



INSTITUT IGH, d.d. ZAGREB

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

and the Independent Auditor's Report

Zagreb, 29 March 2011

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Management Report

Pursuant to the Accounting Act (Official Gazette 109/07), the Board of Directors is to see that the Consolidated Financial Statements of INSTUTUT IGH d.d. Zagreb ("the Company") are prepared in line with the International Financial Reporting Standards (IFRS) as published in the Official Gazette of the Republic of Croatia (nos. 139/09, 08/10, 18/10, 27/10, 65/10, 120/10) so that they present a true and fair presentation of the position of the Group and its business results, cash flows and equity changes in each fiscal year. Pursuant to Article 34, paragraph 3, of the Accounting Act, until the Republic of Croatia becomes a European Union member, the international standards of financial reporting include the International Accounting Standards (IAS) and their amendments and interpretations, and the International Financial Reporting Standards (IFRS) with their amendments and interpretations, as established by the Committee, and are published in the Official Gazette.

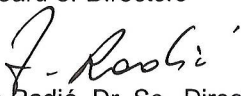
Based upon adequate researches, the Board of Directors justifiably expects the Company to dispose of adequate resources in the foreseeable future. Therefore, the Board of Directors produced the Financial Statements assuming the Group's going concern.

Responsibilities of the Board of Directors in preparing the Financial Statements include the following:

- selection and consistent application of adequate accounting policies;
- producing justified and reasoned opinions and assessments;
- acting in line with the valid accounting standards, and publishing and explaining all materially important deviations in the Financial Statements; and
- producing the Financial Statements assuming a going concern, unless this assumption would not be adequate.

The Board of Directors is responsible about maintaining adequate accounting records that show the financial position of the Company with justified precision at all times, and making the Financial Statements be in line with the Accounting Act. Furthermore, the Board of Directors is responsible about safeguarding the Company's assets and performing of adequate steps to prevent and reveal any frauds and other irregularities.

For the Board of Directors


Prof. Jure Radić, Dr. Sc., Director



Institut IGH, d.d. Zagreb

Janka Rakuše 1

10 000 Zagreb

Republic of Croatia

29 March 2011

INSTITUT IGH, d.d.

Zagreb

Janka Rakuše 1

To the Company Shareholders and Managers

INTEPENDING AUDITOR'S REPORT

Audited reports

1. Pursuant to the Audit Agreement, we have audited the 2010 Consolidated Financial Statements of the INSTITUT IGH, d.d. Zagreb, as provided for by the International Financial Reporting Standards, as follows:

- a) Consolidated Balance Sheet as of 31 December 2010;
- b) Consolidated Profit and Loss Account for the year 2010;
- c) Consolidated Statement of Other Comprehensive Incomes for the year 2010;
- d) Cash Flow Statement for the year 2010;
- e) Equity Changes Statement for the year 2010;
- f) Notes to the 2010 Financial Statements.

The above Statements were approved for publishing on 29 March 2011, and are presented on pages 1 to 41 attached to this Report.

Financial reporting framework

2. The financial reporting framework of the audited Financial Statements are:

- a) Accounting Act (Official Gazette 109/07), and
- b) International Financial Reporting Standards (Official Gazette 139/09, 08/10, 18/10, 27/10, 65/10, 120/10). Pursuant to Article 34, paragraph 3, of the Accounting Act, until the Republic of Croatia becomes a European Union member, the international standards of financial reporting include the International Accounting Standards (IAS) and their amendments and interpretations, and the International Financial Reporting Standards (IFRS) with their amendments and interpretations, as established by the Committee, and are published in the Official Gazette.

Responsibility of the Management

3. The audited financial statements are the responsibility of Management of the INSTITUT IGH d.d. Zagreb Group. The Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the established financial reporting framework. Responsibilities of the Management include:

- a) designing, implementing and maintaining of internal controls relevant to the preparation and fair presentation of the Financial Statements, free of any material misstatements in presentation, whether due to fraud or error,
- b) selecting and applying of appropriate accounting policies and making of accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

4. Our responsibility is to express an opinion on the Financial Statements, based on our audit. We conducted our audit in accordance with the Auditing Act (Official Gazette 146/05, 139/08) and the International Auditing Standards (Official Gazette 49/10). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial standards are free from material misstatements.

The audit involves performing procedures aimed to obtaining audit evidence about the amount and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatements of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the client's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. The audit also includes evaluating of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

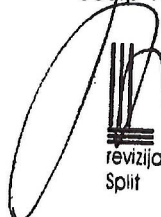
5. In our opinion, the presented Consolidated Financial Statements present realistically and fairly the financial status of the INSTITUT IGH, d.d. Zagreb and its subsidiaries, as at 31 December 2010, the business operations results, cash flow and equity changes in the year 2010, in accordance with the financial reporting frameworks stated in the Point 2 above.

Report on other statutory or regulators requirements

6. Pursuant to the Accounting Act (Official Gazette 109/07), the Rules on of the Annual Financial Statements Structure and Contents (Official Gazette 38/08, 12/09, 130/10), the prescribed financial statements presented here, alongside the audited financial reports, by have been made by the Company Management. The said statements comply with the financial statements that we have commented in the Point 5 of our Report.

Split, 29 March 2011

Director - Certified Auditor:
Josip Tomasović



LIST d.o.o.
revizija i poslovne usluge
Split Hrvojeva 12/II

CONSOLIDATED BALANCE SHEET
for the year ended on 31 December 2010

	NOTE	31/12/2009 in HRK 000s	31/12/2010 in HRK 000s
ASSETS			
FIXED ASSETS			
Intangible assets	3	58,805	33,960
Real-estates, plants and equipment	4	444,891	428,617
Investments in real-estates	4	125,222	97,124
Financial assets	5	162,801	166,037
Long-term receivables	6	6,379	6,117
Deferred tax assets	7	4,551	2,282
		<u>802,649</u>	<u>734,137</u>
CURRENT ASSETS			
Stocks	8	503,521	148,297
Receivables from customers	10	184,013	161,474
Financial assets	12	35,977	29,038
Other receivables and calculated incomes	9,11,14	159,966	202,390
Cash and cash equivalents	13	80,604	73,680
		<u>964,081</u>	<u>614,879</u>
TOTAL ASSETS		<u>1,766,730</u>	<u>1,349,016</u>
CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15	63,432	63,432
Capital reserves	16	13,375	13,999
Statutory reserves	17	3,172	3,172
Reserves for own shares	18	6,343	6,343
Own shares	19	(3,945)	(1,446)
Revaluation reserves	20	68,826	61,719
Profit brought forward	21	228,168	241,862
Current year profit	22	10,684	8,300
Minority interest	23	70,309	5,167
Currency exchange losses from foreign operation investments		(114)	(30)
TOTAL CAPITAL		<u>460,250</u>	<u>402,518</u>
LIABILITIES			
LONG-TERM LIABILITIES			
Liabilities from loans	25	358,737	343,965
Reservations	24	20,808	8,280
Other long-term liabilities	26,27	48,823	8,386
Deferred tax liabilities		5,266	3,906
		<u>433,634</u>	<u>364,537</u>
SHORT-TERM LIABILITIES			
Liabilities from loans	29	354,035	181,858
Liabilities to suppliers	31	185,352	143,617
Liabilities from prepayments received	30	16,356	13,901
Other short-term liabilities	28, 33	194,798	127,409
Liabilities from securities	32	119,921	113,791
Deferred costs and revenues not yet due	34	2,384	1,385
		<u>872,846</u>	<u>581,961</u>
TOTAL CAPITAL AND LIABILITIES		<u>1,766,730</u>	<u>1,349,016</u>

Notes numbers 1 to 55 make integral parts of the Financial Statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2010

	NOTE	2009 in HRK 000s	2010 in HRK 000s
Revenues from sales	35	709,101	517,006
Other operating revenues	36	30,139	34,598
TOTAL REVENUES FROM CORE ACTIVITY		<u>739,240</u>	<u>551,604</u>
CHANGE OF VALUE OF PRODUCTION IN COURSE AND FINISHED PRODUCTS STOCK	37	(79,686)	6,402
Costs of materials, raws and services	38,39,40	396,973	170,382
Staff costs	41	280,524	250,366
Depreciation	42	40,736	26,505
Asset value harmonisation	44	29,576	16,906
Reservations	45	6,534	666
Other operative costs	43,46	31,302	29,127
TOTAL OPERATIVE COSTS		<u>705,959</u>	<u>500,354</u>
PROFIT FROM OPERATING ACTIVITIES		<u>33,281</u>	<u>51,250</u>
FINANCIAL REVENUES	47	<u>50,393</u>	<u>33,369</u>
FINANCIAL EXPENSES	48	<u>72,745</u>	<u>67,470</u>
LOSS FROM FINANCING ACTIVITIES		<u>(22,352)</u>	<u>(34,101)</u>
PROFIT BEFORE TAXATION		<u>10,929</u>	<u>17,149</u>
PROFIT TAX	49	(3,296)	(7,942)
CURRENT YEAR PROFIT		<u>7,633</u>	<u>9,207</u>
PROFIT CREDITED TO MINORITY INTERESTS			(907)
LOSS CHARGING MINORITY INTERESTS		3,050	
PROFIT OF THE GROUP		<u>10,683</u>	<u>8,300</u>
<i>PROFIT PER SHARE (in Kunas and lipas)</i>	50	67.37	52.49

CONSOLIDATED STATEMENT ON OTHER COMPREHENSIVE INCOMES

for the year ended on 31 December 2010

	NOTE	2009 in HRK 000s	2010 in HRK 000s
PROFIT OF THE PERIOD		<u>7,633</u>	<u>9,207</u>
Currency exchange differences from operations abroad		(22)	(8)
Profit from revaluation of financial assets available for sales		1,771	4,393
TAX PAYABLE TO OTHER COMPREHENSIVE INCOME OF THE PERIOD		(350)	(877)
NET OTHER COMPREHENSIVE INCOME OF THE PERIOD	51	<u>1,399</u>	<u>3,508</u>
COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD		9,032	12,715
Credited to the Company shareholders		12,082	11,808
Credited to the minority interests		(3,050)	907

CONSOLIDATED CASH FLOW STATEMENT

for the year ended on 31 December 2010

	NOTE	2009 in HRK 000s	2010 in HRK 000s
CASH FLOW FROM OPERATING ACTIVITIES	53		
Profit before taxation		10,929	17,149
Harmonisations:			
Depreciation		40,737	26,505
Expenses from interests		63,761	49,607
Revenues from interests		(25,255)	(8,800)
Increase / (decrease) of reservations		(3,725)	(12,528)
Receivables value correction		29,310	16,906
Currency exchange differences from assets in accounts (net)		(3,592)	5,190
Result from operating activities before operative capital change		112,165	94,029
Decrease / (increase) of current assets:			
(Increase) / decrease of stocks		(11,142)	355,223
(Increase) / decrease of receivables from customers		39,588	22,539
Increase / (decrease) of liabilities to suppliers		7,986	(41,735)
(Increase) / decrease of other receivables		(93,494)	(378,404)
Net cash flow from operating activities before interests and taxes		55,103	51,652
Interests paid		(63,761)	(49,607)
Profit tax paid		(23,528)	(18,856)
NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES		<u>(32,186)</u>	<u>(16,811)</u>
CASH FLOW FROM INVESTING ACTIVITIES	53		
Inflows from sale of fixed tangible and intangible assets		427	443
Inflows from sale of ownership instruments and debentures		77,374	58,848
Inflows from interests		4,052	0
Other inflows from investing activities		13,162	41,529
Outflows from purchasing fixed tangible and intangible assets		(59,336)	(11,341)
Outflows from acquiring ownership instruments and debentures		(227,371)	(62,102)
NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES		0	<u>27,377</u>
NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES		<u>(191,692)</u>	0
CASH FLOW FROM FINANCING ACTIVITIES	53		
Inflows from issuing own ownership instruments and debentures		91,923	67,164
Inflows from loan principals, debentures and other loans		544,046	279,023
Outflows from payments for loan principals and bonds		(361,742)	(355,916)
Outflows from payments of dividends		(8,031)	(199)
Outflows from financial lease		(4,622)	(6,464)
Outflows from purchasing own shares		0	(1,089)
Other outflows from financing activities		(35,328)	(9)
NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES		<u>226,246</u>	
NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES		0	<u>(17,490)</u>
Total cash flow increase		<u>2,368</u>	
Total cash flow decrease		0	(6,924)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>78,236</u>	<u>80,604</u>
Cash and cash equivalents increase		2,368	
Cash and cash equivalents decrease		0	(6,924)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	<u>80,604</u>	<u>73,680</u>

Notes numbers 1 to 55 make integral parts of the Financial Statements.

