Annual Report

2008 | 2009

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MAGIX in a nutshell

Hint: MAGIX operates in a highly technical environment characterized by specialist jargon. For easier comprehension, all terms indicated with an * are explained in detail in the glossary.

MAGIX is a leading provider of high-quality software, online services, and digital content for multimedia communication. The cornerstone was placed by company founders Jürgen Jaron, Dieter Rein and Erhard Rein together with developers Tilman Herberger and Titus Tost in 1993.

From the start, their goal was to offer intuitive and entertaining solutions for everyone to design, archive, and share their digital photos, videos, and music. This five-member founding team works together to this day in order to realize their shared vision, and equally represents continuity and innovation at MAGIX.

MAGIX has its headquarters in Berlin and its development center in Dresden, while the company's accounting and logistics are located in Lübbecke/North Rhine Westphalia. MAGIX also operates internationally with subsidiaries and branches in the USA, Canada, the UK, France, Italy, Spain, and the Netherlands.

Since the first product release in 1994 (Music Maker), MAGIX has continuously and systematically expanded its product range. No other manufacturer worldwide offers a comparable product variety from all areas of the multimedia segment.

The products are targeted at non-professionals as well as professionals, and go beyond the limits of personal computing to online and mobile phone applications. MAGIX offers products and services for creating, editing, managing, and presenting photos, graphics, videos, and music. MAGIX software is now translated into more than 15 languages.

Since 2005, MAGIX possesses mufin, one of the most advanced technologies for music recognition and recommendation, and is working to become one of the leaders in this future form of music marketing. Additionally, with its online services, MAGIX offers a significantly developed platform for Internet-based software applications.

At this time, more than half of the ca. 300 MAGIX employees are active in research and development, and therefore responsible for continuous product improvement. More than 1,000 awards from around the world communicate the clear joy of innovation at MAGIX. For these and other reasons, MAGIX stands for passion for innovation!

Key Group Figures

Key MAGIX Group figures according to IFRS

	FY 2008/2009 kEUR	Change in %	FY 2007/2008 kEUR
Profit & Loss			
Sales revenue	34,780	+8.3%	32,116
Gross margin	28,507	+3.3%	27,589
as % of revenues	82.0%		85.9%
Earnings before interest and taxes (EBIT)	3,059	+46.0%	2,095
as % of revenues	8.8%		6.5%
Net income	2,158	+7.0%	2,017
as % of revenues	6.2%		6.3%
Consolidated balance sheet profit	4,647	-9.7%	5,147
Balance Sheet			
Balance sheet total	54,937	-1.3%	55,653
Cash & cash equivalents	26,749	+71.6%	15,584
Other financial assets	700	-87.4%	5,564
thereof shares, lifetime > 3 months from purchase	0	-100.0%	4,238
Financial assets, which are allocated for divesture	0	-100.0%	4,950
Non-current assets	14,802	-4.4%	15,491
Current liabilities	10,205	+11.4%	9,158
Non-current liabilities	1,072	-59.2%	2,625
Equity (without minority interests)	43,660	-0.5%	43,870
Equity ratio	79.5%		78.8%
Cash Flow			
Cash flow from operating activities	7,039	+156.4%	2,745
Cash flow from investing activities	5,011	+192.1%	-5,438
Cash flow from financing activities	-970	-245.4%	667
Employees			
Total	303	-1.3%	307
Sales & Marketing	101	-4.7%	106
Research & Development	162	+1.2%	160
General & Administration	40	-2.4%	41
Key Ratios			
Number of registered users	10,519,934	+23.7%	8,507,781
Conversion rate	6.55%		4.80%
Average revenue per registered user	1.37 €	+9.6%	1.25 €
Average order price	20.92 €	-18.9%	25.79 €

Greetings from the Management Board

Dear Sirs and Madams,

As you already know, the past 2008/2009 fiscal year was characterized by the biggest financial downturn since the Second World War. From the very beginning, it was clear to us that we can use our superior starting position to gain ground by going against the current. For good reasons and, perhaps even more importantly for some, already with remarkable success, we did not cut back neither in terms of personnel nor research and development spending.

Looking back at 2008/2009 today, we feel joy and gratitude and a sense of assurance in the coming fiscal year. Joy, because we were able to clearly increase our profits and improve our position on the international market without stopping responsible, sustainable economic practices in relation to our employees and shareholders. Gratitude, because in difficult times the most essential things become most clear: our customers, partners and shareholders have renewed their trust in us, and our employees, the backbone of MAGIX, have proven their flexibility and strength through expertise and dedication, which are indispensable for us to stay the course in stormy weather. Assurance in the coming fiscal year, not just because some economists already see a light at the end of the tunnel, but because we were able to position MAGIX more broadly and give it more force than ever before.

The Group's excellent financial position quickly becomes apparent upon examining the balance sheet, the profit and loss statement as well as the cash flow statement. The Group's capital structure with an equity ratio of 79% improved slightly. The EBIT margin clearly rose to 9%. Operative cash flow was more than doubled and in 2008/2009 reached EUR 7.0 million. On the date of the financial statement, total assets of EUR 54.9 million included EUR 26.7 million liquid assets.

After a disappointing share price development which lasted well into the 2008/2009 fiscal year, the price was sustained through share buybacks during a period of high uncertainty on the market. As part of two public share buyback offerings, 444,252 shares were bought back at a price of EUR 1.95 per share in November 2008, and 657,739 shares were bought back at a price of EUR 2.74 per share in February 2009 (both don't include additional purchase costs). A stable trend upwards developed within the turbulent context, and by the end of the fiscal year the MAGIX share was traded on the XETRA market at EUR 4.40. The 1,101,991 shares held in the meantime were retired effective June 16, 2009 without changes to the share capital. The share capital of MAGIX AG of EUR 12,662,038 is therefore now divided into 10,432,909 shares. Market capitalization at the end of the fiscal year was EUR 45.9 million. We will carefully follow the events on the stock exchange in order to secure steps required for a new share buyback and other capital market measures.

We are beginning the new fiscal year from a very promising position. Competitors must cope with revenue and profit slumps, while MAGIX enjoyed an increase in Group Earnings Before Interest and Tax by 46% to EUR 3.1 million, driven by an 8% revenue growth. As planned, during this time we have increased our spending on research and development because it is clear to us that these investments, concentrated in our location in Germany, will bring returns in terms of our shareholders and employees.

Special hopes are attached to mufin, the music recognition and recommendation technology, which was significantly improved last year. The market for music recognition and music recommendation is still very young, and there are few suppliers on the market. However, the market promises great opportunities for growth for the simple reason that the targeted customers are generally large corporations with high product distribution. The first mp3 players featuring mufin technology entered the market in 2009. Their owners can organize and listen to their music collection on the go according to their mood. Additional manufacturers of portable audio devices and mobile telephones have expressed a high degree of interest. Due to the long decision cycles of these groups and their currently tightened budgets, it is difficult to predict when the next orders will come.

Although our business partners, whom we address with our professional and semiprofessional products, acted reticent due to their economic situation, we see an important potential for growth in this market segment. In the audio sector, we will transfer the expertise gained from the German digital audio workstation (DAW) market to international markets. In the video sector we have continued to develop MAGIX Video Pro X, our professional video editing software, and have successfully brought it on the market in the first quarter of the current fiscal year. Additionally, the integrated photo, graphics and desktop publishing applications from the Xara Group address new target groups of small and mid-sized businesses which create digital contents themselves to present their products and services more efficiently via the Internet.

The large product palette, in combination with the continuously growing Internet business, makes MAGIX well-positioned to face falling revenues in retail. Because MAGIX sofware is based on a common platform, our developer teams profit from internal know-how transfer between the areas of video, photo & graphics and music. This way, we can keep offering superior products and simultaneously realize cost advantages and higher profits.

We will not abandon our role as innovators, especially in the Portal and Consumer divisions. We respond to constantly changing customer wishes by continuously improving existing products, as well as by developing new ones. In addition, international markets are now serviced more thoroughly through increased product localization.

The continued highly unusual situation on the market still demands our determination and concentrated efforts. You may be certain that we will give our all to bring the company forward in a sustainable fashion. We are firmly convinced that our strategy to offer every customer a complete solution for digital contents is the right way to go. We would like to expressly thank you for your trust in the success of MAGIX!

Kind regards,

Tilman Herberger
CTO/R&D

Jürgen Jaron
CEO

Dieter Rein
COO


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MAGIX AG
Annual report
2008/2009

MAGIX
Passion for Innovation

The business field: Multimedia communications

Hardly anyone would consider giving up amenities like fast data networks, compact formats and devices like camcorders, mobile telephones and mp3 players. What grandfather wants to wait for a photo of his newly born grandchild to land in his mailbox when he can view a video of the baby on his mobile phone, PC or TV almost instantly?

Multimedia is not so much about one medium replacing another, but rather signifies interconnection, leading to various media being better able to complement each other in an optimum way. The contents of our communications are no longer bound to a certain medium or an end device. Text, speech, music, photos and videos can be combined in any way with each other in order to be communicated.

At the forefront is communication, which is no longer simply bilateral. More and more, people publicize their digital contents on the web for a wide audience: The brand-new father not only sends the video of his bundle of joy to his in-laws, but uploads it together with photos to the Internet, with password protection and maybe even background music and personal audio commentary, so that all relatives and friends can share in his happiness. Anyone viewing the page can leave their congratulations and order prints of pictures they like best, and even take part in a heated discussion of who the baby looks like most.

Looking at the world of multimedia communications, which is characterized by constant change, one feels confronted by a ceaselessly growing mass of new devices, formats and services. Now more than ever, there is a clear demand from the side of amateurs and professionals alike for simple, uniform and technologically advanced solutions. In this context, just about anyone will find a fitting complete solution to design, archive and present his photos, graphics, videos and music from MAGIX.

The product range: All-around solutions for multimedia communications

The product range of MAGIX orients itself on home and business users. We translate our software into more than 15 languages. In Germany alone, we offer more than 60 products. The products are characterized as providing the user with a seamless connection between their home PC, mobile telephone and the Internet, with the option of easily integrating various end devices and formats.

Our most successful home-use consumer products include:

- **MAGIX Movie Edit Pro**
  is considered to be the best-selling video editing software on the European retail market. Anyone can now enter what used to be considered the domain of professionals on their home PC – burn your own movies with background music, fades and animated menus to DVDs or Blu-ray Discs.

- **MAGIX PhotoStory on CD & DVD**
  is an application for uncomplicated creation of multimedia video- and slideshows for viewing on TV, PC, the Internet, mobile phones or digital photo frames.

- **MAGIX Music Maker**
  is a program which may be used by anyone – from a user with no previous skills to an ambitious musician – to be creative in order to make impressive music on the home PC.

In the course of the last years, we have gone beyond pure software solutions by adding products that include hardware components to our offer. These packages serve as solutions to concrete problems in multimedia, making communication easier. The name says it all:

- **Rescue your Videotapes**
  is an application appropriate even for video editing beginners. Using the included USB video converter*, memories recorded on video cassettes or other analog storage media may be restored and archived for the future on the PC or a DVD.

- **TV & Video recorder**
  is another application appropriate for absolute beginners. Using the included DVB-T stick*, your PC transforms into a TV and a VCR.

- **Rescue your Vinyl & Tapes**
  is an application with a USB pre-amp*, which serves to transfer music collections from LPs and audio cassettes to a PC and, if desired, archived on CD or DVD.

All PC applications from MAGIX have in the meantime been connected to the company's various Online Services. This way, results created on a PC can be directly presented on the Internet. The following Online Services are available:

- **MAGIX Online Album**
  is an application which allows the user to save and publish his digital photos, videos and music online. This way, files can be accessed from anywhere and at the same time presented to friends and family.

- **MAGIX Website Maker**
  is an application for easy creation of websites that may be supplemented with photos, videos and music in no time from, for example, the MAGIX Online Album.

- **MAGIX Online Desktop* myGoya**
  is a free, location-independent online operating system, which connects all MAGIX Internet services and offers data exchange, chat* and other functions.

Those who want to create digital contents and present them in a way that lets the spark jump from one person to the next, need passion above all else. Our developers were born with a passion for multimedia. We admit, we also have our share of computer nerds, who can get anything out of a computer. But we also have many professional music, video and graphic designers, who have made a profession out of their calling. For this reason, we can't help but offer our customers high-quality content alongside innovative products, be it video clips and photos or music that fits any mood and adds a personal note to a multimedia show. It is for a reason that we stand for "passion for innovation"!

Group organization

Business activities are structured on the basis of different distribution channels for MAGIX AG's products and services, splitting them up into Portal, OEM, Professional and Consumer divisions.

Consumer division

Consumer, the business division with the highest sales, incorporates all retail sales. MAGIX sells software for creation, design, presentation and archiving of digital photos, graphics, videos and music that it develops for private users via this classic distribution model and is counted among the leading providers of multimedia applications. Domestically and internationally, MAGIX has a widely reaching distribution network with high-revenue retail partners such as Saturn/Media Markt, Amazon, Dixons, Fnac and BestBuy, as well as its own subsidiaries in North America and Europe.

Professional division

Although MAGIX is often perceived first through the Consumer sector due to its strong presence in retail, the company's historic roots lie in professional product sales. Since the founding of the company in 1993, the Professional sector has addressed commercial users. From the very start, this has taken place either directly or through intermediary specialized retailers.

For years, MAGIX has been the leader with its professional audio software in Germany. Samplitude and Sequoia are used by TV and broadcasting companies like the Westdeutsche Rundfunk, Mitteldeutsche Rundfunk, Bayrische Rundfunk and Radio Bremen.

- **Sequoia**
  is a high-definition digital audio software package for PC, especially suited to media and post-production, broadcasting, and mastering.

- **Samplitude**
  suited for recording, mixing, surround or mastering, manages any professional audio task.

With Xara Xtreme Pro and Video Pro X, MAGIX now also offers software solutions tailored for professional use in the areas of photo & graphic and video.

- **Xara Xtreme Pro**
  offers small and medium businesses a complete solution for design of all materials for professional business presentation. You can find more information on page 32.

- **Video Pro X**
  is the specialized application for (H)DV recordings, hi-resolution video material, professional special effects and precise dubbing.

Although the Professional sector delivers a relatively small portion of revenue, it has a fundamental meaning for MAGIX by incorporating the power of innovation, necessary for continuously meeting the highest demands.

Portal division
MAGIX offers a comprehensive range of software, online services and digital contents for easy direct shipping or as an immediate download to home PCs on the group's own Internet portals www.magix.com, www.mufin.com, www.catooh.com, www.xara.com, and www.magix-online.com. The revenues received through this channel, which have steadily grown in the last several years, are assigned to the Portal business sector.

In order to bring customers to fee-based products and services, some software and Internet services are offered for free. In addition, MAGIX communicates with registered customers directly per email and offers them new products. Direct sales resulting from these activities bring the company repeat earnings.

In addition, this division also includes services, performed by MAGIX for commercial customers. PC products with company Internet services are combined with the wishes of business partners, creating comprehensive multimedia solutions which can be built into their Internet portals in a short space of time. MAGIX products may also be altered in their functionality to the wishes of the client. Clients such as telecommunications companies Freenet and Orange have come to appreciate services from MAGIX.

MAGIX bills its services to business clients as a system house. Revenue is generated from product adjustment as well as from licensing fees for individual application use. As long as the business partners create revenue from the Internet services prepared by MAGIX, this revenue is shared by all parties. If MAGIX products are sold via these services, earnings are also split. These earning are assigned to the OEM division.

OEM division
MAGIX licenses its software to OEM (Original Equipment Manufacturer) partners, such as manufacturers of digital end devices like PCs, laptops, mobile phones, MP3 players, photo and video cameras. These OEM companies sell their products in a package with software that has often been reduced in its functionality (OEM version). Thanks to the included MAGIX software and related online services, OEM partners can offer an added value for their hardware to their customers and may differentiate themselves from the competition.

MAGIX mostly receives fixed license fees from business partners for OEM versions, which are then assigned to the OEM sector. Due to the narrow margin of hardware manufacturers, MAGIX has switched its policy to demanding licensing fees only for products that are actually used by the end customers. For this, the user must activate the program before first use. If the user purchases the fully-functioning version of the OEM product, the revenue from the sale is divided between the OEM partner and MAGIX.

In spite of its comparatively low contribution to MAGIX total revenue, OEM distribution is an extremely important part of the Group's sales strategy. By combining with business partners' hardware, the group can directly reach users that are not informed about multimedia products directly via the Internet or specialized retailers. The OEM distribution thus contributes to the expansion of the customer base.

Strategic orientation of the Group: 360° multimedia

MAGIX can now look back at more than 15 years of experience in an industry where change often seems to be the only constant. In this time, the company has risen to become one of the world-wide leading providers of multimedia applications. No competitor has a comparable product portfolio that equally covers the areas of photo & graphics, video and music, and targets both amateurs and professionals. It has been proven that, especially in economically hard times, business success depends on not being contingent on one product or market segment, and on being able to release synergies during product development.

The vision of 360° multimedia keeps MAGIX on a clear course: MAGIX will offer its users a complete solution for digital contents from one source. In MAGIX, private customers and business clients should find a competent partner who has the fitting solution to any multimedia problem. For this, the main elements of the groups strategy will continue to be followed:

Expansion of the leading role in the consumer division

In our attempt to take the leading role in retail, even in the face of murky consumer climate, we wish to increasingly appear as innovators. We respond to constantly changing customer wishes by continuously improving existing products, as well as by developing new ones. We want to continue sinking new customers' inhibition threshold for using our products. To this end, international markets with additional country-specific products will be increasingly better serviced.

Selective expansion of the product range in the professional division

It is precisely with our professional products as a flagship that we would like to position ourselves as an innovative leader. In Germany MAGIX has held a leading position for years as a provider of professional software solutions in the audio applications sector. The goal is to establish the company internationally with these products. We also aim to win market share for professional products in the areas of video and photo & graphics. The main target groups are small and mid-sized businesses which create digital contents themselves to present their products and services more efficiently via the Internet.

Continued strong growth in the online division

We would like to sustain growth in our online business. Raising the conversion rate of free users to subscribers of premium services is crucial, and is the focus of the bundled online services. The Group's websites will continue to be made more entertaining and informative with the help of our own products. To this end, online marketing campaigns are developed and search engine optimization is used, which should lead new target groups to discover the Group.

Investments in future growth

MAGIX increasingly invests, going against the grain of the events on the market, into research and development in order to create sustainable, organic growth. This also concerns the currently weak OEM division. We will concentrate on marketing music and video products, whereby music recognition and recommendation technology mufin will play a critical role. (For a complete description of this technology, please read starting on page 36.) At the same time, the market for company takeovers will continue to be carefully examined for attractive acquisition opportunities that would generate additional growth.

"In our sector, characterized by constant change, it is important to act as an innovator. For this reason, we are ready to accept the risk that a good idea does not prove itself on the market, or does so only with time. Only those who sow abundantly can expect to reap a good harvest. Because we have incorporated this lesson, we are much more ready to invest in research and development than the competition, even in economically difficult times."

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Supervisory Board Report

Dear Shareholders,

Due to the global economic crisis, the 2008/2009 fiscal year was characterized by numerous challenges. The MAGIX Group was able to make the best use of the difficult situation and looks to the future from a strengthened position.

In the course of the reporting period, the MAGIX AG Supervisory Board has fulfilled its duties defined by law, articles of association and company bylaws. In consideration of the global and industry-specific economic situation, the Supervisory Board has concerned itself comprehensively with the situation and the development of the MAGIX Group, consulting and monitoring the Management Board. All decisions with seminal importance for the company were made with direct involvement of the Supervisory Board.

The Management Board regularly informed the Supervisory Board in writing as well as verbally in a comprehensive and timely fashion about the company's current state, the progress of business and company planning as well as strategic group orientation. The Supervisory Board discussed significant business processes based on the Management Board reports.
The Management Board's proposals were accepted by the Supervisory Board following careful checking and consultation. During the 2008/2009 fiscal year, four Supervisory Board meetings took place, each with all Supervisory Board and Management Board members in attendance.

During each meeting, the Supervisory Board analyzed the current development of the business together with the Management Board. The subject of the meetings was regular short- and long-term development of individual business divisions. In relation to the strategic Group orientation, development, product, distribution and marketing strategies were specifically discussed. The chairmen of the

Management Board and the Supervisory Board were in regular contact and discussed all topics relevant to business.

Neither the Supervisory board nor the Management Board experienced changes in personnel. Due to its size of three members, the Supervisory Board of MAGIX AG has created no committees this fiscal year, as in the last.

The Supervisory Board occupied itself in depth with the issue of German Corporate Governance Code this year. The Management Board and the Supervisory Board have taken the necessary steps to follow the recommendations of the Code as closely as possible. The few exceptions are listed in the statement filed according to Section 161 of the German Stock Corporation Act together with the Management Board.
This declaration of conformity, together with information regarding the amount and structure of compensation as well as shareholdings by the Management Board and the Supervisory Board may be viewed on the Group’s web page at http://www.magix.com/uk/magix-ag/investor-relations/corporate-governance/

The annual report and the group financial statement for the 2008/2009 fiscal year have been audited and given an unqualified auditor’s certificate by Ernst & Young GmbH business auditing company, Stuttgart, Berlin branch, at the request of the Supervisory Board. The named documents along with all audit reports have been sent to the Supervisory Board in a timely fashion and were personally explained to the Supervisory Board and the Management Board by the auditor responsible for the audit.

