



*Announcement of INGRA Inc.'s Preliminary  
Operating Results for the Year 2011*

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Zagreb, February 14<sup>th</sup>, 2012

## I. Management's Operating Statement for the Year 2011 and preliminary unaudited financial statements

### Basic Characteristics of the Period

Period from January 1<sup>st</sup> - December 31<sup>st</sup>, 2011

- ◆ Operating income in 2011 was HRK 208 million, which is a 17% decrease compared to the same period in 2010
  - ◆ The foreign market revenue share has remained the same as the year before
  - ◆ We have realized an operating loss (EBIT - Earnings before Interest and Tax) in the amount of HRK 30 million, which is a decrease by 32% comparing to the same period in 2010
  - ◆ After successfully signing two contracts on foreign markets, valued over EUR 60 million, the realisation of the first project has commenced and the second project has entered the engineering and design phase
  - ◆ Business Cooperation Agreement with companies Mašinoimport, Interaktiva and Bonatti S.p.A. concluded
  - ◆ Delivery of projects Port Stora and Port Marsa in Algeria has been carried out, as well as the Hydroelectric Power Plant Lešće and the section Ravča-Ploče 1 to the interchange Vrgorac on the highway Zagreb-Split-Dubrovnik in Croatia
  - ◆ The planned sale of residential and commercial properties in the building Dvori Lapad has acceded expectations considering the situation of real estate market in Croatia in 2011
  - ◆ In July 2011, new 6,045,200 ordinary INGRA's shares, have been listed on the Official Market of the Zagreb Stock Exchange
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- ◆ The maturity date of Ingra's bonds has been prolonged to December 6<sup>th</sup>, 2016 and the interest repayment plan has also been amended accordingly
- ◆ Due to disturbances on the domestic and international financial markets, the Company failed to implement the debt restructuring plan by the end of 2011. However, the Management believes that it will soon succeed to realize one of the few solutions
- ◆ Comprehensive financial and strategic restructuring process of INGRA Group has been commenced in 2011
- ◆ During the first half-year of 2011, INGRA's team joined a new CFO and CTO director

#### 1. INGRA Group's Income for the period between January 1<sup>st</sup> and December 31<sup>st</sup>, 2011

With regard to the period between January-December 2010, INGRA Group's operating income showed a 17% decrease to HRK 208 million during the same period in 2011, which is largely effected by a slower pace of project realisation in Iraq and due to slower pace of realization in the field of two highway constructions - archaeological excavations and pending proprietary-legal affairs. Other projects which have been contracted and initiated are in progress according to the previously planned schedule of construction activities.

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## 2. Profitability of INGRA Group

Period from January 1<sup>st</sup> - December 31<sup>st</sup>, 2011

	2010 (HRK mil.)	2011 (HRK mil.)	Growth	Share 2010	Share 2011
<b>Operating revenue</b>	252	208	-17%	100%	100%
<b>Gross profit</b>	12	18	50%	5%	9%
<b>EBIT</b>	-44	-30	32%	-17%	-14%
<b>Net profit</b>	-91	-90	1%	-36%	-43%

Despite lower operating revenue, gross profit was significantly increased. In 2010 the gross profit margin was 5%, while in the same period of 2011 it increased by 9%. Subsequently, the operating loss was reduced by 32% comparing the same period of the year 2010. Higher profitability was achieved due to higher profitability of new projects, as well as a positive influence of one-time basis items.

Taking into consideration that the construction of the Dvori Lapad residential-business complex is finished, the cost of interests linked with the construction of this complex is shown as a financial expense. This has caused a significant growth in financial expenditures.

## 3. Financial position

Compared to the end of 2010, net debt decreased by HRK 13.6 million and amounts HRK 976 million on December 31<sup>st</sup>, 2011.

Due to disturbances on the domestic and international financial markets during 2011, the Company failed to realize the planned refinancing project, which would align the dynamics of cash flow.

The Company informs key creditors on all its activities and has their support in its efforts, and believes that it will soon succeed to realize one of the few solutions.

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## 5. Other

On 12 April 2011 INGRA concluded a project in Iraq worth EUR 5.8 million on the rehabilitation of Unit One of the Haditha Hydroelectric Power Plant. The construction works will include the rehabilitation of the turbines, the generator and the related equipment on Unit One and will be carried out in two phases. The execution of the construction project, including delivery, will last 24 months.

In June 2011 on one of its traditional markets abroad INGRA has signed a contract for a project worth around EUR 56 million with a 26-month deadline for the completion of construction works.

Business Cooperation Agreement with Russian companies Mašinoimport and Interaktiva has been concluded in April 2011.

In July 2011 INGRA has concluded a business cooperation agreement with the Italian company Bonatti S.p.A. on the markets of mutual interest - Croatia, Iraq, Algiers and Saudi Arabia, in the field of construction, industry and energy industry.

All works have been carried out in the construction of the Hydroelectric Power Plant Lešće, it has been put on trial run and the handover has been performed during August 2011.

