

INSTITUT IGH d.d. with the registered seat in Zagreb, Janka Rakuše 1, OIB: 79766124714 (hereinafter referred to as: the company and/or debtor) pursuant to Item 35. of validly concluded Pre-Bankruptcy Settlement and according to 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 the following:

## **REPORT ON FULFILMENT OF THE PRE-BANKRUPTCY SETTLEMENT PLAN**

- I INSTITUT IGH d.d. concluded the pre-bankruptcy settlement on day 5 December 2013 before the Commercial Court in Zagreb, 72. Stpn-305/2013. The concerned settlement came into force on 28 December 2013. The clause on coming into force was received by the company on 15 April 2014.
- II INSTITUT IGH d.d. has, based on the validly concluded pre-bankruptcy settlement, created preconditions for restructuring of the company's balance sheet. In order to complete the procedure of financial restructuring, apart from the fact that the pre-bankruptcy settlement was concluded, it was necessary to increase share capital by investment of rights (through conversion of company liabilities to share capital) and then by an increase in the share capital by monetary payment, fully compliant with the provisions of the validly concluded pre-bankruptcy settlement procedure.
- III Pursuant to the Invitation for Subscription of shares to the creditors of category (f), which was published on 16 April 2014, the subscription was performed through conversion of a part of creditors' claims to company share capital, fully complying with the provisions of the pre-bankruptcy settlement. According to the above mentioned, on 29 April 2014, 44 539 (in words: forty-four thousand five hundred thirty-nine) new ordinary registered shares of nominal value HRK 400.00 (in words: four hundred kinas) each, which represents an amount of HRK 17,815,600.00 (in words: seventeen million eight hundred fifteen thousand six hundred kunas) of share capital for investment in rights and through conversion of creditors' claims from the pre-bankruptcy settlement procedure of category (f) towards the Company, in share capital. The provisions of pre-bankruptcy settlement planned for an increase in share capital by investment of rights in the amount of HRK 23,505,600.00. Pursuant to item 303 of the concluded pre-bankruptcy settlement, the claims of the creditors that did not respond to the public invitation for subscription through investment of rights were written off. According to the above mentioned, the company converted HRK 17,815,600.00 of liabilities to creditors into share capital, while the amount of HRK 5,690,000.00 was written off since the creditors with claims in the cumulative amount of HRK 5,690,000.00 did not respond to the invitation to subscription of shares, fully in compliance with provisions of item 303 of the pre-bankruptcy settlement.

After the mentioned subscription of the company share capital increase, the share capital was increased from the amount of HRK 105,668,000.00 (in words: one hundred and five million six hundred and sixty eight thousand Croatian kunas) by the amount of HRK 17,815,600.00 (in words: seventeen million eight hundred and fifteen thousand and six hundred kunas) to the amount of HRK 123,483,600.00 (in words: one hundred and twenty three million four hundred and eighty three thousand and six hundred). The share capital of the company was at that moment divided into 308,709 (in words: three hundred and eight thousand and seven hundred and nine) intangible ordinary registered shares, each in nominal value of four hundred (400.00) Croatian kunas.

- IV According to the decisions by the Company's General Assembly of 7 May 2014, the company had first performed a reduction in share capital through reduction of nominal value of shares from HRK 400.00 per share to HRK 190.00 per share, and then an increase in share capital was performed through monetary payment in the amount of HRK 57,950,000.00. According to the above mentioned, 305,000 of new intangible ordinary registered shares of the company were issued, each of nominal value of HRK 190.00. After the reduction and the increase in share capital, the share capital amounts to HRK 116,604,710.00 and it is divided into 613,709 of ordinary registered company shares. The increase in share capital of the company through monetary payment was performed by Mr. Sergej Gljadelkin, who became, through the stated payment for the increase in share capital of HRK 57,950,000.00, and including shares he owned previously, an owner-holder of 315,000 ordinary registered company shares, i.e. of 51.32% of company share capital.
- V By receiving the amount of HRK 57,950,000.00, the company met the preconditions for continuing with payments of priority claims and company's liabilities stipulated by the pre-bankruptcy settlement.
- VI The Company emphasised that, as of 30 June 2014, it had effected payments in total of HRK 11,334,615.02 of employee claims that were generated before the pre-bankruptcy settlement procedure was commenced, out of which HRK 5,935,554.65 were in relation with priority claims and HRK 5,399,060.37 with other employee claims that were not deemed as priority claims (category i). The total amount of priority and other employee's claims generated before initiation of the pre-bankruptcy settlement amounted to HRK 14,164,338.62. According to the above mentioned, as of 30 June 2014, the company settled 80.02% of priority and other employee claims.  
The Company emphasised that it had, for employee claims determined in the gross amount, paid the additional HRK 334,126.10 for gross contribution, and for employee claims determined in net amount additional HRK 1,278,063.44 for taxes and contributions from and to gross amount.
- VII The creditors from 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, and creditors from category b) – claims from other credit operations without security by lien on Debtor's property, concluding with the accounting period of 30 June 2014, the accrued interest on the principal of the senior debt for the grace period was paid in compliance with provisions of the pre-bankruptcy settlement as follows:
- to creditors of category a) amount of HRK 2,352,024.31 and
  - to creditors of category b) amount of HRK 54,790.39.

