does it represent an ecologic issue, although a certain level of concern is present in the public. The current legal restrictions are based on the heat effect and take the principle of precaution into account.

Within the T-HT Group, T-Mobile Hrvatska has a license for operation of a GSM system and provision of mobile communications services, and in 2005 a third generation network (UMTS) started operating and providing services in line with the granted concession.

In Croatia, the Regulations on Protection against Electromagnetic Fields (Official Gazette 204/2003, Official Gazette 15/2004), passed by the Ministry of Health, is in force. All telecommunications equipment is subject to the provisions of the Regulations on Maximum Permissible Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (Official Gazette 183/2004). The international standard

for limits of exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz) was issued by the International Commission for Non-Ionizing Radiation Protection (ICNIRP). These safety limits have been accepted by the UN World Health Organization for the whole world. Accordingly, they are applied by T-Mobile Hrvatska as well. However, the Croatian Regulations are 2.5 times stricter when compared with the above standards.

The base stations of the T-Mobile GSM network were developed, tested and put into operation in line with the international standards and requirements. T-Mobile gets certificates from its suppliers, proving that the base stations comply with the ICNIRP safety requirements and with a series of standards for product safety, electromagnetic compatibility and general technical regulations. Furthermore, all base stations are certified to be compatible with a series of European and worldwide standards (EN 60950, EN 60215, EN 50358, EN 301 489-1 V1.4.1, EN 301 489-08 V1.1.1 and V1.2.1, EN 301 502) issued by the Croatian Telecommunications Agency.

All former studies on biomedical effects of electromagnetic fields in mobile communications systems show that there are no health hazards for humans. Health and safety of its customers and social community in general are of crucial importance to T-Mobile. With regard hereto, T-Mobile, being a responsible telecommunications company, supports and encourages comprehensive and detailed scientific research and continuously keeps track of research done by a number of organizations, independent groups, expert teams and scientists on the impact of electromagnetic fields, in order to inform and educate the public on these issues.

At the request of T-Mobile Hrvatska, the Faculty of Electric Engineering and Computing in Zagreb prepared in December 2005 the Study of importance of used sources considering the levels of emitted electromagnetic fields. The aim of this Study was to determine whether mobile communications GSM and UMTS systems of the company T-Mobile Hrvatska d.o.o. meet the valid regulations on protection against electromagnetic fields.

The Study was based on the results of measurements conducted near the base stations of T-Mobile Hrvatska by companies authorized by the Ministry of Health and Social Care of the Republic of Croatia for protection against electromagnetic fields: Doron Net d.o.o. and Končar - Institut za elektrotehniku d.d. The measuring sample comprised 93 base stations, which accounts for 7.17 percent of the total number of GSM system base stations. For the UMTS system measurements were conducted on 18 base stations (11.92 percent of the total number of base stations of this system).

The electromagnetic field level was measured on 661 measurement points in total, 556 of which near GSM system base stations and 105 near UMTS system base stations.

A representative sample was selected for measuring purposes, but in areas of increased sensitivity (outpatient clinic, hospital, school, university, kindergarten) all the existing locations were measured. Measurement results show that all base stations of GSM and UMTS systems owned by T-Mobile Hrvatska d.o.o. from the measurement sample meet all regulations on protection against electromagnetic fields in force in the Republic of Croatia. What is more, the measured levels of electric field and power density in most measurement points are substantially lower than limit levels.

All T-Mobile base stations meet all regulations on protection against electromagnetic fields



In 99.28 percent of measurement points for the GSM system and 100 percent of measurement points for the UMTS system the measured level of power density was even below 10 percent of the corresponding limit level.

It was established that all collocated base stations of GSM and UMTS systems meet the condition for simultaneous operation of several sources of electromagnetic field on different frequencies.

Given the full compliance with limit levels of reference values applicable in Croatia, with the measured levels being in more than 99 percent cases even below a 10-percent value of the limit level, it can be concluded that the base stations of GSM and UMTS systems owned by T-Mobile Hrvatska d.o.o. meet all legal regulations on protection of humans against electromagnetic fields in force in the Republic of Croatia. This provides for protection of humans against exposure to electromagnetic fields. The tested measurement points near the observed base stations are safe for residence.

Eco-Efficiency of the T-HT Group

Eco-efficiency is a management philosophy developed by the World Business Councils for Sustainable Development (WBCSD) encouraging business subjects to search for ecological improvements to simultaneously achieve economic benefits. It is focused on business opportunities and enables companies to become ecologically more responsible and profitable, it promotes innovations and thereby also growth and competitiveness.

