

Environmental protection

Report of T-HT Group 2006

Content

- **Introduction**
- **Policy and strategy**
 - Environmental Protection Policy and Goals
 - Environmental Protection Policy of the T-HT Group
 - Environmental Protection Goals
 - International cooperation
 - European Telecommunications Network Operators' Association (ETNO)
 - DT Group
 - Communication
- **T-HT Group Profile**
 - Basic data
 - Business Operations
 - Organization
 - Environmental Protection Organization and Responsibilities
 - T-Mobile*
 - Human Resources
 - Sponsorships / Social responsibility
 - Main Network Indicators
 - Basic Financial Indicators
- **Legislative Framework**
 - Acts and Regulations of the Republic of Croatia Important for T-HT
 - Environmental Protection and Energy Efficiency Fund - Ecological Fees
- **Environmental Management**
 - Environmental Management System (EMS) according to ISO 14001
 - Environmental Management System in T-Mobile
- **Environmental Impact Indicators**
 - Cumulative Indicators on Environmental Impact within the T-HT Group
 - Consumption of Resources
 - Energy
 - Electric Power
 - Heating Fuels
 - Vehicle fuels
 - Paper
 - Water
 - Landscape and Ground, Real Estate
 - Emissions and Waste
 - Waste Gas Emission
 - Waste
 - Noise
 - Non-Ionizing Electromagnetic Radiation
 - Costs and Revenues Related to the Environment
 - Costs
 - Revenue
 - ICT and the environment: preservation of climate with the speed of light
 - Eco-efficiency of the T-HT Group

Introduction



For some time environmental protection has been attracting the attention of politicians and business sector worldwide and decisions made in this field have become an increasingly important factor of overall business decision-making at the level of global corporations and local firms as well. At the same time, the problems related to environmental protection are becoming increasingly complex and interconnected. Traditional, reactive and “ad-hoc” ways of addressing environmental issues have proved to be highly inefficient. As competition increases within the global market, environmental laws and regulations are setting new standards for business entities throughout the world. But good environmental performance is not just a legal or moral obligation. It also makes good business sense. Reducing pollution means higher efficiency and wasting fewer natural resources. Improved health and safety at work conditions translate into a more productive workforce. Environment-friendly delivery of goods and services helps expand the market and improve sales. In short, companies become more competitive when they practice good environmental management. On the other hand, risks posed by mismanaging environmental issues are complex and varied. Apart from obvious risks, such as damage to the environment with negative conse-

quences for the overall standard of living, they can also include damage to company's reputation and result in loss of confidence on the side of customers, neighbors and shareholders, loss of market share and, of course, legal liability. The T-HT Group Environmental Protection Report for the year 2006 is the third in a series of annual reports compiled by the team for environmental protection in order to meet its obligation from the valid Environmental Protection Policy of the T-HT Group. It describes T-HT's performance in the field of environmental protection during the last calendar year. T-HT, as the leading telecommunications operator in the Republic of Croatia and the only company to offer the widest spectrum of telecommunications services, continually takes care of its customers and highly appreciates their opinion on the quality of services it provides, trying to constantly improve it. T-HT also takes care of the social and natural environment in which it operates. Although T-HT does not belong, in terms of its activity, to those business entities that have large impact on the natural environment, particularly if compared to other lines of business and industries, the Company constantly strives to reduce, pursuant to the adopted Environmental Protection Policy of the T-HT Group, its negative impact on the environment to the minimum

extent possible. The indicators of the impact on the environment presented in this year's Report show that we have improved our performance in a number of areas with regard to the previous period (reduced consumption of water, energy, total quantity of produced waste, reduced quantity of CO₂ emission etc.). The indicators of eco-efficiency, showing the total negative impact of our business activities per production unit i.e. per realized value added unit, show a continuation of positive trend from previous years, which can directly be attributed to success realized on the market by the offer of ADSL broadband access and thus related increase in traffic i.e. the quantity of transmitted bits.

The last year 2006 was marked by important events in the area of environmental protection also in the affiliated company T-Mobile. There was successful external audit of Environmental Management System according to the new issue of the ISO 14001:2004 standard in T-Mobile, the only part of the T-HT Group with the established and certified Environmental Management System according to the ISO 14001 standard (since 2002 already). Old mobile phones of all kinds, together with batteries, chargers and additional equipment (more than 3,500 devices) were collected from users and ecologically disposed of during the joint action with the company Mobis Electronic, authorized representative of the company Nokia. Apart from a special offer, the purpose of the action was to promote ecological awareness among mobile phone users.

At the beginning of the year T-Mobile announced at a press conference the results of the survey on the impact of non-ionizing electromagnetic radiation prepared by experts of the Faculty of Electrical Engineering and Computing from Zagreb. After the survey had been analyzed, a committee of Ministry of Health and Social Welfare established that all requirements specified in the Regulations on Protection from Electromagnetic Fields were met, which confirmed the ecological and social responsibility of T-Mobile.

This year's Report also included overview of costs of T-HT Group operations related to the environment and were compared with total material costs. This was done, as in the last year, to point out to a close link between the activities related to environmental protection, particularly those regarding optimization, rationalization or reduction of consumption of some natural resources, and business success of the company and to the fact that, apart from ecological wins, these activities can also have a positive impact on business operations. Although according to our calculation the identified costs account for slightly less than 6% of total material costs, their absolute amount is so high that their reduction would provide a valuable contribution to total reduction of business operations costs, which is a constant strategic goal of the Company.

As a part of the DT Group, T-HT is obligated to comply with the policies and strategies of the DT Group and to align its own policies and strategies with the latter ones. In this re-

spect, we continued throughout the year 2006 cooperation with colleagues from the DT Group Headquarters in the field of environmental protection and sustainable development. We held joint meetings, attended workshops and the traditional Sustainable Development Day, prepared and sent regular and occasional reports on our achievements in environmental protection. We actively participated in the activities related to audit of Sustainable Development Strategy of the DT Group and development of adequate roadmap for sustainable development for the period until 2008. Forum for Sustainable Development of the DT Group, which met two times in the year 2006, was established as a new form of experience exchange and coordination of activities at the level of the Group.

We were also active on the international scene - we participated in work of the working group for sustainable development of ETNO, to which we are committed as a signatory to the Charter on Sustainable Development.

Throughout the year we worked on informing the employees of T-HT on our activities. Apart from being informed via annual Environmental Protection Report, which is our obligation from the Environmental Protection Policy, the employees were also informed via all internal media of T-HT. The internal electronic ecological herald "Eko kuTak" (Eco Corner) was launched in the intranet where articles on events in the Company and other interesting events regarding environmental protection were published, in order to popularize this topic among the employees. ■



Policy and strategy



Environmental Protection Policy and Goals

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 goals and tasks in the above area. The Policy is a declaration of the MB 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. There must be a clear relation between the policy, goals and tasks 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 the T-HT Group

At its 18th session in 2005, held on June 7, 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. By relying on the environmental protection policy of the DT Group and its basic principles of climate protection, the environmental protection policy of the T-HT Group helps, among other things, avoid risks of losing reputation and credibility of the T-HT Group. It sets the course within the Group and serves as a basis for future measures in environmental protection, particularly in climate protection; it creates confidence among our internal and external interested parties (non-governmental organizations, political bodies, local community etc.) in sincerity of commitment of the T-HT Group to environmental and climate protection. Although

the environmental protection policy in general does not involve any risk for T-HT, reputation and credibility of the Group may be endangered if activities in this field are not implemented as proclaimed by the accepted policy.

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 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.



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 2006.

2005 - 2008 Goals	Realized in 2006
<p><i>Energy consumption (at the level of the Group)</i> To introduce measures for more rational and efficient energy consumption, to reduce fuel consumption of vehicles</p>	<ul style="list-style-type: none"> - Electricity consumption reduced by 5% - Heating oil consumption reduced by 13.36% - Total consumption of heating energy reduced by 17.2% - Consumption of vehicle fuel reduced by 10.8% - Consumption of vehicle fuel /100 km reduced by 13%
<p><i>Paper consumption</i> 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"> - Report printed on ecological paper - Introduction of the service WebBill which reduces the quantity of paper necessary for delivery of itemized bills to users of services - Application of up-to-date IT applications for office operations resulted in reduced circulation of documents in paper form in the Company
<p><i>Waste management</i> 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"> - Refreshed waste management procedures according to new legal solutions - Total amount of generated waste reduced by 63 % with regard to 2005 when a part of historic waste was disposed of as well - Performed collection and disposal of larger quantities of written-off telecommunications devices and equipment within the area of responsibility of T-Com (historic waste) - Introduction of separate collection of toner cartridges on all major locations in the Company - Expanded separate collection of waste paper and PET bottles - Preparations made for organized collection of used batteries in the Company and from customers - 2 discarded containers were ecologically disposed of as well as the fuel / residue found therein
<p><i>Procurement</i> 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><i>Air pollution</i> 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 27% with regard to 2005 - Preparations made for regular biennial measurements of air emissions from stationary sources in 2007
<p><i>Communication and building awareness</i> 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 Environmental Protection Report 2005 of the T-HT Group - Launch of internal ecological e-publication Eko kuTak (Eco Corner), 4 issues in the year 2006 - 6 articles on ecology published on portals and in internal printed media; Environmental Protection Policy printed in the monthly magazine Halo

T-Mobile Hrvatska set its own goals in 2006 within its Environmental Management System the realization of which is presented in the table below:

