

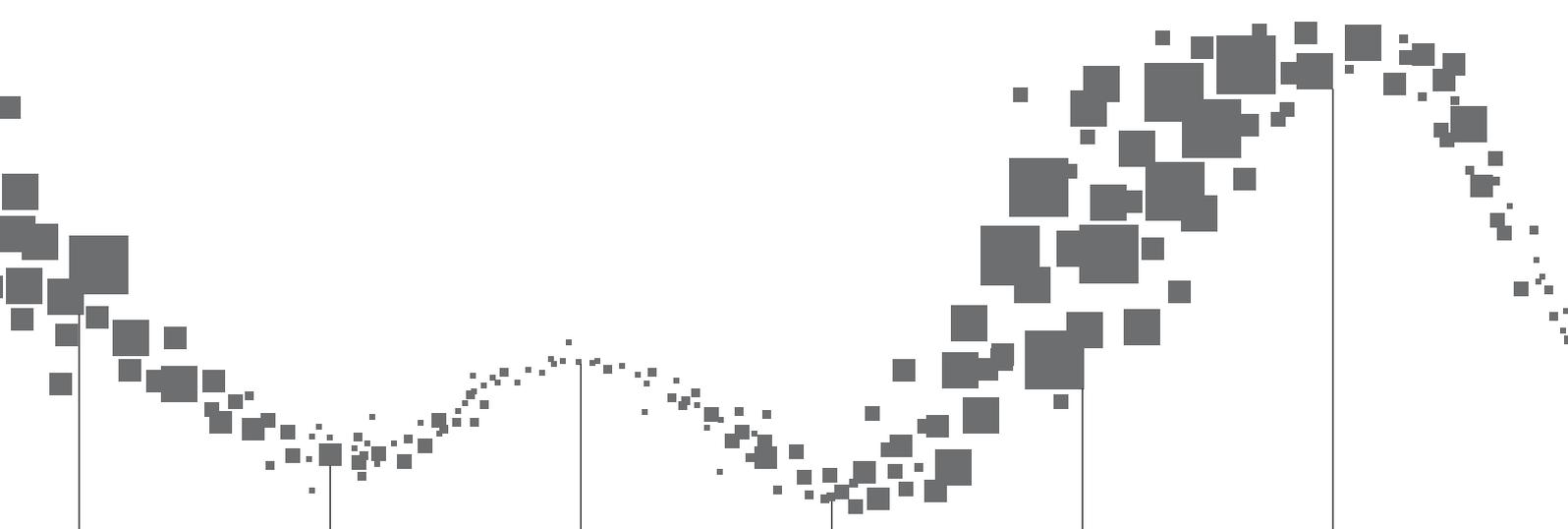
Corporate responsibility highlights in 2010

Life is for sharing



T Hrvatski
Telekom

2010 Highlights



2010.

JANUARY

Merger of T-Mobile to Hrvatski Telekom (page 12)

FEBRUARY

Hrvatski Telekom as the first choice employer for individuals with a university degree according to the survey conducted by the independent portal MyPosao (page 25)

MARCH

Announcing the winners of the competition *T-HTnagrada@msu.hr* for the best work of contemporary art in 2010, in cooperation with the Museum of Contemporary Art (page 21)

Announcing the competition for the literary award *roman@tportal.hr* for the best Croatian novel (page 21)

APRIL

General Assembly was held

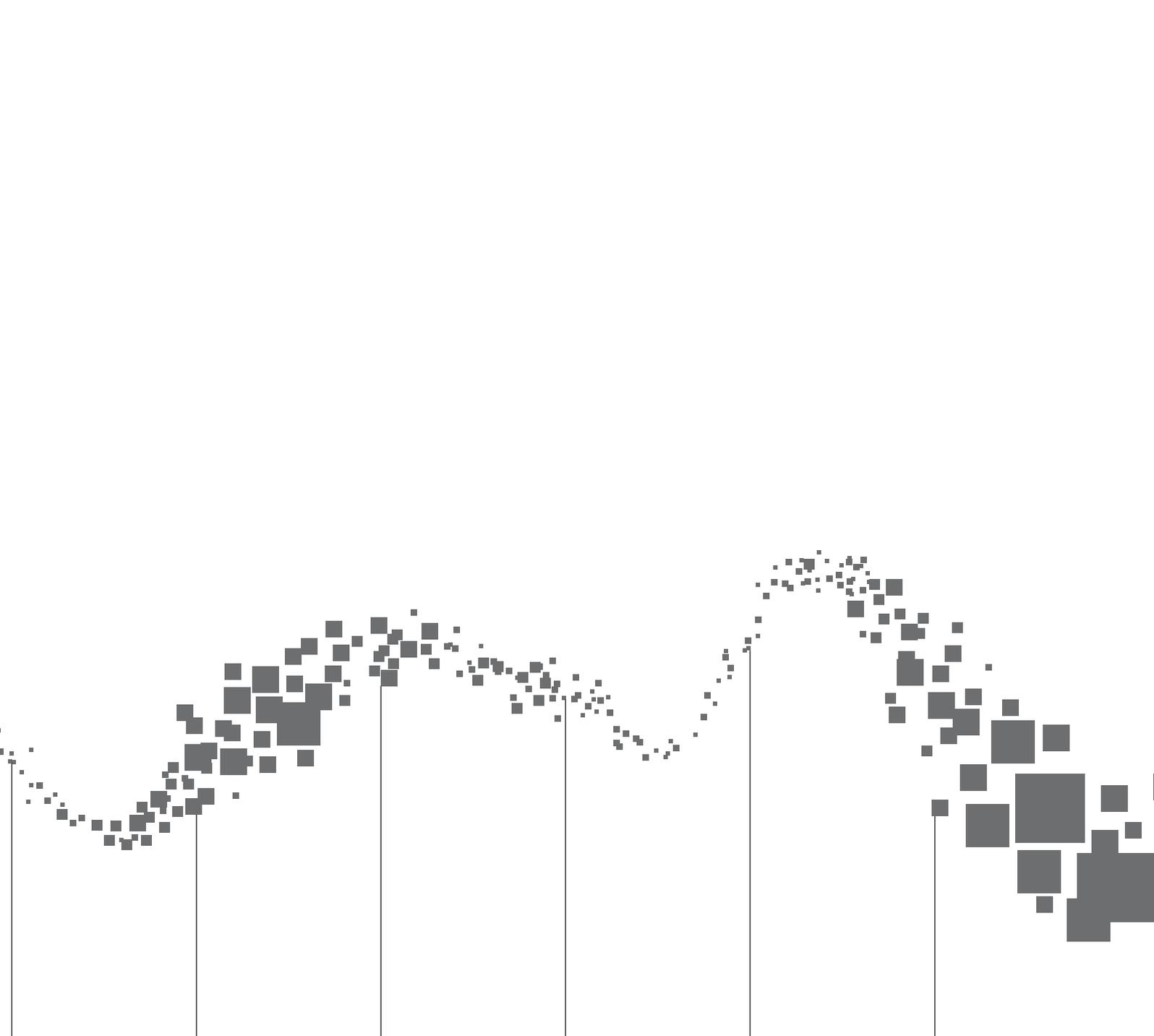
MAY

The acquisition of Combis was completed, which strengthened the position of the Group on the ICT market

JUNE

Hrvatski Telekom was certified according to the ISO 14001 Environmental Management Standard (page 40)

Mobile phone recycling action under which 100,000 devices had been gathered since 2005 was finished
Annual donation was given to the ecological project *Afforestation of Burnt Areas* (page 40)



JULY

The donation *Zajedno smo jači* (Together We Are Stronger) – the employees selected 27 projects to which funds in the amount of one million kunas were donated (page 19)

AUGUST

HT supported through the project *KulTurist* cultural events in Croatia – *Vukovar Film Festival*, *Split Summer Festival*, *Ulysses Theater* (page 22)

SEPTEMBER

HT's conference *Znanjem rastemo* (*Growing through Knowledge*) hosted, for a third consecutive year, world renowned experts and speakers – Jeremy Rifkin and Nicholas Christakis (page 20)

OCTOBER

LTE (4G) test network was demonstrated (page 35)

Carried out employee survey

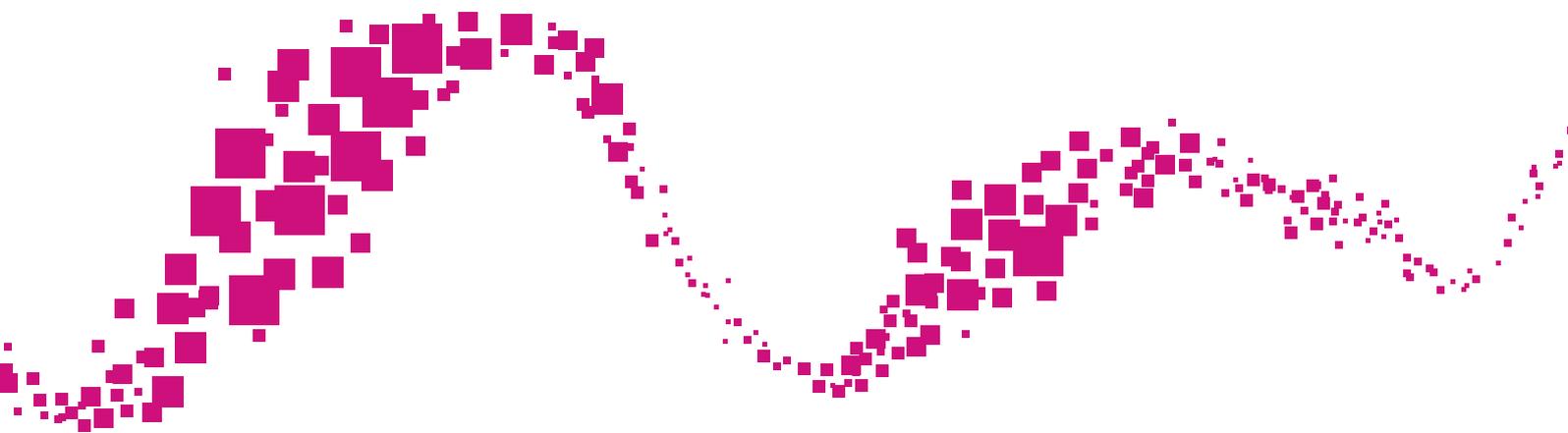
NOVEMBER

T-Com and T-Mobile were awarded the *Trusted Brands Croatia 2010* title

DECEMBER

Christmas donation was presented to the medical emergency services (page 19)

New Collective Agreement for the period 2011-2012 was signed (page 24)



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Key events for Company's history





Dear Readers, Customers, Shareholders, Colleagues, and Partners,

Taking a very serious approach to corporate social responsibility in all segments of its work, from the very beginning of the company, Hrvatski Telekom has contributed in many different ways to the community in which it has been operating. We believe that true innovativeness does not stop with the most strictly defined business goals of the organization, but that it for sure addresses the relevant issues of the time we live in and encourages the development of the society in which the company operates as a good corporate citizen in the proper sense of the word. This Corporate Social Responsibility Report reflects the high principles of corporate responsibility that we try to implement in practice, in the first place by continuously setting up targets that exceed the strictly business ones. The Report which we have prepared for you is also a part of our commitment to the principles of the UN's Global Compact initiative, the member of which we have been since 2007, with a special emphasis on transparent reporting on everything we do.

The wider social context in which Hrvatski Telekom operates is reflected in international measurements of competitiveness, according to which Croatia ranks 77th on the global competitiveness list, which is the worst position in the last ten years. The price we all pay for not having a clear vision of the company development has become unacceptable. Thus, all individual and sector efforts that partially compensate the made omissions have become even more important, showing that we can do it differently and that we as a company in its entirety should do better. For example, the high 24th place of the Croatian telecom industry on the global competitiveness rank list confirms the strength of the national ICT sector and demonstrates achievements of the continuous committed work of experts and responsible companies and proper investments that have resulted in tangible and measurable success.

The excellent position of the ICT industry is not accidental. It is a result of the vision, strategy, development, and work of all responsible individuals and companies operating in this sector, who constantly raise the bar through material and non-material investments. In Hrvatski Telekom we are striving to be a company that encourages sustainable development, establishes the best practice in determining the standards of top communication, stimulates the integration into the society of information and knowledge, and takes over the leading role in recognizing the importance of environmental protection. We believe that the reputation of a company does not depend only on the quality, price, or specific features of its products and services, but that the company's relations to customers, suppliers, employees, environment, and a wider social community in which the company operates are equally important, where positive interaction with all stakeholders makes the basis of these relations. Everything aforementioned makes the framework of the HT's social responsibility strategy and the basis of our business success. By encouraging all segments, team work, and commitment of the whole company to corporate social responsibility, we aim at encouraging different ideas, contributing to the society, and working on the improvement of the quality of living.

