

Institut IGH d.d.

Janka Rakuše 1, 10000 Zagreb, CROATIA

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igh@igh.hr, www.igh.hr



**GENERAL MANAGER'S REPORT
ON BUSINESS RESULTS OF THE INSTITUT IGH GROUP, JSC
IN THE PERIOD FROM 1 OCTOBER TO 31 DECEMBER 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 19 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.: MB 3750272, personal identification No. OIB 79766124714.

The total number of persons employed with the Group was 1169 on 31 December 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.

SPLIT 21 000
Matice hrvatske 15
Tel:021/558-666
Fax:021/465-335

RIJEKA 51 000
Slavka Tomašića 5
Tel:051/206-100
Fax:051/206-106

OSIJEK 31 000
Drinska 18
Tel:031/253-101
Fax:031/253-104

VARAŽDIN 42 000
Hallerova aleja 7
Tel:042/210-970,
042/210-722
Fax:042/211-285

DUBROVNIK 20 000
Vukovarska 8
Tel:020/412-489,
020/411-628
Fax:020/412-489

PULA 52 100
Rizzijeva 40
Tel:052/508-220
Fax:052/508-221

KARLOVAC 47 000
Primorska 16
Tel:047/416-987,
047/416-988
Fax:047/416-989

SISAK 44 000
Ferde Hefelea b.b.
Tel:044/571-255
Fax:044/571-256

ZADAR 23 000
Dobriše Cesarića 1
Tel:023/220-910,
023/323-299
Fax:023/323-225

The company's Management members are:
Prof. Jure Radić, Ph.D. (Civ. Eng.), General Manager



Djelatnost: 73102
MB: 3750272
Poslovna banka:
Zagrebačka banka d.d.
Zagreb, Paraminska 2

Žiro-račun:
2360000-1101243767
devizni račun:
kod Zagrebačke banke d.d.
Zagreb: 2100085026
OIB: 79766124714

Mjerodavni sud:
Trgovački sud u Zagrebu,
registarski utočište:
s matičnim brojem (MBS)
080000959

Temeljni kapital:
63.432.000,00 kn
uplaćen u cijelosti
Broj izdanih dionica:
158.580, nominalna
vrijednost dionice 400 kn

Upravo:
prof. dr. sc. Jure Radić, direktor,
zastupa društvo pojedinačno i
samostalno
Nadzorni odbor:
dr. sc. Franjo Gregorić, predsjednik



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 October to 31 December 2010

In the period from 1 October to 31 December 2010, the Institut IGH Group revenues amounted to HRK 144.9 million and have fallen by 13% with respect to the same period in 2009 (in the same period in 2009, revenues amounted to HRK 166.1 million).

The operating expenses amount to HRK 123 million and have fallen by 39% with respect to the same period last year.

The total financial revenues amount to HRK 9.5 million, while the financial expenses amount to HRK 26.9 million.

The INSTITUT IGH Group realized in the fourth quarter of 2010 the consolidated pre-tax profit of HRK 4 million.

The after-tax profit amounts to HRK 2.9 million. As the profit attributed to minority interest is HRK 1.4 million, the after-tax profit margin of mother-company shareholders is HRK 1.5 million.

The reduction in the Group's revenues and profits over the reporting period with respect to the same period last year is due to recession, 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, and by measures taken to rationalize the company's activities.

On the day of this report the Institut IGH Group has the contracts in hand, i.e. works in progress, amounting to HRK 748 million.

Zagreb, 31 January 2011

Institut IGH, d.d.



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



**MANAGEMENT'S STATEMENT ON THE RESPONSIBILITY FOR PREPARING FINANCIAL
REPORTS FOR THE INSTITUT IGH, JSC**

The Company's Management has to ensure that the INSTITUT IGH d.d. financial reports for the 4th semester of 2010 are prepared in accordance with the Accountancy Law (Official Gazette 146/05) and in keeping with international accounting standards (Official Gazette 140/06, 30/08, 130/08, 137/08) issued by the International Accounting Standards Board (IASB), so that these documents provide a true and unbiased picture of the Company'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 Company has adequate resources to continue operation in the foreseeable future. Accordingly, the Management has prepared its financial reports under assumption that the Company 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 Company, 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 Company'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

31 January 2011



ATTACHMENT 1

Reporting period:

1.10.2010

to

31.12.2010

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.institutigh.com

Municipality/city code and name: 133 ZAGREB

County code and name: 133 GRAD ZAGREB

Number of employees: 920

(quarter end)

Consolidated report: NO

NKD code: 7219

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Bookkeeping service:

Contact person: ŠPINDERK JADRANKA

(please enter only contact person's family name and name)

Telephone: 01 6125 444

Facsimile: 01 6125 419

E-mail address: igh@igh.hr

Family name and name: Prof. RADIĆ JURE, Ph.D.(Civ.Eng.)

