



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

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

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

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

The total number of persons employed with the Group was 1235 on 30 September 2010.

**Supervisory Board and Management of Institut IGH, JSC**

The company's Supervisory Board members are:

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

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

Slavko Kojić, B.A. (Econ.), Member

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

Branko Kincl, Academician, Member

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

Ante Stojan, B. Arch., Member

The company's Management members are:

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

## Equity capital

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

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

In the period from 1 January to 30 September 2010, the Institut IGH Group revenues, generated through sale of products and services, amounted to HRK 385 million.

Consolidated revenues from sales realized on domestic market amount to HRK 284 million.

Revenues realized in other countries amount to HRK 74 million, which is a 43 percent increase over the same period a year ago, when these revenues amounted to HRK 51.6 million.

The consolidated business revenues amount to HRK 379 million (they amounted to HRK 574 million in the same period last year).

The operating expenses amount to HRK 360 million and have been reduced by 29 percent with respect to the same period in the previous year. This reduction in operating expenses is mostly due to the reduction in the cost of external services and personnel costs, which have been reduced by 13 percent when compared to the same period last year.

Total financial revenues amount to HRK 23 million, and are formed of interest revenues and currency exchange gains amounting to HRK 14 million, and revenues from sale of company shares amounting to HRK 9.5 million.

Financial expenses in the period from January to September 2010 amount to HRK 38 million. Financial expenses are formed of interest on loans amounting to HRK 34 million, and net losses from negative exchange rate differences and other financial expenses amounting to HRK 4 million.

The INSTITUT IGH Group realized in the period from January to September 2010 the consolidated pre-tax profit of HRK 4.5 million. The after-tax profit amounts to HRK 1 million. As the loss attributed to minority interest is HRK 1.1 million, the profit margin of mother-company shareholders is HRK 2.1 million.

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

On the day of this report the Institut IGH Group claims HRK 194 million as unpaid trade receivables, and the contracts in hand, i.e. works in progress, amount to HRK 750 million.

Zagreb, 29 October 2010

Institut IGH, d.d.



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

**ATTACHMENT 1**

Reporting period:

01.01.2010

to

30.09.2010

**Quarterly financial statement of the entrepreneur-TFI-POD**

Tax number (MB): 03750272

Company registration number (MBS): 80000959

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.institut.igh.com

Municipality/city code and name: 133 ZAGREB

County code and name: 133 GRAD ZAGREB

Number of employees: 1.235  
(quarter end)

Consolidated report: YES

NKD code: 7219

Companies of the consolidation subject (according to IFRS)	Seat:	MB:
IGH MOSTAR	MOSTAR, BISCE POLJE BB	4227060470005
GEOSTRAZIVANJE OSIJEK	OSIJEK, DRINSKA 18	01519573
IGH RAZUM	ZAGREB, JANKA RAKUŠE 1	01819585
ADEPTO	ZAGREB, BRANIMIROVA 71	01982516
GEOTEHNIKA INŽENJERING	ZAGREB, GRADIŠĆANSKA 26	01517597
EKONOMSKO TEHNIČKI ZAVOD D.D.	OSIJEK, TRG A. STARČEVIĆA 7/II	03013669

Bookkeeping service:

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

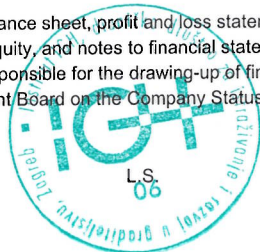
Telephone: 01 6125 444 Facsimile: 01 6125 419

E-mail address: igh@igh.hr

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

Documents to be published.

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



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

*[Handwritten signature]*

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

RADELJEVIĆ D.O.O.	ZAGREB, JANKA RAKUSE 1	01938533
CENTAR GRADSKI PODRUM D.O.O.	ZAGREB, AUGUSTA CESARCA 2	01308123
KILA D.O.O.	SPLIT, SVACICEVA 4	01938541
CENTAR BUNDEK D.O.O.	ZAGREB, KNINSKI TRG 14	01890247
FORUM CENTAR D.O.O.	ZAGREB, JAGODNJAK 17	01960229
HIDROINŽENJERING D.O.O.	ZAGREB, OKUĆANSKA 30	03685110
ARHITEKTURA THOLOS PROJEKTIRANJE D.O.O.	ZAGREB, LOPAŠIĆEVA 6	01605291
PROJEKT SOLTA D.O.O.	ZAGREB, JANKA RAKUSE 1	92391754978
IGH PROJEKTIRANJE D.O.O.	ZAGREB, JANKA RAKUSE 1	02441918
DUBROVAČKA INVESTICIJSKA GRUPA D.O.O.	DUBROVNIK, OBALA S. RADICA 20	01974378
PROJEKTI BIRO PALMOTIĆEVA 45 D.O.O.	ZAGREB, PALMOTIĆEVA 45	03222853
CTP PROJEKT D.O.O.	ZAGREB, SAVSKA C 144A	02386173
VOĐENJE PROJEKATA D.O.O.	ZAGREB, BIJENIČKA CESTA 8	02427648
DP AQUA D.O.O.	ZAGREB, SREDNJACI 16	01907522
TEHNIČKE KONSTRUKCIJE D.O.O.	ZAGREB, VLASKA 79	02405865
TERMOSTROJARSKI PROJEKTI D.O.O.	ZAGREB, ILICA 93	02469260