2006 Goals	Measures	Realized
<i>Ecological disposal of obsolete or non-functional electronic equipment</i>	<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"> - A total of 81,058.23 kg of old antenna equipment was ecologically disposed: - metal waste 50,781 kg - electronic waste 22,622.23 kg - Obsolete IT equipment was donated - A total of 7,655 kg defective IT equipment was ecologically disposed
<i>Program for monitoring of environmental protection costs</i>	<ul style="list-style-type: none"> - To improve monitoring of costs - Introduce monitoring of revenues 	<ul style="list-style-type: none"> - Monitoring of costs further improved - Introduced monitoring of revenues
<i>Market research related to perception of EM radiation and environmental awareness of customers</i>	<ul style="list-style-type: none"> - To perform market research 	<ul style="list-style-type: none"> - Market research performed in February 2006
<i>External audit of Environmental Management System according to the ISO 14001 standard</i>	<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 4 October 2006
<i>Constant improvement of internal informing about environmental protection (workshops, internal trainings, internal web page)</i>	<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"> - 385 employees were educated in 2006 on environmental management system and electromagnetic fields - Internal web page is constantly refreshed.
<i>Improvement of data transparency (electric energy consumption, water consumption etc.)</i>	<ul style="list-style-type: none"> - Improve procedures of monitoring data on consumption of resources 	<ul style="list-style-type: none"> - Improved data monitoring procedures

International cooperation

European Telecommunications Network Operators' Association (ETNO)

T-HT has been a member of ETNO, European Telecommunications Network Operators' Association, since 1993 and a signatory of the ETNO Environmental Protection Charter since 1996 (more data about ETNO Association, ETNO Charter and Environmental Protection Report can be found at www.etno.be). In December 2004 ETNO promoted, at the First European Conference on Telecommunications and Sustainable Development in Budapest, a new Sustainable Development Charter that replaced and supplemented the Environmental Protection Charter. At its 18th session in 2005, held on 7 June, the Management Board of T-HT passed a Decision on T-HT's joining the Sustainable Development Charter of European Telecommunications Network Operators' Association. As it was already mentioned, this Charter was designed with the intention to replace the existing Environmental Protection Charter and it commits the signatories to implement

the principles of sustainability on a widest possible basis through their business relations and activities. The Sustainable Development Charter 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. Nowadays, companies are required to dedicate greater attention to business ethics, relations with employees, human rights, investments in local community and environmental management. The way business activities are performed is crucial for building firm relations with interested parties and without sustainability there is no future. This is particularly important for Croatian companies on the eve of accessing the European Union. Sustainability is a strategic issue driven by business logic, because every company is under strong pressure to create permanently growing value for shareholders and improved performance in the environmental and social context represents a huge business opportunity to achieve exactly that. In this respect, orientation towards sustainable development means:

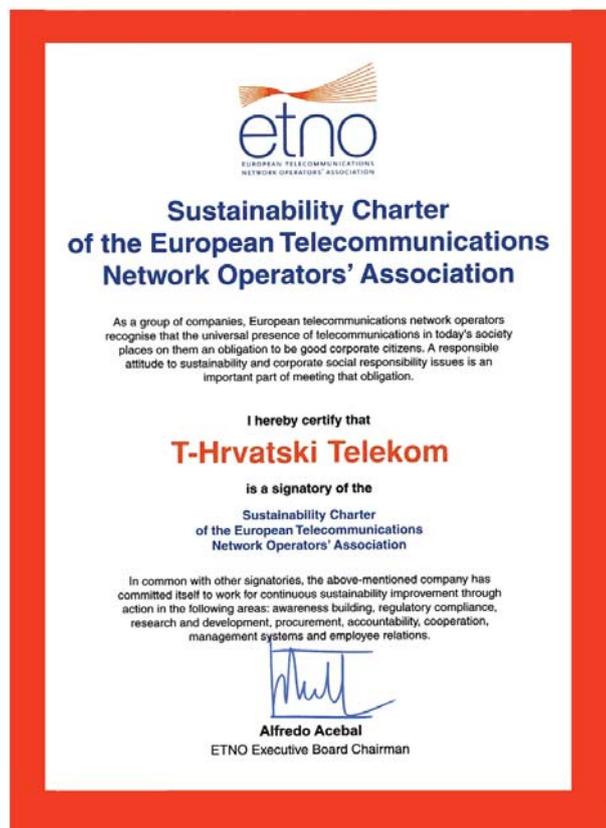
- to assume responsibility and behave in a responsible manner
- to create value for interested parties
- to transform risks into opportunities
- to contribute through today's activities to building future quality of life for the entire society.

By the end of 2006 there were 19 European telecommunications companies that signed the Charter on Sustainable Development, among them also DT and members of the DT Group: Matarv and Slovak Telekom. T-HT - Hrvatske telekomunikacije confirmed, by joining the Charter, 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 Task Force for Sustainable Development, which was established in 1996 as the Task Force 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 task force was changed after a new Charter on Sustainable Development had been launched and its tasks were expanded. The task force meets as a rule 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 2006 we participated in three such meetings.

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. DT Group Sustainability Development Strategy was audited in the course of 2006, as well as development of the roadmap of 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 above roadmap. To this end, a meeting was held in February 2006 in Zagreb with a DT's representative from the organizational part in charge of sustainable development and corporate citizenship (CSC) where T-HT's representatives presented our most important achievements from the previous period in the field of environmental protection and promotion of goals of DT Group Sustainability Development Strategy, on which occasion the participants also discussed novelties in the revised Strategy and presented T-HT's contribution to defining a joint roadmap of Group's sustainable development. In May 2006 the representative of T-HT attended in DT Headquarters in Bonn, for the second time, a regular and traditional Sustainable Development Day, an event attended, apart from DT's employees from Germany and representatives of the companies owned by DT, also by representatives of various interested parties (non-governmental organizations, environmental associations, international organizations involved in sustainable development issues, financial institutions etc.). The aim of this gathering is to promote an open dialogue on important topics of sustainable development. The newly-established Forum for Sustainable Development of the DT Group was held in parallel with Sustainable Development Day in Bonn. The Forum was established with the aim to facilitate exchange of experiences and examples of best practice among international members of the Group in the fields of corporate social responsibility and environmental protection management and their more direct participation in the creation and implementation of the strategies and policies of the Group in the respective areas. The Forum is scheduled to take place twice a year, immediately before Sustainable Development Day and on the second occasion hosted by one of Group's international members. In 2006 the second meeting of the Forum was held in November 2006 in Budapest. It was organized by Hungarian Telecom and it focused on a number of topics of common interest for the Group's members, i.e. renewed Group Sustainability Development Strategy and the above mentioned roadmap for sustainable development, application of EU directives on electric and electronic waste, policies and measures for saving of energy and improvement of energy efficiency, climate protection etc. In the course of 2006 T-HT attended through its representative as a guest two T-Com's workshops on sustainable development and environmental protection in



Germany in order to learn about the activities and initiatives implemented in the organizational units of German T-Com in charge of environmental protection and sustainable development activities.

T-Mobile Hrvatska actively participates in work of the task force for health and electromagnetic fields and in 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. In July 2006 T-Mobile Hrvatska hosted a quarterly meeting of the task force for health and electromagnetic fields.

Communication

In line with the adopted Environmental Protection Policy of the T-HT Group, which obligates T-HT, among others, to inform the public and all interested parties about its efforts and achievements in environmental preservation at least through an annual report on environmental protection, thus encouraging a constructive dialogue, the second such report referring to 2005 was published in 2006. Although the annual report on environmental protection is the main form of reporting to the employees, shareholders and wider community which the Company uses to communicate its achievements in the field of environmental protection during the passed one-year period, the activities in the field of environmental protection, as well as those falling in the domain of corporate social responsibility, there was also summary reporting through annual Business Report (please refer to T-HT Group Business Report 2006). During the year, information about environmental protection activities was communicated through internal web portals of T-HT and T-Mobile Hrvatska and through the official web pages of T-HT and T-Mobile Hrvatska, in special sections "Environmental Protection". Several articles and reports with current topics from the field of environmental protection were published on the intranet portal. The above sections include also Environmental Protection Policy of the T-HT Group and Charter on Sustainable Development of ETNO. "Eko kuTak" (Eco Corner), a bi-monthly internal electronic publication dedicated to environmental protection, was launched in 2006. The idea behind launching the publication was initiated by Quality Assurance and Support Department, Environmental Protection Section and the goal was to timely inform the employees of the Company on all issues regarding environmental protection. The basic purpose of the publication "Eko kuTak" is to sensitize readers to ecological issues and to encourage ecological practice and thinking. To this end, it covers various topics from the field of environmental protection, through its regular sections, in a clear and interesting manner. Special attention is paid to creation of interesting design of the publication and the choice of current topics accompanied by high quality color photographs.

