

1st July 2011

ZAGREBAČKA BURZA
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ANNOUNCEMENT

Hereby Magma d.d. informs shareholders on current events and relevant facts concerning the company.

According to Criminal Law Act of Republic of Serbia, attorney representing injured party, in this case Magma d.d. from Zagreb, has officially charged Slobodan Vučićević, the owner of NCA Investment Group, Mina Radović, former director of Magma International and Kozmolina from Belgrade, Nina Jandrić, former director of DexyCo and Jadranka Jokić-Radović, director of VJM from Belgrade for several criminal activities, as follows: Criminal act of corruption, fraudulent information disposal, commercial malpractice and negligence, and encouragement to commit criminal activity.

Mina Radović, former director of Magma International Serbia, was expected to receive in period from 15th of October 2010 to 31st of December 2012, amount of 150 to 220 thousand EUR, from company DEXY, owned by NCA, through VJM, company owned by Mina Radović's wife. Mina Radović has admitted the allegations of criminal activity, and has since received part of afore-mentioned amount. Corrupted activity continued even after the Umbrella agreement between Magma d.d. and NCA was concluded, on 24th of December 2010.

Furthermore, Slobodan Vučićević has publicly admitted afore-mentioned corrupted behaviour, in his statement for Dnevnik HRT, aired on Tuesday, 28th of June, justifying these activities as common practice.

Due to the incomplete execution of the transaction in accordance with the provisions of the umbrella agreement signed in December 2010, between the Company and NCA, by which NCA refuses to complete the execution of all the provisions of the agreement, and pursuant to which the Company is exempted to pay EUR 6.6 million and shortness of regular operations, the Company offered to sell all its holdings in companies related to Turbo limač operations (49% in the company Adria Design Ltd., 100% in companies Magma B doo Bosnia and Magma Internationaldoo Serbia). Potential investors have already expressed their initial interest and intention to purchase shares in companies whose business is related to the Turbo limač and intention for quick execution of the transaction. Further negotiations and the success of the transaction depend also on the will of the majority owner of the company Adria Design Ltd., NCA Investment Group in Belgrade.

As a result of an incomplete execution of the transaction, the Company lacks EUR 6.6 million, which led to the illiquidity of the Company and substantially more difficulties in settling current liabilities, resulting in a current blockade of the company's account.

Although 95% of subscribers in 15th tranche of commercial paper, labels MGMA-M-126E in the amount of EUR 6.13 million due 1/7/2011, reached an agreement on the refinancing this tranche with new one, the transaction of replacement tranches for technical reasons cannot be made until the maturity date based on legal provisions preventing such a settlement account in a state of blockade.

The Company expects that the Company's account will be unblocked in the next 10 days, after which the 15th tranche of commercial papers will be refinanced.

Magma d.d.