I hope that this Corporate Social Responsibility Report will transfer a part of our commitment to the participation in the society development, in which process we have put emphasis on the importance of investments and new technologies and have opted for business activities guided by innovations, vision, and creativity for growth and development. Nicholas Christakis, Ph.D., an acknowledged guest at our last year's conference Growing through Knowledge, said in Zagreb that the omnipresence of human relations meant that each one of us had a much greater impact on the others than we can see. In its actions and work, Hrvatski Telekom deliberates over that impact, participates in the establishment of mutual connections in order to form a whole that is larger than the sum of its parts, a society of prosperity, growth, and progress, which, I honestly believe, we all strive to.



Ivica Mudrinić,
President of the Management Board and CEO
Hrvatski Telekom d.d.



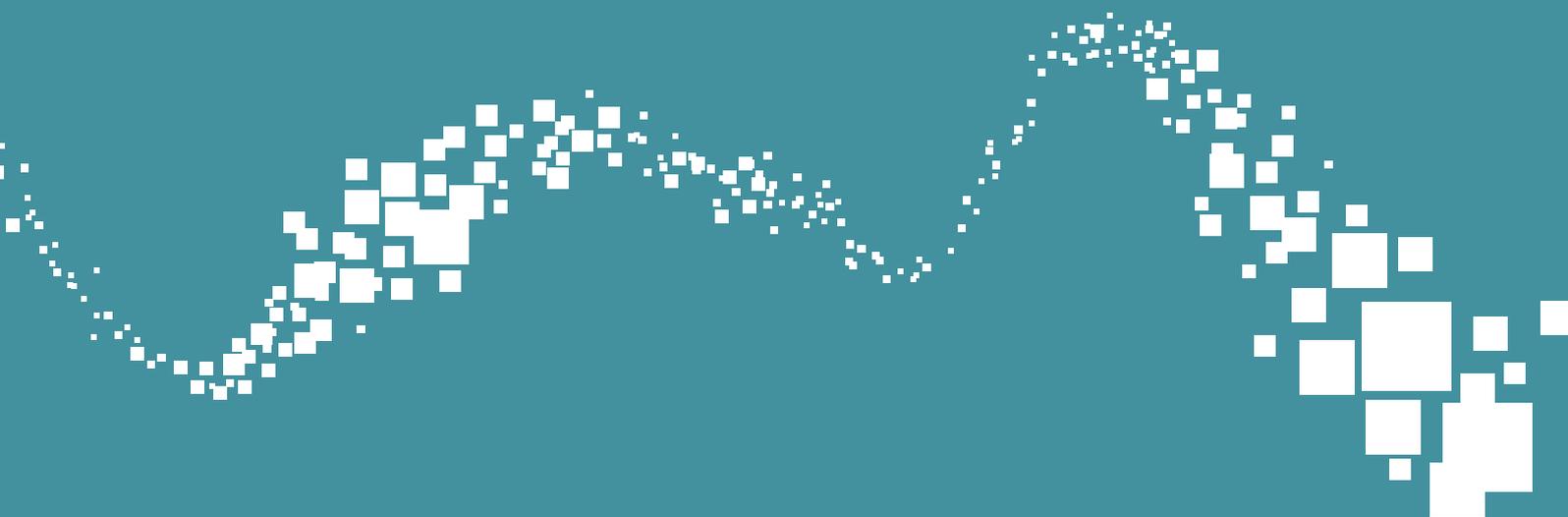
Company Profile

Focus on the customer and quality

Activity areas

Foundation of responsible business

Synergy of all parts of the Company



Company Profile

The HT Group is the leading telecommunications service provider in Croatia and the only one to offer the full range of cutting-edge services and solutions. The basic scope of business of Hrvatski Telekom d.d. and its subsidiaries consists of providing electronic and communications services and designing and building of electronic and communications networks in the territory of the Republic of Croatia. Along with Hrvatski Telekom d.d., the members of the HT Group are Iskon Internet d.d., Combis d.d., and KDS d.o.o. In addition to fixed telephony services (fixed line services access and traffic and additional fixed network services), the Group also provides Internet services, data transmission services (line lease, Metro-Ethernet, IP/MPLS, ATM), and GSM and UMTS mobile network services. The position on the market is also confirmed by the numbers achieved in 2010; during the stated period, the Group thus provided services to 1.4 million users in the fixed network, more than 2.9 million users in the mobile network, almost 630 000 broadband connections and nearly 300 000 users of IPTV.

In 2010 the HT Group, the leading provider of telecommunications services in all market segments, provided services to **1.4 million** users in the fixed network, more than **2.9 million** users in the mobile network, provided almost **630 000** broadband connections and provided nearly **300 000** users with the IPTV services.

Deutsche Telekom is the majority owner of the Company with a 51% stake and the Croatian War Veterans' Fund owns 7% of shares. In November 2010 the Republic of Croatia transferred 3.5% of its shares to the Pensioners' Fund. Private and institutional investors hold the remaining 38.5%.



Focus on the customer and quality

Hrvatski Telekom is constantly focused on the user satisfaction and quality of its value-added services related to broadband access. We believe that such approach and further growth, increase of HT's potentials, top-quality infrastructure and maintenance and development of services will justify and strengthen our leadership on the market in the years to come. Today we are rightfully called one of the most powerful economic entities in the country and as such we were and have remained one of the key initiators of the Croatian economic development, as well as a respectable corporate citizen who, through its business and activities, keeps contributing to the society as a whole.

Activity areas

Hrvatski Telekom's strategy of social responsibility has defined three areas on which we focus our activities:

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

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

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

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

- **Creating a low carbon society**

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



We are focused on the areas of activity:

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

Foundation of responsible business

The principles of corporate responsibility are deeply rooted into all pores of the functioning and business operations of the Group which shows its responsibility towards the society in which it operates through a number of activities. The dedication to the objective of becoming a leader in the society of responsible citizens is also reflected through a series of internal activities and guidelines HT uses to raise awareness and the engagement of its employees when it comes to corporate social responsibility. The leading principles, the compliance of the business with the law and other regulations, the code of conduct are only some of them, and by encouraging dialogue with all stakeholders we additionally enhance our business.

Leading principles of HT



We are always a team – no matter if we are together or not



We are driven by customer enthusiasm



I am T, count on me



The best place for great achievements and personal growth



Respect and integrity are the basis of our actions

Leading principles

Our corporate values are expressed through the five leading principles which give us direction in our everyday work and behavior. They encourage our focus on the user, the responsible behavior and the achievement of the best result, team work and mutual respect. By complying with the leading principles we create a positive working atmosphere in which the effect, effort and dedication are recognized and valued, as well as an atmosphere offering the opportunity for individual growth and reaching one's own potential.

Business compliance

Compliance with the laws and other regulations and abiding by the internal rules and the code of conduct are the basis of responsible corporate management, i.e. the necessary prerequisite for business success and an obligatory aspect of every business process. To prevent the potential negative consequences and ensure compliance of all business processes with the relevant regulations, we actively promote the principles of ethical business conduct through the compliance framework. By following the trends of corporate management, in 2008 Hrvatski Telekom has formed the function of business compliance through the Business Compliance Officer, Business Compliance Department and Business Compliance Committee. Furthermore, the employees have the opportunity to ask questions related to the interpretation of regulations, internal rules and advice on dealing with specific business situations via the intranet and the Pitaj me! (Ask me!) portal and to report any identified irregularities anonymously through the Reci mi (Tell me) portal.

In 2010, 152 executives have been introduced to the basics of business compliance and anti-corruption regulations.

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

Hrvatski Telekom also regularly organizes training on specific compliance topics. In 2010, Compliance Department was presented, as part of the training program for work unit heads, through a detailed overview of the business processes and responsibilities of the Department, while Corporate Security Department provided all employees with the possibility of e-learning regarding business premises access control. In order to make all employees and managers aware of the importance of responsible and ethical conduct, the intranet page was set up with all relevant information.

Anti-corruption policy

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

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

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

Code of Conduct

HT's Code of Conduct sets clear standards of business conduct and it is based on the highest ethical principles. Internal gift policies have been adopted, the process of annual planning of activities, based on the assessment of the risk of (non)compliance pursuant to the modern technology which enables early detection of inappropriate business conduct and an appropriate reaction, has been introduced.

Donation procedure

By donating financial resources, non-financial gifts and services, HT promotes education, science, culture, social care, sports and environmental protection. Donations must always be in accordance with the valid regulations of the Company and the relevant laws. Since the donations can be treated as an inappropriate influence, they must not be given to individuals, transferred to private accounts and given to persons or organizations which might cause damage to HT's reputation. HT does not finance political parties nor political campaigns. HT supports initiatives aimed at combating corruption and its consequences, e.g. the association Transparency International to which support has been provided for several years and funds have been continuously donated to help project realization. In addition to the financial aid it provides, the Company also helps with the so called non-financial aid and, for example, by ensuring free web space to the non-governmental associations and by making available its technology and infrastructure.

Encouraging dialogue with all stakeholders

The Company uses its activities to continuously encourage a two-way communication with all its stakeholders, the civil sector that is non-governmental associations, scientific and cultural institutions. Special attention is paid to the identification and analysis of local communities' needs, which serves as a basis for planning and realization of projects aimed at providing support in meeting of such needs. Among other audiences, continuous communication with disabled persons' associations is active in this regard.

Best investor relations

Great significance is given to the dialogue with the Company stakeholders and of particular importance is the transparent communication with the investors for the purpose of gaining a realistic picture of the HT's status and potential. For that very reason in 2010, Poslovni dnevnik and the Zagreb Stock Exchange awarded Hrvatski Telekom as the company building the best relations with the investors.

Group profiles on social networks

The Group has been present on the social networks since 2008 already, via MAXtv, tportal and Iskon. The increase of using the social networks as the way of communicating with the public marked the year 2010 and in October we presented the profiles of Hrvatski Telekom on the social networks of Facebook, Twitter, YouTube and Flickr, which we use on a daily basis to communicate with the users, provide support in solving problems and receiving feedback on the products and services we are offering.

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

Synergy of all parts of the Company

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



Corporate responsibility in HT's subsidiaries

Combis

In May 2010, the acquisition of Combis was completed and Combis became member of the HT Group. The value of the acquisition lies in the fact that it will offer greater possibilities in providing joint complex ICT solutions for a wide range of customers. Such a synergy represents a forerunner of the new business philosophy in Croatia which facilitates the widest spectrum of information and telecommunications business solutions.

Aware of the fact that positive changes should be seriously contemplated, based on the available capacities, but also continuously, irrespective of the current economic situation, Combis has supported, since 2007 already, the 10 principles of the Global Compact, the initiative for corporate social responsibility launched by the United Nations.

The contribution of Combis in the area of corporate social responsibility remained strong in 2010 as well. In June, the President of the Management Board of Combis participated in the annual Global Compact Leaders Summit, as the only participant from Croatia. The focus of the conference was on the importance of corporate social responsibility and particularly on the importance of sustainability with regard to current and future business. By participating in the conference the company presented contribution and development of ideas in a Croatian company in the area of corporate social responsibility.

Furthermore, towards the end of 2010 Combis adopted the Code of Conduct of the HT Group, which can be seen as a logical continuation of the corporate social responsibility strategy in Combis and its compliance with ethical rules, first by signing the Code of Ethics of the Croatian Chamber of the Economy in 2009 and after that the Code of Conduct of the HT Group. Besides, it additionally confirmed Combis commitment to corporate social responsibility. Combis has been continuously working on raising the awareness about responsible conduct and business through the internal electronic herald distributed to all employees on a monthly basis. A regular column entitled *Combisovci mijenjaju svijet* (Combis People Changing the World) was set up, with communication topics related to ecology, social awareness, ethical business etc., with the objective of making positive changes. The authors of the texts and articles are Combis employees

