

## **REPORT OF THE MANAGEMENT BORD FOR FIRST QUARTER FINANCIAL STATEMENTS**

In the first quarter of 2011 Magma Group ("The Group") realised consolidated revenue totalling HRK 205.4m and consolidated comprehensive income of HRK 70.7m, while in the same period last year, the Group realized revenue of HRK159.3m and the loss of HRK 19.6m.

This quarter is also the first reporting period after the transaction of sale 51% stake in Adria Design d.o.o., upon which all revenue related to the self standing Turbo limac stores are no longer part of consolidated revenues of the Group. Therefore, revenue from the first quarter is not comparable with the revenue realized in first quarter last year, since in the first quarter 2010 the Group operated on total area of 64.044m<sup>2</sup>, while in the first quarter of 2011 the retail network decreased by 50.4% to only 31.784m<sup>2</sup>.

First quarter has been marked by activities related to establishment of the new business model, restructuring of the retail network, transfer and coordination of all operational and business procedures which resulted in additional costs.

As a result of liquidity problems and lack of adequate supply of stock and services at the end of 2010, the Group entered 2011 with insufficient stock level necessary to achieve the business plan, and first significant improvements in stock level and assortment were achieved in early March 2011, which was too late to compensate for the lost sale in first two months and to meet the quarterly business plan.

However, despite the problems in supply chain and optimal stock level in stores, the Group achieved consolidated comprehensive income of HRK 70.7m in the first quarter, which is traditionally the weakest quarter of the fiscal year. The significant impacts on the positive result were revenues related to the sale transaction of Adria Design.

After restructuring and implementation of new business model in which Turbo limač became a segment in which Magma participates with minority 49% stake, the business operations of the Group continued to perform through 5 programs: Turbo limac (franchise), Magma fashion, Turbo sport, Magma home, Magma Lifestyle program.

Management Board  
Magma d.d.

## UNCONSOLIDATED

<b>ATTACHMENT 1</b>					
Reporting period:	1.1.2011	to	31.3.2011		
<b>Quarterly financial statement of the entrepreneur-TFI-POD</b>					
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:	553	
Consolidated report:	NO		(quarter end)		
			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)		

## UNCONSOLIDATED

<b>BALANCE SHEET</b>			
as of		<b>31.3.2011.</b>	
			thousands HRK
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	<b>178.141</b>	<b>231.055</b>
I. INTANGIBLE ASSETS	<b>003</b>	10.656	10.461
II. PROPERTY, PLANT AND EQUIPMENT	<b>004</b>	160.468	153.484
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	50	59.439
IV. RECEIVABLES	<b>006</b>	6.967	7.671
V. DEFERRED TAX ASSET	<b>007</b>		
<b>C) CURRENT ASSETS</b>	<b>008</b>	<b>363.486</b>	<b>301.350</b>
I. INVENTORIES	<b>009</b>	156.931	137.415
II. RECEIVABLES	<b>010</b>	204.531	162.220
III. CURRENT FINANCIAL ASSETS	<b>011</b>		
IV. CASH AND CASH EQUIVALENTS	<b>012</b>	2.024	1.715
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>013</b>	<b>3.375</b>	<b>3.785</b>
<b>E) LOSS ABOVE SUBSCRIBED CAPITAL</b>	<b>014</b>		
<b>F) TOTAL ASSETS</b>	<b>015</b>	<b>545.002</b>	<b>536.190</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>016</b>		
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b>	<b>017</b>	<b>28.601</b>	<b>103.828</b>
I. SUBSCRIBED SHARE CAPITAL	<b>018</b>	67.749	67.749
II. CAPITAL RESERVES	<b>019</b>	205.750	205.750
III. LEGAL RESERVES	<b>020</b>		
IV. REVALUATION RESERVES	<b>021</b>	48.879	48.677
V. RETAINED EARNINGS	<b>022</b>		
VI. LOSS CARRIED FORWARD	<b>023</b>	97.330	293.777
VII. NET PROFIT FOR THE PERIOD	<b>024</b>		75.429
VIII. LOSS FOR THE PERIOD	<b>025</b>	196.447	
IX. MINORITY INTEREST	<b>026</b>		
<b>B) PROVISIONS</b>	<b>027</b>		
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	<b>35.544</b>	<b>34.584</b>
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	<b>474.594</b>	<b>396.061</b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>030</b>	<b>6.263</b>	<b>1.717</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>031</b>	<b>545.002</b>	<b>536.190</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>032</b>		
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>033</b>		
2. Attributable to minority interest	<b>034</b>		