CONSOLIDATED EQUITY CHANGE STATEMENT
for the year ended on 31 December 2010

	Share capital	Statutory reserves	Reserves for own shares	Capital reserves	Other reserves	Revaluation reserves	Profit brought forward	Current year profit	Total
31 December 2008	63,432	3,172	2,398	13,376	0	75,109	178,452	58,015	393,954
Profit distribution	-	-	-	-	-	-	52,115	(52,115)	-
Rewards paid to the management	-	-	-	-	-	-	-	(5,900)	(5,900)
Liabilities from dividends and participation in profit	-	-	-	-	-	-	(8,481)	-	(8,481)
Increase of long-term financial assets	-	-	-	-	-	2,189	-	-	2,189
Decrease of long-term financial assets	-	-	-	-	-	(1,559)	-	-	(1,559)
Revaluation of long-term financial assets	-	-	-	-	-	4,531	2,373	-	6,904
Decrease of fixed tangible assets	-	-	-	-	-	(11,445)	(2)	-	(11,447)
Decrease by previous period expenses	-	-	-	-	-	-	(975)	-	(975)
Decrease of deferred tax assets	-	-	-	-	-	-	(243)	-	(243)
Transferred from dividend payment liabilities	-	-	-	-	-	-	2,304	-	2,304
Exit and consolidation of new companies	-	-	-	-	-	-	2,625	-	2,625
Currency exchange differences - investments abroad	-	-	-	-	-	-	-	(114)	(114)
Current year profit	-	-	-	-	-	-	-	10,684	10,684
31 December 2009	63,432	3,172	2,398	13,376	0	68,825	228,168	10,570	389,941
Profit distribution	-	-	-	-	-	-	10,570	(10,570)	0
Capital income from sales of own shares	-	-	-	623	-	-	-	-	623
Acquiring own shares	-	-	(1,089)	-	-	-	-	-	(1,089)
Rewards to the management in shares	-	-	3,588	-	-	-	-	-	3,588
Increase of long-term financial assets	-	-	-	-	-	4,393	-	-	4,393
Revaluation of long-term financial assets	-	-	-	-	-	3,084	2,504	-	5,588
Decrease of fixed tangible assets	-	-	-	-	-	(13,257)	-	-	(13,257)
Decrease by previous period expenses	-	-	-	-	-	-	(1,945)	-	(1,945)
Exit and consolidation of new companies	-	-	-	-	-	(1,326)	2,565	-	1,239
Currency exchange differences - investments abroad	-	-	-	-	-	-	-	(30)	(30)
Current year profit	-	-	-	-	-	-	-	8,300	8,300
31 December 2010	63,432	3,172	4,897	13,999	0	61,719	241,862	8,270	397,351

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010

1. GENERAL INFORMATION

1.1. Activities

Institut IGH, Zagreb, Group and its subsidiaries (the Company) perform professional testing, designing and validation of designs, supervision and professional management for architectural and civil-engineering fields of designing, as well as scientific research.

Institut IGH d.d. holds shares in 19 subsidiary companies and 10 affiliated companies performing the same and similar activities, except for one subsidiary company engaged in hotel and tourism business.

The registered office of Institut IGH d.d., OIB 79766124714, is in Zagreb, at Janka Rakuše 1. The Company is registered in the Register of Companies of the Municipal Court at Zagreb, company number 080000959.

The Company shares, ticker: IGH-R-A, ISIN: HRIGHORA0006, are quoted in the Zagreb Stock Exchange.

1.2. Staff

On 31 December 2010, the Company and its subsidiaries employed **1,174** employees (in 2009 there were **1,266** employees). Based on working hours, the average number of employees in 2010 was **1,064**.

1.3. Company Supervising Board and Board of Directors

Members of the Company Supervising Board:

dr . Franjo Gregurić, B. Sc. Econ., Chairman	from 14 July 2008 to 14 July 2012 latest
Aleksandar Čaklović, B. Sc. Civ. Eng., Vice-Chairman	from 16 December 2003 to August 2011 latest
Slavko Kojić, B. Sc. Econ., Member	from 16 December 2003 to August 2011 latest
Dinko Tvrčković, B. Sc. Civ. Eng., Member	from 2 April 2009 to 1 April 2013 latest
Branko Kincl, Academy Member, Member	from 19 July 2010 to 19 July 2014 latest
Prof. Vlatka Rajčić, Dr. Sc., Member	from 19 July 2010 to 19 July 2014 latest
Ante Stojan, B. Sc. Civ. Eng., Member	from 19 July 2010 to 19 July 2014 latest

The Company Director is:

Prof. Jure Radić, Dr. Sc. Civ. Eng., Director	from 19 July 2010 to end of July 2015 latest
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended on 31 December 2010
 (continued)

1.4. Consolidation

The consolidation includes the Company and the following subsidiary companies:

	<u>PARTICIPATION IN OWNERSHIP AND VOTING RIGHTS (%)</u>	
	<u>2009</u>	<u>2010</u>
Geotehnika-inženjering d.o.o., Zagreb	100	100
Geoistraživanje d.o.o., Osijek	100	-
IGH Mostar d.o.o., Mostar	100	100
IGH Energija d.o.o. (ex IGH Razum d.o.o.), Zagreb	100	100
Incro d.o.o. (ex Adepto d.o.o.), Zagreb	100	100
Forum centar d.o.o., Zagreb	100	100
Dubrovačka Investicijska Grupa d.o.o., Dubrovnik	100	100
Projekt Šolta d.o.o., Zagreb	100	100
Radeljević d.o.o., Zagreb	100	100
IGH Projektiranje d.o.o., Zagreb	66.66	100
Vođenje projekata d.o.o., Zagreb	59.99	90
ETZ d.d., Osijek	80.20	80.20
Projektni biro Palmotičeva 45 d.o.o., Zagreb	53.38	80.08
IGH Kosova Sha	74.80	74.80
Arhitektura Tholos projektiranje d.o.o., Zagreb	66	66
Tehničke konstrukcije d.o.o., Zagreb	40	60
DP AQUA d.o.o., Zagreb	40	60
MBM Termoprojekt d.o.o., Zagreb	-	60
CTP Projekt d.o.o., Zagreb	37.33	56
Hidroinženjering d.o.o., Zagreb	55	55
Kila d.o.o., Split	50	-
Centar Bundek d.o.o., Zagreb	50	-
Centar gradski podrum d.o.o., Zagreb	37.50	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

The consolidation does not include the subsidiary companies whose financial position and business success made no effects to the financial position and business success of the Company in 2010:

	<u>PARTICIPATION IN OWNERSHIP AND VOTING RIGHTS (%)</u>	
	<u>2009</u>	<u>2010</u>
Slavonija Centar, Business Zone, Velika Kopanica d.o.o., Zagreb	100	100

The subsidiary companies IGH KOSOVA SHA, Prishtina, and Vođenje projekata d.o.o., Zagreb, were not included in the 2009 consolidation, because in that period of time their financial position and business success did not materially affect the Company's financial position and business success.

The subsidiary company Geoistraživanje Osijek d.o.o. was by a contract merged with the subsidiary company Geotehnika Inženjering d.o.o. as the surviving company. This status change is entered in the Register of Companies the Municipal Court at Zagreb, number Tt-10/24673-2 of 31 December 2010.

The subsidiary company Centar gradski podrum d.o.o. where the Company participates in ownership and voting rights with 37.5 %, has been removed from the consolidation because of the loss of control due to changes in the ownership structure.

The subsidiary company Centar Bundek d.o.o. is excluded from consolidation in 2010 because of the changes in the absolute and relative ownership levels. Following the sales of 10% of interests, the Company's participation in the ownership and voting rights amounts to 40% and the company has the status of an affiliated company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

The following are the affiliated companies:

	<u>PARTICIPATION IN OWNERSHIP AND VOTING RIGHTS (%)</u>	
	<u>2009</u>	<u>2010</u>
Institut za infrastrukturne projekte, Sofia	50	50
Elektrostrojarski projekti d.o.o.	49.99	-
Termostrojarski projekti d.o.o.	49.99	-
Institut građevinarstva Sarajevo d.o.o., Sarajevo	49	49
Sportski grad TPN d.o.o., Split	40	40
Auto cesta Bar Boljare d.o.o., Split	40	40
Centar Bundek d.o.o. , Zagreb	-	40
Labos arhitektura d.o.o.	40	-
Tehničke konstrukcije d.o.o.	40	-
DP Aqua d.o.o., Zagreb	40	-
Centar Gradski podrum d.o.o., Zagreb	-	37.5
CTP Projekt d.o.o., Zagreb	37.33	-
Gratius Projekt d.o.o., Zagreb	34	34
IGH Lux energija d.o.o. (ex Lux energija d.o.o.) , Zagreb	30	30
Gospodarska zona Kukuzovac d.o.o., Sinj	33.33	-
Črnomerec Centar d.o.o., Zagreb	31	20
Prvi crnogorski autoput d.o.o., Podgorica	25	25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

2. THE MOST IMPORTANT ACCOUNTING POLICIES SUMMARY

Summary of the significant accounting policies, strictly adhered to in the current and the last years, are presented hereafter.

2.1. Basis of presentation

The Company Financial Statements are made pursuant to the Accounting Act (Official Gazette no. 109/07) and the International Financial Reporting Standards (Official Gazette nos. 136/09, 08/10, 18/10, 27/10, 65/10, 120/10) as issued by the Financial Reporting Standards Committee. Pursuant to Article 34, paragraph 3, of the Accounting Act, until the Republic of Croatia becomes a European Union member, the international standards of financial reporting include the International Accounting Standards (IAS) and their amendments and interpretations, and the International Financial Reporting Standards (IFRS) with their amendments and interpretations, as established by the Committee, and published in the Official Gazette. The Financial Statements are prepared by application of the basic accounting assumption of a transaction occurrence, whereby the transaction effects are recognised when occurred and declared in the financial statements for the period they relate to, and with application of the basic accounting assumption of going concern.

The Consolidated Financial Statements present total amounts of the Company's assets, liabilities, equity and reserves as at 31 December 2010, and the business results, equity changes and cash flows for the year ended that date.

2.2. Basis of consolidation

The Consolidated Financial Statements comprise Financial Statements of the Company and the Financial Statements of the companies controlled by the Company (subsidiary companies), made as at 31 December 2010. Controlled by the Company are the companies in which the Company has the power to manage their financial and business policies and in which it invested in order to profit from the companies' activities.

The subsidiary company results acquired or disposed of in the course of the year are entered in the Profit and Loss Account on the date of their acquisition or disposing of, respectively.

All material transactions and positions between the companies in the Group are eliminated in consolidation.

2.3. Investing in the affiliated companies

Affiliated companies are the companies where the Company holds 20-50% of voting rights and where the Company has a significant influence, but not the control, by participating in making the decisions concerning their financial and business policies. In the Consolidated Financial Statements, the affiliated companies' business results, assets and liabilities are disclosed by the share method, that is, investments into the affiliated companies are disclosed by the investment costs harmonised by all the changes of the Company's share in the affiliated company's net assets after the acquisition, as well as by any decrease of a particular investment value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

2.4. Reporting currency

The Company Financial Statements are prepared in the Croatian Kunas as the Company's operating and reporting currency. The foreign companies Financial Statements are converted by the exchange rates stated in the Point 2.7, whereas the differences are disclosed in a separate item of the Consolidated Balance Sheet.

2.5. Recognising of revenues

Revenues from the sales of goods and services are recognised at the moment of delivery of the goods and services and transferring of the risks and benefits. Revenues from interests are calculated against the outstanding receivables and by the applicable interest rates.

Revenues from dividends or participation in the profit are recognised at the moment of establishing of the right to receiving the dividend or participation in the profit.

2.6. Loan costs

The loan costs that may be directly related to acquisition, construction or production of a qualified item are capitalised. Other loan costs charge the Profit and Loss Account of the period of creation.

2.7. Transactions in foreign currencies

Transactions in foreign currencies are initially converted into Croatian Kunas by the exchange rates valid on the transaction date. Money, receivables and payables disclosed in foreign currencies are subsequently converted by the Croatian National Bank mean exchange rate on the Balance Sheet date. Gains and losses resulting from the conversion are included in the Profit and Loss Account for the current year.

On 31 December 2010, the Croatian Kuna exchange rate was EUR 1 = HRK 7.385173 (31 December 2009: HRK 7.306199). The average EUR exchange rate used for conversing the foreign companies' Financial Statements was EUR 1 = HRK 7.292286.

For the consolidation purposes, the assets and liabilities of foreign entities of the Group are converted by the exchange rates valid on the Balance Sheet date. The revenues and expenses are converted by applying the average rate of the period, and the difference are recognised into the principal amount. All such currency exchange differences are recognised as the revenues or the losses of the period in which the entity was disposed of.

2.8. Profit tax

The profit tax liability is determined according to the results achieved in the year, harmonised by the amounts not included in the tax base or tax non-deducted expenses (70% of the entertainment expenses, 30% of the personal car use expenses, etc.). The profit tax is calculated by applying the tax rates in force on the Balance Sheet date. The calculations making the base of tax reporting may be inspected by the tax authorities.

The profit tax of a year comprises the current tax and the deferred tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

The current tax is the expected tax liability calculated to the taxable profit of the year, by applying the tax rate valid on the Balance Sheet date and all the tax liability harmonisations from the previous periods.

The deferred tax amount is calculated by the balance liability method, taking into account the temporary differences between the asset and liability accounting values for the taxation reporting purposes and the amounts used for the tax calculation purposes. The deferred tax amount is based on the expected realisation or settlement of the asset and liability accounting value, by applying the tax rates in force on the Balance Sheet date.

The deferred taxation assets are recognised in the amount of the probable future taxable profit sufficient for utilisation of the assets. Deferred taxation assets are decreased by the amount that is now unlikely to be allowed as a taxation relief.

