

Institut IGH d.d.

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GENERAL MANAGER'S REPORT ON BUSINESS RESULTS OF THE INSTITUT IGH, JSC AND ITS SUBSIDIARIES IN THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

The INSTITUT IGH, JSC, Zagreb and its subsidiaries provide 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 conduct scientific research activities.

The Institut IGH, JSC has 19 subsidiaries providing services either in the core activity of the company or in similar activities, the exception being one subsidiary company that provides services in the field of hotel industry and tourism.

The registered seat of the mother company "Institut IGH JSC" is in Zagreb, Janka Rakuše 1, company registration No.: MB 3750272, personal identification No. OIB 79766124714.

The total number of persons employed with the Institut IGH JSC and its subsidiaries was 1220 as on 30 June 2011.

Supervisory Board and Management of Institut IGH, JSC

The company's Supervisory Board members are:

Franjo Gregorić, Ph.D. (Econ.), President
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 JSC Group in the period from 1 January to 30 June 2011

In the period from 1 January to 30 June 2011, the Institut IGH JSC and its subsidiary companies generated revenues, through sale of products and services, in the amount of HRK 230 million, out of which HRK 35.3 million was earned on foreign markets.

Consolidated revenues amount to HRK 242 million (compared to HRK 252 million earned over the same period in 2010).

The operating expenses amount to HRK 227 million and have been reduced by 7 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 which have been reduced by 51%, and in personnel costs, which have been reduced by 14 percent when compared to the same period last year.

Total financial revenues amount to HRK 19 million, and are formed of interest revenues and currency exchange gains amounting to HRK 4 million, and revenues from sale of company shares amounting to HRK 15 million.

Financial expenses in the period from January to June 2011 amount to HRK 25 million and have been reduced by 6 percent when compared to financial expenses incurred over the same period last year. Financial expenses are mostly related to loan interest payments.

The INSTITUT IGH JSC and its subsidiary companies have realized in the period from January to June 2011 the consolidated pre-tax profit of HRK 6.5 million. The after-tax profit amounts to HRK 4.2 million. As the profit attributed to minority interest is HRK 616 thousand, the profit margin of mother-company shareholders is HRK 3.6 million.

The reduction registered in consolidated 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 and its subsidiary companies claim HRK 209 million as unpaid trade receivables, and the contracts in hand, i.e. works in progress, amount to HRK 705 million.

Zagreb, 29 July 2011



Institut IGH, JSC

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

Attachment 1.

Reporting period:

01.01.2011

do

30.06.2011

Quarterly financial statement of the entrepreneur - TFI-POD

Tax number (MB): 03750272

Company registration number (MRS): 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 897

(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

Telefaks: 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 to be published:

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



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

BALANCE SHEET
as of 30.06.2011.