The publication is published on the intranet so that it can be available to all employees of our Company. The homepage of

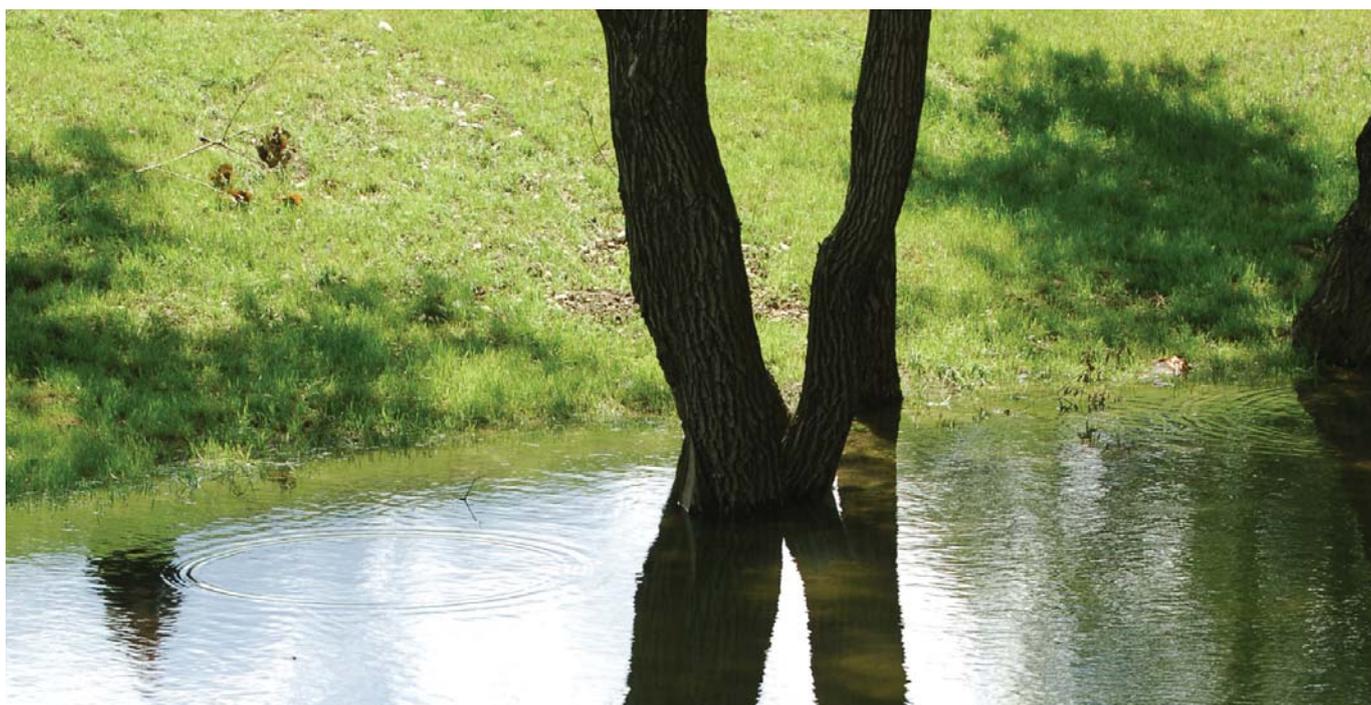
the publication "Eko kuTak" offers topical ecological news published in other media and all topical issues regarding domestic and international legislation (e.g. new regulations, instructions for use etc.). It also informs about events and gatherings that are important for environmental protection and always interesting articles about new eco technologies and products. The central part of the publication is reserved for provision of topical information on all ecological activities taken within our Company, all for the purpose of better ecological literacy and raising the level of ecological culture and awareness. By supporting a number of activities which the Company takes in order to improve its performance in the field of environmental protection, readers are encouraged to actively participate in implementation of these activities. When it comes to issues that are relevant for the Company, they are presented in more detail, such as efforts made in the segment of waste disposal (e.g. ways of sorting and disposal of waste, providing for sufficient number of adequate containers, arranging locations for their placement etc.), all in line with legal regulations. Some articles also stress the importance of reduced consumption of energy sources, while articles on renewable sources of energy point to potential alternative sources of energy. At the end of every publication there are tips for reduction of energy consumption, paper and water, methods of waste disposal and possible waste reduction. By encouraging people to make these very small and simple changes in their everyday life and work we show our responsibility for preservation of the environment, avoiding unnecessary wasting of energy and thus saving money. The rest of the publication offers topical dates in ecology, topics related to the nature, such as natural phenomena and very interesting photo reportages on eco parks, gardens and nature reserves. The intention is to provide the reader with information on how to identify and preserve diverse populations of extinct plants and animals and to draw attention to the alarming devastation of flora and fauna in Croatia and in the world as well.

The internal portal of T-Mobile Hrvatska includes a special portal which is entirely dedicated to environmental management system according to the ISO14001 standard, available to internal users in T-Mobile. The section "Environmental Protection" is regularly updated on the official web portal of T-Mobile Hrvatska. It provides information on ISO 14001 certificate, environmental protection in practice, electromagnetic radiation, studies on electromagnetic radiation and on 10 guidelines regarding electromagnetic fields. There is also the possibility to put questions regarding environmental protection via the following e-mail: zelena.pitanja@t-mobile.hr and free telephone number 098 1543 (free for calls from T-Mobile HR network). Some interesting information regarding environmental protection were also communicated through T-HT's internal printed publications, while information on T-HT's participation in various donation and sponsorship activities were also published in external printed and electronic media.

T-Mobile Hrvatska updated a specialized brochure titled "All About Aerials and Telecommunications Equipment" for the

purpose of acquisition of new locations in 2006. The aim of this specific brochure is to provide more detailed information on the mode of functioning of mobile networks, installation and visual appearance of antennas and impact of EM fields on health. The brochure called "Both Technology and Ecology", intended for wider public, was also updated. It describes environmental protection in T-Mobile and particularly deals with the issues of electromagnetic fields. T-Mobile presented at a press conference Study of importance of used sources considering the levels of emitted electromagnetic fields, developed by the Faculty of Electrical Engineering and Computing at the initiative of T-Mobile Hrvatska and following the guidelines of the Ministry of Health. The aim of the 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 is based on measurement results conducted near T-Mobile Hrvatska base stations. The measurements of electromagnetic field levels were conducted on 661 measurement points in total, exclusively by the firms authorized by the Ministry of Health and Social Welfare of the Republic of Croatia to deal with protection against electromagnetic fields. Besides, in areas of increased sensitivity (e.g. hospitals, schools, universities), all existing locations were measured. A thorough analysis of measurement results led to the final conclusion of this Study, namely that all base stations of the GSM and UMTS system owned by T-Mobile Hrvatska d.o.o. from the measurement sample meet all regulations on protection against electromagnetic fields applied in the Republic of Croatia, which means that population is better protected from exposure to electromagnetic fields than in other European countries. The tested measurement points near the observed base stations are safe for residence. What is more, the measured le-

vels of electric field and power density were in most measurement points significantly below the limit levels. In 99.28% of measurement points for the GSM system and 100% of measurement points for the UMTS system the measured level of power density was even lower than 10% of relevant limit level. It was also established that all collocated base stations of the GSM and UMTS systems meet the requirement for parallel work of several sources of electromagnetic field on different frequencies. After analyzing the Study, a committee of Ministry of Health and Social Welfare established that all requirements specified in the Regulations on Protection from Electromagnetic Fields were met and that the Study was credible. Articles were published on the results of this Study and on other topics related to electromagnetic radiation and health in the magazines for users Puls and Poslovni puls (Business Puls) and in the specialized magazine "Gospodarstvo i okoliš" (Economy and Environment). The employees of T-Mobile Hrvatska participated in the 9th International Symposium "Waste Management - Zagreb 2006", at which they delivered their presentations "Environmental Education - an Example of Practice in Large Companies" and "Old Mobile Phones and Their Disposal". In their efforts to teach young people how to dispose and recycle waste, they hosted students from the High School of Economics Benedikt Kotruljević in Zagreb and informed them on the practice of separate collection and disposal of various types of electronic waste in the company. T-Mobile cooperated with other companies showing a high level of ecological awareness and exchanged its positive experiences in the field of environmental protection. The employees of T-Mobile Hrvatska actively participate, through their work in technical committees of Croatian Standards Institute, in the process of adoption of professional standards in Croatia, which is a necessary step in the process of accession to the European Union. ■



T-HT Group Profile



Basic data

HT - Hrvatske telekomunikacije d.d. is a joint stock company established on 28 December 1998 in the Republic of Croatia in line with the provisions of the Law on Separation of Hrvatska pošta i telekomunikacije to Hrvatska pošta and Hrvatske telekomunikacije. In that way, the business operations of the former company Hrvatska pošta i telekomunikacije ("HPT s p.o.") were separated and transferred to the two new joint stock companies: Hrvatske telekomunikacije d.d. and Hrvatska pošta d.d., which started their business on 1 January 1999. In October 1999 the first phase of HT d.d. privatization was completed by selling 35% of shares to the company Deutsche Telekom AG, whereas in the second privatization phase, in October 2001, Deutsche Telekom AG became the majority owner of HT d.d. by buying another 16% of shares. During 2002, HT-mobilne komunikacije d.o.o. was founded as a separate and an affiliated company fully owned by Hrvatske telekomunikacije d.d. Its main line of business is provision of mobile communications services. During 2004 the T-HT Group implemented a

rebranding process and introduced a new corporate identity as of 1 October 2004, which made the T-HT Group a part of the global "T" family of Deutsche Telekom. The change of corporate identity was followed by establishment of trademarks of two separate Group segments, T-Com and T-Mobile.

The strategic and partner connection between the THT Group and Deutsche Telekom has since 2000 resulted in strong growth of the former. T-HT has evolved into a modern telecommunications group intent on using all advantages of global trade marks in enhancing its business operations and pursuing the competitive edge. Today, Hrvatske telekomunikacije d.d. is majority owned by Deutsche Telekom with 51 percent of shares. The Government of the Republic of Croatia owns 42 percent of HT d.d. shares, whereas the Croatian War Veterans' Fund owns 7 percent of HT d.d. shares. Iskon Internet d.d., one of the leading alternative operators in Croatia, was acquired in May 2006 and became a member of the T-HT Group. Iskon continues to develop, within the Group, the growing segment of customers who prefer alternative products and who were not intensively served by T-HT until 2006. Customers and their needs are in

the focus of all business operations of the T-HT Group. Therefore, customer orientation is the backbone of T-HT strategy. The goal of the Group is to offer the widest possible range of fixed and mobile telecommunications services and thus to help every customer find the service that will best suit their needs. Socially responsible business operations both towards the employees and towards a wider social community also represent a strategic commitment of T-HT. The strategy of the Group consists of four modules; focus on customer needs through a wide offer of fixed and mobile telecommunications services, growth through the development of new, advanced services, optimization of business processes and costs and permanent education of employees and strengthening of the culture of excellence in services. The acquisition of Iskon Internet d.d. at the end of May 2006 brought an experienced team of engineers, technicians, marketing and sales experts to T-HT. Over the last six years, Iskon Internet d.d. established itself as the largest alternative Internet service provider, provider of data transmission, private networks and web hosting for SME. Within the T-HT Group, Iskon develops alternative telecommunications services based on broadband technology. It operates as an independent company with its own management board and with the business policy of an innovative and adaptable operator and covers the growing segment of customers who prefer alternative products. As for the operations in Bosnia and Herzegovina, all necessary activities were taken to ensure the Group's 39.1% ownership interest, as of 1 January 2007, in the company Hrvatske telekomunikacije d.o.o. Mostar, which in the meantime integrated its fixed and mobile business by merging the company HT Mobilne komunikacije d.o.o. Mostar.

