



**REPORT OF THE MANAGEMENT BOARD
ON THE BUSINESS OPERATION OF THE COMPANY INSTITUT IGH, JSC
IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014**

In the first quarter of 2014, INSTITUT IGH, JSC realized a growth of its operative profit and successfully and validly ended the pre-bankruptcy settlement

In the first quarter of 2014, INSTITUT IGH, JSC realized positive business results which are a reflection of a successful business operation, validly ended pre-bankruptcy settlement, and for the most part completed financial restructuring of the company.

Operational revenue of the company amounted to HRK 50 million and they are 12.21% lower than the operational revenue realized in the same period last year. At the same time, the company decreased its operating expenses for 10.03% and financial expenses for additional 62.8%. Further to the aforementioned, total expenses of the company were decreased for 20.1 %, which resulted in the realized profit in the amount of HRK 932,000. In the subject period, the company realized the operational revenue before depreciation (EBITDA) in the amount of HRK 8 million with EBITDA margin of 16.1%.

With a significant decrease in the financial expenses resulting from a validly ended pre-bankruptcy settlement, the company continued to decrease all of its other operating expenses, including staff costs (8.65%) and other external business expenses (30.36%).

On the date the company's business results for the first quarter were made public, the company has contracted services in the amount of HRK 380.1 million, and, considering the validly ended pre-bankruptcy settlement, the completed financial restructuring and the proposed increase in the share capital, all assumptions have been met for a continuation of a stable business operation, organic growth and focus on the core business.

Zagreb, 30 April 2014

Signed on behalf of the Management Board of
Institut IGH, JSC

Prof. Jure Radic, Ph.D. (Civ. Eng.), President of
Management Board





STATEMENT OF THE MANAGEMENT BOARD ON THE RESPONSIBILITY FOR PREPARING FINANCIAL REPORTS FOR INSTITUT IGH, JSC

The Company's Management Board has to ensure that INSTITUT IGH, JSC financial reports for the first quarter of 2014 are prepared in accordance with the Accountancy Law (Official Gazette No. 146/05) and in keeping with international accounting standards (Official Gazette Nos. 136/09, 08/10, 27/10, 65/10, 120/10, 58/11 and 140/11) 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 the capital, and cash flow for the period under consideration.

After making due enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue operation in the foreseeable future. Accordingly, the Management Board 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 Board 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; and
- for preparing financial reports under assumption of an unlimited period of operation, except in cases when such assumption is inappropriate.

The Management Board is responsible for keeping proper accountancy records that will depict at any time, 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 Board 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 Board:

Prof. Jure Radić, Ph.D. (Civ. Eng.), President of Management Board

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

30 April 2014



Attachment 1.

Reporting period:

01.01.2014

do

31.03.2014

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: 21 GRAD ZAGREB

Number of employees 625

(quarter end)

Consolidated report: NO

NKD code: 7219

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Bookkeeping service:

Contact person: SPINDERK 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., Željko Grzunov, dipl. oec.

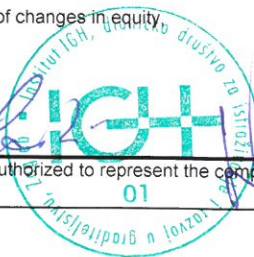
(person authorized to represent the company)

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

M.P.

(signature of the person authorized to represent the company)



