



MANAGEMENT'S STATEMENT ON THE RESPONSIBILITY FOR PREPARING FINANCIAL REPORTS FOR THE INSTITUT IGH GROUP, ZAGREB

The Company's Management has to ensure that the INSTITUT IGH, Zagreb, Group financial reports for the first semester of 2010 are prepared in accordance with the Accountancy Law (Official Gazette 146/05) and in keeping with international accounting standards (Official Gazette 140/06, 30/08, 130/08, 137/08) issued by the International Accounting Standards Board (IASB), so that these documents provide a true and unbiased picture of the Group's financial standing, business results, change in capital, and cash flow for the period under consideration.

After making due enquiries, the Management has a reasonable expectation that the Group has adequate resources to continue operation in the foreseeable future. Accordingly, the Management has prepared its financial reports under assumption that the Group will continue to operate for an unlimited period of time.

During preparation of financial reports, the Management is responsible:

- for the selection and, thereafter, for consistent use of appropriate accounting policies;
- for giving reasonable and sensible assessments and estimates;
- for applying valid financial reporting standards and for making public and explaining every materially significant discrepancy discovered in financial reports;
- for preparing financial reports under assumption of an unlimited period of operation, except in cases when such assumption is inappropriate.

The Management is responsible for keeping proper accountancy records that will depict, to an acceptable level of accuracy, the financial standing and business results of the Group, in full compliance with the Accountancy Law and international accounting standards issued by the International Accounting Standards Board (IASB). The Management is also responsible for protecting and safeguarding the Group's assets, and hence for undertaking every measure it deems necessary to prevent and discover cases of fraud and other illegal activity.

Signed on behalf of the Management:

Prof. Jure Radić, Ph.D. (Civ. Eng.), General Manager

Institut IGH, d.d. Zagreb
Janka Rakuše 1
10000 Zagreb



29 July 2010



**GENERAL MANAGER'S REPORT
ON BUSINESS RESULTS OF THE INSTITUT IGH GROUP, JSC
IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2010**

The INSTITUT IGH Group, JSC, Zagreb, provides professional services in the field of testing, design and project validation, works supervision and project management in the architectural and civil engineering spheres of design, and conducts scientific research.

In addition to the mother company, the Group consists of 22 subsidiary companies providing services either in the core activity or in associated fields of activity, the exception being one subsidiary company that provides services in the field of hotel industry and tourism.

The mother company of the Group is Institut IGH, JSC, Zagreb, with the head office in Zagreb, Janka Rakuše 1, company registration No.: 3750272, personal identification No. 79766124714.

The total number of persons employed with the Group was 1279 on 30 June 2010.

Supervisory Board and Management of Institut IGH, JSC

The company's Supervisory Board members are:

Franjo Gregorić, Ph.D. (Econ.), President

Aleksandar Čaklović, B.Sc. (Civ. Eng.), Deputy President

Slavko Kojić, B.A. (Econ.), Member

Dinko Tvrtković, B.Sc. (Civ. Eng.), Member

Branko Kincl, Academician, Member

Prof. Vlatka Rajčić, Ph.D. (Civ.Eng.), Member

Ante Stojan, B.Arch, Member

The company's Management members are:

Prof. Jure Radić, Ph.D. (Civ. Eng.), General Manager

Equity capital

The equity capital amounts to **HRK 63,432,000.00** and consists of **158,580** regular shares each with the nominal value of **HRK 400**.

Business results of the Institut IGH Group in the period from 1 January to 30 June 2010

In the period from 1 January to 30 June 2010, the Institut IGH Group revenues, generated through sale of products and services, amounted to **HRK 241 million**.

Consolidated revenues from sales realized on domestic market amount to **HRK 206 million**.

Revenues realized in other countries amount to **HRK 35 million**, which is a 20 percent increase over the same period a year ago, when these revenues amounted to **HRK 29 million**.

The consolidated business revenues amount to **HRK 252 million** (they amounted to **HRK 411 million** in the same period last year).

The operating expenses amount to **HRK 245 million** and have been reduced by 29 percent with respect to the same period in the previous year. This reduction in operating expenses is mostly due to the reduction in the cost of external services and personnel costs, which have been reduced by 8 percent when compared to the same period last year.

