

INSTITUT IGH d.d., with the registered seat in Zagreb, Janka Rakuše 1, PIN: 79766124714 (hereinafter: Company and/or Debtor) pursuant to item 35 of legally binding pre-bankruptcy settlement in compliance with Article 79 of the Act on Financial Operations and Pre-Bankruptcy Settlement (Official Gazette of the Republic of Croatia [108/12](#), [144/12](#), [81/13](#), [112/13](#)) hereby submits

**REPORT ON FULFILMENT OF THE PRE-BANKRUPTCY SETTLEMENT PLAN
FOR THE PERIOD from 01/07/2016 to 30/09/2016**

- I INSTITUT IGH d.d. concluded the pre-bankruptcy settlement on 5 December 2013, before the Commercial Court in Zagreb, 72. Stpn-305/2013. The concerned settlement came into force on 28 December 2013. The proof of the legal validity clause was received by the Company on 15 April 2014.
- II The Company advises that an agreement has been executed with the creditors of category a) claims from credit operations secured by lien on the property of the Debtor or on the property of associated companies of the debtor by which the parties agree that the grace period for the repayment of the principal of the senior debt is extended by 18 months, and upon expiry of the grace period the repayment will be made in 13 semi-annual instalments, the first of which becomes due on 30 June 2017, and the last on 30 June 2023. In the grace period and the period of repayment of the senior debt, a 4.5% fixed interest is calculated and charged annually, in the manner defined by the Decision on the approval of the pre-bankruptcy settlement.
- III The Company settled the following claims in the concerned accounting period until the date of this Report:
- A total amount of **HRK 291,550.01** to the creditors of category a) claims from credit operations secured by lien on the property of the Debtor or on the property of associated companies of the debtor, the accrued interest on the principal of the senior debt for the grace period in accordance with concluded agreements and provisions of the validly concluded pre-bankruptcy settlement
 - The amount of HRK 1,000.00 was paid to creditors of category g)- claims based on contracts signed with the Debtor for the purchase of goods and services, in case the claims could not be converted to Debtor's share capital due to legal limitations.

By the date of this report, the Company has not paid the interest due to creditors belonging to the category a) *claims from credit operations secured by lien on the property of the Debtor or on the property of associated companies* in the total amount of HRK 1,181,773.75. The Company's Management Board considers that the said payment will be made in the near future.

- IV Further to the above mentioned, the Company paid, in the accounting period i.e. in the third quarter (01/07 - 30/09/2016) , a total of
- HRK 292,550.01**
(in words: two hundred and ninety-two thousand and five hundred and fifty Croatian kunas and one lipa)
- of obligations from the validly concluded pre-bankruptcy settlement.

- V As of the date of validly concluded pre-bankruptcy settlement agreement and until the accounting period ending on 30/09/2016, the Company met its obligations through cash payments, through allocation of shares to convert a part of creditor claims into capital, through payment of priority claims and other employee claims with pertaining taxes and contributions and through write-off of obligations in accordance with the pre-bankruptcy settlement, i.e. it settled a total amount of

HRK 111,218,873.53

(in words: one hundred and eleven million two hundred and eighteen thousand and eight hundred and seventy-three Croatian kunas and fifty-three lipas)

of obligations incurred prior to the start of the pre-bankruptcy settlement procedure.

- VI The Company hereby declares that it has not undertaken any action that would bring any of its creditors to an unequal position.

Zagreb, 28/10/2016



INSTITUT IGH, d.d.

Ivan Paladina
Ivan Paladina, B.Econ., President of the Management Board

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BALANCE SHEET
as of 30 September 2016