The statements and reports have been carefully checked by the Supervisory Board. This included the Managerial Board’s earnings allocation proposal. No objections were raised to the final results of the annual report audit, the group financial statement, the management reports as well as the earnings allocation proposal.
The Supervisory Board seconds the results of the annual and group financial statement, the management reports, and approves the results of the annual and group financial statements from the 2008/2009 fiscal year. With this, the Supervisory Board has approved the annual report presented by the Management Board during its meeting on January 8, 2010. The suggestion of the Management Board to carry forward the accumulated profits was approved by the Supervisory Board.

The Supervisory Board would like to extend thanks to the Management Board as well as all of the Group’s employees for their work and continued personal dedication, which has contributed to a very positive development in the past fiscal year.

Berlin, January 2010

The Supervisory Board

Karl Heinz Achinger
Chairman

Corporate Governance Report

MAGIX AG Management Board and Supervisory Board attach great importance to the rules of legal Corporate Governance. Both institutions support the principle of proper and responsible company management as stated in the German Corporate Governance Code (short: the Code).

Since the last compliance statement from January 2009, MAGIX AG has followed and continues to follow the recommendations of the “Governing Commission of the German Corporate Governance Code” in its version from June 6, 2008, or since its validity in the amended version from June 18, 2009 with the following exceptions:

- Cost sharing in D&O liability insurance for the Supervisory Board (section 3.8 of the Code). The company assumes that the arrangement of cost sharing in the D&O insurance for the Supervisory Board members has no effect on behavior, and is not in a position to influence motivation and responsibility. For this reason, the D&O insurance for the Supervisory Board Members does not include cost sharing.
- Taking into account of personal performance in measuring variable compensation of members of the Management Board (section 4.2.2 of the Code from June 6, 2008). Compensation of Management Board members is dependent on their individual performance and tasks. In measuring the variable compensation, no contingency on individual goals has been considered. On the one hand, the areas of responsibility of Management Board members moderately interlock, making it impossible to define company goals for each area of competency. On the other, the basis for the company’s success lies precisely in the collective responsibility of the Management Board.
- Determination of a compensation cap during signing of Management Board contracts in the event of premature termination of Management Board duties (section 4.2.3, paragraph 4 of the Code). Regulation of the compensation payment in the event of premature termination of Management Board duties is deemed impracticable. It would contradict the principle which states that contracts made for a certain duration may not be terminated at an earlier date. Additionally, such a regulation is considered inappropriate to accommodate the circumstances of the situation surrounding the particular event. Finally, the company will not be able to enforce such a limitation one-sidedly.
- Age limit of the Management Board (section 5.1.2 of the Code). Due to the age structure of the Management Board of MAGIX AG, such regulation is currently deemed unnecessary.
- Formation of Supervisory Board committees (sections 5.3.1, 5.3.2 of the Code). The Supervisory Board of MAGIX AG currently consists of three board members, making it impossible to form committees.
- Definition of performance-related remuneration of the Supervisory Board (section 5.4.6 of the Code). It is the opinion of the company that the Supervisory Board will fulfill its legal obligation as an independent supervisory body better without its remuneration being linked to the success of the company, as this serves to guarantee interest neutrality.
- Publication of the consolidated financial statement and interim reports within the limits set forth in the Code (section 7.1.2 of the Code). The company will publish preliminary, unaudited quarterly and semi-annual reports within the time limits set forth in the Code. With regard to the consolidated financial statement and interim reports, however, the company regards the requirements as sufficient for companies listed in the Prime Standard of the Frankfurt Stock Exchange.

Shares currently held by board members

At the time of the report's publication, the stock currently held by the members of the Management Board and the Supervisory Board was as follows:

Management Board	Number of held shares	Stake in %
Jürgen Jaron	1,500,250	14.38
Dieter Rein	1,500,250	14.38
Tilman Herberger	225,000	2.16
Presto Capital Management GmbH & Co. KG**	2,896,000	27.76

Supervisory Board	Number of held shares	Stake in %
Karl Heinz Achinger	26,000	0.25
Dr. Peter Coym	20,000	0.19
Dierk Borchert	20,000	0.19

** The limited liability capital of Presto Capital Management GmbH & Co. KG is owned by Jürgen Jaron and Dieter Rein each to 50%. Thus, Jürgen Jaron and Dieter Rein collectively directly or indirectly hold approximately 56.52% of the company's voting rights.

Transactions by Board members of the MAGIX AG subject to notification since September 30, 2008

During the reporting period, the following transactions subject to notification have been conducted by Board members of MAGIX AG:

2008-12-16	Dierk Borchert/Member of Supervisory Board		
	Purchase	Frankfurt	13,280 shares
	2.25	EUR	29,880 EUR

Remuneration of the Management Board

The members of the Management Board receive an annual remuneration that consists of success-related, success-independent as well as long-term success-dependent elements. Members of the Management Board receive a fixed salary irrespective of the success of the company as well as fringe benefits. Such mainly include use of a company car, travel expenses and telephone costs. The bonus is determined by the Supervisory Board based on the revenue and profit goals for the current fiscal year. In the event of extraordinary achievements, the Supervisory Board may also approve a special bonus. Total compensation of the Management Board in the 2008/2009 fiscal year comprised kEUR 1,154. Success-independent components totaled kEUR 450 (fixed salaries: kEUR 421, fringe benefits: kEUR 29). Bonuses totaling kEUR 704 were paid. No stock options rights were allotted to the Management Board members during the period of the report. Loans or similar services were not given. In addition, Board members were not promised or granted benefits by third parties with regard to their activity as members of the Management Board.

The remunerations were apportioned as follows (in kEUR):

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous year
Fixed remuneration	167	169	114	450	444
Profit-based remuneration	258	258	188	704	441
Total	**425**	**427**	**302**	**1,154**	**885**

Remuneration of the Supervisory Board

In accordance with Section 13, paragraph 1 of the MAGIX AG Articles of Association concluded at the shareholders' meeting, the Supervisory Board of the company is to receive a fixed remuneration per financial year. This is to be decided at the shareholders' meeting.

Furthermore, the expenses of the Supervisory Board will be refunded. These also include the value added tax added to the remuneration insofar the member of the Supervisory Board is entitled to invoicing VAT separately. In addition, an appropriate liability insurance (D&O insurance) for the member of the Supervisory Board has been purchased at the expense of the company.

The following remuneration is paid to the members of the Supervisory Board (in kEUR):

	Karl Heinz Achinger	Dr. Peter Coym	Dierk Borchert	Total	Previous year
Fixed remuneration	40	30	20	90	90

Stock Option Plan

No stock options were granted to employees of MAGIX AG in the 2008/2009 fiscal year:

Berlin, January 2010

For the Supervisory Board

Karl Heinz Achinger

For the Management Board

Jürgen Jaron

The MAGIX Share

General market development

In spite of the global economic crisis and continuing uncertainty on capital markets which characterized the fiscal year, the big international financial markets have largely recovered the losses sustained in the course of the fiscal year. Thus, after losing more than 2,000 points, the German share index DAX reached a five-year low; in the seven months that followed, however, the index regained nearly the same levels. On 30 September, 2009 the index closed at 5,675 points, placing it just under last year's level of 5,831 points.

Development of the MAGIX share

The MAGIX AG share is listed with the stock market identification code MGX and the ISIN DE0007220782 on the Prime Standard of the Frankfurt Stock Exchange.

The MAGIX share started the fiscal year by trading on the XETRA market at EUR 1.88. A stable trend upwards developed within the turbulent context, and by the end of the fiscal year, the MAGIX share was traded on the XETRA market at EUR 4.40, reaching the year's high. The average volume of trading with MAGIX shares via XETRA was 6,149 shares per day. The average turnover was kEUR 16.

Share buyback and retirement of own shares

The share price was sustained through share buybacks during the phase of high uncertainty on the market. As part of two public share buyback offerings, 444,252 shares were bought back at a price of EUR 1.95 per share in November 2008, and 657,739 shares were bought back at a price of EUR 2.74 per share in February 2009 (both don't include additional purchase costs).

The 1,101,991 shares held in the meantime were retired effective June 16, 2009 without changes to the share capital. The share capital of MAGIX AG of EUR 12,662,038 is therefore now divided into 10,432,909 shares. Correspondingly, the market capitalization at the end of the fiscal year was EUR 45.9 million.

Shareholder structure

The following changes took place in relation to the shareholder structure:

FiveT Capital AG reduced its equity stake on 12 December, 2008 to 1.08% of the MAGIX share capital. At this time, this corresponded to 125,000 shares.

On the same day, Axxion S.A. bought 3.59% of the MAGIX share capital (413,831 shares). On 24 February, 2009 the Axxion S.A. relinquished the majority of its share package, leaving it on this day with 29,590 MAGIX shares (0.26% of the share capital).

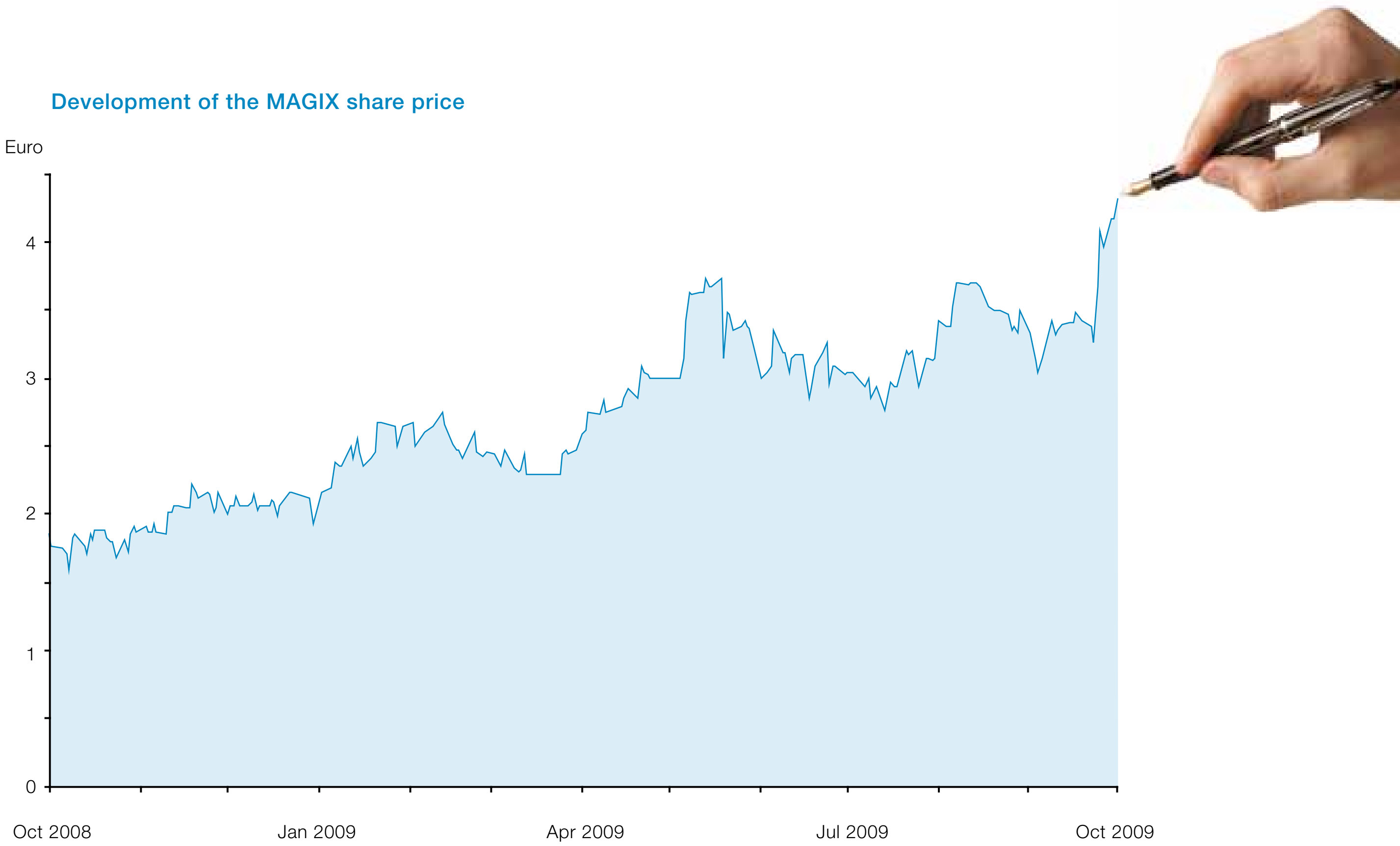
Due to the share retirement, the share held by the following important shareholders rose effective 16 June, 2009:

- Presto Capital Management GmbH & Co. KG from 25.11% to 27.76%,
- Mr. Jürgen Jaron from 13.01% to 14.38%.
- Mr. Dieter Rein from 13.01% to 14.38%.
- HeidelbergCapital Private Equity Fund I GmbH & Co. KG from 12.30% to 13.60%,

Because Jürgen Jaron and Dieter Rein each hold 50% of the limited liability capital of Presto Capital Management GmbH & Co. KG., they collectively control circa 56.52% of the share capital (51.12% last year).

Lastly, Mn Services N.V. and funds under its management purchased a total of 7.31% of the share capital (762,487 shares) on 1 September, 2009. According to the Deutschen Börse AG, this share is assigned to publicly held capital share, which constituted 29.88% of the total by the end of the fiscal year.

Development of the MAGIX share price




nline
vices

MAGIX Online Services
Simply present online

“Online content presentation” stands as the topic of focus for the Online Services department

Be it music, photos or videos – anyone who wishes to be creative is at the right address with MAGIX. Our software makes realizing ideas child’s play. We also help those who want to present their multimedia work on the Internet in a convincing, pleasing format, for not every creative spirit has energy to spare to learn how to program websites. To make sure that everything goes even more intuitively and easier, our photo, video and music programs are directly connected to the MAGIX Online Services. This way, your creations will find their way to the net without any detours and stops.

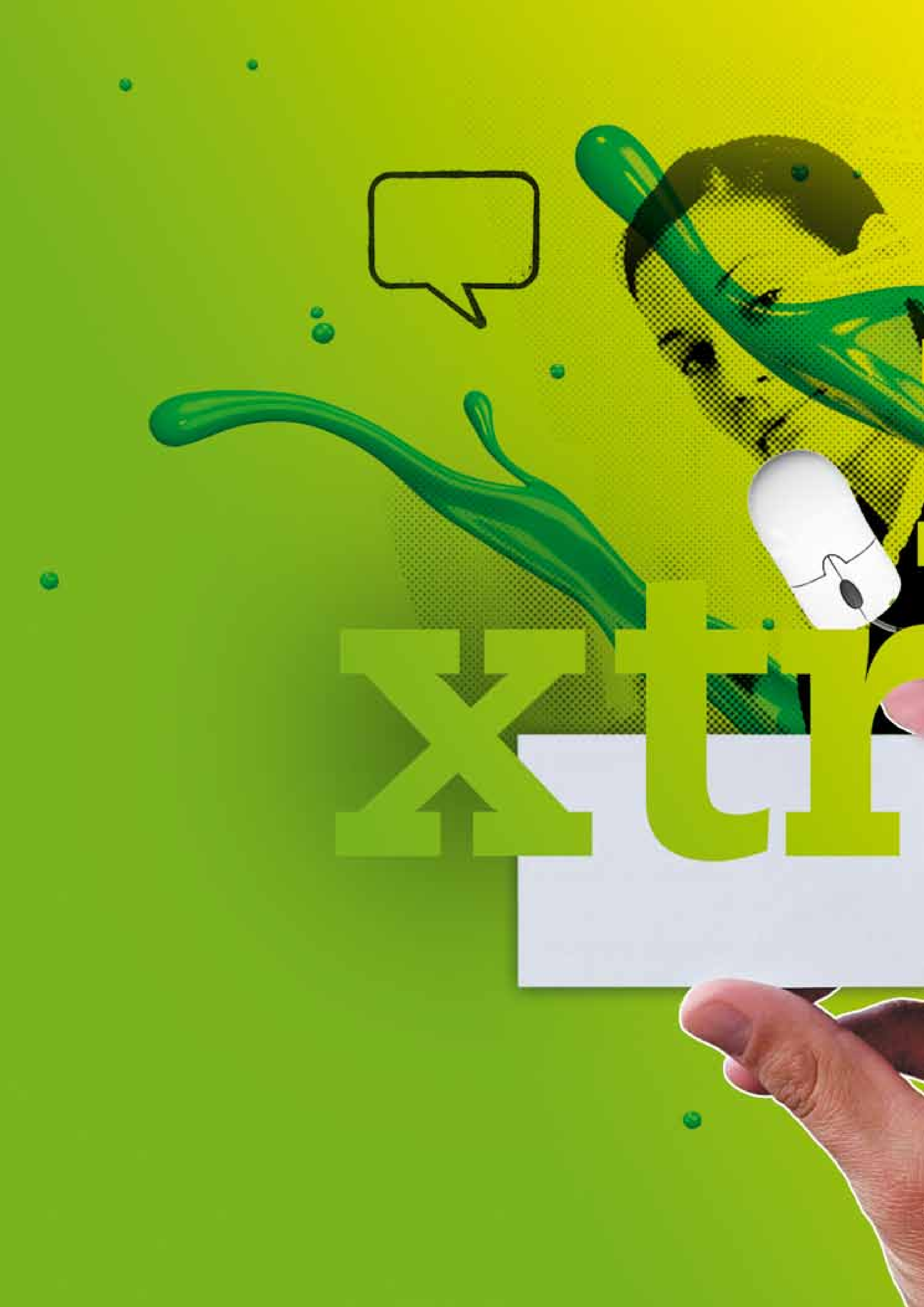
MAGIX Online World, launched in January 2009 at www.magix-online.com, unites our most important Online Services. The included MAGIX Online Album and the MAGIX Website Maker have long been the torchbearers of the “software as a service”* concept. This model obviates not only the need for installation, but also for regular software updates by the user, who can enjoy a program that’s constantly updated and improved on any PC, Mac or netbook after activating it just once. Individual domains, such as www.your-name.com, and corresponding email accounts, such as firstname@your-last-name.com can also be set up if desired. The Online World is also available for OEM & white label partners as a client-capable platform.

Additionally, we currently offer the following Online Services:

- Online Print Service for ordering digital photos printed in album format, on coffee cups, calendars, or t-shirts, or as conventional prints online,
- “Catooh” Online Media Marketplace, a platform which enables the sale and purchase of media such as photos, videos, songs, film templates, and special effects,
- “magix.info” Multimedia Knowledge Community for exchange of knowledge and experience in different areas of multimedia,
- myGoya Online Desktop* is a free, location-independent online operating system, which connects all MAGIX Internet services and offers data exchange, chat* and other functions.

In order to present the cost and earnings position of the Online Services in a more decisive and transparent fashion, we have made MAGIX Online Services GmbH a 100% subsidiary of the MAGIX AG in the course of the past fiscal year. In addition to mufin GmbH, the Catooh Corp. and the Xara Group Ltd., it is an elemental component of MAGIX’ Venture segment, and will significantly contribute to future growth.

MAGIX AG
Annual report
2008/2009
MAGIX Online Services




DeSign
70 lpi/28
135 lpi/54
50mm
xara
eme
pro


70 lpi/28
135 lpi/54

Xara –
Design for everyone!

Design your company's image and stationery professionally and at low cost – made possible by Xara

With the integrated photo, graphics, web design and desktop publishing* applications from Xara, MAGIX can address a big target group of business customers, bringing the company closer to the implementation of the strategy to make high-quality technologies available on a broad market. The flagship application from Xara, Xara Xtreme Pro, is a complete solution, using which one can create all materials for company presentation. In addition to the Sequoia and Samplitude audio applications and the Video Pro X video project, MAGIX now also offers professional users a graphic design solution that is unique in terms of functionality, speed, and intuitive user guidance.

Xara products orient not only on design and advertising professionals – freelancers and independents, as well as small to medium-sized businesses will also find Xara Xreme Pro an ideal solution. Thanks to its intuitive navigation, great results are achieved in a flash. If desired, useful assistants and video tutorials help each step of the way.

High agency costs and limited building block systems are now a thing of the past. A serious, consistent corporate design, beginning with professional company logos and including everything from high-quality advertising material to letterheads and a website can be created with Xara Xtreme Pro in no time at all – even by beginners. To make this as quick and easy as possible, the software includes high-quality templates which can be individually customized for any purpose, a feature that MAGIX is famous for. Xara simply offers design for everyone!

Since 2007, the UK Xara Group Limited belongs to the MAGIX Group, and is part of the MAGIX Venture segment. Xara commands a high degree of authority in professional graphics editing. In the photo, graphic and web sectors, synergies were released in the course of developing overlapping software solutions, helping the Xara Group to complete the turnaround in the 2008/2009 reporting year. This was especially made possible by the fact that all MAGIX software is based on a common technological platform, and innovations can be transferred effortlessly from one product to another.