Total financial revenues amount to **HRK 26 million**, and are formed of interest revenues and currency exchange gains amounting to **HRK 17 million**, and revenues from sale of company shares amounting to **HRK 9 million**.

Financial expenses in the period from January to June 2010 amount to **HRK 27 million**. Financial expenses are formed of interest on loans amounting to **HRK 23 million**, and net losses from negative exchange rate differences and other financial expenses amounting to **HRK 4 million**.

The INSTITUT IGH Group realized in the period from January to June 2010 the consolidated pre-tax profit of **HRK 6.8 million**. The after-tax profit amounts to **HRK 4.2 million**. As the profit attributed to minority interest is **HRK 161 thousand**, the profit margin of mother-company shareholders is **HRK 4 million**.

The reduction registered in the Group's revenues and profits over the reporting period with respect to the same period last year is due to recession, which has resulted in the reduced scope of construction activity and stagnation of investment in the construction of infrastructure facilities in the Republic of Croatia, although it should be noted that such effects have been partly compensated by an increase marked in international operations.

On the day of this report the Institut IGH Group claims HRK 211 million as unpaid trade receivables, and the contracts in hand, i.e. works in progress, amount to HRK 855 million.

Zagreb, 29 July 2010



Institut IGH, d.d.

Prof. Jure Radić, Ph.D. (Civ.Eng.)

General Manager

ATTACHMENT 1

Reporting period:

01.01.2010

to

30.06.2010

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 03750272

Company registration number (MBS): 80000959

Personal identification number (OIB): 79760124714

Issuing company: INSTITUT IGH D.O.

Postal code and place: 10000 ZAGREB

Street and house number: JANKA RAKUŠE 1

E-mail address: igh@igh.hr

Internet address: http://www.institutigh.com

Municipality/city code and name: 133 ZAGREB

County code and name: 133 GRAD ZAGREB

Number of employees: 1.279
(quarter end)

Consolidated report: YES

NKD code: 7219

Companies of the consolidation subject (according to IFRS)	Seat:	MB:
IGH MOSTAR	MOSTAR, BIŠĆE POLJE BB	4227060470005
GEOISTRAŽIVANJE OSIJEK	OSIJEK, DRINSKA 18	01519573
IGH RAZUM	ZAGREB, JANKA RAKUŠE 1	01319585
ADEPTO	ZAGREB, BRANIMIROVA 71	01982516
GEO TEHNIKA INŽENJERING	ZAGREB, GRADISČANSKA 26	01517597
EKONOMSKO TEHNIČKI ZAVOD D.O.	OSIJEK, TRG A. STARČEVIĆA 7/II	03013669

Bookkeeping service:

Contact person: SPINDERK JADRANKA
(please enter only contact person's family name and name)

Telephone: 01 6125 444 Facsimile: 01 6125 419

E-mail address: igh@igh.hr

Family name and name: Prof. RADIĆ JURE, Ph.D. (Civ. Eng.)
(person authorized to represent the company)

Documents to be published.

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Statement of persons responsible for the drawing-up of financial statements
3. Report of the Management Board on the Company Status



J. Radić
(signature of the person authorized to represent the company)

Companies of the consolidation subject (according to IFRS) - continued :