Iskon

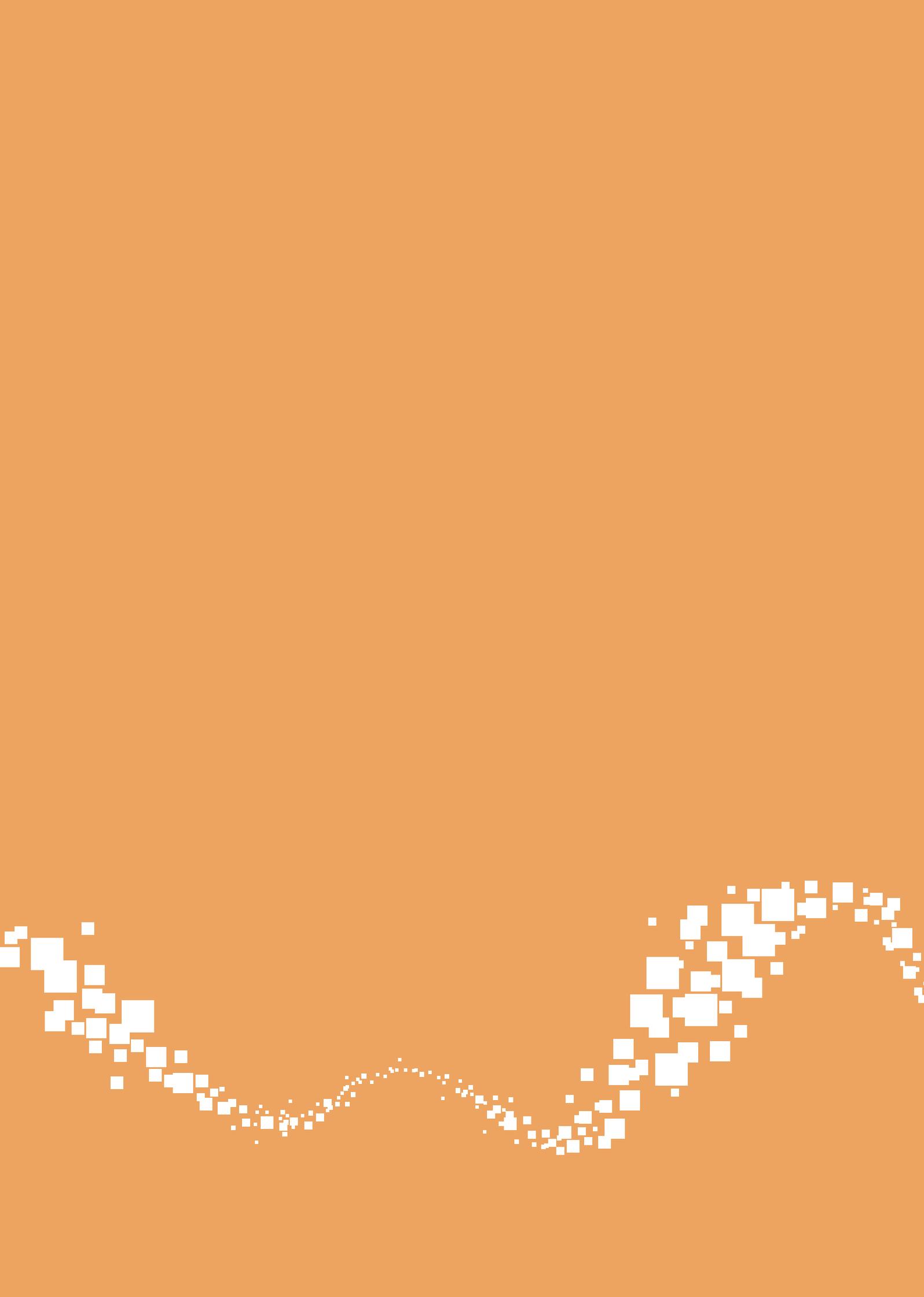
Corporate social responsibility has been recognized at Iskon as an essential part of daily business operations. This is particularly evident in approach to the employees, customers and the environment. Corporate social responsibility has been aligned at Iskon with the policy of socially responsible conduct of the Group. Accordingly, the principles of the Code of Conduct and the Anti-Corruption Policy of the HT Group have been accepted and implemented in Iskon's daily business operations. As a member of the HT Group, Iskon is involved in all activities related to corporate social responsibility which are conducted internally, within the Group. As for corporate social responsibility activities targeting external audiences, Iskon conducts its own activities and the activities related to Iskon employees only.

In the course of 2010, Iskon supported a number of projects which were important for the society. The selection of projects was based on the strategy of Iskon market approach, according to which young, urban people are in the focus of all Iskon activities, including corporate social responsibility, which is why the majority of socially important activities targeting local community were connected with large cities such as Zagreb and Split.

The employees are seen as the company's greatest asset at Iskon. Therefore, special attention is paid, within corporate social responsibility, to the care for the employees - through their training, a number of benefits for the employees, safety at work or care for their children. One should mention in this context extension of performance assessment to almost one half of Iskon employees as one of the major novelties in 2010.

As for corporate social responsibility in terms of environmental protection, Iskon's major contribution is to be seen in opting for and investing in the systems that have a direct impact on reduction of energy consumption and in a number of other activities such as introduction of e-bill and regular paper collection.





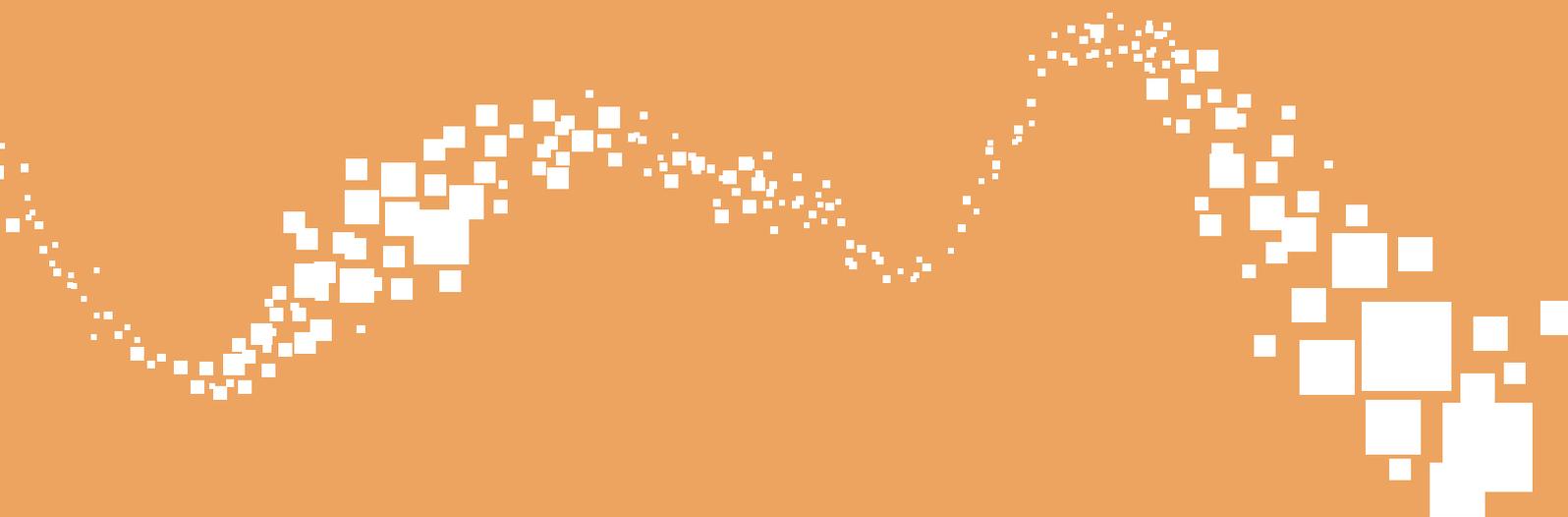
Responsibility towards the society

Responsibility towards the employees

Responsibility towards the users

Responsibility towards the suppliers

Responsibility towards the environment



Responsibility Towards The Society

Hrvatski Telekom cooperates with educational, cultural, and scientific institutions, non-governmental organizations taking care of people with special needs, persons who are in an unfavorable position and organizations promoting civil society values.

Besides the financial support, we also provide them with our services, expertise and technical resources. That way Hrvatski Telekom takes part in numerous valuable charity projects and it provides associations that organize charity campaigns with donation telephone lines, giving up on the income in its entirety. Most projects are long-term projects, which ensures their higher efficiency. Besides, employees of the company are personally involved in many projects. In this way, both the company and the employees participate in charity projects directly.

In 2010 HT provided many associations with charity telephone lines, giving up on the income, thus enabling the gathering of **over 4 million kuna**. This fully original concept was introduced in 2001 already with the action "Dajmo da čuju" (Let Them Hear). There have been **53 actions** in total, **28 million kunas** were raised through **5.6 million calls** to 060 numbers.

Charity activities

UNICEF

We are UNICEF's first partner in Croatia and our six-year partnership was reinforced in 2010 through the project *Stop nasilju među djecom* (Stop violence among children). This project includes over 280 schools across the country and the program results show that the implementation directly influences the decrease of violence in schools. In addition to the corporative donation, by sending bills for the donations to the users of its service, HT enabled its users with the possibility to make a contribution to this valuable UNICEF project themselves. Since 2005, HT has participated in all UNICEF projects: *Svako dijete treba obitelj* (Every Child Needs a Family), *Prve 3 su najvažnije* (The First 3 Matter Most), *Prve 3 su još važnije* (The First 3 Years Are Even More Important).

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



060 numbers - charity action support

Since 2001 HT has supported a large number of initiatives by providing charity telephone lines through which the whole public can be included and give their support. Among other things, in 2010 we have use this approach to help the "Sve za nju" Association, "Centar za epilepsiju" (Epilepsy Centre), "O-Zona" Association, "Zajednički put" Association and "Nada Vrbovec" Association to achieve their goals. HT gave up on its gain regarding all the afore mentioned initiatives and over 4 million kuna were gathered for charity. In recent years some major projects have been a great success: the action of Ana Rukavina Foundation *Želim život* (I Want Life), the project *RTL pomaže*



djeci (RTL Helps Children), Korak u život (Step into Life) organized by Rotary Club Zagreb Kaptol, Daj pet (Give Me Five) of Milo moje Foundation, and before these projects Kvadrat mira (Square Meter of Peace) and Petrova trudionica (Peter's Labor Room).

In 2010 Iskon provided Udruga za Sindrom Down Zagreb (Down's Syndrome Association Zagreb) with the toll-free charity phone number.

Donations to emergency medical services institutions

Instead of buying holiday gifts, Hrvatski Telekom gave the financial resources to important charity again in 2010. The Company support of the emergency medical services has begun in 2006, following the concept that speed and efficient communication are of key importance when it comes to saving human lives. The emergency medical services were chosen due to the general significance for the society as a whole as well as for the individuals, regardless the age, gender, residence or social status, and the institutions to which funds will be donated are selected primarily by experts. In 2010, resources in the amount of HRK 800 000 were donated to the Čakovec County Hospital, Pazin Emergency and the medical centers of the Požeško-slavonska County and Korčula.

Donation to Autonomna ženska kuća Zagreb

The threat of closing the largest Zagreb shelter for abused women has encouraged some of the greatest names of the Croatian music scene to

Since 2006, the HT Group has donated to emergency medical institutions and health centers throughout Croatia almost **11 million kunas** by donating ambulance vehicles, medical equipment and training.

direct their talent towards the gathering of the financial funds for Autonomna ženska kuća Zagreb at the end of the year. Tportal joined their action donating HRK 100 000 and inviting its fans on the social networks to support the initiative.

Relations with the local communities

Zajedno smo jači (Together we are stronger)

The donation project "Zajedno smo jači" (Together we are stronger) in which the Hrvatski Telekom employees had a key role in suggesting, selecting and making the final choice of the charity events to which the company will award funds was conducted in 2010 for the fifth year in a row. 27 projects had been chosen among 198 applications received from all over Croatia and funds were awarded amounting to one million kuna. The financial resources were given to a series of associations and institutions including medical institutions and institutions working with disabled persons, older persons and children. Funds have been donated to a number of associations and institutions such as: DES, Institution for work, employment and professional rehabilitation of disabled persons, for expanding the production activities of the Work Center for Disabled Persons workshop; C.O.O. Juraj Bonači, for construction of multi-purpose playground and purchase of additional sports equipment; Hrvatski Crveni križ (Croatian Red Cross) branch Vinkovci, for support to the project Igralište za djecu u minama okruženim mjestima (Playground for Children Living in Mine Suspected Areas); Catholic association Kap dobrote (Drop of Goodness), for support to the project Pomoć siromašnim i starijim osobama živežnim namirnicama (Help to the Poor and Elderly by Providing Foodstuff); Udruga distrofičara Krapina (Muscular Dystrophy Society of Krapina), for adjusting vehicles for transportation of disabled persons; Dom za psihički bolesne odrasle osobe Turnić (Home for Mentally Ill Adults Turnić), for furnishing the premises; Udruga za Down sindrom Osječko baranjske županije (Down's Syndrome Association of the Osijek and Baranja County), for rehabilitation program; Županijska bolnica Čakovec (County Hospital Čakovec) for procurement of phototherapy equipment.

Through Together We Are Stronger projects Hrvatski Telekom is continuously focused on local communities and supports humanitarian and other valuable projects organized by local communities.

Since 2006, 1043 projects have been submitted for the competition by employees of which 167 projects have been selected and financially supported in the total amount of 5.2 million kunas. The projects covered charity issues, education, science and culture.

Society of knowledge

By supporting valuable initiatives and launching its own initiatives such as **“Znanjem rastemo” (Growing through knowledge)**, **“Net u školi” (Net in school)**, **“HT stipendija” (HT scholarship)**, HT wants to encourage **discussion, sharing and adoption of new knowledge.**

“Znanjem rastemo” (Growing through knowledge) conference

In September 2010 in Zagreb, HT's conference “Znanjem rastemo” (Growing through knowledge) was organized for the third time. By presenting the leading world speakers, the company wants to give the knowledge to the society, academic and business community, employees, users, media and all interested stakeholders. Guest speakers in 2010 were the esteemed professor Jeremy Rifkin, an economist, social events commentator and the founder and president of the Foundation on Economic Trends, etc. Nicholas Christakis, a doctor and an acknowledged expert in the area of research of the personal and internet social networks and their influence on the attitude, behavior and emotions.

HT organizes this event with the aim to confirm the role and importance of new technologies in development of the society and enhancement of the quality of life. The conference is also an opportunity for HT to mark the anniversary of the IPO, which officially started on 5 October 2007.