According to a definition by WBCSD, eco-efficiency is achieved by delivery at a competitive price of goods and services satisfying human needs and bringing quality of life, simultaneously constantly reducing ecological impact and intensity of resources use during the entire life cycle of these products/services. In brief, eco-efficiency is dealing with generating greater value under less impact on the environment.

Eco-efficiency is primarily a business concept because it speaks in a language of business subjects. To put it simply, it says that there is business sense in becoming more efficient. Eco-efficiency invites business subjects to generate greater value with less consumption of material and energy and emission reduction. It can be applied to all parts of the company, to product marketing and development as well as to production or distribution. Basically, it deals with three general goals: reduction of resources consumption, reduction of impacts on the nature and increase in products or services value.

In principle, the definition of eco-efficiency as a key indicator of environmental performance degree of a company implies a ratio between two elements: the negative environmental impact caused by company's operations and the added value thus created, in which eco-efficiency is higher to the extent to which the generated added value is proportionally higher than the damage inflicted on the environment, or to the extent to which the damage is proportionally lower than the created added value. A higher indicator value reflects a better performance of the company or a more positive (or less negative) impact on the environment.

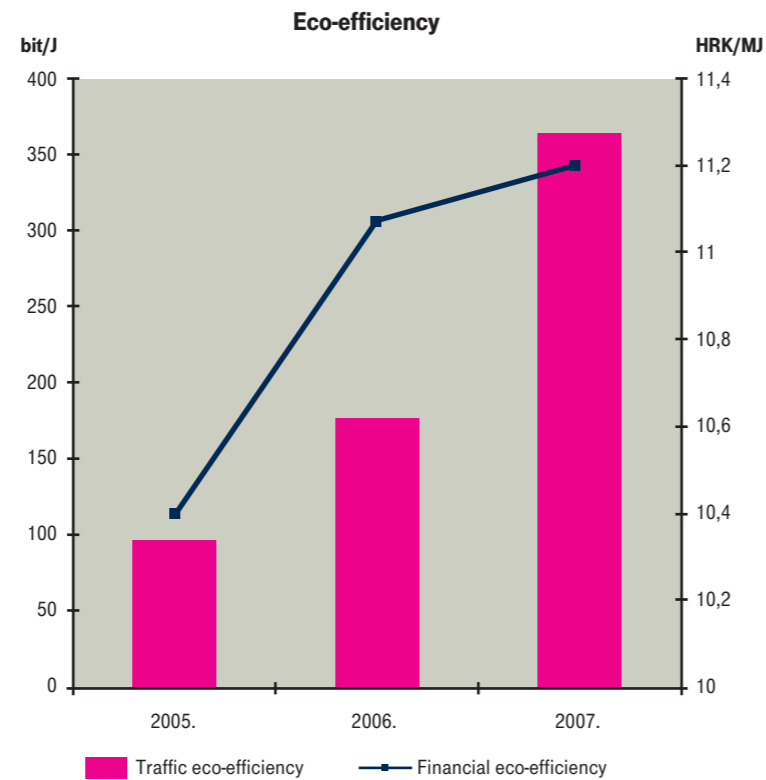
In order to calculate eco-efficiency indicators of a telecommunications operator, the value of the telecom operator's production and its impact on the environment need to be assessed. In the T-HT Group, similarly to other telecommunications oper-

	units	2007.	2006.	2005.
Billed traffic minutes in mobile and fixed networks	mil min	8.855	9.977	9.898
Total traffic	ekv.mil Gbit	169,4	84,4	49,8
Traffic eco-efficiency	bit/J	363,8	176,87	95,9
Added value	mil HRK	5.233	5.284	5.404
Financial eco-efficiency	HRK/MJ	11,2	11,07	10,4

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization

Added value: EBITDA + staff costs

Note of the Corporate Reporting Department: EBITDA and staff costs do not necessarily have to match the reports sent to DT within the scope of regular reporting to DT (deviations of approx. ±2% allowed) due to the differences in reporting standards and structures.



ators, the production value can best be shown through collected telecommunications traffic, while impact on the environment can best be shown through total energy consumption.

Telecommunications traffic consists of all bits of information transmitted through the network and charged to customers (non-collected traffic is not considered as part of the production value). Traffic is measured in time (billed minutes) and it is multiplied by frequency bandwidth or directly by collected traffic volume [bit]. Minutes billed to customers are converted into equivalent bits by application of conversion factors: 64 kbits/s for PSTN or 13.6 kbits/s for GSM. ADSL traffic is billed by the realized traffic volume (Mbit/month). Considering the various tariff models and bill complexity, the annual average number of minutes per customer in the mobile network is used in the calculation.