RADELJEVIC D.O.O.	ZAGREB, JANKA RAKUSE 1	01938533
CENTAR GRADSKI PODRUM D.O.O.	ZAGREB, AUGUSTA CESARCA 2	01305123
KILA D.O.O.	SPLIT, SVACICEVA 4	01938541
CENTAR BUNDEK D.O.O.	ZAGREB, KNINSKI TRG 14	01890247
FORUM CENTAR D.O.O.	ZAGREB, JAGODNJAK 17	01960229
HIDROINZENJERING D.O.O.	ZAGREB, OKUCANSKA 30	03685110
ARHITEKTURA THOLOS PROJEKTIRANJE D.O.O.	ZAGREB, LOPASICEVA 6	01605291
PROJEKT SOLTA D.O.O.	ZAGREB, JANKA RAKUSE 1	92391754978
IGH PROJEKTIRANJE D.O.O.	ZAGREB, JANKA RAKUSE 1	02441918
DUBROVAČKA INVESTICIJSKA GRUPA D.O.O.	DUBROVNIK, OBALA S. RADIĆA 20	01974378
PROJEKTI BIRO PALMOTICEVA 48 D.O.O.	ZAGREB, PALMOTICEVA 48	03222853
ČTP PROJEKT D.O.O.	ZAGREB, SAVSKA C. 144A	02396173
VOĐENJE PROJEKATA D.O.O.	ZAGREB, BIJENIČKA CESTA 8	02427648
BP AQUA D.O.O.	ZAGREB, SREDNJACI 16	01907522
TEHNIČKE KONSTRUKCIJE D.O.O.	ZAGREB, VLAŠKA 79	02405665
TERMOSTROJARSKI PROJEKTI D.O.O.	ZAGREB, ILIČA 93	02469260

BALANCE SHEET

as of

30.6.2010

thousands HRK

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS	002	802.649	777.121
I. INTANGIBLE ASSETS	003	58.805	63.046
II. PROPERTY, PLANT AND EQUIPMENT	004	570.113	560.909
III. NON-CURRENT FINANCIAL ASSETS	005	162.801	141.575
IV. RECEIVABLES	006	6.379	6.295
V. DEFERRED TAX ASSET	007	4.551	5.296
C) CURRENT ASSETS	008	943.400	990.425
I. INVENTORIES	009	503.521	559.300
II. RECEIVABLES	010	323.298	334.152
III. CURRENT FINANCIAL ASSETS	011	77.417	84.211
IV. CASH AND CASH EQUIVALENTS	012	39.164	12.762
D) PREPAYMENTS AND ACCRUED INCOME	013	20.680	20.015
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	1.766.729	1.787.561
G) OFF BALANCE SHEET ITEMS	016	114.300	132.122
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	460.249	449.549
I. SUBSCRIBED SHARE CAPITAL	018	63.432	63.432
II. CAPITAL RESERVES	019	13.375	13.999
III. LEGAL RESERVES	020	5.569	8.068
IV. REVALUATION RESERVES	021	68.712	68.601
V. RETAINED EARNINGS	022	228.168	238.146
VI. LOSS CARRIED FORWARD	023		
VII. NET PROFIT FOR THE PERIOD	024	10.684	4.022
VIII. LOSS FOR THE PERIOD	025		
IX. MINORITY INTEREST	026	70.309	53.281
B) PROVISIONS	027	20.808	19.501
C) NON-CURRENT LIABILITIES	028	407.560	432.694
D) CURRENT LIABILITIES	029	870.462	878.545
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	7.650	7.272
F) TOTAL EQUITY AND LIABILITIES	031	1.766.729	1.787.561
G) OFF BALANCE SHEET ITEMS	032	114.300	132.122
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	033	389.940	396.268
2. Attributable to minority interest	034	70.309	53.281

PROFIT AND LOSS STATEMENT

for period

1.1.2010

to

30.6.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME	035	410.794	208.752	252.380	122.913
1. Rendering of services	036	394.380	202.417	241.251	122.173
2. Income from usage of own products, merchandise and services	037	554	351	439	317
3. Other operating income	038	15.860	5.984	10.690	423
II. OPERATING COSTS	039	344.260	184.750	244.865	125.834
1. Decrease of work in progress and merchandise	040	8.911	8.911		
2. Increase of work in progress and merchandise	041		-3.423	58.786	31.084
3. Material expenses	042	139.496	76.941	138.826	74.808
4. Employee benefits expenses	043	123.894	61.006	114.290	58.613
5. Depreciation and amortisation	044	19.840	8.794	15.523	5.720
6. Other expenses	045	25.818	15.258	18.612	10.739
7. Write down of assets	046	15.764	1.782	13.069	4.938
8. Provisions	047	4.687	2.892	1.686	850
9. Other operating costs	048	5.850	5.743	1.645	1.250
III. FINANCIAL INCOME	049	15.978	7.222	26.332	14.936
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050				
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	10.952	7.222	16.907	14.897
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054	5.026	0	9.425	39
IV. FINANCIAL EXPENSES	055	21.802	-123	26.983	16.914
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057	21.802	-123	26.983	16.914
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059				
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	426.772	215.974	278.712	137.849
VIII. TOTAL EXPENSES	063	366.062	184.627	271.848	142.748
IX. PROFIT BEFORE TAXES	064	60.710	31.347	6.864	
X. LOSS BEFORE TAXES	065				4.899
XI. TAXATION	066	9.446	5.255	2.681	532
XII. NET PROFIT FOR THE PERIOD	067	51.264	26.092	4.183	
XIII. LOSS FOR THE PERIOD	068				5.431
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069	52.506	25.736	4.022	
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070			161	925
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071				6.356
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072	1.242	356		