2.9. Tangible and intangible fixed assets

Tangible and intangible fixed asset procurement expenses include their procurement value, import duties and non-refundable taxes, as well as any other expense that may be directly related to bringing the asset into the condition for its intended utilisation. Expenses of current maintenance and repairs, replacement and investment maintenance of a lesser extent are recognised as expenses of the period when occurred. Where it is clear that the expenses resulted in increased expectations of future economic benefits that are to be implemented by utilisation of the tangible or intangible fixed assets beyond their initially assessed potentials, they are capitalised, that is, included in the accounting value of the asset. Gains and losses resulting from writing off or disposal of a tangible or intangible fixed asset are declared by the net principle in the Profit and Loss Account in the period when occurred.

Calculation of depreciation is started at bringing an asset to its use. Depreciation is calculated by writing off the expenses of procurement or the appraised value of an asset, except land and tangible and intangible fixed assets in the course of preparation, during the assessed period of use of the asset, by applying the linear method and the maximum annual rate recognised by tax regulations as follows:

	Depreciation rate
Buildings.....	5
Plants and equipment.....	10-50
Intangible assets	50

The Company's Board of Directors believes that the above rates are adequate to the degree of economic wear of the assets.

Assets intended for sale are disclosed at their acquisition value and are not depreciated. They comprise real estates, plants and equipment that are not being used.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

2.10. Investments in real-estates

Investments in real-estates are the real-estates (lands, houses or parts thereof or both) that the owner or the lessee holding them in a financial lease holds in order to make incomes from rental or because of the rise of their market value or both.

Initially, investments into real-estates are measured by costs. Costs of investing into real-estates include the purchase price and all the related direct costs.

Following the initial recognition, investments in real-estates are measured by their fair values.

2.11. Decreases

On every Balance Sheet date, the Company checks accounting values of its assets in order to establish if there are indications of any losses incurred due to decreasing of the asset values. If there are such indications, the recoverable value of the assets is assessed in order to establish any loss resulting from the decrease. If the recoverable value of an asset is assessed to an amount lesser than the accounting one, the accounting value of the asset is decreased to the recoverable amount. Losses resulting from asset decrease are disclosed in the Profit and Loss Account.

2.12. Stocks

Stocks are declared by their cost or the net expected sales value that can be achieved, whichever is lesser. This cost includes direct material and, if applicable, direct labour costs and all overhead/indirect costs related to bringing the stocks to their present location and present condition. The cost is established by applying the method of specific identification of particular costs. The net expected sales value that may be achieved forms the assessed sales price decreased by all assessed finishing, marketing, sales and distribution costs.

Where the stock value is to be brought to the net expected sales value, the stock value is corrected by charging the Profit and Loss Account of the current year.

Small inventory, packaging and car tyres are written off 100% when entered into use.

2.13. Receivables from customers and receivables from prepayments

Receivables from customers and receivables from prepayments are declared in their nominal amounts decreased by the adequate value harmonisation by the assessed bad debts. The Company Board of Directors establishes values of the receivables that are bad in terms of the possibility of their collection by the age structure of all receivables and analysis of particular significant amounts. Value of the bad debts is harmonised by charging the Profit and Loss Account of the current year.

2.14. Cash and cash equivalents

Cash consists of the balances at bank accounts and the cash in hand, and of the deposits and securities convertible into money at call or within three months latest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

2.15. Financial instruments

Financial instruments are categorised as assets and liabilities or the principal, pursuant to the essence of the contractual deal. Interests, dividends, gains and losses related to a financial instrument categorised as a liability are declared as a revenue or an expense when occurred. Financial instruments are offset when the Company is entitled to offset under the law, or when there are simultaneous incomes and liability settlements in the net amount.

Financial assets and financial liabilities are recognised in the Company Balance Sheet when the Company became party to a financial-instrument contract.

Receivables from customers

Receivables from customers are declared in their nominal amounts decreased by the value harmonisation by the assessed bad debts.

Liabilities to suppliers

Liabilities to suppliers are declared in their nominal amounts.

Financial assets

At the initial recognising, financial assets are measured by their fair value increased, in case of financial assets registered by their fair value in the Profit and Loss Account, by the transaction costs.

After the initial recognition, financial assets are categorised pursuant to the revised IAS 39 into the following categories: financial assets by fair value in the Profit and Loss Account, investments held until mature, loans and receivables and financial assets available for sale.

Own shares

Own shares are declared by their acquisition cost, and their sale by the prices achieved. Profit and loss from sales of own shares are declared in the capital reserves account.

Banking loans

Interest bearing banking loans, as well as overdrafts, are declared in the amounts of the proceeds received or the overdrafts authorised, respectively.

Reservations

A reservation is recognised only where the Company has a present liability resulting from a past event and where it is probable that settlement of the liability will require outflow of the resources with economic benefits and where the amount of the liability can be established by a reliable method. Reservations are checked on every Balance Sheet date and harmonised in line with the latest best assessments.

Reservations are established for the costs of repairs in warranty periods, costs of court procedures and costs of rewards to employees for their long-time employment and retirement (regular loyalty and severance bonuses).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

Reservations for the costs of the rewards to employees for their long-time employment and retirement (regular loyalty and severance bonuses) are established as current value of future outflows by applying the discount rate corresponding to the state bond interest rate.

2.16. Contingent liabilities and assets

Contingent liabilities are not recognised in the Financial Statements. They are recognised in the Financial Statements only if the possibility of an outflow or resources forming economic benefits is not distant.

Contingent assets are not recognised in the Financial Statements, but are recognised at the moment when an inflow of economic benefits becomes probable.

2.17. Events after the Balance Sheet date

Events after the Balance Sheet date providing additional information on the Company position on the Balance Sheet date (events effecting the harmonisation) are recognised in the Financial Statements. Events not effecting the harmonisation are disclosed in the Notes to the Financial Statements if they are of a material importance.

2.18. Comparison data

Wherever necessary, the comparison data are reclassified in order to achieve consistency in disclosing of data with the current financial year and other data.

2.19. Standards, interpretations and published amendments of the standards not yet in force

In the year 2009, the Financial Reporting Standards Committee translated and published in the Official Gazette the IFRS 8 - Operating Segments. Information by segments are presented in the Note 51.

In the late 2009, the Committee also published translations of material amendments of the IFRS/IAS and their interpretations applicable to period from 1 January 2010. Application of these amendments in the future periods will firstly influence disclosing of Financial Statements due to the amendments of the IAS 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

3. FIXED INTANGIBLE ASSETS

	Right to use third person assets (patents, licences, etc.)	Assets under preparation	Goodwill	Total
PROCUREMENT VALUE				
<u>31 December 2009</u>	<u>27,411,566</u>	<u>3,861,682</u>	<u>52,433,551</u>	<u>83,706,799</u>
Newly consolidated companies	213,642	-	4,483,008	4,696,650
Increases	923,505	-	1,293,098	2,216,603
New procurements	1,094,290	1,925,359	-	3,019,649
Revaluation (accelerated depreciation)	433,277	-	-	433,277
Carried forward	-	(1,899,359)	(2,688,504)	(4,587,863)
Company exiting the consolidation	-	-	(26,801,197)	(26,801,197)
<u>31 December 2010</u>	<u>30,076,280</u>	<u>3,887,682</u>	<u>28,719,956</u>	<u>62,683,918</u>
VALUE CORRECTION				
<u>31 December 2009</u>	<u>23,633,316</u>	<u>1,268,255</u>	-	<u>24,901,571</u>
2010 depreciation	2,612,542	-	-	2,612,542
Newly consol. company value correction	81,884	-	-	81,884
Total depreciation	1,128,375	-	-	1,128,375
Sales or write off	-	-	-	-
<u>31 December 2010</u>	<u>27,456,117</u>	<u>1,268,255</u>	-	<u>28,724,372</u>
NET ACCOUNTING VALUE				
31 December 2009	3,778,250	2,593,427	52,433,551	58,805,228
31 December 2010	2,620,163	2,619,427	28,719,956	33,959,546

4. FIXED TANGIBLE ASSETS

	Land	Buildings	Plants and equipment	Assets under preparation	Other	Investments in real-estates	Total	Prepayments for tangible assets	Total
PROCUREMENT VALUE									
<u>31 December 2009</u>	<u>89,528,495</u>	<u>402,008,283</u>	<u>206,350,641</u>	<u>38,023,793</u>	<u>5,531,048</u>	<u>109,257,074</u>	<u>850,699,334</u>	<u>4,230,305</u>	<u>854,929,639</u>
Entering new companies' assets	-	-	733,013	-	-	-	733,013	-	733,013
Increases	2,338,497	237,901	6,820,512	3,480,155	-	869,675	13,746,740	-	13,746,740
Direct procurement	-	7,000	8,972,233	452,367	-	-	9,431,600	386,427	9,818,027
Revaluation from accelerated depreciat.	-	15,725,345	3,373,663	-	-	-	19,099,008	-	19,099,008
Carried forward	-	(1,452,532)	-	(17,328,854)	-	15,312,113	(3,469,273)	(4,488,393)-	(7,957,666)
Companies exited	-	-	-	-	-	(28,314,892)	(28,314,892)	-	(28,314,892)
Sales or write off	-	-	(22,991,886)	-	-	-	(22,991,886)	-	(22,991,886)
<u>31 December 2010</u>	<u>91,866,992</u>	<u>416,525,997</u>	<u>203,258,176</u>	<u>24,627,461</u>	<u>5,531,048</u>	<u>97,123,970</u>	<u>838,933,644</u>	<u>128,339</u>	<u>839,061,983</u>
VALUE CORRECTION									
<u>31 December 2009</u>	<u>-</u>	<u>109,622,808</u>	<u>171,080,933</u>	<u>-</u>	<u>4,112,836</u>	<u>0</u>	<u>284,816,577</u>	<u>-</u>	<u>284,816,577</u>
Entering new companies' assets	-	-	452,855	-	-	-	452,855	-	452,855
2010 depreciation	-	13,688,227	10,102,188	-	101,910	-	23,892,325	-	23,892,325
Tirana Branch correction - depreciation	-	-	(277,436)	-	-	-	(277,436)	-	(277,436)
Accelerated depreciation	-	15,725,345	9,018,718	-	-	-	24,744,063	-	24,744,063
Mergers	-	-	2,641,500	-	-	-	2,641,500	-	2,641,500
Sales or write off	-	-	(22,949,373)	-	-	-	(22,949,373)	-	(22,949,373)
<u>31 December 2010</u>	<u>-</u>	<u>139,036,380</u>	<u>170,069,385</u>	<u>-</u>	<u>4,214,746</u>	<u>0</u>	<u>313,320,511</u>	<u>-</u>	<u>313,320,511</u>
NET ACCOUNTING VALUE									
31 December 2009	89,528,495	292,385,475	35,269,708	38,023,793	1,418,212	109,257,074	565,882,757	4,230,305	570,113,062
31 December 2010	91,866,992	277,489,617	33,188,791	24,627,461	1,316,302	97,123,970	525,613,132	128,339	525,741,472

Notes numbers 1 to 55 make integral parts of the Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

- 4.1.** The Company mortgaged its assets valid HRK 410,418,000 in securing repayment of the loans and using the bank guarantees from the banks Zagrebačka banka d.d., Zagreb, Erste & Steiermärkische bank d.d., Rijeka and Hypo Group Alpe Adria, Zagreb.
- 4.2.** Investments in real estates are decreased relative to 2009 because of the sales of interests in and, thereby, exiting from the consolidation of the company Kila d.o.o.
- 4.3.** In the account of investment in real estates it is entered procurement of 56,364 m² of land in the cadastral District of Grohote, appraised to HRK 81,812,000, investment in land in the Business Zone Velika Kopanica amounting to HRK 11,242,000, and investment in building land in Rijeka, Zamet location, amounting to HRK 4,080,000.
- 4.4.** Assets under preparation comprise investments in constructing a business building at Janka Rakuše 1, Zagreb.