Support to expert meetings and conferences

Hrvatski Telekom's focus on the development of a society of knowledge is visible in the support to the numerous scientific and expert gatherings, such as WinDays 2010, MIPRO conference, Vidi Web Top 100 competition, Combis conference, International Information Technology Interfaces ITI 2010, Cisco conference, Imagine Cup 2010 project, Telekom Arena and other events related to the telecommunication sector and its communities. HT has also, for the fifth year, financially supported the Mediterranean Institute for Life Sciences.

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

Cooperation with the academic community

HT's long-term cooperation with the Faculty of Electrical Engineering and Computing (FER) started in November 2006 by signing the Frame Contract on cooperation in scientific-research and development activity with a view to promoting transfer of knowledge and ideas between science and economy. HT also awards the best students of the Faculty of Electrical Engineering and Computing (FER) and supports them at international expert student competitions. On the other hand, HT and FER develop projects, studies and reports for their needs. To sum up, the purpose of such collaboration is making a contribution to the strategic development goals of the contracting parties and the development of competences of its employees.

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



HT scholarship

Through the expansion of the former T-Mobile project, the Company announced the HT scholarship competition. Scholarship was awarded to 11 undergraduates among the top candidates from the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split and the Faculty of Electrical Engineering in Osijek who have not only achieved excellent results at the university, but also have the widest range of interests and are actively involved in different activities.

Net in school

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

Since 2001 HT has, through the Net in school project, provided **2653** elementary and secondary central and branch schools in Croatia with free Internet access.

Support to the Croatian Informatics Clubs Association (HSIN)

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

Culture

Museum of Contemporary Art

Hrvatski Telekom has been the primary partner of the Museum of Contemporary Art (MSU) since 2007. The partnership that has also continued in 2010 promoted modern technology in culture and the annual award for the best Croatian contemporary art work was also presented. Besides the financial aid, HT also supports the Museum by providing it with its telecommunication services.



T-HTnagrada@msu.hr

The "T-HTnagrada@msu.hr" competition was held for the third year in a row. T-HTnagrada@msu.hr is one of the most prestigious annual awards in the field of contemporary art in Croatia. The number of works submitted in 2010 surpasses that of last year. The decision about the best works of art was traditionally made by the international exhibition committee consisting of the following members: Snježana Pintarić MA, director of the Museum of Contemporary Art, Peter Pakesch, curator of Kunsthaus Graz, Nada Beroš, senior curator of the Museum of Contemporary Art, Ivan Faktor, media artist, Branko Franceschi, director of Croatian Association of Artists (HDLU) and Zdenka Badinovac, director of the Modern Gallery in Ljubljana. The first purchase award went to the artist Igor Grubić for his work of art East Side Story. The second award was given to Marijan Crtalić and his work of art Nevidljivi Sisak – Fenomen Željezara (Invisible Sisak – Ironworks Phenomenon), and the third award went to Marko Tadić for I Speak True Things.

The best three works of art from the competition T-HTnagrada@msu.hr have been purchased and included in the HT Collection, which is a part of the permanent display of the Museum of Contemporary Art, as a public good available to all.

The roman@tportal.hr prize

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



A competition for the prestigious literary prize **roman@tportal.hr** which awards the winner with **HRK 100,000.00** took place for the third time.

British daily newspaper The Times enlisted **T-Mobile INmusic Festival** onto the **top 20** European summer festivals list once again.

KulTurst

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

Theatres

HT continued with its long-lasting tradition of sponsoring Croatian national theatres in Osijek, Split, Rijeka and Varaždin and the Gavella City Drama Theatre in Zagreb. By sponsoring theaters HT wants to encourage people to go the theater, show that investment in culture pays off and encourage other entities to make such investments.

Festivals

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

Music

T-Mobile INmusic Festival

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

Minival

HT has been encouraging talented demo performers for the fourth consecutive year with its Minival project. 11 concerts with 29 performers were held throughout Croatia as a part of the Minival project.

Sports

Croatian Olympic Committee

The Company continued its long-standing collaboration with the Croatian Olympic Committee, being its main sponsor, thus connecting HT's values with the best Olympic Games tradition: fair competition and constant hard work leading towards excellence. In the course of 2010 the results of Croatian Olympic Committee members were a success story - Blanka Vlašić won a gold medal at the European Athletics Championship in Barcelona and at the Continental Cup in Split and was named the best European female athlete in 2010 by the European Athletics Association, while Jakov Fak won a bronze medal at the Winter Olympics in Vancouver.

Volim NogomeT (I Love Football)

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

Sailing

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

Sportske igre mladih (Youth Sport Games)

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

Sport in schools

In 2010/2011 HT is a partner to the project Lino višebojac (Lino All-Round-Competition), a long-term project aimed at encouraging sport in school and promote sports culture among elementary school children.

Sponsorships and donations in associated companies

Combis

As a company with a profound sense of well being, of both its users and employees and the wider social community, Combis gives a lot of attention to the continuous development of the community within which it operates, especially in the area of education, sports and art. In 2010, Combis donated information equipment to the elementary schools of "Slavko Kolar" and "Nikola Kvaternik", thus helping them, and the company expanded its donations to culture facilitating the organization of two international exhibitions of the Galženica Gallery in Velika Gorica. Through its donations, Combis also provided support to smaller sports clubs, the Croatian Academic Basketball Club "Mladost" (HAKK Mladost) and the Synchronized Skating Club "Zagreb Snowflakes". In addition to the donations, Combis acts socially responsible through sponsorships. Combis was thus a proud sponsor of this year's Hanžek Memorial, the International Athletic Meeting held in Zagreb.

Besides the sports events, Combis traditionally supports vocational manifestations and it has thus supported partnership conferences of Cisco Expo, Windays conference, IBM Forum and Oracle The Information Age. Apart from promoting the information technology, this year Combis has also helped the educational segment of medicine and health. To be more exact, the company donated information equipment and provided technical support during the Third Central Europe Congress of Surgery which was held in Dubrovnik and it provided financial support to the Croatian Nurse Association (HUMS). The Combis conference gathered ICT experts from the entire region for the fourth year in a row, with the main topic being "Research. Innovation. ICT". The emphasis was made on the latest technological trends which might initiate new business opportunities and success.

Iskon

In 2010 Iskon supported a number of projects of social significance which are characterized by an urban approach what is in accordance with Iskon's corporative culture and the overall business strategy. The most significant projects is by all means the Motovun Film Festival which was, this year, held for the twelfth time. Iskon was the official sponsor of the telecommunication services and the online award for the best shot film for the second consecutive year.

The objective of Iskon's project Muzej ulične umjetnosti (Street Art Museum) was to revive street art in Croatia by repainting Branimirova Street in Zagreb. One may say that the new era of street art in Croatia has started with the support of this exceptional project. Iskon also cooperates with the newly-opened Museum of Broken Relationships, the first privately owned museum in Zagreb, which after successful guest visits to America, Europe and Africa gained its space in the very heart of Zagreb.

This year, for the first time, Iskon sponsored the Atlantis Festival. It is a relatively new festival which was initiated four years ago in Split and which presents a combination of culture, sports and music, primarily attracting the young audience. Iskon has supported the World Theatre Festival for many years and this year it was also a sponsor of the Nu: Write Festival held in Zagreb which for the very first time gathered the most interesting British theatre groups and the representatives of the new British drama. As a sponsor of the telecommunication services, in 2010 Iskon supported the concerts by Metallica and Seal and the GaGaim conceptual exhibition organized for the occasion of Lady Gaga's concert in Zagreb.

When it comes to sports, Iskon has been a long-standing partner of the Croatian National Football Team and a sponsor of the "Uvijek vjerni" fan club, as well as the HASTK Mladost Iskon Table Tennis Club. In 2010 Iskon was the official sponsor of the telecommunication services during the ATP Zagreb Indoors and Zagreb Open Tennis Tournaments for the second consecutive year.



Responsibility Towards The Employees

Only satisfied and dedicated employees can provide an answer to the users' needs with their friendliness, and the responsibility towards the employees is one of the elements of Company's responsible business. Besides the fact that last year HT has gone through two significant organizational and structural changes, transformation and new management, a highly important element of corporative responsibility towards HT's employees was the announcement of the so called year of peace, as well as a series of other activities and programmes which, followed by an open, transparent internal communication, take the employees' satisfaction into account and provide the best possible working conditions.

A big step for one company

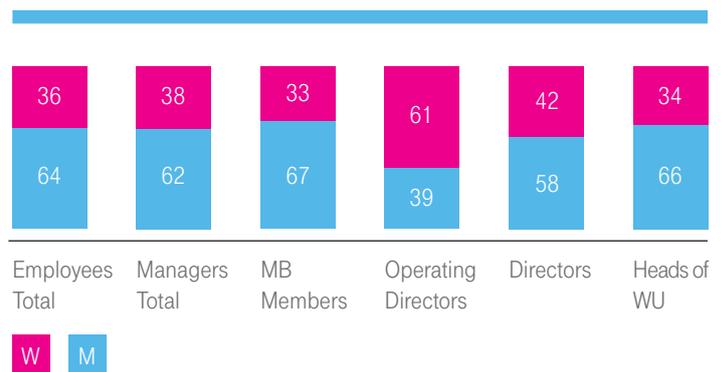
Last year presented human resources with great challenges – merger of T-Mobile and Hrvatski Telekom into one Company. The whole process demanded efficient management of the process of changes and adjusted solutions, both from the organizational and structural and the human point of view, with the every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

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

New management

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

Gender structure in T-HT 2010



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

*Source: Office for Gender Equality

Cooperation with social partners

Having the severe economic situation in the country in mind, as well as the high unemployment rate, the agreement with the social partners was made that there will be no surplus management programme in 2010. The employees' rights and benefits are governed by the Collective Agreement and at the end of December 2010 a new Collective Agreement was signed with the social partners, for the period of two years. Placing an emphasis on the employees and their working rights, i.e. the additional insurance of competitive working conditions, this Collective Agreement primarily expresses the Company's continuous social sensibility, particularly important at the time of crisis.



First choice employer

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

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

Employees' opinions matter

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

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

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

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

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

Care for employees' health

Free annual medical check-ups

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

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

Vaccination

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

Zdravko

This year, the continuous care of employees' health has been added new intranet pages dedicated to the preservation of health and prevention of illnesses with the Zdravko programme. The pages provide the employees with the opportunity to read interviews with physicians, specialists in a certain area and a series of useful advice regarding health care.

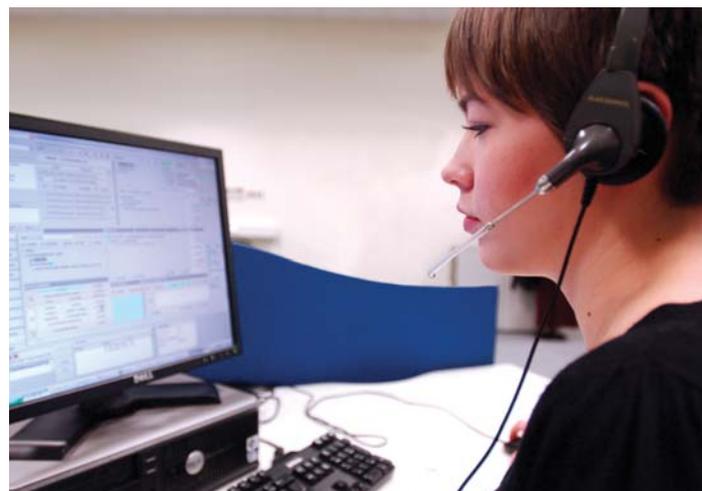
Sports and recreation

Our Company has been traditionally cherishing the culture of its employees being engaged in sports activities, providing particular resources for that purpose. There are plenty of opportunities of doing sports free of charge: fitness, football, table tennis, basketball, volleyball, bowling, badminton etc. Not an insignificant number of people are seriously engaged in recreational activities throughout the year, what can be seen during the annual employees' sports gathering, HT days, a three-day gathering during which the employees have the opportunity to show off their skills through sports and fun.

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

Occupational health

Modern and quality means of personal protection, trainings in the field of occupational health, written instructions, prescribed medical capability exams, eye exams of workers who are working on the computer, participation in the projects of construction, reconstruction, adaptation and decoration of facilities, evacuation drills in case of real risk of fire with the cooperation and coordination of the fire brigade, which is also used to check the operational readiness of all participants in the drill of saving injured persons, and the fire protection status in the facility our employees work in, tick-borne encephalitis vaccination, as well as vaccination against seasonal and pandemic influenza, are only some of the activities within occupational safety in the Company, which finally results in a more permanent decrease of the number of work-related injuries and lost days of work due to sick leave.



Traditional annual employees' sports gathering, HT Days, gather all interested employees at a three-day event of sports and fun.

Employees' education

Guided by the principle of being the place for high accomplishments and development, HT places great emphasis on the education of its employees. Through the organization of numerous lectures and programmes, the Company offers the employees a possibility of further professional growth, training and increase of one's own competitiveness. A series of expert educational programmes, education regarding the development of competences, programmes for the continuous growth of the heads of work units and intensive internal transfer of knowledge has counted more than 3000 employees.

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

More than 3000 employees attended the educational programmes in 2010.