## BALANCE SHEET

as of

30.09.2010

thousands HRK

Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	802.649	766.484
I. INTANGIBLE ASSETS	<b>003</b>	58.805	66.004
II. PROPERTY, PLANT AND EQUIPMENT	<b>004</b>	570.113	550.979
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	162.801	137.852
IV. RECEIVABLES	<b>006</b>	6.379	6.179
V. DEFERRED TAX ASSET	<b>007</b>	4.551	5.470
<b>C) CURRENT ASSETS</b>	<b>008</b>	943.400	951.342
I. INVENTORIES	<b>009</b>	503.521	572.741
II. RECEIVABLES	<b>010</b>	323.298	284.361
III. CURRENT FINANCIAL ASSETS	<b>011</b>	77.417	77.826
IV. CASH AND CASH EQUIVALENTS	<b>012</b>	39.164	16.414
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>013</b>	20.680	25.197
<b>E) LOSS ABOVE SUBSCRIBED CAPITAL</b>	<b>014</b>		
<b>F) TOTAL ASSETS</b>	<b>015</b>	1.766.729	1.743.023
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>016</b>	114.300	143.413
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b>	<b>017</b>	460.249	447.071
I. SUBSCRIBED SHARE CAPITAL	<b>018</b>	63.432	63.432
II. CAPITAL RESERVES	<b>019</b>	13.375	13.999
III. LEGAL RESERVES	<b>020</b>	5.569	8.068
IV. REVALUATION RESERVES	<b>021</b>	68.712	69.240
V. RETAINED EARNINGS	<b>022</b>	228.168	238.146
VI. LOSS CARRIED FORWARD	<b>023</b>		
VII. NET PROFIT FOR THE PERIOD	<b>024</b>	10.684	2.149
VIII. LOSS FOR THE PERIOD	<b>025</b>		
IX. MINORITY INTEREST	<b>026</b>	70.309	52.037
<b>B) PROVISIONS</b>	<b>027</b>	20.808	13.844
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	407.560	430.593
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	870.462	843.735
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>030</b>	7.650	7.780
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>031</b>	1.766.729	1.743.023
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>032</b>	114.300	143.413
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>033</b>	389.940	395.034
2. Attributable to minority interest	<b>034</b>	70.309	52.037

## PROFIT AND LOSS STATEMENT

for period 01.01.2010 to 30.09.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cumulative	Periodical	Cumulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING INCOME</b>	<b>035</b>	574.419	163.625	379.001	126.621
1. Rendering of services	036	552.647	158.267	357.941	116.690
2. Income from usage of own products, merchandise and services	037	802	248	619	180
3. Other operating income	038	20.970	5.110	20.441	9.751
<b>II. OPERATING COSTS</b>	<b>039</b>	505.068	160.808	359.846	114.981
1. Decrease of work in progress and merchandise	040	5.064	-3.847		
2. Increase of work in progress and merchandise	041			70.629	11.843
3. Material expenses	042	212.316	72.820	184.797	45.971
4. Employee benefits expenses	043	186.180	62.286	162.099	47.809
5. Depreciation and amortisation	044	28.511	8.671	22.665	7.142
6. Other expenses	045	38.854	13.036	38.443	19.831
7. Write down of assets	046	20.144	4.380	18.544	5.475
8. Provisions	047	7.952	3.265	1.703	17
9. Other operating costs	048	6.047	197	2.224	579
<b>III. FINANCIAL INCOME</b>	<b>049</b>	19.766	3.788	23.565	-2.767
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050				
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	12.598	1.646	14.099	-2.808
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054	7.168	2.142	9.466	41
<b>IV. FINANCIAL EXPENSES</b>	<b>055</b>	38.315	16.513	38.209	11.226
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057	38.315	16.513	38.209	11.226
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059				
<b>V. EXTRAORDINARY - OTHER INCOME</b>	<b>060</b>				
<b>VI. EXTRAORDINARY - OTHER EXPENSES</b>	<b>061</b>				
<b>VII. TOTAL INCOME</b>	<b>062</b>	594.185	167.413	402.566	123.854
<b>VIII. TOTAL EXPENSES</b>	<b>063</b>	543.383	177.321	398.055	126.207
<b>IX. PROFIT BEFORE TAXES</b>	<b>064</b>	50.802		4.511	
<b>X. LOSS BEFORE TAXES</b>	<b>065</b>		9.908		2.353
<b>XI. TAXATION</b>	<b>066</b>	14.464	5.018	3.474	793
<b>XII. NET PROFIT FOR THE PERIOD</b>	<b>067</b>	36.338		1.037	
<b>XIII. LOSS FOR THE PERIOD</b>	<b>068</b>		14.926		3.146
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069	38.196		2.149	
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070				
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071		14.310		1.873
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072	1.858	616	1.112	1.273