5. LONG-TERM FINANCIAL ASSETS

	<u>2009</u>	<u>2010</u>
Investments in affiliated companies	75,858,790	109,013,756
Joint-stock company shares	2,760,252	64,790
Limited liability company shares	17,729,531	19,132,129
Loans granted to affiliated companies	28,120,000	28,120,000
Loans granted	24,497,609	2,048,795
Deposits and earnest moneys paid	10,959,738	7,538,939
Bonds	3,633,145	3,661,564
Minus: value harmon. of investments in affiliated companies	(758,000)	(3,542,391)
Total	162,801,065	166,037,582

The Company Board of Directors believes the financial fixed assets accounting value not to differ significantly from their fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010

	OWNERSHIP AND VOTING RIGHTS (%) <u>2009</u>	ACCOUNTING VALUE AT THE END OF THE YEAR <u>2009</u>	OWNERSHIP AND VOTING RIGHTS (%) <u>2010</u>	ACCOUNTING VALUE AT THE END OF THE YEAR <u>2010</u>
5.1. Investments in subsidiary companies				
Slavonija centar, Business Zone, Velika Kopanica d.o.o., Zagreb	100	20,000	100	20,000
IGH KOSOVA SHA, Prishtina	74.80	39,557	-	-
Vođenje projekata d.o.o., Zagreb	59.99	900,000	-	-
31 December		959,557		20,000
5.2. Investments in affiliated companies				
Institut za infrastrukturne projekte, Sofia	50	9,292	50	9,292
Institut građevinarstva Sarajevo d.o.o., Sarajevo	49	181,424	49	181,424
Elektrostrojarski projekti d.o.o., Zagreb	49.99	400,000	-	-
Termostrojarski projekti d.o.o., Zagreb	49.99	400,000	-	-
Centar Bundek d.o.o., Zagreb	-	-	40	36,526,331
Sportski grad TPN d.o.o.Split	40	8,000	40	8,000
Auto cesta Bar Boljare d.o.o., Split	40	8,000	40	8,000
Centar Gradski podrum d.o.o., Zagreb	-	-	37.5	21,533,172
Labos arhitektura d.o.o., Zagreb	40	900,000	-	-
Tehničke konstrukcije d.o.o., Zagreb	40	900,000	-	-
DP Aqua d.o.o., Zagreb	40	600,000	-	-
CTP Projekt d.o.o., Zagreb	37.33	900,000	-	-
Gratius Projekt d.o.o., Zagreb	34	34,000	34	34,000
Gospodarska zona Kukuzovac d.o.o., Sinj	33.33	750,000	-	-
Črnomerec Centar d.o.o., Zagreb	31	54,890,146	20	35,775,167
Lux energija d.o.o., Zagreb	30	14,918,186	30	14,918,186
Prvi Crnogorski autoput d.o.o.	25	184	25	184
IGH Projektiranje – affiliated companies		-	-	-
<i>Minus: Value correction</i>		<i>(758,000)</i>		<i>(3,542,391)</i>
31 December		74,141,232		105,451,365

Popratne bilješke pod brojem 1 do 55 čine sastavni dio ovih financijskih izvještaja.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

	PARTICIPATION IN OWNERSHIP AND VOTING RIGHTS (%)	ACCOUNTING VALUE AT THE END OF THE YEAR	PARTICIPATION IN OWNERSHIP AND VOTING RIGHTS (%)	ACCOUNTING VALUE AT THE END OF THE YEAR
	<u>2009</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>
5.3. Joint-stock company shares				
Viktor Lenac d.d., Rijeka	-	47,220	-	47,220
Hrvatski farmer d.d., Zagreb	-	1,218	-	1,230
GP Dubrovnik d.d., Dubrovnik	12.95	2,694,274	12.95	2,694,274
Zagrebačka banka d.d., Zagreb	-	16,340	-	16,340
Jadranska autocesta d.d., Zagreb	-	1,665	-	1,665
Podravska banka d.d.	-	1,200	-	-
Minus: Value correction		(1,665)		(2,695,939)
31 December		2,760,252		64,790
5.4. Limited liability company shares - participating interests				
Televizija Sljeme d.o.o., Zagreb	9.5	3,000,000	-	-
Nexus ALPHA	11.79	1,390,307	11.79	1,390,307
Questus private Equity Kapital	5.71	13,334,224	5.71	17,716,821
Istarski dvori d.o.o., Zagreb	16.67	5,000	-	-
Grupacija biotoplifikacija d.o.o., Zagreb	-	-	15	15,000
Adriastar hoteli i ljetovališta d.o.o.	5	10,000	5	10,000
31 December		17,739,531		19,132,128

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

5.5. Loans to affiliated companies

	INTEREST RATE	<u>2009</u>	<u>2010</u>
Sportski grad TPN d.o.o., Split	HNB esc. rate	28,120,000	28,120,000
31 December		28,120,000	28,120,000

5.6. Loans granted

	INTEREST RATE	<u>2009</u>	<u>2010</u>
Konstruktor d. d., Split (creditor Centar Bundeck d.o.o.)	3 m. EURIBOR+6.6p.p.	21,918,597	-
Other		2,579,012	2,048,795
31 December		24,497,609	2,048,795

5.7. Investments in securities

	<u>2009</u>	<u>2010</u>
Investments in government bonds - old and current		
Foreign-currency savings for apartment purchase	2,629,177	2,657,596
Debentures Metronet telekomunikacije d.d.	2,151,439	2,151,439
Bonds Grad Split	99,660	99,660
Minus: Value correction	(1,247,131)	(1,247,131)
31 December	3,633,145	3,661,564

5.8. Deposits paid

The deposits paid, totalling to **HRK 7,538,939**, are made mostly of the funds kept by the developer as a performance bond.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

6. LONG-TERM RECEIVABLES

	<u>2009</u>	<u>2010</u>
Receivables from sales of apartments	6,378,609	6,117,447
31 December	6,378,609	6,117,447

7. DEFERRED TAX ASSETS

The deferred tax assets, amounting to HRK 2,281,661, result from the temporary differences resulting in paying of larger taxes than the tax assessed to the accounting profit increased by the permanent differences. Disclosing the deferred taxation property results from correcting of the receivables and the financial assets and of long-term reservations not recognised for taxation purposes.

The deferred taxation assets are decreased because of cancellation of the profit tax resulting from the profits from assets in accounts made between the Company and the affiliated companies whose financial statements are not included in the 2010 consolidation.

	<u>2009</u>	<u>2010</u>
Initial balance	4,023,353	4,551,498
Increase	1,299,656	495,987
Increase by profits to assets in accounts	941,677	111,783
Cancellation of temporary differences	(111,733)	(1,713,295)
Decrease	(1,601,455)	(1,164,312)
31 December	4,551,498	2,281,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

8. STOCKS

	<u>2009</u>	<u>2010</u>
Materials and raws on stock	275,070	101,256
Production in course	458,396,871	119,611,959
Finished products on stock	28,022,886	20,872,844
Goods for sale	12,032,503	6,160,227
Prepayments for goods procurement	4,793,229	1,550,897
Total	503,520,559	148,297,183

The Company mortgaged its real estates, disclosed in stocks in the amount of HRK 119,612,000 (2009: HRK 469,668,000), to secure repayment of the loans received from Zagrebačka banka d.d., Zagreb.

9. RECEIVABLES FROM RELATED COMPANIES

	<u>2009</u>	<u>2010</u>
RECEIVABLES FROM AFFILIATED COMPANIES		
Sportski grad TPN d.o.o., Split	294,250	424,630
Črnomerec Centar d.o.o.	178,504	151,412
Centar Gradski podrum d.o.o.	4,135,867	5,587,298
Total	4,608,621	6,163,340

10. RECEIVABLES FROM CUSTOMERS

	<u>2009</u>	<u>2010</u>
Receivables from domestic customers	198,927,551	192,306,868
Receivables from foreign customers	35,386,109	23,594,890
Minus: value correction	(50,300,572)	(54,427,204)
31 December	184,013,088	161,474,554

The receivables from customers value correction comprises sued receivables and receivables corrected in line with the collection assessment prudence method. The Board of Directors deems these corrections are made under reasonable assessments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

11. OTHER SHORT-TERM RECEIVABLES

	<u>2009</u>	<u>2010</u>
Receivables from government and governmental institutions	46,619,909	6,372,217
Receivables from employees	202,651	664,664
Receivables from Konstruktor Inženjering d.d., Split	10,810,708	-
Receivables from Niva Inženjering d.o.o., Zagreb	38,836,613	29,868,543
Receivables from Zagrebački Holding d.o.o., Zagreb	33,331,514	33,691,793
Receivables from invoiced interests	14,888,111	16,251,216
Receivables from Igor Sapunar	-	35,090,246
Receivables from Reinvest d.o.o.	-	4,253,860
Receivables from foreign branches	6,970,646	9,818,663
Receivables from prepayments paid	1,455,162	1,281,665
Other receivables	585,200	5,115,081
31 December	153,700,514	142,407,948

11.1. Receivables from Niva Inženjering d.o.o. Zagreb comprise the sold interests in the company Črnomerec Centar d.o.o.

11.2. Receivables from Igor Sapunar comprise receivables for the sold interests in the company Kila d.o.o. These receivables are collected in the first quarter of 2011.

11.3. Receivables from Zagrebački Holding d.o.o. are created by the Statement on Cancellation of Purchase Agreement pertaining the indivisible 1/2 of properties in Heinzelova Street in Zagreb, and comprise payment of 10% of the purchase price.

Pending are negotiations with Zabrebački Holding d.o.o. related to repayment of the said funds. The negotiations outcome and possibility of a court procedure cannot be foreseen. It is to be underlined that Institut IGH d.d. has already obtained the important and legally indicative fact of repayment of the property transfer tax related to the agreement in question, in the amount of HRK 16,374,614.70. The transfer tax receivables are collected on 10 February 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

12. SHORT-TERM FINANCIAL ASSETS

	<u>2009</u>	<u>2010</u>
Loans paid to affiliated companies	10,261,455	15,969,305
Loans paid	21,719,055	4,005,596
Deposits and earnest moneys paid	4,104,233	9,668,117
Minus: Value correction	(106,982)	(604,523)
31 December	35,977,761	29,038,495

The Board believes that the short-term financial assets accounting value as disclosed in the Balance Sheet does not differ materially from its fair value.

12.1. Loans paid to affiliated companies (including receivables for the interests accrued)

	<u>2009</u>	<u>2010</u>
Sportski grad TPN d.o.o., Split	3,848,996	8,802,031
Črnomerec Centar d.o.o.	6,407,839	6,937,896
Slavonija centar, Business Zone , Velika Kapanica	4,620	4,620
Centar Bundek d.o.o.	9,009,570	128,100
Centar Gradski podrum d.o.o.	27,840,463	96,658
31 December	47,111,488	15,969,305

13. CASH

	<u>2009</u>	<u>2010</u>
Kuna business accounts balance	32,031,460	14,389,215
Cash in hand	46,645	41,773
Foreign currency accounts balance	7,086,223	5,017,248
Securities	12,644,821	12,035,303
Deposits maturing within 3 months	28,794,916	42,196,394
31 December	80,604,065	73,679,933

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

14. PAYABLES AND RECEIVABLES NOT YET DUE

The future cost payments, amounting to **HRK 53,817,473** (2009: **HRK 20,679,636**) comprise the paid payables not yet due, amounting to HRK 4,202,630, the revenues calculated under the IRS 11, amounting to HRH 48,179,708 (2009: HRK 15,295,725), and the collected receivables not yet due, amounting to HRK 1,435,135.

15. SHARE CAPITAL

The share capital is established in the amount of **HRK 63,432,000** (2009: same amount) divided into **158.580** shares nominally valid **HRK 400 each**.

The Company ownership structure is as follows:

	<u>2009</u>		<u>2010</u>	
	No. of shares	Ownership %	No. of shares	Ownership %
Akcionar d.o.o, Zagreb	20,086	12.67	20,086	12.67
Zagrebačka banka d.d., Zagreb – joint escrow account-I	6,428	4.05	4,571	2.88
Zagrebačka banka d.d., Zagreb – joint escrow account -II	1,998	1.26	4,313	2.72
Privredna banka Zagreb d.d., Zagreb – joint escrow account -I	4,231	2.67	3,429	2.16
RAIFFEISEN BANK AUSTRIA d.d.	2,463	1.55	3,178	2.00
Petar Đukan, Zagreb	2,716	1.71	2,616	1.65
Societe Generale Splitska banka d.d., Split – joint escrow account	1,966	1.24	1,966	1.24
Hrvatska poštanska banka d.d., Zagreb	-	-	1,929	1.22
Erste & Steiermarkische Bank d.d., Zagreb	1,196	0.75	1,529	0.96
Ante Stojan, Mokošica	1,405	0.89	1,525	0.96
Other small shareholders	114,902	72.46	112,899	71.19
Own shares	1,189	0.75	539	0.34
Total	158,580	100	158,580	100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

16. CAPITAL RESERVES

The capital reserves, amounting to **HRK 13,998,640** (2009: 13,375,766) are formed from the operating profits resulting from sales and purchases of own shares.

17. STATUTORY RESERVES

The statutory reserves, amounting to **HRK 3,171,600** (2009: same amount) comprise the reserves appropriated from the previous years profits.

18. RESERVES FOR OWN SHARES

The reserves for own shares, amounting to **HRK 6,343,200** (2009: same amount) comprise the reserves appropriated from the previous years profits.

19. OWN SHARES AND COMPANY INTERESTS

On 31 December 2010 the Company held 539 of own shares, the acquisition cost of which is **HRK 1,446,309** (in 2009 it 1,189 of own shares). The Company Members Meeting at the session held on 26 October 2009 resolved on paying to the management a special reward for the year 2008 in shares. 1510 own shares have been paid in the reward. The share distribution was partly implemented in January of 2010.

20. REVALUATION RESERVES

<u>31 December 2009</u>	<u>68,825,320</u>
Fixed tangible assets decrease	(13,255,116)
Exits and consolidation of new companies	(1,326,486)
Fixed tangible assets increase	3,083,011
Fixed financial assets increase	4,392,598
31 December 2010	61,719,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

Changes in the revaluation reserves comprise harmonisation of the tangible fixed assets value by the depreciation amount calculated by the rates higher than the economic duration of the assets. On this base, the 2010 depreciation was increased by HRK 3.1 million, of which HRK 2.4 million relate to the current profit and HRK 0.7 million to the deferred taxes.

21. PROFIT BROUGHT FORWARD

<u>31 December 2009</u>	<u>228,168,326</u>
2009 profit (see Note 22.)	10,683,770
Fixed tangible assets revaluation	2,503,571
Expenses of previous periods charging the profits brought forward	(1,945,159)
Exits and consolidation of new companies	2,565,305
31 December 2010	241,975,813

22. FISCAL YEAR PROFIT

In the year 2009 operations of the Company resulted in the profit belonging to the Company shareholders, amounting to **HRK 8,300,652** (2009: **HRK 10,683,770**).