Knowledge on Thursdays

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

E-learning

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

Programme RasT (GrowTh) – Development of Experts

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

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

Performance management

The objective of the performance management system is that to award every worker in accordance with the results and thus connect every employee's performance with the Company's strategic goals and its market success. The system consists of several stages - setting individual goals for the ongoing year, semi-annual interviews, performance assessment and bonus determination and, finally, giving of the bonus. The amount of the bonus depends on the Company business results and the achieved levels of competence and individual performance.

Additional Company care for the employees

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

Balance between personal life and work

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



HT's closed-end voluntary pension fund

Having the realistic situation regarding the surrounding in mind, and hoping to encourage the employees to invest into the future by saving money for the retirement, Hrvatski Telekom has, in cooperation with the Raiffeisen pension association for the management of voluntary pension funds, established the HT's Closed-end Voluntary Pension Fund.

In addition to the benefits the voluntary pension fund has to offer, such as the national financial incentives and fund yield, last year Hrvatski Telekom, as the fund patron, also provided incentives for every new member who joined the fund. Hrvatski Telekom also made a one-off payment to the personal account of the members of the closed-end voluntary pension fund, pursuant to the patron's obligation.

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

PrijaTelj foundation

In order to improve the status of socially endangered employees and former Hrvatski Telekom d.d. employees, in 2009 HT established the PrijaTelj (Friend) foundation. The purpose of the foundation is to provide financial support in case of increased costs of treatment of employees and members of the employee's immediate and wider family, members of a joint household. Other forms of support include financial assistance with purchase of school books or tuition support, procurement of medical aids, improvement of housing conditions after floods or fires, providing assistance to children of deceased workers or to economically disadvantaged workers.

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

Open communication culture

Management Forum

The Management Forum is a place where HT's managers get together and have an open dialog. At the Management Forum of the HT Group held in December 2010, which represents a gathering place for the whole Group management, the business results were presented, as well as major strategic priorities for 2011. The members of the Management Board of HT talked about the key strategic guidelines of the Group and pointed out that HT will further be focused on broadband, IPTV and ICT development.

Internal publications

HT d.d.'s herald is the official Company herald in which general acts and decisions made by the Company's General Assembly, Supervisory Board and HT's Management Board are published. The annual reports of the Company include the main financial features and the main features of Hrvatski Telekom's business operations in the past business year. Besides the heralds publishing official acts and business reports, HT also has a tradition of publishing a company magazine which has changed its title and form over the years but has always covered current topics and recorded significant events. As of 2004 our monthly magazine is called halo! and besides the employees of the Company, it is also intended for the media and business partners.

Halo! follows and brings the important events within the Company, it includes interviews, features on the modern technological trends as well as interesting topics from the world of sports, culture and entertainment. As of 2006 the employees have the internal electronic publication "Eko KuTak", offering interesting and useful topics regarding environmental protection, at their disposal. Different brochures are also being prepared within the Company both in printed or electronic form - such as the booklets "Uslužna kultura" (Culture of providing services), "Rodiljni i roditeljski dopust - sve što budući roditelji trebaju znati (Maternity and parental leave - all the things future parents must know), "Dobrodošli u Hrvatsku" (Welcome to Croatia) - a guide for foreigners working in the HT, "Korporativna metodologija upravljanja projektima" (Corporate methodology of project management), etc. All brochures are available on the intranet pages.

IntraNet – daily company newspaper and data base

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

FotoToranj 2010.

In order to encourage the employees' creativity, an internal competition FotoToranj, a prize competition for the best HT Group employees' best photographs, was initiated in 2006. In 2010 employees also showed keen interest in the competition, creatively expressing themselves and revealing their imagination and innovation through the photography. The prize for the overall impression in every round of the competition is awarded by an expert jury and its member, the famous professional photographer Damir Hoyka, awards a special prize for the aesthetics.

Around thirty best artworks from the FotoToranj 2010 competition were displayed in an exhibition open for public. More than HRK 80,000.00 was raised through the joint action of the Company and the employees and donated to the Croatian Association of the Blind to help them equip their "computer corner" at the Education and Rehabilitation Campsite in Premantura and purchase the necessary tiphlo equipment.

HT's volunteers in ecological projects

HT's employees have been participating in the ecological projects carried out by the Company together with its partners for three consecutive years. This year during the project "Pošumljavanje opožarenih područja" (Afforestation of fire affected areas) twenty hectares of the forest area which had burned down during the summer forest fires over the past years has been afforested with young plants. Aleppo pine and cypress pine trees were used to afforest the locations on the forestry areas of Benkovac, Hvar, Makarska and Metković.

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



Responsibility towards the employees in HT's subsidiaries

Combis

Last year, the integration of Combis into the HT Group presented Combis with new challenges. The integration involved a well planned communication process throughout the process of acquisition. According to the plan, all significant changes were communicated continuously, transparently, very openly and genuinely, via all communication channels: e-mail, internal herald and directly, by convening a meeting of all employees.

One of the strategic guidelines of Combis is also successful retention of top performers by providing them with the opportunity to reach their full potential. Hence, the goal of Combis in 2010 was to promote internal experts, internal know-how, develop team spirit and to continuously improve employees' competencies. In pursuing this goal, the internal project entitled Combis Academy was continued with the organization of several training courses for the employees with internal experts in the area of human resources management, presentation skills, project management.

There are also regular Combis Akademija (Combis Academy) and Combis školica (Combis School) columns in the internal herald intended for the employees in which expert knowledge and experience is shared on a monthly basis. The purpose of these columns is not only to inform, but also to educate.

Combis has had a developed performance management system for years. Hence, regular assessment of individual performance and development make an integral part of building high quality relations with the employees and maintaining the desired level of employee satisfaction. Competence, work, team spirit, customer care, reliability, responsibility, open and friendly communication and winning spirit are exactly the values that the employees of Combis highlighted as the most important ones when it comes to market differentiation and successful development of Combis. Therefore, special attention is paid to these elements during performance assessment. In the process of assessment every employee is given opportunity to talk about his/her own ambitions and set goals for a subsequent period together with a superior.

Such practice leads to successful retention of top performers by providing them with opportunity to reach their full potential, as stated in the mission of Combis. Besides, Combis has adopted a system of stimulating income, as a motivating factor, in which the amount of income directly depends on the

company's business results.

Furthermore, through the provision of a series of benefits, in addition to those defined by law, Combis continuously takes care of the interests of its employees. Reimbursement of the cost of travel to and from work, bonuses for long years of service with the company, one-off financial aid, more favorable prices for services provided by Combis and other partner companies, just to mention a few benefits. As a company responsible towards its employees, Combis organized in 2010 safety at work training and training on safe use of IT equipment for all employees. Besides, eye exam was organized for all employees who work on a computer for more than four hours a day. Combis conducts Employee Survey periodically, in cooperation with a third independent party, the portal MojPosao, which is also an important source of feedback.

Combis distributes all information that is essential for its employees, related to human resources, marketing and communication and sales, namely reports, norms, forms, documents, templates, manuals, decisions and prescribed procedures necessary for proper execution of tasks on a daily basis via the application Quality Management. The application is a compilation of updated and integral information made available to all employees. The internal communication with the employees takes place via the internal electronic herald on a monthly basis. Marketing and communications departments are responsible for creation of the internal herald, a medium through which the employees share contents, ranging from official announcements of the Management Board, news and interesting pieces of information from Combis, educational contents and more casual topics aimed at interaction with other colleagues and creating friendly and team atmosphere.

The result of all these activities is the fact that Combis has been recognized as a desired employer with a high percentage (62 percent) of employees who have more than three years of service with the company. Besides, the number of Combis employees has been growing year by year.

Iskon

Iskon fosters and encourages, in accordance with its brand strategy, non-formal working atmosphere in which all employees are invited to actively participate in sharing opinions, knowledge and experience on all levels. Iskon has 170 permanently employed persons whose average age is 31.5 years. Loyalty of Iskon employees is best confirmed by the fact that 18 persons marked the 10-year anniversary of working with Iskon from the very beginning of its operations in 2010, while another 13 persons marked their 5-year anniversary.

In 2010 Iskon upgraded its performance management system called Iskonski, launched in 2009. The system covers almost one half of the employees. Performance assessment is based on two basic variables: achievement of business results and individual performance which is assessed on the basis of the defined competencies.

As part of the HT Group, Iskon participated in 2010 in a number of internal activities organized within the Group, among others, competition for the best photographs taken by the employees entitled FotoToranj and voluntary work on ecological projects.

All information about Iskon, novelties related to benefits for the employees', documentation relating to labor law, procedures, Iskon guiding principles and forms necessary for daily operations are available to the employees of Iskon via the internal web portal intwww. Additionally, through the separate HR Portal the employees can keep track of annual vacation rights and send requests for annual vacation approval. The employees have had the possibility to access the internal web portal of the Group, IntraNet, for two years already.

The employees of Iskon participated in all Employee Surveys of the Group called spirit@telekom conducted throughout 2010, which has made it possible for Iskon to monitor satisfaction of its employees with work. Continuous investment into employee development through various internal and external training courses represents a basis for high quality work and personal satisfaction of Iskon employees. Therefore, education is an essential part of target planning within performance assessment. Apart from various external training courses for Iskon employees, selected according to their needs for improving the existing and developing additional professional competencies, a number of regular internal training courses are organized at Iskon. Internal training covers communication skills, basic sales skills and two-month training for new employees designed as an introduction into all segments of Iskon business operations.

In the course of 2010, occupational health hazards associated with computer workplaces were evaluated in cooperation with an external partner. It was established that Iskon meets all necessary requirements stipulated by Safety at Work Act. In 2010, all employees attended safety at work training sessions and training on safe use of IT equipment. Besides, eye exam was organized for all employees who work on a computer for more

than four hours a day.

Iskon offers the possibility of remote work for employees whose workplace organization allows it, up to 3 working days in a week. This option was used in 2010 by 10 Iskon employees.

Iskon organizes, once a year, a meeting of all employees, which was done in 2010 as well. The Members of the Management Board inform the employees about the achievements made in the previous year and about the most important plans for the period ahead. These meetings are also an opportunity for informal get-together of all employees. Apart from the annual meeting which is held in the second quarter, Iskon regularly organizes internal Christmas get-together for its employees.

All Iskon employees can use a number of different benefits such as more favorable bank loans, discount on Iskon services, discount on different services related to sport, health and beauty, granted in cooperation with Iskon partners.

In 2010, the employees with 10 and 5 completed years of service with the company were awarded jubilee bonus and every employee was given a gift voucher for his/her birthday in the amount of 200 kunas to buy anything of his/her choice in 2010 as well. Children's Day at Iskon was organized for the children of Iskon employees before the Christmas Day, which had been the practice in previous years as well and which included Christmas program and presentation of gifts in the premises of Iskon.



Responsibility Towards The Users

We are encouraged by the users' excitement and that thought pushes us towards constant improvement of our products and services, on a daily basis. We are taking care of the professional and correct relations with our users through a series of activities, always striving to offer more, and we use the two-way communication to listen to their needs, accept their opinion and improve our service.

Customer Service - Available 24/7/365

Caring for the users and their satisfaction are the main focus of HT's call centre. Its agents are ready to answer all questions or provide support on a 24/7 basis, by phone, e-mail, postal mail and fax. The call centre plays a key role in the maintenance of good relations with the users. Besides providing information, products and services created precisely according to the users' needs are sold.

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

The option of telephone sales within the Customer Service provide the user with an opportunity to quickly and easily request an activation of Hrvatski Telekom's services from their own home or a delivery of a requested device to their home address. Similarly, the customer can also submit a complaint regarding invoice amount or quality of the provided services. If the customer is not satisfied with the complaint resolution, s/he may appeal to HT's Complaint Resolution Committee against the decision on whether customer's complaint is founded. Representatives of consumer protection associations are also involved in work of the above Committee. Systematic monitoring and analysis of customer complaints, which are conducted by HT on a regular basis, facilitate successful identification of causes of complaints and their elimination, as well as improvement of the processes related to handling of complaints so that the process can be fully tailored to customers requirements.

Special services and user protection

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

HT conducts the user's satisfaction survey through the TRI*M methodology four times a year.

Special services for the youth

Bonbon – new mobile brand of high quality and more favorable prices – In October 2010 Hrvatski Telekom has launched a new mobile brand "bonbon" intended for mobile users in Croatia who highly value quality but are at the same time very sensitive when it comes to price. Focus of bonbon on young users who enjoy fast and dynamic pace of life is evident in communication on social networks and non-standard sales channels such as web shop on the website and points of sale that are frequently visited by users, such as book stores, newspaper stands and coffee shops.

Fixed dialing - Fixed dialing is a functionality of a mobile device which enables dialing of only certain numbers stored on a SIM card (a total of 10 numbers).

SMS Daj nazovi (Call me back) - This service makes it possible to contact family members even if having less than 50 lipas on Simpa account and to request a free call from any of the users of the T-Mobile HR network.

SMSbon (voucher) - This service enables simple purchase of a Simpa voucher by a family member or friend who is a T-Mobile subscriber and an automatic payment to the Simpa account without having to enter a special code.