CASH FLOW STATEMENT - Indirect method

period 1.1.2010 to 30.6.2010

thousands HRK

Position 1	AOP oznaka 2	Previous period ž 3	Current period 4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	60.710	6.864
2. Depreciation and amortisation	074	19.840	15.523
3. Increase of current liabilities	075	61.666	8.083
4. Decrease of current receivables	076		
5. Decrease of inventories	077		
6. Other cash flow increases	078	3.326	24.607
I. Total increase of cash flow from operating activities	079	145.542	55.077
1. Decrease of current liabilities	080		
2. Increase of current receivables	081	86.748	10.854
3. Increase of inventories	082	22.569	55.779
4. Other cash flow decreases	083	122.896	17.384
II. Total decrease of cash flow from operating activities	084	232.213	84.017
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085		
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	86.671	28.940
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	203	207
2. Proceeds from sale of non-current financial assets	088		11.159
3. Interest received	089	2.293	1.652
4. Dividend received	090	437	
5. Other proceeds from investing activities	091		2.000
III. Total cash inflows from investing activities	092	2.933	15.018
1. Purchase of non-current assets	093	32.599	3.174
2. Purchase of non-current financial assets	094	59.387	21.626
3. Other cash outflows from investing activities	095	5.685	5.071
IV. Total cash outflows from investing activities	096	97.671	29.871
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	94.738	14.853
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099	69.632	67.164
2. Proceeds from loans and borrowings	100	223.556	56.391
3. Other proceeds from financing activities	101	20.546	
V. Total cash inflows from financing activities	102	313.734	123.555
1. Repayment of loans and bonds	103	103.063	97.404
2. Dividends paid	104		4
3. Repayment of finance lease	105	2.832	1.908
4. Purchase of treasury shares	106		1.089
5. Other cash outflows from financing activities	107		
VI. Total cash outflows from financing activities	108	105.895	100.405
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	207.839	23.150
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		
Total increases of cash flows	111	207.839	23.150
Total decreases of cash flows	112	181.409	43.793
Cash and cash equivalents at the beginning of period	113	78.236	80.604
Increase of cash and cash equivalents	114	5.884	
Decrease of cash and cash equivalents	115		20.643
Cash and cash equivalents at the end of period	116	84.120	59.961

STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 30.6.2010

thousands HRK

Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	63.432			63.432
2. Capital reserves	118	13.375	624		13.999
3. Net income reserves	119	5.569	3.587	1.088	8.068
4. Retained earnings or loss carried forward	120	228.168	10.758	780	238.146
5. Net profit (loss) for the period	121	10.684	4.022	10.684	4.022
6. Revaluation of property, plant and equipment	122	65.103	51	79	65.075
7. Revaluation of intangible assets	123				
8. Revaluation of available for sale financial assets	124	3.723			3.723
9. Other revaluation	125				
10. Foreign exchange differences from investments abroad	126	-114	-83		-197
11. Current and deferred taxes (part)	127				
12. Hedging of the cash flow	128				
13. Change of accounting policies	129				
14. Change of prior period error	130				
15. Other changes in equity	131				
16. Total increase or decrease of equity	132	389.940	18.959	12.631	396.268
16a. Attributable to majority owners	133	389940			396.268
16b. Attributable to minority interest	134	70309			53.281