## UNCONSOLIDATED

PROFIT AND LOSS STATEMENT					
	for period	1.1.2011	to	31.3.2011	
					thousands HRK
Position	AOP oznaka	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING INCOME</b>	<b>035</b>	<b>124.580</b>	<b>124.580</b>	<b>197.548</b>	<b>197.548</b>
1. Rendering of services	036	118.348	118.348	88.663	88.663
2. Income from usage of own products, merchandise and services	037				
3. Other operating income	038	6.232	6.232	108.885	108.885
<b>II. OPERATING COSTS</b>	<b>039</b>	<b>144.358</b>	<b>144.358</b>	<b>120.467</b>	<b>120.467</b>
1. Decrease of work in progress and merchandise	040				
2. Increase of work in progress and merchandise	041				
3. Material expenses	042	68.509	68.509	78.228	78.228
4. Employee benefits expenses	043	21.327	21.327	10.877	10.877
5. Depreciation and amortisation	044	10.466	10.466	8.589	8.589
6. Other expenses	045	44.056	44.056	22.773	22.773
7. Write down of assets	046				
8. Provisions	047				
9. Other operating costs	048				
<b>III. FINANCIAL INCOME</b>	<b>049</b>	<b>3.615</b>	<b>3.615</b>	<b>5.343</b>	<b>5.343</b>
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050	2.594	2.594	238	238
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	1.021	1.021	5.105	5.105
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054				
<b>IV. FINANCIAL EXPENSES</b>	<b>055</b>	<b>8.439</b>	<b>8.439</b>	<b>6.995</b>	<b>6.995</b>
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056	2.812	2.812	49	49
2. Interest, foreign exchange differences and similar expenses from third parties	057	5.627	5.627	6.946	6.946
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059				
<b>V. EXTRAORDINARY - OTHER INCOME</b>	<b>060</b>				
<b>VI. EXTRAORDINARY - OTHER EXPENSES</b>	<b>061</b>				
<b>VII. TOTAL INCOME</b>	<b>062</b>	<b>128.195</b>	<b>128.195</b>	<b>202.891</b>	<b>202.891</b>
<b>VIII. TOTAL EXPENSES</b>	<b>063</b>	<b>152.797</b>	<b>152.797</b>	<b>127.462</b>	<b>127.462</b>
<b>IX. PROFIT BEFORE TAXES</b>	<b>064</b>			<b>75.429</b>	<b>75.429</b>
<b>X. LOSS BEFORE TAXES</b>	<b>065</b>	<b>-24.602</b>	<b>-24.602</b>		
<b>XI. TAXATION</b>	<b>066</b>				
<b>XII. NET PROFIT FOR THE PERIOD</b>	<b>067</b>				
<b>XIII. LOSS FOR THE PERIOD</b>	<b>068</b>				
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>069</b>				
<b>XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>070</b>				
<b>XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>071</b>				
<b>XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>072</b>				

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ATTACHMENT 1			
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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: 865
Consolidated report:	YES		(quarter end) NKD code: 52420
Companies of the consolidation subject (according to IF)	Seat:	MB:	
Magma d.d.	Baštijanova 52 a, Zagreb, Hrvatska	03299015	
Magma International d.o.o.	Jurija Gagarina 32 A, Beograd, Srbija	17415875	
Magma -B d.o.o.	M. Tita 38, Sarajevo, BIH	20381027	
Magma S d.o.o.	Poljska ulica 6, Maribor, Slovenia	19414227	
Magma Internarional ltd	RN 810, 8/F, Ocean centre, Hong Kong	28511737	
Magma H kft	Andrassy ut 2.4, Budimpešta, Mađarska	13992570	
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)		
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	3. Report of the Management Board on the Company Status		
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## CONSOLIDATED

<b>BALANCE SHEET</b>			
as of		<b>31.3.2011</b>	
			thousands HRK
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	<b>371.175</b>	<b>412.252</b>
I. INTANGIBLE ASSETS	<b>003</b>	11.385	10.752
II. PROPERTY, PLANT AND EQUIPMENT	<b>004</b>	351.256	342.131
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	8.534	59.369
IV. RECEIVABLES	<b>006</b>		
V. DEFERRED TAX ASSET	<b>007</b>		
<b>C) CURRENT ASSETS</b>	<b>008</b>	<b>312.084</b>	<b>245.521</b>
I. INVENTORIES	<b>009</b>	168.911	164.561
II. RECEIVABLES	<b>010</b>	140.075	74.681
III. CURRENT FINANCIAL ASSETS	<b>011</b>		
IV. CASH AND CASH EQUIVALENTS	<b>012</b>	3.098	2.315
D) PREPAYMENTS AND ACCRUED INCOME	<b>013</b>	<b>3.518</b>	<b>3.964</b>
E) LOSS ABOVE SUBSCRIBED CAPITAL	<b>014</b>		
F) TOTAL ASSETS	<b>015</b>	<b>686.777</b>	<b>661.737</b>
G) OFF BALANCE SHEET ITEMS	<b>016</b>		
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b>	<b>017</b>	<b>-49.284</b>	<b>13.797</b>
I. SUBSCRIBED SHARE CAPITAL	<b>018</b>	67.749	67.749
II. CAPITAL RESERVES	<b>019</b>	205.750	205.750
III. LEGAL RESERVES	<b>020</b>		
IV. REVALUATION RESERVES	<b>021</b>	48.880	48.677
V. RETAINED EARNINGS	<b>022</b>		
VI. LOSS CARRIED FORWARD	<b>023</b>	175.015	379.127
VII. NET PROFIT FOR THE PERIOD	<b>024</b>		70.748
VIII. LOSS FOR THE PERIOD	<b>025</b>	196.648	
IX. MINORITY INTEREST	<b>026</b>		
<b>B) PROVISIONS</b>	<b>027</b>		
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	<b>190.336</b>	<b>197.829</b>
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	<b>540.520</b>	<b>447.307</b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>030</b>	<b>5.205</b>	<b>2.804</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>031</b>	<b>686.777</b>	<b>661.737</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>032</b>		
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>033</b>		
2. Attributable to minority interest	<b>034</b>		