INSTITUT IGH D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001		
B) LONG - TERM ASSETS (003+010+020+029+033)	002	652.108.571	616.788.513
I. INTANGIBLE ASSETS (004 to 009)	003	18.066.215	18.817.556
1. Assets development	004	0	
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	2.091.193	1.307.627
3. Goodwill	006	13.355.595	13.355.595
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	2.619.427	4.154.334
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	215.006.072	214.649.620
1. Land	011	45.615.550	45.615.550
2. Buildings	012	104.762.894	99.654.507
3. Plant and equipment	013	3.238.984	2.924.103
4. Instruments, plant inventories and transportation assets	014	1.989.856	1.731.659
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	95.843	54.246
7. Tangible assets in preparation	017	24.695.834	29.339.953
8. Other material assets	018	379.356	379.356
9. Investment in buildings	019	34.227.755	34.950.246
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	410.827.205	378.802.878
1. Shares (stocks) in related parties	021	317.933.356	290.819.991
2. Loans given to related parties	022	65.324.225	64.662.980
3. Participating interests (shares)	023	62.220	62.220
4. Loans to entrepreneurs in whom the entity hold participating interests	024		0
5. Investment in securities	025		0
6. Loans, deposits and similar assets	026	4.738.712	488.995
7. Other long - term financial assets	027	22.768.692	22.768.692
8. Investments accounted by equity method	028		0
IV. RECEIVABLES (030 to 032)	029	6.117.448	2.426.828
1. Receivables from related parties	030		0
2. Receivables based on trade loans	031	6.117.448	2.426.828
3. Other receivables	032		0
V. DEFERRED TAX ASSETS	033	2.091.631	2.091.631
C) SHORT TERMS ASSETS (035+043+050+058)	034	464.248.608	495.567.787
I. INVENTORIES (036 to 042)	035	26.221.082	13.625.820
1. Raw material	036		0
2. Work in progress	037	501.348	501.348
3. Finished goods	038	19.033.411	6.605.571
4. Merchandise	039	6.135.426	6.518.901
5. Prepayments for inventories	040	550.897	0
6. Long - term assets held for sale	041		0
7. Biological assets	042		0
II. RECEIVABLES (044 to 049)	043	281.317.191	343.011.857
1. Receivables from related parties	044	30.097.509	28.108.338
2. Accounts receivable	045	125.205.973	147.048.086
3. Receivables from participating entrepreneurs	046		0
4. Receivables from employees and shareholders	047	636.527	1.023.026
5. Receivables from government and other institutions	048	5.765.880	4.146.366
6. Other receivables	049	119.611.302	162.686.041
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	148.002.027	135.440.728
1. Shares (stocks) in related parties	051		0
2. Loans given to related parties	052	83.613.337	105.271.273
3. Participating interests (shares)	053		0
4. Loans to entrepreneurs in whom the entity hold participating interests	054		0
5. Investment in securities	055	11.993.303	9.941.310
6. Loans, deposits and similar assets	056	10.198.993	16.470.158
7. Other financial assets	057	42.196.394	3.757.987
IV. CASH AT BANK AND IN CASHIER	058	8.708.308	3.489.382
D) PREPAID EXPENSES AND ACCRUED INCOME	059	48.418.697	24.013.454
E) TOTAL ASSETS (001+002+034+059)	060	1.164.775.876	1.136.369.754
F) OFF-BALANCE SHEET NOTES	061	128.346.841	122.457.060

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	429.628.995	437.794.998
I. SUBSCRIBED CAPITAL	063	63.432.000	63.432.000
II. CAPITAL RESERVES	064	13.998.640	13.998.640
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	8.068.491	8.068.491
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	1.446.309	1.446.309
4. Statutory reserves	069		0
5. Other reserves	070		0
IV. REVALUATION RESERVES	071	57.127.602	57.127.602
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	274.016.877	287.002.262
1. Retained earnings	073	274.016.877	287.002.262
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	12.985.385	8.166.003
1. Profit for the current year	076	12.985.385	8.166.003
2. Loss for the current year	077		0
VII. MINORITY INTEREST	078		0
B) PROVISIONS (080 to 082)	079	7.909.751	6.571.624
1. Provisions for pensions, severance pay and similar liabilities	080	3.257.923	3.257.923
2. Reserves for tax liabilities	081		0
3. Other reserves	082	4.651.828	3.313.701
C) LONG TERM LIABILITIES (084 to 092)	083	218.438.778	231.605.095
1. Liabilities to related parties	084		0
2. Liabilities for loans, deposits etc.	085		0
3. Liabilities to banks and other financial institutions	086	212.729.727	225.973.491
4. Liabilities for received prepayments	087		0
5. Accounts payable	088	321.844	263.434
6. Liabilities arising from debt securities	089	1.401.018	1.401.018
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		0
8. Other long-term liabilities	091	79.732	60.695
9. Deferred tax liability	092	3.906.457	3.906.457
D) SHORT - TERM LIABILITIES (094 to 105)	093	507.450.902	459.023.584
1. Liabilities to related parties	094	9.316.392	6.254.899
2. Liabilities for loans, deposits etc.	095	46.463.807	47.569.077
3. Liabilities to banks and other financial institutions	096	143.199.392	134.130.683
4. Liabilities for received prepayments	097	9.604.190	5.536.099
5. Accounts payable	098	116.652.758	93.175.738
6. Liabilities arising from debt securities	099	113.790.751	105.958.555
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		0
8. Liabilities to employees	101	8.276.060	7.033.745
9. Liabilities for taxes, contributions and similar fees	102	15.630.518	18.609.453
10. Liabilities to share - holders	103	431.377	418.652
11. Liabilities for long term assets held for sale	104		0
12. Other short - term liabilities	105	44.085.657	40.336.683
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	1.347.450	1.374.453
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.164.775.876	1.136.369.754
G) OFF-BALANCE SHEET NOTES	108	128.346.841	122.457.060
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109		
2. Attributed to minority interests	110		