A good example of how MAGIX and Xara were able to bundle their energies in the past fiscal year is the Xtreme Web Designer, a software package that offers everything one needs to design, publish and maintain private Internet pages: text layout as well as image optimization and animation. Countless functions which amaze even professionals with their speed and handiness, came from Xara. The potential of both companies will continue to be used in order to deliver professional results at manageable prices.

mufin raises the bar in music recognition and recommendation

The historical roots of MAGIX clearly lie in the music sector with products like Music Maker and Samplitude. With our new Group subsidiary mufin GmbH, our green shoot in the Venture segment, we are embarking on completely new paths. mufin stands for music finder, and represents a unique technology for analyzing, characterizing and identifying music and other audio signals.** No other provider around the world offers sound-based music recommendations for several million music titles.

** Although mostly music tracks are referenced, mufin technology can also be used for other audio signals.

In the age of digital technology, the range of music on offer is endless and therefore difficult to grasp. The sobering result is that eighty percent of revenues from digital music come from just one percent of the music catalog, while the rest of the offer hibernates. MAGIX is in a position to change this situation and release the potential of the entire available music catalog with its mufin GmbH, founded just a few years ago. While competitors capitalize on music recommendations that are based on purchase and listening patterns, we can escape the cycle of mainstream recommendations by being able to recommend what no one has yet bought or recommended – the only decisive factor is objective musical similarity.


MELODIJA

mufin
The music discovery machine

This is how the technology behind mufin works…

The technology of mufin is based on audioid, whose exclusive rights of use are owned by MAGIX. audioid allows speedy and unmistakable recognition of music tracks. For the identification process to begin, a compact data record (audioid) is first extracted from the track, characterizing it like a fingerprint. Then, all that is required for a recognition is a short section of the music track, whereby its acoustic fingerprint is compared to the one held in the audioid database.

In comparison to other providers, recognition with audioid is far more robust and music tracks are identified even if they contain heavy distortions. As part of the MPEG7 standard*, audioid guarantees optimal support for managing comprehensive audio databases.

mufin takes an extra step in sound-based music recommendation with audioscout, which analyzes music in up to forty various music parameters such as rhythm, sound warmth or instrumentation. To get a music recommendation from audioscout, the user must simply present a music title which he thinks resembles others he would enjoy hearing. He will then receive an automatically generated list of recommendations from audioscout which may include current chart hits side by side with relatively obscure artists – musical similarity is the only important factor.

The latest music recommendation innovation from mufin has been presented only during the last fiscal year: mufin vision is a unique visual tool for discovery and navigation in music databases. The entire music collection is displayed in a two- or three-dimensional system of coordinates, whose axes may be assigned various parameters such as tempo, mood, sound density, music genre or release date. Songs with similar characteristics lie close to each other, and navigation between them is simplified. Naturally, a recommendation list can also be created here with a simple mouse click, serving as a travel itinerary through the endless galaxy of music.

… here’s where you’ll find mufin!

The application spectrum for music recognition and recommendation is extremely wide. At this time, we are marketing the mufin technology in three ways:

mufin online platform

On the mufin.com online platform, started at the end of 2008, anyone can find new music that he likes: Simply enter a known music title, and the music discovery machine mufin.com will not only deliver a list of similar-sounding titles, but will also present a chance to easily navigate between titles with mufin vision. One can additionally preview and buy tracks, view music videos, create playlists and share newly-discovered music with friends. The database used by mufin.com in the meantime includes more than seven million titles.

The platform approach ensures that access to the recommendation technology and content is not limited to the mufin.com portal, but that it is accessible from anywhere where users may want to get music, for instance, mobile devices or software applications. Moreover, mufin technology can now be added directly to social networks such as MySpace or Facebook. Users of these networks can then access not only the full mufin music catalog, but also present the latest music discoveries to their friends. This will greatly increase the level of brand awareness for mufin.

Music found on the Internet using mufin as well as further products such as concert tickets and DVDs published by the artists can be bought directly from connected online shops. Portals such as Musicload, Amazon and Apple iTunes Music Store act as partners to this end, and will share the generated revenues. Additionally, mufin GmbH also receives revenue from advertisements placed on the portal.

mufin Software

With the free mufin player, the software from mufin, anyone can analyze audio characteristics of the music collection found on their home PC. All the user has to do is select a particular track, and mufin will recommend a list with similar tracks which correspond to the mood of the selected music. This way, music collections that include several thousand tracks can be easily sorted without having to listen to the same tracks over and over again.

The mufin software is directly interlocked with the mufin online platform. This way, online recommendations, which may be heard and purchased from within the software, may be made for local music collections. mufin GmbH generates revenue on the one hand by receiving a share in music sales, and on the other from upgrades from MusicFinder or mufin player to higher-priced software such as mufin player pro, which enables navigation with mufin vision through the user's music collection.

We also present a solution for the millions of iTunes users. With the release of mufin for iTunes in November 2008, our recommendation technology may be used with iTunes collections, for instance, to create automatic playlists of perfectly matching tracks.

mufin license

The functionality of the mufin software is offered to manufacturers of portable players, mobile phones as well as software products to be licensed so that owners of such products can sort their collection while on the move and depending on their mood. The first such MP3 player came out on the market in 2009. The manufacturers either pay a per-piece licensing fee or distribute mufin player, actively supporting mufin player pro marketing. Licensing of the mufin technology is also interesting for online music shops and online communities. Sound-based music recommendations help users effortlessly discover new titles within giant catalogs or increase retention time on portals. The partners pays for using sound-based music recommendation technology by sharing profits from resulting purchases.

In addition to recommendation technology, we also offer audio recognition with audioid for our business partners in exchange for a licensing fee. In 2009 we were able to find two additional licensing partners in Brazil and Germany. At this time, we see most concentrated usage in

- automated logging of audio broadcasts on the radio or TV, for instance, to monitor broadcasting agreements, secure royalty payments and for statistical analysis (chart analysis),
- automated Internet search for copyright-infringing audio material,
- linkage of audio material with metadata such as title, artist, release year, lyrics, etc.


manag


group
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report

1. Quick overview of the 2008/2009 fiscal year

The MAGIX Group has successfully faced the challenges posed by the global economic situation which unfolded in the past fiscal year, and has taken advantage of the chance to come out of the deepest recession of the postwar period in a strengthened market position. In a year marked by the anniversary of the Company's market presence, "15 years MAGIX – 15 years of innovation", the group not only went against the trend by increasing spending on research and development to record amounts, but also saw considerable increases in revenue and profits.

Thanks to countless new and improved products that were well-received on the market, the group revenue increased by 8% to EUR 34.8 million. While business in Professional and OEM divisions was very restrained, Consumer and Portal divisions, already strong, generated large sales increases. The trend toward increased use of online services and the online shop continues to gain in strength. After a 28% growth, the portal brought in 39% of the Group's revenue.

As a result of revenue increase, the gross margin also rose during the reporting period. Due to strong sales of product packages, which include third-party hardware in addition to MAGIX software, gross margin slid below last year's values in relation to the revenue.

Slim cost structures and pronounced employee cost awareness guaranteed that operative costs (without write-offs) rose only slightly in spite of increased spending for research and development. Especially in marketing, the potential to lower costs was realized without having to accept losses in quality or revenue.

Earnings before interest and taxes (EBIT) at EUR 3.1 million were clearly (+46%) above last year's levels. Cash flow from business activities was more than doubled to EUR 7.0 million. In spite of both share buyback offers, the capital structure remained extremely solid with an equity ratio of 79%.

	revenue	gross margin	operative costs	EBIT	operative cashflow
2007/2008 fiscal year	32.1 mil.	86 %	22.5 mil.	2.1 mil.	2.7 mil.
2008/2009 fiscal year	34.8 mil.	82 %	22.7 mil.	3.1 mil.	7.0 mil.

2. Basic financial conditions

2.1 General economic environment

During the reporting period, between October 2008 and end of September 2009, the economic situation around the world has considerably deteriorated. The financial market crisis, which climaxed with the collapse of the US bank Lehman Brothers, led to the biggest recession seen since WWII. Interruptions in production and demand were experienced in all significant business regions. As an export nation, Germany was especially affected.

The International Monetary Fund (IMF) sees a 1.1% decrease in worldwide production in 2009, whereby projected decreases are significantly higher in western Europe (4.1%) and Germany (5.3%) than in the USA (2.7%) (as of October 2009). In their autumn reports, the leading German business research institutes sketched a slightly more positive picture of a 5.0% decrease in economic performance, with the nadir of the recession having passed Germany after a slight increase in the gross domestic product during the second quarter, and a strong economic upturn in the third quarter of 2009.

In this context, private consumption has remained relatively stable in Germany, exercising a stabilizing effect on the overall economy. Consumer climate, as assessed by the Institute for Consumer Research (GfK), which is mainly influenced by income expectation and tendencies to spend and save, has slowly but continuously improved in the course of the fiscal year. According to data from the Statistical Federal Office, retail sales excluding car sales were still below last year's values during the reporting period: Between January and September 2009 alone, revenue for non-foodstuffs decreased by 2.3%. With a drop of 4.9%, Internet and mail order sales were especially weak.

2.2. Industry sector development

The US market research company Gartner predicts a 5% drop in worldwide revenues for the IT sector in 2009. Meanwhile, the International Data Corporation, also from the US, informs that in the last quarter of the fiscal year, the worldwide IT market experienced further losses in all market segments, such as software, and has hit the bottom of the recession.

Neither the European nor the German IT market could elude this trend. In November, the European Information Technology Observatory (EITO), and the Federal Association of Information Systems, Telecommunications and New Media (BITKOM) in October predicted a 2.6% decrease in European and German IT market volume for the 2009 calendar year. The 3.2% drop on the German software market was characterized as especially strong by BITKOM.

3. Business development

3.1. Profitability

Development of results

The strained economic situation on all important business markets has posed a formidable challenge to all players, including the MAGIX Group. This notwithstanding, it was set as a goal to facilitate MAGIX' top innovation dynamics against the market and industry trend through increased activity in the areas of research and development in Germany without sacrificing profitability.

Profit targets and expectations were more than fulfilled in the 2008/2009 fiscal year: With EUR 3.1 million, the MAGIX Group increased its earnings before taxes and interest (EBIT) by 46% compared to last year's figures. At EUR 2.2 million, the group's net income is 7% above last year's levels.

The profit increase was fueled by a surge in revenue, heralded by new products which were well-received on the market, as well as by the re-introduction of half-year releases of core products. The large product portfolio established in the course of the past years provided an especially stabilizing effect in the uncertain environment. Because all MAGIX software is based on a common technological platform, innovations can be transferred with minimal effort from one product to another.

The Xara Group Limited was also able to benefit from this: The company has completed the turnaround during this reporting period, making a six-figure contribution to the Group's EBIT. In contrast, mufin GmbH is still in the development phase regarding marketing solutions for music recognition and music recommendation technology. For a more differentiated view of the results, please refer to the segment reporting in the consolidated financial statement.

Revenues

The EUR 34.8 million revenues of the MAGIX Group rose 8%, by EUR 2.7 million, compared to last year's levels.

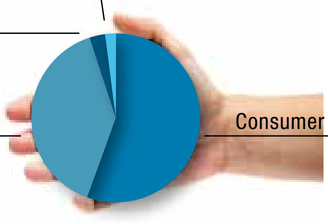
Products released at the beginning of the finished fiscal year, such as MAGIX Rescue Your Videotapes! as well as MAGIX Rescue Your Vinyl & Tapes! significantly contributed to the fact that the first quarter, which is heavily influenced by Christmas sales, was just slightly below last year's figure of EUR 9.3 million with EUR 9.2 million. This is even more remarkable, when considering the reschedule of the high-revenue video editing program Video deluxe (Movie Edit Pro) from the first quarter of the fiscal year to the fourth quarter of the previous year.

In the second quarter, releases of special editions provided a powerful reanimation. With EUR 8.1 million, the second quarter revenues were 15% above the previous year's levels of EUR 7.0 million. This elevated the group mid-year sales by 6% in comparison to the previous year, to EUR 17.3 million.

In the third quarter, lasting from April to June, which usually brings weak revenues, sales in per cent increased most drastically, from EUR 5.9 milion to EUR 6.9 million, by 17%. New products, Video Easy, Music Finder and especially Xtreme Web Designer, were responsible for the impressive recovery.

As in the previous year, the fourth quarter brought the largest revenues. Starting from August 2009, key MAGIX products started being offered in combination with a free full version of the problem-solving and optimization program PC Check & Tuning 2010 as part of an anniversary offer to celebrate 15 years of market presence, announced by the company under the 15 Years of Innovation motto. After the quarterly revenue rose by 19% to EUR 9.9 million in the

Revenue by division



previous year, this figure was raised even more by the anniversary offer in 2008/2009 by another 8% to EUR 10.6 million.

Revenue by division

MAGIX AG has switched to segment reporting based on IFRS 8 regulations. The segments created for this purpose, Multimedia and Ventures, are discussed in the notes to the consolidated financial statements under 4. Segment Reporting. For a detailed explanation as well as a better comparison to the preceding fiscal year, Consumer, Professional, Portal and OEM business divisions visualized for 2007/2008 will be compared to the 2008/2009 fiscal year.

Revenues from retail outlets, which include Internet stores such as Amazon.com and Softwareload (t-online), are included in the Consumer division. Earning 55.1% of revenue, this was once again MAGIX' prime source of income in 2008/2009. Experiencing renewed strong growth, the Portal division contributed 39.3% of the Group's revenue. MAGIX generates its Portal revenues mainly from the Group's own websites such as www.magix.com and www.magix-online.com, which distribute the complete range of MAGIX products.

The third and fourth places are occupied by the OEM (3.2%) and Professional divisions (2.4%). The OEM division includes business with hardware manufacturers (Original Equipment Manufacturer), who distribute their products as packages together with software from MAGIX. The Professional division includes all revenues from professional audio products Sequoia and Samplitude as well as from specialized retailers with the Xara Xtreme Pro and Video Pro X products.

In spite of the diminishing shelf space for multimedia software in retail and a continuing strained situation, especially in US retail, consumer revenue could still be increased by 4% to EUR 19.2 million. New products, such as Xtreme Web Designer, as well as the reintroduced half-year releases were very well received on the market.

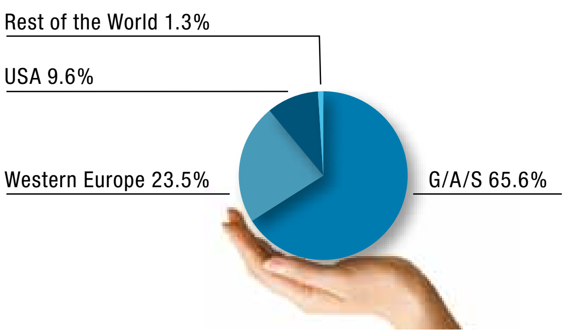
In contrast, Professional and OEM business divisions display clear revenue losses, which reflects increasing hesitance of business customers. The Professional division lost revenue most clearly: After earning EUR 1.5 million in the previous year, this division brought in only EUR 0.8 million (-45%) during this reporting period. On the one hand, this

** The OEM and Portal divisions were amended in the fiscal year 2008/2009 to represent the distribution of revenues betwen the business areas more precisely. In order to keep division revenues comparable, revenues for 2007/2008 were determined analogously. For this reason, Portal revenues are kEUR 61 lower and OEM revenues are kEUR 61 higher as compared to the 2007/2008 annual report.

MAGIX Group – Revenue according to business divisions as of September 30, 2009

	Oct 1, 2008 to Sep 30, 2009 kEUR	%	Oct 1, 2007 to Sep 30, 2008 kEUR	%	+ / - kEUR	%
Consumer	19,183	55.1	18,457	57.5	+726	+3.9
Professional	821	2.4	1,489	4.6	-668	-44.9
Portal**	13,659	39.3	10,648	33.2	+3,011	+28.3
OEM**	1,117	3.2	1,522	4.7	-405	-26.6
	34,780	**100.0**	**32,116**	**100.0**	**+2,664**	**+8.3**

Revenue by region



resulted from the fact that the new versions of the professional audio software infused revenue only in the fourth quarter of the fiscal year, after the programs netted comparatively low revenues due to their being at the end of their two-year publication cycle. On the other, the release of the professional video editing software MAGIX Video Pro X2 was moved to the first quarter of the following fiscal year.

The OEM business is generally very volatile, and high revenues can be generated with just a few contracts. Orders from new and existing customers were in deep recession in 2008/2009. In the fourth quarter, two big-name OEM partners were still found with Toshiba for MAGIX Video deluxe and Hewlett Packard for MAGIX Music Maker. Still, the division's revenues sank in the fourth quarter. For the fiscal year, the division sales of EUR 1.1 million lay 27% below last year's levels of EUR 1.5 million.

As in previous years, growth in the Portal sector was also strong in 2008/2009. Division revenues rose by EUR 3.0 million to EUR 13.7 million. This corresponds to a rise of 28%. The trend toward increased use of MAGIX Online Services and the MAGIX Online Shop continues and includes all regions.

Revenue by region

The switch to segment reporting has had no effect on the visualized regional segments.

With EUR 22.8 million, the MAGIX Group generated almost two thirds (65.6%) of its revenues in the Germany / Austria / Switzerland (GAS) region. This was followed by the region Western Europe with EUR 8.2 million (23.5%), the US with EUR 3.3 million (9.6%) and the rest of the world with EUR 0.5 million (1.3%).

Following a slight decrease in the first quarter, revenue in the German-speaking area increased considerably during the subsequent quarters to a total of EUR 22.8 million. This raised revenue by 7%, or EUR 1.5 million in spite of the poor economic situation. The surge in revenue came primarily from the Portal as well as Consumer divisions.

The results from Western Europe, where revenue rose percentually most clearly by 15%, or from EUR 1.1 million to EUR 8.2 million, were also very well received. In the first six months alone, revenue from this region grew by EUR 0.9 million. After dropping off slightly in the third quarter in comparison to the previous year, business picked up again in the fourth quarter. The reason for this was the release cycle, which is slightly temporally displaced from the G/A/S region. New products such as Xtreme Web Designer,

MAGIX-Group – Revenue according to regions as of September 30, 2009

	Oct 1, 2008 to Sep 30, 2009 kEUR	%	Oct 1, 2007 to Sep 30, 2008 kEUR	%	+ / - kEUR	%
G/A/S	22,814	65.6	21,285	66.3	+1,529	+7.2
Western Europe	8,170	23.5	7,100	22.1	+1,070	+15.1
USA	3,339	9.6	3,241	10.1	+98	+3.0
Rest of World	457	1.3	490	1.5	-33	-6.7
Total	**34,780**	**100.0**	**32,116**	**100.0**	**+2,664**	**+8.3**

already released in the third quarter in German-speaking countries, are scheduled to be released in Western Europe in the fourth quarter of 2008/2009 or in the first quarter of 2009/2010.

The turnaround in trend was also positive in the US. After dropping for two years in a row due to deep-reaching restructuring in US retail and powerful restraint on the side of the consumer, revenue rose by 3% to EUR 3.3 million. Increased focus on distribution on the website had an effect: US portal revenues clearly rose in all quarters – in total by 47% in comparison to the previous year. Thus, the portal was responsible for 47% of all US revenue, which more than compensated for the continued drop-off in consumer sales. Lately there have also been first rays of hope in US consumer sales, which slightly increased in the second half of 2008/2009.

Gross margin

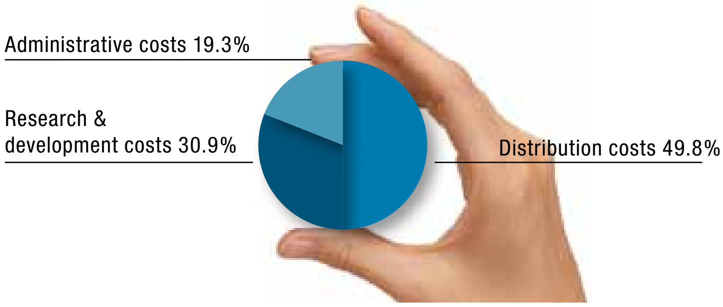
As a result of the clear revenue increase, the gross margin increased during the reporting period by EUR 0.9 million to EUR 28.5 million. In relation to revenue, the gross margin slid by four percent below previous year's value to 82%.

The decrease in relative gross margin despite an increasing absolute gross margin is mainly due to the fact that in the 2008/2009 fiscal year, products that combine MAGIX software with hardware components were marketed with great success. As the included hardware is acquired from third party suppliers, this resulted in correspondingly higher costs of sales and a negative influence on the gross margin.

The costs of sales also include material costs for packaging and possibly arising third party licensing costs, especially for so-called codecs*. All other production steps are conducted by the MAGIX group, so no separate costs arise.

The licensed codecs include standard media formats, for example, the MP3 format*. Because it would not be logical to develop these functions ourselves, licensing fees are paid for their use. To reduce costs, MAGIX has arranged the license agreements in such a way, that the fees are to be paid only if the codecs are in fact used by end consumers.