The section Ravča-Ploče 1 to junction Vrgorac on the Zagreb-Split-Dubrovnik highway was given to the investor. The works on the Zagreb-Sisak highway, main rout Buševac-Lekenik are finished and the handover is expected.

INGRA continues with the execution of construction work on PUO "Pešćenica North" located on the Zagreb-Sisak highway, section Buševac-Lekenik. The works on section Ravča-Ploče 1, from the junction Vrgorac to Ploče 1 are in progress.

The Company has concluded two contracts for the state roads construction in the following counties: Bjelovarsko-bilogorska, Splitsko-dalmatinska and Dubrovačko-neretvanska, as well as the construction contract for "Podravski Y", section Vrbovec-Bjelovar, route and interchange Farkaševac, and the construction contract for the section Sredanci-BIH state border on the highway A-5. The total value of these four contracts is HRK 70.8 million. Realization is expected during 2012 and 2013.

During 2012, INGRA as a member of the Croatian Builders Consortium expect signing of new contracts in road construction and reconstruction in Croatia.

In Macedonia, the ongoing construction work on the hospital Tetovo, Gostivar and Bardovci Skopje.

While the beginning of work on Hydro Power Plant Haditha in Iraq is expected soon, work on the rehabilitation of two steam turbines in Al Qaim run slower than anticipated - the equipment was delivered and training of Al Qaim representatives was successfully completed. It is expected to complete the delivery of the remaining equipment, continuing execution of works on site and putting into operation in the first half of 2012.

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A technical inspection of the Zagreb University Hospital for Tumors has been performed in the first half-year of 2011. The Hospital has been delivered to the investor in February 2012.

The sale of residential and commercial properties in the building Dvori Lapad has acceded expectations considering the situation of real estate market in Croatia in 2011. With the first quarter of 2011, all apartments in Srebrnjak Residential Villa Complex in Zagreb have been sold completely.

Pursuant to the decisions of the Shareholders' Meeting held on 22 December 2010 6,045,200 ordinary shares, without par value and dematerialized, have been listed on the Official Market of the Zagreb Stock Exchange.

Based on a prior Decision of the Bondholders' Meeting held in September 2011, the maturity date of the INGR-O-11CA bond has been altered from 6 December 2011 to 6 December 2016 and the interest repayment plan has been amended accordingly.

INGRA's General Meeting is being held on February 17<sup>th</sup>, 2012. The General Meeting will decide about election of Mr. Davor Štern as a member of the Supervisory Board.

**Ingra Inc.**  
**Chairman of the Board**

*Calendar of events\**

<i>Audited Financial Statements for the year 2011</i>	<i>4/30/2012</i>
<i>Announcement of the Unconsolidated and Consolidated Financial Statement for the first quarter of 2012</i>	<i>4/30/2012</i>

\* *Temporary calendar; changes are possible. For the updated calendar of events please visit our website: [www.ingra.hr](http://www.ingra.hr).*

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This report contains certain statements regarding future business activities of the Group which can be recognized by the use of expressions indicating the future such as "will be", "planned", "expectations", "predictions" and similar expressions, or by statements concerning strategy, plans or intentions. Descriptions of new projects whose realization are expected or have already been started by the Group also belong to this type of statements, as well as certain demands on the part of buyers for those products. These statements reflect the Group's current attitudes on future events and are subject to certain risks, uncertainties and assumptions. Many factors can cause the Group's performance or accomplishments to be considerably different than the results, performance or accomplishments which are expressed or implied in such statements referring to the future.

## II. Responsibility for the Financial Statements

The Management Board presents the financial statements for the company INGRA Inc. ('the Company') and its subsidiaries ('the Group') for the period ended 31 December, 2011.

Pursuant to the Croatian Accounting Law (Official Gazette 109/07), the Board is responsible for ensuring that financial statements are prepared in accordance with International Financial Reporting Standards which are published by the Croatian Committee for the Standards of Financial Reporting and designed to provide a true and objective view of the Group's financial position and operating results for the given period.

To the best of the Management Board's knowledge,

- the Issuer's financial statements, prepared by applying adequate standards of financial reporting, provide a true and complete review of the assets and liabilities, profit and loss, financial position and operating activity of the Issuer and the subsidiaries included in the consolidation as a whole
  
- the management's report contains a true review of the development, operating results and position of the Issuer and subsidiaries included in the consolidation, along with a description of the most significant risks and uncertainties to which the Issuer and the Group are exposed as a whole

The Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing financial statements.

In preparing the financial statements, the responsibilities of the Board include ensuring that:

- appropriate accounting policies are selected and then consistently applied;
  
- judgments and estimates are reasonable and prudent;
  
- applicable accounting standards are followed, and any significant departures disclosed and explained in the financial statements; and that



- financial statements are prepared according to the going concern basis unless it is inappropriate to assume that the Group will continue in business.

The Board is responsible for keeping proper accounting records which will reflect the Group's financial position with reasonable accuracy at any time, as well as for the compliance of the financial statements with the Croatian Accounting Law (Official Gazette 109/07). The Board is also responsible for safeguarding the Group's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INGRA Inc.**  
**Chairman of the Board**