Business Operations

Basic operations of the company HT - Hrvatske telekomunikacije d.d. and its affiliated company T-Mobile Hrvatska d.o.o., i.e. of the T-HT Group, consist of providing telecommunications services and designing and construction of communications networks in the territory of the Republic of Croatia. The T-HT Group provides in Croatia all telecommunications services - fixed telephony, mobile telephony, data transmission, Internet and international communications. Apart from providing services of fixed telephone lines (access and traffic via fixed telephone lines - POTS and ISDN, and additional services of fixed network), the Group provides Internet services, data transmission services (lease of lines, ATM, X25 and Frame Relay) and it operates with GSM and UMTS mobile telephone networks.

Organization

The organization of the T-HT Group (Company) is based on a division to corporate and business functions. Therewith, through corporate units, it is provided for the integration of business segments of the Company into an integral corporation that, using all the advantages of synergy, has a single

approach to the market as the only provider of all telecommunications services in Croatia.

At the same time, through functions of business units, it is provided for the orientation to individual products and services, and therewith also to strengthening their position on the competitive market.

T-HT Group includes the following four corporate units having a function of integration of business and management of the entire Company: Chief Executive Officer Corporate Unit, Financial Corporate Unit, Group Services Corporate Unit and Human Resources Corporate Unit.

These functions provide for mutual coordination of all business segments of the Company so that it can operate as one entity. In addition, all stated corporate units are focused on securing the value of, as well as on initiating new values for the Company.

T-HT has two business units:

Business Unit for Fixed Network and Broadband Operation (T-Com), organized within HT-Hrvatske telekomunikacije d.d. as "virtual company". In accordance with the organizational structure, the fixed network, broadband, data network and on-line services, which were under the umbrella brand of T-Com, formally became part of a unique and functionally organized Business Unit within the Company, ready to react swiftly to the demands and expectations of customers. T-Com is headed by an Executive Committee consisting of the Chief Executive Officer of T-Com (also T-HT's Management Board member and COO of T-Com's fixed network and broadband) and 5 members of the Executive Committee of T-Com responsible for sales, finance, marketing, network and human resources. All current regional activities of the Company in the new organization are part of T-Com. Regional activities are organized through the regional sales/regional management department, regional network department and regional finance department. Segments of T-Com business are organized in T-Com Management Units and are managed by the respective member of the T-Com Executive Board.

Business Unit for Mobile Communications Operation (T-Mobile), a separate legal entity organized as a limited liability company one hundred percent owned by T-HT. T-Mobile as a Business Unit is managed by the Management Board of T-Mobile. Member of the Management Board and Chief Operating Officer of the Company is by virtue of his/her function President of the Management Board and CEO of T-Mobile. Apart from the President, the T-Mobile Management Board has five other members who are responsible for finance, network, marketing, sales & services and human resources. Segments of T-Mobile business are organized in T-Mobile Management Units and are managed by respective members of T-Mobile Management Board.



Environmental Protection Organization and Responsibilities

The environmental protection tasks were organized for the first time on the level of the T-HT Group in the way that the Regulations on Changes and Amendments to the Regulations on Organization of HT d.d. of 3 February 2005 entrusted the Network Strategy Department in the Corporate Services Unit with the activities of coordinating and organizing environmental protection in T-HT. The very same Changes and Amendments to the mentioned Regulations provide for responsibility for environmental protection to be assigned to Chief Services Officer, and for operating activities in this field to Network Directors in Regions. It was regulated by the Regulations on Organization, before the above changes, that waste management tasks be performed by Warehouse and Transportation Department (later on Procurement and Logistics Department) where a special group for waste management was formed for this purpose. With the new Regulations on Organization of HT-Hrvatske telekomunikacije d.d. on 17 August 2005 the tasks related to coordination and organization of environmental protection were assigned to Quality Assurance and Support Department in the sub-unit for network of business unit for fixed and broadband business (T-Com).

The same Regulations provide that waste management tasks remain within the area of responsibility of Central Procurement and Logistics Department within Corporate Financial Unit. The responsibilities for environmental protection tasks were not changed in terms of organization in the course of 2006.

T-Mobile

The organization of environmental protection activities in the business unit for mobile communications (T-Mobile) did not change in 2006 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.

Human Resources

T-HT recognizes the importance of human resources and fundamental role of each employee's contribution in facing the challenges of highly volatile market conditions in Croatia. Since we are aware that the employees of the Company are the basis for realization of strategic goals and maintaining the superior market position, T-HT emphasizes the need for quality development and growth of human resources, which is defined in the vision of human resources, too:

“Creation of high efficiency culture where every employee is aware of general corporate goals, responsibility of their role, relevant expectations in terms of performance and in which they are rewarded for their contribution to the above expectations.” In the course of 2006 the process of headcount optimization was continued, whereby T-HT fully assumed its social responsibility by taking into consideration all provisions

prescribed by the Collective Agreement and Labor Act. Given the professional qualification structure of the employees who left the Company and additional selective employment of highly specialized employees, the percentage of highly educated employees was increased from 22% to 27% in the total headcount.

As at 31 December 2006 the T-HT Group had 7.498 employees (including Iskon), which is 3% less than on the same day in 2005. In December 2006 a new Collective Agreement was signed with the two strongest unions in T-HT which reflects a high level of workers' rights, while at the same time representing an important step towards modern business practices in which employees can be rewarded according to their business performance. Like the majority of successful companies in the world, T-HT is introducing the system of performance management whose main goal is to reward every employee according to their performance and thus link individual performance to strategic goals of the Company and its market success.

Almost revolutionary technological changes in the telecommunications industry and new market challenges call for a continuous improvement of the existing and the acquisition of new knowledge. T-HT insists on lifelong learning and development of employees' competencies and in this regard increasingly invests in the education per employee. A number of training courses were held in order to improve key competences of managers and employees alike. 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 2006, a total of 385 employees were trained on the environmental management system and electro-magnetic field effect.

Sponsorships / Social responsibility

Competitiveness and corporate social responsibility go hand in hand because responsible behavior is the basis of long term corporate success. This is the reason why T-HT puts its competencies and resources at the service of social development of the community in which it operates. Pursuant to its donation strategy, T-HT primarily focuses on educational, social and cultural projects in the Republic of Croatia. T-HT's sponsorship strategy is focused on sports and cultural activities, at a corporate level and through activities of the business units T-Com and T-Mobile. Together with the association Bicikl (Bicycle) T-Mobile organized in the school year 2006/2007 a joint educational campaign in 16 elementary schools throughout Croatia titled "Go to School by Bike". Its purpose is 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.



Main Network Indicators

The main indicators of the status of fixed telecommunications network capacity owned by T-HT at the end of 2006 as well as the indicators of traffic realized in the said networks in the same year are shown in the following table:

	2006	2005
Total number of lines in the fixed network (in 000)	1,646.6	1,675.0
POTS (including FGSM)	1,541.6	1,549.2
ISDN	125.2	133.4
ADSL	215.5	108.4
Network digitalization (%)	100.0	100.0
Penetration of fixed lines (%)	40.0	37.2
Total traffic (in 000 minutes)	5,677,544	5,657,793
National calls	4,670,187	4,670,187
Calls to national mobile networks	533,610	672,761
Calls to value added services	68,424	67,042
Calls to international fixed networks	139,758	174,850
Calls to international mobile networks	33,610	39,765
Other traffic	73,810	33,188

The table below shows the capacities and the traffic generated in T-HT's Internet network in 2006:

	2006	2005
Dial-up users (in 000)	626.1	600.2
Fixed line Internet access subscribers (in 000)	0.4	0.5
VPN points	780	449
ADSL users (in 000)	229.9	108.4
Dial-up Internet access (%)	27	27
Total number of online minutes for dial-up users (in 000)	1,457,947	2,063,088

Number of subscribers in T-Mobile networks in 2006, market share and generated traffic and revenue per subscriber are shown in the following table:

	2006	2005
Total number of mobile subscribers (in 000)	2,158.0	1,902.5
Number of prepaid customers, T-Mobile	1,603.3	1,486.1
Number of postpaid customers, T-Mobile	554.7	416.4
Market share, T-Mobile (%)	49.1	52.1
Mobile network penetration (%)	97.7	82.4
MOU (minutes of use per average subscriber)	117.2	109.2
ARPU (average revenue per user) in HRK	136.0	152.0

Basic Financial Indicators

Revenues per business segments (in mil. HRK)	2006	2005
Fixed network revenue	3,558	4,148
Carrier operations revenue	665	624
Data services revenue	209	228
Internet services revenue	490	301
Mobile network revenue	3,708	3,432
Total revenue	8,630	8,605
Other revenue	209	203
Total core-business revenue	8,839	8,808
Total core-business expenditures	6,463	6,558
Staff expenditures	1,243	1,638
EBITDA	4,041	3,756
Added value (EBITDA + staff expenditures)	5,284	5,394
Core-business profit (EBIT) (in mil. HRK)	2,376	2,250
Profit from regular activities before taxation	2,592	2,421
Profit of the financial year (in mil. HRK)	2,058	1,921

Comment: Financial data from the T-HT Annual Report 2006

In the past year, 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:

- the total revenues of the Group amounted in 2006 to HRK 8,839 million, which corresponds to last year's figures. Fall of fixed telephony revenues has been compensated with the growth of mobile telephony segments and Internet services;
- the operating profit reached HRK 2,376 million, which represents a 5.6% increase with regard to previous year. The above increase can mostly be attributed to significant reduction of costs related to restructuring of the Group in 2006.;
- Net profit increased by 7.1% as compared with last year and amounts to HRK 2,058 million.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

Dodana vrijednost (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. ■

Legislative Framework



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 approaching the 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 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. Environmental Protection Act provides for the regulation of certain issues through implementational legislation, e.g.: Regulations on Environmental Impact Assessment, Regulations on Environmental Emission Inventory, Environmental Protection Emergency Plan, etc. Comprehensive acts on protection of the environment, air, waste 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. Furthermore, a new Environmental Protection Act is being drafted for the purpose

of further harmonization with *acquis communautaire* (Stabilization and Association Agreement).