PROFIT AND LOSS ACCOUNT
for period 01.01.2011. to 30.06.2011.

INSTITUT IGH D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	215.968.042	107.398.000	177.946.896	99.403.215
1. Sales revenues	112	207.095.217	102.143.588	172.805.523	96.167.717
2. Other operating revenues	113	8.872.825	5.254.412	5.141.373	3.235.498
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	207.616.594	105.841.366	169.465.730	86.786.257
1. Changes in the value of work in progress and finished goods	115	4.150.098	1.816.720	12.573.501	6.656.024
2. Material costs (117 to 119)	116	65.330.661	35.259.595	48.918.835	26.781.141
a) Raw material and material costs	117	6.884.290	4.966.210	6.238.908	3.656.571
b) Costs of goods sold	118		0	28.126	28.126
c) Other external costs	119	58.446.371	30.293.385	42.651.801	23.096.444
3. Staff costs (121 to 123)	120	90.486.547	44.650.873	80.565.594	38.672.018
a) Net salaries and wages	121	49.526.057	24.188.644	44.613.767	21.983.503
b) Costs for taxes and contributions from salaries	122	28.014.279	14.109.531	24.197.828	11.024.515
c) Contributions on gross salaries	123	12.946.211	6.352.698	11.753.999	5.664.000
4. Depreciation	124	10.119.593	3.500.699	7.085.968	2.414.203
5. Other costs	125	21.137.373	13.582.869	16.346.584	10.395.382
6. Impairment (127+128)	126	13.069.114	4.937.434	3.124.691	1.017.813
a) Impairment of long-term assets (excluding financial assets)	127	0	0	0	0
b) Impairment of short-term assets (excluding financial assets)	128	13.069.114	4.937.434	3.124.691	1.017.813
7. Provisions	129	1.685.693	849.962	0	0
8. Other operating expenses	130	1.637.515	1.243.214	850.557	849.676
III. FINANCIAL INCOME (132 to 136)	131	23.575.476	7.978.435	23.356.986	4.611.849
1. Interest income, foreign exchange gains, dividends and similar income from related	132	5.195.843	3.299.348	5.652.047	2.881.019
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	8.958.060	4.679.087	2.269.084	1.673.107
3. Share in income from affiliated entrepreneurs and participating interests	134		0	0	0
4. Unrealized gains (income) from financial assets	135		0	0	0
5. Other financial income	136	9.421.573	0	15.435.555	57.723
IV. FINANCIAL EXPENSES (138 to 141)	137	19.790.553	13.136.830	21.524.883	13.397.248
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138	0	0	26	26
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	19.790.553	13.136.830	21.155.702	13.067.359
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	368.855	329.863
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	239.543.518	115.376.435	201.303.882	104.015.064
X. TOTAL EXPENSES (114+137+143 + 145)	147	227.407.147	118.978.196	190.990.313	100.183.505
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	12.136.371	-3.601.761	10.313.569	3.831.559
1. Profit before taxation (146-147)	149	12.136.371	0	10.313.569	3.831.559
2. Loss before taxation (147-146)	150	0	3.601.761	0	0
XII. PROFIT TAX	151	3.174.985	1.237.023	2.147.566	1.219.798
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	8.961.386	-4.838.784	8.166.003	2.611.761
1. Profit for the period(149-151)	153	8.961.386	0	8.166.003	2.611.761
2. Loss for the period (151-148)	154	0	4.838.784	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				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	8.961.386	-4.838.784	8.166.003	2.611.761
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	0	0	0	0
1. Exchange differences on translation of foreign operations	159	0	0	0	0
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	8.961.386	-4.838.784	8.166.003	2.611.761
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				
2. Attributed to minority interests	170				

STATEMENT OF CASH FLOWS - Indirect method
period 01.01.2011. to 30.06.2011.