23. MINORITY INTERESTS

The minority interests, amounting to **HRK 5,167,372** (2009: **HRK 70,308,660**) comprises participation of the shareholders and the company interest holders constituting the minorities in the subsidiary companies capitals. Changes of the minority interests are the following:

<u>31 December 2009</u>	<u>70,308,660</u>
Companies that exited the consolidation	(66,520,172)
New company consolidation	471,891
Fiscal year profit credited to minority interests	906,993
31 December 2009	5,167,372

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

24. RESERVATIONS

	warranty periods	severances and bonuses	litigations	total
<u>31 December 2009</u>	<u>15,624,460</u>	<u>3,857,732</u>	<u>1,325,629</u>	<u>20,807,821</u>
Additional reservations	370,000	-	296,150	666,150
Reservation revenues	(12,421,911)	(599,808)	(172,500)	(13,194,219)
31 December 2010	3,572,549	3,257,924	1,449,279	8,279,752

25. LONG-TERM LIABILITIES FROM LOANS

	INTEREST RATE	<u>2009</u>	<u>2010</u>
Zagrebačka banka d.d., Zagreb	3 m. EURIBOR+4.0-6.5 p.p.	82,397,901	149,557,107
Unicredit bank, Austria	3 m. EURIBOR+4.0 p.p.	90,596,868	-
Erste & Steiermärkische bank d.d., Rijeka	3 m. EURIBOR+2.95-6.75 p.p.	127,442,029	151,365,491
Adria bank AG, Beč, Austria	3 m. EURIBOR+4.0 p.p.	53,101,454	26,254,290
Hypo Alpe Adria Bank, Austria	6 m. EURIBOR+6.0 p.p.	30,320,726	30,644,560
Unicredit Zagrebačka banka d.d. Mostar	8-8.5% changing	4,505,682	3,876,357
Societe Generale Splitska banka d.d., Split	3 m. EURIBOR+5.0 p.p.	-	800,000
Hrvatska poštanska banka d.d.	3 m. EURIBOR+6.75 p.p.	-	15,555,555
Centar Bundek d.o.o., Zagreb	3 m. EURIBOR+6.6 p.p.	-	30,168,432
<u>total</u>		<u>388,364,660</u>	<u>408,221,792</u>
Minus: Current dues (see Note 29)	(29,627,415)	(64,256,358)	
31 December		358,737,245	343,965,434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

25.1 Changes of long-term liabilities from loans in the course of the year were as follows:

<u>31 December 2009</u>	<u>358,737,245</u>
Companies exiting the consolidation	21,611,844
New loans	191,141,274
Repayments	(161,687,490)
Currency exchange differences	(1,581,081)
<u>Total</u>	<u>408,221,792</u>
Minus: Current dues	(64,256,358)
31 December 2010	343,965,434

25.2. Long-term liabilities from loans mature as follows:

Maturing in one to two years	197,632,863
Maturing in two to three years	40,766,048
Maturing in three to four years	25,279,436
Maturing in four to five years	41,804,069
Maturing in over five years	38,483,018
31 December	343,965,434

26. LONG-TERM LIABILITIES TO SUPPLIERS

	<u>2009</u>	<u>2010</u>
Raiffeisen leasing d.o.o., Zagreb	8,427,741	7,705,693
PBZ leasing d.o.o., Zagreb	-	321,844
Other suppliers	2,056,325	714,145
Minus: Current dues (see Note 29)	(4,029,967)	(2,286,136)
31 December	6,454,099	6,455,546

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

27. OTHER LONG-TERM LIABILITIES

	<u>2009</u>	<u>2010</u>
Liabilities from securities	1,386,036	1,401,018
Liabilities from guarantees and deposits	99,824	99,824
Liabilities to Konstruktor Inženjering d.d.	40,882,997	-
Other long-term liabilities	-	428,341
31 December	42,368,857	1,929,183

28. LIABILITIES TO AFFILIATED COMPANIES

	<u>2009</u>	<u>2010</u>
IGH Kosova SHA	1,033,003	-
Centar Bundek d.o.o.	691,605	818,771
Cenatar gradski podrum d.o.o.	-	1,905
31 December	1,724,608	820,676

29. SHORT-TERM LIABILITIES FROM LOANS

	INTEREST RATE	<u>2009</u>	<u>2010</u>
Zagrebačka banka d.d., Zagreb	7.15%	239,703,483	66,447,419
SG Splitska banka d.d., Split	EURIBOR+5.0 p.p.	15,312,398	15,513,120
Erste Bank d.d., Rijeka	3m. EURIBOR+8.0 p.p.	13,770,179	184,652
Privredna banka Zagreb d.d., Zagreb	3m. EURIBOR+7.5 p.p.	-	14,770,346
Hypo Alpe Adria Bank d.d., Zagreb	9.5%	37,451,576	500,000
Hrvatska poštanska banka d.d., Zagreb	3m. EURIBOR+6.75 p.p.	-	7,251,733
Unicredit Zagrebačka Banka d.d., Mostar	7.5%	747,120	1,132,800
Hypo Alpe Adria Bank d.d., Mostar	10.00%	112,068	113,280
Agrokori d.d., Zagreb	4%	6,210,269	6,277,397
Paktor d.o.o., Split	8%	-	2,523,778
Other loans		-	601,264
Konstruktor Inženjering d.d., Split	4-6%	7,070,525	-
total		<u>320,377,618</u>	<u>115,315,790</u>
Plus: Current dues (see Notes 25 and 26)		33,657,383	66,542,494
31 December		354,035,001	181,858,284

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

29.1. Changes of the short-term liabilities from loans in the course of the year were as follows:

<u>31 December 2009</u>	<u>354,035,001</u>
Companies exiting the consolidation	(209,676,225)
New loans	88,426,276
Repayments	(118,730,313)
Currency exchange differences	1,261,051
<u>Total</u>	<u>115,315,790</u>
Plus: Current dues	66,542,494
31 December 2010	181,858,284

30. LIABILITIES FROM PREPAYMENTS AND DEPOSITS

	<u>2009</u>	<u>2010</u>
From domestic customers	15,106,700	10,986,079
From foreign customers	1,249,359	2,915,411
Deposits and securities received	39,612,447	39,734,641
31 December	55,968,506	53,636,131

31. LIABILITIES TO SUPPLIERS

	<u>2009</u>	<u>2010</u>
Liabilities to domestic suppliers	169,875,461	136,811,944
Liabilities to foreign suppliers	8,702,668	5,269,813
Liabilities for good and services not invoiced	6,774,007	1,534,944
31 December	185,352,136	143,616,701

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

32. LIABILITIES FROM SECURITIES

In line with its Programme of Issuing of Commercial Bills, on 15 June 2010, the Company issued the third set of commercial bills amounting to the Kuna equivalent of EUR 10,144,800, maturing in 364 days. The issuance agent is Zagrebačka banka d.d.

On 29 March 2010, the Company issued an exchange bill amounting to HRK 25,550,000 in favour of Erste Factoring d.o.o. As at 31 December 2010, the balance of the liabilities under the said bills of exchange amounted to HRK 17,884,376.

on 15 October 2010, the Company issued bills of exchange totalling to HRK 20.985.272 in favour of Konstruktor Inženjering d.d., maturing on 31 March 2011 and 30 September 2011.

33. OTHER SHORT-TERM LIABILITIES

	<u>2009</u>	<u>2010</u>
Liabilities to government and governmental institutions	27,481,207	18,585,194
Liabilities to employees	12,143,107	10,175,100
Liabilities from partic. in profit by and rew. to management	9,098,927	4,143,452
Liabilities from assignments	4,614,043	29,036,504
Liabilities from interests	14,328,032	7,487,143
Konstruktor Inženjering d.d., Split	22,825,888	-
Liabilities from utility and water contrib. (Centar Bundek d.o.o.)	38,778,530	-
Liabilities from share purchases	10,213,631	9,070,300
Other liabilities	14,668,337	8,357,031
31 December	154,151,702	86,854,724

34. DEFERRED PAYMENTS AND REVENUES NOT YET DUE

The deferred payments, amounting to **HRK 1,384,895** (2009: **HRK 2,383,878**) comprise the deferred payments of costs and revenues not yet due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

35. REVENUES FROM SALES

	<u>2009</u>	<u>2010</u>
Revenues from sales	625,532,966	419,055,528
Revenues from sales abroad	83,568,447	97,950,708
Total	709,101,413	517,006,236

36. OTHER OPERATING REVENUES

	<u>2009</u>	<u>2010</u>
Revenues from cancellation of reservations	10,259,899	13,194,220
Revenues from sales of assets	625,476	469,969
Revenues from rentals	4,031,027	2,705,171
Revenues from collection of receivables written off	8,027,778	9,858,069
Revenues from indemnities	32,040	83,391
Revenues from compensations and subsidies	470,335	1,415,177
Revenues from cancelled liabilities	72,669	3,471,825
Other revenues	6,620,478	3,400,850
Total	30,139,702	34,598,672

37. CHANGES OF STOCKS OF FINISHED GOODS AND PRODUCTION IN COURSE

The decrease of value of the stocks of finished products and production in course relative to the previous reporting period, amounting to **HRK 6,402,220** (2009: increase amounting to **HRK 79,685,869**), is comprised in the stock values.

38. MATERIALS AND RAW COSTS

	<u>2009</u>	<u>2010</u>
Materials and raws costs	17,016,997	11,951,275
Energy costs	12,330,770	11,756,151
Small inventory and spare parts costs	3,918,702	2,657,390
Total	33,266,469	26,364,816

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

39. SOLD GOODS COSTS

The sold goods costs, amounting to HRK 211,172 (2009: HRK 262,523) comprise the procurement value of the goods sold.

40. OTHER EXTERNAL COSTS

	<u>2009</u>	<u>2010</u>
Transport, telephone, mail costs	5,103,723	4,806,167
Subcontractors costs	187,435,974	99,171,524
Production services costs	134,007,565	7,568,180
Utility services costs	2,513,785	2,203,122
Maintenance costs	8,999,228	6,549,859
Rental costs	14,622,118	14,257,486
Other external costs	12,041,298	9,249,274
Total	364,723,691	143,805,612

41. STAFF COSTS

	<u>2009</u>	<u>2010</u>
Gross salaries	249,231,133	213,421,568
Severances, per diems and employee pecuniary rights	31,293,220	36,944,303
Total	280,524,353	250,365,871

41.1. The costs of incomes of the Company Director, amounting to HRK 893,724 (2009: HRK 985,443), make part of the disclosed staff costs.

42. DEPRECIATION

	<u>2009</u>	<u>2010</u>
Tangible assets depreciation	36,958,500	23,892,326
Intangible assets depreciation	3,778,249	2,612,542
Total	40,736,749	26,504,868

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

43. OTHER COSTS

	<u>2009</u>	<u>2010</u>
Legal, consulting and other services costs	4,801,229	4,349,335
Entertainment costs	1,900,762	2,100,304
Insurance premiums	3,623,524	3,129,948
Education and training costs	2,785,489	2,785,489
Banking fees and commission	7,398,108	7,398,108
Withdrawal tax paid abroad	68,681	1,346,319
VAT from distribution of reclaims	-	1,689,440
Contributions to public authorities	2,741,466	2,683,573
Other costs	3,979,522	714,264
Total	27,298,781	26,196,780

In the other costs account, the Company has disclosed the total fees paid to the auditors for the compulsory audit of its annual financial statements, in the year 2010 amounting to HRK 535,000.

44. CURRENT-ASSET VALUE HARMONISATION

	<u>2009</u>	<u>2010</u>
Other receivables	683,184	111,060
Receivables from customers	28,892,892	14,646,096
Stock value harmonisation	-	2,149,356
Total	29,576,076	16,906,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

45. RESERVATIONS FOR COSTS AND RISKS

	<u>2009</u>	<u>2010</u>
Reservations for repairs and complaints in the warranty period	6,465,793	370,000
Reservations for severance pay and bonus costs	18,407	-
Reservations for litigation costs	50,000	296,150
Total	6,534,200	666,150

Based on analyses of previous experiences of the Company and other companies performing similar activities in similar circumstances, and by assessing future costs, reservations for repairs and complaints in the warranty periods have been reduced. Therefore, in 2010 no reservations for risks in warranty periods were made.

Reservations for risks and contingent losses in litigations, to include principals and default interests, have been made in line with the lawyers' assessment of litigation success. Reservation for default interests claimed by the plaintiff in the labour dispute pending before the Municipal Court at Zagreb has not been made since the interests cannot be estimated with certainty, however, compared to a similar case, the contingent loss from default interests is estimated up to HRK 3.5 million. With regard to this litigation, reservations are made for the principal payment and legal costs.

46. OTHER OPERATING EXPENSES

	<u>2009</u>	<u>2010</u>
Alienated asset value not written off	430,309	654
Previous periods costs	161,554	1,855,093
Contractual penalties, etc.	3,410,371	1,076,495
Total	4,002,234	2,932,242

47. FINANCIAL REVENUES

	<u>2009</u>	<u>2010</u>
Currency exchange gains	12,423,616	6,354,620
Revenues from interests	23,401,362	8,202,045
Revenues from participation in affiliated companies profits	1,018,468	-
Revenues from profits in sales of company shares	4,302,668	18,622,807
Negative goodwill	7,392,933	49,057
Other financial revenues	1,854,094	140,948
Total	50,393,141	33,369,477

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

48. FINANCIAL EXPENSES

	<u>2009</u>	<u>2010</u>
Currency exchange losses	8,831,567	11,544,694
Expenses from interests	63,760,711	49,201,842
Losses from assets in accounts	-	4,399,274
Participation in affiliated companies losses	152,762	2,323,100
Total	72,745,040	67,468,910

49. PROFIT TAX

The Company and the subsidiary companies are tax liable under the tax regulations of their countries of registration.