The total consumed energy expressed in Joules (J) is applied for measurement of environmental impact of telecommunications operators.

Therefore, the indicator of the telecommunications operator's eco-efficiency is calculated as financial added value (EBITDA + staff costs) per total energy consumption [HRK/MJ] or as the total number of bits (production value) per total consumed energy [bit/J].

In 2007 the T-HT Group realized 11.2 HRK per MJ of consumed energy (total energy excluding vehicle energy) and the traffic volume was 363.8 bits per J of consumed energy, which means that financial efficiency slightly increased in relation to the previous year, while traffic eco-efficiency was more than doubled. This can be attributed to the total traffic being doubled in relation to the previous year expressed in equivalent Gbits due to increased number of ADSL users and the increased volume of broadband services. The T-HT Group will strive for further improvement of its eco-efficiency in both of its aspects, through higher increase of added value and transmission of higher traffic volume in relation to the quantity of consumed energy.



Eco-efficiency deals with higher value creation with reduced impact on the environment

8. Costs and Revenues Related to the Environment

Environmental costs are a part of the Company's total material costs, and the income is achieved by selling mainly metal waste



Costs

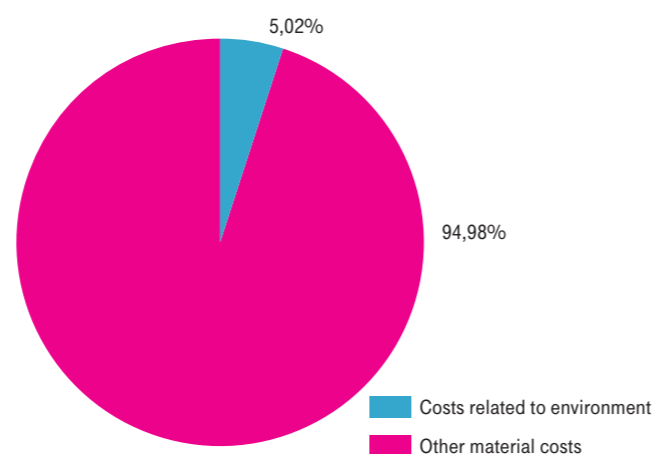
In T-HT costs that are in any way related to the environment are incurred by consumption of electric power and of various types of energy sources for heating, operation of motor vehicles and other machines, consumption of water and waste waters drainage, waste disposal, use of various services related to the environment etc., and they are a part of total material costs of the Company.

There are two equally important and mutually related goals in monitoring of all costs related to environmental protection: on one side, the environmental goal of reducing negative impact on the environment is achieved through optimization of consumption and reduction of individual types of resources, while on the other side optimization and reduction of operating costs have a positive effect on the business result of the company. Without this, it is not possible to have insight in a positive impact of environmental activities taken in the company on its total economic performance.

These costs can be found in three major cost categories, and in 2007 they amounted in total to HRK 162.66 million, which is 5.78% less than in the previous year, 2006 (HRK 172.65 million). This represents 5.02% (5.84% in 2006) in relation to the total material costs of the Company. This share reduction is a consequence of simultaneous increase in the total material costs of the Company and reduction of costs related to the environment in 2007. In 2007 certain new costs

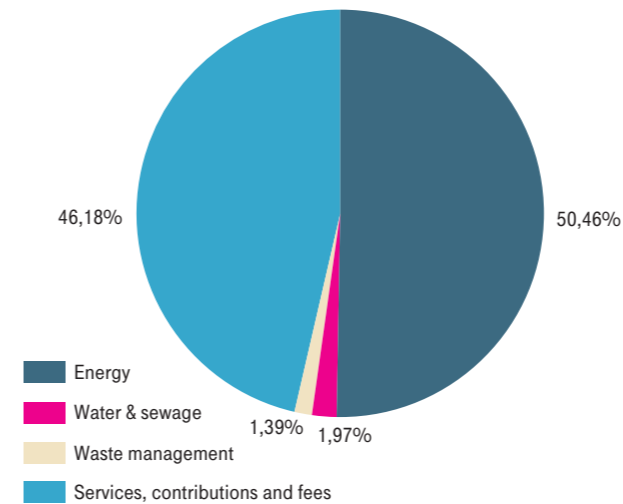
appeared as a consequence of new legal regulations, such as e.g. the fee for packaging and packaging waste disposal, the fee for electric and electronic equipment and devices disposal and the fee for CO₂ emission, but they did not substantially influence the total amount of costs related to the environment.