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:

- Nature Protection Act (Official Gazette 70/2005)
- Environmental Protection Act (OG 82/94 and 128/99)
 - Regulations on Environmental Impact Assessment (OG 56/00 and 136/04),
 - Regulations on Environmental Emission Inventory (OG 36/96),
 - Environmental Protection Emergency Plan (OG 82/99),
- Air Protection Act (OG 178/04),
 - Regulations on Control of Pollutant Emissions from Stationary Sources into the Air (OG 79/06),
 - Ordinance on Limit Values of Pollutants in the Air (OG 133/05),
 - Ordinance on Limit Values of Pollutant Emissions from Stationary Sources into the Air (OG 98/05),
 - Ordinance on Substances Depleting the Ozone Layer (OG 120/05),
 - Accounting Level for Substances Depleting the Ozone Layer (OG 30/01),
 - Ordinance on the Ozone in the Air (OG 133/05),
 - Ordinance on Critical Levels of Pollutant Substances in the Air (OG 133/05),
 - Ordinance on Bio-Fuel Quality (OG 141/05),
- Water Act (OG 107/05),
- Waste Act (OG 178/04 and 111/06)
 - Regulations on Requirements for Handling Waste (OG 123/97 and 112/01),
 - Ordinance on Handling Hazardous Waste (OG 32/98)
 - Ordinance on Waste Categories, Types and Classification with Waste Catalogue and the List of Hazardous Waste (OG 50/05),
 - Regulations on Packaging and Packaging Waste (OG 97/05 and 115/05),
 - Regulations on Waste Tire Management (OG 40/06),
 - Regulations on Criteria, Procedure and Method of Determination of Compensation to Owners of Real Properties and to Self-Government Units (OG 59/06),
 - Regulations on Waste Oil Management (OG 124/06),
 - Regulations on Waste Batteries and Accumulators Management (OG 133/06),
 - Regulations on End-of-Life Vehicles Management (OG 107/03)
- Act on the Environmental Protection and Energy Efficiency Fund (OG 107/03),

- Ordinances on Unit Charges, Corrective Coefficients and Detailed Criteria and Benchmarks for Determination of the Charge for Emission into the Environment,
- Act on Non-Ionizing Radiation Protection (OG 105/99),
- Regulations on Limit Power of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (OG 183/04),
- Regulations on Protection against Electromagnetic Fields (OG 204/03),
- Act on Noise Protection (OG 20/03),
- Regulations on Maximum Permissible Levels of Noise in the Environment Where People Work and Live (OG 145/04)
- Chemicals Act (OG 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 which will gain importance in the near future.

Environmental Protection and Energy Efficiency Fund - Ecological Fees

The Environmental Protection and Energy Efficiency Fund was founded with the purpose 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 (Environmental Protection and Energy Efficiency Fund Act, OG 107/03). 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 burdening the environment with waste 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. ■



Environmental Management

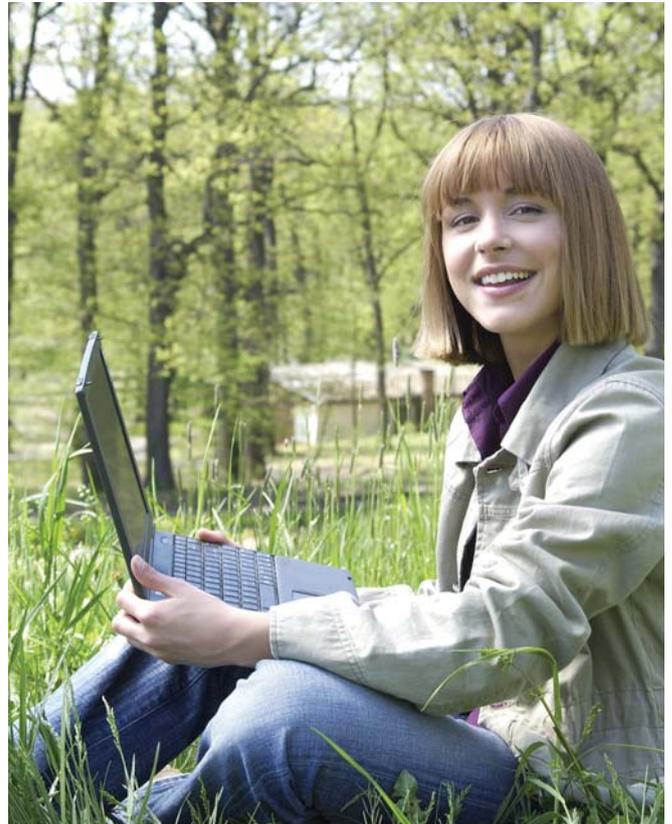
Environmental Management System (EMS) according to ISO 14001

The purpose of the Environmental Management System according to the ISO 14001 standard is to develop a systematic approach to managing impacts of the organization on the environment. The expected outcome of this approach is continuous improvement of environmental protection management.

The Environmental Management System described by the ISO 14001 standard ensures a structured process aimed at continuous improvement whose scope and reach are defined by the organization itself while taking account of economic and other circumstances. Although some improvement can be expected with adoption of the systematic approach, one should have in mind that EMS is a tool which makes it possible for the organization to achieve and systematically monitor the level of its performance in environmental protection set by the organization itself. Putting in place of EMS itself will not necessarily result in immediate reduction of various impacts on the organization environment. As a matter of fact, care should be taken that putting in place of EMS itself does not lull the organization into a false sense of security. However, when used effectively, EMS should make it possible for the organization to boost its performance in environmental protection and to gradually avoid or reduce its various impacts on the environment. The set of ISO 14000 standards includes approximately 15 standards intended for organizations to establish and apply an Environmental Management System and it determines the criteria for certification. The new, second issue of the international ISO 14001:2004 standard for environmental management systems was published on 15 November 2004. This replaced the former, first issue of the ISO 14001:1996 standard. The purpose of amendments to the standard was to increase understanding of requirements imposed by the standard, to provide for full compatibility with the ISO 9001:2000 standard for quality management systems and to eliminate the identified weak points of the Environmental Management System during application and certification pursuant to the 1996 issue. ISO 14001:2004 specifies requirements for the Environmental Management System which provide the organization with a framework for control of the environmental impact of its activities, products and services and for continuous reduction of environmental impact. ISO 14004:2004 provides instructions on elements of the Environmental Management System, its application and answers to frequently asked questions.

The Environmental Management System defined by the international standard is based on the efforts of MB to:

- comply with the regulations,
- achieve permanent improvements,
- prevent pollution.



ISO 14001 voluntary logic enables organizations to develop freely towards a number of goals related to improvements which are also in the function of the existing economic and technical capabilities of the organization. Its application provides for a systematic identification of environmental issues in the organization, as well as their management and supervision and constant alignment with the applicable statutory requirements related to environmental protection. The standard stimulates the organization to gradually improve its relation to the environment. The standard determines 17 groups of requirements which the organization needs to implement in order to prove that environmental concern is at the core of its structure. These requirements, listed below, represent at the same time the main standard chapters:

1. Environmental management policy,
2. Environmental aspects,
3. Statutory and other requirements,
4. General and individual objectives and programs,
5. Resources, roles, responsibilities and authorizations,
6. Training, awareness and competence,
7. Communication,
8. Documentation,
9. Document management,
10. Operation supervision,
11. Emergency preparedness and response,
12. Monitoring and measurement,

13. Compliance assessment
14. Non-compliance, corrective and preventive actions,
15. Records management,
16. Internal audit,
17. Management Board assessment

ISO 14001 is a standard based on which the organization can require an audit of its Environmental Management System by an independent certification body that can guarantee compliance of the system with the requirements of the standard by issuing an "ISO 14001 certificate". Certification is not required by the standard, but many organizations opt for it since an independent verification brings higher credibility. There is no Environmental Management System according to the above international standard at the level of the whole T-HT Group, but T-Mobile Hrvatska d.o.o., a member of the Group, has introduced this system which is also externally certified (more details in 5.2). In the course of 2006 we prepared and designed "General Guidelines for Environmental Protection Management in the T-HT Group", a document serving as a basis for all activities of environmental protection management in the Company aimed at ensuring implementation of requirements from national laws and other legislation, as well as internal requirements of the DT Group in the respective area. These General Guidelines are based on relevant documents of the DT Group (Sustainable Development Strategy, Environmental Protection Policy, Code of Conduct), documents of T-HT (Corporate Strategy, Environmental Protection Policy) and ETNO (Sustainable Development Charter). Definitions of environmental protection management requirements in this document rely on the requirements of the international ISO 14001 standard by following its principles and structure. General Guidelines were developed with the purpose to clearly define responsibilities, measures and resources (human, material and financial) at the level of Company that are necessary for practical application of the principles of Environmental Protection Policy of the T-HT Group and ETNO Sustainable Development Charter. General Guidelines will be applied throughout the T-HT Group. They refer to all organizational parts of the Group including T-Mobile HR (but adjusted to the organizational structure and documentation of the Environmental Management System applied in T-Mobile HR) and to all business partners (suppliers, contractors). The document was completed by the end of 2006 and the procedure preceding adoption was initiated, but the MB did not adopt it by the end of the year.