The profit tax rate valid in the Republic of Croatia in the year 2010 was 20%.

The profit tax liabilities were as follows:

	<u>2009</u>	<u>2010</u>
The Company	3,769,975	5,547,518
Subsidiary companies	355,805	792,556
Temporary difference - tax to profits made within the Group	(829,944)	(111,784)
Cancellation of temporary differences	-	1,713,295
Total	3,295,836	7,941,585

50. PROFIT PER SHARE

The basic profit per share is calculated by dividing the net profit with the average number of ordinary shares.

	<u>2009</u>	<u>2010</u>
Net profit credited to the Company shareholders	10,683,770	8,300,652
Weighted average number of shares	158,580	158,123
Profit per share	67.37	52.49

51. OTHER COMPREHENSIVE INCOMES

Other comprehensive incomes made in 2010 comprise incomes resulting from revaluation of the financial assets available for sale and the currency exchange differences resulting from recalculation of foreign operations. Other comprehensive incomes result from the increase of value of investment fund shares amounting to HRK 4,392,598, and is corrected by the currency exchange losses resulting from recalculation of foreign operations amounting to HRK 7,840. The tax payable to other comprehensive incomes amounts to HRK 876,951.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

52. INFORMATION ON SEGMENTS

The starting point in establishing reporting segments of the Company and its subsidiary companies business system - expert and scientific research in the field of civil engineering, to include designing, studies, expert supervision, counselling, usability proofs, laboratory tests and measurements, research activities and scientific researches. Four subsidiary and two affiliated companies are incorporated as designing companies with real estates entered in to their share capitals, aimed to constructing in the residential and business houses market. One subsidiary company deals with hotel and tourist business.

Organisationally, the Company is divided into Institutes performing the above activities, the operative results of which are supervised by the management, aimed to making of business decisions.

Financial information are available for all of the above activities. Some of the activities comply with the criteria stated in the point 12 of the IFRS 8, since they have similar economic characteristics and are similar with regard to the services they render, the sorts and categories of their clients, and the methods they use in rendering the Group services, wherefore they are grouped into six primary segments:

- LABORATORY TESTING
- SUPERVISION
- DESIGNING
- GEOTECHNICAL RESEARCH
- REAL-ESTATE DEALINGS
- HOTEL AND TOURISM BUSINESS

The activities that can be included in none of the above segments, because they do not exceed any one of the 10 percentage quantitative limits, and are therefore not required to report by segments, are categorised as OTHER.

Segment performance is assessed by their operating profits and losses. The financing revenues and expenses are managed at the particular companies level.

Revenues from the three most important customers, totalling to HRK 158 million, are implemented in the Supervision and Designing segments.

The Company monitors the fixed assets at the Company level, and the current ones by the operating segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

in HRK 000s

	LABORATORY TESTING	SUPERVISION	DESIGNING	GEOTECHNICAL RESEARCH	REAL-ESTATE DEALINGS	HOTEL AND TOURISM BUSINESS	OTHER AND GROUP LEVEL	TOTAL
Operating revenues	50,017	143,750	255,669	34,886	1,729	15,484	50,070	551,605
Operating expenses	44,617	130,658	238,671	33,665	911	15,446	36,388	500,356
OPERATING ACTIVITIES RESULT	<u>5,400</u>	<u>13,092</u>	<u>16,998</u>	<u>1,221</u>	<u>818</u>	<u>38</u>	<u>13,682</u>	<u>51,249</u>
FINANCING ACTIVITIES RESULT	<u>451</u>	<u>(278)</u>	<u>149</u>	<u>(1,122)</u>	<u>(7,515)</u>	<u>(7,105)</u>	<u>(18,680)</u>	<u>(34,100)</u>
RESULT BEFORE TAXATION	<u>5,851</u>	<u>12,814</u>	<u>17,147</u>	<u>99</u>	<u>(6,697)</u>	<u>(7,067)</u>	<u>(4,998)</u>	<u>17,149</u>
Profit tax							7,942	7,942
NET PROFIT / (LOSS)	<u>5,851</u>	<u>12,814</u>	<u>17,147</u>	<u>99</u>	<u>(6,697)</u>	<u>(7,067)</u>	<u>(12,940)</u>	<u>9,207</u>
LOSS CHARGING MINORITY INTERESTS							<u>(907)</u>	<u>(907)</u>
PROFIT CREDITED TO COMPANY SHAREHOLDERS								<u>8,300</u>
ASSETS	<u>19,927</u>	<u>64,925</u>	<u>180,625</u>	<u>100,212</u>	<u>268,245</u>	<u>116,735</u>	<u>598,347</u>	<u>1,349,016</u>
fixed	6,147	8,081	56,841	62,890	145,398	114,162	340,619	734,138
current	13,780	56,844	123,784	37,322	122,847	2,573	257,728	614,878
LIABILITIES	<u>10,313</u>	<u>37,699</u>	<u>64,965</u>	<u>46,964</u>	<u>52,335</u>	<u>93,646</u>	<u>637,847</u>	<u>946,499</u>
long-term	3,256	3,256	977	11,861	31,115	88,682	225,390	364,537
short-term	7,057	34,443	63,988	37,833	21,220	4,964	412,457	581,962

Popratne bilješke pod brojem 1 do 55 čine sastavni dio ovih financijskih izvještaja.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended on 31 December 2010
(continued)

53. CASH FLOW

The Cash Flow Statement has been made by the indirect method.

At the beginning of the period, cash and cash equivalents amounted to HRK 80,604,065.

At the end of the period, cash and cash equivalents amounted to HRK 73,679,933. Cash equivalents include, besides securities, investments that can be converted into cash in three months or sooner. Therefore, the funds in accounts and securities at the end of the period have been added also short-term time deposits maturing in less than three months. The distribution of cash flows to operating, investing and financing is disclosed and explained in the report.

The cash flows show decrease of cash on the Balance Sheet date relative to the initial balance by HRK 6,924,132.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Market risk

The Company trades in the Croatian and the international markets. The Board of Directors establishes the Company service prices separately for domestic and international markets, based upon the market prices.

b) Interest risk

Interest risk is the risk of changes of a financial instrument value due to changes of the market rates relative to the interest rates applied to the financial instrument. Cash-flow risk is the risk of possible changes of the interest cost of a certain instrument in the course of time. The Company has significant long-term loans with changing interests rates, exposing the Group to the cash flow risk. Details on the interests rates applied to the loans received are disclosed in the Note 25.

Cash-flow risk is the risk of possible changes of the interest cost of a certain instrument in the course of time. The Company has liabilities from short-term loans in the amount of HRK 181,858,000 (2009: HRK 354,035,000), and from long-term loans in the amount of HRK 343,965,000 (2009: HRK 358,737,000), most of these contracted with changing interest rate, exposing it to the cash-flow risks. Details of the interest rates applied to the loans received disclosed in the Note 25.

c) Credit risk

Credit risk is the risk of one party to a financial instrument causing financial losses to the other party by not honouring its obligations, fully or partly, at the moment of maturity. Failing to honour an obligation would endanger the Company and decrease its assets value. On 31 December 2010, the financial assets that could expose the Company to credit risk comprised mostly cash, loans granted to others and receivables from customers.

On the Financial Statements date, the Group had financial instruments held for trading, and was not exposed to a credit risk on these grounds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2010

(continued)

The Company keeps its cash with Zagrebačka banka d.d., Zagreb, SG Splitska banka d.d., Split, Erste & Steiermärkische bank d.d., Zagreb and Hypo Group Alpe Adria, Zagreb, Hrvatska poštanska banka d.d., Zagreb, and Privredna banka d.d., Zagreb.

Receivables from customers are harmonised by the bad debt reservations.

d) Currency risk

The Company's official currency is the Croatian Kuna. However, the Company invested in financial instruments and entered transactions denominated in currencies other than its functioning currency. Therefore, the Company is exposed to the risk of change of exchange rate of its currency relative to other currencies in a way that may adversely affect the Company's profit and value.

Transactions in foreign currencies are converted into Kunas by application of exchange rates valid on the Balance Sheet date. Any currency exchange gains or losses are entered to credit or charge respectively in the Profit and Loss Account. Currency exchange rates may effect the profit mostly as results of the currency exchange gains or losses resulting from conversion into Kunas of the receivables in the foreign currency (EUR) and of the borrowed loans and liabilities contracted with the foreign currency clause (EUR). Due to the portion of incomes made in international markets and the liabilities determined in other currencies, the Group is exposed to changes of the exchange rate of, firstly, the Euro, wherefore the expected changes are not great.

e) Financial instruments fair value

The financial instruments, till their maturity, are entered by their cost, or by the net amount deducted by the part paid off, whichever is lesser. The fair value is the amount at which the financial instrument may be exchanged between known and willing parties at market conditions, except in case of forced sales or sales for liquidation. A financial instrument fair value is the value that is published in the security market and obtained by the discounted cash flow method.

On 31 December 2010, the accounting amounts of cash, short-term deposits, receivables, short-term liabilities and the included costs, and of short-term borrowed loans are close to their fair values due to the short-term nature of these financial instruments.

55. ADOPTING OF THE FINANCING STATEMENTS

The Financial Statements presented on the pages 1 to 41 above are adopted and approved by the Board of Directors of Institut IGH, d.d., Zagreb, on 29 March 2011.



For Institut IGH d.d. Zagreb
Prof. Jure Radić, Dr. Sc., Director

CONSOLIDATED BALANCE SHEET
for the year ended on 31 December 2010

	Note	31/12/2009 in HRK	31/12/2010 in HRK
ASSETS			
RECEIVABLES FROM SHARE CAPITAL SUBSCRIBED AND NOT PAID			
FIXED ASSETS (PERMANENT ASSETS)		<u>802,649,465</u>	<u>734,137,704</u>
INTANGIBLE ASSETS	3	58,805,229	33,959,545
Research expenses			
Concessions, patents, licences, trade marks, software and other rights		3,778,251	2,620,163
Goodwill		52,433,551	28,719,956
Intangible assets under preparation		2,593,427	2,619,426
TANGIBLE ASSETS	4	570,113,064	525,741,470
Land and forests		89,528,496	91,866,993
Buildings		292,385,475	277,489,617
Plant and equipment		28,548,592	26,135,735
Tools, plant inventory and means of transportation		6,721,117	7,053,055
Prepayments for tangible assets		4,230,305	128,338
Tangible assets under preparation		22,059,126	24,627,461
Other tangible assets		1,418,212	1,316,301
Investing in real estates		125,221,741	97,123,970
FINANCIAL ASSETS	5	162,801,065	166,037,581
Loans granted to related companies		28,120,000	28,120,000
Participating interests		5,765,251	89,790
Loans, deposits and like paid		35,457,348	13,249,298
Other long-term financial assets		18,357,676	19,107,129
Investments calculated by the share method		75,100,790	105,471,364
RECEIVABLES	6	6,378,609	6,117,447
Receivables from sales on credit		6,378,609	6,117,447
DEFERRED TAX ASSETS	7	4,551,498	2,281,661
CURRENT ASSETS (OPERATING ASSETS)		<u>943,400,630</u>	<u>561,061,453</u>
STOCKS	8	503,520,559	148,297,182
Materials and raws		275,070	101,256
Production in course		458,396,871	119,611,958
Finished products		28,022,885	20,872,844
Commodities		12,032,504	6,160,227
Prepayments for stocks		4,793,229	1,550,897
RECEIVABLES		323,298,245	310,045,843
Receivables from related companies	9	472,754	6,163,340
Receivables from customers	10	184,013,088	161,474,555
Receivables from employees and shareholders	11	202,651	664,664
Receivables from government and governmental institutions	11	46,619,909	6,372,217
Other receivables	11	91,989,843	135,371,067
FINANCIAL ASSETS	12	77,417,498	83,270,192
Loans granted to related companies		10,261,455	15,969,304
Investments in securities		12,644,821	12,035,303
Loans, deposits and like paid		25,716,306	13,069,191
Other financial assets		28,794,916	42,196,394
CASH AT BANK AND IN HAND	13	39,164,327	19,448,236
PREPAYMENTS AND RECEIVABLES NOT YET DUE	14	<u>20,679,636</u>	<u>53,817,473</u>
TOTAL ASSETS		<u>1,766,729,730</u>	<u>1,349,016,630</u>
OUT OF BALANCE SHEET EVIDENCE		114,300,566	128,346,841

Popratne bilješke pod brojem 1 do 55 čine sastavni dio ovih financijskih izvještaja.