Share in total material costs 2007



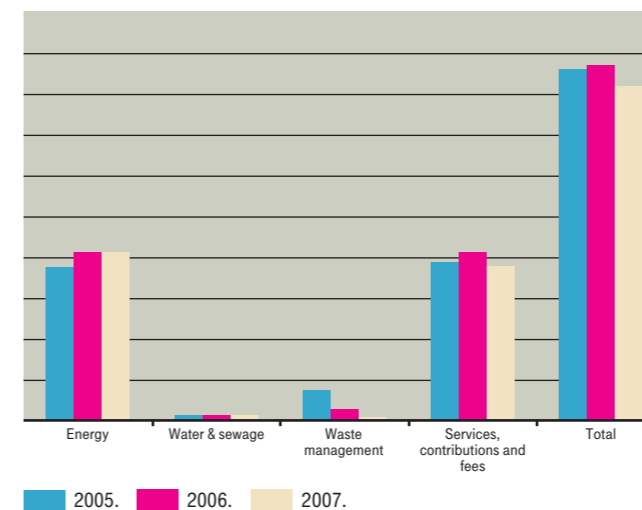
The costs related to the environment can be divided into 4 main categories: energy costs, water and drainage costs, waste disposal costs and costs of various services related to the environment and to contributions and compensations.

Share of individual types of costs 2007



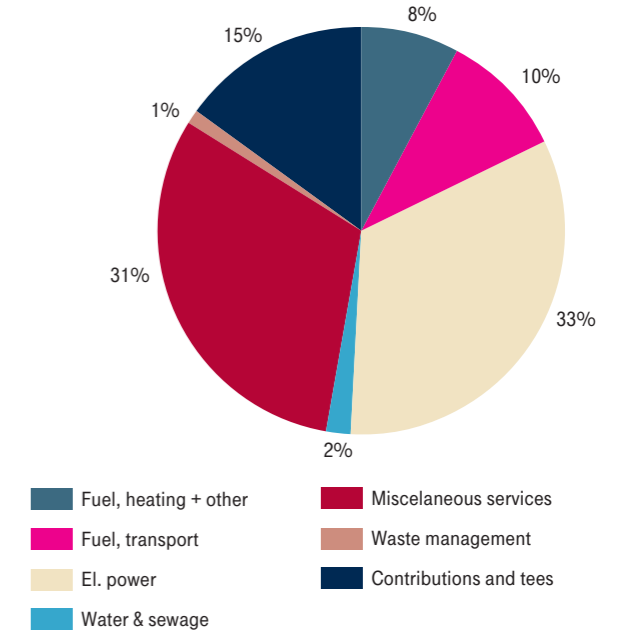
In 2007 the share of costs for services, contributions and compensations was reduced from 48% to 46% mainly due to cost reduction for outsourced cleaning services, whereas the share of energy costs increased from 47% to 50.5%. The share of costs related to waste disposal is on a decrease for a third year in a row and now it makes only 1.4%, which can be attributed to reduced quantity of generated and disposed waste and lower prices of these services negotiated with the new contracting partners. The total costs related to the environment and the costs of services, contributions and compensations are reduced in relation to 2006, the costs of energy slightly increased, while the costs for consumed water and drainage remained at the same level, which is shown in the chart below. Concerning energy costs a trend of the growth slowing down can be perceived, whereas concerning waste disposal costs there has been a trend of substantial reduction for three years in a row now.

Costs related to environment



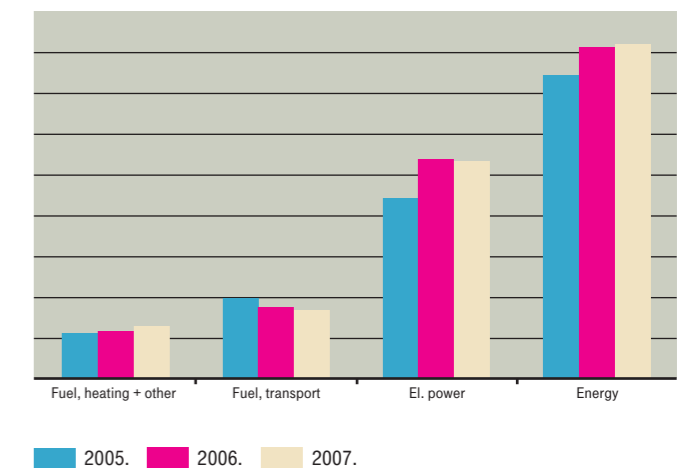
It is obvious from the next, even more detailed chart, that the consumption of electric power, followed by the cost of various services which include the cost of outsourced cleaning services, represents the major cost of the Company in the segment of costs related to the environment. The next highest share of the costs is a cost of heating fuel that is half as high as the previous one.

