

ANNOUNCEMENT

Further to the Umbrella agreement signed between companies Magma d.d. and NCA investment group d.o.o. from December 2010, on the purchase of 51% share in Magma's daughter companies at purchase price EUR 24.6 m herewith we are informing shareholders on the partial execution of the provisions of the umbrella agreement, given that the company NCA Investment group acted with disrespect to the Umbrella agreement and failed to pay whole purchase price until May 31st 2011, which was the deadline set by the aforementioned agreement.

NCA Investment group paid EUR 18.0 m so far, in accordance with the Umbrella agreement, out of which 15 mil EUR for purchase 51% share in Adria Design d.o.o. and EUR 3 m for recapitalization of the same.

Remaining EUR 6.6 m relates to the purchase of 51% of shares in companies Magma B d.o.o. Bosnia, Magma International d.o.o. Serbia, Kozmolina d.o.o. Serbia and Fides distribucija d.o.o. Croatia.

Negotiations on the full implementation of the provisions of the Umbrella agreement are in progress.

Magma d.d.

June 8th 2011