ASSETS

- in HRK -

POSITION	31 Dec 2015	30 Sept 2016
	AMOUNT	AMOUNT
A. CALLED UP SHARE CAPITAL NOT PAID		
B. LONG TERM ASSETS	444.050.179	420.200.048
I. INTANGIBLE ASSETS	4.012.325	3.630.410
1. Expenses for development	0	0
2. Concessions, patents, licences, trademarks and service marks, software and other rights	1.381.673	720.671
3. Goodwill	0	0
4. Advance payments for purchase of intangible assets	0	0
5. Intangible assets - work in progress	2.630.652	2.909.739
6. Other intangible assets	0	0
II. TANGIBLE ASSETS	188.543.941	184.990.732
1. Land	63.760.082	63.760.082
2. Civil engineering structures	65.972.760	62.993.219
3. Industrial plants and equipment	16.666.923	15.091.700
4. Tools, operating supplies and transport machinery	4.176.712	3.765.160
5. Biological assets	0	0
6. Advances for tangible assets	140.079	444.038
7. Tangible assets - work in progress	26.537.960	27.647.110
8. Other tangible assets	303.336	303.336
9. Real property investments	10.986.089	10.986.089
III. FINANCIAL ASSETS	250.038.102	230.312.642
1. Shares in subsidiaries	208.076.866	209.808.866
2. Loans to subsidiaries	12.303.013	12.025.057
3. Participating interests	743.820	0
4. Loans to companies in which participating interests are held	0	0
5. Investment in securities	0	0
6. Loans, deposits and similar	25.070.145	5.530.167
7. Other long-term financial assets	3.844.258	2.948.552
8. Investments calculated by proportioning method	0	0
IV. RECEIVABLES	1.455.811	1.266.264
1. Receivables from subsidiaries		0
2. Receivables based on sale on credit	1.455.811	1.266.264
3. Other receivables	0	0
V. DEFERRED TAX ASSETS	0	0
C. CURRENT ASSETS	151.217.183	156.973.827
I. INVENTORIES	109.443.073	109.443.073
1. Raw materials and other materials	0	0
2. Production in progress	247.493	247.493
3. Finished products	0	0
4. Commercial goods	568.162	568.162
5. Advance payments for inventories	0	0
6. Fixed assets intended for sale	108.627.418	108.627.418
7. Biological assets	0	0
II. RECEIVABLES	37.890.161	40.537.539
1. Receivables from subsidiaries	1.438.263	134.297
2. Accounts receivables	34.359.091	38.108.843
3. Receivables from companies in which we hold participating interest	0	0
4. Receivables from employees and equity owners	684.960	662.006
5. Receivables from state and other institutions	632.205	341.359
6. Other receivables	775.642	1.291.034
III. SHORT-TERM FINANCIAL ASSETS	3.452.953	3.421.015
1. Shares in subsidiaries	0	0
2. Loans to subsidiaries	293.052	338.980
3. Participating interests	0	0
4. Loans to companies in which participating interests are held	0	0
5. Investment in securities	0	0
6. Loans, deposits and similar	3.159.901	3.033.703
7. Other financial assets	0	48.332
IV. CASH IN HAND AND AT BANK	430.996	3.572.199
D. PREPAID EXPENSES AND ACCRUED INCOME	5.992.599	8.365.893
E. TOTAL ASSETS	601.259.961	585.539.769
F. OFF-BALANCE SHEET RECORDS	38.870.526	43.877.876

LIABILITIES

POSITION	31 Dec 2015	30 Sept 2016
	AMOUNT	AMOUNT
A. CAPITAL AND RESERVES	26.446.269	13.267.556
I. SHARE CAPITAL	116.604.710	116.604.710
II. CAPITAL RESERVES	0	0
III. RESERVES FROM RETAINED EARNINGS	0	0
1. Legal reserves	0	0
2. Reserves for treasury shares	1.446.309	1.446.309
3. Treasury shares and stakes	1.446.309	1.446.309
4. Statutory reserves	0	0
5. Other reserves	0	0
IV. REVALUATION RESERVES	138.569.436	135.828.313
V. RETAINED EARNINGS OR ACCUMULATED LOSS	-121.848.675	-225.986.754
1. Retained earnings	6.625.537	9.366.660
2. Loss brought forward	128.474.212	235.353.414
VI. PROFIT OR LOSS OF THE BUSINESS YEAR	-106.879.202	-13.178.713
1. Profit of the business year	0	0
2. Loss for the business year	106.879.202	13.178.713
VII. NON-CONTROLLING INTERESTS	0	0
B. PROVISIONS	12.165.789	12.165.789
1. Provisions for pensions, severance payments, and similar costs	1.656.347	1.656.347
2. Provisions for tax payment	0	0
3. Other provisions	10.509.442	10.509.442
C. LONG-TERM LIABILITIES	336.242.527	336.777.061
1. Liabilities towards related parties	572.160	374.972
2. Lease liabilities, deposits received and similar	64.800	64.800
3. Liabilities towards banks and other financial institutions	280.038.174	286.069.559
4. Liabilities for advances received	0	0
5. Trade payables	12.002.334	9.386.845
6. Liabilities due to issued securities	0	0
7. Liabilities towards companies in which we have participating interest	0	0
8. Other long-term liabilities	8.922.700	6.923.807
9. Deferred tax liabilities	34.642.359	33.957.078
D. CURRENT LIABILITIES	203.405.420	190.992.795
1. Liabilities towards related parties	651.031	1.037.156
2. Lease liabilities and deposits received	2.605.144	2.694.202
3. Liabilities towards banks and other financial institutions	70.162.513	62.657.884
4. Liabilities for advances received	3.037.965	5.108.469
5. Trade payables	27.257.337	25.362.595
6. Liabilities due to issued securities	70.973.241	70.973.241
7. Liabilities towards companies in which we have participating interest	0	0
8. Liabilities towards employees	5.289.873	4.912.204
9. Liabilities for taxes, contributions and other charges	9.570.672	9.365.234
10. Liabilities on account of participation in profit	0	0
11. Liabilities for long term assets destined to sale	0	0
12. Other short-term liabilities	13.857.644	8.881.811
E. ACCRUED EXPENSES AND DEFERRED INCOME	22.999.956	32.336.567
F. TOTAL LIABILITIES	601.259.961	585.539.769
G. OFF-BALANCE SHEET RECORDS	38.870.526	43.877.876