Operative costs



Cost structure

Besides the increased revenue, the fact that the group consistently implemented slim cost structures and cultivated a pronounced cost consciousness at all levels has also reflected positively on profit. The operative costs (without write-offs) rose only moderately in the reporting period – by 1% or EUR 0.1 million to EUR 22.7 million.

Operative distribution costs were lowered in all four quarters of the finished fiscal year. Cost lowering potential was reached especially in the area of marketing without sacrificing quality by concentrating on cheaper and more targeted online advertising. In total, the operative costs for distribution dropped by EUR 0.8 million to EUR 11.3 million (-7%).

Operative costs of administration rose by 8% to EUR 4.4 million.The rise in costs was mainly due to customer insolvency and increased HR costs. The rise in customer insolvency costs were accompanied by insurance policy payments, indicated elsewhere, and resulted in a rise of other revenues.

Operative costs in research and development rose by 9% to EUR 7.0 million. With this measure, the Management Board wishes to achieve higher sales and profit goals in the midterm. The next section will pay more attention to the focus on research and development at MAGIX.

3.2. Financial and asset position

Balance sheet

At EUR 54.9 million, balance sheet total was just below the previous year's level of EUR 55.7 million. Equity was reduced by EUR 2.7 million through share buybacks. This decrease was largely compensated by the consolidated net income of EUR 2.2 million. The equity book value dropped only slightly from EUR 43.9 million to EUR 43.7 million.

The Group's capital structure remained stable with an equity rate of 79%. The reason for this was also the reduction of liabilities by EUR 0.5 million to EUR 11.3 million. While short term liabilities rose by EUR 1.0 million to EUR 10.2 million after increases in accruals and tax liabilities, long term liabilities fell by EUR 1.6 million to EUR 1.1 million. Payment of the second purchase installment for the Xara Group Ltd. in the amount of ca. EUR 1.1 million was pivotal here.

Investments in non-current assets (especially self-generated intangible assets) were reduced in the fiscal year to a minimal level due to the current difficult economic situation. This year, write-offs in the amount of EUR 3.6 million were contrasted by investments in the amount of EUR 2.9 million, so that, compared to last year's values, non-current assets were reduced by EUR 0.7 million to EUR 14.8 million.

MAGIX Group – Operative costs as of September 30, 2009

	Oct 1, 2008 to Sep 30, 2009 kEUR	%	Oct 1, 2007 to Sep 30, 2008 kEUR	%	+ / - kEUR	%
Distribution costs	11,276	49.8	12,059	53.5	-783	-6.5
Administrative costs	4,374	19.3	4,052	18.0	+322	+7.9
Research & development costs	7,004	30.9	6,420	28.5	+584	+9.1
Total	**22,654**	**100.0**	**22,531**	**100.0**	**+123**	**+0.5**

Current assets remained nearly unchanged at EUR 40.1 million (EUR 40.2 million in the previous year). In spite of the share buybacks and purchase price payouts for the Xara takeover, the sum of cash positions and financial assets rose by EUR 1.1 million to EUR 28.1 million. At the end of the 2008/2009 fiscal year, the sum of cash positions was EUR 26.7 million.

Cash flow

It was possible to increase the operative cashflow considerably in 2008/2009. It rose from EUR 2.7 million to EUR 7.0 million. In addition to profit increases, this effect was due to continued reduction of receivables from goods and services in spite of clear revenue increases.

The likewise positive cashflow from investment activities in the amount of EUR 5.0 million (EUR -5.4 million in the previous year) resulted primarily from the conversion of financial assets to liquid assets in the amount of EUR 9.8 million. Additional interest income amounted to EUR 0.8 million. It was contrasted by payments of EUR 2.7 million arising from the share buybacks and EUR 2.9 million in investments into non-current assets.

Cash flow from finance activities fell from EUR 0.7 million to EUR -1.0 million. This was on the one hand due to repayment of liabilities arising from the Xara Group Ltd. acquisition, and on the other due to lower investment subsidies compared to last year.

Research & development

Through targeted development of demanding and simultaneously easy-to-use multimedia software, MAGIX is not only ready to face the constantly changing entertainment electronics industry, but acts as one of its innovators. In the areas of photo, graphic, video, music and web, MAGIX products cover the complete spectrum – from freeware to high-end solutions for professional users. The range covered by the topics of research and development in the 2008/2009 fiscal year was correspondingly wide.

The building-up of the audio flagships Samplitude and Sequoia was an important goal, aiming to answer the demands of professional customers, while on the other to prepare navigable waters for the revenue-richer consumer products like Music Maker and Audio Cleaning Lab. Additionally, in the music sector, development of the music recognition and recommendation technology mufin was also in focus. The www.mufin.com portal was re-launched with ca. 7.5 million songs, and a unique visual tool for discovering and navigating music collection has been developed with mufin vision.

MAGIX commands great authority in the professional graphics editing sector with the Xara Group, and in this reporting year it was aimed to expand and apply it. In the photo, graphic and web sectors, synergies were released in the course of developing overlapping software solutions. Because all MAGIX software is based increasingly on a common technological platform, innovations can be transferred with practlically no effort from one product to another.

In the video sector, in addition to continued development of existing products, the focus lay on the new development of a program, which even beginners without previous skills could use to cut and optimize their videos, and then burn them to disc or present on the web. The trend to place content such as photos, videos and music on the Internet continues unchanged. To strengthen the market position, it remains necessary for MAGIX to continue investing in this growing sector. The MAGIX "Online World", which was launched January 2009, offers the entire portfolio of Online Services as a bundle.

From the developments of the past fiscal year, in addition to follow-up versions of all established titles, the following new and re-developments deserve to be highlighted:

Online services:

- mufin.com – the music discovery machine
- magix-online.com – the MAGIX Online World
- magix.info – the Multimedia Knowledge Community
- Catooh.com – the online media market

Software products:

- Samplitude / Sequoia
- Movie Edit Pro PLUS
- Video easy
- Xara Xtreme Pro
- Xtreme Web Designer

Employees

MAGIX employees are people, who have made a profession out of their interest in photography, video, music and IT, and utilize their abilities to reach common goals. They are characterized by excellent capabilities, high motivation and enjoy innovation. Creative, competent and highly motivated people are key for the success of a company. Timely identification and winning over, as well as simultaneous retention and development of qualified employees is an essential component of the Group's strategy.

The Group develops its products in Germany as well as the UK. In the R&D sector, 24 apprentices, who have enrolled to learn professions such as IT specialists for systems integration, make their contribution felt. As of September 30, 2009 MAGIX employed 50 apprentices.

Due to its slim group structures, the Company management decided against personnel cuts already at the beginning of the past fiscal year in spite of the difficult economic situation. Departing personnel was replaced only if they occupied key positions. In administration and distribution, personnel numbers fell slightly, and at the end of September 2009 the Group had 40 (-1) and 101 (-5) employees, respectively. In research and development, which is the guarantor of mid-range revenues and profits, 162 (+2) employees were employed at the end of the fiscal year.

As before, the Management Board consists of 3 members. In total, the number of employees fell in the course of the last year by 1% from 307 to 303.

As a result of employee and salary developments, personnel expenses increased in comparison to last year by 5% to EUR 12.1 million.

Group structure

The following overview shows the structure of the MAGIX Group as of September 30, 2009:

		Equity share
Catooh Corp.	Las Vegas, Nevada, USA	100%
MAGIX Computer Products International Corp.	Reno, Nevada, USA	100%
MAGIX Development GmbH	Dresden, Germany	100%
MAGIX Entertainment B.V.	Wormer, Netherlands	100%
MAGIX Entertainment S.A.R.L.	Paris, France	100%
MAGIX Entertainment S.R.L.	Bozen, Italy	100%
MAGIX Ltd.	Hampshire, United Kingdom	100%
MAGIX Online Services GmbH	Berlin, Germany	100%
mufin GmbH	Berlin, Germany	100%
Xara Group Ltd.	Hampshire, United Kingdom	100%

On January 27, 2009 MAGIX Online Services GmbH, based in Berlin, was founded as a 100% group subsidiary. It unites all key online services offered by the Group.

4. Supplementary report

Between the end of the reporting period and the release of the annual report, no major events took place in the MAGIX Group.

5. Risk report

5.1. Risk management

Software and Internet service markets are subject to swift changes in technology and industrial standards. Therefore, the success of MAGIX depends on predicting new trends and development, constantly improving existing products and developing and introducing new ones in a timely fashion.

These risks are considered in the strategic risk management decision making process in the following way:

- Group controlling creates current and plan comparisons as well as short term plans, which are discussed with the responsible managers at regular intervals. Together with the management, it defines important financial and other key figures, and monitors their keeping.
- Responsible project managers continuously monitor advances of development and keep track of the project plan using milestones to guarantee timely delivery of new functions, products and services.
- The personnel department discusses the necessity of continuing education and sufficient recruiting of new employees possessing needed technical knowledge critical for success with the development departments.
- The IT department has developed and installed emergency procedures to guarantee a high degree of stability and security for a continuous accessibility of the Internet portal and online services.
- The legal and Internet departments continuously monitor the company's intellectual property and copyrights, and check new developments for infringements on intellectual property of third parties.

The separate areas of the risk management system are combined at the level of the Management Board and continue to be monitored there. The Management Board is regularly informed of all events and their results. The system is constantly checked, expanded and adjusted to the company's progress.

5.2. Individual risks

Risks of business activity

Development of MAGIX AG's business activities is dependent on the general development of the market for personal multimedia communication. The market's growth is stimulated by technological and economic factors, which are not controlled by the group. The market is comparatively young, which makes it difficult to make a dependable prediction of future developments. In addition, the market environment is highly dynamic. MAGIX AG continuously invests in new products and a large product portfolio. The same applies to discovering new geographical markets and new customer groups. Dependency on the course of events in individual areas of the market is minimized in all existing segments by the widely cast range of activities. The company still expects that the European market, and especially the German-speaking countries, will continue to provide the biggest portion of its profits in the upcoming 2009/2010 fiscal year. Independent of these factors, the company's profitability is mainly dependent on the market success of the new products as well as mastery of newly developed technologies.

Competition risks

The relevant market for personal multimedia communication is influenced by global competition which, according to the company's estimates, is intensifying. Some of the current and potential MAGIX group competitors have great financial, technological and human resources as well as a bigger scope or more users. They are partially better positioned with individual products in certain foreign markets. However, a comparably wide portfolio such as that of MAGIX is not found among potential competitors. The company therefore estimates, that the risk that a manufacturer brings a similarly comprehensive product selection in the midrange term is relatively low.

Legal and license risks

The MAGIX group is dependent on the basic valid legal conditions in its product development and distribution. Changes in these basic conditions can cause great inconveniences for the company. At this time, such change is not yet recognized.

Due to the structure of the global market, it can happen that with its developments, MAGIX unknowingly infringes on third party rights to intellectual property. With the help of comprehensive monitoring of its own products by the legal team, the company has taken all possible steps to minimize this risk.

Personnel risk

The products and services of the group require qualified employees in the areas of research and development and distribution. Without the corresponding pool of personnel, the strategic and economic goals of MAGIX could possibly not be reached.

Financial risks

The company is subject to default risks in relation to customer claims as well as currency risks. To minimize default risks, the company has purchased commercial credit insurance. No hedging instruments are in use to minimize currency risks. The company is not subject to significant interest changes, and no hedging instruments are used to minimize these risks as well.

General risk

Expansion of business internationalization always leads to a magnification of risk. The past has, however, shown that expansion of the business model has always strengthened the company. In the long term, a broad positioning minimizes the company's dependency on individual markets or products. Thus, these activities contribute to the reduction of total risk.

The risk position of the company is currently stable. During the period covered in the report, none of the presented risks, both individually or in their total, have reached the determined threshold of threatening the company's stability.

6. Outlook

6.1. Basic financial conditions

Overall economy

At the end of the 2008/2009 fiscal year, the world economy was still in the worst recession of the post-war period. However, a series of indicators signaled that the top industrial nations have made an economic turnaround in the third quarter of the 2009 calendar year. In October, the International Monetary Fund (IMF) expected a 3.4% economic drop in industrialized nations in 2009, followed by a 1.3% growth in 2010. While Western Europe (with 0.4%) and Germany (with 0.3%) will recover slowly, the growth predicted in the USA is considerable with 1.5%. The German Federal government saw developments in Germany in a more positive light, projecting a growth of 1.2% in its autumn prognosis. Due to the difficult situation on the job market, the German government expects a small drop in private consumption.

Industry

Prognoses for the IT market see a slight growth in 2010. Market researchers from the EITO predict a 0.6% growth on the European IT market in 2010. According to the BITKOM projection, the IT market in Germany will grow all of 1%, but the software segment only 0.5%. This places the industry's growth below the overall economic growth for the first time in years.

The market for multimedia solutions comprises a relatively small part of the software market and is subject to special, dynamic influences. Predictions made for the entire software market cannot be applied to it without some adjustments. It is especially important to take into account that private consumers have until now reacted to economic fluctuations less strongly than business customers. In addition, the increasing spread of quick Internet connections and multimedia-enabled end devices has had the effect of making many multimedia solutions practically obligatory.

6.2. MAGIX Group strategy

The Group wants to prepare itself for these challenges in a number of ways. The group's strategy to approaching various economic fields and the chances and risks coming with each of these are outlined below.

Portal

In addressing its Internet services, the Group will continue to expand mufin.com to a music discovery portal. Revenue will be generated via online advertising and licensing of the service to external portals and manufacturers of end devices, for example, MP3 players and mobile phones. As mufin.com is a very innovative solution that targets young people, the challenge is to meet the customer requirements and commit them to regular
website use.

Raising the conversion rate of free users to subscribers of premium services is crucial, and is the focus of the Website Maker and Online Album online services bundled in the MAGIX Online World. For this, these services have to be regularly adjusted to meet their users' needs and continuously improved.

MAGIX Online World will continue to be optimized in order to be able to create partner portals even quicker and at lower cost. MAGIX creates online services for known companies, which are then distributed using the partners' brand. MAGIX operates the complete service for the partners and shares the generated profits with them. Using this strategy, MAGIX can win a wider customer base for its services.

To increase customer loyalty and strengthen customer focus, MAGIX founded the knowledge-based multimedia community* MAGIX.info. In this Internet forum, users can exchange their experiences about creation of digital media contents. In this way, MAGIX can connect itself to its customers, raise loyalty to the company and receive important information for future product development.

The Customer Relation Management System* in direct marketing is continuously being expanded in order to be better able to relate to customer needs. The offers are presented in a more entertaining and informative way using videos and an improved website. In addition to its website, which is its central marketing instrument, MAGIX is also consistently expanding its online advertising activities. To this end, online marketing campaigns are developed and search engine optimization is used, which should lead new target groups to discover the Group.

Professional

The Group began expanding the professional product portfolio in the course of the last two years. These products are intended to have a stronger presence on the market, which has been only marginally established by the MAGIX Group until now.

For this reason, MAGIX has expanded its distribution activities in the professional audio area. In Germany, MAGIX has a very high market share in the digital audio workstation (DAW) market for radio stations. The expertise gathered in this area should be transferred to the international markets in the future.

In the area of integrated photo, graphic and desktop publishing applications, MAGIX can address new customer groups via the products of Xara Group Ltd. This also applies to the professional video solution MAGIX Video Pro X. With these products, MAGIX addresses especially mid-range and small businesses which increasingly create their own digital contents in order to be able to market their products and services on the Internet more efficiently. As this is a new target group for MAGIX, suitable marketing measures still have to be developed which will be regularly tested in their effectiveness and adjusted if needed. Depending on the success of these measures, there may be some delay in tapping the market.

As an example, company training is conducted by the MAGIX Academy, where courses focus on photo and video editing, music production and website design. In addition, a product package has been created, which addresses school and college students – tomorrow's decision makers and users – by combining MAGIX video, image and audio editing applications in the Academic Suite.

Consumer

Consumer solutions will continue to address the constantly changing customer wishes through consistent improvement of existing and development of new products. The Internet forum magix.info and the Customer Relation Management System constantly deliver new information to this end. In addition, international markets should be serviced more thoroughly by increased product localization.

MAGIX will continue to address target groups, for whom comprehensive applications appear to be too complex using solution-oriented and specially targeted products. Products designed for beginners, such as MAGIX Video easy, will continue addressing new customers and helping them form an attachment to the company by familiarizing them with the typical MAGIX user interface.

This will be supported through product embedding in the magix.info portal, which leads to direct contact between users, and lets them pose questions or present results. This should lower the inhibitions for multimedia product use and bind users stronger to the MAGIX brand. Customer interconnectedness is a key differentiating feature in comparison to the competition and offers the chance to win new customers.

The MAGIX Academy addresses beginners as well as advanced users, offering product training, workshops and certified courses with final exams. The Academy will also be implemented for strengthening customer bonds and connecting customers to one another.

OEM

The economic crisis left its mark on hardware manufacturers. This means that license payments for additional software products will be pared down only to applications critical for marketing. On the other side, the new Microsoft Windows 7 operating system seeks to return to the actual purpose of an operating system. This means fewer additional programs that exceed the function of the operating system. This strategy opens additional opportunities for the OEM business. Windows 7 supports touchscreen monitors, so-called Touch Interfaces, which may be used by the newly-developed mufin vision. At the same time, the increasing success of Apple with its integrated software, service and hardware solutions with its mobile music programs places manufacturers under a significant pressure to bring innovative solutions.

MAGIX will concentrate on marketing products in the video and music areas. In this context, mufin music recognition and recommendation technology plays a significant role. In this field, the Group commands a special solution, which enables cooperation of important new customers, such as mobile phone manufacturers. The market for music recognition and music recommendation is still very young, however, and there are only few suppliers on the market. It promises high growth opportunities as the targeted customers are generally large corporations with a high distribution rate of their products. The risk to successful marketing lies in very lengthy decision cycles and in the fact that corporations may deliberately use their market power to achieve the best rates among competing offers.

In relation to marketing, the Management Board will continue to present the technology and its application on industry conferences, especially in Asia and the USA.

6.3 Expected profitability

Due to the economic situation around the world and specifically in the IT industry, which is continued to be perceived as unstable, as well as other, partially contrary factors described in detail below, an earnings and sales prognosis of the Group at this time would carry little substance.

However, the Group management estimates the situation in retail in German-speaking regions as well as in Western Europe to be stable. On the US market, the valley in retail sales may have passed. Nonetheless, in all regions even with established, large retail partners, a wide range of risks looms, including their temporary credit line limitations and bankruptcy.

There is the short-term concern that the switch to the new Microsoft Windows 7 operating system will prevent consumers from purchasing other products, such as multimedia software. This is supported by customers' monetary and temporal restrictions. In the mid-term, increased focus of Windows 7 on the actual functions of an operating system should have positive effects for MAGIX, particularly since MAGIX was able to improve its position in previous fiscal year for its entire product range. Additionally, important competitors are drastically reducing their personnel. It can be assumed that this will limit their innovative capacities and that the companies will concentrate on the assessment of their current technologies.

In online sales, the described uncertainty in retail is not the only source of competitive pressure. In OEM business, margins will presumably stay low, so that deals will serve more to increase recognition of the MAGIX brand than to increase earnings. However, with mufin, the Group possesses technology with incredible potential, even with small margins.

These countercurrent factors prevent a reasonable estimate of revenue and profit development. In order to continue to be able to operate profitably, the Group's management assumes no changes in the cost of sales and slightly rising operative costs in the 2009/2010 and 2010/2011 fiscal years.

6.4 Expected financial situation

In respect to the financial situation, no significant changes are expected in the coming fiscal year. The equity ratio could experience significant changes, as well as the amount of liquid assets in the context of a takeover or another share buyback.

Due to the solid financial situation, no financing measures are planned. A change in dividend policy is also not planned. A stable positive development of the operative cashflow is predicted. In addition to the expansion of its technical infrastructure, moderate increases in investment activities for software development aim to place MAGIX in a position where it would be better able to defend or strengthen its leading role in the multimedia landscape.

6.5 Overall statement

The MAGIX Group is well positioned to meet current and future challenges. While competitors are following a drastic course of savings, MAGIX has used the past year to expand its product portfolio, invest in the future and simultaneously optimize its cost structure. The technological know-how, an excellent financial base paired with the highly profitable main business will continue to enable MAGIX to strengthen its position in the field of multimedia applications, even in the face of hard international competition.

It is planned to generate growth by tapping new markets among business customers and mobile device manufacturers. At the same time, the market leadership positions in retail and via the online portal in multimedia consumer software will be further strengthened. In addition to the organic growth, attractive acquisition opportunities can bring extra growth through company takeovers or participations.

7. Information in relation to Section 315, paragraph 4 of the German Commercial Code

Composition of the subscribed capital

The company's share capital amounted to EUR 12,662,038 on September 30, 2009, and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share. Each share grants a vote. Shareholders exercise their voting rights in the shareholders' meeting according to the legal provisions as well as the Articles of Association. No limitations exist in relation to the voting rights or the transfer of shares.

Authorized capital

By resolution dated March 22, 2006 the shareholders' meeting of the Company authorized the Management Board to increase the issued capital of the Company in the period up until March 22, 2011, once or several times, subject to approval of the Supervisory Board, in return for cash contributions or contributions in kind by up to EUR 6,331,019.00 in total by issue of new registered shares.

