

15/11/2010

REPORT OF THE MANAGEMENT BOARD ON THE RESULTS FOR 3Q 2010

In 3Q 2010 Magma Group (the Group) still operated in extremely difficult circumstances, which were far more affected by the lack of working capital rather than personal consumption crisis and constraints arising from market conditions. Therefore, during the third quarter 2010 the Group realised further drop in sales results over the same period 2009.

According to the official statistics for Croatia, which is the Group's main market, it is noted that the negative trend in the retail sector has been stopped with some modest growth over the same period last year. The Group, whose results have always been better than the industry's average, was not able to participate in the aforementioned recovery of the retail sector facing great difficulties in the supply chain.

In order to overcome the current difficulties, the Management Board proposed to the Supervisory Board share capital increase with adequate change in ownership structure.

Over the last period, the Management Board conducted negotiations with several potential investors interested for entering into the ownership structure of Magma (the Company). In accordance with the decision of the Supervisory Board session held on 12.11.2010 the Management Board is authorized to continue negotiations with potential investors with a view to agree exclusive partner for further negotiations and to inform the Supervisory Board at the meeting to be held on Wednesday 17.11.2010.

The above mentioned capital increase will enable to prevail all problems related to daily liquidity by providing short-term cash funding to the completion of the entire process of new share capital issuance.

The Management Board expects that due to new capital the Company will meet the targets set for 2011 and also keep the leading market position in certain segments, ensuring future growth and development.

Management Board
Magma d.d

ATTACHMENT 1			
Reporting period:	1.1.2010	to	30.9.2010
Quarterly financial statement of the entrepreneur-TFI-POD			
Tax number (MB):	03299015		
Company registration number (MBS):	080048595		
Personal identification number (OIB):			
Issuing company:	MAGMA d.d.		
Postal code and place:	10000	Zagreb	
Street and house number:	BAŠTIJANOVA 52 A		
E-mail address:	magma@magma.hr		
Internet address:	www.magma.hr		
Municipality/city code and name:	133	Zagreb	
County code and name:	21	City of Zagreb	Number of employees: 1.161 (quarter end)
Consolidated report:	NO		NKD code: 52420
Companies of the consolidation subject (according to IF)		Seat:	MB:
Bookkeeping service:			
Contact person:	(please enter only contact person's family name and name)		
Telephone:		Facsimile:	
E-mail address:			
Family name and name:	(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			
		L.S.	signature of the person authorized to represent the company

BALANCE SHEET			
	as of	30.9.2010	
			thousands HRK
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS	002	317.001	349.287
I. INTANGIBLE ASSETS	003	12.010	11.070
II. PROPERTY, PLANT AND EQUIPMENT	004	263.389	283.824
III. NON-CURRENT FINANCIAL ASSETS	005	15.435	33.554
IV. RECEIVABLES	006	5.328	
V. DEFERRED TAX ASSET	007	20.839	20.839
C) CURRENT ASSETS	008	313.556	227.504
I. INVENTORIES	009	131.506	91.656
II. RECEIVABLES	010	176.824	135.508
III. CURRENT FINANCIAL ASSETS	011	4.110	
IV. CASH AND CASH EQUIVALENTS	012	1.116	340
D) PREPAYMENTS AND ACCRUED INCOME	013	8.121	6.863
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	638.678	583.654
G) OFF BALANCE SHEET ITEMS	016		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	118.138	78.124
I. SUBSCRIBED SHARE CAPITAL	018	48.742	67.749
II. CAPITAL RESERVES	019	116.431	205.750
III. LEGAL RESERVES	020		
IV. REVALUATION RESERVES	021	50.089	49.026
V. RETAINED EARNINGS	022	11.662	
VI. LOSS CARRIED FORWARD	023		97.124
VII. NET PROFIT FOR THE PERIOD	024		
VIII. LOSS FOR THE PERIOD	025	108.786	147.277
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028	58.039	53.660
D) CURRENT LIABILITIES	029	455.805	451.846
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	6.696	24
F) TOTAL EQUITY AND LIABILITIES	031	638.678	583.654
G) OFF BALANCE SHEET ITEMS	032		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	033		
2. Attributable to minority interest	034		