The creditors from category e) – claims based on the goods or services purchase contracts by the Debtor in the amount equal or less than HRK 1,333.33 were paid the amount of HRK 73,254.41.

The creditors from category f) – claims based on the goods or services purchase contracts by the Debtor in the amount over HRK 1,333.33 were paid by investment of rights in company share capital in shares in the amount of HRK 17,815,600.00 (44,539 shares, HRK 400.00 nominal value of share), and by monetary payment in the amount of HRK 17,966,921.19, which includes one-off payment of 20% of the principal of claims at the moment of opening the pre-bankruptcy settlement procedure (HRK 14,277,862.22), the 1st of ten planned half-year instalments (in the amount of HRK 3,569,465.50) and HRK 119,593.47 for the amount that could not be converted into capital due to the provisions of the Companies Act.

The creditors from category g) – claims based on the goods or services purchase contracts by the Debtor that cannot be converted into share capital of the Debtor due to legal limitations were paid the amount of HRK 169,053.51.

The creditors from category j) - claims by the Republic of Croatia and public administration bodies based on the contributions stipulated by law were paid HRK 2,442,556.45.

The creditors from category k) – claims based on author's fees and temporary service contracts were paid the amount of HRK 314,902.19, including corresponding taxes and contributions.

- VIII According to the everything mentioned above, the company had, concluding with the accounting period of 30 June 2014 paid a total of HRK 23,271,982.48 in monetary payments and HRK 17,815,600.00 in company shares (44,539 ordinary shares, each of nominal value HRK 400.00). In addition, the company also paid HRK 11,334,615.02 of priority and other employee claims and corresponding HRK 1,612,189.54 in taxes and contributions. The company wrote off HRK 5,690,000.00 since the creditors with claims in the mentioned cumulative amount did not respond to the public invitation for the subscription of shares, fully compliant with the provisions of Item 303 of the pre-bankruptcy settlement.
- IX According to the stated under Item 8., the company had, through monetary payments, issuance of shares by way of conversion of a part of creditors' claims to capital, payment of priority claims and other employees' claims with corresponding taxes and contributions and liabilities write off in compliance with provisions of the pre-bankruptcy settlement, **with the accounting period as of 30 June 2014, settled an amount of HRK 59,825,907.01 (in words: fifty nine million eight hundred twenty-five thousand nine hundred and seven Croatian kunas and one lipa) for liabilities incurred before the pre-bankruptcy settlement procedure was opened.** With the accounting period as of 30 June 2014, the company fulfilled all obligations taken over with the concluded pre-bankruptcy settlement for the mentioned accounting period.
- X INSTITUT IGH d.d. hereby advises that not one action was taken by the company that would have the consequence of bringing creditors in unequal position.
- XI Validly concluded pre-bankruptcy settlement, the increase in share capital through investment of rights (by converting claims to capital) and the increase in share capital through monetary payment, created the preconditions for successful fulfilment of obligations taken over by the concluded pre-bankruptcy settlement and ensured the liquidity and solvency of the company. The company will also continue to implement the measures of operative restructuring by continuing to optimize operating expenses all aimed at increasing productivity and company's operating profit.

Zagreb, 28 July 2014

**INSTITUT IGH d.d.**

**Željko Grzunov, B.Econ**

**President of the Management Board**