## CASH FLOW STATEMENT - Indirect method

period 01.01.2010 to 30.09.2010

thousands HRK

Position	AOP oznaka	Previous period	Current period
1	2	ž	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	50.802	4.511
2. Depreciation and amortisation	074	28.511	22.665
3. Increase of current liabilities	075	189.165	
4. Decrease of current receivables	076		38.937
5. Decrease of inventories	077		
6. Other cash flow increases	078	4.529	5.941
<b>I. Total increase of cash flow from operating activities</b>	<b>079</b>	<b>273.007</b>	<b>72.054</b>
1. Decrease of current liabilities	080		3.273
2. Increase of current receivables	081	65.739	
3. Increase of inventories	082	73.293	69.220
4. Other cash flow decreases	083	322.667	31.466
<b>II. Total decrease of cash flow from operating activities</b>	<b>084</b>	<b>461.699</b>	<b>103.959</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>		
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>	<b>188.692</b>	<b>31.905</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	087	312	297
2. Proceeds from sale of non-current financial assets	088	1.463	49.228
3. Interest received	089	2.967	6.202
4. Dividend received	090	437	
5. Other proceeds from investing activities	091		2.000
<b>III. Total cash inflows from investing activities</b>	<b>092</b>	<b>5.179</b>	<b>57.727</b>
1. Purchase of non-current assets	093	36.864	4.140
2. Purchase of non-current financial assets	094	60.403	22.112
3. Other cash outflows from investing activities	095	5.685	3.964
<b>IV. Total cash outflows from investing activities</b>	<b>096</b>	<b>102.952</b>	<b>30.216</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>		<b>27.511</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>97.773</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	099	70.138	67.164
2. Proceeds from loans and borrowings	100	324.605	64.646
3. Other proceeds from financing activities	101	20.546	
<b>V. Total cash inflows from financing activities</b>	<b>102</b>	<b>415.289</b>	<b>131.810</b>
1. Repayment of loans and bonds	103	116.959	146.957
2. Dividends paid	104	662	11
3. Repayment of finance lease	105	3.635	2.462
4. Purchase of treasury shares	106		1.089
5. Other cash outflows from financing activities	107		
<b>VI. Total cash outflows from financing activities</b>	<b>108</b>	<b>121.256</b>	<b>150.519</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>294.033</b>	
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>110</b>		<b>18.709</b>
Total increases of cash flows	111	294.033	27.511
Total decreases of cash flows	112	286.465	50.614
Cash and cash equivalents at the beginning of period	113	78.236	80.604
Increase of cash and cash equivalents	114	7.568	
Decrease of cash and cash equivalents	115		23.103
Cash and cash equivalents at the end of period	116	85.804	57.501

## STATEMENT OF CHANGES IN EQUITY

from **01.01.2010** to **30.09.2010**

thousands HRK

Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	63.432			63.432
2. Capital reserves	118	13.375	624		13.999
3. Net income reserves	119	5.569	3.587	1.088	8.068
4. Retained earnings or loss carried forward	120	228.168	10.758	780	238.146
5. Net profit (loss) for the period	121	10.684	2.149	10.684	2.149
6. Revaluation of property, plant and equipment	122	65.103	648	79	65.672
7. Revaluation of intangible assets	123				
8. Revaluation of available for sale financial assets	124	3.723			3.723
9. Other revaluation	125				
10. Foreign exchange differences from investments abroad	126	-114	-41		-155
11. Current and deferred taxes (part)	127				
12. Hedging of the cash flow	128				
13. Change of accounting policies	129				
14. Change of prior period error	130				
15. Other changes in equity	131				
<b>16. Total increase or decrease of equity</b>	<b>132</b>	<b>389.940</b>	<b>17.725</b>	<b>12.631</b>	<b>395.034</b>
16a. Attributable to majority owners	133	389940			395.034
16b. Attributable to minority interest	134	70309			52.037





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

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

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

During preparation of financial reports, the Management is responsible:

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

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

Signed on behalf of the Management:

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

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



29 October 2010