(person authorized to represent the company)

Documents to be published.

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


(signature of the person authorized to represent the company)

BALANCE SHEET

as of

31.12.2010

thousands HRK

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS	002	683.256.710	649.983.366
I. INTANGIBLE ASSETS	003	19.954.451	20.064.110
II. PROPERTY, PLANT AND EQUIPMENT	004	221.880.948	214.691.190
III. NON-CURRENT FINANCIAL ASSETS	005	432.482.323	406.376.089
IV. RECEIVABLES	006	6.179.032	6.092.020
V. DEFERRED TAX ASSET	007	2.759.956	2.759.956
C) CURRENT ASSETS	008	478.856.742	496.066.652
I. INVENTORIES	009	30.383.668	29.447.822
II. RECEIVABLES	010	272.915.661	294.391.878
III. CURRENT FINANCIAL ASSETS	011	168.435.349	163.507.756
IV. CASH AND CASH EQUIVALENTS	012	7.122.064	8.719.196
D) PREPAYMENTS AND ACCRUED INCOME	013	19.933.386	20.186.628
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	1.182.046.838	1.166.236.645
G) OFF BALANCE SHEET ITEMS	016	143.412.805	150.016.000
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	429.772.937	434.215.371
I. SUBSCRIBED SHARE CAPITAL	018	63.432.000	63.432.000
II. CAPITAL RESERVES	019	13.998.640	13.998.640
III. LEGAL RESERVES	020	8.068.491	11.788.702
IV. REVALUATION RESERVES	021	60.218.605	53.319.337
V. RETAINED EARNINGS	022	273.458.465	273.458.465
VI. LOSS CARRIED FORWARD	023		
VII. NET PROFIT FOR THE PERIOD	024	10.596.736	18.218.228
VIII. LOSS FOR THE PERIOD	025		
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	13.844.446	9.522.531
C) NON-CURRENT LIABILITIES	028	298.886.141	273.079.459
D) CURRENT LIABILITIES	029	431.763.623	435.204.955
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	7.779.691	14.214.329
F) TOTAL EQUITY AND LIABILITIES	031	1.182.046.838	1.166.236.645
G) OFF BALANCE SHEET ITEMS	032	143.412.805	150.016.000
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	033		
2. Attributable to minority interest	034		

PROFIT AND LOSS STATEMENT

for period

1.10.2010

to

31.12.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME	035		142.603.616		119.087.566
1. Rendering of services	036		136.080.722		106.556.707
2. Income from usage of own products, merchandise and services	037		217.437		91.580
3. Other operating income	038		6.305.456		12.439.279
II. OPERATING COSTS	039		176.416.800		105.132.253
1. Decrease of work in progress and merchandise	040		20.299.072		937.308
2. Increase of work in progress and merchandise	041				
3. Material expenses	042		71.525.422		41.660.078
4. Employee benefits expenses	043		49.873.473		41.631.886
5. Depreciation and amortisation	044		6.183.781		4.024.310
6. Other expenses	045		23.072.588		21.155.052
7. Write down of assets	046		9.166.737		-4.938.693
8. Provisions	047		-1.568.304		132.920
9. Other operating costs	048		-2.135.967		529.393
III. FINANCIAL INCOME	049		28.616.978		14.940.472
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050		251.732		1.494.692
2. Interest, foreign exchange differences, dividends and similar income from third parties	051		19.965.294		2.233.021
3. Income from investments in associates and joint ventures	052		2.680.026		2.532.201
4. Unrealised gains (income)	053				
5. Other financial income	054		5.719.925		8.680.559
IV. FINANCIAL EXPENSES	055		32.027.899		21.377.924
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057		32.027.899		18.683.650
3. Unrealised losses (expenses) from financial assets	058				2.694.274
4. Other financial expenses	059				
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062		171.220.593		134.028.038
VIII. TOTAL EXPENSES	063		208.444.700		126.510.177
IX. PROFIT BEFORE TAXES	064				7.517.861
X. LOSS BEFORE TAXES	065		37.224.106		
XI. TAXATION	066		-10.441.602		-103.630
XII. NET PROFIT FOR THE PERIOD	067				7.621.491
XIII. LOSS FOR THE PERIOD	068		26.782.504		
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069				
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070				
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071				
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072				