The Management Board is further enabled by the Supervisory Board committee to make decisions relating to the statutory buying options of shareholders. An exclusion of subscription rights is permitted only

- to balance fraction amounts,
- if the issue price of the new shares does not fall significantly below the stock exchange price and the shares issued under the exclusion of subscription rights for options according to Section 186, paragraph 3 of the German Stock Companies Act do not amount to more than 10%,
- for issuing shares to persons, who are employees of the company or of a company connected to it, and
- to receive contributions, especially in the form of stakes, companies or portions of companies.

In addition, the shareholders' meeting enabled the Management Board to set additional contents of the corporation laws and conditions with the agreement of the Supervisory Board.

Conditional capital

A resolution was passed at the shareholders' meeting on January 19, 2006 to increase the issued capital of the company conditionally by up to EUR 700,000.00, namely by issue of up to 700,000 new shares. The conditional capital increase serves solely to grant up to 700,000 subscription rights (stock options) to members of the Management Board of the company and to employees of the company as well as to managing directors and employees of group entities pursuant to the authorisaton for the "stock option plan 2006" which was passed at the shareholders' meeting on January 19, 2006.

Share buyback

The shareholders' meeting on March 4, 2009 authorized the Company to purchase shares in MAGIX AG. The new authorization applies to the acquisition of Company shares limited to a calculated amount of ordinary share capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing ordinary share capital of EUR 12,662,038.00 at the time of authorization. It can be exercised fully or partially, once or several times. The authorization is valid until August 31, 2010. The acquisition may not be executed as a means of trading in own shares. At no time shall it be permitted that the acquired shares together with other shares in the company's ownership or that can be allocated to it according to §§ 71a et sqq. of the German Stock Corporation Act amount to more than 10% of the issued capital. The acquisition will be made via the stock market or by way of a public buyback offer.

The shareholders' meeting on March 4, 2009 also authorized the Management Board to sell its own shares again via the stock exchange or due to a sell offer directed to its shareholders, subject to the approval of the Supervisory Board. Moreover, subject to approval by the Supervisory Board, the Management Board may use own shares in ways other than via the stock exchange or public offer to all shareholders,

- as an acquisition currency to third parties within the context of a merger or acquisition of a company, company parts or company stakes excluding any right to recourse to the courts of law by the shareholders, or to
- offer them to third parties, in case the selling price to be paid in cash is not much lower than the stock exchange price, and the number of shares sold in this manner, together with the number of other shares which are sold or exchanged or issued in the context of stock options, conversion privileges and conversion bonds during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporations Act, excluding any right to recourse to the courts of law by the shareholders, may not overstep 10% of the share capital. Definitive is the share capital at the time of the authorization resolution by the shareholders' meeting or the share capital at the time of the exertion of the present authorization, if this number is lower.

The Management Board has also been authorized by the shareholders' meeting on March 4, 2009 to redeem the shares completely or partially without the redemption or its execution requiring any additional resolution of the general shareholders' meeting. The redemption can be carried out in such a way that the ordinary share capital does not change, but rather, through cancellation, increases the proportion of the remaining ordinary share stock in accordance with Art. 8, Sec. 3 German Stock Corporation Act [Aktiengesetz (AktG)] (Art. 237, Sec. 3, No. 3, AktG). In this case, the Management Board is authorized to change the specified amount of shares in the terms of reference depending on the scope of the redemption.

The above-mentioned authorizations of sales via the stock market or outside the stock market can be exercised once or several times, wholly or partially, individually or collectively. Authorizations, with the exception of authorization to redeem own shares, may also be exercised through third parties to be credited to the company. The Management Board will inform the general shareholders' meeting on the reasons and purpose of acquiring its own shares, on the number of acquired shares and on the ordinary share capital amount allocated to them as well as on the nominal value that was paid for the shares.

Shareholder structure

The following shareholders held direct or indirect stakes in the company's capital exceeding 10% as of September 30, 2009:

	Equity share
Presto Capital Management GmbH & Co. KG**	27.76%
Jürgen Jaron	14.38%
Dieter Rein	14.38%
HeidelbergCapital Private Equity Fund I GmbH & Co. KG	13.60%

** The limited liability capital of Presto Capital Management GmbH & Co. KG is owned by Jürgen Jaron and Dieter Rein each to 50%. Thus, Jürgen Jaron and Dieter Rein collectively directly or indirectly hold approximately 56.52% of the company's voting rights.

Naming/dismissal of Management Board members

According to Section 7, paragraph 1 of the Articles of Association, the Supervisory Board names the Management Board members and determines their number. Further details on the naming and dismissal are laid out in the Section 84f. of the German Stock Corporation Act.

The Supervisory Board is authorized by Section 12 paragraph 2 of the Articles of Association to make changes and additions to the Articles that concern only their position. Otherwise, the Articles are confirmed at the shareholders' meeting by a majority of three quarters or more of the represented capital according to Section 179 of the German Stock Corporation Act.

Regulations in respect to a change of controlling share

There are no significant agreements made for the case of a change of control in case of a takeover bid. There are no compensation agreements made with the Management Board or employees for the case of a takeover bid. Legal regulations apply.

8. Main features of the reimbursement system

The members of the Management Board receive an annual remuneration that consists of success-related, success-independent as well as long-term success-dependent elements. The bonus is determined by the Supervisory Board by mandatory discretion based on the business development of the company. In the event of extraordinary achievements, the Supervisory Board may also approve a special bonus.

In accordance with Section 13, paragraph 1 of the MAGIX AG Articles of Association concluded at the shareholders' meeting, the Supervisory Board of the company is to receive a fixed remuneration per financial year. This is to be decided at the shareholders' meeting. Furthermore, expenses of the Supervisory Board will be refunded. A variable compensation does not exist.

Please refer to the consolidated financial statements for the composition of profit-related and profit-unrelated compensation of the Management Board.

Berlin, January 4, 2010

Dieter Rein Management Board	Jürgen Jaron Management Board	Tilman Herberger Management Board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Auditor's opinion

We have received the following auditor's opinion concerning the consolidated financial statement and the group Annual report:

"We have audited the consolidated financial statements prepared by MAGIX AG, Berlin, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from October 1, 2008 to September 30, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the context of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

January 8, 2010, Berlin

Ernst & Young GmbH
Auditing firm

Glöckner Auditor	Thielicke Auditor

Consolidated Financial Statements September 30, 2009

MAGIX AG, Berlin – Consolidated Balance Sheet as of September 30, 2009

ASSETS	Note	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Non-current assets			
Property, plant and equipment	(1)	1,166	1,458
Intangible assets	(1)	11,520	11,917
Goodwill	(1)	2,116	2,116
Total non-current assets		**14,802**	**15,491**
Current assets			
Inventories	(2)	1,456	1,439
Trade accounts receivable	(3)	10,596	11,174
Financial assets (held until final maturity)		634	861
Current tax receivables		0	590
Other financial assets	(4)	700	5,564
Financial assets, which are allocated for divesture	(5)	0	4,950
Cash and cash equivalents	(6)	26,749	15,584
Total current assets		**40,135**	**40,162**
Total assets		**54,937**	**55,653**

MAGIX AG, Berlin – Consolidated Balance Sheet as of September 30, 2009

EQUITY & LIABILITIES	Note	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Equity attributable to equity holders of the parent			
Common stock	(7)	12,662	12,662
Additional paid-in capital		26,030	25,825
Retained earnings		4,647	5,147
Treasury shares	(7)	0	0
Reserves for currency translation adjustment		321	236
Shareholders' equity total		**43,660**	**43,870**
Long-term liabilities			
Other liabilities (long-term portion)		145	1,764
Deferred tax liabilities	(13)	927	861
Long-term liabilities, total		**1,072**	**2,625**
Short-term liabilities and provisions			
Provisions	(8)	4,558	4,291
Other liabilities (short-term portion)		3,925	3,490
Trade accounts payable		973	1,001
Tax liabilities		749	376
Total short-term liabilities and provisions		**10,205**	**9,158**
Total equity and liabilities		**54,937**	**55,653**

MAGIX AG, Berlin – Consolidated Income Statement
for the Fiscal Year from October 1, 2008 to September 30, 2009

	Note	Oct 1, 2008 to Sep 30, 2009 kEUR	Oct 1, 2007 to Sep 30, 2008 kEUR
Sales revenue	(9)	34,780	32,116
Costs of goods sold	(10)	-6,273	-4,527
Gross margin		**28,507**	**27,589**
Selling and distribution costs	(11)	-12,140	-12,745
Administrative costs	(11)	-4,643	-4,219
Research and development costs	(11)	-9,428	-9,026
Other income	(12)	763	496
Earnings before interest and taxes		**3,059**	**2,095**
Interest income		793	1,166
Interest expenses		-121	-114
Earnings before taxes		**3,731**	**3,147**
Income taxes	(13)	-1,573	-1,130
Net income of the Group		**2,158**	**2,017**
Attributable to			
Equity holders of the parent		2,158	2,017
Earnings per share (basic and diluted)	(14)	**0.20**	**0.17**
Average number of shares outstanding		**10,760,465**	**11,534,900**

MAGIX AG, Berlin – Consolidated Cash Flow Statement for the Fiscal Year from October 1, 2008 to September 30, 2009

	Oct 1, 2008 to Sep 30, 2009 kEUR	Oct 1, 2007 to Sep 30, 2008 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before taxes	3,731	3,147
Adjustments for:		
Amortization and depreciation on non-current assets	3,557	3,459
Interest income	-793	-1,166
Interest expenses	121	114
Other non-cash-related income and expenses	-221	-395
	6,395	**5,159**
Change in trade receivables	578	-1,299
Change in inventories	-17	-277
Change in other assets	817	105
Change in trade payables	-28	-215
Change in provisions	267	164
Change in other liabilities	352	265
Cash generated from operating activities	**8,364**	**3,902**
Interest paid	-121	-114
Income tax paid	-1,204	-1,043
Net cash from operating activities	**7,039**	**2,745**
CASHFLOW FROM INVESTING ACTIVITIES		
Cash paid for the purchase of treasury shares	-2,723	-5,541
Cash received from divestment of other financial assets	9,814	2,438
Cash paid for investments in non-current assets	-2,873	-3,501
Interest received	793	1,166
Net cash used in investment activities	**5,011**	**-5,438**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities from company acquisition	-1,097	0
Investment subsidies and grants received	127	667
Net cash used for financing activities	**-970**	**667**
Foreign exchange differences	85	219
Changes in cash and cash equivalents	11,165	-1,807
Cash and cash equivalents at beginning of period	15,584	17,391
Cash and cash equivalents at end of period	**26,749**	**15,584**

MAGIX AG, Berlin – Development of shareholders' equity for the Fiscal Year from October 1, 2008 to September 30, 2009

	Equity					
	Common stock kEUR	**Additional paid-in capital** kEUR	**Retained earnings** kEUR	**Treasury shares** kEUR	**Reserves for currency translation adjustment** kEUR	**Total** kEUR
Sep 30, 2007	**12,662**	**25,599**	**8,736**	**-177**	**17**	**46,837**
Offsetting of costs from the stock option plan		271				271
Repurchase of treasury shares				-5,541		-5,541
Retirement of treasury shares		-45	-5,673	5,718		0
Currency translation					219	219
Net revenue from financial investments available for divesture			67			67
Net income for period			2,017			2,017
Sep 30, 2008	**12,662**	**25,825**	**5,147**	**0**	**236**	**43,870**
Offsetting of costs from the stock option plan		205				205
Realized profits from financial investments available for divesture			65			65
Repurchase of treasury shares				-2,723		-2,723
Retirement of treasury shares			-2,723	2,723		0
Currency translation					85	85
Net income for period			2,158			2,158
Sep 30, 2009	**12,662**	**26,030**	**4,647**	**0**	**321**	**43,660**

Notes to the Consolidated Financial Statements as of September 30, 2009

pursuant to International Financial Reporting Standards (IFRS)

1. General information on the Consolidated Financial Statements

1.1 Information about the company

MAGIX AG (or 'Company') was founded by Jürgen Jaron, Dieter Rein and Erhard Rein in 1993 under the name of "MAGIX Technology GmbH, Munich". The company is listed as no. HRB 92660 in the commercial register of the Berlin municipal court ('Amtsgericht'). The company headquarters are located at Friedrichstrasse 200 in 10117 Berlin, Germany.

Together with its subsidiaries (MAGIX Group), MAGIX AG is an international provider of software, online services and digital content for the use of multimedia products and services in the field of personal communication. MAGIX offers private and professional users technologically advanced and user-friendly software, online services and digital content for designing, editing, sharing and archiving digital photos, graphics, web pages, videos and music. MAGIX' products are mainly targeted at private users. MAGIX also sells licenses for professional software to industrial users such as music producers and TV and radio stations. Sales with retail partners are recorded via the Company's own sales companies or distributors in all major countries.

The balance sheet date is September 30, 2009. The fiscal year 2008/2009 covers the period from October 1, 2008 to September 30, 2009.

MAGIX AG has been listed on the Frankfurt Stock Exchange (Prime Standard) since April 6, 2006.

The Management Board has prepared the consolidated financial statements for September 30, 2009 on January 4, 2010 and released them to be presented to the Supervisory Board.

1.2 Basis of preparation

The consolidated financial statements have been prepared on a historical basis. The consolidated financial statements are prepared in euro. Unless indicated otherwise, all amounts are stated in thousands of euro (kEUR).

The consolidated financial statements of MAGIX AG and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU and the provisions of German commercial law to be applied additionally pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements include the financial statements of MAGIX AG and its subsidiaries as of September 30 of each fiscal year. The financial statements of the subsidiaries are prepared as of the same balance sheet date as the parent, using consistent accounting policies. All intercompany balances, transactions, income and expenses and profits and losses from intercompany transactions that are included in the carrying amount of assets are eliminated in full. Subsidiaries are consolidated in full on the date of acquisition, i.e. the date on which control is transferred to the Group. Subsidiaries are deconsolidated as soon as the parent loses control over the subsidiary.

The following entitles belong to the MAGIX Group and were included in the consolidated financial statements:

		Equity share
Catooh Corp.	Las Vegas, Nevada, USA	100%
MAGIX Computer Products International Corp.	Reno, Nevada, USA	100%
MAGIX Development GmbH	Dresden, Germany	100%
MAGIX Entertainment B.V.	Wormer, Netherlands	100%
MAGIX Entertainment S.A.R.L.	Paris, France	100%
MAGIX Entertainment S.R.L.	Bozen, Italy	100%
MAGIX Ltd.	Hampshire, United Kingdom	100%
MAGIX Online Services GmbH	Berlin, Germany	100%
mufin GmbH	Berlin, Germany	100%
Xara Group Ltd.	Hampshire, United Kingdom	100%

1.3 Change in balance and valuation methods

The accounting policies used generally correspond to the policies applied in the prior year. In addition the Group has applied the new and revised standards that are binding for fiscal years beginning on or after October 1, 2008.

The changes in accounting policies relate to the application of the following new or revised IFRS standards and IFRIC interpretations:

- IFRIC 11 "IFRS 2 – Transactions with own shares and shares from the company group"
- IFRIC 12 "Service concession agreements"
- IFRIC 14 (IAS 19) "Limitation of a performance-dependent value of an asset, minimal allocation obligations and their reciprocal effects"
- Supplements to IAS 39 and IFRS 7: "Restructuring of financial assets" (IASB has published these supplements to IAS 39 and IFRS 7 on November 2008.)

The first-time adoption or amendment of the aforementioned IFRS standards and IFRIC interpretations does not affect the state of MAGIX AG's assets, finances and profitability.

With the exception of the standards and interpretations listed in the paragraph above, IFRS standards and IFRIC interpretations that are not yet effectively mandatory were not adhered to. These include the following provisions:

- IFRS 2 "Sharebased compensation" (IASB had published an amendment to IFRS 2 in January 2008, where exercise conditions were defined more precisely and accounting treatment of effectively annulled commitments is regulated.)
- IFRS 3R "Amalgamation" (amended)
- IAS 1R "Presentation of consolidated financial statements" (amended)
- IAS 23R "Cost of debt" (amended)
- IAS 27R "Group and separate individual financial statements according to IFRS" (amended)
- IAS 32R "Financial instruments: Reporting" (amended)
- IFRIC 13 "Customer bonus programs"
- IFRIC 14 "IAS 19 – Limitation of a success-dependent financial worth, minimum financing provisions and their interdependency"

The listed standards and interpretations, with the exception of the IAS 1R regulations, are not relevant for the consolidated financial statements of the MAGIX Group. The MAGIX Group expects alterations in representation of equity changes to result from the initial application of IAS 1R.

1.4 Substantial discretionary decisions

When applying the accounting policies, management made the following decisions involving judgment which had a material effect on the amounts reported in the financial statements. This does not include those decisions that are based on estimates:

Intangible assets: The MAGIX Group collected intangible assets with its acquisition of mufin GmbH (previously m2any GmbH) as well as Xara Group Limited, which are linked to the acquired patents and associated software, gained customer following, development costs and values of acquired companies. These intangible assets are measured on the basis of the planned liquidity returns from both companies. The carrying amounts of the corresponding assets of mufin GmbH (previously m2any GmbH) was kEUR 2,535 on September 30, 2009 (previous year: kEUR 2,765) and of the Xara Group Limited – kEUR 3,572 (previous year: kEUR 3,898). The Company tests the capitalized intangible assets for impairment by comparing the planned liquidity returns at the time of acquiring the company with the actual liquidity returns. As shown by the comparison, the period ending on September 30, 2009, as well as the period ending on September 30, 2008, did not require a valuation allowance.

Software development costs: The MAGIX Group capitalizes software development costs provided that the criteria for recognition as an intangible asset have been met, and writes down the capitalized software development costs systematically over the useful life of the software. The capitalized software development costs are tested for impairment on the basis of future sales revenue for the software. As of September 30, 2009, software development costs have a carrying value of kEUR 6,436 (previous year: kEUR 5,911).

Provisions for licenses: The MAGIX Group uses license products from third parties in its own production. Obligations from license payments to third parties are calculated regularly at the end of the quarter. The provisions for license fees to third parties are calculated on the basis of sales revenue recognized by the MAGIX Group. As of September 30, 2009 these provisions have a carrying amount of kEUR 3,687 (previous year: kEUR 3,582).

Tax advantages from losses carried forward: MAGIX Group capitalizes tax advantages from losses carried forward, as long as these could be utilized in the time period of 3 years. Deferred tax advantages amounting to kEUR 370, capitalized in the 2008/09 fiscal year were completely adjusted for their value, because implementation of these carried-forward losses within the 3-year timeframe is unlikely for tax planning reasons. No capitalized deferred taxes from carried-forward losses existed as of September 30, 2009.

Key future-oriented assumptions and other material sources of uncertainty concerning estimates indicating considerable risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year known on the balance sheet date are shown in the notes on non-current assets and liabilities.

2. Summary of significant accounting policies

Currency translation

The consolidated financial statements are prepared in euro, which is the functional and presentation currency of the parent company and the presentation currency of the Group. Every entity within the Group determines its own functional currency. The items contained in the financial statements of an entity are measured using that functional currency. Transactions in foreign currency are initially recorded at the spot rate between the functional currency and the foreign currency on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing rate. All exchange differences are recognized in the net income or loss for the period.

The functional currency of foreign operations of MAGIX Computer Products International Corp., Reno, Nevada, and Catooh Corp., Las Vegas, Nevada, is the US dollar, and for MAGIX Limited, Hampshire, and Xara Group Ltd., Hemel Hempstead, it is the pound sterling. The assets and liabilities of these subsidiaries are translated into the presentation currency of MAGIX AG (euro) at the closing rate. Income and expenses are translated at the weighted average exchange rate for the fiscal year. The exchange differences arising on translation are recognized as a separate component of equity.

Intangible assets

Software and industrial rights
Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination corresponds to its fair value on acquisition date. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Except for capitalized development costs, internally generated intangible assets are not capitalized. Incremental costs on these items are recognized as expenses when incurred.

Regarding intangible assets, it is initially important to determine whether they have a finite or an indefinite useful life. Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the intangible asset could be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each fiscal year at the latest. The amortization expense for intangible assets is recorded in the consolidated income statement in the expense category consistent with the use of the intangible asset.

Software and industrial rights acquired from third parties or in a business combination primarily comprise software for the development of products, software integrated in products or software for other business purposes. Assets, that are accounted for within the software and copyright position, will be written off over an estimated useful life of 3 to 15 years.

Goodwill
Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the interest of the MAGIX Group in the fair values of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least once a year or whenever facts or changes in circumstances indicate that the carrying amount could be impaired. To determine whether or not the item is impaired, the goodwill acquired in a business combination must be allocated to a cash-generating unit. An impairment loss is recorded if the recoverable amount of the cash-generating unit is lower than its carrying amount.