CONSOLIDATED BALANCE SHEET
for the year ended on 31 December 2010
(continued)

	Note	31/12/2009 in HRK	31/12/2010 in HRK
CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES		<u>460,249,623</u>	<u>402,518,107</u>
SHARE CAPITAL (SUBSCRIBED)	15	63,432,000	63,432,000
CAPITAL RESERVES	16	13,375,766	13,998,640
RESERVES FROM PROFIT		5,569,537	8,068,491
Statutory reserves	17	3,171,600	3,171,600
Reserves for own shares	18	6,343,200	6,343,200
Own shares	19	(3,945,263)	(1,446,309)
REVALUATION RESERVES	20	68,825,320	61,719,327
PROFIT BROUGHT FORWARD	21	228,168,327	241,862,056
FISCAL YEAR PROFIT	22	10,683,770	8,300,652
MINORITY INTERESTS	23	70,308,660	5,167,372
CURRENCY EXCH. LOSSES FROM NET INVEST. IN OPERATIONS ABROAD		(113,757)	(30,431)
RESERVATIONS	24	<u>20,807,821</u>	<u>8,279,751</u>
Reservations for pensions, severances and like liabilities		3,857,731	3,257,923
Other reservations		16,950,090	5,021,828
LONG-TERM LIABILITIES		<u>412,826,779</u>	<u>356,256,618</u>
Liabilities granted from loans, deposits and like			30,168,432
Liabilities to banks and other financial institutions	25	358,737,245	313,796,999
Liabilities to suppliers	26	6,454,099	6,455,546
Liabilities from securities	27	1,386,036	1,401,018
Other long-term liabilities	27	40,982,821	528,165
deferred tax liabilities		5,266,578	3,906,457
SHORT-TERM LIABILITIES		<u>870,461,630</u>	<u>580,577,259</u>
Liabilities to related companies	28	1,033,003	820,676
Liabilities from granted loans, deposits and like	29	64,589,143	52,131,918
Liabilities to banks and other financial institutions	29	343,386,337	169,460,999
Liabilities from prepayments	30	16,356,059	13,901,490
Liabilities to suppliers	31	185,352,136	143,616,701
Liabilities from securities	32	119,921,282	113,790,751
Liabilities to employees	33	12,143,107	10,175,100
Liabilities from taxes, contributions and like dues	33	27,481,207	18,585,194
Liabilities from participation in business results	33	9,098,927	2,410,448
Other short-term liabilities	33	91,100,429	55,683,982
DEFERRED PAYMENTS AND INCOMES NOT YET DUE	34	<u>2,383,878</u>	<u>1,384,895</u>
TOTAL EXPENSES		<u>1,766,729,730</u>	<u>1,349,016,630</u>
OUT OF BALANCE SHEET EVIDENCES		114,300,566	128,346,841
CREDITED TO COMPANY SHAREHOLDERS		<u>389,940,963</u>	<u>397,350,735</u>
CREDITED TO MINORITY INTERESTS		<u>70,308,660</u>	<u>5,167,372</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended on 31 December 2010

	Note	2009 in HRK	2010 in HRK
operating revenues		<u>739,241,115</u>	<u>551,604,908</u>
Revenues from sales	35	709,101,413	517,006,236
Other operating revenues	36	30,139,702	34,598,672
OPERATING EXPENSES		<u>705,959,758</u>	<u>500,356,245</u>
Change of value of products in course and finished products on stock	37	(79,685,869)	6,402,220
Material expenses		396,973,234	170,381,601
Materials and raws costs	38	31,987,020	26,364,816
Sold goods costs	39	262,523	211,172
Other external costs	40	364,723,691	143,805,612
Staff costs	41	250,897,448	225,140,101
Net salaries and wages		132,032,153	120,670,772
Taxes and contributions payable from salaries		83,135,528	72,121,485
Contributions payable to salaries		35,729,767	32,347,844
Depreciation	42	40,736,749	26,504,868
Other expenses	43	56,925,685	51,422,551
Value harmonisation	44	29,576,076	16,906,512
of fixed assets (except financial assets)		0	
of current assets (except financial assets)	44	29,576,076	16,906,512
Reservations	45	6,534,201	666,150
Other operating expenses	46	4,002,234	2,932,243
FINANCIAL REVENUES	47	<u>49,374,673</u>	<u>33,369,477</u>
Interests, currency exchange gains and other expenses resulting from relations with unrelated companies and other persons		34,999,047	8,764,369
Part of profit from related companies and participating interests		2,680,026	5,933,244
Other financial revenues		11,695,600	18,671,864
FINANCIAL EXPENSES	48	<u>72,592,278</u>	<u>65,145,811</u>
Interests, currency exchange gains and other expenses resulting from relations with unrelated companies and other persons		72,592,278	60,746,537
Losses (expenses) from financial assets in accounts		0	4,399,274
PARTICIPATION IN RELATED COMPANIES PROFITS		1,018,468	0
PARTICIPATION IN RELATED COMPANIES LOSSES		152,762	2,323,100
TOTAL REVENUES		<u>789,634,256</u>	<u>584,974,385</u>
TOTAL EXPENSES		<u>778,704,798</u>	<u>567,825,156</u>
PROFIT BEFORE TAXATION		<u>10,929,457</u>	<u>17,149,230</u>
PROFIT TAX	49	3,295,837	7,941,585
PROFIT OF THE PERIOD	50	<u>7,633,621</u>	<u>9,207,644</u>
PROFIT CREDITED TO COMPANY SHAREHOLDERS		<u>10,683,770</u>	<u>8,300,652</u>
PROFIT CREDITED TO MINORITY INTERESTS		0	<u>906,992</u>
LOSS CREDITED TO MINORITY INTERESTS		<u>3,050,149</u>	0

CONSOLIDATED STATEMENT ON OTHER COMPREHENSIVE INCOMES
for the year ended on 31 December 2010

	NOTE	2009 in HRK 000s	2010 in HRK 000s
PROFIT OF LOSS OF THE PERIOD		<u>7,633,621</u>	<u>9,207,644</u>
Currency exchange differences from operations abroad		<u>(22,590)</u>	<u>(7,840)</u>
Profit from revaluation of financial assets available for sales		1,771,451	4,392,598
TAX PAYABLE TO OTHER COMPREHENSIVE INCOME OF THE PERIOD		(349,772)	(876,952)
NET OTHER COMPREHENSIVE INCOME OF THE PERIOD	51	<u>1,399,089</u>	<u>3,507,806</u>
COMPREHENSIVE PROFIT OF THE PERIOD		<u>9,032,710</u>	<u>12,715,450</u>
COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD			
Credited to the Company shareholders		<u>12,082,859</u>	<u>11,808,458</u>
Credited to the minority interests		<u>(3,050,149)</u>	<u>906,992</u>

CONSOLIDATED CASH FLOW STATEMENT - Indirect method
for the period from 1 January to 31 December 2010

	Note	2009 in HRK	2010 in HRK
CASH FLOW FROM OPERATING ACTIVITIES	53		
Profit before taxation		10,929,458	17,149,230
Depreciation		40,736,749	26,504,868
Short-term liabilities increase		211,260,263	0
Short-term receivables decrease			13,082,664
Stock decrease		0	355,223,377
Other cash-flow increase		7,448,539	0
Total increase of cash flow from operating activities		270,375,009	411,960,139
Short-term liabilities decrease			(289,762,097)
Short-term receivables increase		(18,378,080)	0
Stock increase		(11,141,865)	0
Other cash-flow decrease		(273,040,689)	(139,009,649)
Total cash flow decrease from operating activities		(302,560,634)	(428,771,746)
NET INCREASE OF CASH-FLOW FROM OPERATING ACTIVITIES		<u>0</u>	<u>0</u>
NET DECREASE OF CASH-FLOW FROM OPERATING ACTIVITIES		<u>(32,185,625)</u>	<u>(16,811,607)</u>
CASH FLOW FROM INVESTING ACTIVITIES	53		
Inflows from sales of fixed tangible and intangible assets		427,215	442,839
Inflows from sales of ownership instruments and debentures		77,373,751	58,848,133
Inflows from interests		4,052,623	10,831,478
Other inflows from investing activities		13,162,029	35,638,000
Total inflows from investing activities		95,015,618	105,760,450
Outflows from purchasing of fixed tangible and intangible assets		(59,335,684)	(11,340,677)
Outflows from acquiring ownership instruments and debentures		(227,370,789)	(62,101,395)
Other outflows from investing activities		0	(4,940,730)
Total outflows from investing activities		(286,706,473)	(78,382,802)
NET INCREASE OF CASH-FLOW FROM INVESTING ACTIVITIES		<u>0</u>	<u>27,377,648</u>
NET DECREASE OF CASH-FLOW FROM INVESTING ACTIVITIES		<u>(191,690,855)</u>	
CASH FLOW FROM FINANCING ACTIVITIES	53		
Inflows from issuing own ownership instruments and debentures		91,923,313	67,163,618
Inflows from loan principals, debentures and other loans		544,045,055	279,023,741
Total inflows from financing activities		635,968,368	346,187,359
Outflows from loan principal repayments		(361,741,785)	(355,915,729)
Outflows from dividend payments		(8,031,555)	(199,050)
Outflows from financial lease		(4,622,420)	(6,464,533)
Outflows from purchasing own shares		0	(1,088,615)
Other outflows from financing activities		(35,328,495)	(9,605)
Total outflows from financing activities		(409,724,255)	(363,677,532)
NET INCREASE OF CASH-FLOW FROM FINANCING ACTIVITIES		<u>226,244,113</u>	<u>0</u>
NET DECREASE OF CASH-FLOW FROM FINANCING ACTIVITIES		<u>0</u>	<u>(17,490,173)</u>
Total cash-flow increase		<u>2,367,633</u>	<u>0</u>
Total cash-flow decrease			<u>(6,924,132)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		78,236,432	80,604,065
Cash and cash equivalents increase		2,367,633	0
Cash and cash equivalents decrease			(6,924,132)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	<u>80,604,065</u>	<u>73,679,933</u>

Popratne bilješke pod brojem 1 do 55 čine sastavni dio ovih financijskih izvještaja.

Attachment 1.

Reporting period:

01.01.2010

do

31.12.2010

ANNUAL FINANCIAL STATEMENTS OF THE ENTREPERNEUR - GFI-POD

Tax number (MB):	03750272
Company registration number (MBS):	80000958
Personal identification number (OIB):	79766124714
Issuing company:	INSTITUT IGH d.d.
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
Consolidated report:	YES
Number of employees (quarter end):	1.170
NKD code:	7219

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

IGH MOSTAR D.O.O.	MOSTAR, BIŠĆE POLJE BB	4227060470005
GEOTEHNIKA INŽENJERING D.O.O.	ZAGREB, GRADISČANSKA 26	01517587
IGH PROJEKTIRANJE D.O.O.	ZAGREB, JANKA RAKUŠE 1	02441818
INCRO D.O.O.	ZAGREB, BRANIMIROVA 71	01982516
IGH ENERGIJA D.O.O.	ZAGREB, JANKA RAKUŠE 1	01819565
FORUM CENTAR D.O.O.	ZAGREB, JAGODNJAK 17	01960229
DUBROVAČKA INVESTICIJSKA GRUPA D.O.O.	DUBROVNIK, OBALA S. RADICA 20	01974376
PROJEKT SOLTA D.O.O.	ZAGREB, JANKA RAKUŠE 1	02592363
RADELJEVIĆ D.O.O.	ZAGREB, JANKA RAKUŠE 1	01938533
VODENJE PROJEKATA D.O.O.	ZAGREB, BIJENIČKA CESTA 8	02427648
EKONOMSKO TEHNIČKI ZAVOD D.D.	OSIJEK, TRG A. STARČEVIĆA 7/II	03013668
PROJEKTI BIRI PALMOTICEVA 45 D.O.O.	ZAGREB, PALMOTICEVA 45	03222853
IGH KOSOVA Sha	PRIŠTINA, KOSOVO	
ARHITEKTURA THOLOS PROJEKTIRANJE D.O.O.	ZAGREB, LOPAŠIĆEVA 6	01605291
HIDROINŽENJERING D.O.O.	ZAGREB, OKUČANSKA 30	03685110
DP AQUA D.O.O.	ZAGREB, SREDNJACI 16	01907522
TEHNIČKE KONSTRUKCIJE D.O.O.	ZAGREB, VLAŠKA 79	02405665
MBM TERMOPROJEKT D.O.O.	ZAGREB, NIKOLA PAVIĆA 20	00335667
CTP PROJEKT D.O.O.	ZAGREB, SAVSKA CESTA 144A	02396173

Bookkeeping service: [REDACTED]

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

Telephone: 01 6125 444 Telefax: 01 6125 404

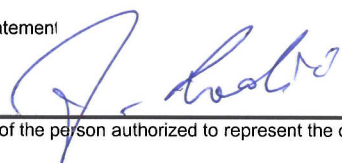
E-mail address: igh@igh.hr

Family name and name: prof. dr. JURE RADIĆ, dipl. ing. građ
(person authorized to represent the company)

Documents for publishing:

1. Audited Annual Financial Statements with Audit Report
2. Management Board Report
3. Statement form persons responsible for preparation of Annual statement,
4. Decision by the authorized body (proposal) on the establishment of Annual F. Statement
5. Decision on the Proposal for distribution of profit or loss coverage




(signature of the person authorized to represent the company)

BALANCE SHEET
as of 31.12.2010.