Zagreb, 28 October 2016



President of the Management Board

Ivan Paladina

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INCOME STATEMENT
for the period from 1 January 2016 to 30 September 2016

- in HRK -

POSITION	1 January -30 September 2015	1 January -30 September 2016
	AMOUNT	AMOUNT
I. OPERATING REVENUES	128.055.116	111.793.697
1. Revenues from sale	120.923.575	107.868.230
2. Other operating revenues	7.131.541	3.925.468
II. OPERATING EXPENSES	135.892.621	118.148.135
1. Change in value of the work in progress and finished goods on stock	0	0
2. Material expenses	36.510.293	32.121.828
a) Cost of raw materials and consumables	5.740.013	4.769.438
b) Cost of goods sold	0	0
c) Other external costs	30.770.280	27.352.390
3. Staff costs	69.057.312	62.180.050
a) Net wages and salaries	39.964.494	36.193.233
b) Social security contributions and taxes paid by employer	18.930.530	16.869.792
c) Social security contributions and taxes paid by employees	10.162.288	9.117.025
4. Amortization	4.602.787	5.627.319
5. Other expenses	14.728.869	12.961.667
6. Value adjustment	6.146.355	1.428.295
a) on fixed assets (not including financial assets)	0	0
b) on current assets (not including financial assets)	6.146.355	1.428.295
7. Provisions	252.677	3.284.490
8. Other operating expenses	4.594.328	544.487
III. FINANCIAL REVENUES	2.284.313	5.388.158
1. Interest, exchange rate differences, dividends, and similar revenues generated through business with associated companies	9.477	0
2. Interest, exchange rate differences, dividends, and similar revenues generated through business with non-associated companies and other persons	2.057.638	5.388.158
3. Part of revenues from affiliated companies and participating interests	0	0
4. Unrealised gains (revenues) from financial assets	0	0
5. Other financial revenues	217.198	0
IV. FINANCIAL EXPENSES	12.865.441	12.897.714
1. Interest, exchange rate differences, and other expenses incurred through business with associated companies	0	214.549
2. Interest, exchange rate differences, and other expenses incurred through business with non-associated companies and other persons	10.637.093	10.608.839
3. Unrealised losses(expenses) on financial assets	0	142.298
4. Other financial expenses	2.228.348	1.932.028
V. SHARE IN PROFIT REALIZED BY AFFILIATED COMPANIES	0	0
VI. SHARE IN LOSS REALIZED BY AFFILIATED COMPANIES	0	0
VII. EXTRAORDINARY & OTHER REVENUES	0	0
VIII. EXTRAORDINARY & OTHER EXPENSES	0	0
IX. TOTAL REVENUES	130.339.429	117.181.855
X. TOTAL EXPENSES	148.758.062	131.045.849
XI. PROFIT OR LOSS BEFORE TAXATION	-18.418.633	-13.863.993
1. Profit before taxation		
2. Loss before taxation	18.418.633	13.863.993
XII. PROFIT TAX	0	-685.281
XIII. PROFIT OR LOSS FOR THE PERIOD	-18.418.633	-13.178.713
1. Profit for the period		
2. Loss for the period	18.418.633	13.178.713
XIV. PROFIT OR LOSS FOR THE PERIOD	0	0
1. Assigned to holders of parent company capital	0	0
2. Assigned to minority interest	0	0

REPORT ON COMPREHENSIVE PROFIT
for the period from 1 January to 30 September of 2016

POSITION	1 January -30 September 2015	1 January -30 September 2016
	AMOUNT	AMOUNT
I. PROFIT OR LOSS FOR THE PERIOD	-18.418.633	-13.178.713
II. OTHER COMPREHENSIVE PROFIT / LOSS BEFORE TAXATION	0	0
1. Exchange rate differences after calculation of income from foreign operations	0	0
2. Change in revaluation reserves of tangible and intangible long-term assets	0	0
3. Profit or loss due to repeated evaluation of financial assets available for sale	0	0
4. Profit or loss resulting from efficient protection of cash flow	0	0
5. Profit or loss resulting from efficient protection of net foreign investments	0	0
6. Share in other comprehensive profit/loss of affiliated companies	0	0
7. Actuarial gains and losses on defined benefit plans	0	0
III TAX ON OTHER COMPREHENSIVE PROFIT FOR THE PERIOD	0	0
IV NET OTHER COMPREHENSIVE PROFIT / LOSS FOR THE PERIOD	0	0
V COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	-18.418.633	-13.178.713
VI COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	0	0
1. Assigned to holders of parent company capital	0	0
2. Assigned to minority interest	0	0