CASH FLOW STATEMENT - Indirect method

period 1.10.2010 to 31.12.2010

thousands HRK

Position	AOP oznaka	Previous period	Current period
1	2	ž	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-37.224.327	7.517.861
2. Depreciation and amortisation	074	6.184.012	4.204.310
3. Increase of current liabilities	075	0	0
4. Decrease of current receivables	076	23.802.478	-21.476.217
5. Decrease of inventories	077	19.444.460	935.846
6. Other cash flow increases	078	236.486.169	-6.665.858
I. Total increase of cash flow from operating activities	079	248.692.792	-15.484.058
1. Decrease of current liabilities	080	5.099.738	-3.441.331
2. Increase of current receivables	081	0	0
3. Increase of inventories	082	0	0
4. Other cash flow decreases	083	0	16.616.073
II. Total decrease of cash flow from operating activities	084	5.099.738	13.174.742
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	243.593.054	
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	0	28.658.800
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	94.281	130.363
2. Proceeds from sale of non-current financial assets	088	75.910.751	136.249
3. Interest received	089	794.078	6.011.784
4. Dividend received	090	92.438	82.500
5. Other proceeds from investing activities	091	7.280.000	26.424.000
III. Total cash inflows from investing activities	092	84.171.548	32.784.896
1. Purchase of non-current assets	093	24.974.977	3.256.976
2. Purchase of non-current financial assets	094	144.641.834	9.000.000
3. Other cash outflows from investing activities	095	0	79.560
IV. Total cash outflows from investing activities	096	169.616.811	12.336.536
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		20.448.360
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	85.445.263	
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099	21.785.313	0
2. Proceeds from loans and borrowings	100	25.138.186	202.753.500
3. Other proceeds from financing activities	101	0	
V. Total cash inflows from financing activities	102	46.923.499	202.753.500
1. Repayment of loans and bonds	103	113.526.470	175.441.687
2. Dividends paid	104	8.560.993	0
3. Repayment of finance lease	105	1.055.739	955.961
4. Purchase of treasury shares	106	0	0
5. Other cash outflows from financing activities	107	88.768.417	0
VI. Total cash outflows from financing activities	108	211.911.619	176.397.648
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	0	26.355.852
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	164.988.120	0
Total increases of cash flows	111	243.593.054	46.804.212
Total decreases of cash flows	112	250.433.383	28.658.800
Cash and cash equivalents at the beginning of period	113	66.331.927	44.749.180
Increase of cash and cash equivalents	114	0	18.145.412
Decrease of cash and cash equivalents	115	6.840.329	
Cash and cash equivalents at the end of period	116	59.491.598	62.894.592

STATEMENT OF CHANGES IN EQUITY

from **1.10.2010** to **31.12.2010**

thousands HRK

Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	63.432.000			63.432.000
2. Capital reserves	118	13.998.640			13.998.640
3. Net income reserves	119	8.068.491			8.068.491
4. Retained earnings or loss carried forward	120	273.458.465	10.596.736		284.055.201
5. Net profit (loss) for the period	121	10.596.736	7.621.491	10.596.736	7.621.491
6. Revaluation of property, plant and equipment	122	56.498.394		3.179.058	53.319.336
7. Revaluation of intangible assets	123				
8. Revaluation of available for sale financial assets	124	3.720.212			3.720.212
9. Other revaluation	125				
10. Foreign exchange differences from investments abroad	126				
11. Current and deferred taxes (part)	127				
12. Hedging of the cash flow	128				
13. Change of accounting policies	129				
14. Change of prior period error	130				
15. Other changes in equity	131				
16. Total increase or decrease of equity	132	429.772.938	18.218.227	13.775.794	434.215.371
16a. Attributable to majority owners	133				
16b. Attributable to minority interest	134				