Legal entity: INSTITUT IGH D.D.				
Position	AOP	Previous year (net)	Current year (net)	
1	2	3	4	
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001			
B) LONG - TERM ASSETS (003+010+020+029+033)	002	402.649.466	734.137.704	
I. INTANGIBLE ASSETS (004 to 009)	003	53.805.223	33.959.548	
1. Assets development	004			
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	3.778.251	2.620.163	
3. Goodwill	006	52.433.551	28.719.956	
4. Prepayments for purchase of intangible assets	007			
5. Intangible assets in preparation	008	2.593.427	2.619.426	
6. Other intangible assets	009			
II. TANGIBLE ASSETS (011 to 019)	010	570.113.084	526.741.470	
1. Land	011	89.528.496	91.866.993	
2. Buildings	012	292.385.475	277.489.617	
3. Plant and equipment	013	28.548.592	26.135.735	
4. Instruments, plant inventories and transportation assets	014	6.721.117	7.053.055	
5. Biological assets	015			
6. Prepayments for tangible assets	016	4.230.305	128.338	
7. Tangible assets in preparation	017	22.059.126	24.627.461	
8. Other material assets	018	1.418.212	1.316.301	
9. Investment in buildings	019	125.221.741	97.123.970	
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	182.801.006	166.037.568	
1. Shares (stocks) in related parties	021			
2. Loans given to related parties	022	28.120.000	28.120.000	
3. Participating interests (shares)	023	5.765.251	89.790	
4. Loans to entrepreneurs in whom the entity hold participating interests	024			
5. Investment in securities	025			
6. Loans, deposits and similar assets	026	35.457.348	13.249.298	
7. Other long - term financial assets	027	18.357.676	19.107.129	
8. Investments accounted by equity method	028	75.100.790	105.471.364	
IV. RECEIVABLES (030 to 032)	029	6.378.609	6.117.447	
1. Receivables from related parties	030			
2. Receivables based on trade loans	031	6.378.609	6.117.447	
3. Other receivables	032			
V. DEFERRED TAX ASSETS	033	4.551.498	2.281.661	
C) SHORT TERMS ASSETS (035+043+050+058)	034	943.469.629	581.061.453	
I. INVENTORIES (036 to 042)	035	503.529.559	146.297.192	
1. Raw material	036	275.070	101.256	
2. Work in progress	037	458.396.871	119.611.958	
3. Finished goods	038	28.022.885	20.872.844	
4. Merchandise	039	12.032.504	6.160.227	
5. Prepayments for inventories	040	4.793.229	1.550.897	
6. Long - term assets held for sale	041			
7. Biological assets	042			
II. RECEIVABLES (044 to 049)	043	323.298.245	310.045.843	
1. Receivables from related parties	044	472.754	6.163.340	
2. Accounts receivable	045	184.013.088	161.474.555	
3. Receivables from participating entrepreneurs	046			
4. Receivables from employees and shareholders	047	202.651	664.664	
5. Receivables from government and other institutions	048	46.619.909	6.372.217	
6. Other receivables	049	91.989.843	135.371.067	
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	27.417.496	63.270.192	
1. Shares (stocks) in related parties	051			
2. Loans given to related parties	052	10.261.455	15.969.304	
3. Participating interests (shares)	053			
4. Loans to entrepreneurs in whom the entity hold participating interests	054			
5. Investments in securities	055	12.644.821	12.035.303	
6. Loans, deposits and similar assets	056	25.716.306	13.069.191	
7. Other financial assets	057	28.794.916	42.196.394	
IV. CASH AT BANK AND IN CASHIER	058	39.164.327	19.448.236	
D) PREPAID EXPENSES AND ACCRUED INCOME	059	20.679.636	53.817.473	
E) TOTAL ASSETS (001+002+034+059)	060	1.766.729.740	1.549.016.630	
F) OFF-BALANCE SHEET NOTES	061	114.300.566	128.346.841	

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	469.249.623	402.518.107
I. SUBSCRIBED CAPITAL	063	63.432.000	63.432.000
II. CAPITAL RESERVES	064	13.375.766	13.998.640
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	8.669.537	8.069.491
1. Reserves prescribed by law	066	3.171.600	3.171.600
2. Reserves for treasury stocks	067	6.343.200	6.343.200
3. Treasury stocks and shares (deduction)	068	3.945.263	1.446.309
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	68.711.563	61.688.896
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	228.168.327	241.862.056
1. Retained earnings	073	228.168.327	241.862.056
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	10.683.770	8.300.652
1. Profit for the current year	076	10.683.770	8.300.652
2. Loss for the current year	077		
VII. MINORITY INTEREST	078	70.308.660	5.167.372
B) PROVISIONS (080 to 082)	079	30.867.621	8.273.751
1. Provisions for pensions, severance pay and similar liabilities	080	3.857.731	3.257.923
2. Reserves for tax liabilities	081		
3. Other reserves	082	16.950.090	5.021.828
C) LONG TERM LIABILITIES (084 to 092)	083	412.820.779	356.286.617
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		30.168.432
3. Liabilities to banks and other financial institutions	086	358.737.245	313.796.999
4. Liabilities for received prepayments	087		
5. Accounts payable	088	6.454.099	6.455.546
6. Liabilities arising from debt securities	089	1.386.036	1.401.018
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091	40.982.821	528.165
9. Deferred tax liability	092	5.266.578	3.906.457
D) SHORT - TERM LIABILITIES (094 to 105)	093	870.461.829	540.577.260
1. Liabilities to related parties	094	1.033.003	820.676
2. Liabilities for loans, deposits etc.	095	64.589.143	52.131.918
3. Liabilities to banks and other financial institutions	096	343.386.337	169.460.999
4. Liabilities for received prepayments	097	16.356.059	13.901.490
5. Accounts payable	098	185.352.136	143.616.701
6. Liabilities arising from debt securities	099	119.921.282	113.790.751
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	12.143.107	10.175.100
9. Liabilities for taxes, contributions and similar fees	102	27.481.207	18.585.194
10. Liabilities to share - holders	103	9.098.927	2.410.448
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	91.100.428	55.683.983
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	2.383.878	1.384.895
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.766.729.730	1.349.016.830
G) OFF-BALANCE SHEET NOTES	108	114.300.566	128.346.841
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	389.940.963	397.350.735
2. Attributed to minority interests	110	70.308.660	5.167.372

Note 1: Annex to the Balance Sheet to be filled in by entrepreneurs preparing the Consolidated Annual Financial Statements.

PROFIT AND LOSS ACCOUNT
for period 01.01.2010. to 31.12.2010.

Legal entity: INSTITUT IGH D.D.				
Position	AOP	Previous year	Current year	
1	2	3	4	
I. OPERATING REVENUES (112+113)	111	739.241.119	551.604.998	
1. Sales revenues	112	709.101.413	517.006.236	
2. Other operating revenues	113	30.139.702	34.598.672	
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	798.989.759	500.356.244	
1. Changes in the value of work in progress and finished goods	115	-79.685.869	6.402.220	
2. Material costs (117 to 119)	116	366.974.234	170.361.600	
a) Raw material and material costs	117	31.987.020	26.364.816	
b) Costs of goods sold	118	262.523	211.172	
c) Other external costs	119	364.723.691	143.805.612	
3. Staff costs (121 to 123)	120	250.697.448	225.140.101	
a) Net salaries and wages	121	132.032.153	120.670.772	
b) Costs for taxes and contributions from salaries	122	83.135.528	72.121.485	
c) Contributions on gross salaries	123	35.729.767	32.347.844	
4. Depreciation	124	40.736.749	26.504.868	
5. Other costs	125	56.925.685	51.422.551	
6. Impairment (127+128)	126	29.576.076	16.906.512	
a) Impairment of long-term assets (excluding financial assets)	127			
b) Impairment of short-term assets (excluding financial assets)	128	29.576.076	16.906.512	
7. Provisions	129	6.534.201	666.150	
8. Other operating expenses	130	4.002.235	2.932.242	
III. FINANCIAL INCOME (132 to 136)	131	49.374.673	33.369.477	
1. Interest income, foreign exchange gains, dividends and similar income from related	132			
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	34.999.047	8.764.369	
3. Share in income from affiliated entrepreneurs and participating interests	134	2.680.026	5.933.244	
4. Unrealized gains (income) from financial assets	135			
5. Other financial income	136	11.695.600	18.671.864	
IV. FINANCIAL EXPENSES (138 to 141)	137	72.534.278	65.145.611	
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138			
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	72.592.278	60.746.537	
3. Unrealized losses (expenses) on financial assets	140		4.399.274	
4. Other financial expenses	141			
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	1.018.468		
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	152.762	2.323.100	
VII. EXTRAORDINARY - OTHER INCOME	144			
VIII. EXTRAORDINARY - OTHER EXPENSES	145			
IX. TOTAL INCOME (111+131+142 + 144)	146	789.634.256	584.974.285	
X. TOTAL EXPENSES (114+137+143 + 145)	147	778.704.790	567.826.155	
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	10.929.467	17.148.230	
1. Profit before taxation (146-147)	149	10.929.467	17.148.230	
2. Loss before taxation (147-146)	150	0	0	
XII. PROFIT TAX	151	3.295.836	7.941.586	
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	7.633.631	9.207.644	
1. Profit for the period(149-151)	153	7.633.631	9.207.644	
2. Loss for the period (151-148)	154	0	0	

APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)**XIV. PROFIT OR LOSS FOR THE PERIOD**

1. Attributed to equity holders of parent company	155	10.683.770	8.300.652
2. Attributed to minority interests	156	-3.050.149	906.992

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	7.633.621	9.207.644
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	1.748.861	4.364.758
1. Exchange differences on translation of foreign operations	159	-22.590	-7.840
2. Movements in revaluation reserves of long-term tangible and intangible assets	160		
3. Profit or loss from revaluation of financial assets available for sale	161	1.771.451	4.392.598
4. Gains or losses on efficient cash flow hedging	162		
5. Gains or losses on efficient hedge of a net investment in foreign countries	163		
6. Share in other comprehensive income / loss of associated companies	164		
7. Actuarial gains / losses on defined benefit plans	165		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	349.772	876.952
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	1.399.089	3.507.806
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	9.032.710	12.715.450

APPENDIX to Statement of comprehensive income (only for consolidated financial statements)**VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD**

1. Attributed to equity holders of parent company	169	12.082.859	11.808.458
2. Attributed to minority interests	170	-3.050.149	906.992

STATEMENT OF CASH FLOWS - Indirect method
period 01.01.2010. to 31.12.2010.

Legal entity: INSTITUT IGH D.D.			
Position	AOP	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	10.929.458	17.149.230
2. Depreciation	002	40.736.749	26.504.868
3. Increase in short-term liabilities	003	211.260.263	0
4. Decrease in short term receivables	004	0	13.082.664
5. Decrease in inventories	005	0	355.223.377
6. Other cash flow increases	006	7.448.539	
I. Total increase in cash flow from operating activities (001 to 006)	007	270.375.009	411.950.139
1. Decrease in short - term liabilities	008		289.762.097
2. Increase in short - term receivables	009	18.378.080	
3. Increase in inventories	010	11.141.865	
4. Other cash flow decreases	011	273.040.689	139.009.649
II. Total decrease in cash flow from operating activities (008 to 011)	012	562.660.623	428.771.746
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	34.185.625	16.811.607
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	427.215	442.839
2. Cash inflows from sale of equity and debt financial instruments	016	77.373.751	58.848.133
3. Interest receipts	017	4.052.623	10.831.478
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	13.162.029	35.638.000
III. Total cash inflows from investing activities(015 to 019)	020	95.015.618	108.760.450
1. Cash outflows for purchase of long - term tangible and intangible assets	021	59.335.684	11.340.677
2. Cash outflows for purchase of equity and debt financial instruments	022	227.370.789	62.101.395
3. Other cash outflows from investing activities	023	0	4.940.730
IV. Total cash outflows from investing activities (021 to 023)	024	286.706.473	78.382.802
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	27.377.648
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	191.690.855	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	91.923.313	67.163.618
2. Cash inflows from loans, debentures, credits and other borrowings	028	544.045.055	279.023.741
3. Other cash inflows from financing activities	029		
V. Total cash inflows from financing activities (027 to 029)	030	635.968.368	346.187.359
1. Cash outflows for repayment of loans and bonds	031	361.741.785	355.915.729
2. Dividends paid	032	8.031.555	199.050
3. Cash outflows for finance lease	033	4.622.420	6.464.533
4. Cash outflows for purchase of own stocks	034		1.088.615
5. Other cash outflows from financing activities	035	35.328.495	9.605
VI. Total cash outflows from financing activities (031 do 035)	036	409.724.255	385.677.532
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	226.244.113	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	17.490.173
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	2.367.633	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	6.924.132
Cash and cash equivalents at the beginning of period	041	78.236.432	80.604.065
Increase in cash and cash equivalents	042	2.367.633	
Decrease in cash and cash equivalents	043		6.924.132
Cash and cash equivalents at the end of period	044	80.604.065	73.679.933

STATEMENT OF CHANGES IN EQUITY

from 01.01.2019 to 31.12.2019

Position	1	2	3	4
Position	1	AOP	Previous year	Current year
1. Subscribed capital		001	63.432.000	63.432.000
2. Capital reserves		002	13.375.766	13.998.640
3. Reserves from profit		003	5.612.984	8.068.491
4. Retained earnings or accumulated loss		004	253.430.766	241.862.057
5. Profit / loss for the current year		005	20.027.699	8.300.652
6. Revaluation of long - term tangible assets		006	56.498.394	53.606.519
7. Revaluation of intangible assets		007		
8. Revaluation of financial assets available for sale		008	3.720.211	8.112.808
9. Other revaluation		009		
10. Total capital and reserves (AOP 001 to 009)		010	415.097.820	397.381.157
11. Currency gains and losses arising from net investments in foreign operations		011	-113.757	-30.431
12. Current and deferred taxes (part)		012		
13. Cash flow hedging		013		
14. Changes in accounting policies		014		
15. Correction of significant errors in prior periods		015		
16. Other changes in capital		016		
17. Total increase or decrease in capital (AOP 011 to 016)		017	-113.757	-30.431
17 a. Attributed to equity holders of parent company		018	389.940.963	397.350.736
17 b. Attributed to minority interest		019	70.308.660	5.167.371

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date