## CONSOLIDATED

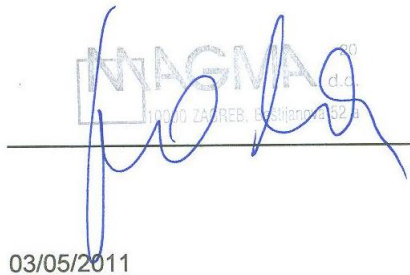
PROFIT AND LOSS STATEMENT					
	for period	1.1.2011	to	31.3.2011	
					thousands HRK
Position	AOP oznaka	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING INCOME</b>	<b>035</b>	<b>159.283</b>	<b>159.283</b>	<b>205.388</b>	<b>205.388</b>
1. Rendering of services	036	152.733	152.733	94.930	94.930
2. Income from usage of own products, merchandise and services	037				
3. Other operating income	038	6.550	6.550	110.458	110.458
<b>II. OPERATING COSTS</b>	<b>039</b>	<b>171.638</b>	<b>171.638</b>	<b>132.165</b>	<b>132.165</b>
1. Decrease of work in progress and merchandise	040				
2. Increase of work in progress and merchandise	041				
3. Material expenses	042	80.022	80.022	76.989	76.989
4. Employee benefits expenses	043	25.153	25.153	15.438	15.438
5. Depreciation and amortisation	044	14.434	14.434	11.224	11.224
6. Other expenses	045	52.029	52.029	28.514	28.514
7. Write down of assets	046				
8. Provisions	047				
9. Other operating costs	048				
<b>III. FINANCIAL INCOME</b>	<b>049</b>	<b>4.317</b>	<b>4.317</b>	<b>7.263</b>	<b>7.263</b>
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050				
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	4.317	4.317	7.263	7.263
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054				
<b>IV. FINANCIAL EXPENSES</b>	<b>055</b>	<b>11.579</b>	<b>11.579</b>	<b>9.738</b>	<b>9.738</b>
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057	11.579	11.579	9.738	9.738
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059				
<b>V. EXTRAORDINARY - OTHER INCOME</b>	<b>060</b>				
<b>VI. EXTRAORDINARY - OTHER EXPENSES</b>	<b>061</b>				
<b>VII. TOTAL INCOME</b>	<b>062</b>	<b>163.600</b>	<b>163.600</b>	<b>212.651</b>	<b>212.651</b>
<b>VIII. TOTAL EXPENSES</b>	<b>063</b>	<b>183.217</b>	<b>183.217</b>	<b>141.903</b>	<b>141.903</b>
<b>IX. PROFIT BEFORE TAXES</b>	<b>064</b>			<b>70.748</b>	<b>70.748</b>
<b>X. LOSS BEFORE TAXES</b>	<b>065</b>	<b>-19.617</b>	<b>-19.617</b>		
<b>XI. TAXATION</b>	<b>066</b>				
<b>XII. NET PROFIT FOR THE PERIOD</b>	<b>067</b>				
<b>XIII. LOSS FOR THE PERIOD</b>	<b>068</b>				
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>069</b>				
<b>XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>070</b>				
<b>XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>071</b>				
<b>XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>072</b>				

## STATEMENT OF LIABILITY OF FINANCIAL REPORTS

Non-consolidated and consolidated financial reports of Magma d.d. on 31<sup>st</sup> March 2011 were made by using appropriate standards of financial reports, they give a complete and truthful presentation of assets and obligations, losses and profit, financial position and business operations of the publisher and the companies included in consolidation as a whole.

Interim report of the management contains a truthful review of development and results of business operations and the position of the publisher and the companies included in consolidation, with the description of the most important risks and uncertainties that Magma was exposed to.

President of the Management Board: Goranko Fižulić



03/05/2011