Legal entity : INSTITUT IGH D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	12.136.371	10.313.569
2. Depreciation	002	10.119.593	7.085.968
3. Increase in short-term liabilities	003	0	0
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005	3.941.313	12.595.262
6. Other cash flow increases	006	20.277.395	54.134.685
I. Total increase in cash flow from operating activities (001 to 006)	007	46.474.672	84.129.484
1. Decrease in short - term liabilities	008	28.937.436	48.427.318
2. Increase in short - term receivables	009	20.195.338	61.694.666
3. Increase in inventories	010	0	0
4. Other cash flow decreases	011	2.539.456	0
II. Total decrease in cash flow from operating activities (008 to 011)	012	51.672.230	110.121.984
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	5.197.558	25.992.500
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	204.149	199.650
2. Cash inflows from sale of equity and debt financial instruments	016	11.159.760	31.300.000
3. Interest receipts	017	682.779	1.023.498
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	29.489.883	2.048.795
III. Total cash inflows from investing activities(015 to 019)	020	41.536.571	34.571.943
1. Cash outflows for purchase of long - term tangible and intangible assets	021	3.099.219	4.794.771
2. Cash outflows for purchase of equity and debt financial instruments	022	18.661.865	31.300.000
3. Other cash outflows from investing activities	023	46.352.290	23.493.022
IV. Total cash outflows from investing activities (021 to 023)	024	68.113.374	59.587.793
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	26.576.803	25.015.850
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	67.163.618	75.719.107
2. Cash inflows from loans, debentures, credits and other borrowings	028	49.629.261	13.820.720
3. Other cash inflows from financing activities	029		
V. Total cash inflows from financing activities (027 to 029)	030	116.792.879	89.539.827
1. Cash outflows for repayment of loans and bonds	031	95.491.094	84.160.959
2. Dividends paid	032	4.500	12.725
3. Cash outflows for finance lease	033	1.710.194	67.118
4. Cash outflows for purchase of own stocks	034	1.088.615	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	98.294.403	84.240.802
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	18.498.476	5.299.025
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	13.275.885	45.709.325
Cash and cash equivalents at the beginning of period	041	59.491.598	62.898.004
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	13.275.885	45.709.325
Cash and cash equivalents at the end of period	044	46.215.713	17.188.679

STATEMENT OF CHANGES IN EQUITY

from **01.01.2011** to **31.03.2011**

	Position	AOP	Previous Year	Current year
	1	2	3	4
1. Subscribed capital		001	63.432.000	63.432.000
2. Capital reserves		002	13.998.640	13.998.640
3. Reserves from profit		003	8.068.491	8.068.491
4. Retained earnings or accumulated loss		004	274.016.877	287.002.262
5. Profit / loss for the current year		005	12.985.385	8.166.003
6. Revaluation of long - term tangible assets		006	49.014.794	49.014.794
7. Revaluation of intangible assets		007	0	0
8. Revaluation of financial assets available for sale		008	8.112.808	8.112.808
9. Other revaluation		009	0	0
10. Total capital and reserves (AOP 001 to 009)		010	429.628.995	437.794.998
11. Currency gains and losses arising from net investments in foreign operations		011	0	0
12. Current and deferred taxes (part)		012	0	0
13. Cash flow hedging		013	0	0
14. Changes in accounting policies		014	0	0
15. Correction of significant errors in prior periods		015	0	0
16. Other changes in capital		016	0	0
17. Total increase or decrease in capital (AOP 011 to 016)		017	0	0
17 a. Attributed to equity holders of parent company		018		
17 b. Attributed to minority interest		019		

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

Institut IGH d.d.

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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 first semester of 2011 are prepared in accordance with the Accountancy Law (Official Gazette 146/05) and in keeping with international accounting standards (Official Gazette 136/09, 08/10, 27/10, 65/10, 120/10) 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

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29 July 2011