Special services for socially disadvantaged citizens

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



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

Services for persons with special needs

Discount for disabled persons - T-Com enables persons with special needs with discount on monthly subscription fee and on telephone calls within T-Com.

Telephone offer for older persons and persons with special needs - T-Mobile and T-Com have enlisted phones adjusted for older persons and persons with special needs into their offer of phones for fixed and mobile network. These phones generally have large buttons for a simple and easy use, large letters on the screen, illuminated screen and keyboard and, in case of a mobile phone, a strong vibration and buttons instead of a menu on the screen.

Discount for Croatian Homeland War disabled veterans - Disabled war veterans are granted discounts while becoming subscribers, discount on their monthly subscription for the fixed telephone line and discount on telephone calls within the T-Com fixed network, depending on the degree of physical impairment.

Stores accessible to disabled persons – From the total of 66 T-Centar points of sale, 65 are accessible to disabled persons. All 5 T-Kiosks are also accessible to disabled persons.

Call barring and cost control

For the purpose of protection from unwanted calls as well as cost control, all T-Com and T-Mobile users have the services of call barring which block certain groups of incoming and outgoing calls at their disposal. Calls toward emergency services (police, fire brigade, emergency medical service) are always allowed.

Protection from international calls of high risk

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

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

Warning on increased traffic

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

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

SMSinfo account

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

Protection for Internet users

T-HT provides its users of Internet services with several types of protection for the ADSL and dial-up users. T-Com provides its ADSL users with free download of safety protections which include antivirus, antispam and firewall protection. The free of charge "Antidialer" protection from the so-called "dialer programmes" which misuse the user's telephone line and cause high phone bills is intended only for T-Com dial-up users who are not MAXadsl users. MAXadsl users are not in danger of they use only the ADSL connection to access the Internet.

Parental protection on MAXtv

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

Child protection while using mobile phones

The Company has become actively involved in the protection of children and youth through services and advice on how to correctly use the mobile technology through the website. Parents can find on corporate pages about parental protection detailed instructions on safe use of communication and media technologies and the list of services which can have a direct impact on children and youth protection with regard to use of mobile telephony, such as the call barring service and the SMS service Daj nazovi (Call me back).

In order to protect children from violent and other inappropriate contents that can be accessed via mobile Internet, T-Mobile offers a simple instrument for implementing the protection – a protection box which opens every when pages for downloading contents on t-zones and web'n'walk portals are accessed, with links to the contents which are not intended for children.

“Safe home”

All MAXdsl users have the “Siguran dom” (Safe home) service at their disposal through which the user can be in constant contact with his or her home at any time and from any place. “Siguran dom” enables movement detection (opening of the door or the windows), checking the room with a camera, notification via e-mail or SMS, access to the services over an Internet portal and contact with the home even in case of loss of electricity.

My “T”

My T is a portal on which customers can purchase new and upgrade their existing services, check their monthly invoices and itemized bill of calls, administer their user accounts for fixed, mobile telephony, Internet and television, access T-Club and exchange points for rewards.

T-Club

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

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

The loyalty program enables T-Club users to exchange the reward points collected by using T-Com and T-Mobile services for prizes and benefits.

T-Automated Payment Machine

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

HT is the only operator in Croatia to offer payment in its shops via T-automated payment machines. Payment without handling fee is also possible via standing order.

E-bill

HT encourages use of e-bills, which is why it made e-bill available to T-Com customers in 2010. E-bill or electronic bill is a new way of delivery of bills via electronic mail. The delivery of bills printed on paper and delivery of itemized bill of calls enclosed with the telephone bill stops with the activation of e-bill and the customer receives bills as e-mail attachment. E-bill is activated through the “My T” user portal.

Continuous investments into the future

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

Investments into infrastructure

Continuously working on modernization and enhancement of the service quality, HT has significantly increased the maximum speed of Internet access. While 5 years ago the maximum speed on a copper access network amounted to 23Mb/s (ADSL2+ technology), today the speed of 100MB/s is achieved on the optical access network. Broadband Internet is available to 98% of the population in Croatia, and the optical infrastructure covers 80 thousand households.

The Company continuously develops its fixed network and invests at the same time into mobile infrastructure – by enhancing 2G and 3G networks for the purpose of expanding availability of broadband services. On the other hand, there were no investments into fiber optic infrastructure in 2010 because of inadequate regulatory framework. In 2010, HT started testing of advanced technologies such as LTE which will facilitate higher data transmission speeds, convergence and use of advanced applications on mobile devices.

LTE – fourth generation mobile network

LTE technology enables the continuation of a strong mobile network development, especially regarding services based on broadband access (for example, video content transfer). In 2010 HT has initiated testing of the fourth generation mobile technology (LTE) which increases the access speed and enables provision of new multimedia services and increase of the quality of the existing ones. It also enables better use of the spectrum resources in relation to the existing technologies and makes savings regarding the quantity of the installed equipment for the wanted capacity. In terms of the mobile network, HT started the evolution of the radio access network: new multifunctional equipment is being installed which is more efficient in the implementation of new technologies and which minimizes the need for adding new network elements. These activities also result in the decrease of electrical power consumption.

Hrvatski Telekom was the first operator in Croatia to have a live demonstration of the deployed LTE test network and its services. Commercial launch of the LTE technology is expected early 2012.

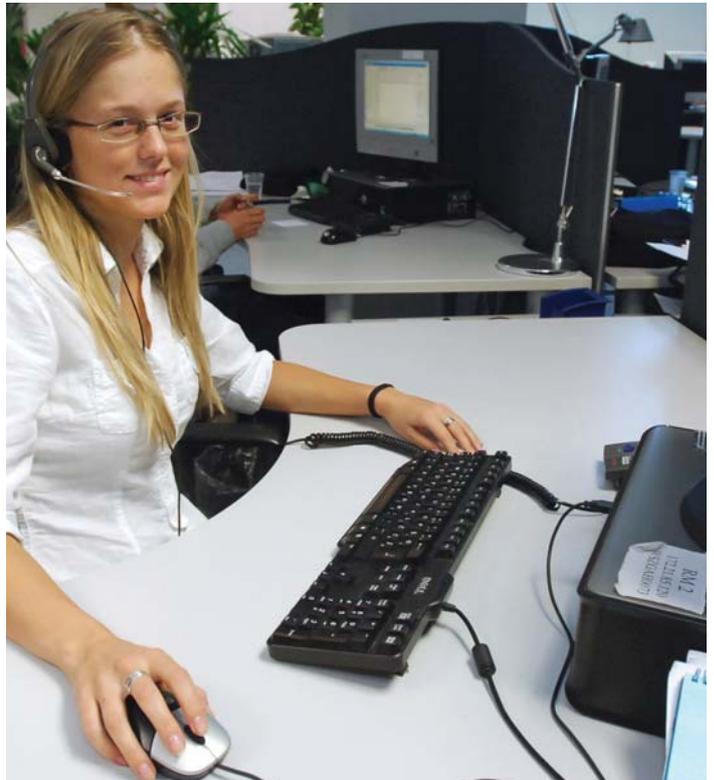
MAXtv sat

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

Responsible communication

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

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



Responsibility towards users in HT's subsidiaries

Combis

In 2010, Combis was also strongly focused on customer satisfaction. Accordingly, the following strategic goals were set: customers are in the center of all Combis activities, focused approach to the market and offer of services tailored to customer needs, creation of service culture and development of processes focused on revenue retention or growth and efficiency. In order to achieve the above strategic goals, together with significant increase of traffic and customer base and provision of high quality services, Combis continued to build its product portfolio in 2010 within its business lines. To this end, Combis retained its permanent focus throughout 2010 on finding new technologies which either have more features or cost less than the existing ones and in this way made it possible for its customers to achieve their business goals. Furthermore, Combis continuously improves the offer of its services tailored to customer specific needs.

Combis conducts customer satisfaction survey every year. The basic goal of the survey is to establish the level of customer satisfaction with Combis in general, and with specific segments of the company, its solutions, products and services, i.e. specify the business elements which customers are satisfied with and those they are not satisfied with, all with a view to increasing customer satisfaction and improving business operations. Aware of the fact that every contact with a customer represents an opportunity and that a well-handled complaint can turn into a positive experience for the customer, Combis has ensured four communication channels, from direct, personal contact with customers, Service Desk calls and web forms on Combis official web pages to direct e-mail to the Management Board of the company. Service Desk is a department within Combis, in direct contact with customers. Its task is to ensure controlled answering and processing of customer calls with the aim of identification of customer requests, addressing the problems and forwarding requests to relevant company departments. It complies with the ISO 9001:2000 standard. Besides, a web form has been created on Combis official web pages which makes it possible for customers to send their comments, complaints, suggestions and questions.

Having in mind that the Internet medium enables electronic communication and is available 24 hours a day, Combis provided in 2010 a direct communication channel to the Management Board of Combis, via official web pages, in order to have better insight into customer needs and improve the quality of service provision. Customers are in this way provided with the possibility to directly send every request, opinion, praise or question to the Management Board of

Combis as well. Combis has nine service locations in Croatia and can arrive at any location in the territory of Croatia within one hour, 24 hours a day, seven days a week.

Combis communicates with the external public via its electronic herald, on a monthly basis. The herald informs the public about the novelties and topical news, conference and event announcements, professional topics etc.

Finally, Combis continued in 2010 to invest into its large Data Center with impressive capacities and installed additional capacities necessary for testing of new technologies. It also started the introduction of IT Security Management System according to the international ISO 27001 standard so as to ensure high level of data security.





Iskon

The subsidiary Iskon has been recognized on the Croatian market as the telecommunications operator targeting young urban people who follow trends, but also make smart choices. Iskon services make them different, contribute to their quality of life, facilitate communication and entertainment. Different, advanced, simple, desired, reliable and cost-efficient are the reasons why consumers opt for Iskon services and remain loyal to Iskon.

Creation of a product, service or solution is a complex and dynamic process which requires engagement of many people in the company and external experts as well. This is true for every company and hence for Iskon as well. But what makes the company special is the fact that the majority of services are developed by its employees within the company, which makes it possible for employees to be flexible when selecting solutions and platforms and, at the end of the day, to offer services on the market which are advanced, innovative and original.

Iskon is first and foremost the provider of Internet services and its basic service is broadband access to the Internet, while telephony and digital television services are an extension to the basic service. As an Internet company, Iskon is intent on providing its customers with mobility through the integration of services so that Internet, telephone and TV contents are available to them on TV screen, computer and on mobile devices, always and everywhere.

In 2010, the largest number of achievements and developments in Iskon was related to the service of digital television. One of the most important novelties which Iskon introduced in 2010 was the possibility to view video clips from YouTube via Iskon.TV, as the only service provider in Croatia to offer this option. Only the users of Iskon digital television can directly access contents available on YouTube via large screens, completely free of charge. Apart from access to YouTube contents, Iskon also provides its users of digital television with the possibility to access the largest social network – Facebook. Use of Facebook on Iskon.TV is completely free of charge. As for contents, users can view the wall, refresh the status, comment, click on like, view photo albums, access friends' profiles and events. Special care for customers is also confirmed by the system for monitoring and optimization of user DLS profiles, which Iskon independently developed and was the first to implement it in Croatia at the end of 2008 already. The system monitors user profiles in the manner that it records changes on user DSL lines and, in case of

problems, facilitates quick identification of the cause, whether the issue in question is an external factor (bad weather, humidity, snow, rain, sun) or problems on customer side (voltage drop, power outage, local installation in apartment).

Apart from the services intended for residential customers, Iskon has always been particularly focused on small and medium enterprises and has regularly developed special propositions and solutions for this segment. Business customers are an important part of Iskon business operations and account for a significant revenue share in Iskon.

As a responsible member of the society Iskon provides not only its customers with free Internet access, but all citizens in Croatia on some thirty locations throughout Croatia via hot spots.

Responsibility Towards The Suppliers

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

Sustainable procurement: from the program to the strategy

The sustainable procurement programme is a procedure used within the whole DT Group for the purchase of products and services, taking into account various aspects. Sustainable procurement guidelines represent development in the direction of defining the overall procurement strategy and policy in the future and it will apply to every member of the DT Group. This strategy will certainly provide a platform for making decisions during selection of new and developing relations with the existing suppliers.

Programme components

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

Prescribed requirements for the suppliers

The sustainable procurement programme prescribes requirements for suppliers to respect cultural, social, political and legal diversity of all nations and societies and imposes on them the obligation to protect internationally applicable human rights; recognizing the fundamental right to freedom of association and the right to collective bargaining within the existing national regulations and contracts, exclusion of any form of compulsory labour, taking the responsibility for non-exploitation and abolishing any form of child work and the guarantee that the minimum employment age complies with the regulations of respective country, elimination of any form of discrimination at work and explicit commitment to advocating equal opportunities and diversity of all employees, adequate payment based on contract in accordance with relevant national labour market

and prescribing minimum salary guaranteed by the law, guarantee that relevant national regulations on hours of work and regularly paid annual vacation will be observed, support to employees' training and development for the purpose of maintaining a high level of work execution standard on all levels in the company, ensuring all necessary safe and healthy working conditions in accordance with the standards applicable in respective country and support to further development with a view to improving working environment.