Research and development expenses
Research costs are expensed in the period in which they are incurred. An intangible asset resulting from development in the course of an individual project is only recognized if the MAGIX Group can provide evidence of the technical feasibility of completing the intangible asset so that it will be available for internal use or for sale and of the intention to complete the intangible asset and to use or sell it. In addition, the Group must substantiate the creation of a future economic benefit by the asset, the availability of resources to complete the asset and the ability to determine reliably the expenses allocable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The amounts capitalized are amortized over the period of expected future sales revenue from the related project. The carrying amount of the capitalized development costs is reviewed for impairment annually when the asset is not yet in use, or when there is any indication during the reporting year that the carrying amount may not be recoverable.

Software development costs mainly include costs for 7 software platforms, as well as software products acquired in the course of company takeovers. The technical feasibility of these platforms can be substantiated by the successful sales in recent years. All software development costs are based on past sales experience and expected future sales revenues over an expected use life of 5 years.

Property, plant and equipment

Property, plant and equipment mainly includes computers, servers, office equipment, leasehold improvements and other fixtures.

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated systematic depreciation and accumulated impairments. These costs comprise the costs for replacement parts which are recognized at the time they are incurred, providing they meet the recognition criteria. Systematic straight-line depreciation is based on the estimated useful lives of the assets. For property, plant and equipment investments, the MAGIX Group applies use life of 3 to 14 years. The carrying amounts of property, plant and equipment are tested for impairment as soon as there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Tangible assets are derecognized upon disposal. The gain or loss on derecognition is determined as the difference between the net sales proceeds and the carrying amount, and is recognized as profit or loss in the period in which the item is derecognized.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Impairment of non-current assets

At each balance sheet date, the MAGIX Group assesses whether there is any indication that an asset may be impaired. If there is any indication of impairment or if an annual impairment test is required, the MAGIX Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. In order to estimate the value in use of the asset, estimated future cash flows are discounted to their net present value using a pre-tax discount rate which reflects current market expectations of the true value of money and the specific risks of the asset. Impairment losses attributable to continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

To determine whether or not the item is impaired, the goodwill acquired in a business combination must be allocated from the date of acquisition onwards to each of the cash-generating units of the MAGIX Group that are to benefit from the synergies of the combination. This is irrespective of whether other assets or liabilities of the Group have already been assigned to these units. The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill relates. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded.

The MAGIX Group determines the recoverable amount of its assets on the basis of cash-generating units which, with the exception of originally acquired business operations of MAGIX Development GmbH, m2any GmbH and Xara Group Ltd., correspond to the segments.

There were no indications of impairment for the cash-generating units. On September 30, 2009, an impairment test has been conducted based on liquidity surpluses of cash-generating units that make up the company's goodwill and cash-generating units with significant immaterial assets.

Growth rates of between 0.5% and 1.5% and discount rates of between 10% and 12% after taxes (between 12% and 14% before taxes) were used to calculate liquidity surpluses resulting from the plans (3-year detail planning period) approved by the Supervisory Board of MAGIX AG. Sensitivity considerations showed that even increasing the discount rates used by 1 and 2 percentage points would not lead to indications of impairment.

Financial assets

Financial assets as defined by IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, held-to-maturity investments, or as available-for-sale financial assets. Initial recognition of financial assets is at fair value. The MAGIX Group decides on classification of its financial assets upon initial recognition and reviews allocation at the end of each fiscal year if permissible and appropriate.

As of September 30, 2009 and September 30, 2008 all financial investments recognized in the consolidated financial statements of the MAGIX Group are classified as loans and receivables (reported as other assets with a current and non-current portion) and as financial assets held to maturity (reported as other financial assets with a current and non-current portion held until final maturity) as well as available-for-sale financial assets (reported as assets classified as ready for divestiture).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. These assets are measured at amortized cost using the effective interest method. A gain or loss is recognized in the net profit or loss for the period when the loans and receivables are derecognized or written down as well as through the amortization process.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as financial assets held to maturity if there is also an intention to hold the corresponding instruments to maturity. Financial assets held to maturity are measured at amortized cost using the effective interest method. Gains and losses are recorded with an effect on income.

Financial assets available for divestiture are non-derivative financial assets that are classified as available-for-sale and not as loans and receivables, held-to-maturity investments, or financial assets measured at fair value through profit or loss. Following a first-time valuation the financial ready-for-sale assets are valuated at fair value. Unrealized earnings or losses will be reported directly in equity. If such financial assets are derecognized or devalued, the earnings or losses reported in equity will be successfully reported.

The fair value of financial assets that are floated on organized markets is determined by the market price noted on the balance sheet cut-off date. The fair value of the financial assets, for which no active market exists, is determined using valuation methods. Valuation methods include using the latest business transactions between arbitrators, business partners seeking to enter into a contract and independent business partners, comparison of the fair value of another, in principle identical financial instrument, analysis of discounted cash flow and the use of other valuation methods.

The MAGIX Group tests financial assets for impairment at every balance sheet date. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (with the exception of future credit defaults) discounted at the original effective interest rate of the financial asset (i.e. the interest rate determined upon initial recognition). The carrying amount of the asset is reduced either directly or by using an allowance account. The amount of the loss is recognized in profit or loss. First, the MAGIX Group determines whether objective evidence exists for impairment of financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Cash and cash equivalents

The cash and cash equivalents in the group balance include bank deposit, cash holdings and demand deposits with a duration of less than 3 months. The cash and cash equivalents in the consolidated cash flow statement are classified using the above definition.

Trade accounts receivable

Trade receivables, which generally have 30-90 day terms, are recognized at the original invoice amount, less an allowance for any uncollectible amounts. A bad debt allowance is recognized if there is material objective evidence that the MAGIX Group will not be able to collect the receivables. Receivables are derecognized as soon as they become uncollectible.

Inventories

Inventories are valuated at the lower value of acquisition and manufacturing cost and net realizable value. Costs incurred in bringing inventories to their current location and condition are – with the exception of borrowing costs – recorded at weighted averages (purchase price of commissioned and uncommissioned finished goods and raw materials). Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Treasury shares

If the MAGIX Groups acquires treasury shares, these are deducted from equity at cost. The purchase, sale, issue or redemption of treasury shares is posted to equity. Treasury shares are reported in a separate item under equity.

Provisions

Provisions are recognized when the MAGIX Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Financial liabilities / interest-bearing loans and other liabilities

Financial liabilities reported in the consolidated balance sheet of the MAGIX Group mostly comprise interest-bearing loans and other liabilities. The initial recognition of a loan is at cost, which corresponds to the fair value of the consideration given after deducting any transaction costs needed to take out the loan. After initial recognition, all interest-bearing loans are measured at amortized cost using the effective interest rate method. A gain or loss is recognized in the net profit or loss for the period when the liabilities are derecognized or through the amortization process. Financial liabilities are derecognized when the liabilities have been settled, cancelled, or have expired.

Leases

Whether an arrangement is or contains a lease is determined on the basis of the substance of the arrangement and requires an estimate of whether performance of the contractual arrangement is dependent on the use of a certain asset or certain assets and whether a right to use the asset is granted under the arrangement.

Finance leases under which all the risks and rewards incidental to ownership of the transferred asset are substantially transferred to the MAGIX Group are recognized at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the lease. Lease payments are divided into the components finance costs and repayment of the lease liability in such a way that the residual carrying amount of the lease liability is subject to a constant interest rate. Finance costs are recognized immediately with an effect on profit or loss. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the capitalized asset is depreciated over the shorter of the lease term or its useful life.

Lease payments on operating leases are recorded as an expense in the income statement on a straight-line basis over the term of the lease.

No finance leases are recorded in the consolidated financial statements of the MAGIX Group.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the MAGIX Group and the amount of revenue can be measured reliably. In addition, the following conditions must be satisfied in order for revenue to be recognized:

Sale of products
Revenue is recognized when the MAGIX Group delivers its products to an end customer or alternatively – depending on the IncoTerms – when the products are handed over to the freight forwarder, and it is likely that the revenue will be collected. For products delivered to retail partners, the delivery mainly depends on the terms and conditions agreed with the freight forwarders. In the case of products delivered to OEM partners (Original Equipment Manufacturer), the delivery either depends on the information from the OEM partner that the delivery has been made, either to it or to other resellers, or on release by the end customer. The MAGIX Group nets amounts for returns with product sales with retail partners if a return is likely.

Rendering of services
Sales revenue from services is recognized when the corresponding services have been provided and the amount of revenue is measurable and collection of the corresponding receivables is probable. If services are provided over agreed periods, revenue recognition is spread evenly over this period.

License revenue
The MAGIX Group realizes its sales revenue based on the corresponding contract as soon as the license has been delivered, the sale price is fixed or can be determined, there are no significant obligations to customers and collection of the receivables is considered probable.

Interest income
Revenue is recognized as interest accrues (using the effective interest method, i.e. the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument) to the net carrying amount of the financial asset.

Share-based payments

Starting from the 2005/2006 fiscal year, MAGIX Group employees receive share-based remuneration in the form of share options. The share option program is basically an option plan, which is fulfilled with equity instruments. The management board of the MAGIX Group can also use the option plan to fulfill the stock option plan using treasury shares and/or cash.

The costs incurred from the issue of stock options are measured by reference to the fair value of the stock options granted at the grant date. The fair value has been calculated using generally accepted option pricing models. The costs of issuing stock options are recognized, together with a corresponding increase in equity (capital reserve), over the period in which the performance conditions are fulfilled (vesting period). This period ends on the date of the first exercise possibility, i.e. when the entitlement of the employee in question becomes vested. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The amount charged or credited to the income statement reflects the development of the accumulated expenses recognized at the beginning and the end of the reporting period.

No expense is recognized for remuneration rights that cannot be exercised.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense that would have been incurred if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, this is treated as if it had been exercised on the date of cancellation. The expense not recognized so far is immediately recognized. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the grant date, the cancelled and new awards are treated as if they were a modification of the original award.

The dilutive effect of the outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 14), provided that the issue of the options and the underlying conditions result in an imputed dilution for the existing shareholders.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When grants relate to an expense item, they are recognized as income over the period necessary to systematically match grants to the costs that they are intended to compensate. Where a grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the asset in equal annual installments. In fiscal 2008/2009, the MAGIX Group received investment subsidies and grants amounting to kEUR 127 (prior year: kEUR 667). The investment subsidies are tied to conditions for subsidized non-current assets, and the Management Board of the MAGIX Group assumes that these conditions will be met. Grants involve cost allowances, which are reported as earnings during the period in which the expenditures took place in a timely manner.

Taxes

Current tax assets and liabilities
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred taxes
Deferred taxes are recognized using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the tax base as of the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. The following exceptions apply:

- No deferred tax liabilities may be recognized from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- No deferred tax liabilities may be recognized for taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. The following exceptions apply:

- No deferred tax assets may be recognized from deductible temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- Deferred tax assets may only be recognized for taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized, even partially. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled. Tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date are used to do so. Income taxes relating to items posted directly to equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and if they relate to income taxes levied by the same taxation authority on the same taxable entity.

3. Company acquisitions

Company acquisitions in fiscal year 2008/2009

No company acquisitions were made in fiscal year 2008/2009. MAGIX Online Services GmbH, with headquarters in Berlin was founded on January 27, 2009. It unites all key online services offered by the MAGIX Group.

Company acquisitions in fiscal year 2007/2008

No company acquisitions were made in fiscal year 2007/2008.

4. Segment reporting

To properly reflect the varying risk structure within the MAGIX Group when assessing earnings, the management separates the new section (venture segment) from the core business, what has been operated for years (multimedia segment).

The venture segment generates its revenues from the Online Services, Xara graphic and web design products and marketing of mufin music recognition and music recommendation technology. With Online Services and Xara products, the Group receives revenue primarily in the still young online business. For the MAGIX Group, Xara products offer an opportunity to build up distribution of web and graphics design software via specialized retailers. For the music recognition and recommendation technology mufin, the biggest potential lies in market entry with new large customers like manufacturers of mobile telephones and mp3 players.

The multimedia segment includes all other software products that serve to create, edit, present and manage music, photo and video. The inner revenues result from delivery and service relationships between the multimedia and ventures segments. They are offset according to conditions usual for the market.

The management measures the success of each segment based on earnings before interest and taxes and makes resource allocation decisions within the MAGIX Group based on these results. The reconciliation report helps transfer segment earnings via Group EBIT to the consolidated net income. This report features expenditures and earnings that are not assigned to any operative segment because they are controlled by the overall group. On the one hand, these are EBIT-effective expenditures for the Management Board, Supervisory Board and Investor Relations, and on the other, income and earnings taxes.

MAGIX Group	Multimedia		Ventures		Reconciliation statement		MAGIX Group	
Segment information (kEUR)	**2008/2009**	**2007/2008**	**2008/2009**	**2007/2008**	**2008/2009**	**2007/2008**	**2008/2009**	**2007/2008**
External sale revenues	31,035	29,583	3,745	2,533			34,780	32,116
Internal sale revenues	231	175	387	204			618	379
Sales revenue	31,266	29,758	4,132	2,737			35,398	32,495
Gross margin of the outer sale revenues	**25,338**	**25,279**	**3,169**	**2,310**			**28,507**	**27,589**
Segment result (EBIT)	**6,098**	**5,446**	**-1,607**	**-2,171**	**-1,432**	**-1,180**	**3,059**	**2,095**
Financial result	0	0	0	0	672	1,052	672	1,052
EBT	**6,098**	**5,446**	**-1,607**	**-2,171**	**-760**	**-128**	**3,731**	**3,147**
Taxes	0	0	0	0	-1,573	-1,130	-1,573	-1,130
Net income	**6,098**	**5,446**	**-1,607**	**-2,171**	**-2,333**	**-1,258**	**2,158**	**2,017**
Segment assets	19,572	20,274	7,916	8,691	27,449	26,098	54,937	55,063
includes intangible assets	7,197	7,029	6,439	7,004	0	0	13,636	14,033

Segment assets represent the necessary operating assets of a segment without including tax receivables. This includes company and business values assigned to each segment asset. Due to concentrated liquidity equalization (cash pooling), the financial assets are not assigned to operative segments, but are reported in the reconciliation statement.

Customers

The MAGIX Group has an extensive and diversified customer base (retail partners, OEM partners, end customers). MAGIX draws up different contract conditions with the customers that belong to one company group, and in the fiscal years ending on September 30, 2009 and on September 30, 2008, none of them resulted in more than 10% of the total revenue.

Geographical segments

Revenue and assets of the MAGIX Group were distributed into the following geographical segments during the period covered in the report and in the previous year:

MAGIX Group	USA		Rest of World		Group	
Amount in kEUR	**2008/2009**	**2007/2008**	**2008/2009**	**2007/2008**	**2008/2009**	**2007/2008**
Segment earnings	3,339	3,241	31,441	28,875	34,780	32,116
Segment assets	784	792	54,153	54,271	54,937	55,063

5. Notes to the Consolidated Balance Sheet

(1) Non-current assets

The development of individual intangible assets and property, plant and equipment items is shown in the following table (all figures in kEUR):

	Cost of acquisition and sales					Cumulative amortization					Carrying amount	
	Oct 1, 2007	Additions	Disposals	Currency trans-lation	Sep 30, 2008	Oct 1, 2007	Additions	Disposals	Currency trans-lation	Sep 30, 2008	Sep 30, 2008	Oct 1, 2007
I. Intangible assets												
1. Software and industrial rights	8,338	612	0	0	8,950	3,969	747	0	0	4,716	4,234	4,369
2. Goodwill	2,116	0	0	0	2,116	0	0	0	0	0	2,116	2,116
3. Customer base	1,437	0	0	0	1,437	96	172	0	0	268	1,169	1,341
4. Software development costs	10,766	2,475	0	0	13,241	4,797	1,930	0	0	6,727	6,514	5,969
Total	**22,657**	**3,087**	**0**	**0**	**25,744**	**8,862**	**2,849**	**0**	**0**	**11,711**	**14,033**	**13,795**
II. Property, plant and equipment												
1. Leasehold improvements	334	2	0	0	336	64	37	0	0	101	235	270
2. Office equipment	135	6	0	0	141	78	13	0	0	91	50	57
3. Other fixtures	3,453	407	-43	0	3,817	2,106	560	25	3	2,644	1,173	1,347
Total	**3,922**	**415**	**-43**	**0**	**4,294**	**2,248**	**610**	**25**	**3**	**2,836**	**1,458**	**1,674**

	Cost of acquisition and sales					Cumulative amortization					Carrying amount	
	Oct 1, 2008	Additions	Disposals	Currency trans-lation	Sep 30, 2009	Oct 1, 2008	Additions	Disposals	Currency trans-lation	Sep 30, 2009	Sep 30, 2009	Oct 1, 2008
I. Intangible assets												
1. Software and industrial rights	8,950	286	0	0	9,236	4,716	890	0	1	5,607	3,628	4,234
2. Goodwill	2,116	0	0	0	2,116	0	0	0	0	0	2,116	2,116
3. Customer base	1,437	0	0	0	1,437	268	144	0	0	412	1,026	1,169
4. Software development costs	13,241	2,363	0	0	15,604	6,727	2,011	0	0	8,738	6,866	6,514
Total	**25,744**	**2,649**	**0**	**0**	**28,393**	**11,711**	**3,045**	**0**	**1**	**14,757**	**13,636**	**14,033**
II. Property, plant and equipment												
1. Leasehold improvements	336	0	0	0	336	101	36	0	0	137	199	235
2. Office equipment	141	1	0	0	142	91	10	0	0	101	41	50
3. Other fixtures	3,817	223	8	0	4,032	2,644	466	0	-4	3,106	926	1,173
Total	**4,294**	**224**	**8**	**0**	**4,510**	**2,836**	**512**	**0**	**-4**	**3,344**	**1,166**	**1,458**

(2) Inventories

	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Raw materials	1,411	895
Finished goods	741	734
Valuation allowance on finished goods	-696	-190
	1,456	**1,439**

(3) Trade receivables

	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Due within one year, gross	11,390	12,037
Individual and general value adjustments	-794	-863
	10,596	**11,174**

The Company concluded a credit insurance agreement that secures bad debts by up to 90% for named customers and by up to 90% for customers not named individually, provided that the receivables are recognized by the customers.

On September 30, 2009 receivables from goods and services were impaired in value by kEUR 794 (2008: kEUR 863). The value adjustment account developed itself as follows:

On September 30, 2009, the age distribution of the receivables from goods and services was as follows:

	Individual valuation kEUR	Portfolio-based valuation kEUR	Total kEUR
As of Sep 30, 2008	793	70	863
Allowed expense allocation	290	65	355
Utilization	-371	-53	-424
As of Sep 30, 2009	**712**	**82**	**794**

On September 30, 2009, the age distribution of the receivables from goods and services was as follows:

	Total kEUR	Neither past due nor impaired kEUR	Past due, but not impaired < 30 days kEUR	30-60 days kEUR	60-90 days kEUR	90-120 days kEUR	> 120 days kEUR
2008	12,037	9,797	247	380	280	109	361
2009	11,390	9,100	419	94	297	426	260

Receivables in USD from the USA subsidiary comprise kEUR 544 (kEUR 636 in the previous year). An equity fall of kEUR 30 (kEUR 35 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% higher. An equity rise of kEUR 23 (kEUR 27 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% lower.

USD funds comprise kEUR 0 (kEUR 1,617 in the previous year) of all funds. An equity fall of kEUR 0 (kEUR 52 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% higher. An equity rise of kEUR 0 (kEUR 56 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% lower.

(4) Other financial assets

Other financial assets are Commerzbank AG savings accounts, deposited with a surety.

(5) Financial assets, which are allocated for divesture

As of September 30, 2009, no financial assets allocated for divesture were held.

In the previous year, financial assets allocated for divesture were DWS mixed funds. The funds buy forward and sell shares at the same time. Buy-forward transactions are made only via Deutsche Bank. Deutsche Bank has deposited 90% in cash according to the UCTIS regulations. These are labeled as available-for-sale and valued with corresponding fair value (market value). Value changed are reported independent of their success in equity.

(6) Cash and cash equivalents

	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Bank balances	2,159	1,626
Short-term deposits (fixed-term deposits)	24,583	13,948
Cash on hand	7	10
	26,749	**15,584**

Bank balances earn interest at the variable rates for on-demand deposits. Short-term deposits are made for different periods ranging from one day to three months, depending on the respective liquidity requirements of the Group in the 2008/2009 financial year. These are subject to interest at the respective interest rates applicable for short-term deposits.

(7) Equity

The share capital of MAGIX AG amounted to kEUR 12,662 on September 30, 2009 and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share.

IPO in April 2006
By resolution dated March 22, 2006 the shareholders' meeting of MAGIX AG authorized the Management Board to increase the issued capital of the Company by EUR 1,350,000 by issuing 1,350,000 new nominal registered shares with an imputed share in the issued capital of EUR 1.00 per share for a cash deposit, excluding any right to recourse to the courts of law by the old shareholders.

The capital increase has been recorded in the commercial register after the cash deposit in connection with MAGIX AG's IPO on April 5, 2006. In the course of the public offering with the issuing price of EUR 16.40 per share, a premium of EUR 15.40 per share was dropped, kEUR 20,790 in total. The premium was assigned to the capital reserve. Costs of kEUR 1,531 were incurred as a direct result of the IPO (after taking tax effects of kEUR 941 into account) that were offset against the premium.