BALANCE SHEET
as of 31.03.2014

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	488.105.003	484.861.134
I. INTANGIBLE ASSETS (004 to 009)	003	4.954.974	4.460.541
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	2.361.547	1.867.114
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008	2.593.427	2.593.427
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	177.437.271	175.068.446
1. Land	011	63.760.082	63.760.082
2. Buildings	012	73.772.567	71.544.610
3. Plant and equipment	013	534.653	417.392
4. Instruments, plant inventories and transportation assets	014	1.464.331	1.376.387
5. Biological assets	015		
6. Prepayments for tangible assets	016	67.375	98.728
7. Tangible assets in preparation	017	26.548.838	26.581.822
8. Other material assets	018	303.336	303.336
9. Investment in buildings	019	10.986.089	10.986.089
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	303.423.689	303.119.561
1. Shares (stocks) in related parties	021	278.715.623	278.715.623
2. Loans given to related parties	022	17.074.602	17.087.310
3. Participating interests (shares)	023	125.800	125.800
4. Loans to entrepreneurs in whom the entity hold participating interests	024		
5. Investment in securities	025		
6. Loans, deposits and similar assets	026	878.094	561.258
7. Other long - term financial assets	027	6.629.570	6.629.570
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	2.289.069	2.212.586
1. Receivables from related parties	030		
2. Receivables based on trade loans	031	1.889.610	1.847.362
3. Other receivables	032	399.459	365.224
V. DEFERRED TAX ASSETS	033		
C) SHORT TERMS ASSETS (035+043+050+058)	034	253.148.297	252.942.586
I. INVENTORIES (036 to 042)	035	162.799.842	162.799.842
1. Raw material	036		
2. Work in progress	037	247.493	247.493
3. Finished goods	038	629.512	629.512
4. Merchandise	039	568.162	568.162
5. Prepayments for inventories	040		
6. Long - term assets held for sale	041	161.354.675	161.354.675
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	77.129.154	73.997.805
1. Receivables from related parties	044	1.192.571	3.380.328
2. Accounts receivable	045	69.130.263	63.108.596
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047	708.512	728.035
5. Receivables from government and other institutions	048	2.283.289	3.206.284
6. Other receivables	049	3.814.519	3.574.562
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	9.197.249	14.368.269
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	4.305.460	4.320.662
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity hold participating interests	054		
5. Investment in securities	055		
6. Loans, deposits and similar assets	056	4.891.789	5.180.607
7. Other financial assets	057		4.867.000
IV. CASH AT BANK AND IN CASHIER	058	4.022.052	1.776.670
D) PREPAID EXPENSES AND ACCRUED INCOME	059	942.435	1.510.338
E) TOTAL ASSETS (001+002+034+059)	060	742.195.735	739.314.058
F) OFF-BALANCE SHEET NOTES	061	49.512.554	38.548.348

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	61.161.833	62.094.106
I. SUBSCRIBED CAPITAL	063	105.668.000	105.668.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	23.505.600	23.505.600
1. Reserves prescribed by law	066		
2. Reserves for treasury stocks	067		1.446.309
3. Treasury stocks and shares (deduction)	068	1.446.309	1.446.309
4. Statutory reserves	069	1.446.309	
5. Other reserves	070	23.505.600	23.505.600
IV. REVALUATION RESERVES	071	131.636.562	131.636.563
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-154.322.133	-199.648.329
1. Retained earnings	073	4.836.344	4.836.344
2. Accumulated loss	074	159.158.477	204.484.673
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-45.326.196	932.272
1. Profit for the current year	076		932.272
2. Loss for the current year	077	45.326.196	
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 to 082)	079	10.956.469	10.956.469
1. Provisions for pensions, severance pay and similar liabilities	080	1.277.055	1.277.055
2. Reserves for tax liabilities	081		
3. Other reserves	082	9.679.414	9.679.414
C) LONG TERM LIABILITIES (084 to 092)	083	379.614.256	380.320.670
1. Liabilities to related parties	084	1.072.102	1.072.102
2. Liabilities for loans, deposits etc.	085	101.700	110.700
3. Liabilities to banks and other financial institutions	086	303.375.114	304.087.604
4. Liabilities for received prepayments	087		
5. Accounts payable	088	25.059.210	25.044.134
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091	17.096.990	17.096.990
9. Deferred tax liability	092	32.909.140	32.909.140
D) SHORT - TERM LIABILITIES (094 to 105)	093	278.670.614	270.391.264
1. Liabilities to related parties	094	1.013.661	1.137.530
2. Liabilities for loans, deposits etc.	095	2.694.140	2.692.216
3. Liabilities to banks and other financial institutions	096	110.880.449	110.880.449
4. Liabilities for received prepayments	097	3.790.980	3.260.196
5. Accounts payable	098	38.318.080	32.670.718
6. Liabilities arising from debt securities	099	76.376.430	76.376.430
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	12.053.289	12.656.003
9. Liabilities for taxes, contributions and similar fees	102	15.230.120	12.514.459
10. Liabilities to share - holders	103		
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	18.313.465	18.203.263
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	11.792.563	15.551.549
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	742.195.735	739.314.058
G) OFF-BALANCE SHEET NOTES	108	49.512.554	38.548.348
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 01.01.2014. to 31.03.2014.