Auditing the other side of contracted partners

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

Responsibility towards the suppliers in HT's subsidiaries

Combis

In its relations towards the suppliers, Combis emphasizes transparency and ethics in business and business cooperation. With that goal in mind, legally, technically, economically and financially acceptable frames have been developed, according to which it reviews the selection of suppliers and their offer. Hence, the criteria for supplier selection include giving priority to the suppliers with quality policy, social policy and environmental management policy. The above criteria are included in the ISO documents available to all company's employees.



Responsibility Towards The Environment

HT Groups systematically operates in the area of environmental protection, trying to decrease its own influence on the environment keeping in mind the interest of future generations. Our approach to environmental protection is proactive. We think of the legal regulations as the minimum requirements we often surpass in significant amount. Our procurement policy is directed towards the goals of environmental protection and these goals also affect our behaviour toward the contracting partners. We try to find solutions for our products and services which save energy and natural resources. We actively include our employees into the environmental protection measures and we inform the general public and interested parties on our activities, promoting a constructive dialogue.

ISO 14001 certificate

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

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

Afforestation of fire affected areas

HT Group's effort to give its contribution to environmental protection and ecology has continued in 2010 with direct investments into the afforestation of fire affected areas. Through the project of donating young plants, a total of twenty hectares of the forest area that had burned down over the past year in the summer forest fires on the forest areas of Benkovac, Hvar, Makarska and Metković, have been planted. The project was initiated in June, with the beginning of the season with the high risk of fire, to make the public aware of fire protection.

Recycling and use of devices

In 2010 a special emphasis was placed on users' needs and the promotion of e-business. In May and June 2010, HT organized an action of ecological disposal of used mobile devices during which more than 20 000 old mobile phones, old batteries and other accessories were gathered. Such actions have been organized since 2005 with an excellent response from the users what is proven by over 100 000 used mobile phones that have been disposed of.

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

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

New services for reducing impact on the environment

HT included in its service offer the services that help reduce impact on the environment on customer side: web bill (itemized bill of calls) and e-bill (delivery of bills via e-mail, in electronic form). In 2010, HT set up a new e-mail address: zastita.okolisa@t.ht.hr, available for customer enquiries regarding the area of environmental protection and HT's role in this respect.

Educating the youngest segment of the population

The necessity of preserving the nature is learned from an early age, which is why environmentally-conscious education and upbringing must begin at the



earliest age already. Having this in mind, we have supported the project Pametno s mobitelima (Be Careful with Mobile Phones), organized by the elementary school Ivo Lola Ribar from Labin. We used the project to educate pupils and their families on rational consumption behavior when it comes to use of mobile phones, how to use them more safely and how to properly dispose of mobile phones, as well as the necessity of recycling mobile phones that are no longer used. Apart from the education, the pupils also took part in the creation and handing out of informational leaflets for parents and a very successful action of gathering old mobile phones, chargers and batteries was organized.

Optimization of space as a prerequisite for ecological real estate management

6000 employees are situated in HT buildings in 21 counties in more than 160 cities and neighbourhoods. Since the residential and non-residential buildings participate in the overall consumption of energy with as much as 40%, the savings potential in this segment and favourable effects for the environment is high. HT has joined the initiative for the improvement of energy efficiency in buildings and has been implementing the optimization of space. The optimization is used to achieve the adaptation of the employees' positions to work processes, to improve communication and to make significant savings in the consumption of energy-generating products. Interventions have also been made to reduce the energy effects: boiler rooms have been exchanged with the inverter air conditioning devices for heating/cooling and the initiative regarding work from home (home office) has also been introduced.

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

A step towards smart and energy efficient buildings

The real estate portfolio contains facilities of different year of construction and their construction and energy related status. HT approached the renewal of buildings applying technologies and solutions in the area of green construction and energy efficiency. The actions regarding the improvement of energy efficiency also include structural changes: improvement of the buildings' thermal insulation, renewal of the façades, building in the system of shades for sun protection, replacement of the carpentry/locksmithing with more efficient systems in terms of energy. HT can already boast of smart buildings in which the level of automatization of energy parameters has been lifted to the highest level: let us only mention that by introducing the smart system of lighting regulation a saving of as much as 30% has been achieved. Whenever possible, remote management of the energy performances of the facility is used, systems which automatically turn

off the air conditioning devices as the windows are opened, have been set up, the light sensors, the smart heating systems and other solutions which in practice apply the principles of green building and reduce the effect on the environment.

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

Through education to the improvement of ecological indicators

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

Climate protection as one of the priorities

Only in 2010 HT withdrew and ecologically disposed of more than 54 tons of equipment which contains chloro-fluorocarbonhydrogen. Fire extinguishing equipment containing halons has also been replaced. The older generation air conditioning systems have been replaced with more efficient ones which do not use substances harmful for the environment. Several boiler rooms have also been replaced and the new ones use ecologically more acceptable fuel, gas. The boiler rooms are equipped with automatic regulation which adjusts the parameters of consumption and contributes to the more efficient use of the resources and lower emission into the environment, while regular maintenance of the boiler rooms still presents the basis for the reduction of emission into the environment. In 2010 HT started the preparations for the replacement of the systems which are using the cooling substance chlorodifluoromethane (also known as freon R22) in order to complete all the requested activities by the legally defined deadline (the year 2015).

In 2010 HT actively supported the global ecological initiative for the minimization of the climate changes "Sat zemlje" (Earth's hour) by shutting down the lights on locations throughout Croatia and the company product and service ads were also dimmed.

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

Alternative energy sources - green energy

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

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

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

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

HT controls a car fleet of 1642 vehicles, with 220 vehicles with a gas engine. With the average age of the vehicle being less than 4 years, HT is continuously working on the increase of employees' safety and better indicators related to environmental protection. In 2010 the car fleet was renewed with the purchase of new vehicles with a better factor of the CO₂/km emission and the new vehicles comply with the strict criteria of the Euro V standard. The Euro V standard includes noise reduction, one of the important parameters of occupational health and environmental protection.

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

Electromagnetic radiation in mobile networks

When it comes to electromagnetic radiation, HT fully abides by the valid Croatian regulations which are up to 6.25 times more strict than those in the European Union. All the research that has been conducted so far and the latest scientific findings show that the electromagnetic fields in the mobile communication

systems have no harmful effects on human health, with the confirmation of the World Health Organization. Independent measurements were conducted on more than 150 basic stations in 2010 and the results have been delivered to the Ministry of Health. All sources of the EM fields in the T-Mobile network have the resolution for their use which is issued by the Ministry of Health.

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

Minimizing the impact on the landscape while building mobile networks

HT and other mobile operators, members of the Mobile Communication Association of Croatia (UPKH) have started the initiative of minimizing the number of actions taken within the landscape while building the basic mobile network stations. The Ministry of Environmental Protection, Physical Planning and Construction also supported this initiative and thus today mobile operators are building joint locations. Such activities minimize the mobile networks' impact on the landscape, especially in the protected parts of nature.

We are changing technologies and increasing energy efficiency

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



Optical infrastructure – green technology

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

Multi-service platforms and network evolution

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

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

Energy efficiency in mobile networks

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

Energy optimization of auxiliary systems

Besides the advanced telecommunication technologies where HT follows the latest world trends in telecommunications as well as environmental protection, the so-called auxiliary systems are also optimized: air conditioning (installation of the inverter air conditioning devices and a project on 20 locations of the mobile network which uses the method of forced ventilation with external air), replacement of signal lights with the LED technology on the existing antenna poles, application of new rectifying units which have greater utilisation and other initiatives. HT also cooperates with the “Hrvoje Požar” Energy Institute in the field of energy efficiency, regarding the area of consumption and cost analysis of electric power. The main goals of this cooperation are the improvement of energy efficiency and preparation for participation on the electric power open market.



Numerical indicators – ecological indicators

Electric power consumption*

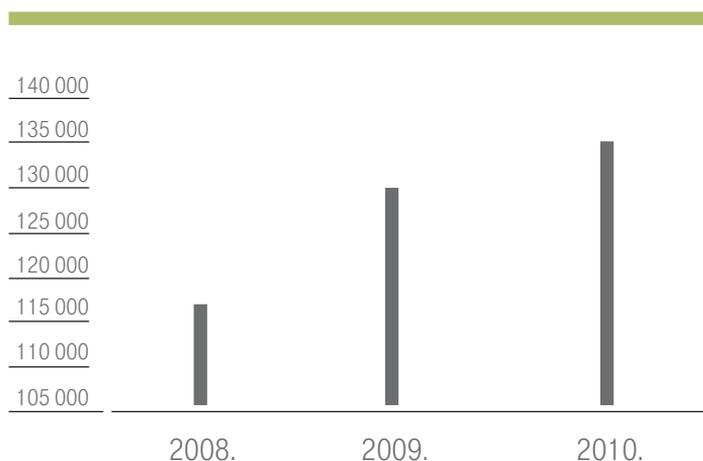
Development of new services, the increase of the network capacities and other global trends in the ICT sector cause constant increase of the electric power consumption. The consumption of electric power was increased in HT in 2010 but the growth was slowed down by the energy efficiency measures.

Indicator

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

*data for HT Group, not including Combis

Electric power consumption (MWh)



*data for HT Group, not including Combis

Energy consumption for heating*

Indicator

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

*data for HT Group, not including Combis

Water consumption*

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

Indicator

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

*data for HT Group, not including Combis

Waste disposal*

Indicator

	2008.	2009.	2010.
Total amount of waste - utility waste is not included (t)	726,09	1 303,86	1 294,63
Total amount of non- hazardous waste (t)	540,47	910,93	800,61
Total amount of hazard- ous waste (t)	185,62	392,93	494,02
Waste paper (t)	182,7	264,62	242,99
Technical waste (t)	216,74	297,27	285,44
Other types of waste (t)	141,03	349,04	268,17

*data for HT Group, not including Combis

Oaks planted in March 2008, during the action of afforestation which included HT's employees in the Sisak forestry.

Motor fuels and vehicles*

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

Indicator

	2008.	2009.	2010.
Total fuel consumption for the vehicles (L)	2 262 107	2 458 047	2 370 178
Gasoline (L)	6 989	243 818	307 545
Diesel (L)	2 259 118	1 970 716	1 817 985
Gas (L)	0	243 513	244 647
Number of vehicles (pcs)	1 725	1 746	1 642
Gasoline engine (pcs)	9	62	302
Diesel engine (pcs)	1 716	1 464	1 340
Gas engine (pcs)	0	220	220
Passenger vehicles (pcs)	1 152	1 073	981
Service vehicles (pcs)	573	673	661
Total mileage (km)	30 270 058	27 741 366	28 259 025
Gasoline engine (km)	103 784	2 231 585	2 920 258
Diesel engine (km)	30 166 274	23 572 846	23 300 038
Gas engine (km)	0	1 936 935	2 038 729
Average consumption (L/100 km)	7,47	8,86	8,38

*data for HT Group, not including Combis

Responsibility towards the environment in HT's subsidiaries

Combis

Combis is not focused on production because it offers know-how, solutions and services in the first place. Nevertheless, the company takes care of the environment in its business activities, within its capacities, and regularly organizes paper recycling, IT equipment disposal in a prescribed manner and promotes environmental preservation.

Combis was the first company in Croatia to present a program of collection and disposal of toners for Lexmark printers. Despite the fact that there is no legal obligation regarding their disposal, Combis joined the program launched within Lexmark Cartridge Collection Program, in cooperation with the company Lexmark Hrvatska, in 2007 already.

Besides, Combis regularly participates in the initiatives organized by UNDP Croatia so that the Company can keep track of the most recent research into climate changes and be timely informed about the methods of potential reduction of impact on the environment that can be employed by the Company and its employees as well.

A person responsible for environmental issues in Combis was appointed in the previous period. The company will in this way additionally engage in the reduction of adverse impact on the environment. Furthermore, a regular column on corporate social responsibility was introduced in the herald of Combis, which is distributed to the employees on a monthly basis, including environmental issues. By doing so, the Company additionally engaged in making people aware of the importance of environmental protection.

Combis also strives to reduce energy consumption, which is why heating has been limited to the defined level and both heating and cooling systems turn off automatically. As for savings related to indirect energy consumption, it is worth mentioning that the majority of Combis employees use, whenever this is possible, and the carpooling transportation model, i.e. traveling together in one vehicle in case of business trips or business meetings organized in the place of work or in the surrounding area.

Car users' obligations regarding regular servicing and optimum car maintenance are clearly specified in the Decision on Company Car Use, which has an indirect impact on preservation of the environment and reduction of harmful car emissions.

Iskon

It is a well-known fact that ICT companies are among the biggest energy consumers and thus have a major impact on global warming. Having this in mind, Iskon takes care for the environment in different segments of its business activities. First of all, by selecting and investing into the new systems which ensure reduced energy consumption.

Collection of paper within the company and paper reduction by sending e-bills to customers also contribute to the environmental protection. The employees are systematically made aware of the need for reducing the number of print-outs and for proper disposal of IT equipment.