Environmental Management System in T-Mobile

In September 2002 T-Mobile HR 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 HR 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 world ecological standards. In April 2005 T-Mobile HR also acquired the right to the prestigious certificate for environment issued by the largest international association of certification agencies - IQNet (International Quality Network). In October 2006 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, 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 2006 and it was adjusted to the changes in business processes and organization within T-Mobile Hrvatska d.o.o. Operating instruction on maintenance of base stations equipment and infrastructure was developed, with the description of situations where there is a need to phase out base station antenna system. In the campaign of replacing old mobile telephones with new models called "Change Your Communication for the Better" organized by T-Mobile Hrvatska and the Croatian representative of Nokia Mobis Electronic there were collected more than 3,500 old mobile phones, their chargers and batteries and they were ecologically disposed of in line with the highest standards of environmental preservation. 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 The ISO 14001 certificate obliges T-Mobile to perform audit of the other party, i.e. control of contracting companies. During 2006 inter-

nal auditors performed control in several contracting companies dealing with waste disposal. In the course of 2006 training in communications skills was provided for the employees involved in the process of acquisition of locations for base stations, in cooperation with the firm Gentis d.o.o. 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 EM fields on health. 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 EM radiation are regularly updated. Customers' complaints, texts and programs in public media are kept track of. Internally, information is provided via the intranet web pages containing a wide array of data and documents related to this topic. ■



Environmental Impact 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 organizations 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 and environmental aspect and its impact on the environment, "impact" is understood to be 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 as our majority shareholder and strategic partner, 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 above environmental aspect groups 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 2006, divided according to the above stated environmental aspects. The data were collected within the T-HT Group from the following units: T-Mobile Hrvatska, Central Procurement and Logistics Department, Real Estate Management and Internal Services 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	2006	2005
Water			
Water Consumption	m ³	166,394	179,030
Energy			
Total consumption (w/o vehicles)	TJ	478.6	519.9
Energy, electric power			
Electric power consumption	TJ	347.1	366.9
Energy, heating			
Consumption of energy for heating and for power units	TJ	126.4	153.0
Paper			
Paper total	t	424.0	449.4
Vehicles			
Number of vehicles		1,692	1,709
Fuel consumption	mil l	2.48	2.79
Mileage	mil km	36.9	36.0
Fuel consumption	l/100 km	6.7	7.7
Quantity of waste (excluding household waste)			
Total quantity of waste	t	1,296.8	3,331.8

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, electronics, 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 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 or 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 (73.3% of the total energy consumption which amounted to 468.3 TJ in 2006). As for other types of energy there is an increase in the share of environmentally acceptable types of energy (gas, central heating) in relation

to heating oil whose share is falling. The structure and consumption of energy depends on expansion of telecommunications capacities, construction of new networks/ introduction of new services (e.g. UMTS in the mobile, ADSL in the fixed network), on climate conditions (duration of the winter / summer period) and on the type and efficiency of energy consumption which means that the increase in consumption itself does not necessarily mean inefficient consumption. Technological modernization of the telecommunications network and increase in the range of services lead us to expect that the total consumption of electric energy will rise. On the other hand, this energy can be used in a more efficient way. In terms of energy, the variety and specific features of the country show different usages of energy sources by regions, which entails specific activities aimed at improvement of energy efficiency. Therefore, it is necessary to define various projects for a more efficient use of energy and to revitalize/continue the projects that are under way and encourage implementation of general instructions on energy saving. More efficient use of energy also leads to reduced emission of various waste gases into the environment (carbon dioxide, sulphur oxide and nitric oxide) and thus reduced costs of emission fees.

Electric Power

The production capacities from which Croatian consumers (including the T-HT Group) are supplied with electric power consist of hydroelectric power plants (46.7% of generated power), thermo-electric power plants (35.9 %) and nuclear power plants (17.4%). Each of these forms of electric power generation has an impact on the environment in some way and therefore represent the major contributors to emissions into the air. For the T-HT Group, consumption of electric power as the major source of energy is of particular importance. In the course of 2006 a total of 96.4 GWh was consumed for operation of telecommunications and IT equipment, air-conditioning, heating and lighting. Electric power is mainly used for operation of the telecommunications networks system, IT equipment and for air-conditioning/ ventilation systems, although the consumption for lighting of office premises and for other non-production purposes is not negligible either. Within the T-HT Group, currently only T-Mobile is using energy from its own renewable sources: solar energy and wind energy for power supply of about ten base stations.

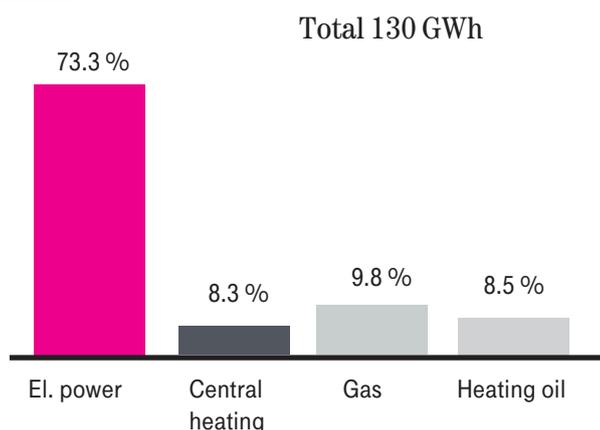
Heating Fuels

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.

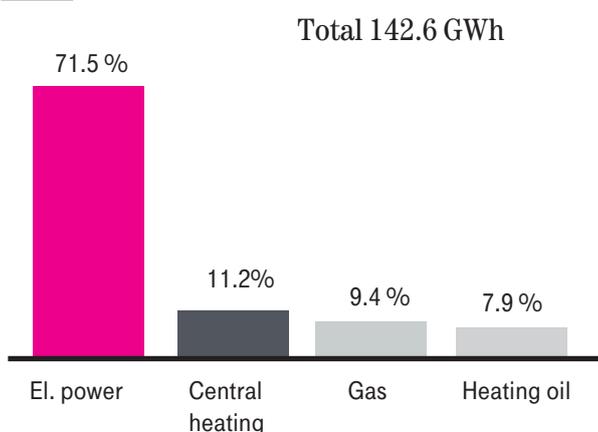
Energy source/heating type		2006	2005
Central heating	MWh	10,952	15,905
Gas	MWh	12,952	13,465
Heating oil	MWh	9,765	11,282
Total		40,653	35,078

Note: conversion ratio 1GWh = 3.6 TJ

2006



2005



In this year the consumption of electric power was measured and recorded in a higher quality manner, which is reflected in slightly lower consumption as compared with the previous year. It is obvious from the consumption of energy sources that the share of gas consumption in 2006 increased, which represents a switch to an ecologically more acceptable power source with lesser impact on emissions into the air. Reduction in total consumption of heating energy can also be attributed to better maintenance of heating systems, monitoring of heating oil consumption in this part of the system, along with phasing-out of some locations and a slightly warmer winter.

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.

		2006	2005
Total fuel consumption	l	2,516,864	2,970,813
Consumption of vehicle fuels	l	2,476,250	2,776,930
Gasoline	l	332,499	491,213
Diesel -vehicles	l	2,143,751	2,294,874
Diesel - power generators	l	40,614	184,726
Number of vehicles			
Gasoline engine	pcs	255	383
Diesel engine	pcs	1,437	1,326
Passenger vehicles	pcs	1,128	1,033
Freight vehicles	pcs	564	676
Total mileage of Company cars			
Gasoline engine	km	5,009,746	6,927,702
Diesel engine	km	31,865,974	29,045,883
Fuel consumption	l/100 km	6.7	7.7

In the year 2006 the T-HT Group procured 575 new diesel vehicles, while 382 vehicles were decommissioned, which shows a continuation of the trend of car fleet renewal whose average age was reduced to 3.7 years. The data on fuel consumption and mileage indicate a significant progress in the reduction of fuel consumption per 100 km.

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	2006	2005
A4 (print / photocopy)	Million sheets	57.4	47.3
A4 (print / photocopy)	t	289.1	241.5
Telephone directories	t	135.0	207.9
Paper total	t	424.0	449.4
A4 (print / photocopy)	thousand sheets per employee	7.6	5.7
A4 (print / photocopy)	kg per employee	38.3	29.1

Although it could well be expected that 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 would lead to reduction of paper consumption in 2006, this was not the case. Paper consumption per employee, expressed in the number of sheets of print/photocopy paper can be additionally reduced by using two-sided printouts. But this requires adequate printers providing such type of printing. 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 are 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 mainly for sanitary purposes and as drinking water 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 2006 amounted to a total of approx. 166 thousand m³ of water.

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 ambiance 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 energy only. 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. T-HT uses for its regular operations the real estates whose number and total useful area has changed in 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 390 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 (result of T-HT's operations) that are emitted into the air include the following: carbon dioxide (CO₂), which con-

tributes 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	2006	2005
CO ₂	t	6,388	7,152
CO ₂ /km	g/km	173.2	198.8

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. When registering its vehicles T-HT must pay special environmental fee for motor-driven vehicles which is, according to the law, payable to 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 into the air by stationary sources. Currently, the Environmental Protection and Energy Efficiency Fund charges fees for SO₂ and NO₂ emissions. As of the next year there will also be charged the fee for CO₂.