Authorized capital
By resolution dated March 22, 2006, the shareholders' meeting of the Company authorized the Management Board to increase the issued capital of the Company in the period up until March 22, 2011, once or several times, subject to approval of the Supervisory Board, in return for cash contributions or contributions in kind by up to EUR 6,331,019.00 in total by issuing new registered shares. This authorization takes effect upon filing in the commercial register. Once the entry is made in the commercial register, the Management Board is also authorized, subject to the approval of the Supervisory Board, to decide to preclude the statutory subscription rights of the shareholders. An exclusion of subscription rights for options is permitted only

- to offset fractional amounts,
- if the issue price of the new share is not substantially below the stock exchange price and the shares issued under preclusion of the subscription right pursuant to Sec. 186 (3) AktG ["Aktiengesetz": German Stock Corporation Act] do not exceed a total of 10% of the issued capital,
- to issue shares to persons that are employed by the Company or one of its affiliated entities, and
- to obtain contributions in kind, in particular in the form of equity investments, entities or parts of entities.

The Management Board was also authorized at the shareholders' meeting to determine the further content of the share rights and the conditions of share issue with the approval of the Supervisory Board.

Conditional capital
A resolution was passed at the shareholders' meeting on January 19, 2006 to increase the issued capital of the company conditionally by up to EUR 700,000.00 by the issue of new shares, namely by the issue of up to 700,000 new shares. The conditional capital increase serves solely to grant up to 700,000 subscription rights (stock options) to members of the Management Board of the company and to employees of the company as well as to managing directors and employees of group entities pursuant to the authorization for the "stock option plan 2006" which was passed at the shareholders' meeting on January 19, 2006. 392,500 share options were issued up until the cut-off date of the annual report, with 76,000 relating to the 2006/2007 fiscal year. Of this figure, 102,000 stock options subsequently lapsed due to employees leaving the company. As a result, there are currently 290,500 outstanding options.

Share buyback
The shareholders' meeting on March 12, 2008 authorized the Company to purchase shares in MAGIX AG subject to the approval of the Supervisory Board. The authorization dated March 23, 2007, as long as it has not yet been implemented, was revoked and replaced with the authorization dated March 12, 2008. Authorization applies to the acquisition of Company shares limited to a calculated amount of ordinary share capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing ordinary share capital of EUR 12,662,038.00 at the time of authorization. Authorization can be exercised fully or partially, once or several times. The authorization expires on August 31, 2009.

The purchase is made via the stock exchange or using a public repurchase bid.

The shareholders' meeting on March 12, 2008 also authorized the Management Board to sell the treasury shares back again via the stock exchange, subject to the approval of the Supervisory Board. The shares can also be redeemed, used for the stock option plan or as acquisition currency.

Two shareholders have legally challenged the decision of the shareholders' meeting to allow purchase and use of own shares as well as the exclusion of purchase rights in front of the Berlin District Court. An additional shareholder has joined the legal challenge on the side of MAGIX AG as an intervener. Following verbal negotiations on July 30, 2008, the legal challenges have been dismissed and the intervention refused. One claimant has appealed against the decision of the district court. According to a notice by the superior court of justice, the appellant has withdrawn the claim. The additional intervener has objected infraction of the due legal process and raised an immediate complaint against the dismissal of the intervention.

During the reporting period, the company took advantage of its authorization to purchase own shares. In November 2008 the company acquired 444,252 MAGIX shares at a price of EUR 1.95 per share by means of a public buyback offer. The auxiliary costs for this transaction amounted to kEUR 28. Furthermore, 657,739 additional shares were purchased at a price of EUR 2.74 per share by means of a public buyback offer in February 2009. The auxiliary costs for this transaction amounted to kEUR 27.

In June 2009 the company took advantage of the authorization granted by the shareholders' meeting on March 12, 2008 to retire own shares.

1,101,991 own registered shares were retired by simplified form according to § 71, sub-section 1, no. 8 sentence 6 AktG [German Stock Corporation Act]. The retirement came into effect on June 16, 2009 and was carried out subsequent to § 237, Sec. 3, no. 3 of the German Stock Corporation Act (AktG) without reducing the share capital, i.e. the retirement results in an increase of the portion of the other shares in the share capital subsequent to § 8 Sec. 3 AktG. After the retirement the issued capital of the company amounts EUR 12,662,038.00, and is divided into 10,432,909 common shares without nominal value (no-par-value shares).

Effective June 16, 2009 the availability of the share capital, ISIN DE 0007220782, on the regulated market of the Frankfurt stock exchange and in the sub-section of the regulated market with additional requirements (Prime Standard) has been adjusted accordingly.

The shareholders' meeting on March 4, 2009 authorized the Company to purchase shares in MAGIX AG. At the same time, the authorization of March 12, 2008, as far as it has not yet been used, was revoked and replaced with the coming into effect of the new authorization. The new authorization applies to the acquisition of Company shares limited to a calculated amount of ordinary share capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing ordinary share capital of EUR 12,662,038.00 at the time of the authorization. It can be exercised fully or partially, once or several times. The authorization is valid until August 31, 2010. The acquisition may not be executed as a means of trading in own shares. At no time shall it be permitted that the acquired shares together with other shares in the company's ownership or that can be allocated to it according to Art. 71a et sqq. of the German Stock Corporation Act amount to more than 10% of the issued capital. The acquisition will be made via the stock market or by way of a public buyback offer.

The shareholders' meeting on March 4, 2009 also authorized the Management Board to sell its own shares again via the stock exchange due to a sell offer directed to its shareholders, subject to the approval of the Supervisory Board. Moreover, subject to approval by the Supervisory Board, the Management Board may to use own shares in ways other than via the stock exchange or public offer to all shareholders,

- as a service in return to third parties within the context of a merger or acquisition of a company, company parts or company stakes excluding any right to recourse to the courts of law by the shareholders, or
- to offer them to third parties, in case the selling price is not much lower than the stock exchange price, and the number of shares sold in this manner, together with the number of other shares which are sold or exchanged or issued in the context of stock options, conversion privileges and conversion bonds during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporations Act, does not overstep 10% of the share capital. Definitive is the share capital at the time of the authorization resolution by the Shareholders' Meeting or the share capital at the time of the exertion of the present authorization, if this number is lower.

The Management Board has also been authorized by the Shareholders' Meeting on March 4, 2009 to redeem the shares completely or partially without the redemption or its execution requiring any additional resolution of the General Shareholders' Meeting. The redemption is to be carried out in such a way that the ordinary share capital does not change, but rather, through cancellation, increases the proportion of the remaining ordinary share stock in accordance with Art. 8, Sec. 3 German Stock Corporation Act [Aktiengesetz (AktG)] (Art. 237, Sec. 3, No. 3, AktG). In this case, the Management Board is authorized to change the specified amount of shares in the terms of reference depending on the scope of the redemption.

The above-mentioned authorizations of sales via the stock market or outside the stock market can be exercised once or several times, wholly or partially, individually or collectively. Authorizations, with the exception of authorization to redeem own shares, may also be exercised through third parties to be credited to the company. The Management Board will inform the General Shareholders' Meeting on the reasons and purpose of acquiring its own shares, on the number of acquired shares and on the ordinary share capital amount allocated to them as well as on the nominal value that was paid for the shares.

(8) Provisions

Provisions relate to obligations to pay royalties for software from third parties that is used in products of the MAGIX Group. Provisions for royalties payable are based on the sales revenue recognized by the MAGIX Group. One license holder has raised claims to royalties for past license periods although the legal basis is disputed and has not been resolved in full to date. If the license holder in question succeeds with the claims, the provision will be partly utilized to settle them.

The provision for bonuses/vouchers is set up on the basis of the estimated annual performance of individual sales partners as well as the estimated sale of vouchers to end customers.

The provisions for legal counsel relate to financial risks from litigation as well as the related legal advice.

The provisions contain current portions only.

The table below shows the development of the provisions:

	Sep 30, 2008 kEUR	Utilization kEUR	Addition kEUR	Sep 30, 2009 kEUR
Royalties	3,582	-182	287	3,687
Bonuses / vouchers	673	-673	861	861
Legal counsel	36	-36	10	10
	4,291	**-891**	**1,158**	**4,558**

6. Notes to the Consolidated Income Statement

(9) Sales revenue

	2008/2009 kEUR	2007/2008 kEUR
Product deliveries	33,665	31,623
Services and licenses	1,115	493
	34,780	**32,116**

(10) Cost of sales

	2008/2009 kEUR	2007/2008 kEUR
Raw materials	4,197	3,033
Royalties and other	2,076	1,494
	6,273	**4,527**

(11) Operating expenses

	2008/2009 kEUR	2007/2008 kEUR
Selling and distribution costs		
Personnel expenses	4,656	4,688
Marketing expenses	3,094	3,806
Write-downs	864	686
Other expenses	3,526	3,565
	12,140	**12,745**
Administrative expenses		
Personnel expenses	2,450	2,046
Write-downs	269	167
Other operating costs	57	623
Other expenses	1,867	1,383
	4,643	**4,219**
Research and development expenses		
Personnel expenses	5,030	4,790
Write-downs	2,424	2,606
Other expenses	1,974	1,630
	9,428	**9,026**
	26,211	**25,990**

Personnel expenses for the 2008/2009 fiscal year totaled kEUR 12,136 (kEUR 11,524 for the 2007/2008 fiscal year). Depreciations, amortizations and write-downs for the 2008/2009 fiscal year totaled kEUR 3,557 (kEUR 3,459 for the 2007/2008 fiscal year).

(12) Other income/other expenses

	2008/2009 kEUR	2007/2008 kEUR
Exchange gains	1,585	572
Exchange losses	-1,472	-870
Insurance indemnification payments	173	41
Other	477	753
	763	**496**

(13) Taxes on income and deferred taxes

The income tax expense can be broken down by source as follows:

Consolidated Income Statement	**2008/2009** kEUR	**2007/2008** kEUR
Current income tax expense	-1,485	-1,404
Tax rebates for previous years	0	68
Deferred income taxes	-88	206
thereof from timing differences	282	-74
thereof from unused tax losses	-370	280
Income tax expenditure recorded in the consolidated income statement	**-1,573**	**-1,130**

Consolidated statement of change in shareholders' equity	**2008/2009** kEUR	**2007/2008** kEUR
Deferred income taxes from positions reported in equity.		
Unrealized profit from divesture of available assets	22	-22
Income tax expenditure reported in equity	**22**	**-22**

Theoretical income tax expense, based on earnings before taxes of kEUR 3,731 (previous year: kEUR 3,147) can be consolidated with the recorded income tax expense using the tax rate of 29.2% (including 15.0% corporate taxes, 0.8% solidarity tax addition to the corporate tax and an effective business tax of 13.4%)

	2008/2009 kEUR	2007/2008 kEUR
Net income before income tax	3,731	3,147
Average tax rate	29.2%	29.2%
Theoretical income tax expense	-1,089	-919
Tax rebates for previous years	0	68
Write-offs to capitalized tax carry forwards	-370	0
Non-capitalized tax losses of the fiscal year	-194	-371
Other	80	92
Income tax expense	**-1,573**	**-1,130**

Deferred tax assets and deferred tax liabilities from timing differences between the carrying amounts in the consolidated financial statements and the tax base of individual assets and liabilities relate to the following issues:

	2008/2009 kEUR	Consolidated income statement kEUR	Shareholders' equity kEUR	2007/2008 kEUR
Active deferred taxes				
Accumulated carry forward	0	-370	0	370
Timing differences between entries				
- Elimination of intercompany profits	246	20	0	226
	246	**-350**	**0**	**596**
Deferred tax liabilities				
Timing differences between entries				
Intangible assets in connection with company acquisition	-882	134	0	-1,016
Exchange differences	-187	118	0	-305
Valuation allowances on loans to affiliated entities	-104	0	0	-104
Revaluation of the available-for-sale assets fair values	0	0	22	-22
Other	0	10	0	-10
	-1,173	**262**	**22**	**-1,457**
Total deferred tax liability, net	**-927**	**-88**	**22**	**-861**

Deferred tax assets are written down if realization is not probable. On September 30, 2009, the holding company had no carryforward taxes. Tax gains from loss carry-forwards of the mufin GmbH (formerly m2any GmbH) (kEUR 370) capitalized in the previous years were value-adjusted based on the tax planning of this subsidiary. As of September 30, 2009, loss carry-forwards of the MAGIX Group make up kEUR 4,372 (previous year: kEUR 3,708).

(14) Earnings per share

For the calculation of basic earnings per share, the net income attributable to the ordinary shares of the parent is divided by the weighted average number of ordinary shares outstanding.

When calculating diluted earnings per share, the net profit for the year attributable to the ordinary shares of the parent is divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued after converting all rights to ordinary shares with a dilutive effect on ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008/2009 kEUR	2007/2008 kEUR
Net profit attributable to ordinary equity holders of the parent	2,158	2,017
Weighted average number of ordinary shares for basic earnings per share	10,760	11,535
Effect of dilution:		
Stock options	0	0
Weighted average number of ordinary shares adjusted for the dilution effect	10,760	11,535
Earnings per share (basic and diluted) in EUR/share	**0.20**	**0.17**

On October 2, 2007 the Group acquired 1.1 million MAGIX shares at a price of EUR 5.5 million by means of a public buyback offer. The shares were retired effective April 9, 2008 without changes to the share capital.

In the 2008/2009 fiscal year, the Group bought a total of 1,101,991 own shares through two public buy-back offerings: On November 19, 2008, 444,252 own shares were bought back at a price of EUR 1.95 per share, with auxiliary transaction costs totaling kEUR 28. On February 25, 2009 the company acquired 657,739 own shares at a price of EUR 2.74 per share. The auxiliary costs of this transaction were kEUR 27. The 1,101,991 shares held in the meantime were retired effective June 16, 2009 without changes to the share capital.

7. Other Notes

Share-based payments

The stock option plan created in 2005/2006 envisions a total of 700,000 options granted to 4 groups of MAGIX Group's employees with the following conditions:

The subscription rights will be issued in annual tranches within a period of four years from the date of entering the conditional capital in the commercial register. The first tranche cannot exceed 50% of the total volume and the remaining tranches cannot exceed 30% of the total volume.

The shareholders' meeting on March 23, 2007 reviewed the periods in which subscription rights can be granted. Accordingly, the individual tranches of the subscription rights can now be issued not only within a period of two months from the date of the Company's shareholders' meeting but also within two weeks of the date of publication of a quarterly or annual report.

In addition, the shareholders' meeting clarified that subscription rights already issued that can no longer be exercised pursuant to Sec. 9 of the option conditions by the respective holders or – in the case of death of a holder – by those authorized to exercise the right, e.g. because the term has expired pursuant to Sec. 4 No. 2, due to non-exercise within the periods set out in Sec. 9 or after a legally valid waiver by the holder of the subscription rights granted, are reallocated to the total volume.

As far as the subscription rights are concerned
- one third can be exercised at the earliest after two years,
- a further third can be exercised at the earliest after three years, and
- the rest can only be exercised after four years

from the date of issue of the respective tranche.

Subscription rights can be exercised within three years of the end of the vesting period and lapse at the end of the corresponding period.

Stock option can be exercised within 10 stock exchange days after a scheduled shareholders' meeting of the Company or publication of a report of the Company describing the state of business in the second of third quarter of a fiscal year.

The subscription rights can only be exercised if the average closing rate of the Company's share in electronic trading on the Frankfurt Stock Exchange during the twenty trading days preceding the respective exercise period has risen by an average of at least 0.8% per full month on the subscription price since the subscription rights were issued until the beginning of the exercise period.

To the extent that the shares are purchased by exercising subscription rights that were issued prior to the date of first-time listing of the Company's shares on a stock exchange or within a period of one month from this date, the subscription price payable by the holders for the acquisition of the shares corresponds to the placement price set in the course of the first-time listing (EUR 16.40), or otherwise to the average closing rate of the Company's share in electronic trading on the Frankfurt Stock Exchange during the ten trading days preceding the issue date of the subscription right.

The shares purchased after the options are exercised have full voting rights and dividend entitlements.

The Company is entitled to fulfill its obligations to create shares after exercising of the subscription rights either by issue of shares from the conditional capital created for this purpose, by sale of treasury shares or by payment of the difference per share between the subscription price and the average closing rate of the Company's shares in electronic trading on the Frankfurt Stock Exchange during the ten trading days preceding the exercise of the subscription right. If fulfillment takes the form of paying the difference, the holder is no longer obliged to pay the subscription price.

The management board of the Company currently assumes that the stock options will be fulfilled by issuing shares from the conditional capital and use will only be made of the option to pay a settlement in cash in cases where it is not legally possible to grant subscription rights (foreign entities of the MAGIX Group).

No stock options were issued in the course of the last fiscal year.

Of the total of 375,000 stock options issued up to September 30, 2007, 49,500 options have expired in the 2007/2008 fiscal year and 35,000 options have expired in 2008/2009, bringing the number of subscription rights on September 30, 2009 to 290,500 options.

The following parameters were used in the Black Scholes model to measure the options:

	Tranche 2007	Tranche 2006
Average share price (EUR/share)	8.40	13.40
Average strike price (EUR/option)	7.72	16.40
Expected volatility (% p.a.)	47.8%	35%
Expected life (years)	2.5 – 5.5 years	2.5 – 5.5 years
Risk-free interest rate (% p.a.)	4%	4%
Expected dividend (% p.a.)	0%	0%
Option value 1st tranche (Euro/option)	2.76	2.42
Option value 2nd tranche (Euro/option)	3.45	3.49
Option value 3rd tranche (Euro/option)	3.99	4.38

Expected volatility was determined using a comparison with a peer group of companies, as there was no historical information on the MAGIX Group. The expected life used in the model was adjusted by the management according to the best estimate in order to take into account the special aspects of employee options, in particular non-transferability, the restriction on exercise and the remuneration character.

The expense recorded for the stock option plan in the consolidated financial statements as of September 30, 2009 breaks down into the following tranches and option plans:

	2007 kEUR	2006 kEUR
1st tranche	27	9
2nd tranche	21	68
3rd tranche	18	62
	66	**139**
		205

The expense recorded for the stock option plan in the consolidated financial statements as of September 30, 2008 breaks down into the following tranches and option plans:

	2007 kEUR	2006 kEUR
1st tranche	27	75
2nd tranche	21	68
3rd tranche	18	62
	66	**205**
		271

Financial risks

Credit risks

The Company is exposed to the credit risks customary to the industry. Retail partners with a defined annual sales volume are hedged using credit insurance that contains different limitations in terms of the products to be delivered and outstanding invoices. The Company is not dependent on any other company or group of companies that is exposed to a large risk of counterparty default.

Interest rate risks

As the Company does not have any material financial liabilities, interest fluctuations do not result in any material risks.

Currency risk

The Company and its foreign subsidiaries are exposed to currency risks due to their international gearing. The MAGIX Group does not use financial instruments or derivatives to hedge against these risks.

Related party transactions

Transactions with individuals or entities that could influence or be influenced by the reporting entity must be disclosed if the corresponding transactions have not already been included via the separate financial statements included in the consolidated financial statements.

The following transactions were carried out with related parties of the MAGIX Group:

Management Board of MAGIX AG:

- Jürgen Jaron, Berlin (shareholder and Management Board member)
- Dieter Rein, Berlin (shareholder and Management Board member)
- Tilman Herberger, Dresden (shareholder and Management Board member)

Management Board members were also granted stock options as part of the newly reformed stock option plan. The attached value of the stock options reserved for members of the Management Board amounts to kEUR 55, and of that amount, kEUR 18 were reported as expenses in the 2008/2009 fiscal year.

Supervisory Board of MAGIX AG:

- Mr. Karl Heinz Achinger, business consultant, Munich (chairman of the Supervisory Board)
- Dr. Peter Coym, banker, Frankfurt/Main (deputy chairman of the Supervisory Board)
- Mr. Dierk Borchert, German public auditor and tax advisor, Frankfurt/Main (ordinary member of the Supervisory Board)

The current remuneration of the members of the Supervisory Board of the 2008/2009 fiscal year was kEUR 90 (previous year: kEUR 90). Supervisory Board members were not granted any stock options.

Mr. Karl Heinz Achinger is or was a member of the Supervisory Boards of the following companies:

- RWE Systems AG, Dortmund, Germany (gave up his post on October 22, 2008)
- teleson AG, Munich, Germany
- Bundeswehr Informationstechnologie GmbH (BWI), Meckenheim
- inverto AG, Cologne, Germany (gave up his post on August 25, 2009)

Dr. Peter Coym has been a member of the board of directors of State Street Corp., Boston, USA, since December 2006.

Mr. Dierk Borchert is not a member of any other Supervisory Boards.