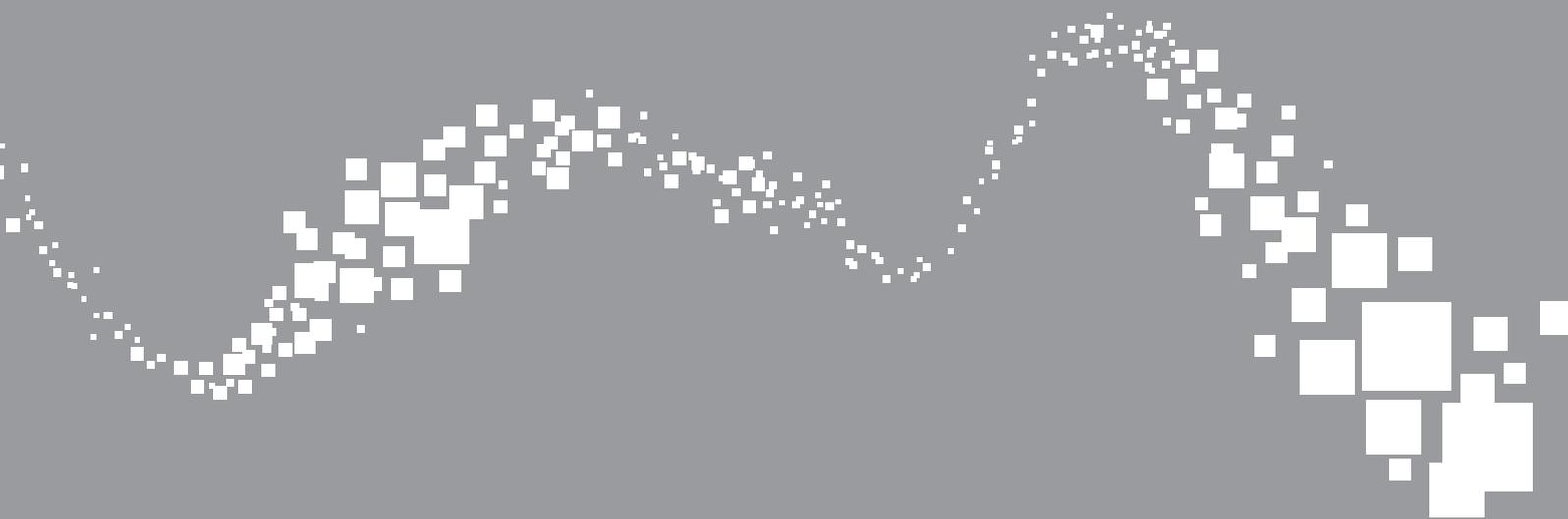
Oaks planted in March 2008, during the action of afforestation which included HT's employees in the Sisak forestry.



Membership

Awards and Recognitions

Implementation of Global Compact Principles



Membership

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

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

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

HT is the member of the European Telecommunications Network Operators' Association (ETNO) since it was founded in 1993 and it is among the first to sign its Environmental Protection Charter in 1996. The Company regularly follows the association's activities in the area of development of new telecommunication products and services, legal regulation, sustainable development and environmental protection.

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

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

HT has been an active member of the Mobile Communication Association of Croatia (UPKH) since it was founded in 2003. UPKH tends to promote mobile communication as a successful, socially responsible, economic branch which takes care of environmental protection, citizen's health and the well-being of the whole community. Through its operations, the Association conducts activities related to the enhancement and development of mobile communication and it deals with competitiveness of Croatian mobile communication on the world market, electromagnetic emissions, traffic security, social responsibility, electronic waste, responsible use of mobile phones in everyday life and sustainable development.

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

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

Awards and Recognitions

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

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

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

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

Bronze Effie Award in the category of a telecommunication operator.

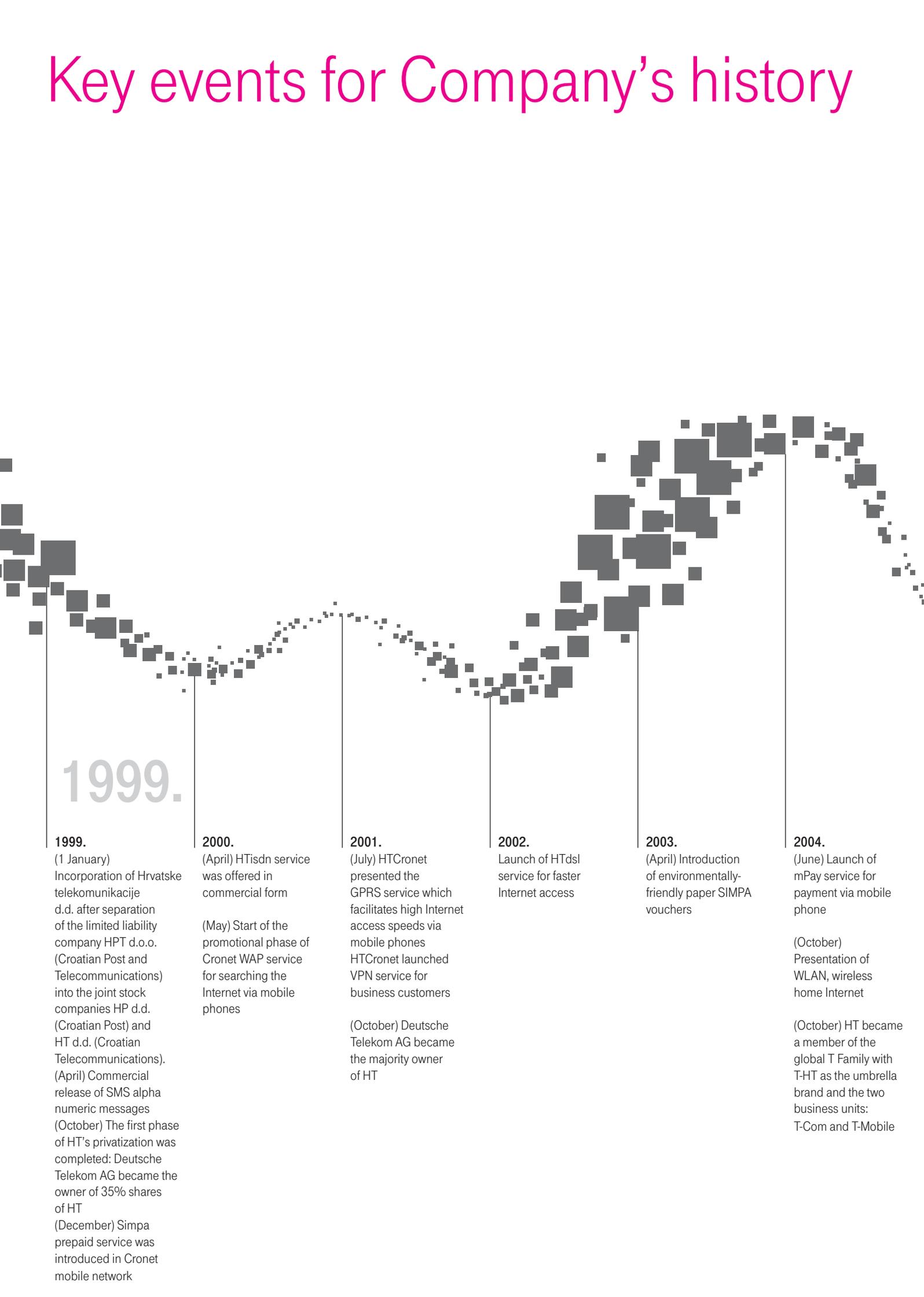




Implementation of Global Compact principles

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

Key events for Company's history



1999.

1999.

(1 January)

Incorporation of Hrvatske telekomunikacije d.d. after separation of the limited liability company HPT d.o.o. (Croatian Post and Telecommunications) into the joint stock companies HP d.d. (Croatian Post) and HT d.d. (Croatian Telecommunications).
(April) Commercial release of SMS alpha numeric messages
(October) The first phase of HT's privatization was completed: Deutsche Telekom AG became the owner of 35% shares of HT
(December) Simpa prepaid service was introduced in Cronet mobile network

2000.

(April) HTisdn service was offered in commercial form

(May) Start of the promotional phase of Cronet WAP service for searching the Internet via mobile phones

2001.

(July) HTCronet presented the GPRS service which facilitates high Internet access speeds via mobile phones
HTCronet launched VPN service for business customers

(October) Deutsche Telekom AG became the majority owner of HT

2002.

Launch of HTdsl service for faster Internet access

2003.

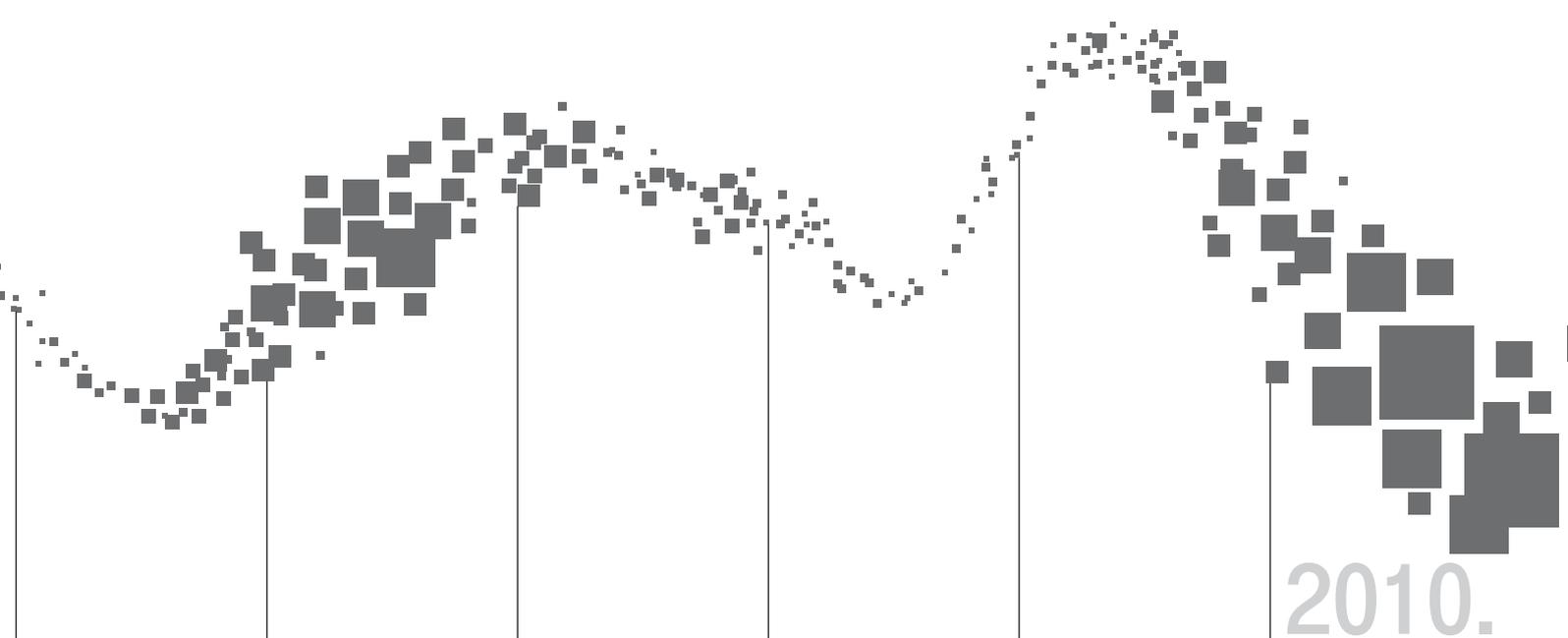
(April) Introduction of environmentally-friendly paper SIMPA vouchers

2004.

(June) Launch of mPay service for payment via mobile phone

(October) Presentation of WLAN, wireless home Internet

(October) HT became a member of the global T Family with T-HT as the umbrella brand and the two business units: T-Com and T-Mobile



2010.

2005.

(June) T-Com set up HotSpot in Dubrovnik as the first public location for wireless Internet

(June) T-Mobile started to provide UMTS services via 3G network

(September) The first commercial video conference was held

(November) Start of the first fully multi-media enabled web page in Croatian web space: MAXzona on T-portal

2006.

(January) Launch of WiMAX network as the first commercial deployment of broadband network in the world

(May) T-HT acquired 100% of shares of IskonInternet d.d.

(May) Launch of Fonoteka (Record Library), the first Croatian music download portal

(June) T-Mobile had 2 million customers

(September) Start of the commercial use of MAXtv

2007.

(5 October) Start of the trading in T-HT's shares (HT-R-A)

2008.

(October) 100 000 MAXtv users – one of the most successful IPTV service launches on the European market

(November) T-Mobile as the first company on the Croatian market to offer iPhone, the most popular gadget in the world

2009.

(August) Commercial release of T-Platomat, a self-service payment machine for cash collection of user bills

2010.

(January) T-Mobile merged to Hrvatski Telekom

(March) HT acquired Combis

(October) Hrvatski Telekom and Ericsson Nikola Tesla demonstrated LTE, fourth generation mobile network

(October) HT launched bonbon, a new mobile brand

(October) HT went social

