

Pursuant to provisions in Article 277 paragraph 2 of the Companies Act and Article 8 of the MAGMA d.d. Articles of Incorporation, Zagreb, Baštijanova 52a (hereinafter: the Company), on Dec 15, 2011 the Company's Board of Directors reached the decision on convening a General Assembly of the Company and hereby invites all shareholders to the

## **EXTRAORDINARY GENERAL ASSEMBLY**

of the company **MAGMA d.d., Zagreb**, to be held on **Monday, January 30, 2012 at 10 o'clock** in the registered office of the company, Baštijanova 52a, Zagreb.

All shareholders are invited to the General Assembly.

The General Assembly of the Company shall have the following

### **Agenda:**

- 1** Opening the General Assembly and determining the list of present and represented shareholders, as well as their proxies.
- 2** Giving approval to the Company's Board of Directors to prepare for reaching the decision on the increase of the capital stock of the Company.

### **Decision proposal reads as follows:**

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Approval shall be given to the Company's Board of Directors to conduct negotiations with creditors of the Company and other potential investors for the purpose of concluding a contract on the increase of capital stock of the Company and taking all necessary actions in order to prepare conditions for reaching the decision on capital stock increase. The capital stock increase would be performed by contributions in cash and rights, issuing up to 25,000,000 new shares up to the maximum amount of HRK 250,000,000.00.

### **Exposition:**

The Company's Board of Directors is continuously working on the process of market, technology, organization, personnel and, naturally, financial restructuring of the Company. Considering the Company's difficulties in conducting its business activities, especially in the conditions of the current economic crisis and its negative effects on economy in Croatia in general, and thus on the Company as well, it is extremely important to make maximum effort for the purpose of ensuring a satisfactory level of solvency and overall financial standing of the Company as the basic condition for the effective continuation of business activities and development of the Company.

Considering the aforementioned and with regard to the existing high receivables of the creditors, the Company also considered a model of financial restructuring that comprises the increase in capital stock of the Company by transforming the creditors' receivables into the capital stock of the Company pursuant to the Companies Act, as well as the increase in capital stock by direct payments in cash.

The Company's Board of Directors believes that the implementation of the aforementioned model of the Company's financial restructuring would provide a significant contribution to financial stabilization of the Company, taking into consideration that the Company would thus get the opportunity to settle debts that to a large extent make its business activities and further development more difficult, which would at the same time also decrease the expenses of the Company. Implementing such a model of capital stock increase is especially significant from the aspect of timely settlement of due liabilities and maintaining the solvency of the Company. This shall finally also affect the maintenance of the existing, i.e. increase in value for all shareholders of the Company.

In order to achieve said purpose, i.e. financial stabilization and creating conditions for further operation and development of the Company, and achieving benefits for the Company, the proposed capital stock increase would be performed with exclusion of pre-emptive rights of the existing shareholders when subscribing new shares. The Board of Directors believes that the exclusion of pre-emptive rights is also justified because the Company must without delay achieve the appropriate balance stabilization; therefore the capital stock increase must be performed as soon as possible and the receivables settled as well. Otherwise, if the aforementioned would not be carried out, irreparable damage might arise for the Company itself and its shareholders due to the impossibility of further borrowing, impossibility of carrying out investments and projects necessary for further development of business activities of the Company. This would in the end very likely result in bankruptcy of the Company.

Pursuant to Article 14, paragraph 1, item 3 of the Act on the Takeover of Joint Stock Companies it is proposed to allow the acquisitions of new shares to the investors without the obligation to announce the takeover bid.

Given that the Companies Act stipulates that a qualified majority of votes is necessary to reach the decision of the General Assembly on capital stock increase, we find it opportune that such a decision on the Company's capital stock increase requires prior approval, i.e. opinion of the General Assembly of the Company, which would express the will of shareholders, that is the will of the General Assembly of the Company to the creditors and investors in advance.

## **INVITATION TO SHAREHOLDERS**

The shareholders are invited to participate in the work of the General Assembly.

The material for the General Assembly of the Company, serving as the basis for reaching the announced decisions, shall be available to shareholders for inspection from the day of publishing this invitation, on the premises of the Company, Baštijanova 52a, on work days from 14 to 16 o'clock.

The shareholders of the Company who are no later than Friday, January 20, 2012, seven days before the General Assembly, registered as the shareholders of the Company in the depository of the Central Depository & Clearing Company and who apply for participation by the aforementioned date (January 21, 2012) shall have the right of participation in the General Assembly of the Company.

The shareholders shall participate in the General Assembly personally or via proxy based on a valid special written power of attorney issued by the shareholder, i.e. on behalf of the shareholder that is a legal entity, a person authorised for representation. The valid special power of attorney shall contain data on the name or company of the representative and the represented subject, as well as a special authorisation for voting on behalf of the represented

shareholder. The power of attorney form can be found on the web site of the Company: [www.investorsmagma.com](http://www.investorsmagma.com).

The participants are invited to arrive at the General Assembly one hour before the scheduled beginning so the list of participants in the General Assembly could be made on time.

*If the quorum stipulated by the Articles of Incorporation of the Company is not reached at the convened General Assembly, the General Assembly of the Company shall be held on the following work day at the same time and at the same place, with the same agenda, and valid decisions may be reached at it regardless of the number of shareholders present.*

Magma d.d.