The current remuneration of the members of the Management Board of the 2008/2009 fiscal year is:

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous Year
Fixed remuneration	167	169	114	450	444
Profit-based remuneration	258	258	188	704	441
Total	**425**	**427**	**302**	**1,154**	**885**

Other related persons and companies:

- Titus Tost, Dresden (shareholder)
- Erhard Rein, Rahden (shareholder)
- Future GmbH, Munich (100% owned by the shareholders Jürgen Jaron and Dieter Rein)
- Presto Capital Management GmbH & Co. KG, Berlin (100% owned by the shareholders Jürgen Jaron and Dieter Rein)
- MN Soft Corp. (100% owned by Michael Niermann, a MAGIX AG employee of Canadian business premises)
- Erso Media GmbH, Berlin (100% owned by the shareholder Erhard Rein)

The following table shows the revenues from and liabilities to related persons and companies:

	2008/2009 kEUR	2007/2008 kEUR
Sales revenue of Future GmbH with MAGIX AG	706	1,095
Revenues of MN Soft Corp. with MAGIX Computer Products International Corp.	1,309	919
Revenues of MAGIX AG with MN Soft Corp.	1,218	865
Sales revenue of erso Media GmbH with MAGIX AG	1,680	548
Sales revenue of MAGIX AG with erso Media GmbH	1,056	176
Revenues of Presto Capital Management GmbH & Co. KG with MAGIX AG	96	96

Liabilities to related parties and companies

	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
Liabilities to Future GmbH	72	121
Liabilities to erso Media GmbH	209	43

Future GmbH provides media services for MAGIX AG. Presto Capital Management GmbH & Co. KG leases the premises for the logistics center in Lübbecke to MAGIX AG. Erso Media GmbH provides media services and support services in the area of distribution.

Notes pursuant to Sec. 160 (1) No. 8 AktG

Notice pursuant to Sec. 26 (1), sentence 2 of WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from November 19, 2008

MAGIX AG, Berlin/Germany, announces in accordance with Article 26, Sec. 1, Sentence 2 WpHG, in its own name the following:

> On November 19, 2008 the holding of MAGIX AG in its own shares exceeded the threshold of 3%, and now measures 3.85% (444,252 voting rights).

Notice pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from December 17, 2008

In accordance with Art. 21 Sec. 1 WpHG, FiveT Capital AG, Zurich/Switzerland, in the name of the subsequently named companies, has informed us of the following:

> On December 12, 2008 the voting share in MAGIX AG held by FiveMore Fund Ltd., Grand Cayman/Cayman Islands fell below the threshold of 5 and 3 per cent and amounted to 1.08 per cent this day (125,000) voting rights.
> On December 12, 2008 the voting share in MAGIX AG held by FiveT Investment Management Limited, Grand Cayman/Cayman Islands fell below the threshold of 5 and 3 per cent and amounted to 1.08 per cent this day (125,000) voting rights. The share of the FiveMore Fund Ltd. shall be allocated to it in full according to Art. 22 Sec. 1, Sentence 1, no. 6 of the WpHG.

Notice pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from December 19, 2008

In accordance with Art. 21 Sec. 1 WpHG, the Axxion S.A., Luxemburg-Munsbach/Luxemburg has informed us in its own name of the following:

> On December 12, 2008 the voting share in MAGIX AG held by the Axxion S.A., Luxemburg-Munsbach/Luxemburg exceeded the threshold of 3 per cent and amounted to 3.59% per cent this day (413,831) voting rights.

Notice pursuant to Sec. 26 (1), sentence 2 of WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from February 25, 2009

MAGIX AG, Berlin/Germany, announces in accordance with Article 26, Sec. 1, Sentence 2 WpHG, in its own name the following:

> On February 25, 2009 the holding of MAGIX AG in its own shares exceeded the threshold of 5%, and now measures 9.55% (1,101,991 voting rights).

Notice pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from March 3, 2009

In accordance with Art. 21 Sec. 1 WpHG, the Axxion S.A., Luxemburg-Munsbach/Luxemburg has informed us in its own name of the following:

> On February 24, 2009 the voting share in MAGIX AG held by the Axxion S.A., Luxemburg-Munsbach/Luxemburg fell below the threshold of 3 per cent and amounted to 0.26% per cent this day (29,590 voting rights).

Notice pursuant to Sec. 25 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from June 18, 2009

MAGIX AG, Berlin/Germany, announces in accordance with Article 26, Sec. 1, Sentence 2 WpHG, in its own name the following:

On June 16, 2009 the holding of MAGIX AG (ISIN: 0007220782, WKN: 722078) in its own shares dropped below the threshold of 3% and 5%, and now measures 0% (corresponding to 0 voting rights).

Notice pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from September 29, 2009

Mn Services N.V., Rijswijk, the Netherlands, has informed us of the following in the name of the following companies in accordance to Art. 21 Sec. 1 WpHG:

1.) The voting share of the Stichting Pensioenfonds Metaal en Techniek, Rijswijk, the Netherlands, in MAGIX AG, Berlin, Germany, ISIN DE0007220782, has exceeded the thresholds of 3% and 5% on September 1, 2009 and comprised 7.31% (762,487 voting rights) on this day. Of that amount, 328,461 voting right, or 3.15% are credited to it according to section 22 Pp. 1 s. 1 No. 6 in connection to sentence 2 of the WpHG.

2.) On September 1, 2009 the voting share of Stichting Administratiekantoor Mn Services, Rijswijk, Netherlands, in the MAGIX AG, Berlin, Germany, ISIN DE0007220782, exceeded the thresholds of 3% and 5% and amounted to 7.31% (762,487 voting shares). The shares of Stichting Pensioenfonds Metaal en Techniek are credited to it in full according to section 22 Pp. 1 s. 1 No. 6 of the WpHG.

3.) On September 1, 2009 the voting share of Mn Services N.V., Rijswijk, Netherlands, in the MAGIX AG, Berlin, Germany, ISIN DE0007220782, exceeded the thresholds of 3% and 5% and amounted to 7.31% (762,487 voting shares). The shares of Stichting Administratiekantoor Mn Services are credited to it in full according to section 22 Pp. 1 s. 1 No. 6 of the WpHG.

Other financial obligations

Other financial obligations from rental and lease agreements mainly contain lease agreements for office equipment and various hardware and software components. Other financial obligations for the acquisi-tion of intangible assets from long-term cooperation agreements. The following payments will be due in future fiscal years:

	2009/2010 kEUR	2010/2011 kEUR	2011/2012 kEUR	2012/2013 kEUR	2013/2014 kEUR
Lease agreements	876	774	754	794	794
Leases	73	60	37	4	
	949	**834**	**791**	**798**	**794**

There are other financial obligations after the fiscal year 2012/2013 from rental agreements in Germany and Italy.

Employees

As of September 30, 2009 the group employed 303 employees (previous year: 307).

Corporate governance

In January 2010, MAGIX AG has filed a declaration of conformity according to Art. 161 of the German Stock Corporation Act. It is available to shareholders on the MAGIX AG homepage (www.magix.com) at all times under Investor Relations.

Auditor's fees

In the 2008/2009 fiscal year, the following fees were recorded for the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft:

- Annual audits: kEUR 72 (prior year: kEUR 72)
- Other confirmation services: kEUR 15 (prior year: kEUR 15)

Consolidated financial statements

The Company is publicly listed in the Prime Standard on the Frankfurt Stock Exchange (WKN 722078). The Company prepares consolidated financial statements in accordance with international accounting standards pursuant to Sec. 315a HGB. Additional disclosures on shareholdings are filed with the commercial register in a separate list.

Profit appropriation at MAGIX AG (separate financial statements under commercial law)

The management board proposes that the retained earnings of MAGIX AG of kEUR 7,021 be carried forward under commercial law.
Own shares bought in the course of the public buyback offer during the 2008/2009 fiscal year were paid for with the retained earnings.

Guarantee of the legal representatives:

We assure you to our best knowledge that the applied basic accounting principles of the consolidated financial statement create a picture of the Group's assets, finances and earnings which corresponds to the actual state of the company. The group management report reflects the course of business, including earnings and the Group's position in a way that reflects the actual situation and the main opportunities and risks of future development of the Group.

Berlin, January 4, 2010

Dieter Rein
Management Board

Jürgen Jaron
Management Board

Tilman Herberger
Management Board

Selected details from the Annual Report of MAGIX AG, Berlin

The following pages cover selected details from the audited Annual report of MAGIX AG as of September 30, 2009 according to HGB ["Handelsgesetzbuch": German Commercial Code] which have been awarded an unrestricted auditor's certificate. Further information can be found in the annual document: www.magix.com/en/uk/magix-ag/investor-relations/reportspublications/annual-document/

MAGIX AG owns shares in the following companies:

Company: **Catooh Corp.**
Registered office: Las Vegas (USA)
Share in capital: 100%
Equity: kUSD 102 as of September 30, 2009
Annual results: kUSD 64 profit as of September 30, 2009

Company: **MAGIX Computer Products International Corp.**
Registered office: Reno, Nevada (USA)
Share in capital: 100%
Equity: kUSD 561 as of September 30, 2009
Annual results: kUSD 455 profit as of September 30, 2009

Company: **MAGIX Development GmbH**
Registered office: Dresden (Germany)
Share in capital: 100%
Equity: kEUR 2,309 as of September 30, 2009
Annual results: kEUR 568 profit as of September 30, 2009

Company: **MAGIX Entertainment B.V.**
Registered office: Wormer (Netherlands)
Share in capital: 100%
Equity: kEUR -423 as of September 30, 2009
Annual results: kEUR 76 loss as of September 30, 2009

Company: **MAGIX Entertainment S.A.R.L.**
Registered office: Paris (France)
Share in capital: 100%
Equity: kEUR 362 as of September 30, 2009
Annual results: kEUR 16 profit as of September 30, 2009

Company: **MAGIX Entertainment S.R.L.**
Registered office: Bolzano (Italy)
Share in capital: 100%
Equity: kEUR 154 as of September 30, 2009
Annual results: kEUR 33 profit as of September 30, 2009

Company: **MAGIX Ltd.**
Registered office: Hampshire (UK)
Share in capital: 100%
Equity: kGBP -226 as of September 30, 2009
Annual result: kGBP 27 profit as of September 30, 2009

Company: **MAGIX Online Services GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 56 as of September 30, 2009
Annual results: kEUR 6 profit as of September 30, 2009

Company: **mufin GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 225 as of September 30, 2009
Annual results: kEUR 1,040 loss as of September 30, 2009

Company: **Xara Group Ltd.**
Registered office: Hampshire (UK)
Share in capital: 100%
Equity: kGBP -495 as of September 30, 2009
Annual results: kGBP 337 profit as of September 30, 2009

MAGIX AG, Berlin – Balance Sheet as of September 30, 2009

ASSETS	kEUR	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
A. NON-CURRENT ASSETS			
I. Intangible assets			
1. Concessions, industrial property rights and similar rights and values as well as licenses in such rights and values	7,530		6,128
2. Down payments made	807		1,939
		8,337	8,067
II. Fixed assets			
1. Leasehold improvements	194		230
2. Technical equipment and machinery	41		49
3. Other facilities, furniture and office equipment	773		963
		1,008	1,242
III. Financial assets			
1. Shares in affiliated companies	7,557		7,507
2. Loans to affiliated companies	1,763		1,800
		9,320	9,307
		18,665	**18,616**
B. CURRENT ASSETS			
I. Inventories			
Finished goods	1,438		1,432
		1,438	1,432
II. Receivables and other assets			
1. Trade accounts receivable	11,101		11,164
2. Receivables from affiliated companies	2,154		1,207
3. Other assets	202		868
		13,457	13,239
III. Cash position, cash at banks and cheques		27,034	25,703
		41,929	**40,374**
C. DEFERRED INCOME		**181**	**327**
		60,775	**59,317**

MAGIX AG, Berlin – Balance Sheet as of September 30, 2009

EQUITY AND LIABILITIES	kEUR	Sep 30, 2009 kEUR	Sep 30, 2008 kEUR
A. EQUITY			
I. Issued capital		12,662	12,662
II. Capital reserve		25,516	25,312
III. Revenue reserve			
1. Reserves for own shares	0		0
2. Other revenue reserves	126		126
		126	126
IV. Balance sheet profit		7,021	6,875
		45,325	**44,975**
B. SPECIAL RESERVE FOR BONUSES		**136**	**238**
C. PROVISIONS			
1. Provisions for taxes	749		226
2. Other provisions	8,530		7,547
		9,279	**7,773**
D. LIABILITIES			
1. Trade payables	840		769
2. Liabilities to affiliated companies	4,071		3,109
3. Other liabilities	1,104		2,453
thereof taxes kEUR 519 (Previous year: kEUR 661)			
		6,015	**6,331**
E. ACCRUALS AND DEFERRALS		**20**	**0**
		60,775	**59,317**

MAGIX AG, Berlin – Income Statement for the Financial Year from October 1, 2008 to September 30, 2009

	kEUR	2008/2009 kEUR	2007/2008 kEUR
1. Sales revenue	34,470		32,061
2. Costs of sales for generating the revenues	-8,364		-5,363
3. Gross profit		26,106	26,698
4. Selling expenses	-11,733		-11,819
5. Administrative expenses	-4,511		-3,914
6. Research and development costs	-7,355		-7,776
7. Other operational income	1,050		889
8. Other operational expenses	-216		-1,318
		-22,765	-23,938
9. Other interest and similar revenues thereof from affiliated companies kEUR 74 (Previous year: kEUR 171)	854		1,107
10. Write-downs on financial assets and securities from assets	0		-58
11. Interest and similar expenditures thereof to affiliated companies kEUR 84 (Previous year: kEUR 98)	-101		-116
		753	933
12. Results from regular business activity		**4,094**	**3,693**
13. Taxes on incom and profits	-1,228		-1,014
14. Other taxes	-52		-56
		-1,280	-1,070
15. Net income for the year		**2,814**	**2,623**
16. Profit carried forward		6,875	9,756
17. Reduction in assets due to retirement of shares		-2,668	-5,635
18. Withdrawal from reserves for own shares		0	131
19. Net profit for the period		**7,021**	**6,875**


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Glossary

B2B, B2C
B2B stands for Business to Business and indicates transactions between two companies. B2B is the opposite of Business to Consumer (B2C), which involves transactions with end customers.

Blog
Blog is the short form of weblog. This is a combination of the words web and log. A blog is a diary or a journal, where the user publishes his views or experiences related to a certain topic on the Internet.

Chat
Chat refers to electronic, normally text-based realtime communication via the Internet.

Codec
Codec is a word created from words “code” and “decode”. Codecs are programs for encoding and decoding data. A well-known example is the MP3 codec, which transforms audio signals into a compressed digital file.

Community
This short form is used to indicate Online Communities. These are associations of people, who met each other on an Internet platform and communicate with each other in various ways. In this way, new contacts are being made, creating social networks.

Customer Relation Management System
In order to use marketing measures to address customers in the most effective way possible, customer-specific information is compiled, analyzed and prepared in a customer relation management system.

G/A/S region
The G/A/S region refers to the territory of Germany, Austria and Switzerland.

Desktop publishing
Desktop publishing entails computer-assisted text and image setting to produce high-quality documents such as brochures, presentations, catalogs or books.

DVB-T stick
DVB-T stands for digital video broadcasting terrestrial and refers to earth-bound digital TV. A DVB-T stick enables TV reception via USB on a PC.

Mobile, mobile use
In this report, “mobile” refers to use of applications using a mobile telephone.

MP3 format, MP3 player
MP3 players are playback devices for digital music, stored mostly in the so-called MP3 format. This special file format was developed by Prof. Brandenburg at the Frauenhofer Institute IDMT. It removes the audio frequencies inaudible to the human ear, allowing a significant reduction in size.

MPEG7 standard
In contrast to MPEG1, MPEG2 and MPEG4, MPEG-7 is not an audio/video data compression standard. It is used to characterized multimedia files.

OEM
OEM stands for "Original Equipment Manufacturer". The abbreviation has established itself in the computer industry as a label for bundled distribution of hardware with an often limited version of a software package.

Offline, online
In this report, the terms online and offline serve to differentiate between a computer application with (online) and without (offline) and Internet connection.

Online desktop
An online desktop is a SaaS Internet service (see below), which offers the user all functions offered by the desktop of his home PC. By relocating applications as well as storing files on the Internet, the user becomes independent of his personal computer and can access his personal files using any Internet-enabled end device.

Software as a Service (SaaS)
SaaS refers to applications, which can be used directly over the Internet without first installing them on your computer. At this time, solutions exist for text editing or photo editing, which work exclusively over the Internet. The customer buys not a single program, but subscribes to a service.

USB
USB (Universal Serial Bus) is a system for connecting computers to external devices.

USB video converter
A USB video converter lets analog video sources like VHS cassettes be transferred to the computer. Analog video material is converted in realtime into digital video data and transferred to the computer.

USB pre-amp
In contrast to CD players, regular record players have no integrated preamp and cannot, therefore, be connected to the computer directly. A USB pre-amp alters the record player's signal in such a way, that it is transferred via USB to the computer, where it can be edited further.

Website
Website refers to the Internet presence or an Internet offering of one person or a company under one unified Internet address. The contents of various pages are brought together using a centralized navigation. Example: www.magix.com

White Label solution
White Label stands for an unprinted label.
It refers to a product, to which the customer can add his label and a customized layout.

Imprint & contact information

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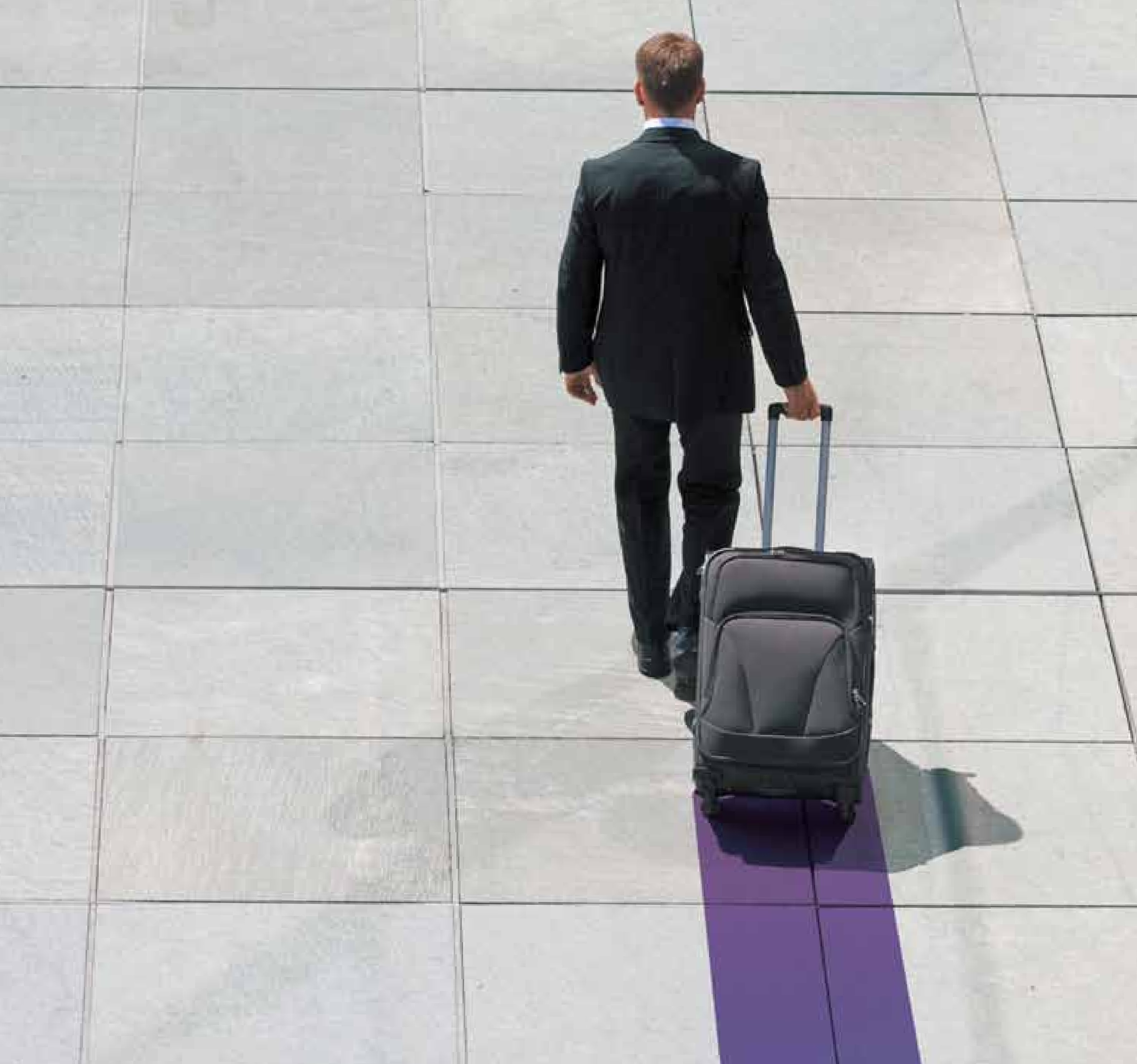

Financial Calendar

February 26, 2010
Release of the 1st Quarter Report

March 10, 2010
Shareholders' Meeting of MAGIX AG
Ludwig Erhard Haus,
Fasanenstraße 85, 10623 Berlin, Germany

May 28, 2010
Release of the 2nd Quarter Report

August 30, 2010
Release of the 3rd Quarter Report