

MAGMA

Market

Magma D.D. (a joint stock company) was founded as a private company of the Fižulić family. It developed out of two production industries, and today it is the leading regional retailer and wholesaler. The business of the Magma group includes segments of toys, children equipment and clothes, sports clothes and equipment, home products, delicatessen programme, but also the franchise of world-known fashion brands.

Compared to its competitors, Magma stands out with the synergy of its retail chain: Turbo Limač, Turbo Sport, Magma fashion, Magma Home, and the distribution assortment. Its main goal is to fulfil its clients' needs with the offer of quality products, accessible prices and top-notch service.

The company, today, has a retail network in Croatia, Serbia, Bosnia and Herzegovina, Slovenia, Hungary, and with the development of the market and the growth of the purchasing power, its further expansion in the region has been planned. An increase in the number of shops in countries in which Magma operates, as well as opening new markets – the expansion of retail chain have been anticipated.

Magma d.d. manages its sister companies which together form the Magma group: Magma B with its headquarters in Sarajevo, Magma International with its headquarters in Belgrade, Magma S with its headquarters in Ljubljana, Magma H with its headquarters in Budapest and Magma International with its headquarters in Hong Kong.

To ensure needed resources for further expansion and growth, in 1997 Magma was financially restructured by the English investment fund, East European Food Fund, Sicaf, Luxemburg and it became a joint stock company with a 25.93% share in foreign ownership. East European Food Fund is managed by Jupiter Asset Management as a part of the Jupiter International Group, one of the leading British companies for managing investment funds.

In 2007 Magma signed a contract of recapitalization with Templeton Strategic Emerging Markets Fund II, LDC and adjoined the realisation of the initial public offer of shares (IPO). Within the scope of IPO Magma also conducts recapitalization with the aim of gathering additional funds and strengthening the company, with the purpose of further expansion of business in the markets of central and southeast Europe.

Achievements

Every year Magma group accomplishes great financial performance in Croatia, as well as in other markets where it does business, so in the last 19 years it has achieved a high rate of growth.

The need for new products, which match the



demands of the market both by price and design, is the reason why Magma invests more and more in the development of its own brands. A Magma team of designers, technologists and constructors act actively creating fashion collections. The creators of Magma's clothes are young Croatian technologists and designers who gained their knowledge and experience both in Croatia and abroad, and applied them in Magma's fashion. Fashion collections are created in a design studio in Jastrebarsko, and the production of their own brands has been transferred outside of Croatia – to areas which are competitive by quality, price and delivery time. The production is based on the concept – Designed by Magma, produced all over the world. The results of the work of top-notch Croatian young experts and of a concept of this kind of collection production are today's well-known brands: Coconut, Bearfoot, Urban Republic and North Spirit.

History

Magma was founded in 1989, and in 1990, in accordance with the standards of world capitals, it opened the first specialized toy store – Turbo Limač.

Turbo Limač soon becomes the synonym for the largest selection of high quality toys, baby equipment, children's clothes and footwear. Today, with 71 retail outlets in Croatia and the region, it has the leading role in the aforesaid markets.

By following the world trends and the needs of the market along with the development of retail, Magma commences with the development of distribution. Since the very beginning, in Magma's assortment there was a whole range of big world brands from so-called FMCG programme like Nestle-Buitoni, Haribo, Kellogg's, Bahlsen and others. Magma today, through its distribution network and developed logistics support, serves a bigger and bigger number of purchasers in more than 2,000 retail outlets.

Realising in time the possibilities of the development of Croatian market is the key to Magma's further development. In mid 90s Magma continues to develop in two new directions – retail of sports assortment and

fashion. Accordingly, in 1996, in Ilica in Zagreb and at Korzo in Rijeka the first Magma fashion houses were opened, which do business successfully even today.

By opening Magma fashion houses and creating the first Esprit and Mexx corners within the existing retail outlets, the so-called shop-in-shop concept has been introduced in Croatia – in the same sales room there are several physically separated brands.

In the year 1998 the first Turbo Sport store was opened in Zagreb which set whole new standards in the sales of sports equipment and clothes. Today Turbo Sport is the biggest Croatian sport sales chain with retail outlets in all the bigger towns in Croatia, as well as in the countries in the region in which Magma does business.

In 1999 Magma started catalogue sales and the first online sales in Croatia, integrated in high-tech communication and business management within the company, by using modern informatics system.

In 2002 Magma started to develop its own brands: Coconut, Bearfoot, North Spirit and Urban Republic. In the same year, Magma appeared at the regional market and founded two sister companies: Magma - B.d.o.o. (Ltd) with its headquarters in Sarajevo and Magma International d.o.o. (Ltd) with its headquarters in Belgrade. Already next year the sister company Magma International Ltd was founded with its headquarters in Hong Kong, in 2005 Magma - S.d.o.o. (Ltd) with its headquarters in Ljubljana, and in 2007 Magma - H.d.o.o. (Ltd) with its headquarters in Budapest were founded.

After a decade of experience in licensed deals with Disney Consumer Products – starting from distribution and retail to development and marketing – in 2005, Magma expanded its cooperation to a larger number of licensors with a completely new marketing approach to the projects.

Product

The framework of developing the business of today's Magma is Turbo Limač – the leading chain of toy stores, baby equipment, children's clothes and footwear in this part of Europe. It became the synonym for fun for the whole family and the realization of children's dreams.