The following quantities of waste gases emissions from stationary sources were reported for the year 2006 (where such obligation exists):

Emissions	unit	2006	2005
SO ₂	t	5,9160	0,0115
NO ₂	t	5,2432	5,6338
CO ₂	t	4,818,5075	6,585,1092

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 method of disposal and/or recycling. The largest quantity of waste at T-HT is generated in the processes of improvement, restoration and reconstruction of parts of the telecommunications network, its regular maintenance and phasing-out of some network platforms or technological units when the dismantling of equipment creates specific quantities of excessive telecommunications 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, while a part of obsolete, unnecessary or damaged telecommunications 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 adverse impact on 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. T-HT's Waste Management Section, which is a part of Central Procurement and Logistics Department, is in charge of proper sorting and collection of waste and its hand-over to authorized waste collectors. Furthermore, conclusion of contracts with authorized firms, timely coordination of employees responsible for waste management in our Company, constant care about compliance with legislative documents and subordinate legislation and their implementation, represent also important business activities within this section. In every Region there are employees who are responsible for waste collection and management and who compile relevant documentation on waste. It is not only Central Procurement and Logistics Department that is engaged in waste disposal, but also internal users and other departments e.g.: Sub-Unit for Construction, Taxes Department etc. One should also mention maintenance of the unified e-record for non-hazardous and hazardous technological waste which means that information on type and quantity of disposed waste is available at any time. Special consideration is given to disposal of electronic waste. Electronic waste refers to IT equipment (computers, monitors), fax machines, old fixed telephones, mobile devices etc. Electronic waste is collected on 4 locations: Velika Gorica, Split, Slavonski Brod and Rijeka. Such waste is transported directly from site with the aim to reduce costs and in case of locations with large quantities of electronic waste. New contracts with lower prices of disposal have also led to savings. In the course of 2006 the action of disposal of written-off telecommunications equipment was taken on various locations of T-Com during which a large quantity of this type of historic waste was disposed. Continuous collection of used toner cassettes for printers and photocopying

machines has proved to be very successful. 1,170 pcs of toner cassettes were collected in the year 2006. Employees often suggest places where new containers should be placed. In the segment of plastic disposal we have also managed to reduce the costs of disposal. We have taken all measures to sell a part of plastic for recycling (there was sale of PEHD pipes). As for paper disposal, unlike the past practice of paying for waste paper disposal, paper is currently disposed free of charge. Still, there are occasional problems with paper collection. Collection cannot be organized in some places (e.g. restricted space or lack of employees etc.), but a large step forward was made in the last year in this segment of separate collection of useful waste. Collection of PET bottles was initiated in 2006. The firm "EUREST" was engaged for collection and the firm "ŽITNJAK" for take-over. A total of 15,657 pcs of PET bottles were collected, while the total refund amounted to HRK 7,828. The intranet page of Central Procurement and Logistics Department provides the employees with the information on external regulations governing all waste issues and on internal acts (e.g. waste disposal procedure etc.). The process of waste disposal is very important and essential in a company. For the sake of prompt and efficient waste disposal, special consideration should be given to providing all employees with timely information on this issue, employees should be advised how to properly sort specific types of waste, a sufficient number of adequate containers should be provided for as well as timely transport of waste by authorized firms. In 2006 T-Mobile ecologically disposed 81,058.23 kg of old antenna equipment (metal and electronic waste) and 7,655 kg of defective office IT equipment. After IT equipment had been modernized, old models were donated. In cooperation with the company Mobis electronic, an authorized representative of the company Nokia, T-Mobile carried out the action of substituting old mobile telephones, together with batteries and chargers with the new ones, on which occasion more than 3,500 mobile telephones of various generations were collected from customers and then environmentally disposed.

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	2006	2005
Collected paper	t	198.27	79.54
Copper cable	t	1.44	1,153.29
Metal	t	225.34	634.08
Industrial waste	t	230.94	500.56
Other waste	t	196.90	951.69
PET / PHD pipes	t	121.67	1.76
Toners	t	1.6	1824 kom
Non-hazardous waste total	t	976.17	3,320.92
Residue from tanks / Motor oils	t	4.87	0.09
Accumulators and batteries	t	315.77	7.80
Hazardous waste total	t	320.64	7.89
Total	t	1,296.80	3,328.81
Collected PET after the buy-back regulations (approximately half a year)	pcs	15,657	

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 the course of 2006 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. During 2006 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, passed by the Ministry of Health, is in force (Official Gazette 204/2003). 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 Croatia 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), which certificate is issued by the Croatian Telecommunications Agency.

All former studies on biomedical effects of electromagnetic radiation in mobile communications systems show that there are no health hazards for humans. T-Mobile, being a responsible telecommunications company, supports and encourages com-

prehensive and detailed scientific research and keeps track of research done by a number of organizations, independent groups, expert teams and scientists on the impact of electromagnetic radiation. 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.

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 a better level of protection of humans against exposure to electromagnetic fields than the one in other European countries.

The tested measurement points near the observed base stations are safe for residence.

Costs and Revenues Related to the Environment

Costs

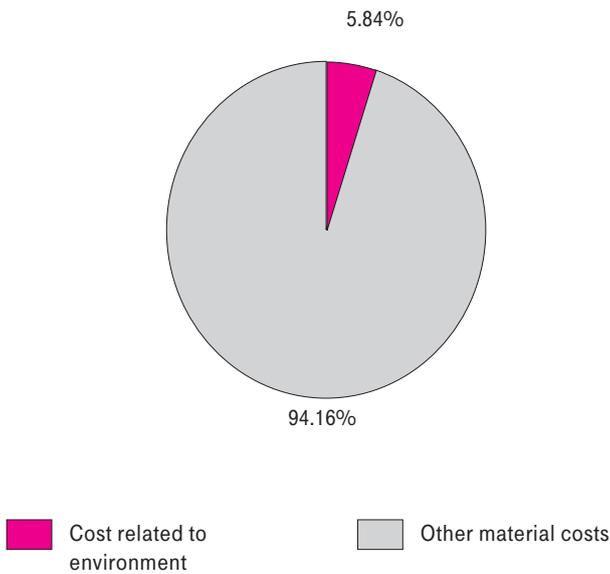
Consumption of electric power and of various types of energy sources for heating, operation of motor vehicles and other machines, consumption of water and its drainage, waste disposal, use of various services related to the environment create costs which represent material costs of the Company.

So far, greater attention has been paid to energy costs which are recorded as a separate cost category (ENWA) in the Company's book keeping and to costs related to waste disposal, while other costs were recorded as separate items within other cost categories. There is a double importance of separate recording and 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

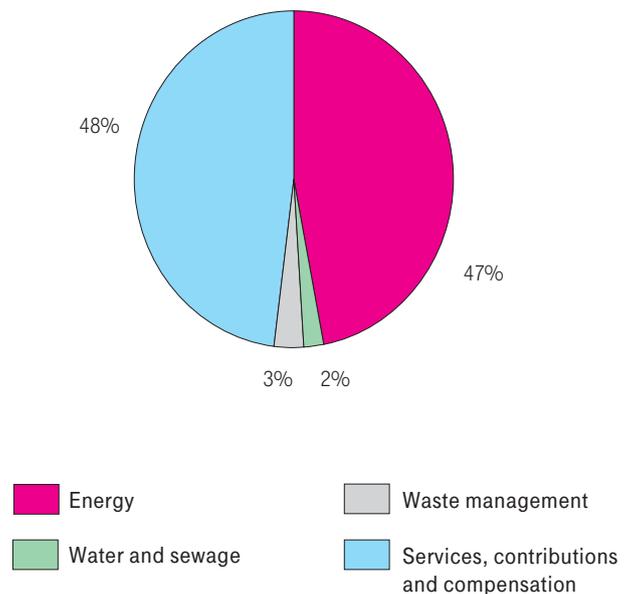
of operating costs have a positive effect on the financial position of the company. Without separate and careful monitoring of costs related to the environment it is not possible to have insight in a positive impact of environmental activities taken in the company on its total economic performance.

Costs that are in any way related to the environment can be found in three major cost categories, and in 2006 they amounted in total to approx. HRK 172.65 million, which represents about 5.84% in relation to the total material costs of the Company. This year the calculation included also the costs of outsourced cleaning services, which was not included for the year 2005. However, when comparing the share of costs related to the environment in the total material costs of the Company, including the costs for outsourced services in both years, one can notice a minimum fall of the share of these costs in 2006 as compared with 2005 (2005: 6.19%; 2006: 5.84%).

Share in total material costs - 2006



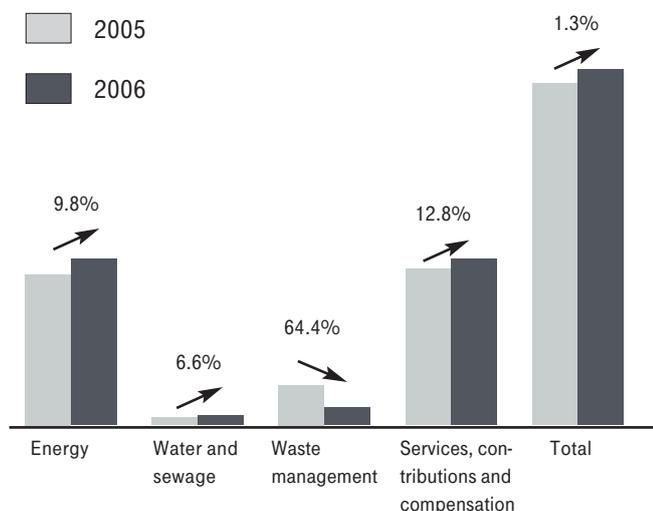
Share of individual types of costs - 2006



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.