Distribution of costs related to environment 2007



The total costs of energy in 2006 increased by 9.8% in comparison with 2005, whereas in 2007 they increased by 0.56% in comparison with 2006. The costs of electric power, that increased in 2006 in comparison with 2005 by 20.7%, in 2007 were reduced by 0.44% in comparison with 2006. In 2007 the heating costs increased by 12.25% which represents the biggest and the only growth of energy costs in relation to the previous year. At the same time, the costs of fuel for transport fell by 3.95%. The cost of consumed electric power remains the highest individual cost in the segment of energy costs and there is considerable potential for reduction and optimization.

Energy Costs



Revenues

In 2007 there were also revenues in the segment of environmental protection generated through sale of separately collected waste with residual valuable characteristics as secondary raw material to authorized collectors of such waste. In this way, the revenue of HRK 136,289.00 was realized, mainly through sale of metal waste (copper cables and other metals).

9. ICT and Sustainable Development

One of the main issues of today is how information and communication technology relates to sustainable development

We are living in the time of some of the biggest changes the world has ever seen. The digital revolution is transforming the way we live, work and play. At the same time, growing awareness of the sustainability challenges facing our planet is forcing the humanity to consider the direction of development of its economy and lifestyle.

One of the main issues of today is how information and communication technology (ICT) relates to sustainable development. If we develop and apply ICT badly, it could add to the world's problems. It could devour energy and accelerate climate change, worsen inequality for those who do not have access to it and increase pollution and resource use by encouraging ever more frenetic consumerism.

If we apply ICT well, the rewards could be enormous. These technologies could help to enhance creativity and innovation in solving our problems, building communities, providing more people access to goods and services and using precious resources much more efficiently.

We have the capacity - through the decisions on how we produce, buy, use and apply ICT - to secure enormous social and economic benefits. These may include energy savings through monitoring and managing energy use, creating more efficient transport systems, reducing travel needs through electronic commerce, video-conferencing and other forms of electronic transactions, producing fewer physical products that consume finite resources and increasing interaction between people and organizations.

In this context, we can look at information-communication technologies from three aspects: social and environmental impacts of producing ICT and how the negative impacts can

be reduced; the sustainability impacts of using ICT, particularly its role in energy generation and climate change; how ICT could be applied to make a better world.

In weighing up costs and benefits, it is clear that the direct impacts of ICT are smaller and easier to control. The indirect impacts - on how we live our lives - are much greater and more difficult to manage.

The sustainability challenges which ICT business faces are complex, just as in other sectors. This should not, however, prevent the ICT industry from dealing with those issues and reaping potential benefits to the greatest possible extent. Sustainability leadership is necessary if the benefits are to extend across the whole ICT industry.

Everyone can play their part in this connected - or networked - world. In the near future, with the purpose of more efficient environmental protection the following steps should be taken:

- In making ICT products, minimizing the resources used in manufacturing the hardware and maximizing the social benefits for workers and communities in the supply chain;
- In using ICT products, radically improving the energy efficiency of the technologies, reducing energy use overall and increasing the use of renewable energy, and ensuring re-use, recycling and responsible disposal of devices and equipment, as well as addressing the issue of its rapid obsolescence;
- In applying ICT products:

- Creating wealth and satisfying needs with a lower environmental impact,
- Reducing the need for people and things to move, and transporting things more efficiently,
- Giving consumers wider access to cheaper, more sustainable products and services,
- Enabling people to connect, interact and strengthen their communities,
- Enabling innovations in order to solve the problems of how we live together sustainably across the world.

Above all, the application of these new technologies should be considered an opportunity to address sustainability challenges creatively. Combining new technologies with social and institutional innovation could induce the need for radical rethink in the way that companies, governments and individuals deal with their wider responsibilities.

Finally all three mentioned aspects are inter-connected. Making ICT more efficient will enable people to do more with less. And using ICT more efficiently will effectively reduce the impact of the "making" stage on the environment.

ICT can help reduce the environmental footprint of what people do. It can facilitate the networks, partnerships and actions we need to work things out in a complex and connected world. The digital revolution could spread benefits to all sectors of society and all corners of the planet, bringing benefits to all regardless of location, age, disability or income.

It's the right time to think about the wider opportunities of these new technologies and how the humanity can use them to make the world a better place.

(Taken from the article: „Connected“, Forum for the future, April 2008)

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