According to the product range it offers, the Turbo Limač concept has been conceived to satisfy all the needs of a family with children; with offered products starting from the equipment for infants, clothes and footwear for children up to 14 years of age, to the most diverse games, toys, bicycles and school equipment. Turbo Limač is special also for its sales room where there are children's playing spaces with educationally fun programmes, besides the magical offer of products on sale. The assortment is based on Magma's own brands (Coconut, Bearfoot, Logo...), as well as on well-known world brands for which Magma is an exclusive distributor or representative (Hasbro, Lego, Playmates, Bandai, Maxi Cosi, Brevi...).

Turbo Sport has imposed itself in the last ten years of its existence as the leading Croatian chain of sports equipment, clothes and footwear. It does business in 31 retail outlets in 5 countries – Croatia, Slovenia, Serbia and Bosnia and Herzegovina and Hungary, and the assortment comprises the biggest world brands in various sports disciplines – North Spirit, Giant, Scott, Atomic, Salomon, Helly Hansen, Protest, Nike, Adidas, Briko, Kettler, Hammer, Prince, Elan, Fischer and many others.

Magma fashion is based on representing world fashion brands like Esprit, Mexx, brands of the Arcadia group – Dorothy Perkins, Miss Selfridge and Topshop as well as strengthening its own brands Urban Republic and Coconut. Magma D.D. is the first Croatian company to enter the franchisable fashion business and, as a representative of world-known fashion brands, one of the leading creators of fashion trends in Croatia and in the whole region, Magma fashion today has 38 retail outlets and 13 independent locations of the fashion brand Urban Republic. Magma's department of design comprises around thirty young Croatian designers and managers who have incorporated their knowledge and experience in the collections Coconut, Bearfoot, Urban Republic and North Spirit.

The biggest, and in the opinion of many customers, the greatest novelty of Magma's offer is Magma home – the sales programme which consists of several thousand items for equipping and decorating a home. The concept of Magma home was initiated in June 2008. At the moment it has 11 retail outlets and from the very beginning it has shown extremely good performance

considering the customers' satisfaction – with both prices and the range of products offered.

The emphasis of Magma distribution is on the delicatessen programme of world-known companies that are, with their assortment, compatible with the rest of Magma's services. Magma is also the representative and distributor of consumer products Bahlsen, BIP, Nestlé-Buitoni, Haribo, Kellogg's, Natais and Sony.

Recent Developments

In the beginning of 2008, a new, more modern and the biggest distribution centre in Jastrebarsko, in the immediate vicinity of Zagreb, was completed, and it is near the main road connecting the biggest harbour Rijeka and the centre of Croatia. In addition to a warehouse of 25,000 square metres, a new administrative building of the company has been built. The distribution centre and the administrative building have been in use since April 2008. The enhancement of the quality of operating conditions reflected on the increased efficiency of Magma's business.

1826 employees are employed in Magma. They work together to make sure that talent, knowledge and experience are appreciated. The professional development is provided for everybody, and the contribution to the company is appropriately awarded. Among the employees there are even 81 percent of women, and their average age is 29 years. Highly set goals of previous years have resulted with continual growth and development of the company and with the growth of the standard of quality of the merchandise and service.

Promotion

Magma's promotional activities are focused on the development of its own brands and the enhancement of their recognisability. The whole process of promotion – starting from the idea to the realization, is planned and carried out within the company.

The basic factor of present successful results of Magma's marketing is its own designer's studio and a creative team which completely comprehends the aims of the company.

With the aim of strengthening consciousness of its own fashion brands, Magma tries to be innovative and original. In 2007 a unique promotional campaign was

initiated which started its voyage around the world for the duration of three years. In each and every of the exclusive locations and locations known for tourism, like the Canary Islands, Caribbean, Fiji and other attractive destinations like Dugi Otok in Croatia, promotional materials are recorded for fashion collections.

Magma dedicates a great attention to everyday communication with the customers and the general public. In 1998 Magma founded Turbo Limač club and in 2002 Magma club with the goal of promoting its products. Both clubs have more than 320,000 members who use different privileges during shopping.

Magma's web site also represents an important channel of communication with the customers and the general public. www.magma.hr is the central web site where all concerned can get information about Magma's activities. Since the company addresses itself to different sectors of the general public that have different kinds of interests, Magma's Internet communication takes place also on Internet pages www.investorsmagma.com, www.turbolima.com, www.turbo-sport.com, www.urban-republic.com and www.magma-home.com.

As a socially responsible company, from the beginning of its existence, Magma, through rich donation and sponsorship programmes, has provided support to children, parents and non-government organizations, different children homes, health institutions and different sports clubs and manifestations.

Brand Values

The business vision of Magma is to maintain its leading position in the region in its segment of operations, namely distribution and retail trade of toys, baby outfit, as well as children's delicatessen, fashion and sports programmes and lately home products as well. In all those processes the principle applied is to improve continually the quality of business operation by fulfilling the demands and expectations of the customers, and all those are based on business efficiency, long-term planning, several years' experience and constant learning.

www.magma.hr

THINGS YOU DIDN'T KNOW ABOUT...

Magma

- The Earth's core is made of melted rock at high temperature, which gets hotter and melts the rocks around it, creating a liquid substance called MAGMA. As soon as magma reaches the earth's surface, it's no longer called magma, but lava.
- Magma came up with the idea of a unique campaign of recording promotional materials for fashion collections of Magma's fashion brands. The promotional materials will have been recorded in a three years period at exclusive locations known for tourism, like Canary Islands, the Caribbean and Fiji.
- At Čabdin near Jastrebarsko Magma has built the most modern and the biggest distribution centre for non-food products in this part of Europe. The centre is equipped with modern facilities and sophisticated system of warehouse conducting.