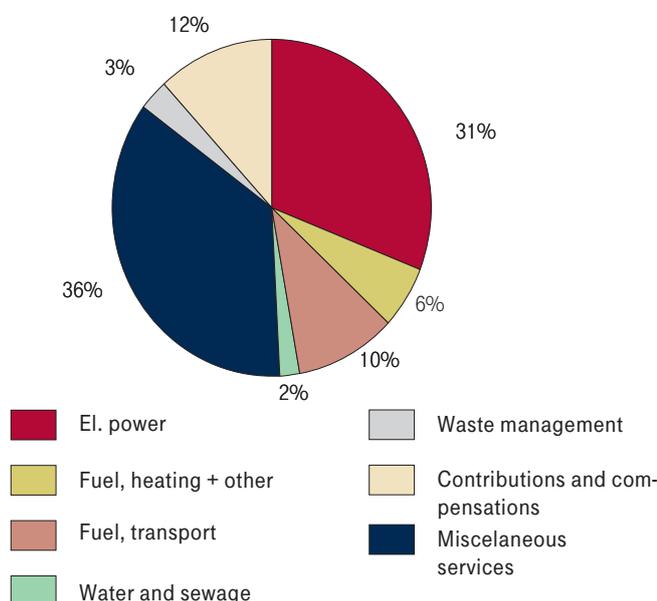
The share of costs for services, contributions and compensations was significantly increased due to the inclusion of costs for outsourced cleaning services and nearly exceeded the share of energy costs, while, unlike in 2005, the share of costs related to waste disposal significantly shrank, both relatively and absolutely, which can be attributed to reduced quantity of collected and disposed waste and considerably lower prices of these services negotiated with the new contracting partners. The total costs related to the environment, the costs of energy, services, contributions and compensations increased as compared with 2005, while the costs for consumed water and drainage remained at the same level, which is shown in the chart below.

Costs related to environment



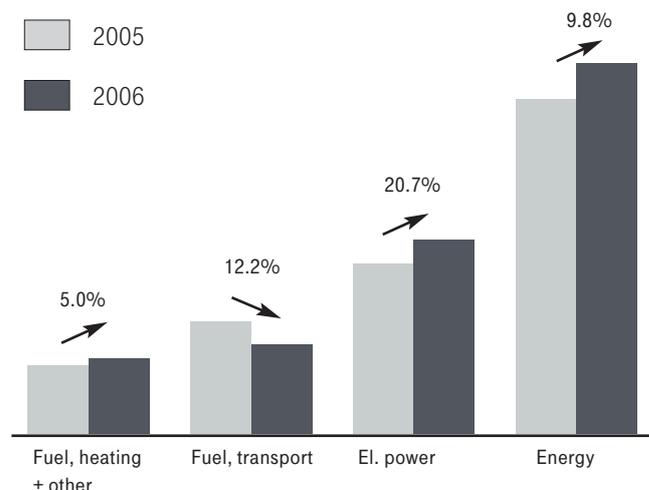
It is obvious from the next, even more detailed chart, that besides various services which include the cost of outsourced cleaning services, the consumption of electric power represents the other major cost of the Company in the segment of costs related to the environment.

Distribution of costs related to environment - 2006



The total costs of energy in 2006 increased by 9.8% in comparison with 2005, the costs of electric power increased by 20.7%, which can be attributed to a 5-6% rise in prices per all items in the tariff system and inclusion of Iskon's costs for electric power as well, heating costs increased by 4.9%, while the costs of fuel for transport fell by 12.2%. The cost of consumed electric power is further the highest individual cost in the segment of energy costs and there is considerable potential for reduction and optimization.

Energy Costs



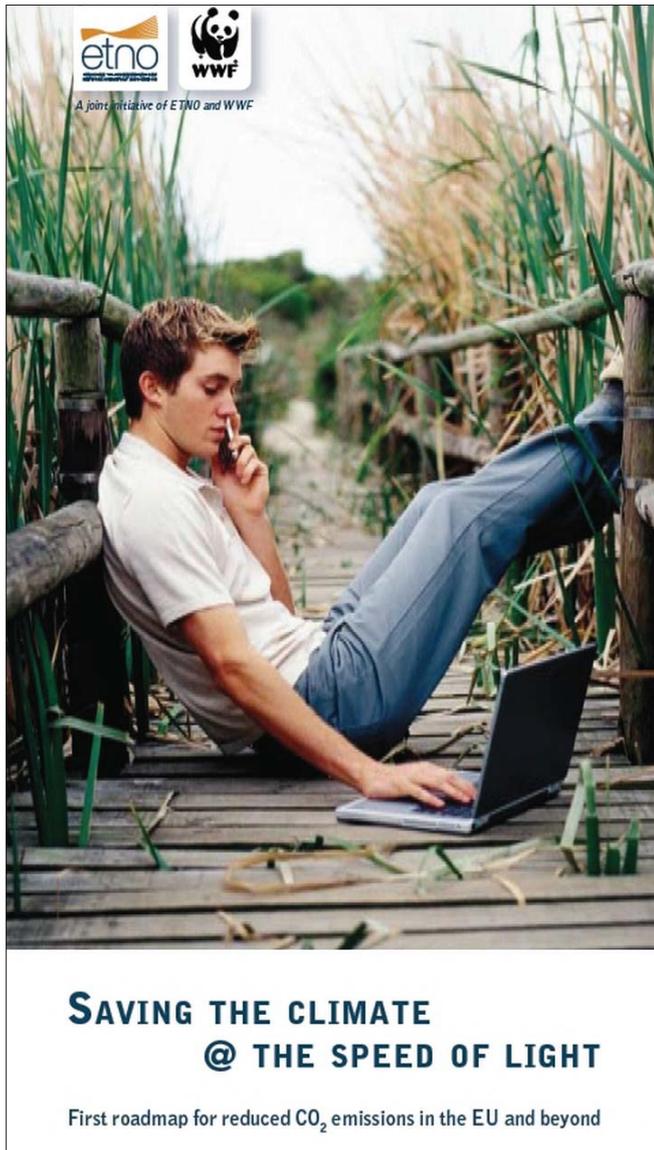
Revenue

In 2006 there were also revenues in the segment of environmental protection generated through sale of separately collected waste with the residual valuable characteristics, as secondary raw material, to authorized collectors of such waste. Approximately HRK one million was realized in this way, through sale of about 500 tons of mainly metal waste.

ICT and the environment: preservation of climate with the speed of light

In general, information and communications technology sector (ICT) has so far mostly been excluded from discussions about the preservation of natural resources and reduction of CO₂ emissions. However, there are huge professional and technological potentials in this sector which is subject to fast and constant changes. These potentials can be employed with adequate initiatives and play a crucial role in combating climate changes. In order to showcase the potentials of the ICT sector in this segment at the European level, a project titled "Saving the climate @ the speed of light" was launched as a joint initiative of ETNO and WWF. The two organizations have the same goal: use of the technology for improved quality of life at a global level. To this end they joined their efforts in order to conduct a thorough research and communicate a joint message to decision-makers. The project was based on four postulates: the need for urgent action, strategy that will ensure the support of ICT in reduced emission of CO₂, the need for clear orientation and expansion of use of the existing services (applications) which have yielded good results so far. The proposed strategy includes three goals which should ensure development of the policy in Europe that will support sustainable use of ICT services. The goals are listed below: 1. ICT must be recognized as an important part of the solution for combating climate changes in Europe; 2. Key factors must have the strategy of ICT use in combating climate changes; 3. Concrete programs of ICT use in combating climate changes

should be launched as soon as possible. Concrete examples of the currently available services and description of their potential with regard to reduced CO₂ emissions were used to show the size of potential savings in case the respective services (applications) were used much more extensively than today. The conclusion of the study is that this would yield, according to very rough calculations, annual savings of approximately 50 million tons of CO₂ emissions in 15 “old” EU member states alone.



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 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. Similarly to other telecommunications operators, 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 with 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 the year 2006, the T-HT Group realized 11.1 HRK per MJ of consumed energy (total energy excluding vehicle energy) and the traffic volume was 176.9 bits per J of consumed energy, which means that financial efficiency slightly increased in relation to the previous year, while traffic eco-efficiency significantly increased. This can be attributed to the increase of total traffic expressed in equivalent Gbits due to increased volume of ADSL services, which represents natural growth of new service. 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 of the T-HT Group

In order to get an impartial insight into the environmental behavior of a company with respect to the quality of its environmental performance, the environmental damage caused by the operations of the company must be put in relation to the added value thus created. In principle, the definition of company's eco-efficiency is a ratio between two elements: the negative environmental impact caused by company's operations and the added value thus created, in which process eco-efficiency is higher to the extent to which the generated added value is proportionally

	units	2006	2005
Billed traffic minutes in mobile and fixed networks	mil min	9,977	9,898
Total traffic	equiv. mil Gbit	84.4	49.8
Traffic eco-efficiency	bit/J	176.87	95.9
Added value	mil HRK	5,284	5,404
Financial eco-efficiency	HRK/MJ	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. ■





Sources:

Specific data and information are taken from following sources:

T-HT Group - Annual report 2006, <http://www.t.ht.hr>

T-HT Intranet publications

T-Mobile HR portal / Environmental Protection, <http://www.t-mobile.hr>

T-Mobile Intranet Portal Publication

DT - The 2006 Human Resources and Sustainability Report

2006 ETNO Sustainability Report: 10 years and Beyond



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Publisher:
HT - Hrvatske telekomunikacije d.d.
Savska cesta 32, 10000 Zagreb
Quality Assurance and Support Department, Environmental Protection Section

Editor: Milena Šupe; Graphic editor and designer: Dragan Majdov; Print: Aeroba