PROFIT AND LOSS STATEMENT						
			for period	1.1.2010	to	30.9.2010
						thousands HRK
Position	AOP oznaka	Previous period		Current period		
		Cummulative	Periodical	Cummulative	Periodical	
1	2	3	4	5	6	
I. OPERATING INCOME	035	575.338	174.809	378.673	108.424	
1. Rendering of services	036	568.956	174.647	374.337	116.303	
2. Income from usage of own products, merchandise and services	037					
3. Other operating income	038	6.382	162	4.336	-7.879	
II. OPERATING COSTS	039	623.968	217.471	507.610	196.777	
1. Decrease of work in progress and merchandise	040					
2. Increase of work in progress and merchandise	041					
3. Material expenses	042	351.899	118.135	229.511	75.588	
4. Employee benefits expenses	043	81.574	24.388	64.426	21.058	
5. Depreciation and amortisation	044	30.164	10.135	31.718	10.677	
6. Other expenses	045	160.331	64.813	181.955	89.454	
7. Write down of assets	046					
8. Provisions	047					
9. Other operating costs	048					
III. FINANCIAL INCOME	049	10.008	1.233	6.981	3.429	
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050	6.032	660	3.959	2.955	
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	3.976	573	3.022	474	
3. Income from investments in associates and joint ventures	052					
4. Unrealised gains (income)	053					
5. Other financial income	054					
IV. FINANCIAL EXPENSES	055	29.061	8.095	25.321	3.122	
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056	3.489	385	3.144	-4.235	
2. Interest, foreign exchange differences and similar expenses from third parties	057	25.572	7.710	22.177	7.357	
3. Unrealised losses (expenses) from financial assets	058					
4. Other financial expenses	059					
V. EXTRAORDINARY - OTHER INCOME	060					
VI. EXTRAORDINARY - OTHER EXPENSES	061					
VII. TOTAL INCOME	062	585.346	176.042	385.654	111.853	
VIII. TOTAL EXPENSES	063	653.029	225.566	532.931	199.899	
IX. PROFIT BEFORE TAXES	064					
X. LOSS BEFORE TAXES	065	-67.683	-49.524	-147.277	-88.046	
XI. TAXATION	066					
XII. NET PROFIT FOR THE PERIOD	067					
XIII. LOSS FOR THE PERIOD	068					
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)						
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069					
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070					
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071					
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072					

CASH FLOW STATEMENT - Indirect method			
period	1.1.2010	to	30.9.2010
thousands HRK			
Position	AOP oznaka	Previous period	Current period
1	2	ž	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-67.683	-147.277
2. Depreciation and amortisation	074	30.164	31.718
3. Increase of current liabilities	075		
4. Decrease of current receivables	076	3.265	41.316
5. Decrease of inventories	077	40.329	39.850
6. Other cash flow increases	078	31.760	51.888
I. Total increase of cash flow from operating activities	079	37.835	17.495
1. Decrease of current liabilities	080	27.898	3.959
2. Increase of current receivables	081		
3. Increase of inventories	082		
4. Other cash flow decreases	083		
II. Total decrease of cash flow from operating activities	084	27.898	3.959
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	9.937	13.536
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087		
2. Proceeds from sale of non-current financial assets	088		
3. Interest received	089		
4. Dividend received	090		
5. Other proceeds from investing activities	091		105
III. Total cash inflows from investing activities	092		105
1. Purchase of non-current assets	093	19.363	66.633
2. Purchase of non-current financial assets	094		
3. Other cash outflows from investing activities	095		17.123
IV. Total cash outflows from investing activities	096	19.363	83.756
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	19.363	83.651
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099	125.637	108.341
2. Proceeds from loans and borrowings	100	57.272	64.997
3. Other proceeds from financing activities	101		
V. Total cash inflows from financing activities	102	182.909	173.338
1. Repayment of loans and bonds	103	215.460	103.999
2. Dividends paid	104		
3. Repayment of finance lease	105	5.124	
4. Purchase of treasury shares	106	572	
5. Other cash outflows from financing activities	107		
VI. Total cash outflows from financing activities	108	221.156	103.999
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109		69.339
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	5.696	
Total increases of cash flows	111	9.937	82.875
Total decreases of cash flows	112	25.059	83.651
Cash and cash equivalents at the beginning of period	113	16.217	1.116
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	15.122	776
Cash and cash equivalents at the end of period	116	1.095	340

STATEMENT OF CHANGES IN EQUITY					
	from	1.1.2010	to	30.9.2010	
					thousands HRK
Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	48.742	19.007		67.749
2. Capital reserves	118	116.431	89.319		205.750
3. Net income reserves	119				
4. Retained earnings or loss carried forward	120	11.662	-108.786		-97.124
5. Net profit (loss) for the period	121	-108.786	-147.277	-108.786	-147.277
6. Revaluation of property, plant and equipment	122	50.089		1.063	49.026
7. Revaluation of intangible assets	123				
8. Revaluation of available for sale financial assets	124				
9. Other revaluation	125				
10. Foreign exchange differences from investments abroad	126				
11. Current and deferred taxes (part)	127				
12. Hedging	128				
13. Change of accounting policies	129				
14. Change of prior period error	130				
15. Other changes in equity	131				
16. Total increase or decrease of equity	132	118.138	-147.737	-107.723	78.124
16a. Attributable to majority owners	133				
16b. Attributable to minority interest	134				