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	56.975.402	56.975.402	50.019.643	50.019.643
1. Sales revenues	112	56.264.455	56.264.455	49.383.660	49.383.660
2. Other operating revenues	113	710.947	710.947	635.983	635.983
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	49.889.087	49.889.087	44.880.955	44.880.955
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	16.436.244	16.436.244	11.956.497	11.956.497
a) Raw material and material costs	117	2.929.557	2.929.557	2.550.894	2.550.894
b) Costs of goods sold	118				
c) Other external costs	119	13.506.687	13.506.687	9.405.603	9.405.603
3. Staff costs (121 to 123)	120	25.670.335	25.670.335	23.448.786	23.448.786
a) Net salaries and wages	121	14.869.464	14.869.464	13.609.686	13.609.686
b) Costs for taxes and contributions from salaries	122	7.388.995	7.388.995	6.669.136	6.669.136
c) Contributions on gross salaries	123	3.411.876	3.411.876	3.169.964	3.169.964
4. Depreciation	124	3.334.603	3.334.603	2.931.524	2.931.524
5. Other costs	125	4.446.231	4.446.231	3.853.425	3.853.425
6. Impairment (127+128)	126	0	0	2.634.629	2.634.629
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128			2.634.629	2.634.629
7. Provisions	129				
8. Other operating expenses	130	1.674	1.674	56.094	56.094
III. FINANCIAL INCOME (132 to 136)	131	4.335.563	4.335.563	164.033	164.033
1. Interest income, foreign exchange gains, dividends and similar income from related	132	1.789.117	1.789.117		
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	780.742	780.742	164.033	164.033
3. Share in income from affiliated entrepreneurs and participating interests	134	1.738.614	1.738.614		
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136	27.090	27.090		
IV. FINANCIAL EXPENSES (138 to 141)	137	11.751.020	11.751.020	4.370.449	4.370.449
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	11.751.020	11.751.020	4.370.449	4.370.449
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142				
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	61.310.965	61.310.965	50.183.676	50.183.676
X. TOTAL EXPENSES (114+137+143 + 145)	147	61.640.107	61.640.107	49.251.404	49.251.404
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-329.142	-329.142	932.272	932.272
1. Profit before taxation (146-147)	149	0	0	932.272	932.272
2. Loss before taxation (147-146)	150	329.142	329.142	0	0
XII. PROFIT TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-329.142	-329.142	932.272	932.272
1. Profit for the period(149-151)	153	0	0	932.272	932.272
2. Loss for the period (151-148)	154	329.142	329.142	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	-329.142	-329.142	932.272	932.272
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	-329.142	-329.142	932.272	932.272
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 01.01.2014. to 31.03.2014.

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	-329.142	932.272
2. Depreciation	002	3.334.603	2.931.524
3. Increase in short-term liabilities	003	3.512.845	
4. Decrease in short term receivables	004		2.563.446
5. Decrease in inventories	005		
6. Other cash flow increases	006	5.448.095	712.203
I. Total increase in cash flow from operating activities (001 to 006)	007	11.966.401	7.139.445
1. Decrease in short - term liabilities	008		4.520.364
2. Increase in short - term receivables	009	3.420.746	
3. Increase in inventories	010		
4. Other cash flow decreases	011		
II. Total decrease in cash flow from operating activities (008 to 011)	012	3.420.746	4.520.364
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	8.545.655	2.619.081
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	127.599	88.625
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017	212.214	44.568
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	734.723	
III. Total cash inflows from investing activities(015 to 019)	020	1.074.536	133.193
1. Cash outflows for purchase of long - term tangible and intangible assets	021	337.070	111.044
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023	2.165.956	
IV. Total cash outflows from investing activities (021 to 023)	024	2.503.026	111.044
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	22.149
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	1.428.490	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028		
3. Other cash inflows from financing activities	029		
V. Total cash inflows from financing activities (027 to 029)	030	0	0
1. Cash outflows for repayment of loans and bonds	031	6.022.624	
2. Dividends paid	032		
3. Cash outflows for finance lease	033		19.612
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities (031 do 035)	036	6.022.624	19.612
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	6.022.624	19.612
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	1.094.541	2.621.618
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	812.678	4.022.052
Increase in cash and cash equivalents	042	1.094.541	2.621.618
Decrease in cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	1.907.219	6.643.670

STATEMENT OF CHANGES IN EQUITY
from 01.01.2014 to 31.03.2014

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	105.668.000	105.668.000
2. Capital reserves	002		
3. Reserves from profit	003	23.505.600	23.505.600
4. Retained earnings or accumulated loss	004	-154.322.134	-199.648.329
5. Profit / loss for the current year	005	-45.326.196	932.272
6. Revaluation of long - term tangible assets	006	131.636.562	131.636.563
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 to 009)	010	61.161.832	62.094.106
11. Currency gains and losses arising from net investments in foreign operations	011		
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	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