Zagreb, 28 October 2016



President of the Management Board
Ivan Paladina

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STATEMENT OF CHANGES IN EQUITY
 for the period from 1 January 2016 to 30 September 2016

- in HRK -

POSITION		31 Dec 2015	30 Sept 2016
		AMOUNT	AMOUNT
1.	Subscribed capital	116.604.710	116.604.710
2.	Capital reserves	0	0
3.	Reserves from profit	0	0
4.	Retained earnings or loss carried over	-121.848.675	-225.986.754
5.	Profit or loss for the current year	-106.879.202	-13.178.713
6.	Revaluation of fixed tangible assets	138.569.436	135.828.312
7.	Revaluation of intangible assets	0	0
8.	Revaluation of financial assets available for sale	0	0
9.	Other revaluation	0	0
10.	TOTAL CAPITAL AND RESERVES	26.446.269	13.267.556
11.	Exchange rate differences resulting from net investments in foreign operations	0	0
12.	Current and deferred taxes (part)	0	0
13.	Cash flow hedge	0	0
14.	Changes in accounting policies	0	0
15.	Correction of error from the previous period	0	0
16.	Other changes in equity	0	0
17.	TOTAL INCREASE OR DECREASE OF CAPITAL	0	0
a)	Assigned to holders of parent company capital	0	0
b)	Assigned to minority interest	0	0

In Zagreb, 28 October 2016



President of the Management Board
Ivan Paladina
 Ivan Paladina

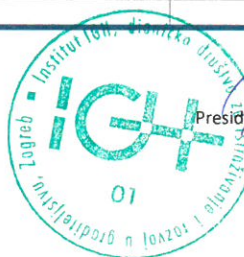
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CASH FLOW STATEMENT for the period
from 1 January 2016 to 30 September 2016

- in HRK -

POSITION	1 January -30 September 2015	1 January -30 September 2016
	AMOUNT	AMOUNT
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit / loss before taxation	-18.418.633	(13.863.993)
2. Amortization	4.602.787	5.627.319
3. Increase of short term liabilities	4.539.135	0
4. Decrease of short term receivables	13.199.573	0
5. Decrease of inventories	0	0
6. Other increase of cash flow	0	1.734.807
I. Total increase of cash flow from business activities	3.922.862	(6.501.867)
1. Decrease of short term liabilities	0	(2.045.244)
2. Increase of short term receivables	0	(4.831.125)
3. Increase of inventories	0	0
4. Other decrease of cash flow	-7.220.672	0
II. Total decrease of cash flow from business activities	-7.220.672	(6.876.369)
A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES	0	0
A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES	-3.297.810	(13.378.236)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
1. Cash inflow from sales of long term tangible and intangible assets	9.363.991	76.563
2. Cash inflow from sales of ownership and debt instruments	0	1.337.838
3. Cash inflow from interests	274.516	552.266
4. Cash inflow from dividends	0	0
5. Other cash inflows from investment activities	1.400.837	21.013.668
III. Total cash inflow from investing activities	11.039.344	22.980.335
1. Cash outflow for purchase of long term tangible and intangible assets	-1.164.920	(1.770.591)
2. Cash outflow for acquisition of ownership and debt instruments	-159.200	(1.299.000)
3. Other cash outflow from investment activities	-2.900.887	(1.924.071)
IV. Total cash outflow from investing activities	-4.225.007	(4.993.662)
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	6.814.337	17.986.673
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	0	0
CASH FLOWS FROM FINANCIAL ACTIVITIES		
1. Cash inflow from issuing ownership and debt financial instruments	0	0
2. Cash inflow from interest capital amount, debit note, loan, etc.	7.000	0
3. Other inflow from financing activities	0	0
V. Total cash inflow from financing activities	7.000	0
1. Cash outflow for repayment of capital amount of loans and bonds	-7.894.858	(963.834)
2. Cash outflow for payment of dividends	0	0
3. Cash outflow for finance lease	-5.636	(455.068)
4. Cash outflow for purchase of company's own shares	0	0
5. Other cash outflow from financial activities	0	0
VI. Total cash outflow from financing activities	-7.900.494	(1.418.902)
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	-7.893.494	(1.418.902)
Total increase of cash flow	0	3.189.535
Total decrease of cash flow	-4.376.967	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5.762.138	430.996
Increase of cash and cash equivalents	0	3.189.535
Decrease of cash and cash equivalents	-4.376.967	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1.385.171	3.620.531

In Zagreb, 28 October 2016



President of the Management Board
Ivan Paladina

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